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(KYC – Know Your Concepts )

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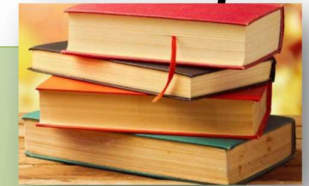
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class



## *Income Tax Saransh for May 2023 and Nov 2023*

<i>Chp No</i>	<i>Chapter Name</i>	<i>Chart No.</i>
<i>1</i>	<i>Basic Concepts</i>	<i>1·01-1·06</i>
<i>2</i>	<i>Income from Salary</i>	<i>2·01-2·05</i>
<i>3</i>	<i>Income from House Property</i>	<i>3·01-3·04</i>
<i>4</i>	<i>Profits and Gains from Business &amp; Profession</i>	<i>4·01-4·09</i>
<i>5</i>	<i>Capital Gains</i>	<i>5·01-5·06</i>
<i>6</i>	<i>Income from Other Sources</i>	<i>6·01-6·02</i>
<i>7</i>	<i>Agricultural Income</i>	<i>7·01</i>
<i>8</i>	<i>Residential Status</i>	<i>8·01-8·03</i>
<i>9</i>	<i>Clubbing of Income</i>	<i>9·01</i>
<i>10</i>	<i>Set off and Carry Forward of Losses</i>	<i>10·01</i>
<i>11</i>	<i>Return of Income</i>	<i>11·01-11·03</i>
<i>12</i>	<i>Deductions</i>	<i>12·01-12·08</i>
<i>13</i>	<i>Combined Problems</i>	<i>No Chart</i>
<i>14</i>	<i>Advance Tax, TDS and TCS</i>	<i>14·01-14·09</i>
<i>15</i>	<i>Exemptions</i>	<i>15·01-15·02</i>
<i>16</i>	<i>115 Series and Special Rates</i>	<i>16·01-16·03</i>



## Chart 1.1 Basic Concepts

### What is tax and why are they levied ?

1) Tax is your contribution to Government from your Income. It is a fee charged by the Government on a product, income or activity.  
*There are two types of taxes :*  
**Direct and Indirect Taxes**

2) Taxes constitute the basic source of revenue to the Government. Revenue raised is used to meet the expenses of the government like defense, providing education, infrastructure facilities.

### Difference between Direct & Indirect Tax

Direct Tax	Indirect Tax
1) The person paying the tax to the Government directly bears the incidence of the tax.	1) The person paying the tax to Government collects the same from the ultimate consumer. Thus, incidence of the tax is shifted to the other person.
2) Progressive in nature-high rate of taxes for people having ability to pay. <b>eg: Income Tax, etc.</b>	2) Regressive in nature - All the consumers equally bear the burden, irrespective of their ability to pay. <b>Eg: GST, Customs Duty.</b>

### How & who derives its power to levy tax from the Constitution of India

1) Article 246 of the Constitution empowers the State and Union Government to levy tax.  
2) The Constitution contains the 3 lists under which the Union and State Government have the authority to make laws for the purpose of levy of taxes  
3) The following are the lists contained in Article 246:

### Since When ? - History of Income tax

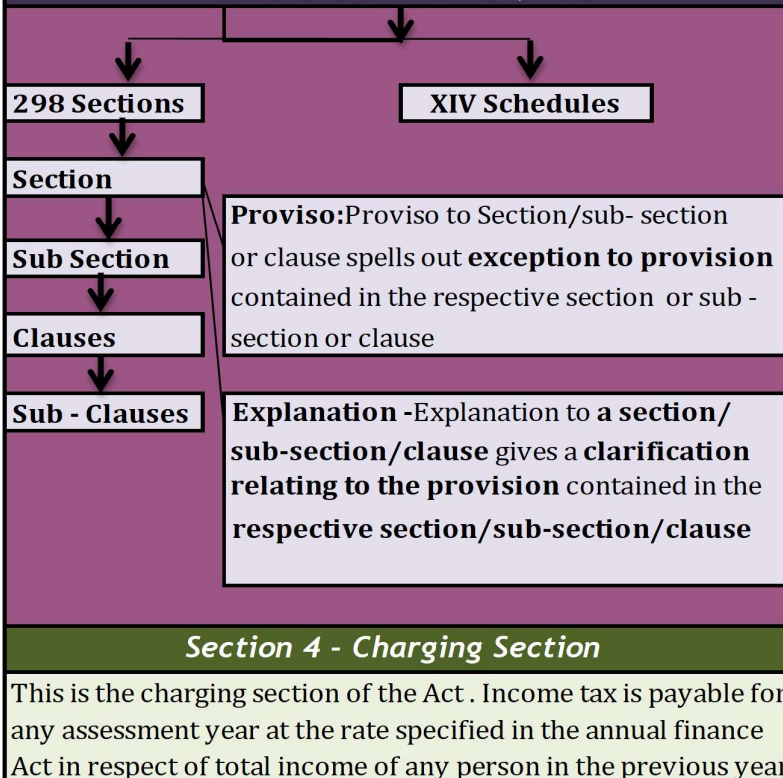
1) **Kings** Levied Taxes on Artists, Farmers & Traders etc. Taxes were to be paid in form of gold coins, cattle, food grains, raw materials.

2) Income tax was 1st introduced in 1860 by **James Wilson** who was the then Finance Member of British Government

3) The levy of income-tax in India is governed by the Income-Tax Act 1961.  
a) It came into force on **1st April 1962**  
b) It contains **298 sections & XIV schedules**

4) Every year, the Finance Minister of the Government of India introduces the Finance Bill in the Parliament's Budget Session.  
**When the Finance Bill is passed by both the houses of the Parliament and gets the assent of the President, it becomes the Finance Act.** Amendments are made every year to the Income-tax Act, 1961 and other tax laws by the Finance Act.

### About Income Tax Act, 1961



#### Union List

Central Government has the exclusive power to make laws on the matters contained in Union List.

#### State List

State Government has the exclusive power to make laws on the matters contained in the State List.

#### Concurrent List

Both Central and State governments have the power to make laws on the matters contained in the Concurrent list

Entry No 82 of the Union List has given the power to the Central Government to levy taxes on Income i.e. Income Tax

**Section 1:** The Act is called as IT Act, 1961 & come into force from 1-4-1962. Extends to whole of India.

**Thank You**

**Sakshi Agarwal**  
**for helping me with**  
**Saransh**



**Chart 1.2 Basic Concepts**

Components of Income Tax Law	The first Schedule to the Finance Act 2021 contains 4 parts which specify the rates of tax		Revenue receipt	Capital Receipt
<u>Income Tax Act</u>			1) It is recurring receipt	1) It is a one time receipt
The levy of Income tax in India is governed by the <b>Income tax Act, 1961</b> . This Act came into force on 1st April 1962. The Act contains 298 sections and XIV schedules. These sections and schedules undergo changes every year with additions and deletions brought about by the Finance Act passed by Parliament.	1) <b>Part I</b> of the First Schedule to the Finance Act specifies the rates of tax applicable for the current AY 2022-23 2) <b>Part II</b> specifies the rates at which tax is deductible at source for the current Financial Year 2022-23 3) <b>Part III</b> gives the rates for calculating income-tax for deducting tax from income chargeable under the head "Salaries" and computation of advance tax for FY 2022-23 4) <b>Part IV</b> gives the rules for computing net agricultural income		2) Revenue Receipt are generally taxable unless specifically made exempt	2) capital receipts are generally exempt unless specifically made taxable. Capital receipts are sometimes included in the definition of income in I. Tax.
<u>Finance Act</u>	Part A of budget speech given by the finance minister every year contains the proposed policies of the govt. in the Fiscal areas. Part B of the budget speech contains detailed tax proposals. Once the Finance Bill is approved by the Parliament and gets the assent of the President, it becomes the Finance Act.		3) It is receipt referable to circulating capital. The circulating capital is one which is turned over and yields income or loss in the process	3) It is a receipt referable to fixed Capital Tangible and intangible asset which the owner keeps in his possession for making profits are in the nature of fixed capital
<u>Income Tax Rules</u>			4) Income arising from the sale of a trading asset are of revenue in nature and taxable as business income	4) Profits arising from sale of a capital asset are capital receipt. It is taxable as capital gains because it is covered in the definition of income
The Central Board of Direct Taxes (CBDT) is empowered to make rules for carrying out the purposes of the Act. These rules which are framed from time to time for the proper administration of the Income Tax Act are known as the Income tax rules, 1962.	<u>Regular Income</u>	<u>Casual Income</u>	5) Transaction entered in the courses of business will yield business Income E.g. traders of Computer sells computer (computer will be stock in trade)	5) For a trader in computer, building and land would be a capital asset
<u>Circulars And Notifications</u>	1) It is a periodic monetary return	1) It does not arise regularly	6) Even a single transaction can constitute business. Repetition of such transactions is not necessary.	6) These are usually one time receipts Eg: liquated damages linked with procurement of a capital asset is a capital receipt.
Circulars are <b>issued by CBDT</b> to address certain problems & clarify doubts regarding the scope & meaning of provisions. Circulars are issued for the guidance of the officers and/or assessees. Circulars are <b>not binding on the assessees</b> , but they can <b>take advantage</b> of beneficial circulars.	2) It accrues regularly from definite sources	2) It has no definite source	<u>Method of Accounting</u>	
<b>Notifications are issued by the Central Government</b> to give effect to provisions of the Act. The CBDT is also empowered to make & amend rules for the purposes of the Act by issue of notifications.	3) It is treated as Income for tax purpose	3) It is also treated as income for tax purpose	<u>What about legal income? What about illegal income?</u>	
<u>Legal decisions (Case Laws)</u>	<u>Net Receipt</u>	<u>Gross Receipt</u>	<b>Even illegal Income is taxable</b> Eg: Smuggling goods outside India without paying customs duty, betting in sports ie., Cricket,	
The judiciary hears cases of disputes between assessees and the department and gives decisions on various issues. These are known as case laws & can be referred in future disputes. The <u>law laid down by Supreme Court is law of land</u> . Decisions made by High courts will apply to specific States.	1) Income means Net Receipt and not Gross receipt	It cannot be treated as Income.		
	2) Net receipts are arrived at after deducting expenditure incurred	2) Gross Receipts are the total receipts without deducting expenses		
	1) Assessee can maintain books on cash system or mercantile system. (2) In cash system expenses are recorded on payment basis and income on receipt basis.			
	3) In mercantile system receipt and expenses are recorded on due basis. (4) However, only in PGBP & IOS income is calculated as per method of accounting followed by the assessee.			



### Chart 1.3 Basic Concepts - Definition of person

Who will pay Income Tax?	3. Company	5. Body of Individuals (BOI)
Every person who earns income will pay Income Tax (subject to some conditions) .	1) Company means, any <b>Indian company</b> as defined in section 2(26)	It denotes the status of persons like <b>executors or trustees</b> who merely receive the income jointly and who may be assessable in like manner and to same extent as the beneficiaries individually. Thus, co-executors/co-trustees are assessable as BOI as their title and interest are <u>indivisible</u> Income tax shall not be payable <u>by an assessee</u> in respect of the receipt of share of income by him BOI and on which tax has already been paid by such BOI
Following 8 are included in definition of person	2) Any body corporate incorporated by or under the laws of country outside India, i.e. any foreign company	
↓	3) Any institution, association or body, whether incorporated or not and whether Indian/non-Indian	↓
1. Individual	<b>which is declared by a general or special order</b> of the CBDT to be a company for such assessment years as may be specified in the CBDT's order	6. Local Authority
'Individual' means only a natural person, i.e. human being. It includes both males and females. It also includes a minor or a person of unsound mind. In such a case assessment is made on the guardian or the manager of the minor or the lunatic person.	Classes of companies and their definition	The term means a municipal committee, district board, body of port commissioners or other authority legally entitled to or entrusted by the Government with the control or management of a municipal or local fund.
↓	<b>Domestic Company</b> Indian company or any company which has made arrangements for payments of dividends	↓
2. HUF	<b>Indian Company</b> A company registered under India Companies Act and having registered office in India	7. Artificial Juridical Persons (AJP)
Under the income-tax Act, 1961, a Hindu undivided family (HUF) is treated as a separate entity. Therefore, <b>income-tax is payable by a HUF</b> . It has not been defined under the Income tax Act. It means a family which consists of all males lineally descended from a common ancestor and includes their wives and daughter. Some members of the HUF are called co-parceners. Earlier, only male descendants were considered as coparceners. With effect from 6th September, 2005, daughters have also been accorded coparcenary status. It may be noted that only the coparceners have a right to partition. Under the Income-tax Act, 1961, <b>Jain undivided families and Sikh undivided families</b> would also be assessed as <b>HUF</b> .	<b>Foreign Company</b> It means a company which is not a domestic company	This category could cover every <b>Artificial Juridical Person</b> not falling under other heads. An idol or deity would be assessable in the status of an artificial juridical person.
↓	4. Firm	↓
	A firm means a firm as defined in the Indian Partnership Act, 1932 and also includes LLP.	CA Pooja Kamdar Date
↓	Association of Persons (AOP)	
	When persons combine together for promotion of joint enterprise they are assessable as on AOP when they do not <b>constitute a partnership</b> . Co-heirs, legatees, donees, joining together for a common purpose/action would be chargeable as AOP	

**Chart 1.4 Basic Concepts - Some definitions**

<b>Two Schools of HUF</b>		<b>Previous year (Sec 3)</b>	<b>Assessee{Sec2(7)}</b>
		<p>It means the financial year immediately preceding the assessment year. The income earned in the previous year is taxed in the AY</p> <p>In case of - Business or profession newly set up during the FY - the PY shall be the period beginning on the date of setting up of the business/profession &amp; ending with 31st March of the said of FY. If a source of income comes into existence in the said FY then PY will commence from the date on which the source of income newly comes into existence &amp; will end with 31st March of the FY</p>	<p>Assessee means a person by whom any tax or any other sum of money is payable under this Act. It Includes:</p> <ol style="list-style-type: none"> <li>1. Every person in respect of whom any proceeding has been taken for the assessment of his income or <u>assessment of fringe benefits</u>.</li> <li>2 A person who is <u>assessable in</u> respect of income of some other person</li> <li>3) Every person who is deemed to be an assessee or an assessee in default under the provisions of this Act</li> </ol>
<b>Dayabaga School</b>	<b>Mitakshara School</b>		
West Bengal & Assam	Rest of India except West Bengal and Assam.		
<b>Dayabaga School</b>	<b>Mitakshara School</b>	<b>Assessment Year{Sec 2(9)}</b>	<b>Relief</b>
1) Prevalent in West Bengal and Assam	1)Prevalent in rest of India	Assessment year means a period of 12 months commencing on 1st April every year. The year in which tax is paid is called the Assessment Year while the year in respect of income of which tax is levied is called the previous year.	Income tax liability of assessee is computed on the total income. After allowing various exemption & deductions under several sections of the Act. Relief are reduced from the amount of income tax liability so computed on fulfillment of conditions as prescribed in Sec. 86, 89, etc.
2)Nobody acquires the right share in the property by birth as long as the head of family is living	2)One acquires the right to the family property by his birth and not by succession irrespective of the fact that his elders are living	<b>Gross total Income</b>	<b>Net Taxable Income</b>
3) Thus children do not acquire any right/share in the family property as long as his father is alive and only on death of the father the children will acquire right/share in the property. Hence, father and his brothers would be the co-parceners of the HUF	3) Every child born in the family acquires a right/share in the family property	Under section 14, income of a person is computed under the following five heads: (1) Income from salary (2) Income from House Property (3) Income from business & profession (4) Capital Gains (5)Income from other Sources Before any deduction under Chapter VI A	Total income is income after reducing the deduction under chapter VI-A from the GTI. This income is also called taxable income on which tax has to be imposed.
<b>Deduction</b>		<b>Definition of India</b>	<b>Exemptions(Sec10 of IT Act, 1961)</b>
From the gross total income of the assessee,deductions are allowed on fulfillment of conditions as prescribed in the various sections of Chapter VIA of the Act (comprises of Sections 80C to 80U) provides for various deductions from Gross Total Income .		The term India means:(1)Territory of India as per Article 1 of constitution(2)Its territorial waters, seabed & subsoil underlying such waters (3) Continental shelf (4)Exclusive economic Zone (5) Any other specified maritime zone & the air space above its territory and territorial waters. (6) Specified Maritime zone means the maritime zone as referred to Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act	Every income of the assessee is charged to tax unless specifically exempted under the Act, Sec. 10 provides list of incomes which are not to be included in the total income of the assessee for tax purpose. These incomes are out of the purview of income tax and for tax purpose, total income is computed without without taking these incomes into consideration.

**Chart 1.5 Basic Concepts - other points**

Normally income of the PY is assessed in the AY. However in following 5 cases income of the PY is assessed in the PY itself.		Special Point
<b>1. Shipping business of a non-resident [Section 172]</b> a) Where a ship belonging to or chartered by a non-resident carries passengers, livestock, mail or goods shipped at a port in India. b) The ship is allowed to leave the port only when the tax has been paid or satisfactory arrangement for payment thereof has been made. c) 7.5% of the freight paid or payable to the owner or the charter or to any other person on his behalf, whether in India or outside India on account of such carriage is deemed to be his income. d) This income is charged to tax in the same year in which it is earned.	<b>4) Persons likely to transfer property to avoid tax [Section 175]</b> a) If it appears to the assessing officer that a person is likely to charge, sell, transfer, dispose of or otherwise part with any of his assets to avoid payment of any liability under this Act. b) The total income of such income for the period from the expiry of the previous year to the date when the assessing officer commences proceedings under this section is chargeable to tax in that assessment year.	A resident individual whose 60th birthday falls on 1.4.22 would be treated as having attained age of 60 years in the P.Y. 2021-22 & would be eligible for higher basic exemption limit of Rs. 300000 in computing tax liability for AY 2022-23. Likewise, Individual(R ) whose 80th birthday falls on 1.4.2022 would be treated as having attained age of 80 years in PY 2021-22 & would be eligible for higher basic exemption limit of Rs. 500000 in computing tax liability.
	<b>5) Discontinued business [Section 176]</b> a) Where any business/profession is discontinued in AY b) The income of the period from the expiry of the previous year up to the date of such discontinuance may, at the discretion of the assessing officer, be charged to tax in that assessment year c) In this case it is at the discretion of the AO	
<b>2) Persons leaving India [Section 174]</b> a) Where it appears to the assessing officer that any individual may leave India during the current assessment year or shortly thereafter and has no intention of returning. b) The total income of such individual for the period from the expiry of the respective previous year to the probable date of his departure from India is chargeable to tax in that Assessment Year.	<b>Concept of Marginal Relief</b> 1) Marginal Relief is available in case of such persons having a total income exceeding Rs. 50 Lakh i.e. the total amount of income-tax payable (together with surcharge) on such income should not exceed the amount of income-tax payable on Rs. 50 lakh by more than the amount of income that exceeds Rs. 50 lakh. 2) Marginal Relief is available in case of such persons having a total income exceeding Rs. 1 Crore i.e., the total amount of income-tax payable (together with surcharge) should not exceed the amount of income-tax and surcharge payable on total income of Rs. 1 crore by more than the amount of income that exceed Rs. 1 crores. 3) Marginal Relief is available in case of such persons having total income exceeding Rs. 2 cr i.e. the total amount of income-tax payable (together with surcharge) on such income should not exceed the amount of income-tax payable on Rs2 crores by more than the amount of income that exceeds Rs.2 cr	<b>Rounding Off</b> Sec 288 A - round off of total income Sec 288 B - round off of total tax. rounding off is done to nearest rupee in multiple of 10.
<b>3) AOP/BOI/ Artificial Judicial person formed for a particular event or purpose [Section 174A]</b> a) In case that an AOP/BOI etc. is formed/established for a particular event or purpose. b) The assessing officer apprehends that the AOP/BOI is likely to be dissolved in the same year or in the next year. c) The assessing officer can make assessment of income up to the date of dissolution as income of the relevant assessment year.		<b>SPECIAL TAX RATES</b> <b>Sec 112:</b> Long term capital gains (other than LTCG taxable as per sec 112A) - <b>20%</b> <b>Sec 112A:</b> Long term capital gains on transfer of equity share in a company, Unit of equity oriented fund (ULIP policy), unit of business trust. Condition for availing the benefit of this concessional rate is that STT should have been paid. <b>10% ( LTCG &gt; 1,00,000).</b> <b>Sec 111 A:</b> LTCG on transfer of equity share in a company, Unit of equity oriented fund, (ULIP policy), unit of business trust. 15% Conditions for availing the benefit of this concessional rate are - Transaction of sale of such equity share or unit should be entered on or after 1-10-2004. And such transaction should be chargeable into STT <b>- 15%.</b> <b>Sec 115BB</b> - Winning from lotteries, crossword puzzles, including horse races, Card games/other games like sort, gambling, betting, of any form or nature. - <b>30%.</b> <b>Sec 115BBE</b> - Unexplained money, investment, exp, deemed as income u/s 68/69/69A/69B/69C/69D - <b>60%</b>



## Chart 1.6 Basic Concepts - Tax Rates

Calculation of Tax Liability															
<b>1) Tax calculation for the person</b>	<b>It is done as per the rates applicable to the person</b>														
2) Rebate u/s 87 A (Only if the total Income does not exceed 5,00,000)	1) It is a tax relief provided to individual taxpayers 2) Applicable to Resident Individual 3) Rebate = Income Tax or Rs. 12,500 whichever is less. 4) Consider income tax before surcharge and HEC.														
3) Surcharge for Ind/HUF/AOP/AJP {Enhanced rate of surcharge (25% & 37%) is not applicable to STCG u/s 111A & LTCG u/s 112A, LTCG u/s 112 & dividend income}	1) It is additional levy. 2) Calculated as a percentage on tax amount. 3) It is tax on tax.														
3) Health & Education Cess	It comes into tax calculation part at the end. <b>It is calculated @4%</b> on Tax + Surcharge/ Tax(-)rebate. 2% - primary education cess, 1% - secondary & higher edu cess 1% - health cess														
<b>For AOP separate surcharge rules are there wef FA 2022</b>															
<b>Other AOP</b>	<b>AOP - only companies are members</b>														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #ADD8E6;">NTI</th> <th style="background-color: #ADD8E6;">Rate</th> </tr> </thead> <tbody> <tr> <td style="background-color: #ADD8E6;">50 lakhs upto 1 crore</td> <td style="background-color: #ADD8E6;">10%</td> </tr> <tr> <td style="background-color: #ADD8E6;">1 Crore upto 2 Crore</td> <td style="background-color: #ADD8E6;">15%</td> </tr> <tr> <td style="background-color: #ADD8E6;">2 Crore upto 5 Crore</td> <td style="background-color: #ADD8E6;">25%</td> </tr> <tr> <td style="background-color: #ADD8E6;">Above 5 crores.</td> <td style="background-color: #ADD8E6;">37%</td> </tr> </tbody> </table>	NTI	Rate	50 lakhs upto 1 crore	10%	1 Crore upto 2 Crore	15%	2 Crore upto 5 Crore	25%	Above 5 crores.	37%	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #ADD8E6;">If NTI - above 50 lakhs upto 1 Cr -</th> <th style="background-color: #ADD8E6;">If NTI - above 1 Cr -</th> </tr> </thead> <tbody> <tr> <td style="background-color: #ADD8E6;">10%</td> <td style="background-color: #ADD8E6;">15%</td> </tr> </tbody> </table>	If NTI - above 50 lakhs upto 1 Cr -	If NTI - above 1 Cr -	10%	15%
NTI	Rate														
50 lakhs upto 1 crore	10%														
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2 Crore upto 5 Crore	25%														
Above 5 crores.	37%														
If NTI - above 50 lakhs upto 1 Cr -	If NTI - above 1 Cr -														
10%	15%														

Tax liability of different persons	
Ind/HUF/AOP/BOI/AJP	
Total Income	Rate of tax
upto 2,50,000	Nil
2,50,001 - 5,00,000	5%
5,00,001 - 10,00,000	20%
above 10,00,001	30%
For Individual 60 yrs & above BEL is 300000. For Individual 80 yrs & above BEL is 500000.	
Firm/LLP/Local Authority	30%
Co-operative Society	
upto 10,000	10%
10,001 - 20,000	20%
20,001 and above	30%
Company	
Domestic Company	
Total Turnover/ gross receipts in the PY 20-21 ≤ 400Cr	25%
other domestic companies	30%
Foreign Companies	40%
Surcharge	
Firm/LLP/Local Authority/Co-operative Soc	
If NTI > 1 Cr	12%
Domestic Company	
If NTI > 1 Cr but ≤ Rs. 10 Cr	7%
If NTI > 10 Cr	12%
Foreign Company	
If NTI > 1 Cr but ≤ Rs. 10 Cr	2%
If NTI > 10 Cr	5%

**Note for Co-operative Society**

Co-operative society, resident in India can opt for concessional rates of tax @ 25.168% (tax @ 22% plus surcharge @ 10% plus health and education cess (HEC) @ 4% u/s 115BAD in respect of its total income computed without giving effect to deduction u/s 10AA, 32AD, 35AD, 35CCC, additional depreciation u/s 32(1)(iia), deductions under chapter VI-A (other than 80JJAA) etc. and set off of losses and depreciation brought forward from earlier years relating to the above deductions. The provisions of AMT under section 115JC would not be applicable to co-operative society opting for section 115BAD (will be dealt in Final)

**Note for Domestic Company**

3) In case of Co. other than domestic companies  
 FTS - Fees for technical services : 50%  
 Other Income : 40%

**Note for Company**

Companies also have concessional tax regime u/s 115BAA and 115BAB.

**Maximum Marginal rate (MMR)**

The rate of income-tax (including surcharge on the tax, if any) applicable in relation to highest slab of income in the case of an individual, AOP or BOI, as the case may be, as specified in Finance Act of the relevant year. MMR For current AY is 42.744%.

**Average Rate of tax:** Means the rate arrived at by dividing the amount of income tax calculated on the total income, by such total income. Average Rate = Total Tax / Total Income X 100.

## Chart 2.1 Salary-Basic Concepts

Basic Concepts	Computation of salary	Sec 17(3)- Profit in lieu of salary- taxable under salary																						
<p style="text-align: center;">Sections</p> <p>Sec 15- Basis of charge</p> <p>Sec 16- Deductions</p> <p>Sec 17- Perquisites</p> <p>2) There should be <b>relationship of employer and employee</b> between payer and payee. It does not matter whether employee is full time /part time employee</p> <p>3) Salary can be from present, former or prospective employer</p> <p>4) Remuneration should be in respect of <b>Contract of Service</b> and not Contract for service</p> <p>5) Partners remuneration from firm &amp; salary received from Member of Parliament not taxed under salary as relationship of employer and employee does not exist</p> <p>6) As per sec 15 basis of charge is <b>due or receipt whichever is earlier</b></p> <p>7) Forgoing of salary is fully taxable and surrender of salary is not taxable</p> <p>8) <b>Advance salary is taxable in the year of receipt</b> and advance against salary is not taxable as it is like a loan</p> <p>9) Sometimes it is not possible to tax salary under due or receipt basis as there is revision of previous year salary then such arrears are taxed in the year of receipt.</p> <p>10) Salary paid tax free: When the employer bears the burden of the tax on the salary of the employee. In such a case, the income from salaries in the hands of the employee will consist of his salary income and also the tax on this salary paid by the employer. However as per sec 10(10CC), the income tax paid by the employer on the non-monetary perquisites on behalf of the employee would be exempt in the hands of the employee.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Particulars</th> <th style="width: 40%;">Amt</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td style="text-align: center;">XXX</td> </tr> <tr> <td>Allowance</td> <td style="text-align: center;">XXX</td> </tr> <tr> <td>Perquisite</td> <td style="text-align: center;">XXX</td> </tr> <tr> <td><b>Gross salary</b></td> <td style="text-align: center;"><b>XXX</b></td> </tr> <tr> <td>less: <b>deduction u/s 16</b></td> <td></td> </tr> <tr> <td>16(ia) Std. deduction</td> <td style="text-align: center;">XXX</td> </tr> <tr> <td>16(ii) Entertainment Allowance</td> <td style="text-align: center;">XXX</td> </tr> <tr> <td>16(iii) Profession Tax</td> <td style="text-align: center;">XXX</td> </tr> <tr> <td><b>Income from salary</b></td> <td style="text-align: center;"><b>XXX</b></td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #d9ead3;"> <th style="text-align: center;">Sec 9(1) Place of accrual</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>● <b>Place of accrual = Place where services are rendered</b></li> <li>● If service rendered in India then it is deemed to accrue in India even if paid outside India</li> <li>● Pension/leave salary paid abroad is deemed to accrue in India if paid in respect of services rendered in India</li> <li>● <b>Salary by Indian Govt. to Indian National always accrues in India</b> even if services rendered outside India . Allowances &amp; perquisites paid outside to such employees working abroad are exempt from tax</li> </ul> </td> </tr> </tbody> </table>	Particulars	Amt	Salary	XXX	Allowance	XXX	Perquisite	XXX	<b>Gross salary</b>	<b>XXX</b>	less: <b>deduction u/s 16</b>		16(ia) Std. deduction	XXX	16(ii) Entertainment Allowance	XXX	16(iii) Profession Tax	XXX	<b>Income from salary</b>	<b>XXX</b>	Sec 9(1) Place of accrual	<ul style="list-style-type: none"> <li>● <b>Place of accrual = Place where services are rendered</b></li> <li>● If service rendered in India then it is deemed to accrue in India even if paid outside India</li> <li>● Pension/leave salary paid abroad is deemed to accrue in India if paid in respect of services rendered in India</li> <li>● <b>Salary by Indian Govt. to Indian National always accrues in India</b> even if services rendered outside India . Allowances &amp; perquisites paid outside to such employees working abroad are exempt from tax</li> </ul>	<p><b>1) Compensation on account of termination of his employment</b></p> <p>The amount of any compensation due to or received by an assessee from his/ former employer or in connection with termination of his employment</p> <p><b>2) Compensation on account of modification of terms and condition of employment</b></p> <p>Such compensation is usually a capital receipt but by virtue of this provision <b>it is treated as revenue receipt &amp; chargeable under salary</b>. It must arise due to employer &amp; employee relationship. If it is due to considerations totally unconnected with employment, such payment is not profit in lieu of salary.</p> <p><b>3) Payments from provident fund or other fund</b></p> <ul style="list-style-type: none"> <li>● Any payment due to or received by an assessee from his employer or former employer from a provident fund or other fund other than             <ol style="list-style-type: none"> <li>1) Gratuity (sec 10(10))</li> <li>2) pension (10(10A))</li> <li>3) Compensation received by a workman under Industrial Disputes Act 1947</li> <li>4) From provident fund or public provident fund [Sec 10(11)]</li> <li>5) From recognized provident fund [Section 10(1012)]</li> <li>6) From approved superannuation fund [Section 10(13)]</li> <li>7) Any house Rent Allowance [Section 10(13A)], to the extent to which it does not consists of employee's contribution or interest on such contributions</li> </ol> </li> </ul> <p><b>4) Keyman Insurance Policy</b></p> <p>Any sum received by an assessee including the sum allocated by way of bonus</p> <p><b>5) Lumpsum payment or otherwise</b></p> <p>Any amt due to assessee or received by him from any person before joining or after cessation of employment</p>
Particulars	Amt																							
Salary	XXX																							
Allowance	XXX																							
Perquisite	XXX																							
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## Chart 2.2 Salary- Forms of Salary/Various Retirement Benefits

Sec 10(10)- Gratuity	Sec 10(10A)- Pension/Annuity	Sec 10(10AA)-Leave Encashment
Payment made gratuitously (given freely) by an employer to his employee usually at the time of his retirement/ death of employee.	Pension is a periodical payment received from the employer on or after retirement.	Encashment of accumulated leave at the time of retirement or during the service is known as leave encashment
<b>1)Gratuity received during service</b> It is fully taxable	<b>1)Commuted Pension</b> a)Govt. Employee-Fully exempt b)Non govt employee	<b>1)Received during employment</b> It is fully taxable
<b>2)Gratuity received at the time of retirement/death</b> <b>a)In case of Government Employee</b> It is fully Exempt	i)In receipt of Gratuity exemption= 1/3 of total pension ii)Not in receipt of Gratuity exemption= 1/2 of total pension	<b>2)Received during retirement</b> <b>a)In case of Government employee</b> It is fully exempt
<b>b)In case employees are covered under Gratuity Act:</b> <b>Exemption is least of the following</b> 1)Gratuity received 2) <b>Rs.20,00,000</b> 3)15/26 X salary X length of service * Length of service is r/off in excess of 6 months * Salary = Basic +DA	<b>2)Uncommuted Pension</b> Fully taxable in case of Govt employee & Non-Govt. Employee	<b>b)in case of Non-Government employee</b> <b>Exemption is least of the following:</b> 1)Leave salary received 2) <b>Rs.3,00,000</b> 3)10 months of average salary 4)(Leave at credit in days /30 X average salary) While calculating leave at credit it has a ceiling of 30 days per year & received for completed yrs of service *Salary= Basic +DA(if forming a part of salary)+ Commission(if received as a % of turnover) *Avg salary means salary drawn by employee during a period of 10m preceding date of retirement/10
<b>c)In case of others :</b> <b>Exemption is least of the following:</b> 1)Gratuity received 2) <b>Rs.20,00,000</b> 3)1/2 X Avg. monthly salary X no. of completed yrs of service *Avg monthly salary = salary for 10m /10 *salary=basic +DA(if forming a part of salary for )+ computing retirement benefits) + Commission (if received as a % of turnover)	<i>If pension received from other than employer then taxable under IOS</i>	
	<b>Sec 10(10B)- Retrenchment Compensation</b>	
	<b>Exemption is least of the following:</b> 1)Compensation received 2) <b>Rs.5,00,000</b> 3)15/26 X Avg salary of last 3 months X completed yrs of service in excess of 6 months *Salary = Basic +DA	<b>Sec 10(10C) Compensation at the time of VRS</b> <b>Exemption is least of the following:</b> 1)Compensation received 2) <b>Rs 5,00,000</b> 3)3 months salary X completed yrs of service 4) salary at retirement X balance of service left in months



## Chart 2.3 Salary - Allowances

*Fixed quantity of money given in addition to salary to meet particular requirement connected with services*

Sec 10(13)-HRA	Other Allowances	
Given to allow employee to pay rent for an accomodation	↓	
<b>HRA is least of following</b> 1) HRA received 2) 40% of salary 50% in case of metro cities 3) Rent -10% of salary salary=basic+ DA(if forming a part of salary)+commission (if received as % of turnover)	<b>Exemption depending on expenditure</b> <i>Exemption=Allowance received or expenditure whichever is lower</i>	<b>Exemption dependent on specified Amount(not on expenditure)</b> <i>Exemption= Allowance Received or amount specified whichever is less</i>
Salary for HRA is on due basis	<b>Name of the allowance and the amount specified as per IT Act</b>	
HRA exemption not available if assessee has own house, pays no rent or rent is less than 10% of salary	1) <b>Travelling allowance</b> - To meet cost of travel on tour or on transfer of duty	1) Children Education allowance - upto 100Rs pm per child max. 2 children 2) Hostel allowance- upto 300Rs pm per child max. 2 children 3) Counter Insurgency allowance- upto 3900 pm 4) Transport allowance(for commuting between office and residence) only for visually impaired and handicapped employee- upto 3200pm 5) Underground allowance( working in coal mines.)-upto 800 pm 6) Tribal Area allowance-upto 200p.m 7) Allowance to employees working in a transport system to meet personal expenditure during his duty to another place - 70% of such allowance upto maximum of 10,000 8) Island (Duty) Allowance granted to the member of Armed forces in Andaman -Nicobar & Lakshadweep Island -3250 pm.  <b>NOTE1:</b> Some Allowances are fully exempt like- Paid to High Court Judges, received from UNO Sumptuary Allowance, compensatory allowance under Article 222(2) of constitution, payable by Govt. of India to citizen of India <b>Note2:</b> Allowances other than mentioned above shall be fully taxable Eg: Dearness Allowance, overtime allowance, Interim Allowance, Servant allowance, Special Allowance, Non-practicing, Warden Allowance, Project Allowance, City Compensatory Allowance, Fixed medical Allowance, Any other Cash Allowance, etc <b>Note 3:</b> An employee, being an assessee who opts for the provisions of the section 115BAC would be entitled for exemptions only in respect of transport allowance granted to an employee who is blind/deaf & dumb/orthopedically handicapped with disability of the lower extremities of the body to the extent of 3200 p.m.
	2) <b>Conveyance allowance</b> - To meet expenditure incurred on conveyance in performance of duties of an office or employment of profit	
	3) <b>Helper Allowance</b> - to meet exp on helper engaged for performance of duty	
<b>Sec 16(ii) Entertainment Allowance</b>	4) <b>Academic allowance</b> - To encourage academic, research & training pursuit in educational and research institution	
EA is first added in salary then a deduction is available to government employee	5) <b>Uniform Allowance</b> - To meet exp on purchase or maintainence of uniform for wear during duty or employment	
<b>Deduction is least of following</b> 1) actually received 2) 5000 p.a 3) 20% of basic salary	6) <b>Daily Allowance</b> - To meet ordinary daily charges when the person is not in normal place of duty	



## Chart 2.4 Salary - Perquisites

It is an additional benefit derived by the employee by virtue of his position. It may be received in Kind. It should be from the employer to employee

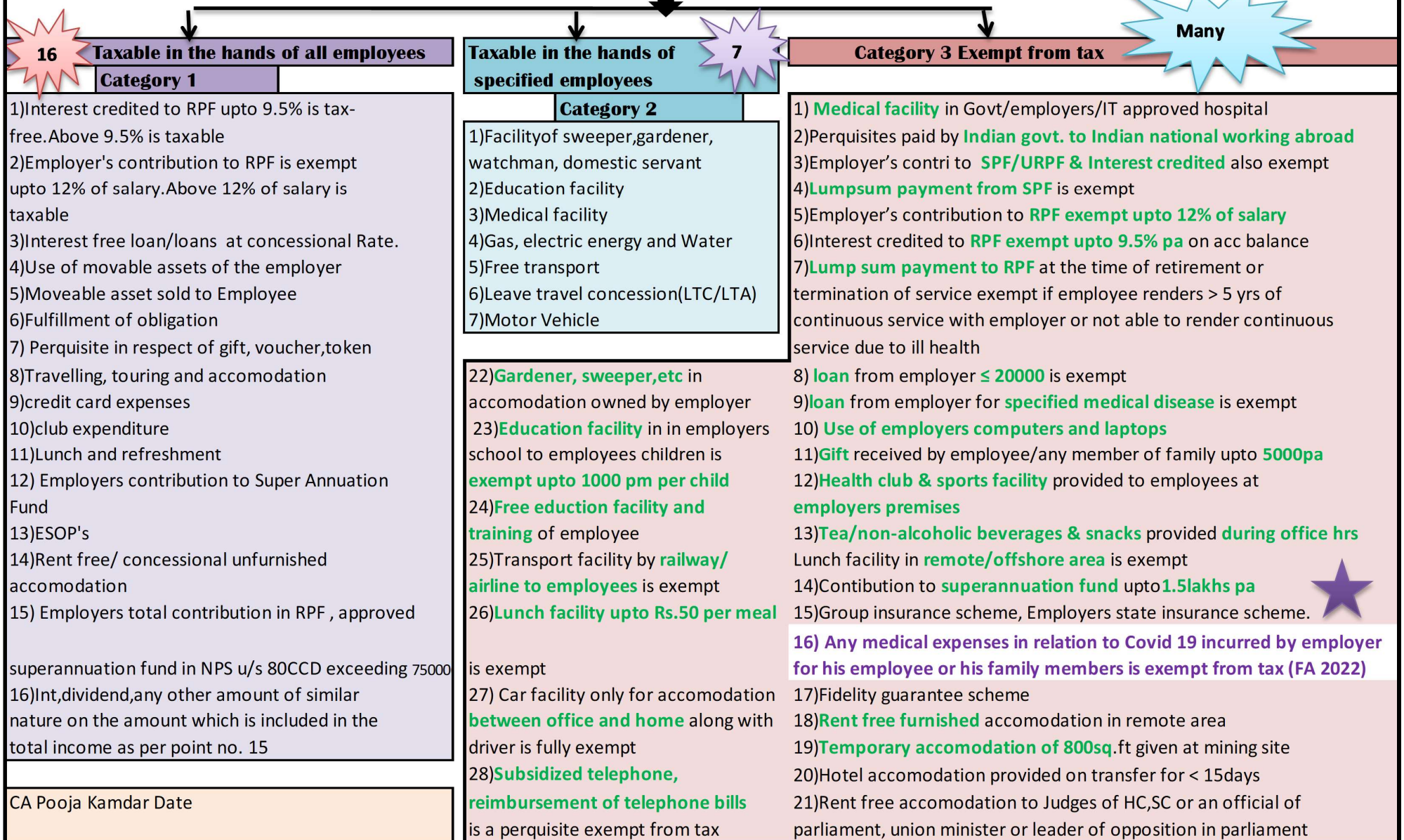


Chart2.4a Salary - Perquisites- Taxable in the hands of all employees

<p><b>1) Interest credited to RPF</b> Interest in excess of 9.5% pa is taxable. Date on which interest is credited is not important</p>	<p><b>9) credit card expenses-</b> <u>perq=exp incurred by employer-exp incurred for official purpose- amt recovered from employee.</u> Exp includes membership and annual fees</p>	<p><b>14) Rent free unfurnished accomodation</b> <span style="float: right; border: 1px solid red; padding: 2px;">16</span> Central &amp; state Govt. employee perquisite=<u>license fees as determined by Govt.rules</u></p>													
<p><b>2) Employer's contribution to RPF</b> Exempt upto 12% of salary. Salary meaning same as HRA</p>	<p><b>10) Club expenditure-</b> <u>perq=exp incurred by employer-exp incurred for official purpose- amt recovered from employee.</u> Health club and sports facility at employers premises are exempt from tax. In case of corporate and institutional club facility initial fees and deposits will not be included in the value of perquisite</p>	<p style="text-align: center;"><b>In case of others</b></p> <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2" style="text-align: center;">Accomodation owned by employer</th> <th style="text-align: center;">Accomodation not owned by employer</th> </tr> <tr> <th style="text-align: center;">population</th> <th style="text-align: center;">perquisite</th> <th style="text-align: center;">Perquisite= Lease rent or lower</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">&gt;25lakhs</td> <td style="text-align: center;">15% of salary</td> <td rowspan="3" style="text-align: center;">15% of salary whichever is lower</td> </tr> <tr> <td style="text-align: center;">10L-25L</td> <td style="text-align: center;">10% of salary</td> </tr> <tr> <td style="text-align: center;">&lt; 10lakhs</td> <td style="text-align: center;">7.5% of salary</td> </tr> </tbody> </table>	Accomodation owned by employer		Accomodation not owned by employer	population	perquisite	Perquisite= Lease rent or lower	>25lakhs	15% of salary	15% of salary whichever is lower	10L-25L	10% of salary	< 10lakhs	7.5% of salary
Accomodation owned by employer		Accomodation not owned by employer													
population	perquisite	Perquisite= Lease rent or lower													
>25lakhs	15% of salary	15% of salary whichever is lower													
10L-25L	10% of salary														
< 10lakhs	7.5% of salary														
<p><b>3) Interest free loans / loans at concessional rates-</b> Perquisite is calculated by comparing employers int rate with SBI lending rate as on 1st day of PY. In 2 cases no perq: 1) total loan amt ≤ 20000 (2) loan is for specified medical diseases</p>	<p><b>11) Lunch and refreshment-</b> <u>Perq=cost to employer-Rs 50 per meal- amount recovered from employee if any</u> Tea/non-alcoholic beverages during office hrs is exempt. Food, tea, etc provided in remote areas is not taxable</p>	<ul style="list-style-type: none"> <li>● Salary= Basic+DA(if forming a part)+bonus+commission+fees taxable allowance+any monetary payment. i.e anything other than perquisite. Salary is taken on due basis</li> <li>● Salary is taken only for period during which accomodation is occupied.</li> <li>● If accomodation is in <u>hotel perq=24% of salary or expenses incurred whichever is lower.</u></li> <li>● In case of <b>furnished accomodation perquisite</b> = perquisite for unfurnished accomodation + perquisite for furniture</li> <li>● Perquisite for furniture=10% of original cost if employer owns furniture. Hire charges paid in case employer does not own furniture.</li> </ul> <p><b>Exempt:</b> Accomodation in remote areas, mining site, hotel accomodation &lt; 15 days, to judges of HC or SC, etc</p>													
<p><b>4) Use of movable assets of Employer-</b> <u>Perq= 10%p.a of original cost of asset.</u> Use of computer and laptop is exempt</p>	<p><b>12) Employers contribution to Super annuation Fund</b> <u>Perq= Employers contribution for the year -Rs1.5lakhs</u></p>	<p><b>15) Employers total contribution in RPF, approved super annuation and in NPS</b> <u>Employers contribution in (i) RPF (ii) Approved super annuation and (iii) in NPS referred to in Section 80CCD shall be treated as perquisite to the extent &gt; 750000</u></p>													
<p><b>5) Moveable asset sold by employer to employee-</b> <u>Perq= WDV - Sale Consideration.</u> Dep calculated for completed no. of yrs Electronic item/computer-50%(WDV) motor car-20%(WDV) others-10%(SLM)</p>	<p><b>13) ESOP /Sweat equity</b> <u>Perq=FMV as on the date the employee exercises the option less cost to the employee.</u> FMV as on the date of allotment is not relevant</p>	<p>16) <u>int, dividend or any other amount of similar nature on amount which is included in the income of employee</u> <u>int, dividend or any other amount of similar nature on the amount which relates to the employers contribution which is included in the total income (as per point 15 above)</u> (See Notification for point 15 &amp; 16 on next chart)</p>													
<p><b>6) Fulfillment of obligation-</b> Any payment done by the employer which results in fulfillment of employee's obligation</p>	<p>Where such shares or securities are allotted by the current employer, being an eligible start-up the perquisite is taxable in the year a) after the expiry of 48 months from the end of the relevant AY. b) in which sale of such security or share are made c) in which the assessee ceases to be the employee of the employer. ↓ (AY 21-22)</p>														
<p><b>7) Gift, Voucher, Token-</b> Taxable &gt; 5000 pa. Exemption not available if received. in cash or chq</p>															
<p><b>8) Travelling, touring, accomodation-</b> <u>perq=exp incurred by employer-exp incurred for official purpose - amount recovered from employee</u></p>															



## Chart 2.4 Salary - Notification for perquisite no. 16

*Manner of computation of taxable perquisite u/s 17(2)(via) {notification No. 11/2021 dated 5.3.2021}- Statutory Update*

The amount or aggregate of amounts of any contribution made in a recognised provident fund, in NPS referred to in section 80CCD(1) and in an approved superannuation fund by the employer to the account of the assessee, to the extent it exceeds Rs. 7,50,000 would be perquisite by virtue of section 17(2)(vii). Consequently, section 17(2)(viii) provides that any annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the recognized provident fund or NPS or approved superannuation fund to the extent it relates to the employer's contribution which is included in total income in any previous year under section 17(2)(vii), computed in prescribed manner would also be perquisite taxable under the head "Salaries". Accordingly, the CBDT has, vide this notification, prescribed the following formula to compute the annual accretion by way of interest, dividend or any other amount of similar nature during the current previous year to the balance to the credit of the recognized provident fund or NPS or approved superannuation fund to the extent it relates to the employer's contribution in excess of Rs. 7,50,000, included in total income in any PY.

$$TP = (PC/2)*R + (PC1+ TP1)*R$$

**TP** : Taxable perquisite under of section 17(2)(viii) for the current previous year i.e. P.Y. 2020-21;

**TP1**: Aggregate of taxable perquisite under section 17(2)(viii) for the previous year or years commencing on or after 1.4.2020 other than the current previous year (See Note)

**PC**: Amount or aggregate of amounts of employer's contribution in excess of Rs. 7.5 lakh to the specified fund or scheme during the previous year i.e., P.Y. 2020-21

**PC1**: Amount or aggregate of amounts of employer's contribution in excess of Rs. 7.5 lakh to the specified fund or scheme for the previous year or years commencing on or after 1st April, 2020 other than current PY

**R** : **I / FAVG I** : Amount or aggregate of amounts of income accrued during the current previous year in the specified fund or scheme account.

**FAVG**: (Amount or aggregate of amounts of balance to the credit of the specified fund or scheme on the first day of the current previous year i.e., on 1st April, 2020 + Amount or aggregate of amounts of balance to the credit of the specified fund or scheme on the last day of the current previous year i.e., on 31st March, 2021)/2.

Specified fund or scheme means recognised provident fund, NPS referred to in section 80CCD(1) and an approved superannuation fund.

Note: Where the amount or aggregate of amounts of TP1 and PC1 exceeds the amount or aggregate of amounts of balance to the credit of the specified fund or scheme on the first day of the current previous year, then, the amount in excess of the amount or aggregate of amounts of the said balance shall be ignored for the purpose of computing the amount or aggregate of amounts of TP1 and PC1.

Chart 2.4b Salary - Perquisites taxable in the hands of specified employees

**Specified Employee:**(1) Director of company, (2) Person having substantial interest in the company (beneficial owner of equity shares carrying 20% or more voting power), (3) Employee drawing monetary salary of more than 50000 pa.



For the purpose of monetary salary only taxable portion of allowances is considered and such salary is calculated after deductions u/s 16

**1) Facility of sweeper, gardener, watchman, domestic servant, etc**

Perq=Actual expenditure

**2) Education facility-**

For Employee's children - perquisite is exempt upto 1000 p.m- If the benefit exceeds Rs.1000 then

perq = benefit - Amt Recovered from employee

If Member of household (other than children)

perq = cost (-) Amount recovered from employee

**3) Medical Facility -**

In Govt/Employers/IT approved hospital-Exempt

Group Medi-claim insurance - Exempt

In Private Hospital/other hospital-fully taxable

**Outside India**-Accommodation & medical exp

not a perq if exp approved by RBI

Travelling Exp- not a perq if GTI ≤200000p.a

Any medical expenses in relation to Covid -19 incurred by employer for his employee or his family members - Exempt from tax (FA 2022)

**4) Gas, Electric Energy and Water -**

Perq=Cost – Amt recovered from employee

In case of mfg then unit cost is taken

**5) Free transport**

Perq=Cost – Amt recovered from employee

Facility provided by railways and airline to employees is exempt from tax.

**6) Sec 10(5) Leave Travel Concession(LTC/LTA)**

An assistance extended by an employer for going anywhere in India along with his family

Family= spouse, children, dependent sister, brother, parents

Exemption = LTC rcvd or exp incurred whichever is lower

Journey by	exemption
Air	Economy class
Rail	AC 1st class rail fare
Connected by Rail	AC 1st class rail fare but used other mode
Not connected by rail	
Recognized public transport	1st or deluxe class fare
No recognized public transport	AC 1st class Rail fare

- Exemption available for fare only
- Exemption available twice in block of 4 yrs
- If not availed in 4 years then he can avail concession in 1st yr of next block
- exemption available only to 2 surviving children. Not applicable in respect of children born before 1/10/1998 and multiple birth after 1 child

**7) Motor Car**

Owned by- Employer, Expenses by employer	Owned by- Employee, Expenses by employer
<b>Personal</b> - Expenses incurred +10% pa of cost of car - Amt recovered from employee+ hire chgs if hired	<b>Personal</b> - Actual exp - Amt recovered
<b>Partly personal/official</b> - upto 1600CC = 1800pm+900pm above 1600CC = 2400pm+900pm	<b>Partly personal/official</b> - upto 1600CC = Act exp (-) 1800pm (-)900pm-Amt recovered above 1600CC = Act exp -2400pm (-)900pm-Amt recovered
<b>Owned by-Employer Expenses by employee</b>	<b>Employee owns other vehicle than car Expenses by employer</b>
<b>Personal</b> - Expenses incurred +10% pa of cost of car - Amt recovered from employee+ hire chgs if hired	<b>Personal</b> - Expenses incurred - 900pm- Amt recovered from employee
<b>Partly personal/official</b> - upto 1600CC = 600 pm +900pm above 1600CC = 900pm + 900 pm	<b>Partly personal/official</b> - A higher sum for official expenses can be claimed as per the records and if certified by employer
<ul style="list-style-type: none"> <li>● If &gt;1 car then , 1 car will be partly official / personal &amp; other will be fully personal</li> <li>● Vehicle only for journey between residence and back to office then no perquisite.</li> <li>● only completed months to be taken for valuation. Part of the month to be ignored</li> </ul>	

## Chart 2.5 Salary-Other Concepts

Deduction u/s 16	Relief u/s 89	Provident fund																															
<p><b>Sec 16(i)- Standard deduction</b></p> <ul style="list-style-type: none"> <li>● Deduction= 50000 or salary whichever is lower (Earlier Standard deduction was 40000)</li> <li>● Deduction is available wef AY 19-20</li> </ul> <p><b>Sec 16(ii)- Entertainment Allowance</b></p> <ul style="list-style-type: none"> <li>● It is first added in salary and then deduction is claimed.</li> <li>● It is allowed only to Govt. employees</li> <li>● Deduction is least of the following                             <ol style="list-style-type: none"> <li>1) Entertainment Allowance received</li> <li>2) Rs.5000 per annum</li> <li>3) 20% of basic salary</li> </ol> </li> </ul> <p><b>Sec 16(iii) Professional Tax</b></p> <ul style="list-style-type: none"> <li>● Allowed only on payment basis</li> <li>● If it paid by Employer then it is taxed in the hands of employee as perquisite and later deduction can be claimed</li> </ul>	<ul style="list-style-type: none"> <li>● Where due to some reasons arrears of salary could not be taxed on due basis, Relief is extended to assesseees</li> <li>● In case of VRS assessee can either claim exemption or relief</li> <li>● steps for calculating relief u/s89                             <ol style="list-style-type: none"> <li>1) Tax in the year of receipt on Income + Arrears</li> <li>2) Tax in year of receipt on income</li> <li>3) Step 3 = Step 1- Step 2</li> <li>4) Tax in the year to which arrears relates to Tax on assessed Income + Arrears</li> <li>5) Tax in the year to which arrears relates to Tax on assessed Income</li> <li>6) Step 6= step 4- step 5</li> <li>7) Relief u/s 89= step 3- step 6</li> </ol> </li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Sec</th> <th>Particulars</th> <th>Statutory</th> <th>RPF</th> <th>URPF</th> <th>PPF</th> </tr> </thead> <tbody> <tr> <td>10(11)</td> <td>Employers contribution</td> <td>Exempt</td> <td>Upto 12% of salary exempt</td> <td>Exempt</td> <td>Not applicable</td> </tr> <tr> <td>10(11)</td> <td>Interest credited</td> <td>Exempt See note below</td> <td>Exempt upto 9.5% see note below</td> <td>Exempt</td> <td>Exempt</td> </tr> <tr> <td>80C</td> <td>Employees contribution</td> <td>Available</td> <td>Available</td> <td>Not available</td> <td>Eligible for 80C</td> </tr> <tr> <td>10(12)</td> <td>Lumpsum payment</td> <td>Exempt</td> <td>Exempt</td> <td>Taxable</td> <td>Exempt</td> </tr> </tbody> </table>	Sec	Particulars	Statutory	RPF	URPF	PPF	10(11)	Employers contribution	Exempt	Upto 12% of salary exempt	Exempt	Not applicable	10(11)	Interest credited	Exempt See note below	Exempt upto 9.5% see note below	Exempt	Exempt	80C	Employees contribution	Available	Available	Not available	Eligible for 80C	10(12)	Lumpsum payment	Exempt	Exempt	Taxable	Exempt	<p>As per sec 10(11), any payment from Provident Fund (PF) to which Provident fund Act, 1925 applies or from Public Provident Fund would be exempt. Accumulated balance due and becoming payable to an employee participating in a Recognized Provident Fund (RPF) would be exempt u/s 10(12). However, the exemption u/s 10(11) &amp; 10(12) would not be available in respect of income by way of interest accrued during the previous year to the extent it relates to the amount or the aggregate of the amounts of contribution made by that person/employee exceeding 2,50,000 in any previous year in that fund, on/after 1st April 2021. If the contribution by such person/employee is in a fund in which there is no employer's contribution, then a higher limit of 5,00,000 would be applicable for such contribution, and interest accrued in that previous year in that fund, on/after 1st April, 2021 would be exempt upto that limit. It may be noted that interest accrued on contribution to such funds upto 31st March, 2021 would be exempt without any limit, even if the accrual of income is after that date. The Above is effective from FA 2021. Wef AY 22-23. Interest income accrued during the previous year which is not exempt from inclusion in the total income of a person (taxable interest) shall be computed as the interest accrued during the previous year in the taxable contribution account. For this purpose, separate accounts withing provident fund account shall be maintained during the previous year 2021-22 and all subsequent years for taxable contribution and non taxable contribution made by a person.</p> <p><b>A) Non taxable contribution account</b> - aggregate of (i) closing balance in the account as on 31.03.2021 (ii) any contribution made by the person in the account during the PY 21-22 and subsequent PYs which is not included in the taxable contribution account and (iii) interest accrued on (i) and (ii), as reduced by the withdrawal if any from such account. <b>B) Taxable contribution account</b>- aggregate of (i) contribution made by the person in the account during the PY 21-22 &amp; subsequent PYs which is in excess of yearly threshold limit and (ii) interest accrued on (i) as reduced by the withdrawal if any from such account. <b>Yearly threshold limit is 5,00,000 if the contribution by such person or employee is in a fund in which there is no employers contribution and 2,50,000 in other cases</b></p>
Sec	Particulars	Statutory	RPF	URPF	PPF																												
10(11)	Employers contribution	Exempt	Upto 12% of salary exempt	Exempt	Not applicable																												
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80C	Employees contribution	Available	Available	Not available	Eligible for 80C																												
10(12)	Lumpsum payment	Exempt	Exempt	Taxable	Exempt																												
<p style="text-align: center;"><b>Keyman insurance policy</b></p> <ul style="list-style-type: none"> <li>● It is life insurance policy taken by employer on the life of a key employee who is connected with business of the employer</li> <li>● Premium paid by the organisation is allowed as a business exp</li> <li>● On maturity amount received including bonus is taxable as business income</li> <li>● Sometimes the organisation assigns the policy in the name of the employee. Here, surrender value will be perquisite in hands of the employee.</li> <li>● Proceeds received from Keyman insurance policy are not exempt u/s 10(10D).</li> </ul>																																	
<p style="text-align: center;"><b>Tax paid by employer</b></p> <p>1) Tax paid by employer on monetary perquisite is perquisite in hands of employee and allowable expenditure in hands of employer 2) Tax paid on non-monetary perquisite is not a perquisite in hands of employee and not a deductible exp u/s 40a in hands of employer</p>																																	



# Chart 3.1 House Property - Basic Concepts

Sections	Types of house properties	Sec 27- Deemed owner
1) Under the head HP there are following Sections: Sec 22 - Basis of charge Sec 23 - Determination of Annual Value Sec 24 - Deductions Sec 25A - Arrears of Rent / Unrealized Rent Sec 26 - Co-owners Sec 27 - Deemed owner	A person may use the house property for his <b>residential purpose</b> or may give on a <b>rent</b> . <b>1) Self occupied</b> HP used by assessee to <b>reside</b> is SO property. However for income tax purpose assessee can treat 2 houses as Self occupied. Wef AY 20-21 there will be no tax on notional rent of second SO property. For many years only 1 property was treated as SO. However the deduction u/s 24 in respect of 2 SO properties will be limited to Rs2,00,000/30,000 as the case may be <b>2) Let out property</b> Where the house is given on <b>rent</b> such property is LO property. GAV shall be calculated by Step 1,2,3 <b>3) Deemed to be let out property</b> A property which <b>cannot be treated as SO</b> as per Income tax and <b>it is not actually LO</b> shall be DLO. GAV will be calculated using Step 1.	<b>1) Transfer to spouse</b> When HP is transferred by an individual to his spouse for <b>inadequate consideration</b> then transferor shall be the deemed owner of HP <u>Exception: In case transfer is to live apart then transferor shall not be the deemed owner</u> <b>2) Transfer to minor</b> When HP is transferred by an individual to his minor child for <b>inadequate consideration</b> then transferor shall be deemed owner of HP <u>Exception: In case of transfer to minor married daughter transferor is not deemed to be the owner</u> <b>3) Holder of Impartible estate</b> The <b>holder of impartible estate</b> shall be the deemed owner. <u>Example: Raja is one of the ex-rulers of the princely states. He could not transfer building which is given to his eldest son (all 3 brothers have right to enjoy property) Eldest son holds property as a trustee. Hence he deemed owner of temple</u> <b>4) Member of Co-operative Society</b> <b>Person</b> to whom a building/part thereof is <b>allotted or leased</b> under particular scheme shall be the deemed owner of such property <b>5) Person in possession of property</b> Buyer shall be deemed owner if: (1) When <b>possession</b> is handed over to buyer (2) <b>Sale consideration</b> has been paid /promised. (3) <b>Sale deed</b> has not been executed but other documents are executed
<b>Following conditions are to be satisfied for the income to be chargeable under HP</b>	<b>Following income is not taxed under House property</b>	
i) There should be a <b>House Property</b> ii) Assessee should be the <b>owner</b> (legal & deemed) iii) He should <b>not use</b> the HP for <b>business/profession</b> iv) Annual Value should be chargeable under HP where it is held by assessee as stock in trade of business also ( <b>unsold inventory lying vacant</b> ) However, annual value of HP being held as stock in trade would be treated as <b>NIL</b> for a period of 2 years from the end of financial year in which <b>certificate of completion</b> of construction of property is obtained from competent authority, if property is not LO during such period. <ul style="list-style-type: none"> <li>• HP means <b>building</b> &amp; it should be <b>permanent</b> structure. It cannot be a temporary structure like exhibitions, tents, etc</li> <li>• HP can be residential or commercial property</li> </ul>	1) In case of composite rent, the letting out is <b>inseparable</b> then it is <b>chargeable under PGBP/IOS</b> 2) If <b>letting out is incidental or subservient</b> to business then income shall be <b>charged under PGBP</b> 3) Rent received from <b>subletting</b> house property shall be taxable under IOS as he is not the owner 4) Rent received from <b>vacant plot of land</b> is not taxable under HP 5) Where assessee is engaged in the business of <b>letting out of properties</b>	
<b>Case Law Reference</b>		
<b>The income earned by the assessee engaged in the business of letting out of properties would be taxable as business income (Supreme court ruling in Rayala corporation(P)Ltd.v.Asstt.CIT)</b>		
SO : Self Occupied LO : Let out DLO : Deemed Letout		

## Chart 3.2 House Property Computation of HP income and GAV calculations

Computation of House property Income			
Particulars	SO property	LO property	DLO property
Gross Annual Value	NIL	All 3 steps	Step 1
(-) Municipal taxes	NIL	XXX	XXX
<b>Net Annual Value</b>	<b>NIL</b>	<b>XXX</b>	<b>XXX</b>
less: deductions u/s 24			
24a: Standard deduction	NIL	30% of NAV	30% of NAV
24b: Interest on borrowed capital	XXX	XXX	XXX
<b>Income from House Property</b>	<b>(XXX)</b>	<b>XXX</b>	<b>XXX</b>

Following cases where GAV is Nil
1) <b>SO property</b> (2) <b>LO property</b> which is <b>vacant for 12 months</b> (3) When a HP is <b>not occupied</b> due to <b>business/ employment</b> carried out at some other place. At that other place assessee resides in a house not owned by the assessee. No other benefit is derived from such HP (4) GAV will be <b>nil</b> if property is held as <b>stock in trade</b> (unsold inventory   It is not let out during the whole/ part of the year. GAV will be nil for upto 2 years from end of financial year in which completion certificate is obtained

•As per Sec 22 GAV is the basis of charge for Income from HP.

### Calculation of GAV

**Step 1: Expected rent**  
Municipal value or Fair rent whichever is higher subject to Standard rent

**Step 2: Actual rent**

Annual rent receivable or received	XXX
(-) Unrealized rent	XXX
(-) Loss due to vacancy	XXX
<b>GAV as per Step 2</b>	<b>XXX</b>

**Step 3:**  
It is applicable only if Step 2 is less than Step 1 and also there is loss due to vacancy  
 If Step 3 is applicable then find out the reasons .  
 If reason is only due to vacancy then Final GAV will be Step 2  
 If Due to other reasons then GAV will be Step 1 - loss due to vacancy  
 If Step 3 is not applicable then Final GAV will be Step 1 or Step 2 whichever is higher

### Municipal taxes

SO property

Municipal taxes are not allowed as a deduction for SO property

LO/DLO property

1)Municipal taxes are allowed as a deduction on payment basis  
 2)In case of LO property if municipal taxes are paid by the tenant then deduction is not allowed.

### Notional Income Vs Real Income

Under Income from HP sometimes Notional income is taxed instead of Real Income for eg: (1) In case of **DLO property** ,GAV is computed on notional basis by taking Step 1 ie. Expected Rent (2)GAV is calculated in case of **unsold inventory** lying vacant after 1 year from end of the financial year in which completion certificate is obtained. (3)In **some cases GAV** could be taken as **Step 1** ie.Expected Rent



# Chart 3.3 House Property Deductions u/s 24

## Sec 24a - Standard Deduction

- 1) Standard deduction = **30%** of Net Annual Value
- 2) For **SO** property it is **Nil**.
- 3) For **LO/DLO** property = **30%** of Net Annual Value
- 4) **No other expenses** are allowed as these are already covered under 30% standard deduction

## Sec 24b-Interest on borrowed capital.

### Current Year Interest

Loan can be taken for **repairs, construction, purchase, reconstruction, renovation**

### Pre Construction Interest

Loan has been taken prior to completion of construction of the property

### SO property

### Let out/ deemed to be let out

#### Limit of 200000

- 1) It has a **maximum ceiling** of **2,00,000** if following conditions are satisfied
  - i) Loan is taken for **purchase** or **construction** of HP
  - ii) Loan is taken **on/after 04-01-1999**
  - iii) In case of **construction** it should be **completed within 5 years** from the date of taking loan

#### Limit of 30000

- 1) If conditions for **200000** are **not** satisfied then **30000 limit applies**
- Example:
  - 1) Loan for repairs
  - 2) Loan after 1/4/1999
  - 3) Construction beyond 5 years

- 1) It **does not have maximum** ceiling or limit
- 2) It is allowed for repairs, construction, purchase, reconstruction, renovation
- 3) Interest is allowed on **accrual** basis

### Steps to calculate pre-construction interest

- Step1:** Find out the pre-construction period  
**Date of taking the loan to the date of repayment of loan or 31st March preceding date of completion of construction whichever is earlier**
- Step2:** Find out pre-construction **interest** for the period
- Step3:** Such interest is allowable **over a period of 5 years** from the year in which construction is complete
- Note:** (1) For **SO property** limit of 2,00,000 or 30,000 is for **total interest** i.e. current year + pre-construction interest

- Notes:** (1) Interest on new loan taken to repay the original loan is allowable as a deduction .  
 (2) Interest on unpaid interest i.e Cumulative interest is not deductible  
 (3) Interest payable out of India on which TDS is not paid/ deducted is not deductible

## Chart 3.4 House Property Some Important Concepts

### Sec25A-Arrears of Rent

- 1) Amount received in arrears and subsequently received by the tenant is taxed under Income from HP
- 2) It is charged in year of receipt
- 3) 30% standard deduction is allowable from such receipt
- 4) It is taxable irrespective of whether assessee is the owner of HP

### Sec25A-Unrealized Rent Recovered

- 1) Unrealized Rent received subsequently by tenant is taxed under Income from HP
- 2) It is charged in year of receipt
- 3) 30% Standard deduction is allowable from such receipt
- 4) It is taxable irrespective of whether assessee is the owner of HP

### Different usage of House property

Part property is LO & part property is SO

HP is LO for some period & SO for some

Income derived from farm building/land appurtenant thereto from agricultural purpose

Income of LO part & SO will be computed separately. All the information of HP will proportionately divided

Entire property will be treated as LO property

Treated as Agricultural Income

### Sec 26-Co-owners

- 1) If the house property is owned by 2 or more person then such persons are called as co-owners
- 2) Respective shares are definite and ascertainable
- 3) In case of SO property annual value of property of each co-owner will be Nil & they shall be entitled to a deduction of 30000/200000 for interest on borrowed capital
- 4) Where HP owned by co-owners is let-out income shall be computed as if property is owned by one owner & thereafter income so computed shall be apportioned amongst each co-owner as per their specific share

### RULE 4

- If following conditions are satisfied then unrealized rent will be allowed as a deduction while calculating step 2
- 1) Tenancy is bonafide
  - 2) Defaulting tenant has vacated the property
  - 3) He does not occupy any other property of the assessee
  - 4) Legal action has been initiated or assessee can convince that legal action is of no use

### House Property in Foreign country

- 1) In case of ROR their Global income is taxed in India. Hence, income earned from HP situated in foreign countries is taxable in India under Income from HP
- 2) Income from such HP situated in foreign country is calculated in the same manner as any other HP
- 3) Local taxes paid in foreign countries are also deductible.
- 4) Also deductions u/s 24 are also available

### Composite Rent

The owner may receive rent in respect of building & assets/ services provided in building. The amount so provided is known as composite Rent

#### 1) If letting out is separable

HP shall be taxed under Income from HP and rent for amenities shall be taxable under PGBP/IOS

#### 2) If letting out is inseparable

Entire rent should be treated as PGBP/IOS.



## Chart4.1 Profits and Gains of Business and Profession

Sections	Section 28- Basis of charge	Meaning of business{Sec2 (13)}
Sec 28-Basis of charge Sec 29-Computation of Income from business Sec 30-Rent,rates,taxes,repairs & Insurance for building used for business/profession Sec 31-Repairs & Insurance of machinery, plant & furniture used for business/profession Sec32-Depreciation Sec 35- Scientific Research Sec 35AD-14 Specified businesses Sec 35D-Preliminary Expenses Sec 35DDA-VRS Expenditure Sec 36- Other allowable Expenses Sec 37-General Deductions Sec 37(2b)- Any expenditure on advertisement in any souvenir, brochure, pamphlet etc. Sec 40a-Expenses not deductible-Income tax, payment without TDS ,etc Sec 40b-Interest & Remuneration to partners Sec 40A(2)-Unreasonable payment to relatives Sec 40A(3)-payment in excess of 10000 in cash Sec 40A(7)-provision for Gratuity Sec 40A(9)- Contribution to non-statutory fund Sec 43-Payment for acquisition of asset Sec 43B-Deductions allowed only on payment basis Sec 41-Deemed income Sec 43A-Changes in exchange rate of currency Sec 43CA-Capital asset (land/building/both) Sec 44AA-Maintenance of Books of accounts Sec 44AB-Tax Audit Sec 44AD- Presumptive basis for businesses Sec 44ADA- Presumptive basis for professionals Sec 44AE-Presumptive basis for assessee engaged in the business of plying,leasing,etc Sec 68-69D-Undisclosed sources of income	1)Profits & gains of any business/Profession. 2)Compensation received for (a) Modification in, or termination of, managing agency agreement(b)Contract relating to agency for business activity in India. 3)Income derived by a trade, professional & similar association from the specific services performed for its members. 4)Value of any benefit or perquisite, whether convertible into money or not, arising from business or profession (presents from clients) 5)Profit on transfer of Duty Entitlement Passbook Scheme (DEPB) & Duty free Replenishment Certificate. 6)Any interest, salary, bonus, commission / remuneration received by partner from firm 7)Any sum received for not carrying out any activity in relation to business or/profession not to share patent, copyright, trademark, etc 8)Sum received under keyman insurance policy including bonus; 9)Income from Speculative transactions. 10)Export incentives available for exporters 11)Any sum received/receivable in cash/kind on account of any asset other than goodwill/financial instrument being demolished, discarded if whole expenditure has been allowed under sec 35AD 12)FMV of inventory as on date on which it is converted it a capital asset	Business includes trade, commerce, manufacture,any adventure/concern in the nature of trade/commerce,etc It includes the following also: 1)Significance of profit motive. 2)Business and rendering services to others 3)Business cannot be carried on with oneself 4)Commodity purchased determines whether it is trade/ investment 5)Whether a transaction is an isolated one or forms a part of a series of transactions 6)Need not be related to an existing activity of assessee
	<b>Sec 29-Computation of business Income</b> The profits and gains of business or profession shall be computed in accordance with the provisions contained in Sec 30-43D.It must however be noted that allowances & deductions are not exhaustively listed. Admissibility of deduction will depend upon the method of accounting followed by the assessee	<b>Meaning of profession{Sec2(36)}</b> 1)'Profession' includes vocation(2) It implies professed attainments in special knowledge as distinguished from mere skill; 'special knowledge which is 'to be acquired only after patient study and application'.(3) Distinction between business or profession is not significant
		<b>Method of accounting</b> Income from Profits & gains of business/profession & Income from other sources will be computed in accordance with the method of accounting followed by the assessee.Assessee can follow <a href="#">mercantile/cash system of accounting</a>
		<b>Some basic points</b> 1)Personal expenses are not allowable expenses 2)Business related expenses are allowable expenses 3)Revenue expenses are generally allowable 4)Capital expenses are generally not allowable,capitalize & claim depreciation 5)Actual expenses are allowable 6)Future/contingent expenses are not allowable 7)Revenue receipts are generally taxable 8)Capital receipts are generally exempt & taxable only if specified

Chart4.2 PGBP- Basic Concepts & Sec 30, 31

Sec43(5)Speculative transaction		Sec 30-Rent, Rates, Taxes, Repairs & Insurance for Building used for business/profession is an allowable expenditure	Note for section 43-Cost of Fixed Assets for depreciation In some special Cases	
Transaction in which a contract for purchase/sale of a commodity, including shares & stocks is periodically or ultimately settled otherwise than by the actual delivery or transfer of commodity/scrap	Transaction in which a contract for purchase/sale of a commodity, including shares & stocks is periodically or ultimately settled otherwise than by the actual delivery or transfer of commodity/scrap	Following expenses shall be allowable 1)Actual rent 2)Repairs being current repairs and not being capital expenditure 3)Land revenue, local rate or municipal taxes 4)Insurance Premium	1)If any payment in excess of 10000 is done in cash/bearer/cross chq/ECS system/such other mode as may be prescribed	Such amount will not be considered in cost of plant & machinery for claiming depreciation
Speculation/Non-speculation business is taxable under PGBP. Hedging/Forward Contract, trading in derivatives trading in commodity derivatives are speculative txn.	Speculation/Non-speculation business is taxable under PGBP. Hedging/Forward Contract, trading in derivatives trading in commodity derivatives are speculative txn.		2)If inventory converted into capital Asset	FMV should be treated as cost & then depreciation can be claimed
<b>Following Income will not be taxable under PGBP</b>	<b>Following Income will not be taxable under PGBP</b>		3)A building used for personal purpose & then introduced in business	Building should be accounted in books at WDV ie. After notional depreciation
1)Dividend on shares in case of dealer in shares is taxable under other sources even if they are derived from shares held as stock in trade(always taxable under IOS)	1)Dividend on shares in case of dealer in shares is taxable under other sources even if they are derived from shares held as stock in trade(always taxable under IOS)	<b>Section 31-Repairs &amp; Insurance of Machinery, plant and furniture used for business/ profession</b>	4)Assets other than building are introduced	Account in books at original cost ie no Notional depreciation
2)Winnings from lotteries are taxable under Income from other sources even if derived as a regular business activity(always taxable under IOS)	2)Winnings from lotteries are taxable under Income from other sources even if derived as a regular business activity(always taxable under IOS)	Following expenses are deductible (1) Assets should have been used for the purpose of assessee's own business/ profession (2)An Insurance & Repair charge of assets which have been discarded/ not used is not allowed as deduction (3)If asset is used for part of the year then full amount expense can be claimed (4)Current repairs are allowable (5)Repairs include renewal/renovation but does not include replacement or reconstruction (6)Insurance in respect of plant & machinery, furniture used for business purpose is allowable NOTE:Repairs & Insurance of Plant & machinery, furniture is allowable u/s 31. Rent of plant & machinery ,furniture will be allowable expenditure under section 37	5)Assets used for scientific research introduced in business	Account in books at zero value
<b>Business Losses</b>	<b>Business Losses</b>		6)Subsidy received for capital asset	reduce subsidy received from cost & then claim depreciation
Trading losses are allowed as business loss if they are incidental to the business. Business losses are allowed as deduction only if the following conditions are satisfied 1)Losses should be revenue in nature. Losses should be incurred in the previous year.(2)losses should be incidental to the business /profession carried on by assessee.(3)Loss should not be notional or fictitious(4)It should have been actually incurred & not merely anticipated to incur in the future.(5)There should not be any direct or indirect restrictions under the Act against the deduction of such losses.(6)Such losses can be carried forward for 8 years	Trading losses are allowed as business loss if they are incidental to the business. Business losses are allowed as deduction only if the following conditions are satisfied 1)Losses should be revenue in nature. Losses should be incurred in the previous year.(2)losses should be incidental to the business /profession carried on by assessee.(3)Loss should not be notional or fictitious(4)It should have been actually incurred & not merely anticipated to incur in the future.(5)There should not be any direct or indirect restrictions under the Act against the deduction of such losses.(6)Such losses can be carried forward for 8 years		7)Assessee sells capital asset at WDV & reacquires it by paying some consideration	Recorded at WDV of previous owner or value paid for asset whichever is lower
<b>Trading in Agriculture Commodities</b>	<b>Trading in Agriculture Commodities</b>			
Amendment has been made u/s 43(5) of the Act in order to provide that trading in agriculture commodities will also be considered as non-speculative transaction instead of speculative transaction. Post Amendment loss from trading in agriculture commodities can also be set off from other non speculative business loss. Further such loss can now be carried forward for 8 AY's instead of 4 AY's. It has certain exceptions	Amendment has been made u/s 43(5) of the Act in order to provide that trading in agriculture commodities will also be considered as non-speculative transaction instead of speculative transaction. Post Amendment loss from trading in agriculture commodities can also be set off from other non speculative business loss. Further such loss can now be carried forward for 8 AY's instead of 4 AY's. It has certain exceptions			

## Chart4.3 PGBP- Sec 32 Depreciation

**Tangible assets** – Building, machinery, plant or furniture  
**Intangible assets** - Know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature, being intangible assets acquired on or after 1-4-1998 not being goodwill of a business/profession. Goodwill of business/profession is not eligible for depreciation wef AY 22-23.

### Normal depreciation - Available to all assessees

- 1) For claiming depreciation asset must be used for business or profession purpose
- 2) Assessee must be the owner of the asset
- 3) It is calculated on the block of assets
- 4) It is calculated at rates specified in IncomeTax from the date asset is put to use.
- 5) It is calculated using WDV method for all assessees & mandatory to claim dep.
- 6) Only Electricity generating companies have an option between WDV & SLM method
- 7) Depreciation is limited to 50% of the normal depreciation if asset is purchased & in the year of purchase it is put to use for ≤180 days
- 8) Assessee must own the asset partly/wholly, In case the asset is used partly for business purpose or partly owned then proportionate depreciation is available.
- 9) Depreciation on succession of firm/sole proprietary concern by company/ amalgamation/demerger of companies/ conversion of companies into LLP shall be apportioned between 2 entities in the ratio of number of days used by them
- 10) Assessee can claim depreciation in case the asset has been purchased under Hire Purchase
- 11) If any payment > 10,000 for FA is done by cash, bearer cheque etc (such payment shall be done only be bank, account payee cheque, account payee DD, ECS system or such other modes as may be prescribed.

### Additional Depreciation - Available in addition to normal depreciation

- 1) Available to assessee engaged in manufacturing or in generation/distribution/transmission of power/electricity
- 2) It is available on purchase of eligible plant and machinery
- 3) Additional depreciation is available only in the first year when eligible P/M is put to use
- 4) Additional depreciation = 20% cost of eligible P/M
- 5) In case of notified backward areas in Bihar, Telangana, West Bengal, Andhra Pradesh additional depreciation was be 35% upto 31-3-2020. Now rate is only 20% WEF AY 21-22
- 6) If the assets are put to use for ≤180 days then 10%/17.5% depreciation is allowable & balance depreciation can be claimed next year
- 7) Following are not eligible for additional depreciation Ship & aircraft, Second hand machinery, plant and machinery installed in office/guest house, transport vehicle, plant & machinery for which 100% deduction has already been claimed Depreciation for Power Generating Undertaking
- 1) Have an option to follow-SLM (2) In SLM depreciation is calculated on Individual asset (3) Also when such assets are sold there will be balancing charge/terminal depreciation. (4) If sale value is less than WDV then difference can be debited to P/L as terminal depreciation

Block of assets		% of WDV
<b>A Tangible Assets:</b>		
<b>1 Building</b>		
I	Mainly used for residential purposes except hotels and boarding Houses	5%
II	Buildings other than used for residential purposes - NOT COVERED IN I/III	10%
III	Buildings acquired on/after 1/9/2002 for installing P/M forming a part of water supply project/water treatment systems & which is put to use for the purpose of business of providing infrastructure facilities.	40%
IV	Purely temporary erections such as wooden structures	40%
<b>2 Furniture and fittings (including electrical fittings)</b>		10%
<b>3 Plant and Machinery</b>		15%
I	Motor cars other than used for business running on hire acquired from 23.8.2019 to 31.3.2020 and put to use before 31.3.2020	30%
I	Motor cars other than used for business running on hire acquired or put to use on/after 1-4-1990. (other than mentioned above)	15%
II	Motor buses, lorries, taxis used for business running on hire acquired from 23-8-2019 to 31-3-2020 and put to use before 31-3-2020	45%
	Motor buses, lorries, taxis used for business running on hire acquired	30%
III	Moulds used in rubber and plastic goods factories.	30%
IV	Aeroplanes, Aeroengines	30%
V	Specified air pollution control equipments, water pollution control Equipments, and solid waste control equipment and solid waste recycling and resource recovery systems.	40%
VI	P/M used in semi conductor industry covering all integrated circuits	30%
VII	Life saving medical equipments	40%
VIII	Machinery and plant used acquired and installed on/after 1-9-2002 in Water supply project or water treatment systems and which is put to Use for providing infrastructure facilities.	40%
IX	Oil wells	15%
X	Renewable energy devices (except for mentioned below)	40%
	Windmills and any specially designed running windmills installed on/before 31.3.2014 & any special devices including electric generators & pumps running on wind energy installed on/before 31.3.2014	15%
XI	Computers including computer softwares	40%
XII	Books (annual publication/other than annual publication) owned by Assesse carrying on profession	40%
XIII	Books owned by assessee carrying on business in running lending libraries	40%
<b>4 Ships</b>		20%
<b>B Intangible Assets :</b>		
	Know-how, patents, copyrights, trademarks, licenses, franchise or any other business or commercial rights of similar nature not being goodwill of business/ profession.	25%



## Chart4.4 PGBP- Sec 35 & 35AD

### Section 35-Expenditure incurred on Scientific Research

Expenditure incurred by the assessee <span style="float: right;">1</span>	Contribution made to the outsiders <span style="float: right;">2</span>	Expenditure on Inhouse Research & Development <span style="float: right;">3</span>															
<p>1)Research should be related to the business</p> <p>2)Revenue/Capital expenditure is allowable</p> <p>3)Cost of land not allowable as a deduction</p> <p>4)Depreciation will not be allowable on capital expenditure</p> <p>5)<u>Expenditure incurred prior to commencement of business</u></p> <p>i)Expenses incurred 3 years prior to business</p> <p>ii)Revenue expenses should be approved by prescribed authority</p> <p>iii)Perquisites to staff - not allowed as deduction.</p> <p>iv)Capital expenditure is allowable.However cost of land is not allowed</p>	<p>1)Research may/may not be related to business</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Donation to</th> <th style="width: 30%;">Amt of Deduction</th> </tr> </thead> <tbody> <tr> <td>National laboratory,IIT</td> <td rowspan="4" style="text-align: center; vertical-align: middle;">100%</td> </tr> <tr> <td>Approved university,college/institution</td> </tr> <tr> <td>Companies having object of Scientific Research</td> </tr> <tr> <td>University/college for research in social Science/Statistical research</td> </tr> </tbody> </table> <p><u>National laboratory includes</u></p> <p>1)Scientific Laboratory functioning at national level under the agenda of Indian council of Agricultural research</p> <p>2)Indian Council of Medical Research</p> <p>3)Council of Scientific &amp; Industrial Research</p> <p>4)Defence Research &amp; Development of Bio-technology</p> <p>5)Department of Atomic Energy .</p> <p>6) WEF AY 21-22 Laboratory/university/colleges/research institutes/companies receiving the donations shall furnish an electronic statement of donations received by it. They should furnish to the donor a certificate specifying the amount of donation in the prescribed manner.</p>	Donation to	Amt of Deduction	National laboratory,IIT	100%	Approved university,college/institution	Companies having object of Scientific Research	University/college for research in social Science/Statistical research	<p>1)Taxpayer should be a company</p> <p>2)He should be engaged in the business of manufacture or production of any article/thing bio-technology research &amp; development.</p> <p>3)Research should be approved by prescribed authority</p> <p>4)Amount of deduction will be</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Revenue Expenditure</th> <th style="width: 30%;">100%</th> </tr> </thead> <tbody> <tr> <td>Cost of Land</td> <td>NA</td> </tr> <tr> <td>Cost of building</td> <td>Nil.</td> </tr> <tr> <td>Other capital expenditure</td> <td>100%</td> </tr> </tbody> </table> <p style="color: green; font-weight: bold;">However, cost of building will not be allowable 100% under inhouse research but under the first category i.e., 35(1)(iv) where assessee incurs capital expenditure on research.</p> <p style="color: red; font-weight: bold;">** No Depreciation shall be allowed u/s 32 if claimed u/s 35.</p>	Revenue Expenditure	100%	Cost of Land	NA	Cost of building	Nil.	Other capital expenditure	100%
Donation to	Amt of Deduction																
National laboratory,IIT	100%																
Approved university,college/institution																	
Companies having object of Scientific Research																	
University/college for research in social Science/Statistical research																	
Revenue Expenditure	100%																
Cost of Land	NA																
Cost of building	Nil.																
Other capital expenditure	100%																

### Sec 35AD-Deduction in respect of specified businesses

1)There are 14 specified businesses. 2)100% capital expenditure incurred for these specified business shall be allowable as a deduction 3)Any capital expenditure before commencement of business shall be allowed as a deduction if it has been capitalized in the books of accounts 4)For claiming this deduction assessee should start a new business ie.Merger,Amalgamation,Re-organization etc shall not be allowed 5)35AD deduction is available only for new plant & machinery. 6)However, Old Plant & machinery is allowed to the extent of 20%. Also if second hand asset is purchased from outside India it shall be treated as new P/M for the purpose of Section 35AD 7)If an asset is purchased u/s 35AD it must be used for business atleast for 8 years . 8)Capital expenditure such as cost of goodwill,land & financial instruments will not be allowable. 9) Once the expenditure is allowed u/s 35AD then no depreciation can be claimed. 10)Following are 14 specified businesses:(i)cold chain facility(ii)warehousing facility for storage(iii)laying & operating a cross country natural gas/crude/petroleum oil pipeline (iv)New hotel of 2 star or above (v)new hospital with atleast 100 beds for patients (vi)developing a housing project under affordable housing scheme (vii)Investment in new plant for production of fertilizer(viii)Housing for slum redevelopment/rehabilitation(ix)setting up & operating inland container depot/freight station(x)Beekeeping & production of honey & beewax (xi)Laying slurry pipeline for ironore transportation (xii)Warehousing of sugar (xiii)Setting up semiconductor wafer fabrication manufacturing unit (xiv)Developing new infrastructure facility 11)Capital expenditure in excess of 10000 in cash will not be allowable expenditure. Payment exceeding to a person in a day should be done by bank or account payee cheque, account payee DD, or use of electronic clearing system through bank or through any other electronic mode as may be prescribed. 12)WEF AY 21-22 35AD is optional. Finance Act 2020 has clarified that if assessee claims for 35AD in the ITR only then he shall get it. Earlier 35AD was compulsory and assessee did not have the option13) Once the assessee has claimed the benefit of deduction u/s 35AD for a particular year in respect of specified business, he cannot claim benefit under chapter VI-A under the heading "C- Deductions in respect of certain incomes" or section 10AA for the same or any other year and vice-versa.

Chart 4.5 PGBP- Sec 35D, 35DDA, 36, 37

Section 35D-Amortization of preliminary expenses	Section 35DDA- Amortization of expenditure incurred under voluntary retirement scheme	Section 36-Other Allowable expenses
<p>1) Indian company &amp; Resident non-corporate assessee can claim deduction.</p> <p>2) Expenses if incurred before commencement of the business for setting up any undertaking/business shall be allowable</p> <p>3) Expenses if incurred after commencement of the business in connection with extension/in connection with setting up new unit shall be allowable</p> <p>4) Expenses should qualify as preliminary expenses</p> <p>5) For corporate assessee's maximum ceiling is 5% of cost of project/5% of capital employed whichever is more. In case of non-corporate maximum ceiling will be 5% of cost of project</p> <p>6) Here cost of project = Actual cost of extension or cost of fixed assets shown in the books as on last day of previous year in which business commences</p> <p>7) Here Capital employed = Issued share capital + debentures + long term borrowings as on last day of previous year in which business commences</p> <p>8) Following expenses qualify as preliminary expenses Expenses Approved by Board - Expenditure in connection with: a) Preparing of feasibility report. b) Preparation of project report. c) Conducting a market survey or any Other survey d) Engineering services related to the Business.</p> <p>Expenses Not Approved by Board : 1) Legal charges for drafting any agreement between the assessee and any other person relating to Setting up of the business. 2) Legal charges for drafting memorandum. and Articles of Association if the taxpayer is a Company 3) Registration fee of a company as per Companies Act 4) Expenses in connection with public issue of shares or debentures of a company, underwriting commission, brokerage and charges for drafting, typing, printing and advertising of the prospectus. 5) Any other expenditure which is Prescribed 9) Allowable expenditure u/s 35D = Total preliminary expenses/5 years. 10) To claim the deduction the books should be audited by the CA 11) WEF AY 21-22 the Audit report for such audit should be furnished for the first year of claiming the deduction. The report should be furnished on/before the due date prescribed u/s 44AB ie., 30th September.</p>	<p>1) Expenditure by way of compensation paid to employee under VRS Scheme shall be allowable as a deduction over a period of 5 years</p> <p>2) Rule is applicable even if VRS has not been framed in accordance with guidelines of Section 10(10C)</p> <p>3) In case of firm/proprietary concern taken over by a company deduction will be available to successor company for the remaining period</p> <p><b>Section 37-General Deductions</b></p> <p>It is a residuary section. In order to claim deduction following conditions need to be satisfied</p> <p>1) Expenditure should not be covered u/s 30 to 36</p> <p>2) Capital Expenditure - Not Allowed</p> <p>3) It should not be personal expenditure</p> <p>4) It should have been incurred in relevant PY</p> <p>5) In respect of business carried on by assessee.</p> <p>6) It should be wholly expended for business purpose</p> <p>7) No allowance shall be made in respect of exp by assessee for any purpose which is an offence or which is prohibited by law (ie. illegal expenditure)</p> <p>8) Contingent liability is not allowable expenditure</p> <p><b>Note:</b> (1) Any expenditure spent on Corporate Social Responsibility shall not be allowable expenditure but assessee can claim deduction under any other section if appropriate</p> <p>Examples of Allowable expenses are as follows: 1) salary to staff (2) office expenses (3) printing &amp; stationery (4) expenses on maintenance of guest house. (5) travelling expenses for business (6) Rent of plant Furniture (7) Embezzlement of cash, theft, Destruction of asset, Misappropriation by employees, etc (8) Distribution of gifts to employees &amp; clients (9) Postage and telegram.</p> <p>Explanation to Sec 37(1) : under CA, 2013 companies are required to spend certain % of profit on activity relating to CSR. Such expenses are not allowable exp. They can be claimed under other section if possible</p> <p>Finance Act 1998 amended Sec 37(1) retrospectively from AY 1962-63 to clarify that no allowance shall be made in respect of expenditure by the assessee for any purpose which is an offence or which is prohibited by law. Consequently the payment on account of protection money, extortion, hafta, bribes etc will not be allowed as the business deduction. Now FA 2022 has clarified that expenditure maybe an offence prohibited by domestic law or international law it shall not be allowed. Also providing any benefit or perquisite which is in violation of domestic or international law is not an allowable expenditure.</p>	<p>Insurance Premium: Amount paid for Insurance against risk of damage/destruction of stock/stores.</p> <p>Employers Contribution towards approved Gratuity Fund/ Approved staff welfare fund : Allowable if exp is for the benefit of employee &amp; fund is approved.</p> <p>Bonus or commission to the employee : If it is paid by way of distribution of profit then it is not deductible. So it is deductible if paid genuinely.</p> <p>Employers contri to RPF/ Super Annuation Fund : Allowable</p> <p>Employers Contribution to pension scheme u/s 80CCD: Allowable only to the extent of 10% of salary. Salary = Basic DA (if provided in terms of employment )</p> <p>Employees contribution to Staff Welfare Scheme: Such contribution is Income u/s 2(24). Deduction is allowed if amt is credited to employees account in relevant fund within due date of that fund. 3) Employees contribution due date shall mean due date of relevant fund under any Act, rule or order. 4) Also for removal of doubts it is clarified that provisions of Sec 43B will not apply to this sec for determining due date 5) That due date shall be the due date of the fund and not the due date of the ITR u/s 139(1). Wef FA, 2021.</p> <p>Commodities/Securities transaction tax: It is paid when dealer deals in commodities. When a person is trading in securities then stock exchange charges STT. Both are allowable</p> <p>Family planning expenditure: It is allowable only for corporate assessee. In case of capital expenditure, it shall be allowable over 5 years.</p> <p>Bad debts: Allowable if there is debt and it has become bad. It should be treated as income for previous year &amp; should be written off as irrecoverable in books of accounts.</p> <p>Discount on Zero coupon bond: Can be issued by public sector, infrastructure, scheduled banks only. Discount = Money received (-) amount payable on redemption. Discount is spread over the life of bond.</p> <p>Interest on borrowed Money: Money must be borrowed for business. Loan can be taken from financial institution/bank/relatives. Should be actually payable if taken for fixed assets then interest till date asset is put to use shall be capitalized. once asset is put to use after that interest is allowable u/s 36. Int on loan shall not be allowable for payment of IT but for sale tax/GST shall be allowable. Interest on proprietors capital is not deductible exp and allowable under 40b.</p> <p>Insurance premium paid on health of employees: premium paid by any mode other than cash under scheme of GIC &amp; CG.</p> <p>Family planning expenditure- For corporate assessee deductible over 5 years.</p>



## Chart 4.6 PGBP- Sec 37(2B), 40a, 40b, 40A(2), 40A(3)- Disallowable Expenses

Section 37(2B)
Expenditure on advertisement in souvenir, brochure, pamphlet etc published by a political party is not allowable expenditure. However this expenditure can be treated as a contribution to a political party & deduction under sec 80GGB/80GGC can be claimed

Section 40a	
Expenditure	Disallowance
1) Interest, royalty, fees for technical services, etc payable outside India/in India to NR	100% disallowance if TDS is not deducted/not paid within due date of 139(1). (It shall be allowable in the year in which it is paid)
2) In case of interest, royalty, fees for technical services, etc payable to a contractor/sub-contractor which is payable to resident	There is 30% disallowance if TDS is not deducted/not paid within the due date of 139(1). It shall be allowed in the year of payment
3) Salary paid/payable to NR or paid outside India	If TDS has not been deducted/paid then there is permanent disallowance. No deduction in later years also
4) Tax on non-monetary perquisite	Not deductible in the hands of employer
5) Income tax paid/payable / advance tax	Not allowable expenditure. <b>It is clarified that tax includes surcharge and cess on such tax hence tax including surcharge and cess will be disallowable business expenditure wef FA 2022</b>
7) Any royalty, license fees, service, privilege fees, services charges or any other name whatever called is exclusively levied on a State Government Undertaking by state Govt is not allowable expenditure	To avoid DDT & to pass on income to the State Govt., several State Govt. undertakings are passing on the income to the state Govt. in form of royalties, service fees, etc. This clause intends to stop the same.

CA Pooja Kamdar Date

Section 40b Interest & remuneration to partners	
1) On the profits of the firm, firm pays tax	
2) Firm pays interest & salary to partners.	
3) This is firm's allowable expenditure (subject to certain conditions)	
4) Interest and salary received from firm is partner's business income. Share of profit from firm is exempt in hands of partners	
5) Interest on partner's capital is allowable subject to a maximum limit of 12%.	
6) Remuneration paid to working partners has a maximum limit which is calculated as follows	
Book profit	Limit
On first 300000 of book profit	150000 or 90% of book profit whichever is more
On the balance book profit	60% of the book profit
Net Profit as per P&L A/c	XXX
(+/-) Adjustments u/s 28 to 44	XXX
(+) Remuneration to partners is debited to P & L	XXX
<b>Book profit</b>	<b>XXX</b>
Remuneration is allowable expenditure u/s 40b if it is paid only to working partner	

Section 40A(2)	
Sec 40A(2) Any payment in relation to expenditure made to relative, associate concern/person having substantial interest shall be disallowed to the extent it is unreasonable/excessive. While considering whether such payment is excessive or not Assessing officer shall have due regard to FMV of goods/services	
Assessee	Related Person
Individual	Any relative of the individual
Firm	Any partner of the firm/relative of such partner & member of family/association
HUF or AOP	Any member of AOP/HUF/any relative of such member
For Individual relative is defined u/s 2(41). It covers husband, wife, brother/sister or lineal ascendant/descendant of that Individual	

Section 40A(3)	
1) Any payment in respect of exp. to a person in a <b>single day</b> in excess of 10000 should be done only by <b>account payee cheque / account payee DD/ECS</b> . <b>Payment should be done by bank or such other electronic mode as may be prescribed</b>	
2) If such payment is made in <b>any other mode</b> the same shall be <b>disallowed</b> .	
3) For this section to be attracted <b>Invoice &amp; payment amount both should exceed 10000</b>	
4) Payment to transporter the <b>limit is 35000</b>	
5) <b>Rule 6DD [exceptions to sec 40A(3)]</b>	
i) Payments to <b>banks/banking channels-debit/credit card, ECS, etc</b>	
ii) Purchase of <b>agriculture or forest produce, the producer of animal husbandry (including livestock, meat, hides&amp;skins)/dairy/poultry farming/fish/ fish products from cultivator, grower/producer of such articles, produce/products</b>	
iii) Payment is made for purchase of products manufactured processed <b>without aid of power in cottage industry, to producer of products</b>	
iv) Where the payment was required to be made on a <b>day on which banks were closed</b> on account of <b>holiday/ strike</b>	
v) Where the payment is made in a <b>village or town</b> , where on such date payment is <b>not served by any bank</b> , to any person who ordinarily reside/carries on business/profession/vocation, in such village or town	
vi) Where the payment is made by an <b>authorized dealer or a money changer</b> against purchase of foreign currency/travellers cheque in normal course	
vii) Payment to <b>terminal benefits</b> such as gratuity, retrenchment compensation etc. <b>not exceeding Rs.50,000</b> .	
viii) Payment made by an assessee by way of salary to his employee <b>after deducting the income tax</b> from salary in accordance with provisions of <b>Sec 192</b> & when such employee: (a) temporarily posted for continuous period of 15 days or more in a place other than his normal place of duty/ on a ship. (b) Does not maintain any accounts in any bank at such place (ix) Payments made <b>to government</b> are covered under exception	
Assessee	Related Person
Company	Director of the company/any relative of director.
Any assessee	Any individual who has a substantial interest (20% or more voting power or beneficial entitlement or 20% of profits) in business/ profession of assessee/relative of individual



## Chart4.7 PGBP- Sec 40A(7), 40A(9), 43B, 43.

### Sec 40A(7)- Provision for gratuity

No deduction is allowed in respect of a mere provision for gratuity. Provision for contribution to approved gratuity fund is allowed. Provision for gratuity which has become due is also allowable if it is paid.

### Sec 40A(9)- Contribution by employers to Non- Statutory Fund

Employers contribution to unrecognized/unapproved Provident fund , gratuity fund/superannuation fund or any other fund where employer is required to contribute under any law will not be allowable expenditure

### Sec 43 B: Certain deductions to be made only on actual payment

For the following 8 expenses allow ability is on payment basis even if the assessee follows mercantile method of accounting. (1)Any sum payable by the assessee as an employer by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees.(2)Bonus or commission for services rendered payable to employees. (3)Any sum paid by the assessee as an employer in lieu of earned leave of his employee.4. Any sum payable by the assessee as interest on any loan or borrowing from any public Financial institution or a State Financial Corporation or a State Industrial Investment Corporation.5. Interest on any loan or advance from a scheduled bank, co-operative banks or primary co. op Agricultural & Rural Development Bank , non banking financial company on actual payment basis.(Interest on co-operative bank & Primary co-operative Agricultural & Rural Development Bank added w.e.f. AY 18-19)  
6. Any sum payable by way of tax, duty, cess or fee by whatever name called under any law for time being in force. 7. Interest on any loan or borrowing from a deposit taking non-banking financial company or systematically important deposit taking non-banking financial company ( w e f AY 20-21) 8. Certain payment due to railways for use of Railway assets payable to Railways. (w.e.f. A.Y. 17-18) Note: 1)Unpaid interest is sometimes converted into loan such conversion is not treated as payment.2)Deposit taking non banking financial company : NBFC which is accepting or holding public deposits and is registered with RBI 3) Systematically important non deposit taking NBFC : NBFC which is not accepting or holding public deposits and having total assets of less than 500 crores as per the last audited balance sheet



**Sometimes clarification sometimes unpaid interest is converted into a loan or borrowing or debenture or any other instruments by doing so liability to pay interest is differ to a future date such conversion shall not amount to payment**

### Section 43

1) If payment for acquisition of any asset exceeding 10,000 is made in cash. Then such payment shall not be included in the cost of asset for claiming depreciation  
2) Where capital asset is used for purpose of business and profession then cost of such asset = FMV as on date of conversion. (wef AY 19-20)

### Section 43A Special provisions consequential to changes in exchange rate of currency

Where capital asset has been acquired from a country outside India addition/deduction from actual cost of asset on account of change in rate of exchange in PY shall be allowed to be made only on payment by the assessee towards the cost of the asset/repayment of loan/interest irrespective of method of accounting adopted.



## Chart4.8 PGBP- Sec 41, 43CA , 44AA.

Deemed Income: Sec 41	Section 43CA	Section 44AA- Maintenance of books of accounts														
<p>1. Any expenditure which was earlier allowed as deduction and is recovered later on then it will be treated as business income. Example: Customs duty recovered, bad debts recovered (earlier allowed as deduction). 2. Any capital asset bought for scientific research, deduction u/s 35 is claimed and later on the same is sold then, Business income u/s 41 = sale consideration or expenditure allowed u/s 35 whichever is lower 3. Amount withdrawn from special reserve shall be deemed to be the profit and gain from business or profession. (applicable only to banks &amp; financial institution) 4. Adjustment of loss 41 (5) (a) The business or profession is discontinued. b. Loss of such business or profession pertaining to the year in which it is discontinued could not be set-off against any other income of that year. c. Such business is not speculative business. d. After discontinuation of such business or profession there is deemed income under Sec. 41(1), (3),(4), or (4A). e. loss pertaining to the year in which business or profession was discontinued is permitted to be set-off against deemed income. Note: Income covered u/s 41 is called as deemed income. It is taxable as business income even if business is not in existence. It is taxable in the year of receipt Amount is chargeable to tax even in the hands of successor of the business.</p>	<p>1) Assessee transfers an asset (other than capital asset) being land or building or both                  2) It is transferred for less than stamp duty valuation.                  3) Finance Act 2020, has made an amendment; that difference upto 10% between actual sale consideration and stamp duty value shall be ignored. 4) However if the date of agreement when consideration was fixed and date of registration are not same, then stamp valuation as on date of agreement will be considered                  6) Point No 4 will be applicable only if consideration is received by account payee cheque/DD or ECS the date of agreement. Payment should be done by bank or such other electronic mode as may be prescribed. (wef AY 20-21)</p>	<p>Who is a specified person? Legal, Medical, Engineering, accountancy, Technical Consultancy, Interior Decoration or any other notified person                  1) Assessee is a resident individual or firm (not being LLP) (wef FA 2021)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #f8d7da;"> <th style="width: 50%; padding: 5px;">Persons</th> <th style="width: 50%; padding: 5px;">Books to be maintained</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Specified persons whose gross receipts in any 1 of the 3 PYs does not exceed 150000</td> <td style="padding: 5px;">Such Books of Accounts and other documents to enable AO to compute Taxable income.</td> </tr> <tr> <td style="padding: 5px;">Specified persons whose gross receipts in all the 3 PYs exceeds 150000</td> <td style="padding: 5px;">Cashbook, journal ledger, CC exceeding 25 original bills for expenses exceeding 50, persons carrying on medical profession is further required to maintain daily /inventory register.</td> </tr> <tr> <td style="padding: 5px;">In non specified profession if their income <math>\leq</math>120000 or total sales/ TO or gross receipts thereof are <math>\leq</math>1000000 in any one of the 3 PY</td> <td style="padding: 5px;">No requirement. <b>Note:</b> only for I/HUF the limit of 120000 has been increased to 250000 and gross receipts of 10lakhs increased to 25 lakhs</td> </tr> <tr> <td style="padding: 5px;">In non-specified profession if their income <math>\geq</math>120000 or total sales/TO or gross receipts thereof are <math>\leq</math>1000000 in any one of 3 PY</td> <td style="padding: 5px;">Such Books of Accounts and other documents to enable AO to compute Taxable income.</td> </tr> <tr> <td style="padding: 5px;">Assessee wants to claim income lower than presumed by Sec44AD, 44 ADA, 44AE, 44BB, 44BBB</td> <td style="padding: 5px;">Such Books of Accounts and other documents to enable AO to compute Taxable income.</td> </tr> <tr> <td colspan="2" style="padding: 5px;">Aforesaid books of accounts and documents are required to be maintained for a period of 6 years</td> </tr> </tbody> </table>	Persons	Books to be maintained	Specified persons whose gross receipts in any 1 of the 3 PYs does not exceed 150000	Such Books of Accounts and other documents to enable AO to compute Taxable income.	Specified persons whose gross receipts in all the 3 PYs exceeds 150000	Cashbook, journal ledger, CC exceeding 25 original bills for expenses exceeding 50, persons carrying on medical profession is further required to maintain daily /inventory register.	In non specified profession if their income $\leq$ 120000 or total sales/ TO or gross receipts thereof are $\leq$ 1000000 in any one of the 3 PY	No requirement. <b>Note:</b> only for I/HUF the limit of 120000 has been increased to 250000 and gross receipts of 10lakhs increased to 25 lakhs	In non-specified profession if their income $\geq$ 120000 or total sales/TO or gross receipts thereof are $\leq$ 1000000 in any one of 3 PY	Such Books of Accounts and other documents to enable AO to compute Taxable income.	Assessee wants to claim income lower than presumed by Sec44AD, 44 ADA, 44AE, 44BB, 44BBB	Such Books of Accounts and other documents to enable AO to compute Taxable income.	Aforesaid books of accounts and documents are required to be maintained for a period of 6 years	
Persons	Books to be maintained															
Specified persons whose gross receipts in any 1 of the 3 PYs does not exceed 150000	Such Books of Accounts and other documents to enable AO to compute Taxable income.															
Specified persons whose gross receipts in all the 3 PYs exceeds 150000	Cashbook, journal ledger, CC exceeding 25 original bills for expenses exceeding 50, persons carrying on medical profession is further required to maintain daily /inventory register.															
In non specified profession if their income $\leq$ 120000 or total sales/ TO or gross receipts thereof are $\leq$ 1000000 in any one of the 3 PY	No requirement. <b>Note:</b> only for I/HUF the limit of 120000 has been increased to 250000 and gross receipts of 10lakhs increased to 25 lakhs															
In non-specified profession if their income $\geq$ 120000 or total sales/TO or gross receipts thereof are $\leq$ 1000000 in any one of 3 PY	Such Books of Accounts and other documents to enable AO to compute Taxable income.															
Assessee wants to claim income lower than presumed by Sec44AD, 44 ADA, 44AE, 44BB, 44BBB	Such Books of Accounts and other documents to enable AO to compute Taxable income.															
Aforesaid books of accounts and documents are required to be maintained for a period of 6 years																

## Chart 4.9 Sections - 44AB, Presumptive Basis, undisclosed income.

Sec 44AB:Tax audit-Who has to get books audited?	
<b>Business</b>	If his total sales/TO/gross receipts in business for PY exceeds 1crore/ 10 crore with 2 conditions
<b>Profession</b>	If gross receipts in profession exceeds 50 lakhs
<b>44AE</b>	Income is claimed to be lower than deemed profits
<b>44ADA</b>	Income is claimed to be lower than deemed profits & such income exceeds Basic exemption limit
<b>44AD</b>	Income is not claimed under 44AD& such income exceeds basic exemption limit.
<p>Tax Audit Report needs to be submitted in Form 3CA &amp; 3CD or 3CB or 3CD. Due date for filing Income Tax Return for such assessee is 31st October . The specified date for submission of tax audit means the date 1 month prior to the due date for furnishing the return u/s 139(1).</p>	

Who has to get books of accounts audited?
<p>A person carrying on business if his total sales, turnover/gross receipts in business for the PY &gt; Rs. 10 Cr if both the following conditions are satisfied (WEF AY 21-22) (earlier it was 1 Crores with no conditions)</p> <p>i) Total cash receipts during the year are less than 5% of the aggregate cash receipts.                      Aggregate Cash receipt = all amounts received including sales</p> <p>(ii) total cash payments made including cash exp during the year are less than 5% of all payments . Aggregate cash payments = all payments including expenditure.</p> <p>b. However the increased threshold limit shall apply only if both the above conditions are satisfied. In case both conditions are not satisfied then the threshold limit of 1 Crore shall apply.</p> <p>iii)For the above purposes payment or receipt other an account payee cheque or account payee DD shall be deemed to be in cash (wef FA 2021, AY 22-23)</p>

Presumptive Basis			
<p>Common points: Assessee has an option to declare profits u/s 44AD, 44ADA, 44AE. Assessee can also declare higher profits.If the assessee opts for Presumptive basis he does not have to maintain books of accounts</p>			
Particulars	44AD	44ADA	44AE
Written down value of the asset	WDV shall be calculated as if assessee had claimed & had been actually allowed in respect of depreciation	WDV shall be calculated as if assessee had claimed & had been actually allowed in respect of depreciation	WDV shall be calculated as if assessee had claimed & had been actually allowed in respect of depreciation
Eligible business	Businesses(not covered under 44AE) & Gross receipts does not exceeds 2Cr.	Professions notified u/s 44AA and receipts exceeds 50 lakhs	Not own more than 10 Goods Carriage
Presumptive	8%/6% of gross receipts. 6%-If payments received through banking channels or such other electronic mode as may be prescribed	50% of gross receipts or higher as declared by assessee	7500 per Goods carriage vehicle owned per month or 1000 per tonper month in case of heavy vehicle
What expenses are allowed	No expenses allowed u/s 30 to 38. Partners salary & interest are not allowed Partners salary & interest not allowed	No expenses are allowed. Partners salary and interest also not allowed	Partners Salary & Interest is allowed Other all expenses are not allowed
Advance Tax	1 instalment on or before 15th March.	1 instalment on or before 15th March	All instalments are applicable
Eligible Assessee	Individual,HUF & Partnership Firm(except a limited liability partnership firm)	Individual Resident Assessee(This section covers only profession)	Plying,Hiring,Leasing of Goods Carriage
Persons not eligible	Professionals specified under 44AA, business of brokerage commission, agency business	LLP, company	LLP, company
<b>Sec68-Cash Credit/Sec69-unexplained investment/money</b>		<b>Sec 69D-Hundi Borrowings</b>	
<p>In case cash credits,unexplained money, etc are found in accounts &amp; assessee offers no explanation to source or if it is not satisfactory the AO can treat it as income in such financial year.</p>		<p>1) Where any amount is borrowed on Hundi(2) Any amount due on hundi is repaid other than account payee cheque (3) Amount so borrowed/ repaid will be income in the year which amount was borrowed/ repaid. (4) Where any amount has been deemed to be income, he will not be liable to be assessed for repayment</p>	

# Chart 5.1 Capital Gains - Definition of Capital Asset

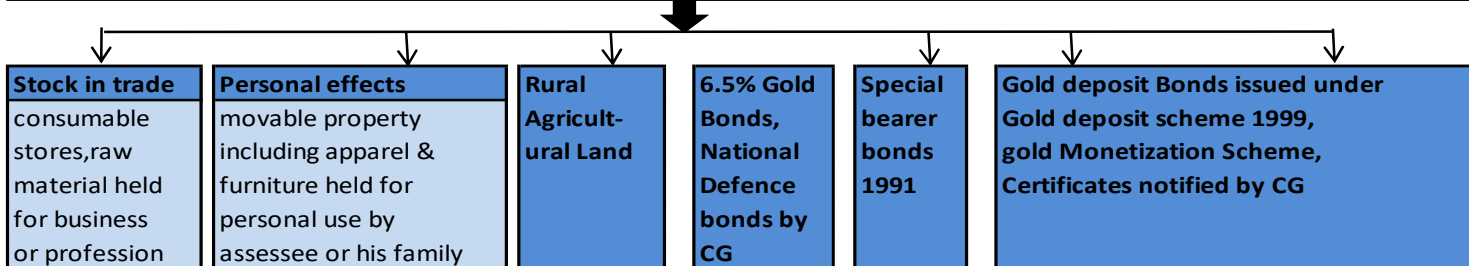
**Charging Section ( Sec 45)- provides that any profits/gains arising from the transfer of capital asset effected in the previous year will be chargeable to income tax under the head "Capital Gains"**

Sections
Sec 45 - Capital Gains
Sec 46 - Capital Gains on distribution of asset by companies in liquidation
Sec 47 - Transactions not treated as transfer
Sec 48 - Mode of Computation
Sec 49 - Cost with reference to certain modes of acquisition
Sec 50-Special Provision for computation of capital gains in case of depreciable assets
Sec 51- Advance money received
Sec 54- Profit on sale of property used for residence
Sec 55- Meaning of adjusted " Cost of Improvement & Cost of Acquisition"

Meaning of Equity oriented mutual funds
1) Equity oriented mutual fund: a) It means fund setup under the scheme of mutual fund or under the scheme of insurance company comprising of ULIP to which exemption under sec 10(10D) does not apply due to fourth and fifth provisos thereof. (wef AY 22-23). b) A minimum of total of 65% of the total proceeds of mutual funds is invested in equity shares of domestic company listed on recognized stock exchange. c) In case the fund invests in another fund then: i) Minimum 90% of the proceeds should be invested in such other fund and ii) such other fund invests 90% in equity shares of domestic companies. d) The criteria of 65%/90% will also be applicable to ULIP. e) ULIP policy will be treated as a capital asset (equity oriented fund) only if- i)it is issued on/after 1st Feb 2021. ii)the premium payable exceeds 250000 for any of the PYs during the term of such policies. iii)In case of multiple policies on/after 1-2-2021 the total premium exceeds 250000.

Section 2(14)-Capital Asset		
Property of any kind held by an assessee whether or not connected with business or profession.	Any securities held by Foreign Institutional Investor which has invested in such security as per RBI Regulations.	ULIP issued on/after 1.2.2021, to which an exemption u/s 10(10D) does not apply on a/c of- (i)premium payable exceeding 2,50,000 for any of the PY's during term of such policy or; (ii)the aggregate amount of premium exceeding 250000 in any of the PY's during the term Of any such ULIPs in a case where a premium is payable by a person for more than one ULIPs issued on/after 1.2.2021. (FA 2021)

### Exclusions (Not a Capital Asset)



consumable stores, raw material held for business or profession	movable property including apparel & furniture held for personal use by assessee or his family				
	•However, Jewellery, Drawings, Archaeological collections, paintings, sculptures, any work of art, bullion even though it is personal movable effects will be treated as capital assets				
		<b>Population of Municipal Corporation</b>	<b>Urban Land</b>	<b>Rural Land</b>	
		0-10000	-	Entire land	
		10000 to 1 lakh	within local limits + Within 2kms from local limits	outside 2Km from local limits	
		1 lakh to 10 lakhs	within local limits + within 6 kms from local limits	outside 6Km from local limit	
		Above 10lakh	within local limits + within 8 kms from local limits	outside 8 Km from local limit	



## Chart 5.2 Capital Gains - Definition of Transfer

**Capital Gain arises on transfer of Capital Asset.  
So What is transfer??**

Capital Assets are of 2 types

Long term

Short term

depends on

Period of holding of Assets (POHA)

<b>12 months</b>	Listed Equity & Preference Shares, Zero Coupon Bonds, Units of UTI, Equity oriented mutual Funds, Listed Securities
<b>24 months</b>	Unlisted equity & preference share, Immovable Property-Building/land/both
<b>36 months</b>	Debt oriented mutual Funds, Unlisted securities. All remaining assets

**Sec 2(47)- Transactions treated as transfer**

**Sec 47-Transactions not treated as transfer**

- 1) Sale, exchange, relinquishment of asset
- 2) Extinguishment of any rights therein
- 3) Compulsory acquisition thereof under any law
- 4) Conversion/treatment of capital asset by the owner into stock-in-trade of a business carried on by him.
- 5) Maturity/redemption of zero coupon bond.
- 6) Any transaction involving the possession of any immovable property in part performance of a contract
- 7) Any transaction which has effect of transferring or enabling the enjoyment of any immovable property.
- 8) It will also include disposing, parting with an asset or interest in the asset.
- 9) Creating any interest in any asset directly/indirectly, absolutely/conditionally, voluntarily/involuntarily

- 1) On total or partial partition of H.U.F
- 2) Under gift/irrevocable trust/under will
- 3) By a Co. to its subsidiary Co. If Parent Company held all the shares of Indian subsidiary company
- 4) By a subsidiary company to its holding company. If the Indian holding company held all the shares of the subsidiary company.
- 5) By the amalgamating co. to the Indian amalgamated co. in scheme of amalgamation.
- 6) Being shares held in an Indian co. by the amalgamating foreign company to the amalgamated. Foreign company in the scheme of amalgamation if few conditions are satisfied
- 7) Capital asset by banking company to banking institution in scheme of amalgamation
- 8) transfer of rupee denominated bond outside India by a NR to another NR.
- 9) Transfer/issue of shares in case of demerger to shareholders of demerged company by resulting company
- 10) Transfer of Government security outside India by a NR to another NR
- 11) Redemption of sovereign gold bonds by an Individual

- 12) Transfer of specified capital assets to the Government or university, etc
- 13) Transfer on conversion of bonds/debentures etc into shares/debentures.
- 14) Conversion of preference shares into equity shares.
- 15) Being transfer of a capital asset in a transaction of reverse mortgage

## Chart 5.3 Capital Gains - Format & Some Special Cases

Proforma for computation of Capital Gain			Formulas	Special Cases	Section 10(10D) and 45(1B)
					Section 10(10D)
<b>Particulars</b>	<b>Long Term</b>	<b>Short Term</b>	<b>ICOA (Indexed cost of Acquisition) =</b> cost of acquisition X CII for the year in which asset is transferred  CII for the year in which the asset was first held by the assessee or P.Y. 2001-02, whichever is later	<b>1)Taxability of capital gains in case of Specified Agreement</b> Full value of consideration= Stamp Duty Value of his share being land/building or both plus cash consideration if any	i) Any sum received under life insurance policy including bonus shall be exempt u/s 10(10D) only if - (A) If the premium of the policy does not exceed 10% of the sum assured (if the policy is taken after 1-4-2012) (B) If the premium of the policy does not exceed 20% of the sum assured (if the policy is taken before 1-4-2012) (ii) However, any sum received Keyman Insurance Policy shall not be exempt.
Sale Consideration	XXX	XXX		<b>2)FMV deemed to be full value of consideration in certain cases</b> Where consideration received on transfer of capital asset is not ascertainable then Sale Consideration = Fair market value	
Less:ICOA/COA	ICOA	COA			(iii) WEF FA 2021 new provisos (fourth and fifth provisos) have been added to this section
Less:ICOI/COI	ICOI	COI		<b>3)Section 55A- valuation officer reference</b> 1)Assessing officer is of the opinion that value claimed by assessee(based on estimated made by registered value) is less than FMV of asset 2)Assessing officer is of the opinion that FMV of asset exceeds value claimed by assessee by more than 25000 or 15% of the value of the asset whichever is less	
Net sale consideration	XXX	XXX	<b>ICOI (Indexed cost of Improvement) =</b> cost of improvement X CII for the year in which asset is transferred  CII for the year in which the improvement took place		(A) In case of ULIP issued on/after 1-2-2021 and if the premium payable for any PY exceeds 2,50,000 shall not be exempt u/s 10(10D). (4th provisos) (B) In case of more than one ULIP policies, issued after 1-4-2021 exemption shall only be available for those ULIP where aggregate amount of premium does not exceed 2,50,000 (5th provisos). C) However, the amount received from ULIP on death of the person shall be exempt u/s 10(10D).Also, a ULIP Policy to which exemption u/s 10(10D) does not apply due to applicability of provisos 4th & 5th thereof shall be treated as Capital Asset u/s 2(14)
(-)Exemptions	54,54D,54EC, 54EE,54F	54B,54D			
Gain/ Loss	LTCCG	STCG			b)Section 45(1B) – new section inserted by FA 2021. AY 22-23. (i) Any profits/gains arising on receipt of any amt including bonus from ULIP is taxed under CG. (ii) It shall be taxed in the year in which such amount was received. (iii)sale consideration will be Amount received including the amount of bonus. (iv) COA = total premium/amt paid for the policy v)It is treated as equity oriented Mutual Fund. vi) Hence, if long term it will be taxed u/s 112A and if Short term it will be taxed u/s 111A.
<b>Cost of Acquisition (COA)</b>			<b>Generally Capital Gain arises in the year in which asset is transferred, however following are the exeptions</b>		
Cost of acquisition of an asset is the value for which it was acquired by the assessee. Expenses of capital nature for completing or acquiring the title to the property are includible in the cost of acquisition.			1)Insurance Claim received 2)Conversion of capital asset into Stock in trade 3)Compulsory Acquisition 4) Receipt from ULIP u/s 45(1B).		
<b>Cost of Improvement (COI)</b>			<b>Method of accounting</b>		
Cost of improvement is capital expenditure incurred by an assessee in making any additions / improvement to the capital asset. It also includes any expenditure incurred to protect or complete the title to the capital asset or to cure such title. Any expenditure incurred to increase the value of the capital asset is treated as cost of improvement.			Method followed by assessee is not relevant in computing the Capital Gains		
<b>Meaning of Cost Inflation Index (CII)</b>					
It is the index notified by central government having regarded to 75% of average rise in consumer price index.					

**Chart 5.4 Capital Gains - Special Cases**

<p><b>If capital asset is acquired before 01/04/2001</b></p> <p>1) COA will be Actual cost or FMV as on 01/04/2001 However in case of capital asset being land/building/both the FMV of such asset as on 1/4/2001 shall not exceed the SDV as on 1/4/2001 WEF AY21-22 2) ICOA= <math>COA \times \text{Index of the year in which 100 asset is transferred}</math> 3) Any cost of improvement before 1/4/2001 should be ignored</p>	<p><b>Self Generated Assets</b></p> <p>1) COA for self generated assets is Nil. 2) Self generated assets like- a) goodwill of business / profession or (wef AY 22-23) b)a right to manufacture, produce or process any article or thing or (c)right to carry on any business or profession d) tenancy rights (e)stage carriage permits and f)loom hours 3) However in case of the above assets are acquired from previous owner then it is not self generated. In such a case COA = Purchase price In case of purchased goodwill of business/profession if depreciation has been claimed COA = Purchase Price (-) Total depreciation u/s 32. (FA 2021). (4)In case any of the above assets are acquired in modes specified u/s 49(1) COA = COA of previous owner COA = COA of previous owner (-) depreciation claimed u/s 32 by assessee.</p>	<p><b>CG in case of transfer of Immovable Property: Sec 50C</b></p> <p>50 C is applicable when stamp duty value is more than 110% of actual sale consideration. Where assessee agrees with stamp valuation- SDV will be value adopted by Stamp duty Valuation. If assessee files an appeal for stamp valuation capital gain: SDV will be value finally accepted for this purpose. Assessee does not agree with stamp valuation but doesn't appeal,he claims in front of assessing officers that stamp duty valuation is more than FMV: In this case Assessing officer will have to refer the matter to Valuation officer &amp; FMV determined by him will be substituted for SDV.</p>	<p><b>Capital assets acquired in modes specified u/s 49(1)</b></p> <p>i.e. gift, will inheritance transfer from holding to subsidiary or vice-versa 1) Such transaction are not treated as transfer. There will be no CG 2) There will be CG in the hands of person who further sells the asset 3) COA for such person = COA in hands of previous owner 4) Also to determine POHA, period of holding of previous owner is considered 5) COI of previous owner &amp; assessee both are considered 6) Issue as to whether indexation benefit in respect of a gifted asset shall apply from the year in which the asset was first held by the assessee or from the year in which the same was first acquired by the previous owner was taken CIT vs Manjula Shah. The Bombay high court held that ICOA in case of gifted asset has to be computed with reference to year in which <b>asset was first held by previous owner.</b></p>	<p><b>Employee Stock Option Scheme(ESOPS)</b></p> <p>1) When employee receives ESOP perquisite is calculated in the hands of the employee 2) If these shares are sold then CG arises COA = FMV considered for calculation of perquisite</p>
<p><b>Right Shares</b></p> <p>1)If existing shareholders purchase the right shares COA will be amount actually paid by him for acquiring such asset.(2)If the shareholder does not buy,he can sell his right entitlement then Cost of right entitlement will be nil and there will be STCG/STCL. In case of who purchases the right entitlement COA= Amount paid by him for shares+cost of right entitlement</p>				<p><b>Capital Gain in case of NR-shares/securities in Indian Co.</b></p> <p>CG is calculated in foreign currency No benefit of indexation is available Average rate shall be taken for calculation.For COA date of acquisition is considered. For sale consideration/exp on transfer date as on transfer is considered</p>
<p><b>Section 50CA-Transfer of Unlisted shares</b></p> <p>Where consideration received in case of shares other than quoted share is less than FMV. Sale consideration will be actual sale consideration or FMV↑</p>		<p><b>Capital Gain of Gifted Asset</b></p> <p>Mr.X <sup>Gift</sup> Friend → sold (Previous Owner) IOS COA =IOS</p> <p>1) If asset is gifted and provisions of IOS are attracted then while calculating CG in the hands of friend COA = income taxed under IOS 2) COA,COI,POHA of previous owner are not considered</p>	<p>of transfer.(wef AY 22-23) d. The gain can be short term/ long term. e. Even if it is long term, benefit of indexation is not available. f. While calculating Net worth, remember the following points:(i) For depreciable asset consider WDV.(ii) Ignore revaluation (iii) Net worth=Assets-Liabilities iv) Cost of self generated goodwill will be Nil. Self generated goodwill means goodwill which has not been acquired by the assessee by purchase from previous owner. v) For a capital asset where expenditure is allowed/ allowable u/s 35AD cost will be Nil. g) Chartered Accountant has to submit a report certifying that net worth has been correctly calculated. Same should be submitted within the dates specified u/s 44AB i.e., 30th September.</p>	<p><b>Sec 50 B-Slump Sale</b></p> <p>Section 2(42C) Slump Sale means: transfer of one or more undertakings by any means for a lump sum consideration without values being assigned to individual assets and liabilities in such sales . a. Entire unit/ undertaking is transferred by any means . (FA 2021) Transfer meaning is same like Section 2(47). b. No value is allocated to individual Asset/Liabilities. c. Sale consideration = <b>FMV of the capital asset or market value of the consideration (monetary &amp; non monetary) whichever is higher.</b></p>



### Chart 5.4 a Capital Gains - Special Cases

<p style="text-align: center;"><b>Insurance Claim Received</b></p> <p>1) On destruction of capital assets by following modes: Flood, Riot, cyclone, Accidental Fire, War Attack by enemy, etc. It will be treated as transfer and there will be CG. Sale consideration will be Insurance claim received/ FMV of that asset received CG is taxable in the year the claim money is received.</p> <p>2) On destruction of Capital asset due to Other reasons mentioned above then there will be no transfer &amp; no CG. Capital receipt will be exempt from tax.</p> <p>3) On destruction of stock in trade : it shall be business/revenue receipt.</p>	<p style="text-align: center;"><b>Advance Forfeited</b></p> <p>If advance was received &amp; forfeited before 1/4/2014 - It should be deducted while determining COA for computing CG. Here tax liability is postponed to year of actual transfer. If advance forfeited on/after 1/4/2014 it will be taxable under sec 56(2)(ix) under IOS Tax liability is attracted in the year of forfeiture of advance.</p>	<p style="text-align: center;"><b>Conversion of Capital Asset into stock in trade</b></p> <p>1) Capital Gain will be taxable in year in which stock in trade is sold.</p> <p>2) On conversion there will be CG Sale consideration = FMV as on date of conversion</p> <p>3) On sale of stock in trade there will be business income. For calculating business income cost will be FMV as on date of conversion</p>	<p style="text-align: center;"><b>Bonus shares</b></p> <p>1) If bonus shares are issued before 1/4/2001 then COA will be FMV as on 1/4/2001</p> <p>2) If they are issued after 1/4/2001 then COA will be NIL</p> <p>3) POHA is counted from date of issue of bonus share.</p>												
<p style="text-align: center;"><b>Depreciable Asset</b></p> <p>1) CG is calculated only if block is physically empty or value should be zero/negative.</p> <p>2) They are always short term in nature Benefit of Indexation is not available.</p> <p>3) COA = Opening WDV of the block + additions made in the block</p> <p>4) A new proviso has been added to section 50 so that CBDT can prescribe a manner to determine WDV of the block of the asset and STCG if goodwill of a business or profession is forming a part of the block of asset as on AY 20-21 and depreciation has been claimed on it.</p>	<p style="text-align: center;"><b>Conversion of stock into capital asset</b></p> <p>1) There will be business income on conversion u/s 28 of PGBP.</p> <p>2) In case of business income Sale Price will be FMV as on date of Conversion .</p> <p>3) CG will arise when capital asset is sold, then COA = FMV as on date of conversion</p>	<p style="text-align: center;"><b>Capital gains in case of assets distributed to shareholders on liquidation</b></p> <p>1) In the hands of company- No CG in hands of company. To extent of accumulated profit there will be deemed dividend &amp; Company will have to pay DDT</p> <p>2) In the hands of shareholders- there will be CG in hands of shareholders on transfer of the shares</p>	<p style="text-align: center;"><b>Shares received in the scheme of Amalgamation</b></p> <p>COA of shares in amalgamated company will be the same as the cost of acquisition of shares in amalgamating company</p>												
	<p style="text-align: center;"><b>Compulsory Acquisition</b></p> <p>1) It is chargeable as Capital Gain in the year in which compensation is 1st received.</p> <p>2) Sale Consideration will be total Compensation approved in first instance by Central Govt/RBI.</p> <p>3) In case of enhanced compensation sale consideration will be Amount by which compensation is further enhanced. In such case CG is calculated again and COA/COI = NIL</p>	<p style="text-align: center;"><b>Conversion of debentures into shares</b></p> <p>1) It is not treated as transfer so there will be no CG on conversion of debentures into shares</p> <p>2) COA = Cost of convertible portion of debentures</p> <p>3) For shares, the period of holding will be counted from date of allotment of debenture</p>	<p style="text-align: center;"><b>Demerger of 2 foreign companies</b></p> <p>COA of Indian shares in resultant Co. = COA of shares of demerged company</p>												
			<p style="text-align: center;"><b>Conversion of preference shares into equity shares</b></p> <p>1) Not a transfer hence no Capital Gain.</p> <p>2) COA of equity shares = Cost of such preference shares.</p> <p>3) POHA counted from date of preference shares</p>												
			<p style="text-align: center;"><b>Buyback of shares</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Taxability in hands</th> <th style="width: 20%;">Buyback of unlisted shares by domestic companies</th> <th style="width: 20%;">Buyback of share by a company other than a domestic</th> <th style="width: 45%;">Buyback other than mentioned in 2 column</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Company</td> <td>Subject to additional IT @ 20% including 12% surcharge &amp; 4% education cess</td> <td>Not subject to tax in the hands of the company</td> <td style="text-align: center;">No tax</td> </tr> <tr> <td style="text-align: center;">Shareholders</td> <td>Income tax exempt u/s 10(34A)</td> <td>Taxable u/s 46A as capital gains</td> <td>Taxable u/s 46A as capital gains</td> </tr> </tbody> </table>	Taxability in hands	Buyback of unlisted shares by domestic companies	Buyback of share by a company other than a domestic	Buyback other than mentioned in 2 column	Company	Subject to additional IT @ 20% including 12% surcharge & 4% education cess	Not subject to tax in the hands of the company	No tax	Shareholders	Income tax exempt u/s 10(34A)	Taxable u/s 46A as capital gains	Taxable u/s 46A as capital gains
Taxability in hands	Buyback of unlisted shares by domestic companies	Buyback of share by a company other than a domestic	Buyback other than mentioned in 2 column												
Company	Subject to additional IT @ 20% including 12% surcharge & 4% education cess	Not subject to tax in the hands of the company	No tax												
Shareholders	Income tax exempt u/s 10(34A)	Taxable u/s 46A as capital gains	Taxable u/s 46A as capital gains												



### Chart 5.5 Capital Gain - Exemptions u/s 10 & 54

#### Exemption u/s 54

Sec	Applicable	Original CA	Re-invested in	Time for Re-investment	Conditions on new assets	Exemption	Deposit Scheme
54	Individual & HUF	Long term Residential House Property	RHP (Only 1 RHP in India/2 RHP in India at option of assessee where capital gain does not exceeds 2Cr	Purchase 1 year before or within 2 years or construct within 3 years from transfer date of original asset	The R.H.P. i.e. the re-investment should not be sold for 3 years from its purchase	Capital Gains or Re-investment whichever is lower	Applicable
Note : If assessee has exercised the option to purchase 2 residential houses in India, then he shall not have the option of buying 2RHP for section 54 in any subsequent years.							
54B	Individual & HUF	Agricultural land situated in urban area should be used for agricultural purpose atleast 2 years prior to its sale	Agriculture land in urban/ rural area	Purchase within 2 years from date of transfer	Not be sold for 3 years from its purchase	Capital Gains or Re-investment whichever is lower	Applicable
54D	Any Assessee	Land & Building forming part of industrial undertaking. It has been compulsorily acquired	Land & Building forming part of new industrial undertaking	Purchase within 3 years from date of receipt of compensation	Land & Building should not be sold for 3 years from its purchase	Capital Gains or Re-investment whichever is lower	Applicable
54EC	Any Assessee	Long term capital asset being land/ building or both	In Bonds of NHAI,REC,Power Finance corp.Ltd, Indian Railways finance	6 months from the date of transfer of original asset	Not be sold for <b>5 years</b> from its purchase. No loan should be taken for 5 years against security of these bonds. An assessee is allowed to purchase bonds maximum of Rs. 50 Lakhs.	Capital Gains or Re-investment whichever is lower	Not Applicable
54EE	Any Assessee	Any Capital asset	Unit or units, issued before 01.04.2019, of such fund as may be notified by the CG	6 months from the date of transfer of original asset	Not be sold 3 years from its purchase. No loan should be obtained for 3 years against security of these bonds An assessee is allowed to purchase bonds maximum of Rs. 50 lakhs	Capital Gains or Re-investment whichever is lower	Applicable
54F	Individual & HUF	Any long term capital asset other than R.H.P. assessee should own not more than 1 R.H.P as on date of transfer of the original capital asset.	R.H.P. only in India	Purchase 1 year before or within 2 years or construct within 3 years from transfer date of original asset	Not be sold for 3 years from its purchase. Assessee should not buy another house for 2 years or construct another for 3 years from date of transfer of original capital asset.	If entire net consideration is invested then exemption is equal to capital gain. If part of the consideration is invested then proportionate capital gain is exempted	Applicable

**Notes: Investing in 2 RHP for Sec 54 in once in a lifetime option.**

#### Exemption u/s 10

Section	Particulars
10(37)	Capital gain on compulsory acquisition of agricultural land situated within urban limits will be exempt subject to certain conditions if assessee is individual/HUF. Agricultural land in urban area is compulsorily acquired such land has been used for agricultural purposes during the preceding 2 years by such individual /parent of his /by such HUF. Compulsory acquisition takes place by Central Government/RBI
10(43)	The amount received by the senior citizen as a loan either in lumpsum or in installment in a transaction of reverse mortgage would be exempt from income tax

Chart 5.6 Capital Gain - Taxability

**Taxation of Capital Gains**

**Tax on Long Term Capital Gain**

**Tax on Short Term Capital Gain**

**Section 112**

It is taxed @ 20%. Basic Exemption Limit is not available. However resident Individual, Resident HUF can take the benefit of unexhausted basic exemption limit. Chapter VI A deduction not available

**Special Case**

There will be two options available for (1) listed security (Share, stock, bonds, debenture, Govt. securities, Rights or Interest in securities) not available to mutual funds (2) a zero coupon bond  
**(Option 1)** Tax @ 20% with Indexation or  
**(Option 2)** Tax @ 10% without Indexation  
Non Corporate (NR) have option to pay @ 10% without Indexation

**Section 112A**

Assets – equity shares, equity oriented mutual funds (ULIP Policy). Tax @ 10% on gain exceeding 100000. No exemption limit available. However benefit of unexhausted Basic exemption limit is available to individual (R), HUF (R) (only for long term CG exceeding 100000 Chapter VI A deduction not available. Benefit of indexation not available. No benefit of rebate available

**Normal**

Taxed at normal rates applicable to the assessee

**111A**

Equity Shares & Equity Oriented mutual Funds. (ULIP Policy). Transacted on Recognized Stock Exchange. STT paid It is Taxed @ 15%. Basic exemption Limit is not available. Resident Individual/HUF can take the benefit of Unexhausted BEL. Chapter VIA deduction Not available

**STT should be paid**

- i) For shares STT should be paid on purchase and sale.
- ii) For mutual funds STT should be paid on sale.
- (iii) STT shall now be applicable on withdrawal of ULIP policies which are not exempt 10(10D) due to 4th & 5th provisos.

iv) There are certain notified exemptions where STT payment criteria is exempted.  
Note : The Finance (No.2) Act 2019 has levied an enhanced surcharge of 25% and 37%, where the Total income of individuals/HUF/AOPs/BOIs exceed Rs. 2 crores and Rs. 5 crores, respectively. However, the enhanced surcharge has been withdrawn on tax payable at special rates under section 111A and 112A on short term and long term capital gains arising from the transfer of equity share in a company or unit of an equity oriented fund/ business trust, which has been subject to STT.

## CHART 6.1 Income from Other Sources

### Basic Concepts, Charging section, Allowable & Disallowable Expenses

Basic Concepts	Sec 56: Basis of charge	Relevance of method of accounting
<p>1) Income from other Sources is the last &amp; residuary head of income.</p> <p>2) There are following sections under IOS                      Sec 56- Basis of Charge                      Sec 57- Deductible expenses                      Sec 58- Disallowable expenses                      Sec 59 - Deemed Income</p> <p>3) Any income that does not fall under first 4 heads of income shall be chargeable to tax under this head of income</p> <p><b>Example:</b> Royalty, Agricultural Income from outside India, etc.</p>	<p>• 8 incomes which are taxable under IOS</p> <ol style="list-style-type: none"> <li>1) Dividend</li> <li>2) Winning from Lotteries, Gambling, Betting, Casual income</li> <li>3) Employees contribution from Staff Welfare Scheme</li> <li>4) Interest on Securities</li> <li>5) Rental Income of machinery, plant, furniture</li> <li>6) Rental income from letting out plant, machinery/furniture along with letting out of building &amp; two are not separable</li> <li>7) Sum received under Keyman insurance policy</li> <li>8) Gift/Receipts without consideration</li> <li>9) Shares are issued at premium by Co. other than Govt Co.</li> <li>10) Any compensation/other payments by whatever name called in connection with termination of his employment or the notification of the terms &amp; condition will be taxable under IOS. It will be Taxed in the year of receipt.</li> </ol> <p>• Also, any income not taxable under other heads of income shall be taxable under IOS</p> <p>• Maturity receipts of Insurance Policy if not exempt u/s 10(10)D will be taxable under IOS</p> <p>• Pension received from any Insurance Pension Policy shall be taxable under IOS</p> <p>• Salary received by an MPs/MLAs will not be chargeable under Income from salaries but will be chargeable</p>	<p>1) Income chargeable under this head is computed in accordance with the method of accounting regularly employed by assessee</p> <p>2) Books can be maintained both on <b>Cash/Mercantile basis</b> however taxability of following income is not dependent on method of accounting followed by the assessee.</p> <p>3) Interest on compensation in case of compulsory Acquisition is taxed in the year of receipt.</p> <p>4) Compensation received on termination of employment is taxed in the year of receipt.</p> <p>5) Basis of Charge for Dividend:                      Any income by way of dividend received from company, whether domestic or foreign is taxable in the hands of the shareholders at normal rates of tax.</p>
<p style="text-align: center;"><b>Sec 58: Disallowable Expenses</b></p> <ol style="list-style-type: none"> <li>1) <b>Personal</b> expenses</li> <li>2) Any <b>interest paid outside India</b> on which TDS has not been deducted</li> <li>3) Any sum payable outside India which is taxable under the head salary &amp; on which TDS has not been deducted</li> <li>4) Wealth tax</li> <li>5) Amt specified u/s <b>40A</b> Eg: Sec 40A(2), 40A(3)</li> <li>6) <b>No deduction</b> is allowed under any provision of the Act in computing income from winnings from <b>lottery, crossword puzzles, races</b> including horse races. However in respect of activity of owning &amp; maintaining race horses expenses incurred shall be deductible</li> <li>7) <b>Payments made without deducting TDS/</b> or TDS has not been paid there will be 30% disallowance.</li> </ol>	<p style="text-align: center;"><b>Sec 59: Deemed Income</b></p> <p>Any amount received or benefit derived in respect of expenditure incurred or loss or trading liability allowed as deduction shall be deemed as income in the year in which the amount is received or benefit is accrued. This is just like Section 41 of PGBP.</p> <p><b>Note:</b> U/s 41 of PGBP bad debts recovered or custom duty refunded is taxable under IOS. Similarly any expenditure which is allowed as expenditure under IOS and later recovered shall be taxable under IOS</p>	<p style="text-align: center;"><b>Section 57: Deductible/Allowable expense</b></p> <ol style="list-style-type: none"> <li>1a) In respect of interest income any reasonable expenditure incurred by way of commission or remuneration to a banker for realization of such income is deductible.</li> <li>1b) In respect of dividend income or income from units of mutual fund only interest expenditure shall be allowable subject to <b>maximum of 20% of such income included in total income.</b></li> <li>2) Any sum collected from employees towards welfare fund contribution deduction shall be allowed to the extent amount is remitted within relevant due date under respective Acts</li> <li>3) In case of family pension <b>deduction equal to 33.33% of pension or 15000</b> whichever is less shall be allowed.</li> <li>4) In respect of income earned by way of lease rental on letting of machinery, plant &amp; furniture with/without building <b>repairs, insurance, depreciation etc shall be deducted</b></li> <li>5) Any expenditure incurred by the assessee not being capital expenditure but expended wholly for the purpose of making income chargeable under this head can be claimed</li> <li>6) Interest received on compensation/enhanced compensation in case of compulsory acquisition deduction = <b>50% of such income. No other expenditure shall be deductible</b></li> </ol>



**CHART 6.2a Incomes taxable under other sources**

<p style="text-align: center;"><b>Advance forfeited</b></p> <p>Any advance forfeited in course of negotiations for transfer of capital asset wef AY15-16 will be taxable under income from other sources. Upto AY 14-15 advance forfeited was considered in Capital Gains</p>	<p style="text-align: center;"><b>Family Pension</b></p> <p>Pension payable by the employer to the person belonging to the family of an employee in event of death is taxable under IOS. Standard deduction is allowable = 15000 or 1/3rd of total pension whichever lower. Pension received by widow/children/nominated heirs of a member of armed forces where death of such person has occurred in operational duties would be exempt u/s 10(19)</p>	<p style="text-align: center;"><b>Dividend</b></p> <p style="text-align: center;">Meaning In common parlance</p> <p>Amount paid to/received by a shareholder in proportion of shareholding i.e., share of profit from the company</p>										
<p style="text-align: center;"><b>Rental Income of Plant and Machinery</b></p>	<p style="text-align: center;"><b>Sec 56(2)(ib): Winning from lotteries crossword puzzles, horse races &amp;</b></p>	<p>Dividend under the Income Tax Act Sec.2 (22):- The following payments or distribution by a company to its shareholders are deemed as dividend to the extent of accumulated profits</p> <ol style="list-style-type: none"> <li>a) Any distribution entailing the release of company's assets</li> <li>b) Any distribution of debentures, debenture-stock, deposit certificates &amp; bonus to preference shareholders.</li> <li>c) Distribution on liquidation of company</li> <li>d) Distribution on reduction of capital and;</li> <li>e) Any payment by way of loan or advance by a closely-held company to a shareholder, holding substantial interest, provided the loan should not have been made in the ordinary course of business and money-lending should not be substantial part of the company's business</li> </ol>										
<p>1) It can be taxed under IOS if not taxed under PGBP. 2) If the income is taxed under IOS then expenses relating to machinery shall be allowable from IOS 3) If building is given on rent along with other assets and letting out is inseparable then it shall be taxable under PGBP/IOS</p>												
<p style="text-align: center;"><b>Interest on compensation/ Enhanced Compensation</b></p>	<p>1) Only winnings from lotteries, Crossword crossword puzzles, horse races &amp; card games, gambling, betting, casual income, etc are chargeable to tax 2) It is called as casual income 3) Any expenses are not allowable 4) Any loss from such activity is ignored 5) It is taxed under IOS @ 30% u/s 115BB 6) No basic exemption limit is applicable 7) Chp VI A deductions are not available 8) No loss can be set off against this income</p>	<p style="text-align: center;">No dividend in following cases:</p> <ol style="list-style-type: none"> <li>1) If u/s 2(22)(e) if advance to shareholder is in ordinary course of business</li> <li>2) No dividend arises in case of buy back of shares</li> <li>3) No dividend if company does not have accumulated profits</li> <li>4) Any dividend paid/payable which is set off by company against any loan which has <b>been deemed dividend u/s 2(22) (e)</b></li> </ol>										
<p>Compensation received on Compulsory Acquisition of an asset is taxable under Capital Gains. Interest received on such compensation will be taxable under IOS. It is taxable in the year of receipt irrespective of the method of accounting followed by the assessee. 50% of such income is allowable as a deduction under section 57 &amp; no other exp is allowable</p>	<p style="text-align: center;"><b>Sec 56 (2)(xi)(c) - Any compensation or other payments by whatever name called in connection with termination of his employment or the notification of the terms &amp; condition will be taxable under IOS. It is taxed in the year of receipt</b></p>	<ul style="list-style-type: none"> <li>• Dividend income shall always be taxable under IOS irrespective of whether shares are held as investment or stock in trade.</li> <li>• Dividend received from Indian Company/ Foreign Company shall be taxable in hands of shareholders (Earlier Company used to pay DDT)</li> </ul>										
<p style="text-align: center;"><b>Interest Income</b></p> <p>Following Income is taxable under IOS</p> <ol style="list-style-type: none"> <li>1) Interest on savings/term deposits</li> <li>2) Interest on securities</li> <li>3) Certain interest income is exempt u/s 10(15) (a) Interest on National Relief Bonds (b) Interest on Gold Deposit Bonds issued under the Gold Monetization Scheme 2015</li> <li>4) However, in some cases no TDS is deducted</li> </ol>	<p style="text-align: center;"><b>Income from activity of owning &amp; maintaining race horses /race camels</b></p> <p>1) Income from such activity will always be taxable under IOS 2) This is not casual Income. Therefore, it is taxable at normal rates</p>											
		<p style="text-align: center;"><b>Basis of charge for taxing dividend</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #5e35b8; color: white;">Type of dividend</th> <th style="background-color: #5e35b8; color: white;">Taxability</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Dividend declared</td> <td>is income of shareholder in the PY in which it is so declared.</td> </tr> <tr> <td style="text-align: center;">Deemed dividend u/s 2(22)(a)/(b)/(c)/(d)</td> <td>is the income of the PY in which it is so distributed</td> </tr> <tr> <td style="text-align: center;">Deemed dividend u/s 2(22)(e)</td> <td>is the income of the PY in which it is so paid</td> </tr> <tr> <td style="text-align: center;">Interim dividend</td> <td>is the income of the PY in which such dividend is unconditionally made available by the company to the members who is entitled to it.</td> </tr> </tbody> </table>	Type of dividend	Taxability	Dividend declared	is income of shareholder in the PY in which it is so declared.	Deemed dividend u/s 2(22)(a)/(b)/(c)/(d)	is the income of the PY in which it is so distributed	Deemed dividend u/s 2(22)(e)	is the income of the PY in which it is so paid	Interim dividend	is the income of the PY in which such dividend is unconditionally made available by the company to the members who is entitled to it.
Type of dividend	Taxability											
Dividend declared	is income of shareholder in the PY in which it is so declared.											
Deemed dividend u/s 2(22)(a)/(b)/(c)/(d)	is the income of the PY in which it is so distributed											
Deemed dividend u/s 2(22)(e)	is the income of the PY in which it is so paid											
Interim dividend	is the income of the PY in which such dividend is unconditionally made available by the company to the members who is entitled to it.											



**CHART 6.2b Income taxable under Other Sources**

**Gifts/receipts without consideration/inadequate consideration**

**Shares issued at a premium by company**

**Sec 56(2)(x) This is applicable to every person who receives money, immovable property & movable property without consideration or for inadequate consideration**

Nature of the asset	Gift in cash/ money	Gift of immovable property	Gift of movable property	Inadequate purchase of immovable property.	Inadequate purchase of movable property
<b>Assets covered</b>	Gift in form of money	Land/and/or Building	Share, securities, jewellery, bullion, paintings, drawings, work of art, sculpture, archaeological collections, <b>VDA</b> ★	Land/and/or Building	Share, securities, jewellery, bullion, paintings, drawings, work of art, sculptures, archaeological collections, <b>Virtual Digital Asset</b> ★
<b>Taxable Amount</b>	Whole amount if same exceeds 50000 in the year	Aggregate fair market value of property exceeds 50000	Difference between aggregate FMV & consideration, if difference exceeds 50000	Stamp value exceeds 50000	Difference between stamp duty value & consideration, if such Difference exceeds higher of 50000 or 10% of consideration.

**Sec 56(2)(viib) Shares issued at premium by company in which public is not substantially interested**

If 2 conditions are satisfied: 1) Shares issued at premium & (2) Issue price is more than fair market value then income shall be issue price less FMV in the hands company.

Face Value	Issue Price	FMV	Income from Other Sources
100	120	110	Rs. 10 Per share
100	130	110	Rs. 20 Per share
100	105	110	No IOS income
100	90	80	Not applicable as shares are issued at discount
100	140	150	No IOS income

If company does not fulfill both the conditions then consideration in excess Fair Market Value (FMV) will be taxable value under the head Income from Other Sources.

**Exceptions**

**Receipts without consideration that are not taxable**

**Notes:**

Any amount received	Receipts from relatives
1) on the occasion of marriage 2) by way of will/inheritance 3) received in contemplation of death 4) received from local authority 5) received from charitable institute u/s 12AA OR 12AB wef 1/6/20 6) received from fund, foundation, etc 7) Shares received as a consequence of amalgamation or merger individual or HUF 8) Any transfer between wholly owned subsidiary company & they are not taxable u/s 56. Both should be an Indian Companies 9) Individual -----> any sum/property ---> Trust (establishment solely for benefit of relative) ★ 10) Any person incurs medical expenses relating to COVID for individual/any member of family then for individual who receives such help it shall not be taxable u/s 56(2)(x) (FA 2022 wref 01.04.2020) 11) a) Any sum after death (COVID) received by family members of employee from employer is not taxable u/s 56(2)(x). 11) b) Any sum after death (COVID) received by any person not taxable u/s 56(2)(x) upto 10 lakhs. Such sum should be received with 12 months from date of death. (FA 2022, wref 01.04.2022)	1) Spouse 2) Brother/sister 3) Brother/Sister of spouse 4) Brother of father/mother 5) Sister of father/mother 6) Lineal ascendant/descendant 7) Lineal ascendant/descendant of spouse 8) Wife of husband of above 9) In case of HUF, member of HUF shall be relative ★

- For inadequate consideration difference upto 10% between actual consideration and stamp duty shall be ignored or 50,000 whichever is higher shall be ignored.
- Instead of 10% it will be 20% in case the immovable property is a residential unit which is held as stock in trade by the seller & the transfer is between 12.11. 2020 and 30.06. 2021 by way of 1st time allotment to the buyer and consideration for transfer is less than or equal to 2 crore. (wef AY 22-23, FA 2021)
- In case of immovable property, if date of agreement fixing the consideration and date of registration are not the same then stamp valuation on the agreement date will be considered
- The above point will be applicable only if consideration or part consideration is received in Any mode other than cash before the date of agreement. Consideration can be paid By an account payee cheque, account payee demand draft, use of Electronic clearing system, or any other electronic mode as may be prescribed

**Note :** In case of immovable property if date of agreement and date of registration are different

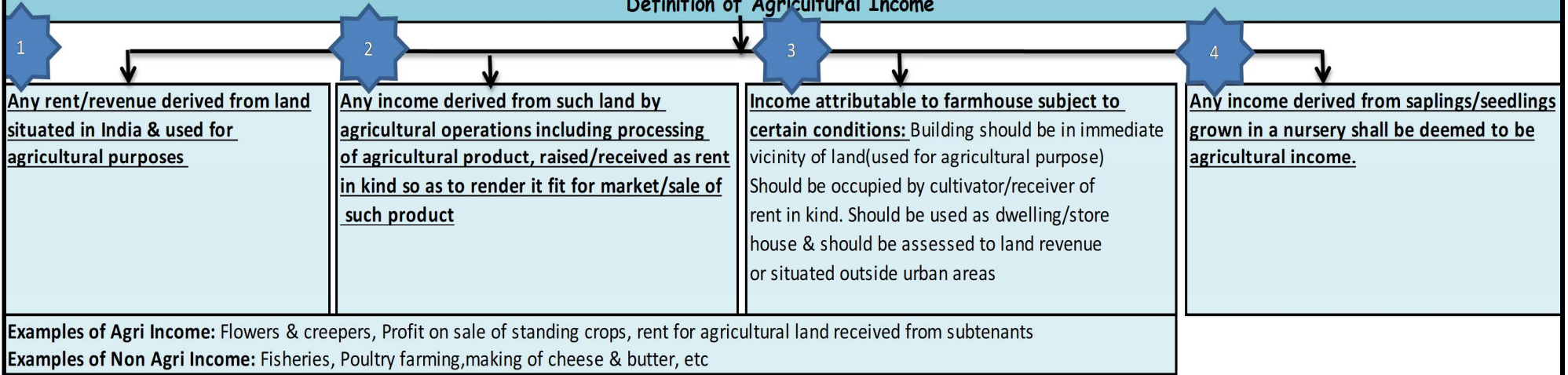
If date of agreement fixing amount of consideration for transfer of immovable property & date of registration are not same & provided whole/part of consideration has been paid by way of an account payee cheque/demand draft/ECS or any other electronic mode as may be prescribed on/before date of agreement then Stamp Duty Value as on date of agreement shall be considered



## Chart 7.1 Agricultural Income Section 10(1)

Income from Agriculture from outside India is taxable under IOS. Agricultural Income from land situated in India is exempt u/s 10(1)

### Definition of Agricultural Income



### PARTIAL INTEGRATION SCHEME

### LOSS FROM AGRICULTURAL INCOME

### TAX TREATMENT OF INCOME WHICH IS PARTIALLY AGRICULTURAL & PARTIALLY FROM BUSINESS

Agricultural income is considered in some cases for tax calculation i.e. partial integration scheme  
**Agricultural Income is added only for tax calculation if :** (1) Assessee is Ind/HUF/BOI/AOP (2) Non Agricultural income exceeds basic exemption limit (3) Agricultural income exceeds Rs. 5000  
**For Tax Calculation:** (1) Find out the net agricultural income (2) Calculate tax on Agri + Non Agri Income (3) Calculate tax on Agri + Basic exemption Limit (4) Tax before surcharge & education cess will be Step 2-Step 3  
 CA Pooja Kamdar Date

If there is a loss arising from any source of agricultural income then such loss can be set off only against agricultural income from any other source for that year. If the loss could not be set off it shall be carried forward for 8 subsequent assessment years and set off only against agricultural income.

**Some Points**

- 1) Salary & Interest received by partner from firms agricultural income: will be treated as partners agricultural income. However, share of profit will be exempt
- 2) Salary & Interest received by partner from firms Non agricultural income: will be treated as partners business income. However, share of profit will be exempt

For disintegrating a composite business income which is partly agricultural & partly non-agricultural the following rules are applicable

Income	Non Agricultural Income	Agricultural Income	Income tax Rules
1) Growing and manufacturing tea in India	40%	60%	Rule 8
2) Sales of centrifuged latex/latex based crepes/brown crepes/technically specified block rubbers manufactured/processed from field latex/coagulum obtained from rubber plants grown by seller in India	35%	65%	Rule 7A
3) Sale of coffee grown and cured by seller	25%	75%	Rules 7B(1)
4) Sale of coffee grown, cured, roasted and grounded by the seller in India with/without mixing chicory/other flavouring ingredients	40%	60%	Rules 7B(1A)

**Any other case:** In case of composite business which is partly agricultural & partly non agricultural. The raw material for the non agricultural income is the agricultural produce then FMV of the produce shall be taken as the cost of the raw material for calculating the business income. Agricultural income is calculated on transfer of agricultural produce. FMV shall be taken as the sale consideration



## Chart 8.1 Determination of residential status of various assessees

Sections	
Sec 5 - Scope of Total Income	Sec 7 - Income deemed to be received
Sec 6 - Residence in India	Sec 9 - Dividend Income

Purpose of Residential Status
1) Tax incidence depends upon residential status of the assessee & whether income is Indian Income or Foreign income
2) Residential Status of assessee <b>can change every year</b> depending upon the conditions satisfied by the assessee every year & it is determined for each previous year
3) Residential <b>status does not depend upon citizenship/nationality for individual</b> it depends upon the number of days of stay in India

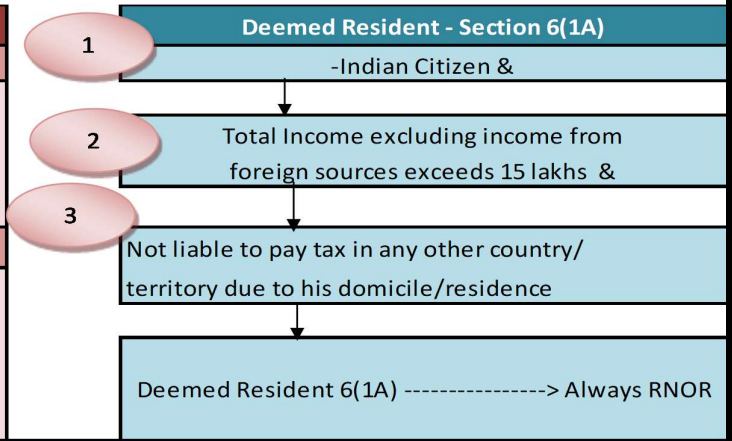
### How to determine period of stay in India for an Indian Citizen ,being crew member?

In case of foreign bound ships where the destination of voyage is outside India, the period/s of stay in India shall, in respect of an eligible voyage, not include following period:

**Period commencing from :** The date entered into the continuous discharge certificate in respect of joining the ship by the said individual for the eligible voyage **AND**

**Period Ending On:** The date entered into the continuous Discharge Certificate in respect of signing off by that individual from the ship in respect of such voyage

Residential Status of An Individual
<b>Section 6(1) Basic condition:</b>
1. Assessee is in India in the PY for 182 days or more. 2. Assessee is in India for 60 days or more & 365 days or more during 4 years immediately preceding the PY
<b>Additional Conditions - Section 6(6)</b>
1) Been (R) in India in at least 2 out of 10 PY (according to basic conditions above) immediately preceding PY
2) Been in India for 730 days or more during 7 yrs immediately preceding the relevant PY



Basic Conditions			
Points	General	Exceptions	
<i>Applicability</i>	Generally	1. If the person is Indian citizen leaves India for employment outside India or is a member of crew of Indian ship. 2. If the person is Indian citizen or PIO having income upto 15 lakhs	1. If the person is Indian citizen or PIO visits India and have total income other than foreign sources exceeding 15 lakhs
<i>Which basic condition</i>	1. Assessee is in India in the PY for 182 days or more. 2. Assessee is in India for <b>60</b> days or more & 365 days or more during 4 years immediately preceding the PY	1. Assessee is in India in the PY for 182 days or more. 2. Assessee is in India for <b>182</b> days or more & 365 days or more during 4 years immediately preceding the PY	1. Assessee is in India in the PY for 182 days or more. 2. Assessee is in India for <b>120</b> days or more & 365 days or more during 4 years immediately preceding PY
<i>Further Status</i>	If R then go to Additional Conditions	If R then go to Additional Conditions	If only 2nd condition is satisfied : RNOR If not then go to additional conditions

How to calculate income other than foreign sources?	
Income	Included/ Not Included
Indian Income	Included
Foreign Income	Not Included
Foreign Income (business controlled from India)	Included

**Chart 8.2 Determination of Residential Status of various assessees**

Residential Status of HUF	
Conditions	Status
1) If <b>Control &amp; Management</b> wholly in India , Partly in India & Partly Outside India	Resident
2) If <b>Control &amp; Management</b> wholly outside India	Non-Resident
Additional Conditions	
Conditions	Status
1) If <b>Karta</b> satisfies both additional conditions	R-OR
2) If <b>Karta</b> satisfies 1/none of the additional conditions	R-NOR
<b>Note:</b> The place of control & management is the place where the head sits or where powers are situated	

Residential Status of AOP/BOI/AJP	
Conditions	Status
1) If <b>Control &amp; Management</b> wholly in India , Partly in India & Partly Outside India	Resident
2) If <b>Control &amp; Management</b> wholly outside India	Non-Resident

1) Any person falling within this group is 'Resident' in India in any previous year, where during the previous year the control and management of its affairs are wholly or partly situated in India.  
2) The place of control and management is the place where the head sits or where powers are situated

Sec 6(3): Company
A company is treated 'Resident' in India 1) If it is an Indian Company i.e Indian company will always be resident. 2) If it is not an Indian company and its place of effective management in that year is in India. Place of effective management has been defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are in substance made. <b>OECD has set out the following principles on POEM:</b> The POEM will ordinarily be the place where the most senior person or group of persons (eg board of directors) makes its decisions, the place where the actions to be taken by the entity as a whole are determined. <b>OECD : Organisation for Economic Co-operation and Development</b>

Note:  
SNZ is not a business connection  
If Business Connection is established which income will accrue in India?  
Only income relating to operations covered in India.

What is a Business Connection
Income Accrues from Business Connection in India What is Business Connection? <b>1) Direct Connection:</b> Agent Ram of NR Shyam a) secure order and enters into contracts b) agent maintains stock on behalf of principal for sale <b>2) Indirect Connection :</b> Agent Ram of NR Shyam a) secure order and enters into contracts for Ghanshyam (NR). b) Ghanshyam Controls Shyam and Viceversa c) Z controls Ghanshyam (NR) and Shyam <b>No Business Connection is the agent is having independent status</b>

What is Not A Business Connection?
1) Goods purchased in India for exports 2) No Business Connection on only collection of news for transmission outside India 3) shooting of movies in India 4) activities restricted to only display of rough uncut diamonds in SNZ 5) Agents having independent status are not included in Business Connection. 6) Activities confined to display of rough diamonds in SNZs.

## Chart 8.3 Residential Status - Other related concepts

Nature of Income-Indian/Foreign	Deemed receipt	Rules for Taxability of Income in India	Significant economic presence [explanation 2A to sec 9(1)(i)]																																			
<p><b>1.Indian Income</b> - Any of the following three is Indian Income</p> <p>1)If income is received (or deemed to be received) in India during the PY and at the same time it accrues (or arises or is deemed to accrue or arise) in India during the previous year.</p> <p>2)If income is received (or deemed to be received) in India during the PY but accrues (or arises) outside India during the previous year</p> <p>3) If income is received outside India during the previous year but it accrues (or arises or is deemed to accrue or arise) in India during previous year.</p> <p><b>2.Foreign income-</b></p> <p>1)If income is not received (or not deemed to be received) in India</p> <p>2)Income does not accrue or arise (or does not deemed to accrue/arise) in India</p>	<p>1)Annual accretion to recognized PF in excess of 12% of employers contribution</p> <p>2)Interest credited to recognized PF found in excess of rate declared by Government i.e. 9.5%</p> <p>3)Contribution made by employer towards pension scheme referred to in section 80CCD</p> <p>4) Transfer of balance from unrecognized to recognized PF</p> <p>5) Tax deduction at source (TDS)</p> <p>6)Income from undisclosed sources</p>	<p>1)Remittance of income earned outside India into India is not an Income</p> <p>2)Once income is included on accrual basis, it shall not be again included on receipt basis.</p> <p>3)Indian Income will always be taxable in India irrespective of Residential Status</p> <p>4)In case of R- OR global income will be taxable in India. Global income means Indian as well as foreign income</p> <p>5)For a non resident only his Indian Income is taxable in India</p>	<p>Significant economic presence of a NR in India shall also constitute business connection in India.</p> <p>Significant economic presence means-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #f2f2f2;"> <th style="width: 50%;">Nature of transaction</th> <th style="width: 50%;">Condition</th> </tr> </thead> <tbody> <tr> <td>a) In respect of any goods, services or property carried out by NR with any person in India including provision of download of data or software in India</td> <td>from such transaction/s during the previous year should exceed 2 crore.</td> </tr> <tr> <td>Systematic and continuous soliciting of business activities/engaging in interaction with users in India</td> <td>The number of users should be atleast 3 lakhs.</td> </tr> </tbody> </table> <p>Further, the above transaction or activities shall constitute significant economic presence in India, whether or not-</p> <p>i. the agreement for such transactions or activities is entered in India. ii. the NR has a residence or place of business in India iii. the NR renders services in India.</p> <p>However, where a business connection is established by reason of significant economic presence in India, only so much of income as is attributable to the transactions or activities referred to in (a) or (b) above shall be deemed to accrue or arise in India.</p>	Nature of transaction	Condition	a) In respect of any goods, services or property carried out by NR with any person in India including provision of download of data or software in India	from such transaction/s during the previous year should exceed 2 crore.	Systematic and continuous soliciting of business activities/engaging in interaction with users in India	The number of users should be atleast 3 lakhs.																													
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<p><b>sec 7: Income received /deemed to be received in India</b></p>	<p style="text-align: center;"><b>INCOME ACCRUES IN INDIA MEANS</b></p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #f2f2f2;"> <th style="width: 5%;">No.</th> <th style="width: 25%;">Income</th> <th style="width: 5%;">R-OR</th> <th style="width: 5%;">R-NOR</th> <th style="width: 5%;">NR</th> </tr> </thead> <tbody> <tr> <td>1</td> <td><b>Indian Income</b></td> <td>Y</td> <td>Y</td> <td>Y</td> </tr> <tr> <td>2</td> <td><b>Foreign Income :</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Business controlled or profession Setup in India</td> <td>Y</td> <td>Y</td> <td>N</td> </tr> <tr> <td>3</td> <td><b>Foreign Income :</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Business controlled or profession Setup outside India</td> <td>Y</td> <td>N</td> <td>N</td> </tr> <tr> <td>4</td> <td><b>Other Foreign Income</b></td> <td>Y</td> <td>N</td> <td>N</td> </tr> </tbody> </table>	No.	Income	R-OR	R-NOR	NR	1	<b>Indian Income</b>	Y	Y	Y	2	<b>Foreign Income :</b>					Business controlled or profession Setup in India	Y	Y	N	3	<b>Foreign Income :</b>					Business controlled or profession Setup outside India	Y	N	N	4	<b>Other Foreign Income</b>	Y	N	N	<p><b>In the case of a Non-resident the following shall not, however, be treated as business connection in India</b></p> <p>i) in case of a business for which all operations are not carried out in India - income deemed to accrue/arise in India</p> <p>a) Income from advt targeting customers residing in India or accessing advt through IPA located in India</p> <p>b) Income from sale of data collected from persons residing in India or using IPA located in India.</p> <p>c) Income from sale of goods and services using data collected from persons residing in India or using IPA located in India.</p> <p>ii) Income is reasonably attributable to operation to be carried out outside India. - Not deemed to accrue/arise in India</p>
No.	Income	R-OR	R-NOR	NR																																		
1	<b>Indian Income</b>	Y	Y	Y																																		
2	<b>Foreign Income :</b>																																					
	Business controlled or profession Setup in India	Y	Y	N																																		
3	<b>Foreign Income :</b>																																					
	Business controlled or profession Setup outside India	Y	N	N																																		
4	<b>Other Foreign Income</b>	Y	N	N																																		
<p><b>1)Income received in India</b></p> <p>a)Any income received in India is liable to tax irrespective of residential status of the assessee &amp; place of accrual of income.</p> <p>b)Receipt means the first receipt in India, remittance to India after accrual would not amount to receipt</p>	<p><b>INCOME ACCRUES IN INDIA MEANS</b></p> <p>1) Income from <b>business connection</b> in India</p> <p>2) Income from <b>any property, asset or source</b> of income in India.</p> <p>3) Capital gain on <b>transfer of a capital asset</b> situated in India.</p> <p>4) Income from <b>salary</b> if service is rendered in India</p> <p>5) Income from <b>salary</b> (not being perquisite/allowance) if service is rendered outside India (provided the employer is GOI and the employee is a citizen of India)</p> <p>6) <b>Dividend</b> paid by the Indian company</p> <p>7)In case of <b>interest, royalty and technical fees</b> following should be kept in mind</p> <p>a)In case it is paid by GOI it shall always accrue in India (irrespective whether it is related to business or source in India or outside India)</p> <p>b)In case it is paid by resident it shall always accrue in India except when loan, in case of interest is related to business or source of income situated outside India. E.g if loan is taken for project outside India then the interest paid shall accrue outside India.</p> <p>c)In case the payment is made by a NR it will always accrue outside India except when it is related to business or source in India</p> <p>8) Any sum of money paid/property situated in India transferred on/after 5th July 2019 by a person resident in India of person outside India shall be deemed to accrue or arise in India</p>	<p>•Royalty means</p> <p>a) Consideration for use of/ right to use patent, design, model, secret formula, trademark.</p> <p>b) WEF AY21-22 consideration for distribution or exhibition of movies is also treated as royalty.</p> <p>c) Right to use computer software is also royalty.</p> <p>d) Right to use any property/ information</p> <p>•Technical Fees includes-managerial, technical or consultancy services.</p>	<p><b>2)Income Deemed to be received in India</b></p> <p>It is not necessary that an income should be actually received in India in order to attract tax liability. By fiction of Law, receipt outside India may be treated as deemed to accrue or arise in India.</p> <p>Income deemed to be received in India is also included in the total income of the assessee</p>																																			



## Chart9.1 Clubbing of Income (Section 60-64)

Basics	Clubbing takes place in the following 9 situations		
<p>With an intention to curb the practice of reducing the tax liability by transferring assets to their family where direct/indirect benefit is derived by tax payer there are certain provisions which enable the income earned by other person to be clubbed in the hands of tax payer though legally income belongs to some other person.</p>	<p><b>1)</b>Asset is not transferred but income arising from the asset is transferred in such a case income will be clubbed in the hands of the transferor</p>	<p>indirect transfer. Accretion to asset is not clubbed Husband &amp; wife relationship should subsist at both points (1) when asset is transferred (2) when income is earned . After separation no clubbing will take place. If capital given by spouse is invested in business proportionate profit = <math>\frac{\text{Total profit}}{\text{total Capital given as on 1st day}} \times \text{capital given by spouse as on 1st day}</math>. If capital is given by spouse is invested in partnership firm share of profit: no clubbing as exempt. Salary of partner: No clubbing as it is received for the work done. Interest on capital: proportionate interest will be clubbed in the hands of spouse. Clubbing will not take place if asset is acquired out of pin money. <b>No clubbing</b> if asset is transferred with connection to <b>live apart</b></p>	<p>the minors income is not clubbed. No clubbing in 3 cases: (1) Minor earns income out of its own skills (2) Minor earns income out of physical labour (3) Minor is handicapped covered u/s 80U</p>
<b>Some Important Points</b>	<p><b>2)</b>Asset is transferred but it is revocable then income from the asset will be clubbed in the hands of transferor</p>	<p>Capital given as on 1st day X capital given by spouse as on 1st day. If capital is given by spouse is invested in partnership firm share of profit: no clubbing as exempt. Salary of partner: No clubbing as it is received for the work done. Interest on capital: proportionate interest will be clubbed in the hands of spouse. Clubbing will not take place if asset is acquired out of pin money. <b>No clubbing</b> if asset is transferred with connection to <b>live apart</b></p>	<p><b>9)</b> Clubbing Provisions are applicable in case of HUF: <b>Before partition:</b> If an individual transfers his self occupied property to HUF, then income there from will be clubbed in the hands of transferor. <b>After Partition</b> If the property is transferred by an individual to HUF is received by the spouse of that individual, then income from the property will be clubbed in the hands of individual. <b>example:</b> HUF consists of Mr.X Mrs X, major son, minor daughter After partition of HUF the property is equally divided.</p>
<p>1) Minor child includes step child &amp; adopted child. 2) Clubbing stops when child attains majority.(18 yrs) 3) Clubbing shall take place in same head of income as in case of transferee 4) Negative income is also clubbed 5) If tax is not recovered from transferor then AO can recover it from transferee. 6) Clubbing is mandatory in 9 cases 7) Income of minor married daughter is also clubbed in the hands of parents 8) Income will be eligible for exemptions &amp; deductions under particular head 9) Credit of TDS/ Advance tax will be given to that person in whose hands income hands income is taxable.</p>	<p><b>3)</b>If individual has substantial interest in an organization &amp; his/her spouse works in org. without professional skill/ expertise/experience then remuneration will be clubbed in the hands of individual ★Substantial interest means equity shareholding is not less than 20% of voting rights along with the relatives or in other concerns the share of profit is not less than 20%</p>	<p><b>5)</b>Individual transfers an asset to sons wife for inadequate consideration then income arising from asset will be clubbed in hands of transferor</p>	<p><b>7)</b>Individual transfers an asset to trust/AOP/Third party for benefit of sons spouse then income from the asset will be clubbed in the hands of transferor</p>
	<p><b>4)</b>Individual transfer asset other than HP to his/her spouse for inadequate consideration then income from asset will be clubbed in hands of transferor •Asset may be held in same form/different form. Income on income will not be clubbed Clubbing is also applicable in case of cross transfer or</p>	<p><b>6)</b>Individual transfers as asset to trust/AOP/third party for benefit of spouse then income arising from the asset will be clubbed in hands of transferor</p>	
		<p><b>7)</b>Individual transfers an asset to trust/AOP/Third party for benefit of sons spouse then income from the asset will be clubbed in the hands of transferor</p>	
		<p><b>8)</b>Minors income is clubbed in the hands of mother or father whose other income is higher ★There is an exemption u/s 10(32) upto 1500 pa per minor child. If parents are separated clubbing will take place in the hands of parent who maintains the child Once minor income is clubbed in the hands of mother/father clubbing continues in the hands of same parents till minor attains majority. If parents are not alive</p>	

### Chart 10.1 Set off and Carry forward of Losses

Sections	1	2	3
<p>Sec 70 - Set off of losses from the same head of Income</p> <p>Sec 71 - Set off of losses from other head of income</p> <p>Sec 72 - Carry Forward and Set off of business losses</p> <p>Sec 73 - losses in Speculation business</p> <p>Sec 74 - Losses under Capital Gains</p>	<p style="text-align: center;"><b>Rules for Inter Source Adjustment</b></p> <p>1) Loss from speculation business can be set off only against speculation business profit.</p> <p>2) Loss under Long Term Capital Gain set off only against LTCG</p> <p>3) Loss from activity of owning and maintaining race horses set off only against income from such activity.</p> <p>4) No loss can be set off against winnings from lotteries, crossword puzzles, Casual Income</p> <p>5) Loss from the business specified u/s 35 AD can be set off only against income from any specified business</p> <p><b>NOTE:</b> Income from activity of owning and maintaining race horses is not casual income. It is taxed under IOS at normal rates. Loss from such activity can be set off only against such income.</p>	<p style="text-align: center;"><b>Rules for Inter Head Adjustment</b></p> <p>1) Speculation Business loss can be set off only against speculation profit</p> <p>2) Loss under the head Capital Gains can be set off only under the head Capital Gains. LTC Loss only against LTC Gains STC Loss against LT/ST Gains</p> <p>3) Loss from the activity of owning and maintaining race horses – set off only against income of such activity.</p> <p>4) No loss can be set off against winnings from lottery, crossword puzzles</p> <p>5) Business loss cannot be set off against salary income</p> <p>6) Loss from the business specified u/s 35AD can be set off only against income from any specified business</p> <p>7) Loss under the head Income from HP would be kept limited to Rs 200000 for adjustment against income from other head Balance shall be carried forward</p>	<p style="text-align: center;"><b>Carry Forward Sequence</b></p> <p>1) First Always Inter Source Adjustment</p> <p>2) Then inter Head Adjustment if after the two adjustments any loss remains it can be carried forward for set off in next year</p> <p>Assessee should first set off of losses which cannot be carried forward. However there is one basic rule that once a loss is carried forward it is set off only against the respective head</p> <p>There are certain rules for carry forward of losses</p> <p>Notes :</p> <p>1) No loss can be set off against undisclosed income u/s 68 to 68D</p> <p style="text-align: center;"><b>Order of Set off</b></p> <p>1) Current business Loss</p> <p>2) Current year depreciation</p> <p>3) Current Year capital Exp on Scientific Research</p> <p>4) Current Year capital Exp on Family Planning</p> <p>5) Brought Forward business Loss</p> <p>6) Unabsorbed depreciation</p> <p>7) Unabsorbed Capital exp on Scientific Research</p> <p>8) Unabsorbed Capital exp on Family Planning</p>
<p style="text-align: center;"><b>Purpose of Set Off</b></p> <p>Set off means adjustment of losses against the profits from another source/head of income in the same AY. If losses cannot be set-off in the same year due to inadequacy of eligible profits, then such losses are carried forward to the next AY for adjustment against the eligible profits of that year. There are certain rules for set off</p>			

#### Rules for Carry Forward of Losses

Nature of Loss	Can be Set Off Against	Carry forward Years	Continuity of Business	Return filed in time 139(1)	Remarks
1) House Property Loss	Income – HP	8	-	No	
2) Speculation Business Loss	Speculation Business Profit	4	Not necessary	Yes	Refer Note 1
3) Non Speculation Business Loss	Any business Income	8	Not necessary	Yes	Refer Note 1
4) Specified business loss	Any specified business income	any no. of years	Not necessary	Yes	
5) STC Loss	STCG/LTCG	8	-	Yes	
6) LTC Loss	LTC Gains	8	-	Yes	
7) Loss from activity of owning & maintaining race horses	Income from Such Activity	4	Necessary	Yes	Refer Note 2
8) Unabsorbed depreciation (Capital expenditure on Scientific research, Family Planning ) Capital expenses	Any Income	Any No. of years	Not necessary	No	Refer Note 3

#### Notes for Carry Forward

1) Dividend income can be treated as business income only for the purpose of set off. Dividend is always charged to tax under "IOS" However, it shall be treated as business income only for the purpose of set off if shares are held as stock in trade

2) Loss – under IOS cannot be carried forward except activity of owning and maintaining race horses

3) Unabsorbed depreciation, capital expenditure on scientific research & family planning are not covered u/s 72 and can be carried forward for any number of years and can be set off against any income and can be carried forward even if belated return is filed

4) Loss u/s 35AD can be set off only against such income. It can be c/f for any no. of years. It can be c/f or set off only if determined in return u/s 139(1).



**Chart11.1 Return of Income (ROI)**

Sections		When is the return to be filed as Statutory obligation u/s 139(1)?	
		Taxpayer	When it is mandatory
Sec 139 - Return Of income Sec 139(1) - Due date of filing of return Sec 139(1A)- Option to furnish return to employer Sec 139(1B)- Return through computer readable media Sec 139(1C)-Exemption for filing return Sec 139(3)- Loss return Sec 139(4)- Belated Return Sec 139(5)-Revised return Sec 139(9)-Defective return Sec 139A- Permanent Account Number  Sec 139AA- Quoting of Aadhar Number Sec 139B- Scheme for submission of return through TRP  Sec 139C- Power of board to dispense with furnishing documents ,etc with return  Sec 139D- Filing of return in Electronic Form Sec 140- Return by whom to be verified Sec 140A- Self assessment		1) company or firm (LLP included) 2)Other Assessee Individual/HUF/AOP/BOI's/AJP 3) Every person, being a resident other than not ordinarily in India 4) Every person who is otherwise required to furnish the return <b>(wef AY 20-21)</b> 5) <b>Every person (other than LLP&amp; Co.) has to mandatorily file return (Rule 12AA) if some conditions satisfied. Every person (other than LLP &amp; Co.)</b>	whether income or loss it is compulsory to file the return of income compulsory if total income before deduction under chapter VIA exceeds the basic exemption limit or before giving effect to Sec. 10A or sec 10B exceeds basic exemption limit. Also exemption u/s 54/54B/54D/54EC/54G/54GB if added back and income exceeds basic exemption limit then mandatory return filing. (wef AY 20-21) would be required to file a return of income or loss for the previous year if such person, at any time during PY: a) holds, as a beneficial owner or otherwise, any asset (including any interest any entity.) located outside India or has a signing authority in any account located outside India; or (b)Is a beneficiary of any asset (including any financial interest in any entity located outside India) a) has deposited total amount exceeding 1 crore rupees in one or more current accounts maintained with a Banking Company or Co-operative Bank or (b)Has incurred total expenditure exceeding 2 lakhs on himself, or any other person for foreign travel ( c ) Has incurred expenditure exceeding 1 lakh towards consumption of electricity.(d) Fulfils any condition as may be prescribed <b>a) If his total sales, turnover or gross receipts as the case may be , in the business &gt; 60 lakhs during the PY. (b) if his total gross receipts in profession &gt; 10 lakhs during the PY. (c ) if the aggregate of TDS &amp; TCS during the PY is 25000 or more, for R. Senior Citizen it is 50,000 or more. d) The deposit in one or more saving bank account of the person in aggregate is 50 lakhs or more during the PY.</b>
		Senior Citizen of 75 years and above being resident are exempt from filing income tax returns if certain conditions are satisfied- (wef AY 22-23, FA 2021)(1) he has pension income and no other income. However, in addition to such pension income he may also have interest income from bank in which he is receiving his pension income . (2) This bank is specified bank. The Government will be notifying a few banks which are banking company to be the specified bank. (3) The specified bank has deducted TDS u/s 194P. If above all conditions are satisfied then provisions of Sec 139(1) are NA.	
Returns Sections		Particulars	
<b>Meaning of "Beneficial owner"</b>		<b>139(1) Due date for filing</b>	
An individual who has provided, directly or indirectly, consideration for the asset for the immediate or future benefit, direct or indirect, of himself or any other person		<b>Loss Return 139(3)</b>	Assessee required to file return of income compulsorily within the due date of income tax (Provided above) Return of income should be submitted within the due date specified u/s 139(1), if however a return of loss is not submitted within the time limit the <u>following losses cannot be carry forward</u> 1) Business loss-speculation/non speculation/ specifoed Business loss u/s 35AD (2) Capital loss (3) Loss from the activity of owining and maintaining race horses. However loss from house loss from HP, unabsorbed depreciation scientific research expenditure,etc can be carried forward even if return is not submitted within the limit u/s 139(1)
<b>Meaning of "Beneficiary"</b>		<b>Belated Return 139(4)</b>	1)If a return is not submitted within due date u/s 139(1) then a belated return can be filed. (2)Time limit for filing = 3 months before the end of AY (31st December 2022) or completion of assessment ↓ (FA 2021). (3)A belated return can be revised (4)Certain losses cannot be c/f in case of belated return (5)Deduction u/s 10A, 10B, 80IA to 80RRB, will not be available in case of belated return.[80IA/IB/IAB/IC/ID/IE, 80JJA,80JJAA, 80LA,80P,80PA,80QQB,80RRB]
An individual who derives benefit from the asset during the previous year and the consideration for such asset has been provided by person,other than such beneficiary.		<b>Revised Return Sec 139(5)</b>	Any mistake, omission or a wrong statement which is bonafide can be corrected by the assessee by filing a revised return. Following returns can be revised(1)Original return (2)Belated return (3)revised return. A return furnished in response to a notice issued u/s 142(1) cannot be revised. A return can be revised for any number of times but within the limit. (2)Time limit for filing = 3 months before the end of AY (31st December 2022) or completion of assessment ↓ (FA 2021).
Due dates of Filing return u/s 139(1)		<b>Defective Return Sec 139(9)</b>	1)Return furnished by assessee becomes defective if Annexure, statements & columns in returns are not filled in . (2)A return which is otherwise valid cannot be treated defective merely because self assessment tax and interest payable in accordance with the provisions of sec140A, has not been paid on/before the date of furnishing of the return. Ie if taxes, interest are unpaid the return shall not be treated as defective (3)AO may intimate the defect to assessee (4)Assessee should rectify defect within a period of <u>15 days</u> from the date of such intimation. AO may extend time limit on application of assessee 5)If the defect is not rectified within the given time then the return will be treated as invalid return. The provisions of the Act will be applicable as if no return of income has been filed. (6) AO may condone delay if defect is rectified before completion of assessment 7)CBDT may relax/modify above conditions for some classes of assessee.
Persons	Due Dates	<b>8) If return is updated return then it may be treated as defective return if payment u/s 140B is not done</b>	
(1) Corporate assessee or any other assessee covered under audit of any other statute/law	31st October		
2)Non corporate assessee (a)Accounts required to be tax audited (b) partner of firm which is covered under tax audit	31st October		
(3)Any other Case	31st July		
(4) Assessee who needs to furnish report under transfer pricing u/s 92E including the partners of the firm which are covered under transfer pricing. (FA 2021)	30th November		



## Chart 11.2 Return of Income (ROI)

Section	Particulars
<b>Sec 139(8A) - Updated Return FA 2022</b> 	<b>1) Assessee has filed ITR u/s 139(1),(4),(5) or not filed ITR. (2) Such assessee can furnish updated ITR within 24 hrs months from end of relevant AY. (3) Updated return cannot be filed in following cases: if already updated return is filed, it results in loss return, it results in increase of refund, a search or survey has been initiated. (4) If original loss return is filed on/before the due date u/s 139(1) then updated return is ROI. (5) In case filing of updated return results in reduction of carried forward losses then updated return should be furnished for each subsequent PY to give impact of reduced losses.</b>
<b>Sec 139(1A):Option to furnish return to Employer</b>	Section gives an option to a salaried person, to furnish a ROI for any PY to his employer in accordance with such scheme as may be notified by the CBDT Such employer shall furnish all ROI received by him on/or before due date, CD-ROM/computer readable mode
<b>Sec 139(1B)Return through computer readable media</b>	(1)It enables Taxpayer to file ROI in computer readable media (2)Such person on/or before due date furnish ROI in accordance with scheme as may be notified by the CBDT
<b>Sec 139(1C)Exemption from filing return</b>	1) Under sec 139(1) every person has to furnish return of income on/before due date if total income exceeds basic exemption limit2)For reducing compliance burden of small taxpayers, CG has been empowered to notify the class or classes of persons who will be exempted from requirement of filing of ROI, subject to some prescribed conditions.
<b>Sec140A:Self Assessment Tax</b>	1)Where any tax is payable on basis of return furnished after taking into account advance tax and any TDS,TCS the assessee shall be liable to pay tax together with interest Tax Payable=Tax on total income–Advance Tax–TDS/TCS–relief of tax claimed u/s 892)Assessee failing to pay tax wholly or in part would be 'assessee in default'. 3)Self Assessment tax paid shall be firstly adjusted towards fees interest and then tax. (Late fees has been introduced u/s 234F)

### PAN and Aadhar number

Pan consists of 10 alphanumeric characters and is issued in form of laminated card. <b>Mandatory to obtain PAN</b>	<b>Sec139AA-Aadhar Number Mandatory</b>	<b>Sec 139A: Quoting of PAN</b>
1)If income exceeds basic exemption limit 2)If turnover exceeds Rs. 500000 in any PY 3)Charitable trust required to furnish ROI 4)Exporters & importers applying for (IEC) 5)Assessees covered under Central Excise Rules 6)Assessees covered under GST 7)CG may notify any person/class of persons to apply for PAN 8)PAN is mandatory for such non-individual entities which enters into financial transaction valuing more than Rs. 2,50,000 9)PAN is also mandatory for authorized signatories of such entities irrespective of their financial transactions and income	Aadhar Number on/after 01.07.2017 have to quote Aadhar Number in i) Application Form for allotment of PAN ii) Return of Income 2)In case of person already having PAN as on 01.07.2017 and is eligible to obtain Aadhar Number should intimate to the authority his Aadhar Number. 3)Where a person does not have Aadhar Number it is mandatory to quote 28 digit enrollment identification number 4)If a person fails to intimate the Aadhar Number, PAN allotted to such person shall be made inoperative after the date so notified. Effective from 1st April 2019 <b>Aadhar not required in certain situations</b> 1) Individual Residing in the states of Assam,J&K and Meghalaya. (2) NR as per IT Act, 19613) Individual of the age of > 80 yrs at any time during PY(4)Ind not a citizen of India.	1) PAN is to be quoted on all return of income, challans with Income Tax (2) Sale/ purchase of immovable property of Rs1000000 or more(3) sale/ purchase of motor vehicle4)Time deposit in bank of more than 50000 (5)Purchase/sale of securities exceeding Rs100000(6)Opening a bank account demat A/c (7) purchasing debentures/bonds exceeding 50000(8) Making hotel bill of more than Rs. 50,000 in cash(9)Cash deposit of 50000 in bank in 1day 10) Payment for foreign travel of > 50000 in cash (11) Payment of > 50000 for purchase of Mutual Fund(12) Payment to RBI for acquiring bonds > 50000 13) Payment of life insurance >50,000 in a year (14)Purchase of bank drafts/pay orders in cash >50,000 in one day (15) other txn as may be prescribed by Board. Note: -(1) Minor has to quote PAN of his father/mother/guardian (2)PAN must be intimated to person responsible for deducting TDS(3)Every person who does not have PAN shall make declaration in form 60(4)persons having only agricultural income are not required to apply for PAN and have to file a declaration in form 61. Interchangability of Aadhar & PAN: a) If a person has not been allotted PAN but possesses Aadhar No. he can quote Aadhaar Number instead of PAN. Such person shall be allotted PAN in the prescribed manner.(b) If a person has PAN and has intimated his Aadhaar Number as per Section 139AA such person can quote Aadhar instead of PAN
5)The last date for intimating Aadhar Number to IT Act 1961 for the purpose of linking Aadhar Number to PAN is <b>31st March 2022</b> .6)If linking of Aadhar & PAN is not done within due date at then – a)PAN would become inoperative & b) penalty of 1000 u/s 234H shall be levied. (wef FA 2021)		

### Consequences of non linking of PAN and Aadhar

**1) PAN becomes inoperative (2) section 114 AAA provides that if PAN becomes inoperative then it will have following consequences - (a) the person will not be able to file return using in operative PAN (b) pending returns will not be processed (c) refund cannot be issued to inoperative PAN (d) pending proceedings in case of defective returns cannot be completed (e) tax will be required to be deducted at higher rate as PAN becomes inoperative**



## Chart 11.3 Return of Income

Chart 11.3 Return of Income	
Consequences of late Filing of return	Particulars to be furnished with returns
<p>Following are the consequences</p> <ol style="list-style-type: none"> <li>1) Certain Losses cannot be carried forward</li> <li>2) Interest u/s 234A for late filing</li> <li>3) Late fees u/s 234F</li> <li>4) No deduction u/s 80IA to 80RRB &amp; 10A</li> <li>5) Higher rate of TDS u/s 206AB if person has not filed ITR for both of the 2AY's &amp; total of his TDs and TCS is 50000 or more in each of these AY's.</li> <li>6) Higher rate of TCS u/s 206CCA if condition person has not filed ITR for both of the 2AY's &amp; the total of his TDs and TCS is 50000 or more in each of these AY's (FA 2021)</li> </ol>	<div style="background-color: #800000; color: white; padding: 2px; margin-bottom: 5px;"><b>Sec 139(6):Particulars to be Furnished with the return</b></div> <p>The prescribed form of the return shall, in certain specified cases, require assessee to furnish the particulars of-</p> <ol style="list-style-type: none"> <li>1) Income exempt from tax</li> <li>2) Assets of prescribed nature &amp; value, held by him as a beneficial owner or otherwise or in which he is a beneficiary</li> <li>3) Bank account &amp; credit card held by him</li> <li>4) Expenditure exceeding the prescribed limits incurred by him under prescribed heads</li> <li>5) Such other outgoings as may be prescribed</li> </ol>
<div style="background-color: #008080; color: white; padding: 2px; margin-bottom: 5px;"><b>Sec 234A</b></div> <ol style="list-style-type: none"> <li>1) It is attracted when assessee furnishes the return after the due date u/s 139(1) or does not furnish the return of Income</li> <li>2) Simple Interest @1% p.m. or part thereof</li> <li>3) It is calculated from the date following the due date till the date of filing the return. If no return is filed the interest is calculated till completion of assessment</li> <li>4) Interest is calculated on (Tax amount- Adv Tax –TDS-Self Assessment Tax paid till due date- relief u/s 89 - tax u/s 115JD)</li> </ol>	<div style="background-color: #800000; color: white; padding: 2px; margin-bottom: 5px;"><b>Sec 139(6A):Particulars to be furnished with ROI in the case of an assessee engaged in business or profession</b></div> <p>The prescribed form of the return shall, in the case of an assessee engaged in any business or profession, also require him to furnish-</p> <ol style="list-style-type: none"> <li>1) The report of any audit referred to in sec 44AB</li> <li>2) The particulars of the location and style of the principal place where he carries on the business or profession and all the branches thereof.</li> <li>3) The name and addresses of his partners, in such business of profession.</li> <li>4) If he is a member of an association/BOI and extent of the share of the assessee and the shares of all such partners or members, as the case may be, in the profits of the business or profession</li> </ol>
<div style="background-color: #008080; color: white; padding: 2px; margin-bottom: 5px;"><b>Sec 234F</b></div> <p>Fees on late furnishing of return is 5000. In case where Net Total Income is less than Rs. 5 lakhs, Fees for belated return shall be Rs. 1,000 (fees changed wef AY 22-23)</p>	<div style="background-color: #800000; color: white; padding: 2px; margin-bottom: 5px;"><b>Sec 139C &amp; 139D- Power of CBDT to dispense with furnishing documents etc. with the return and filing of return in electronic form</b></div> <ol style="list-style-type: none"> <li>i) Sec 139C provides that the CBDT may make rules providing for a class or classes of persons who may not be required to furnish documents, statements, receipts, certificate, reports of audit or any other documents, which are otherwise</li> <li>ii) However, on demand, the said documents, statements, receipts, certificate, reports of audit or any other documents to be produced before the assessing officer.</li> <li>iii) Sec 139D empowers the CBDT to make rules providing for-             <ol style="list-style-type: none"> <li>a) The classes of persons who shall be required to furnish the return of income in electronic form</li> <li>b) The form and the manner in which the return of income in electronic form may be furnished;</li> <li>c) The documents, statements, receipts, certificates or audited reports which may not be furnished along with the return of income in electronic form but have to be produced before the Assessing Officer on demand. The computer resource or the electronic record to which the return of income in electronic form may be transmitted.</li> </ol> </li> </ol>
<div style="background-color: #008080; color: white; padding: 2px; margin-bottom: 5px;"><b>Sec 234H - WEF 01.04.21 (FA 2021) New sec introduced, due date for linking of aadhar or PAN u/s 139AA is 31.03.2022. However if the linking does not happen within the due date the assessee shall be liable to pay 500 up to 30.06.22 &amp; 1000 otherwise.</b></div>	<div style="background-color: #800000; color: white; padding: 2px; margin-bottom: 5px;"><b>Sec 139B:Tax Return Preparers</b></div> <ol style="list-style-type: none"> <li>1) Under a new scheme certain class of assessee can file their returns through Tax Return Preparers</li> <li>2) TRP shall assist the assessee to prepare and furnish the return of income &amp; shall also affix their signature on return. However this option of filing through TRP is not available to persons covered under Tax Audit</li> <li>3) Scheme has laid down the educational and other qualifications and training requirements to be fulfilled by TRP</li> <li>4) A TRP may be an individual other than a Chartered Accountant, Employee of specified class of persons, Legal practitioner who is entitled to practice in civil court in India, Any officer of scheduled bank where the assessee maintains a current account. Duties &amp; obligations are also prescribed in the scheme</li> </ol>
<div style="background-color: #800000; color: white; padding: 2px; margin-bottom: 5px;"><b>Self Assessment Tax (Sec 140A)</b></div> <ol style="list-style-type: none"> <li>1) Where any tax is payable on basis of return furnished, after taking into account advance tax and any TDS or TCS, assessee shall be liable to pay the tax together with interest. Tax Payable = Tax on total income – Advance Tax – TDS/TCS- any relief of tax claimed u/s 89 (-) any tax or interest payable u/s 191(2) (wef AY 21-22).</li> <li>2) Assessee failing to pay tax wholly or in part would be 'assessee in default'.</li> <li>3) It shall be firstly adjusted towards fees, interest &amp; then tax.</li> </ol>	<div style="background-color: #800000; color: white; padding: 2px; margin-bottom: 5px;"><b>Sec 140-Return &amp; Signatory</b></div> <ol style="list-style-type: none"> <li>1) Individual - Himself</li> <li>2) When individual is incapacitated- His Guardian/ person authorized on his behalf</li> <li>3) HUF- Karta</li> <li>4) When Karta is incapacitated/not in India- Any adult member of family</li> <li>5) Partnership firm- managing partner/any partner other than minor</li> <li>6) If company is in liquidation-liquidator / person holding power of attorney</li> <li>7) When companies management is taken over by government - Principal officer</li> <li>8) Company NR in India- A person who holds valid power of attorney</li> <li>9) Local Authority- principal officer</li> <li>10) Political Party- CEO (Secretary/other designation)</li> <li>11) AOP- Any member or principal officer</li> <li>12) Any other person- that person /some other competent person</li> <li>13) LLP - Designated partner or if there is no such partner then any partner or any other person as may be prescribed for this purpose.</li> </ol> <p><b>Note: Person prescribed shall be person appointed by NCLT as per Bankruptcy Code 2016</b></p> <ol style="list-style-type: none"> <li>(14) a company whose application for corporate insolvency has been accepted-By insolvency professional appointed by authority under Insolvency &amp; Bankruptcy Code, 2016</li> <li>15) Company- MD (when there is no M.D, then any other director) / any other person as may be Prescribed for this purpose Wef AY 21-22</li> </ol>



## Chart 12.1: Deductions- Basics

### Basics About Deductions

- **Deductions:** In the computing the total income (Taxable Income-NTI) of an assessee certain deductions are allowed from G.T.I. These deductions are allowed only if the assessee satisfies the conditions
- **Difference between deductions and exemptions** is that exemptions are such incomes that are excluded from total income . They do not enter computation process at all and **deductions** are allowed from gross total income. **Exemptions** are Sec 10 & **Deductions** are from 80C to 80U
- The total amount of deductions under this chapter shall not exceed the GTI of the assessee.
- Assessee cannot have a loss as a result of deductions.
- If the Gross Total Income (GTI) is Nil, the deductions under this chapter cannot be claimed.
- Deductions are however not allowed from the following income forming part of 'Gross Total Income'
  - a. Long Term Capital Gain u/s 112 and 112A.
  - b. Short term Capital Gain under Sec.111A.
  - c. Winning from lotteries, races etc.
  - d. Income referred in Sec. 115A, 115AB, 115AC, 115CA, 115AD, 115BA, and 115D.
  - e. If a Firm or AOP or Body of Individual is entitled to deductions under sec.80G, 80GGA, 80GGC, 80IA, 80IB, a partner or the member thereof cannot claim the same deduction in the individual Assessment

### Type of Deduction

- Deductions in respect of certain payments.**
- ↓
- 1) Contribution to PPF
  - 2) Contribution to Statutory and recognized funds
  - 3) Purchase of NSC certificates
  - 4) Expenditure on education of children
  - 5) Bonds of NABARD
  - 6) Sec 80G
  - 7) Sec 80C
  - 8) Sec 80 CCC
  - 9) Sec 80 CCD
  - and many more....

- Deductions in respect of certain Income.**
- ↓
- 1) Sec 80RRB- income on Royalty
  - 2) Sec 80QQB- Income on Patents
  - 3) Sec 80TTA- Interest income
  - 4) Sec 80TTB- interest income for senior citizens and many more...

- Deduction in case of person with disability or other income**
- 1) Sec 80U- Resident Individual who is handicapped and who suffers 40% or more disability
  - 2) 80DD- handicapped dependent person



## Chart 12.2: Deductions- 80AC - 80D

Sections	Particulars	Deductions
<b>80AC</b>	Now Section 80AC stipulates compulsory filing of return of income on or before the due date u/s 139(1) for claiming deduction. In respect of certain incomes (80IA to 80RRB) shall be allowed only if return is furnished on or before due date u/s 139(1)	
<b>80C Ind &amp; HUF</b>	<b>Refer Chart 12.7</b>	Maximum 150000/-
<b>80CCC Individual</b>	1) Individual Contributes towards premium for Annuity Plan or Pension Plan of LIC or any other insurance companies. 2) Interest or bonus shall not be taken into consideration. 3) Where any amount paid or deposited by the assessee has been taken into account for purpose of this section a deduction u/s 80C shall not be allowed with reference to such amount. (4) Pension whenever received shall be taxable under IOS	Premium or 150000 whichever is lower
<b>80CCD Individual</b>	1) This deduction is in respect of new pension Scheme. 2) In case of employees there is contribution from employee as well as the employer. 3) Non-Salaried person can also contribute towards the pension Plan Deduction (in case of non Govt Employee) (Salaried Person) = Employee contribution (restricted to 10% of salary) + Employer contribution (restricted to 10% of salary) Deduction (in case of Govt Employee)(Salaried person)= Employee Contribution(restricted to 10% of salary ) + Employer contribution(restricted to 14% of salary) <b>Salary = Basic + DA (if the terms of employment provide)</b> <b>Deduction (Non-Salaried Person) = contribution to pension fund or 20% of GTI whichever is lower.</b> <b>An additional deductions of Rs. 50,000 over and above the limit specified shall be available in respect of contribution to NPS u/s 80CCD(1B)</b> 80CCD(1)- Employees contribution/own contribution [10% of salary /150000] <b>80CCD(2)- Employers contribution - 14% of salary if employer is CG/SG (wef FA 2022)</b> 80CCD(1B)- Employees additional contribution which gets additional 50000 benefit in income tax over and above 150000	
<b>80CCE</b>	80C+80CCC+ 80CCD(1) cannot exceed 150000. <b>Note:</b> 80CCD(1)- own contribution or Employers contribution	
<b>80D Individual and HUF</b>	a) <b>Individual</b> - (1)Own +Spouse + Dependent Children(2)Premium mediclaim policies(no cash)(3)CGHS(Central Govt. health scheme)+Insurance scheme of space department (4)Preventive Health Check-up (payment in cash allowed)	Premium or 25000↓
	b) <b>Parents</b> - (1)Premium mediclaim (2)Preventive health checkup	Premium or 25000↓
	<b>Note:</b> 1.Preventive health Check up of all i.e own, spouse, children and parents cannot exceed 5000/- (2) In case,any person for whom premium is paid is a senior citizen and resident the limit will be 50,000. (3)In case, medical expenditure is incurred for parents also including very senior citizens then deduction available would be 50,000 if no payment is made towards Insurance Policy. (4)The total 80D deduction available to individual in respect of category A cannot exceed 50,000. Also deduction for category B cannot exceed 50,000	
	c) <b>HUF</b> - Any member of family (1)Premium mediclaim policies (2)CGHS (no Cash). (3)Preventive health check up payment in cash is allowed	Premium or 25000↓

## Chart 12.3: Deductions- 80DD-80E

Sections	Particulars	Deductions
<b>80DD</b> Resident Individual or HUF	1) Any amount incurred on medical expenses including of handicapped dependent person or deposited under a scheme formed by insurance company is eligible for 80DD 2) Scheme proceed for payment of annuity/lump sum amt for benefit of dependent in event of death of Ind/HUF member. 3) The benefit of deduction is also available to the dependent suffering from autism, cerebral palsy & multiple disabilities 4) A certificate should be obtained for disability of person from medical authorities 5) In case of death of the dependent the amount received from Insurance would be taxable in hands of assessee 6) Meaning of dependent. For I - spouse, children, parents, brother or sister wholly dependent. For HUF- any member of HUF <b>Note: Earlier the amount received could be paid to a disabled person on death of individual paying premium. However wef FA 2022 the amount can be paid to disabled person during the lifetime of the individual any other such individual has attained 60 years age or more.</b>	<b>Fixed Deduction</b> 75,000 or 1,25,000 in case of severe disability (80% & above)
<b>80DDB</b> Resident Individual or HUF	1) Expenditure is incurred for specified medical diseases like tumor, cancer, AIDS. 2) Individual can incur the expenditure on himself/dependent spouse, children, parents, brother & sister 3) HUF can incur expenditure on any member of family. 4) A certificate from doctor must be obtained	Expenses or 40000↓ If person is Sr. Citizen or Very Sr. citizen limit shall be 1,00,000
<b>80E</b> Individual	1) Educational loan taken for own, spouse or children or any child for whom assessee is a legal guardian. 2) Higher studies mean any course, degree, diploma, after Senior Secondary Examination (XII) Standard. 3) Loan can be taken from banks, financial institutes/charitable trust. (If loan is taken from friends or relative, it is not eligible from 80E.) 4) Charitable Trust means an institution established for charitable purpose & approved by prescribed authority / institution received in Sec. 80G(2)(a).	Deduction = Interest on loan during the year. Deduction is available for maximum 8 years
<b>80EE</b>	Interest payable on loan taken by him from any financial institution for the purpose of acquisition of a Residential House Property. <b>(Bank/ Housing Finance Co. )</b> 1) Loan should be sanctioned during the period from PY 16-17 & Loan amount should not exceed Rs.35 lakhs 2) The house property should be of a value less than Rs.50lacs and assessee should not own any RHP on the date of sanction of loan. 3) Benefit of deduction under this section would be available till the repayment of loan continues. 4) 80EE deduction is over and above the deduction of Rs. 2,00,000 available u/s 24 in case of SO property . 5) Loan can be taken from Financial Institution(Bank) or Home Financial Company	Deduction = Max. 50,000 From AY 17-18 and subsequent years
<b>80EEA</b> Individual	1) Interest on housing loan for purchase of residential house property 2) Loan Sanctioned by the financial institution during 1st April 2019 to 31st March 2022. 3) Stamp duty value of RHP does not exceed 45 lakhs 4) Assessee does not own any RHP on the date of Sanction of the loan. 5) Where Deduction is allowed for interest under this section no other deduction will be allowed under any other provision of Income Tax Act 6) Loan Can be taken from Financial Institution or Home Finance Bank	Deduction upto 150000. This deduction is an addition to the existing 200000 deduction u/s 24



## Chart 12.4: Deductions- 80EEA-80GGA

Sections	Particulars	Deductions										
<b>80EEB</b> Individual	1) Deduction is available for interest payable on loan taken by assessee from any financial institution or certain NBFC (Deposit taking NBFC) for purchase of an Electric Vehicle for personal purpose (If vehicle is purchased for business purpose then interest is allowed under PGBP) 2) The loan should be sanctioned during the period from 1 <sup>st</sup> April 2019 to 31st March 2023 3) If deduction for interest is allowed under this section then deduction for the interest shall not be allowed under any other other Provision of the Act 4) Electric Vehicle means vehicle which is powered exclusively by an Electric Motor 5) Loan can be taken from Financial Institution or Certain NBFC(deposit taking NBFC)	Interest on Loan upto 150000										
<b>80G</b> All assessees	1)Donations to a fund set up by government or approved charitable institutes or trust. 2)Donation in kind not allowed. 3)Donation to particular religious community not allowed. 4)Deduction under section 80G can be claimed whether it has any nexus with business of assessee or not. 5)If donation is in excess of 2,000 (w.e.f. AY18-19) then cash donations will not be allowed. 6)So what is the maximum ceiling? Maximum Ceiling = 10% of Adjusted GTI <table style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <tr> <td style="border-bottom: 1px solid black;">Adjusted GTI = GTI</td> <td style="text-align: right; border-bottom: 1px solid black;">XXX</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Less:LTC Gain u/s 112 and 112A</td> <td style="text-align: right; border-bottom: 1px solid black;">(XXX)</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Less:STC Gain u/s 111A</td> <td style="text-align: right; border-bottom: 1px solid black;">(XXX)</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Less:All deductions u/s 80C to 80U except 80G</td> <td style="text-align: right; border-bottom: 1px solid black;">(XXX)</td> </tr> <tr> <td>Adjusted GTI</td> <td style="text-align: right;">XXX</td> </tr> </table> 8)The Institutes shall be required to issue a certificate to the donors. It will be statement of donation received.	Adjusted GTI = GTI	XXX	Less:LTC Gain u/s 112 and 112A	(XXX)	Less:STC Gain u/s 111A	(XXX)	Less:All deductions u/s 80C to 80U except 80G	(XXX)	Adjusted GTI	XXX	3 Steps for Deduction Step 1: Amount of Donation Step 2: Check for Maximum Ceiling Step 3: Deduction = 50% or 100% of Step 2
Adjusted GTI = GTI	XXX											
Less:LTC Gain u/s 112 and 112A	(XXX)											
Less:STC Gain u/s 111A	(XXX)											
Less:All deductions u/s 80C to 80U except 80G	(XXX)											
Adjusted GTI	XXX											
<b>80GG</b> Individual	1) Assessee is self employed or 2) Salaried person not receiving HRA 3) He lives in a rented house 4) Assessee or his spouse or minor child or HUF should not own accommodation Adjusted GTI is same like 80G	Deduction is least of the following: 1)5000 pm 2) 25% of adjusted GTI 3)Rent - 10% of Adj GTI										
<b>80GGA</b> Any assessee who does not have business income	1)Assessee contributes/ donates to an approved association, university, college,etc.for scientific research or it contributes to national fund for rural development or urban poverty eradication fund 2) Donation in excess of 2000 not allowed in cash 3)Where a deduction under this section is claimed and allowed for any assessment year, deduction shall not be allowed in respect of such payment under any provision of this Act for the same or any other assessment year 4) Deduction shall be allowed to the donor only if the statement is furnished by the donee in respect of donations received (wef 1-6-2020) 5) Finance Act 2020 wef 1-6-2020 has made it mandatory for the Institutes to issue a certificate to the donors 6) wef AY 21-22 for claiming deduction u/s 80G and 80GGA the trust receiving the funds will have to file an electronic statement There will be crores referencing of deduction claimed by the donors and statement filed by the trusts.											



## Chart 12.5: Deductions- 80GGC-80QQB

Sections	Particulars	Deductions
<b>80GGB Indian company</b>	1) Any sum contributed in the previous year by Indian Company to any political party or electoral trust. 2) The expenditure incurred, directly or indirectly, by company on advertisement in any publication souvenir, brochure, tract, pamphlet shall also be deemed to be a contribution. 3) Political Party is registered under 29A of the Representation of Peoples Act 4) Electoral Trust refers to it is a Section 8 company or Non-profit company created in India for orderly receipt of voluntary contribution from any person and for distributing the same to the respective political parties registered under section 29A of the representation of peoples Act 1951. 5) Cash contribution is not eligible for deduction	Deductions = Amt of Contribution
<b>80GGC Any person</b>	1) Deduction not available to a local authority or AJP 2) Also not available to Company All points same as above	Deductions = Amt of Contribution
<b>80JJAA Assessee having business income &amp; is covered u/s 44AB</b>	1) Deduction in respect of employment of new employees. i.e business is not formed by splitting/reconstruction of existing business. 2) <b>What is additional employee cost</b> a) It is emoluments paid to additional employees b) For a new business, employees appointed in the first year will be treated as additional employees c) For existing business, additional employees will be there only if there is an increase in the number of employees as compared to the last year. 3) A report by Chartered Accountant should be furnished 4) The following employees shall not be considered a. Employees whose emoluments are more than 25000 pm b. Employees who do not participate in Provident Fund c. Employees employed for less than 240 days ( for a period of less than 150 days in case of manufacturing of apparel and footwear or leather products)(w.e.f. AY 19-20) d. Such employees for whom PF is paid by the Govt, are also not considered If emoluments are paid in cash then it is not considered as deduction	30% of the additional employee cost
<b>80QQB Resident Individual</b>	1) Deduction is available in respect of income as a author or Co-author. 2) He can be author of books relating to literature, arts or scientific nature. Books will not include diaries journal, magazines, newspapers or school textbooks. 3) Royalty income may be lumpsum or otherwise 4) While calculating royalty Income for this deduction remember two rules: a) If royalty is earned in foreign currency, money must be brought in India, within 6 months from end of the previous year (b) If royalty is earned as % it must be restricted to 15%. 5) <b>If assessee wants to claim this deduction he must file the ROI within due date u/s 139(1) (w.e.f AY 19-20)</b>	Deduction = Royalty Income or 3,00,000↓

## Chart 12.6: Deductions- 80RRB-80U

Sections	Particulars	Deductions
<b>80RRB</b> <b>Resident Individual, being a patentee</b>	1) Assessee is a owner/co-owner of a patent 2) The deduction is available to a person who is registered as inventor under the Patents Act, 1970 3) He earns royalty income from use of the patent 4) In case royalty is earned in foreign currency, money must be brought to India within 6 months from end of PY 5) If assessee wants to claim this deduction he must file the ROI within due date u/s 139(1) (w.e.f AY 19-20) 6)wef AY 20-21 assessee can claim the deduction only if an audit report in prescribed format is furnished before the due date specified u/s 44AB. (30th September )	Deduction = Royalty Income or 3,00,000 ↓
<b>80TTA</b> <b>Individual or a HUF (R/NR)</b>	1. Interest earned on saving a/c, opened in any banks, Co-operative banks or post office is eligible for this deduction. 2) Interest on FD's or term deposits not eligible for this deduction. 3) <b>This deduction is applicable to an individual who is not a Senior Citizen</b>	Deduction = Interest or 10,000 ↓
<b>80TTB</b> <b>Individuals being Senior citizen</b>	1) Interest earned from savings account, fixed deposits and time deposits eligible for the deduction. 2) Bank account opened in any banks or post office eligible. 3) Also only those deposits are covered which are held with banking company post office or co-operative societies. 4)For senior citizens TDS shall be deducted only if the interest amount exceeds 50,000 5)They cannot claim deduction u/s 80TTA	Deduction = Interest or 50000 ↓
<b>80U</b> <b>Resident Individual who is handicapped and who suffers 40% disability</b>	1) A certificate from doctor should is obtained. 2) Deduction u/s 80DD and 80U cannot be claimed simultaneously. 3) Benefit of deduction under this section has been extended to persons suffering from autism, central palsy and multiple disabilities Covered under Person Disabilities Act	Fixed Deduction of 75,000 and a higher deduction of 1,25,000 in case of severe disability



## Chart 12.7 Deductions- List of 80C

Investments/Payments	Individual	HUF
Life insurance premium to effect or keep in force an Insurance Policy on the life of the assessee or on the life of the spouse or any child of the assessee or member of HUF (not exceeding 20% of the Capital sum assured) In case of policies issued on or after 1-4-12 not exceeding 10% of sum assured In case of policies issued on or after 1-4-13 for a person with disability u/c 80U or A person suffering from disease u/s 80DDB not exceeding 15% of sum assured.	Yes	Yes
Contribution to statutory and recognized provident fund.	Yes	
Contribution towards 15years Public Provident Fund in the name of the assessee or the spouse or any child of the assessee or any member of HUF.	Yes	Yes
Contribution to an approved superannuation fund.	Yes	
Purchase of National Savings Certificates VIII Issue (including interest accrued and reinvested.)	Yes	yes
Contribution for participating in the unit linked insurance plan, in the name of the assessee or the spouse or any child of the assessee or any member of HUF	yes	yes
Subscription towards notified units (equality savings) of Mutual Fund or UTI.	Yes	yes
Subscription to Home loan accounts Scheme of the National Housing Bank or notified Pension Fund of the National Housing Bank.	Yes	yes
Expenditure incurred on the education of children (for maximum of two children) by way of payment of tuition fees(excl.donation or development fees) to any university/college/school or other educational Institution	Yes	
Payment made towards the cost of purchased / construction of residential house	yes	yes
Investment in Debentures and Equity shares in public company (approved by CBDT) engaged infrastructure including power sector or units of a Mutual Fund (approved by CBDT) proceeds of which are utilized for the developing infrastructure facility.	yes	yes
Fixed Deposited with Bank for minimum period of 5 years under the scheme notified by CBDT	yes	yes
Bonds of Nabard	yes	
Deposited under Senior Citizens savings scheme	yes	
5 year FD with post office.	yes	yes
Notified security in the name of self, girl child or any girl child for whom he is a legal guardian	yes	
Sukanya Samriddhi Yojana.	yes	
WEF AY 20-21 Assessee being an employee of Central Government shall be eligible for deduction u/s 80C(1) in respect of a contribution to specified account of pension scheme referred to in Section 80CCD for a fixed period of not less than 3 years & which is in accordance with scheme as may be notified by central government	yes	yes

**Chart 12.8 Deductions - List of 80G**

Sr. No.	Donee	Maximum Limit	Deduction (%)
1	National Defence Fund set up by the Central	N.A.	100%
2	Jawaharlal Nehru Memorial Fund	N.A.	50%
3	Prime Minister's Drought Relief Fund	N.A.	50%
4	Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund) inserted by the taxation and other laws (Relaxation of Certain Provisions ) Ordinance 2020 wef 1-4-2020	N.A.	100%
5	Prime Minister's Armenia Earthquake Relief Fund	N.A.	100%
6	Africa (Public Contributions-India) Fund	N.A.	100%
7	National Children's Fund	N.A.	100%
8	Indira Gandhi Memorial Trust	N.A.	50%
9	Rajiv Gandhi Foundation	N.A.	50%
10	National Foundation for Communal Harmony	N.A.	100%
11	An approved university/educational institution	N.A.	100%
12	The Maharashtra Chief Minister's Relief Fund during October 1, 1993 and October 6, 1993 and the Chief Minister's Earthquake Relief Fund	N.A.	100%
13	Any fund set up by the Government of Gujarat for providing relief to victims of earthquake in Gujarat	N.A.	100%
14	ZilaSakshartaSamiti	N.A.	100%
15	National Blood Transfusion Council and State Council for Blood Transfusion	N.A.	100%
16	Fund set up by a State Government for the medical relief to the poor	N.A.	100%
17	Central Welfare Fund of the Army and Air Force and the Indian Naval Benevolent Fund	N.A.	100%
18	Andhra Pradesh Chief Minister's Cyclone Relief Fund	N.A.	100%
19	National Illness Assistance Fund	N.A.	100%
20	Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund	N.A.	100%
21	National Sports Fund or National Cultural Fund or Fund for Technology Development and Application.	N.A.	100%
22	Any other approved fund or any institution which satisfies conditions mentioned in Section 80G (5).	See Note	50%
23	Government or any local authority to be utilized for any charitable purpose other than the purpose of promoting family planning	See Note	50%
24	Any authority constituted in India (or under) any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both	See Note	50%
25	Any corporation specified in Sec 10(26BB) for promoting interest of minority community	See Note	50%
26	Government or any approved local authority, institution or association to be utilized for the purpose of promoting family	See Note	100%
27	Any notified temple, mosque, gurudwara, church or other place (for renovation).	See Note	50%
28	The Indian Olympic Association or an institution notified by the Central Government for the development of infrastructure for sports and games in India (only donation by a company)	See Note	100%
29	Any trust, institution or fund to which Sec 80G(5C) applies for providing relief for victims of earthquake in Gujarat (contribution could be made during January 26, 2001 & September 30, 2001)	N.A.	100%
30	National Trust for welfare of Persons with Autism, Cerebral Palsy, Mental Retardation & Multiple Disabilities	N.A.	100%
31	National Fund for Control of Drug Abuse, Swachh Bharat Kosh& Clean Ganga	N.A.	100%



## Chart 14.1 Advance Tax

### Tax is recovered from assessee in following ways

1) Advance tax  
 2) Tax deducted at Source  
 3) Tax collected at source  
 Income of the PY is taxable in the following AY. However assessee is required to pay advance tax during the PY itself on the basis of estimated income u/s 207.

### Direct Payment of tax by Assessee

a) In following cases tax is directly payable by assessee Section 191(1).

1) on Income on which no TDS is to be deducted. (2) on Income where TDS is required to be deducted but is not actually deducted. (b) Sec 191(2). In case of an employee who has been allotted

ESOP's by an eligible startup. The allotment is free of cost or at concessional rate then the employee must pay tax within 14 days from the earliest of the following dates

1) after the expiry of 48 months from the end of the relevant AY. (2) from the date of the sale of such specified security or sweat equity share by the assessee or (3) from the date of the assessee ceasing to be the employee of the employer who allotted or transferred him such specified security or sweat equity shares.

15th Dec, 15th March respectively. In case of all assessee. Payment of tax made before 31st March of the FY shall be treated as Advance Tax paid.

### What is Advance Tax And Why it is paid in Advance

Tax is a major source of fund for any Govt. in the world. In India as per general provision of the Income Tax Act, 1961 every person whose income exceeds threshold exemption limit is liable to pay IT. However for speedy and efficient tax collection a mechanism is developed by Govt. in the form of Advance Tax. Advance tax is a payment mechanism in which tax is deposited by assessee in installment instead of entire amount deposited at the end of FY. For Assessee's point of view advance tax is helpful for fund management as the tax liability is divided in installments. **Advance Tax = tax on current income - {TDS + TCS}**

**Note:** If due date of advance tax installment is holiday, advance tax paid on the subsequent working day is treated as paid on the due date  
 (2) When advance tax is paid by cheque, payment would be deemed to have been made on the Date when the cheque was handed over provided the cheque is cleared in due course. The fact that cheque so delivered was encashed few days later is totally immaterial.

### Sec 211: Due dates of payment of Adv tax

Advance tax will be paid in 4 installments of 15%, 45%, 75%, 100% of tax payable on on current income by 15th June, 15th Sept,

### Sec 208: Applicability of Adv Tax

1. All taxable incomes (including capital Gains, Winnings from lotteries, Crossword puzzles, etc.) are liable for Advance Tax.  
 2) Obligation to pay Advance Tax arises where advance tax payable in a year is **Rs.10,000/- or more.**  
 3) The provisions relating to advance tax apply to all assesseees.  
 4) W.e.f. AY 2017-18 - Assesseees covered **u/s 44AD** is to pay advance tax of the whole amount in **one installment on** or before the **15th March** of the financial year  
 5) W e f AY 18-19 even assesseees covered **u/s 44ADA** to pay advance tax of whole amount on or before **15th of March every year.**  
 6) However, for senior citizens who do not have income from PGBP need not pay advance tax. Such senior citizens may discharge their liability by payment of self assessment tax. [Section 207(2)].

### Sec 210: Payment of Advance Tax

Payment of Advance tax may be made in the following ways  
 1) By assessee on his own (2) pursuant of Notice of AO (3) pursuant of revised order of AO. **Note:** If taxpayer has not paid Adv tax, then AO can pass order specifying the installments in which Adv. Tax should be paid. A.O. can pass this only upto Feb. Assessee can submit lower/higher estimate of income and submit tax accordingly.

### Sec 209: Procedure for computing advance tax payable

1) An assessee has to first estimate his current income (under five heads of income after applying the provisions of aggregation of income and set-off or carry forward of losses and allowing deductions under Chapter VI-A).  
 2) The assessee shall then compute the income-tax payable on his current income at the rates in force in the financial year  
 3) The tax so calculated shall be reduced by the amount of tax which has been actually deducted at source  
 4) Net agricultural income is also to be considered for the purpose of computing advance tax in case of specified classes of assesseees. The specified percentage of advance tax shall be paid by the assessee on his accord on or before the due date of each installment.

A person who pays any installment or installments may, increase or reduce the amount of advance tax payable in subsequent installment(s) in accordance with his estimate of current income and the advance tax payable thereon Sec 210(1) and (2)

## Chart 14. 2Advance Tax

Chart 14. 2Advance Tax					
<b>Penalty for non payment of Advance Tax</b>	<b>Sec 234C: Interest payment for deferment of Advance Tax</b>				<b>Short payment of Advance Tax in case of Capital Gain/Casual Income [First Proviso to section 234C (1)]</b>
<p>1) There is no penalty for non payment of Advance Tax.</p> <p>2) However assessee is liable to compensate delay / non payment by way of simple interest.</p>	Circumstances in which interest is payable u/s 234C	Rate of interest	Period	Amount on which interest is to be paid	<p>No interest u/s 234C will be levied in respect of any shortfall in the payment of advance tax due on the returned income if:</p> <ol style="list-style-type: none"> <li>1. The shortfall is on account of under estimate or failure to estimate the amount of STCG/LTCG</li> <li>2. Income of the nature referred to in Section 2(24) (ix) i.e. winning from lotteries, gambling</li> <li>3. Amount of dividend income u/s 2(22)(a)/(b)/(c)/(d) excluding 2(22)(e)</li> <li>4. Income under the head PGBP arises under the said head for the first time. However, the assessee has paid the whole amount of tax payable in respect of such income as part of the remaining installments of advance tax which are immediately due, or if no installment is due, then such tax is paid before 31st March.</li> </ol> <p><b>STCG : Short Term Capital Gain</b> <b>LTCG : Long Term Capital Gain</b></p>
<b>Sec 234B: Interest payment for deferment of Advance Tax</b>	Where advance tax Paid on or before 15th June is less than <u>12% of tax</u> due on returned income	Simple interest @ 1% p.m.	Three months	<u>15% of tax</u> due on returned income minus advance tax paid upto 15th June	
<p>If advance tax is not paid or the amount of advance tax paid is less than 90% of the assessed tax, the assessee shall be liable to pay simple interest @ 1% p.m. u/s 234B from 1st day of assessment year up to date of deposit tax &amp; interest.</p> <p>Such interest is calculated on the amount of difference between the assessed tax &amp; the advance tax paid. Assessed tax is tax calculated on total income less tax deducted or collected at source. While calculating the interest relief u/s 89 shall be reduced.</p>	Where advance tax paid on or before 15th Sept is less than <u>36% of tax</u> due on returned income	Simple interest @ 1% p.m.	Three months	<u>45% of tax</u> due on returned income minus total advance tax paid upto 15th September	
	Where advance tax paid on or before 15th Dec is less than <u>75% of tax</u> due on returned income	Simple interest @ 1% p.m.	Three months	<u>75% of tax</u> due on returned income minus total advance tax paid upto 15th December	
	Where advance tax paid on or before 15th March is less than <u>100% of tax</u> due on returned income	Simple interest @ 1% p.m.	One month	<u>100% of tax</u> due on returned income minus total advance tax paid upto 15th December	
<p>Wef AY 20-21, while calculating interest u/s 234A, 234B, 234C, relief of tax allowed u/s 89 shall be deducted, tax credit u/s 115JD should also be deducted. When opted scheme of Section 44AD/44ADA interest shall be levied if advance tax paid on or before 15th March is less than 100% of advance tax payable.</p>					



## Chart 14.3- Tax Deducted at Source - Sec 192 - 194A

The objective of tax deduction at source is to **avoid the time gap** in deriving the income and payment of tax. This **ensures regular flow of tax** to the government. Payments in respect of certain income require deduction of tax at source. TDS is required to be deducted by the payer of income. Different rates of TDS are provided for various payments made. Only in case of salary payment, employer shall deduct tax at rates applicable for individual assessee

**Tax deducted is income received. TDS is deducted at the time of *payment or credit whichever is Earlier***

Always Gross Amount is charged to tax. Gross Amount = Net Amt+TDS. i.e. TDS deducted is treated as Deductees Income, adjusted against tax liability

**P** ----- Indicates that TDS needs to be deducted at the time of payment

### All About TDS - Sections 192 to 194

Nature of payment	Rate	Payment in excess of	Remarks
<b>192</b> Salary <span style="float: right; border: 1px solid blue; border-radius: 50%; padding: 2px;">P</span>	Avg rate of I. Tax		TDS is to be deducted at the prescribed rates applicable to Individual/Women & Senior Citizen. TDS is required to be deducted where the salary payment exceeds the basic non taxable limit.
Premature withdrawal From employee provident Fund	10%	Rs 50,000	Not applicable if amount withdrawn is after 5 years of contribution (in case of recognized PF)
<b>193</b> Interest on Securities	10%	Rs. 5000 in case of Listed/Unlisted Debentures for I/HUF. No threshold limit for other Securities	1) No need to deduct TDS on Securities of State & Central Government. 2) However on 8% Savings Bonds 2003 & on 7.75% Savings Bonds 2018. TDS shall be deducted if the interest exceeds 10,000 (wef AY 19-20)
Dividend including Dividend on preference Shares <span style="float: right; border: 1px solid blue; border-radius: 50%; padding: 2px;">P</span>	10%	Rs 5000 for Ind. Shareholder for any Mode other than cash. No threshold limit in other cases	No TDS needs to be deducted when domestic company has paid DDT TDS has to be deducted before making payment of dividend.
Interest other than Interest on securities	10.00%	<b>194 A</b>	1. Interest by a firm to a partner of the firm. 2. Interest on compensation amount awarded by Motor Accidents Claims Tribunal where aggregate of interest income in FY does not exceed 50000 3. Interest on savings bank account 4. Interest on Zero Coupon Bonds issued by infrastructure Capital Company Capital Fund/Public Sector Company/Scheduled Bank
Bank to assessee		40,000	
Bank to Sr. Citizen		50000	
Assessee to any person		5,000	

5. If the payee is a Senior citizen (60 years more) then no TDS upto Rs.50000(wef AY19-20)

6) Ind/HUF whose turnover or gross receipts in preceeding financial year does not exceed the amount specified (1Cr/50 lakhs) shall not be liable to deduct TDS under this section. 7) TDS made applicable on interest on recurring deposits

8) While considering the threshold limit the aggregate interest credited Or paid by all branches of bank which has adopted CBS

9) Assessee has taken loan from Bank and pays Interest to the bank, no need to deduct TDS.

## Chart 14.4- Tax Deducted at Source - Sec 194B-194H

Nature of payment	Rate	Payment in excess of	Remarks	
Winning from lottery Crossword, Puzzle, card Game, Other games of	30% <b>194 B</b>	10,000	In case winnings are in kind or partly in cash partly in kind the deductor must ensure that the tax has been paid before releasing the winnings.	
Winning from Horse Races	30% <b>194 B</b>	10,000		
Payment to contractor  <b>194 C</b>		Rs. 30,000 per contract or Rs. 100000 p.a.	1. Payer is an I/HUF ,where total sales, gross turnover of from business or profession does not exceed 1 Crore/ 50 Lakhs during the preceeding FY then not required to deduct TDS. 2. Any sum paid or credited to the account of contractor by I/HUF & such sum is incurred exclusively for personal purposes of such I/HUF member. 3. If payment made to transport contractor(u/s44AE) who furnishes declaration & PAN , no TDS should be deducted. 4. However, if no PAN is furnished, rate will be 20% (for all assessees) 5. Contracts for rendering professional services will get covered u/s 194J.	
		<i>Payee</i>		
		<b>1%</b> <i>Ind/HUF</i>		
		<b>2%</b> <i>Other</i>		
	<b>0%</b> <i>Transporter</i>			
Works Contract includes a contract/ sub contract for advertising, broadcasting, telecasting , production, of programmes. It also includes carriage of Goods or Passengers( other than railways). Includes catering contracts. Now FA 2020 has amended the definition of work to provide the the following If any product is manufactured or supplied according to the requirements of the customer it shall be treated as works contract if the material is Supplied by customers, its associate defined u/s 40A(2)( b) However, work will not include manufacturing or supplying If the material purchased from a person other than such customer or associate of such customer.				
Insurance Commission	5%	Rs. 15,000 <b>194 D</b>	N.A.	
Life Insurance payment 194DA	5% <b>194 DA</b>	1,00,000 or more	Conditions: Amount should not be exempt/s 10(10D) 5% TDS is to be deducted on income component wef 1/09/2019 of Insurance payout.	
Payment to NR sportsmen or entertainer or sports Association	<b>194</b>	-	If TDS for non- resident is deducted, then 4% education cess will be added on TDS rate.	
Payment under National Saving Scheme	10% <b>194 EE</b>	Rs. 2500	Exempt if the payment is made to the legal heir.	
Commission on sale of Lottery tickets	5% <b>194 G</b>	Rs. 15,000		
Commission, Brokerage  <b>194 H</b>	5%	Rs. 15,000	1. In case of any payment payable by BSNL/MTNL towards commission or brokerage to PCO. 2.I/HUF whose turnover / gross receipts in preceeding FY does not exceed amount specified (1Cr/50 lakhs) shall not be liable to deduct TDS under this section.	



## Chart 14.5- Tax Deducted at Source - Sec 194I - 194J

Nature of payment	Rate	Payment in excess of	Remarks
Rent-land and Building <b>194 I</b>	10%	Rs. 2,40,000 p.a.	1. No requirement to deduct Tax at source on income by way of "Rent" if the recipient is Government. 2. Local authorities & statutory authorities whose income is exempt u/s 10(20) 3. Cooling charges paid by the customers to the owners of cold storage plants cannot be treated as rent. Hence TDS not be deducted u/s 194I but should be deducted u/s 194C (Contractor Payments). 4. In case of multiple owners, TDS is required only if share of rent of each co-owner exceeds 240000 in a year. 5. Ind/HUF whose turnover or gross receipts in preceeding financial year does not exceed the amount specified (1Cr/50 lakhs) shall not be liable to deduct TDS under this section
Rent-plant and Machinery	2%		
<b>194 IA</b> Purchase of land or building	1%	Amount exceeds Rs. 50,00,000 Deduct TDS @1% on sale consideration or SDV wef FY 22	1. The deductor shall remit the TDS to CG in form 26QB & issue form 16B as certificate to payee. 2. No TDS in case of agricultural land. 3. The deductor not be required to obtain TAN 4. Not applicable for compulsory acquisition of immovable Property as covered u/s 194LA. 5. TDS to be paid to Government within 30 days from end of month of deduction 6. <b>No TDS where consideration and the SDV both are less than 50 lakhs</b>
Note: Consideration for immovable property shall include includes all charges like club membership fees, car parking fees electricity or water facility fee, maintenance fee advance fee or any similar charges which are incidental to transfer of immovable property. (WEF 1-09-2019)			
Payment of rent by certain Individual/HUF <b>194 IB</b>	5%	Exceeds Rs. 50,000 p.m	Note: 1) Failure to furnish PAN, TDS at higher rate cannot exceed rent of last month. 2) This is applicable to Ind or HUF who are not covered u/s 44AB. 3) Tax is to be deducted on credit of rent of last month of PY or last month of tenancy. 4) TDS should be paid to the Govt. within 30 days from end of the month of deduction. 5) Deductor not required to obtain TAN. 6) Where the tax is required to be deducted as per rates in force or 20% such deduction shall not exceed amount rent payable for the last month of previous year or last month of tenancy as the case may be .
Payment under specified Agreement u/s 45(5A) <b>194 IC</b>	10%	No threshold Limit	1) TDS needs to be deducted in case of joint development u/s 45(5A) 2) TDS not required to be deducted if consideration is in kind
Fees for technical services (excl. professional services)	2%	30,000	1. In case where the Individual/HUF making payment or crediting in their books of account any fee for professional services is exclusively for personal purposes of such individual/HUF, tax need not be deducted 2. Ind/HUF whose turnover or gross receipts in preceeding financial year does not exceed the amount specified (1Cr/50 lakhs) shall not be liable to deduct TDS under this section. 3. Exemption limit for professional fees/technical fees/royalty is 30,000 each And not combined. 4. Rate reduced to 2% in case payee is engaged only in business of operation of call centre.
Fees for professional Services	10%	30,000	
Royalty (consideration of sale, distribution or Exhibition of Cinematographic films) Other Royalty <b>194 J</b>	2% 10%	30,000	
5. TDS Rate shall be 2% instead of 10% in case of fees for technical Services & Royalty in nature of consideration for sale or distribution of films			
Professional fees any remuneration other than salary paid to director <b>194 I(1)</b>	10%	No threshold limit	1. Salary paid to director will get covered u/s 192 2. Payments other than salary will get covered u/s 194J. Eg: sitting fees, non compete fees



## Chart 14.6- TDS - Sec 194J(1) to 194Q

Nature of payment	Rate	Payment in excess of	Remarks
<b>Income on units other than in nature of capital gains</b>	10%	5,000	Any person responsible for paying any income in respect of units of mutual Fund/administrator or of the specified undertaking /specified company
<b>Payment of compensation on compulsory acquisition of immovable property</b>	10%	Rs. 2,50,000	1. Payment does not exceed Rs. 250000p.a. to a resident during the FY 2.No Tax is to be deducted for Agricultural land.
<b>Payment to contractors Commission or Brokerage fees for Professional services</b>	5%	50,00,000	1.Ind/HUF who are making payment to contractor , commission or brokerage Or fees for professional services but not getting covered u/s 194C, 194H, Or 194J need to be deduct TDS u/s 194M.
<b>194N TDS on cash withdrawals</b>	2%	1 crore (TDS to be deducted On amount Exceeding 1 crore)	1)Banking company, co-operative bank and a post office paying more than 1 crore from one or more accounts maintained by the recipient shall deduct tax @2% on the amount exceeding 1 crore. 2) The limit shall be reduced to 20 lakhs for the recipient who has not <b>filed IT returns for all the last 3 previous years .</b>
<p>3) Also in point 2 rate of TDS shall be 2% for above 20 lakhs &amp; upto 1 crore and 5% on amounts above 1 crore. .</p> <p>4)No 194N TDS applicable to Cash replenishment Agencies</p> <p>5) Also no TDS on cash withdrawn by commission agents operating under APMC.</p> <p>6) Authorised money exchange dealers who withdraw cash for purchase of Foreign currency not covered u/s 194N.</p>			
<b>194O Wef 1-10-2020 Payments made by ECO.</b>	1%	No threshold limit	1) Every ECO shall deduct TDS on amounts paid to the e-commerce operator.
<p>2) Rate of TDS shall be 5% if PAN or Aadhar is not furnished by the participant.</p> <p>3) No TDS shall be deducted in case the participant is Individual/HUF and the Amount paid/payable does not exceed 5 lakhs during the year. Also Ind/HUF should furnish his PAN or Aadhar in such case.</p> <p>4) TDS shall be deducted on gross amount of such sales or services or both.</p> <p>5) Any payment made by purchaser of Good or Services directly to e-commerce participant shall be included in the gross amount of sales for the purpose of TDS.</p>			
<b>194P- Specified bank should Deduct TDS of specified Senior citizen.</b>	Rates in force	on such income** compute tax on rates in force	1)Specified bank means banking company notified by CG. (2)specified Senior citizen means (a) a resident individual of age 75 yrs or more and (b) having only pension & interest income. Such interest income must be from any account maintained by such individual in the same specified bank in which he receives pension and (3)He has given a declaration in prescribed form to the bank. ** Banks should consider income after deductions under Chapter VI A& rebate 87A.Provisions of sections 139(1) shall not apply to such specified senior citizens whoseTax has been deducted u/s 194P.
<b>194Q A buyer whose total Turnover exceeds 10 crore In the last FY.</b>	0.01%	on sum exceeding 50 lakhs	1)buyer pays any sum to any resident for purchase of any goods exceeding 50 lakhs in any PY.(2) deduct TDS @0.1% on sum exceeding 50 lakhs at credit/ payment 3)No TDS u/s 194Q is TDs is applicable under any other provisions of this Act. 4)If PAN is not provided rate of TDS shall be 0.1%/5% whichever is higher ie.,5%
(6) 6)If deductee has filed ITR for past 2 years & total of TDS & TCS in each of the 2 years is equal to 50000 or more then TDS is deducted @5%			
<b>194R - Perquisite/ benefit in respect of business or profession wef 01.07.2022</b>	10% of value benefit	20000	<p>1. Deductor(resident) is person providing to a resident any benefit. Perquisite arising from business or exercise of profession.</p> <p>2. Perquisite may be monetary or non monetary. TDS is mandatory.</p> <p>3. Ind/ HUF whose TO in last FY does not exceed 50 lakhs/ 1 Crore need not deduct tax u/s 194R.</p>

## Chart 14.7- Tax Deducted at Source- Other Points

### Important Points for Tax Deduction

- 1) CBDT has clarified that payments made by TPAs to hospitals are covered u/s 194J. TPA's make payment on behalf of insurance co. to hospitals for settlement of medical/insurance claims like cashless schemes, etc
- 2) TDS is to be deducted on the amount without GST component.
- 3) TDS is required to be deducted u/s 194J on acquisition of software.
- 4) Co-operative banks now required to deduct TDS on int on time deposit
- 5) No TDS is required to be deducted on interest paid by co-operative Bank to another Co- Operative Society.
- 6) Surcharge & edu cess are not to be added while deducting TDS in case of R.
- 7) If TDS for NR is deducted, then 4% education cess will be added on TDS

### 8) For Interest on Securities and on other interest

A) Interest on Securities	Threshold limit
1) Int. on debentures paid to I/HUF	5000
2) Interest on CG/SG Securities	No TDS deductible
3) Interest on 7.75% savings bonds	10,000
4) Interest on 8% Saving Bonds	10,000
5) Interest on other Securities	No threshold limit

#### Interest on other securities

1) Bank/post office paying any assessee	40,000
2) Bank /post office paying interest to Sr.Citizen	50,000
3) Assessee(other than bank) paying interest	5,000
9) Sec 206AA: if deductee does not provide PAN then tax should be deducted at higher rate. Sec 206AB: rate of TDs for non filers of ITR is also higher. If person has not furnished the ITR for the last FY and TDS plus TCS 50,000 or more for the last FY then such person shall we are non filer.	
206 AA - 20% or normal rate ( whichever higher) For 194O & 194Q - 5% or rate ↑	
206 AB - Twice the rate or 5% ( whichever higher). NA- 192/192A/194B/194BB/194N	
Note: If both - No PAN and non filer then rate as per 206AA or 206AB ↑	

### When should the deductor deduct TDS?

- Normally TDS is to be deducted on payment or credit whichever is earlier.  
However in case of the following TDS is to be deducted on payment basis.
- 1) Salary –Section 192
  - 2) Dividend (TDS rate is 10 %)
  - 3) Winnings from Lottery, crossword puzzles, card games etc
  - 4) Winnings from horse races.
  - 5) Sum received from life insurance policy
  - 6) Compensation in case of compulsory acquisition of immovable property.
  - 7) Payment under National Savings Scheme
  - 8) Cash withdrawal from banks

### TDS On Salary

- a) **Deductor** : Employer  
**Deductee** : Employee  
**Applicable** : Employer should deduct TDS where salary payment exceeds BEL.  
**Rate** : TDS is deducted at tax rates in force (if employee intends to opt for provisions of sec 115 BAC he must intimate to the employer.  
**When**: TDS is deducted at the time of payment  
**If no PAN of employee**: Deduct tax at MMR

Particulars	Amount
Salary from employer	XXX
Other income (declaration given by employee)	XXX
Loss only from HP	XXX
GTI	XXX
Less: Deductions under Chapter VIA	XXX
80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80G, 80U	XXX
NTI	XXX
Tax	XXX
Surcharge/Rebate(whatever is applicable)	XXX
Tax + Surcharge	XXX
Add: Cess	XXX
Tax Liability	XXX

- 1) In case the employee **leaves job and joins with another employer**, he may furnish details of his previous employment in Form 12B to his subsequent employer. Subsequent employer shall be bound to take this information for the purpose of tax deduction u/s192. In case, the **employee chooses** not to furnish the details of income of other employment, the employer shall deduct tax **only in respect of salary paid by him**-Sec. 192(2).
- 2) Employee may apply in **form NO. 13 to the AO for lower/ no deduction of Tax.**
- 3) **In case PAN is not provided TDS shall be deductible at MMR. Employer being an eligible start up responsible for paying any income to the assessee by way of perquisite being any specified security/sweat equity shares allotted or transferred free of cost /at concessional rates to the assessee, has to deduct or pay as the case may be tax on value of such perquisite provided to its employee within 14 days from the earliest of the following dates-**
  - a) **after expiry of 48 months from the end of the AY**
  - b) **date of such sale of such specified security/sweat equity share by assessee**
  - c) **from the date of the assessee ceasing to be employee of the employer**
 who allotted such shares. Such tax has to be deducted or paid on the basis of rates in force for the FY in which said specified security / sweat equity share is allotted or transferred.

### After Deducting TDS when to pay it to the Government?

#### When to file the TDS returns? When to issue TDS certificates to the deductee? Due Dates

Month	Payment	Return /Other Statements	Issue of certificate
April	07-05-2022	31-07-2022	15-08-2022
May	07-06-2022		
June	07-07-2022		
July	07-08-2022	31-10-2022	15-11-2022
August	07-09-2022		
September	07-10-2022		
October	07-11-2022	31-01-2023	15-02-2023
November	07-12-2022		
December	07-01-2023		
January	07-02-2023	31-05-2023	15-06-2023
February	07-03-2023		
March	30-04-2023		

- Notes:**
1. E-payment is compulsory for companies and those covered under tax audit. (2)It is compulsory to generate Form 16A (others) & Form 16 (Salary) from TRACES website.(3) For transfer of immovable property (other than agricultural land) Form26QB challan cum TDS statement is applicable (16B-TDS Certificate.)
  4. Tax deducted under sections 194-IA, 194-IB, 194M have to be remitted within 30 days from the end of the month of the deduction. Also such persons are not required to obtain TAN.
  5. Every person required to deduct TDS should submit quarterly statements.

### Consequences in case of default

Every person who fails to deduct tax or fails to pay the tax deducted shall be treated as assessee in default.

Event	Consequences Interest
1)Fails to deduct TDS	Interest @ 1% pm from the date from it was to be deducted till actually deducted
2) Fails to deposit	Interest @1.5% pm from the date deducted till date deposited
3)TDS return not filed late fees u/s 234E	Fees @ Rs200/ day subject to max. amount of TDS. Also penalty applicable if TDS return not furnished even after 1 yr from due date
4) Provide in correct detail in TDS return	Penalty Minimum - 10,000 Maximum - 1,00,000



## Chart 14.8- Tax Deducted at Source- Other points &TCS

### Lower/ no deduction of tax at source: - [Sec. 197]

a) If Tax is deductible under following sections, then assessee can apply for TDS at lower rate or no deduction.  
 192-salary, 193-interest on securities,194-dividends, 194A- interest other than interest on securities, 194C- contractor payments, 194D-insurance commission, 194G-commission on sale of lottery tickets, 194 H- commission or brokerage, 194 I-Rent, 194J- Professional fees 194K- Income on units other than nature of capital gains, 194LA-compensation on acquisition of certain immovable property 194M- Payment to contractor , commission or brokerage , fees for professional services. 194O- Payments made by ECO, 195- other sums paid to Non resident

b) i.e. if TDS is deductible under any other sections it is not possible to apply for lower rate of TDS. Eg: TDS deductible on winnings from lottery, crossword puzzles and winnings from horse races.(c) Assessee can apply in form no 13 to the assessing officer. The assessing officer may issue a certificate authorizing deduction of tax at lower rate or no deduction as the case may be. (d) Such certificate should be furnished to person responsible for deducting TDS. (e) The assessing officer will determine the lower rate taking into consideration tax paid in the preceding 3 yrs

### Tax deduction and collection account number – Sec.203A

Every person deducting tax or collecting tax in accordance with the relevant provisions shall apply to the assessing officer for the allotment of “Tax deduction and collection account number”.  
 Where a “Tax deduction and collection account number” has been allotted to a person. Such person shall quote such number-  
 a) in all challans for the payment of any sum (b) in all certificates (c) in all statements prepared & delivered (d) in all returns delivered (e) other documents as may be prescribed

business of Carrying passengers. 2)TCS will not apply on sale of motor vehicles by manufacturers to dealers distributors.3)It is applicable on sale of each motor vehicle exceeding Rs. 10 lakh. 4)Tax should be collected at the time of receipt the amount.

### Tax collection at Source

- 1) Tax should be collected at source by the seller from the buyer of specified goods
- 2)It is collected at the time of debit to the account of the party or at the time of receipt of money whichever is earlier.
- 3)TCS is collected at the rates prescribed below
- 4)No TCS shall be collected from the buyer who purchases the goods for manufacturing, processing or producing any article etc.
- 5)An application can be made by the buyer to the Assessing officer for collecting TCS at lower rates in form 13.
- 6)TCS should be deposited within 1 week from the last day of the month in which it is collected
- 7)The seller should furnish TCS Certificate to the buyer.
- 8)For late payment, simple interest shall be levied @ 1% per month or part thereof
- 9)Person collecting TCS should furnish quarterly statements to the Income tax

### Rate of TCS and Specified Goods (\* New Rate - wef 14/5/20 – 31/3/21)

Nature of goods / licenses	%
Alcoholic liquor for human consumption	1
Tendu Leaves	5
Timber obtained under forest lease	2.5
Any other forest product not being timber or tendu leaves	2.5
Scrap	1
License of parking, toll plaza, mine , quarry	2
Toll Plaza	2
Mining and quarrying	2
Minerals being coal or ignite or iron ore	1

### TCS on Sale of Motor Vehicle

- 1)Section 206C: TCS on sale of vehicles, goods or services that seller shall collect tax at 1% on (a)Sale of motor vehicle of the value exceeding Rs.10 lacs, Buyer does not include(i)Government (ii)Local Authority (iii)Public Sector Company engaged in

## Chart 14.9- Tax Deducted at Source- TCS

### 9.4) Overseas remittance (wef AY 21-22)

Overseas remittance or an overseas tour package [w.e.f. 1.10.2020]

- a) being an authorized dealer, who receives amount, under the Liberalised Remittance Scheme of the RBI, for overseas remittance from a buyer, being a person remitting such amount out of India;
- b) being a seller of an overseas tour programme package who receives any amount from the buyer who purchases the package to collect tax at the rate of 5% of such amount. Tax has to be collected at the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer, by any mode, whichever is earlier.

Rate of TCS in case of collection by an authorized dealer

Sr. No.	Amount and purpose of remittance	Rate of TCS
(i)	a) Where the amount is remitted for a purpose other than purchase of overseas tour programme package; b) the amount or aggregate of the amounts being remitted by a buyer is less than ` 7 lakhs in a FY	Nil (No tax to be collected at source)
(ii)	a) where the amount is remitted for a purpose other than purchase of overseas tour programme package; b) the amount or aggregate of the amounts in excess of ` 7 lakhs is remitted by the buyer in a FY	5% of the amt or agg. of amts in excess of ` 7 lakh
(iii)	a) where the amount being remitted out is a loan obtained from any financial institution, for the purpose of pursuing any education; and b) the amount or aggregate of the amounts in excess of 7 lakhs is remitted by the buyer in a financial year	0.5% of the amt or agg. of amts in excess of ` 7 lakh

#### Cases where no tax is to be collected

- i) No TCS by the authorized dealer on an amount in respect of which the sum has been collected by the seller (ii) No TCS, if the buyer is liable to deduct tax at source under any other provision of the Act and has deducted such tax
- iii) No TCS, if the buyer is the Central Government, a State Government, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority or any other person notified by the Central Government, subject to fulfillment of conditions stipulated thereunder

source @0.1% u/s 206C(1H) of the sale consideration exceeding ` 50 lakhs, at the time of receipt of consideration. In order to provide more funds at the disposal of the taxpayers for dealing with the economic situation arising out of COVID-19 pandemic, the rate OF TDS HAS BEEN REDUCED 0.1% to 0.75%

- c) Tax is, however, not required to be collected if the buyer is liable to deduct tax at source under any other provision of the Act on the goods purchased by him from the seller and has deducted such tax. (d) In case of non-furnishing of PAN or Aadhar number by the buyer to the seller, tax is required to be collected at the higher of – (A) twice the rate specified in this sub-section; and (B) 1%.

### After Deducting TCS when to pay it to the Government?

#### When to file the TCS returns? When to issue TCS certificates? Duedates.

Month	Payment	Return /Other Statements	Issue of certificate
April	07-05-2022		
May	07-06-2022	15-07-2022	30-07-2022
June	07-07-2022		
July	07-08-2022		
August	07-09-2022	15-10-2022	30-10-2022
September	07-10-2022		
October	07-11-2022		
November	07-12-2022	15-01-2023	30-01-2023
December	07-01-2023		
January	07-02-2023		
February	07-03-2023	15-05-2023	30-05-2023
March	30-04-2023		

Sec 206CC: TCS rates if no PAN is provided. 206CCA TCS rates for non filers

206CC (PAN not provided) -Twice the rate or 5% ↑ .206CCA(Non filers) -Twice the rate or 5% ↑

### Difference between TCS & TDS

Tax deducted at source	Tax collected at source
TDS is tax deduction at source	TCS is tax collection at source.
Person responsible for paying is required to deduct tax at source at the prescribed rate	Seller of certain goods is responsible for collecting tax at source at the prescribed rate from the buyer. Person who grants licence or lease (in respect of any parking lot, toll plaza, mine or quarry) is responsible for collecting tax at source at the prescribed rate from the licensee or lessee, as the case may be.
Generally, tax is required to be deducted at the time of credit to the account of the payee or at the time of payment, whichever is earlier. However in case of payment of salary & payment in respect of life insurance policy, tax is required to be deducted at the time of payment	Generally, tax is required to be collected at source at the time of debiting of the amount payable by the buyer of certain goods to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier

### Sale of Goods of value exceeding 50 lakhs (wef AY 21-22)

- A) As per section 206C(1H), tax is also required to be collected by a seller, who receives any amount as consideration for sale of goods of the value or aggregate of such value exceeding ` 50 lakhs in a previous year [other than exported goods or goods covered under sub-sections (1)/(1F)/(1G)]. b) Tax is to be collected at



## Chart 15.1 Exemption Sec 10

Section	Particulars	Section	Particulars
10(1)	Agriculture income is exempt under section 10(1).	10(18)	Pension received by individual who has been awarded "Param Vir Chakra or "MahaVir Chakra " or "Vir Chakra" such other gallantry award as the Central Government notifies is exempt from tax.
10(2)	Since the HUF is taxed in respect of its income, the share of profit is exempt from tax in the hands of the member	10(19)	The family pension received by the widow or children or nominated heirs, of a member of the armed forces (including para-military forces) of the Union, where the death of such member has occurred in the course of operational duties, in specified circumstances would, however, be exempt under section.
10(2A)	The partner's share in the total income of the firm/LLP is exempt from tax.	10(26AAA)	Income from any source in the state of Sikkim, dividend income and interest on securities is exempt in the hands of a sikkimese individual. This exemption is not available to a sikkimese woman who, on or after 1st April,2008, marries a non-sikkimese individual
10(4)	Income by way of interest on moneys standing to his credit in a Non-resident (External) Account (NRE A/c), is exempt in the hands of an individual, being a person resident outside India as per the FEMA, 1999 to maintain such account.	10(32)	In case of clubbing of minor's income the parent shall be entitled to exemption upto 1500 in respect of each minor child.
10(6)	Salary of officials of embassy , high commission, consulate not being a citizen of India, would be exempt subject to following conditions: 1-Such individual represent their country & are not engaged in any other business/profession/employment in India and 2-a corresponding exemption is provided to Indian officials working in Indian officials working in Indian embassies in other countries.	10(34)	This section is not applicable wefAY 21-22. Dividend received after 1-4-2020 will be taxable. However dividend on which tax u/s 1150 & 115BBDA has been paid shall not be taxable.
10(10BC)	Compensation received by an individual or his legal heir on account of any disaster is exempt, if the same has been granted by the Central Government, State Government or a local authority.	10(34A)	Exemption towards income received by a shareholder on buy back of shares.
10(10D)	Refer Capital Gains chapter for details	10(35)	Any income received in respect of units from the administrator of the specified undertakings/ specified company/ Mutual Fund shall be exempt. However, income arising from transfer of such units would not be exempt. This section shall not be applicable wef 1-4-2020. Therefore any income Received on/after 1-4-2020 shall be taxable. Earlier dividends on mutual funds was exempt in the hasnds of the recipient u/s 10(35). However, now it is taxable
10(11A)	Any payment received from Sukanya Samridhi Account	10(37)	Refer Capital Gains. Compulsory Acquisition of Urban Agri Land subject to some conditions.
10(12A)	Sec 10(12) provides that any payment from NPS trust tpo an assessee on account of closure or his opting out of pension scheme referred to in section 80CCD to the extent it does not exceed 60% of the total amount payable to him at the time of closure or his opting out of the scheme shall be exempt from tax	10(43)	Reverse Mortgage (Refer Capital Gains).
10(12B)	To provide relief to an employee subscriber of NPS, new clause (12B) has been inserted in section 10 to provide that any payment from National Pension system trust to an employee under the pension scheme referred to in section 80CCD, on partial withdrawn made out of his account in accordance with the term and conditions specified under the Pension Fund Regulatory and Development Authority Act, 2013 and the regulations made there under, shall be exempt from tax to the extent it does not exceed 25% of amount of contributions made by him.	10AA	Tax holiday for newly established units in Special Economic Zones (SEZs), which has begun or begin to manufacture or produce articles or things or computer software or provide any service on or after 1.4.2005 in any SEZ for 15 consecutive assessment Years in respect of its profit from exports. 100% of such profits would be exempt in the first five years, 50% in the next five years and in the last five years, 50% subject to transfer to special reserve. Assessee should furnish a report certified by CA that 10AA deduction is correctly claimed . the report should be furnished within the due date specified u/s 44AB. Exemption = $\frac{\text{profits of unit in SEZ} \times \text{export turnover of Unit SEZ}}{\text{Total turnover of Unit SEZ}}$
10 (15)	Interest on certain securities exempt. Refer Chart 15.2		
10(16)	The value of scholarship granted to meet the cost of education would be exempt from tax in the hands of the recipient irrespective of the amount or source of scholarship.		
10(17)	Daily allowances received by any Member of Parliament or of State Legislatures or any Committee thereof are exempt.		
10(17A)	Awards for literary, scientific and artist works and other awards by the Government are exempt.		

## Chart 15.2 Exemption Sec 10

### Sec 10(15) - Interest on securities is exempt (in detail)

**1) Meaning:** (a) Interest on any securities of the central government or a state government. (b) Interest on debentures or other securities for money. (c) Interest is chargeable on due or receipt basis depending upon the accounting system followed by assessee.

**2) Following interest income is exempt u/s 10(15)**

- 1) Interest on notified securities bond or certificates (E.g.: -12 year National saving Annuity Certificates, National Defense Gold Bonds, 1980, Special Bearer Bonds, 1991,
- 2) Interest received from Non resident Indians from Notified Bonds (i.e. Bonds, NRI Bonds (Second Series) issued by the State Bank of India.
- 3) Interest on National Relief Bonds/ Debenture of Public Sector Company
- 4) Interest payable to any foreign Bank performing central banking functions outside India.
- 5) Interest on deposit made by a retired government employee or an employee of public sector Company, out of money due to him on account of retirement. Interest on securities held by the Welfare commissioner, Bhopal Gas victims, Bhopal or interest on deposit on benefit of the Victims of the Bhopal gas disaster held in such account with the RBI or with the Public sector Bank as the central government may, by notification in the official gazette, specify in this behalf.
- 6) Interest on Gold Deposits Bonds under the Gold Deposit Scheme 1999. Also Interest on Gold Deposit Bonds issued under the Gold Monetization Scheme 2015 shall be exempt from tax
- 7) Interest on Notified Bonds issued by local authority or by State Pooled Finance Entity (applicable from the A.Y. 2008-09).
- 8) Interest on UTI bonds.
- 9) Interest on Post Office Savings Account upto 3500 p.a. for an individual and upto 7000 p.a. in case of Joint Account
- 10) interest income receivable by a non-resident from a unit located in IFSC in respect of moneys borrowed by it on or after 1.9.2019

### Sec 10(15) - Interest on securities is exempt (in detail)

If a particular income is exempt then its corresponding expenditure shall not be allowable. The method for determining expenditure in relation to exempt income is to be prescribed by the CBDT for the purpose of disallowance of such expenditure U/s 14A. Such method should be adopted by the assessing officer in the following cases - a) If he is not satisfied with the correctness of the claim of the assessee, having regard to the accounts of the assessee. Subsection (2) where an assessee claims that no expenditure has been incurred by him in relation to income which does not form a part of total income SubSection (3). Rule 8D lays down the method for determining the amount of expenditure in relation to income not includible in total income. the AO having regards to the accounts of the assessee PY income not includible in total income. If the AO having regard to the accounts of the assessee of the PY is not satisfied with - (a) the correctness of the claim of the expenditure by the assessee (b) the claim made by assessee that no expenditure has been incurred. In relation to exempt income for such PY he shall determine the amount of expenditure in relation to such income in the manner provided here under - the expenditure in relation to income not forming of total income shall be aggregate of the following: A) amount of expenditure directly relating to income which which does not form a part of total income an amount equal to 1% of annual average of the monthly averages of the opening and income closing balances of the value of investment , income from which does not form a part of total income. However amount referred to in clause (i) and clause (ii) shall not exceed total expenditure claim by assessee. expenditure incurred during a PY in relation to exempt income would be disallowed while computing total income of that PY by applying provisions of section 14A even though such exempt income has not been accrued or arisen or has not been received during the said PY.

## Chart 16.1 Section 115JC & 115BAC

Sec 115JC - Alternate Minimum Tax		Section 115 BAC - WEF AY 21-22								
<b>The Provisions of AMT are applicable if</b>		<b>Option to pay income tax at concessional tax slabs :</b> As per sec 115BAC, individuals and HUF have an option to pay tax in respect of their total income (other than chargeable to tax at special rates under chapter XII such as sec 11A, 112A, 112, 115BB, etc. At the following concessional rates subject to certain conditions specified u/s 115BAC(2)								
a) assessee is non-corporate assessee and b) assessee has claimed deduction u/s 10AA or u/s 35AD or u/s 80IA to 80RRB (Except 80P) c) AMT would not apply in case of individual/HUF opting for 115BAC. d) The provisions of AMT shall not apply to Ind/HUF/AOP/BOI/AJP if ATI does not exceed 20 lakhs [Sec 115 JEE(2)].		<b>Additional points :</b> In case of an individual or HUF opting for section 115BAC, total income should be computed without set-off of any loss brought forward or depreciation from any earlier AY, where such loss or depreciation is attributable to any of the deductions listed in (1) above [Such loss and depreciation would be deemed to have been already given effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year] Where there is a depreciation allowance in respect of a block of asset from an earlier assessment year attributable to additional depreciation which has not been given full effect to prior to A.Y. 2021-22 and which is not allowed to be set-off in the A.Y. 2021-22 due to exercise of option u/s 115BAC from that year, corresponding adjustment shall be made to the WDV of such block of assets as on 1.4.2020 in the prescribed manner i.e., the WDV as on 1.4.2020 will be increased by the unabsorbed additional depreciation not allowed to be set-off. .								
<b>AMT shall be determined as higher of the two:</b>		<b>Conditions to be satisfied for availing concessional rates of tax :</b>								
Step 1: Tax on NTI as per normal provisions of I-Tax Act.		The following are the conditions to be satisfied for availing concessional rates								
Step 2: Tax @ 18.5% on Adj. Total Income (Plus Surcharge if applicable + cess)		<b>Certain deductions/exemptions not allowable</b>								
<b>Adj. Total Income is calculated as follows:</b>		Section 115BAC(2) provides that while: computing total income, the following deductions/exemptions would not be allowed, if an individual or HUF opts for concessional rates of taxes u/s 115BAC(1)								
NTI	Amount	<u>35(1)(ii),(iia),(iii) or 35(2AA) – Scientific research</u> <u>35AD- Specified businesses</u> <u>35CCC- Deduction in respect of expenditure incurred on notified agricultural project</u> <u>57(iia)- Deduction in respect of family pension</u> <u>80C to 80U- Deductions under Chapter VI-A (other than employers contribution towards NPS under section 80CCD(2) and deduction in respect of employment of new employees under section 80JJAA).</u>								
Add: Deductions u/s 10AA(SEZ)	XXX	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #003366; color: white;"> <th colspan="2" style="text-align: left; padding: 5px;">Time Limit for opting this</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Ind/HUF not having business or professional income.</td> <td style="padding: 5px;">1) Can exercise option while filing the return u/s 139(1) 2) Has a choice to exercise the option in one year and not to exercise in another year</td> </tr> <tr> <td style="padding: 5px;">Individual/HUF having business/professional income</td> <td style="padding: 5px;">1) can exercise the option while filing the return u/s 139(1) 2) option once exercised would apply for subsequent AY. 3) The option can be withdrawn only once 4) Once the option is withdrawn assessee will never be eligible</td> </tr> </tbody> </table>			Time Limit for opting this		Ind/HUF not having business or professional income.	1) Can exercise option while filing the return u/s 139(1) 2) Has a choice to exercise the option in one year and not to exercise in another year	Individual/HUF having business/professional income	1) can exercise the option while filing the return u/s 139(1) 2) option once exercised would apply for subsequent AY. 3) The option can be withdrawn only once 4) Once the option is withdrawn assessee will never be eligible
Time Limit for opting this										
Ind/HUF not having business or professional income.	1) Can exercise option while filing the return u/s 139(1) 2) Has a choice to exercise the option in one year and not to exercise in another year									
Individual/HUF having business/professional income	1) can exercise the option while filing the return u/s 139(1) 2) option once exercised would apply for subsequent AY. 3) The option can be withdrawn only once 4) Once the option is withdrawn assessee will never be eligible									
(+ Deduction u/s 35AD(14 specified Business))	XXX									
Add: VIA Deductions (80IA to 80RRB)	XXX									
Less: Dep. u/s 32 assuming that deduction u/s 35AD was not allowed	XXX									
<b>ATI</b>	<b>XXX</b>									
1) The Provisions of AMT apply only if assessee is claiming deduction u/s 10AA, 35AD, 80IA to 80RRB (except 80P) 2) If AMT > Normal tax then excess shall be treated as AMT Credit (3) Such credit can be set off in the year in which regular tax is more than AMT (4) The Credit allowed to be set off will be restricted to the difference between the regular Income Tax computed and the AMT (5) AMT Credit can be c/f and set off for 15 years. (115JD)(6) Assessee should obtain a report from CA for computation of ATI and AMT (7) The report in prescribed form should be submitted within the specified date referred to in Section 44AB		10(5) – Leave travel concession 10(13A)- House rent allowance 10(14A)- Exemption in respect of special allowances or benefit to meet expenses relating to duties or personal expenses (other than those as may be prescribed for this purpose); 10(17) - <u>Daily allowance or constituency allowance of MPs and MLAs</u> 10(32)- <u>Exemption</u> in respect of income of  10AA- Tax holiday for units established in SEZ 16- deduction under salary , entertainment allowance, professional tax; 24(b) - <u>Interest on loan in respect of self-occupied property</u> 32(1)(iia) – <u>Additional depreciation</u>								
<b>Option exercised would be invalid</b>		If the conditions for Section 115BAC are not satisfied the option if exercised becomes invalid. All provisions of the Act would apply as if the person had not exercised.								



## Section 115BAA & 115BAB for Domestic Companies

Following are 2 options available to the domestic company. They can exercise the option at any time before filing the return for AY 20-21 or in any subsequent years (Amendment by the "The Taxation Laws (Amendment) Ordinance 2019")

Sections	115BAA	115BAB
Applicable from	AY 20-21	AY 20-21
Type of Company	Domestic Company	New Domestic Company engaged in manufacturing, research or distribution in relation to manufactured article
Option to tax @	22%	15%
Surcharge	10%	10%
Conditions		1) Company has been set up and registered on or after 1st day of October 2019 and has commenced manufacturing on or before <b>31st March 2024 (wef FA 2022)</b> 2) Not formed by splitting up, or reconstruction of business already in existence 3) Does not use any old plant & machinery or plant (20% old plant and machinery is allowed) 4) However machinery imported into India from any country outside India will be treated as new section provided it was not used in India before 5) Does not use any building previously used as hotel or a convention centre 6) The company is not engaged in any business other than the business specified above <div style="text-align: right; margin-top: 10px;"></div>
Should forgo these benefit (applicable for both sections)	1) 10AA relating to SEZ 2) Additional depreciation 3) 32AD - Deduction for investment in new plant and machinery in 4 States 4) 33AB - Tea/Coffee/Rubber development allowance. 5) 33ABA - Site restoration fund. 6) 35 - certain expenses of scientific research 7) 35AD - Deduction in respect of expenditure on 14 specified business 8) 35CCC - Expenditure on agricultural extension project. 9) 35CCD - Expenditure on skill development project. 10) Deduction under Part C of Chapter VIA other than Section 80JJAA of the Act 11) no Set off of Losses allowed from earlier years due to the above mentioned benefits (point 1 to 10)	
Applicability of Mat	No need to pay MAT	No need to pay MAT
Option once exercised	Mandatory for subsequent years	Mandatory for Subsequent Years

## Chart 16.3 - 115 Series and Special Rates - at a glance

Section	Particulars
115BAA WEF AY 20-21 (to be dealt in final in detail)	Applicable to Domestic Companies. (optional concessional tax rate). Applicable to Domestic Companies. (optional concessional tax rate) Tax = 22%, Surcharge = 10%, Cess = 4% Companies need to forgo certain benefits like 10AA, 32AD, 33AB, 33ABA, 35AD, 35CCC, 35CCD, Deductions from 80I to 80RRB (except 80JJAA or 80M), Additional Depreciation. No need to pay MAT an options once exercised mandatory for subsequent years.
115 BAB WEF AY 20-21 (to be dealt in final in detail)	Applicable to Domestic Manufacturing Companies or generation of electricity registered on/after 1-10-2019 to <b>31.3.2024</b> (optional concessional tax rate) Tax = 15%, Surcharge = 10%, Cess = 4% Companies need to forgo certain benefits like 10AA, 32AD, 33AB, 33ABA, 35AD, 35CCC, 35CCD, Deductions from 80I to 80RRB (except 80JJAA or 80M) Additional Depreciation. No need to pay MAT an options once exercised mandatory for subsequent years.
115BAC	Applicable to Individual and HUF (optional concessional tax rate) Forgo certain benefits. Concessional tax rates. No need to pay AMT. WEF AY 20-21 (to be dealt in detail in Final)
115BAD	Applicable to Co-Operative Societies. (optional concessional tax rate) Tax @ 22% + Surcharge @ 10% + HEC @ 4% Co-operative societies need to forgo certain benefits like 10AA, 32AD, 33AB, 33ABA, 35AD, 35CCC, 35CCD, Deductions from 80I to 80RRB (except 80JJAA or 80M), Additional depreciation No need to pay AMT.
115BB	Casual Income like Winning from lotteries, card games, puzzles, gambling, betting, etc. Tax Rate = 30% + surcharge (if applicable) + cess @ 4%. Benefit of unexhausted BEL not available.
115BBE	Undisclosed income like unexplained money, unexplained investment, unexplained Expenditure u/s 68, 69, 69A, 69B, 69C, 69D. Tax @ 60% + surcharge @ 25% + cess @ 4%.
115 JC	For non corporate assessee if there is benefit u/s 10AA, 35AD, 80RRB, 80QQB, 80JJAA. Tax @ 18.5% on ATI + Surcharge + cess <b>Tax @ 15% (instead of 18.5%) for co-operative society</b>
111A	STCG, equity shares, equity oriented mutual funds (ULIP Policy), (STT paid) Tax @ 15%. No Chapter VI A deductions available. Unexhausted BEL available only to Resident I/HUF. Enhanced rates of surcharge not applicable.
112A	LTCG, equity shares, equity oriented mutual funds (ULIP Policy), (STT paid) Tax @ 10% on gain exceeding 1,00,000. No chapter VI A deductions available. Unexhausted BEL available only to resident I/HUF. Indexation not available. 87A not available. Enhanced rates of surcharge not applicable.
112	Other LTCG. Tax @ 20%. No chapter VI A deductions available. Unexhausted BEL available to resident I/HUF. <b>Enhanced rates of surcharge not applicable.</b>