

# CONGRATULATIONS

TO ALL THE AIRS OF CMA FROM MEPL



RISHAB OSTWAL  
AIR 01



POOJA CHHATWANI  
AIR 01



EDE NIKHIL KR. REDDY  
AIR 01



AYUSH SHEKHAR  
AIR 02



ROHINI J  
AIR 03



SUNAINA KHEMKA  
AIR 3



SOURAV THAPA  
AIR 05



RAKSHA CHHAJED  
AIR 6



DIMPLE AGARWAL  
AIR 08



VINAY KUMAR SINGH  
AIR 8



ZAINAB FAYAZ  
AIR 10



VIDYA BHARTI  
AIR 12



IJJWAL KR BISARIA  
AIR 12



BHASKAR SADHURAM  
AIR 13



BORRA MANOJ  
AIR 14



ANKITA CHHAPARIA  
AIR 16



VIDHI KHAITAN  
AIR 16



ZEESHAN AHMED  
AIR 19



AKJANA PATCHIGOLLA  
AIR 20



YEDANT SHARMA  
AIR 20



SUMAN AGARWAL  
AIR 21



AADIL IRFAN SHAIKH  
AIR 22



SUNITA GOEL  
AIR 22



HITESH KR RATHINAKAR BHAT  
AIR 23



BHASKAR SADHURAM  
AIR 23



GOURAV KUMAR  
AIR 23



KARAN GARG  
AIR 24



PALASH DAS  
AIR 24



UJAR KHAN  
AIR 25



NIDHI KUMARI  
AIR 27



PAWAN KUMAR  
AIR 27



NARAYAN BAJAJ  
AIR 28



AMIT KR. DIJA  
AIR 29



JIBENDRA SONTALIA  
AIR 30



PADMALAYA PATTANAYAK  
AIR 31



NIRAJ P DAVEY  
AIR 31



GOVARDHAN MADDINA  
AIR 32



DEBAPRIYA GHOSAL  
AIR 32



ISHITH AGARWAL  
AIR 32



ASHFAQUL HAIDER  
AIR 32



TERESA AGARWAL  
AIR 33



G LAKSHMI SAI  
AIR 36



SAWAN KUMAR  
AIR 38



V R S RAJU  
AIR 38



PRAGATI SINGH  
AIR 39



RAKESH SOMINENI  
AIR 39



GAYATHRI  
AIR 40



KHUSHBOO SINGHAL  
AIR 41



SURABHI CHAWLA  
AIR 41



KOBITA MOODAK  
AIR 42



NITESH KR AGARWAL  
AIR 43



PRIYA PRASAD  
AIR 44



SIYA PRASAD  
AIR 44



PRIYA PRASAD  
AIR 44



ANIKET SALGAONKAR  
AIR 45



RAHUL KUMAR SINGHAL  
AIR 46



NIKITA LAMBA  
AIR 47



ARIHANT JAIN  
AIR 47



NITHISH S  
AIR 48



RADHIKA JAISWAL  
AIR 48



GAYATHRI  
AIR 49

My Dear Students,

“Future” always is an outcome of hard-work and smart-work done in present. Every step, even a small one, taken today in quest of shaping future, ensures dawn of a successful era tomorrow.

We feel elated to present this guide “**Direct Taxes**”, which we firmly believe, would definitely enable every student to understand the concepts and rationale behind taxation and consequently aide in clearing your exams with flying colours.

This book would not have been a reality without unflinching support extended to me by my beloved “**FAMILY**”. My better-half **CA. Bhavik Thakkar** has indeed been a pillar of strength and has stood by me in every part of this journey – pleasant as well as challenging. Lots and lots of thanks to the apples of my eyes - my kids - **Vraj** and **Stuti** for unknowingly giving away their “MUMMA Time” and picking up their share of contribution in making this book see light of the day. My mother and father (**Neela and Vijay**) encouraged me and stood by me in every decision I had to make for completing this enormous task of book writing. My parents (**Saroj and Pramod**) will always be the reason of what I am today and aspire to be in future. **Sayali** and **Darshan** also have contributed in their own way to this successful venture. **Priyanka** always was and is there to give me strength and to keep me honest about my priorities.

Last but not the least I would like to profusely thank my team - **Neha, Abhishek, Vyankatesh** and **Aishwarya**, who were with me day and night, bore my idiosyncrasies that very creative person has and unassumingly aligned their own priorities with mine and made this book happen.

My dear students, success very often is fickle in nature and will choose its own time to visit you but your untiring and dedicated efforts should always be the best possible that you can put in” **TODAY AS WELL AS TOMORROW**” and that one attribute alone will compel success to embrace you.

We have tried our best to provide you with easy- breezy notes on tax to enhance your understanding of the subject. This book coupled with Material provided by Institute and your efforts, would definitely pave a way towards your success.

**All the very best to you!!!**

Every effort has been made to avoid errors and omissions in this publication. In spite of this, error may creep in. Any mistake/error/discrepancy may be brought to our notice which shall be taken care of in the next edition. It is notified that neither the publisher nor the author or seller will be responsible for any damage or loss of action to anyone of any kind, in any manner, therefrom.

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## TAX RATES- FINANCE ACT 2021

|                                                                           |          |      |
|---------------------------------------------------------------------------|----------|------|
| 1. Income from salaries.                                                  |          | XXXX |
| 2. Income from house property                                             |          | XXXX |
| 3. Profits and gains of business or profession                            |          | XXXX |
| 4. Capital gains                                                          |          | XXXX |
| 5. Income from other sources                                              |          | XXXX |
| <b>Total [(1)+(2)+(3)+(4)+(5)]</b>                                        |          | XXXX |
| <b>Less: Adjustment on account of set-off and carry forward or losses</b> |          | XXXX |
| <b>Gross Total Income</b>                                                 |          | XXXX |
| Less: Deduction u/s 80C to 80U                                            |          | XXXX |
| <b>Total income/ net income/ taxable income</b>                           |          | XXXX |
| <b>Computation of tax liability</b>                                       |          |      |
| <b>Tax on net income</b>                                                  | XXXX     |      |
| <b>Less-Rebate U/s 87A</b>                                                | XXXX     |      |
| <b>Tax</b>                                                                | XXXX     |      |
| <b>Add- surcharge</b>                                                     | XXXX     |      |
| <b>Tax and surcharge</b>                                                  | XXXX     |      |
| Less marginal relief (if any)                                             | XXXX     |      |
| <b>ADD-HEC</b>                                                            | XXXX     |      |
| <b>Tax</b>                                                                | XXXX     |      |
| <b>Less- Relief u/s 86/89</b>                                             | XXXX     |      |
| <b>Relief u/s 90</b>                                                      | XXXX     |      |
| <b>Relief u/s 90A</b>                                                     | XXXX     |      |
| <b>Relief u/s 91</b>                                                      | XXXX     |      |
| <b>Tax</b>                                                                | XXXX     |      |
| <b>Less – prepaid taxes</b>                                               |          |      |
| • Advances tax                                                            | XXXX     |      |
| • TDS                                                                     | XXXX     |      |
| • TCS                                                                     | XXXX     |      |
| <b>Tax payable or refund</b>                                              | + - XXXX |      |

# TAX RATES - FINANCE ACT 2021

## INDIVIDUAL

| Individual<br>(0-59 yrs) |       | Senior Citizen<br>(60-79 yrs) |       | Super Senior Citizen<br>(80 yrs or more) |       |
|--------------------------|-------|-------------------------------|-------|------------------------------------------|-------|
| Income -                 | Rate  | Income -                      | Rate  | Income -                                 | Rate  |
| 0 - 2,50,000             | = Nil | 0 - 3,00,000                  | = Nil | 0 - 5,00,000                             | = Nil |
| Next 2,50,000            | = 5%  | Next 2,00,000                 | = 5%  | Next 5,00,000                            | = 20% |
| Next 5,00,000            | = 20% | Next 5,00,000                 | = 20% | Balance                                  | = 30% |
| Balance                  | = 30% | Balance                       | = 30% |                                          |       |

|                                                                           |         |      |
|---------------------------------------------------------------------------|---------|------|
| 1. Income from salaries.                                                  |         | XXXX |
| 2. Income from house property                                             |         | XXXX |
| 3. Profits and gains of business or profession                            |         | XXXX |
| 4. Capital gains                                                          |         | XXXX |
| 5. Income from other sources                                              |         | XXXX |
| Total [(1)+(2)+(3)+(4)+(5)]                                               |         | XXXX |
| <b>Less:</b> Adjustment on account of set-off and carry forward or losses |         | XXXX |
| <b>Gross Total Income</b>                                                 |         | XXXX |
| Less: Deduction u/s 80C to 80U                                            |         | XXXX |
| Total income/ net income/ taxable income                                  |         | XXXX |
| <b>Computation of tax liability</b>                                       |         |      |
| Tax on net income                                                         | XXXX    |      |
| <b>Less-Rebate U/s 87A</b>                                                | XXXX    |      |
| Tax                                                                       | XXXX    |      |
| <b>Add- surcharge</b>                                                     | XXXX    |      |
| Tax and surcharge                                                         | XXXX    |      |
| Less marginal relief (if any)                                             | XXXX    |      |
| <b>ADD-HEC</b>                                                            | XXXX    |      |
| Tax                                                                       | XXXX    |      |
| <b>Less- Relief u/s 86/89</b>                                             | XXXX    |      |
| <b>Relief u/s 90</b>                                                      | XXXX    |      |
| <b>Relief u/s 90A</b>                                                     | XXXX    |      |
| <b>Relief u/s 91</b>                                                      | XXXX    |      |
| Tax                                                                       | XXXX    |      |
| <b>Less – prepaid taxes</b>                                               |         |      |
| • Advances tax                                                            | XXXX    |      |
| • TDS                                                                     | XXXX    |      |
| • TCS                                                                     | XXXX    |      |
| <b>Tax payable or refund</b>                                              | +- XXXX |      |

## TAX RATES - FINANCE ACT 2021

### REBATE – 87A

Income tax rebate shall be provided to the persons who fall under the lower income tax slab if following conditions are satisfied:

1. Allowed to Individual only ( Resident in India).
2. Total income doesn't exceed Rs. 5,00,000.
3. 100% Income Tax payable or Rs. 12,500 (whichever is less).

1) Resident Individual ✓

2) max. Income = Rs. 5L ✓

Rebate = Tax Liability  
Rs. 12,500 ↓

|                                                                    |         |      |
|--------------------------------------------------------------------|---------|------|
| 1. Income from salaries.                                           |         | XXXX |
| 2. Income from house property                                      |         | XXXX |
| 3. Profits and gains of business or profession                     |         | XXXX |
| 4. Capital gains                                                   |         | XXXX |
| 5. Income from other sources                                       |         | XXXX |
| Total [(1)+(2)+(3)+(4)+(5)]                                        |         | XXXX |
| Less: Adjustment on account of set-off and carry forward or losses |         | XXXX |
| <b>Gross Total Income</b>                                          |         | XXXX |
| Less: Deduction u/s 80C to 80U                                     |         | XXXX |
| Total income/ net income/ taxable income                           |         | XXXX |
| <b>Computation of tax liability</b>                                |         |      |
| Tax on net income                                                  | XXXX    |      |
| Less-Rebate U/s 87A                                                | XXXX    |      |
| Tax                                                                | XXXX    |      |
| <b>Add- surcharge</b>                                              | XXXX    |      |
| <b>Tax and surcharge</b>                                           | XXXX    |      |
| Less marginal relief (if any)                                      | XXXX    |      |
| <b>ADD-HEC</b>                                                     | XXXX    |      |
| Tax                                                                | XXXX    |      |
| Less- Relief u/s 86/89                                             | XXXX    |      |
| Relief u/s 90                                                      | XXXX    |      |
| Relief u/s 90A                                                     | XXXX    |      |
| Relief u/s 91                                                      | XXXX    |      |
| Tax                                                                | XXXX    |      |
| Less – prepaid taxes                                               |         |      |
| • Advances tax                                                     | XXXX    |      |
| • TDS                                                              | XXXX    |      |
| • TCS                                                              | XXXX    |      |
| <b>Tax payable or refund</b>                                       | +- XXXX |      |



# TAX RATES - FINANCE ACT 2021

## SURCHARGE

| Income                                           | % of surcharge |
|--------------------------------------------------|----------------|
| Up to 50L                                        | 0%             |
| 50L < X ≤ 1 Cr                                   | 10%            |
| 1 Cr. X ≤ 2 Cr                                   | 15%            |
| 2Cr. X ≤ 5 Cr                                    | 25%            |
| 5 Cr. X ≤ 10 Cr                                  | 37%            |
| X > 10Cr                                         | 37%            |
| Dividend / LTCG / LTCG For FIIs / STCG - Max 15% |                |

**Enhanced  
Surcharge**

# TAX RATES - FINANCE ACT 2021

**STEPS FOR CALCULATING MARGINAL RELIEF**

- 1) Tax on Actual Income + Surcharge 1,10,00,000
- 2) Tax on Benchmark Income + Surcharge 1,00,00,000
- 3) ↑ in Tax
- 4) ↑ in Income 10,00,000
- 5) ↑ in Tax > ↑ in income

Yes  
↓  
MR

No  
↓  
~~MR~~  
Tax as per step 1

|                                                                    |          |      |
|--------------------------------------------------------------------|----------|------|
| 1. Income from salaries.                                           |          | XXXX |
| 2. Income from house property                                      |          | XXXX |
| 3. Profits and gains of business or profession                     |          | XXXX |
| 4. Capital gains                                                   |          | XXXX |
| 5. Income from other sources                                       |          | XXXX |
| Total [(1)+(2)+(3)+(4)+(5)]                                        |          | XXXX |
| Less: Adjustment on account of set-off and carry forward or losses |          | XXXX |
| <b>Gross Total Income</b>                                          |          | XXXX |
| Less: Deduction u/s 80C to 80U                                     |          | XXXX |
| Total income/ net income/ taxable income                           |          | XXXX |
| <b>Computation of tax liability</b>                                |          |      |
| Tax on net income                                                  | XXXX     |      |
| Less-Rebate U/s 87A                                                | XXXX     |      |
| Tax                                                                | XXXX     |      |
| <b>Add- surcharge</b>                                              | XXXX     |      |
| Tax and surcharge                                                  | XXXX     |      |
| Less marginal relief (if any)                                      | XXXX     |      |
| <b>ADD-HEC</b>                                                     | XXXX     |      |
| Tax                                                                | XXXX     |      |
| Less- Relief u/s 86/89                                             | XXXX     |      |
| <b>Relief u/s 90</b>                                               | XXXX     |      |
| <b>Relief u/s 90A</b>                                              | XXXX     |      |
| <b>Relief u/s 91</b>                                               | XXXX     |      |
| Tax                                                                | XXXX     |      |
| Less – prepaid taxes                                               |          |      |
| • Advances tax                                                     | XXXX     |      |
| • TDS                                                              | XXXX     |      |
| • TCS                                                              | XXXX     |      |
| <b>Tax payable or refund</b>                                       | +/- XXXX |      |

## TAX RATES - FINANCE ACT 2021

**Health and Education Cess -**

**@ 4% of (Tax + SC)**



## TAX RATES - FINANCE ACT 2021

### IN CASE OF HUF / AOP / AJP

| Income                           | Tax Rates                       |
|----------------------------------|---------------------------------|
| Rs. 0 to 2.5 Lakh                | 0 %      Slab 1                 |
| Rs. 2.5 Lakh to 5 Lakh           | 5 %                             |
| Rs. 5 Lakh to 10 Lakh            | 20 %                            |
| Higher than 10 Lakh              | 30 %                            |
| Tax on Income                    | XXX ( Slab 1)                   |
| (-) Rebate                       | Nil (Not Applicable)            |
| (+) Surcharge                    | XXX<br>XXX (Same as Individual) |
| (-) MR                           | XXX<br>XXX (Same as Individual) |
| (+) Health & Education cess @ 4% | XXX<br>XXX                      |
| Tax Liability                    | XXX                             |

# TAX RATES - FINANCE ACT 2021

**OPTION 2: Tax on income of INDIVIDUALS AND HINDU UNDIVIDED FAMILY: Sec 115BAC**

Normal Tax  
Deductions / Rebates ✓  
↑ Tax

Optional scheme  
X Deduction / Rebates  
↓ Tax

115BAC(1) Notwithstanding anything contained in this Act but subject to the provisions of this Chapter, the income-tax payable in respect of the total income of a person, being an individual or a Hindu undivided family, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2021, shall, at the option of such person, be computed at the rate of tax given in the following Table, if the conditions contained in sub-section (2) are satisfied, namely:—

| Sl. No.<br>(1) | Total income<br>(2)               | Rate of tax<br>(3) |
|----------------|-----------------------------------|--------------------|
| 1.             | Upto Rs.2,50,000                  | Nil                |
| 2.             | From Rs.2,50,001 to Rs.5,00,000   | 5 per cent         |
| 3.             | From Rs.5,00,001 to Rs.7,50,000   | 10 per cent        |
| 4.             | From Rs.7,50,001 to Rs.10,00,000  | 15 per cent        |
| 5.             | From Rs.10,00,001 to Rs.12,50,000 | 20 per cent        |
| 6.             | From Rs.12,50,001 to Rs.15,00,000 | 30 per cent:       |
| 7.             | More than Rs.15,00,000            | 25 per cent        |

## TAX RATES - FINANCE ACT 2021

| Option to Claim |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Has - Business or Profession                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | No –Business or Profession                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 1.              | <p>Option must be exercised before the due date or return for the PY from which Sec 115BAC is to be adopted the option once exercised cannot be withdrawn unless</p> <ul style="list-style-type: none"> <li>It is <b>cancelled</b> if any deduction is claimed in violation of Sec 115BAC(2) in such a case the assessee will loss the benefit of Sec 115BAC for that And any subsequent year[Sec 115BAC(5)(i)]</li> <li>the option can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible for Sec 115BAC - except where the Ind/HUF ceases to have business or profession then Sec 115BAC can be claimed u/s 115BAC(5)(ii)</li> </ul> | <p>Option must be exercised before the due date or return for the PY from which Sec 115BAC is to be adopted.</p> <p>The option shall be exercised for every previous year where the individual or the HUF has no business income,</p> <ul style="list-style-type: none"> <li>where for any year the Individual or HUF violates the provision of Sec 115BAC(2) ie.claims any of the forbidden deductions/losses then the provisions of Sec 115BAC will become ineffective and will not apply for that previous year [Sec115BAC(5)(ii)]</li> </ul> |

## TAX RATES - FINANCE ACT 2021

### Sec 115BAC (2) For The Purposes Of Sub-Section (1), The Total Income Of The Individual Or Hindu Undivided Family Shall Be Computed Without Deduction For The Following

|                   |                                         |
|-------------------|-----------------------------------------|
| Sec 10(13A)(5) or | No exemptions for HRA or LTC exemptions |
| Sec 10(14) or     | No exemptions for allowance exemptions  |

As many allowances have been provided through notification of rules, it is proposed to carry out amendment of the Income tax Rules, 1962 (the Rules) subsequently, so as to allow only following allowances notified under section 10(14) of the Act to the individual or HUF exercising option under the proposed section:

- Transport Allowance granted to a handicapped employee to meet expenditure for the purpose of commuting between place of residence and place of duty
- Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;
- Any Allowance granted to meet the cost of travel on tour or on transfer
- Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.

It is also proposed to amend rule 3 of the Rules subsequently, so as to remove exemption in respect of free food and beverage through vouchers provided to the employee, being the person exercising option under the proposed section by the employer.

|                                              |                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sec 10(17)                                   | No exemption for Allowances to MPs/MLAs                                                                                                                                                                                                                                                                                                      |
| Sec 10(32)                                   | No exemption of 1,500 for a minor                                                                                                                                                                                                                                                                                                            |
| Sec 16                                       | No Standard deduction or deduction for Entertainment allowance or for Professional Tax                                                                                                                                                                                                                                                       |
| Sec 24(b) for property referred to u/s 23(2) | <ul style="list-style-type: none"> <li>• Interest under section 24 in respect of self-occupied or deemed self-occupied</li> <li>• Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and</li> <li>• Would be allowed to be carried forward as per extant law</li> </ul> |



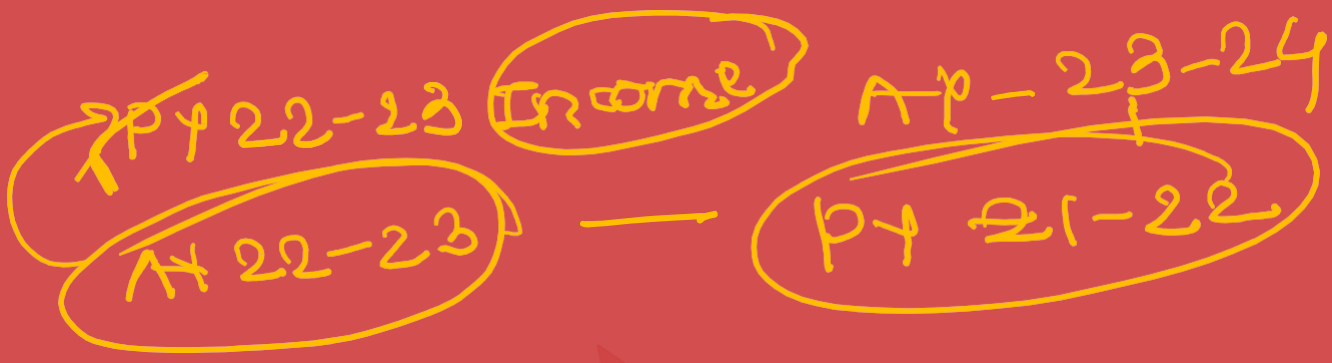
# TAX RATES - FINANCE ACT 2021

|                          | Option 1                                                                                                                        | Option 2: Sec 115BAC                                                                                                                                                                                                                                                                                                                                                                                                          |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----|------------------------|----|------------------------|-----|-------------------------|-----|--------------------------|-----|--------------------------|-----|---------------------|-----|
| Applicability            | Every Person<br>(Individual, HUF, Firm/LLP, AJP, Company)                                                                       | Individual & HUF                                                                                                                                                                                                                                                                                                                                                                                                              |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Income                   | Total Income<br>(-) Deductions ✓<br>(-) Exemptions ✓<br>XXX                                                                     | Total Income<br>(-) Deductions ✗<br>(-) Exemptions ✗<br>(-) Deduction under section 80CCD(2)<br>(-) Deduction under section 80 JJA<br>XXX                                                                                                                                                                                                                                                                                     |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Rates of Tax             | Individual (R) – Slab 1/2/3 Age<br>Individual (NR)- Slab 1<br>HUF/AOP/BOI/AJP – Slab 1<br>Firm/Co./ LA – Flat Rates             | <table border="1"> <tr> <td>Rs. 0 to 2.5Lakh</td> <td>0%</td> </tr> <tr> <td>Rs. 2.5 Lakh to 5 Lakh</td> <td>5%</td> </tr> <tr> <td>Rs. 5 Lakh to 7.5 Lakh</td> <td>10%</td> </tr> <tr> <td>Rs. 7.5 Lakh to 10 Lakh</td> <td>15%</td> </tr> <tr> <td>Rs. 10 Lakh to 12.5 Lakh</td> <td>20%</td> </tr> <tr> <td>Rs. 12.5 Lakh to 15 Lakh</td> <td>25%</td> </tr> <tr> <td>Higher than 15 Lakh</td> <td>30%</td> </tr> </table> | Rs. 0 to 2.5Lakh | 0% | Rs. 2.5 Lakh to 5 Lakh | 5% | Rs. 5 Lakh to 7.5 Lakh | 10% | Rs. 7.5 Lakh to 10 Lakh | 15% | Rs. 10 Lakh to 12.5 Lakh | 20% | Rs. 12.5 Lakh to 15 Lakh | 25% | Higher than 15 Lakh | 30% |
| Rs. 0 to 2.5Lakh         | 0%                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                               |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Rs. 2.5 Lakh to 5 Lakh   | 5%                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                               |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Rs. 5 Lakh to 7.5 Lakh   | 10%                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                               |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Rs. 7.5 Lakh to 10 Lakh  | 15%                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                               |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Rs. 10 Lakh to 12.5 Lakh | 20%                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                               |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Rs. 12.5 Lakh to 15 Lakh | 25%                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                               |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Higher than 15 Lakh      | 30%                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                               |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Rebate                   | Resident Income < Rs. 5 Lakh<br>Actual tax<br>Rs. 12,500 ↓                                                                      | Same as above                                                                                                                                                                                                                                                                                                                                                                                                                 |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Surcharge                | Rs. 0 to 50 Lakh = 0%<br>Rs. 50 Lakh to 1 Cr = 10%<br>Rs. 1 Cr to 2 Cr = 15%<br>Rs. 2 Cr to 5 Cr = 25%<br>Above Rs. 50 Cr = 37% | Same as above<br>Maximum 15%<br>STCG u/s 111A<br>LTCG<br>Dividend income u/s 115AD                                                                                                                                                                                                                                                                                                                                            |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| MR                       | 4 Step                                                                                                                          | Same                                                                                                                                                                                                                                                                                                                                                                                                                          |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |
| Cess                     | 4%                                                                                                                              | 4%                                                                                                                                                                                                                                                                                                                                                                                                                            |                  |    |                        |    |                        |     |                         |     |                          |     |                          |     |                     |     |

# TAX RATES - FINANCE ACT 2021

AY - 23-24  
Tax

PY - 22-23  
Income



PY 20-21  
MEPL  
CLASSES

## TAX RATES - FINANCE ACT 2021

| Taxability in case of Domestic Company               |                                                                                                                                                                                                                                                                                       |          |             |                                                 |      |                                                      |      |          |      |  |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------|-------------------------------------------------|------|------------------------------------------------------|------|----------|------|--|
| <b>Tax on Total Income</b>                           |                                                                                                                                                                                                                                                                                       | XXX      |             |                                                 |      |                                                      |      |          |      |  |
|                                                      | <table border="1"> <thead> <tr> <th>Turnover</th> <th>% of tax</th> </tr> </thead> <tbody> <tr> <td>a. Turnover during P.Y. 2020-21 upto Rs. 400 Cr</td> <td>25 %</td> </tr> <tr> <td>b. Turnover during P.Y. 2020-21 more than Rs. 400 Cr</td> <td>30 %</td> </tr> </tbody> </table> | Turnover | % of tax    | a. Turnover during P.Y. 2020-21 upto Rs. 400 Cr | 25 % | b. Turnover during P.Y. 2020-21 more than Rs. 400 Cr | 30 % |          |      |  |
| Turnover                                             | % of tax                                                                                                                                                                                                                                                                              |          |             |                                                 |      |                                                      |      |          |      |  |
| a. Turnover during P.Y. 2020-21 upto Rs. 400 Cr      | 25 %                                                                                                                                                                                                                                                                                  |          |             |                                                 |      |                                                      |      |          |      |  |
| b. Turnover during P.Y. 2020-21 more than Rs. 400 Cr | 30 %                                                                                                                                                                                                                                                                                  |          |             |                                                 |      |                                                      |      |          |      |  |
| <b>(-) Rebate</b> <b>Not Applicable</b>              |                                                                                                                                                                                                                                                                                       | N/A      |             |                                                 |      |                                                      |      |          |      |  |
| <b>Tax</b>                                           |                                                                                                                                                                                                                                                                                       |          |             |                                                 |      |                                                      |      |          |      |  |
| (+) Surcharge                                        |                                                                                                                                                                                                                                                                                       |          |             |                                                 |      |                                                      |      |          |      |  |
|                                                      | <table border="1"> <thead> <tr> <th>Income</th> <th>% surcharge</th> </tr> </thead> <tbody> <tr> <td>Upto 1 Cr.</td> <td>0 %</td> </tr> <tr> <td>1 Cr. – 10 Cr.</td> <td>7 %</td> </tr> <tr> <td>&gt; 10 Cr.</td> <td>12 %</td> </tr> </tbody> </table>                               | Income   | % surcharge | Upto 1 Cr.                                      | 0 %  | 1 Cr. – 10 Cr.                                       | 7 %  | > 10 Cr. | 12 % |  |
| Income                                               | % surcharge                                                                                                                                                                                                                                                                           |          |             |                                                 |      |                                                      |      |          |      |  |
| Upto 1 Cr.                                           | 0 %                                                                                                                                                                                                                                                                                   |          |             |                                                 |      |                                                      |      |          |      |  |
| 1 Cr. – 10 Cr.                                       | 7 %                                                                                                                                                                                                                                                                                   |          |             |                                                 |      |                                                      |      |          |      |  |
| > 10 Cr.                                             | 12 %                                                                                                                                                                                                                                                                                  |          |             |                                                 |      |                                                      |      |          |      |  |
| <b>Tax + Surcharge</b>                               |                                                                                                                                                                                                                                                                                       |          |             |                                                 |      |                                                      |      |          |      |  |
| (-) Marginal Relief                                  |                                                                                                                                                                                                                                                                                       | XXX      |             |                                                 |      |                                                      |      |          |      |  |
| <b>Tax</b>                                           |                                                                                                                                                                                                                                                                                       | XXX      |             |                                                 |      |                                                      |      |          |      |  |
| (+) H & E Cess @ 4 %                                 |                                                                                                                                                                                                                                                                                       | XXX      |             |                                                 |      |                                                      |      |          |      |  |

# TAX RATES - FINANCE ACT 2021

## Special Tax Rates

### 115 BAA

### 115 BAB

|                         |                                  |
|-------------------------|----------------------------------|
| <b>Conditions :</b>     | <del>Benefits</del> + Conditions |
| <b>Tax Rate :</b>       | 22 %                             |
| <b>Surcharge :</b>      | Flat 10 %                        |
| <b>Cess :</b>           | 4 %                              |
| <b>Effective Rate :</b> | 25.168 %                         |

|  |                           |
|--|---------------------------|
|  | New manufacturing company |
|  | 15 %                      |
|  | Flat 10 %                 |
|  | 4 %                       |
|  | 17.16 %                   |

## TAX RATES - FINANCE ACT 2021

| <b>Taxability in case of Foreign Company</b>                                    |             |     |
|---------------------------------------------------------------------------------|-------------|-----|
| <b>Tax on Total Income</b>                                                      |             | XXX |
| Turnover                                                                        | % of tax    |     |
| a. Turnover during P.Y. 2020-21 upto Rs. 400 Cr                                 | 50 %        |     |
| b. Turnover during P.Y. 2020-21 more than Rs. 400 Cr                            | 40 %        |     |
| <b>(-) Rebate</b> <span style="background-color: yellow;">Not Applicable</span> |             | N/A |
| <b>Tax</b>                                                                      |             |     |
| (+) Surcharge                                                                   |             |     |
| Income                                                                          | % surcharge |     |
| Upto 1 Cr.                                                                      | 0 %         |     |
| 1 Cr. – 10 Cr.                                                                  | 2 %         |     |
| > 10 Cr.                                                                        | 5 %         |     |
| <b>Tax + Surcharge</b>                                                          |             |     |
| (-) Marginal Relief                                                             |             | XXX |
| <b>Tax</b>                                                                      |             | XXX |
| (+) H & E Cess @ 4 %                                                            |             | XXX |

## TAX RATES - FINANCE ACT 2021

| Taxability in case of Partnership firm / LLP/ LA |                                                                                                                                                                                                      |            |             |           |     |        |      |  |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------|-----------|-----|--------|------|--|
| <b>Tax on Total Income – FLAT 30%</b>            |                                                                                                                                                                                                      | XXX        |             |           |     |        |      |  |
| (-) Rebate <b>Not Applicable</b>                 |                                                                                                                                                                                                      | N/A        |             |           |     |        |      |  |
| <b>Tax</b><br>(+) Surcharge                      |                                                                                                                                                                                                      |            |             |           |     |        |      |  |
|                                                  | <table border="1"> <thead> <tr> <th>Income</th> <th>% surcharge</th> </tr> </thead> <tbody> <tr> <td>0 - 1 Cr.</td> <td>0 %</td> </tr> <tr> <td>&gt; 1Cr.</td> <td>12 %</td> </tr> </tbody> </table> | Income     | % surcharge | 0 - 1 Cr. | 0 % | > 1Cr. | 12 % |  |
| Income                                           | % surcharge                                                                                                                                                                                          |            |             |           |     |        |      |  |
| 0 - 1 Cr.                                        | 0 %                                                                                                                                                                                                  |            |             |           |     |        |      |  |
| > 1Cr.                                           | 12 %                                                                                                                                                                                                 |            |             |           |     |        |      |  |
| <b>Tax + Surcharge</b><br>(-) Marginal Relief    |                                                                                                                                                                                                      | XXX        |             |           |     |        |      |  |
| <b>Tax</b><br>(+) H & E Cess @ 4 %               |                                                                                                                                                                                                      | XXX<br>XXX |             |           |     |        |      |  |

# TAX RATES - FINANCE ACT 2021

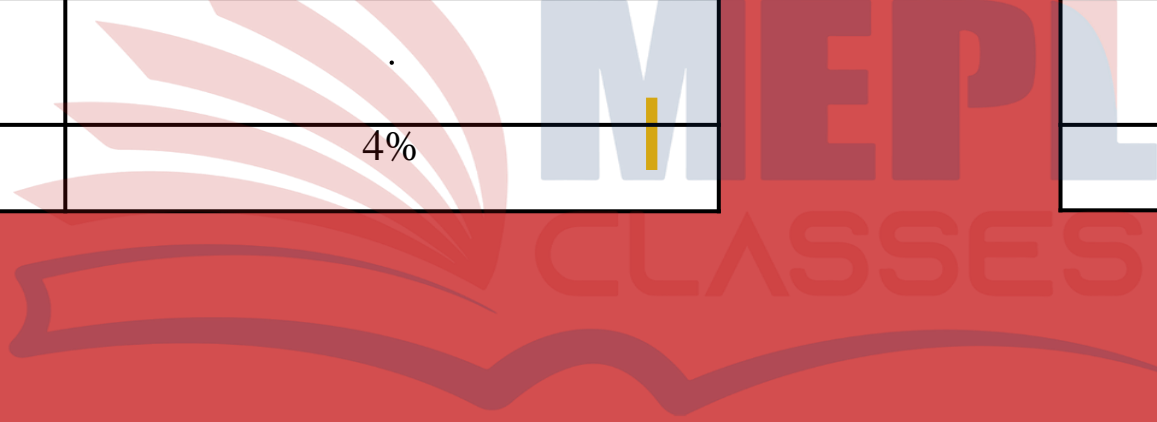
## Co-operative Society

### Option 1

|                          |                                                                              |
|--------------------------|------------------------------------------------------------------------------|
| <b>Tax Rate :</b>        | Upto Rs. 10,000 = 10%<br>Rs. 10,000 – Rs. 20,000 = 20%<br>> Rs. 20,000 = 30% |
| <b>Surcharge :</b>       | Upto Rs. 1 Cr. = 0 %<br>> 1 Cr. = 12%                                        |
| <b>Marginal Relief :</b> | .                                                                            |
| <b>Cess:</b>             | 4%                                                                           |

### Option 2 115 BAD

|                            |
|----------------------------|
| Flat = 22%<br>(Conditions) |
| Flat 10 %                  |
| <b>X</b>                   |
| 4%                         |



# RESIDENTIAL STATUS

|             |                                                         |
|-------------|---------------------------------------------------------|
| Section 5   | Scope of Total Income                                   |
| Section 6   | Determination of Residential status                     |
| Section 7   | Incomes deemed to be received in India                  |
| Section 8   | Previous year in which dividend income shall be taxable |
| Section 9   | Incomes deemed to accrue or arise in India              |
| <b>R</b>    | <b>Resident</b>                                         |
| <b>NR</b>   | Non- Resident                                           |
| <b>OR</b>   | Ordinary Resident                                       |
| <b>ROR</b>  | Resident and Ordinary Resident                          |
| <b>RNOR</b> | Resident but Not Ordinary Resident                      |
| <b>IC</b>   | Indian Citizen                                          |

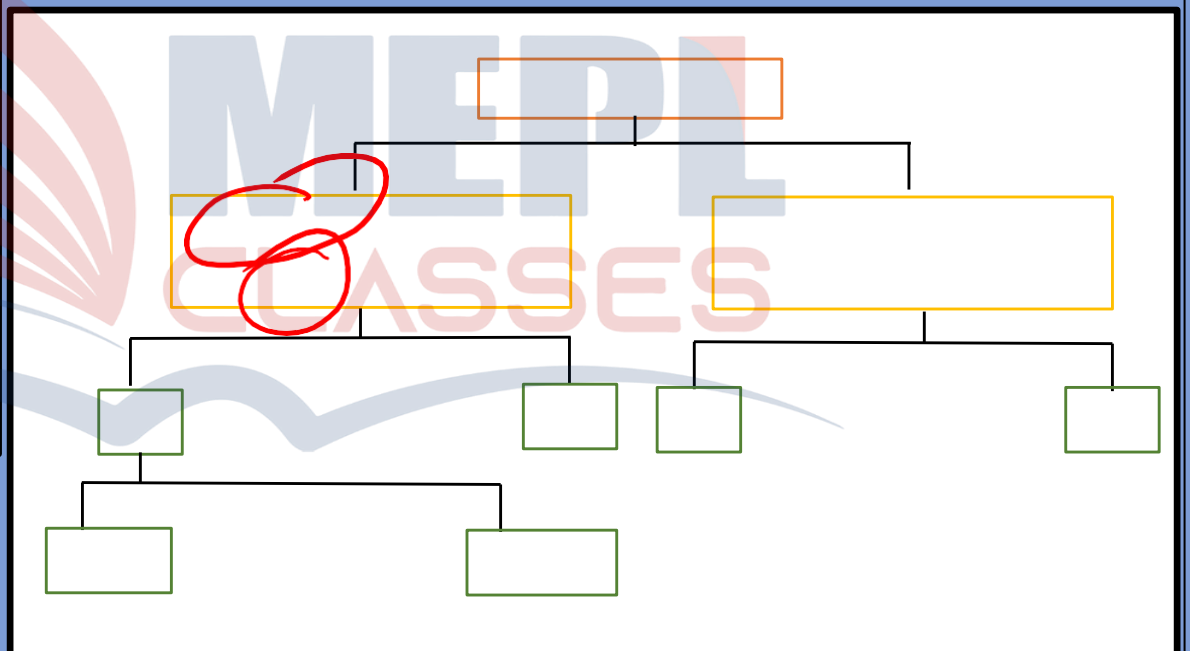
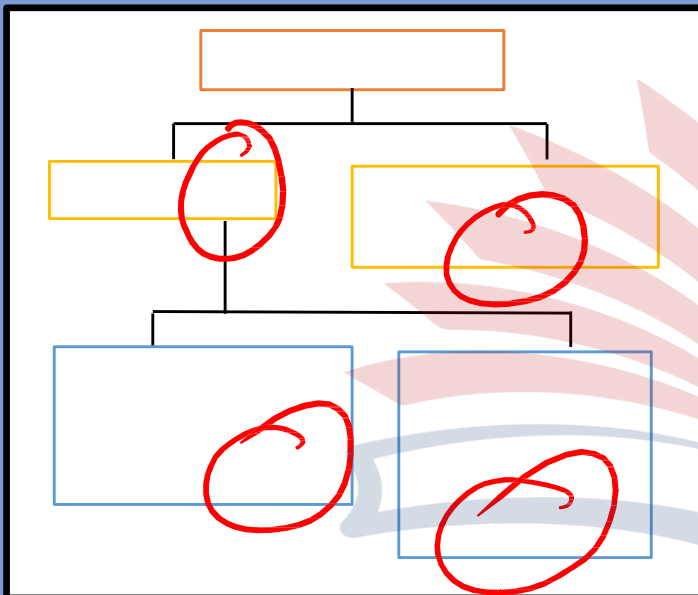
## Determination of Residential Status (Section 6):

### *Why to determine Residential Status?*

*Under Income tax law, the residential status of every person is needed for several purposes –*

- 1) *for ascertaining Scope of Total income,*
- 2) *for allowability or non-allowability of several exemptions, deductions, rebates and reliefs,*
- 3) *for determining applicable tax rates,*
- 4) *for applicability of TDS / TCS provisions.*

*While computing stay in India, the day of arrival and day of departure to be considered as stay in India (If exact time of same not known)*

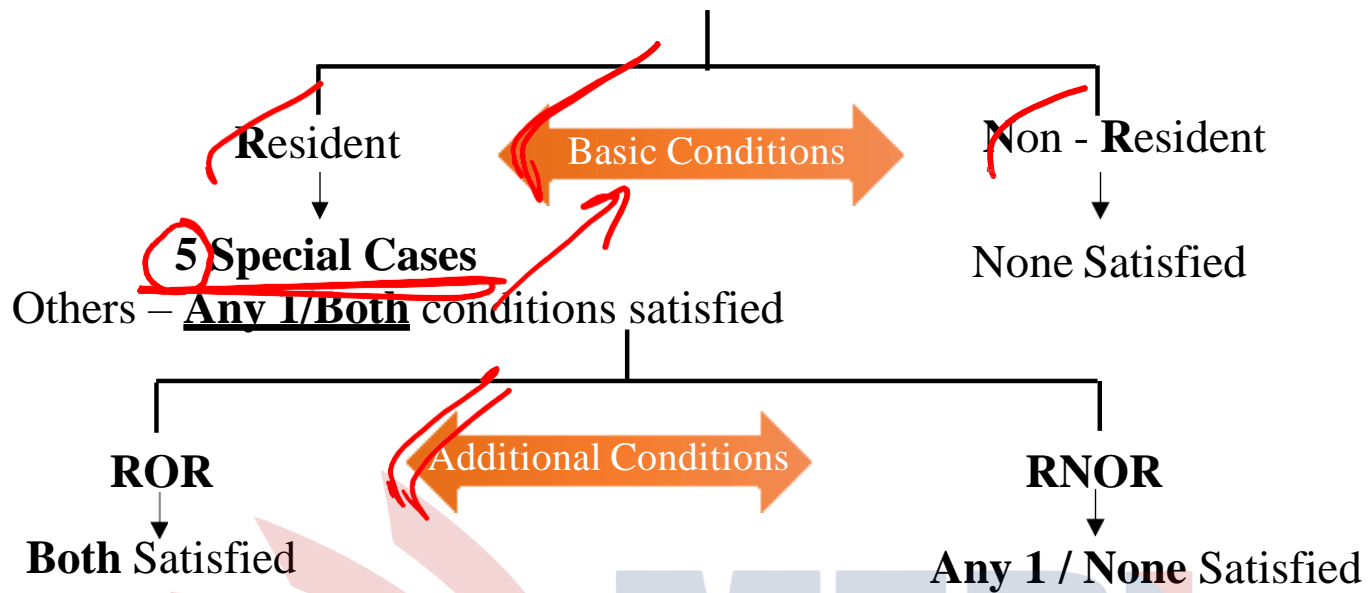




# RESIDENTIAL STATUS

## Residential Status in case of Individuals:

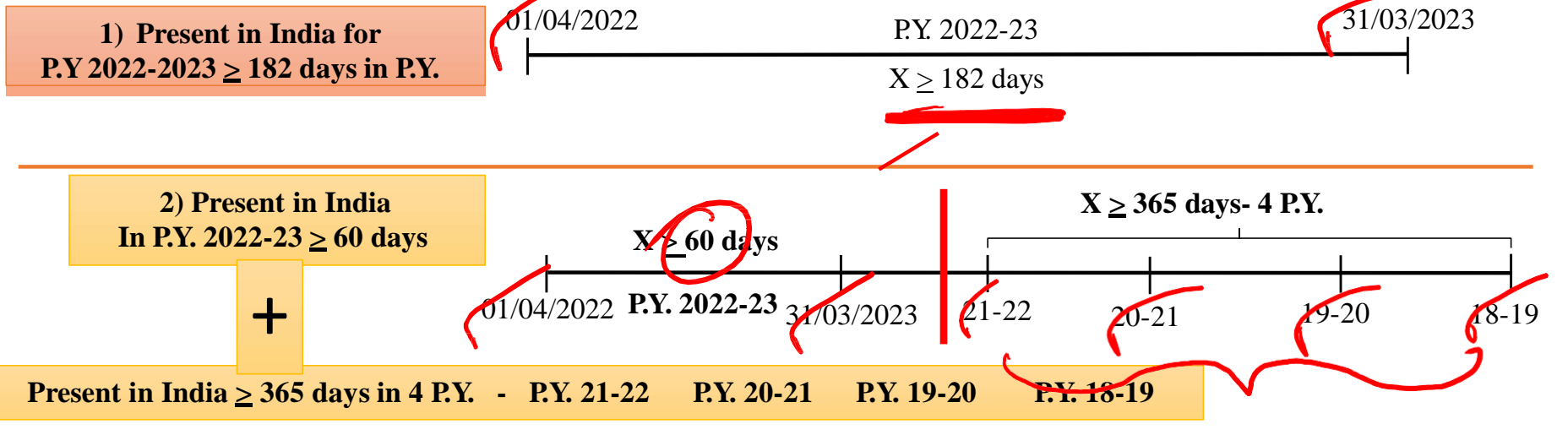
[Section 6(1)]



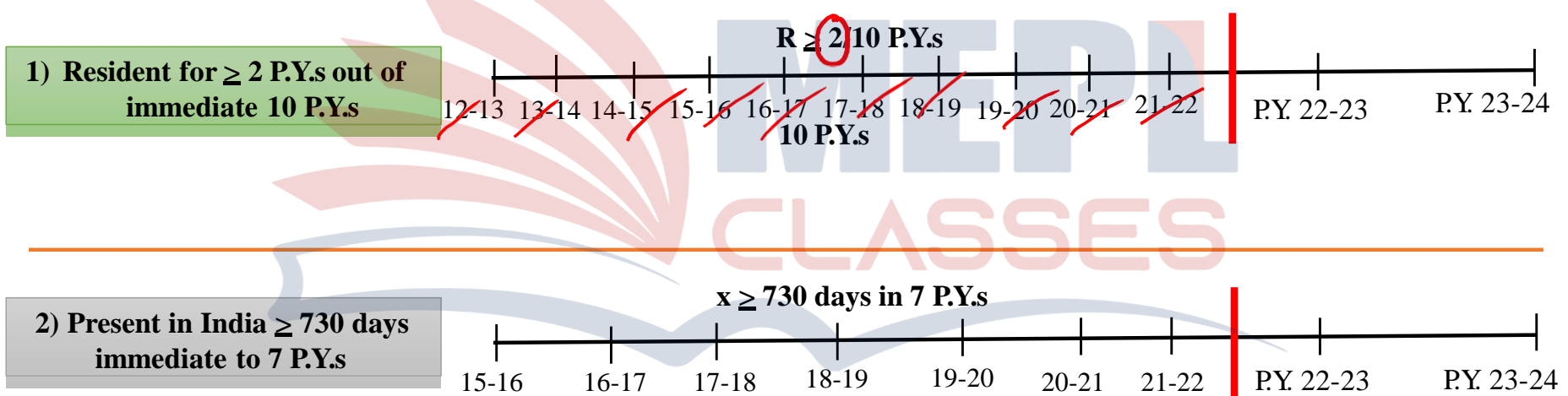
- 1) Period of Stay may not be continuous.
- 2) Date of departure & arrival both shall be considered for stay in India.

# RESIDENTIAL STATUS

## BASIC CONDITIONS:



## ADDITIONAL CONDITIONS:



# RESIDENTIAL STATUS

## 5 SPECIAL CASES:

CASE 1, 2, 3 – Only 1<sup>st</sup> Basic Condition applicable

### Case 1:

For employment outside India (Permanently)

Leaving India during P.Y.

1. Indian Citizen for employment



### Case 2:

Date of joining & discharge = Stay Outside India

Sea – voyage during P.Y.

2. Indian Citizen as ship crew



### Case 3:

Indian Citizen/ Person of Indian Origin residing outside India + Indian Income  $\leq$  15L

Comes to India during P.Y.

3. Any Purpose

### Case 4:

Section 6(1A) Deemed Resident = RNOR

✓ PIO\* – 6(1A)

✓ IC – 6(1A) Income other than foreign sources > Rs.15L + Such income not liable to tax in other country = Section 6 (1A) = RNOR

# RESIDENTIAL STATUS

## Case 5:

- 1<sup>st</sup> Basic Condition Applicable.
- 2<sup>nd</sup> Basic Condition : ~~60~~ days 120 days

IC / PIO\* residing outside India  
 +  
 Income other than foreign sources >15L

*+ Taxed in other country*

Comes to India during P.Y.

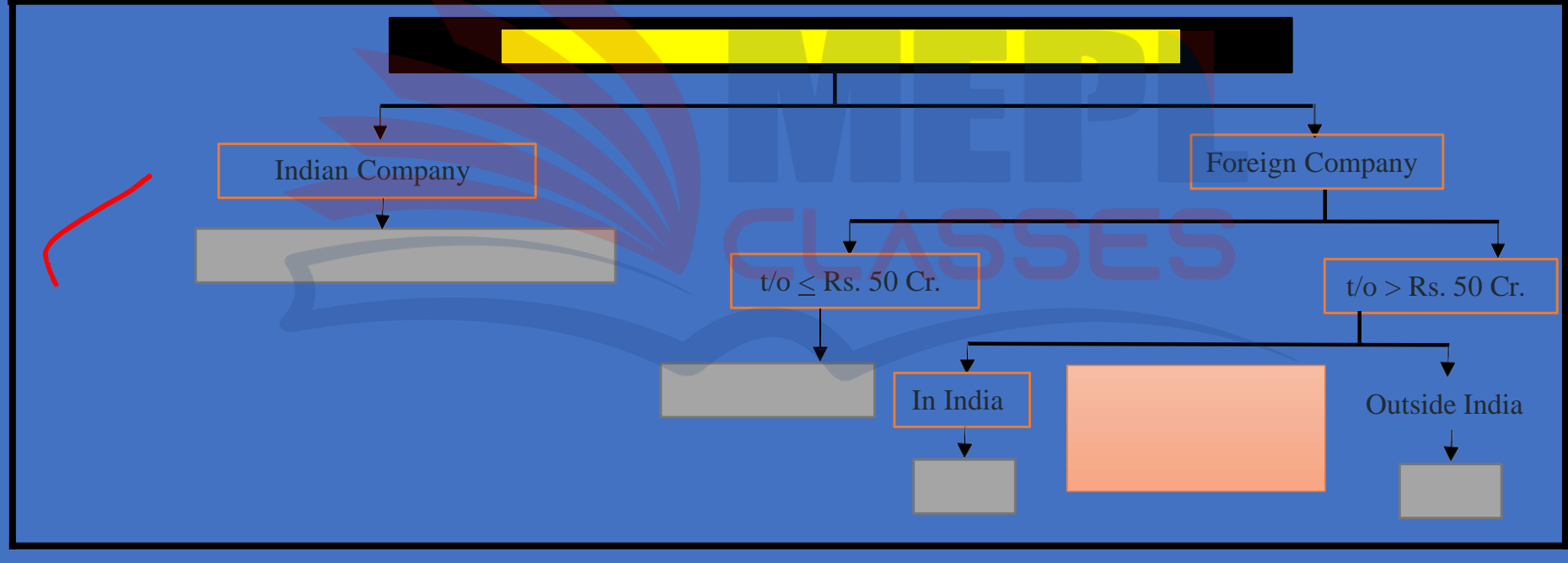
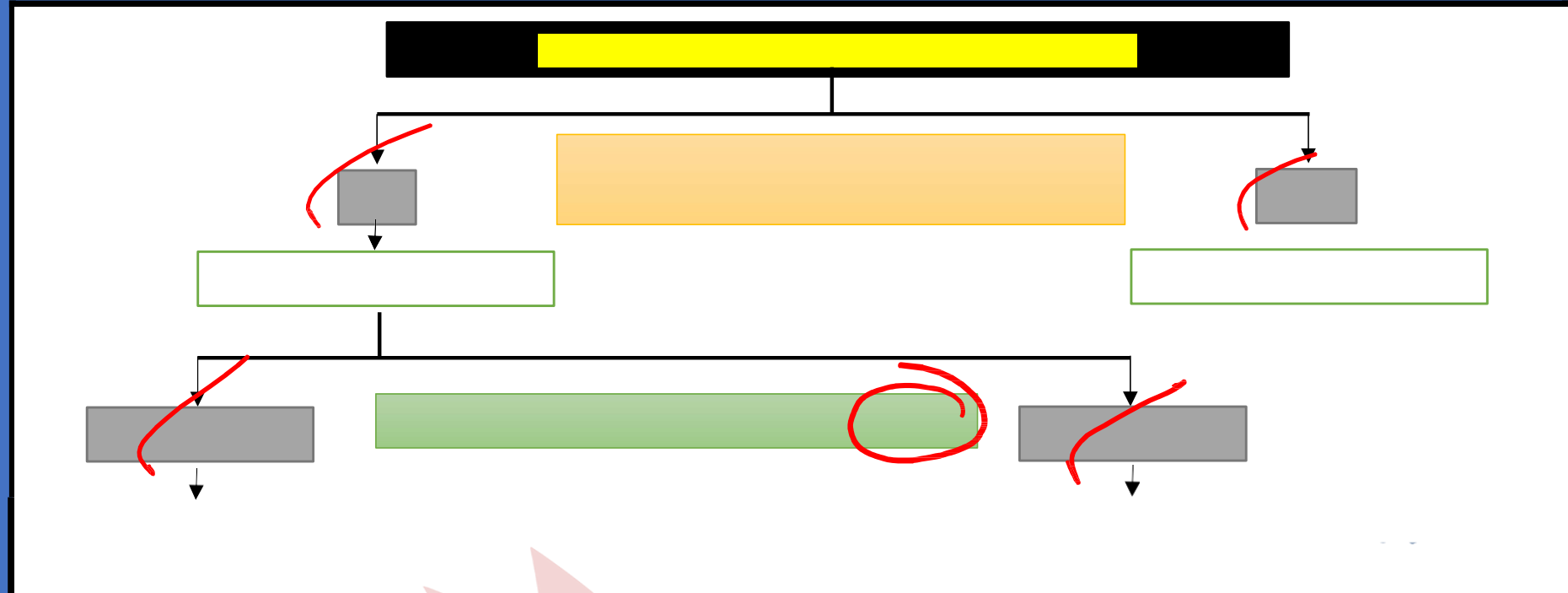


### Analysis

|                                                                                          |                                                             |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| 1) IC / PIO* <u>≤</u> 15 L                                                               | Normal Provisions                                           |
| 2) IC/ <del>PIO</del> * > 15L + Such income not taxed in any other country               | Deemed Resident us 6 (1A) – RNOR                            |
| 3) IC/ PIO* > 15L + Income taxed in other country                                        | NR<br>} RNOR<br>R<br>ROR/RNOR – Check additional conditions |
| ➤ $x \leq 120$ Days<br>➤ $120 \text{ days} < x < 182 \text{ Days}$<br>4 P.Y.s < 365 Days |                                                             |
| ➤ $X \geq 182$ Days                                                                      |                                                             |

\* **PIO** = Either of parents/ grandparents born in undivided India, i.e. before 15<sup>th</sup> August, 1947.

# RESIDENTIAL STATUS



# RESIDENTIAL STATUS

POEM outside India if:-

Active business outside India

AND

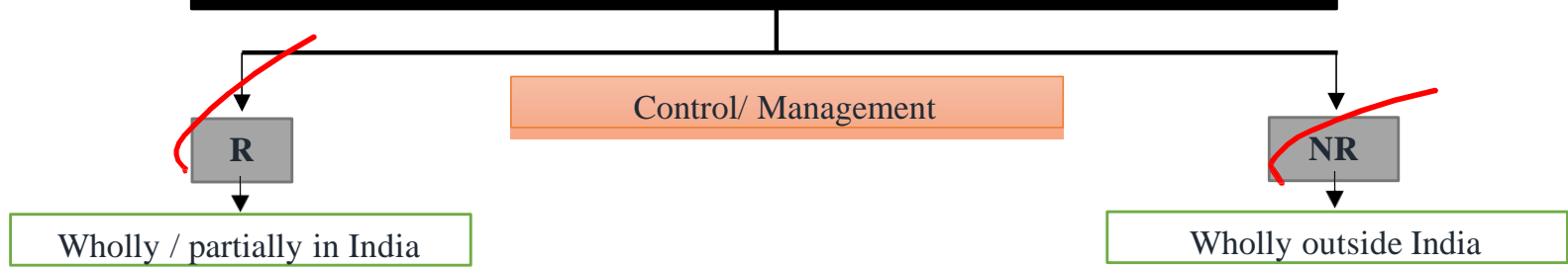
Majority Board meetings outside India

- a. Passive Income  $\leq$  50 % of Total Income
- b. Assets in India  $\leq$  50 % of Total Assets
- c. Employees in India  $\leq$  50% of Total Employees R in India
- d. Payroll exp. on employees in India  $\leq$  50% of Total Payroll exp.

- i. Income from **Purchase+Sale** from associated enterprises
- ii. Royalty / Dividend / CG / Interest / Rental Income

# RESIDENTIAL STATUS

## Residential Status in case of Others i.e. firm, AOP, BOI, etc. [Section 6(4)]



## Scope of Total Income (Section 5)

| Received/ Deemed to Receive in India | Accrued/ Deemed to Accrue in India | Nature of Income |
|--------------------------------------|------------------------------------|------------------|
| Yes                                  | Yes                                | Indian           |
| Yes                                  | No <del>X</del>                    | Indian           |
| No <del>X</del>                      | Yes ✓                              | Indian           |
| No <del>X</del>                      | No <del>X</del>                    | Foreign ✓        |

### Remittance of Incomes:

Approved Mode – Exempt in India  
 Unapproved Mode – Taxable in India

### Past Foreign Untaxed Income:

Brought to India - Not taxable in India

# RESIDENTIAL STATUS

## Incidence of tax in case of Individual/ HUF:

| Income         | ROR              | RNOR                             | NR                   |
|----------------|------------------|----------------------------------|----------------------|
| Indian Income  | Taxable in India | Taxable in India                 | Taxable in India     |
| Foreign Income | Taxable in India | *Only two types taxable in India | Not taxable in India |

Always taxable in India.

- \* 1) Business Income and business is controlled wholly/ partially from India.
- 2) Professional Income and profession is setup in India.

## Incidence of tax in case of Others i.e. Firm/AOP/BOI/ Company etc.:

| Income         | R                | NR                   |
|----------------|------------------|----------------------|
| Indian Income  | Taxable in India | Taxable in India     |
| Foreign Income | Taxable in India | Not taxable in India |

Always taxable in India.



# RESIDENTIAL STATUS

## Deemed to Received or Accrued:

### Deemed to be received in India [Section 7]

- A) Contribution made by the employer to RPF beyond 12% of the salary [upto 12% exempt]
- B) Interest credited to Employee beyond 9.5% p.a.
- C) Transfer from URPF to RPF
- D) Contribution to pension fund u/s 80CCD

#### Circular 13/2017

Salary accrued to NR sea farer for service rendered outside India on foreign going ship (with Indian flag/not) shall be not included in Total Income nearly because the salary is credited in NRE a/c with Indian Bank.

### Deemed to accrue in India [Section 9]

- |                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>1. Income out of Business Connection (Note 1)</li> <li>2. Salary earned in India</li> <li>3. Salary from Government to an Indian citizen for services rendered outside India</li> <li>4. Dividend from Indian Co. paid outside India.</li> <li>5. Income from Interest payable by specified person (Note 2)</li> <li>6. Income from Royalty (Note 2)</li> </ul> | <ul style="list-style-type: none"> <li>7. Income from Fees for Technical Services (Note 2)</li> <li>8. Income from Property / Assets situated in India</li> <li>9. Income from transfer of Capital Assets situated in India</li> <li>10. Gift by R to NR</li> </ul> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### Outside India – aa (NR)

### In India – Person carrying on business activities on behalf NR

#### Business Activities: a) Concludes Contracts

- i) In name of NR
- ii) Transfer of property owned by NR
- iii) Provision of services by NR
- b) Maintains stock of goods in India
- c) Secures orders in India mainly/ wholly for NR
- d) Broker working mainly for NR
- e) Broker under control of NR

# RESIDENTIAL STATUS

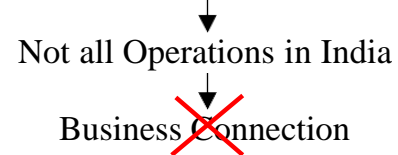
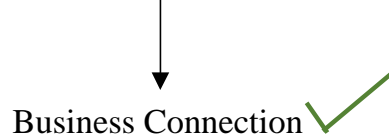
## Note 1: Business Connection:

Outside India – aa (NR)

In India – Person carrying on business activities on behalf NR

### Non - Business Activities:

1) Business having business connection in India + other business out of significant economic pressure



2) Purchase of goods for exports.

3) Collection of news and views in India by : NR engaged in news agency or publishing newspapers/ Magazines/ Journals  
for : transmission outside India

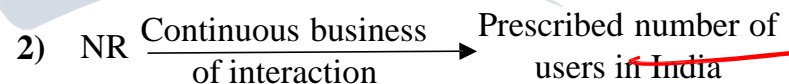
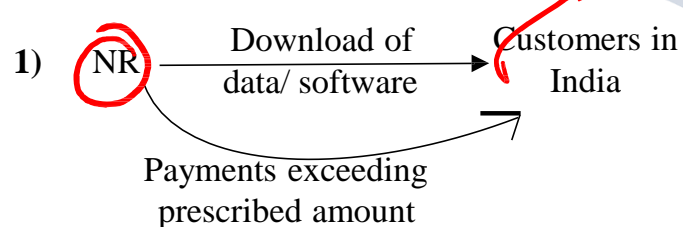
4) Shooting of cinematography film in India by : i) Individual – ~~IC~~  
ii) Firm – Any Partner ~~IC, R~~  
iii) Company – Any Shareholders – ~~IC, R~~

5) Display of uncut and unassorted diamonds in any Special Zone notified by Central Government by :  
Foreign Co-doing mining of diamonds

## Deemed Business Connection:

### A) Significant Economic Pressure:

- Whether or not: - Agreement entered in India  
- NR has residence/ place of business in India  
- NR renders services in India



# RESIDENTIAL STATUS

## Deemed Business Connection:

B) Includes income from:

- 1) NR  $\xrightarrow[\text{Advertisement}]{\text{Online}}$  Customers in India
- 2) NR  $\xrightarrow[\text{Online}]{\text{Sale of data}}$  Person in India
- 3) NR  $\xrightarrow[\text{online}]{\text{Sale of G/S}}$  Customers in India

Money Received/ receivable for allowing someone to use assets, but not include any consideration w.r.t. cinematography

Money Received/ receivable for rendering any kind of services

### Note 2:

| R or NR                                | Interest Paid – Section 9 (1) (v)                                                                                                                   | Royalty paid- Section 9 (1) (vi)                                                                                               | Fees for Technical Service – Section 9 (1) (vii)                                                                               |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Paid by the <b>Government</b> of India | Always deemed to accrue in India                                                                                                                    | Always deemed to accrue in India                                                                                               | Always deemed to accrue in India                                                                                               |
| Paid by a <b>Resident</b> of India     | Where the resident (borrower) has used the money in India, <del>Interest is deemed to accrue in India</del> in the hands of the lender              | Where the resident (borrower) has used the asset in India, Royalty is deemed to accrue in India in the hands of the lender     | Where the resident (borrower) has used the services in India, Fees is deemed to accrue in India in the hands of the lender     |
| Paid by a <b>Non Resident</b> of India | Where the NON Resident (borrower) has used the money in India <u>in Business</u> , Interest is deemed to accrue in India in the hands of the lender | Where the NON Resident (borrower) has used the asset in India, Royalty is deemed to accrue in India in the hands of the lender | Where the NON resident (borrower) has used the services in India, Fees is deemed to accrue in India in the hands of the lender |

# INCOME FROM SALARY

## **SECTION 15: CHARGING SECTION**

Where there exists a relationship of employer and employee. Where an individual is bound to follow the instructions of other it is said that there exists a relationship of ER and EE.

### **WHEN IS SALARY CHARGED TO TAX:**

Salaries charged to tax either on DUE or RECEIPT whichever is earlier.

**Exception :** Following salaries charged to tax only on receipt basis:

a. Advance Salary b. Bonus c. Salary in lieu of notice period d. Arrears of Salary

**COMPUTATION :** Basic + Taxable Allowance + Taxable Perquisite

## **IMPORTANT FEATURES OF EMPLOYER-EMPLOYEE RELATIONSHIP:**

1. Contract of Services (Salary) vs. Contract for Services (PGBP).
  2. Master-servant relationship.
  3. Direct supervision and control of the employer.
  4. It is distinct from principal-agent relationship.
- a) **Director of a company:** In case of a Director of a company, employer – employee relationship cannot be presumed but should be ascertained based on the service agreement, if any, executed or the Articles of Association of the company.
  - b) **MPs/MLAs:** CBDT has issued instructions that salaries of MPs and MLAs [Member of legislative assemblies] is not chargeable under the head 'salaries' but it is chargeable under the head 'income from other sources' since there is no employer – employee relationship between them and the Government.
  - c) **Paper-Setters/Examiners:** Where a teacher of college receives remuneration for setting question paper for examination or works as an invigilator in University then the remuneration received by him will be taxable under the head 'income from other sources'.
  - d) **Judges:** It was held that what the Judges receive is salary since there is employment as created by the constitution of India.

# INCOME FROM SALARY

| <u>PARTICULARS:</u>                               | <u>AMOUNT</u><br><u>(Rs.):</u> |
|---------------------------------------------------|--------------------------------|
| Basic Salary (Note 1)                             | xxx                            |
| Dearness Allowance (D.A.) (Note 2)                | xxx                            |
| Commission (Note 3)                               | xxx                            |
| Bonus (Note 4)                                    | xxx                            |
| Advance Salary / Arrears Salary (Note 5)          | xxx                            |
| Gratuity (Note 6)                                 | xxx                            |
| Pension (Note 7)                                  | xxx                            |
| Leave Salary (Note 8)                             | xxx                            |
| Allowances (Note 9)                               | xxx                            |
| Provident Fund (Note 10)                          | xxx                            |
| Voluntary Retirement Compensation (VRS) (Note 11) | xxx                            |
| Super Annuation Fund (Note 12)                    | xxx                            |
| Retrenchment Compensation (Note 13)               | xxx                            |
| Leave Travel Concession (Note 14)                 | xxx                            |
| Perquisites (Note 15)                             | xxx                            |
| <b>Gross Salary</b>                               | xxx                            |
| <b>Less: Deductions u/s 16:</b>                   |                                |
| Professional Tax (Note-16)                        | (xxx)                          |
| Entertainment Allowance (Note-17)                 | (xxx)                          |
| Standard deduction (Note-18)                      | (xxx)                          |
| <b>INCOME UNDER THE HEAD "SALARY"</b>             | xxx                            |

## Computation of Salary



## INCOME FROM SALARY

### NOTE 1: BASIC SALARY

It is ~~fully~~ taxable.

### NOTE 3: COMMISSION

Commission is fully taxable whether it is Turnover Commission or any other Commission.

### NOTE 4: BONUS

It is taxable on receipt basis. If only declared ~~is~~ given then it should be ignored.

### NOTE 2: DEARNNESS ALLOWANCE

(DA)

- DA is fully taxable whether it is in terms or not in terms'.
- DA in terms means DA which is forming part of retirement benefit calculation.
- In all the formulas, DA is considered only if it is 'in terms'.
- If nothing is given about DA then assume it is 'not in terms'.

### NOTE 5: ADVANCE & ARREARS SALARY

#### A. Advance Salary:

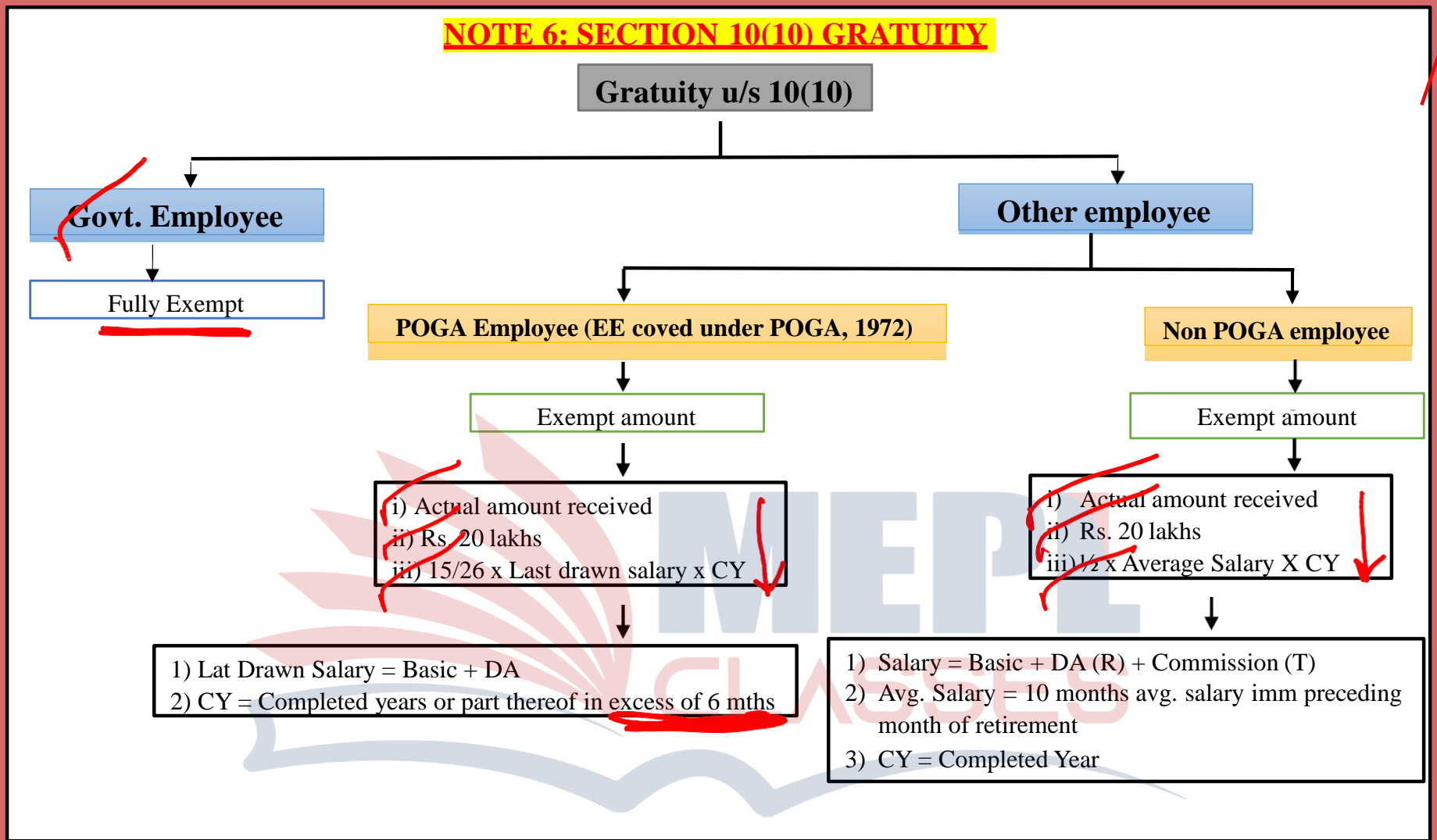
- ✓ Taxable on receipt basis.
- ✓ If advance against salary is given or only advance is given then it should be ignored because it is treated as loan.

#### A. Arrears Salary:

- ✓ It means salary under dispute or increase of salary retrospectively.
- ✓ Taxable in the year in which it is received

# INCOME FROM SALARY

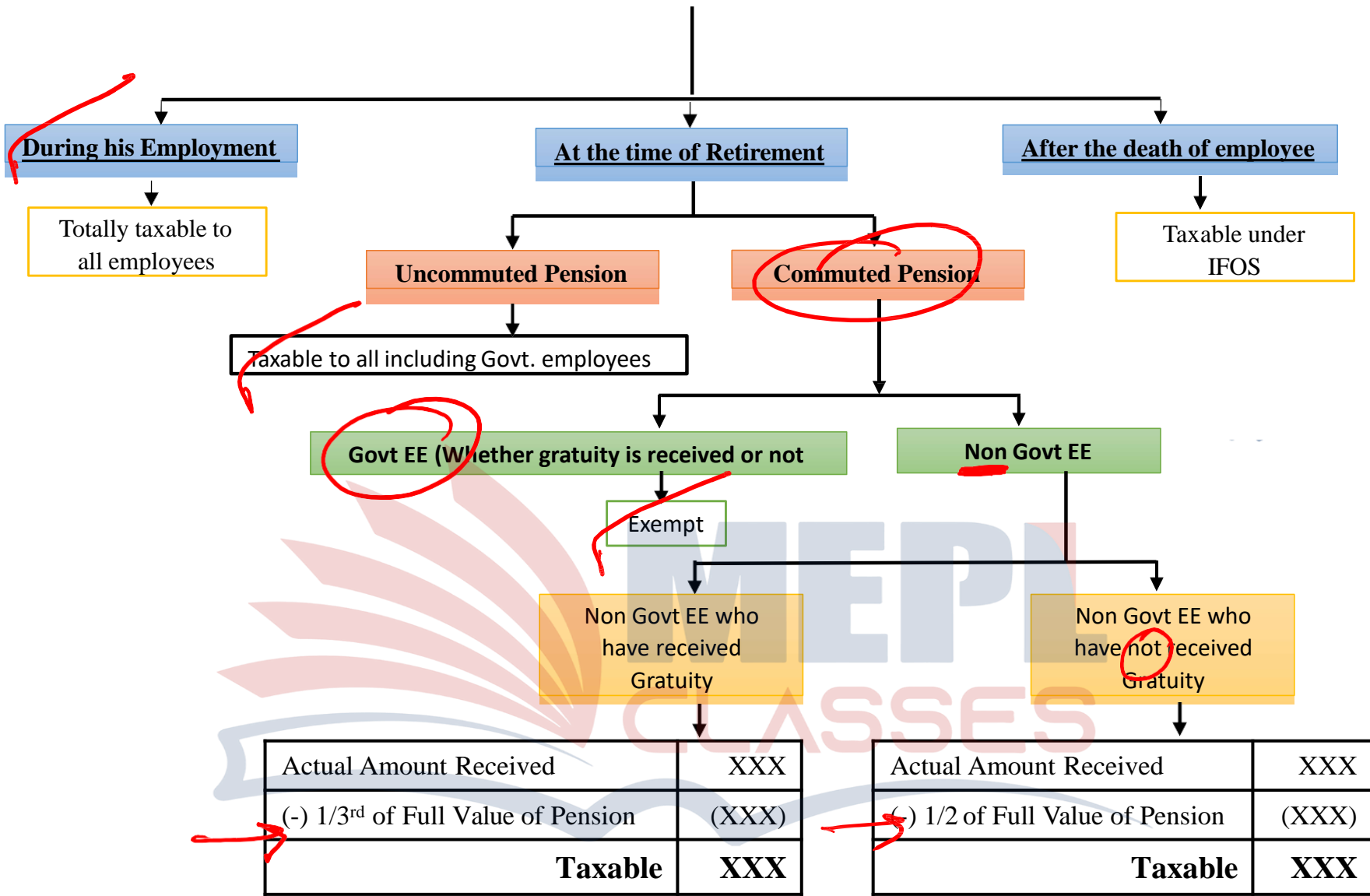
## NOTE 6: SECTION 10(10) GRATUITY



If gratuity received from more than one employer, maximum gratuity exemption = Rs. 20 lakhs.

# INCOME FROM SALARY

## NOTE 7: SECTION 10(10A) PENSION

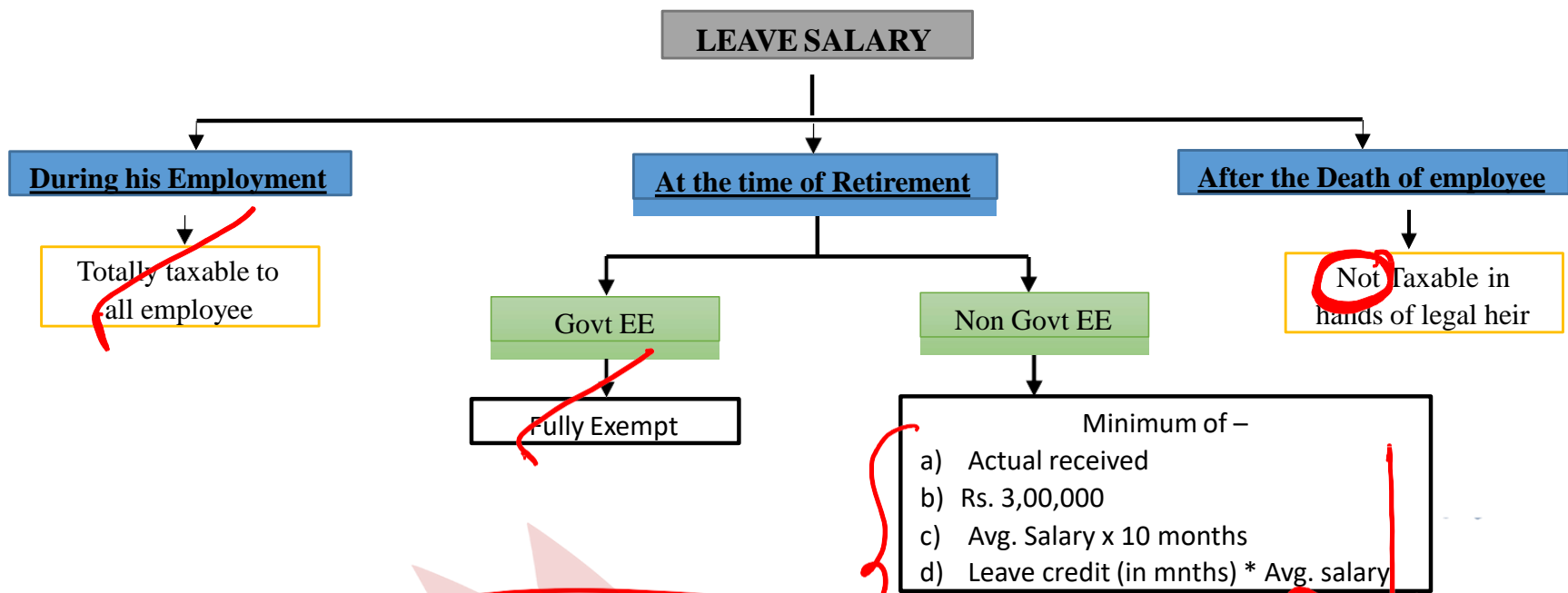


Full Value Pension = Commuted Pension / Commutation %



# INCOME FROM SALARY

## NOTE 8: SECTION 10(10AA) LEAVE SALARY



- Salary = Basic + DA(R) + C(T).
  - Avg. Salary = 10 months Avg. Salary immediately preceding month of retirement
  - **How to find out Leave Credit:**
    - a) Leave @ Credit (in months)    b) Leave @ Credit (in days) = a) / 30 days
    - c) Leave Credit : Leave available for completed years **(Max 30 leaves per year)**
      - (-) Leaves availed during employment
      - (-) Leaves encashed during employment
- Leave @ Credit in days**

# INCOME FROM SALARY

## NOTE 9: ALLOWANCES

| <p><b>Fully Taxable:</b></p>           | <p><b>Exempt on basis of amount spent:</b></p> <p>Allowance Recvd. ↓<br/>Amount Spent</p>                                                                                                                                                                                                                                          | <p><b>Exempt on basis of limit specified:</b></p> <p>Allowance Recvd. ↓<br/>Limit Specified</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Any other cash allowance</b></p> | <ol style="list-style-type: none"> <li>1) Travelling allowance</li> <li>2) Daily allowance</li> <li>3) Conveyance allowance</li> <li>4) Helper allowance</li> <li>5) Academics allowance</li> <li>6) Uniform allowance</li> <li>7) Amount received from UNO.</li> <li>8) Allowance to High Court or Supreme Court Judge</li> </ol> | <ol style="list-style-type: none"> <li>1) <b>Children education allowance</b><br/>Rs. 100 p.m. per child (Max 2 children)</li> <li>2) <b>Children hostel allowance</b><br/>Rs. 300 p.m. per child (Max 2 Children)</li> <li>3) <b>Running allowance</b><br/>Normal Employee : Fully Taxable<br/>Handicapped Employee: Rs. 3,200 p.m.</li> <li>4) <b>Tribal area allowance</b><br/>Rs. 200 p.m.</li> <li>5) <b>Underground allowance</b><br/>Rs. 800 p.m.</li> <li>6) <b>Outstation Allowance</b><br/>70% of amount received<br/>OR<br/>Rs. 10,000 p.m.</li> <li>7) <b>Hill/ Border/ Remote area allowance</b><br/>Rs. 200- 7000 p.m.</li> <li>8) <b>House – Rent Allowance (HRA)</b></li> </ol> |
|                                        | <p><b>Exemption lower of :</b></p> <ol style="list-style-type: none"> <li>i). Actual amount received</li> <li>ii) Rent Paid (-) 10% of salary</li> <li>iii) 50% of salary in Mumbai, Calcutta, Delhi or Chennai.</li> </ol> <p>OR</p> <p>40% of salary if it is situated at any other place</p>                                    | <ol style="list-style-type: none"> <li>1) Salary = Basic + DA(R) + Commission (T)</li> <li>2) If there is change in any factor - Salary, HRA, Period, Place of business etc., HRA needs to be calculated separately.</li> <li>3) Any Advance Salary shall be excluded.</li> <li>4) N/A - if Rent paid is less than 10% of Salary.</li> <li>5) Basis for calculation = location of accommodation.</li> </ol>                                                                                                                                                                                                                                                                                     |

2 children ← Edu Hostel  
2 Transport ← Running Outstation

Tribal → Hill/Border/Remote → 4 places → Underground → HRA

# INCOME FROM SALARY

## NOTE 10: PROVIDENT FUND

| Particulars:                   | SPF                      | PPF                           | RPF                                                                                                                                               | URPF                                                                                                                                                                                                             |
|--------------------------------|--------------------------|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employer's Contribution        | Fully Exempt             | N.A.                          | Exempt upto 12% of salary                                                                                                                         | Not taxable at the time of contribution                                                                                                                                                                          |
| Ded. u/s 80C (Employee's Cont) | Available                | Available (upto Rs. 1,50,000) | Available                                                                                                                                         | Not Available                                                                                                                                                                                                    |
| Interest Credited              | Fully Exempt             | Fully Exempt (IOS Head)       | Exempt upto 9.5% p.a. of salary                                                                                                                   | ---                                                                                                                                                                                                              |
| Lumpsum Withdrawal             | Fully Exempt u/s. 10(11) | Fully Exempt u/s. 10(11)      | Exempt if:<br>1) 5 yrs. continuous service with same ER.<br>2) Not 5 yrs. by reason of ill health, discontinuance or causes beyond control of EE. | <ul style="list-style-type: none"> <li>ER Cont - Taxable u/h "Salary"</li> <li>ER Cont - Exempt</li> <li>Interest on EE Cont - Taxable u/h "IOS"</li> <li>Interest on ER Cont - Taxable u/h "Salary".</li> </ul> |

### Taxable

- 1) If EE Cont > Rs. 2,50,000 = Int. accrue on excess amount
- 2) If ER not contribute & EE Cont > Rs. 5,00,000 = Int. accrue on excess amount.

# INCOME FROM SALARY

## NOTE 14: LEAVE TRAVEL CONCESSION

| Journey Performed By                         | Maximum Exemption                                       |
|----------------------------------------------|---------------------------------------------------------|
| Air                                          | Economy Fare                                            |
| Other Than Air                               | 1 <sup>st</sup> Class AC Fare Of Railway                |
| Places Not connected By Rail                 |                                                         |
| a) Recognised Transport System(RTS) Exist    | Deluxe or First Class Fare of RTS 1 <sup>st</sup> Class |
| b) No Recognised TransportSystem (RTS) Exist | AC Fare Of Railways on the basis of KM Travelled        |

### Notes:

1. Ceiling on number of journeys: The exemption shall be available to an individual two times in each block of four calendar years.
2. Family”, shall include—
  - A. the spouse and children however exemption shall be allowed maximum 2 children but in case of multiple birth after the birth of one child, exemption is allowed for all the children
  - B. wholly or mainly dependent parents, brothers and sisters

# INCOME FROM SALARY

## DEDUCTIONS u/s 16

### STANDARD DEDUCTION

Deduction = Lower of Rs. 50,000/- or Salary received.  
If assessee opts for Sec 115BAC deduction u/s 16 is not available.

### PROFESSION TAX

“Professional tax” or “taxes on employment” levied by a State is allowed as deduction only when:

- 1) It is actually paid by the employee during the previous year (deduction on paid basis).
- 2) If professional tax is reimbursed or directly paid by the employer on behalf of the employee, the amount so paid is first included as salary income and then allowed as a deduction u/s 16.

### ENTERTAINMENT TAX

First the entire entertainment allowance received by an employee is added to the gross salary. Then deduction u/s 16 (ii) shall be allowed as under:

| Government (CG/SG) employees:               | Non-Government employees: |
|---------------------------------------------|---------------------------|
| Least of the following is deductible -      | No Deduction              |
| a. Amount actual received                   |                           |
| b. Rs. 5,000                                |                           |
| c. 20% of salary<br>(Salary = basic Salary) |                           |

**Note:** Actual expenditure towards entertainment is not deductible. It is irrelevant.

# INCOME FROM SALARY

## EXEMPTED PERQUISITES

Following perquisites are exempted in hands of employee:

1. **Tea or snacks:** Tea, similar non-alcoholic beverages and snacks provided during working hours.
2. **Food:** Food provided by employer in working place upto Rs.50 per meal. Remote area -full exempt.
3. **Recreational facilities:** Recreational facilities extended to a group of employees.
4. **Goods sold to employee at concessional rate:** Goods manufactured by employer and sold by him to his employees at concessional (not free) rates,
5. **Conveyance facility:** Conveyance facility provided –
  - To employees for journey between office and residence and vice versa.
  - To the judges of High Court and Supreme Court
6. **Training:** Amount spent on training of employees including boarding and lodging expenses of the employees on such training.
7. **Services rendered outside India:** Any perquisite/allowances allowed outside India by the Government to a citizen of India for rendering services outside India.
8. **Contribution in some specified schemes:**
  - Employer's contribution to staff group insurance scheme.
  - Payment of annual premium by employer on personal accident policy effected by him in respect of his employee.
9. **Loans:**
  - Loan given at nil or at concessional rate of interest by the employer provided the aggregate amount of loan does not exceed Rs. 20,000.
  - Interest free loan for medical treatment of the diseases specified in Rule 3A.
10. **Medical facility:** A provision of medical facility at office is exempt.
11. **Periodicals and journals:** Periodicals and journals required for discharge of work.
12. **Telephone, mobile phones:** Actually incurred on behalf of employee by the employer whether by way of direct payment or reimbursement.
13. **Free education facility:** Free education facility to the children of employee in an institution owned or maintained by the employer provided cost of such facility does not exceed Rs. 1,000 per month per child.

# INCOME FROM SALARY

## EXEMPTED PERQUISITES

Following perquisites are exempted in hands of employee:

- 14. Computer or Laptop:** Computer or Laptop provided whether to use at office or at home (provided ownership is not transferred to the employee).
- 15. Movable assets:** Sale or gift of any movable asset (covered under SLM method) to employee after being used by the employer for 10 or more years.
- 16. Leave Travel Concession:** Leave Travel Concession (LTC) to the extent of lowest cost incurred.
- 17. Rent-free accommodation**
  - Rent-free official residence provided to a Judge of a High Court or the Supreme Court.
  - Rent-free furnished residence (including maintenance thereof) to Official of Parliament, a Union Minister or a Leader of opposition in Parliament.
- 18. Accommodation: Accommodation provided-**
  - Transfer of an employee in a hotel for a period not exceeding 15 days in aggregate.
  - In a remote area to an employee working at a mining site or an onshore exploration site or a project execution site or a dam site or a power generation site or an offshore site.
- 19. Tax on non-monetary perquisite** paid by employer on behalf of employee.
- 20. Health club, Sports club** facility.

# INCOME FROM SALARY

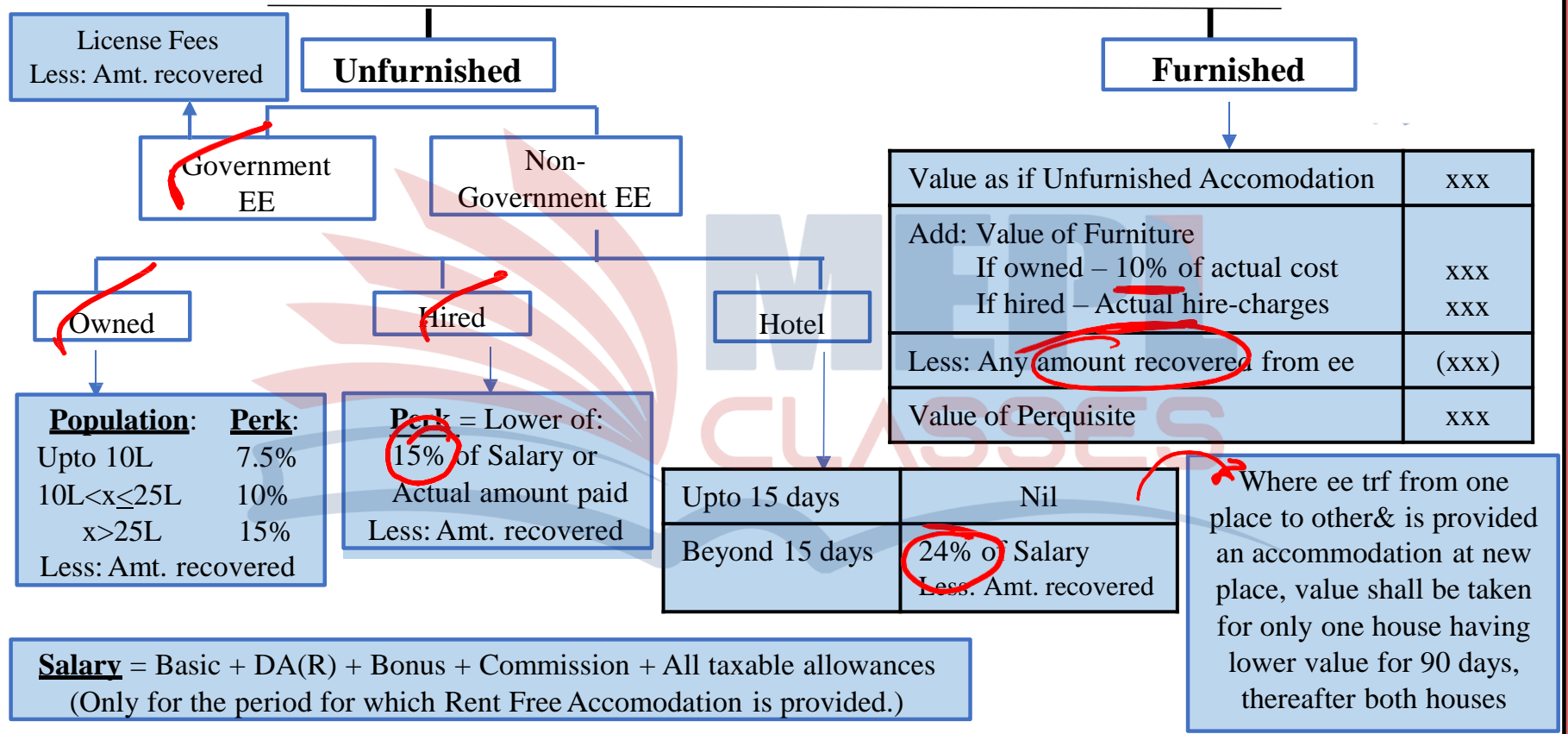
## SPECIFIED AND NON SPECIFIED EMPLOYEE

If any of the 3 condition is satisfied an employee is treated as “Specified Employee”:

- ✓ Employee + Director
- ✓ Employee + Substantial Interest u/s 2(32) An employee holding at least 20% voting power in a company
- ✓ Income from Salary less salary in kind exceeds Rs. 50,000.

If none of the conditions satisfied then employee is treated as “ Non-Specified Employee”.

### RULE 3(1): VALUATION OF RESIDENTIAL ACCOMODATION





# INCOME FROM SALARY

## RULE 3(2) PERK : VALUATION OF MOTOR / OTHER VEHICLE

| Situation                                        | Use                               | Tax Treatment                                                                                                                                                         |
|--------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Car owned and maintained by employer             | Official use                      | Exempt                                                                                                                                                                |
|                                                  | Private use                       | 10% of cost or actual hire charges<br>(+) Running and maintain exp<br>(-) Amount Recoverable                                                                          |
|                                                  | Partly official<br>Partly private | Taxable amount-<br>For/ below 1.6ltr CC = Rs. 1,800 p.m.<br>Above 1.6ltr CC= Rs. 2,400 p.m.<br>(Nothing deductible on account of amount recovered)                    |
| Car owned by employer and maintained by employee | Official use                      | Exempt                                                                                                                                                                |
|                                                  | Private use                       | 10% of cost or actual hire charges<br>(-) Amount recoverable                                                                                                          |
|                                                  | Partly official<br>Partly private | Taxable amount=<br>For/ below 1.6ltr CC= 600 p.m.<br>Above 1.6ltr CC= 900 p.m.<br>If chauffer provided= 900 p.m.<br>(Nothing deducted on account of amount recovered) |

# INCOME FROM SALARY

## RULE 3(2) PERK : VALUATION OF MOTOR / OTHER VEHICLE

| Situation                                        | Use                               | Tax Treatment                                                                                                                                              |
|--------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Car owned and maintained by employee             | Nothing is taxable                |                                                                                                                                                            |
| Car owned by employer and maintained by employer | Official use                      | Nil                                                                                                                                                        |
|                                                  | Private use                       | Amount of expenditure                                                                                                                                      |
|                                                  | Partly official<br>Partly private | Actual Expenditure<br>(-) Rs. 1800 pm / Rs. 2400 pm (Depending on CC)<br><br>(-) Rs.900 pm if chauffer is provided<br><br>Taxable                          |
| Any other automotive owned by Employer           | Official use                      | Nil                                                                                                                                                        |
|                                                  | Private use                       | Amount of expenditure                                                                                                                                      |
|                                                  | Partly official<br>Partly Private | Actual Expenditure Less: Rs. 900 p.m.<br>(Greater deduction can be allowed if as per official records it is established that expense was for official use) |

- 1) Month denotes completed month. Any part of Month shall be ignored.
- 2) Chauffer is added only if provided.
- 3) When more than 1 car is provided to EE, otherwise than wholly and exclusively for such car than value of perquisite for.
- 4) 1 car shall be taken as used for partly official and partly for personal purposes.

# INCOME FROM SALARY

## PERK: CREDIT CARD FACILITY

|                  |                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Official Purpose | NIL                                                                                                                                                                                                                                                                                                                                                                                                        |
| Other Purpose    | <p><b>Perk</b> = Actual Cost to employers – Amt. Recovered.</p> <p><b>Conditions:</b></p> <p>a) Complete details in respect of such expenses are maintained by the employer which may, inter-alia include date and nature of expense; and</p> <p>b) The employer gives a certificate for such expense to the effect that same was incurred wholly and exclusively for the performance of official duty</p> |

## PERK: CLUB FACILITY

|                                       |                                          |                                              |                         |
|---------------------------------------|------------------------------------------|----------------------------------------------|-------------------------|
| Official Purpose                      | NIL (It should be certified by Employer) |                                              |                         |
| Given Uniformly to all Employee       | NIL                                      |                                              |                         |
| Corporate Membership for all employee | Initial Fees                             | NIL                                          |                         |
|                                       | Other                                    | Actual Cost<br>Less :<br>Recovered<br>= Perk | XXX<br><br>(XXX)<br>XXX |

## GIFT FROM EMPLOYER

|                                     |                                                                                                                                                                                             |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cost doesn't exceed to Rs. 5,000 pa | NIL                                                                                                                                                                                         |
| Cost Exceed Rs. 5,000 pa            | <p>Alternative 1: Followed By ICAI amount exceeding Rs. 5000 fully taxable</p> <p>Alternative 2: ICAI provides an alternative that if it exceed Rs.5000 only excess portion is taxable.</p> |

# INCOME FROM SALARY

**PERK: ESOP = FMV on the date of exercise [-] Amount Recovered**

## PERK USE OF MOVABLE ASSEST

|                     |                                            |                     |
|---------------------|--------------------------------------------|---------------------|
| Owned by ER         | 10% of actual cost<br>Less: Recovered Perk | XXX<br>(XXX)<br>XXX |
| Hired by ER         | Actual Cost to ER<br>Less: Recovered Perk  | XXX<br>(XXX)<br>XXX |
| Computer and Laptop | NIL                                        |                     |

## SALE OF MOVABLE ASSETS

| Particulars                                                         | Electronics / Computer | Car   | Other Asset |
|---------------------------------------------------------------------|------------------------|-------|-------------|
| Depreciation Rate                                                   | 50%                    | 20%   | 10%         |
| Depreciation Method                                                 | WDV                    | WDV   | SLM         |
| Actual Cost                                                         | XXX                    | XXX   | XXX         |
| Less: Depreciation for each completed year from date of acquisition | (XXX)                  | (XXX) | (XXX)       |
| WDV                                                                 | XXX                    | XXX   | XXX         |
| Less : Sale Value                                                   | (XXX)                  | (XXX) | (XXX)       |
| Perk                                                                | XXX                    | XXX   | XXX         |

# INCOME FROM SALARY

## PERK: INTEREST FREE OR CONCESSIONAL LOAN

### LOAN

For Specified Diseases and Loan upto Rs. 20000  
Perk: **NIL**

### Loan Beyond Rs. 20,000/-

Perk: NIL, if  $\geq$  than SBI rate as on 1<sup>st</sup> day of PY

Perk:  $[\text{Max o/s Mthly Bal} \times (\text{SBI Rate} - \text{ER Rate}) \times (1/12)] - \text{Recovered}$

## MEAL FACILITY

Tea and Coffee during office hours

Provide in Remote Area or Offshore Installation

Other

**NIL**

Actual Cost to Employer  
(-) Rs. **50** per Meal/day  
Perk

# INCOME FROM SALARY

## PERK: TAXABLE ONLY IN CASE OF SPECIFIED EE

### GAS / ELECTRICITY/ WATER FACILITY

#### A. Connection in the name of

#### Employer – Taxable only to specified EE

|                             |       |
|-----------------------------|-------|
| Manufacturing Cost Per Unit | XXX   |
| Less: Recovered             | (XXX) |
| Taxable                     | XXX   |

#### Employer – Taxable to all employee

|                   |       |
|-------------------|-------|
| Actual Cost to ER | XXX   |
| Less: Recovered   | (XXX) |
| Taxable           | XXX   |

### EDUCATION FACILITY

#### School maintained by ER

|                          |                                      |
|--------------------------|--------------------------------------|
| Upto Rs. 1,000 pm        | NIL                                  |
| Cost exceed Rs. 1,000 pm | Cost in similar school (-) Recovered |

#### Education facility

Reimbursed  
Cost to ER(-) Recovered

# INCOME FROM SALARY


## PERK: TAXABLE ONLY IN CASE OF SPECIFIED EE

### TRAVEL FACILITY

| Cases                                             | Tax                                                     |                                                                                                          |
|---------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| If employer is engaged in transportation business | Rail/Air                                                | NIL                                                                                                      |
|                                                   | Other                                                   | Amount charged from public for such facility is taxable in the hands of specified employee (-) Recovered |
| In any other case                                 | Actual cost of employer for such facility (-) Recovered |                                                                                                          |
| Household member accompanied                      | Perk = Amount spent on family member                    |                                                                                                          |

### MEDICAL FACILITY

|               |                   |                                                                                                                                                                                                         |
|---------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| In India      | Exempt            | <ol style="list-style-type: none"> <li>Treatment in Hospital Maintained by Employer</li> <li>Government Hospital</li> <li>Approved Hospital</li> <li>Any health insurance or Group Insurance</li> </ol> |
|               | Taxable           | Reimbursement in Private Hospital is <b>Fully Taxable</b>                                                                                                                                               |
| Outside India | Medical Treatment | Exempt upto an amount specified by <u>RBI</u>                                                                                                                                                           |
|               | Stay Abroad       | Exempt upto an amount specified by <u>RBI</u>                                                                                                                                                           |
|               | Travel            | Gross Total Income upto 2 Lacs - Nil<br>Gross Total Income beyond 2 Lacs - Total Taxable                                                                                                                |

Exempt for 1 patient & 1 attendant
 

# INCOME FROM SALARY

## NOTE 11: SECTION 10 (10C): VOLUNTARY RETIREMENT

### CONDITIONS:

- i) 10 years of services or 40 years of age.
- ii) For all employees (except directors of the company).
- iii) Overall Reduction in number of employees.
- iv) Not to be filled up.
- v) No same management.

### EXEMPTION:

|                                                           |       |
|-----------------------------------------------------------|-------|
| Actual Amount Received                                    | XXX   |
| (-) Lower of –                                            | (XXX) |
| a) Actual Amount                                          |       |
| b) Rs. 5,00,000                                           |       |
| c) Amount higher of –                                     |       |
| i) Last drawn salary x 3 x No. of years completed service |       |
| ii) Last drawn salary x balance no of M left for service  |       |
| Taxable                                                   | XXX   |

## NOTE 12: APPROVED SUPER ANNUATION FUND

### APPROVED SUPER ANNUATION FUND

- ✓ EE's Contribution is eligible for deduction u/s 80C.
- ✓ ER's Contribution: Less than Rs. 7,50,000 - Exempt from Taxable

More than Rs. 7,50,000 - Chargeable to tax to the extent it exceeds.

- ✓ Interest on accumulated balance is exempt from tax



# INCOME FROM SALARY

## NOTE 13: SECTION 10 (10B): RETRENCHMENT COMPENSATION

As per scheme of Central Government

NIL

### Notes:

- If amount determined as per industrial dispute is not given –

$\frac{15}{30} X$  Avg. Salary for  $X$  No. of completed  
last 3 months years (or part > 6 months)

- Salary for this purpose: Basic + DA(R)
- If retrenchment compensation is received in scheme framed by central government then whole retrenchment compensation is exempt.
- Any compensation in excess of above limit will be taxable as salary.

### Other

|                                                          |       |
|----------------------------------------------------------|-------|
| Actual Amount Received                                   | XXX   |
| (-) Lower of –                                           | (XXX) |
| a) Actual Amount Received                                |       |
| b) Amount calculated as per Industrial Dispute Act, 1947 |       |
| c) Maximum Rs. 5L                                        |       |
| Taxable (eligible for relief u/s 89)                     | XXX   |

# INCOME FROM HOUSE PROPERTY

## Chargeability [Sec 22]

- Property Buildings or Lands Appurtenant thereto.
- Annual Value is chargeable to tax.
- Assessee should be Owner or deemed owner.
- Property used for any purpose other than Business / Profession.

## Deemed Ownership [Sec 27]:

Person treated as Owner even if no document of title is registered in his name. Includes

- Property transferred to Spouse or Minor Child for inadequate consideration,
- Holder of Impartible estate,
- Member of Co-operative Society, Company, etc. who is allotted a House Property,
- Part-performance of a Contract u/s 53A of the Transfer of Property Act,
- Holder of a Power of Attorney, Property constructed on a Leasehold Land,
- Ownership of Property is under dispute,
- Lessee of a Property taken on a lease for a period of not less than 12 years.

## Unrealised Rent [Sec 23(1) Expln]:

Reduced from Actual Rent, if - (a) Tenancy is Bonafide, (b) Tenant has vacated the property, (c) Tenant not in occupation of any other Property of Assessee, (d) Steps taken for Recovery.

## Recovery of Unrealised Rent [Sec 25A]:

Treated as the Income of the Previous Year in which it is realized, to the extent of the benefit enjoyed by way of reduction in Net Annual Value. 30% deduction will be allowed against such receipt/recovery of Unrealised Rent..

## Municipal Tax including Tax for Services [Section 23(1) Proviso]:

1) Actually Paid during current previous year 2) Borne by assessee.

## Deductions u/s 24:

30% of NAV and Interest on Borrowed Capital.

## Treatment of Prior Period Interest [Sec 24 Expln.]:

Allowed in 5 equal installments from the PY in which acquisition was made or construction completed.

## Interest paid outside India [Sec 25]:

Disallowed if paid without deduction of TDS and no person treated as Agent u/s 163.

# INCOME FROM HOUSE PROPERTY

**Determination of Annual Value [Sec 23(1)(a)/(b)/(c)]:** In case of Let Out Property - see **Note 1,2** below Table.  
**Self-Occupied Property or SOP kept vacant due to employment or business [Section 23(2)]:** Annual Value is **NIL**, if Not Let Out for any part of the year & no benefit derived therefrom. [SOP=Self Occupied Property]  
**More than Two House Property Self Occupied [Section 23(4)]:** Two house treated Self Occupied, and all other Houses Deemed Let Out at the option of the Assessee.

**Receipt of Arrears of Rent [Section 25A]:** Treated as Income of the PY in which it is received, 30% of Arrears shall be allowed as deduction.

**Co-Ownership [Section 26]:** If their Shares are defined, it is assessable in their hands independently to the extent of their Share, otherwise assessable as an AOP.

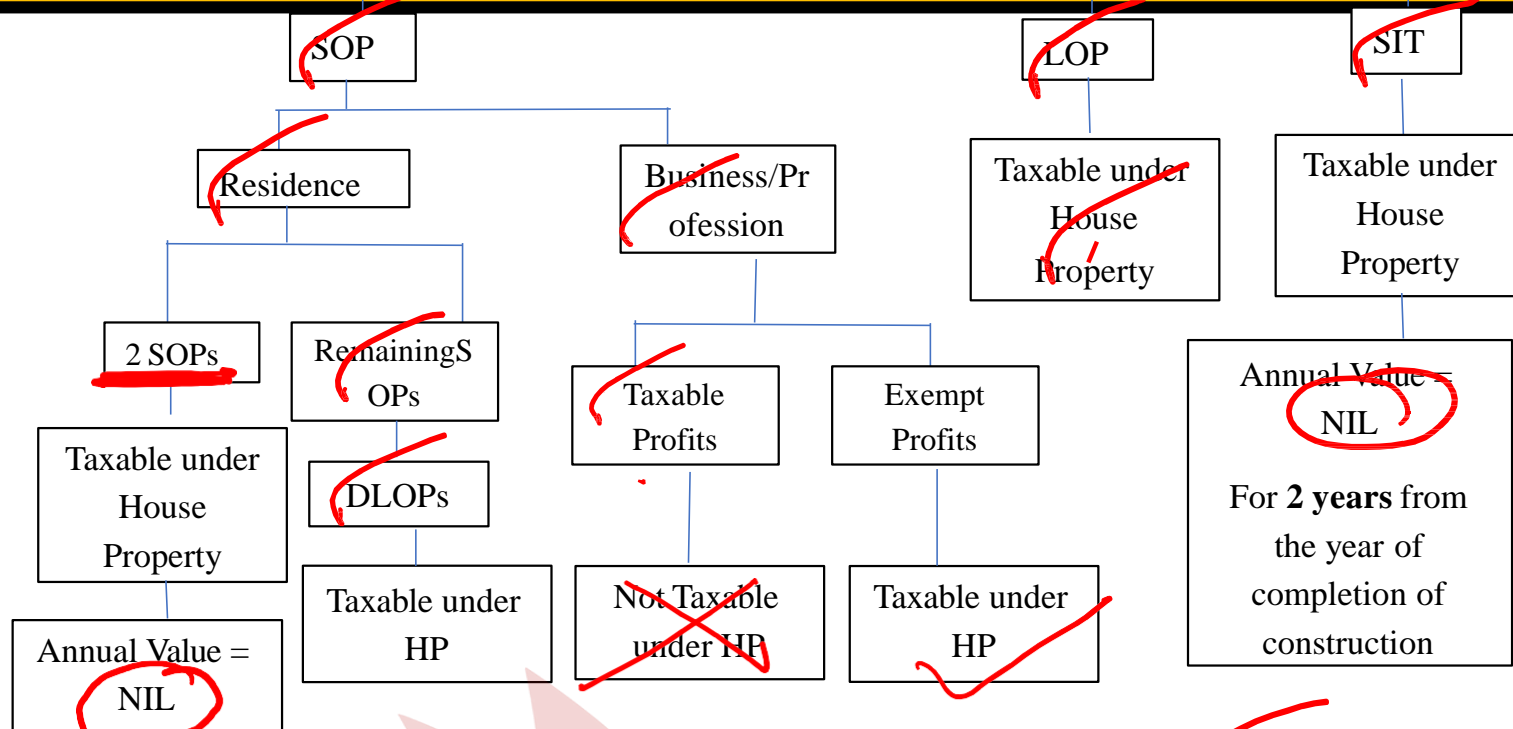
**Income from a House Property earned in Foreign Currency [Rule 115]:** Determined currency on the last day of RPY.

**Annual Value of House Property held as Stock in Trade - Section 3(5) w.e.f. 01.04.2018:**  
 Property consisting of any Building / Land appurtenant thereto, held as Stock in Trade and **is not let out** during the whole or any part of the PY.  
 Annual Value of that property or part of the property, for the period **upto 2 year** from the end of the FY in which the certificate of completion of construction of the property is obtained from the Competent Authority, shall be taken as **NIL**.

| Sr. No. | Particulars:                       | Amount:<br>(Rs.) | Amount:<br>(Rs.) |
|---------|------------------------------------|------------------|------------------|
| A)      | Gross Annual Value (GAV)           | xxx              |                  |
|         | Less: Municipal Taxes              | (xxx)            |                  |
| B)      | Net Annual Value (NAV)             |                  | xxx              |
|         | Less: Deductions u/s 24            |                  |                  |
|         | a) Standard Deduction (30% of NAV) | (xxx)            |                  |
|         | b) Interest on borrowed capital    | (xxx)            | (xxx)            |
| C)      | Income from House Property         |                  | xxx              |
|         | Add: Recovery u/s 25A of:          |                  |                  |
|         | a) Unrealised Rent                 | xxx              |                  |
|         | b) Arrears of Rent                 | xxx              | xxx              |
| D)      | Income from House Property         |                  | xxx              |

SUMMARY CHART

# INCOME FROM HOUSE PROPERTY



| Sr. No. | Particulars:                              | SOP (Rs.)                 | LOP (Rs.)   | DLOP (Rs.) |
|---------|-------------------------------------------|---------------------------|-------------|------------|
|         |                                           | Sec 23(2)                 | Sec 23(1)   | Sec 23(4)  |
| A)      | <b>Gross Annual Value (GAV)</b>           | Nil                       | Steps 1,2&3 | Step 1     |
|         | Less: Municipal Taxes                     | Nil                       | xxx         | xxx        |
| B)      | <b>Net Annual Value (NAV)</b>             | Nil                       | xxx         | xxx        |
|         | Less: Deductions u/s 24                   |                           |             |            |
|         | a) Standard Deduction (30% of NAV)        | Nil                       | xxx         | xxx        |
|         | b) Interest on borrowed capital           | Limit: 50,000 or 2,00,000 | Unlimited   | Unlimited  |
| C)      | <b>Income from House Property</b>         | xxx                       | xxx         | xxx        |
|         | Add: Recovery u/s 25A of:                 |                           |             |            |
|         | a) Unrealised Rent                        | xxx                       | xxx         | xxx        |
|         | b) Arrears of Rent                        | xxx                       | xxx         | xxx        |
| D)      | <b>Income Taxable from House Property</b> | xxx                       | xxx         | xxx        |

# INCOME FROM HOUSE PROPERTY

## Step 1: Reasonable Rent:

| Sr. No. | Particulars:                                | Rs. | Rs. |
|---------|---------------------------------------------|-----|-----|
| a)      | Municipal Valuation                         | xxx |     |
| b)      | Fair Rent                                   | xxx |     |
| c)      | Expected Rent (a or b, higher) <i>mv/FR</i> | xxx |     |
| d)      | Standard Rent                               | xxx |     |
| e)      | Reasonable Rent <i>ER/SR</i>                |     | xxx |

## Step 2: Actual Rent:

| Sr. No. | Particulars:              | Rs.   | Rs. |
|---------|---------------------------|-------|-----|
| a)      | Actual Rent               | xxx   |     |
| b)      | Less: Unrealised Rent     | (xxx) |     |
| c)      | Less: Loss due to Vacancy | (xxx) |     |
| d)      | Actual Rent               |       | xxx |

Step 3: Applicable only if: i) Step 2 < Step 1  
ii) There is Loss due to Vacancy.

### Reasons why Step 2 < Step 1:

Only due to Vacancy = Final GAV = Step 2

Vacancy & Other Reasons = Final GAV = Step 1 - Loss due to Vacancy

### Summary

Step 2 > Step 1 = Final GAV = Step 2

Step 2 < Step 1 & NO VACANCY = Final GAV = Step 1 / 2 ↑

Step 2 < Step 1 & VACANCY LOSS = Check reasons:

Only due to Vacancy - Final GAV = Step 2

Vacancy and other reasons - Final GAV = Step 1 - Vacancy Loss

# INCOME FROM HOUSE PROPERTY

## 1) Interest on Borrowed Capital – Section 24 (b):

### • Conditions:

- a) The assessee has actually borrowed funds,
- b) Interest is paid / payable on such borrowal, and
- c) Borrowed money is utilized for acquisition, construction, repair, renewal or reconstruction of house property.

| Situation                                                                          | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| If the property or part of the property is covered u/s 23(1) (LOP) or 23(1) (DLOP) | There is no maximum limit of deduction u/s 24(b)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| If the property or part of the property is covered u/s 23(2)<br><i>SOP</i>         | <p>The deduction u/s 24(b) can be claimed maximum upto Rs. 30,000/- only. However, this limit shall be Rs. 2,00,000/- if all the following conditions are satisfied –</p> <ul style="list-style-type: none"> <li>a) Money is borrowed after 31.03.1999</li> <li>b) The loan is utilized for acquisition or construction of property.</li> <li>c) The acquisition or construction is completed within 5 years from the end of the financial year in which the capital was borrowed, and</li> </ul> <p>In the case of repair, renewal or reconstruction of existing property, the limit of Rs.30,000 shall apply.</p> |

# INCOME FROM HOUSE PROPERTY

| Provision                         | Pre-construction interest                                                                                                                                                                                                                                                                                                                                                                          | Post-construction interest                                                                                                                               |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest related to which period? | <p>From:<br/>Date on which loan is taken</p> <p>To:<br/>31<sup>st</sup> March immediately preceding the P. Y. in which the construction is completed / property is acquired OR<br/>Date of repayment, whichever is earlier</p>                                                                                                                                                                     | <p>From:<br/>1<sup>st</sup> April of the P. Y. in which construction is completed / property is acquired</p> <p>To:<br/>Date on which loan is repaid</p> |
| Example                           | <p>If loan is taken on 01.07.2014, construction is completed / property is acquired on 28.11.2019 and the loan is repaid on 25.10.2022, the interest for the period 01.07.2014 to 31.03.2019 shall be pre-construction interest.</p>                                                                                                                                                               | <p>Interest from 01.04.2019 to 25.10.2022 shall be post construction interest.</p>                                                                       |
| How to claim deduction?           | <p>Step – 1: Ascertain Pre-Construction Period.<br/>Step – 2: Calculate Total Interest for Pre-Construction Period.<br/>Step – 3: Calculate Pre-Construction Interest Installment = Step - 2 / 5.<br/>Thereafter, claim deduction in 5 equal installments.<br/><br/>The first installment shall be allowed in the previous year in which the property is acquired / construction is completed.</p> | <p>Interest shall be allowed in the relevant previous year.</p>                                                                                          |

**Restriction of Rs. 30,000/- or Rs. 2,00,000/- is for total interest (Pre + Post Construction Interest).**

# INCOME FROM HOUSE PROPERTY

More than two properties are held as SOP - Section 23(4):

- Two properties shall be allowed to be considered as SOP, and others would be treated as DLOPs.

• Interest deduction of Rs. 30,000/- or 2,00,000/- shall be allowed to BOTH SOPs in aggregate.

• Example:

✓ Suppose assessee owns 3 House Properties – S1, S2 and S3.

✓ Then assessee shall treat two properties as SOP and remaining one as DLOP.

Say, S1 and S2 = SOP & S3 = DLOP, or S2 and S3 = SOP & S1 = DLOP, or S1 and S3 = SOP & S2 = DLOP.

| SN | Particulars:                    | Option 1:                 |                    |                     | Option 2:                 |                    |                     | Option 3:                 |                    |                       |
|----|---------------------------------|---------------------------|--------------------|---------------------|---------------------------|--------------------|---------------------|---------------------------|--------------------|-----------------------|
|    |                                 | S1<br>(SOP)<br>Rs.        | S2<br>(SOP)<br>Rs. | S3<br>(DLOP)<br>Rs. | S2<br>(SOP)<br>) Rs.      | S3<br>(SOP)<br>Rs. | S1<br>(DLOP)<br>Rs. | S1<br>(SOP)<br>) Rs.      | S3<br>(SOP)<br>Rs. | S2<br>(DLOP)<br>) Rs. |
| A  | Gross Annual Value (GAV)        | Nil                       | Nil                | Step 1              | Nil                       | Nil                | Step 1              | Nil                       | Nil                | Step 1                |
|    | Less: Municipal Taxes           | Nil                       | Nil                | xxx                 | Nil                       | Nil                | xxx                 | Nil                       | Nil                | xxx                   |
| B  | Net Annual Value (NAV)          | Nil                       | Nil                | xxx                 | Nil                       | Nil                | xxx                 | Nil                       | Nil                | xxx                   |
|    | Less: Deductions u/s 24         |                           |                    |                     |                           |                    |                     |                           |                    |                       |
|    | a) Standard Deduction           | Nil                       | Nil                | xxx                 | Nil                       | Nil                | xxx                 | Nil                       | Nil                | xxx                   |
|    | b) Interest on borrowed capital | Limit: 30,000 or 2,00,000 |                    | Unlimited           | Limit: 30,000 or 2,00,000 |                    | Unlimited           | Limit: 30,000 or 2,00,000 |                    | Unlimited             |
| C  | Income from House Property      | xxx                       | xxx                | xxx                 | xxx                       | xxx                | xxx                 | xxx                       | xxx                | xxx                   |
|    | Add: Recovery u/s 25A of:       |                           |                    |                     |                           |                    |                     |                           |                    |                       |
|    | a) Unrealised Rent              | Nil                       | Nil                | xxx                 | Nil                       | Nil                | xxx                 | Nil                       | Nil                | xxx                   |
|    | b) Arrears of Rent              | Nil                       | Nil                | xxx                 | Nil                       | Nil                | xxx                 | Nil                       | Nil                | xxx                   |
| D  | Income from House Property      | (xxx)                     | (xxx)              | xxx                 | (xxx)                     | (xxx)              | xxx                 | (xxx)                     | (xxx)              | xxx                   |



# PGBP

## [B] Sec 28: Charging Section

Any receipt earned during course of business/ profession (natural + acquired skill)

### Illegal Business

Income: Taxable as separate business

Expenditure: ~~Deduction~~

### More than 1 business

PBT & Co./PBT Ltd./PBT (HUF)

PBT & Co.  
Shop

PBT Ltd.  
Company  
Manufacturing

PBT (HUF).  
Repair &  
Maintenance

Income of each business to be computed separately

### **Included:**

1. Revenue Subsidy
2. Benefit from business (Gifts from clients etc.)
3. Key man insurance Amt. + Bonus
4. Club/ membership fees to club
5. Receipts of partner (Interest / Salary / Bonus / Commission)
6. Cash subsidy / duty drawback / DBPBS
7. Non complete fees
8. Compensation against contract
9. Stock converted into capital asset
10. Transfer of carbon credits
11. Sale of asset u/s 35AD/ power sector and
12. Rent of quarters to employees
13. Guest house charges collected by company

### **Not Included**

1. Sale of asset
2. Rental income of dealer in HP
3. Dividend of shares even it dealer in shares
4. Winnings
14. Sale of scrap
15. Bad debts recovered or refunds if earlier allowed as deduction
16. Speculative business

# PGBP

## [C] Section 29: Computation of Income under PGBP

The income under the head "Profits and gains of business or profession" shall be computed in accordance with the provisions contained in sec 30 to 43D.

| Direct Method                               |     |     |
|---------------------------------------------|-----|-----|
| Particulars                                 | Rs. | Rs. |
| Income as per section 28                    |     |     |
| Add: - Consultation fees                    |     |     |
| Audit fees                                  |     |     |
| Other revenue income.                       |     |     |
| Less: - Expenditure allowed u/s. 30 to 43D  |     |     |
| Profits or gains of business or profession. |     |     |

*In BDA  
P/LA/c*

*Exp. XXX*  
*Income*

*Profit XXX*

| Indirect Method                                                                     |     |     |
|-------------------------------------------------------------------------------------|-----|-----|
| Particulars                                                                         | Rs. | Rs. |
| Net profit as per books of account                                                  |     |     |
| (+) Expenses disallowed but debited to P&LA/c                                       |     |     |
| (+) Income taxable but not credited to P&LA/c.                                      |     |     |
| (-) Income not taxable but credited to P&L A/C or Income Taxable in Different head  |     |     |
| (-) Expenses allowed but not debited to P&L A/C or Expenditure Additionally Allowed |     |     |
| Profits or gains of business or profession                                          |     |     |

*MEPL CLASSES*

# PGBP

## [D] Allowance Expenditure:

| <b>Sect 30: Rent, Rates, Taxes, Repairs &amp; Insurance for Building:</b> |                                 |                                 |
|---------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>Expenditure</b>                                                        | <b>If owned by the assessee</b> | <b>If hired by the assessee</b> |
| Repairs – Revenue                                                         | ✓                               | ✓                               |
| Repairs – Capital                                                         | ✗                               | ✗                               |
| Insurance                                                                 | ✓                               | ✓                               |
| Taxes (Land Revenue or Municipal Tax)                                     | ✓                               | ✓                               |
| Rent                                                                      | ✗                               | ✓                               |

| <b>Sec 31: Repairs &amp; Insurance of Machinery, Plant, Furniture:</b> |                                  |                                  |
|------------------------------------------------------------------------|----------------------------------|----------------------------------|
| <b>Expenditure:</b>                                                    | <b>If owned by the assessee:</b> | <b>If hired by the assessee:</b> |
| Repairs – Revenue                                                      | ✓                                | ✓                                |
| Repairs – Capital                                                      | ✗                                | ✗                                |
| Insurance                                                              | ✓                                | ✓                                |
| Taxes                                                                  | ✓ u/s 37                         | ✓ u/s 37                         |
| Rent                                                                   | ✗                                | ✓                                |

# PGBP

## Section 32 - Depreciation

[A] **Mandatory to Deduct Depreciation**

Only WDV Method  
SLM : Power generating units

Capital Asset

Rates of Depreciation available

Owned by aa

Used for business

**Available on Block of Assets**

**Tangible Assets:**

1. Buildings (Road, wells)

- Residential (Other than Hotels) - 5%
- Non-residential (incl. Hotels) - 10%
- Temporary Erections - 40%.

2. Land - 0%

3. P&M **15%**

- General : 15% → Hire Business - 30%
- Motorcars → Others - 15%
- Computers and accessories - 40%
- Pollution control equipments - 40%
- Energy saving devices - 40%
- Books - 40%
- Life saving medical equipments - 40%
- Aeroplanes - 40%    Ships - 20%

4. F&F : 10%

**Intangible Assets (Other than Goodwill) : 25%**

**Half Rate of Depn -**

Purchased + Put to use <180 days : **50% depn**

Same year

- Beneficial owner: ·
- Registered owner: ×
- Lessor: ·
- Hire-purchaser: ·
- Co-owned: Proportionate Depn

- Used for business : 100%
- Not used for business: 0%
- Partly used for business: Add to Block & Proportionate depn.

# PGBP

|    |                                         |       |       |
|----|-----------------------------------------|-------|-------|
| a) | Opening WDV of Block                    |       |       |
| b) | Add: Actual cost of asset acquired      | XXX   |       |
|    | Less: Subsidy for acquisition for asset | (XXX) | XXX   |
| c) | Less: Sale consideration of assets sold | (XXX) | (XXX) |
| d) | Balance                                 |       | XXX   |
| e) | Less: Depreciation                      |       | XXX   |
| f) | Closing WDV of Block                    |       | XXX   |

1. Cost to ~~aa~~
2. Payment > Rs. 10,000/-: **Cash X**
3. Interest till put to use: Add in asset value

## Sale of Assets under SLM Method:



|                                      |     |
|--------------------------------------|-----|
| Opening WDV                          | XXX |
| (-) Money received under scrap value | XXX |
| ∴ Terminal Depn                      | XXX |

|                                      |       |
|--------------------------------------|-------|
| Opening WDV                          | XXX   |
| (-) Money received under scrap value | (XXX) |

Amount upto which depreciation claimed = Balancing charge

Balance = CG depending on POH

## PGBP

### When no Depreciation shall be allowed

#### All the assets of the block are transferred:

In case all the assets in any block are transferred during the previous year then the block shall cease to exist and no depreciation will be allowed. It can happen in the following two cases:

- Sale price  $>$  ( Op. WDV + Assets purchased during the year ),
- Sale price  $<$  ( Op. WDV + Assets purchased during the year).

Then such excess or deficit shall be treated as short-term capital gain or short-term capital loss as the case may be u/s 50.

#### Part of block is sold and the sale consideration of assets exceed block Value:

- Sale price  $>$  ( Op. WDV + Assets purchased during the year )
- Although certain assets exist in block, but the WDV of the block shall be reduced to NIL and no Depreciation shall be allowed.
- Excess shall be treated as short-term capital gain.

### Sec 32(2): Treatment of unabsorbed Depreciation

#### Order of Set-Off:

- 1) CY Depreciation
- 2) B/f Business Loss
- 3) CY Unabsorbed Depn

# PGBP

## Sec 32(1)(ia): Additional Depreciation

|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                         |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Assessee             | Engaged in Manufacturing / Power Generating, Distribution, Transmission Unit                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                         |
| Eligible Asset       | New P & M acquired in P.Y.                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                         |
| Time                 | After 31/03/2005                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                         |
| P&M Does Not Include | <ol style="list-style-type: none"> <li>1. <del>Second Hand P&amp;M</del></li> <li>2. P&amp;M installed in Office / Guest House</li> <li>3. Office Appliances &amp; Road Transport Vehicles, Ships, Aircrafts</li> <li>4. Whole Cost of which is allowed as Deduction.</li> </ol>                                                                                                                                                                                       |                                                                                         |
| Rate of AD           | Used for more than 180 days                                                                                                                                                                                                                                                                                                                                                                                                                                            | 20% of actual cost                                                                      |
|                      | Less than 180 days                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 10% of actual cost. However, the balance 10% shall be available in the subsequent year. |
| Important Points     | <ol style="list-style-type: none"> <li>1. AD is allowed only in the year in which such P&amp;M is first put to use.</li> <li>2. AD shall be allowed even if block has nil/ negative value.</li> <li>3. AD shall be subtracted while computing closing WDV of respective block.</li> <li>4. AD is not available if new plant/machinery is sold in the year of acquisition.</li> <li>5. AD is not available if power unit is claiming depreciation under SLM.</li> </ol> |                                                                                         |

### Depreciation in case of amalgamation/ demerger/ succession

|                   |                                                                                                                                                                                                                                                                                                                                                             |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Step 1            | Calculate <u>Total Depreciation</u> as if no Amalgamation has taken place.                                                                                                                                                                                                                                                                                  |
| Step 2            | Divide total Depreciation into No. of days Used by Each Entity Days Counting:<br>Old Assets - From 1 <sup>st</sup> day of PY<br>New Assets before Conversion- From the date of acquisition                                                                                                                                                                  |
| Situation Covered | <ul style="list-style-type: none"> <li>• Amalgamation of companies;</li> <li>• Demerger of companies;</li> <li>• Conversion of proprietary firm into a company (private/pubiic);</li> <li>• Conversion of partnership firm into a company (private/pubiic);</li> <li>• Conversion of private limited or unlisted public company into a LLP firm.</li> </ul> |

# PGBP

## Sec 33AB: Tea, Coffee, Rubber Development

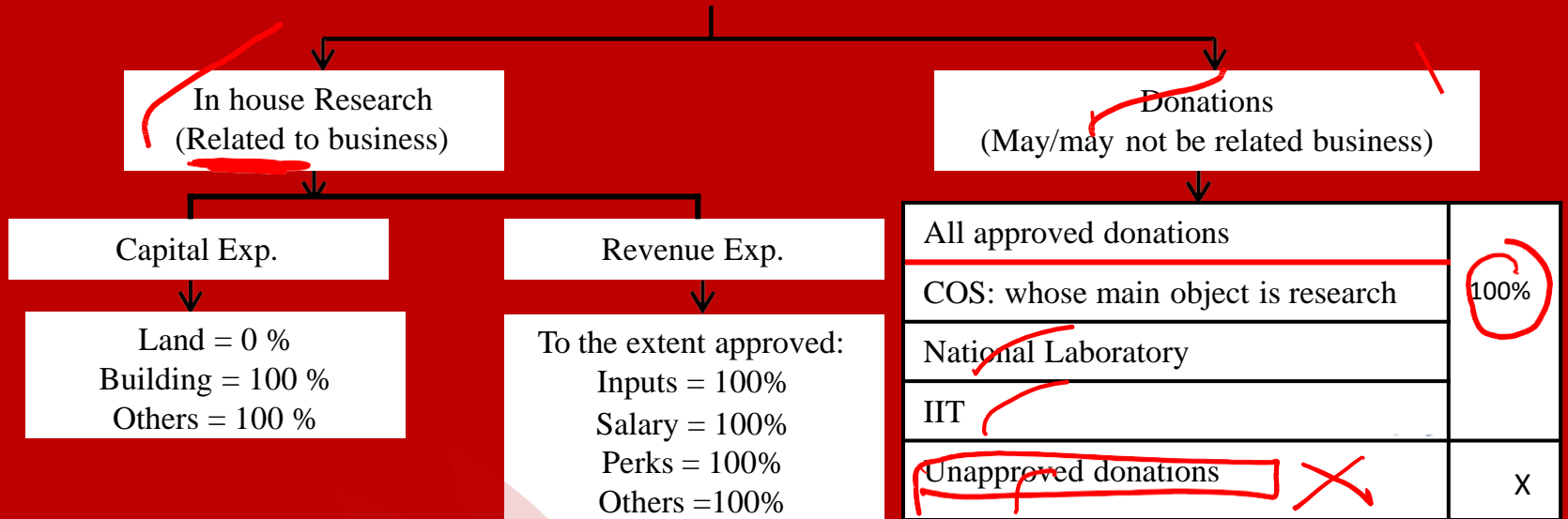
|                       |                                                                                                                                                                                                                                                                                           |                 |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Business              | Assessee must be engaged in the business of growing & manufacturing of tea or rubber or coffee in India.                                                                                                                                                                                  |                 |
| Deposit               | Assessee has, within <u>6 months</u> from the end of the <u>or</u> before furnishing of <u>ROI</u> whichever is earlier, deposited any amount with<br>a) <u>NABARD</u> under any approved scheme, or<br>b) <u>Deposit Account</u> opened by assessee in accordance with the above scheme. |                 |
| Audit                 | Accounts of assessee should be audited & report (Form <u>3AC</u> ) thereof is filed along with ROI                                                                                                                                                                                        |                 |
| Deduction             | <b>Lower of:</b><br>a) <u>Amount Deposited</u><br>b) <u>40%</u> of profit of such Business before deduction u/s 33AB, & <u>72</u>                                                                                                                                                         |                 |
| Withdrawal of Deposit | Closure of Business                                                                                                                                                                                                                                                                       | Taxable         |
|                       | Dissolution of firm                                                                                                                                                                                                                                                                       | Taxable         |
|                       | Death of Assessee                                                                                                                                                                                                                                                                         | Not Taxable     |
|                       | Partition of HUF                                                                                                                                                                                                                                                                          | Not Taxable     |
|                       | Liquidation of Company                                                                                                                                                                                                                                                                    | Not Taxable     |
|                       | Amount realized not used                                                                                                                                                                                                                                                                  | Taxable as PGBP |



# PGBP

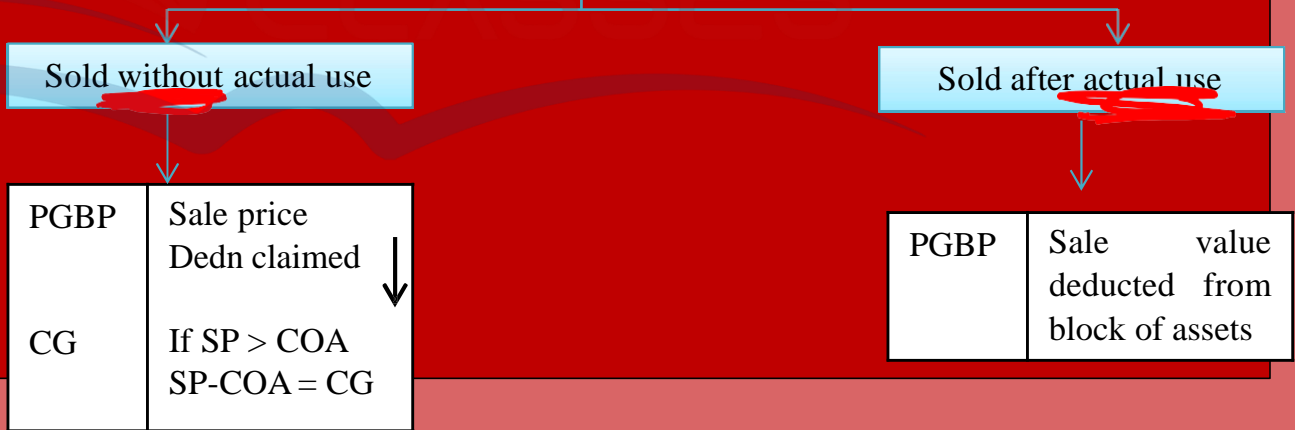
## Sec 35: Expenditure on Scientific Research

Any assessee



C.Y. exp. = Allowed  
 P.Y. exp. = Allowed upto 3 P.Y.s  
 Land=0%  
 Perks =0%

## Sale of assets used for Scientific Research



# PGBP

## Sec 35AD: Deduction in case of specified businesses

|        |                                                                                            |
|--------|--------------------------------------------------------------------------------------------|
| 1/4/09 | Cold chain faulty Warehousing for Agr. Produce<br>Cross country oil & natural gas pipeline |
| 1/4/10 | Hotel with $\geq$ 2 star<br>Hospital with $\geq$ 100 beds<br>Slum redevelopment            |
| 1/4/11 | Economy housing<br>Production of fertilizer                                                |
| 1/4/12 | Oil & container depot<br>Beekeeping & Beeswax<br>Warehouse for sugar                       |
| 1/4/14 | Manufacture of silicon chips<br>Pipeline for iron ore                                      |
| 1/4/17 | New infrastructure facility                                                                |

- 1) Capital Exp. – 100% Allowed  
Land/goodwill & financial instruments - Nil
- 2) Pre-commencement Exp. - Allowed in year of commencement if capitalised in books.
- 3) C/f of Losses- No time period. Return u/s 139(1).
- 4) Limit for payment in cash for acquisition of asset – Rs. 10,000/-.

### Conditions for claiming deduction u/s 35AD:

- 1) Business not formed by Splitting/Reconstruction of Existing Business
- 2) Not Formed by Transfer of Used P&M ( However, Used P&M is Allowed upto 20%)
- 3) Asset must be used in business for 8 AY for which deduction is claimed u/s 35AD otherwise, in the year of sale or put to use in other business shall be business income which is equals to:

PGBP Income = Total Deduction Claimed – Deemed Depn

# PGBP

|                                                                                 | Sec 35CCA<br>Rural Development Programs                                                                                                              | Sec 35CCC Agricultural<br>Extension Project                                                                                                                                                                                                                             | Sec 35CCD<br>Skill Development Project                                                                                               |
|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| <b>Applicability</b>                                                            | Any assessee                                                                                                                                         | Any assessee                                                                                                                                                                                                                                                            | Company                                                                                                                              |
| <b>Donation to</b>                                                              | <ul style="list-style-type: none"> <li>National Fund for Rural Development set up by CG</li> <li>National Urban Poverty Eradication Fund.</li> </ul> | <ul style="list-style-type: none"> <li>Agriculture Extension Project notified by CBDT</li> <li>Training / Education/ Guidance of farmers</li> <li>Approved by Ministry of Agriculture</li> <li>Expenses .&gt; Rs.25L</li> <li>Excluding Land &amp; Building.</li> </ul> | <ul style="list-style-type: none"> <li>Skill Development Project other than Land &amp; Building</li> <li>Notified by CBDT</li> </ul> |
| <b>Deduction</b>                                                                | 100%                                                                                                                                                 | 100%<br>Land- 0%<br>Building- 0%                                                                                                                                                                                                                                        | 100%<br>Land- 0%<br>Building- 0%                                                                                                     |
| No deduction shall be allowed under any other section for the said expenditure. |                                                                                                                                                      |                                                                                                                                                                                                                                                                         |                                                                                                                                      |

# PGBP

## Sec 35D: Amortization of preliminary expenses

1. **Cost of project:** Actual cost of the fixed assets on the last day of PY in which business commences.
2. **Capital employed:** Issued SC + Debentures + LT Borrowing (Indian+Foreign) on the last day of PY in which business commences

|                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Eligible assessee</b>              | <ul style="list-style-type: none"> <li>• Indian company, or</li> <li>• Person resident in India other than a company.</li> </ul>                                                                                                                                                                                                                                                                                                            |
| <b>Time &amp; purpose of expenses</b> | <ul style="list-style-type: none"> <li>a) Expense incurred before commencement of business, or</li> <li>b) Expense incurred after commencement of business                             <ul style="list-style-type: none"> <li>• Extension of existing undertaking, or</li> <li>• In connection with setting up a new unit.</li> </ul> </li> </ul>                                                                                           |
| <b>Eligible Expenses</b>              | <ul style="list-style-type: none"> <li>a) Engineering services;</li> <li>b) Preparation of a feasibility report</li> <li>c) Conducting any survey &amp;/or project report;</li> <li>d) Legal charges for drafting any agreement /MOA/AOA</li> <li>e) Fee for registration of the company</li> <li>f) Expenses in connection with the public issue &amp; expense on refunding the amount of oversubscription of shares/ debenture</li> </ul> |
| <b>Maximum Limit</b>                  | <ul style="list-style-type: none"> <li>a) <b>In case of company:</b> <ul style="list-style-type: none"> <li>i) 5% of the cost of project, or</li> <li>ii) 5% of the capital employed, whichever is more</li> </ul> </li> <li>b) <b>In case of other assessee:</b> 5% of cost of project</li> </ul>                                                                                                                                          |
| <b>Amount of deduction</b>            | $1/5^{\text{th}}$ [Actual Exp subject to Max limit] <span style="color: red;">1/5 [Act Exp. (max)]</span>                                                                                                                                                                                                                                                                                                                                   |

## PGBP

### Sec 35DD: Amalgamation related expenses

|                  |                                                                                          |
|------------------|------------------------------------------------------------------------------------------|
| <b>Assessee</b>  | Indian Company                                                                           |
| <b>Expenses</b>  | Expenses incurred wholly and exclusively for amalgamation or demerger of an undertakings |
| <b>Deduction</b> | 1/5th of Actual Expenses available in 5 years.                                           |

Note: Deduction under sec 35DD should be claimed by amalgamated co.

### Sec 35DDA: Amortization of expenditure incurred under voluntary retirement scheme

|                   |                                                   |
|-------------------|---------------------------------------------------|
| <b>Assessee</b>   | Any Assessee                                      |
| <b>Conditions</b> | Assessee has paid VRS                             |
| <b>Deduction</b>  | 1/5th of actual expense available in 5 years      |
| <b>From P.Y.</b>  | Starting with P.Y. in which amount actually paid. |

### Sec 35E: Expenditure of Mineral Extraction

|                  |                                                                                                                                                                                                                                                                              |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Assessee</b>  | <ul style="list-style-type: none"> <li>• Indian Company</li> <li>• Resident Assessee</li> </ul> Engaged in prospecting/extraction/ production of specified minerals                                                                                                          |
| <b>Incurred</b>  | <ul style="list-style-type: none"> <li>• Qualified Expenses other than on Land/Site, P&amp;M, Furniture for which depreciation u/s 32 is allowed.</li> <li>• Expenses incurred during year of commercial production &amp; 4 years immediately preceding that year</li> </ul> |
| <b>Deduction</b> | a) 1/10th of Such Expenditure<br>b) Income out of such business ↓                                                                                                                                                                                                            |
| <b>Audit</b>     | The books of accounts of the relevant year(s) in which the expenditure is incurred should be audited and the audit report in Form No. 3B should be submitted along with the ROI of the first year one month prior to due-date.                                               |

# PGBP

## Sect 36: Some Specific Deductions

**Insurance of stocks/stores** · Allowed

**Insurance premium paid of cattle** · Allowed [Cash as well non-cash modes allowed]

**Insurance premium on health of employees** · Allowed [Modes other than cash]

**Bonus/ Commission to employees** · Allowed subject to Sec 43B

**Interest on Borrowed Capital** · Allowed subject to Sec 43B

Conditions:

1. aa has borrowed money
2. Interest is paid / payable
3. Borrowed money used for B/P
4. Notional interest  $\neq$  allowed
5. Brokerage / commission = Allowed u/s 37

**Pro rata discount of zero coupon bonds** =  $\frac{\text{Maturity price} - \text{Issue Price}}{\text{Life of Bonds}}$

- **Employers contribution to RPF / ASF / AGF** = Allowed subject to Sec 43B
- **Employers contribution to Notified Pension Scheme** = Allowed (Max 10% of Salary)

Basic + DA(R) + C(T)

**Employees contribution towards staff welfare funds:**

Step 1: Add the amount of contribution to income of employer u/s 2(24)

Step 2: Deduct the amount paid before due date to govt. u/s 36.

20,000  $\rightarrow$   $\frac{2000}{2000} = 18,000$

**Write of allowance for animals:**

Conditions: Animals held as fixed assets & not stock-in-trade

Deduction: Actual cost of animals – Amount realised on sale of animal or their carcasses.

**Family Planning Expenditure:**

**Conditions** –

The assessee must be a **company**, and

The expenditure must be incurred for promoting family planning among its employees.

**Deductions** -

If the expenditure is revenue in nature, 100% deduction is allowed in the year of expenditure.

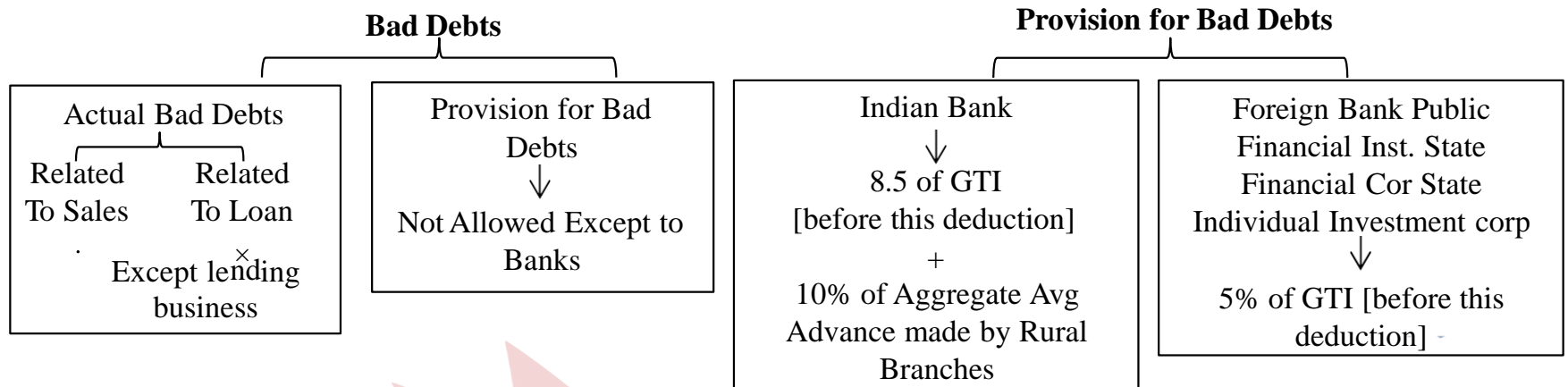
If the expenditure is capital in nature, deduction shall be allowed in five equal installments.

# PGBP

## Bad Debts:

### Conditions:

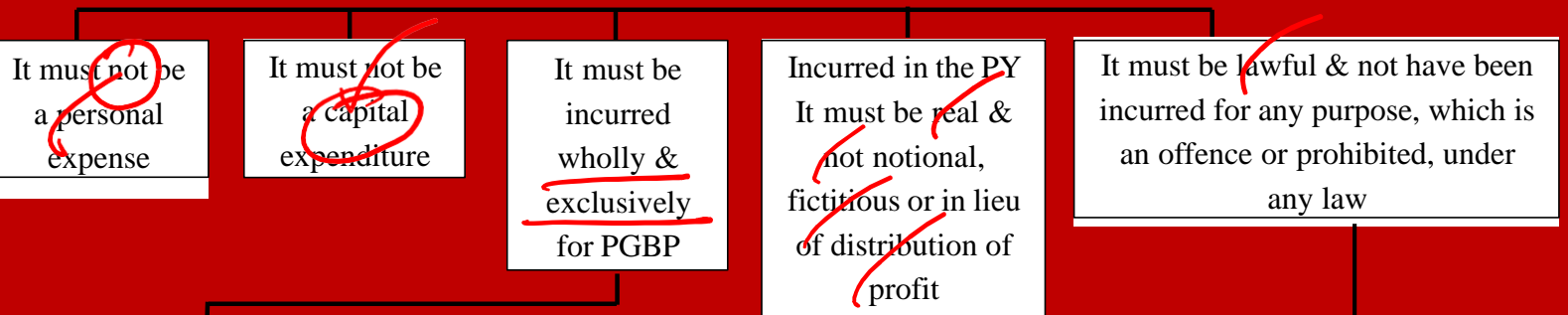
- It must have been written off in the accounts of the assessee.
- Business must be carried on during the PY of any part of the PY. [Bad debt of a discontinued business is not allowed as deduction even though assessee has any other business continued.]



STT = Allowed  
CTT = Allowed

# PGBP

## Sec 37: General deductions



- 1) Management of temple in factory premises for recreation of employees - ✓
- 2) Foreign visit of a director & his wife in connection with medical treatment of the director - ✓
- 3) Insurance premium paid by firm on life insurance policies of its partners - ✗
- 4) Interest paid to GST Dept on tax arrears - ✓
- 5) Income Tax paid - ✗
  - ↓
  - Loan taken for payment, Interest on the same - ✗
  - ↓
  - Appeal / Proceedings - ✓

Interest paid to proprietor - ✗  
Salary paid to proprietor - ✗

- 1) Penalty & damages paid in connection with infringement of law - ✗
- 2) Fines paid for traffic offences - ✗
- 3) Penalty or damages for breach of contract - ✓
- 4) Penalty under GST - ✗



# PGBP

| Nature                        | Allowability / Disallowability                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>General</b>                | <ol style="list-style-type: none"> <li>1) Expenses on Glow Sign board at dealer's outlet</li> <li>2) Diwali &amp; Muhurat expenses</li> <li>3) Insurance premium on loss of Profit</li> <li>4) Professional tax Paid</li> <li>5) Premium on Keyman Insurance Policy paid by firm on behalf of partner</li> <li>6) Amount to ROC for liability discharge under Co Law / Annual Listing Fees paid to Stock Exchange</li> <li>7) Training expenditure on Apprentices</li> <li>8) Demurrage Charges paid to port authorities</li> <li>9) Expenses incurred During Lock out</li> </ol>                                                                                            |
| <b>Company Specific</b>       | <ol style="list-style-type: none"> <li>1) Expenditure in connection with bonus issue-GIC</li> <li>2) Discount of Issue of Debenture/Redeemable Debenture</li> <li>3) Interest &amp; penalty - Not allowed as deduction</li> <li>4) Expense on development of website - Allowed</li> <li>5) Litigation Expenses</li> <li>6) Fees for alteration of Article of Association</li> <li>7) Expenditure on revaluation of Fixed Assets</li> <li>8) Loss on Account of Embezzlement/ Stock in trade</li> <li>9) DDT paid not allowed as deduction.</li> <li>10) Loss incurred in financing its Subsidiary</li> <li>11) Loss caused due to fluctuation in Foreign Currency</li> </ol> |
| <b>Expenditure Disallowed</b> | <ol style="list-style-type: none"> <li>1) Freebies to medical practitioner by Pharma &amp; Health Sector</li> <li>2) Fees paid to ROC for change in MOA</li> <li>3) Expense w.r.t shifting of registered office</li> <li>4) Income Tax, Wealth tax, provision for deferred tax(AS 22)</li> <li>5) Provision in respect of Contingent Liability</li> <li>6) Interest paid on delayed payment of Advance Tax [Federal Bank Ltd v. CIT]</li> </ol>                                                                                                                                                                                                                              |

# PGBP

## Payments on which TDS Provisions Apply

Disallowance will be attracted if any of the following conditions are satisfied:

- a) TDS not Deducted upto last day of Relavant PY.
- b) TDS Not deposited with govt. upto return filing date u/s 139(1).

| Disallowance shall be: | Section   | Payment To                                                  | Disallowance |
|------------------------|-----------|-------------------------------------------------------------|--------------|
|                        | 40(a)(i)  | Payment to any person O/S India or in India to Non-Resident | 100%         |
|                        | 40(a)(ia) | Payment In India To Resident                                | 30%          |

Disallowed amount shall be allowed in the year in which TDS is deposited with GOVT.

## Sec 40(b): Remuneration, Interest etc. to Partners by Firm

**Interest on Capital or Loan** – If authorised by the partnership deed

**Deduction** = Max 12%.

1) **Remuneration to partner** – If authorised by the partnership deed & Paid only to a working partner

**Deduction** = Salary Paid or Max Limit, whichever is less.

| Book profit                                                                                                  | Maximum amount deduction in respect of remuneration to partners               |
|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| 1) Book profit is negative                                                                                   | Rs.1,50,000                                                                   |
| 2) Book profit is positive-<br>- On first Rs. 3 lakh of Book Profits<br>- On the balance of the Book Profits | Rs.1,50,000 or 90% of Book Profits - whichever is more<br>60% of Book Profits |

# PGBP

## Sec 40A(2): Payments to specified Persons (Relatives)

If A.O is of the opinion that having regard to FMV, payment is excessive or unreasonable, then such excessive or unreasonable payment shall be disallowed.

| Assessee      | Relative                          |
|---------------|-----------------------------------|
| 1. Individual | S, M, F, B, S, LA, LD             |
| 2. HUF        | Member & their relatives          |
| 3. Firm/LLP   | Partner & their relatives Company |
| 4. Company    | Director & their relatives        |
| 5. AOP/BOI    | Member & their relatives          |

## Sec 40A(3) & (3A): Payment by non specified Mode



Any Payment made

1 ← person in a day for a single bill

- to a person in a day for a single bill
- exceeding Rs. 10,000 or Rs. 35,000 (in case of GTA)
- otherwise than by A/c Payee Cheque, Draft or ECS or
- **other prescribed electronic mode**
- shall be disallowed. (100%).

- Rule 6DD (exception to S.40A(3)) no disallowance for following payments:**
1. Payments made to Cultivator, Grower or Producer of agricultural produce & related products etc
  2. Payment made to Government, Banks, RBI, LIC
  3. Payment to person residing @ place which is not served by bank.
  4. Payment made on a day on which Banks were closed.
- Payment to employee for retirement benefit not exceeding Rs.50,000

**NOTES: 1)** If Expenditure has been allowed as deduction in any earlier PY on accrual basis (if assessee is following accrual basis) & payment for such expenditure has been made in any subsequent PY exceeding Rs. 10,000/35,000 in cash to a person in a day, then such payment shall be deemed to be the income of PY in which payment is made.

2) Sec 40A(3) does not Apply for Repayment of Loans. But it applies to interest payments since interest is a deductible expenditure.

## Sec 40A(7): Disallowance in respect of provision for gratuity

| Disallowed Part                                                     | Allowed Part                              |
|---------------------------------------------------------------------|-------------------------------------------|
| Provision / payment to unapproved gratuity (Even if as per actuary) | Provision / payment to Approved Gratuity. |

# PGBP

## Sec 40A(9): Disallowance on contribution to non-statutory funds

| Disallowed Part                                    | Allowed Part                                                              |
|----------------------------------------------------|---------------------------------------------------------------------------|
| Provision / payment to unrecognized provident fund | Provision / payment to:<br>a) RPF b) SPF c) Pension (80CCD) d) PPF e) ASF |

## Sec 43B : Expenses allowed on payment basis

Following expenses are allowed as deduction in PY if paid before the due-date of filing return (31 July or 30th Sept, as case may be), otherwise deduction is allowed in the year of payment.

- ✓ 1. Any sum payable by way of duty, tax, cess, fee etc.
- ✓ 2. Bonus, commission *to es*
- ✓ 3. Interest on loan from public financial institutions
- ✓ 4. Interest on loan from NBFC
- ✓ 5. Leave encashment *to es*
- ✓ 6. Employers contribution to SAF, RPF, AGF etc.
- ✓ 7. Any sum payable by Assessee to the Indian Railways for use of Railway assets.

## Sec 44AA: Maintenance of Accounts

### Assessee engaged in Specified Profession:

Gross receipts exceeds INR 1.5 Lakh in each of the last three PY

Gross receipts doesn't exceeds INR 1.5 Lakh in each of the last three PY

Prescribed Books as per Rule 6F

Necessary books to enable AO to assess income

Assessee engaged in Non-Specified Profession or Business: Required to maintain such books of a/c which will enable AO to compute their taxable income if any of the following conditions are satisfied in **ANY ONE of the last 3 PY:**

|                  | Individual / HUF    | Other Assessee       |
|------------------|---------------------|----------------------|
| Income exceeds   | INR <u>2.5 Lakh</u> | INR <u>1.20 Lakh</u> |
| Turnover exceeds | INR <u>25 Lakh</u>  | INR <u>10 Lakh</u>   |



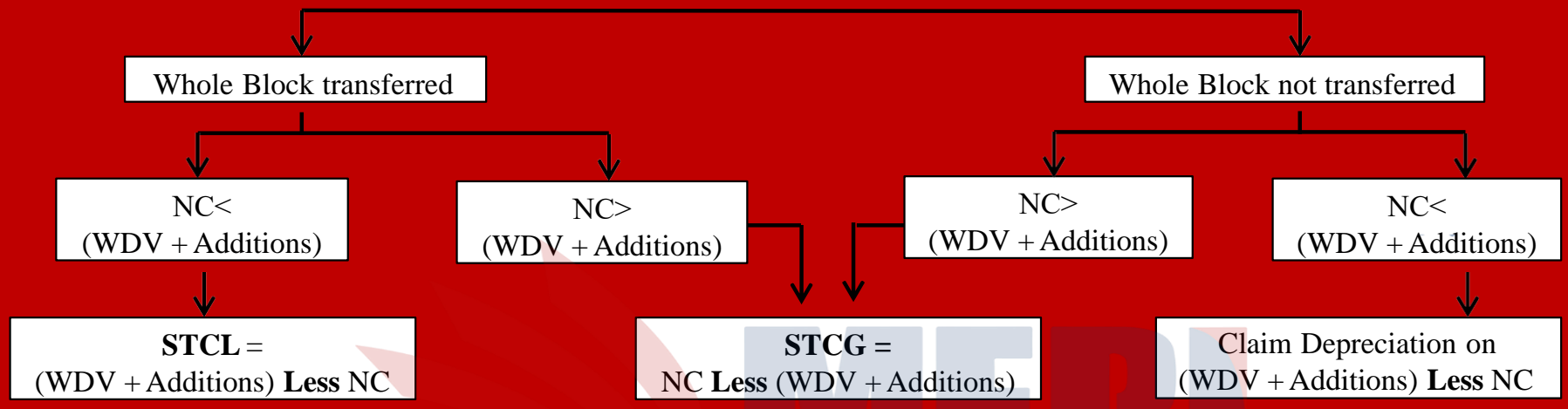
# PGBP

## Capital Gains on depreciable assets

### Applicability of Sec 50

- ↳  $SC > (WDV + \text{New Assets} + \text{Exp on transfer})$
- ↳ When block of asset ceases to exit.

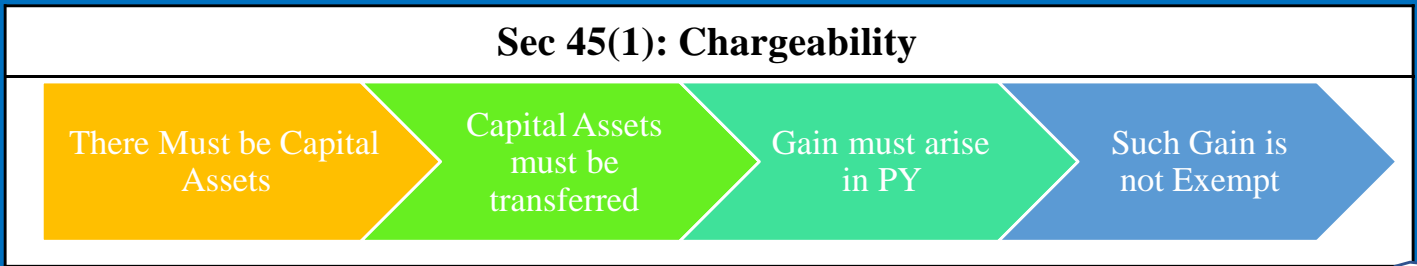
### Depreciable Asset



Note: NC = Net Consideration, WDV = Written Down Value, STCG / STCL = Short Term Capital Gain / Loss.

# CAPITAL GAINS

## Sec 45(1): Chargeability



## Sec 2(14): Capital Assets: Any kind of property connected to business or not

### Includes

- a) Any right in or in relation to an Indian company, including rights of management or control or any others right whatsoever [Vodafone Case]
- b) Securities held by FIIs
- c) **ULIP issued on/ after 01/02/2021 where premium or aggregate payable exceed Rs. 2,50,000/-.**

### Excludes

- a) Stock in Trade (other than Security held by FII)
- b) Personal Effects ○ ○ ○
- c) Rural Agricultural Land in India
- d) Specified Bonds

Land and Building are separate asset for the purpose of CG (C.R. Subramniam)

### Personal effects -

Movable Property but Excludes

1. Jewellery
2. Archaeological Collections
3. Drawing
4. Sculptures
5. Paintings
6. Any work of art

### Financial Assets

- a) Equity/Preference Shares (Listed)
- b) Securities Debentures & Govt. Securities - Listed
- c) Units of UTI (Quoted or not quoted)
- d) Zero Coupon Bonds
- e) Equity-oriented units of MF (Quoted or not)

### Special Assets

- a) Equity/Preference Shares (Unlisted)
- b) Equity/Preference Shs/Securities - Listed on Foreign S/E
- c) Land / Building / Land + Building

### Types of Capital Assets

|                   | Financial Assets       | Special Assets         | Others                 |                   |
|-------------------|------------------------|------------------------|------------------------|-------------------|
| <b>Long Term</b>  | Held for More than 12M | Held for More than 24M | Held for More than 36M | Depends upon POHA |
| <b>Short Term</b> | Held for upto 12M      | Held for upto 24M      | Held for upto 36M      |                   |

# CAPITAL GAINS

## Sec 2(47) : Definition of Transfer

- a) Sale, Exchange / Relinquishment of the asset.
- b) Extinguishment of any rights therein.
- c) Compulsory acquisition.
- d) Conversion of asset into stock-in-trade.
- e) Maturity or redemption of a zero coupon bond.
- f) Any transaction in part performance of a contract of immovable property u/s 53A of TOPA, 1882.
- g) Any transaction of becoming a member of a society or company etc. having house building scheme for its members.

## Sec 48: Computation of Capital Gain

| Short term Capital Gains           |       | Long term Capital Gains            |       |
|------------------------------------|-------|------------------------------------|-------|
| <b>Full Value of Consideration</b> | xxx   | <b>Full Value of Consideration</b> | xxx   |
| Less: Exp on Transfer              | (xxx) | Less: Exp on Transfer              | (xxx) |
| <b>Net Consideration</b>           | xxx   | <b>Net Consideration</b>           | xxx   |
| Less: Cost of Acquisition          | (xxx) | Less: Indexed Cost of Acquisition  | (xxx) |
| Less: Cost of Improvement          | (xxx) | Less: Indexed Cost of Improvement  | (xxx) |
| <b>STCG</b>                        | xxx   | <b>LTCG</b>                        | xxx   |
| Less: Exemption u/s 54             | (xxx) | Less: Exemption u/s 54             | (xxx) |
| <b>STCG</b>                        | xxx   | <b>LTCG</b>                        | Xxx   |

**Full Value of Consideration**  
 Amount received or receivable by transferor without making any deduction there from.  
**If in Cash** - Take Actual Amt  
**If in Kind** - As per Sec 50D take **FMV** wherever Consideration is not ascertainable or cannot be determined.



# CAPITAL GAINS

|                                  |       |                                                      |                      |
|----------------------------------|-------|------------------------------------------------------|----------------------|
|                                  |       |                                                      |                      |
| Different situation reference VO | in to | Value by VO is higher than SDV                       | FVC = SVA            |
|                                  |       | Value by VO is lower than SDV but more than Assessee | FVC = VO Value       |
|                                  |       | Value by VO is lower than value by Assessee          | FVC = Assessee Value |

**Sec 50CA: Unlisted Shares**

**FVC = FMV, if consideration < FMV**

**Applicable to :**

1. All assessee including NR.
2. Only if the shares are held as Capital Asset not SIT.
3. All kinds of shares – equity / preference, but not debentures.

**Not Applicable to:**  
A company & its subsidiary of such subsidiary.

# CAPITAL GAINS

## Expenses of Transfer

- a) Expenses on transfer is allowed as deduction (not exp on acquisition as it is added to cost)  
**Given in Cash** : Take actual amount     **Given in %**: Take % of Sale Consideration not of FVC
- b) Expenses on transfer include brokerage and other legal expenses for sale of Such assets
- c) **STT is not allowed as Deduction** [7th Proviso to Sec 48]

## Sec 55(2) Cost of Acquisition

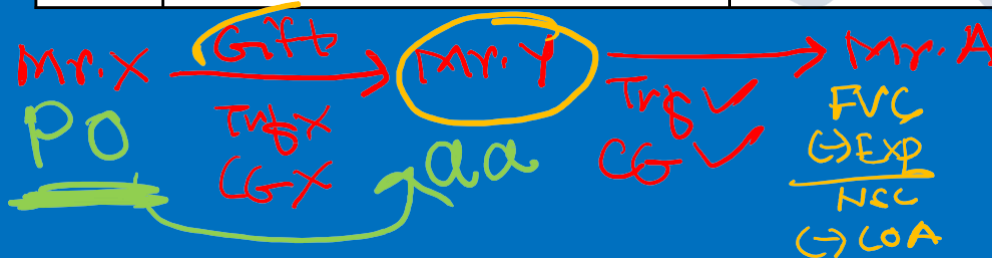
Cost of acquisition is value which assessee has paid, or amount which he has incurred, for acquisition of asset. It includes amount for completing / acquiring title  
**(Interest on Borrowed capital)**

## COA and COI of Intangibles

- |                                                                                                                                                                                                                                                                                                    |   |                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>1. Goodwill of business/ profession</li> <li>2. Right to manufacture, produce article or thing,</li> <li>3. Right to carry on any business</li> <li>4. Trademark / brand name of business</li> <li>5. Tenancy rights, Route permits, Loom hours.</li> </ul> | } | <p style="text-align: center;">Self – generated = Nil<br/>Purchased = purchase price</p> <ul style="list-style-type: none"> <li>1. Benefits of FMV as on 01/04/2001 NOT available in case of these assets</li> <li>2. No CG on goodwill of profession as per B.C Shrinivas Shetty (SC)</li> </ul> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## Sec 49 - Cost of Acquisition

|                  |                                                                                                                                                                                                                                         |                              |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| <b>Sec 49(1)</b> | <ul style="list-style-type: none"> <li>• Distribution of assets on total/partial partition of HUF</li> <li>• Gift or will or inheritance or succession or devolution</li> <li>• Distribution of assets on liquidation of Co.</li> </ul> | Cost to the previous owner   |
| <b>Sec 49</b>    | Assets acquired before <del>01.04.2001</del>                                                                                                                                                                                            | COA / FMV as on 01.04.2001 ↑ |



| Shares                                                             |                                  |
|--------------------------------------------------------------------|----------------------------------|
| Original Shares                                                    | Amount paid                      |
| Right shares subscribed by aa                                      | Amount paid                      |
| Right shares of aa subscribed by others                            | Price: to aa + to co. for shares |
| Rights Renouncement / Bonus Shs. on/aft 1/04/2001 / Sweat Eq. Shs. | Nil                              |
| Bonus shares before 01/04/2001                                     | FMV on 1/04/01                   |

# CAPITAL GAINS

## INDEXED COST OF ACQUISITION:

a) Before 01/04/2001:

$$\text{FMV on 1/4/2001} / \text{COA to aa} / \text{PO} \uparrow \times \frac{\text{CII of the year of transfer}}{100}$$

Trg. yr. CII<sub>t</sub> Acq. yr. CII<sub>a</sub> COA  
 $\frac{\text{COA} \times \text{CII}_t}{\text{CII}_a}$

b) After 01/04/2001:

$$\text{COA to aa} \times \frac{\text{CII of the year of transfer}}{\text{CII of year of acquisition}}$$

$$\text{COA} \times \frac{\text{CII}_t}{\text{CII}_a}$$

c) Asset acquired prior to 01/04/2001 by previous owner & received by Assessee prior to 01/04/2001:

$$\text{FMV on 1/4/2001} / \text{COA to aa} / \text{PO} \uparrow \times \frac{\text{CII of the year of transfer}}{100}$$

PO gift aa Trg. yr. x  
 FMV / COA

d) Asset acquired prior to 01/04/2001 by previous owner & received by Assessee after 01/04/2001

$$\text{FMV on 1/4/2001} / \text{COA to PO} \uparrow \times \frac{\text{CII of the year of transfer}}{\text{CII of year in which first held by assessee}}$$

e) Asset required after to 01/04/2001 by previous owner & received by Assessee after 01/04/2001

$$\text{COA to PO} \times \frac{\text{CII of the year of transfer}}{\text{CII of year in which first held by assessee}}$$

**Manjula Shah vs CIT :** If assessee acquires CA by way of gift & transferred such assets, then ICOA would be with reference to year in which previous owner held the assets & not in which Assessee becomes the owner. Therefore CII should be based on the year in which previous owner acquired the assets & not in which assessee becomes the owner.

## INDEXED COST OF IMPROVEMENT

$$\text{COI of the asset} \times \frac{\text{CII of the year of transfer}}{\text{CII of the year in which improvement made by assessee/ previous owner}}$$

(any cost of improvement before 01/04/2001 whether by assessee or by previous owner is to be ignored)

$$\text{COI} \times \frac{\text{CII}_t}{\text{CII}_a}$$

# CAPITAL GAINS

## BENEFITS OF INDEXATION NOT AVAILABLE TO

| Nature of Long Term Capital Gain Transferred                           | Assessee not Eligible |
|------------------------------------------------------------------------|-----------------------|
| Bond/debenture <b>Except</b> capital Indexed Bond issued by Govt,      | All Assessee          |
| Shares/debenture of Indian company acquired by using convertible Forex | Non Resident          |
| Depreciable Assets                                                     | All Assessee          |
| Lump Sale                                                              | All Assessee          |
| Gold Bond Scheme 2015                                                  | All Assessee          |

## CAPITAL GAIN IN CASE OF NON RESIDENT

**Applicable to:** NR (Includes foreign company)

**Assets:** Shares/debentures of Indian Company & acquired in foreign currency by way of purchase of reinvestment

**CG:** Calculated in foreign currency & after that it shall be reconverted into Indian Currency.

### Rule 115A: Method of Conversion

|                    |                    |                        |
|--------------------|--------------------|------------------------|
| Sale Consideration | Avg of TTBR & TTSR | On date of transfer    |
| COA                | Avg of TTBR & TTSR | On date of acquisition |
| Transfer Expense   | Avg of TTBR & TTSR | On date of transfer    |
| CG into INR        | TTBR               | On date of transfer    |

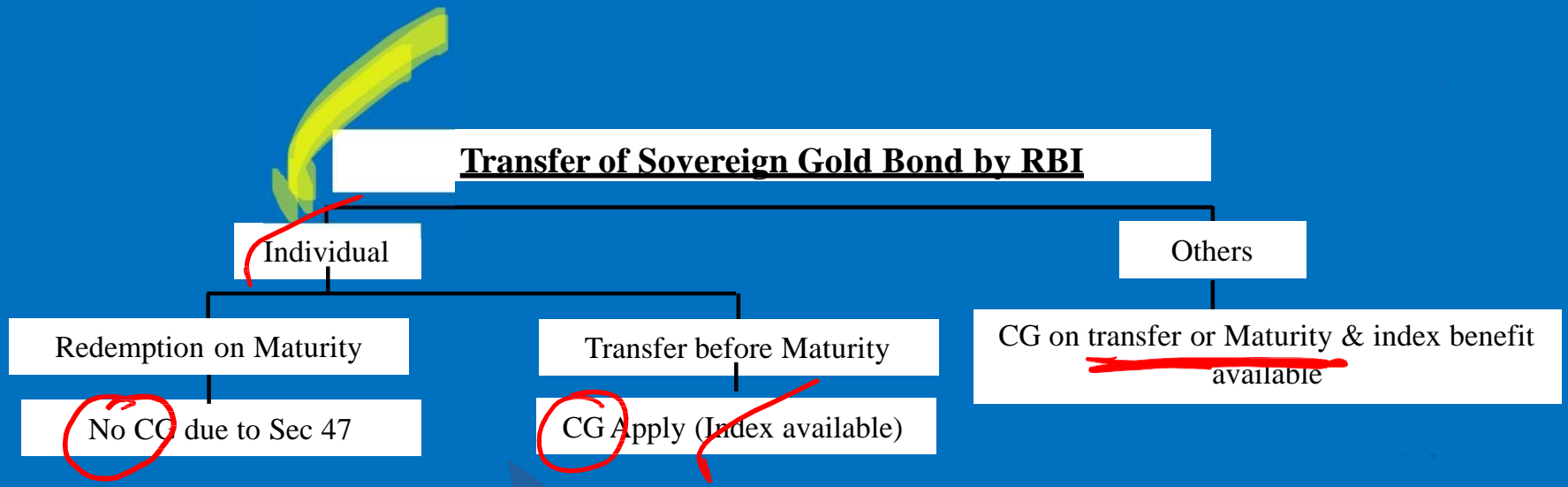
### Transfer of RDBs of Indian Company to NR:

**Exemption:** Rupee Appreciation to be ignored

**Available:** Transfer before maturity: ×

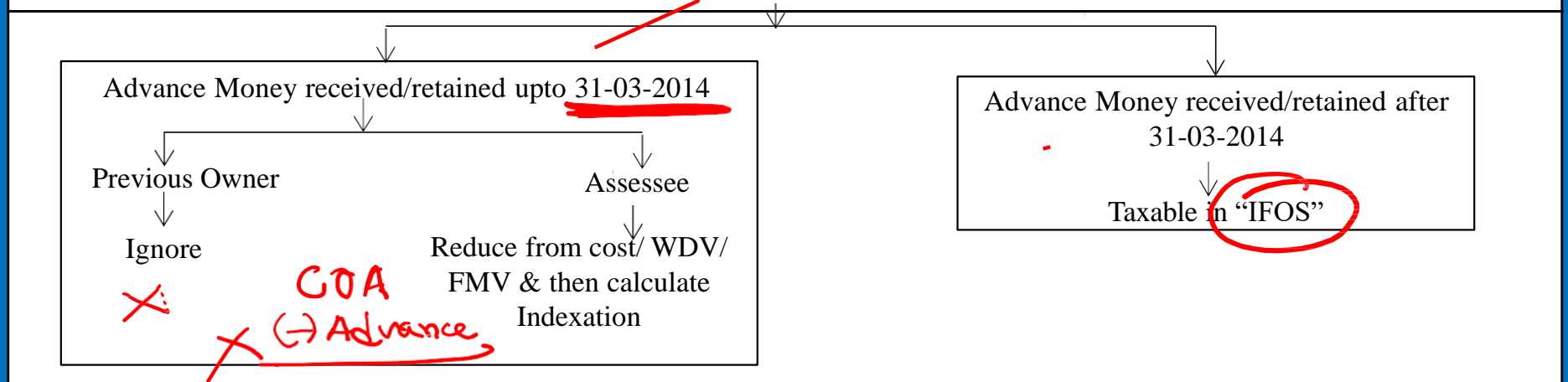
Transfer after maturity: .

# CAPITAL GAINS



# CAPITAL GAINS

## Sec 51: Forfeiture of Advance Received



## Sec 50B: Slump Sale

|                                |       |
|--------------------------------|-------|
| FVC : AC or FMV of Asset trf ↑ | xxx   |
| Less: Net Worth = COA          | (xxx) |
| CG                             | xxx   |

|                                        |                                                                                                                                                 |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Net worth</b>                       | Total Assets ( - ) Current Liability<br><b>Note:</b> If net worth is negative, it is taken as equal to zero & sale consideration will become CG |
| <b>Aggregate value of total assets</b> | Depreciable Assets - WDV<br>Other Assets - Book Value<br>100% Deduction Claimed assets - Nil                                                    |

Revaluation of Assets are Totally Ignored

### Important Points:

- 1) Gain is long term if unit held for more than 3 years.
- 2) No indexation benefit available.
- 3) If Networth is negative COA is NIL.
- 4) Assessee shall furnish a report from CA certifying Network.

# CAPITAL GAINS

## Sec 45(1A) : Insurance Compensation

Where CA is destroyed due to :

- a) Fire, Flood, Earthquake, Tsunami, *Natural Calamities*
- b) Riots, Civil disturbance,
- c) Action of enemy then the provision is applicable, if compensation is received.

Non-Depreciable Assets

Depreciable Assets

### Capital Gain [Taxable in year of Receipt]

| FVC                 | Amount Received                                             | xxx   |
|---------------------|-------------------------------------------------------------|-------|
| Exp on Transfer     | As Usual                                                    | (xxx) |
| Net Consideration   |                                                             | xxx   |
| COA/ ICOA           | As Usual : But Indexation only upto <u>destruction year</u> | (xxx) |
| COI/ ICOI           |                                                             | (xxx) |
| Capital Gain / Loss |                                                             | xxx   |

### Capital Gain [Taxable in year of Receipt]

| FVC | Amount Received  |
|-----|------------------|
| COA | WDV              |
| CG  | <b>STCG/STCL</b> |

**Note:**

- 1) Insurance monies for loss of raw material shall be treated as normal trading receipt as raw material is not a 'capital asset', however, it may be taxable as trading receipt u/s 28 or 56.
- 2) Where any asset is destroyed & no insurance compensation received, it shall be treated as a dead loss, because neither sec 45(1) nor sec 45(1A) get attracted.

## Sec 45(2): Conversion of CA into S-I-T

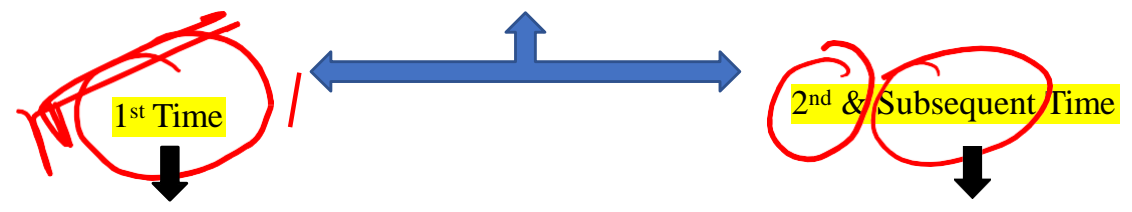
Note-

- 1) Both Income will arise when Converted stock is sold. Indexation is available only upto the year of conversion.
- 2) If any part of stock is sold then only part CG shall arise in year of sale.
- 3) In case of converted stock sale, period of 6M shall calculate from date of sale of stock for claiming deduction exemption u/s 54EC.

# CAPITAL GAINS

**Sec 45(1B) : Rule 8AD: In case of ULIP**

When sum received against ULIP Policy,



| Capital Gain        |                                 | Capital Gain        |                                                                                 |
|---------------------|---------------------------------|---------------------|---------------------------------------------------------------------------------|
| <del>FVC</del>      | Amount Received + Bonus         | <del>FVC</del>      | Amount Received + Bonus                                                         |
| Exp on Transfer     | As Usual                        | Exp on Transfer     | As Usual                                                                        |
| Net Consideration   |                                 | Net Consideration   |                                                                                 |
| COA/ ICOA           | Premiums paid                   | COA/ ICOA           | 1) Amount taken as GG<br>2) Premiums paid (other than those already considered) |
| COI/ ICOI           | <del>                    </del> | COI/ ICOI           |                                                                                 |
| Capital Gain / Loss |                                 | Capital Gain / Loss |                                                                                 |



# CAPITAL GAINS

| Capital Gain [Taxable when converted stock sold]                             |            |
|------------------------------------------------------------------------------|------------|
| FVC = FMV as on date of Conversion                                           | xxx        |
| Less: Exp on Transfer                                                        | (xxx)      |
| <b>Net Consideration</b>                                                     | <b>xxx</b> |
| Less: COA / ICOA (as usual)<br>(Indexation only upto the year on conversion) | (xxx)      |
| Less: COA / ICOI (as usual)<br>(Indexation only upto the year on conversion) | (xxx)      |
| <b>CG</b>                                                                    | <b>xxx</b> |
| Less: Exemption u/s 54 series                                                | (xxx)      |
| <b>CG</b>                                                                    | <b>xxx</b> |

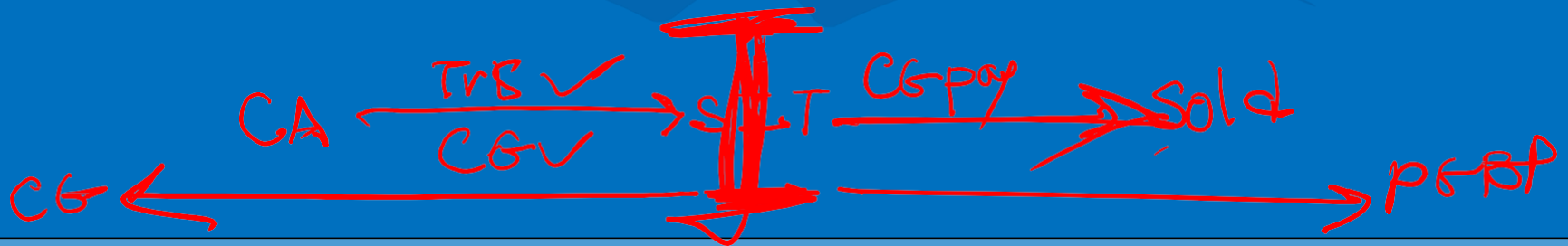
| PGBP [Taxable in the year when converted stock in sold] |            |
|---------------------------------------------------------|------------|
| Sale Value                                              | xxx        |
| Less: FMV as on the date of Conversion                  | (xxx)      |
| <b>PGBP</b>                                             | <b>xxx</b> |

CA → SIT : CG  
SIT → CA + PGBP

Conversion of Stock in Trade into Capital Asset Shall be charged under the head "PGBP"

## Sec 45(2): Conversion of CA into S-I-T

- Both Income will arise when Converted stock is sold.
- Indexation is available only upto the year of conversion.
- If any part of stock is sold then only part CG shall arise in year of sale.
- In case of converted stock sale, period of 6M shall calculate from date of sale of stock for claiming deduction exemption u/s 54EC.



# CAPITAL GAINS

| Sec 45(3): Introduction of asset by Partner / Member of AOP/ BOI |       |
|------------------------------------------------------------------|-------|
| <b>FVC = Amount in the books of firm credited to Capital A/c</b> | Xxx   |
| Less: Exp on Transfer                                            | (xxx) |
| <b>Net Consideration</b>                                         | Xxx   |
| Less: COA/ ICOA                                                  | (xxx) |
| Less: COI/ICOI                                                   | (xxx) |
| <b>CG</b>                                                        | xxx   |
| Less: Exemption u/s 54                                           | (xxx) |
| <b>CG</b>                                                        | xxx   |



# CAPITAL GAINS

## Sec 45(5): Compulsory Acquisition

30L

| Initial Compensation (Taxable in the yr compensation of even Re. 1 received) |       | Enhanced Compensation (Taxable in the year of receipt) |     |
|------------------------------------------------------------------------------|-------|--------------------------------------------------------|-----|
| FVC = Total Compensation received                                            | XXX   | FVC = Amount received                                  | XXX |
| Less: Exp on Transfer                                                        | (XXX) | Less: Exp on Transfer                                  | XXX |
| Net Consideration (as usual)                                                 | XXX   | Net Consideration                                      | XXX |
| Less: COA/ICOA(as usual)(Indexation only upto year on conversion)            | (XXX) | Less: COA / ICOA                                       | NIL |
| Less: COI/ICOI as usual (Indexation only upto year on conversion)            | (XXX) | Less: COI / ICOI                                       | XXX |
| CG                                                                           | XXX   | CG                                                     | XXX |
| Less: Exemption u/s 54                                                       | (XXX) |                                                        |     |
| CG                                                                           | XXX   |                                                        |     |

### Reduction of compensation:

Where comp. is reduced by CG then Gain shall be recomputed.

Interest on Compensation & Enhanced is Taxable under IFOS & u/s 57: 50% of Interest shall be allowed as deduction.

**Notes:**

- 1) Nature of CG w.r.t enhanced compensation shall be same as nature of CG computed w.r.t original compensation.
- 2) Legal expenses incurred to obtain enhanced compensation are deductible from enhanced compensation & balance shall be CG
- 3) Compensation received in respect of award/agreement u/s 96 of Right to fair Compensation & Transparency in land Acq Rehabilitation & Resettlement Act'13 shall not be taxable.

# CAPITAL GAINS

## Sec 45(5A): Registered Developer Agreement

Assessee being Individual & HUF, who enter into specific agreement for development of project then, in the year of certificate of completion of whole or part of the project is issued by competent authority shall be chargeable to tax.

|                                                                                                       |       |
|-------------------------------------------------------------------------------------------------------|-------|
| FVC = Stamp Duty Value of his share on date of issue of certificate + consideration received in cash. | XXX   |
| Less: Exp on Transfer                                                                                 | (XXX) |
| Net Consideration (as usual)                                                                          | XXX   |
| Less: COA / ICOA                                                                                      | (XXX) |
| Less: COI / ICOI                                                                                      | (XXX) |
| CG                                                                                                    | XXX   |
| Less: Exemption u / s 54                                                                              | (XXX) |
| CG                                                                                                    | XXX   |

**Note:**

- Chargeable in PY in which completion certificate for whole or part of the property is issued by competent authority.
- Non Applicability of above provision:-**  
In case assessee transfers his share in project on / before date of issue of said certificate of completion, this section would not be applicable & normal provisions of CGs shall apply.

*X: Land purchase: 1/4/01 @ Rs. 10L*  
*X+Y: 100 Flats ← 90F: 0/3, 10F: X*  
*X: 1/10 (20) → Trg. ✓ Amt. = 20 (10L)*  
*SDV on date of completion: Rs. 12L/flat*  
*Tax Liability = 21-22 (PY)*  
*Trg. = 20-21 (Indexation)*  
*FVC of X = 120L + 10L = 130L*

# CAPITAL GAINS

## Sec 46: Distribution of Assets by Companies in Liquidation

(i) Taxability in the hands of company: Section 46(1):

Where a company in liquidation transfers assets to its shareholders AS IT IS, it is not treated as transfer for the Capital Gain purposes. Hence the company shall not be liable to Capital Gain tax.

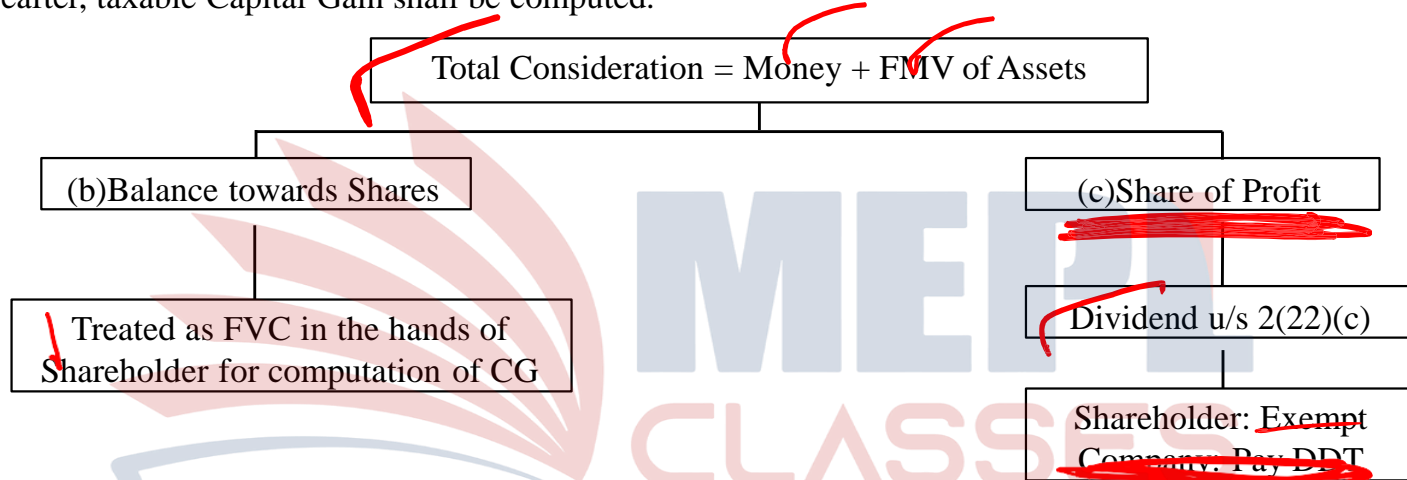
AS IT IS: The Capital Asset must be transferred in specie. As it is condition to be exempt from Capital Gain.

(ii) Taxability in the hands of shareholders: Section 46(2):

Where the shareholder receives any money / other asset on liquidation of company, the tax treatment shall be as follows:

- a) Calculate value of total assets received by the shareholder i.e. Money + FMV of asset on the date of distribution.
- b) Determine the component of dividend u/s 2(22)(c).
- c) Compute (a) **minus** (b) = FVC for calculating taxable capital gain.
- d) Thereafter, taxable Capital Gain shall be computed.

(a)



(iii) Treatment at the time of subsequent sale of asset by the shareholder:

If the shareholder subsequently transfers the asset received by him from the company, he would be liable to capital gain tax.

Cost of Acquisition = Fair Market Value of asset on date of distribution by co.

# CAPITAL GAINS

*Section 47*

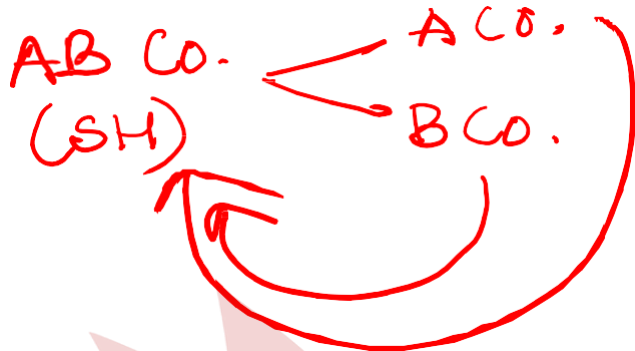
## Sec 47 : Transactions not regarded as transfer:

The transactions covered in following situations are excluded from **transfer**. Hence, capital gain is not taxable in the hands of transferor –

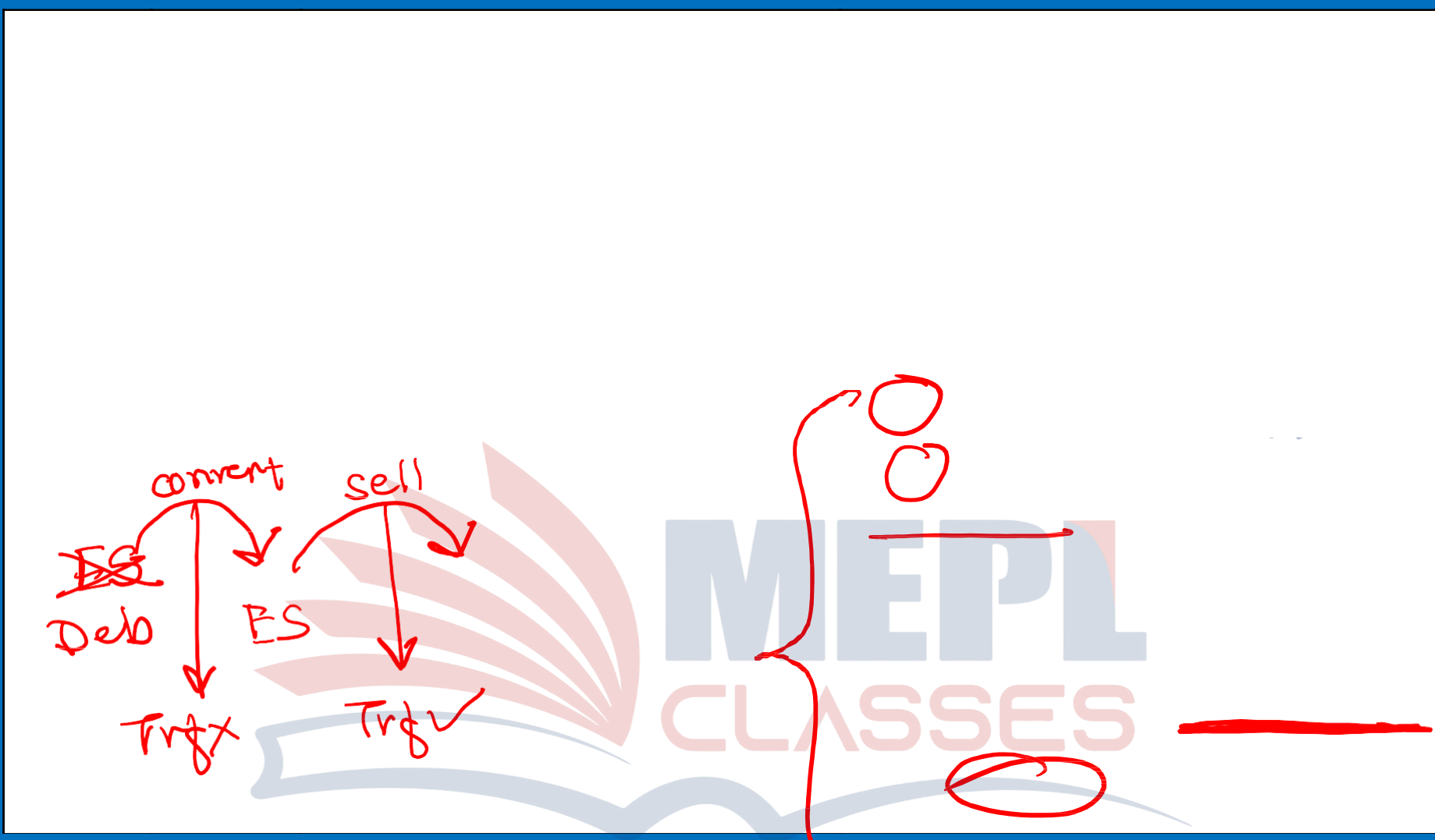
| Sr. No.: | Section: | Type of transaction:                                                                                                                           | Conditions to be satisfied:                                                                                                                                                |
|----------|----------|------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 01       | 46(1)    | Distribution of assets by a company to its shareholder at the time of liquidation                                                              | Discussed in detail later                                                                                                                                                  |
| 02       | 47(i)    | Distribution of asset by a HUF to its members at the time of partition                                                                         | --                                                                                                                                                                         |
| 03       | 47(iii)  | Transfer of asset by way of gift, will or irrevocable trust                                                                                    | The benefit of this provision is not allowed where an employee transfers <b>ESOP</b> by way of gift / irrevocable trust.                                                   |
| 04       | 47(iv)   | Transfer of capital asset by a holding company to its <u>100%</u> subsidiary company (Exemption not apply if capital asset transferred as SIT) | <ul style="list-style-type: none"> <li>The subsidiary company must be an Indian company.</li> <li>The subsidiary company must be a 100% subsidiary.</li> </ul>             |
| 05       | 47(v)    | Transfer of capital asset by a subsidiary company to its 100% holding company (Exemption not apply if capital asset transferred as SIT)        | <ul style="list-style-type: none"> <li>The holding company must be an Indian company.</li> <li>The holding company must hold 100% shares of subsidiary company.</li> </ul> |
| 06       | 47(vi)   | Transfer of capital asset by amalgamating companies to amalgamated company under the scheme of amalgamation                                    | The amalgamated company (new company) must be an Indian company.                                                                                                           |
| 07       | 47(vib)  | Transfer of capital asset by a demerged company to a resulting company under the scheme of demerger                                            | The demerged company (new company) must be an Indian company.                                                                                                              |

*A+B = AB*

## CAPITAL GAINS

|    |           |                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 08 | 47(vi)    | Transfer of shares in a demerged company held by the shareholders of demerged company under the scheme of demerger                                                                                                        | The transferor should receive only shares from the resulting company.                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 09 | 47(vii)   | Transfer of shares in an amalgamating company held by the shareholders of amalgamating company under the scheme of amalgamation<br><br> | <ul style="list-style-type: none"> <li>The amalgamated company (new company) should be an Indian company.</li> <li>The transferor should receive only shares of the amalgamated company and nothing else. However, this condition is not applicable if the amalgamated company itself is a shareholder of amalgamating company.</li> <li>CIT Vs. GAUTAM SARABHAI TRUST [1988] 173 ITR 216 (GUJ):<br/>If besides shares something more (e.g. debentures /cash) is received, the exemption shall not be allowed.</li> </ul> |
| 10 | 47(viiaa) | Transfer of Rupee Denominated Bonds (RDB) of an Indian company issued outside India, by a non-resident to another non resident                                                                                            | The transfer must be made <u>outside India</u> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 11 | 47(viib)  | Transfer of Government Security carrying a periodic payment of interest by a non-resident to another non resident                                                                                                         | Transfer must be made outside India through an intermediary dealing in settlement of securities.                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 12 | 47(viic)  | Redemption of Sovereign Gold Bond (SGBs) issued by the RBI under the Sovereign Gold Bond Scheme, 2015                                                                                                                     | Please note that the benefit of this section is available only in case of redemption of SGBs by RBI. Therefore, if the assessee transfers SGBs in any other manner (for example – sale of SGBs), the capital gain shall be taxable.                                                                                                                                                                                                                                                                                       |

# CAPITAL GAINS





## CAPITAL GAINS

|    |           |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----|-----------|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 17 | 47(xiiib) | Conversion of private or unlisted company into LLP | <ul style="list-style-type: none"> <li>• All assets and liabilities become assets and liabilities of the LLP.</li> <li>• All shareholders of company become partners of LLP and their capital contribution and profit-sharing ratio in LLP are in same proportion.</li> <li>• The shareholders of the company do not receive any consideration or benefit, directly or indirectly, other than share in profit and capital contribution in the LLP.</li> <li>• The aggregate of PSR of shareholders of company in LLP shall not be less than 50% at any time during the period of 5 years from the date of conversion.</li> <li>• The total sales/turnover/gross receipts in business in any of 3 PYs in which the conversion takes place does not exceed Rs. 60 Lakh.</li> <li>• Total value of assets not to exceed Rs. 5 Crore in any of 3 PYs.</li> </ul> |
|----|-----------|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## CAPITAL GAINS

|    |           |                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----|-----------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 18 | 47(xiv)   | Conversion of Sole Proprietor into Company                                           | <ul style="list-style-type: none"> <li>All the assets and liabilities of the concern become the assets and liabilities of the company.</li> <li>The shareholding of the proprietor in the company is 50% or more of the total voting power in the company and continues it for 5 year or more from the date of the succession.</li> <li>As a consideration, the proprietor receives the shares (only).</li> </ul> |
| 19 | 47(xvi)   | Transfer of capital asset by a person under Reverse mortgage                         | The reverse mortgage must be as per scheme notified by the Central Govt.                                                                                                                                                                                                                                                                                                                                          |
| 20 | 47(xviii) | Transfer of unit(s) by the unit holder under consolidating scheme of the mutual fund | <p>Consolidation should be of two or more schemes of equity-oriented fund or two or more schemes of a fund other than equity-oriented scheme.</p> <p>EOF-A + EOF-B = EOF-C :: Allowed<br/>         DOF-X + DOF-Y = DOF-Z :: Allowed<br/>         EOF-P + DOF-Q = EOF-R : Not Allowed<br/>         DOF-C + DOF-D = EOF-E: Not Allowed<br/>         EOF-S + EOF-T = DOF-U : Not Allowed</p>                         |
| 21 | 47(xix)   | Transfer of unit(s) in the consolidating plan of a mutual fund scheme                | --                                                                                                                                                                                                                                                                                                                                                                                                                |

# CAPITAL GAINS

## CG EXEMPT U/S 10

| Section | Detailed provisions                                                                                                                                                                                                                                                                                                                                                                    |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10(34A) | Any transfer upon buy back of shares of an domestic company shall be exempt in the hands of shareholder                                                                                                                                                                                                                                                                                |
| 10(43)  | CG exempt if received under Reverse Mortgage Scheme.                                                                                                                                                                                                                                                                                                                                   |
| 10(37)  | CG on compulsory acquisition of <u>urban</u> agricultural land <ul style="list-style-type: none"> <li>• Individual/HUF</li> <li>• Such Land was used at least 2 years prior transfer for agricultural purpose</li> <li>• Acquired by way of compulsory acquisition</li> <li>• Received after 2004</li> </ul>                                                                           |
| 10(37A) | Transfer of Land/Building/Both after 02-06-2014 under Andhra Pradesh capital city land pooling scheme <ul style="list-style-type: none"> <li>• Individual or HUF</li> <li>• Owns a Land/building under Andhra Pradesh capital cityland pooling scheme</li> <li>• Ownership certificate is issued under the scheme</li> <li>• Any CG on account of transfer shall be exempt.</li> </ul> |

# CAPITAL GAINS

## EXEMPTIONS FROM CAPITAL GAINS

| Sec                              | 54                                                                                                                                                         | 54B                                                                                                     | 54D                                                 | 54EC                                                                                                            | 54F                                                                                                        |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Asset Transferred                | Residential house <i>Long Term</i>                                                                                                                         | Agricultural land <i>urban</i>                                                                          | L & B Industrial undertaking <i>compulsory acq.</i> | Long Term capital Assets being land or building or both <i>LT/LB/LTB</i>                                        | Any asset other than Residential House <i>LTCA BSA</i>                                                     |
| Who is entitled                  | Individual or HUF                                                                                                                                          | Individual or HUF                                                                                       | Any Assessee                                        | Any Assessee                                                                                                    | Individual or HUF                                                                                          |
| Use or Holding Period            | Exceeding 36 months                                                                                                                                        | Used for agriculture by him or his parent or HUF for 2 years immediately prior to the date of transfer. | Used for 2 years                                    | LTCA                                                                                                            | Should be LTCA. Should not own more than 1 house on date of transfer                                       |
| Amt to Be Invested               | Capital Gains                                                                                                                                              | Capital Gains                                                                                           | Capital Gains                                       | Capital Gains (Investment in the year of transfer & next financial year = Maximum Rs. 50 Lakhs)                 | Net consi-deration                                                                                         |
| New Asset                        | Two Residential House in India [Note: Investment in 2 RP is eligible for LTCG up to Rs. 2 crores]                                                          | Agricultural Land <i>Urban/Rural</i>                                                                    | L & B Industrial undertaking                        | Specified bonds redeemable after 3 years in NHAI or RECL. Or any other Bond notified by the Central Govt.       | One Residential House in India <i>NSC Inv. CG?</i>                                                         |
| Exemption                        | Capital Gains or amount invested, whichever is less                                                                                                        | As above                                                                                                | As above                                            | As above <i>NHAI RECL PFCL IRFL</i>                                                                             | (Amount Invested/ Net consideration) × capital Gains                                                       |
| Prescribed Period For Investment | Within 1 year before or 2 years after the date of transfer in case of purchase, or within 3 years after the date of transfer, in case of new construction. | Within 2 years after transfer                                                                           | Within 2 years after transfer                       | Within 6 months of transfer of original asset                                                                   | Within 1 year before or 2 year after tfr in case of purchase or 3 years after tfr in case of construction. |
| Treatment of Unutilised Amount   | Deposit in CGAS before due date of furnishing return u/s 139(1) if it is not utilized within time limit u/s 139                                            | -As above- <i>CGAS ✓</i>                                                                                | -As above- <i>CGAS ✓</i>                            | - <i>CGAS ✓</i>                                                                                                 | Same as in Sec.54 <i>CGAS ✓</i>                                                                            |
| Sale of New Asset                | If sold within 3 years from date of purchase/construction, for computing STCA on new asset cost of new asset shall be reduced by amount of CG exempt.      | -As above- <i>3 yrs.</i>                                                                                | -As above- <i>3 yrs.</i>                            | If sold within 5 years, exempted CG will be deemed to be LTCG of the assessee in the year of sale of new asset. | Same as for Sec.54, 54B, 54D except that under Sec.54F it will be taxed as LTCG. <i>3 yrs. CGA →</i>       |

*Taxable CGA →*

# CAPITAL GAINS

## Sec 112A: Tax on Long Term Capital Gain [ Sec 10(38) Abolished]

LTCG on transfer of Equity Shares, or Equity Oriented Units, or Units of Business Trust, in excess of Rs. 1,00,000 shall be taxable @ 10% (+ HEC @ 4%) if following conditions are satisfied:

- i) STT paid on Acquisition & transfer of Equity Shares
- ii) STT paid on transfer of Equity Oriented Units & Units of Business Trust

If the above conditions are not satisfied, Sec 112 is still applicable :

| Particulars              | Amount | FMV:                         |                                          |
|--------------------------|--------|------------------------------|------------------------------------------|
| FVC = Amount received    | xxx    | Listed & Traded on 31/01/18- | Highest price on that day                |
| (-) Expenses on Transfer | (xxx)  | Listed but not traded-       | Highest Price on any Previous Traded Day |
| Net Consideration        | xxx    | Units-                       | NAV as on 31/01/18                       |
| (-) COA : Higher of      |        | Unlisted Shares-             | Indexed Cost                             |
| a) COA                   |        |                              |                                          |
| b) Lower of :            |        |                              |                                          |
| Sale Consideration       |        |                              |                                          |
| FMV as on 31/01/18       |        |                              |                                          |
| Capital Gain             | xxx    |                              |                                          |

1) COA  
 2) SC  
 3) FMV(31/1/18)

(1) OR [(2) OR (3)]  
 COA OR [SC OR FMV]

# CAPITAL GAINS

**Other STCG**

*Tax slabs:*

No indexation as it is STCG

*Above Rs 12*

| Surcharge                            | Max 15%                                                     | No such condition                                                                                                                                                    | Max 15%                                                                                                                                 | No such condition                                                                                                                       |
|--------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
|                                      | <p><i>1) COA</i><br/><i>2) SC/FMV</i></p> <p><b>COA</b></p> | If acquired before 01/2/18<br>• Money paid or payable or<br>• FMV as on 31/01/18 or selling price w.e. is less<br>Whichever is higher<br>Else money paid or payable. | If acquired before 01/04/01<br>• Money paid or payable or<br>• FMV as on 01/04/01<br>Whichever is higher<br>Else money paid or payable. | If acquired before 01/04/01<br>• Money paid or payable or<br>• FMV as on 01/04/01<br>Whichever is higher<br>Else money paid or payable. |
| <b>80C to 80U</b>                    | No                                                          | Yes                                                                                                                                                                  | No                                                                                                                                      | Yes                                                                                                                                     |
| <b>Minimum exemption slab</b>        | Yes-only for a Resident                                     | Yes                                                                                                                                                                  | Yes-only for resident                                                                                                                   | Yes                                                                                                                                     |
| <b>87A</b>                           | No                                                          | Yes                                                                                                                                                                  | Yes                                                                                                                                     | Yes                                                                                                                                     |
| <b>Deduction while computing tax</b> | Yes-11acs over & above the minimum exemption                | No                                                                                                                                                                   | No                                                                                                                                      | No                                                                                                                                      |

# CAPITAL GAINS

| Sec                                     | 54G                                                                                              | 54GA                                                                                  | 54GB                                                                                                         | 54EE                                                                                                                                                            | 48 (Prov) & 115A                                                                  |
|-----------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <b>Asset Transferred</b>                | P&M or L&B for industrial undertaking in urban area.                                             | P&M or L&B or any right in L&B used in industrial undertaking                         | Residential Property being a house or a plot of land                                                         | Long Term Capital Asset (called Original Asset)                                                                                                                 | Shares or Debenture in an Indian company                                          |
| <b>Who is entitled</b>                  | Any Assessee                                                                                     | Any Assessee                                                                          | Individual or HUF                                                                                            | All Assessee                                                                                                                                                    | Non Resident                                                                      |
| <b>Use or Holding Period</b>            | May be LTCA or STCA                                                                              | May be LTCA or STCA                                                                   | LTCA                                                                                                         | LTCA                                                                                                                                                            | May be LTCA or STCA                                                               |
| <b>Amt to Be Invested</b>               | Capital Gains                                                                                    | Capital Gains                                                                         | Net consi-<br>duration                                                                                       | Investment in LT specified Asset during any FY does not exceed 50 Lakhs                                                                                         | Capital Gains                                                                     |
| <b>New Asset</b>                        | New P&M or L&B used for industrial Undertaking in non-urban area or meeting expenses of shifting | Any P&M or L&B used for industrial undertaking in SEZ or meeting expenses of shifting | Subscription in the Equity Shares of an Eligible Company                                                     | LT Specified Assets                                                                                                                                             | Shares of an Indian Company or debenture                                          |
| <b>Exemption</b>                        | Capital Gains or amount invested whichever is less                                               | Capital Gains or amount invested whichever is less                                    | $(\text{Amount Invested} + \text{Net consideration}) \times \text{capital Gains}$                            | Cost of Specified Asset (a) $\geq$ CG then, entire CG (b) $<$ CG then apply the below formula<br>$\% \text{ of } \frac{\text{Investment}}{\text{Capital Gain}}$ | $(\text{Amount Invested} + \text{Net consideration}) \times \text{capital Gains}$ |
| <b>Prescribed Period For Investment</b> | Within one year before or within 3 years after the date of transfer.                             | Within one year before or within 3 years after the date of transfer.                  | Within one year from the date of subscription in Equity Shares by the Assessee                               | 6 months after the date of transfer of Original Asset                                                                                                           | Within six months after transfer                                                  |
| <b>Treatment of Unutilised Amount</b>   | Same as in Sec.54                                                                                | Same as in Sec.54                                                                     | Same as in Sec.54                                                                                            | --                                                                                                                                                              | --                                                                                |
| <b>Sale of New Asset</b>                | Same as for Sec.54, 54B, 54D                                                                     | Same as for Sec.54, 54B, 54D                                                          | If sold within 3 years, exempt CG will be deemed to be LTCG of the assessee in the year of sale of new asset | Amt exempted shall be chargeable to LTCG in the year of transfer                                                                                                | Amt exempted shall be chargeable to LTCG in the year of transfer                  |

# INCOME FROM OTHER SOURCES

## SECTION 56 (1):

Income of every kind which is <sup>not</sup> exempt and not chargeable to tax under any of the other head, shall be chargeable under income from Other Sources.

## SECTION 56 (2):

1. Casual Income
2. Interest on compensation and enhance compensation.
3. Income from subletting of House Property
4. Rent from a vacant plot.
5. Composite Rent
6. Advance money forfeited
7. Director sitting fees
8. Agriculture income from foreign
9. Dividend
10. Gift
11. Sum received under keyman insurance policy including sum by way of bonus
12. Family Pension
13. Interest on Loan / Securities
14. Income of MP, MLA
15. Interest on income tax refund [Income Tax Refund is not an income]
16. Royalty
17. Any compensation or other payment received by any person in connection with the termination of his employment or modification of the terms and conditions relating thereto.
18. Income from undisclosed sources
19. Issue of share at premium.

Er: PGBP  
 Fe: Salary  
 Family: IFDS





# INCOME FROM OTHER SOURCES

## ADVANCE MONEY FORFEITED:

Forfeited on or after 01/04/2014 is taxable under IFOS

## INTEREST ON COMPENSATION & ENHANCED COMPENSATION:

- 1) Taxable in IFOS in the year of receipt.
- 2) 50% of such interest is allowed as **deduction** (Section 57), irrespective of the year to which it pertains.

## SECTION 56 (2) (X) TAXATION OF GIFTS: (applicable only if property is a Capital Asset of recipient, if it is Stock in trade then this section is not applicable (CBDT Circular))

### Money (Cash, Bank, ECS)

Aggregate Amt > Rs.50,000  
**The whole amount is taxable**

**Without Consideration:**  
 Individual SDV > Rs. 50,000  
**The whole SDV is taxable**

### Immovable Property

#### Inadequate Consideration:

Two Conditions:

- 1) SDV > 110% of Consideration
- 2) Inadequate Consi. > Rs. 50,000

**Taxable = SDV - Consideration**

#### In case of Residential Units,

- 1) 110% - 120%
- 2) Trf between 12/11/20 - 30/6/21
- 3) First time allotment
- 4) Consideration upto Rs. 2 cr.

### Movable Property

**Without Consideration:**  
 Aggregate FMV > Rs. 50,000  
**The whole FMV is taxable**

**Inadequate Consideration:**  
 Aggregate FMV > Consideration  
**Taxable = FMV - Consideration**

① SDV = 10L SG = 7L  
 SC = 7L x 10% = 7.7L ✓  
 ② In. con. = 3L ✓  
 Taxable = 10L - 7L = 3L ✓

SDV ✓

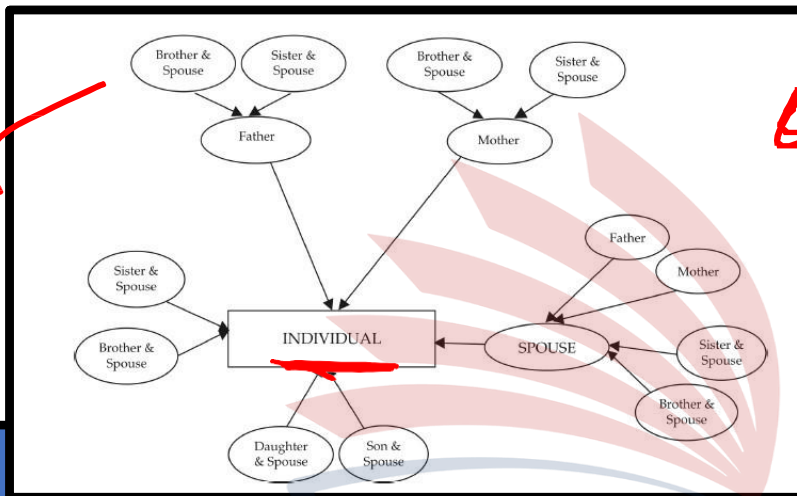
FMV ✓

*Sect J/A/D/P/S/Any work of art*

# INCOME FROM OTHER SOURCES

## GIFT RECEIVED FROM FOLLOWING IS EXEMPT:

- a) Gift from any relative
- b) On the occasion of the marriage of the individual
- c) Under a will / inheritance / in contemplation of Death
- d) From any local authority, University, Educational Institute u/s 10[23]
- e) From any trust or institution registered u/s 12A/ 12AA/ 12AB
- f) By way of transactions not regarded as transfer under clause (1) or (iv)/ (v) / (vi) / (via)/(viaa)/ (vib) / (vic) / (vica) / (vicb) / (vid) / (vii) of sec 47
- g) Given by Individual to trust for benefit of Relative.
- h) Such class of person & subject to such condition as may be prescribed.



### Meaning of Relations:

- i) Spouse of the Individual
- ii) Brother/Sister of the Individual/Spouse of the Individual
- iii) Brother/Sister of either of the Parents of the Individual
- iv) Any lineal ascendant/descendant of the Individual
- v) any lineal ascendant/descendant of the Spouse of the Individual
- vi) Spouse of the person referred to in clause (ii) to (vi)
- vii) In case of HUF - any member

# INCOME FROM OTHER SOURCES

## CASUAL INCOME

### Income by way of :

- i) Lottery
- ii) Horse Races
- iii) Betting
- iv) Card Game
- v) Cross word puzzle
- vi) Games of any sort

- 1) Section 58(4), no deduction is allowed from such income.
- 2) Taxable @ 30%.
- 3) Deduction u/s 80C - 80U is not available.
- 4) Generally Casual income is received after TDS [Net of TDS].  
Hence we need to Gross up –  
Grossing up =  $\frac{\text{Amount received}}{100 - \text{TDS Rate}}$ 
  - If problem gives net amount gross it.
  - If nothing is given assume it is gross up.
- 5) Lottery held as stock in trade taxable under PGBP.
- 6) No loss can be adjusted against such Income.
- 7) Utilisation of unexhausted basic exemption limit not allowed.

# INCOME FROM OTHER SOURCES

## SECTION 8: DIVIDEND INCOME

- 1) Interim dividend shall deemed to be income of PY in which such dividend is made available by company to member.
- 2) Dividend includes deemed dividend u/s 2(22) (a) to 22(e)

### TAXABILITY IN THE HANDS OF SHAREHOLDERS

1) From 01/04/2020, dividend income is taxable in th hands of shareholder.

2) The PY in which dividend is taxable:

| Types of Dividend                          | PY in which it is taxable               |
|--------------------------------------------|-----------------------------------------|
| Interim Dividend                           | Year in which it is received            |
| Final Dividend                             | Year in which it is declared at AGM     |
| Deemed Dividend<br>Section 2(22) (a) – (e) | Year in which it is distributed or paid |

5) When dividend is received by NR & Foreign Company:

- i) Dividend income is taxable (as per Section 115A the tax rates will be 20%).
- ii) The Payer Company shall deduct the TDS u/s 195 @ 20%.

6) When dividend is received by Company:

Company also invest in the shares of another company and it also receives dividend which is taxable to the company Company at the same time also pays the dividend and therefore, FA20 has inserted a new section 80M for deduction in respect of inter-corporate dividends.

3) Surcharge on Dividend:

For Individual & HUF – The surcharge on dividends & capital gains mu/s 111A/ 1112A shall not exceed 15%

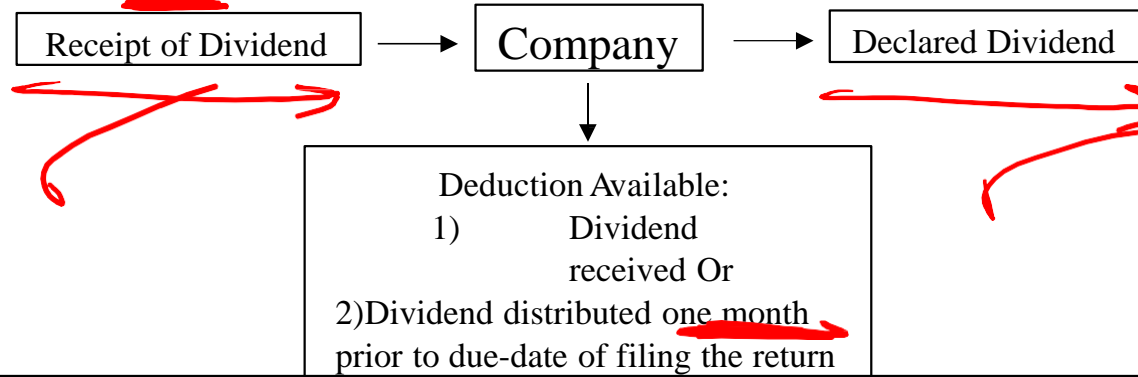
| Upto 50 L            | No Surcharge |
|----------------------|--------------|
| Exceeds 50L upto 1cr | 10%          |
| Exceeds 1cr upto 2cr | 15%          |
| Beyond 2cr           | 15% only     |

4) Allowability of Expenses from Dividend Income:

- i) Section 57 provides that while computing the dividend income, interest expense is allowed lower of
  - a) Actual Interest
  - b) 20% of dividend income before such deduction
- ii) No expenses except above shall be allowed as deduction

# INCOME FROM OTHER SOURCES

## SECTION 80M: Deduction in respect of certain inter-corporate dividend



### DEEMED DIVIDEND

| Section   | Particulars                                                                                                                                                                                                                                                                                                            | Relevant Point                                                                                                                                                    |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2(22) (a) | Any distribution by a company, to the extent of accumulated profits (capitalised or not), resulting release of its assets to its shareholders.<br><i>R&amp;S + Bonus</i><br>• Issue of bonus shares is not deemed dividend.<br>• When assets are distributed, FMV of asset as on date of distribution has to be taken. | Amount of dividend = FMV of assets as on the date of distribution has to be taken for calculation                                                                 |
| 2(22) (b) | Any distribution to its shareholders by a co<br>✓ of debentures/ debenture-stock/ deposit certificates,<br>✓ of bonus to its preference shareholders,<br>✓ to the extent of accumulated profits (capitalized or not)                                                                                                   | If bonus shares are issued to equity shareholders, it does not amount to distribution of dividend.                                                                |
| 2(22) (c) | Any distribution to the shareholders of a company on its liquidation , to the extent of its accumulated profits (capitalized or not)                                                                                                                                                                                   | In such case, there will be no <del>Central Government</del> <sup>CG</sup> in the hands of the company u/s 46(1), however, the shareholder will be subject to CG. |
| 2(22) (d) | Any distribution to its shareholders by a Co. on the reduction of its capital, to the extent of accumulated profits (capitalised or not).                                                                                                                                                                              |                                                                                                                                                                   |

# INCOME FROM OTHER SOURCES

## DEEMED DIVIDEND

| Section   | Particulars                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2(22) (e) | <p><b>Loans &amp; Advances by Closely Held Company:</b></p> <ol style="list-style-type: none"> <li>1. Loan &amp; Advances by Private Co [closely held co is treated as Deemed Dividend to the extent of accumulated profit &amp; company is required to pay DDT @ 30%.</li> <li>2. Accumulated profit means profit as per companies Act</li> <li>3. Substantial Interest in case of companies shall be 10% of voting right in case of other concern it shall be 20% of profit or voting right</li> <li>4. Section is applicable at the time when loan is given hence even if loan is repaid during the year then also sec applies.</li> <li>5. It is not applicable in case of trade advances.</li> <li>6. Accumulated profits means all profit which is available for distribution or payment of dividend &amp; v/s 2[22][c] all profits up to date of liquidation</li> <li>7. In case of an amalgamated company. Accumulated profits, whether capitalized/not/loss as the case may be shall be increased by accumulated profits whether capitalized/not of amalgamating company on date of amalgamation.</li> </ol> <p><b>Dividend Does not include:</b></p> <ol style="list-style-type: none"> <li>a) Loan, Advances given in the ordinary course of Business.</li> <li>b) buy back of shares</li> <li>c) Any Dividend which is set-off by company against loan deemed as dividend u/s 2[22][e] which has been</li> <li>d) share allotted to shareholder of demerged company by resulting Co. [under the scheme of demerger)</li> <li>e) Any distribution made u/s 2[22][c]/2[22][d] in respect of preference share.</li> </ol> |

# INCOME FROM OTHER SOURCES

## **FAMILY PENSION**

| <b>Normal</b>                   |       |
|---------------------------------|-------|
| Actual Received                 | xxx   |
| (-) Lower of                    |       |
| a) 1/3 <sup>rd</sup> of pension |       |
| b) 15,000 p.a.                  | (xxx) |
| Taxable                         | xxx   |

**Deceased was recipient of gallantry award**  
Exempt u/s 10(18)

**Deceased was working in armed forces**  
Exempt u/s 10(19)

Pension received by family member of Deceased.

## **DEDUCTION ALLOWED u/s 57**

1. Expenditure for realising dividend or interest from UTI/MF only allowed & that too 20% of such dividend / income from UTI /Interest exp MF.
2. Employees' contribution towards relevant fund(s) before the due date As per that Act [Sec. 57 (IA)].
3. Repair, depreciation, insurance of plant, machinery, furniture, building.
4. Other deductions incurred for business is allowed as deduction Sec 57.

## **DEDUCTION NOT ALLOWED U/S 58**

- a) Any personal expenses of the assessee.
- b) Any interest or salary payable outside India on which tax has paid or deducted.
- c) Any sum paid on account of Wealth-Tax.
- d) The provisions of Section 40A shall apply mutatis mutandis.
- e) Expenditure related to Casual Income.
- f) 30% of the amount of payment made without TDS to Resident v/s 40(a)(ia).
- g) Cash expenses exceeding Rs. 10,000 - Sec 40A (3) shall apply.

# CLUBBING OF INCOME

| Section:  | Transaction/ Income:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Taxable in hands of:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 60        | <p><b>Transfer of Income without transfer of assets.</b><br/> <b>Clubbing is attracted u/s 60 even if —</b></p> <ol style="list-style-type: none"> <li>1) Transfer is revocable or irrevocable.</li> <li>2) Transfer is made before or after commencement of Act.</li> <li>3) Transfer is made to a closely connected person or not.</li> <li>4) Transferor is an individual, firm, company or any other person.</li> </ol>                                                                                                                                                                                                                                   | Transferor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 61        | <p><b>Revocable Transfer of Assets.</b> [Transfer is deemed revocable if Transferor has a right to re-transfer / re-assume power directly or indirectly over the whole or any part of the income or assets.]<br/> <b>No Clubbing</b> if transfer is not revocable during the lifetime of transferee.</p>                                                                                                                                                                                                                                                                                                                                                      | Transferor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 64(1)(ii) | <p><b>Remuneration of Spouse:</b><br/> <b>When clubbing? Conditions:</b></p> <ol style="list-style-type: none"> <li>1) An individual has substantial interest in a concern,</li> <li>2) Spouse of the individual is employed in such concern, and</li> <li>3) Spouse is employed in the concern <b>without</b> any technical or professional knowledge or experience.</li> </ol> <p><b>No clubbing if</b> remuneration is attributable to application of technical or professional knowledge and experience of spouse.<br/> <b>Substantial Interest =</b><br/> <math>[aa + \text{Relative (S/M/F/B/S/LA/LD)}] &gt; 20\% \text{ voting power / PSR}</math></p> | <ol style="list-style-type: none"> <li>1) Spouse who is substantially interested.</li> <li>2) Where <b>both</b> spouses are substantially interested - Spouse whose total income, before including such remuneration, is <b>higher.</b></li> <li>3) Where such income is once included in the total income of either spouse, any income arising in subsequent year shall not be clubbed with the income of other spouse unless the AO is satisfied, after giving that spouse an opportunity of being heard, that it is necessary to do so.</li> </ol> |



# CLUBBING OF INCOME

| Section:    | Transaction/ Income:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Taxable in hands of:                                                                                                                                                                                                                                                                                                                                                                        |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 64 (1) (iv) | <p><b>Income from assets transferred to spouse for inadequate consideration.</b></p> <p><b>No clubbing in following cases --</b></p> <ol style="list-style-type: none"> <li>1) Where the transfer is made for adequate consideration.</li> <li>2) Where the transfer is made under an agreement to live apart.</li> <li>3) Where the transfer is made before marriage.</li> <li>4) Income of property acquired by the spouse out of pin money.</li> </ol> <p><b>Please note:</b></p> <ol style="list-style-type: none"> <li>1) Relationship of Husband and Wife should subsist both at the time of transfer of asset as well as at the time of accrual of income.</li> <li>2) Where the transferred asset is invested by the spouse in a business, the income clubbable shall be --</li> </ol> <p><b>If the investment is made in a partnership firm:</b></p> <p>= Interest from firm X Investment in the firm out of transferred asset as on 1st day of the previous year</p> <p>Total investment of the transferee in the partnership firm as on 1st day of previous year</p> <p>-- Share in profit of firm = Exempt, hence not clubbable.<br/>                 -- Remuneration received due to personal skill, hence not clubbable.</p> <p><b>If the investment is made in a proprietary business:</b></p> <p>= Business income u/s 28 X Investment in the business out of transferred asset as on 1st day of the previous year</p> <p>Total investment in the business as on 1st day of previous year</p> | <ol style="list-style-type: none"> <li>1) Transferred Asset = HP - In the hands of Transferor u/s 27 as Deemed Owner. If the transferee sells the house-property and earns capital gain, such capital gain shall be clubbed in the hands of transferor.</li> <li>2) Transferred Asset = Other than HP - In the hands of Transferor.</li> </ol> <p><i>Total Inv. = Int. Inv. (trg) ?</i></p> |
| 64 (1) (vi) | <p><b>Income from assets transferred to son's wife for inadequate consideration</b></p> <p><b>No Clubbing in the following cases --</b></p> <ol style="list-style-type: none"> <li>1) Where the transfer is made for adequate consideration.</li> <li>2) Where the transfer is made before marriage.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Transferor                                                                                                                                                                                                                                                                                                                                                                                  |

# CLUBBING OF INCOME

| Section:      | Transaction/ Income:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Taxable in hands of:                                                      |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| 64 (1) (vii)  | <b>Income from assets transferred to any person for the benefit of the spouse of the transferor</b><br><b>No clubbing if transfer is made for adequate consideration.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Transferor                                                                |
| 64 (1) (viii) | <b>Income from assets transferred to any person for the benefit of the son's wife</b><br><b>No clubbing if transfer is made for adequate consideration.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Individual <i>Transferor</i>                                              |
| 64 (1A)       | <b>Income of minor child</b><br><b>Note:</b><br>1) Minor child suffers from any disability Sec 80U – No Clubbing.<br>2) Minor child does not suffer from any disability:<br>-- Income due to talent, skill or manual work - – No Clubbing.<br>-- Other income of minor child - Clubbing u/s 64(1A).<br>3) 'Child' includes stepchild, adopted child, son as well as daughter.<br>4) Exemption u/s 10(32) = Income required to be clubbed or Rs. 1500/-, whichever is less.<br>5) Although income earned because of personal skill, physical work etc. of the minor child is not to be clubbed, yet the income earned by making investment out of such income is to be clubbed. | Parent whose total income is higher, or the person who maintained minor.  |
| 64 (2)        | Income from self-acquired property converted to joint family property for inadequate consideration.<br><b>No clubbing if transfer is made for adequate consideration.</b><br><b>How much Clubbing?</b><br>a) If there has been <b>no partition</b> of HUF: Entire income of transferred assets is clubbed with the income of transferor.<br>b) If there has been a <b>partition</b> of HUF: Income of the property allotted to the <b>transferor and his spouse</b> out of the transferred asset, shall be clubbed with the income of transferor while that of a <b>minor child</b> .                                                                                          | Transferor<br><i>Ind. (Asset) → HUF Partition → On spouse Minor Major</i> |

# SET OFF AND CARRY FORWARD

## SECTION 70: INTRA HEAD ADJUSTMENT

|               |                              |                                               |
|---------------|------------------------------|-----------------------------------------------|
| PGBP          | Normal Business              | Any Business Income                           |
|               | Speculative Business         | Speculative Income                            |
|               | Specified Business           | Specified Business Income                     |
| Capital Gains | LTCL                         | LTCG                                          |
|               | STCL                         | LTCG/STCG                                     |
| Other Success | Normal Loss                  | Any Income under head IFOS                    |
|               | Loss from O and M Horse Race | Only Horse Race Income                        |
|               | Loss from an Exempt Sources  | Loss from an Exempt Sources can't be set off. |

## SECTION 71: INTRA HEAD ADJUSTMENT

|               |                              |                                                                                                    |
|---------------|------------------------------|----------------------------------------------------------------------------------------------------|
| PGBP          | Normal Business              | Income Except Salary                                                                               |
|               | Speculative Business         | Speculative Income                                                                                 |
|               | Specified Business           | Specified Business Income Sec 35AD                                                                 |
| Capital Gains | General Rule                 | Loss from other head can be set off against CG but loss from CG cant be set off against other head |
|               | LTCL                         | LTCL only LTCG                                                                                     |
|               | STCL                         | STCL/ LTCG/ STCG                                                                                   |
| Other Success | Normal Loss                  | Any Income                                                                                         |
|               | Loss from O and M Horse Race | Only Horse Race Income                                                                             |
|               | Loss from an Exempt Sources  | Loss from an Exempt Sources can't be set off.                                                      |

# SET OFF AND CARRY FORWARD

## Order of Set Off

- 1) Unabsorbed Depreciation
- 2) Unabsorbed Capital Scientific Research Expenses
- 3) B/f Losses

## **Current Year Profits**

- (-) Current year Depreciation
- (-) Current year expenditure on Scientific Research
- (-) Current year allowable expenditure on Family Planning
- (-) Brought forward Business or Profession Loss
- (-) Unabsorbed Depreciation
- (-) Unabsorbed capital expenditure on Scientific Research
- (-) Unabsorbed expenditure on Family Planning.

# SET OFF AND CARRY FORWARD

| Particulars                                                                                                             | Set off    |                    | Sec 71B to 74A                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------|------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                         | Intra Head | Inter Head         | Rules to carry forward and set off past year losses.                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>House Property Loss</b><br><br><b>Sec 71B</b>                                                                        | Yes        | Yes                | <ul style="list-style-type: none"> <li>Brought forward HP loss can be set off only with HP.</li> <li>It can be carried forward for 8 AYs.</li> <li>Section 80 is not applicable. It means even if return of loss is not Filed or filed late loss can be carried forward &amp; set off. Maximum Setoff upto 2L</li> </ul>                                                                                                                                                |
| <b>Business Loss</b><br><br><b>Sec 72</b>                                                                               | Yes        | Yes, except salary | <ul style="list-style-type: none"> <li>Set off with both business income &amp; speculation income.</li> <li>Carry forward for 8 AYs.</li> <li>Section 80 applicable. It means if return of loss is not filed or filed late business loss cannot be carried forward.</li> <li>Assessee who has incurred the loss can only set off that loss [6 exception]</li> <li>Even if business is discontinued business loss can be set off.</li> </ul>                             |
| <b>Speculation Loss</b><br>[Sale & purchase<br>i.e. without taking<br>delivery - Sec<br>43(5)]<br><br><b>Section 73</b> | Yes        | Yes                | <ul style="list-style-type: none"> <li>Past year speculation loss can be set off only with speculation income.</li> <li>Carry forward for 4 AYs.</li> <li>Section 80 applicable. It means if return of loss is not filed or filed late speculation loss cannot be carried forward.</li> <li>Assessee who has incurred the loss can only set off that loss [exception not applicable]</li> <li>Even if business is discontinued business loss can be set off.</li> </ul> |

# SET OFF AND CARRY FORWARD

| Particulars                                                                               | Set off                                       |            | S 71B to 74A                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------|-----------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                           | Intra Head                                    | Inter Head | Rules to carry forward and set off past year losses.                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Loss under capital gains head</b><br><br><b>Section 74</b>                             | Yes; LT against LT only. ST against ST and LT | No         | <ul style="list-style-type: none"> <li>• LT can be set off only with LT. STD can be set off with both LT &amp; ST.</li> <li>• Carry forward for 8 AYs.</li> <li>• Section 80 applicable. It means if return of loss is not filed or filed late Capital gain (loss) cannot be carried forward</li> </ul>                                                                                                                                                              |
| <b>Loss from activity of owning and maintaining race horses</b><br><br><b>Section 74A</b> | Yes                                           | No         | <ul style="list-style-type: none"> <li>• Past year horse loss can be set off only with horse income.</li> <li>• Carry forward for 4 AYs.</li> <li>• Section 80 applicable. It means if return of loss is not filed or filed late business loss cannot be carried forward.</li> <li>• Assessee who has incurred the loss can only set off that loss [exception not applicable] –</li> <li>• Even if business is discontinued business loss can be set off.</li> </ul> |
| <b>Loss from Lotteries</b>                                                                | No                                            | No         | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Other Losses</b>                                                                       | Yes                                           | Yes        | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

### Important Points:

#### **Loss from lotteries:**

No other loss can be set off against this income. Deduction u/s 57 not available. Deduction u/s 80C to 80U not available. Basic exemption not available. Flat rate 30%.

#### **Other Losses:**

In case of choice this loss should be set off first since it cannot be carried forward.

# DEDUCTIONS

## BASICS

1. Deduction is covered under chapter VIA.
2. Deduction is available u/s 80C-80U.
3. Deduction cannot exceed GTI. [Sec.80A]
- 4.No deduction would be allowed to a taxpayer income –tax return is not filed on or before the due date u/s 139 [1]
5. Deduction is not available from following:
  - a) Capital Gains u/s 111A, 112 &112A
  - b) Casual Income
  - c) Specified Business Income
  - d) NR Presumptive Income u/s 115A to 115AD
  - e) Income of NR u/c XIA

# DEDUCTIONS

## SEC 80C DEDUCTION OF ELIGIBLE INVESTMENT

|                   |                                                                                                                                                                                                                                                         |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assessee          | Individual /HUF (R / NR)                                                                                                                                                                                                                                |
| Investment        | See list below                                                                                                                                                                                                                                          |
| Maximum Deduction | a) Amount Invested<br>b) Rs.1,50,000/- ↓                                                                                                                                                                                                                |
| Condition         | <ul style="list-style-type: none"> <li>✓ Investment is made in approved scheme.</li> <li>✓ Payment need not necessarily made out of income chargeable to tax.</li> <li>✓ Deduction shall be made only on payment basis not on accrual basis.</li> </ul> |

### Qualifying Savings or Investments

| Any sums paid or deposited in PY by Assessee                                                                                                                                                                                                                                                                           | Individual        | HUF        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------|
| Life Insurance Policy on life of :<br>1. Children - Male/Female, Married/Unmarried, Dependent /Independent<br>2. The premium exceeding 10% of sum assured is not eligible for deduction.<br>[ If policy is issued before 31/03/2012 then it shall be 20%].<br>3. 15% of sum assured for persons covered u/s 80U/80DDB. | Self/Spouse/Child | Any member |
| Statutory PF or Recognised PF                                                                                                                                                                                                                                                                                          | Self              | NA         |
| PPF Contribution                                                                                                                                                                                                                                                                                                       | Self/Spouse/Child | Any member |
| Subscription to NSS-1992                                                                                                                                                                                                                                                                                               | Self              | NA         |
| Subscription to NSC-VII issue.<br><b>Note:</b> Interest accrued on these certificates deemed to be reinvested, also qualifies for deduction.                                                                                                                                                                           | Self              | NA         |



# DEDUCTIONS

## Qualifying Savings or Investments

| Any sums paid or deposited in PY by Assessee                                                                              | Individual         | HUF        |
|---------------------------------------------------------------------------------------------------------------------------|--------------------|------------|
| Contribution in Unit-Linked Insurance Plan (ULIP)                                                                         | Self/Spouse/Child  | Any member |
| Notified LIC Annuity Plan or any other insurer                                                                            | Self/Spouse/Child  | Any Member |
| Subscription to any notified Mutual Fund units                                                                            | Self               | NA         |
| Contribution to Retirement Benefit Pension Fund of UTI                                                                    | Self               | NA         |
| Subscription to Home Loan Account Scheme of National Housing Bank                                                         | Self               | NA         |
| Subscription to notified deposit scheme                                                                                   | Self               | NA         |
| Tuition fees paid by individual for full-time education                                                                   | Maximum 2 Children | NA         |
| Repayment of Housing Loans (Principal + Stamp Duty) (Not transfer the house property for 5years)                          | Self               | NA         |
| (a) Fixed Deposit for not less than 5years with a scheduled bank ; or<br>(b) Post Office Deposit for not less than 5years | Self               | NA         |
| Subscription to bonds of NABARD                                                                                           | Self               | NA         |
| Senior Citizen Saving Scheme Rules, 2004                                                                                  | Self               | NA         |
| Sukanya Samridhi Account                                                                                                  | Self/Spouse/Child  | Any Member |

# DEDUCTIONS

## SEC 80CCC LIC PENSION FUND

|           |                                                                                                                            |
|-----------|----------------------------------------------------------------------------------------------------------------------------|
| Assessee  | Individual (R / NR)                                                                                                        |
| Deposit   | Pension plan of LIC of India (or any other issuer)                                                                         |
| Note      | Any amount withdrawn/pension received from the plan is taxable in hands of the assessee or nominee in the year of receipt. |
| Deduction | Independently – Rs. 1,50,000/-<br>Overall – Rs.1,50,000/- or actual, whichever is lower                                    |

## SEC 80CCD CONTRIBUTION TO PENSION FUNDS

|            |                                                                                                               |
|------------|---------------------------------------------------------------------------------------------------------------|
| Assessee   | Individual (R / NR)                                                                                           |
| Investment | Pension scheme notified by the Central Government /Employer/Assessee<br>✓ Atal Pension Yojna is also Eligible |

### 80 CCD (1)

- 1) EE: Max 10% of Salary
- 2) Self-employed: Max 20% of GTI

### 80 CCD (1B)

Additional Deduction upto Rs.  
50,000/-

### 80 CCD (2)

- 1) First added to Salary.
- 2) Deduction:
  - a) Employer's Contribution
  - b) 14% of salary from CG  
10% in case of others.

**SEC 80CCE = 80C + 80CCC + 80CCD(1) : Max Rs. 1,50,000/- deduction**

# DEDUCTIONS

## SEC 80D MEDICAL TREATMENT

| Assessee                            | Individual /HUF                                                                                                                          |                                                                                                                                         |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Mode of investment                  | <b>Investment:</b><br>Medical Insurance<br>CG Health Scheme<br>Approved Scheme<br>Preventive health checkup<br>Exp.-Super senior citizen | <b>Mode of Payment:</b><br>Any other than cash<br>Any other than cash<br>Any other than cash<br>Any mode allowed<br>Any other than cash |
| Assessee + Spouse + Dependent child | Actual or Rs. 25,000/-, whichever is lower                                                                                               |                                                                                                                                         |
| Parents                             | Actual or Rs. 25,000/-, whichever is lower                                                                                               |                                                                                                                                         |
| Any person is senior citizen        | Actual or Rs. 50,000/-, whichever is lower                                                                                               |                                                                                                                                         |

**Note:** Expenses for preventive health checkup of assessee/his family is included in the total deduction, subject to a max of Rs.5000.

## SEC 80DD MAINTENANCE OF DISABLED DEPENDENT

| Assessee            | Resident Individual / HUF                                                                      |                     |
|---------------------|------------------------------------------------------------------------------------------------|---------------------|
| Expense             | 1) Medical Treatment of a disabled dependent<br>2) Deposited any amount under approved scheme. |                     |
| Amount of Deduction | Disability of the Assessee                                                                     | Amount of Deduction |
|                     | Other than severe disability                                                                   | Rs. 75,0000         |
|                     | Severe disability [80%]                                                                        | Rs. 1,25,000        |
| Dependent           | Parents, spouse, brother, sister<br>Any member of HUF                                          |                     |

# DEDUCTIONS

## SEC 80DDB TREATMENT FOT DISABLED DEPENDENT

|                     |                                                                                                                                    |                                         |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Assessee            | Individual / HUF being Resident                                                                                                    |                                         |
| Expense             | Medical treatment of relative [Specified Diseases in Rule 11D - Neurological diseases, Cancer, Chronic Renal Failure, Thalassemia] |                                         |
| Amount of Deduction | <b>Dependent</b>                                                                                                                   | <b>Amount of Deduction</b>              |
|                     | Other than senior citizen                                                                                                          | Actual or Rs.40,000 whichever is less   |
|                     | Senior & Very Senior Citizen                                                                                                       | Actual or Rs.1,00,000 whichever is less |

|                   |                                                         |
|-------------------|---------------------------------------------------------|
|                   | <b>Dependent</b>                                        |
| <b>Individual</b> | Himself, Spouse, Childeren, Parents, Brothers & Sisters |
| <b>HUF</b>        | Any Member                                              |

## SEC 80E INTEREST ON EDUCATION LOAN

|              |                                                                                             |
|--------------|---------------------------------------------------------------------------------------------|
| Assessee     | Individual (R/NR)                                                                           |
| Expense      | Interest on education loan taken for own /relative's education                              |
| Deduction    | ✓ 100% of Interest paid<br>✓ Available for max 8 yrs. from the year first interest was paid |
| Education of | Relative: Spouse, Children, Anyone for whom Assessee is guardian.                           |
| Loan from    | Loan be taken from approved financial institute                                             |

## SEC 80EEA INTEREST ON SELF OCCUPIED PROPERTY

|            |                                                                                                                                                                                                                                                                      |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assessee   | Individual (R / NR)                                                                                                                                                                                                                                                  |
| Expense    | Interest on Loan borrowed for SOP                                                                                                                                                                                                                                    |
| Deduction  | <b>Additional Benefit upto Rs. 1,50,000/-</b> apart from Sec. 24(b) till the date of Repayment                                                                                                                                                                       |
| Conditions | <ul style="list-style-type: none"> <li>✓ Loan from bank / approved financial institute.</li> <li>✓ Loan sanctioned during 1/4/19 – 31/3/22.</li> <li>✓ SDV of House does not exceed Rs.45L.</li> <li>✓ Should not own more any HP as on date of sanction.</li> </ul> |

## DEDUCTIONS

### SEC 80EEB INTEREST ON LOAN FOR ELECTRICAL VEHICLE

| Assessee   | Individual (R / NR)                                                      |
|------------|--------------------------------------------------------------------------|
| Expense    | Interest on Loan taken for Purchase of Electric Vehicle from any FI/NBFC |
| Conditions | Loan sanctioned between 1/4/19 to 31/3/23                                |
| Deduction  | Max Rs. 1,50,000/-                                                       |

### SEC 80QQB ROYALTY INCOME OF AUTHORS OF BOOKS OTHER THAN TEXTBOOKS

|                     |                                                                                                                                              |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Assessee            | Individual Being<br>✓ Resident<br>✓ An Author (including Joint Author of book ) being a work of literally, artistic or scientific nature.    |
| Deduction           | Lumsump Royalty - Actual or Rs. 3 Lacs, whichever is lower<br>Other than above - Upto 15% of value of books sold.                            |
| Earned o/s<br>India | Deduction is allowed only if such royalty is brought to India in convertible Forex within 6months from the end of PY or time allowed by RBI. |

# DEDUCTIONS

## SEC 80RRB ROYALTY ON PATENTS

|                  |                                                                                                                                                                                                                        |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assessee         | Individual Being<br>✓ Resident<br>✓ Patentee: Person who is true and first inventor of the patent and whose name is entered on the patent which is registered on or after 1.4.2003 under the Indian Patents Act, 1970. |
| Deduction        | Actual or Rs. 3 Lacs, whichever is lower                                                                                                                                                                               |
| Earned o/s India | Deduction is allowed only if such royalty is brought to India in convertible Forex within 6months from the end of PY or time allowed by RBI.                                                                           |

## SEC 80TTA DEDUCTION FOR INTEREST ON SAVINGS ACCOUNT

|                   |                                                                                  |
|-------------------|----------------------------------------------------------------------------------|
| Assessee          | Individual or HUF [other than senior citizen] (R / NR)                           |
| Qualifying Income | Interest on <u>savings account</u> (not time deposits) with Bank or Post Office. |
| Deduction         | a) Interest on savings deposits<br>b) Rs.10,000                                  |

Sec 10(15): Interest on PO Savings Bank Account exempt upto:

- 1) Individual Account – Rs. 3,500 per annum
- 2) Joint Account – Rs. 7,000 per annum

## SEC 80TTB INTEREST ON DEPOSITS

|                   |                                                                   |
|-------------------|-------------------------------------------------------------------|
| Assessee          | Individual being<br>• Resident<br>• Senior Citizen.               |
| Qualifying Income | Interest on Savings, Fixed, Time, Recurring or any other Deposit. |
| Deduction         | a) Interest on deposits<br>b) Rs. 50,000/-                        |

## DEDUCTIONS

### SEC 80GGB CONTRIBUTION TO POLITICAL PARTY BY INDIAN CO

|                     |                                    |
|---------------------|------------------------------------|
| <b>Assessee</b>     | <b>Indian Company</b>              |
| <b>Contribution</b> | Political Party or Electoral Trust |
| <b>Deduction</b>    | Any Amount [100%]                  |
| <b>Restrictions</b> | Amount should not be paid in cash  |

### SEC 80GGC CONTRIBUTION TO POLITICAL PARTY

|                     |                                                 |
|---------------------|-------------------------------------------------|
| <b>Assessee</b>     | <b>Any Assessee [Other than Indian Company]</b> |
| <b>Contribution</b> | Political Party or Electoral Trust              |
| <b>Deduction</b>    | Any Amount [100%]                               |
| <b>Restrictions</b> | Amount should not be paid in cash               |

### SEC 80G DONATION

|                                        |                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Assessee</b>                        | <b>All Assessee</b>                                                                                                                                                                                                                                                                                                     |
| <b>Donation</b>                        | Any donation in form of sum of money. Donation in kind is not qualified for deduction. The donation should be made only to specified funds / institutions (List).                                                                                                                                                       |
| <b>Payment</b>                         | If the Donation Exceed Rs.2000 then only through modes other than cash.                                                                                                                                                                                                                                                 |
| <b>Deduction</b>                       | % Specified in the List<br>Some Items:- With Qualifying Limit [10% of Adjusted Total Income]<br>Rest:- Without Qualifying Limit.                                                                                                                                                                                        |
| <b>Calculation of Qualifying Limit</b> | Gross Total Income<br>(-) LTCG<br>(-) STCG U/s 111A (only)<br>(-) Deduction u/s 80C to 80U Exempt 80G<br>Adjusted Gross Total Income (ATI)<br><b>10% of ATI</b><br><b>Deduction = 50% or 100% of ( 10% of ATI)</b><br>While calculating Adjusted GTI, casual income like winning from lotteries etc. shall be included. |

# DEDUCTIONS

## **Category 1: Donation qualifying for 100% deduction, without any qualifying limit**

- (1) The National Defence Fund set up by the Central Government
- (2) Prime Minister's National Relief Fund.
- (3) Prime Minister's Armenia Earthquake Relief Fund
- (4) The National Children's Fund
- (5) The National Foundation for Communal Harmony
- (6) Approved University or educational institution of national eminence
- (7) Chief Minister's Earthquake Relief Fund, Maharashtra
- (8) Any Zila Saksharta Samiti
- (9) Any State Government Fund set up to provide medical relief to the poor
- (10) The Army Central Welfare Fund or Indian Naval Benevolent Fund or Air Force Central Welfare Fund established by the armed forces of the Union for the welfare of past and present members of such forces or their dependents.
- (11) The National Illness Assistance Fund
- (12) The Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund in respect of any State or Union Territory
- (13) The National Sports Fund set up by the Central Government
- (14) The National Cultural Fund set up by the Central Government
- (15) The Fund for Technology Development and Application set up by the Central Government
- (16) The Swachh Bharat Kosh
- (17) The Clean Ganga Fund
- (18) The National Fund for Control of Drug Abuse.

## **Category 2: Donation qualifying for 50% deduction, without any qualifying limit**

- (1) The Jawaharlal Nehru Memorial Fund
- (2) Prime Minister's Drought Relief Fund
- (3) Indira Gandhi Memorial Trust
- (4) Rajiv Gandhi Foundation



## DEDUCTIONS

### **Category 3: Donation qualifying for 100% deduction, subject to qualifying limit**

- (1) The Government or to any approved local authority, institution or association for promotion of family planning
- (2) Sum paid by a company as donation to the Indian Olympic Association or any other association/institution established in India.

### **Category 4: Donation qualifying for 50% deduction, subject to qualifying limit**

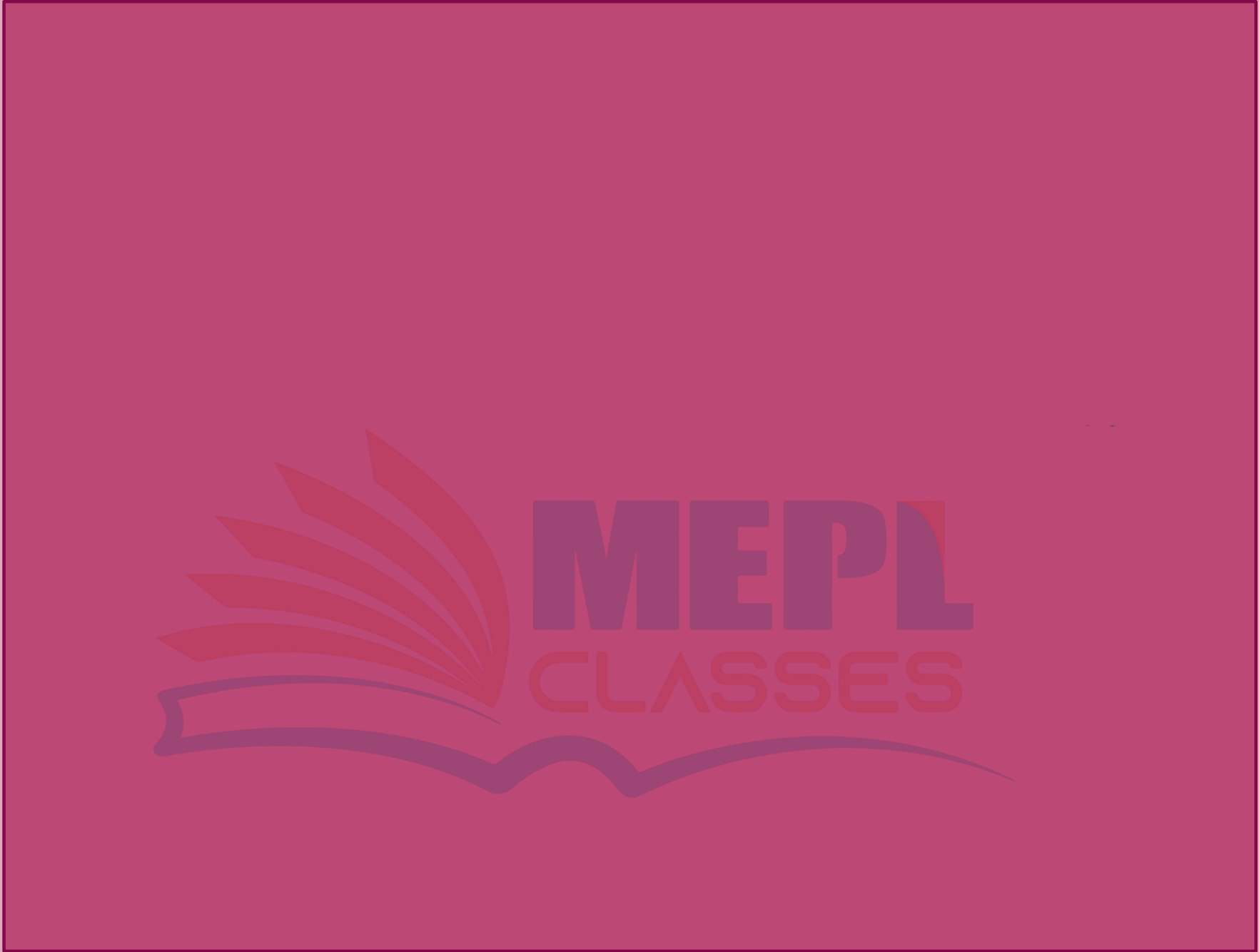
- (1) Any Institution or Fund established in India for charitable purposes
- (2) The Government or any local authority for utilisation for any charitable purpose other than the purpose of promoting family planning
- (3) An authority constituted in India by or under any other law enacted either for dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or both
- (4) Any Corporation established by the Central Government or any State Government for promoting the interests of the members of a minority community.
- (5) for renovation or repair of Notified temple, mosque, gurdwara, church or any other similar place

**Qualifying Limit: The eligible donations referred to in III and IV should be aggregated and the sum total should be limited to 10% of the adjusted gross total income.**

# DEDUCTIONS



# DEDUCTIONS



# DEDUCTIONS

## SEC 80JJAA DEDUCTION FOR EMPLOYMENT

|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assessee            | All Assesseees whose accounts are required to be audited                                                                                                                                                                                                                                                                                                                                                                                       |
| Deduction           | 30% of additional employee cost incurred. Deduction allowed for 3 Ays, including the AY relevant to the PY in which such employment is provided.                                                                                                                                                                                                                                                                                               |
| Additional Employee | <p><b>New Regular workmen <u>do not include</u> -</b></p> <ul style="list-style-type: none"> <li>✓ Employee whose total remuneration exceed Rs. 25,000 p.m.</li> <li>✓ Whose entire contribution is paid by Government under Pension Scheme</li> <li>✓ Employee worked for less than 240 days /150 days in case of apparel business / footwear and leather industry during PY.</li> <li>✓ Employee who does not participate in RPF.</li> </ul> |
| Conditions          | <p>1) It should be a new business.</p> <p>2)Emoluments should be paid through A/c payee cheque / draft / NEFT / RTGS / other electronic mode prescribed.</p>                                                                                                                                                                                                                                                                                   |



## TAX DEDUCTED AT SOURCE (TDS)

### BASICS OF TAX DEDUCTED AT SOURCE:

|                                                       |                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Who shall deduct?</b>                              | Payer                                                                                                                                                                                                                                                                                                                           |
| <b>On what and when?</b>                              | On Specified payments at the time of Payment or credit                                                                                                                                                                                                                                                                          |
| <b>Benefit to Assessee</b>                            | If Tax is deducted at the time of Payment or credit it will be allowed as deduction otherwise it will be disallowed u/s 40(a) and be treated as income of Assessee u/s 198.                                                                                                                                                     |
| <b>Benefit to the Deductee<br/>Clubbing &amp; TDS</b> | Tax deducted & paid to CG by Deductor shall be treated as payment of tax behalf Assessee – Sec 199.<br>Where the income is assessable is assessable (partly fully in the hands of a person other than the deductee (ex-minor income) credit of TDS shall be given to such other person and not to deductee - Rule 37BA          |
| <b>Sec 206AA</b>                                      | Any deductee who is entitle to receive any sum on which tax is deductible shall furnish his PAN to Deductor otherwise Tax shall be deducted at the higher rate of-<br>a) Rate Specified<br>b) Rate in Force<br>c) 20%.                                                                                                          |
| <b>If TDS provision not given for any payment</b>     | <u>Section 191</u> : In the case of any income in respect of which provision is not made under the Chapter of TDS for deducting income-tax at the time of payment, and in any case where income tax has not been deducted in accordance with the provisions of this Chap, income tax shall be payable by the assessee directly. |

## TAX DEDUCTED AT SOURCE (TDS)

### SURCHARGE & CESS ON RATES OF TDS:

#### • In Case of Resident Payee / Deductee:

| Payee/ Deductee (i.e. to whom payment is made): | Applicability of Surcharge and Education Cess:                                                                                                                                                                                                                             |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) Companies                                    | No surcharge or health & education cess be added                                                                                                                                                                                                                           |
| 2) Any other assessee                           | No surcharge and education cess shall be added to the prescribed rate of TDS. However, surcharge & health & education cess shall be added on TDS on salary (surcharge a 15% where taxable exceeds Rs. 1 cr. & surcharge of 10% where taxable salary exceeds Rs. 50 lakhs). |

| Payee/ Deductee (i.e. to whom payment is made): | Applicability of Surcharge and Education Cess:                                                                                                                                                                                         |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) Foreign Companies                            | The rates of TDS shall be increased:<br>a) surcharge of 2% /5% depending upon payment<br>b) health & education cess of 4% in all cases.                                                                                                |
| 2) Individual                                   | a) Rates of TDS shall be increased by a surcharge -10%/15%/25%/37% depending upon payment.<br>b) Health & education cess of 4% in all cases.                                                                                           |
| 3) Any other assessee                           | The rates of TDS shall be increased by:<br>a) surcharge of 12% (where the payment made of to be made to payee and which is subject to tax deduction during the FY exceeds Rs. 1cr.),<br>b) health & education cess of 4% in all cases. |

### CIRCULAR NO. 23/2017 DATED 19-7-2017

### TDS on Goods and Services Tax (GST):

- ✓ GST Shown separately: TDS on amount excluding GST
- ✓ GST not shown separately: TDS on whole amount
- ✓ GST for this purpose shall include CGST, SGST, IGST & UTGST.

## TAX DEDUCTED AT SOURCE (TDS)

### Deduction of Tax at Source with regard to Salary Income - Section 192

- 1) Every person making payment of salary income to resident or non-resident shall deduct tax at source and for this purpose the employer shall estimate tax liability of the employee and tax so estimated shall be deducted in 12 monthly equal installments.
- 2) If any person is working with two or more employers, in that case he should submit the particulars of his salary income from all the employers to one of the employer who will deduct tax at source taking into consideration income from all employers.
- 3) If any employee has income under any other head, the employee shall be allowed even to report such incomes to the employer and the employer shall take it into consideration. If employee has loss under the head house property, he shall be allowed to report such loss to the employer. The employee shall be required to give proof.
- 4) For taxability of Salary under new concessional rates (Section 115BAC), employee to intimate employer of intention to opt for new concessional rates. Intimation so given will be applicable for the year & can't be modified.

### Deduction of tax at source in case of payment from recognized provident fund - Section 192A

1) The person responsible for making payment of recognized provident fund to any person shall deduct tax at source if the amount to be paid is taxable and tax shall be deducted at source @ 10% provided the amount paid or payable during a particular year is Rs. 50,000 or more.

Payments received from recognised provident fund shall be **exempt from income tax** if the employee has complied with any of the conditions given below:

- i) If the employee has rendered continuous service for a period of **5 years or more**, or
- ii) If he has not rendered such continuous service, the service has been **terminated by reason of** the employee's ill-health, or by the contraction or discontinuance of the employer's business or other cause beyond the control of the employee, or
- iii) If the employee obtains **employment with any other employer** and the provident fund has been transferred to such employer and the total service with the former employer and the current employer is of 5 years or more.

If the employee has **not complied with any of the above conditions**, then amount received by him shall be **taxable** but to the extent it was exempt earlier.

# TAX DEDUCTED AT SOURCE (TDS)





# TAX DEDUCTED AT SOURCE (TDS)



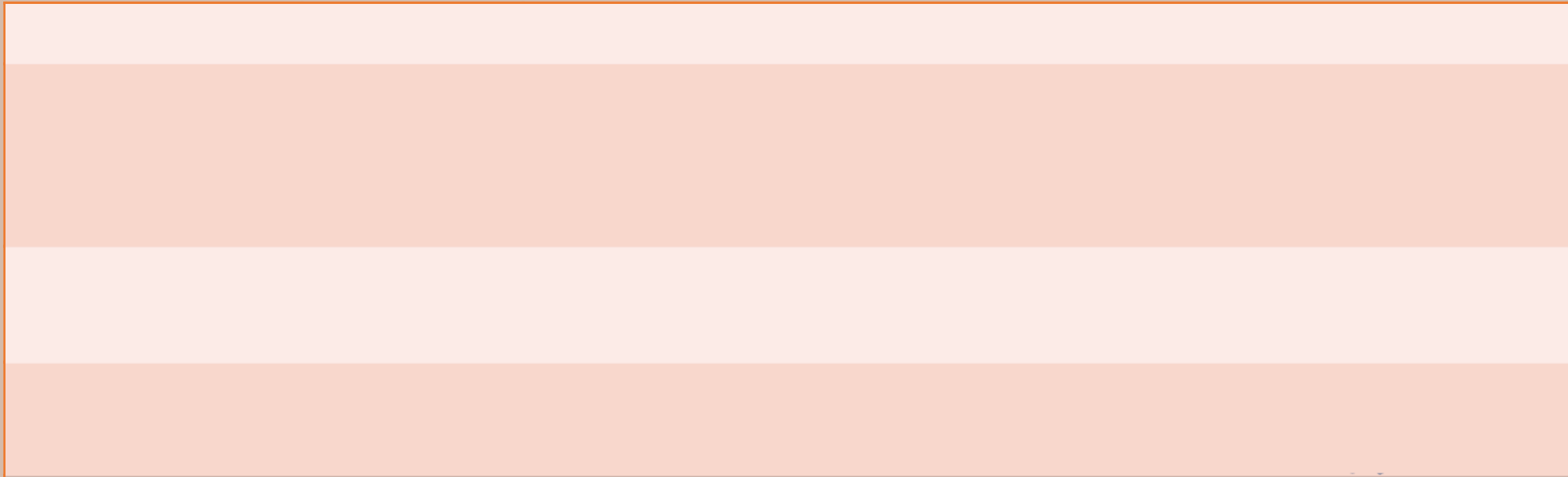
# TAX DEDUCTED AT SOURCE (TDS)



# TAX DEDUCTED AT SOURCE (TDS)



# TAX DEDUCTED AT SOURCE (TDS)



|           | Sec 197                                               | Sec 197A                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------|-------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Covers    | Certificate of TDS at lower deduction or nil rate     | Declaration of nil deduction of tax.                                               | <p>S.198 : TDS Deducted is treated as assessee's income.<br/>                     S.199: Assessee is entitled to adjust tax deducted at source from his tax liability.S.200: Deductor is required to deposit tax deducted by the 7<sup>th</sup> of next month.<br/>                     However, tax deducted in the month of march is to be deposited by 30<sup>th</sup> April. Deductor has to file TDS return Quarterly by 31<sup>st</sup> of the month following the end of quarter.<br/>                     Deductor has to issue TDS certificate to deductee Quarterly by 31<sup>st</sup> of the month following the end of quarter.</p> |
| Issued by | Assessing Officer on application received by Assessee | Assessee                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Income    | All kinds of incomes which are subjected to TDS       | Only following payments subjected to TDS u/s 192A, 193, 194A, 194D, 194DA and 194I |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## Advance Tax

### SEC 208: CONDITIONS OF LIABILITY TO PAY ADVANCE TAX

Advance tax shall be payable during a financial year in every case where the amount of such tax payable by the assessee during that year, as computed in accordance with the provisions of this Chapter, is Rs.10,000 or more. Assessee who is covered u/s 44AD/44ADA is also liable to pay advance Tax.

### SEC 207: LIABILITY FOR PAYMENT OF ADVANCE TAX

|                     |                                                                                                                      |
|---------------------|----------------------------------------------------------------------------------------------------------------------|
| Individual resident | 1 There is no Income chargeable under the head PGBP<br>2 The assessee is aged 60 years or more at any Time during PY |
| Other               | Total Advance Tax Payable is less than 10,000 (Sec 208)                                                              |

### SEC 209: COMPUTATION OF ADVANCE TAX

| PARTICULARS                                     | Amt. |
|-------------------------------------------------|------|
| Income under the 5 heads of income              | XXX  |
| Adjustment in respect of B/F loss and allowance | XXX  |
| GROSS TOTAL INCOME                              | XXX  |
| Less: Deduction admissible under Chapter VI-A   | XXX  |
| TAXABLE INCOME                                  | XXX  |
| Tax on Taxable Income                           | XXX  |
| Less: Rebate u/s 87A                            | XXX  |
| TAX PAYABLE                                     | XXX  |
| Add: Surcharge                                  | XXX  |
| NET TAX PAYABLE                                 | XXX  |
| Less: Relief under Sec. 89, 90, 90A, 91         | XXX  |
| Tax liability                                   | XXX  |
| Less: TDS/TCS                                   | XXX  |
| Less: MAT/AMT Credit under Sec. 115JAA          | XXX  |
| ADVANCETAX .....                                | XXX  |

## Advance Tax

### SEC 211: DUE DATES FOR PAYMENT OF ADVANCE TAX OTHER THAN PERSONS COVERED U/S 44AD/ADA

| Due date of installments | Tax Liability              |
|--------------------------|----------------------------|
| 15th Jun of PY           | 15% of Adv. Tax liability  |
| 15th Sep of PY           | 45% of Adv. Tax liability  |
| 15th Dec of PY           | 75% of Adv. Tax liability  |
| 15th Mar of PY           | 100% of Adv. Tax liability |

#### Note:

1. Person covered u/s 44AD/ADA to pay Advance Tax by 15th March.
2. Any amount paid by way of advance tax on or before the 31st day of March shall also be treated as advance tax paid during the FY ending on that day for all the purposes of this Act.
3. If due date for payment of any installment of AT is banking holiday, and payment is made on the next immediately following working days, No interest shall be leviable u/s 234B or 234C.
4. While calculating advance tax, net agricultural income shall also be taken into consideration for computing tax liability.
5. **If any assessee does not pay any installment within due date he shall be deemed to be an assessee in default in respect of such installment (Section 218).**

## Advance Tax

### PROVISO SEC 234 PAYMENT OF ADVANCE TAX IN CASE OF CAPITAL GAIN & CASUAL INCOME

1. Advance tax is payable on all types of income, including capital gains and winnings of lotteries, crossword puzzles, etc.
2. However, it is not normally possible for an assessee to estimate his capital gains or winnings from lotteries, etc. which are generally unexpected. Therefore, it is provided that if any such income arises after the due date of any installment, then, the entire amount of tax payable (after deduction of tax at source, if any) on such capital gain or casual income should be paid in remaining installments of advance tax which are due or where no such installment is due, by 31st March of the relevant Financial Year.
3. If the entire amount of tax payable is so paid, then no interest on late payment will be leviable.

### SEC 234A: INTEREST FOR DELAY IN FILING RETURN OF INCOME

Interest is levied at 1% per month or part of a month. The nature of interest is simple interest. In other words, the taxpayer is liable to pay simple interest at 1% per month or part of a month for delay in filing the return of income.

### SEC 234B: INTEREST FOR DEFAULT IN PAYMENT OF ADVANCE TAX

Interest is payable if-

- a) Advance tax paid during PY < 90% of Assessed tax or
- b) No advance tax paid during the year

### SEC 234C: INTEREST FOR DEFERMENT OF ADVANCE TAX

Assessee to whom Sec 44AD/44ADA does not apply

Interest is payable if :

- a) Advance tax paid on / before 15th June < 12% of "Tax due on returned income" AND / OR
- b) Advance Tax paid on / before 15th Sept < 36% of "Tax due on returned income" AND / OR
- c) Advance tax paid on / before 15th Dec < 75% of "Tax due on returned income" AND / OR
- d) Advance tax paid on/before 15th March < "Tax due on returned income" OR
- e) No advance tax paid.

Assessee to whom Sec 44AD/44ADA apply

Interest is payable if :

- a) Advance tax paid on/before 15th March < "Tax due on returned income"

# Advance Tax

| COMPUTATION OF INTEREST                                                                                                                                                                                                                                   |                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>15% 45% / 75%<br/>100% of tax<br/>Due on returned<br/>income (-) <span style="float: right;">x 1% pm x 3/1m</span><br/>Advance tax <span style="float: right;">(Simple Int)</span><br/>Paid on/before<br/>15<sup>th</sup> June/Sept/<br/>Dec/March</p> | <p>Tax<br/>due on returned<br/>Income (-)<br/>Advance tax <span style="float: right;">x 1% pm x 1m</span><br/>Paid on / before<br/>15<sup>th</sup> March</p> |
| <p>* Period of 1 month is considered for the period of last installment i.e. 15<sup>th</sup> March</p>                                                                                                                                                    |                                                                                                                                                              |





# AGRICULTURAL INCOME

## Section 2(1A): Definition of Agriculture Income

Any Rent / Revenue derived from land situated in India and used for Agriculture purposes



Any income derived from such land by agriculture operations including processing of agriculture product, raised /received as rent in kind so as to render it fit for market or sale of such product



Income Attributable to farmhouse subject to certain conditions: 1) Building should be in immediate vicinity of land (used for agriculture purpose). 2) Should be occupied by cultivator/ receiver of rent in kind. 3) Should be use as dwelling or store house and 4) Should be assessed to land revenue or situated outside urban areas



Any income derived from saplings or seedlings grown in nursery shall be deemed to be agriculture income.



**Examples of Agriculture Income:** Flowers & Creepers, Profit on sale of standing crops, rent for agricultural land received from subtenants

**Example of Non-Agriculture Income:** Fisheries, Poultry Farming, Making of cheese and butter, etc

# AGRICULTURAL INCOME

## Agricultural Operation

The word Agricultural Operation is defined in the Act, however, it has been considered by court in **Raja Benoy Sahay Case which has provided:**

- ✓ Mere Basic Operation
- ✓ Mere Subsequent Operation
- ✓ Subsequent operation together with basic

**Basic Operation:** It means application of human skill and labour upon the land, prior to germination, e.g. Tiling of land, sowing of seeds, planting, etc.

**Subsequent Operation:** means operations which fasters growth and Preserve Produce for rendering produce fit for sale in market and which are performed after the produce sprouts from the land.

## Partial Integration Scheme

Agricultural Income is considered in some cases for tax calculation i.e. partial integration scheme

**Agricultural Income is added only for tax calculation if:**

- 1) Assessee is Individual/HF/BOI/AOP and not applicable to firm and companies.
- 2) Agricultural Income exceeds Rs 5000.
- 3) Non-agricultural Income exceeds basic exemption limit.

|                                                              |            |
|--------------------------------------------------------------|------------|
| <b>Step 1: Agricultural Income + Non Agricultural Income</b> | <b>XXX</b> |
| <b>Step 2: Tax on Step 1 (Without Cess)</b>                  | <b>XXX</b> |
| <b>Step 3: Agricultural Income + Basic Exemption Limit</b>   | <b>XXX</b> |
| <b>Step 4: Tax on step 3 (Without Cess)</b>                  | <b>XXX</b> |
| <b>Step 5: Difference of tax [Step 2- Step 4]</b>            | <b>XXX</b> |
| <b>Step 6: Add Surcharge / Less Rebate, Add HEC</b>          | <b>XXX</b> |
| <b>Step 7: Final Tax Liability</b>                           | <b>XXX</b> |

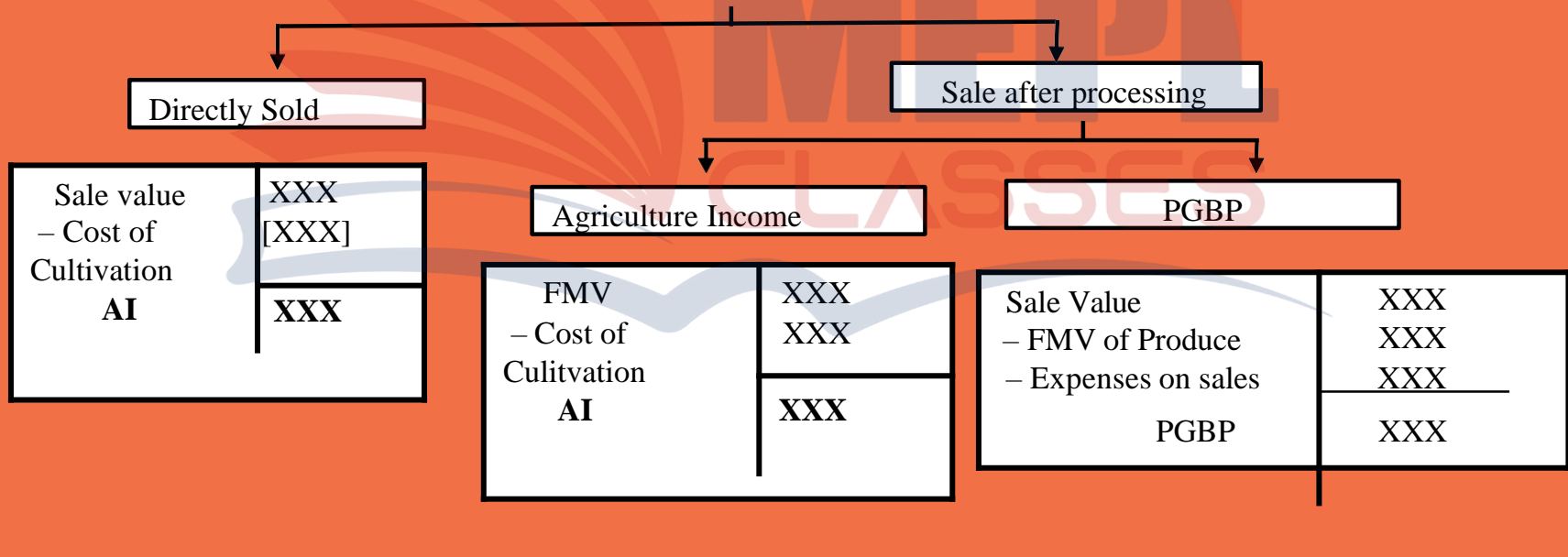
# AGRICULTURAL INCOME

## Partially From Business

For dis integrating a composite business income which is partly non- agricultural, the following rules are applicable:

| Rule | Content                                                                | Agriculture | Non-Agriculture |
|------|------------------------------------------------------------------------|-------------|-----------------|
| 7A   | Growing and Manufacturing Rubber                                       | 65%         | 35%             |
| 7B   | Growing and Manufacturing coffee grown and cured                       | 75%         | 25%             |
| 7B   | Growing and Manufacturing coffee grown and cured, roasted and grounded | 60%         | 40%             |
| 8    | Growing and manufacturing tea                                          | 60%         | 40%             |

## Composite Agriculture Other Income



# TAX COLLECTION AT SOURCE (TCS)



## TAX COLLECTION AT SOURCE (TCS)

### TCS not to be collected from:

- (a) Public sector company
- (b) The Central Government
- (c) State Government
- (d) Embassy, high commission, legation, commission, consulate
- (e) The Trade representation of a foreign state and
- (f) A club
- (g) A buyer in the retail sale of such goods purchased by him for personal consumption – thus in such a case the retailer need not collect the tax if he is convinced that the buyer is purchasing the specified goods for personal consumption.

TCS is collectible only if these goods are purchased to be sold as such, i.e are traded in. Where these goods are purchased to be used in the manufacturing/processing then no TCS. Such buyer may apply and obtain a certificate to this effect from the A.O.

Example: where buyer of timber obtains the same for making furniture then S.206C shall not apply. However there can be no case of liquor being purchased as above so on this 206C shall always apply.

### Furnishing of PAN by Payer:

Any person paying TCS shall furnish his Permanent Account Number to the person responsible for collecting such tax.

If the collectee fails to furnish his PAN, tax shall be collected at **higher** of the following:

- 1) twice the rate mentioned in the relevant section under Chapter XVII BB; or
- 2) 5%.

## TAX COLLECTION AT SOURCE (TCS)

| TCS Rates |                            |                                                        |                       |                                             |
|-----------|----------------------------|--------------------------------------------------------|-----------------------|---------------------------------------------|
| Sr. No.:  | Section of Income Tax Act: | Nature of Receipts:                                    | Existing Rate of TCS: | Reduced Rate from 14/05/2020 to 31/03/2021: |
| 1         | 206C(1)                    | Sale of:                                               |                       |                                             |
|           |                            | Tendu Leaves                                           | 5%                    | 3.75%                                       |
|           |                            | Timber obtained under Forest Lease                     | 2.5%                  | 1.875%                                      |
|           |                            | Timber obtained by any other mode                      | 2.5%                  | 1.875%                                      |
|           |                            | Any other forest produce not being timber/tendu leaves | 2.5%                  | 1.875%                                      |
|           |                            | Scrap                                                  | 1%                    | 0.75%                                       |
|           |                            | Minerals, being coal or lignite or iron ore            | 1%                    | 0.75%                                       |
| 2         | 206C(1C)                   | Grant of license, lease, etc. of Parking lot           | 2%                    | 1.5%                                        |
|           |                            | Poll Plaza                                             | 2%                    | 1.5%                                        |
|           |                            | Mining and quarrying                                   | 2%                    | 1.5%                                        |
| 3         | 206C(1F)                   | Sale of motor vehicle above Rs. 10 lakhs               | 1%                    | 0.75%                                       |
| 4         | 206C(1H)                   | Sale of any other goods                                | 1%                    | 0.75%                                       |

# ALTERNATE MINIMUM TAX

Is applicable to ALL ASSESSEE except COMPANY.

## SECTION 115JC - APPLICABILITY

As Per Sec 115JC(1), Income Tax Payable by any person Higher of all Income Tax payable as per Normal Provision of Income Tax. b) 18.5% of Adjusted Total Income [Surcharge, if applicable + 4% Cess]

### Sec 115JC(2)- Calculation of Adjusted Total income

| PARTICULARS                                                                                                                                | Rs. |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Taxable income of the taxpayer                                                                                                             | XXX |
| Add: Amount of deduction under chapter VIA (except 80P)<br>[Sec.801A to 80RRB]                                                             | XXX |
| Add: Amount of deduction claimed u/s 35AD (as reduced by the amount of depreciation allowable in accordance with provisions of section 32) | XXX |
| Add: Amount of deduction claimed u/s 10AA[SEZ]                                                                                             | XXX |
| Less: Depreciation allowable as per sec 32 assuming that ded u/s 35AD not allowed on assets on which deduction /s 35AD is claimed          | XXX |
| Adjusted total income                                                                                                                      | XXX |

Sec 115JC(3) - Every person to whom this section applies shall obtain a report, before specified date referred to in sec 44AB, in such form as may be prescribed, from an accountant referred to in the Explanation below sec 288(2), certifying that the adjusted total income & the AMT have been computed in accordance with provisions of this Chapter & furnish such report by that date

Sec 115JC(4) - If the Assessee is a unit located in an International Financial Services Centre & derives its income solely in convertible foreign exchange, rate shall be 9%.

## ALTERNATE MINIMUM TAX

Sec 115JC(5) - The provisions of this section shall not apply to a person who has exercised option referred to in sec 115BAC / 115BAD.

### SEC 115JD AMT CREDIT

IF AMT > Normal Income Tax then excess shall be AMT Credit

- It shall be c/f for 15AY
- Credit shall be set off in year in which regular tax is More than AMT
- Tax credit shall be allowed set off in a year when Tax as per Normal.
- Provision > AMT
- Provided that where amount of tax credit in respect of any income tax paid in any country or specified territory outside India, u/s 90 or sec. 90A or sec. 91, allowed against the alternate minimum tax payable exceeds the amount of the tax credit admissible against the regular income tax payable by the assessee, then, while computing amount of credit under this sub-section, such excess amount shall be ignored.

### SEC 115 JEE APPLICATION TO CERTAIN PERSONS

The Provisions of this Chap shall apply to a person who has claimed any deduction under :

- a) Any sec (other than sec 80P) included in Chap VI - A under the head "C- Deduction in respect of certain incomes" orb)
- b) Sec 10AA; or
- c) Sec 35AD

AMT is not payable by :

- Individual
- HUF
- AOP / BOI Artificial Judicial Person
- Adjusted total income of such persons does not exceed 20 lakhs



# ALTERNATE MINIMUM TAX

## Applicability

Applicable to all Assesseees (Except Co.)

## 115JC

Income tax payable by any person Higher of

- Income tax payable as per Normal provision of Income tax
- 18.5% of Adjusted Total income (ATI) (surcharge (if applicable) + 4% cess)

(For IFSC - 9% of ATI)

## ATI

|                                                                                                                                                        |     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Total Income as per Normal Provisions of IT Act                                                                                                        | XXX |
| (+) Deductions u/s 80-IA to 80RRB except 80P (Chapter VIA)                                                                                             | XXX |
| (+) Deductions u/s 10AA (SEZ)                                                                                                                          | XXX |
| (+) Deductions u/s 35AD (14 Business)                                                                                                                  | XXX |
| <i>(-) Depreciation allowable as per Sec. 32 assuming that deduction u/s 35AD was not allowed on the assets on which deduction u/s 35AD is claimed</i> | XXX |
| Adjusted Total income                                                                                                                                  | XXX |

## Non- Applicability:

1. AMT is not payable by Individual, HUF, AOP/BOI, every Artificial Judicial person if adjusted total income of such person does not exceed to Rs. 20,00,000.
2. The provisions of AMT are applicable to Partnership Firm including LLP even if Adjusted Total Income is less than Rs. 20,00,000
3. The provision of AMT is not applicable to persons who have exercised option u/s 115BAC & 115BAD. (Finance Act 2020)

## 115JD - AMT Credit

- Person is allowed to carry forward AMT Credit for 15 AY
- AMT Credit allowable = Tax paid as per AMT less Tax as per Normal Provision
- Set-off against tax liability in the year in which company pays tax as per normal provision
- Credit can be set off even if ATI  $\leq$  20 Lakh in the year of set off

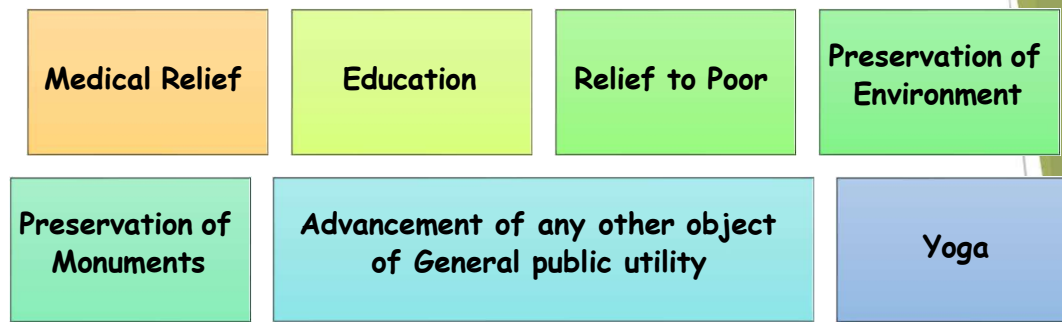
## Points

Assessee shall obtain a report in form (29C), from CA certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report

# CHARITABLE TRUST

## Charitable Trust means 2(15)

MT - Mere May



Not involves any activity related to trade, commerce, or Business  
 But it is treated as charitable purpose if aggregate receipt from Business activity is not more than 20% of the total receipts  
 (No need to cancel Registration if GR > 20% , only exemption not Available)  
(This Point is only for - Advancement of any other object of General public utility)

## Exemption - (Benefit)

1. 11(1)
2. 11(2)

### 11(1)

Following Income Exempt

#### Corpus Donations

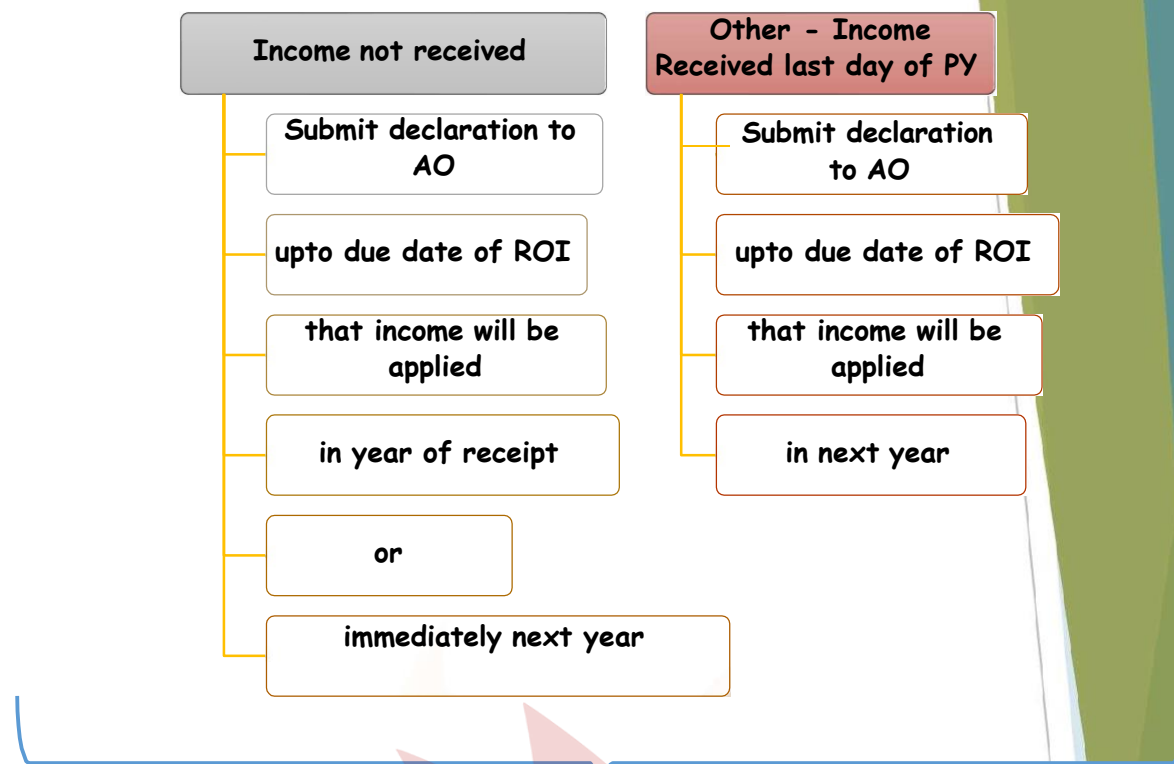
- Only if invested in 11(5) - Mode

#### 15% Standard Deduction

- Always

Income applied for charitable or Religious purposes in India (out of remaining 85%)

- Capital + Revenue - application (For L&B - ignore SDV - Take actual Purchase Price as Application)
- Loan Repayment - application (Jis year Repayment hoga tab apply)
- Donation to other trust Reg u/s 12AB & 10(23)(C) - application
- If donated as corpus - not treated as application
- Deprectaion will not be allowed
- 40 (a)(ia) & 40 A(3) will be applicable
- Any Application FROM Corpus Donation - not treated as application

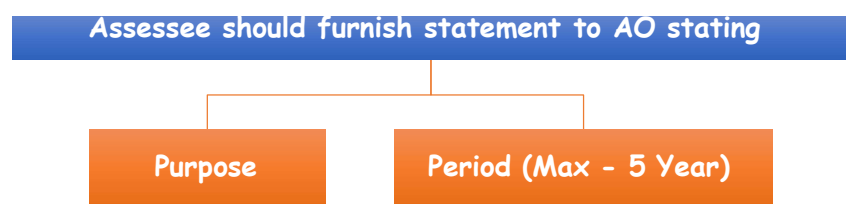


**Deemed Applied in Current year**

**11(2)**

Where **85% of Income is not applied** during the PY but **accumulated** or set apart then such **set apart income is not included in income** if following conditions are satisfied.

1.

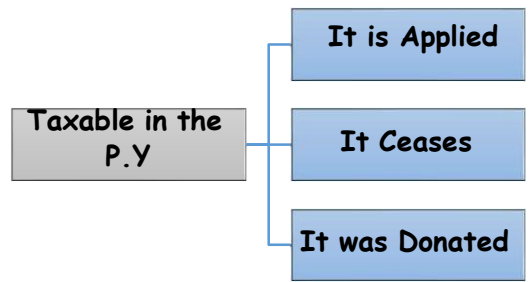


- Such money should be deposited in Sec 11(5) modes
- Such money should not be donated to any other trust.

Exemption Withdrawn - 11(2)

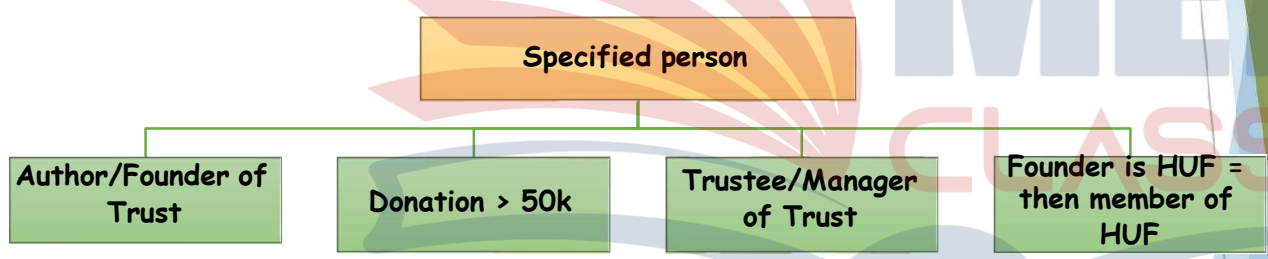
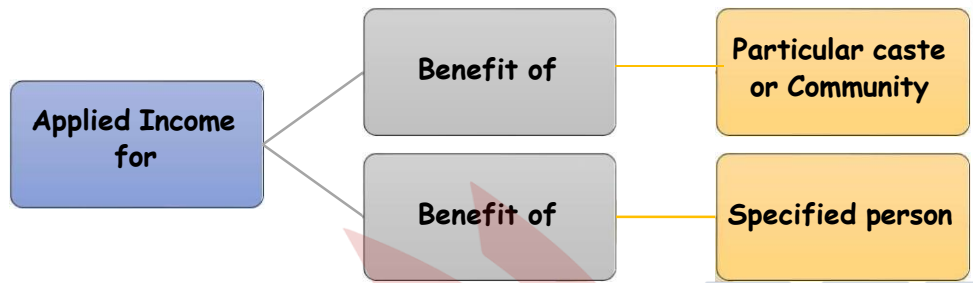
- Is applied to **purposes other than the purposes** for which it was accumulated
- Ceases** to remain invested in modes as per sec, **11(5)**
- If **donated to any other trust**
- Is **not utilized within specific time** (say 4 years) or in the next year after specific period then it shall be **taxable in the year after expiry of specific period** (5th year)

For 1,2 & 3 -



**No Exemption u/s 11 & Income Chargeable to MMR**

1. Income from **Private religious trust**
2. Income **not invested in 11(5) modes**
- 3.



And their relatives - 56(2)(x)

But if trust running - **Hospital, Medical institute, Education institute**

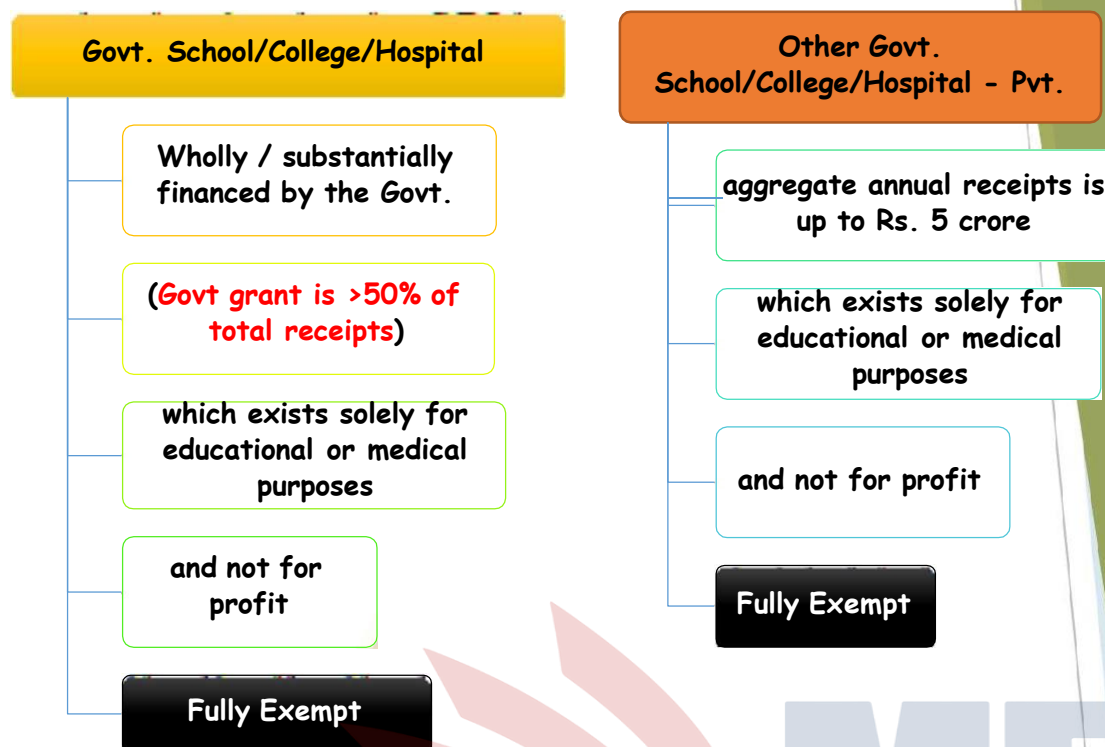
Then **Exemption available** if service provided to Specified person

**FMV of Service = Taxable (Income of Trust)**

**Section 10 Exemption not available**

- Only 10(1) [Agriculture], 10(23C), 10(46) [Govt. Grant] - **Available**

## Section 10 (23C) - Important



*(10,11 will not be available - either will be available)*

*Ek PAN mein jitne colg university hospital hai. Sb ka mila ke Rs. 5 Crore dekhna hai*

## Business Income

- If business is **incidental** to attainment of main object of the Trust & separate BOA - then **11(1) & 11(2)** - can be claimed on Business Income
- If **AO finds concealed Income** - 11(1) & 11(2) - Not available only for Concealed Income.

## Condition for applicability of Sec 11 & 12

- Trust should be **registered u/s 12AB**.
- If **total income (before claim exemption) is > Basic exemption limit**, then furnish **audit report** with return
- The **exemption u/s 11 & 12 will be available** to the assessee **from the P.Y.** in which the application is made e.g. if an application is made on 20-11-21, then exemption will be available from P.Y. 2021-22 and for future years. However, earlier the assessee could not use to enjoy the exemption for preceding years.
- A trust can **enjoy exemption for preceding years** if on the date of registration, the assessment for preceding years are pending in front of the A.O. and the objects on the date of registration and preceding years are similar.

## Tax Rate - Normal Slab Rate - Individual

## 115BBC - ANONYMOUS DONATION

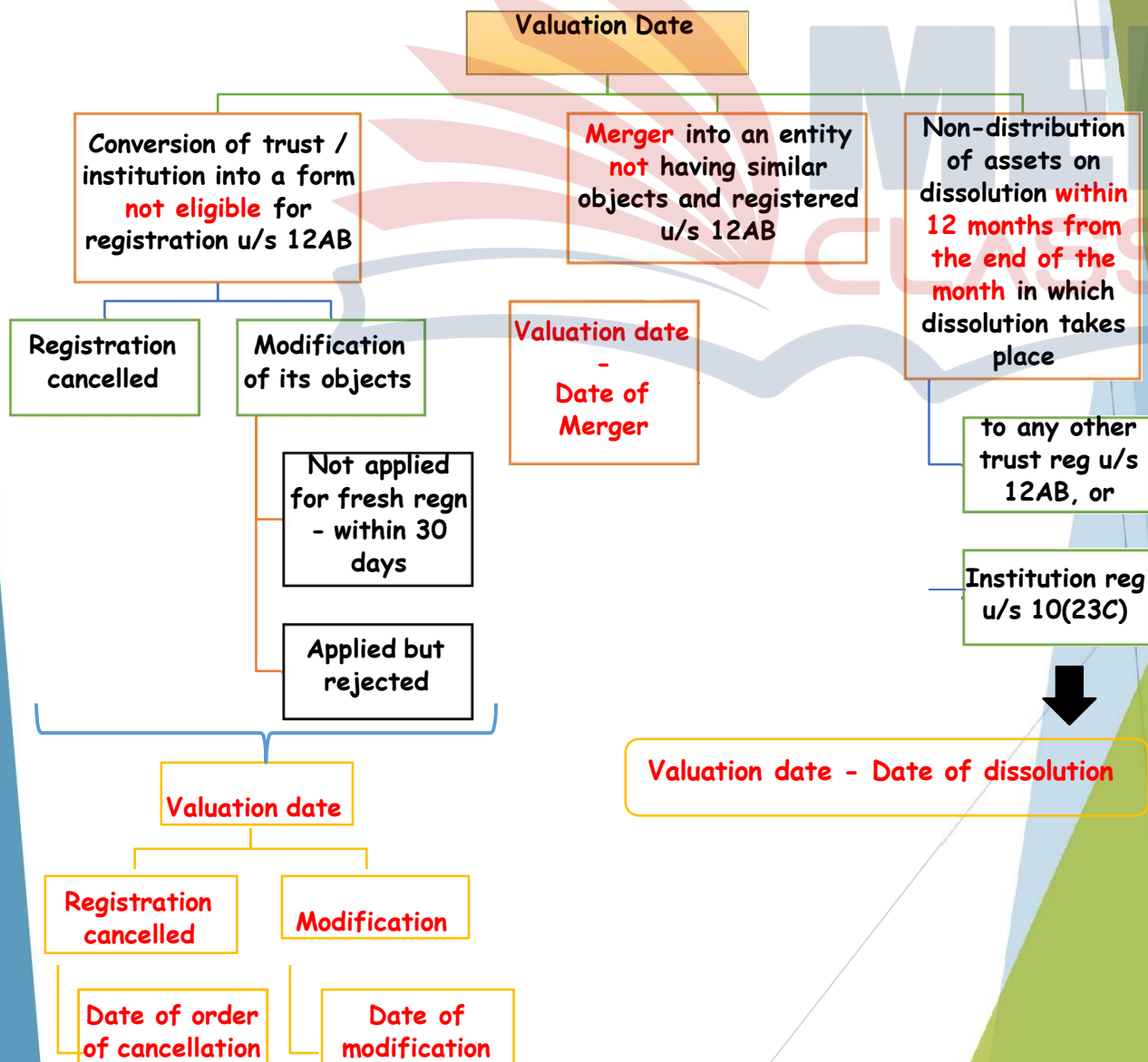
|                                                                                                                                                                                                                                |          |          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| Actual Anonymous Donation (e.g)                                                                                                                                                                                                |          | 5,00,000 |
| <b>Less:</b> 1) 5% of Total Donation (e.g)                                                                                                                                                                                     | 3,00,000 |          |
| <ul style="list-style-type: none"> <li>• Including Anonymous Donation</li> <li>• Including Voluntary Contribution</li> <li>• Don't consider - Govt. Grant</li> <li>• Don't consider - Gross receipt of tuition fees</li> </ul> |          |          |
| or                                                                                                                                                                                                                             |          |          |
| 2) 1,00,000 (actual) - whichever is higher                                                                                                                                                                                     | 1,00,000 | 3,00,000 |
|                                                                                                                                                                                                                                |          | 2,00,000 |

- > 2,00,000 - Taxable @ 30% u/s 115BBC
- > 3,00,000 - (Jo less hua) - added in the normal computation

Only Anonymous Donation for Charitable Purpose - Religious Purpose - not Taxable u/s 115 BBC

## 115TD - Exit Tax

1. Accreted Income - taxable - MMR - 34.944% - When - only in 3 cases



|                                         |           |
|-----------------------------------------|-----------|
| FMV of Total Asset                      | XX        |
| <b>Less:</b> Total Liabilities of Trust | <u>XX</u> |
| Accreted Income                         | XX        |

[Ispe 34.944% se tax lagega]

## FMV of Total Assets

### I. Asset not to be taken into consideration (kya kya nai lena hai)

1. TDS/TCS/Adv tax/ Refund of I.Tax
2. Deferred Revenue Expense
3. Asset acquired out of agriculture Income
4. Asset acquired from date of creation of trust to date of registration
5. Asset Transferred within within 12 months from the end of the month in which dissolution takes place

### II. FMV - Asset

1. Immovable property
  - (a) SDV
  - (b) FMV - Whichever is Higher
2. Shares
  - a. Quoted Shares - Average {[Highest + lowest]/2}
  - b. Unquoted shares (other than Equity Share) - Valuation as per Merchant
  - c. Unquoted Equity shares -  

$$(A + Y - L) / \text{Total Paid up Equity} \times \text{Paid up value of Equity}$$
    - A** = Book Value of All Assets
    - Y** = FMV of bullion, jewelry, precious stone, artistic work, shares, securities & immovable property
    - L** = Book value of liabilities
3. Other Assets - FMV

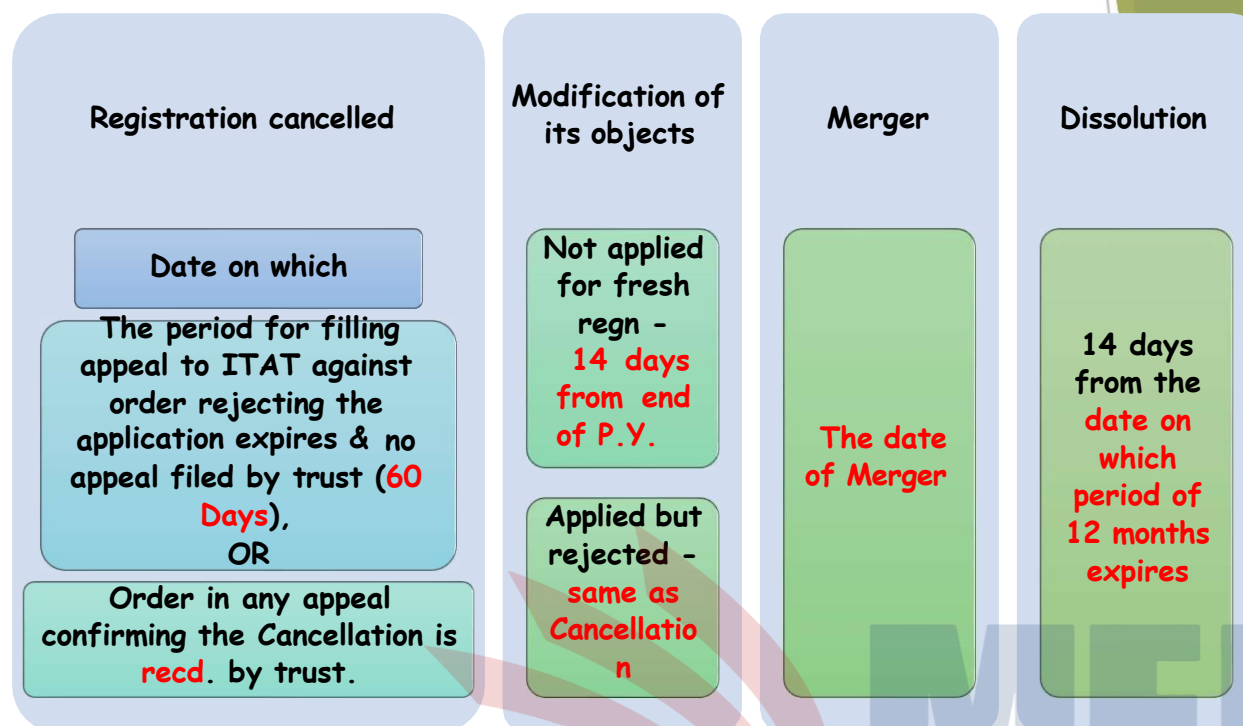
## Total Liabilities

### I. Liabilities not to be taken into consideration (kya kya nai lena hai)

1. Corpus / Capital Fund
2. Reserve & Surplus
3. Contingent liabilities
4. Prov for tax

3. Exit tax pay to C.G within 14 days from

II. Book Value of all liabilities



3. Interest

Interest - @ **1% pm / part of month for non-payment of tax within 14 days.**

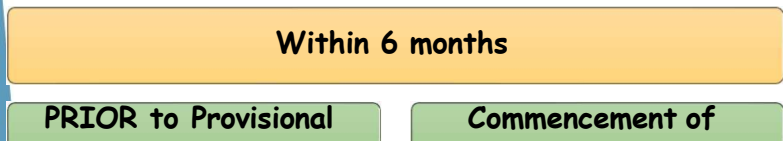
**Minor Points**

1. Cottage Industry - Charitable Purpose - Sec 11 Allowed
2. Trust not required to Particularize each & every Object
3. Capital Expense - more than Rs. 10,000 cash - allowed as application - 40 A(3) not applicable here
4. Non TDS Deduction of Non resident - Allowed - NR wala point yaha nai lagega - yaha bas Resident wala lagega .

**Procedure for Registration - 12AB**

(Amendment)

1. Apply - Online - at least 1 Month Prior to Commencement of PY
2. PCIT/CIT - Shall **grant Provisional Registration within 1 Month From end of the month in which Application is made**
3. **Validity** of Provisional Registration - **3 Years**
4. Provisional Registration to Final Registration - Apply for Final Registration -



**whichever is earlier**



as end of month in which application

received



6. **Validity** of Final Registration - **5 Years**

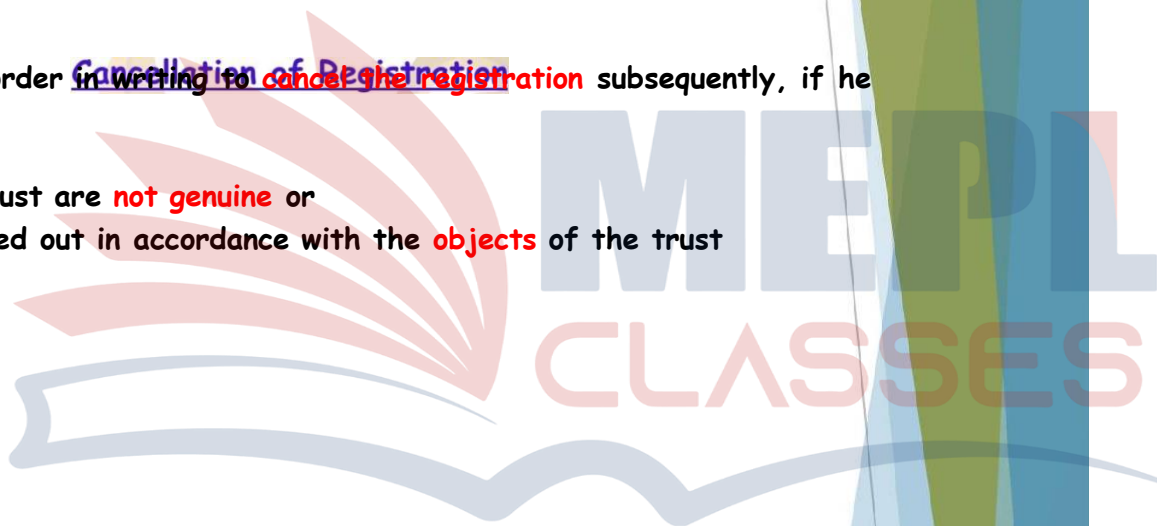
**Modification in Object**

In case of modifications/adoption in the objects, the trust is required to obtain **fresh registration** by making an application **within 30 days from the date of such adoption / modification** of objects in the prescribed form and manner.

**Cancellation of Registration**

The CIT may pass an order **in writing to cancel the registration** subsequently, if he is satisfied that

- > **Activities** of the trust are **not genuine** or
- > are **not** being carried out in accordance with the **objects** of the trust



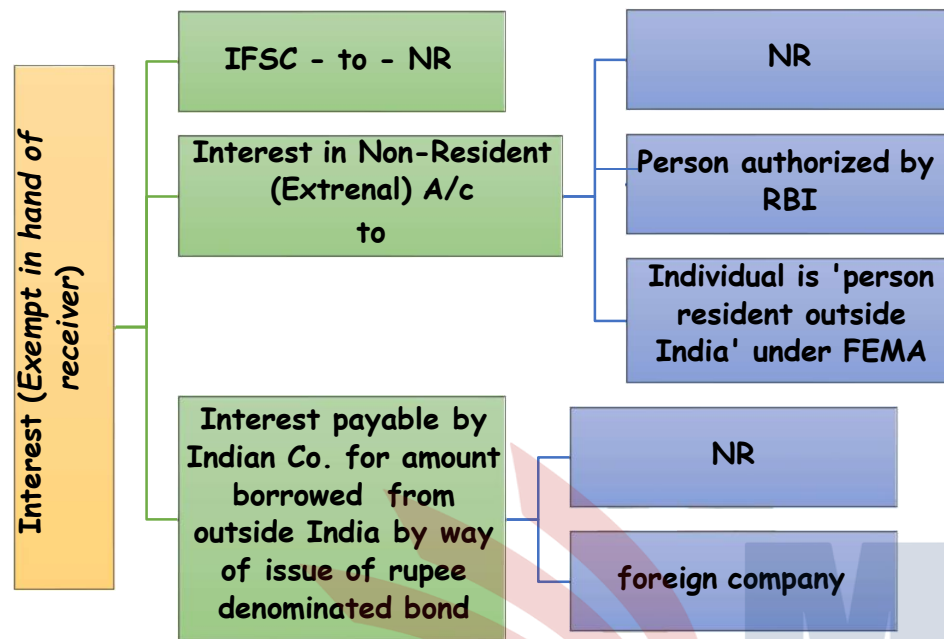
### Mega Format

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1. Total Donation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | XX   |
| <u>Less:</u> Anonymous Donation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |      |
| <u>Less:</u> Corpus Donation (cash mein mila tho bhi minus)                                                                                                                                                                                                                                                                                                                                                                                                                                                    |      |
| 2. Business Income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | XX   |
| 3. Capital Gain (Actual)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | XX   |
| 4. Anonymous Donation not taxable u/s 115BBC                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | XX   |
| 5. Govt. Grant                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | XX   |
| 6. Gross Receipt of School/College<br>(if related to 10(23C) include only when GR > 5cr)                                                                                                                                                                                                                                                                                                                                                                                                                       | XX   |
| 7. Other Income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | XX   |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | XXXX |
| <u>Less:</u> 15% Exemption u/s 11(1) - Always                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | XX   |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | XXXX |
| <u>Less: Actual Application</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |      |
| 1. Admin Exp & Operating Expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | XX   |
| 2. Capital + Revenue Expense                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | XX   |
| 3. (i) (a) If Net consideration fully utilized then <b>Less</b> entire CG<br>(b) If Net consideration party utilized then <b>Less</b><br>[cost of New Asset - Cost of old Asset]<br>(ii) <u>Excess of purchase price of new Asset over sale consideration of old Asset treated as application of income, if new Asset is used for the purpose of the trust - apply this along with the adjustment done above (i)(a) whenever cost of new asset is more than CG otherwise apply only (i)</u><br>(See Q7 Pg. 34) | XX   |
| 4. Amount accumulated but not spent - 11(1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | XX   |
| 5. Other adjustment as given in sums                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | XX   |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | XXXX |
| <u>Less:</u> Deemed application as per Expl 1 & 2 - 11(1)                                                                                                                                                                                                                                                                                                                                                                                                                                                      | XX   |
| <u>Add:</u> Application for benefit of Specified person - taxable @MMR                                                                                                                                                                                                                                                                                                                                                                                                                                         | XX   |
| <u>Add:</u> Anonymous Donation chargeable u/s 115BBC                                                                                                                                                                                                                                                                                                                                                                                                                                                           | XX   |
| <b>Total Income</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | XXXX |
| 1. Tax on application for Specified person @ MMR                                                                                                                                                                                                                                                                                                                                                                                                                                                               | X    |
| 2. Tax on Anonymous Donation u/s 115BBC @ 30%                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | X    |
| 3. Tax on balance Income (Individual tax rate)                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | X    |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | XXXX |
| <u>Add:</u> HEC @ 4% - (Bhulna mat)                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | X    |
| <b>Total Tax Payable (rounded off)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | XXXX |
| <i>"Excess of expense over income in PY" is now NOT subtracted - Amendment</i>                                                                                                                                                                                                                                                                                                                                                                                                                                 |      |

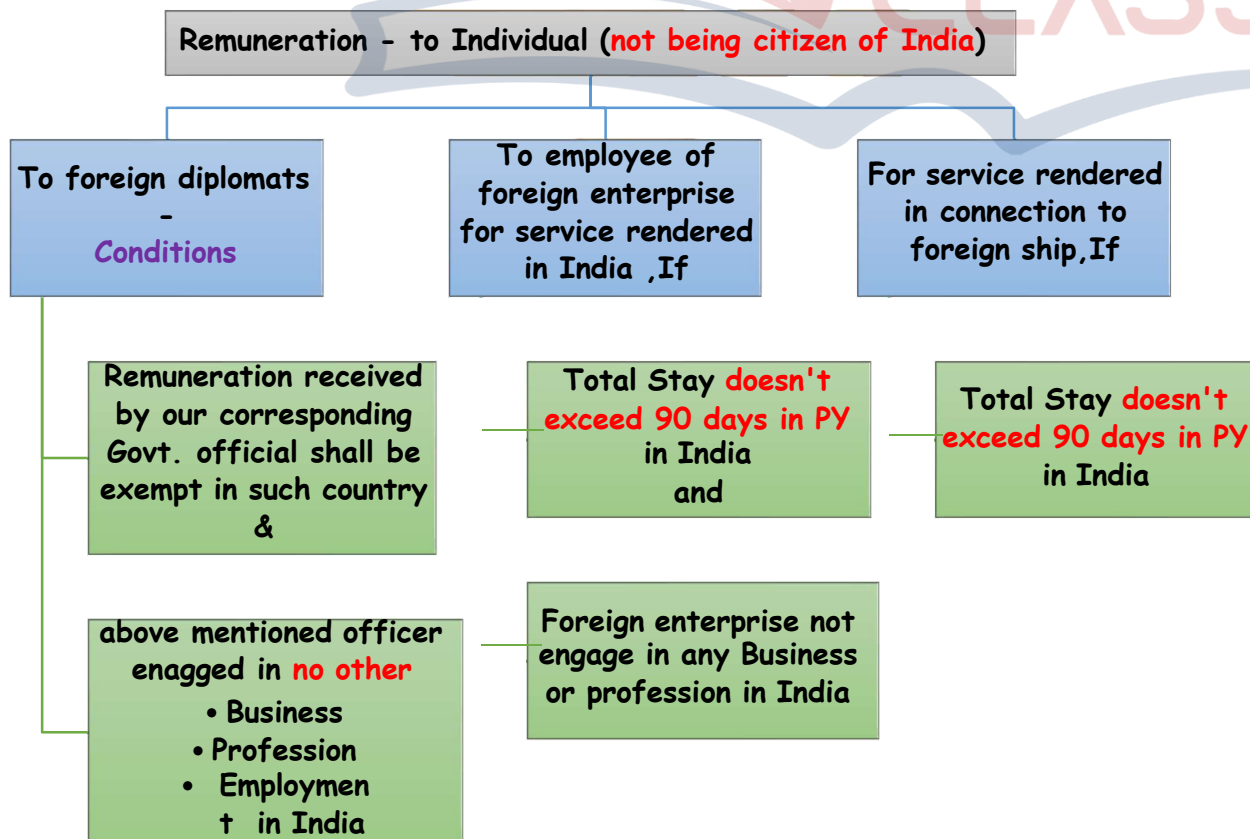
# NON-RESIDENT TAXATION

## Income Exempt for NR

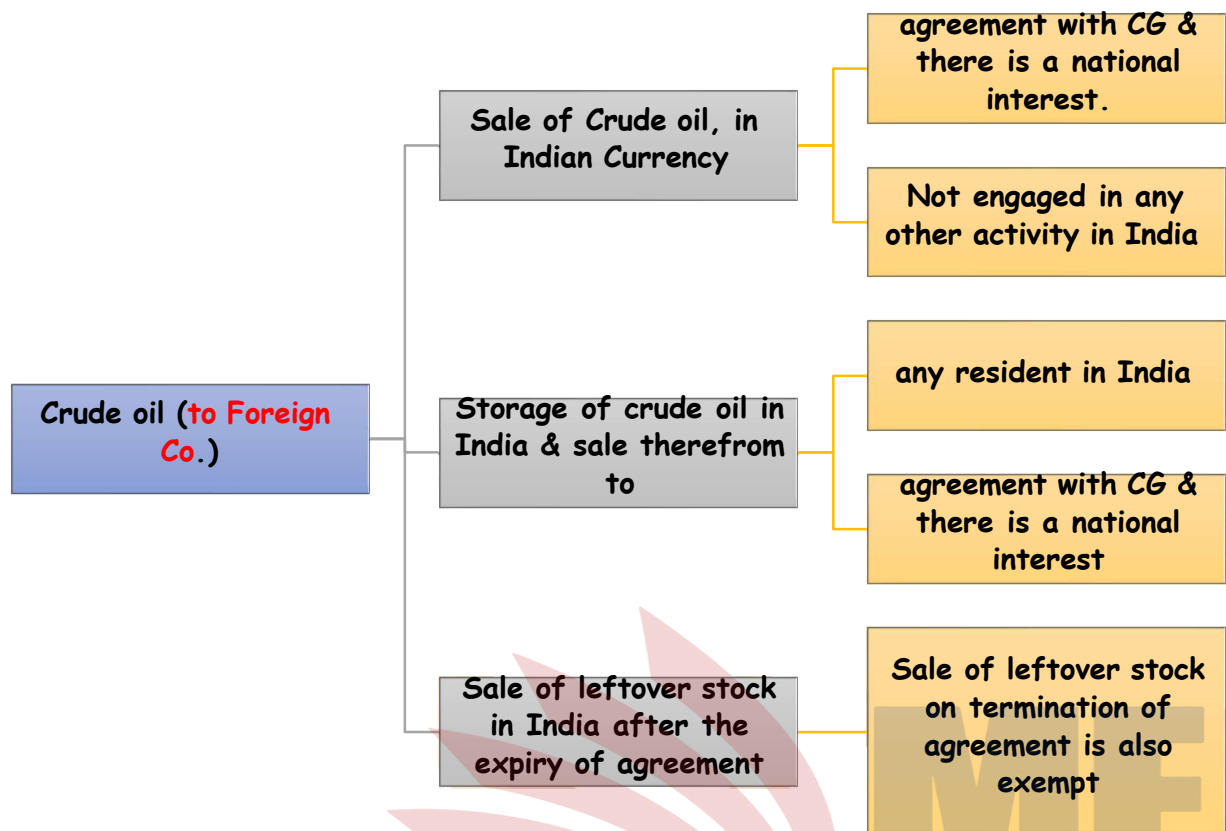
### 1. Interest



### 2. Remuneration

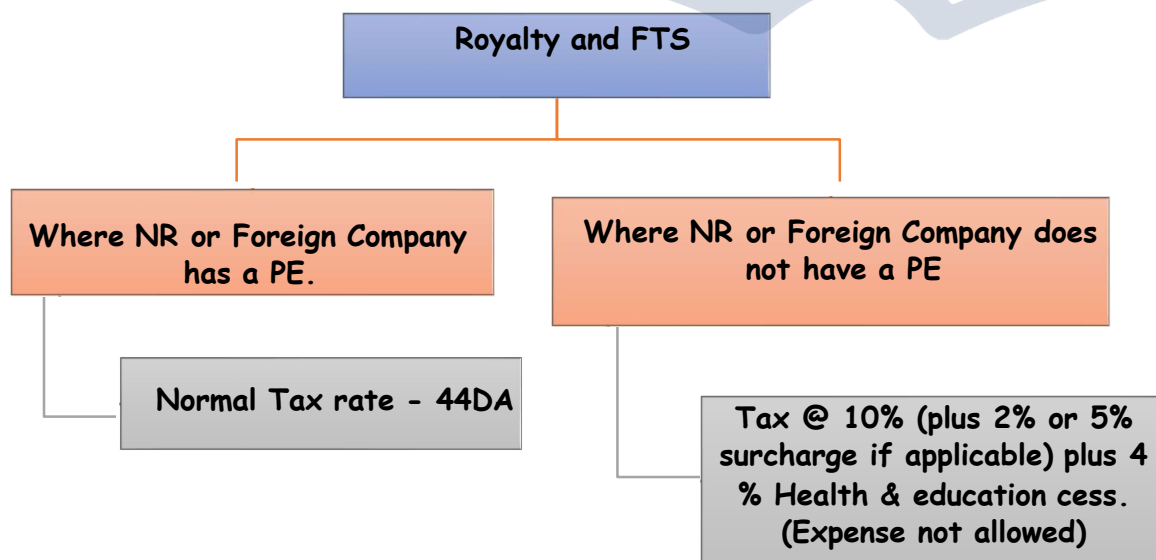


### 3. Crude oil



### Non-resident tax rate

## 1. Royalty and Fees for Technical Services



## 2. LTCG & Interest from Bond & GDR

Taxable at **10%** (No indexation for LTCG)

[STCG - normal tax rate & if STT paid - 15%]

**Points:**

- ❖ Transfer of **GDR by NR to another NR outside India** - not transfer - **No CG**
- ❖ Transfer of **GDR by NR to IFSC outside India** - not transfer - **No CG**  
(where consideration is in F. Currency)
- ❖ **NR sell GDR in Indian stock exchange** for exchange of share
  - **CG** - NR will be liable to pay tax
  - **FVOC** - FMV of the shares on the date on which request for redemption was made
  - **COA** of the shares - FMV of shares on the date on which request for redemption was made
  - **POH** - from date of request

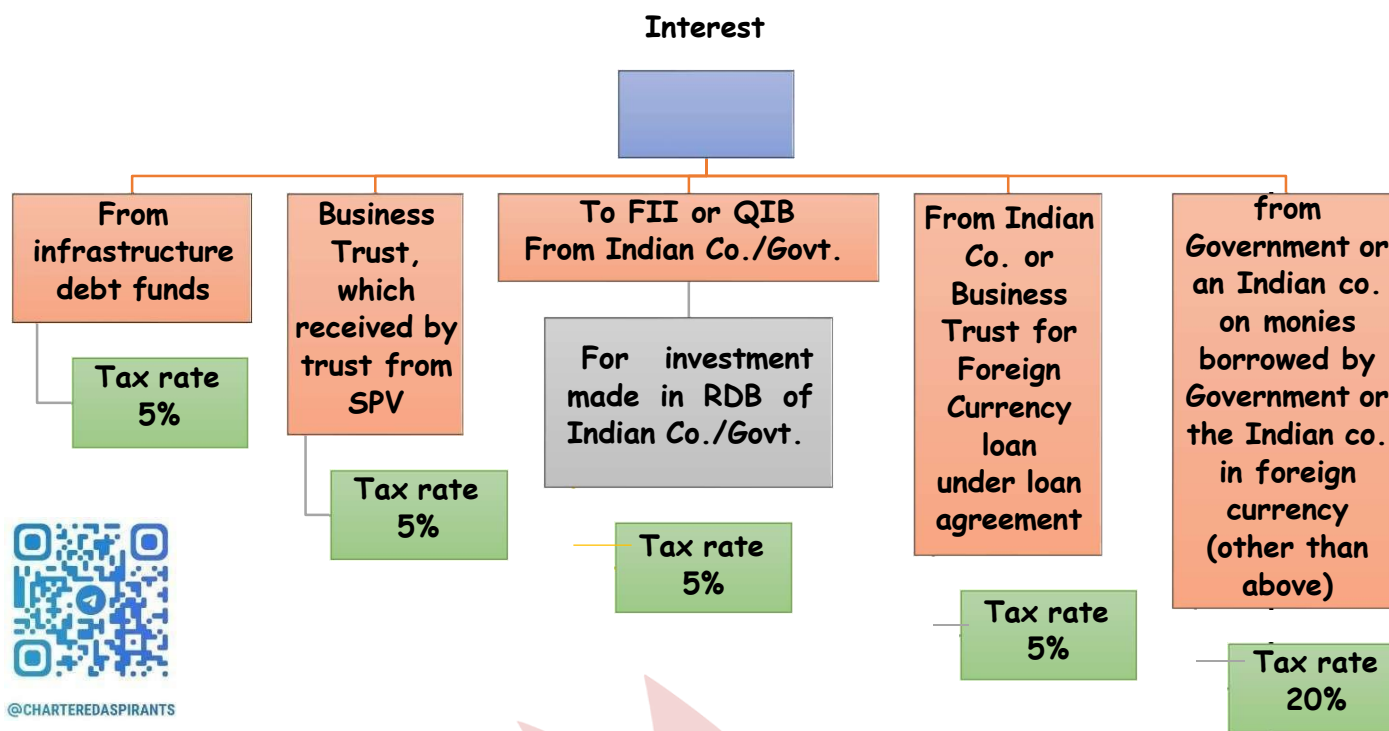
**3. Income to Foreign Institutional Investor on securities (other than UTI/MF)**

|      |      |          |                                  |           |
|------|------|----------|----------------------------------|-----------|
| LTCG | STCG | Interest | LTCG 112A                        | STCG 111A |
| 10%  | 30%  | 20%      | 10% on income exceeding Rs. 1lac | 15%       |

**4. Capital Gain to Overseas Financial organization on UTI/MF**

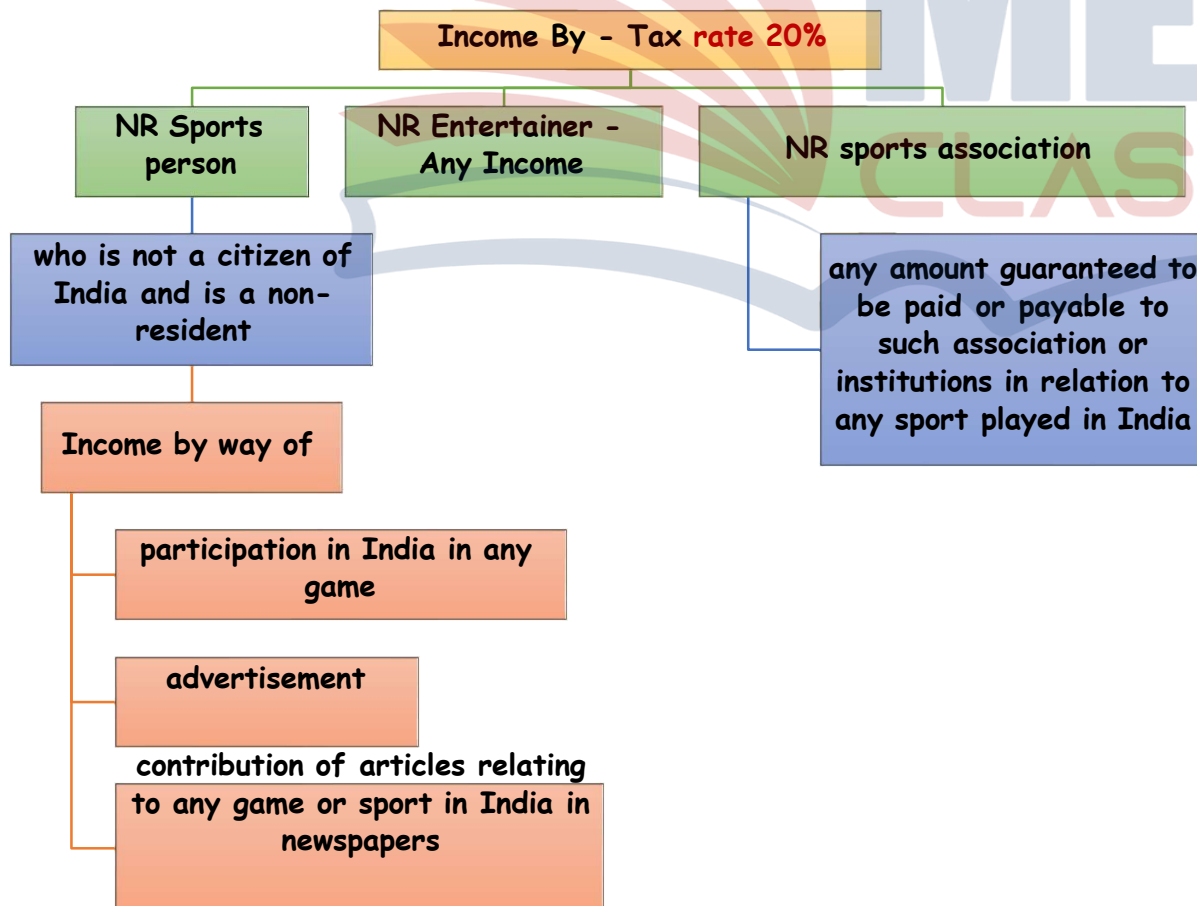
|      |           |                      |                                  |
|------|-----------|----------------------|----------------------------------|
| LTCG | STCG 111A | STCG other than 111A | LTCG 112A                        |
| 10%  | 15%       | Normal tax rate      | 10% on income exceeding Rs. 1lac |

## 5. Interest



@CHARTEREDASPIRANTS

## 6. Sports/Entertainment

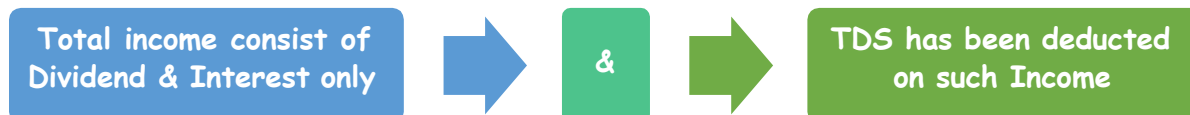


## 7. Dividend/Income from UTI & MF

**Tax rate 20%**

## Common Points

- ❖ No expenses allowed
- ❖ Chapter VIA - Not available (except Royalty)
- ❖ No indexation
- ❖ Special Income - No BEL available
- ❖ NR not required to furnish return If,



## NRI

1. NRI: **NR + Citizen of India**/Person of Indian origin
2. Purchased following asset in Forex (**Forex Asset**)
  - Shares of Indian Company (**Private or Public**)
  - Debentures of **Public Limited** Indian Company
  - Deposits in **Public Limited** Indian Company
  - Government Securities.

## Tax rate on Forex Asset

| LTCG              | Interest            | Other Incomes    |
|-------------------|---------------------|------------------|
| 10%               | 20%                 | Normal Tax Rates |
| No Indexation     | No expenses allowed |                  |
| No Chapter VIA    | No Chapter VIA      |                  |
| Expense - Allowed |                     |                  |



@CHARTEREDASPIRANTS

## 115F

- ❖ NRI derives LTCG from Forex Asset & invest the net consideration in **another Forex Asset**
- ❖ **Within Six months from the date of transfer**
- ❖ Exempt:  $LTCG \times \text{Cost of new asset} / \text{Net consideration}$  (same as 54F)
- ❖ New asset should be **retained for 3 years from the date of its acquisition.**
- ❖ If transferred/converted into money before 3 years, then the **LTCG exempted earlier taxable as LTCG in the year in which the new asset is transferred.**

NR Not required to furnish return if



**PTS**

| 44B                                                                                         | 44BBA                                                                                                            | 44BB                                                                                                                                                                                                                                                  | 44BBB                                                                                 |
|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Shipping Business of Non-Resident                                                           | Aircraft for Non-Resident                                                                                        | Non-Resident in respect of facilities given for extraction, exploration of Mineral Oil.                                                                                                                                                               | Foreign company in respect of Civil Construction Business in a Turnkey Project        |
| deemed income of the assessee shall be 7.5% of the Amt paid or payable to the non-resident. | Income of non-resident shall be chargeable under the head PGBP at the rate of 5% of Amount (i.e., 5% of Revenue) | Deemed Income will be 10% of the following: -<br>i) Amount paid or payable in or outside India in respect of prospecting etc. of mineral oil in India. or<br>ii) Amount received in India in respect of prospecting etc of mineral oil outside India. | Deemed income shall be 10% of amt paid or payable to foreign Co. in or outside India. |
| NR                                                                                          | NR                                                                                                               | NR                                                                                                                                                                                                                                                    | Foreign company                                                                       |
| Tax rate of 40%                                                                             | Tax rates - normal tax rates                                                                                     | If the amount is FTS, then it shall be taxable as per sec 115A or 44DA                                                                                                                                                                                |                                                                                       |

In case of assessee falling u/s 44BB and 44BBB, the assessee may claim lower profits and gains than the profits as deemed above, if he -

- a) keeps and maintains books of account and other documents as per section 44AA; and
- b) gets his accounts audited and furnishes a report thereof as per section 44AB



## Sec 172 - Shipping Business of Non Resident

1. This Sec is a recovery mechanism from non-resident in respect of ships leaving from India. This Sec is mandatory to comply
2. The deemed income of the assessee under Sec 172 shall be **7.5% of the Amt paid or payable to the non-resident.**
3. The assessee is supposed to pay **tax at the rate of 40%** [2% or 5% surcharge if applicable plus 4% Health & Education cess]
4. All these activities will be done in the previous year only.
5. In the next year i.e., in the AY the non - resident has an option to follow Sec 44B and accordingly in this sec following 2 incomes will be covered.
  - a) Amt paid or payable to non - resident in respect of carriage of passengers, livestock mail or goods shipped at any port in India. *[This income is already charged in Sec 172]*
  - b) The Amt received in India in respect of carriage of passengers etc. shipped at any port outside India. *[This amt is not covered in Sec 172 and therefore it will be chargeable only in Sec 44B]*

| <b>Sec 44B</b>                                                                                                                                                                                                                                                                     | <b>Sec 172</b>                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| It is a charging Sec i.e., it deals with computation of income.                                                                                                                                                                                                                    | It is a recovery mechanism                                                                                                          |
| It covers the amounts paid/payable for carriage of passengers, live-stock, mail or goods shipped at any port in India as well as amounts received in India or deemed to be received in India for carriage of passengers, livestock mail or goods shipped at any port outside India | It covers only the amounts paid/payable for carriage of passengers, livestock, mail or goods shipped at any port in India           |
| Normal tax rates shall apply.                                                                                                                                                                                                                                                      | Flat tax of <b>40% plus 2% or 5%</b> surcharge (where total income exceeds Rs. 1 crore or 10 crores) plus 4% Health education cess. |
| Current year and brought forward losses of other businesses can be set off.                                                                                                                                                                                                        | No set off is permissible as it overrides Chapter VI.                                                                               |
| Chapter VI-A deductions are available.                                                                                                                                                                                                                                             | Chapter VI-A deductions are not available.                                                                                          |



@CHARTEREDASPIRANTS

### Judicial Decision -

1. The ship which **leaves the Indian port and only casually visits** the Indian port is covered by **sec. 172** and those who do **regular shipping business** are covered by **sec. 44B.**
2. The tax paid u/s 172 shall be considered as **Advance tax** and **any refund** of such amount shall be **entitled for Interest**

## 44C - Head Office Expense

The head office expenditure shall be **allowed** to the following extent:

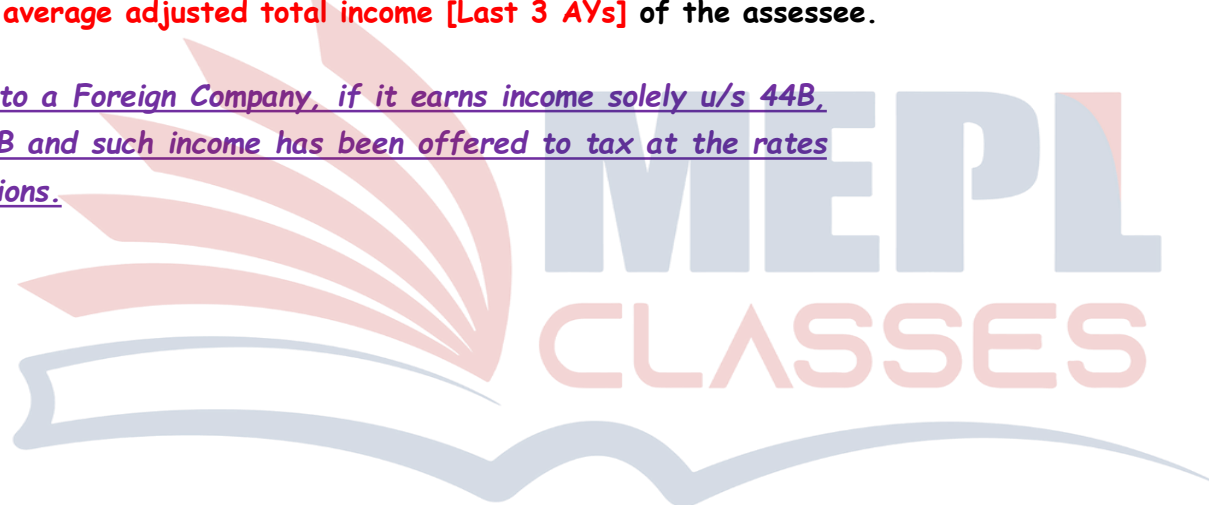
- (i) Amount equal to **5% of Adjusted Total Income**, or
- (ii) The amount of so much of the expenditure in the nature of head office **expenditure attributable to business** or profession of assessee in India  
whichever is **less**

**Adjusted total income** means the total income computed in accordance with the income tax act, without giving effect to:

- Brought forward depreciation.
- Brought forward losses.
- Deductions under chapter VI-A;
- Brought forward Capital Expenditure of Family Planning expenses and.
- Actual Expenditure debited to P&L

Where the adjusted TI of the assessee is a **loss**, the amount shall be computed at the rate of **5% of the average adjusted total income [Last 3 AYs]** of the assessee.

MAT is not applicable to a Foreign Company, if it earns income solely u/s 44B, 44BB, 44BBA or 44BBB and such income has been offered to tax at the rates specified in those sections.



# RETURN FILING

## Who Shall File ROI

- ❖ A **Company or a Firm** (Always).
- ❖ Any other Person, if **GTI > B.E.L.**
- ❖ Any resident who has an **asset located outside of India** (might include financial interest in some entity as well) or any resident who **retains signing authority** for an account based outside India
- ❖ **Assessee other than Company or Firm** not liable to file return has to file in the following cases:
  - has **deposited one crore rupees or more** in one or more current accounts whether in cash or by cheque. Savings Accounts are outside the purview of this provision
  - has incurred expenditure **exceeding Rs 2 lakh for travel to a foreign country**
  - has incurred expenditure **exceeding Rs 1 lakh rupees towards electricity bill**
- ❖ Note: **GTI = Total Income before deductions under CH-VIA and before exemptions u/s 54 to 54GB.**

## Due Dates u/s 139(1)

| Assessee                                                                                                                                                                                                                                                                                | Due Date       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Where the assessee is required to furnish a report under <b>section 92E</b> pertaining to international or specified domestic transaction(s) Including partner of the Firm                                                                                                              | 30th Nov of AY |
| Where the assessee is a <b>company</b> [not having international or specified domestic transaction(s)]                                                                                                                                                                                  | 31st Oct of AY |
| Where <b>the assessee is a person</b> other than a company [not having international or specified domestic transaction(s)]                                                                                                                                                              |                |
| <ul style="list-style-type: none"> <li>➤ In case where accounts of the assessee are required to be <b>audited under any law</b></li> <li>➤ Where the assessee is a <b>partner</b> (Working &amp; Sleeping) in a firm whose accounts are required to be audited under any law</li> </ul> | 31st Oct of AY |
| Any <b>Other Case</b>                                                                                                                                                                                                                                                                   | 31st July      |

- ❖ In this case, the due date for filing of return of income for partners of a firm, which is required to furnish report u/s 92E, shall be November 30 of the AY. Similar rule will be applicable for filing return of income by spouse of such partner (if covered by sec 5A).
- ❖ As per section 5A if individual govern by Portuguese Civil Code of 1860 in Goa, Dadra and Nagar Haveli and Daman and Diu then Income shall be equally distributed between husband and wife except Salary.
- ❖ **NR or FC** having any **income** chargeable during the PY **from Investment Fund** setup in **IFSC** is **exempt from filing ROI** subject to following conditions:

- and at the rate mentioned in sec 194LBB by Investment Fund and there is no other income during the PY for which the assessee is otherwise liable to file ROI.
- Exemption is not available where a notice u/s 142(1) or 148 or 153A or 153C has been issued for filing of return.

### Consequences of not Filing the return within the due date u/s 139(1):

- ❖ PGBP & CG Losses are not allowed to Carry Forward.
- ❖ Interest u/s 234A, Fee u/s 234F.
- ❖ Best Judgement Assessment u/s 144.
- ❖ Notice u/s 142(1)(i) requiring assessee to file ROI.
- ❖ Exemptions u/s 11 & 13A shall not be allowed.
- ❖ As per Sec 80AC no profit linked deductions shall be allowed.

### Sec 234F: Fee for late filing of Income Tax Return

- ❖ Rs. 5,000 if the return is filed after due date. (FA 2021)
- ❖ In case where the Total Income doesn't Exceeds Rs. 5,00,000, then the fee shall not exceed Rs. 1,000.

### Returns

|                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Sec 139(3) - Loss Return</b></p>    | <p>Return of loss need to be filed on or before due date mentioned above.<br/>It will enable assessee to carry forward losses</p> <p><u>Notes:</u></p> <ul style="list-style-type: none"> <li>➤ Losses of H.P. can be c/f even if, return is filed late</li> <li>➤ The restriction is not on b/f losses of earlier years.</li> <li>➤ Unabsorbed Depreciation can be c/f even if return is not filed on time</li> </ul>                                                                                    |
| <p><b>Sec 139(4) - Belated Return</b></p> | <p>If return of income is not furnished u/s 139(1). Belated return can be filed <b>earlier</b> of</p> <ul style="list-style-type: none"> <li>➤ <b>Before 3 months prior</b> to end of Relevant AY or</li> <li>➤ <b>Before completion of assessment</b></li> </ul>                                                                                                                                                                                                                                         |
| <p><b>Sec 139(5) - Revised Return</b></p> | <p>If any omission or wrong statement found, Assessee may furnish revised return any no. of times <b>earlier</b> of</p> <ul style="list-style-type: none"> <li>➤ <b>Before 3 months prior</b> to end of Relevant AY or</li> <li>➤ <b>Before completion of assessment</b></li> </ul> <p><u>Notes:</u></p> <ul style="list-style-type: none"> <li>➤ A return can be revised for 'n' number of times, subject to time limit u/s 139(5).</li> <li>➤ A Loss Return filed u/s 139(3) can be revised.</li> </ul> |

|                                                             |                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                             | <ul style="list-style-type: none"> <li>➤ A return can be revised even after the scrutiny notice u/s 143</li> <li>➤ Belated Return can also be revised</li> <li>➤ Revised Return will replace all return filed earlier</li> </ul>                                                                                                                                         |
| <b>Sec 139(9) - Defective Return</b>                        | <ul style="list-style-type: none"> <li>❖ If A.O. considers that Return is "defective" then he may intimate the defect to assessee &amp; give OOBH. to rectify the defect within 15 days.</li> <li>❖ A.O. may extend the time limit on application by Assessee</li> <li>❖ If assessee does not revert back within 15 days, then ROI shall be "Void ab-initio".</li> </ul> |
| <b>139(4A) - Return of Trust</b>                            | Total Income without giving effect of exemption of section 11 & 12 > BEL - <b>File Return</b>                                                                                                                                                                                                                                                                            |
| <b>139(4B) - Political party</b>                            | Total Income without giving effect of exemption of section 13A > BEL - <b>File Return</b>                                                                                                                                                                                                                                                                                |
| <b>139(4C) - Institution whose income is exempt u/s 10.</b> | Total Income without giving effect of exemption of section 10 > BEL - <b>File Return</b>                                                                                                                                                                                                                                                                                 |
| <b>139(4D) - University, college</b>                        | Return Filing <b>Mandatory</b>                                                                                                                                                                                                                                                                                                                                           |
| <b>139(4E) - Business Trust</b>                             | Return Filing <b>Mandatory</b>                                                                                                                                                                                                                                                                                                                                           |
| <b>139(4F) - Investment Fund</b>                            | Return Filing <b>Mandatory</b>                                                                                                                                                                                                                                                                                                                                           |

### SECTION 140 - PERSON AUTHORISED TO VERIFY RETURN

|                   |                                                                           |
|-------------------|---------------------------------------------------------------------------|
| Individual        | Individual himself / Authorised Person                                    |
| HUF               | Karta / If Karta is not in India, then Any adult member of HUF            |
| Firm / LLP        | Managing Partner / Designated Partner / Any Major Partner                 |
| Company           | Managing Director / Any Director / Insolvency Professional under IBC 2016 |
| Local Authorities | Principal Officer                                                         |
| AOP               | Principal Officer / Member of AOP                                         |
| Political Party   | Chief Executive Officer / Secretary                                       |

### **139A - PAN**

#### Mandatory Requirement to obtain PAN

| Situation                                                                                                                                                                       | Time limit for a making application                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| If income <b>Exceeds Exemption Limit</b>                                                                                                                                        | <b>on or before 31st May</b> of the assessment year in which such income is assessable |
| If he is carrying on any <b>business or profession</b> whose total sales, <b>turnover</b> or gross receipts are or is likely to <b>exceed Rs. 5,00,000</b> in any previous year | <b>on or before the end of that financial year</b>                                     |

|                                                                                                                                                                                                                                                |                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Charitable Trust                                                                                                                                                                                                                               | on or <b>before the end of the relevant financial year</b>                             |
| Financial transaction in aggregate of Rs. <b>2,50,000 or more</b><br>> Any resident person ( <b>not being an individual</b> ) who enters into a financial transaction of an amount aggregating to Rs. 2,50,000 or more during a financial year | <b>on or before 31st May of the assessment year</b> in which such income is assessable |

### 18 Transactions in which Quoting PAN is Compulsory

| Sl no. | Nature of Transactions                                                                                                                                     | Value of Transaction                                                                                                                                      |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | Motor vehicle (other than two wheeler)                                                                                                                     | All sales/purchases                                                                                                                                       |
| 2      | Opening an account (other than time deposit) with a banking company.                                                                                       | All new accounts.                                                                                                                                         |
| 3      | Application for credit card or debit card                                                                                                                  | All transactions                                                                                                                                          |
| 4      | Opening Demat Account                                                                                                                                      | All transactions                                                                                                                                          |
| 5      | Payment to Hotel/restaurant                                                                                                                                | Payment in cash of an amount exceeding fifty thousand rupees.                                                                                             |
| 6      | Payment in connection with travel to any foreign country or payment for purchase of any foreign currency at any one time.                                  | Payment in cash of an amount exceeding fifty thousand rupees.                                                                                             |
| 7      | Payment to a Mutual Fund for purchase of its units.                                                                                                        | Amount exceeding fifty thousand rupees                                                                                                                    |
| 8      | Payment to a company or an institution for acquiring debentures or bonds issued by it.                                                                     | Amount exceeding fifty thousand rupees                                                                                                                    |
| 9      | Payment to the RBI for acquiring bonds issued by it                                                                                                        | Amount exceeding fifty thousand rupees                                                                                                                    |
| 10     | Deposit with a banking company or a co-operative bank or post office                                                                                       | Deposits in cash exceeding fifty thousand rupees during any one day                                                                                       |
| 11     | Purchase of bank drafts or pay orders or banker's cheques from a banking company or a co-operative bank                                                    | Payment in cash for an amount exceeding fifty thousand rupees during any one day                                                                          |
| 12     | A time deposit<br>(i) with a banking company or a co-operative bank<br>(ii) a Post Office<br>(iii) a Nidhi company<br>(iv) a non-banking financial company | Amount exceeding fifty thousand rupees or aggregating to more than five lakh rupees during a financial year                                               |
| 13     | Payment for one or more pre-paid payment instruments                                                                                                       | Payment in cash or by way of a bank draft or pay order or banker's cheque of an amount aggregating to more than fifty thousand rupees in a financial year |

|    |                                                                                                                                          |                                                                                                                                                      |
|----|------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14 | Payment as life insurance premium to an insurer                                                                                          | Amount aggregating to more than fifty thousand rupees in a financial year                                                                            |
| 15 | A contract for sale or purchase of securities (other than shares)                                                                        | Amount exceeding one lakh rupees per transaction                                                                                                     |
| 16 | Sale or purchase, by any person, of shares of a company not listed in a recognised stock exchange.                                       | Amount exceeding one lakh rupees per transaction                                                                                                     |
| 17 | Sale or purchase of any immovable property                                                                                               | Amount exceeding ten lakh rupees or valued by stamp valuation authority referred to in section 50C of the Act at an amount exceeding ten lakh rupees |
| 18 | Sale or purchase, by any person, of goods or services of any nature other than those specified at Sl. Nos. 1 to 17 of this Table, if any | Amount exceeding two lakh rupees per transaction                                                                                                     |

### Points

- ❖ A minor entering into any of above transaction and also doesn't have any income chargeable to tax can quote his father's, mother's or guardian's Permanent Account Number (PAN).
- ❖ Interchangeability of PAN Card and Aadhaar Card
  - Every person who is required to disclose the PAN under the Act, but is not allotted a PAN and possesses an Aadhaar, may disclose such Aadhaar in lieu of the PAN and such person to also be allotted a PAN on the basis of the demographic data

### **Sec 139B: Tax Return Preparer (TRP)**

- ❖ CDT to frame a scheme whereby a specified class of persons can file their ROI through TRPs.
- ❖ A TRP means an individual who is authorised to act as TRP by CDT, **other than following persons:**
  - A Chartered Accountant.
  - A Legal Practitioner.
  - An Officer of Scheduled Bank with which assessee maintains an account.
  - Employee of specified class of person.
- ❖ **Specified class of persons means** any persons who is required to file ROI, other than the following persons:
  - A Company
  - Any other person whose, Books of Accounts are required to be audited under sec. 44AB or under any other law.

### Section 140A - Self-Assessment

- ❖ Assessee himself assess his tax liability and pay the tax before filing return of income **after taking into account** TDS, TDS, Advance Tax, MAT/AMT Credit or relief shall be paid as self-assessment tax
- ❖ Assessee shall pay such **tax together with interest and fees** payable for default in furnishing return, if any.
- ❖ Amount paid shall be **first adjusted towards interest and fees** and **balance** shall be adjusted towards **tax payable**





# ASSESSMENT PROCEDURES

## SECTION 142(1) - INQUIRY BEFORE ASSESSMENT

- ❖ In order to make assessment AO or Prescribed IT Authority not below rank of ITO shall serve notice u/s 142 to
  - Assessee who has furnished return u/s 139 or
  - whose case the time allowed u/s 139 is expired and return is not furnished.
- ❖ Purpose of Notice u/s 142
- ❖ A.O. by issuing this notice can require the assessee to furnish: (Maximum for 3yrs prior to P.Y.)
  - Accounts
  - Documents
  - Various other Information
  - Statement of Asset & Liabilities (However, prior approval of JCIT is required in case matters not included in accounts)

## Sec 142(2A) - Special Audit

- ❖ If at Any stage of proceedings before A.O, He is of the opinion that having regard to: -



- ❖ & Having regard to the Interest of Revenue, it is necessary to get Accounts Audited.
- ❖ Then he may direct the Assessee to get the Account's Audited with prior approval of PCCIT/CCIT/PCIT/CIT

### Points

- ❖ Audit may be directed even if accounts are audited under Income Tax act or under any other law
- ❖ Time limit = Maximum 180 days [Original plus Extension], from date of direction given by AO
- ❖ AO entitle to make best judgement assessment u/s 144, if failure on assessee's part to get accounts audited
- ❖ OOBH. must be given to Assessee before making a direction u/s 142(2A)
- ❖ Audit done by C.A.
- ❖ Expenses will be borne by C.G.
- ❖ If A.O. wants to use the material gathered from special Audit, then he has to give OOBH to assessee before he uses such material for such assessment (other than sec 144)

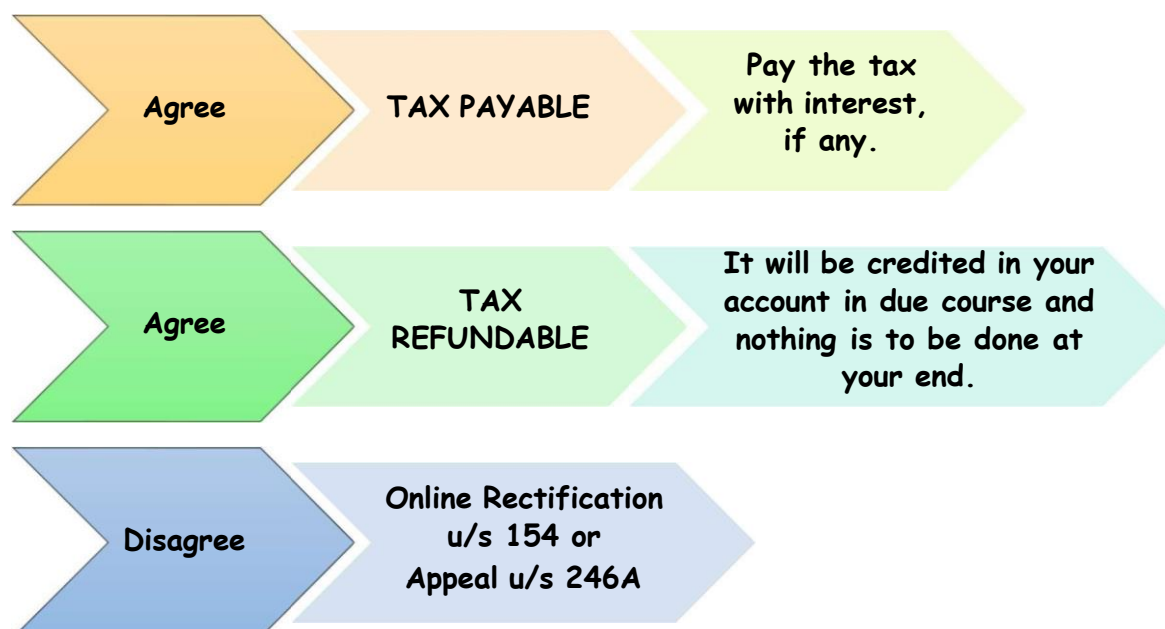
## SECTION 142A - REFERENCE TO VALUATION OFFICER

- ❖ AO can refer to valuation officer to make estimate the value of assets/property/investment whether or not he is satisfied about correctness of accounts
- ❖ In case of assessee do not co-operate with valuation officer, AO can make best judgement assessment
- ❖ VO shall report within 6 months from the end of the month in which reference made to him by AO
- ❖ AO may take into account valuation in assessment after giving opportunity of being heard to assessee

## Sec 143(1) - Processing of Returns



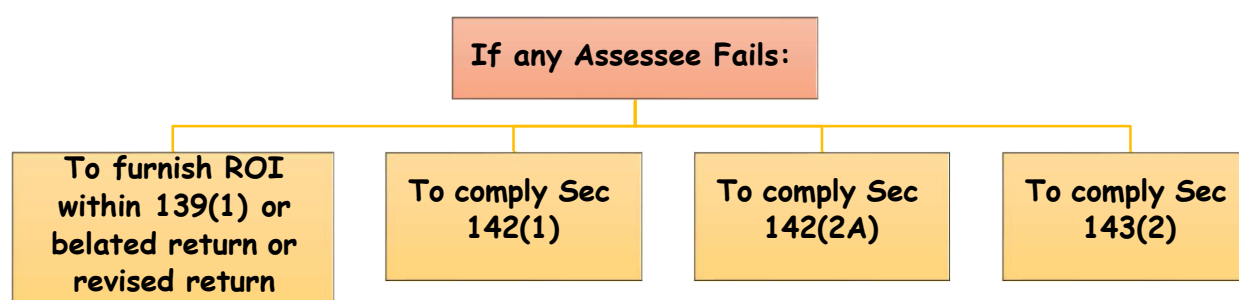
- ❖ Intimation u/s 143(1) is a summary of the details which you have submitted to the tax department and the details which department has considered while processing your return.
- ❖ Dept. will process & Compute Total Income or Loss After making Adjustments:
  - Arithmetical error or Incorrect claim apparent from the information filed
  - Disallowance of expenses or Increase Income indicated in audit report but not considered in Total Income
  - Disallowance of Loss claimed or deductions u/s 10AA or under 'Heading C' of Chapter VI-A, if ROI is not filed within due date
  - Mismatch between Form 26AS/16/16A and Return [No adjustment done in relation to return furnished for AY commencing on or after 01-04- 2018
- ❖ However, no adjustment will be made without intimating the assessee about such adjustment in writing or in electronic mode and giving him a time of 30 days to respond. The adjustment will be made only after considering the response received or after the lapse of 30 days in case no response is received.
- ❖ Intimation shall be sent within 9 Months from the end of FY in which return is filed only in following cases:-
  - Where tax as or interest is found payable after making adjustment
  - Where tax or interest is found refundable after making Adjustment.
  - After making adjustment it results in increase / decrease of Loss even though no change in tax
- ❖ It is mandatory to send intimation only in the above 3 cases. In any other case Acknowledgement of return will be deemed intimation.
- ❖ Intimation shall be sent even if Notice u/s 143(2) is issued



### Assessment u/s 143(3) & Notice 143(2)

- ❖ Assessment U/s 143(3) is a detailed assessment and is referred to as scrutiny assessment. At this stage a detailed scrutiny of the return of income will be carried out.
- ❖ The objective of scrutiny assessment is to confirm that the taxpayer has not understated the income or has not computed excessive loss or has not underpaid the tax in any manner.
- ❖ To carry out assessment under section 143(3), the Assessing Officer shall serve such notice in accordance with provisions of section 143(2).
- ❖ Time Limit= "SERVE" within 3 months from the end of F.Y in which ROI was furnished.
- ❖ Based on material & evidences furnished by assessee in response to notice u/s 143(2) or gathered by A.O, A.O. shall determine the income or loss of Assessee, by way of passing an order along with determination of tax payable or refundable to assessee u/s 143(3).
- ❖ Any institution to whom exemption u/s10(21) /10(22B) /10(23A) /10(23B) /10(23C) available, A.O. cannot disallow such exemption if any contravention made by such Institutions. A.O. will inform to Govt. / prescribed authority about the same & wait for Govt notifications. He can disallow the exemption u/s 143(3) if the Govt /Prescribed Authority has rescinded the notification withdrawing the exemption.

### SECTION 144 - BEST JUDGEMENT ASSESSMENT



- ❖ AO shall give opportunity to show cause why assessment should not be completed to best of his judgement.
- ❖ However, if notice u/s 142(1) issued prior to making assessment under this section, no opportunity shall be given
- ❖ AO shall, by order in writing, make assessment of total income or loss on the basis of relevant material gathered by him and determine amount payable by assessee
- ❖ No refund shall be granted to assessee u/s 144
- ❖ It is mandatory for AO to make best judgement assessment under circumstances referred in this section
- ❖ The A.O. must specify the basis of computation of income u/s 144. The order u/s 144 should be a SPEAKING ORDER.

### 145(3) - Discretionary BJA

- ❖ Where the Assessing Officer is not satisfied about the correctness or completeness of the accounts of the assessee,
- ❖ where the method of accounting or accounting standards have not been regularly followed by the assessee,
- ❖ The Assessing Officer may make an assessment in the manner provided in section 144.

### Sec 144A: Powers of the Joint Commissioner to issue directions in certain cases

- ❖ JC may his own motion/application by assessee/reference made by AO
- ❖ Call for or examine record of any proceeding in which assessment is pending
- ❖ If considers necessary, having regard to nature and amount involved or any other reason
- ❖ Issue such direction to AO to complete the assessment which is binding to AO.
- ❖ Assessee shall be given opportunity of being heard if such directions are prejudicial to assessee
- ❖ No appeal can be filed against direction. Appeal can be filed against assessment order

# INCOME ESCAPING ASSESSMENT

## Section 147

- ❖ Sec 147 provide that if any income chargeable to tax, has escaped assessment for any AY, the AO may subject to secs 148 to 153 assess or reassess such income and also any other income chargeable to tax which has escaped assessment and which comes to his notice subsequently in the course of the proceedings under this sec or recompute the loss or the depreciation allowance or any other allowance, as the case may be, for such AY.
- ❖ For making assessment u/s 147, AO bound to service of notice u/s 148.
- ❖ Notice u/s 148 can be serve only after following procedure given u/s 148A.
- ❖ Notice u/s 148 will be served with order u/s 148A (exception in some cases).
- ❖ During the assessment u/s 147, if AO finds some other income escaped for same AY then AO can assess or reassess such income also without issuing fresh notice u/s 148 & without passing order u/s 148A.

## Section 148 & 148A

- ❖ Before issuing notice u/s148, AO shall-
  - (a)Conduct any enquiry, if required, related to information with the prior approval of higher authority.
  - (b)Provide opportunity of being heard to the assessee, with the prior approval of higher authority by serving SCN to show cause as to why notice u/s 148 should not be issued to him on the basis of information.
  - (c)In this case assessee has to reply within time period given in SCN. Time period shall not be less than 7 days but not more than 30 days from the date of issue of SCN. The AO can extend this period if application made by assessee.
  - (d)AO shall decide on the basis of material available on record including reply of assessee & passed a order u/s 148A that whether case is fit to issue notice u/s 148 or not.
  - (e) Order u/s 148 A shall be passed within 1 month from the end of the month-
    - (i) In which reply of SCN is received by AO or
    - (ii) In which time or extended time to file reply expired (if assessee not replied).

### EXPLANATION 1:

- ❖ For this purpose, "information which suggests that the income chargeable to tax has escaped assessment" means -
  - a.any information flagged in the case of the assessee for the RAY in accordance with the risk management strategy formulated by the Board ; or
  - b.any final objection raised by the CAG to the effect that the assessment for the RAY has not been made in accordance with the provisions of the Act.

### EXPLANATION 2:

Any Suggesting Income has escaped for the purpose of Section 148 FOR 3 AYs immediately preceding AY relevant to PY in which

- Search Initiated u/s 132 or Info. requisitioned u/s 132A (On or After 01-04-2021)
- Survey Conducted u/s 133A (On or After 01-04-2021)
- any money, bullion, jewellery, any books of account or documents etc seized or requisitioned or any information, in case of ANY OTHER PERSON belongs to the assessee (On or After 01-04-2021)

### **149: TIME-LIMIT FOR NOTICE u/s 148**

- ❖ Notice u/s 148 can be issued -
  - Upto 3 years from the end of RAY or
  - Upto 10 years from the end of RAY, if income has escaped assessment amounts to or is likely to amount to 50 lakh rupees or more for that year.
- ❖ Notice u/s 148 cannot be issued for AY 21-22 or earlier AY's if such notice could not have been issued as per old provision of section 149.
- ❖ As per old provision of section 149 notice could be issued upto 6 years from end of RAY if income escaping amounts to 1 lakh or more.

### **Sec 147 is not for the benefit of the assessee.**

- The matters which have been concluded earlier can't be revised u/s 147 i.e. sec 147 does not wipe off the original order which has achieved finality.
- The Assessee can't be permitted to convert the reassessment proceedings into appeal/revision proceedings and seek relief in respect of items rejected earlier.
- Scope of "such income" shall only be confined to the escaped of income & no deduction shall be allowed from it for the purpose of Sec 147.
- However, if the assessee can show nexus between the escaped income & expenditure disallowed earlier, then it can be considered to be reduced.
- ❖ The tax rate would be of the year to which escaped income relates and not of the year in which assessment is done.

### **Sec152(2): Dropping of Assessment Proceeding**

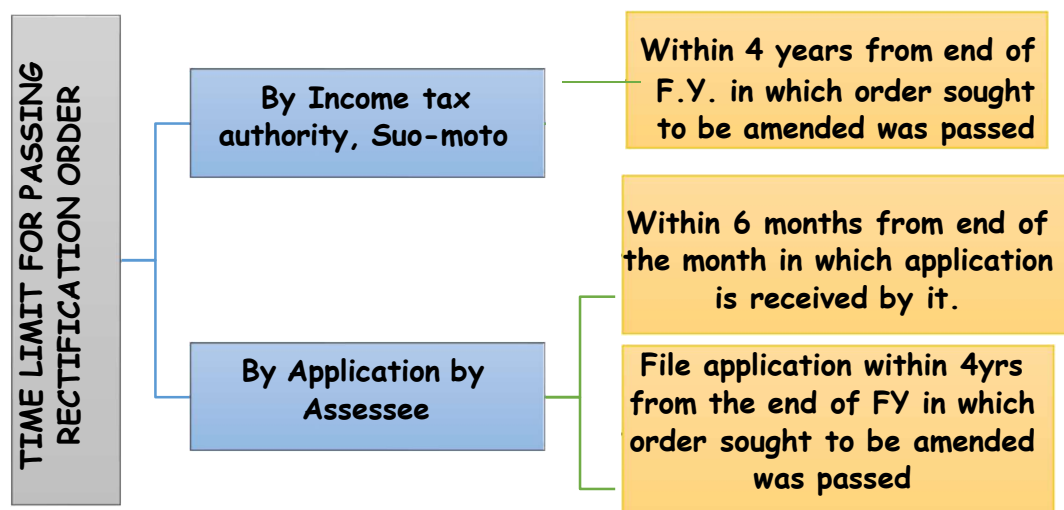
- ❖ Proceedings once initiated under sec. 147, may be dropped by AO, if assessee satisfies him that -
  - There will be no impact or no effect on his tax liability, even after taking into account the income escaping assessment; and
  - He has not gone in an Appeal, Revision or Reference, against any part of original assessment

## Section 154 - Rectification

- ❖ IT authority can rectify mistake apparent from the record in
  - Any order passed under this act
  - Intimation u/s 143(1)
  - TDS intimation u/s 200A (1)
  - TCS intimation u/s 206CB (1)
- ❖ Mere change of opinion cannot be base of rectification
- ❖ Decision of Supreme Court or Retrospective amendment can constitute mistake apparent from record
- ❖ If a Supreme Court gives a judgement, then it can be used to make a rectification u/s 154. (But not HC Judgement)
- ❖ Matters pending in appeal cannot be rectified under this section (Partial Merger)
- ❖ ITAT is not an ITA. It can't rectify mistake u/s 154. However, it can rectify its Mistake Apparent from Record u/s 254(2).
- ❖ The rectification is made by passing rectification order u/s 154.
- ❖ If rectification leads to enhancing the liability, then give OOBH to the assessee
- ❖ Rectified order can be further rectified. The time limit of 4 years will be calculated from the end of the year in which rectified order was passed (means fresh time limit of 4 years will arise).

## SECTION 156 - NOTICE OF DEMAND

- ❖ AO shall serve notice of demand, when any tax, interest, penalty or fine or any other sum becomes payable under assessment
- ❖ Intimation u/s 143(1), 200A (1), 206CB (1) shall be deemed to be notice of demand.
- ❖ Failure to serve notice shall render the proceedings of recovery invalid
- ❖ Assesses should pay the amount within 30 days from the date of receipt of notice of demand.
- ❖ If he fails to pay then recovery proceedings shall be initiated & assesses shall be treated as assesses in default.



# INCOME TAX AUTHORITIES

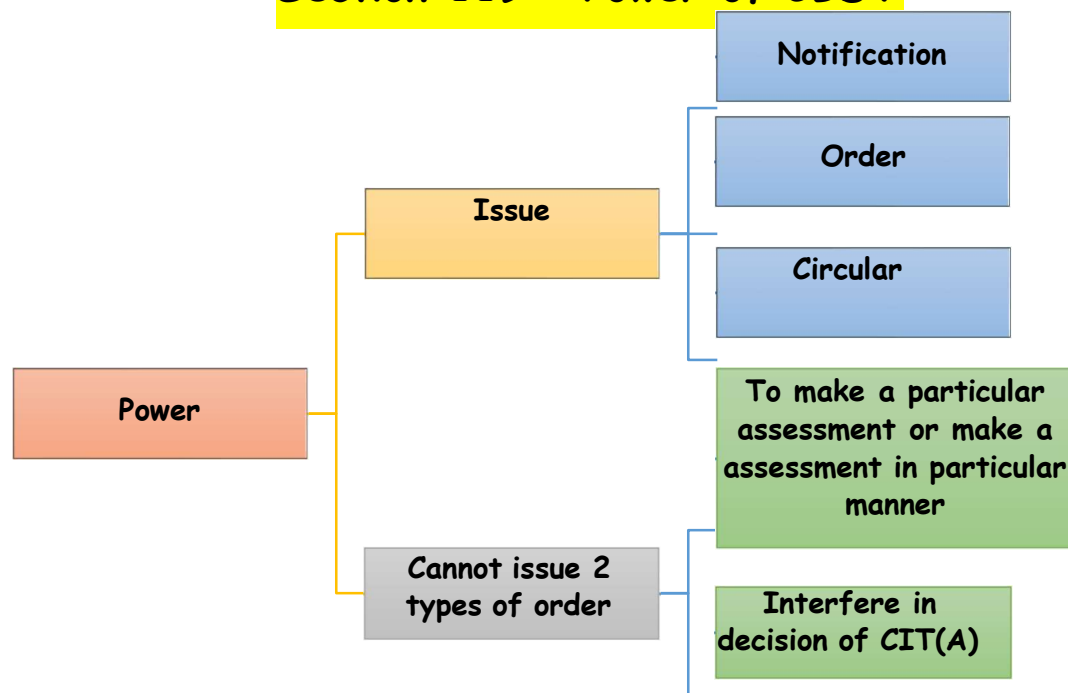
## Part 1 - IT Authorities

### Section 116 - IT Authorities

| <u>Assessment Wing</u>                                                                        | <u>Investigation Wing</u>                                                              |
|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Principal Chief Commissioner of Income Tax (PCCIT)<br>Chief Commissioner of Income Tax (CCIT) | Principal Director General of Income Tax (PDGIT) Director General of Income Tax (DGIT) |
| Principal Commissioners of Income Tax (PCIT)<br>Commissioners of Income Tax (CIT)             | Principal Director of Income Tax (PDIT) Director of Income Tax (DIT)                   |
|                                                                                               | Assistant Director of Income Tax (ADIT)                                                |
| <u>Following are the Assessing Officers (AO) (1-4)</u>                                        | Joint Director of Income Tax (JDIT)                                                    |
| 1. Assistant Commissioners of Income Tax (ACIT)                                               | Deputy Director of Income Tax (DDIT)                                                   |
| 2. Joint Commissioners of Income Tax (JCIT)                                                   |                                                                                        |
| 3. Deputy Commissioners of Income Tax (DCIT)                                                  |                                                                                        |
| 4. Income Tax Officer (ITO)                                                                   |                                                                                        |
| Tax Recovery Officer (TRO)                                                                    |                                                                                        |
| Inspector                                                                                     |                                                                                        |

Note: CIT(A) is also IT Authority

### Section 119 - Power of CBDT





ully direct the lower authorities in terms

of:

- Allowing delayed filing of income tax returns.
- Claiming exemptions, refunds, deductions or relief, even if the prescribed time limit has expired.
- Establishing whether the delay was caused due to a genuine reason.
- Issuing general or special orders to admit belated applications and determine each case on its merit.
- Finding ways to reduce hardships, if any, caused to the taxpayer.

## SECTION 124 - JURISDICTION OF ASSESSING OFFICERS

- ❖ The AO shall have jurisdiction over any area in respect of the persons
  - Carrying of business & Profession in that area
  - Whose Principal place of Business is in that area
  - Who Resides in that area
- ❖ No person shall question the jurisdiction of AO where such person
  - Has furnished return u/s 139 or
  - After the one month from date on which he was served with the notice u/s 142(1) or 143(2) or
  - After the completion of assessment.

## Section 127 - Transfer Cases

- ❖ CCIT/CIT/P can transfer case from one AO to another

| <u>Within City</u>              | <u>Others</u>                      |
|---------------------------------|------------------------------------|
| NO OOBH<br>No notice to assesse | OOBH &<br>Record reason in writing |

## Power of I.T Authority

- ❖ Income-tax Authorities to have powers vested in a Civil Court
  - Discovery and inspection;
  - Enforcing the attendance of any person, including any officer of a banking company and
  - examining him on oath;
  - issuing commissions, and
  - compelling the production of books of account and documents (max 15 working days)
- ❖ I.T Authority can call for Information from any person
- ❖ These powers can be exercised even if no proceedings are pending.
- ❖ Income tax authority may inspect/take copies of any register of companies.

## Part 2 - Survey

### 133A - Power to Survey

- ❖ ITA may Enter any Building/place in its jurisdiction at which Business/Profession/Charitable activity is carried on
  - Time
    - ✓ Place of Business - During Business Hours
    - ✓ Others - After Sunrise before Sunset
    - ✓ Restriction is on entry not Exist
- ❖ Inspect Books of Account & other document - **Impound max 15 working days**
- ❖ Checking cash / stock / other value Article - **Can't Impound**
- ❖ may place marks of identification on BOA or other Documents & make copies of it.
- ❖ make list of any cash, stock or other Valuable Articles verified by him.
- ❖ Record the statement of any person which may be relevant under this Act
- ❖ if the BOA or other documents are kept at home, then Survey can be done even at home
- ❖ The I.T. Authority is of the opinion that it is necessary to do survey at any function, ceremony or event then they can survey such place but only after conclusion of such function, ceremony or event & require any person to furnish information as he may require statement given by such person can be record.
- ❖ Non -Cooperation - Issue Summon - 131
- ❖ TDS Survey - all points Same except
  - Can't impound BOA
  - Can't make list of any cash, stock or other Valuable Articles

## Part 3 - Search & Seizure

### Basic

- ❖ Search and seizure can be authorised by
  - Principal Director General or Director General or
  - The Principal Chief Commissioner or Chief Commissioner or
  - Principal Commissioner or Commissioner.
- ❖ However, the said operations can be authorised by
  - Additional Director or
  - Additional Commissioner or
  - Joint Director or
  - Joint Commissioner
    - ✓ if they are empowered by the Board.

authorising officer) shall authorise their subordinates (Authorised officer to conduct the search and seizure operations:

- ❖ Such authorisation could take place if the authorising officer has reason to believe, on the basis of information in his possession:
  - That the person to whom a summons under section 131(1) or notice under section 142(1) was issued to produce or cause to be produced, any books of account or other documents has omitted or failed to do so; or
  - That a person to whom a summons or a notice aforesaid has been or might be issued, will not or would not produce or caused to be produced, any books of account or other documents which will be useful or relevant to any proceeding under the Income-tax Act, 1961; or
  - That a person is in possession of any valuable articles or things, including money, bullion or jewellery etc. representing either wholly or partly income or property which has not been disclosed or would not be disclosed by such person concerned for income-tax purposes.
- ❖ However, the reason to believe, as recorded by the income-tax authority, shall not be disclosed to any person or any authority or the Appellate Tribunal.

### POWERS OF AUTHORISED OFFICER

Enter & search any building, place, vessel, vehicle or aircraft

- where he has reason to suspect that BOA, other doc, money, bullion, etc are kept.

break open the lock of any door, box, lockers, etc

- where keys are not available

Search any person who has got out of or is about to get in to or is in building, etc

Seize any BOA etc

- However, stock in trade shall not be seized but can make a note of it

place marks of identification on BOA etc

- make copies of it

Search any person who has got out or is about get into building, place, vessel, vehicle or aircraft

## DEEMED / CONSTRUCTIVE SEIZURE

- ❖ Where it is not possible or practicable to take physical possession & remove any asset to safe place,
- ❖ Due to
  - its volume, weight, or other physical characteristics or
- ❖ due to
  - its dangerous nature.
- ❖ then A.O. may serve an order on owner or person in immediate possession that
- ❖ he shall not remove or otherwise deal except with previous approval of such A.O
- ❖ & it will be a deemed seizure

## ORDER OF RESTRAINT/PROHIBITORY ORDER

- ❖ Where it is not practicable to seize any Books of Accounts or Assets, etc for the reasons other than above
- ❖ Then A.O may serve an on owner or person in immediate possession that
- ❖ he shall not remove or otherwise deal except with previous approval of such A.O
- ❖ Such order shall not be in force beyond 60 days.

## PRESUMPTIONS IN COURSE OF SEARCH AND SEIZURE

- ❖ Where any Books of Accounts, bullions, Jewellery etc are found in possession of any person, it may be presumed that it
  - belongs to such person.
  - contents of such Books of accounts etc are true.
  - All documents, etc are in handwriting of such person and any stamp, attestation etc is presumed to be done by such person

## Points

- ❖ Where the authorised officer has no jurisdiction over the person searched by him
  - The books of account or other documents, or any money, bullion, jewellery or other valuable article or thing seized
  - shall be handed over by the authorised officer to the Assessing Officer having jurisdiction over such person
  - within a period of 60 days from the date on which search completed
- ❖ For the purpose of protecting the interest of the revenue and safeguarding recovery in search cases, the authorized officer during the course of search or seizure or within a period of sixty days from the date on which search was completed is satisfied for reasons to be recorded in writing, he may with the prior approval of

Director General or the Principal Director or

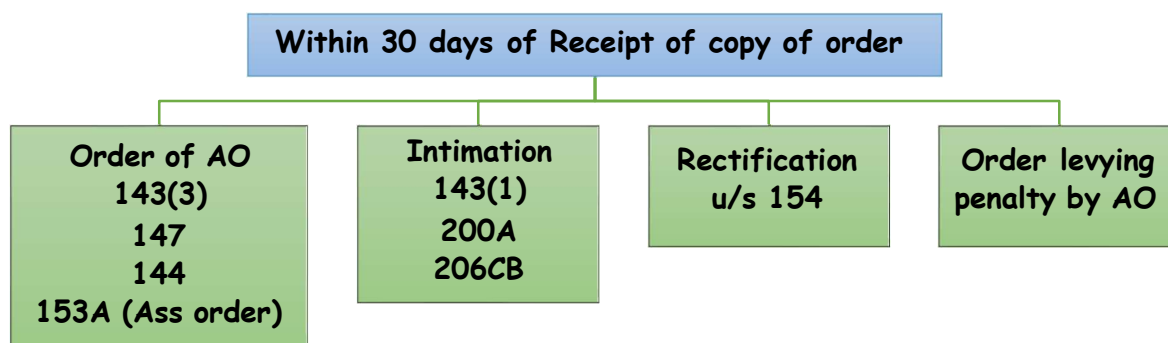
Director, by order in writing,

- Attach provisionally any property belonging to the assessee .
  - Period of provisional attachment six months from the date of the order of provisional attachment
- ❖ The authorised officer may, during the course of the search or seizure or within a period of 60 days from the date on which search was completed,
- make a reference to a Valuation Officer referred to in section 142A,
  - who shall estimate the fair market value of the property
  - in the manner provided under that section and
  - submit a report of the estimate to the said officer within a period of 60 days from the date of receipt of such reference.
- ❖ If any BOA, money, bullion etc are under custody of any officer under any other law.
- Then, Director General may authorise any AO to require the officer under other laws to deliver such BOA etc to AO
  - Henceforth, the officer under respective law shall deliver BOA, etc to AO , if it is no longer necessary to retain the same.
- ❖ Books of accounts etc seized shall not be retained for a period exceeding 30 days from the date of order of assessment u/ 147 (extension - permission - CCIT/CIT)
- ❖ The assessee makes an application for release of assets & explains nature and source of such assets.
- Within 30 days from end of the month in which asset was seized.
  - Then Amount of Existing liability will be Recovered & Remaining portion may be Released with prior approval of CCIT/CIT.
  - Remaining assets shall be released within 120days from the completion of search
  - Any assets or proceeds thereof, remain after discharging liabilities then it should be returned back, or else C.G. shall pay simple interest @ 0.5% p.m. or part of the month.

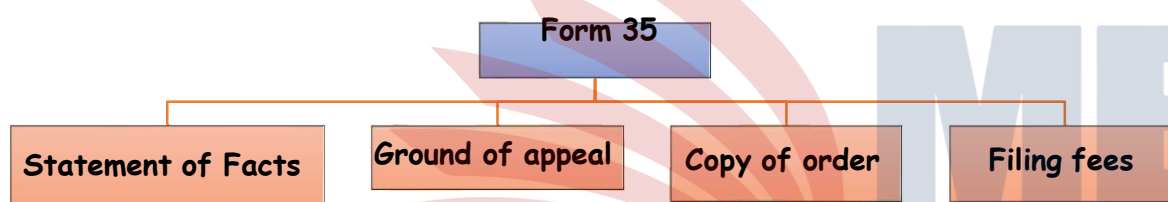
# APPEAL & REVISION

## Appeal

### Appeal before CIT(A)



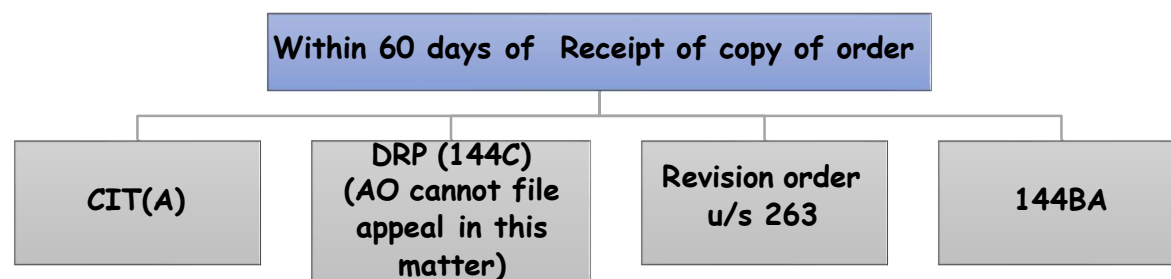
### Revision order nai h yaha pe



### This entire set is called Memorandum of Appeal - Duplicate

- ❖ Judgment - Within 1 year from end of year in which appeal was filed [Advisory]
- ❖ Admit Additional Evidence - Yes - only in the following circumstances -
  - (a) where the Assessing Officer has refused to admit evidence which ought to have been admitted; or
  - (b) where the appellant was prevented by sufficient cause from producing the evidence which he was called upon to produce by the Assessing Officer; or
  - (c) where the appellant was prevented by sufficient cause from producing before the Assessing Officer any evidence which is relevant to any ground of appeal; or
  - (d) where the Assessing Officer has made the order appealed against without giving sufficient opportunity to the appellant to adduce evidence relevant to any ground of appeal.
- ❖ Allow additional claim whether claimed in return or not even without filing revised return
- ❖ Rectify the mistake in order passed by it - 154

## Appeal to ITAT



- ❖ Form 36 - Memorandum of Appeal - Triplicate
- ❖ Judgement - 4 Years from end of year in which appeal was filed [Advisory]
- ❖ Appeal is heard by Bench
  - Normally 2 members
    1. Judicial Member
    2. Accountant member
  - If the total income of the assessee as per the order of the AO is up to Rs. 50,00,000 then, appeal is heard by a single member bench
  - If members of bench differ on opinion on point, that shall be decided by majority.
  - Where members are equally divided, Case shall be referred to President of ITAT for hearing by one or more other members and case shall be decided on the basis of total majority
- ❖ It may permit additional claim which is not claimed earlier before AO or CIT(A)
- ❖ Tribunal does not have right to review its own judgement on merits.
  - However, it can recall its order to rectify any mistake apparent from the record within 6 months
- ❖ ITAT is final fact-finding authority, no appeal can be preferred in HC unless case involves question of law
- ❖ While filing appeal to ITAT, the assessee can apply for stay of demand. ITAT may after considering the merits of application can grant
  - stay of demand for 180 days if assessee deposited atleast 20% of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of the Act or furnishes security of equal amount.
  - If ITAT fails to give judgment within 180 days & delay is not attributed to the assessee then ITAT can extend stay period but maximum period (original + extended) should not be more than 365 days.
- ❖ Where any party filed an appeal before the ITAT, the other party is allowed to file cross objections.
  - This cross objection shall be filed in Form 36A within 30 days of receipt of notice from ITAT that the first mentioned party has filed an appeal. No fees applicable for filing cross objections.

## APPEALS TO HIGH COURT

- ❖ An appeal shall lie to the High Court from every order passed in appeal by the Appellate Tribunal, if the High Court is satisfied that the case involves a substantial question of law.
- ❖ The appeal shall be filed within 120 days from the date on which the order appealed against is received by the assessee
- ❖ HC can condone the delay, if it is satisfied that there was sufficient cause

## APPEAL TO THE SUPREME COURT

- ❖ An appeal shall lie to the Supreme Court from any judgment of the High Court, in a case which
  - The High Court certifies to be a fit one for appeal to the Supreme Court.

## PROVISION RELATED TO AVOID REPETITIVE APPEAL

### IN PENDING CASES

#### Avoid Repetitive Appeal

- ❖ Appeal is pending before HC or SC on question of law and the same matter is pending before AO/CIT(A)/ITAT for other AY for same assessee
- ❖ Assessee shall make declaration that if AO/ CIT(A)/ITAT agrees to apply the decision of HC or SC in current case, he shall not prefer further appeal
- ❖ AO/CIT(A)/ITAT may admit or reject such application of assessee

#### Matter pending before SC

- ❖ Any question of law pending before the SC against the judgement of HC in favour of assessee and same question of law arises for same assessee for other AY
- ❖ CIT shall direct AO to make application to ITAT within 60 days from the date of order of CIT(A) that appeal on relevant case may be filed when final decision of SC received
- ❖ AO shall take acceptance of assessee before making application.
- ❖ If assessee does not give acceptance CIT may direct AO to file appeal

## Revision

### 263 - Revision by Department

- ❖ CIT/PCIT may call for records of any proceedings under this Act in which order has been passed by AO
  - Which is erroneous and prejudicial to interest of revenue
- ❖ And can pass revisional order



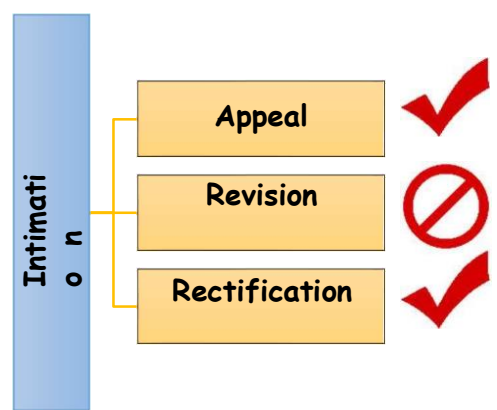
(but cannot reduce)

- ❖ after giving OOBH to assessee
- ❖ Records - everything available at the time of examination by CIT (Jo Aaj available hai)
- ❖ **Deemed Erroneous**
  - (a) the order is passed without making inquiries or verification which should have been made;
  - (b) the order is passed allowing any relief without inquiring into the claim;
  - (c) the order has not been made in accordance with any order, direction or instruction issued by the CBDT under section 119;
  - (d) the order has not been passed in accordance with any decision which is prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person.
- ❖ Under sec 263 only the order of AO can be revised.
- ❖ Intimation / Deemed Intimation cannot be revised u/s 263
- ❖ Time Limit: 2 years from the end of FY in which order sought to be revised passed by AO
- ❖ Assessee can prefer appeal before ITAT
- ❖ After 263 - 264 not possible
- ❖ After 264 - 263 Possible

### 264- Revision of other order

- ❖ CIT or PCIT on his
  - own motion or (1 year from the date of the order, in case of Suo moto revision)
  - application made by assessee (1 year from the end of the FY in which the application is made)
- ❖ call & Examine records of any order (other than 263) passed by AO
  - and
- ❖ Pass revisional order u/s 264
- ❖ Order which is prejudicial to interest of assessee can't be passed
- ❖ No revision can be made in respect of any matter, if order is subject matter of appeal [Doctrine of Total Merger]
- ❖ No further appeal can be preferred against this order but appeal made to HC/SC
- ❖ **Condition for making Application by assessee**
  - (i) Time limit to file CITA(A) (30 days) expired
  - (ii) Assessee waived his right of appeal in writing

**BASICS**



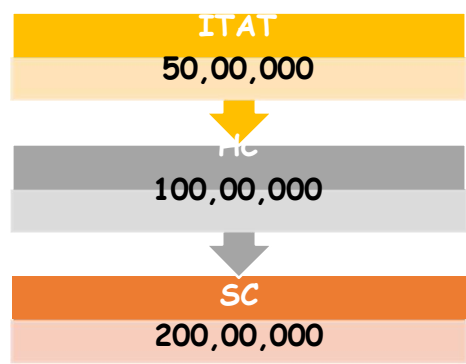
**Remedy available to Income tax department**

- 147 - Income Escaping Assessment
- 154 - Rectification
- 265 - Revision

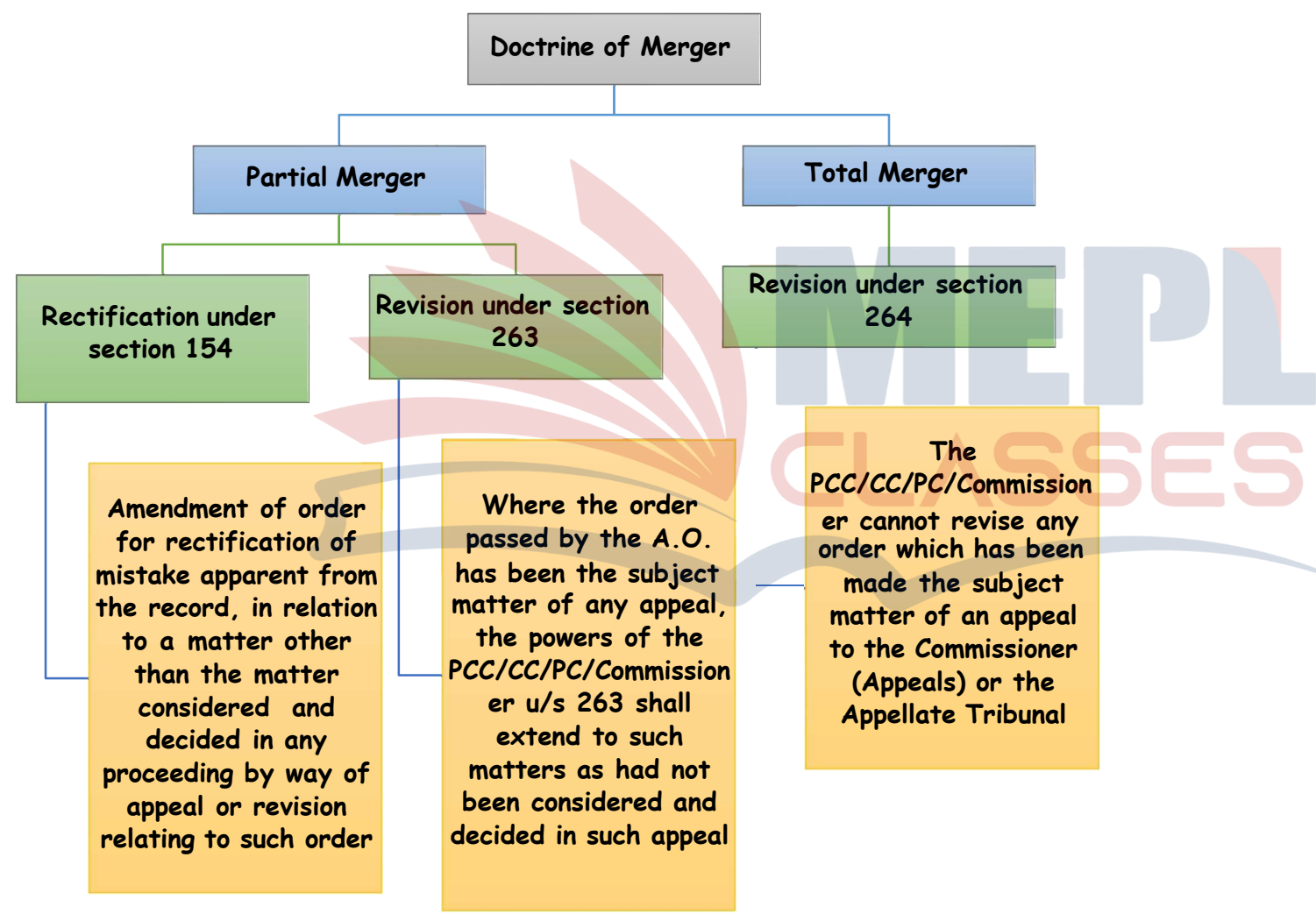
**Remedy available to Assessee**

- 264A - CIT(A)
- 154 - Rectification
- 264 - Revision by CIT

**Department can file appeal if Tax Effect is more than**



- ❖ be filed merely because the tax effect in a case exceeds the monetary limits prescribed above. Filing of appeal in such cases is to be decided on merits of the case.
- ❖ CBDT has clarified that the above monetary limits shall not apply in case of assessee claiming bogus LTCG/ STCG through penny stocks and appeals/ SLPs in such cases shall be filed on merits.
- ❖ If department has not filed appeal then it shall not stop dept. from filling appeal
  - Same assessee another year
  - Different assessee on same matter



# TIME LIMITS OF ASSESSMENTS

|                                        |                                                                                    |
|----------------------------------------|------------------------------------------------------------------------------------|
| <b>143(1)</b>                          | within 9 months from end of FY in which ROI was furnished                          |
| <b>142A</b>                            | within 6 months from end of month in which reference was made to valuation officer |
| <b>143(3)</b>                          |                                                                                    |
| <b>143(2) Scrutiny Notice</b>          | Serve a notice within 3 months from end of FY in which ROI was filed               |
| <b>153(1) Order</b>                    | within 9 Months from end RAY                                                       |
| <b>144</b>                             | Same as 143(3)                                                                     |
| <b>147</b>                             | 12 months from end of FY in which notice u/s 148 is served                         |
| <b>149 - Time-Limit For Notice U/S</b> | 3 AY<br>10 AY if Escaped Income > 50 lacs                                          |
| <b>148</b>                             |                                                                                    |
| <b>263</b>                             | Within 2 years from end of FY in which order sought to be revised was passed.      |
| <b>264</b>                             |                                                                                    |
| <b>Suo moto</b>                        | Within 1 year from the date of passing if order                                    |
| <b>Application by Assessee</b>         | Within one year from the date order was communicated to assessee                   |
| <b>Order in above case</b>             | Within one year from end of FY in which application was made                       |

# CONGRATULATIONS

TO ALL THE AIRS OF CMA FROM MEPL



RISHAB OSTWAL  
AIR 01



POOJA CHHATWANI  
AIR 01



EDE NIKHIL KR. REDDY  
AIR 01



AYUSH SHEKHAR  
AIR 02



ROHINI J  
AIR 03



SUNAINA KHEMKA  
AIR 3



SOURAV THAPA  
AIR 05



RAKSHA CHHAJED  
AIR 6



DIMPLE AGARWAL  
AIR 08



VINAY KUMAR SINGH  
AIR 8



ZAINAB FAYAZ  
AIR 10



VIDYA BHARTI  
AIR 12



IJJWAL KR BISASARIA  
AIR 12



BHASKAR SADHURAM  
AIR 13



BORRA MANOJ  
AIR 14



ANKITA CHHAPARIA  
AIR 16



VIDHI KHAITAN  
AIR 16



ZEESHAN AHMED  
AIR 19



AKJANA PATCHIGOLLA  
AIR 20



YEDANT SHARMA  
AIR 20



SUMAN AGARWAL  
AIR 21



AADIL IRFAN SHAIKH  
AIR 22



SUNITA GOEL  
AIR 22



HITESH KR RATHINAKAR BHAT  
AIR 23



BHASKAR SADHURAM  
AIR 23



GOURAV KUMAR  
AIR 23



KARAN GARG  
AIR 24



PALASH DAS  
AIR 24



UJAR KHAN  
AIR 25



NIDHI KUMARI  
AIR 27



PAWAN KUMAR  
AIR 27



NARAYAN BAJAJ  
AIR 28



AMIT KR. DIJA  
AIR 29



JIBENDRA SONTALIA  
AIR 30



PADMALAYA PATTANAYAK  
AIR 31



NIRAJ P DAVEY  
AIR 31



GOVARDHAN MADDINA  
AIR 32



DEBAPRIYA GHOSAL  
AIR 32



ISHITH AGARWAL  
AIR 32



ASHFAQUL HAIDER  
AIR 32



TERESA AGARWAL  
AIR 33



G LAKSHMI SAI  
AIR 36



SAWAN KUMAR  
AIR 38



V R S RAJU  
AIR 38



PRAGATI SINGH  
AIR 39



RAKESH SOMINENI  
AIR 39



GAYATHRI  
AIR 40



KHUSHBOO SINGHAL  
AIR 41



SURABHI CHAWLA  
AIR 41



KOBITA MOODAK  
AIR 42



NITESH KR AGARWAL  
AIR 43



PRIYA PRASAD  
AIR 44



SIYA PRASAD  
AIR 44



PRIYA PRASAD  
AIR 44



ANIKET SALGAONKAR  
AIR 45



RAHIL KUMAR SINGHAL  
AIR 46



NIKITA LAMBA  
AIR 47



ARIHANT JAIN  
AIR 47



NITHISH S  
AIR 48



RADHIKA JAISWAL  
AIR 48



GAYATHRI  
AIR 49