

# INCOME TAX

## SUMMARY BOOK (with Amendments)

**(CA - INTER/ CS-EXECUTIVE/ CMA-INTER)**

**APPLICABLE FOR MAY'23/JUNE'23/NOV'23/DEC'23**

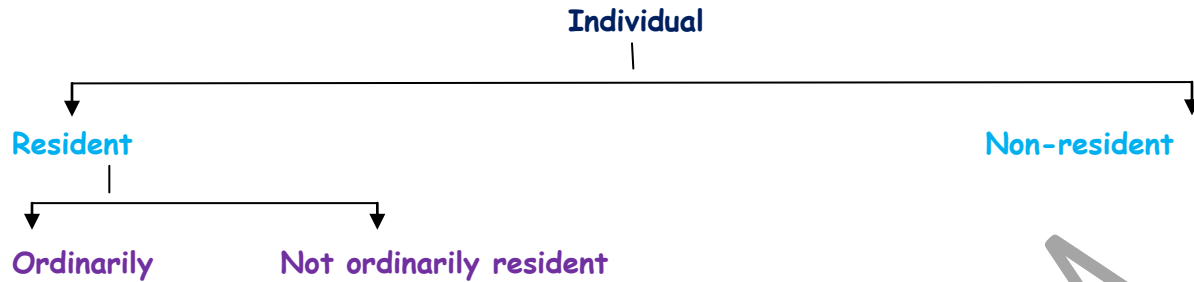
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## RESIDENTIAL STATUS



### Residential status of an individual [ Section 6(1)]

#### **BASIC CONDITION:**

1. In India for a period of **182 days or more** during P.Y or,
2. In India for a period of **60 days or more** during P.Y + **365 days or more** during **4 preceding** the P.Y.

#### ✚ **Exceptions:** As per explanation to Section 6(1).

(1) the period of **60 days [ given in (2) above ]** is substituted by **182 days** in case of an individual -

- (i) Indian citizen, leaves India for **employment outside India**;
- (ii) Indian citizen, leaves India as a **member of the crew of an Indian ship**;
- (iii) Indian citizen or person of Indian origin, who being outside India, **comes to visit to India** in the P.Y.

(2) the period of **60 days [ given in (2) above ]** is substituted by **120 days** in case of an individual being an Indian Citizen or a person of Indian origin, who being outside India, comes on a visit to India in the previous year, having total income, other than the income from foreign sources, **exceeding Rs 15 Lakh during the previous year**.

"Income from foreign sources" means income which accrues or arises outside India (except income derived from a business controlled in or profession set up in India) and which is not deemed to accrue or arise in India. [Amended by Finance Act, 2020]

**Period of stay in case Indian citizen being crew member of foreign bound ship -** jab se Indian port leave kiya tabse se vapis Indian port aane tak period exclude karenge for counting days in India.

While counting the number of days of stay in India, the day of arrival as well as departure are included for stay in India.

#### ✚ **Deemed resident in India [Section 6(1A)]** [Inserted by Finance Act, 2020]: **An individual shall be deemed to be resident in India if he fulfills the following conditions:**

- (1) He must be citizen of India;

(2) His total income, other than the income from foreign sources, must exceed Rs 15 Lakh during the previous year; and

(3) He is not **liable to tax** in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.

If these conditions are satisfied he is deemed to be Not Ordinarily resident in India as per section 6(1)(d).

**Non Applicability [Explanation]:** The above provisions shall not apply in case of an individual who is said to be resident in India in the previous year under Section 6(1).

“Income from foreign sources” means income which accrues or arises outside India (except income derived from a business controlled in or profession set up in India) and which is not deemed to accure or arise in India.

**Meaning of “liable to tax” [section 2(29A)] [inserted by Finance Act 2021] :** Liable to tax, in relation to a person and with reference to a country, means that there is an income tax liability on such person under the law of that country for the time being in force. It also includes a person who has subsequently been exempted from such liability under the law of that country.

✚ **Not Ordinarily Resident....Additional conditions u/s 6(6):**

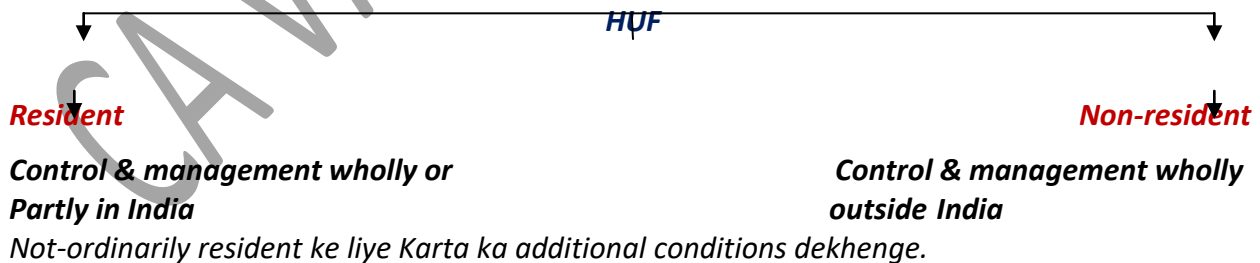
(a) Non-resident in India in any 9 years out of total 10 years preceding P.Y

(b) In India for a period of 729 days or less during the 7 preceding the P.Y

(c) A citizen of India, or a person of Indian Origin, having total income, other than the income from foreign sources, exceeding Rs 15 Lakh during the previous year, and he comes to India for the purpose of visit to India during the relevant previous year and he has been in India for a periods amounting in all to 120 days or more but less than 182 days; or

(d) A citizen of India who is deemed to be resident in India under Section 6(1A).

“Income from foreign sources” means income which accrues or arises outside India (except income derived from a business controlled in or profession set up in India) and which is not deemed to accure or arise in India. [Amended by Finance Act, 2020]



**Partnership firm (or AOP or any other person)**

**Resident**

↓  
Control & management wholly or Partly in India

**Non-resident**

↓  
Control & management wholly outside India

**Company [Section 6 (3)]:** A company is said to be resident in India in any previous year, if -

- (a) It is an Indian company; or
- (b) Its place of effective management in that year is in India.

Scope of total income [ section 5 ]

	Particulars	OR	NOR	NR
i.	Income received or deemed to be received in India ( chahe kahi bhi earn karo)	Yes	Yes	Yes
ii.	Income which accrue or arises or is deemed to accrue or arise in India (chahe kahi bhi receive ho)	Yes	Yes	Yes
iii.	Income which accrue or arises outside India and received outside India from a business controlled from India ( India main sirf business control kar raha hai aur kuch nahi)	Yes	Yes	No
iv.	Income which accrue or arise outside India and received outside India in the P.Y from any other source ( business ke alawa koi aur source se income a rahi hai)	Yes	No	No
v.	Income accrue or arise outside India and received outside India & remitted to India	No	No	No

✚ **Income deemed to accrue or arise in India [Section 9]**

1) **All income accruing or rising, whether directly or indirectly, through or from -**

- ✚ Any **business connection** in India; or
- ✚ Any **property** in India; or
- ✚ Any **asset or source of income** in India; or
- ✚ Through the **transfer of capital asset** situated in India.

2) **Incomes not deemed to accrue or arise in India -**

- ◆ In case of a business, in respect of which all the operations are not carried out in India.
- ◆ Purchase of goods in India for export
- ◆ Collection of news and views in India for transmission out of India
- ◆ Shooting of cinematograph films in India
- ◆ Activities confined to display of rough diamonds in SNZs

Business connections include

- ♣ **Concluding agent** - an authority to **conclude contracts** on behalf of non-resident
- ♣ **Stocking agent** - he **maintains stock of goods** in India
- ♣ **Indenting agent** - he **secures orders** in India

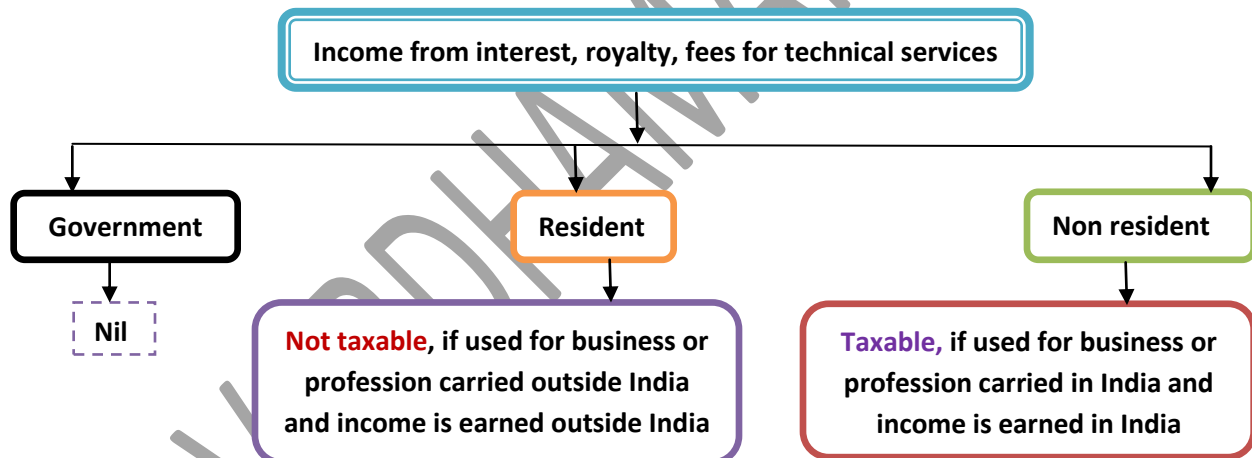
**Significant economic presence means - [ Inserted by Finance Act, 2021]**

	<b>Nature of transaction</b>	<b>Condition</b>
<b>(a)</b>	In respect of any goods, services or property carried out by a non-resident with any person in India including provision of download of data or software in India	Aggregate of payments arising from such transaction or transactions during the previous year should exceed ' 2 crores.
<b>(b)</b>	Systematic and continuous soliciting of business activities or engaging in interaction with users in India	The number of users should be atleast 3 lakhs

Further, the above transactions or activities shall constitute significant economic presence in India, whether or not -

- (i) The agreement for such transactions or activities is entered in India;
- (ii) The non-resident has a residence or place of business in India; or
- (iii) The non-resident renders services in India:

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 transaction or activities referred in (a) or (b) above shall be deemed to accrue or arise in India.



## INCOME FROM SALARY

- An income earned is chargeable to tax under the head "salaries" - if and only if there exists an employer and employee relationship between the payer and the payee. Principle - agent not, independent professional, paper setter/invigilator not covered.
- Salary received by MP's/MLA's not covered.
- Remuneration received by judges are taxable under head salary.
- Retainership fees received by advocate general is not taxable under head salary.
- Pay and allowance to chief minister is salary.

### SALARIES (SECTION 15)

- ✚ Salary taxable on due basis.
- ✚ Advance salary taxable on receipt basis.
- ✚ Arrears of salary taxable on receipt basis.
- ✚ Advance salary not to be taxed again on due basis.
- ✚ Salary received by partner of firm to be taxed under PGBP.

### SALARY {SECTION 17(1)} includes:-

- ♣ Wages
- ♣ Any annuity or pension
- ♣ Any gratuity
- ♣ Any fees, commissions, perquisites or profits in lieu of salary or in addition to any salary or wages
- ♣ Any advance of salary
- ♣ Any payment received by an employee in respect of any period of leave not availed by him.
- ♣ The annual accretion to the balance at the credit of an employee participating in a recognised provident fund to the extent it is chargeable to tax
- ♣ The aggregate of all sums that are comprised in the transferred balance of an employee participating in a recognised provident fund to the extent it is chargeable to tax
- ♣ The contribution made by the central government or any other employer in the previous year, to the account of an employee under a pension scheme referred to in section 80CCD.
- Fixed pay scale - fixed amount of salary
- Graded pay scale - annual increment in salary (eg: ₹ 20000-500-25000-1000-40000-1500-60000)
- Loan against salary - salary ke against loan and baad me salary se installment me deduct karwana. Yeh taxable nahi hota hai.
- Advance against salary - salary ke against advance and baad me adjust karwana but yeh taxable hai.

- **Foregoing of salary** - waive of salary after due or accrues. It is taxable.
- **Surrender of salary** - surrender to the government and it is exempt.
- **Annuity** - means the yearly sums payable to a person.
  - ◆ Present employer - taxable as salary.
  - ◆ Past employer - taxable as profit in lieu of salary.
  - ◆ Other than employer - taxable as income from other sources.
- Salary received from UNO - Exempt.

### DEDUCTION FROM SALARIES (SECTION 16)

- ♥ **Standard deduction** - ₹ 50000 or the amount of salary, WEL.
- ♥ **Entertainment allowance** - only govt. employees. First included in salary then deduction is given. Least of following:
  - ✓ Actual amount received
  - ✓ ₹ 5000
  - ✓ 20% of basic salary.
- ♥ **Employment tax** - an assessee is allowed as deduction and cannot exceed ₹ 2500 p.a.

### TAXABILITY OF ALLOWANCES

#### HOUSE RENT ALLOWANCE {SECTION 10(13A)}

Least of the following shall be exempt-

S.No.	In other cities	In Mumbai, Delhi, Chennai and Kolkata
1.	Actual HRA received	Actual HRA received
2.	Rent paid - 10% of salary	Rent paid - 10% of salary
3.	40% of salary	50% of salary

**Salary** = Basic pay + Dearness Allowance (if it enters into retirement benefits) + percentage-wise fixed commission on turnover.

#### Exemption not applicable:

- ♣ The residential accommodation occupied by the assessee is owned by him or
- ♣ The assessee has not actually incurred expenditure on payment of rent in respect of the residential accommodation occupied by him.

### FULLY TAXABLE ALLOWANCES:

Dearness allowance	Tiffin allowance	Interim allowance
Overtime allowance	Transport allowance to employee other than blind/deaf and dumb/ orthopedically handicapped employee	Any other cash allowance etc.
City compensatory allowance	Servant allowance	Non-practicing allowance
Warden allowance	Medical allowance	Project allowance



<i>Family allowance</i>		
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**PARTLY TAXABLE ALLOWANCES:**

(A) Allowance exempt from tax (exclusively for official purpose ke liye to the extent such expenses are actually incurred)

<i>Travelling allowance</i>	<i>Conveyance allowance</i>	<i>Uniform allowance</i>
<i>Daily allowance</i>	<i>Research allowance</i>	<i>Helper allowance</i>

(B) Allowance exempt from tax to the extent amount notified

ALLOWANCES	AMOUNT EXEMPT
Special compensatory (hilly areas) allowance	₹ 800 or 7000 or 300 p.m
Border area allowance or remote locality allowance or difficult area allowance or distributed area allowance	₹ 1300 or 1100 or 1050 or 750 or 300 or 200
<b>Transport allowance to employees of transport system</b>	<b>(a) 70% of such allowance (b) ₹ 10000 p.m WEL</b>
Tribal area allowance	₹ 200 p.m
Transport allowance (residence to office)	Now fully taxable
Transport allowance (deaf and dumb or orthopaedically handicapped from residence to office)	₹ 3200 p.m
Underground allowance	₹ 800 p.m
<b>Children education allowance</b>	<b>₹ 100 p.m per child for max 2 children</b>
<b>Hostel expenditure allowance</b>	<b>₹ 300 p.m per child for max 2 children</b>
Compensatory field area allowance	₹ 2600p.m
Compensatory modified field area allowance	₹ 1000p.m
Any special allowance in the nature of counter insurgency allowance	₹ 3900p.m

**(c) WHOLLY EXEMPT ALLOWANCE:**

- ❖ Allowance to Indian citizen who is a government employee and rendering services outside India.
- ❖ Allowance to high court judges.
- ❖ Sumptuary allowances to judges of high court and supreme court.
- ❖ Allowances to employees of UNO.

**PERQUISITES {SECTION 17(2)}**

- **Specified employees:** means-
  - ✚ An employee who is a **director of the company** or

- ✦ An **employee** being a person who has a **substantial interest** in the company.
- ✦ Any other employee whose income chargeable under the head "salaries" exclusive of all the value of all benefits or amenities not provided for by way of monetary payment, **exceed ₹ 50000**. ( ₹ 50000 main all non-monetary benefits, all monetary payments exempt under section 10, deduction under section 16 yeh sab ko exclude ya deduct karna hai)
- **Perquisites taxable in case of specified employees only**: car facility, provision for sweeper, domestic servant, facility for gas, electricity or water, education facility, and transport facility are taxable only in the case of specified employees.

**RENT FREE ACCOMMODATION (RFA) [Explanation to Section 17(2) read with Rule 3]**

S. N O	CIRCUMSTANCES	WHEN ACCOMMODATION IS UNFURNISHED	WHEN ACCOMMODATION IS FURNISHED
	Column (1)	Column (2)	Column (3)
1.	When accommodation is <b>provided by govt. to govt. employee</b>	License fees - rent paid by employee	Column (2) + 10% p.a. of the cost of furniture if owned by employer or hire charges payable - recovered by employee
2.	(a) <b>owned and provided by other employer</b>	I. Population > 25 lacs: <b>15 % of the salary</b> I. Population 10 < 25 lacs but : <b>10 % of the salary</b> I. Population < 10 lacs but : <b>7.5 % of the salary</b> Less : recovered from employee	
	(b) <b>Taken on lease or rent by employer</b>	Lower of - I. Actual rent paid by the employer or II. <b>15% of salary, WEL</b> Less: recovered from employee	
3.	<b>In hotel</b>	N.A	Lower of - i. The actual charges paid or ii. <b>24% of salary</b> Less : recovered from employee

**Salary** = Basic pay + D.A (if forming part of superannuation or retirement benefits) + Bonus + commission + Fees + All taxable allowances + All monetary payments chargeable to tax; from one or more employers,

**Salary shall not include** -

- D.A not forming part
- Employers contribution to provident fund
- Allowances which are exempt
- The value of perquisite specified in section 17(2) i.e HRA
- Any payment or expenditure specifically excluded under proviso to section 17(2)(iii) or proviso to sec 17(2) i.e jo upper table me excluded hai.
- Lump sump payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and similar payments.

**Exemptions:**

- a) **Hotel accommodation not exceeding 15 days** - value of perquisite is nil.
- b) **Accommodation of temporary nature/remote area** - value of perquisite is nil.

**Double accommodation on account of transfer:**

**For first 90 days** - lower of the value of two accommodations

**After 90 days** - value of perquisite will be aggregate of both accommodations.

**Government employee sent on deputation** - value of perquisite of such an accommodation shall be calculated as if the accommodation is owned by the employer

**PERQUISITE TAXABLE IN THE HANDS OF SPECIFIED EMPLOYEE**

**MOTAR CAR OR OTHER CONVEYANCE FACILITY**

CIRCUMSTANCES	USED WHOLLY FOR PRIVATE PURPOSE	PARTLY FOR OFFICIAL AND PARTLY FOR PERSONAL PURPOSES	
<b>(I)When motar car is owned or hired by the employer:-</b>			
<b>(a) Maintenance &amp; running expenses met or reimbursed by employer</b>	Amount incurred or reimbursed + chauffeur's salary + 10% of actual cost of car or hire charges Less: amount recovered	<b>If CC &lt; 1.6 litres:</b> ₹ 1800 p.m + (900 p.m if chauffer provided)	<b>If CC &gt; 1.6 litres:</b> ₹ 2400 p.m + (900 p.m if chauffer provided)
<b>(b) Maintenance &amp; running expenses met by employee {note 1}</b>	10% of actual cost of car or hire charges	<b>If CC &lt; 1.6 litres:</b> ₹ 600 p.m + (900 p.m if chauffer	<b>If CC &gt; 1.6 litres:</b> ₹ 900 p.m + (900 p.m if

		provided) {note 4)	chauffer provided) {note 4)
<b>(II) When the motor car is owned by employee and maintenance and running expenses including remuneration of the chauffeur are met or reimbursed by employer</b>	Actual expenditure incurred by employer Less: amount recovered	Actual expenses incurred by employer Less : If CC < 1.6 litres: ₹ 1800 p.m + (900 p.m if chauffeur provided) {note 3)	Actual expenses incurred by employer Less : If CC > 1.6 litres: ₹ 2400 p.m + (900 p.m if chauffeur provided) {note 3)
<b>(III) Conveyance other than motor car (scooter, motorcycle etc..) is owned by the employee and the employer meet its running expenses</b>	Actual expenditure incurred by employer for maintenance and running Less: amount recovered	Actual expenditure incurred by employer Less : ₹ 900 p.m {note 3)	

**Notes:**

1. Wholly and exclusively for business purpose - **fully exempt**.
2. If two car provided - one car for private purpose and another for partly official and partly personal purpose.
3. Where the assessee claims that wholly and exclusively for official purpose and expenses incurred is higher than the amount deducted - then he need to provide proof.
4. No deduction shall be allowed for the amount recovered.
5. Perquisite is calculated for calendar month.
6. If car used from office to residence the considered for official use.

**SWEEPER, GARDENER, WATCHMEN OR PERSONAL ATTENDENT:**

Salary paid - amount recovered

**GAS ELECTRICITY OR WATER FACILITY:**

- Employer own source: manufacturing cost p.u \* no. of unit consumed
  - From outside agencies: hire charges paid
- Less : Amount recovered

**FEEES OR CONCESSIONAL EDUCATIONAL FACILITY:**

CIRCUMSTANCES	VALUE OF PERQUISITE
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<b>(I) Employer incurs cost of education</b>	<b>Actual expenditure</b> incurred by the employer
<b>(II) Educational institution is owned and maintained by the employer or Free educational facility is provided in any other institution by reason of his employment with that employer.</b>	Cost of such education in a <b>similar institution</b> in or near the locality. {The perquisite is exempt if - (a) Free education facility is provided to children of the employee and (b) Cost of education is upto RS 1000 p.m per child, Otherwise it is fully taxable}
Less: Amount recovered	

**TRANSPORT FACILITY TO THE EMPLOYEES OF TRANSPORT UNDERTAKING**

Amount charged from general public - amount recovered  
(does not apply to airline or railways)

**EMPLOYEE STOP OPTION PLAN / SCHEME (ESOP)**

FMV on the date of exercising of option by employee	-
Less: amount recovered	-
Value of sweat equity shares	-

**Deferment of taxability in case of ESOP allotted to employee of eligible start-up [ inserted by Finance Act, 2020 w.e.f 01-04-2020]:** Where the income of the assessee of any assessment year, beginning on or after 01-04-2021, includes perquisite income of specified securities or sweat equity shares and such specified security or sweat equity shares are directly allotted or transferred directly or indirectly by the current employer, being an eligible start-up referred to in Section 80-IAC, the tax or interest on such income included in the notice of demand u/s 156(1) shall be payable by the assessee within 14 days -

- + After the expiry of 48 months from the end of the relevant assessment year; or
- + From the date of sale of such specified security or sweat equity share by the assessee; or
- + 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 share, Whichever is the earliest.

**Thus, the tax burden on such employee getting ESOP has been reduced by deferring the payment of tax by 5 years or till they leave the company or when they sell shares, whichever is earliest**

FMV in the following cases: (on the date of exercising option)

CASE	FMV shall be
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<p>Listed equity shares:</p> <p>(a) Only one RSE</p> <p>(b) Only one RSE but not traded on that day</p> <p>(c) More than one RSE</p> <p>(d) More than one RSE but not traded on that day</p>	<p>Opening + closing price/2</p> <p>Closing price of previous day</p> <p>Opening + closing price/2 ( highest volume wala RSE)</p> <p>Closing price of previous day ( highest volume wala RSE)</p>
Unlisted equity shares	Value by merchant banker
Specified securities not being an equity share	Value by merchant banker

**MEDICAL FACILITY [ Proviso to Section 17(2)]**

SITUATION	RESULT
Treatment in hospital maintained by employer (employee or his family member)	Exempt
Treatment in govt. hospital (employee or his family member)	Exempt
Treatment of prescribed disease in a hospital approved by the principal chief commissioner or chief commissioner (employee or his family member)	Exempt
<p><b>COVID medical treatment expenditure by the employer:</b></p> <p><b>Any sum paid by an employer in respect of expenditure incurred on medical treatment of employee or any of his family member in respect of any illness relating to COVID-19 subject to such conditions as the Central Government may, by notification in the official Gazette, specify in this behalf [Inserted by Finance Act, 2022 w.r.e.f. 01.04.2022 i.e. A.Y 2020-21]</b></p>	
Health insurance premium paid by the employer	Exempt
Health insurance premium reimbursed by the employer	Exempt
<p>Medical treatment abroad: expenditure incurred or reimbursed by the employer</p> <p>(a) medical treatment of employee or his family + stay + (one attendant )</p> <p>(b) cost of travel of employee or his family + attendant if <b>Gross total income does not exceed ₹ 2 lacs</b></p> <p>(family means spouse, children, brother, sister, parents)</p>	<p>Exempt</p> <p>exempt</p>

**FRINGE BENEFITS**

**INTEREST FREE OR CONCESSIONAL LOANS**

Max. monthly outstanding balance \* rate charged p.a by SBI for similar purpose -  
(saal ke start me i.e 1/4/2020)

Less: amount recovered -

(monthly outstanding balance means the aggregate outstanding balance for each loan as on the last day of each month)

**TRAVELLING, TOURING, ACCOMMODATION AND ANY OTHER EXPENSES PAID FOR OR BORNE OR REIMBURSED BY THE EMPLOYER FOR ANY HOLIDAY, OTHER THAN LEAVE TRAVEL CONCESSION/ ASSISTANCE, AVAILED OF BY AN EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD**

Value shall be the amount of the expenditure incurred by the employer

Facility is maintained by employer and not available to all employee	Value of such facility offered by other agencies to public
Employee on official tour + expenses for household	Amount of expenditure incurred
Official tour extended to vacation	Expenses incurred for extended vacations

**FREE FOOD & NON-ALCHOLIC BEVERAGES PROVIDED BY EMPLOYER**

Amount incurred by employer - amount recovered

♣ during working hours upto ₹ 50 per meal exempt above taxable
♣ tea and snacks during working not taxable
♣ free food & non alcoholic beverages in remote area not taxable
<b>However, the exemption provided in respect of free food and non-alcoholic beverage provided by such employer through paid voucher shall not apply to an employee, being an assessee, who has exercised option under Section 115BAC. [ Amended w.e.f 01-04-2021 i.e A.Y 2021-22]</b>

**GIFTS INCLUDING GIFT VOUCHERS AND TOKENS RECEIVED BY THE EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD ON CEREMONIAL OCCASIONS OR OTHERWISE**

Sum equal to amount to such gift (Rs 5000 aggregate value exempt)

**CREDIT CARD OR ADD ON CARD PROVIDED TO EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD**

Amount of expenses reimbursed by employer - amount recovered  
(if for official purpose not taxable)

**CLUB FACILITY PROVIDED TO EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD**

Amount of expenses paid or reimbursed by employer - amount recovered

Corporate membership exempt
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Wholly and exclusively for business purpose exempt

Facilities provided to all employees exempt

**USE, BY THE EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD, OF MOVABLE ASSETS (OTHER THAN ASSETS ELSEWHERE SPECIFIED IN RULE 3) BELONGING TO THE EMPLOYER OR HIRED BY HIM**

Value of perquisite = 10% of the actual cost of asset or amt of rent or hire charges paid by employer - amount recovered  
(use of laptop and computers is exempt)

**TRANSFER OF ANY MOVABLE ASSET WHICH ARE BELONGING TO THE EMPLOYER, DIRECTLY OR INDIRECTLY TO EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD**

<b>COMPUTERS &amp; ELECTRONIC GADGETS</b>	<b>MOTOR CARS</b>	<b>OTHERS</b>
Actual cost Less: dep 50% (WDV) Less: amount recovered	Actual cost Less: dep 20% (WDV) Less: amount recovered	Actual cost Less: dep 10% (SLM) Less: amount recovered

**Note:**

- (1) Depreciation is allowed for each completed year of put to use.
- (2) Electronic gadgets means data storage and handling devices like computer, digital diaries and printers. They do not include household appliances like washing machines, microwaves ovens, mixers, hot plates, ovens etc.
- (3) Member of household shall include - (i) spouse; (ii) children and their spouses; (iii) Parents; and (iv) servants and dependants

**ANY OTHER AMENITY OR BENEFITS**

Cost of same to the employer - amount recovered  
(telephone/mobile charges paid by employer is exempt)

**PERQUISITE WHICH ARE EXEMPT**

Perquisite allowed outside India by the provided	Employer's contribution to staff group insurance scheme	Annual premium by employer on personal accident policy
Refreshment	Telephone	Subsidized lunch
Recreational facilities	Transport facility	Amount spent on training of employees
Sum payable by employer to a RPF	Privilege passes and privilege ticket	Leave travel concession
Medical facility	Rent free official residence	Rent free furnished residence
Conveyance facility		



### PROFIT IN LIEU OF SALARY {SECTION 17(3)}

Profit in lieu of salary includes:

- ◆ Compensation received or due from employer or former employer in connection with termination or modification of employment.
- ◆ Provident fund or other fund se paise milna jo ki assessee contribute nahi kiya hai.
- ◆ Sum received under keyman insurance policy
- ◆ Any amount received before joining and after cessation of employment.

### GRATUITY {SECTION 10(10)}

1) Govt. employee - exempt

2) Other employees (covered under gratuity act, 1972):

**Least** of following:

✚ ₹ 20 lacs or

✚ Actual gratuity received

✚  $15/26 \times \text{salary last drawn} \times \text{no. of completed years of service or part thereof in excess of 6 months.}$

(Salary = basic pay + D.A always included)

Seasonal establishment me 15 ke badale 7 days lena hai.

6m se upper hua toh full year lena hai.

3) Other employees ( not covered under gratuity act, 1972):

**Least** of the following:

✚ ₹ 20 lacs

✚ Actual gratuity received

✚  $\frac{1}{2} \times \text{average salary} \times \text{completed year of service}$  (fraction of a year not to be considered)

(average salary = average of salary in last 10 months preceding the month of retirement)

Salary = Basic pay + D.A ( forming part of retiring benefit) + % waise fixed commission on turnover.

Note:

- ✚ Gratuity received during employment is **fully taxable**.
- ✚ If received from more than one employer the aggregate of both employer to be taken for limit.
- ✚ If already claim exemption then reduce then amount claim exemption for next time.
- ✚ Old employer period to be included while computing period for new employer if gratuity is not received from old employee.

### EARNED LEAVE SALARY {SECTION 10(10AA)}:

a) Govt. employee - exempt

b) Other employee:

**Least** of following:

- Actual amount received
- ₹ 300000
- 10<sup>th</sup> months average salary
- Average salary \* leaves at the credit of an employee taking 30days in a year for completed years of service.(fraction to be ignored)

Salary = basic pay + D.A (forming part) + percentage-wise fixed commission on turnover.

Average salary = average of salary drawn in the last 10 months immediately preceding the date of retirement.

Leave standing at the credit of employee = annual leave entitlement(taking 30days in a year \* completed year of service rendered) - leaves actually availed in service.

**Note:**

- ✓ Exemption is also available in case of resignation.
- ✓ No exemption during employment.
- ✓ Received from more than one employer the aggregate.
- ✓ If already claim exemption then can claim balance from next employer.
- ✓ Leave salary to widow/legal heirs/family member of the assessee during employment not taxable.

### COMMUTED PENSION {SECTION 10 (10A)}

- ❖ Govt. employee - exempt
- ❖ Other employee:
  - a) In receipt of gratuity - exemption 1/3<sup>rd</sup> of commuted value of pension
  - b) Not In receipt of gratuity - exemption 1/2<sup>rd</sup> of commuted value of pension

**Note:**

- **Commuted value of pension = pension received / % of pension commuted.**
- Uncommuted pension taxable in case of alle employees even govt. employee.
- Pension received from UNO is exempt.
- Commuted pension from LIC or any other approved insurer is exempt.
- Family pension received by legal heirs is taxable as income from other source.

### LEAVE TRAVEL CONCESSION {SECTION 10(5)}

Received to him or his family {spouse, children, brother and sister, parents (dependent upon him). In case of children born after 1/10/1998 the exemption is available for only two surviving children and in case of birth of multiple children born after on child, the multiple children shall be regarded as one child} during employment or after retirement/termination from former or current employer to any place in India is exempt.

Amount of exemption:

Situations	Exemption upto the amount not exceeding -
Journey by air	Economy fare of national carrier by shortest route
In case places are connected by rail and journey is performed other than air	1 <sup>st</sup> class AC rail fare by the shortest route
If the places are not connected by rail and - <ul style="list-style-type: none"> <li>+ Recognised means of transport exists</li> <li>+ No recognised means of transport exists</li> </ul>	1 <sup>st</sup> deluxe class fare on such transport by shortest route 1 <sup>st</sup> class AC rail fare by the shortest route
<b>The amount of exemption shall not exceed the amount actually incurred</b>	

Claim of exemption:

- The assessee can claim exemption for any two journeys in a block of 4 calendar years.
- In case no concession or only one concession is availed in the previous block, then the assessee can claim one additional exemption in the first year of next block.

RETRENCHMENT COMPENSATION {SECTION 10(10B)}

Least of the following is exempt:

- a) Actual amount received
- b) ₹ 500000
- c)  $15/26 \times \text{avg salary of last 3 months} \times \text{completed year of service and part thereof in excess of 6 months.}$

VOLUNTARY RETIREMENT/SEPERATION {SECTION 10(10C)}

Eligible assessee main sab a jaate hai.

Limit:

Least of the following:

- ◆ Actual amount received
- ◆ ₹ 500000

**Amount of compensation does not exceed:**

- 3 months \* salary last drawn \* completed year of service or
  - Salary last drawn \* balance of month left before retirement or superannuation
- Salary = basic pay + D.A (forming part) + % wise fixed commission on turnover
- (agar amount received amount of compensation se jayada hua toh toh entire amount taxable)

Guidelines for claiming exemption:

- a) The scheme applies to an employee who has completed 10 years of service or completed 40 years of age except in case of public sector company.
- b) It applies to all employees including workers and executive except directors of a company or co-operative society.
- c) The vacancy caused should not be filled up.
- d) Retiring employee is not employed in another company / concerns belonging to same management.
- e) Exemption is allowed only once.
- f) No exemption if relief claimed u/s 89.

**EXEMPTION IN RESPECT OF TAX ON NON-MONETARY PERQUISITE BORNE BY THE EMPLOYER ON BEHALF OF EMPLOYEE {SECTION 10 (10CC)}**

**PROVIDENT FUND AND TAX RELIEF**

Tax treatment of various provident fund

Tax incidence of	SPF	RPF	URPF
1) <b>Employers contribution</b>	Exempt	Exempt upto 12% of salary (note 1)	Not taxable when contribution is made
2) <b>Employees contribution</b>	Taxable	Taxable	Taxable
3) <b>Deduction u/s 80C on employees contribution</b>	Available	Available	Not Available
4) <b>Interest credited to PF</b>	Exempt	Exempt upto interest calculated 9.5% p.a	Not taxable when interest is credited
5) <b>Lump sum payment at the time of retirement or termination of service</b>	Exempt u/s 10(11)	Exempt from tax in some cases. When not exempt provident fund will be treated as unrecognised fund from the beginning. (note 2)	<ul style="list-style-type: none"> <li>➤ Employers contribution &amp; interest : taxable as salary.</li> <li>➤ Employees own contribution: exempt as taxed earlier.</li> <li>➤ Interest on employees contribution: taxable as income from other source</li> </ul>

It includes: [Amended by Finance Act, 2020]

<b>Contribution to RPF/NPS/Approved superannuation fund</b>	The amount or the aggregate of amounts of any contribution made to the account of the assessee by the employer - a) <b>In a recognised provident fund;</b>
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	<p>b) In the scheme referred to in section 80CCD(1); and c) In an approved superannuation fund, To the extent it exceed ₹ 7,50,000 in a previous year.</p>
<b>Interest/Dividend etc. on taxable contributions under RPF/NPS/Approved superannuation Fund</b>	The 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 fund or scheme referred above to the extent it relates to the contribution which is included in total income in any previous year computed in such manner as may be prescribed.

**Note:**

- Salary = basic + D.A (forming part) + percentage wise fixed commission on turnover.
- The 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 fund or scheme referred above to the extent it relates to the contribution which is included in total income in any previous year computed in such manner as may be prescribed.

The CBDT has, vide Rule 3B, notified the following manner to compute the annual accretion by way of interest, dividend or any other amount of similar nature during the previous year

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

<b>TP</b>	Taxable perquisite under section 17(2)(via)for the current previous year
<b>PC</b>	Amount or aggregate of amounts of employer's contribution in excess of ₹ 7.5 lakh to recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund during the previous year
<b>PC1</b>	Amount or aggregate of amounts of employer's contribution in excess of ₹ 7.5 lakh to recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund for the previous year or years commencing on or after 1 April, 2020 other than the current previous year
<b>TPI</b>	Aggregate of taxable perquisite under section 17(2)(vii) for the previous year or years commencing on or after 1" April, 2020 other than the current previous year
<b>R</b>	1/ Favg
<b>I</b>	Amount or aggregate of amounts of income accrued during the current previous year in recognized provident fund, national pension scheme u/s 80CCD and approved superannuation
<b>Favg</b>	(Amount or aggregate of amounts balance to the credit of recognized provident fund, national fund pension scheme u/s 80CCD and approved superannuation fund on 1st April, 2021 + Amount or aggregate of amounts of balance to the credit of recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund on 31st March, 2022)/2

Where the amount or aggregate of amounts of TPI and PCI exceeds the amount or aggregate of amounts of balance to the credit of the specified fund or scheme on 1<sup>st</sup> April, 2021, 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.

3. Lump sum payment at the time of retirement or termination of service is exempt from tax is:
  - a) Employee continuous service for 5 years or more.
  - b) Service is terminated due to ill health of employee or discontinuance of employers business or any other reason beyond his control.
  - c) On cessation of employment, RPF account is transfer from one employer to another.
  - d) The entire balance outstanding is credited under pension scheme under section 80CCD and notified by the CG.
4. Previous employer period will also be counted for 5 years counting.
5. In case, if UPRF is converted into RPF, then the amount to be taxed shall be the amount which is arrived by treating the fund as RPF from its inception i.e from the year of creation of fund.
6. **Taxability of accrued interest from SPF/RPF [ Amended by Finance Act 2021 ]**  
: 'Exemption u/s 10(11)/10(12) shall not apply to the income by way of interest accrued during the previous year in the account of a person to the extent it relates to the amount or aggregate of amounts of contribution made by that person exceeding ₹ 2,50,000 (₹ 5,00,000 if no contribution by the employer of such person ) in any previous year in that fund, on or after 1/4/2021 and computed in such manner as may be prescribed  
It may be noted that interest accrued on contribution to such funds upto 31/3/2021 would be exempt without any limit, even if the accrual of income is after that date.

#### APPROVED SUPERANNUATION FUND {SECTION 10(13)}

- ✚ Employers contribution - exempt upto ₹ 150000.
- ✚ Employee contribution - deduction under section 80C
- ✚ Interest - Exempt. However **The 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 fund or scheme referred above to the extent it relates to the contribution which is included in total income in any previous year computed in such manner as may be prescribed. [Amended by Finance Act, 2020 w.e.f 01-04-2021 i.e AY 2021-22]**
- ✚ Exemption of payment from the fund: if the payment are made to :-
  - To legal heirs on the death of the beneficiary or

- To an employee in substitution of or in commutation of an annuity on his retirement at or after a specified age or if he becomes incapable prior to his retirement.
- In form of refund of contribution on death of beneficiary. (point 1)
- In the form of refund of contribution to an employee leaving the service in circumstances other than those mentioned in point 1 above, to the extent the payment does not exceed contribution made prior to commencement of this act and interest thereon.
- By way of transfer to the account of the employee under a pension scheme referred to in section 80CCD and notified by the CG.

**SECTION 89: RELIEF WHEN SALARY IS PAID IN ARREARS OR IN ADVANCE**

- (A) Relief when available: Section 89 read with Rule 21A grants relief to the assessee who receives -
- (a) salary, being paid in arrears or in advance; or
  - (b) salary for more than 12 months in any one financial year; or
  - (c) profits in lieu of salary under section 17(3); or
  - (d) family pension as referred to in Section 57(iiia) being paid in arrears, due to which his total income is assessed at a rate higher than that at which it should have been assessed.
- (B) Calculation of relief: The admissible relief will be calculated as per the following steps-
- (1) Calculate the tax payable on the total income, including the additional salary, of the previous year in which the same is received.
  - (2) Calculate the tax payable on the total income, excluding the additional salary of the previous year in which the same is received.
  - (3) Find out the difference between the tax at (1) and (2).
  - (4) Compute tax on total income after including the additional salary in the previous year to which such salary relates.
  - (5) Compute tax on total income after excluding the additional salary in the previous year to which such salary relates.
  - (6) Find out the difference between tax at (4) and (5).
  - (7) Relief under section 89 = Tax computed at (3) - Tax computed at (6).
- (C) No relief, if exemption claimed u/s 10(10C) in respect of VRS compensation:  
No relief shall be granted under this section in respect of any amount received or receivable by an assessee on his voluntary retirement or termination of his service under Voluntary Retirement or Separation Scheme if an exemption u/s 10(10C) has been claimed in respect of such or any other assessment year.

**Effect: The cumulative effect of sections 10(10C) and 89 is**

- (a) The assessee cannot avail of exemption u/s 10(10C) and simultaneously claim relief u/s 89 in respect of the un-exempt portion in the same assessment year,

(b) Once exemption is claimed u/s 10(10C), no exemption u/s 10(10C) and no relief u/s 89 can be claimed for any other assessment year in respect of VRS compensation ;

(c) Once relief is claimed u/s 89 in respect of VRS compensation received, no exemption u/s 10(10C) can be claimed for any other assessment year. However, if any VRS compensation is received subsequently from any other employer, relief u/s 89 can be claimed. Therefore, relief u/s 89 can be claimed more than once.

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## INCOME FROM HOUSE PROPERTY

Conditions to be fulfilled for the purpose of charging any income under this head (SECTION 22):

- Property must consists of any **building or land appurtenant thereto** -
  - a) Building include building constructed on leasehold/rented land
  - b) Rent of vacant land - taxable under IOS.
- Assessee must be the **owner** of such property -
  - a) Free hold and leasehold rights and deemed owner also covered.
  - b) Ownership must exist in P.Y.
- The property can be used for any purpose **except for the purpose of business or profession of the assessee** -
  - a) If business of letting then taxable as business income.
  - b) If used for own business then not taxable under IHP or business income.
- Property held as stock in trade etc - **Annual value** in case of IHP. Builders ke pass **2 years** ka time hai tab tak vo **annual value NIL** claim kar sakte hai from the end of the financial year in which certificate of completion of construction was obtained.

Exemptions:

- ✦ Sublet receipt - taxable under IOS.
- ✦ Principal of mutuality - agar assessee ke upper apply hota hai toh IHP pe bhi applicable hoga.
- ✦ Letting is incidental to main business - taxable under PGBP
- ✦ Assessee's property used for his partnership firm - not taxable under this head. But if property is owned by HUF is given on rent to firm in which members of HUF are partners in their personal capacity, the taxable under IHP in the hands of HUF.

DISPUTED PROPERTY: person who receives income or enjoys the possession of property are assessable to tax under IHP.

COMPOSITE RENT:

Tax treatment:

- 1) **Composite rent including rent for letting out of property as well as rendering of services** -
  - ✦ Two different line of activities - apportioned as IHP and business income.
- 2) **Two activities they form single activity** -
  - ◆ main intention letting - IHP
  - ◆ main intention to exploit the immovable property by way of commercial complex - PGBP
- 3) **Composite rent including rent for letting out of building as well as other assets like P&M, furniture:**

- ✚ If letting of property is inseparable : entire income as PGBP or IOS
- ✚ If letting of property is separable : rent under IHP & rent from other property under PGBP or IOS.

**COMPUTATION OF ANNUAL VALUE (SECTION 23)**

Particulars	Amount (Rs)
Fair rent (a)	-
Municipal Rent (b)	-
<b>Whichever is higher (a or b) (c)</b>	-
Standard Rent (d)	-
<b>Expected Rent /Whichever is lower (c or d) (e)</b>	-
Actual rent received/receivable (ARR) (f)	-
<b>(GAV) Gross annual value/whichever is higher (e or f)</b>	-
Less : Municipal Taxes	-
<b>Net annual value (NAV)</b>	-
Less: Deduction u/s 24:	
Standard Deduction (30% of NAV)	-
Interest on loan	-
<b>Income from House Property</b>	-

**Notes:**

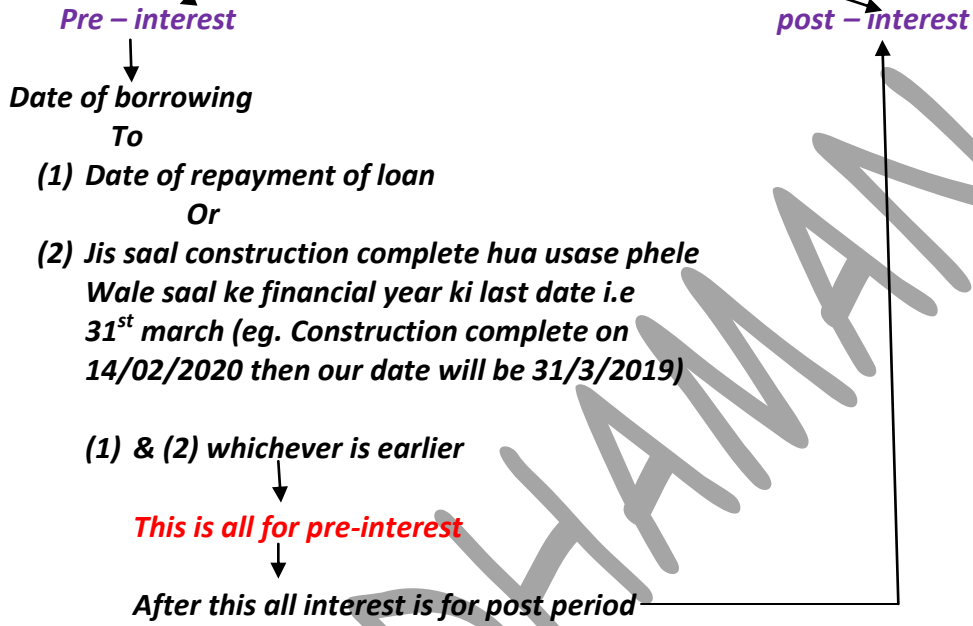
- Agar ARR, ER se cum hai due to vacancy (matlab khali rehene ke karan) toh **GAV = ARR.**
- Municipal taxes sirf jo owner pay karta hai vahi minus hota hai chahe jitney saal ka bhi pay kare (advance not allowed)
- **Unrealised rent(UR)** (jo dub gaya hai) shall be **deducted from ARR.** UR ki **4 conditions fulfill** honi chahiye tabhi deduct hoga.
- **ARR exceed PER** (proportionate expected rent) se due to vacancy toh **GAV = ARR**, PER ka matlab utne mahine ka proportionate expected rent jitney mahine property rent pe hi.
- **ARR less than PER** ( vacancy ke alawa koi kaaran se eg: self occupied raha) then **GAV = ER for 12 months.**
- If property vacant for whole year then annual value shall be NIL.
- Section 23(2) ke hesab se **two ghar ka selfoccupied ya unoccupied house property ki annual value nil lenge.** (individual, huf)
- Agar house property kuch samay let out and kuch samay self occupied toh annual value NIL nahi lenge. (eg: 4 months raha 8months let out toh pura 12months let out mana jayega) and actual rent ko excepted rent of 12months se compare karke GAV nikalenge.
- Half portion let out/half portion self occupied the dono ko alag alag maan ke tax lagayenge.

**DEDUCTION FROM ANNUAL VALUE(SECTION 24)**

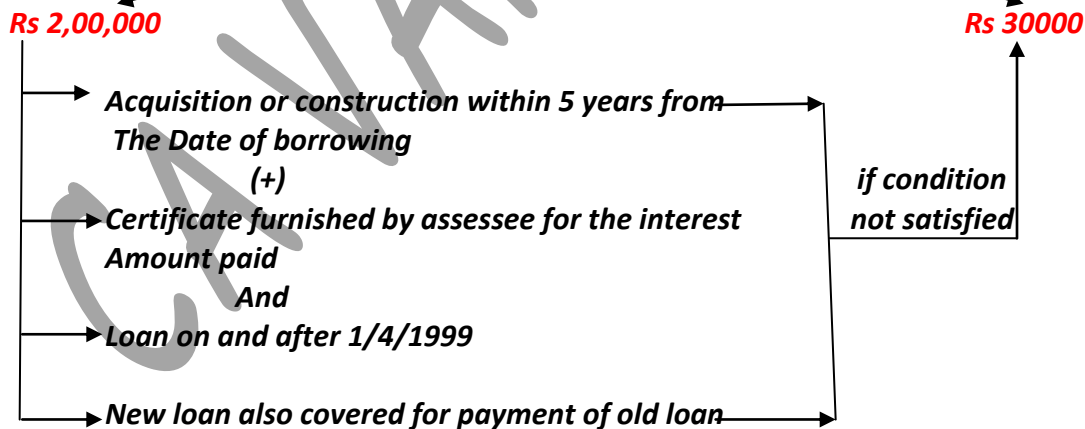
(I) Standard deduction - 30% of NAV

(II)

Interest on Loan



INTEREST ON LOAN LIMIT [SELF OCCUPIED]



- ✚ Repair, renewal or reconstruction main Rs 30000 milega.
- ✚ Interest include service fees or other charges in respect of money borrowed.
- ✚ Interest on unpaid interest is not deductible.
- ✚ Pre - interest 5 installements main milta hai from the date of completion.

AMOUNT NOT DEDUCTIBLE (SECTION 25):

Any interest payable (shall not be allowed)

- ♣ Which is payable outside India,
- ♣ On which tax has not been deducted or paid
- ♣ Jo non resident ka agent nahi hai

PROVISION FOR ARREARS OF RENT AND UNREALISED RENT RECEIVED SUBSEQUENTLY (SECTION 25A)

Amount received as Arrears of rent and unrealised rent	-
Less: standard deduction 30 %of such amount	-
	-----
Income from house property	-

Jis financial year me received hoga ussi financial year me taxable hoga chahe property ho ya nahi vo.

PROPERTY OWNED BY CO-OWNERS (SECTION 26)

- a) **Shares are definite and ascertainable** - each person will be treated as separate and will be taxable. (haar chije dono ki alag alag hogi jaise ki interest ki limit and self occupied ki limit)
- b) **Unascertainable shares** - then will be taxed as AOP.

DEEMED OWNERSHIP (SECTION 27):

1. **Transfer to spouse or minor child otherwise than for adequate consideration:**  
An individual who transfer otherwise than for adequate consideration his house property to -
  - ♣ His or her spouse, not being a transfer in connection with an agreement to live apart; or
  - ♣ Minor child, not being married daughter.Shall be deemed to be the owner of the house property so transferred.
2. **Holder of an impartible estate.**
3. **Property allotted under house building scheme.**
4. **Possession on part performance of contract.**
5. **Holder of substantial lease or other rights for not less than 12 years:** A person who acquires any rights (excluding any right by way of a lease from month to month or for a period not exceeding one year) shall be deemed to be the owner of that building or part thereof.

{Transfer means -

- ✚ Transfer of property by way of sale or exchange or lease for a term of not less than 12 years, and includes allowing the possession of such property to be taken or retained in part performance of a contract.
- ✚ Doing of anything which has the effect of transferring, or enabling the enjoyment of, such property.}

Exempted Properties

1. Any one place or part thereof of an ex-ruler, provided the same is not let out
2. House property of a local authority

3. House property of an approved scientific research association
4. House property of an educational institution
5. House property of a hospital
6. House property of a person being resident in Ladakh
7. House property of a political party
8. House property of a trade union
9. A farm house
10. House property held for charitable purpose
11. House property used for own business or profession

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## PROFIT AND GAINS FROM BUSINESS AND PROFESSION

### CHARGING SECTION (SECTION 28):

- Profit and gains of any business or profession.
- **Compensation:** any compensation received or due to be received by-
  - ✚ Person managing Indian company in relation to termination or modification in terms and condition.
  - ✚ Person managing other company in relation to termination or modification in terms and condition.
  - ✚ Person holding agency in India in relation to termination or modification in terms and condition.
  - ✚ Person vesting in the government.
  - ✚ Person in relation to contract termination or modification in terms and condition.
- Income derived by a trade, association or professional from specific services to its members.
- **Incentive from export business:**
  - ✚ Profit on sale of import entitlement.
  - ✚ Cash assistance against export under any scheme of GOI.
  - ✚ Duty drawback
  - ✚ Profit on the transfer of DEPB
  - ✚ Profit on the transfer of DFRC.
- Benefit or perquisite arising from business or profession.
- Partner's remuneration.
- **Non-competing fees and exclusivity receipt** (compensation from multilateral fund of the montreal protocol on substances that deplete ozone layer is not taxable)
- Key man insurance policy receipt.
- FMV of inventory on its conversion as capital assets.
- Sale proceed of assets of specified business.

### MODE OF COMPUTATION OF INCOME UNDER PGBP(SECTION 29)

PARTICLUARS	AMOUNT
Net profit as per P/L account	-
<b>Add:</b> expenses debited to P/L account not allowable under this Head	-
<b>Less:</b> allowable expenses under this head not debited to P/L a/c	-
<b>Less:</b> income not taxable under this head but credited to P/L a/c	-
<b>Add:</b> income not credited to P/L a/c but taxable under this head	-
Profit and gains of business and profession	-

### BASIC REQUIREMENT FOR CHARGING ANY INCOME UNDER PGBP

- ◆ There should be **profit & gains**.

- ◆ Profit and gains may be of any business or profession.
- ◆ Business or profession must be carried on by assessee. (pre incorporation profits not included)
- ◆ Business or profession should be carried on at any time during the previous year.
- ◆ Income from letting of business assets.

### SPECULATION TRANSACTION {SECTION 43(5)}

Speculation transaction means a transaction in which a contract for purchase and sale of any commodity, including stock and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity and scrips.

Following transaction will not be treated as speculative transactions:

- ◆ Hedging contract in respect of raw material or merchandise.
- ◆ Hedging contract in respect of stock and shares.
- ◆ Forward contract.
- ◆ Trading on derivatives.
- ◆ Trading in commodity derivatives.

### DEEMED SPECULATION BUSINESS (EXPLANATION TO SECTION 73):

Where any part of the business of a company consists of purchase and sale of shares of other companies, then such company shall be deemed to be carrying on a speculation business to the extent to which the business consists of the purchase and sale of such shares.

Exception: (in case main taxable nahi hoga)

- ♣ A company whose GTI consists mainly of income under the head IHP, CG and IOS.
- ♣ A company the principal business of which is the business of trading in shares or banking or the granting of loans and advances.

### CLAIMING DEDUCTION OF LOSSES INCIDENTAL TO BUSINESS

- ♥ Loss should be real in nature.
- ♥ Loss should be revenue.
- ♥ Losses be actually occurred.
- ♥ Losses should be incidental to business.

### ADMISSIBILITY OF DEDUCTION UNDER SECTION 30 TO 44DB.

- ❖ Expenditure should relate to the business of the assessee.
- ❖ Expenditure should relate to the P.Y in which business has been carried out.
- ❖ Burden to prove the admissibility of expenditure lies to the assessee.
- ❖ No expenditure allowed before setting up of the business.

### DEDUCTION IN RESPECT OF RENT, RATES & TAXES ETC. OF BUILDING, MACHINERY AND FURNITURE - SECTION 30 & 31

**1. Rent, rates, taxes, repairs and insurance of building (section 30):**

- ✓ Rent and repairs of premises:
  - ⊗ As a tenant: rent paid + cost of repair
  - ⊗ Otherwise as a tenant: amt paid for current repair.
- ✓ Taxes: such as municipal taxes, local tax subject to section 43B.
- ✓ Insurance premium: amount of premium paid.

**2. Cost of repairs and current repairs of capital nature not deductible**

**3. Capital expenditure on leased building - lessee deemed owner - entitled for depreciation.(extra expense jo karega uspe)**

**4. Repairs and insurance of machinery, plant or furniture (section 31): same as above 3 points**

**DEPRECIATION, WDV AND ACTUAL COST**

**DEPRECIATION (SECTION 32)**

**1. Depreciation is available on "assets" and "block of assets" ( not being goodwill of a business or profession) [ Amended by Finance Act 2021 ]**

**2. Asset must be owned wholly or partly by assessee: depreciation is allowed only to the owner of asset, however registered ownership is not necessary.**

**Exception:**

- ✦ Lessee is entitled to claim depreciation on any superstructure, constructed by him.
- ✦ In case of hire purchase: hire purchaser is allowed depreciation.

**3. Asset must be used for the purpose of business or profession of the assessee.**

**4. Asset should be used during the relevant previous year: in order to claim depreciation, it is mandatory that the asset must be in use during the previous year**

**Amount of depreciation:**

- ⊗ Use for less than 180days: put to use less than 180 days then 50% depreciation.
- ⊗ Use for 180 days or more: 100 % depreciation allowed.
- ⊗ Subsequent year me jitne bhi din koi relevant nahi hai.

**5. Claim for depreciation is mandatory.**

**6. Rate of depreciation read it from book.**

**ACTUAL COST {SECTION 43(1)}**

Actual cost means the actual cost of the assets of the assessee, reduced by that portion of the cost thereof, if any, as has been met directly or indirectly by any other person or authority. However agar asset ke liye ₹ 10000 se jayada cash payment kiya hoga toh vo asset ki cost me add nahi hoga. [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic



funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]

**COMPUTATION OF ACTUAL COST:**

PARTICULARS	AMOUNT
Purchase price of the asset	-
Add: Direct cost attributable to bring asset to its present location and working condition for its intended use (i.e expenses incurred for acquiring the asset E.g. - freight, insurance, loading and handling etc. and expenses incurred in connection with the installation of asset.)	-
Add: Interest on capital borrowed in connection with the acquisition of asset before the asset is first put to use	-
Less: Amount of duty of excise or additional duties of custom levied on it and included in its cost, in respect of which claim of CENVAT credit has been made and allowed under the CENVAT credit rules 2004	-
Less: Portion of cost of asset which has been met directly or indirectly by the C.G in the form of subsidy or grant.	-
Add/Less: Increase/ Decrease in cost due to exchange rate fluctuation	-
<b>Actual cost of the asset</b>	<b>-</b>

**WRITTEN DOWN VALUE(WDV)[SECTION 43(6)]**

- In case of asset acquired in the P.Y: actual cost of the asset
- In case of asset acquired before the P.Y: actual cost - depreciation

**WDV IN CASE OF BLOCK OF ASSETS [SECTION 43(6)(c)] [Amended by Finance Act 2021 ]**

Particulars	Amount
WDV at the beginning of the year	-
Add: actual cost of the asset falling within the block, not being increase on account of acquisition of goodwill of a business or profession acquired during the previous year	-
Less:	-
(i) money payable (including scrap) in respect of any asset falling within that block which is sold, discarded, demolished or destroyed during the previous year, to the extent it does not exceed the sum of the above two	
(ii) where goodwill of a business or profession was part of the block of assets on which depreciation was allowed to the assessee upto previous year 2019-20, actual cost of the goodwill as reduced by amount of depreciation that would have been allowable to the assessee for such goodwill as if goodwill was the only asset in the block. However, the amount of reduction cannot exceed the WDV.	
<b>WDV at the end of the year</b>	<b>-</b>

Less: Depreciation at block rate	-
Depreciated value at the block at the end of the year	-

**WDV IN CASE OF SLUMP SALE**

PARTICULARS	AMOUNT
WDV of block of assets	-
Less: Deduction on account of slump sale to the extent of amount computed (below)	-

PARTICULARS	AMOUNT
Actual cost of assets failing in the block, which is transferred by slump sale	-
Less: Depreciation that would have been allowed if that asset was the only one in the block	-
Deduction on account of slump sale	-

For computing depreciation upward and downward revaluation of asset to be ignored.

WDV in case of assessee having partly agriculture and partly business income:  
Depreciation shall be allowed only for business purpose.

WDV in case of block of asset transferred in succession of business and profession:  
WDV in the hands of predecessor/transferor/amalgamating co/demerged co.

BLOCK EXIST BUT WDV CEASES TO EXIST: sale price > wdv - STCG, sale price < wdv - depreciation.

WDV EXIST BUT BLOCK CEASES TO EXIST: sale price > wdv - STCG, sale price < wdv - STCL.

**SPECIAL PROVISIONS CONSEQUENTIAL TO CHANGE IN RATE OF EXCHANGE OF CURRENCY (SECTION 43A)**

**Applicability:**

- ❖ Asset acquired from outside India for business & profession.
- ❖ Subsequently, there is change in exchange rate.

**Treatment:**

- ❖ The amount of liability so increased or decreased at the time of payment shall be added or reduced to the cost of asset or the amount of capital expenditure.

**Other relevant point:**

- ❖ Adjustment of only actual payment.
- ❖ Liability met by other person no adjustment needed.
- ❖ Increase/decrease in liability of interest payment on account of exchange rate fluctuation will for part of the cost of asset.

**TAXATION OF FOREIGN EXCHANGE FLUCTUATION [ Section 43AA] [ONLY FOR CMA]**

Any gain (or loss) being computed in accordance with ICDS, arising on account of any change in foreign exchange rates shall be treated as income (or loss)

**APPORTIONMENT OF DEPRECIATION**

Apportionment of depreciation in case of amalgamation/ demerger/business reorganization: in the ratio of the number of days of use of asset by them during that previous year.

**ADDITIONAL DEPRECIATION [SECTION 32(1)(ia)]**

**Applicability:** Is available on **new machinery or plant** (other than ship and aircraft), which has been acquired and installed after 31-05-2005.

- ✦ Assessee engaged in the business of **manufacture or production of any article or thing** or in the **business of generation, transmission or distribution of power**.
- ✦ Available in case of block of asset.

**Deduction:**

- ◆ **20% of actual cost of P&M**. if put to use for less than 180 days, then only 10% will be allowed.
- ◆ Balance of additional depreciation will be allowed in succeeding P.Y

**No deduction:**

- ✦ P&M used outside India (second hand)
- ✦ Any official appliances or road transport vehicles.
- ✦ P&M installed in office premises or the residential accommodation (including guest house)
- ✦ P&M whose whole of the actual cost is deductible.

**UNABSORBED DEPRECIATION [SECTION 32(2)]**

- ♥ Shall be allowed to be carry forward.
- ♥ Can be carry forward even if business is not in existence.
- ♥ Return of loss is not required
- ♥ Brought forward loss shall be given priority over unabsorbed depreciation.
- ♥ **Can be carry forward infinite.**

**DEPRECIATION IN CASE OF POWER GENERATING UNIT [SECTION 32(1)(i)]**

- ⊗ **Applicability:** applies to power generating undertaking, but doesn't apply to undertaking only engaged in distribution of power.
- ⊗ **Claim for depreciation on SLM basis instead of WDV:** Depreciation dono methods se claim kar sakte hai but ek baar jo method claim karenge vo aage ke years ke liye bhi applicable hoga.
- ⊗ **Treatment in case of sale of assets:**
  - Monies payable is less than WDV: **terminal depreciation**
  - Monies payable exceed WDV not cost: **balancing charge**

- Monies payable exceed WDV and cost: **balance charge + capital gain.**

**SITE RESTORATION FUND [Sec 33ABA & Rule 5AD] [only for CMA]**

- **Applicable to** - all assessee engaged in business of -
  - a) Prospecting for petroleum or natural gas; or
  - b) Extraction or production of petroleum or natural gas; or
  - c) Both in India
- **Condition to be satisfied** -
  - (i) agreement with central government
  - (ii) deposit of amount  
treatment of interest - shall be deemed to be deposit
  - (iii) time of deposit - before the end of previous year
  - (iv) audit of books of account - one month prior to due date of filing of return (audit under other will be sufficient compliance)
- **quantum of deduction** - minimum of the following:
  - a. Amount so deposited
  - b. 20% of profit of such business before brought forward business loss and deduction under this section
- **Other points**
  1. **Excess deposit** - not treated as deposit
  2. **Restriction on utilization of amount for certain purpose**
    - P&M installed in Any official appliances or road transport vehicles.
    - P&M installed in office premises or the residential accommodation (including guest house)
    - P&M whose whole of the actual cost is deductible.
    - P&M installed in industrial undertaking for producing and manufacturing item in Schedule XI
  3. **Withdrawal from account** - deemed as income
  4. Double deduction is not permissible
  5. **Restriction on sale of such asset** - 8 years

**CERTAIN SPECIAL DEDUCTION - SECTION 35 TO 35DDA**

**DEDUCTION IN RESPECT OF EXPENDITURE INCURRED ON SCIENTIFIC RESEARCH [SECTION 35]**

Section 35	Expenditure incurred	Amt of deduction	Conditions
(1)(i)	Revenue expenditure on scientific research related to business (before commencement of business)	100%	Expenditure incurred 3 years before commencement of business.
(1)(ii)	Sum paid to a research association, university, college or	100%	Deduction is allowed even if not allowed related to

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	institution		business.
(1)(ia)	Sum paid to company having its main objective of scientific research	100%	-
(1)(iii)	Sum paid for social science or statistical research	100%	Deduction allowed even if research is not related to business.
(1)(iv)/(2)	<ul style="list-style-type: none"> <li>✚ Capital expenditure (except expenditure on purchase of land) on scientific research</li> <li>✚ Capital expenditure (except expenditure on purchase of land) incurred before the commencement of business</li> </ul>	100%	Expenditure incurred 3 years before commencement of business. No depreciation is allowable.
(2AA)	Sum paid to - <ul style="list-style-type: none"> <li>➤ National laboratory</li> <li>➤ University</li> <li>➤ IIT</li> <li>➤ Specified person</li> </ul>	100%	-
(2AB)	<ul style="list-style-type: none"> <li>▪ Expenditure (not being in nature of cost of any land or building) incurred on in-house research and development facility incurred by a company engaged in the business of manufacture or production of any article or thing, not being an article or thing specified in the list of the eleventh schedule</li> <li>▪ Expenditure on scientific research in relation to drugs and pharmaceuticals</li> </ul>	100%	-

**Note:**

- ❖ Deduction not to be denied even if approval withdrawn subsequently -
  - ✚ The approval granted to association, university, college, other institution referred to u/s 35(1)(ii)/(iii), or the company referred u/s 35(1)(ia) or the laboratory or specified person referred to under section 35(2AA) has been withdrawn; or

- ✦ The approval granted to the programme undertaken by the National laboratory, University, Indian institute of technology or specified person, has been withdrawn.
- ♥ **Intimation to prescribed income tax authority within 3 months:** Every notification for approval under Section 35(1)(ii)/(iia)/(iii) in respect of the research association, university, college or other institution or the company issued on or before 01-04-2021, shall be deemed to have been withdrawn unless such research association, university, college or other institution or company makes an intimation in prescribed form and manner to the prescribed income-tax authority within 3 months from 01-04-2021, and subject to such intimation the notification shall be valid for a period of 5 consecutive assessment years beginning with the assessment year commencing on or after 01-04-2022.

**Notification to be effective for a period not exceeding 5 years:** Any notification issued by the Central Government any one time, have effect for such assessment year or years, not exceeding 5 assessment years as may be specified in the notification.

- ♣ **Condition for claiming deduction [Amended by Finance Act, 2022, w.r.e.f. 01.04.2021]:** The deduction in respect of any sum paid to the research associations, university, college or other institution referred to in Section 35(1)(ii)/(iii), or the company referred to in Section 35(1)(iia) shall not be allowed, unless such research association, university, college or other institution or company -
  - (i) Prescribed statement to be furnished
  - (ii) Certificate to be furnished to the donor.
- ❖ Unabsorbed scientific research capital expenditure is carried forward and set off in the same manner as unabsorbed depreciation.
- ❖ Actual use for scientific research during the previous year - not necessary. (there is no requirement for put to use, only installation is needed)
- ❖ **Scientific research asset sold:**
  - **Without being used:**
    - Sale proceed upto amount of deduction is deemed as profit.
    - Sale proceed above cost is taxable as capital gain.
  - **After being used:**
    - At the time for business purpose: cost will be NIL(100% deduction allowed)
    - At the time for sale: capital gain

### **EXPENDITURE ON SPECIFIED BUSINESS (SECTION 35AD)**

1. **Optional deduction:** An Assessee shall be allowed deduction under this section if he opts for the provisions of this section

**2. Meaning of specified business:**

- ☉ **Cold chain facilities:** on or after 1-4-2009
- ☉ **Warehousing facilities – agriculture produce:** on or after 1-4-2009
- ☉ **Hospitals:** atleast 100 beds on or after 1-4-2010
- ☉ **Housing project:** affordable house on or after 1-4-2011
- ☉ **Fertilizer plant:** production of fertilizer on or after 1-4-2011.
- ☉ **Cross -country natural gas pipeline network:** on or after 1-4-2007.
- ☉ **Hotel:** two star or above on or after 1-4-2010
- ☉ **Slum redevelopment housing project:** on or after 1-4-2010
- ☉ **ICD/CFS:** on or after 1-4-2012
- ☉ **Bee-keeping and production of honey and beeswax:** on or after 1-4-2012
- ☉ **Warehousing facility – sugar:** on or after 1-4-2012
- ☉ **Slurry pipe line:** on or after 1-4-2014
- ☉ **Semi-conductor wafer-fabrication manufacturing unit:** on or after 1-4-2014
- ☉ **Infrastructural facility:** on or after 1-4-2017.

**Eligible Deduction:** 100% of the capital expenditure incurred. Deduction in respect of expenditure incurred prior to commencement will be allowed. Capital expenditure exceed Rs 10000 or expenditure on land, goodwill and financial instrument not eligible. [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]

**3. Condition to claim deduction:**

- a) It is not set up by splitting up, or the reconstruction, of a business already in existence.
- b) It is not set up by the transfer of P&M previously used for any purpose. However second hand P&M doesn't exceed 20% of total value of P&M or second hand P&M is the imported one and no depreciation is claimed on it.

**4. Minimum use of capital asset for specified business – 8 years**

**5. Asset used for purpose other than specified business – consequences thereof:** the total amount of deduction so claimed and allowed in one or more previous year as reduced by the amount of depreciation allowable in accordance of the provision of section 32, as if no deduction under this section was allowed, shall be deemed to be the income of the assessee chargeable under the head PGBP of the previous year in which the asset is so used.

**6. In case of hotel operation can be transferred but the deduction will be allowed to the owner.**

7. Deduction under this section will not be allowed under any other section - No deduction in respect of the expenditure shall be allowed to the assessee under any other section in any previous year or under this section in any other previous year, if the deduction has been claimed or opted by the assessee and allowed to him under this section
8. Carry forward and setoff of losses will be indefinite period.

**AMMORTISATION OF TELECOM-LICENCE FEE [ Sec 35ABB] [only for CMA/CS]**

- × **Applicable to** - all assessee
- × **Condition to be satisfied** -
  - a) Assessee has incurred capital expenditure
  - b) Payment has actually been made (revenue expenditure shall be allowed u/s 37)
- × **Deduction u/s 35ABB(1)** - actual expenditure incurred and paid shall be allowed as deduction in equal installments over the period for which license remains in force starting from the year as under -

Case	Period starts from
Where the license fee is paid <b>before</b> the commencement of business	The previous year in which such <b>business commenced</b>
When license is acquired <b>after</b> commencement of business	The previous year in which license fee <b>has been actually paid</b>
No depreciation allowed	

- × **Where such license is sold in full**
  - a) Loss on sale shall be deductible as business loss
  - b) Profit on sale to the extent of aggregate deduction will be treated as business income
  - c) Excess of sale consideration over original cost is capital gain
- × **Where such license is transferred in a scheme of amalgamation or demerger** - amalgamated or resulting company will claim deduction

**EXPENDITURE BY WAY OF PAYMENT TO ASSOCIATION AND INSTITUTION FOR CARRYING OUT RURAL DEVELOPMENT PROGRAMMES (SECTION 35CCA)**

100% of the expenditure is allowed as deduction

**EXPENDITURE INCURRED ON NOTIFIED AGRICULTURE EXTENSION PROJECT (SECTION 35CCC)**

100% deduction allowed.

**EXPENDITURE INCURRED BY COMPANIES ON NOTIFIED SKILL DEVELOPMENT PROJECT (SECTION CCD)**

100% deduction allowed (not being expenditure in the nature of cost of any land or building)

**AMORTIZATION OF CERTAIN PRELIMINARY EXPENSES (SECTION 35D)**



1. **Eligible assessee:** Indian company or a person resident in india.
2. **Deduction to be allowed in 5 equal installment:** preliminary expenditure incurred before commencement of business (from the date of commencement of business) or after relating to extension of undertaking or setting up new unit ( P.Y in which extension is completed or new unit commences production)
3. **Expenditure eligible for deduction:**
  - + Expenditure in connection with -
    - ◆ Feasibility report
    - ◆ Project report
    - ◆ Conducting market or any other survey
    - ◆ Engineering services
  - + Legal services for drafting any document
  - + Assessee is a company, also expenditure of
    - ◆ Legal charges of MOA and AOA
    - ◆ Printing charges of MOA and AOA
    - ◆ Registration fees
    - ◆ Underwriting commission or brokerage etc.
  - + Such other expenditure.
4. **Amount qualifying for deduction:** lower of the following:
  - \* Aggregate of eligible expenditure or
  - \* Higher of (i) or (ii)-
    - (i) 5% of cost of project or
    - (ii) 5% of capital employed (only in case of Indian company)
5. **Audit of accounts:** where the assessee is a person other than a company or a co-operative society, no deduction shall be admissible unless the account of the assessee for the year or years in which the expenditure is incurred have been audited by a Chartered Accountant before the specified date referred to in section 44AB and the assessee furnishes for the first year in which the deduction under this section is claimed, the report of such audit by that date in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed. [Amended by Finance Act, 2020 w.e.f 01-04-2020 i.e AY 202-21]
6. **Transfer of undertaking in scheme of amalgamation/demerger:** balance years ke liye samne wale ko milega.
7. No double deduction.
8. Service unit also eligible.

**AMORTIZATION OF EXPENDITURE INCURRED UNDER VOLUNTARY RETIREMENT SCHEME (SECTION 35DDA)**

1. **Eligible assessee:** any person.
2. **Eligible expenditure:** 100%

3. **Deduction and period:** 1/5<sup>th</sup> of expenditure for 5 successive years starting from P.Y from year expenditure incurred.
4. **Transfer of undertaking in scheme of amalgamation/demerger:** balance years ke liye samne wale ko milega.
5. **No double deduction.**

**AMMORTISATION OF EXPENDITURE ON PROSPECTING ETC. FOR DEVELOPMENT OF MINERALS [Sec 35E] [ only for CMA]**

- ♣ **Applicable to** - any Indian company and any other resident assessee
- ♣ **Condition to be satisfied** -
  - ◆ Assessee engaged in operations relating to prospecting for or extraction or production of mineral specified in Seventh Schedule
  - ◆ **Period during which expenditure is incurred** -
    - In the previous year in which commercial production commences; and
    - At any time during the period of 4 years preceding the year in which commercial production commences.
  - ◆ **Expenditure which are not qualified for deduction** -
    - ♣ Acquisition of site or any right
    - ♣ Acquisition of deposits of minerals or any right
    - ♣ Capital nature (being building, P&M, or furniture) depreciation is allowable u/s 32
    - ♣ Any expenditure which is met directly or indirectly by any other person or authority and any sale, salvage, compensation or insurance moneys realized by the assessee.
  - ◆ In case of non-corporate assessee, accounts of assessee audited by CA shall be uploaded one month prior to the due date of filing of return
- ♣ **Quantum of deduction** - 10 equal installment from the year of commercial production. Unabsorbed amount can carryforward for 10 years.
- ♣ **In case of amalgamation or demerger** - amalgamated or resulting will claim balance.

**OTHER SPECIFIED DEDUCTION AND GENERAL DEDUCTION (SECTION 36 & 37)**

**Other deduction (section 36)**

Section 36 (1)	Deductible expenditure	Conditions
(i)	Insurance premium on stock or store	Used for business purpose
(ia)	Insurance premium paid by federal milk cooperative society	-
(ib)	Health insurance premium paid by any mode of payment other than cash by an employer for employee	Scheme framed by GIC and other insurer approved by IRDA

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(ii)	Bonus or commission paid to employee (otherwise as profit or dividend) subject to 43B	Bonus exceeding statutory limit will also be allowed
(iii)	Interest on capital borrowed for the purpose of business or profession (asset ke put to use phele ka interest cost of asset me include ho jaata hai and uske baad ka interest as revenue expenditure allowed ho jaata hai)	Interest on own capital is not deductible
(iiia)	Discount on zero coupon bond ( ZCB issued by any infrastructure capital company/ fund or <b>infrastructure debt fund</b> or public sector or scheduled bank ( <b>Amended by Finance Act 2021</b> )	Allowed over the life of bond
(iv)	Contribution made by employer to RPF/approved superannuation fund	Subject to section 43B
(iva)	Deduction of contribution made by employer towards a pension scheme u/s 80CCD or 10% of salary of employee (WEL)	-
(v)	Sum paid by employer towards an approved gratuity fund	Subject to section 43B
(va)	Sum received by assessee from his employees as contribution to provident fund or employee state insurance fund or superannuation fund or any other welfare fund  Sum received is treated as income first then allowed as deduction	Such sum should be credited by the assessee to the employee's account in the relevant funds on or before the due date <b>Due date not to be determined as per Section 43B [ Amended by Finance Act 2021 ]</b>
(vi)	Loss in respect of animals, animals used for business or profession (otherwise than an stock in trade)	Deduction allowed = [actual cost of the animal - sale proceed of animals]
(vii)	Expenditure on promoting family planning Revenue expenditure - 100 % in year which it is incurred Capital expenditure - 1/5 <sup>th</sup> of the expenditure ( 5 years main allow hoga)	-

(viii)	STT paid will be allowed	-
(ix)	CTT paid will be allowed	-
(x)	Credit guarantee fund trust allowed [ only for CMA]	

**DEDUCTION IN RESPECT OF SPECIAL RESERVE [Sec 36(1)(viii)] [ only for CMA]**

The amount of deduction shall be **least** of following:

- ✚ Amt transferred to the reserve account
- ✚ 20% of the profit
- ✚ Twice the amount of paid up capital and the general reserve

**DEDUCTION IN RESPECT OF BAD DEPTS (SECTION 35(I)(vii) & 36(2))**

- a) Bad dept written off irrecoverable shall be allowed. **However provision for doubtful debt will not be allowed.**
- b) Koi debt irrecoverable hogaya hai and usko ICDS ke basis me income liye the and vo bhale he books of accounts me record nahi hua hai uski deduction mil jayegi as bad dept.
- c) **Deduction is allowed subject to conditions:**
  1. **There must be a debt and the debt must be incidental to the business or profession of the assessee.**
  2. **Such debt shall be taken while computing the income of the assessee.**
- d) In case of bank agar provision se jayada bad dept hua toh excess amount ki deduction mil jayegi.
- e) Bad dept recovered is taxable in the P.Y which it is recovered.
- f) **Successor of business** - bad dept allowed business wise, not assessee wise.
- g) No requirement to prove bad depts..

**GENERAL DEDUCTION (SECTION 37)**

**The expenditure should be in the nature of:**

- ⊗ Should not be in the nature of section 30 to 36.
- ⊗ Incurred by assessee during the accounting year.
- ⊗ Should be in respect of business.
- ⊗ Should not be in the nature of personal expenses.
- ⊗ Not be in the nature of capital expenditure.
- ⊗ Should be wholly and exclusively for business or profession.
- **Expenditure for any offence or prohibited purpose - not allowable**  
**Scope of expenditure for any offence or prohibited purpose [Explanation 3] [Amended by Finance Act,2022 w.e.f. 01/04/2022 i.e. A.Y 2022-23]: Such expenditure shall include the expenditure incurred by an assessee, -**
  - (i) **For any purpose which is an offence under, or which is prohibited by, any law for the time being in force, in India or outside India; or**

- (ii) To provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guideline, as the case may be, for the time being in force, governing the conduct of such person; or
- (iii) To compound an offence under any law for the time being in force, in India or outside India.

- CSR expenditure - not deductible
- Advertisement expenditure in magazine published by political party - not deductible.
- Illegal business losses shall be allowed as deduction while computing income from illegal business.

**SPECIAL DISALLOWANCES - SECTION 40 & 40A**

**Amount not deductible (section 40):**

Sec. 40(a)	Expenditure disallowed
(i)	<p><b>Payment outside India or to non-resident on which tax has not been deducted/paid.</b></p> <ul style="list-style-type: none"> <li>➤ <b>Any interest, royalty, fees for technical services or any other sum chargeable</b> in the hands of receipt under this act and payable-                             <ul style="list-style-type: none"> <li>a) Outside India or</li> <li>b) In India to a non-resident, not being a company or to a foreign company</li> </ul> <p>On which tax is not deducted or after deduction is not paid on or before due date of filing return u/s 139(1).</p> </li> <li>➤ However, where in respect of any sum -                             <ul style="list-style-type: none"> <li>i. Tax has been deducted in subsequent year or</li> <li>ii. Has been deducted during the P.Y but paid after the due date specified under 139(1).</li> </ul> <p>The such sum shall be allowed as deduction in computing the income of the subsequent P.Y in which TDS has been so paid.</p> </li> <li>➤ <b>Where the assessee fails to deduct the whole or any part of the tax then such assessee shall not be assessee in default, if the such payee</b> <ul style="list-style-type: none"> <li>a) Has furnished return of income.</li> <li>b) Has taken such income in return.</li> <li>c) Has paid tax on that income, payer furnishes certificate from accountant.</li> </ul> <p>It would be deemed that the assessee has deducted and paid the tax.</p> </li> </ul>

(ia)	<p>Payment to residents on which tax has not been deducted/paid - 30 % of such sum shall be not allowed as deduction</p> <ul style="list-style-type: none"> <li>➤ 30% of any sum payable to a resident on which tax is not deducted or after deduction is not paid on or before due date of filing return u/s 139(1).</li> <li>➤ However, where in respect of any sum-                     <ol style="list-style-type: none"> <li>1. Tax has been deducted in subsequent year or</li> <li>2. Has been deducted during the P.Y but paid after the due date specified under 139(1).</li> </ol>                     The such sum shall be allowed as deduction in computing the income of the subsequent P.Y in which TDS has been so paid. Where the assessee fails to deduct and pay tax and if the payee pays the same then the assessee will not be called as a assessee in default.                 </li> </ul>
(ii)	<p><b>Income tax</b>                      "Tax" shall include any surcharge or cess, by whatever name called, on such tax [Inserted by Finance Act, 2022 w.r.e.f. 01/04/2005]</p>
(ia)	<b>Wealth tax</b>
(iib)	Certain fees, royalty, service charges etc. payable by state government undertaking to the state government
(iii)	Payment of salary outside india or to non-resident on which tax has not been deducted and paid.
(iv)	Contribution towards employees welfare fund
(v)	Tax paid on non-monetary perquisites

**PROVISION REALTING TO COMPUTATION OF PROFITS AND GAINS OF BUSINESS OR PROFESSION OF FIRM [ SECTION 40(b)]**

Following amount shall be disallowed -

- (i) Any payment of salary, bonus, commission or remuneration, to any partner who is not working, i.e. non-working partner
- (ii) Any interest paid to any partner in excess of 12% simple interest
- (iii) Any remuneration prior to deed not allowed
- (iv) Limit:

Book profit	Allowable remuneration
On first ₹ 3,00,000 of book profit, or in case of a loss	<ul style="list-style-type: none"> <li>➤ ₹ 1,50,000 or</li> <li>➤ 90% of book profits,</li> </ul> Whichever is more
On balance of the book profit	60% of book profits

✚ Explanation 1: individual capacity ( representative capacity) main partner and interest individual capacity(representative capacity) main milega toh allowed hai.

✚ Exemption to partners in respect of their shares in firm's income

- ✦ Interest, salary, etc. received by a partner to be assessed as his business income.

**PROVISION FOR COMPUTING BUSINESS INCOME OF ANY AOP/BOI [ SECTION 40(ba)]**

- ✦ Interest to members - not allowable [individual capacity ( representative capacity) main member and interest individual capacity(representative capacity) main milega toh allowed hai.]
- ✦ Remuneration to members - not allowable

**DISALLOWANCE OF PAYMENT MADE TO SPECIFIED PERSONS/RELATIVES IN EXCESS OF FAIR MARKET VALUE [SECTION 40A(2)]**

Payment made to relative in excess of fair value - not deductible: if the

- ❖ Payment made to specified persons and
- ❖ The assessing officer is of opinion that such expenditure is excessive or unreasonable.

So much of excessive or unreasonable will be disallowed

**Meaning of specified persons:**

(i)	Assessee is individual	Relative of assessee
(ii)	Assessee is a company, firm, AOP or HUF	Director of company, partner of firm, member of AOP or HUF and relative of above.
(iii)	Individual has substantial interest or relative of such individual	
(iv)	Assessee is a company, firm, AOP or HUF or Director of company, partner of firm, member of AOP or HUF and relative of above have substantial interest in other company.	

**SECTION 40A(3)**

Expenditure paid in aggregate exceeding Rs 10000 in a day, otherwise than by account payee cheque or account payee bank draft. [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]

1. Disallowance to be made in the year of payment for expenditure incurred in earlier years.
2. Enhanced limit of Rs 35000 in case of goods transport agencies.
3. No person to enforce that payment exceeding Rs 10000/35000 to be made in cash. [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]

4. Cases where disallowance would not be attracted:

- + Loan transactions: sirf principal payment kar sakte hai but interest ke liye limit apply hogi he.
- + Payment made by commission agents: for purchase of goods or services. Ha agar khud apne side se supply karega toh limit applicable hogi.

PROVISIONS OF SECTION 40A(3) NOT TO APPLY IN CERTAIN CASES (EXCEPTION TO SECTION 40A(3) ARE GIVEN IN RULE 6DD)

- Payment made to RBI, SBI, banking co., LIC and other banks
- Payment made to government.
- Payment made through any bank, including foreign bank, by any of these modes-
  - Any letter of credit arrangements
  - A mail or telegraphic transfer
  - A book adjustment between banks
  - A bill of exchange made payable only to a bank
  - Electronic clearing system
  - A credit card
  - A debit card
- Payment is made for adjustment against liability
- Where payment is made to the cultivator, grower or producer of the following for purchase thereof-
  - Agriculture or forest produce
  - Produce of animal husbandry (including livestock, meat, hides, and skins) or dairy or poultry farming
  - Fish or fish products
  - The products of horticulture or apiculture
- Payment made for manufacture or production in cottage industry without the aid of power
- Payment is made in village or town where there is no bank.
- ~~Payment on a day when banks are closed on account of holiday or strike.~~  
[omitted w.e.f 29-01-2020]
- Payment made to agent who is required to make payment in cash
- Payment made to an authorized dealer or money changer against foreign currency.
- Where any payment is made to an employee of assessee or the heir of any such employee, on or in connection with the retirement, retrenchment, resignation, discharge or death of such employee, on account of gratuity, retrenchment compensation or similar terminal benefit and aggregate of such sums payable to employee or his the heir does not exceed ₹ 50,000;
- Where the payment is made by an assessee by way of salary to his employee after deducting the income-tax at source, when such employee is temporarily



posted for a continuous period of 15 days or more in a place other than his normal place of duty or on a ship, and does not maintain any account in any bank at such place or ship;

**PROVISION MADE FOR GRATUITY [SECTION 40A(7)]**

- ♥ **Provision made for unapproved gratuity fund** - not allowable: however provision made by the assessee towards approved gratuity fund which becomes payable during the P.Y will be allowable.
- ♥ **Payment of gratuity to retiring employee** - allowable (subject to section 43B).

**PAYMENT MADE TO NON-STATUTORY FUNDS - NON DEDUCTIBLE (SECTION 40A(9))**

**DEEMED PROFITS - SECTION 41**

SECTION	DEEMED PROFIT
41(1)	<p><b>Recovery against a deduction allowed in any previous year:</b> where an allowance or deduction has been made in the assessment for any year in respect of loss, expenditure or trading liability incurred by the assessee and subsequently during any previous year-</p> <ul style="list-style-type: none"> <li>➤ The assessee has obtained, whether in cash or in any other manner or whatsoever,</li> <li>➤ Any amount in respect of such loss or expenditure or some benefits in respect of such trading liability by way of its remission or cessation thereof;</li> </ul> <p>Then the amount obtained by such person or the value of benefit accruing to him shall be deemed to be PGBP and accordingly, taxable as the income of the that P.Y, whether the business or profession si in existence in that year or not.</p> <p>The same provisions shall apply in case of succession of business, in which the amount received shall be taxable in the hands of the successor.</p>
41(5)	<p><b>Set off of losses against incomes taxable under section 41(1)/(3)/(4)/(4A)</b></p>

**CERTAIN DEDUCTIONS TO BE ALLOWED ONLY ON ACTUAL PAYMENT [SECTION 43B]**

- ♣ Any sum payable by the assessee by way of **tax, duty, cess or fee, by whatever name called**, under any law for the time being in force or
- ♣ 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 or
- ♣ Any **bonus or commission** to employees for services rendered.
- ♣ Any sum payable by the assessee as an employer in lieu of any leave at the credit of his employee or **(leave encashment)**

- ♣ Any sum payable by the assessee to the Indian railways for the **use of railways assets**.
- ♣ Any sum payable by the assessee as **interest on any loan or borrowing** from-
  1. Any public financial institution
  2. State financial corporations or state industrial investment corporations  
In accordance with the terms and conditions of the agreement governing such loans or borrowing.
- ♣ **Any sum payable by the assessee as interest on any loan or borrowing from a deposit taking non-banking financial company or systematically important non-deposit taking non-banking financial company**, in accordance with the terms and conditions of the agreement governing such loan or borrowing or  
Where a deduction in respect of any sum referred above is allowed in computing the income referred to in section 28, of the previous year (being a previous year relevant to the assessment year commencing on 1-4-2019, or any earlier assessment year) in which the liability to pay such sum was incurred by the assessee, the assessee shall not be entitled to any deduction under this section in respect of such sum in computing the income of the previous year in which the sum is actually paid by him.

Explanation:

- (i) Non-banking financial company means
  - a financial institution which is a company;
  - a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;
  - such other non-banking institution or class of such institutions, as the bank may, specify with the previous approval of the Central Government and by notification in the Official Gazette.
- (ii) "Deposit taking non-banking financial company" means a non-banking financial company which is accepting or holding public deposits and is registered with the Reserve Bank of India under the provisions of the Reserve Bank of India Act, 1934.
- (iii) "Systemically important non-deposit taking non-banking financial company" means a non-banking financial company which is not accepting or holding public deposits and having total assets of not less than Rs 500 crore as per the last audited balance sheet and is registered with the Reserve Bank of India under the provisions of the Reserve Bank of India Act, 1934.
- ♣ Any sum payable by the assessee as interest on any loan or advances from a schedule bank or a co-operative bank other than a primary agriculture credit society or a primary co-operative agriculture and rural development bank in accordance with the terms and conditions of the agreement governing such loan and advance.

Manner of deduction:

Case	Year of allowance
If the sum relates to any previous year for which payment has been made on or before the due date of furnishing the return of income of that year	In the P.Y to which it relates
In any other case	In the year of payment

**In case of conversion of interest into loan/borrowing/advance:** in case if any interest is payable and such interest is converted into loan or borrowing or advance or debenture or any other instrument by which the liability to pay is deferred to a future date, then the same shall not be allowed as deduction in the year of conversion, but shall be allowed in the year in which such converted loan is as actually paid. **[Amended by Finance Act, 2022 w.e.f. 01/04/2023 i.e. A.Y 2023-24]**

**Employees contribution to staff welfare scheme not covered:** This section shall not apply and shall be deemed never to have been applied to a sum received by the assessee from any of his employee to which the provisions of section 2(24)(x) applies.

In effect, section 43B(b) covers only employer's contribution to provident fund, superannuation fund, gratuity fund or any other fund for welfare of employees, for remittance of which extended time limit upto due date of return u/s 139(1) is available; however, it does not include within its scope, employees contribution to such funds received by the employer, which has to be credited to the employee's account in the relevant fund on or before the due date specified under the relevant act, rule etc. amount credited after the said due date but on or before the due date under section 139(1) would not be eligible for deduction.

**SPECIAL PROVISION FOR FULL VALUE OF CONSIDERATION FOR TRANSFER OF ASSETS OTHER THAN CAPITAL ASSETS IN CERTAIN CASES (SECTION 43CA)**

- Stamp duty value deemed to be full value of consideration:** agar land and building ko transfer kiya as stock in trade (other than capital asset) SDV se kam me toh value SDV he transfer value hogi. But agar SDV aur consideration me **110%** of consideration se jayada ka difference nahi hai toh uss case main consideration ko he le lenge otherwise SDV lenge. **[Amended by Finance Act, 2020]**
- Stamp duty value on the date of agreement to be considered:** agar agreement wale din kuch consideration other than cash me diya hoga toh SDV on the date of agreement lenge otherwise SDV on the date of registry.
- Other provision of section 50C applicable.**

**COMPUTATION OF INCOME FROM CONSTRUCTION AND SERVICE CONTRACTS [ Sec 43CB] [ only for CMA]**

❖ **Profit and gains arising from a contract for providing services:**

Case	Method
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Not more than 90 days	Project completion method
A contract for providing services involving indeterminate number of acts over a specified period of time	Straight line method

❖ For the purpose of percentage of completion method:

- ✚ The contract revenue shall include retention money
- ✚ The contract costs shall not be reduced by any incidental income in the nature of interest, dividends or capital gains.

SPECIAL PROVISION IN CASE OF INCOME OF PUBLIC FINANCIAL INSTITUTIONS, ETC. [Sec 43D] [ only for CMA]

In case of	Nature of business	Tax treatment
A PFI, a scheduled bank, a co-operative bank other than a primary agriculture credit society or a primary co-operative agriculture and rural development bank, a state financial corporation or a state industrial investment corporation, a deposit taking , NBFC, a systematically important non-deposit taking NBFC	Income by way of interest	Chargeable to tax in the previous year in which - ✓ It is credited to the profit and loss account; or ✓ It is actually received  Whichever is earlier
Public company being registered with National housing bank		

ACCOUNTS AND AUDIT - SECTION 44AA & 44AB

MAINTENANCE OF BOOKS OF ACCOUNTS BY CERTAIN PERSONS ON BUSINESS OR PROFESSION (SECTION 44AA)

1. Person carrying on specified professions: jo log specified profession kar rahe hai unko books of accounts maintain karna padega jab-

- If the gross receipt exceed ₹ 150000 in **all the three** immediately preceding year or
  - If new profession then ₹ 150000 in current year
- Books of accounts to be maintained

- (i) Cash book
- (ii) Journal
- (iii) Ledger
- (iv) Carbon copies or counterfoils of bills exceeding ₹ 25

(v) Original bill issued, in absence of bills payment exceed ₹ 50 then payment voucher.

Additional book in case of medical profession:

(a) A daily case register in form no. 3C

(b) An inventory as on the first and last day of P.Y

**2. Other assessee's:**

<b>In case of existing business or profession</b>	If- (a) His income from PGBP exceeds ₹ 120000 (₹ 250000 in case of individual or HUF) or; (b) Total sales/turnover/gross receipt thereof exceed ₹ 1000000 (₹ 2500000 in case of individual or HUF) In any of the three previous year immediately preceding the P.Y
<b>In case of newly set up business or profession</b>	If- (a) His income from PGBP is likely to exceed ₹ 120000 (₹ 250000 in case of individual and HUF) during the P.Y (c) Total sales/turnover/gross receipt thereof exceed ₹ 1000000 (₹ 2500000 in case of individual or HUF) during the P.Y
<b>In case of deemed profits u/s 44AE, 44BB or 44BBB</b>	If the assessee has claimed his income lower than the profits and gains so deemed, during the year
<b>Where the provisions of section 44AD(4) are applicable</b>	If his income exceed the maximum amount which is not chargeable to income tax in any previous year.

**Notes:**

- ❖ Place at which books to be kept: at principal place of business. However if separate book of account are maintained for each place of business , then the same are to be kept at their respective places.
- ❖ Period for maintenance of books: **6 years.**

**AUDIT OF ACCOUNTS OF CERTAIN PERSONS CARRYING ON BUSINESS OR PROFESSION (SECTION 44AB)**

1. Tax audit: by CA in form 3CB along with prescribed particulars (form 3CD)

<b>In case of business</b>	Total sales, turnover or gross receipt, as the case may be, <b>exceed RS 1 crore</b> in any previous year or <b>However, in the case of a person whose -</b> <b>(a) Aggregate of all amounts received including amount received for sales, turnover or gross receipt during the previous year, in cash, does not exceed 5% of the said amount; and</b> <b>(b) Aggregate of all payment made including amount</b>
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	<p>incurred for expenditure, in cash, during the previous year does not exceed 5% of the said payment,                  He will have to get his account audited if his total sales, turnover or gross receipt, as the case may be, exceeds Rs 10 crore in any previous year;                  The payment or receipt, as the case may be, by cheque drawn on a bank or by a bank draft which is not account payee, shall be deemed to be the payment or receipt, as the case may be, in cash [Amended by Finance Act, 2021]</p>
<b>In case of profession</b>	Gross receipt exceed Rs 50 lakh in any previous year
<b>In case the PGBP are deemed profits u/s 44AE, 44BB or 44BBB</b>	If the assessee has claimed his income lower than the profits and gains so deemed, during the year
<b>In case of business if the provisions of section 44AD(4) are applicable</b>	If his income exceed the maximum amount which is not chargeable to income tax in any previous year.
<b>In case the PGBP are deemed profit u/s 44ADA</b>	He has claimed his income to be lower than the profit and gains so deemed and his income exceed the maximum amount not chargeable to tax in any P.Y

2. Non-applicability: This section shall not apply to the person, who declares profits and gains for the previous year in accordance with the provisions of 44AD(1) and his total sales, turnover or gross receipt as the case may be in business does not exceed Rs 2 crore rupees in such previous year.
3. Audit under other law.

**SPECIAL PROVISIONS FOR COMPUTING PROFITS AND GAINS OF BUSINESS ON PRESUMPTIVE BASIS (SECTION 44AD)**

1. **Eligible assessee:**
  - Individual, HUF, partnership firm who is resident (not LLP)
  - Not claimed deduction under section 10A, 10AA, 10B, 10BBA, 80-IA to 80RRB
2. **Eligible business:**
  - Any business except section 44AE and
    - Whose turnover or gross receipt does not exceed Rs 2 crore in P.Y
3. **Non applicability:**
  - Person carrying specified profession referred under section 44AA.
  - A person earning income in the nature of commission or brokerage
  - A person carrying agency business.
4. **Presumptive income (section 28 to 43C would not apply):**

5. A sum equal to 8%, (6% in case business carried through any mode other than cash) [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]
- A sum higher claimed by assessee.  
Shall be deemed to be the profit and gains of such business under PGBP.
5. **No deduction under section 30 to 38.**
6. **Determination of WDV:** jaise asset ki WDV nikalte hai vaise he nikalenge asset ki WDV pata karne ke liye but eska koi relevance nahi hai upper ki income nikalne main.
7. **Consequences of declaring lower income [section 44AD(4)]:** agar assessee 8% se bhi come income declare karta hai es section main toh vo next 5 assessment year ke liye ineligible ho jayega yeh section me income claim karne ke liye matlab section 44AD nahi le payega.
8. **In case profit claimed to be lower than the deemed profits - maintenance of audit and accounts:**
- To whom provisions of section 44AD(4) is applicable (upper diya hai) and
  - Whose total income exceed the maximum amount not chargeable to income tax  
Shall be required to keep and maintain books of accounts u/s 44AA and get audited u/s 44AB.
9. **Advance tax to be deposited upto 15<sup>th</sup> march of the relevant year.**
10. **In case of supply of material by contractee/purchaser - no profit is earned thereon by contractor/manufacturer, hence not included in turnover/ gross receipt.(value of material ko nahi lenge)**

**SPECIAL PROVISION FOR COMPUTING PROFIT AND GAINS OF PROFESSION ON PRESUMPTIVE BASSIS [SECTION 44ADA]**

**1. Eligible assessee:**

- ✚ Being an individual or a partnership firm other than a limited liability partnership, who is a resident in India, [ Amended by Finance Act 2021]
- ✚ Profession under section 44AA(1) and
- ✚ Total gross receipt does not exceed Rs 50 lakh in a P.Y

**2. Presumptive income:**

- ✚ 50 % of the total gross receipt or,
- ✚ Higher amount claimed by the assessee.

**3. No further deduction under section 30 to 38**

**4. WDV of asset:** jaise asset ki WDV nikalte hai vaise he nikalenge asset ki WDV pata karne ke liye but eska koi relevance nahi hai upper ki income nikalne main.

**5. Accounts and audit if profits claimed to lower than deemed profits:**

- ✚ Assessee who claims that his profits and gains are lower than the deemed profits and gains specified above and
- ✚ Whose total income exceed the maximum amount not chargeable to income tax  
 Shall be required to keep and maintain books of accounts u/s 44AA and get audited u/s 44AB.

**6. Advance tax to be deposited upto 15<sup>th</sup> march of the relevant year.**

**SPECIAL PROVISION FOR COMPUTING PROFITS AND GAINS OF BUSINESS OF HIRING, PLYING OR LEASING GOODS CARRIAGE [SECTION 44AE]**

1. **Eligible assessee (section 28 to 43C would not apply):** assessee who
  - ☉ Owns not more than 10 goods carriage at any time during the P.Y and
  - ☉ Is engaged in the business of plying, hiring or leasing such good carriages.

Income shall be charged under the head PGBP  
 Hire purchase deemed to be the owner of goods carriage.  
 Note: even if on a single day, the number of goods carriage (whether heavy goods vehicle or not) exceed 10, then, this section shall not apply to that assessee for that P.Y

**2. Deemed profits:**

	Particulars	Rs
1.	<p><b>In case of goods carriage being a heavy goods vehicle : higher of</b></p> <ul style="list-style-type: none"> <li>✓ Rs 1000 per ton of gross vehicle weight or unladen weight, as the case may be, per month per vehicle * no. of months or part of a month in the P.Y during which the heavy vehicle is owned by the assessee * no. of heavy goods vehicle</li> <li>✓ An amount claimed to have been actually earned</li> </ul>	-
2.	<p><b>In case of goods carriage other than a heavy good vehicle: higher of-</b></p> <ul style="list-style-type: none"> <li>✓ Rs 7500 p.m per vehicle * no. of month or part of a month in the previous year during which the vehicle is owned by the assessee * no of other goods carriages</li> <li>✓ An amount claimed to have been actually earned</li> </ul>	-
	<b>Profit and gains from PGBP</b>	-

Heavy goods vehicle means any good carriage, the gross vehicle weight of which exceeds 12000kg

Unladen weight means the weight of a vehicle or trailer including all equipment ordinarily used with the vehicle or trailer when working but excluding the weight of driver or attendant and where alternative parts or bodies are used the unladen weight of the vehicle means the weight of the vehicle with the heaviest such alternative body or part.

**3. All other deductions deemed to be allowed under section 30 to 38.**



4. Salary interest to partners is allowed.
5. Not requirement to maintain books of accounts and get the accounts audited
6. Option to claim lower profits: Shall be required to keep and maintain books of accounts u/s 44AA and get audited u/s 44AB.

**AGRICULTURE INCOME**

**Instances of agriculture income:**

- + Income from growing trade or commercial products like jute, cotton, etc. is an agriculture income.
- + Income from growing flowers is an agriculture income.
- + Plant sold in pots are an agriculture income provided basis operations are performed.
- + **Remuneration and interest to partner:** Any remuneration (salary, commission etc) received by partner from a firm engaged in agriculture operation is an agriculture income.

**Instances of non-agriculture income:**

- Salary received by an employee from any business (having agriculture income)
- Dividend received from a company engaged in agricultural operation.
- Income from fisheries
- Income from poultry farming
- Income from dairy farming, butter & cheese making etc.
- Breeding & rearing of livestock.
- Income earned by a cultivator from conversion of sugarcane (raised on own land) to jaggery is non-agricultural income to the extent to which income is related to such conversion only.
- Income from a land situated outside India is non-agriculture income and taxable under the head "Income from other sources"
- Income from sale of trees and grasses grown spontaneously (without any human effort)
- Proceeds from sale of cocoons are not agriculture income. Agriculture produce is mulberry leaves and not silkworms.

**In case of rubber, coffee and tea business -**

Particulars	Rubber [Rule 7A]	Coffee [ Rule 7B]		Tea [ Rule 8]
Income derived from sale of -	Latex/catex/block rubbers manufactured or processed from rubber plants grown by seller in India	Coffee grown & cured by seller in India	Coffee grown & cured, roasted and grounded by seller in India	Tea grown & manufactured by seller in India
Business income	35%	25%	40%	40%
Agriculture income	65%	75%	60%	60%

**In case of any other business [Rule 7]:** The following mode will be adopted -

- ❖ **Agriculture income** = (market value of agriculture produce used as raw material for business + sale proceeds from direct sale of agriculture produce) - cost of cultivation.
- ❖ **Business income** = sale proceeds of the processed goods - market value of agriculture used as raw material for business - expenses for processing

**Condition for applicability:**

- (a) The taxpayer is a HUF, an individual, BOI or an AOP or artificial judicial person.
- (b) The non-agriculture income exceeds the maximum amount not chargeable to tax; and
- (c) Agriculture income exceeds ₹5,000.

**Computation of tax**

**Step 1:** Net agriculture income is to be computed as if it were income chargeable to income tax.

**Step 2:** compute tax on (agriculture + non-agriculture income)

**Step 3:** compute tax on (Net agriculture income + maximum amount not chargeable to tax)

**Step 4:** compute [Amount calculated in step 2 - amount calculated in step 3]

**Step 5:** total income tax payable = tax as computed under step 4 - tax rebate.

## CAPITAL GAIN

### CHARGING SECTION [SECTION 45]

#### Conditions:

- Capital asset
- Transfer
- Previous year
- Profit or gain/loss
- Should not be exempt

### CAPITAL ASSET [SECTION 2(14)]

#### 1. Capital asset means -

- a) Property of any kind held by the assessee, whether or not connected with business or not.
- b) Any securities held by FIIs
- c) Any unit linked insurance policy (ULIP) issued on or after 1/2/2021, to which exemption u/s 10(10D) does not apply on account of -
  - (i) Premium payable exceeding ₹ 2,50,000 for any of the previous year during the term of such policy; or
  - (ii) The aggregate amount of premium exceeding ₹ 2,50,000 in any of the previous year during the term of any such ULIP(s), in a case where premium is payable by a person for more than one ULIP issued on or after 01/2/2021 [ Amended by Finance Act 2021]

#### But does not include

- a) Any stock in trade (other than above point b), consumable stores or raw material held for the purpose of business or profession.
- b) Personal effect, that is to say, movable property(including wearing apparel and furniture) held for personal use by the assessee or any member of his family dependent upon him, but excludes -
  - i. Jewellery
  - ii. Archaeological collection
  - iii. Drawing
  - iv. Painting
  - v. Sculptures
  - vi. Any work of art.

(matlab yeh sab capital asset hai)

- c) Rural agriculture lands: urban agriculture land capital asset hai.
  - i. Agriculture land situated in an area where population not less than 10000.
  - ii. Agriculture land situated within limit:

≤ 2 km	-	10000 < 100000
≤ 6km	-	100000 < 1000000
≤ 8 km	-	1000000 <

- d) Specified gold bonds
  - e) Special bearer bonds, 1991
  - f) Gold deposit bonds (gold monetisation bond 2015)
2. Rights in or relation to an Indian company - included in property
3. Other aspects - silver utensils (in kitchen or dining room for personal use will not be treated as capital asset), silver bars, sovereign and rupee coins used for puja, festival etc is treated as capital asset. Gold articles are capital asset.

**SHORT TERM CAPITAL ASSET [SECTION 2(42A)]**

- a) Securities (other than a unit) listed in a recognised stock exchange in India.
- b) Units of UTI or unit of equity oriented fund (units of debt oriented fund ke liye 36 months dekhte hai)
- c) Zero coupon bond  
(Yeh tino ke liye 12 months dekhenge)
- i. Shares of company (unlisted)
- ii. An immovable property, being land or building or both  
( yeh dono ke liye 24 months dekhte hai)

Yo short term ki conditions ko satisfy nahi hai vo long term hoga

**Equity oriented fund:** [ Amended by Finance Act 2021]

A fund set up under a scheme of a mutual fund or under a scheme of a insurance company comprising ULIPs issued on or after 1/2/2021, to which exemption u/s 10(10D) does not apply on account of -

- a) Premium payable exceeding ₹ 2,50,000 for any of the previous year during the term of such policy; or
- b) The aggregate amount of premium exceeding ₹ 2,50,000 in any of the previous year during the term of any such ULIP(s), in a case where premium is payable by a person for more than one ULIP issued on or after 01/2/2021

And

- (i) In case where the fund invested in the units of another fund which is traded on a recognised stock exchange -
  - I. A minimum of 90% of the total proceeds of such fund is invested in the units of such other fund; and
  - II. Such other fund also invests a minimum of 90% of its Total proceeds in equity shares of domestic companies listed in a recognized stock exchange; and
- (ii) In any other case, a minimum of 65% of the total proceeds of such fund is invested in the equity shares of domestic companies listed on a recognised stock exchange.

However the percentage of equity shareholding or unit held in respect of the fund ,as the case may be, shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

**In case of a scheme of an insurance company comprising ULIPs issued on or after 1/2/2021, to which exemption u/s 10(10D) does not apply on account of the reasons stated in (a) or (b) above, the minimum requirement of 90% or 65%, as the case may be, mentioned in (i) and (ii) above, is required to be satisfied throughout the term of such insurance policy**

**Zero coupon bond:** A bond issued by any infrastructure capital company or infrastructure capital fund or infrastructure debt fund or a public sector company or a scheduled bank on or after 1<sup>st</sup> june 2005

**DETERMINATION OF PERIOD OF HOLDING**

	<b>CIRCUMSTANCES</b>	<b>PERIOD OF HOLDING</b>
1.	Shares held in a company in liquidation	Period subsequent to liquidation will be excluded
2.	Capital asset acquired u/s 49(1) modes	Period for which asset held by previous owner will be included.
3.	Conversion of inventory into capital asset	Period from date of conversion shall be considered
4.	Shares held in amalgamated company	Period for which shares held in amalgamating company will also be considered
5.	Right shares a) Shares subscribed b) Right renounced	From the date of allotment
6.	Offer of right	Period from the date of offer of such right
7.	Bonus shares	From the date of allotment
8.	Shares held in resulting company	Period from the shares held in demerged company
9.	Units of mutual fund acquired under consolidating scheme of mutual fund	Period jab units consolidate hone ke phele wale time ko bhi include karenge
10.	Equity shares acquired on conversion of preference shares	Period of preference share will also be included
11.	Units of mutual fund acquired under consolidating plan of mutual fund scheme	Period for which units held in scheme before consolidating will also be included
12.	Sweat equity shares/ESOP	Period from the date of allotment

**Property constructed on a land purchased earlier :** then land and building ka period of holding alag alag compute karenge.

**TRANSFER [ SECTION 2(47)]**

Transfer in relation to capital asset includes -

- ❖ **Sale, exchange or relinquishment** of the asset,
- ❖ **Compulsory acquisition** under any law,
- ❖ **Extinguishment** of any rights therein,
- ❖ **Maturity or redemption of zero coupon bond**,
- ❖ **Capital asset converted into stock in trade**,
- ❖ Any transaction involving allowing of **possession of immovable property to be taken or retained in part performance** of a contract of the nature referred under section 53A of transfer of property act, 1882,
- ❖ Any transaction (whether by way of acquiring shares in, or by way of becoming a member of, a **cooperative society, company or other AOP** or by way of any arrangement or agreement or in any other manner) that has the effect of transferring, or enabling the enjoyment of, any immovable property.

**TRANSACTION NOT REGARDED AS 'TRANSFER' [SECTION 47]**

SEC. 47	TRANSACTIONS
(i)	Any distribution of capital asset on the <b>total or partial partition of HUF</b>
(iii)	Any transfer of a capital asset under a <b>gift or will or an irrevocable trust</b>
(iv)	Any transfer of a capital asset by a company to its subsidiary co. if - a) Parent company or nominees hold <b>100%</b> of the share capital of subsidiary co. <b>b) Subsidiary co is an Indian company.</b>
(v)	Any transfer of a capital asset by a subsidiary company to its holding co. if - c) Parent company hold <b>100%</b> of the share capital of subsidiary co. <b>d) holding co. is an Indian company.</b>
(vi)	Any transfer, in a <b>scheme of amalgamation</b> , of a capital asset by the amalgamating company to the amalgamated company if the amalgamated company is an Indian company.
(via) [ <b>only for CMA]</b>	Any transfer in a scheme of amalgamation, of a capital asset being a <b>share or shares held in an Indian company</b> , by the <b>amalgamating foreign company to the amalgamated foreign company</b> , if - (a) at least <b>25%</b> of the shareholder of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company; and (b) such transfer <b>does not attract tax on capital gains in the country</b> , in which the amalgamating company is incorporated
(viaa) [ <b>only for]</b>	Any transfer of a <b>capital asset by a banking company to a banking institution</b> in a scheme of amalgamating of such company with such banking institution

<b>CMA]</b>	
(viab) [ only for CMA]	Any transfer in a scheme of amalgamation, of a capital asset being a share of foreign company, which derives directly or indirectly its value substantially from share or shares held in an Indian company, by the amalgamating foreign company to the amalgamated foreign company, if - (c) at least 25% of the shareholder of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company; and (d) such transfer does not attract tax on capital gains in the country, in which the amalgamating company is incorporated
(viiac) & (viiad) [ only for CMA]	<ul style="list-style-type: none"> <li>any transfer, in a relocation, of a capital asset by the original fund to the resulting fund;</li> <li>any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share or unit or interest in the resultant fund.</li> </ul>
(viiac) [ only for CMA]	Any transfer of capital asset by India Infrastructure Finance Company Ltd to an institution established for financing the infrastructure and development.
(viiad) [ only for CMA]	Any transfer of capital asset, under a plan approved by the CG, by a public sector company to another notified public sector company or to the CG or a SG
(vib)	Any transfer, in a demerger, of capital asset by the demerged company to the resulting company, if the resulting company is an Indian company.
(vic) [ only for CMA]	Any transfer, in a scheme of demerger, of a capital asset, being a share or shares held in an Indian company, by the demerged foreign company to the resulting foreign company if - <ul style="list-style-type: none"> <li>the shareholder holding not less than <math>\frac{3}{4}</math> in value of the shares of the demerged foreign company continue to remain shareholders of the resulting foreign company; and</li> <li>such transfer does not attract tax on capital gain in the country, in which the demerged foreign company is incorporated.</li> </ul>
(vica) [ only for CMA]	Any transfer in a business reorganisation, of a capital asset by the predecessor co-operative bank to the successor co-operative bank or to the converted banking company
(vicb) [ only for CMA]	Any transfer by a shareholder, in a business reorganisation, of a capital asset by the predecessor co-operative bank if the transfer is made in consideration of the allotment to him of any share or shares in the

<b>CMA]</b>	<b>successor co-operative bank or to the converted banking company</b>
(vid)	Any <b>transfer or issue of shares by the resulting company</b> , in a scheme of demerger <b>to the shareholders of the demerged company</b> if the transfer or issue is made in consideration of demerger of the undertaking.
(vii)	Any <b>transfer by a shareholder, in a scheme of amalgamation</b> , of a capital asset being a share or shares held by him in the amalgamating company, if - <ul style="list-style-type: none"> <li>a) the <b>transfer is made in consideration of the allotment to him of any share</b> or shares in the amalgamated company except where the shareholder itself is the amalgamated company; and</li> <li>b) The <b>amalgamated company is an Indian company</b>.</li> </ul> However, if besides share(s) in amalgamated company, the shareholder is allotted something more, say <b>bonds or debentures, in consideration of such transfer; the transfer will not be exempt</b> . Composite consideration is not covered by section 47(vii). - CIT v. Gautam Sarabhai Trust [1988] 173 ITR 216 (Guj.)
(viiia)	Any transfer, made outside India, of a <b>capital asset being rupee denominated bond</b> of an Indian company issued outside India, by a non-resident to another non-resident.
(viiib)	Transfer of specified capital asset by a non-resident on a recognized stock exchange in any IFSC [ <b>Amended by Finance (No.2) Act, 2019 w.e.f. 01-04-2020 i.e. AY 2020-21</b> ] : Any transfer of a capital asset, being- (a) bond or Global Depository Receipt referred to in Section 115AC(1); or (b) rupee denominated bond of an Indian company; or (c) derivative; or (d) <b>such other securities as may be notified by the Central Government in this behalf,</b> made by a non-resident on a recognised stock exchange located in any International Financial Services Centre (IFSC) and where the consideration for such transaction is paid or payable in foreign currency.
(viiib)	Any transfer of a capital asset, being <b>Government Security</b> carrying a periodic payment of interest, <b>made outside India</b> through an intermediary dealing in settlement of securities, by a non-resident to another nonresident.
(viic)	Any transfer of <b>Sovereign Gold Bond issued by the Reserve Bank of India</b> under the Sovereign Gold Bond Scheme, 2015, by way of redemption, by an assessee being an individual.
(ix)	Any transfer of a capital asset, being <b>any work of art, archaeological, scientific or art collection, book, manuscript, drawing, painting, photograph or print, to the Government or a University or the National</b>



	<b>Museum, National Art Gallery</b> , National Archives or any such other public museum or institution as may be notified by the Central Government in the Official Gazette to be of national importance or to be of renown throughout any State(s).
(x)	Any transfer by way of <b>conversion of bonds or debentures, debenture-stock or deposit certificates</b> in any form, of a company <b>into shares or debentures of that company</b> .
(xa)	Any transfer by way of conversion of <b>bonds into shares</b> or debentures of <b>any company</b>
(xb)	Any transfer by way of <b>conversion of preference shares of a company into equity shares</b> of that company.
(xii) [ only for CMA]	Any transfer of a land of a sick industrial company, made under a scheme prepared and sanctioned u/s 18 of the sick industrial companies.
(xiii) [ only for CMA]	Any transfer of a capital asset by a <b>firm to a company</b> as a result of succession of the firm by a company in the business carried on by the firm subject to following conditions: a) all <b>asset and liability</b> of the firm become of company b) all the <b>partners become shareholder in same proportion</b> as if there capital contribution c) the partners of the firm <b>do not receive any consideration</b> directly or indirectly or any benefit <b>other than allotment of shares</b> d) partners holding should <b>not be less than 50% of the total voting power</b> in the company for <b>period of 5 years</b> from succession
(xiiia) [ only for CMA]	Any transfer of a <b>membership right of a recognized stock exchange</b> in India for acquisition of shares and trading or clearing rights in that recognized stock exchange in accordance with a <b>scheme for demutualisation or corporatization</b> which is approved by SEBI
(xiiib) [ only for CMA]	Any transfer of - a. a capital asset or intangible asset by a <b>private company or unlisted public company to a LLP</b> ; or b. a <b>shares held in the company</b> by a shareholder as a result of conversion of the company into LLP. Shall not regarded as transfer, if following condition are satisfied: i. all the <b>asset and liability</b> becomes of LLP ii. all the <b>shareholder become partner in same proportion</b> as if there shareholding in company iii. the shareholder of the company <b>do not receive any consideration</b> directly or indirectly or any benefit <b>other than share in profit and capital contribution in the LLP</b>

	<p>iv. partners profit sharing ratio should <b>not be less than 50% at any time</b> for a <b>period of 5 years</b> from succession</p> <p>v. the total sales, turnover or gross receipt in business of company does <b>not exceed 60 lakhs in any of the 3 P.Y</b></p> <p>vi. total value of <b>asset does not exceed 5 crores in any of the 3 P.Y</b></p> <p>vii. <b>no amount is paid</b> to any partner for a <b>period of 3 years</b> from date of conversion.</p>
(xiv) [ only for CMA]	<p>Where a sole proprietary concern is succeeded by a company -</p> <p>a) all the <b>asset and liability</b> becomes of company</p> <p>b) proprietor holding should <b>not be less than 50% of the total voting power</b> in the company for <b>period of 5 years</b> from succession</p> <p>c) the proprietor <b>do not receive any consideration</b> directly or indirectly or any benefit <b>other than allotment of shares.</b></p>
(xv) [ only for CMA]	<p>Any transfer in a scheme for <b>lending of any securities</b> under an agreement or arrangement, which the assessee has entered into with the borrower of such securities</p>
(xvi)	<p>Any transfer of a capital asset in a transaction of <b>reverse mortgage</b> under a scheme made and notified by the Central Government.</p>
(xvii) [ only for CMA]	<p>Any transfer of a capital asset, being <b>share of a SPV to a business trust in exchange of units</b></p>
(xviii)	<p>Any transfer by a unit holder of capital asset, being a unit or units, held by him in the <b>consolidating scheme of a mutual fund</b>, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated scheme of the mutual fund:</p> <p><b>However, the consolidation is of two or more schemes of equity oriented fund or of two or more schemes of a fund other than equity oriented fund. (equity se equity chalega, debt se debt chalega but equity se debt nahi chalega)</b></p>
(xix)	<p>Any transfer by a unit holder of capital asset, being a unit or units, held by him in the <b>consolidating plan of a mutual fund scheme</b>, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated plan of that scheme of mutual fund.</p>
	<p><b>The roll over of units of mutual funds under the fixed maturity plans will not amount to transfer as the scheme remains the same. However capital gains will arise at the redemption of the units or opting out of the scheme.</b></p>

**COMPUTATION OF CAPITAL GAINS (Section 48)**

Short term capital gains

**INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)**

Particulars	Amount
Full value of consideration	-
Less: expenses in connection to transfer	-
Net consideration	-
Less: Cost of acquisition (COA) -	-
Cost of improvement (COI) -	-
Short term capital gain	-
Less: exemptions	-
Taxable short term capital gain	-

Long term capital gains

Particulars	Amount
Full value of consideration	-
Less: expenses in connection to transfer	-
Net consideration	-
Less: Indexed Cost of acquisition (COA) -	-
Indexed Cost of improvement (COI) -	-
long term capital gain	-
Less: exemptions	-
Taxable long term capital gain	-

Notes:

- Computation of indexed COA or COI -  

$$\text{Indexed COA} = \text{COA} * \text{CII of the year of transfer}$$

CII for [ (i) first year in which asset was held by the assessee or  
 (ii) for the year beginning on 1-4-2001, whichever is later ]

$$\text{Indexed COI} = \text{COI} * \text{CII of the year of transfer}$$

CII for the year in which cost of improvement took place
- STT paid is not allowed.
- Indexation benefits will not be available in computing LTCG of bonds or debenture other than -  
 (a) Capital indexed bond of government.  
 (b) Sovereign gold bonds of RBI.
- In case of assessee being a non-resident, any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of a Indian company held by him, shall be ignored for the purpose of computation of full value of consideration under this section.
- CII for 22-22 is 331.

**SPECIAL PROVISION FOR NON - RESIDENTS [ FIRST PROVISO TO SECTION 48 AND RULE 115A]**

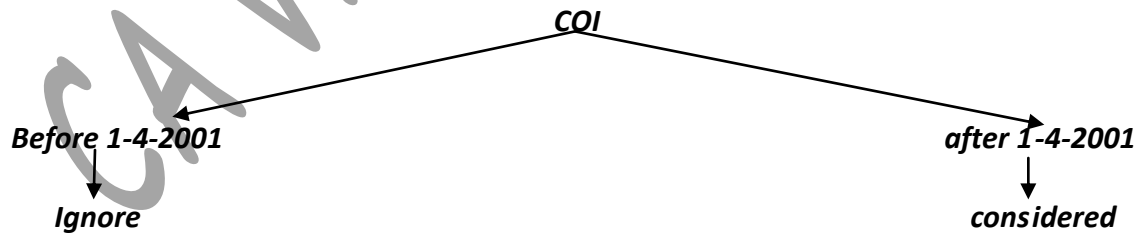
PARTICULARS	AMOUNT
Full Value of consideration is converted into foreign currency by applying	-

average exchange rate as on the date of transfer	
Less: Expenses incurred wholly and exclusively on transfer is converted into foreign currency by applying average exchange rate as on date of transfer.	-
Less: Cost of acquisition is converted into foreign currency by applying average exchange rate as on date of acquisition. (No indexation benefit is available)	-
Resultant Capital Gains in foreign currency to be reconverted into Indian Currency by applying telegraphic transfer buying rate on date of transfer.	-
<p>Note:</p> <p>(1) Average exchange rate [Telegraphic transfer buying rate + Telegraphic transfer selling rate (as per SBI)] + 2</p> <p>(2) This manner of computation of capital gains shall be applicable in respect of capital gains accruing or arising from every reinvestment thereafter in, and sale of, shares/debentures of an Indian company.</p>	

**SECTION 55**



**In case of a capital asset, being land or building or both, the fair market value of such asset on 01-04-2001 shall not exceed the stamp duty value, whenever available, of such asset as on 01-04-2001. [ Amended by Finance Act, 2020]**



**COST WITH REFERENCE TO CERTAIN MODES OF ACQUISITION (SECTION 49)**

Sec. 49	Mode of acquisition	Cost
(1)	Where the capital asset became the property of the assessee under modes specified in	Cost of previous owner + cost improvement of

	Section 49(1). [Note-1]	previous owner (note 2)
(2)	Where the share(s) of an amalgamated Indian company became the property of the assessee in consideration of a transfer in scheme of amalgamation.	COA amalgamating co. Wali
(2A)	Where the shares or debentures of a company became the property of the assessee by way of conversion of bonds or debentures, debenture-stock or deposit certificates, referred to in Section 47(x)/ (xa).	Jo cost bonds or debenture ki thi
(2AA)	Transfer of specified security/stock options or sweat equity shares, referred to in Section 17(2)(vi).	FMV is taken
(2AD)	Where the capital asset, being a unit or units in a consolidated scheme of a mutual fund, became the assessee in consideration of a transfer property of referred to in Section 47(xviii).	COA shall be the COA of units to him.( jitne me acquire kiya unit ko)
(2AE)	Where the capital asset, being equity share of a company, became the property of the assessee in consideration of a transfer referred to in Section 47 (xb).	Jo cost preference share ki hai vahi equity ki hogi
(2AF)	Where the capital asset, being a unit or units in a consolidated plan of a mutual fund scheme, became the property of the assessee in consideration of a transfer referred to in Section 47(xix).	COA shall be the COA of units to him.( jitne me acquire kiya unit ko)
(2C)/(2D)	Where the share(s) of resulting company became the property of the assessee in scheme of demerger.	Cost of shares in resulting company : jitne ki asset phele thi usko proportionate karke batana padega dono company main.
(4)	Transfer of been a property, the value of which has subject to tax under section 56(2)(vii)/ (viia)/ (x) (i.e. taxable gifts of movable/immovable property).	Value which has been taken under 56(2)(vii)/ (viia)/ (x)
(5)	Where the capital gain arises from the transfer of a capital asset, being share in the project, in the form of land or building or	Cost of acquisition of such asset, shall be the amount which is deemed

	both, referred to in section 45(5A) which is chargeable to tax in the previous year in which the completion of certificate for the whole or part of the project is issued by the competent authority	as full value of consideration in that sub-section i.e, stamp duty value on the date of issue of certificate of completion plus cash consideration However, this does not apply to a capital asset, being share in the project which is transferred on or before the date of issue of said completion certificate
(9)	Where the capital gain arises from the transfer of a capital asset referred to in Section 28(via)	Cost of acquisition of such asset shall be deemed to be in the fair market value which has been taken into account for the purpose of section 28(via)

**Notes:**

**(1) The various modes specified under section 49(1):**

**Where the capital asset become the property of the assessee -**

- (i) On any distribution of assets on the total or partial partition of a Hindu undivided family;
  - (ii) Under a gift or will;
  - (iii) (a) by succession, inheritance or devolution, or  
(b) on any distribution of assets on the liquidation of a company, or  
(c) under a transfer to a revocable or an irrevocable trust, or  
(d) under any such transfer as is referred to in Section 47(iv)/(v)/(vi)/(via)/(viaa)/(viab)/(vib)/(vic)/(vica)/(vicb)/(vicc)/(xiii)/(xiiib)/(xiv).
  - (iv) In case of HUF-assessee, by conversion of member's individual property into HUF property.
- (2) 'Previous owner' means the last previous owner of the asset who acquired it by a mode of acquisition other than that referred to under section 49(1).
- (3) Indexation benefits in respect of the gifted asset to apply from the year in which the asset was first acquired by the previous owner.

Capital asset	COA	COI
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<b>Goodwill of business or right to manufacture/ produce/ process any article/ thing, or right to carry on any business or profession</b>	If self generated - NIL If purchased from previous owner - purchase price	NIL
<b>Trademark /brand name associated with business or tenancy rights or stage carriage permits / loom hours</b>	If self generated - NIL If purchased from previous owner - purchase price	Expenses incurred by assessee or previous owner after 31-3-2001

However, in case of a capital asset, being goodwill of a business or profession, in respect of which depreciation u/s 32(1) has been obtained by the assessee in any previous year (upto P.Y 2020-21), the cost of acquisition of such goodwill would be the amount of the purchase price as reduced by the total amount of depreciation (upto P.Y 2020-21) obtained by the assessee u/s 32(1) [ Amended by Finance Act 2021]

**BONUS SHARE [ SECTION 55 ]**

- ❖ Allotted **before** 1-4-2001 - COA = **cost** of acquisition
- ❖ Allotted **after** 1-4-2001 - COA = **NIL**
- ❖ Bonus share allotted before 1-2-2018, on which STT has been paid at the time of transfer -

Step 1: COA

Step 2: (1) FMV on 31/3/2018 or

(1) Sale consideration

(1) Or (2) whichever is lower

Step 1 and step 2 [ whichever is higher ]

**RIGHT SHARE [ SECTION 55]**

- ❖ **COA** - purchase price
- ❖ **Rights are renounced** - COA = purchase price + amount paid for renounced
- ❖ **Offer for right shares** - NIL

**SHARES/STOCK OF COMPANY ACQUIRED ON CONSILDATION & DIVISION OF SHARES OF LARGER OR SMALLER AMOUNT / CONVERSION OF SHARES INTO STOCK OR VICE - VERSA / CONVERSION OF ONE KIND OF SHARES IN OR OTHER**

COA = cost calculated with reference to the cost of acquisition of the shares or stock from which such share or stock is derived.

**CAPITAL GAIN IN SPECIAL CASES**

**CAPITAL GAINS IN CASE OF DAMAGE OR DESTRUCTION OF CAPITAL ASSET [section 45(1A)]:**

Where any person receives, at any time during any previous year, any money or other assets under an insurance from an insurer on account of damage to, or destruction of, any capital asset, as a result of -

- a) flood, typhoon, hurricane, cyclone, earthquake or other convulsion of nature; or
- b) riot or civil disturbance; or
- c) accidental fire or explosion; or
- d) action by an enemy or action taken in combating an enemy (whether with or without a declaration of war),

then, any profits or gains arising from receipt of such money or other assets shall be taxable as capital gains, where-

- Sale consideration - value of money + FMV of asset received
- Year of taxability - P.Y in which money or asset is received
- Other than above cases damages to asset will not be taxable.

### CAPITAL GAIN IN CASE OF TRANSFER OF SHARES HELD BY DEPOSITORY [ SECTION 45(2A)]

COA AND PERIOD OF HOLDING shall be determined on the basis of FIFO method

### CAPITAL GAIN ON TRANSFER OF CAPITAL ASSETS BY A PARTNER/MEMBER TO FIRM/AOP/BOI AS CAPITAL CONTRIBUTION [Sec 45(3)] [ only for CMA]

- Sale consideration - the amount recorded in books of account
- FMV is irrelevant

### CAPITAL GAIN ON TRANSFER OF CAPITAL ASSETS BY A FIRM/AOP/BOI TO PARTNER/MEMBER BY WAY OF DISTRIBUTION ON ITS DISSOLUTION [ Sec 45(4)] [ only for CMA]

- \* FMV of the capital asset or stock in trade or both on the date of receipt by the specified person shall be deemed to be full value of consideration and taxable under CAPITAL GAIN or PGBP

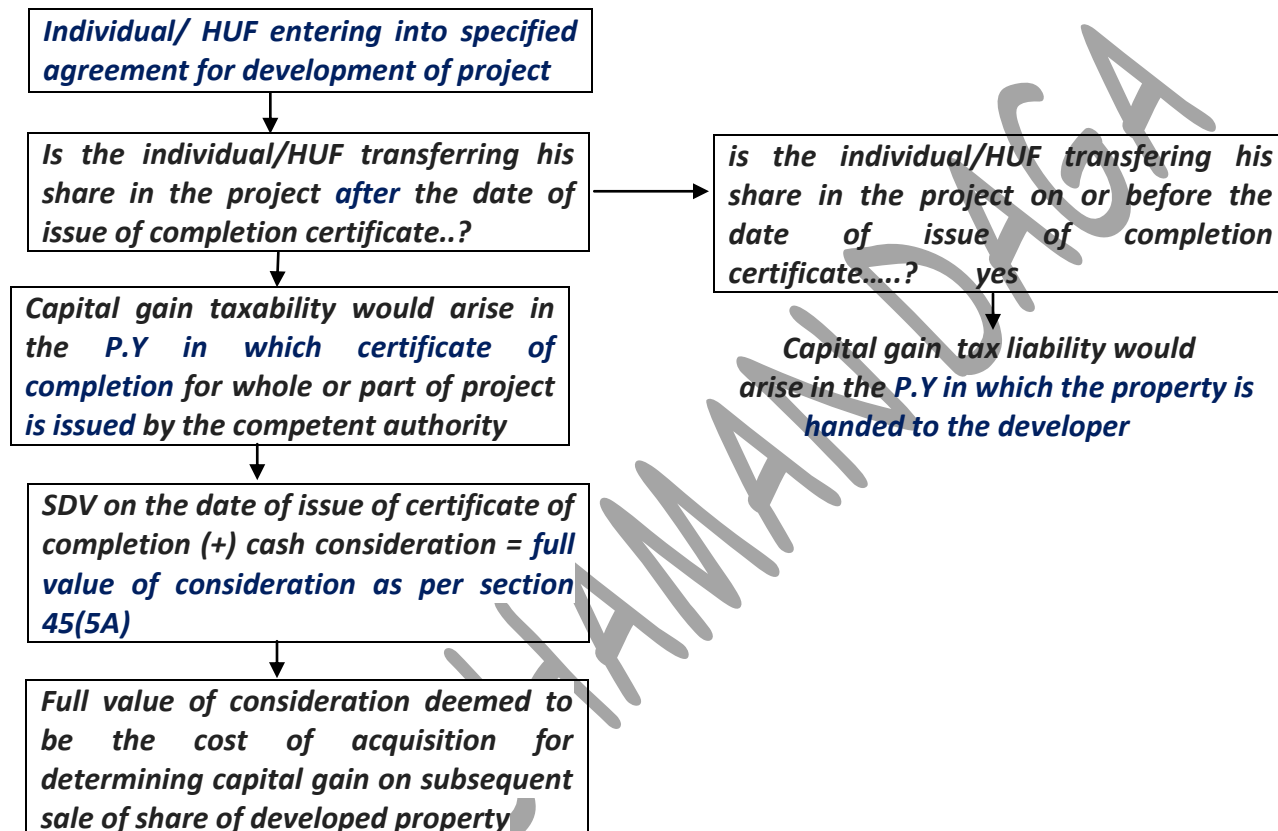
### COMPULSORY ACQUISITION OF ANY CAPITAL ASSET UNDER ANY LAW [ SECTION 45(5)]

- + Sale consideration - amt. of compensation
- + Year of taxability - P.Y in which compensation is first received by assessee
- + In case compensation is enhanced -
  - ❖ Sale consideration - full value of consideration
  - ❖ COA/COI - NIL
  - ❖ Compensation received by interim order - taxable when final compensation is received
- + Interest received on compensation/ enhanced compensation - 50% is taxable.
- + Compulsory acquisition of urban agriculture land - exempt [ section 10(37)]
  - ❖ Land in urban area
  - ❖ 2 years before transfer used for agriculture purpose by individual / HUF



- ❖ There is compulsory acquisition by govt.
- ❖ Income arisen after 1-4-2004.
- ✚ Capital gains on transfer of specified asset under land pooling scheme - exempt [ section 10(37A)]

**SPECIAL PROVISIONS FOR COMPUTATION OF CAPITAL GAIN IN CASE OF JOINT DEVELOPMENT AGREEMENT [ SECTION 45(5A)]**



**CAPITAL GAIN ON DISTRIBUTION OF ASSET BY COMPANY IN LIQUIDATION (SECTION 46)**

- ✚ **Taxability:**
  - In the hands of company: shall not be regarded as transfer
  - In the hands of shareholder: taxable as capital gain

**Computation of capital gain**

Particulars	Amount
Money so received or market value of the other asset received on liquidation on the date of distribution	-
Less: amount assessed as deemed dividend under section 2(22)(c) to the extent of accumulated profits as on the date of liquidation	-
Full value of consideration for the purpose of section 48	-
Less: ICOA (or COA) of the shares held in that co.	-
<b>LTCG/STCG</b>	-

- ❖ Cost of acquisition of assets received on liquidation in hands of shareholders: FMV on the date of distribution.

**CAPITAL GAINS ON PURCHASE BY COMPANY OF ITS OWN SHARES OR OTHER SPECIFIED SECURITIES [SECTION 46A]**

Taxability in the hands of	Buyback of shares by domestic companies	Buyback of shares by company, other than domestic companies	Buyback of specified securities by any company
Company	23.296% [listed co. are liable from 5-7-2019] (unlisted bhi covered hai)	No tax	No tax
Shareholders	Income arising to shareholders of listed / unlisted companies is exempt under section 10(34)	Taxable as capital gain u/s 46A	Taxable as capital gain u/s 46A

**CAPITAL GAIN IN CASE OF DEPRECIABLE ASSET U/S 50.** (yeh apan PGBP me block ke concept me padte hai so yaha vapis padhne ki jarurt nahi hai)

**SPECIAL PROVISION FOR COMPUTATION OF CAPITAL GAIN IN CASE OF SLUMP SALE [SECTION 50B]**

**Slump sale [ section 2(42C) ] [ Amended by Finance Act 2022 ]: it means transfer of one or more undertakings, by any means, for a lump sum consideration without values being assigned to the individual assets and liabilities in such transfer.**

Term	Meaning
Undertaking	It includes any part of an undertaking, or a unit or division of an undertaking or a business activity taken as a whole, but does not include individual assets or liabilities or any combination thereof not constituting a business activity
Transfer	Transfer shall have the meaning assigned to in section 2(47).

**Computation of capital gain:**

Full value of consideration being <b>Fair Market value of the capital assets as on the date of transfer, calculated in the prescribed manner</b>	-
Less: expenditure incurred	-
Less: Net worth	-
Short term/long term capital gain	-

**Computation of net worth:**

Aggregate value of total asset of undertaking (ignore revaluation):-	-
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In case of depreciable asset, the WDV of the block	-	
In case asset section 35AD wali hai	-	
<b>In the case of capital asset being goodwill of a business or profession, which has not been acquired by the assessee by purchase from a previous owner</b>	-	-
In case of other asset, the book value	-	
Less: value of liabilities	-	
<b>Net worth</b>		-

- No indexation
- Certificate by chartered accountant

**FULL VALUE OF CONSIDERATION IN CERTAIN CASES [ SECTION 50C ]**

1. **Stamp duty value deemed to be full value of consideration in case it exceed actual consideration:**

- ❖ SDV > sale consideration - SDV
- ❖ SDV < sale consideration - sale consideration

**Sale consideration on the date of agreement to be considered:** Agar any mode other than cash main date of agreement wale din payment kiya hai toh date of agreement wale din ki SDV otherwise SDV date of registry ki lenge. [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]

2. **Stamp duty value not be full value of consideration:** Agar sale consideration and SDV me difference 110% se jayada ka nahi hai toh apna SDV lenge

3. **Reference to valuation officer:** the assessing officer may refer to valuation officer where -

- ❖ The assessee claim SDV > FMV and
- ❖ SDV has not been disputed

4. **Where the value ascertained by valuation officer exceeds the value assessed by stamp valuation authority:**

- ❖ SDV > valuation officer ki determined value - valuation officer ki determined value lenge
- ❖ SDV < valuation officer ki determined value - SDV lenge.

5. **FMV as on 01-04-2001 not to exceed SDV as on that date:** in case of a capital asset, being land or building or both, the fair market value of such asset on 01-04-2001 shall not exceed the stamp duty value, wherever available, of such asset as on the 1-04-2001. [ Amended by Finance Act, 2020]

**SPECIAL PROVISION FOR FULL VALUE OF CONSIDERATION FOR TRANSFER OF SHARE OTHER THAN QUOTED SHARE [ SECTION 50CA ]**

Agar unquoted shares and value of consideration FMV se kam hai toh bhi value of consideration ko deemed full value of consideration manege  
However, the provision of this section shall not apply to any consideration received or accruing as a result of transfer by such class of persons and subject to such conditions as may be prescribed.

**BONUS STRIPPING [ Sec 94(8)] [ only for CMA]**

**Condition and applicability**

Where -

- ✚ Any person buys or acquires any securities or units within a **period of 3 months** prior to the record date,
- ✚ Such person is allotted bonus share on such date
- ✚ Such person sells or transfer all or any of the original securities or original units **within a period of 9 months** after such date, while continue to hold or any of additional securities or units

Tax treatment

- ♥ Loss, if any shall be ignored and
- ♥ The amount of loss ignored shall be deemed to be cost of purchase or acquisition of additional securities

**CAPITAL GAIN ON VIRTUAL DIGITAL ASSETS (VDA) [ Sec 115BBH ] [ only for CMA]**

**Tax treatment**

Rate of tax - 30%

**Computation of income on transfer of such assets**

Cost of acquisition	Allowed (without indexation)
Other expenditure (like improvement, expenses on transfer)	Not allowed
Loss on transfer of VDA	No adjustment
Carry forward of loss	Not allowed
VDA held as investment	Capital gain
VDA held as stock in trade	Business income

**FAIR MARKET VALUE DEEMED TO BE FULL VALUE OF CONSIDERATION IN CERTAIN CASES [ SECTION 50D ]**

Jaha pe consideration is not ascertainable or cannot be determined toh FMV will be deemed to be full value of consideration.

**ADVANCE MONEY FORFEITED [ SECTION 51 ]**

**if advance was received and forfeited**

**if advance was received and**

**INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)**

**Before 1-4-2014**

**Advance forfeited to be deducted while determining COA for computing capital gain**

Taxability is postponed to the year of actual of Transfer of capital asset

**forfeited on or after 1-4-2014**

**advance forfeited to be taxed as IOS**

tax liability is attracted in the year forfeiture of advance

S . n o	Particulars	Section 54	Section 54B	Section 54D	Section 54EC	Section 54F
1	Eligible assessee	Individual/HUF	Individual/HUF	Any assessee	Any assessee	Individual/HUF
2	Asset transferred	Residential house (LTCA)	Urban agriculture land	Land & building forming part of an industrial undertaking	Land or building or both (LTCA)	Any LTCA other than residential houses.
3	Other conditions	Income from such house should be chargeable under the head "income from house property"	Land should be used for agriculture purposes by assessee or his parents or HUF for 2 years immediately preceding the date of transfer.	Land & building have been used for business of undertaking for at least 2 years immediately preceding the date of transfer. The transfer should be by way of compulsory acquisition of the industrial undertaking	-	Assessee should not own more than one residential house on the date of transfer. He should not purchase within 2 years or construct within 3 years after the date of transfer, another residential

**INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)**

						house.
4	Qualifying assets i.e., asset in which capital gain is to be invested	One residential house situated in India/Two residential houses in India, at the option of the assessee, where capital gains does not exceed Rs 2 crore	Land for being used for agriculture purpose (urban/rural)	land or building or right in land or building	Bonds of NHAI or RECL or any other bond notified by C.G (redeemable after 5 years)	One residential unit situated in India
5	Time limit for purchase/construction	Purchase within 1 year or before 2 years after the date of transfer or construction within 3 years after the date of transfer	Purchase within a period of 2 years after the date of transfer.	Purchase/construct within 3 years after the date of transfer, for shifting or re-establishing the exiting undertaking or setting up a new industrial undertaking	Purchase within a period of 6 months after the date of transfer.	Purchase within 1 year or before 2 years after the date of transfer or construct within 3 years after the date of transfer
6	Amount of exemption	Cost of new residential house or two houses, as the case may be or capital gain, whichever is lower, is exempt	Cost of new agriculture land or capital gain, whichever is lower is exempt.	Cost of new asset or capital gain whichever is lower	Capital gain or amount specified in bonds, whichever is lower. Maximum permissible investment out of	Cost of new residential house > net sale consideration of original asset, entire

					capital gain arising in any financial year is Rs 50lacs, whether such investment is made in the current F.Y or subsequent F.Y or both.	capital gain is exempt. Cost of new residential house < net consideration of original asset, proportionate capital gain is exempt.
	Lock in period	3 years	3 years	3 years	5 years	3 years

**EXTENSION OF TIME FOR ACQUIRING NEW ASSET OR DEPOSITING OR INVESTING AMOUNT OF CAPITAL GAIN [ SECTION 54H ]**

Where the transfer of the original assets referred to in sections 54, 54B, 54D, 54EC, and 54F is by way of compulsory acquisition under any law and the amount of compensation awarded for such acquisition is not received by the assessee on the date of transfer, then the period for acquiring the new asset by the assessee referred to in those sections or, as the case may be, the period available to the assessee under those sections for depositing or investing the amount of capital gain in relation to such compensation as is not received on the date of the transfer, shall be reckoned from the date of receipt of such compensation.

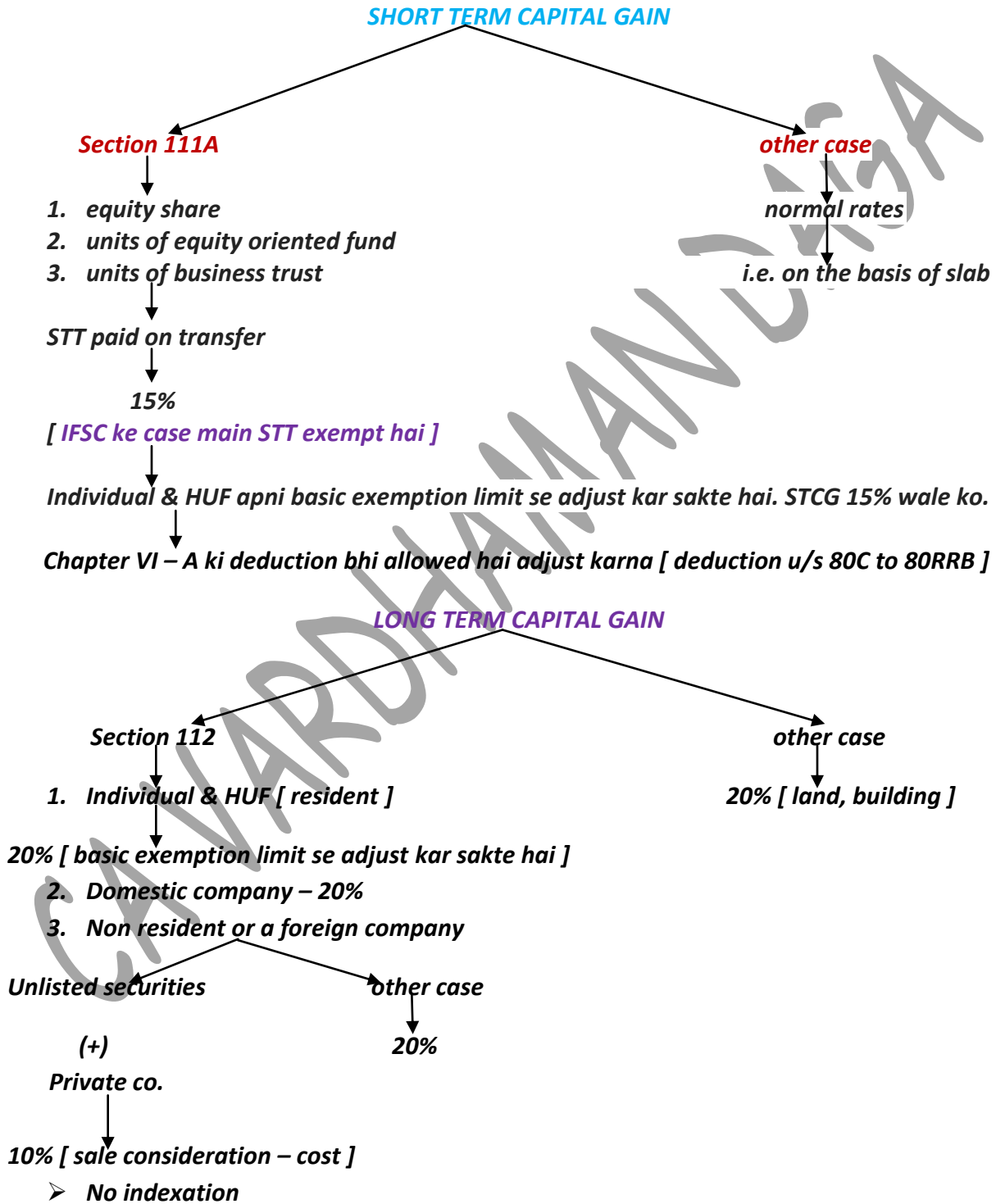
**REFERENCE TO VALUATION OFFICER [ SECTION 55A ]**

With a view to ascertaining the fair market value of a capital asset, the Assessing Officer may refer the valuation of a capital asset to a Valuation Officer in following cases-

- (1) in a case where the value of the asset as claimed by the assessee is in accordance with the estimate made by registered valuer, if the Assessing Officer is of opinion that the value so claimed is at **variance with its fair market value.**
- (2) **in any other case**, if the Assessing Officer is of opinion
  - (i) that the **fair market value of the asset exceeds the value of the asset** as claimed by the assessee by -
    - (a) Rs 25,000; or

- (b) 15% of the value claimed by the assessee;
- (ii) that having regard to the nature of the asset and other relevant circumstances, it is necessary so to do.

**TAXABILITY OF CAPITAL GAIN**





➤ **No converting into other currency**

**Chapter VI-A ki deduction nahi milti LTCH ke case main.**

**Note: [ sabke liye applicable ]**

**Proviso to section 112 [ exception to section 112 ]**

**Tax on listed securities (other than units) + ZCB**

**(i) 10% of gross capital gain [ sale – cost ] [ no indexation ]**

**(ii) 20% of LTCG [ sale – COA ]**

**Lower of two ( i or ii )**

**Jo 111A wale short term the jisme 15% tax tha vahi agar LTCG hue toh section 112A main cover honge.**

**Section 112A**

**LTCG**

**(2) Equity share (2) equity oriented fund (3) business trust**

**STT paid on acquisition and transfer [ equity share ]**

**Or**

**STT paid on transfer [ equity oriented fund or business trust ]**

**STT not applicable in case of IFSC**

**Tax [ LTCG ] agar 1 lacs se exceed hue toh 10% ke hesab se tax lagega [ 1 lacs tak exempt ]**

**Individual & HUF esme basic exemption limit ka fayada utha sakte hai and balance main 10% ke hesab se tax denge**

**(1) No indexation**

**(2) No converting into other currency**

**(3) Tax rebate [ section 87A ] not available**

**(4) No deduction u/s chapter VI-A**

**Computation of COA [section 112A]**

**Step 1: COA**

**Step 2: (1) FMV on 31/1/2018 or**

**(3) Sale consideration**

**(2) Or (2) whichever is lower**

**Step 1 and step 2 [ whichever is higher ]**

**Meaning of FMV:**

	<b>Circumstance</b>	<b>FMV</b>
(i)	In a case where the capital asset is listed on any recognized stock exchange as on 31-01-2018	If there is trading in such asset on such exchange on 31-01-2018 The highest price of the capital asset quoted on such exchange on the said date If there is no trading in such asset on such exchange on 31-01-2018 The highest price of such asset on such exchange on a date immediately preceding 31-01-2018 when such asset was traded on such exchange.
(ii)	In a case where the capital asset is a unit which is not listed on any recognized stock exchange as on 31-01-2018	The net asset value of such unit as on the said date
(iii)	In a case where the capital asset is an equity share in a company which is not listed on a recognized stock exchange as on 31-01-2018 but listed on such exchange on the date of transfer listed on a recognized stock exchange on the date of transfer and which became the property of the assessee in consideration of share which is not listed on such exchange as on 31-01-2018 by way of transaction not regarded as transfer under section 47	$FMV = COA * CII$ of 2017-18 i.e. 272 _____ CII for the first year in which the _____ Asset was held by the assessee or _____ 2001-02 whichever is later.

**CBDT clarification imp for exam**

	<b>Question</b>	<b>Answer</b>
1.	What is the meaning of long term capital under the new tax regime for long term capital gains...?	Long term capital gains mean gains arising from the transfer of long-term capital asset. It provides for a new long-term capital gains tax regime for the following assets- i) Equity Shares in a company listed on a recognised stock exchange; ii) Unit of an equity oriented fund; and iii) Unit of a business trust. The new tax regime applies to the above assets,

		<p>if-</p> <p>(a) the assets are held for a minimum date of acquisition; and period of twelve months from the date of acquisition; and</p> <p>(b) the STT is paid at the time of transfer. However, in the case of equity shares acquired after 1-10-2004, STT is required to be paid even at the time of acquisition (subject to notified exemptions)</p>
2.	What is the point of chargeability of the tax?	The tax will be levied only upon transfer of the long-term capital asset on or after 1st April, 2018, as defined in clause (47) of section 2 of the Act.
3.	What is the method for calculation of long-term capital gains?	The long-term capital gains will be computed by deducting the cost of acquisition from the full value of consideration on transfer of the long-term capital asset.
4.	How do we determine the cost of acquisition for assets acquired on or before 31st January, 2018?	<p>The cost of acquisition for the long-term capital asset acquired on or before 31st of January, 2018 will be the actual cost.</p> <p>However, if the actual cost is less than the fair market value of such asset as on 31st of January, 2018, the fair market value will be deemed to be the cost of acquisition. Further, if the full value of consideration on transfer is less than the fair market value, then such full value of consideration or the actual cost, whichever is higher, will be deemed to be the cost of acquisition.</p>
5.	Please provide illustrations for computing long-term capital gains in different scenarios, in the light of answers to questions 4.	<p>The computation of long-term capital gains in different scenarios is illustrated as under</p> <p>Scenario 1 - An equity share is acquired on 1st of January, 2017 at Rs 100, its fair market value is Rs 200 on 31st of January, 2018 and it is sold on 1st of April, 2018 at Rs 250. As the actual cost of acquisition is less than the fair market value as be taken as on 31st of January, 2018, the fair market value of Rs 200 will be taken as the cost of acquisition and the long-term capital gain will be Rs 50 (250 - 200).</p> <p>Scenario 2 - An equity share is acquired on 1st</p>

		<p>of January, 2017 at &amp; 100, its fair market value is Rs 200 on 31st of January, 2018 and it is sold on 1st of April, 2018 at Rs 150. In this case, the actual cost of acquisition is less than the fair market value as on 31st of January, 2018. However, the sale value is also less than the fair market value as on 31st of January, 2018. Accordingly, the sale value of Rs 150 will be taken as the cost of acquisition and the long term capital gain will be NIL (Rs150 - 150).</p> <p>Scenario 3 - An equity share is acquired on 1st of January, 2017 at Rs 100, its fair market value is Rs 50 on 31st of January, 2018 and it is sold on 1st of April, 2018 at Rs 150. In this case, the fair market value as on 31st of January, 2018 is less than the actual cost of acquisition, and therefore, the actual cost of Rs 100 will be taken as actual cost of acquisition and the long-term capital gain will be Rs 50 (150 - 100).</p> <p>Scenario 4 - An equity share is acquired on 31st of January, 2017 at Rs 100, its 1st fair market value is Rs 200 on 31<sup>st</sup> of January, 2018 and it is sold on 1st of April, 2018 at Rs 50. In this case, the actual cost of acquisition is less than the fair market value as on 31st January, 2018. The sale value market value as on 31st of January, 2018 and also is less than the fair acquisition. Therefore, the actual cost of Rs 100 will be taken as the cost of acquisition in this case. Hence, the long-term capital loss will be Rs 50 ( 50 - 100) in this case</p>
6.	Whether the cost of acquisition will be inflation indexed...?	Third proviso to Section 48, provides that the long-term capital gain will be computed without giving effect to the provisions of the second provisos of section 48. Accordingly, it is clarified that the benefit of inflation indexation of the cost of acquisition would not be available for computing long-term capital gains under the new

		tax regime.
7.	What will be the tax treatment of transfer on or after 1 <sup>st</sup> april 2018..?	The long-term capital gains exceeding Rs 1 lakh arising from transfer of these assets made on or after 1st April, 2018 will be taxed at 10%. However, there will be no tax on gains accrued upto 31st January, 2018.
8.	What is the date from which the holding period will be counted?	The holding period will be counted from the date of acquisition.
9.	Whether tax will be deducted at source in case of gains by resident tax payer?	No. There will be no deduction of tax at source from the payment of longterm capital gains to a resident tax payer.
10.	What will be the cost of acquisition in the case of bonus shares acquired before 1 <sup>st</sup> February 2018?	The cost of acquisition of bonus shares acquired before 31st January, 2018 will be determined as per Section 55(2)(ac). Therefore, the fair market value of the bonus shares as on 31st January, 2018 will be taken as cost of acquisition (except in some typical situations explained in Ans 5), and hence, the gains accrued upto 31 <sup>st</sup> January, 2018 will continue to be exempt.
11.	What will be the cost of acquisition in the case share acquired of right before 1 <sup>st</sup> February 2018?	The cost of acquisition of right share acquired before 31st January, 2018 will be determined as per section 55(2)(ac). Therefore, the fair market value of right share as on 31 <sup>st</sup> January, 2018 will be taken as cost of acquisition (except in some typical situations explained in Ans 5), and hence, the gains accrued upto 31st January, 2018 will continue to be exempt.
12.	What will be the treatment of long-term capital loss arising from transfer made on or after 1 <sup>st</sup> April, 2018?	Long-term capital loss arising from transfer made on or after 1st April, 2018 will be allowed to be set-off and carried forward in accordance with existing provisions of the Act. Therefore, it can be set-off against any other long-term capital gains and unabsorbed loss can be carried forward to subsequent eight years for set-off against long-term capital gains.

**DEDUCTION FROM CAPITAL GAIN ON TRANSFER OF CAPITAL ASSETS IN CASE OF SHIFTING OF INDUSTRIAL UNDERTAKING FROM URBAN AREAS [ Sec 54G] [ only for CMA]**

× applicable to - all assessee

× conditions

1. assessee must have transferred a capital asset, being -
  - a machinery or plant or building or land; or
  - any right in building or land,
  - used for the purpose of the business of an industrial undertaking situated in an urban area
2. shifting from urban area
3. assessee has within a period of 1 year before, or 3 years after, the date of transfer -
  - ♣ purchased new P&M
  - ♣ acquired building or land or constructed building
  - ♣ shifting the original asset
  - ♣ incurred expenditure for the purpose

× amount of deduction - minimum of the following

- ◆ amount expended
- ◆ capital gain

× lock in period - 3 years

DEDUCTION FROM CAPITAL GAIN ON TRANSFER OF CAPITAL ASSETS IN CASE OF SHIFTING OF INDUSTRIAL UNDERTAKING FROM URBAN AREAS TO SEZ [ Sec 54GA] [ only for CMA]

× applicable to - all assessee

× conditions

- a) assessee must have transferred a capital asset, being -
  - a machinery or plant or building or land; or
  - any right in building or land,
  - used for the purpose of the business of an industrial undertaking situated in an urban area
- b) shifting to SEZ
- c) assessee has within a period of 1 year before, or 3 years after, the date of transfer -
  - ♣ purchased new P&M
  - ♣ acquired building or land or constructed building
  - ♣ shifting the original asset
  - ♣ incurred expenditure for the purpose

× amount of deduction - **minimum** of the following

- ◆ amount expended
- ◆ capital gain

× lock in period - 3 years

DEDUCTION FROM CAPITAL GAIN ON TRANSFER OF RESIDENTIAL PROPERTY FOR INVESTMENT IN ELIGIBLE COMPANY [ Sec 54GB ] [ only for CMA]

✓ applicable to - individual & HUF

✓ conditions -

1. Assessee must have transferred a long term capital asset being residential property ( house or plot of land)
2. Transfer during 1/4/2012 - 31/3/2022
3. Assessee must subscribe in the equity shares of an eligible company within the due date of furnishing income tax return

♦ Eligible company -

- It is an Indian company
- The company should be incorporated during the period from the 1<sup>st</sup> day of april of the previous year relevant to the assessment year in which the capital gain arises.
- The company is engaged in the business of manufacturing of an article or a thing or in eligible business
- It is a company in which assessee has more than 25% share capital
- Company qualifies as SME

4. The company should have utilized for purchasing new asset

New asset does not include -

- ✚ P&M used outside India (second hand)
- ✚ Any official appliances including computer and computer software
- ✚ case of eligible start-up
- ✚ P&M installed in office premises or the residential accommodation (including guest house)
- ✚ P&M whose whole of the actual cost is deductible.
- ✚ Any vehicle

- ✓ Time limit for acquiring of new asset - within 1 year from the date of subscription in equity share
- ✓ Amount of deduction - minimum of following
  - ♣ Investment in new asset of the company\*capital gain ÷ net consideration
  - ♣ Capital gain
- ✓ Revocation of benefit and its treatment - if the newly acquired asset is transferred or equity share is transferred within 5 from date of its acquisition

## INCOME FROM OTHER SOURCES

### INCOME FROM OTHER SOURCES [SECTION 56]

Conditions:

- (1) Receipt of income
- (2) Income must not be exempt
- (3) Income must not be charged under any other head

Sec. 56(2)	Income taxable under the head "income from other resources"
(i)	Dividends
(ib)	Lottery income
(ic)	Employees contribution towards staff welfare fund : if not taxable under head PGBP
(id)	Interest on securities
(ii)	Hire income of plant, machinery and furniture: if not taxable under head PGBP
(iii)	Hire income of plant, machinery and furniture along with building: if not taxable under head PGBP
(iv)	Keyman insurance policy receipt: if not taxable under head PGBP, salary
(viib)	<p><b>Shares issued by private limited company - issue price exceeds FMV of shares:</b> Where a company, not being a company in which the public are substantial interested receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, <b>the aggregate consideration received for such shares as exceeds the fair market value of the shares.</b></p> <p>However, this clause shall not apply where the consideration for issue of shares is received:</p> <ol style="list-style-type: none"> <li>(i) by a venture capital or undertaking from a venture capital company or a venture capital fund or specified fund;</li> <li>(ii) by a company from a class or classes of persons as may be notified by the Central Government in this behalf.</li> </ol> <p>"Specified fund" means a fund established or incorporated in India in the company or a limited liability partnership or a body corporate which has form of a trust or a of registration as a Category been granted a certificate or a Category II Alternative Investment Fund and is regulated under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012 made under the Securities and Exchange Board of India Act, 1992;</p>
(viii)	Interest on compensation
(ix)	Advance money forfeited



DEEMED DIVIDEND AND ITS TAXABILITY

SECTION 2(22)

- (a) Distribution of accumulated profits, entailing release of assets: Any distribution by a company of accumulated profits, whether capitalised or not, if such distribution entails the release by the company to its shareholders of all or any part of the assets of the company.  
Bonus shares: The bonus shares issued by a company to its equity shareholders is not treated as dividend since it does not involve any release of assets. However, if the bonus shares are redeemed (if such bonus shares are preference shares), then it will be treated as dividend at the time of such redemption since there involves release of assets.
- (b) Distribution of debentures/ deposit-certificates to shareholders or bonus shares to preference shareholders : Any distribution by a company of
- (i) Debentures, debenture-stock, or deposit certificates in any form, whether with or without interest, to its shareholders; and
  - (ii) Bonus shares to its preference shareholders, to the extent to which the company possesses accumulated profits, whether capitalised or not.
- (c) Distribution to shareholders on liquidation: Any distribution made to the shareholders of a company on its liquidation, to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalised or not.
- (d) Distribution to shareholders on reduction of share capital: Any distribution to its shareholders by a company on the reduction of its capital, to the extent to which the company possesses accumulated profits, whether capitalised or not.
- (e) Loan/ advances by a private company to its substantial shareholder/ concern: Any payment made by a company, not being a company in which the public are substantially interested, of any sum by way of advance or loan, to the extent of accumulated profits (capitalised accumulated profits not included here), -
- (i) To a **shareholder** who is the beneficial owner of equity shares holding **not less than 10% of the voting power**.
  - (ii) To any **concern (HUF/Firm/AOP/BOI/Company)** in which the shareholder referred to in (i) above is a member or a partner and in which he has a substantial interest.
  - (iii) To **any person on behalf, or for the individual benefit**, of shareholder referred to in (i) above.

Exclusions: Dividend does not include -

- (a) Any payment made by a company on **purchase of its own shares** from provisions of Section 68 a shareholder in accordance with the of the Companies Act, 2013.

- (b) Any distribution of **shares pursuant to a demerger** by the resulting company to the shareholders of the demerged company (whether or not there is a reduction of capital in the demerged company).
- (c) Any dividend paid by a company which is **set-off by it against whole or any part of deemed dividend** under section 2(22)(e), to the extent it is so set-off.
- (d) Any **advance or loan made to shareholder** or such concern by a company in **ordinary course of its business**, where lending of money is substantial part of business of company.
- (e) Any **distribution made in accordance with Section 2(22)(c)/(d) in respect of any share issued** for full cash consideration, where the holder of the share is not entitled in the event of liquidation to participate in the surplus assets.

**Taxability of deemed dividend/income from units of mutual fund [Amended by Finance Act, 2020 ]:** Deemed dividend under section 2(22)(a) to 2(22)(e) and income from units of mutual fund shall be taxed as follows -

**(1) In hands of shareholders/unit-holder:**

- (a) **Taxable:** It shall be chargeable to tax since exemption available u/s 10(34)/10(35) has been withdrawn from assessment year 2021-22.
- (b) **Deduction:** No deduction shall be allowed from the dividend income, or income in respect of units of a Mutual Fund specified under section 10(23D) or income in respect of units from a specified company defined in the explanation to section 10(35), other than deduction on account of interest expense, and in any previous year such deduction shall not exceed 20% of the dividend income, or income in respect of such units, included in the total income for that year, without deduction under this section.
- (c) **Grossing up:** Since dividend income/income from units of mutual fund is subject to TDS u/s 194/194K @10%, hence such income is to be grossed up before being included in the total income of assessee.

The net income shall be grossed up as follows -

$$\text{Gross dividend} = \frac{\text{Net Dividend} * 100}{\{100 - (\text{Rate of TDS i.e } 10)\} \text{ i.e } 90}$$

**(2) In hands of company/mutual fund:** The company/mutual Fund will not be liable to pay tax on distributed profit under section 115-0/115R. However, company/mutual fund shall be liable to deduct tax at source @ 10% under section 194/194K.

However, no such deduction shall be made u/s 194 in the case of a shareholder, being an individual, if -

- (a) The dividend is paid by the company by any mode other than cash; and
- (b) The amount of such dividend or, as the case may be, the aggregate of the amount of such dividend distributed or paid or likely to be distributed or paid during the financial year by the company to the shareholder, does not exceed Rs 5000.

Similarly in case of mutual fund, TDS provisions will not be applicable where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year by the person responsible for making the payment to the account of, or to, the payee not exceed Rs 5000.

**TAX ON WINNINGS FROM LOTTERIES, CROSSWORD PUZZLES, RACES INCLUDING HORSE RACES, CARD GAMES AND OTHER GAMES OF ANY SORT OR GAMBLING OR BETTING OF ANY FORM OR NATURE WHATSOEVER [ SECTION 115BB ]**

Shall be taxable @ 30% (plus surcharge, as applicable and & HEC)

Grossing up of income as income is liable for TDS. No deduction in respect of expenditure to earn lottery winnings, etc.

**INTEREST ON SECURITIES [ Section 2(28B)]:** "interest on securities" means\_-

(a) Interest on any securities of the CG/SG.

(b) Interest on debentures or any other securities for money issued by or on behalf of a local authority or a company or a corporation established by a Central state or provincial act.

**Grossing up of interest:** income in form of interest on securities is subject to TDS under section 193 @ 10% if it exceed Rs 5000. However, no TDS is deducted from government securities except from 7.75% saving (taxable) bonds, 2018 if the interest exceed Rs 10000.

**TAXBILITY OF GIFTS**

(1) **Cash gifts, or gifts of movable property, or gifts of immovable property [section 56(2)(x)]:** where any person receives, in any P.Y, from any person or persons on or after 01-04-2017 –

	Case	Amount taxable
(a)	<b>Cash gifts:</b> any sum of money, without consideration, the aggregate value of which exceed Rs 50000	The Whole of the aggregate value of such sum (matlab Rs 50000 se ek rupee bhi jayada hua toh pura taxable hoga)
(b)	<b>Immovable property without consideration or for inadequate consideration:</b> any immovable property – (i) without consideration, the stamp duty value of which exceeds Rs 50000 (ii) for a consideration, the stamp duty of such property as exceeds such consideration, if the amount of such excess is more than the higher of the following amounts, namely – (a) the amount of Rs 50000 and	The stamp duty value of such property. The stamp duty value of such property – such consideration.

	<p><i>(b) the amount equal of Rs 10% of the consideration.</i></p> <p><b>Stamp duty value on the date of agreement to be considered:</b> <i>agar agreement wale din kuch consideration other than cash me diya hoga toh SDV on the date of agreement lenge otherwise SDV on the date of registry. Agar disputed value hai toh jo section 50C me jo provisions hai vo applicable honge disputed property se related. (section 50C ko saath me connect karke padhna chahiye) [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]</i></p> <p><i>[Amended by Finance Act, 2020]</i></p>	
<p><b>(c)</b></p>	<p><b>Movable property without consideration or for inadequate consideration:</b> <i>any property, other than immovable property –</i></p> <p><i>(i) without consideration, the aggregate fair market value of which exceeds Rs 50000,</i></p> <p><i>(ii) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding Rs 50000</i></p>	<p><i>The whole of the aggregate fair market value of such property.</i></p> <p><i>The aggregate fair market value of such property – such consideration.</i></p>

**Exception:** this clause shall not apply to any sum of money or any property received –

- (i) From any relative
  - (ii) On the occasion of the marriage of the individual; or
  - (iii) Under a will or by way of inheritance; or
  - (iv) In contemplation of death of the payer or donor; or
  - (v) From any local authority as defined in explanation to section 10(20); or
  - (vi) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in section 10(23C); or
- However, the exemption shall not be available where any sum of money or any property has been received by any person referred to in Section 13(3);**
- (vii) From any trust or institution registered under section 12A or Section 12AA or 12AB; or

However, the exemption shall not be available where any sum of money or any property has been received by any person referred to in Section 13(3):

- (viii) By any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in section 10(23C)(iv)/(v)/(vi)/(via); or
- (ix) By way of transaction not regarded as transfer u/s 47(i)/(iv)/(v)/(vi)/(viaa)/(vib)/(vic)/(vica)/(vicb)/(vid)/(vii); or
- (x) From an individual by a trust created or established solely for the benefit of relative of the individual; or
- (xi) From such class of persons and subject to such conditions, as may be prescribed.
- (xii) By an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family, for illness related to COVID-19 subject to such conditions, as the central government may, by notification in the official Gazette, specify in this behalf.
- (xiii) By a member of the family of a deceased person -
  - (a) From the employer of the deceased person; or
  - (b) From any other person or persons to the extent that such sum or aggregate of such sum does not exceed ₹ 10 lakh,

Where the cause of death of such person is illness related to COVID-19 and the payment is -

- (i) Received within 12 months from the date of death of such person; and
- (ii) Subject to such other conditions, as the central government may, by notification in the official Gazette, specify in this behalf.

Explanation: for the purposes of clause (xii) and (xiii), "family", in relation to an individual means -

- (i) The spouse and children of the individual; and
- (ii) The parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual. [ Amended by Finance Act, 2022 w.e.f. 01/04/2020 i.e AY 2020-21]

(2) 'Relative' means -

- ♣ Individual + spouse (dono ke parents + parents ke bhi brother and sister + individual and spouse ke brother and sister + eske upper ya niche kitne bhi linear ascendant and descendant (eg dadaji ya individual ke bache) + yeh jitne bhi log hai un sab ke spouse)

♣ *In case of HUF – any family member.*

Meaning of various terms:

(a) "Property" means the following capital asset of the assessee, namely -

- (i) Immovable property being land or building or both;
- (ii) Share and securities
- (iii) Jewellery
- (iv) Archaeological collection
- (v) Drawing
- (vi) Painting
- (vii) Sculptures
- (viii) Any work of art; or
- (ix) Bullion

**And shall include virtual digital asset.** [Amended by Finance Act, 2022 w.e.f. 01/04/2023 i.e. A.Y 2023-24]

DEDUCTION [ SECTION 57 ]

The income chargeable under the head "Income from other sources" shall be computed after making the following deductions -

- (1) In the **case of dividends** or interest on securities - any reasonable **sum paid by way of commission or remuneration** to a banker or any other person for the purpose of realising such dividend or interest on behalf of the assessee.  
**However, no deduction shall be allowed from the dividend income, or income in respect of units of a mutual fund specified under section 10(23D) or income in respect of units from a specified company defined in the explanation to section 10(35), other than deduction on account of interest expense, and in any previous year such deduction shall not exceed 20% of the dividend income, or income in respect of such units, included in the total income for that year, without deduction under this section.** [Amended by Finance Act, 2020]
- (2) Where any **sum is received by an employer from employees as contribution** to any provident fund, superannuation fund or any fund set up under the provisions of the Employees' State Insurance Act - **a deduction will be allowed in accordance with the provisions of section 36(1)(va)** i.e. to the extent the contribution is remitted to the employees account before the due date under the respective Acts.
- (3) Where the **income is from letting on hire of machinery, plant and furniture**, with or without building, the following deductions as provided in section 30, 31, 32 read with section 38 shall be allowed :
  - (a) the amount paid on account of any current repairs to the machinery, plant or furniture.
  - (b) the amount of any premium paid in respect of insurance against risk of damage or destruction of the machinery or plant or furniture.

(c) the normal depreciation allowance in respect of the machinery, plant or furniture, due thereon.

(4) **In the case of family pension a deduction of a sum equal to one-third of such income or Rs 15,000, whichever is less, is allowable.**

(5) **Any other expenditure** (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purpose of making or earning such income is deductible.

The said expenditure is allowed as a deduction even if the income for which it is incurred is not actually earned. Thus, interest on loan borrowed to purchase investments, is deductible even if there is no income derived from the investments in a particular year.

(6) **A deduction of 50% of income by way of interest on compensation/enhanced compensation received chargeable to tax under section 56(2)(viii).**

**AMOUNT NOT DEDUCTION [ SECTION 58 ]**

- Any personal expense
- Any interest on which TDS is not deducted.
- Salaries paid outside India on which TDS is not deducted.
- Disallowance specified u/s 40
- Any sum paid on account of wealth tax
- All disallowance under section 40A.

**Bond washing transactions [ Sec 94(1)]**

Where an assessee transfers the securities before the due date of interest and reacquires the same, then the interest received by the transferee will be deemed to be the income of the transferor

**Income on deep discount bond**

**Treatment**

<b>Income on deep discount bond (issued on or after 15/2/2002):</b>	
<b>If such bond is neither transferred nor matured</b>	Income = MV at the end of the year - MV at the beginning of the year
<b>If such bond is redeemed</b>	Interest income = redemption price - value as on the last date immediately preceding the maturity date
<b>If the bond is redeemed before maturity</b>	Taxable as capital gain

## CLUBBING OF INCOME

Transfer of income where there is no transfer of asset [section 60]: Income shall be included in the income of transferor.

Recoverable transfer of assets [section 61]: Income shall be included in the income of transferor.

Exception to section 61 [ section 62 ]: The provisions of section 61 shall not apply in the following cases:

(a)	Transfer not recoverable during the life time of the beneficiary or the transferee	Income from the transferred asset will not be included in the total income of transferor provided transferor receives no direct or indirect benefit from such income. ( if receives then will be included in transferor income)
(b)	Transfer made before April 1, 1961 and not revocable for a period exceeding 6 years	

In both the cases, as and when the power to revoke the transfer arises, the income arising by virtue of such transfer will be included in the total income of the transferor.

(1) Remuneration received by spouse from concern in which individual has substantial interest [section 64(1)(ii)]: Income will be clubbed in individual income.

Exception: This provision shall not apply in case spouse have technical or professional qualification.

In case of husband and wife both have substantial interest in a concern and both are in receipt of remuneration: income shall be clubbed whose, total income is greater.

(2) Income from assets transferred to spouse without adequate consideration [ section 64(1)(iv)]: Income arising to the spouse of such individual from assets transferred directly or indirectly by such individual otherwise than for adequate consideration or in connection with an agreement to live apart, subject to the provision of section 27(i). shall be clubbed in the income of transferor. There must be relationship of husband and wife at the time of both transfer of asset and accrual of income from such asset.

Investment of assets, received by spouse, in any business or as a capital contribution in firm: where the asset transferred directly or indirectly by an individual to his spouse are invested by the spouse, then proportionate income shall be clubbed.

(3) Income from assets transferred to person/AOP without adequate consideration for benefit of spouse: Income shall be clubbed to the extent of benefit received.

(a) Income arising from investment of clubbed income: will not be clubbed.

(b) Skill, experience and competence equivalent to professional qualification.

(c) Capital gain income will also be clubbed.



- (4) **Income from assets transferred to son's wife without adequate consideration [section 64(1)(vi)]**: Income shall be clubbed in transferor total income. Provided relationship exist both transfer of asset and accrual of income.
- (5) **Income from assets transferred to person/AOP without adequate consideration for benefit of son's wife [section 64(1)(vii)]**: Income shall be clubbed to the extent of benefit received.

**INCOME FROM INDIVIDUAL TO INCLUDE INCOME OF MINOR CHILD [ SECTION 64(1A)]**:

All income accruing or arising to a minor child ('child' includes step child and adopted child) shall be included in the income of his parents. However income shall not be clubbed in case minor child is suffering from disability under section 80U.

(a) No clubbing in certain cases:

- (i) Manual work done by him or
- (ii) Activity involving application of his skill, talent or specialised knowledge and experience.

(b) Clubbing in whose hands:

- (i) If marriage of parents subsist, then whose total income is greater.
- (ii) If marriage does not subsists, the who maintain child.

(c) Exemption upto ₹1,500 per child. Income received by minor child on compulsory acquisition of land will be taxable in the hands of parents.

**CONVERSION OF A SELF OCCUPIED PROPERTY INTO THE HUF PROPERTY [SECTION 64(2)]**: Shall be deemed to be income of individual not of HUF.

**CROSS TRANSFER**

- ♣ If the two transfers are inter-connected and are parts of the same transactions in such a way that a circuitous method has been adopted to evade tax, then the implications of clubbing provisions would be attracted.
- ♣ It is not necessary that there is transfer of same assets, the assets may be changed deliberately into assets of a like value of another person, but such a chain of transfers is covered by the word 'indirectly'.

## AGGREGATION OF INCOME AND SET-OFF OF LOSS

### INTER SOURCE ADJUSTMENT UNDER THE SAME HEAD OF INCOME

If in any year, the assessee has incurred loss from any source under a particular head of income, then he is allowed to adjust such loss against income from any other source falling under the same head. This may also be referred as Intra Head adjustment.

### INTER HEAD ADJUSTMENT IN THE ASSESSMENT YEAR

As explained above, any loss from one source of income is firstly set off against any gain from other source within the same head. Any remaining loss can then be set off against income from any other head. This process is to be done in same previous year. This is known as Inter Head Adjustment.

#### Exceptions:

- ♣ **Losses from speculation business** will only be set off against the profit of speculation business only. However losses from general business can be set off against profits from speculation business.
- ♣ **Long term capital loss** can be set off against long term capital gains only. However, short term capital loss can be set off against short term capital gain and long term capital gain.
- ♣ **Loss from owing & maintaining race horses** can be set off against profit from owing & maintaining race horses.
- ♣ **Losses from specified business** can be set off only against profit from specified business. But the losses from any other business or profession can be set off against profit from specified business.
- ♣ **Loss from business income** cannot be set off against salary.
- ♣ Loss from winning from lotteries, crosswords, puzzles, card game or any other gambling can be set off against gains from winning from lotteries, crosswords, puzzles, card game or any other gambling.

### CARRY FORWARD & SET OFF OF LOSSES

If the losses could not be set off under the same head or under different head of income in the same assessment year, such losses are allowed to be carried forward to be claimed as set off from the income of subsequent years.

Nature of losses	Set off against which income	Max. period loss can be carry forward	Mandatory filing of return of income
Loss from house property	Income from house property	<b>8 years</b>	No

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Loss from normal business under the head PGBP	Profit from any normal business	8 years	Yes
Loss from speculation business	Profit from any speculation business	4 years	Yes
Loss from specified business u/s 35AD	Profit from specified business	Indefinite	Yes
STCL	STCG or LTCG	8 years	Yes
LTCL	LTCG	8 years	Yes
Loss from owing and maintaining race horse	Income from owing and maintaining race horse	4 years	Yes

In case in any assessment year, the assessee has house property loss, then he is entitled to set off such loss against income under other head upto a limit a ₹ 2,00,000 p.a. The balance, if any, shall be carried forward.

Beside the above, the following can also be carried forward indefinitely although these are not business losses as per IT act:

1. Unabsorbed depreciation
2. Unabsorbed capital expenditure incurred scientific research;
3. Unabsorbed expenditure on family planning.

Carry forward & set off of loss in case of closely held companies [Sec 79] [only for CMA]

### Conditions

- × Assessee must be closely held company
- × 51% of equity share are held on the last day in which loss is incurred and last day in which b/f loss is sought to be set-off

### Option for eligible start-up company

- ♣ All the shareholder should have same voting power
- ♣ Such loss should be incurred during 7 years from the incorporation

### Exception

1. Transfer due to death
2. Transfer by way of gift
3. Amalgamation or demerger of foreign company
4. Insolvency and bankruptcy code 2016
5. Relocation of fund
6. Distressed company
7. Strategic disinvestment

No set off of losses consequent to search, requisition and survey [Sec 79A] [only for CMA]

Set off loss (unabsorbed depreciation) shall not be allowed from the undisclosed income while computing total income during the previous year if following conditions are satisfied -

- a) Total income of assessee include undisclosed income
- b) Such undisclosed income is consequent to a search u/s 132 or a requisition u/s 132A or a survey u/s 133A [ other than u/s 133A(2A)]

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## INCOME EXEMPT FROM TAX

Section	Exempted income	Condition/remarks
10(4D) [Amended] (only for CMA)	Income received by specified fund	<p>Any income accrued or arisen to, or received by a specified fund as a result of transfer of capital asset referred to in sec 47(viiab), on a recognized stock exchange located in any IFSC; and</p> <p>Where the consideration for such transaction is paid or payable in convertible foreign exchange or as a result of transfer of securities (other than shares in a company resident in India) or any income from securities issued by a non-resident (not being a permanent establishment of a non-resident in India); and</p> <p>Where such income otherwise does not accrue or arise in India or any income from a securitization trust which is chargeable under the head "PGBP"</p> <ul style="list-style-type: none"> <li>- To the extent such income accrued or arisen to, or is received, is attributable to units held by non-resident (not being the permanent establishment of a non-resident in India) or is attributable to the investment division of offshore banking unit, as the case may be, computed in the prescribed manner.</li> </ul>
10(4E)/(4F) [Amended] (only for CMA)	Income of IFSC	<ul style="list-style-type: none"> <li>○ Any income accrued or arisen to non resident as a result of transfer of non-deliverable forward contracts or offshore derivative instruments or over the counter derivatives in IFSC</li> <li>○ Any income of a non-resident by way of royalty or interest, on account of lease of an aircraft or a ship in IFSC</li> </ul>
10(4G) [Amended] (only for CMA)	Income of IFSC	<ul style="list-style-type: none"> <li>○ Any income received by non-resident from portfolio of securities or financial products or funds, managed or administered by portfolio manager in IFSC</li> </ul>
10(10D)	Sum received under life insurance policy including the sum allocated by way	<p>However, the following sums are not exempt -</p> <ul style="list-style-type: none"> <li>➤ Premium on insurance policy exceed <b>10%</b> of the actual sum assured <b>on or after 1-04-2012</b></li> <li>➤ Premium on insurance policy exceed <b>20%</b> of the actual sum assured <b>before 1-04-2012</b></li> </ul>

	<p>of bonus on such policy</p>	<ul style="list-style-type: none"> <li>➤ Sum received u/s 80DDB(3) and 80DDA(3)</li> <li>➤ Sum received under Keyman Insurance Policy</li> <li>➤ Premium on insurance policy exceed <b>15%</b> of the actual sum assured on or after 1-4-2013, where the policy, is for insurance on life of any person, who is -             <ul style="list-style-type: none"> <li>(i) A person with <b>disability</b> u/s 80U or</li> <li>(ii) <b>Suffering from disease</b> u/s 80DDB.</li> </ul> </li> </ul> <p>However, such sums received under such policy on the death of a person shall continue to be exempt</p> <p><b>Additional condition in respect of unit linked insurance policies issued on or after 1/2/2021 for claim of exemption u/s 10(10D)</b></p> <p>In order to deter the practice of high net worth individuals from claiming exemption u/s 10(10D) by investing in ULIPs with huge premium, additional conditions has been stipulated in respect of ULIPs issued on or after 1/2/2021.</p> <p>For this purpose, ULIP means a life insurance policy which has components of both investment and insurance and is linked to a unit defined under IRDA (ULIP) regulations, 2019.</p> <p>Accordingly, exemption u/s 10(10D) would not be available with respect to any ULIP issued on or after 1/2/2021, if the amount of premium payable exceeds ₹ 2,50,000 for any of the previous years during the term of such ULIP.</p> <p>Moreover, in case where premium is payable by a person for more than one ULIP issued on or after 1/2/2021, exemption u/s 10(10D) would not be available where the aggregate amount of premium exceeds ₹ 2,50,000 in any of the previous years during the term of any such ULIPs issued on or after 1/2/2021</p> <p>However, in case any sum is received on the death of a person, exemption u/s 10(10D) would be available, even if the premium, aggregate premium for any year during the term of ULIP/ any such ULIP issued on or after 1/2/2021 exceeds ₹ 2,50,000.</p> <p>In case any difficulty arises in giving effect to the provisions of this clause, the CBDT may issue</p>
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		<p>guidelines for the purpose of removing the difficulty with the previous approval of the central government.</p> <p>Every guideline issued by the CBDT shall be laid before each house of parliament, and shall be binding on the income tax authorities and assessee [ Amended by Finance act 2021]</p>
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**EXEMPTION IN RESPECT OF INTEREST, PREMIUM OR BONUS ON SPECIFIED INVESTMENTS, ETC [ SECTION 10(15)]**

- ✦ Interest on post office savings bank account which was so far fully exempt would henceforth be exempt from tax for any assessment year only to the extent of:
  - ₹ 3,500 in case of an individual account;
  - ₹ 7,000 in case of a joint account
- ✦ Interest on Gold deposit bonds issued under the notified gold deposit scheme, 1999 or deposit certificate issued under the gold monetization scheme, 2015.

**SPECIAL PROVISIONS IN RESPECT OF NEWLY ESTABLISHED UNITS IN SPECIAL ECONOMIC ZONES [ SECTION 10AA]**

- ✦ **Applicability** - manufacture or produce any article or thing by an entrepreneur in SEZ between 1/4/2006 to 1/4/2021.
- ✦ **Amount and period of deduction:**

First 5 consecutive assessment year	100% of profit and gains from export business
next 5 consecutive assessment year	50% of profit and gains from export business
next 5 consecutive assessment year	Lower of - <ul style="list-style-type: none"> <li>➤ 50% of profit from export business or</li> <li>➤ Amount transferred from P/L a/c to SEZRR a/c (amount shall be utilized within 3 years)</li> </ul>

**PGBP from export business** = Export turnover \* PGBP/Total turnover

**Export turnover** - does not include

- ◆ Freight, telecommunication charges or insurance attributable to the delivery of such article or things outside India, or
- ◆ Expenses, if any, incurred in foreign exchange in rendering of services (including computer software) outside India.
- ✦ Transfer of the undertaking in amalgamation or demerger.
- ✦ Losses and allowances to be carried forward or set off
- ✦ Report from CA
- ✦ No deduction u/s 35AD

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## DEDUCTION FROM GROSS TOTAL INCOME

Deduction to be made in computing total income [ section 80A]

- ✚ Deduction cannot exceed GTI.
- ✚ No double deduction under two simultaneous provisions
- ✚ No deduction u/s 10A or 10AA or 80-IA to 80-RRB, if not claimed in the return of income.
- ✚ No deduction u/s 35AD, if deduction claimed u/s 80-IA to 80-RRB.
- ✚ Deduction not to be allowed unless return furnished.

### DEDUCTION UNDER SECTION 80C

Quantum of deduction: The amount so deposited / invested or ₹1,50,000 whichever is less.

Eligible deposits or investments:

	Particulars	Notes
	<b>Category A:</b> Applicable to Individual & HUF both	In case of individual: individual, spouse and child In case of HUF: any member of HUF
(1)	Life insurance premium	Maximum deduction: <ul style="list-style-type: none"> <li>➤ Premium on insurance policy 10% of the actual sum assured on or after 1-04-2012</li> <li>➤ Premium on insurance policy 20% of the actual sum assured before 1-04-2012</li> <li>➤ Premium on insurance policy 15% of the actual sum assured on or after 1-4-2013, where the policy, is for insurance on life of any person, who is -                             <ul style="list-style-type: none"> <li>(i) A person with disability u/s 80U or</li> <li>(ii) Suffering from disease u/s 80DDB.</li> </ul> </li> </ul>
(2)	PPF	-
(3)	ULIP	-
(4)	Annuity plan	-
	<b>Category B:</b> Applicable to individual	
(1)	Deferred annuity plan	-
(2)	Deferred annuity plan of government	-
(3)	SPF/RPF	-

**INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)**

(4)	<b>TUTION FEES</b>	Only for <b>2 children</b> not in nature of donation or development fees.
(5)	<b>Repayment of housing loan</b>	Any expenditure which is deductible u/s 24 is not deductible.
(6)	<b>Approved superannuation fund</b>	
(7)	<b>Notified deposit scheme</b>	Sukanya samriddhi account
(8)	<b>NSC</b>	-
(9)	<b>Units of UTI or Mutual fund</b>	-
(10)	<b>Notified pension fund</b>	-
(11)	<b>Notified deposit scheme of NHB</b>	-
(12)	<b>Notified subscriptions to housing finance companies/housing boards</b>	-
(13)	<b>Equity shares, or debenture, units, etc. of infrastructure undertakings</b>	-
(14)	<b>5-year FDR's of Bank</b>	-
(15)	<b>Notified bonds of NABARD</b>	-
(16)	<b>Deposit in an account under the senior citizen saving scheme rules, 2004</b>	-
(17)	<b>5-year FDR's of post offices</b>	-
(18)	<b>NPS (Tier-II) contribution</b>	Employee of central government

**CONTRIBUTION TO CERTAIN PENSION FUNDS [ SECTION 80CCC ]**

- ♣ **Eligible assessee:** Individual
- ♣ **Nature of payment:** Annuity plan fo LIC or other insurer under section 10(23AAB)
- ♣ **Amount of deduction:** Amount paid or ₹ 1,50,000 whichever is less.
- ♣ Amount received as pension or on surrender of annuity plan - **Taxable.**
- ♣ Double deduction not admissible under section 80C.

**CONTRIBUTION TO PENSION SCHEME OF CENTRAL GOVERNMENT [ SECTION 80CCD ]**

- ♣ **Eligible assessee:** Individual employed by CG or employed by any other employer or other individual assessee.
- ♣ **Nature of payment:** Employee's or Employer's contribution to Approved Pension Scheme of CG and amount deposited by other individual.
- ♣ **Amount of deduction:**
  1. In case of salaried employee:

<b>Employee's contribution [ section 80CCD(1) ] : amount paid or 10% of salary, whichever is lower.</b>	-
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<b>Employer's contribution [ section 80CCD(1) ]</b> : amount paid or 10% of salary, (14% of salary where contribution is made by CG or SG), whichever is lower. <b>[Inserted by Finance Act, 2022 w.r.e.f. 01/04/2020]</b>	-
Salary includes dearness allowance	

2. In case of any other individual assessee [ section 80CCD(1)]: Sum paid or 20% of his gross total income.

3. Additional deduction of ₹ 50,000 in respect of contribution to NPS of CG [ section 80CCD(1B)].

- ♣ **Amount received as pension or on closure of pension scheme** - Taxable. However in case of death, not taxable in hands of nominee.
- ♣ **Pension from the NPS Trust to an assessee on closure or opting out of the pension scheme** - exempt upto 60%.
- ♣ **Payment from NPS trust to an employee on partial withdrawal** - exempt upto 25%.
- ♣ No taxability if sum is invested in annuity plan.

**LIMIT ON DEDUCTION UNDER SECTION 80C, 80CCC AND 80CCD [ SECTION 80CCE]: is restricted to ₹1,50,000. ( 50,000 pe yeh limit applicable nahi hogi).**

**DEDUCTION IN RESPECT OF HEALTH INSURANCE PREMIA [ SECTION 80D ]**

S. no	Nature of payment/expenditure	Expenditure on behalf of		Admissible deduction
1.	(i) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health	In case of individual	Self, spouse and dependent children	₹ 25,000
		In case of HUF	Family member	
	(ii) Contribution to CGHS (iii) Preventive health check up expenditure	IN CASE ANY OF THE ABOVE PERSONS IS OF THE AGE OF 60 YEARS OR MORE+ RESIDENT IN INDIA		₹ 50,000
2.	(i) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health (ii) Preventive health check up	For parents		₹ 25,000
		IN CASE OF EITHER OR BOTH THE PARENTS IS OF THE AGE OF 60 YEARS OR MORE + RESIDENT IN INDIA		
	Maximum ₹5,000 allowed as deduction for aggregate of preventive health check up expenditure mentioned in 1 & 2 (subject to overall limit of ₹25,000 or ₹50,000, as the case may be)			
3.	Amount paid on account of Medical Expenditure	For self/spouse/parents + who is the age of 60 years or more + Resident in India + no payment has been made to		₹ 50,000

	keep in force an insurance on health of such person	
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Note: In case the individual or any of his family members is a senior citizen, the aggregate of deduction, in respect of payment of premium, contribution to CGHS and medical expenditure incurred, as specified in 1 & 3 above, cannot exceed ₹ 50,000.

In case the parents are senior citizen, the aggregate of deduction, in respect of payment of medical insurance premium and medical expenditure, as specified in 2 above, cannot exceed ₹ 50,000

**DEDUCTION IN RESPECT OF MAINTENANCE INCLUDING MEDICAL TREATMENT OF A DEPENDENT WHO IS A PERSON WITH DISABILITY [SECTION 80DD ]**  
**[Amended by Finance Act, 2022 w.r.f. 01/04/2023 i.e. AY 2023-24]**

- ♥ **Eligible assessee:** Resident individual or HUF
- ♥ **Nature of payment:** Expenditure incurred for medical treatment of dependent, being a person with disability
- ♥ **Amount of deduction:** General ₹75,000, special ₹1,25,000 (severe disability 80% or more)
- ♥ **Meaning of dependant:**
  - 1) **In case of individual:** spouse, children, parents, brothers and sisters of individual
  - 2) **In case of HUF:** any member of family
- ♥ Disability certificate to be furnished
- ♥ **Condition of scheme:**
  - (a) The scheme provides for payment of annuity or lump sum amount for the benefit of a dependent, being a person with disability, -
    - (i) In the event of the death of the individual or the member of the HUF in whose name subscription to the scheme has been made; or
    - (ii) On attaining the age of 60 years or more by such individual or the member of the HUF, and the payment or deposit to such scheme has been discontinued;
  - (b) The assessee must nominate either the dependant, being person with disability, or any other person or a trust to receive the payment on his behalf, for the benefit of such dependant.
- ♥ **Taxability of amount received on death of dependant:** if the dependant disabled predeceases such individual or member of HUF, the amount paid or deposited under the scheme shall be deemed to be income of assessee of the previous year in which it is received by the assessee and accordingly be chargeable to tax as the income of that previous year.

However, the taxability shall not arise to the amount received by the dependant, being a person with disability, before his death, by way of annuity or lump sum by application of the condition referred to in point no 1(a)(ii)

#### DEDUCTION IN RESPECT OF MEDICAL TREATMENT, ETC. [ SECTION 80DDB ]

- ◆ **Eligible assessee:** Resident individual or HUF
- ◆ **Condition to be satisfied:** Expenditure on medical treatment of prescribed disease of
  - 1) In case of individual: spouse, children, parents, brothers and sisters of individual
  - 2) In case of HUF: any member of family
- ◆ **Amount of deduction:** Sum so paid or ₹40,000 or ₹1,00,000 in case of senior citizen.
- ◆ Medical prescription to be obtained.

#### DEDUCTION IN RESPECT OF INTEREST ON LOAN TAKEN FOR HIGHER EDUCATION [ SECTION 80E ]

- ✚ **Eligible assessee:** Individual
- ✚ **Nature of payment:** Interest on loan taken from any financial institution or any approved charitable institution for higher education or higher education of relative.
- ✚ **Amount of deduction:** 100%.
- ✚ **Period of deduction:** 8 years or until interest is paid whichever is earlier.
- ✚ Relative means individual, spouse and children.

#### DEDUCTION IN RESPECT OF INTEREST ON LOAN TAKEN FOR RESIDENTIAL HOUSE PROPERTY [SECTION 80EE]

- **Eligible assessee:** Individual.
- **Nature of payment:** Interest payable on loan taken from financial institution
- **Amount of deduction:** Interest payable or ₹50,000 whichever is less beginning with A.Y 2017-18 and subsequent assessment years.
- **Conditions to be satisfied:**
  - 1) Loan sanctioned between 1-4-2016 and 31-3-2017
  - 2) Amount of loan does not exceed ₹35,00,000
  - 3) Value of residential property does not exceed ₹50,00,000
  - 4) Assessee does not own any residential house property on the date of sanction of loan.
- No double deduction.

#### DEDUCTION IN RESPECT OF INTEREST ON LAON TAKEN FOR CERTAIN HOUSE PROPERTY [ SECTION 80EEA ]

- ♣ **Eligible assessee:** Individual not claiming deduction u/s 80EE
- ♣ **Nature of payment:** Interest payable on loan taken from financial institution

- ♣ **Amount of deduction:** Interest payable or ₹1,50,000 whichever is less beginning with A.Y 2021-22 and subsequent assessment years.
- ♣ **Conditions to be satisfied:**
  1. Loan sanctioned between 1-4-2019 and 31-3-2022.[ Amended by Finance act 2021]
  2. Value of residential property does not exceed ₹45,00,000
  3. Assessee does not own any residential house property on the date of sanction of loan.
- ♣ No double deduction.

### DEDUCTION IN RESPECT OF PURCHASE OF ELECTRIC VEHICLE [ SECTION 80EEB ]

- ♣ **Eligible assessee:** Individual
- ♣ **Nature of payment:** Interest payable on loan taken from financial institution
- ♣ **Amount of deduction:** Interest payable or ₹1,50,000 whichever is less.
- ♣ **Conditions to be satisfied:** Loan sanctioned between 1-4-2019 and 31-3-2023.
- ♣ No double deduction.

### DEDUCTION IN RESPECT OF DONATIONS TO CERTAIN FUNDS, CHARITABLE INSTITUTIONS, ETC. [ SECTION 80G ]

- ✚ **Eligible assessee:** All assessee
- ✚ **Conditions to be satisfied:**
  - i. Donation in kind not eligible
  - ii. No deduction for cash donation exceeding ₹2,000.
- ✚ **Amount of deduction:**
  1. Funds eligible for 100% deduction without any qualifying limit -
    - (a) National defence fund
    - (b) The Prime Minister National Relief Fund or the Prime Minister's Citizen assistance and relief in Emergency Situtaion Fund (PM CARES FUND) [ Finance Act, 2020 amendments]
    - (c) Swachh Bharat Kosh
    - (d) Clean Ganga Fund
    - (e) Chief Minister relief Fund.
    - (f) National children fund
  2. Funds eligible for 50% deduction without any qualifying limit -
    - (a) The Jawaharlal Nehru Memorial Fund
    - (b) The Indira Gandhi Memorial Trust
    - (c) The Prime Minister's Drought Relief Fund
    - (d) The Rajiv Gandhi Foundation
  3. Funds eligible for 100% of qualifying amount -
    - (a) Promoting family planning
    - (b) Indian Olympic association ( only to company)
  4. Funds eligible for 50% of qualifying amount -

- (a) Charitable purpose
  - (b) Charitable institution
  - (c) House accommodation for planning, development or improvement of cities
  - (d) Promoting interest of minority
- + **Qualifying limit:** 10% of adjusted total income
  - + **Adjusted total income:** Gross Total income - deduction under 80C to 80U other than 80G - income included in gross total income no which no tax payable - incomes referred u/s 111A, 112, 112A, 115BB, 115(1)(a), 115AC, 115ACA, 115AD, 115BBA, 115BBD, 115BBDA, 115BE, 115BBF, 115BBG and 115D included in gross total income.
  - + Deduction admissible to done on the basis of information furnished by the donor to prescribed authority.
  - + Statement to be furnished to prescribed authority
  - + Certificate to the donor.

#### DEDUCTION IN RESPECT OF RENTS PAID [ SECTION 80GG ]

- ♦ **Eligible assessee:** Individual
- ♦ **Condition for eligibility:** Must not receipt HRA.
- ♦ **Amount of deduction:** least of the following -
  1. Rent paid - 10% of adjusted total income
  2. 25% of adjusted total income
  3. ₹5,000 p.m.

Adjusted total income means total income computed before allowing the deduction under this section but excluding incomes from which deduction under this chapter is not allowed.

#### DEDUCTION IN RESPECT OF CERTAIN DONATIONS FOR SCIENTIFIC RESEARCH OR RURAL DEVELOPMENT [ SECTION 80GGA ]

- ♥ **Eligible assessee:** All assessee excluding whose GTI is from PGBP
- ♥ **No deduction for cash donation exceeding ₹2,000.**
- ♥ **Amount of donation : 100%**
- ♥ Deduction not deniable even if approval withdrawn subsequently.
- ♥ Deduction admissible on the basis of information furnished by the payee to prescribed authority.

#### DEDUCTION IN RESPECT OF CONTRIBUTION GIVEN BY COMPANIES TO POLITICAL PARTY [ SECTION 80GGB ]

- ♣ **Eligible assessee:** Indian company
- ♣ **Nature of payment:** Contribution to a political party
- ♣ **Amount of deduction:** 100%
- ♣ Cash contribution not eligible.

#### DEDUCTION IN RESPECT OF CONTRIBUTION GIVEN BY ANY PERSON TO POLITICAL PARTY [ SECTION 80GGC ]

- ♣ **Eligible assessee:** Any person ( other than local authority and an artificial juridical person, wholly or partly funded by the government )
- ♣ **Nature of payment:** Contribution to a political party
- ♣ **Amount of deduction:** 100%
- ♣ Cash contribution not eligible.

**DEDUCTION IN RESPECT OF PROFITS AND GAINS FROM INDUSTRIAL UNDERTAKING OR ENTERPRISES ENGAGED IN INFRASTRUCTURE DEVELOPMENT, etc [ sec 80-IA] [ only for CMA]**

**Infrastructure facility**

- × **Applicable to** - Indian company or body established under central or state act
- × **Condition to be satisfied** - developing, operating and maintaining any infrastructure facility
- × **Agreement** - with government
- × **Commencement of business** - after 1/4/1995 before 1/4/2017

Case	Quantum of deduction	Period of deduction
For infrastructure facility being		
A port, airport, inland port or inland waterway	100%	10 consecutive years out of 15 years
Housing and other developmental activities which are part of highway project	100%	10 consecutive years out of 20 years
Any other facility	100%	10 consecutive years out of 20 years

**Industrial park or SEZ**

- ♣ **Applicable to** - all assessee
- ♣ **Condition to be satisfied** - developing, operating and maintaining industrial park or SEZ
- ♣ **Commencement of business** - industrial park (1/4/1997 to 31/3/2011), SEZ (1/4/2001 to 31/6/2006)
- ♣ **Quantum of deduction** - 100% of profit for 10 consecutive years out of 15 years.

**Power generation, transmission and distribution**

- ♣ **Applicable to** - all assessee
- ♣ **Condition to be satisfied** - generation or generation and distribution of power
- ♣ **Quantum of deduction** - 100% of profit for 10 consecutive years out of 15 years.

**DEDUCTION IN RESPECT OF PROFITS AND GAINS BY AN UNDERTAKING OR ENTERPRISE ENGAGED IN DEVELOPMENT OF SEZ [SEC 80-IAB] [ only for CMA]**

- ♣ **Applicable to** - all assessee



- ✦ **Condition to be satisfied** - on or after 1/4/2005 before 1/4/2017
- ✦ **Quantum of deduction** - 100% of profit for 10 consecutive years out of 15 years.

**DEDUCTION IN RESPECT OF ELIGIBLE START-UP [SEC 80-IAC] [only for CMA]**

- a) **Applicable to** - an eligible start up (company or LLP) incorporated on or after 1/4/2016 - 1/4/2022, total turnover does not exceed ₹100 crore engaged in eligible business.
- b) **Quantum of deduction** - 100% of profit for 3 consecutive years out of 15 years.

**DEDUCTION IN RESPECT OF PROFITS AND GAINS FROM CERTAIN INDUSTRIAL UNDERTAKINGS OTHER THAN INFRASTRUCTURE DEVELOPMENT UNDERTAKINGS [SEC 80-IB] [only for CMA]**

**Industrial undertaking**

- ◆ **Applicable to** - all assessee
- ◆ **Conditions to be satisfied**
  - ✦ Manufacture or produces article specified under 11<sup>th</sup> schedule
  - ✦ Operates cold storage plant
  - ✦ Manufacture or production of article or thing does not include construction of dam, bridge, road or building
  - ✦ Undertaking located in the state of J&K
- ◆ **No of workers** - with the aid of power (10 workers), without the aid of power (20 workers)
- ◆ **Commencement of business** -

Case	Time period
Industrial undertaking located in the backward State being Jammu and Kashmir	1/4/1993 to 31/3/2012
Industrial undertaking located in other industrial backward States	1/4/1993 to 31/3/2004
Industrial undertaking including cold storage plant located in industrial backward district of category 'A' or 'B'	1/10/1994 to 31/3/2004
Cold chain facility for agricultural produce	1/4/1999 to 31/3/2004
Small scale undertaking	1/4/1991 to 31/3/2002
Any other industrial undertaking or cold storage plant	1/4/1991 to 31/3/1995

**Quantum of deduction**

Nature of undertaking	Deduction where undertaking is owned by		
	Company	Co-operative society	Any other person

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Located in industrial backward State			
Located in industrial backward district of category 'A'	100% for 5 years and 30% for next 5 years	100% for 5 years and 25% for next 7 years	100% for 5 years and 25% for next 7 years
Operating cold chain facility for agricultural produce			
Located in industrial backward district of category 'B'	100% for 3 years 30% for next 5 years	100% for 3 years and 25% for next 9 years	100% for 3 years and 25% for next 5 years
Any other undertaking including small scale undertaking	30% for 10 years	25% for 12 years	25% for 10 years

**DEDUCTION IN RESPECT OF PROFITS AND GAINS FROM HOUSING PROJECTS [ SEC 80-IBA] [ only for CMA]**

✚ **Applicable to** - all assessee

✚ **Conditions to be satisfied** -

- Housing project 1/6/2016 on or before 31/3/2022
- Project to be completed **within 5 years**
- **SDV does not exceed ₹45 lakh**
- Single residential house allotted to individual ( **ek jaan ko ek he allowed hai**)

✚ **Quantum of deduction** - 100% of profit

**SPECIAL PROVISIONS IN RESPECT OF CERTAIN UNDERTAKINGS IN NORTH-EASTERN STATES [ SEC 80-IE] [ only for CMA]**

▪ **Applicable to** - all assessee

▪ **Conditions to be satisfied** - during 1/4/2007 and 31/3/2017

**Nature of the business**

- manufacture or production of any article or thing (other than pan masala, tobacco, plastic bags, goods produced by petroleum oil or gas refineries)
- undertakes substantial expansion
- carry on any eligible business (hotel, adventure and leisure sports including ropeways, health services, running old age home etc.)

▪ **Location** - north-eastern states (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.)

▪ **quantum of deduction** - 100% of profit for a period of 10 consecutive years

DEDUCTION U/S 80JJA IN RESPECT OF PROFITS AND GAINS OF BUSINESS OF COLLECTING AND PROCESSING OF BIO-DEGRADABLE WASTE [ only for CMA]

- ❖ Applicable to - all assessee
- ❖ Condition to be satisfied - engaged in business of collecting and processing or treating of bio-degradable waste
- ❖ Quantum of deduction - 100% of profit for 5 consecutive years

DEDUCTION IN RESPECT OF EMPLOYMENT OF NEW EMPLOYEE [ SECTION 80JJAA ]

- ♣ Eligible assessee: All assessee, whose GTI includes PGBP and to whom provision of section 44AB.
- ♣ Quantum and period of deduction: 30% of additional employee cost incurred and for 3 years
  - 1) "Additional employee cost" means total emoluments paid or payable to additional employee employed during the P.Y.  
However, in the case of an existing business, the additional employee cost shall be nil, if -
    - (a) No increase in number of employees
    - (b) emoluments are paid otherwise than by account payee cheque or account payee bank draft or by use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed. [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment] [ Amended by Finance act 2020 ]
  - 2) Additional employee cost in case of new business shall of previous year.
  - 3) Additional employee means increase in total number of employee in P.Y, but does not include -
    - (a) An employee whose total emoluments are more than ₹25,000 p.m. or
    - (b) An employee for whom the entire contribution is paid by the government
    - (c) An employee employed for a period of less than 240 days in P.Y, in case of manufacturing of apparel or footwear or leather products less than 150 days in P.Y.
    - (d) An employee who does not participate in the recognised provident fund.
  - 4) Emoluments means any sum paid or payable but does not include -
    - (a) Any contribution paid or payable by the employer to any pension fund or provident fund or any other fund for the benefit of the employee and
    - (b) Any lump-sum payment paid or payable to an employee at a time of termination of his service or superannuation or voluntary retirement, such as gratuity, severance pay, leave encasement, voluntary retrenchment benefits, commutation of pension and the like.

- ♣ **Conditions for claiming deduction:** No deduction under shall be allowed -
- (i) If the business is formed by splitting up, or the reconstruction of an existing business (except in case of section 33B)
  - (ii) In case of business reorganisation
  - (iii) Unless the assessee furnishes the report of CA before the specified date referred to in section 44AB.

**DEDUCTION in respect of certain income of offshore banking [ Sec 80LA ] [ only for CMA ]**

- ✓ Assessee must be a scheduled bank
- ✓ It has a branch in India located in SEZ.
- ✓ **Quantum of deduction** -
  - a) In case of unit of an IFSC - 10 consecutive years out of 15 years - 100% of the income
  - b) In any other case - 5 consecutive year - 100% of the income & next consecutive year - 50% of income

**DEDUCTION IN RESPECT OF INTER-CORPORATE DIVIDEND [ Sec 80M ] [ only for CMA ]**

- **Applicable** - domestic company
- **Quantum of deduction** - minimum of following -
  - i. Dividend so received by the assessee
  - ii. Dividend distributed by the assessee within due date

**DEDUCTION IN RESPECT OF INCOME OF PRODUCER COMPANIES [ Sec 80PA ] [ only for CMA ]**

- ✚ **Applicable to** - producer company
- ✚ **Conditions to be satisfied** -
  - ♣ Turnover - less than ₹100 crore
- ✚ **Quantum of deduction** - 100%

**DEDUCTION IN RESPECT OF ROYALTY INCOME, ETC., OF AUTHORS OF CERTAIN BOOKS OTHER THAN TEXT BOOKS [ SECTION 80QQB ]**

- ✚ **Eligible assessee:** Resident Individual (GTI includes eligible income)
  - ✚ **Eligible income:** Income, on account of -
    - (a) Lump sum consideration
    - (b) Royalty or copyright fees

Book shall not include brochures, commentaries, diaries, guides, journals, magazines, newspapers, pamphlet, text-books for schools, tracts and other publications of similar nature.
  - ✚ **Amount of deduction:** lower of 100% of such eligible income or ₹3,00,000.
- Note: The amount of eligible income (before allowing expenses attributable to such income) shall not exceed 15% of the value of the books sold during the previous year. However, this condition is not applicable where the royalty or

copyright fees is receivable in lump sum in lieu of all rights of the author in the book.

- ✦ Royalty income earned from foreign sources is taxable.

#### DEDUCTION IN RESPECT OF ROYALTY INCOME ON PATENTS [ SECTION 80RRB ]

- ✦ **Eligible assessee:** Resident Individual (GTI includes eligible income)
- ✦ **Eligible income:** Royalty income on patent
- ✦ **Amount of deduction:** lower of 100% of such eligible income or ₹3,00,000.
- ✦ Royalty income earned from foreign sources is taxable.

#### DEDUCTION IN RESPECT OF INTEREST ON DEPOSITS IN SAVINGS ACCOUNTS [ SECTION 80TTA ]

- **Eligible assessee:** Individual or HUF ( other than the assessee referred in section 80TTB )
- **Eligible income:** Any income by way of an interest on deposits in a saving account ( not being time deposit) from a banking company, a co-operative society or a post office
- **Amount of deduction:** 100% of interest income or 10,000. Whichever is lower.
- No deduction in case of accounts held by/ on behalf of firm/ AOP/ BOI.

#### DEDUCTION IN RESPECT OF INTEREST ON DEPOSITS IN CASE OF SENIOR CITIZENS [ SECTION 80TTB ]

- **Eligible assessee:** Individual being senior citizen
- **Eligible income:** Any income by way of an interest on deposits from a banking company, a co-operative society or a post office
- **Amount of deduction:** 100% of interest income or 50,000. Whichever is lower.
- No deduction in case of accounts held by/ on behalf of firm/ AOP/ BOI.

#### DEDUCTION IN CASE OF PERSON WITH DISABILITY [ SECTION 80U ]

- **Eligible assessee:** Resident individual is certified by the medical authority to be person with disability.
- **Amount of deduction:** A deduction of ₹75,000 in respect of person with disability and ₹1,25,000 in respect of a person with **severe disability** (having disability over 80%).
- Prescribed certificate to be furnished.

## ASSESSMENT OF INDIVIDUAL

Tax on income of individual and HUF [Section 115BAC] [Inserted by Finance Act, 2020]

✚ Applicability: Individual/HUF

✚ Rate of tax: The total income shall be chargeable to tax as under:

Total Income	Rate
Upto ₹ 2,50,000	Nil
next ₹ 2,50,000	5%
next ₹ 2,50,000	10%
next ₹ 2,50,000	15%
next ₹ 2,50,000	20%
next ₹ 2,50,000	25%
Balance income	30%

✚ Rate of surcharge applicable to Individual/HUF for assessment year 2021-22: [Amended by Finance Act, 2022]

	Particulars	Rate of surcharge on income tax
(i)	Where the total income (including income u/s 111A, 112 and 112A) exceed ₹ 50 Lakhs but does not exceed ₹ 1 crore	10%
(ii)	Where the total income (including income u/s 111A, 112 and 112A) exceed ₹ 1 crore but does not exceed ₹ 2 crore	15%
(iii)	Where the total income (including income u/s 111A, 112 and 112A) exceed ₹ 2 crore but does not exceed ₹ 5 crore	25%
	The rate of surcharge on the income tax payable on the portion of income chargeable to tax u/s 111A, 112 and 112A	Not exceeding 15%
(iv)	Where the total income (including income u/s 111A, 112 and 112A) exceed ₹ 5 crore	37%
	The rate of surcharge on the income tax payable on the portion of income chargeable to tax u/s 111A, 112 and 112A	Not exceeding 15%
(v)	Where total income (including income u/s 111A, 112 & 112A) exceed ₹ 2 crore in cases not covered under (iii) and (iv) above	15%

✚ Applicability of concessional rate of tax on total income of individual/HUF: The rate of tax is notwithstanding anything contained in the Income Tax Act, 1961, but subject to the provisions of chapter XII.

**Note:** This implies that this rate would prevail in respect of all income, other than income subject to special rates of tax under Chapter XII, for which the special rates would continue to apply. For example, long term capital gains chargeable to tax u/s 112 and 112A and short term capital gains chargeable to tax u/s 111A would be subject to tax at the rates mentioned in the said sections.

✚ **Non applicability of AMT:** The provision of section 115JC i.e. Alternative Minimum Tax shall not apply to a person who has exercised the option under this section.

✚ **Conditions to be fulfilled for available the concessional rate of tax:** The total income of the individual or HUF shall be computed, -

(i) Without providing for deduction under any of the following provisions -	
Section	Provision
10(5)	Exemption in respect of leave travel concession
10(13A)	House Rent Allowance
10(14)	Exemption in respect of other allowances (other than those as may be prescribed for this purpose i.e Travelling allowance, daily allowance, conveyance allowance and transport allowance to blind or deaf and dumb or orthopaedically handicapped employee.)
10(17)	Exemption in respect of payment to MPs & MLAs
10(32)	Exemption in respect of clubbing income of minor
10AA	Exemption in respect of undertaking located in SEZ
16	Deduction form salaries - standard deduction, entertainment allowance and employment tax
24(b)	Deduction in respect of interest on borrowed capital
32(1)(iia)	Additional depreciation @ 20% of actual cost of new plant and machinery acquired and installed by manufacturing and power sector undertakings.
32AD	Deduction @ 15% of actual cost of new plant and machinery acquired and installed by an assessee in a manufacturing undertaking located in the notified backward areas of Andhra Pradesh, Telengana, Bihar and West Bengal (same is not admissible from AY 2021-22)
33AB	Deduction @ 40% of profit of a business of growing and manufacturing tea, coffee or rubber in India, to the extent deposited with NABARD in accordance with scheme approved or deposited in Site Restoration Account.
35(1)(ii)/ (iia)/(iii)	Deduction for payment to any research association, company, university etc. for undertaking scientific research or social science or statistical research.
35(2AA)	Deduction of payment to a National Laboratory or University or

		ITT or approved specified person for scientific research.
	<b>35AD</b>	Investment-linked tax deduction for specified business
	<b>35CCC</b>	Deduction of expenditure incurred on notified agriculture extension project.
	<b>57(iia)</b>	Deduction in respect of family pension.
	<b>80-C to 80U</b>	Deduction from Gross Total income under Chapter VI-A other than the provision of section 80CCD(2) or section 80JJAA.
(ii)	<p><u>Without set off of any loss, -</u></p> <p>(a) Carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deduction referred to in clause (i);</p> <p>(b) Under the head "Income from house property" with any other head of income;</p> <p>[ such loss and depreciation would be deemed to have been already given effect to and no further deduction for such loss shall be allowed for any subsequent year]</p> <p>Where there is a depreciation allowance in respect of block of asset which has not been given full effect to prior to the assessment year beginning on 01-04-2021, corresponding adjustment shall be made to the written down value of such block of assets as on 01-04-2020 in the prescribed manner, if such option is exercised for a previous year relevant to the assessment year beginning on 01-04-2021.</p>	
(iii)	<p>By claiming depreciation u/s 32 determined in the prescribed manner. ) However, additional depreciation u/s 32(1)(ia) cannot be claimed.</p>	
(iv)	<p>Without any exemption or deduction for allowances or requisite, by whatever name called, provided under any other law for the time being in force [Exemption in respect of free food and non-alcoholic beverage provided by such employer through paid voucher where value not exceed Rs 50 per meal will not be available.]</p>	

**Non-compliance of conditions - consequences thereof:** where the person fails to satisfy the above conditions in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and the other provision of this act shall apply, as if the option had not been exercised for the assessment year relevant to the previous year.

Besides this on violation of the above conditions, the option shall become invalid for subsequent assessment years also and other provisions of this Act shall apply for those years accordingly.

✚ **Deduction u/s 80LA admissible:** In case of a person, having a unit in the International Financial Services Centre, as referred to in section 80LA(1A), which has exercised such option, the conditions shall be modified to the extent that the



deduction under section 80LA shall be available to such unit subject to fulfillment of the conditions contained in the said section.

✚ **Exercise of option within prescribed time:** Nothing contained in this section shall apply unless option is exercised in the prescribed manner by the person, -

- (i) Having income from business or profession, on or before the due date specified under section 139(1) for furnishing the returns of income for any previous year relevant to the assessment year commencing on or after 01-04-2021, and such option once exercised shall apply to subsequent assessment year;
- (ii) Having income other than the income referred to in clause (i), alongwith the return of income to be furnished under section 139(1) for a previous year relevant to the assessment year.

However, the option under clause (i), once exercised for any previous year can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the person shall never be eligible to exercise option under this section, except where such person ceases to have any income from business or profession in which case, option under clause (ii) shall be available.

### **ALTERNATIVE MINIMUM TAX**

- ❖ **Applicability** - to a person, other than company
- ❖ **15% of adjusted total income in case of cooperative society** [ Amended by Finance Act, 2022 w.e.f. 01/04/2023 i.e. AY 2023-24]
- ❖ **Levy of AMT @18% on Adjusted total income:** adjusted total income shall be the total income as increased by -
  - (a) Deduction claimed under section 80LA to 80RRB ( other than section 80P)
  - (b) Deduction under section 10AA; and
  - (c) Deduction claimed, if any, under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed.
- ❖ **Non applicability** -
  - (i) An individual or HUF or an AOP/BOI, whether incorporated or not, or an artificial judicial person, if the adjusted total income of such person does not exceed ₹ 20 lakhs.
  - (ii) A person who has exercised the option referred to in 115BAC or section 115BAD.
- ❖ **Obtaining report from CA.**
- ❖ **Applicability of interest and penal provisions:** provisions relating to self assessment under section 140A, advance tax, interest under sections 234A, 234B and 234C, penalty etc. would also apply to a person who is subject to AMT.

- ❖ **Tax credit for alternative minimum tax:**
  - (a) Tax credit to be allowed = AMT paid - regular income tax payable
  - (b) No interest shall be payable on tax credit
  - (c) Tax credit for 15 subsequent assessment years
  - (d) Regular tax > AMT, then credit used
- ❖ Tax credit allowable even if adjustable total income does not exceed ₹ 20 lakh in the year of set off

**Exemption to political party [ Sec 13A]**

**Condition to claim exemption**

- ✚ Maintenance of books of account
- ✚ Record of voluntary contribution in excess of ₹ 20000
- ✚ Audit of accounts
- ✚ Cap on cash donation - ₹ 2000
- ✚ Return of income
- ✚ Submission of report
- ✚ Income by way of voluntary contribution is exempt
- ✚ Income from IHP, IOS, CG is not included

**Income of electoral trust [Sec 13B]**

**Condition to claim exemption**

- ✚ Trust approved by CBDT
- ✚ Trust distributes 95%
- ✚ Any voluntary contribution exempted

**Co-operative society**

**Deduction u/s 80P in respect of co-operative societies**

Income derived from	Deduction
Specified activities	100% of income from such activities
Activity other than specified activities	Assessee is a consumer's co-operative society - ₹ 100000 In any other case - ₹50000
Following income of any co-operative society is also exempt -	
<ul style="list-style-type: none"> <li>▪ Interest or dividend from its investments with any other co-operative society</li> <li>▪ Letting of godowns or warehouse for storage, processing or facilitating the marketing of commodities; and</li> <li>▪ Interest on securities or any IHP, provided certain conditions are satisfied</li> </ul>	

**Alternative tax regime for resident co-operative society [Sec 115BAD]**

**Conditions**

- a. Total income of the assessee shall be computed:
  - i. Without any exemption or deduction under following provisions

Deduction not available under following section	10AA, 32(1)(ia), 32AD, 33AB, 33ABA, 35(2AA) or 35(1)(ii)/(ia)/(iii), 35AD, 35CCC, deduction under chapter VI-A (80JJAA & 80LA is available)
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- ii. Without set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deduction referred above
- iii. By claiming the depreciation, if any, u/s 32 [ except additional depreciation], determined in prescribed manner.

Rate of tax - 22% (+SC@10%+HEC)

CA VARDHAMAN DAGA

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

TAX DEDUCTED AT SOURCE						
SECTION	NATURE OF PAYMENT	THRESHOLD LIMIT FOR DEDUCTION OF TAX AT SOURCE	PAYER	PAYEE	RATE OF TDS	TIME OF DEDUCTION
191	Direct payment	<p><i>Tax payment in respect of ESOP to be paid by the assessee directly: For the purpose of paying income tax directly by the assessee, if the income of the assessee in any assessment year, beginning on or after 01-04-2021, includes income of the nature specified in section 17(2)(vi) i.e, ESOP and such specified security or sweat equity shares are allotted or transferred directly or indirectly by the current employer, being an eligible start-up referred to in section 80-IAC, the income tax on such income shall be payable by the assessee within 14 days –</i></p> <p><i>(i) After the expiry of 48 months from the end of the relevant assessment year; or</i></p> <p><i>(ii) From the date of the sale of such specified security or sweat equity share by the assessee; or</i></p> <p><i>(iii) 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 share,</i></p> <p><i>Whichever is earliest. [Amended by Finance Act, 2020]</i></p>				
192	Salary	Basic exemption limit ( <b>Rs 250000/300000</b> as the case may be). This is taken care in computation of the average rate of income tax.	Any person responsible for paying any income chargeable under head "salaries"	Individual employee	<b>Average rate of income tax</b> computed on the basis of rate in force	<b>At the time of payment</b>
<p><i>Deferring TDS or tax payment in respect of income pertaining to Employee Stock Option Plan (ESOP) of start-ups [ section 192(IC)] [ Inserted by Finance Act, 2020]: For the purposes of deducting or paying tax, a person, being an eligible start-up referred to in Section 80-IAC, responsible for paying any Income to the assessee being perquisite of the nature specified in Section 17(2)(vi) in any previous year relevant to the assessment year, beginning on or after 01-04-2020, shall deduct or pay, as the case may be, tax on such income within 14 days –</i></p> <p><i>(i) After the expiry of 48 months from the end of the relevant assessment year; or</i></p> <p><i>(ii) From the date of the sale of such specified security or sweat equity share by the assessee; or</i></p> <p><i>(iii) From the date of the assessee ceasing to be the employee of the person,</i></p> <p><i>Whichever is the earliest, on the basis of rates in force for the financial year in which the said specified security or sweat equity share is allotted or transferred. [Amended by Finance Act, 2020]</i></p>						
192A	Premature withdrawal from employee provident fund	Payment or aggregate payment <b>more than or equal to Rs 50000</b>	Trustees of the EPF scheme or any authorised person under the scheme	Individual (employee)	<b>10% [ in case of failure to furnish PAN,TDS @42.744% maximum marginal rate]</b>	<b>At the time of payment</b>
193	Interest on securities	<b>More than Rs 10000 in a F.Y.</b> , in case of interest on 8% saving (taxable) bonds,	Any person responsible for paying any income by way	Any resident	<b>10%</b>	<b>At the time of credit of such</b>

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

		2003/7.75% saving (taxable) bonds, 2018. <b>More than Rs 5000 in a F.Y.</b> , in case of debentures issued by a Co. in which public are substantially interest, paid or credited to a resident individual or HUF by an account payee cheque. No threshold specified in any other case.	of interest on securities.			income to the account of the payee or at the time of payment, whichever is earlier.
194	Dividends [ <b>Amended by Finance Act, 2021</b> ]	<b>No TDS shall be made in the case of a shareholder, being and individual, if –</b> <b>(i) The dividend is paid by the company by any mode other than cash; and</b> <b>(ii) The amount of such divided or aggregate of dividend does not exceed Rs 5000.</b> <b>Non applicability: LIC, GIC, a business trust by SPV, any other person notified by CG [ Amended by Finance Act, 2021]</b>	Indian company or company having prescribed arrangement for declaration or payment in India (including dividend on preference share)	Individual	<b>10%</b>	At the time of payment
194A	Interest other than interest on securities	<b>More than Rs 40000</b> in a F.Y., in case of interest credited or paid by – <b>(i) A banking company;</b> <b>(ii) A co-operative society engaged in banking business; and</b> <b>(iii) A post office on any deposit under a notified scheme.</b> In all the above cases, if payee is a <b>resident senior citizen</b> , tax deduction limit is <b>more than RS 50000</b> . <b>More than Rs 5000</b> in a F.Y., in other cases.	Any person (an individual or HUF whose total sales, gross receipts or turnover from <b>business do exceed Rs 1 crore or Rs 50 lakh in case of profession</b> ) responsible for paying interest other than interest on securities.	Any resident	<b>10%</b>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
<p><b>However, a co-operative society referred to point no (iv) and point no. (vii) above, shall be liable to deduct tax at source, if –</b></p> <p><b>(a) The total sales, gross receipt or turnover of the co-operative society exceed Rs 50 crore during the financial year immediately preceding the financial year in which the interest is credited or paid; and</b></p> <p><b>(b) The amount of interest, or the aggregate of the amounts of such interest, credited or paid, or is likely to be credited or paid, during the financial year is more than Rs 50000 in case of payee being a senior citizen and Rs 40000 in any other case.</b></p> <p><b>Time deposits means deposits (including recurring deposits) repayable on the expiry of fixed periods.</b></p> <p><b>No TDS/TCS at lower rate for notified persons: The central Government may, by notification in the official Gazette, provide that the deduction</b></p>						

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<i>of tax shall not be made or shall be made at such lower rate, from such payment to such person or class of persons, as may be specified in the said notification. [ Amended by Finance Act, 2020]</i>						
<b>194B</b>	Winning from any lottery, crossword puzzle or card game or other game of any sort	<b>More than Rs 10000</b>	The person responsible for paying income by way of such winnings	Any person	<b>30%</b>	<b>At the time of payment</b>
<b>194B B</b>	Winning from horse race	<b>More than Rs 10000</b>	Book maker or a person holding license for horse racing or for arranging for wagering or betting in any race course	Any person	<b>30%</b>	<b>At the time of payment</b>
<b>194C</b>	Payments to contractors	Single cum credit or paid <b>more than Rs 30000 (or) The aggregate of sums</b> credited or paid to a contractor during the F.Y <b>more than Rs 100000 Individual/HUF</b> need <b>not deduct tax</b> where sum is credited or paid <b>exclusively for personal purposes</b>	Central/state govt. local authority, central/state/provincial corpn., company, firm, trust, registered society, co-operative society, university established under central/state/provincial act, declared university under the UGC act, govt. of foreign state or a foreign enterprise, any association or body established outside India, <b>Individual/HUF has total sales, gross receipt or turnover from business or profession carried on by him exceeding Rs 1 crore in case of business or Rs 50 Lakh in case of profession</b>	Any resident contractor for carrying out any work (including supply of work)	<b>1%</b> of sum paid or credited, if the <b>payee is an individual or HUF</b> <b>2%</b> of sum paid or credited, if the <b>payee is any other person</b>	<b>At the time of credit of such income to the account of the contractor or at the time of payment, whichever is earlier.</b>
<b>Definition of work: "Work" shall include –</b>						

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	<i>(e) manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee under the provisions contained in Section 40A(2)(b) but does not include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer or associate of such customer.</i>					
194D	Insurance commission	<b>More than Rs 15000</b> in a F.Y	Any person responsible for paying any income by way of remuneration or reward for soliciting or procuring insurance business <b>(including business relating to the continuance, renewal or revival of policies of insurance )</b>	Any resident	<b>5%</b>	<b>At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.</b>
194DA	Any sum under a life insurance policy	<b>More than or equal to Rs 100000</b> (aggregate amount of payment to a payee in a F.Y)	Any person responsible for paying any sum under a LIP, including the sum allocated by way of bonus	Any resident	<b>1%</b>	<b>At the time of payment</b>
194E	Payment to non-resident sportsmen or sports associations of income referred to in section 115BBA	<b>No threshold limit</b>	Any person responsible making the payment	Non-resident sportsman (including an athlete) or entertainer who is not a citizen of India or non-resident sports association or institution	<b>20% (plus HEC @4%) – Effective rate – 20.8%</b>	<b>At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.</b>
194EE	Payment of deposit under NSS	<b>More than or equal to Rs 2500</b> in a F.Y	Any person responsible for paying	Individual or HUF	<b>10%</b>	<b>At the time of payment</b>
194G	Commission on sale of lottery tickets	<b>More than Rs 15000</b> in a F.Y	Any person responsible for paying any income by way of commission, remuneration or prize (by	Any person stocking, distributing, purchasing	<b>5%</b>	<b>At the time of credit of such income to the account of the</b>

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			whatever name called) on lottery tickets	or selling lottery tickets		payee or at the time of payment, whichever is earlier.
194H	Commission or brokerage	<i>More than Rs 15000</i> in a F.Y	Any person ( an individual or HUF whose total sales, gross receipts or turnover from <b>business exceed Rs 1 crore or Rs 50 Lakh in case of profession</b> in the immediately preceding F.Y) responsible for paying commission or brokerage	Any resident	<b>5%</b>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194-I	Rent	<i>More than or equal to Rs 240000</i> in a F.Y	Any person ( an individual or HUF whose total sales, gross receipts or turnover from <b>business exceed Rs 1 crore or Rs 50 Lakh in case of profession</b> in the immediately preceding F.Y) responsible for paying rent.	Any resident	<b>For P&amp;M or equipment – 2%</b>  <b>For land or building, land appurtenant to a building, furniture or fitting – 10%</b>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194-IA	Payment on transfer of certain immovable property other than agriculture land <b>[Amended by Finance Act 2022]</b>	<b>consideration for transfer and SDV are both More than Rs 50,00,000</b> in a F.Y	Any person, being a transferee (other than a person referred to in a section 194LA responsible for paying compensation for compulsory acquisition of immovable property)	Resident transferor	<b>1% of consideration or the SDV of such property, whichever is higher</b>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194-IB	Payment of rent by certain individuals	<i>More than Rs 50000 for a month or part of a month</i>	Individual/HUF (other than those referred to in the second proviso to section 194-I) responsible for paying	Any resident	<b>5%</b>	At the time of credit of rent, for the last month of the P.Y or the last



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	or HUF		rent.			month of tenancy, if the property is vacated during the year, as the case may be, to the account of the payee or at the time of payment, whichever is earlier.
<b>194-IC</b>	Payment under specified agreement referred to in section 45(5A) i.e joint development	<b>No threshold limit</b>	Any person responsible for paying any sum by way of consideration, not being consideration in kind, under a registered agreement, wherein L or B or both are handed over by the owner for development of real estate projects, for a consideration, being a share in L or B or both in such project, with payments of part consideration in cash.	Any resident	<b>10%, IF NOT PAN FURNISHED @20%</b>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
<b>194J</b>	Fees for professional or technical services/Royalty/ non-compete fees/ director's remuneration	<b>More than Rs 30000 in a F.Y.,</b> for each category of income (however, this limit does not apply in case of payment of directors remuneration)	Any person, other than an Individual/HUF; However, in case of fees for professional or technical services paid or credited, individual or HUF whose total sales, gross receipts or turnover from business or profession <b>exceed</b> the monetary limits specified u/s 44AB in the immediately preceding F.Y., is liable to deduct tax u/s 194J, except	Any resident	<b>Mentioned below</b>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

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			where fees for professional services is credited or paid exclusively for his personal purposes.																			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="width: 80%; text-align: center;">Nature of Income</th> <th colspan="2" style="text-align: center;">Rate of TDS</th> </tr> <tr> <th style="text-align: center;">Existing Rates</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><i>Fees for technical services (not being a professional services)</i></td> <td style="text-align: center;">2%</td> <td></td> </tr> <tr> <td style="text-align: center;"><i>Royalty where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films</i></td> <td style="text-align: center;">2%</td> <td></td> </tr> <tr> <td style="text-align: center;"><i>In the case of a payee, engaged only in the business of operation of call centre</i></td> <td style="text-align: center;">2%</td> <td></td> </tr> <tr> <td style="text-align: center;"><i>In all other cases ( fees for professional service, other royalty, any remuneration or fees or commission, by whatever name called, other than those on which tax is deductible under section 192, to a director of company, non competing fees)</i></td> <td style="text-align: center;">10%</td> <td></td> </tr> </tbody> </table>					Nature of Income	Rate of TDS		Existing Rates		<i>Fees for technical services (not being a professional services)</i>	2%		<i>Royalty where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films</i>	2%		<i>In the case of a payee, engaged only in the business of operation of call centre</i>	2%		<i>In all other cases ( fees for professional service, other royalty, any remuneration or fees or commission, by whatever name called, other than those on which tax is deductible under section 192, to a director of company, non competing fees)</i>	10%	
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194K	Income in respect of Units	<p style="color: red;"><b>No TDS in the following cases: The provision of this section shall not apply –</b></p> <p>(a) Where the amount of such income or aggregate of such income does not exceed Rs 5000; or</p> <p>(b) If the income is of the nature of capital gain</p>	<p>Any person responsible for paying to a resident any income in respect of –</p> <p>(a) <i>Units of Mutual Fund specified under section 10(23D); or</i></p> <p>(b) <i>Units from the Administration of the specified undertaking; or</i></p> <p>(c) <i>Units from the specified company,</i></p> <p>Shall be liable to deduct tax at source</p>	<b>10%</b>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.																	
194 LA	Compensation on acquisition of certain immovable property other than agriculture land	<b>More than Rs 250000 in a F.Y</b>	Any person responsible for paying any sum in the nature of compensation or enhanced compensation on compulsory acquisition of immobile property	Any resident	<b>10%</b>	At the time of payment																

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<b>194M</b> (w.e.f. 1 <sup>st</sup> Sep, 2019)	Payments to contractors (or) commission / brokerage (or) fees for professional services	<b>More than Rs 5000000 in a F.Y</b>	Individual or HUF <b>does not exceed Rs 1 crore in case of business or Rs 50 Lakh in case of profession</b> other than those who are required to deduct tax at source u/s 194C or 194H or 194J (other than for personal purpose)	Any resident	<b>5%</b>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
<b>194N</b> (w.e.f. 1 <sup>st</sup> Sep, 2019)	Cash withdrawal [ <b>Amended by Finance Act, 2020</b> ]	<b>More than Rs 1 crore</b>	<ul style="list-style-type: none"> <li>- A banking company or any bank or banking institution</li> <li>- A co-operative society engaged in carrying on the business of banking or</li> <li>- Post office</li> </ul>	Any resident	<b>2% of sum exceeding Rs 1 crore (being amount or aggregate of amount)</b>	At the time of payment of such sum

**Amount and rate of TDS: 2% of the sum paid.**

**Differential rate of deduction for recipient not having filed returns :** However, in case of a recipient who has not filed the returns of income for all of the 3 assessment years relevant to the 3 previous years, for which the time limit of file return of income u/s 139(1) has expired, immediately preceding the previous year payment of the sum is made to him, the provision of this section shall apply with in which the the modification that-

- (i) the sum shall be the amount or the aggregate of amounts and as the case may be, in cash exceeding Rs 20 lakh , during the previous year;
- (ii) the deduction shall be –
  - (a) @ 2% of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds Rs 20 lakh during the previous year but does not exceed Rs 1 crore; or
  - (b) @ 5% of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds Rs 1 crore during the previous year.

The Central Government may specify in consultation with the Reserve Bank of India, by notification in the Official Gazette, the recipient in whose case the above provision shall not apply or apply at reduced rate, if such recipient satisfies the conditions specified in such notification.

**Time of tax deduction:** At the time of payment of such sum.

**Non applicability :** Tax deduction at source shall not apply to any payment made to,-

- (i) the Government;
- (ii) any banking company or co-operative society engaged in carrying on the business of banking or a post office;
- (iii) any business correspondent of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the guidelines issued in this regard by the Reserve Bank of India under the Reserve Bank of India Act, 1934;
- (iv) any white label automated teller machine operator of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the authorisation issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007;

**No TDS or TDS at reduced rates:** The central government may specify in consultation with the Reserve Bank of India, by notification in the official Gazette, the recipient in whose case the provision of this section shall not apply or apply at reduced rate, if such recipient satisfies the conditions

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specified in such notification.

Accordingly, the Central government has, in consultation with the RBI, notified the followers class of persons, payment to whom would not attract liability to deduct tax at source u/s 194N:

- (i) **Cash Replenishment Agencies (CRAs) and franchise agents of white label automated teller machine operators (WLATMO's):** For availing exemption from applicability of TDS u/s 194N, CRAs and franchise agents of WLATMOs should maintain a separate bank account from which withdrawal is made only for the purpose of replenishing cash in the Automated Teller Machine (ATMs) operated by such WLATMOs. Further, the WLATMO should furnish a certificate every month to the bank certifying that the bank account of the CRAs and the franchise agents of the WLATMOs have been examined and the amount withdrawn from their bank accounts has been reconciled with the amount of cash deposited in the ATM's of the WLATMO's
- (ii) **Commission agent or trader, operator under agriculture produce market committee (APMC), and registered under any law relating to Agriculture Produce Market of the concerned state:** For availing exemption from the applicability of TDS u/s 194N, the commission agent/trader should intimate to the banking company or so-operative society or post office, his account number through which he wishes to withdraw cash in excess of Rs 1 Crore in the previous year along with his permanent account number (PAN) and the details of the previous year. Also, he should certify to the banking company or co-operative society or post office that the withdrawal of cash from the account in excess of Rs 1 crore during the previous year is for the purpose of making payments to the farmers on account of purchase of agriculture produce. Further, the banking company or co-operative society or post office has to ensure that the PAN quoted is correct and the commission agent or trader is registered with the APMC, and for this purpose collect necessary evidences and place the same on record.
- (iii) (a) The authorised dealer and its franchise agent and sub-agent; and  
(b) Full-Fledged Money Changer (FFMC) licensed by the RBI and its franchise agent;  
Such person should maintain a separate bank account from which withdrawal is made only for the purpose of –  
(a) Purchase of foreign currency from foreign tourists or non-residents visiting India or from resident Indians on their return to India, in case as per the directions or guidelines issued by RBI; or  
(b) Disbursement of inward remittances to the recipient beneficiaries in India in cash under money transfer service scheme (MTSS) of the RBI;  
The exemption from the requirement to deduct tax u/s 194N would be available only if a certificate is furnished by the authorised dealers and their franchise agent and subagent, and the full-fledged money changers (FFMC) and their franchise agent to the bank that withdrawal is only for the purpose specified above and the directions or guidelines issued by the RBI have been adhered to.
- (iv) **Person to whom credit is to be given for tax deducted and paid:** Rule 37BA provides the manner of giving credit for tax deducted and remitted to the central government i.e., it specifies the person to whom credit for tax deducted is to be given and also the assessment year for which the credit may be given. Accordingly, rule 37BA(3A) provides that, for the purpose of section 194N, credit for tax deducted at source shall be given to the person from whose account tax is deducted and paid to the central government account for the assessment year relevant to the previous year in which such tax deduction is made.

SECTION	NATURE OF PAYMENT	THRESHOLD LIMIT FOR DEDUCTION OF TAX AT SOURCE	PAYER	PAYEE	RATE OF TDS	TIME OF DEDUCTION
194-0	Payment of certain sums by e-commerce operator to e-	No deduction shall be made from any sum credited or paid or likely to be credited or paid during the previous year if the following	E-commerce operator shall deduct tax at source.	E-commerce participant	1% of the gross amount [ 5% in case recipient does not have PAN]	Time of credit or payment whichever is earlier

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	commerce participant	<p>conditions are satisfied –</p> <p><i>(a) E-commerce participant is an individual or HUF,</i></p> <p><i>(b) Gross amount of such sale or services or both during the previous year does not exceed Rs 5 lakh; and</i></p> <p><i>(c) Such e-commerce participant has furnished his PAN or Aadhar number to the e-commerce operator.</i></p>				
194P	<p>Pension (along with interest on bank account)</p> <p><b>[Amended by Finance Act, 2021]</b></p>	<p><b>Basic exemption limit</b> (₹3,00,000/₹5,00,000, as the case may be) [i.e total income after giving effect to the deduction allowable under chapter VI-A should exceed the basic exemption limit. Further, in case the individual is entitled to rebate under section 87A from tax payable, then the same should be given to]</p>	Notified bank	specified	<p><b>Specified senior citizen</b> i.e, An individual, being a resident in India, who</p> <ul style="list-style-type: none"> <li>- is of the age of 75 years or more at any time during the P.Y;</li> <li>- is having pension income and no other income exempt interest income received or receivable from any account maintained by such individual in same specified bank in which he is receiving his pension income, and</li> </ul>	

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				- has furnished a declaration to the specified bank		
194Q	Purchase of goods [ Amended by Finance Act, 2021]	More than 50 lakhs in a previous year	Buyer, who is responsible for paying any sum to any resident for purchase of goods. Buyer means a person whose total sales, gross receipt or turnover from business exceeds ₹ 10 crores during the F.Y immediately preceding the F.Y in which the purchase of goods is carried out.	Any resident	0.1% of sum exceeding ₹ 50 lakhs	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.
194R	Any person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession, by such resident. [Amended by Finance Act, 2022 w.e.f. 1/7/2022]	Value or aggregate of value exceeding ₹ 20000	Individual or HUF does not exceed ₹ 1 crore in case of business or ₹ 50 Lakh in case of profession other than those who are required to deduct tax at source u/s 194C or 194H or 194J (other than for personal purpose)	Any resident	10% of the value or aggregate of value	Tax is deducted before providing such benefit or perquisite

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<b>194S</b> <b>[only for CMA]</b>	Any person responsible for paying to any resident any sum by way of consideration for transfer of a virtual digital asset <b>[Inserted by Finance Act, 2022]</b>	<b>No tax shall be deducted in a case, where –</b> <ul style="list-style-type: none"> <li>• <b>specified person – aggregate value does not exceed ₹ 50000</b></li> <li>• <b>any other person - aggregate value does not exceed ₹ 10000</b></li> </ul>	Individual or HUF <b>does not exceed ₹ 1 crore in case of business or ₹ 50 Lakh in case of profession.</b>  Individual & HUF <b>not having income under PGBP</b>	<b>Any resident</b>	<b>1%</b>	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.
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Notes –

- (1) Section 206AA requires furnishing of PAN by the deductee to the deductor, falling which the deductor has to deduct tax at the higher of the following rates, namely –
- (i) *At the rate specified* in the relevant provisions of the income tax act, 1961; or
  - (ii) At the rate or *rates in force*; or
  - (iii) At the rate of **20% [ 5% in case where the tax is required to be deducted u/s 194-0 and 194Q] [ Amended by Finance Act, 2021]**
- (2) Section 206AB requires tax to be deducted at source under the provisions of this chapter on any sum or income or amount paid, or payable or credited, by a person (deductee) to a specified person, at higher of the following rates –
- (i) At twice the rate prescribed in the relevant provisions of this act
  - (ii) At twice the rate or rates in force i.e., the rate mentioned in the Finance Act; or
  - (iii) At 5%

However, section 206AB is not applicable in case of tax deductible at source under sections 192, 192A, 194B, 194BB, 194N, **194-IA, 194-IB, 194LBC or 194M.**

Meaning of “specified person” – **A person who has not furnished the returns of income for the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing return of income under section 139(1) has expired, and the aggregate of tax deducted at source and tax collected at source in this case is ₹ 50,000 or more in the said previous years. [Amended by Finance Act, 2022]**

- (3) **In case the provisions of section 206AA are also applicable to the specified person, in addition to the provisions of this section, then, tax is required to be deducted at higher of the two rates provided in section 206AA and section 206AB. [Amended by Finance Act, 2021]**
- (4) The threshold limit given in column (3) of the table is with respect to each payee

### OTHER AMENDMENTS:

- ✚ **Certificate for deduction of tax at a lower rate or nil rate [ section 197]: *Applicability section 194M also included.***
- ✚ **No deduction to be made in certain cases [ section 197A]: *payment made to specified association etc. – Not liable/liable at lower of TDS: No deduction of tax shall be made, or deduction of tax shall be made at such lower rate, from such payment to such person or class of persons, including institution, association or body or class of institution, association or bodies, as may be notified by the central government in the official Gazette, in this behalf.***

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

### TAX COLLECTION AT SOURCE

<b>(a)</b>	<p>Sellers of certain goods are required to collect tax from the buyers at the specified rates. The specified percentage for collection of tax at source is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th colspan="2" style="text-align: center;">Nature of goods</th> <th colspan="2" style="text-align: center;">Rate of TCS</th> </tr> <tr> <th colspan="2"></th> <th colspan="2" style="text-align: center;">Existing rates</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">(i)</td> <td>Alcoholic liquor for human consumption</td> <td style="text-align: center;">1%</td> <td></td> </tr> <tr> <td style="text-align: center;">(ii)</td> <td>Tendu leaves</td> <td style="text-align: center;">5%</td> <td></td> </tr> <tr> <td style="text-align: center;">(iii)</td> <td>Timber obtained under a forest lease or any other mode</td> <td style="text-align: center;">2.5%</td> <td></td> </tr> <tr> <td style="text-align: center;">(v)</td> <td>Any other forest produce not being timber or tendu leaves</td> <td style="text-align: center;">2.5%</td> <td></td> </tr> <tr> <td style="text-align: center;">(vi)</td> <td>Scrap</td> <td style="text-align: center;">1%</td> <td></td> </tr> <tr> <td style="text-align: center;">(vii)</td> <td>Minerals, being coal or lignite or iron ore</td> <td style="text-align: center;">1%</td> <td></td> </tr> </tbody> </table> <p>However, no collection of tax shall be made in the case of a resident buyer, if such buyer furnishes a declaration in writing in duplicate to the effect that goods are to be utilised for the purpose of manufacturing, processing or producing articles or things or for the purpose of generation of power and not for trading purpose.</p> <p>“Seller” means the central or state government; or local authority; or any statutory corporation or authority; or any company or firm or co-operative society and also includes an individual or a HUF whose <b>total sales, gross receipts or turnover from the business or profession carried on by him exceed RS 1 crore in case of business or Rs 50 Lakh in case of profession</b> during the financial year immediately preceding the financial year in which specified goods 206C(1) are sold.</p>	Nature of goods		Rate of TCS				Existing rates		(i)	Alcoholic liquor for human consumption	1%		(ii)	Tendu leaves	5%		(iii)	Timber obtained under a forest lease or any other mode	2.5%		(v)	Any other forest produce not being timber or tendu leaves	2.5%		(vi)	Scrap	1%		(vii)	Minerals, being coal or lignite or iron ore	1%	
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<b>(b)</b>	<p>Every person who grants a lease or license or enters into a contract or otherwise transfers any right or interest in any</p> <ul style="list-style-type: none"> <li>- <b>Parking lot or</b></li> <li>- <b>Toll plaza or</b></li> <li>- <b>A mine or a quarry</b></li> </ul> <p>To another person (other than a public sector company) for the use of such parking lot or toll plaza or mine or quarry for the purposes of business. The tax shall be collected as provided, from the licensee or lessee of any such license, contract or lease of the specified nature, <b>at the rate of 2%</b>, at the time of debiting of the amount payable by the licensee or lessee to his account or at the time of receipt of such amount from the licensee or lessee in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier</p>																																
<b>(c)</b>	<p>Every person, being a seller, who receives any amount as consideration for <b>sale of a motor vehicle of the value exceeding RS 10Lakhs</b>, shall, at the time of receipt of such amount, collect tax from the buyer <b>@ 1%/0.75%(Applicable from 14-05-2020 to 31-03-2021) of the sale consideration</b></p>																																
<b>(d)</b>	<p><b>TCS on Remittance of foreign currency by an authorised dealer (AD) under liberalized remittance scheme (LRS) of reserve bank of India (RBI) [ section 206C(1G)(a)] [ Inserted by finance act, 2020]</b></p> <p>(i) <b>Transaction liable to TCS:</b> Receipt for remittance, under LRS, out of India, for a buyer, in respect of a purpose other than tour program package (herein after referral an “other remittance”), if the remittance is Rs 7 lakhs or more.</p> <p>(ii) <b>Person liable to collect tax at source:</b> Every person being an authorized dealer (AD) is obliged to collect tax at source. Authorised dealer means a person authorised by the RBI under section 10(1) of the FEMA Act, 1999 to deal in foreign exchange or foreign security.</p> <p>(iii) <b>Rate of TCS:</b></p> <p>(a) <b>Other remittance:</b> 5% (10% in Non-PAN cases) of amount in excess of Rs 7 lakhs;</p>																																



## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

	<p>(b) Remittance out of loan obtained from any financial institution defined in section 80E for pursuing education, if the remittance is more than Rs 7 lakhs: 0.5% in excess of Rs 7 Lakhs (5% in Non-PAN cases).</p> <p>(iv) <b>When tax to be collected:</b> Tax is to be collected at the time when the amount is debited to buyers account or receipt of the amount for remittance, whichever is earlier.</p> <p>(v) The authorised dealer shall not collect the sum on an amount in respect of which the sum has been collected by seller.</p>
(e)	<p><b>Sale of overseas tour programme package (OTPP/Package) [ section 206C(1G)(b)]</b></p> <p>(i) <b>Meaning of overseas tour programme package (OTPP):</b> Any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.</p> <p>(ii) <b>Person liable to collect tax at source:</b> Seller of package/OTPP is obliged to collect tax on the amount received/ receivable for sale of OTPP, from the buyer.</p> <p>(iii) <b>Buyer:</b> Buyer, though not defined for the purpose, could be any person who purchases OTPP. It could be any individual/firm/LLP/company or any other person. It could be a resident/non-resident or a citizen/non-citizen.</p> <p>(iv) <b>Rate of TCS:</b> 5% on the amount received/receivable for OTPP. It could include all expenses/charges included in the price of tour package.</p> <p>(v) <b>When tax to be collected:</b> At the time of debit of amount to buyer's account on receipt, whichever is earlier.</p>
(f)	<p><b>Certain common provisions for obligations under section 206C(1G)</b></p> <p>(i) If the buyer (i.e. Remitter/OTPP purchaser) is obliged to deduct tax under some other provisions and has deducted tax, then TCS provision shall not apply.</p> <p>(ii) If the buyer is any one of the following, TCS provision would not apply – central government (CG), state government, an embassy, A high commission, A legation, A commission, A consulate, Trade representation of foreign state, and local authority [as defined in explanation below section 10(20)]</p>
(g)	<p><b>TCS on sale of goods where consideration exceeds Rs 50 Lakh [ section 206(1H)]:</b></p> <p>(i) <b>Person liable to collect tax at source:</b> Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding Rs 50 lakh in any previous year, other than the goods being exported out of India or goods covered in Section 206C(1)/ (1)F/ (1G) shall collect tax at source.</p> <p><b>Meaning of seller:</b> Seller means a person whose total sales, gross receipt or turnover from the business carried on by him exceed Rs 10 crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out, not being a person as the central government may, by notification in the official gazette, specify for this purpose, subject to the conditions as may be specified therein.</p> <p>Thus, seller does not cover:</p> <ol style="list-style-type: none"> <li>Any person not carrying on business;</li> <li>Any person carrying on business whose turnover does not exceed Rs 10 crores in preceding financial year; and</li> <li>Person(s) notified by central government, for the purpose, subject to fulfillment of conditions specified in the notification.</li> </ol> <p><b>Meaning of buyer:</b> "Buyer" means a person who purchases any goods, but does not include –</p> <ol style="list-style-type: none"> <li>The central government, a state government, an embassy, a high commission, legation, commission, consulate and the trade representation of a foreign state; or</li> <li>A local authority as defined in the explanation to section 10(20); or</li> </ol>

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

- (c) A person importing goods into India or any other person as the central government may, by notification in the official gazette, specify for this purpose, subject to such conditions as may be specified therein;
- (ii) **Rate of TCS:** 0.1% (0.075% applicable from 01-10-2020 to 31-03-2021) of the sale consideration exceeding Rs 50 Lakh (if the buyer has not provided the PAN or the Aadhar number to the seller, the rate of TCS shall be 1%)
- (iii) **When tax to be collected:** The collection is to be made at the time of receipt of the consideration for sale of goods.
- (iv) **Non applicability:** TCS provisions shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.

### **Special provision for collection of tax at source for non-filers of income tax return [ section 206CCA] [ Amended by Finance Act 2022]**

- **Applicability – collectee is a specified person**  
Specified person means a person

- Who has not filed the return of income for the assessment years relevant to the previous years immediately prior to the previous year in which tax is required to be collected, for which the time limit of filing return of income under section 139(1) has expired; and
- The aggregate of tax deducted at source and tax collected at source in his case is ₹ 50,000 or more in the said previous year.

Specified person shall not include a non resident who does not have a permanent establishment in India.

- Rate of TCS: higher of twice the rate specified in the relevant provision of act or 5%
- TCS at higher of rates u/s 206CC and 206CCA.

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV '23/DEC'23)

### ADVANCE PAYMENT OF TAX

#### Liability for payment of advance tax [ sections 2017 & 208 ]

- Tax shall be payable in advance during any F.Y in respect of total income (TI) of the assessee which would be chargeable to tax for the A.Y immediately following that F.Y
- **Advance tax is payable** during a F.Y in every case where the amount of such tax payable by the assessee during the year is **₹ 10,000 or more.**
- However, an individual resident in India of the age 60 years or more at any time during the P.Y., who does not have income chargeable under the head " Profit and gains of business or profession"(PGBP), is **not liable to pay advance tax.**

#### Instalments of advance tax and due dates [ section 211]

Advance tax payment schedule for **corporate and non-corporates** (other than an assessee computing profits on presumptive basis u/s 44AD or section 44ADA) - **Four instalments**

<b>Due date of instalment</b>	<b>Amount payable</b>
On or before 15 <sup>th</sup> june	Not less than 15% of advance tax liability.
On or before 15 <sup>th</sup> September	Not less than 45% of advance tax liability (-) amount paid in earlier instalment.
On or before 15 <sup>th</sup> December	Not less than 75% of advance tax liability (-) amount paid in earlier instalment.
On or before 15 <sup>th</sup> March	The whole amount of advance tax liability (-) amount paid in earlier instalment.

Advance tax payment by assessee computing profits on presumptive basis **u/s 44AD(1) or section 44ADA(1)**

An eligible assessee, opting for computation of profits or gains of business or profession on presumptive basis in respect of eligible business referred to in section 44AD(1) or in respect of eligible profession referred in section 44ADA(1), shall be required to pay advance tax of the whole amount **on or before 15<sup>th</sup> March of the F.Y**

However, any amount paid by way of advance tax on or before 31<sup>st</sup> march shall also be treated as advance tax paid during the F.Y ending on that day.

#### Interest for defaults in payment of advance tax [ section 234B ]

- (1) Interest u/s 234B is attracted for **non-payment of advance tax** or payment of advance tax of an amount **less than 90% of assessed tax.**
- (2) **The interest liability would be 1% per month** or part of the month **from 1<sup>st</sup> April** following the F.Y **upto the date of determination of total income u/s 143(1)** and where regular assessment is made, upto the date of such regular assessment.
- (3) Such **interest is calculated** on the amount of **difference between the assessed tax and the advance tax paid.**
- (4) "**Assessed Tax**" means the tax on total income determined u/s 143(1)/under regular assessment, as the case /s may be, **less TDS & TCS, any relief of tax allowed u/s 89, any tax credit allowed** to be set off in accordance with the provisions of **section 115JD.**
- (5) Where **self assessment tax is paid** by the assessee u/s 140A or otherwise, **interest shall be calculated upto the date of payment of such tax** and reduced by the interest, if any, paid u/s 140A towards the interest chargeable under the section.

#### Interest for deferment of advance tax [ section 234C]

- (a) **Manner of computation of interest u/s 234C for deferment of advance tax by corporate and non-corporate assesses:**  
In case an assessee, other than an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or section 44ADA(1), who is liable to pay advance tax u/s 208 has failed to pay such tax or the advance tax paid by such assessee on its current income on or before the dates specified in column(1) below is less than the specified percentage [given in column (2) below] of tax due on returned income, then simple interest @1% p.m. for the period specified in column(4) on the amount of shortfall, as per

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV '23/DEC'23)

column (3) is leviable u/s 234C.

Specified date (1)	Specified (2)	Shortfall in advance tax (3)	Period (4)
15 <sup>th</sup> June	15%	15% of tax due on returned income - advance tax paid up to 15 <sup>th</sup> June	3 months
15 <sup>th</sup> September	45%	45% of tax due on returned income - advance tax paid up to 15 <sup>th</sup> September	3 months
15 <sup>th</sup> December	75%	75% of tax due on returned income - advance tax paid up to 15 <sup>th</sup> December	3 months
15 <sup>th</sup> March	100%	100% of tax due on returned income - advance tax paid up to 15 <sup>th</sup> March	1 months

Note- However, if the advance tax paid by the current income, on or before 15<sup>th</sup> June or 15<sup>th</sup> September, is not less than 12% or, as the case may be, 36% of the tax due on the returned income, then, the assessee shall not be liable to pay any interest on the amount of the shortfall on those dates.

**(b) Computation interest u/s 234C in case of an assessee who declares profit and gains in accordance with the provisions of section 44AD(1):**

In case an assessee who declares profits and gains in accordance with the provisions of sections 44AD(1) or sections 44AD(1), who is liable to pay advance tax u/s 208 has **failed to pay** such tax or the advance tax paid by the assessee on its current income **on or before 15<sup>th</sup> March** is less than the tax due on the returned income, then, the assessee shall be liable to pay **simple interest at the rate of 1%** on the amount of the shortfall from the tax due on the returned income.

**(c) Non applicability of interest u/s 234C in certain cases:**

Interest u/s **234C shall not be leviable** in respect of any shortfall in payment of tax due on returned income, where such shortfall is on account of under-estimate or failure to estimate -

- (i) The amount of **capital gains**;
- (ii) Income of nature referred to in section 2(24)(ix), **winning from lotteries, crossword puzzles etc.**;
- (iii) Income under the head **"Profit and gains of business or profession"** in cases where the income accrues or arises under the said head for the **first time**.
- (iv) Income of the nature referred to in section 115BBDA(1) i.e., **dividend in aggregate exceeding of ₹10 lakhs** including in the assessee's total income.

However, the **assessee should have paid the whole of the amount** of tax payable in respect of such income referred to in (i), (ii), (iii) and (iv), as the case may be, had such income been a part of the total income, as part of the remaining instalments of advance tax which are due or where no such instalments are due, **by 31<sup>st</sup> March of the F.Y**

Tax due on returned income = Tax chargeable on total income declared in the return of income - TDS - TCS - any relief of tax allowed u/s 89 - any tax allowed to be set off in accordance with the provisions of section 115JD

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

PROVISION FOR FILLING OF RETURN	
Sections	Particulars
139(1)	<p><b><u>Assessee required to file return of income compulsory</u></b></p> <p>(i) <b>Companies and firms</b> (whether having profit or loss or nil income);</p> <p>(ii) A person, being a <b>resident other than not ordinarily resident</b>, having <b>any asset (including any financial interest in any entity) located outside India, or signing authority in any account located outside India or if beneficiary of any asset located outside India</b>, whether or not having income chargeable to tax;</p> <p>(iii) <b>Individuals, HUF, AOP's or BOIs and artificial judicial persons</b> whose total income before giving effect to the provisions of <b>chapter VI-A and sections 54, 54B, 54D, 54EC or 54F exceed the basic exemption limit.</b></p> <p>(iv) <b>Any person</b> who during the P.Y. – <b>[Amended by Finance Act 2022]</b></p> <ul style="list-style-type: none"> <li>- Has <b>deposited more than Rs 1 crore</b> in one or more current accounts maintained with a banking company or a cooperative bank</li> <li>- Has incurred <b>expenditure of more than Rs 2 Lakh</b> for himself or any other person for <b>travel to a foreign company;</b></li> <li>- Has incurred <b>expenditure of more than Rs 1 lakh</b> towards consumption of electricity</li> <li>- <b>If his total sales, turnover or gross receipt, as the case may be, in the business exceeds ₹ 60 lakhs during the previous year; or</b></li> <li>- <b>If his total gross receipt in profession exceeds ₹ 10 lakhs during the previous year; or</b></li> <li>- <b>If the aggregate of TDS and TCS during the previous year, in the case of the person, is ₹ 25,000 or more; or However, a resident individual who is of the age of 60 years or more, at any time during the relevant previous year would be required to file return of income only, if the aggregate of TDS and TCS during the previous year, in his case, is ₹ 50,000 or more</b></li> <li>- <b>The deposit in one or more saving bank account of the person, in aggregate, is ₹ 50 lakh or more during the previous year.</b></li> <li>- Fulfils such other conditions as may be prescribed</li> </ul> <p><b>Due date of filing return of income [ Amended by Finance Act, 2021]</b>  <b>31<sup>th</sup> October [ Amended by Finance Act, 2020 i.e. 01-04-2021 ]</b> of the A.Y. in case the assessee is:</p> <p>(i) <b>A company;</b></p> <p>(ii) A person (other than company) <b>whose accounts are required to be audited;</b> or</p> <p>(iii) A <b>partner of a firm</b> whose <b>accounts are required to be audited under this act or any other law for the time being in force or the spouse of such partner if the provisions of section 5A applies to such spouse</b></p> <p><b>31<sup>st</sup> july</b> of the A.Y., in case of any other assessee ( other than assesses, <b>including the partners of the firm or the spouse of such partner (if provisions of section 5A applies to such spouse) being such assessee who are required to furnish report u/s 92E, for whom the due date is 30<sup>th</sup> November of the A.Y)</b></p>
234A	<b><u>Interest for default in furnishing return of income</u></b>

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Interest u/s 234A is payable where an assessee furnishes the return of income after the due date or does not furnish the return of income.

Assessee shall be liable to pay simple interest @1% per month or part of the month for the period commencing from the date immediately following the due date and ending on the following dates –

<b><i>Circumstances</i></b>	<b><i>Ending on the following dates</i></b>
Where the return is furnished after due date	The date of furnishing of the return
Where no return is furnished	The date of completion of assessment

However, where the assessee has paid taxes in full on or before the due date, interest u/s 234A is not leviable.

- **Interest is payable in case updated return of income is furnished u/s 139(8A)**
- **Tax on total income as determined u/s 143(1) shall not include the additional income-tax, if any, payable under section 140B or section 143**
- **Tax on the total income determined under regular assessment shall not include the additional income-tax payable under section 140B [Amended by Finance Act, 2022 w.e.f. 01/04/2022]**

**234F** ***Fee for default in furnishing return of income [ Amended by Finance Act 2021]***

Where a person who is **required to furnish a return of income** u/s 139, fails to do so within the prescribed time limit u/s 139(1), he shall pay, by way of fee, a sum of –

- (i) **Free of Rs 5000 payable for delay in furnishing return of income.**
- (ii) **Fee of ₹ 1,000 payable if total income does not exceed ₹ 5,00,000**

**234H** ***Fee for default relating to intimation of Aadhaar number [ Inserted by Finance Act 2021]***

Where a person is required to intimate his Aadhaar number under section 139AA(2) and such person fails to do so on or before such date, as may be prescribed, not exceeding ₹ 1,000, at the time of making intimation after the said date.

**139(3)** ***Return of loss***

An assessee **can carry forward or set off** his/its losses provided he/it has filed his/its return u/s 139(3), **within the due date** specified u/s 139(1).

***Exceptions***

**Loss from house property** and **unabsorbed depreciation** can be carried forward for set off even though return has not been filed before the due date.

**139(4)** ***Belated return [ Amended by Finance Act 2021]***

A return of income for any P.Y., which has not been furnished within the time allowed u/s 139(1), may be furnished at any time before the:

- (i) **3 months prior to End of the relevant A.Y.; (i.e., 31/12/2021 for P.Y 2021-22)** or
- (ii) **Completion of the assessment,**

Whichever is earlier.

**139(5)** ***Revised return [ Amended by Finance Act 2021]***

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A any **omission or any wrong statement is discovered in a return furnished u/s 139(1) or belated return u/s 139(4)**, a revised return may be furnished by the assessee at any **time before the:**

(iii) **3 months prior to End of the relevant A.Y.; (i.e., 31/12/2021 for P.Y 2021-22)** or

(iv) **Completion of the assessment,**

Whichever is earlier.

Thus, **belated return can also be revised.**

139(8A)

[Inserted by Finance Act, 2022 w.e.f. 01/04/2022]:

(1) **Option to file updated return of income:** Any person may furnish an updated return of income or the income of any other person in respect of which he is assessable, for the previous year relevant to the assessment year at any time within 24 months from the end of the relevant assessment year.

This is irrespective of whether or not he has furnished a return u/s 139(1) or belated return u/s 139(4) or revised return u/s 139(5) for that assessment year.

For example, an updated return for A.Y. 2023-24 can be filed till 31-3-2026

(2) **Non applicability of the provisions of updated return:** The provision of updated return would not apply, if the updated return of such person for the assessment year –

(i) **Is a loss return; or**

(ii) **Has the effect of decreasing the total tax liability determined on the basis of return furnished u/s 139(1) or section 139(4) or section 139(5); or**

(iii) **Results in refund or increases the refund due on the basis of return furnished u/s 139(1) or section 139(4) or section 139(5)**

(3) **Circumstances in which updated return cannot be furnished:** No updated return can be furnished by any person for the assessment year, where –

(a) **An updated return has been furnished by him for the relevant assessment year; or**

(b) **Any proceeding for assessment or reassessment or recomputation or revision of income is pending or has been completed for the relevant assessment in his case; or**

(c) **He is such person or belongs to such class of persons, as may be notified by the CBDT.**

(4) **Updated return can be filed if original return is a loss return and updated return is a return of income:** if any person has a loss in any previous year and has furnished a return of loss on or before the due date of filing return of income u/s 139(1), he shall be allowed to furnish an updated return if such updated return is a return of income.

For example, if Mr. X has furnished his return of loss for A.Y. 2022-23 on 31/5/2022 consisting of ₹ 5,00,000 as business loss, he can furnish an updated return for A.Y. 2022-23 upto 31/5/2025 if such updated return is a return of income.

(5) **Updated return to be furnished for subsequent previous year in case (4) above:** if the loss or any part thereof carried forward under chapter VI-A or unabsorbed depreciation carried forward u/s 32(2) or tax credit carried forward u/s 115JD is to be reduced for any subsequent previous year as a result of furnishing of updated return of income for a previous year,

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

**an updated return is required to be furnished for each such subsequent previous year.**

**139A**

**Permanent account number (PAN)**

As per section 139A(1), the following persons mentioned in column (2), who have not been allotted a permanent account number(PAN), to apply to the assessing officer within the time specified in column(3) for the allotment of a PAN –

	<b>Persons required to apply for PAN</b>	<b>Time limit for making such application</b>
(1)	(2)	(3)
(i)	Every person, if his total income or the total income of any other person in respect of which he is assessable under the Act during any P.Y exceed the maximum amount which is not chargeable to income tax	On or before 31 <sup>st</sup> May of the A.Y
(ii)	Every person carrying on any business or profession whose total sales, turnover or gross receipt are or is likely to exceed Rs 5 lakhs in any P.Y	Before the end of that F.Y. (P.Y)
(iii)	Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to Rs 250000 or more in a F.Y	On or before 31 <sup>st</sup> May of the immediately following F.Y.
(iv)	Every person who is a managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or officer bearer of any person referred in (iii) above or any person competent to act on behalf of such person referred in (iii) above	On or before 31 <sup>st</sup> May of the immediately following F.Y. in which the person referred in (iii) enters into financial transactions specified therein.

Quoting of PAN is mandatory in all the following documents:

- (a) In all returns to, or correspondence with, any income tax authority;
- (b) In all challans for the payment of any sum due under the act;
- (c) In all documents pertaining to such transactions entered into by him, as may be prescribed by the CBDT in the interest of revenue. In this connections, CBDT has notified the following transactions, namely;

<b>S.NO</b>	<b>Nature of transaction</b>	<b>Value of transaction</b>
1.	<b>Sale or purchase of a motor vehicle or vehicle</b> , other than two wheeled vehicles.	<b>All such transactions</b>
2.	<b>Opening an account (other than a time deposit referred to at Sl. No. 12 and a basic saving bank deposit account)</b> with a banking company or a cooperative bank	<b>All such transactions</b>
3.	<b>Making an application</b> to any banking company or a cooperative bank or to any other company or institution, <b>for issue of a credit or debit card</b>	<b>All such transactions</b>
4.	<b>Opening of a demat account</b> with a depository, participant, custodian of securities or any person registered under SEBI Act, 1992	<b>All such transactions</b>
5.	<b>Payment to a hotel or restaurant</b> against a bill or bills at any one time	Payment <b>in cash</b> of an amount > <b>Rs 50000</b>



## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

6.	Payment in connection with <b>travel to any foreign country</b> or payment for <b>purchase of any foreign currency at any one time.</b>	Payment <b>in cash</b> of an amount > <b>Rs 50000</b>
7.	Payment to a <b>mutual fund for purchase of its units</b>	Amount > <b>Rs 50000</b>
8.	<b>Payment</b> to a company or an institution for <b>acquiring debentures or bonds issued by it.</b>	Amount > <b>Rs 50000</b>
9.	<b>Payment</b> to the <b>RBI</b> for <b>acquiring bonds</b> issued by it	Amount > <b>Rs 50000</b>
10.	<b>Deposit with a banking company</b> or a cooperative bank or post office	Cash deposit > <b>Rs 50000</b> during <b>any one day.</b>
11.	<b>Purchase of bank drafts</b> or pay orders or banker's cheque from a banking company or a cooperative bank.	Payment in cash of an amount > <b>Rs 50000</b> during <b>any one day</b>
12.	A <b>time deposit</b> with – (i) A banking company or a co-operative bank; (ii) A post office; (iii) A nidhi referred to in section 406 of the companies act, 2013 or (iv) A non banking financial company which holds a certificate of registration u/s 45-IA of the reserve bank of India act, 1934, to hold or accept deposit from public	Amount > <b>Rs 50000</b> <b>or aggregating to more than Rs 5 lakh during a F.Y.</b>
13	<b>Payment for one or more pre paid payment instrument</b> , as defined in the policy guidelines for issuance and operation of pre-paid payment instruments issued by RBI under the payment and settlement system act, 2007, to a banking company or a cooperative bank or to any other company or institution.	<b>Payment in cash or by way of a bank draft</b> or pay order or bankers cheque of an aggregating to more than <b>Rs 50000 in a F.Y.</b>
14.	Payment as <b>life insurance premium</b> to an insurer as defined in the insurance Act, 1938.	Amount <b>aggregating</b> to more than <b>Rs 50000 in a F.Y</b>
15.	<b>A contract for sale or purchase of securities</b> (other than shares) as defined in section 2(h) of the securities contracts (regulation) act, 1956.	Amount > <b>Rs 1 lakh per transaction</b>
16.	<b>Sale or purchase</b> , by any person, <b>of shares of a company not listed</b> in a recognised stock exchange	Amount > <b>Rs 1 lakh per transaction</b>
17.	<b>Sale or purchase of any immovable property.</b>	Amount > <b>Rs 10 Lakh</b> or valued by <b>stamp</b>

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

		<i>valuation</i> authority referred to in section 50C at an amount > Rs lakh
18.	<i>Sale or purchase</i> , by any person, <i>of goods or services</i> of any nature other than those specified at Sl. No. 1 to 17 of this table, if any.	Amount > <b>Rs 2 lakh per transaction</b>

**Accordingly, Rule 114AAA specifies the manner of making permanent account number inoperative. [Amended by Finance Act 2022]**

Sub-Rule	Provision
(1)	If a person, who has been allotted PAN as on 1 <sup>st</sup> July, 2017 and is required to intimate his Aadhaar number u/s 139AA(2), has filed to intimate the same on or before 31 <sup>st</sup> March, 2022, the PAN of such person would become inoperative immediately after the said date (i.e., after 31 <sup>st</sup> March, 2022) for the purposes of furnishing intimating or quoting under the income tax act, 1961.
(2)	Accordingly, where a person, whose PAN has become inoperative, is required to furnish, intimate or quote his PAN under this act, it shall be deemed that he has not furnished, intimated or quoted the PAN, as the case may be, in accordance with the provisions of this act. Consequently, he would be liable for all the consequences under the act for not furnishing, intimating or quoting the PAN. However, the consequences shall have effect from the date specified by the CBDT i.e., 1/4/2023
(3)	Where such person who has not intimated his Aadhaar number on or before 31 <sup>st</sup> March 2022, intimated his Aadhaar number u/s 139AA(2) after 31 <sup>st</sup> march 2022 after payment of fees specified 234H read with Rule 114(5A), his PAN would become operative from the date of intimation of Aadhaar number for the purposes of furnishing, intimating or quoting under the act. Accordingly, the consequences in sub-rule(2) would not applicable from such date of intimation.
(4)	The principle director general of Income tax (systems) or director general of income tax (systems) has to specify the formats and standards along with the procedure for verifying the operational status of PAN under sub-rules (1) and (2)

**Clarification with respect to relaxation of provision of rule 114AAA prescribing the manner of making PAN inoperative:**

Section 139AA(2) makes it mandatory for every person who has been allotted a PAN as on 1<sup>st</sup> july, 2017 to intimate his Aadhaar Number so that the Aadhaar and PAN can be linked. This is required to be done on or before a notified date, failing which the PAN would become inoperative.

Accordingly, in case of failure to intimate the Aadhaar number by 31/3/2022, the PAN allotted to the person would be made inoperative. Further, section 234H provides that where a person who is required to intimate his Aadhaar under section 139AA(2) fails to do so on or before a notified date, he would be liable to pay a fee not exceeding ₹ 1000, as may be prescribed, at the time of making intimation u/s 139AA(2) after the said date.

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

Further Rule 114AAA provides that if PAN of a person has become inoperative, he will not be able to furnish, intimate or quote his PAN and would be liable to all the consequences under the act for such failure. This will have a number of implications such as:-

- (i) The person would not be able to file return using the inoperative PAN
- (ii) Pending returns will not be processed
- (iii) Pending refunds cannot be issued to inoperative PANs
- (iv) Pending proceedings as in the case of defective returns cannot be completed once the PAN is inoperative
- (v) Tax will be required to be deducted at a higher rate as PAN becomes inoperative.

In addition to the above, the tax payer might face difficulty at various other fora like banks and other financial portals, as PAN is one of the important KYC criterion for all kinds of financial transactions.

As per Rule 114AAA(2), where a person, whose PAN has become inoperative under Rule 114AAA(1), is required to furnish, intimate or quote his PAN, it would be deemed that he has not furnished, intimated or quoted the PAN, as the case may be, in accordance with the provisions of the act. Consequently, he would be liable for the consequences under the Act for not furnishing, intimating or quoting the PAN.

In order to have smooth application of section 234H and existing rule 114AAA, it is clarified that –

- The impact of Rule 114AAA(2) would come into effect from 1<sup>st</sup> April 2023; and
- The period beginning from 1<sup>st</sup> April 2022 and ending with 31<sup>st</sup> march 2023, would be the period during which Rule 114AAA(2) would not have its negative consequences.

However, the tax payer would be liable to pay a fee in accordance with section 234H read with Rule 114(5A).

139AA

**Quoting of Aadhar number**

Aadhar number to be quoted by **every person on or after 1/7/2017** in the application for allotment of PAN and in return of income. If a person does not have aadhar number, the enrollment ID of aadhar application form issued to him at the time of enrolment shall be quoted.

Aadhar number to be intimated to prescribed authority on or before a date notification by the central government i.e 31.12.2019

Inter-changeability of PAN with the aadhar number

Every person who is required to furnish or intimate or quote his PAN may furnish or **intimate or quote his aadhar number in lieu of the PAN** w.e.f 1.09.2019 if he

- Has not been allotted a PAN but possesses the aadhar number
- Has been allotted a PAN and has intimated his aadhar number to prescribed authority.

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Persons authorised to verify return of income

This section specifies the persons who are authorised to verify the return of income u/s 139.

S.no	Assessee	Circumstance	Authorised person
1.	Individual	(i) In circumstances not covered under (ii), (iii) & (iv) below	- <b>The individual himself</b>
		(ii) Where he is <b>absent from India</b>	- <b>The individual himself;</b> or

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

			<ul style="list-style-type: none"> <li>- Any <b>person duly authorised</b> by him in this behalf holding a valid power of attorney from the individual (such power of attorney should be attached to the return of income)</li> </ul>
		(iii) Where <b>he is mentally incapacitated</b> from attending to his affairs	<ul style="list-style-type: none"> <li>- <b>His guardian</b>; or</li> <li>- Any <b>other person competent to act on his behalf</b></li> </ul>
		(iv) Where, for any other reason, it is <b>not possible for the individual to verify the return</b>	<ul style="list-style-type: none"> <li>- Any person duly authorised by him in this behalf holding a valid power of attorney from the individual ( such power of attorney should be attached to the return of income)</li> </ul>

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S.No.	Assessee	Circumstances	Authorised persons
2.	HUF	(i) In circumstances not covered under (ii) and (iii) below	- <b>The karta</b>
		(ii) Where the <b>karta is absent</b> from India	- Any <b>other adult member of the HUF</b>
		(iii) Where the <b>karta is mentally incapacitated</b> from attending to his affairs	- Any <b>other adult member of the HUF</b>
3.	Company	(i) In circumstances not covered under (ii) to (iv) below	- The <b>managing director</b> of the company or <b>any other person, as may be prescribed for this purpose. [ Amended by Finance Act, 2020]</b>
		(ii) (a) where for any unavoidable reason such <b>managing director is not able to verify the return</b> ; or (b) where there is <b>no managing director</b>	- <b>Any director</b> of the company - <b>Any director</b> of the company
		(iii) Where the <b>company is not resident in India</b>	- A <b>person who holds a valid power of attorney</b> from such company to do so ( such power of attorney should be attached to the return)
		(iv) (a) where the <b>company is being wound up</b> (whether under the orders of court or otherwise); or (b) where <b>any person has been appointed as the receiver of any assets</b> of the company	- Liquidator - Liquidator
		(v) Where the <b>management of the company</b> has been <b>taken over</b>	- The <b>principal officer</b> of the

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

		<i>by the central government</i> or any state government under any law	company
		(vi) Where an <i>application for corporate insolvency resolution process has been admitted</i> by the adjudicating authority under the insolvency and bankruptcy code, 2016	- <i>Insolvency professional</i> appointed by such adjudicating authority
4.	Firm	(i) In circumstances not covered under (ii) below	- The <i>managing partners</i> of the firm
		(ii) (a) where for any unavoidable reason <i>such managing partner is not able to verify</i> the return; or (b) where there is <i>no managing partner</i>	- <i>Any partner</i> of the firm, <i>not being a minor</i> - <i>Any partner</i> of the firm, <i>not being a minor</i>
5.	LLP	(i) In circumstances not covered under (ii) below	- <i>Designated partner any other person, as may be prescribed for this purpose. [ Amended by Finance Act, 2020]</i>
		(ii) (a) where for any unavoidable reason <i>such designated partner is not able to verify</i> the return; or (b) where there is <i>no designated partner</i>	- <i>Any partner of LLP</i> - <i>Any partner of LLP</i>
6.	Local authority	-	- <i>The principal officer</i>
7.	Political party	-	- The <i>chief executive officer</i> of such part ( whether he is known as secretary or by any other designation )
8.	Any other association	-	- <i>Any member</i> of the association or the <i>principal officer</i> of such association
9.	Any other person	-	- <i>That person</i> or some <i>other person competent to act on his behalf.</i>
<b>140A</b>	<b><i>Self assessment</i></b> Where any <i>tax is payable</i> on the basis of any return required to be furnished u/s 139, <i>after taking into account –</i> (i) The amount of <i>tax, already paid,</i> (ii) The tax deducted or collected at source ( <i>TDS/TCS</i> ) (iii) <i>Any relief of tax claimed u/s 89</i> (iv) <i>Any tax or interest payable according to the provisions of section 191(2) [ Amended by Finance Act, 2020]</i>		

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

(v) Any tax credit claimed to be set off in accordance with the provisions of section 115JD (*i.e alternate minimum tax*). The assessee shall be **liable to pay such tax together with interest and fee payable** under any provision of this act for any delay in furnishing the return or any default or delay in payment of advance tax before furnishing the return. Where the **amount paid by the assessee falls short** of the aggregate of the tax, interest and fee as aforesaid, **the amount so paid shall first be adjusted** towards the **fee payable** and **thereafter, towards interest** and the **balance** shall be adjusted towards the **tax payable**.

140B

**Computation of tax updated return** [Inserted by Finance Act, 2022 w.e.f. 01/04/2022]

**The relevant provisions are discussed as under –**

**(1) Where assessee has not furnished the return earlier – where no return of income u/s 139(1)/(4) has not furnished, the assessee shall not be liable to pay such tax together with interest, fee and additional income tax, before furnishing the return and the return shall be accompanied by proof of payment of such tax, additional income-tax, interest and fee. The same shall be computed as under –**

<b>Tax payable on the basis of updated return</b>	XXX
<b>Less: Taxes and relief as under</b>	
(d) Any amount already paid under an provision of the Act (e.g. advance tax)	XXX
(e) Any tax deducted or collected at source.	XXX
(f) Any relief of tax claimed u/s 89.	XXX
(g) Any relief of tax or deduction claimed u/s 90 or 91 on account of tax paid in any country outside India.	XXX
(h) Any relief of tax claimed u/s 90A on account of tax paid in any specified territory country outside India.	XXX
(i) Amount of tax credit claimed to be set-off in accordance with Section 115JAA or Section 115JD.	XXX
<b>ADD: Fee payable u/s 234F for default in furnishing of return.</b>	XXX
<b>ADD: Interest Payable-</b>	
(a) U/s 234A for delay in furnishing the return, or	XXX
(b) U/s 234B for default or short payment of advance tax, or	XXX
(c) U/s 234C for deferment of advance tax;	XXX
<b>ADD: Additional Income tax-</b>	
➤ 25% of the aggregate of tax and interest payable if ROI is furnished within 12 months from end of relevant AY;	XXX
➤ 50% of the aggregate of tax and interest payable if ROI is furnished after 12 months but before 24 months from end of relevant AY.	XXX
<b>Total amount payable</b>	XXX

**(2) Where the assessee has furnished the return of income earlier: where return of income u/s 139(1)/(4)/(5) (referred to as earlier return) has been furnished by an assessee, he shall be liable to pay such tax, interest and additional income tax and**

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

the return shall be accompanied by proof of payment of the amount. The same shall be computed as under –

**Tax payable on the basis of updated return**

xxx

**Less: Taxes and relief as under -**

- (a) Amount of relief or tax referred to Section 140(1), the credit for which has been taken in the earlier return
- (a) Any tax deducted or collected at source on any income which is subjected to such deduction or collection and which is taken into account in computing total income and which has not been included in the earlier return
- (a) Any relief of tax or deduction of tax claimed u/s 90 or section 91 on account of tax paid in a country outside India on such income which has been included in the earlier return;
- (a) Any relief of tax claimed u/s 90A on account of tax paid in any specified territory outside India referred to in that section on such income which has not been included in the earlier return
- (a) Any tax credit claimed, to be set-off in accordance with the provisions of section 115JAA or section 115JD, which has not been claimed in the earlier return;

xxx

**Add: fee payable u/s 234F for default in furnishing of return**

**Add: Interest payable –**

- (a) u/s 234B for default or short payment of advance tax as reduced by interest paid in earlier return
- (b) u/s 234C for deferment of advance tax as reduced by interest paid in earlier return;

**Add: additional income tax –**

- 25% of the aggregate of tax and interest payable if ROI is furnished within 12 months from end of relevant AY; and
- 50% of the aggregate of tax and interest payable if ROI is furnished after 12 months but before 24 months from end of relevant A.Y

(3) **Computation of additional income tax:** *The additional income tax payable at the time of furnishing the return u/s 139(8A) shall be equal to, -*

Time limit of furnishing updated return	Additional income tax payable
<i>After expiry of the time available u/s 139(4)/(5) and before completion of the period of 12 months from the end of the relevant assessment year</i>	<i>25% of aggregate of tax and interest payable</i>
<i>After the expiry of 12 months but before completion of 24 months from the end of the relevant assessment year</i>	<i>50% of aggregate of tax and interest payable</i>
<i>For the purposes of computation of “additional income tax”, tax shall include surcharge and cess, by whatever name called, on such tax [Explanation]</i>	

(4) **Computation of interest payable u/s 234B:** *Interest payable u/s 234B shall be computed on an amount equal to the assessed tax or, as the case may be, on the amount by which the advance tax paid falls short of the assessed tax, where, -*

## INCOME TAX Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

**“Assessed tax” means the tax on the total income as declared in the return to be furnished u/s 139(8A), -**

**(a) After taking into account, -**

- (i) The amount of relief or self assessment tax u/s Section 140A(1), the credit for which has been claimed in the earlier return;**
- (ii) TDS/TCS, on any income which is subject to such deduction or collection and which is taken into account in computing such total income, which has not been included in the earlier return;**
- (iii) Any relief of tax or deduction of tax claimed u/s 90 or section 91 on account of tax paid in a country outside India on such income which has not been included in the earlier return**
- (iv) Any relief of tax claimed u/s 90A on account of tax paid in any specified territory outside India referred to in that section on such income which has not been included in the earlier return;**
- (v) Any credit claimed, to be set off in accordance with the provisions of section 115JAA or section 115JD, which has not been claimed in the earlier return; and**

**(b) As increased by the amount of refund, if any, issued in respect of such earlier return.**

**(5) Power to CBDT to issue guidelines: In case of any difficulty arises in giving effect to the provisions of this section, the CBDT may issue guidelines for the purpose of removing the difficulty, with the approval of the central government, every guideline issues shall be laid before each house of parliament.**

**(6) Computation of additional income tax: for the purpose of computation of “additional income tax”, -**

- ◆ **Tax would include surcharge and cess, by whatever name called, on such tax.**
- ◆ **The interest payable would be interest chargeable under any provision of the act, on the income as per updated return furnished u/s 139(8A), as reduced by interest paid in the earlier return, if any**

**However, the interest paid in the earlier return would be considered to be nil, if no earlier return has been furnished.**

**(7) Interest u/s 234A if no earlier return has been furnished: In a case, where no earlier return has been furnished, the interest payable u/s 234A has to be computed on the amount of the tax on the total income as declared in the updated return u/s 139(8A), in accordance with the provisions of section 140A(1A).**

**(8) Interest u/s 234C if earlier return has been furnished: Interest payable u/s 234C, where an earlier return has been furnished, has to be computed after taking into account the income furnished in the return u/s 139(8A) as the return income.**



# GST

## SUMMARY BOOK (with Amendments)

**(CA - INTER/ CS-EXECUTIVE/ CMA-INTER)**

**APPLICABLE FOR MAY'23/JUNE'23/NOV'23/DEC'23**

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**YOUTUBE CHANNEL: AARHAM INSTITUTE**

**BY CA VARDHAMAN DAGA**



## **GST IN INDIA - A BRIEF INTRODUCTION**

**Tax** - is a "pecuniary burden laid upon individuals or property owners to support the government, a payment exacted by legislative authority

	<b>Direct Taxes</b>	<b>Indirect Taxes</b>
(i)	Levied by <b>persons</b>	Levied on <b>goods and services</b>
(ii)	Amt of tax on the basis of <b>income</b>	Amt of tax is determined <b>indirectly</b>
(iii)	Tax incidence is borne by the <b>same person</b> who pays it	Tax passes on to <b>ultimate consumer</b>
(iv)	<b>Higher collection cost</b>	<b>Less collection cost</b>
(v)	Eg. Income tax	Eg. GST, custom duty

### **FEATURES**

- ♣ Major source of revenue
- ♣ Levied on goods and services
- ♣ Shifting of incidence of tax
- ♣ Consumer do not feel direct pinch of such taxes
- ♣ Leads to inflation
- ♣ Widens the tax base
- ♣ Helps in promotion social welfare
- ♣ Regressive in nature

Goods and Services Tax (GST): *supply of goods or services or both. GST rolled out on 1<sup>st</sup> July 2017. France was the first country in 1954.*

### **CONCEPT OF GST:**

- ❖ Value added tax
- ❖ Continuously flow of credits
- ❖ Tax incidence is to be ultimately borne by final consumer
- ❖ Mitigation of cascading/double taxation
- ❖ *Dual GST model is followed in India*

### **GST - A TAX ON GOODS AND SERVICES**

- ⚡ *Alcoholic liquor for human consumption not leviable to GST*
- ⚡ *Petroleum crude, diesel, petrol, ATF and natural gas not liable to GST till notified*
- ⚡ *Opium, Indian hemp and other narcotic drugs and narcotics GST is leviable.*

### **FUNCTIONS OF GSTN:**

- ◆ *Facilitating registration*
- ◆ *Forward the return to central and state authorities*
- ◆ *Computation and settlement of IGST*
- ◆ *Matching of tax payment details with banking network*
- ◆ *Providing analysis of tax payer's profile*

## GST SUMMARY NOTES (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

- ◆ Providing various MIS reports to the central and the state government based on the tax payer return information.
- ◆ Running the matching engine for matching, reversal and reclaim of input tax credit.

### BENEFITS OF GST

#### (1) Benefit to economy:

- Creation of common national market
- Boost to 'Make in India' initiative
- Enhanced investment and employment

#### (2) Simplified tax regime:

- Ease of doing business
- Certainty in tax administration

#### (3) Easy tax compliance

- Automated procedures with greater use of IT
- Reduction in compliance costs

#### (4) Advantages for trade and industry

- Benefits to agriculture and industry
- Mitigation of ill effects of cascading
- Benefits to small traders and entrepreneurs

### CONSTITUTION 101<sup>st</sup> AMENDMENT ACT, 2016:

Sec.	Particulars	Analysis
1	Short title and commencement	-
2	Article 246A: special provisions with respect to goods and services tax.	<ul style="list-style-type: none"><li>• <b>Concurrent Power:</b> This article grants power to Centre and State Governments to make laws with respect to GST imposed by Centre or such State.</li><li>• <b>Inter state transactions - Exclusive power with Centre:</b> Centre has the exclusive power to make laws with respect to GST in case of inter-State supply of goods and/or services.</li><li>• <b>Petroleum products Outside purview of GST till Notified Date:</b> However, in respect to the following goods, the aforesaid provisions shall apply from the date recommended by the GST</li></ul>

***GST SUMMARY NOTES (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)***

		<p>Council :</p> <p>(a) Petroleum Crude</p> <p>(b) High Speed Diesel</p> <p>(c) Motor Spirit (commonly known as Petrol)</p> <p>(d) Natural Gas</p> <p>(e) Aviation Turbine Fuel</p> <ul style="list-style-type: none"> <li>• <b>Overriding Effect:</b> The provisions of Article 246A are notwithstanding anything contained in Articles 246 and Article 254 deals with the supremacy of the laws made by Parliament</li> </ul>
3	<i>Article 248: Residuary powers of legislation.</i>	-
4	<i>Article 249: Power of parliament to legislate with respect to a matter in the state list in the national interest</i>	-
5	<i>Article 250: Power of parliament to legislate with respect to any matter in the state List if a proclamation of emergency is in operation</i>	-
6	<i>Article 268: Duties levied by the union but collected and appropriated by the state</i>	-
7	<i>Omission of Article 268A: service tax levied by union and collected by the union and the states</i>	-
8	<i>Article 269: Taxes levied and collected by the union but assigned to the states</i>	-
9	<i>Article 269A: levy and collection of goods and service tax in course of inter-state trade or commerce</i>	<ul style="list-style-type: none"> <li>• Levy of interstate GST</li> <li>• Imports subject to integrated tax</li> <li>• Cross utilization of IGST and SGST - not to form part of consolidated fund of India</li> <li>• Supply whether inter-state supply - principles to be formulated by parliament</li> </ul>

***GST SUMMARY NOTES (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)***

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10	<i>Article 270: taxes levied and distributed between the union and the states</i>	-
11	<i>Article 271: surcharge on certain duties and taxes for purposes of the union</i>	-
12	<i>Article 279A: GST council</i>	-
13	<i>Article 286: restriction as to imposition of tax on the sale or purchase of goods</i>	-
14	<i>Article 366: Definitions</i>	-
15	<i>Article 368: power of parliament to amend the constitution and procedure thereof</i>	-

## SUPPLY UNDER GST

TERM	DEFINATION
<b>GOODS</b>	<p><b>Means</b> every kind of movable property</p> <ul style="list-style-type: none"> <li>• <b>Other than</b> - Money, and Securities</li> <li>• <b>But include</b> - Actionable claim, Growing crops, grass and things attached to or forming part of the land which are agreed to be served before supply or under a contract of supply</li> </ul>
<b>Taxable supply</b>	<b>Means</b> a supply of goods or services or both which is leviable to tax under the act
<b>Taxable territory</b>	Extend to whole of India <b>including J&amp;K</b>
<b>Supplier</b>	<p>In relation to any goods or services or both, shall mean -</p> <ul style="list-style-type: none"> <li>• The <b>person supplying the said goods or services or both</b> and shall include</li> <li>• An <b>agent acting as such on behalf of such supplier</b> in relation to the goods or services or both supplied.</li> </ul>
<b>Recipient</b>	<p>Of supply of goods or services or both, means -</p> <p>(a) where a <b>consideration is payable</b> for the supply of goods or services or both, the <b>person who is liable to pay that consideration;</b></p> <p>(b) where <b>no consideration is payable</b> for the supply of goods, the <b>person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available;</b> and</p> <p>(c) where <b>no consideration is payable</b> for the supply of a service, the <b>person to whom the service is rendered,</b> and</p> <p>any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and <b>shall include an agent</b> acting as such on behalf of the recipient in relation to the goods or services or both supplied. [Section 2(93)1</p>
<b>Service</b>	<p><b>Means anything</b> -</p> <ul style="list-style-type: none"> <li>➤ other than <ul style="list-style-type: none"> <li>• goods,</li> <li>• money, and</li> <li>• securities</li> </ul> </li> <li>➤ but includes activities relating to - <ul style="list-style-type: none"> <li>(a) the use of money, or</li> </ul> </li> </ul>

	<p>(b) Its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.</p> <p>Explanation : For the removal of doubts, it is hereby clarified that the expression "services" includes facilitating or arranging transactions in securities.</p>
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**SCOPE OF SUPPLY [ SECTION 7 ]**

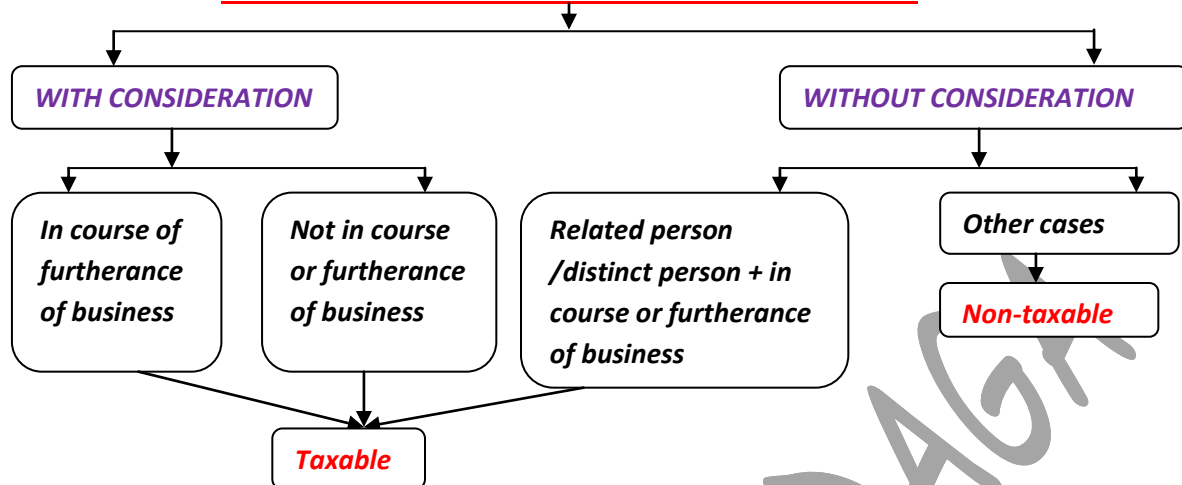
- ◆ Supply should be of **goods or services**.
- ◆ Supply should be made for a **consideration**
- ◆ Supply should be in **the course or furtherance of business**
- ◆ Supply should be made by **Taxable person**
- ◆ Supply should be a **taxable supply**

**Notes:**

- **Consideration** in relation to the supply of goods or services or both includes -
  - (a) Any **payment made or to be made, whether in money or otherwise**, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person **but shall not include and subsidy given by the central government or a state government**;
  - (b) The **monetary value of any act or forbearance**, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person **but shall not include any subsidy given by the central government or a state government**;  
Deposit not a consideration unless appropriated by supplier
- Supply should be in the course or furtherance of business: **activities of a race club including by way of totalisator or a licensee to book maker or activities of a licensed book maker in such club**
- **Activities/transaction involving supply of goods or services by any person other than an individual to its members/constituents or vice-versa [section 7(1)(aa)]**  
[ Amended by finance act 2021]



**IMPORT OF SERVICES COVERED IN SCOPE OF SUPPLY**



**SUPPLY WITHOUT CONSIDERATION [ SCHEDULE I ]**

- (1) **Permanent transfer or disposal of business assets** where input tax credit has been availed on such assets.
- (2) **Supply of goods or services or both between related persons or between distinct persons** as specified in Section 25, when made in the course or furtherance of business. However, **gifts not exceeding Rs 50,000 in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.**
- (3) **Supply of goods** -
  - (a) by a **principal to his agent** where the agent undertakes to supply such goods on behalf of the principal; or
  - (b) by an **agent to his principal** where the agent undertakes to receive such goods on behalf of the principal.
- (4) **Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business.**

**Note:**

- \* **Perquisite by employer to employee is outside the scope of GST**
- \* **Stock transfer and branch transfer main GST lagega.**
- \* **Supply of used vehicles, seized and confiscated goods by the government - fall within the ambit of GST (supply to registered person then reverse charge, supply to unregistered person then government pay under forward charge)**

**ACTIVITIES OR TRANSACTIONS TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES.**

ACTIVITIES/ TRANSACTION	TYPE	NATURE OF
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**GST SUMMARY NOTES (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)**

	N		SUPPLY
1.	Transfer	(a) Transfer of the <b>title in goods</b>	Goods
		(b) Transfer of right <b>(without title)</b>	Services
		(c) Transfer of <b>title upon future payment</b>	Goods
2.	Land and building	(a) <b>Lease, tenancy</b> , easement, license to occupy land	Services
		(b) <b>Lease or letting out</b> , either wholly or partly, of the building including a commercial, industrial or residential complex for business or commerce	Services
3.	Treatment of process	Treatment or process	Services
4.	Transfer of business assets	(a) Goods <b>forming part of the asset of a business</b> are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets	Goods
		(b) Goods held used for business are put to private use or are made available to any person for use for any purpose <b>other than business</b> , by or under the directions of the person carrying on the business, whether or not for a consideration	Services
		(c) Where any person ceases to be a taxable person, any goods forming part of the asset of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately	Goods
5.	<ul style="list-style-type: none"> <li>♥ <b>Renting of immovable property</b></li> <li>♥ <b>Construction of a complex, building, civil structure or a part thereof, including a complexor building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier</b></li> <li>♥ temporary transfer or permitting the use or enjoyment of any intellectual property right.</li> <li>♥ Development design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technonogy software</li> <li>♥ Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act</li> <li>♥ Trasnfer of the right to use any goods for any purpose for cash, deferred payment or other valuable consideration.</li> </ul>		Service
6.	Following composite supplies:		Service

<p>♦ <b>Works contract</b></p> <p>♦ Supply, by way of or as part of any service or in any other manner whatsoever of goods, being food or any other article for human consumption or any drink.</p>	
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**CIRCULARS:**

- **Transfer of tenancy right** - supply of service and liable to GST
- GST is attracted even through **stamp duty and registration charges** is levied on such premium.
- Grant of tenancy rights in a residential dwelling against tenancy premium - **exempt from tax.**

**ACTIVITIES NEITHER SUPPLY OF GOODS NOR SUPPLY OF SERVICES [ SCHEDULE III ]**

- (1) **Services by an employee to the employer** in the course of or in relation to his employment.
- (2) **Services by any court or Tribunal** established under any law for the time being in force. Explanation 1 : The term "court" includes District Court, High Court and Supreme Court.
- (3)(a) **The functions performed by the Members** of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;  
(b) The duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or  
(c) the duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
- (4) **Services of funeral, burial, crematorium or mortuary including transportation of the deceased.**
- (5) **Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.**
- (6) **Actionable claims, other than lottery, betting and gambling.**
- (7) **Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory** without such goods entering into India.
- (8)(a) **Supply of warehoused goods to any person** before clearance for home consumption;  
(b) **Supply of goods by the consignee to any other person**, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption. The term "warehoused goods" shall have the same meaning as assigned to it in the Customs Act, 1962. [Explanation 2]

**NOTE:**

- ◆ Services supplied outside employment for a consideration - **taxable**
- ◆ Services supplied on contract basis - **taxable**
- ◆ Amount received by an employee from the employer on premature termination of contract of employment - **not regarded as supply**
- ◆ Non-competing fees - **taxable**
- ◆ Independent directors, nominee directors or non-executive directors cannot be regarded as employee remuneration to them is liable to GST
- ◆ GST is not leviable on the fee or penalty or pre-deposit amount charged by consumer disputes redressal commission office.
- ◆ **Remuneration paid to independent director/non-employee directors - covered under the ambit of supply - liable to GST under RCM (clarification dated 10-06-2020)**
- ◆ **Remuneration to employee director - if services are provided in course of employment - liable to TDS under section 192 of the Income Tax Act, 1961 - covered in Schedule - III - not liable to GST. Other services - outside service contract of employment - liable for TDS under section 194J - covered in the scope of supply - liable for GST under RCM.**

**CIRCULARS:**

- ✦ **Inter-state movement of various modes of conveyance, carrying goods or passengers is not regarded as supply. However, if it is or for repairs and maintenance, it shall be regarded as supply.**
- ✦ **Inter-state transfer of aircraft engines, part and accessories for self use by airlines-liable to GST, however ITC admissible.**
- ✦ **Taxability of printing contracts**
  - (i) **Content owned by publisher/ author - paper and printing by printer - is supply of service**
  - (ii) **Supply of printed envelopes, letter cards etc using design supplied by recipient - is supply of goods**
- ✦ **Supply of services by JV to members - regarded as supply**
- ✦ **Supplies between JV and members or members inter se - liable to GST**
- ✦ **Cash calls/capital - mere flow of money - taxable if by way of advance towards suppliers.**
- ✦ **Priority sector lending certificate (PSLCs) are in nature of goods and liable to GST.**
- ✦ **Retreading of tyres is a supply. Supply of retreaded tyres is supply of goods (pre-dominant element is process of retreading which is a supply of service)**
- ✦ **GST is applicable on payment of honorarium to the Guest Anchors [Circulars No. 177/09/2022-TRU dated 03-08-2022]**

- ✦ **Sale of land after levelling, laying down of drainage lines etc., is covered in Schedule III and is not taxable under GST [Circular No. 177/09/2022-TRU dated 03-08-2022]**

**GST applicability on liquidated damages, compensation and penalty arising out of breach of contract or other provisions of law. - Circular No. 178/10/2022-GST dated 03-08-2022**

1.	<p><u>"Agreeing to the obligation to refrain from an act or to tolerate an act or a situation, or to do an act"</u> has been specifically declared to be a supply of service in para 5 (e) of Schedule II of CGST Act if the same constitutes a "supply" within the meaning of the Act. The said expression has following three limbs:-</p>	
	<p><u>Agreeing to the obligation to refrain from an act</u></p>	<p><b>Example</b> of activities that would be covered by this part of the expression would include non-compete agreements, where one party agrees not to compete with the other party in a product, service or geographical area against a consideration paid by the other party.</p> <p><b>Another example</b> of such activities would be a builder refraining from constructing more than a certain number of floors, even though permitted to do so by the municipal authorities, against a compensation paid by the neighbouring housing project, which wants to protect its sunlight, or an industrial unit refraining from manufacturing activity during certain hours against an agreed compensation paid by a neighbouring school, which wants to avoid noise during those hours.</p>
	<p><u>Agreeing to the obligation to tolerate an act or a situation</u></p>	<p><b>Example</b> - This would include activities such a shopkeeper allowing a hawker to operate from the common pavement in front of his shop against a monthly payment by the hawker or an RWA tolerating the use of loud speakers for early morning prayers by a school located in the colony subject to the school paying an agreed sum to the RWA as compensation.</p>
	<p><u>Agreeing to the obligation to do an act</u></p>	<p><b>Example</b> - This would include the case where an industrial unit agrees to install equipment for the zero emission/discharge at the behest of the RWA of a neighbouring residential complex against a consideration paid by such RWA, even though the emission/discharge from the industrial unit was within permissible limits and there was no legal obligation upon the individual unit to do so.</p>
2.	<p>The description <u>"agreeing to the obligation to refrain from an act or to tolerate an act or a situation, or to do an act"</u> was intended to cover services such as described above. However, over the years doubts have</p>	

	persisted regarding various transactions being classified under the said description.
	Some of the important examples of such cases are Service Tax GST demands on-
i)	Liquidated damages paid for breach of contract,
ii)	Cheque dishonor fine/penalty charged by a power distribution company from the customers,
iii)	Penalty paid by a mining company to State Government for unaccounted stock of river bed material:
iv)	Bond amount recovered from an employee leaving the employment before the agreed period
v)	Late payment charges collected by any service provider for late payment of bill
vi)	Fixed charges collected by a power generating company from State Electricity Boards (SEB) or by SEBS/DISCOMS from individual customer for supply of electricity:
vii)	Cancellation charges recovered by railways for cancellation of tickets, etc.

3. Contractual agreement and consideration necessary to constitute supply :-  
 The service of agreeing to the obligation to refrain from an act or to tolerate an act or a situation, or to do an act is nothing but a contractual agreement. A contract to do something or to abstain from doing something cannot be said to have taken place unless there are two parties, one of which expressly or impliedly agrees to do or abstain from doing something and the other agrees to pay consideration to the first party for doing or abstaining from such an act. There must be a necessary and sufficient nexus between the supply (i.e. agreement to do or to abstain from doing something) and the consideration.
- A perusal of the entry at serial 5(e) of Schedule II would reveal that it comprises the aforementioned three different sets of activities viz.:
- (a) the obligation to refrain from an act
  - (b) obligation to tolerate an act or a situation and
  - (c) obligation to do an act
- All the three activities must be under an "agreement" or a "contract" (whether express or implied) to fall within the ambit of the said entry. In other words, one of the parties to such agreement/contract (the first party) must be under a contractual obligation to either (a) refrain from an act, or (b) to tolerate an act or a situation or (c) to do an act.
- Further some "consideration" must flow in return from the other party to this contract/agreement (the second party) to the first party for such (a) refraining or (b) tolerating or (c) doing. Such contractual arrangement must be an independent arrangement in its own right. Such arrangement or

	<p>agreement can take the form of an independent stand-alone contract or may form part of another contract.</p> <p><u>Thus, a person (the first person) can be said to be making a supply by way of refraining from doing something or tolerating some act or situation to another person (the second person) if the first person was under an obligation to do so and then performed accordingly.</u></p>
4.	<p><u>Agreement to do or refrain from an act should not be presumed to exist:</u></p>
	<p><u>Every payment cannot be presumed to be for doing or refraining from an act:-</u> There has to be an express or implied agreement, oral or written, to do or abstain from doing something against payment of consideration for doing or abstaining from such act, for a taxable supply to exist. An agreement to do an act or abstain from doing an act or to tolerate an act or a situation cannot be imagined or presumed to exist just because there is a flow of money from one party to another. Unless there is an express or implied promise by the recipient of money to agree to do or abstain from doing something in return for the money paid to him, it cannot be assumed that such payment was for doing an act or for refraining from an act or for tolerating an act or situation.</p> <p><u>Payments such as liquidated damages for breach of contract, penalties under the mining act for excess stock found with the mining company, forfeiture of salary or payment of amount as per the employment bond for leaving the employment before the minimum agreed period, penalty for cheque dishonour etc. are not a consideration for tolerating an act or situation.</u> They are rather amounts recovered for not tolerating an act or situation and to deter such acts; such amounts are for preventing breach of contract or non-performance and are thus mere 'events' in a contract. Further, such amounts do not constitute payment (or consideration) for tolerating an act, because there cannot be any contract:</p> <ul style="list-style-type: none"> <li>(a) for breach thereof, or</li> <li>(b) for holding more stock than permitted under the mining contract.or</li> <li>(c) for leaving the employment before the agreed minimum period or</li> <li>(d) for doing something leading to the dishonour of a cheque.</li> </ul> <p>As has already been stated, unless payment has been made for an independent activity of tolerating an act under an independent arrangement entered into for such activity of tolerating an act, such payments will not constitute 'consideration' and hence such activities will not constitute "supply" within the meaning of the Act.</p> <p>Taxability of these transactions is discussed in greater detail in the following paragraphs.</p>
(i)	<p><b>Liquidated Damages:</b></p>

- **Scope of Liquidated damages**:- Breach or non-performance of contract by one party results in loss and damages to the other party. Therefore, the law provides in Section 73 of the Contract Act, 1972 that when a contract has been broken, the party which suffers by such breach is entitled to receive from the other party compensation for any loss or damage caused to him by such breach. Such compensation specified in a written contract for breach of non-performance of the contract or parties of the contract is referred to as liquidated damages. The compensation is not by way of consideration for any other independent activity; it is just an event in the course of performance of that contract.
- **Liquidated damages not a consideration for tolerating the breach or non-performance of contract** :- Liquidated damages cannot be said to be a consideration received for tolerating the breach or non-performance of contract. They are rather payments for not tolerating the breach of contract. Payment of liquidated damages is stipulated in a contract to ensure performance and to deter non- performance, unsatisfactory performance or delayed performance. Liquidated damages are a measure of loss and damage that the parties agree would arise due to breach of contract. They do not act as a remedy for the breach of contract. They do not reconstitute the aggrieved person. It is further argued that a contract is entered into for execution and not for its breach. The liquidated damages or penalty are not the desired outcome of the contract. By accepting the liquidated damages, the party aggrieved by breach of contract cannot be said to have permitted or tolerated the deviation or non- fulfilment of the promise by the other party.
- **Liquidated damages do not constitute consideration for a supply and are not taxable**:- A reasonable view that can be taken with regard to taxability of liquidated damages is that where the amount paid as 'liquidated damages' is an amount paid only to compensate for injury, loss or damage suffered by the aggrieved party due to breach of the contract and there is no agreement. express or implied, by the aggrieved party receiving the liquidated damages, to refrain from or tolerate an act or to do anything for the party paying the liquidated damages, in such cases liquidated damages are mere a flow of money from the party who causes breach of the contract to the party who suffers loss or damage due to such breach. Such payments do not constitute consideration for a supply and are not taxable.
- **Examples of liquidated damages which do not constitute supply**:- Examples of such cases are damages resulting from damage to property, negligence, piracy, unauthorized use of trade name, copyright, etc.



Other examples that may be covered here are the penalty stipulated in a contract for delayed construction of houses. It is a penalty paid by the builder to the buyers to compensate them for the loss that they suffer due to such delayed construction and not for getting anything in return from the buyers.

Similarly, forfeiture of earnest money by a seller in case of breach of 'an agreement to sell' an immovable property by the buyer or by Government or local authority in the event of a successful bidder failing to act after winning the bid, for allotment of natural resources, is a mere flow of money, as the buyer or the successful bidder does not get anything in return for such forfeiture of earnest money. Forfeiture of Earnest money is stipulated in such cases not as a consideration for tolerating the breach of contract but as a compensation for the losses suffered and as a penalty for discouraging the non-serious buyers or bidders. Such payments being merely flow of money are not a consideration for any supply and are not taxable.

- Where payments constitute consideration for tolerating/refraining from doing any act/ doing an act-same constitutes supply:- The key in such cases is to consider whether the impugned payments constitute consideration for another independent contract envisaging tolerating an act or situation or refraining from doing any act or situation or simply doing an act. If the answer is yes, then it constitutes a 'supply within the meaning of the Act, otherwise it is not a "supply". If a payment constitutes a consideration for a supply, then it is taxable irrespective of by what name it is called; it must be remembered that a "consideration" cannot be considered de hors an agreement/ contract between two persons wherein one person does something for another and that other pays the first in return. If the payment is merely an event in the course of the performance of the agreement and it does not represent the 'object', as such, of the contract then it cannot be considered 'consideration'.

- Examples of payments that constitute consideration for supply:- For example, a contract may provide that payment by the recipient of goods or services shall be made before a certain date and failure to make payment by the due date shall attract late fee or penalty. A contract for transport of passengers may stipulate that the ticket amount shall be partly or wholly forfeited if the passenger does not show up. A contract for package tour may stipulate forfeiture of security deposit in the event of cancellation of tour by the customer. Similarly, a contract for lease of movable or immovable property may stipulate that the lessee shall not terminate the lease before a certain period and if he does so he will have to pay certain amount as early

		<p>termination fee or penalty. Some banks similarly charge pre-payment penalty if the borrower wishes to repay the loan before the maturity of the loan period.</p> <p>➤ <u>Such amounts paid for acceptance of late payment, early termination of lease or for pre-payment of loan or the amounts forfeited on cancellation of service by the customer as contemplated by the contract as part of commercial terms agreed to by the parties, constitute consideration for the supply of a facility, namely, of acceptance of late payment, early termination of a lease agreement, of pre-payment of loan and of making arrangements for the intended supply by the tour operator respectively.</u></p> <p>➤ Therefore, such payments, even though they may be referred to as fine or penalty, are actually payments that amount to consideration for supply, and are subject to GST, in cases where such supply is taxable. Since these supplies are ancillary to the principal supply for which the contract is signed, they shall be eligible to be assessed as the principal supply, as discussed in detail in the later paragraphs. Naturally, such payments will not be taxable if the principal supply is exempt.</p>
	(ii)	<p><b>Cheque dishonor fine/penalty:</b></p>
		<p><u>Cheque dishonor fine or penalty not taxable:-</u> No supplier wants a cheque given to him to be dishonoured. It entails extra administrative cost to him and disruption of his routine activities and cash flow. The promise made by any supplier of goods or services is to make supply against payment within an agreed time (including the agreed permissible time with late payment) through a valid instrument. There is never an implied or express offer or willingness on part of the supplier that he would tolerate deposit of an invalid, fake or unworthy instrument of payment against consideration in the form of cheque dishonour fine or penalty. The fine or penalty that the supplier or a banker imposes, for dishonour of a cheque, is a penalty imposed not for tolerating the act or situation but a fine, or penalty imposed for not tolerating, penalizing and thereby deterring and discouraging such an act or situation. Therefore, cheque dishonor fine or penalty is not a consideration for any service and not taxable.</p>
	(iii)	<p><b>Penalty imposed for violation of laws:</b></p>
		<p><u>Penalty imposed for violation of laws-Not taxable:-</u> Penalty imposed for violation of laws such as traffic violations, or for violation of pollution norms or other laws are also not consideration for any supply received and are not taxable, which are also not taxable. Same is the case with fines, penalties imposed by the mining Department of a Central or State Government or a local authority on discovering mining of excess mineral beyond the permissible limit or of mining activities in violation of the mining permit. Such penalties imposed for violation of laws cannot be regarded as</p>

	<p>consideration charged by Government or a Local Authority for tolerating violation of laws. Laws are not framed for tolerating their violation. They stipulate penalty not for tolerating violation but for not tolerating, penalizing and deterring such violations. There is no agreement between the Government and the violator specifying that violation would be allowed or permitted against payment of fine or penalty. There cannot be such an agreement as violation of law is never a lawful object or consideration. <u>Fines and penalties paid for violation of provisions of law are not considerations as no service is received in lieu of payment of such fines and penalties.</u></p> <p>It was also clarified vide Circular No. 192/02/2016-ST, dated 13-04-2016 that fines and penalty chargeable are by Government or a local authority imposed for violation of a statute, bye-laws, rules or regulations not leviable to Service Tax. The same holds true for GST also.</p>
(iv)	<p><u>Forfeiture of salary or payment of bond amount in the event of the employee leaving the employment before the minimum agreed period:</u></p>
	<p><u>Forfeiture of salary or payment of bond amount in the event of the employee leaving the employment before the minimum agreed period - Not taxable:</u> - An employer carries out an elaborate selection process and incurs expenditure in recruiting an employee, invests in his training and makes him a part of the organization, privy to its processes and business secrets in the expectation that the recruited employee would work for the organization for a certain minimum period. Premature leaving of the employment results in disruption of work and an undesirable situation. The provisions for forfeiture of salary or recovery of bond amount in the event of the employee leaving the employment before the minimum agreed period are incorporated in the employment contract to discourage non-serious candidates from taking up employment. The said amounts are recovered by the employer not as a consideration for tolerating the act of such premature quitting of employment but as penalties for dissuading the non-serious employees from taking up employment and to discourage and deter such a situation. Further, the employee does not get anything in return from the employer against payment of such amounts. <u>Therefore, such amounts recovered by the employer are not taxable as consideration for the service of agreeing to tolerate an act or a situation.</u></p>
(v)	<p><u>Late payment surcharge or fee:</u></p>
	<p><u>Late payment surcharge or fee-is an ancillary supply naturally bundled with the principal supply, to be assessed as the principal supply:-</u> The facility of accepting late payments with interest or late payment fee, fine or penalty is a facility granted by supplier naturally bundled with the main supply. It is not uncommon or unnatural for customers to sometimes miss the last date of</p>

	<p>payment of electricity, water, telecommunication services etc. Almost all service providers across the world provide the facility of accepting late payments with late fine or penalty. Even if this service is described as a service of tolerating the act of late payment, it is an ancillary supply naturally bundled and supplied in conjunction with the principal supply, and therefore should be assessed as the principal supply. Since it is ancillary to and naturally bundled with the principal supply such as of electricity, water, telecommunication, cooking gas, insurance etc. it should be assessed at the same rate as the principal supply. However, the same cannot be said of cheque dishonor fine or penalty as discussed in the preceding paragraphs.</p>
(vi)	<p><b><u>Fixed Capacity charges for Power:</u></b></p>
	<p><b><u>Fixed Capacity charges for Power are charged for sale of electricity - not taxable as electricity is exempt from GST:-</u></b> The price charged for electricity by the power generating companies from the State Electricity Boards (SEBS)/ DISCOMS or by SEBS/ DISCOMS from individual customers has two components, namely, a minimum fixed charge (or capacity charge) and variable per unit charge. The minimum fixed charges have to be paid by the SEBS/ DISCOMS/ individual customers irrespective of the quantity of electricity scheduled or purchased by them during a month. They take care of the fixed cost of generating/ supplying electricity. The variable charges are charged per unit of electricity purchased and increase or decrease every month depending on the quantity of electricity consumed. The fact that the minimum fixed charges remain the same whether electricity is consumed or not or it is scheduled/consumed below the contracted or available capacity or a minimum threshold, does not mean that minimum fixed charge or part of it is a charge for tolerating the act of not scheduling or consuming the minimum the contracted or available capacity or a minimum threshold.</p> <p><b><u>Both the components of the price, the minimum fixed charges/capacity charges and the variable/energy charges are charged for sale of electricity and are thus not taxable as electricity is exempt from GST. Power purchase agreements may have provisions that the power producer shall not supply electricity to a third party without approval of buyer. Such agreements which ensure assured supply of power to State Electricity Boards/DISCOMS are ancillary arrangements; the contract is essentially for supply of electricity.</u></b></p>
(vii)	<p><b><u>Cancellation charges:</u></b></p>
	<p><b><u>Cancellation charges to be assessed in similar manner of Principal supply:-</u></b> A supply contracted for, such as booking of hotel accommodation, an entertainment event or a journey, may be cancelled by a customer or may not proceed as intended due to his failure to show up for availing the same at the designated place and time. The supplier may allow cancellation of</p>

supply by the customer within a certain specified time period on payment of cancellation fee as per commercial terms of the contract. In case the customer does not show up for availing the service, the supplier may retain or forfeit part of the consideration or security deposit or earnest money paid by the customer for the intended supply.

It is a common business practice for suppliers of services such as hotel accommodation, tour and travel, transportation etc. to provide the facility of cancellation of the intended supplies within a certain time period on payment of cancellation fee. Cancellation fee can be considered as the charges for the costs involved in making arrangements for the intended supply and the costs involved in cancellation of the supply, such as in cancellation of reserved tickets by the Indian Railways.

Services such as transportation travel and tour constitute a bundle of services. The transportation service, for instance, starts with booking of the ticket for travel and lasts at least till exit of the passenger from the destination terminal. All services such as making available an online portal or convenient booking counters with basic facilities at the transportation terminal or in the city, to reserve the seats and issue tickets for reserved seats much in advance of the travel, giving preferred seats with or without extra cost, lounge and waiting room facilities at airports, railway stations and bus terminals, provision of basic necessities such as soap and other toiletries in the wash rooms, clean drinking water in the waiting area etc. form part and parcel of the transportation service; they constitute the various elements of passenger transportation service, a composite supply. The facilitation service of allowing cancellation against payment of cancellation charges is also a natural part of this bundle. It is invariably supplied by all suppliers of passenger transportation service as naturally bundled and in conjunction with the principal supply of transportation in the ordinary course of business.

Therefore, facilitation supply of allowing cancellation of an intended supply against payment of cancellation fee or retention or forfeiture of a part or whole of the consideration or security deposit in such cases should be assessed as the principal supply. For example, cancellation charges of railway tickets for a class would attract GST at the same rate as applicable to the class of travel (ie., 5% GST on First class or air-conditioned coach ticket and nil for other classes such as second sleeper class). Same is the case for air travel.

Accordingly, the amount forfeited in the case of non-refundable ticket for air travel or security deposit or earnest money forfeited in case of the customer failing to avail the travel, tour operator or hotel accommodation service or such other intended supplies should be assessed at the same rate as applicable to the service contract, say air transport or tour operator

service, or other such services.

**TAXABILITY OF COMPOSITE AND MIXED SUPPLY**

**COMPOSITE SUPPLY**

- ❖ Consists of two or more supplies
- ❖ *Naturally bundled*
- ❖ In conjunction with each other
- ❖ One of which is principal supply
- ❖ *Tax liability shall be rate of principal supply*

**MIXED SUPPLY**

- ❖ Consists of two or more supplies for *single price*
- ❖ *Not naturally bundled*
- ❖ Though can be supplied independently, but supplied together
- ❖ Tax liability shall be the rate applicable to the supply that attracts *highest rate of tax*

**Manner of determining whether the services are bundled in the ordinary course of business**

- ⌚ The perception of the consumer or the service receiver
- ⌚ Majority of service supplies
- ⌚ The nature of various aspects
- ⌚ Other illustrative indicators
- ⌚ No straight jacket formula

## CHARGE OF GST

"Union territory" means the territory of -

- (a) The Andaman and Nicobar Islands;
- (b) Lakshadweep;
- (c) Dadra and Nagar Haveli and Daman and Diu;
- (d) Ladakh;
- (e) Chandigarh; and
- (f) Other territory. [Section 2(114) ]

**CATEGORIES OF SERVICES ON WHICH TAX WILL BE PAYABLE UNDER REVERSE CHARGE MECHANISM UNDER CGST ACT, 2017 [ NOTIFICATION NO. 13/2017]**

	CATEGORY OF SUPPLY OF SERVICES	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
1.	Supply of services by a Good Transport Agency (GTA) in respect of transportation of goods by road to - a) any factory register under or governed by the Factories Act, 1948; or b) any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or c) any Co-operative society established by or under any law; or d) any person registered under the CGS Act or the IGST Act or the SGST Act or the UTGST Act; or e) any body corporate established, by or under any law; or f) any partnership firm whether registered or not under any law including Association of persons; or	Goods Transport Agency (GTA) who has not paid CGST @-6% [Omitted by notification no. 05/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]	a) Any factory registered under or governed by the factories Act, 1948; or b) Any society registered under the societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or c) Any co-operative society established by or under any law; or d) Any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or e) Any body corporate established, by or under any law; or f) Any partnership firm whether registered or not under any law including association of persons; or

	<p>g) any casual taxable person</p> <p><u>RCM not applicable if recipient registered only for TDS</u> :- However, nothing contained in this entry shall apply to services provided by a goods transport agency, by way of transport of goods in a goods carriage by road, to, -</p> <p>a) A department or establishment of the central government or State government or Union Territory; or</p> <p>b) Local authority; or</p> <p>c) Governmental Agencies, which has taken registration under the CGST Act, 2017 only for the purpose of deducting tax u/s 51 and not for making a taxable supply of goods or services.</p>		<p>g) Any casual taxable person; located in the taxable territory.</p> <p>However nothing contained in this entry shall apply where :-</p> <p>i. the supplier has taken registration under the CGST Act 2017 and exercised the option to pay tax on the services of GTA in relation to transport of goods supplied by him under forward charge; and</p> <p>ii. the supplier has issued at tax invoice to the recipient charging Central Tax at the applicable rates and has made a prescribed declaration on such invoice issued by him.</p>
2.	<p>Services provided by an individual advocate including a senior advocate or firm of advocates by way of <b>legal services</b>, directly or indirectly</p>	<p><i>An individual advocate including a senior advocate or firm of advocates</i></p>	<p>Any <b>business entity located in taxable territory.</b></p>
3.	<p>Services supplied by an <b>arbitral tribunal to a business entity</b></p>	<p><i>An arbitral tribunal</i></p>	<p>Any <b>business entity located in the taxable territory</b></p>
4.	<p>Services provided by way of <b>sponsorship to any body corporate or partnership firm</b></p>	<p><i>Any person</i></p>	<p>Any body corporate or partnership firm <b>located in the taxable territory</b></p>
5.	<p><b>Services supplied by the Central Government, State Government, Union territory or local authority</b></p>	<p><i>Central Government, State</i></p>	<p>Any business entity <b>located in the taxable territory.</b></p>



**GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)**

	<p>to a business entity <u>excluding</u>,-</p> <p>(1) renting of immovable property, and</p> <p>(2) Services specified below:</p> <p>a) services by the Department of Posts <del>by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority;</del></p> <p>b) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;</p> <p>c) transport of goods or passengers.</p>	<p>Government, Union territory or local authority</p> <p>[Omitted by Notification No. 05/2022-CT (Rate) dated 13/7/2022 w.e.f. 18/7/2022]</p>	
5A	<p>Services supplied by the Central Government, State Government, Union territory or local authority by way of <del>renting of immovable property to a person registered</del> under the CGST Act, 2017</p>	<p>Central Government, State Government, Union territory or local authority</p>	<p>Any <b>person registered</b> under the CGST Act, 2017</p>
5A A	<p><del>Service by way of renting of residential dwelling to a registered person. [Inserted by Notification No. 05/2022-CT (Rate) dated 13-07-2022 w.e.f 18-07-2022]</del></p>	<p>Any person</p>	<p>Any registered person</p>
5B	<p>Services supplied any person by way of <del>transfer of development rights or Floor Space Index (FSI) (including additional FSI) for construction</del> of a project by a promoter.</p>	<p>Any person</p>	<p><b>Promoter</b></p>
5C	<p><del>Long term lease of land (30 years</del></p>	<p>Any person</p>	<p><b>Promoter</b></p>

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.	or more) by any person against consideration in the form of upfront amount (called as premium, salami, cost, price, development charges or by any other name) and/or periodic rent for construction of a project by a promoter.		
6.	Services supplied by a <i>director of a company or a body corporate to the said company or the body corporate.</i>	A director of a company or a body corporate	The company or a body corporate <i>located in taxable territory</i>
7.	Services supplied by an <i>insurance agent to any person carrying on insurance business.</i>	A insurance agent	Any person carrying on insurance business, <i>located in the taxable territory</i>
8.	Services supplied by a <i>recovery agent to a banking company or a financial institution or a non-banking financial company.</i>	A recovery agent	A banking company or financial institution or a non-banking financial company, <i>located in the taxable territory</i>
9.	<i>Supply of services by a music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under Section 13(1)(a) of the Copyright Act, 1957 relating to original dramatic, musical or artistic works to a music company, producer or the like</i>	Music composer, photographer, artist, or the like	Music company, producer or the like, <i>located in the taxable territory.</i>
10.	<i>*Supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered u/s 13(1) (a) of the Copyright Act, 1957 relating to literary works to a publisher. original</i>	Author	<i>Publisher located in the taxable territory: however, nothing contained in this entry shall apply where - (I) the author has taken registration under the CGST Act, 2017 and filed a declaration, in the specified form before the commencement of</i>

			<p>financial year with the jurisdictional CGST or SGST Commissioner, as the case may be, that he exercises the option to pay central tax on such services in accordance with Section 9(1) of the CGST Act, 2017 under forward charge, and to comply with all the provisions of CGST Act, 2017 as they apply to a person liable for paying the tax in relation to the supply of any goods or services or both and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;</p> <p>(II) the author makes a declaration regarding payment of tax on forward charge on the invoice issued by him in Form GST Inv-I to the publisher.</p>
10	Supply of services by the <b>members of Overseeing Committee to RBI</b>	Members of overseeing committee constituted by the RBI	RBI
11	Services supplied by <b>individual Direct Selling Agents (DSAs) other than a body corporate,</b>	individual Direct Selling	A banking company or a non-banking financial company, <b>located in the</b>

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	<i>partnership or limited liability partnership firm to bank or non-banking financial company (NBFs)</i>	Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm	<i>taxable territory</i>
12	Services provided by <i>business facilitator (BF) to a banking company</i>	Business facilitator (BF)	A banking company, <i>located in the taxable territory</i>
13	Services provided by an <i>agent of business correspondent (BC) to business correspondent (BC)</i>	An agent of business correspondent	A business correspondent <i>located in taxable territory</i>
14	<i>Security services (services provided by way of supply of security personnel) provided to a registered person.</i> RCM not applicable if recipient registered only for TDS and in case composition suppliers : However, nothing contained in this entry shall apply to, - (i) (a) a Department or Establishment of the Central Government or State Government or Union territory; or (b) local authority; or (c) Governmental agencies, which has taken registration under the CGST Act, 2017 only for the purpose of deducting tax u/s 51 of the said Act and not for making a taxable supply of goods or services; or (ii) <i>a registered person paying tax under section 10 of the said Act.</i>	Any person other than body corporate	A registered person, <i>located in the taxable territory</i>

15	<b>Services provided by way of renting of a motor vehicle provided to a body corporate</b>	Any person other than a body corporate, paying central tax at the rate of 2.5% on renting of motor vehicles with input tax credit only of input service in the same line of business	Any body corporate located in the taxable territory
16	<b>Services of lending of securities under Securities Lending Scheme, 1997 ("Scheme") of SEBI as amended.</b>	Lender i.e. a person who deposits the securities registered in his name or in the name of any other person duly authorised on his behalf with an approved intermediary for the purpose of lending	Borrower i.e. a person who borrows the securities under the scheme through an approved intermediary of SEBI

		<i>under the Scheme of SEBI</i>	
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**CIRCULAR:**

- ❖ supply of securities under securities lending scheme, 1997 by the lender is taxable under GST as lending of securities is not covered under disposal of securities, thus covered under the ambit of services. Lending fees charged by the lender from the borrower is liable to IGST under reverse charge mechanism.

**AMENDMENTS IN GST IN REAL ESTATE SECTOR**

Earlier, the effective rate of GST on real estate sector was 8%/12% with ITC. With effect from 01-04-2019, the effective rates of GST for the new projects have been brought down to a large extent.

However, the promoters/builders have been given a one-time option to continue to pay tax at the old rates on ongoing projects (buildings where construction and actual booking both have started before 01-04-2019) which have not been completed by 31-03-2019.

***New effective rates of GST for the new projects by promoters are as follows***

- ***New rate of 1% without ITC on construction of affordable houses (area 60 sam in metros/ 90 sqm in non-metros and value upto Rs 45 lakh).***
- ***New rate of 5% without ITC shall be applicable on construction of :***
  - (a) all houses other than affordable houses, and***
  - (b) Commercial apartments such as shops, offices etc. in a residential real carpet area of commercial apartments is estate project (RREP) in which the not more than 15% of total carpet area of all apartments.***

**Conditions:**

***Above tax rates shall be available subject to following conditions:***

- (a) Input tax credit shall not be available.***
- (b) 80% of inputs and input services [other than services by way of grant of development rights, long term lease of land (against upfront payment in the form of premium, salami, development charges etc.) or FSI (including additional FSI), electricity, high speed diesel, motor spirit, natural gas], used in supplying the service shall be purchased from registered persons.***

***However, if value of inputs and input services purchased from registered supplier is less than 80%, promoter has to pay GST on reverse charge basis, under section 9(4) of the CGST Act, at the rate of 18% on all such inward supplies (to the extent short of 80% of the inward supplies from registered supplier).***

***Further, where cement is received from an unregistered person, the promoter shall pay tax on supply of such cement on reverse charge basis, under section 9(4) of the***

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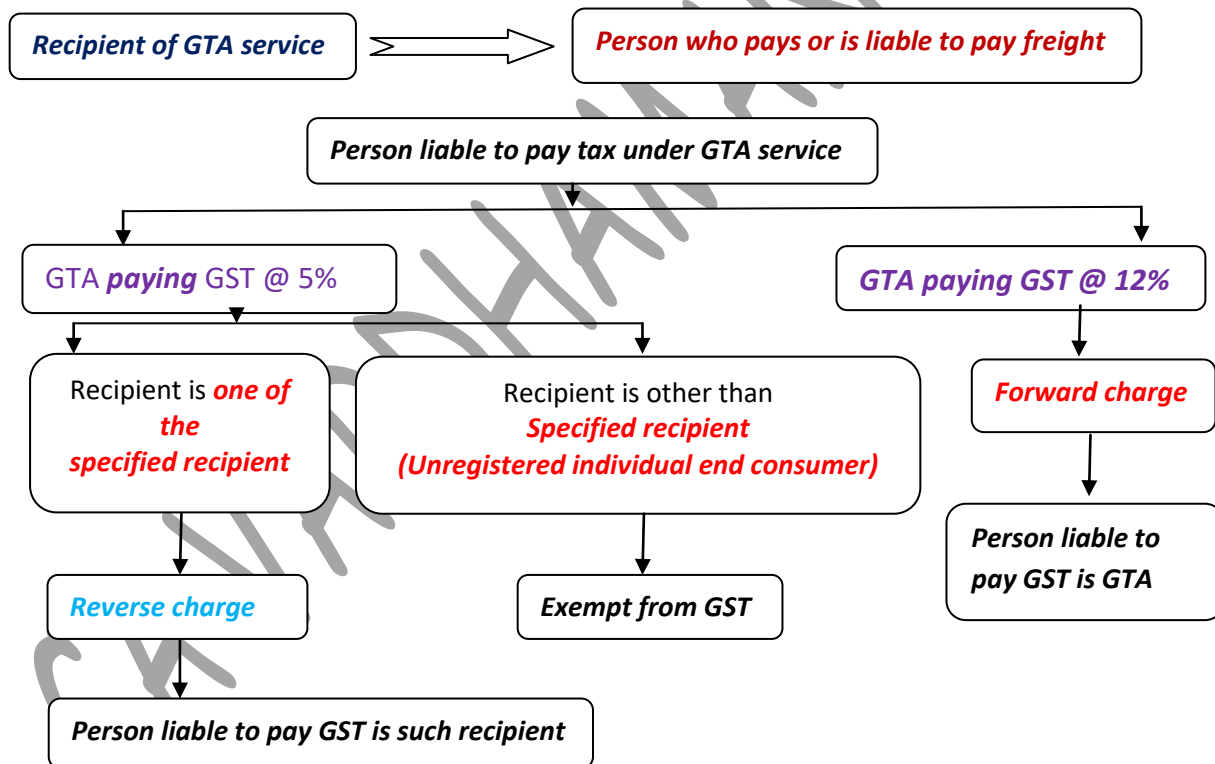
**CGST Act, at the applicable rate which is 28% (CGST 14% + SGST 14%) at present. Moreover, GST on capital goods shall be paid by the promoter on reverse charge basis, under section 9(4) of the CGST Act at the applicable rates.**

**Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer exempt from GST:**

Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer have been exempted subject to the condition that the constructed flats are sold before issuance of completion certificate and tax is paid on them.

Exemption of TDR, FSI, long term lease (premium) shall be withdrawn in case of flats sold after issue of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses. This will achieve a fair degree of taxation parity between under construction and ready to move property.

The liability to pay tax on TDR, FSI, long term lease (premium) has been shifted from land owner to builder under the reverse charge mechanism (RCM).



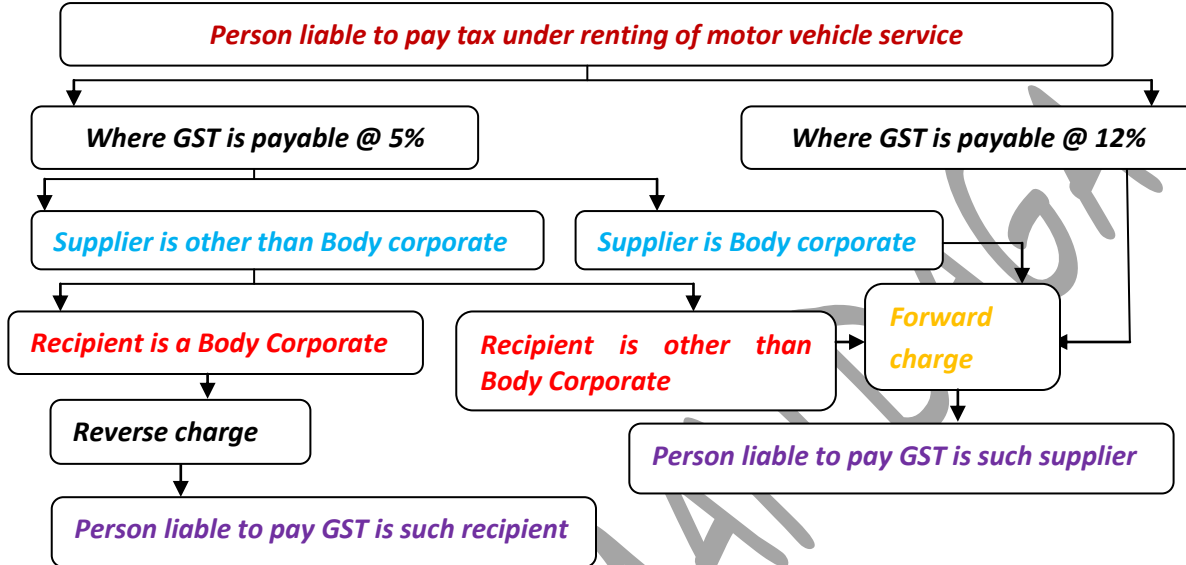
### GST SERVICES ARE TAXABLE:

- ❖ @5% provided GTA has not taken the input tax credit on goods and services used in supplying GTA service. Such services are taxable under reverse charge mechanism. However, GTA can exercise the option to pay tax under forward charge mechanism. In such a case, GTA has to take registration under the

**GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)**

CGST,2017 has to issue tax invoice to the recipient charging GST@5% and has to make a prescribed declaration on such invoice issued by him.

- ❖ @12% provided GTA pays GST under forward charge. There is no restriction on availing ITC on goods and services used in supplying GTA services by GTA.



Service of transport of passengers is distinct from service of renting of a vehicle that is used for Transport. Where the body corporate hires the motor vehicle (for transport of employees etc) for a period of time, during which the motor vehicle shall be at the disposal of the body corporate, it shall be liable to pay GST on the same under RCM. - Circular no. 177/09/2022- TRU dated 03-08-2022

Issue	Clarification
<p>Whether RCM is applicable on service of transportation of passengers (heading 9964) or on renting of motor vehicle designed to carry passengers (heading 9966).</p> <p><u>Renting of motor vehicles service:-</u> Renting of motor vehicle with operator for transport of passengers falls under Heading 9966. According to the explanatory notes to heading 9966, the service covered here is renting of motor vehicle for transport of passengers for a period of time where the renter defines how and when the vehicle will be operated, determining schedules, routes and other operational considerations.</p>	<p>Accordingly, it is clarified that where the body corporate hires the motor vehicle (for transport of employees etc.) for a period of time, during which the motor vehicle shall be at the disposal of the body corporate, the service would fall under Heading 9966, and the body corporate shall be liable to pay GST on the same under RCM.</p> <p>It may be seen that reverse charge thus would apply on act of renting of vehicles by body corporate and in such a case, it is for the body corporate to use in the manner as it likes subject to agreement with the person providing vehicle on rent.</p> <p><b>However, where the body corporate avails</b></p>



<p><b>'Passenger transport services'</b> on the other hand fall under Heading 9964. According to the explanatory notes heading 9964 covers passenger transport services over pre-determined routes on pre-determined schedules. Therefore, a clear distinction exists in service of transport of passengers and renting of a vehicle that is used for Transport.</p>	<p>the passenger transport service for specific journeys or voyages and does not take vehicle on rent for any particular period of time, the service would fall under Heading 9964 and the body corporate shall not be liable to pay GST on the same under RCM.</p>
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**E-COMMERCE OPERATOR**

- + **E-commerce operator will be liable to pay GST** in respect of service provided through E-commerce operator.
- + No physical presence of E-commerce operator in the taxable territory - **representative liable to GST**
- + **No representative in taxable territory** - E-commerce operator shall appoint person and he shall be liable to pay.
- + **It is important to note that this exception is carved out only in respect of supply of services through an e-commerce operator and will not be applicable /relevant to supply of any goods through an e-commerce operator.**
- + **Categories of services the tax on intra-state supplies of which shall be paid by the electronic commerce operator.**
  - \* **Services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motor cycle, omnibus or any other motor vehicle**
  - \* **Supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises ( "specified premises" means premises providing hotel accommodation service having declared tariff of any unit of accommodation above ₹7,500/- per unit per day or equivalent )**

**IGST to be paid on reverse charge by recipient on notified goods/services or both**

	<b>CATEGORY OF SUPPLY OF SERVICE</b>	<b>SUPPLIER OF SERVICE</b>	<b>RECIPIENT OF SERVICE</b>
1.	<b>Any service supplied by any person who is located in a non territory to any person other than non-taxable online recipient</b>	<b>Any person located in a non-taxable territory</b>	<b>Any person located in the taxable territory other than non-taxable online recipient</b>
2.	<b>Services supplied by a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the custom stations of clearance in India</b>	<b>A person located in non-taxable territory</b>	<b>Importer</b>

**IGST is levied on export, supply to/by SEZ, import of services**

## **COMPOSITION LEVY**

### **[SECTION 10]**

- \* **Optional scheme:** option available to taxable person
- \* **Eligibility:** a registered person, whose **aggregate turnover** in the **preceding F.Y** did not exceed **₹ 1.5 crore**, will be eligible.

<b>Special category states ( ₹ 75 lakh)</b>			
Arunachal Pradesh	Manipur	Meghalaya	Tripura
Mizoram	Nagaland	Sikkim	Uttarakhand
<i>Assam, Himachal Pradesh and Jammu and Kashmir, the turnover limit will be ₹ 1.5 crore</i>			

**Aggregate turnover** means the aggregate value of -

- All taxable supplies (**excluding the value of inward supplies on which tax is payable by a person on a reverse charge basis**),
- Exempt supplies, ( **excluding value of exempt supply of services by way of extending loans, deposit and advances in so far consideration is represented by way of interest or discount** )
- Export of goods or services or both, and
- Inter-state supplies

Of persons having the **same PAN**, to be computed on all India basis,

But **excludes** -

- Central tax, state tax, union territory tax, integrated tax, and cess.

\* **Scheme will be applicable for all goods and restaurant services.**

\* **Rates of composition tax**

S. N O.	Eligible person	Rate of Tax cannot exceed (% of turnover)		Total rate of tax cannot exceed
		CGST	SGST	
(a)	<b>Manufacturer</b>	0.5% of the turnover of the state or union territory	0.5% of the turnover of the state or union territory	1 % of the turnover of the state or union territory
(b)	<b>Registered person</b>	2.5% of the turnover of the state or union territory	2.5% of the turnover of the state or union territory	5% of the turnover of the state or union territory
(c)	<b>Other supplies</b>	0.5% of the turnover of the taxable supplies of goods and services state or union territory	0.5% of the turnover of the taxable supplies of goods and services state or union territory	1 % of the turnover of the taxable supplies of goods and services state or union territory

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Services can be supplied by the composition suppliers: A person who opts to pay tax under (a) or clause (b) or clause (c) may supply services (other than those referred to in clause (b) of paragraph 6 of schedule II i.e. restaurant services), of value -

(a) Not exceeding 10% of turnover in a state or union territory in the preceding F.Y or

(b) Rs 500000

Whichever is higher.

\* Persons not eligible to opt for composition scheme

- + Supplier of services other than those mentioned above.
- + Supplier of goods which are not taxable under GST
- + An inter-state supplier of goods
- + Person supplying goods through an electronic commerce operator
- + Manufacturer of certain notified goods (ineligible manufacturer)

S.no	Tariff item, subheading, heading or chapter	Description [Amended by notification no. 16/2022-CT w.e.f. 18-7-2022]
1.	21050000	Ice cream and other edible ice, whether or not containing cocoa
2.	21069020	Pan masala
2A.	22021010	Aerated water
3.	24	All goods, i.e. Tobacco and manufactured tobacco substitutes
4.	6815	Fly ash bricks; Fly ash aggregates; Fly ash blocks (Old: Fly ash bricks or fly ash aggregate with 90% or more fly ash content; fly ash blocks)
5.	69010010	Bricks of fossil meals or similar siliceous earths
6.	69041000	Building bricks
7.	69051000	Earthen or roofing tiles

There is no restriction on composition supplier to procure goods from inter-state supplies.

- \* Applicable for all transactions of registered person with same PAN
- \* Option lapses if aggregate turnover exceeds Rs 1.5 crore/ Rs 75 lakh
- \* Composition tax not to be collected from recipients
- \* Input tax credit cannot be availed
- \* Composition scheme not applicable for tax payable under reverse charge mechanism
- \* Customer not entitled to tax credit of composition scheme.

PRESUMPTIVE SCHEME FOR SERVICES SUPPLIERS AND MIXED SUPPLIES ( Section 10(2A) )

## GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

- **New scheme in GST dated 07-03-2019** in which a tax payer has been allowed to pay **GST on a presumptive basis at the rate of 6%** (3% CGST and 3% SGST).
- **Benefit of this scheme is available on or after 01-04-2019 only in respect of intra-state supplies of goods or services or both**
- **Traders, manufacturer, restaurant service providers who are eligible for composition scheme (even if not opted) will not avail this benefit.**
- **Conditions:**
  - ✦ **Aggregate turnover in preceding F.Y foes not exceed Rs 50 lakh.** In aggregate turnover loan and deposit wali exemption ko nahi lenge exempt supply ko include karte time.
  - ✦ He is **not eligible to pay tax under composition scheme**
  - ✦ He is **not engaged in making any inter-state outward supply** - neither of goods nor of services.
  - ✦ He is **not engaged in the business of making any supplies on which GST is not leviable under this act**( i.e. petroleum product and alcoholic liquor for home consumption)
  - ✦ He is **neither casual taxable person nor a non-resident taxable person.**
  - ✦ He is **not engaged in supply through E-commerce operator.**
  - ✦ He is **not engaged in making supplies of goods** being (icre-cream and other edible ice, whether or not containing cocoa, pan masala, tobacco and manufactured tobacco substitutes)
- **Applicable for all transactions of registered person with same PAN**
- **Presumptive tax not to be collected from recipient and ITC not admissible**
- **Bill of supply to be issued instead of tax invoice**
- **Tax is to be paid @6% on all outward supplies i.e. goods or services**
- **Presumptive scheme not applicable for tax payable under reverse charge**
- **ITC to be reversed on switching to presumptive income.**
- **Rate of tax:**

Description of supply	Rate of Tax cannot exceed (% of turnover)		Total rate of tax cannot exceed
	CGST	SGST	
<b>First supplies of goods or services or both upto an aggregate turnover of Rs 50lacs made on or after 1<sup>st</sup> day of April in any financial year, by a registered person</b>	<b>3% of the aggregate turnover in the state or union territory</b>	<b>3% of the aggregate turnover in the state or union territory</b>	<b>6% of the aggregate turnover in the state or union territory</b>

**Meaning of first supplies of goods or services or both -**

(a) For the purpose of determining the eligibility of presumptive levy: *From the 1<sup>st</sup> day of April of a F.Y to the date from which he becomes liable for registration*

(b) For the purpose of payment tax: *shall be after the date of registration.*

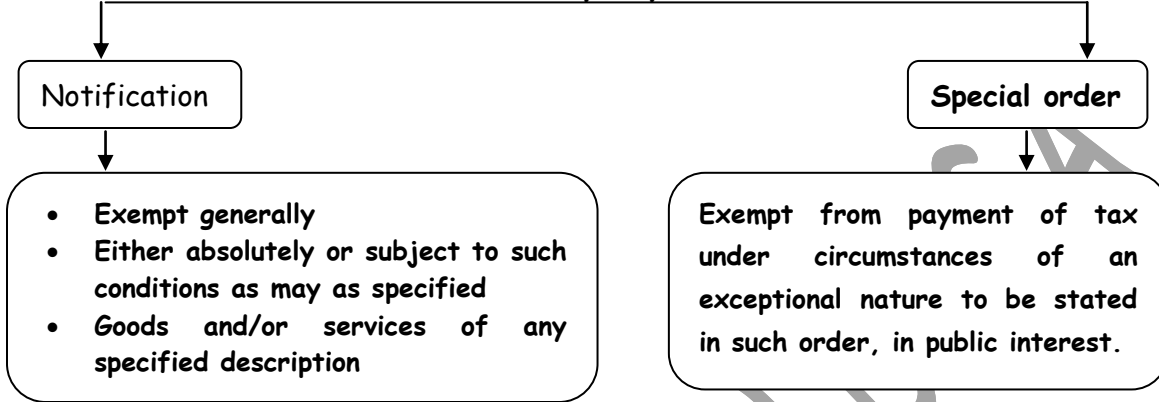
**RULES RELATING TO COMPOSITION AND PRESUMPTIVE LEVY**

- *Deemed intimation for composition in Part B of FORM GST REG-01*
- *Composition levy shall be effective from the beginning of the F.Y*
- *Furnish ITC declaration with 60days [ GST ITC - 03 ]*
- *Details of stock to be furnished within 90 days from the date of option [ GST CMP - 03 ]*
- *Person exercising the option to pay tax under composition shall comply with following conditions:*
  - (a) *neither a casual taxable person nor a non-resident taxable person*
  - (b) *goods held in stock by him have not been purchased from an unregistered supplier and if purchased the he should in reverse charge basis.*
  - (c) *Pay tax on reverse charge basis*
  - (d) *Not engaged in supply of notified goods*
  - (e) *Not eligible to collect tax on supplies*
  - (f) *Composition taxable person on every notice or sign board*
- *Option valid till cessation*
- *Mandatory cessation of composition levy on violation of conditions in FORM GST CMP-04 within 7 days*
- *Application for withdrawal from scheme in FORM GST CMP-04*
- *Denial of option to pay tax under the composition scheme by tax authorities - issuance of SCN in FORM GST CMP-05 within 15 days*
- *Reply to SCN in FORM GST CMP-06. Final order within 30 days of reply in FORM GST CMP-07*
- *Composition/presumptive to file return annually (GSTR 4) on or before 30<sup>th</sup> day of April following the end of the F.Y and make payment quarterly (GST CMP-08) by 18<sup>th</sup> day of the month succeeding such quarter.*

**EXEMPTION FROM GST**

**POWER OF GOVT [ SECTION 11 OF CGST/ SECTION 6 OF IGST ]**

By way of issuance of



**LIST OF SERVICES EXEMPT FROM GST [ NOTIFICATION NO. 12/2017 ]**

S.NO.	LIST
	<b>SERVICES BY CHARITABLE INSTITUTION</b>
(1)	<p><b>Services by charitable entity [ entry 1 ]</b></p> <ul style="list-style-type: none"> <li>♣ Charitable activities by entity registered under 12AA or 12AB [ Amended by Finance Act 2021].</li> <li>♣ Advancement of any other object of general public utility - not charitable purpose</li> <li>♣ GST on services provided to charitable trusts</li> <li>♣ <b>Service of display of name or placing of name plates of the donor in the premises of charitable organisations receiving donations or gifts from individual donors - if the same is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, it will not be leviable to GST.</b></li> </ul>
(2)	<p><b>Recreational Training Or Coaching [Entry 80 of Notification No. 12/2017-CT (Rate)] [Amended by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]</b></p> <p>Services by way of training or coaching in -</p> <ul style="list-style-type: none"> <li>a) <b>Recreational activities relating to arts or culture, by an individual, or</b></li> <li>b) Sports by charitable entities registered under section 12AA or 12AB of the Income Tax Act, are exempt from tax.</li> </ul>
(3)	<b>Import of services by charitable entity [ entry 10 ]</b>
(4)	<p><b>Services by an old age home [ entry 9D]</b></p> <ul style="list-style-type: none"> <li>♥ to a resident aged 60years or more upto Rs 25000 per month per member.</li> </ul>

<b>RELIGIOUS SERVICES</b>	
(5)	<p><b>Religious service [entry 13 ]</b>                      Services by a person by way of -</p> <p>a. <b>conduct of any religious ceremony;</b>                      b. <b>renting of precincts of religious place</b> meant for general public, owned or managed by -</p> <p>(i) an entity registered as a charitable or religious trust u/s 12AA of the Income-tax Act,1961; or                      (ii) a trust or an institution registered under Section 10(23C)(v) of the Income-tax Act; or                      (iii) a body or an authority covered under Section 10(23BBA) of the said Income- tax Act, are exempt.</p> <p><b>However, nothing contained in entry (b) of this exemption shall apply to, -</b></p> <ul style="list-style-type: none"> <li>❖ <b>renting of rooms where charges are 1,000 or more per day,</b></li> <li>❖ <b>renting of premises, community halls, kalyanmandapam or open area, and the like where charges are Rs 10,000 or more per day;</b></li> <li>❖ <b>renting of shops or other spaces for business or commerce where charges are Rs 10,000 or more per month.</b></li> </ul>
(6)	<p><b>Services by a specified organisation in respect of a religious pilgrimage [ entry 80 ]</b>                      Specifies organisation means Kumaon Mandal vikas nigam limited, Haj committee</p>
<b>SERVICE RELATING TO AGRICULTURE OR AGRICULTURE PRODUCE</b>	
(7)	<p><b>Services relating to agriculture or agriculture produce [ entry 54 ]</b>  <del>h). services by way of fumigation in a warehouse of agricultural produce</del>                      [omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f 18-07-2022]</p> <ul style="list-style-type: none"> <li>♣ Sab exempt except rearing of horses</li> <li>♣ Processed tea, coffee, jiggery and pluses - not agriculture produce- not exempt</li> </ul>
(8)	<p><b>Carrying out an intermediary production process in relation to cultivation of plant and rearing of all forms of animals [ entry 55 ]</b></p> <ul style="list-style-type: none"> <li>❖ <b>Except the rearing of horses</b></li> <li>❖ <b>Milling of paddy into rice - not eligible for exemption - liable to GST</b></li> </ul>
(9)	<p><b>Fumigation Services</b> [Entry 53A of Notification No. 12/2017-CT (Rate)]                      [omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022] :</p> <p><del>Services by way of fumigation in a warehouse of agricultural produce are exempt.</del></p>
(10)	<p><b>Artificial insemination of livestock (other than horses) [ entry 55A ]</b></p>

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(11)	<i>Loading, unloading packing, storage or warehousing of rice [ entry 24 ]</i>
(12)	<i>Warehousing of minor forest produce [ entry 24A ]</i>
(13)	<p><b>STORAGE OR WAREHOUSING OF CEREALS, PULSES ETC</b> [Entry 24B of Notification No. 12/2017-CT (Rate)] [Amended by Notification No. 04/2022-CT (Rate)dated 13-07-2022 w.e.f. 18-07-2022]:</p> <p><b>Services by way of storage or warehousing of cereals, pulses, fruits and vegetables are exempt.</b></p> <p>Prior to 18-07-2022 it was : services by way of storage or warehousing of cereals, pulses, fruits, nuts and vegetables, spices, copra, sugarcane, jaggery, raw-vegetable fibres such as cotton, flax, jute, etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, coffee and tea were exempt.</p>
(14)	<i>Services in relation to fruits and vegetables [ entry 57 ]</i>
(15)	<i>Services provided by NCCD by way of cold chain knowledge dissemination [ entry 58 ]</i>
<b>EDUCATIONAL SERVICES</b>	
(16)	<p><i>Services to or by educational institution [ entry 66 ]</i></p> <ul style="list-style-type: none"> <li>+ Services provided by boarding schools - <i>exempt</i></li> <li>+ Services provided by international school - <i>exempt</i></li> <li>+ Private tuitions - <i>taxable</i></li> <li>+ Placement services provided to educational institutions - <i>taxable</i></li> <li>+ Campus recruitment fees - <i>taxable</i></li> <li>+ Institutions preparing students for competitive exams - <i>taxable</i></li> <li>+ Postal coaching covered - <i>taxable</i></li> <li>+ Foreign courses conducted by private institutes - <i>taxable</i></li> <li>+ Personality development institutes - <i>liable to GST</i></li> <li>+ College hostel mess - <i>if provided by educational institution then exempt catering services by third person is taxable</i></li> <li>+ Services provided by industrial training institutes (ITI) is <i>exempt</i>.</li> <li>+ DG shipping approved maritime courses conducted by maritime training institute of India - <i>exempt from GST</i></li> <li>+ Services provided by IIM - short term courses (1 year) taxable, long term courses - <i>exempt</i>.</li> <li>+ <b>Supply of food in Anganwadis and Schools - exempt from tax [ circular 17/6/2021 ]</b></li> <li>+ <b>Services of various services by National Board of Examination -</b> <ul style="list-style-type: none"> <li>- <b>services related to conduct of examination - exempt</b></li> <li>- <b>other services - taxable [ circular 15/7/2021 ]</b></li> </ul> </li> </ul> <p><b><u>Applicability of GST on application fee charged for entrance for the fee charged for issuance of eligibility certificate for admission or for issuance</u></b></p>



of migration certificate by educational institutions - Circular No. 177/09/2022-TRU dated 03-08-2022

All services supplied by an "educational institution" to its students are exempt from GST. consideration charged by the educational institute by way of entrance fee for conduct of entrance examination is also exempt. The exemption is wide enough to cover the amount or fee charged for admission or entrance, or amount charged for application fee for entrance, or the fee charged from prospective students for issuance of eligibility certificate to them in the in the process of their entrance/admission to the educational institution. Services supplied by an educational institution by way of issuance of migration certificate to the leaving or ex-students are also covered by the exemption. Accordingly, such activities of educational institution are also exempt.

**HEALTH CARE SERVICES**

(17) Health care services [Entry 74 Notification No. 12/2017-CT (Rate)] : Services by way of :-

a) health care services by a clinical establishment, an authorised medical practitioner or para-medics;

**However, the above exemption shall not apply to the services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU) Critical Care Unit (CCU) Intensive Cardiac Care Unit (ICCU) Neo natal Intensive Care Unit (NICU) having room charges exceeding 5000 per day to a person receiving health care services. [inserted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]**

b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above are exempt.

Services in form of Assisted Reproductive Technology (ART)/ In vitro Fertilization (IVF) are exempt from GST. - Circular No. 177/09/2022-TRU dated 03-08-2022

Issue	Clarification
Applicability of GST on services in form of Assisted Reproductive Technology (ART)/ In Vitro Fertilization (IVF) clarification	To abnormality / disease /ailment of infertility is treated using ART procedure such as IVF. it is clarified that services by way of IVF are also covered under the definition of health care services for the purpose of above exemption

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	notification.
	GST is not leviable on consultancy charges payable to doctors, consultant etc., retention money and food supplies to patient as advised by doctors. Other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are liable to GST
(18)	<b>Services by recognised rehabilitation professionals [ entry 74A ]</b>
(19)	<b><u>CORD BLOOD BANK SERVICES</u></b> [Entry 73 of Notification No. 12/2017-CT (Rate)] [omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]: <del>Services provided by the cord blood banks by way of present preservation of stem cells or any other service in relation to such preservation are exempt.</del>
(20)	<b>Veterinary services [ entry 46 ]</b>
(21)	<b><u>COMMON BIO-MEDICAL WASTE MATERIAL FACILITY</u></b> [Entry 75 of Notification No. 12/2017-CT (Rate)] [omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]: <del>Services provided by operators of the common Bio-medical Waste treatment facility to a Clinical Establishment by way of treatment or disposal of Bio-medical Waste or the processes incidental thereto are exempt.</del>
<b><u>SERVICES PROVIDED BY GOVERNMENT</u></b>	
(22)	<b>Services by government authority in relation to municipality functions [ entry 4 ]</b>
(23)	<b>Services by government authority in relation to panchayat functions [ entry 5 ]</b>
(24)	<b><u>SOVEREIGN SERVICES BY THE CENTRAL GOVERNMENT STATE GOVERNMENT UNION TERRITORY OR LOCAL AUTHORITY</u></b> [Entry 6 Notification No.12/2017-CT (Rate)] : Services by the Central Government, State Government, Union Territory or local authority excluding the following services :- a) <del>Services by the Department of posts by way of speed post, Express parcel post, life insurance and agency services provided to a person other than the Central Government, State Government, union territory</del> ; [omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022] b) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or airport; c) Transport of goods or passengers; or d) Any service, other than services covered under entries (a) to (C) above,

	<p>provided to business entities, are exempt.</p> <p><u>Services provided by Department of Post :</u></p> <p><u>Exempt services</u> :- the following services provided by the Department of posts are not liable to tax-</p> <ul style="list-style-type: none"><li>➤ <b>basic mail services by the Department of Post by way of post card, inland letter, book post and ordinary post (envelopes weighing less than 10 grams)</b> to meet the universal postal obligations vide entry 24C of Notification No. 12/2017- CT (Rate).</li><li>➤ Transfer of money through money orders, operation of savings accounts, issue of postal order, pension payments and other such services.</li></ul> <p><u>Registered post, Speed Post etc. - Taxable</u> :- The services by way of ordinary post (envelopes weighing 10 grams or more), registered post, Speed Post, Express parcel post, life insurance and Agency services provided to a person other than the Government or union territory are not exempt. In respect of these services the Department of Posts is liable to pay tax without application of reverse charge.</p> <p><u>Agency services - Taxable</u>: The Department of Posts also provides services like distribution of mutual funds, bonds, passport applications, collection of telephone and electricity bills on commission basis. The services are in the nature of intermediary and generally called agency services. In these cases, the Department of posts is liable to pay tax without application of reverse charge.</p>
(25)	<p><b><u>SERVICES PROVIDED BY GOVERNMENT/UT OR A LOCAL AUTHORITY TO A BUSINESS ENTITY HAVING AGGREGATE TURNOVER BELOW THE THRESHOLD LIMIT IN PRECEDING FY - EXEMPT</u></b> [Entry 7 of Notification No. 12/2017-CT (Rate)] :</p> <p>Services provided by the Central Government, State Government, Union Territory or local authority to a business entity with an aggregate turnover of up to such amount in the preceding financial year as makes it eligible for exemption from registration under the CGST Act, 2017 are exempt.</p> <p>Explanation : The provisions of this entry shall not be applicable to -</p> <p>a) Services,-</p> <ul style="list-style-type: none"><li>i. by the Department of posts <del>by way of speed post, Express parcel post, life insurance and agency services provided to a person other</del></li></ul>

	<p><del>than the Central Government, State Government, Union territory</del> [omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]</p> <p>ii. in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport ;</p> <p>iii. or transport of goods or passengers ; and</p> <p>b) Services by way of renting of immovable property.</p>
(26)	<p><u>SERVICES PROVIDED BY GOVERNMENT OR A LOCAL AUTHORITY TO ANOTHER GOVERNMENT OR A LOCAL AUTHORITY</u> [Entry 8 of Notification No. 12/2017-CT (Rate)] :</p> <p>Services provided by the Central Government, State Government, Union Territory or local authority to another Central Government, State Government, union territory or local authority are exempt. However, nothing contained in this entry shall apply to services -</p> <ul style="list-style-type: none"> <li>✦ <del>by the Department of posts by way of speed post, Express parcel post, life insurance and agency services provided to a person other than the Central Government, State Government, Union territory</del> [omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]</li> <li>✦ in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport ;</li> <li>✦ or transport of goods or passengers.</li> </ul>
(27)	<p><u>SERVICES PROVIDED BY GOVERNMENT OR UT OR LOCAL AUTHORITY WHERE THE CONSIDERATION FOR SUCH SERVICES DOES NOT EXCEED Rs.5000</u> [Entry 9 of Notification No. 12/2017-CT (Rate):</p> <p>Services provided by Central Government, State Government, Union Territory or local authority where the consideration for such services does not exceed Rs.5000 are exempt.</p> <p>However, nothing contained in this entry shall apply to :-</p> <ul style="list-style-type: none"> <li>• Services by the Department of posts <del>by way of speed post, Express parcel post, life insurance and agency services provided to a person other than the Central Government, State Government, Union territory</del> [omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]</li> <li>• in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport ;</li> </ul>

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	<ul style="list-style-type: none"> <li>• or transport of goods or passengers.</li> </ul> <p><b>Continuous supply of service</b> : In case where continuous supply of service, as defined in section 2(33) of the CGST Act, 2017, is provided by the Central Government, State Government, Union Territory or local authority, the exemption shall apply only where the constitution charged for such services does not exceed Rs.5000 in a financial year.</p>
(27A)	<p><b>SERVICES OF POSTCARD INLAND LETTER ETC. BY POSTAL DEPARTMENT</b> [Entry 24C of Notification No. 12/2017-CT (Rate) [inserted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022] :</p> <p><b>Services by the Department of posts by way of postcard, Inland Letter, book post and ordinary post (envelopes weighing less than 10 grams) are exempt from tax.</b></p>
(28)	<p><i>Services by way of guaranteeing of loans taken by government undertaking or PSU's from the banking companies and FI's [ entry 34A ]</i></p>
(29)	<p><i>Services provided by government or UT or local authority by way of registration Etc. [entry 47 ] (registration under any law, testing, calibration, safety check or certification)</i></p>
(30)	<p><i>Services provided to individuals - issuance of passport, visa, driving certificate, birth certificate, death certificate etc. [ entry 61 ]</i></p>
(30A)	<p><b>Services by way of granting National Permit to a goods carriage to operate through-out India/ contiguous states [ Amended by Finance Act, 2021 ]</b></p>
(31)	<p><i>Services by way of tolerating non performance of a contract [ entry 62 ] (fines or liquidated damages)</i></p>
(32)	<p><i>Services by way of assignment of right to use natural resources to an individual farmer for the purpose of agriculture [ entry 63 ]</i>                      Royalty payable to the government for assignment of rights to use natural resources is covered under GST</p>
(33)	<p><i>Merchant overtime charges [ entry 65 ]</i></p>
(34)	<p><i>State government services to excess royalty collection contractor [ entry 65B ]</i></p>
<b>SERVICES PROVIDED TO GOVERNMENT</b>	
(35)	<p><b>Pure services to government/UT/local authority or governmental authority/entity in relation to panchayat functions/municipal function [ entry 3 ] [Amended by Finance act 2021]</b></p>
(36)	<p><b>Composite supply to government/UT/Local authority or governmental authority/entity in relation to panchayat functions/municipal functions – exempt if value of goods is not more than 25% of total value [ entry 3A ] [Amended by Finance act 2021]</b></p> <p><b>Sanitation and Conservancy services supplied to Army and other Central</b></p>

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	<b>and State government departments liable to GST.</b> Circular No. 177/09/2022-TRU dated 03-08-2022.	
	<b>Issue</b>	<b>Clarification</b>
	The exemption under entry 3 & 3A of notification 12/2017-CT (Rate) dated 28-06-2017 has been given on pure services & composite supplies is procured by Central Government, State Government, union territories or local authorities for performing function listed in the 11 <sup>th</sup> and 12 <sup>th</sup> schedule of the Constitution.	It is clarified that is such services are procured by Indian Army or any other Government Ministry/Department which does not perform any functions listed in the 11 <sup>th</sup> and 12 <sup>th</sup> schedule, in the manner as a local authority does for the general public, the same or not eligible for exemption under Sl. No. 3 and 3A of Notification 12/2017-CT (Rate)
(37)	<i>Supply of service by a government entity to government, UT, Local authority in form of grants [ entry 9C]</i>	
(38)	<i>Service provided by fair price shops to government/UT [ entry 11A ]</i>	
(39)	<i>Services provided to government/UT's under any insurance scheme for which total premium is paid by the government or UT's</i>	
(40)	<b>SERVICES PROVIDED BY THE GOODS AND SERVICES TAX NETWORK [Entry 51 of Notification No.12/2017-CT (Rate) [Omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]:</b> <del>Services provided by the Goods &amp; Services Tax Network to the Central Government or State Government or Union Territories for implementation of Goods and Services Tax are exempt.</del>	
(41)	<i>Service provided to government to government/UT's under any training programme for which 75% or more of the total expenditure is borne by the government/UT's [ entry 72 ] [ Amended by Finance Act 2021]</i> <i>Coaching services supplied by coaching institutions and NGOs under the central sector scheme of 'Scholarships for students with Disabilities' are exempt from GST (Circular 164/20/2021 )</i>	
	<b>CONSTRUCTION SERVICES</b>	
(42)	<i>Pure labour contracts pertaining to the beneficiary-LED individual house construction or enhancement under the housing for all the (URBAN) mission or pradhan mantri awas yojana [ entry 10 ]</i>	
(43)	<i>Services supplied by electricity distribution utilities for extending electricity distribution network upto the tube well of the farmer or agriculturalist for agriculture use [ entry 10A ]</i>	
(44)	<i>Pure labour contract pertaining to a single residential unit [ entry 11 ] (otherwise than as a part of residential complex)</i>	

(45)	<p><b>Transfer of development rights and FSI for construction of residential apartments [ entry 41 ]</b></p> <ul style="list-style-type: none"> <li>✚ Before completion certificate toh exempt</li> <li>✚ After completion raha toh promoter ko reverse charge me pay karna hoga on unsold flat.</li> </ul>						
(46)	<p><b>Long term lease for construction of residential apartment [ entry 41B ]</b></p> <ul style="list-style-type: none"> <li>✚ Before completion certificate toh exempt</li> <li>✚ After completion raha toh promoter ko reverse charge me pay karna hoga on unsold flat.</li> </ul>						
<b>PASSENGER TRANSPORTATION SERVICES</b>							
(47)	<p><b>TRANSPORT OF PASSENGERS BY DIFFERENT MODES</b> [Entry 15 of Notification No. 12/2017-CT (Rate)] [Amended by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]</p> <p>Transport of passengers, with or without accompanied belongings, by -</p> <p>a) air in economy class, embarking from or terminating in an Airport located in the state of Arunachal Pradesh, Assam, Manipur ,Meghalaya, Mizoram, Nagaland, Sikkim or Tripura or at Bagdogra located in West Bengal ; or</p> <p>b) non-airconditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or</p> <p>c) stage carriage other than air-conditioned stage carriage are exempt.</p> <p>However, nothing contained in (B) and (C) above shall be supplied through an electronic Commerce operator, and notified u/s 9(5) of the CGST Act, 2017.</p> <p><i>However, nothing contained in items (b) and (c) above shall apply to services supplied through an electronic commerce operator (ECO), and notified under section 9(5) of the CGST, 2017. Services referred herein are the services by way of transportation of passengers by a radio-taxi, motarcab, maxicab, motor cycle, omnibus or any other motor vehicle, the tax on supplies of which shall be paid by the CEO if such services are supplied through ECO [Amended by Finance act 2021]</i></p> <table border="1" data-bbox="349 1648 1425 1890"> <tr> <td data-bbox="349 1648 889 1812">Where transportation takes place over pre-determined route on a pre-determined scheduled in non air conditioned contract carriage same will be exempt from GST. - Circular No. 177/09/2022- TRU dated 3-8-2022.</td> <td data-bbox="889 1648 1425 1812"></td> </tr> <tr> <td data-bbox="349 1812 889 1858" style="text-align: center;"><b>Issue</b></td> <td data-bbox="889 1812 1425 1858" style="text-align: center;"><b>Clarification</b></td> </tr> <tr> <td data-bbox="349 1858 889 1890">Whether the engagement of non-</td> <td data-bbox="889 1858 1425 1890">It is clarified that 'charter on</td> </tr> </table>	Where transportation takes place over pre-determined route on a pre-determined scheduled in non air conditioned contract carriage same will be exempt from GST. - Circular No. 177/09/2022- TRU dated 3-8-2022.		<b>Issue</b>	<b>Clarification</b>	Whether the engagement of non-	It is clarified that 'charter on
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<b>Issue</b>	<b>Clarification</b>						
Whether the engagement of non-	It is clarified that 'charter on						

	<p>air conditioned contract carriages by firms for transportation of their employees to and from work is exempt under entry at Sr. No. 15(b) of Notification No. 12/2017-CT (Rate) dated 28-06-2017.</p>	<p>hire' excluded from the above exemption entry is charter or hire of a motor vehicle for a period of time, where the renter defines how and when the vehicles will be operated, determining schedules, routes and other operational considerations.</p> <p>In other words, the said exemption would apply to passenger transportation services by non-air conditioned contract carriages falling under Heading 9964 where according to explanatory notes, transportation takes place over pre-determined route on a pre-determined schedule.</p> <p>The exemption shall not be applicable where contract carriage is hired for a period of time, during which the contract carriage is at the disposal of the service recipient and the recipient is thus free to decide the manner of usage (route and schedule) subject to conditions of agreement entered into with the service provider.</p>
(48)	<p><b><i>VG funding amount received by airline operators under RCS [ entry 16 ]</i></b></p>	
(49)	<p><b><i>Transportation of passengers by different modes [ entry 17 ]</i></b></p> <p>Service of transportation of passengers, with or without accompanied belongings, by-(a) railways in a class <i>other than</i> -</p> <p>(i) <i>first class; or</i>  (ii) <i>an air-conditioned coach;</i></p> <p>(b) metro, monorail or tramway;  (c) inland waterways;  (d) public transport, <i>other than predominantly for tourism purpose</i>, in vessel  between places located in India and  (e) metered cabs or auto rickshaws ( including e-rickshaws)  <b><i>are exempt.</i></b></p> <p>▪ <i>Services provided by leisure or charter vessels or a cruise ship - taxable</i></p>	



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	<ul style="list-style-type: none"> <li>▪ <i>Transport of passenger by ropeway, cable car or aerial tramway is liable to GST.</i></li> </ul> <p><i>However, nothing contained in items (b) and (c) above shall apply to services supplied through an electronic commerce operator (ECO), and notified under section 9(5) of the CGST, 2017. Services referred herein are the services by way of transportation of passengers by a radio-taxi, motarcab, maxicab, motor cycle, omnibus or any other motor vehicle, the tax on supplies of which shall be paid by the CEO if such services are supplied through ECO [Amended by Finance act 2021]</i></p>
	<b><u>GOODS TRANSPORT AGENCY</u></b>
(50)	<p><i>Transportation of goods by different modes [ entry 18 ]</i></p> <p>Services by way of transportation of goods -</p> <ul style="list-style-type: none"> <li>(a) <i>By road</i> except the services of - <ul style="list-style-type: none"> <li>(i) A GTA</li> <li>(ii) A courier agency (<i>express cargo service, angadia</i>)</li> </ul> </li> <li>(b) <i>By inland waterways</i></li> </ul> <p><i>Are exempt.</i></p>
(51)	<p><i>Services by way of transportation of goods by an aircraft [ entry 19 ]</i></p> <p><i>From a place outside india to custom port in India</i></p>
(52)	<p><i>Air freight for export goods [ entry 19A ] { Amended by Finance Act, 2020}</i></p> <p><i>Nothing contained in this entry shall apply after 30-9-2022</i></p>
(53)	<p><i>Sea freight for export goods [ entry 19B ] { Amended by Finance Act, 2020}</i></p> <p><i>Nothing contained in this entry shall apply after 30-9-2022</i></p>
(53a)	<p><i>SATELLITE LAUNCH SERVICES [ ENTRY 19C of Notification No. 12/2017-CT (Rate)] [inserted by Notification No. 5/2020 CT(R) dated 16-10-2020 w.e.f 16-10-2020]</i></p> <p><i>Satellite launch services supplied by Indian Space Research Organisation, Antrix Corporation Limited or New Space India Limited are exempt</i></p>
(54)	<p><b><u>TRANSPORTATION OF CERTAIN GOODS BY RAIL OR VESSEL</u></b> [Entry 20 of Notification No. 12/2017-CT(Rate)] [Omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]:</p> <p>Services by way of transportation by rail or a vessel from one place in India to another of the following goods-</p> <ul style="list-style-type: none"> <li>a) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishaps;</li> <li>b) defence or military equipments;</li> <li>c) newspaper or magazines registered with the Registrar of Newspapers;</li> <li><del>d) railway equipments or materials;</del></li> </ul>

	<p>e) agricultural produce;                  f) milk, salt and food grain including flours, pulses and rice; and                  g) organic manure                  are exempt.</p>				
<p>(55)</p>	<p><b>SERVICES PROVIDED BY A GOODS TRANSPORT AGENCY</b> [Entry 21 of Notification No.12/2017-CT (Rate)] [Omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]:                  Services provided by a goods transport agency, by way of transport in a goods carriage of -</p> <p>a) agricultural produce;  <del>b) goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed ₹ 1,500;</del>  <del>c) goods, where consideration charged for transportation of all such goods for a single consignee does not exceed 750;</del>                  d) milk, salt and food grain including flour, pulses and rice;                  e) organic manure;                  f) newspaper or magazines registered with the Registrar of Newspapers;                  g) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or                  h) defence or military equipments                  are exempt.</p> <p><del>Transport of minerals from mining pit head to railway siding, beneficiation plant etc., by vehicles deployed with driver for a specific duration of time - liable to GST under Rental services of transport vehicles with operator. - Circular No. 177/09/2022-TRU dated 03-08-2022</del></p> <table border="1" data-bbox="349 1470 1429 1877"> <thead> <tr> <th data-bbox="349 1470 885 1516">Issue</th> <th data-bbox="885 1470 1429 1516">Clarification</th> </tr> </thead> <tbody> <tr> <td data-bbox="349 1516 885 1877">                     Whether transport of minerals within a mining area, say from mining pit head to railway siding, beneficiation plant etc., by vehicles deployed with driver for a specific duration of time would be covered under Sr. No. 18 of Notification No. 12/2017-CT (Rate) dated 28.06.2017 which                 </td> <td data-bbox="885 1516 1429 1877">                     Usually in such cases the vehicles such as tippers, dumpers, loader trucks etc., are given on hire to the mining lease operator. Expenses for fuel are generally borne by the recipient of service. The vehicles with driver are at the disposal of the mining lease operator for transport of minerals within the                 </td> </tr> </tbody> </table>	Issue	Clarification	Whether transport of minerals within a mining area, say from mining pit head to railway siding, beneficiation plant etc., by vehicles deployed with driver for a specific duration of time would be covered under Sr. No. 18 of Notification No. 12/2017-CT (Rate) dated 28.06.2017 which	Usually in such cases the vehicles such as tippers, dumpers, loader trucks etc., are given on hire to the mining lease operator. Expenses for fuel are generally borne by the recipient of service. The vehicles with driver are at the disposal of the mining lease operator for transport of minerals within the
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	<p>exempts transport of goods by road except by a GTA.</p>	<p>mine area (mining pit to railway siding, beneficiation plant etc.) as per his requirement during the period of contract.</p> <p>Such services are nothing but "rental services of transport vehicles with operator". The person who takes the vehicle on rent defines how and when the vehicles will be operated, determines schedules, routes and other operational considerations. The person who gives the vehicles on rent with operator can not be said to be supplying the service by way of transport of goods. Accordingly, it is clarified that such renting of trucks and other freight vehicles with driver for a period of time is a service of renting of transport vehicles with operator falling under Heading 9966 and not service of transportation of goods by road. This being so, it is not eligible for exemption under Sl. No. 18 of notification No. 12/2017-CT (Rate) dated 28.06.2017.</p>
<p>(56)</p>	<p><i>Services provided by a GTA to an unregistered person [ entry 21A ]</i>  <i>Other than</i></p> <p>(a) Any factory registered under factories act                  (b) Any society registered under society registration act                  (c) Any co-operative society                  (d) Any person registered under GST                  (e) Any body co-operative                  (f) Any partnership firm including AOP                  (g) Any casual taxable person</p> <p><i>Are exempt</i></p>	
<p>(57)</p>	<p><i>Service provided by a GTA to persons registered for TDS [ entry 21B ]</i></p>	
<p><b>BANKING AND FINANCIAL SERVICES</b></p>		
<p>(58)</p>	<p><b><u>SERVICES BY THE RESERVE BANK OF INDIA</u></b> [Entry 26 of Notification</p>	

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	No. 12/2017-CT (Rate)] [Omitted by Notification No. 04/2022-CT (Rate) dated 13-07-2022 w.e.f. 18-07-2022]: <del>Services by the Reserve Bank of India are exempt.</del>
(59)	<i>Services by way of extending deposits, loans or advances/inter se sale or purchase of foreign currency amongst banks or authorized dealers [ entry 27 ]</i> <ul style="list-style-type: none"> <li>• interest involved in credit card services is taxable</li> <li>• Service charges or administrative charges is taxable</li> </ul>
(60)	<i>Services provided to BSBD A/C holders under PMJDY [ entry 27A ]</i>
(61)	<i>Credit card, debit card, charge card or other payment card service - exempt upto Rs 2000 per transaction [ entry 34 ]</i>
(62)	<i>Services provided by financial intermediaries located in IFSC SEZ [ entry 39A ]</i>
	<b><u>LIFE INSURANCE SERVICES</u></b>
(63)	<i>Life insurance services under NPS [ entry 28 ]</i>
(64)	<i>Life insurance services to members of the ARMY, NAVY and AIR FORCE [ entry 29 ]</i>
(65)	<i>Life insurance services to coast guard personnel [ entry 29A ]</i>
(66)	<i>Life insurance services to central armed police force [ entry 29B ]</i>
(67)	<i>Life insurance services [ entry 36 ]</i> <ul style="list-style-type: none"> <li>* Life Micro insurance product maximum amount of Rs 200000</li> </ul>
	<b><u>SERVICES PROVIDED BY SPECIFIED BODIES</u></b>
(68)	<i>ESI services [ entry 30 ]</i>
(69)	<i>EPF services [ entry 31 ]</i>
(70)	<i>Services by coal mines provident fund organisation [ entry 31A ]</i>
(71)	<i>Services by national pension fund (NPS) trust [ entry 31B ]</i>
(72)	<b><u>IRDA SERVICES</u></b> [Entry 32 of Notification No. 12/2017-CT (Rate)] [Omitted by Notification No. 04/2022-CT(Rate) dated 13-07-2022 w.e.f. 18-07-2022]: <del>Services provided by the Insurance Regulatory and Development Authority of India to insurers under the Insurance Regulatory and Development Authority of India Act, 1999 are exempt.</del>
(73)	<b><u>INVESTOR PROTECTION SERVICES BY SEBI</u></b> [Entry 33 of Notification No. 12/2017-CT (Rate)] [Omitted by Notification No. 04/2022 -CT(Rate) dated 13-07-2022 w.e.f. 18-07-2022]: <del>Services provided by the Securities and Exchange Board of India set up under the Securities and Exchange Board of India Act, 1992 by way of protecting the interests of investors in securities and to promote the</del>

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	<del>development of, and to regulate, the securities market are exempt.</del>	
	<b><u>GENERAL INSURANCE SERVICES</u></b>	
(74)	<b>General insurance services [ entry 35 ]</b> ♦ Bangle shasya bima	
(75)	<b>Re-insurance services [ entry 36A ]</b>	
	<b><u>PENSION SCHEMES</u></b>	
(76)	<b>Collection of contribution under ATAL PENSION YOJANA (ATY) [ entry 37 ]</b>	
(77)	<b>Collection of contribution under pension scheme of state government [ entry 38 ]</b>	
	<b><u>BUSINESS FACILITATOR/CORRESPONDENT</u></b>	
(78)	<b>Business facilitator/ correspondent [ entry 39 ]</b> Services by the following persons in respective capacities (a) <b>business facilitator or a business correspondent</b> to a banking company with respect to accounts in its <b>rural area branch</b> ; (b) any person as an <b>intermediary</b> to a business facilitator or a business correspondent with respect to services mentioned in entry (a); or (c) <b>business facilitator or a business correspondent</b> to an insurance company in a rural area are exempt.	
	<b><u>LEASING SERVICES</u></b>	
(79)	<b>Upfront amount payable in respect or service by way of granting of long term lease of industrial plots or plots for development of infrastructure for financial business [ entry 41 ]</b> Upfront amount payable in installments for long term lease of plots - exempt from GST	
(80)	<del><b>Services of leasing of assets by the IRFC to Indian railways [ entry 43 ] [ Amended by Finance Act 2021 ]</b></del>	
	<b><u>LEGAL SERVICES</u></b>	
(81)	<b>Legal services [ entry 45 ]</b> Service provided by -	
	(a) An arbitral tribunal to -	<ul style="list-style-type: none"> <li>✓ any person other than a business entity; or</li> <li>✓ a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration under the CGST Act, 2017; or</li> <li>✓ the Central Government, State Government, Union territory, local</li> </ul>

		authority, Governmental Authority or Government Entity;
(b)	A partnership firm of advocates or an individual as an advocate other than a senior advocate, by way of legal services to -	<ul style="list-style-type: none"> <li>➤ an advocate or partnership firm of advocates providing legal services;</li> <li>➤ any person other than a business entity; or</li> <li>➤ a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration under the CGST Act, 2017; or</li> <li>➤ the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity;</li> </ul>
(c)	A senior advocate by way of legal services to -	<ul style="list-style-type: none"> <li>❖ any person other than a business entity; or</li> <li>❖ a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration under the CGST Act, 2017;</li> <li>❖ the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity;</li> </ul>
Are exempt.		
<b><u>SPONSORSHIP OF SPORTS</u></b>		
(82)	<i>Sponsorship of sports [ entry 53 ]</i>	
<b><u>SKILL DEVELOPMENT SERVICES</u></b>		
(83)	<i>Services provided by national skill development corporation/sector skill council/assessment agency/training partner [ entry 69 ]</i>	
(84)	<i>Services provided by assessing bodies by way of assessments under the skill development initiative scheme [ entry 70 ]</i>	
(85)	<i>Services provided by training providers under DEEN DAYAL UPADHYAYA</i>	

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	<b>GRAMEEN KAUSHALYA YOJANA [ entry 71 ]</b>
	<b><u>PERFORMANCE BY ARTIST</u></b>
(86)	<b>Art related services [ entry 78 ]</b> Performance in folk or classical art forms of music, dance, theatre, if consideration <b>does not exceed Rs 150000</b> . But does not include brand ambassador services.
	<b><u>RIGHT TO ADMISSION TO VARIOUS EVENTS</u></b>
(87)	<b>Services by way of admission to museum, national park, wildlife sanctuary, tiger reserve, zoo [ entry 79 ]</b>
(88)	<b>Services by way of admission to protected monument [ entry 79A ]</b>
(89)	<b>Admission to entertainment events or access to amusement facilities [ entry 81 ]</b> <b>Not more than ₹ 500 per person</b> <ul style="list-style-type: none"> <li>+ Valuation in case of entry to casinos and gambling services, GST is leviable.</li> <li>+ Elephant/ camel joy rides - not covered under passenger transportation service hence taxable</li> </ul>
	<b><u>SERVICES BY UNINCORPORATED BODY OR NON-PROFIT ENTITY</u></b>
(90)	<b>Services by an unincorporated body or a non-profit entity to members [ entry 77 ]</b> Service by an unincorporated body or a non- profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution. <ul style="list-style-type: none"> <li>(a) as a trade union;</li> <li>(b) for the provision of carrying out any activity which is exempt from the levy of Goods and service tax; or</li> <li>(c) up to an amount of ₹ 7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in housing society or a residential complex,</li> </ul> are exempt. [ RWA ka agar aggregate turnover ₹ 20 lakh or less hai and contribution ₹ 7500 se jayada hai toh GST lagega ]
(91)	<b>Services by an unincorporated body or a non-profit entity to members [ entry 77A ]</b> Agriculture se related hai and ₹ 1000 per member per year are exempt.
	<b><u>OTHER EXEMPT SERVICES</u></b>
(92)	<b>Transfer of going concern [ entry 2 ]</b>
(93)	<b>SUPPLY OF SERVICES ASSOCIATED WITH TRANSIT CARGO TO NEPAL AND BHUTAN (LANDLOCKED COUNTRIES) [Entry 9B of Notification No. 12/2017-CT (Rate)]:</b>

	<p>Supply of services associated with transit cargo to Nepal and Bhutan (landlocked countries) are exempt.</p> <p><b>Whether exemption under Sl. No. 9B of Notification No. 12/2017-CT (Rate) dated 28-06-2017 covers services associated with transit cargo both to and from Nepal and Bhutan. -Circular No. 177/09/2022-TRU dated 03-08-2022</b></p> <table border="1"> <thead> <tr> <th data-bbox="347 449 889 491">Issue</th> <th data-bbox="889 449 1435 491">Clarification</th> </tr> </thead> <tbody> <tr> <td data-bbox="347 491 889 814">Applicability of GST on transportation of empty containers returning from Nepal and Bhutan after delivery of transit cargo, to India.</td> <td data-bbox="889 491 1435 814">It is also clarified that movement of empty containers from Nepal and Bhutan, after delivery of goods there, is a service associated with the transit cargo to Nepal and Bhutan and is therefore covered by the exemption.</td> </tr> </tbody> </table>	Issue	Clarification	Applicability of GST on transportation of empty containers returning from Nepal and Bhutan after delivery of transit cargo, to India.	It is also clarified that movement of empty containers from Nepal and Bhutan, after delivery of goods there, is a service associated with the transit cargo to Nepal and Bhutan and is therefore covered by the exemption.
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(94)	<p><b><u>RENTING OF RESIDENTIAL DWELLING FOR USE AS RESIDENCE</u></b> [Entry 12 of Notification No. 12/2017-CT (Rate)] [Amended by Notification No. 04/2022 -CT(Rate) w.e.f. 18-07-2022]:</p> <p>Services by way of renting of residential dwelling for use as residence <b>except where the residential dwelling is rented to a registered person</b> are exempt.</p> <p>Note: Services by way of renting of residential dwelling for use as residence <b>where the residential dwelling is rented to a registered person is liable to GST under reverse charge mechanism.</b></p>				
(95)	<p><b><u>SERVICES BY HOTELS ETC. HAVING VALUE NOT EXCEEDING ₹ 1,000 OR EQUIVALENT</u></b> [Entry 14 of Notification No. 12/2017-CT (Rate)] [Omitted by Notification No. 04/2022 -CT(Rate) w.ef. 18-07-2022]:</p> <p><del>Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having value of supply of a unit of accommodation below or equal to ₹ 1,000 per day or equivalent are exempt.</del></p>				
(96)	<p><b><u>Hiring of means of transport of passengers and goods [ entry 22 ]</u></b></p> <ul style="list-style-type: none"> <li>▪ To GTA</li> <li>▪ To state transport undertaking meant to carry more than 12 passengers</li> <li>▪ To a local authority, an <b>electrically operated vehicle</b> meant to carry more than 12 passengers</li> <li>▪ To transport of student, faculty, staff</li> </ul>				



(97)	<p><b>Access to a road or a bridge on payment of toll charges [ entry 23 ]</b>  <b>Overloading charges at toll plaza – same is exempt from GST ( circular dated 6/10/2021)</b>  <u><b>ACCESS TO A ROAD OR A BRIDGE ON PAYMENT OF TOLL CHARGES</b></u>                  [Entry 23 of Notification No. 12/2017-CT (Rate)].                  Service by way of access to a road or a bridge on payment of toll charges is exempt.</p> <table border="1" data-bbox="347 491 1421 1102"> <tr> <td data-bbox="347 491 607 1102">                     Circular No.                      177/09/2022-                      TRU dated 03-                      08-2022                 </td> <td data-bbox="607 491 1421 1102"> <p><u><b>Additional toll fees collected in the form of higher toll charges from vehicles not having fastag is exempt from GST.</b></u>  <b>Issue:</b> Whether the additional toll fees collected in the form of higher toll charges from vehicles not having fastag is exempt from GST.  <b>Clarification:</b> Essentially, the additional amount collected from the users of the road not having a functional Fastag, is in the nature of Toll Charges and should be treated as additional toll charges.                      Therefore, it is clarified that additional fee collected in the form of higher toll charges from vehicles not having Fastag is essentially payment of toll for allowing access to roads or bridges to such vehicles and may be given the same treatment as given to toll charges.</p> </td> </tr> </table>	Circular No. 177/09/2022- TRU dated 03- 08-2022	<p><u><b>Additional toll fees collected in the form of higher toll charges from vehicles not having fastag is exempt from GST.</b></u>  <b>Issue:</b> Whether the additional toll fees collected in the form of higher toll charges from vehicles not having fastag is exempt from GST.  <b>Clarification:</b> Essentially, the additional amount collected from the users of the road not having a functional Fastag, is in the nature of Toll Charges and should be treated as additional toll charges.                      Therefore, it is clarified that additional fee collected in the form of higher toll charges from vehicles not having Fastag is essentially payment of toll for allowing access to roads or bridges to such vehicles and may be given the same treatment as given to toll charges.</p>
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(98)	<p><b>Services by way of access to a road or a bridge on payment of annuity [ entry 23A ]</b>  <b>Activity of construction of road where considerations are received in deferred payment (annuity) - liable to GST since not covered under exemption (circular 150/6/2021 )</b></p>		
(99)	<p><b>Transmission or distribution of electricity by an electricity transmission or distribution utility [ entry 25 ]</b></p>		
(100)	<p><b>Technology business incubate services [ entry 44 ]</b>                  Turnover not exceeding Rs 50 lakh and period of 3 years has not elapsed</p>		
(101)	<p><b><u>FSSAI SERVICES TO FOOD BUSINESS OPERATORS</u></b> [Entry 47A of Notification No. 12/2017-CT (Rate) [Omitted by Notification No. 04/2022 -CT(Rate) dated 13-07-2022 w.e.f. 18-07-2022]:  <del><b>Services by way of licensing, registration and analysis or testing of food samples supplied by the Food Safety and Standards Authority of India (FSSAI) to Food Business Operators are exempt.</b></del></p>		
(102)	<p><b>Services by TBI/STEP/BIO-INCUBATOR [ entry 48 ]</b></p>		
(103)	<p><b>News agency service [ entry 49 ]</b></p>		
(104)	<p><b>Service of public libraries [ entry 50 ]</b></p>		

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(105)	<b>Organising business exhibition outside India [ entry 52 ]</b>
(106)	<b><u>SLAUGHTERING OF ANIMALS</u> [Entry 56 of Notification No. 12/2017-CT (Rate)] [Omitted by Notification No. 04/2022-CT(Rate) dated 13-07-2022 w.e.f. 18-07-2022]:</b> <b><del>Services by way of slaughtering of animals are exempt.</del></b>
(107)	<b>Services by foreign diplomatic mission [ entry 59 ]</b>
(108)	<b>Information under RTI Act [ entry 65A ]</b>
(109)	<b>Sports related services [ entry 68 ]</b> Individual as player, referee, coach or team manager and another recognized sports body.
(110)	<b>FIFA U-17 Women's world cup 2020 related service [ entry 9AA ]</b>
(110A)	<b>AFC WOMEN'S ASIA CUP 2022 Related Services [ Entry 9AB ]</b> <b>Services provided by and to Asian Football Confederation (AFC) and its subsidiaries directly or indirectly related to any of the events under AFC Women's Asia Cup 2022 to be hosted in India are exempt ( Inserted by notification No. 07/2021 w.e.f 01/10/2021)</b>
(111)	<b>Admission to FIFA U-17 women's world cup 2020 [ entry 82A ]</b>
(111A)	<b>Admission to AFC Women's Asia Cup 2022 [entry 82A] (inserted by notification no. 07/2021 w.e.f 01/10/2021)</b>
(112)	<b>Public conveniences [ entry 76 ]</b>
	<b><u>LIST OF SERVICES EXEMPT FROM IGST</u></b>
(113)	<b>Import of services [ entry 10 ]</b>
(114)	<b>Services received by RBI from outside India in relation to management of foreign exchange reserves [ entry 42 ]</b>
(115)	<b><u>TOUR OPERATOR SERVICES SUPPLIED TO FOREIGN TOURIST</u> [Entry 52A of Notification No. 12/2017-CT (Rate)] [Inserted by Notification No. 04/2022-CT(Rate) dated 13-07-2022 w.e.f. 18-07-2022]:</b> <b>Tour operator service, which is performed partly in India and partly outside India, supplied by a tour operator to a foreign tourist, to the extent of the value of the tour operator service which is performed outside India shall be exempt from tax.</b> <b>Value of services performed outside India: Value of the tour operator service performed outside India shall be lower of the following-</b> <b>a) Total consideration charged for the entire tour x Number of days for which the tour is performed outside India ÷ Total number of days comprising the tour, or</b> <b>b) 50% of the total consideration charged for the entire tour.</b> <b>In making the above calculations, any duration of time equal to or</b>

	<p>exceeding 12 hours shall be considered as one full day and any duration of time less than 12 hours shall be taken as half a day.</p> <p>"Foreign tourist" means a person not normally resident in India, who enters India for a stay of not more than six months for legitimate non-immigrant purposes.</p> <p>Illustrations: A tour operator provides a tour operator service to a foreign tourist as follows:-</p> <p>a) 3 days in India, 2 days in Nepal; Consideration Charged for the entire tour: <span style="float:right">1,00,000.</span>                  Exemption: ₹ 40,000 (₹1,00,000 × 2 ÷ 5) or, 50,000 (50% of ₹ 1,00,000) whichever is less, i.e. 40,000. Taxable value: ₹ 60,000.</p> <p>b) 2 days in India, 3 nights in Nepal; Consideration Charged for the entire tour: <span style="float:right">₹ 1,00,000.</span>                  Exemption: ₹ 60 000 (₹ 1,00,000 × 3÷5) or ₹50,000 (50% of ₹1,00,000) whichever is less, i.e. 50,000. Taxable value: ₹ 50,000.</p> <p>c) 2.5 days in India, 3 days in Nepal; Consideration Charged for the entire tour: <span style="float:right">₹1,00,000.</span>                  Exemption: 54,545 (₹ 1,00,000 × 3 ÷ 5.5) or, ₹ 50,000 (50% of ₹ 1,00,000) whichever is less, i.e. ₹ 50,000. Taxable value: ₹ 50,000 .</p>
<b>(116)</b>	<b>Export of services to own establishment outside India provided place of supply outside India [ entry 10 F ]</b>
<b>(117)</b>	<b>Import of services by UN or specified international organisation [ entry 10G ]</b>
<b>(118)</b>	<b>Import of services by foreign diplomatic mission or consular post in India [ entry 10H ]</b>
<b>(119)</b>	<b>Intermediaries services [ entry 12AA ]</b>
	<b><u>OTHER EXEMPTIONS</u></b>
<b>(120)</b>	<b>Intra-state supplies received by a tax deductor from any unregistered supplier exempt from CGST</b>
<b>(121)</b>	<b>Services imported by Unit/developer in SEZ exempt from IGST</b>
<b>(122)</b>	<b>Government share of profit from grant of licence/lease to explore or mine petroleum crude or natural gas - exemption from tax</b>
<b>(123)</b>	<b>Royalty and licence fee included in transaction value under rule 10(1)(c) of custom valuation rules - exemption from IGST</b>

**Clarifications:-**

- GST on delayed payment charges in case of late payment of Equated Monthly Insatlmnts (EMI):** - transaction of levy of additional/penal interest does not fall within the entry 5(e) of schedule II of the CGST Act as this levy of additional/

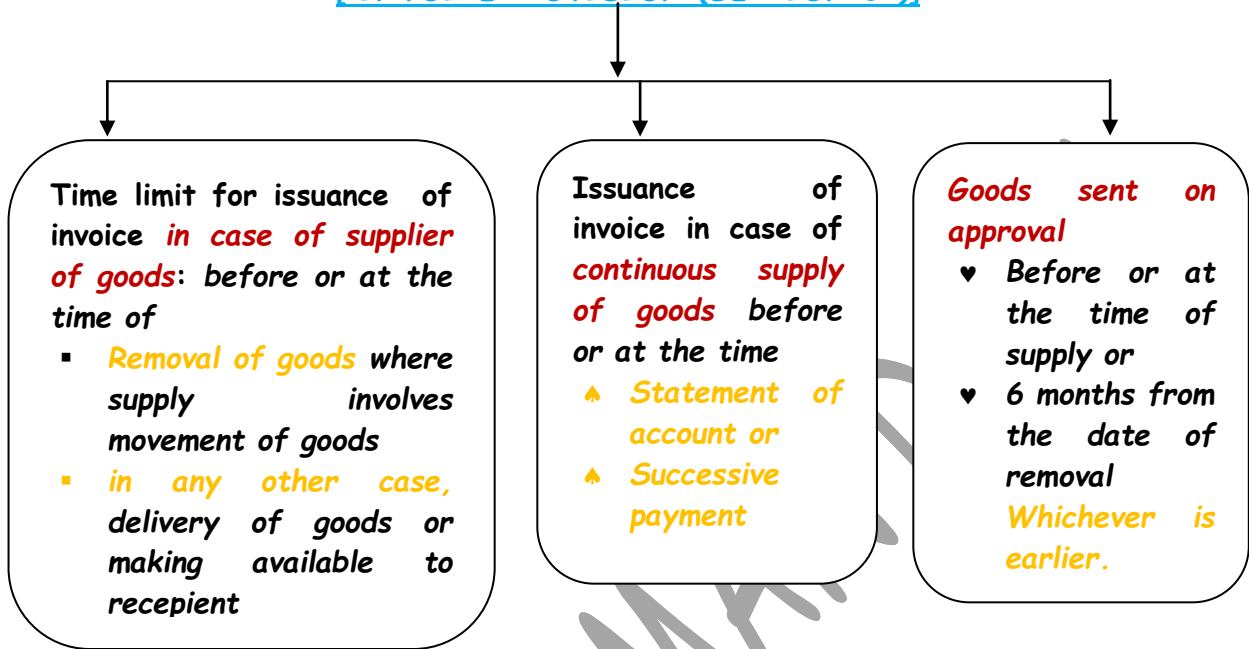
penal interest satisfies the definition of "interest" as contained in exemption notification.

2. ***GST exemption to the DG shipping approved maritime courses conducted by Maritime Training Institutes of India.***

CA VARDHAMAN DAGA

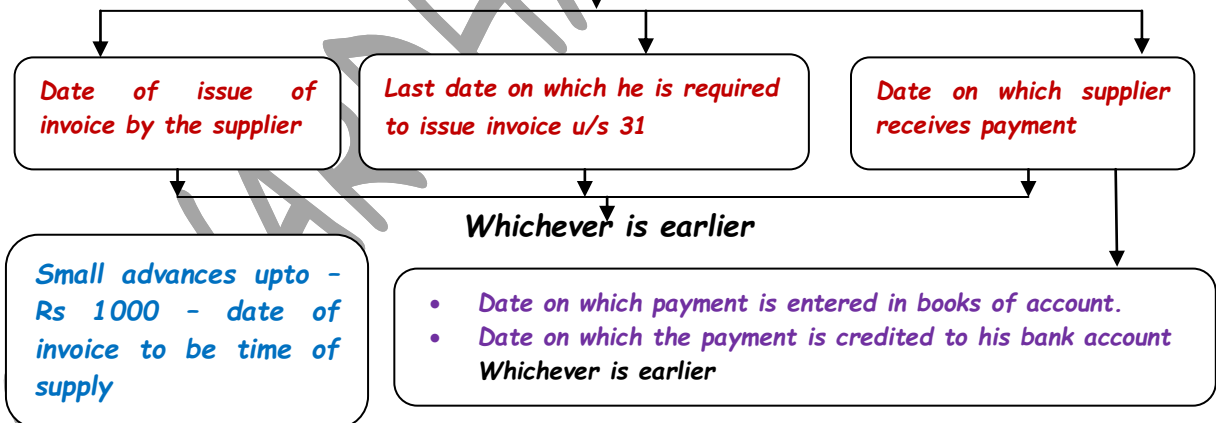
**TIME OF SUPPLY**

**TIME OF SUPPLY OF GOODS**  
**[ INVOICE PROVISION (SECTION 31)]**



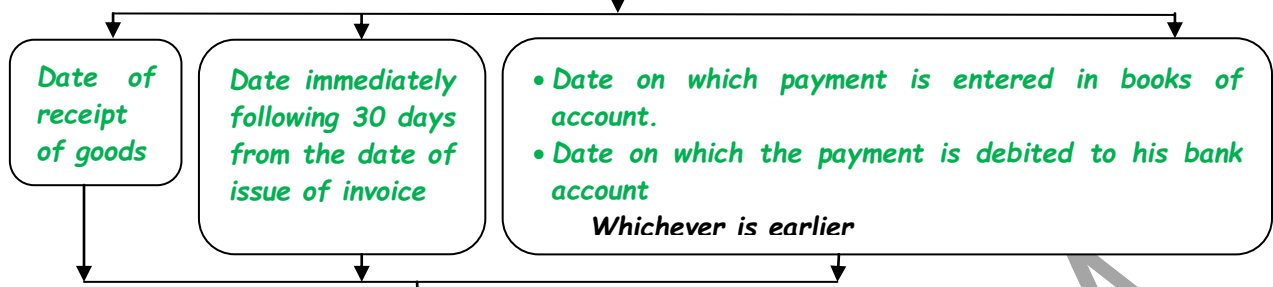
**TIME OF SUPPLY OF GOODS [ SECTION 12 ]**

**FORWARD CHARGE**



- Exemption to all taxpayers from payment of tax on advances received in case of supply of goods - tax on supply of goods is to be paid on invoice basis and receipt basis is not applicable

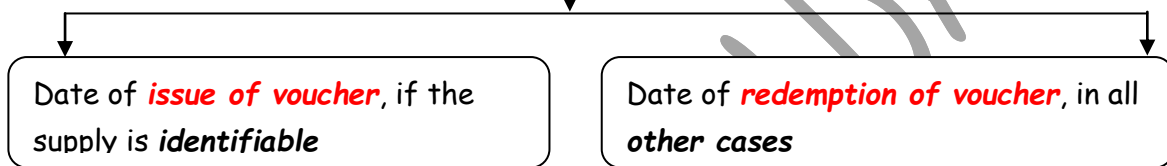
**REVERSE CHARGE**



***Whichever is earlier***

- ♥ ***If TOS cannot be determined as above - TOS is date of entry in the books of account of the recipient of supply***

**VOUCHERS**



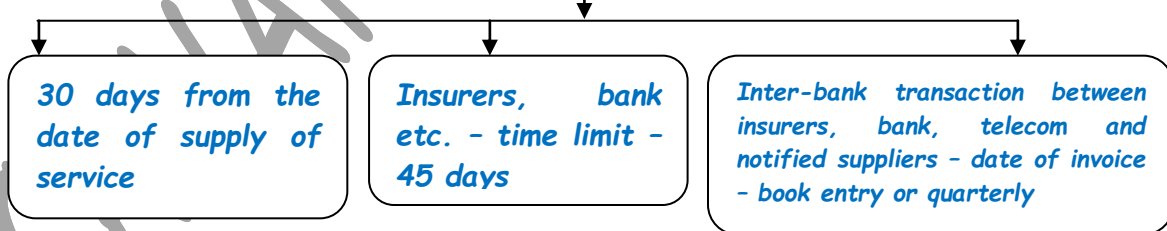
**RESIDUAL CASES**



- ♥ ***Special charges like interest, late fees etc. - TOS is date of receipt of additional amount.***

**TIME OF SUPPLY OF SERVICES**

**TIME LIMIT FOR ISSUE OF INVOICE [ RULE 47 ]**



- ♥ ***Cessation of supply of services - invoice to be issued at the time when supply ceases.***

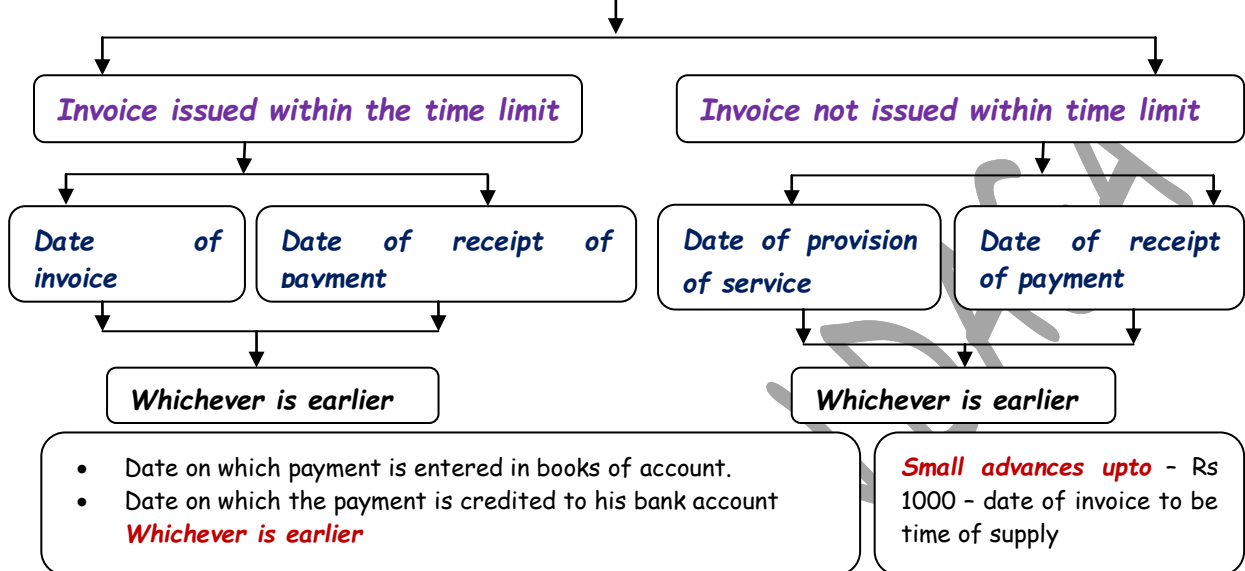
**CONTINUOUS SUPPLY OF SERVICES [ period exceeding 3 months ]**

(1)	Where the <b><i>due date of payment is ascertainable</i></b> from the contract	The invoice shall be issued <b><i>on or before the due date of payment</i></b>
(2)	Where the <b><i>due date of payment is not ascertainable</i></b> from the contract	The invoice shall be issued <b><i>before or at the time when the supplier of service received the payment</i></b>

(3) Where the <b>payment is linked to the completion of an event</b>	The invoice shall be issued <b>on or before the date of completion of that event</b>
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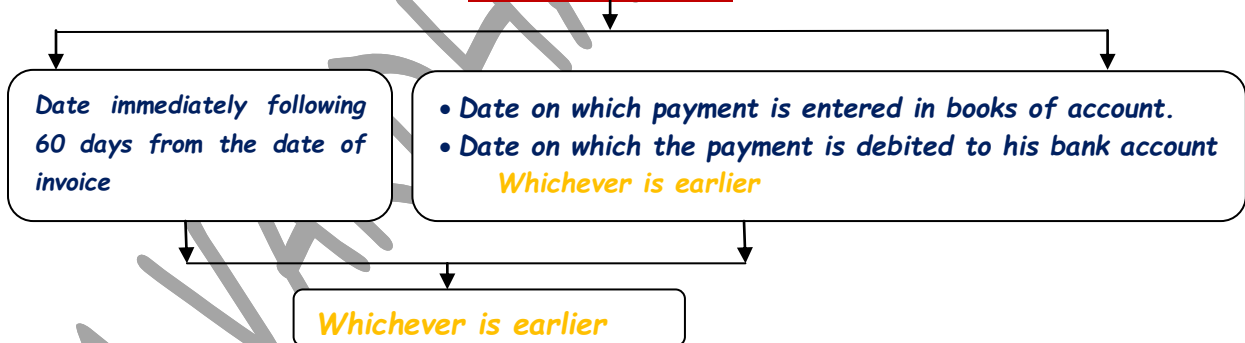
**TIME OF SUPPLY OF SERVICE [ SECTION 13 ]**

**FORWARD CHARGE**



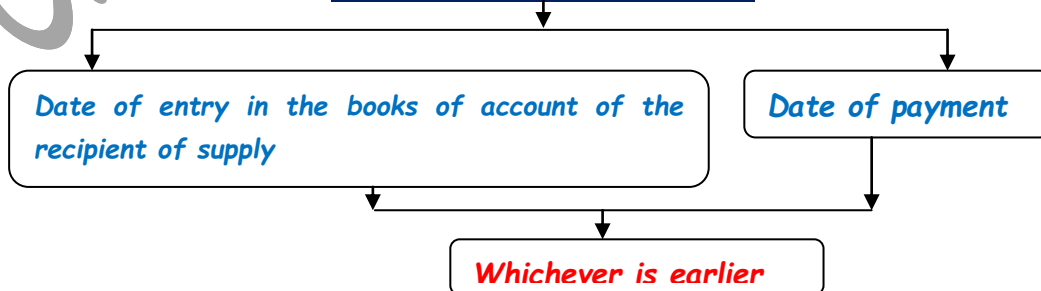
♥ **TOS in case of TDR, FSI and long term lease for construction of residential commercial apartments - TOS shall arise on the date of issuance of completion certificate or on its first occupation, whichever is earlier.**

**REVERSE CHARGE**



♥ Time of supply in other cases - TOS - date of entry in the books of account of the recipient of supply.

**ASSOCIATED ENTERPRISES**



## VALUE OF SUPPLY

### VALUE OF TAXABLE SUPPLY [ section 15(1)]

(1) Value of taxable supply to be **transaction value**:

- ❖ **Price actually paid or payable** for the said supply
- ❖ **Supplier and recipient are not related and**
- ❖ **Price is the sole consideration for the supply**

(2) **Inclusions**:

- ✚ **Taxes, duties, cesses, fees and charges except CGST, SGST, UTGST & GST compensation cess. (if charged separately). TCS under Income Tax not included.**
- ✚ **Amount incurred by recipient on behalf of the supplier.** (agar customer direct payment bhi karega third party ko toh bhi include karenge). **Payment made on own account of recipient - not to be included.**
- ✚ **Incidental expenses** and amount charged for activities done **before delivery** (commission, packing, inspection or certification charges, installation and testing charges, outward freight, transit insurance)
- ✚ **Charges for delayed payment of consideration.**
- ✚ **Subsidies** (govt wali exclude karenge and private wali include)

(3) **Exclusions**:

♣ **Discounts**:

- ♣ **Discount given on or before supply**
- ♣ **Post supply discount**:
  - **Specially linked to relevant invoices and**
  - **Input tax credit as is attributable has to be reversed.**
- ♣ **Non deductible discount** (year end discount after reviewing dealer performance)

### CIRCULARS

- 🌀 **Free samples and gifts: not regarded as supply and ITC not admissible.**
- 🌀 **Buy one get one free offer: value already included and ITC admissible.**
- 🌀 **Staggered discount/volume discount - deductible.**
- 🌀 **Secondary discount not deductible.**
- 🌀 **Valuation of supply made by a component manufacturing using moulds and dies owned by original equipment manufacturers (OEM) sent free of cost to him - value of such moulds and dies not to be added to the value of supply made by component manufacturer. If under obligation of component manufacturer such moulds and dies supplied by OEM, then amortized value to be added in value of component.**

**If value cannot be determined on the above basis then shall be determined on basis of rules**



## **CHAPTER-8 INPUT TAX CREDIT**

### **ELIGIBILITY AND CONDITIONS FOR TAKING INPUT TAX CREDIT [SECTION 16]**

(1) Only **registered person** eligible to take ITC.

(2) **Conditions to be satisfied for taking ITC:**

(a) **Possession of tax paying documents**

(i)

**Documents on basis of which ITC can be availed (Rule 36(1))**

1. An invoice issued by the supplier of goods or services or both
2. Invoice issued by the recipient along with proof of payment of tax in case of reverse charge;
3. A debit note issued by the supplier as per sec 34
4. A bill of entry or any similar document prescribed under custom act, 1962
5. An input service distributor invoice or input service distributor credit note or any document issued by an ISD

(ii) Document must contain prescribed particulars and relevant information to be furnished by registered person.

(iii) ITC cannot be availed on tax demands on account of fraud etc.

(aa) the details of the invoice or debit note referred above has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37.

**Restriction on availment of ITC [rule 36(4)] [Amended by notification No. 19/2022-CT dated 28/09/2022 w.e.f. 01/10/2022]:** No input tax credit shall be availed by a registered person in respect of invoices or debit notes the details of which are required to be furnished under section 37(1) unless:-

- (i) The details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1 or using the IFF; and
- (ii) The details of **input tax credit in respect of** such invoices or debit notes have been communicated to the registered persons in FORM GSTR-2B under Rule 60(7).

(b) **Receipt of goods and services** [ delivery of goods or services at registered persons direction is valid receipt of goods or services]

## GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

(ba) ITC must not to be restricted: The details of input tax credit in respect of the said supply communicated to such registered person u/s 38 has not been restricted; [Inserted by Finance Act, 2022 w.e.f. 01/10/2022]

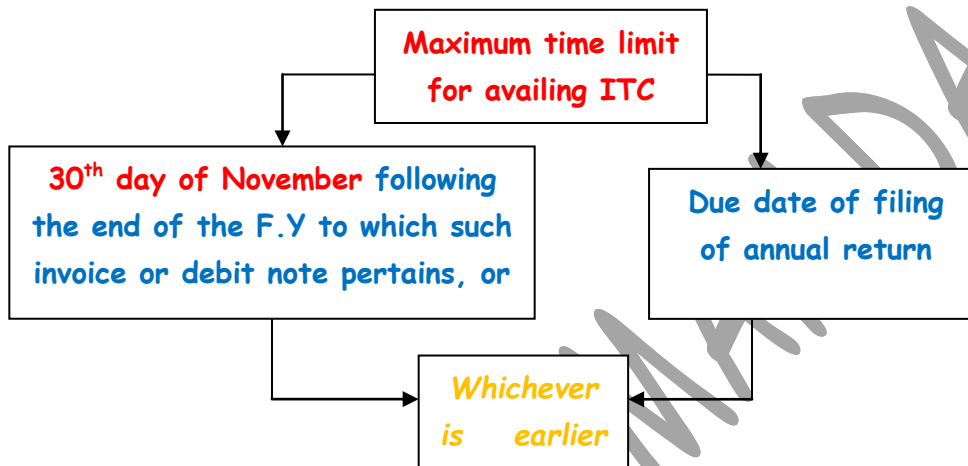
(c) Tax charged is actually paid to the government

(d) Furnishing of return.

(3) ITC not admissible if depreciation claimed on tax component

(4) Burden of proof - persons taking the credit.

TIME LIMIT FOR AVAILING ITC [Section 16(4)] [Amended by Finance Act, 2022 w.e.f. 01-10-2022]



Exception: it must be further noted that the time limit under section 16(4) does not apply to claim for re-availing of credit that had been reversed earlier

- Payment is not made within 180 days from the date of invoice -ITC availed is to be paid along with interest [ output tax me add karke lenge ]
- Re-credit when payment is made subsequently.
- **Exceptions:** [180 days ke under payment karne ki conditions inke upper apply nahi hoti]
  - (a) **Reverse charge** (deemed to be paid)
  - (b) **Schedule I supplies** (deemed to be paid)
  - (c) Additions made to the value of supplies on account of suppliers liability, in relation to such supplies, being incurred by the recipient of the supply.

Reversal of ITC in case of non-payment of consideration [Rule 37] [Amended by Notification No. 19/2022-CT dated 28-09-2022 w.e.f. 01-10-2022]: The procedural requirements are discussed as under-

- 1) Payment is not made within 180 days from date of invoice - ITC availed is to be paid along with interest: A registered person, who has availed of input tax credit on any inward supply of goods or services or both, but fails to pay to the supplier thereof, the amount towards the value of such supply along with the tax payable

thereon, within 180 days from the date of invoice, shall pay an amount equal to the input tax credit availed in respect of such supply along with interest payable thereon under section 50, while furnishing the return in FORM GSTR-3B (old law - shall pay within 180 days otherwise the amount of ITC will be added to output tax liability) for the tax period immediately following the period of 180 days from the date of the issue of the invoice.

- 2) Re-credit when payment is made subsequently [Rule 37(2)]: where the said registered person subsequently makes the payment of the amount towards the value of such supply along with tax payable thereon to the supplier thereof, he shall be entitled to re-avail the input tax credit paid earlier
- 3) Re-availing of credit reversed earlier - time limit provisions for taking credit not applicable

**APPORTIONMENT OF CREDIT AND BLOCKED CREDIT**

(1) Ineligible inputs/capital goods/input services - blocked credits [ section 17 (5) ]

(2) Items ineligible for credit [ section (5) ]: ITC shall not be available in respect of following:

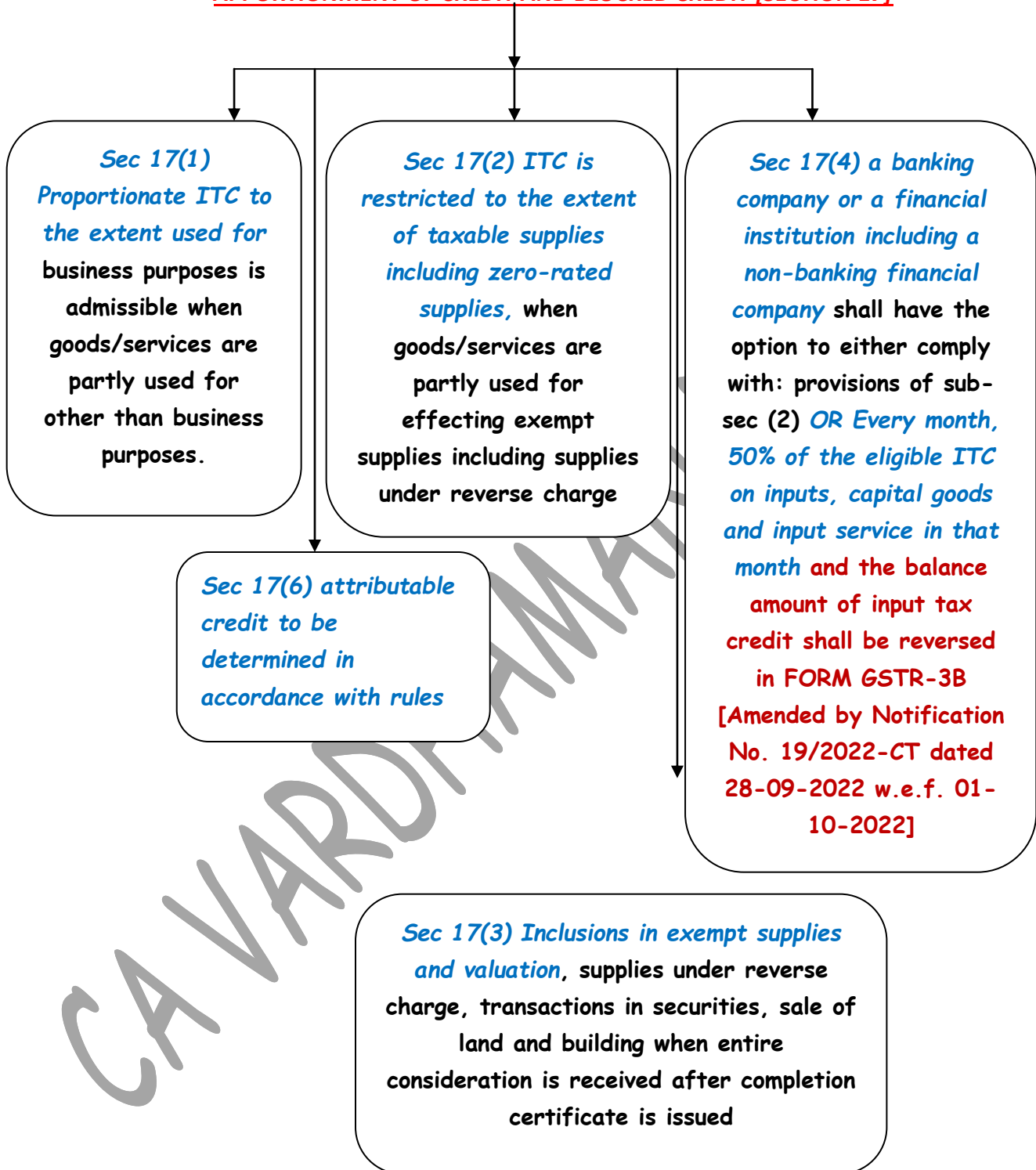
(a)	Motor vehicle for transportation of passenger	Motor vehicles for transportation of persons having approved seating capacity of <b>not more than 13 persons (including the driver)</b> , However, <b>credit will be available</b> when they are used for making the following taxable supplies, namely: (A) <b>further supply of such motor vehicles; or</b> (B) <b>transportation of passengers; or</b> (C) <b>imparting training on driving such motor vehicles.</b>
(aa)	Vessel and aircraft	Vessels and aircraft However, <b>credit will be available</b> when they are used - (i) <b>for making the following taxable supplies, namely:</b> (a) <b>further supply of such vessels or aircraft; or</b> (b) <b>transportation of passengers; or</b> (c) <b>imparting training on navigating such vessels;</b> (d) <b>imparting training on flying such aircraft;</b> (ii) <b>for transportation of goods.</b>
(ab)	Insurance, repairs and maintenance of motor	Services of general insurance, servicing, repair and maintenance in so far as they relate to motor

	<p>vehicles, vessels and aircraft</p>	<p>vehicles, vessels or aircraft referred to in clause (a) or clause (aa).                  However, <b>the input tax credit</b> in respect of such services shall <b>be available</b></p> <p>(i) where the motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) are used for the purposes specified therein;</p> <p>(ii) where received by a taxable person engaged -</p> <p>(a) in the manufacture of such motor vehicles, vessels or aircraft; or</p> <p>(b) in the supply of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him;</p>
<p>(b)</p>	<p>Food &amp; beverages outdoor catering beauty treatment etc.</p>	<p>(i) the following supply of goods or services or both-</p> <ul style="list-style-type: none"> <li>⊗ food and beverages,</li> <li>⊗ outdoor catering,</li> <li>⊗ beauty treatment,</li> <li>⊗ health services,</li> <li>⊗ cosmetic and plastic surgery,</li> <li>⊗ leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) above except when used for the purposes specified therein,</li> <li>⊗ life insurance, and</li> <li>⊗ health insurance.</li> </ul> <p><b>However, the input tax credit in respect of such goods or services or both shall be available where an inward supply of such goods or services or both is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;</b></p> <p>(ii) membership of a club, health and fitness centre; and</p> <p>(iii) travel benefits extended to employees on vacation such as leave or home travel concession.</p> <p><b>However, the input tax credit in respect of such</b></p>

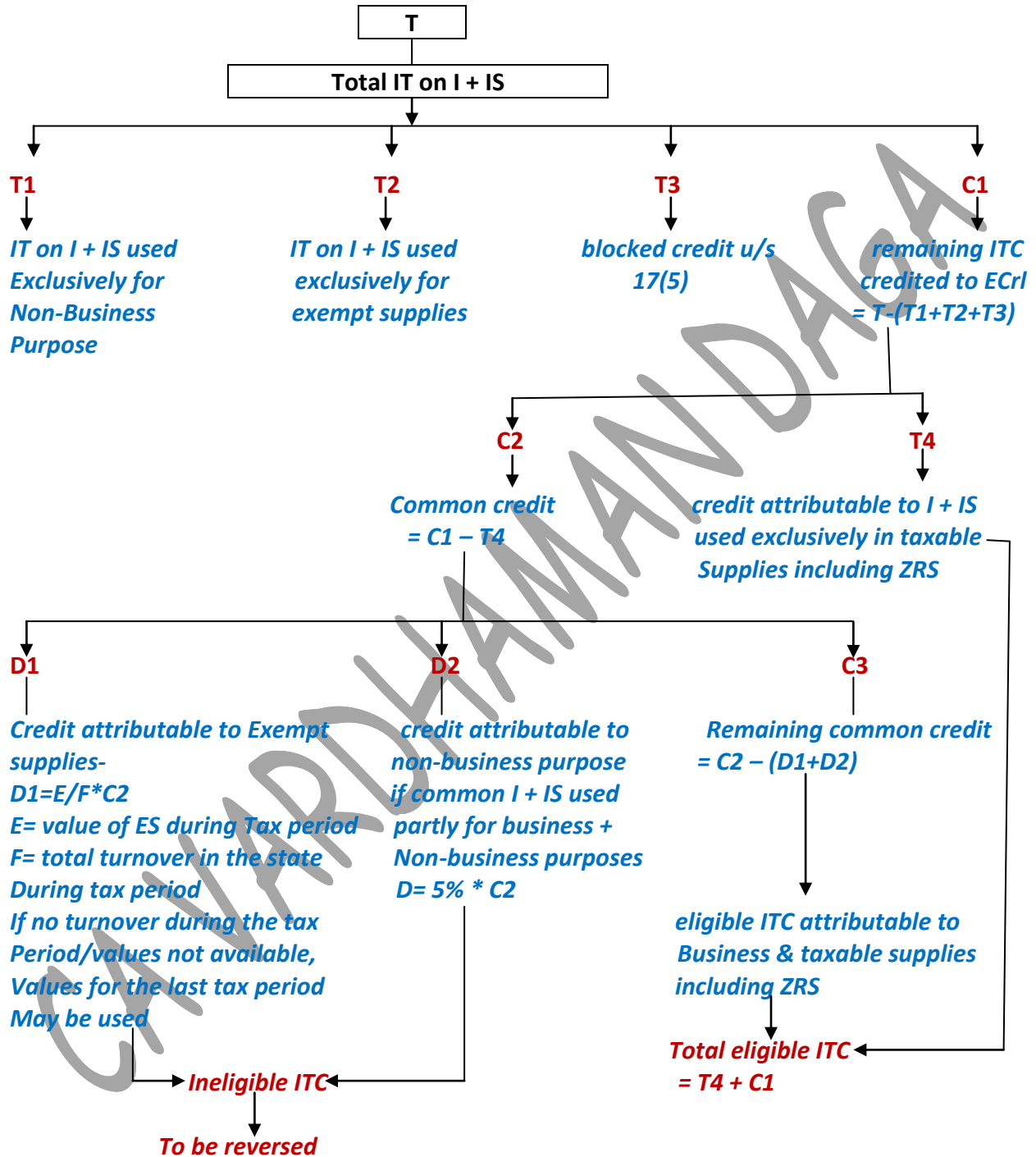
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		goods or services or both shall be available, where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.
(c)	Works contract	<p>Works contract services when supplied for construction of an immovable property.</p> <p>However, credit is allowed -</p> <p>(i) Where it is an input service for further supply of works contract service.</p> <p>(ii) Where it is supplied for construction of plant and machinery.</p> <p>Explanation:</p> <p>(1) "Plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports <b>but excludes-</b></p> <p>(i) land, building or any other civil structures;</p> <p>(ii) telecommunication towers; and</p> <p>(iii) pipelines laid outside the factory premises.</p> <p>(2) "Construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property.</p>
(d)	Input and input services for construction of immovable property	Goods or services or both received by a taxable person for construction of an immovable property on his own account including when such goods and services or both are used in the course or furtherance of business. <b>However, credit is allowed if they are supplied for construction of plant and machinery.</b>
(e)	Input under composition scheme	-
(f)	Inputs by NR	Goods and services or both received by a non-resident taxable person except on goods imported by him
(g)	Personal consumption	-
(h)	Lost, stolen goods etc.	-
(i)	Evasion, confiscation etc.	-

***APPORTIONMENT OF CREDIT AND BLOCKED CREDIT [SECTION 17]***



**APPORTIONMENT OF COMMON CREDIT IN CASE OF INPUT AND INPUT SERVICES [ not applicable for CA – inter ]**



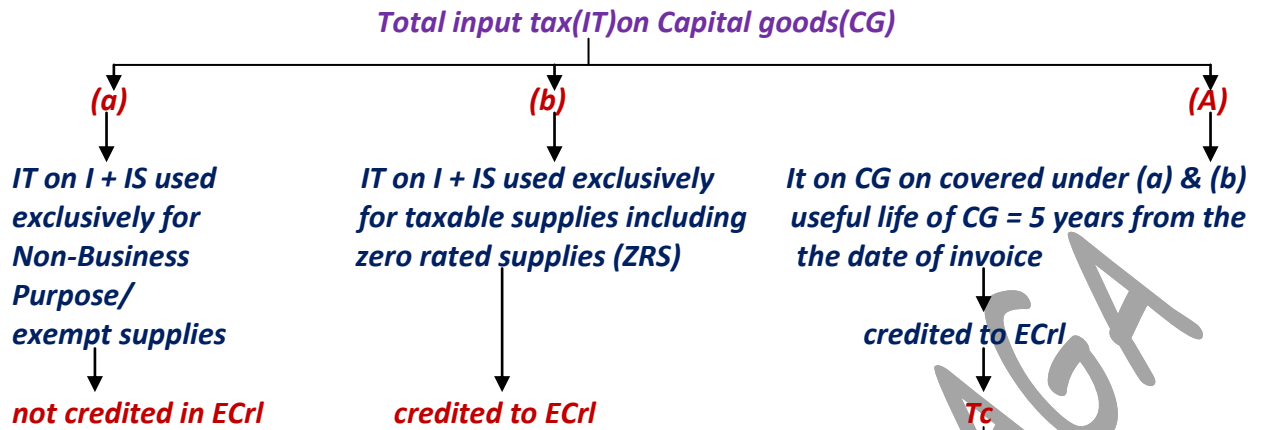
- C3 will be computed separately for ITC of CGST, SGCT/UTGST and IGST
- Total (D1+D2) will be computed for the whole financial year, by taking exempted turnover and aggregate turnover for the whole financial year. If this amount is more than the amount already reversed every month, the differential

amount will be reversed in any of the month till September of succeeding year along with interest @18% from 1<sup>st</sup> april of succeeding year till the date of payment.

- If the amount is less than the amount reversed every month, the additional amount paid is to be claimed back as credit in the return of any month till September of the succeeding year.
- Exempt supplies include reverse charge and transactions in securities.
- Exempt supplies exclude (i) activities specified in schedule 1 except sale of land and building when entire consideration is received post completion certificate/first occupation whichever is earlier, (ii) services of extending deposits, extending loan and advances where the consideration is interest/discount when the same are provided by persons other than banking company/financial institution including NBFC, and (iii) outbound (overseas ) transportation of goods by vessel.
- Aggregate value of exempt supplies and total turnover exclude central excise duty, state excise duty, central sales tax and VAT.
- Value of exempt supply in respect of land and building is the stamp duty value and for security is 1% of the sale value of such security.
- IT=input tax, I = inputs, IS = input service, ECrl = electronic credit edger, ZRS = zero rated supply, ES = exempt supplies.



**APPORTIONMENT OF COMMON CREDIT ON CAPITAL GOODS [ not applicable for CA – inter ]**



common credit on CG =  $T_c$  = total(A)

⇒ if CG under (a) subsequently gets covered under (A), then (A) = then input tax in respect of such capital goods denoted as “A” shall be credited to ECRI further, ineligible credit attributable to the period during which such capital goods were covered by (i) above, shall be computed @ 5% points per quarter or part thereof and will be added to output tax liability of the tax period in which such credit is claimed.

⇒ If CG under (b) subsequently gets covered Under (A), then (A) = the entire ITC claimed in respect of such capital goods shall be added to arrive at the aggregate value “ $T_c$ ”.

Common credit of CG for a tax period during their Useful life  $T_m = T_c/60$

**EXPLANATION:** for the removal of doubt, it is clarified that useful life of any capital goods shall be considered as 5 years from the date of invoice and this formula shall be applicable during the useful life of such capital goods.

$T_e$

Common credit towards exempted supplies  $T_e = E/F * T_r$   
**E – aggregate value of exempt supplies during tax period,**

*F – total turnover in state during the tax period, if no turnover during the tax period/values not available, values for last tax period may be used*



***Added to output tax liability along with interest***

- *Te* will be computed separately for ITC of CGST, SGST/UTGST and IGST
- Exempt supplies exclude (i) activities specified in schedule 1 except sale of land and building when entire consideration is received post completion certificate/first occupation whichever is earlier, (ii) services of extending deposits, extending loan and advances where the consideration is interest/discount when the same are provided by persons other than banking company/financial institution including NBFC, and (iii) outbound (overseas) transportation of goods by vessel.
- Aggregate value of exempt supplies and total turnover exclude central excise duty, state excise duty, central sales tax and VAT.
- Value of exempt supply in respect of land and building is the stamp duty value and for security is 1% of the sale value of such security.

### **UTILIZATION OF INPUT TAX CREDIT**

**Availment of input tax credit [Section 41(1)] [Amended by Finance Act, 2022 w.e.f. 01-10-2022]:** Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to avail the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited to his electronic credit ledger.

**Reversal of credit if tax has not been paid by the supplier [Section 41(2)]:** The credit of input tax availed by a registered person in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person in such manner as may be prescribed.

**Re-availment of ITC when tax deposited by the supplier:** Where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him in such manner as may be prescribed.

CGST credit – CGST and uske baad IGST se use ho sakti hai
SGST credit – SGST and uske baad IGST se use ho sakti hai
IGST credit – IGST uske baad CGST and uske baad SGST se use ho sakti hai
CGST credit – SGST se use nahi ho sakti hai
SGST credit – CGST se use nahi ho sakti hai

**Clarification in respect of utilization of input tax credit under GST** (circular no. 98/17/2019-GST dated 23-04-2019) -

**ITC of integrated tax can be utilized towards the payment of central tax and state tax/Union territory tax, in any order subject to the condition that the entire ITC on account of integrated tax is completely exhausted first before the input tax credit on account of central tax or state tax/ union territory tax can be utilized.**

**Rule 86A - conditions of use of amount available in electronic credit ledger**

**(1) Restriction on utilization of balance in ErCL - Conditions:**

- (a) The credit of input tax has been availed on the strength of tax invoices or debit notes or any other document
  - (i) Issued by a registered person who has been found non-existent or not to be conducted any business from any place for which registration has been obtained; or
  - (ii) Without receipt of goods or services or both; or
- (b) Tax has not been paid to the government
- (c) Registered person availing any credit of input tax is not in possession of a tax invoice or debit note or any other document.

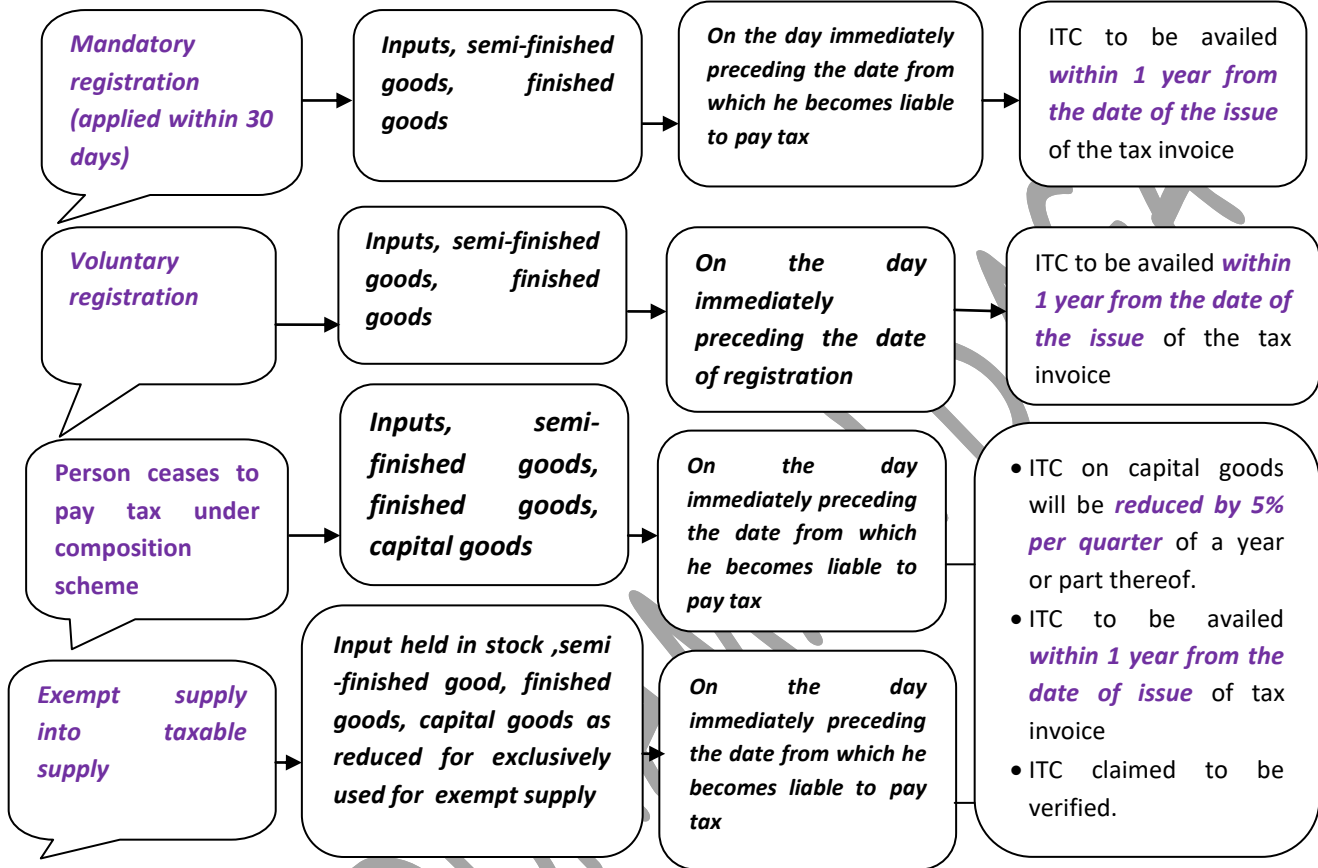
**(2) Maximum period of restriction - one year**

**Rule 86B - Restrictions on use of amount available in electronic credit ledger**

- ✦ **Applicability of Rule 86B** - registered person having value of taxable supply (other than exempt supply and zero-rated supply) in a month exceeding ₹ 50 lakh.
- ✦ **Nature of restriction imposed** - ITC to be utilized to the extent of 99% of the output tax liability.
- ✦ **Non applicability** -
  - a) **Payment of income tax of more than ₹ 1,00,000** - registered person, proprietor or karta or the managing director, any of its tow partners, whole-time directors, members of managing committee of association or board of trustees, as the case may be in **each of the two financial year** for which time limit to file return of income has expired under section 139(1).
  - b) **Refund of ITC of more than ₹ 1,00,000** - on account of zero rated supply or on account of inverted tax structure.
  - c) **Cumulative discharge of tax liability of more than 1% during the financial year.** (reverse charge liability not included)

d) **Specified registered person** - government department, a public sector undertaking, local authority, statutory body.

**AVAILABILITY OF CREDIT IN SPECIAL CIRCUMSTANCES (Section 18)**



- Time limit for filing declaration within 30 days
- Certification by CA/CMA if the claim of ITC exceed ₹ 200000.

**Manner of claiming credit in special circumstances (Rule 40)**

**Capital Goods**  
Sec 18(1)(c) &(d)

- ITC shall be claimed after reducing tax paid by 5% points per quarter of a year or part thereof
- From date of invoice or such other documents.

**E form & Time limit**

- Within 30 days from date of becoming eligible to avail ITC u/s.18(1) or as extended
- Declaration in Form GST ITC 01

**MANNER OF REVERSAL OF CREDIT UNDER SPECIAL CIRCUMSTANCES [Rule 44]**

**(1) Reversal of ITC [Rule 44(1)]:**

(a) **For inputs** - credit to be calculated proportionately on the basis of corresponding invoices

(b) **For capital goods** - credit to be calculated on pro rata basis taking useful life of capital goods 5 years

(2) **Tax invoice of inputs not available** - credit amount to be estimated on basis of market price.

(3) **Furnishing of details of credit** - FORM GST ITC-03

**ITC IMPLICATIONS ON SUPPLY OF CAPITAL GOODS OR PLANT AND MACHINERY ON WHICH ITC HAS BEEN TAKEN [ section 18(6) read with rule 40(2) of CGST rules, 2017]**

(1) supply of plant and machinery after use - shall pay higher of the following amount:

- \* an amount equal to the ITC taken on the said capital goods or plant and machinery **reduced @ 5% points for every quarter or part thereof** from the date of issue of invoice or
- \* the **tax on the transaction value**

(2) refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap - tax leviable on transaction value is to be paid

**CHANGE IN CONSTITUTION SEC 18(3)**

Change in constitution of registered taxable person

On account of

- Sale
- Merger
- Demerger
- Amalgamation
- Lease
- Transfer of business

Transfer of unutilized ITC in the books allowed to such :

- Sale
- Merger
- Demerger
- Amalgamation
- Lease
- Transfer of business

**RULE 41**

**TRANSFER OF CREDIT ON SALE, MERGER, AMALGAMATION, LEASE OR TRANSFER OF BUSINESS**

**E- FORM**

- Transfer of unutilized ITC lying in Electronic Credit Ledger to transferee
- Form GST ITC- 02
- In case of Demerger ITC shall be apportioned in ratio of value of assets as over scheme.
- Value of assets means value of entire assets of business whether ITC availed or not.

**CERTIFICATE**

- Certificate by practicing Chartered Accountant or Cost Accountant
- Certifying transfer of business has been done with a specific provision for the transfer of liabilities.

**ACCEPTANCE**

- Post filing of GST ITC -02
- Transferee shall accept in common portal details furnished by transferor

**ACCOUNTING**

- Inputs and capital goods so transferred shall be duly accounted by the transferee in his books of accounts.

**RULE 41 A**

- Transfer of credit on obtaining separate registration for multiple places of business within a state or UT
- ITC in electronic credit ledger to newly registered unit
- Within 30 days from obtaining registration
- Form GST ITC0-02
- Acceptance by transferee

**CIRCULAR NO. 96/15/2019 GST dated 28.03.2019 has clarified that transfer or change in the ownership of business includes transfer or change in the ownership due to death of the sole proprietor. {Latest Circular}**

**(1) Section 29(1)(a) of the CGST, Act provides that reason of transfer of business includes " death of the proprietor". Transfer or change in the ownership of business will include transfer or change in the ownership of business due to the death of sole proprietor.**

**(2) Continuation of business on death of sole - proprietor - ITC treatment:-**

**(a) Registration liability of the transferee/successor:** Transferee/Successor shall be liable to be registered with effect from the date of such transfer or succession, where a business is transferred to another person for any reason including death of the proprietor. While filling application in **FORM GST REG-01** electronically in the common portal the applicant is required to mention the reason to obtain registration as **"death of the proprietor"**

**(b) Cancellation of registration on account of death of the proprietor:** Cancellation of registration on account of death of the proprietor Section 29(1)(a) of the

CGST Act, allows the legal heirs in case of death of sole proprietor of a business, to file application for cancellation of registration in **FORM GST REG-16** electronically on common portal on account of transfer of business for any reason including death of the proprietor. In **FORM GST REG-16**, reason for cancellation is required to be mentioned as "**death of sole proprietor**". The *GSTIN* of transferee to whom the business has been transferred is also required to be mentioned to link the *GSTIN* of the transferor with the *GSTIN* of transferee.

**(c) Transfer of input tax credit and liability:**

- (i) In case of death of sole proprietor**, if the business is continued by any person being transferee or successor of business, it shall be construed as transfer of business.
- (ii) Section 18(3) of the CGST Act**, allows the registered person to transfer the **unutilized input tax credit lying in his electronic credit ledger** to the transferee in the manner prescribed in rule 41 of the CGST Rules, where there is specific provision for transfer of liabilities.
- (iii) As per Section 85(1) of the CGST Act**, the transferor and the transferee/successor shall jointly and severally be liable to pay any tax, interest or any penalty due from the transferor in cases of transfer of business "**in whole or in part, by sale, gift, lease, leave and license, hire or in any other manner whatsoever**".
- (iv) Furthermore, Section 93(1) of the CGST Act** provides that where a person, liable to pay tax, interest or penalty under the CGST Act, dies, then the person who continues business after his death, shall be liable to pay tax, interest or penalty due from such person under this Act. It is therefore **clarified that the transferee/successor shall be liable to pay any tax, interest or any penalty due from the transferor in cases of transfer of business due to death of sole proprietor**.

**(d) Manner of transfer of credit:** As per Rule 41(1) of the CGST Rules, 2017, in case of transfer of business on account of death of sole proprietor, the transferee/successor shall file **FORM GST ITC-02** in respect of the registration which is required to be cancelled on account of death of the sole proprietor.

**FORM GST ITC-02** is required to be filed by the transferee/successor before filing the application for cancellation of such registration.

Upon acceptance by the transferee/successor, the un-utilized input tax credit specified in **FORM GST ITC- 02** shall be credited to his electronic credit ledger.

**TRANSFER OF CREDIT ON OBTAINING SEPARATE REGISTRATION FOR MULTIPLE PLACES OF BUSINESS WITHIN A STATE OR UNION TERRITORY [Rule 41A]**

- (1) Details of transfer of ITC to be furnished on account of separate registration for multiple places of business - FORM GST ITC - 02A**
- (2) Transfer details to be accepted by transferee.**

## **CHAPTER - 9 REGISTRATION**

### **NEED FOR REGISTRATION**

**1. Advantages of registration:**

- ✚ Legally recognized as supplier of goods or services.
- ✚ Proper accounting of taxes paid
- ✚ Legally authorized to collect tax

**2. No centralized registration**

**3. No tax specific registration**

### **PERSON LIABLE FOR REGISTRATION [ SECTION 22 ]**

Threshold limit for registration:

<i>States with threshold limit of Rs 10 lakh for both goods and services</i>	<i>States with threshold limit of Rs 20 lakh for both goods and services</i>	<i>States with threshold limit of Rs 20 lakh for services and Rs 40 lakh for goods (i.e persons engaged exclusively in supply of goods)</i>
<i>Manipur, Mizoram, Nagaland, Tripura</i>	<i>Arunachal Pradesh, Meghalaya, Sikkim, Uttarakhand, Puducherry, Telangana</i>	<i>Jammu and Kashmir, Assam, Himachal Pradesh, All other states</i>

**Analysis of aggregate turnover:**

1. Aggregate turnover to include total turnover of all branches with same PAN.
2. Outward supplies taxed on reverse charge basis - to be included in turnover of the supplier.
3. Aggregate turnover to include all supplies made on behalf of principal
4. Supply of goods by job worker to be included in supplies of principal

### **PERSONS NOT LIABLE FOR REGISTRATION - SEC 23**

Aggregate Turnover < 20 L/10L → No registration in following cases

**Persons not liable for registration in GST**

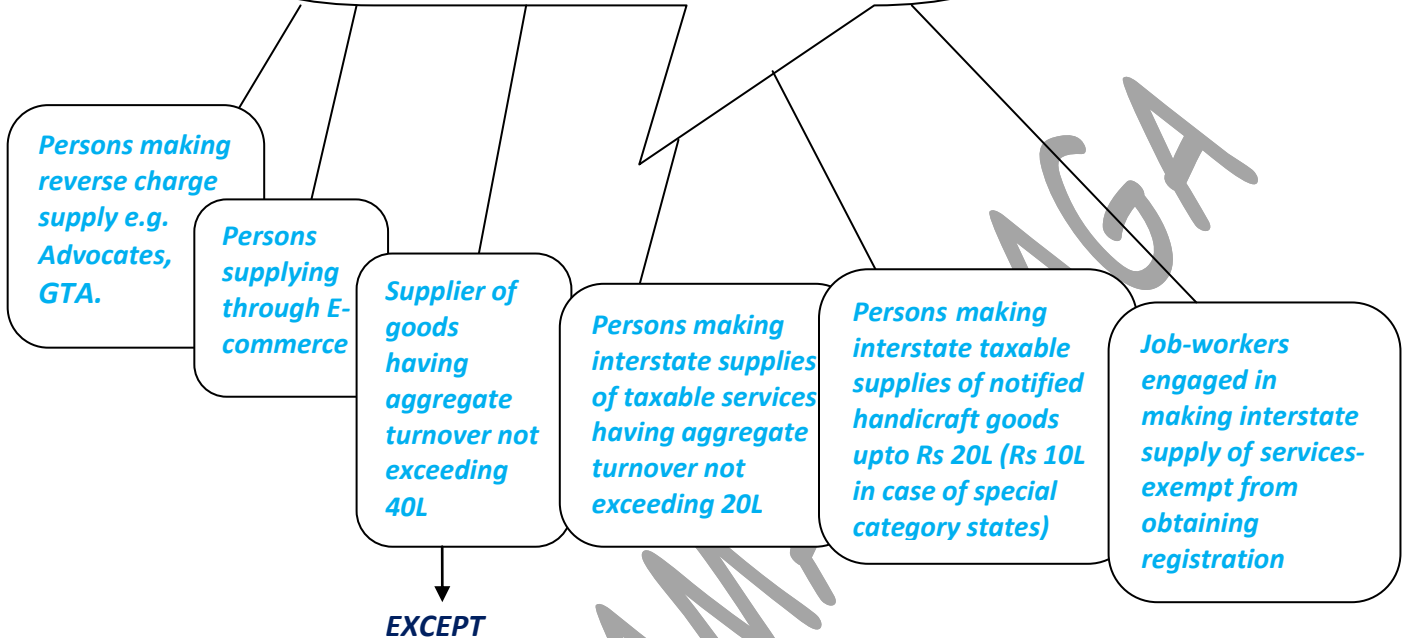


- ✓ Person exclusively engaged in the business of supplying goods/ services that are **not liable to tax**.
- ✓ Persons exclusively engaged in the business of supplying goods/services that are **wholly exempt from tax**
- ✓ **Agriculturist**, to the extent of supply of produce out of cultivation of land



**Sec. 23(2)**

**The Government may, on the recommendations of the council, by notification, specify the category of persons who may be exempted from registration under this act.**



- **Persons required to get compulsory registration**
- **Supplier of Ice cream , pan masala , Tobacco, fly ash bricks or fly ash aggregate, fly ash blocks (Amended), bricks of fossil meals or similar siliceous earths, building bricks and earthen or roofing tiles**
- **Persons engaged in making intra state supply in special category states.**
- **Persons exercising options of voluntary registration. Sec.25(3)**
- **Registered persons who intend to continue with their registration.**

**Services provided by the commission agent for sale/purchase of agriculture produce:**  
A commission agent making supplies on behalf of such an agriculturist - not a taxable person - is not liable for compulsory registration. However, where a commission agent is liable to pay tax under reverse charge, such an agent will be required to get registered compulsory.

**Aggregate Turnover means** the aggregate value of all taxable supplies (excluding the Value of inward supplies, on which tax is payable on reverse charge basis), exempt supplies, export of goods or services or both or inter-state supplies of people having same permanent account Number, to be computed in all India basis but excludes central tax, state tax, Union territory tax, Integrated tax and cess.

**COMPULSORY REGISTRATION UNDER CERTAIN CASES [ SECTION 24 ]**

- (i) **Persons making any inter-state taxable supply:** (C.G has granted exemption from registration to person making interstate supplies of taxable services having aggregate turnover not exceeding up to Rs 20 lakh/Rs 10 lakh in special category states)
- (ii) **Casual Taxable persons making taxable supply:** [Sec2(20) "Casual taxable person" means a persons who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as a principal agent or in any other capacity, in a state or a Union Territory where he has no fixed place of business.] C.G has granted exemption from interstate registration up to Rs 20 lakh/Rs 10 lakh in special category states.

**Compulsory Registration u/s 25 (without any turnover limit)**

1.	Persons liable to pay tax under RCM
2.	Electronic commerce Operator [covered un section 9(5)]
3.	Non - resident taxable person
4.	Persons required to deduct tax u/s 51
5.	Supplier of goods on behalf of other taxable person whether as agent or otherwise
6.	Input service distributor
7.	Person who Supplies Goods/services through E-commerce Operator who are required to collect TCS. (however person who are suppliers of service and supplying services through e-commerce operator are not required to get registered if there aggregate turnover does exceed the limit specified) other than section 9(5)
8.	Every E-commerce operator required to deduct TCS u/s 52
9.	Every person supplying OIDAR services outside India, other than registered person
10.	Any person or class of person notified by CG

**PROCEDURE FOR REGSITRATION [ SECTION 25 ]**

- (1) Application to be made **within 30 days** in every state/ UT in which such **person is liable for registration.**  
**Supplier making supply from territorial water of India (TWI)** - registration to be obtained from nearest costal state or union territory  
**Separate registration of SEZ units and NON - SEZ units.**
- (2) **One registration per state:** we declare one place as Principal place of business (PPOB) and branches as Additional place of business (APOB) for single registration within state. However separate registration can be obtained for multiple place of business in a state/UT.
- (3) **Voluntary registration - all provisions of registration applicable.**

- (4) Person having more than one registration - each registration to be treated as distinct persons.
- (5) Premises in separate states - deemed distinct person.
- (6) PAN mandatory for registration, however TAN is required by a person who is required to deduct tax u/s 51
- (7) Non-resident taxable person - registration can be granted on basis of other documents.
- (8) Failure to obtain registration - then officer may compel to mandatory register.
- (9) UIN to be granted to specialized agency of UNO/consulate/embassy of foreign country/other notified persons.
- (10) RC/UIN to be granted or rejected after due verification within 3 days.
- (11) RC to be issued in prescribed form.
- (12) RC/UIN nor granted within prescribed period - deemed to be granted.
- (13) Aadhaar Authentication of registered person: every person shall undergo authentication, or furnish proof of possession of Aadhar number. Alternate means of authentication if Aadhar number not assigned. If authentication failed then registration invalid.
- (14) Non-individuals - authentication by Aadhaar number of authorised persons  
The central government as the date from which the (notification no. 19/2019 dated 23-03-2020 has notified 01-04-2020) -
- (a) Authorised signatory of all types;
  - (b) Managing and authorised partners of a partnership firm; and
  - (c) Karta of an hindu undivided family,
- Shall undergo authentication of possession of Aadhaar number, as specified in rule 8 of the CGST rules, 2017, in order to be eligible for registration under GST
- (15) Non-applicability [ section 25(6D)]:  
Persons exempted from Aadhaar authentication: the central government, on the Recommendations of the council, hereby notifies that Aadhaar authentication provisions shall not apply to a person who is not a citizen of India or to a class of persons other than the following class of persons, namely (notification no. 17/2019 dated 23-03-2020 has notified 01-04-2020) -
- (a) Individual;
  - (b) Authorised signatory of all types;
  - (c) Managing and authorised partner; and
  - (d) Karta of an hindu undivided family

**Application for registration [ Rule 8 of CGST Rules, 2017]**

- Aadhaar authentication [Rule 8(4A)]: where an applicant, other than a person notified under section 25(6D), opts for authentication of Aadhar number, he shall, while submitting the registration application, w.e.f 21-8-2020, undergo authentication of Aadhar number and the date of submission of the application

**in such cases shall be the date of authentication of the Aadhaar number, or 15 days from the submission of the application in Part B of FORM GST REG-01, whichever is earlier. [Amended by Notification no. 62/2020-CT dated 20-08-2020 w.e.f 01-04-2020]**

**PROCEDURE FOR REGISTRATION**

**PART - I**

Every person liable to get registered and person seeking voluntary registration shall, before applying for registration declare his PAN, Mobile number, E-mail address, state/UT in part A of FORM GST REG-01 on GST common portal.

Validation of  
PAN                      Mobile no.                      E-mail ID

- PAN validated online by common portal from CBDT database
- Mobile number and email verified through one time password sent to it.

Temporary reference number (TRN) is generated and communicated to the applicant on the validated mobile number and email address.

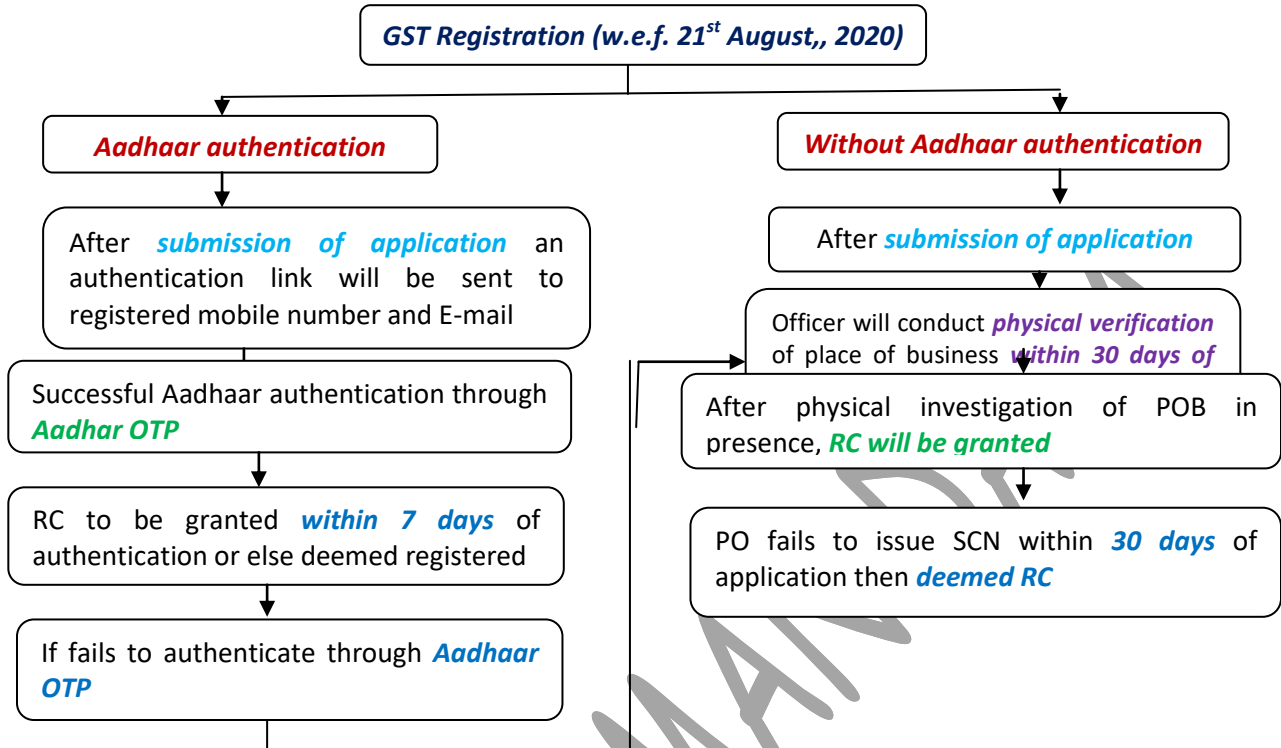
Using TRN, applicant shall electronically submit application in Part – B of application form, along with specified documents at the common portal

On receipt of such application, an acknowledgement in the prescribed form shall be issued to the applicant electronically. A casual taxable person (CTP) applying for registration gets a TRN for making an advance deposit of tax in his electronic cash ledger and an acknowledgement is issued only after said deposit.

Application shall be forwarded to the proper officer

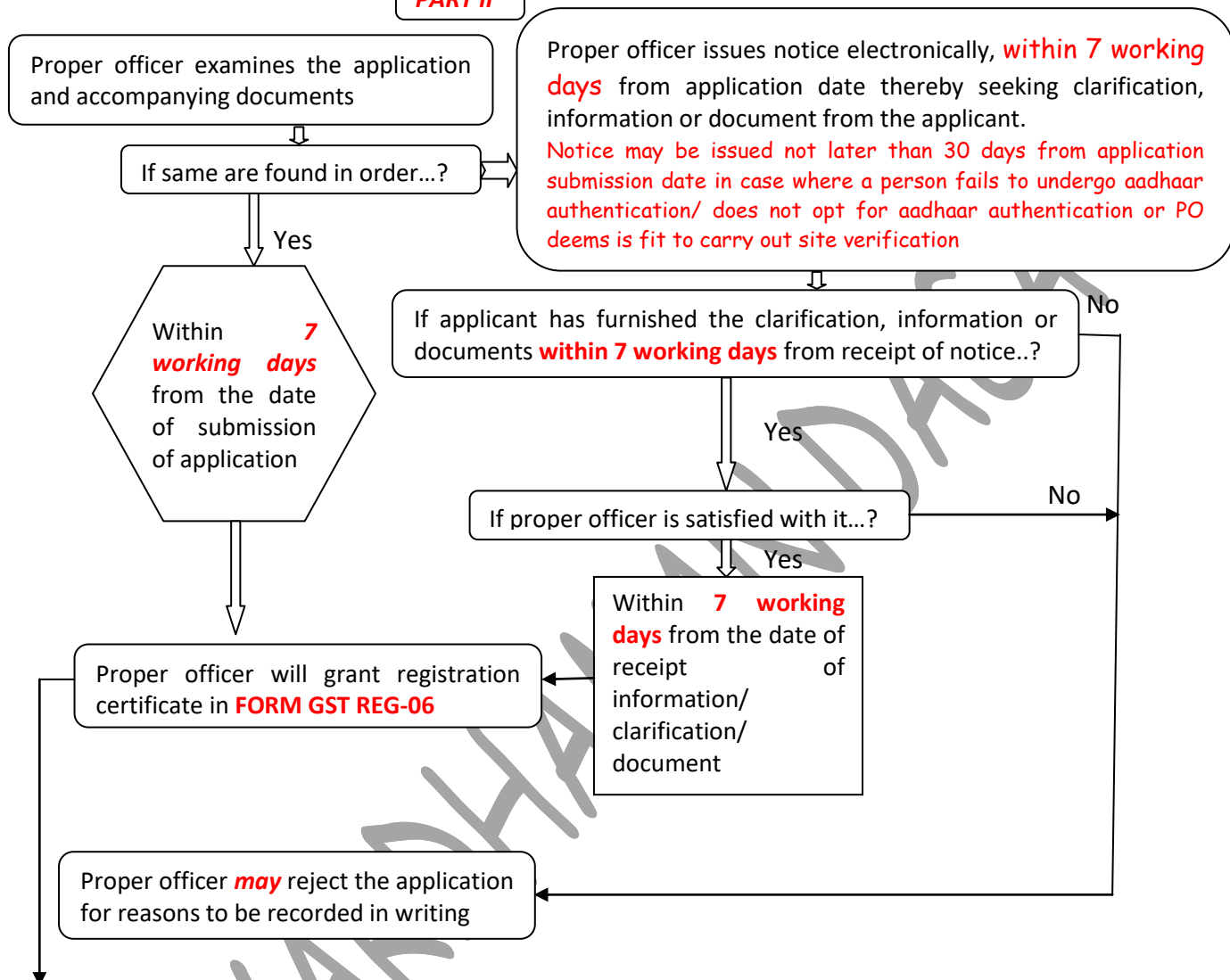
The procedure after receipt of application by the proper officer is depicted in part II of the diagram

***AADHAAR BASED GST REGISTRATION PROCEDURE [ Amended by Finance Act, 2020]***



***Note: if Tax official raises SCN within 30 days working days , then applicant will have to reply within 7 working days. Tax official can take further action on that reply within 7 working days. If Tax official doesn't take any action within 7 working days, then application will be deemed approved after 7 working days.***

**PART II**



***Deemed approval of application***

***If the proper officer fails to take any action -***

- *Within 7 working days from the date of submission of application, or*
- *Within 30 days from the date of submission of application where a person fails to undergo Aadhaar authentication or doesn't opt for the same*
- *Within 7 working days from the date of receipt of clarification, information or documents furnished by the applicant,*

***The application for grant of registration shall be deemed to have been approved.***

**ISSUE OF REGISTRATION CERTIFICATE [ RULE OF CGST Rules, 2017 ]**

- (1) **Grant of RC on approval of application – 15 digit GSTN:** in FORM GST REG-06
- (2) **If application made within 30 days - registration effective from the date on which the person become liable to registration.**

- (3) If application not made within 30 days - registration effective from the date of grant of registration.
- (4) RC to be digitally signed
- (5) Grant of RC within 7 working days.
- (6) Furnishing of bank account details: shall furnish within 45 days from the date of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier.

**Aadhar authentication for registered person [ rule 10B] [inserted by finance act 2021]**

- ✦ **Purposes for which aadhar authentication is required:** The registered person, other than a person notified u/s 25(6D), who has been issued a certificate of registration shall, undergo authentication of the aadhaar number for the following purposes:

- (a) For filing of application for revocation of cancellation of registration in FORM GST REG-21 under Rule 23
- (b) For filing of refund application in FORM RFD-01 under rule 89
- (c) For refund under rule 96 of the integrated tax paid on goods exported out of India.

- ✦ **Persons whose Aadhar authentication will be done:**

	Category of persons	Person whose Aadhar authentication is required
1.	Proprietorship firm,	Proprietor
2.	Partnership firm	Any partner
3.	HUF	Karta
4.	Company	MD or WTD
5.	AOP/BOI/Society	Any of the members of the managing director,
6.	Trust	Trustee in the board of trustees or authorized signatory

- ✦ **Documents to be furnished if aadhar number is not assigned:** if aadhar number has not been assigned to the person required to undergo authentication of the aadhar number, such person shall furnish the following identification documents namely:-

- (a) His/her aadhar enrolment ID slip; and
- (b) (i) bank passbook with photograph; or  
(ii) voter identity card or  
(iii) passport; or  
(iv) driver license

Such person shall undergo the authentication of Aadhar number within a period of 30 days of the allotment of the aadhar number.

**SEPARATE REGISTRATION FOR MULTIPLE PLACES OF BUSINESS WITHIN A STATE OR UNION TERRITORY [ RULE 11 ]**

**(1) Conditions:**

- (a) More than one place of business
- (b) Person not paying tax under section 10
- (c) All separately registered places of business of such person paying tax

**(2) Separate registration application for each places of business: in FORM GST REG-01**

**(3) Verification and grant of registration certificate.**

**SUO MOTO REGISTRATION [ RULE 16 OF CGST Rules 2017 ]**

**(1) Temporary registration by proper officer: in FORM GST REG-12**

**(2) Effective date of registration: date of granting of order.**

**(3) Application for registration to be made within 90 days of temporary registration; if appeal filed against order of temporary registration is dismissed - within 30 days of appellate order**

**(4) Verification and grant of registration certificate.**

**(5) GSTIN to be effective from the date of temporary registration.**

**DISPLAY OF REGISTRATION CERTIFICATE AND GSTIN ON THE NAME BOARD [ RULE 18 OF CGST RULES, 2017 ]**

**(1) RC to be displayed at principal and additional place of business.**

**(2) GSTIN to be displayed on the name board.**

**METHOD OF AUTHENTICATION [ RULE 26 OF CGST RULES, 2017 ]**

E-application, replies etc. to be authenticated by E-signature. Digital signature mandatory for companies. E-notices certificates, etc to be authenticated by DSC.

**ASSIGNMENT OF UIN TO CERTAIN SPECIAL ENTITIES [ RULE 17 OF CGST RULES, 2017 ]**

**(1) E-Application for grant of UIN: in FORM GST REG-13**

**(2) UIN applicable to the territory of India.**

**(3) UIN to be assigned and RC to be given within 3 working days: from the date of submission of the application**

**DEEMED REGISTRATION [ SECTION 26 ]**

**(1) RC/UIN granted under SGST/UTGST Act - deemed registration under CGST Act.**

**(2) Rejection of registration application under SGST/UTGST Act - deemed rejection under CGST Act**

**EXTENSION IN PERIOD OF OPERATION BY CASUAL TAXABLE PERSON AND NON-RESIDENT TAXABLE PERSON [ RULE 15 OF CGST RULES, 2017 ]**

**(1) Application for extension before the end of the validity of registration period: in FORM GST REG-11**

**(2) Acknowledgement of application only on advance deposit of tax.**



- (3) **Casual taxable person(CTP) - advance tax to be deposited while taking registration should be 100% of the estimated tax liability payable in cash i.e. estimated gross tax liability after deducting the due eligible ITC which might be available to CTP**

**AMENDMENT OF REGISTRATION [ SECTION 28 ]**

- (1) **Change in formation relating to RC/UIN to be furnished to proper officer: within 15 days from such change.**
- (2) **Approval / rejection of amendments: in such form manner as may be prescribed.**  
Opportunity of being heard must be given before rejection.
- (3) **Rejection or approval of amendments under SGST/UTGST act - deemed rejection or approval under CGST.**

**AMENDMENT FOR REGISTRATION [ RULE 19 OF CGST RULES, 2017 ]**

- (1) **E-application for change in particulars within 15 days of such change: in FORM GST REG - 14.**

**Approval of amendment:**

- (a) **In case of amendment of core fields of information, approval of amendment within 15 days :Where the change relates to core field**
- (i) **of information i.e., legal name of business;**
  - (ii) **address of the principal place of business (PPoB) or any additional place(s) of business (APoB); or**
  - (iii) **addition, deletion or retirement of partners or directors, Karta, Managing Trustees, Chief Executive Officer or equivalent, responsible for the day to day Committee, Board of affairs of the business,**

which does not warrant cancellation of registration under Section 29, the proper officer shall, after due verification, approve the amendment **within a period of 15 working days** from the date of the receipt of the application in **FORM GST REG-14** and issue an order in **FORM GST REG-15** electronically and **such amendment shall take effect from the date of the occurrence of the event warranting such amendment;**

- (b) **Change to be effective in all registrations obtained on basis of same PAN :**  
The change relating to core field information in any State or Union territory shall be applicable for all registrations of the registered person obtained under the provisions of this Chapter on the same PAN;

- (c) **Where change relates to non-core fields of information To be effective upon submission of the application:** Where the change relates to any particulars other than those specified in (a) above, the certificate of registration shall stand amended upon submission of the application in **FORM GST REG-14** on the common portal;

**Change in the mobile number or e-mail address of the authorised signatory**  
**Online verification for such change through OTP:** Any change in the mobile number or e-mail address of the authorised signatory submitted under this rule, as amended from time to time, shall be carried out only after online verification through the common portal in the manner provided under Rule 8(2).

(d) **Fresh registration in case of change in PAN:** person shall apply for fresh registration in FORM GST REG-01.

(2) **Retrospective amendment to be effective on commissioner's order.**

(3) **SCN to be issued prior to rejection of amendment application:** within a period of 15 working days in FORM GST REG -14, serve a notice in FORM GST REG -03, required the registered person to show cause , within a period of 7 days

(4) **Reply to SCN within 7 days in FORM GST REG-04**

(5) **Rejection of application in FORM GST REC -05**

(6) **Deemed amendment:** if the proper officer fails to take any action-

(a) Within a period of 15 working days

(b) Within a period of 7 working days

**CANCELLATION OR SUSPENSION OF REGISTRATION [ SECTION 29 ]**

(1) **Cancellation of registration either suo motu or an application by registered person:**

The proper officer may -

- ❖ either on his **own motion**, or
- ❖ on an **application filed by the registered person**, or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed,

**Circumstances in which Registration is Cancelled:** The registration can be cancelled having regard to the following circumstances where, -

(a) the business has been,

- ❖ **discontinued,**
- ❖ **transferred fully for any reason including death of the proprietor,**
- ❖ **amalgamated with other legal entity,**
- ❖ **demerged, or**
- ❖ **otherwise disposed of; or**

(b) there is any change in the constitution of the business; or

(c) the taxable person, other than the person registered under Section 25(3) i.e. Voluntary Registration, is no longer liable to be registered under Section 22 or Section 24.

**Suspension of registration during pendency of cancellation of proceedings:** During pendency of the proceedings relating to cancellation of registration filed by the registered person, the registration may be suspended for such period and in such manner as may be prescribed.

**Cancellation of registration by proper officer - Reasons thereof [Section 29(2) and Rule 21 of CGST Rules, 2017] [Amended by Finance Act, 2022 w.e.f. 01-10-2022]:**

The proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where, -

- a) a registered person has contravened such provisions of the Act or the rules made thereunder i.e. -
- i. he does not conduct any business from the declared place of business; or
  - ii. he issues invoice or bill without supply of goods or services or both in violation of the provisions of this Act, or the rules made thereunder.
  - iii. he violates the provisions of Section 171 [i.e. Anti Profiteering Measure] of the Act or the rules made thereunder;
  - iv. violates the provision of rule 10A (i.e. Furnishing of Bank Account Details)
  - v. avails input tax credit in violation of the provisions of section 16 of the Act or the rules made thereunder; or
  - vi. furnishes the details of outward supplies in FORM GSTR-1 under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods; or
  - vii. violates the provision of rule 86B i.e. utilises ITC in excess of 99% of output tax liability; or
  - viii. being a registered person required to file return u/s 39(1) for each month or part thereof, has not furnished returns for a continuous period of six months;
  - ix. being a registered person required to file return u/s 39(1) under QRMP scheme for each quarter or part thereof, has not furnished returns for a continuous period of two tax periods. [Inserted by Notification No. 19/2022-CT dated 28-09-2022 w.e.f. 01-10-2022]
- b) a person paying tax under section 10 (ie. composition supplier) has not furnished the return for a financial year beyond three months from the due date of furnishing the said return; or
- c) any registered person, other than a composition supplier, has not furnished returns for a such continuous tax period as may be prescribed; or
- d) any person who has taken voluntary registration under Section 25(3) has not commenced business within 6 months from the date of registration; or
- e) registration has been obtained by means of fraud, wilful misstatement or suppression of facts.

Opportunity of being heard before cancellation.

**Suspension of registration during pendency of cancellation of proceedings.**

- (2) Cancellation of registration - not to affect tax liability
- (3) Cancellation under SGST/UGST Act - deemed cancellation under CGST ACT.
- (4) On cancellation - pay ITC availed on goods in stock or output tax whichever is higher.
- (5) On cancellation - payment in respect of capital goods shall be amount equal to ITC taken on capital goods as reduced by the percentage i.e. ITC involved in the remaining useful life of the capital goods will be reversed on pro-rata basis, taking the useful life as 5 years or tax on transaction value, whichever is higher.

**APPLICATION FOR CANCELLATION OF REGISTRATION [ RULE 20 OF CGST RULES, 2017 ]**

In FORM GST REG-13 within a period of 30 days of the occurrence of the event warranting the cancellation.

**SUSPENSION OF REGISTRATION [ RULE 21 ]**

- (1) Deemed suspension on application for cancellation of registration.
- (2) Suspension shall be by proper officer [without affording the said person reasonable opportunity of being heard.( for NOV 2021 exams)]
- (3) Taxable supplies not to be effected / return not to be filed during suspension
- (4) In a case where the cancellation is initiated by the department on its own and registration of a person has been suspended, such person shall not be granted any refund under section 54 of the CGST act, during the period of suspension of his registration.( for NOV 2021 exams)
- (5) **Revocation of suspension [Rule 21A(4)]:** The suspension of registration under 21A(1)/(2)/(2A) shall be deemed to be revoked upon completion of the proceedings by the proper officer under rule 22 and such revocation shall be effective from the date on which the suspension had come into effect.  
However, the suspension of registration under this rule may be revoked by the proper officer, anytime during the pendency of the proceedings for cancellation, if he deems fit.

**Revocation of suspension on furnishing of returns:** Where the registration has been suspended under Rule 21A(2A) for contravention of the provisions contained in section 29(2)(b)/(c) i.e. non furnishing of returns and the registration has not already been cancelled by the proper officer under rule 22, the suspension of registration shall be deemed to be revoked upon furnishing of all the pending returns. [Amended by Notification No. 14/2022-CT w.e.f. 05-07-2022]

- (7) Revised tax invoice and first return provisions applicable in respect of the supplies made during the period of suspension and the procedure specified therein shall apply.

**CANCELLATION OF REGISTRATION [ RULE 22 OF CGST RULES, 2017 ]**

- (1) SCN for cancellation of registration in FORM GST REG - 17 within a period of 7 working days from the date of service of notice
- (2) Reply to SCN in FORM GST REG - 18 within 7 days working days from the date of service of notice
- (3) Order for cancellation of registration in FORM GST REG - 19 within a period of 30 days from the date of application or the date of reply to the show cause issued.
- (4) Dropping of proceeding for cancellation of registration in FORM GST REG - 20
- (5) Shall apply to legal heirs.

**REVOCAION FOR CANCELLATION OF REGISTRATION [ SECTION 30 ]**

- (1) Application for restoration of registration to be made within 30 days from the service of cancellation order.

Time period of filing of application for revocation of 30 days from the date of service of the order of cancellation of registration, may, on sufficient cause being shown, and for reasons to be recorded in writing, be extended, -

- a) By the additional commissioner or the joint commissioner, as the case may be, for a period not exceeding 30 days;
- b) By the commissioner, for a further period not exceeding 30 days, beyond the period specified in clause (a).
- (2) Acceptance/rejection of application - opportunity of heard must be given.
- (3) Restoration of RC under STCG/UTCG act - deemed restoration under CGST Act.

**REVOCAION OF CANCELLATION OF REGISTRATION [ RULE 23 OF CGST RULES, 2017 ]**

- (1) Restoration application for cancelled registration in FORM GST REG - 21 within a period of 30 days.

*Cancellation on account of failure to furnish returns - restoration application shall not be filed until returns furnished and tax has been paid.*

*Pending returns to be filed before revocation of cancellation of registration (period from the effective date of cancellation of registration till the date of order of revocation of cancellation of registration shall be filed within a period of 30 days from the date of such revocation of cancellation of registration.*

- (2) Order for approval / rejection of restoration application:

- (a) Order for approval of restoration application in FORM GST REG - 22 within a period of 30 days
- (b) Order for rejection of restoration application in FORM GST REG -05.

- (3) ***Issuance of SCN before rejection*** in FORM GST REG - 24 within a period of 7 working days.
- (4) ***Disposal of application*** in FORM GST REG - 24 within a period of 30 days from the date of the receipt of such information or clarification from the applicant.

CA VARDHAMAN DAGA

**TAX INVOICE, CREDIT & DEBIT NOTES AND E-WAY BILL**

- Invoice requirement in case of export/SEZ supplies: same as in case of tax invoice except where the recipient is unregistered and value of supply is Rs 50000 or more, instead of name of the state and its code, in case of an export invoice, name of the country of destination is to be mentioned.
- Tax invoice [Rule 46]:- Quick response code, having embedded invoice reference number (IRN) in it, in case e-invoice has been issued under Rule 48(4). [ Amended by notification No. 72/2020 - CT dated 30-09-2020]
- A declaration as below, that an e-invoice is not required to be issued u/r 48(4), in all cases where an invoice is issued, other than an e-invoice, by the taxpayer having aggregate turnover in any preceding financial year from 2017-18 onwards more than ₹ 10 crores.
- "I/We hereby declare that though our aggregate turnover in any preceding financial year from 2017-18 onwards is more than the aggregate turnover notified under Rule 48(4), we are not required to prepare an invoice in terms of the provisions of the said sub-rule." [Inserted vide Notification No. 14/2022-CT dated 05-07-2022]

Invoice having QR code: The central government has notified that -

- An invoice issued by a registered person, whose aggregate turnover in any preceding financial year from 2017-18 onwards exceed ₹ 500 crore, [Amended by Finance act 2022]
- Other than those referred to Rule 54(2)/(3)/(4)/(4A) (i.e service suppliers of notified services), and registered person referred to in section 14 of the IGST Act, 2017 (i.e OIDAR service suppliers)
- To an unregistered person (hereinafter referred to as B2C invoice), shall have Dynamic QR code.

However, where such registered person makes a Dynamic QR code available to the Recipient through a digital display, such B2C invoice issued by such registered person containing cross-reference of the payment using a Dynamic QR code, shall be deemed to be having QR code.

**Clarification in respect of applicability of Dynamic Quick Response (QR) code on B2C invoices (circular)**

	Issues	Clarification
1	To which invoice is Notification No 14/2020-CT dated 21-03-2020 applicable? Would this requirement be applicable on invoices issued for supplies made for Exports?	This notification is applicable to a tax invoice issued to an unregistered person by a registered person (B2C invoice) whose annual aggregate turnover exceeds ₹500 crore in any of the financial years from 2017-18 onwards.

		<p>However, the said notification is not applicable to an invoice issued in following cases:</p> <p>(i) Where the supplier of taxable service is:</p> <p>(a) an insurer or a banking company or a financial institution, including a non-banking company;</p> <p>(b) a goods transport agency supplying services in relation to transportation of goods by road in a goods carriage;</p> <p>(c) supplying passenger transportation service;</p> <p>(d) supplying services by way of admission to exhibition of cinematograph in films in multiplex screens.</p> <p>(ii) OIDAR supplies made by any registered person, who has obtained registration under section 14 of the IGST Act 2017, to an unregistered person.</p> <p>As regards the supplies made for exports, though such supplies are made by a registered person to an unregistered person, however, as e-invoices are required to be issued in respect of supplies for exports, in terms of Notification no. 13/2020-CT, dated 21-03-2020 treating them as Business to Business (B2B) supplies, Notification no. 14/2020-CT dated 21-03-2020 will not be applicable to them.</p>
2	What parameters/ details are required to be Response (QR) captured In the Quick Code?	<p>Dynamic QR Code, in terms of Notification No. 14/2020-CT, dated 21-03-2020 is required, inter-alia, to contain the following information:</p> <p>(i) Supplier GSTIN number</p> <p>(ii) Supplier UPI ID</p> <p>(iii) Payee's Bank A/C number and IFSC (iv) Invoice number &amp; invoice date,</p> <p>(v) Total Invoice Value and</p> <p>(vi) GST amount along with breakup i.e. CGST, SGST, IGST, CESS, etc.</p> <p>Further, Dynamic QR Code should be such that it can be scanned to make a digital</p>



		payment.
3	If a supplier provides/ displays Dynamic QR Code, but the customer opts to make payment without using Dynamic QR Code then will the cross reference of such payment, made without use of Dynamic QR Code, on the invoice, be considered as compliance of Dynamic QR Code on the invoice?	<p>If the supplier has issued invoice having Dynamic QR Code for payment, the said invoice shall be deemed to have complied with Dynamic QR Code requirements.</p> <p>In cases where the supplier, has digitally displayed the Dynamic QR Code and the customer pays for the invoice:</p> <p>(i) Using any mode like UPI, credit/ debit card or online banking or cash or combination of various modes of payment, with or without using Dynamic QR Code, and the supplier provides a cross reference of the payment (transaction id along with date, time and amount of payment, mode of payment like UPI, Credit card, Debit card, online banking etc.) on the invoice; or</p> <p>(ii) In cash, without using Dynamic QR Code and the supplier provides a cross reference of the amount paid in cash, along with date of such payment on the invoice;</p> <p>The said invoice shall be deemed to have complied with the requirement of having Dynamic QR Code.</p>
4	If the supplier makes available to customers an electronic mode of payment like UPI Collect, UPI Intent or similar other modes of payment, through mobile applications or computer based applications, where though Dynamic QR Code is not displayed, but the details of merchant as well transaction are as displayed/ captured otherwise, how can the requirement of Dynamic QR Code as per this notification be complied with?	In such cases, if the cross reference of the payment made using such electronic modes of payment is made on the invoice, the invoice shall be deemed to comply with the requirement of Dynamic QR Code. However, if payment is made after generation issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.
5	Is generation/ printing of Dynamic QR Code on B2C invoices mandatory for pre paid invoices i.e. where payment has been	If cross reference of the payment received either through electronic mode or through cash or combination thereof is made on the invoice, then the invoice would be deemed to

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	made before issuance of the invoice?	have complied with the requirement of Dynamic QR Code. In cases other than pre-paid supply i.e. where payment is made after generation/issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.
6	Once the E-commerce operator (ECO) or the online application has complied with the Dynamic QR Code requirements, will the suppliers using such e-commerce portal or application for supplies still be required to comply with the requirement of Dynamic QR Code?	The provisions of the notification shall apply to each supplier/ registered person separately, if such person is liable to issue invoices with Dynamic QR Code for B2C supplies as per the said notification. In case, the supplier is making supply through the E commerce portal or application, and the said supplier gives cross references of the payment received in respect of the said supply on the invoice, then such invoices would be deemed to have complied with the requirements of Dynamic QR Code. In cases other than pre-paid supply i.e. where payment is made after generation/ issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.
7	Whether Dynamic QR Code is to be provided on an invoice, issued to a person who has obtained a Unique Identity Number as per the provisions of Section 25(9) of CGST Act 2017?	Any person, who has obtained a Unique Identity Number (UIN) as per the provisions of Section 25(9) of CGST Act 2017, is not a "registered person" as per the definition of registered person provided in section 2(94) of the CGST Act 2017. Therefore, any invoice, issued to such person having a UIN, shall be considered as invoice issued for a B2C supply and shall be required to comply with the requirement of Dynamic QR Code.
8	UPI ID is linked to the bank account of the payee/ person collecting money. Whether bank account and IFSC details also need to be provided separately in the Dynamic QR Code along with UPI ID?	Given that UPI ID is linked to a specific bank account of the payee/ person collecting money, separate details of bank account and IFSC may not be provided in the Dynamic QR Code.
9	In cases where the payment is collected by some person other	Yes. In such cases where the payment is collected by some person, authorized by the

	<p>than the supplier (ECO or any other person authorized by the supplier on his/ her behalf), whether in such cases, in place of UPI ID of the supplier, the UPI ID of such person, who is authorized to collect the payment on behalf of the supplier, may be provided?</p>	<p>supplier on his/ her behalf, the UPI ID of such person may be provided in the Dynamic QR Code instead of UPI ID of the supplier.</p>
10	<p>In cases, where receiver of services is located outside India, and payment is being received by the supplier of services in foreign exchange, through RBI approved modes of payment, but as per provisions of the IGST Act 2017, the place of supply of such services is in India, then such supply of services is not considered as export of services as per the IGST Act 2017. Whether in such cases, the Dynamic QR Code is required on the invoice issued, for such supply of services, to such recipient located outside India?</p>	<p>No. Wherever an invoice issued to a recipient located outside India, for supply of services, for which the place of supply is in India, as per the provisions of IGST Act 2017, and the payment is received by the supplier in foreign currency, through RBI approved mediums, such invoice may be issued without having a Dynamic QR Code, as such dynamic QR code cannot be used by the recipient located outside India for making payment to the supplier.</p>
11	<p>In some instances of retail sales over the counter, the payment from the customer is received on the payment counter by displaying dynamic QR code on digital display, whereas the invoice, along with invoice number, is generated on the processing system being used by supplier/ merchant after receiving the payment. In such cases, it may not be possible for the merchant/ supplier to provide details of invoice number in the dynamic QR code displayed to the customer on payment counter.</p>	<p>In such cases, where the invoice number is not available at the time of digital display of dynamic QR code in case of over the counter sales and the invoice number and invoices are generated after receipt of payment, the unique order ID/ unique sales reference number, which is uniquely linked to the invoice issued for the said transaction, may be provided in the Dynamic QR Code for digital display, as long as the details of such unique order ID/ sales reference number linkage with the invoice are available on the processing system of the merchant/ supplier and the cross reference of such payment along with unique order ID/ sales reference number are also provided on the invoice.</p>

	<p>However, each transaction i.e. receipt of payment from a customer is having a unique Order ID/ sales reference number, which is linked with the invoice for the said transaction. Whether in such cases, the order ID/ reference number of such transaction can be provided in the dynamic QR code displayed digitally, instead of invoice number.</p>	
12	<p>When part-payment has already been received by the merchant/ supplier, either in advance or by adjustment (e.g. using a voucher, discount coupon etc), before the dynamic QR Code is generated, what amount should be provided in Dynamic QR Code for "invoice value"? the</p>	<p>The purpose of dynamic QR Code is to enable the recipient/ customer to scan and pay the amount to be paid to the merchant/ supplier in respect of the said supply. When the part-payment for any supply has already been received from the customer/ recipient, in form of either advance or adjustment through voucher/ discount coupon etc., then the dynamic QR code may provide only the remaining amount payable by the customer/ recipient against "invoice value". The details of total invoice value, along with details/ cross reference of the part-payment/ advance/ adjustment done, and the remaining amount to be paid, should be provided on the invoice.</p>

- Relaxation in respect of quoting of HSN/accounting code: the board may, on the recommendations of the council, by notification, specify -
  - (i) The number of digits of harmonised system of Nomenclature code for goods or services that a class of registered persons shall be required to mention; or
  - (ii) A class of supply of supply of goods or services for which specified number of digits of Harmonised system a Nomenclature code shall be required to be mentioned by all registered taxpayers; and
  - (iii) The class of registered persons that would not be required to mention the Harmonised system of Nomenclature code for goods or services.

**In this regard, notification No. 12/2017-CT dated 15-10-2020 has amended notification No. 12/2017-CT and has notified the following with effect from 01-04-2021:**

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Sl.No.	Annual Turnover in the preceding Financial Year	Number of Digit of HSN Code
1.	Upto Rs 5 crores	4
2.	More than Rs 5 crores	6

However, a registered person having aggregate turnover up to Rs 5 crores in the previous financial year may not mention 4 digit of HSN Code in a tax invoice issued by him under the said rules in respect of supplies made to unregistered persons.

- **Invoice cum bill of supply [ Rule 46A ]:** where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies.

### MANNER OF ISSUING INVOICE [ RULE 48 ]

SUPPLY OF GOODS	SUPPLY OF GOODS
Triplicate	Duplicate
Original copy for recipient Duplicate copy for transporter and Triplicate copy for supplier	Original copy for recipient Duplicate copy for supplier
The serial no. of invoices issued during the month/quarter shall be furnished electronically in FORM GSTR - 1	

- ✚ **E - invoicing [ Rule 48(4)]:** The invoice shall be prepared by such class of registered persons as may be notified by the government, on the recommendations of the council, by including such particulars contained in FORM GST INV-01 after obtaining an Invoice Reference Number by uploading information contained therein on the common Goods and Service Tax Electronic Portal in such manner and subject to such conditions and restrictions as may be specified in the notification.

**Exemption by commissioner:** However, the Commissioner through notification may exempt a person or a class of registered persons from issuance of e-invoice for a specified period, subject to such conditions and restrictions as may be specified in the said notification. [Amended by notification No. 72/2020-CT dated 30-09-2020]

**Applicability of e-invoice - more than ₹ 10 crore from 1<sup>st</sup> OCT 2022**

- ✚ **Invoices other than E-invoice - not regarded as invoice [ Rule 48(5)]:** Every invoice issued by a person to whom above provisions applies in any manner other than the manner specified in the said sub-rule shall not be treated as an invoice.
- ✚ **Non-applicability of certain provisions in case of E-invoice [ Rule 48(6)]:** the provisions of Rule 48 (1) & (2) shall not apply to an invoice prepared in the manner specified in Rule 48 (4).

**E-invoicing not applicable to a government department and a local authority [Amended by Finance Act, 2021]**

All registered businesses with an aggregate turnover in any preceding financial year from 2017-18 onwards **greater than ₹10 crore** are mandatory required to issue e-invoices except -

- + Special economic zone units
- + Insurer or banking company or financial institution including NBFC
- + GTA supplying services in relation to transportation of goods by road in a goods carriage
- + Supplier of passenger transportation service
- + Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- + **Government department**
- + **Local authority**

REVISED TAX INVOICE

- Revised tax invoice to be issued in respect of taxable supplies affected during the period from effective date of registration to date of issuance of certificate of registration.
- Consolidated revised tax invoice in respect of taxable supplies to an unregistered person, if the value of supply does not exceed Rs 200000.
- Tax invoice is not required to be issued if value of supply is **less than Rs 200 + recipient is unregistered + recipient does not require such invoice**. Then consolidated tax invoice can be issued at the end of each day.

RECEIPT VOUCHER

**When the recipient pay an advance to supplier, then supplier issue receipt voucher to recipient.**

When at the time of receipt of advance rate is	
not identifiable	18%
Nature of supply is not determinable	Treated as inter state supply

REFUND VOUCHER

Refund voucher if no supply is made and advance refunded (no supply is made and no tax invoice is issued)

INVOICE REQUIREMENT IN CASE OF REVERSE CHARGE

- Where the recipient is registered and receives the supplies taxable on reverse charge basis u/s 9(3)/(4)[whether supplier is registered or not]: recipient will issue payment voucher at the time of making payment to supplier.
- Where the recipient is registered and receives the supplies taxable on reverse charge basis u/s 9(3)/(4)[whether supplier is unregistered ]: recipient will issue invoice.

BILL OF SUPPLY

- (1) Bill of supply instead of tax invoice to be issued in case of exempted supply or composition scheme
- (2) No bill of supply if value is less than Rs 200.
- (3) It shall contain QR code
- (4) However, the government may, by notification, on the recommendations of the council, and subject to such conditions and restrictions as mentioned therein, specify that the bill of supply shall have Quick Response (QR) code. [inserted vide Notification No. 31/2019-CT dated 28-06-2019 w.e.f date yet to be notified]

**TAX INVOICE IN SPECIAL CASES**

- (1) Relaxation from issuance of tax invoice in respect of notified services.
- (2) Notified supplies:
  - (a) Insurers, banks etc. - consolidated monthly tax invoice may be issued - no serial numbering and no address of service recipient.
  - (b) GTA - additional requirements as may be prescribed.
  - (c) Passenger transportation service - ticket is invoice
  - (d) Multiplex screens exhibiting films - electronic ticket is invoice

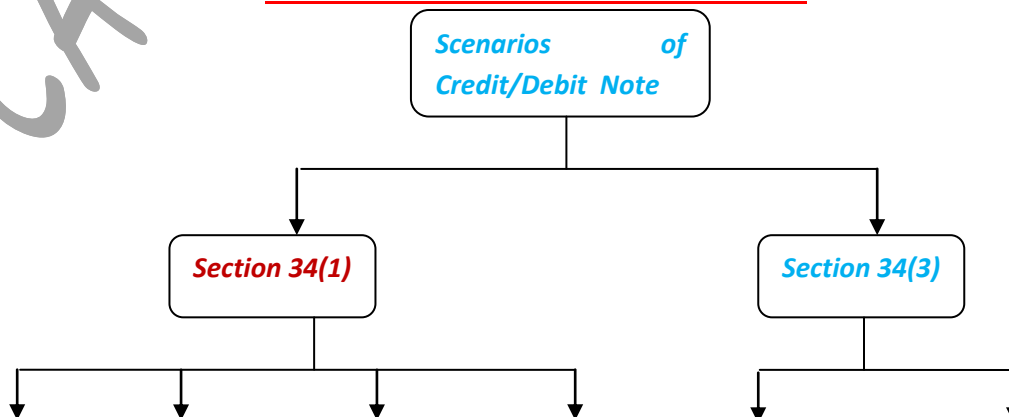
**SOME IMP CIRCULARS**

- ♥ Goods moved within the state or from the state of registration to another state for supply on approval basis - removal under delivery challan - on conformation of sale IGST payable.
- ♥ Removal of art work by an artist to art galleries for exhibition in various states is not regarded as supply and supply of goods by artist to customers from galleries will be liable to GST. Supplies of art work to galleries - not regarded as supply and not liable to GST.
- ♥ Goods sent/taken out of India for exhibition or on consignment basis for export promotion - not supply, hence cannot be regarded as zero-rated supply.

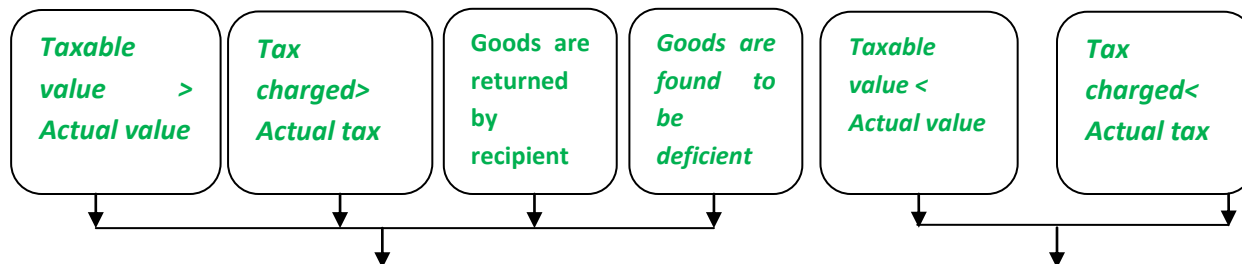
**PROHIBITION OF UNAUSTHORISED COLLECTION OF TAX**

Unregistered person not to collect tax. Amount of tax to be indicated in tax invoice and other document

**CREDIT NOTE AND DEBIT NOTE**



## GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)



*The registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit note for supplies made in a financial year containing such particulars as may be as prescribed*

Details of credit note to be given in Return [Section 34(2)] [Amended by Finance Act, 2022 w.e.f. 01-10-2022]:  
Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note-

- in the return for the month during which such credit note has been issued but not later than 30th November following the end of the financial year in which such supply was made, or
- the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed

**Sec 34(4) Any regd person who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued.**

### ELECTRONIC WAY BILL (E-WAY BILL)

**E-WAY BILL:** A way bill is a receipt or a document issued by a carrier giving details and instructions relating to the shipment of a consignment of goods and the details include name of consignor, consignee, the point of origin of the consignment, its destination and route.

**BENEFITS OF E-WAY BILL**

1. Physical interface to pave way for digital interface resulting in elimination of state boundary check posts.
2. It will facilitate faster movement of goods.
3. It will improve the turnaround time of trucks and helps the logistics industry by increasing the average distance travelled as well as time and costs.



**Inspection of goods in Movement ( Section 68)**

1. **Carrying of E-WAY Bill (sec 68(1)):** The govt. may require person in charge of conveyance to carry the e-way bill.
2. **Validation of E-way Bill Section 68(2):** The details of documents should be validated.
3. **Transit check of E-way Bill Section 68(3):** Where any conveyance is intercepted by the proper officer at any place, he may require the person in charge of the said conveyance to produce the documents prescribed.

**Every Registered person who causes movement of goods of consignment value exceeding Rs.50000**

1. *In relation to supply or,*
2. *For reasons other than supply or,*
3. *due to inward supply from an unregistered person*

Shall before commencement of such movement, furnish information relating to the said goods in Part A OF Form GST EWB-01, electronically on the common portal.

Special situations where e-way bill need to be issued even if the value of consignments is less than Rs.50000:

- (1) Inter-State transfers of goods by Principal to job Worker: where goods sent by principal to job worker from one territory/state to another territory/state, the e-way bill shall be generated either by principal or job worker irrespective of consignment value.
- (2) Interstate transfer of handicraft goods by a person exempted from obtaining registration.

**Validity period of E-way Bill consolidated E-way Bill (Rule 138(10))**

1. **Upto 200 km** - one day in cases of over dimensional cargo or **multimodal shipment in which at least one leg involves transport by ship.**
2. **For every 200km\_ or part thereof** - one day additional in case of over dimensional cargo or **multimodal shipment in which at least one leg involves transport by ship.**
3. **Upto 20 KM** - ONE day in case of over dimensional cargo or **multimodal shipment in which at least one leg involves transport by ship.**
4. **For every 20 km. or part thereof** - one additional day in case of over dimensional cargo or **multimodal shipment in which at least one leg involves transport by ship.**

♥ **Cancellation of E-way:** within 24 hours of generation

- ♥ **Acceptance or rejection of E-way bill:** if E-way bill is not accepted within 72 hours from the time of generation of E-way bill or the time of delivery of goods whichever is earlier, it will be deemed he has accepted the details.
- ♥ Inspection and verification of goods report to be submitted within 3 days of such inspection

**Restriction on furnishing of information in PART A of FORM GST EWB-01 [RULE 138E] [Amended by Finance Act 2021] - no person shall be allowed to furnish the information in PART A of FORM GST EWB-01, in respect of any outward movement of goods of a registered person, who,**

- ✚ Non furnishing of CMP-08 statement for consecutive two quarters
- ✚ Non furnishing of GSTR-3B returns for consecutive two months
- ✚ Non furnishing of GSTR-1 statement for any two months/quarters
- ✚ Registration suspended

**E-way bill generation facility to be blocked only in respect of outward movements of goods, by the defaulting registered person [Rule 138E] [Amended by Finance Act,2021]**

**Blocking of GSTIN for e-way bill generation would only be for the defaulting supplier GSTIN and not for the defaulting recipient or transporter GSTIN.** Suspended GSTIN cannot generate e-way bill as supplier. However, the suspended GSTIN can get the e-way bill generated as recipient or as transporter.

In other words, e-way bill generation facility is blocked only in respect of any outward movement of goods of the registered person who is not eligible for e-way bill generation as per rule 138E. E-way bills can be generated in respect of inward supplies of said registered person.

**Example -** A shopkeeper sells a pen for ₹100 to the buyer. After the sale, the pen belongs to the buyer and shopkeeper does not have any right on the pen. This is a transaction of sale. Mr. A, a registered person paying tax under regular scheme in Delhi, has not filed Form GSTR-1 for last 2 months. Mr. B Haryana, (a regular return filer) wants to generate an e-way bill for goods to be supplied to Mr. A. as per earlier provision of law, Mr. B would not have been able to generate e-way bill with Mr. A's GSTIN.

In terms of the amended position of law, there will be no more restriction in generating e-way bill as Mr. B who is making outward movement of goods is a regular return filer.

Mr. A wants to generate an e-way bill in respect of an outward supply of goods to Mr. H E-way bill generation is blocked in this case as it's an outward movement of goods of Mr. A who has not filed GSTR-1 for past 2 months.

## **PAYEMENT OF TAX**

### **PAYMENT OF TAX, INTEREST, PENALTY AND OTHER AMOUNT [ SECTION 49 ]**

(1) Amount deposited to be credited to the electronic cash ledger : by internet banking, debit card or credit card, NEFT, RTGS and other mode as may be prescribed.

(2) ITC credited to electronic credit ledger.

**Transfer of CGST to IGST/ SGST/UTT in electronic cash ledger of the same or distinct person [Section 49(10)]:** [Amended by Finance Act, 2022 w.e.f. 05-07-2022]: A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under this Act, to the electronic cash ledger for, -

- a) integrated tax, central tax, State tax, Union territory tax or
- b) integrated tax or central tax of a distinct person as specified in Section 25(4)/(5), in such form and manner and subject to such conditions and restrictions as may be prescribed and such transfer shall be deemed to be a refund from the electronic cash ledger under this Act.

However, no such transfer under Section 49(10) (b) shall be allowed if the said registered person has any unpaid liability in his electronic liability register.

**Utilisation of amount in Electronic credit ledger** - For payment of output tax under CGST and IGST Act [Section 49(4)]: The amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the IGST Act in such manner and subject to such conditions and restrictions within such time as may be prescribed. [Amended by Finance Act, 2022 w.e.f. 05-07-2022]

**Maximum proportion of output tax liability to be discharged through E-credit ledger to be specified (Section 49(12)):** The Government may, on the recommendations of the Council, subject to such conditions and restrictions, specify such maximum proportion of output tax liability under this Act or under the IGST Act 2017 which may be discharged through the electronic credit ledger by a registered person or a class of registered persons, as may be prescribed. [Amended by Finance Act, 2022 w.e.f. 05-07-2022]

### **ELECTRONIC CASH LEDGER [ RULE 87 ]**

- (1) Shall be maintained in FORM GST PMT - 05
- (2) Generation of challan in FORM GST PMT - 06, validity for a period of 15 days
- (3) It reflect all deposit made in cash, and TDS/TCS made on account of the tax payer.

(4) Ledger can be used for making any payment towards tax, interest, penalty, fees or any other amount on GST

**Modes of deposit of amount in Electronic Cash Ledger [Rule 87(3)]:** The deposit under Rule 87(2) shall be made through any of the following modes, namely:-

- i. Internet Banking through authorised banks;
- ii. **Unified Payment Interface (UPI) from any bank;**
- iii. **Immediate Payment Services (IMPS) from any bank;**
- iv. Credit card or Debit card through the authorised bank;
- v. National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- vi. Over the Counter payment through authorised banks for deposits up to 10,000 per challan per tax period, by cash, cheque or demand draft.

**Mandate form for NeFT or RTGS payments [Rule 87(5)]:** Where the payment is made by way of National Electronic Fund Transfer or Real Time Gross Settlement **or Immediate Payment Service** mode from any bank, the mandate form shall be generated along with the challan on the common portal and the same shall be submitted to the bank from where the payment is to be made.

**Transfer of cash balance to distinct person [Rule 87(14)]:** A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the Act to the electronic cash ledger for central tax or integrated tax of a distinct person as specified in Section 25(4)/(5), in FORM GST PMT-09.

However, no such transfer shall be allowed if the said registered person has any unpaid liability in his electronic liability register.

**ELECTRONIC CREDIT LEDGER [ RULE 86]**

- Shall be maintained in FORM GST PMT -02
- Re-credit in FORM GST PMT-03
- Communication of discrepancy in FORM GST PMT-04
- It will reflect ITC as self assessed in monthly returns
- The credit in this ledger can be used to make payment of ONLY TAX i.e. output tax not other amount such as interest, penalty, fees etc.

**Repayment of erroneous refund - to be credited to ledger [Rule 86(4B)]:** Where a registered person deposits the amount of erroneous refund sanctioned to him, -

- a) under Section 54(3) of the Act, or
- b) under Rule 96(3), in contravention of Rule 96(10),

along with interest and penalty, wherever applicable, through FORM GST DRC-03, by debiting the electronic cash ledger, on his own or on being pointed out, an amount equivalent to the amount of erroneous refund deposited by the registered person shall be re-credited to the electronic credit ledger by the proper officer by an order made in FORM GST PMT-03A. [Inserted vide Notification No. 14/2022-CT dated 05-07-2022]

**ELECTRONIC LIABILITY REGISTER [ RULE 85]**

- Shall be maintained in FORM GST PMT - 01
- Discrepancy to be communicated in FORM GST PMT - 04
- It reflects the total tax liability of a tax payer (after netting ) for a month.

**INTEREST ON DELAYED PAYMENT [ SECTION 50 ]**

- ⊗ Interest payable on delayed payment of tax not exceeding 18% from the date following the due date of payment to the actual date of payment of tax
- ⊗ Interest payable on net amount payable through E-cash ledger: The interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date in accordance with the provisions of Section 39, except where such return is furnished after commencement of any proceeding under section 73 or section 74 in respect of the said period, shall be levied in that portion of the tax that is paid by debiting the electronic cash ledger.  
Thus, interest on delayed payment of tax is to be levied on the net tax liability i.e after allowing the credit of input tax.

- ⊗ **Interest on wrong availment or utilisation of ITC [Section 50(3)]** [Amended by Finance Act, 2022 w.e.f. 05-07-2022]: **Where the input tax credit has been wrongly availed and utilised, the registered persons shall pay interest on such input tax credit wrongly availed and utilised, at such rate not exceeding 24% as may be notified by the Government, on the recommendations of the Council, and the interest shall be calculated, in such manner as may be prescribed.**

**Manner of calculating interest on delayed payment of tax [Rule 88B]** [Inserted vide Notification No. 14/2022-CT dated 05-07-2022 w.e.f. 01-07-2017]:

- (1) **Supplies declared in the belated return filed for tax period** - **Interest payable on tax paid through cash ledger:** In case, where the supplies made during a tax period are declared by the registered person in the return for the said period and the said return is furnished after the due date in accordance with provisions of section 39, except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period, the interest on tax payable in respect of such supplies shall be calculated on the portion of tax which is paid by

debiting the electronic cash ledger, for the period of delay in filing the said return beyond the due date, @ 18% p.a..

(2) **Other cases - Interest payable on outstanding amount:** In all other cases, where interest is payable in accordance with Section 50(1), the interest shall be calculated on the amount of tax which remains unpaid, for the period starting from the date on which such tax was due to be paid till the date such tax is paid, @ 18% p.a.

(3) **Computation of Interest on wrongly availed and utilised ITC:** In case, where interest is payable on the amount of input tax credit wrongly availed and utilised in accordance with Section 50(3), the interest shall be calculated on the amount of input tax credit wrongly availed and utilised, for the period starting from the date of utilisation of such wrongly availed input tax credit till the date of reversal of such credit or payment of tax in respect of such amount, @24% p.a.

**Utilisation of wrongly availed ITC:** Input tax credit wrongly availed shall be construed to have been utilised, when the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, and the extent of such utilisation of input tax credit shall be the amount by which the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed.

**Date of utilisation of ITC:** The date of utilisation of such input tax credit shall be taken to be, -

- a) the date, on which the return is due to be furnished under section 39 or the actual date of filing of the said return, whichever is earlier, if the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, on account of payment of tax through the said return; or
- b) the date of debit in the electronic credit ledger when the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, in all other cases.

## **RETURNS**

### **FURNISHING DETAILS OF OUTWARD SUPPLIES** [Section 37]

- × **Person liable to furnish the details of outward supply** - every registered person and casual registered person except ISD, non-resident taxable person, composition scheme, person deducting tax at source, person collecting at source, OIDAR.
- × **Form for submission of details of outward supplies** - Form GSTR-1 on monthly or quarterly basis.
- × **Due date of furnishing GSTR-1** - 10<sup>th</sup> of the next month (time limit can be extended by commissioner)
- × **QRMP Scheme** -
  - (a) **Quarterly statement** - GSTR - 1 quarterly by 13<sup>th</sup> day of the month succeeding quarter
  - (b) **IFF** - for the first two month by 13<sup>th</sup> of the succeeding month. The details of the outward supplies does not exceed ₹ 50 lakh in each month.
  - (c) **Details of the outward supplies furnished using IFF shall not be furnished in GSTR-1**

**GSTR-1 cannot be furnished in certain cases** [Section 37(4)] [Inserted by Finance Act, 2022 w.e.f. 01-10-2022]: A registered person shall not be allowed to furnish the details of outward supplies for a tax period, if the details of outward supplies for any of the previous tax periods has not been furnished by him. However, the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the details of outward supplies, even if he has not furnished the details of outward supplies for one or more previous tax periods.

As per provisions of Rule 59(6) of the CGST Rules, 2017, A registered person shall not be allowed to furnish GSTR-1 statement in the following cases-

- a) **When GSTR 3B not furnished for preceding 1 month**: A registered person shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1, if he has not furnished the return in FORM GSTR-3B for preceding one month.

- b) When GSTR-3B not furnished for preceding tax period by QRMP taxpayer: A registered person, required to furnish quarterly return, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility, if he has not furnished the return in FORM GSTR-3B for preceding tax period.

Some imp points:

- ✓ There is no mechanism for revision of return
- ✓ Rectification of errors/omissions is allowed.
- ✓ No rectification is allowed after the due date of furnishing the return for the month of September following the end of the financial year to which such details pertains or furnishing of the relevant annual return, whichever is earlier.
- ✓ B2B agar transaction hai toh chahе INTRA ya INTER ho invoice wise details dalna padega. But agar B2C hai toh INTER ke case me agar Rs 250000 se jayada gaya toh invoice wise details otherwise consolidated and agar INTRA raha toh consolidated.
- ✓ Small taxpayer whose aggregate turnover does not exceed Rs 2 crore does not require to get audited.
- ✓ Notice to return defaulters u/s 46, a notice shall be issued requiring him to furnish such return within 15 days.
- ✓ Persons supplying online information technology and database access retrieval [OIDAR] services not required to furnish annual return and reconciliation statement
- ✓ Nil GSTR can be furnished by SMS through OTP.

Amendment in the details of outward supply furnished for prior period [Section 37(3)]

- Amendment on communication of mismatch report
- Rectification of unmatched entries and in case of short payment of tax - tax and interest to be paid.
- Time limit for rectification is earliest of following -
  - (a) in the return for the month during which such credit note has been issued but not later than 30th November following the end of the financial year in which such supply was made, or
  - (b) the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed.

Communication of details of inward supplies and input tax credit [Section 38]

[Amended by Finance Act, 2022 w.e.f. 01-10-2022]: The relevant provisions are as under-



- 1) The details of outward supplies furnished by the registered persons under Section 37(1) and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.
- 2) The auto-generated statement shall consist of -
  - a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and
  - b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under Section 37(1) -
    - i. by any registered person within such period of taking registration as maybe prescribed; or
    - ii. by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or
    - iii. by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or
    - iv. by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or
    - v. by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of Section 49(12) subject to such conditions and restrictions as may be prescribed; or
    - vi. by such other class of persons as may be prescribed.

**FORM AND MANNER OF ASCERTAINING DETAILS OF INWARD SUPPLIES [RULE 60]**

**Form GSTR-2B** [Amended by Notification No. 19/2022-CT dated 28-09-2022 w.e.f. 01-10-2022]:

- It is an **auto-generated** read only statement containing the details of ITC - is made available to the registered person (recipient) for every month. It is a static statement and is available only once a month.

**FURNISHING OF RETURN [ Section 39]**

## GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

× Furnishing of monthly return - every registered person and casual registered person except ISD, non-resident taxable person, composition scheme, person deducting tax at source, person collecting at source, OIDAR shall pay tax and such other particulars in Form GSTR - 3B by 20<sup>th</sup> of the succeeding month and such liability should be discharged by debiting electronic cash ledger or electronic credit ledger.

× Quarterly return by notified person [QRMP Scheme]

Monthly payment of taxes by prescribed persons [First proviso to Section 39(7)]:

Every registered person furnishing return under QRMP scheme shall pay to the Government, in such form and manner, and within such time, as may be prescribed, -

a) an amount equal to the tax due taking into account inward and outward supplies of goods or services or both, input tax credit availed, tax payable and such other particulars during a month; or

b) in lieu of the amount referred to in (a) above, an amount determined in such manner and subject to such conditions and restrictions as may be prescribed.

× Time limit for rectification is same

× When return cannot be filed: A registered person shall not be allowed to furnish a return for a tax period if -

a) the return for any of the previous tax periods; or

b) the details of outward supplies under Section 37(1) for the said tax period, has not been furnished by him.

However, the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the return, even if he has not furnished the returns for one or more previous tax periods or has not furnished the details of outward supplies for the said tax period.

### LIST OF STATEMENT AND RETURNS UNDER GST

RETURN	DESCRIPTION	WHO FILES...?	DATE FOR FILING
<b>GSTR-1</b>	Monthly statement of outward supplies of goods and / or services	Registered person with annual aggregate turnover <b>greater than</b> Rs 5 crore or who has opted for monthly return.	11 <sup>th</sup> of the next month
	Quarterly statement of outward supplies of	Registered person with annual aggregate turnover	10 <sup>th</sup> of the next month succeeding

**GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)**

	goods and / or services	up to Rs 5 crore	the quarter
<b>GSTR-3B</b>	Monthly return for normal tax payer	<b>Registered person</b>	Annual turnover > ₹ 5 crore in previous financial year - 20 <sup>th</sup> of the next month Annual turnover < ₹ 5 crore in previous financial year - 22 <sup>nd</sup> or 24 <sup>th</sup> of the next month
<b>GSTR-4</b>	Return for a financial year	Registered person paying tax under <b>composition scheme/NOTIFICATION no. 2/2019 (R) dated 07.03.2019</b>	30 <sup>th</sup> April of the next financial year
<b>GST CMP-08</b>	Quarterly statement for payment of tax	Registered person paying tax under <b>composition scheme/NOTIFICATION no. 2/2019 (R) dated 07.03.2019</b>	18 <sup>th</sup> of the month succeeding the quarter
<b>GSTR-5</b>	Monthly return	<b>Registered non resident tax payer</b>	13 <sup>th</sup> of the next month [Amended] or within 7 days after the expiry of registration, whichever is earlier
<b>GSTR-5A</b>	Monthly return	<b>Registered person providing OIDAR services from a place outside India to a non-taxable online recipient</b>	20 <sup>th</sup> of the next month
<b>GSTR-6</b>	Monthly return for input service distributor	<b>Input service distributor</b>	13 <sup>th</sup> of the next month
<b>GSTR-7</b>	Monthly return for Tax deduction at source	<b>Tax deductor at source</b>	10 <sup>th</sup> of the next month
<b>GSTR-8</b>	Monthly return for Tax collection at	<b>e-commerce operator who is required to collect tax</b>	10 <sup>th</sup> of the next month

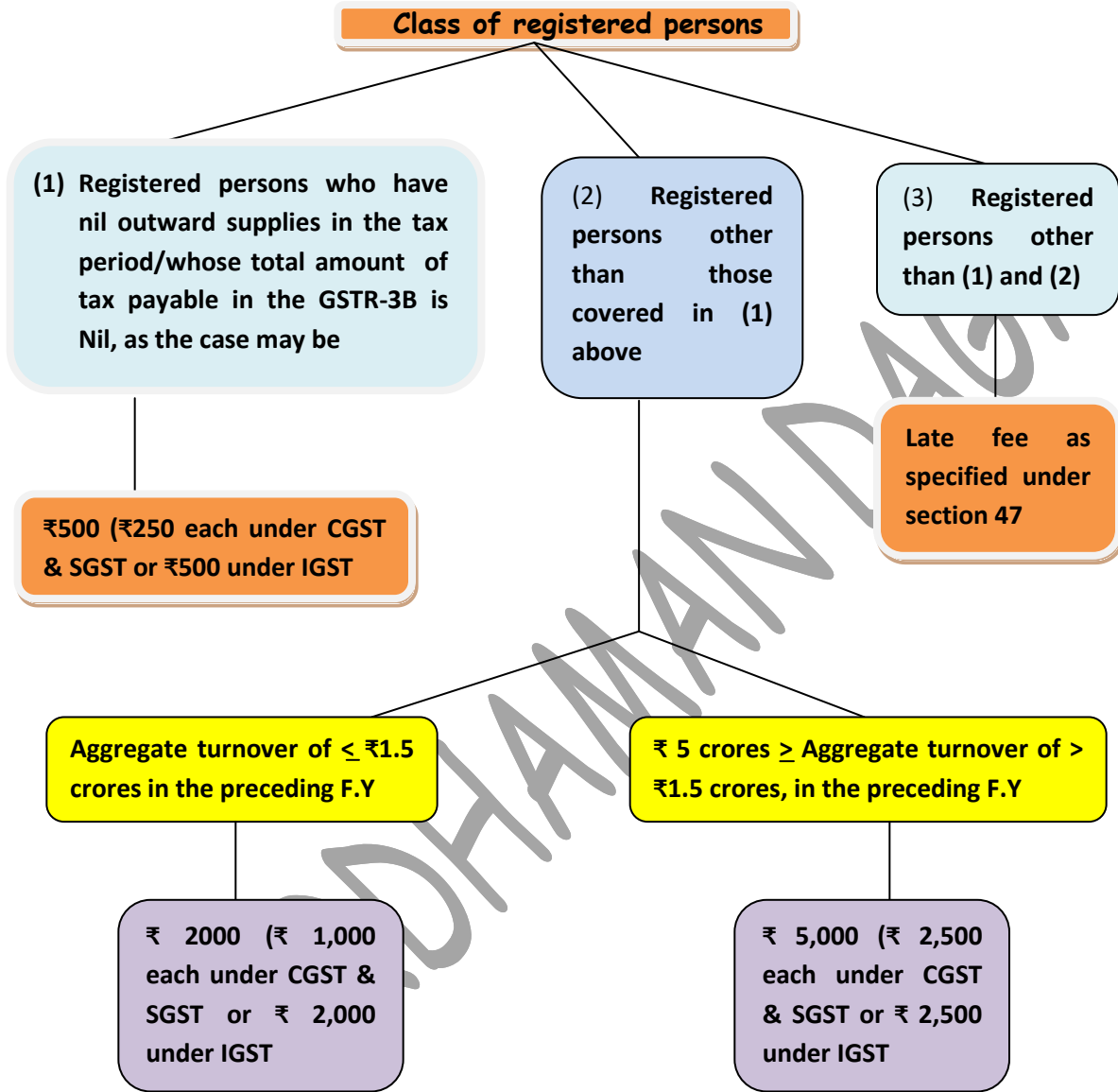
**GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)**

	source	at source	
<b>GSTR-9</b>	Annual return	Registered person other than ISD, tax deductor/tax collector, casual taxable person, and a non-resident taxpayer	31 <sup>st</sup> December of the next financial year
<b>GSTR-10</b>	Final return	Taxable person whose registration has been surrendered or cancelled	Within three months of the date of cancellation or date of order of cancellation, whichever is later.
<b>GSTR-9A</b>	Annual return	Composition scheme	31 <sup>st</sup> December of the next financial year
<b>GSTR-9B</b>	Annual return	E-commerce operator	31 <sup>st</sup> December of the next financial year
<b>GST-9C</b>	Reconciliation statement	Registered person whose aggregate turnover during the financial year exceed ₹2 crore	To be submitted along with the annual return [GSTR-9/9A]

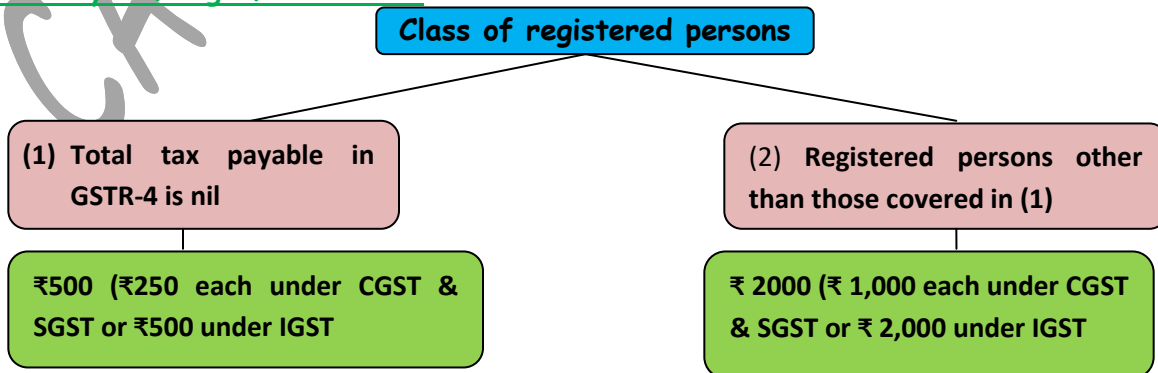
**LATE FEE FOR DELAY IN FILING OF RETURN [ SECTION 47 ] [Amended by Finance Act, 2021]**

- (a) **Delay in furnishing return - fees of ₹ 100 per day subject to maximum of ₹ 5,000 payable:** As per Section 47(1), any registered person who fails to furnish the details of outward supplies required under Section 37 or returns required u/s 39 or Section 45 or Section 52 by the due date shall pay a late fee of -
- ₹ 100 for every day during which such failure continues; or
  - ₹ 5000
- Whichever is less
- (b) **Delay in furnishing annual return - Fees of ₹ 100 per day subject to maximum of 0.25% of turnover in the state/UT:** As per Section 47(2), any registered person who fails to furnish the return required under section 44 i.e., annual return by the due date shall be liable to pay a late fee of -
- ₹ 100 for every day during which such failure continues; or
  - 0.25% of his turnover in the state or union territory
- Whichever is less

**For delayed filing of GSTR-1 and/or GSTR-3B (quantum of late fee):-**



**For delayed filing of GSTR-4:-**



**AMENDMENTS (FINANCE ACT, 2020)**

**SECTION 39**

- ***Manner of furnishing of return or details of outward supplies by short messaging service facility [ Rule 67A ]:*** A registered person who is required to furnish a Nil return under Section 39 in FORM GSTR-3B or a Nil details of outward supplies under section 37 in FORM GSTR-1 for a tax period, any reference to electronic furnishing shall include furnishing of the said return or the details of outward supplies through a short messaging service using the registered mobile number and the said return or the details of outward supplies shall be verified by a registered mobile number based One Time password facility.

***A Nil return or Nil details of outward supplies shall mean a return under section 39 or details of outward supplies under section 37, for a tax period that has nil or no entry in all the Tables in FORM GSTR-3B or FORM GSTR-1, as the case may be***

- A return furnished u/s 39(1) on which self assessed tax has been paid in full is considered as a valid return.
- Filing of returns for current month is possible only when returns of the previous month have been filed.
- A taxpayer needs to electronically sign the submitted return otherwise it will be considered not filed.
- Taxpayers can electronically sign their returns using DSC (mandatory for all types of companies and LLPs), E-sign (Aadhaar-based OTP verification), or EVC (electronic verification code sent to registered mobile number of the authorized signatory)

**ANNUAL RETURN [ SECTION 44]**

**Mandatory requirement of submitting reconciliation statement audited by specified professional, done away with [ section 44 substituted ] [Amended by Finance Act, 2021]**

With effect from 1.08.2021, section 44 of the CGST Act, 2017 has been substituted so as to remove the mandatory requirement of furnishing a reconciliation statement duly audited by specified professional and to provide for filing of the annual return on self declaration basis. It further provides for the commissioner to exempt a class of taxpayers from the requirement of filing the annual return.

**Substituted section 44 reads as follows:**

***Every registered person, other than an input service distributor, a person paying tax under section 51 or section 52, a causal taxable person and a non-resident taxable person shall furnish an annual return which may include a self certified reconciliation statement, the value of supplies declared in the return furnished for the financial year, with the audited annual financial statement for every financial year electronically, within such time and in such form and in such manner as may be prescribed.***

## GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

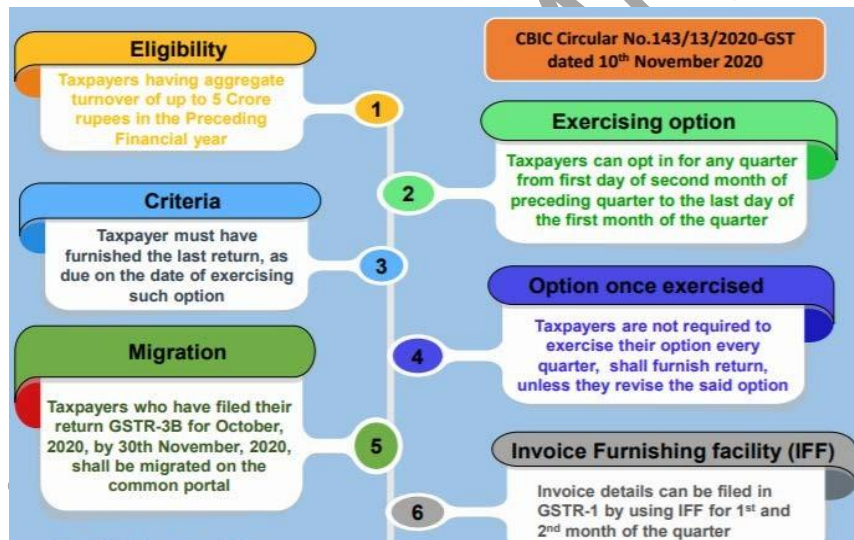
However, the commissioner may, on the recommendations of the council, by notification, exempt any class of registered persons from filing annual return under this section.

Further, nothing contained section 44 shall apply to any department of the central government or a state government or a local authority, whose books of accounts are subject to audit by the comptroller and auditor general of India, or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force

### ANNUAL RETURN [RULE 80]

- **For the financial year 2018-19 and 2019-20, every registered person whose aggregate turnover exceed Rs 5 crore shall get his account audited as specified under section 35(5) and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9C for the said financial year, electronically through the common portal either directly or through a facilitation centre notified by the commissioner.**

### QUARTELY RETURN MONTHLY PAYMENT SCHEME [Inserted by Finance Act, 2020 ]



QRMP Scheme is an **optional return filing scheme**, introduced for small taxpayers having aggregate annual turnover (PAN based) of upto ₹ 5 crore in the current and preceding financial year to **furnish their Form GSTR-1 and Form GSTR-3B on a quarterly basis while paying their tax on a monthly basis through a simple challan.**

This will significantly reduce the compliance burden on such taxpayers as now the taxpayers need to file only 4 GSTR-3B returns instead of 12 GSTR-3B returns in a year. Similarly, they would be required to file only 4 GSTR-1 returns since Invoice Filing Facility (IFF) is provided under this scheme.

Opting of QRMP scheme is GSTIN wise. Distinct persons can avail QRMP scheme option for one or more GSTINs. It implies that some GSTINs

for a PAN can opt for the QRMP scheme and remaining GSTINs may not opt for the said scheme.

### **I. Eligibility for QRMP scheme**

Registered persons, having **an aggregate turnover up to 5 crore** in the preceding financial year, and who have opted to furnish quarterly return under QRMP scheme as the class of persons who shall **furnish a return for every quarter** from January, 2021 onwards, and **pay the tax due every month**.

Thus, the taxpayers whose aggregate turnover is up to ₹5 crore in the preceding financial year are eligible for QRMP scheme. For computing aggregate turnover, details furnished in returns for tax periods in the preceding financial year shall be taken into account.

#### **Conditions and restrictions:**

- (i) Registered persons under QRMP scheme must have furnished the return for the preceding month, as due on the date of exercising such option. A registered person shall not be eligible to opt for QRMP scheme if he has not furnished the last return due on the date of exercising such option. Eg: if a registered person intending to avail of QRMP scheme for the quarter 'July to September' is exercising his option on 27<sup>th</sup> July for the said quarter, he must have furnished the return for the month of June which was due on 22<sup>nd</sup>/24<sup>th</sup> July.**
- (ii) Registered persons under QRMP scheme are not required to exercise the option every quarter. Where such option has been exercised once, they shall continue to furnish the return as per the selected option for future tax periods, unless they revise the said option.**

#### **Manner of exercising option of QRMP scheme [Rule 61A]**

A registered person intending to opt for QRMP scheme for any quarter shall indicate his preference for furnishing of return on a quarterly basis from 1<sup>st</sup> day of the 2<sup>nd</sup> month of the preceding quarter till the last day of the 1<sup>st</sup> month of the quarter for which the option is being exercised. Eg: A registered person intending to avail of QRMP scheme for the quarter 'July to September' can exercise his option from 1<sup>st</sup> May to 31<sup>st</sup> July.

However, where such option has been exercised once, the said registered person shall continue to furnish the return on a quarterly basis for future tax periods, unless he—

- (a) becomes ineligible for this scheme as per the conditions and restrictions notified in this regard; or**
- (b) opts for furnishing of return on a monthly basis, electronically, on the common portal.**

#### **Option of QRMP scheme to lapse**

In case where a registered person's aggregate turnover crosses ₹5 crore during a quarter in a financial year, he shall not be eligible for furnishing of return on quarterly basis from the first month of the succeeding quarter. He shall opt for furnishing of return on a monthly basis, electronically, on the common portal, from the first month of the quarter, succeeding the quarter during which his aggregate turnover exceeds ₹5 crore.

The facility for opting out of the scheme for a quarter will be available from 1<sup>st</sup> day of 2<sup>nd</sup> month of preceding quarter to the last day of the 1<sup>st</sup> month of the quarter.

### **II. Form and manner of furnishing details of outward supplies - GSTR-1 [Rule 59 substituted with a new rule]**



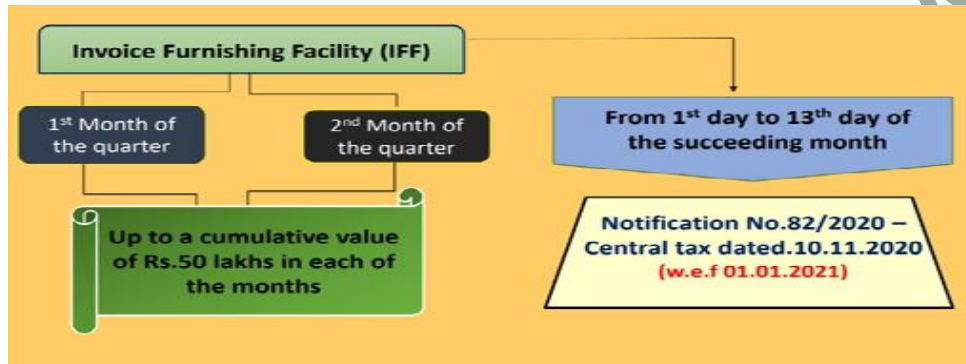
## GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)

- ✚ The details of outward supplies are required to be furnished, electronically, in Form GSTR-1, for the month or quarter.

### Invoice furnishing facility (IFF)

- ✚ Taxpayers opting for QRMP scheme may furnish the details of such outward supplies to a registered person, as he may consider necessary, for the 1<sup>st</sup> and 2<sup>nd</sup> months of a quarter, using invoice furnishing facility (hereafter referred to as the "IFF").

Invoices pertaining to last month of a quarter are to be uploaded in GSTR-1 only.



- ✚ The facility of furnishing details of invoices in IFF has been provided so as to allow details of such supplies to be duly reflected in the Form GSTR-2A and Form GSTR-2B of the concerned recipient. In case where a buyer has made purchases from a person opting for QRMP scheme, he could not have claimed full ITC but due to introduction of IFF, such delay will not occur as the details submitted using IFF will be reflected in the GSTR-2A, GSTR-2B, GSTR-4A or GSTR-6A of the recipients, as the case may be.
- ✚ The IFF is **not mandatory, but an optional facility** made available to the registered persons under the QRMP scheme.  
At his option, a registered person may choose to furnish the details of outward supplies made during a quarter in Form GSTR-1 only, without using the IFF.
- ✚ Taxpayers using IFF can upload the invoice details up to a cumulative value of ₹50 lakh in each of the first 2 months of the quarter.
- ✚ The invoices are to be furnished in IFF between the 1<sup>st</sup> day of the succeeding month till the 13<sup>th</sup> day of the succeeding month. After 13<sup>th</sup> of the month, this facility for furnishing IFF for previous month would not be available.  
The said facility would however be available, say for the month of July, from 1<sup>st</sup> August till 13<sup>th</sup> August. Similarly, for the month of August, the said facility will be available from 1<sup>st</sup> September till 13<sup>th</sup> September.
- ✚ The details of invoices furnished using IFF in the first 2 months of the quarter are not required to be furnished again in GSTR-1 for the said quarter.

Eg: A registered person who has availed the QRMP scheme wants to declare 2 invoices out of total 10 invoices issued in the 1<sup>st</sup> month of quarter since the recipient of supplies covered by those 2 invoices desires to avail ITC in that month itself. Details of these 2 invoices may be furnished using IFF.

## ***GST Summary Book (Applicable for MAY'23/JUNE'23/NOV'23/DEC'23)***

The details of the remaining 8 invoices shall be furnished in Form GSTR-1 of the said quarter. The two invoices furnished in IFF shall be reflected in Form GSTR-2B of the concerned recipient of the 1<sup>st</sup> month of the quarter and remaining 8 invoices furnished in Form GSTR-1 shall be reflected in Form GSTR-2B of the concerned recipient of the last month of the quarter.

✚ In the IFF, the taxpayer has to submit the B2B (business to business) invoice details of both inter-State and intra-State supply transactions along with debit and credit notes of the B2B invoices issued during the month. The details of outward supplies furnished using IFF shall include the –

- (a) invoice wise details of inter-State and intra-State supplies made to the registered persons;
- (b) debit and credit notes, if any, issued during the month for such invoices issued previously.

✚ However, if a registered person does not opt to upload invoices using IFF, then he has to upload invoice details for all the 3 months of the quarter in Form GSTR-1.

✚ The details of outward supplies of goods and/or services furnished in Form GSTR-1 shall include the –

- (a) invoice wise details of all -
  - (i) inter-State and intra-State supplies made to the registered persons; and
  - (ii) inter-State supplies with invoice value more than ₹2,50,000 made to the unregistered persons.
- (b) consolidated details of all -
  - (i) intra-State supplies made to unregistered persons for each rate of tax; and
  - (ii) State wise inter-State supplies with invoice value upto ₹2,50,000 made to unregistered persons for each rate of tax;
- (c) **debit and credit notes**, if any, issued during the month for invoices issued previously.

✚ **Cases where a registered person shall not be allowed to furnish details of outward supplies in GSTR-1/IFF**

- ◆ A registered person shall not be allowed to furnish the details of outward supplies in Form GSTR-1, if he has **not furnished** the return in **Form GSTR-3B for preceding two months**.
- ◆ A registered person, opting for QRMP scheme shall not be allowed to furnish the details of outward supplies under in Form GSTR-1 or using IFF, if he has **not furnished** the return in **Form GSTR-3B for preceding tax period**.
- ◆ A registered person, who is restricted from using the amount available in electronic credit ledger to discharge his liability towards tax in excess of 99% of such tax liability under rule 86B of the CGST Rules, shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF, if he has **not furnished** the return in **Form GSTR-3B for preceding tax period**.

**III. Form and manner of ascertaining details of inward supplies – GSTR-2A and GSTR-2B [Rule 60 substituted with a new rule]**

- ♥ **Form GSTR-2A** - is a system generated read only statement of inward supplies for a recipient. This statement is **updated on a real time basis**. The details become available to the recipient for view/download and are updated incrementally as and when supplier(s) upload or change details in their respective form of return/statement, for the given tax period.
- ♥ Details of outward supplies furnished by the supplier in Form GSTR-1 or using the IFF is

made available electronically to the concerned registered persons (recipients) in Form GSTR-2A, in Form GSTR-4A and in Form GSTR-6A, as the case may be.<sup>3</sup>

Details of invoices furnished by a non-resident taxable person in Form GSTR-5 and by an Input Service Distributor in Form GSTR-6, details of TDS by deductor furnished in Form GSTR-7 and details of TCS by an e-commerce operator<sup>11</sup> furnished in Form GSTR-8, are made available to the recipient, deductee or concerned person, in Form GSTR-2A.<sup>3</sup>

Further, details of the integrated tax paid on the import of goods or goods brought in DTA from SEZ unit/developer on a bill of entry are also made available in Form GSTR-2A.

- ♥ **Form GSTR-2B** – an auto-drafted read only statement containing the details of ITC - is made available to the registered person (recipient) for every month. It is a **static statement** and is available only once a month. It consists of –
- (i) the details of outward supplies furnished by the suppliers in Form GSTR-1, other than a supplier who has opted for QRMP scheme, between the day immediately after the due date of furnishing of Form GSTR-1 for the previous month to the due date of furnishing of Form GSTR-1 for the month.
  - (ii) the details of outward supplies furnished by his supplier who has opted for QRMP scheme, in Form GSTR-1 or using the IFF, as the case may be<sup>12</sup>, -
    - (a) for the 1<sup>st</sup> month of the quarter, between the day immediately after the due date of furnishing of Form GSTR-1 for the preceding quarter to the due date of furnishing details using the IFF for the 1<sup>st</sup> month of the quarter;
    - (b) for the 2<sup>nd</sup> month of the quarter, between the day immediately after the due date of furnishing details using the IFF for the 1<sup>st</sup> month of the quarter to the due date of furnishing details using the IFF for the 2<sup>nd</sup> month of the quarter;
    - (c) for the 3<sup>rd</sup> month of the quarter, between the day immediately after the due date of furnishing of details using the IFF for the 2<sup>nd</sup> month of the quarter to the due date of furnishing of Form GSTR-1 for the quarter.
  - (iii) the details of the integrated tax paid on the import of goods or goods brought in the DTA from SEZ unit/developer on a bill of entry in the month.

Form GSTR-2B consists of all documents filed by suppliers/ISD in their Form GSTR-1, 5 & 6, between the cut-off dates. It also consists of import data for the period which are received within 13<sup>th</sup> of the succeeding month.

In case of monthly Form GSTR-1, the cut-off date is 00:00 hours on 12<sup>th</sup> of the relevant month to 23:59 hours, on 11<sup>th</sup> of the succeeding month. Whereas for quarterly Form GSTR-1/IFF, Form GSTR-5 and Form GSTR-6, the cut-off date is 00:00 hours on 14<sup>th</sup> day of relevant month to 23:59 hours, on 13<sup>th</sup> day of succeeding month.

The details filed in Form GSTR-1 & 5 (by supplier) & Form GSTR-6 (by ISD) would reflect in the next open Form GSTR-2B of the recipient irrespective of supplier's/ISD's date of filing.

Eg: If a supplier opting for QRMP files an invoice dated 15<sup>th</sup> July on 13<sup>th</sup> August, it will be reflected in GSTR-2B of July (generated on 14<sup>th</sup> August). If the document is filed on 14<sup>th</sup> August, the document will be reflected in Form GSTR-2B of August (generated on 14<sup>th</sup> September).

- ♥ The statement in Form GSTR-2B for every month shall be made available to the registered person,-
- (i) for the 1<sup>st</sup> and 2<sup>nd</sup> month of a quarter, a day after the due date of furnishing of details of outward supplies for the said month,
    - in the IFF by a registered person opting for QRMP, or
    - in Form GSTR-1 by a registered person other than opting for QRMP,

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whichever is later.

- (ii) in the 3<sup>rd</sup> month of the quarter, a day after the due date of furnishing of details of outward supplies for the said month, in Form GSTR-1 by a registered person opting for QRMP.

Eg: For the Quarter July-September, Form GSTR-2B for a registered person (recipient) who has received supplies from QRMP supplies as well as from other supplies will be generated as follows:

Month	Date of generation of GSTR-2B
July	14 <sup>th</sup> August
August	14 <sup>th</sup> September
September	14 <sup>th</sup> October

#### IV. Form and manner of filing return – GSTR-3B [Rule 61 substituted with a new rule]

- ♣ Every registered person, other than an input service distributor<sup>13</sup> or a non-resident taxable person or a composition taxpayer, a person deducting tax at source, a person collecting tax at source, i.e. an electronic commerce operator and supplier of OIDAR services located in non-taxable territory providing such services to non-taxable online recipient, is required to furnish a return in Form GSTR-3B, electronically.

##### Due date for filing return

- (i) In case of a taxpayer opting for QRMP scheme - Quarterly GSTR-3B on or before 22<sup>nd</sup> or 24<sup>th</sup> of the month succeeding the quarter for which return is furnished (Refer the Table given below for details\*\*).
- (ii) In case of other taxpayers - Monthly GSTR-3B on or before 20<sup>th</sup> of the month succeeding the month for which return is furnished.

##### \*\*Due dates for taxpayers opting for QRMP scheme

Class of registered persons	Due date
Registered persons whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Union territories of Daman & Diu & Dadra & Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep.	22 <sup>nd</sup> day of the month succeeding such quarter.
Registered persons whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi	24 <sup>th</sup> day of the month succeeding such quarter

- ♣ Every registered person required to furnish return<sup>14</sup> shall, discharge their liability towards tax, interest, penalty, fees or any other amount payable under GST law by debiting the electronic cash ledger or electronic credit ledger and include the details in the return.
- ♣ Every registered person under QRMP scheme shall pay the tax due under proviso to section 39(7) [discussed subsequently], for each of the first 2 months of the quarter, by depositing the said amount in Form GST PMT-06, by the 25<sup>th</sup> day of the month succeeding such month.

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However, the Commissioner may, on the recommendations of the Council, by notification, extend the due date for depositing the said amount in Form GST PMT-06, for such class of taxable persons as maybe specified therein.

Further, any extension of time limit notified by the Commissioner of State tax/UT shall be deemed to be notified by the Commissioner:

While making a deposit in Form GST PMT-06, such a registered person may –

- (a) **for the 1<sup>st</sup> month of the quarter**, take into account the balance in the electronic cash ledger.
  - (b) **for the 2<sup>nd</sup> month of the quarter**, take into account the balance in the electronic cash ledger excluding the tax due for the 1<sup>st</sup> month.
- ♣ At the time of filing the return for the said quarter in Form GSTR- 3B, the amount deposited by the registered person in the first 2 months of the quarter shall be debited. This amount is debited solely for the purposes of offsetting the liability furnished in that quarter's Form GSTR-3B. However, any amount left after filing of that quarter's Form GSTR-3B may either be claimed as refund or may be used for any other purpose in subsequent quarters.

### V. Monthly payment of tax

The registered person under the QRMP Scheme would be required to pay the **tax due in 1<sup>st</sup> month or 2<sup>nd</sup> month or both** the months of the quarter by depositing the tax due<sup>15</sup> in Form GST PMT-06. The payment is to be made **by 25<sup>th</sup> day of the month succeeding such month**.

While generating the challan, taxpayers should select **"Monthly payment for quarterly taxpayer"** as reason for generating the challan. The said person can use any of the following two options provided below for monthly payment of tax during the first 2 months –

- (a) **Fixed sum method:** If a taxpayer chooses this option, a facility is available on the GST portal for generating an auto-generated/pre- filled challan in Form GST PMT-06. The challan amount is calculated by the system which cannot be edited. The amount is equal to:
  - (i) **35% of the tax paid in cash** in the return for the preceding quarter where the return was furnished quarterly; or
  - (ii) **tax liability paid in cash** in the return for the last month of the immediately preceding quarter **where the return was furnished monthly**.

For easy understanding, the same is explained by way of examples given below:

- (i) In case the last return filed was on quarterly basis for quarter ending March:

Tax paid in cash in quarter (January - March)		Tax required to be paid in each of the months – April and May	
CGST	100	CGST	35
SGST	100	SGST	35
IGST	500	IGST	175
Cess	50	Cess	17.5

- (ii) In case the last return filed was monthly for tax period March:

Tax paid in cash in March	Tax required to be paid in each of the months – April and May

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CGST	50		CGST	50
SGST	50		SGST	50
IGST	80		IGST	80
Cess	-		Cess	-

However, no such amount may be required to be deposited-

- (a) for the 1<sup>st</sup> month of the quarter, where the balance in the electronic cash ledger/electronic credit ledger is adequate for the tax liability for the said month or where there is nil tax liability;
- (b) for the 2<sup>nd</sup> month of the quarter, where the balance in the electronic cash ledger/electronic credit ledger is adequate for the cumulative tax liability for the 1<sup>st</sup> and the 2<sup>nd</sup> month of the quarter or where there is nil tax liability

Monthly tax payment through this method would not be available to those registered persons who have not furnished the return for a complete tax period preceding such month.

A **complete tax period** means a tax period in which the person is registered from the first day of the tax period till the last day of the tax period.

(b) **Self-Assessment Method:** The said persons, in any case, can pay the tax due by considering the tax liability on inward and outward supplies and the input tax credit available, in Form GST PMT-06. In order to facilitate ascertainment of the ITC available for the month, an auto-drafted input tax credit statement has been made available in Form GSTR-2B, for every month.

The registered person under QRMP is free to avail either of the two tax payment methods above in any of the two months of the quarter.

As already discussed earlier, at the time of filing the return for a quarter in Form GSTR-3B, the amount deposited by the registered person in the first 2 months of the quarter shall be debited. Further, any amount left after filing of that quarter's Form GSTR-3B may either be claimed as refund or may be used for any other purpose in subsequent quarters.

However, such refund claim shall be permitted only after the return in Form GSTR-3B for the said quarter has been furnished. Further, this deposit cannot be used by the taxpayer for any other purpose till the filing of return for the quarter.

### VI. Applicability of interest

#### A. For registered person making payment of tax by opting Fixed Sum Method

**No interest would be payable in case the tax due is paid in the first 2 months of the quarter by way of depositing auto-calculated fixed sum amount by the due date.**

In other words, if while furnishing return in Form GSTR-3B, it is found that in any or both of the first 2 months of the quarter, the tax liability net of available credit on the supplies made/received was higher than the amount paid in challan, then, no interest would be charged provided they deposit system calculated amount for each of the first 2 months and discharge their entire liability for the quarter in Form GSTR-3B of the quarter by the due date.

In case such payment of tax by depositing the system calculated amount in Form GST PMT-06 is not done by due date, interest would be payable at the applicable rate, from the due date of furnishing Form GST PMT-06 till the date of making such payment.

Further, in case Form GSTR-3B for the quarter is furnished beyond the due date, interest would be payable as per the provisions of section 50 of the CGST Act for the tax liability net of ITC.

Eg: A registered person, who has opted for the QRMP Scheme, had paid a total amount of ₹100/- in cash as tax liability in the previous quarter of October to December. He opts to pay tax under Fixed sum method. He therefore pays ₹35/- each on 25<sup>th</sup> February and 25<sup>th</sup> March for discharging tax liability for

the first 2 months of quarter i.e January and February.

In his return for the quarter, it is found that liability, based on the outward and inward supplies, for January was ₹40 and for February it was ₹42/-. However, no interest would be payable for the lesser amount of tax (i.e ₹5 and ₹7 respectively) discharged in these 2 months provided that he discharges his entire liability for the quarter in the Form GSTR-3B of the quarter by the due date.

Eg: A registered person, who has opted for the QRMP Scheme, had paid a total amount of ₹100/- in cash as tax liability in the previous quarter of October to December. He opts to pay tax under Fixed sum method. He therefore pays ₹35/- each on 25<sup>th</sup> February and 25<sup>th</sup> March for discharging tax liability for the first 2 month of quarter i.e January and February.

In his return for the quarter, it is found that total liability for the quarter net of available credit was ₹125, but he files return on 30<sup>th</sup> April. Interest would be payable at applicable rate on ₹55 (₹125-₹70 {deposit made in cash ledger in first and second month}) for the period between due date of quarterly GSTR-3B and 30<sup>th</sup> April.

**B. For registered person making payment of tax by opting Self- Assessment Method**

Interest amount would be payable as per the provision of section 50 of the CGST Act for tax or any part thereof (net of ITC) which remains unpaid / paid beyond the due date for the first 2 months of the quarter.

Interest payable, if any, shall be paid through Form GSTR-3B.

**VII. Applicability of late fee**

Late fee is applicable for delay in furnishing of return / details of outward supply as per the provision of section 47 of the CGST Act.

As per the QRMP scheme, the requirement to furnish the return under the proviso to section 39(1) of the CGST Act is quarterly. Accordingly, late fee would be the applicable for delay in furnishing of the said quarterly return/ details of outward supply.

It is clarified that no late fee is applicable for delay in payment of tax in first 2 months of the quarter.

**[Notification Nos 82, 84 & 85/2020 CT all dated 10.11.2020 and Circular No. 143/13/2020 GST dated 10.11.2020]**