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**CLASSES**

**CA INTER  
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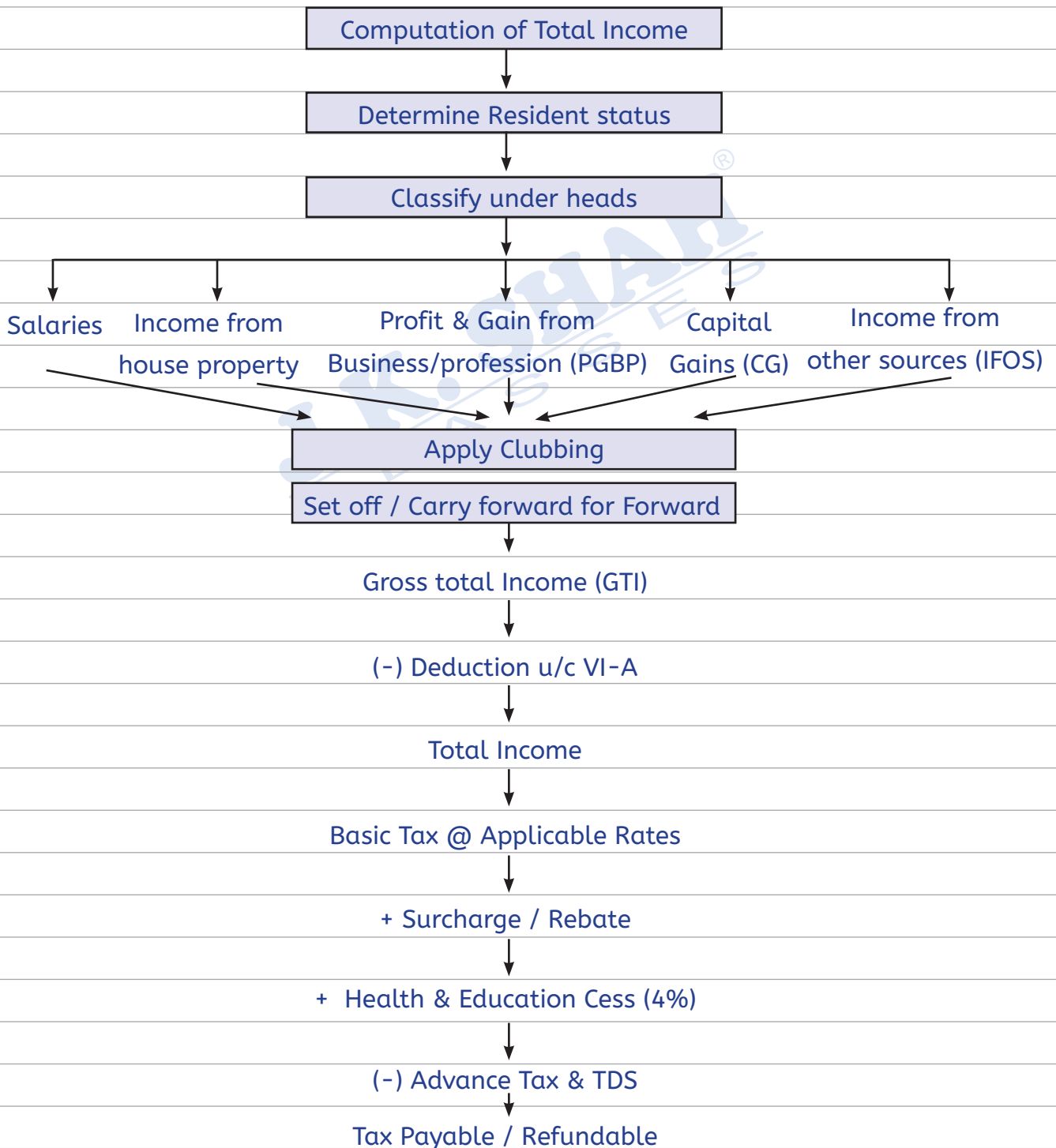
1

**BASIC CONCEPT**

❖ **How Government has power to make any law**

Article 246-Union List-Entry 82-Tax on Income other than agricultural Income.

❖ **Step to be followed :-**



❖ **Section 2 (31) : Person :**

1. **Individual :**
2. **HUF :**
3. **Firm :**
4. **Company :**
5. **AOP / BOI :** Association of person (Any person can become member)  
Body of Individual (Only individual can become member)
6. **Local Authority :**
7. **Every Artificial Judicial Person(AJP)**

❖ **Previous Year 2(34)/ section 3:**

- o P.Y. means year immediately preceding A.Y.
- o P.Y. = Financial Year. Income earned in this year is Taxed in A.Y.
- o P.Y. = 2021-22 A.Y. = 2022-23

❖ **Assessment Year [2(9)]:**

- o It is “Assessment” year because in this year income is assessed, tax is assessed and it is paid and return of income is filled.

❖ **Rates of Taxes [Finance Act, 2021]:**

Slab rates	Resident individual below age of 60 + HUF + AJP + AOP + BOI + All Non-Resident Individual	Resident individual of age 60 or more at any time during P.Y (Senior citizen)	Resident individual of age 80 or more at any time during P.Y. (Very senior citizen)
Basic Exemption Limit	2,50,000	3,00,000	5,00,000
5%	From 2.5L – 5L	From 3L – 5L	---
20%	From 5L – 10L	From 5L – 10L	From 5L – 10L
30%	Above 10L	Above 10L	Above 10L

**Examples:**

(1) Mr. Aagam (24 Years) → Income ₹ 30,00,000

↓	↓	↓	↓
Up to 2.5L	B/w 2.5L - 5L	5L - 10L	10L - 30L
NIL	12500	1,00,000	6,00,000
	+	+	+

Basic Tax	= ₹ 7,12,500
+ 4% H & E Cess	= ₹ 28,500
	= ₹ 7,41,000
± R/off	= ₹ -
<b>Tax Payable</b>	<b>= ₹ 7,41,000</b>

**Section 115BAC: With effect from (W.E.F) PY 20-21**

new optional tax regime is introduced for **Individual/HUF (for all-resi, NR, senior citizen, all)** Subject to non deduction of some expenses, deduction, exemption (See Total Income

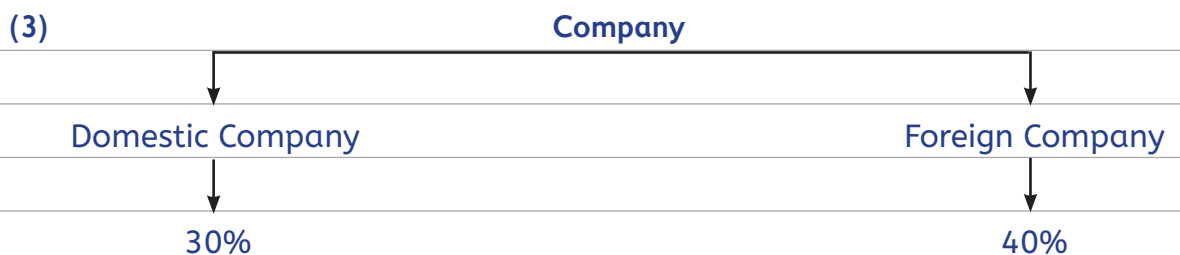
Total Income	Tax Rate (under the new regime)
Up to Rs. 2,50,000	Nil
>2,50,000 -Rs. 5,00,000	5%
>5,00,000 -Rs. 7,50,000	10%
>7,50,000 -Rs. 10,00,000	15%
>Rs. 10,00,000- Rs. 12,50,000	20%
>Rs. 12,50,000 -Rs. 15,00,000	25%
> Rs. 15,00,000	30%

→ Rates :

(1) Firm, LLP, Local authority → Flat 30%

(2) Co-operative society:

Up to 10000	10%
10001-20000	20%
Above 20000	30%



But if Gross receipt/T/o of 2019-20 is upto ₹ 400 Crore than 25%

❖ **Rebate (87A)** → Discount

Only for Resident individual + Total Income(Net Income) does not exceed ₹ 5L Then,  
Rebate from basic Tax (Before cess)

= ₹ 12500 or basic Tax whichever is lower

**Example:** Resident Individual → Income → 4,60,000,

Basic tax = 10500  
Less: rebate u/s 87A (10500)  
=====

Tax payable=Nil

**Surcharge :** Tax on tax for rich people

(1) Individual (All) / HUF / AOP / BOI / AJP (Again To be done in CG)

Total income	Rate(on tax)
>50 Lakh <=1 cr (Incl all income)	10%
>1 cr <=2 cr (Incl all income)	15%
>2 cr <= 5 cr (Excluding Dividend, STCG u/s 111A & LTCG u/s 112A)	25%
>5 cr (Excluding Dividend, STCG u/s 111A & LTCG u/s 112A)	37%

❖ E.g.– **Example:**

o Aagam → ₹ 63 Lakh

Calculation :

Basic Tax → Income ₹ 63 Lakh

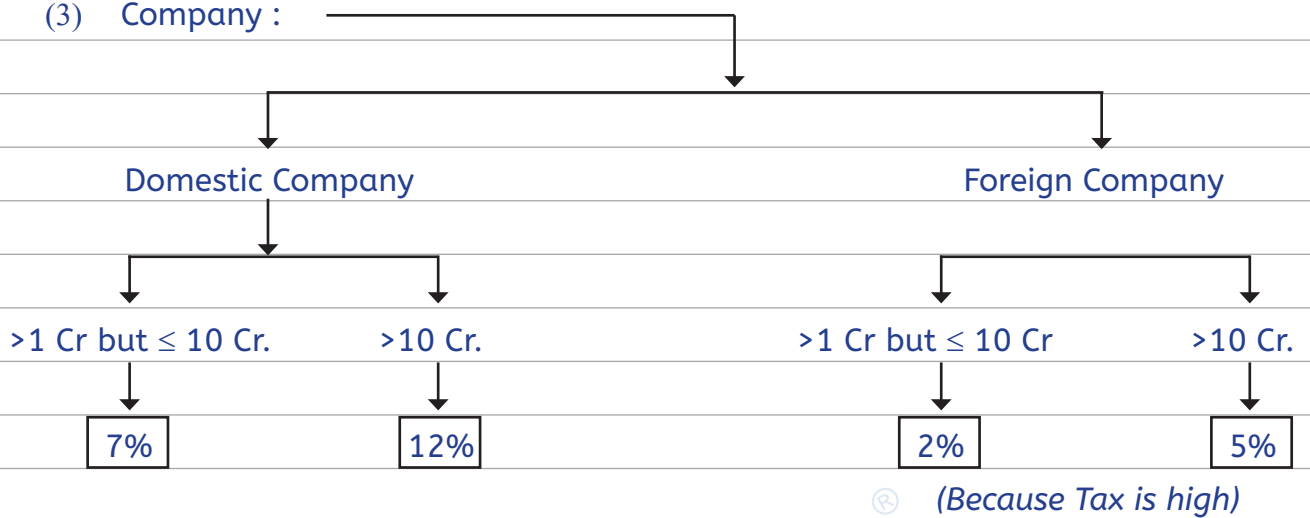
↓	↓	↓	↓
Upto ₹ 2.5L	2.5L - 5L (5%)	5L - 10L (20%)	10L - 63L (30%)
<u>NIL</u>	+	<u>12500</u>	+
		<u>1,00,000</u>	+
			<u>15,90,000</u>

Basic Tax	= ₹ 17,02,500
+ Surcharge (10%)	= ₹ 1,70,250
	= ₹ 18,72,750
+ 4% H & E Cess	= ₹ 74,910
<b>Tax Payable</b>	<b>= ₹ 19,47,660</b>

(2) Firm / LLP / Local Authority :

Total Income > 1 Cr. → 12%

(3) Company :



✓ **Round off (288A / 288B)**

₹ 10 Round off (total income & tax payable). If lower than 5 → then lower side (if >=5 then higher side)

**Marginal Relief:**

→ Concept: Due to increase in Income above threshold then Surcharge is applicable. But diff. of Tax due to difference in income should not be more than diff of Income.

**Example :**

threshold ₹ 50,00,000	→	₹ 51,00,000 -- TI
Tax ₹ 13,12,500	→	₹ 13,42,500
(Before Cess)		+ 10% -- Surcharge
	→	₹ 14,76,750

Income Diff = ₹ 1,00,000

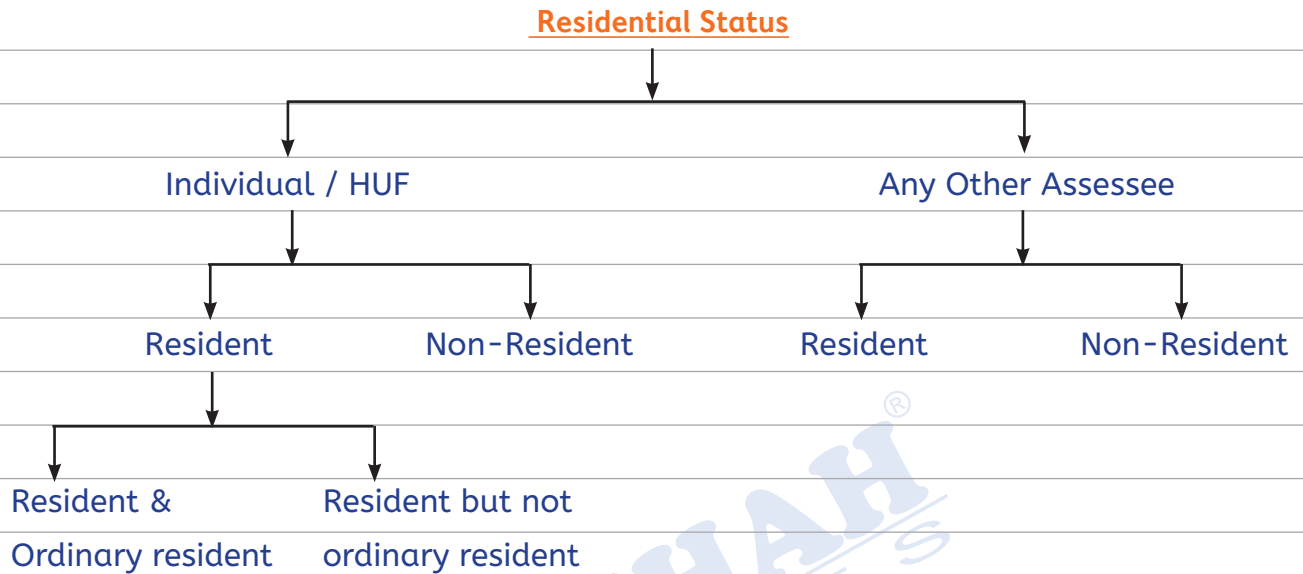
Tax Diff = ₹ 1,64,250

**Marginal Relief = ₹ 64,250** – to be deducted from tax payable and then add cess

**Marginal Relief = (Basic Tax + S.C on Tax) – (Tax payable before cess on Threshold Limit) – Diff of Income** --- ignore if answer is negative

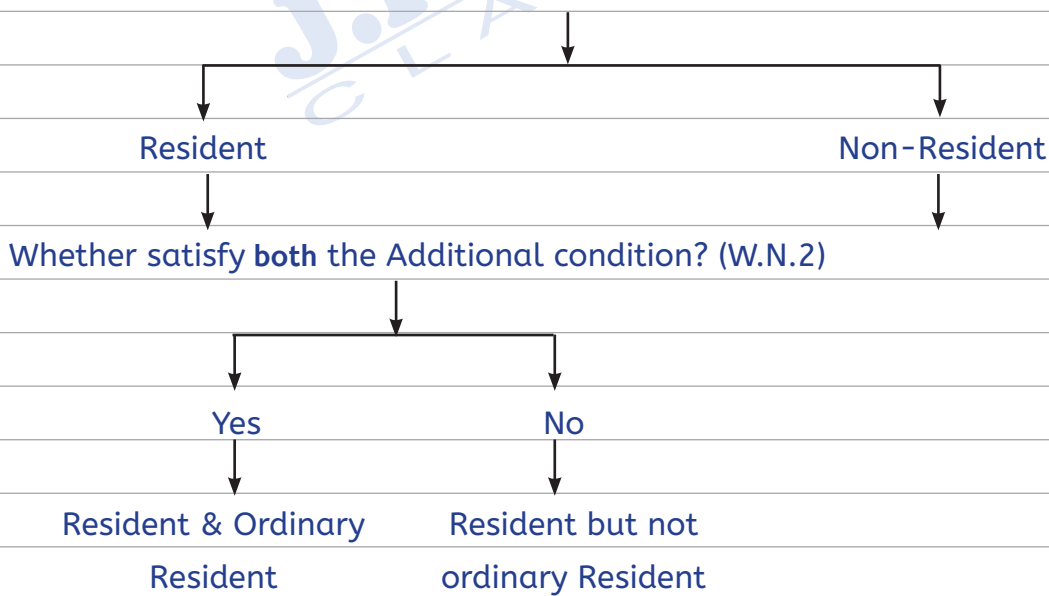
**2**

**RESIDENTIAL STATUS & SCOPE OF INCOME**



**Section 6(1): Residential status of individual**

Whether satisfy “any” of the two basic conditions? (W.N.1)



W.N. 1 : Basic Condition

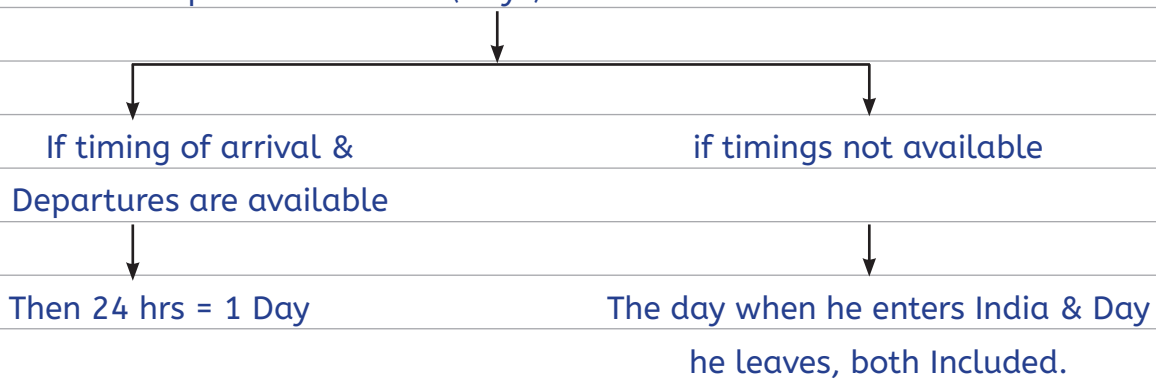
1) He is in India at least 182 days during the P.Y.

OR

2) He is in India for at least 60 days during P.Y. & 365 Days during 4 preceding Years immediately preceding P.Y.



→ How to count presence in India (Days)?



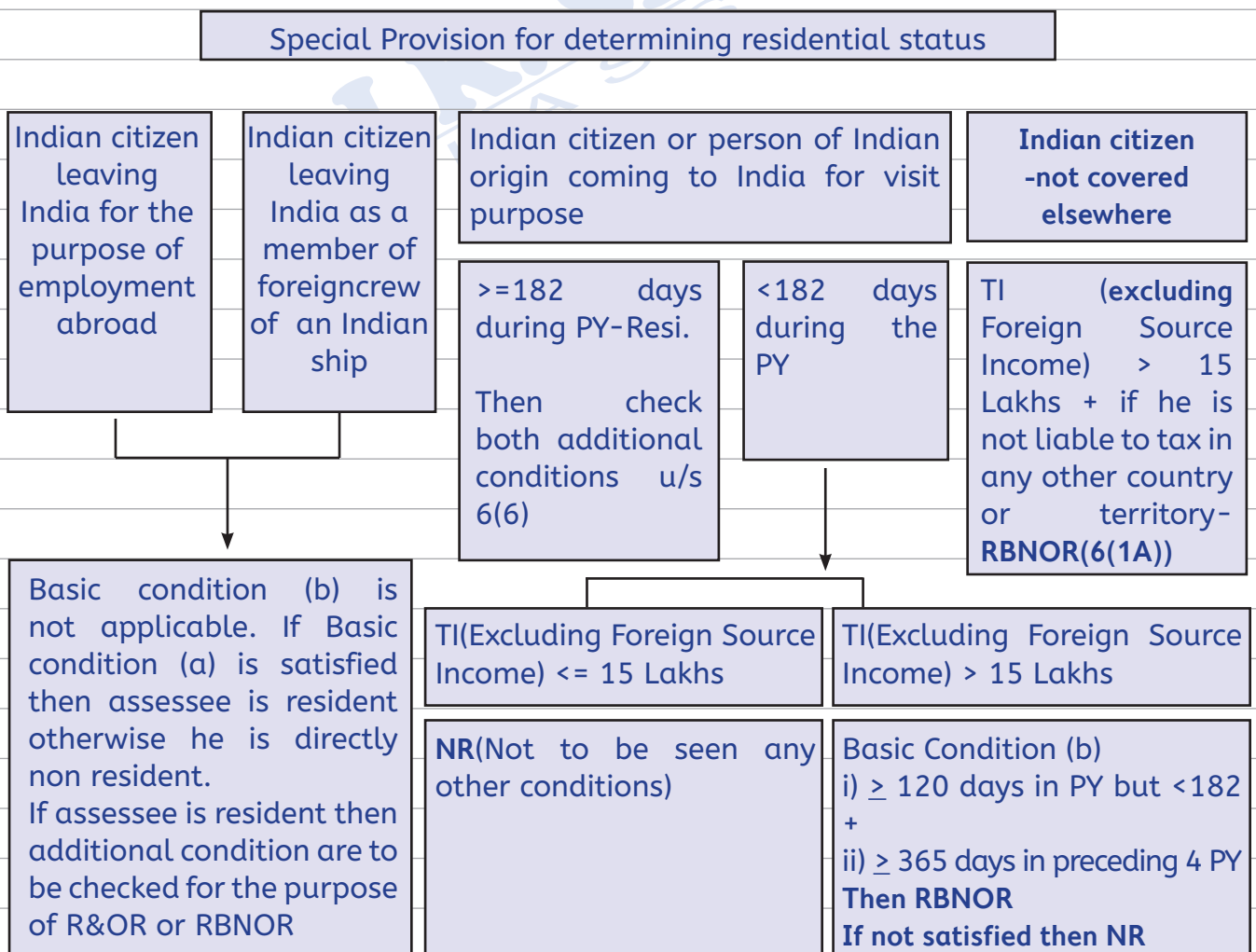
**W.N-2 : Section 6(6) : Additional condition:**

(1) He has been Resident of India for at least 2 yrs out of 10 yrs immediately preceding PY (as per W.N.1)

**AND**

(2) He has been in India for at least 730 days during 7 years Imm. Preceding 7 years.

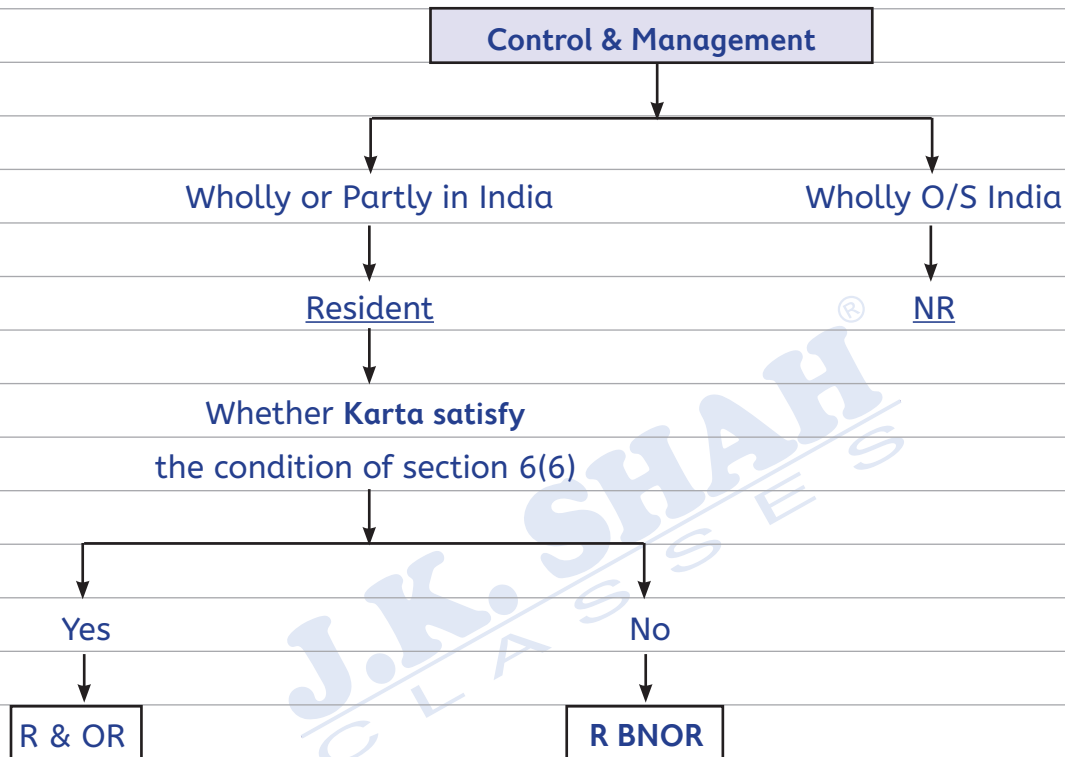
**(A) Exception to General rules:**



For crew member → Rule 126: presence in India=365/366-days as per CDC (Continues discharge certificate)

Kerala HC- Employment includes self employment

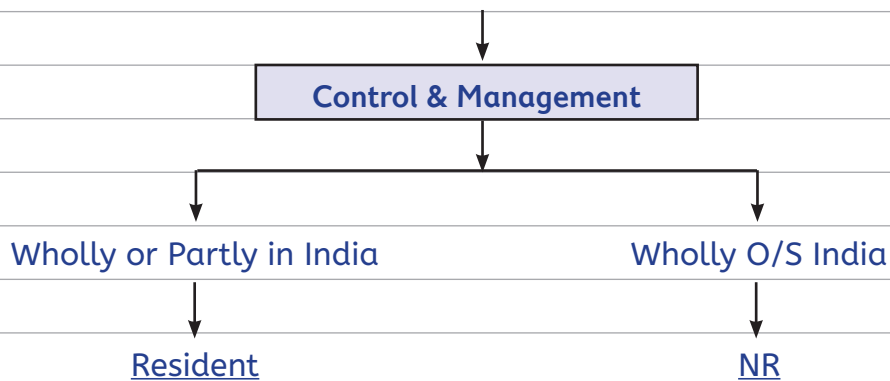
❖ **Section 6(2) : Resi. Status of HUF:**



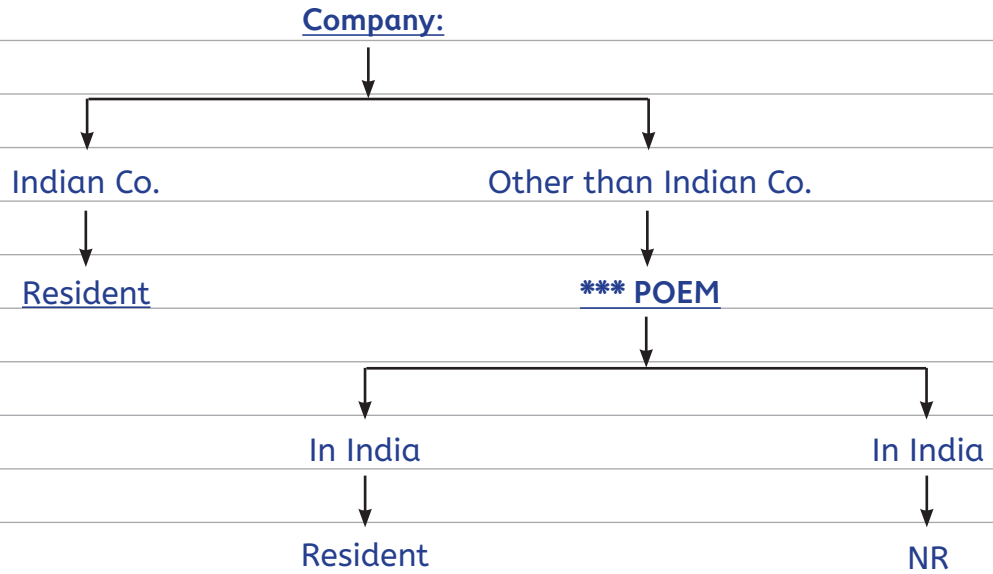
(Note: Karta can be NR but Still HUF can be R & OR or RBNOR)

❖ **Section 6(2) :**

Firm & AOP ,BOI,AJP:



❖ **Section 6(3) :**



[\*\*\* POEM → Place of effective management → CBDT circular (In Final)]

**Scope of Income**

❖ **Section : 5 : Scope of income**

Particulars	Tax incidence in case of		
	R & OR (Global income taxable)	RBNOR	NR
1. Income received in India whether or not accrued in India (e.g. salary o/s India credited in Indian bank account)	Yes	Yes	Yes
2. Income deemed to be received in India (e.g TDS, section 7)	Yes	Yes	Yes
3. Income accruing or arising in India whether or not received in India (Accrue Where contract/invoice is made)	Yes	Yes	Yes
4. Income deemed to accrue or arise in India (Sec. 9)	Yes	Yes	Yes
5. Income received & accrued outside India from the business controlled in or Profession setup in India	Yes	Yes	No

6.	Income received accrued o/s India from B/P controlled o/s India	Yes	No	No
7.	Any income (other than B/P received accrued o/s India (e.g. Div. of foreign co.)	Yes	No	No
8.	Income earned in earlier yrs brought in India	No	No	No

❖ **Section 9 : Income Deemed to accrue or arise in India (Taxable to all)**

**(A) Business connection :**

i) Income deemed to accrue or arise in India

Example – appointing agent

**(B) Any Income from house property in India, asset in India, Capital gain from capital asset which is belonging to India, Dividend paid by Indian Company to any person.**

**(C) Income from salaries → if services are rendered in India.**

**(D) Income from salaries paid by GOI for services rendered O/s India**

**(E) Interest :**

- Interest on money borrowed “ Deemed to accrue or arise in India” if

1. Interest paid by GOI-Taxable for all

2. Interest paid by Resident person and he has used borrowed money for **any purpose in India**-Interest Taxable to lender

3. Interest paid by NR and he has used borrowed money for **business/profession in India**(Not for other purpose)-Then only taxable to lender.

**(F) Royalty & Technical fees:**

- Royalty/technical fees “ Deemed to accrue or arise in India” if

1. Paid by GOI-Taxable for all

2. Paid by Resident person and he has used services for any purpose in India- Taxable to income recipient

3. Paid by NR and he has used services for any purpose in India- Taxable to income recipient

(G) Any gift in cash received which is made by resident person to a person outside India shall be deemed to accrue or arise in India.

Exceptions mentioned in section 56(2)(x) shall apply-IFOS.

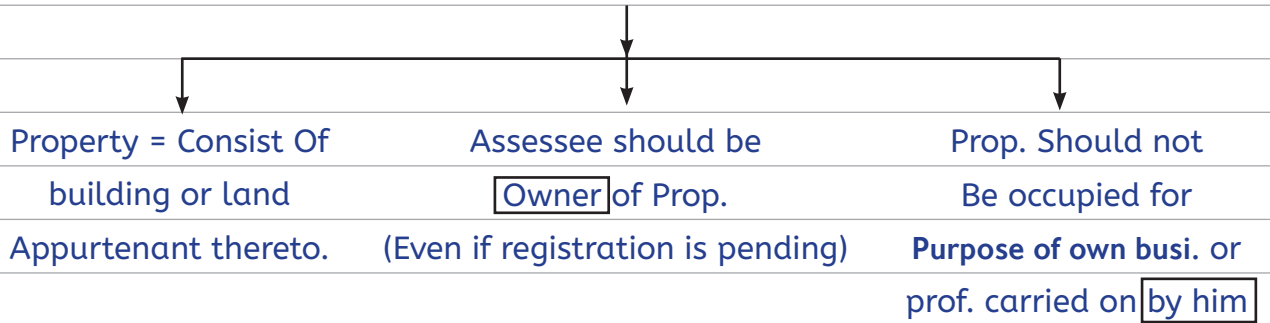
→ Then sum → **Illustration 8(SM)**

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**3**

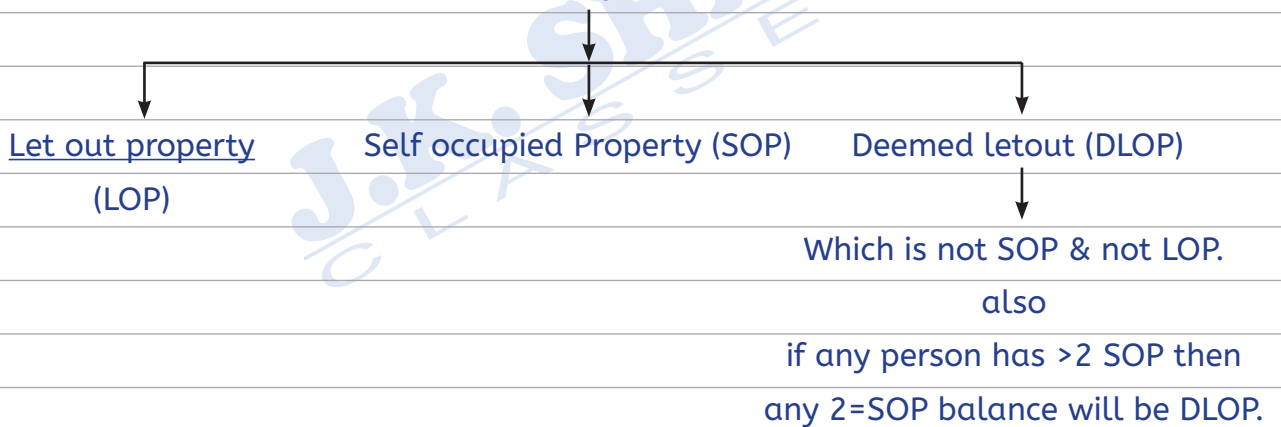
**INCOME FROM HOUSE PROPERTY**

❖ **Section – 22 : Basic of charge :**



Note: For a constructor if renting property is main business then PGBP otherwise HP.

→ **Three types of H.P.**



**Format of structure**

Gross Annual Value(GAV)

(-) Municipal tax paid by owner during PY

**Net Annual Value(NAV)**

(-) Deduction u/s 24

(a) 30% of NAV

(b) Int. On Borrowed capital

**Income from house property**

❖ **Section 23 : Determination of Gross Annual Value:**

First for LOP

- ⇒ Step - 1: Municipal value or Fair Rent W.e. **Higher**
- ⇒ Step - 2: Step-1 or Standard Rent W.e. **Lower**
- ⇒ Step - 3: Step-2 or Actual Rent W.e. **Higher**  
(Expected Rent) (Receivable)  
(Due basis)

**Case -1 : When unrealized Rent is given**

- ⇒ When any not realized Rent can be termed as “Unrealized Rent” → **Rule 4** of I.T.Rules 1962.
  1. Tenant has vacated premise or steps taken to make him vacate.
  2. Legal proceeding started to recover the rent.
  3. Tenant is not in occupancy of any other property of same owner

⇒ First step & second as it is.

⇒ In third step

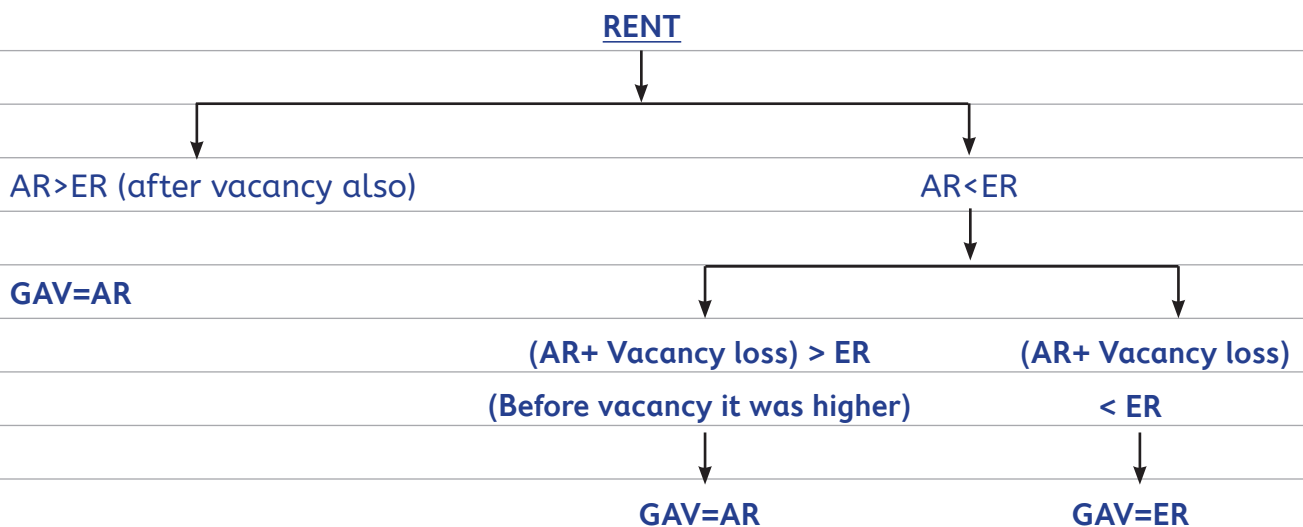
**Actual Rent = Annual Rent – U.R. Rent & then**

**w. e. higher = GAV.**

Note: Alternative View → UR Can be deducted from GAV also.

**Case -2: Loss due to vacancy**

⇒ **While finding GAV due to vacancy :**



e.g. Expected Rent = ₹ 1,00,000

Actual Rent = ₹ 80,000 (₹ 8,000 p.m. For 10 month)

GAV = ER because ER = 1,00,000 & (AR + Vacancy loss) = 96000 Still ER is higher. So GAV=ER

It instead ₹9000 is actual rent...then for 10 months it will be 90000  
(AR + Vacancy loss) = 108,000 but ER=100000. So, GAV=AR=90000

❖ **GAV for SOP = NIL**

⇒ For deemed LOP [23(1)(a)] → GAV=ER

❖ **Municipal Tax :** (Property Tax, Sewerage Tax)(% of municipal Value)

⇒ From gross Annual Value Municipal Taxes paid to local authority is deducted if **Paid** by **owner** in current year.

❖ **Section 24:**

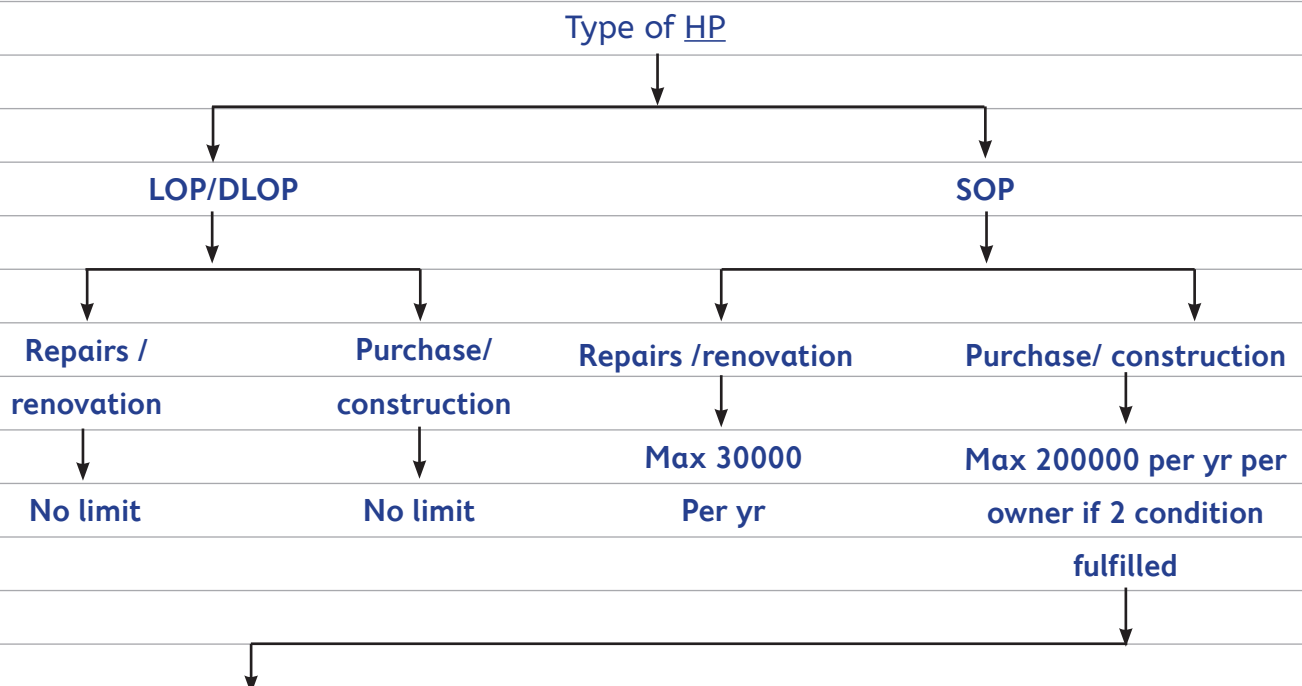
i) 24(a) : deduction of 30% of NAV from NAV

❖ **Section 24:**

i) 24(a) : deduction of 30% of NAV from NAV

- Standard deduction & no other expense other than 24(b) is allowed as deduction.

ii) 24(b) : Interest on borrowed capital





**For purchase/construction-SOP:**

If loan is taken:

on or after 1.4.99 &

purchase/construction is completed within 5 years from end of year in which loan taken

then deduction limit will be **Rs.200000 per year per owner.**

**If conditions not satisfied then max deduction 30000 per year per owner.**

(IF loan taken before 1.4.99 then limit Rs.30000 **OR** when purchase/construction not completed within 5 years from end of yr of loan then also limit 30000)

**Remember: Maximum deduction per owner for any loan combinly is Rs.200000 for SOP (Limit is per owner not per house)**

Notes: Interest is allowed as ded" on accrual basis

- : Interest deduction starts from beginning of yr in which prop purchased or construction completed.
- : Interest on unpaid int is not ded" (i.e. Penalty int = No Ded")
- : Interest on fresh loan taken to repay original loan raised is allowed
- : Brokerage / commission for arranging a loan = No ded"
- : No deduction in 24(b) for SOP if 115BAC followed.

❖ **Section 25**: if interest paid abroad without TDS → No deduction

**Pre-construction interest:**

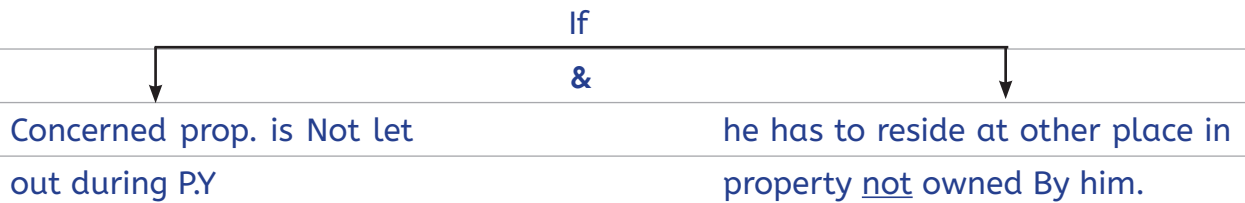
**E.G,** The loan is taken on 1.4.12 but construction is completed on 1/4/17. So, the interest deduction will start from P.Y.17-18 (i.e. the year of purchase/construction completion). However, assessee must have paid some interest from 1/4/12 to 31/3/17. This total interest is called as pre acquisition interest.

Pre-construction Interest is deductible in 5 equal installments starting from P.Y. in which construction or acquisition (for purchase) is completed.

❖ **Special Cases**

- 1) **When property not occupied during whole P.Y. due to employment, busi / prof. carried on at some other places.**

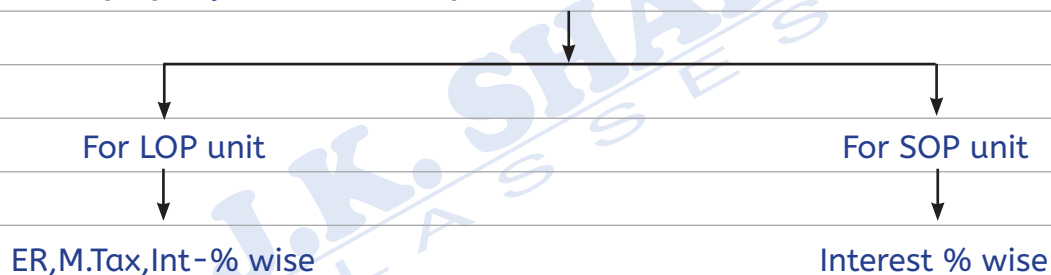
It will be considered as self-occupied property



2) When property is let out for some period & self-occupied for remaining period during P.Y.

- Here consider as if let out for whole year (So,ER for full year, deduct municipal tax.No limit in int also). But actual rent will be taken for months for which rent is actually received.(Do not consider vacant for the period for which it was SOP)

3) House property consist of 2 independent units of which one let out, other self occupied.



4) When assessee owns more than two resi. HP & all are reserved for self occupation. Deemed let out at option of assessee so here, calc. considering any 2 as SOP& other as LOP, then reverse case & find out where lower income is Taxed, that option will be selected.

e.g.A=Mr,A has three property..A,B,C.Now will assume

A & B=SOP and C=DLOP

B & C=SOP and A=DLOP

A & C=SOP and B=DLOP

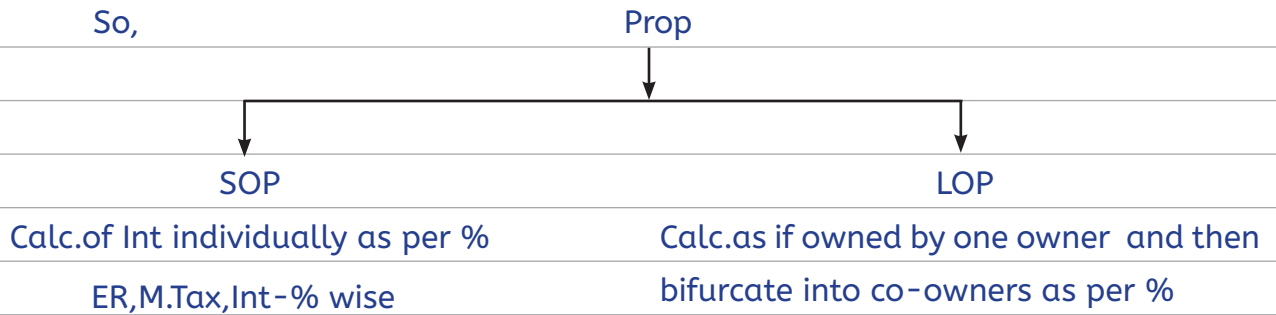
And the income from HP w. e. lower will be final option

5) When house property is owned by more than one owner.

**Section 26:** where property owned by 2 or more persons and shares are definite & ascertainable then it has to be calculated as if owned by one owner & then divide income between co-owner as per % define

[Interest limit u/s 24(b) is per assessee & not per house]

So,



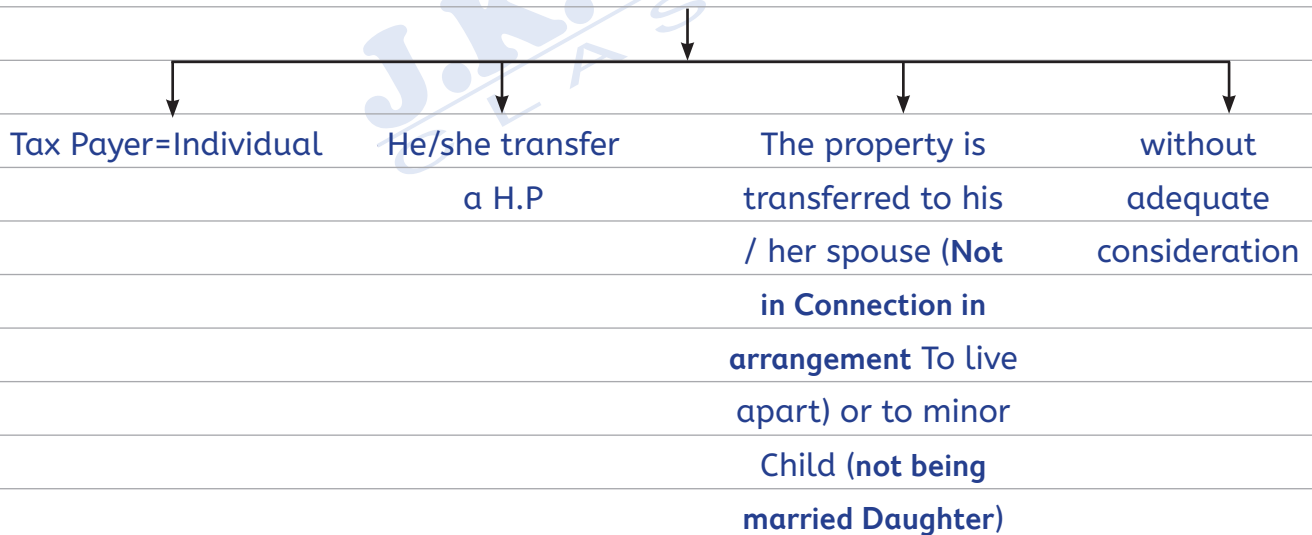
**Q-5 (SM) exercise**

❖ **Section 25 A :** Provision for arrears of rent & unrealised rent received subsequently

- Both are taxable on receipt basis.
- Std. deduction 30% is allowed.
- Even though in year of receipt Assessee is not owner, than also “IFHP”.
- Section 27 : Deemed owner : (Ref. Sec-22)

**1) Transfer to spouse or minor child:**

If following conditions met then transferor of property = deemed owner



# 4

## SALARY

❖ **Basic of charge [Sec – 15]**

- (1) Due or receipt basis whichever is earlier
- (2) Bonus → Receipt basis
- (3) Any arrears of salary taxable in year in which allowed to pay in P.Y. by any employer [Arrears → increase in salary from back date][ Relief u/s 89]

❖ **How to compute salary :**

Particulars	₹	₹
1. Basic salary		✓✓
2. Advance salary (Sec-15)		✓✓
3. Arrears of salary [Sec-15]		✓✓
4. Bonus (Receipt basis)		✓✓
5. Commission (Fixed,% of NP,% of turnover)		✓✓
6. Allowances (W.N. 1)	✓✓	
Less : Exemptions	(✓✓)	✓✓
7. Retirement benefits (W.N. 2)	✓✓	
Less : Exemptions	(✓✓)	✓✓
8. Perquisite [17(2)] (W.N.3)		✓✓
9. Gross Salary		✓✓
Less : Deduction [Sec-16] (W.N.4)		(✓✓)
<b>Net Salary</b>		✓✓

**W.N.1: Allowances**

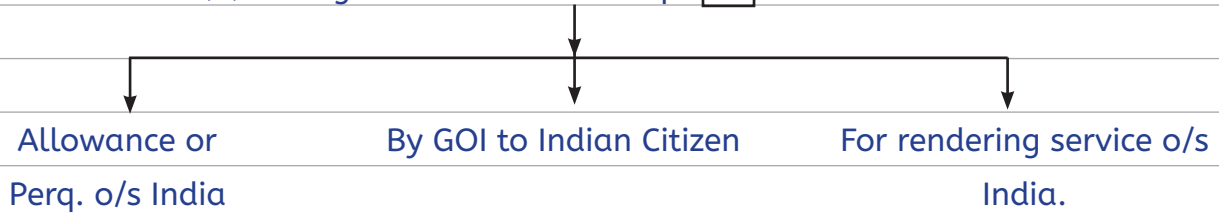
Allowance → amount given for expense (Monetary) on monthly basis as fixed amount.

perq → non-monetary- direct benefit or reimbursement of exps.

- (1) **Dearness allowance:** It is the allowance given for mitigating gap due to inflation. D.A. is fully taxable whether or not it is forming part of retirement benefit (Forming part of employment)

(2) Foreign Allowances :

Sec-10(7): Foreign Allowance is exempt if



(3) House Rent Allowance [10(13A)]:

Lowest of the following is exempt

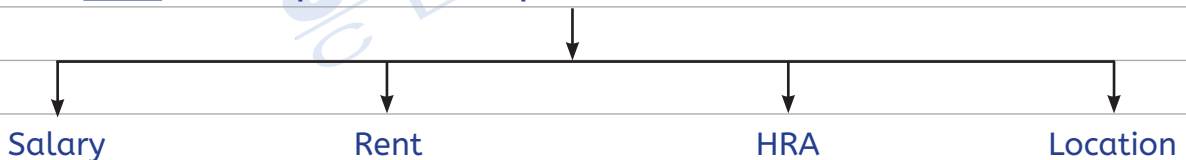
- 1) Actual HRA Received or
- 2) 50% salary (Metro cities) → [DKBC-Delhi, Kolkata, Bombay, Chennai] or 40% of salary (Other Cities) or
- 3) Rent paid (-) 10% of salary.

→ **Points:** No exemption if 115BAC followed.

: Salary = Basic + DA (% in terms of retirement Purpose) + commission [% of T/o]

Here advanced salary not considered

→ **Note:** Exemption of HRA depends on



So, advisable to calc. monthly if there are any changes in any of the above factor.

**Note :** if no rent paid then No exemption.

(4) Special Allowances [Sec 10(14)(i) + Rule 2BB]:

Exemption = Allowance or Amount Spent w.e. Lower

C = Conveyance Allowance (Journey b/w office to client place)

U = Uniform Allowance (Purchase or maintenance)

T = Tour, Travel, Transfer Allowance (For Transfer of Place of Job.)

H = Helper Allowance (To meet official duly)

A = Academic Pursuit Allowance

D = Daily Allowance

No exemption if 115BAC followed except CTD-Conveyance, travelling, daily allowance.

**(5) Allowances → exemption based on limit [10(14)(ii) + 2BB]**

Sr. No	Name of Allowance	Purpose	Exemption
1	Transport Allowance	Journey b/w office to home	Blind/ Handicap → ₹ 3200 p.m Other → Fully Taxable
2	Children Education Allowance	-	₹ 100 p.m per child max. for 2 children
3	Hostel Expense Allowance	-	₹ 300 p.m per child max. for 2 children
4	Special Tribal/ Schedule area Allowance	-	₹ 200 p.m

No exemption if 115BAC followed except transport allowance.

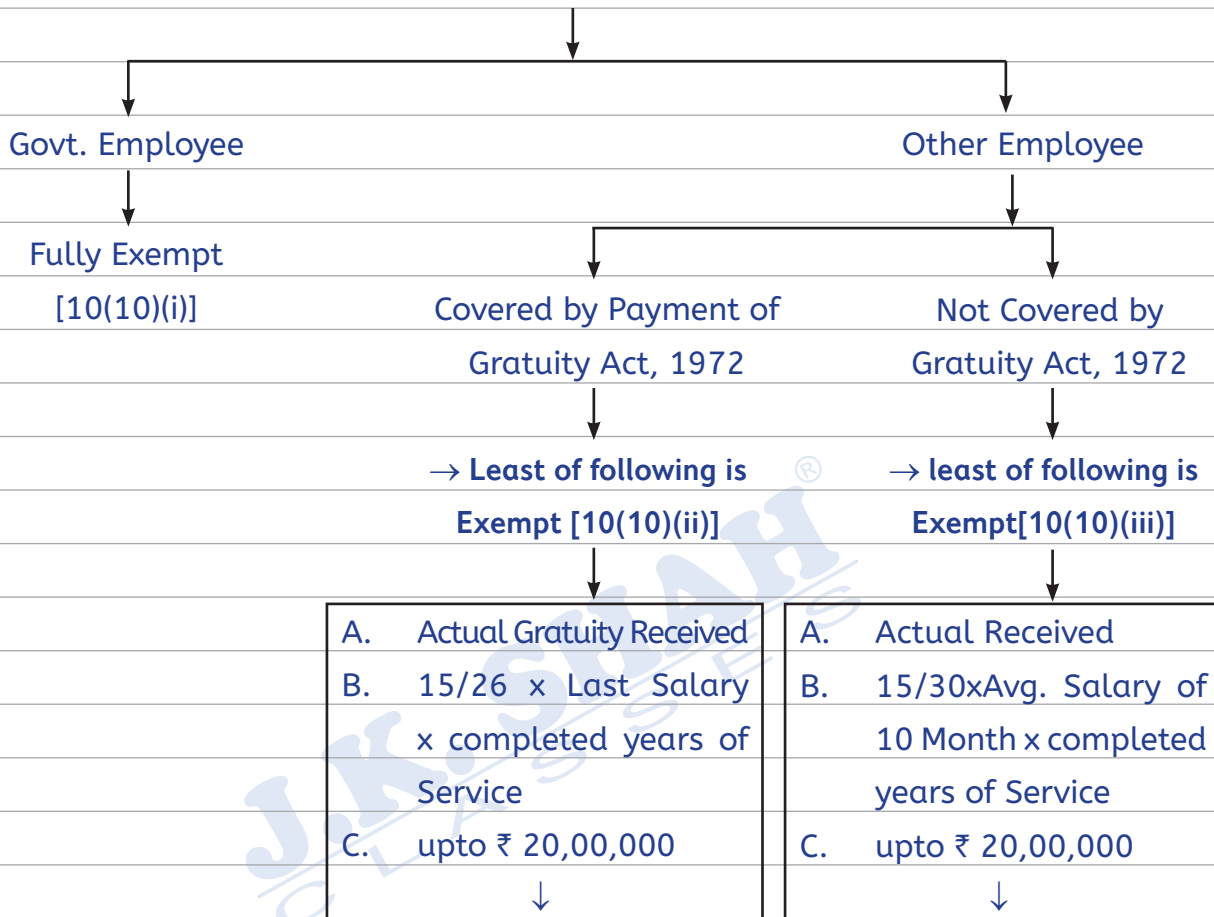
**(6) Fully Taxable Allowances**

- City compensatory allowance (for high cost)
- Entertainment allowance (Ded' u/s 16)
- Transport allowance (Other than disable)
- Telephone allowance
- Medical allowance
- Tiffin allowance/Food allowance
- Project allowance
- Dearness allowance [D.A]

**W.N.-2 Retirement Benefit**

(1) **Gratuity [ Exempted u/s 10(10)]**(Voluntary payment for appreciation of service)

→ Exemption only after service received



- 1) Salary = Basic + DA(ALL)
- 2) If no. of month >6 month → full year

- 1) Salary = Basic + DA(forming part)+ Commission(%)
- 2) Any fraction of year → ignore

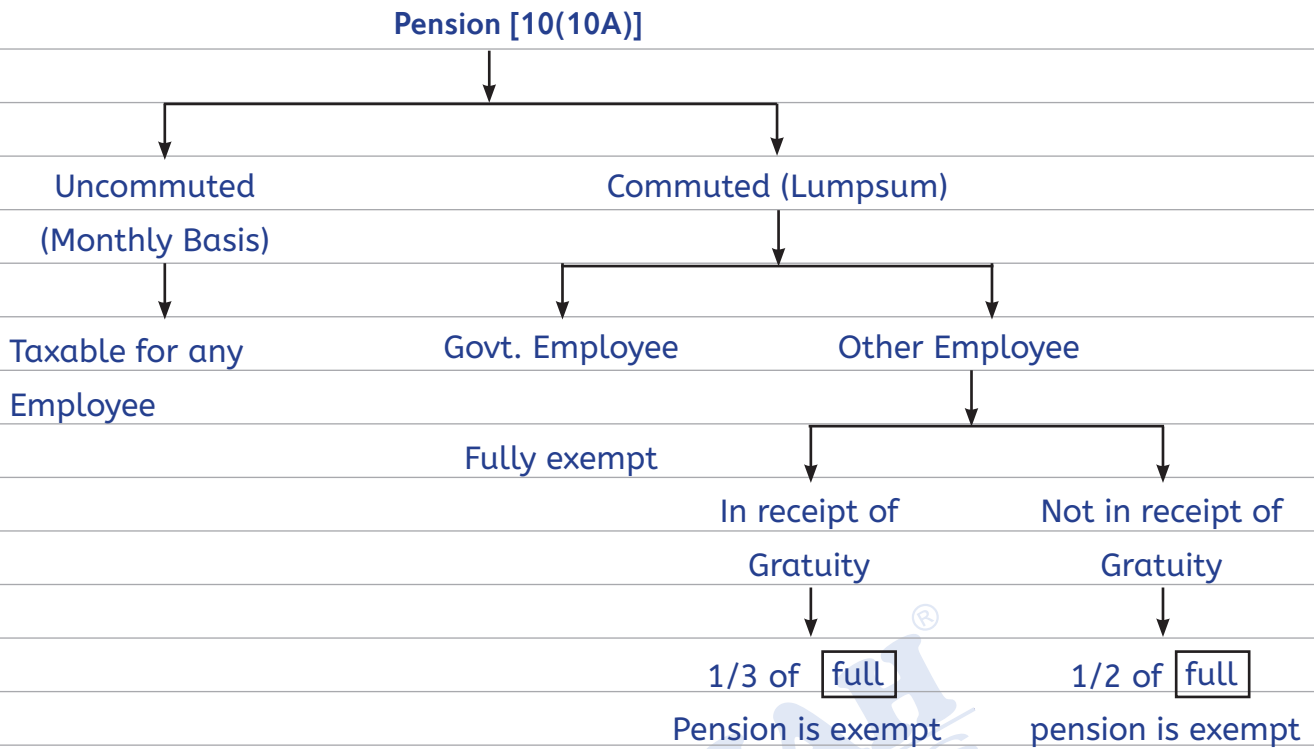
Covered by Act  
 24 yrs 5 months = 24 yrs  
 24 yrs 6 months = 24 yrs  
 24 yrs 7 months = 25 yrs

Not Covered by Act  
 24 yrs 5 months = 24 yrs  
 24 yrs 6 months = 24 yrs  
 24 yrs 8 months = 24 yrs

**Note :**

- (i) Gratuity Received during employment → Fully Taxable
- (ii) Gratuity exemption from any employer together cannot exceed ₹ 20L

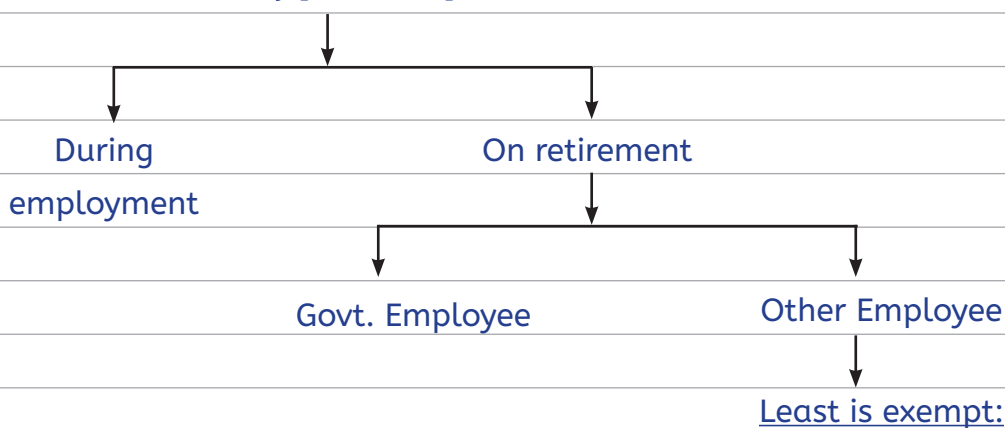
(2) Pension :



$$\text{Full pension} = \frac{\text{Commuted pension} \times 100}{\% \text{ of commutation}}$$

(Note → after commuted pension, uncommuted will be reduced by that %)

(3) Leave Salary [10(10AA)]



- (a) Actual A/m received
- (b) Total salary of last 10 month  
(i.e. avg salary \* 10 months)
- (c) Cash equivalent of leave (note-1)
- (d) Max. upto ₹ 3,00,000

[Salary = Basic + DA (In part) + Commission (%)]



**Note-1 Cash equivalent:**

o As per Income Tax Act leave can't exceed 30 days for every completed year of service.

o Steps for calc. of cash equivalent:

It is nothing but balance leaves as per I.Tax Act in terms of months.

- 1) Find out duration of service in yrs (ignore fraction)
- 2) Find out Gross Earned leave (but 1 yr = Max 30 days)
- 3) Reduce leave availed during e'ment
- 4) Balance is earned leave as per I.T ÷ 30 days. (Unavailed leave as per IT Act in mnths)
- 5) Step-4 \* Average salary of last 10 month.

**(4) Provident fund :**

	Stat. Prov. Fund (SPF) (10(11)) For Govt. e'yees (SPF Act, 1925)	Reco. PF (RPF) other e'yees (EPF Act, 1952)	Unreco PF (URPF)
1- E'yer contri.	Exempt	Exempt upto 12% of salary (cross ref. sec-7)	Not taxable yearly
2- Int. credited to P.F	Exempt	Exempt upto int rate =9.5% p.a (sec-7)	Not taxable yearly
3- Ded' u/s 80C e' y e e contri	Available	Available	Not Available
4- On Maturity	Exempt	Exempt in some case (Note-1) [10(12)]	Taxable (Note-2)

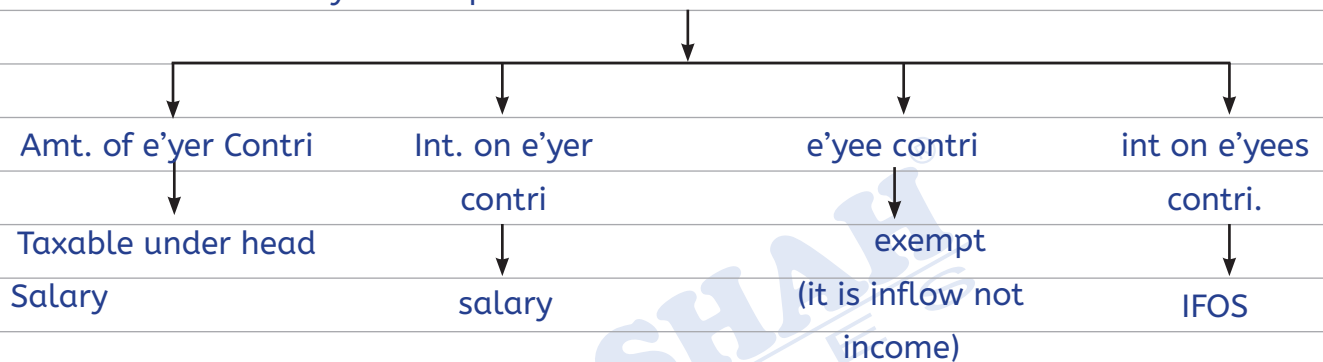
→ Salary = Basic + DA (%) + commission (%)

**Note:-1** RPF p'ment exempt only if e'yeer has discharged continuous service of 5 years.

1) Mr. X → serves A ltd for 5 yrs

- 2) Mr. X → serves A ltd for 3 yrs  
&  
B ltd for 2 yrs the also exemption available if a/m is transferred to RPF (A ltd) to RPF (B ltd)
- 3) Not able to complete 5 yrs because of unavoidable circumstances.
- 4) Means RPF maturity is exempt in all cases except <5 yrs due to avoidable circumstances.
- 5) If balance of RPF transferred to NPS account then also exempt.

**Note:-2** Taxability for lump sum under URPF



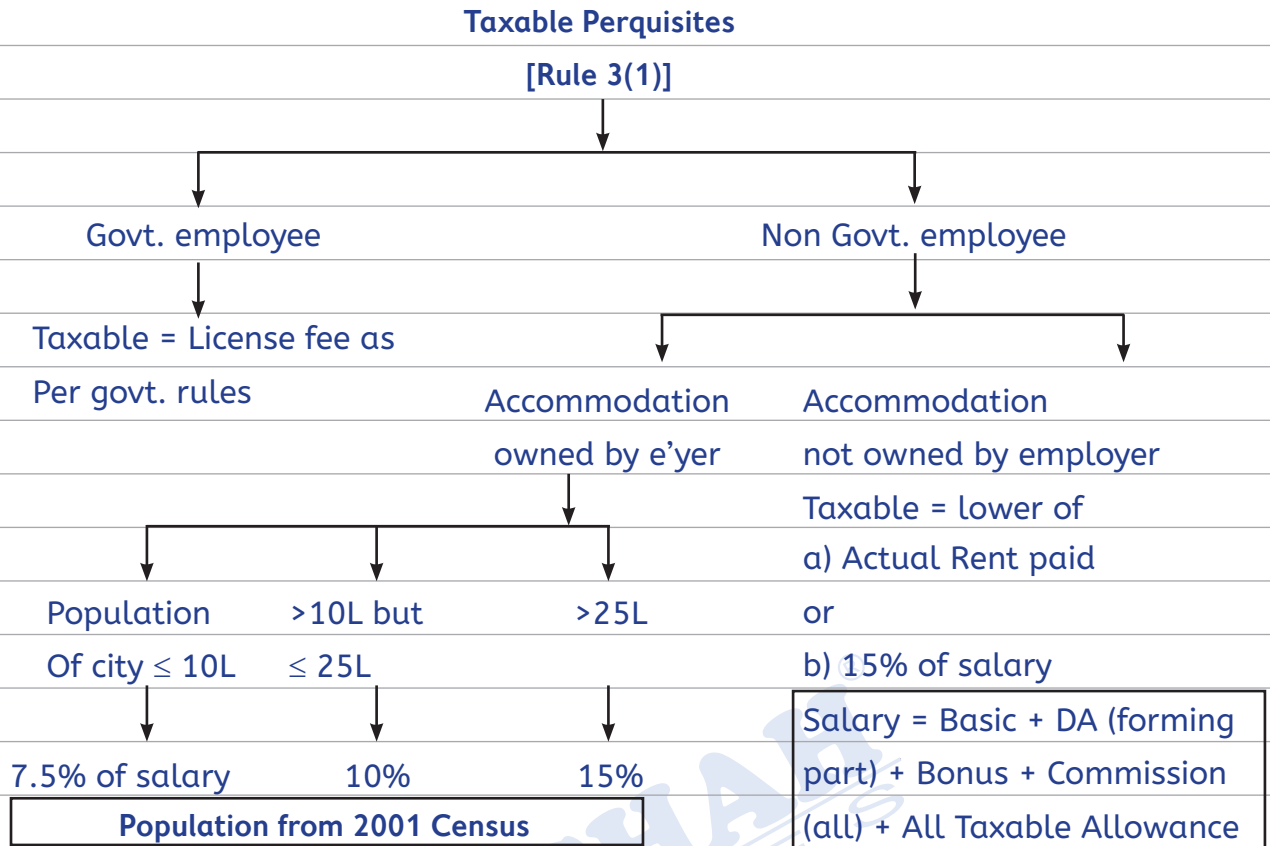
[Illustration -6 ,7,8]

**Note:** W.e.from P.Y.20-21, employer's contribution to RPF, superannuation fund and NPS together if exceeding 750000 in a year then excess is taxable and interest on such excess is also taxable.(Means now max exemption=Total Exemption or 750000 w.e.lower)

How to determine interest on this excess??---Students are requested to see Inter CA Nov 2021 video on JKSC Youtube channel.

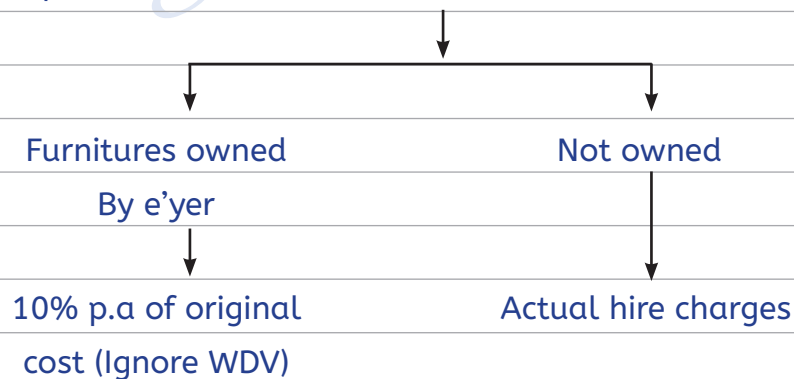
**W. N. -3 Perquisites**

- (1) Value of Rent free Unfurnished accommodation:  
[House, Flat, Farm House, Hotel, Motel, Guest House]  
(if provided to Judge of HC or SC not taxable)



**(2) Value of Rent-free furnished Accommodation:**

- ⇒ When accommodation is not hotel
- Step-1 : find out value as if unfurnished
- Step-2 : Add value of furniture → Rule 3(7)



Furniture includes Radio, TV, Fridge, AC.

**General Notes :** Value to be calculated for period of occupation of house.(Month wise)

(3) Value of accommodation Provided at concessional rent:

(I.e. Some amount is charged from e'yee)

Step-1: find value as per 1 & 2

Step-2: Deduct rent recovered from e'yee

[If amount positive → then Taxable]

(4) Value of perq. In respect of free domestic servants.

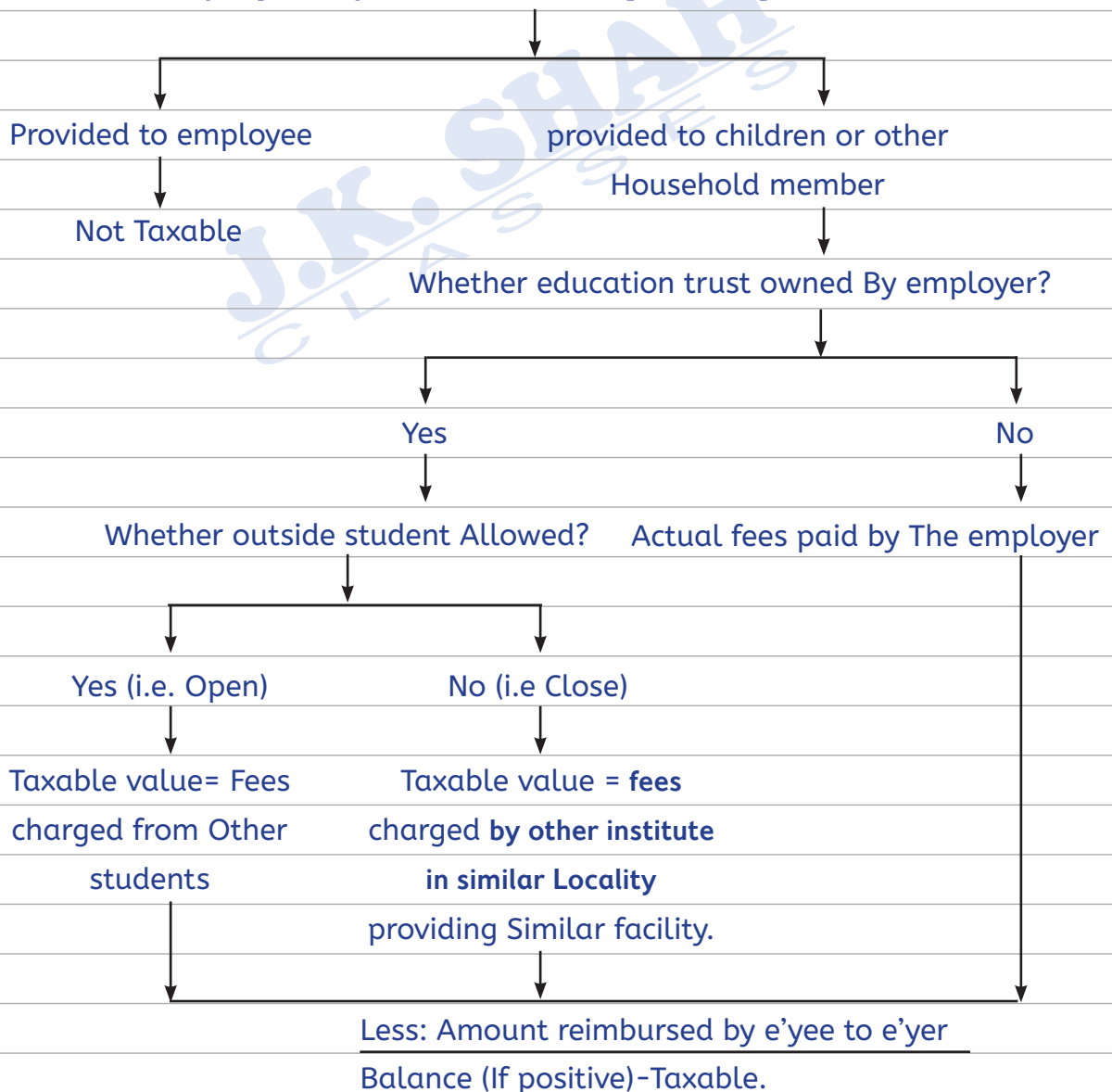
(Sweeper, Gardener, Watchman, Personal attendant, etc)

Rule 3(3)

taxable = Actual cost to employer

(-) Recovery from employee

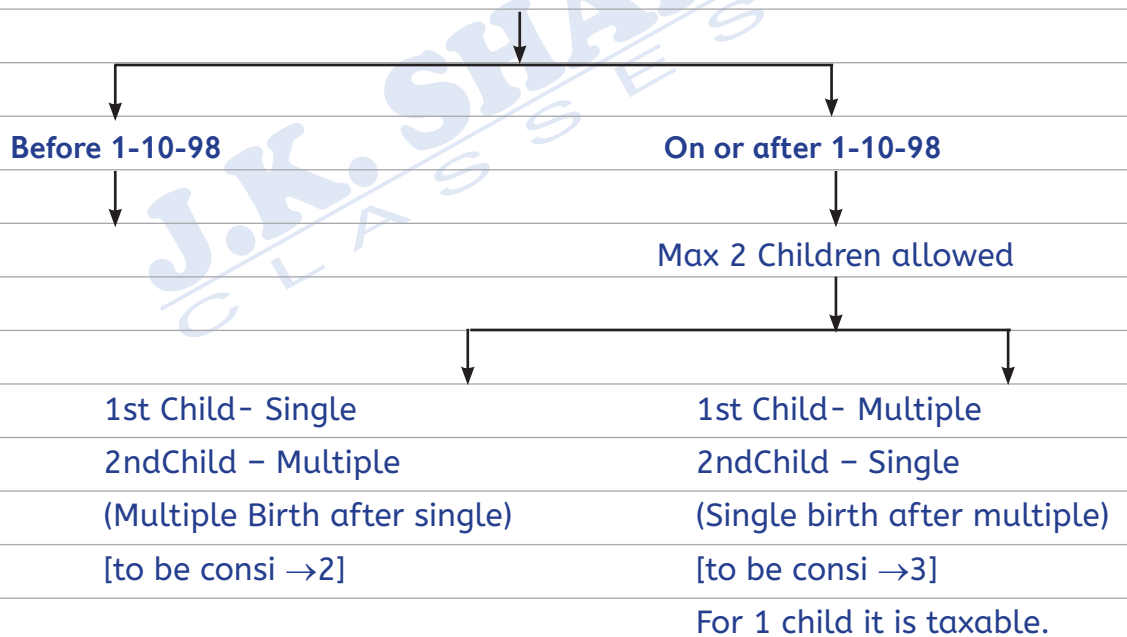
(5) Valuation of perq. In respect of free institute [ Rule 3(5)]



- ⇒ **Note** : If educational inst. is owned by e'yer then whether open & close if facility is provided to children then not taxable if upto ₹ 1000 p.m. per children. (No limit on children)...So if exceeding 1000 p.m no exemption(Alternatively we can also take value above 1000 p.m. only taxable)
- ⇒ (Not for other member & not in case not owned by e'yer)
- Note: If tie-up with school then also deemed owned by employer**

**(6) Leave Travel concession [Section 10(5)]**

- ⇒ Exemption of LTC can be availed twice in a block of 4 calendar years (from 1986 → Rules 2B) Current Block = 2018-2021 and 2022-2025
- ⇒ LTC exemption can be availed for Travel anywhere in India (Not O/s India)
- ⇒ Exemption for Travellers who is e'yee + Family.
  - Family = Spouse, children (Dependent or Not), Parents, Brother, Sister (Dependent).(Do not Include → Grand Parents, in Laws)
- ⇒ Children if Date of Birth



⇒ **Monetary Limits :**

Journey by	Max exemption upto
Air	Economy class fare
Railway	AC 1st Class fare
Recognized public transport	Executive class fare
Any other mode	AC 1st class fare as if travel done by railway

⇒ Carry over concession :

Concession can be carried forward if assessee has not availed travel concession during block to next block. **But it should be claimed in 1st calendar year of next block [only 1 carryover].**

⇒ Exemption is only for fare not for other expense.

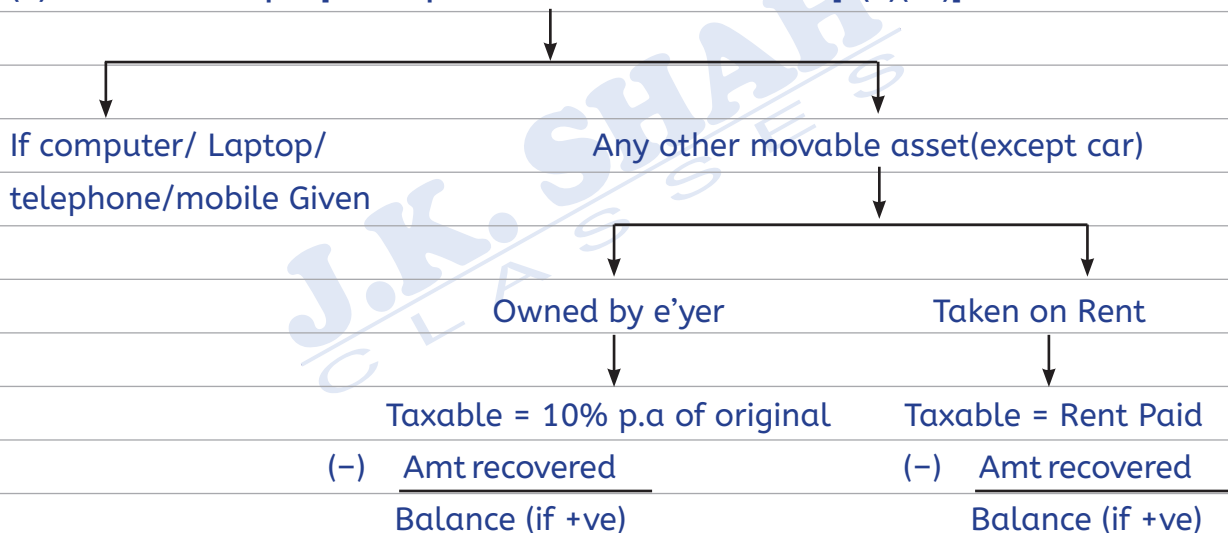
**(7) Valuation of perq. For interest free loan or loan at concessional rate of interest. [To e'ye or Family member](Rule 3(7)(i))**

**Perquisites= Interest @ market rate- Interest charged by employer**

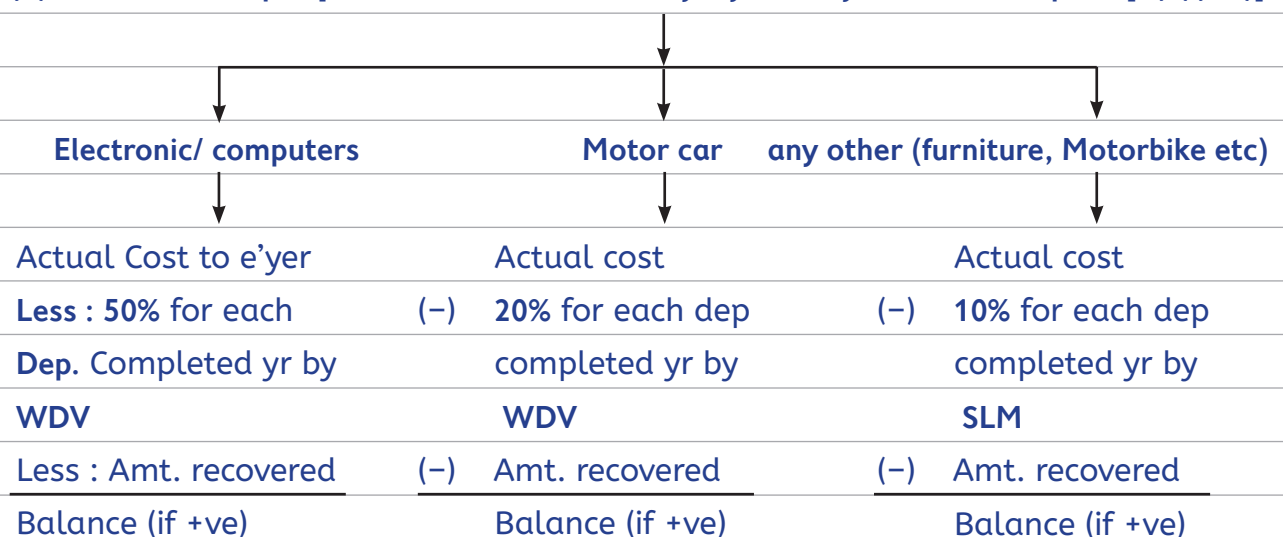
If repayment is monthly then calculate perq monthly.

⇒ **Market rate= Find out rate of interest charged by SBI as on first day of P.Y. for same purpose.**

**(8) Valuation of perq. In respect of use of movable asset [3(7)(vii)]**



**(9) Valuation of perq. For sale movable asset by e'yer to e'ye of nominal price [3(7)(viii)]**



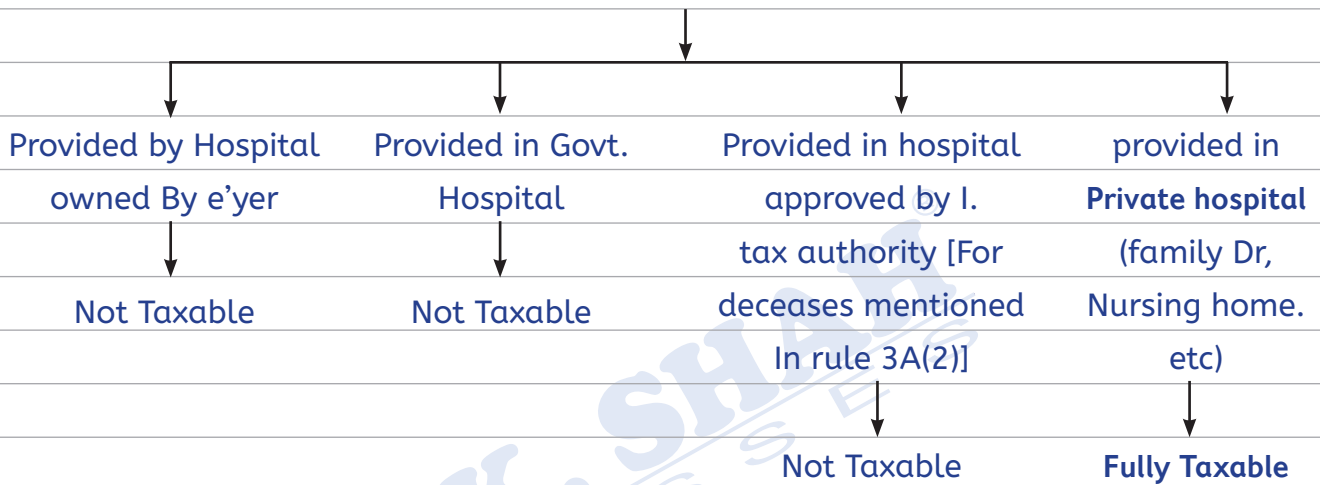
(in year → ignore fractions-only completed year to be taken)

**(10) Valuation of medical facilities : [Proviso to 17(2)]**

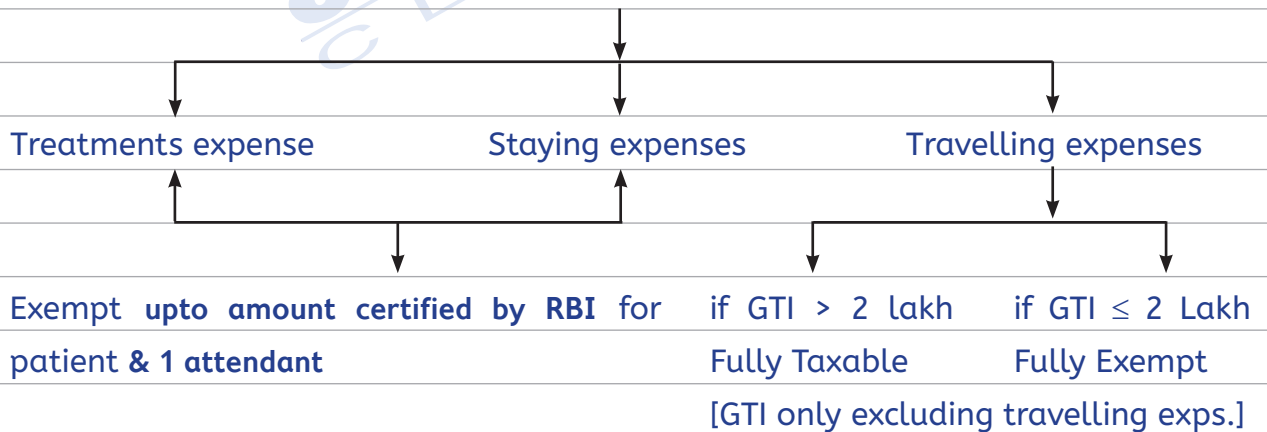
Exemption only for himself or family → [spouse, children (dep. Or not), parents, brother, sister(Dep)] does not include Grand Parents inlaws.

So any exps paid by employer for a person who is not Family-Always taxable

**Medical facilities in India-For himself/family**



**Medical facilities O/s India-For himself/family**



**Note:** if e'yer pays medical ins. Premium of e'ye or family then it is not perq. → Clause (iii) of 1st proviso to section 17(2) .

**But life ins prem paid by employer is fully taxable.**

(11) Valuation of perquisite in respect of Motor car [3(2)]

⇒ Car is owned by employee:

Situation	Exps. Met by e'yee	Exps. Met by e'yer
Office purpose	Not Taxable	No benefit = not Taxable
Private Purpose	Not Taxable	Cost to e'yer (Running & maintainance+ Driver Salary) (-) Amt. recovered <hr/> Bal. (+ ve) → Taxable.
Partly office / Partly Private	Not Taxable	Cost to e'yer (-) Used for office purpose (W.N -1) (-) Amt. recovered <hr/> Bal. (+ ve) → Taxable.

**W.N -1 : How much amt. used for office purpose :**

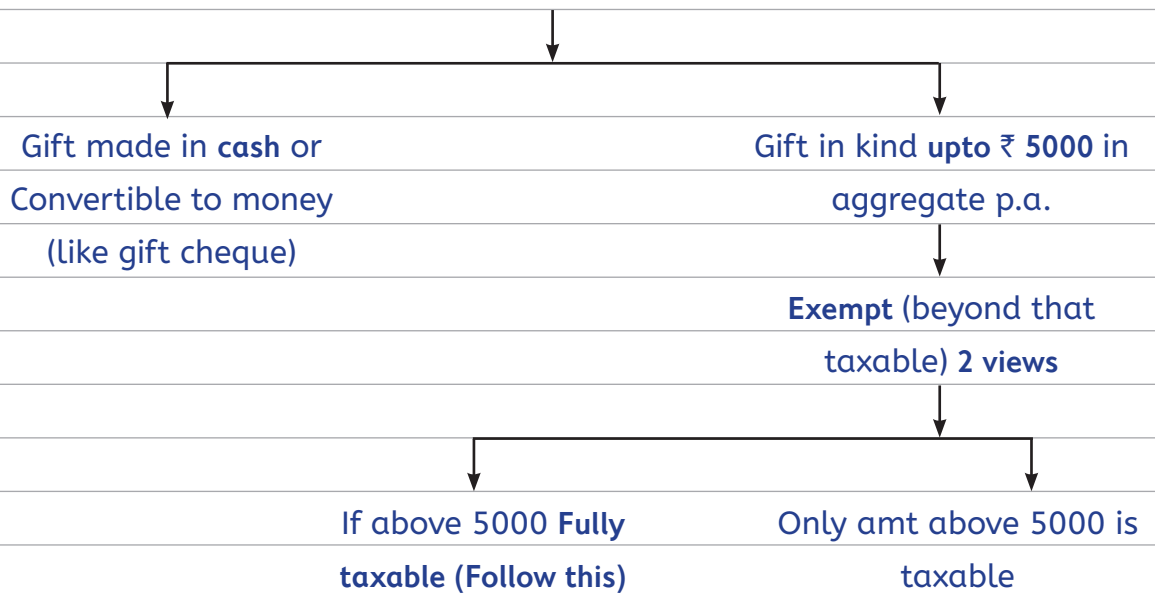
Car engine	≤ 1600 c.c (1.6litre)	= ₹ 1800 p.m.
	> 1600 c.c (1.6 litre)	= ₹ 2400 p.m.
+ Driver salary (if provided)		= ₹ 900 p.m.

⇒ Car is owned by employer:

Situation	Exps. Met by e'yee	Exps. Met by e'yer
Office purpose	Not Taxable	Not Taxable
Private Purpose	Cost to e'yer [10% of Dep. SLM/ Hire charges] (-) Recovered from e'yee <hr/> Bal. (+ ve) → Taxable. [here running cost → by e'yee]	Cost to e'yer [10% Dep./Hire] + Running main. exps + Driver Salary (if provided) (-) Amt. recovered <hr/> Bal. (+ ve) → Taxable.
Partly office / Partly Private	Value of Taxable Perqs. CC → ≤ 1600 cc → ₹ 600 p.m CC → > 1600 cc → ₹ 900 p.m	Value of Taxable Perqs. → ≤ 1600 cc → ₹ 1800 p.m → > 1600 cc → ₹ 2400 p.m + Driver salary → ₹ 900 p.m (if provided)



**(12) Value of perquisite of gift, voucher, token [Rule 3(7)(iv)]**



**(13) Value of specified security or sweat equity share for purpose of sec-17(2)**

Perq. Taxable Value = FMV on date of exercising option

(-) Cost (any) recovered from e'yee

Bal. if +ve Taxable.

**Note-1 :** At time of sale of such shares cost of acq. will be such FMV[sec-49(2AA)]

**(14) Valuation of perq. For any other purpose not specified elsewhere**

Find out exp by employer

(-) exp. On use for official purpose

(-) Amt. recovered from e'yee

Bal. (+ ve) → Taxable

**W. N. 4 : Deduction (Sec 16)**

**1) Standard deduction [16(ia)]**

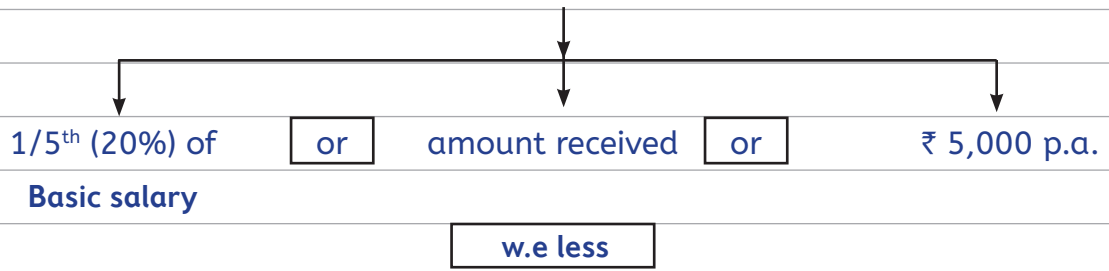
Gross Amt. of salary or ₹ 50,000 w.e. less (For all salary together in the P.Y.)

**2) Entertainment allowance: [16(ii)]**

Step-1 First add to salary for all employee.

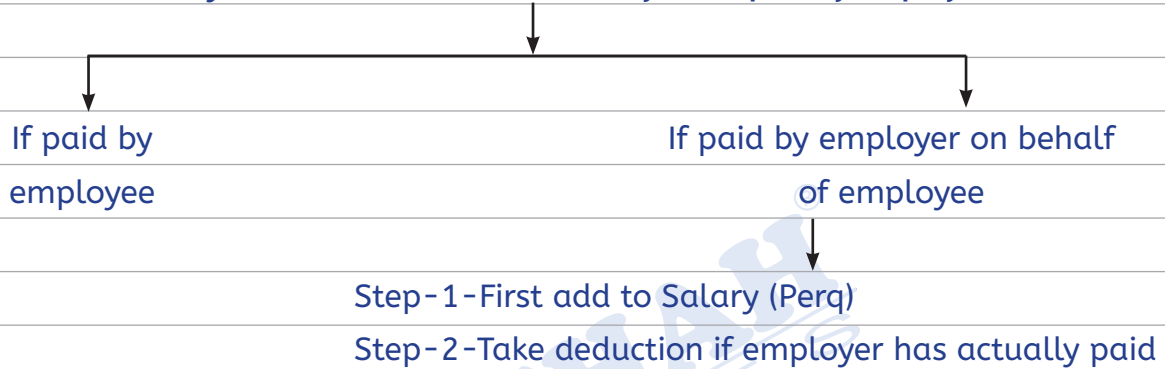
Step-2 Then deduction  for  e'yee





**3) Professional Tax or Tax on employment [16(iii)]**

→ Levied by state Govt. → Deduction only when paid by employee in P.Y.



**No deduction in section 16 if followed 115BAC**

SM (Q-5)(exer)

**5**

**PROFIT & GAIN FROM  
BUSINESS OR PROFESSION**

**Section 145: Taxability as per method of accounting followed by assessee.**

❖ **Section 28 : Basis of charge:**

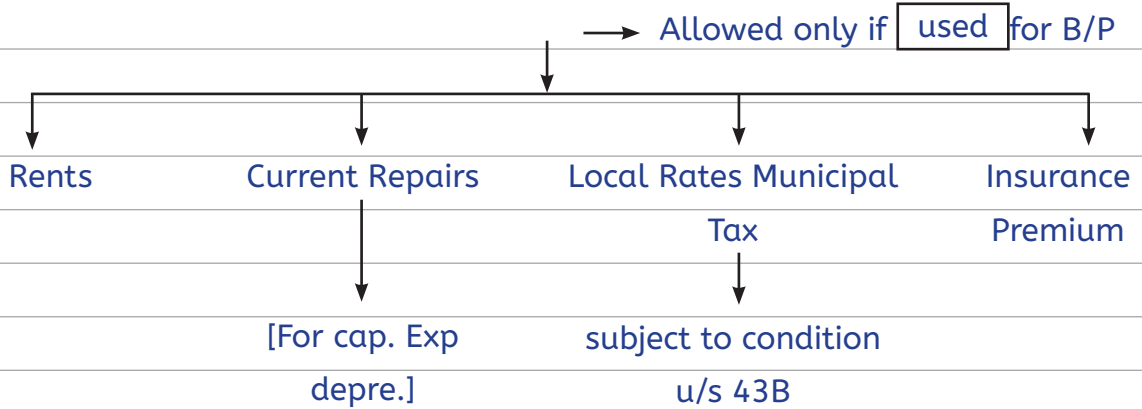
1. Profit & Gains of B/P, carried on at any time during year.
2. Value of any benefit or perquisite arising from business.  
[E.g. car received by dealer as gift]
3. **Partnership –** Remuneration ,Interest **Partner**  
Bonus, commission, Salary, Etc
4. Fair market value of inventory on conversion in capital asset.

**Format for calculation PGBP income :**

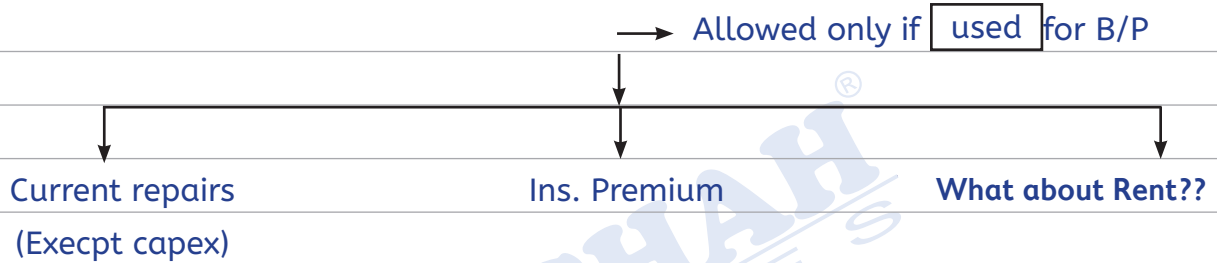
	Net Profit as per P & L	✓✓
Add :	Exps debited to P & L A/c but not allowed as deduction	✓✓
Add :	Income not credited to P & L but taxable	✓✓
Less :	Exps not debited to P & L but allowed	(✓✓)
Less :	Income credited to P & L but charged in other heads or exempt	(✓✓)
	<b>PGBP</b>	✓✓

**1. Section 29: Manner of computation of income under head PGBP :**

**2. Section 30 : Rent, Repairs, Rates, Taxes, & Insurance of Building(3RTI)**



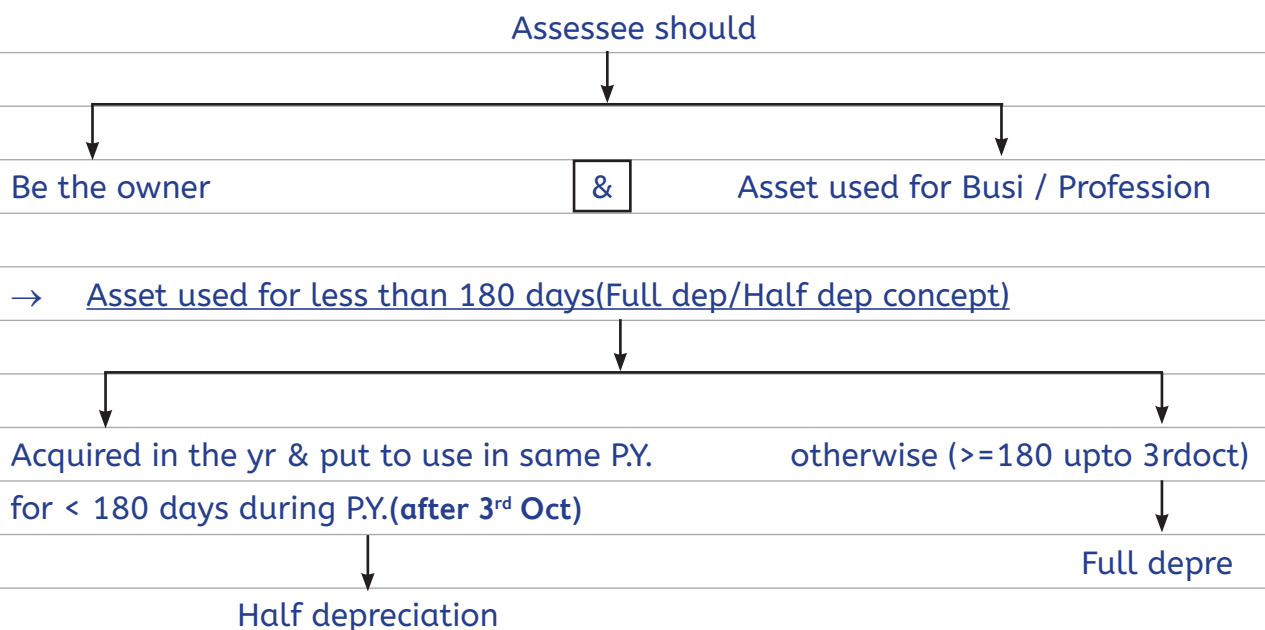
**3. Section 31 : Repairs & Insurance of machinery plant furniture**



**4. Section 32 : Depreciation**

Dep. in BOA → Disallowed  
 Dep. As per IT act → Allowed

- Ded' is to be claimed compulsorily [Explanation 5]
- Conditions to be satisfied for depreciation.



**“Block of asset” system & WDV method:**

Meaning: Group of asset falling within class of asset in respect of which same rate of dep. shall be charged under WDV method as per rules.

⇒ **WDV method [Section 43(6)]**

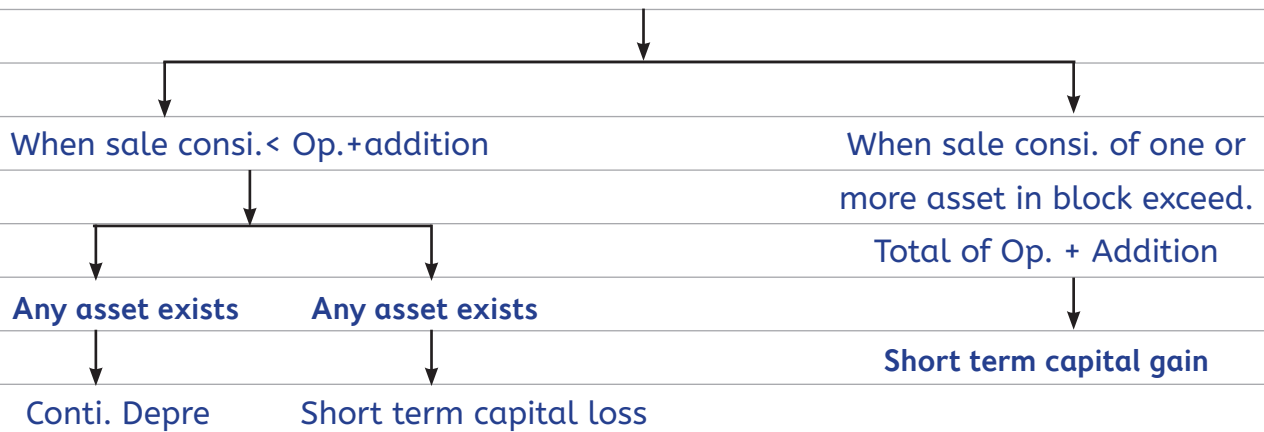
Written down value is determined as under

	Particulars	₹
	Depreciated value of block as on 1-4-21	✓✓
Add :	Actual cost of asset acquired during P.Y.	✓✓
Less :	Monies received or receivable for asset sold, demolished, destroyed incl. any scarp value	(✓✓)
(A)	WDV for P.Y. 21-22	✓✓
Less :	Depreciation actually allowed [ A × %]	(✓✓)
	Depreciated value of block as on 1-4-22	✓✓

**For rate of depreciations:**

Building	→ Building used for residential purpose [except hotels ]	5%
	→ Building → office, Factory, Go down, Hotel	10%
Furniture	Furniture-fitting	10%
P & M	→ Motor car [other than used on hire]	15%
	If acquired and put to use b/w 23.08.19 to 31.3.20	30%
	→ Motor bus, lorries, Motor car used as taxi	30%
	If acquired and put to use b/w 23.08.19 to 31.3.20	45%
	→ General P & M-Equipments	15%
	→ Other (Computer, Laptop, Books)	40%
I.T.Asset	Intangible asset	25%

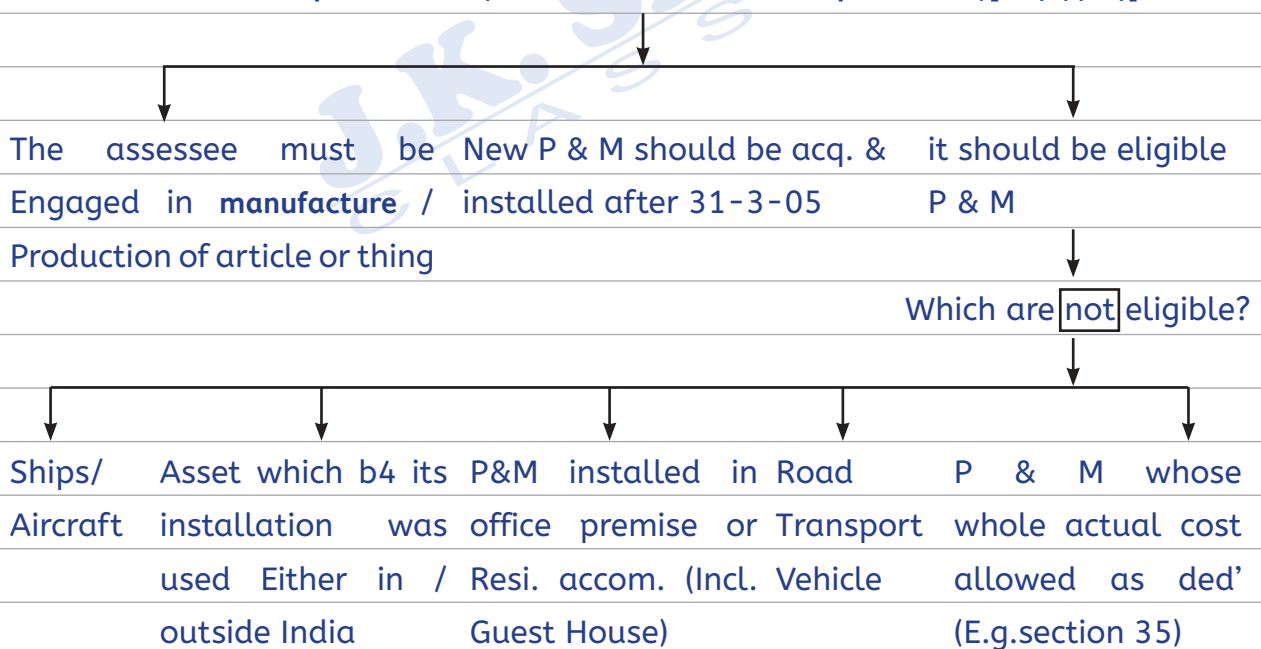
When WDV of “Block of asset” shall be reduced to NIL (Section 50)



e.g. Op. Bal (A, B, C)	10,00,000
+ Addition (D)	3,00,000
- Sold (A)	(15,00,000)

**Ans:** STCG Rs. 2,00,000

**Additional Depreciation : (Over & Above normal depreciation)[32(1)(iia)]**



**Rate of additional depre:**

20% of original asset cost (Only in 1st yr of purchase of such plant).

If asset is put to use for <180 days then in this year 10% and in subsequent year balance 10%.

→ However whole additional depre is to be deducted from WDV.

No additional depre can be claimed if 115BAC followed.

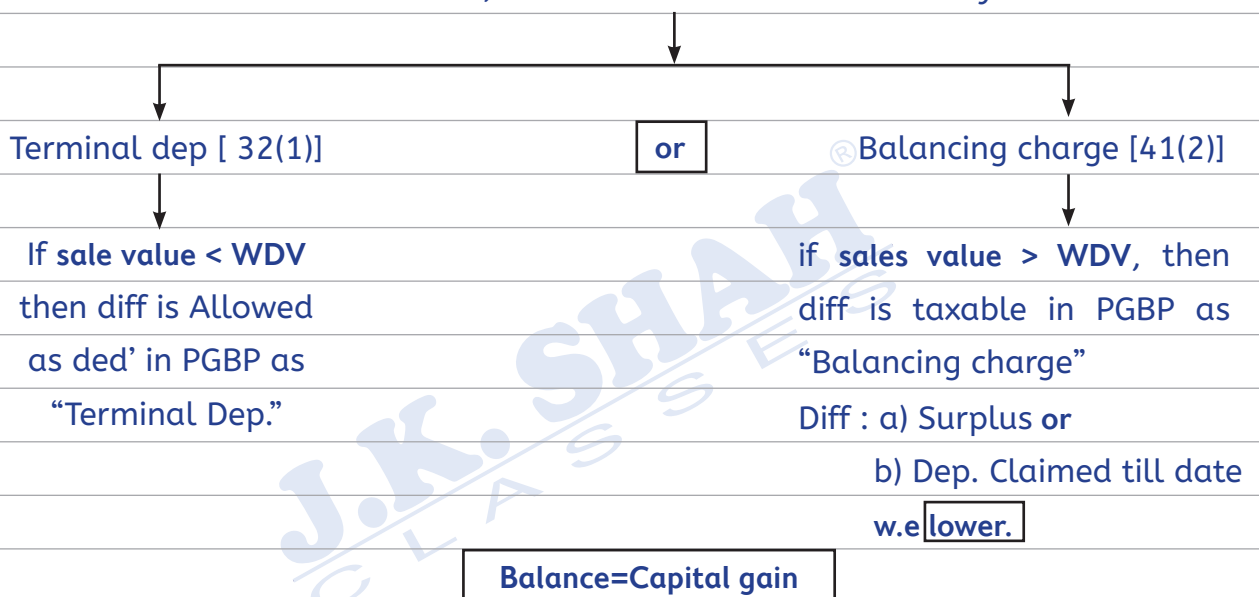
Special option available for assessee engaged in Business of generation & distri. Of power/ Electricity.

If SLM Followed no additional depreciation.

→ 180 Days rules applicable

→ if SLM → then no concept of block.

∴ Treatment when asset is sold, discarded demolished or destroyed.



**Actual Cost: [Sec – 43(1)]**

⇒ Actual cost=total cost born by assessee to purchase asset

⇒ **Proviso:** if exp on acq. of asset → P'ment to a single person in a single day is otherwise than by a/c payee cheque or a/c payee draft or ECS (or through any e mode) exceeds ₹10000 → then this will not form part of cost.

Other e-mode includes-credit card, debit card, net banking, IMPS, UPI, RTGS, NEFT, BHIM Aadhar pay

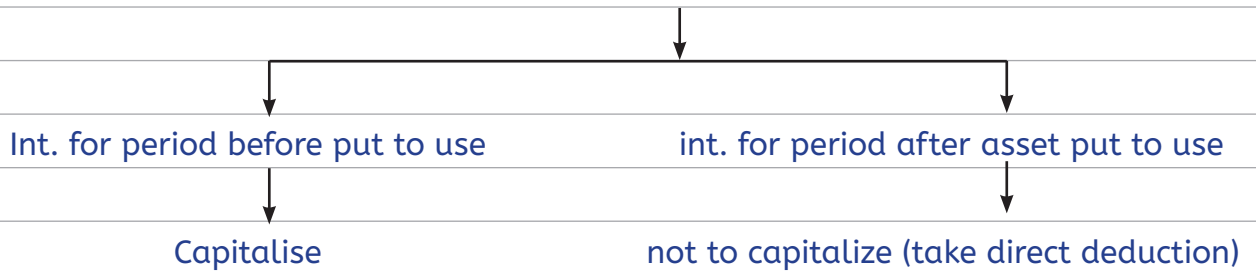
⇒ **Special Cases (Explanations)**

i) Building previously used for personal use and in this year brought to business:

Cost = original cost (-) Notional dep. from date of acquisition till starting of yr.

[so if any other pvt asset converted then actual cost = original cost]

ii) Capitalization of int. on loan paid / payable in connection with acquisition of asset.



iii) Amt of tax on purchase of asset (GST, custom) - - if credit(ITC) is claimed

If credit is claimed → that much amount not to be included in total cost.  
If ITC not taken—Then it will be added to actual cost.

#### Unabsorbed depreciation[Sec-32(2)]

- When there is no profit under this head or not sufficient to absorb whole dep.
- The Balance is called “ unabsorbed dep ”  
In any year ded’ order.

Current year Dep. → B/f Busi. Loss → unabsorbed depreciation

**Note :** No depre on asset which is fully allowed as deduction as capital exp.

(1) Section 35 : Expenditure on scientific research :

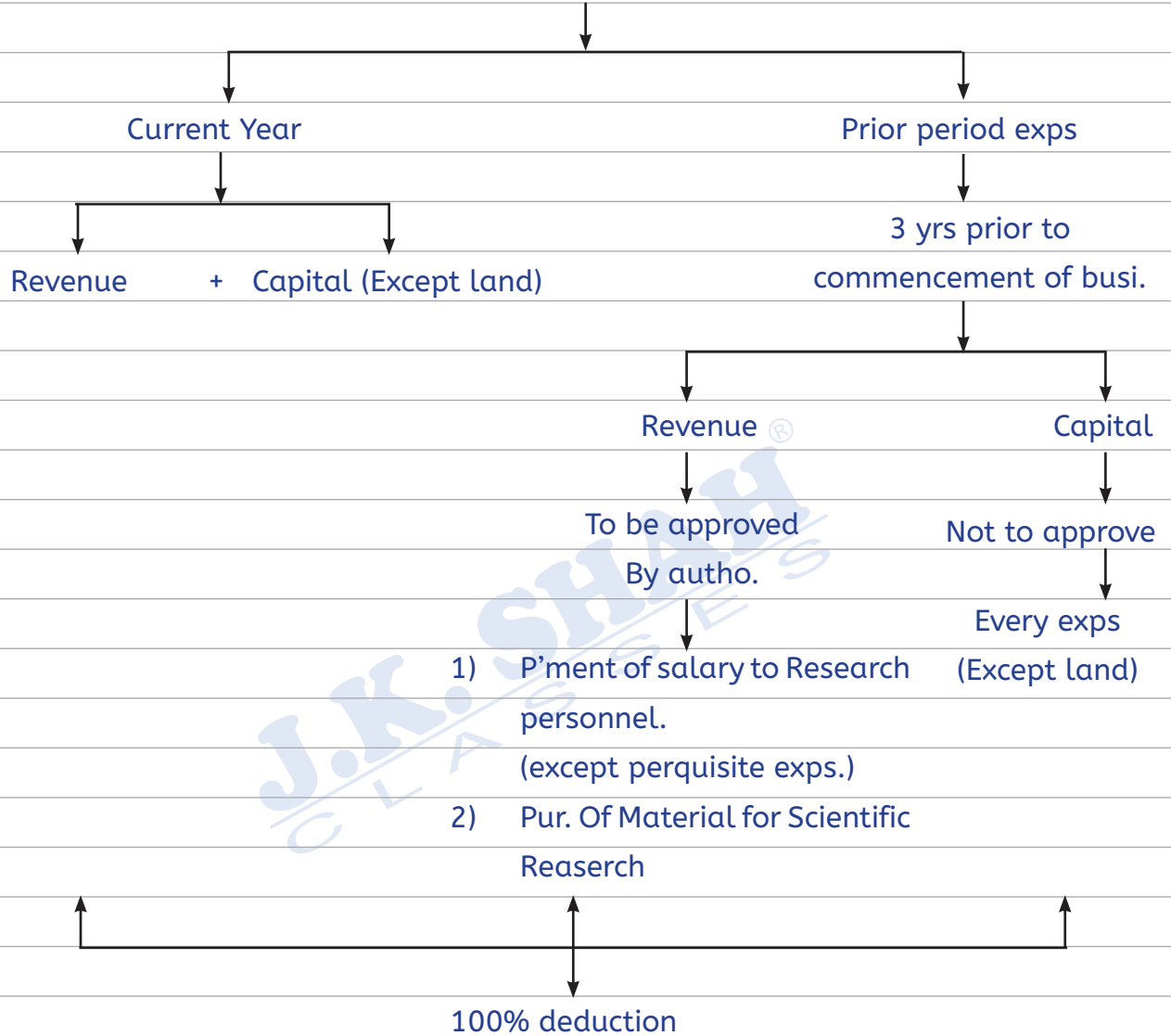


**(1) Inhouse Research :**

⇒ By any assessee [sec- 35(1)(i) + 35(2)+35(2AB)]

(Research should be for own business)

Following expenses are allowed as deduction

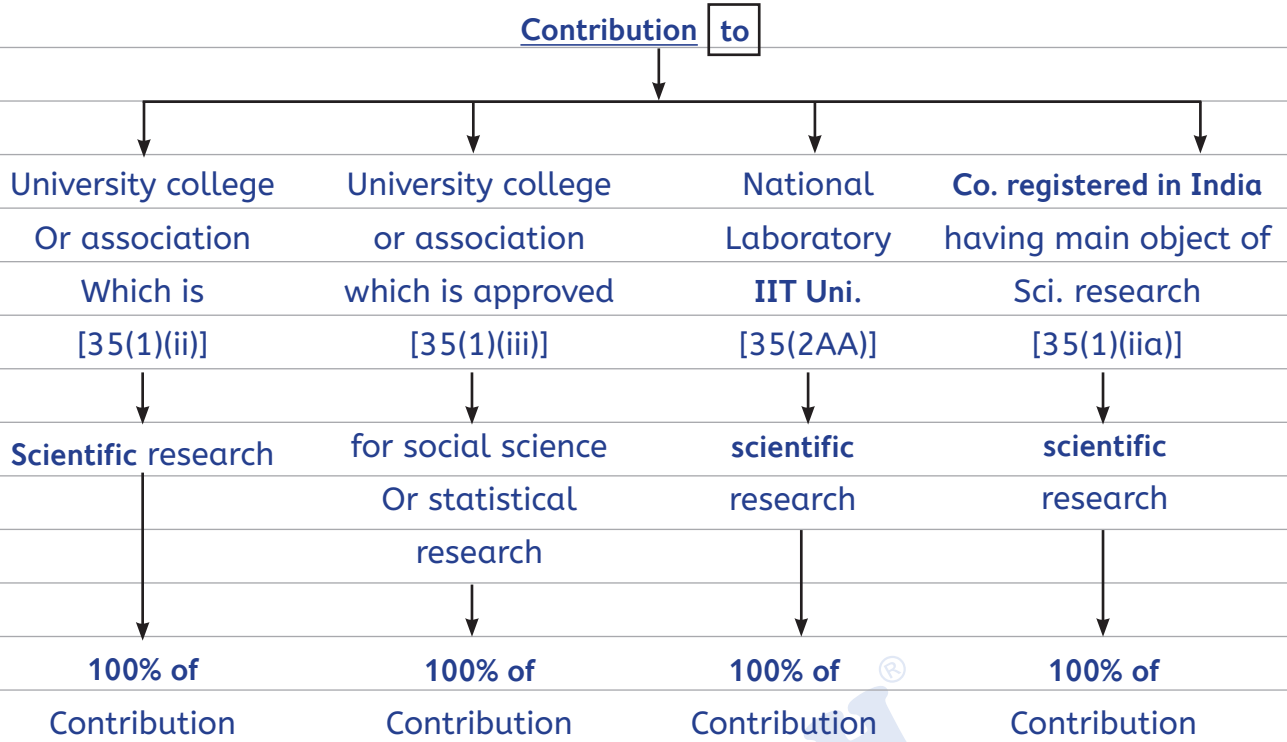


No depreciation on asset claimed as ded'

Here R & D facility should be approved by prescribed autho.

**(2) Contribution made to outsiders for scientific research / social research**

**(No deduction if 115BAC followed.)**



**Other Points:**

**41(3):** if ded' claimed for asset & subsequently sold.  
Then from

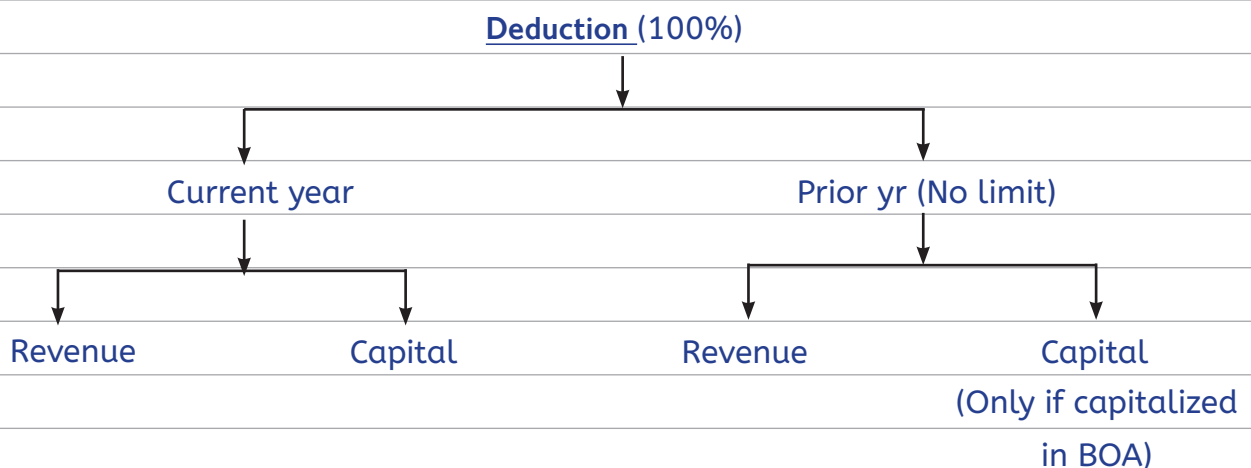


⇒ Unabsorbed amt of scientific research → same treatment as unabsorbed depreciation

↓  
**Refer Illu-5 (SM)**

5. Section 35AD : Deduction in respect of expenditure on specified business

	Nature of business	Commencement Date
1	Operating cold chain facility	1-4-09
2	Warehousing for agriculture produce	1-4-09
3	Warehousing for sugar	1-4-12
4	Affordable housing project	1-4-11
5	Production of fertilizer	1-4-11
6	Hospital (100+ beds)	1-4-10
7	Cross country pipeline for oil & Gas	1-4-07
8	Hotel (2 star + )	1-4-10
9	Slum re-development housing project	1-4-10
10	Inland container depot or container freight station	1-4-12
11	Bee keeping and production of honey & bees wax	1-4-12
12	Laying & operating a slurry pipeline for transportation of iron ore	1-4-14
13	Setting up & operating a semi conductor wafer fabrication manu. Unit	1-4-14
14	Busi in nature of developing, maintaining, operating infra facility	1-4-17



→ Expenses which are not allowed

Land, Goodwill,  
financial

Payment to a person in a day  
exceeding ₹ 10,000 otherwise Than  
by A/c payee, cheque,  
Draft, ECS or other e-mode.

**Other Points:**

- 1) Claim of 35AD is optional. So if any person is not claiming 35AD then they can claim other deduction like section 32.
- 2) No deduction if 115BAC claimed.
- 3) If any asset on which deduction u/s 35AD claimed → Sold, demolished, destroyed, then amt received = PGBP Income [Sec. 28]
- 4) Loss of specified busi. can be set off only against specified business u/s 35AD even though that business is not claiming 35AD because it was started earlier than the date specified.  
[Unabsorbed to be c/f →infinity Period]
- 5) An asset on which ded' u/s 35AD claimed shall be used only for specified business for 8 years from beginning of P.Y. of acquisition.

If used for non-specified business then:

**Following shall be deemed to be income of PGBP in yr in which asset so used.**

Total amt. of ded' claimed ✓✓

(-) dep. u/s 32 allowed if no ded' was  
allowed \_\_\_\_\_ (✓✓)

Deemed Income [35AD(7B)] ✓✓

(This provision N.A If co. become sick unit in 8 years)

6. **Section – 35DDA : Amortization of compensation paid under VRS**

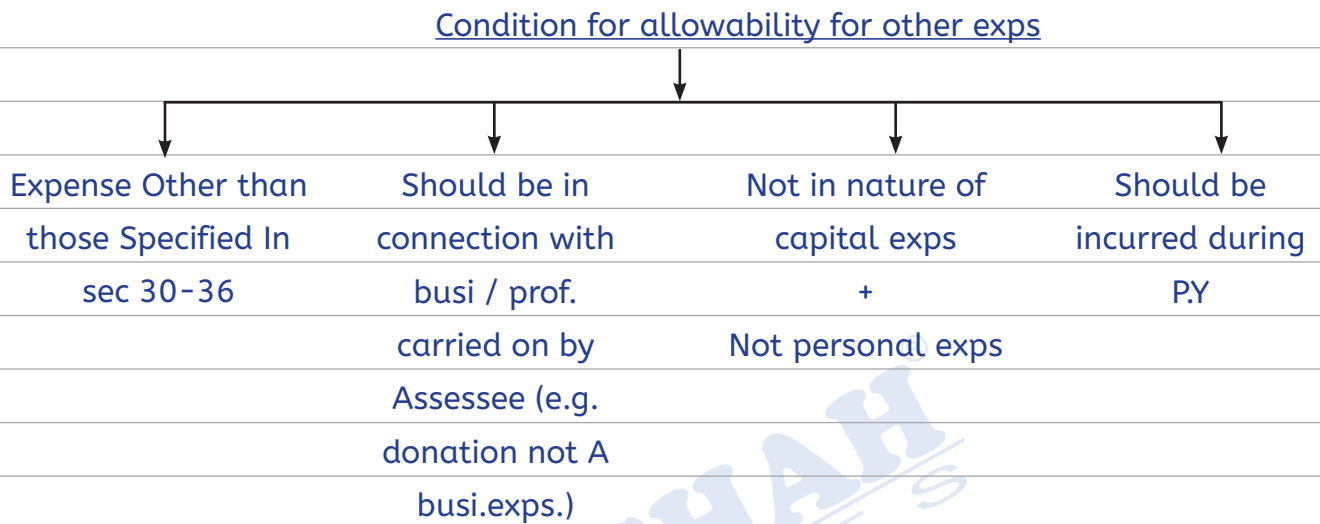
Where assessee incurred exps. In P.Y. for VRS = Deduction in equal 5 yearly installments

7. **Section – 36 : other deduction:**

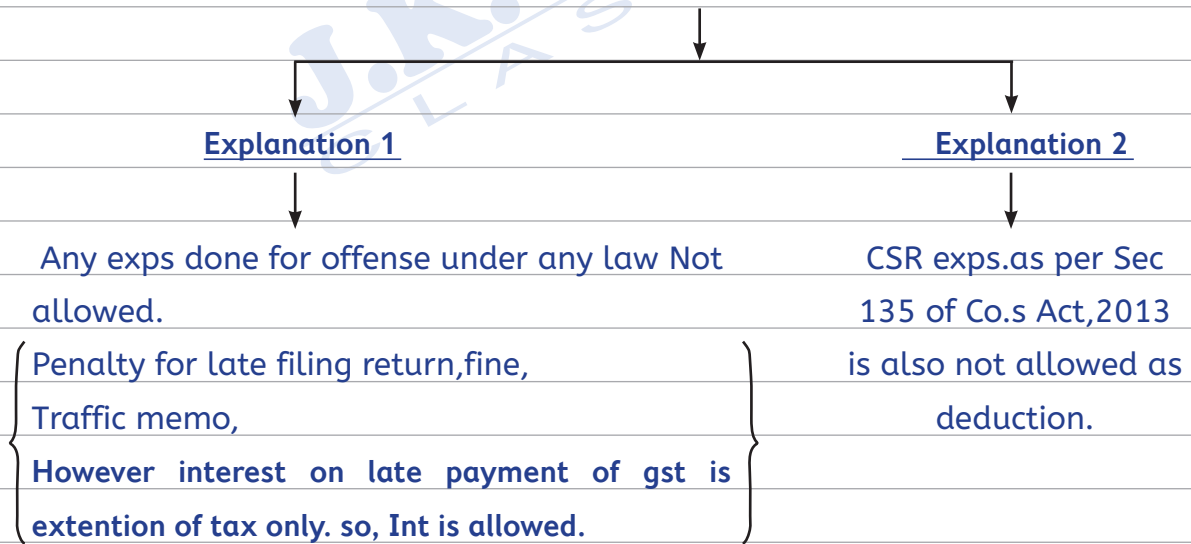
Nature of Exps	Applicable To	Conditions
Insurance premium on health of employee. [36(1)(ib)]	All employer	Payment → <b>Other than cash</b> Insurer → Approved by IRDA
Bonus & commission paid to employee. [36(1)(ii)]	All employer	Not payable as profit or dividend + payment as per <b>sec-43B</b>
Interest paid on borrowed capital (owned capital → Not allowed) Section [36(1)(iii)]	All Assessee	a) Money should be borrowed for business. b) In case interest payable to financial Insti,Banks → <b>43B</b>
<b>Employer</b> contribution to reco. PF or approved Gratuity fund / Superannuation fund [36(1)(iv) & (v)]	All employer	→ as per sec -43B
<b>Employer</b> contribution in A/c of employee pension fund u/s 80CCD [36(1)(iva)]	All employer	→ Deduction upto 10% of salary of employee [Salary = Basic+ DA(%)] → ∴ excess contri. Disallowed u/s 40A(9) <b>Refer Illu-9(SM)</b>
Bad debt [36(1)(vii) & 36(2)]	All Assessee	→ Incidental to business. → <b>Bad debt should be written off in BOA.</b> <b>No deduction for bad debt provision/ reserve.</b>
Expense on family planning amongst e'yee [36(1)(ix)]	<b>Companies (not to firm etc)</b>	→ Rev. exps → Fully → Capital exps → Over 5 years → Unabso. Exps → same as unabso. Depre. → No ded' in other sec.

Security Transaction Tax (STT) Or Commodities trans. Tax [36(1)(xv)] & [36(1)(xvi)]	All Busi assessee	Allowed as ded' if tax is paid during P.Y. & such income is taxable under head PGBP.
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**8. Section 37 (1) : General ded'**

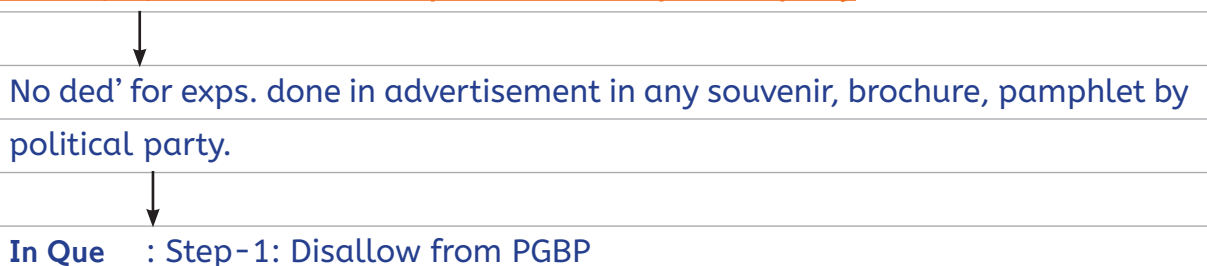


Explanations to section 37



Expenses Disallowed:

**9. Section : 37(2B) : Advertisement exps in relation to political party**



: Step-2: Ded' u/s 80GGB / 80GGC  
If paid other than cash.

**10. Section: 38: When Building, P & M, furniture, not used wholly for business.**

Proportionate exps for non busi uses will be disallowed.

**11. Section 40(a)(i) r.w 40 (a)(iii) :**

Payment O/s India or to Non-resident on which payer has duty to deduct TDS, then that expenses will be allowed as deduction only if during the year TDS is deducted **and** that TDS is deposited to government on or before due date of filling return of Income U/s 139(1).

So, If TDS not deducted–100% of that expense will be disallowed.

If TDS deducted but not deposited up to due date of filling return of income then also disallowed 100%.

This 100% will be allowed in that subsequent year in which TDS is deducted and deposited.

**12. Section 40(a)(ia) :**

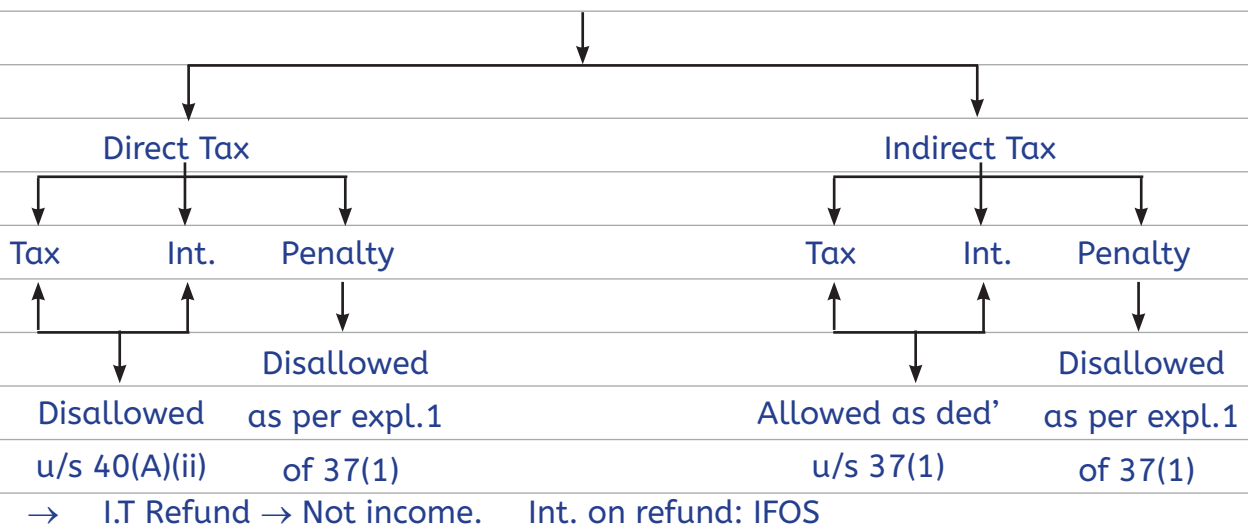
→ Any sum payable to resident and TDS not deducted or after deducting the same not deposited to govt on or before due date of 139(1) then **disallowance will be 30%** of exps

→ 30% allowed in yr TDS deducted and paid.

**13. Section 40(a)(ii) :**

Sum paid as tax or cess on profit (i.e. Direct tax) will be disallowed.

∴ Indirect tax → allowed as deduction (GST, Customs, etc)



**Disallowance u/s 40A:****(1) 40A(2) : Payment made to relative.**

If payment is made to specified person (w.n-1) being relatives for Goods, services or any facilities & considered excess than Fair Market Value(FMV) by Assessing Officer.



Then excess amt. will be disallowed

⇒ Specified Person:

Individual [2(41)] → Relative (Spouse, bro, sis, lineal ascendant / Descendant)

**Note:** Payment to uncle, sister in law etc eventhough excess than FMV still allowed because they are not relative.

**(2) 40A(3) : Payment exceeding ₹ 10,000 :**

⇒ If assessee incurred any exps for which payment or aggregate made to a person in a day exceeding ₹ 10,000.



Otherwise than by A/c payee chq, Draft, ECS, or any other e-mode



Disallowed.

⇒ **40A(3A) :** if assessee is following mercantile & expense claimed in earlier P.Y. for which payment done as per sec. 40A(3) in current P.Y. then –



Deemed Income

⇒ **Note:** case of payment made to transport operators for plying, hiring or leasing goods carriages → ₹ 35,000 instead of ₹ 10,000

**Cases where 40A(3) will not apply [Rule 6DD]:**

- a) Payment made to RBI, Any Bank, LIC, Govt.
- b) Where payment made for purchase of



Agricultural or forest or fishery produces to cultivator, grower, Producer  
[Not to trader, broker, middleman]

c) Payment made of salary & TDS ded' u/s 192 if

e'jee temporality posted for & does not maintain bank a/c  
continues 15 or more days in at that place.  
other place.

(3) **40A (9) :**

Payment to unrecognised or non statutory welfare fund → Not allowed

**14. Section 41 : Deemed Income :**

	Nature of deemed Profit	Taxable in which P.Y
41(4)	Bad debt recovered(Upto amount of deduction allowed earlier)	P.Y. in which recovered

**15. Section 43B : Certain ded' to be allowed on actual P'ment :**

Following expenses are allowed as ded' only if paid by assessee on or before due date of furnishing return u/s 139(1) of P.Y.

- a) Sum payable as tax, duty, cess, fee under any law
  - b) Sum payable by employer by way of contri. to P.F, Superannuation fund, Gratuity fund
  - c) Bonus or commission to e'yees
  - d) Int. payable to Bank. public financial Institute or state financial corporation, NBFC
- Note: Int on friends, relatives not covered.
- e) Leave money to e'yee.
  - f) Any sum payable to Indian Railways for use of railway asset.

**Note: 1.** This section is applicable when assessee follows mercantile system.(In cash basis we take deduction only in year in which actually paid)

**Note: 2.** This will be allowed in the P.Y. in which paid.

**Note: 3.** If unpaid interest is converted into loan by bank / PFI → it is not actual payment. However, when installments are paid then it will be actual payment upto amount of that installment.

**16. Special Section for partnership firm : [40(b)] :**

→ 40(b) : Deduction for “remuneration to partners” & “ interest to partners”

i) **Remuneration** : Deductible if

Paid to working partner as per the deed.

Maximum deduction only up to permissible limit.

→ **Permissible limit u/s 40(b)**

This limit is based on book profit:

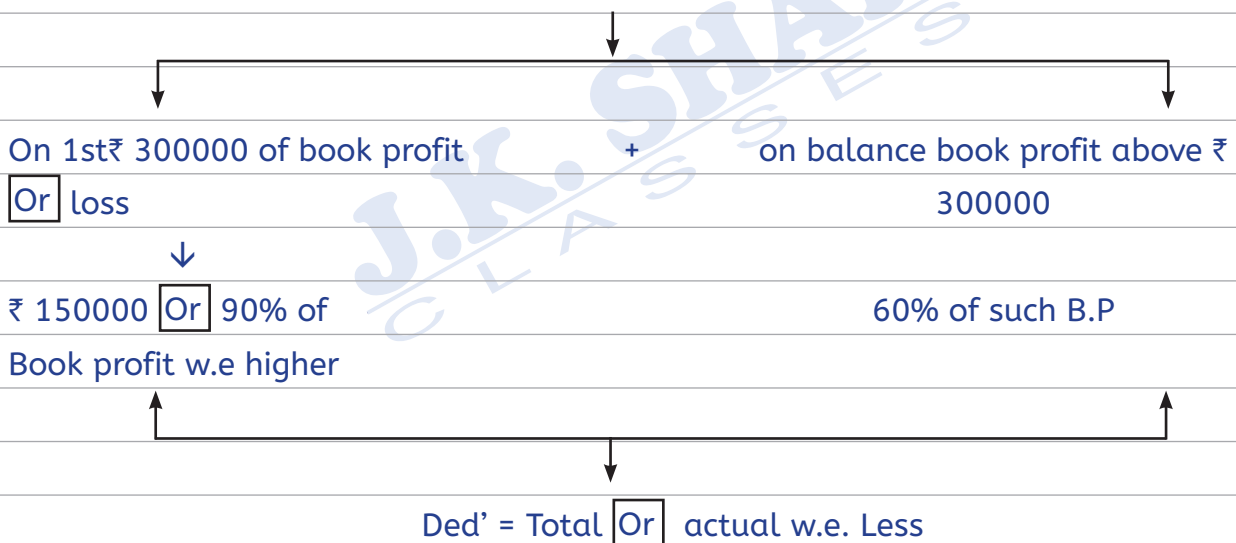
Book profit in simple terms means PGBP income before deducting remuneration

Book profit = N.P. as per P & L

+ Remuneration to partner if debited to P/L

± Adjustment as per sec-28 to 44DB (int. upto 12% is also ded')

[so disallow if debited in P/L & allow below given]



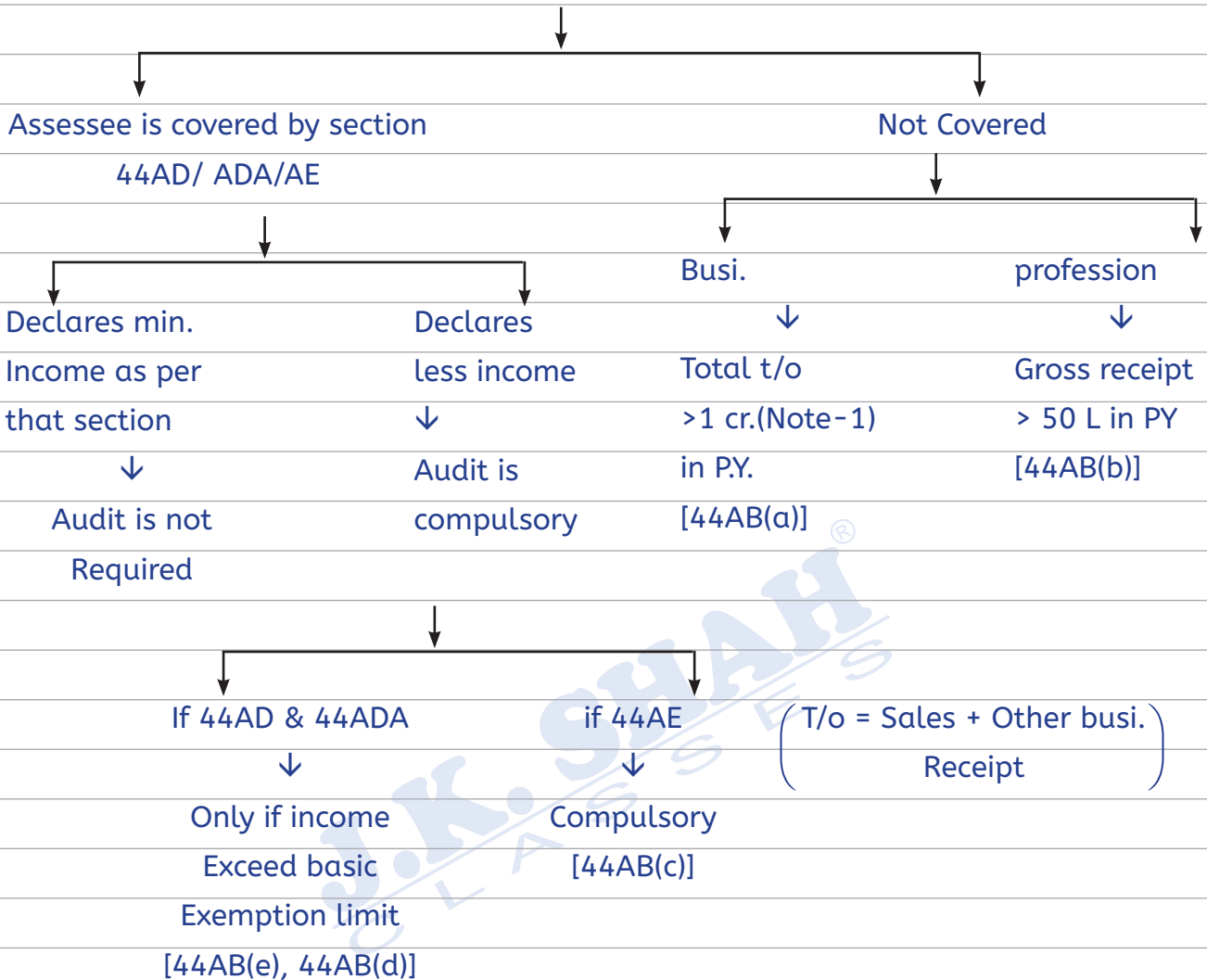
→ **Note:** No adj. for B/f, C/f loss because it is covered by section 72, 73, but adj. for unabsorbed dep is to be done as it is covered u/s 32

ii) **Interest to partner [loan or capital] :**

Can be paid to any partner but maximum deduction @12% p.a.

**Note:** Remu. & Int. which is deductible for firm is taxable for Partner.

**17. Section 44AB : Audit of Books of A/c**



**Note:** 1. Instead of 1 cr limit will be 10 cr if:

- A. Total Receipt in cash (incl. for sales, gross receipt) in PY is  $\leq$  5% of total receipt. and
- B. Payment in cash for exps., etc in PY is  $\leq$  5% of total payment.  
(No change in limit for professionals)

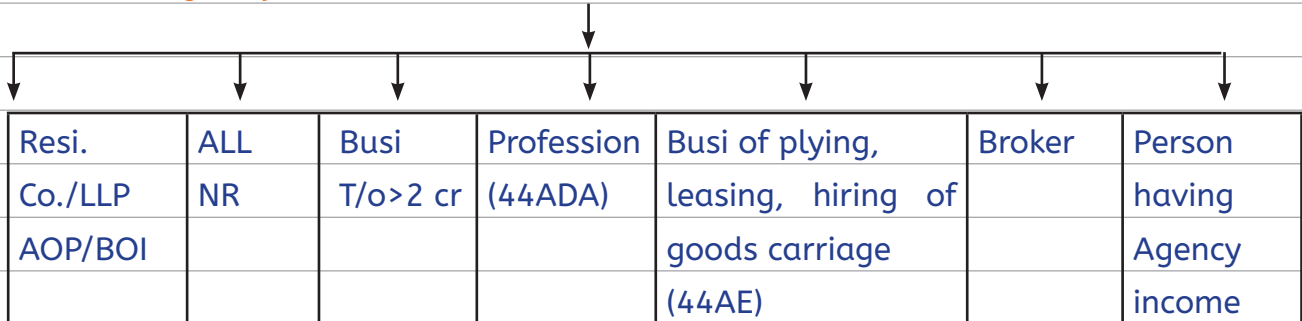
[ Report to be submitted on or b4 1 month prior to due date of filing return u/s 139(1) (means 30th September because due date of return is 31/10.)

**18. Section 44AD : Profit or Gains on presumptive Basis :**

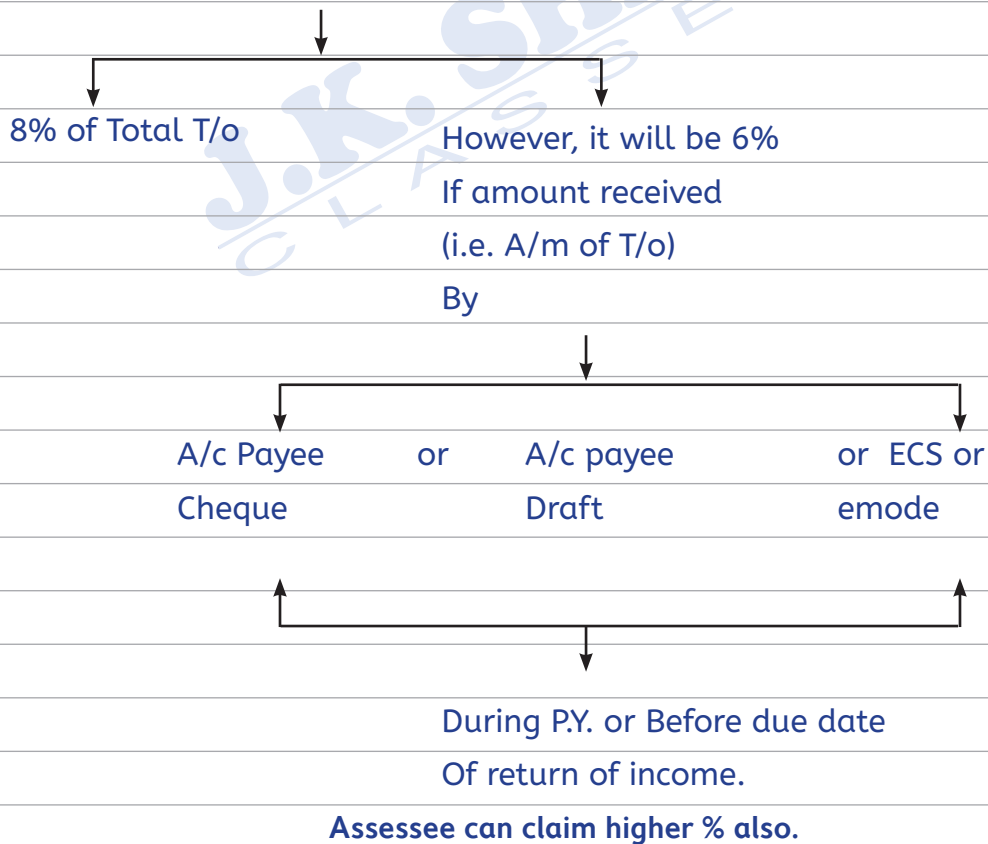
- 1) **Eligible assessee :** Resident individual, HUF, Firm (but not LLP)& who should not have claimed deduction u/s 10AA or heading C  $\rightarrow$  80H 80RRB of Ch. VI-A

2) **Eligible business** : All business (except plying, hiring, leasing, goods carriage → 44AE) & whose T/o ≤ 2 crore.

3) **Non eligibility:**



4) **Presumptive tax rate** : (Deemed income of PGBP)  
(i.e. % of T/o)



**Note:** If turnover amount is received from debtor after due date of return of income then whatever is mode of payment always we have to apply 8%.

**E.g.** Mr.J has turnover of Rs.1.5 cr in P.Y.21-22.It is received as follows:

a. Cash sales	Rs.30 L in Paytm	
b. Cash sales	Rs.40 L in cash	
c. Credit sales	Rs.20 L(Drs paid by chq on 31/3/22)	
d. Credit sales	Rs. 10 L(Drs paid in chq on 30/6/21)	
e. Credit sale	Rs.15 L(Drs paid in cash on 31/5/21)	
f. Credit sale	Rs.35 L(Drs paid in chq on 30/11/21)	

**5) Other Provision :**

- i) No further deduction of sec-30 to 38..No other disallowances to be made. [even Remuneration to partner, Int. not allowed]
- ii) WDV of Block will be calculated as if assessee has claimed depreciation.
- iii) No requirement of maintaining books as per section 44AA & no audit u/s 44AB.

6) **Advance Tax :** → Eligible assessee shall pay advance tax in 1 installment up to 15th March of P.Y.

7) **44AD(4) :** → if assessee fails to declare profit u/s 44AD (i.e. declaring lower profit) in any five consecutive year after the relevant to P.Y. then not eligible for this section for 5 next year from yr of contradiction. +

In the year in which shown lower profit--Require to maintain BOA → 44AA & Audit [44AB(e)] (if income exceed BEL).

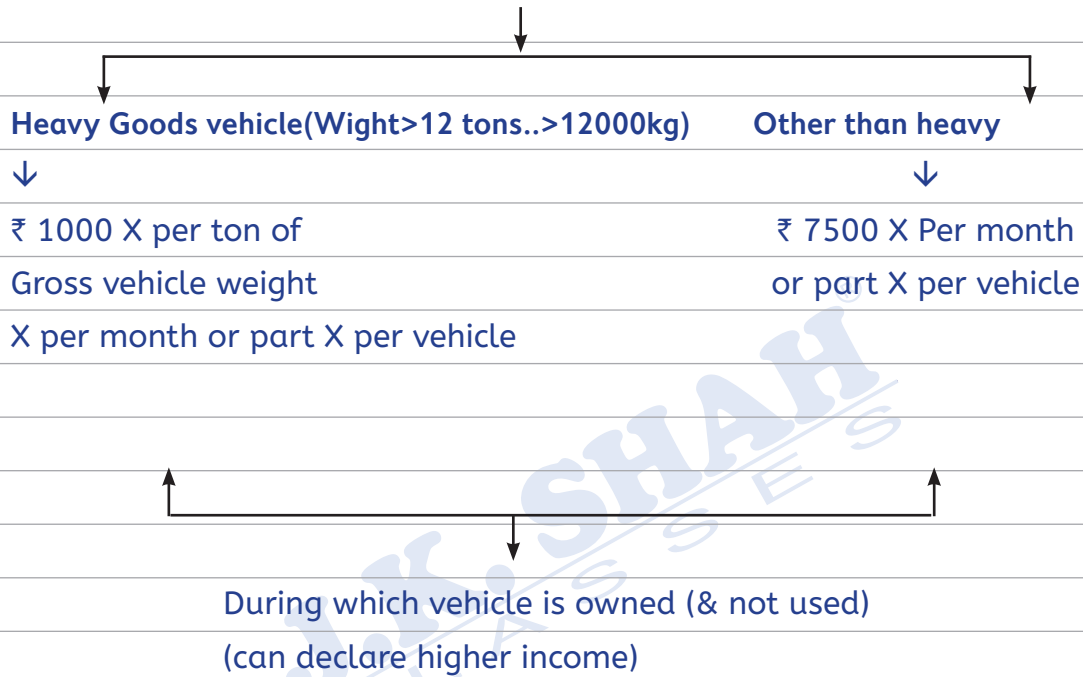
**19. Sec-44ADA: Profit – Gains of profession on presumptive Basis.**

- 1) Eligible assessee → who is **resident (Any)** & engaged in specified profession as per sec. 44AA(1).
- 2) Eligible business : whose gross Receipt ≤ 50Lakh in P.Y.
- 3) Presumptive rate:  
50% of total receipt = Deemed Income. (can declare higher)
- 4) Other provision
  - a) Deduction u/s 30 to 38 → deemed allowed... No further disallowances (i.e no farther ded'of remuneration & Int to partner)
  - b) WDV of block will be calc. as if depre has been claimed
  - c) No. requirement of BOA u/s 44AA & no audit.
- 5) Advance Tax → Before 15th March.

- 6) If lower profit → Audit u/s 44AB(d) and BOA u/s 44AA if income exceed BEL.  
(No 5 years criteria)

**20. Sec-44AE : Presumptive income for busi. Of hiring, plying, leasing of goods carriage.**

- 1) **Eligible assessee:** persons owning NMT 10 goods vehicle at any time during P.Y.
- 2) **Eligible business:** busi. Of plying, hire or leasing of goods carriage.
- 3) **Presumptive rate of Tax:**



Other provision:

- a) Ded' u/s 30 to 38 → Deemed (but remuneration and int to partner→ allowed additionally)..No further disallowances  
**Unlike 44AD & 44ADA.**
- b) No. req. of BOA & Audit.
- c) WDV calc as it depre allowed.

- 4) **Advance Tax** → as per normal norms(i.e.4 installments)

- 5) If lower income → Audit u/s 44AB(c)

**Even if lower BEL**

21. **Composite Income:** What is tax treatment of income which is partly agri & partly busi.

(Rule 7, 7A, 7B, 8)

(For Agri in India)

		Busi. Income	Agri. Income	Rule
1.	Growing & Mfg tea	40	60	8
2.	Mfg. Rubber	35	65	7A
3.	Coffee grown & cured	25	75	7B
4.	Coffee grown, cured, roasted	40	60	7B

→ **Note :** if agri o/s India → 100% Business

Q-7 (Ex → SM)

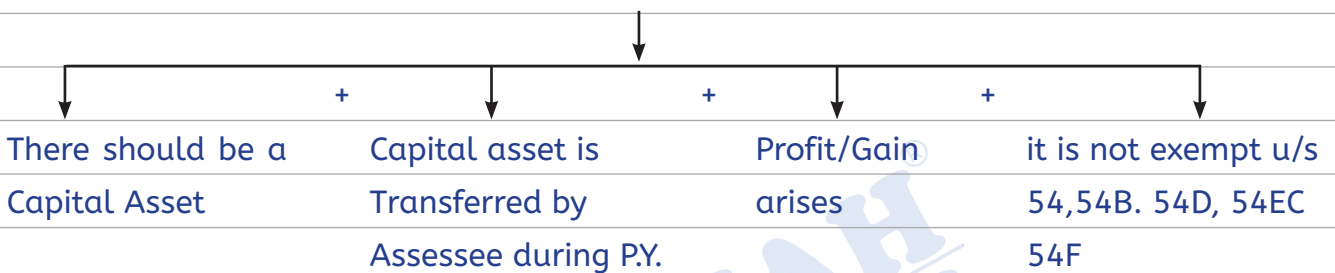
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CLASSES

6

**CAPITAL GAIN**

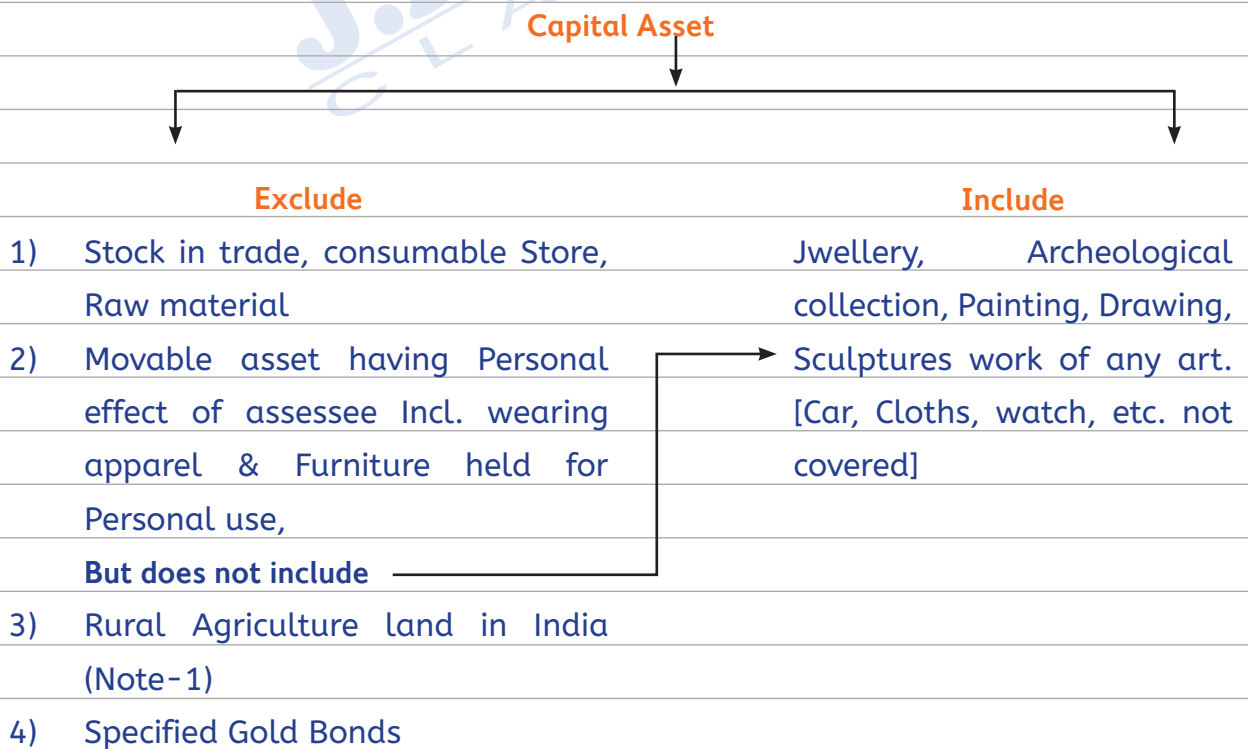
Types of Capital gain: Short term Capital Gain (STCG), Short Term Capital Loss (STCL), Long Term Capital Gain (LTCG), Long Term Capital Loss (LTCL).

❖ **Section 45 : Chargeability :**



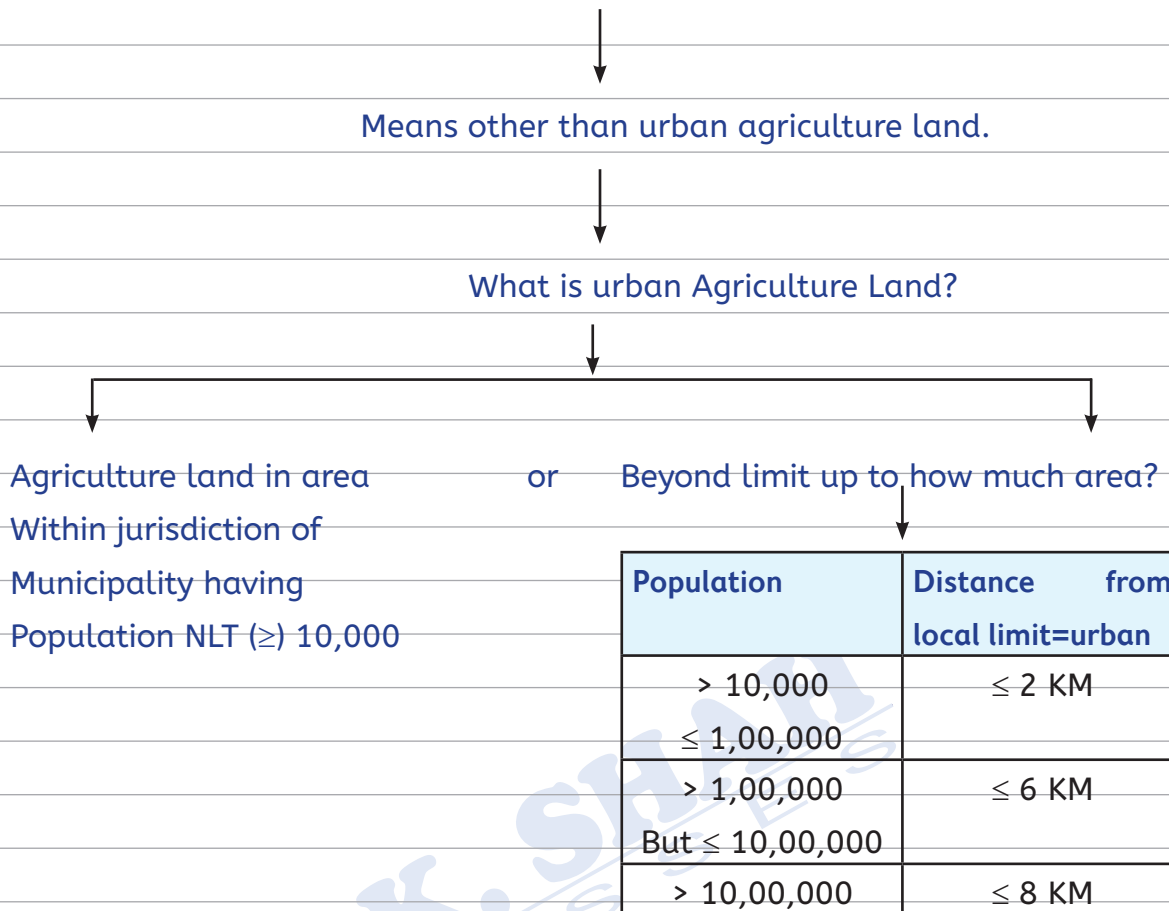
❖ **What is capital asset[2(14)] :**

Property of any kind whether or not connected to business.





**Note:- 1 What is Rural Agriculture land**



❖ **What is transfer [2(47)] :**

- i) **Sale, exchange, relinquishment of asset**  
“Relinquishment” = Abandon / give up asset
- ii) **Extinguishment of right:** Extinguishment = Give up rights.
- iii) Compulsory acquisition of asset under any law.
- iv) Conversion of capital asset into inventory.

❖ **Transactions not regarded as transfer [Sec – 46 & 47]**

1) Distribution of asset by company on liquidation → Section 46

But for shareholder who receives it upto FMV it will be taxable..Upto R& S deemed dividend balance will be FVC for Capital gain.

**E.g.:** A Ltd. distributed asset on liquidation to Mr. A worth Rs.200000. On the date of liquidation R&S is Rs.150000. He has purchased shares in 20000. What is tax implications?

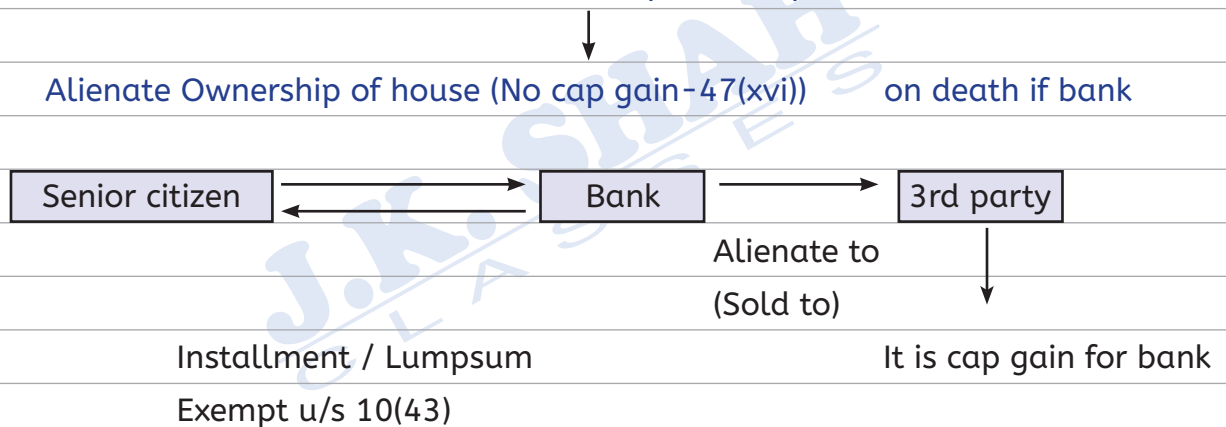
**Ans: Co.-No CG**

**SH- Deemed dividend Rs.150000**

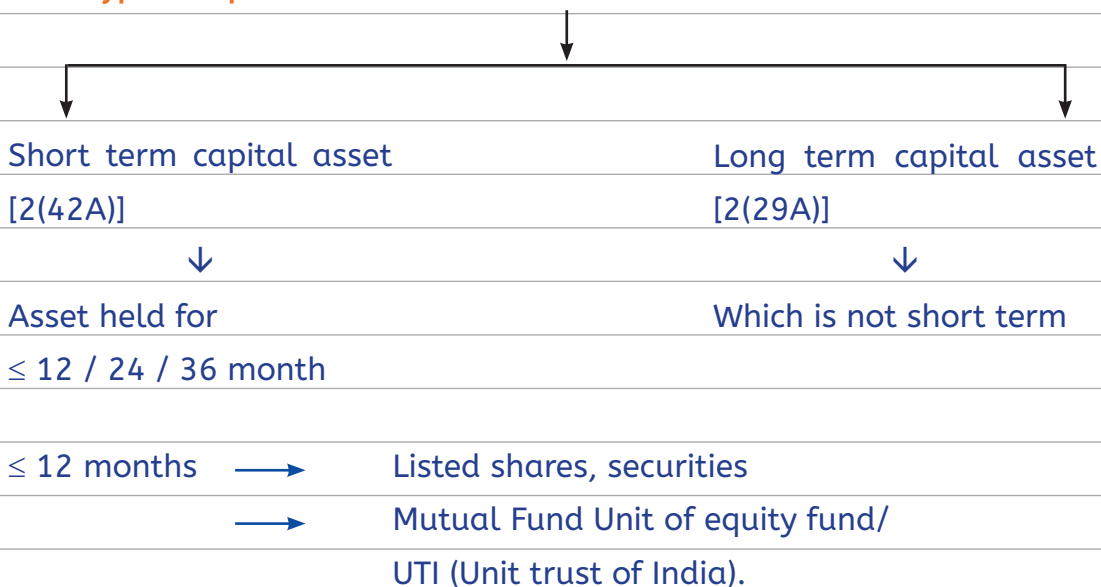
CG for shares = 50000 – 20000 = 30000.

- 2) Distri. Of asset by HUF to members at time of total or Partial partition [47(i)]  
(For member it is exempt u/s 10(2))
- 3) Transfer of Cap. Asset by way of Gift or will under Irrevocable trust (Except ESOPS given under gift or irrevocable trust) [47(iii)] [but for receiver → IFOS sec-56]
- 4) Conversion of bond/Deb/Preference shares into shares or debenture [47(x), 47(xb)]
- 5) Transfer of cap. Asset under reverse mortgage:

→ Reverse Mortgage: Here it is beneficial for senior citizen who has house. They lend their house to bank & in return receive lump sum or periodical revenue



❖ **Type of capital asset:**



	→	Zero coupon Bond.
≤ 24 months	→	Unlisted Share.
	→	Land & Building
≤ 36 months	→	Unit of debt fund
	→	Unlisted security other than share
	→	Other asset [Jwellery etc.]

❖ **Section 48 : Computation of capital Gain**

↓	
Short term capital gain	Long term capital gain
↓	↓
Full value of consideration (FVC)	full value of consideration
Less : Expense incurred wholly In connection with transfer	Less : Expense incurred wholly In connection transfer
<b>Net consideration</b>	<b>Net consideration</b>
Less : Cost of acquisition(COA)	Less : Indexed Cost of acquisition
Less : <u>Cost of improvement(COI)</u>	Less : <u>Indexed Cost of improvement</u>
<b>STCG before exemption</b>	<b>LTCG before exemption</b>
Less : Exemption u/s 54B <u>54D</u>	Less : Exemption u/s 54, 54B,54D <u>54EC,54F,</u>

**STCG(u/s 111A or finance act rate)**

**LTCG(U/s 112 or 112A)**

**Note:** No deduction of STT is allowed in capital gain. [It was allowed in PGBP while calc. business income]

**I) Full value of consideration:**

It is amount received by transferor on sale of asset b4 expense.

Sometimes it is notional amount.

**Section 50 D:** where consideration received or accruing as a result of trf. Of cap. Asset by assessee is not ascertainable or cannot be determined (e.g. in case of exch extinguishment etc)



The FMV of said asset on date of trf shall be deemed to be FVC.

**II) Expense in connection with transfer :**

Means exps which is necessary to effect transfer.

**e.g.** Brokerage, commission cost of stamp, registration fee, legal exps, etc(STT not allowed)

**III) Cost of acquisition:**

Means value for which it was acquired by assessee + capital exps at time of acq.

❖ **Notional cost of acq. [49(1)]**

In the following cases “cost to previous owner” shall be deemed to be cost of owner.

- 1) Acq. of asset by HUF to member on total or partial partition.
- 2) Acq. of prop. Under GIFT/Will
- 3) Acq. of property.
  - By succession inheritance.

❖ **Platinum principles for capital gain computation :**

- 1) If cap. Asset is acquired by any mode referred in **sec 49(1)** → then to find whether asset is long term or short term → period of holding (POH) & Cost of acquisition of previous owner is to be considered.
- 2) As per section 55(2) → if cap. Asset acquired by owner or previous owner prior to 1-4-2001 then option is available to adopt i) FMV on 1-4-01(See note)
  - or ii) Cost of acquisition
  - w.e.higher

(Except for listed eq. Share.)

**Note:** For land or building:

**Step-1:** FMV on 1.4.1 or stamp duty on 1.4.1 w.e.lower

**Step-2:** Step-1 or actual cost w.e. higher

**E.g.** Determine COA for following asset(Purchased prior to 1.4.2001)

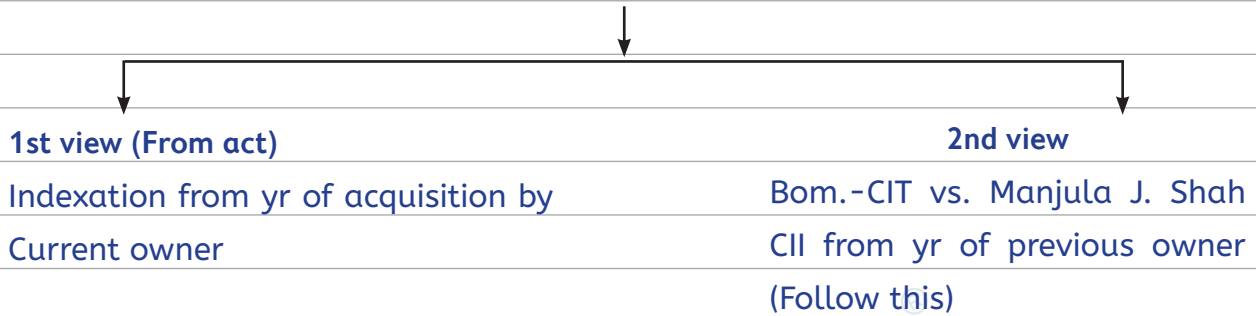
Asset	Purchase cost	FMV on 1.4.2001	Stamp duty on 1.4.1	COA
Jewellery	100,000	150,000	-	
Unlisted Shares	50,000	20,000	-	
Land	20,00,000	23,00,000	22,00,000	
Building	30,00,000	33,00,000	35,00,000	

3) Cost of acquisition shall be indexed (for LTCG) as follows:

$$\frac{\text{Cost of acquisition} \times \text{CII of yr of transfer}}{\text{CII of yr in which asset acquired}}$$

CII=Cost inflation Index

**Note:** There are two views: For cases covered u/s 49(1)



4) 55(1)(b) : cost of improvement prior to 1-4-01 incurred by previous owner or by current owner is to be ignored.

Cost of improvement by previous owner or owner shall also be indexed (if after 1.4.01 nd case is u/s 49(1).

$$\frac{\text{Cost of Improvement} \times \text{Transfer yr Index}}{\text{Improvement year index}}$$

- 5) No indexation benefit for followings.
- a. Bond or Debenture
  - b. Slump sale=50B
  - c. Listed shares covered u/s 112A

❖ For FVC of Land or Building



Applicable if on date of registration stamp duty value > 110% of actual consideration

**Note :** Generally we take stamp duty on date of registration but Taxpayer has option

to take stamp duty value as on date of agreement (& not date of reg.)

↓ If

Part of consi. must have been paid by way of A/c payee cheque A/c payee draft or use of ECS or by e-mode on or b4 date of agreement.

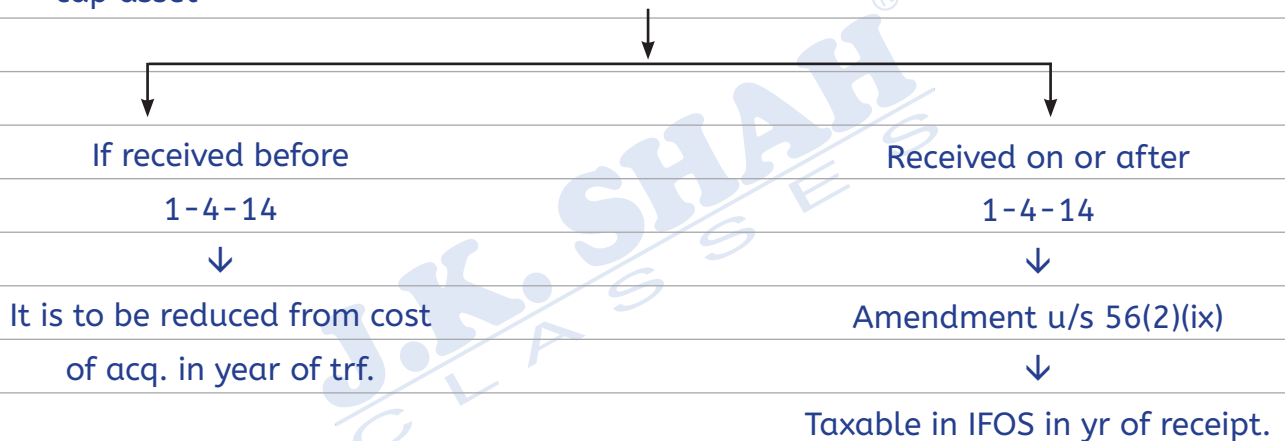
**Note :** if  $SD \leq 110\%$  of actual consi. than sale value = actual consi.

❖ **Sec-50CA : FVC for trf of unlisted shares**

Actual Consi. Or FMV on date of trf w.e.higher.

❖ **Section – 51 : Advance money received**

Tax treatment of advance money forfeited due to failure of negotiation for trf. of cap asset

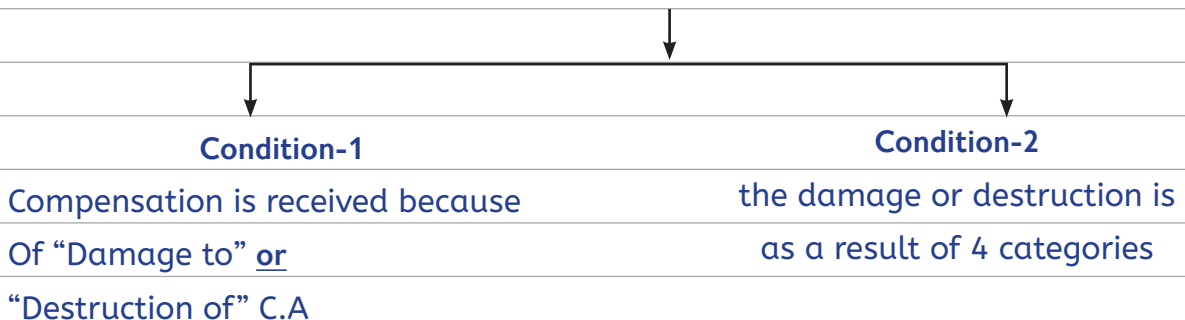


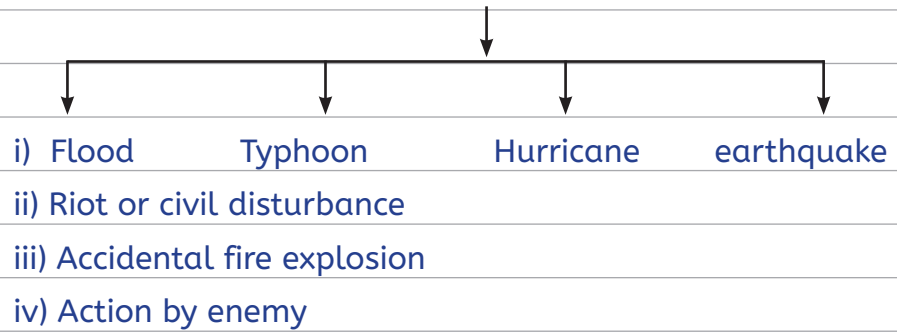
**Note:** Received by previous owner → ignore

❖ **Special Cases:**

1) **Computation of C.G. when insurance claim is received [45(1A)]:**

When C.G. is chargeable u/s 45(1A)





→ CG will be taxable in yr or receipt.

2) **Cap. Gain in case of conversion of cap. Asset into stock in trade → [45(2)]**

Step-1 : Cal. cap gain on trf of cap. Asset into inventory

FVC = FMV of cap. Asset on date of Trf.

POH=upto conversion

CII=upto conversion

This cap. Gain will be taxable (the amount as calc. in yr of trf) in year when inventory is sold.

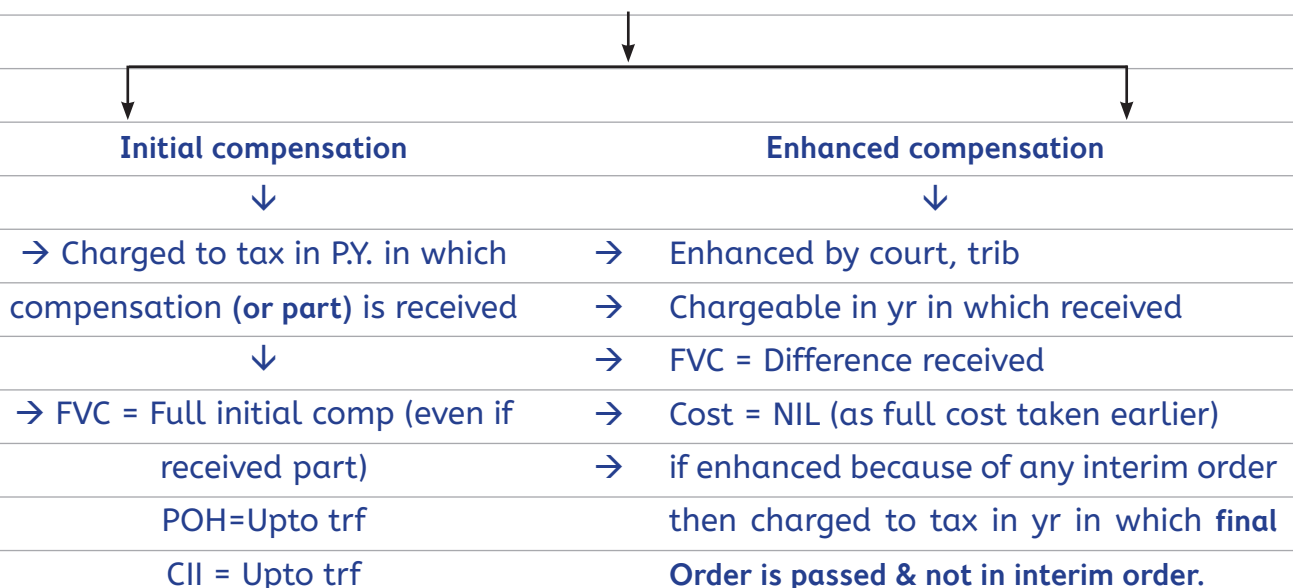
Step-2 : When inventory sold profit taxable in PGBP. For profit calculation Cost = FMV of capital asset on date of conversion.

So, both a/m taxable in yr of sale

**(Note : Personal asset which is not cap. Asset will not be taxable)**

3) **Capital gain in case of compulsory acq. of asset [45(5)] ∴ [cross ref. 10(37)]**

→ Trf. Of asset is by way of compulsory acquisition under any law.

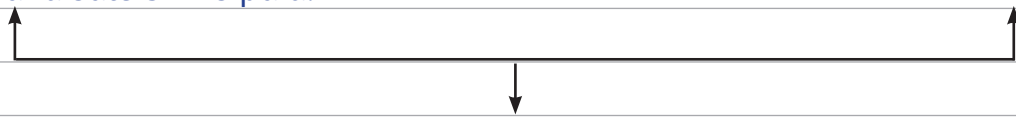


- Litigation exps are deductible as “exps on Transfer”
- Type of cap. Gain → STCG or LTCG → same as original.

→ If person die before receiving compensation- taxable in hand of recipient.

**4) Trf of shares [55(2)(ac)] = cost of acq. or listed shares**

Applicable for listed shares and equity oriented mutual fund on which at time of purchase and sale STT is paid.



Which was acquired b4 1-2-18 (Budged date)

COA= Step-1: FVC on trf or FMV on 31.1.18 w.e. lower

Step-2: Step-1 or actual cost w.e. higher

[Means gain upto 1st feb is still exempt]

**Note:** This rule is same for listed bonus & right shares also.

: FMV on 31.1.18 to be taken as highest price on stock exchange.

: If shares were acquired on/after 1/2/18 COA=actual cost

: No indexation benefits available.

**e.g** Assume all below mentioned are listed shares

Shares	Date of acquisition	Actual Cost	FMV on 31.1.18	FVC on transfer	What is COA?	What is CG? =FVC-COA
Reliance Ltd.	1.1.18	10,000	12,000	13,000		
TATA Ltd.	1.3.16	54,000	58,000	57,000		
Sanofi Ltd	1.2.5	100,000	1,02,000	99,000		
Asian Paints Ltd	1.3.19	132000	N.A.	150000		

**5) Taxability of self generated asset (cost = sec.55)**

Self – Generated asset	What is cost of acq.	What is cost of improvement
1. Goodwill of busi. (not of profession)	NIL	NIL
2. Tenancy right	NIL	Actual

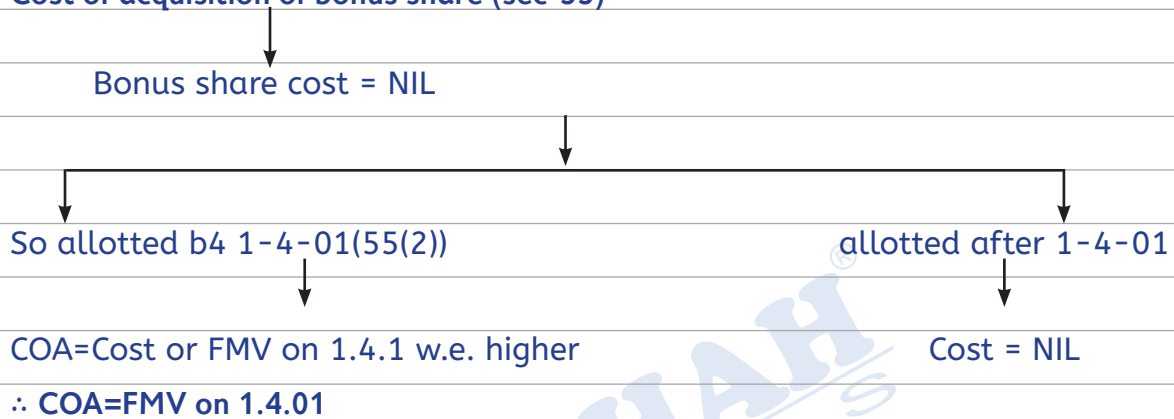


3. Right to mfg, produce or process any article of business.	NIL	NIL
4. Trademark, Brand name	NIL	Actual

→ If Purchased goodwill then COA= WDV on 1.4.20

If goodwill purchased on or after 1.4.20 then COA= Actual cost.

**6) Cost of acquisition of bonus share (sec-55)**

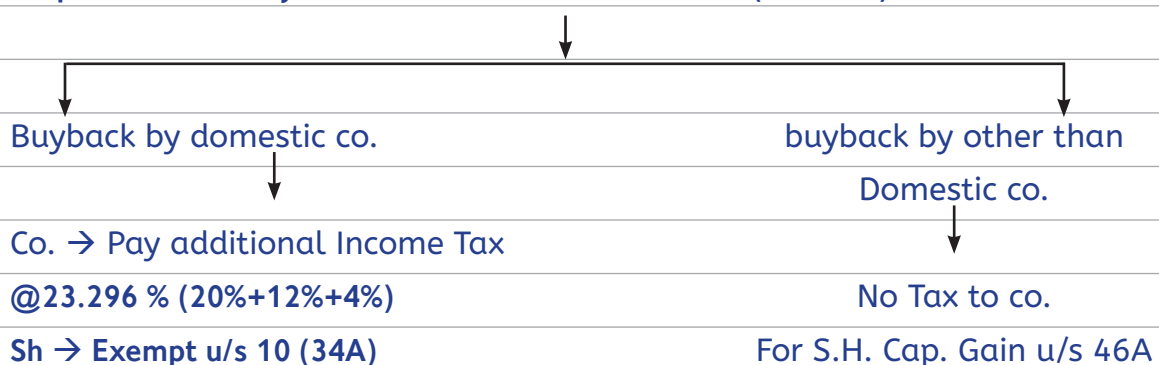


**Note:** But if listed bonus shares acquired before 1.2.18 then COA=FMV as on 31.1.18 or FVC w.e.lower (as per 55(2)(ac)) but if after 31.1.18 then COA=NIL.

**7) Cost of acquisition of right share**

- a) Original shareholder sale the right entitlement letter...for this letter COA=NIL
- b) Original shareholder purchase right shares. For these shares COA=Actual cost
- c) 3rd party who purchase letter from original shareholder.  
COA of shares=Cost paid to original shareholder for letter + Cost of shares paid to company

**8) Capital Gain on buy back of unlisted + Listed shares (Sec-46A) :**



9) Capital Gain in case of slump sale (50B) :

↓ One or more asset

Slump sale = Trf of more than 1 asset without value being assigned to individual asset & liab.

→ Tax consequences: No CG for single asset but total CG.

Slump sale = LTCG but if all cap. Asset owned & held for ≤ 36M → STCG

FVC = FMV of consideration received or FMV of business whichever is higher.

→ Cost of acquisition = Net worth

= Total asset (-) liability at book value

<u>Net worth</u>	<u>Value</u>
Depreciable asset	WDV as per income tax act
Self generated goodwill	NIL
Asset u/s 35AD (as ded' is claimed)	NIL
Other asset	Book Value
<b>Sub total</b>	✓
Less : Liab.	(Book value)
<u>Net worth</u>	✓

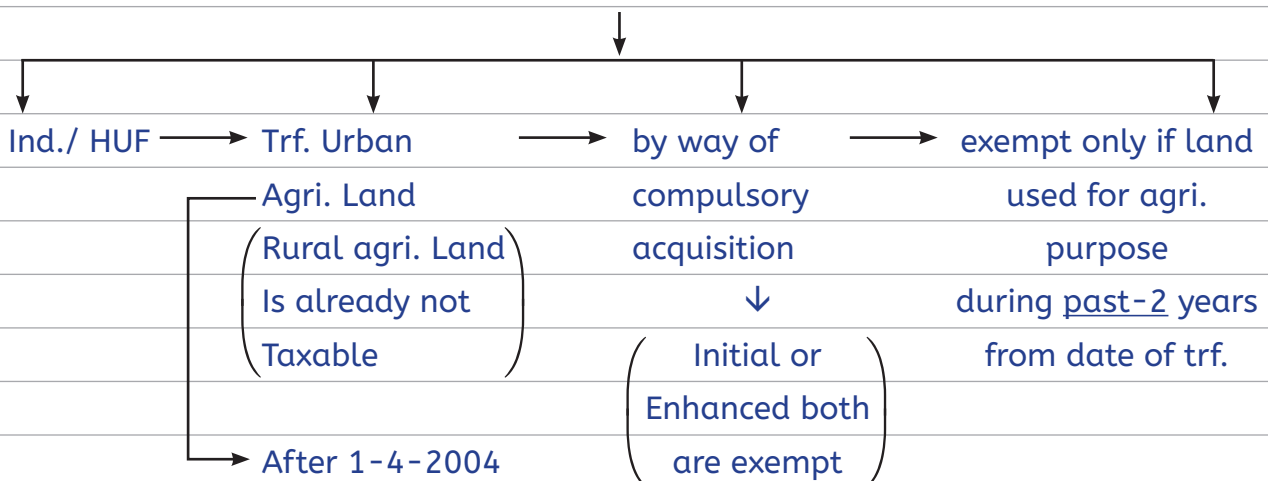
→ Ignore any Δ in value of asset due to revaluation. (to avoid manipulation)

→ No. benefit of indexation.

→ If no dep. Provided on dep-asset then provide & take WDV.

❖ Exemptions given in section 10:

ii) Section 10(37) :



❖ Exemptions in capital Gain head:

Question	54	54F	54EC
For which assessee	Ind/HUF	Ind/huf	All
For which kind of asset	Long term	Long term	Long term
Which asset to be trf	A residential House Property (chargeable in head hp)	Any capital asset except residential HP	Immovable prop.
Which asset to be purchased	One residential house property in India (Note 1)	One residential house property in India	5 yr redeemable bond: -NHAI -RECL -Power finance corp. -Indian railway finance corp.
Upto what time to purchase?	Within 1 yr before date of trf or After transfer within: Pur: 2 yrs Const-3 yrs	←	6 mnths from date of trf
What is exemption	CG or Invst w.e.lower	Invst* CG Net consi	CG or Invst or 50 Lakhs w.e.lower
Upto what time new prop not to be trf	3 yrs	3 yrs	5 yrs
Any other condition?	-	-Assessee should not own more than 1 Resi H.P. on date of trf of Asset. -In time of 2/3 yrs he will not pur/const other HP	No loan on this Bond

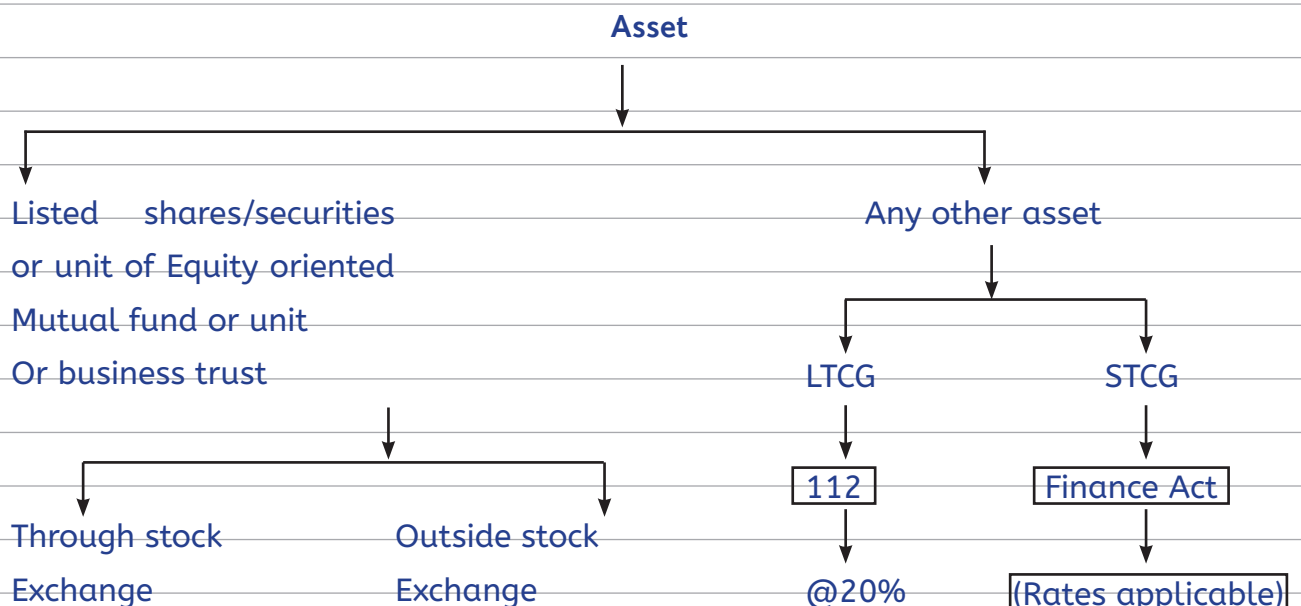
What if trf or conditions contradicted/	Exemption granted earlier will be reduced from cost of asset to calc. new CG	CG exempted earlier = LTCG in this yr	CG exempted earlier = LTCG in this yr
CG a/c scheme avbl?	Yes	Yes	No

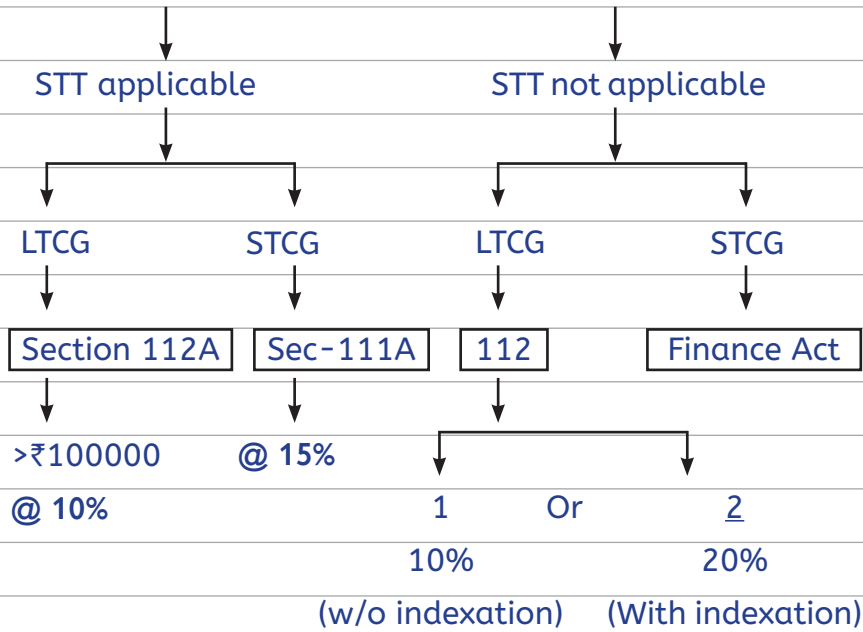
**Common points**

- 1- In section 54: instead of 1 HP benefit for 2 HP can be claimed once in lifetime if capital gain is less than equal to 2 cr.(No such benefit in 54F)
- 2- [Capital gain account scheme(CGAS): For sec 54, 54D, 54B, 54F, if investment not done b4 Due date of filing return then amount to be invested in future has to be deposited in CGAS  
[If amount deposited not utilized in that 2/3 years from date of trf Unutilised amount = CG in yr which period expires  
(CBDT....In case of death → Not taxed to legal heir)
- 3- SC → Dempo co. ltd → even depreciable asset held for > 36m is LTCA. So,Even though gain is STCG u/s 50. Exemption is available u/s 54F,54EC.
- 4- 54H : In case of compulsory acq. period exemptions will start from date of compensation received.
- 5- Exemption available in more than 1 section also.

**Exercise Q.5, 6, 7**

❖ **Tax Rates :**





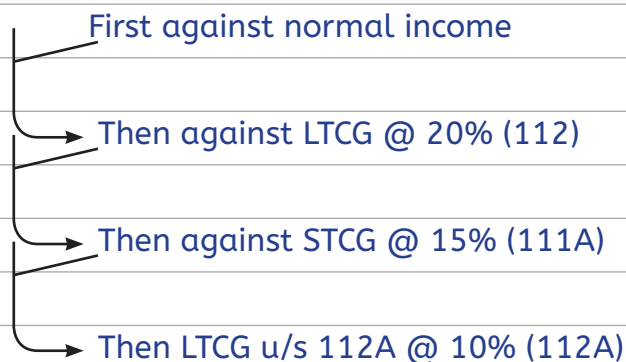
Question	112(20%)	111A(15%)	112A(10%)
Shifting benefit avbl?	Yes (To RESI)	Yes (To RESI)	Yes (To RESI)
Deduction u/c VI-A?	No	No	No
Rebate u/s 87A?	Yes	Yes	NO
Higher surcharge 25/37% applicable?	Yes	NO	NO

**Note:** Higher surcharge also not applicable on dividend income,

What is shifting benefit?

1. If Other general rate income is lower than Basic Exemption limit (BEL) then BEL can be adjusted against Special rate income mentioned above.

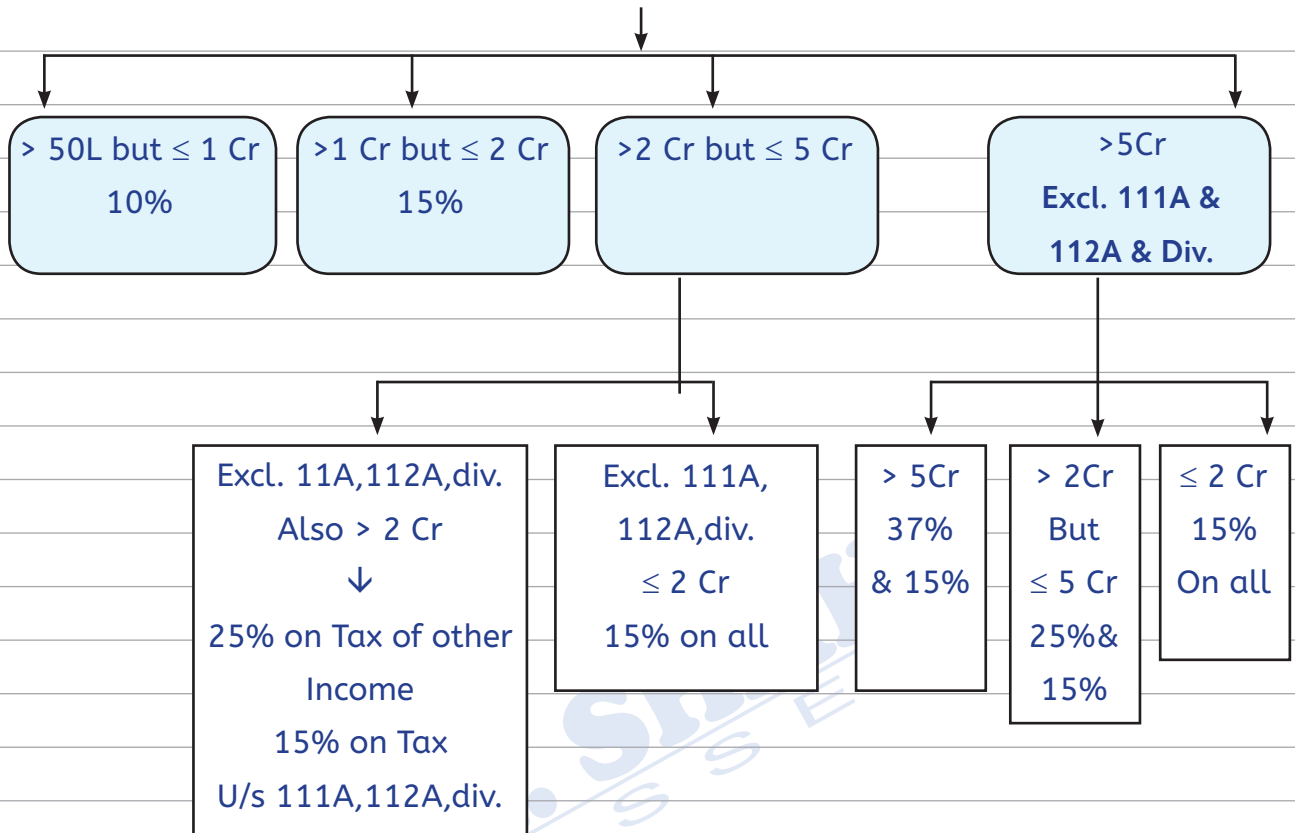
**Rule for shifting :**



“For Surcharge of Individual/HUF/AOP/BOI/AJP”

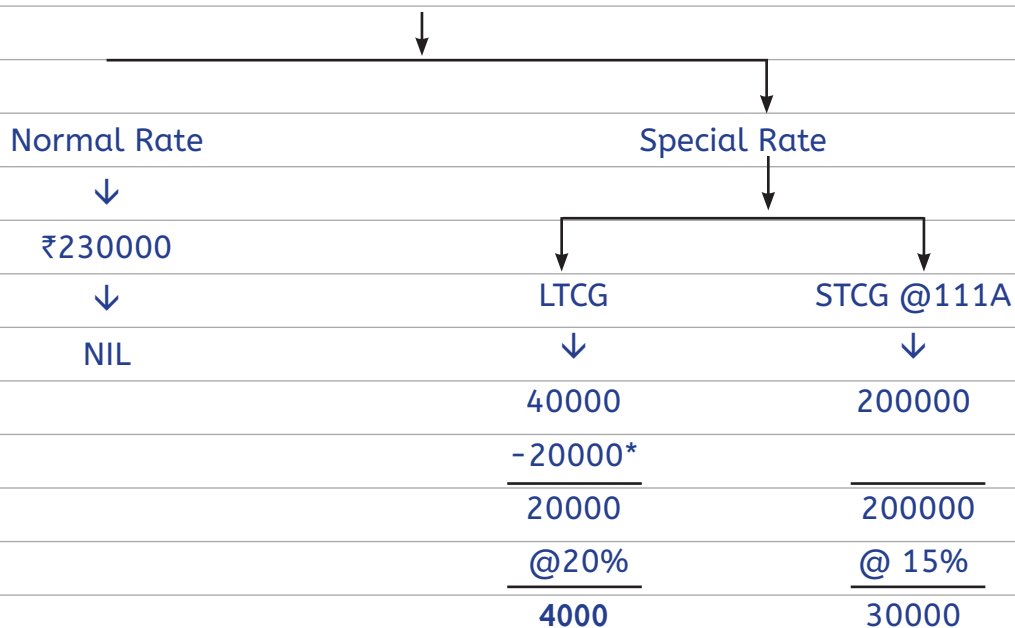
What is Total Income

(Incl. 111A & 112A & Dividend Income)



**E.g.** - 1 Mr. \_\_\_\_\_ (Resident) (59 yrs)

Salary (Computed) = 90000	STCG (111A) = 200000	STCG (Silver) = 50000
Int = 50000	H.P.(Computed) = 40000	L.T.C.G = 40000
Total = 470000		



\*Shifting benefit-250000-230000=20000

Tax	34000
- Rebate	<u>(12500)</u>
	21500
	+ 4%
	<u>22360</u>

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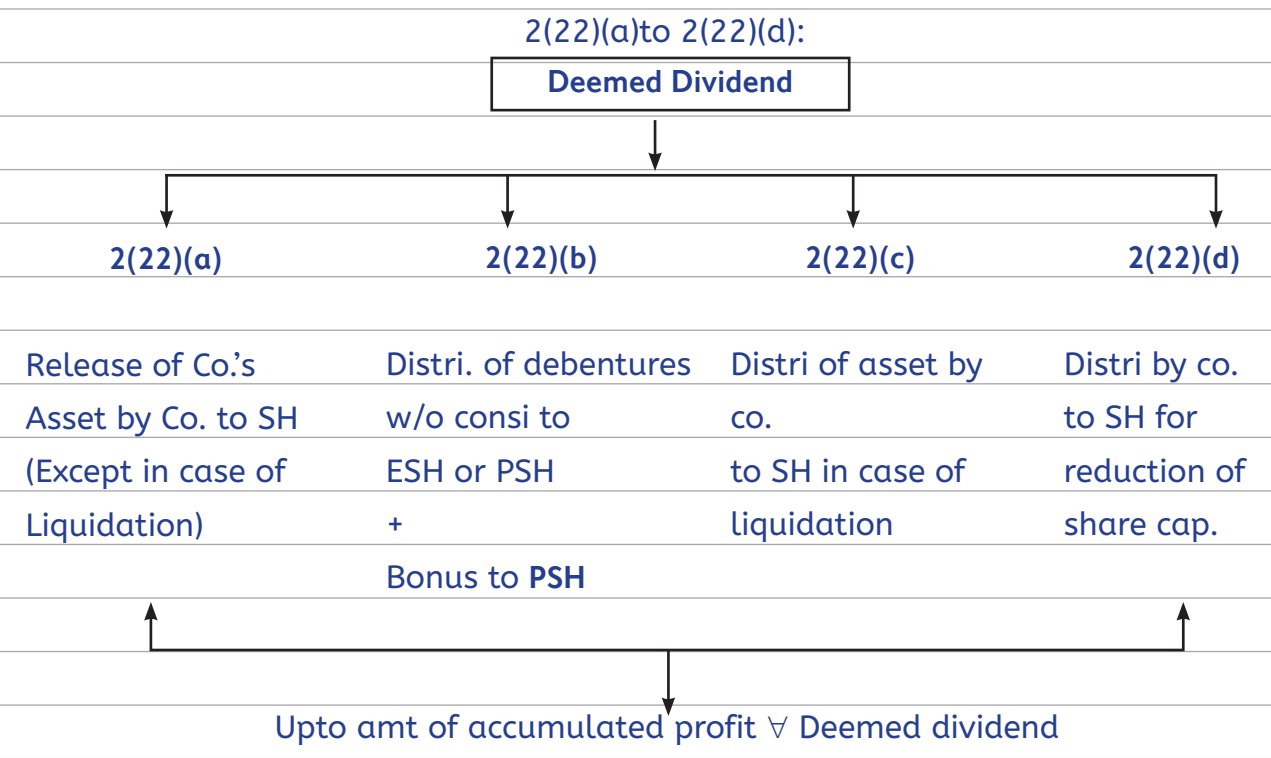
# 7 IFOS

- ❖ **Sec. 145: IFOS Income to be taxable as per method of a/c followed by assessee.**
- ❖ **Sec. 56(2) : Chargeable Income u/s 56(2)**
  - a. Dividends\*\*\*
  - b. Casual Income → Winning from lotteries, Crossword, Puzzles Card Games etc.\*\*\*
  - c. Income by way of “Int. on securities” (If not taxed in PGBP)
  - d. Income from machinery, plant or furniture let an hire (If not taxed in PGBP)
  - e. Income from letting plant, M/C or furniture alongwith building (If not taxed in PGBP)
  - f. Sum of money / properties r’ved without consideration or Inadequate Consi.\*\*\*
  - g. Interest r’ved on compensation or enhanced compensation.\*\*\*
  - h. Share Premium in excess of FMV.\*\*\*

\*\*\* Always taxable under head IFOS.

❖ **Dividend: Any Div. declared, distributed or paid by Co. to Sh. → taxed in IFOS.**

→ Dividend Includes Deemed Dividend





⇒ 2(22) (e) →

Distribution of accumulated profit by way of Advance or Loan to Shareholder is treated as Deemed Dividend to the extent of accumulated profit (except Cap. Profit-Bonus share value)

So, 2(22) (e) applicable when

1) Loan/advances given by company in which public is not substantially interested i.e. closely held company (Unlisted company)	&	2) Loan/advance given to shareholder having $\geq 10\%$ of shareholding in company
--	---	--

Then



Amount up to Accumulated Profit (Excluding bonus share i.e. capital profit) Deemed Div.	In excess → No deemed div
---	---------------------------

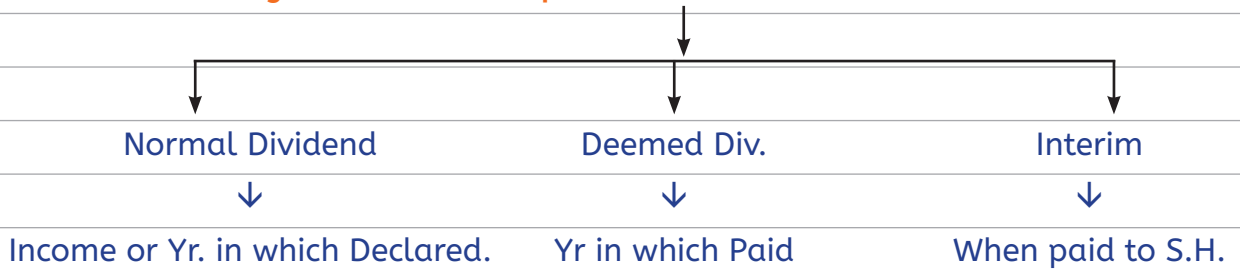
→ Loan given to concern of S.H. is Deemed Dividend in hands of S.H.

1) Loan/advances given by Unlisted company	&	2) Loan/advance given to a concern (i.e. HUF / firm / company, etc) in which our shareholder having $\geq 10\%$ of shareholding in company is substantially interested (Means owner for $\geq 20\%$ ) <b>Means 2 conditions--</b> $\geq 10\%$ shareholding in lending company and $\geq 20\%$ ownership in borrowing concern
--	---	---

Then that loan amount will be Deemed dividend for that shareholder upto amount of accumulated profit

- ⇒ However, following shall not be treated as deemed dividend u/s 2(22)(e):
1. Giving loan is ordinary course of business for company like bank, NBFC
  2. Advances given to Shareholder which is trade advance for benefit of company

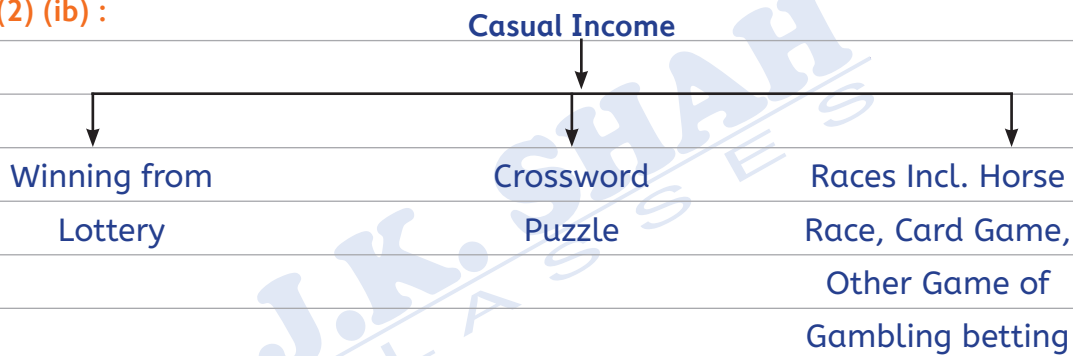
❖ **Sec. 8 : Basis of Charge of Dividend Irrespective of Method of A/c**



Now onwards every dividend received by foreign or domestic company is taxable to shareholder at normal rates.

Section 57: From dividend income only interest expense can be deducted max upto 20% of dividend income.

❖ **56(2) (ib) :**



This Income is taxed to recipient u/s

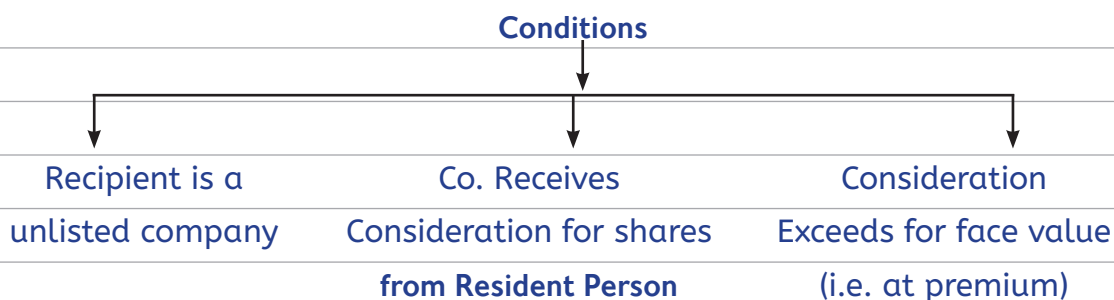
115 BB @ 30%



No Exps. allowed, No Deduction u/c VI-A, No Shifting Benefit but rebate available.

**Note:** Payer will deduct TDS u/s 194B/194BB @30% and it will pay balance amount. So if in question after the Income(Net) is written then add gross income in IFOS.

❖ **56 (2) (viib) : Share Premium in excess of FMV**



If above conditions satisfied then IFOS Income= (Issue price-Fair market value)

Note: If shares issued at discount then this concept not applicable

❖ **Sec. 56 (2) (viii) : Int. on compensation / enhanced compensation:** In IFOS

**Sec. 145 B:** Taxable → In year in which Received

**Sec. 57:** 50 % Ded. (No other exps allowed)

❖ **56(2)(x) : For recipient → Taxability of sum of money or property Received w/o consi. Or inadequate consideration (Gift Income)...W.E.From 1.10.2009**

Transaction	Condition	Taxable Amt.
Sum of <u>Money Without Consideration</u>	Aggregated value exceeds Rs. 50,000/- p.a.	Entire Amt. received
Movable Property Received without consideration	Aggregate FMV of such prop. Exceeds Rs. 50,000/- p.a.	Entire FMV.
Movable Property R'ved with Inadequate Consideration	If FMV exceeds consi. For more than Rs. 50,000/- p.a.	Diff. of FMV & Consi.
Immovable Prop. R'ved w/o consideration (land or building or Both)	Stamp duty exceeds Rs. 50,000/- (Here per transaction)	Stamp Duty
Immovable Prop. R'ved with Inadequate Consideration (Actual sale consi < Stampduty)	Diff of actual value & SD is higher then a) Rs. 50,000/- & b) 10% of actual consi. [In tuning with 43CA, 50C]	Difference between stamp duty and actual consideration

**Note :** Generally we take stamp duty on date of registration but Taxpayer has option to take **stamp duty value as on date of agreement** (& not date of reg.)

↓ If.

Part of consi. must have been paid by way of A/c payee cheque A/c payee draft or use of ECS or by e-mode on or b4 date of agreement.

→ When Sec. 56(2)(X) is N.A. :

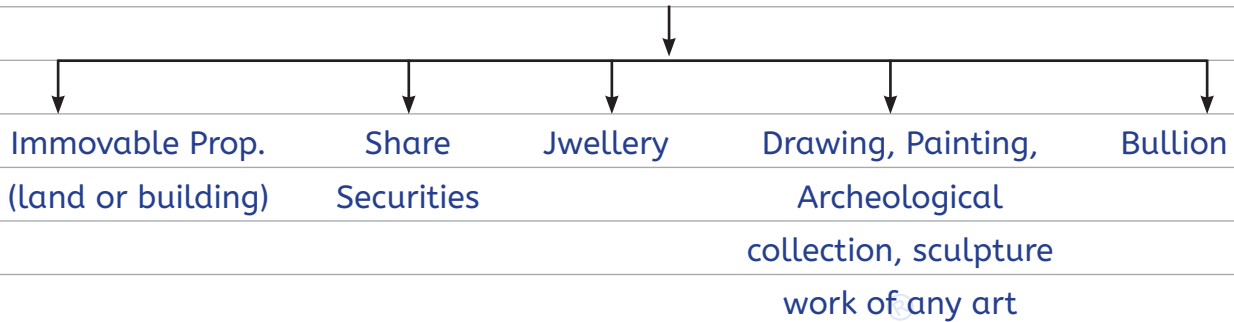
If sum of money or prop. R'ved from :

- 1) Relative.
- 2) On occasion of own marriage

- 3) Under Will or Inheritance.
- 4) From local autho.
- 5) From Institution / Trust registered u/s 10(23C) or 12AA/12AB

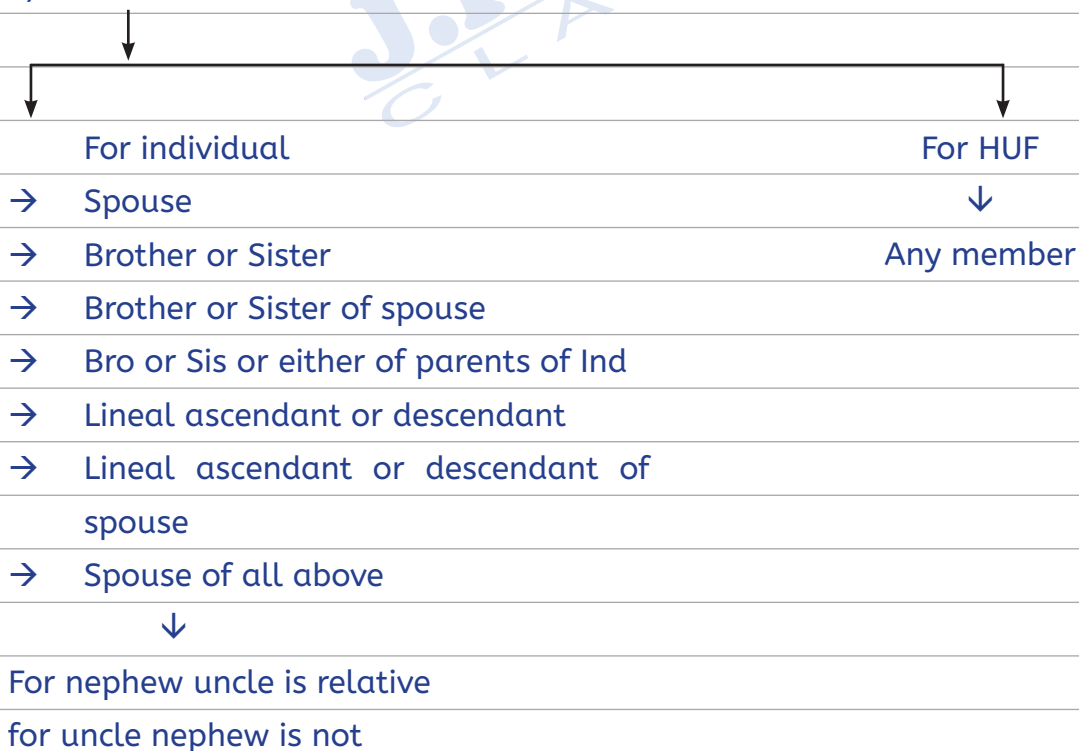
→ Meaning :

1) **Property : Capital asset** namely



[So Capital asset do not include other movable asset like Mobile, TV, Fridge, Car, AC, It also don't include Stock in trade, rural agricultural land and hence if we receive any of these assets without consideration then still 56(2)(x) not applicable]

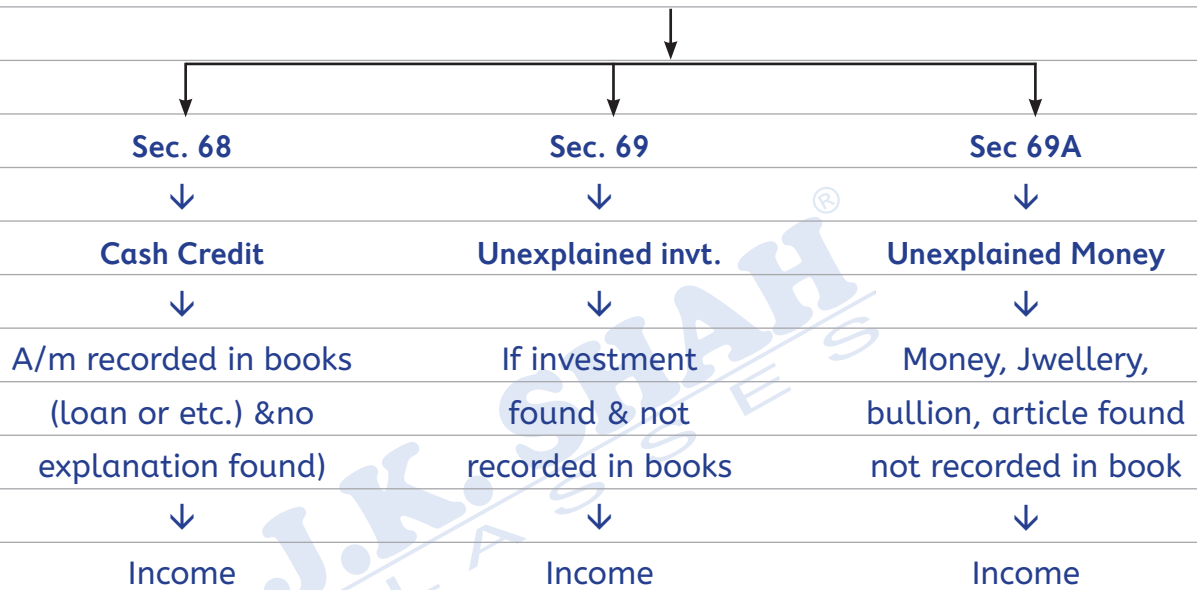
2) **Relative :**



Note :

Whether At time of receipt of gift it was taxable?	Then what will be COA at time of future CG?	POH will be from?
NO	49(1)-Cost to previous owner	From previous owner
Yes	49(4)-FMV/SD taxed in IFOS	From current owner

**Unexplained Income / Exps. / Investment**



- 69 B → Investment not fully disclosed in BOA → Diff. = income
- 69 C → unexplained expenses → expense not recorded in BOA & no explanation for that → income (No ded” in any head)
- 69 D → If amt was borrowed by hundi & repaid otherwise a/c payee ch,, → Income

↓

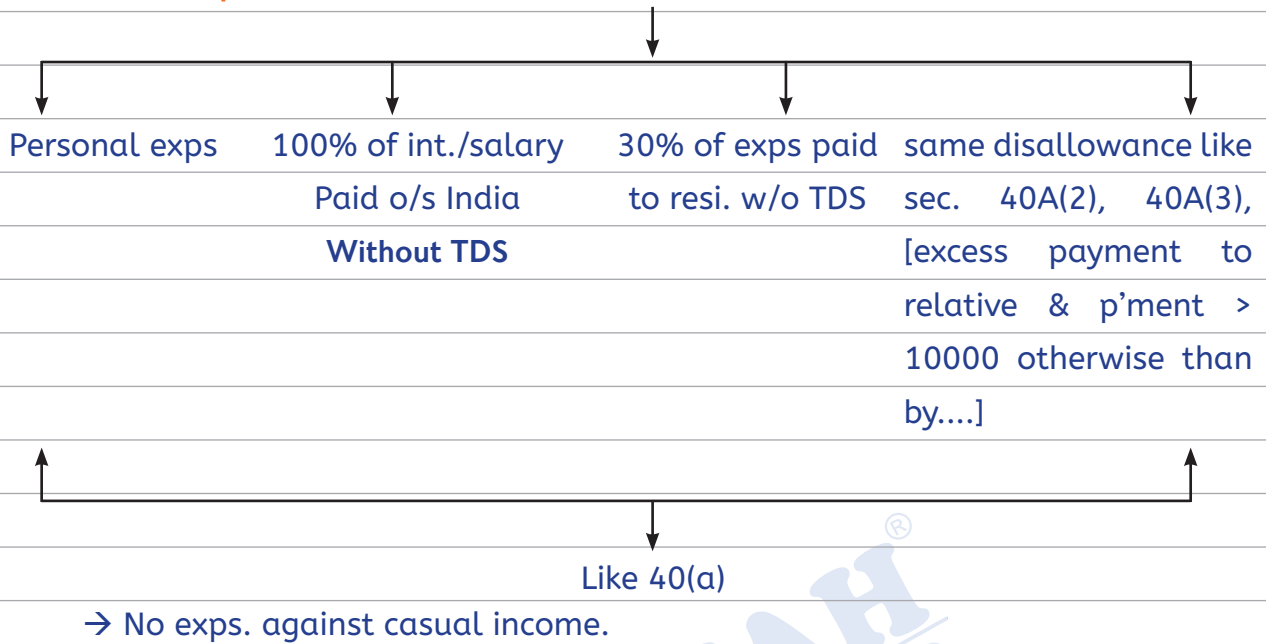
Sec. 115 BBE → 60% (+ 25% SC+ 4% Cess) = 78%  
(No expense, No deductions, No rebate, No Shifting Benefit)

❖ **Deductible Expenses Sec. 57 :**

- a. For letting out P & M, Furniture, Building.  
Current repairs of building, Ins. Prem. On Premises, Repairs & Ins of P & M, Furniture, Depre.
- b. Family Pension → Ded =15000 or 1/3rd w.e. lower (No deduction if 115BAC followed)

c. Any other expense (not capital exps) wholly & excl. for Income

❖ **Sec. 58: Expenses not deductible**



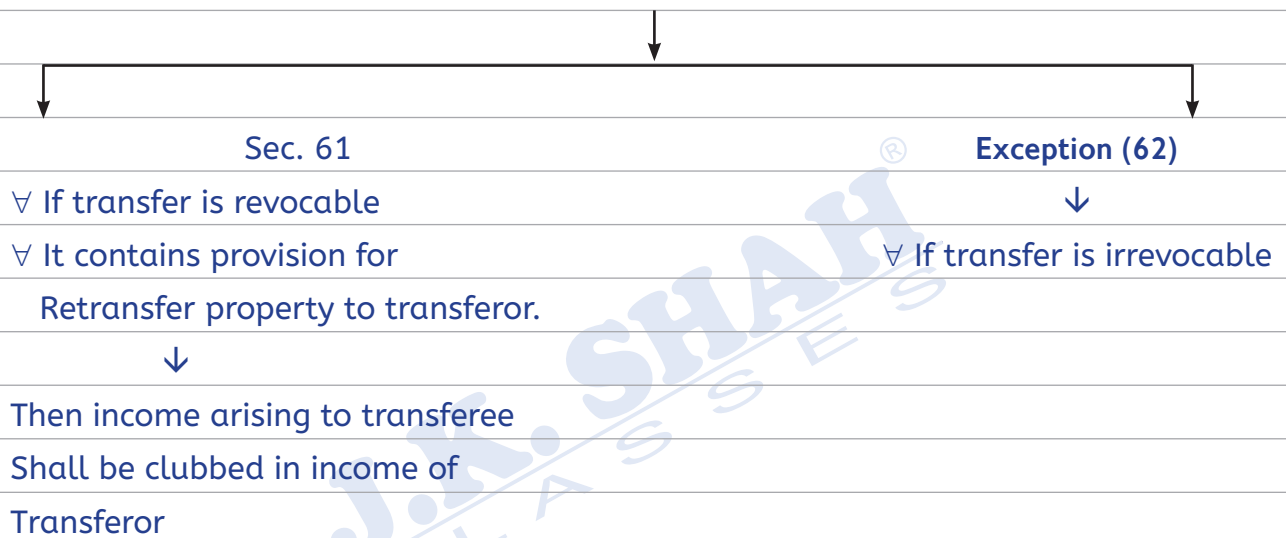
8

**CLUBBING**

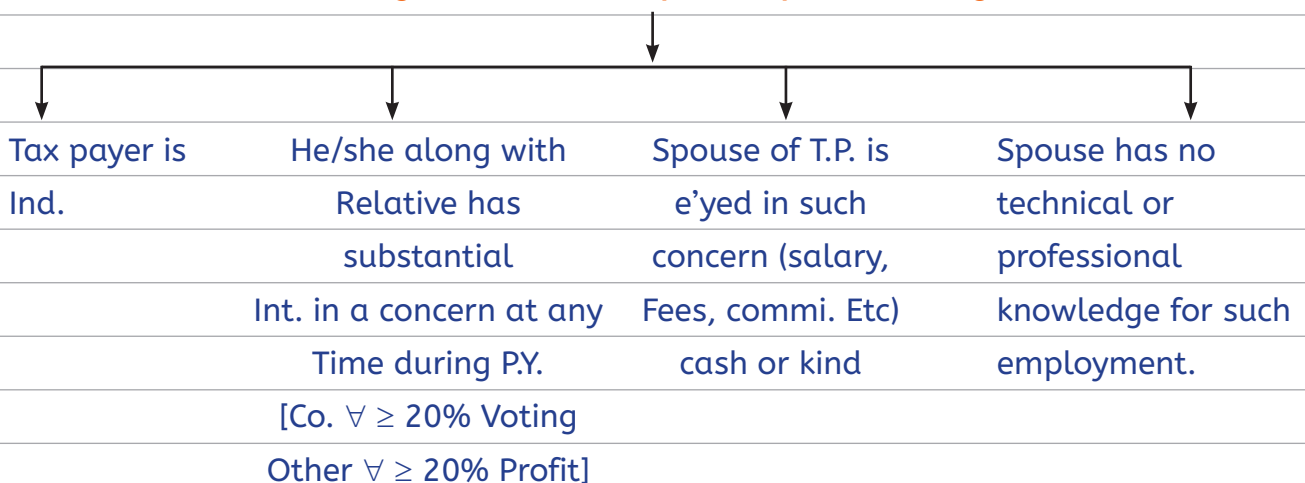
❖ **Sec. 60 : Transfer of Income without trf of asset**

This kind of Income will be included in the Income of transferor only. Whether or not transfer is revocable or irrevocable

❖ **Sec. 61 : Income arising from revocable (same like Bond washing) transfer :**



❖ **Sec. 64(1)(ii) : Clubbing of Remuneration paid to spouse clubbing is to be done if:**



⇒ Relative ∇ spouse, brother, sister lineal ascendant or descendent

⇒ Where both husband & wife has sub Int. & both are getting remuneration w/o knowledge from same concern



Income will be clubbed in total income of husband or wife whose T.I. (w/o salary) is higher

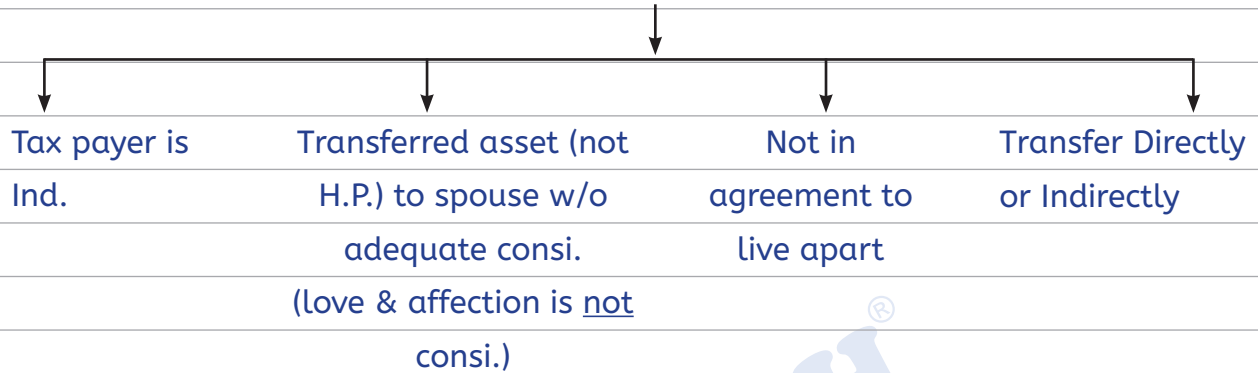


Once Incl. ∇ then for subsequent yr also in same person

❖ **Sec. 64 (1) (iv) :**

Income arising to spouse from asset (other than H.P.) transferred w/o adequate

consi.



- For H.P. ∇ Sec. 27 ∇ Deemed owner (same provision).
- Clubbing is still appli. If money is gifted & spouse invest in asset.
- Cap. Gain from asset is also to be clubbed

→ If transferred asset are invested in business of transferee



Income from such business will be clubbed as under



Profit of busi. X A/m invested out of Trt asset as on 1st day of PY.

Total Inv. of busi. on 1stday

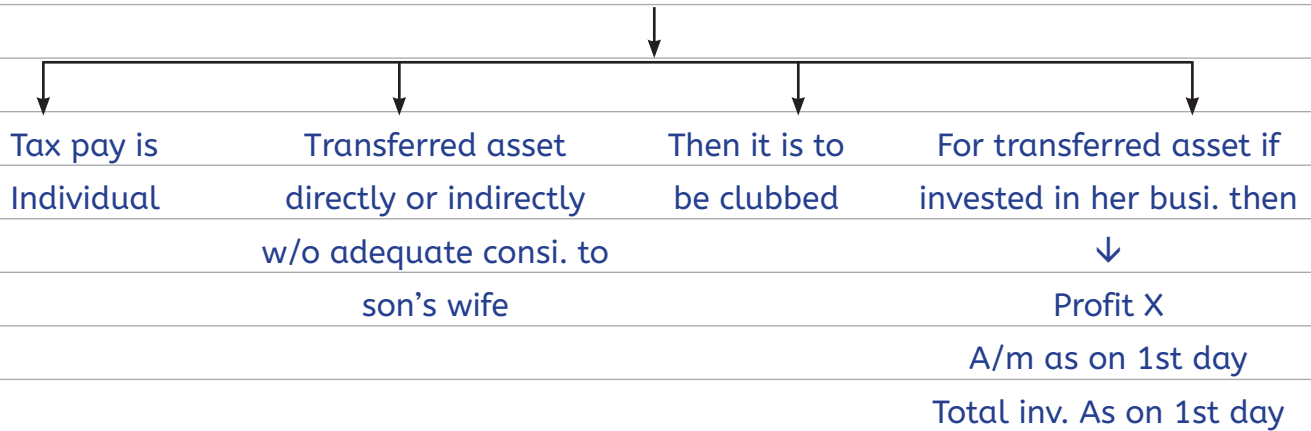
(This prov N.A. if amount given as bonafied loan)



❖ **Sec. 64(1) (vi) :**

Income arising to son's wife from asset (incl. H.P.) transferred w/o adequate consi.

By F.I. law or M.I. law.



❖ **Sec. 64(1A) : Clubbing of minor's income**

- Every Income of minor (apart from 3 mentioned below) will be clubbed in parent (whose T.I. w/o this income is greater). Once it is clubbed then in subsequent year also it will be clubbed in same parent.
- When marriage does not subsist ∇ in the hand of parent who maintains him.
- Income of minor married daughter will also be clubbed.
- The following 3 income will not be clubbed :
  - a). Income is on a/c of any activity of his skill, talent or specified knowledge.
  - b). Income is on a/c of his manual work.
  - c). Minor child is suffering for disability mentioned in Sec. 80U.

❖ **Sec. 10(32): Exemption of Rs. 1500 p.a. per child from minor's income.**  
(No exemption if 115BAC followed)

❖ **Sec. 64(2) : Conversion of self acquired property into prop. of HUF.**

→ If prop. transferred directly / indirectly to HUF w/o adequate consi.

↓

Income of such prop. to be clubbed to transferor i.e. in hands of member  
[& not to HUF]

❖ **Common Notes :**

(1) Explanation 2 to Sec. 64: Income includes loss.

- (2) Clubbing u/s 64 appli. To spouse, minor child, son's wife and HUF. Section 60 & 61- to all.
- (3) Accretion of Income i.e. Income from Income is not to be clubbed.  
**E.g.** Mr. A give HP to Mrs. A w/o consi. Then income of HP to be clubbed o Mr. A bt if Mrs. A invest this HP income into FD and earn int. then it is not to be clubbed.

# 9

## AGRICULTURAL INCOME

❖ **Agriculture Income 2(1A) :**

→ Agri. Income may arise in following :

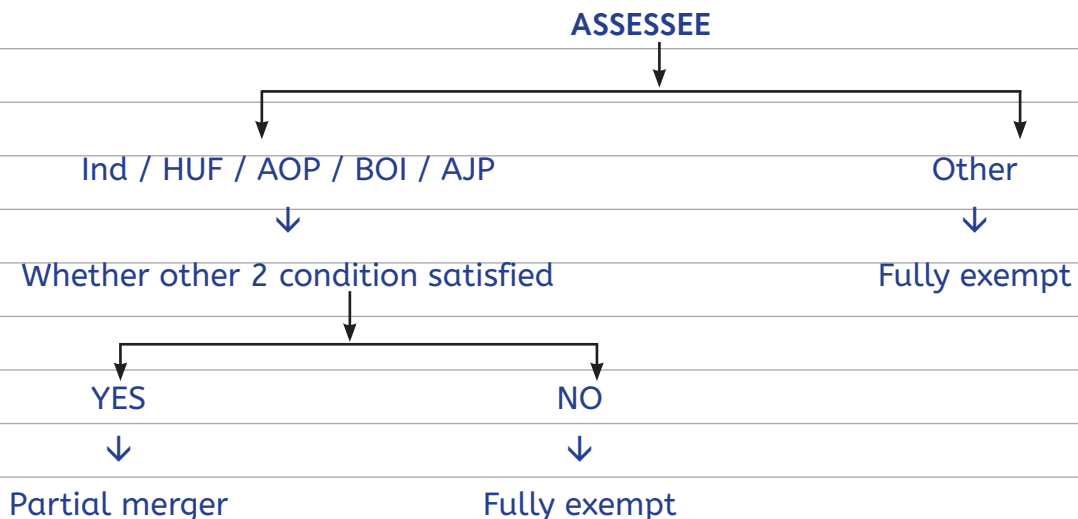
- I. Any rent or revenue derived from land situated in India & used for agricultural purpose (by anyone) i.e. tenant or owner.
- II. Any Income derived from such land by agricultural operations.
- III. Income derived by processing of agricultural produce. (process should be ordinarily e'yed to render the produce fit to market).
- IV. Income from farm building (farm house) on rural agri. Land.
- V. Income derived from sapling or seedlings grown in nursery = deemed Agri. Income.

❖ **Partial Merger :**

Q. : Agricultural Income is exempt from Income for Act but I.T. Act Indirectly collect tax on Agri. Income explain

Ans: Though Sec. 10(1) → Agri. Income in India is exempt. it is first to be incl. in Total Income for determining rate at which other Income will be chargeable **if following condition are met :**

- a). Assessee is Ind. / HUF / AOP / BOI / AJP(Slab rates).
- b). (Net) Agri. Income exceeds Rs. 5000
- c). Total Income which is taxable (other than agri) exceeds max. a/m not chargeable To tax(i.e. exceed BEL).



→ If these 3 conditions met then: Find out total Income by considering fully exempt but then find out tax payable as under:

Step 1 : Find out (Total Income + Net Agri. Income) for tax calc. only.

Step 2 : Find out basic tax on step 1 (b4 cess)

Step 3 : Find out (B.E.L + net Agri. Income)

Step 4 : Find out basic tax on step 3(b4 cess) . This will be called Rebate on Agri. Income.

Step 5 : Tax Payable = (Tax on Step 2 – Step 4)

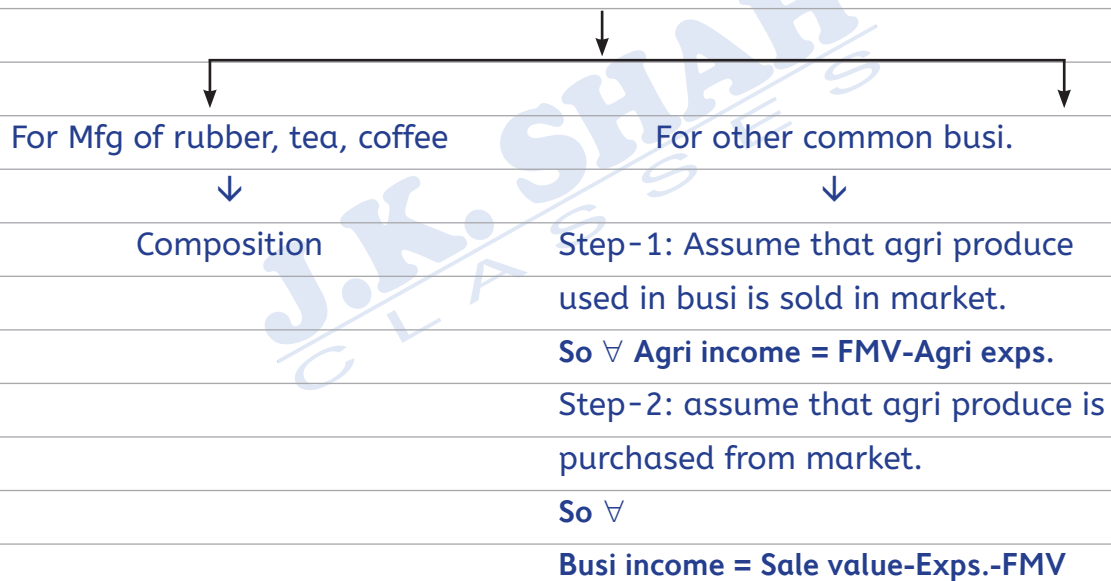
Step 6 : Then apply surcharge/REBATE& cess

**Illu. 3**

**Note:** For limits of rebate & surcharge only see taxable income.

**E.g.** Mr.B non agri income: Rs.60 L and agri income Rs.50 L(SC rate=10%)

→ What if common activity is there having agricultural and non agricultural activities(how to bifurcate total income into agri & nonagri)



**10****OTHER EXEMPTIONS**

- (1). **Sec. 10(2)** : Income From HUF as a share from asset etc. is exempt from member.
- (2). **Sec. 10(2A)** : Share in Profit of firm
- (3). **Sec. 10(4)**: For individual → Int. on money standing to his credit in NR (external) a/c (NRE A/c) if it is approved by RBI.
- (4) **10(11A)**: Any p'ment (Int. etc) from a/c opened with Sukanya Samriddhi A/c rules 2014.
- (5) **10(15)** : Following Int. Income is exempt :
  - 1). Post Office Saving Bank Int. upto Rs. 3500 for Ind. & Rs. 7000 for joint a/c.
  - 2). Int. p'ble by Bond issued and notified by CG E.g. NHAI, RECL, HUDCO, Power Finance Corp., Indian Railway Finance Corp. Ltd.
- (6) **10(16)**: Any scholarship r'ved by Individual granted by anybody to meet cost of education.
- (7) **10(17)**: For Member of Parliament or state legislature or committee:  
**Daily allowances, any allowamnces as per MP rules, 1986, constituency allowance.**
- (8) **10(17A)** : To any assessee who receives award or reward received in cash or kind Given in Public Int. by CG, SG or body established by Govt.
- (9) **10(18)**: **Pension** r'ved by e'yee or family member (after death of e'yee) from CG or SG if he is eligible e'yee.  
Eligible e'yee = who has received Param Vir Chakra, Mahavir Chakra, Virchakra. (gallantry awards)  
[Family = Spouse, children, parents, bro., sis. (dependent)]

(10) **10(26)** :

Member of Schedule tribe residing in → i). Income from source in that area



Nagaland, Manipur, Tripura,  
Arunachal Pradesh, Mizoram,  
Ladakh of J&K

ii). Int. & Div. (World Int. Div.)

(11) **10(26AAA)**: A Sikkimese Individual → Any income accruing from source of Sikkim & World Int. + Div.

However if Sikkimese woman marries on or after 1/4/08 to non Sikkimese → Then no exemption

(12) **10AA**: Newly established units in SEZ.

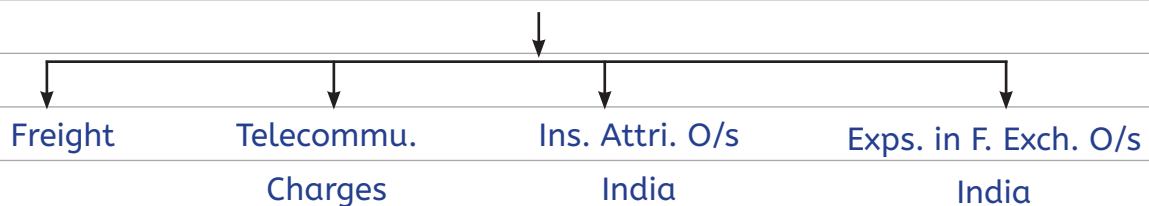
(No exemption if 115BAC followed)

→ Period & ded'

Period	Deduction
1st 5 consecutives A.Y. (from A.Y. in which begins mfg.)	100% of profit from export
For next 5 A.Y.	50% of profit from export
Next 5 A.Y.	50% of profit from export or Amt. trf. to "special eco. Zone reinvestment allowance res" w.e. lower

Profit from export = Profit of Busi. x  $\frac{\text{Export T/o (actually received)}}{\text{Total T/o of SEZ.}}$

→ Export T/o & total T/o shall not include :



11

SET OFF CARRY FORWARD

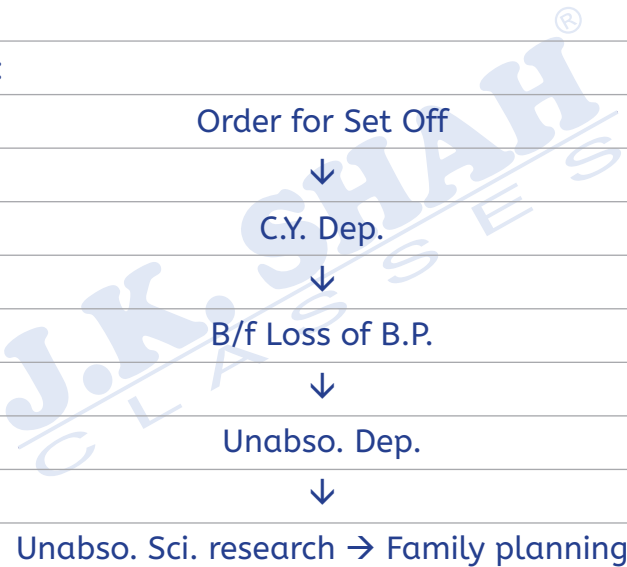
LOSS	In current year first Set Off (Intrasource → Sec.70	Inter head [Sec.71] In Current year Inter Head Set Off	Carry forward against which head
1. Loss from salary	→ Not possible	→ X	→ X [No loss]
2. Loss from HP	→ Income from HP	→ Any other head Incl. Salary [Max. upto 2 Lakh(71(3A))	8Yrs →
3. Loss from PGBP (Non speculative) [Sec. 72]	→ Income from PGBP (Spec. + Non Spec. + 35AD)	→ Any other head <u>excl. salary</u>	8Yrs → Income from PGBP (72) (NS + S + 35AD)
4. Unabso. Depre, Sci. research family planning	→ Income from PGBP (NS + S + 35AD)	→ Any other head excl. Salary	Infi. → Any other head (excl. salary)
5. Loss from PGBP (Speculative)	→ Income from Speculative (PGBP)	→ X (No head)	4Yrs → Speculative PGBP - 73(1)
6. Loss from owing & main horse race	→ Income from O&M Race Horse	→ X (No head)	4Yrs → Income from O&M - 74A R.H.
7. Loss of 35AD	→ Income from 35AD	→ X (No Interhead)	Infi. → Income from 35AD (73A)
8. S.T.C.L.	→ S.T.C.G.	→ L.T.C.G. (70(3))	→ STCG + LTCG
9. L.T.C.L.	→ L.T.C.G.	→ X	→ LTCG

- |  |   |                |   |                         |   |           |
|--|---|----------------|---|-------------------------|---|-----------|
| 10. Loss I.F.O.S.                            | → | Income from OS | → | Any head (Incl. Salary) | → | X No Clf. |
| 11. Loss from card game, lotteries, gambling | → | No Set Off     |   |                         |   |           |

**Note :**

- 1) Business loss can be set off against CG bt Capital loss can't against Business gain  
STCL can be set off against LTCG bt LTCL can't against STCG  
NS loss can be set off against S gain bt S loss can't be against NS gain.  
NS loss can be set off against 35AD gain bt 35AD loss cant be against NS gain

- 2) As per Sec. 72(2) :



- 1) **Sec. 80 : Submission of return for loss :**

Assessee must file a return of Income on or before due date u/s 139(1) to carry forward losses. However following loss can be set off even without filling return on time.

- i) H.P. Loss (71B)
- ii) Unabsorbed dep. (32(2))

- 2) Loss from exempt source cannot be set off against profit of Taxable source.

- 3) **No setoff of HP against other head income if 115BAC followed.**



**4) Book Profit :**

N.P. (b4 Loss & Unabso)	270000
Busi. Loss	200000
Unabso. Depre	120000

Cal. B.P. &amp; Remu.

Ans :            270000        -        70000 (Note-1) [2.7L – 2L = 70,000]

=    200000

Remu.        =    180000 (90%)

**Note-1:** As per 40(b), only adjustments from 28 to 44DB to be done .So business loss is not to be deducted but unabsorbed depre to be deducted. However amount of unabsorbed depre depends on business loss as first loss is to be deducted.

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**12**

**DEDUCTION FROM GTI  
U/C VI-A**

❖ **General Rules**

- 1) **Section-80A:** Aggregate a/m of ded' u/c/ VI-A can not exceed G.T.I.
- 2) **Entire chapter not applicable if 115BAC followed except 80CCD(2),80JJAA.**

1) **Sec. 80C :** Deduction for specified Investment to Ind. / HUF(R+NR)

- Max. Ded' under this Section is Rs. 1,50,000
- Following are allowed

a) **Life Insurance Premium :**

For Ind. → him/herself + spouse + any children [No ded' for parents]  
For HUF → member

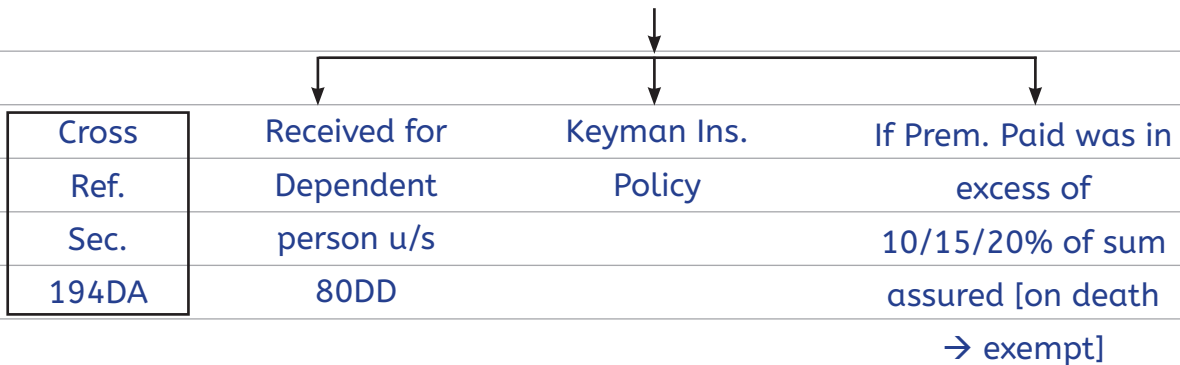
**Can be paid by any made**

Deduction of Ins. Prem. Cannot exceed:

	Normal Person	Person suffering from 80U
→ Policy b/w 1/4/3 to 31/3/12	20% of sum assured	20%
→ Policy b/w 1/4/12 to 31/3/13	10%	10%
→ From 1/4/13	10%	<b>15%</b>

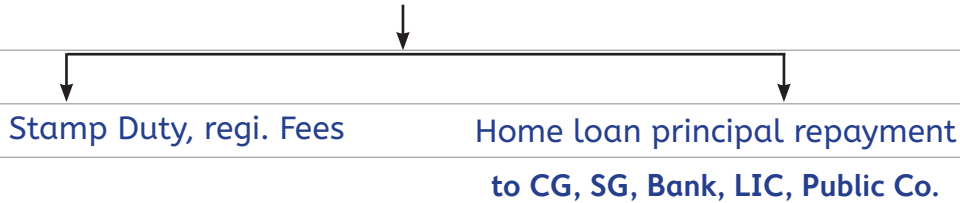
Cross ref : Sec. 10(10D) :

Amt. R'ved under LIP incl. bonus is exempt **except**



- b) i. E'jee contri. To approved superannuation fund, SPF., RPF
- ii. Contri. to Any contri. In PPF for family  
Int. on PPF → exempt.

- c) Amt. deposited in “Sukanya Samridhi Yojana” [For Ind. + girl child]
- d) Subscription in NSC VIII [National Saving Certi]  
Int on NSC → First add to IFOS then ded’ u/s 80C.
- e) Tuition fees paid in India for full time education for max upto 2 children.
- f) For house property whose income is chargeable under head “HP”



[So, if loan taken from friend, relative then Int. is allowed u/s 24(b) but principal r’ment is not] Pre construction period principal repayment not allowed.

- g) Invst. In ≥ 5 yr term depo of schedule bank, post office.

**Note :** If Invest. Of fixed period withdraw before 5 yr then deemed Income = Ded’ Allowed earlier

- 2) **Sec. 80CCC :** Contribution in Pension Fund of LIC by Individual(R+NR)

Ded’ = Exps. or Rs. 150000 w.e. lower.

- 3) **Sec. 80CCD (1):** Contri. to pension scheme notified to CG (Eg. NPS,Atal Pension Yojna)

Sec. 80CCD (1) :



Salary = Basic + DA(%)

**Sec. 80CCE:** [Aggregate] of 80C + 80CCC + 80CCD(1) – Rs. 150000

Now onwards Over & above Rs. 150000

- 4) **80CCD (1B) :** Additional deduction for Individual on Investment in pension scheme i.e. NPS upto Rs. 50000 [If there are other deductions also in sum then always taken ded’

first in this & then in 80CCD (1)]

5) **80CCD(2):** Additional ded' to Ind. For contri. made by CG or e'yer in pension Plan

Step-1: First add to Income of salary.

Step-2: Then ded' upto 10% of Salary. However if CG contributes then 14%.

6) **80D :** Deduction in respect of Mediclaim for Ind/HUF(R+NR)

Condition : Ind. / HUF + Mediclaim paid out of Income Chargeable to tax (same → 80CCC, 80E)

: Payment should be **“other than cash”**

: However, preventive health check up can be made in cash.



Max. Ded'



	To Individual		HUF
	Himself +For spouse + Depn. Child)	Parents (Dep. + Not Dep.)	For Member
i). Mediclaim	Avbl	Avbl	Avbl
ii). CG Health Scheme	Avbl	N.A.	N.A.
iii). Preventive health check up (PHCU)	Avbl	Avbl	N.A.
	25000 (If any person = Resi .S .C then 50000)	25000 (If any person = Resi .S .C then 50000)	25000 (If any person = Resi .S .C then 50000)

→ For PHCU → Max. ded' Rs. 5000 (Incl. in limit of Rs. 25000 / 50000) for all.

→ For himself + spouse or parents if Resi.S.C + ≥ 60 yrs & no ins. Then actual medical exps. upto Rs. 50000

→ **80D (4A):** If mediclaim is paid for lumpsum, for more than 1 yr then ded' will be proportionately for each year. (For PY covered by policy tenure)

Deduction= Total premium paid/total no.of years (francions=1)

**E.g.** Mr,A paid Rs.30000 as Mediclaim on 1.3.21 for 3 yrs.What will be deduction u/s 80D for PY 2020-21?

Ans:

7) **Sec. 80DD** : Ded' for maintenance Incl. Medical treatment of dependent being person with disability

- Condition : Resident Ind. / HUF.
- : Taxpayer has incurred exps. for medical treatment under scheme of LIC or other medical treatment for person dependent with disability
- : Such person has not claimed 80U.

→ Ded' :

Disability	Fixed ded' if any Exps. Done
40% - 79%	75000
>=80% (Severe Disability)	125000

Dependent → Indi. → spouse, children, parent, bro, sis (Dependent)  
→ HUF → member.

[Grandparents, Uncle not covered]

→ Other Condition: For ded'→File Certi. issued by medical autho.

8) **Sec. 80DDB** : Medical Treatment

→ Condition: Resident Ind. Or HUF → Actually paid a/m for medical treatment

For Himself or Dependent Relative for diseases mentioned under rule 11 DD

→ Ded' : Actual exps or limit w.e. lower  
Himself / Dependent → 40000

If the patient is Resi. Senior Citizen → 100000

Dependent → Same as 80DD

→ Ded' amt shall be reduced by reimbursement by e'yer by insurer.

9) **Sec. 80E** : Loan taken for higher studies.(R+NR)

→ Condition: Individual has taken loan for higher studies (after 12th) from financial institute or approved charitable institutes.

For himself, spouse or any child (even for child of which he is legal guardian) & Int. a/m paid from Income chargeable to tax.

→ Ded' : Entire Int. for 8 years or repayment of loan w.e. earlier

(No need to see full time or Part time course)

In 80C → Tuition fee for full time

10) **Sec. 80EE** : Int. on loan taken for Resi. H.P. :

→ Condition : Individual + Home loan taken from Fin. Inst. & Sanctioned in P.Y. →16-17

: A/m of loan < =35 L

: A/m of home < =50 L

: T.P. does not own any H.P. on date of sanction of loan.

→ Ded' : Int. or 50000 w.e.lower [In addition to 24(b)]

11) **Sec.80EEA**. - Deduction in respect of interest on loan taken for certain house property(From finance Act,2019(No.2))

→ Condition: Ind + Not eligible to claim 80EE+ Home loan from fin. Inst (Not NBFC) & sanctioned in P.Y.2019-20 & P.Y.2020-21

: Stamp duty of house <= 45 Lakhs

: T.P. does not own any H.P. on date of sanction of loan.

→ Ded' : Int. or 150000 w.e.lower [In addition to 24(b)]

12) **Sec.80EEB**. - Deduction in respect of purchase of electric vehicle (From finance Act,2019(No.2))

→ Condition: Ind+ loan from fin,Inst (Incl.NBFC) to purchase electric vehicle& sanctioned between 1-4- 19 to 31-03-23

→ Ded' : Int. or 150000 w.e.lower.

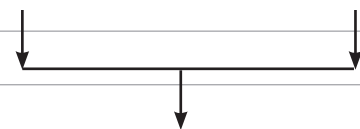
13) **Sec. 80G : Donation to certain fund, charitable, institution.(To any assessee)**

→ Condition

- i) Donation in Kind → not deductible
- ii) Donation directly to beneficiary → Not deductible
- iii) Donation for particular cast / commu. → Not deductible
- iv) Donation in Cash > 2000 → No deduction
- v) Deduction only if paid in India

→ **Deduction :**

Type 1	Type 2	Type 3	Type 4
100% w/o limit (clue : CG / SG)	50% w/o limit (clue : congress)	100% with limit (clue : games)	50% with limit (General)
Find names having 1) National 2) International 3) Central 4) State 5) Zila 6) PM 7) CM 8) Notified Uni. 9) Swachh Bharat 10) Clean Ganga 11) PM Cares Fund	1) Jawaharlal Nehru 2) Indira Gandhi 3) Rajiv Gandhi 4) PM's draught Relief fund	1) CG / SG for promoting family planning 2) Indian Olympic Asso. [to Indian Co. Only] 3) Indian Archery Asso.	→ Any other charitable / religious trust registered u/s 80G



Type 3 & 4 together subject to 10% of Adjusted Total Income

Adjusted total Income = GTI-Deduction u/s 80C to 80U (Except 80G)-LTCG u/s 112/112A-STCG u/s 111A.

Total Ded' = Type 1  
 + 50% of Type 2  
 + Type 3 (upto 10% of ATI)  
 + (Type 4 \* 50%) or 50% [ATI \* 10% - Type 3] w.e. lower.

E.g. : Olympic asso. → 60000

Trust → 100000

10% of ATI → 100000

**14) 80GG : Rent paid by self employed**

Condition : 1). Indi. + Any self e'yed  E'ye with no HRA

2). Person or spouse or HUF or minor child does not own any Resi. H.P. where he resides

3). himself do not own any other HP as SOP anywhere.

Ded' : 1) Rs. 5000 P.M. or  
2) 25% of A.T.I. or  
3) Actual Rent – 10% of A.T.I. } w.e. lower

A.T.I. = GTI – Ded' u/s 80C to 80U (except 80GG) – LTCG – STCG u/s 111A.

**15) Sec. 80GGA : Donation for scientific research or rural development.**

Condition : Person = whose income do not cover PGBP Income

: Sum paid to Science Research, Social Science, Rural Development approved fund

Ded' : Ded' = Actual Exps.

: No ded' for donation in cash > Rs. 2000.

**16) Sec. 80GGB : Donation by India Co. to political party. [which was disallowed in PGBP 37(2B)]**

: No ded' for sum contributed by Cash.

: Donation to political party or electoral trust → Regi. u/s 29A of Representation of People Act, 1951.

+ for exps (Dir or Indirectly) by Co. on advertisement in any publication of party souvenir, brochure etc

**Deduction= 100% of amount contributed**

**17) Sec. 80GGC : Donation by any person (other than co.) to political party**

→ Same as 80GGB

+ Ded' not avbl. to local autho. & AJP. 100% Which funded by govt.



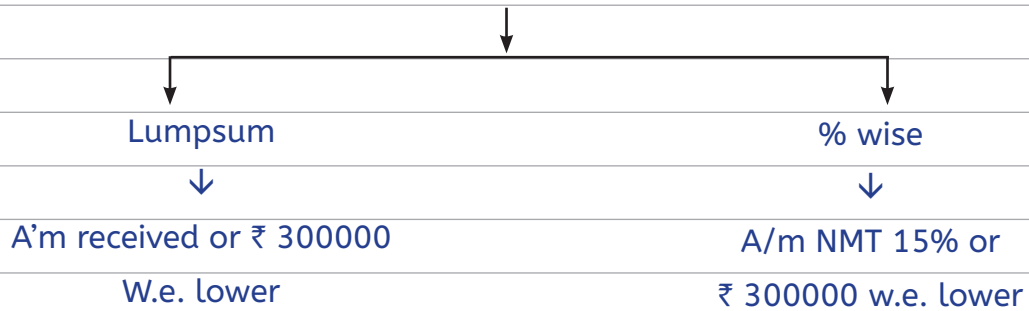
18) **80QQB** : Royalty Income of Author

Condition : To resi. Individual

: The book is authored by him related to literacy, artistic or science nature.

: No ded' for T.B. of schools, guides, newspaper, journal pamphlet

Ded' : Royalty Income



→ In case of Royalty from abroad only received within 6 m from end of P.Y. will be income.

→ Ded' to be cal. after exps.

19) **80RRB** : Royalty for patent

Condition : Resi. Individual + Regi. as true & first inventor under Patent Act, 1970.

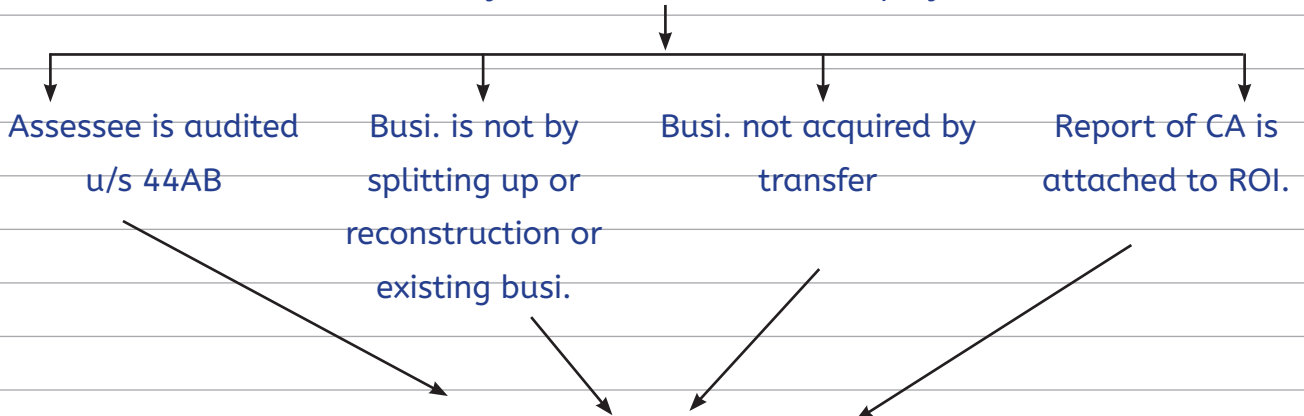
Ded' : Royalty Patent Income

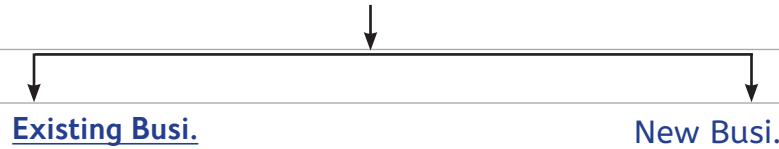
↓  
A/m Received or 3 L w.e. lower (No % condition)

→ Abroad → To be received without 6 m from end of P.Y.

20) **80JJAA** : Deduction for e'ment of new employee

Ded' = 30% of additional e'yee cost for 3 P.Y. from employment (if)





Additional e'jee cost shall be NIL if :

- i) No increase in e'jee
- ii) P'ment by other than a/c payee chq.  
Draft, ECS or any other e-mode.  
(So if new e'jee → allowed)

1stYr. → Total e'jee p'ment =  
additional cost

**Additional e'jee shall exclude:**

- i) e'jee > 25000 P.M.
- or ii) e'jee → salary is contributed entirely by EPF, ESIC dept.
- or iii) e'jee → e'yed for <240 day(For busi of mfg of appareal, footwear, leather produce it is 150 days)—They will be deemed appointed in next year.
- or iv) e'jee → does not participate in Reco. P.F.(E.g. Casual Worker)

21)

Topic	80TTA	80TTB
Applicable to	Any Ind+HUF(Except Resi.S.C.)	Resi. Senior citizen
For	S/B A/c Interest(First add to income then deduction)	FD+SB A/c Int
Deduction	Max.10000(Note- 1)	Max.50000(Note- 1)

**Note-1:** cross ref 10(15) → First P.O. Saving Int. exempt upto Rs. 3500 then ded" of 80TTA]

**E.g.** Post office sb a/c interest Rs.13000.

22) **Sec. 80U :** Ded' in respect of Income or person with disability  
(Cross ref. Sec. 80DD)

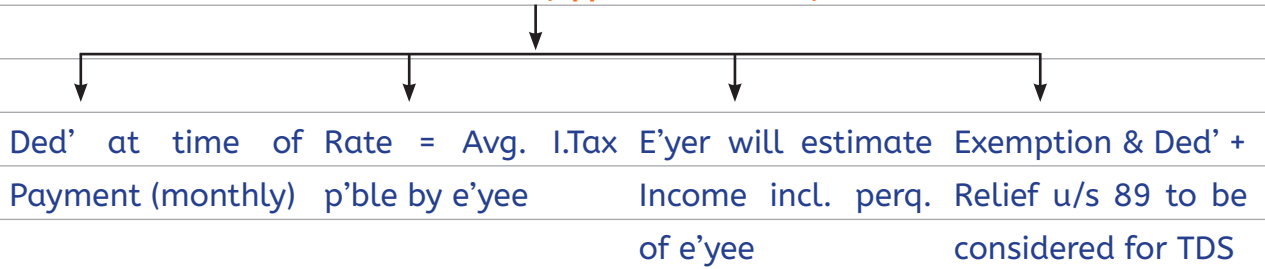
Condition : **Resi. Ind. + Disability > 40%**

Ded' : >=40% - <80% → Fixed Rs. 75000  
> =80% → Fixed Rs. 125000

**13**

**TAX DEDUCTED AT SOURCE & COLLECTED AT SOURCE**

❖ **Section 192 : Ded' of tax from salaries (applied to NR also)**



→ If e'yee has 2 e'yer → e'yee will select any one of TDS ded'.

→ Steps for deducting TDS

Tax on [Salary – Loss on H.P. + other positive Income – Deduction u/c VI-A]

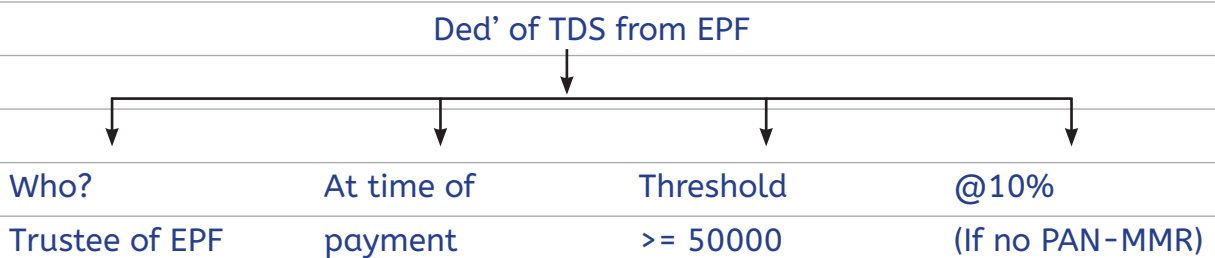
(-) TDS on other income

TDS on salary / No. of months

= monthly TDS.

**Note:** Any cap. Gain loss or busi. loss to be ignored for calc. TDS. (Only HP Loss allowed).

❖ **Sec. 192A: P'ment of accumulated balance due to e'yee. (i.e. EPF).**

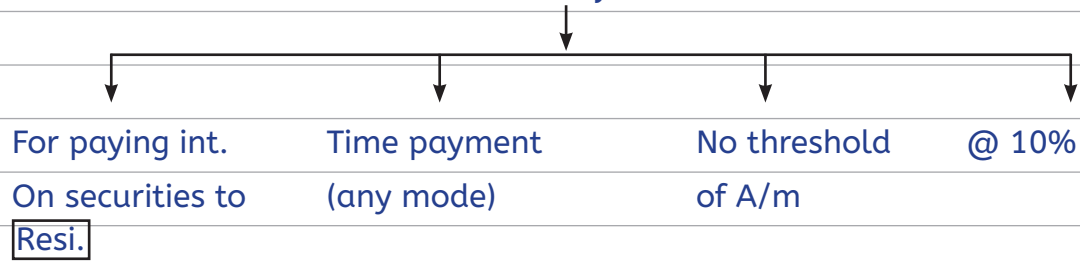


(Only if e'yee not rendered

Continuous service of 5 yrs due to avoidable reason)

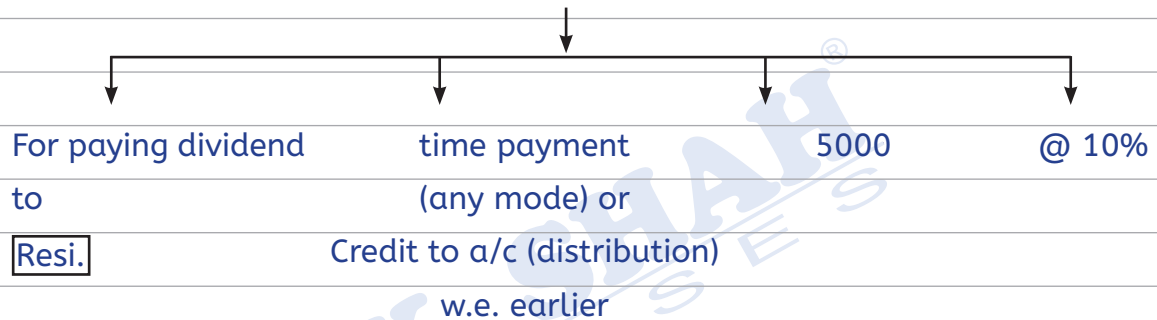
(if rendered >=5 then exempt)

❖ **Sec. 193 : Ded' of TDS from Int. on Security**

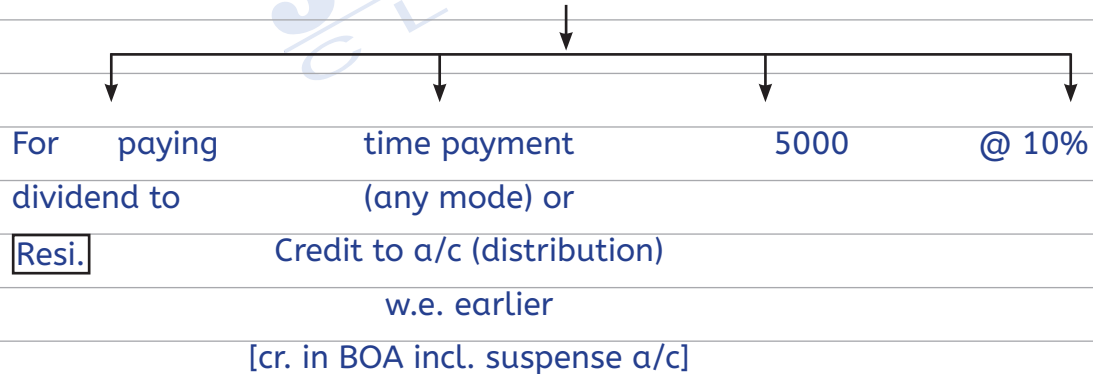


Credit to a/c w.e.  
Earlier [Cr. in BOA incl.  
Suspense a/c]

❖ **Sec. 194: Ded' of TDS from Dividend Income of domestic co.**



❖ **Sec. 194K: Ded' of TDS from Dividend of Mutual fund.**

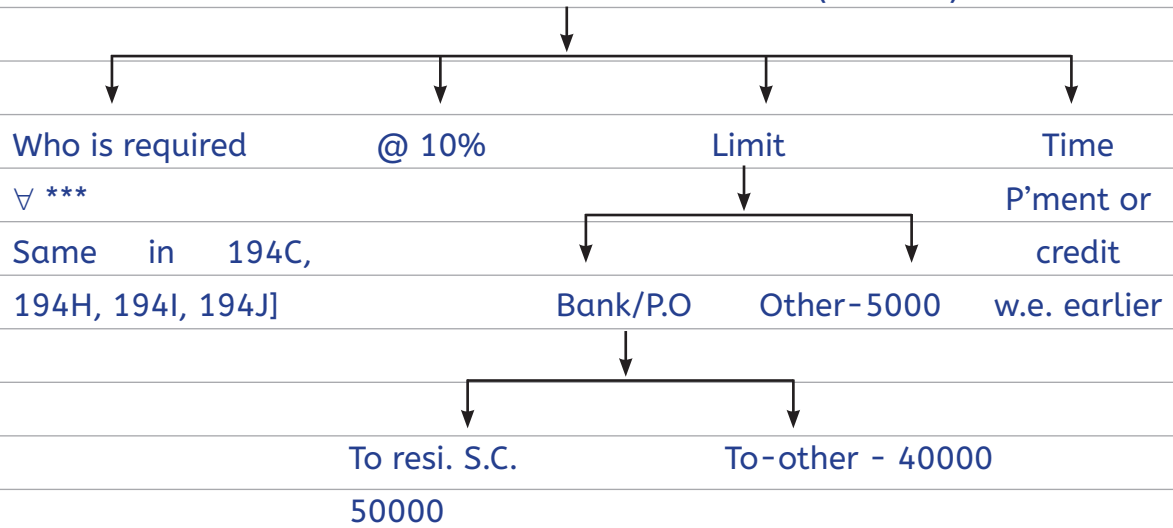


**To whom 194 ACHIJ applicable?**

Who is required

- Every person other than Ind / HUF
- Ind./HUF whose T/o exceeds 1 cr/50L in preceding P.Y.

❖ **Sec 194 A:** TDS from Int. other than Int. on Securities (For Resi.)



❖ **No ded' if Int. paid / credited (to)**

If Int paid to Bank-No TDS

Partnership Firm to Resi Partner ∇ Profit - Exempt

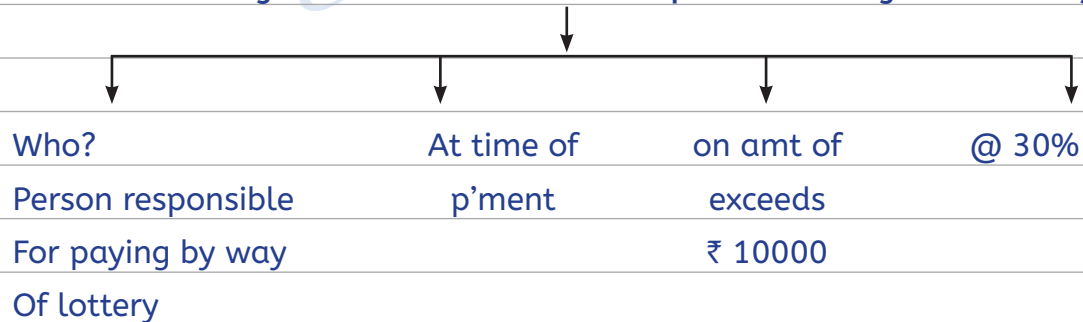
Salary-No Tds u/s 192

Interest-No Tds u/s 194A

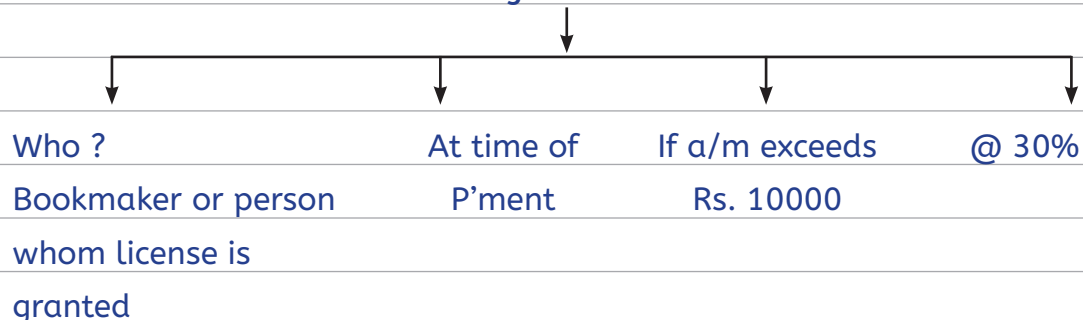
→ No TDS on Saving a/c.

→ No TDS on Int. paid by CG on direct tax

❖ **Sec. 194B:** Winning from lotteries or crossword puzzle or card game & other game

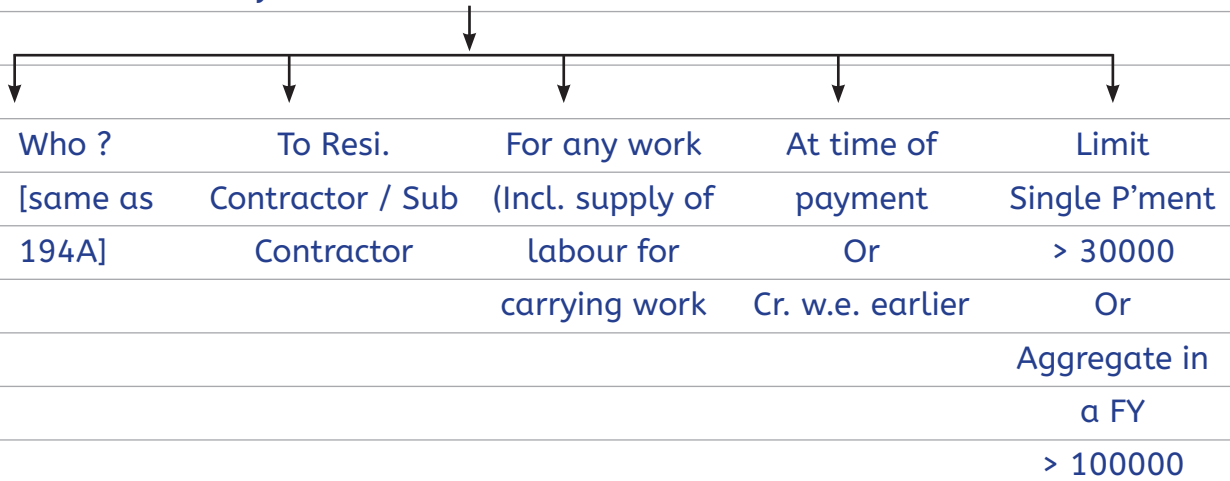


❖ **Sec. 194BB :** Winning from horse races.



**Note:** No TDS on gambling & Betting.

❖ **Sec. 194C: Payment to contractor / sub contractor**



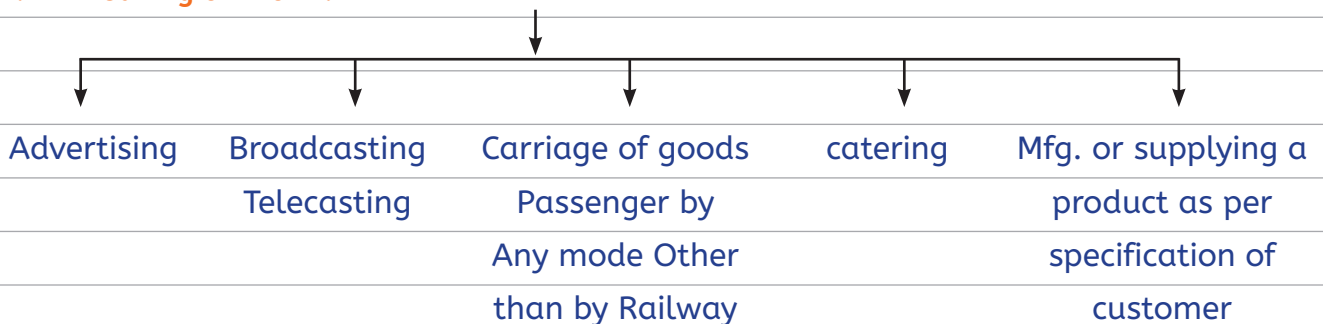
**Note:** If TDS deducted due to amt exceeding 30000 then not to be deducted on entire amt.....On entire amt only when exceeding 100000 in FY.

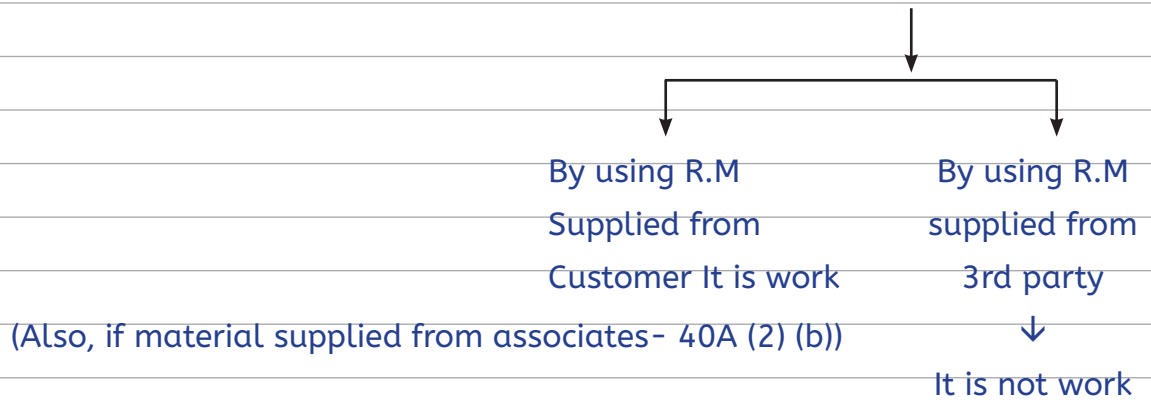
**Rate :**

Payee	Rate
Ind. / HUF	1%
other contractor / sub contractor	2%
in transport (with PAN) & less than 10 trucks in the year	NIL.

**Note-1** : No TDS for Ind. / HUF → if work is for personal purpose (same in 194J)

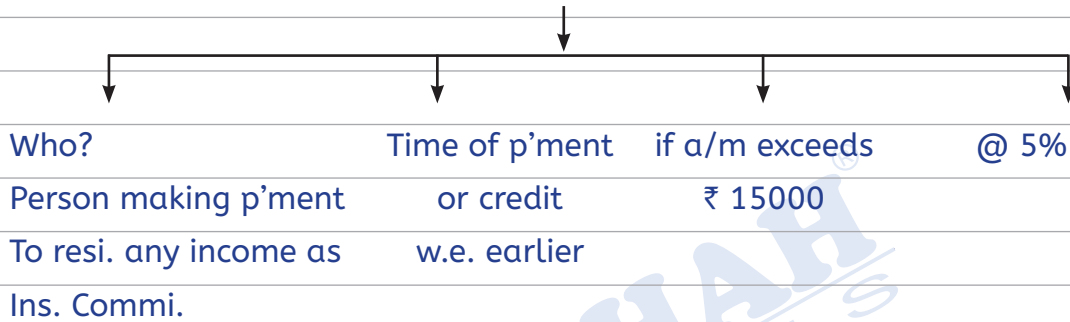
**1. Meaning of Work :**





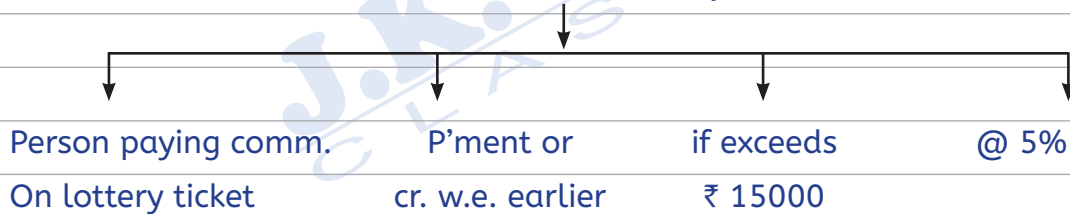
❖ **Sec. 194D :**

**Insurance commission**



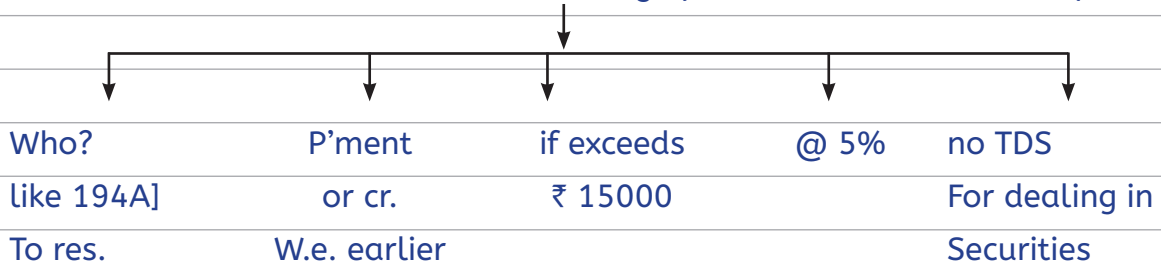
❖ **194G :**

**Commission on sale of lottery ticket.**



❖ **194H :**

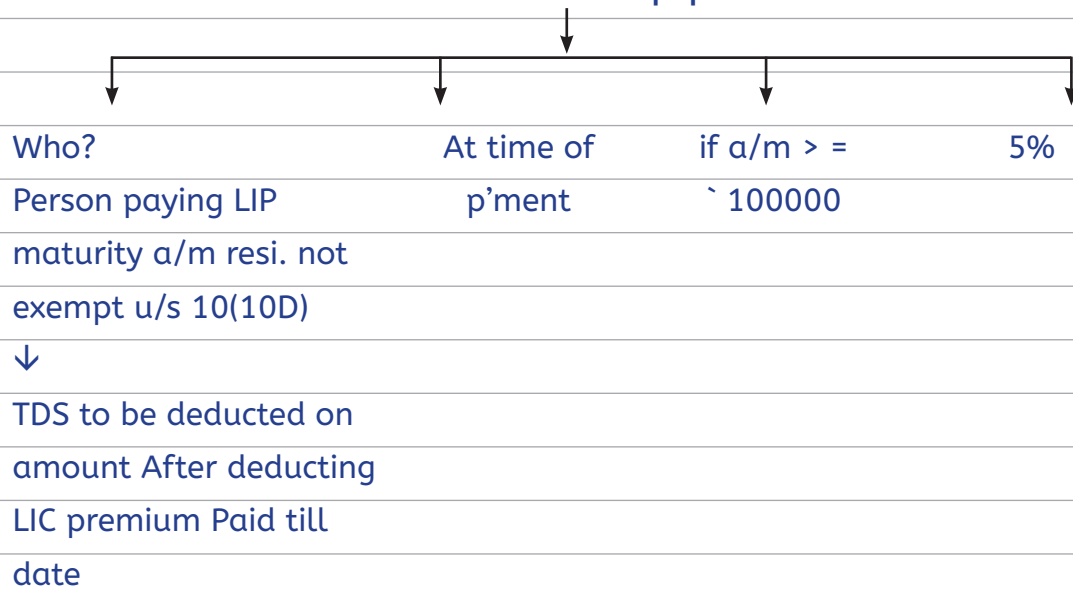
**Commission or Brokerage (other than Ins. Commission)**



TDS applicable even if used for personal purpose (unlike 194C, 194J)

❖ **Sec. 194DA:**

**TDS on non exempt p'ment under LIP.**

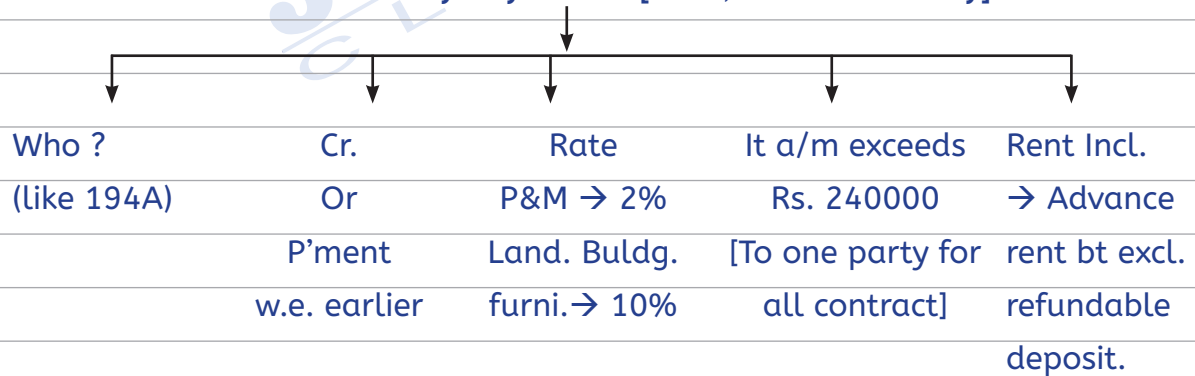


**Cross Ref :** Sec. 80C & 10(10D): If premium was under % then exempt otherwise taxable

- Note: Step**
1. Taxable or exempt based on sum assured.
  2. If taxable then whether maturity a/m >= 1L
  3. If yes then Find out amount for TDS = Maturity value(-) LIC premium upto date

❖ **194 I :**

**Income by way of Rent [lease, sublease tenancy]**

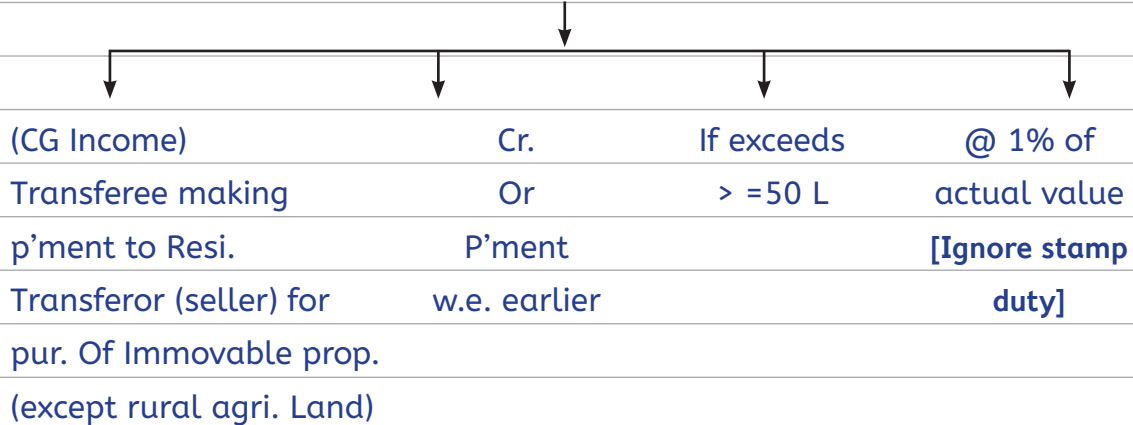


- TDS to be ded' whether or not payee is owner.
- TDS appli. Even for personal use (unlike 194C, 194J)
- No TDS on GST component (If charged separately for all Sec.)



❖ **Sec. 194 IA :**

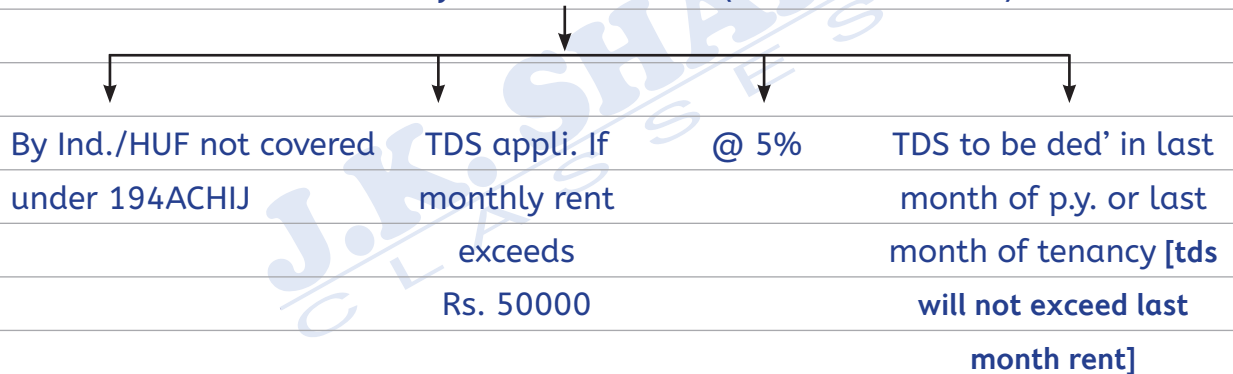
**Purchase of Immovable prop.**



→ Amt will include all charges in nature of club membership fees, car parking fees, electricity and water facility, advance fees etc.

→ Prop. may or may not be in India.(Owner should be resident)

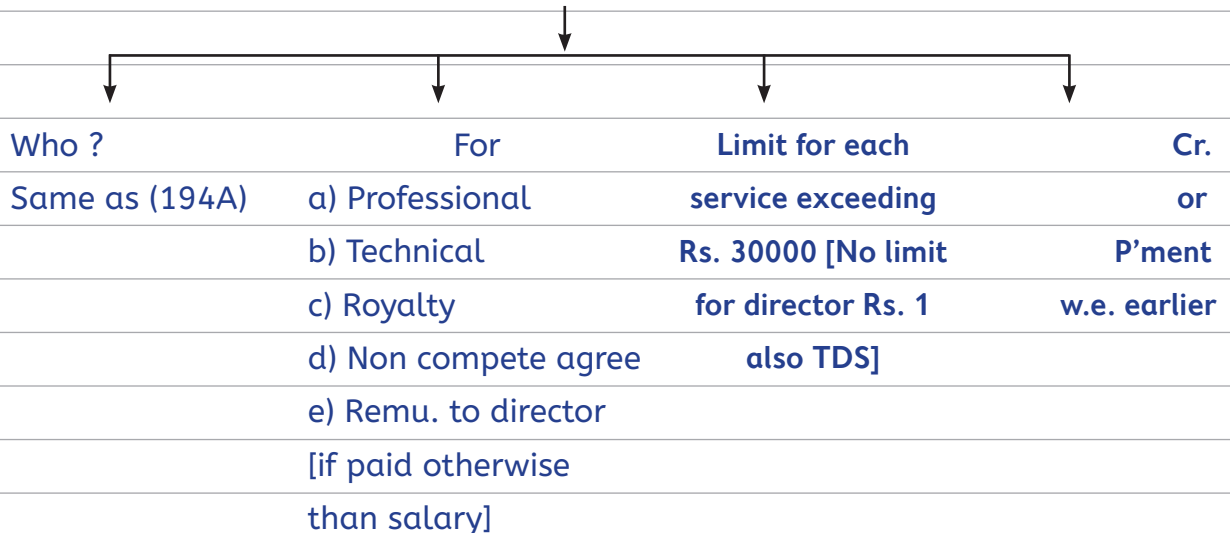
❖ **Sec. 194IB :** P'ment of rent by certain Ind. / HUF (not covered in 194I).



→ If no PAN of payee → @ 20% [Restricted to last month rent]

❖ **Sec. 194 J :**

**Profession or technical fees**



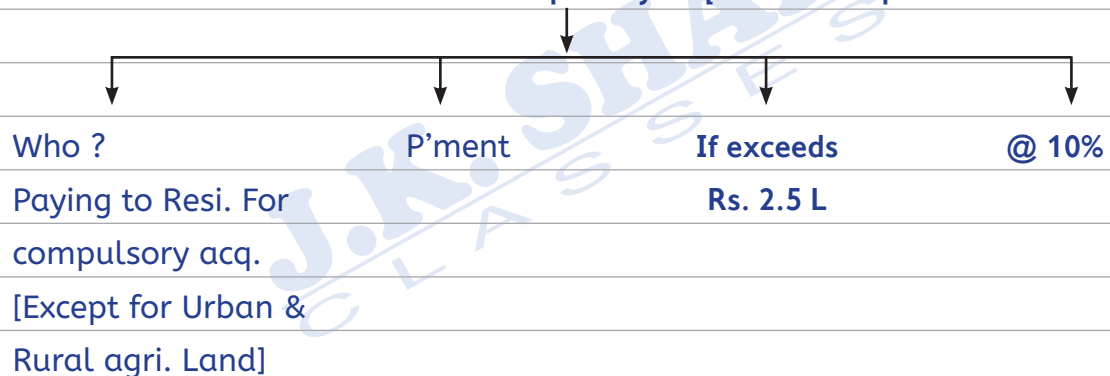
**Rate of TDS**

Professional Fee, Non competence Fee, dir remuneration	10%
Technical Fees	2%
All royalty	10%
Royalty in case of sale/distribution/exhibition of cinematographic films	2%
In case payee is in business of call center	For entire section 2%

- No TDS if for personal use (same as 194C).
- Ind/HUF (Even though covered in 194ACHIJ) will not deduct TDS for royalty, non-competence fees in 194J.
- Limit of 30000 is category wise & not payee wise.

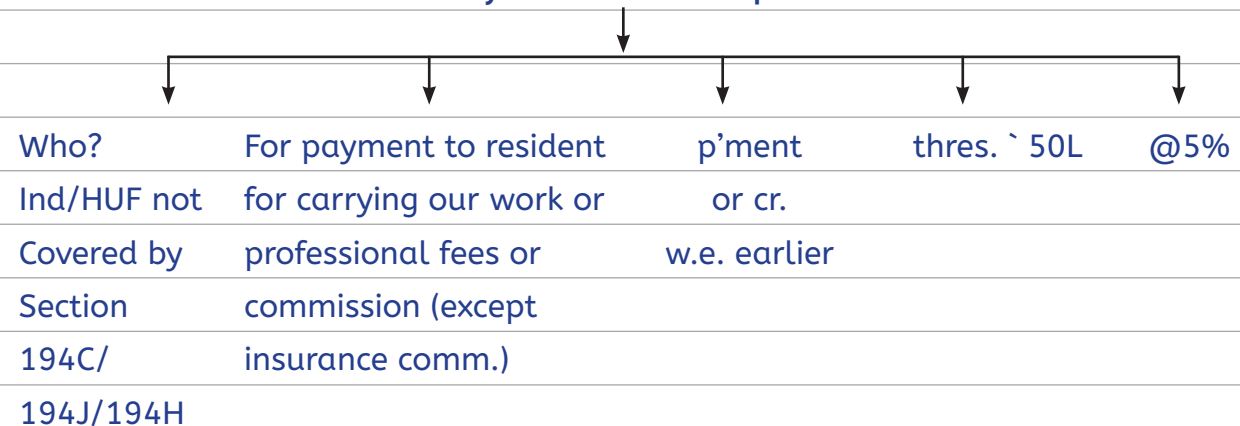
❖ **Sec. 194 LA :**

**P'ment of compulsory acquisition compensation**



❖ **Section 194M:**

**Payment for Work or professional fees or commission**



So, if covered 194C.194J and payment for personal purpose then 194M  
**TDS deducted even if for personal purpose**

❖ **Section 194N:** TDS on cash withdrawal

Who?	For resident	at time of	thre. 1Cr	2% above
Bank, post office	for withdrawal from any a/c	payment		₹1 Cr.
Co. op soc in banking Busi.	Maintained			

However if person who is withdrawing cash has not furnished ROI for last three PY for which limit of 139(1) is expired upto last PY....Then >20 L upto 1 cr–2% and if > 1 cr–5%.

❖ **Section 194O:** TDS on Payment of certain sums by e-commerce operator to e-commerce participant

Who?	Time of p'ment	@1%	If parti.	For goods
Ecommerce operator	or credit in BOA		is IND/HUF	& service
While making payment To ecommerce participants	w.e. earlier (Dir payment to participant by customer is also added)		then threshold Rs.5L (If provide PAN and aadhaar)	(Override 194J)
(E.g. Amazon making to Traders for purchasing goods from trader)				

❖ **Section 194P:** Deduction of TDS by specified bank in case of a senior citizen

Banking co. as notified by govt. (Specified bank) will deduct TDS of a resident Ind. aged 75 or more if individual has only:

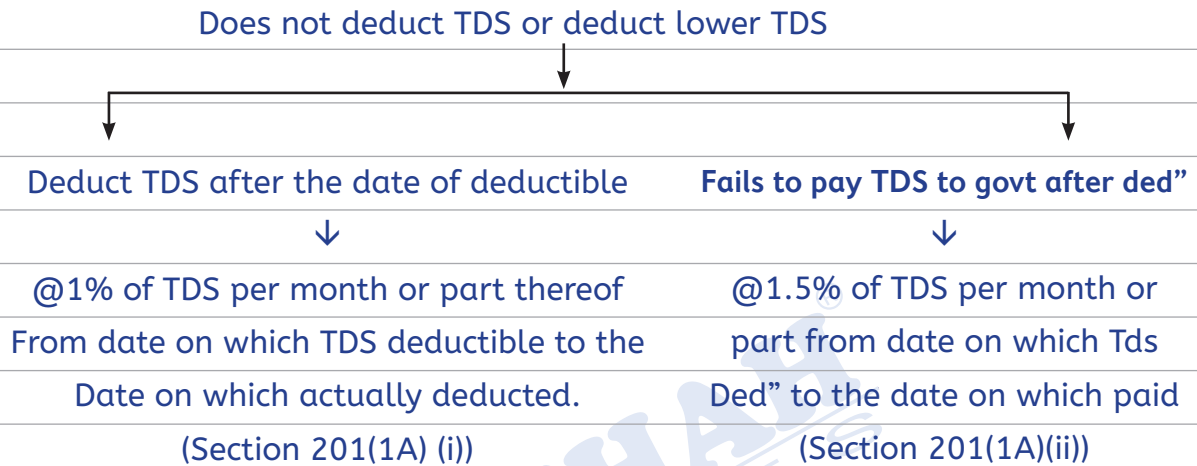
Pension Income credited in the bank and Any interest (S/b or FD) Income from that bank  
If such person has furnished declaration, then bank will deduct TDS equal to tax payable by such person and such person will not be required to file ROI then.

A) **Section 200:** It will be duty of deductor to deposit TDS to govt within time prescribed.

Time limit-Rule 30

Deductor	Month/challan	Due date
Any other Deductee	For any month	On or before 7th of next month
	For march month	30th April
TDS u/s 194IA,194IB,194M		Within 30 days of next month

**B) Interest liability:**



**C) Section 206AA:** Mandatory furnishing PAN: Deductee has to mandatorily furnish PAN.

If no PAN then no TDS then deductor has to deduct TDS at higher of

- i). Applicable rate or
  - ii). 20% (For 192A=MMR& 194O-5%)
- No certificate u/s 197,197A w/o PAN  
If incorrect PAN=deemed that no PAN.

**Tax collected at source: TCS**

**Section 206C(1F) :** Seller who receives amount on sale of motor vehicle above Rs. 10 Lakh. Collect TCS @1%.

**This section apply only for retail user and not to dealer or distributor.**

TCS to be collected at time of receipt of amount.

**Section 206C(1G):** Every authorized dealer of RBI at time of taking collection for remitting outside India under Librelised remittance scheme of RBI will collect TCS (Other than tour package) of buyer.

@5% on amt in excess of 7L if amount is >7L in FY.

@0.5% on amt in excess of 7L if amt is >7L in FY for purpose of repayment of education loan taken from financial institution abroad.

A overseas tour operator will collect TCS @5% from buyer who purchases package.(No threshold)

Time of TCS: debit in BOA or receipt w.e.earlier.

No TCS if buyer is CG, SG,high commission, LA.

### Newly inserted Section for TDS 194Q w. e. from 1.7.21

A buyer while purchasing goods during the year from Resident Seller will deduct TDS.

Conditions:

1. During the PY. purchase of goods exceeds Rs.50 Lakhs from the resident seller.
  2. Total Turnover of buyer in immediately preceding PY was exceeding Rs. 10 Cr.
  3. No other TDS or TCS applicable on the said transaction other than 206C(1H).
- TDS to be deducted @ 0.1% on amount of purchase in excess of Rs. 50 Lakhs.
  - TDS to be deducted at time of credit in books or payment whichever is earlier.
  - While calculating threshold of Rs. 50 Lakhs purchase made from 1/4/21 will be counted however TDS to be deducted on amount of purchase done after 1.7.21 only.

**TCS U/s Section 206C(1H)** :Eligible Seller of goods to collect TCS of buyer if in PY sale consi>50 Lakhs.

At time of receipt

TCS applicable from 1.4.21 itself.

@0.1% (If no PAN/aadhaar given then 1%).

No TCS if TDS is deducted u/s 194Q or anyother section.

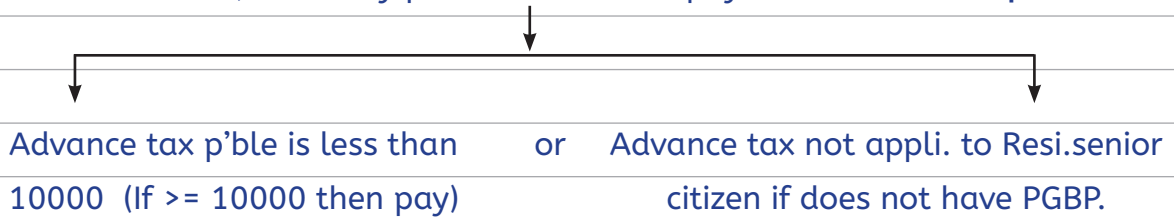
No TCS on export.

Eligible seller = Seller whose T/o or gross receipt from business in last PY > 10 cr.

Eligible buyer = Any buyer except Govt, Local authority

**Advance Tax**

Section 207,208: Every person is liable to pay advance tax **except**



**Advance Tax = Total tax-TDS-TCS**

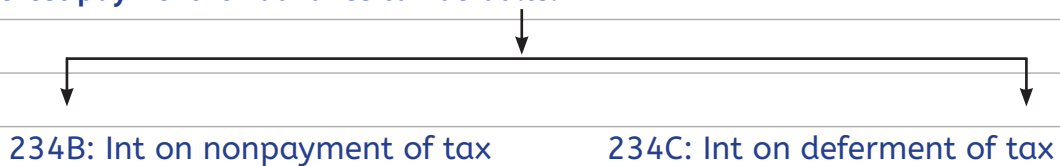
Here TDS which is not deducted even though deductible is not to be reduced.

**Section 211: Time limit:**

Due date	All assessee (Except 44AD, 44ADA)	Assessee covered by 44AD, 44ADA
On or before 15th June of P.Y.	Upto 15% of adv.tax	-
On or before 15th sept of P.Y.	Upto 45% of adv.tax	-
On or before 15th Dec of P.Y.	Upto 75% of adv.tax	-
On or before 15th March of P.Y.	Upto 100% of adv.tax	Upto 100% of adv.tax

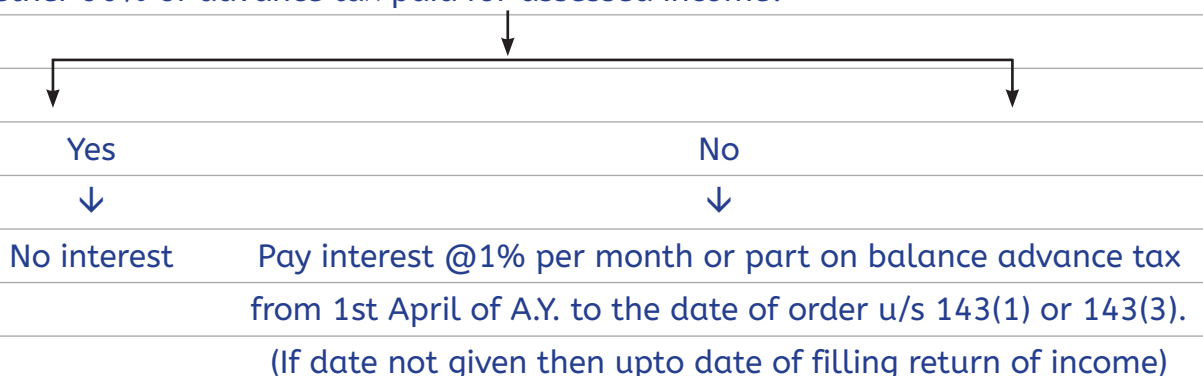
Even tax paid between 16th march and 31st march is said advance tax.  
If on due date bank holiday then advance tax p'ble on next working day.

**E.g. Interest payment for advance tax defaults:**



**1. Interest u/s 234B: Int for default in payment of advance tax.**

Whether 90% of advance tax paid for assessed income?

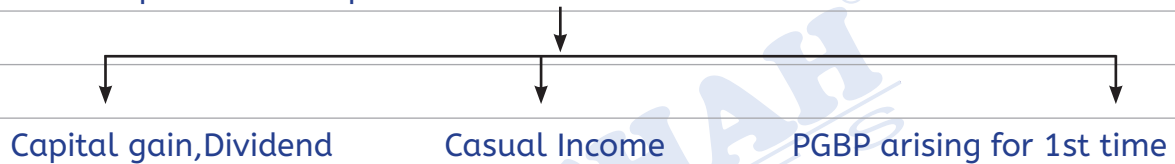


2. Interest u/s 234C: Int on deferment of TDS on returned income.

Due date	% TO BE PAID	No int if paid upto %	If paid lower than column 3 then interest
15/6	15%	12%	1% * 3 month * balance tax
15/9	45%	36%	1% * 3 month * balance tax
15/12	75%	75%	1% * 3 month * balance tax
15/3	100%	100%	1% * 1 month * balance tax

**Note: 1.** For 44AD/44ADA only last installment interest

2. No interest u/s 234C if shortfall is due to below mentioned reason and tax on that income paid in subsequent installments:



Rule 119A: In calculation of Int u/s 234A, 234B amount on which Int to be calculated is to be round off to lower side Rs.100.

14

**ASSESSMENT PROCEDURE**

❖ **Section : 139 (1) : Return of Income**

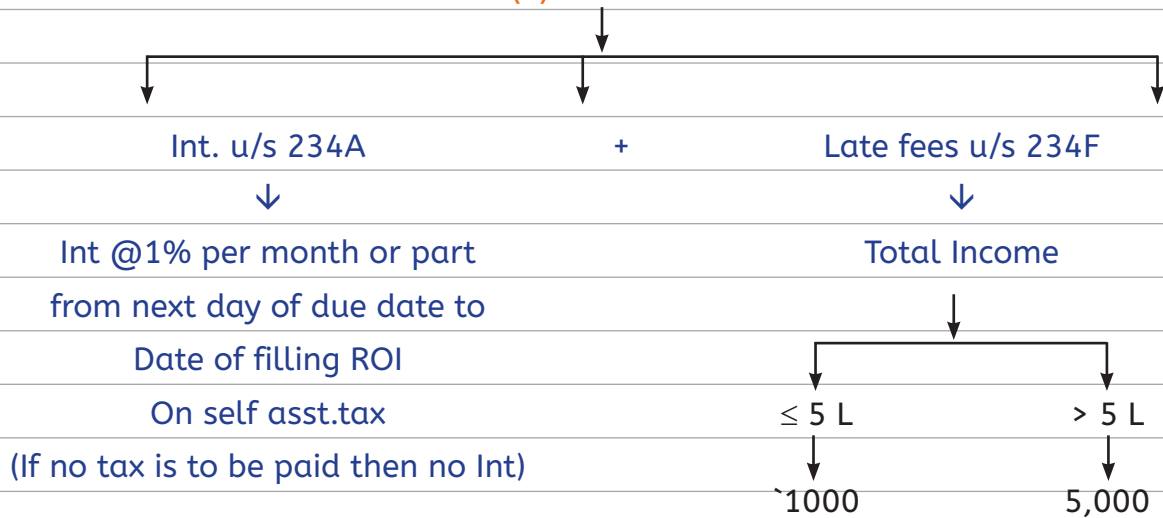
Every Company/Firm/LLP	OR
Every other person only if (Gross total Income+ Exemptions of capital gain)>Basic exemption limit.	OR
Deposited > 1 cr in any current bank accounts during FY	OR
Incurred > 2 Lakhs in foreign travelling for himself +Relative	OR
Incurred > 1 Lakh in electricity during FY	OR
HE is R&OR and Owning any foreign asset	OR
A person carrying on business and turnover in PY > Rs. 60 Lakhs	OR
A person carrying on profession and gross receipt in PY > Rs.10 Lakhs	OR
A resident Individual > 60 years and Total TDS+TCS > Rs. 50,000	OR
Any other person and Total TDS+TCS > Rs. 25,000	OR
A person deposited > 50 Lakhs In all saving bank accounts in the PY.	

❖ **Due date of ROI :**

	Assessee	Due Date
1	Assessee = Report u/s 92E (T.P)	30th Nov. of A.Y.
2	Assessee = Co not covered u/s 92E Or Assessee audited u/s 44AB or any other law Or ALL(Working/nonworking) partner of audited firm	31st October.
3	Any Other Case	31st July

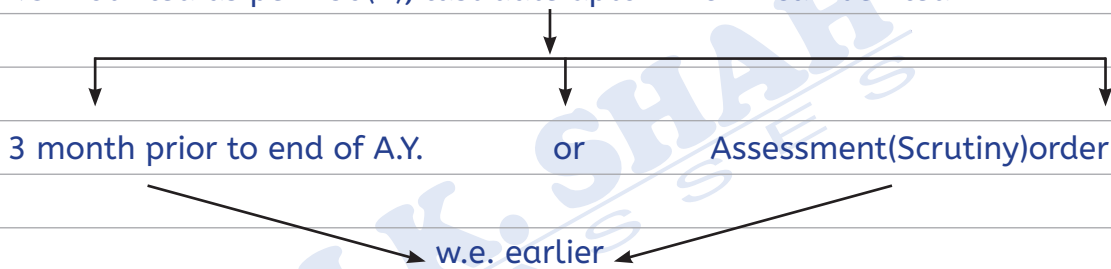


❖ **What if ROI Filed late than 139 (1)?**

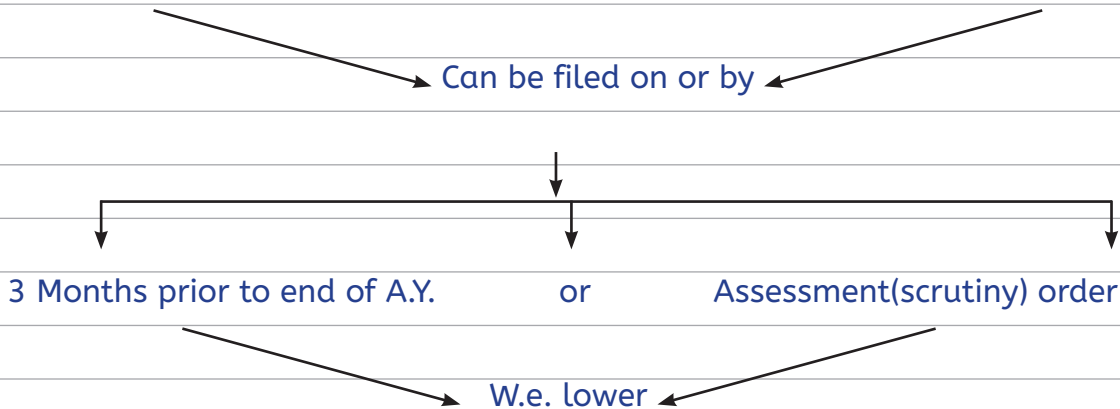
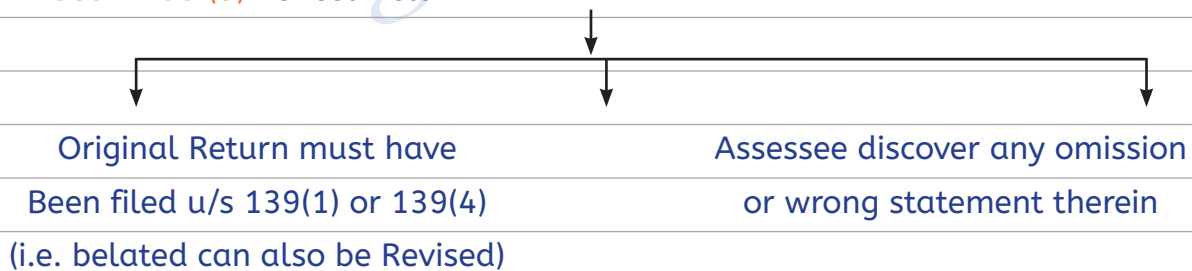


❖ **Sec. 139 (4) : Belated Return**

→ If ROI not filed as per 139(1), last date upto which it can be filed



❖ **Sec - 139 (5) Revised Return**



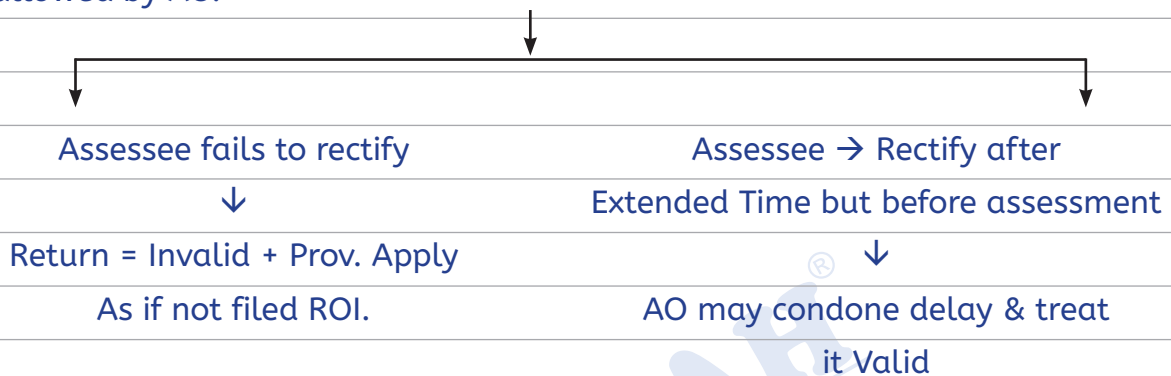
- Once revised return filed, it will attract all provision as if filed originally
- Revised return can be filed any no. of times.

❖ **Sec – 139 (9) Defective Return :**

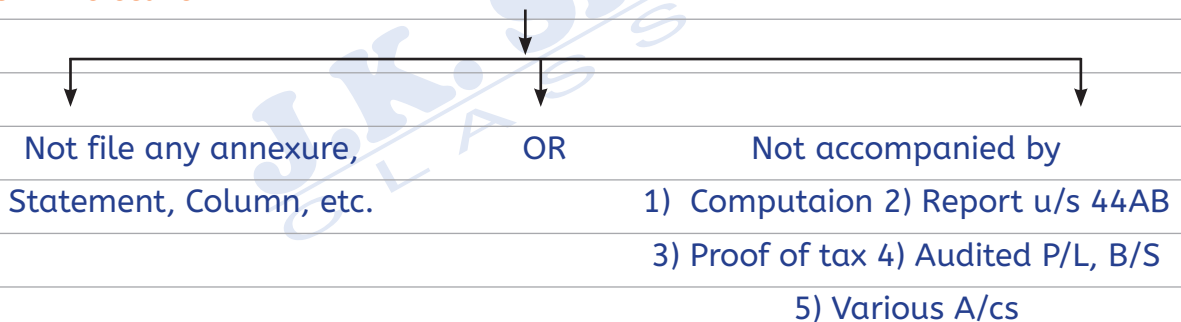
AO → discretion to intimate defect to assessee



Assessee to do rectification in 15 days of intimation or such extended period as allowed by AO.



❖ **ROI = Defective if**



❖ **Sec-139A : Permanent Account Number :**

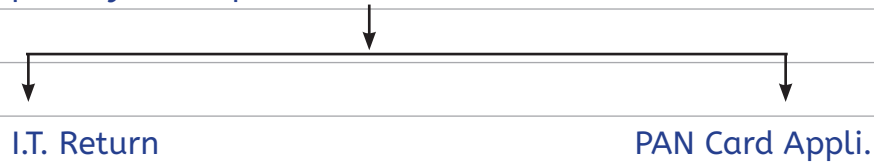
Every below mentioned person shall take PAN:

Sr. No.	Who is required to obtain	Upto which date application to be made.
1	T.I. > BEL	Upto 31st May of A.Y.
2	T/O > 5 lakh in P.Y.	Before end of P.Y.
3	Resident person (Except ind) entering into financial transaction > 2.5 lakh	Upto 31st May of A.Y.
4	Every trustee, director, karta, member etc of point no.3	Upto 31st May of A.Y.
5	AO can also allot pan suo moto	

∇ In lieu of PAN even AADHAAR number can be quoted w.e.f.1.9.19.

❖ **Sec-139 AA: Quoting AADHAAR NUMBER**

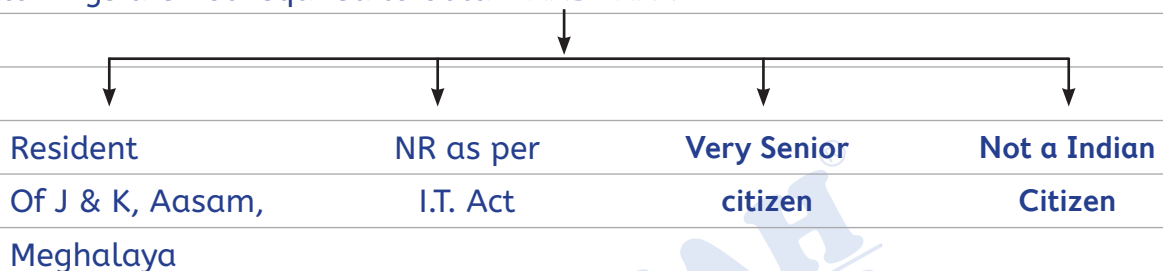
∇ Aadhaar is compulsory to be quoted after 1-7-2017 in



∇ if no Aadhaar ∇ Enrollment Id (28 Digit)

∇ if fails to intimate AADHAAR ∇ PAN shall be made inoperative after date notified by CBDT

∇ Followings are not required to obtain AADHAAR

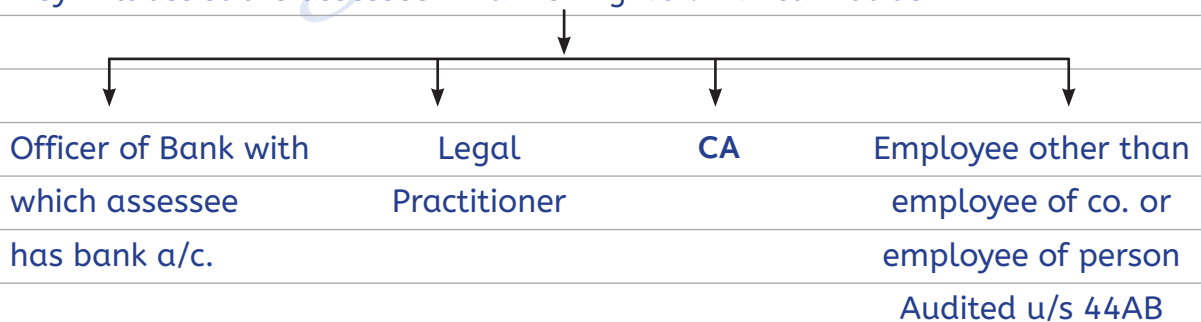


From 1.4.22 till 30.6.22 if linking is done then late fees 500..otherwise 1000.

❖ **Sec-139 B: Scheme of submission of Return through tax Return Preparers (TRP)**

∇ Only resident non audited Ind/HUF can file ROI through TRP (CBDT).

They will assist the assessee in furnishing ROI. TRP cannot be



Who can not file ROI through TRP.

- 1) Individual/ HUF who is required to be audited u/s 44AB or
- 2) NR individual / HUF.

∇ Only those TRP can file revised return who has filed Original Return.

**What is qualification required to be TRP:** Degree of bachelor or Inter CA/CS/CMA.

**Total Income**

**AMT concept (Section 115JEE):** Alternate minimum tax concept is applicable for

Person	Deduction u/s 35AD/10AA/80JJAA/80QQB/80RRB	
	Not claimed	Claimed
1) For firm/LLP	N.A.	Applicable
2) Ind/HUF/AOP/BOI/AJP whose adjusted total income > 20 Lakhs	N.A.	Applicable

**AMT only if 115BAC not followed.**

What is adjusted total income for this section?

Total income	==
Add: Deductions u/s 80JJAA/80QQB/80RRB	==
Add: Deduction u/s 10AA	==
Add: Deduction u/s 35AD(-) Notional Depreciation	==
<b>ATI</b>	

How to compute final tax in this case when AMT Applicable:---Section 115JC

Step-1: Find out total income

Step-2: Find out normal tax payable on step-1

Step-3: Find out ATI

Step-4: 18.5% of step-3.(Plus surcharge + cess etc.)—rate as per 115JF

Step-5: Final tax payable=Step-2 or Step-4 w.e.higher.

**E.g.1:** Mr.A has total income of Rs.700000 after claiming deduction u/s 10AA Rs.400000.Calculate ta payable.

**Ans.** Here adjusted total income is Rs.1100000. So AMT is not applicable.  
(Ind & < 20L ATI).

So tax payable is=52500+ 4%

**E.g.2** Suppose in above e.g. T.I. is Rs.1700000.Then>

**Ans.** AMT applicable because ind+ ATI> 20L.

Step-1: 1700000

Step-2: 335400

Step-3:  $2100000(17+4)$

Step-4: 404040

Step-5: Final tax payable=Rs.404040.

**E.g.3** Mr.B total income Rs.1700000.After claiming deduction u/s 35AD for capital exps of P&M rs.500000.Calc tax payable.

Ans. ATI=  $1700000+(5L-15\% \text{ dep})=2125000$ .

So, AMT applicable.

Step-1: 1700000

Step-2:335400

Step-3: 2125000

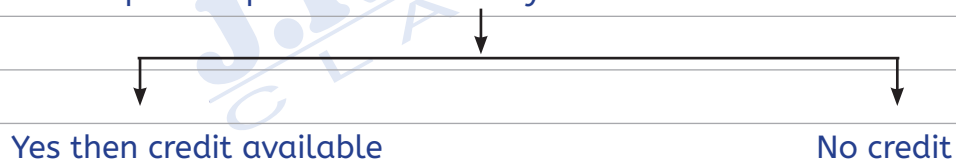
Step-4: 408850

Step-5: 408850

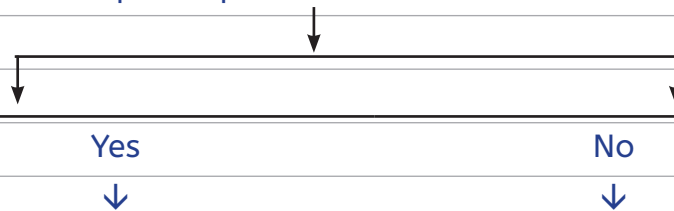
❖ **115JD:** AMT credit.

If assessee has paid tax as per AMT then credit of that extra paid tax i.e. AMT-normal tax (Step-4(-) Step-2) will be available in future as follows:

Whether tax paid as per AMT in earlier yrs?



Whether in this year paid normal tax? (As per step-2)



Then this yr credit can be availed

No credit can be availed.

Max=Tax in this yr as per normal

(-) Tax in this yr as per AMT

Credit can be carried forward upto 15 yrs from the yr of credit.

For company - MAT provisions --- CA final

**Section 115BAC: New tax regime with effect from P.Y.20-21 for Individual/HUF-Optional.**

Government has introduced a new scheme for Individuals and HUFs (Resi/NR/Senior citizen/all) with lower rates for those foregoing certain exemptions / deductions:

Total Income	Tax Rate (under the new regime)
Up to Rs.2,50,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 7,50,000	10%
Rs. 7,50,001 to Rs. 10,00,000	15%
Rs. 10,00,001 to Rs. 12,50,000	20%
Rs. 12,50,001 to Rs. 15,00,000	25%
Above Rs. 15,00,000	30%

1. Optional scheme.
2. No change in Rebate/surcharge/special rate income/H&EC.
3. Individual or HUF does not have business income, the option is to be exercised for every year **along with the filing** of the return of income under section 139(1) for the year.
4. Where such individual or HUF has business/profession, the option is to be exercised **on or before the due date** of filing the return of income and such option once exercised shall apply for that previous year and to all subsequent years. **One-time change is possible. After such change is done once then change never possible unless business stops.**
5. Which deduction/exemptions not to be allowed?
  1. Leave Travel Concession – section10(5)
  2. House Rent Allowance – section10(13A)
  3. Exemption for allowance u/s 10(14) **except-Transport allowance, Conveyance allowance, daily allowance, tour-travel-transfer allowance.**
  4. Allowances to MPs/MLAs – section10(17)
  5. Clubbing income of minor upto Rs.1,500 – section10(32)
  6. Exemption for unit in SEZ – section10AA
  7. Standard and other deductions (including profession tax) from salary – section16

8. Interest in respect of Self Occupied Property– section 24(b)
9. Setoff of loss under the head income from house property against other heads  
–  
or cannot setoff any loss of earlier years belonging to any deductions mentioned in this list
10. Additional depreciation – section 32(1)(iia)
11. Specified deduction for donations or for expenditure on scientific research – section 35(1)(ii)/(iia)/(iii) or section 35(2AA)
12. Weighted deduction for expenditure on specified business/agricultural Extension project–sections 35AD and 35CCC
13. Standard deduction for family pension–section 57(iia)
14. Deductions under Chapter VI-A (such as section 80C, 80D, 80 TTA, 80TTB, 80G etc.) **Other than the following:-**
  - a) 80CCD(2) – employer’s contribution in notified pension scheme
  - b) 80JJAA – employment of new employees
  - c) 80LA – IFSC centre(CA Final)
15. AMT concept N.A. once this option is exercised

Refer Q.2,5,11.