



Relevant for -

CA Inter, CS Executive & CMA Inter

Income Tax

Handwritten Notes



**FULLY
AMENDED**

2024
Edition

Handwriting -
Manya Jain
(Regular Class Student)

CA Vivek Gaba

Date

• Meaning of Tax

Tax is a **mandatory** fee or financial charge collected by government under an Act.
 → compulsory payment levied by govt.

For example - 1. Income Tax is levied by govt. under Income Tax Act, 1961.

2. GST is levied by govt. under various GST Acts:-

- CGST Act, 2017 (1)
- SGST Act, 2017 (31)
- IGST Act, 2017 (1)
- GST Compensation Act, 2017 (1)
- UTGST Act, 2017 (1)

ORIGIN OF TAX - Latin word "Taxo"

• Types of Taxes.

Two types of taxes in India

1. Direct Tax
2. Indirect Tax

• Meaning of Direct Tax

Direct Tax is a tax which is levied on a person and the burden of the same falls on the same person.

Example - Income tax, corporate Tax, Gift tax etc.

• Meaning of Indirect Tax

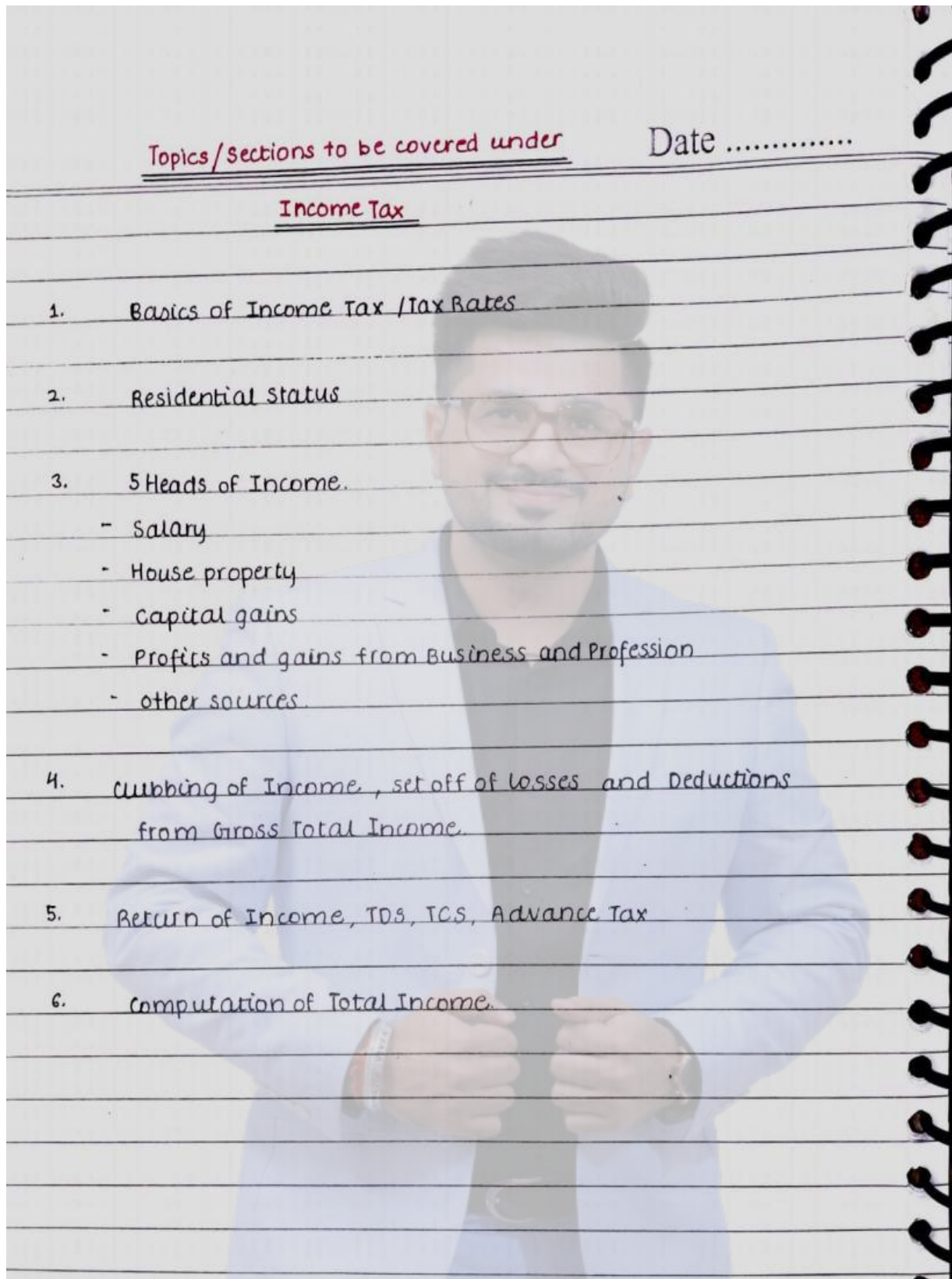
Indirect Tax is a tax which is levied on a person and the burden of the same falls on different person (like customer).

Example - GST, custom, excise duty etc.

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

<u>Particulars</u>	<u>Direct Tax</u>	<u>Indirect Tax</u>
NATURE OF TAX	<ul style="list-style-type: none"> • Progressive nature • linked with paying capacity, rich person will pay more tax in comparison to poor. (Jaise-2 income badhegi vaise-2 tax badhega) 	<ul style="list-style-type: none"> • Regressive nature. (Fix nature) • Not linked with paying capacity, it is uniform, whether goods/services are purchased by rich or poor.
DEPARTMENT	Central Board of Direct Tax (CBDT).	Central Board of Indirect Tax and custom (CBIC)
DISTRIBUTION OR PAYMENT OF REVENUE	central Government.	Central Govt. or State Govt. (as the case may be)
CONCEPT OF PY and AY	Previous Year income, assessed in A.Y.	No concept of P.Y. or A.Y. (only financial year).



SOME BASIC CONCEPTS

Constitution of India Date

ARTICLE 246 : subject matter of law made by Parliament and by state legislature

SEVENTH SCHEDULE

↓	↓	↓
List I	List II	List III
<u>union list</u>	<u>State list</u>	<u>concurrent list</u>
↓	↓	↓
Parliament has exclusive powers to make laws with respect to matters contained in Union list.	State Assembly has exclusive power to make laws w.r.t matters contained in State list.	<u>Both Parliament and state Assembly</u> have exclusive power to make laws w.r.t matters contained in concurrent list.
		(In case of any conflicts, Parliament will prevail, subject to conditions)

Law Making authority and constitutional Powers.

↓	Laws.	↓
<u>central level</u>		<u>state level.</u>

- # Provision is same all over India. Prov. may vary state-wise
- # Law making Authority- State Assembly.
Parliament
- # Extent of law: whole of India, or part of India. ARTICLE 245 whole of state, or part of state.

ARTICLE 245 : No tax shall be levied or collected without the authority of law.

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

<u>central level</u>		<u>State level</u>	
# <u>Entry no. and list no.</u>			
<u>List I - Union list</u>		<u>List II - State list</u> Date	
Entry No.	Name	Entry No.	Name
82	Taxes on Income other than Agricultural Income.	46	Taxes on agricultural income.
83	custom duty		
84	Excise duty		
85	corporate tax		

Imp. Note :

1. Two law making authority -
 - a) Parliament
 - b) state Assembly.
2. Executive authority :-
 - a) central govt.
 - b) state govt.
3. Judiciary Department :-
 - a) Supreme court
 - b) High court
 - c) District court.

- **Parliament** = Lok Sabha + Rajya Sabha + President
- **State Assembly** = Vidhan Sabha + Vidhan Parishad + Governor (optional).
- **Central Govt** = Ministers + PM = Cabinet + President.
- **State Govt** = Ministers + CM = Cabinet + Governor

ARTICLE 246 A - GST.

Income tax Handwritten notes by CA Vivek Gaba,

Procedure : Formation of Act

Bill

Date

<p>Money Bill</p> <p>↓</p> <p>Lok Sabha</p> <p>↓</p> <p>Rajya Sabha</p> <p>↓</p> <p>President's Assent.</p> <p>Becomes Act.</p>	<p>Ordinary Bill</p> <p>can be presented first either to Lok Sabha or to Rajya Sabha.</p>
--	--

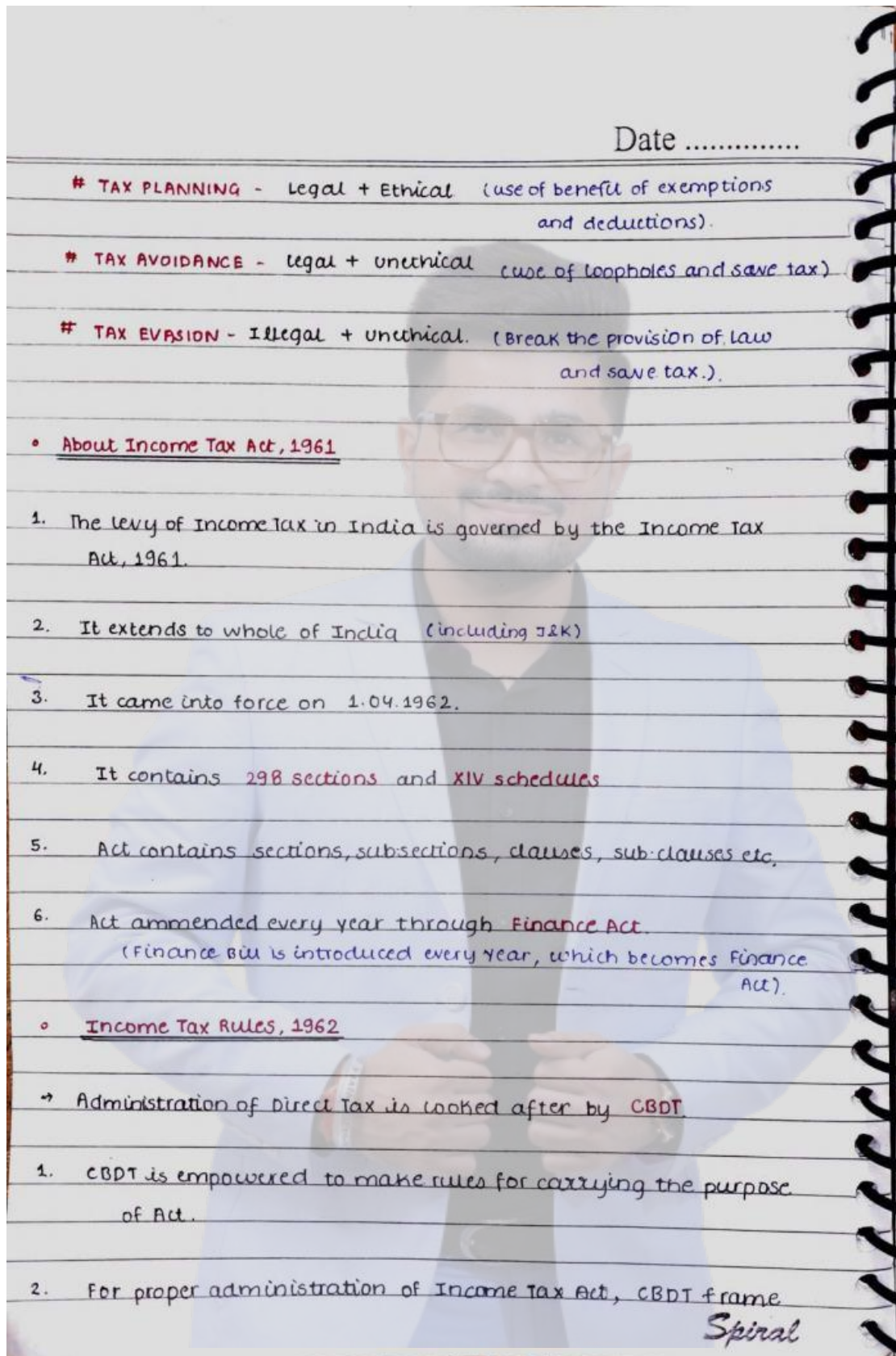
INDIA

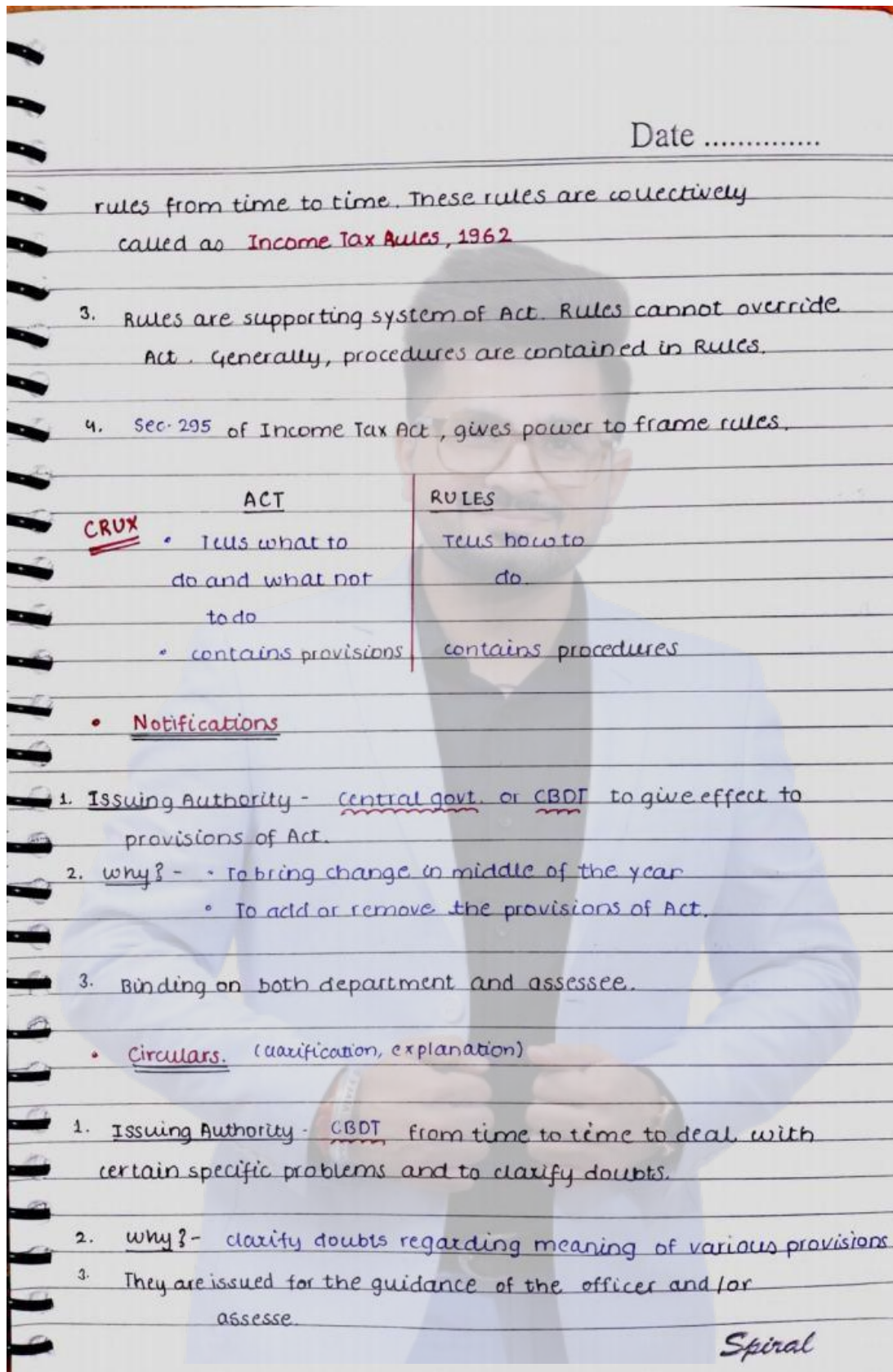
High seas.	EEZ.	TWI	Baseline/Landmass. - 28 states - 8 UT
	200NM	12NM	

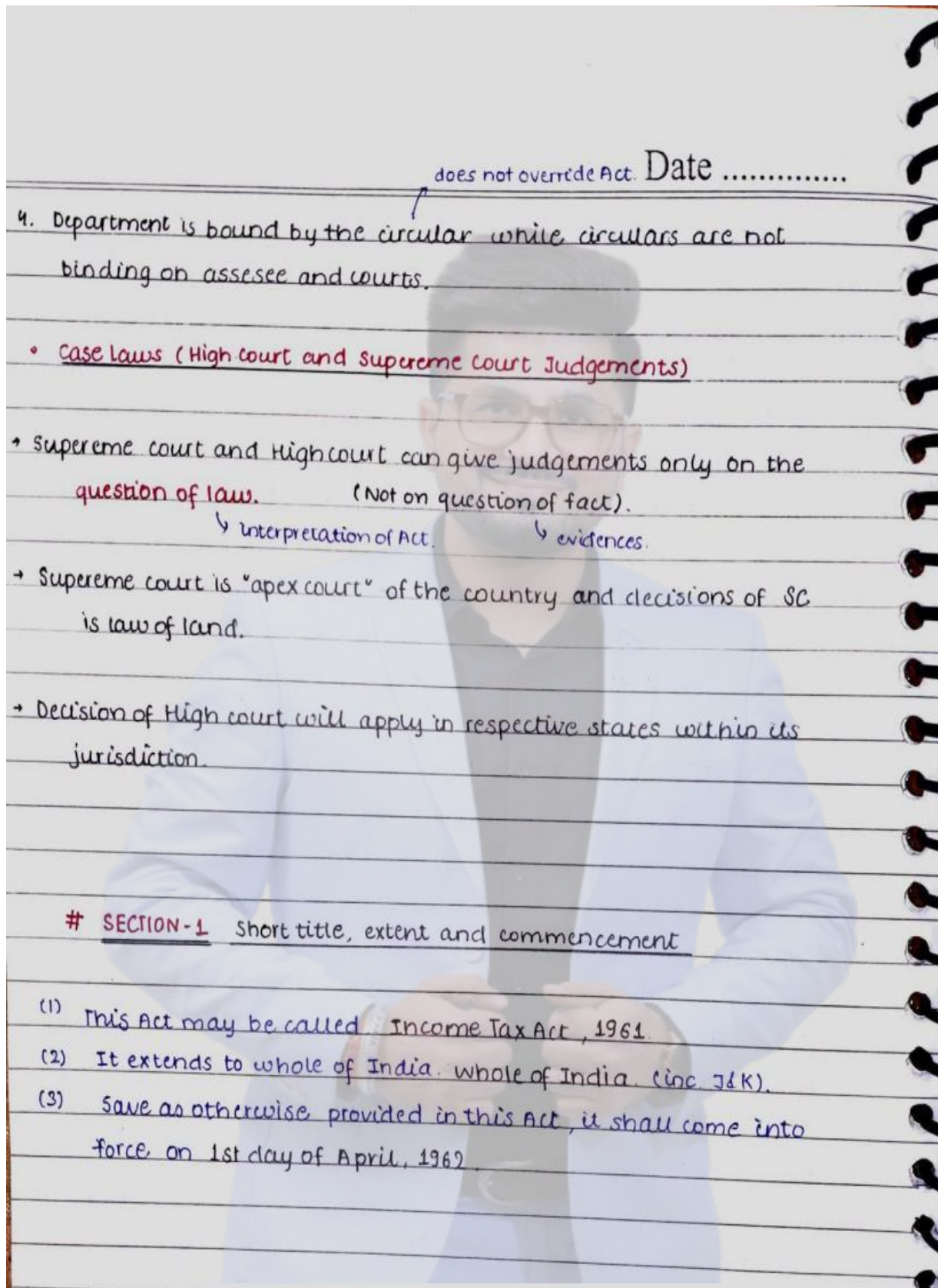
1 NM = 1.852 Km

- TWI = Territorial water of India
(India for all purpose)
- EEZ = Exclusive Economic Zone.
(India only for oil rigs and natural gas)
- High seas = outside India.

Spiral







chapter- 1 and 2

Basics of Income Tax and Residence and
Scope of Total Income.

Date

SECTION 4 Charging section of Income Tax

- Every person
- whose total income
- of the previous year
- exceeds the maximum amount which is not chargeable to Income Tax,
- is an assessee and
- chargeable to Income Tax at rates or rates prescribed in the Finance Act, for the relevant previous year.

SECTION 2(31) Person as defined in Section 2(31) of Income Tax Act, 1961.

"Person" includes

- (a) an individual (all types of individual)
- (b) Hindu undivided family → (muslim and christian families cannot create HUF).
- (c) Company (Indian co., Foreign co.)
- (d) Firm (includes LLP).
- (e) an association of persons or Body of Individuals, whether incorporated or not. (AOP) (BOI).
- (f) local authority, cooperative society
- (g) every artificial judicial person, not falling within any of the preceding sub-clauses.

How to compute Total Income and Final Tax Liab. Date

$$\text{Income Tax Liab.} = \text{Total Income} \times \text{Tax Rates}$$

Income Tax is levied on an assessee's total income. Such total income has to be computed as per provisions contained in Income Tax Act, 1961.

Let's understand in Brief steps how to compute Total Income and Final Tax Liability:-

STEP 1. Determination of Residential status

Total income of an assessee is based on residential status of assessee.

```
graph LR
  RS[Residential Status] --> R[Resident]
  RS --> NR[Non-Resident]
  R --> ROR[ROR]
  R --> RNOR[RNOR]
```

STEP 2. Classification of Income under Different Heads

Income arises from unlimited sources but distributed into 5 heads of Income:-

- salary (sec 15 to 17)
- House Property (sec 22 to 27)
- Profit and gains from Business and Profession (sec 28 to 44 DB)
- capital gains (sec 45 to 55A)
- other sources (sec 56 to 59)

STEP 3. Computation of Income under each Heads of Income

STEP 4. clubbing of Income of spouse, son's wife, minor child etc.

STEP 5. set off or carry forward of losses

Spiral

Date

STEP 6 Gross Total Income

STEP 7 Deductions from Gross Total Income

- Deductions u/c VI-A (sec 80C to 80U)
- Deductions u/s 10AA.

STEP 8 computation of Total Income

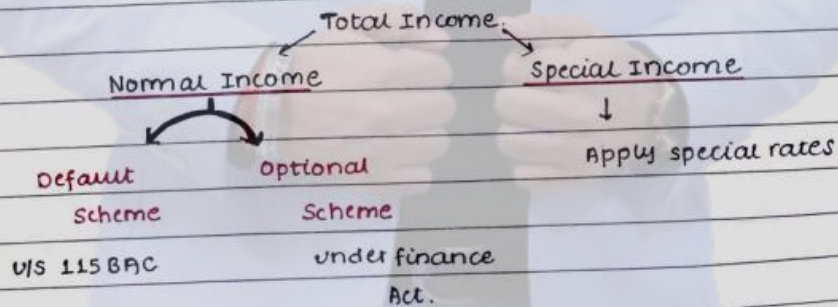
STEP 9 Rounding off of Total Income (section 288A)

Rounding off in the multiple of ₹10. (ignore decimal places)

- # last digit less than 5 = last 10
- # last digit 5 or more. = next 10

Example-	Total income	Total income after round off.
	4,44,444	4,44,440
	8,88,888.	8,88,880
	4,44,444.20	4,44,440
	4,44,444.90	4,44,440
	15,12,111.90	15,12,110

STEP 10 Application of Tax Rates and compute Tax



Spiral

Income tax Handwritten notes by CA Vivek Gaba,

Date

Step 11 Applicability of surcharge or Rebate on above Tax Liability

Step 12 Health and Education cess on Income Tax
↳ Rate - 4%

Step 13 Alternate Minimum Tax (AMT)
↳ applicable only when if assessee opts for Optional scheme

Tax under default scheme = Final Tax (No AMT)
Tax under optional/normal/regular scheme, or, AMT
(whichever is higher) = Final Tax

Step 14 Examine whether to pay tax under Default Tax Regime v/s 115BAC
or pay tax under Optional Tax Regime as per regular provisions
of the Act

CRUX :

Tax under <u>Default Tax Regime</u>	Tax under optional <u>Tax Regime</u> OR AMT
↓	↓
} whichever is HIGHER.	
} LESSER (more beneficial).	

STEP 15 Deduction of TDS, TCS or advance tax

most beneficial tax
(→ TDS/TCS/Adv. Tax)

Spiral

Date

Step 16 Tax Payable or Tax Refundable.

Case I : Actual Tax > TDS/TCS/Adv. Tax = Tax Payable

Case II : Actual Tax < TDS/TCS/Adv. Tax = Tax Refundable

Step 17 Rounding off of Final Tax (section 288B)

↓

In the multiple of ₹ 10.

Last digit less than 5 → last 10

Last digit 5 or more → next 10.

Step 18 Payment to Govt. if Tax Payable through Return of Income

Chapter - 2 Residential Status.

(Sec 5 - Sec 9).

Section 5 : Scope of Total Income / meaning of Total Income

Section 6 : Residential Status. (when R or NR).

Section 7 : Income deemed to be received in India
↳ will discuss in salary.

Section 8 (not relevant).

Section 9 : Income deemed to accrue or arise in India.

Spiral

Let's understand STEP 1 in detail.

Date

Basic Rules to be considered while determining Residential status

(1). Residential status is determined for each category of person separately.

Ex. separate rules for individual, HUF, company etc.

(2). Residential status is always determined for previous year because we have to determine total income of P.Y only.

(3). A person may be resident for more than one country for any previous year.

Ex. If Mr. V.G is resident in India for P.Y. 23-24, doesn't mean that he cannot be a resident of any other country in that P.Y.

(4). citizenship of a country and Residential status of that country are separate concepts.

A person may be an Indian citizen but may not be a resident in India, in other words,

A person may be a non-resident but may be an Indian citizen.

SECTION 6 : Residence in India

An individual is said to be resident in India in any previous year, if he satisfies any one of the following 2 basic conditions -

Condition 1: He has been in India during relevant previous year for a total period of 182 days or more, OR

condition 2: He has been in India during relevant previous year for a total period of 60 days or more, AND 365 days or more in 4 years immediately preceding relevant P.Y.

Spiral

Income tax Handwritten notes by CA Vivek Gaba,

Date

* Male, female, minor, major, married, unmarried, Indian citizen, foreign citizen etc.

**	condition1	condition2	Res. status
	✓	x	Resident
	x	✓	Resident
	✓	✓	Resident
	x	x	Non-Resident.

CRUX : Individual India me raha ho,
Kahi par bhī raha ho, kaise bhī raha ho,
Kisi bhī purpose ke lie raha ho, agar total days complete ho jayenge,
then Resident ban jayega

NOTE- If both basic conditions are not satisfied, then such individual shall be deemed as a non-resident.

→ Normal Basic conditions shall not be taken under consideration in the following cases -

case 1 : An individual, being an Indian citizen, who leaves India during relevant previous year as a member of crew of an Indian ship,

such individual will be treated as resident in India only if their total period of stay during relevant previous year is.

182 days or more.

(Reason- Govt. inko benefit de rhi hai, jisse late resident bane or bahar se jyada foreign reserves India me laae.)

→ taxability ↓

Spiral

Income tax Handwritten notes by CA Vivek Gaba,

• for the purpose of employment ✓ , not a special case.
 • in the course of employment. ✗ Date

Case 2: An individual being an Indian citizen, leaves India during relevant previous year, for the purpose of employment, such individual will be treated as resident in India only if period of their stay during previous years is **182 days or more**.

• How to compute days stay in India?

Deemed outside India = From Date of Joining upto date of signing off.

Stay in India = $366 \text{ days} - \text{Deemed o/s India}$.

leap year

Difference

182 days or more less than 182 days.

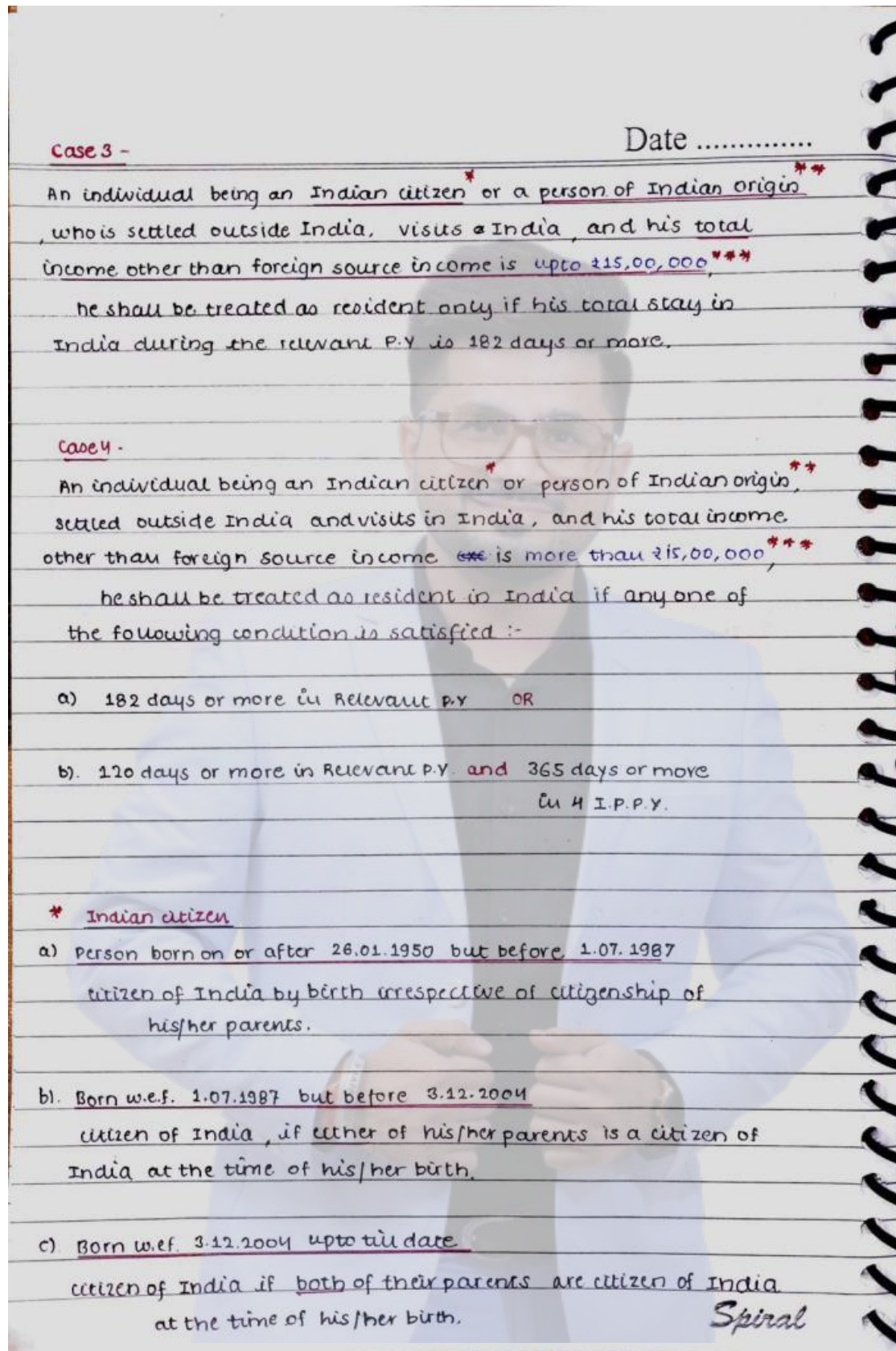
RESIDENT RESIDENT

→ Imp. Points

Except in the case of crew member,

- Date of arrival and date of departure, both dates are considered to be in India.
- Stay in India includes stay in Territorial water of India also.

Spiral



Date

**** Indian origin**

If he, either of his parents, either of his grandparents are born in undivided India. (i.e before 1947).

Undivided India includes India, Pakistan and Bangladesh.

Grandparents include both paternal and maternal grandparents.

***** How to Compute Total income other than Foreign source income upto 15,00,000 or more**

Particulars	whether included or not
1) Income arise in India.	✓
2) Income deemed to be arise in India.	✓
3) Income received in India.	✓
4) Income deemed to be received in India.	✓
5) Income arise outside India, and received outside India but business controlled in India and profession set up in India.	✓
6) Income arise outside India and received outside India but business controlled and profession set up in India.	X (Foreign source income)

o/s

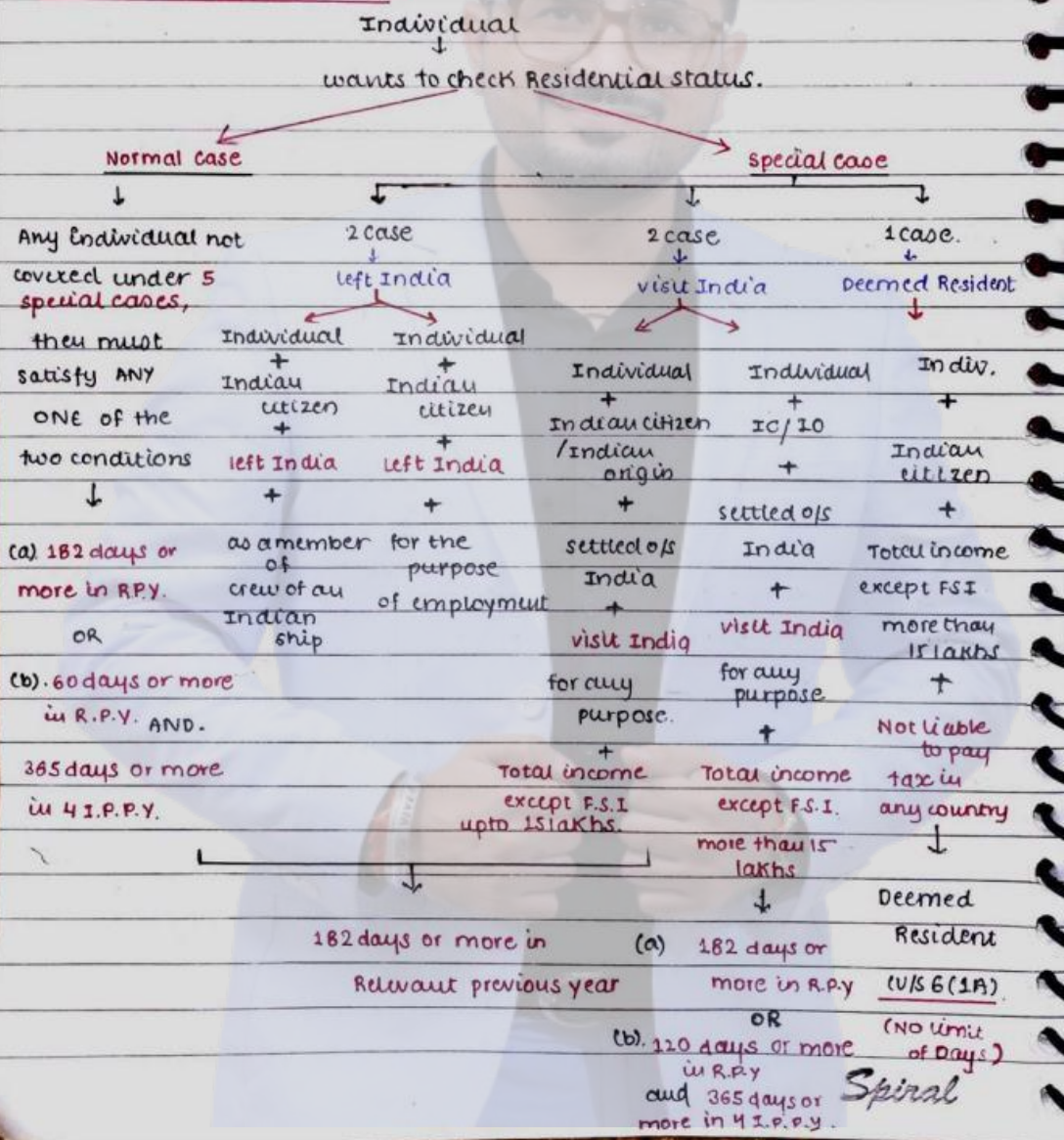
It is hereby declared that this clause shall not apply in case of individual who is said to be resident in India in previous year under clause 1.

Case 5- Section 6(1A)

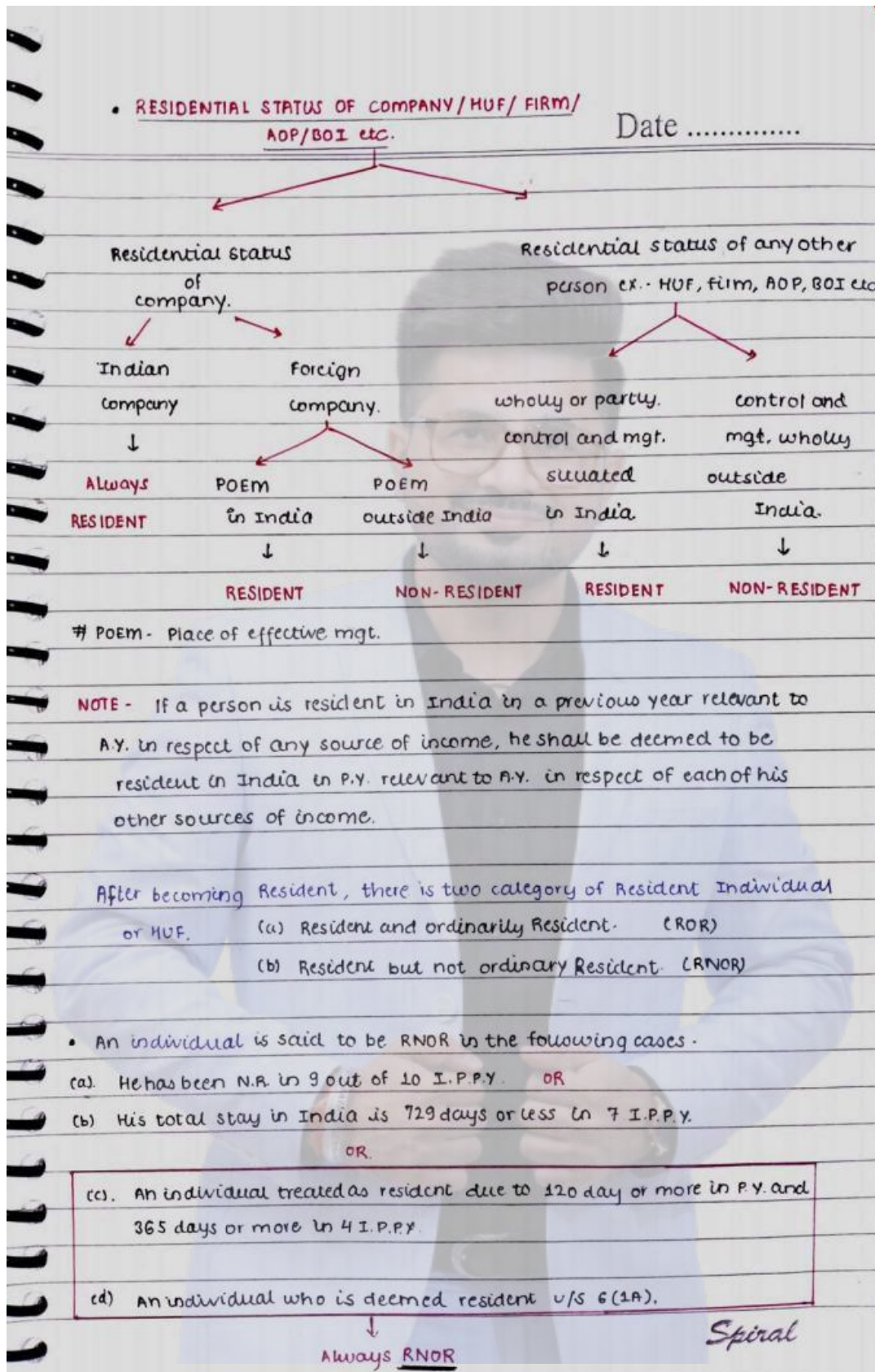
Date

An individual, being an Indian citizen, his total income other than foreign source income is more than ₹15 lakhs, and he is not liable to pay tax in any other country, he shall be deemed to be resident in India in relevant previous year (irrespective of total no. of days stayed in India).

CRUX of Section 6(1) and 6(1A)



Income tax Handwritten notes by CA Vivek Gaba,



Income tax Handwritten notes by **CA Vivek Gaba,**

Date

NOTE - a) In case of HUF, Karta will satisfy the above condition.
(only condition 1 and 2)

b) All other person other than individual or HUF may be R or NR.

ROR - Resident and ordinarily Resident.

RNOR - Resident but not ordinarily Resident.

• Conditions of ROR

An individual or Karta (For HUF) satisfies **BOTH** of the following two conditions :-

(a) Resident in avg 2 out of 10 I.P.P.Y

AND

(b) Total stay in India is 730 days or more during 7 I.P.P.Y.

Examples

• Assume Mr. V.G. is Resident of India.

Determine whether he is ROR or RNOR.

Cases :-

In last 10 I.P.P.Y	9 NR	8 NR	6 NR	10 NR	6 NR
	1 R	2 R	2 R		4 R
In last 7 I.P.P.Y.	740 days	728 days	730 days	720 days	750 days.
	RNOR	RNOR	ROR	RNOR	ROR.

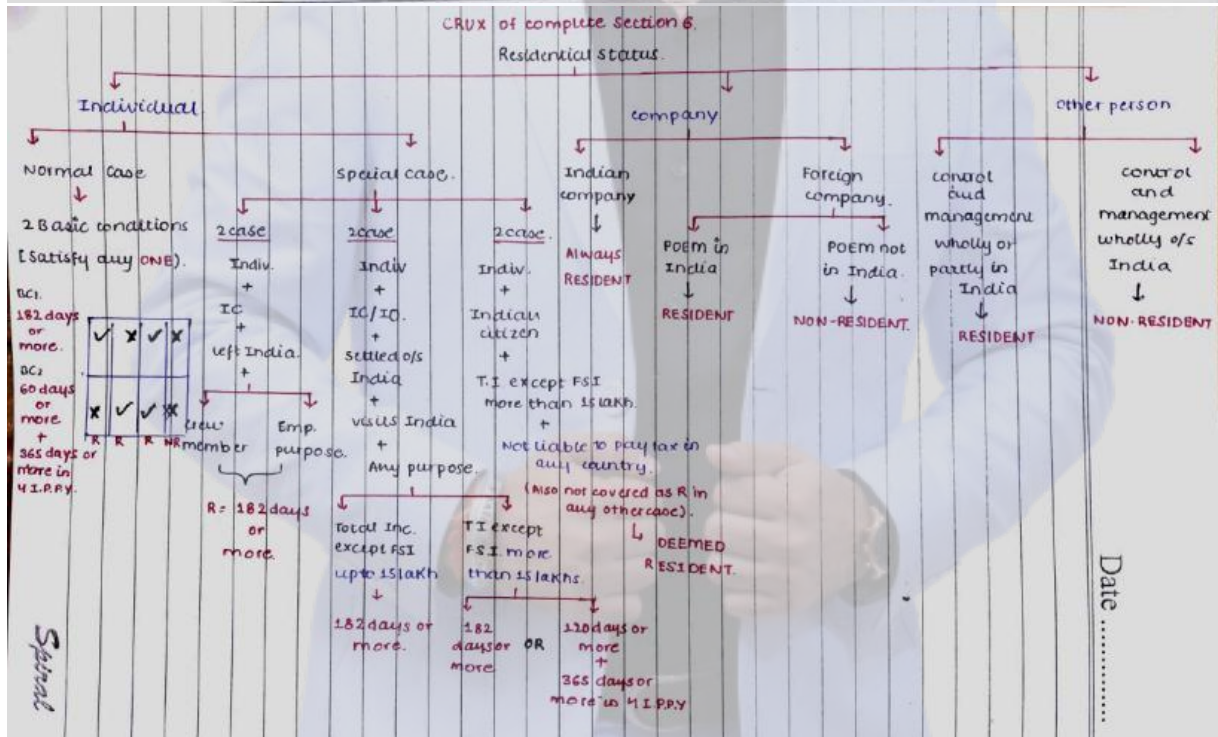
Date

CASES : FOR HUF

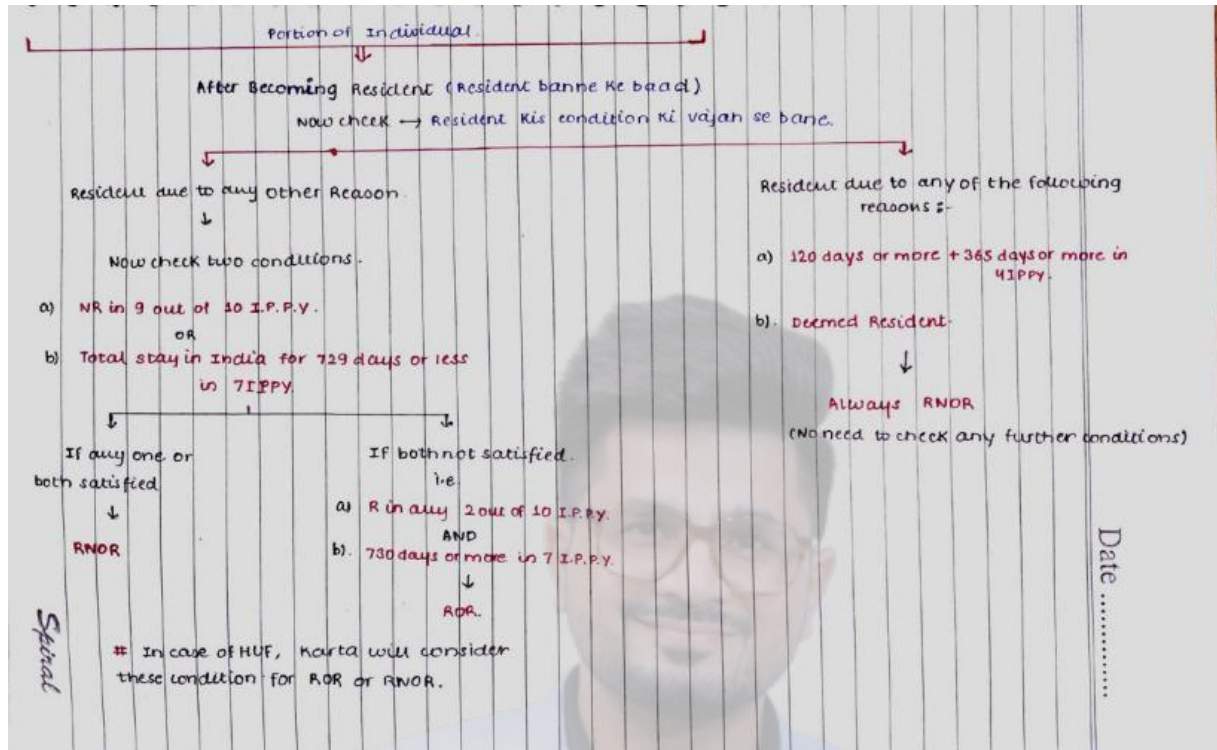
HUF	R	R	R	NR	NR	NR
KARTA	ROR	RNOR	NR	ROR	RNOR	NR
HUF STATUS.	ROR	RNOR	ROR OR RNOR	NR	NR	NR

↓
depends on Karta .

(Karta may be NR as an individual, but for determining status of HUF, we look for the two conditions of RNOR satisfied by Karta or not, despite the fact that Karta is NR).



Income tax Handwritten notes by CA Vivek Gaba,



Income tax Handwritten notes by **CA Vivek Gaba,**

SECTIONS : Scope of Total Income / meaning of Total Income.

Date

Particulars.	R/ROR	RNOR	NR.
(a). Inome received in India (whether arise in India or not).	TAXED	TAXED	TAXED
(b). Income deemed to be received in India (whether accrue or arise in India or not).	TAXED	TAXED	TAXED
(c). Income accrue or arise in India (whether received in India or o/s India)	TAXED	TAXED	TAXED
(d). Income deemed to accrue or arise in India (whether received in India or o/s India).	TAXED	TAXED	TAXED
(e). Income accrue or arise outside India, ^{received outside India} from business controlled or profession setup in India	TAXED	TAXED	NOT TAXED
(f). Income accrue or arise outside India and received o/s India. from business controlled or prof. set up o/s India	TAXED	NOT TAXED	NOT TAXED
(g). Income exempt under any provision of Income Tax Act, 1961.	NOT TAXED	NOT TAXED	NOT TAXED
(h). Past untaxed profits	NOT TAXED	NOT TAXED	NOT TAXED.

Chapter - 1 Basics of Income Tax

Step 10, 11, 12 and 17

Tax Rates, Surcharge, Rebate, Marginal Relief,
Health and Edu. cess and Rounding off

Date

• Meaning of Previous Year and Assessment Year under Income Tax.

Year under Income Tax.	
↓	↓
Previous Year (sec 3)	Assessment Year [Sec 2(9)]
(1.) P.Y means the year in which income is earned.	(1.). A.Y. means the year in which income is chargeable to tax.
(2.) It may be of 12 months or less than 12 months.	(2.). It may be always of 12 months.
(3.). P.Y. starting from the date of buss. setup and ending to 31 March.	(3.). It always starts from 1 April and ending to 31 March.
For NOV 24, P.Y. 23-24 is relevant. i.e. (1/4/2023 - 31/3/2024).	For NOV 24, A.Y. 24-25 is relevant. i.e. (1/4/2024 - 01/3/2025)

Examples -

- Mr. VG starts business on 25.12.2023. Determine P.Y for Mr. VG.
→ 25.12.23 - 31.3.24
- What if buss. setup on 18.09.23 and buss. commence on 15.12.23.
→ 18.9.23 - 31.3.24
- Mr. VG setup business on 31.3.24 and commence business on 5.4.24.
→ 31.3.24 - 31.3.24.

Tax Rates for Individual/HUF/AOP/BOI/AJP for A.Y. 24-25.

Tax Rates under Date

Income Tax.

↓

<u>Normal Rates of Tax</u>	<u>Special Rates of Tax</u>
↓	↓
Alternative 1	Alternative 2.
<ul style="list-style-type: none">• Section 115BAC• Default scheme, or• concessional scheme, or• New Regime	<ul style="list-style-type: none">• Optional scheme, or• Normal scheme, or• Shifting out/opt out from default scheme, or• Regular scheme
↓	↓
Individual/HUF/AOP/BOI/AJP can pay tax at concessional rates of tax under Default Scheme. However, he has to forego certain exemptions and deductions under this Regime	Alternatively they can exercise the option to shift out from default scheme and pay tax under optional tax regime.
<ul style="list-style-type: none">• Rates given under Income Tax Act, 1961.	<ul style="list-style-type: none">• Rates given under Finance Act.
<ul style="list-style-type: none">• <u>Default tax regime under section 115BAC of Inc. Tax Act, 1961</u>	

Concessional Rates of Tax

Applicability : Individual, HUF, AOP, BOI, AJP.
(Whether R, NR, irrespective of the age.)

Income tax Handwritten notes by CA Vivek Gaba,

Date

→ Tax Rates

Total income upto 300,000	=	NIL
Total income more than 300,000 upto 600,000	=	5% of inc. excess 3lakH
Total income more than 600,000 upto 900,000	=	15000 + 10% of inc. exc. 6 lakH
Total income more than 900,000 upto 1200000	=	45000 + 15% of inc. exc. 9lakH
Total income more than 1200000 upto 15,00,000	=	90000 + 20% of inc. exc. 12L
Total income more than 15,00,000.	=	150000 + 30% of inc. excess of 15lakH.

Example

	Total Income	Tax
a.)	300,000	NIL
b.)	600,000	15000
c.)	900,000	45000
d.)	12,00,000	90,000
e.)	15,00,000	150,000
f.)	18,00,000	240,000
g.)	24,00,000	420,000

<u>HW.</u> Name	R.S.	Age	Total Income	Tax	Tax + 4% cess
Bhindi	R	45	48,00,000	11,40,000	11,85,600
Kaddu	R	60	9,80,000	57000	59,280
Barfi	NR	70	7,40,000	29000	30,160
Jalebi	NR	31	11,90,000	88500	92040
Rabdi	R	92	14,50,000	140,000	1,45,600
Pyaz	R	55	25,50,000	465000	4,83,600
Gobhi	NR	81	5,10,000	10500	10920
Karela	R	51	10,00,000	60000	62400
Ghrya	R	27	13,20,000	1,14,000	1,18,560

• Health and Education cess @ 4% on Tax payable
(in all cases)

Spiral

Income tax Handwritten notes by CA Vivek Gaba,

• 3 Most Important concepts in case of Individual/HUF/AOP/BOI/AJP under Default Regime Date

1. Surcharge
2. Marginal Relief
3. Rebate under section 87A → only for individual

• Surcharge

	Rate of Surcharge
Total income upto 50 lakhs	Nil
Total income more than 50 lakhs upto 1 crore	10% of Tax
Total income more than 1 crore upto 2 crore	15% of Tax
Total income more than 2 crore	25% of Tax

• How to compute Marginal Relief

Step 1

computation of Tax liability on given income.	xxx
Add: Surcharge (10%/15%/25%).	xxx
Tax + surcharge. (A)	xxxx

Step 2

computation of Tax liability on 50 lakh/1cr/2cr.	xxx
Add: Surcharge (10%/15%).	xxx
Tax + surcharge (B).	xxx

Step 3

computation of Tax increment	
Tax under (A) - Tax under (B)	= xxx

Step 4

computation of Income Increment	
Income given under step 1	xxxx
less: Income given under step 2	(xxx)
∴ Income Increment	xxx

Spiral

Date

Steps

Computation of marginal relief.

cases.

If ^{tax} ~~income~~ increment is more than income increment.

↓

Difference b/w
Tax inc. - Income inc.
is marginal Relief.

If tax increment is less than equal to income increment

↓

NO marginal relief

Step 6

Computation of Final Tax.

Tax computed under Step 1.	xxxx
less: Marginal relief under steps.	(xxx)
Tax after MR	xxx
Add! Cess @ 4%	xxx
Final Tax.	xxxx

Date

• **Rebate u/s 87A**

Rebate to Resident Individual paying tax under Default Tax Regime u/s 115BAC

Rebate allowed from income tax payable if all the below mentioned conditions are satisfied :-

- (1) Assessee must be an **individual**.
- (2) **Resident** in India
- (3) Total income upto **₹ 700,000**.

If all the above mentioned conditions are satisfied, then eligible for Rebate under section 87A.

• **Quantum of Rebate**

a) 100% Income Tax payable.
OR

b) Rs. 25000.

Maximum Rebate
upto ₹ 25000

[whichever is less]

Rebate under section 87A is allowed from Income Tax computed before adding 4% Health and Edu. Cess

Rebate u/s 87A is however, not available in respect of **Long-term capital gain** u/s 112A @ 10%.

Example -

	I	II	III	IV	V
Total Income.	500,000	550,000	600,000	650,000	700,000
Tax	10,000	12,500	15,000	20,000	25,000
(-) Rebate u/s 87A	(10,000)	(12,500)	(15,000)	(20,000)	(25,000)
FINAL TAX	Nil	Nil	Nil	Nil	Nil

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

What if Total Income is more than 7 lakhs?

If total income of such individual exceeds Rs 700,000 and income tax payable on such total income exceeds the amount by which the total income is in excess of Rs 700,000,

Rebate would be as follows-

STEP 1 Total Income - 700,000 = xxx (A) (Income increment)

STEP 2 compute Income tax liab. on Total Income = xxx (B)
(Tax increment) since tax on 700,000 will be Nil.

STEP 3 If $B > A$, Rebate u/s 87A would be $(B - A)$

The amount of rebate u/s 87A shall not exceed the amount of income tax as computed before allowing such rebate on total income of an assessee.

Example -

Total Income	705,000	710,000	715,000	725,000	740,000
Step 1 - Inc. increment	5000	10000	15000	25000	40,000
Step 2 Tax on T.I.	25,500	26000	26500	27500	29000.
Step 3	B > A	B > A	B > A	B > A	B < A
Rebate allowed	✓	✓	✓	✓	✗
Amt. of Rebate.	20,500	16000	11500	2500	Nil
∴ Tax. payable	5000	10000	15000	25000	29000.
Add: 4% cess.	200	400	600	1000	1160
Final Tax	<u>5200</u>	<u>10400</u>	<u>15600</u>	<u>26000</u>	<u>30160</u>

Spiral

Income tax Handwritten notes by CA Vivek Gaba,

• Special Income Tax Rates under Income Tax Act, 1961 Date

Applicability - all assessee (whether individual, HUF, Firm, company etc.)

Scheme - Any scheme (whether optional or default).

S.No.	Section No.	Income	Rate of Tax
1.	112	Long-term capital gain	20%
2.	112A	long-term capital gain	upto 1lakh - Nil >1lakh = 10% on excess Income.
3.	111A	Short-term capital gain	15%
4.	115BB	winning from - lottery - crossword puzzles - Races - card games.	30%
5.	115BBT	Net winnings from online games.	30%
6.	115BBE	unexplained money, investment (Black Money) etc.	60%
7.	115BBG	carbon credit income	10%

Spiral

Date

• Special Treatment of surcharge in case of specified Incomes •

Total Income		
↓	↓	↓
Total income includes only other income	Total income includes only special income	Total incomes includes other income as well as special income.
<ul style="list-style-type: none"> • other income means <u>income other than:-</u> → LTCG u/s 112 → LTCG u/s 112A → STCG u/s 111A → Dividend 	<ul style="list-style-type: none"> • special income means- → LTCG u/s 112 → LTCG u/s 112A → STCG u/s 111A → Dividend. 	<ul style="list-style-type: none"> Ex- PGBP, HP, LTCG u/s 112 LTCG u/s 112A etc.)
↓	↓	↓
<ul style="list-style-type: none"> • TI upto 50 lakh - Nil • TI more than 50 lakh upto 1 crore - 10% • TI more than 1 crore upto 2 crore - 15% • TI more than 2 crore - 25% 	<ul style="list-style-type: none"> • Total income upto 50 lakhs Nil • TI more than 50 lakh upto 1 crore 10% • TI more than 1 crore upto 2 crore 15% • TI more than 2 crore 15% 	<ul style="list-style-type: none"> • Total income upto 50 lakhs - Nil • Total income more than 50 lakh upto 1 crore. 10% • TI more than 1 crore upto 2 crore 15% • TI more than 2 crore 15%
		<ul style="list-style-type: none"> → Tax on special income - 15% → <u>Tax on other Income.</u>
		<ul style="list-style-type: none"> • If other income upto 2 crore 15% • If other income more than 2 crore. 25%

Income tax Handwritten notes by **CA Vivek Gaba,**

Example - Date

	Particulars	Rate of Surcharge
(1)	PGBP - 40,00,000	Nil
(2)	PGBP - 70,00,000	10%
(3)	PGBP - 1,04,00,000	15%
(4)	PGBP - 2,10,00,000	25%
(5)	LTCG u/s 112 - 40,00,000	Nil
(6)	LTCG u/s 112 - 70,00,000	10%
(7)	LTCG u/s 112 - 1,04,00,000	15%
(8)	LTCG u/s 112 - 2,10,00,000	15% (special income)
(9)	PGBP 20,00,000 LTCG u/s 112 20,00,000 TI 40,00,000	Nil
(10)	PGBP 30,00,000 LTCG u/s 112 30,00,000 60,00,000	10%
(11)	PGBP 40,00,000 LTCG u/s 112 70,00,000 1,10,00,000	15%

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

(12).	PGBP	60,00,000	
	LTCG u/s 112	70,00,000	
		<u>1,30,00,000</u>	15%
(13)	PGBP	1,01,00,000	15% (PGBP)
	LTCG u/s 112.	1,40,00,000	15% (LTCG u/s 112)
		<u>2,41,00,000</u>	
(14)	PGBP	40,00,000	15% (PGBP)
	LTCG u/s 112	2,15,00,000	15% (LTCG u/s 112)
		<u>2,55,00,000</u>	
(15).	PGBP	2,10,00,000	25% (PGBP)
	LTCG u/s 112	20,00,000	15% (LTCG u/s 112)
		<u>2,30,00,000</u>	
(16).	PGBP	1,80,00,000	15% (PGBP)
	LTCG u/s 112.	50,00,000	15% (LTCG u/s 112)
		<u>2,30,00,000</u>	

Date

• Treatment of unexhausted exemption limit or Balance Exemption limit

→ Unexhausted exemption limit can be used in the following two cases :-

- (1) Individual or HUF, and
- (2) Resident in India.

→ Balance exemption limit can be used in following incomes-

- (1) LTCG u/s 112
- (2) LTCG u/s 112A
- (3) STCG u/s 111A

* It must be used in the most beneficial way so that tax is minimum.

Above benefit is not available for Non-Resident

Examples

Ques 1 PGDP - 250,000
LTCG u/s 112 - 300,000

compute final tax.

<u>solution</u> -	Tax on PGDP	
	(250000 - 250,000 (exemption)).	Nil
	Tax on LTCG u/s 112	
	[300,000 - 50,000 (exemption)] x 20%.	50,000
	less: Rebate u/s 87A	(25000)
		25000
	Add: cess @ 4%.	1000
	Final Tax.	26000

Income tax Handwritten notes by **CA Vivek Gaba,**

CRUX of Special Income

Particulars.	Special Income for Tax computation (i.e. special tax rates apply.)	Special Income for Surcharge i.e. (Different rate of surcharge)	Special Income for unexhausted exemption limit (i.e. Balance exemption can be used)	Special Income for Rebate (i.e. Rebate is not allowed on).
LTCG u/s 112	✓	✓	✓	X
LTCG u/s 112A	✓	✓	✓	✓
STCG u/s 111A	✓	✓	✓	X
Casual Income	✓	X	X	X
Dividend	X	✓	X	X

Income tax Handwritten notes by CA Vivek Gaba,

Date

- Tax Rates prescribed by Annual Finance Act for optional Tax Regime

The slab rates for A.Y. 24-25 applicable to Individual/HUF/AOP/BOI/AJP which has exercised the option of shifting out of the default tax regime as under -

Individual			
Resident in India			Non-Resident in India.
Age less than 60 years (Younger age)	Age 60 years or more but less than 80 years (senior citizen)	Age 80 years or more (super-senior citizen)	All cases (irrespective of age).
TI upto 2.5 lakhs - Nil	TI upto 3 lakhs - Nil	TI upto 5 lakh - Nil	Total income upto 2.5 lakh - Nil
TI more than 2.5 lakh upto 5 lakh - 5%	TI more than 3 lakh upto 5 lakh - 5%	TI more than 5 lakh upto 10 lakh - 20%	TI more than 2.5 lakh upto 5 lakh - 5%
TI more than 5 lakh upto 10 lakh - 20%	TI more than 5 lakh upto 10 lakh - 20%	TI more than 10 lakh - 30%	TI more than 5 lakh upto 10 lakh - 20%
TI more than 10 lakhs - 30%	TI more than 10 lakh - 30%		TI more than 10 lakh - 30%

* 60 years or more - }
 ** 80 years or more - } at any time during the P.Y.

Important Point

If date of Birth is 1/04/1944 - Deemed 80 years on 31/03/24

If date of Birth is 1/04/1964 - Deemed 60 years on 31/03/24

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

Health and Education cess @ 4% applicable on Tax payable.

Date

Example

Name	R.S.	Age	Total Income	Tax payable	Tax + cess @ 4%
Gobhi	R	45	10,00,000	112,500	117000
Kaju	R	60	10,00,000	110,000	114400
Badam	R	80	10,00,000	100,000	104000
Pudina	NR	92	12,00,000	172,500	179400
Dhaniya	NR	48	15,00,000	262,500	273000

• 3 Most important concepts

1. Surcharge
2. Marginal relief
3. Rebate u/s 87A

• Surcharge

	<u>Rate of surcharge</u>
Total income upto 50 lakhs	Nil
Total income more than 50 lakhs upto 1 crore	10% of Tax
Total income more than 1 crore upto 2 crore	15% of Tax
Total income more than 2 crore upto 5 crore	25% of Tax
Total income more than 5 crore	37% of Tax

} subject to marginal relief.

• Marginal relief

↳ computation same as in default tax regime,

Date

• **Rebate** u/s 87A

Rebate allowed from income tax payable if all the below mentioned conditions are satisfied -

- (1) **Individual**
- (2) **Resident** in India
- (3) Total income upto **₹ 500,000**

If all the above mentioned conditions are satisfied, then individual is eligible for Rebate.

Quantum of Rebate

- a) 100% Tax payable
or
- b) ₹ 12500

Maximum Rebate
= ₹ 12500

[whichever is less]

Rebate u/s 87A is allowed from Income Tax computed before adding 4% Health and Edu. cess.

Rebate u/s 87A is however, not available in respect of **long-term capital gains** u/s 112A @ 10%.

• **What if Total Income more than 500,000?**

No Rebate after ₹ 500,000
(Normal Tax calculation apply).

Income tax Handwritten notes by CA Vivek Gaba,

• Tax Rates in case of HUF, AOP, BOI, AJP [in optional scheme] Date

Total income upto 250,000	Nil
Total income more than 2.5Lakh upto 500,000	5%
Total income more than 5Lakh upto 10,00,000	20%
Total income more than 10 lakhs.	30%

Surcharge and Marginal Relief concepts are same as in case of individual.

• Tax Rates in case of Firm/LLP/Local Authorities

Income Tax on the whole of the total income (without any exemption limit) 30%

SURCHARGE

If total income upto 1 crore - Nil
More than 1 crore - 12% } subject to marginal relief

• Tax Rates in case of cooperative societies

Normal Scheme Special Scheme

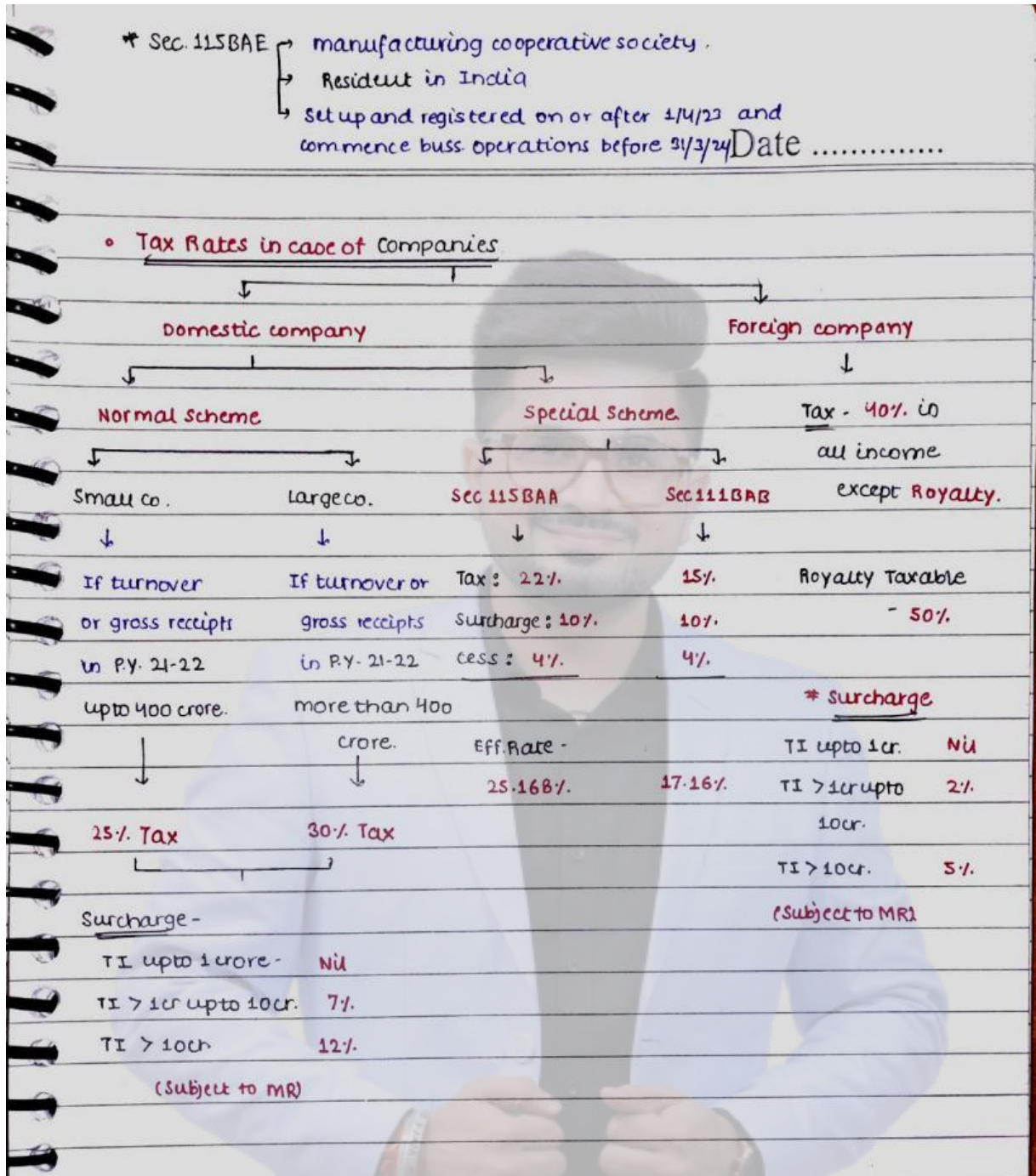
- not applicable to stock
- Resident
- not applicable to single stock

TI upto 10,000 - 10% of T.I.	Sec. 115BAD	* Sec 115BAE
TI > 10K upto 20K - 20% of excess income	Tax - 22%	Tax - 15%
TI > 20K - 30% of excess income	Surch. - 10% in all cases.	Surch - 10% in all case.
# Surcharge - Total income upto 1 crore - Nil	cess - 4%	cess - 4%
Total income > 1cr upto 10cr. - 7%	Effective Rate - 25.168%	Effective Rate - 17.16%
Total income > 10cr. - 12%		

Subject to marginal relief.

Spiral

Income tax Handwritten notes by CA Vivek Gaba,



Income from House Property

Date

• Background of House Property

Section 22 says section 23 - Section 24 = **Income from House Property**

- Section 22 - Charging section
- Section 23 - Annual value
- Section 24 - Deductions from Annual value
- Section 25(1) - No deduction v/s 24(b) if no TDS deducted and paid.
- Section 25A - Recovery of unrealised rent / Arrears of rent
- Section 26 - co-ownership / Joint ownership
- Section 27 - Deemed ownership

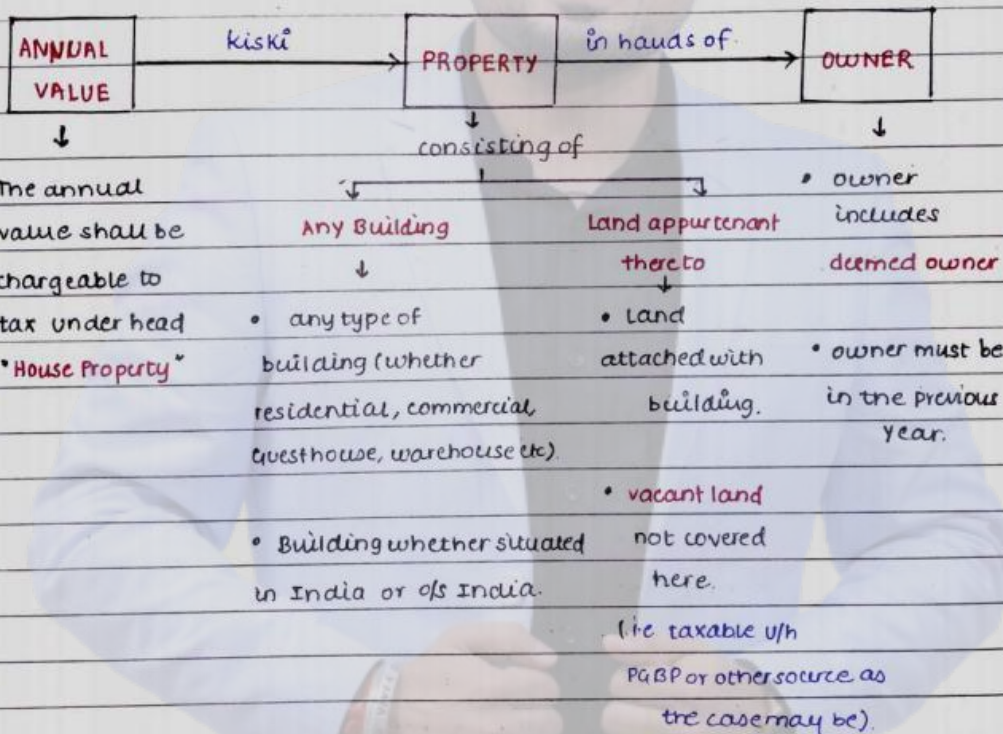
Spiral

Section - 22

Date

The annual value of property consisting of any buildings or lands appurtenant thereto of which the assessee is the owner, other than such portions of such property as he may occupy for the purposes of any business or profession carried on by him, the profits of which are chargeable to income tax, shall be chargeable to income tax under the head "Income from House Property."

- **Analysis of Section 22** • (Property ki annual value owner ke hath me taxable)



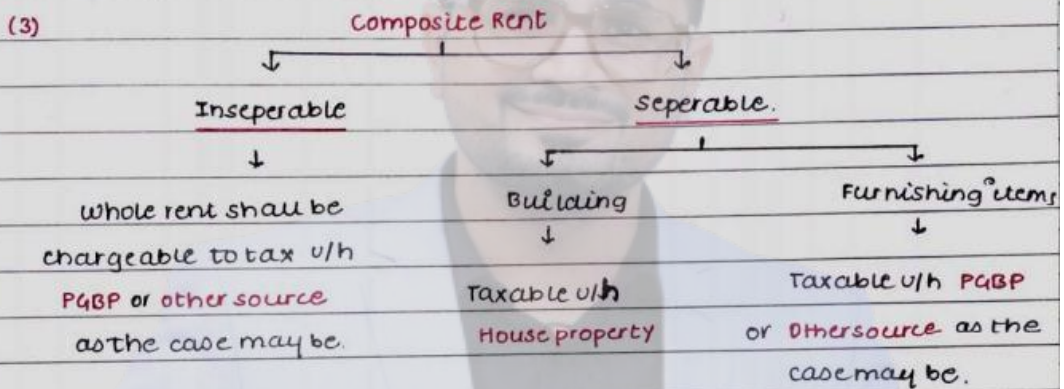
Annual value of any building or land appurtenant thereto is taxable under head "House property" in all cases EXCEPT the following 4 cases :-

Spiral

Date

(1) such portion of such property as he may occupy for the purpose of **business/profession carried on by him,**
↳ Taxable u/h PQBP.

(2) If let-out is **supplementary to the main business,** then such rental income is also taxable u/h PQBP.



(4) If the **business is letting out** then taxable u/h PQBP.

Example 1.

Mr VG's HOUSE		
7th	Tax classes.	→ PQBP
6th	let out	→
5th	Vacant	→
4th	Mr. VG self occupied	→
3rd	let out - Buss purpose	→
2nd	let out - self occ.	→
1st	office.	→ PQBP
G.F	Tax classes	→ PQBP

} **House property.**

Spiral

Date

Example 2

Inseparable
seperable

whole 40,000 Rs. p.m. shall be chargeable to tax u/h PQBP or OS.	₹ 25000 p.m. for building. Taxable u/h HP.	₹ 15000 p.m. for furniture. Taxable u/h PQBP or OS.
--	---	--

• Computation of Income from House Property •

computed on municipal value	Gross Annual Value (GAV)	XXXX
less:	municipal taxes paid by owner during previous year	(XXX)
	Net Annual Value (NAV)	XXXX
less:	<u>Deduction u/s 24</u>	
→	standard deduction u/s 24(a) (30% of NAV)	(XXX)
→	Interest on housing loan 24(b).	(XXX)
	Income from House Property	XXXX
Add:	Recovery of unrealised rent / Arrears of rent subject to deduction.	XXXX
	TOTAL INCOME FROM HOUSE PROPERTY	YXXX

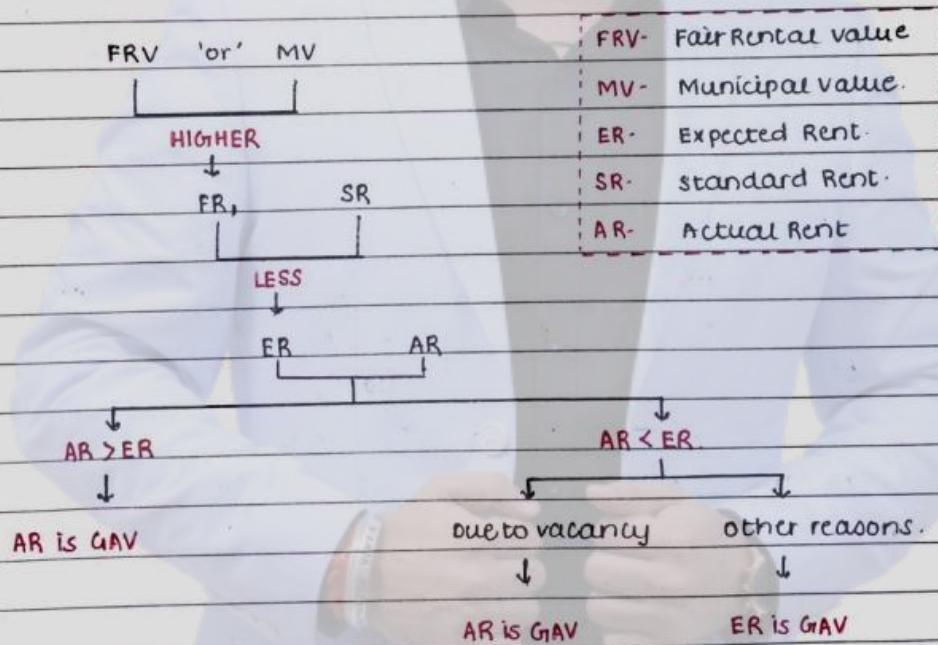
Spiral

Date

* How to compute Gross Annual Value :-

GRAV means the reasonable rental value of a house. It is computed with the help of 4 rents :-

- **FRV** → The rent of similar types of buildings in the same locality.
- **MV** → Rental value determined by the municipality for the purpose of charging municipal taxes.
- **SR** → The highest possible rent as per Rent Control Act.
- **AR** → Actual Rent received or receivable



Income tax Handwritten notes by **CA Vivek Gaba,**

In this case, $AR < ER$ due to reason other than vacancy, hence $GAV = ER$.

Example

	I	II	III	IV	V	Date
FRV	200,000	280,000 ^{ER}	240,000	280,000	300,000	
MV	240,000	270,000	250,000	260,000	320,000	
SR	220,000 ^{ER}	300,000	210,000 ^{ER}	270,000 ^{ER}	310,000 ^{ER}	
AR	20,000 p.m.	25,000 p.m.	15,000 p.m.	25,000 p.m.	30,000 p.m.	
vacancy	-	2 months	2 months	-	2 months	
unrealised rent	-	-	-	2 months	1 month	
GAV	240,000	250,000	210,000	270,000	270,000	

Although $AR < ER$

$15,000 < 210,000$

But, we need to check agar vacancy nhi hoti, to kahu $AR < ER$ or $AR > ER$

If $AR < ER$: means vacancy is not the reason of less AR. $\rightarrow GAV = ER$

If $AR > ER$: means vacancy is reason of less AR. $\rightarrow GAV = AR$

Example 2

	I	II	III	IV	V	VI
FRV	300,000 ^{ER}	400,000	200,000	420,000	400,000 ^{ER}	300,000
MV	290,000	450,000 ^{ER}	220,000 ^{ER}	450,000	320,000	320,000 ^{ER}
SR	350,000	500,000	300,000	410,000 ^{ER}	500,000	390,000
AR	30,000 p.m.	30,000 p.m.	20,000 p.m.	35,000 p.m.	30,000 p.m.	40,000 p.m.
vacancy	1 month	4 months	3 months	-	5 months	1 month
unrealised rent	-	-	-	5 months	1 month	1 month
GAV	330,000	450,000	180,000	410,000	400,000	400,000

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

• Deduction of Municipal Tax •

	I	II	III	IV	V
Gross Annual value.	900,000	800,000	600,000	11,00,000	700,000
Municipal Tax:					
Belong to last year	40,000	-	40,000	30,000	100,000.
Belong to C.Y/P.Y.	60,000	100,000	-	10,000	100,000
Belong to next year.	100,000	-	60,000	200,000	100,000.
(All municipal tax paid by owner). NAV →	700,000	700,000	500,000	860,000	400,000.

↓
during this year.

Two main conditions for Municipal Tax deduction

(1) Municipal Tax must be paid by the owner

+

(2) During the previous year
(Its year ki income compute krni ho).

owner ne P.Y. me jena bhi tax pay kiya, irrespective ki vo municipal tax kis period k hai

Example - Which of the following will be deducted?

- Municipal Tax paid by owner ✓
- Municipal Tax payable by owner X
- Municipal Tax paid by tenant X
- Municipal Tax payable by tenant X
- Municipal Tax borne by owner ✓
↳ assume = paid.

• Deduction u/s 24

o Standard deduction 24(a) - cases.

IF NAV is zero or -ve ↓ No deduction	IF NAV is +ve ↓ 30% of NAV shall be allowed for deduction.
--	--

Income tax Handwritten notes by CA Vivek Gaba,

Example 2: FRV = 380,000 municipal
MV = 390,000 Tax = 200,000.
SR = 400,000 paid by owner (includes ₹50,000
AR = 30,000 p.m. related to last year).
vacancy = 2 months.

Calculate income from House Property.

Solution:-

Gross Annual value (Noted)	390,000.
less: municipal tax paid by owner during P.Y.	(200,000)
Net Annual Value (NAV)	190,000.
less: ^{standard} Deduction u/s 24A (30% of 190,000)	(57,000)
\therefore Income from House Property	133,000

Gross Annual value (GAV) shall be computed in all cases except following cases:-

- | | |
|-----------------------------|-------------|
| (1) * wholly self-occupied. | } GAV = nil |
| (2) wholly vacant house | |
| (3) * deemed self-occupied. | |

Income tax Handwritten notes by CA Vivek Gaba,

- SOH = self-occupied house
- LOH = let-out house

Date

* Option to take $GAV = Nil$ in case of self-occupied house is available only for 2 House

Example- Mr. VG 1 self-occupied house = 1 SOH $\rightarrow GAV = Nil$
 Mr. VG 2 self-occupied house = 2 SOH + $GAV = Nil$
 Mr. VG 3 self-occupied house = 2 SOH + $GAV = Nil$
 1 Deemed let-out H - GAV compute.
 Mr. VG. 4 self-occupied house. = 2 SOH + $GAV = Nil$
 2 LOH - (Deemed) - GAV compute

4 most important cases (For examination)

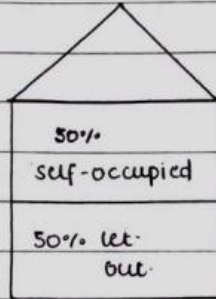
	wholly SOH/ Deemed SOH	vacant (wholly).	(let-out for some months, SOH/vacant for balance other house months) [Partly L-o / Partly SOH / "vacant"]
GAV	Nil	Nil	compute u/s 23
(-) municipal tax paid by owner	- NOT allowed -	Allowed	Allowed.
NAV	Nil	Nil/-ive	Nil/-ive/+ive
(-) Standard deduction u/s 24(a)	Nil	Nil	Allowed (if NAV is +ive)
(-) Int. on loan u/s 24(b)	Allowed	Allowed	Allowed.
Inc. from house property.	Nil/-ive	Nil/-ive	Nil/+ive/-ive.

Shival

Income tax Handwritten notes by CA Vivek Gaba,

- What if some portion is let-out and some portion is self-occupied. • Date

Case:- Q1.



$$FRV = 400,000 \times 50\% = 200,000$$

$$MV = 490,000 \times 50\% = 245,000$$

$$SR = 5,50,000 \times 50\% = 2,75,000$$

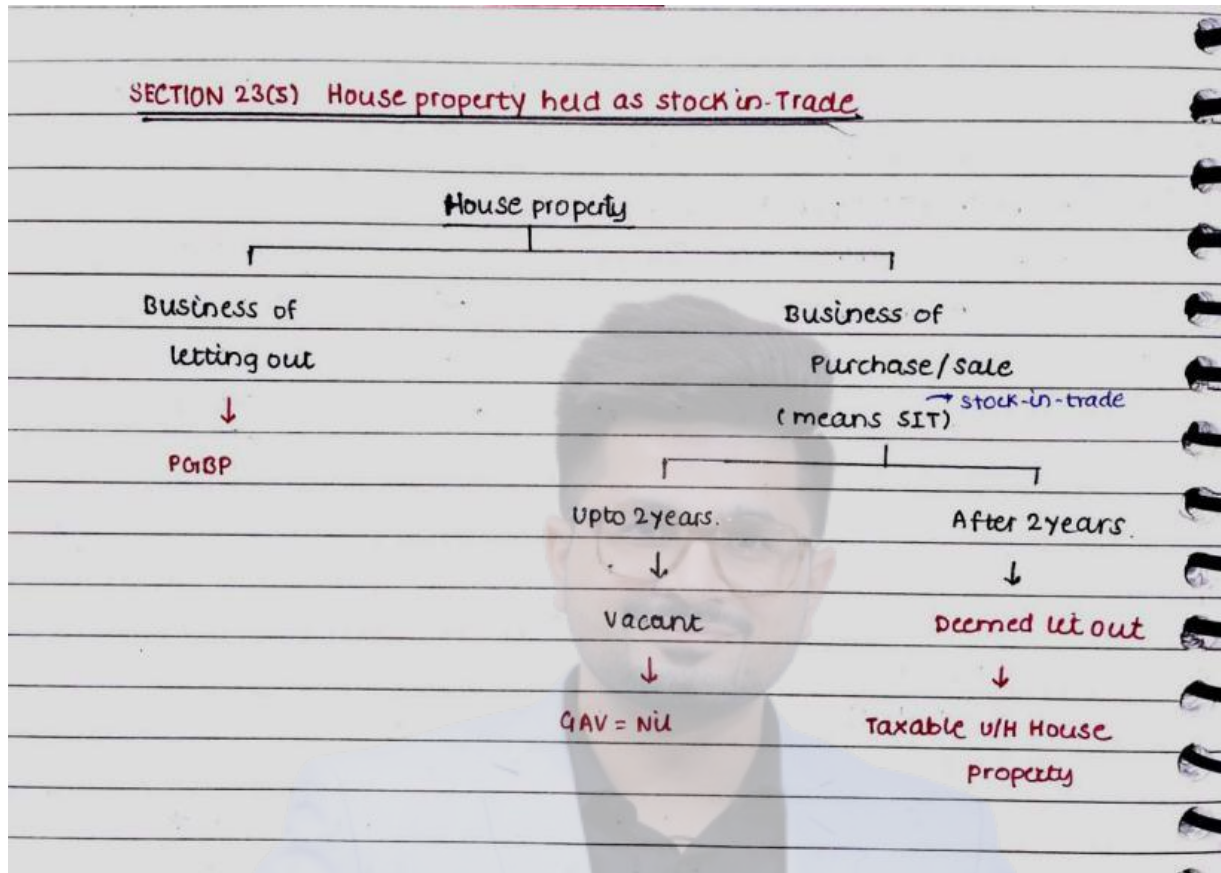
$$AR = 20,000 \text{ p.m.} \quad 2,40,000$$

M. Tax = 10% (paid by owner).

Compute Inc from House property.

→ Computation of income from House property.

	50% portion of SOH	50% portion of LOH.
Gross Annual Value (Note 1)	Nil	245000
less: municipal Tax paid by owner during p.y.	-	(24500)
Net Annual Value.	Nil	2,20,500
less: standard deduction u/s 24(a) @30%.	-	(66150)
Inc. from House property	Nil	154350



Section 24: Deductions from Annual Value Date

- Section 24(a): Standard Deduction

(1). This is a flat deduction @ 30% of NAV and is allowed irrespective of actual expenditure incurred.

(2). The assessee will not be entitled to deduction of 30% in the following case :-

- where NAV is nil in case of self-occupied / deemed self-occupied house.
- where NAV is Nil or -ve, no deduction is allowed u/s 24(a).

- Section 24(b)

```

    graph TD
      Bank[BANK/F.I./NBFC etc.] -- "Loan for house" --> Owner[owner/assessee]
      Owner -- "Interest paid/payable" --> Bank
      Owner --> Deduction[Deduction u/s 24(b) depends :-]
      Deduction --> LetOut[loan taken for let-out house]
      Deduction --> SelfOcc[loan taken for self-occupied house]
      LetOut --> LetOutDed[100% interest deduction allowed u/s 24(b) irrespective of date and purpose of loan.]
      SelfOcc --> SelfOccDed["max. upto 30,000."]
      SelfOcc --> SelfOccDed2["max upto ₹200,000."]
      SelfOccDed --> SelfOccCond["If any one condition not satisfied."]
      SelfOccDed2 --> SelfOccCond2["If all below mentioned conditions are satisfied:-"]
      SelfOccCond2 --> SelfOccCond2a["(a) loan taken on or after 1/4/1999 AND"]
      SelfOccCond2 --> SelfOccCond2b["(b) loan taken for purchase or construction of house. AND"]
      SelfOccCond2 --> SelfOccCond2c["(c) Purchase or construction completed within 5 years from the end of relevant P.Y. in which loan was taken."]
      SelfOccCond2a --- SelfOccCond2b --- SelfOccCond2c
      
```

Date

FOCUS AREA

- Loan may be taken from banks, financial institutions, trusts, friends and family etc.
- Interest is allowed on **due basis** [paid- allowed ; outstanding- allowed].
- Interest on interest (penal interest) is **not allowed** as deduction.
- Any fresh loan is taken for repayment of earlier loan and earlier loan was taken for the purpose of house property, then interest of fresh loan shall be **allowed** as deduction.
- Interest paid **outside India** shall **not be allowed** as deduction if **TDS not deducted** on such interest.
- **Pre- construction / Acquisition Interest** - means interest paid before the year in which construction was completed.

→ **concept of Pre- construction / Post- construction**

Total interest of pre-period = Installment 5	Interest of P.y. + 1st installment. x x x x
↓ If self (self-occupied).	↓ If let-out house
↓ max. deduction ₹30,000 or ₹200,000 shall be allowed	↓ 100% deduction allowed

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

Important Point.

Deduction of Interest u/s 24(b).

There would be **no deduction** on account of interest on loan u/s 24(b).
under **Default Tax Regime** in respect of only **self-occupied property**
OR **Deemed-self-occupied property.**



Date

CRUX

	Default Scheme	Optional Scheme
• <u>Deduction u/s 24(a). Standard Deduction.</u>		
→ In case of SOH. (since NAV is nil)	X	X
→ In case of LOH	✓	✓
• <u>Deduction u/s 24(b) Int. on loan</u>		
→ In case of SOH	X	✓
→ In case of LOH	✓	✓

Section 25A § Recovery of unrealised Rent or Arrears of Rent

- 1) Taxable in the year of receipt /realisation.
- 2) Deduction @ 30% of rent received /realised.
- 3) Taxable even if assessee is not the owner of the property. in the F.Y. of receipt /realisation.

• Concept of Joint ownership (Section 26)

Joint ownership (co-ownership) means property is owned by more than one owner, in this case, income from house property is calculated normally, and thereafter, it should be divided between co-owners in their ownership ratio.

INTEREST ON LOAN [u/s 24(b)]

↓

LOH / Deemed LOH

↓

Full interest allowed.

↓

SOH / Deemed SOH.

↓

Max co-owner
No 30000 ya 200,000
Ki deduction
₹30000 or ₹200,000
x No. of co-owner

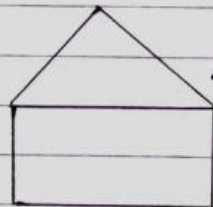
Spiral

Important Point

Date

SOH [self-occupied House] ke case me Deduction. owner-wise milni hai
House-wise nhi milti

case 1



owners : A B C

Interest paid: 180000 40000 30000

deduction allowed = 180,000 40,000 30,000.

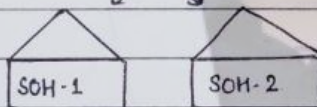
[Har owner ki alag se limit hai].

max. deduction to each owner - ₹200,000

case 2

Mr. Vg. (owner).

(if all conditions are satisfied)



Interest :

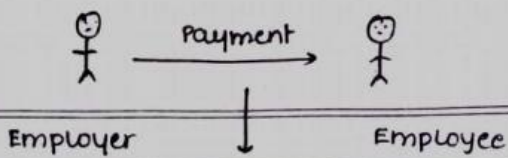
paid ₹

180,000 40,000.

220,000.

deduction v/s 24(b) = Max 200,000 (if all conditions are satisfied).

to Mr. Vg

3.  Date

Employer → Payment → Employee

Every payment* made by employer to employee is deemed as salary in the hands of employee.

* Payment

- cash - normally called Allowance (Treatment u/s 10)
- Non-cash - normally called Perquisites (Treatment u/s 17)

◦ Section 15 CHARGING SECTION

Salary shall be chargeable to tax :-

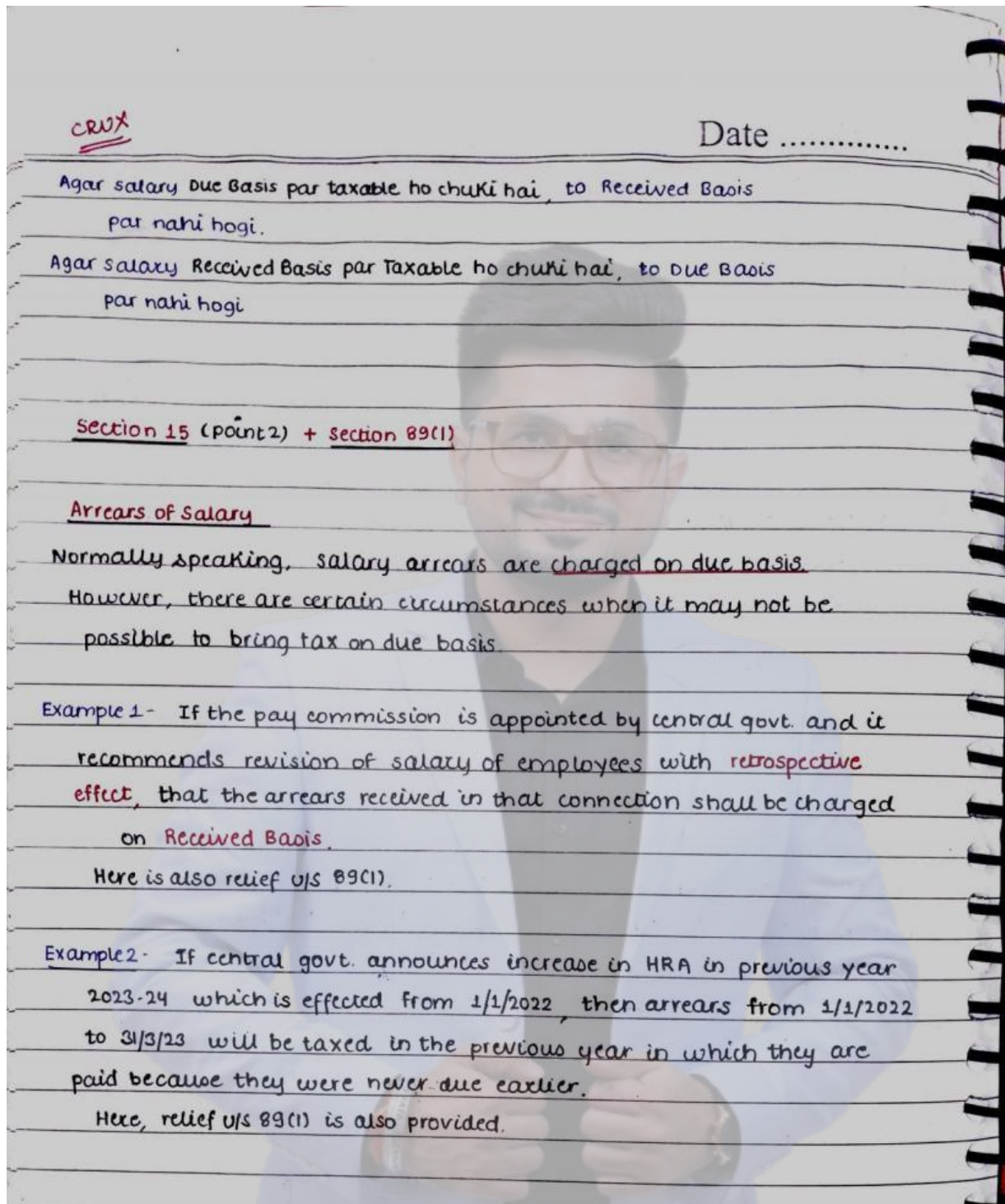
- a) on Due Basis
- b) on Received Basis.

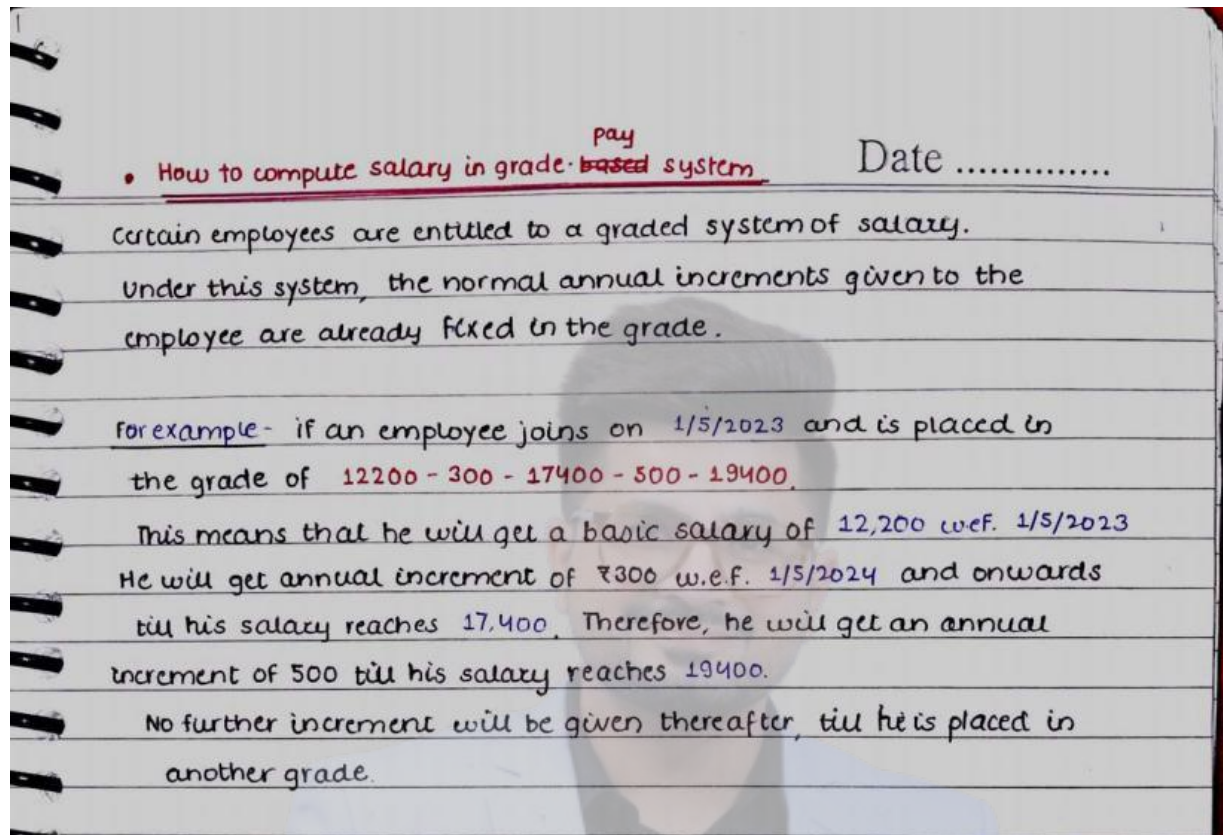
← whichever is EARLIER.

CRUX

Ist due and received later = Taxable Due Basis

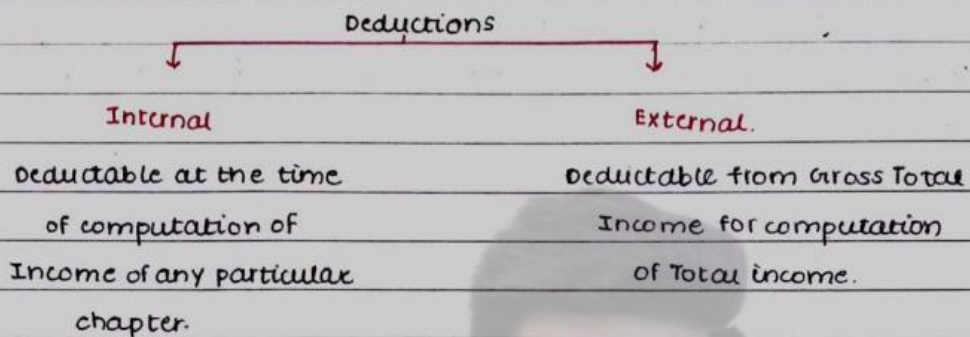
Ist received and due later = Received Basis.





Income tax Handwritten notes by CA Vivek Gaba,

- Section 16 - Deduction from Salary.



Example - sec 16: in salary.
sec 24: in House Property.

Example: section 80C to 80U

Section 16 (Ia) - Standard Deduction

Section 16 (Ii) - Entertainment allowance deduction.

Section 16 (Iii) - Professional Tax / Employment Tax Deduction.

<u>Imp Point</u>	Opted Default scheme (u/s 115BAC)	Opted optional scheme (Regular scheme)
Deduction u/s 16 (Ia).	Allowed	Allowed
Deduction u/s 16 (Ii).	Not allowed	Allowed
Deduction u/s 16 (Iii).	Not allowed	Allowed

Spiral

Section 16(ia) - Standard Deduction Date

Eligible employee : All type of employees.
(whether govt. non-govt, pvt, public, small, big etc.)

Amount of Deduction : Annual salary (OR) ₹50,000
LESSER Max. ₹50,000

Example:-

	Mr. V.G opts for default scheme			Mr. V.G opts for optional scheme		
	600,000	80,000	40,000	12,00,000	60,000	30,000
Gross salary (p.a.)						
(-) Deduction u/s 16(i)	(50,000)	(50,000)	(40,000)	(50,000)	(50,000)	(30,000)
Total salary	550,000	30,000	Nil	11,50,000	10,000	Nil

Taxable

Section 16(ii) - Entertainment Allowance Deduction

Employer → Allowance → Employee

↓

Entertainment Allowance

↓

default scheme

↓

Fully taxable
(whether govt. or non govt.)

Optional scheme

↓

Govt. Emp.

↓

1st Added in salary, then allowed deduction* as per sec 16(ii)

Amusement Allowance

↓

Fully taxable in all cases.
(whether govt./non govt. employee, optional scheme/ default scheme).

↓

Non-Govt Employee.

↓

Fully Taxable

Spiral

• If ques is silent about type of employee, we consider him as non-govt. employee.

Income tax Handwritten notes by CA Vivek Gaba,

* Least of the following shall be allowed as deduction Date

- a) Actual amount received.
- b) ₹5000 p.a.
- c) 20% of Basic salary.

Example -

Mr. Lokesh is an employee in Pvt. Ltd. His basic salary is ₹40,000 p.m.
He received entertainment allowance ₹4000 p.m. and
amusement allowance ₹2000 p.m. Determine his taxable salary
on the following cases :-

- (i) If he is a govt. employee, opted optional scheme.
- (ii) If he is Non-govt. employee, opted optional scheme.
- (iii) If he is govt. employee, opted default scheme.
- (iv) If he is non-govt. employee, opted default scheme.

Solution :-

	default scheme		optional scheme	
	Govt.	Non-Govt	Govt.	Non-Govt.
Basic salary.	400,000	400,000	400,000	400,000
Add: Entertainment all.	4000	4000	4000	4000
Add: Amusement allow.	24000	24000	24000	24000
Gross Salary.	552,000	552,000	552,000	552,000
less: Standard Deduction				
u/s 16(1a).	(50000)	(50000)	(50000)	(50000)
less: Ent. Allowance	-	-	(5000)	-
u/s 16(1)				
Taxable salary.	502,000	502,000	497,000	502,000

Spiral

Income tax Handwritten notes by CA Vivek Gaba,

Section 16(ciii) Professional Tax / Employment Tax Date

↳ state-level tax.

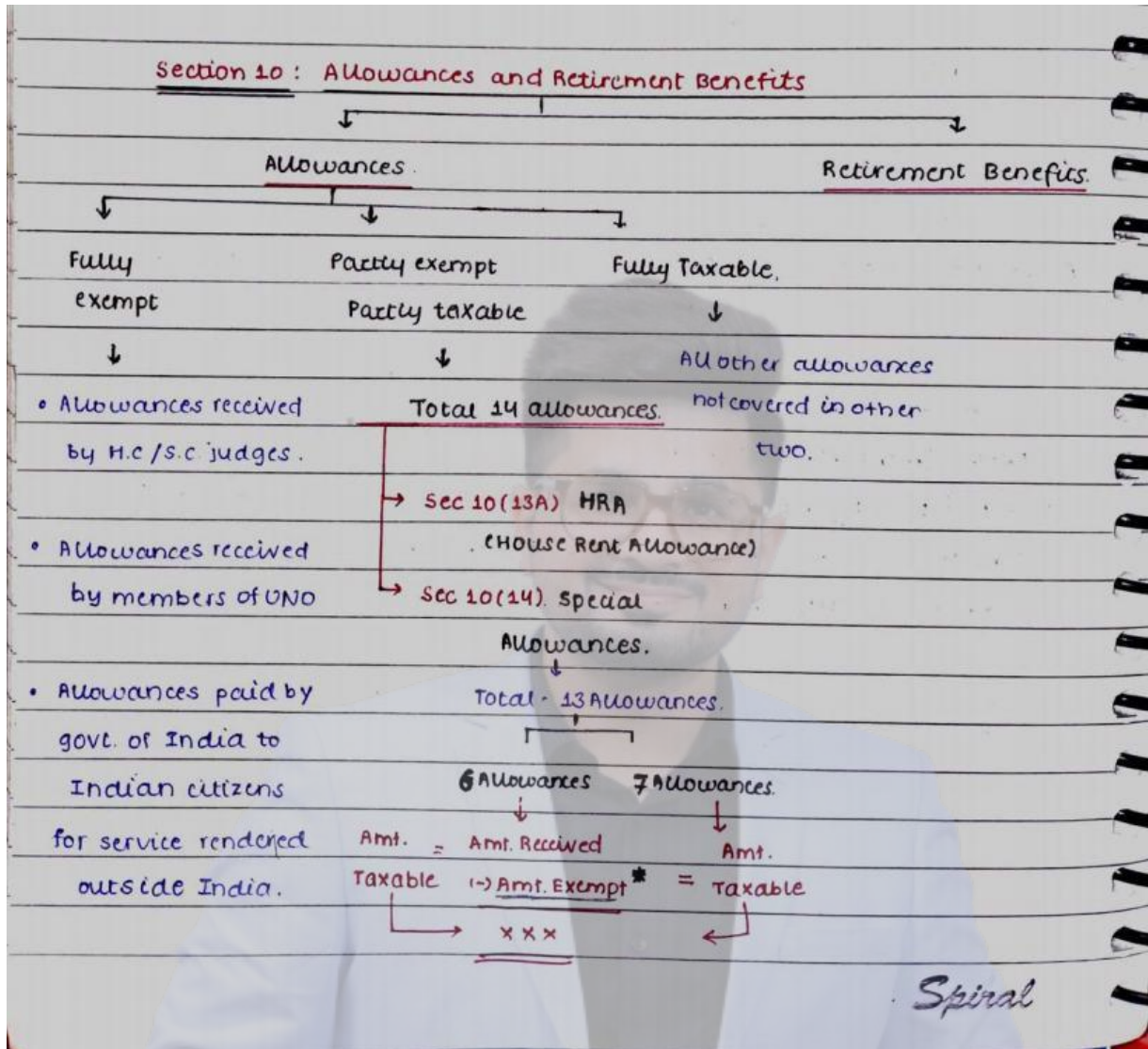
Amount received from employer → Added in salary.

Amount paid by employee → Deductible from salary

Amount received from employer	Amount paid by employee	Add in salary	sub Deduction v/s 16(ciii)
500	800	500	800
800	500	800	500
500	N/A	500	N/A
N/A	500	N/A	800

If question is silent, same amount will be added and same amount would be deducted.

Deduction allowed only for optional scheme, not for default scheme.



Income tax Handwritten notes by **CA Vivek Gaba,**

* Amt. exempt. (6 Allowance)

= Amount received
OR
Amount spent. lesser

6 Allowances

1. Daily Allowance
2. Travelling Allowance
3. conveyance Allowance
4. Helper Allowance
5. Academic Allowance
6. Uniform Allowance.

[learning
abr v - DTC me Hum or U]

↓

* Amount exempt. (7 allowance).

= Amount received
OR
Limit specified lesser

7 Allowances

1. children Education Allowance
LIMIT: [100 Rs. p.m./per child] max 2 child.
2. Hostel expenditure allowance.
LIMIT: (300 p.m./per child) max 2 child.
3. Transport Allowance.
LIMIT: → Normal employee = Fully taxable
→ Handicapped * = 3200 Rs. p.m.

Special Allowances

Example - Name of Allowance	Amt. Received	Amt. Spent	Amt. Exempt	Amt. Taxable.
Daily Allowance.	480 p.m.	360 p.m.	360 p.m.	120 p.m.
conveyance Allowance	550 p.m.	580 p.m.	550 p.m.	Nil
Helper Allowance	320 p.m.	180 p.m.	180 p.m.	140 p.m.
Uniform Allowance	720 p.m.	650 p.m.	650 p.m.	70 p.m.

4. outstation Allowance/
Transport Company Employee
Allowance.
LIMIT: 70% of Amt. received or
Rs 10,000 p.m. lesser
5. Tribal Area Allowance
LIMIT- 200 Rs. p.m.
6. Underground Allowance
upto Rs 800 p.m.
7. Hill, Border or Remote Area
Rs. 200 to 7000 p.m.

Spiral

Income tax Handwritten notes by CA Vivek Gaba,

• House Rent Allowance (HRA) → ^{only optional} scheme. Date

Employer → HRA provide. → Employee

↓

HRA Taxable = HRA Received
 (-) HRA Exempt
HRA Taxable

Least of the following shall be exempted

- Actual HRA received
- Rent paid - 10% of salary.
- IF metro city = 50% of salary
 OR
 other city = 40% of salary.

Salary, means.
Basic salary.
+ Dearness Allowance (UTOE).
+ comm. % on the basis of Turnover

* metropolitan city : Delhi, Mumbai, Chennai, Kolkata

• UTOE - under terms of employment

Date

Important Point

• Allowances which are partly exempt under Default scheme also :-

- 1) Daily Allowance
- 2) Travelling Allowance
- 3) Conveyance Allowance
- 4) Transport Allowance (for handicapped emp.)

• Allowances which are fully exempt in case of Default Regime also:

→ Allowances payable o/s India by govt. of India to an Indian citizen for service rendered o/s India.

Cases

	<u>opt 115BAC</u>	<u>opts optional scheme</u>
(1) Daily Allowance	Partly exempt	Partly exempt.
(2) Transport Allowance	Partly exempt	Partly exempt
(3) Uniform Allowance	Fully taxable	Partly exempt.
(4) Conveyance Allowance	Partly exempt	Partly exempt.
(5) Tribal Area Allowance	Partly Fully taxable.	Partly exempt
(6) Hostel Exp. Allowance	Fully taxable.	Partly exempt
(7) Medical Allowance	Fully taxable	Fully taxable
(8) Overtime Allowance	Fully taxable	Fully taxable.
(9) HRA	Fully taxable.	Partly exempt.
(10) Allowances paid to Indian citizen for service rendered o/s India (paid by govt of India)	Fully exempt	Fully exempt

Retirement Benefits

- * 1. Gratuity. - Sec 10(10)
- * 2. Pension - Sec 10(10A)
3. Leave encashment - Sec 10(10AA)
4. ~~Retirement~~ Retrenchment compensation. - Sec 10(10B)
5. VRS. - Sec 10(10C). Voluntary Retirement scheme
- * 6. Provident Fund

Gratuity Sec 10(10)

After Retirement Gratuity

Govt. employee

Non-govt. employee.

100% fully exempt in the hands of Govt. employee.

Covered under Gratuity Act, 1972

not covered under Gratuity Act, 1972

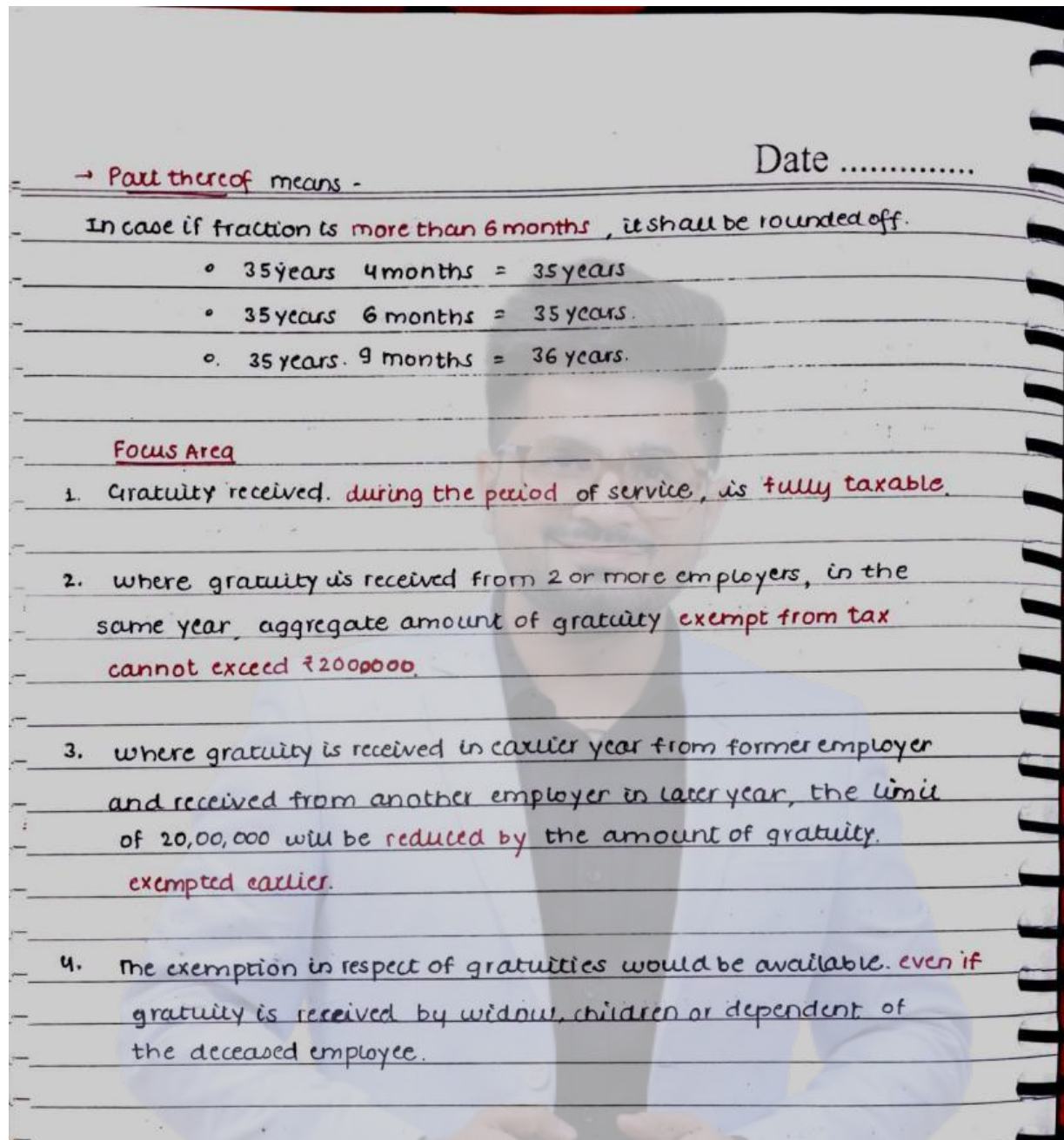
Least of the following shall be exempt:

a) Actual amt. received	a) Actual amt. received
b) 20,00,000	b) 20,00,000
c) Half month salary on the basis of last drawn salary for each completed year of service or part thereof.	c) Half month salary

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

covered under Gratuity Act.	Not covered under Gratuity Act. Date
i.e. $\frac{15}{26} \times \text{last drawn} \times \text{completed}$ $\text{salary}^* \text{ year of}$	on the basis of last 10 months Avg. salary for each
service [or] part thereof.	completed year of service -or part thereof.
* Salary = Basic salary + Dearness AU. (Total) <u>Salary</u>	* Salary = Basic salary + Dearness AU. (UTOE) + Comm. % of T.O. <u>Salary</u>
<p>• Part thereof means :-</p> <p style="margin-left: 40px;">upto 6 months - not counted as a year</p> <p style="margin-left: 40px;">6 months or more - counted as 1 year.</p>	



Date

• Pension Sec 10(10A)

```

    graph TD
      A[Pension Sec 10(10A)] --> B[Commutated Pension]
      A --> C[Uncommuted Pension]
      B --> D[Govt. employee]
      B --> E[Non-govt. employee]
      C --> F["(that is received p.m.)"]
      F --> G["100% Taxable in all cases whether govt. or non govt. employee."]
      E --> H["If gratuity is received."]
      E --> I["If gratuity is not received."]
      H --> J["100% exempt"]
      H --> K["1/3 of 100% commuted pension shall be exempt"]
      I --> L["1/2 of 100% commuted pension shall be exempt."]
      I --> M["Pension taxable Amt. received (-) Amt. exempted"]
  
```

Example: Mr. X is an employee in Va Ltd. He retired on 1/8/2023. He received ₹8000 p.m. as pension. He commute his 75% pension on 1/1/2024 and received ₹750000. calculate his taxable pension in all cases.

	Govt. Emp	Non-govt. Gratuity ✓	Non-govt. Gratuity X
Uncommuted pension (8000 x 5) + (2000 x 3)	46000	46000	46000
commuted pension :- Amt. received.	750,000	750,000	750,000
(-) Amt. exempted	(250,000)	(333,333)	(500,000)
	250,000 Nil	416667	250,000
Total Pension Taxable	46000	462,667	296,000

Spiral

Date

• Leave Encashment Sec 10(10AA)

<p>Govt. employee</p> <p>↓</p> <p>100% exempt.</p>	<p>Non-govt. employee</p> <p>↓</p> <p>Least of the following shall be exempt:</p> <p>(a). Actual amount received.</p> <p>(b). ₹ 25,00,000.</p> <p>(c). 10 month x 10 month avg. salary. *</p> <p>(d). unutilised leave x last 10 months (months). Avg. salary.</p> <p style="margin-left: 40px;">↓</p> <p style="margin-left: 40px;">max - upto 10 months</p>
--	---

* salary = Basic salary
+ D.A. (UTOE).
+ 50mm. % of T.O.
xxxx

• **leave unutilised** = $\frac{\text{Total leave allowed} - \text{Total leave taken}}{\text{Total leave allowed}}$

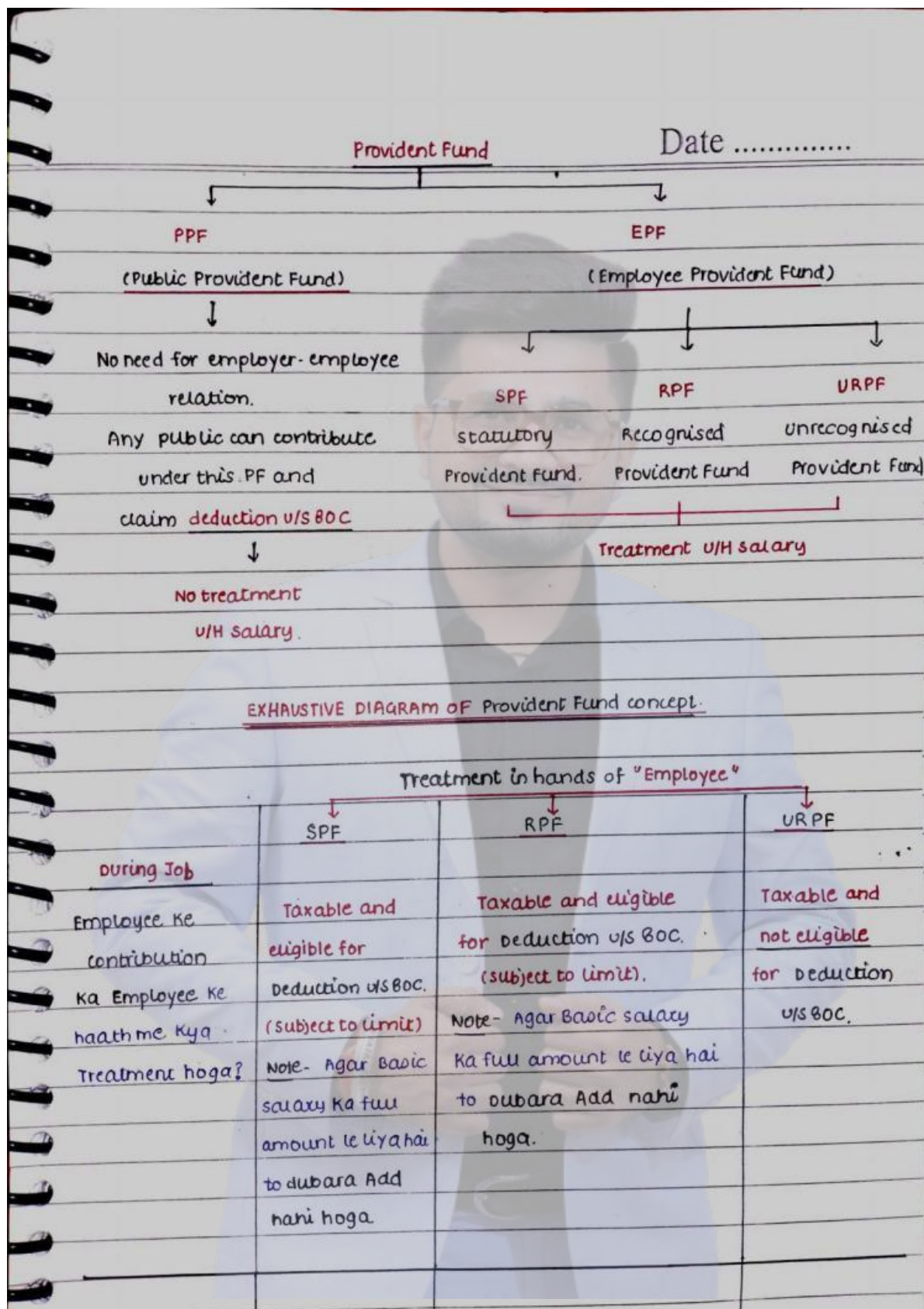


Date

• Retrenchment compensation - Sec 10(10B)

Voluntary Retirement compensation - Sec 10(10C)

<u>Retrenchment compensation</u>	<u>Voluntary Retirement Scheme</u>
<p>Least of the following shall be exempt</p> <ul style="list-style-type: none">• Actual amount• ₹ 500,000 .• As per Industrial Dispute Act, 1947. <p>* salary = Basic salary + D.A (UTOE) + Comm% of Fo</p>	<p>Least of the following shall be exempt.</p> <ul style="list-style-type: none">• Actual amount .• ₹ 500,000• Remaining period of service × last drawn salary• completed year of service × 3 months × last drawn salary .



Income tax Handwritten notes by **CA Vivek Gaba,**

	SPF	RPF	Date ...URPP....
Employer Ke contribution Ka Employee Ke haath me kya Treatment hega?	Fully Exempt	Agar employer contribution upto 12% of salary of employee. Agar 12% contribution hai Agar 12% contribution hai Agar 12% contribution hai Agar 12% contribution hai	more than 12% of salary of employee. (because taxable after retirement). Excess contribution Taxable.
Salary = Basic Salary + D.A. (UTOE) + 10mm. % of T.O.		Agar 12% contribution hai 75000 tak Not Taxable	Agar 12% contribution hai 75000 se jyada hai Excess contribution Taxable.
Employee Ke contribution par uska kehaath me kya treatment hega?	• If contribution is upto 2.5 lakhs :- Interest accrued on such contribution is EXEMPT • If contribution is more than 2.5 lakhs :- Interest accrued on excess contribution is TAXABLE	• If contribution is upto 2.5 lakhs and interest upto 9.5% on such contribution :- Exempt • If contribution is more than 2.5 lakhs and interest is upto 9.5% :- Interest on excess contribution is Taxable • If interest accrued on contribution is more than 9.5% :- Excess interest taxable	Not Taxable (because taxable after retirement)

Income tax Handwritten notes by **CA Vivek Gaba,**

	SPF	RPF	Date ..URRF.....
Employer ke contribution par jo Interest ayega uska Employee ke haath me kya treatment hoga?	Fully Exempt (without any limit)	Interest upto 9.5% = Exempt Interest more than 9.5% = Excess Interest Taxable # But, if employer contribution is in excess of ₹750,000, then interest on excess contribution shall also be Taxable. How to compute Taxable Interest. $\text{Taxable Portion} = \frac{PC \times R}{2}$ PC = Jitha contribution ₹750,000 se zyada hai $R = \frac{I}{F.Avg.} \rightarrow \text{Income accrued during the P.y.}$ $= \frac{\text{Op. Bal. of Fund} + \text{Cl. Bal. of Fund}}{2}$ $\text{Op. Bal.} + \text{er contribution} + \text{ee. contribution} + \text{Interest} = \text{Cl. Bal.}$	NOT Taxable (because taxable after retirement).
After Retirement		Fully exempt (subject to conditions).	er contribution = TAXABLE
Amount Received on Retirement.	Fully Exempt	(a). Job continues 5 years or more (b). If not rendered 5 years of service due to: → Ill-health of employee → Employer buss. discontinuation → Reason beyond control.	Int. on er contribution = TAXABLE ↓ Salary Head ee. contribution = Not taxable.
		(c) Old employer → Transfer → New Employer Total 5 years or more.	Int. on ee contribution = Taxable U/H "0.5%"

Spiral

Section 17 - Perquisites under salary.

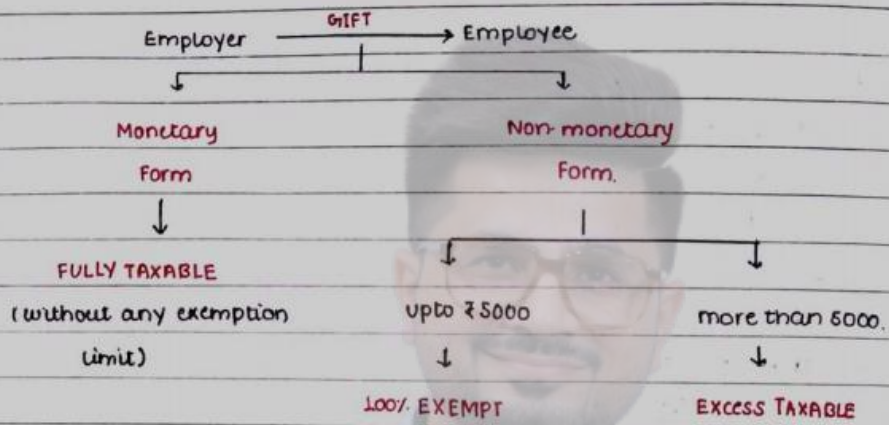
Date

• List of Perquisites

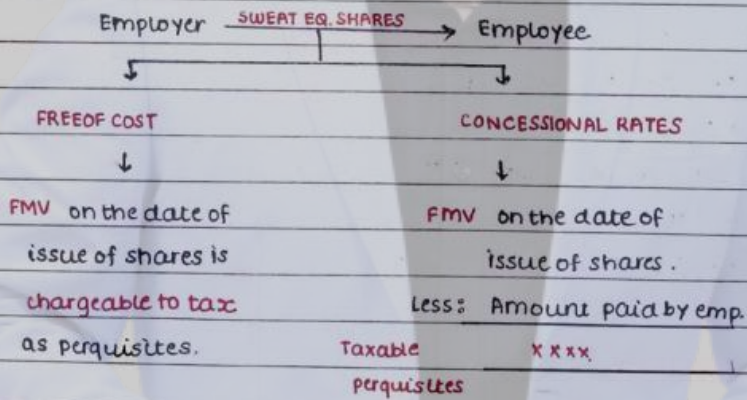
- (1). Rent Free Accomodation. (RFA)
- (2). Concession RFA
- (3). Interest on loan.
- (4). sweat Equity Shares
- (5). Gift.
- (6). Lunch Facility.
- (7). Children Education Facility.
- (8). Medical Facility
- (9). Sweeper, Gardener and Watchman Facility.
- (10). Electricity, water, Gas facility
- (11). Use of movable property .
- (12). Transfer of movable property .
- (13). LIC premium paid by employer
- (14). Credit card / club membership Facility.
- (15). Leave Travel concession (LTC). Section 10(5) → optional scheme only
- (16). Motor car
- (17). Contribution in NPS, RPF or Superannuation Fund
↓
New Pension Scheme

Date

1. Gift



2. Sweat Equity Shares

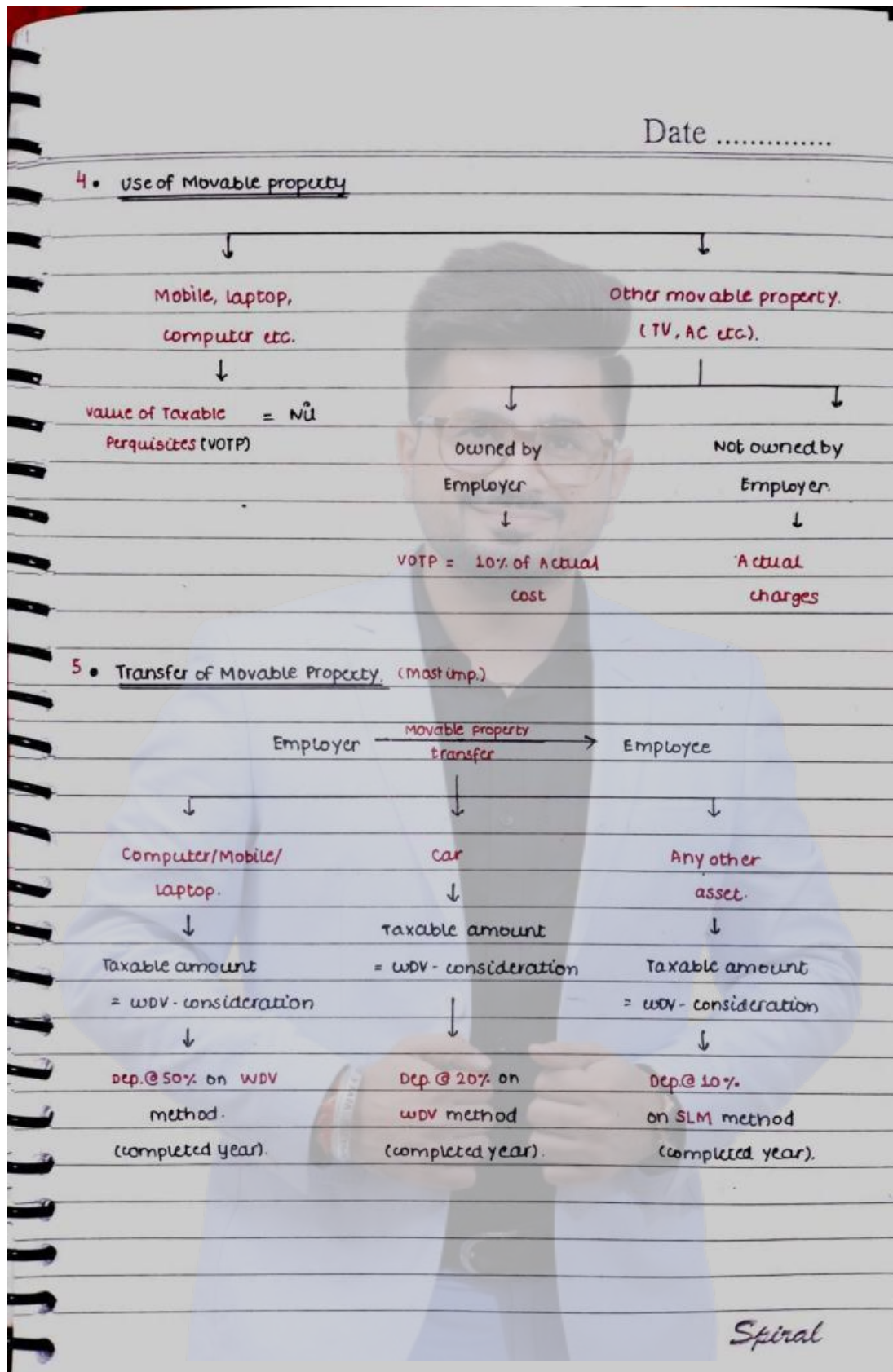


3. Lunch Facility

It is exempt upto ₹50 per meal. if lunch is provided in office premises or through paid voucher.

- NOTE -**
- Tea, coffee or breakfast provided in office - (Not Taxable).
 - Lunch is provided in Remote area is. Not taxable

Spiral



Income tax Handwritten notes by **CA Vivek Gaba,**

Date

Example

Name of Asset	Date of Purch	Value of P.	Date of sale	Value of sale	VOTP
computer	18.12.2022	200,000	5.1.2024	40,000.	60,000
car	18.10.2019	12,00,000	8.12.2023	1,50,000	34,1520
Furniture.	15.11.2020	10,00,000	8.07.2023	2,00,000.	600,000

6. Sweeper, Gardener, watchman / water, electricity, gas etc.

```

graph TD
    A[6. Sweeper, Gardener, watchman / water, electricity, gas etc.] --> B[own Resources]
    A --> C[outside resources]
    B --> D[Manufacturing]
    C --> E[Actual charges]
    D --> F[VOTP = cost / Production cost per unit]
    E --> G[incurred by employer]
    
```

7. Credit card / club membership Facility

```

graph TD
    A[7. Credit card / club membership Facility] --> B[Official purpose]
    A --> C[Other purpose]
    B --> D[VOTP = Nil]
    C --> E[VOTP = Actual expenditure incurred by employer]
    
```

8. LIC Premium borne by employer

VOTP = LIC premium borne by employer on behalf of employee

Spiral

Date

9 • Children Education Facility

(i) For employee → Fully exempt

(ii) For children → It is exempt if value of education is upto ₹1000 p.m. perchild and education is provided in employer's own institution or ~~the~~ institution where employer have tie-up, otherwise fully taxable.

(iii) For Employee's other relatives - Fully taxable.

10 • Interest on loan : Employer ^{loan} → Employee

FREE RATE OF INTEREST

↓
Rate charged by SBI on 1st day of relevant P.Y. is chargeable to tax as perquisites.

CONCESSIONAL RATE OF INTEREST

↓
Rate charged by SBI on 1st day of the relevant P.Y.
(-) Amount paid by employee

However, nothing shall be taxable in following 2 cases-

- Loan is provided by employer to employee upto ₹20,000.
- loan is provided for treatment of specified diseases.
i.e. AIDS, TB, cancer, mental disorder

Spiral

Date

Example-

Employer $\xrightarrow[1/4/23 \text{ loan- } 1200000]{}$ Employee
@ 6% p.a.

SBI rate of int. on 1/4/23 - 11%

PNB rate of int on 1/4/23 - 13%

VOTP = $12,00,000 \times 5\% (11-6\%)$
= ₹ 60,000

• what will be your answer if loan is provided by employer on 1/8/2023 ?

VOTP = $1200000 \times 5\% \times 8 = 40,000$
12

11 • Leave Travel concession Section 10(5)
↳ only optional scheme

→ The benefit is available to individual citizen, as well as in respect of travel concession or assistance for him and his family i.e. spouse, children, of individual and parents, brother, sister of individual (wholly and mainly dependent on employee).

• Limit of exemption
Exemption in respect of 2 journey performed in a block of 4 calendar years, where such LTC is not availed by individual, during any block of 4 calendar years, then one such unavailed LTC will be carry forward for the next block of 4 calendar years.

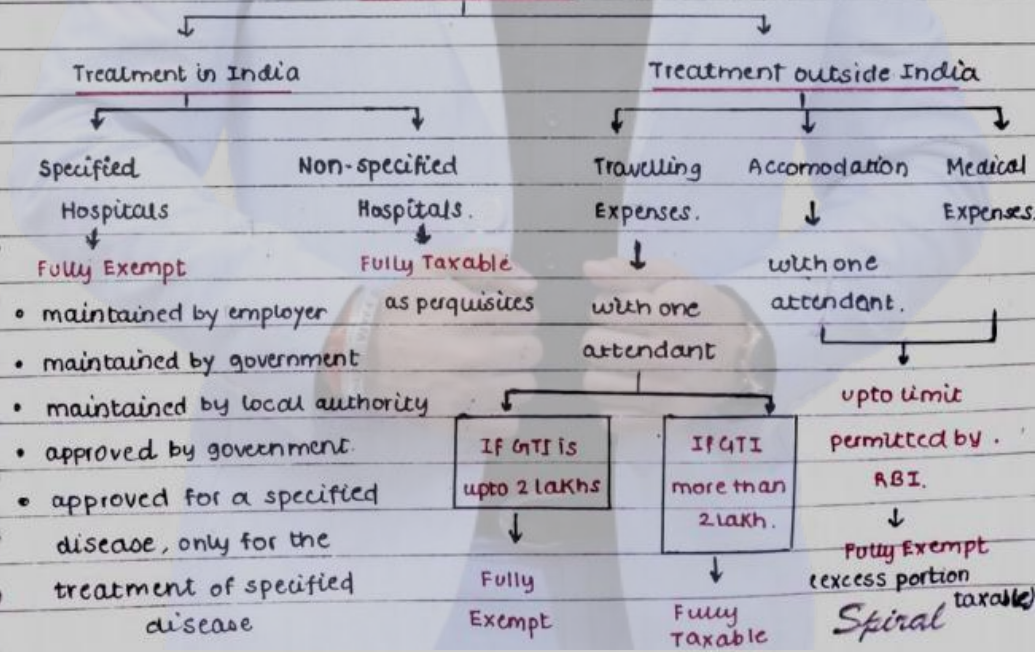
Spiral

Date

Monetary limit

- By Air → **Economy class** fare exempt
- By Rail → **First class** fare exempt
- By Bus → **Delux class** fare exempt
(subject to shortest route).
- In case **LTC is encashed**, without performing the journey, 100% amount received by employee **would be taxable**.
- The exemption shall **not be available to more than 2 children** of an individual born after **1 October, 1998**.
This restriction shall not apply in respect of children born **before 1 Oct, 1998** and also in case of multiple birth after child.

12. Medical Facility.



Date

Note -

- * **Family means** spouse and children of the employee, whether dependant or not, married or unmarried.
Parents, brother, sister who are mainly dependent.
- * Medical insurance premium paid by employer is fully exempt in hands of employee.
- * Any expenditure incurred by employer with respect to **Covid 19** is fully exempt in hands of employee.

13 • Rent Free Accomodation / Concessional RFA [AMMENDED]

	Govt. employee	Non-govt. employee		
	↓	↓	↓	
	value of URFA = license fees charged by govt.	owned by employer	Not owned by employer	
		↓	↓	
		city having population upto 15,00,000	city having population more than 15,00,000 upto 40,00,000	city having population more than 40,00,000
URFA = unfurnished RFA		↓	↓	↓
	value of URFA = 5% of salary	7.5% of salary	10% of salary	a) Actual charges OR b) 10% of salary (lesser)

Spiral

Date

+ value of furnishing items.

- owned by employer = 10% of actual cost.
- not owned by employer = Actual charges.

value of Furnished RFA.	x x x x	x x x x	x x x x
Less: Amount paid by employee	(x x x)	(x x x)	(x x x)
Concessional RFA	x x x x	x x x x	x x x x

Salary = Basic salary + D.A. (UTOE) + Comm. (every type) + Bonus + Taxable portion of all allowances.

• Hotel Facility -

Employer $\xrightarrow{\text{HOTEL FACILITY}}$ Employee

↓

Government Employee Non-government Employee.

↓

24% of salary } whichever is LESS

• Actual charges

FOCUS AREA

1). However, nothing shall be chargeable if accommodation is provided for not more than 15 days and transfer of employee from one place to another place.

Spiral

Date

2) Two Houses on transfer

In case of transfer from one place to another place, if employee is provided with house at new place, and retain the house of old place also,

- For first 90 days, from transfer, value of house with lower value shall be taxable.
- After 90 days, value of both the houses will be taxable for the period exceeding 90 days.

14. • Motor car Facility

car owned by	Expenditure met by	Car used for 100% personal purpose	car used for both official and personal purpose
• Employee	Employee	Nil	Nil
• Employee	Employer	Actual expenditure incurred by employer	Actual expenditure XXXX (-) upto 1.6 ltr. cc 1800p.m (-) more than 1.6 ltr. c.c. 2400p.m (-) Driver 900p.m VOTP = XXXX
			If actual expenditure is more than specified limit, then actual exp. may be reduced. (after satisfaction of A. O.)
• Employer	Employee	10% of actual cost "or" actual running and maintenance exp. (if given)	upto 1.6 ltr. cc 600p.m more than 1.6 ltr. cc 900p.m Driver 900p.m VOTP XXXX

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

Employer	Employer	10% of Actual cost	upto 1.6 Ltr. cc -	1800 p.m.
		+ Actual Expenditure	more than 1.6 Ltr. cc.	2400 p.m.
			Driver.	900 p.m.
			VOTP :-	<u>xxx</u>

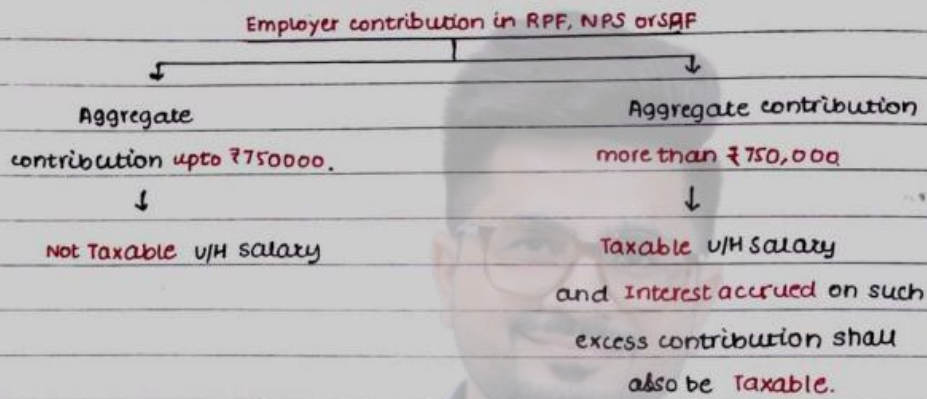
Note :- Part of month is to be ignored.

Illustration 23

(1). Value of accommodation taxable:			
Actual charges (15000 x 12)		180000.	
10% of salary (10% x 100000)		100000.	
Lower of the above.			100000.
Less: Amount paid by employee (5000 x 12)			(60000)
			<u>40,000.</u>
Add: Actual charges of furniture (3000 x 12)		36000.	76,000.
(2). Value of taxable perquisite of car.			
(1800 + 900) x 12			32,400.
(3). Value of gift voucher			10,000.
Value of perquisite chargeable to tax.			<u>118,400</u>

Date

15. • Employer contribution to NPS, RPF or SAF



→ How to compute Taxable Perquisite

$$\text{Taxable perquisite} = \frac{PC \times R}{2} + (PC_1 + TP_1)R$$

PC = Amount in excess of ₹750,000

R = I / F, Avg.

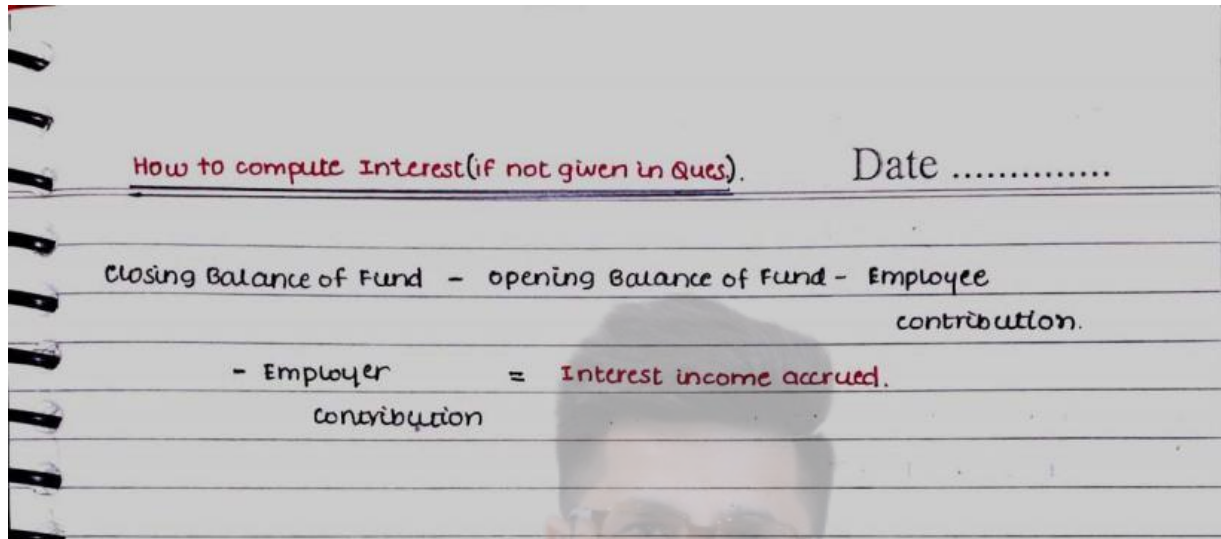
I = ^{Interest Income} Income accrued during the P.Y.

F, avg = $\frac{\text{Op. Bal. of Fund} + \text{closing Bal. of Fund}}{2}$

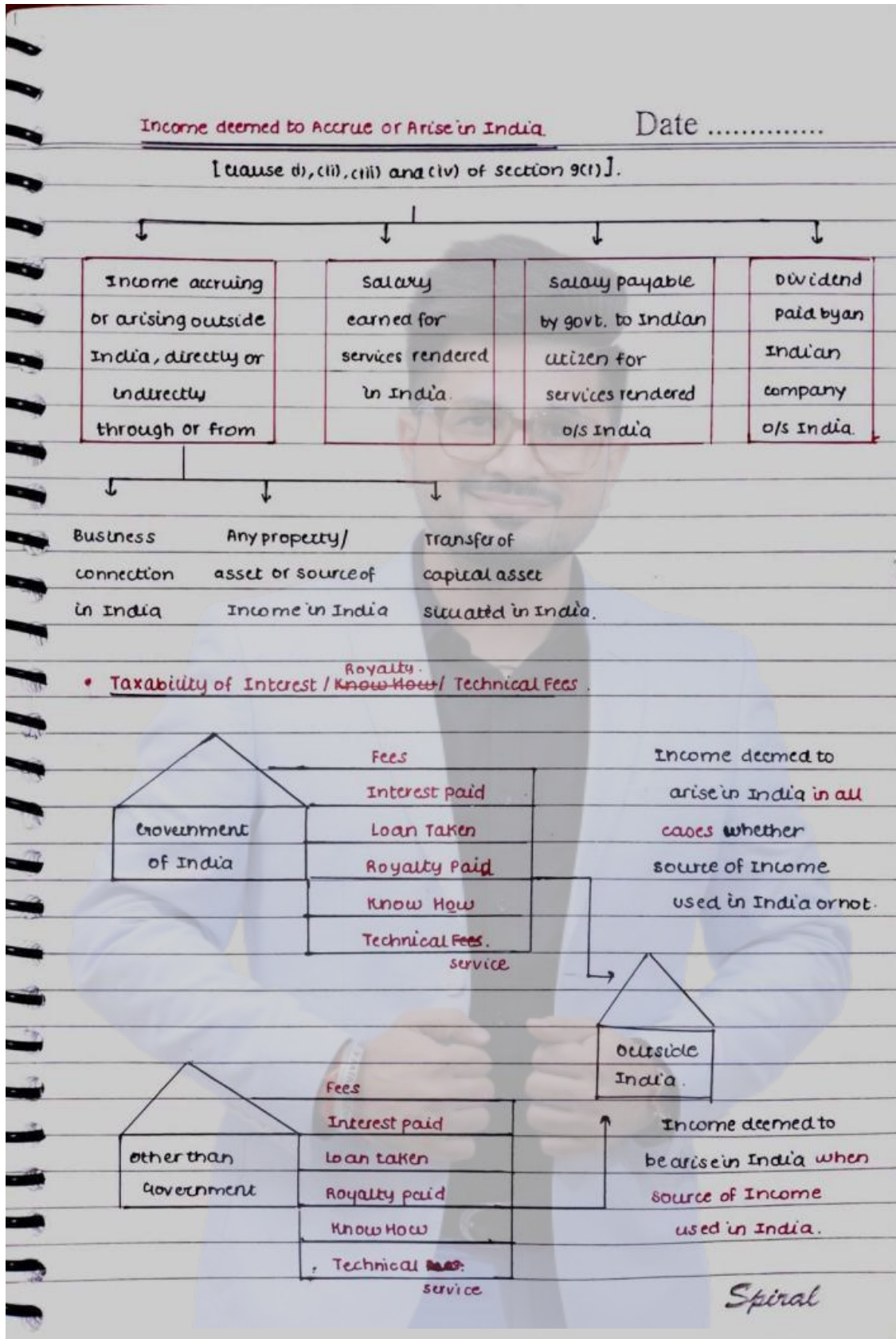
PC₁ = Amount in excess of ₹750,000 (related to last year).

TP₁ = Taxable perquisite (computed in last year).

Spiral



Income tax Handwritten notes by CA Vivek Gaba,



Capital Gains + Other sources
(Sec 45 to 55A) (Sec 56 to 59)

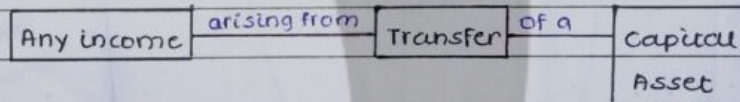
Date

Section 45(1) : Charging section of capital gain

- Any **Income*** arising from
 - **Transfer** → sec 2(47)
 - of a **Capital Asset** → sec 2(14)
 - effected in previous year
 - shall be chargeable to Income tax under head **Capital Gain**
 - in the previous year in which **Transfer** took place
- unless such capital gain is exempt u/s 54, 54B, 54D, 54E, 54EA, 54EB, 54F, 54G and 54H.

* Income includes loss also.

CRUX



If all above conditions are satisfied then such income shall be chargeable to tax u/H **capital gain**.

↓
Jis year me transfer hua, us year me Taxable, consideration kab receive hoga, it doesn't matter.

Capital gain is always taxable on **accrual basis**

• Meaning of capital Asset Sec 2(14) Date

capital ASSET

means

Clause a movable/immovable/
tangible/
intangible

Property of any kind held by an assessee whether or not connected with his business or profession is **capital asset**.

But does not include:

(a). stock-in trade (other than sub-clause b)

(b). Personal effects that is to say **movable property** (including wearing apparel or furniture) **except**

- Jewellery (other than silver utensils)
- archeological collection
- drawing
- painting
- sculptures
- any work of art. (photography, designing etc.)

(c) Agricultural land in India is **not a capital asset**, EXCEPT :-

Municipality.
 Agricultural land
 Population
 10000 or more

↗ Agricultural land municipality ke andar hai

→ It is a capital Asset

Clause b

Any securities held by **Foreign Institutional Investors (FII)** is always treated as capital asset.

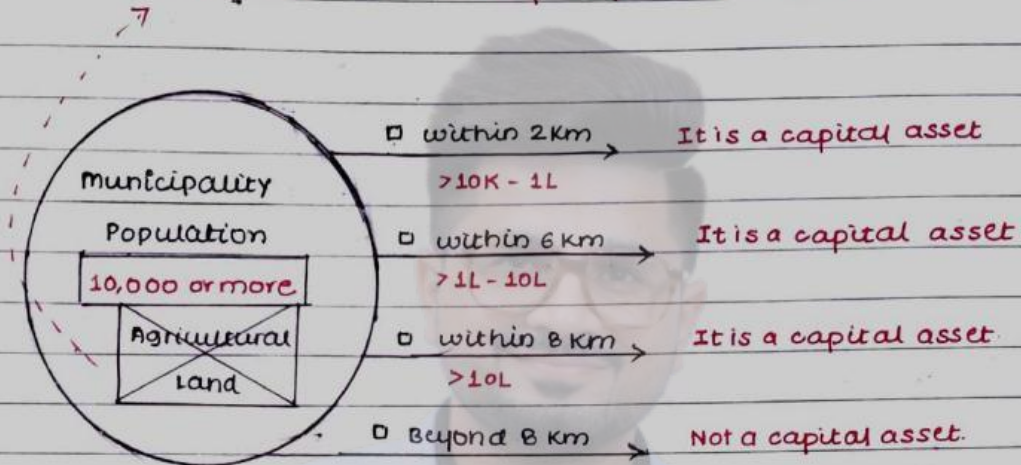
Clause c.

↓
written after examples of clause A

Spiral

Date

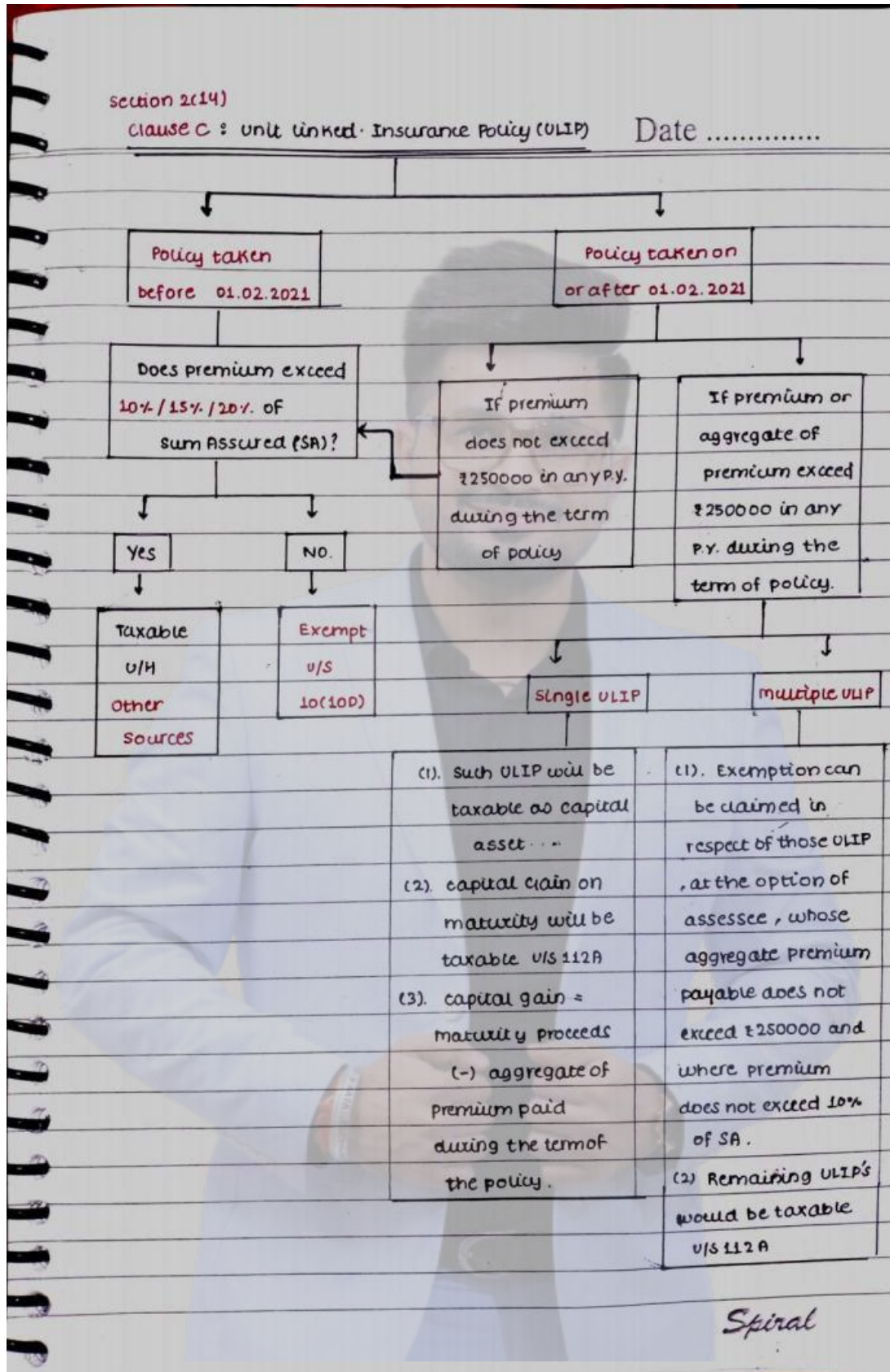
Q (ii). Agricultural land municipality ke bahar hai.



NOTE- Agricultural land situated in foreign country is always a capital asset irrespective of limit and population of any municipality.

ed). Gold Deposit Bonds (GDB) issued under GDS, 1999 or deposit certificate Gold Monetization Scheme, 2015.

Income tax Handwritten notes by **CA Vivek Gaba,**



Date

Section 2(47) : Transfer includes:

- sale
- exchange
- Relinquishment Eg- tenancy rights
- Extinguishment
- compulsory acquisition under any law
- Possession of immovable property
- Allotment of property by cooperative societies to members.
- Redemption of zero coupon bonds.
- conversion of capital asset into stock-in-trade.

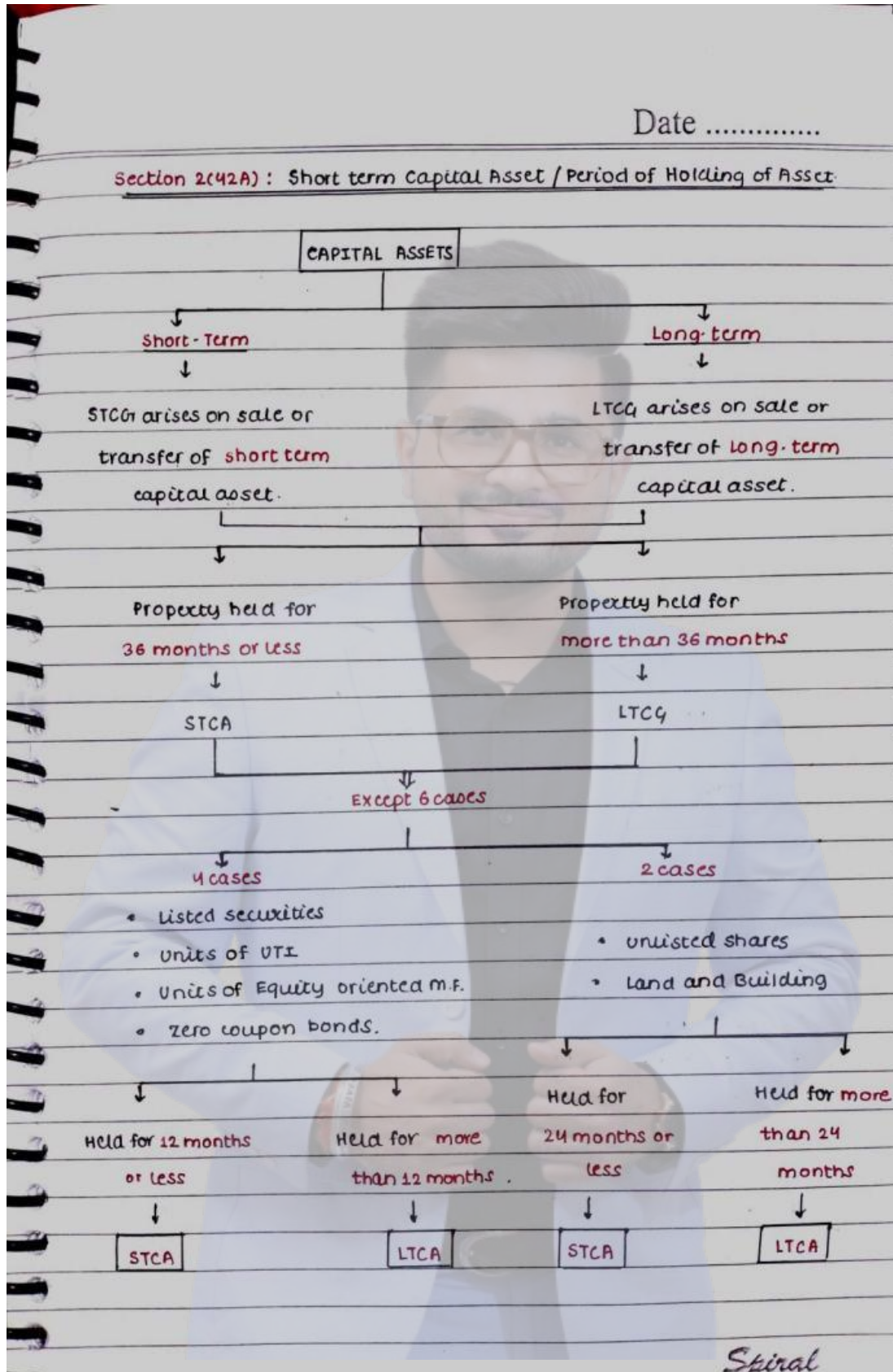
CRUX
 Capital asset की transfer से आने वाली Income capital gain head में taxable होगी। Taxable us P.Y. में होगी जिस year me transfer करोगे, पैसा को receive होगा ye matter नहीं करता।

Section 48 : computation of Capital gain

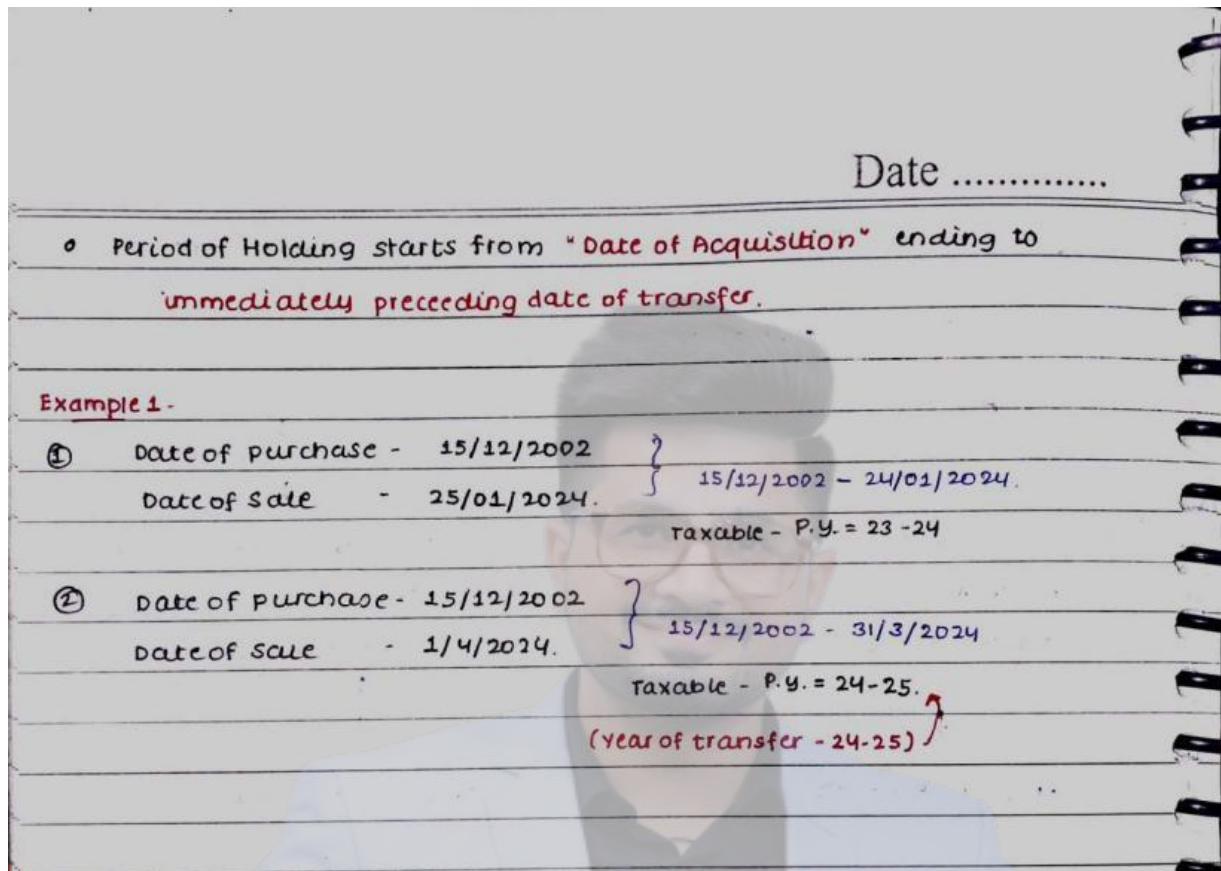
capital gain			
↓		↓	
STCA		LTCA	
Sale price =	xxx	Sale Price	xxx
(-) COA =	(xxx)	(-) ICOA =	(xxx)
(-) COI =	(xxx)	(-) ICOI =	(xxx)
(-) EOT =	(xxx)	(-) EOT =	(xxx)
STCG =	xxxx	LTCG =	xxxx

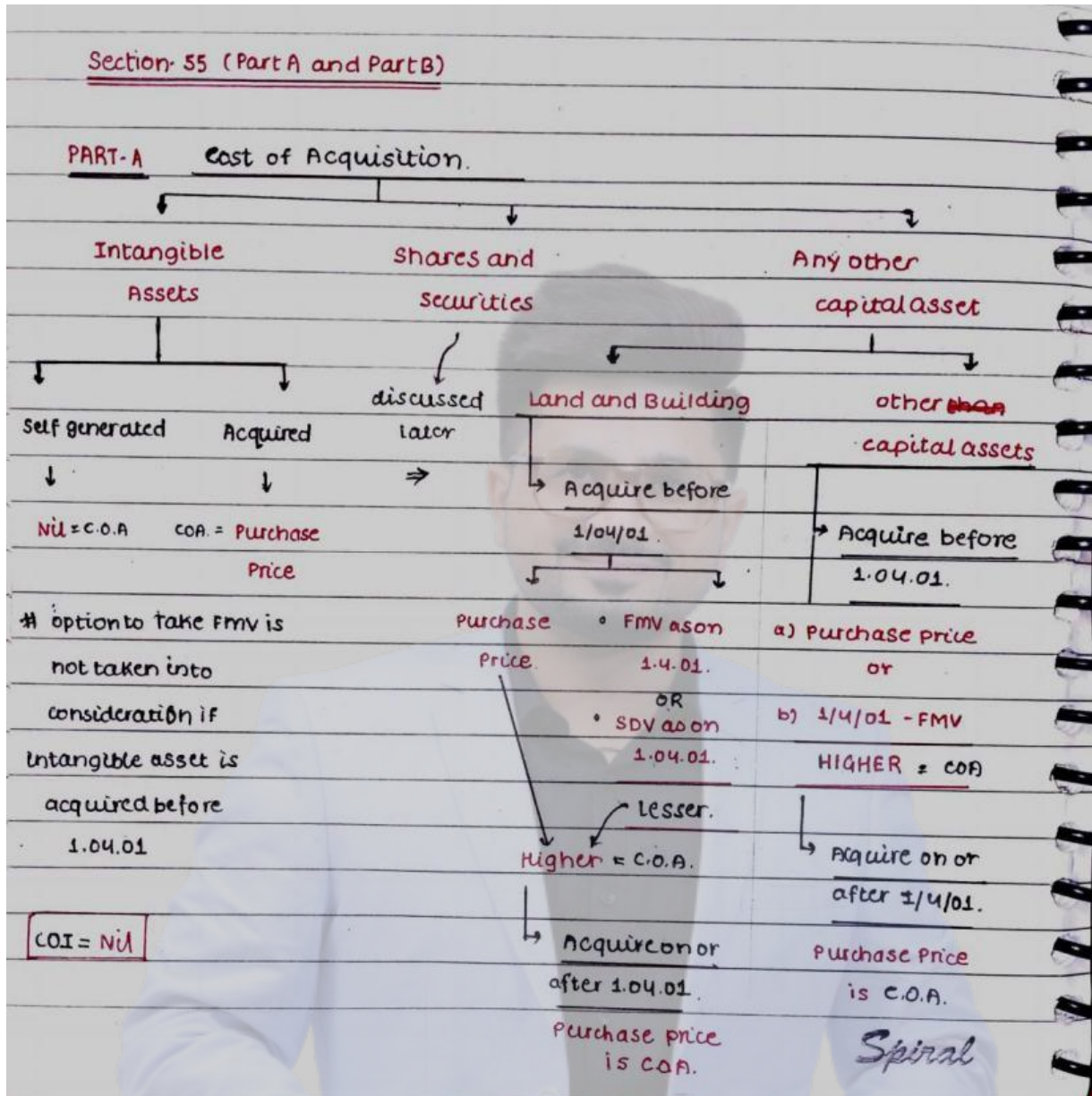
- | | |
|---------------------------------|------------------------------------|
| # COI - cost of Improvement | # ICOA - Index cost of Acquisition |
| # COA - cost of Acquisition | # ICOI - Index cost of Improvement |
| # EOT - Expenditure on transfer | |

Spiral



Income tax Handwritten notes by **CA Vivek Gaba,**





Income tax Handwritten notes by **CA Vivek Gaba,**

Date

Examples

	Date of P.	Value of P.	1/4/1 - FMV	1/4/1 - SDV	COA for cap. gain
land	25/6/1974	800,000	1000000	900,000	900,000
Building	8/12/1984	12,00,000	800,000	14,00,000	12,00,000
Gold	25/11/1990	400,000	600,000	-	600,000
Car (Personal)	8/7/1995	800,000	12,00,000	-	(Not a capital asset).
Drawing	25/11/1985	700,000	400,000	-	700,000
Building	8/12/2004	800,000	1200000	1100,000	800,000

• **How to convert COA into I.C.O.A. (If long-term capital asset)**

Acquire before 1/04/2001

↓

$\frac{\text{COA} \times \text{Index Rate of}}{100}$	$\frac{\text{Index Rate of}}{\text{year of transfer}}$
--	--

↓

ICOA

Acquire after 1/04/2001

↓

$\frac{\text{COA}}{\text{Index Rate of}}$	$\frac{\text{Index rate of}}{\text{year of acq.}}$
---	--

↓

ICOA

• **Cost of improvement in case of other capital assets.**

Cost of Improvement done before 1/4/01

↓

Ignored in all cases.

Cost of improvement done after 1/4/01.

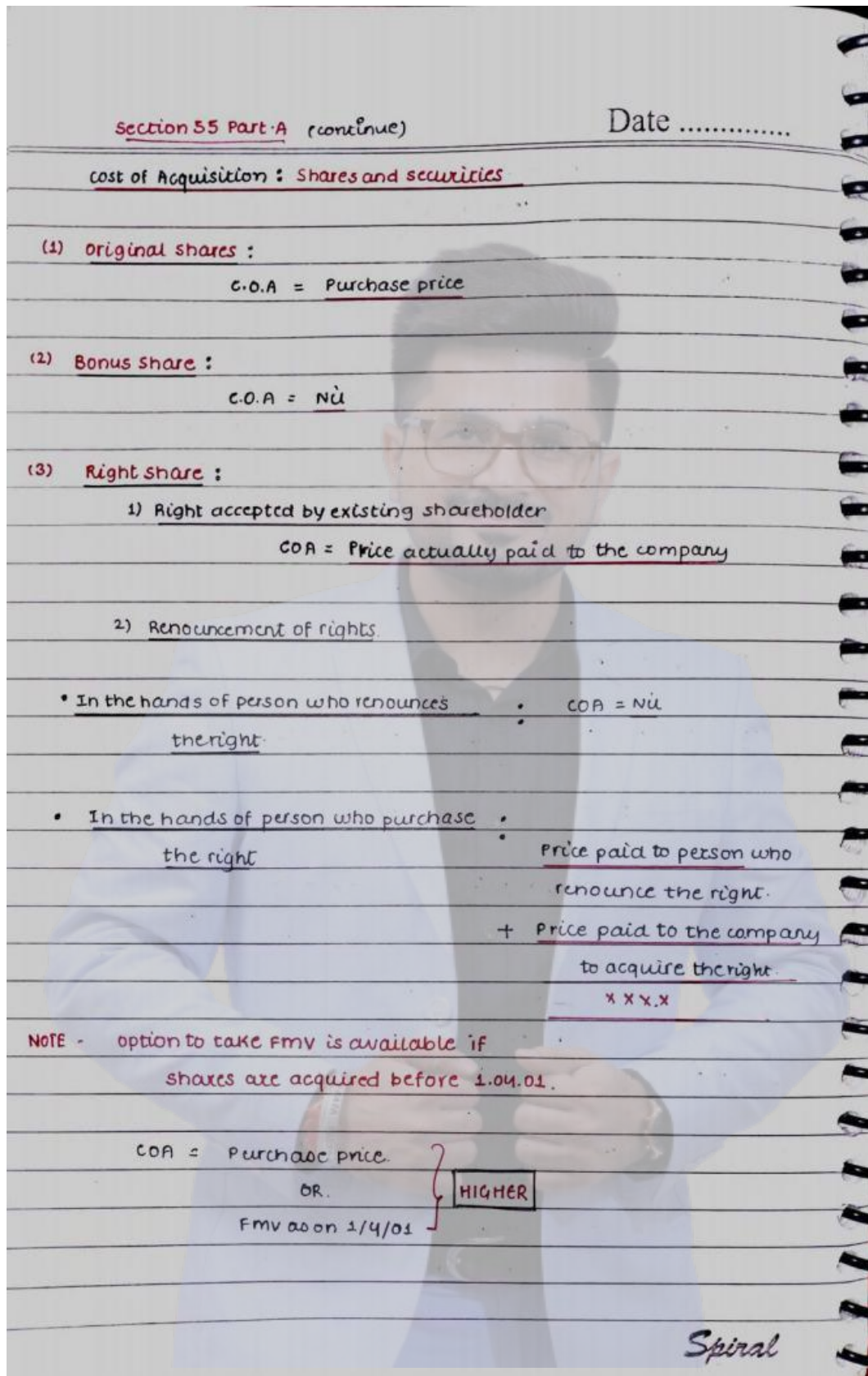
↓

Actual expenditure incurred. = C.O.I.

↓ converted in I.C.O.I.

$\frac{\text{Actual exp. incurred}}{\text{Index Rate of year of exp.}}$	$\times \frac{\text{Index Rate of}}{\text{year of ttf}}$
---	--

Spiral



Income tax Handwritten notes by CA Vivek Gaba,

Section 50C: Full value of consideration in case of land and Building

Applicability → land or Building or Both.

#1.	50C apply or not.	Sale consideration for cap. gain
• S.D.V is less than Actual selling price	X	Actual Sale price
• S.D.V is less than 110% of Actual selling price	X	Actual sale price
• S.D.V is equal to 110% of Actual selling price	X	Actual sale price
• S.D.V is more than 110% of A. selling price.	✓	S.D.V.

Example 1:

Actual sale Price	S.D.V.	sale consideration
80,00,000	75,00,000	80,00,000
80,00,000	80,00,000	80,00,000
80,00,000	84,00,000	80,00,000
80,00,000	88,00,000	80,00,000
80,00,000	90,00,000	90,00,000

Spiral

Date

Example-2

	FMV as on 1/4/2001 = 12,00,000 S.D.V as on 1/4/2001 = 14,00,000. COI : 1) 8/1/2001 = 10,000 2) 8/11/2010 = 20,000.
--	---

Sale - 70,00,000 on 28/2/2024.
 S.D.V = 70,00,000
 calculate cap. gain.

Solution -

Selling Price =	70,00,000.
less: I.C.O.A $(12,00,000 \times \frac{348}{100})$	(41,76,000)
less: I.C.O.I $(20000 \times \frac{348}{100})$	(41,677)
long-term cap. gain.	36,65,677

#2. S.D.V on the date of agreement and S.D.V on the date of Registration is not same, then

S.D.V as on date of agreement is taken into consideration if Buyer pays full or part payment on or before date of agreement through -

- A/c payee cheque or • A/c payee draft or • Electronic clearing System (ECS).

→ If all conditions are satisfied, then S.D.V on Date of agreement would be considered, otherwise S.D.V on date of registration is taken into consideration.

Spiral

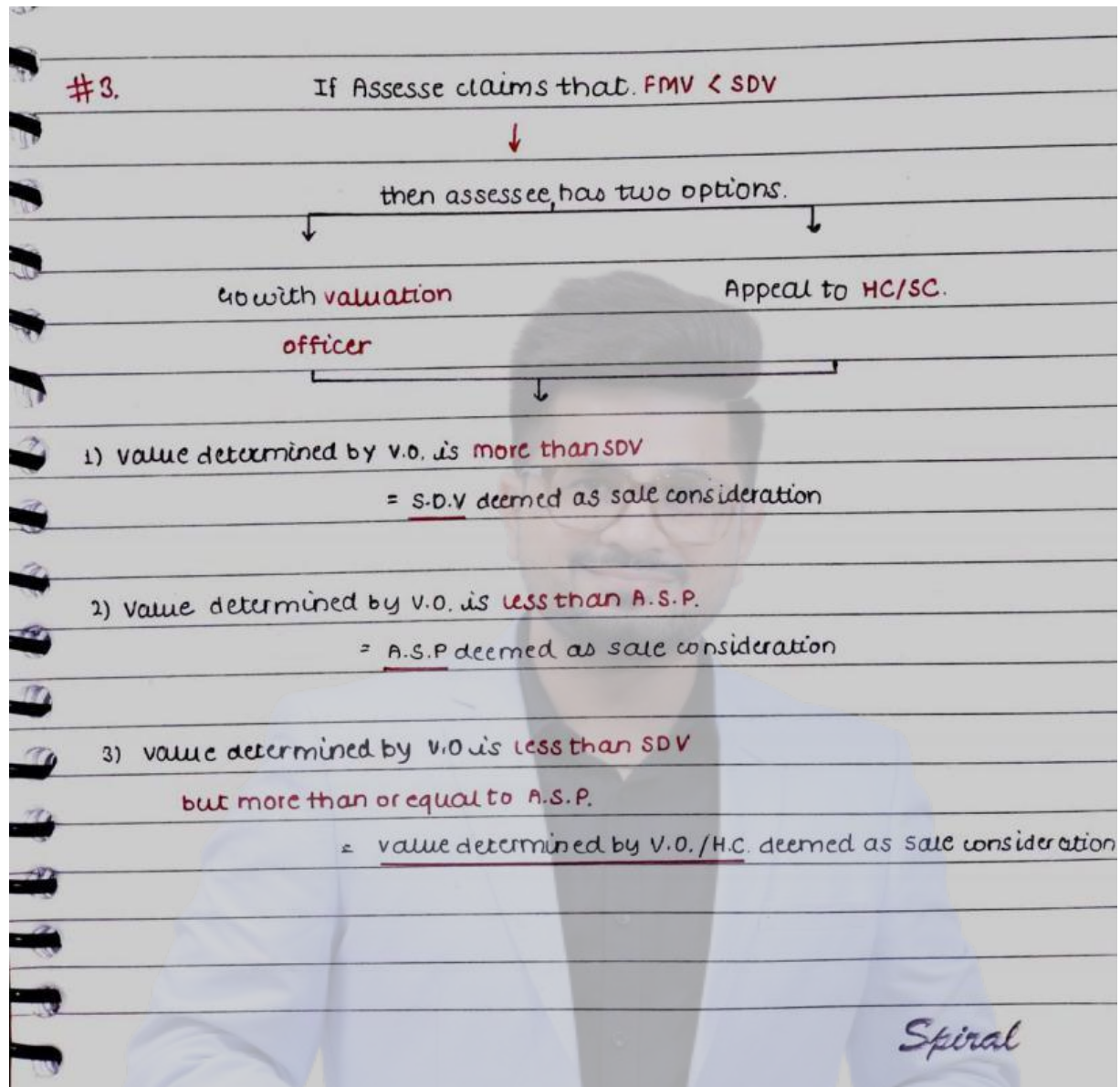
Income tax Handwritten notes by **CA Vivek Gaba,**

Date

Example-

D.O.A.	SDV on D.O.A.	D.O.R.	SDV on DOR	Actual Sale Price	Advance Amt.	Sale Cons.
18/11/2022	80,00,000	19/4/2023	90,00,000	75,00,000	500,000 cash (18/11/22)	90,00,000
15/6/2021	70,00,000	20/6/2022	75,00,000	70,00,000	400,000 A/c payee cheque (18/6/2021)	70,00,000
15/4/2023	90,00,000	18/1/23	100,00,000	80,00,000	500,000 RTGS (17/4/2023)	100,00,000
18/12/2022	80,00,000	15/1/2023	8800000	70,00,000	600,000 NEFT (17/12/2022)	80,00,000





Date

Section 50D

If sale price is not ascertainable and cannot be determined in case of transfer of capital asset, then FMV shall be deemed as sale consideration for capital gain.

Section 50CA

Applicability - only on unlisted shares.

If sale price is less than F.M.V, then F.M.V shall be deemed as sale consideration.

Example - Mr. Aman Gupta sells 1000 shares of Boat Pvt. Ltd to Mr VG @ ₹800 per share. FMV of the share ₹1150 per share. Cost of acquisition in the hands of Aman Gupta is ₹300 per share. Compute capital gain.

Selling price (1000 × 1150)	11,50,000
less: cost of acquisition (1000 × 300)	(300,000)
∴ capital gain	<u>850,000.</u>

Date

section 47: certain transactions not regarded as Transfer

(1). Assets transferred on partition of HUF.

(2). Gift, will

(3). Amalgamation : Amalgamating company. $\xrightarrow{\text{Assets t/f}}$ Amalgamated company.
↓
not a transfer
↓
must be Indian co.

(4). Holding company. $\xrightarrow{\text{Assets t/f}}$ Subsidiary company
↓ (not a transfer) ↓
100% Holding Indian co.

(5). Subsidiary co. $\xrightarrow{\text{Assets t/f}}$ Holding company.
(not a transfer) ↓
• 100% Holding co.
• Indian company

Date

Other Sources

Taxation of Gift [Section 56(2)(x)]

Applicability of sec 56(2)(x): Gift received by any person

GIFT

↓

Monetary Form

- cash
- cheque / draft.

↓

Aggregate value

↓

upto ₹50,000

↓

Exempt from tax

more than ₹50000

↓

whole value of shall be chargeable to tax in hands of Recipient u/H other source.

Non-monetary form.
(i.e. in kind)

↓

Movable property

Immovable property.

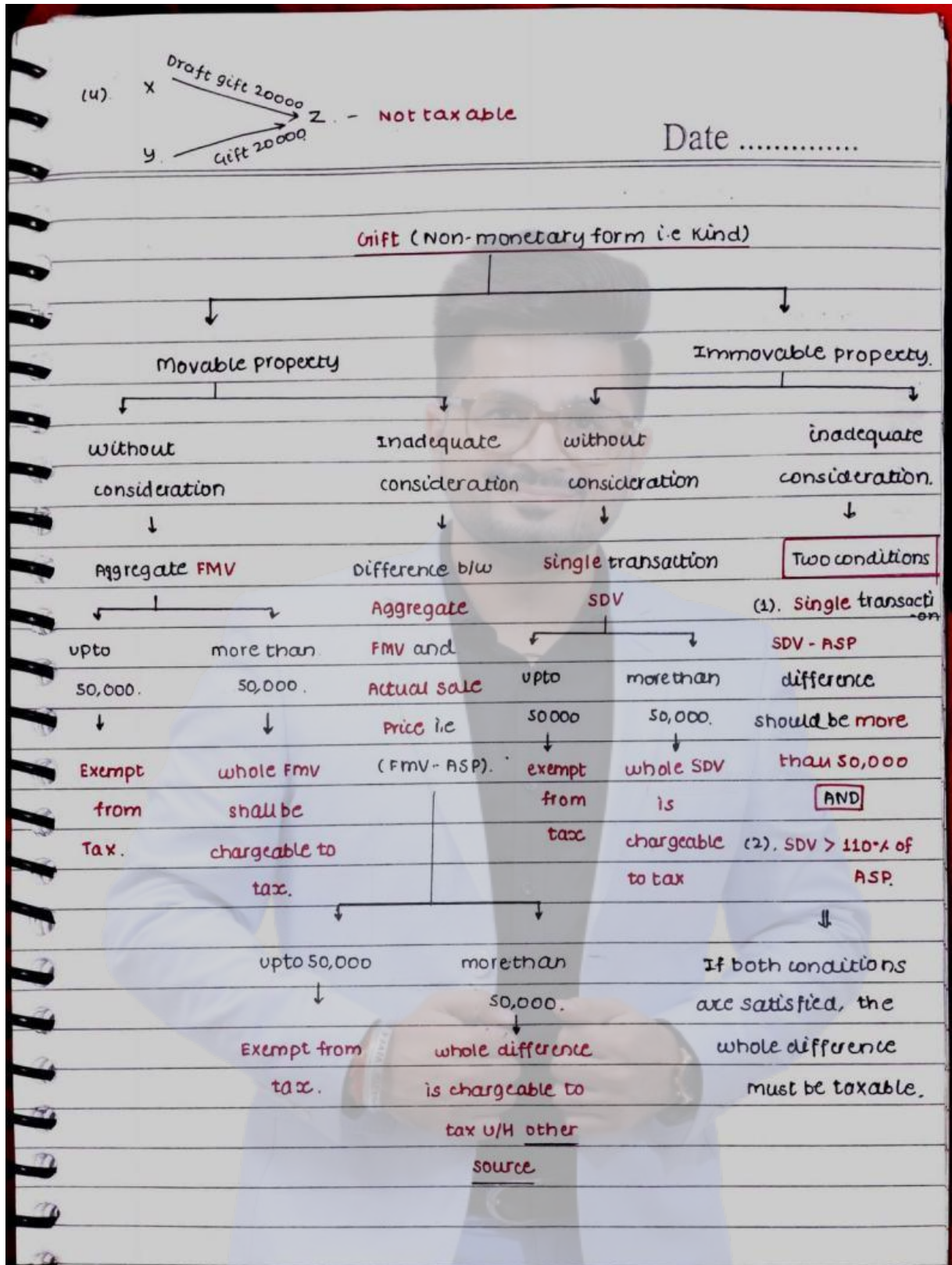
(discussed) →

Example-

(1) X $\xrightarrow{\text{cheque gift } 30,000}$ y. Not taxable

(2) X $\xrightarrow{\text{draft gift } 50000}$ y. Not taxable

(3) X $\xrightarrow{\text{draft gift } 30000}$ Z.
y. $\xrightarrow{\text{cheque gift } 40000}$ Z. ₹70,000 taxable



Date

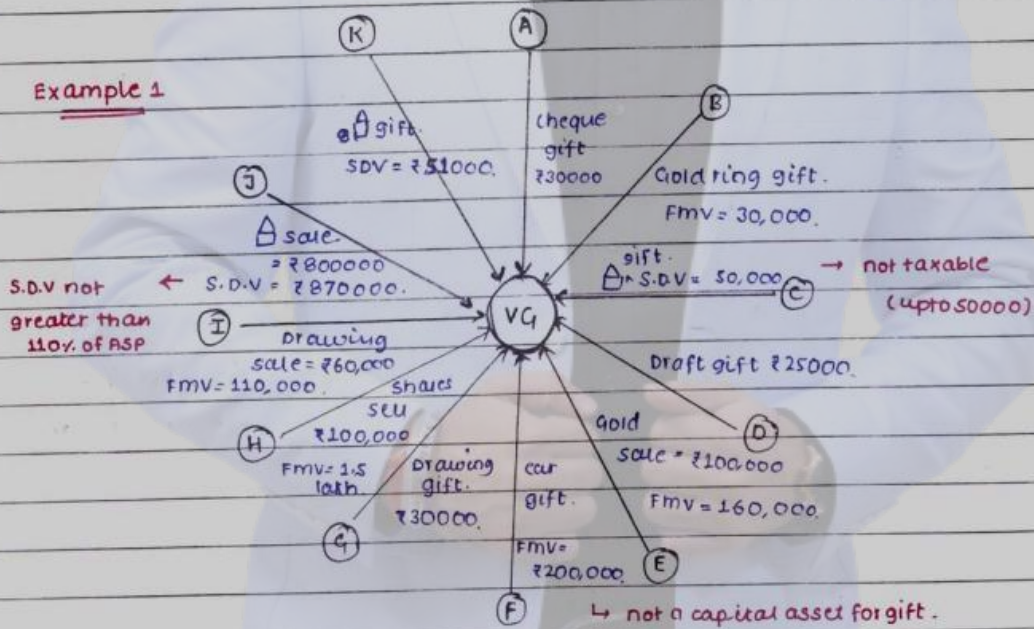
• Definition of **Property** under **Taxation of Gift.**

A **capital asset** of the assessee, namely -

- (a) immovable property being land or building or both,
- (b) shares and securities,
- (c) jewellery,
- (d) archeological collections,
- (e) drawings,
- (f) paintings,
- (g) sculptures,
- (h) any work of art, or
- (i) bullion.

It also includes "virtual digital asset" (crypto currency, bitcoins).

Example 1

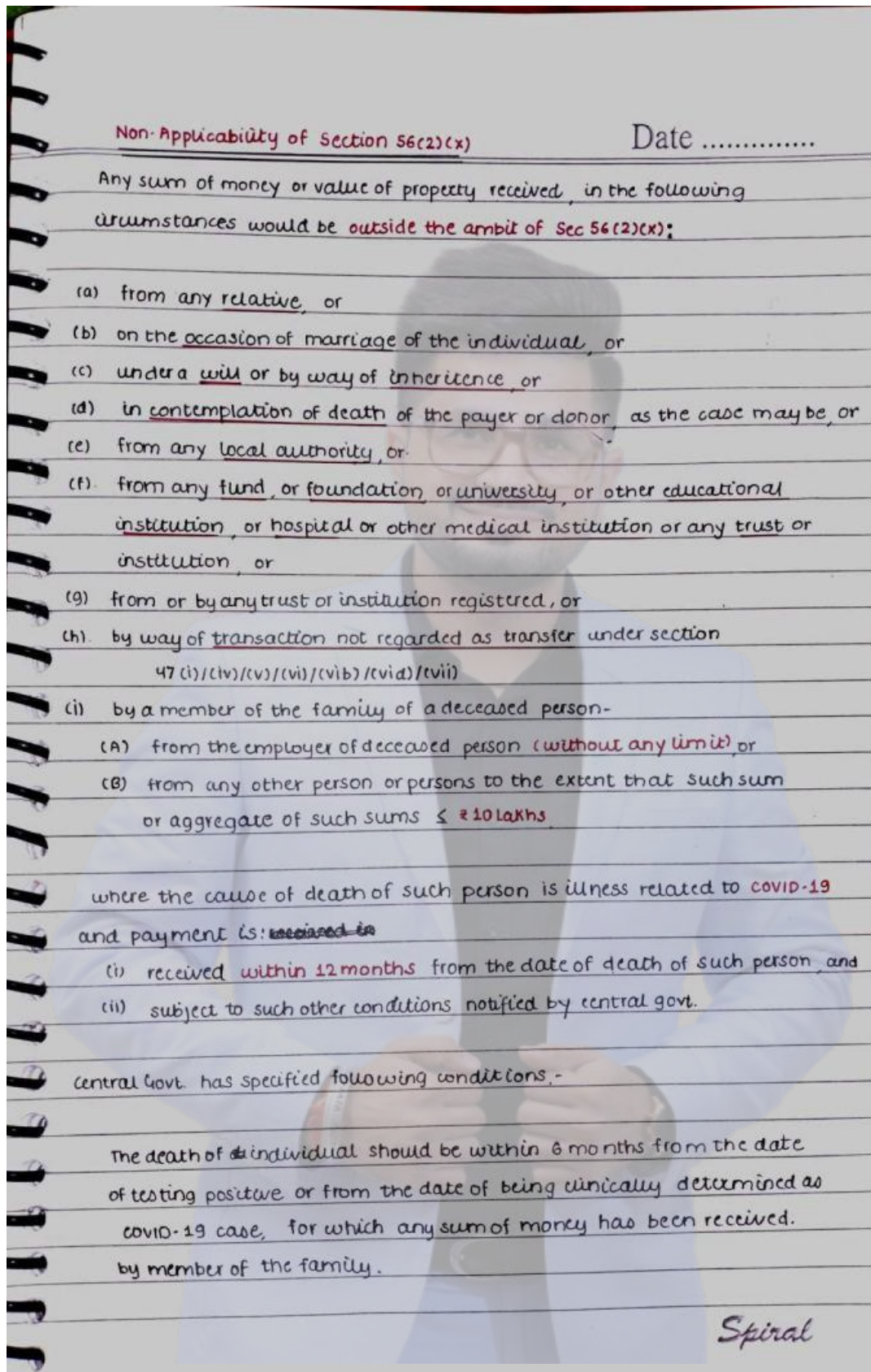


calculate amount taxable in the hands of Mr. VG.

CRUX of "Taxation of Gift"

Gift taxable in the hands of recipient if satisfied all the following conditions :-

- (1) Gift "Property" ki definition me cover hona chahiye.
+
- (2) Gift ki value ₹50000 se zyada honi chahiye.
+
- (3) Gift Exceptions me cover nahi hona chahiye.
+
- (4) Gift Receiver ke haath me capital asset hona chahiye.



Date

• Definition of Relative

(a) In case of individual-

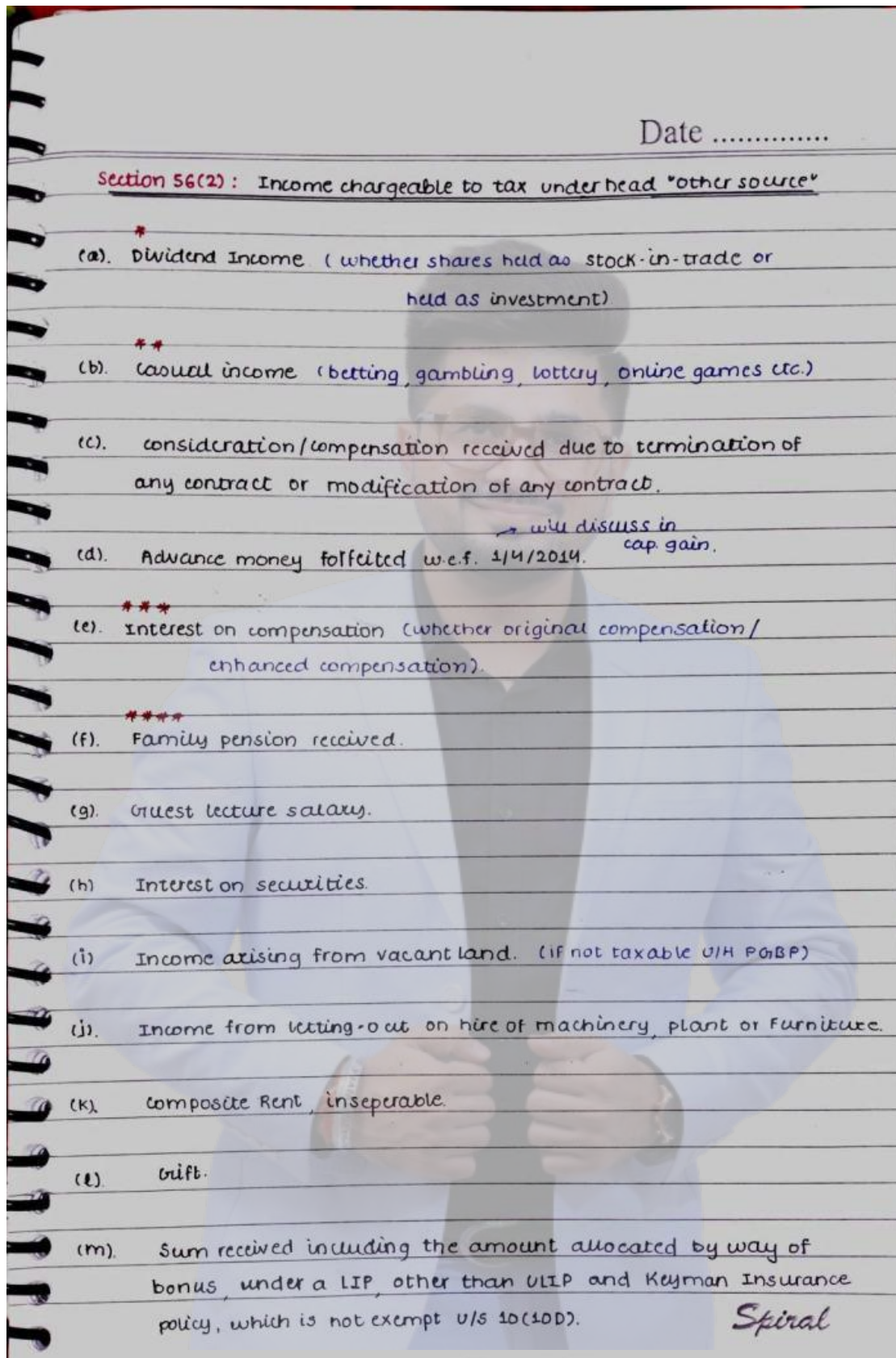
- (i) spouse of the individual
- (ii) brother or sister of the individual
- (iii) brother or sister of spouse of the individual,
- (iv) brother or sister of either of the parents of the individual,
- (v) any linear ascendant or descendant of individual,
- (vi) any linear ascendant or descendant of spouse of individual.
- (vii) spouse of the persons referred in (i) to (vi) above,

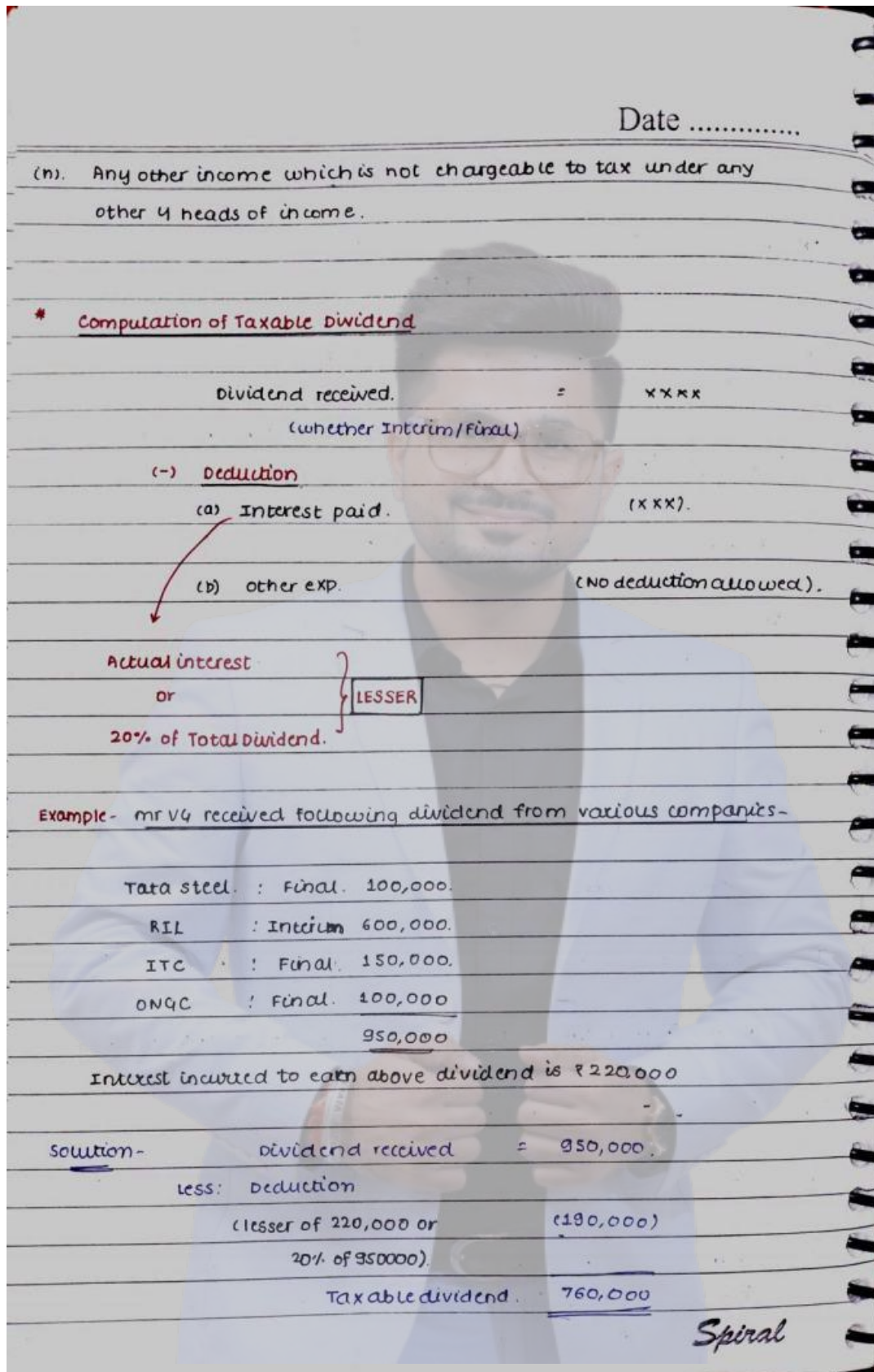
(b) In case of **HUF**, any member thereof.

Section 56(1) Charging section

If any income is not chargeable to tax under any other 4 Heads of Income, then such income shall be chargeable to tax u/H "other sources"

This is called **Residuary Heads of Income.**





Date

• what will be your answer if actual interest paid is ₹170,000.

Taxable dividend = 950,000 - 170,000 = ₹780,000.

**** Casual Income**

<u>Section 115BB</u>	<u>Section - 115B&J</u>
Income from lottery, crossword puzzles, races, betting, gambling etc.	Winnings from online games.

↓

<p>(1) Tax Rate Flat 30%</p> <p>(2) No deduction for expenditure can be allowed from such income.</p> <p>(3) Deduction u/c VI-A (80C to 80U) shall not be allowed.</p> <p>(4) Bal. exemption limit cannot be used.</p>	<p>} same points applicable here also.</p>
--	--

***** Interest on compensation**

Interest on compensation (whether original or enhanced). XXXX

(-) Deduction @ 50% of Int. received	(XXX)
Taxable interest.	XXXX

Spiral

Date

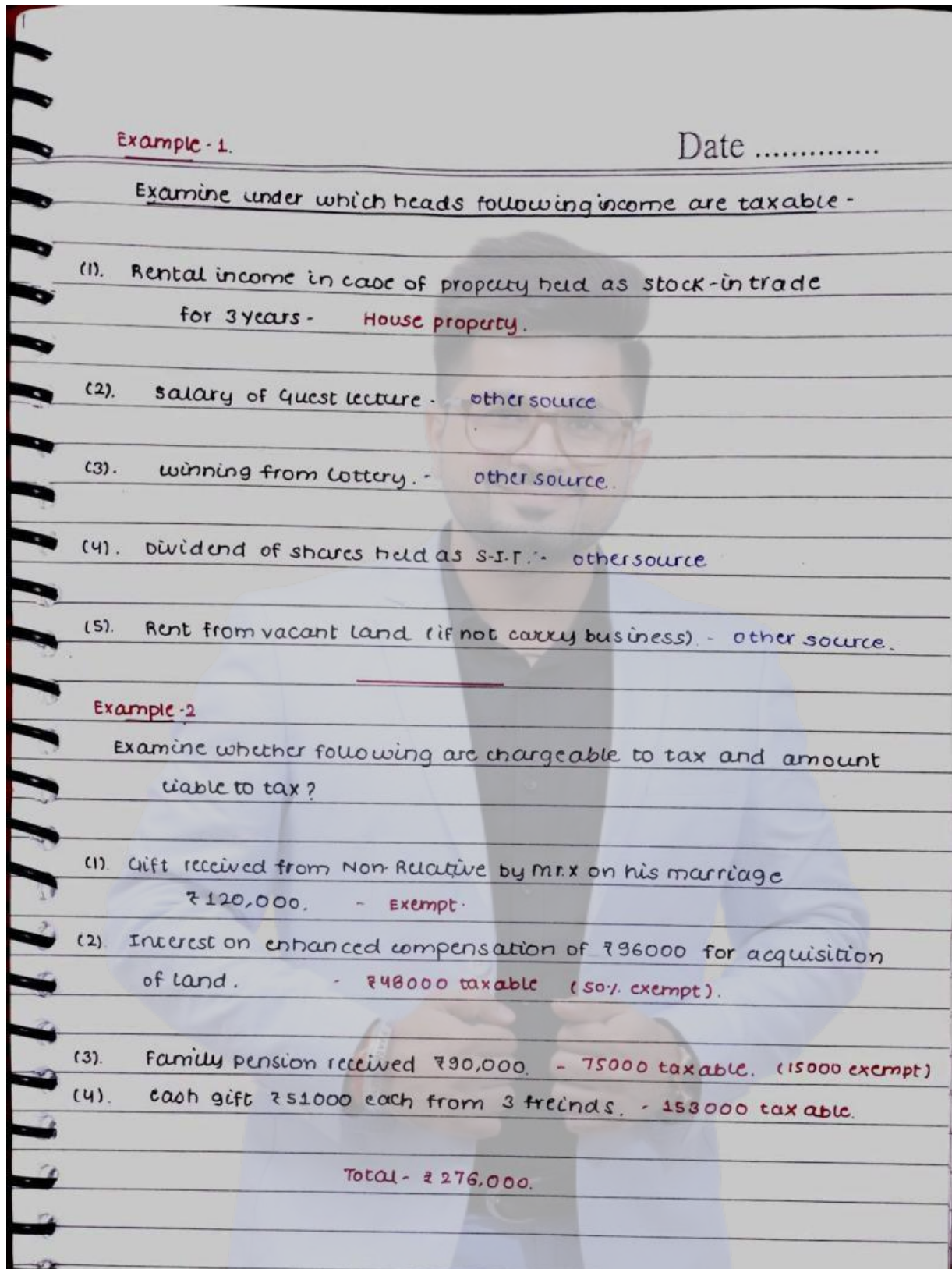
**** Family pension

Family pension received.	xxxx.
(-) Deduction	
$\left(\frac{1}{3} \text{ of Family pension or } 15000\right)$	
(xxx)	
↓ ↓	
<div style="border: 1px solid black; padding: 2px; display: inline-block;">LESSER</div>	
Taxable family pension	xxx.

Following incomes are exempt:

- (1) Income by way of interest on money standing to his NRE A/c is exempt. [Sec 10(4)(ii)]
- (2) Value of scholarship granted to meet the cost of education would be exempt. [Sec 10(16)]
- (3) Daily Allowance and consistency allowance received by MP or state legislature is exempt. [Sec 10(17)]
- (4) Interest on Post office saving Bank A/c is exempt upto the following specified limit:- [Sec 10(15)]
 - a). 3500 in case of Individual A/c
 - b). 7000 in case of Joint A/c.
- (5) Interest on Gold deposit Bonds or deposit certificate is exempt.

Spiral



Date

Section 45(1) + 45(1A) + 45(2) + 45(5) + 45(5A)

Generally, if following three conditions are satisfied,
then **capital gain is taxable** -

- Income.
- +
- Transfer
- +
- Transfer of capital Asset.

If all conditions are satisfied,
then such income shall be
chargeable to tax in the **year in**
which transfer took place

CRUX - Jaha Transfer, vaha Taxable.

↓

EXCEPT following 4 cases

(a) Sec 45(1A)

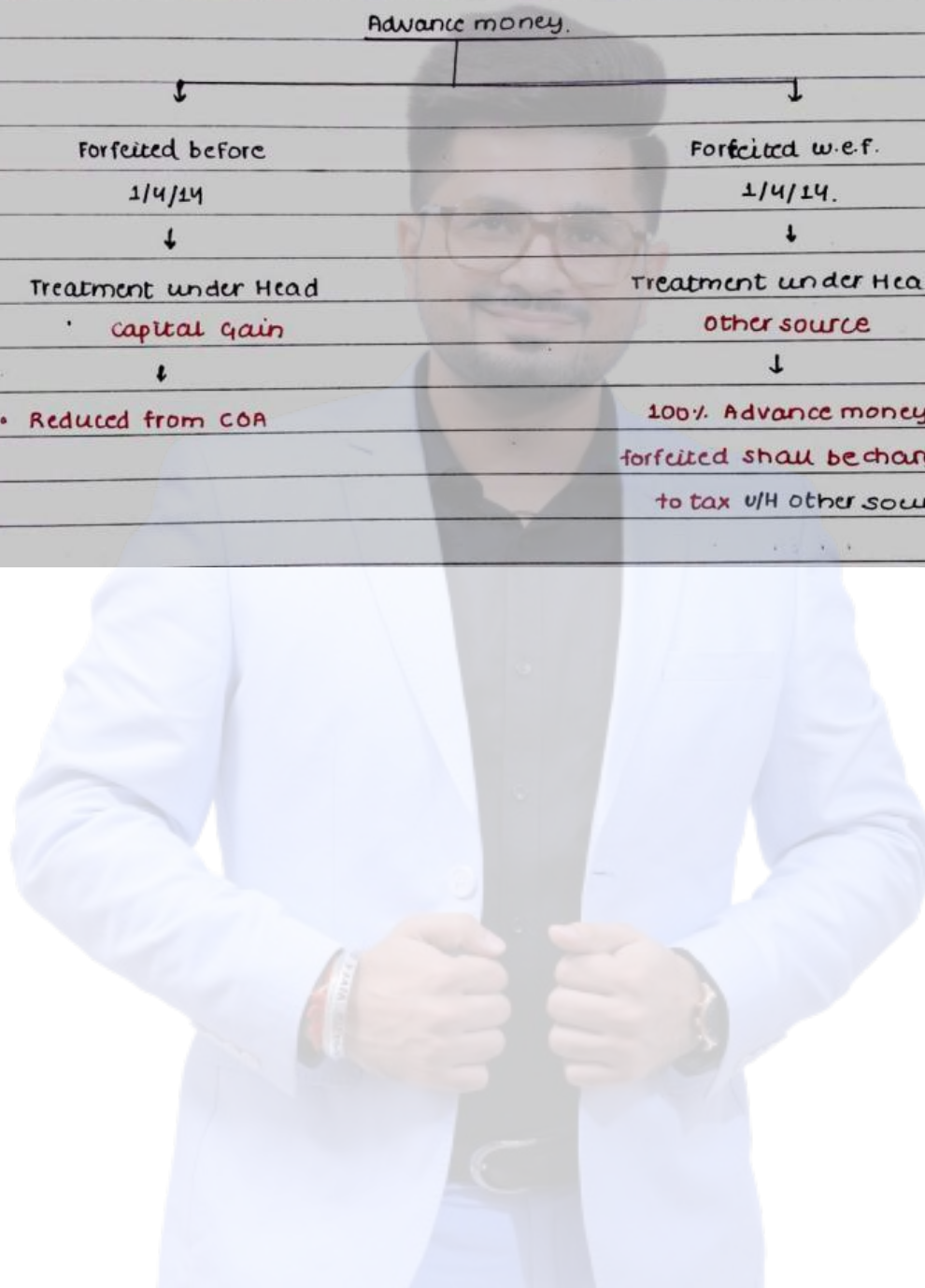
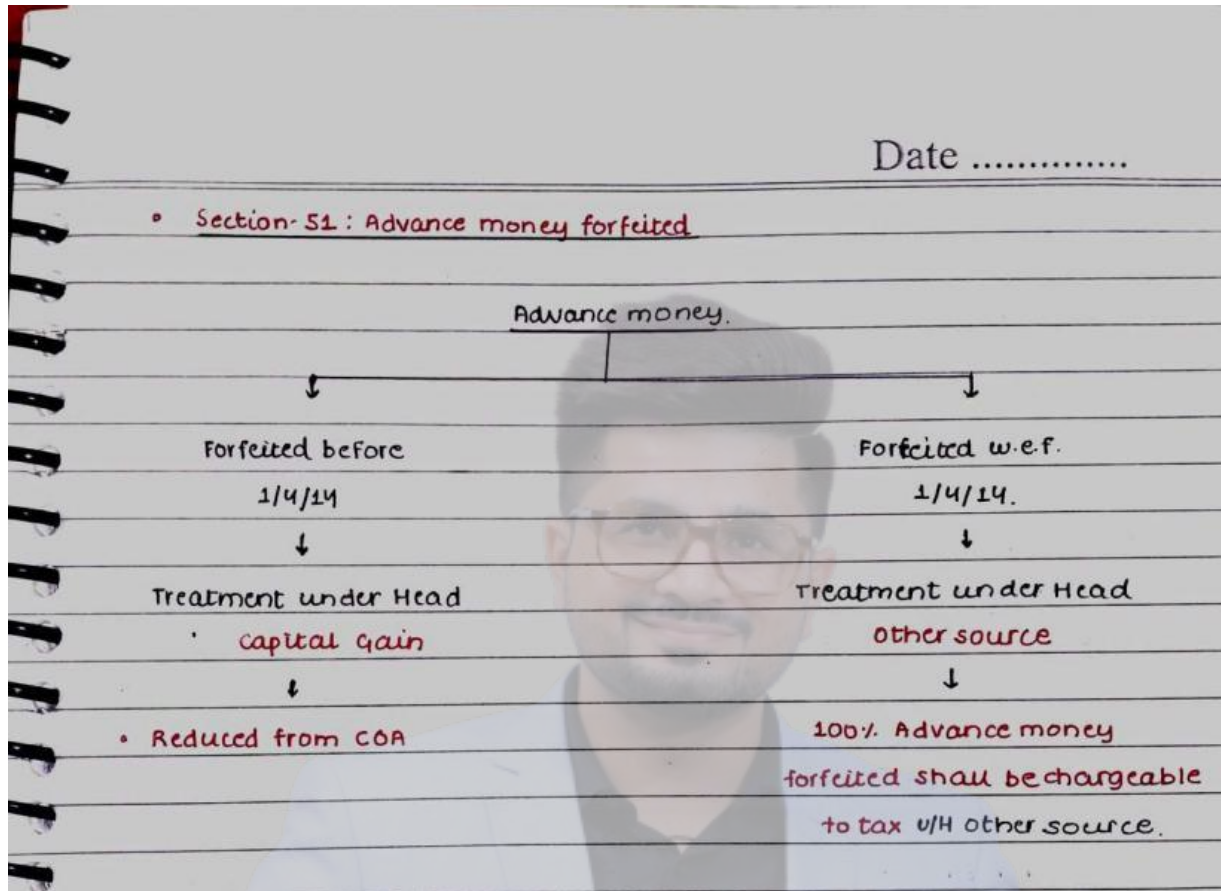
(c) Sec 45(5)

(b) Sec 45(2).

(d) Sec 45(5A).

Income tax Handwritten notes by **CA Vivek Gaba,**

Particulars	Section 45(1A)	Section 45(2)	Section 45(5)	Section 45(5A)
HEADING:	Transfer on Insurance claim received	Conversion of Capital Asset into Stock-in-trade	Capital compulsory Acquisition	Joint development Agreement
Year of Transfer:	Year of Destruction	Year of conversion into stock-in-trade	Year of compulsory acquisition	Year of possession of immovable property.
Year of Taxable :	when Insurance claim is received	when stock-in-trade (SIT) is sold	<p><u>original compensation:</u> In the P.Y. in which 1st installment is received.</p> <p><u>Enhanced compensation:</u></p> <p>→ By interim order: Taxable in the year in which final order is made.</p> <p>→ By final order: Taxable in F.Y. in which compensation is received by assessee.</p>	when completion certificate is issued
Year of Indexation:	Year of Transfer i.e. destruction	Year of transfer i.e. conversion	Year of transfer i.e. compulsory acquisition	Year of transfer i.e. possession
Holding period:	Immediately preceding the date of transfer i.e. destruction	Immediately preceding the date of transfer i.e. conversion.	Immediately preceding the date of transfer i.e. compulsory acquisition	Immediately preceding the date of transfer i.e. possession
Sale price :	Insurance claim received OR FMV of asset received	FMV on the date of conversion	Compensation received	S.D.V of constructed area belonging to assessee + cash, if any.



- Section 50B: slump sale.

Meaning - Transfer of one or more undertaking as a result of lump sum consideration without values being assigned to assets and liabilities. and if any value is assigned, then it is only for determining the payment of stamp duty.

Section 50B

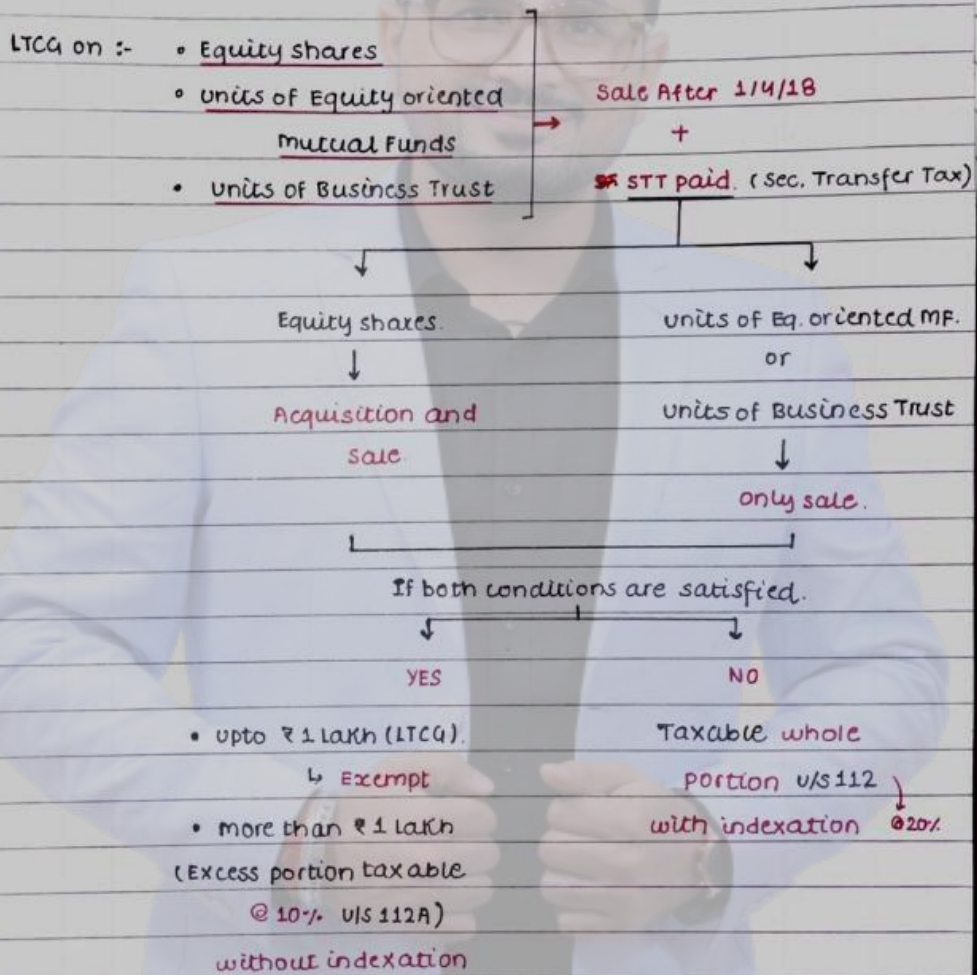
- (1). Capital gain is **taxable** when **slump sale** is affected.
- (2). **Nature** of capital gain depends on **period of holding of undertaking transferred**. If undertaking is held for **more than 36 months**, capital gain is **long-term** capital gain, else **short-term** capital gain.
- (3). **Nothing** shall be taxable under head **PGBP**.
- (4). COA and COI = Net worth of undertaking.
 - **Net worth** = Value of total assets - value of total liabilities.
- (5). **Revaluation** of assets shall **not to be considered** while computing
Net worth

Spiral

Date

- (6). Benefit of **indexation** is **not available**.
- (7). value of **non-depreciable** asset shall be taken at **book values**.
- (8). value of **depreciable** asset shall be taken at **WDV** as per 43(6).

Section 112A Tax on LTCG under certain cases



Spiral

Date

- How to compute capital Gain

Sale consideration.	xxx
(-) Expenses on Transfer.	(xxx)
Net Sale consideration.	xxx
(-) <u>C.O.A.</u>	
Higher of (a) and (b).	

(a). Actual cost of acquisition : xxx

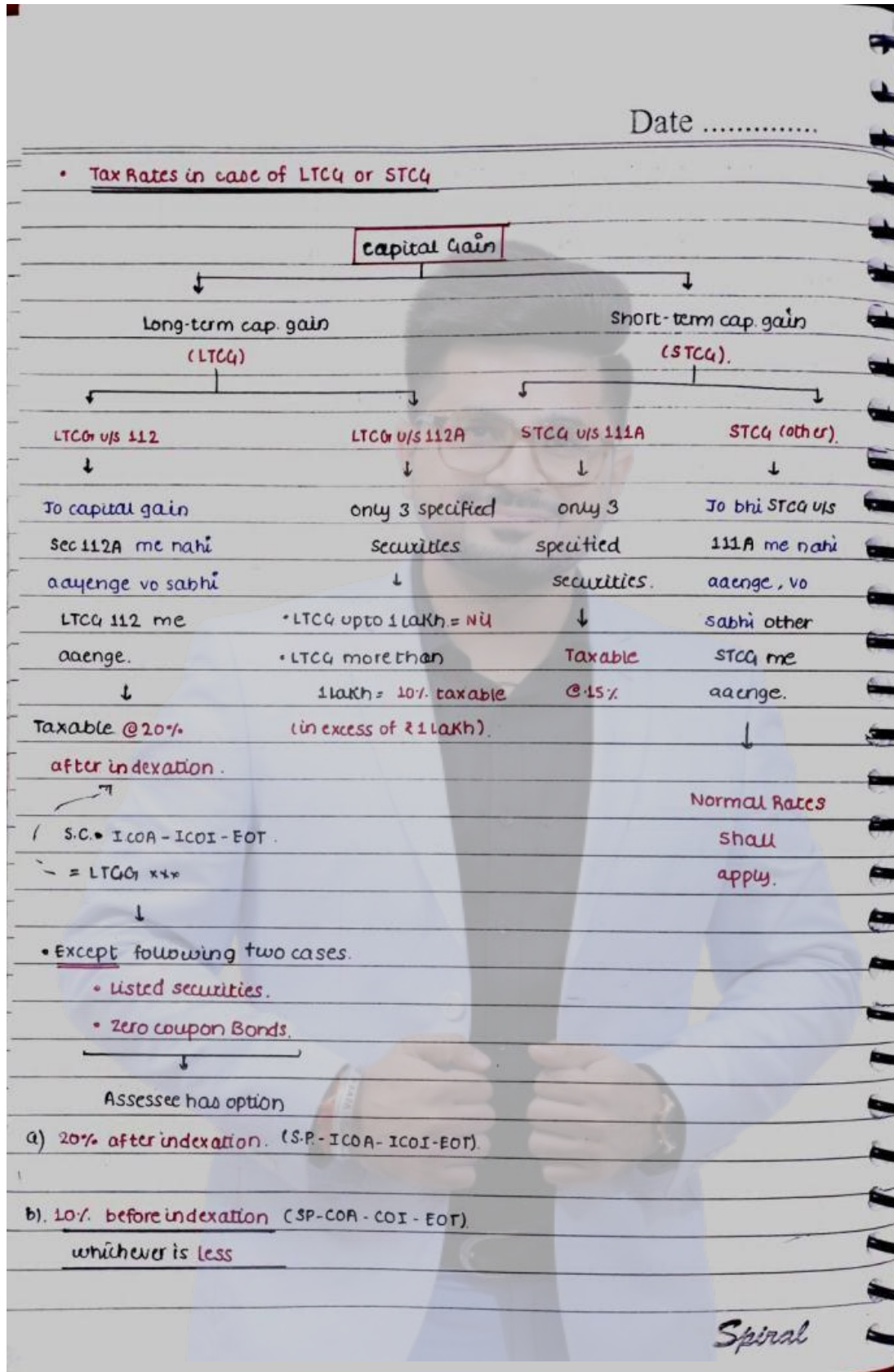
- (If purchased before 1.4.01) = Purchase price
or
FMV as on 1/4/01 } **HIGHER**
- (If purchased after 1.4.01) = Purchase price. → **HIGHER**

(b). Lower of :- : xxx

- sale consideration
- FMV as on 31/1/2018

NOTE-

- More than 1Lakh taxable @ 10%.
- Deduction u/c VI-A not allowed.
- No rebate u/s 87A
- In case of resident individual/HUF, benefit of unexhausted exemption limit is available.



Date

NOTE- • Chapter VI-A deduction (80C to 80U) not allowed from LTCG and STCG.

• Balance exemption limit can be used in case of LTCG and STCG

• Section 10(37) : Exemption in respect of capital gains in case of urban Agricultural land

→ Exemption is available if all the below mentioned conditions are satisfied:

(a) Assessee is an individual HUF

(b) Transfer is of agricultural land situated in urban area

"Agricultural land situated in Rural Areas is not a capital asset"
↳ No question of cap. gain exemption arises.

(c) Land is used for agricultural purpose during the period of 2 years immediately preceding the date of transfer by HUF or individual or parent of the individual.

(d) Transfer takes place by compulsary acquisition under any law, and consideration is determined or approved by central govt. or RBI.

(e) original as well as enhanced compensation are exempt.

(f) capital gain is exempt irrespective of the fact that they are short-term or long-term.

Income tax Handwritten notes by CA Vivek Gaba,

Important concept

(X) → Gold sale - 100,000
FMV = 140,000

↓

cost = 50,000

S.P = 100,000

(-) CO.A = (50,000)

cap. gain 50,000

(Y) → Gold sale - 200,000
FMV = 270,000

↓

O.S = Nil.

S.P = 200,000

(-) CO.A (100,000)

cap. gain 100,000

(Z) → Gold sale - 200,000
FMV = 270,000

↓

cost of Ac. = 270,000

other source income = 70,000

Date

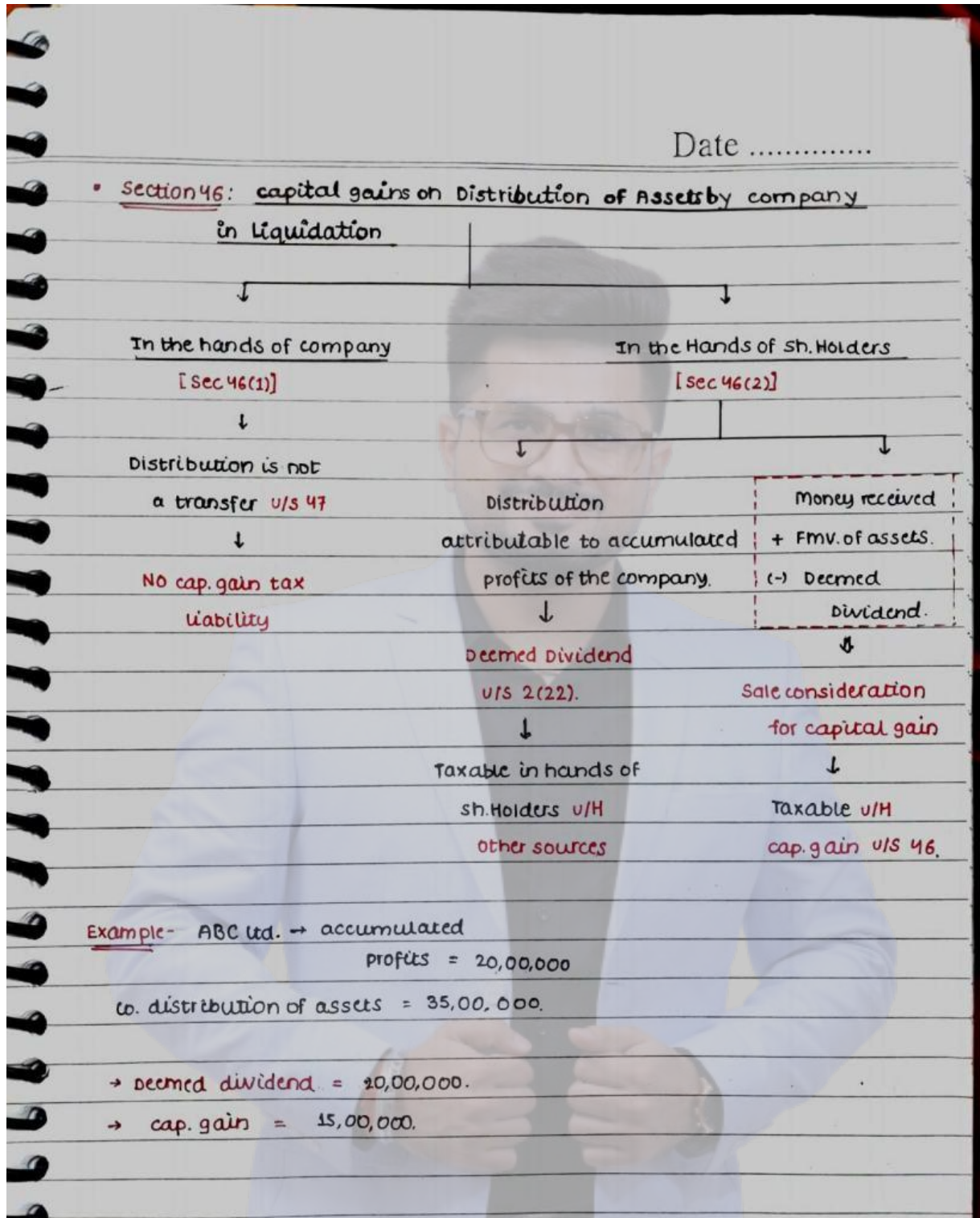
CRUX - Agar Buyer ke haath me **other source** me taxability ho chuki hai then **SDV/FMV** ko cost maana jaege.

Section 46A : Taxable provision in respect of Buyback

	Buy Back of shares. (listed and unlisted) by Domestic company	Buyback of shares by other than domestic company.	Buy Back of specified securities (i.e ESOP) by any company.
• Taxability in the hands of company.	Pay additional tax @ 23.296% on distributed income* (20% + 12% surcharge + 4% cess).	No Taxability in the hands of company.	No Taxability in the hands of company.
• Taxability in the hands of shareholders	Income arising to shareholders is exempt u/s 10(34A)	Income arising to shareholders is taxable u/H cap. gain u/s 46A	Income arising to sh. holders is taxable u/H cap. gain u/s 46A

* 23.296% of Distributed Income.
↳ = Buyback price - Amt. paid by sh. holders for acquiring shares.

Spiral



Date

• Some miscellaneous and important points w/H capital gain

→ Some further transactions not regarded as transfer :-

- (1.) Transfer of capital asset by demerged company to resulting Indian company in case of demerger
- (2.) Transfer of shares by a shareholder in a scheme of amalgamation or demerger.
- (3.) Transfer on conversion of bonds or debentures into shares.
- (4.) Conversion of preference shares into equity shares.
- (5.) Transfer of capital asset under reverse mortgage.

Imp. Note 1

Benefit of indexation is not available in case of **bonds or debentures**

Except :- → capital index bonds.
→ Sovereign gold bonds.

Imp. Note 2

STT paid on sale or purchase not allowed as deduction.

It means :-

- STT paid on purchase = **not added in cost**
- STT paid on sale = **not reduced from sale price.**

STT = Security Transaction Tax.

Income tax Handwritten notes by CA Vivek Gaba,

Exemptions u/s 54

<p style="text-align: center;">Section 54, 54B, 54D, 54EC</p> <table border="0" style="width: 100%;"> <tr> <td>sale price of specified asset .</td> <td style="text-align: right;">xxxxx</td> </tr> <tr> <td>(-) Exp. on transfer</td> <td style="text-align: right;">(xxx)</td> </tr> <tr> <td>Net sale consideration</td> <td style="text-align: right;">xxxxx</td> </tr> <tr> <td>(-) ICOR/COA</td> <td style="text-align: right;">(xxx)</td> </tr> <tr> <td>(-) ICOS/COI</td> <td style="text-align: right;">(xxx)</td> </tr> <tr> <td style="border: 1px solid black; padding: 2px;">capital gain</td> <td style="text-align: right; border: 1px solid black; padding: 2px;">xxxxx</td> </tr> </table> <p>capital gain shall be exempt if invested in specified capital asset within specified time limit.</p> <p>↓</p> <ul style="list-style-type: none"> • <u>Amount of exemption</u> <ul style="list-style-type: none"> → Investment amount \geq capital gain = 100% CG exempt → Investment amount $<$ capital gain = Amt. invested is exempt. • <u>Maximum limit of exemption</u> <p>Section 54: If cap. gain upto 2 crore = max. 2 R. House in India. If cap. gain more than 2 crore = max 1 R. House in India. (subject to 10 crore) - max. eq. limit.</p> <p>Section 54B: No limit Section 54D: No limit Section 54EC: maximum exempt upto 50 lakh.</p> 	sale price of specified asset .	xxxxx	(-) Exp. on transfer	(xxx)	Net sale consideration	xxxxx	(-) ICOR/COA	(xxx)	(-) ICOS/COI	(xxx)	capital gain	xxxxx	<p style="text-align: center;">Section 54F</p> <table border="0" style="width: 100%;"> <tr> <td>sale price of specified cap asset</td> <td style="text-align: right;">xxxxx</td> </tr> <tr> <td>(-) Exp. on transfer</td> <td style="text-align: right;">(xxx)</td> </tr> <tr> <td>Net sale consideration</td> <td style="text-align: right;">xxxxx</td> </tr> <tr> <td>(-) ICOR/COA</td> <td style="text-align: right;">(xxx)</td> </tr> <tr> <td>(-) ICOI/COI</td> <td style="text-align: right;">(xxx)</td> </tr> <tr> <td style="border: 1px solid black; padding: 2px;">capital gain</td> <td style="text-align: right; border: 1px solid black; padding: 2px;">xxxxx</td> </tr> </table> <p>capital gain shall be exempt only if net sale consideration is to be invested.</p> <p>↓</p> <ul style="list-style-type: none"> • <u>Amount of exemption</u> <ul style="list-style-type: none"> → Amt. invested \geq Net sale consideration = 100% capital gain exempt. → Amt. invested $<$ Net sale consideration = proportionate cap gain exempt. <p style="text-align: center;">$\left(\frac{CG}{N.S.C} \times \text{Amt. invested} \right)$</p> • Max exemption limit - 10 crore. 	sale price of specified cap asset	xxxxx	(-) Exp. on transfer	(xxx)	Net sale consideration	xxxxx	(-) ICOR/COA	(xxx)	(-) ICOI/COI	(xxx)	capital gain	xxxxx
sale price of specified asset .	xxxxx																								
(-) Exp. on transfer	(xxx)																								
Net sale consideration	xxxxx																								
(-) ICOR/COA	(xxx)																								
(-) ICOS/COI	(xxx)																								
capital gain	xxxxx																								
sale price of specified cap asset	xxxxx																								
(-) Exp. on transfer	(xxx)																								
Net sale consideration	xxxxx																								
(-) ICOR/COA	(xxx)																								
(-) ICOI/COI	(xxx)																								
capital gain	xxxxx																								

Profit and Gains from Business
or Profession
(Sec 28 to 44DB)

Date

• Sections/Topics to be covered u/M PGBP

28	32(1)(i)	2nd Proviso to 32(1)	
29	32(1)(ii)	32(2)	
30	32(1)(iia)	Sec 10AA	
31	32(1)(iii)	43(6)	
Exp-1 to 32(1)	43(1)	50(1)	
Exp-5 to 32(1)	Proviso to 32(1)	50(2)	
38(2)	35(2AA)		40(a)(i)
50A	35(2AB)	35DD	40(a)(ia)
43CA	37(2B)	35DDA	40(a)(ii)
33AB	35CCC	35AD	40(a)(iii)
35(1)(i)	35CCD	36 series	40(b)
35(1)(ii)	35ABB	37	40A(2)
35(1)(iia)	35ABA	Exp-1 to 37	40A(3)
35(1)(iib)	35D	Exp-2 to 37	40A(3A)
35(1)(iv)	40A(7)	40A(9)	41(1)
41(2)	44AA	14A	
41(3)	44AB	Rule 8D	
41(4)	44AD		
43B	44ADA		
	44AE		

Spiral

Income tax Handwritten notes by CA Vivek Gaba,

Date

• Flow of P&BP chapter / How to read P&BP chapter

Section	Provisions	Analysis
28	Charging section	Kon Kon si income P&BP me taxable hogi
29	Computation of P&BP income	To income taxable hogi vo calculate Kese hogi
30-38	Expenditure Allowed	Kon Kon se expenses P&L me debit kie jaayenge.
39	Not Relevant	
40	Expenditure disallowed	Kon Kon se expenses P&L me debit nahi kie jaayenge.
41	Recovery of expenditure allowed earlier	To expenditure pehle allowed ho chuke hai unki recovery hogi to kya treatment hogi.
42	Not Relevant	
43	Deduction on payment basis	To expenditure debit honge vo paid basis par honge.
44	Presumptive taxation	छोटे businessman professionals के लिए क्या scheme है।

Spiral

Date

Section 28 : charging section

Following income shall be taxable under the head PGBP :-

- (1). Any profit/gain of any Business/Profession. ✓
- (2). Profit on sale of import entitlement license (IEL). ✓
- (3). cash compensatory support or duty drawback (CCS/DBK). ✓
- (4). Profit on sale of Duty Entitlement passbook scheme (DEPB) or Duty Free Replenishment certificate (DFRC). ✓
- (5). Any amount received under Keyman Insurance Policy.
- (6). Any gift/benefit/perquisite arising due to business or profession. ✓
- (7). Any interest salary, bonus, commission received by partner from partnership firm to the extent allowed u/s 40(b) to firm.
- (8). Non-compete fees (not carrying out any activity in relation to any business or profession or not sharing any know how, patent, copyright etc. ✓
- (9). Profit on sale of carbon credit shall be chargeable to tax @ 10% u/s 115BB ✓
- (10). Income derived by trade, professional or similar association from specific service performed by its members.
- (11). FMV of inventory as on the date on which it is converted into capital asset. (clause (via) [Added by FA 18] ✓
↳ Net taxable income = FMV - cost

Spiral

Date

(11). Any compensation, or other payment due to or received by any person, at or in connection with the termination or modification of the terms and conditions, of any contract relating to his business.

◦ section-29: How to compute PGBP income

Particulars	Amount.
Net profit as per P&L A/c of Co. Act.	xxx
ADD: Jo expenditure debit kie hue the but Debit nahi hone chahiye the.	xxx
LESS: Jo expenditure debit hone chahiye the but debit nahi kie hue the	(xxx)
ADD: Jo income credit hone chahiye thi but credit nahi ki hue thi.	xxx
LESS: Jo income credit ki hue thi but credit nahi honi chahiye thi.	(xxx)
Income under head PGBP.	xxxx

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

Particulars	Amount
Net profit as per P&L A/c of Co. Acct	xxx
Add: Expenditure debited in P&L A/c but not allowed u/H P&BP	xxx
LESS: Expenditure allowed u/H P&BP but not debited in P&L A/c.	(xxx)
ADD: Income chargeable to tax u/H P&BP but not credited in P&L A/c.	xxx
LESS: Income credited in P&L A/c but not taxable u/H P&BP.	(xxx)
Income u/H P&BP.	xxxx

Example:

P&L A/c.	
To Income tax = 200,000	Gross profit. 4000000
To Adv. exp. payable = 400,000	By Int. from F.D. 400,000.
To Dep. (SLM) = 400,000.	By Dividend from
To municipal tax paid on	Indian co. 800,000.
House property. = 100,000.	By Profit on sale of
To prov. for d. debt. = 50000.	I.E.L. 500,000.
To Net Profit 51,50,000	By Rent received
	of H.P. 600,000.

other information

1. Bad debts = 30000.
2. Profit on sale of DFRC = 200,000.
3. Dep (WDV) = 350000

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

→ LTCG U/S 112A = 10,00,000.

Mr. VG - Resident - Age-45yrs - Sec 115BAC - Final tax?

Solution

(1). Computation of Final tax liability.

Particulars	Amt.	Amt.
• Income from salary	-	-
• <u>Income from House property</u>		
Rent Received.	600,000	
less: municipal tax paid by owner	(100,000)	
	500,000	
less: Standard Deduction U/S 24(a)	(150,000)	
	350,000	350,000
• <u>Income from PGBP</u>		
Net profit as per profit and loss A/C	51,50,000	
Add: <u>Exp. debited in P&L but not allowed U/H PGBP</u>		
Income tax paid.	200,000	
Adv. Exp. payable	400,000	
Dep. (SLM)	400,000	
municipal tax	100,000	
Prov. for doubtful debt.	50,000	
<u>less: Exp. allowed U/H PGBP but not debited</u>		
Bad Debts	(30,000)	
Dep. (WDV)	(35,000)	
<u>less: Income credited but not taxable U/H PGBP</u>		
Int. from F.D.	(400,000)	
Dividend from India	(800,000)	
Rent Received.	(600,000)	

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

		Date
<u>Add: Income taxable u/H PQBP but not credited</u>		
Profit on sale of DRFC	200,000	
	43,20,000	43,20,000.
◦ Income from capital gain u/s 112A.		1000000.
◦ <u>Income from other source</u>		
Int. from F.D.	400000	
Dividend	800,000	
	12,00,000	12,00,000.
Cross Total Income.		68,70,000
less: Deduction u/s VI-A	-	-
Net Total Income.		<u>68,70,000.</u>
<u>computation of tax liability.</u>		
◦ Tax on LTCG u/s 112 A		
(10,00,000 - 100,000) @ 10%.		90,000.
◦ Tax on Normal income i.e. 58,70,000	1461000	
	15,51,000	
Add: surcharge @ 10%.	155100.	
	17,06,100.	
Add: cess @ 4%.	68,244.	
	<u>17,74,344.</u>	
∴ Tax rounded off. = 17,74,340		

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

Ques-2

Profit and loss A/c			
To Bonus payable -	100,000	Gross profit.	700,000.0
		By LTCG u/s 112A -	12,00,000
To Dep (SLM) -	300,000	By income from online	
To Bad Debts.	400,000	games.	800,000
To Adv. exp payable.	100,000	By Interest on F.D.	200,000
To comm. paid.	50,000	By Dividend from Indian	400,000
To municipal tax paid		co.	
S.O.H.	40,000	By perquisite received	
To Int. incurred to earn		during Buss./prof.	200,000
dividend	110,000	By gift received from	
on loan for		his Brother.	100,000.
To Int. paid on repairs			
of S.O.H.	40,000		
To Net profit.	87,60,000		
	89,00,000		99,00,000.

Other information

1. Depreciation (W.D.V) = 180,000. -
2. Profit on sale of I.E.L = 200,000. +
3. STCG u/s 111A - 400,000.

Mr. V.G - 115BAC - Age = 45 years

Solution

Computation of Final tax:-

Particulars.	Amt.	Amt.
1). <u>Income under Head Salary.</u>		Nil.
2). <u>Income under head House property.</u>		Nil.
(SOH - GAV = Nil.		
M. Tax - not allowed.		
Standard Ded - not allowed		
Int. on repairs, not allowed in default regime.		
of SOH		

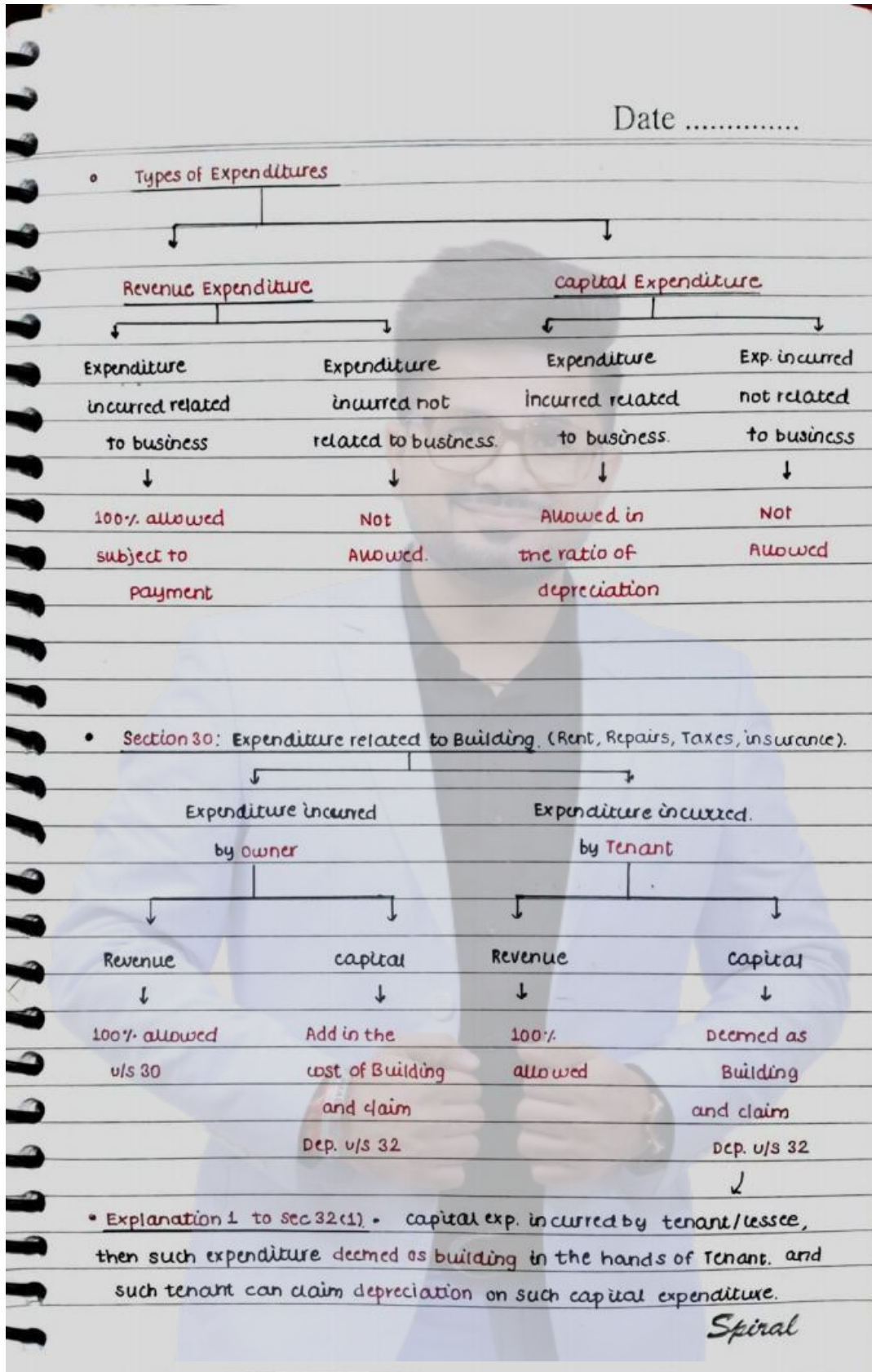
Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

		Date	
Particulars	Amt.	Amt.	
3). Income under head PGBP			
Net Profit as per Profit and loss A/C	8760,000		
Add: Expenses debited to P&L but not allowed u/H PGBP			
Bonus payable	100,000		
Depreciation (SLM)	300,000		
Adv. expenses payable	100,000		
municipal tax paid	40000		
Int. incurred to earn dividend	110,000		
Int. on loan taken for repairs to SOH	40000		
Less: Expenses allowed u/H PGBP but not debited			
Depreciation (WDV)	(180,000)		
Less			
Add: Income credited but not taxable u/H PGBP			
LTCG u/s 112A	(1200000)		
Income from online games	(800000)		
Interest on F.D.	(200000)		
Dividend from Indian co.	(400000)		
Gift received from Brother	(100000)		
Add: Income taxable u/H PGBP but not credited			
Profit on sale of I.E.I.	200000		
	<u>67,70,000</u>	<u>67,70,000</u>	
4) Income under head capital gain			
LTCG u/s 112A	1200000		
STCG u/s 111A	400000		
	<u>1600000</u>	<u>16,00,000</u>	
5). Income from other sources			
Income from online games	800000		
Int. on F.D.	200000		
Dividend. (400,000 - 80000)	320000		
	<u>13,20,000</u>	<u>13,20,000</u>	<i>Spiral</i>

Income tax Handwritten notes by **CA Vivek Gaba,**

	Date
Gross Total Income	96,90,000
less: Deduction u/c VI-A	-
Net Total Income	96,90,000
→ <u>Computation of tax liability</u>	
• Tax on normal income (PGBP+OS) @ ₹72,90,000	18,87,000
• Tax on income from online games @ 30%	240,000
• Tax on STCG u/s 112A @ 15%	60,000
• Tax on LTCG u/s 112A $(1200000 - 100000) \times 10\%$	110,000
	22,97,000
Add: Surcharge @ 10%	2,29,700
	25,26,700
Add: cess @ 4%	1,01,068
Final tax liability	26,27,768
∴ Tax Rounded off = ₹ 26,27,770.	



Date

Section 31: Expenditure related to ~~Buildings~~ Machinery and Furniture.

Expenditure incurred by owner		Expenditure incurred by Tenant	
Revenue	capital	Revenue	capital
↓	↓	↓	↓
100% Allowed	Add in cost of machinery and claim depreciation	100% allowed	Not Allowed

Example-

Mr. Vg - owner of building
↳ used for business.

cost of Building = 60,00,000.

Insurance premium paid by Mr. Vg = 50,000 p.a.

Tax on such property paid by Mr. Vg = 10000.

cap. expenditure incurred on building = 500,000.

Depreciation rate - 10%.

what will be the treatment u/H PGBP.

	P&L A/c
To Insurance prem.	50000.
To Tax paid.	10000
To depreciation.	650000
(65L x 10%)	

Date

Example 2

Mr. V.G. - owner of Building ← Rent pay - 40,000 p.m.

let out for business use Mr. P.G.

cost = 50,00,000. cap. exp on building = 600,000.

↓ Dep. @ 10%.

Property tax = 100,000 p.a.

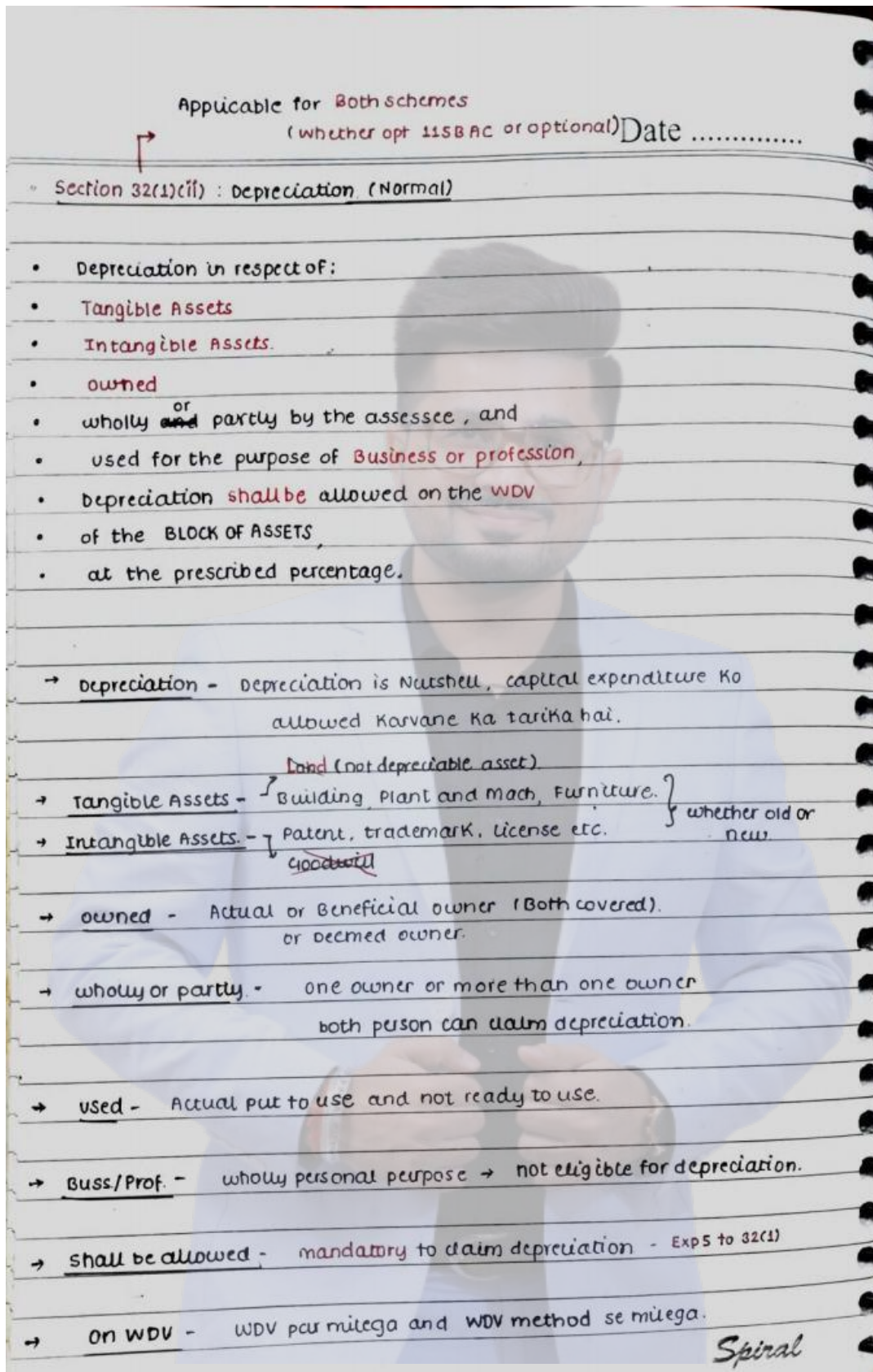
To property tax. 100000.	By Rent 480000.	To Rent 480000
To Dep. 500000.	(12 buss of letting out)	(40000 x 12)
(50L x 10%).		To Dep. 60000
		(6L x 10%).

• **Section 32 : Depreciation.**

↓	↓	↓
32(1)(i)	32(1)(ii)	32(1)(ii a).
↓	↓	↓
SLM method option	NORMAL Depreciation	Additional depreciation.
in case of <u>Power Generation</u> company.	(WDV method)	

• If opts SLM method. cannot claim Add. Depreciation.

Spiral

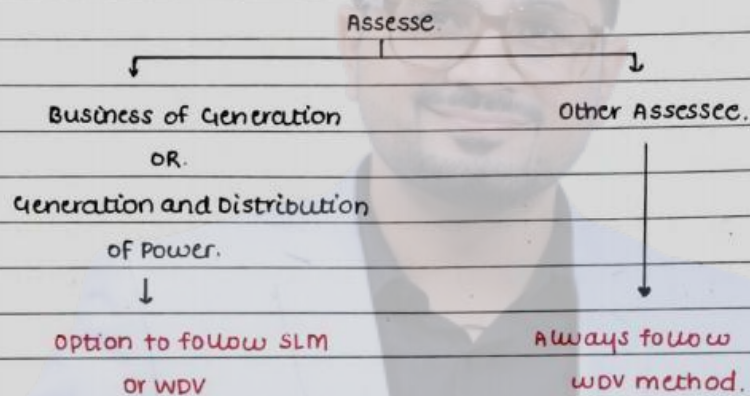


Date

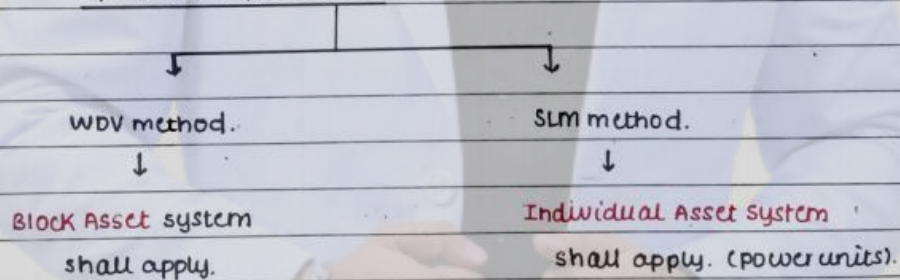
→ Block of Assets. * Single asset par nahi milega and
Block of ASSET par milega.

→ Prescribed percentage - Income Tax Rules.

• method of Depreciation



• System of Depreciation.



* Block of Asset means " Group of assets having same rate of dep.
within same class of assets.

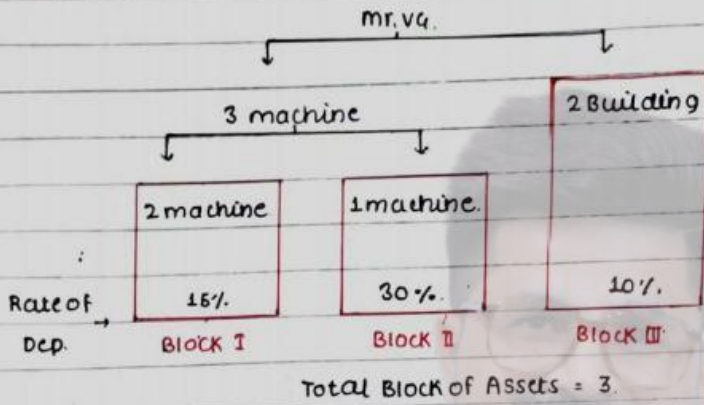
• Block of Asset = same nature + same rate.

• Individual Asset System. Depreciation calculated on
individual assets = same as accounts.

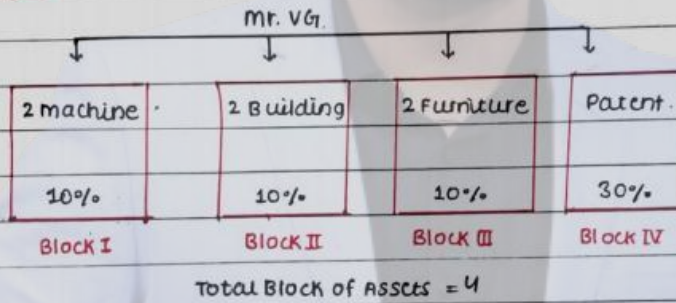
Spiral

Date

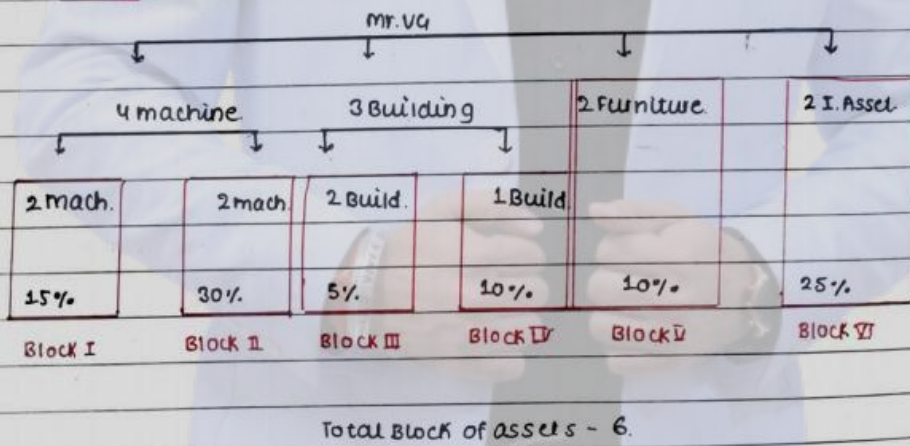
Example-1



Example 2



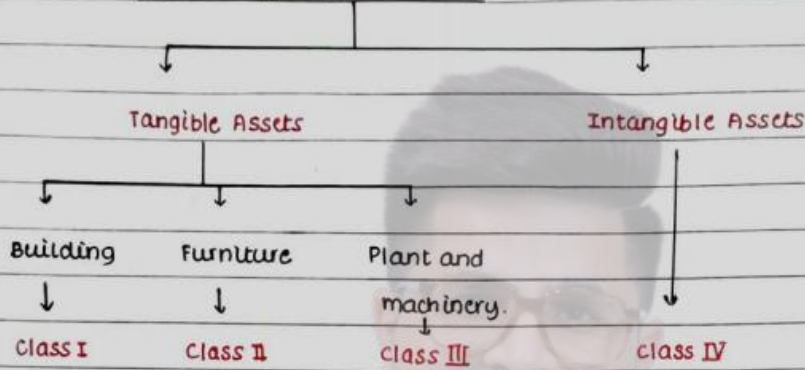
Example 3



Spiral

Date

• Types of Depreciable Assets.



• Few Depreciation Rates, (for others - refer BOOK)

<u>Particulars.</u>	<u>Rate of Depreciation.</u>
<u>Class - I (Building)</u>	
(1) Building which are used mainly for residential purpose except hotels and boarding houses	5%
(2). Buildings which are not used mainly for residential purpose. (general rate).	10%
(3). Purely temporary erections such as wooden structure.	40%
<u>Class - II Furniture and Fittings.</u>	
General Rate	10%
<u>Class III - Plant and machinery.</u>	
(1) General Rate.	15%
(2) life-saving medical equipments.	40%
(3). computer including computer software.	40%
(4). Books owned by assessee carrying on a profession	40%

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

Particulars.	Rate of Depreciation
⑨ Ships	20%
<u>Class-IV</u>	
Intangible Assets. (Knowhow, patent, copyright, trademark, licence except goodwill of buss/prof.)	25%
<p>• <u>Proviso to section 32(1)</u></p> <p>Depreciation shall be restricted to 50% of depreciation allowed if asset is put to use for less than 180 days in the year of acquisition</p> <p>In other words, restriction shall be applicable only in the year of acquisition.</p>	
<u>Cases</u>	
<u>Example-</u> (a). Purchase and put to use are in same year and Put to use for 180 days or more.	Full rate of Dep. in the year of P.T.U.
(b). Purchase and put to use are in different year and put to use for 180 days or more.	Full rate of Dep. in the year of P.T.U.
(c). Purchase and put to use are in same year and put to use for less than 180 days.	Rate of Dep. x 50% allowed in the year of P.T.U.
(d). Purchase and put to use are in different year and put to use for less than 180 days.	Full Rate of dep.

Spiral

Date

Example-

Machine purchased on 1/4/2023 - 500,000.
 Put to use on 18/6/2023 - and Rate of Dep - 15%.
 calculate depreciation for P.Y. 23-24 and 24-25.

<u>Solution :-</u>	<u>23-24</u>	<u>24-25</u>
	$500,000 \times 18\%$	$425,000 \times 15\%$
	= 75000	= 63750.

→ what will be your answer if your asset is put to use on 18/11/23?

<u>23-24</u>	<u>24-25</u>
$500,000 \times 7.5\%$	$462,500 \times 15\%$
= 37500.	= 69375.

→ what will be your answer if asset is put to use on 25/7/24?

<u>23-24</u>	<u>24-25</u>
Nil.	$500,000 \times 15\%$
	= 75000

→ what will be your answer if asset is put to use on 18/12/24?

<u>23-24</u>	<u>24-25</u>
Nil.	$500,000 \times 15\%$
	= 75,000.

Additional depreciation is allowed only to an assessee who exercise option of shifting out of default tax regime v/s 115BAC. Date

→ Section 32(1)(iia) : Additional Depreciation ↓ i.e.

[not allowed under default scheme]

- Eligible Assessee - AU assessee
- Eligible Asset - New plant and machinery, except ships and aircrafts.

• New Plant and Machinery in any area.

↓

Rate of additional depreciation.

↓

20%

If put to use for less than 180 days.

↓

10% (Balance 10% allowed in next year).

- Rate is applicable on Actual cost.
- Purpose - Manufacturing or production of any article or thing. In the business of generation, distribution and transmission.

FOCUS AREA

- Any second hand machinery or plant is not eligible to claim additional depreciation.
- Any plant and machinery installed in office premises or residential accommodation is not eligible to claim add. dep.
- Any office appliances or road transport vehicles is not eligible to claim depreciation (additional)
- where plant and machinery, 100% of actual cost is already allowed as deduction v/s 35 is not eligible to claim add. dep.
- Additional depreciation is allowed only in first year in which asset is put to use. (If asset is used for less than 180 days, 10% allowed and Balance 10% will be allowed next year)

Spiral

Date

* Additional Depreciation. (Important Point)

If asset is used for less than 180 days, Add. Dep. @ 10% shall be allowed in C.Y. and Balance 10% allowed in immediately succeeding P.Y., only if assessee opts optional scheme / Normal scheme in immediately succeeding P.Y.

Cases

1) If Asset used for 180 days or more :-

	Default scheme u/s 115BAC	Optional scheme
Add. Depreciation in P.Y.	10% (not allowed).	20%

2) If Asset is put to use for less than 180 days :-

• optional scheme in C.Y.	optional scheme in N.Y.
10%	10%
• optional scheme in C.Y.	115BAC in N.Y.
10%	X
• 115BAC in C.Y.	optional scheme in N.Y.
X	X
• 115BAC in C.Y.	115BAC in N.Y.
X	X

Spiral

Date

Example - 1

15/7/22. Puttouse
 22 New mach. 8/12/2022. 23 24.

acquire - 80,00,000.

for manufacturing. Rate of dep = 15%.

N. Dep. = 600,000. $80,00,000 - 14,00,000 = 66,00,000$

A. Dep. = 800,000. N. Dep. = 990,000.

A. Dep. = 800,000.

Example - 2

8/6/22. 12/8/22.
 22 New 23 24 25.
 mach acquire. Puttouse.

for manuf. - ₹70,00,000. Rate - 15%.

N. Dep. = 10,50,000. N. Dep. = 682500. N. Dep. = 580125.

A. Dep. = 14,00,000. (45,50,000 × 15%). (38,67,500 × 15%).

A. Dep. = Nil. A. Dep. = Nil.

Date

• Section 50: Special provisions in case of depreciable assets

Picture abhi baaki hai
mere dost

BLOCK

A1, A2, A3
op.

A4, A5
WDV = 3500000

1/4/23

Purchased
on 20/6/23 and P.T.U
on same day. = 15,00,000.

• Three assets sold from Block of Assets.

* CASE-I = 30,00,000.

WDV = 35,00,000.

+ Purchase = 15,00,000.

50,00,000

e-) sale. (30,00,000).

WDV = 20,00,000

(No STCG/LTCG).

* CASE-II = 50,00,000

Picture Khatm ho chuki
hai mere dost.

BLOCK

A1, A2, A3
1/4/23

A4, A5
Op. WDV = 3500000

Purchased on
20/6/23 and PTU
on same day = 15,00,000.

• All assets sold.

* CASE-I = 30,00,000

WDV = 3500000

+ Purchase = 1500000

5000000

(-) sale. (3000000)

STCL 20,00,000

* CASE-II = 50,00,000

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

$WDV = 35,00,000$ $+ \text{Purchase } 15,00,000$ $50,00,000$ $(-) \text{ Sale } (50,00,000)$ $WDV = Nil$ (NO STCG/LTCG)	$WDV = 3500000$ $+ \text{Purchase } 1500000$ $50,00,000$ $(-) \text{ Sale } (50,00,000)$ $STCG/STCL = Nil$ $* \text{ CASE - III} = 60,00,000$
--	--

$WDV = 35,00,000$ $+ \text{Purchase } 15,00,000$ $50,00,000$ $(-) \text{ Sale } (50,00,000)$ $WDV = Nil$ Capital gain = STCG $S.P. = 60,00,000$ $(-) \text{ Total cost } (50,00,000)$ $STCG = 10,00,000$	$\text{Sale price} = 60,00,000$ $(-) \text{ Total cost } (50,00,000)$ $STCG = 10,00,000$ WDV does not exist in any of the above cases.
--	---

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

Ques-1

opening w.d.v of Block of machine as on 1/4/2023 = 40,00,000.
(A, B, C and D).

machine "E" acquired on 15/7/2023 and P.T.U
on same day = ₹ 800,000.

• Two machines sold from Block of machines on 28/3/2024.

Sale price as follows -	case 1 - 2200000	compute:-
case 2 - 4300000		i) w.d.v before dep.
case 3 - 48,00,000	ii) Dep. u/s 32(d) (15%).	
case 4 - 54,00,000	iii) w.d.v after dep. i.e closing w.d.v.	
	iv) STCG/STCL if any.	

Solution

Case 1:-

opening w.d.v as on 1/4/23	=	40,00,000
Add: machine E acquired on 15/7/23.		800,000
Less: Two mach. sold on 28/3/23.		(2200000)
(i) w.d.v before dep.	=	26,00,000

(ii) Depreciation @ 15% = $26,00,000 \times 15\% = 390,000$.
(since asset is used for 180 days or more).

(iii) w.d.v after depreciation = $26,00,000 - 390,000 = ₹ 22,10,000$.

(iv) NO STCG/STCL.

Case 2:-

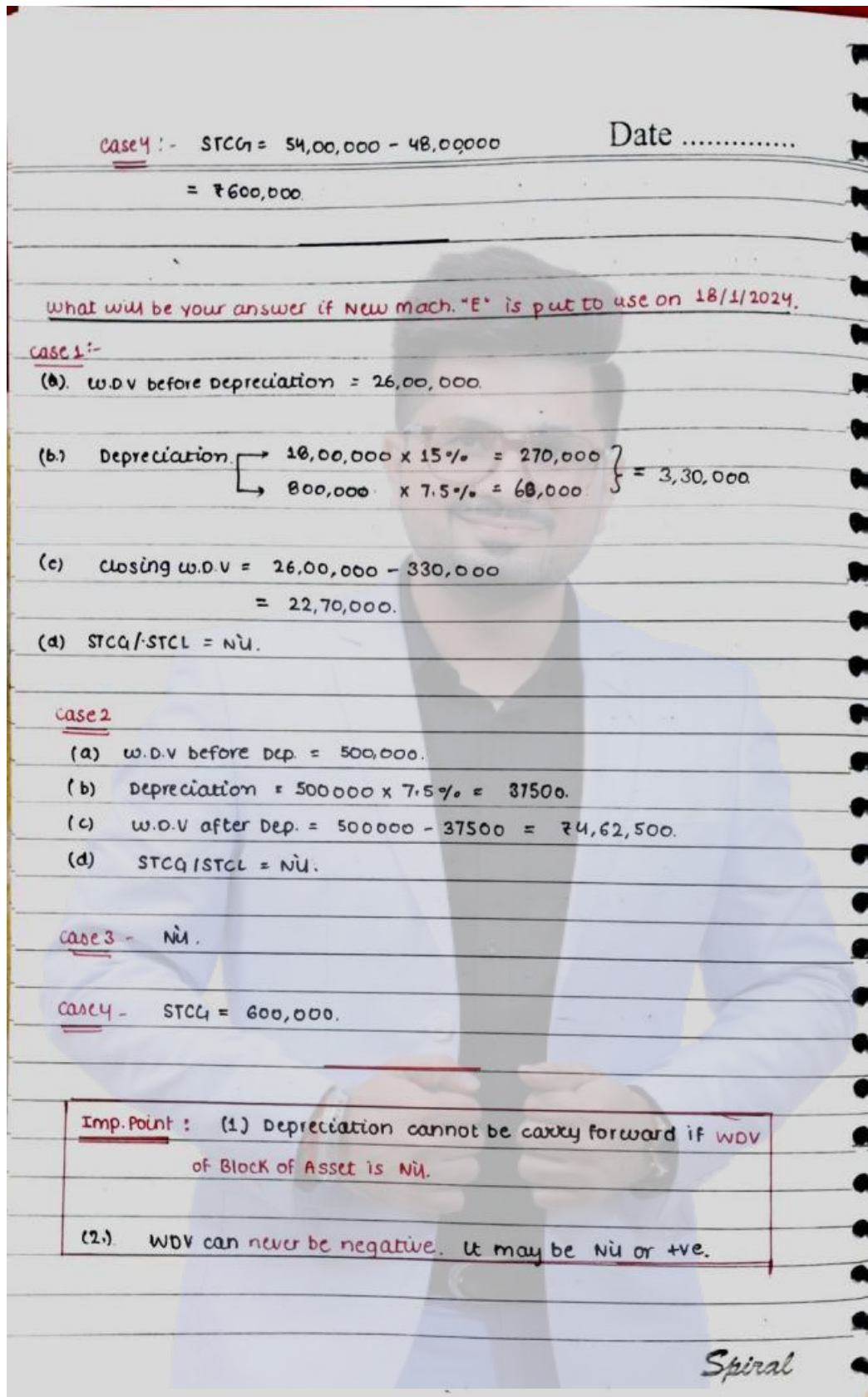
w.d.v before dep.	=	$4800000 - 4300000 = 500,000$
Depreciation	=	$500000 \times 15\% = 75000$
w.d.v after dep.	=	$500000 - 75000 = 425000$

NO STCG/STCL

Case 3 :-

w.d.v before dep.	=	$4800000 - 48,00,000 = 0$
Dep.	=	Nil
Closing w.d.v	=	Nil
STCG/STCL	=	Nil

Spiral



Ques-2

Date

Mr. VG - buss. of manufacturing shirts.

opening w.d.v of Block of machine as on 1/4/23 = ₹45,00,000
(A, B, C, D).

"E", New Asset acquired for purpose of manuf. on 25/9/23

and put to use on the same date = ₹900,000.

Two Assets sold on 31/3/2024 :-

Case I - 3200000

Case IV - 5400000

Case II - 5000000.

Case V - 6200000.

Case III - 5320000.

compute! (a). wdv before Dep.

(b) Dep. u/s 32(1)(ii) and 32(1)(iii).

(c) wdv after Depreciation.

(d) STCG/STCL.

Note:- Assessee shifting out of default scheme u/s 115BAC.

cases →	I	II	III *	IV	V
opening w.dv	4500000	4500000	4500000	4500000	4500000
+ Purchase	900000	900000	900000	900000	900000
	54,00,000	54,00,000	54,00,000	54,00,000	54,00,000.
(-) sale.	(3200000)	(50,00,000)	(53,20,000)	(54000000)	(54000000)
w.d.v before Dep.	2200000	400000	80000	NÜ.	NÜ
(-) Depreciation	(330000)	(60000)	(12000)	NÜ	NÜ
(-) Add. Dep.	(180000)	(180000)	(16000) 68000	NÜ.	NÜ
Closing w.d.v.	16,90,000	160,000	32000 NÜ.	NÜ.	NÜ.
STCG.	NÜ.	NÜ	NÜ.	NÜ.	800,000.

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

* Case 3:-

Opening w.d.v	=	4500000
Add: Purchase		900,000
		54,00,000.
less: Sale of two Assets.		(5320000)
w.d.v before Dep.		80000.
less: Depreciation		
1) Normal Dep:-	$80000 \times 15\%$	= 12000.
2) Add: Dep:-	$900000 \times 10\% = 180,000$	68000 (80000)
		(Restricted to 68000)
		(since wdv is 80000 and wdv can never be negative).
W.D.V after Depreciation.		<u>NÜ</u>

→ What if new asset is put to use on 18/12/23.?

	I	II	III	IV	V
	5400000	5400000	5400000	5400000	5400000.
less: sale	(3200000)	(5000000)	(5320000)	(5400000)	(5400000)
WDV before Dep.	2200000	400000	80000	NÜ	NÜ
less: Dep.	(262500)	(30000)	(6000)	"	NÜ
less: A. Dep.	(90000)	(90000)	(74000)	"	NÜ
Wasing wdv.	18,47,500.	280,000.	NÜ.	NÜ.	NÜ
STCG/STCL	NÜ	NÜ.	NÜ.	NÜ.	800000.

Case I - 2200000

900000	1300000
$\times 7.5\%$	$\times 15\%$
67500	195000
= 262500.	

Spiral

Date

Ques-3

Opening WDV of Block of machine as on 1/4/23 = 30,00,000
(A, B, C and D).

Asset E acquired on 15/7/2023 and
put to use on 18/12/2023 = 800,000.

All assets of Block of asset are sold.

Case I - 2200000. Case 3 - 3800000
Case II - 3400000 Case 4 - 4500000.

Solution :-

<u>Case I</u> :	STC ₁ =	(16,00,000)	WDV does not exist.
<u>Case II</u> :	STC ₂ =	(400,000)	
<u>Case III</u> :	STC ₃ =	N/A	
<u>Case IV</u> :	STC ₄ =	700000.	

• Section 38(2)

Where any Building, machinery, plant or Furniture is not exclusively used for the purpose of Business or profession (i.e. partly for business, partly for personal), then deduction or depreciation u/s 30/31/32 shall be restricted to fair proportionate to use of business.

Example- opening WDV of P.M (01/04/23) = 400,000.
suppose P.M 70% used for business purpose and 30% used for personal purpose.

∴ Dep @ 15% = ₹60,000.

70% 30%

₹42000 ₹18000.

↓ ↓

Allowed Disallowed

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

<u>Block of Asset.</u>	<u>₹.</u>
opening W.D.V.	400,000.
less: Dep. <i>actually allowed.</i>	(42000).
<u>Closing W.D.V.</u>	<u>358000</u>



Date

• Section 32(2) : Carry Forward and set off of Depreciation

Set-off of unabsorbed Depreciation

Current year depreciation shall be allowed to be set off against any income of any head except salary, casual income (including online games)

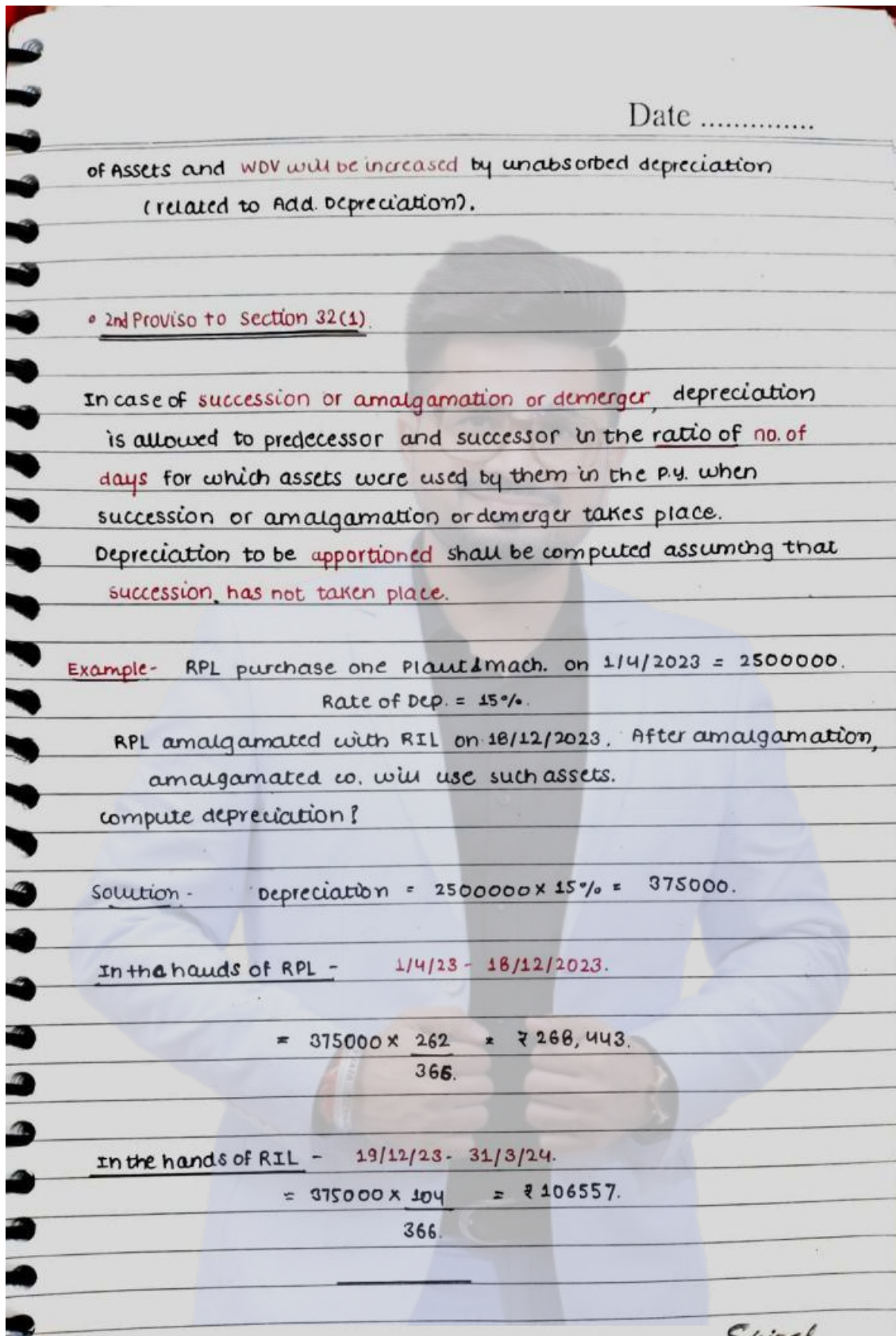
Carry forward of unabsorbed depreciation

Depreciation to the extent of not-set-off shall be carried forward to the next year and set off against the income of any head except salary and casual income.

Important points

- 1). Depreciation shall be allowed to be carried forward even if business has been discontinued.
- 2). The unutilised depreciation can be carried forward for unlimited time.
- 3). Priority of set-off.
 - (i) C.Y. depreciation
 - (ii) B/F Business loss.
 - (iii) unutilised depreciation.
- 4). Unabsorbed depreciation can be c/f and set off even if ROI is filed after due date or ROI not filed.
- 5). If assessee avail default scheme, unabsorbed depreciation related to additional depreciation cannot be c/f.
corresponding adjustment shall be made to wdv of such block

Spiral



Date

Section 43(6) : Computation of WDV

opening WDV as on 1/4/...	=	xxx
Add: Purchase of assets.	=	xxx
less: Sale.	=	(xxx)
WDV before Depreciation		xxxx
less: Depreciation of C.Y.		(xxx)
WDV after Depreciation		xxxx

• Section 43(1) Actual cost of asset means

Particulars	₹
Cost of asset (Purchase price).	xxx
Add: Installation charges.	xxx
Transportation expenses for asset.	xxx
Trial Run/Test Run expenses.	xxx
Taxes and Duties. (If ITC not available)	xxx
Interest on loan taken for acquisition of asset upto the date of asset put to use.	xxx
	xxx
less: Amount received on sale of trial run product.	(xxx)
	xxx
less: Subsidy/Govt. grants received for acquisition of assets.	(xxx)
Actual cost.	xxx

Date

→ Amendment

Where assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which payment or aggregate of payments made to a person in a day, otherwise than by an a/c payee cheque or a/c payee DD or use of electronic clearing system, exceeds ₹10,000, such expenditure shall not form part of actual cost of such asset.

Example-

	Value	Payment	whether form part of C.O.A or not
1) Machine purchase	8000	cash	✓ - Dep ✓
2) Machine purchase	10000	cash.	✓ - Dep ✓
3) Machine purchase.	20000.	10000 cash 10000 A/c payee cheque.	Allowed ✓ NO - Dep X ₹20000
4) Machine purchase	20000	cash.	NO - Dep X
5) Machine purchase.	30000.	NEFT	✓ - Dep ✓.
6) Machine purchase.	40000	8000 cash 32000 A/c payee cheque.	NO, Dep X ₹40000
7) Machine purchase.	100000.	11000 cash. 89000 A/c payee cheque	Allowed ✓. only 89000. Allowed.

Spiral

Date

- **Section 32(1)(i) + 32(1)(iii) + 41(2) + 50A** : Special provisions relating to power generation undertakings.
 - **Eligible assessee** - Electricity company.
 - **option** - SLM or WDV.

→ **If opt SLM**
 Provision follow :- 32(1)(i) + 32(1)(iii) + 41(2) + 50A.

→ **If opt WDV**
 Provision follow :- 32(1)(ii) + 32(1)(iii a) + 50

- **Concept of SLM method u/s 32(1)(i)**

CASES.

↓ Sale price < WDV ↓ Difference b/w (SP - WDV). ↓ Allowed as Deduction in the name of Terminal Depreciation u/s 32(1)(ii).	↓ Sale Price > W.D.V but less than Actual cost. ↓ Difference b/w. (SP - WDV). ↓ Taxable u/s PQBP in the name of Balancing charge u/s 41(2).	↓ Sale Price > Actual cost ↓ Difference b/w. • (SP - A. cost) = STCG u/s 50A • (A. cost - WDV) = Balancing charge u/s 41(2).
---	--	---

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

Example- Tata Power acquired an Asset (P&M) for power generation ₹120 lakh. and opt SLM method for Dep. and rate of dep. is 10%. After 6 years. , sold on following prices -

Case 1 - 22,00,000

Case 2 - 90,00,000

Case 3 - 140 lakh.

Solution-

Actual cost.	120,00,000.
less: Total dep claimed. in 6 years. (12000000 × 10% × 6).	(7200000)
W.D.V.	4800000

Case I - SP < WDV.

terminal depreciation	= 4800000 - 2200000
v/s 32(1)(ii).	= 2600000.

Case II - SP > WDV.

Balancing charge.	= 90,00,000 - 4800000.
v/s 41(2).	= 4200000.

Case III - S.P > cost.

STCG v/s 50A ⇒ S.P.	140,00,000
(-) cost.	(120,00,000)
	20,00,000

Balancing charge.

v/s 41(2) = cost	120,00,000
(-) W.D.V.	(4800000)
	7200000

Spiral

Date

• Section 43CA → provision same as sec 50C w/H cap. gain

Applicability - Land or Building or Both held
as stock in trade

• Section 37(2B)

Advertisement in brochure, souvenir, newspaper,
pamphlet published by political parties.

→ Not allowed

• Section 10AA Deduction if unit is located in SEZ

	Assesse.	
	↓	↓
	Unit located in SEZ	Unit not located in SEZ
<u>Applicability of sec 10AA.</u>	↓ ✓	↓ X.
<u>1st Five years.</u> - 100% profits arising from export sale is exempt.		↓ X
<u>Next 5 years.</u> - 50% profits arising from export sales is exempt.		↓ X

Spiral

Date

Example

Mr. VG has two units : one located in SEZ and other located not in SEZ. Total turnover of Mr. VG = 80 crore.
(Includes 30 crores of unit located in SEZ)
₹20 crore : export sale out of 30 crore.
Total profit of SEZ unit -16 crore.
compute deduction u/s 10AA.

Solution - For 1st five years - $\frac{16 \times 20}{30} = 10.67$ crores
For next 10 years - $\frac{10.67}{2} = 5.33$ crores.

• Expenditure related to scientific research [section 35]

Section Name	Nature of Expenditure.	Deduction Allowed	Applicability.
• 35(1)(i).	• Research expenditure for scientific research → Before commencement :- 3 years before. (Raw material and salary) → After commencement :- All revenue expenditure.	100%.	AU.
• 35(1)(ii)	Donation to specified institute.	100%	AU.
• 35(1)(ii a).	Sum paid to specified company for scientific research.	100%	AU.

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

Date

Section Name	Nature of Expenditure	Deduction Allowed	Applicability
• 35(1)(iii)	Donation to specified institute (social science or statistical research).	100%	AU.
• 35(1)(iv)	Capital expenditure for scientific research. • Before commencement:- (3 years before - all expenses) • After commencement:- (AU expenses except land.)	100% <i>except land.</i>	AU.
• 35(2AA)	Sum paid to IIT etc. for research.	100%	AU.
• 35(2AB)	Expenditure in In-House Research, except. Negative goods.	100%	only company
• 35CCC	Expenditure on Agriculture extension.	100%	AU.
• 35CCD.	Expenditure on skill development.	100%	only company.
• 37(2B).	Expenditure on advertisement in magazine of political parties.	Disallowed	AU.
• 35DD.	Expenditure related to amalgamation	Allowed in 5 equal installments.	company <i>Spiral</i>

Date

35 DDA	Expenditure related to VRS.	Allowed in 5 equal installments.	AU.
--------	--------------------------------	--	-----

Ques-1.

Profit and loss A/c.

Particulars	₹	Particulars	₹.
To Exp. on Amalgam.	200,000.	By Cross profit.	5000000
To Depreciation (SLM)	400,000	By Int. from FD.	1000000
To VRS	120,000		
To Exp. on sci. research	100000.		
To Net profit	51,80,000		

compute income from PQBP.

Solution:-

Net Profit as per Profit and loss A/c.	5180000.
Add: Expenses debited but not allowed u/H PQBP.	
Depreciation.	{400000}
Exp. on Amalgamation. (200,000 × 4/5)	{160000}
VRS. (120000 × 4/5).	{96000}
Less: Income credit but not taxable u/H PQBP.	
Interest from F.D.	(10,00,000).
Income u/H PQBP.	48,36,000

Note: Expenses on Amalgamation and VRS are allowed in 5 equal installments.

Spiral

Date

[Investment-linked incentive]

• Section 35AD: Deduction for essential business (Sec 35AD is optional)

S.No.	Business	% of Deduction
1.	Setting up and operating a cold chain facility	100%
2.	Setting up and operating a warehousing facility for agricultural produce	100%
3.	Laying and operating cross country pipeline for distribution of petroleum, oil, natural gas.	100%
4.	Building and operating a hotel of 2-star and above.	100%
5.	Building and operating a hospital with minimum 100 patient beds.	100%
6.	Developing and building a housing project under slum development scheme.	100%
7.	Developing and building a housing project under affordable housing scheme.	100%
8.	Production of fertilisers in India.	100%
9.	Setting up and operating inland container depot or container freight station	100%

Spiral

Date

10.	Bee Keeping and production of bee's honey and wax.	100%
11.	setting up and operating a warehousing facility for sugar	100%.
12.	laying and operating a slurry pipeline for transportation of iron ore	100%
13.	setting up and operating a semi-conductor wafer fabrication manufacturing unit.	
14.	developing or maintaining and operating or developing, maintaining and operating a new infrastructure facility.	100%.

Conditions / Focus Area

(1). Plant and Machinery must be **New**.

Exceptions - (i) Imported old plant and mach. (on which depreciation not claimed under IT Act.
(ii) 20% of total plant and mach. can be old.

(2). Deduction allowed on all capital expenses **except:**
(a) Land (b) Goodwill (c) Financial Instruments

Further, any expenditure in respect of which payment or aggregate of payment made to a person of an amount exceeding ₹10000 in a day otherwise than by A/c payee cheque, or an A/c payee DD. or use of ECS through a BANK A/c would not be eligible for deduction.

(3). Depreciation not allowed if deduction claimed v/s 35AD.

Spiral

Date

- (4). Loss of specified business can be carried forward indefinitely
As per FA 2016, assessee has to file ROI upto due date of ROI
for C/I of losses.
- (5). If asset (on which deduction claimed u/s 35AD) is sold, then
entire sale price shall be taxable as PGBP (Section 28).
- (6). Loss of specified business can be set off only against specified
business income irrespective of whether the latter is eligible for
deduction u/s 35AD.
- (7). In case of hotel (2 star or more), if assessee transfers operation to
another person, then assessee shall be deemed to be carrying on
the specified business.
- (8). Infrastructure facility means -
- (i). A road including toll road, a bridge, or a rail system.
 - (ii). A highway project including housing or other activities
being an integral part of the highway project.
 - (iii). A port, airport, inland waterway, inland port or navigation
channel in the sea.
 - (iv). Water supply project, water treatment system, irrigation
project, sanitation and sewage system or solid waste
management system.
- (9). Assets (on which deduction claimed u/s 35AD) should be exclusively
used for specified business for minimum 8 years from the
year of acquisition.
If it is used for non-specified business within 8 years, then

Spiral

Income tax Handwritten notes by CA Vivek Gaba,

Date

following shall be taxable U/H PGBP.

Amount of deduction claimed u/s 35AD earlier	xxxx
Less: Depreciation that would have been allowable if sec 35AD not there	(xxx)
	<u>xxx</u>

NOTE- The above amendment is not applicable if company becomes sick industrial company.

If asset is transferred from specified business to a non-specified business within 8 years, then Actual cost for non-specified business will be:-

cost of such asset.	xxx
Less: Depreciation allowable if such asset used for non-specified business from acquisition.	(xxx)
	<u>xxx</u>

Date

[Not for exams].

Expenditure on Telecommunication License [section 35ABB /ABA].

- Deduction Allowed = $\frac{\text{Total license cost}}{\text{No. of years.}}$
- what if license sold?

cost of license.	xxx
less: Amortised cost.	(xxx)
unamortised cost.	xxx

Case I - S.P < unamortised cost = difference b/w S.P. and unamortised cost.
↓
(loss on sale of license) Allowed deduction v/s 35ABB/ABA

Case II - S.P. > unamortised cost = difference (S.P - U.cost).
↓
(profit on sale of license) Taxable v/H PGBP.

Case III S.P. > Actual cost = (1) S.P - Actual cost = cap. gain
(2) Cost - U. cost = PGBP.

Date

◦ Section 37 - General Deduction

An expenditure, allowed under section 37, provided -
shall be

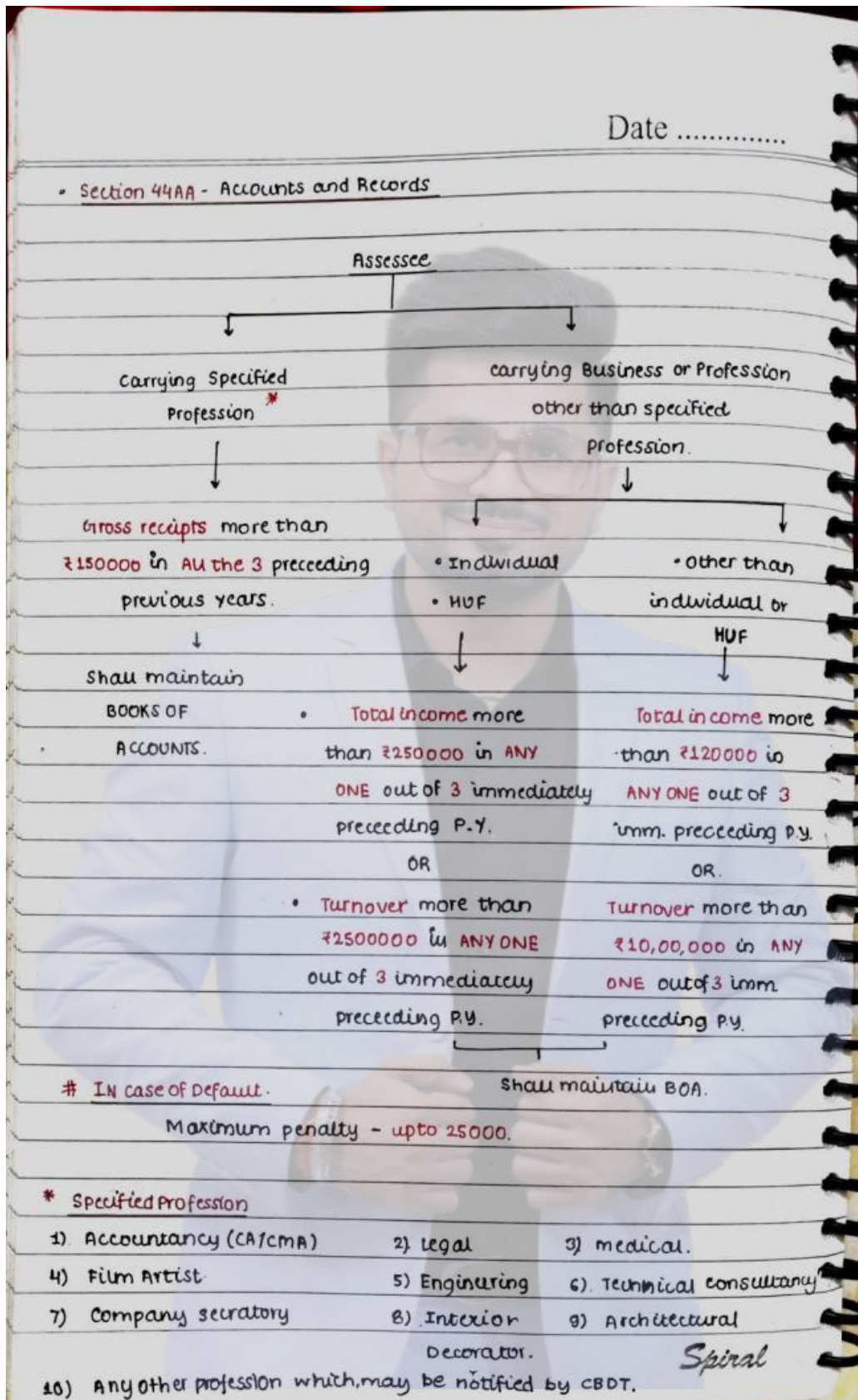
- It is **not** in the nature of expenditure described under sections 30 to 36.
- It is **not** in the nature of **capital expenditure**.
- It is **not** a **personal expenditure** of the assessee.
- It is laid out and expended **wholly and exclusively** for the purpose of **business/profession**.
- It is **not** incurred for any purpose which is an **offence** or which is **prohibited by law**, and, [Exp. 1 to sec 37].
- It is **not** an expenditure incurred by an assessee on **CSR activities** referred to in **section 135** of companies Act, 2013. [Exp. 2 to Sec 37].

CRUX

To expenditure sec 30 to 36 ~~the~~ allowed nahi hui, vo sabhi expenditure sec 37 me allowed honge **only if** -

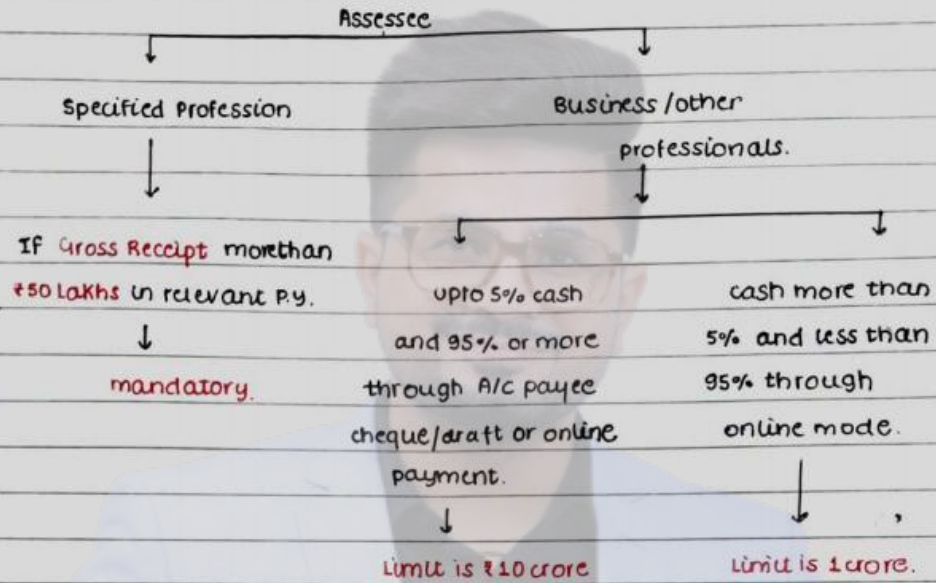
Revenue expenditure + 100% related to business + Legal exp. + CSR wala exp. na ho.

Example - Adv. exp, SPF contribution, staff salary, petty exp, electricity exp. etc.



Date

Section 44AB - Mandatory Audit of Accounts



Audit is done by = CA + COP

Audit report by = upto 30th Sep of A.Y.

If default = 0.5% of Turnover } LESSER. : (maximum ₹150000).
 OR }
 150,000. }
 (Penalty).

Example - Mr. VG - Businessman

Turnover	80,00,000	2,40,00,000	210,00,000	600,00,000	400,00,000
cash	200,000	960,000.	21,00,000.	12,00,000	60,00,000
Sp. mode .	7800000.	230,40,000	1,89,00,000	5,88,00,000	3,40,00,000
Eligible limit.	10 crore	10 crore	1 crore	10 crore	1 crore
Audit ?	X	X	✓	X.	✓

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

(most important) Date

• Section 44AD / 44ADA

	44AD	44ADA
• Eligible Assessee.	<u>Resident</u> → Individual → HUF → Firm (LP2)	<u>Resident</u> → Individual → HUF → Firm (LP2)
• Section Name	Presumptive Taxation for Business or non-specified professional.	presumptive Taxation for specified professional
• Eligible Turnover.		
upto 5% cash 95% or more sp. mode.	Turnover upto 3 crores	Gross Receipts upto 75 lakhs
If not satisfied.	Turnover upto 2 crore	Gross receipts upto 50 lakh
• Deemed PGBP Income.	→ 8% of turnover → 6% of turnover (if payment received through sp. mode upto due date of filing ROI).	50% of Turnover
• Expenditure allowed or Disallowed	Not allowed Not disallowed	Not allowed Not disallowed.
• Books of Accounts and Audit	Not Required	Not required.

Spiral

Income tax Handwritten notes by **CA Vivek Gaba,**

		Date		
	44AD	44ADA		
• Set off of losses .	Allowed	Allowed		
• Deduction u/c VI-A	Allowed	Allowed.		
• Lock-in period.	S.A.Y.	No lock-in period.		
	(44AD lena hai to lagatar 5 years lena hai agar bich me withdraw Kia to, next 5 years 44AD nahi milega)			
Example-				
	Businessman		Professional.	
Turnover /Gross Rec.	2,60,00,000	190,00,000	70,00,000	40,00,000
cash	780,000	1,10,00,000	14,00,000	25,00,000
sp. mode	2,52,20,000	80,00,000	68,60,000	15,00,000
Eligible limit 44AD/ADA	3 crore	2 crore	75 lakhs	50 lakh
whether eligible or not.	Yes	Yes	Yes	Yes.
Deemed PQBP income	$780000 \times 8\%$ $+ 25220000 \times 6\%$	$11000000 \times 8\%$ $+ 8000000 \times 6\%$	$7000000 \times 50\%$	$4000000 \times 50\%$
	1575,600	13,60,000	35,00,000	20,00,000

Income tax Handwritten notes by CA Vivek Gaba,

Date

• Section 44AE

Applicability : Any assessee who owns not more than 10 goods carriage during the P.Y.

→ Heavy goods vehicle = 1000 per ton, per vehicle, per month or part of month

↓
Gross weight > 12000KG

→ other than Heavy goods vehicle = 7500 per month or part of month per vehicle.

use kitna kia vo matter nahi karta hold kitna kia ye matter karta hai.

Example : Truck.

No. of vch.	Gross weight (Kg).	Hold	Goods vehicle	Deemed income
2	11000 each	4m 10 days	N.G.V	$7500 \times 2 \times 5 = 75000$
1	12400	6m 5 days	N.G.V	$7500 \times 1 \times 7 = 52500$
3	18000 each	8m	H.G.V	$1000 \times 18 \times 3 \times 8 = 432000$
1	13600	9m	H.G.V	$1000 \times 1 \times 14 \times 9 = 126000$
2	15000 each	4m 20 days	H.G.V	$1000 \times 15 \times 2 \times 5 = 150000$
				835,500

• Section 36 + 40A(7) + 40A(9) : Specific Deductions / certain Deductions

- 1) Premium paid on stock-in-trade of Bass/profession.
- 2) Insurance premium paid by employer to employee.
- 3) Bonus or commission

Spiral

Date

- 4). Interest on capital borrowed .
- 5). Discount on zero coupon Bond on pro-rata basis.
- 6). Employer contribution in Approved Gratuity Fund, Approved Pension Fund, Approved Provident Fund or any other employee welfare fund → Allowed as deduction.

If fund are unapproved, Disallowed u/s 40A(7) + 40A(9).

- 7). Bad Debts written off. (Recovery of bad debts recovered taxable u/s 41(4))
- 8). Expenditure on Family Planning → Allowed to company only
 - Revenue exp. = 100% Allowed
 - capital exp. = 1/5th Allowed. (5 installments)

9). STT or CTT paid allowed as deduction.

10). Provision for bad and doubtful debts in case of specified Banks

- Section 40(a)(i) + 40(a)(ia) + 40(a)(ii) + 40(a)(ib) + 40(a)(iii) + 40(a)(v)
+ ~~40(a)~~ 40A(2) + 40A(3) + 40A(3A).

Date

→ Sec 40(a)(i) : Amount not deductible - (in case of NR)

→ 100% of payment which is taxable in India made outside India or in India to NCR or to foreign co., on which either:-

- TDS has not been deducted, or
- after deduction has not been paid on or before due date of filing Return u/s 139(1).

→ If TDS has been deducted in subsequent year or has been deducted in P.Y. but paid in subsequent year after due date of filing Return u/s 139(1) -

↓

Such sum shall be allowed as deduction in computing income of P.Y. in which such tax is paid.

→ Sec 40(a)(ii) : In case of payment of "Salary" made outside India or to a Non-Resident on which TDS has not been deducted or after deduction has not been paid before due date of filing Return u/s 139(1).

↓

100% disallowed, and forever disallowed.

↳ i.e. even after subsequent payment of TDS, deduction of salary not allowed (only in case of NR or outside India)

Spiral

Date

• sec 40(a)(ia) : Amount not deductible- (in case of R).

→ 30% of payment to a Resident, on which.

- TDS has not been deducted, or
- after deduction has not been paid on or before due date of filing return u/s 139(1)

(i.e. 70% allowed, 30% disallowed).

→ If TDS has been deducted in subsequent year or has been deducted in P.Y. but paid in subsequent year after due date of filing Return u/s 139(1).

↓

30% of such sum shall be allowed as deduction in computing income of P.Y. in which such tax is paid.

Income tax Handwritten notes by CA Vivek Gaba,

Date

Example -

		Mr. VG	
		↓	↓
		Resident	Non-Resident
Salary →	600000 p.a.		600,000 p.a.
Rent →	400000 p.a.		400000 p.a.
	10,00,000		10,00,000.
10% TDS rate -	10%		10%
ROI due date	31/10/2024		31/10/2024.
TDS deducted but			
paid on s-	(i) 18/7/24		(i) 18/7/24
	(ii) 25/12/24.		(ii) 25/12/24.
Deduction			
Allowed:	23-24?		
	24-25?		
<u>Case-1</u> →	P.Y. 23-24.		
	10,00,000 allowed.		10,00,000 allowed.
<u>Case 2</u> →	P.Y. 23-24		
	700,000 allowed		10,00,000 disallowed
	300,000 disallowed.		
→	P.Y. 24-25		
	300000 allowed.		<u>400000 allowed.</u>

Spiral

Date

→ Sec 40A(3) + 40A(3A)

Revenue expenditure for which payment made to a person in a single day -

upto 10000 = Allowed in all cases
(irrespective of mode of payment)

more than 10000* = A/c payee cheque
A/c payee draft
E.C.S (online)

* In case of transporter, limit is ₹35000

• Exceptions to above provision

- (1) Payment to RBI/SBI/cooperative banks.
- (2) Payment made to government.
- (3) Payment made to purchase agricultural produce.

→ Sec 40(a)(ii)

- Any expenditure related to direct tax is disallowed
(i.e. Income tax, cess, TDS, surcharge etc.)
- But, expenditure related to indirect tax is allowed UHPABP.
(i.e. GST, VAT, custom duty).

→ Sec 40(a)(v)

Tax paid by employer on perquisite value → disallowed

Date

→ Sec 43B

certain deductions to be allowed if Actual payment done on or
before the due date of filing Return vis 139(1).

Example - Tax, duty, cess, fees, interest, Bonus, commission in P.F etc.

→ Sec 33AB : Deduction in case Amount deposited in NABARD

Amount of deduction = a) Amount deposit .
OR
b). 40% of income } Lesser

→ Sec 35D - Expenditure incurred before commencement shall be
allowed in 5 equal instalments.

maximum limit :- • corporate Assessee - 5% of cost of project
↳ (not relevant) or
5% of capital employed.
LESSER

• non-corporate. → 5% of cost of project.

Date

→ Sec 41(1) + 41(3) : Treatment of Asset sold used for scientific Research

<p>Sold <u>without using</u> in the business</p> <p>↓</p> <p>Taxable U/H PGBP = (a) Deduction allowed OR (b) sale price. LESSER</p>	<p>Sold <u>after using in</u> the business.</p> <p>↓</p> <ul style="list-style-type: none"> • cost of Asset = Nil • Sec 50 shall apply at the time of sale.
--	---

Taxable U/H cap. gain = sale price
(-) cost.
cap. gain = xxx.

Imp * Section 40(b) : Deduction in case of any firm / LLP.

Partnership Firm	
Working partner	Non-working partner
<ul style="list-style-type: none"> • Salary, Bonus, commission etc. • Interest on capital. 	<ul style="list-style-type: none"> * Allowed in the hands of firm. Allowed upto 12% p.a.
	<ul style="list-style-type: none"> 100% disallowed in the hands of firm. Allowed upto 12% p.a.

Spiral

Date

* Limit of Deduction u/s 40(b) = • Ist 300,000 Book profit .
 or = 90% of Book profit
 in case of loss. OR
150,000.
HIGHER

• Balance Book profit
 = 60% of Book profit.

Example - 1 Partnership firm : Book profit = 10,00,000.
 working partner A - 40,000 p.m
 working partner B - 50,000 p.m.
 Deduction u/s 40(b) in the hands of firm ?

Solution :

B.P = 10,00,000.

300,000

a) 90% of 300,000.

↙

= 270,000

higher.

↖

b). 150,000.

700,000.

↓

700,000 x 60%

= 420,000

∴ Deduction u/s 40b = 270,000 + 420,000
 = 690,000.
 ↳ salary Allowed

• Salary Disallowed ⇒

40000 x 12 = 480000

50000 x 12 = 600000

10,00,000.

(-) Allowed (690000)

∴ Disallowed = 390000

Spiral

Date

Example-2

BOOK profit = 15,00,000.

	salary	capital	Int. paid by firm
W.P - A	= 25000 p.m.	500,000	13%
W.P - B	= 40000 p.m.	400,000	9%
N.W.P - C	= 20000 p.m.	400,000	14%

Deduction u/s 40(b)?

Solution ; computation of salary allowed

Total Book profit = 1500000.

$$\begin{aligned} \text{1st. } 300,000 &\Rightarrow 300,000 \times 90\% \\ &\text{OR} \\ &150000 \end{aligned} \left. \vphantom{\begin{aligned} \text{1st. } 300,000 \\ \text{OR} \\ 150000 \end{aligned}} \right\} = 270,000.$$

$$\text{Balance } \Rightarrow 12,00,000 \times 60\% = 7200000.$$

Salary Allowed 990000.

• salary disallowed. $\Rightarrow 25000 \times 12 + 40000 \times 12$
(W.P.A and B) = 780,000. \rightarrow 100% Allowed.

Disallowed = 0 (paid within the limit)

N.W.P + C = 20,000 \times 12 = 240000. (Disallowed)

\rightarrow Interest on capital :-	capital	upto 12%	EXCESS
	500,000	60,000 allowed	5000 Disallowed.
	400,000	36000 allowed.	-
	400000	48000 allowed	8000 Disallowed.

Date

Book Profit means the net profit as shown in P&L A/c should be increased by **remuneration** paid or payable to all the partners and **Interest in excess of 12%** has been debited while computing Net profit. which

Example -

Profit and loss A/c.			
To Rem. to partner.	400000	Gross profit.	20,00,000.
To Int. @ 14%.	14000.		
To Net profit.	15,86,000.		

• **BOOK profit** = $1586,000 + 400,000 + 2000.$
 = 19,88,000.

• computation of Book Profit.

Net profit as per profit and loss A/c.	XXXX
Add! Remuneration paid or payable to all partners of firm.	XXX
Add! Interest in excess of 12%.	XXX.
↓	
BOOK profit	

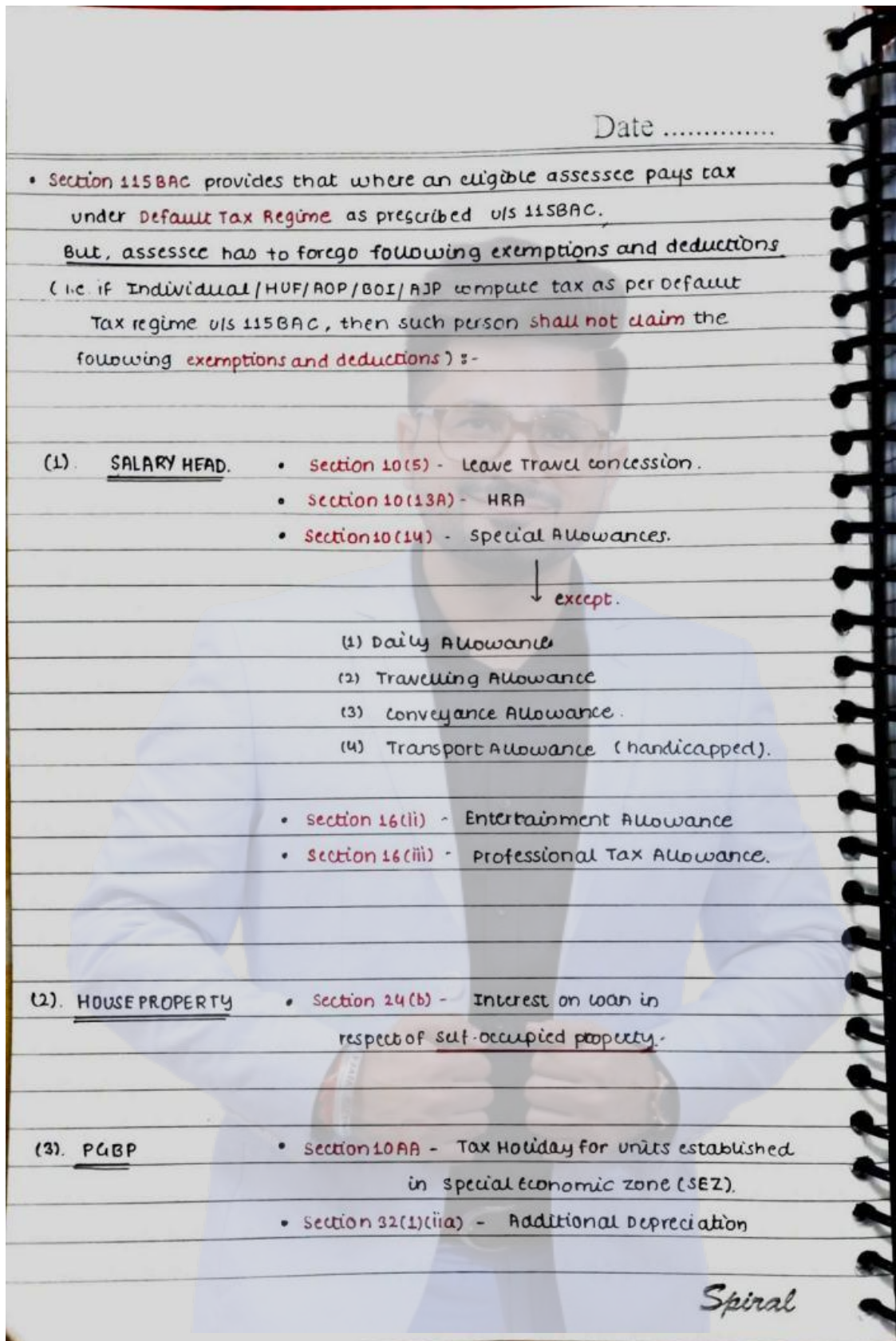
Added only if the same has been deducted while computing N.P.

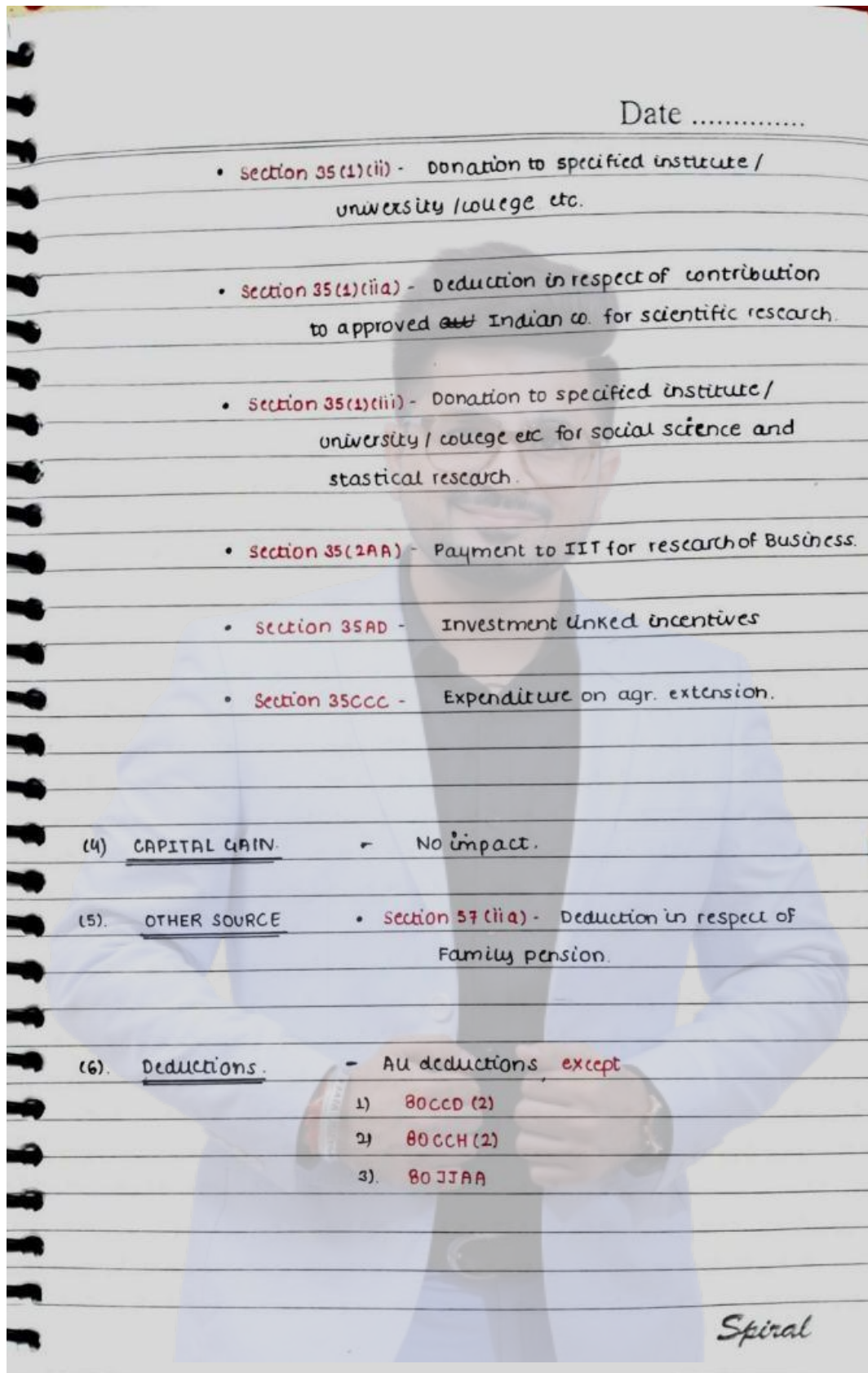
Spiral

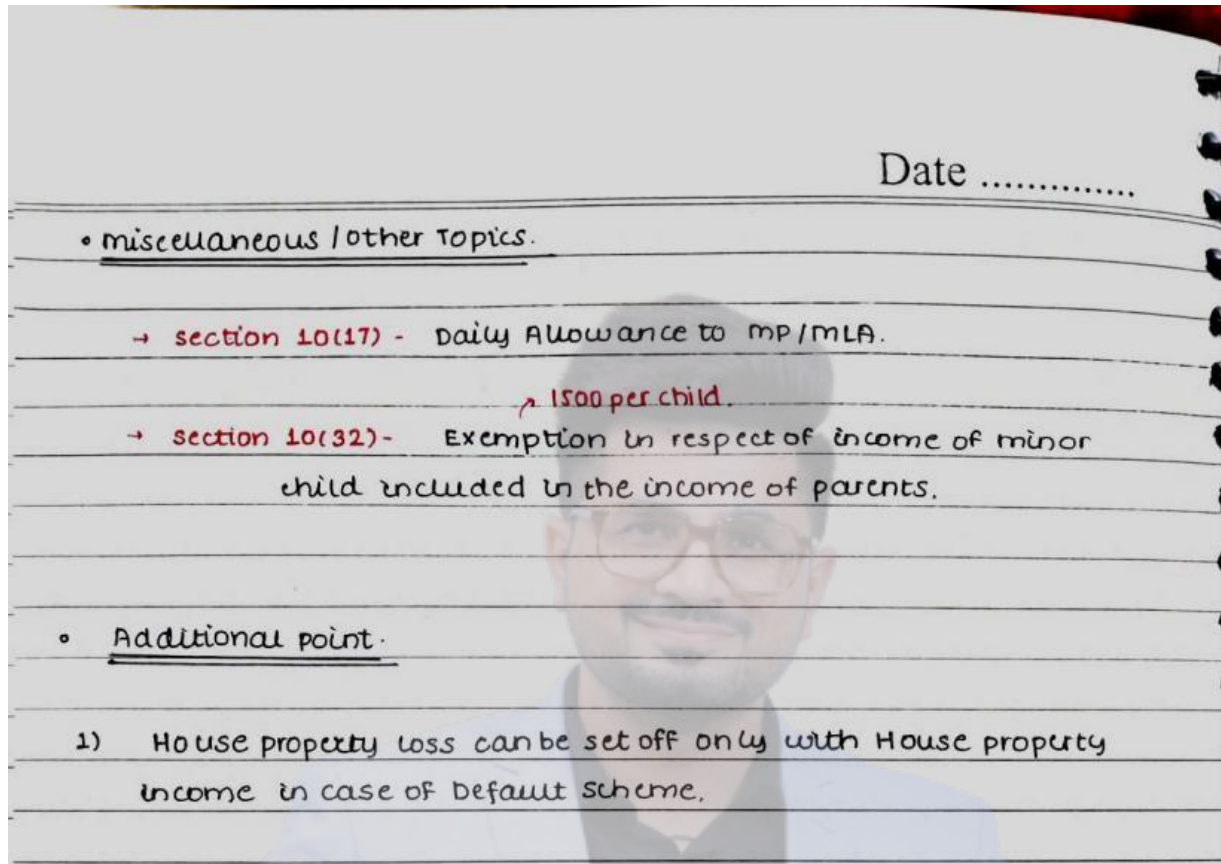
Income tax Handwritten notes by **CA Vivek Gaba,**


Date


<u>Example -</u>	<u>Case I</u>	<u>Case II</u>
	Net profit (after deduction of following items) = 800000	Net profit (before deduction of following items) = 800,000.
	→ Remuneration to partners = 300000	→ Remuneration to partners = 300000
	→ Interest @ 14% p.a. = 140000.	→ Interest @ 14% p.a. = 140000.
	Book profit = 800000 + 300000 + 20000 (excess 2%)	Book profit = 800,000 - 120,000 (12% int)
	= ₹ 11,20,000.	= ₹ 680,000.







Assignment	Page No. 9.1 Date
<u>CHAPTER-9</u> <u>CLUBBING OF INCOME</u> <u>Section 60-65</u>	
•>	<u>Section-60: Transfer of Income without transfer of Asset.</u>
•	If any person transfers the Income (whether revocable or not) from any asset.
•	Without transferring the asset itself.
•	Such income is to be included in the total income of the transferor.
	<u>Example</u> : P owns 5000 15% debentures of C Ltd. of 100 each (annual interest being 75000.). On April 1, 2018 he transfers interest income to S, his friend, without transferring the ownership of these debentures. Interest received in hands of S is taxable in the hands of P, as he has transferred income without transfer of asset.
	<u>Example</u> : V transfers income from house property to his friend Mr. S without transferring the house property to him. Here the income from house property will be clubbed with the income of Mr. V.
•>	<u>Section-61: Revocable Transfer of Assets.</u>
•	All income arising to any person by virtue of a revocable transfer of assets.
Remarks	
	Teacher's Sign.

Assignment	Page No. 9.2 Date
<ul style="list-style-type: none">• Shall be chargeable to Income tax as the income of the transferor and• Is to be included in the total income of the transferor	
➤ <u>Section 63: Revocable Transfer</u>	
a) It contains any provision for retransfer, directly or indirectly, of the whole or any part of the income or assets to the transferor, or	
b) It gives, in any way to the transferor, a right to reassume power, directly or indirectly, over the whole or any part of the income of the assets.	
Example : Mr. VG transfers house property to his friend Mr. Y for seven years. Here the transfer is revocable after seven years and therefore, the income from house property will be clubbed with the income of Mr. VG.	
➤ <u>Section 62: Exceptions where clubbing provisions are not attracted even in case of revocable transfer (i.e. Irrevocable transfer)</u>	
Transfer not revocable during the lifetime of the beneficiary or the transferee .	
<ul style="list-style-type: none">• If there is a transfer of asset which is not revocable• During the life time of the transferee.• The income from the transferred asset is not includible in the total income of the transferor	
Remarks	
	Teacher's Sign.

Assignment	Page No. 9.3 Date
	<ul style="list-style-type: none">• Provided the transferor derives no direct or indirect benefit from such income.
	<u>Exception</u>
	<ul style="list-style-type: none">• If the transferor receives direct or indirect benefit from such income, such income is to be included in his total income of transferor even though the transfer may not be revocable during the life time of the transferee.• Income shall be clubbed in the income of the transferor, as and when power to revoke arises (i.e on the date of the beneficiary / transferee.• Actual revocation of asset is not relevant.
	•> <u>Section 64(1)(ii): Remuneration of Spouse</u>
	If spouse of an individual is receiving ; salary, commission, fees or any other form of remuneration, whether in cash or in kind from a concern in which such individual has a substantial interest shall be included in income of individual.
	<u>FOCUS AREA</u>
	1: Where spouse possesses technical or professional qualifications and the income to the spouse is solely attributable to the application of his/her technical or professional knowledge or experience, the income shall not be clubbed.
Remarks	


Neelgagan

Teacher's Sign.

Assignment	Page No. 9.4 Date
2:	Substantial Interest : A person is said to have substantial interest in a concern if he is owner of at least 20% of the concern. Ownership of his relatives shall also be included. NOTE : Relative means husband, wife, brother or sister or any lineal ascendant or descendant of the individual.
3:	Technical or professional qualification shall include not only degree or membership but also experience or expertise or natural talent.
4:	Where both husband and wife have substantial interest in a concern and both are in receipt of income by way of salary etc. from the said concern, such income will be includible in hands of that spouse whose total income excluding such income is higher.
5:	Where such income is once included in the total income of either spouse, any such income arising in any subsequent year will not be included in the total income of the other spouse unless the assessing officer is satisfied after giving that spouse an opportunity of being heard that it is necessary to do so.
Remarks	

Neelgagan

Teacher's Sign.

Assignment	Page No. 9.5 Date
•> <u>Section 64(1)(iv) : Income from assets transferred to Spouse.</u>	
When any assets is gifted by an individual to his/her spouse any income from such assets shall be deemed to be income of transferor (This section applies to all assets except house property.)	
→ EXCEPTION	
(i) If relationship of husband and wife doesn't exist either at the time of transfer or of accrual of income.	
(ii) Transfer is under an agreement to live apart	
•> <u>Section 64(1)(vi) : Income from assets transferred to son's wife without inadequate consideration by Father-in-law or Mother-in-law.</u>	
Asset transferred by an individual to son's wife without adequate consideration. Income from such asset shall be clubbed in the hands of transferor . The relationship must exist at both time , i.e at the time of transfer and at the time of accrual.	
•> <u>Section 64(1)(vii & viii) : Income of individual to include income of AOP to which assets are transferred for the benefit of spouse & son's wife</u>	
Assets transferred to a person or an AOP (Trust)	
Remarks	
	Teacher's Sign.

Assignment	Page No. 9.6 Date
	<p>without inadequate consideration for immediate or deferred benefit of his/her spouse or son's wife. Income from such asset to be clubbed in the hands of the transferor.</p>
	<p>•> <u>Section 64(1A) : Income of Minor Child</u></p>
	<p>1. All income of a minor is to be included in the income of his parent whose total income is greater before clubbing the income of minor child.</p>
	<p>2. If marriage of the parents does not subsist the income of the minor will be includible in the income of that parent who maintains the minor child.</p>
	<p>3. Where such income is once included in the total income of either parent, any such income arising in any subsequent year will not be included in the total income of the other parents unless the A.O is satisfied after giving that parent an opportunity of being heard that it is necessary to do so.</p>
	<p>4. If none of the parent is alive minor shall file return through legal guardian. There shall be no clubbing even if grand parents are alive or not.</p>
	<p>5. If the minor child become major during the P.Y. then the incomes which have accrued to him till date he attains majority shall be clubbed.</p>
	<p>6. In the following cases income of minor child shall not be included.</p>
	<p>a) Child suffering from any disability of the nature specified in section 80U shall not be included in the hands of the parent but assessed</p>
Remarks	

Neelgagan

Teacher's Sign.

Assignment	Page No. 9.7 Date																		
<p>in the hands of the child.</p> <p>b) Income of child on account of manual work or activity involving skill, talent or specialized Knowledge or experience etc. But if such income is further invested, any such income shall be clubbed in the income of mother or father.</p> <p>7. Minor includes adopted, step and minor married daughter.</p>																			
<p><u>Section 10(32)</u>: If income of an individual includes the income of his minor child, the individual shall be entitled to exemption upto ₹ 1500 per child.</p> <p>This provision is to provide relief to the individuals in whose total income, the income of minor child is included.</p>																			
<p><u>Example</u>: Mr. D has three minor children - 2 twin daughters and one son. Income of twin daughters is 2000 p.a each and that of son is 1200 p.a.</p> <p>Compute the income, in respect of minor children to be clubbed in the hands of Mr. D.</p>																			
<p><u>Solution</u>: Taxable income, in respect of minor children, in the hands of Mr. A is</p>																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Particulars</th> <th style="width: 20%;">Amount</th> <th style="width: 20%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Twin minor daughter (2000x2)</td> <td>4000</td> <td></td> </tr> <tr> <td>Less: Exempt u/s 10(32) (1500 x 2)</td> <td>3000</td> <td></td> </tr> <tr> <td>Minor son</td> <td>1200</td> <td>1000</td> </tr> <tr> <td>Less: Exempt u/s 10(32)</td> <td>1200</td> <td>Nil</td> </tr> <tr> <td>Income to be clubbed in the</td> <td></td> <td>1000</td> </tr> </tbody> </table>	Particulars	Amount	Amount	Twin minor daughter (2000x2)	4000		Less: Exempt u/s 10(32) (1500 x 2)	3000		Minor son	1200	1000	Less: Exempt u/s 10(32)	1200	Nil	Income to be clubbed in the		1000	
Particulars	Amount	Amount																	
Twin minor daughter (2000x2)	4000																		
Less: Exempt u/s 10(32) (1500 x 2)	3000																		
Minor son	1200	1000																	
Less: Exempt u/s 10(32)	1200	Nil																	
Income to be clubbed in the		1000																	
Remarks	hands of Mr. A																		


Neelgagan

Teacher's Sign.

Assignment	Page No. 9.8 Date
➤ <u>Cross Transfers</u>	
	As per SC judgement, such cross transfers shall be subjected to clubbing provisions, considering the same as tax evasion device.
➤ <u>Section 64(2) : Conversion into HUF Property</u>	
	If an individual, who is a member of the HUF converts his self-acquired property as the property of the HUF, then the income derived by HUF from such property shall be included in the income of member.
➤ <u>Section 65 : Liability of the transferee in respect of Clubbed income</u>	
	If any particular income of one person has been clubbed in the income of a second person but tax cannot be recovered from the second person, then the income tax authorities can demand the tax from the 1st person only to the extent of his income was clubbed in the income of 2nd person.
Remarks	

Neelgagan

Teacher's Sign.

Assignment	Page No. 9.9 Date
➤	<u>Rules for clubbing of Income / How to club Income</u>
	Clubbing of income will also include clubbing of losses. Income shall be clubbed in the following manner:
STEP-1	Calculate the income/loss in the hands of the recipient as if it is the income of the recipient. All deductions under the relevant head will be allowed while calculating the income.
STEP-2	The income or losses calculated as above will then be clubbed with the income of the transferor under the same head (i.e. the head from which such income belongs.) Exemption upto Rs. 1500 p.a. per child is available u/s 10(32) in respect of clubbing of income of a minor child.
STEP-3	Such clubbed income is the income of transferor and the provisions relating to set-off & carry forward of losses shall apply in the normal manner. Deduction u/s 80C to 80U shall also be allowed in the normal manner.
➤	<u>General Law Applicable to Clubbing of Income</u>
1.	The clubbing shall continue to apply even if the transferee has converted the transferred assets to some other form.
2.	Income shall include loss also. Therefore, losses are also to be clubbed.
Remarks	
	Teacher's Sign.

Assignment	Page No. 9.10 Date
3.	If the transferee sells the transferred assets, then capital gain shall also be clubbed with the income of transferor.
4.	Income arising out of the income earned on transferred assets shall not be clubbed except in case of minor.
5.	The Supreme court in the case of J.H Gotla held that the clubbed income shall be retained under the same head in which it is earned. Therefore, business income of a minor child shall be clubbed in the hands of parents under the head "PGBP". The business losses of the parent can be set off against such income.
6.	While clubbing the income, the deductions available under five heads of income shall be allowed and the income after such deduction shall be clubbed
7.	Clubbing will take place even if the assets are indirectly transferred or transferred to cross transfers
8.	If interest free loan is given by husband to wife / individual to HUF and the person to whom the loan is given purchase an asset out of the loan, then income from such asset shall not be clubbed in the hands of the person who has given the loan. This is because giving a loan is not a transfer of assets. Clubbing applies when assets are transferred for without / inadequate consideration.
9.	The HUF is a partner in firm XYZ though its Karta Mr. A and has 25% share in the profits of firm. Wife of Mr. A is employed by firm XYZ. In this case clubbing shall not apply because Mr. A is partner in
Remarks	Teacher's Sign.

Assignment	Page No. 9.11 Date
	representative capacity and not in his individual capacity. Clubbing applies where an individual is a partner in his individual capacity and has substantial interest in the firm and his spouse get remuneration from the firm.
10.	If a trust is created for the benefit of a minor child then the income of trust shall be clubbed with the income of parent u/s 64(1A). This shall apply even if the trust deed provides that the income shall be accumulated by trust and shall be given to minor child when he attains majority. Clubbing provisions u/s 64(1A) shall apply since the income accrues for the benefit of minor child although it may be given on attaining majority.
Remarks	

Neelgagan

Teacher's Sign.

Assignment	Page No. 10.1 Date
<u>CHAPTER-10</u>	
<u>SET OFF AND CARRY FORWARD OF LOSSES</u>	
<p>➤ <u>Steps For Set Off</u></p>	
STEP-1	Loss should be set off from the same source . For example if there is loss from STCL then first it should be set off from STCG.
STEP-2	If after setting off loss from same source still there is loss, then it has to be set off from different source under same head .
STEP-3	After inter-source adjustment only inter-head adj. can be made No order of inter-head adjustment is given by the Act. So, if inter head adjustment is allowed then losses should be set off in any way which is most beneficial to the assessee.
<p>➤ <u>Order of set-off of Losses</u></p>	
<p>As per section 72(2), Brought forward business Loss is to be set-off before setting off unabsorbed depreciation. Therefore, the order in which carry forward and set off will be affected, is as follows:</p>	
<ol style="list-style-type: none"> 1. Current year business Expenses. 2. Current year depreciation / current year capital expenditure on scientific research and family planning 3. Brought Forward business loss. (section 72) 4. Unabsorbed Depreciation (section 32(2) / family planning (section 36) 	
Remarks	

Neelgagan

Teacher's Sign.

Assignment Page No. 10.2
Date

Summary Diagram of Set off and carry forward of Losses


Remarks	HEADS OF INCOME	SET-OFF OF LOSSES	CARRY FORWARD AND S.OFF OF LOSSES	ASSESSMENT YEAR
1.	SALARY	Not Applicable	Not Applicable	Not Applicable
2.	HOUSE PROPERTY	<ul style="list-style-type: none"> • Same Head → No Limit • Other Head → Upto ₹ 2 Lakhs 	Same Head (i.e. House Property)	* 8 Years
3.	CAPITAL GAIN/ LOSS * LTCL * STCL	LTCG STCG LTCG	LTCG STCG LTCG	* 8 Years * 8 Years
4.	PGBP → Owning and Maintenance of horse races	Owning and maintenance of horse races.	Owning and maintenance of horse races.	* 4 Years

Teacher's Sign.

Assignment		Page No. 10.3	
		Date	
		4*Years	
		Indeterminate	
		8*Years	
			Not Applicable
			Not Applicable
			* Year means Assessment Year
	speculative Business	Income from any business specified u/s 35AD	Not Applicable
	speculative Business	Income from any business specified u/s 35AD Any Head, any income except salary.	Not Applicable
	speculative Business	Loss from business specified u/s 35AD Other Business (Non-specified business)	OTHER SOURCE
Remarks	→		→ Casual Loss
	→		→ Other Loss
	5.		

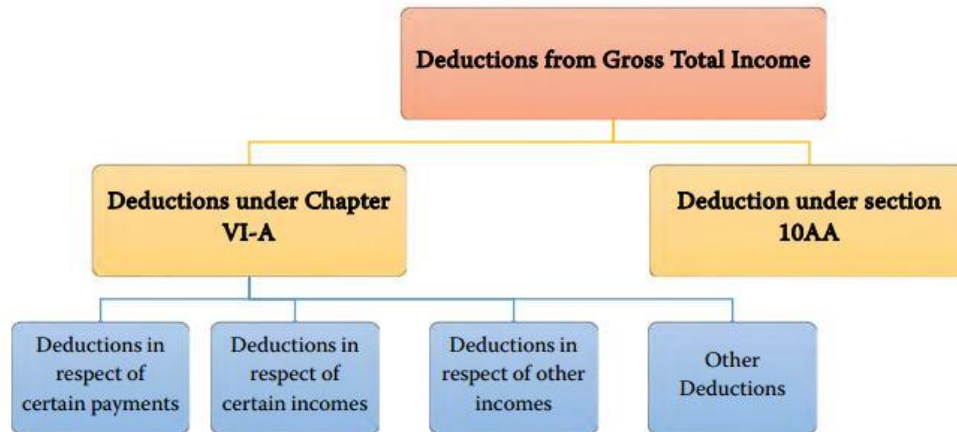
Neelgagan

Teacher's Sign.

Assignment	Page No. 10.4 Date			
	<u>FOCUS AREA</u>			
1.	Whenever income is exempt then losses does not have any tax treatment means it should be ignored .			
2.	Loss from any lottery, card games, races etc are not eligible for set off and c/f and losses cannot be set off against the income referred u/s 115BB. i.e lottery income, crossword puzzles, incomes in TV shows etc.			
3.	B/f Losses from a business can be set off even if such business is Not Continued .			
4.	If there is income under any head and eligible losses under any other head, such loss shall be first set off against the income before set off and c/f of losses.			
5.	Set off of losses not permissible against unexplained income, investment, money etc chargeable u/s 68/69/69A/69B/69C/69D [Sec. 115BBE]			
	➤ <u>Treatment of Losses in case of Amalgamation/ Succession (Sec. 72A).</u>			
	Case	Accumulated Business Losses	Can be c/f by	Time Limit
1.	Amalgamation Sec. 2(1B)	Amalgamating Company	Amalgamated Company	Fresh period of 8A.Y
2.	Demerger Sec. 2(19AA)	Demerged Company	Resulting Company	Remaining period of 8A.Y
Remarks				
		Teacher's Sign.		

Assignment			Page No. 10.5
			Date
3.	Conversion of Firm/Proprietary into Co. Sec. 47(xiii)/(xiv)	Firm/Proprietary concern	Successor Company Fresh period of 8 A.Y
4.	Unlisted Co. into LLP (Sec. 47(xiiib))	Unlisted Company	LLP Fresh period of 8 A.Y
NOTE :			
1. Unabsorbed depreciation can be carried forward by Amalgamated Co. / Resulting Co. / Successor Co. LLP for unlimited Period.			
2. Only business losses except speculative business loss can be c/f by successor.			
<ul style="list-style-type: none"> Section 79: Carry Forward and Set off of Losses in the case of certain companies. 			
<p>In case of a closely held company, where a change in shareholding has taken place in a P.Y then no loss incurred in any year prior to such P.Y shall be carried forward and set off against the income of the P.Y unless on the last day of the P.Y and on the last day of the year in which loss was incurred, the shares of the company carrying not less than *51% of the voting power were beneficially</p>			
Remarks (Refer Book)			
Neelgagan			Teacher's Sign.

DEDUCTIONS FROM GROSS TOTAL INCOME



DEDUCTIONS IN RESPECT OF CERTAIN PAYMENTS

Section	Eligible Assessee	Eligible Payments	Permissible Deduction
80C	Individual or HUF	Contribution to PPF, Payment of LIC premium, etc. Sums paid or deposited in the previous year by way of <ul style="list-style-type: none"> - Life insurance premium - Contribution to PPF/SPF/RPF and approved superannuation fund - Repayment of housing loan taken from Govt., bank, LIC, specified employer etc. - Tuition fees to any Indian university, college, school for full-time education of any two children - Term deposit for a fixed period of not less than 5 years with schedule bank - Subscription to notified bonds of NABARD - Five year post office time deposit 	Sum paid or deposited, subject to a maximum of ₹ 1,50,000

SARANSH

Deductions from Gross Total Income

Section	Eligible Assessee	Eligible Payments	Permissible Deduction
		<ul style="list-style-type: none"> - Senior Citizen's Savings Scheme Account etc. - Contribution by Central Government employee to additional account (Tier II A/c) of NPS referred to u/s 80CCD 	
80CCC	Individual	<p>Contribution to certain pension funds</p> <p>Any amount paid or deposited to keep in force a contract for any annuity plan of LIC of India or any other insurer for receiving pension from the fund.</p>	Amount paid or deposited, subject to a maximum of ₹ 1,50,000
80CCD	Individuals employed by the Central Government or any other employer; Any other individual assessee	<p>Contribution to Pension Scheme of Central Government</p> <p>An individual employed by the Central Government on or after 1.1.2004 or any other employer or any other assessee, being an individual, who has paid or deposited any amount in his account under a notified pension scheme [to his individual pension account [Tier I A/c] under National Pension Scheme & Atal Pension Yojana]</p>	<p>Employee's Contribution/ Individual's Contribution</p> <p>In case of a salaried individual, deduction of own contribution u/s 80CCD(1) is restricted to 10% of his salary.</p> <p>In any other case, deduction u/s 80CCD(1) is restricted to 20% of gross total income.</p> <p>Further, additional deduction of upto ₹ 50,000 is available u/s 80CCD(1B).</p> <p>Employer's Contribution</p> <p>The entire employer's contribution would be included in the salary of the employee. The deduction of employer's contribution u/s 80CCD(2) would be restricted to 14% of salary, where the employer is the Central Government or State Government; and 10%, in case of any other employer.</p>
<p>Note – As per section 80CCE, maximum permissible deduction u/s 80C, 80CCC & 80CCD(1) is ₹ 1,50,000. However, the limit ₹ 1,50,000 u/s 80CCE does not apply to deduction u/s 80CCD(2) and 80CCD(1B).</p>			

Section	Eligible Assessee	Eligible Payments	Permissible Deduction				
80CCH	Individual	<p>Contribution to Agniveer Corpus Fund An individual enrolled in the Agnipath Scheme and subscribing to the Agniveer Corpus Fund on or after 1.11.2022, who has paid or deposited any amount in his account in the Agniveer Corpus Fund</p>	<p>Individual's Contribution Whole of the amount paid or deposited</p> <p>Central Government's Contribution The entire Central Government's contribution to the Agniveer Corpus Fund would be included in the salary of the assessee. Thereafter, deduction u/s 80CCH(2) would be available for the same.</p>				
80D	Individual and HUF	<p>Medical Insurance Premium</p> <p>(1) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of—</p> <table border="1" style="margin-left: 20px;"> <tr> <td style="padding: 2px;">in case of an individual</td> <td style="padding: 2px;">self, spouse and dependent children</td> </tr> <tr> <td style="padding: 2px;">in case of HUF</td> <td style="padding: 2px;">family member</td> </tr> </table> <p>(2) In case of an individual, contribution, otherwise than by way of cash, to CGHS or any other scheme as notified by Central Government.</p> <p>(3) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of parents, whether or not dependent on the individual.</p> <p>Notes:</p> <p>(i) Any amount paid, otherwise than by way of cash, on account of medical expenditure incurred on the health of the assessee or his family member or his parent, who is a senior citizen and no amount has been paid to effect or to keep</p>	in case of an individual	self, spouse and dependent children	in case of HUF	family member	<p>Maximum ₹ 25,000 (₹ 50,000, in case the individual or his or her spouse is a senior citizen)</p> <p>Maximum ₹ 25,000 (₹ 50,000, in case either or both of the parents are senior citizen(s))</p> <p>Amount paid subject to a cap of ₹ 50,000 (in case one parent is a senior citizen, in respect of whom insurance premium is paid, and the other is a senior citizen on whom medical expenditure is incurred, the total deduction</p>
in case of an individual	self, spouse and dependent children						
in case of HUF	family member						

SARANSH

Deductions from Gross Total Income

Section	Eligible Assessee	Eligible Payments	Permissible Deduction						
		in force an insurance on the health of such person. (ii) Payment, including cash payment, for preventive health check up of himself, spouse, dependent children and parents. (4) In case where medical premium is paid lumpsum for more than one year	cannot exceed ₹ 50,000) Amount paid subject to a cap of ₹ 5,000, in aggregate (subject to the overall individual limits of ₹ 25,000/ ₹ 50,000, as the case may be) Deduction for each of the relevant previous year = 1/number of relevant previous year Relevant previous year means previous year in which such lumpsum is paid and the subsequent previous years during which the insurance would be in force.						
80DD	Resident Individual or HUF	<p>Maintenance including medical treatment of a dependant disabled</p> <p>Any amount incurred for the medical treatment (including nursing), training and rehabilitation of a dependent disabled</p> <p>and / or</p> <p>Any amount paid or deposited under the scheme framed in this behalf by the LIC or any other insurer or Administrator or Specified Company and approved by Board.</p> <p>Meaning of Dependant</p> <table border="1"> <thead> <tr> <th>(1) In case of</th> <th>(2) Dependant</th> </tr> </thead> <tbody> <tr> <td>An individual</td> <td>Spouse, children, parents, brothers, sisters</td> </tr> <tr> <td>A HUF</td> <td>Any member</td> </tr> </tbody> </table> <p>Persons mentioned in column (2) should be wholly or mainly dependant on the person mentioned in corresponding column (1) for support and maintenance. Such persons should not have claimed deduction under section 80U in computing total income of that year.</p>	(1) In case of	(2) Dependant	An individual	Spouse, children, parents, brothers, sisters	A HUF	Any member	Flat deduction of ₹ 75,000. In case of severe disability (i.e., person with 80% or more disability) the flat deduction shall be ₹ 1,25,000.
(1) In case of	(2) Dependant								
An individual	Spouse, children, parents, brothers, sisters								
A HUF	Any member								

SARANSH

Deductions from Gross Total Income

Section	Eligible Assessee	Eligible Payments	Permissible Deduction	
80DDB	Resident Individual or HUF	Deduction for medical treatment of specified diseases or ailments Amount paid for specified diseases or ailment	Actual sum paid or ₹ 40,000 (₹ 1,00,000, if the payment is for medical treatment of a senior citizen), whichever is less, (-) the amount received from the insurance company or reimbursed by the employer.	
		Assessee		Amount spent
		An individual		For himself or his dependant being spouse, children, parents, brothers or sisters, wholly or mainly dependant on the individual for support and maintenance
		A HUF	For any member	
80E	Individual	Interest on loan taken for higher education Interest on loan taken from any financial institution or approved charitable institution. Such loan is taken for pursuing his higher education or higher education of his or her relative i.e., spouse or children of the individual or the student for whom the individual is the legal guardian.	The deduction is available for interest payment in the initial assessment year (year of commencement of interest payment) and seven assessment years immediately succeeding the initial assessment year (or) until the interest is paid in full by the assessee, whichever is earlier.	
80EE	Individual	Deduction for interest on loan borrowed from any financial institution [bank/housing finance company (HFC)] for acquisition of residential house property	Deduction of upto ₹ 50,000 would be allowed in respect of interest on loan taken from a financial institution. Conditions: <ul style="list-style-type: none"> • Loan should be sanctioned during P.Y.2016-17 • Loan sanctioned ≤ ₹ 35 lakhs • Value of house ≤ ₹ 50 lakhs • The assessee should not own any residential house on the date of sanction of loan. 	
80EEA	Individual	Deduction in respect of interest payable on loan taken from a financial institution (bank/HFC) for	Deduction of upto ₹ 1,50,000 would be allowed in respect of interest payable on loan taken	

SARANSH

Deductions from Gross Total Income

Section	Eligible Assessee	Eligible Payments	Permissible Deduction															
		acquisition of residential house property	from a financial institution for acquisition of house property. Conditions: <ul style="list-style-type: none"> • Loan should be sanctioned during the period between 1.4.2019 to 31.3.2022. • Stamp Duty Value of house ≤ ₹ 45 lakhs • The individual should not own any residential house on the date of sanction of loan. • The individual should not be eligible to claim deduction u/s 80EE. 															
80EEB	Individual	Deduction in respect of interest payable on loan taken from a financial institution (bank or certain NBFCs) for purchase of electric vehicle	Deduction of upto ₹ 1,50,000 would be allowed in respect of interest payable on loan taken for purchase of electric vehicle. Loan should be sanctioned during the period from 1.4.2019 to 31.3.2023.															
80G	All assesseees	Donations to certain funds, charitable institutions etc. There are four categories of deductions – <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Category</th> <th>Donee</th> </tr> </thead> <tbody> <tr> <td>(I)</td> <td>100% deduction of amount donated, without any qualifying limit</td> <td>Prime Minister's National Relief Fund, National Children's Fund, Swachh Bharat Kosh, National Defence Fund, PM CARES Fund etc.</td> </tr> <tr> <td>(II)</td> <td>50% deduction of amount donated, without any qualifying limit</td> <td>Prime Minister's Drought Relief Fund.</td> </tr> <tr> <td>(III)</td> <td>100% deduction of amount donated, subject to qualifying limit</td> <td>Government or local authority, institution for promotion of family planning etc.</td> </tr> <tr> <td>(IV)</td> <td>50% deduction of amount donated, subject to qualifying limit</td> <td>Government or any local authority to be used for charitable purpose, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.</td> </tr> </tbody> </table>			Category	Donee	(I)	100% deduction of amount donated, without any qualifying limit	Prime Minister's National Relief Fund, National Children's Fund, Swachh Bharat Kosh, National Defence Fund, PM CARES Fund etc.	(II)	50% deduction of amount donated, without any qualifying limit	Prime Minister's Drought Relief Fund.	(III)	100% deduction of amount donated, subject to qualifying limit	Government or local authority, institution for promotion of family planning etc.	(IV)	50% deduction of amount donated, subject to qualifying limit	Government or any local authority to be used for charitable purpose, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.
	Category	Donee																
(I)	100% deduction of amount donated, without any qualifying limit	Prime Minister's National Relief Fund, National Children's Fund, Swachh Bharat Kosh, National Defence Fund, PM CARES Fund etc.																
(II)	50% deduction of amount donated, without any qualifying limit	Prime Minister's Drought Relief Fund.																
(III)	100% deduction of amount donated, subject to qualifying limit	Government or local authority, institution for promotion of family planning etc.																
(IV)	50% deduction of amount donated, subject to qualifying limit	Government or any local authority to be used for charitable purpose, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.																

Section	Eligible Assessee	Eligible Payments	Permissible Deduction				
		<p>Calculation of Qualifying limit for Category III & IV donations: Step 1: Compute adjusted total income, i.e., the gross total income as reduced by the following:</p> <table border="1"> <tr> <td>1.</td> <td>Deductions under Chapter VI-A, except u/s 80G</td> </tr> <tr> <td>2.</td> <td>Capital gains taxable u/s 111A, 112 & 112A</td> </tr> </table> <p>Step 2: Calculate 10% of adjusted total income. Step 3: Calculate the actual donation, which is subject to qualifying limit Step 4: Lower of Step 2 or Step 3 is the maximum permissible deduction. Step 5: The said deduction is adjusted first against donations qualifying for 100% deduction (i.e., Category III donations). Thereafter, 50% of balance qualifies for deduction under section 80G. Note - No deduction shall be allowed for donation in excess of ₹ 2,000, if paid in cash.</p>		1.	Deductions under Chapter VI-A, except u/s 80G	2.	Capital gains taxable u/s 111A, 112 & 112A
1.	Deductions under Chapter VI-A, except u/s 80G						
2.	Capital gains taxable u/s 111A, 112 & 112A						
80GG	Individual not in receipt of house rent allowance	Rent paid for residential accommodation	<p>Least of the following is allowable as deduction:</p> <p>(1) 25% of total income; (2) Rent paid – 10% of total income (3) ₹ 5,000 p.m.</p> <p>No deduction if any residential accommodation is owned by the assessee/his spouse/minor child/HUF at the place where he ordinarily resides or performs the duties of his office or employment or carries on his business or profession.</p>				
80GGA	Any assessee not having income chargeable under the head "Profits and gains of business or profession"	Donations for scientific research or rural development	<p>Actual donation [No deduction shall be allowed for donation in excess of ₹ 2,000, if paid in cash]</p>				
80GGB	Indian company	Contributions to political parties Any sum contributed by it to a registered political party or an electoral trust.	<p>Actual contribution (otherwise than by way of cash)</p>				

SARANSH

Deductions from Gross Total Income

Section	Eligible Assessee	Eligible Payments	Permissible Deduction
80GGC	Any person, other than local authority and an artificial juridical person funded by the Government	Contributions to political parties Amount contributed to a registered political party or an electoral trust.	Actual contribution (otherwise than by way of cash)

DEDUCTIONS IN RESPECT OF CERTAIN INCOMES

Section	Eligible Assessee	Eligible Income	Permissible Deduction
80JAA	An assessee to whom section 44AB applies, whose gross total income includes profits and gains derived from business	Deduction in respect of employment of new employees	30% of additional employee cost incurred in the previous year. Deduction is allowable for 3 assessment years including assessment year relevant to the previous year in which such employment is provided.
80M	A domestic company	Deduction in respect of inter-corporate dividend The gross total income of domestic company includes in any P.Y., any income by way of dividends from any other domestic company or foreign company or a business trust.	Amount of dividend received from other domestic company or foreign company or business trust or the amount of dividend distributed by such domestic company on or before the due date, whichever is less. Due date means one month prior to the date of furnishing return of income u/s 139(1).
80QQB	Resident individual, being an author	Royalty income, etc., of authors of certain books other than text books Consideration for assignment or grant of any of his interests in the copyright of any book, being a work of literary, artistic or scientific nature or royalty or copyright fee received as lumpsum or otherwise	Income derived in the exercise of profession or ₹ 3,00,000, whichever is less. In respect of royalty or copyright fee received otherwise than by way of lumpsum, income to be restricted to 15% of value of books sold during the relevant previous year.

SARANSH

Deductions from Gross Total Income

Section	Eligible Assessee	Eligible Income	Permissible Deduction
80RRB	Resident individual, being a patentee	Royalty on patents Any income by way of royalty on patents registered on or after 1.4.2003	Whole of such income or ₹ 3,00,000, whichever is less.

As per section 80AC, furnishing return of income on or before due date specified u/s 139(1) is mandatory for claiming deduction in respect of certain incomes. Deductions u/s 80-IA to 80-IE are discussed after this table.

DEDUCTIONS IN RESPECT OF CERTAIN INCOMES: SECTIONS 80-IA TO 80-IE

Section	Eligible Business	Year of commencement of eligible business	Period of Deduction	Quantum of Deduction
80-IA	(1) (i) Developing or (ii) Operating and maintaining or (iii) Developing, operating and maintaining any infrastructure facility	On or after 1.4.1995 but not later than 1.4.2017	Infrastructure Facility of road, or a bridge or a rail system or a highway project or a water supply project: 10 consecutive assessment years out of 20 years beginning from the year in which the enterprise develops or begins to operate the eligible business.	100% of the profits and gains derived from such business for 10 consecutive assessment years
	(2) Industrial parks	Industrial parks: Notified by the Central Government for the period on or after 1.4.1997 & ending on 31.3.2011	Other eligible businesses: 10 consecutive	
	(3) Power undertakings	Generation or Generation and distribution: Set up between 1.4.1993 & 31.3.2017 Transmission or distribution: Start transmission		

DEDUCTION UNDER SECTION 10AA

Section	Eligible Assessee	Eligible Income	Permissible Deduction
10AA	An assessee who derives profits from an under-taking, being a Unit established in SEZ, which begins to manufacture or produce articles or things or provide any service on or after 1.4.2005 but before 1.4.2021	Profits derived from exports of such articles or things or export of services (including computer software). Conditions for deduction 1. Proceeds to be received in convertible foreign exchange within 6 months from the end of the P.Y. or such further period as the competent authority may allow in this behalf. 2. The report of Chartered Accountant certifying that the deduction has been correctly claimed should be furnished before the date specified in section 44AB. 3. Return of income to be filed on or before due date u/s 139(1).	Deduction for 15 consecutive assessment years Amount of deduction = Profits of Unit in SEZ × $\frac{\text{Export turnover of Unit SEZ}}{\text{Total turnover of Unit SEZ}}$ Years 1 to 5 - 100% of such profits would be exempt in the first five years; Years 6 to 10 - 50% of such profits in the next five years; and Years 11 to 15 - In the last five years, 50% of such profits subject to transfer to SEZ Re-investment Reserve Account.

TDS, TCS AND ADVANCE TAX

TAX DEDUCTION AT SOURCE

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
192	Salary	Basic exemption limit [₹ 3,00,000 (in case assessee pays tax under default tax regime u/s 115BAC), ₹ 2,50,000/ ₹ 3,00,000 / ₹ 5,00,000, as the case may be, if the assessee has exercised the option of shifting out of the default tax regime providing u/s 115BAC]. This is taken care of in computation of the average rate of income-tax	Any person responsible for paying any income chargeable under the head "Salaries"	Individual (Employee)	Average rate of income-tax	At the time of payment
192A	Premature withdrawal from EPF	Payment or aggregate payment \geq ₹ 50,000	Trustees of the EPF Scheme or any authorised person under the Scheme	Individual (Employee)	10% on premature taxable withdrawal	At the time of payment
193	Interest on Securities	> ₹ 10,000 in a F.Y., in case of interest on 8% Savings (Taxable) Bonds, 2003/ 7.75% Savings (Taxable) Bonds, 2018. > ₹ 5,000 in a F.Y., in case of	Any person responsible for paying any income by way of interest on securities	Any resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier

Income tax Handwritten notes by **CA Vivek Gaba,**

SARANSH

TDS, TCS and Advance Tax

		interest on debentures issued by a Co. in which the public are substantially interested, paid or credited to a resident individual or HUF by an account payee cheque > No threshold specified in any other case				
194	Dividend (including dividends on preference shares)	Amount or aggregate amount > ₹ 5,000 in a F.Y., in case of dividend paid or credited to an individual shareholder by any mode other than cash > No threshold in other cases	The Principal Officer of a domestic company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India	Resident shareholder	10%	Before making any payment by any mode in respect of any dividend or before making any distribution or payment of dividend
194A	Interest other than interest on securities	Amount or aggregate amount > ₹ 40,000 in a F.Y., in case of interest credited or paid by – (i) a banking company; (ii) a co-operative society engaged in banking business; and (iii) a post office on any deposit	Any person (other than an individual or HUF whose total sales, gross receipts or turnover ≤ ₹ 1 crore in case of business or ≤ ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier

Income tax Handwritten notes by **CA Vivek Gaba,**

SARANSH

TDS, TCS and Advance Tax

		<p style="text-align: center;">under a notified Scheme.</p> <p>In all the above cases, if payee is a resident senior citizen, tax deduction limit is > ₹ 50,000. > ₹ 5,000 in a F.Y., in other cases</p>	<p style="text-align: center;">for paying interest other than interest on securities</p>			
194B	Winnings from any lottery, crossword puzzle or card game or other game of any sort or from gambling or betting of any form or nature	Amount or the aggregate of amount > ₹ 10,000 in a F.Y.	The person responsible for paying income by way of such winnings	Any Person	30%	At the time of payment
194BA	Winnings from online games	On the net winnings in a person's user account as computed in prescribed manner	Any person responsible for paying income by way of such winnings from any online game	Any person	30%	At the end of the F.Y. In case there is withdrawal from user account during the F.Y., tax would be deducted at the time of such withdrawal on net winnings comprised in such withdrawal. In addition, tax would also be deducted on the remaining amount of net

Income tax Handwritten notes by **CA Vivek Gaba,**

SARANSH

TDS, TCS and Advance Tax

						winnings in the user account as computed in prescribed manner at the end of the F.Y.
194BB	Winnings from horse race	Amount or the aggregate of amount > ₹ 10,000 in a F.Y.	Book Maker or a person holding licence for horse racing or for arranging for wagering or betting in any race course	Any Person	30%	At the time of payment
194C	Payments to Contractors	Single sum credited or paid > ₹ 30,000 (or) The aggregate of sums credited or paid to a contractor during the F.Y. > ₹ 1,00,000 Individual/HUF need not deduct tax where sum is credited or paid exclusively for personal purposes	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, Government of Foreign State or a foreign enterprise, individual/HUF/AoP/	Any Resident contractor for carrying out any work (including supply of labour)	1% of sum paid or credited, if the payee is an Individual or HUF 2% of sum paid or credited, if the payee is any other person	At the time of credit of such sum to the account of the contractor or at the time of payment, whichever is earlier

SARANSH

TDS, TCS and Advance Tax

			BoI whose total sales, gross receipts or turnover > ₹ 1 crore in case of business or > ₹ 50 lakhs in case of profession during the immediately preceding F.Y.			
194D	Insurance Commission	Amount or aggregate amount > ₹ 15,000 in a F.Y.	Any person responsible for paying any income by way of remuneration or reward for soliciting or procuring insurance business	Any Resident	5%, if the payee is a non-corporate resident 10%, if the payee is a domestic company	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier
194DA	Any sum under a Life Insurance Policy not fulfilling the conditions specified u/s 10(10D)	Amount or aggregate amount ≥ ₹ 1,00,000 in a F.Y.	Any person responsible for paying any sum under a LLP, including the sum allocated by way of bonus	Any resident	5% of the amount of income comprised	At the time of payment
194EE	Payment of deposit under National Saving Scheme	Amount or aggregate amount ≥ ₹ 2,500 in a F.Y.	Any person responsible for paying	Individual or HUF	10%	At the time of payment
194G	Commission on sale of lottery tickets	> ₹ 15,000 in a F.Y.	Any person responsible for paying any income by way of commission, remuneration or prize (by whatever	Any person stocking, distributing, purchasing or selling lottery tickets	5%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier

Income tax Handwritten notes by **CA Vivek Gaba,**

SARANSH

TDS, TCS and Advance Tax

194H	Commission or brokerage	> ₹ 15,000 in a F.Y.	name called) on lottery tickets Any person (other than an Individual or HUF whose total sales, gross receipts or turnover ≤ ₹ 1 crore in case of business or ≤ ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying commission or brokerage	Any resident	5%	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	> ₹ 2,40,000 in a F.Y.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover ≤ ₹ 1 crore in case of business or ≤ ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying rent	Any resident	For P & M or equipment - 2% For land or building, land appurtenant to a building, furniture or fittings - 10%	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	≥ ₹ 50 lakh (Consideration	Any person, being a	Resident transferor	1% of consideration	At the time of credit of such

SARANSH

TDS, TCS and Advance Tax

	certain immovable property other than agricultural land	for transfer or SDV)	transferee (other than a person referred to in section 194LA responsible for paying compensation for compulsory acquisition of immovable property other than rural agricultural land)		for transfer or SDV, whichever is higher	sum to the account of the transferor or at the time of payment, whichever is earlier
194-IB	Payment of rent by certain individuals or HUF	> ₹ 50,000 for a month or part of a month	Individual/ HUF (other than Individual/ HUF whose total sales, gross receipts or turnover > ₹ 1 crore in case of business or > ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying rent	Any Resident	5%	At the time of credit of rent, for the last month of the P.Y. or the last 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
194-IC	Payment under specified agreement referred to in section 45(5A)	No threshold specified	Any person responsible for paying any sum by way of consideration, not being consideration in kind, under a registered agreement,	Any Resident	10%	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier

Income tax Handwritten notes by **CA Vivek Gaba,**

SARANSH

TDS, TCS and Advance Tax

			<p>wherein L or B or both are handed over by the owner for development of real estate project, for a consideration, being a share in L or B or both in such project, with payment of part consideration in cash</p>			
194J	<p>Fees for professional or technical services/ Royalty/ Non-compete fees/ Director's remuneration</p>	<p>> ₹ 30,000 in a F.Y., for each category of income (However, this limit does not apply in case of payment made to director of a company)</p>	<p>Any person, other than an individual or HUF; However, in case of FPS or FTS paid or credited, individual/HUF, whose total sales, gross receipts or turnover > ₹ 1 crore in case of business or > ₹ 50 lakhs in case of profession during the immediately preceding F.Y., is liable to deduct tax u/s 194J, except where FPS is credited or paid exclusively for his personal purposes</p>	Any Resident	<p>2% - Payee engaged only in the business of operation of call centre 2% - In case of FTS or royalty, where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films 10% - Other payments</p>	<p>At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier</p>

Income tax Handwritten notes by **CA Vivek Gaba,**

SARANSH

TDS, TCS and Advance Tax

194K	Income from units other than in the nature of capital gains	Amount or aggregate amount > ₹ 5,000 in a F.Y.	Any person responsible for paying any income in respect of units of a mutual fund/ Administrator of the specified undertaking/ specified company	Any resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier
194LA	Compensation on acquisition of certain immovable property other than agricultural land situated in India	Amount or aggregate amount > ₹ 2,50,000 in a F.Y.	Any person responsible for paying any sum in the nature of compensation or enhanced compensation on compulsory acquisition of immovable property	Any Resident	10%	At the time of payment
194M	<ul style="list-style-type: none"> - Payments to Contractors - Commission or brokerage - FPS 	> ₹ 50,00,000 in a F.Y.	Individual or HUF other than those who are required to deduct tax at source u/s 194C or 194H or 194J	Any Resident	5%	At the time of credit of such sum or at the time of payment, whichever is earlier
194N	Cash withdrawals	> ₹ 3 crore if the recipient is a co-operative society > ₹ 1 crore in case of others	<ul style="list-style-type: none"> - a banking company or any bank or banking institution - a co-operative society engaged in carrying on the business of banking or 	Any person	@2% of such sum In case the recipient has not filed ROI for all the 3 immediately preceding P.Y.s, for which time limit u/s 139(1) has	At the time of payment of such sum

SARANSH

TDS, TCS and Advance Tax

			- a post office who is responsible for paying any sum, being the amount or the aggregate of amounts, as the case may be, in cash > ₹ 1 crore/ ₹ 3 crore in case the recipient is a cooperative society, during the previous year, to any person from one or more accounts maintained by the recipient		expired, such sum shall be the amount or aggregate of amounts, in cash > ₹ 20 lakh during the P.Y. TDS - @2% of the sum, where cash withdrawal > ₹ 20 lakhs but ≤ ₹ 1 crore/ ₹ 3 crore in case the recipient is a co-operative society - @5% of the sum, where cash withdrawal > ₹ 1 crore/ ₹ 3 crore in case the recipient is a co-operative society	
194-O	Sale consideration or consideration for services facilitated through digital or electronic facility or platform	> ₹ 5 lakhs, being gross amount of sales or service or both in a F.Y. to an e-commerce participant, being individual or HUF and such e-commerce participant has furnished PAN or Aadhar number to the e-commerce operator > No threshold in other cases	E-commerce operator, who facilitates sale of goods or provision of services of an e-commerce participant through digital or electronic facility or platform	E-commerce participant	1% of gross amount of sale or service or both [In case of failure to furnish PAN, Maximum TDS@5%]	At the time of credit of amount of sale or services or both to the account of an e-commerce participant or at the time of payment, whichever is earlier

SARANSH

TDS, TCS and Advance Tax

194P	Pension (along with interest on bank account)	Basic exemption limit [₹ 3,00,000 (in case specified senior citizen pays tax under default tax regime u/s 115BAC), ₹ 3,00,000 / ₹ 5,00,000, as the case may be, if specified senior citizen has exercised the option of shifting out of the default tax regime providing u/s 115BAC] [i.e., TI after giving effect to the deduction allowable under Chapter VI-A, if any allowable should exceed the basic exemption limit. Further, in case the individual is entitled to rebate u/s 87A from tax payable, then the same should be given effect to]	Notified specified bank	Specified senior citizen i.e., An individual, being a resident in India, who - is of the age of 75 years or more at any time during the PY; - is having pension income and no other income except interest income received or receivable from any account maintained by such individual in the same specified bank in which he is receiving his pension income; and - has furnished a declaration to the specified bank	Rates in force, where the individual has exercised the option of shifting out of the default tax regime. Rates specified in section 115BAC, where the individual pays tax under the default tax regime.	
194Q	Purchase of goods	> ₹ 50 lakhs in a P.Y.	Buyer, who is responsible for paying any sum for	Any resident	0.1% of sum exceeding ₹ 50 lakhs [In case of failure	At the time of credit of such sum to the account of the

SARANSH

TDS, TCS and Advance Tax

			<p>purchase of goods</p> <p>Buyer means a person whose total sales, gross receipts or turnover from business > ₹ 10 crores during the F.Y. immediately preceding the F.Y. in which the purchase of goods is carried out</p>		<p>to furnish PAN, maximum TDS @5%</p>	<p>seller or at the time of payment, whichever is earlier</p>
194R	<p>Any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession</p> <p>The provisions would apply to any benefit or perquisite, whether in cash or in kind or partly in cash and partly in kind</p>	<p>Value or aggregate of value of benefit or perquisite > ₹ 20,000 in a F.Y.</p>	<p>Any person (other than an individual or HUF whose total sales, gross receipts or turnover ≤ ₹ 1 crore in case of business or ≤ ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for providing to a resident, any benefit or perquisite.</p>	Any resident	10% of value or aggregate of value of such benefit or perquisite	Before providing such benefit or perquisite
206AA	<p>Section 206AA requires furnishing of PAN by the deductee to the deductor, failing which the deductor has to deduct tax at the higher of the following rates, namely, -</p> <p>(i) at the rate prescribed in the Act; or</p> <p>(ii) at the rate or rates in force; or</p> <p>(iii) at the rate of 20% [5%, in case of section 194-O and 194Q]</p>					

206AB	<p>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 to a specified person, at higher of the following rates –</p> <ul style="list-style-type: none"> (i) at twice the rate prescribed in the relevant provision of the Act; (ii) at twice the rate or rates in force i.e., the rate mentioned in the Finance Act; or (iii) at 5% <p>However, section 206AB is not applicable in case of tax deductible at source under sections 192, 192A, 194B, 194BA, 194BB, 194-IA, 194-IB, 194LBC, 194M and 194N.</p> <p>Meaning of "specified person" – A person who has not furnished the ROI for the A.Y. relevant to the P.Y. immediately preceding the F.Y. in which tax is required to be deducted, for which the time limit for furnishing the ROI u/s 139(1) has expired, and the aggregate of TDS and TCS in his case is ₹ 50,000 or more in the said P.Y.</p> <p>However, the specified person would not include -</p> <ul style="list-style-type: none"> - a non-resident who does not have a PE in India; or - a person who is not required to furnish the ROI for the A.Y. relevant to the said P.Y. and is notified by the Central Government in this behalf. <p>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.</p>
--------------	---

The threshold limit given in the table is with respect to each payee.

TAX COLLECTION AT SOURCE [SECTION 206C]

(1)	<p>Sellers of certain goods are required to collect tax from the buyers at the rates specified u/s 206C(1). The specified percentage for collection of tax at source is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 70%;">Nature of goods</th> <th style="width: 25%;">Percentage</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Alcoholic liquor for human consumption</td> <td>1%</td> </tr> <tr> <td>(ii)</td> <td>Tendu leaves</td> <td>5%</td> </tr> <tr> <td>(iii)</td> <td>Timber obtained under a forest lease</td> <td>2.5%</td> </tr> <tr> <td>(iv)</td> <td>Timber obtained by any mode other than (iii)</td> <td>2.5%</td> </tr> <tr> <td>(v)</td> <td>Any other forest produce not being timber or tendu leaves</td> <td>2.5%</td> </tr> <tr> <td>(vi)</td> <td>Scrap</td> <td>1%</td> </tr> <tr> <td>(vii)</td> <td>Minerals, being coal or lignite or iron ore</td> <td>1%</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 purposes of generation of power and not for trading purposes.</p>		Nature of goods	Percentage	(i)	Alcoholic liquor for human consumption	1%	(ii)	Tendu leaves	5%	(iii)	Timber obtained under a forest lease	2.5%	(iv)	Timber obtained by any mode other than (iii)	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%
	Nature of goods	Percentage																							
(i)	Alcoholic liquor for human consumption	1%																							
(ii)	Tendu leaves	5%																							
(iii)	Timber obtained under a forest lease	2.5%																							
(iv)	Timber obtained by any mode other than (iii)	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%																							
(2)	<p>Lease or a licence of parking lot, toll plaza or mine or a quarry [Section 206C(1C)] - Every person who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest in any</p> <ul style="list-style-type: none"> - parking lot or - toll plaza or - a mine or a quarry 																								

SARANSH

TDS, TCS and Advance Tax

	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 licence, contract or lease of the specified nature, at the rate of 2%, 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, whichever is earlier.																												
(3)	Sale of motor vehicle of value exceeding ₹ 10 lakhs [Section 206C(1F)] - Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, shall, at the time of receipt of such amount, collect tax from the buyer@1% of the sale consideration u/s 206C(1F).																												
(4)	<p>Remittance under LRS of RBI or purchase of an overseas tour package [Section 206C(1G)] - Every person,</p> <ul style="list-style-type: none"> - being an authorized dealer, who receives amount under the LRS of the RBI for remittance from a buyer, being a person remitting such amount, - being seller of an overseas tour programme package who receives any amount from the buyer who purchases the package <p>has to collect tax at the time of debiting of the amount payable by the buyer or at the time of receipt of such amount from the said buyer by any mode, whichever is earlier.</p> <p>Rate of TCS in case of collection by an authorized dealer/ seller of an overseas tour programme package</p> <table border="1"> <thead> <tr> <th>S. No.</th> <th>Amount and purpose of remittance</th> <th>Rate of TCS upto 30.9.2023</th> <th>Rate of TCS on or after 1.10.2023</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Remittances for the purpose of education [other than (ii) below] or medical treatment;</td> <td>No TCS upto ₹ 7 lakhs 5% of the amount or aggregate of amounts in excess of ₹ 7 lakh</td> <td>No TCS upto ₹ 7 lakhs</td> </tr> <tr> <td>(ii)</td> <td>Remittances out of loan obtained from any financial institution as referred under section 80E, for the purpose of pursuing any education</td> <td>No TCS upto ₹ 7 lakhs 0.5% of the amount or aggregate of amounts in excess of ₹ 7 lakh</td> <td>No TCS upto ₹ 7 lakhs</td> </tr> <tr> <td>(iii)</td> <td>Remittances for purposes other than mentioned in (i) to (ii)</td> <td>No TCS upto ₹ 7 lakhs 5% on the amount or aggregate of amounts in excess of ₹ 7 lakhs</td> <td>No TCS upto ₹ 7 lakhs 20% on the amount or aggregate of amounts in excess of ₹ 7 lakhs</td> </tr> <tr> <td>(iv)</td> <td>Overseas tour programme package</td> <td>5% without any threshold limit</td> <td>5% upto ₹ 7 lakhs and 20% above ₹ 7 lakhs</td> </tr> </tbody> </table> <p>Cases where no tax is to be collected</p> <table border="1"> <tbody> <tr> <td>(i)</td> <td>No TCS by the authorized dealer on an amt in respect of which the sum has been collected by the seller</td> </tr> <tr> <td>(ii)</td> <td>No TCS, if the buyer is liable to deduct tax at source under any other provision of the Act and has deducted such tax</td> </tr> <tr> <td>(iii)</td> <td>No TCS, if the buyer is the Central Government, a State Government, an embassy, a High</td> </tr> </tbody> </table>			S. No.	Amount and purpose of remittance	Rate of TCS upto 30.9.2023	Rate of TCS on or after 1.10.2023	(i)	Remittances for the purpose of education [other than (ii) below] or medical treatment;	No TCS upto ₹ 7 lakhs 5% of the amount or aggregate of amounts in excess of ₹ 7 lakh	No TCS upto ₹ 7 lakhs	(ii)	Remittances out of loan obtained from any financial institution as referred under section 80E, for the purpose of pursuing any education	No TCS upto ₹ 7 lakhs 0.5% of the amount or aggregate of amounts in excess of ₹ 7 lakh	No TCS upto ₹ 7 lakhs	(iii)	Remittances for purposes other than mentioned in (i) to (ii)	No TCS upto ₹ 7 lakhs 5% on the amount or aggregate of amounts in excess of ₹ 7 lakhs	No TCS upto ₹ 7 lakhs 20% on the amount or aggregate of amounts in excess of ₹ 7 lakhs	(iv)	Overseas tour programme package	5% without any threshold limit	5% upto ₹ 7 lakhs and 20% above ₹ 7 lakhs	(i)	No TCS by the authorized dealer on an amt in respect of which the sum has been collected by the seller	(ii)	No TCS, if the buyer is liable to deduct tax at source under any other provision of the Act and has deducted such tax	(iii)	No TCS, if the buyer is the Central Government, a State Government, an embassy, a High
S. No.	Amount and purpose of remittance	Rate of TCS upto 30.9.2023	Rate of TCS on or after 1.10.2023																										
(i)	Remittances for the purpose of education [other than (ii) below] or medical treatment;	No TCS upto ₹ 7 lakhs 5% of the amount or aggregate of amounts in excess of ₹ 7 lakh	No TCS upto ₹ 7 lakhs																										
(ii)	Remittances out of loan obtained from any financial institution as referred under section 80E, for the purpose of pursuing any education	No TCS upto ₹ 7 lakhs 0.5% of the amount or aggregate of amounts in excess of ₹ 7 lakh	No TCS upto ₹ 7 lakhs																										
(iii)	Remittances for purposes other than mentioned in (i) to (ii)	No TCS upto ₹ 7 lakhs 5% on the amount or aggregate of amounts in excess of ₹ 7 lakhs	No TCS upto ₹ 7 lakhs 20% on the amount or aggregate of amounts in excess of ₹ 7 lakhs																										
(iv)	Overseas tour programme package	5% without any threshold limit	5% upto ₹ 7 lakhs and 20% above ₹ 7 lakhs																										
(i)	No TCS by the authorized dealer on an amt in respect of which the sum has been collected by the seller																												
(ii)	No TCS, if the buyer is liable to deduct tax at source under any other provision of the Act and has deducted such tax																												
(iii)	No TCS, if the buyer is the Central Government, a State Government, an embassy, a High																												

SARANSH

TDS, TCS and Advance Tax

	<p>Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority or any other person notified by the Central Government, subject to fulfillment of conditions stipulated thereunder.</p> <p>Accordingly, the CBDT has, vide notification no. 99/2022 dated 17.8.2022, notified that the provisions of section 206C(1G) would not apply to a person (being a buyer) who is a non-resident in terms of section 6 and does not have a PE in India.</p>
(5)	<p>Sale of goods of value exceeding ₹ 50 lakh [Section 206C(1H)] - Every person, being a seller, who receives any amount as consideration for sale of goods of the value exceeding ₹ 50 lakhs in a P.Y., other than exported goods or goods covered in (1)/(3)/(4), is required to collect tax at source, at the time of receipt of such amount, @0.1% of the sale consideration exceeding ₹ 50 lakhs.</p> <p>However, tax is not required to be collected if the buyer is liable to deduct tax at source under any other provision of the Act on the goods purchased by him from the seller and has deducted such tax [Section 206C(1H)].</p>
(6)	<p>In case of non-furnishing of PAN [PAN or Aadhaar number in case of section 206C(1H)] by the collectee to the collector, tax is required to be collected at the higher of –</p> <p>(i) twice the rate specified in the relevant provisions of the Act; or</p> <p>(ii) at 5% [1%, in case tax is required to be collected at source u/s 206C(1H)]. [Section 206CC]</p> <p>However, w.e.f. 1.7.2023, the maximum the rate of TCS under this section shall not exceed 20%.</p> <p>The provisions of section 206CC do not apply to a non-resident who does not have a PE in India.</p>
(7)	<p>Section 206CCA requires tax to be collected at source on any sum or amount received by a person from a specified person, at higher of the following rates –</p> <p>(a) at twice the rate specified in the relevant provision of the Act;</p> <p>(b) at 5%</p> <p>However, w.e.f. 1.7.2023, the maximum the rate of TCS under this section shall not exceed 20%.</p> <p>In case the provisions of section 206CC are also applicable to the specified person, in addition to the provisions of section 206CCA, then, tax is required to be collected at higher of the two rates provided in section 206CC and section 206CCA.</p> <p>Meaning of "specified person" – A person who has not furnished the ROI for A.Y. relevant to the P.Y. immediately preceding the F.Y. in which tax is required to be collected, for which the time limit for furnishing the ROI u/s 139(1) has expired, and the aggregate of TDS and TCS in his case is ₹ 50,000 or more in the said P.Y.</p> <p>However, the specified person would not include -</p> <ul style="list-style-type: none"> - a non-resident who does not have a PE in India; or - a person who is not required to furnish the ROI for the A.Y. relevant to the said P.Y. and is notified by the Central Government in this behalf.

ADVANCE PAYMENT OF TAX

Liability for payment of advance tax [Sections 207 & 208]

- Tax shall be payable in advance during any F.Y. in respect of the total income 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 of 60 years or more at any time during the P.Y., who does not have any income chargeable under the head PGBP, is not liable to pay advance tax.

Instalments of advance tax and due dates [Section 211]

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

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

Advance tax payment by assessee computing profits on presumptive basis under section 44AD(1) or section 44ADA(1)

An eligible assessee, computing PGBP on presumptive basis in respect of eligible business referred to in section 44AD(1) or in respect of eligible profession referred to in section 44ADA(1), shall be required to pay advance tax of the whole amount on or before 15th March of the F.Y.

However, any amount paid by way of advance tax on or before 31st 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 1st 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) | <p>“Assessed tax” means the tax on total income determined u/s 143(1) less TDS & TCS, any relief of tax allowed u/s 89, any relief of tax allowed under section 90 or 90A, any deduction of tax allowed under section 91, any tax credit allowed to be set off in accordance with the provisions of section 115JAA or section 115JD.</p> <p>Tax on the TI determined under section 143(1) shall not include the additional income-tax, if any, payable u/s 140B.</p> |

(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 this section. Thereafter, interest shall be calculated at 1% on the amount by which the tax so paid together with the advance tax paid falls short of the assessed tax.

Interest for deferment of advance tax [Section 234C]

(1) Manner of computation of interest u/s 234C for deferment of advance tax by corporate and non-corporate assessees:

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% per month for the period specified in column (4) on the amount of shortfall, as per column (3) is leviable u/s 234C.

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

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

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 relief of tax allowed under section 90 or 90A - any deduction of tax allowed under section 91- any tax credit allowed to be set off in accordance with the provisions of section 115JAA or section 115JD.

(2) Computation of interest u/s 234C in case of an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or section 44ADA(1):

In case 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

	<ul style="list-style-type: none">- failed to pay such tax or- the advance tax paid by the assessee on its current income on or before 15th March is less than the tax due on the returned income, <p>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.</p>
(3)	<p>Non-applicability of interest u/s 234C in certain cases:</p> <p>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 –</p> <ul style="list-style-type: none">(i) the amt of capital gains;(ii) income of nature referred to in section 2(24)(ix) i.e., winnings from lotteries, crossword puzzles etc.;(iii) income under the head “PGBP” in cases where the income accrues or arises under the said head for the first time.(iv) the amount of dividend income other than deemed dividend referred u/s 2(22)(e). <p>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 31st March of the F.Y.</p>

SARANSH

Assessment of Various Entities

TAXATION PROVISIONS IN RESPECT OF BUYBACK OF SHARES AND SPECIFIED SECURITIES

(1)	(2)	(3)	(4)
Taxability in the hands of	Buyback of shares (listed or unlisted) by domestic companies	Buyback of shares by a company, other than a domestic company	Buyback of specified securities by any company
Company	Subject to additional income-tax @23.296% on distributed income	Not subject to tax in the hands of the company	Not subject to tax in the hands of the company
Shareholder/holder of specified securities	Income arising to shareholders exempt under section 10(34A)	Income arising to shareholder taxable as capital gains u/s 46A	Income arising to holder of specified securities taxable as capital gains u/s 46A

Such additional tax should be paid by domestic company to the credit of the Central Government within 14 days from the date of payment of any consideration for such buyback to the shareholder.

TAXATION OF OTHER ENTITIES

ALTERNATE MINIMUM TAX (AMT) [SECTIONS 115JC TO 115JF]

Applicability of AMT [Section 115JEE(1)]

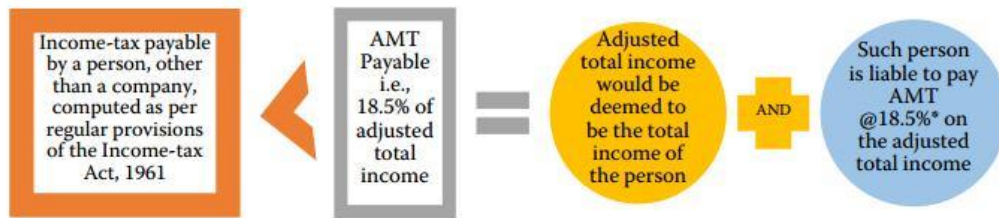
- Any person other than a company, who has claimed deduction
- ◆ under any section (other than section 80P) included in Chapter VI-A under the heading "C – Deductions in respect of certain incomes" or
 - ◆ u/s 10AA or
 - ◆ u/s 35AD

Non-applicability [Section 115JEE(2)]

- The provisions of AMT would not be applicable to
- ◆ an individual, HUF, AoP, BoI or artificial juridical person, if the adjusted total income of such person ≤ ₹ 20 lakhs
 - ◆ a resident co-operative society who has exercised the option u/s 115BAD or section 115BAE
 - ◆ an individual, HUF, AoP, BoI or artificial juridical person who is paying tax under default tax regime u/s 115BAC
 - ◆ a specified fund referred in clause (c) of *Explanation* to section 10(4D)

SARANSH

Assessment of Various Entities



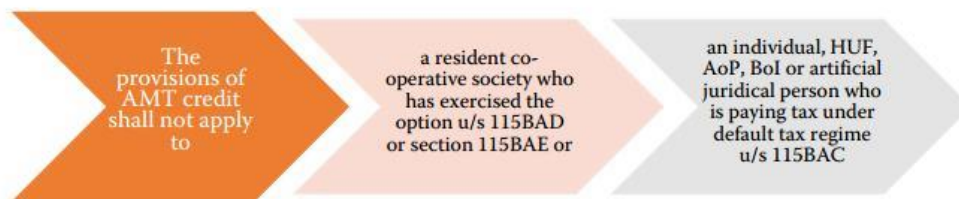
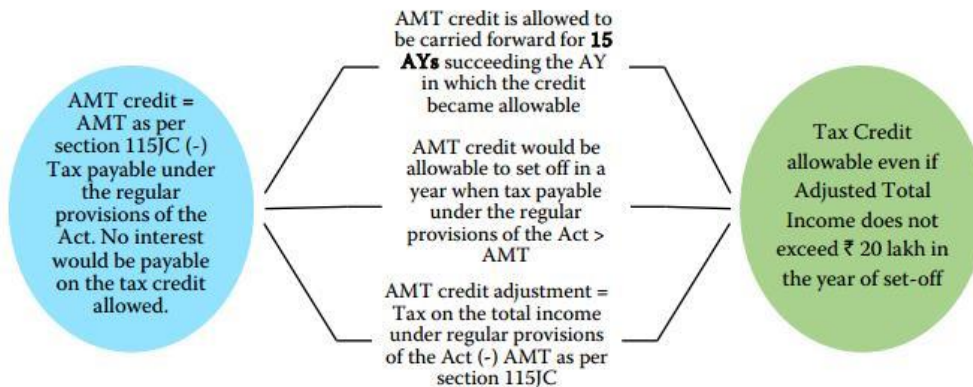
* In case of a person, being a unit located in IFSC and deriving its income solely in convertible foreign exchange, AMT rate would be 9% and in case of co-operative society, AMT rate would be 15%.

Computation of adjusted total income

Total income before giving effect to AMT provisions as increased by the deductions claimed, if any, under



Set off of AMT credit u/s 115JD





LET US RECAPITULATE

Section	Particulars
139(1)	<p><u>Assessees required to file return of income compulsorily</u></p> <p>(i) Companies and firms (whether having profit or loss or nil income);</p> <p>(ii) a person, being a resident other than not ordinarily resident, having any asset (including any financial interest in any entity) located outside India held as a beneficial owner or beneficiary or who has a signing authority in any account located outside India, whether or not having income chargeable to tax;</p> <p>(iii) Individuals, HUF, AOPs or BOIs and artificial juridical persons whose total income before giving effect to the provisions of Chapter VI-A and sections 54, 54B, 54D, 54EC or 54F exceeds the basic exemption limit.</p> <p>(iv) Any person other than a company or a firm, who is not required to furnish a return under section 139(1), who during the previous year –</p> <ul style="list-style-type: none"> - has deposited more than ₹ 1 crore in one or more current accounts maintained with a banking company or a co-operative bank; or - has incurred expenditure of more than ₹ 2 lakh for himself or any other person for travel to a foreign country; or - has incurred expenditure of more than ₹ 1 lakh towards consumption of electricity; or - fulfils such other conditions as may be prescribed <p>Accordingly, the CBDT has notified that any person other than a company or a firm, who is not required to furnish a return under section 139(1) has to file their return of income on or before due date -</p> <p>(i) if his total sales, turnover or gross receipts, as the case may be, in the business > ₹ 60 lakhs during the previous year; or</p>

**PROVISIONS FOR FILING RETURN OF
INCOME AND SELF ASSESSMENT**

8.45

	<p>(ii) if his total gross receipts in profession > ₹ 10 lakhs during the previous year; or</p> <p>(iii) 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, if the aggregate of TDS and TCS during the previous year, in his case, is ₹ 50,000 or more</p> <p>(iv) the deposit in one or more savings bank account of the person, in aggregate, is ₹ 50 lakhs or more during the previous year.</p> <p><u>Due date of filing return of income</u></p> <p>(i) 31st October of the assessment year, in case the assessee (other than an assessee referred to in (ii) below) is:</p> <p>(a) a company;</p> <p>(b) a person (other than company) whose accounts are required to be audited; or</p> <p>(c) a partner of a firm whose accounts are required to be audited.</p> <p>(ii) 30th November of the assessment year, in the case of an assessee including the partners of the firm being such assessee who is required to furnish a report referred to in section 92E.</p> <p>(iii) 31st July of the assessment year, in case of any other assessee.</p>
139(3)	<p><u>Return of loss</u></p> <p>An assessee can carry forward or set off his/its losses provided he/it has filed his/its return under section 139(3), within the due date specified under section 139(1).</p> <p><u>Exceptions</u></p> <p>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.</p>
139(4)	<p><u>Belated Return</u></p> <p>A return of income for any previous year, which has not been furnished within the time allowed u/s 139(1), may be furnished at any time before the:</p>

© The Institute of Chartered Accountants of India

	<p>(i) three months prior to the end of the relevant assessment year (i.e., 31.12.2024 for P.Y. 2023-24); or</p> <p>(ii) completion of the assessment, whichever is earlier.</p>						
139(5)	<p>Revised Return</p> <p>If 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:</p> <p>(i) three months prior to the end of the relevant assessment year (i.e., 31.12.2024 for P.Y. 2023-24); or</p> <p>(ii) completion of assessment, whichever is earlier.</p> <p>Thus, belated return can also be revised.</p>						
234A	<p>Interest for default in furnishing return of income</p> <p>Interest under section 234A is payable where an assessee furnishes the return of income after the due date or does not furnish the return of income.</p> <p>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 –</p> <table border="1"> <thead> <tr> <th>Circumstances</th> <th>Ending on the following dates</th> </tr> </thead> <tbody> <tr> <td>Where the return is furnished after due date</td> <td>the date of furnishing of the return</td> </tr> <tr> <td>Where no return is furnished</td> <td>the date of completion of assessment</td> </tr> </tbody> </table> <p>However, where the assessee has paid taxes in full on or before the due date, interest under section 234A is not leviable.</p>	Circumstances	Ending on the following dates	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
Circumstances	Ending on the following dates						
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						
140A	<p>Self-Assessment tax</p> <p>Where any tax is payable on the basis of any return required to be furnished under section 139, after taking into account –</p> <p>(i) the amount of tax, already paid,</p> <p>(ii) the tax deducted or collected at source</p> <p>(iii) any relief of tax claimed under section 89</p> <p>(iv) any tax credit claimed to be set-off in accordance with the provisions of section 115JD, in case the assessee has exercised</p>						

	<p>the option of shifting out of the default tax regime provided under section 115BAC(1A); and</p> <p>(v) any tax and interest payable as per the provisions of section 191(2)</p> <p>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.</p> <p>Where the amount paid by the assessee under section 140A(1) 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.</p>
<p>139(8A)</p>	<p>Updated Return</p> <p>Any person may, whether or not he has furnished a return under section 139(1) or belated return under section 139(4) or revised return under section 139(5) for that assessment year, furnish an updated return of his 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.</p> <p>The provisions of updated return would not apply, if the updated return of such person for that assessment year –</p> <p>(i) is a loss return; or</p> <p>(ii) has the effect of decreasing the total tax liability determined on the basis of return furnished under section 139(1) or section 139(4) or section 139(5); or</p> <p>(iii) results in refund or increases the refund due on the basis of return furnished under section 139(1) or section 139(4) or section 139(5).</p> <p>No updated return can be furnished by any person for the relevant assessment year, where –</p> <p>(a) an updated return has been furnished by him under this sub-section for the relevant assessment year; or</p> <p>(b) any proceeding for assessment or reassessment or recomputation or revision of income is pending or has been completed for the relevant assessment year in his case; or</p>

	(c) he is such person or belongs to such class of persons, as may be notified by the CBDT.
140B	<p><u>Tax on Updated Return</u></p> <p>Payment of tax, additional tax, interest and fee before furnishing updated return of income if no return is furnished earlier - Where no return of income has been furnished by an assessee and tax is payable, on the basis of updated return to be furnished by such assessee under section 139(8A), the assessee would 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, along with the payment of additional tax computed under section 140B(3), before furnishing the return.</p> <p>The updated return shall be accompanied by proof of payment of such tax, additional income-tax, interest and fee.</p> <p>The tax payable is to be computed after taking into account the following -</p> <ul style="list-style-type: none"> (i) the amount of tax, if any, already paid, as advance tax (ii) the tax deducted or collected at source (iii) any relief of tax claimed under section 89; and (iv) any tax credit claimed to set-off in accordance with the provisions of section 115JD, in case the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). <p>In a case, where no earlier return has been furnished, the interest payable under section 234A has to be computed on the amount of the tax on the total income as declared in the updated return under section 139(8A), in accordance with the provisions of section 140A(1A).</p> <p>Payment of tax, additional tax, interest and fee before furnishing updated return of income if return is furnished earlier</p> <p>Where, return of income under section 139(1) or 139(4) or 139(5) has been furnished by an assessee and tax is payable, on the basis of updated return to be furnished by such assessee under section 139(8A), the assessee would be liable to pay such tax together with interest payable under any provision of this Act for any default or delay in payment of advance tax, along with the payment of</p>

	<p>additional tax computed u/s 140B(3), as reduced by the amount of interest paid under the provisions of this Act in the earlier return, before furnishing the return.</p> <p>The updated return shall be accompanied by proof of payment of such tax, additional income-tax and interest.</p> <p>The tax payable has to be computed after taking into account the following -</p> <ul style="list-style-type: none"> (i) the amount of relief or tax referred to in section 140A(1), the credit for which has been taken in the earlier return (ii) the tax deducted or collected at source, in accordance with the provisions of Chapter XVII-B, on any income which is subject 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 (iii) any tax credit claimed, to set-off in accordance with the provisions of section 115JD, which has not been claimed in the earlier return, in case the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). <p>The aforesaid tax would be increased by the amount of refund, if any, issued in respect of such earlier return.</p> <p>Additional income-tax payable at the time of updated return</p> <p>The additional tax payable at the time of furnishing the updated return under section 139(8A) would be -</p> <ul style="list-style-type: none"> (i) 25% of aggregate of tax and interest payable, as determined above, if such return is furnished after expiry of the time available under section 139(4) or 139(5) and before completion of the period of 12 months from the end of the relevant assessment year; or (ii) 50% of aggregate of tax and interest payable, as determined above, if such return is furnished after the expiry of 12 months from the end of the relevant A.Y. but before completion of the period of 24 months from the end of the relevant A.Y.
<p>139(9)</p>	<p><u>Defective Return</u></p> <p>Where the Assessing Officer considers that the return of income is defective, he may intimate the defect to the assessee and give him an opportunity to rectify the defect within 15 days from the date of</p>

	<p>intimation or within such further period, which, the Assessing Officer may allow in his discretion on an application made by the assessee in this behalf.</p> <p>If the defect is not rectified within such period, the return would be treated as an invalid return. Consequently, the provisions of the Income-tax Act, 1961 would apply as if the assessee had failed to furnish the return.</p> <p>However, where the assessee rectifies the defect after the expiry of 15 days or further period allowed by the Assessing Officer but before the assessment is made, the Assessing Officer may condone the delay and treat the return as a valid return.</p>
234F	<p><u>Fee for default in furnishing return of income</u></p> <p>Where a person who is required to furnish a return of income under section 139, fails to do so within the prescribed time limit under section 139(1), he shall pay, by way of fee, a sum of ₹ 5,000.</p> <p>However, if the total income of the person does not exceed ₹ 5 lakhs, the fees payable shall not exceed ₹ 1,000</p>
139A	<p><u>Permanent Account Number (PAN)</u></p> <p>Quoting of PAN is mandatory in all documents pertaining to the following prescribed transactions :</p> <ol style="list-style-type: none"> in all returns to, or correspondence with, any income-tax authority; in all challans for the payment of any sum due under the Act; in all documents pertaining to such transactions entered into by him, as may be prescribed by the CBDT in the interests of revenue. For example, sale or purchase of a motor vehicle, payment in cash of an amount exceeding ₹ 50,000 to a hotel against a bill or bills at any one time, etc. <p><u>Inter-changeability of PAN with the Aadhaar number</u></p> <p>Every person who is required to furnish or intimate or quote his PAN may furnish or intimate or quote his Aadhaar Number in lieu of the PAN if he</p> <ul style="list-style-type: none"> - has not been allotted a PAN but possesses the Aadhaar number - has been allotted a PAN and has intimated his Aadhaar number to prescribed authority in accordance with the requirement contained in section 139AA(2).

139AA

Quoting of Aadhaar 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 Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted.

Every person who has been allotted PAN as on 1.7.2017 and who is eligible to obtain Aadhaar Number, has to intimate his Aadhaar Number to the prescribed authority on or before 31.3.2022.

If such person has failed to intimate the same on or before 31st March, 2022, the PAN of such person would become inoperative and he would be liable for payment of fee in accordance with section 234H read with Rule 114(5A) i.e., ₹ 1,000.

Where such person who has not intimated his Aadhaar number on or before 31st March, 2022, has intimated his Aadhaar number under section 139AA(2) after 31st March, 2022, after payment of fee specified in section 234H read with Rule 114(5A), his PAN would become operative within 30 days from the date of intimation of Aadhaar number.

The consequences of inoperative PAN would be effective from the date specified by the Board i.e., **1.7.2023** [Circular No. 3/2023 dated 28th March, 2023]

- (5) A return of income would be regarded as defective unless the annexures, statements and columns therein relating to computation of income chargeable under each head of income, gross total income and total income have been duly filled in.
- (6) A return of income u/s 139 would also be regarded as defective if it is not accompanied by proof of payment of taxes, whether by way of advance tax or self-assessment tax.

 **12. FEE FOR DEFAULT IN FURNISHING RETURN OF
INCOME [SECTION 234F]**

Where a person, who is required to furnish a return of income under section 139, fails to do so within the prescribed time limit under section 139(1), he shall pay, by way of fee, a sum of ₹ 5,000.

However, if the total income of the person does not exceed ₹ 5 lakhs, the fees payable shall not exceed ₹ 1,000.

 **13. PERMANENT ACCOUNT NUMBER (PAN)
[SECTION 139A]**

- (1) Sub-section (1) requires 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 –

(1)	(2)	(3)
	Persons required to apply for PAN	Time limit for making such application (Rule 114)
(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 previous year exceeds the maximum amount which is not chargeable to income-tax	On or before 31st May of the assessment year for which such income is assessable

(ii)	Every person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed ₹ 5 lakhs in any previous year	Before the end of that financial year.
(iii)	Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a financial year	On or before 31 st May of the immediately following financial year
(iv)	Every person who is a managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office 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 st May of the immediately following financial year in which the person referred in (iii) enters into financial transaction specified therein.

Further, every person who has not been allotted a PAN and intends to enter into such transaction as prescribed by the CBDT is also required to apply for PAN to the Assessing Officer. Accordingly, Rule 114BA has been inserted to prescribe the following transactions:

	Person required to apply for PAN [Rule 114BA]	Time limit for making application for PAN [Rule 114]
(i)	Every person, who intends to deposit cash in his one or more accounts with a banking company, co-operative bank or post office, if the cash deposit or the aggregate amount of cash deposit in such accounts during a financial year is ₹ 20 lakh or more	At least 7 days before the date on which he intends to deposit cash over the specified limit, i.e., ₹ 20 lakh or more.
(ii)	Every person, who intends to withdraw cash from his one or more accounts with a banking company, co-operative bank or post office, if the cash withdrawal or the aggregate amount of cash	At least 7 days before the date on which he intends to withdraw cash over the specified limit, i.e., ₹ 20 lakh or more.

	<i>withdrawal from such accounts during a financial year is ₹ 20 lakh or more</i>	
(iii)	<i>Any person, who intends to open a current account or cash credit account with a banking company or a co-operative bank, or a post Office</i>	<i>At least 7 days before the date on which he intends to open such account.</i>

- (2) The Central Government is empowered to specify, by notification in the Official Gazette, any class or classes of persons by whom tax is payable under the Act or any tax or duty is payable under any other law for the time being in force. Such persons are required to apply within such time as may be mentioned in that notification to the Assessing Officer for the allotment of a PAN [Sub-section (1A)].
- (3) For the purpose of collecting any information which may be useful for or relevant to the purposes of the Act, the Central Government may notify any class or classes of persons, and such persons shall within the prescribed time, apply to the Assessing Officer for allotment of a PAN [Sub-section (1B)].
- (4) The Assessing Officer, having regard to the nature of transactions as may be prescribed, may also allot a PAN to any other person (whether any tax is payable by him or not) in the manner and in accordance with the procedure as may be prescribed [Sub-section (2)].
- (5) Any person, other than the persons mentioned in (1) or (4) above, may apply to the Assessing Officer for the allotment of a PAN and the Assessing Officer shall allot a PAN to such person immediately.
- (6) Such PAN comprises of 10 alphanumeric characters.
- (7) Quoting of PAN is mandatory in all documents pertaining to the following prescribed transactions [Section 139A(5)]:
 - (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 interests of revenue. In this connection, CBDT has notified the following transactions *vide* Rule 114B, namely:

© The Institute of Chartered Accountants of India

S. No.	Nature of transaction	Value of transaction
1.	Sale or purchase of a motor vehicle or vehicle, as defined in the Motor Vehicles Act, 1988 which requires registration by a registering authority under that Act, other than two wheeled vehicles.	All such transactions
2.	Opening an account [other than a time-deposit referred to at Sl. No.12 and a Basic Savings Bank Deposit Account] with a banking company or a co-operative bank to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act).	All such transactions
3.	Making an application to any banking company or a co-operative bank to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act) or to any other company or institution, for issue of a credit or debit card.	All such transactions
4.	Opening of a demat account with a depository, participant, custodian of securities or any other person registered under section 12(1A) of the SEBI Act, 1992.	All such transactions
5.	Payment to a hotel or restaurant against a bill or bills at any one time.	Payment in cash of an amount exceeding ₹ 50,000.
6.	Payment in connection with travel to any foreign country or payment for purchase of any foreign currency at any one time.	Payment in cash of an amount exceeding ₹ 50,000.
7.	Payment to a Mutual Fund for purchase of its units	Amount exceeding ₹ 50,000

© The Institute of Chartered Accountants of India

**PROVISIONS FOR FILING RETURN OF
INCOME AND SELF ASSESSMENT**

8.27

8.	Payment to a company or an institution for acquiring debentures or bonds issued by it.	Amount exceeding ₹ 50,000
9.	Payment to the Reserve Bank of India for acquiring bonds issued by it.	Amount exceeding ₹ 50,000
10.	Deposit with a banking company or a co-operative bank to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act); or post office	Cash deposits exceeding ₹ 50,000 during any one day.
11.	Purchase of bank drafts or pay orders or banker's cheques from a banking company or a co-operative bank to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act).	Payment in cash of an amount exceeding ₹ 50,000 during any one day.
12.	A time deposit with, - (i) a banking company or a co-operative bank to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act); (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 under section 45-IA of the Reserve Bank of India Act, 1934, to hold or accept deposit from public.	Amount exceeding ₹ 50,000 or aggregating to more than ₹ 5 lakh during a financial year.

© The Institute of Chartered Accountants of India

13.	Payment for one or more pre-paid payment instruments, as defined in the policy guidelines for issuance and operation of pre-paid payment instruments issued by Reserve Bank of India under the Payment and Settlement Systems Act, 2007, to a banking company or a co-operative bank to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act) or to any other company or institution.	Payment in cash or by way of a bank draft or pay order or banker's cheque of an amount aggregating to more than ₹ 50,000 in a financial year.
14.	Payment as life insurance premium to an insurer as defined in the Insurance Act, 1938.	Amount aggregating to more than ₹ 50,000 in a financial year.
15.	A contract for sale or purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956.	Amount exceeding ₹ 1 lakh per transaction.
16.	Sale or purchase, by any person, of shares of a company not listed in a recognised stock exchange.	Amount exceeding ₹ 1 lakh per transaction.
17.	Sale or purchase of any immovable property.	Amount exceeding ₹ 10 lakh or valued by stamp valuation authority referred to in section 50C at an amount exceeding ₹ 10 lakh
18.	Sale or purchase, by any person, of goods or services of any nature other than those specified at Sl. No. 1 to 17 of this Table, if any.	Amount exceeding ₹ 2 lakh per transaction

Minor to quote PAN of parent or guardian

Where a person, entering into any transaction referred to in this rule, is a minor and who does not have any income chargeable to income-tax, he shall quote the PAN of his father or mother or guardian, as the case may be, in the document pertaining to the said transaction.

Declaration by a person not having PAN

Further, any person who does not have a PAN and who enters into any transaction specified in this rule, shall make a declaration in Form No.60 giving therein the particulars of such transaction either in paper form or electronically under the electronic verification code in accordance with the procedures, data structures, and standards specified by the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems).

Non-applicability of Rule 114B

The provisions of this rule shall not apply to the following class or classes of persons, namely:-

- (i) the Central Government, the State Governments and the Consular Offices;
- (ii) the non-residents referred to in section 2(30) in respect of the transactions other than a transaction referred to at Sl. No. 1 or 2 or 4 or 7 or 8 or 10 or 12 or 14 or 15 or 16 or 17 of the Table.

Meaning of certain phrases:

	Phrase	Inclusion
(1)	Payment in connection with travel	Payment towards fare, or to a travel agent or a tour operator, or to an authorized person as defined in section 2(c) of the FEMA, 1999
(2)	Travel agent or tour operator	A person who makes arrangements for air, surface or maritime travel or provides services relating to accommodation, tours, entertainment, passport, visa, foreign exchange, travel related insurance or other travel related services either severally or in package
(3)	Time deposit	Any deposit which is repayable on the expiry of a fixed period.

(14) Quoting and authentication of PAN or Aadhaar number

- (a) Every person entering into such prescribed transactions is required to quote his PAN or Aadhaar number, as the case may be, in the documents pertaining to such transactions and also authenticate such PAN or Aadhaar number in the prescribed manner **[Section 139A(6A)]**.
- (b) Every person receiving such document relating to transactions referred to in (a) has to ensure that PAN or Aadhaar number has been duly quoted in such document and also ensure that such PAN or Aadhaar number is so authenticated **[Section 139A(6B)]**.

Accordingly, Rule 114BB has been inserted to prescribe that every person has to, at the time of entering into a transaction specified in column (2) of the Table below, quote his permanent account number or Aadhaar number, as the case may be, in documents pertaining to such transaction, and every person specified in column (3) of the said Table, who receives such document, has to ensure that the said number has been duly quoted and authenticated:

(1)	(2)	(3)
S. No.	Nature of transaction	Person
1.	Cash deposit or deposits aggregating to ₹ 20 lakhs or more in a financial year, in one or more account of a person with a bank or a co-operative bank or Post Office.	A bank or a co-operative bank or Post Master General of a Post Office.
2.	Cash withdrawal or withdrawals aggregating to ₹ 20 lakhs or more in a financial year, in one or more account of a person with a bank or a co-operative bank or Post Office	A bank or a co-operative bank or Post Master General of a Post Office.
3.	Opening of a current account or cash credit account by a person with a bank or a co-operative bank or Post Office	A bank or a co-operative bank or Post Master General of a Post Office.

Note – Quoting of PAN or Aadhaar number is, however, not required in case where the person depositing money as per Sl. No.1 or withdrawing money as per Sl. No.2 or opening a current account or cash credit account as per Sl. No.3 is the Central Government, the State Government or the Consular Office.

**(17) Penalty for failure to comply with the provisions of section 139A
[Section 272B]**

Section	Default	Penalty
272B(1)	Failure to comply with the provisions of section 139A	₹ 10,000
272B(2)	Failure to quote PAN/Aadhaar number in any document referred to in section 139A(5)(c)	₹ 10,000 for each such default
	Failure to intimate PAN/Aadhaar number as required by section 139A(5A)/(5C)	
	Knowingly quoting or intimating a number which is false	
272B(2A)	Failure to quote PAN/Aadhaar Number in documents referred to in section 139A(6A) or authenticate such number in accordance with the provisions contained therein	₹ 10,000 for each such default
272B(2B)	(i) Failure to ensure that PAN/Aadhaar Number is duly quoted in the documents relating to transactions referred to in section 139A(5)(c) or section 139A(6A)	₹ 10,000 for each such default
	(ii) Failure to ensure that PAN/Aadhaar Number has been duly authenticated in respect of transactions referred to under section 139A(6A)	
Note – It is necessary to give an opportunity to be heard to the person on whom the penalty under section 272B is proposed to be imposed.		

 **14. QUOTING OF AADHAAR NUMBER
[SECTION 139AA]**

(1) Mandatory quoting of Aadhaar Number

Every person who is eligible to obtain Aadhaar Number is required to mandatorily quote Aadhaar Number:

- (a) in the application form for allotment of Permanent Account Number (PAN)
- (b) in the return of income

© The Institute of Chartered Accountants of India

Quoting of Aadhaar Number mandatory in returns filed on or after 1.4.2019 [Circular No. 6/2019 dated 31.03.2019]

As per section 139AA(1)(ii), with effect from 01.07.2017, every person who is eligible to obtain Aadhaar number has to quote Aadhaar number in the return of income.

The Apex Court in a series of judgments has upheld the validity of section 139AA. Consequently, with effect from 01.04.2019, the CBDT has clarified that it is mandatory to quote Aadhaar number while filing the return of income unless specifically exempted as per any notification issued under section 139AA(3) [detailed in point no. (5) in the next page]. Thus, returns being filed either electronically or manually on or after 1.4.2019 cannot be filed without quoting the Aadhaar number.

(2) Mandatory quoting of Enrolment Id, where person does not have Aadhaar Number

If a person does not have Aadhaar Number, he is required to quote Enrolment ID of Aadhaar application form issued to him at the time of enrolment in the application form for allotment of Permanent Account Number (PAN) or in the return of income furnished by him.

Enrolment ID means a 28 digit Enrolment Identification Number issued to a resident at the time of enrolment

(3) Intimation of Aadhaar Number to prescribed Authority

Every person who has been allotted Permanent Account Number (PAN) as on 1st July, 2017, and who is eligible to obtain Aadhaar Number, shall intimate his Aadhaar Number to prescribed authority on or before 31st March, 2022.

Notwithstanding the last date of intimating/linking of Aadhaar Number with PAN being 31.03.2022, it is clarified that w.e.f. 01.04.2019, it is mandatory to quote and link Aadhaar number while filing the return of income, either manually or electronically, unless specifically exempted in cases detailed in point (5) below.

(4) Consequences of failure to intimate Aadhaar Number

If a person fails to intimate the Aadhaar Number, the permanent account Number (PAN) allotted to such person shall be made inoperative after the date so notified in the prescribed manner.

Accordingly, Rule 114AAA specifies the manner of making permanent account number inoperative.

Sub-Rule	Provision
(1)	If a person, who has been allotted PAN as on 1st July, 2017 and is required to intimate his Aadhaar number under section 139AA(2), has failed to intimate the same on or before 31 st March, 2022, <i>the PAN of such person would become inoperative and he would be liable for payment of fee in accordance with section 234H read with Rule 114(5A) i.e., ₹ 1,000³.</i>
(2)	Where such person who has not intimated his Aadhaar number on or before 31 st March, 2022, has intimated his Aadhaar number under section 139AA(2) after 31 st March, 2022, after payment of fee specified in section 234H read with Rule 114(5A), his PAN would become operative within 30 days from the date of intimation of Aadhaar number.
(3)	A person, whose PAN has become inoperative, would be liable for following further consequences for the period commencing from the date as specified under (4) below till the date it becomes operative – <ul style="list-style-type: none"> (i) no refund of any amount of tax or part thereof, due under the provisions of the Act; (ii) interest would not be payable on such refund for the period, beginning with the date specified under (4) below and ending with the date on which it becomes operative; (iii) where tax is deductible at source in case of such person, such tax shall be deducted at higher rate, in accordance with provisions of section 206AA; (iv) where tax is collectible at source in case of such person, such tax shall be collected at higher rate, in accordance with provisions of section 206CC:
(4)	The consequences in (3) above would be effective from the date specified by the Board i.e., 1.7.2023 [Circular No. 3/2023 dated 28 th March, 2023]

³ The fee was ₹ 500 if Aadhaar number was intimated on or before 30.06.2022

Note - It may be noted that as per section 139B(3), an employee of the "specified class or classes of persons" is not authorized to act as a Tax Return Preparer. Therefore, it follows that employees of companies and persons whose accounts are required to be audited under section 44AB or any other law for the time being in force (since they are not falling in the category of specified class or classes of persons), are eligible to act as Tax Return Preparers.

ILLUSTRATION 3

Mrs. Hetal, an individual engaged in the business of Beauty Parlour, has got her books of account for the financial year ended on 31st March, 2024 audited under section 44AB. Her total income for the A.Y. 2024-25 is ₹ 6,35,000. She wants to furnish her return of income for A.Y. 2024-25 through a tax return preparer. Can she do so?

SOLUTION

Section 139B provides a scheme for submission of return of income for any assessment year through a Tax Return Preparer. However, it is not applicable to persons whose books of account are required to be audited under section 44AB. Therefore, Mrs. Hetal cannot furnish her return of income for A.Y.2024-25 through a Tax Return Preparer.

 **16. PERSONS AUTHORISED TO VERIFY RETURN OF INCOME [SECTION 140]**

This section specifies the persons who are authorized to verify the return of income under section 139.

	Assessee	Circumstance	Authorised Persons
1.	Individual	(i) In circumstances not covered under (ii), (iii) & (iv) below	- the individual himself
		(ii) where he is absent from India	- the individual himself; or - any person duly authorised by him in this behalf holding a valid power of attorney from the individual (Such power of attorney should be

© The Institute of Chartered Accountants of India

PROVISIONS FOR FILING RETURN OF INCOME AND SELF ASSESSMENT

8.41

			attached to the return of income)
		(iii) where he is mentally incapacitated from attending to his affairs	- his guardian; or - any other person competent to act on his behalf
		(iv) where, for any other reason, it is not possible for the individual to verify the return	- any person duly authorised by him in this behalf holding a valid power of attorney from the individual, which should be attached to the return of income.
2.	Hindu Undivided Family	(i) in circumstances not covered under (ii) and (iii) below	- the karta
		(ii) where the karta is absent from India	- any other adult member of the HUF
		(iii) where the karta is mentally incapacitated from attending to his affairs	- any other adult member of the HUF
3.	Company	(i) in circumstances not covered under (i) to (vi) below	- the managing director of the company
		(ii) (a) where for any unavoidable reason such managing director is not able to verify the return; or (b) where there is no managing director	} any director of the company or any other person as may be prescribed for this purpose
		(iii) where the company is not resident in India	- the managing director of the company (or) - a person who holds a valid power of attorney

© The Institute of Chartered Accountants of India

			from such company to do so (such power of attorney should be attached to the return).
		(iv)	
		(a) Where the company is being wound up (whether under the orders of a court or otherwise); or	- Liquidator
		(b) where any person has been appointed as the receiver of any assets of the company	- Liquidator
		(v) Where the management of the company has been taken over by the Central Government or any State Government under any law	- the principal officer of the company
		(vi) Where an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016.	- insolvency professional appointed by such Adjudicating Authority
4.	Firm	(i) in circumstances not covered under (ii) below	- the managing partner of the firm
		(ii)	
		(a) where for any unavoidable reason such managing partner is not able to verify the return; or	- any partner of the firm, not being a minor
		(b) where there is no managing partner.	- any partner of the firm, not being a minor

**PROVISIONS FOR FILING RETURN OF
INCOME AND SELF ASSESSMENT**

8.43

5.	LLP	(i) in circumstances not covered under (ii) below	- Designated partner
		(ii) (a) where for any unavoidable reason such designated partner is not able to verify the return; or (b) where there is no designated partner.	- any partner of the LLP or any other person as may be prescribed for this purpose
6.	Local authority	-	- the principal officer
7.	Political party ⁴	-	- the chief executive officer of such party (whether he is known as secretary or by any other designation)
8.	Any other association	-	- any member of the association or the principal officer of such association
9.	Any other person	-	- that person or some other person competent to act on his behalf.

Any other person in case of company and LLP - The CBDT has, vide Notification No. 93/2021 dated 18.8.2021, specified that "any other person" referred to in section 140(c) and 140(cd) for company and LLP, respectively, shall be the person, appointed by the Adjudicating Authority (i.e., National Company Law Tribunal constituted under section 408 of the Companies Act, 2013) for discharging the duties and functions of an interim resolution professional, a resolution professional, or a liquidator, as the case may be, under the Insolvency and Bankruptcy Code, 2016 and the rules and regulations made thereunder.

⁴ Referred to in section 139(4B), which will be dealt with at the Final level.