



*Practical Learning Series*

# TAXATION

Including Multiple Choice Questions

For CA Inter New Syllabus 2023

Applicable for May 2024 Examination and onwards

## Highlights of this Book

- Latest syllabus of ICAI fully covered.
- Amendments by Finance Act, 2023 Highlighted.
- Simplified Presentation of new GST Law.
- Solved illustrations as guidance for Exam Presentation.
- Circulars, Notifications and up-to-date Case Law.
- Fast Track Referencer for quick revision.

For Assessment Year  
2024-2025

Topic wise MCQ's with Answers

**CA G. Sekar**

1st  
EDITION  
September  
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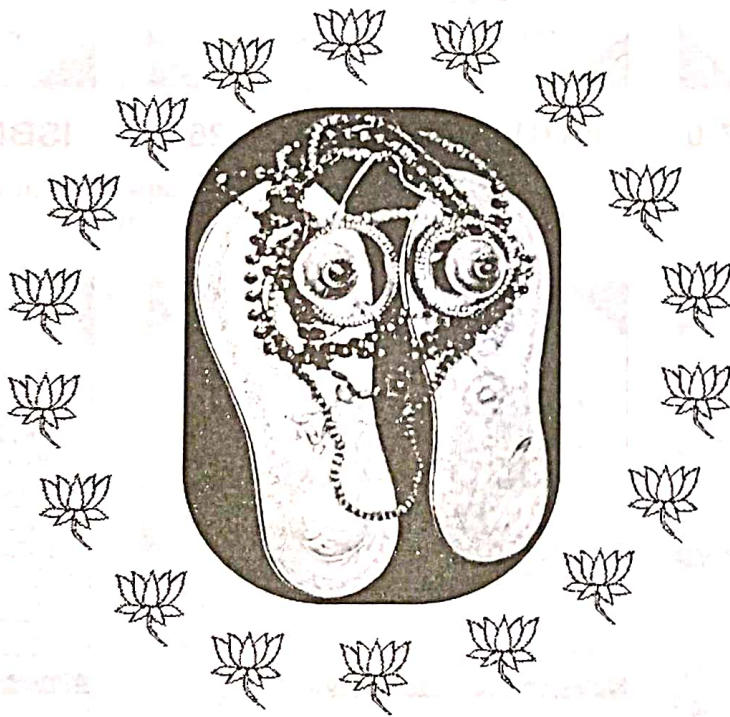
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*TO*

## *THE ACHARYAS OF KANCHI*

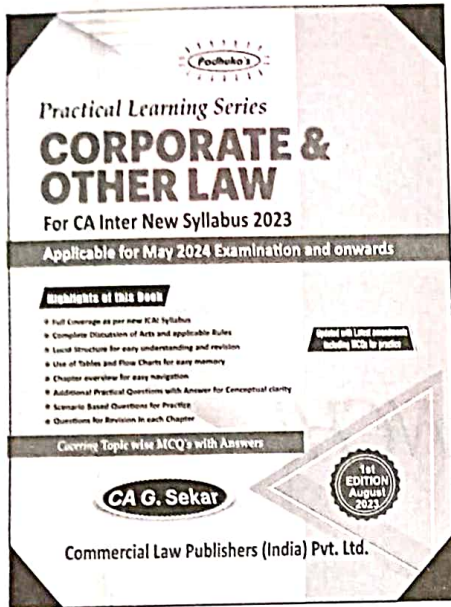




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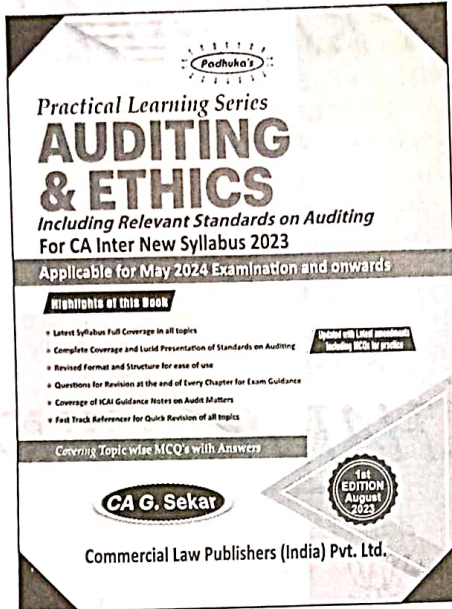
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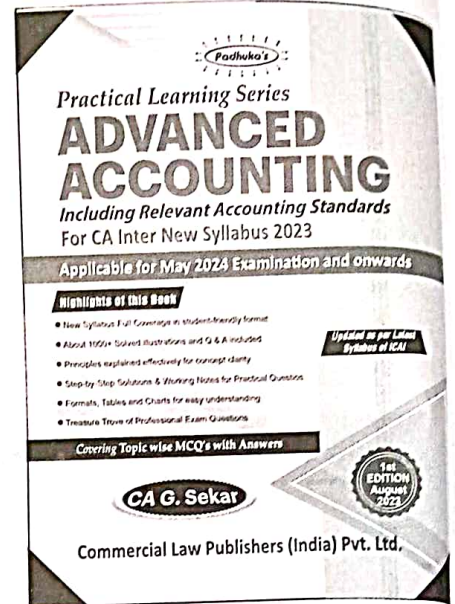
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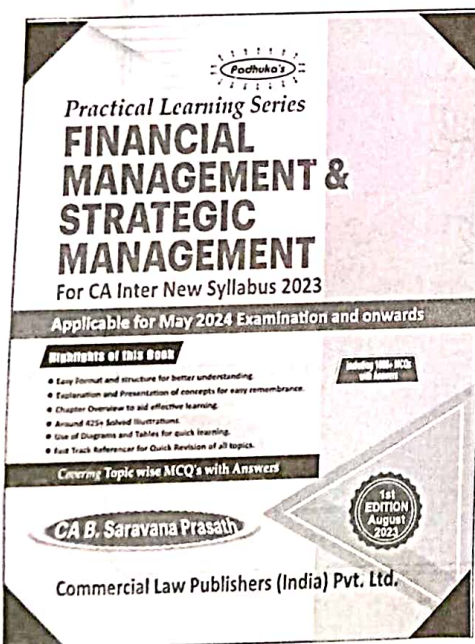
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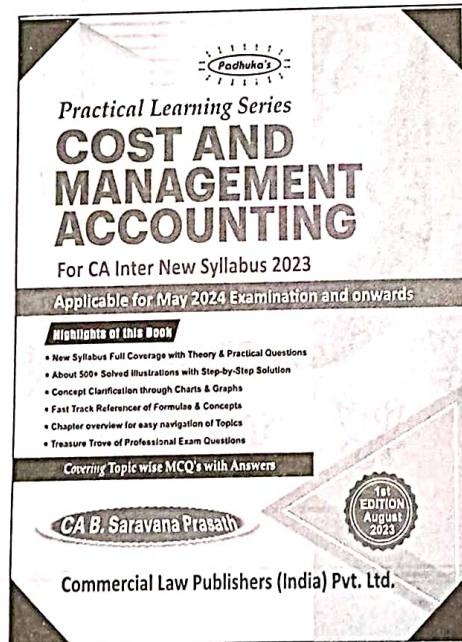
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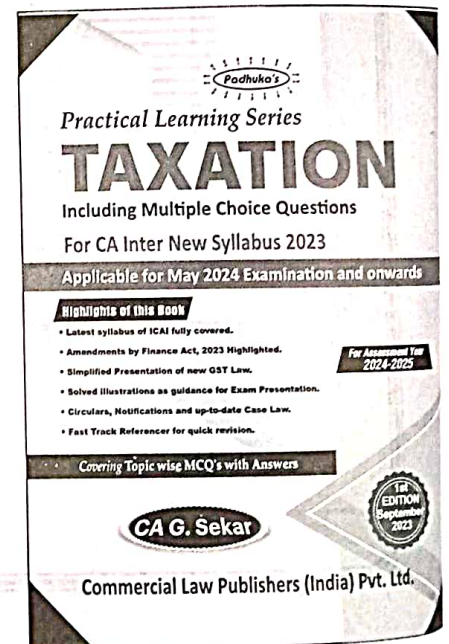
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## PREFACE

This First Edition of “Padhuka’s Practical Learning Series – Taxation” comes in a Single volume with refreshing style and presentation, with the following special features –

1. **Complete Coverage** of the **Income Tax Act, 1961** as applicable for the CA Inter New Syllabus including latest exam question paper.
2. Covers Direct and Indirect Taxes – **Income Tax & Goods and Services Tax (GST)** discussed elaborately and in lucid fashion.
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7. Quick Understanding of the topics / concepts by using **Tables and Flowcharts**.
8. **Chapter Overview** at the beginning of each Topic, to guide the student through the Topic and its Detailed Contents.
9. **Fast Track Referencer** for quick revision of all Topics both for Income Tax and GST Law, including relevant Forms and Rules Index exclusive for GST Law.

My sincere thanks to the **Institute of Chartered Accountants of India** for their permission to use questions from previous examinations and Revision Test Papers (RTP).

Many thanks to the Users of the Padhuka’s Publications, for their positive feedback, which reflects the benefits they have reaped from this Book, and also their keen interest to reciprocate with constructive suggestions.

I also thank the efforts and co-operation of the various service providers in bringing out this New edition including the support of Publishers, in quickly getting this Book in the current form.

Constructive Suggestions and Feedback from Users would be highly appreciated, gratefully acknowledged and suitably incorporated.

“Shri Guru Padhuka”

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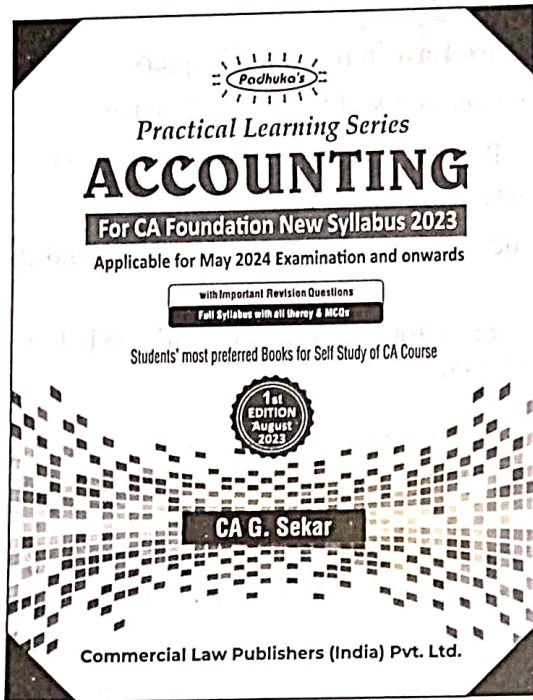
With Best Wishes,

**G Sekar, FCA**  
September 2023

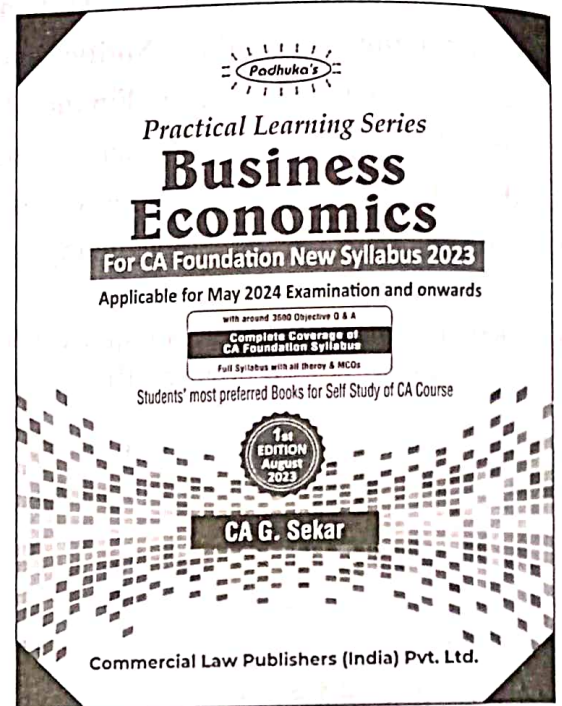


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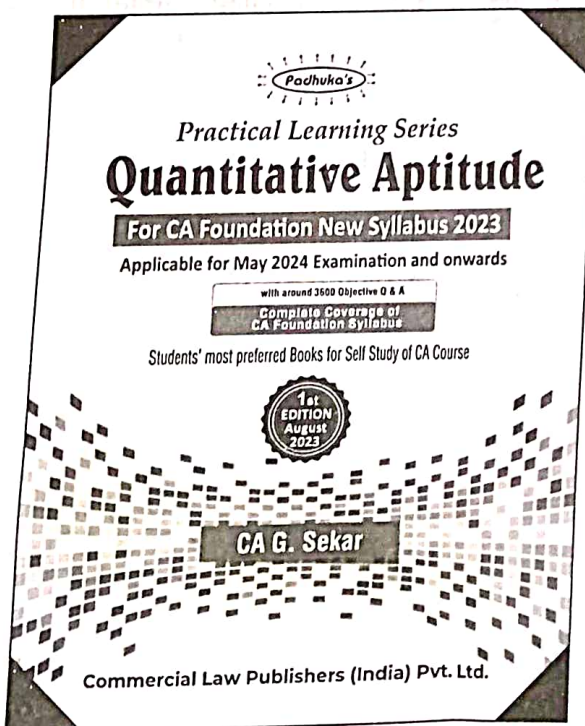
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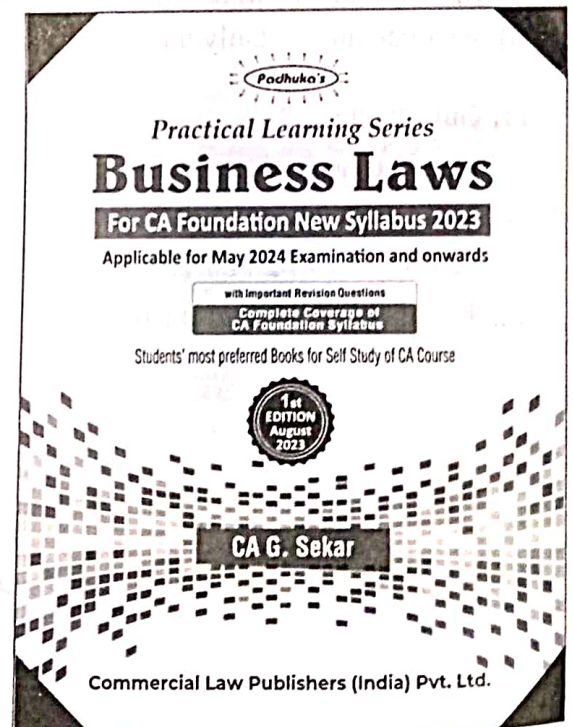
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**Note:** \*\* Sec. 45(1B) and Sec. 45(4) are excluded from Syllabus.



# SYLLABUS AS PER ICAI

ICAI Syllabus	Padhuka's Handbook on Taxation
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## Income Tax Rates [For AY 2024-25]

**Abbreviations in Tables below:** IT = Income Tax, TI = Total Income, SC = Surcharge, HEC = Health and Education Cess @ 4% - TP = Tax Payable, Cess = HEC.

### FOR INDIVIDUALS

Total Income (₹)	Tax Rate			Income Tax (IT)	TP = IT + SC + HEC
	IT	SC	Cess		
<b>(A) FOR INDIVIDUALS OTHER THAN (B) &amp; (C) BELOW</b>					
Upto 2,50,000	Nil	Nil	Nil	Nil	Nil
2,50,010–5,00,000	5%	Nil	4%	IT= (TI Less 2,50,000) × 5%	TP = IT + 4% of IT
5,00,010–10,00,000	20%	Nil	4%	IT= 12,500 + [(TI Less 5,00,000) × 20%]	TP = IT + 4% of IT
Above 10,00,000	30%	Nil	4%	IT= 1,12,500 + [(TI Less 10,00,000) × 30%]	TP = IT + 4% of IT
<b>(B) RESIDENT SENIOR CITIZENS OF THE AGE 60 – 80 YEARS</b>					
Upto 3,00,000	Nil	Nil	Nil	Nil	Nil
3,00,010–5,00,000	5%	Nil	4%	IT= (TI Less 3,00,000) × 5%	TP = IT + 4% of IT
5,00,010–10,00,000	20%	Nil	4%	IT= 10,000 + (TI Less 5,00,000) × 20%	TP = IT + 4% of IT
Above 10,00,000	30%	Nil	4%	IT= 1,10,000 + [(TI Less 10,00,000) × 30%]	TP = IT + 4% of IT
<b>(C) RESIDENT VERY SENIOR CITIZENS OF THE AGE 80 YEARS OR MORE</b>					
Upto 5,00,000	Nil	Nil	Nil	Nil	Nil
5,00,010–10,00,000	20%	Nil	4%	IT= (TI Less 5,00,000) × 20%	TP = IT + 4% of IT
Above 10,00,000	30%	Nil	4%	IT= 1,00,000 + [(TI Less 10,00,000) × 30%]	TP = IT + 4% of IT

**Note:**

- The Rates as prescribed in Part A of the Table above shall **also apply to a HUF, AOP, BOI and AJP.**
- Surcharge: **W.e.f. FY 2019–20**, the above calculated tax amount shall be increased by Surcharge as follows–

Total Income	Surcharge
TI > ₹50 Lakhs ≤ ₹ 1 Crore	10%
TI > ₹1 Crore ≤ ₹ 2 Crore	15%
TI > ₹2 Crore ≤ ₹ 5 Crore	25%
TI > ₹ 5 Crore	37 %

Note: Marginal Relief shall be available.

Refer Chapter 1 for ceiling at Surcharge for 112A,111A & 115AC

- W.e.f 01.04.2020 Rebate u/s 87A** is applicable for a Resident Individual whose Total Income does not exceed ₹ 5 Lakhs. Rebate = ₹ 12,500 or 100% of Tax Payable, whichever is **lower**.
- Total Income does **not** include taxable Long Term Capital Gain (20%), Short Term Capital Gain (15%) on Securities subjected to STT, Lottery Winnings, Horse Races, etc. (30%) and other Income chargeable at Special Rates.
- Above tax rates shall apply to the Total Income after deducting Certain Incomes which are chargeable at Specific Rates.

### FOR OTHER ASSESSEES / PERSONS (Note: TI = Total Income)

Assessee	Rate of Tax	Applicable Surcharge			Rate of HEC
		TI < ₹ 1 Crore	TI > ₹1 Crore, but TI ≤ ₹10 Crores	TI > ₹10 Crores	
1. Domestic Companies	30% / 25%	–	7%	12%	4%
2. Foreign Companies	40%	–	2%	5%	4%
3. Firms and LLP	30%	–	12%	12%	4%

FOR OTHER ASSESSEES / PERSONS (Note: TI = Total Income)					
Assessee	Rate of Tax	Applicable Surcharge			Rate of HEC
		TI < ₹ 1 Crore	TI > ₹1 Crore, but TI ≤ ₹10 Crores	TI > ₹10 Crores	
4. Local Authorities	30%	–	12%	12%	4%
5. Co-operative Societies					
For First ₹ 10,000	10%	–	–	–	4%
For Next ₹ 10,000	20%	–	–	–	4%
For the Balance	30%	–	7% [W.e.f. FY 2022-2023]	12%	4%

## Marginal Relief

- Relief from Tax Payable shall be given, where Tax Payable together with Surcharge exceeds the Income earned by an Assessee in excess of ₹ 1 Crore / ₹ 2 Crore / ₹ 5 Crore. Such Relief is known as **Marginal Relief**.
- The principle in Marginal Relief is that the Additional Amount of Income Tax Payable with Surcharge in excess of Income over ₹ 1 Crore / ₹ 2 Crore / ₹ 5 Crore, should not be more than the amount in excess of ₹ 1 Crore / ₹ 2 Crore / ₹ 5 Crore.
- Computation:**

Marginal Relief =	Tax on Total Income including Surcharge
	<b>Less:</b> (Total Income – ₹ 1 Crore) + (Tax on ₹ 1 Crore excluding surcharge)
Tax Payable =	Tax on Total Income including Surcharge
	<b>Less:</b> Marginal Relief as computed above

# I BASIC CONCEPTS IN INCOME TAX LAW

## Points to Remember

- Components of Income Tax Law:** (a) Income Tax Act, 1961, (b) Finance Act, (c) Income Tax Rules, 1962, (d) Circulars / Notifications from CBDT, (e) Supreme Court and High Court Decisions.
- Factors determining gamut of taxation:** (a) Residential Status, (b) Place of Accrual or Receipt of Income, (c) Time of Accrual or Receipt of such Income, i.e. Previous Year.
- Stages of Imposing Tax:** (a) Declaration of Liability, (b) Assessment of Income, (c) Process of Collection and Recovery.
- Heads of Income:** (a) Salaries, (b) Income from House Property, (c) Profits and Gains of Business or Profession, (d) Capital Gains, and (e) Income from Other Sources.
- Method of Accounting:** Relevant only for Profits and Gains from Business or Profession and Income from Other Sources. Based on Cash or Mercantile System of accounting used regularly by Assessee, subject to specified exceptions.
- Gross Total Income [Sec.80B]:** Aggregate of all Heads of Income after setting off loss but before Chapter VI–A Deductions.
- Total Income [Sec.2(45)]:** Total amount of Income referred to in Sec.5, computed in the manner laid down in the Act.
- Rounding Off of Total Income [Sec.288A]:** Rounded off to nearest Ten Rupees.
- Rounding Off of Tax, Interest, etc. [Sec.288B]:** Rounded off to nearest Ten Rupees.
- Assessment Year [Sec.2(9)]:** 12 months commencing 1<sup>st</sup> April of every Year.
- Previous Year [Sec.3]:** Financial Year prior to Assessment Year. In case of newly established Business or Profession from the date of set up to the end of Financial Year.
- Chargeability of Income Tax [Sec.2(17)]:** Income Tax is charged for any Assessment Year at the rates prescribed in the Finance Act in respect of Total Income of the previous year of every Person.
- Income of Previous Year taxed in same Year:**
- Assessment of Income of a Non-Resident from Shipping Business [Sec.172]:** In case of any ship belonging to or chartered by a Non-Resident which shipped at a port in India then 7.5% of amount of such carriage including demurrage and handling charges shall be deemed as Income of the Non-resident and chargeable to in the same PY.

### Points to Remember

2. **Assessment of persons leaving India without intention to return [Sec.174]:** If Assessee leaves India during PY or shortly after its expiry and does not have intention to return to India immediately, then Total Income upto the date of departure charged to tax in the Previous Year of leaving.
3. **Assessment of AOP/BOI/AJPs formed for a particular event / purpose [Sec.174A]:** Where AOP/BOI/AJP established for a particular purpose is likely to be dissolved in first AY or shortly after its expiry, then Total Income for the period from the beginning of PY to the date dissolution is charged to tax in the PY of dissolution.
4. **Assessment of person trying to transfer his assets with a view to avoid tax [Sec.175]:** Where a person transfers his assets in the current AY with a view to avoid tax, then Total Income for the period from the beginning of PY to the date of commencement of proceedings u/s 175 is charged to tax in the PY of transfer of assets.
5. **Assessment of Discontinued Business [Sec.176]:** Where any Business or Profession is discontinued in any AY, then Total Income for the period from the beginning of PY to the date of discontinuance is charged to tax in the PY of discontinuance.

**Cash Credits [Sec.68]:** Taxable in the FY in which it is found credited in books of accounts if Assessee offers no explanation or offers unsatisfactory explanation about its nature and source.

For a Closely Held Company, amount is credited towards Share Application Money, Share Capital, Share Premium, etc. and the Person being a Resident (not being Venture Capital Fund or Venture Capital Company u/s 10(23FB)), in whose name such credit is recorded in the Company's books offers no explanation or offers unsatisfactory explanation about its nature and source, it is deemed that the Assessee Company has not offered satisfactory explanation.

**Satisfactory Explanation [w.e.f. 01.04.2023]:** Where the sum so credited **consists of loan or borrowing** or any such amount, by whatever name called, any explanation offered by such assessee shall be deemed to be not satisfactory, unless –

- (a) the person in whose name such credit is recorded in the books of such assessee also offers an explanation about the nature and source of such sum so credited, and
- (b) such explanation in the opinion of AO aforesaid has been found to be satisfactory.

**Note:** This provision shall not be applicable, if a person, in whose name the sum referred above is recorded, is a Venture Capital Fund / Company as referred u/s 10(23FB).

**Unexplained Investments [Sec.69]:** Investments made by Assessee which are not recorded in books and he offers no explanation or offers unsatisfactory explanation about its nature and source, then the value of investment is deemed to be Income of the Assessee of such FY.

**Unexplained Money, Bullion, Jewel or valuable article etc [Sec.69A]:** Where in any FY the Assessee is found to be the Owner of Money, Bullion, Jewellery or any valuable article and those assets are not recorded in books and he offers no explanation or offers unsatisfactory explanation about its nature and source, then the value of those assets is deemed to be Income of the Assessee of such FY.

**Investments, etc. not fully disclosed in books of account [Sec.69B]:** Where in any FY the Assessee has made Investments or is found to be the Owner of Money, Bullion, Jewellery, etc & the AO finds that amount expended exceeds the amount recorded in books and Assessee offers no explanation or offers unsatisfactory explanation about excess amount, then such excess amount is deemed to be Income of the Assessee of such FY.

**Unexplained Expenditure, etc. [Sec.69C]:** Where Assessee incurred any expenditure and he offers no or unsatisfactory explanation about source of expenditure or part thereof, then such amount may be deemed to be Income of the Assessee of such FY. Such Expenditure shall not be allowed as deduction under any head of Income.

**Amount borrowed / repaid on Hundi except by A/c Payee Cheque [Sec.69D]:** Where any amount borrowed on Hundi or repaid the same otherwise than through an Account Payee Cheque drawn on Bank, then such amount shall be treated as Income of the person for the PY in which the amount borrowed or repaid. If the amount is taxed at the time of borrowing the same cannot be taxed at the time of repayment. Amount repaid includes interest on borrowed amount.

**Assessee [Sec.2(7)]:** Person liable to pay Income Tax or any other sum under the Act and includes every person on whom any proceedings has been taken for assessment of – (i) Income, (ii) Loss, (iii) Refund, relating to on him or other person, or deemed to be an Assessee, or deemed to be an Assessee in Default.

**Person [Sec.2(31)]:** Individual, HUF, Firm, Company, AOP, BOI, Local Authority, AJP.

**Company [Sec.2(17)]:** Indian Co. or Foreign Co. or Company notified by CBDT.

**Domestic Company [Sec.2(22A)]:** Indian Company or Other Company liable to pay tax and made arrangements for declaration and payment of dividend within India out of such Income.

**Foreign Company [Sec.2(23A)]:** Company which is not a Domestic Company.

**Indian Company [Sec.2(26)]:** Company formed under Companies Act or under Central or State Provincial Act or notified by CBDT to be a Company or in case of state of J&K, Union Territories, a Company formed and registered under any law in force in that State or Union Territory. **NOTE:** In all cases Principal or Registered Office should be in India.

**Points to Remember**

**Company in which Public are substantially interested [Sec.2(18)]:**

- (a) Not less than 40% of Shares held by Government or RBI.
- (b) Company under Sec.25 of Companies Act. [Sec.8 of Companies Act, 2013.]
- (c) Company having no Share Capital notified by the Board.
- (d) Mutual Benefit Company under the Companies Act.
- (e) Not less than 50% voting power held by Co-operative Societies for whole year.
- (f) Public Company which is – (i) Listed Company on the last day of RPY, or (ii) Not less than 50% voting power held by Government or Corporation or Other Company in which Public are substantially interested.

**Substantial Interest [Sec.2(32)]:** (a) **For Company:** Not less than 20% of Voting Power, (b) **For Non-Corporate:** Not less than 20% of the Share of Profits.

**Amalgamation [Sec.2(1B)]:** Merger with conditions – (a) All Assets transfer, (b) All Liabilities transfer, (c) not less than 75% in Value to become Shareholders of Amalgamated Company.

**Demerger [Sec. 2(19AA)]** Conditions – (a) All Assets transfer, (b) All Liabilities transfer, (c) Transfer at Book Value, (d) Consideration = own Shares, (e) not less than 75% in Value Shareholding, (f) Going Concern, (g) Govt Guidelines.

**Local Authority [Sec.10(20)]:** = Panchayat, Municipality, Municipal Committee, Cantonment Board.

**Exempt Incomes:** House Property, Capital Gains, Other Sources, Income from the business of Supply of – (i) Water or Electricity, within or outside jurisdictional area, and (ii) any other commodity or service within its jurisdictional area.

**Electoral Trust [Sec.2(22AAA)]:** A Trust approved by CBDT in accordance with Scheme made by Central Government. Voluntary Contributions are exempt if 95% of (Donations + Surplus brought forward) distributed to Political Party, and Electoral Trust function in accordance with rules made by the Central Government.

**Income [Sec.2(24)]:** Includes – (a) Income Chargeable under various heads, (b) Voluntary Contributions Received, (c) Employees' Contribution to Welfare Funds, (d) Amount Received under Keyman Insurance Policy including Bonus, (e) Gift in kind, (f) Any sum of money or value of property as defined u/s 56(2)(vii)/ (viii), (g) Value of Shares of a Company (Closely Held Company) received in any Previous Year, by a Firm or a Company (Closely Held Company), from any person(s), (h) Any Consideration received for Issue of Shares as exceeds the Fair Market Value referred u/s 56(2)(viib), (i) Advance forfeited on failed negotiations for transfer of Capital Asset, (j) Assistance by way of Subsidy/Grant/Cash Incentive/Duty drawback by whatever name called by Cent. Govt or State Govt or any Authority given to the Assessee. (k) Any sum of money or Value of Property referred u/s 56(2)(x) received on or after 01.04.2017., (l) Income **includes FMV of Inventory** referred to u/s 28(via) [Inventory being converted/ treated as Capital Asset], " (m) Income **includes** any compensation or other payment referred to u/s 56(2)(xi) being payment due to or received by any person in connection with the termination of his employment or the modification of the terms and conditions.(n) Any sum received by Unit holder from a Business Trust u/s 56(2)(xii),(o) Any sum received under Life Insurance Policy including bonus allocated u/s 56(2)(xiii).

## 2 RESIDENTIAL STATUS

**Points to Remember**

**Non-Resident [Sec.2(30)]:** Not a Resident u/s 6(1).

**Individual [Sec.6(1)]:** (i) Atleast 182 days stay in India in RPY ,or (ii) Atleast 60 days stay in India in RPY and atleast 365 days in India in 4 Prior P.Ys.

**Deemed to be resident [Sec. 6(1A)]:** w.e.f. 01.04.2021 An Individual, being a citizen of India, having Total Income, other than the Income from Foreign Sources, exceeding ₹ 15 Lakhs during the Previous Year shall be deemed to be Resident in India in that Previous Year, if he is not liable to tax in any other Country or territory by reason of his domicile or residence or any other criteria of similar nature.

**Special Situations for determination of Residential Status: [Sec. 6(1) Expln.] [w.e.f. 01.04.2021]**

Person	shall be considered Resident only if –
Indian Citizen leaving India for employment outside India or being a Crew Member of an Indian Ship leaving India	they are in India for 182 days or more during the Relevant Previous Year (RPY)
Indian Citizen or person of Indian Origin having Total Income, other than the Income from Foreign Sources, exceeding ₹ 15 Lakhs during the Previous Year	(a) If he stayed in India for a period of <b>182 days or more</b> during RPY <b>(OR)</b> (b) If he stayed in India for a period of 120 days or more during RPY and 365 days or more during 4 preceding previous years.

**Points to Remember**

Indian Citizen or Person Indian Origin, visiting Indian (other than mentioned above)	they are in India for 182 days or more during the Relevant Previous Year (RPY)
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**Note:** Indian Citizen leaving India for employment outside India then 182 days condition alone shall apply.

**Determination of Residential Status of Crew Member of a Ship: W.e.f. 01.04.2016** In the case of an Individual, being a Indian Citizen and a Member of the Crew of a Foreign-bound Ship leaving India, the period(s) of stay in India shall, in respect of such voyage shall be determined in the manner and subject to such prescribed conditions. For determining the period of Stay in India, the following period shall not be included–

Period beginning From	Period ending to
Date entered into the Continuous Discharge Certificate in respect of <b>joining the ship</b> by the said individual for the <b>eligible voyage</b>	date entered into Continuous Discharge Certificate in respect of the <b>signing off</b> by that individual from the ship in respect of such voyage.

# 3 EXEMPTIONS FROM TOTAL INCOME

Section	Assessee	Nature of Exempt Income
<b>10(1)</b>	All Assessee	Agricultural Income in India
<b>10(2)</b>	Members of HUF	Share Income from HUF. A married daughter/widow receiving Income from Father’s HUF is not exempt from tax.
<b>10(2A)</b>	Partner of a Firm	Share in Total Income of the Partnership Firm to the extent allowed u/s 40(b), when Firm is assessed as such.
<b>10(4)</b>	Individuals	(i) Interest from Notified Bonds including Premium on redemption, for Non-Resident. (ii) Interest on NRE A/c earned by NR or any individual permitted by RBI.
<b>10(6)(ii)</b>	Individual not being an Indian Citizen	Remuneration of Foreign Diplomats, subject to conditions
<b>10(6)(vi)</b>	Individual not being an Indian Citizen	Remuneration of Employee of Foreign Enterprise for services rendered by him during his stay in India provided – <ul style="list-style-type: none"> <li>Employer does not engage in any trade or business in India,</li> <li>His stay in India is ≤ 90 days in such PY,</li> <li>Remuneration is not deductible from the Taxable Income of Employer.</li> </ul>
<b>10(6)(viii)</b>	Individual not being an Indian Citizen	Salary received by Crew Member of Foreign Ship where his stay in India is ≤ 90 days in such PY.
<b>10(6)(xi)</b>	Individual not being an Indian Citizen	Remuneration received by an Employee of a Foreign State in connection with his training in India, in specified undertakings.
<b>10(10D)</b>	All Individuals	Any sum received under Life Insurance Policy, including sum allocated by way of Bonus, subject to certain exception. The premium limit shall be 15% for policy issued on or after 01.04.2013 to the person referred u/s 80U or 80DDB. <b>[Note: Exemption u/s 10(10D) is not applicable to amount received from ULIP issued on or after 01.02.2021, (except when received on death of a person), if the premium payable exceeds ₹ 2,50,000 for any PY during the policy term]</b>
<b>10(10BB)</b>	Individuals	Amount received under Bhopal Gas Disaster Claim / Scheme.
<b>10(10BC)</b>	Individual or his Legal Heir	Compensation received from Central/State Govt./Local Authority on account of disaster other than the amount allowed as deduction under this Act.
<b>Sec.10(11A)</b>	Individuals	Any Payment from an account, opened as per the <b>Sukanya Samridhhi Account</b> Rules, 2014 made under the Government Savings Bank Act, 1873, is <b>exempt</b> from Tax.

Section	Assessee	Nature of Exempt Income
Sec.10(12A)	Individuals	<ol style="list-style-type: none"> <li><b>Applicability:</b> All Assesseees, who have subscribed to the National Pension System Trust. (Earlier it was applicable only to an Employee)</li> <li><b>Nature of Exemption:</b> Payment from the <b>National Pension System Trust</b> on closure of account or on opting out of the Pension Scheme referred u/s 80CCD is exempt <b>upto 60%</b> of the total amount payable.</li> </ol>
Sec.10(12B)	Individuals	<b>w.e.f. 01.04.2018, New Section 10(12B) – Exemption to Partial Withdrawal:</b> Payment from the National Pension System Trust to an employee on partial withdrawal out of his account from the pension Scheme referred u/s 80CCD, is exempt upto 25% of the contributions made by him.
Sec. 10(12C) [w.e.f. 01.04.2023]	Assessee, being an individual enrolled in the Agnipath Scheme and subscribing to the Agniveer Corpus Fund on or after 01.11.2022	<b>Exemption:</b> Any payment received from the Agniveer Corpus Fund by a person enrolled under the Agnipath Scheme or by his nominee. Agnipath Scheme & Agniveer Corpus Fund shall have the meaning assigned u/s 80CCH
10(15)	All Assesseees	Income from Notified Bonds/ Deposits & Securities. <b>W.e.f 01.04.2020</b> Interest Payable to Non- Resident by a Unit located in IFSC in respect of monies borrowed by it on or after 01.09.2019, is exempt from tax.
10(16)	All Assessee	Scholarship granted to meet Cost of Education.
10(17)	MLAs and MPs	Daily Allowance, Constituency Allowance.
10(17A)	All Assesseees	Reward or Award either in cash or in kind instituted and approved by Govt.
10(18)	Armed Personnel	Pension / Family Pension received by winner of Gallantry Award or his family members
10(19)	Widow or Children of member of Armed Forces	Family Pension received by family member of Armed Force died in duty.
10(26)	SC / ST Individual in specified areas	Income from the specified areas and Dividend and Interest on Securities
10(26AAA)	Individual being a Sikkimese	Income from any source in Sikkim or by way of Dividend or Interest on Securities. Exemption not applicable for a Sikkimese Women who marries an individual who is not a Sikkimese, on or after 01.04.2008. <b>w.r.e.f. 01.04.1990</b> Restrictions on exemptions relating to Sikkimese Women Married to a Non-Sikkimese Individual on or after 01.04.2008 has been omitted.
10(30)	Assessee engaged in growing & manufacturing tea in India	Subsidy from Tea Board for replantation/replacement
10(31)	Growing & Manufacturing of Rubber, Coffee or Cardamom or other notified commodity	Subsidy from Relevant Board
10(32)	Individual	Income of Minor clubbed u/s 64(1A) [ <b>Note:</b> No restriction on the number of children]
10(33)	All Assesseees	Income from transfer of unit of Unit Scheme, 1964.
10(34)	All Assesseees	Exemption provided u/s 10(34), shall not apply to any income by way of dividend received on or after 01.04.2020, <b>other than the dividend on which tax u/s 115-O and Sec. 115-BBDA</b> , has been paid.
10(34A)	Assessee, being a Shareholder	Income on account of buyback of Shares by Company referred in S.115QA.

Section	Assessee	Nature of Exempt Income
10(35)	All Assesseees	Income from Units of Mutual Funds. [ <b>Note:</b> Exemption shall not apply to any income arising from units received on or after 01.04.2020]
10(35A)	All Assesseees	Income by way of Distributed Income referred in Sec.115TA received from a Securitisation Trust, by any person being an Investor of the said Trust is exempt. <b>w.e.f. 01.04.2017</b> , Sec. 10(35A) Exemption not available for Income by way of Distributed Income referred u/s 115TA, received on or after 01.06.2016.
10(37)	Individual or HUF	Capital Gain from transfer of Urban Agricultural Land compulsorily acquired by Central Government/ RBI. The land is used for Agricultural purposes during the period of 2 years immediately before transfer by HUF or Individual or his parents.
10(43)	Individual	Any sum received as Loan under Reverse Mortgage Scheme u/s 47(xvi).

### Exemption u/s Sec.10AA

<b>Eligible Assessee</b>	Units located in SEZ							
<b>Nature of Business</b>	Manufacture / Produce Articles or Things or Computer Software or provide services							
<b>Conditions</b>	(a) Commencement of Operations on or after 01.04.2005 but before 31.03.2021 (b) Not formed by splitting / reconstruction. (c) No Old machineries except – (i) Imports, (ii) Not Used in India, (iii) No Depreciation / < 20% of Value of P&M. (d) Export of Goods. (e) Audit Report in Form 56F. (f) No Double Deduction u/s 10AA and 35AD.							
<b>Additional Conditions</b>	<b>Special Provisions for SEZ Units</b> 1. <b>Mandatory return filing:</b> The specified deduction of 100% (first 5 years) and 50% (next 5 years) shall not be allowed to an assessee who does not furnish the ROI on or before the due date specified u/s 139(1). 2. <b>Consideration in Convertible Foreign Exchange:</b> The provisions of Sec. 10AA applies to a unit, if the proceeds from sale of goods or provision of services is received in or brought into India by the assessee in Convertible Foreign Exchange <b>Time Limit:</b> within 6 months from the end of PY or within such extended period as allowed by the competent authority in this behalf. 3. <b>Meaning of terms:</b> <table border="1" style="width: 100%;"> <tbody> <tr> <td><b>Competent Authority</b></td> <td>RBI or the authority authorized under any law for the time being in force for regulating payments and dealings in foreign exchange.</td> </tr> <tr> <td><b>Proceeds received in India</b></td> <td>Proceeds from sale of goods or provision of services shall be <b>deemed</b> to have been received in India where such export turnover is <b>credited to a separate account maintained</b> by the assessee for that purpose with <b>any bank outside India</b> with RBI approval.</td> </tr> <tr> <td><b>Export Turnover</b></td> <td>                     (a) Consideration in respect of exports by the undertaking being the unit of articles or things or services received in or brought into India by the assessee in convertible foreign exchange                      (b) It does not include Freight, Telecommunication Charges or Insurance attributable to the delivery of the articles or things outside India or expenses, if any, incurred in foreign exchange in rendering of services (including Computer Software) outside India.                 </td> </tr> </tbody> </table>		<b>Competent Authority</b>	RBI or the authority authorized under any law for the time being in force for regulating payments and dealings in foreign exchange.	<b>Proceeds received in India</b>	Proceeds from sale of goods or provision of services shall be <b>deemed</b> to have been received in India where such export turnover is <b>credited to a separate account maintained</b> by the assessee for that purpose with <b>any bank outside India</b> with RBI approval.	<b>Export Turnover</b>	(a) Consideration in respect of exports by the undertaking being the unit of articles or things or services received in or brought into India by the assessee in convertible foreign exchange (b) It does not include Freight, Telecommunication Charges or Insurance attributable to the delivery of the articles or things outside India or expenses, if any, incurred in foreign exchange in rendering of services (including Computer Software) outside India.
<b>Competent Authority</b>	RBI or the authority authorized under any law for the time being in force for regulating payments and dealings in foreign exchange.							
<b>Proceeds received in India</b>	Proceeds from sale of goods or provision of services shall be <b>deemed</b> to have been received in India where such export turnover is <b>credited to a separate account maintained</b> by the assessee for that purpose with <b>any bank outside India</b> with RBI approval.							
<b>Export Turnover</b>	(a) Consideration in respect of exports by the undertaking being the unit of articles or things or services received in or brought into India by the assessee in convertible foreign exchange (b) It does not include Freight, Telecommunication Charges or Insurance attributable to the delivery of the articles or things outside India or expenses, if any, incurred in foreign exchange in rendering of services (including Computer Software) outside India.							



Eligible Assessee	Units located in SEZ
<b>Use of Reserve</b>	(a) Only for New Machinery or Plant (b) For Business Purposes, excluding Dividend, Foreign Remittance, Foreign Asset. (c) First use within 3 Years. (d) Report in Form 56FF. (e) Wrong use or use after 3 years is taxable.
<b>Allowable Deduction</b> Years 1 to 5 Years 6 to 10	100% of Export Profits 50% of Export Profits
Years 11 to 15	Least of: (a) 50% of Export Profits, or (b) Credit to Special Reserve. <b>Deduction shall be allowed from the Total Income of the "assessee" [w.e.f. 01.04.2018]:</b> The amount of deduction u/s 10AA shall be allowed from the <b>Total Income of the assessee</b> , computed as per this Act, before giving effect to the provisions of this section. <b>Deduction u/s 10AA shall not exceed the Total Income.</b>
<b>Export Profit</b>	Profits of Business of the Undertaking $\times \frac{\text{Export Turnover}}{\text{Total Turnover}}$
<b>Export Turnover</b>	Export Consideration brought to India in convertible Foreign Exchange within 6 months from the end of RPY <b>Less:</b> Freight, Telecommunication Charges or Insurance attributable to activities outside India and Foreign Exchange expense for Technical Services outside India.

#### Other Points to Remember

**Sec.14A: [W.e.f. 01.04.2022]** Notwithstanding anything to the contrary contained in the Act, Applicable to All Assessee. In computation of Total Income the expenditure incurred in relation to Exempt Income will **not** be allowed as deduction.

**Expenditure incurred on one PY and Exempt Income received/accrues/risen on another PY:** Sec. 14A shall apply and shall be deemed to have always applied in a case where the Exempt income, has **not accrued/ arisen** or has **not been received** during PY relevant to AY and the expenditure **has been incurred** during the said PY in relation to such income not forming part of the total income.

**Prescribed Method (Rule 8D): [NOTIFICATION NO. SO 1949(E), Dt 2-6-2016]** The Disallowed Expenditure will be the aggregate of –

- The amount of expenditure directly relating to income which does not form part of total income, **and**
- An amount equal to 1% of the Annual Average of the monthly averages of the opening and closing balances of the value of investment, income from which does not or shall not form part of Total Income. i.e.

$$1\% \times \frac{\text{Monthly Average of Opening \& Closing Balances of the Value of Investment}}{12 \text{ months}}$$

**Note:** The amount referred to in (a) and (b) shall not exceed the total expenditure claimed by the assessee.

**Note:** Sec.14A provides for disallowance of the expenditure, even where taxpayer in a particular year has not earned any Exempt Income. **[Circular No.5/2014 dated 11.02.2014]**

**Political Parties [Sec.13A]:** Exempt Income – House Property, Other Sources, Voluntary Contributions and Capital Gains.  
Conditions: (a) Proper Books of Accounts, (b) Details of Contributors > ₹ 20,000, (c) Audit, (d) Report under RP Act.  
Donations more than 2,000 received other than by way of A/C payee cheque / draft /such other prescribed shall not be exempt.

# 4 INCOME FROM SALARIES

## Points to Remember

<b>Chargeability of Salaries [Sec.15]:</b> Year of Accrual or Receipt whichever falls earlier
<b>Standard Deductions [Sec.16] :</b> Standard Deduction from Gross Salary is ₹50,000
<b>Deductions for Entertainment Allowance [Sec.16(ii)]:</b> Only for Government Employee. Maximum ₹ 5,000.
<b>Deductions for Tax on Employment [Sec.16(iii)]:</b> Professional Tax actually paid.
<b>Definition of 'Salary' [Sec.17(1)]:</b> Salary includes Wages, Annuity, Pension, Gratuity, Advance Salary, RPF Contribution, Interest on RPF, all Allowances and Perquisites. w.e.f. 01.04.2023 Salary includes the contribution made by the Central Government in PY to the Agniveer Corpus Fund Account of an Individual enrolled in the Agnipath Scheme referred u/s 80CCH.
<b>Perquisite – Rent Free Accommodation [Sec.17(2)(i)]:</b> Valued as per Explan. to Sec.17(2) & Rule 3.
<b>Perquisite – Accommodation at Concessional Rent [Sec.17(2)(ii)]:</b> Valued as per Explan. to Sec.17(2) & Rule 3.
<b>Perquisite – Specified Employee [Sec.17(2)(iii)]:</b> Benefits given free of cost or at concessional rates.
<b>Perquisite [Sec.17(2)(iv)]:</b> Payment of personal obligation of the Employee.
<b>Perquisite [Sec.17(2)(v)]:</b> Contribution to Life Insurance or Contract for Annuity.
<b>Perquisite [Sec.17(2)(vi)]:</b> Any other benefit or amenity – As per Rule 3(2) to Rule 3(8). Specified Security or Sweat Equity Shares allotted by the Employer free of cost or at a concessional rate.
<b>Perquisite [Sec.17(2)(vii)]:</b> Contribution by Employer to PF, Gratuity, Pension Superannuation Fund in excess of ₹ 7,50,000.
<b>Perquisite [Sec.17(2)(viii)]:</b> Taxability of any annual Accretion by way of interest or dividend or any other amount of similar nature to the extent relates to the Employer's Contribution u/s 17(2)(vii).
<b>Taxable Value of Perquisites [Rule 3B]:</b> Value determined as per Rule 3B
<b>[W.re.f. 01.04.2020] COVID Assistance – Not a perquisite:</b> Perquisites <b>does not include</b> any sum paid by the employer, in respect of any expenditure incurred by the employee on his or family member's medical treatment, in respect of any illness related to COVID-19 subject to the notified conditions.
<b>Perquisite [Sec.17(2)(viii)]:</b> Value of other Fringe Benefit / Amenity as may be prescribed.
<b>Profits in lieu of Salary [Sec.17(3)]:</b> <ul style="list-style-type: none"> <li>• Compensation on termination/ modification of Employment.</li> <li>• Amount received from Keyman Insurance Policy.</li> <li>• Employer Contribution and Interest thereon to URPF at the time of withdrawal.</li> <li>• Amount received in lump sum or not either at the time of joining or cessation of employment.</li> </ul>
<b>Relief when Salary is paid in Arrears or in Advance, etc. [Sec.89(1)]:</b> <ol style="list-style-type: none"> <li>1. Form 10E to be submitted by the Employee, 2. No Relief if VRS compensation u/s 10(10C) is claimed.</li> </ol>
<b>Taxable Value of Perquisites [Rule 3]:</b> Value determined as per Rule 3 Less Amount recovered from the Employee
<b>FMV of ESOP [Rule 40C]:</b> <ol style="list-style-type: none"> <li>1. <b>Unlisted Company</b> – determined by Merchant Banker</li> <li>2. <b>Listed Company</b> – On Exercise Date           <ol style="list-style-type: none"> <li>(a) <b>Trading</b> – Average of Opening &amp; Closing Price on Exercising date</li> <li>(b) <b>No Trading</b> – Closing Price on Exercising Date</li> </ol> </li> </ol>
<b>FMV of Specified Security [Rule 40D]:</b> As determined by a Merchant Banker
<b>Exemption u/s 10(7):</b> Allowance / Perquisite paid to a Citizen by Govt. for rendering services outside India is fully exempt.
<b>Keyman Insurance Policy [Sec.10(10D)]:</b> Fully Taxable, <b>For Salaried Persons</b> – as Profits in Lieu of Salary, <b>For Business Persons</b> – as Business Income, <b>Others</b> – as Income from Other Sources.
<b>Tax on Non-Monetary Perquisites [Sec.10(10CC)]:</b> U/s 192(1A), the Employer may, at his option, pay Income Tax on the whole or part of perquisite provided by way of non-monetary payments. It is exempt in the hands of Employee.

## COMPUTATION OF INCOME UNDER THE HEAD SALARIES

Particulars	Exemption/ Deduction	Net Amount Taxable
<b>BASIC SALARY</b>	NIL	Fully Taxable
<b>DEARNNESS ALLOWANCE</b> – Whether forming part of Salary or Not	NIL	Fully Taxable
<b>ADVANCE SALARY</b>	NIL	Fully Taxable
<b>ARREARS SALARY</b>	NIL	Fully Taxable
<b>CITY COMPENSATORY ALLOWANCE</b>	NIL	Fully Taxable
<b>BONUS</b>	NIL	Fully Taxable
<b>COMMISSION AS % OF TURNOVER</b>	NIL	Fully Taxable
<b>FEES</b>	NIL	Fully Taxable
<b>LUNCH / TIFFIN ALLOWANCE</b>	NIL	Fully Taxable
<b>OVERTIME ALLOWANCE</b>	NIL	Fully Taxable
<b>SERVANT ALLOWANCE</b>	NIL	Fully Taxable
<b>WARDEN ALLOWANCE</b>	NIL	Fully Taxable
<b>NON-PRACTISING ALLOWANCE</b>	NIL	Fully Taxable
<b>FAMILY ALLOWANCE</b>	NIL	Fully Taxable
<b>RETIREMENTS BENEFITS – Received from</b> Statutory PF / PPF [Sec.10(11)] RPF – subject to conditions [Sec.10(12)] Approved Superannuation Fund [Sec.10(13)]	Fully Exempt Fully Exempt Fully Exempt	NIL NIL NIL
<b>GRATUITY [Sec.10(10)]</b> (a) Government Employee	Fully exempt	NIL
(b) Employee covered by Gratuity Act: Least of: • Actual Gratuity received, • $15/26 \times$ Last Drawn Salary $\times$ Number of years of Completed Service or part thereof in excess of six months, (Salary = Basic + D.A.) • ₹ 20,00,000,	Least is exempt	Actual amt. received Less Amount exempt
(c) Other Employees: Least of the following: • Actual Gratuity received, • $1/2 \times$ Average salary for 10 months preceding the month of retirement $\times$ Number of fully completed years of service • ₹ 20,00,000, Salary = Basic + DA (if forming part of Retirement Benefits) + Commission on T/O. Gratuity from more than one Employer: Aggregate amount exempted shall not exceed ₹ 20,00,000.	Least is exempt	Actual amt. received Less Amount exempt
<b>UNCOMMUTED PENSION</b>	NIL	Fully taxable
<b>COMMUTATION OF PENSION [Sec.10(10A)]</b> a. Government Employee b. Other Employee	Fully exempt	NIL
• If in receipt of Gratuity	$1/3 \times$ Full Value of Pension is Exempt	Actual amt. received Less Amount exempt
• If not in receipt of Gratuity	$1/2 \times$ Full Value of Pension is Exempt	Actual amt. received Less Amount exempt
<b>LEAVE ENCASHMENT DURING SERVICE</b>	NIL	Fully taxable
<b>LEAVE ENCASHMENT ON RETIREMENT [Sec.10(10AA)]</b> (a) Government Employees	Fully exempt	NIL
(b) Other employees, Least of the following: • Amount actually received	Least is Exempt	Actual amount received Less Amount Exempt

Particulars	Exemption/ Deduction	Net Amount Taxable
<ul style="list-style-type: none"> <li>Average Salary of past 10 Months × 10 Months</li> <li>₹ 3,00,000</li> </ul> <p>Leave credit at 30 days p.a. for every completed year of service × Average Salary of past 10 months</p> <p>Salary = Basic + DA (if forming part of retirement benefits) + Commission on Turnover. If the assessee receives Leave Encashment from more than one employer, the aggregate amount of Leave Encashment exempted shall not exceed ₹ 3,00,000.</p>		
<p><b>RETRENCHMENT COMPENSATION [Sec.10(10B)] Least of –</b></p> <ul style="list-style-type: none"> <li>Amount determined u/s 25F(b) of Industrial Disputes Act, 1947</li> <li>Amount actually received</li> <li>₹ 5,00,000</li> </ul>	Least is exempt	Actual amount received Less Amount exempt
<p><b>VOLUNTARY RETIREMENT COMPENSATION (if relief u/s 89(1) is not claimed) [Sec.10(10C)] &amp; Rule 2BA, Least of –</b></p> <p>(a) Amount actually received</p> <p>(b) ₹ 5,00,000</p> <p>(c) Maximum of:</p> <ul style="list-style-type: none"> <li>Last drawn Salary × 3 × No. of fully completed years of service, or</li> <li>Last drawn Salary × Balance of months of service left</li> </ul> <p>Salary = Basic Pay + DA (if forming part of Retirement Benefits). This exemption can be availed by assessee only once in a lifetime.</p>	Least is exempt	Actual amount received Less Amount Exempt
<p><b>LEAVE TRAVEL ASSISTANCE Sec 10(5) – Rule 2B</b></p> <p>Twice in a block of four years: [Current Block is 2022–2025].</p> <p>(a) By Air – National Airways – Economy Class – Shortest route</p> <p>(b) By Train – I Class AC fare – Shortest Route</p> <p>(c) By Recognized Transport – Deluxe Class – Shortest Route</p> <p>(d) By other means – I Class AC Fare as per Railways, equivalent for distance travelled – Shortest Route</p> <ul style="list-style-type: none"> <li>If LTA is not availed twice in a block of 4 yrs, 1<sup>st</sup> LTA availed in the next 4 yrs block can be taken as if it is for previous block.</li> <li>Exemption <b>not</b> available for more than two surviving children of an individual and born after 1.10.1998.</li> <li><b>W.e.f. 01.04.2021</b>, Where an individual claims the above exemption, <b>no such exemption</b> shall be allowed in respect of same expenditure to any other individual.</li> </ul>	Amount is exempt only for the Shortest Route	Actual amount received Less Amount Exempt
<p><b>EMPLOYER CONTRIBUTION TO RPF Sec.10(12)</b></p> <p>Actual Contribution made <b>Less</b> 12% of Salary</p> <p>Salary = Basic + DA (if forming part of Retirement Benefits)</p>	NIL	Fully Taxable
<p><b>EMPLOYER CONTRIBUTION TO URPF</b></p> <p>Taxable only at the time of actual receipt from URPF or transfer from URPF to RPF. (Amount + Interest thereon is taxable)</p>	NIL	Fully Taxable
<p><b>INTEREST ON RPF: Actual Interest received Less Interest at 9.5%</b></p>	NIL	Fully taxable
<p><b>Allowance/Perquisites u/s 10(45):</b></p> <p>Notified Allowance or Perquisite paid to the Chairman / Retired Chairman / of UPSC is exempt.</p>	Fully Exempt	NIL
<p><b>INTEREST ON URPF: On Employee's contribution – taxable as Income from Other Sources</b></p>		Not Applicable
<p><b>HOUSE RENT ALLOWANCE [Sec.10(13A), Rule 2A]:</b></p> <ul style="list-style-type: none"> <li>Actual HRA received for relevant period</li> <li>50% (4 metros) / 40% (others) of Salary of the relevant period.</li> </ul>	Least is Exempt	Actual HRA Received Less Amount exempt

Particulars	Exemption/ Deduction	Net Amount Taxable
<p>• Rent for relevant period <b>Less</b> 10% of salary for relevant period.  <b>Salary = Basic + DA (if part of Retmt Benefits) + Comm. on T/O</b></p> <p><b>Sec.10(14) ALLOWANCES – Partly Exempted</b></p> <p>(a) Children Education Allowance (for Maximum 2 Children)                      (b) Children Hostel Expenditure Allowance (for Max 2 Children)                      (c) Running Allowance for Transport Sector Employees                      (d) Transport Allowance (only for differently abled persons)                      (e) Mining / Underground Allowance                      (f) Tribal Area Allowance                      (g) Composite Hill Compensatory Allowance                      (h) Border Area, Remote Area, Disturbed Area Allowance                      (i) Compensatory Field Area Allowance                      (j) Compensatory, Modified Field Area Allowance                      (k) Counter Insurgency Allowance                      (l) High Altitude Allowance                      (m) Special Compensatory Highly Active Field Area Allowance                      (n) Island Duty Allowance</p>	<p>₹ 100 pm per child                      ₹ 300 pm per child                      70% of Amount Received                      or ₹ <b>10,000 pm</b>                      ₹ 3,200 p.m.</p> <p>₹ 200 p.m.                      ₹ 300 to ₹ 7,000 p.m                      ₹ 200 to ₹ 1,300 pm                      ₹ 2,600 p.m.                      ₹ 1,000 p.m.                      ₹ 3,900 p.m.                      ₹ 1,060 to ₹ 1,600 pm                      ₹ 4,200 p.m.                      ₹ 3,250 p.m.</p>	<p>Actual amount received                      Less Amount Exempt</p>
<p><b>Fully Exempted Allowances</b></p> <p>(i) Travelling Allowance                      (ii) Daily Allowance                      (iii) Conveyance Allowance                      (iv) Helper Allowance                      (v) Academic Allowance                      (vi) Uniform Allowance                      (vii) Allowances / Perquisites to Govt. Employees for Services rendered outside India – Sec.10(7)</p>	<p>Fully Exempt                      If incurred for                      performance of official                      duties</p>	<p>NIL</p>
<b>GROSS SALARY</b> (before Valuation of Perquisites)		<b>Total of above</b>
<b>Add:</b> Valuation of Perquisites		<b>See Rule 3</b>
<b>Gross Salary</b>		
<b>Less: Deduction u/s 16</b>		
Standard Deduction	₹ 50,000	
Entertainment Allowance		
Tax on Employment (Professional Tax)		
<b>INCOME UNDER THE HEAD SALARIES</b>		

## VALUATION OF PERQUISITES

### 1. ACCOMMODATION PROVIDED BY THE EMPLOYER TO THE EMPLOYEE

#### 1. Value of Unfurnished Accommodation – Explanation 1 to Sec.17(2).

Nature of Perquisite	Taxable Value of Perquisite
<b>Provided by Government</b>	License Fee determined by the Government <b>Less</b> Rent recovered from Employee
<b>Provided by Employer other than Central and State Government</b>	
(a) Owned by Employer	<p><b>In cities having population exceeding 25 Lakhs as per 2001 Census:</b>                      15% of Salary <b>Less</b> Rent actually paid by Employee</p> <p><b>In cities having population exceeding 10 Lakhs but not exceeding 25 Lakhs as per 2001 Census:</b> 10% of Salary <b>Less</b> Rent actually paid by Employee</p> <p><b>In Other places:</b> 7.5% of Salary <b>Less</b> Rent actually paid by the Employee</p>
(b) Taken on Lease by the Employer	Rent paid by Employer or <b>15%</b> of Salary, whichever is lower <b>Less</b> Rent recovered from Employee
(c) Accommodation in hotel	<b>24%</b> of Salary paid / payable or Actual Charges paid / payable, whichever is lower <b>Less</b> Amount paid or payable by the Employee

**Hotel Accommodation:** Accommodation provided in a Hotel will not be a taxable perquisite if —

- The period of such accommodation does not exceed 15 days.
- Such accommodation has been provided on the transfer of the Employee from one place to another.

**2. Valuation of Furnished Accommodation:**

Particulars	₹
Value of Unfurnished Accommodation as above	xxx
<b>Add:</b> Value of Furniture	
– If owned by Employer, then <b>10% per annum of Original Cost</b> of such Furniture	(10) xxx
– If hired from Third Party, then <b>Actual Hire Charges</b>	xxx
<b>Less:</b> Any charges paid or payable by the Employee	(xxx)
<b>Value of Furnished Accommodation</b>	<b>xxx</b>

**Note:** Furniture includes Television Sets, Radio, Refrigerator, other Household Appliance, Air-Conditioning Plant or Equipment.

**VALUATION NOT APPLICABLE**

(a) **Employees Covered:** Employees working at — Mining Site, Onshore Oil Exploration Site, Offshore Site, Project Execution Site, Dam Site, Power Generation Site.

(b) **Conditions:**

- The accommodation should be of a **temporary nature** and
- **Plinth area** should not exceed **800 Square Feet**.
- Accommodation should be located at least 8 kms away from local limits of Municipality / Cantonment or located in a remote area (i.e. 40 kms away from town with less than 20,000 population)

**VALUATION OF ACCOMMODATION IN CASE OF EMPLOYEES ON TRANSFER**

(a) **For the first 90 days of transfer:** Where accommodation is provided both at existing place of work and in new place, the accommodation, which has lower value, shall be taxable.

(b) **After 90 days:** Both accommodations shall be taxable.

**MEANING OF SALARY FOR VALUATION OF ACCOMMODATION FACILITIES**

Salary includes	Salary excludes
<ul style="list-style-type: none"> <li>• Basic Salary</li> <li>• D.A. if considered for Retirement Benefits</li> <li>• All Taxable Allowances</li> <li>• Bonus or Commission or Ex-gratia</li> <li>• Any other Monetary Payment</li> </ul>	<ul style="list-style-type: none"> <li>• Other D.A.</li> <li>• Employer's Contribution to PF</li> <li>• Exempted Allowances</li> <li>• Value of Perquisites</li> <li>• Value of Perquisites specifically excluded</li> </ul>

**2. VALUATION OF OTHER PERQUISITES**

Rule	Nature of Perquisite	Taxable Value of Perquisite (TVP)
3(3)	Service of Sweeper, Gardener or Watchman or Personal Attendant	Actual Cost to the Employer <b>Less:</b> Amount paid by the Employee
3(4)	Supply of Gas, Electricity or Water for household consumption	<b>Procured from outside Agency:</b> Amount paid to outside agency <b>Resources owned by employer himself:</b> Manufacturing cost p.u. <b>Less:</b> Amount paid by the Employee
3(5)	Education facilities to members of his household: (a) Free Education to children in the school maintained by the Employer or the school sponsored by the Employer (b) Other Schools	If the Cost of Education per Child does not exceed ₹ 1,000 p.m. – Not Taxable, otherwise fully taxable.  Cost to the Employer (See limit of ₹ 1,000 pm above.) <b>Less:</b> Amount recovered from Employee  Cost of education in similar locality / institution <b>Less:</b> Amount recovered from Employee
3(6)	Transportation of goods or passengers at free or concessional rate provided by the employer engaged in that business ( <b>other than Railways / Airlines</b> )	Value at which offered to Public <b>Less:</b> Amount recovered from the Employee

Rule	Nature of Perquisite	Taxable Value of Perquisite (TVP)		
3(7)(i)	Housing Loan / Vehicle Loan – For acquiring Capital Assets and not for repairs SBI Rate = SBI Rate prevailing on the First Day of the Previous Year	<ul style="list-style-type: none"> <li>Interest Charged by Employer <math>\geq</math> SBI Rates: NOT Taxable.</li> <li>Interest charged is lower than SBI rates: Interest at SBI rates on maximum outstanding balance Less: Interest paid by the Employee on that loan.</li> </ul>		
	Other Loans	<ul style="list-style-type: none"> <li>Interest Charged by Employer <math>\geq</math> SBI Rates: NOT Taxable.</li> <li>Interest charged is lower than SBI rates: Interest at SBI Rate on maximum outstanding balance Less: Interest paid by the Employee on that Loan</li> <li>Exceptions:                             <ul style="list-style-type: none"> <li>(a) Medical Loan for treatment of diseases specified in Rule 3A except Loan reimbursed by Medical Insurance</li> <li>(b) Loan not exceeding ₹ 20,000 in aggregate.</li> </ul> </li> </ul>		
3(7)(ii)	Travelling, Touring, Accommodation and Other Expenses met by the Employer other than specified in Rule 2B. (To be calculated only for the period of vacation)	Amount incurred by Employer or Value offered to public Less: Amount recovered from Employee		
3(7)(iii)	Free Meals during office hours Free Meal in remote area or offshore installation area is not a taxable perquisite	<ul style="list-style-type: none"> <li>Actual Cost to the Employer (upto ₹ 50 per Meal / Tea/ Snacks is NOT taxable) Less Amount recovered from the Employee</li> <li>Tea or Non-Alcoholic Beverages / Snacks during working hours are not taxable.</li> </ul>		
3(7)(iv)	Value of any gift or voucher or token other than gifts made in cash or convertible into money (e.g. gift cheques) on Ceremonies.	<ul style="list-style-type: none"> <li>Value of Gift.</li> <li>In case the aggregate value of gift during the previous year is less than ₹ 5,000, then it is not a taxable perquisite.</li> </ul>		
3(7)(v)	Expenditure incurred on credit card or add on card including membership fee and annual fee.	<ul style="list-style-type: none"> <li>Actual expenditure to Employer Less Amount recovered from Employee.</li> <li>If it is incurred for official purpose and supported by necessary documents then it is not taxable.</li> </ul>		
3(7)(vi)	Expenditure on Club other than Health Club or Sports Club or similar facilities provided uniformly to all Employees.	<ul style="list-style-type: none"> <li>Actual Expenditure incurred by the Employer Less Amount recovered from Employee.</li> <li>If the expenditure is incurred exclusively for official purposes and supported by necessary documents then it is not taxable.</li> <li>Initial Fee of Corporate Membership of a Club is not a taxable perquisite.</li> </ul>		
3(7)(vii)	Use of any Movable Asset other than Computer or Laptops or other assets already mentioned	10% of Actual Cost if owned by the Employer, or Actual Rental Charge Paid / Payable by Employer Less: Amount recovered from Employee		
3(7)(viii)	<b>Transfer of Movable Asset to Employees:</b>			
	<b>Computers &amp; Electronic Items</b>	<b>Motor Car</b>	<b>Other Assets</b>	
	Actual Cost Less: Depreciation @ 50% for every completed year under WDV method.	Actual Cost Less: Depreciation @ 20% for every completed year under WDV method.	Actual Cost Less: Depreciation @ 10% for every completed year under SLM Method.	
	<b>Value of the Asset</b> Less: Amount recovered from the employee	<b>Value of the Asset</b> Less: Amount recovered from the employee	<b>Value of the Asset</b> Less: Amount recovered from the employee	
	<b>Value of the perquisite</b>	<b>Value of the perquisite</b>	<b>Value of the perquisite</b>	
<ul style="list-style-type: none"> <li>Electronic gadgets include Computer, Digital Diaries and Printers, but exclude washing machines, Microwave ovens, Mixers, Hot plates, Ovens etc.</li> <li>Transfer of assets, which are 10 years old, shall not attract taxability.</li> </ul>				
3(7)(ix)	Any other benefit or amenities or service or right or privilege provided by the employer other than telephone or mobile phone	Cost to the employer Less: Amount recovered from employee		

- Member of household includes Spouse(s), Children & their spouses, Parents, Servants and dependents.

- **Completed year** means actual completed year from the date of acquisition of asset to the date of transfer of such asset to Employees.

### 3. TAXABILITY OF MOTOR CAR BENEFITS [Rule 3(2)(A)]

Owner of Car	Expenses met by	Purpose	Taxable Value of Perquisite
1(a) Employer	Employer	Fully Official	<b>Not a perquisite</b> provided the documents specified in Rule 3(2)(A) are maintained.
1(b) Employer	Employer	Fully personal use	<b>Aggregate of –</b> (a) Actual expenditure on car (b) Remuneration to Chauffeur (c) 10% of the Cost of Car (normal wear & tear) <b>Less:</b> Amount charged from Employee
1(c) Employer	Employer	Partly for official and partly for personal	<b>Cubic Capacity of Car Engine upto 1.6 Litres</b> ₹ 1,800 p.m. + ₹ 900 p.m. for Chauffeur <b>Cubic Capacity of Car Engine above 1.6 Litres</b> ₹ 2,400 p.m. + ₹ 900 p.m. for Chauffeur
2(a) Employer	Employee	Fully Official use	<b>Not a Perquisite, provided the documents specified in Rule 3(2)(B) are maintained. [See Note 2 below]</b>
2(b) Employer	Employee	Fully Personal	10% of the Cost of Car (normal wear & tear) / hire charges
2(c) Employer	Employee	Partly for official and partly for personal	<b>Cubic Capacity of Car Engine upto 1.6 Litres</b> ₹ 600 p.m. + ₹ 900 p.m. for Chauffeur <b>Cubic Capacity of Car Engine above 1.6 Litres</b> ₹ 900 p.m. + ₹ 900 p.m. for Chauffeur
3(a) Employee	Employer	Fully official use	Not a perquisite provided documents as per Rule 3(2)(B) are maintained.
3(b) Employee	Employer	Partly for official use and partly for personal use	Subject to Rule 3(2)(B) Actual Expenditure Incurred <b>Less</b> Car Cubic Capacity upto 1.6 Litres – Value as per 1(c)(i) Car Cubic Capacity above 1.6 Litres – Value as per 1(c)(i)
3(c) Employee	Employer	Fully Personal	Actual Expenses Incurred by Employer.
3(i) Employee owns other auto-motive but not car	Employer	Fully official use	<b>Not a Perquisite</b> provided documents as per Rule 3(2)(B) are maintained
3(ii) Employee owns other auto-motive but not car	Employer	Partly for official and partly for personal use	Subject to Rule 3(2)(B) Actual Expenditure Incurred by Employer <b>Less:</b> ₹ 900 p.m.

**Notes:**

- Using Cars from a Pool of Cars owned or hired by Employer:**  
The employee is permitted to use any or all cars for both official and personal use:
 

For one car	Valued as per 1(c)(i)
For more than one car	Valued as per 1(b) as if fully used for personal purpose
- Documents to be maintained for claiming 'not taxable perquisite' or higher deduction wherever applicable. [Rule 3(2)(B)]
  - Employer should maintain complete details of journey undertaken for official purpose, which includes date of journey, destination, mileage and amount of expenditure incurred thereon.
  - Certificate of supervising authority of the employee, wherever applicable, to the effect that the expenditure was incurred wholly and exclusively for performance of official duties, should be provided.



# 5 INCOME FROM HOUSE PROPERTY

## Points to Remember

**Chargeability [Sec.22]** (a) Property = Buildings or Lands Appurtenant thereto. (b) Annual Value is chargeable to tax. (c) Assessee should be Owner, (d) Property used for any purpose other than Business / Profession.

**Deemed Ownership [Sec.27]:** Person treated as Owner even if no document of title is registered in his name. Includes:

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

**Unrealised Rent [Sec.23(1) Explan]:** Reduced from Actual Rent, if – (a) Tenancy is Bonafide, (b) Tenant has vacated the property, (c) Tenant not in occupation of any other Property of Assessee, (d) Steps taken for Recovery.

**Recovery of Unrealised Rent [Sec.25A]:** Treated as the Income of the Previous Year in which it is realized, to the extent of the benefit enjoyed by way of reduction in Net Annual Value. **30% deduction** will be allowed against such receipt / recovery of Unrealised Rent..

**Municipal Tax including Tax for Services [Sec.23(1) Proviso]:** Paid during current previous year allowed as deduction.

**Deductions u/s 24:** 30% of NAV and Interest on Borrowed Capital.

**Treatment of Prior Period Interest [Sec.24 Explan.]:** Allowed in 5 equal installments from the PY in which acquisition was made or construction completed.

**Interest paid outside India [S.25]:** Disallowed if paid without deduction of TDS and no person treated as Agent u/s 163.

**Determination of Annual Value [Sec.23(1)(a)/(b)/(c)]:** In case of Let Out Property – see **Note 1,2** below Table.

**Self-Occupied Property or SOP kept vacant due to employment or business [Sec.23(2)]:** Annual Value is **NIL**, if Not Let Out for any part of the year & no benefit derived therefrom. [SOP=Self Occupied Property]

**More than Two House Property Self Occupied [Sec.23(4)]:** Two house treated Self Occupied, and all other Houses Deemed Let Out at the option of the Assessee.

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

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

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

**Annual Value of House Property held as Stock in Trade – Sec.23(5) w.e.f. 01.04.2018:**

Property consisting of any Building / Land appurtenant thereto, held as Stock in Trade and is **not let out** during the whole or any part of the PY.

Annual Value of that property or part of the property, for the period **upto 2 year** from the end of the FY in which the certificate of completion of construction of the property is obtained from the Competent Authority, shall be taken as **NIL**.

Note 1 Annual Value u/s 23(1)(a)/(b)	Note 2 Annual Value u/s 23(1)(c)
<b>Step 1:</b> Compare Fair Rent and Municipal Value and select whichever is <b>higher</b> .	<b>Step 1:</b> Compare Fair Rent with Municipal Value and select whichever is <b>higher</b> .
<b>Step 2:</b> Compare Step 1 with Standard Rent select whichever is <b>lower</b> .	<b>Step 2:</b> Compare Step 1 with Standard Rent, if applicable – (a) If Step 1 > Standard Rent, select Standard Rent, (b) Step 1 < Standard Rent, then select Step 1
<b>Step 3:</b> Compare Step 2 with Actual Rent Received or Receivable (excluding Unrealized Rent under Rule 4). The <b>Higher Value</b> in Step 3 is Annual Value.	<b>Step 3:</b> Compare Actual Rent Received or Receivable for the Whole Period (excluding Unrealized Rent under Rule 4) with Step 2. The <b>higher</b> figure shall be the Annual Value.