

**Direct Tax
(CA Final)**

**LDR - Last Day
Revision Notes**

DT is not an ocean.

FOR MAY / NOVEMBER 2021

DIRECT TAX LDR

Comprehensive DT Summary Notes (93 Pages)

BY CA. SANJAY ZANWAR

DIRECT TAX (CA FINAL)

LAST DAY REVISION NOTES

93 Pages = 100 Marks
(for May 21 and Nov 21)

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About Notes:

1. This note is made for **revision purpose** which contains **important points** (crux).
2. Solve maximum practical question from question bank / mock test paper / revision test paper
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PART - A

1 Tax Rates, Surcharge and Rebate

Type	Individual / HUF / AOP / BOI / AJP	Partnership Firm / LLP / Local Auth.	Domestic Company	Foreign Company
Tax Rate	As per Slab	30%	25%* or 30%	40%
Surcharge, if NTI#	< 50 Lakh = NIL >50L <1Cr = 10% >1Cr <2Cr = 15% >2Cr <5Cr = 25% > 5 Crore = 37%	If Total Income > 1 Cr then 12%	If Total Income > 1 Cr but <10 Cr - 7% If Total Income > 10 Cr - 12%	If Total Income > 1 Cr but <10 Cr - 2% If Total Income > 10 Cr - 5%

* Turnover / GR up to 400 Crore in PY 18-19

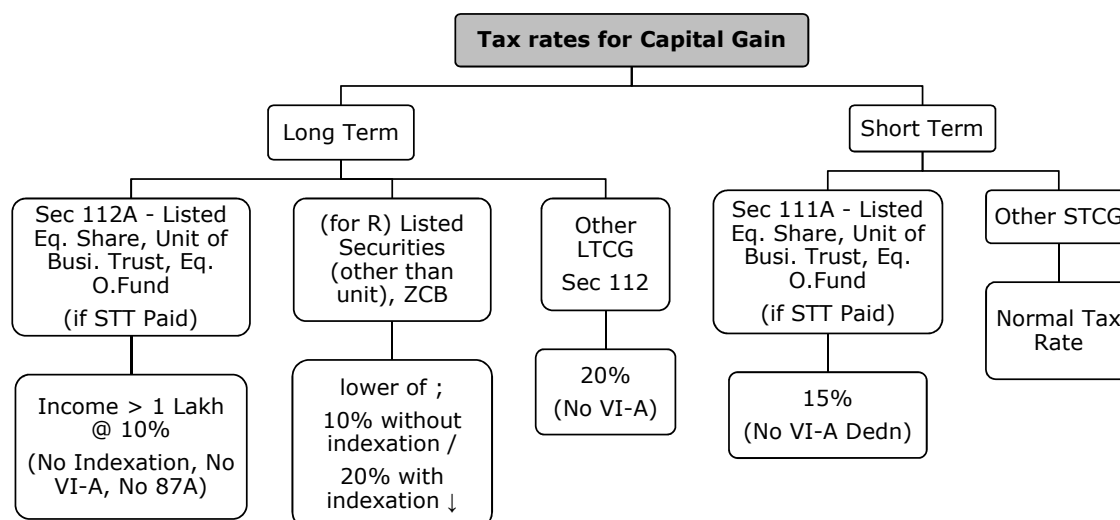
#Net Taxable Income

• Surcharge on Individual and HUF

Total Income	Where Total Income does not include Income u/s 111A & 112A and Dividend Income	Where Total Income include Income u/s 111A & 112A and Dividend Income		
		STCG u/s 111A, LTCG u/s 112A	Dividend Income	Any Other Income [Total Income (-) LTCG u/s 112A, STCG u/s 111A, Dividend Income]
Up to 50 Lakh	Nil	Nil	Nil	Nil
> 50 Lakh but < 1 Cr	10%	10%	10%	10%
> 1 Cr but < 2 Cr	15%	15%	15%	15%
> 2 Cr but < 5 Cr	25%	15%	15%	25%
> 5 Cr	37%	15%	15%	37%

• Tax Rates for Co-Operative Society

Total Income	Tax Rate	Surcharge
Upto 10,000	10%	If Total Income > 1 Cr then 12%
> 10,000 but < 20,000	20%	
> 20,000	30%	



Sec 87A - Rebate to Resident Individual

a. If total income does not exceeds Rs. 5 Lakh

b. Applicable to Resident only

c. Rebate u/s 87A available against all types of Income except LTCG u/s 112A

Rebate :

a. Rs. 12,500	or	b. Income Tax Payable
Whichever is less		

• CBDT Circular

Date of Birth	As on 31/03/2021	Status
01/04/1961	Completed 60 years age on 31/03/2021	- Senior citizen for FY 20-21
01/04/1941	Completed 80 years age on 31/03/2021	- Super Senior citizen for FY 20-21

2 Special Tax Rates (Sec 115 Series)

Nature of Income		Rate	TDS
Sec 115A	Refer Part 'D' of LDR		
Sec 115AB	LTCG to Overseas Financial Institutions on Units of UTI / M.Fund	@10%	Sec 196B
Sec 115AC	LTCG and Interest on Bonds (Acquired in foreign currency)		
Interest	- on Foreign Currency Convertible Bond (FCCB), GDR	@10%	Sec 196C
Long Term Cap Gain	- on Foreign Currency Convertible Bond (FCCB), GDR	@10%	Sec 196C
Sec 115AD -	Capital Gain & Interest on Security of FII		
LTCG - Sale of Security by FIII		@10%	Sec 195
STCG - Sale of Security by FIII (111A)		@15%	Sec 195
STCG - Other (Preference share etc.)		@30%	Sec 195
Interest and Dividend - from FII		@20%	196D-20%
Interest and Dividend - from Specified Fund		@10%	196D-10%
Sec 115BB- Winning from lotteries, puzzles, Horse races		@30%	194B, BB
Sec 115BBA - NR Sportsman, NR Sports Association, NR Entertainer		@20%	194E
<i>Umpire, NR Commentator and Referee are not sport persons</i>			
Sec 115 BBC - Anonymous Donations [Topic - Trust]		@30%	
Sec 115 BBD - Dividend from Specified Foreign Company [Topic - Dividend]		@15%	
Income of an Indian company by way of dividend declared, distributed or paid by specified foreign company (in which the Indian company holds 26 percent or more of equity share capital)			
Sec 115 BBE - Deemed Income [Sections 68, 69, 69A, 69B, 69C and 69D]		@60%	
Sec 115 BBF - Tax on Income by way of royalty in respect of patent developed		@10%	
a. Developed means 75% of the expenses incurred in India b. No deduction for any expenditure.			
Sec 115 BBG - Tax on Income from transfer of Carbon Credit		@10%	
No deduction for any expenditure.			
Sec 115E - Taxation of NRI (Optional to NRI)			
LTCG on Investment in F. Exchange Asset (Exp less करना)		@10%	Sec 195
Investment Income / LTCG Other		@20%	Sec 195
Sec 115JB - Minimum Alternate Tax (MAT)		15% / 9%	
Sec 115JC - Alternate Minimum Tax (AMT)		@ 18.5%	

Sec 115F Similar to Sec 54F, LTCG on F. Exchange asset will be exempt if net proceeds re-invested

44AD applies --> Maintain books of account as per Sec 44A, Conduct u/s 44AB, Submit return u/s 139(1)

Particulars	Section 115BA	Section 115BAA	Section 115BAB
Applicability	Domestic Manufacturing Company	Any Domestic Company	Domestic Manufacturing Company
Rate of Tax	25%	22% (22+10+4) --> 25.168%	15% (15+10+4) --> 17.16%
Surcharge	7% / 12% [Normal]	10%	10%
MAT	Applicable (15%)	Not Applicable	Not Applicable
Sp. Rates Income Sec 112A, 111A	@ Special Rates + Surcharge, if applicable + 4% Cess	@ Special Rates + 10% Surcharge + 4% Cess	@ Special Rates + 10% Surcharge + 4% Cess
HP, IFOS	25% + Surcharge, if applicable + 4% Cess	22% (22+10+4) --> 25.168%	22% (22+10+4) --> 25.168%
Condition 1	Company has been setup & registered on / after 01/03/16	No time limit specified	Company should be setup & registered on / after 01.10.19
Condition 2	Company engaged in the business of manufacture / production of any article or things	Need not to be manufacturing company	It should commence manufacturing on or before the 31.03.2023.
Condition 3	Once the option exercised, company cannot opt out for life time but where the person exercises option u/s 115BAA, the option under this section may be withdrawn.	[Blank]	It does not use any P&M previously used for any purpose, exception: a. 20% of Total PM can be second-hand. b. Imported PM shall be treated as new only for this section
Condition 4	[Blank]	[Blank]	It should not be engaged in any business other than business of manufacturing or production of any article or things (See#)
Condition 5	[Blank]	[Blank]	It does not use any building previously used as a hotel or a convention centre.
Condition 6	[Blank]	[Blank]	It should not formed by splitting up or reconstruction of business already in existence
• Common Condition for Sec 115BA, Sec 115BAA and Sec 115BAB			
Conditions 7	Company should not have claimed benefit of section 10AA (SEZ), 32(1)(iia) addn Depn, 32AD, 35(1) Sci. Research, 33AB, 33ABA, 35AD (Specified Busi), 35CCC, 35CCD and any dedn. in respect of Income u/c VI-A other than Sec 80JJAA, 80LA and 80M		
Conditions 8	Option has to be exercised up to due date of return filing of relevant PY		
Conditions 9	Company cant setoff any loss c/f from any earlier AY if such loss is attributed to any dedn referred above.		

Business of manufacture or production of any article or thing does not include business of

a. Development of computer software in any form or in any media	b. Conversion of marble blocks or similar items into slabs	c. Bottling of gas into cylinder	d. Printing of books or production of cinematograph films	e. Mining	f. Any other business as may be notified by the Central Govt, in this behalf
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Section 115BAC: Tax on income of Individuals and HUF (w.e.f. AY 2021-22)

Basic	At the option of the assessee, tax payable in respect of the total income of an individual or HUF shall be - Rebate u/s 87A is available even if assessee opt section 115BAC - If assessee opt section 115BAC the Alternate Minimum Tax (AMT) is not applicable.		
Tax Rate	Total income	Rate of tax	Note - Tax on Special Rate Income (Eg. 111A/112A) --> Taxable at special rates only.
	Upto Rs 2,50,000	Nil	
	From Rs 2,50,001 to Rs 5,00,000	5%	
	From Rs 5,00,001 to Rs 7,50,000	10%	
	From Rs 7,50,001 to Rs 10,00,000	15%	
	From Rs 10,00,001 to Rs 12,50,000	20%	
	From Rs 12,50,001 to Rs 15,00,000	25%	
	Above Rs 15,00,000	30%	

Following deductions / exemptions are not allowed

Under the Head "Income from Salary"	"Income from House Property"
<ul style="list-style-type: none"> • Leave travel concession u/s 10(5) • House rent allowance u/s 10(13A) • Allowances u/s 10(14) • Allowances to MPs/MLAs u/s 10(17) • Standard deduction, Entertainment Allowance and Employment / Professional Tax u/s 16 • Exemption of Rs. 50 per meal for free food and non-alcoholic beverage provided by such employer through paid voucher 	Interest on loan taken for purchase / construction / renewal / reconstruction of (a) self-occupied property (b) property which could not be occupied due to employment or business or profession carried out at any other place

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"Profits and Gains of Business and Profession"	Others
<ul style="list-style-type: none"> • Sec 32(1)(iia): Additional depreciation • Sec 32AD: Deduction for new plant in notified backward areas of specified states • Sec 33AB: Tea/Coffee/Rubber Development A/c • Sec 33ABA: Site Restoration Account • 35(1)(ii)/(iia)/(iii)/35(2AA): Research Expenses • Sec 35AD: Specified business • 35CCC: Agricultural extension project expense 	<ul style="list-style-type: none"> • Deduction for Family pension u/s 57(iia) • Exemption for minor u/s 10(32) • Section 10AA available to SEZ unit • Chapter VI-A deductions other than <ul style="list-style-type: none"> - Sec 80CCD(2) - employer contribution to NPS - Sec 80JJAA - New Workmen - Sec 80LA - IFSC related • Exemption/deduction for allowances or perquisite provided under any other law

Losses will not be allowed	a. Carried forward Loss / Depreciation from any earlier year, --> if it is attributable to any of the deductions referred above which are not allowable b. Loss under the head "Income from house property" with any other head of income Such loss and depreciation shall be deemed to have been given full effect to and no further deduction shall be allowed for any subsequent year:
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Allowances shall be exempt even if this section is opted for	a. Transport Allowance granted to a handicapped employee b. Conveyance Allowance for official purpose c. Allowance granted to meet the cost of travel on tour or on transfer d. Daily Allowance
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Depreciation	If depreciation allowance has not been given full effect to prior to AY 2021-22, corresponding adjustment shall be made to WDV on 1.4.2020.
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Section 115BAD: Tax on Income of Resident Co-operative Societies (w.e.f. AY 2021-22)

Basic	At the option of the assessee, the income-tax payable in respect of the total income of co-operative society resident in India shall be computed at the rate of 22%. Effective Tax Rate - 25.168% (22% +10% Surcharge + 4% Cess)
Conditions Total income of the co-operative society is calculated without any deduction under the provisions of	<ul style="list-style-type: none">• Section 10AA: deduction in case of SEZ Unit• Section 32(1)(iia): Additional depreciation• Section 32AD: Dedn. for investment in new plant in notified backward areas of specified states• Section 33AB: Deposit in Tea/Coffee/Rubber Development Account• Section 33ABA: Deposit in Site Restoration Account• Section 35(1)(ii)/(iia)/(iii)/ 35(2AA): Deduction in respect of scientific research• Section 35AD: Specified business• Section 35CCC: Expenditure on agricultural extension project• Deductions under Chapter VI-A other than section 80JJAA and 80LA
Set off of losses:	Set off of any loss carried forward from earlier year shall not be allowed if such loss is attributable to any of the deductions referred above. This loss shall be deemed to have been already given full effect to and no further deduction for such loss shall be allowed for any subsequent year.
Depreciation	Depreciation u/s 32 shall be determined in prescribed manner - Depreciation in respect of block of assets entitled to > 40% shall be restricted to 40% on WDV of such block of assets (w.e.f. 1.10.2020) If depreciation allowance has not been given full effect to prior to AY 2021-22, corresponding adjustment shall be made to WDV on 1.4.2020.
Misc.	a. AMT not applicable if Co-operative Society opts Sec 115BAD b. Surcharge applicable @ 10% irrespective of Total income.

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Space for Your Notes

Chapter MAP

Part A	Part B	Part C
<ul style="list-style-type: none"> • 45(1) - Charging Section • Exception to Sec 45(1) • Definition of Capital Asset, Transfer, Urban Area • Seven Proviso to Section 48 	<ul style="list-style-type: none"> • 55 - Cost of Acquisition & COI • 50B - Slump Sale (Solve Que) • 50C - SDV treated as FVOC • 51 - Advance Money forfeited 	<ul style="list-style-type: none"> • 47 - Exempt Transfer • 54 - Exemption Series • 55A - reference to Valuation Officer • Tax Rates on Capital Gain (111A, 112A)

Sec 45 (1) Charging Section	Any profit and gain arising from Transfer of a Capital Asset shall be chargeable under the head capital gain in the P.Y. in which transfer took place
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Exception to Sec 45(1)

As per sec 45 (1) Capital **Gain is chargeable to tax** in the **year of transfer** but in the following 4 cases **capital gain not taxable** in the **year of transfer**

Year	Sec 45(1A)	Sec 45(2)	Sec 45(5)	Sec 45(5A)
	Insurance claims for Damage / Destruction of Capital Asset	Conversion of Capital Asset in to stock in trade	Compensation on Compulsory Acquisition of Asset	Joint Development Agreement (JDA)
Transfer Year	Year of Destruction / Damage	Year of conversion of Capital Asset into Stock in trade	Year of in which Compulsorily Acquired	Year in which possession transferred
Taxable in Year	Year in which Claim Received.	Year in which Stock is sold.	Year in which Compensation Received.	Year in which Certificate of Completion issued by Authority.

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Sec 2(14) Capital asset means	1. Property of any kind held by assessee, whether or not with Business / Profession. 2. Any securities held by Foreign Institutional Investor (FII) . But does not include 1. Any stock-in-trade 2. Movable personal property (including wearing apparel and furniture) held for personal use (but excludes - jewellery, archaeological collections, drawings, paintings, sculptures or any work of art is capital asset) 3. Rural agricultural land in India. 4. Deposit certificates issued under the Gold Monetisation Scheme, 2015	
Urban Area means ?	a. Any area (municipality, cantonment board etc.) which has a population of 10000 or more, b. In the following area within the distance, measured aerially	
(Rural Area Means Area Which is Not a Urban Area)	Shortest distance from area referred in point (a)	Population according to last census
	2 kms	10,000 to 1,00,000
	6 kms	1,00,000 to 10,00,000
	8 kms	More than 10,00,000
Sec 2(47) Definition of Transfer	1. The sale, exchange or relinquishment of the asset, or 2. The extinguishment of any right there in, or 3. Compulsory acquisition there of under any law, or 4. Conversion of capital asset into stock in trade, or 5. Allowing the possession of any immovable property to be taken or retained in part performance of a contract. 6. Any transaction (like becoming a member of, or acquiring shares in a Co. operative society) which has the effect of transferring or enabling the enjoyment of immovable property. 7. The redemption of zero coupon Bonds (ZCB)	

Sec 2(42A) Period of Holding	Nature of Capital Assets		
	Particular	Short Term	Long Term
	Listed Securities, Units of Equity Oriented Mutual Fund, Unit of UTI, Zero Coupon Bond	Held for < 1 year	Held for > 1 year
	Unlisted Share, Immovable Property	Held for < 2 year	Held for > 2 year
	Unlisted securities, Other capital asset	Held for < 3 year	Held for > 3 year

• Proviso to Section 48

First Proviso (First proviso is mandatory)	Capital Gain in case of Non-Resident				
	Assessee	Who is a Non Resident (includes foreign company)			
	Asset	Should be shares or debentures of Indian company Such asset was acquired in foreign currency by way of purchase / re-investment			
	Calculation of CG	Then capital gain shall be calculated in foreign currency & after that it shall be reconverted into Indian currency			
	Some Imp Points	1 First Proviso applies to STCG and LTCG 2. First Proviso applies to Listed and Unlisted Shares & Debentures 3. It not covered Units of UTI, Mutual Fund, Units of Business Trust			
	Rule 115A :Method of conversion				
	Type	Amt	Rate	Date (for Rate)	
	Sale consideration	xxx	Avg of TTBR & TTSR	Date of transfer	
	(-) Transfer expenditure	(xxx)	Avg of TTBR & TTSR	Date of transfer	
	Net Consideration	xxx	Avg of TTBR & TTSR	Date of acquisition	
	(-) COA	(xxx)	TTBR	Date of transfer	
	CG into INR	xxx	TTBR	Date of transfer	
	Note - Index benefit not available where first proviso applies				
Second Proviso	Long term capital asset - COA & COI should be indexed. Second Proviso shall not apply where First Proviso applies.			FY 20-21 - 301	
Third Proviso	First and second proviso NOT Applicable for computation of LTCG to in Sec 112A - in case of Equity shares, Equity oriented units, Units of Business Trust Referred u/s 112A.				
Fourth Proviso	No indexation in case of Debentures & Bonds				
	Category	Individual		Other Assessee	
		On Redemption	On Transfer b4 Maturity	On Redemp-tion	On Transfer b4 Maturity
	Capital Indexation Bonds & Sovereign Gold Bonds issued by RBI	CG - No (Sec 47)	CG - Yes (Indexation - Yes)	CG - Yes (Index ⁿ - No)	CG - Yes (Indexation - No)
	Other Debentures & Bonds	CG - Yes (Indexation - No)	CG - Yes (Indexation - No)	CG - Yes (Indexatio n - No)	CG - Yes (Indexation - No)
Fifth Proviso - Foreign Exchange Fluctuation gain on RDB	Any gain arising on rupee appreciation against foreign currency at the time of redemption of RDB of Indian company, shall be ignored for the purpose of computation of Full Value of consideration [Note - Exemption is available if assessee is Non-resident]				
Seventh Proviso	Security Transactions Tax (STT) not Allowed STT paid on sale/ purchase of shares/unit shall not be allowed under capital gain				

Sec 55
Cost of Acquisition & Cost of Improvements

Cost of Acquisition		Cost of Improvements
1. Intangible Assets		1. In case of Intangible Assets - Always NIL 2. In case of Other Assets a) Improvements before 01.04.01 - NIL (Ignore) b) Improvements after 01.04.01 - Actual
a) Self Generated : Nil	b) Purchased : Purchase Price	
2. Bonus Share		
a) Acquired before 01.04.2001 - FMV as on 1.4.2001	b) Acquired after 01.04.2001 - NIL	
3. Right Share		
a) If acquired by shareholder	- Amount Paid to Company	
b) Renouncement of Right	- NIL	
c) In the hands of purchaser of right	- Amt paid to Co. for shares + Amt paid for purchase of right	
4. Demutualisation / Corporatisation of stock exchange		
a) Equity shares allotted to member	- Cost of his original membership of stock exchange	
b) Trading and Clearing Right	- Nile	
5. In relation to other Capital Assets		
a) acquired before 01/04/2001 - Actual Cost / FMV, Whichever is higher <i>[Amendment, added by FA 2020]</i>	b) acquired on or after 01/04/2001 - Cost of acquisition	
In case of a capital asset being land or building or both, - If Stamp Duty Value (SDV) as on 01.04.01 is available then, - FMV as on 1.4.2001 shall not exceed the SDV of such asset as on 1.4.2001.		

Sec 50B Slump Sale	Taxable LTCG STCG Method Note	@ 20% u/s 112 If transferred unit held > 36 Month If transferred unit held < 36 Month Sale Consideration xxx (-) Net worth xxx Capital Gain xxx If Net worth is -ve then take it 'Zero (NIL)'			
Sec 50C It is applicable in case of sale / transfer of immovable property i.e. land, building [Similar to Sec 43CA]	Stamp duty value shall be treated as full value of consideration [FVOC]				
	If Sales consideration less than SDV		- SDV shall be deemed to be FVOC		
	If SDV doesn't > 110% of Consideration		- Sale Consideration shall be treated as FVOC		
	Where assessee claims that SDV is more than FMV of the property & such SDV has not been disputed in any appeal then the A.O. may refer the valuation to valuation officer				
	Value ascertained by Valuation Officer (V.O.) is		Example (Rs. in Lakhs)	Consideration should be	
			SDV		Value by VO
	Value by V.O. > SDV of stamp valuation authority		15	17	15
Value by V.O. < SDV of stamp valuation authority		15	13	13	Value ascertained by valuation officer
Sec 50CA	Special provision for transfer of Unquoted Share If Consideration For transfer of unquoted shares < FMV determined as per Rule 11UAA Then --> FMV shall be deemed to be Sale consideration				
Sec 51 - Advance money forfeited	Forfeited before 01/04/14 Forfeited after 01/04/14		Reduced from COA (before indexing) Taxable as IFOS		

Sec 55A Ref to Valuation Officer	FMV of asset exceeds value of asset as claimed by assessee	is > 15% of the value of the asset or	Rs. 25,000,	Whichever is lower ↓
	A.O May Refer Case to Valuation officer.			
Misc.	1. Site and Building are separate assets for the purpose of capital gain. If site acquired before 2 years and building constructed within 2 years, then calculate separate capital gain for both the assets.			
	Capital gain on Land treated as	LTCG		
	Capital gain on Building treated as	STCG		

Sec 47 - Certain Transaction not regarded as Transfer (Exempt Transfer)

1. Distribution of capital asset on the partial or total partition of HUF
 2. Transfer of capital asset under gift, will, irrevocable trust
 3. Transfer under amalgamation by amalgamating co to amalgamated co. provided amalgamated co. is Indian co.
 4. Transfer of capital asset by holding co. to its subsidiary co. (Holds 100% Share) Transferee Co - Indian company, Lock-8 years
 5. Transfer of capital asset by subsidiary co. to its holding co. (Holds 100% Share)
- (Note : 8 year will start from the date of capital asset was transferred)

Reverse Mortgage

Sec 47(xvi) - No Transfer, No CG

Sec 10(43) - Senior Citizen, It will be exempt

• Condition in case of Conversion

Company to LLP Sec 47(xiiib)	Sole Proprietor to Company Sec 47(xiv)	Partnership Firm to Company Sec 47(xiii)
1. All assets & liabilities become assets & liabilities of LLP	1. All assets & liabilities become assets & liabilities of company	1. All assets & liabilities become the assets & liabilities of the
2. The shareholders of the Co. do not receive any other consideration / benefit from the LLP other than capital contribution & profit sharing in LLP, whether directly or indirectly	2. Sole proprietor should receive only share from company.	2. The partner should receive only shares from Company
3. The aggregate profit sharing ratio of the shareholder of the Co. in such LLP shall not be less than 50% at any time during the period 5 years from the date of conversion	3. The sole proprietor becomes the shareholder in Co. & voting power in Co. is not < 50% & such shareholding is continued for period of min. 5 years from date of conversion.	3. Aggregate (total) shareholding of such partner of the firm in the company is not < 50% of the total voting power of the company & such shareholding is continued for a period of minimum 5 years from the date of succession
4. All shareholders of Co. becomes partners of LLP & their capital contribution & profit sharing ratio in LLP are in same proportion as their shareholding in the Co. on the date of conversion.	[Blank]	4. All partners become shareholder in the same proportion in which their capital account stood in books of firm on the date of such succession.
5. Total sales , turnover or gross receipts in the business of the company in any of the 3 years preceding the year of conversion does not exceed ₹60 Lakhs.	[Blank]	5. All the partners of the firm becomes shareholder of Company
6. No amount is paid, either directly or indirectly, to any partner out of balance of accumulated profit standing in the accounts of the company on the date of conversion for a period of 3 years from the date of conversion.	[Blank]	[Blank]
7. Total value of the assets as appearing in the books of account of company in any of the 3 previous years preceding the year of conversion takes place does not exceed Rs. 5 crores.	[Blank]	[Blank]

• Deduction - 54 Series •

Section & Type of Capital Gain	New Asset (Invest)	Condition
Sec 54 - Applicable to Individual / HUF LTCG - from Residential Property	One Residential HP in India IF LTCG < 2cr - 2HP	Purchase -1 yr, +2 yr, Const +3 Deposit scheme is Applicable, Lock - 3 years (cant trf new asset)
Sec 54F - Individual / HUF LTCG - from Capital Asset (Should not House Property)	One Residential HP in India	Purchase -1 yr, +2 yr, Const +3 Deposit scheme is Applicable, Lock - 3 years (cant trf new asset)
Sec 54B - Individual / HUF - LTCG / STCG - Sale of Urban Agri. Land	Any Agricultural Land (Urban/ Rural)	Purchase within 2 years Deposit scheme is Applicable Lock - 3 years (cant trf new asset)
Sec 54D - Any person LTCG / STCG - from Compulsory acquisition of Industrial Land & Building	New Land / Buildings for Industrial Undertaking	Purchase within 3 years Deposit scheme is Applicable Lock - 3 years (cant trf new asset)
Sec 54EC - Any person LTCG - from Sale of Land / Building / Both	NHAI/ RECL / PFCL / IRFCL Bonds Lock 5 Yrs (Redemption Period)	Invest within 6 month, Maximum exemption is 50 lakh Deposit scheme is NOT Applicable
Sec 54EE - Any person LTCG from any Capital Asset	Units of Funds	Within 6 month, maximum 50 lakh
Sec 54G - Any person LTCG / STCG - Shifting of undertaking to Rural area	PM/ Bldg. / Land / Incurring Notified Expenses	Invest within -1 / +3 year Deposit scheme is Applicable Lock - 3 years (cant trf new asset)
Sec 54GA - Any person LTCG / STCG - Shifting undertaking from Urban to SEZ Shift	PM/ Bldg. / Land / Incurring Notified Expenses	Invest within -1 / +3 year Deposit scheme is Applicable Lock - 3 years (cant trf new asset)
Sec 54GB - Individual / HUF LTCG - from Transfer of Residential Property (House or Plot of Land)	Subscription in eq. shares of eligible Company (See definition u/s 80-IAC) & Note - Shares should be subscribed up to due date of return filing	Company within 1 year from date of subscription --> Purchase of New Asset (P&M) Lock - 5 Yr for Eq Shares & P&M Lock - 3 Yr for Computers & Software's

ROI filed after the due date of Sec. 139(1) --> Can we claim benefit of Sec 54 series -->

Yes

• Segregated Portfolio Scheme (Finance Act, 2020)

Basic	SEBI introduced the concept of 'side-pocketing' or 'segregated portfolio creation' under it, The Total Portfolio will be separated in two - 1. Main Portfolio & 2. The segregated Portfolio Investor will be issued same number of units of segregated portfolio as that of main portfolio	
Section 49(2AG): COA of units in segregated portfolio	= Actual Cost of original units	x $\frac{\text{NAV of the asset transferred to segregated portfolio}}{\text{NAV of the total portfolio immediately before segregation}}$
Section 49(2AH): COA of Original Units	COA of original units in main portfolio = Actual cost (-) Amount arrived at u/s 49(2AG)	
Period of Holding	Period of Holding for unit/s in a segregated portfolio shall be include the period for which the original unit or units in the main portfolio were held by the assessee.	
Note	No Capital gain shall arise to unitholder on segregation of portfolio	

• **SDV shall be treated as sales consideration**

Apply when,	Section 43CA (PGBP Income)	Section 50C (Capital Gain)
Apply in case of Immovable Property	held as stock-in-trade.	held as Capital Asset

Stamp duty value shall be treated as full value of consideration [FVOC]

If Sales consideration less than SDV	- SDV shall be deemed to be FVOC
If SDV doesn't > 110% of Consideration	- Sale Consideration shall be treated as FVOC

Tax on Capital Gain

• **Summary**

Particular	LTCG 112A	LTCG Other	STCG 111A	STCG Other
Benefit of unutilised Basic Exemption	Available	Available	Available	Available
Rebate u/s 87A	Not Available	Available	Available	Available
Chapter VI-A Dedn	Not Available	Not Available	Not Available	Available
Tax Rate	> 1 Lakh - 10%	20%	15%	Normal Tax Rate

Sec 111A

Tax on STCG of certain Asset

Basic	<ul style="list-style-type: none">• Apply on 'STCG on Specified Assets'• Chapter VI-A benefit not available• Indexation benefit not available <ul style="list-style-type: none">• Tax Rate - 15%• Benefit of unexhausted limit shall apply.• Benefit of Rebate u/s 87A - Available											
Which Asset ?	<table><tr><th colspan="2">Specified Assets</th></tr><tr><th>Asset</th><th>Requirement of payment of STT</th></tr><tr><td>Equity share in a company</td><td>STT has been paid on transfer</td></tr><tr><td>Unit of an equity oriented fund</td><td>STT has been paid on transfer</td></tr><tr><td>Unit of a business trust</td><td>STT has been paid on transfer</td></tr></table> <ul style="list-style-type: none">• The condition relating to payment of STT shall not apply to transfer undertaken<ul style="list-style-type: none">- on a recognised stock exchange in any International Financial ServicesCentre (IFSC) and- where the consideration for such transfer is received or receivable in foreign currency		Specified Assets		Asset	Requirement of payment of STT	Equity share in a company	STT has been paid on transfer	Unit of an equity oriented fund	STT has been paid on transfer	Unit of a business trust	STT has been paid on transfer
Specified Assets												
Asset	Requirement of payment of STT											
Equity share in a company	STT has been paid on transfer											
Unit of an equity oriented fund	STT has been paid on transfer											
Unit of a business trust	STT has been paid on transfer											

Sec 112

Tax on Long Term Capital Gain

Basic	<ul style="list-style-type: none"> • Applies to All Assessee including non-resident • Tax Rate - 20% • Chapter VI-A benefit not available 	• Benefit of unexhausted limit shall apply.
Note	Sec 112 shall not apply where sec 112A applies	

Proviso to Sec 112

Tax on LTCG from Listed Securities or Zero Coupon Bond

Basic	• Applies to All Assessee including non-resident		
LTCG from	Transfer of : 1. Listed Securities (Shares & Debentures) other than Units or 2. Zero Coupon Bond		
LTCG Payable	20% with Indexation	or	10% without Indexation (Whichever is lower)
Applies in cases	1. Where listed equity shares are sold other than through recog. Stock market <i>Note : If listed equity shares sold on stock exchange then --> Sec 112A apply</i> 2. Where listed Debentures / Bonds are sold.		

Sec 112A

Tax on LTCG of certain Asset

Basic	<ul style="list-style-type: none"> • Apply on 'LTCG on Specified Assets' • Tax Rate - 10% • Chapter VI-A benefit not available • Indexation benefit not available 			<ul style="list-style-type: none"> • This section overrides section 112 LTCG < 1 Lakh - Exempt LTCG > 1 Lakh Taxable Example - 3 lakh LTCG u/s 112A --> then 1 lakh is exempt and pay tax on balance 2 lakh • Rebate u/s 87A will not be allowed • benefit of unexhausted limit shall apply.
-------	---	--	--	---

Which Asset ?	Specified Assets	
	Asset	Requirement of payment of STT
	Equity share in a company	STT has been paid on acquisition and transfer
	Unit of an equity oriented fund	STT has been paid on transfer
	Unit of a business trust	STT has been paid on transfer
	<ul style="list-style-type: none"> The condition relating to payment of STT shall not apply to transfer undertaken <ul style="list-style-type: none"> on a recognised stock exchange in any International Financial Services Centre (IFSC) and where the consideration for such transfer is received or receivable in foreign currency Condition of payment of STT on acquisition would not be applicable. <ul style="list-style-type: none"> Any equity shares acquired before 1/10/2004 eligible for benefit of sec 112A 	
Proviso not apply	First Proviso to Section 48 – Calculation of Capital Gains in Foreign Currency Second Proviso to Section 48 – Benefit of Indexation	
Cost of Acquisition	Higher of --> 1) Actual Cost or 2) Lower of a. Fair Market Value of such asset on 31.01.18 b. Sale value (FVOC)	
Computation of FMV as on 31.01.18	Particular	FMV
	a. Listed shares / Units on recognised stock exchange on 31/01/2018	Highest price Quoted on 31/01/2018. Note : If no trading on 31/01/2018 then the highest price on such stock exchange on a date immediately preceding 31/01/2018 when such share /units was traded on such exchange.
	b. Unlisted Units	NAV as on 31/01/2018
	c. In Case of Share Not Listed on 31/01/2018 but Listed on date of transfer	FMV = COA x Index 272 / CII respective
Benefit of Section 112A is not applicable	In the following 3 cases, benefit of section 112A is not applicable. a) Where acquisition of existing listed equity share in company whose equity shares are not frequently traded in recog. stock exchange of India is made through a preferential issue b) Acquisition of existing listed equity share in a company, not entered through a recognised stock exchange of India. c) Acquisition of equity share of a company during the intervening period starting from the date on which the company is delisted and ending on the date immediately preceding the date on which the company is again listed in a recognised stock exchange.	

Chapter MAP

Part - A	Part - B
a. 56(2)(x) - Taxability of Gifts b. Non- Applicability of Sec 56(2)(x) c. Definition of property, relatives	a. 56(2)(viib) - Shares issued on Premium b. 56(2)(xi) - Compensation on termination of Employment

Section 56(2)(x) Gifts

Money	Movable Property		Immovable property [Land/Bldg/Both]	
If aggregate value exceeds Rs. 50,000, Then whole of money shall be taxable	(i) Recd without consideration (FREE):	(ii) Recd for inadequate consideration:	(i) Recd without consideration (FREE):	(ii) Received for inadequate consideration:
	The aggregate FMV of the property, If it exceeds Rs. 50,000.	If Aggregate FMV xx (-) Consideration xx ----- Diff. is > Rs. 50,000	SDV of the property, if it exceeds Rs. 50,000	If, SDV xx (-) Consideration xx ----- Diff is > Rs. 50,000 AND SDV is > 110% of

Note - Section 56(2)(x) is applicable even gift made outside India by Resident person to NR.

Non-applicability of Section 56(2)(x)

(i) from any relative ; or (ii) on the occasion of the marriage of individual; or (iii) under a will or by way of inheritance; (iv) in contemplation of death of the payer/ donor, as the case may be; (v) from any local authority as defined in the Explanation to section 10(20); or (vi) From any fund/ foundation / university / other educational institution or hospital or other medical institution/ any trust/ institution referred to in sec 10(23C); or	(vii) from or by any trust / institution registered under section 12A or section 12AA; or (viii) by any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in Section 10(23C)(iv)/(v)/(vi)/(via). (ix) by way of transaction not regarded as transfer u/s 47(i)/(iv)/ (v)/ (vi)/ (via)/ (vial)/ (vib)/ (vic)/ (vica)/ (vicb)/ (vid)/ (vii). (x) from an individual by a trust created or established solely for the benefit of relative of the individual.
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Definitions of Movable & Immovable Property	Movable Property [SAB DJ ke PAS aao]	Immovable Property
	S- Shares, Securities A-Any work of Art B-Bullion	D-Drawing J-Jewellery P-Painting A-Archaeological colln. S-Sculpture Land Building or Both

Meaning of Relatives	Individual Assessee	Spouse
	Lineal Ascendant & Spouse Mother & Father (<u>Bro+Spouse, Sis+Spouse</u>) Brother + Spouse, Sister + Spouse Lineal Descendant & Spouse	Lineal Ascendant & Spouse Mother and Father Only Brother + Spouse, Sister + Spouse Lineal Descendant & Spouse
	Note in case of HUF - Any members thereof	

Sec 56(2)(xi)

Compensation on termination of Employment

Basic	Any compensation or other payment, due or received by any person in connection with termination of his employment (or modification of terms of employment) is treated as income u/s 56(2)(xi) .	
Received from ?	from Employer	- taxable u/s 17(3)(i) under the head "Salaries"
	from Other	- taxable u/s 56(2)(xi) under the head "IFOS"

Sec 56(2)(viib)**Shares issued on Premium**

Basic	<p>If any closely held company issues shares to any resident share holder on premium then,</p> <table> <tr> <td>Issue price of share</td><td>xxx</td></tr> <tr> <td>(-) FMV of such shares</td><td>xxx</td></tr> <tr> <td>Shall be taxable under IFOS</td><td>xxx</td></tr> </table>	Issue price of share	xxx	(-) FMV of such shares	xxx	Shall be taxable under IFOS	xxx
Issue price of share	xxx						
(-) FMV of such shares	xxx						
Shall be taxable under IFOS	xxx						
Not apply to	<p>a. By venture capital undertaking from a venture capital company or a venture capital fund</p> <p>b. from Non Resident</p> <p>c. Specified-fund (see definition) *</p> <p>d. Persons notified by CG - Start-up company (see definition) **</p>						
* Specified fund means	<p>- a fund established or incorporated in India in the form of a trust or a company or a LLP or a body corporate</p> <p>- which has-been granted a certificate of registration as a Category I or a Category II Alternative Investment Fund</p> <p>- and is regulated under the SEBI (Alternative Investment Fund) Regulations, 2012.</p>						
** Meaning of Start-up <i>Note - Pvt Ltd Co. shall not be considered a "Start-up", if it formed by splitting up or reconstruction of an existing business.</i>	<p>A company would be considered as Start-up if the following conditions are satisfied:</p> <p>a. It would be considered as Start-up up to a period of 10 years from the date of incorporation/registration, if it is incorporated as a Pvt Ltd Company (as defined in the Companies Act, 2013) in India.</p> <p>b. Turnover of the company for any of the financial years since incorporation/registration has not exceeded 100 crore rupees.</p> <p>c. The company is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.</p>						
Condition no. 1 for Start-up [Paid-up capital & Share Premium does not exceed 25 Cr]	<p>a. Aggregate amount of paid up capital and share premium of the start-up after issue or proposed issue of shares, does not exceed, 25 crore rupees.</p> <p>b. However, in computing the aggregate amount of paid up share capital, in respect of shares issued to any of the following persons shall not be included:</p> <ul style="list-style-type: none"> - a non-resident - venture capital company or a venture capital fund - a specified company 						
Condition no. 2 for Start-up [It has not invested in any of the asset] [Means jo money hamne shares issue pe liya hai wo is assets me invest nahi karna hai]	<ol style="list-style-type: none"> 1. Building or land appurtenant thereto, being a residential house. [Allowed if Start-ups business is renting or held by it as Stock in trade] 2. Land or building, or both, not being a residential house. [Allowed if Start-ups business is renting or held by it as Stock in trade] 3. Loans & advances. [Allowed if Start-up business is lending of money] 4. Capital contribution made to any other entity. 5. Shares and securities 6. Motor vehicle, aircraft, yacht or any other mode of transport, the actual cost of which exceeds 10 lakh rupees. [Allowed if Start-up business is plying, hiring, leasing] 7. Jewellery. [Allowed if it held as stock-in-trade in the ordinary course of business] 8. Any other asset, whether in the nature of capital asset or otherwise, of the nature specified in section 56(2)(vii)(d)(iv) to (ix) i.e., archaeological collections, drawings, paintings, sculptures, any work of art or bullion. <p>However, the Start-up should not invest in any of the assets mentioned above for the period of 7 years from the end of the latest FY in which shares are issued at premium.</p>						
Proviso added by FA 2019 - If fails to comply	<p>If company fails to comply with above conditions then, any consideration received for issue of share that exceeds the FMV of such share shall be deemed to be the income of that company chargeable to income-tax for the PY in which such failure has taken place</p> <table> <tr> <td>Deemed mis-reporting u/s 270A</td><td>Penalty - 200% of Tax</td></tr> </table>	Deemed mis-reporting u/s 270A	Penalty - 200% of Tax				
Deemed mis-reporting u/s 270A	Penalty - 200% of Tax						

5 Profits and Gains of Business or Profession [PGBP]

Computation of Income from Business or Profession (Sec 29)

Profit Before Deductions	xxx
Less : Admissible deductions (Sec 30 to 37)	xxx
Add : Inadmissible deductions (Sec 40)	xxx
Add : Expenses or payment not deductible in certain circumstances (Sec 40A)	xxx
Profit Chargeable to Tax	xxx

Speculation Business

Means	Transaction in which a contract for the purchase or sales of any commodity including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scrips.
Transaction not deemed to be speculative transaction	1. Hedging contract in respect of raw materials or merchandise or stocks and shares 2. Forward contract 3. Trading in derivatives through recognised stock exchange. 4. Trading in commodity derivatives through recognized association, which is chargeable to commodities transaction tax (CTT) However, the requirement of chargeability of CTT is not applicable in respect of trading in agricultural commodity derivatives from A.Y.19-20.

Sec 32 - Depreciation

Building	Furniture & Fittings	Plant & Machinery			Intangible assets
		15%	20%	40%	
Residential - 5% General - 10% Temporary - 40%	10%	Motor Vehicles # Windmills * Oil wells Other P&M	Ships	Aircraft, Computer & Laptop Books Pollution control equip.	25%

Dep on Motor Vehicle

Particular	-->	1.4 to 22.8	23.8 - 31.10	4.10 - 31.3
a. On Motor vehicle used in business of running them on hire.	30%	30%	30%	15%
- but if Acquired & Put to use between 23.08.19 to 31.03.20	45%	-	45%	22.5%
b. On other Motor vehicles	15%	15%	15%	7.5%
- but if Acquired & Put to use between 23.08.19 to 31.03.20	30%	-	30%	15.0%

* Windmills & its equipment's.

a) Installed before 01/04/14	15%
b) Installed on or after 01/04/14	40%

Note: EPABX & Mobile Phones are not computers, hence depreciation @ 40% is NOT allowed

If Forward Exchange Rate Contract is taken for payment of foreign c. loan taken for acquiring an asset from outside India & the said contract is cancelled,	--> then the profit/loss arising on cancellation of contract, shall be business income/business loss.	--> The same shall not be deducted / added to the WDV of Block of assets.
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Proviso to Sec. 32(1)	Depreciation is restricted to 50% if asset put to use for < 180 days in the year of acquisition, Restriction applies only in the year of acquisition. Example:- We purchased asset in FY 19-20 and If in FY 20-21 such asset has been put to use less 180 days still we can claim full depreciation in FY 20-21.
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Additional Depreciation @20%

allowed on Plant & Machinery

PM does not Include	i. Second hand P&M ii. Any P&M installed in office premises or residential accommodation. iv. P & M on which 100% deduction allowed ii. Ships, aircraft & transports vehicles
Note	1. Additional depreciation is allowed Only in the First year in which it is put to use. 2. If undertaking is set-up between 01/04/2015 and 31/03/2020 in the notified back ward area of Bihar, Andhra Pradesh, Telangana or West Bengal for manufacturing of any article ---> Additional depreciation @ 35% available

Sec 32AD

Note -->

Investment in New Plant or Machinery in Notified backward Areas in Certain States.

This section was relevant upto AY 2020-21. Study from main book.

Sec 43(1)**Actual Cost of Asset**

Basis	Actual Cost means the actual cost of the asset to the assessee, reduced by that portion of the cost which has been directly or indirectly met by any other person.
Asset purchased in Cash	Where the assessee acquire any asset in respect of which payment made in cash exceeds Rs. 10,000 (Payment or aggregate of payment made to person in Day), Such expenditure shall be ignored for the purpose of determination of actual cost
Note	अगर asset purchase करते समय 2 लाख के ऊपर cash payment किया तो Sec 43 (1) के साथ Sec 269ST को भी apply करना.

Particular	Sec 33AB - Tea/Coffee/Rubber Development Account	Sec 33ABA - Deduction for Petroleum & Natural Gas Business
Deduction amount	Lower of : (i) Actual amt deposited or (ii) 40% of PGBP (before this deduction)	Lower of : (i) Actual amt deposited or (ii) 20% of PGBP (before this deduction)
Deposit in	NABARD up to due of return filing / 6 m. from end of PY, whichever earlier	SBI [Site Restoration A/C] up to the end of PY
Common Points	<ul style="list-style-type: none"> Withdrawal Condition : Utilisation for following purpose will be taxable <ol style="list-style-type: none"> Any PM installed in office premises or residential accommodation including guest house Any office appliances (other than computer) P&M on which 100% deduction already allowed under the head PGBP. Deduction to be allowed before setting off the brought forward losses Lock in Period Where asset purchased is sold/ transferred before expiry of 8 years from end of P.Y. in which it was acquired, such part of asset as is relatable to deduction allowed, shall be deemed to be income of P.Y. in year of sale / transfer of asset. Restriction of 8 years shall NOT apply:- (i) Where asset is sold/ transferred to Govt/ Local Authority/ Statutory corporation, Govt. Co. (ii) Transfer is by succession of firm to company whereby all assets and liabilities of firm are transferred to company and all shareholders of the company were partners of the firm immediately before succession 	

Rule 7

Rule / Nature	Business Income	Agriculture Income
7A - Rubber - Growing & manufacturing	35%	65%
7B - Coffee - Grown & cured	25%	75%
7B - Coffee - Grown, Cured, Roasted, Grounded	40%	60%
7C - Tea - Growing and Manufacturing	40%	60%

Sec 35 Expenditure on Scientific Research**• Expenditure on research carried by the assessee**

Section 35(1)(i)	Pre commencement - Revenue Exp	100%	Material & Salary only	Max 3 years
Section 35(1)(iv)	Pre commencement - Capital Exp	100%	Land - not allowed	Max 3 years
Section 35(2AB)	In-house research activity - Revenue	100%		
- Company Engaged in Bio-Techn. Busi.	In-house research activity - Building / Land	100%		
	In-house research activity - Other Capex	100%		
Section 35(2AB)	In-house research activity - Revenue	100%		
- Other Assessee	In-house research activity - Building	-	Land - not allowed	
	In-house research activity - Other Capex	100%		

• **Contribution to Outsiders**

Section 35(1)(ia)	Domestic Company	for Scientific research	100%
Section 35(1)(ii)	To University, College, Research Association	for Scientific research	100%
Section 35(1)(iii)	To University, College, Research Association	for Social science research	100%
Section 35(2AA)	National Laboratory, IIT	for Scientific research	100%

Section	Sec 35CCC	Sec 35CCD
Project	Expenditure on agriculture extension project	Expenditure on skill development project
Applicable to	All assessee	Company only
Deduction	100% from AY 21-22	100% from AY 21-22
Not applies to	Land and Building expenses	Land and Building expenses

Sec 35D Amortisation of Preliminary Expenses - Allowed in 5 instalments

Indian Company	Other Resident	
Actual Preliminary Expenses or 5 % of COP / CE [Whichever is higher]	Actual Preliminary Expenses or 5 % of Cost of Project	COP - Cost of Project CE - Capital Employed
Whichever is lower	Whichever is lower	

Capital employed	= Issued Share capital + Debenture + Long term borrowing on 31st March of commencement Note : Share Premium collected on Subscribed issued share capital will not be pat of Capital Employed. Case - Berger Paints India Ltd.
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Section	Sec 35DD	Sec 35DDA
Details	Amortisation of Amalgamation or Demerger Expenses	Amortisation of VRS - Voluntary Retirement Scheme Expenses.
Applicable to	Indian Company	Any assessee
Deduction	1/5th of such expenditure for 5 years	1/5th of such expenditure for 5 years

Sec 35AD 100% deduction available to Assessee carrying on Specified Business (14 business)

Revenue Expenditure	100% deduction available u/s 30 to 37
Capital Expenditure	100% Capital Expenditure eligible for Deduction (After commencement of business only) Except --> Land Goodwill Financial Instruments
Conditions to be satisfied for claiming deduction	1. Not formed by splitting / reconstruction of business already in existence. 2. New Plant and Machinery should be used but exceptions; a. Imported old Plant and Machinery b. 20% of total Plant and Machinery can be old.
Not Allowed	1. Depreciation not allowed if deduction claimed u/s 35AD 3. Any expenditure through cash exceeds Rs. 10,000 2. If deduction u/s 35AD is claimed then deduction u/s 80IA to 80RRB & 10AA (SEZ) shall not be allowed
Carry forward and set-off of losses	1. Loss of specified business of sec 35AD can be set-off in current year and future year only against the profit of any specified business u/s 35AD. 2. Loss of specified business u/s 35AD can be carried forward indefinitely.
Lock in Period	Lock in period for asset used in specified business - 8 years
Slump sale u/s 50B	If assets on which sec 35AD is claimed is sold in Slump Sale, then for computing net worth u/s 50B, its cost shall be taken NIL

Section 36 Series (Only Imp Provisions)

Sec 36(1)(i)	Premium for Insurance of Stock in Trade --> Note: • Keyman Insurance Policy Premium is Allowed	Allowed
Sec 36(1)(ii)	Premium for Insurance on Health of Employees Note: Should not be in Cash	
Sec 36(1)(iii)	Interest on Borrowed Capital -->	Allowed
Sec 36(1)(v)	Employer's Contribution towards pension scheme If Gratuity Fund is Approved -->	Allowed
Sec 36(1)(vi)	Animals used in Business otherwise than as Stock-in-Trade When ? Animals used in Business other wise than as stock-in-trade and they died or permanently useless Deduction = Actual cost (-) amount realised from their sale, if Any	Subject to Sec 43B

Sec 36(1)(viiia) Provision for bad and doubtful debts in relation to bank

Indian Bank	8.5% of Total Income computed under this section and before chpt VI-A + 10% of Average aggregate advance made by rural branches
F. Bank, PFI, NBFC	5% of the total income computed before making any dedn. Under this clause & Chpt VI-A

Illustration:

(i) Provision for bad and doubtful debts under section 36(1)(viiia) up to A.Y.2020-21	100 Lakh
(ii) Gross Total Income of A.Y.2021-22 [before deduction under section 36(1)(viiia) [8.5%]	800 Lakh
(iii) Aggregate average advances made by rural branches of the bank [10%]	300 Lakh
(iv) Bad debts written off (for the first time) in the books of account (in respect of urban advances only) during the previous year 2020-21	210 Lakh

Solution :

Bad debts w/off (for the first time) in the books of account		210 Lakh
Less : Credit Balance in the Provision for bad and doubtful debt u/s 36(1)(viiia)		
(i) Provision for bad and doubtful debts under section 36(1)(viiia) up to A.Y.2020-21	100 Lakh	
(ii) Current year provision [800 Lakh x 8.5% + 300 Lakh x 10%]	98 Lakh	198 Lakh
Deduction u/s 36(1)(viiia)		12 Lakh

Sec 36(1)(viii) Special deduction to Specified Entities engaged in eligible business

- a. Actual amount transferred to special reserve
b. 20% of the profit derived from eligible business computed under the head 'PGBP'
c. [200% of paid up share capital and general reserve] - Opening balance in special reserve.

Whichever
is lower

Sec 36(1)(xvi) Commodities Transaction Tax (CTT)

Commodities are held as stock in Trade	Allowed
Commodities are held as investment	Not Allowed

Sec 36(1)(xviii) Marked to Market Losses or other expected losses

AS per ICDS	Allowed	Other	Not Allowed
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Bonus, Buyback share issue expenses
Right share issue expenses

Revenue expenditure
Capital expenditure

Case. General Insurance Corp
Case. Brooke Bond India Ltd.

Category	Tax	Interest	Penalty
Direct Tax	Not allowed	Not allowed	Not allowed
Indirect Tax	Allowed (Subject to 43B)		Not allowed

• Disallowance of expenditure (Non-deduction / Non-payment of tax - TDS)

Sec 40(a)(i)	Payment made to Non resident	100% disallowance
Sec 40(a)(ia)	Payment made to Resident	30% disallowance
Sec 40(a)(ib)	Equalisation Levy	100% disallowance
Sec 40(a)(iii)	TDS on Salary payable to outside India or to NR	100% disallowance

40A(2) Excess expenses / unreasonable payment (paid to specified persons)

40A(3) Cash expenditure / Payment in excess of Rs. 10,000 to single person in a single day.

Note in case of transporters of Goods - Limit is Rs. 35,000

Sec 43CB - Income from construction and service contract

Method	Condition
Project Completion Method	If the duration of the contract is not more than 90 days
Straight Line Method	If the contract involves interminate no. of acts over a specific period of time

Sec 44B - Shipping Business (NR)	Income - 7.5% of Total freight + demurrage + handling charges
Sec 44BB - Exploitation of m.oil (NR)	Income - 10% of Service charges received
Sec 44BBA - Aircraft Business (NR)	Income - 5% of Total freight
[For detailed --> See NR Taxation]	Note : 28 to 43A not applicable in above section

Sec 44C Taxation of Branches of Foreign Company - Head Office Expenses

Allowed - Whichever is lower	5% of Adjusted Total Income (ATI) or Actual expenses
ATI means :-	Total Income before giving effect to: B/f Depreciation B/f Losses Deduction under chapter VI-A
Note	If ATI is loss, then last 3 average ATI shall be considered.

Sec 44AA Maintenance of Accounts by Certain Persons on Carrying Profession / Business

If fails to comply sec 44AA Penalty u/s 271A Rs. 25,000

Specified Assessee	Individual & HUF	Other Assessee
When ? If gross receipt is > 1,50,000 in any of the 3 immediately preceding years. For newly set-up professional - gross receipt > 1,50,000 in the year of set up Specified Professions : Medical, Legal, Accountancy, Film Artist, Engineering, CS, Interior decorator	When ? - PGBP is > 2,50,000 or - Total Sale / GR is > 25,00,000 in any of the 3 years preceding the PY or likely to exceeding in case of newly setup business/ profession.	When ? - PGBP is > 1,20,000/- or - Sales / GR is > 10 Lakh in any of the 3 years preceding the PY or likely to exceeding in case of newly setup business/ profession.

• Assessee is **required to maintain** any books of accounts for a period of **6 Years from the end of R.A.Y.** unless assessment has been opened u/s 147 in which case the same is to be maintained till its Completion.

Sec 44AB - Audit of Accounts of certain persons carrying on business or profession

Applicable to →	Threshold limit
For business :	- Receipts in Cash is < 5% of Total receipts during the PY. - Payment in Cash is < 5% of Total payments during the PY. In any other case
Profession :	Gross receipts exceed ₹ 50 Lakhs in previous year.
Lower profit :	Declared u/s 44AE / 44BB / 44BBB / 44ADA / 44AD(4)
Penalty u/s 271B :	0.5% of the total sales, turnover or gross receipts in such previous year/s or ₹1,50,000/- whichever is less
Time Limit to furnish Audit Report :	Specified date means date 1 month prior to the due date for furnishing the return of income u/s 139(1).

Presumptive Schemes

Sec 44AD	Sec 44ADA	Sec 44AE
• Applicable to : Resident Individual / Resident HUF / Resident Firm but not LLP and Turnover / G. Receipts is up to 2 crore. Any Business Except : Business in Sec. 10AA, 44AA, 44AE, Agency, Commission & Brokerage busi.	• Applicable to : Any Resident assessee Who is engaged in specified professions as per sec. 44AA. Total gross receipts does not exceed ₹ 50 lakhs in a PY	• Applicable to : Any assessee in the business of plying, hiring, leasing goods carriages owning not > 10 goods vehicles any time during the year
• Income will be: 8% / 6% (ECS) of the total turnover or gross receipts or a sum higher amount	• Income will be : 50% of the Total gross receipts or sum higher claimed to have been earned	• Income will be: a. Heavy G. vehicles Rs. 1000 per ton of gross wght pm b. Other vehicles Rs. 7500 pm or part of the month
• Advance Tax : One Instalment - 15th March	• Advance Tax : One Instalment - 15th March	• Advance Tax : Normal
• Misc. a. Deduction of expenses u/s 30 to 38 shall not be allowed b. Partners Remuneration, Salary, interest etc. as per Sec. 40(b) shall not be deductible while computing income u/s 44Ab c. If assessee declares income for any P.Y as per 44AD and he doesn't declare income as per 44AD in any of the 5 consecutive P.Y.s, - then he shall not eligible to claim benefit of sec. 44AD for 5 years subsequent to the year in which assessee not declare income as per Sec. 44AD. Note : If above point is applicable & NTI of assessee is > basic exemption then assessee is required to maintain books of accounts & get it audited.	• Misc. a. Deduction of expenses u/s 30 to 38 shall not be allowed b. Partners Remuneration, Salary, interest etc. as per Sec. 40(b) shall not be deductible while computing income u/s 44Ab c. If assessee declares income lower than 50% & his NTI is > basic exemption he is required to maintain books of A/cs & get it audited.	• Misc. a. Deduction of expenses u/s 30 to 38 shall not be allowed b. Partners Remuneration, Salary, interest etc. as per Sec. 40(b) shall be deductible while computing income under Sec. 44Ab c. Heavy G. vehicle ? means any goods carriage, the gross vehicle weight of which exceeds 12000 kilograms Note - Calculation on "Date of Purchase" of the vehicle. Don't use "Date of Put to use"

• Taxation of Film Producer & Film Distributor

Situation	Film Producer / Distributor sells all rights of exhibition of the film	He himself exhibits the film on a commercial basis in some of the areas and sells the rights of exhibition of the film in respect of some of the areas
Example	Dharma Production Produced movie and Sells all right to UFO Digital for Movie distribution	Dharma Production Produced movie and Exhibits film under own banner in Maharashtra State and Sells right to UFO Digital for Distribution in Gujarat State
Film released before 01 Jan 2021	Quantum of Deduction : Entire cost of Production / Acquisition	Quantum of Deduction : Entire cost of Production / Acquisition
Film released after 01 Jan 2021	Quantum of Deduction : Entire cost of Production / Acquisition	Deduction will be lower of a) Cost of Production / Acquisition b) Amount realized by exhibiting film & sale of exhibition rights Balance will be allowed in the next year.

**Proforma for computation of income under the head
"Profits and gains from business or profession"**

Particular	Rs.
Net profit as per statement of profit and loss	xxx
Add: Expenses debited to statement of profit and loss but not allowable	
• Depreciation as per books of accounts	xxx
• Income-tax [disallowed u/s 40(a)(ii)]	xxx
• 30% of sum payable to residents on which tax is not deducted at source or after deduction has not been remitted on or before the due date u/s 139(1) , would be disallowed u/s 40(a)(ia) [The same is allowable in the year in which the tax is deducted and remitted]	xxx
• Any expenditure incurred, in respect of which payment is made for goods, services or facilities to a related person , to the extent the same is excessive or unreasonable , in the opinion of the A.O, having regard to its FMV [disallowed u/s 40A(2)]	xxx
• Any expenditure incurred in respect of which payment or aggregate of payments to a person exceeding Rs 10,000 in a single day is made otherwise than by way of A/c payee cheque/bank draft or use of ECS through bank A/c [disallowed u/s 40A(3)]	xxx
• Certain sums payable by the assessee which have not been paid during the relevant P.Y. in which the liability was incurred or on or before the due date for filing return u/s 139(1) in respect of that P.Y. [disallowed u/s 43B]	xxx
• Personal expenses/ capital expenditure [not allowable as per section 37]	xxx
• Repairs of capital nature [not allowable as per sections 30 & 31]	xxx
• Amortisation of preliminary expenditure u/s 35D / expenditure incurred under voluntary retirement scheme u/s 35DDA [4/5th of such expenditure to be added back]	xxx
• Fine or penalty paid for infringement or breach of law [However, penalty in the nature of damages for delay in completion of a contract, being compensatory in nature, is allowable]	xxx
• All expenses related to income which is not taxable under this head e.g. municipal taxes in respect of house property	xxx
• Any sum paid by the assessee as an employer by way of contribution to pension scheme u/s 80CCD exceeding 10% of the salary of the employee	xxx
	xxx
Less: Expenditure allowable as deduction but not debited to statement of profit and loss	
• Depreciation u/s 32 computed as per Rule 5 of Income-tax Rules, 1962	(xxx)
• Additional depreciation @ 20% of actual cost of new P & M acquired by an assessee engaged in the business of manufacture or production of any article or thing or generation, transmission or distribution of power (10% of actual cost, if put to use for less than 180 days in the year of acquisition) /	(xxx)
35% of actual cost (17.5% if put to use for less than 180 days in the year of acquisition), if the manufacturing undertaking is set up in a notified backward area in the State of A.P./Bihar/Telangana/West Bengal on or after 1.4.2015 [Balance additional depreciation can be claimed in the next year]	
• Deduction@ 15% of actual cost of new P&M u/s 32AD in case of a manufacturing undertaking/ enterprise set up in a notified backward area in the State of A.P./Bihar/ Telangana/West Bengal on or after 1.4.2015	(xxx)
• Weighted deduction for expenditure on/contribution for research u/s 35(1)(ii), 35(2AA), 35(2AB) in excess of the amount already debited to statement of profit & loss	(xxx)
• Investment-linked tax deduction in respect of specified businesses u/s 35AD	(xxx)
	xxx
Less: Income credited in statement of P & L but not taxable/ taxable under any other head	
• Dividend income exempt u/s 10(34) / taxable u/s 115BBDA	(xxx)
• Agricultural income exempt u/s 10(1)	(xxx)
• Interest on securities/savings bank account/ FD taxable under the head "IFOS"	(xxx)
• Profit on sale of capital asset taxable under the head "Capital Gains"	(xxx)
• Rent from house property taxable under the head "Income from house property"	(xxx)
• Winnings from lotteries, horse races, games etc., taxable under the head "IFOS"	(xxx)
• Gifts exempt or taxable under the head "Income from other sources"	(xxx)
• Income-tax refund not taxable	(xxx)
• Interest on income-tax refund taxable under the head "Income from other sources"	(xxx)
	xxx
Add: Deemed Income	
• Bad debt allowed as deduction u/s 36(1)(vii) in an earlier PY, now recovered [deemed as income u/s 41(4)]	xxx
• Remission or cessation of a trading liability [deemed as income u/s 41(1)]	xxx
	xxx
Net Profit Taxable	xxx

6	Income Computation & Disclosure Standards (ICDS)
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Applicability	ICDS are applicable to all taxpayers except Ind / HUF who are not liable to tax audit. ICDS applies only to taxpayers following mercantile system of accounting. Provisions of ICDS shall not apply for computation of book profit u/s 115JB of the Act. ICDS is also applicable to Assessee showing Presumptive Income [Sec. 44AD / 44AE / 44ADA / 44B / 44BB / 44BBA].		
Purpose	All notified ICDS are applicable for computation of income chargeable under the head "PGBP" or "IFOS" and not for the purpose of maintenance of books of account.		
Conflict	Conflict between ICDS and Income Tax - IT Act shall prevail Conflict between ICDS and Case Laws - ICDS shall prevail		
Types / Category	ICDS	AS	Name
	I	1	Accounting Policies
	II	2	Valuation of Inventories
	III	7	Construction Contracts
	IV	9	Revenue Recognition
	V	10	Tangible Fixed Asset
	VI	11	Effects of changes in Foreign Exchange Rates
	VII	12	Government Grants
	VIII	13	Securities
	IX	16	Borrowing costs
	X	29	Provisions, Contingent Liabilities & Asset
ICDS - I Accounting Policies	<ul style="list-style-type: none">It doesn't recognize concepts of "Materiality" & "Prudence" in selection of accounting policiesExpected Loss or mark to market losses shall not be recognized unless permitted by another ICDS. However ICDS is silent about mark to market Gains.		
ICDS - II Valuation of Inventories	<ul style="list-style-type: none">ICDS requires inventory to be valued at Cost or Net Realizable value, whichever is lowerCost of inventories shall comprise of all costs of purchase, costs of services, costs of conversion & other costs incurred in bringing the inventories to their present location & condition.		
ICDS - III Construction Contracts यह ICDS Imp है	<ul style="list-style-type: none">It recognizes % of completion method (POCM) for recognizing contract revenue & contract costs associated with a construction contract.Retention money is considered as part of contract revenue & hence shall be recognized under POCM under ICDS. [As per AS-7 there is no treatment of retention money]Contract amount = Revenue agreed + retention + variations + claims + incentiveContact cost shall not be reduced by incidental income like interest, dividendPenalties arising from delay in contract completion shall not be reduced from contract revenue.		
ICDS - IV Revenue Recognition यह ICDS Imp है	Service Contracts - Duration < 90 days		Service Contracts - Duration > 90 days
	Shall be recognised When service are rendered and complete or substantially complete.		Shall be recognised on the basis of % completion method.
ICDS - V Tangible Fixed Asset	<ul style="list-style-type: none">Revenue from Sale of Goods - When there is reasonable certainty of its ultimate collection.Dividend - Recognised as per Income Tax ActInterest - On Time basis determined by amount outstanding and rate applicableInterest on refund of Taxes, Duties, cess - Recognized on receipt basisICDS IV is not applicable on recogn of lottery receipt		
	<ul style="list-style-type: none">Revaluation of Assets is not permitted as per ICDS.In case of exchange of assets cost of assets shall be FMV of assets received in Return.Income arising from transfer of tangible assets shall be computed as per Income Tax Act.The ICDS also contains disclosure requirements in respect of such assets, like the description of asset or block of assets, rate of depreciation, actual cost or written down value, as the case may be, etc.		

ICDS - VI Effects of changes in Foreign Ex. Rates	Particular	Monetary Item	Non-Monetary Item
	Example	Cash, Debtors, Creditors	Fixed Assets, Inventories, Equity
	Rate	Closing Date 31.03	Transaction Date
	Treatment - as on 31.03	Recognized as Income or as Expense	Not recognized as income or as expenses. (Except Inventory)
ICDS - VII Government Grants	• Government Grants - Related to assets		
	a. Against Depreciable Assets	- Should be deducted from actual cost of asset.	
	b. Against Non -Depreciable Assets	- To be recognized as Income over same period which the cost of meeting such obligation is charged to Income	
	• Government Grants - Related to expenditures - Pro rata reduction should be made in the same proportion as such assets bears to all assets with reference to which govt grants is so received		
ICDS - VIII Securities यह ICDS Imp है <i>M2M = Market to Market</i>	• ICDS Prescribe valuation category wise and not security wise as required by AS		
	Securities being		Valuation as on 31.03
	a. Security listed	--> Cost / NRV, whichever is less	
	b. Security Not listed / Listed but not quoted	--> Actual Cost	
	c. Security PFI, Sch Bank	--> RBI Guidelines	
	d. Derivatives	--> At Purchase price (M2M not allowed)	
ICDS - IX Borrowing costs	• Borrowing cost - Directly Attributable to the acquisition --> to be capitalized as part of the cost of that asset.		
	• Other Borrowing Cost --> Recognised as per Income Tax Act		
ICDS - X Provisions, Contingent Liabilities & Contingent Asset	• AS-29 - Contingent Assets are recognized on the basis of Virtual certainty		
	• ICDS - Contingent Assets are recognized on the basis of Reasonable certainty		
	• Employee benefit shall be governed by Act not ICDS		
	• Disclosure requirements of this ICDS includes, each class of provision made, asset and income recognized.		

Space for Your Notes

Sec 22 - Charging Section	Annual value of any property comprising of building / land appurtenant thereto, of which assessee is owner, is chargeable to tax under the head "Income from House Property".		
Types of House Property	1. Self Occupied	2. Let Out	3. Deemed to be Let out
Computation of GAV - Gross Annual Value	Particular	Amount	
	Municipal Value / Fair Rent ↑	xxx	
	Standard Rent	xxx	
	Lower is Expected Rent	xxx	
	Actual Rent	xxx	
	Higher = GAV (Sec 23)	xxx	
	Municipal Tax	xxx	
	Net Annual Value (NAV)	xxx	
	Dedn 30% u/s 24(a) xxx		
	Interest u/s 24(b) xxx		
	Income from House Property	xxx	

Note :

1. Let out property vacant hai - Vacancy hai toh Actual Rent lena
2. Let out- Vacant--SOP - ER or AR ka higher

• Misc.

Where the house property is held as stock-in-trade	<ul style="list-style-type: none"> - and the property / any part of the property is not let during the whole / any part of the previous year, - the annual value of such property or part of the property, - for the period up to 2 Years 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 to be NIL.
Pre-construction / Acquisition interest	<p>It is allowed in 5 equal instalments from the year in which construction was completed.</p> <p>Example - Loan taken on 5 Oct 2020, Construction Completed on 10 June 2021</p> <p>Interest paid from 05 Oct 2020 to 31 March 2021 - allowed in 5 equal instalments</p>
Claim annual value of any of the 2 house properties as NIL	<p>If assessee has more than two house properties, he can claim that the annual value of any 2 house properties shall be nil which</p> <ul style="list-style-type: none"> • Conditions: (a) are in occupation of the owner for the purpose of his own residence; or (b) cannot actually be occupied by the owner owing to his employment, business or profession carried on at any other place and he has to reside at that other place in a building not belonging to him.

Section 27

Deemed Ownership (Income from House Property)

	1	2
Transfers any house property to	Spouse	Minor child
Without	Consideration / Inadequate considn.	Consideration / Inadequate considn.
Exception	Transfer in connection of live apart	Other than minor married daughter

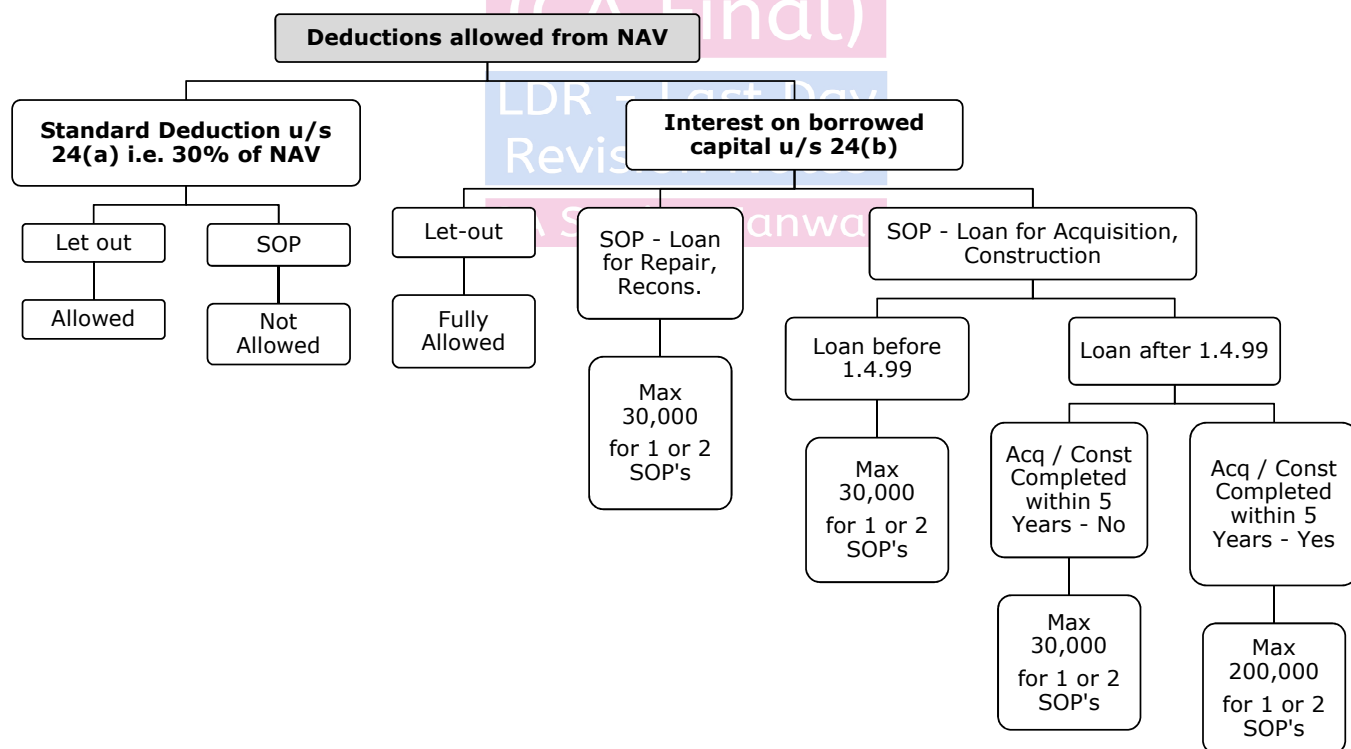
3. Holder of an impartible estate,

4. Member of a co-operative society

5. Person in possession of property even if sale deed has not been executed in favour of buyer

• Interest on housing loan (Deduction benefit) - Master chart

Section -->	24b	80C	80EE	80EEA
Deduction for	Interest on Loan	Principal Repayment	Interest on Loan	Interest on Loan
Type of House	RHP, CHP	RHP	RHP-SOP	RHP
Person to whom ded ⁿ is available	Every assessee	Individual or HUF	Individual	Individual
Loan from	Any person	Bank, FI, NHB, LIC from certain employers	Banks / FI	Banks / FI
Due or paid basis	Due basis	Paid basis	Paid basis	Paid basis
Deduction from where	Available from House Property	Available from GTI	Available from GTI	Available from GTI
Conditions			<ul style="list-style-type: none"> • Amt. of loan ≤ 35 lacs • Value of HP ≤ 50 lacs • Loan must be sanctioned in 2016-17 • Not own any RHP on date of loan sanction 	<ul style="list-style-type: none"> • SDV of HP ≤ 45 lacs • Loan must be sanctioned in 2019-21 • Not own any RHP on date of loan sanction.
Maximum Limit	Let-out - No Limit SOP - 30K / 2 Lakh	150000	50000	150000



Part - A	Part - B	Part - C
[80C, 80CCC, 80CCD, 80CCE] [80D, 80DD, 80ddb, 80U,] [80E, 80EEA, 80EEB] [80G]	80IBA, [80JJA, 80JJAA] [80LA, 80M] [80P, 80PA] [80GGB / 80GGC], [80TTA / 80TTB] [80QQB / 80RRB]	80-IA / 80-IAB / 80-IAC / 80-IB / 80-IC / 80-IE

Part - A

Imp Points	<p>1. As per Sec 80AC - Deduction u/s 80-IA to 80RRB is not allowed unless assessee furnishes Return of Income within due date u/s 139(1)</p> <p>2. Deduction under chapter VI-A is Not Allowed against LTCG u/s 112 and 112A, STCG u/s 111A & Special rates of tax income.</p>
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Sec 80C - Specified Investments	<p>Eligible Assessee: Individual & HUF</p> <p>Max Deduction Rs. 150000</p> <p>Life Insurance Premium for --> In case Individual - Self, Spouse, Children</p> <p>Life Insurance Premium for --> In case HUF - Any member of HUF</p> <p>• Imp Investments</p> <p>LIC, Public Provident Fund, SPF, RPF, Investment in NSC, NABARD Bond, Deposit in Sukanya samridhi Scheme a/c, Housing Loan Repayment, Stamp Duty- Regn Fees of HP</p>
Sec 80CCC - Contribution to Pension Fund	<p>Eligible Assessee: Individual</p> <p>Max Deduction Rs. 150000</p>

Sec 80CCD(1) - Contribution to Pension Scheme / ATAL Pension Yojna / NPS.	Sec 80CCD(1B) - Additional deduction other than Sec 80CCD(1)	Sec 80CCD(2) - Employer's contribution to NPS
<p>Eligible Assessee: Individual</p> <p>• Deduction for Salaried Employee</p> <p>Lower of → His Contribution or 10% of Salary</p> <p>• Deduction for Other Individuals</p> <p>Lower of → His Contribution or 20% of GTI</p> <p>Salary = Basic salary+ DA (In terms)</p>	<p>Additional deduction up to Rs. 50,000</p> <p>allowed other than contributions covered u/s 80CCD</p>	<p>Eligible Individual (Salaried)</p> <p>• Deduction - Lower of</p> <p>- Employer's Contribution or</p> <p>- 10% of Salary *</p> <p>Salary = Basic + DA (In terms)</p> <p>* 14% in case contr. made by CG</p>

80CCE - Cap Limit	Aggregate deduction u/s 80C + 80CCC + 80CCD (1) is restricted to Maximum 1,50,000.				
Sec 80D	Eligible Assessee: Individual & HUF				
	For whom --> In case Individual - Self, Spouse, Dependent Children [S+S+C] and Parents				
	For whom --> In case HUF - Any member of HUF				
		1	2	3	4
	Particular	S+S+C Age < 60	S+S+C Age > 60	Parent Age < 60	Parent Age > 60
	Medical Insurance Premium	25,000	50,000	25,000	50,000
	CG. Health Scheme	25,000	25,000	-	-
	Preventive Health check-up [Cash allowed]	5,000	5,000	5,000	5,000
	Maximum Allowed -->	25,000	50,000	25,000	50,000
	Medical Expenditure of Senior citizen**	-	50,000	-	50,000
	Final Deduction -->	25,000	50,000	25,000	50,000
** Medical Expenditure is allowed if no amt has been paid towards health insurance.					

80DD - Deduction in respect of Medical treatment & Maintenance of Handicapped dependent relative [For others]	80DDB - Deduction in respect of Medical treatment of specified Disease	Sec 80U - Deduction for handicapped Assessee [Own]
Eligible Assessee: Individual & HUF • In case Individual - Spouse, Children, Brother, Sister, Mother, • In case HUF - Any Member • Deduction - Flat Deduction a. Normal Disability - Rs. 75000 b. Severe Disability - Rs. 125000	Eligible Assessee: Individual & HUF • In case Individual - Spouse, Children, Brother, Sister, Mother, Father • In case HUF - Any Member • Deduction - Lower of a. Rs. 40000 or Expenses b. Rs. 100000 or Expenses (Senior Citizen)	Resident Individual • Deduction - Flat Deduction a. Normal Disability - Rs. 75000 b. Severe Disability - Rs. 125000

Sec 80E - Deduction in respect of Interest on loan for higher education in India	Eligible Assessee: Individual Dedn - Interest Paid Deduction is allowed if loan taken for education of self, spouse, children, and any student from whom assessee is legal guardian.
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80EEA - Deduction in respect of Interest on housing Loan	Eligible Assessee: Individual (other than covered in 80EE) Conditions : 1. Loan should be taken from Bank, Financial Inst. for acquisition of house property 2. Stamp duty value of HP should be ≤ 45 Lakhs 3. Loan should be sanction between 01/04/19 to 31/03/2021 4. Assessee does not own any residential HP on date of sanction of loan 5. Where dedn under this sec. is allowed for any interest, deduction shall not be allowed in respect of such int. under any other provision of this act for the same or any AY 6. First deduction should be claimed u/s 24(b) of House Property and remaining interest dedn. u/s 80EEA Amt of Deduction : Max 1.5 Lakhs														
80EEB - Deduction in respect of Interest on Electric Vehicle Loan	Eligible Assessee: Individual Conditions : 1. Loan should be taken from Bank, Financial Inst. including NBFC for purchase of e- vehicle 2. Loan should be sanction between 01/04/19 to 31/03/2023 3. Where dedn under this sec. is allowed for any interest, deduction shall not be allowed in respect of such int. under any other provision of this act for the same or any AY Amt of Deduction : Max 1.5 Lakhs														
80G - Donation	Deduction Available : <table><tr><td>100%</td><td>Without any limit</td><td>100%</td><td>of the restricted amount</td></tr><tr><td>50%</td><td>Without any limit</td><td>50%</td><td>of the restricted amount</td></tr></table> Steps for calculating Adjusted GTI - Reduce the following; <table><tr><td>1. Chpt VI-A deduction except 80G</td><td>4. Any income on which IT not Payable</td></tr><tr><td>2. STCG u/s 111A</td><td>5. Income referred in Section 115A,115AB, 115AC, 115AD, 115D</td></tr><tr><td>3. LTCG 112 & 112A</td><td></td></tr></table> No deduction shall be allowed in respect of donation of any sum exceeding Rs. 2,000 unless such sum is paid by any mode other than cash.	100%	Without any limit	100%	of the restricted amount	50%	Without any limit	50%	of the restricted amount	1. Chpt VI-A deduction except 80G	4. Any income on which IT not Payable	2. STCG u/s 111A	5. Income referred in Section 115A,115AB, 115AC, 115AD, 115D	3. LTCG 112 & 112A	
100%	Without any limit	100%	of the restricted amount												
50%	Without any limit	50%	of the restricted amount												
1. Chpt VI-A deduction except 80G	4. Any income on which IT not Payable														
2. STCG u/s 111A	5. Income referred in Section 115A,115AB, 115AC, 115AD, 115D														
3. LTCG 112 & 112A															

Part - B

80-IBA - Developing and Building Housing Project D - Delhi M - Mumbai K - Kolkata C - Chennai D - Delhi (Noida, Gaziabad, Gurugram, Faridabad) M - Mumbai (Whole) K - Kolkata C - Chennai H - Hyderabad B - Bengaluru	Amt of Deduction - 100% of Profit Project should be completed within 5 years • Approval should be between 01-06-16 to 31-03-21		
	Technical Limit		4 Metro City (D,M,K,C)
	Other Place		
	Minimum size of Plot of Land		1000 sq mt
	Residential Unit Carpet Area		Max 30 sq. mt
	Minimum % of permissible floor area		Max 60 sq mt
	Shop, commercial establishment		not less than 90%
			not less than 80%
			Max - Higher of 3% of aggr carpet area ya 5000 sq foot
	• If project approved on or after 01.09.2019		
	Technical Limit		4 Metro City (D,M,K,C,H,B)
	Other Place		
	Minimum size of Plot of Land		1000 sq mt
	Residential Unit Carpet Area		Max 60 sq. mt
	Minimum % of permissible floor area		Max 90 sq mt
	Shop, commercial establishment		not less than 90%
			not less than 80%
			Max - Higher of 3% of aggr carpet area ya 5000 sq foot
	The stamp duty value of residential unit in the housing project does not exceed 45 lakh rupees. • Other conditions (same for both) : 1. Not more than one residential unit in the housing project is allotted to any person not being an individual 2. It should not be a mere work contract. 3. Maintain separate Books of accounts in respect of housing project. 4. Where residential unit in the housing project is allotted to an individual, no other residential units shall be allotted to that individual / his spouse / minor children		
80JJA: Business of Processing of bio-degradable waste	Deduction :	100% of Profit	Period : 5 Consecutive years
Sec 80 JJAA - 30% Additional Employee Cost Eligible Business - Any business but not profession	Applies to whom Sec 44AB applies Deduction : 30% of additional employee cost Additional employee does not includes; a. Employee whose total emoluments are > Rs. 25,000 per month; or b. Employee does not participate in RPF; or c. Employee employed for a period of <240 days during the previous year (In case of apparel manufacturing business footwear or leather products – 150 days) d. Emoluments are paid in Cash [otherwise than by an account payee cheque or account payee bank draft or by use of electronic clearing system through a bank account] e. Employee for whom the entire contribution is paid by the Govt. under the Employees' Pension Scheme notified in accordance with the provisions of the EPF Act, 1952		
Sec 80-LA - Deduction in respect of Income of IFSC and Offshore Banking Unit	Applies to :	Offshore Banking Unit (in SEZ) & International Financial Services Centre (IFSC-Ahmedabad)	
	Deduction :	Banking unit in SEZ --> Initial 5 year - 100%, Next 5 year - 50% IFSC --> 100% for 10 Consecutive year out of 15 year	
Sec 80M - If Company receiving Dividend Distributed one month prior to the Due date of Furnishing return u/s 139(1) (Applicable on Both - Pref Shares / Equity)	Applicable to :	Domestic Company only.	
	Allowed when :	Deduction shall be allowed only if the dividends are distributed and not just declared on or before the due-date.	
	Deduction shall not exceeds :	As per Sec 80A(2), It shall not exceed the amount included in Gross Total Income.	
	Note :	1. Deduction u/s 80M will be available even if the Company has opted for section 115BAA / 115BAB. 2. Sec 80M shall also allowed for Dividend u/s 115BBD, Deemed Dividend u/s 2(22)(a)/(b)/(c)/(d)/(e).	

80P - Deduction in respect of certain Income of Co-Operative Society	General Deduction : Consumer Society Rs. 100,000 Other Rs. 50,000 Allowed to : Primary Agriculture Credit Society [PACS] or Primary Co-op Agriculture & Rural Development Bank [PCA-RDB] Without aid power --> 100% With aid power --> No Deduction
80-PA - Deduction in respect of certain Income of Producer Companies	Turnover less than 100 Crore in any previous year for AY 19-20 to 24-25 Deduction = 100% of the profits and gains attributable to following eligible businesses a) the marketing of agricultural produce grown by the members; or b) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to the members; or c) the processing of the agricultural produce of the members
Sec 80GGB Sec 80GGC [No dedn if in cash]	Donation to Political Parties or Electoral Trust by Indian Company 100% Dedn. Donation to Political Parties or Electoral Trust by Any Person * 100% Dedn. * Other than Indian company
Sec 80TTA Sec 80TTB	Interest on Saving a/c Ind + HUF Limit Rs. 10,000 Interest on Saving a/c + Int FD R. Senior Limit Rs. 50,000
Sec 80QQB Sec 80RRB	Royalty Income of Author Rs. 3 Lakhs / Actual whichever is lower Royalty Income on Patent Rs. 3 Lakhs / Actual whichever is lower

Part - C

80-IA - Profits from enterprises engaged in infrastructure development, etc.	Business	Deduction	Period
	Infrastructure Facility	100% of profit	10 / 20 year
	Industrial Park, SEZ, Power Generating	100% of profit	10 / 15 year
80IAB - Profit to Developer of SEZ	Deduction : 100% Profit	Period 10/15 Year	
80-IAC - Specified Business Dedn - 100% Profit Period - 3 / 10 Yr.	Specified business: Innovation / development / Improvement of product/ processes Condition - 1. It is incorporated on /after the 1st day of April, 2016 but before the 1st day of April, 2021 2. Total turnover of its business does not exceed Rs. 100 Crore in the PY for which such deduction is claimed and 3. Hold Certificate from Inter-Ministerial Board of Certification (IMBC)		
80-IB - Industrial Undertaking in Jammu & Kashmir	Deduction : Initial 5 AY - 100% Next 5 AY- Company - 30% / Other 25% Next 7 AY- Co-op Soc - 25% Condition : Value of Old machinery should not > 20% Not includes : Cash compensatory support (CCS), Profit-Sale-Import entitlement, Duty Drawback, Duty exemption passbook (DEPB) Subsidy Allowed : Transport, Power, Interest, Insurance		
Sec 80-IC - Undertaking - Himachal Pradesh or Uttarakhand	Deduction : First 5 year - 100% Next 5 AY - Company- 30% Next 5 AY - Other - 25% Condition : 1. Undertake expansion or Manufacture / process any article/thing 2. Commence before 31.03.12 Substantial expansion at least 50% increase in P&M Subsidy Allowed : Transport, Power, Interest, Insurance		
Sec 80-IE - Undertaking in North Eastern States	Deduction : First 10 year - 100% Condition : 1. Undertake sub expansion to Manufacture / process any eligible article / carry eligible business except - Tobacco, Pan M., Plastic 2. Commence before 31.03.17 Substantial expansion at least 25% increase in P&M		

• **General Points on Sections 80-IA / 80-IAB / 80-IAC / 80-IB / 80-IC / 80-IE / Sec 10AA**

Not form part of the Profit	a. Cash compensatory support (CCS), c. Profit-Sale-Import entitlement,	b. Duty Drawback, d. Duty exemption passbook (DEPB)
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9 Clubbing of Income

Sec 64(1)(ii) Income of Individual to include income of Spouse from concern in which individual has substantial interest

In the Income of	Individual there shall be included
Income of Spouse	By way of Salary / Commission / Fees or any form of Remuneration.
Mode	in Cash or Kind
Substantial Interest means ?	From a concern in which the individual has substantial interest. Means 20% Voting power / share in profit at any time during PY)
If both have substantial int ?	Then income will be clubbed in the hands of the individual whose income excluding such remuneration is greater.
It not include	No clubbing if Spouse possesses technical or professional qualification and such income is attributable to his or her technical or professional knowledge and experience.

64(1)(iv) Income of Individual include Income of Spouse from asset transferred without adequate consideration (This section applies to all assets except House Property)

Asset of Individual	--> Transferred without adequate consideration --> To Spouse
Income from such asset	Shall be clubbed in the hands of Transferor.
Except	Where transfer is in connection with an agreement to live apart
Relationship existence	Relationship must exist both at the time of transfer of asset and at the time when income accrues.

64(1)(vi) Income of Individual include Income of Son's wife from asset transferred without adequate consideration

Asset of Individual	--> Transferred without adequate consideration --> To Son's wife
Income from such asset	Shall be clubbed in the hands of Transferor.
Relationship existence	Relationship must exist both at the time of transfer of asset and at the time when income accrues.

64(1)(A) Clubbing of Income from minor child (Exemption u/s 10(32) - Rs. 1500)

Income of	Minor child including minor married daughter, shall be clubbed with the income of parent
Exception	a. Minor child suffering from disability specified u/s 80U b. Such income on account of manual work / activity involving of his skills, talent, specialized knowledge and experience.
Note	जिस parents का other income ज्यादा होगा उसमें club किया जाएगा.

64(2) Conversion of self acquired property into HUF's property without adequate consideration

Such income derived from the converted property shall be deemed to be the income of the individual till the time partition takes place.

SUMMARY OF CLUBBING OF INCOME

An Individual --> Transfer Asset --> For Inadequate consideration or Without consideration to ↓

Transferred to	Asset Transferred	Section	Remark
- Minor Married Son - Minor Unmarried Son - Minor Unmarried Daughter	House Property	Sec 27	Transferor is deemed as owner of H.P.
- Minor Married Son - Minor Unmarried Son - Minor Unmarried Daughter	Other Asset (Other than House Property)	Sec 64(1A)	Club with income of parent whose other incomes are greater. Sec 10(32) - Rs. 1500 benefit available.
Spouse (other than agreement to live apart)	House Property Other Asset (Other than HP)	Sec 27 Sec 64	Transferor is deemed as owner of H.P. Income clubbed with Income of transferor.
Minor Married Daughter	Any Asset	Sec 64(1A)	Club with income of parent whose other incomes are greater. Sec 10(32) - Rs. 1500 benefit available.
- AOP / BOI for immediate / deferred benefit of spouse - Son's Wife - AOP / BOI for immediate / deferred benefit of son's wife	Any Asset	Sec 64	Income clubbed with Income of transferor.
Son's Minor Child	Any Asset	64(1A)	Income clubbed with Son / Son's wife
- Major Son / Daughter - Friend	Any Asset	-	There will No Clubbing

LDR - Last Day
Revision Notes

CA Sanjay Zanwar

10 Setoff and c/f of Losses

Head	Years/ Mandatory Return Filing (Y/N)	Current year Losses set off from ↓	B/f Losses (Any A.Y.)
Sec 73 - Loss from Speculative Business	4 years (Yes)	Only Speculative Income	Only Speculative
Sec 74A - Loss from Horse Race	4 years (Yes)	Only Horse Race	Only Horse Race
Sec 71B - Loss from House Property	8 years (No)	Any Head up to 2 lakh	Only HP
Sec 72 - Other Business Loss	8 years (Yes)	Except Salary	Only Business
Sec 74 - Short Term Capital Loss	8 years (Yes)	STCG / LTCG	STCG / LTCG
Sec 74 - Long Term Capital Loss	8 years (Yes)	Only LTCG	Only LTCG
Sec 73A - Loss of Specified Business-35AD	Indefinitely	Only Specified Business	
Sec 32(2) - Unabsorbed Depreciation	Indefinitely (No)	Any Income (No Salary)	

Note : Filing of ROI u/s 139(1) within due date is mandatory for carry forward of above losses except

HP Loss	Unabsorbed Dep
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- The priority to setoff - 1. Current year depreciation 2. B/ forward business losses 3. B/ forward depreciation

Sec 78(1) does not permit c/f of losses pertaining to the share of retired / deceased partner

A company has two business, 1. Textile business 2. Trading of shares

1. If Trading of shares is **not** principal business -->

Income / Loss will be treated as speculative

2. If Trading of shares is principal business -->

Income / Loss will **not** be treated as speculative

Sec 79**Carry Forward and Set-Off of Losses in the case of certain companies**

Basic	Provisions of Sec 79 apply to company, not being a company in which public are substantially interest.
Condition to be fulfilled Companies other than Start-up	<p>In order to carry forward losses & set off against the income of the PY,</p> <ul style="list-style-type: none"> • following condition needs to be fulfilled: <ul style="list-style-type: none"> - 51% of the voting power of the company are beneficially held, as on the last day of the PY in which the loss is sought to be set off, - by the same person who holds at least 51% of the shares on the last day of financial year in which the loss was incurred. <p>Example - Losses of PY 18-19 can be set against income of PY 19-20, If 51% or more equity shares held by same persons on 31/03/19 and 31/03/20.</p>
Condition to be fulfilled - Start-up* (See Definition)	<ul style="list-style-type: none"> - Even if the above-referred condition is not satisfied by 'eligible start-ups', - the loss incurred in any year (prior to the previous year) shall be allowed to be carried forward & set off against the income of the previous year, • if the following condition is satisfied: <ul style="list-style-type: none"> - All shareholders having voting power on the last day of the PY in which loss was incurred continue to be holding shares on the last of day of the PY in which income is to be set off. - The above relief is available in case the loss is incurred during the period of 7 years beginning from the year of incorporation.
* Eligible Start Up means	<p>It means Company / LLP engaged in eligible business which fulfils the following conditions:</p> <ol style="list-style-type: none"> Incorporated on or after the 01.04.2016 but before the 31.03.2021. Total turnover of its business does not exceed Rs. 100 crore in the PY for which deduction under section 80-IAC is claimed and Holds certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the CG.

• Following **changes** in Shareholding shall **not be considered as a change in shareholding** for the purpose of Sec 79

Death	1. Where change in voting power & shareholding takes place in a PY consequent upon on Account of Death of a shareholder
Gift	2. When change in voting power & shareholding takes place in a PY on account of share transfer resulted due to gift to any relative of the shareholder making such gift.
Amalgamation / Demerger of Indian Company (being subsidiary of foreign company)	<p>3. In case of a change in shareholding of an Indian company (being a subsidiary of a foreign company) due to demerger or amalgamation of a foreign company.</p> <p>Condition --> The demerger or amalgamation is undertaken with condition that 51% shareholding of amalgamating or demerged foreign company would continue to be the shareholders of the amalgamated or the resulting foreign company.</p>
Resolution Plan under IBC	4. When the change in shareholding takes place based on a resolution plan which is approved under the Insolvency and Bankruptcy Code.
Tribunal Suspended BOD and Tribunal approved resolution plan under companies act	<p>5) When company & It's subsidiary (including a subsidiary of such subsidiary) in case:</p> <ol style="list-style-type: none"> The Tribunal (on application u/s 241) has suspended the BOD of the company and has appointed new directors; and Change in shareholding of company & its subsidiary (including a subsidiary of such subsidiary) on the basis of resolution plan approved by Tribunal u/s 242 of the companies act.

• **Summary of Sec 72A**

Case	Accumulated Business Loss	Can be c/f by	Time Limit
Sec 2(B) - Amalgamation	Amalgamating Co.	Amalgamated Company	Fresh Period of 8 Years
Sec 2(19AA) - Demerger	Demerged Company	Resulting Company	Remaining Period of 8 Yr
Conversion of Firm to Company	Firm	Successor Company	Fresh Period of 8 Years
Conversion of Proprietorship to Company	Proprietary concern	Successor Company	Fresh Period of 8 Years
Conversion of Unlisted Company into LLP	Unlisted Company	LLP	Fresh Period of 8 Years

Sec 72AA**Carry forward & set off of accumulated loss & unabsorbed depreciation allowance in scheme of amalgamation in certain cases**

Type of Amalgamation	a. Any bank is amalgamated with a nationalised bank as per scheme of Central Government u/s 45(7) of Banking Regulation Act. b. Any nationalised bank is amalgamated with another nationalised bank. c. Any government company carrying on general insurance business is amalgamated with another government company carrying on general insurance business.
Then	- The accumulated losses under the head P/G/B/P and - Unabsorbed depreciation of amalgamating entity will be deemed as current year loss or current year depreciation of the amalgamated entity of the previous year in which amalgamation takes place.
Not Applicable	The conditions of section 72A are not applicable. The conditions given in definition of amalgamation in section 2(1B) are not applicable.

Direct Tax

11 Misc. Provisions [Dividend, Units, ESOP, Buyback, Bonus Stripping]

Chapter MAP

Part - A	Part - B	Part - C
<ul style="list-style-type: none"> Tax on Dividend recd from Foreign Co. Taxation of Dividend Income 	<ul style="list-style-type: none"> Interest & Bonus Stripping Sec 115QA - Buy back of shares Taxation of Income on Units 	<ul style="list-style-type: none"> Taxation of ESOP

Part - A

Sec 115BBD - Dividend received by Indian company from Foreign company	Basic	Indian co. holds 26% or more in nominal value of equity share capital of the Foreign Company
	Taxable	@ 15% + (Surcharge if applicable) + 4% HEC
	Note	No other expenses allowed against dividend, means gross dividend is taxable If Foreign Co. gives loan then Sec 2(22)(e) will attract. Don't apply Sec 115BBD

• Sec 115-O - Dividend Taxation

Particular	2(22)(a)/(b)/(c)/(d)	2(22)(e)
Applicable to	--> All companies	--> Closely held company
Treated as Deemed Dividend	--> To the extent of accumulated profit (Capitalised or not)	--> To the extent of accumulated profit
In the hands of Company -->	DDT is not applicable (FA 2020)	DDT is not applicable (FA 2020)
In the hands of Share holders -->	Taxable at Normal Rate	Taxable at Normal Rate

#Note - Surcharge on Dividend Income is restricted to 15% (Refer Chapter 1)

• Determination of PY in which Dividend is Taxable in the hands of Shareholders	Type	Deemed Income of Previous Year
	Deemed Dividend	PY in which it is so distributed or paid by the company
	Final Dividend	PY in which it is so declared at AGM
	Interim Dividend	PY in which it is received by the shareholders

• Allowability of Expenses from Dividend Income

Deduction u/s 57	As per Sec 57, while computing Dividend Income, deduction of max 20% of Dividend Income is allowed on account of Interest expense.
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• **TDS on Dividend (Sec 194)**

Rate	10% on Payment to Resident Shareholders
Not applicable when	a. Dividend is paid by any mode other than CASH and b. Dividend amount does not exceeds Rs. 5000

• **Taxation of Dividend Income in the hands of Non-Resident & Foreign Company (Sec 115A)**

Taxable @	20% u/s 115A	TDS @	20% u/s 195
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• **Deemed Dividend**

2(22)(a)	Any distribution of Asset by Company to its Shareholders	(To the extent of accumulated profit, capitalised or not)
2(22)(b)	Distribution of Bonus to Pref. shareholders, Distribution of Debenture, Debn Stock to any Shareholders	
2(22)(c)	Asset distribution in case of Liquidation	
2(22)(d)	Reduction of share Capital.	
2(22)(e)	Loans and advance by closely held company (To the extent accumulated profit)	

Part - B

• **Tax - Fee Interest Stripping Transaction and Bonus Stripping**

Type	Applies to	Condition
Interest Stripping Sec 94(7)	Security & Unit	Buy security / Unit 3 months prior to record date Sells Security - 3 month / Unit 9 month after record date
Bonus Stripping Sec 94(8)	Unit only	Buy Unit 3 months prior to record date Sells Unit 9 month after record date

• **Sec 115QA - Buy back of Shares**

No Gross up.

Pay tax within 14 days

In the hand of	Shares of Domestic Company (Listed* or Unlisted)	Shares or Specified Securities (Other than Domestic Company)
Company	Tax @23.296% (20%+12%+4%)	No Tax Treatment
Shareholders	Exempt u/s 10(34A) - No CG	Capital Gain u/s 46A

* from 05.07.19

• **Taxation of Income on Units**

Particular	In the Hands of Specified Company	In the Hands of Unit holders
Chargeability	Income of All Mutual Funds are exempt u/s 10(23)	Distributed Income is taxable in the hands of Unit holders.
TDS	Not Applicable	U/s 194K @ 10% if Income > Rs. 5000

Part - C

• **Taxation in case of ESOP**

Basic	As per section 17(2) ESOPs or Sweat equity shares are taxable as perquisite in hands of employee in the year in which shares allotted to employee.	
Taxable Amount	FMV of shares on the date on which option Exercised	xxx
	(-) Amount paid by Employee for ESOP's	xxx
	Taxable Amount	xxx

Calculation of FMV as per Rule 3(8)	• On the date of exercising the option - Company is <u>listed</u> on recognised stock exchange										
	a. Company listed on recognised stock exchange	- FMV shall be Average of Opening + Closing of share on that date on said stock exchange									
	b. Company listed on more than one stock exchange	- FMV shall be Average of Opening + Closing of the share on the recognised stock exchange which records the highest volume of trading in the share.									
	<p>Provided further that where, on the date of exercising of the option, there is no trading in the share on any recognized stock exchange, the fair market value shall be :</p> <p>(a) the closing price of the share on any recognised stock exchange on a date closest to the date of exercising of the option and immediately preceding such date; or</p> <p>(b) the closing price of the share on a recognised stock exchange, which records the highest volume of trading in such share, if the closing price, as on the date closest to the date of exercising of the option and immediately preceding such date, is recorded on more than one recognized stock exchange</p> <p>• On the date of exercising the option - Company is <u>not listed</u> on recognised stock exchange</p> <p>FMV shall be such value of the share in the company as determined by a merchant banker on the specified date.</p>										
Sale of Shares by Employee	<p>Computation of Capital Gain</p> <table> <tr> <td>Full Value of Consideration</td><td>xxx</td><td>(Sale Value of Consideration)</td></tr> <tr> <td>(-) Cost of Acquisition</td><td>xxx</td><td>(FMV of Shares as per rule 3[8])</td></tr> <tr> <td>Capital Gain</td><td>xxx</td><td></td></tr> </table> <p>Period of Holding ? [Sec 2(42A)]</p> <p>From --> Date of Allotment of ESOPS --> Till --> Date of Trf. of shares by Employee.</p>		Full Value of Consideration	xxx	(Sale Value of Consideration)	(-) Cost of Acquisition	xxx	(FMV of Shares as per rule 3[8])	Capital Gain	xxx	
Full Value of Consideration	xxx	(Sale Value of Consideration)									
(-) Cost of Acquisition	xxx	(FMV of Shares as per rule 3[8])									
Capital Gain	xxx										
Taxability of ESOPS in case of Start-ups referred u/s 80-IAC	<p>Eligible Start-up require to deduct TDS in case of ESOPS within 14 days from:</p> <p>(i) After expiry of 48 months from the end of the relevant AY; or</p> <p>(ii) From the date of sale of such specified security/ sweat equity share by the assessee; or</p> <p>(iii) From the date of the assessee ceasing to be the employee of the start-up</p> <p>- whichever is the earliest,</p> <p>- on the basis of rates in force for the financial year in which the said specified security or sweat equity share is allotted to employee.</p>										

Space for Your Notes

PART - B

12 TDS, TCS and Advance Tax

HIJAC

Some deductors shall be liable to deduct tax only if Gross receipts / Turnover from the business / profession **exceed Rs. 1 crore (in case of business) or Rs. 50 Lakhs (in case of profession)** during the preceding financial year

194H	194-I	194J	194A	194C
Commission or Brokerage	Rent	Professional Fees, etc.	Interest other than on securities	Payments to Contractors
For Individuals / HUF				Ind / HUF / AOP / BOI

Subject to Sec 194M --> Applicability of section 194M has to be checked.

• TDS / TCS Rates reduced

Section 197B	Lower Deduction in Certain Cases for a Limited Period							
For Period	14/05/2020 to 31/03/2021							
25% Dedn. --> Means <i>Rate cutter applies</i>	Sec 193	194,	194A,	194C,	194DA,	194D,	194EE,	194F
	Sec 194G	194H	194-I	194-IB	194-IC	194J	194K	194LA
	194LBA	194LBB	194LBC	194M	194-O			
	TCS -	206C(1) (Except Liquor)			206C(1C)	206C(1F)	206C(1H)	
Rate cutter not applies to Section -->	Sec 192	192A	194B	194BB	194N	194E		
	Sec 206C(1) - Alcoholic Liquor for Human Consumption					206C(1G)		

Column 1	Column 2	
192A - PF Accumulated Balance [R+NR]	Rate : 10% --> No PAN then MMR Note - No TDS if amount is < Rs. 50,000	
• Interest related		
193 - Interest on Securities [R] Rate : 10% <i>Rate cutter applies</i>	a. Interest from PFCL, IRFC (u/s 54EC) will be exempt --> TDS deduction not required b. Int Paid on on Security issued by Company :	
	Security Listed & Held in Dematerialized Form	Security is not Listed and Not in Dematerialized Form (In case of Ind / HUF)
	TDS will be Exempt	TDS only if Int is > Rs. 5000
194A - TDS on Interest other than on Securities [R] Rate : 10% <i>Rate cutter applies</i>	Note : • TDS is also to be deducted from interest on Fixed Deposits & Recurring Deposits with banks and Co-operative banks (but excludes interest on savings account) • Interest Paid by Individual / HUF --> Liable to deduct TDS only - If Total Turnover from Business exceed Rs. 1 Cr in Preceding FY. - If Total Gross receipt from Profession exceed Rs. 50 Lakh in Preceding FY.	
Category I -->	a) Interest Paid by Co-operative Bank	
	Paid to Member / Paid to Other	Paid to another Co-op Society
	Deduct TDS if, Aggregate Interest Paid to ↓ Senior Citizen : > Rs. 50,000 Paid to Other : > Rs. 40,000	TDS to be deducted if; 1. Interest is > Rs. 40000 AND 2. Total Sales, Gr. Receipts or Turnover of Payer Co-op. Bank exceeds Rs. 50 crores during the preceding FY
Category II -->	b) Interest Paid by Primary Agricultural Credit Society / Primary Credit Society / Co- Operative Land Mortgage Bank / Co- Operative Land Development Bank the above forms of co-operative societies shall also be liable to deduct TDS if:	
	Aggregate Interest Paid to ↓ Senior Citizen : > Rs. 50,000 Paid to Other : > Rs. 40,000	AND Total Sales, Gross Receipts or Turnover of Payer Society exceeds Rs. 50 crores during the preceding FY

Category III -->	c) Other Co-operative Society [Not Covered in Category I and II]																								
	Paid to Member		Paid to another Co-op Society																						
	TDS to be deducted if; 1. Interest is > Rs. 40000 (Rs. 50000 in case Sr Citizen) AND 2. Total Sales, Gross Receipts or Turnover of Payer Society exceeds Rs. 50 crores during the preceding FY		TDS to be deducted if; 1. Interest is > Rs. 40000 AND 2. Total Sales, Gross Receipts or Turnover of Payer Society exceeds Rs. 50 crores during the preceding FY																						
	Note - Paid to Other --> TDS shall be deducted if Interest is > Rs. 5000																								
194 - TDS on Dividend [R] Rate : 10% <i>Rate cutter applies</i>	• This section not apply in case: a. Dividend paid to any Insurance Company b. Resident Individual (If Dividend is paid other than Cash AND Dividend is < Rs. 5000) c. Dividend referred to in section 115-O c. Dividend payable by Foreign Company / Co- operative Society																								
• Special Income Related [R+NR]	194B - Lottery, Puzzles	Rate : 30%	Limit : Rs. 10,000																						
	194BB - Horse Race	Rate : 30%	Limit : Rs. 10,000																						
• Commission related <i>Rate cutter applies</i>	194D - Insurance Commission [R]	Rate : 5%	Limit : Rs. 15,000																						
	194H - Commission / Brokerage [R]	Rate : 5%	Limit : Rs. 15,000																						
	194G - Lottery Sale Commission [R+NR]	Rate : 5%	Limit : Rs. 15,000																						
194DA - Maturity proceed of LIP [R] Rate 5% <i>Rate cutter applies</i> Note: No TDS if -->	TDS @ 5% on Income Component (Maturity Less Premium paid) Amount Received from Insurance Company xxx (-) Amount of Premium Paid (xxx) Balance Amount xxx <-- TDS @ 5% on Balance Amount 1. If Amount less than Rs. 100,000 2. If sum is received on the occasion of death of the insured person. 3. If Amount exempt us 10(10D) -- > <table><tr><td>< 01.04.12</td><td>20% of sum assured</td></tr><tr><td>> 01.04.12</td><td>10% of sum assured</td></tr><tr><td>> 01.04.13 (Disabled)</td><td>15% of sum assured</td></tr></table> [Note: Exemption 10(10D) shall not apply to Maturity Proceeds of Keyman Insurance Policy.]			< 01.04.12	20% of sum assured	> 01.04.12	10% of sum assured	> 01.04.13 (Disabled)	15% of sum assured																
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> 01.04.13 (Disabled)	15% of sum assured																								
Sec 194C - Payments to contractors [R] Rate - 1% Ind / HUF Rate - 2% Others <i>Rate cutter applies</i>	Condition:	1. If such sum does not exceed ₹30,000/-	2. the aggregate amount during FY doesn't exceeds ₹1,00,000/-																						
	Note : No TDS required to be deducted by Individual / HUF under contract for Personal purpose even if his total sale / gross receipt exceeded Rs. 1 Cr / Rs. 50 Lakh Respectively in Preceding FY. (Subject to sec 194M)																								
Sec 194J - Professional Fees [R] Rate - 10% Rate - 2% - Operation of Call Centre <i>Rate cutter applies</i>	Condition : <table><tr><th>TDS on</th><th>Rate</th><th>Exemption</th></tr><tr><td>Fees for Professional Service</td><td>10%</td><td>Amt is up to Rs.30,000 p.a.</td></tr><tr><td>Fees for Technical Services which are Professional Services</td><td>10%</td><td rowspan="2">Amt is up to Rs.30,000 p.a. (Limit for Both)</td></tr><tr><td>Fees for Technical Services (not being Professional Services)</td><td>2%</td></tr><tr><td>Royalty - consideration for sale, distribution or exhibition of cinematographic films</td><td>2%</td><td rowspan="2">Amt is up to Rs.30,000 p.a. (Limit for Both)</td></tr><tr><td>Royalty - Other</td><td>10%</td></tr><tr><td>Non-compete Income relating to Business or Profession</td><td>10%</td><td>Amt is up to Rs.30,000 p.a.</td></tr><tr><td>Remuneration, fees, commission to director except those on which tax is deductible u/s 192.</td><td>10%</td><td>No Exemption</td></tr></table>			TDS on	Rate	Exemption	Fees for Professional Service	10%	Amt is up to Rs.30,000 p.a.	Fees for Technical Services which are Professional Services	10%	Amt is up to Rs.30,000 p.a. (Limit for Both)	Fees for Technical Services (not being Professional Services)	2%	Royalty - consideration for sale, distribution or exhibition of cinematographic films	2%	Amt is up to Rs.30,000 p.a. (Limit for Both)	Royalty - Other	10%	Non-compete Income relating to Business or Profession	10%	Amt is up to Rs.30,000 p.a.	Remuneration, fees, commission to director except those on which tax is deductible u/s 192.	10%	No Exemption
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Non-compete Income relating to Business or Profession	10%	Amt is up to Rs.30,000 p.a.																							
Remuneration, fees, commission to director except those on which tax is deductible u/s 192.	10%	No Exemption																							
	No TDS required to be deducted by Individual / HUF under contract for Personal purpose even if his total sale / gross receipt exceeded Rs. 1 Cr / Rs. 50 Lakh Respectively in Preceding FY. (Subject to sec 194M)																								

194K - Income in Respect of Units [R]	Rate : 10% <i>Rate cutter applies</i> Note : TSD shall be deducted on dividend income in respect of Units paid by; --> - Mutual Fund - Administrator of Specified Undertaking - Specified Company		Limit : Rs. 5000																														
Sec 194M - Payment to Contractor / Commission / Brokerage / Professional Fees	Payer : Individual / HUF (Other than those required to TDS u/s 194C / 194H / 194J) Payee : Any resident person Condition : Aggregate amount paid in the year is more than 50 lakh (Up to 50 lakh no TDS) Rate : 5% <i>Rate cutter applies</i> Note : Deductor is not required to apply for TAN																																
Sec 194N - Cash withdrawal exceeding 1 Crore Rate : 2% (No PAN - 20%) Note : new provision comes into force from 1.7.2020	<table><tr><td>Payer : Bank / Co-op Bank / Post office</td><td colspan="2"></td></tr><tr><td>Payee : Any Person (R + NR)</td><td colspan="2"></td></tr><tr><td>Condition : Cash withdrawals exceeds Rs. 1 crore during the previous year.</td><td colspan="2"></td></tr><tr><td>Note.</td><td colspan="2"></td></tr><tr><td colspan="3">If recipient has not filed returns of income by due date specified u/s 139(1) for all of the PY ending on 31.3.2019, 31.3.2018 and 31.3.2017. (has not filed returns for the 3 PY)</td></tr><tr><td></td><td>Cash withdrawn during the PY</td><td>TDS Rate</td></tr><tr><td></td><td>upto Rs. 20 lakhs</td><td>Nil</td></tr><tr><td></td><td>Above Rs. 20 lakhs but upto Rs. 1 crore</td><td>2% of cash withdrawn</td></tr><tr><td></td><td>Above Rs. 1 crore</td><td>Rs. 2 lakhs + 5% of cash withdrawn in excess of Rs. 1 cr.</td></tr><tr><td colspan="3">Note : Cash withdrawals from two different banks/co-operative banks shall not be aggregated.</td></tr></table>			Payer : Bank / Co-op Bank / Post office			Payee : Any Person (R + NR)			Condition : Cash withdrawals exceeds Rs. 1 crore during the previous year.			Note.			If recipient has not filed returns of income by due date specified u/s 139(1) for all of the PY ending on 31.3.2019, 31.3.2018 and 31.3.2017. (has not filed returns for the 3 PY)				Cash withdrawn during the PY	TDS Rate		upto Rs. 20 lakhs	Nil		Above Rs. 20 lakhs but upto Rs. 1 crore	2% of cash withdrawn		Above Rs. 1 crore	Rs. 2 lakhs + 5% of cash withdrawn in excess of Rs. 1 cr.	Note : Cash withdrawals from two different banks/co-operative banks shall not be aggregated.		
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Note : Cash withdrawals from two different banks/co-operative banks shall not be aggregated.																																	
Sec 194O - Payment of Certain Sums by E-commerce Operator to E-commerce Participant (w.e.f. 01.10.20) Rate : 1% of Gross amount Note - If PAN / Adhaar not given --> Rate is 5% <i>Rate cutter applies</i> Note - Sect 194-O overrules the entire chapter of TDS	<table><tr><td colspan="3">• Applicability, when:</td></tr><tr><td>1. e-commerce participant (Godrej) is a NR</td><td colspan="2">: Sec 194-O is not applicable</td></tr><tr><td>2. e-commerce participant (Godrej) conducts business through its own website.</td><td colspan="2">: Sec 194-O is not applicable</td></tr><tr><td>3. e-commerce operators (Flipkart) is R / NR.</td><td colspan="2">: Sec 194-O is applicable</td></tr><tr><td>4. Buyer (Sanjay) is Resident / NR</td><td colspan="2">: Sec 194-O is applicable</td></tr><tr><td>Godrej Industries</td><td>Flipkart</td><td>Sanjay</td></tr><tr><td>e-commerce Participant</td><td>e-commerce Operator</td><td>Buyer</td></tr><tr><td colspan="3"><div>• This Section applies if all the following conditions are fulfilled: - There is a sale of goods or provision of services. - Such sale or provision of services is of an e-commerce participant. - Such sale or provision of services is facilitated by an e-commerce operator. - Such facilitation is through digital or electronic facility or platform of the e-com. operator.</div><div>• Exception --> No deduction shall be made if ALL the following conditions are satisfied: a) The e-commerce participant is an individual or HUF. b) The gross amount of such sale or services or both during the PY does not exceed Rs. 5 lakh. c) The e-commerce participant has furnished his PAN / Aadhaar to the e-commerce operator. Note : Exception to "Hosting advertisements"</div></td></tr></table>			• Applicability, when:			1. e-commerce participant (Godrej) is a NR	: Sec 194-O is not applicable		2. e-commerce participant (Godrej) conducts business through its own website.	: Sec 194-O is not applicable		3. e-commerce operators (Flipkart) is R / NR.	: Sec 194-O is applicable		4. Buyer (Sanjay) is Resident / NR	: Sec 194-O is applicable		Godrej Industries	Flipkart	Sanjay	e-commerce Participant	e-commerce Operator	Buyer	<div>• This Section applies if all the following conditions are fulfilled: - There is a sale of goods or provision of services. - Such sale or provision of services is of an e-commerce participant. - Such sale or provision of services is facilitated by an e-commerce operator. - Such facilitation is through digital or electronic facility or platform of the e-com. operator.</div> <div>• Exception --> No deduction shall be made if ALL the following conditions are satisfied: a) The e-commerce participant is an individual or HUF. b) The gross amount of such sale or services or both during the PY does not exceed Rs. 5 lakh. c) The e-commerce participant has furnished his PAN / Aadhaar to the e-commerce operator. Note : Exception to "Hosting advertisements"</div>								
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Sec 195 - Payments made to Non Resident or Foreign Company	Condition : 1. Rates in force: rates of TDS given in Finance Act every year 2. If the rates given in DTAA are lower, then such lower rates will apply. 3. TDS provisions will apply only if sum received by NR / Foreign Company is taxable in India. Rate : Rate in Force																																

Immovable Property related	
194-IA - Sale of Immovable Property Rate : 1% of sale price <i>Rate cutter applies</i>	1. No TDS on Rural Agri Land 2. No TDS if consideration less than 50 Lakh (50 lakh exact TDS yes) 3. Term "consideration for immovable property" shall include all charges of the nature of club membership fee, car parking fee, electricity & water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.
194-IB : TDS on rent of Immovable Property Rate : 5% / No PAN : 20% <i>Rate cutter applies</i> Note - Deduction not to exceed rent for last month	Deductee : Ind+HUF who are not liable to audit No TDS if rent doesn't exceed Rs 50,000 pm or Part of the month Tax shall be deducted at earliest of - a) time of credit of rent for March of the previous year or b) last month of tenancy, if the property is vacated during the year or c) at the time of payment
194-IC : Consideration for agreement as per section 45(5A) Rate : 10% and Applicable to Resident only <i>Rate cutter applies</i>	1. No TDS if consideration is in kind i.e. allotment of flats in building or giving any other property • Sec 45(5A) refers to transfer under joint development agreement
194LA - Compulsory Acquisition of Immovable Property Rate : 10% of sale price <i>Rate cutter applies</i>	1. No TDS if amt up to 250,000 2. No TDS on Rural or Urban Agri Land
Sec 194I - Rent [R] Rate - 2% - P & M 10% - Building <i>Rate cutter applies</i>	Condition : 1. if such sum does not exceed ₹240,000/-

You are Individual / HUF ? → No	'HIJAC' is Applicable to You [194H, 194I, 194J, 194A, 194C]
↓ Yes	
Section 44AB Applicable to you ? → Yes	'HIJAC' is Applicable to You [194H, 194I, 194J, 194A, 194C]
↓ No	
Whether you paid > Rs. 50 Lakh for (w.e.f. 01/09/2019): Commission (194H) / Profession Fees only (194J) / Contract Charges (194C) ?	→ Yes Deduct TDS u/s 194M @ 5%

• **Sec 206A - Due date for filing the returns :**

Qtr.	Q1	Q2	Q3	Q4
TDS	31 July	31 Oct	31 Jan	31 May
TCS	15 July	15 Oct	15 Jan	15 May

• **Sec 200 - Payment due date.**

Particular	Due date
Apr to Feb	7th of next month
March	30th April

Landing & Parking charges payable by Airlines

Service includes -->

- a. Air Traffic Services b. Meteorological Services
d. Installation & Maintenance of Navigation Aids

CIT v/s Japan Airlines Co. Ltd

194I 194C

- c. Ground Safety Services
e. Aeronautical Communication Facilities

• **Consequent of Non payment of TDS**

a. Interest u/s 201	Not Deducted	1% for every month or part on the tax from date on which it was deductible to the date on which it is deducted
	Deducted but not paid to CG	1.5% for every month or part on tax from date on which it was deducted to the date on which it is actually paid
b. Penalty u/s 271C	If any person fails to deduct the whole or any part of the tax, then such person shall be liable to pay penalty equal to the amount of tax failed to be deducted or paid.	
c. Prosecution u/s 276B	Failure to pay to credit of CG the tax deducted at source: 3 m. to 7 years & fine Second and subsequent offence: 6 months to 7 years and fine	
d. Disallowance of Expenditure	Sec 40(a)(i)	100% of sum payable to Non Resident shall be disallowed.
	Sec 40(a)(ia)	30% of sum payable to Resident shall be disallowed.

Sec 206CC	If Fails to Furnish PAN -->	TCS shall be collected higher of the;	a. Twice the rate or b. 5%
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Sec 206C - Assessee in Default - If collector fails to collect TCS	<ul style="list-style-type: none"> Such collector shall not be deemed to be an assessee in default, If buyer, licensee or lessee <ol style="list-style-type: none"> furnishes his return of income u/s 139 takes into account the amount for computing income in such ROI, and pays the tax due on the income declared by him in such ROI, and such person furnishes a certificate to this effect from CA. <p>However, Finance Act, 2020 has restricted the relaxation of above Provision to Section</p> <ol style="list-style-type: none"> Sec 206(1F) - Motor Vehicle Sec 206(1G) - Foreign Remittance / Sale of Overseas Tour Program Package Sec 206(1H) - Sale of goods > Rs. 50 Lakh <p>--> Matlab Buyer ne 4 condition fulfil kiye tab bhi Seller 'Assessee in Default' Hoga</p>
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• **Buyer Does not Include**

Sec 206C(1)	Sec 206C(1F)	Sec 206C(1H) -
(Alcoholic Liquor, Forest Product, Mineral, Scrap)	(Sale of Motor Vehicles)	(Sale of Goods > Rs. 50 Lakhs by Certain Sellers)
a. Central Govt., State Govt., [Blank] c. Embassy, High Commission, Consulate of Foreign State. d. Public Sector Company e. Buyer who buys above goods for his personal Consumption.	a. Central Govt., State Govt., b. Local Authority c. Embassy, High Commission, Consulate of Foreign State. d. PUS engaged in the Business of Carrying passenger	a. Central Govt., State Govt., b. Local Authority c. Embassy, High Commission, Consulate of Foreign State. [Blank] e. a Person importing goods into India

Advance Tax

Advance tax shall be payable during a FY in every case where the amount of such tax payable by the assessee during that year is ₹10,000/- or more. [Sec 208]

Calc on Lowest 100

Provisions of advance tax do not apply to :

- an individual resident in India
- who does not have any income chargeable under the head 'Profits and gains of business or profession'
- is of the age of 60 years or more at any time during the PY.

Section 211 Instalment of Advance Tax

Instalments	15th June	15th Sept	15th Dec	15th Mar
%	15%	45%	75%	100%

Note - for Sec 44AD/ 44ADA (Presumptive Income) then due date of Advance tax is 15th March of PY.

Sec 234A	Sec 234B	Sec 234C
Interest for delay in Return filing.	Interest for default in payment of 90% advance tax	Advance Tax not paid as a 12%, 36%, 75% and 100% Qtrly
From ? - Due date u/s 139(1) to Actual Return filing date	From ? - 01.04 till payment date	3,3,3 and 1m respectively
Rate @ 1% pm	Rate @ 1% pm	Rate @ 1% pm

Sec 234D Interest on excess refund granted

Basic & Rate	The excess refund will have to be paid back by assessee along with int u/s 234D @ 0.5% p.m. or part of a month on such excess refund.
Period	From date of granting the refund till date of completion of assessment.

Sec 244A Interest on refund

Basic & Rate	Simple interest @ 0.5% p.m. or part of the month will be paid by bept. on the amount refunded.
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13	Taxation of Firm
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Basic	<ul style="list-style-type: none">• Tax Rate 30%• Surcharge - 12% if income exceeds 1 crore• Sec 44AD (6% or 8%) is not applicable to LLP• Interest on Partners capital - Max 12% p.a. simple interest										
In the hands of partner;	1. Profit from Firm	2. Interest	3. Remuneration								
	Exempt u/s 10(2A)	Taxable as PGBP - to the extent of allowed u/s Sec 40(b) a. Allowed to Sleeping & Working Partner b. Should be authorised by deed, c. It should not be retrospective	Taxable as PGBP - to the extent of allowed u/s Sec 40(b) a. Allowed to Working Partner only, b. Should be authorised by deed, c. It should not be retrospective								
Explanation to see 40(b) →	Partner as	Receiving Int. as	Then								
	Individual capacity	Individual capacity	Limit of Sec 40(b) i.e. 12% Interest limit is applicable								
	Representative capacity	Individual capacity	Limit of Sec 40(b) i.e. 12% Interest limit is not applicable								
	Individual capacity	Representative capacity	Limit of Sec 40(b) i.e. 12% Interest limit is not applicable								
Remuneration allowed on Book Profit Basis	<ul style="list-style-type: none">• On First 3 lakh Book profit - Higher of -- Rs. 1.5 Lakh or 90% of Book Profit• On Balance Book profit - 60% of Book Profit										
Book Profit Means	<table><tr><td>Net Profit under PGBP</td><td>xxx</td></tr><tr><td>(+) Remuneration (if debited to P&L)</td><td>xxx</td></tr><tr><td>(-) Depreciation (CY + B/f Dep)</td><td>xxx</td></tr><tr><td>Book Profit</td><td>xxx</td></tr></table> <ul style="list-style-type: none">• Imp--> B/f losses will not be deducted			Net Profit under PGBP	xxx	(+) Remuneration (if debited to P&L)	xxx	(-) Depreciation (CY + B/f Dep)	xxx	Book Profit	xxx
Net Profit under PGBP	xxx										
(+) Remuneration (if debited to P&L)	xxx										
(-) Depreciation (CY + B/f Dep)	xxx										
Book Profit	xxx										
Salary Paid to	<ul style="list-style-type: none">• Resident Partner - No TDS req• NR Partner - TDS Required										
Sec 78 Carry forward & Set-off of losses	a. The losses & unabsorbed depreciation of the firm can be carried forward by firm only. b. If there is retirement of Partner or Death of partner the firm Shall not carry forward shares of retired / deceased partner in the losses of firm.										
Sec 185 Fails to comply	If firm fails to comply Sec 184 [Assessment of firm], then No deduction allowed (Interest, Salary remuneration) - Means disallowed to the Firm										

14	Taxation of AOP / BOI
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Shares known

Situation -->	Where none of the members has taxable income excluding the share income from AOP (< Basic Exemption)	Where any member has taxable Income (NTI> Basic Exemption)	Where any member is taxable @ higher than the MMR (Foreign Co)
In the hands of AOP	Normal Tax (Slab)	MMR - 42.744% (30+37+4)	Such Income - 43.68% Bal. Income - 42.744%
In the hand of Member	Add Income in his total income, Calculate Rebate @ avg rate	Share income not taxable	Share income not taxable

Shares unknown

Situation -->	Where none of the members is taxable at rate higher than MMR (If, Foreign Company is not member)	Where any member is chargeable to tax at rate higher than MMR (If, Foreign Company is member)
In the hands of AOP	MMR - 42.744%	Such higher rate
In the hand of Member	Share income not taxable	Share income not taxable

Note : Special Rates Income were taxable at Special Rates only. (Eg. Sec 112A, 111A)

• Business Trust (REIT / InvIT)

Business Trust compulsory required to file return u/s 139(4E).

Taxability --> @ MMR - 42.744% (30+37+4)

Type of Income	In the hands of REIT	In the hands of Unit holder of REIT	In the hands of InvIT	In the hands of Unit holder of InvIT
a. Interest from SPV	Exempt 10(23FC)	Taxable (See #)	Exempt 10(23FC)	Taxable (See #)
b. Rental Income	Exempt 10(23FCA)\$	Taxable (See #)	Taxable (TDS u/s 194I)	Exempt 10(23FD)
c. Dividend Income from SPV				
- SPV opt Sec 115BAA	Exempt 10(23FC)	Taxable (See #)	Exempt 10(23FC)	Taxable (See #)
- SPV does not opt Sec 115BAA	Exempt 10(23FC)	Exempt 10(23FD)	Exempt 10(23FC)	Exempt 10(23FD)
d. Dividend from Domestic Company	Taxable @ MMR 42.744% (30+37+4)	Exempt 10(23FD)	Taxable @ MMR 42.744% (30+37+4)	Exempt 10(23FD)
e. LTCG u/s 112A	Taxable@ 10%	Exempt 10(23FD)	Taxable@ 10%	Exempt 10(23FD)
f. STCG u/s 111A	Taxable@ 15%	Exempt 10(23FD)	Taxable@ 15%	Exempt 10(23FD)
g. LTCG u/s 112	Taxable@ 20%	Exempt 10(23FD)	Taxable@ 20%	Exempt 10(23FD)
h. Other Income	Taxable @ MMR 42.744% (30+37+4)	Exempt 10(23FD)	Taxable @ MMR 42.744% (30+37+4)	Exempt 10(23FD)

\$ Rental Income from Properties directly held by REIT

Taxable Rate and TDS Details - Unit Holders

Type of Income	Unit holders	Taxable @ Rate	TDS u/s 194LBA
Interest	NR / Foreign Co. Other (Resident)	5% Normal Tax Rate	5% 10%
Rental Income (from REIT)	NR / Foreign Co. Other (Resident)	Normal Tax Rate Normal Tax Rate	Sec 195 (Rate in Force) 10%
Dividend from SPV (If SPV opt 115BAA)	NR / Foreign Co. Other (Resident)	10% Normal Tax Rate	10% 10%

Capital Gain

Taxable When	When Sponsors Sell unit of business trust then it's taxable		
If Units of Business Trust is Listed	1. Period of Holding > 36 Month	--> Then LTCG u/s 112A @ 10% in Excess of 1 Lakh	
	2. Period of Holding < 36 Month	--> Then STCG u/s 111A @ 15%	
If Units of Business Trust is Unlisted	1. Period of Holding > 36 Month	--> Then LTCG u/s 112 @ 20%	
	2. Period of Holding < 36 Month	--> Then STCG Normal @ 30%	

• Investment Fund

Investment fund compulsorily required to file return u/s 139(4F)

Taxability --> Inv. fund is Company [30% / 25%]

If Firm / LLP [30%]

If Trust [MMR -42.744]

Type of Income	to Investment fund	to Unit Holder
Business Income	Taxable	Exempt 10(23FBB)
Other Income	Exempt 10(23FBA)	Taxable

TDS u/s 194LBB

Resident - 10%

NR / FC - Rate in Force

Imp --> Losses incurred by Investment Fund (Amended by FA 2019)

1. PGBP Loss	Shall be allowed to be c/f and it shall be set-off by investment fund only and It shall not be passed on to the unit holder.
2. Other Loss	Shall also be ignored for the purposes of pass through to its unit holders, If such loss has arisen in respect of a unit which has not been held by the unit holder for a period of at least 12 months.

Rule 12CB: Submission of Statement of Income Paid or Credited by Investment Fund

Document to be submitted	Form No.	Due date
By Investment Fund to Unit holders	Form 64C	by 30th June of the FY following the PY during which the income is paid or credited
By Investment Fund to Principal Commissioner or Commissioner	Form 64D	by 15th June of the FY following the PY during which income is paid or credited

• Securitisation Trust

	to Trust	to Investor
Income received -->	Exempt 10(23DA) No TDS	Taxable TDS - 194LBC

TDS u/s 194LBC

R. Individual / HUF	- 25%
Other Resident	- 30%
NR & Foreign Co.	- Rate in Fo

• Submission of Statement of Income Paid or Credited

(Common Point for Business Trust, Investment Fund & Securitisation Trust)

To Unit Holders -	by 30th June of the FY following the PY during which the income is paid or credited
To IT Authority (Auth. = CIT / PCIT)	by 30th November of the FY following the PY during which income is paid or credited * * by 15th June incase of Investment Fund

16**Taxation of Political Parties and Electoral Trust****Political Parties**

Sec 13A - Certain Income of Political party shall exempt if	Certain income of political party shall be exempted if following conditions are satisfied; a. Maintain Books of A/c & documents b. Political Party must get its books of accounts audited c. Keep & maintain record of each voluntary contribution / donation > Rs. 20,000 d. Donation > Rs. 2000 should be recd through only by a/c payee chq / dd / ECS/ electoral bond e. Submission of report u/s 29C(3) of the Representation of the People Act 1951 for the FY.		
If above Conditions are satisfied then;	Income from HP, Capital Gain, IFOS --> Fully Exempt Income from Business and Professions --> Fully Taxable Note --> Political parties are compulsory required to file return upto the due date of return filing for availing exemption u/s 13A		
Donation to Political Party	Person donating to Political party will get 100% deduction	u/s 80GGB (Indian Company).	
		u/s 80GGC (other Assessee).	
	Note : Deduction u/s 80 GGB/ 80GGC- Not available if donation made in cash.		

Electoral Trust

Sec 13B - Donation exempt if 2 conditions are satisfied	1. At least 95% or more aggregate donation of the current year along with surplus B/f from the earlier year is distributed to political party referred u/s 29A of Representative of the People Act 1951 2. Function in accordance with the rules made by Central government.		
Electoral trust may receive voluntary contribution from	a. An individual who is a citizen of India b. A company which is registered in India c. A firm / HUF or an AOP/BOI resident in India		
Electoral trust shall not accept contribution	a. From Individual who is not citizen of India/ from any foreign entity whether incorporated/ not. b. From any electoral trust c. From a government company as defined in sec 2(45) of the companies act d. From foreign source as defined in sec 2(j) of the Foreign Contribution (Regulation) Act, 2010		
Donation	Person donating to Electoral Trust will get 100% deduction	u/s 80GGB (Indian Company).	
		u/s 80GGC (other Assessee).	
Donation in way of	Accept Only		Shall not Accept
	- by way of an account payee cheque drawn on a bank or - account payee bank draft or - by electronic transfer to its bank account		- any contribution in cash

Sec 2(15): charitable means	1) Relief 2) Education 3) Yoga 4) Medical Relief 5) Preservation of Environment (including watersheds, forests & wild life). 6) Preservation of monuments or places or objects of Artistic or Historic interest. 7) Advancement of any other object of General public utility. * * Advancement of any other object of General public utility not be charitable purpose, if it 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.		
Section 11(1)- Income of Trust	Following incomes of Trust shall be exempt- a) Corpus Donations [Corpus donation received shall not be considered as Income] b) 15% of Gross income c) Income applied for charitable or Religious purposes in India (out of remaining 85%) Note : If any Donation is given to other trust registered u/s 12AA / Institution u/s 10(23C) as corpus donation shall not be treated as application.		
Provisions of sec 40(a)(ia), 40A(3) & 40A(3A) apply	a. 40(a)(ia) - 30% Disallowance of expenditure (TDS) - Payment to Resident b. 40A(3) - Cash expenditure / Payment in excess of Rs. 10,000 c. 40A(3A) - Asset Purchased in cash in excess of Rs. 10,000		
Sec 11(1A) - Capital gain deemed to be applied for charitable purpose.	Where any capital is asset transferred by trust & Net consideration is utilized for acquisition of another capital asset then we need to calculate capital gain of such asset. • Calculation of Capital Gain Step 1 - Calculate LTCG / STCG Step 2 - Amount deemed to have invested (Cost of New asset - Cost of Old Asset) Step 3 - Taxable Capital Gain (1-2)		
Sec 11(2) - Exemption if Income accumulated for specific purpose.	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. Assessee should furnish statement to AO stating d purpose & period for income is accumulated (Max 5 years) 2. Such money should be deposited in Sec 11(5) modes 3. Such money should not be donated to any other trust.		
Sec 11(3) - Exemption withdrawn if conditions not satisfied	Any income referred u/s 11(2) - a) Is applied to purposes other than the purposes for which it was accumulated, then it shall be taxable in the P.Y. in which it is so applied, or b) Ceases to remain invested in modes as per sec, 11(5), then it shall be taxable in the P.Y., in which it so ceases, or c) Is not utilised within specific time (say 5 years) or in the next year after specific period then it shall be taxable in the year after expiry of specific period (6th year) d) If donated to any trust then taxable in the year in which it is so donated.		
Sec 11(5) - Investment of fund (Some Imp Source)	1. Investment in Government Savings Certificates; 2. Investment in units of the Unit Trust of India, 3. Investment in immovable property. 4. Investment in units issued under any scheme of mutual fund Sec 10(23D); 5. Deposit in any account with the Post Office Savings Bank, scheduled bank or a co-operative society, deposit with IDBI (Industrial Development Bank of India)		
Sec 11(7) -	Exemption of sec. 10 is not available Trust cannot claim any exemption under any provision of Sec 10 [other than 10(1), 10(23C) & 10(46)]		
Sec 12A - Condition for applicability of Sec 11 & 12	Exemption u/s 11& 12 available if; a. Trust should be registered u/s 12AA. Exemption available from PY in which application made. b. If total income (before claim exemption) is > Basic exemption limit then furnish audit report with return		
Sec 13(1) - Exemption u/s 11 shall not apply	Income shall be taxable at MMR (30+37+4) i.e. benefit of 11/12 not available a. Income for private religious purpose b. Income for benefit of particular religious community c. Funds not invested in Sec 11(5) securities / deposits. d. Income for the benefit of specified persons		

Sec 13(3) - Specified person	1. Author / Founder of trust 2. Person who made donation of > Rs. 50000 3. Where founder / donor is HUF, member of HUF 4. Trustee / manager of trust 5. Relative of any founder, donor, member, trustee, manager 6. Any Concern in which above person's who has substantial interest
Sec 13(9) Denial of exemption if return not filed up to due date.	Exemption u/s 11(2) shall not be available, if a) Statement to A.O. not filed up to due date of ROI, or b) Return of income not filed up to due date of ROI

Sec 12AA Procedure of Registration

Review of application by CIT	Commissioner (CIT) on receipt of an application for registration satisfy himself about genuineness of the activity of Trust and the compliance of such requirements of any other law for the time being in force by the trust or institution as are material for the if purpose of achieving its objects.
Pass order	He may pass order in writing for registration or refusing to register.
CIT may cancel registration if;	where registration is granted u/s 12 AA but after that CIT is satisfied that - i) activities of Trust are not genuine, or ii) activities are not in accordance with the object, or iii) trust or institution has not complied with requirement of any other law, he may Cancel such registration.
Registration grant period limit	Every order granting / refusing registration shall be passed within 6 months from end of the month in which application was received otherwise trust is treated as deemed to be registered.
Modification of the object [Apply for fresh regn.]	Where trust has been granted registration u/s 12AA & subsequently, it has adopted / undertaken modification of the objects which do not conform to the conditions of registrations it shall be required to take fresh registration within 30 days from the date of such adoption / modification.

CA Sanjay Zanwar

Sec 115BBC Tax on Anonymous donation received by Trust or Institutions

Basic	Anonymous donation means any donation where person receiving such contribution (TRUST) does not maintain record of donor.		
Tax @ 30% on	The anonymous donations received in excess of the higher of following:		
	a. 5 % of Total donation (Incl. Corpus Donation)	Higher	
	b. Rs. 100,000		
	Example :		
	Actual Anonymous Donation Recd.	40 Lakh	<-- Taxable @ Normal Rate
	(-) Higher of the following	(2 Lakh)	
	a. 5% of Total Donation, 40 Lakh x 5% = 2 Lakh		
	b. 1,00,000		
	--> Balance is Taxable @ 30%	38 Lakh	
Not taxable u/s 115 BBC	a. Anonymous donation received by Wholly Religious & Charitable Purpose b. Anonymous donation received by Wholly Religious Trust Note : If Anonymous donation is not taxable u/s 115 BBC, then such donation shall be taxable as per normal provision of Income Tax & Subject to Sec 11 & 12.		

Sec 10(23C) Income of certain Universities, Hospitals, Educational Institution, Medical Institution

Income of	Condition	Income shall be
a. Any university / educational institution / any hospital / other institution	- which exists solely for educational or medical purposes and not for profit. & - Wholly / substantially financed by the Govt. (Govt grant is >50% of total receipts)	Fully Exempt
b. Any university / educational institution / any hospital / other institution	- which exists solely for educational or medical purposes and not for profit. & - aggregate annual receipts is up to 1 crore	Fully Exempt
c. Income of any Trust / Inst. for charitable / religious purpose, University or Edu. institution / hospital / Other Inst.	- approved by CIT (Exemption) & - which exists solely for educational or medical purposes and not for profit.	Fully Exempt

Sec 115TD - Tax on Accreted Income [Exit Tax]

Tax Rate - MMR 34.944% (30+12+4)

Taxable when	Specified Date for Valuation of Assets & Liability.	Pay Tax within 14 days from Note- Interest u/s 115TE @ 1% pm / part of month for non-payment of tax within 14 days.
3 condition me exit tax lagega	Iss date ko valuation Karna hai	Yaha pe tax pay karna hai
a. Conversion of trust / institution into a form not eligible for registration u/s 12AA		
Case 1 - Registration granted u/s 12 AA has been cancelled	Date of order cancelling registration u/s 12AA	14 days from a) the period for filing appeal to ITAT against order rejecting the application expires & no appeal filed by trust OR b) Order is any appeal confirming the rejection the application is recd. by trust.
Case 2 - It has adopted or undertaken modification of its objects which do not conform to the conditions of regn. And i) Not applied for fresh regn. ii) Applied but application has been rejected	Date of adoption or modification of any objects	i) Not applied - 14 days from end of P.Y. ii) Applied but rejected - 14 days from a) the period for filing appeal to ITAT against order rejecting the application expires & no appeal filed by trust OR b) the order is any appeal confirming the rejection the application is recd. by trust.
b. Merger into an entity not having similar objects and registered u/s 12AA	Date of merger	14 days from the date of merger
c. Non-distribution of assets on dissolution to any other trust / institution reg u/s 12AA, 10(23C) within 12 months from the end of the month in which dissolution takes place	Date of Dissolution	14 days from the date on which period of 12 months (at the end of the month in which dissolution took place) expires.

Accreted Income

shall be computed on "specified date"

Aggregate FMV (see Rule 17CB) of Total Asset	xxx
Less - Total Liabilities of Trust	(xxx)
Accreted Income	xxx

Following assets & liabilities in respect of that assets shall not be considered in accreted income.

a. Asset acquired out of **agriculture Income**.b. Asset acquired **before registration**

Method of Valuation for the purpose of Sec 115TD

Rule 17CB

The aggregate FMV of Total Asset shall be reduced by : 1) TDS, TCS, Advance Tax and 2) Deferred Expenditure

Part A- Assets

1. Quoted Shares and Securities --> Average of Lowest & Highest price on valuation date on a recognize stock exchange Note: If No trading of such shares and security on valuation date then average of Highest & Lowest price of immediately preceding the valuation date when such shares and security traded in recognize stock exchange	3. Unquoted Shares / Security (Other than Equity Shares): --> FMV/NRV on Valuation Date on the basis of valuation report of merchant banker / accountant.
2. Unquoted Equity shares --> $A + B - L \times (PV/PE)$ A : Book Value of All Assets (other than Covered in B) exclude TDS, Advance Tax & deferred expenditure shown in the Asset side B : FMV of bullion, jewellery, precious stone, artistic work, shares, securities & immovable property as determined in the manner provided in this rule. L : Book value of liabilities, but not include i) Amt set apart for payment of dividends on pref. shares & equity shares ii) R & Surplus even if negative, except set apart Depn. iii) Tax Provision other than Adv. Tax, TDS, TCS iv) Contingent & Unascertained liab. v) Any amt of cumulative pref. shares. PV : Total amount of paid up Eq Share capital as shown in the BS. PE : Paid up value of such equity shares	4. Immovable Property --> Higher of the following a. Open Market Value or b. SDV 5. A Business Undertaking --> A+B-L 6. Any Other Assets: --> FMV/NRV on Valuation Date

Part B - Liabilities does not include :	a. Capital Fund, Corpus Fund b. Reserve and Surplus c. Contingent & Unascertained Liab. d. Income Tax, TDS, TCS liability
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Direct Tax
CA Final
LDR - Last Day
Revision Notes
CA Sanjay Zanwar

18	Minimum Alternate Tax (MAT) - 115JB
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Rate	15% of Book Profit / 9% (IFSC) --> + Surcharge + 4% Cess
Applies to	Domestic / Banking / Insurance company (Other than life insurance business) / Electricity
Not applies to	F. Company - doesn't req to seek registration under any law, No DTAA with country, Life insurance company and Person exercised option 115BAA, 115BAB
MAT Credit	MAT credit shall be c/f & set-off up to 15 A.Y.s Note - In case of conversion of unlisted company into an LLP, the tax credit u/s 115JAA for MAT paid by the company u/s 115 JB would not be allowed to the successor LLP.

Book Profit (As per Schedule III)
0
Add in the book profit; (from C. Act P&L)
Less from the book profit; (from C. Act P&L)

Deferred Tax Liability	Deferred Tax Asset
Income Tax, Int, Surcharge, DDT	Lower of ↓ - B.Loss/ Unab Depn
Depreciation	Dep excluding rev. on reserve
Dividend Paid / Proposed	
Provn. for Losses of Subsidiary	Profit of Sick company
Provn. for Unascertained / Contingent Liab.	
Provn. for Dimulation of asset	
Expenses for Exempt Income u/s 10,11,12	Income u/s 10,11,12
AOP / BOI - Expenses	AOP / BOI - Income
Any amt transferred to general reserve	Trf from general reserve
Balance in Rev. reserve (if not credited)	Withdrawn from Reserve
Royalty Patent Expenses Sec 115 BBF	Royalty Patent Income Sec 115 BBF
Notional loss on trf of capital asset - Dr	Notional gain on trf of capital asset - Cr
Actual gain sec 47(xvii)	Actual loss sec 47(xvii)
<i>IND AS Adjustments</i>	<i>IND AS Adjustments</i>
Amt credited to 'OCI', not to be reclassified	Amt debited to 'OCI', not to be reclassified
Transition Amt Profit - 1/5	Transition Amt Loss - 1/5
Debited on dist non-cash assets to sh.	Credited on dist. of non-cash assets to sh.
-	-

19	Alternate Minimum Tax (AMT) -Sec 115JC
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AMT Applies to	- All assesseees (Except Company)
Who has availed	- Benefit of deduction under chapter VI-A [80-IA to 80RB (other than 80P)], - Deduction u/s 10AA (SEZ), - Deduction u/s 35AD (Specified Business) Note : If individual & HUF having adjusted total income is < 20 lakh then AMT not applies
Tax Rate	- 18.5% of Adj Total Income (9% IFSC)
AMT Credit	- AMT credit shall be c/f & set-off up to 15 A.Y.s

PART - C

20 Assessment

We divided Assessment chapter in two parts

1. Return's

2. Departmental Procedure

Part 1 - Return's

Sec 139(1) Return filing

For Company, LLP, Firm	Return filing is mandatory
For Other Assessee	Whose total income or that of any other person in respect of which he is assessable without giving effect to Chapter VI-A or Sec 54, 54B 54D, 54EC, 54F, 54G, 54GA or 54GB exceeds the basic exemption limit.

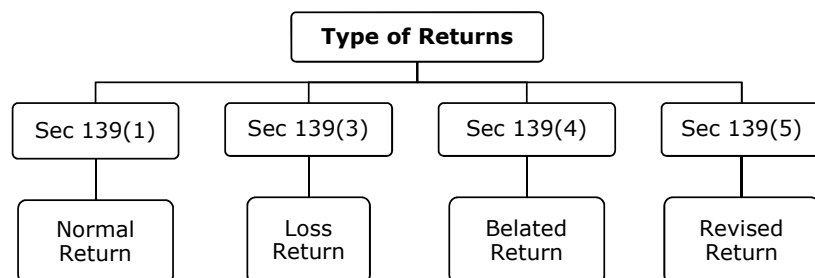
Return filing mandatory to ; <i>[Other than Company and LLP]</i>	If; 1. He has deposited amt > 1 crore in aggregate in one / more current account maintain with bank or co-op bank 2. He has incurred foreign travel expenditure of > 2 lakh for himself or any other person or 3. He had incurred electricity expenditure of > 1 lakh or 4. Fulfils other conditions as may be prescribed.
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Compulsory filing for Resident and ordinarily resident -	Who is not required to furnish a return and who at any time during the previous year a) holds, as beneficial owner/ otherwise, any asset (including any financial interest in any entity) located outside India/ has signing authority in any account located outside India or b) is a beneficiary of any asset (including any financial interest in any entity) located outside India.
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139(4A) - Charitable Trusts and Institutions	If income is more than 250,000 before claiming exemption u/s 10 / 11 / 12 / 13A then filing of return required.
139(4B) - Political Party (to be filed by Chief Executive Officer)	
139(4C) - Certain Institutions (see below table)	Filing of ROI compulsory irrespective of Income
139(4D) - College, Universities u/s 35(1)(ii)/(iii)	
139(4E) - Business Trust	
139(4F) - Investment Fund	

• Certain Institutions for Sec 139(4C)

News agency [Section 10(22B)]: Press Trust of India Venture Capital Co. / Venture Cap. Fund [Section 10(23FB)] Core Settlement Guarantee Fund (section 10(23EE)) Investor Protector Fund (section 10(23EC) / (23ED)) Fund or Edu. / Medical Institution / Hospital [Section 10(23C)] Mutual Fund [Section 10(23D)] Any Board or Authority (section 10(29A)) Body / authority / Board/ Trust/ Commission [Section 10(46)]	Research association [Section 10(21)] A fund specified (Section 10(23AAA)) Infrastructure Debt Fund [Section 10(47)] Securitisation trust [Section 10(23DA)] Trade union [Section 10(24)(b)] Association or institution [Section 10(23A)] Institution [Section 10(23B)]
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139(3) - Loss Return

a. If any person who has sustained a loss in **any PY** under the head "**PGBP**" / "**Capital gains**" and claims that the loss or any part thereof should be c/f, he may furnish return of loss within the time allowed u/s 139(1).

b. **Losses which can be c/f only if Return is filed within due date** are Business Loss, Speculative Loss, Specified Business Loss, Capital Loss and Loss from the activity of owning and maintaining Race Horses

139(4) - Belated Return

a. Any person who has not furnished return within time allowed u/s 139(1) may furnish return at any time **before the end of the relevant assessment year** or before the completion of the assessment, whichever is earlier.

b. Belated return can be revised.

c. If return is submitted belated, deduction under the head "Deductions in respect of certain incomes" will not be available.

139(5) - Revised Return (31.03.21)

a. If any person having furnished return u/s 139(1) / 139(4) discovers any omission / any wrong statement therein, he may furnish a revised return at any time **before the end of the relevant AY** or before completion of assessment, whichever is earlier.

b. Revised return substitutes the original return from the date original return was filed. (Dhampur Sugar Mills Ltd). Return can be revised any number of times within the time limit.

• Due Dates for filing the return u/s 139(1)

Assessee	Due date of furnishing return of income	Due date of furnishing report
Company	31st October	30th September
Any other person who is obliged to furnish tax audit report	31st October	30th September
Working Partner of a firm whose accounts are required to be audited.	31st October	30th September
Any person to whom transfer pricing provisions are applicable	30th November	31st October
In any other case	31st July	30th June

Section 234F

Late fees for return filing

Total Income < 5 Lakh - Rs. 1000

Total Income > 5 Lakh, filing b4 < 31.12

Rs. 5,000

Total Income > 5 Lakh, filing > 01.01

Rs. 10,000

Delay in filing loss return; (Genuine hardship)

Loss up to 10 lac	Condoned by CIT
> 10 lac < 50 lac	Condoned by CCIT
Loss > 50 lac	Condoned by CBDT

AADHAR Link not required in following cases;

Age > 80 years Non citizen
Non resident
J&K, Assam, Meghalaya Residents

Section 140A

Self-Assessment

a. Where **any tax is payable** on the basis of any return 153A after taking into account **tax already paid / TDS / TCS / Relief u/s 90/90A/91 / MAT / AMT Credit/ any relief of tax claimed under section 89,**

- the assessee shall be liable to pay such tax together with interest and fee payable for any delay in furnishing the return or any default or delay in payment of advance tax, before furnishing the return.

b. Preference in case amount paid falls short

1st. Fees 2nd. Interest 3rd. Tax Payable

Part 2 - Departmental Procedure

• Type of Income Tax Assessments

1. Self-assessment u/s 140A

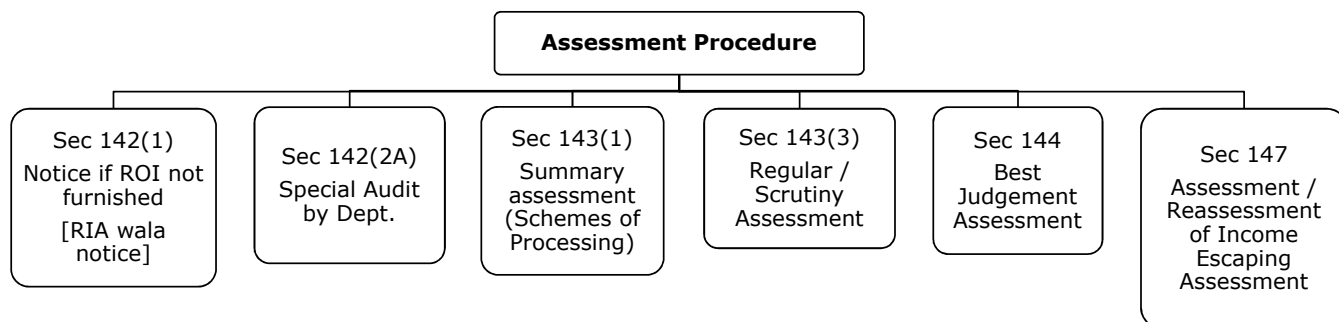
3. Scrutiny assessment u/s 143(3)

5. Re-assessment u/s 147

2. Summary assessment u/s 143(1)

4. Best judgement assessment u/s 144

6. Assessment in case of search u/s 153A



Section 142(1) Notice if ROI not furnished [RIA wala Notice - Return, Info. & Accounts]

When ?	For making an assessment, AO may serve Notice to furnish ROI on any person - who has not made a return u/s 139 / - in case the time allowed u/s 139(1) for furnishing the return has expired
Furnish return	ROI shall be furnished even if income is below taxable limit.
Approval of JC	With the previous approval of the JC, AO can ask for statement of all assets and liabilities relating to a period not more than 3 years prior to the previous year.
Return Revise ?	Such Return cannot be revised even if filed within due date as per notice.
Penalty	for not complying - ₹ 10,000 for each failure (272A)
Prosecution	- Up to 1 year and fine (Section 276D)

Sec 142(2A) Special Audit by Department

When ?	It's carried out if ordered by AO when assessment is pending. Direction for Special Audit can't be given if assessment is complete.
Previous approval	of PCCIT / CCIT / PCIT / CIT
SCN and OOBH	Assessee has Opportunity of being heard by issuing SCN milega
Circumstances	1. Special nature of business 2. Volume of accounts 3. Multiplicity of transaction 4. Doubts about correctness of transactions 5. Nature and complexity of accounts
Who can conduct ?	- CA shall be nominated by CCIT / CIT (Expenses shall be paid by the Central Government)
Total Period	- Total period including extension shall not exceed 180 days
If order not followed :	- BJA u/s 144 hoga, - Penalty u/s 272 - Rs. 10k, - Prosecution - up to 1year and fine u/s 276D

Sec 143(1) Summary assessment (Schemes of Processing) Remedy - Revision u/s 154

When ?	1. When ROI filed u/s 139 or in response to notice u/s 142(1), total income or Loss shall be computed after making following adjustments; a. Any arithmetical error in the return. b. An incorrect claim, if such incorrect claim is apparent from any information in return. c. Disallowance of loss claimed, if return is filed beyond due date u/s 139(1). d. Disallowance of expenditure indicated in the audit report but not taken into account in computing the total income in the return. e. Disallowance of deduction u/s 10AA, 80-IA to 80-IE, if return is filed beyond due date.
Documentation	No such adjustments shall be made unless an intimation is given to the assessee of such adjustments either in writing or in electronic mode:
Response recd.	The response received from the assessee, if any, --> shall be considered before making any adjustment.
Response not recd.	In case where no response is recd. within 30 days of issue of such intimation --> such adjustments shall be made;
Time Limit	Intimation shall be sent within 1 year from the end of the FY in which the return is made.

Sec 143(3) Regular / Scrutiny Assessment

Circumstances	Where a return has been furnished under section 139, or 142(1), the AO or the prescribed income-tax authority considers it necessary / expedient to ensure that; a. the assessee has not understated the income or b. has not computed excessive loss or c. has not under-paid the tax in any manner,
Serve Notice	AO shall serve on the assessee a notice requiring him to attend the office or to produce any evidence on which the assessee may rely in support of the return
Section 143(2): Notice of Scrutiny	Time limit to serve Notice to make scrutiny assessment u/s 143(3) • within 6 months from the end of the FY in which return is filed.
Sect 153(1) : Time limit	Time limit for completion of assessments: - 12 months from the end of the assessment year in which the income was first assessable. Note - In case if reference is made u/s 92CA to Transfer Pricing Officer, the time limit shall be increased by 12 months.

Sec 144 Best Judgement Assessment

When ?	<ul style="list-style-type: none"> If any person; a. Fails to furnish ROI u/s 139(1) / 139(4) / 139(5) b. Fails to comply with terms of notice u/s 142(1) [RIA wala], u/s 143(2) [Scrutiny], u/s 142(2A) [Special Audit] c. Having made return, fails to produce evidence / docs. required u/s 142(2A) d. AO is not satisfied with correctness and completeness of accounts or no method of accounting has been regularly been employed. e. PGBP / IFOS income not computed as per 'ICDS'.
Show cause notice	SCN shall be served (No time limit prescribed) . Such notice shall not be necessary where a notice u/s 142(1) has been issued prior to the making of such assessment.
Dept ke favour me hoga Assessment	AO cannot assess income below returned income & loss higher than returned loss. This assessment is for the benefit of Department and not assessee.
Sect 153(1) : Time limit	Time limit for completion of assessments: - 12 months from the end of the assessment year in which the income was first assessable. Note - In case if reference is made u/s 92CA to Transfer Pricing Officer, the time limit shall be increased by 12 months.

Sec 144A Power of Joint Commissioner to issue directions

- A Joint Commissioner may call for and examine record of any proceeding in which assessment is pending

on own motion	on reference being made to him by AO	on application by assessee
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- He may issue such directions as he thinks fit for the guidance of the Assessing Officer to enable him to complete the assessment and such directions shall be binding on the AO.

Sec 144C Reference to DRP

Eligible assessee ?

- Any person in whose case variation arises due to Transfer pricing officer
- any Foreign Company / non-resident

AO → Draft Assessment order → forward to DRP → Assessee → Shall file cross objection → Within 30 days

No Objection filed	Objection filed
AO pass order within <u>1 month from end of the month</u> in which acceptance recd from DRP or cross objection filing period expired	--> Draft order forwarded to assessee --> DRP issue direction for guidance to AO within <u>9 month from the end of the month</u> in which draft order forwarded --> AO shall complete assessment within <u>1 month from the end of the month</u> in which direction issued

Assessee can file appeal to CIT(A) against the final order

Protective Assessment

When ownership of the income is in dispute or is a matter of doubt then A.O. can assess income in the hands of all persons (who are claiming ownership). This is called protective Assessment.
- The objective of the protective assessment is to protect the interest of revenue, in this case, income tax authority cannot recover tax from both the persons.

Sec 147**Assessment / Reassessment of Income Escaping Assessment**

When ?	If AO has reason to believe that any taxable income has escaped assessment, - he may assess or reassess such income and also any other income which has escaped assessment and which comes to his notice subsequently in the course of the proceedings for the assessment year concerned (even if not mentioned in the Notice)	
Reason to believe	Following constitutes "reasons to believe". a. A later Supreme Court judgment, b. Retrospective amendments in law. c. Evidence in possession of A.O. that assessee under stated income. d. Mistake apparent from records. Note - Rumours, gossips & suspicion does not amount to "reason to believe".	
Deemed - escaped assessment	The following shall also be deemed to be the case where income has escaped assessment. a. Income more than basic exemption but return not filed. b. Income has been under assessed or excessive loss, depreciation allowed to assessee. c. Taxes paid at lower rate. d. Where person is found having any asset located outside India. e. Where assessee fails to furnish report of transfer pricing u/s 92E. f. On the basis of Info & document record, from IT. Authority u/s 133C(2), it is notice by A.O. that assessee under stated the income or has claimed excessive loss, dedn, allowance or relief in return. g. On the basis of info & doc. recd from I.T. Authority u/s 133C(2) it is notice by A.O. that the income is more than basic exemption & assessee not files return	
Doctrine of Partial Merger:	a. AO may assess or reassess such income, other than the income involving matters which are the subject matters of any appeal, reference or revision, which is chargeable to tax and has escaped assessment. b. AO cannot invoke section 147 if the matter is pending or is complete in Appeal or Revision. Remedy against it would be further appeal if possible.	
Sec 148 :	Issue of Notice [AO serve notice before making assessment]	
Sec 149 :	Time limit for serving notice	
	Generally notice u/s 148 can be issued	within 4 Years from the end of R.A.Y.
	Income escaped amounts to or likely to amount to 1 Lakh or more	up to 6 Years from the end of R.A.Y.
	Income escaped relate to foreign assets then	up to 16 Years from the end of R.A.Y.
	Notice to the Agent of NR	within 6 Years from the end of R.A.Y.
Sec 151 : Approval of Higher Authority	If Notice Issued Within 4 yrs from end of R.A.Y.	
	If A.O. is:	Beyond 4 yrs from end of R.A.Y.
	a) J.C. No. b) AC / DC / ITO Approval of JC	Any AO Approval of CIT / CCIT / PCIT / PCCIT is required.
Sect 153(2) : Time limit	Time limit for completion of assessments: - 12 months from the end of the PY in which notice was served u/s 148. Note - In case if reference is made u/s 92CA to Transfer Pricing Officer, the time limit shall be increased by 12 months.	

Sec 156**Demand Notice**

AO shall serve	When any tax, interest, penalty or any other sum payable due to any order passed under IT. Act, then A.O. shall serve demand notice specifying the payment.
Time limit to pay	Assessee should pay the amount within 30 days from date of receipt of notice of demand.
If assessee fail to pay	then recovery proceedings shall be initiated & assessee shall be treated as assessee in default, in such case, he will be liable to pay interest u/s 220 & penalty u/s 221.
Deemed notice	in case of intimation u/s 143(1), 200A(l) & 206CB(1) intimation shall be deemed to be notice of demand.

Compilation of Time limit for Issue of Notice and Time limit to Complete Assessment

Time limit for Issue Notice		
Sec 143(1) - Scheme of Processing of Returns (Bangalore)	Within 1 Year from the end of the FY in which return is filed --> for FY 19-20 the due date is 31.03.22 (31.3.21 + 1 Yr.)	
Sec 143(2) - Scrutiny Assessment u/s 143(3)	Within 6 months from the end of the FY in which return is filed --> for FY 19-20 the due date is 30.09.21 (31.3.21 + 6 m)	
Sec 149 - Assessment / Reassessment u/s 147	- Income escaped is 1 lakh or more	Within 6 years from the end of the relevant AY (Approval req)
	- If Income related to any asset located o/s India (including financial interest)	Within 16 years from the end of the relevant AY (Approval req)
	- Any other Case	Within 4 years from the end of the relevant AY (Approval JC)

Time limit to Complete Assessment		
Sec 153(1) - Scrutiny Assessment u/s 143(3), Best Judgement u/s 144	before AY 19-20	on or after AY 19-20
	18 months from the end of the AY in which income first assessable	12 months from the end of the AY in which income first assessable. for AY 21-22 - Ans --> 31.03.23
Sec 153 (2) - Assessment u/s 147 (AO has reason to believe)	Notice served before 01.04.19	Notice served on after 01.04.19
	9 month from the end of the FY in which notice was served	12 month from the end of the FY in which notice was served
Sec 153B	Raid > 1.4.19	12 month from the end of the FY in which last auth. was executed
<i>Note - Where reference made to TPO - time limit shall be increased by 12 months</i>		

Direction of Appellate Authorities / Court to give effect to any finding or direction contained in an order u/s 250, 254, 260A, 262, 263, 264 ---> - 12 months from the end of the month in which such order was passed

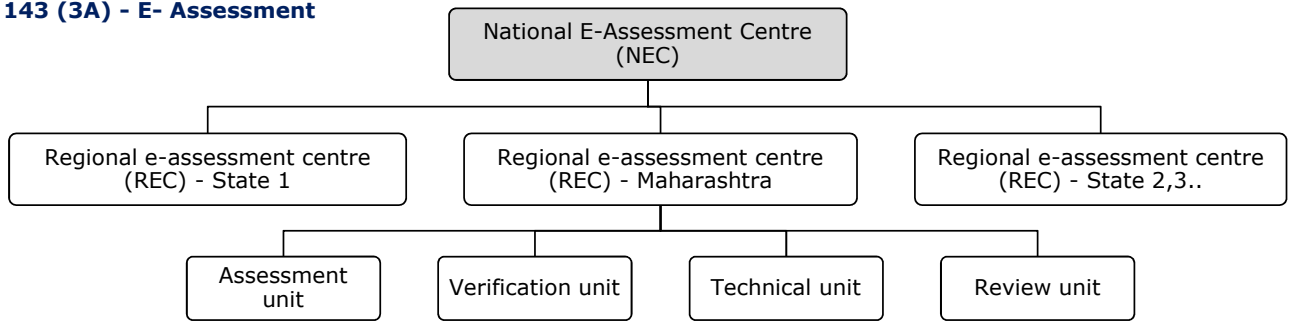
Sirf 2 cases me hoga

1. Income transfer from one assessee to another assessee
2. Income exclude from particular year to other year

• Some Newly introduced sections

w.e.f.	Section	Particular
01/11/2020	130	Faceless Jurisdiction of Income-tax Authorities
01/11/2020	135A	Faceless Collection of Information
01/11/2020	142B	Faceless Inquiry of Valuation
01/11/2020	144C(14B)	Faceless Scheme for Reference to Dispute Resolution Panel
01/11/2020	151A	Faceless Assessment of Income Escaping Assessment
01/11/2020	157A	Faceless Rectification, Amendments & Issuance of Notice or Intimation
01/11/2020	231	Faceless Collection and Recovery of Tax
01/11/2020	253(8)/(9)/(10)	Faceless Appeal to Appellate Tribunal
01/11/2020	264A	Faceless Revision of Orders
01/11/2020	264B	Faceless Effect of Orders
01/11/2020	274(2A)/(2B)/(2C)	Faceless Penalty (E-Penalty)
01/11/2020	279(4)/(5)/(6)	Faceless sanction of Prosecution / Compounding
01/11/2020	293D	Faceless Approval or Registration

Sec 143 (3A) - E- Assessment



Space for Your Notes

Direct Tax
(CA Final)

LDR - Last Day
Revision Notes

CA Sanjay Zanwar

21 Power of IT Authorities (Seizure)

We divided this chapter in two parts

1. During the Search

2. After the Search

Part 1 - During the Search

Sec 131 Power of Income Tax Authority

[Common Powers]

IT Authority shall have all the powers vested in a civil court under the Code of Civil Procedure, 1908:

- Discovery and Inspection
- Enforcing the attendance of any person and examining him on oath,
- Compelling production of books of account under the code of civil procedure, 1908
- Issuing commissions (Summons).
- IT Authority can impound Books of Accounts for max 15 working days.

Sec. 133 Power to call for Information	Sec 133B : Powers to collect information	Sec. 133C Power to call for Info. by Prescribed IT
<p>Dept. can call information from any person. eg:- Info. from bank relating to any account holder etc.</p> <p>U/s 133(6) AO, CIT(A), CCIT or CIT may require any person to furnish any information.</p> <p>If proceeding is not pending - Approval of CIT required if exercise by any authority below the rank of CIT. Approval not required for the rank of JD, DD, AD.</p>	<p>Place - I.T. Authority may enter at any place at which Business / profession is carried on. [Enter at only Business Place]</p> <p>Time - Only during the hours at which such place is open for business or profession. [Business Hrs.]</p>	<p>Exercised by Investigating wing The I.T. authority may for the purpose of verification of information in its possession relating to any person, issue a notice to such person requiring him to furnish information & documents, which may be useful in any inquiry or proceeding under this Act.</p> <p>This power can be exercised even if no proceedings are pending.</p>

• Survey

Section	Sec 133A - Power to Survey	Sec 133A(2A) - TDS Survey
Previous Approval	No action under this section can be taken by A.O. or inspector without approval of Joint Commissioner.	They can enter the premises for which they have jurisdiction.
Entering Place?	any building / place at which Business or profession is carried on or activity of charitable purpose is carried on. And place where books of a/c and assets kept	IT Authority can conduct survey for the purpose of verifying TDS/TCS has been deducted/collected and paid as per the provision of income Tax
Entry Restrictions	Place of Business or profession - can be only during which such place kept open for conducting busi. or profession. Any other place can be only > sunrise but < sunset. Note: Restriction is only for entry, Not for Exit.	The IT Authority can enter the premises to conduct survey > sunrise but < sunset.
Upon entering they can do :	<ol style="list-style-type: none"> Inspect any Books of A/c's or docs. Impound Books of A/c's [Max 15 working days] Make an inventory of any cash, stock / other valuable articles. Check/ verify the cash, stock or other valuable articles. Place marks of identification on Books of A/c's & docs. Record the statement of any person. 	<ol style="list-style-type: none"> Can inspect books & documents during survey however Can't impound the books of a/c & document. Can't make inventory of cash, valuables, stock etc. Ask for various documents and information.
Survey at Function / Ceremony / Event	<ol style="list-style-type: none"> The I.T. Authority has power to do survey at any function, ceremony or event. They can survey such place but only after conclusion of such function, ceremony or event and require any person to furnish information as he may require statement given by such person can be record. 	

Search & Seizure [RAID]

Direct Tax

Officer may serve an order on the dealer, that he shall not remove / deal with the seized officer.

...tical to take physical possession of a
ed in Note-1 above, then authorised

Part 2 - After the Search

Power of Requisition

Eg:- FEMA, CBI, Election commission, etc. then the authorised officer shall require such other authority [FEMA / CBI] to deliver Books of A/c's. assets seized. as early as possible.

Sec 132B**Application of Books of A/c's & Seized Assets.**

Books of accounts and documents -	It shall be released within 30 days from the date of completion of assessment u/s 153A. For retaining Books of A/c's & docs beyond this period permission of CCIT / CIT is required.								
Money, Bullion, Jewellery, other valuable Assets.	<p>a. Explained Assets</p> <ul style="list-style-type: none"> - assessee makes an application within 30 days from the end of the month in which the asset was seized and - explains the nature and source of acquiring such asset to the satisfaction of the AO, - then, such asset can be released to the assessee with the prior approval of CCIT/CIT, - after adjusting any existing tax liability of the assessee. Such release shall be made within 120 days from the date of search was completed. <p>b. Other Assets (other than above)</p> <p>Asset seized & requisitioned can be utilised to recover</p> <p>i) Existing liability under Income Tax Act. (Note. Advance Tax is not existing liability)</p> <p>ii) New liability determined on completion of assessment u/s 153A Notes</p>								
Notes	<p>a) Money seized shall first be used for discharging the above liability.</p> <p>b) If money falls short, then assets may be sold for discharging liability</p> <p>c) If assets remain then they shall be handed over to assessee.</p> <p>d) Any liab. arising on an applⁿ made to ITSC shall also be recovered out of seized assets.</p>								
Interest on excess amount	<p>The central govt. shall pay simple interest at the rate of 0.5% per month or part of the month on the followings amounts:</p> <table border="0"> <tr> <td>Amt. of money seized under sec. 132 or requisitioned under sec. 132 A</td><td>xxx</td></tr> <tr> <td>Add: Proceeds of any assets sold towards the discharge of the liabilities</td><td>xxx</td></tr> <tr> <td>Less: Money released under the first proviso(explain money</td><td>xxx</td></tr> <tr> <td>Less: Aggregate amt. required to meet the liabilities</td><td>xxx</td></tr> </table>	Amt. of money seized under sec. 132 or requisitioned under sec. 132 A	xxx	Add: Proceeds of any assets sold towards the discharge of the liabilities	xxx	Less: Money released under the first proviso(explain money	xxx	Less: Aggregate amt. required to meet the liabilities	xxx
Amt. of money seized under sec. 132 or requisitioned under sec. 132 A	xxx								
Add: Proceeds of any assets sold towards the discharge of the liabilities	xxx								
Less: Money released under the first proviso(explain money	xxx								
Less: Aggregate amt. required to meet the liabilities	xxx								
Interest from ?	<ul style="list-style-type: none"> - from the expiry of the period of 120 days from the date on which the search was completed to - to the date of completion of assessment under sec. 153A 								

Revision Notes**Section 153A****Assessment in case of Search or Requisition**

Basic	AO shall issue notice to furnish within such period specified in the notice, Return of Income for each assessment year falling within 6 assessment years and for the relevant assessment year / years
Conditions (for 6+4 year)	<ul style="list-style-type: none"> • If following conditions are satisfied, years prior to 6 years (called relevant years) can be assessed u/s. 153 A (but not beyond 10 years) :- a) AO has in his possession books of account or other documents or evidence which reveal that the income, represented in the form of asset, which has escaped assessment amounts to or is likely to amount to Rs. 50 Lakhs or more in the relevant assessment year or in aggregate in relevant assessment years [Asset shall include immovable property being land or building or both, shares and securities, loans and advances, deposits in bank account.] b) the Income above has escaped assessment; and c) Search is initiated /requisition is made on or after 01.04.2017.
Pending Assessment ? If any	<p>If Assessment / Reassessment of any last 6 years or relevant years pending u/s 143(3) /144 /147</p> <ul style="list-style-type: none"> - then it shall abate i.e. come to an end & assessment shall be made u/s 153A only - Appeal, Revision or Rectification shall not abate but shall continue.
Sec 153B - Time limit	<p>Time limit to complete assessment in Search cases</p> <ul style="list-style-type: none"> - Should be Completed (order passed) within 12 months from the end of the year in which search is completed. <p>Note - If case transferred to T.P.O. (Transfer Pricing Officer) then assessment completion time limit shall be increased by 1 year.</p>

Section 153C**Assessment of other person**

Handover	If during the search, if books of A/c's, Docs. or assets belonging to any other person are seized, the AO will handover them to AO having jurisdiction over such other person.
Issue of Notice	If A.O. having jurisdiction over such other person is satisfied that the books of A/c's & asset seized have a bearing on the determination of total income of such other person then such A.O. shall issue notice to file return of last 6/10 years.

Procedure	All other points same as sec 153 A.
Sec 153B - Time limit	Time limit to complete assessment in Search cases Whichever is later. - Should be Completed (order passed) within 12 months from the end of the year in which search is completed. or - 12 months from the year end in which books of A/c's / Assets handed over to A.O. having jurisdiction over other person. Note - If case transferred to T.P.O. (Transfer Pricing Officer) then assessment completion time limit shall be increased by 1 year.

Sec 116 Income Tax Authorities

	CBDT	
Rank	Assessment Wing	Investigation Wing
Rank 1	Prin. chief Commissioner of IT (PCCIT) Chief Commissioner of IT (CCIT)	Principal Director General of IT (PDGIT) Director General of IT (DGIT)
Rank 2	Prin. Commissioner of IT [PCIT] / Commissioner of IT [CIT]	Principal Director of IT (PDIT) Director of IT (DIT)
Rank 3	Add. CIT / Joint Commissioner (JC)	Add. DIT / Joint Director (JD)
Rank 4	Asst. Comm. / Deputy Comm. (AC/DC)	Asst. Director / Deputy Director
Rank 5	Income Tax Officer (ITO)	
Rank 6	Tax Recovery Officer (TRO)	
Rank 7	Inspector of IT	

Sec 2(7A) - Who is Assessing officer (AO) ?

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Additional CIT /JC/AC/DC/ITO

Validity of Provisional attachment ;

Time Period	Such provisional attachment shall cease to have effect after the expiry of a period of 6 months from the date of order made u/s 281 B(1).
Extended by ?	2 Year - Order of Assessment / 60 days - Order of Re-Assessment
• Example	Search conducted on --> 02/01/18
Time period for application	As per section 132B, where the person concerned makes an application to the Assessing Officer, within 30 days from the end of the month in which the asset was seized, for release of the asset *
Time period for release	Such asset or portion thereof has to be released within 120 days from the date on which the last of the authorizations for search under section 132 was executed.

*Assessing Officer may, with the prior approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, release the asset after recovering the existing liability.

Circumstances under which the AO can resort to provisional attachment of the property of the assessee;

As per the provisions of section 281B, there can be provisional attachment of property to protect the interest of Revenue in certain cases i.e.-

(i) The proceeding for the assessment of any income or for the assessment or reassessment of any income which has escaped assessment **should be pending.**

(ii) Such attachment should be necessary for the purpose of protecting the interest of Revenue in the opinion of the Assessing Officer.

(iii) The **previous approval** of the Principal Chief Commissioner or Chief Commissioner, Principal Commissioner or Commissioner, Principal Director General or Director General or Principal Director or Director has been obtained by the Assessing Officer.

(iv) The Assessing Officer, may, by an **order in writing** attach provisionally any property belonging to the assessee in the manner provided in the Second Schedule.

22 Appeals and Revision

Sec	Authority	Time limit (within)	Dept. Limit Sec 268A	Stay on Demand
246A	CIT (A)	30 days	-	Yes
253	ITAT	60 days	50 Lakh	180+185
260A	High Court	120 days	1 Crore	No
261	Supreme Court	-	2 Crore	No

--> See *

Dept. can file cross objection to Tribunal within 30 days

* ITAT may grant stay for up to 180 days **if the assessee deposits not less than 20% of tax, interest, fee, penalty, or any other sum or furnishes security of equal amount.**

Single Member bench - If total income of assessee is up to 50 lakhs then appeal can be heard by single member.

Time Limit to Issue Judgment and Rectification

Particular	CIT(A)	ITAT
Time limit to Dispose / Issue judgement;	1 years from the end of the FY in such appeal is filed -- > agar possible hai toh	4 years from the end of the FY in such appeal is filed -- > agar possible hai toh
<i>Advisory time limit hai not a mandatory</i>		
Time limit to Rectification ;	Sec 154 - 4 years from the end of the year in which order passed .	Sec 254 - 6 months from the end of the month in which order passed . (Cant review)

Appeal Fees

Assessed Income	Commissioner (A)	Appellate Tribunal
< 1 Lakh	250	500
> 1 Lakh < 2 Lakh	500	1500
> 2 Lakh	1000	1% but max 10,000
Other Case	250	500
Stay Application Fees		500

Doctrine of Merger;

Partial Merger	147 - Reassessment 154 - Rectification 263 - Revision
Total Merger	264 - Revision

Sec 154	Sec 263	Sec 264
If there is mistake in the order passed by AO / Authority, then it can be rectified by the said authority u/s 154	Revision by CIT / PCIT of Order prejudicial to interest of <u>revenue</u>	Revision by CIT / PCIT of Order prejudicial to interest of <u>assessee</u>
Which order? Intimation u/s 143(1), 200A(1), 206CB(1) TCS	- Suo moto - Assessee ko OOBH milega	- Suo moto - Application by assessee
When ? Earlier of 4 years from the end of the FY in which order sought to be amended was passed or 6 months from the end of the month in which the application is received	Time limit to pass order ? <u>2 years from the end of the year</u> in which order sought to be revised was passed	Time limit to pass order ? <u>Within 1 year from the passing of order</u> of sought to be revised
Assessee can file appeal to CIT(A) / Revision appln to CIT against such order	Assessee can file appeal to 'ITAT' against such order	Order u/s 264 is final order & no appeal is possible against it.
	Revision u/s 263 is possible after revision u/s 264	Revision u/s 264 is not possible after revision u/s 263
	143(3) Ass 30.01.15 147 Re-ass 10.02.17 263 Revision 31.03.19 Order is invalid, > 2 years	Application cannot be made if ; a. Time limit to file appeal to CIT(A) / ITAT has not expired b. Assessee has not waived his right of appeal c. Appeal is filed to CIT (appeal) or to ITAT

W.e.f 1.11.2020, Power of Revision u/s 263 and 264 can be exercised by	[Now] Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner.	[Before] Earlier it could be exercised only by Principal Commissioner / Commissioner.
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● **In following 5 Cases we have no right of appeal against following order :**

1. Order levying interest u/s 234 A/B/C
2. Revision order u/s 264
3. Order of Settlement commission
4. Order of Authority of Advance Ruling
5. Order of ITAT on a que. of FACT

● **Cases where adverse judgement should be contested on merits even if tax effect is less than the specified monetary limit**

- a) Where the constitutional validity of the provision of an Act or Rule is under challenge
- b) Where boards order, Notification, Instruction or Circular has been held to be illegal or ultra vires
- c) Where revenue audit objection in the case has been accepted by the department
- d) Where addition relates to undisclosed F.Income / undisclosed Foreign Asset / undisclosed Foreign Bank A/c
- e) Case when prosecution has been filed by the dept. and is pending in the court

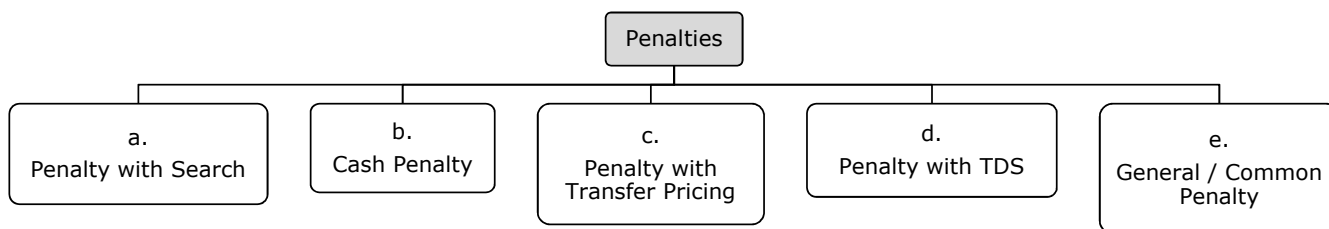
● **Order passed by A.O. shall be deemed to be erroneous in so far as it is prejudicial to the interest of the revenue, if in the opinion of the CIT/PCIT.**

- (i) Order passed without making inquiries or verification which should have been made.
- (ii) The order is passed allowing any relief without inquiring into the claim.
- (iii) The order has not been made in accordance with any order direction or instruction issued by the CBDT u/s 119.
- (iv) The Order has not been passed in accordance with any decision which is Prejudicial to the assessee, rendered by the jurisdictional HC / SC in the case of the assessee or any other person.

Direct Tax
(CA Final)
LDR - Last Day
Revision Notes

23 Penalties

Penalty can be imposed by -	Assessing Officer	CIT(A)	CIT	ITAT
a. Assessing Officer	AO shall levy penalty for under reporting or misreporting of income to the additions made by him in an assessment or reassessment u/s 143(3)/144/147/153A			
b. CIT(A)	CIT(A) shall levy penalty for under reporting or misreporting of income to the additions made by him in an order passed u/s 250			
c. CIT	CIT shall levy penalty for under reporting or misreporting of income to the additions made by him in an order passed u/s 263			



a. Penalty with Assessment and Search

Penalty Section	Circumstances	Penalty
Section 270A	Under Reporting of Income (Not due to misreporting)	50% Tax Payable on Such Income
Section 270A	Under Reporting of Income (Due to Misreporting)	200% Tax Payable on Such Income
Section 271AAB(1A)	In case of Search - If undisclosed income admitted before due date of return filing.	30% of undisclosed income
		60% (In other cases)
Section 271AAC	In case income determined u/s 68, 69, 69A to 69D	10% of Tax (u/s 115BBE)

b. Cash Penalty

Penalty Section	Circumstances	Penalty
Section 271D	Sec 269SS - Taking / Accepting Loans > 20k	Such Amt (100%)
Section 271DA	Sec 269ST - Accepting Cash > 2 lac [Seller]	Such Amt (100%)
Section 271E	Sec 269T - Repayment of Loan in Cash > 20k	Such Amt (100%)
Section 271DB	Sec 269SU - Mode of acceptance of busi. payments	Rs. 5000 p/day

c. Penalty with Transfer Pricing

Penalty Section	Circumstances	Penalty
Section 271AA	a. Failure to maintain documents (u/s 92D)	2% of Int. Transaction Value
	b. Failure to report such Int. Transaction	2% of Int. Transaction Value
	c. Maintaining or furnishing any incorrect info or doc.	2% of Int. Transaction Value
Section 270A	Failure to report Int. Transactions (Misreporting)	200% of under-reported Income.
Section 270A(9)	Failure to furnish report of Int. Group (Master File)	Rs. 5 Lakh
Section 271BA	Failure to furnish report of CA u/s 92E	Rs. 1 Lakh
Section 271G	Failure to furnish info or doc as required by AO or CIT(A) (u/s 92D)	2% of Int. Transaction Value

d. Penalty with TDS

Penalty Section	Circumstances	Penalty
Section 234E	Late Fees - Return not filed	Rs. 200 per day subject to TDS
Penalty u/s 271H	Penalty - Return not filed	Rs. 10K to 1 Lakh, No penalty if Return filed < 1 year
Penalty u/s 272A(2)	Certificate not issued.	Rs. 100 per day
Penalty u/s 272BB	Fails to get TAN / quotes false TAN	up to Rs. 10,000

e. General / Common Penalty

Penalty Section	Circumstances	Penalty
Section 271A	Failure to maintain books of account as per sec. 44A	Rs. 25,000
Section 271AAD	Penalty for False Entry, etc., in Books of Account	Such amount
Section 271B	Failure to get account audited u/s 44AB	0.5% of Total Sales / 1.5 Lakh ↓
Section 272B(2A)	Failure to quote PAN / Aadhar number in the doc	Rs. 10,000
Section 271FA	Penalty for failure to furnish statement of financial transaction. (Due Date 31st May)	
	- from 1st June till due date of filing statement as per notice	Rs. 500 per day
	- from the day immediately following the day on which the time specified in such notice	Rs. 1000 per day
Section 271FAA	Penalty for failure to furnish Accurate statement of financial transaction	Rs. 50,000
Section 271J	Penalty for furnish Incorrect Information - Accountant, Merchant Banker	Rs. 10,000 for each certificate

Section 275 Time Limit for Imposition of Penalty

Where an appeal has been filed against assessment order to CIT(A) or ITAT	Where revision application has been made u/s 264	Where No appeal has been filed against order of AO & No application made for revision u/s 264
Order is passed by CIT(A) & No appeal is made to ITAT	Where order is passed by ITAT	End of the FY in which assessment proceeding are completed
		or
1 year from the end of the FY in which order of CIT(A) is recd.	6 month from the end of the month in which order of ITAT is recd.	6 months from the end of the month in which penalty proceedings are initiated.
		Whichever is later

Sec. 285BA**Statement of Financial Transaction (SFT) or Reportable Account**

Basic	This statement is obtained to cross-verify the information in return of income / TDS etc. Like details are collected from, bank as to who deposited amount exceeding Rs. 10 lakhs in cash in saving Bank Account
Who is required to file Statement	Certain specified persons are required to file SFT
Due Date	SFT or Reportable Accounts shall be filed upto 31st May of the year immediately following the F.Y. in which the transaction is registered or recorded.
Non-filing SFT or Reportable Accounts:	Penalty u/s 271FA : Rs. 500 Per day - on failure to furnish SFT or Reportable Accounts. Rs. 1000 Per day - on failure to file the same after expiry of notice.
Filing incorrect information in SFT or Reportable Accounts	Penalty u/s 271FAA : Rs. 50,000 for furnishing inaccurate information by

• Misreporting of Income means

- Misrepresentation or suppression of facts (STCG as LTCG, 43B override kiya etc.)
- Failure to record investment in the books of accounts (I. Property, FD, Jewellery)
- Claim of expenditure not substantiated by any evidence (Bogus expenditure)
- Recording of any false entry in the books of account (Income recd shown as advances)
- Failure to record any receipt in books of account (Sales not recorded)
- Failure to report any international transaction

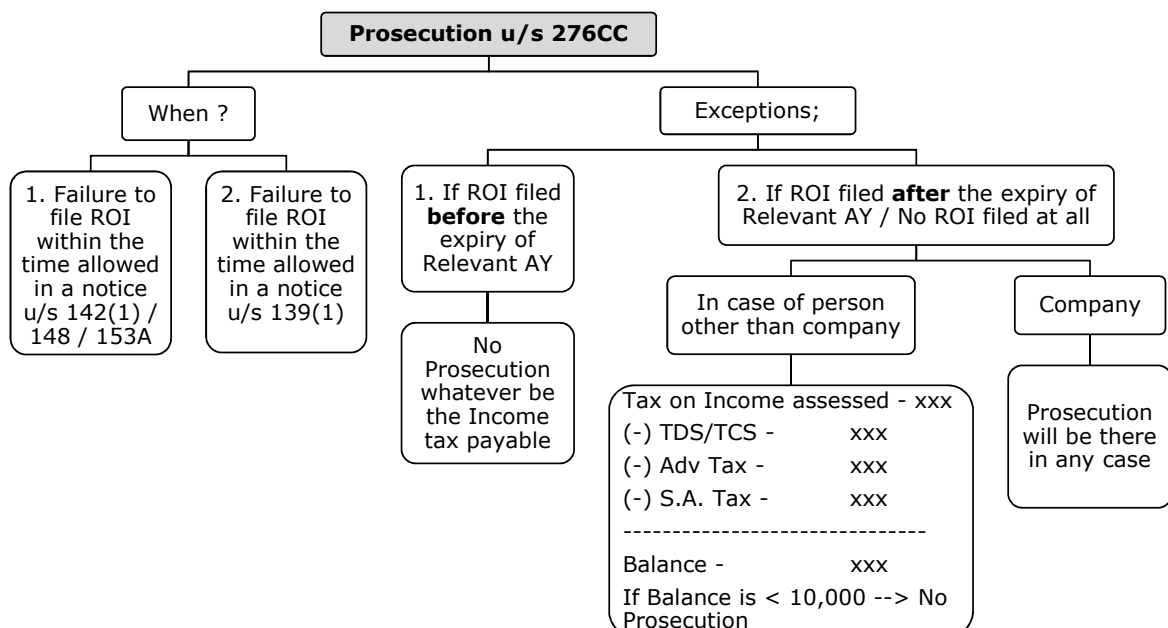
• Sec 270AA Immunity from Imposition of Penalty

The AO shall grant immunity from imposition of penalty u/s 270A and initiation of proceedings u/s 276C/276CC Application shall be made within 1 month from the end of the month in which order passed u/s 143(3) / 147

- Assessee has paid tax and interest and
- Has not filed an appeal and
- The time period of filling the appeal has expired.

Note -

Under reporting due to Mis-reporting में Immunity नहीं मिलेगी

Sec 276CC - Prosecution u/s 276CC

Section	Offences	Tax Fraud < 25 Lakh	Tax Fraud > 25 L / Other
276B	Sec 115-O, 194B Fails to pay		3 m to 7y + Fine
276BB	Sec 206C Fails to deposit TCS	MTP M19	3 m to 7y + Fine
276C(1)	Wilful attempt to evade tax (Under reporting of income)	3m to 2y + Fine	6m to 7y + Fine
276C(2)	Wilful attempt to evade tax		3 m to 2y
276CC	Failure to furnish return	3m to 2y + Fine	6m to 7y + Fine
277	False stmt in verification	3m to 2y + Fine	6m to 7y + Fine
278	Abatement of false return	3m to 2y + Fine	6m to 7y + Fine
280(1)	Public servant ne disclose kiya		up to 6m
276D	Failure to produce Documents / Ac Book (Failed to comply sec 142(1) / 142(2A))		up to 1 year and with fine
277A	Falsification of books or document		3 m to 2y

Direct Tax (CA Final)

The main objective of any tax law is to raise revenue & while raising revenue there has to be a room for compromise & settlement, For that purpose C.G. constituted a Authority called ITSC.

Details regarding applicant:

Who can apply ?	Assessee can make application to ITSC only if following conditions are satisfied: 1. Assessment of Assessee should be pending (Note 4) u/s 143(3)/144/147 /153A 2. Additional amount of income tax on the income disclosed in application should be more than i) 50,00,000 in Raid cases [section 153 A] ii) 10,00,000 in other cases [Section 143(3) /144/147] Note / Eg. : If Raid on Company / Firm then limit is 50 lakh but Director / Partner wants to apply additionally, then limit for such related person is 10 Lakh.		
Payment of tax while application	Additional tax along with interest should be paid before making an application to ITSC. Note: 1. Application once filed cannot be withdrawn by assessee. 2. After filling application, assessee shall intimate to A.O.		
Additional Tax > 10 lakhs / 50 lakhs Means ?	Return was not filed	Return was filed	
	Tax on Income disclosed in application called Additional Tax.	Tax on Disclosed Income	xxx
		+ Retuned income	xxx
		(-) Tax on Returned income.	xxx
		Additional Tax	xxx

Procedure

Applied to ITSC --> (7 Days for SCN)	ITSC within 7 days from the date of application, issues a notice to explain as to why his application be admitted (SCN).
Accept / Reject ? (14 Days)	Within 14 days from the date of receipt of application, the ITSC shall allow or reject the application. If no order passed within 14 days then the application is deemed to be admitted.
Accepted ? (30 Days + 30 Days)	within 30 days from the date of receipt of application, shall call for a report of CIT & CIT should submit such report within 30 days of receipt of communication from ITSC.
Invalid Declaration (15 Days)	Within 15 days from the date of receipt of report of CIT, the ITSC may declare the application as invalid.
If Valid (90 Days)	If the application is valid, ITSC shall call for records from CIT CIT shall furnish the report within 90 days of receipt of communication from ITSC.

Pass order (18 months)	After examining the record & report of CIT, after giving all opportunity of being heard, ITSC shall pass order of settlement within 18 months from the end of the month in which application was made by the assessee.			
Order of ITSC includes [Order me yeh information hogi]	a. Income settled & tax thereon b. Interest u/s 234A/B/C, as per SC judgement in M.H Ghaswala, ITSC cannot waive / reduce interest u/s 234A/B/C but it can waive / reduce to the extent CCIT/DGIT can c. Immunity from penalty & prosecution d. Manner in which tax shall be paid.			
Payment of Tax	Within 35 days from the date of receipt of order assessee should pay tax, If tax paid after 35 days there interest @ 1.25 % per month or part shall be applicable from 36th			
Rectification of Mistakes -	If there is any mistake apparent on record in order of ITSC, then the ITSC can rectify it within 6 months from the end of the month in which, a) The order was passed, b) An application has been made by Assessee or CIT / PCIT Note : Application for rectification cannot be made by Assessee or CIT / PCIT after 6 months from the end of the month in which order was passed by ITSC.			
Abatement of proceeding - [Means yeh 4 case me hum settlement ka benefit nahi le sakte]	In the following cases, the proceeding with ITSC shall abate & A.O. shall complete assessment as per normal provisions of Income Tax. 1. If application to ITSC is rejected - 2. If application to ITSC is declared invalid. 3. If the ITSC fails to pass order within time limit (i.e. 18m) 4. If the ITSC passed order without providing terms of settlement			
Restriction on making second time application	Individual	Company	Firm / AOP	HUF
	a) Co. in which individual holds > 50% shares / voting power b) Firm / AOP / BOI in which individual holds > 50% of PSR. c) Any HUF in which individual is karta.	Any individual holds > 50 % share capital / voting power	Any individual holds >50% PSR	Karta of HUF
Power of ITSC	1. It can attach property. Attachment initially is for 6 months but can be extended. 2. It has all the power of the Income Tax authority. 3. It shall have exclusive Jurisdiction over case i.e. IT Authority will not touch the case 4. Power to grant immunity from -Penalty or prosecution under income Tax Act, it is given if- a) Assessee co-operated with ITSC. b) Assessee made full & true disclosure of income & c) Manner of deriving such income.			
Immunity Withdrawn	Immunity granted shall be withdrawn if; a) Assessee fails to pay taxes b) Assessee has concealed any material or has given false evidence.			

Space for Your Notes

a. Tax Planning	Tax planning may be defined as an arrangement of one's financial affairs in such a way that, without violating in any way the legal provisions, full advantage is taken of all tax exemptions & deductions, permitted under the Act so to minimize the burden of taxation.
Example :	1. Choosing the suitable form of assessable entity (individual, firm, company) 2. Choosing suitable forms of investment (share capital, loan capital, lease) considering deductions available in respect of interest, exemption available in respect of dividend etc. 3. Diversification of the business activities
b. Tax Evasion	Tax evasion refers to any attempt to avoid payment of taxes by using illegal means.
Example :	1. Misrepresentation or suppression of facts; 2. Failure to record investments in books of account; 3. Claim of expenditure not substantiated by any evidence; 4. Recording of any false entry in books of accounts
c. Tax Avoidance	Minimization of one's tax liability by taking advantage of legally available tax planning opportunities. Tax avoidance may be contrasted with evasion, which entails the reduction of tax liability by using illegal means. [Black's Law Dictionary] The arrangement is entered into solely or primarily for the purpose of obtaining a tax advantage & does not have any commercial substance.
Example :	1. If a person shift his existing business to a SEZ just to claim the tax benefits u/s 10AA & there is no other commercial consideration involved.
d. Tax Management	It means planning affairs in such a manner, so that the tax obligation is managed properly.
Example :	1. Advance tax is paid properly to avoid interest, 2. Return filed on time so refund can be processed earlier.

GAAR do not deals with	GAAR Provisions do not deal with cases of Tax Evasion, Tax Planning, with cases where there are specific provision under the Act for anti-avoidance.	
GAAR Applicability	- GAAR provisions are applicable from AY 2018-19 and onwards - GAAR would apply in respect of tax benefit in aggregate by all enterprises out of an arrange in an AY exceeds 3 crores.	
Exemption from GAAR Provision	1. To Foreign Institutional Investor who: <ol style="list-style-type: none"> is an assessee under the act has not taken benefit of DTAA has invested in listed or unlisted securities with prior permission 2. NR, in relation to investment made by use of offshore derivative instruments ('P-Notes') or otherwise, directly or indirectly, in FII.	
GAAR - Basic	a. Generally, tax avoidance is legally permissible, if it is within the four corners of the Act, and is not a colorable device. b. However, many tax-planning/ avoidances are prima-facie in conflict of the objectives of the Act or may be primarily designed to reduce the tax liability. c. Provisions of GAAR override the provisions of Double Taxation Avoidance Agreement (DTAA).	
Section 96: Impermissible Avoidance Agreement [IAA]	IAA means an arrangement which satisfies 2 conditions: -	
	Primary Conditions	Tainted element presence Test
	Main purpose is to obtain a tax benefit	i) Creates rights which are not ordinarily created between persons dealing at arm's length (Test 1) or ii) Results (directly or indirectly) in misuse or abuse of provisions of this Act (Test 2) or iii) Entered/ carried in a manner, which are not ordinarily employed for bonafide purposes (Test 3) or iv) Lacks commercial substance or Deemed to lack commercial substance. (Test 4)

Arrange would IAA, if it satisfies Primary condition & any 1 of tainted element presence test.

Tax Benefit includes	<p>a) Reduction or avoidance or deferral of tax or other amount payable under this Act</p> <p>b) an increase in a refund of tax or other amount under this Act</p> <p>c) a reduction or avoidance or deferral of tax or other amount that would be payable under this Act, as a result of a tax treaty (DTAA under section 90 / 90A)</p> <p>d) an increase in a refund of tax or other amount under this Act as a result of a tax treaty</p> <p>e) a reduction in total income</p> <p>f) an increase in loss</p> <p>in the relevant previous year or any other previous year</p>
Sec 97- Arrangement to lack commercial substance	<p>An arrangement shall be deemed to lack commercial substance, if</p> <p>a) Substance or effect of the arrangement as a whole, is inconsistent with, or differs significantly from, the form of its individual steps or a part</p> <p>b) It involves or includes</p> <ol style="list-style-type: none"> Round trip financing an Accommodating party Elements that have effect of offsetting or cancelling each other Transaction which is conducted through one or more persons and disguises the value, location, source, ownership or control of funds which is the subject matter of such transaction <p>c) Involves the location of an asset or of a transaction or of the place of residence of any party which is without any substantial commercial purpose other than obtaining a tax benefit for a party</p> <ul style="list-style-type: none"> - Asset includes property, or right, of any kind. - Benefit includes a payment of any kind whether in tangible or intangible form. <p>d) It does not have significant effect upon the business risks or net cash flows of any party to the arrangement apart from any effect attributable to the tax benefit that would be obtained.</p> <ul style="list-style-type: none"> - Party includes a person or a permanent establishment which participates or takes part in an arrangement.
Sec 98 - Consequences of Impermissible Avoidance Arrangement [IAA]	<p>If an arrangement is declared to be an impermissible avoidance arrangement, then, the consequences, in relation to tax, of the arrangement, including denial of tax benefit or a benefit under a tax treaty, shall be determined by:</p> <ol style="list-style-type: none"> Disregarding, combining or re-characterising any step in, or part or whole of, the IAA Treating the IAA as if it had not been entered into or carried out Disregarding any accommodating party or treating any accommodating party and any other party as one and the same person Deeming persons who are connected persons in relation to each other to be one and the same person for the purposes of determining tax treatment of any amount Reallocating amongst the parties to the arrangement - <ol style="list-style-type: none"> any accrual, or receipt, of a capital or revenue nature; or any expenditure, deduction, relief or rebate; Treating <ol style="list-style-type: none"> the place of residence of any party to the arrangement the situs of an asset or of a transaction <p>at a place other than the place of residence, location of the asset or location of the transaction as provided under the arrangement; or</p> Considering or looking through any arrangement by disregarding any corporate structure.

Sec 115BBE - 60 + 25 + 4 = 78%;

Sec 68	Unexplained cash credit
Sec 69	Unexplained Investment
Sec 69A	Unexplained Money
Sec 69B	Investment not fully disclosed in the books
Sec 69C	Unexplained expenditure
Sec 69D	Amt borrowed and paid other than ac payee cheq

Sec 271AAC -
Levy of penalty @10% -->
68,69,69A to 69D

Sec 115VC**Tonnage Taxation**

Basic	If Indian co, (has POEM in India) engaged in business of operating ships can compute its income on the basis of Tonnage tax scheme if company owning at least one qualifying ship. This scheme is optional.		
	Qualifying company - Indian Company (POEM in India)		Own Ship
	Object same		
Sec 115UG - Computation of Tonnage Income	Net tonnage	Daily Tonnage Income	
	1000 ton	Rs. 70 for each 100 ton	
	1000-10000 ton	Rs. 700 + Rs. 53 for each 100 ton	
	10000-25000 ton	Rs. 5470 + Rs. 42 for each 100 ton	
	Exceeding 25K	Rs. 11770 + Rs. 29 for each 100 ton	
Tax Rate	@ 30 + 7% (Surcharge) + 4% (Cess)		
Misc.	<ul style="list-style-type: none">• Tonnage shall be rounded off to the nearest multiple of 100 tons.• No Chpt VI-A,• No Exp Deductions• MAT not applicable		
Qualifying Ships -	Seagoing ship or vessel of 15 net tonnage or more but exclude ; (i) a seagoing ship or vessel if the main purpose for which it is used is for the provision of goods or services of a kind normally provided on land (ii) factory ships (iii) fishing vessels (iv) harbour and river ferries (v) pleasure craft (vi) offshore installations (vii) qualifying ship which is used as a fishing vessel for a period of > 30 days during a P.Y.		

Sec 10AA**Deduction for SEZ Units**

Basic	Deduction is allowed to an assessee who is engaged in manufacture or produces articles or things or provides any services.		
Deduction should be	for First 5 AY	for Next 5 AY	for Next 5 AY
	- 100% of Export Profit	- 50% of Export Profit	- Amount debited to P & L & credited SEZ Re-investment allowance Reserve A/c or - 50% of Export Profit (Whichever is lower)
Export Profit	$\text{PGBP of unit located in SEZ} \times \frac{\text{Export Turnover}}{\text{Total Turnover}}$		
Export Turnover means	Consideration in respect of export brought into India in convertible foreign currency within 6 months from end of P.Y. or as time permitted by RBI. Note - Sales proceeds deemed to have been received in India if such amount is credited to a separate A/c maintained by assessee outside India with approval of RBI.		
Export Turnover does not include	a. Freight, Telecommunication charges, Insurance or Expn. for providing service outside India. b. Shall not include Cash Compensatory Support, Duty drawback and profit on sale of import entitlement licenses.		
Total Turnover does not include	a. Freight, Telecommunication charges, Insurance or Expn. for providing service outside India. b. Shall not include Cash Compensatory Support, Duty drawback and profit on sale of import entitlement licenses.		
Utilization of SEZ Investment Reserve A/c	1. should be utilized for acquiring new Plant & Machinery put to use within 3 years from the end of P.Y. in which reserve was created. 2. If amount mis-utilised / un-utilised then deduction claimed earlier shall be taxable as PGBP.		
Deemed Income	If Reserve has not been utilized till the expiry of time limit: of the year immediately following the period of 3 years		

Sec 269SS - Mode of Taking or Accepting - Loans / Deposit / Advance.	Sec 269ST - Mode of Undertaking Transactions.	Sec 269T - Repayment of Loan / Deposit / Advance
Any person should accept : a. Loan / Deposit b. Advance in relation to Immovable Property, by Other than Cash (If Amt > 20K) Notes Compiled by Sanjay Zanwar Telegram Channel @ DT_LDR	Any person should not receive amt > 2,00,000 in cash (a) Aggregate from person in a day; or (b) In respect of a single transaction; or (c) In respect of transactions relating to one event or occasion from a person.	Any person should repay : a. Loan or Deposit (together with interest) b. Advance in relation to immovable property, by Other than Cash (If Amt > 20K)
• Penalty u/s 271D Penalty shall be levied @ 100% of such amount. It shall be imposed by J.C	• Penalty u/s 271DA Penalty shall be levied @ 100% of such amount. It shall be imposed by J.C	• Penalty u/s 271E Penalty shall be levied @ 100% of such amount. It shall be imposed by J.C
• Exception (Non applicability) Above section is not applicable if L / D or Advance is taken from or by (i) Govt (ii) Govt. Company (iii) Banks, co-op Bank, Post Office, (iv) Person having only Agri. Income (v) Corp, established by Central, State, Provincial Act. (vi) Any other as notified by CBDT.	• Exception (Non applicability) 1) Any receipt by Govt, Banking company, Post office or co- operative bank (2) Transactions of the nature referred to in section 269SS. (3) such other persons or class of persons or receipts, notified by the CG. (See #)	• Exception (Non applicability) If L/ D / A taken / accepted from : (i) Government or Govt Company (ii) Bank, co-op. bank, post office (iii) Corp, established by Central, State, Provincial Act
• Note On date of taking/ accepting such L / D / A, --> any L / D / A taken or accepted earlier by such person & unpaid on such date shall also be consider for Rs. 20,000 limits . Example : a. 01.06 - 12000 by NEFT, 15.06 - 13000 by Cash --> Violation of Sec 269SS Penalty = 13000 b. 01.06 - 12000 by Cash, 15.06 - 12000 by NEFT --> No Violation of Sec 269SS	• Note a. No penalty shall be levied if that person proves that there were good & sufficient reasons for the contravention.	• Note On the date of repayment of L/D/A -- > any L / D / A outstanding on such date shall also be consider for 20,000 limits . L / D / A Means : L = Loans D = Deposits A = Adv. in relation to Immovable Property

Telegram Channel @ DT_LDR (Compiled by Sanjay)

CG has specified that the provision of section 269ST shall not apply to the following, namely.

- Receipt (cash withdrawals) by any person from a bank, co-operative bank or a post office savings bank
- Receipt by a business correspondent on behalf of a banking company or co-operative bank, in accordance with the guidelines issued by the RBI;
- Receipt by a white label ATM operator from retail outlet sources on behalf of banking co. or co-op. bank;
- Receipt from an agent by an issuer of pre-paid payment instruments
- Receipt by company/ institution issuing credit cards against bills raised in respect of one /more credit cards;
- receipt which is not includible in the total income under section 10(17A)

Sec 269SU Mode of acceptance of business payments.

Applicable to every person

- The Section is applicable to business not profession
- Where the turnover > 50 crore
- All payments to be collected through electronic modes prescribed
- Penalty of 5000 per day u/s 271DB
- No transaction charges on this by the banks

Cash sale by cultivators / agriculturist to traders, If amount > 2 lac

40A(3)	Disallowance expenditure > 10 k
269ST	Receipt in cash > 2 lac
Rule 114B	Quote his PAN / Furnish form 60

Case Law - Ans writing format

- Issue Involved
- Provision applicable
- Analysis
- Conclusion

Action on legal representative

1. LR would liable to file return of income as legal representative and pay sum which died person would have been liable to pay.
2. Any sum includes tax, penalties, interest / any other sum that would have been payable by died person, the liability of LR would be limited to extent to which, the estate of the deceased is capable of meeting the liability.
3. No prosecution can be initiated on LR

Successful tax planning must confirm two test ...

Conformity with the current law and flexibility

Sec 10(26AAA) Any income which accrues or arises to a Sikkimese Individual

a) From any source in the state of Sikkim

b) by way of dividend or interest on securities (Whether generated in Sikkim or any other place/)

This exemption is not applicable in case a Sikkimese woman marries a non-Sikkimese on or after the 1-4-2008.

Rule 6DD	of Income Tax Rules enlists certain cases and circumstances which enjoy relaxation from provisions of Section 40A(3) and 40A(3A). i.e., payment exceeding Rs. 10,000 otherwise than by an account payee cheque. "Where the payment was required to be made on a day on which the banks were closed either on account of holiday or strike". This circumstance has been deleted by way of an amended in the Rule.
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Rule 6ABBA

(w.e.f. 1.9.2019)

Sections :	Sec 13A, Sec 35AD, Sec 40A(3)/(3A)/(4), Sec 43(1), Sec 43CA/50C, Sec 44AD, Sec 56(2)(x), Sec 80JJAA, Sec 269SS, 269T, 269ST
Other electronic modes :	Credit / Debit Card Net Banking IMPS (Immediate Payment Service) NEFT (National Electronic Funds Transfer) RTGS (Real Time Gross Settlement) BHIM (Bharat Interface for Money) Aadhar Pay UPI (Unified Payment Interface)

• Certain cases when income of previous year will be assessed in the previous year itself;

General Rule	Income of a previous year is assessed in assessment year following the previous year
Exceptions to this rule	Cases where income of a previous year is assessed in the previous year itself a. Shipping business of non-resident b. Persons leaving India c. Discontinued business d. Persons likely to trf. property to avoid tax e. AOP/BOI/ Artificial Juridical Person formed for a particular event or purpose

1 Residential Status and Accrual of Income

Chapter MAP

Part A	Part B	Part C
Residential Status of a. Individual b. HUF c. Company d. Firm / AOP e. Other Person	Accrual of Income in case; a. Individual b. Firm / Company / AOP / BOP	a. POEM Guidelines b. Section 9 [Interest / Royalty / FTS] c. Income from Business Connection - Other than Int / Royalty / FTS d. Significant Economic Presence - Explanation 2A to Sec 9(1) e. Gift Provision

• Residential Status of Individual

Sec 6(1)

Rule 1 - Basic Condition: To determine whether an assessee is a Resident or not

Particular	Conditions
1) An Indian citizen who leaves India during the previous year - for the purpose of employment outside India - as member of crew of an Indian ship	Condition 1 He/she is in India for a period of 182 days or more (Current PY) OR He will be RESIDENT if above option satisfied
2) Indian citizen / a Person of Indian origin (PIO) who comes on a visit to India during the previous year AND having total income, other than the income from foreign sources is Rs. 15 Lakh or Less.	Condition 1 He/she is in India for a period of 182 days or more (Current PY) OR He will be RESIDENT if above option satisfied
3) Indian citizen / a Person of Indian origin (PIO) who comes on a visit to India during the previous year AND having total income, other than the income from foreign sources is Exceeding Rs. 15 Lakh.	Condition 1 He/she is in India for a period of 182 days or more (Current PY) OR Condition 2 He/she is in India for period of - 120 days or more in the previous year AND - 365 days or more during 4 years immediately preceding the previous year RESIDENT - If any one of the above condition is satisfied Note : If his stay in India > 120 Days but < 182 days --> He will be RNOR (As per sec 6(6) amendment)
4) Cases not covered by 1, 2 or 3 above	Condition 1 He/she is in India for a period of 182 days or more (Current PY) OR Condition 2 He/she is in India for period of - 60 days or more in the previous year AND - 365 days or more during 4 years immediately preceding the previous year RESIDENT - If any one of the above condition is satisfied

• Definition

Indian Origin	If he or either of his parent or any of grand person, was born in Undivided India.
Income from Foreign Source	Means income which accrue or arise outside India (Except income derived from business controlled from or profession set up in India) and which is not deemed to accrue / arise in India <i>So, Income from Foreign Source --> Income which accrue / arise outside India but shall not include:</i> 1. Income which are deemed to accrue or arise in India by virtue of Sec 9 2. Income derived abroad from business controlled from India or Profession set up in India

Sec 6(6)

Rule 2 -Additional Condition - To determine if he/she is ordinarily resident

a) He/she has been resident in India for at least 2 out of 10 PY immediately preceding the PY AND b) He/she has been in India for period of 730 days or more during 7 years immediately preceding the relevant PY. If Both conditions of Rule 2 are satisfied	--> ROR	If Both conditions of Rule 2 are not satisfied	--> RNOR
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Sec 6(1A)**Deemed Resident**

Shall be deemed to resident in India	- An Individual being citizen of India. - having total income, other than the income from foreign sources, - exceeding Rs. 15 lakhs during the PY
If -->	- he is not liable to tax in any other country / territory by reason of his domicile or residence or any other criteria of similar nature.
This clause shall not apply	- In case of Individual who is said to be resident in India as per Sec 6(1)

• Residential Status of HUF - Sec 6(2)

Control and Management of affairs	Status
- Wholly in India	Resident
- Partly in India and Partly outside India	
- Wholly in Outside India	Non Resident

Note:

Both the additional Conditions (Rule 2) as per sec 6(6)

If Karta of HUF is satisfying	--> HUF is treated as ROR
If Karta of HUF is not satisfying	--> HUF is treated as RNOR

**Direct Tax
(CA Final)****LDR - Last Day
Revision Notes**

DT is not an ocean.

• Residential Status of Firm / AOP / BOI / Local Authority / Other Person

Control and Management of affairs	Status
- Wholly in India	Resident
- Partly in India and Partly outside India	
- Wholly in Outside India	Non Resident

• Residential Status of Companies - Sec 6(3)

- a) Indian Companies : are always Resident in India
b) Other Companies : If its "POEM" is in India in that year then Resident otherwise Non resident.

	Company having turnover or gross receipts > Rs. 50 cr in a FY	Company having turnover or gross receipts < Rs. 50 cr in a FY
How to Identify POEM ?	If both test satisfied then POEM is not in India Test 1 - Active Business Outside India Test 2 - Majority Board meetings held outside India.	Determination of POEM would be 2 Stage Process 1. Identification / ascertaining persons who actually make key management & commercial decision for conduct of the companies business as a whole. 2. Determine of place where decision are infect being made

• Place of Effective Management [POEM]

Determination of POEM (Applicable only if Turnover > 50 crore)

Meaning	a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.
Applicability (Circular No. 8/2017)	POEM guidelines shall apply to a company having turnover or gross receipts of Rs. 50 crores or more in a financial year.
Company having Active Business outside India (ABOI)	If Both the conditions satisfied then POEM is not India i) Active Business outside India(ABOI). ii) Majority meetings of Board held outside India.
Test - Active Business Outside India Note : All conditions should be satisfied	A Company shall be said to be engaged in "Active Business Outside India" if a. Passive Income is not more than 50% of its total income. and b. Less than 50% of its total assets are situated in India. and c. Less than 50% of Total no. of employee are situated in India / are resident in India. And d. The payroll expenses incurred on such employee is < 50% of its total payroll expenditure

• Meaning of Certain Terms	
Passive Income ?	a) Income from the trans. where both the purchase & sale of goods is from / to its <u>AE</u> and b) Income by way of Royalty, Dividend, Capital gains, Rental Income or Interest (Interest except for Banking Company or PFI). (ये 5 Income अच्छे से याद रखना)
Income ?	Income as per Tax Law of country of incorporation. If Tax Law does not required computation of Income then Income as per Books of Accounts.
Value of Assets ?	a. Depreciable asset: Average of opening and closing WDV of such asset or block of asset as per Tax Law of that country. b. Other Asset: Value as per Books of Account.
Payroll ?	Cost of salaries, wages, bonus and all other employee compensation including related pension and social costs borne by the employer.

• Accrual of Income - Individual / HUF

Type of Income	ROR	RNOR	NR
1. Indian Income	Taxable	Taxable	Taxable
2. Foreign Income			
a. Business / Profession Income : - wholly / partly controlled from India and - Received out of India	Taxable	Taxable	Not Taxable
b. Other Foreign Income	Taxable	Not Taxable	Not Taxable

• Accrual of Income - Firm / AOP / Companies / Other Person

Type of Income	Resident	Non Resident
Indian Income	Taxable	Taxable
Foreign Income	Taxable	Not Taxable

Section 9

Income deemed to accrue or arise in India

All income accruing or arising, whether directly or indirectly	through or from any business connection in India, through or from any property in India through or from any asset or source of income in India through the trf. of a capital asset situate in India shall be deemed to accrue/ arise in India.	
Salary [9(1)(ii)]	a. For service rendered in India, whether such Income before or after service rendered like Gratuity, Pension, Profit in lieu of Salary.	
Salary [9(1)(iii)]	b. Salary received by Indian Citizen from Govt, for service rendered outside India. Note - as per section 10(7) perquisite & allowances are Exempt.	
Dividend [9(1)(iv)]	Dividend paid by Indian Company Outside India	
Interest	Interest paid by	Use of Funds
[Sec 9(1)(v)]	Government Resident	For any purpose (in India or outside India) For any purpose except loan is used for a business or profession carried on outside India or for making or earning any income from any source outside India
	Non Resident	Loan or money is used for business or profession carried on in India
Royalty	Paid by	Use of Funds
[Sec 9(1)(vi)]	Government Resident	For any purpose (in India or outside India) For any purpose except for any right, property or information used or services utilised for a business or profession outside India or for earning any income from any source outside India
	Non Resident	For any right, property or information used or services utilised for business or profession in India or for the purposes of making or earning any income from any source in India
Fees for Technical Service (FTS)	Paid by	Use of Funds
[Sec 9(1)(vii)]	Government Resident	For any purpose (in India or outside India) For any purpose except if services utilised in a business / profession outside India or for the purposes of making or earning any income from any source outside India
	Non Resident	For services utilised in business/profession in India or for the purposes of making or earning any income from any source in India

Gift to person outside India - Accrue in India [9(1)(viii)]	<ul style="list-style-type: none"> - Any sum of money paid, or any property situate in India transferred, - by a person resident in India to a person outside India shall accrue in India.
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Income from Business Connection -(Business Profits other than Interest/ Royalty / FTS)

Operations carried out in India	The income of the business deemed to accrue or arise in India shall be only such part of income as is reasonably attributable to the operations carried out in India.
Activity on behalf of the non-resident	<p>Business connection shall include any business activity carried out through a person who, acting on behalf of the non-resident [Agent]</p> <ul style="list-style-type: none"> a) has and habitually exercises in India, <ul style="list-style-type: none"> - an authority to conclude contracts on behalf of the non-resident or - habitually concludes contracts or - habitually plays the principal role leading to conclusion of contracts by that non-resident and the contracts are <ul style="list-style-type: none"> i. in the name of the non-resident; or ii. for the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that non-resident has the right to use or iii. for provision of services by the non-resident b) has no such authority, but habitually maintains in India a stock of goods or merchandise from which he regularly delivers goods; or c) habitually secures orders in India, mainly or wholly for the non-resident or for that non-resident and other non-residents
Not Includes	Such business connection shall not include any business activity carried out through a broker, general commission agent or any other agent having an independent status
Not treated as Business Connection in India	<ul style="list-style-type: none"> a. Purchase of goods in India for export. b. Collection of news and views in India for transmission out of India. c. Shooting of cinematograph films in India if such NR is Individual, <ul style="list-style-type: none"> - who is not a citizen of India or - a firm which does not have any partner who is a citizen / resident of India or - a company which does not have any shareholder who is a citizen / resident of India d. In case of a foreign company engaged in the business of mining of diamonds, from the activities which are confined to display of uncut and unassorted diamonds in any special zone notified by the CG.

Significant Economic Presence (SEP) - Explanation 2A to Section 9(1)

The significant economic presence of a non-resident in India shall constitute "business connection" in India.

Nature of Transactions and Condition	Nature of Transaction	Condition
	<ol style="list-style-type: none"> Transaction for goods, services or property carried out by a non-resident in India including provision of download of data or software in India Systematic & continuous soliciting of business activities/ engaging in interaction with users in India through digital means 	<p>Aggregate payments from transaction/s exceeds prescribed amount</p> <p>Users should be of prescribed number</p>
SEP in India, whether or not.	<p>Further the above Transactions shall constitute 'SEP' in India, whether or not,</p> <ul style="list-style-type: none"> a. the agreement for such transactions or activities is entered in India; b. the non-resident has a residence or place of business in India; or c. the non-resident renders services in India. 	
Deemed to accrue	Only so much of income as is attributable to the transactions or activities referred to in clause (a) or clause (b) above shall be deemed to accrue or arise in India.	

2 Non Resident Taxation

Chapter MAP

Part A	Part B	Part C	Part D
Sec 115E - Taxation of NRI	Special Rates of Tax for NR - Sec 115A, 115AB, 115AD, 115BBA	Sec 115AC Taxation of Income on Bonds & GDR	Presumptive Taxation - Ship, Aircraft etc.

Note:

NR / Foreign Companies are **NOT REQUIRED to file the return of Income** even if income exceeds the taxable limit in the following 4 cases.

1. Sec 115A
2. Sec 115AC
3. Sec 115G
4. Sec 115BBA

Part A - One Section

1. Sec 115E Taxation of NRI (This provision is optional to NRI)

NRI Means	NR + Indian citizen / Person of Indian origin. Person of Indian Origin means if he, or either of his parents or any of his grand-parents, was born in undivided India
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• Type of Income

1. Interest Income @ 20%	2. LTCG @ 10%	3. Other incomes
Interest from foreign exchange assets# • Tax Rates - @ 20% Method : - Dedn u/s 28 to 44C, S. 57 not available - Chapter VI-A Dedn. not available.	LTCG from foreign ex. assets# • Tax Rates - @ 10% Method : (Brokerage less करना) - Chapter VI-A Dedn. Not Available - Indexation Benefit Not Available	• Tax Rates - Normal Tax Rate Method : - as per normal provisions

# Foreign Exchange Assets	Any of the following assets acquired / purchased in foreign exchange (FOREX). i. Shares of Indian company (Public/ Private) ii. Debenture of Indian Public Co. iii. Deposits with an Indian Public company iv. Securities of Central Govt. v. Any other asset as may be notified by CG
Section 115F - Exemption on LTCG नोट --> Exam में expenditure less करना मत भूलना	LTCG on FOREX asset shall be exempt if net consideration is utilized for acquiring other FOREX assets with 6 Months from the date of transfer. [Net consideration = Consideration (-) Expenditure in connection with transfer.] Exempt Amount = LTCG x Cost of New Asset / Net Consideration Lock in period - New asset should be retained for 3 years from the date of its acquisition.
Section 115G - Exemption from Filing of ROI	ROI not required to be filed if : a) Total Income include only Interest Income & LTCG. b) TDS already deducted.
Section 115-I	The above provisions are optional means Assessee can pay Normal tax on LTCG & Interest income instead of 10% & 20%.
Key Notes	Interest received by NRI on debentures / bonds issued by a unit located in IFSC on or after 1.09.2019 is exempt under section 10(15).

Space for Your Notes

Part B - Four Section

1. Sec 115A Interest, Royalty, Fees for Technical Service recd by NR/Foreign Company

• Interest

Type of Income	Payable to	From	Rate	TDS
A. Interest	NR / F. Company	Infrastructure Debt Fund [Sec 10(47)] (Asked in Nov 19 - New Syllabus)	@5%	194LB 5%
B. Interest on Loan	NR / F. Company	Indian Co. / Business Trust - Loan in Foreign Currency, RDB, Long Term Bond	@5% (IFSC 4%)	194LC 5%
C. Interest on Investment	FII / QFI*	Investment made in RDB of Indian Company or Government Securities	@5%	194LD 5%
D. Interest on Unit	NR Unit holder	Business Trust (REIT / InVIT)	@5%	194LBA
E. Interest on F. Currency Loan	NR / F. Company	Government or Indian Concern (Nov 18 Q7) (Other than A,B,C,D)	@20%	Sec 195

*FII - Foreign Institutional Investor, QFI - Qualified Foreign Investor, RDB- Rupee Denominated Bond

Interest on RDB's or Any other Long term Bond --> earned by NR / Foreign Company

Bond issued on or after 01/04/2020 and are listed only on the Stock Exchange Located in IFSC

Taxable at 4%

Direct Tax

• Dividend Income and Income received on Units.

Nature of Income	Payee	Tax Rate	TDS	Obligation to Return Furnish
1. Dividend on Shares purchased in Indian Currency / Foreign Currency	NR / FC	20% - 115A	20% - u/s 195	No
2. Distributed Income from Business Trust (Dividend received from SPV who opted 115BAA)	NR / FC	20% - 115A	10% -u/s 194LBA	Yes
3. Income on Unit of Mutual Fund / Units of Unit Trust of India purchased in Foreign Currency .	NR / FC	20% - 115A	20% -u/s 196A	No
3. Income on Unit of Mutual Fund / Units of Unit Trust of India purchased in Indian Currency .	NR / FC	Normal Tax Rate	20% -u/s 196A	Yes

Return Filing if income u/s 115A	The assessee is not required to furnish Return u/s 139(1) if - a. The Total income consists of only Interest / Dividend Income referred above and b. the TDS has been deducted from such income.
Benefit not available for Sec 115A	- Deduction under chapter VI-A - Basic Exemption (Slab) Note - Deduction u/c VI-A available against Royalty & FTS referred in Sec 115A - Indexation Benefit (in case CG) - Deduction u/s 28 to 44C / Sec 57

• Royalty / Fee for technical service (FTS)

Particular	If there is PE in India	If there is No PE in India
1. Section Applicable	44DA	Sec 115A
2. Taxable at the Rate	Normal Tax Rate	10% (Gross Royalty is Taxable)
3. Surcharge & Edu. Cess	Applicable	Applicable
4. Computation of Income	Computed under PGBP after allowing all expenses	No expenses allowed in computing such Income.
5. Compulsory maintenance of Books of A/c and AUDIT	Yes, Applicable	No such requirements
6. Deduction under Chapter VI-A	Allowed	Allowed
7. Set-off losses from other business in India	Allowed	Allowed

• Comparison

Particular	Royalty & FTS	Interest	Dividend & Income received on Units
a. Slab Benefit	Not available	Not available	Not available
b. Deduction u/s 28 to 44C & Sec 57	No	No	No
c. Deduction under Chapter VI-A	Available	Not available (except 80LA)	
d. Provision of set off, c/f losses	Applicable	Applicable	Applicable
e. Unabsorbed depreciation	Can't be set off	Can't be set off	Can't be set off
f. Filing of Return of Income not necessary if;	1. It includes only above income AND 2. TDS is fully deducted		

2. Sec 115AB LTCG to "Overseas Financial Organization" on units of UTI/Mutual Fund

Tax Rate -->	@10%	TDS Dedn u/s --> Sec 196B
If STT Paid -->	Benefit of Sec 111A (STCG @ 15%) and Sec 112A (LTCG @ 10% in excess of 1 Lakh)	
Benefit not available	- Deduction under chapter VI-A - Basic Exemption (Slab)	- Indexation Benefit (in case CG) - Deduction u/s 28 to 44C / Sec 57

3. Sec 115AD Capital Gain & Interest on Security of FII (Max Surcharge is 15% on CG)

Income -->	Income recd by Foreign Institutional Investors (FII) on securities (other than units of UTI/MF).					
Taxable at the rate		LTCG	STCG u/s 111A	STCG Other	Interest / Dividend from FII	Interest / Dividend Specified Fund
Tax -->		@ 10%	@ 15%	@ 30%	@ 20%	@ 10%
TDS -->		Sec 195	Sec 195	Sec 195	196D - 20%	196D - 10%
Note -	a. If Sec 112A apply then income tax @10% on income exceeding 1 lakh b. Surcharge on Capital Gain and Dividend Income u/s 115AD shall be charged in the same manner as in the case of Capital gains u/s 111A and/or 112A. (Max Surcharge 15%)					
Benefit not available	- Deduction under chapter VI-A - Basic Exemption (Slab)	- Indexation Benefit (in case CG) - Deduction u/s 28 to 44C / Sec 57				

4. Sec 115BBA Income of NR Sports Person, NR Sports Association & NR Entertainer

Basic	• Tax rate @20%	• TDS u/s - 194E (20% + Cess)
Benefit not available	- Indexation Benefit (in case CG) - Basic Exemption (Slab) <i>Note : Deduction u/c VI-A available against Royalty and FTS referred in section 115A</i>	- Deduction under chapter VI-A (Except 80LA) - Deduction u/s 28 to 44C / Sec 57
Sportsman means	(including an athlete), who is not a citizen of India and is a non-resident Any income received or receivable by way of 1. Participation in India in any game or sport Note - Game does not include which are taxable u/s 115BB --> being winning from crossword puzzles, races including horse races, card games & gambling or betting 2. Advertisement; 3. Contribution of articles relating to any sport in India in newspapers, magazines / journals;	
Entertainer means	An entertainer who is not a citizen of India and is a non-resident	
Return Filing	The assessee is not required to furnish Return u/s 139(1) if - a. His total income in respect of which he is assessable under this Act during the PY consisted only of income referred u/s 115BBA AND b. TDS under the provisions of Chapter XVII-B has been deducted from such income.	
Note	अगर question में Horse race income या income from लॉटरी है तो 30% tax लगेगा (Sec 115BB)	

Part C - Bonds & GDR

Sec 115AC

LTCG and Interest from --> Bonds and GDR

Income	Income received by NR / Foreign Company on 'Bonds of Indian Company'		
	Income received by NR / Foreign Company on 'GDR acquired in Foreign Currency'		
Tax Rate	Interest @10%	TDS Dedn u/s 196C	
	LTCG @10%	TDS Dedn u/s 196C	
	Dividend* @10%	TDS Dedn u/s 196C	(Note - *it means Dividend on GDR)
Benefit not available	- Deduction under chapter VI-A - Basic Exemption (Slab) - Indexation Benefit (in case CG) - Deduction u/s 28 to 44C / Sec 57		
Return Filing	The assessee is not required to furnish Return u/s 139(1) if - a. Total income consists of only Interest / Dividend Income referred above and b. TDS has been deducted from such income.		
Transfer of Bonds / GDR	Not considered as transfer for calculation of capital gain [Sec 47 (viii)] If transfer made outside India by one NR to another NR shall not be treated as transfer		

Part D - Presumptive Scheme

Particular	Sec 44B	Sec 44BBA	Sec 44BB	Sec 44BBB
Nature of Business	Shipping Business	Operation of Aircraft	Mineral Oil, N. Gas *	Turnkey Power Project
Eligible assessee	Non-resident	Non-resident	Non-resident	Foreign Co. only
Presumptive Income	7.5% of Freight	5% of Total Freight	10% Service charge rcd.	10% of sum recd
Income means Specified sum which is --> Note in Sec 44B - Demurrage (+) Handling charges also to be included	1. Amount paid / payable - on account of carriage of passengers, livestock, mail or goods - shipped at / from any port / place in India ; and 2. Amt recd. / deemed to be recd in India - on account of carriage of passengers, livestock mail or goods - shipped at / from any port / place outside India		1. Amount paid or payable, Such service provided in India 2. Amount recd or deemed to be recd in India, Such service provided outside India	Amount paid or payable, against Such service.
Sec 28 to 43A deductions	Not Available	Not Available	Not Available	Not Available
Chapter VI-A deductions	Available	Available	Available	Available
Set-off Losses	Possible	Possible	Possible	Possible
Dep. / B/f Dep set off	Not Possible	Not Possible	Not Possible	Not Possible
Option to declare lower profit	Not Available	Not Available	Lower profits may be claimed u/s 44BB & u/s 44BBB but assessee - maintains Books of account u/s 44AA & - gets them audited u/s 44 AB.	

* Sec 44BB Business of providing services & facilities for or supplying P&M on hire, used or to be used in the exploration & exploitation of **Mineral oils, Petroleum and Natural gas**

Sec 44BBB

- Business of civil construction or
- Business of erection of P&M or testing or commissioning thereof,
- in connection with **Turnkey Power Projects approved by CG**

Space for Your Notes

Sec 10(23FE) Exemption of Certain Income of 'Specified Persons' from Investment in India

Income exempt	Dividend, Interest or Long Term Capital Gain arising from an Investment in India.
Investment during	on or after 01/4/2020 but before 31/03/2024
To be held	For at least 3 years (Lock in Period)
Investment in	1. Business trust being an Infrastructure Investment Fund (InVIT) 2. Company or Entity carrying on the business, - or operating and maintaining, - or developing, operating and maintaining any infrastructure facility as defined in Sec 80-IA 3. Category I / II Alternative Investment Fund regulated by SEBI having 100% investment in one or more of the companies or entity referred to in Item (2)
Fails to Satisfy	Any of the above conditions, Such income shall be chargeable to Income Tax as the Income of the Specified Person of that Previous Year.
Other Condition	File return of income on or before the due date u/s u/s 139(1) and furnish along with such return a certificate in Form No. 10BBC in respect of compliance to the provisions u/s 10(23FE), during the FY, from an accountant.
Specified Persons:	
1. a wholly owned subsidiary of Abu Dhabi Investment Authority which—	(i) is a resident of the U.A.E. (United Arab Emirates); and (ii) makes investment, directly or indirectly, out of fund owned by the Government of the Abu Dhabi ;
2. Sovereign wealth fund (SWS) which satisfies conditions, namely:-	(i) it is wholly owned & controlled, directly / indirectly, by the Government of foreign country ; (ii) it is set up and regulated under the law of such foreign country ; (iii) the earnings of the said fund are credited either to the account of the Government of that foreign country or to any other account designated by that Government so that no portion of the earnings inures any benefit to any private person; (iv) Asset of the said fund vests in the Govt. of such foreign country upon dissolution ; (v) it does not undertake any commercial activity whether within or outside India ; and (vi) it is specified by the Central Government, by notification in the Official Gazette.
3. Pension Fund	(i) is created/ established under the law of foreign country including laws made by any of its political constituents being province, State/ local body, by whatever name called; (ii) is not liable to tax in such foreign country ; (iii) is specified by the Central Government, by notification in the Official Gazette

Sec 115JG Conversion of Indian Branch of Foreign Bank into a Subsidiary Company

Basic	Where a foreign company is engaged in the business of banking in India - through its branch situate in India and - such branch is converted into a subsidiary company thereof, being an Indian company (Indian subsidiary company) - in accordance with the scheme framed by the Reserve Bank of India,
Then	then, notwithstanding anything contained in the Act and subject to the conditions as may be notified by the Central Government in this behalf,
Capital Gain	arising from such conversion shall not be chargeable to tax in the assessment year relevant to the previous year in which such conversion takes place;
Unabsorbed Dep., Set off or carry forward and set off of losses, MAT Credit	the provisions of this Act relating to treatment of - Unabsorbed depreciation, - Set off or carry forward and set off of losses, - Tax credit in respect of tax paid on deemed income relating to certain companies and the computation of income in the case of the foreign company and Indian subsidiary company shall apply with such exceptions, modifications and adaptations as may be specified in that notification.

Above tax benefit available if following conditions are satisfied

Asset and Liability	All the assets and liabilities of the Indian branch immediately before conversion become the assets and liabilities of the Indian subsidiary company.
Transfer before its conversion	The asset and liabilities of the Indian branch are transferred to the Indian subsidiary company at values appearing in the books of account of the Indian branch immediately before its conversion.
Lock in Period	The foreign bank or its nominee shall hold the whole of the share capital of the Indian subsidiary company during - the period beginning from the date of conversion and ending on the last day of the previous year in which the conversion took place, and - continue to hold the share of the Indian subsidiary company carrying not < 51% of the voting power for period of 5 years immediately succeeding the said PY; and
Consideration	Does not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of allotment of shares in the Indian subsidiary company.

Application of the provisions of the Income-tax Act, 1961 with modifications/exceptions

Depreciation	Dep. in the year of transfer to be apportioned between foreign branch & Indian sub. Company
Actual cost of capital asset	Actual cost of Asset in the hands of Indian subsidiary company shall be the actual cost in the hands of foreign Branch
WDV	WDV in the hands of Indian subsidiary company shall be equal to WDV in the hand of the foreign Branch
MAT Credit	MAT Credit of foreign branch shall be allowed to Indian Subsidiary company for the Balance no. of years.
Accumulated losses & unabsorbed dep.	Accumulated losses & unabsorbed dep. of the Indian branch shall be deemed to be the loss or allowance or depreciation of the Indian subsidiary company
Sec 56(2)(x)	The provisions of sec 56(2)(x) of the Act shall not apply to the transaction of receipt of shares in the Indian subsidiary company by the foreign company
Sec 35DDA - VRS Expenditure	The provisions of sec 35DDA of the Act shall apply to the Indian subsidiary company, as they would have applied to the Indian branch, if the conversion had not taken place
Credit balance of provision for bad and doubtful debts	The credit balance in the provision for bad and doubtful debts account, shall be deemed to be the credit balance of the Indian subsidiary company.

Space for Your Notes

3 DTAA - Double Taxation Relief

Purpose	To prevent double taxation of income	
Type of relief	Two type of Double taxation relief -	
	Sec 90 & 90A - Bilateral Relief	Sec 91 - Unilateral Relief
	Agreement with Foreign country (DTAA)	No agreement with Foreign country (No DTAA)
● Bilateral Relief		
Sec 90 - Tax Exemption Method	Income is taxed in one country and exempt in another country	
Sec 90A - Tax Credit method	Income is taxable in both the countries & the country of resident allowed tax credit of tax paid in source country.	
Agreement with Foreign countries [DTAA]	90(2) --> C.G. may enter DTAA with another country to avoid double taxation, However provision of SAAR shall apply even if such provisions are not beneficial to assessee a) For granting relief for Doubly taxed income, or b) Exchange of information with each other for prevention of tax evasion transaction, investigation of such cases & co-operation with each other for recovery of taxes. 90(4) --> In order to claim relief, such person need to obtain TRC [Tax Residency Certificate] from that country Also he has provide following information in Form 10F : <div><div>1. Status (Individual, Company)</div><div>2. PAN No. if allotted</div><div>3. Incorporation Certificate (company)</div><div>4. Nationality (in case Individual)</div><div>5. Tax Identification no allotted by country (individual)</div><div>6. Address proof</div><div>7. Dedn of tax in such country</div></div>	
● Unilateral Relief		
Sec 91 - Double taxation relief if there is No DTAA. [No DTAA]	Where India doesn't have DTTA with foreign country, Then assessee shall be allowed relief; u/s 91 provided all the following conditions are satisfied ; 1. The assessee is a resident in India during the relevant PY 2. The income accrues or arises to him outside India during that PY 3. Such Income should not be deemed to accrue or arise in India during the PY 4. The income is sub. to Tax in such foreign country & assessee has paid tax on such income. 5. There is no agreement u/s 90 with such country	
Method :	Assessee (resident in India) in respect of Income arising outside India, - Pays income tax in foreign country and also in India - Then he shall be entitled to deduct the lower of Following amount in respect of doubly taxed income. <div>a. Tax Rate in Foreign Country</div> <div>b. Tax Rate in India</div>	

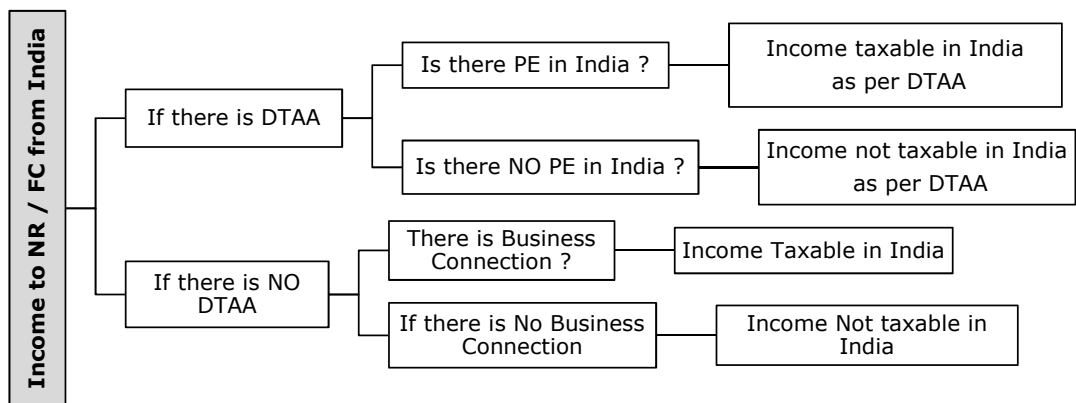
CIT vs P.V.A.L Kulandagan Chettiar

- Conflict between DTAA & Act, DTAA will prevail

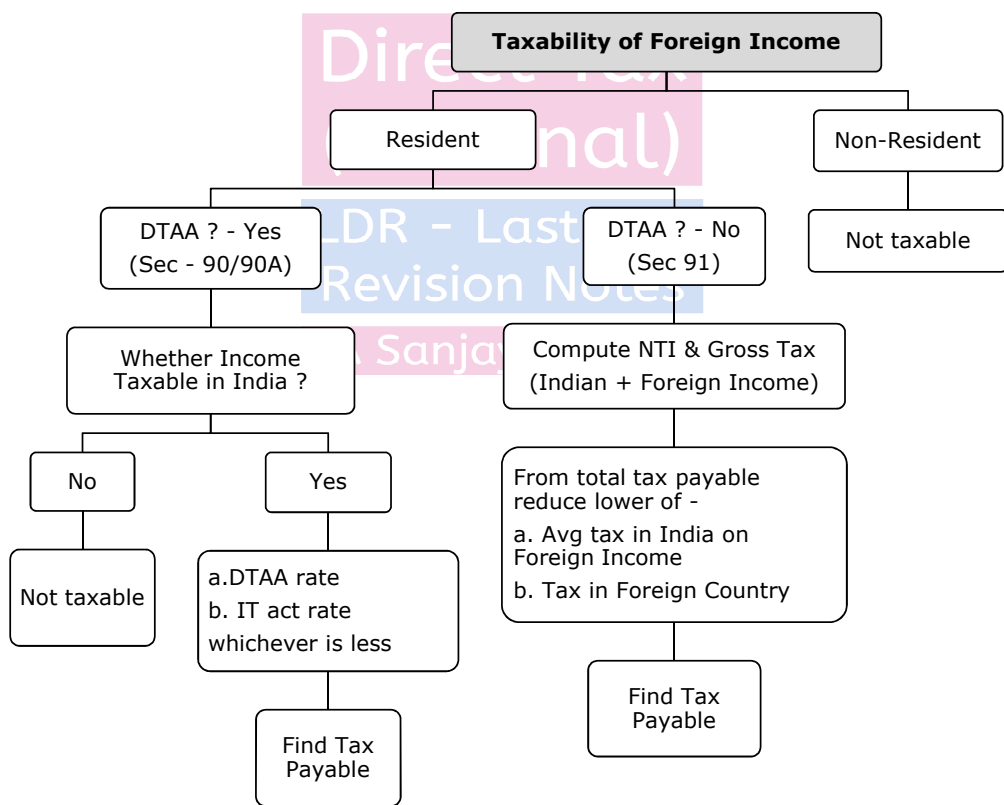
• Concept of Permanent Establishment

It Includes :	(i) A place of management (ii) A branch (iii) An office (iv) A factory (v) A workshop (vi) A sales outlet (vii) A mine, an oil or gas well, a quarry, or any other place of extraction of natural resources (not exploration)		
DTAA provides that	Income of NR / Foreign company received from India shall be taxable in India only if, - NR / FC has PE in India .		
Applies to all kind of Business Income	except: a. Royalty b. Fees for Technical Service c. Interest		
Permanent Establishment	<p>a. Means a fixed place of business through which the business of an enterprises is wholly or partly carried on.</p> <p>b. Every DTAA has a specific clause, which will deal with an explanation of permanent establishment for the purpose of such DTAA.</p> <p>c. Business Income of a non-resident will not be taxed in India, unless such Non-resident has a permanent establishment in India.</p>		

• Income arising to Non resident or Foreign Company from India



• Summarised



Space for Your Notes

Particular	6% Eq. Levy introduced by FA 2016 (Sec 165)	2% Eq. Levy introduced by FA 2020 (Sec 165A)
Who will pay levy ?	Service Receiver	Non-resident E-Commerce Operator
Services provided by	Non resident not having PE in India	Non-resident E-Commerce Operator.
Services provided to	1. a Resident who carries out business or profession 2. Non resident having PE in India. <i>(Covers only B2B transactions)</i>	1. Person resident in India 2. A person who buys such goods or services using Internet Protocol ('IP') address located in India; or 3. A NR from sale of advertisement which targets customer - Who is resident in India or - Who accesses the advertisement through internet protocol address located in India 4. A NR from sale of data collected from a person - Who is resident in India or - Who uses internet protocol address located in India. <i>(Covers both B2B and B2C transactions)</i>
Specified Services	1. Online advertisement, 2. Digital advertising space, 3. Any other notified services by CG.	'E-commerce supply of goods or services' means 1. Online sale of goods by ECO 2. Online provision of services by ECO (e.g. e-gaming, online hotel or travel package or ticket booking, etc.) 3. ECO facilitating online sale of goods or online provision of services
Non Applicability	1. NR having PE in India & service is effectively connected with said PE; 2. Consideration does not exceed Rs. 1 lakh; 3. Payer is using specified service for personal purposes.	1. Non-resident ECO having a PE in India through which sale of goods / provision of services is made. 2. Sales of ECO less than 2 crores during the PY 3. If covered by 6% Equalisation Levy (Sec 165)
Time limit for deposit	Monthly – By 7th of next month (Eg. April Month --> 7th May)	Quarterly – by 7th of Next Month (Except Q4) Q1 --> 7th July Q2 --> 7th Oct Q3 --> 7th Jan Q4 --> 31st March
Fails to deduct levy	1. 100% disallowance of expenditure u/s 40(a)(ib) 2. Pay Interest 1% pm or part of the month 3. Pay a penalty equivalent to the amount of Equalisation Levy	
Fails to pay to govt. (Within due date)	1. 100% disallowance of expenditure u/s 40(a)(ib) 2. Pay Interest 1% pm or part of the month 3. Penalty 1000 p/day, however such penalty shall not exceeds the amount of eq. levy	Non resident will pay : 1. Interest 1% pm or part of the month 2. Pay penalty equivalent to the amount of Equalisation Levy
Sec 10(50)	Such Income is exempt in the hands of Non-resident.	Such Income is exempt in the hands of Non-resident.

Furnishing of Statement (Return Filing)	Every assessee has to file return in FORM NO. 1 on / before 30th June of immediately following financial year. • Penalty for late filing of Return : If assessee fails to file return up to 30th June or within 30 days from the date of service ' of Notice by AO then penalty of Rs. 100 per day during which failure continue.
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Sec 174 of FA 2016 Appeals to CIT(A)	An assessee aggrieved by an order imposing penalty under this Chapter, may appeal to the CIT(Appeals) Appeal within : a period of 30 days from the date of receipt of the order of the AO. Form No. - 3 Fees - Rs. 1000
Sec 175 of FA 2016 Appeals to ITAT	An assessee aggrieved by an order made by CIT(Appeals) u/s 174 may appeal to ITAT Appeal within : a period of 60 days from the date of receipt of the order of the CIT(A). Form No. - 4 Fees - Rs. 1000

5 Advance Ruling (Sec 245N)

Meaning	<ul style="list-style-type: none">- Advance ruling means a decision taken in advance,- If application is made to "Authority for Advance Ruling"- then AAR will give its ruling (Judgment) in relation to- a transaction which has been already undertaken or is proposed to be undertaken by Assessee A such judgment may be related to any question of law / fact.														
Applicant	[245N(b)] Applicant	[245N (a)] Determination by the AAR in relation to													
	Non Resident	Transaction undertaken / proposed to be undertaken by NR Applicant													
	Resident	Tax liability of NR, arising out of Trans. undertaken by Resident with NR													
	Resident	If his tax liability arising out of one / more transaction valuing Rs. 100 cr or more													
	PSU (notified by CG)	<ul style="list-style-type: none">- Determination / decision in respect of an issue relating to;- Computation of Total Income (issue pending before any IT Authority / ITAT)													
	R / NR - Due to GAAR	<ul style="list-style-type: none">- Determination / decision by Authority whether an arrangement,- Which is proposed to be undertaken by a Resident / Non-Resident,- Is an Impermissible avoidance arrangement or Not (GAAR).													
Sec 245Q - Application to AAR & Advance Ruling	<p>a. Make an application in prescribed form & manner stating question on which ruling is sought.</p> <p>b. Application can be withdrawn within 30 days from date of application. Beyond 30 days can be withdrawn if the circumstances of the case so justify. (Case - M.K. Jain AAR No. 644 of 2004)</p> <p>c. Application shall be Quadruplicate.</p> <p>d. Fees</p> <table><tr><th>Transaction Amt</th><th>Other Assessee</th><th>PSU</th></tr><tr><td><100Cr</td><td>Rs. 200,000</td><td rowspan="3">Rs.10,000</td></tr><tr><td>>100Cr <300Cr</td><td>Rs. 500,000</td></tr><tr><td>>300Cr</td><td>Rs. 10,00,000</td></tr></table>			Transaction Amt	Other Assessee	PSU	<100Cr	Rs. 200,000	Rs.10,000	>100Cr <300Cr	Rs. 500,000	>300Cr	Rs. 10,00,000		
Transaction Amt	Other Assessee	PSU													
<100Cr	Rs. 200,000	Rs.10,000													
>100Cr <300Cr	Rs. 500,000														
>300Cr	Rs. 10,00,000														
Sec 245R - Procedure	<p>1. AAR shall forward a copy of application to CIT/PCIT to ascertain whether the case is pending or not & if necessary call for the records.</p> <p>2. AAR may Reject application if;</p> <p>a. Issue Pending with Income Tax Authorities, ITAT, Court (R/NR). [in PSU (Court only)]</p> <table><tr><th>Particular</th><th>Resident / Non-Resi.</th><th>PSU</th></tr><tr><td>If Case Pending with IT Authority</td><td>Can't Apply</td><td>Apply to AAR</td></tr><tr><td>If Case Pending with ITAT</td><td>Can't Apply</td><td>Apply to AAR</td></tr><tr><td>If Case Pending with HC / SC</td><td>Can't Apply</td><td>Can't Apply</td></tr></table> <p>b. Question involves Determination of FMV</p> <p>c. Transaction designed for avoidance of Income Tax</p> <p>3. If the application is allowed then AAR shall pronounce its ruling within 6 months from the date of receipt of application of assessee.</p> <p>4. Copy of ruling shall be forwarded to assessee, & CIT/PCIT</p>			Particular	Resident / Non-Resi.	PSU	If Case Pending with IT Authority	Can't Apply	Apply to AAR	If Case Pending with ITAT	Can't Apply	Apply to AAR	If Case Pending with HC / SC	Can't Apply	Can't Apply
Particular	Resident / Non-Resi.	PSU													
If Case Pending with IT Authority	Can't Apply	Apply to AAR													
If Case Pending with ITAT	Can't Apply	Apply to AAR													
If Case Pending with HC / SC	Can't Apply	Can't Apply													

Sec 245-S - Applicability of Advance Ruling	<ul style="list-style-type: none"> - On applicant who had sought - In respect of the transaction in relation to which the ruling had been sought - On the PC / Commissioner & the IT authority subordinate to him in respect of application said transaction 				
Appeal against order	The order of Advance Ruling Authority giving its opinion is a final order and no appeal is possible against such an order.				
Sec 245-O - Composition of AAR	Category -->	Chairman	Vice - Chairman	Revenue Member	Law Member
	Max Age	70	65	62	62
	Tenure	3 Year	3 Year	3 Year	3 Year
	Extension	3 Year	3 Year	3 Year	3 Year

<--Restricted to Maximum Age

Authority of Advance Ruling Rules, 2016 Qualification (Appointed on or after 26.05.2017)

a. Chairman	<ul style="list-style-type: none"> - a person who is or has been or is qualified to be a judge of the Supreme Court or - is or has been a Chief Justice of a High Court or - has, for at least 7 years, been a Judge of a High Court or - has, for at least 3 years, been Vice-Chairman, Revenue / Law Member of the Authority for Advance Ruling or - is a person of ability, integrity & standing, and having special knowledge of, and professional experience of not < 25 years in economics, business, commerce, law, finance, accountancy, management, industry, public affairs, administration, taxation.
b. Vice Chairman	- a person who is, or has been, or is qualified to be, a Judge of a High Court
c. Revenue Member	<ul style="list-style-type: none"> - from the Indian Revenue Service is qualified to be a Member of the CBDT and - an officer of the Indian Customs and Central Excise Service, who is qualified to be a Member of the CBEC.
d. Law Member	- from the Indian legal service - a person who is an Additional Secretary to the Government of India.

Space for Your Notes

6 Transfer Pricing

Chapter MAP

Part A	Part B	Part C
Sec 92 - Charging Section	92C - Computation of ALP	92CC-Advance Pricing Agreements
Sec 92A - Associated Enterprises	Range Concept	92CE - Secondary Adjustments
Sec 92BA - Specified Domestic Transaction	Master File	94A - Trans with person in NJA
	Country by country report	94B - Limitation on Interest Dedn.

Sec 92 Charging Section

Any Income, Expenditure, Interest & Allocation of cost in relation of International transaction / Specified Domestic Transaction shall be computed having regard to Arm's length price.

Condition 1 - Transaction related to [Sec 92]	- Any Income - Allowance of any expenditure, interest - Purchase, sale, transfer, lease or use of tangible or intangible property - Provision of Service and - Capital Financing
Condition 2 - [92B]	At least 1 party to the transaction should be Non Resident
Condition 3 - [92B]	The transaction should be between 2 Associated Enterprises (AEs)

Sec 92A Associated Enterprises

13 conditions

Two enterprises shall be treated as AE's if at any time during P.Y. :

26% Shares	1. One enterprises holds at least 26% shares (voting power) of other Enterprises 2. Any person holds at least 26% shares of each of such Enterprises
Appoints BOD / ED	3. One enterprises appoints more than half BOD / one or more Executive director of other Enterprises 4. Any person appoints more than half BOD / one or more Executive Director of each of such enterprise.
Loan	5. A Loan given by one ent. to other enterprises, at least 51% of the Total asset of other enterprises.
Guarantee	6. One enterprises Guarantee at least 10% of the Total borrowing of the other enterprises
Knowhow, Patent	7. Business of one ent. is wholly dependent on knowhow, patent etc. of other enterprises
Raw Material	8. 90% or more raw material req by one enterprises is supplied by other enterprises
Price Influenced	9. Goods manufactured by one enterprise are sold to other enterprise & price & other condition are influenced by other enterprise.
Controlled by Relatives / Members of Ind / HUF	10. One enterprise is controlled by individual & other enterprise is controlled by such individual or his relative or jointly by individual & relative. 11. One enterprise is controlled by HUF & other enterprise is controlled by member, relative of member or jointly by member & relative.
10% Interest	12. One enterprise has at least 10% interest in another ent. being Firm, AOP,BOI.
Misc.	13. Any relationship of mutual interest, as may be prescribed.

Sec 92BA - Specified Domestic Transactions

Specified domestic transaction means the following transaction, provided the **aggregate of such transactions** entered into by the assessee in the Previous year **exceeds a sum of Rs. 20 Cr.** :

- any transaction referred to in **section 80A**
- any transfer of goods or services referred to in **section 80-IA(8)**
- any business transacted between the assessee and other person as referred to in **section 80-IA(10)**
- any transaction, referred to in any other section under Chapter VI-A or section 10AA, to which provisions of section 80-IA(8) or (10) are applicable i.e. **Section 80-IAB, 80-IB, 80-IC, 80-ID, 80-IE and 10AA.**
- any business transacted between the persons referred to in **section 115BAB(6)** (w.e.f. AY 2020-21)

Sec 92C - Computation of Arm's Length Price

[5 Methods]

1. Comparable Uncontrolled Price Method	2. Resale Price Method (Distribution Case)	3. Cost Plus Method (Software Industry)	4. Profit Split Method (Joint venture me)	5. Transactional Net Margin Method
Applied where there are similar trans between unconnected parties.	Applied where item obtained from AE is resold to unrelated parties.	Applied where semi furnished goods are sold to AE's.	Applied where there is transfer of unique intangible or in multiple intangibles.	

Sec 92C(2) - More than 1 ALP [But less than 6]	Rule 10CA - Range Concept [More than 6 ALP]																																												
<p>If the difference between Actual Transaction Price &. ALP is up to 3% (1% in case of wholesale trading) of actual transaction price then such difference shall be ignored & actual transaction price shall be treated as ALP.</p> <p>If such diff. is > 3% of actual transaction price then entire difference shall be added to the income of assessee.</p> <p>Example : Actual transaction price - 200</p> <p>ALP as per most appropriate method -</p> <table><tr><td>Infosys</td><td>190</td></tr><tr><td>TCS</td><td>215</td></tr><tr><td>Wipro</td><td>210</td></tr><tr><td>Microsoft</td><td>195</td></tr><tr><td>Total</td><td>810</td></tr><tr><td>Avg of APL is</td><td>202.5</td></tr></table> <p>Allowed diff. (Tolerance Band) is 3% of Actual Trans. Price i.e. $200 \times 3\% = 6$</p> <table><tr><td>Actual Trans Price</td><td>200</td></tr><tr><td>Allowed Tolerance</td><td>206</td></tr><tr><td>Avg ALP Price</td><td>202.5</td></tr><tr><td>Final Price</td><td>200</td></tr></table> <p>Since Avg ALP is within the limit of Tolerance band then Actual Price should be ALP</p>	Infosys	190	TCS	215	Wipro	210	Microsoft	195	Total	810	Avg of APL is	202.5	Actual Trans Price	200	Allowed Tolerance	206	Avg ALP Price	202.5	Final Price	200	<p>Step 1 - Arrange the values in the data set in Ascending order.</p> <p>Step 2 - Calculate 35% and 65% percentile of No. of data set</p> <p>Step 3 - In case actual transaction price falls within the range (i.e. 35-65 percentiles) then actual transaction price shall be deemed to be the ALP.</p> <p>Step 4 - In case the actual transaction price does not fall within the computed range, the Median of data set (i.e. 50%) shall be deemed to be the ALP.</p> <ul style="list-style-type: none">• If 35%, 65%, 50% percentiles computed are not whole numbers - then consider higher number for range.• If 35%, 65%, 50% percentiles computed are whole numbers - then we have to consider mean of value assign at that number and next number. (If $20 \times 35\% = 7$, Avg of value given at 7&8) <p>• Example Actual Price - 200</p> <table><tr><th>Normal Data given</th><th>--></th><th>Set in Ascending order</th></tr><tr><td>Infosys</td><td>194</td><td>1 190</td></tr><tr><td>Reliance</td><td>215</td><td>2 194</td></tr><tr><td>Wipro</td><td>207</td><td>3 203</td></tr><tr><td>TCS</td><td>190</td><td>4 207</td></tr><tr><td>Microsoft</td><td>203</td><td>5 215</td></tr><tr><td>SAP</td><td>238</td><td>6 225</td></tr><tr><td>Linux</td><td>225</td><td>7 238</td></tr></table> <p>Now calculate 35 & 65 percentile So, $7 \times 35\% = 2.45$ and $7 \times 65\% = 4.55$ Since 2.45 and 4.55 not whole no. so take 3 & 5, ALP range will be beginning at 203 (3rd no.) & ending at 215 (5th no.)</p> <p>In our case it doesn't fill in that range (Actual Price 200) Now calculate 50% percentile Total no. of values in data set = $7 \times 50\% = 3.5$, Since 3.5 is not whole no. Next no. is 4 So, ALP is 207 (4th No.)</p>	Normal Data given	-->	Set in Ascending order	Infosys	194	1 190	Reliance	215	2 194	Wipro	207	3 203	TCS	190	4 207	Microsoft	203	5 215	SAP	238	6 225	Linux	225	7 238
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Linux	225	7 238																																											

Notes:

- In Range concept, if 'multiple years' data is given, then we have to take weighted average of multiple year data (current year + Last two years) in case of RPM, CPM, TNMM
- Range concept is applicable in case of CUP, RPM, CPM & TNMM
- Sec 92C (2) is applicable only if number of values in the data set is less than 6. If number of values in the data-set is 6 or more than RANGE CONCEPT shall apply i.e. Rule 10 CA.

Sec 92C(3) - Determination of ALP by AO	<p>In the following cases ALP shall be computed by A.O.</p> <ol style="list-style-type: none"> Assessee fails to compute ALP as per most appropriate method Data used for computing ALP is not reliable or not correct Document are not maintained by Assessee as per Sec 92D Assessee fails to furnish Info & Docs required u/s 92D <p>OOBH shall be given to Assessee</p>
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Sec 92CA - Reference to Transfer Pricing officer.	1. If AO considers it necessary, he may refer the computation of ALP to TPO, with previous approval of CIT/PCIT 2. TPO shall gather material for computation of ALP & 3. TPO shall require assessee to produce evidence 4. During the course of proceedings before T.P.O. if any other international transaction (which was not referred by A.O) comes to his knowledge, then T.P.O. shall consider such other transaction also. 5. On the basis of material & evidence., TPO shall compute the ALP & pass an order. 6. AO is bound to follow the price determined by TPO 7. If any case referred to T.P.O. then time limit allowed u/s 153 & 153B shall be increased by 1 year. 8. TPO shall pass order before 60 days prior to the last date for completion of Assessment allowed u/s 153 & 153B.
Penalty with Transfer Pricing	Refer 'Penalty Chapter' in LDR

Points	Section 92: International Transfer Pricing	Sec 92BA: Specified Domestic Transfer Pricing
When will it apply?	If all 3 conditions are satisfied, then provisions will apply irrespective of the value of transactions.	Provisions will not apply if value of such transactions in a year does not exceed ₹ 20 crores.
Maintenance of specified documentation	Not required if the aggregate value, as recorded in the books of account does not exceed ₹ 1 crore.	The limit is for all 6 transactions for an assessee in a year. If value is ₹ 20 crores, it won't apply as it is not exceeding ₹ 20 crores.
Audit Report to be furnished in 3CEB	If provisions of International Transfer pricing apply, then filing of Audit Report is compulsory.	

LDR - Last Day
Revision Notes

Furnishing of report in respect of international group in line with BEPS Action Plan

Every person who entered in aggregate value of Int. Transaction / Specified Domestic Transaction in P.Y. exceeding 1 Cr, Shall keep and maintain such information and document as may be prescribed.

Sec 92D / Rule 10DA : Master File

Standardised information relevant for all multinational enterprises (MNE) group members

Who is required to keep and maintain	Every person, being a constituent entity of an international group shall keep and maintain the following information and documents of the international group i. if the consolidated group revenue of the international group for the accounting year, exceeds Rs. 500 crores and ii. the aggregate value of international transactions A. during the accounting year, as per the books of account, exceeds Rs. 50 crores , or B. in respect of purchase, sale, transfer, lease or use of intangible property during the accounting year, as per the books of accounts, exceeds Rs. 10 crores
Report of Master file	In form 3CEAA
Kept & Maintained	up to 8 years from the end of relevant AY

Local File : Specific reference to material transactions of the local taxpayer

Sec 286/Rule 10DB : Country- by- Country Report

Information relating to the global allocation of the MNE's income and taxes paid and indicators of the location of economic activity within the MNE group.

Who is required to keep and maintain	The provisions shall apply if the total consolidated group revenue as reflected in the consolidated financial statement (CFS) for the accounting year preceding such accounting year is above a threshold i.e. Rs. 5,500 crore.
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Intimation	Every constituent entity resident in India , of an international group having parent entity that is not resident in India, shall notify to the Director General of Income-tax (Risk Assessment) in Form No. 3CEAC at least 2 months prior to the due date for furnishing of report as specified under section 286.		
Report filing	The parent entity of an international group / the alternate reporting entity , if it is resident in India shall be required to furnish the report for every reporting accounting year, within a period of 12 months from the end of the said reporting accounting year in Form No. 3CEAD.		
Penalty for non-furnishing the report u/s 271GB	Delay up to 1 month - 5000 per day, Beyond 1 month - 15000 per day, Thereafter - 50000 per day	Penalty for submission of inaccurate information (Sec 271GB4)	Rs. 5,00,000

Sec 92CC

Advance Pricing Agreements

Meaning	An Advance Pricing Agreement (APA) is an agreement between a taxpayer and a taxing authority on an appropriate Transfer Pricing methodology for a set of transactions over a fixed period of time in future for not exceeding 5 consecutive PYs.
Validity of APA	For the period specified in the agreement which shall not exceed 5 consecutive PYs. In case of rollback, the total period shall not exceed 9 PYs [4 PY + maximum 5 consecutive PY]
APA will be binding on:	1. The person who entered in to APA and 2. The IT Authority till level of PCIT / CIT.
Non-applicability of sec 92C & sec 92CA	If APA apply then provisions of section 92C & 92CA does not apply
Declare void ab initio	Where APA obtained by way of fraud or misrepresentation of facts, the Board with the approval of CG can declare APA void ab initio.
Consequences of declaration of an APA as void ab initio	(a) All the provisions of the Act shall apply to such person as if such APA had never been entered into. (b) The period beginning with the date of such APA and ending on the date of order declaring the APA as void ab initio, shall be excluded for the purpose of computation of any period of limitation under this Act (for example period of limitation specified in the section 153, 153B etc.). This is irrespective of anything contained in any other provision of the Act. (c) In case the period of limitation after exclusion of the above-mentioned period is less than 60 days, such remaining period of limitation shall be extended to 60 days.
Conditions for applying for rollback provisions:	The agreement shall contain rollback provision in respect of an international transaction subject to the following, namely: - (i) The international transaction is same as the international transaction to which the agreement (other than the rollback provision) applies; (ii) The return of income for the relevant rollback year has been or is furnished by the applicant before the due date as specified in section 139(1) (iii) The report in respect of the international transaction had been furnished in accordance with section 92E; (iv) The applicability of rollback provision, in respect of an international transaction, has been requested by the applicant for all the rollback years in which the said international transaction has been undertaken by the applicant. (v) The applicant has made an application seeking rollback in Form 3CEDA
Note	1. Roll back is not possible for a year for which order has been passed by ITAT 2. Roll back is possible only for those PY whose return was filed by due date u/s 139(1) 3. APA can not be entered for Specified Domestic Transactions. It can be entered only for International Transactions

Sec 92CD**Effect of APA**

Return of Income has already filed	Where prior to the date of entering APA, any return of income has already been furnished for any PY to which APA applies	then such person shall furnish modified return as per APA within 3 months from the end of the month in which APA into.
Assessment is Pending	Where assessment for any P.Y. to which APA applies are pending on the date of Modified return	the AO shall complete assessment as per APA, AO will get extra 1 year for completion of Assessment.
Assessment was completed	Where assessment for P.Y. to which APA applies already completed before filing of modified return	then A.O. shall pass an order modifying the total income of that P.Y. within 1 year from the end of financial year in which time modified return was furnished

APA Application Time Limit

Whether the International Transaction are of a continuing nature ?

Yes -->	Before 1st day of the relevant PY for which APA application is made
No -->	Before undertaking the transactions

Sec 92CE**Secondary Adjustment**

Why ?	Where, as a result of primary adj. to the transfer price --> there is an increase in the total income / reduction in the loss of the assessee, if Such excess money not repatriated to India shall be deemed to be an advance made by the assessee to AE		
Secondary adjustment is applicable only when;	1. The same relates to an assessment year after AY 2016-17 on or after 1.4.17 2. The quantum of primary adjustment (PA) made in each year is above Rs 1 Cr 3. The same is accepted by the assessee		
The time limit for repatriation of excess money / Interest to be Chargeable from	Particular		Within
	a. If Primary adjustment made by AO or Appellate Authority		Within 90 days from date of Order
	b. If Primary adjustment due to APA		- Within 90 days from date of return filing - Within 90 days from end of the month in which APA was entered into after due date of ROI for relevant AY. • Due Date for 18-19, 19-20 - 90 days from End of the month i.e. 28.02 • Due Date for 20-21, 21-22, 22-23 - 90 days from date of return filing u/s 139(1)
	- if APA is entered before due date of ROI u/s 139(1) of that PY		
	- if APA is entered after due date of ROI u/s 139(1) of that PY		
	Example; We entered in Advance Pricing Agreements APA for FY 18-19 to FY 22-23 on dated 16/02/2021 (FY20-21)		
c. If Primary adjustment due mutual agreement procedure		Within 90 days from the date of giving effect by AO of MAP	
d. If Primary adjustment due any other reason or Suo-moto		Within 90 days from Due date of return filing [u/s 139(1)] i.e. 30.11	
Rule 10CB - Computation of interest income	If excess money not repatriated within above time limit then interest income shall be computed as follows.		
	Type	International Transactions Denominated in Indian Rs	Int. Transactions Denominated in Foreign Currency
	Interest Rate	SBI as on 1st April of relevant PY + 3.25%	LIBOR as on 30th September of relevant PY + 3%
Sec 93CE(2A) - Pay Tax instead of Secondary Adjustment	Additional Income Tax instead of Secondary Adjustment Added by FA2019 Assessee will have the option to pay additional income-tax @ 18% (effective tax rate is 18+12+4 --> 20.9664%) on such excess money (अगर हम repatriated money इंडिया में नहीं ला सकते तो we can pay tax on such income)		

Sec 94A**Special provision in respect of transaction with person located in NJA.**

Pre-conditions for applicability	<p>The section is applicable only if the following pre-conditions are fulfilled.</p> <p>a. There is country or territory outside India with whom India does not have effective exchange of information on taxation matters.</p> <p>b. Such country or area is specified by notification in official gazette as a 'Notified Jurisdiction Area (NJA)', having regard to the lack of effective exchange of information with such country or territory.</p> <p>c. An assessee enters in to a transaction where one of the parties to the transaction is a person located in NJA.</p>	
Consequences - If the above pre-conditions are fulfilled	<ul style="list-style-type: none"> • Deemed AE • Deemed Sec 92B • TP Apply • Submit Doc • Deduction of expenses and Depreciation • TDS @ 30% 	<p>: All the parties shall be deemed to be associated enterprises (as per 92A).</p> <p>: Transaction shall be deemed to be an international transaction.</p> <p>: The provision of Transfer pricing shall apply to Assessee (except tolerance band of 3%).</p> <p>: Assessee have to submit documents & information required by IT Authority.</p> <p>: No deduction in respect of any other expenditure or allowance from (Including Depreciation) arising from the transaction with person located in NJA.</p> <p>: If any payment made to person located in NJA then min. TDS rate will be 30%.</p>
Explain source of fund	<p>If Assessee recd any sum from person located in NJA then assessee have to offer explanation about the source of the fund in the hands of that person or in hands of beneficial owner (If that person is not beneficial owner). If assessee doesn't offer explanation or explanation is not satisfactory, then such sum shall be treated as income of Assessee.</p>	

LDR - Last Day**Sec 94B****Limitation on Interest Deduction in certain cases**

Applies when	Indian company incurs any expenditure by ways of interest in respect of any debt issued by NR associated enterprises and such interest exceeds 1 cr
Then	the interest paid or payable by such Indian company in excess of 30% EBITDA , shall not be allowed as deduction as per section 94B
Computation of Excess Interest	<p>a) Calculate interest paid or payable to associated enterprise for that previous year.</p> <p>b) Compute EBITDA</p> <p>c) Calculate 30% of EBITDA [30% of (a)].</p> <p>d) Ascertain lower of (a) and (c).</p> <p>e) Excess interest = [(a) - (d)].</p>
C/f Expenditure	Disallowed expenditure maximum c/f limit = 8 years
Sec 94B not applies to	<p>a. an Indian company / permanent establishment of a foreign company which is engaged in the business of Banking or Insurance.</p> <p>b. Interest paid in respect of a debt issued by lender which is a permanent establishment in India of a non-resident engaged in the business of banking (w.e.f. AY 2021-22)</p>

Space for Your Notes

Benefits under Income Tax Act, 1961 for units located in IFSC

Sections	Other than IFSC	Unit Located in IFSC
112A	LTCG on transfer of - Equity Share in a Company or - Units of an equity oriented fund or - Units of a business trust on which STT is paid is taxable @ 10% where the capital gain exceeds Rs. 1,00,000.	LTCG from "Specified Asset u/s 112A" is apply even if STT is not paid.
111A	STCG on transfer of - Equity Share in a Company or - Units of an equity oriented fund or - Units of a business trust on which STT is paid is taxable @ 15%.	STCG from "Specified Asset u/s 112A" is taxable @ 15% even if STT is not paid.
115JB - MAT	Rate Applicable - 15%	Rate Applicable - 9%
115JC - AMT	Rate Applicable - 18.5%	Rate Applicable - 9%
80-LA - Tax Holiday	Not Applicable	Deductions in respect of certain incomes of Offshore Banking Units and IFSC. - 100% for any 10 consecutive assessment years out of 15 years.
Sec 115A	Tax on Interest in case of NR / Foreign Company - Taxable @ 5%	Tax on Interest in case of NR / Foreign Company - Taxable @ 4%
Sec 47(viiab) Transfer is not regarded as transfer, hence NO capital gain.	Not Applicable	Any transfer of Capital Asset By NR: on Unit located in IFSC and such consideration is payable in Foreign Currency There is no Capital Gain on transfer of; a. Bond, GDR referred u/s 115AC b. Rupee Denominated Bond of Indian Co. c. Derivative d. Unit of Mutual Fund, Business Trust e. Foreign Currency denominated bond. f. Unit of Alternative Investment Fund d. Other Securities (notified by CG)

Yorker [Compilation of Various Topics]

Yorker - 1 Interest & Repayment of Loan against House Property.	<p>Situation 1 - If Loan Taken from Bank, Public Fin. Institutions, Employer (PSU / Public Co.)</p> <p>a. Eligible for deduction u/s 24b House Property (Interest) b. Eligible for deduction u/s 80C (Repayment of Principal)</p> <p>Situation 2 : If Loan Taken from Friend, Relatives, Employer (Pvt Ltd)</p> <p>a. Eligible for deduction u/s 24b House Property (Interest) b. Not Eligible for deduction u/s 80c(Repayment of Principal)</p>	
Yorker - 2 Provisions in case of a partnership firm	a. Partners remuneration, Salary, Interest {As per sec 40(b)} shall NOT be deductible -->	While computing Income u/s 44AD / 44ADA
	b. Partners remuneration, Salary, Interest {As per sec 40(b)} shall be deductible -->	While computing Income u/s 44AE
Yorker - 3 Calculation of FMV in case Listed Shares / Securities	<p>We need to calculate</p> <ul style="list-style-type: none"> • FMV of Listed Shares / Securities u/s 112A and • FMV of Listed Shares / Securities in Tax on Accreted Income (Exit Tax). <p>Which pricing is to be considered for FMV? Avg of Highest and Lowest or Only Highest. Examiner will try yorker, He will give you both value ie highest & lowest.</p> <ul style="list-style-type: none"> - If question on Sec 112A - Calculation is based on Highest Price - If que on Accreted Income (Exit Tax) - Caln is based on Avg of Highest & Lowest Price. 	