

Acknowledgement

It gives me immense pleasure to present the **Income Tax Practice Book** For Students of CA-Intermediate, CS- Executive and CMA- Intermediate.

I would like to thank many people who have made this book possible.

First, To my Father, whose teachings and constant support helps me to pursue my professional journey more passionately.

To my mentor, C.A. Ashok Nigam Sir, who introduced me to the Practical World of Chartered Accountancy.

To my mother, who gave me the desire to learn more and opened my eyes to the spiritual World.

To my wife, Jasleen Kaur, for your constant support and love for me and our greatest gift- our son FATEH.

To my students, for your love and faith on me.

This Book is dedicated to you all.

CA JASMEET SINGH ARORA

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Feedbacks!!!



Anshu Chaudhary · 2 days ago

Sr today I'm done wid up mine all concepts of taxation through your videos n notes 🍷
Taxation is one of mine fvrt subject but sr u made it more loveable to me
Thnks alot sr providing your videos n make our concepts more clear n stronger 🗣️
Hope sooo sr i got exemption through ur guidance 🙏🌟

REPLY

0 replies ▾



All the best

Keep it up

Excellent



greeni patel · 4 days ago

Great effort sir. Ur classes r very conceptual nd clear. Thnk u so much

REPLY

0 replies ▾



So nice of you

Keep watching

Always welcome

Action menu



Umesh Khunger · 2 weeks ago

Amazing session, sir ji 😊😓🙏❤️

REPLY

0 replies ▾



Keep watching

Thanks a ton

All the best



Chaitali Trivedi · 2 weeks ago

Sir today after your comment I started with your lectures...and tbh your lectures are refreshing rather than giving burden of studies..thank you so much sir 😊

REPLY

0 replies ▾



1



All the best

Excellent

Glad to hear that



📌 Pinned by CA Jasmeet Singh

shubham pandey 6 months ago

Sir Ur teaching style is very friendly and my conceptual clarity regarding GST is improving. I hope I pass may 20 exams with exemption and make u proud. 🙏



23



REPLY

▾ [View reply](#)



suraj mishra 4 months ago

Thank you thank you so much sir 😊 first of all I want to say that I have no word to appreciate your [efforts](#). It is very helpful to us and more than the excellence. Because it's from study material comprising note. The meaning, examples, presentation, explanation way is best and most accurate. I'm glad to see these all videos. God always bless you and wish that you reach at highest peak point of success. 🙏🙏🙏🙏🙏🙏



Bhumika Rajput 5 months ago

Sir I have been watching the videos the way you have explained it is easy for us to understand and remember Thank you so much sir coz of you it will be easy to pass in exam 🙏



3



REPLY



Gurmeeta Kaur 3 weeks ago

thank u sir once again.... i think u must be habituated for receiving the greetings from people.... smile



REPLY

▾ [View 2 replies from CA Jasmeet Singh and others](#)



ajay gupta 4 months ago

You are having great command over subject..the way you teach seems Gst scoring and easy as weell.We need you kind of thoughts people.. Salute... 🙏🙏🙏

👍 2 🗨️ ❤️ REPLY

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Chapter 1: Residential Status

Residential status of individuals Section 6(1) / 6(6)(a)

S. 6(1), an individual is said to be resident, if he satisfies any one of the following conditions:

- (i) He stays in India for 182 days or more during the relevant previous year
- (ii) He stays in India for 60 days or more and also for 365 days or more during 4 years preceding the relevant previous year.

Note:

1. Period of stay may not be continuous.
2. Date of departure and arrival both shall be considered for stay in india.

Exceptions to the basic condition - Check only 182 days

1. If an Indian Citizen leaves India for the purpose of employment or leaves India as a crew member of Indian Ship
2. If an Indian Citizen or Person of Indian Origin comes to India on a visit from outside India.

S. 6(6), An individual is said to be a resident and ordinarily resident if he satisfies both the following conditions:

- (i) He is a resident in any 2/10 years preceding the relevant previous year, and
- (ii) His total stay in India in the last 7 years preceding the relevant previous year is 730 days or more.

Amendments By FA 2020

1. In case of IC or PIO visiting India, where total income excluding income from foreign sources but including foreign business income whose control is in India exceeds 15 Lakh, shall be NOR if
 - a) Stay during RPY is @least 120 days, and
 - b) Stay during last 4 years is @least 365 days.
2. Deemed Resident S. 6(1A) → Individual Shall be NOR if following conditions are satisfied
 - a) Individual is Indian Citizen
 - b) Total income excluding income from foreign sources but including foreign business income whose control is in India, exceeds 15 Lakh.
 - c) Such person is not paying Tax In any Country due to his domicile, residence or similar nature

Residential status of partnership firm or BOI or AOP S. 6(2)

Resident → C&M is wholly or Partly In India, other wide NR.

Residential Status Of Company S.6(3)

Indian Co. → Always Resident.

Foreign company → Resident if POEM is in India

Residential status of HUF Section 6(2)/6(6)(b).

S. 6(2), an HUF would be resident in India if C&M of its affairs is situated wholly or partly in India. Otherwise, Non- resident.

S.6(6)(b), An HUF is said to be ROR if Karta satisfies both additional conditions, Otherwise NOR

Scope of Total Income or Tax Incidence [Section 5]

Income Accrue or Arise / Deemed To Accrue or Arise	Income Received / Deemed To Be Received	Income
India	India	Indian
India	Outside India	Indian
Outside India	India	Indian
Outside India	Outside India	Foreign

Income	ROR	NOR	NR
Indian	Taxable	Taxable	Taxable
Foreign	Taxable	Non – Taxable Exception : Following Foreign Incomes are Taxable. 1. Business Income – Business Controlled From India. 2. Professional Income – Profession Set Up in india	Non - Taxable

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

- 1. Any income accruing or arising to an assessee in any place outside India whether directly or indirectly**
 - (a) through or from any business connection in India,**
 - (b) through or from any property in India,**
 - (c) through or from any asset or source of income in India or**
 - (d) through the transfer of a capital asset situated in India would be deemed to accrue or arise in India.**

Exception:

- Purchase for export.
 - Collection of news.
 - Shooting of film in India by foreign citizen.
- 2. Income, which falls under the head “Salaries”, deemed to accrue or arise in India, if it is earned in India. Salary payable for service rendered in India would be treated as earned in India.**
 - 3. Income from ‘Salaries’ which is payable by the Government to a citizen of India for services rendered outside India would be deemed to accrue or arise in India. However, allowances and perquisites paid or allowed outside India by the Government to an Indian citizen for services rendered outside India is exempt, by virtue of section 10(7).**
 - 4. Interest on Loan which is used in India.**
 - 5. Royalty from knowledge which is used in India.**
 - 6. Fees from technical services where technical agreement is implemented in India**

Note: If interest, royalty or FTS is payable by Govt. of India then such income deemed to accrue or arise in India whether there is business connection or not.

Chapter 2: Income under head Salaries

Important concepts relating to Salaries.		BASIS OF CHARGE (SECTION 15)		
<p>(1) Employer-employee relationship: Every payment made by an employer to his employee for service rendered would be chargeable to tax as salaries.</p> <p>(2) Full-time or part-time employment: It does not matter whether the employee is a full-time employee or a part time one.</p> <p>(3) Foregoing of salary: Once salary accrues, the subsequent waiver by the employee does not absolve him from liability to income-tax. Such waiver is only an application and hence, chargeable to tax.</p> <p>(4) Surrender of salary: Exempt while computing his taxable income.</p> <p>(5) Salary paid tax-free: This, in other words, means that the employer bears the burden of the tax on the salary of the employee. In such a case, the income from salaries in the hands of the employee will consist of his salary income and also the tax on this salary paid by the employer.</p> <p>(6) Place of accrual of salary: salary earned in India is deemed to accrue or arise in India even if it is paid outside India or it is paid or payable after the contract of employment in India comes to an end.</p>		<p>(i) Section 15 deals with the basis of charge. Salary is chargeable to tax either on 'due' basis or on 'receipt' basis, whichever is earlier.</p> <p>(ii) However, where any salary, paid in advance, is assessed in the year of payment, it cannot be subsequently brought to tax in the year in which it due.</p> <p>(iii) If the salary paid in arrears has already been assessed on due basis, the same cannot be taxed again when it is paid.</p>		
Allowances				
Fully Taxable Allowances				
Following allowances, whether spend or not, is fully taxable.				
Servant Allowance	Fixed Medical Allowance	Meal Allowance	Dearness allowance.	Holiday Home Allowance
Entertainment allowance	Telephone Allowance	Overtime allowance	Overseas allowance	Non-Practising Allowance
Rural allowance	Project allowance. (personal research)	High Cost of living Allowance	Marriage / Family Allowance	City Compensatory Allowance
Fully exempted allowances				
Following allowances are fully exempted from tax:				
<ol style="list-style-type: none"> 1. Allowances paid to Supreme Court and High Court Judges. 2. Any salary or allowance or perquisites paid to the employees of United Nation Organisation. 3. Section 10(7). Any allowances or perquisites paid or allowed by Government of India to Indian citizen for rendering services outside India. 				

Section 10(14) & Rule 2BB. Special Allowance

Part 1: Allowance Amount of expenditure incurred either for official purpose or for specified purpose.

For The Following Allowances, amount Received or actually spent by Employee, whichever is lower shall be exempt from tax

1. Transfer Allowance	2. Helper Allowance	3. Academic Allowance	4. Research & Development Allowance(R & D)
5. Daily Allowance	6. Conveyance Allowance	7. Uniform Allowance	8. Travelling Allowance

Part 2: allowance Amount specified in Income Tax Rules. (Actual Expenditure is ignored.)

<p>(1) <u>Children Education Allowance</u>: exempt upto ₹100 p.m. per child upto two child.</p> <p>(2) <u>Hostel Allowance</u>: exempt upto ₹300 p.m. per child upto two children.</p> <p>(3) <u>Transport Allowance</u>: Fully Taxable. However, if granted to an employee, who is blind or orthopaedically handicapped with disability of lower extremities is exempt upto ₹3,200 p.m.</p> <p>(4) <u>Outstation Allowance</u>: Granted to an employee working in any transport system to meet his personal expenditure. It is exempt to the extent of least of the following:</p> <p style="padding-left: 20px;">(i) 70% of the allowance</p> <p style="padding-left: 20px;">(ii) ₹10,000 p.m.</p> <p>(5) <u>Underground Allowance</u>: Allowance to the employees who are working in the mines. It is exempt upto ₹800 p.m.</p>	<p>(6) <u>Tribal Area Allowance</u>: exempt upto ₹200 p.m</p> <p>(7) <u>Other notified allowances</u>:</p> <p>a) Compensatory modified field area allowance. upto ₹ 1,000 p.m. is exempt.</p> <p>b) Composite field area allowance. upto ₹ 2,600 p.m. is exempt.</p> <p>c) Compensatory field area allowance. upto ₹ 2,600 p.m. is exempt.</p> <p>d) Island Duty allowance. upto ₹ 3,250 p.m. is exempt.</p> <p>e) Counter insurgency allowance. upto ₹ 3,900 p.m. is exempt.</p> <p>f) Special Compensatory highly active field area allowance. upto ₹ 4,200 p.m. is exempt.</p>
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Section 10(13A) & Rule 2a. House Rent Allowance

<p>House rent allowance is exempt to the extent of the least of the following:</p> <p>(i) (Rent Paid – 10% of salary)</p> <p>(ii) 50% of retirement benefit salary in case of Mumbai, Kolkata, Chennai or Delhi.</p> <p style="text-align: center;">Or</p> <p>40% of retirement benefit salary in case of any other place.</p> <p>(iii) House rent allowance received</p>	<p>Meaning of Salary for HRA (also known as Retirement Benefit salary)</p> <p>Basic Salary + DA(If terms of employment so provide) + Commission(Based on percentage of Turnover)</p> <p>Note: If There Is Change In HRA, Salary, Rent Paid and Location of Accommodation, then Exemption shall be computed separately for each Such Change</p>
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Deductions U/S 16

<p style="text-align: center;">Entertainment allowance Section 16(ii)</p> <p>Deduction shall be allowed only in case of government employees under section 16(ii) to the extent of the least of the following:</p> <p>(i) 20% of basic salary</p> <p>(ii) INR 5,000</p> <p>(iii) The actual allowance received by the employee</p>	<p style="text-align: center;">Professional Tax/Employment Tax Section 16(iii)</p> <p>➤ Employee will be allowed to claim deduction if professional tax is paid by him</p> <p>➤ If the amount has been paid by the employer on behalf of the employee, it will be first included in gross salary and subsequently deduction is allowed</p> <p>➤ If the amount is due but not paid, deduction is not allowed</p>
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Standard Deduction.

As per Section 16 (ia) a deduction of fifty thousand rupees or the amount of the salary, whichever is less.

Retirement Benefit

Gratuity		Pension	Leave Encashment														
Employee	Exemption																
Government	Fully Exempt																
Other EE covered under Payment Of Gratuity Act	Least Of Following is Exempt: a) Rs. 20 Lakh b) Gratuity Received c) $15/26 \times \text{Last Drawn Salary} \times \text{CY}$ Note: 1. CY = Completed year or part thereof in excess of 6m 2. Last Drawn Salary = Basic + DA	1. Uncommuted Pension – Fully Taxable 2. Commuted Pension <table border="1"> <tr> <td>Received By</td> <td>Taxability</td> </tr> <tr> <td>Govt. EE</td> <td>Fully Exempt</td> </tr> <tr> <td>Non Govt. EE</td> <td> <u>Gratuity Received</u> $1/3$ of Total Pension is Exempt <u>Gratuity Not Received</u> $1/2$ of Total Pension is Exempt </td> </tr> </table>	Received By	Taxability	Govt. EE	Fully Exempt	Non Govt. EE	<u>Gratuity Received</u> $1/3$ of Total Pension is Exempt <u>Gratuity Not Received</u> $1/2$ of Total Pension is Exempt	Least Of Following Is Exempt: 1. Leave Encashment Received 2. Rs. 3,00,000 3. 10m Average Salary 4. Leave @ credit (in months) x Average Salary Note: 1. Leave @ Credit (In Months) Leaves @ credit(in days) / 30days <table border="1"> <tr> <td>Leaves Available For Completed Year(Max= 30 leaves per Year)</td> <td>xx</td> </tr> <tr> <td>(-) Leaves Availed During Employment</td> <td>xx</td> </tr> <tr> <td>(-) Leaves Encashed During Employment</td> <td>xx</td> </tr> <tr> <td>Leaves @ credit(in days)</td> <td>xx</td> </tr> </table>	Leaves Available For Completed Year(Max= 30 leaves per Year)	xx	(-) Leaves Availed During Employment	xx	(-) Leaves Encashed During Employment	xx	Leaves @ credit(in days)	xx
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(-) Leaves Availed During Employment	xx																
(-) Leaves Encashed During Employment	xx																
Leaves @ credit(in days)	xx																
Other EE Not covered under Payment Of Gratuity Act	Least Of Following is Exempt: a) Rs. 20 Lakh b) Gratuity Received c) $1/2 \times \text{Avg Salary} \times \text{CY}$ Note: 1. CY = Completed year 2. Salary = Basic + DA(RS) + Comm(%) 3. Avg Salary= 10m Avg Salary Immediately Preceding "month" of Retirement	Total Pension = [Commuted Pension / Commutation %]	2. Salary = Basic + DA(RS) + Comm(%) 3. Avg Salary= 10m Avg Salary Immediately Preceding "Day" of Retirement. 4. Leave Encashed During Employment Is Fully Taxable														
Note: Gratuity Received During Employment Is Fully Taxable																	

Retrenchment Compensation S. 10(10B)	Voluntary Retirement Compensation S. 10(10C)
Least of the following is exempt : a) Compensation actually received b) Rs. 5,00,000 c) $15/26 \times \text{Completed years of service and part thereof in excess of 6 months}$	Least of the following is exempt : (i) Compensation received (ii) Rs. 5,00,000 (iii) 3 months' salary x completed years of service (iv) Last drawn salary x remaining months of services left

Provident Fund

Fund	ER Contribution	EE Contribution	Interest Credited	Lumpsum Withdrawal
SPF	EXEMPT	Deduction u/s 80C	Exempt	Exempt
RPF	Exempt Upto 12% of Retirement Benefit Salary	Deduction u/s 80C	Exempt Upto 9.5%p.a	Exempt, If Following Condition Satisfied: 1. 5 years of continuous service with same employer 2. retires before ending 5 years of because of reason beyond the control of the employee;

				3. on cessation of employment with existing ER, accumulated balance in RPF is transferred to his RPF account maintained by the new employer.			
URPF	Not Taxable	No Deduction	Not Taxable	ER Contribution	EE Contribution	Int On EE Cont.	Int On ER Cont.
				Taxable u/h salary	Exempt	Taxable u/h Other Source	Taxable u/h Salary
PPF	Not Applicable	Deduction u/s 80C	Exempt	Exempt			

Taxability of Perquisites

Meaning : Perquisite means facilities or perks given by employer (Non – Monetary Benefit).

Rent Free or Concessional accommodation Section 17(2)(i) Rule 3(1)

	Particulars	Amount								
Step 1	<p>Case 1: Accommodation Is owned by Employer Specified % of Salary</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 30%;">Population</td> <td style="width: 20%;">Upto 10 Lakh</td> <td style="width: 20%;">> 10 Lakh but ≤ 25 lakh</td> <td style="width: 30%;">> 25 Lakh</td> </tr> <tr> <td>Specified %</td> <td>7.5%</td> <td>10%</td> <td>15%</td> </tr> </table> <p>Case 2: Accommodation Is Taken on Rent by Employer Rent Paid by the ER or 15% of Salary – whichever is lower.</p> <p>Case 3: Government Employees (Central or State Government) Licence Fee determined by the Government</p>	Population	Upto 10 Lakh	> 10 Lakh but ≤ 25 lakh	> 25 Lakh	Specified %	7.5%	10%	15%	xx
Population	Upto 10 Lakh	> 10 Lakh but ≤ 25 lakh	> 25 Lakh							
Specified %	7.5%	10%	15%							
Step 2	Add: 10% p.a of Cost Of Asset provided By ER (Asset is owned by ER)	xx								
Step 3	Add: Hire Charges paid by the ER (Asset taken on rent by ER)	xx								
Step 4	Less: Amount Recovered From EE	xx								
	Taxable Value Of Perquisite	xx								
	<p>Meaning of Salary Rent free accommodation salary shall include:</p> <ul style="list-style-type: none"> (i) Basic pay (ii) Dearness Allowance/Dearness Pay. If it forms part of salary for retirement benefits as per service agreement. (iii) Taxable portion of all allowances. (iv) Bonus /Commission /Fees etc. (v) Leave salary (when the employee is in employment) 	<p>It will not include</p> <ul style="list-style-type: none"> (i) Taxable portion of perquisites whether monetary or non-monetary (ii) Taxable portion of provident fund (iii) Any payment after retirement like gratuity/ commuted pension or provident fund etc. (iv) Arrear of salary or advance salary <p>Note: Salary only for the period for which rent free accommodation is provided shall be taken into consideration</p>								

Accommodation provided at two places

If any employee has been transferred and employer has provided him

Accommodation provided in a hotel

Perquisite value shall be 24% of salary or actual expenditure incurred

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accommodation at the new place also, in such cases only one of the accommodation shall be taxable having lower perquisite value but only for a period of 90 days (three months) and thereafter both of the accommodations shall be taxable.	whichever is less. However, Perquisite shall not be taxable if both of the following conditions are satisfied: 1. Hotel accommodation is for a period not exceeding in aggregate 15 days 2. Employee has been transferred from one place to another
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Fringe Benefits under Section 17(2)(viii)

<p>Interest free or concessional loans Rule 3(7)(i) Perquisite = Sum of Monthly Outstanding balance x (SBI Rate – ER Rate) x 1/12 Exception: No perquisite shall be computed in following cases: a) where aggregate amount of all such loan during a particular year is upto Rs.20,000 b) If employer has given loan for treatment of specified disease given under rule 3A, there is no perquisite value</p>	<p>Facility of travelling, touring, accommodation (holiday home) etc. Rule 3(7)(ii) 1. Perquisite value shall be actual expenditure incurred by the employer, reduced by the amount recovered from the employee 2. If the employee is on official tour and any member of his household has accompanied him, perquisite value is amount spent on Family Member 3. If official tour was extended for personal purpose, expenditure for the extended part of the tour shall be taxable</p>						
<p>Free food or refreshment Rule 3(7)(iii) 1. Free refreshments = Exempt. 2. Free meals Perquisite = (Cost of Meal – Amount Recovered). However, Excess over Rs.50 shall be taxable.</p>	<p>Gifts to the employees Rule 3(7)(iv) 1. Cash Gift = Fully Taxable 2. Kind Gift = Exempt Upto Rs 5000 p.a. Credit card facility Rule 3(7)(v) Perquisite Value = Amount spent for personal use of employee. Club facilities Rule 3(7)(vi) Perquisite Value = Amount spent for personal use of employee</p>						
<p>Use of employer's assets by the employees Rule 3(7)(vii)</p> <table border="1"> <thead> <tr> <th>Asset</th> <th>Perquisite</th> </tr> </thead> <tbody> <tr> <td>Laptop / Computer</td> <td>NIL</td> </tr> <tr> <td>Other</td> <td>10% p.a. of actual cost of such asset (or hire charges paid by ER) Less: amount recovered from EE</td> </tr> </tbody> </table>	Asset	Perquisite	Laptop / Computer	NIL	Other	10% p.a. of actual cost of such asset (or hire charges paid by ER) Less: amount recovered from EE	<p>Any other benefit Rule 3(7)(ix) Perquisite = Cost to the employer – Amount Recovered Note: If the employer has provided telephone facility including the mobile phone, it will be exempt.</p>
Asset	Perquisite						
Laptop / Computer	NIL						
Other	10% p.a. of actual cost of such asset (or hire charges paid by ER) Less: amount recovered from EE						

Amendment By FA 2020

<p>The amount or aggregate of amounts of any contribution made a. in a recognised provident fund b. in NPS referred to in section 80CCD(1) c. in an approved superannuation fund by the employer to the account of the assessee, to the extent it exceeds ` 7,50,000 shall be considered as perquisites [Section 17(2)(vii)] Annual accretion by way of interest, dividend or any other amount of similar nature to the balance at the credit of the RPF/NPS/approved SAF which relates to the employer's contribution and included in total income (i.e. on account of the same having exceeded ` 7,50,000)</p>	$TP = (PC/2)*R + (PC1 + TP1)*R$ <p>TP = Taxable Perquisite PC = Amount or aggregate of amounts of employer's contribution in excess of ₹ 7.5 lakh PC1 = Amount or aggregate of amounts of employer's contribution in excess of ₹ 7.5 lakh for previous year 2020-21 TP1 = Aggregate of taxable perquisite under section 17(2)(vii) for previous year 2020-21 R = I / Favg</p>
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Sale Of Movable Asset

Particulars	Amount	Asset	Depreciation
Cost of Asset	-	Computer & Peripherals	50 % WDV
(-) Depreciation	-	Motor Vehicle	20% WDV
(-) Amount Recovered From EE	-	Other Asset	10% SLM
Taxable Value		Note: Depreciation in all cases is charged For Complete Year.	

Medical Facility

In India		Outside India	
Expenses Incurred/ Facility Provided By ER	Treatment	Expenses Incurred by ER	Treatment
In ER Hospital	Exempt	Stay Abroad	Exempt upto Permitted By RBI
In Govt. Hospital	Exempt	Treatment Abroad	Exempt upto Permitted By RBI
In Approved hospital For Specified Disease	Exempt	Travel Abroad	
Health Insurance Premium of EE & Family Member	Exempt	a) GTI > 2L	Fully Taxable
Any other	Taxable	b) GTI ≤ 2L	Fully Exempt

Leave Travel Concession Section 10(5) Rule 2B

Journey Performed By	Maximum Exemption	Notes:
Air	Economy Fare	1. Ceiling on number of journeys: The exemption shall be available to an individual two times in each block of four calendar years. 2. Family , shall include— A. the spouse and children however exemption shall be allowed maximum 2 children but in case of multiple birth after the birth of one child, exemption is allowed for all the children B. wholly or mainly dependent parents, brothers and sisters
Other Than Air	1 st Class AC Fare Of Railway	
Places Not connected By Rail a) Recognised Transport System (RTS) Exist b) No Recognised Transport System (RTS) Exist	Deluxe or First Class Fare of RTS 1 st Class AC Fare Of Railways on the basis of KM Travelled	

Following perquisites are taxable only in the hands of specified Employees

Other Perquisites (Taxable only In Hands Of Specified Employees)

Perquisite Name	Taxable Amount	Perquisite Name	Taxable Amount	
gardener/watchman/sweeper or any other servant	Amount Spent By ER less Amount Recovered. ER business is carriage of goods or passengers – Perq. Shall be Fair Market Value Less Amount Recovered	Gas/Electricity or Water Facility	ER has his own business	Manufacturing cost to the employer
Transport Facilities			Sourced From Third Party	Amount Paid To Third Party
			Amount recovered from EE Shall be Deducted.	

Sweat Equity Share/ESOP	Perquisite = FMV on Exercise Date – Amount Paid by Employee (Taxable in year of Allotment of Shares)	Education Facility	Nature Of Expenditure	Perquisite
	Payments Of Insurance Premium By The Employer		Premium so paid shall be taxable however premium paid for personal accident policy, staff group insurance scheme shall be exempt.	Training of Employees
Education to Family Members;		Fully Taxable.		
Education to Children of Employees		Cost in same locality Exempt = 1000 p.m/child		
Scholarship given to children of the employee → No Perquisite.				
Valuation of Motor Car facility				
Car Owned By ER And Used By EE				
Purpose	Expenses Met By	Perquisite Value		
Official	Employer	Nil		
Partly Official And Partly Personal (Amount Recovered From Ee Is Ignored)	Employer	Small Car- 1800 Pm Big Car- 2400 Pm	If Driver Is Provided- 900 Pm	
Partly Official And Partly Personal (Amount Recovered From Ee Is Ignored)	Employee	Small Car- 600 Pm Big Car- 900 Pm	If Driver Is Provided- 900 Pm	
Personal	Employer	Expenses Incurred Ny Er Including Driver Salary + 10% P.A Of Cost Of Car + Hire Charges Of Car – Amount Recovered From Ee		
Car Owned By EE & Used By EE				
Purpose	Expenses Met By	Perquisite Value		
Official	Employer	Nil		
Partly Official And Partly Personal	Employer	Small Car		Big Car
		Expenses Incurred By Er Including Driver Salary Less: 1800pm+900Pm(For Driver)	Expenses Incurred By Er Including Driver Salary Less: 2400pm+900Pm(For Driver)	
Personal	Employer	Expenses Incurred By Er Including Driver Salary – Amount Recovered From EE		
Other Vehicle				
Purpose	Expenses Met By	Perquisite Value		
Partly Official And Partly Personal	Employer	Expenditure By Employer - Rs. 900 P.M		
More than one motor car is provided to the employee for official/personal use – Any 1 car shall be treated as used for partly official and partly personal purpose and other car(s) shall be treated as used for personal.				

Chapter 3: Income Under The Head House Property

Basis Of Charge	Composite Rent																											
<ol style="list-style-type: none"> 1. Property should consist of any building or land appurtenant thereto 2. Assessee must be the owner or Deemed Owner 3. HP Must be used for any purpose except business or profession of Assessee 4. Annual value of HP held as SIT will also be taxable under this head. However, As per Section 23(5) NAV of HP held as SIT shall be Nil for 2 years from the end of FY in which completion certificate is issued, if Not Let Out for such period. 	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">If let out building and other assets are inseparable</td> <td style="width: 50%;">Taxable either U/H PGBP or U/H other sources</td> </tr> <tr> <td>If let out building and other assets are separable</td> <td> <ol style="list-style-type: none"> 1. letting out of building is taxable U/H HP 2. letting out of other assets Taxable either U/H PGBP or U/H other sources </td> </tr> </table>	If let out building and other assets are inseparable	Taxable either U/H PGBP or U/H other sources	If let out building and other assets are separable	<ol style="list-style-type: none"> 1. letting out of building is taxable U/H HP 2. letting out of other assets Taxable either U/H PGBP or U/H other sources 																							
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Computation of Income Under HP	Calculation Of GAV Sec 23	Municipal Taxes																										
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;">Particulars</th> <th style="width: 20%;">Rs.</th> </tr> </thead> <tbody> <tr> <td>GAV</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Less: Municipal Tax (MT) Paid By Owner</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: right;">NAV</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Less: Standard Deduction u/s 24(a)</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Less: Interest On Capital Borrowed(ICB)</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: right;">Income U/H HP</td> <td style="text-align: center;">-</td> </tr> </tbody> </table>	Particulars	Rs.	GAV	-	Less: Municipal Tax (MT) Paid By Owner	-	NAV	-	Less: Standard Deduction u/s 24(a)	-	Less: Interest On Capital Borrowed(ICB)	-	Income U/H HP	-	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 70%;">1. Fair Rent</td> <td style="width: 30%; text-align: center;">-</td> </tr> <tr> <td>2. Municipal Value</td> <td style="text-align: center;">-</td> </tr> <tr> <td>3. Standard Rent</td> <td style="text-align: center;">-</td> </tr> <tr> <td>4. Expected Rent (Higher of 1 or 2 but restrict to 3)</td> <td style="text-align: center;">-</td> </tr> <tr> <td>5. Actual rent Recd or Receivable</td> <td style="text-align: center;">-</td> </tr> <tr> <td>6. GAV (Higher of 4 or 5)</td> <td style="text-align: center;">-</td> </tr> </tbody> </table>	1. Fair Rent	-	2. Municipal Value	-	3. Standard Rent	-	4. Expected Rent (Higher of 1 or 2 but restrict to 3)	-	5. Actual rent Recd or Receivable	-	6. GAV (Higher of 4 or 5)	-	<ol style="list-style-type: none"> 1. Deducted from GAV if paid by Owner during PY 2. Deductible in PY of Payment even if they relate to past years
Particulars	Rs.																											
GAV	-																											
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5. Actual rent Recd or Receivable	-																											
6. GAV (Higher of 4 or 5)	-																											
Income Of House Lying Vacant For Some Period.	Part (Portion) of the house if Let Out And Other Part(Portion) Is Self Occupied																											
<ol style="list-style-type: none"> 1. Calculate Expected Rent(ER) for whole year 2. Calculate Actual Rent(AR) for Let out period 3. If AR > ER, then GAV = AR. If AR < ER due to vacancy, then GAV = AR. If AR < ER due to other reason, then GAV = ER <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Self Occupied/Unoccupied House Property (For Max = 2 HP)</th> <th style="width: 50%;">Income Of House Let out For Part of the Year & Self Occupied for part of the year</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <ol style="list-style-type: none"> 1. GAV = Nil for 2 houses (Only for Individual/HUF) 2. Deduction of MT Paid shall not be allowed 3. Thus NAV = Nil </td> <td style="vertical-align: top;"> <ol style="list-style-type: none"> 1. Calculate Expected Rent(ER) for whole year 2. Calculate Actual Rent(AR) for Let out period 3. GAV = Higher Of ER Or AR. </td> </tr> </tbody> </table>	Self Occupied/Unoccupied House Property (For Max = 2 HP)	Income Of House Let out For Part of the Year & Self Occupied for part of the year	<ol style="list-style-type: none"> 1. GAV = Nil for 2 houses (Only for Individual/HUF) 2. Deduction of MT Paid shall not be allowed 3. Thus NAV = Nil 	<ol style="list-style-type: none"> 1. Calculate Expected Rent(ER) for whole year 2. Calculate Actual Rent(AR) for Let out period 3. GAV = Higher Of ER Or AR. 	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Let Out (LO) Portion</th> <th style="width: 50%;">Self Occupied Portion</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> Compute income of let out portion normally considering Following: <ol style="list-style-type: none"> 1. ER shall be Computed for the part of property LO. 2. MT Allowed for the part of property LO. 3. ICB shall be Allowed for the part of property LO. (Suppose 60% portion is LO and 40% Is Self Occupied, then above 3 points shall be calculated for 60% only) </td> <td style="vertical-align: top;"> <ol style="list-style-type: none"> 1. GAV = Nil 2. Deduction of MT Paid shall not be allowed 3. Thus NAV = Nil 4. ICB Shall be allowed for the part of property Self Occupied.(Subject To Max 30,000/2,00,000) </td> </tr> </tbody> </table>		Let Out (LO) Portion	Self Occupied Portion	Compute income of let out portion normally considering Following: <ol style="list-style-type: none"> 1. ER shall be Computed for the part of property LO. 2. MT Allowed for the part of property LO. 3. ICB shall be Allowed for the part of property LO. (Suppose 60% portion is LO and 40% Is Self Occupied, then above 3 points shall be calculated for 60% only)	<ol style="list-style-type: none"> 1. GAV = Nil 2. Deduction of MT Paid shall not be allowed 3. Thus NAV = Nil 4. ICB Shall be allowed for the part of property Self Occupied.(Subject To Max 30,000/2,00,000) 																		
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More Than 2 House Self Occupied																												
<ol style="list-style-type: none"> 1. Any 2 Houses Shall be considered as Self occupied and dealt accordingly. 2. Remaining house(s) shall be Deemed to be LO and its GAV Shall be ER. 																												

<p style="text-align: center;">Treatment Of Unrealised Rent</p> <p>Actual rent received/receivable should not include Unrealised rent if Conditions are satisfied: A) Tenancy is bona fide; B) defaulting tenant has vacated HP; (C) defaulting tenant is not in occupation of another HP Of Assessee; (D) Assessee initiated legal steps to recover unrealized rent or satisfy AO that such will be useless</p>	<p style="text-align: center;">Tax liability in respect of arrears of rent / Recovery of Unrealised Rent Section 25A</p> <p>Recovery of unrealized rent or arrears of rent received shall be taxable in the yer of receipt after deduction standard deduction of 305</p>						
<p style="text-align: center;">Statutory Deduction</p> <p>Section 24(a), assessee shall be allowed a notional expenditure equals to 30% of NAV</p> <p style="text-align: center;">Interest On Capital Borrowed</p> <ol style="list-style-type: none"> 1) Pre- Construction Period (From Date Of Loan till the PY preceeding the PY in which construction is completed) – Accumulated Interest is allowed in 5 installments commencing from the year in which construction is completed. 2) Current Year interest (Relevant PY) – Allowed in same previous Year. <p>Note:</p> <ol style="list-style-type: none"> 1. Interest on fresh loan taken to repay original loan is allowed. 2. Brokerage/commission for Arrangement of loan is Not allowed. 3. Interest on unpaid interest is Not allowed 4. If loan is taken from o/s India, Interest is deductible only if TDS is deducted 	<p style="text-align: center;">Co-owned House Property</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%; text-align: center;">Co-owned Property Is Let Out</td> <td style="width: 50%; text-align: center;">Co-owned Property is Self Occupied</td> </tr> <tr> <td style="vertical-align: top;"> <ol style="list-style-type: none"> 1. Calculate income of let out property normally as a single owner. 2. Income so calculated shall be divided between each co-owner on the basis of ownership right. </td> <td style="vertical-align: top;"> <ol style="list-style-type: none"> 1. Calculated for each co-owner separately. 2. NAV= Nil 3. Each co owner is entitlrd for deduction of ICB of Rs.30,000 or Rs.2 lakh respectively. </td> </tr> </table> <p>Remember: If Shares of co-owners are not definite or ascertainable then Income from HP is taxed as Income of AOP.</p>	Co-owned Property Is Let Out	Co-owned Property is Self Occupied	<ol style="list-style-type: none"> 1. Calculate income of let out property normally as a single owner. 2. Income so calculated shall be divided between each co-owner on the basis of ownership right. 	<ol style="list-style-type: none"> 1. Calculated for each co-owner separately. 2. NAV= Nil 3. Each co owner is entitlrd for deduction of ICB of Rs.30,000 or Rs.2 lakh respectively. 		
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<p style="text-align: center;">Restriction of deduction in case of Self Occupied House property</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Situation</th> <th style="text-align: left;">Max. Deduction</th> </tr> </thead> <tbody> <tr> <td>Loan for acquisition or construction of HP taken on/after 1.4.99 & such acquisition or construction is completed within 5 year from end of FY In Which loan is taken</td> <td>Rs. 2 Lakh</td> </tr> <tr> <td>Other Cases</td> <td>Rs. 30,000</td> </tr> </tbody> </table>	Situation	Max. Deduction	Loan for acquisition or construction of HP taken on/after 1.4.99 & such acquisition or construction is completed within 5 year from end of FY In Which loan is taken	Rs. 2 Lakh	Other Cases	Rs. 30,000	<p style="text-align: center;">Following Incomes are Exempt U/H HP</p> <ol style="list-style-type: none"> 1. Income from Farmhouse 2. Property held for charitable or religious purposes. 3. House property used for own business/profession. 4. Income from House property of Registered Trade union/Local Authority.
Situation	Max. Deduction						
Loan for acquisition or construction of HP taken on/after 1.4.99 & such acquisition or construction is completed within 5 year from end of FY In Which loan is taken	Rs. 2 Lakh						
Other Cases	Rs. 30,000						

Deemed Owner	
Transfer of HP to Spouse for Inadequate consideration	Person in possession of a property
Transfer of HP to Minor Child for inadequate consideration	Holder Of Impartible Estate
Member of a Co-operative Society	Lease for 12 years or more

Chapter 4: PROFITS AND GAINS OF BUSINESS OR PROFESSION

S.28 Basis Of Charge	Section 36 Other Deductions									
<ol style="list-style-type: none"> 1. The profit of any business or profession carried at any time during the relevant PY. 2. Export incentives.(Cash assistance/ sale of import licence/ duty drawback) 3. The value of any benefit or perquisite arising from business or Profession (Gift received from customers/client) 4. Any interest, salary, bonus, commission or remuneration, received by a partner of a firm from such firm. 5. Non - competing fees <ol style="list-style-type: none"> a) for not carrying out any activity in relation to any Business b) not sharing any know-how, patent, copyright, trademark, licence, franchise or any other business or commercial right 6. Any sum received by ER under a Keyman insurance policy 7. Income from speculative transaction 8. Amount received in connection with termination or modification of terms and conditions of any Business contracts. 9. If any person has converted any inventory or stock in trade in to a capital asset.(Business Income = FMV on Date of Conversion <p>Note:</p> <ol style="list-style-type: none"> a) Capital Receipts – Not considered as income. Capital Expenditure – Not allowed as deduction. b) The business commences as soon it is set up c) S.29: The income referred to in section 28 shall be computed in accordance with the provisions contained in sections 30 to 43D 	<p>Following expenses are allowed to be debited in profit & Loss Account</p> <ol style="list-style-type: none"> 1. Insurance Premium <ol style="list-style-type: none"> a) Stock (including live stock) b) Medical Insurance of EE(provided not paid in cash) 2. BONUS OR COMMISSION PAID to the Employees [not payable as dividend] 3. Interest On Loan taken for business or profession. However if loan is taken from scheduled bank, Financial institution including NBFC, deduction is allowed subject to section 43B. Note: loan taken for asset – Interest prior to the date asset is put to use is capitalized and depreciation is allowed. 4. ER contribution to <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. Recognized Provident Fund</td> <td rowspan="4" style="width: 20%; text-align: center; vertical-align: middle;">Allowed subject to the provisions of Section 43B i.e. if paid upto RFD</td> </tr> <tr> <td>2. Approved superannuation fund</td> </tr> <tr> <td>3. Approved gratuity fund</td> </tr> <tr> <td>4. Notified Pension Scheme(Max 10% of Salary</td> </tr> </table> 5. EE contribution deducted by the ER from his salary will be allowed, if ER Deposited the amount in relevant account upto the due date in relevant Act. 6. Bad debts written off from the books of accounts – allowed Provision for bad debts not allowed as deduction Bad Debts recovered – Income of recovery year. 7. Family planning Expenditure is allowed to company assessee as follows <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Revenue Expenditure</td> <td style="width: 40%;">Full</td> </tr> <tr> <td>Capital Expenditure</td> <td>In 5 Installments</td> </tr> </table> <p>If Sufficient profit is not available then expenditure(R/C) shall be deducted to the extent of profit available.</p> 8. STT/CTT paid in relation to business shall be allowed. 	1. Recognized Provident Fund	Allowed subject to the provisions of Section 43B i.e. if paid upto RFD	2. Approved superannuation fund	3. Approved gratuity fund	4. Notified Pension Scheme(Max 10% of Salary	Revenue Expenditure	Full	Capital Expenditure	In 5 Installments
1. Recognized Provident Fund	Allowed subject to the provisions of Section 43B i.e. if paid upto RFD									
2. Approved superannuation fund										
3. Approved gratuity fund										
4. Notified Pension Scheme(Max 10% of Salary										
Revenue Expenditure	Full									
Capital Expenditure	In 5 Installments									
Rent, Rates, Taxes, Repairs and Insurance for Buildings [Section 30]										
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Building Used As</th> <th>Expenses Allowed</th> </tr> </thead> <tbody> <tr> <td>Tenant</td> <td>Rent, Current Repairs, Municipal Taxes & Insurance</td> </tr> <tr> <td>Owner</td> <td>Current Repairs, Taxes, Insurance and also Dep (u/s 32)</td> </tr> </tbody> </table>	Building Used As	Expenses Allowed	Tenant	Rent, Current Repairs, Municipal Taxes & Insurance	Owner	Current Repairs, Taxes, Insurance and also Dep (u/s 32)				
Building Used As	Expenses Allowed									
Tenant	Rent, Current Repairs, Municipal Taxes & Insurance									
Owner	Current Repairs, Taxes, Insurance and also Dep (u/s 32)									
Deduction relating to plant, machinery & furniture [Section 31]										
<p>Current Repairs and Insurance related to P/M & Furniture used in business is allowed u/s 31. Rent Paid for P/M & Furniture if taken on hire, shall also be allowed but in S.37.</p>										
<ul style="list-style-type: none"> • Rural Development Programmes S.35CCA – 100% deduction to all assesses. • Expenditure on agricultural extension project S.35CCC - 100% deduction to all assesses. 	<p style="text-align: center;">S.37 General Deduction</p> <p>If expenditure is not covered u/s 30 to 36, such expenditure is allowed u/s 37 subject to following conditions:</p> <ol style="list-style-type: none"> a) Nature of Expenditure – Revenue b) Purpose – Wholly & Exclusively For Business. <p>Note:</p> <ol style="list-style-type: none"> 1. Advertisement in Brochure, tact, pamphlet of political party – Not allowed. 2. Penalty for infringement of law – Disallowed. However, Other Penalty- Allowed 3. Income Tax and wealth tax is not allowed as deduction. However, taxes paid in relation to business shall be allowed like, GST, Excise Duty, Custom Duty etc. <ul style="list-style-type: none"> • Expenditure on skill development project S.35CCD - 100% deduction only To COMPANY. • Expenditure under Voluntary Retirement Scheme S.35DDA – Allowed in 5 Equal Installments 									

Scientific Research S. 35		S. 35 AD Deduction in case of Specified Businesses.	
In-house Research (Research – Related To Business)		1. Specified Business	
Assessee	Expenditure Allowed	1. Cold chain facility	2. Warehouse for agricultural Produce and Sugar
All Assesseees	100% of revenue as well as capital expenditure incurred during the year. However In case of: Exp on acquisition of land – No Deduction. Exp Incurred upto 3 years before the commencement of business shall be allowed in the year of commencement of business.	3. Hotel (2 Star +)	4. Affordable Housing Project & Slum Redevelopment Project
		5. Slurry Pipeline	6. Bee-keeping & Production of Honey & Bee wax
		7. Cross country Pipeline	8. Setting Semiconductor Wafer Fabrication Manufacture unit
			9. Developing/Maintaining/Operating new infrastructure facility
Contribution To Outside Agency (Research – Business Relation not compulsory)		2. Deduction: 100% of capital expenditure except (Land, Goodwill and financial instrument). Also expenses incurred before commencement of business shall be allowed if capitalized in books of accounts.	
donation given to an approved scientific research association	100%	3. However, Any Expenditure for Acquisition of any Asset for which aggregate payment made to A Person in A Day, otherwise than by A/c Payee Cheque/Draft or Electronic clearing system is more than Rs. 10,000 , then such payment Not Eligible for Deduction u/s 35AD	
donation is given to an Indian company approved for the purpose of scientific research or to any approved institution social science or statistical research.	100%	4. Conditions to claim Deduction u/s 35AD:	
Sale of assets used for scientific research Section 41(3)		a) Business Not Formed by Splitting/Reconstruction of Existing Business	
<ul style="list-style-type: none"> <u>Asset Sold Without Being Put to use for business purpose:</u> <ol style="list-style-type: none"> Sale Value ≤ Actual Cost, then sale value is Business Income Sale Value > Actual Cost, then actual value is business income and difference between sale value and actual cost shall be STCG/LTCG depending upon period of holding <u>Asset Sold After Being Put to use for business purpose:</u> Asset will be added to the respective block with NIL value and deducted from the block with sale value 		b) Not Formed by Transfer of Used P&M (However, Used P&M is Allowed upto 20%)	
<u>Carried forward of unadjusted capital expenditure of scientific research</u>		c) Asset must be used in business for 8 AY for which deduction Is claimed u/s 35AD otherwise, in the year of sale or put to use in other business shall be business income which is equals to: PGBP Income = Total Deduction Claimed – Deemed Depreciation.	
If profit before deducting capital expenditure on scientific research is less than capital expenditure on scientific research, then excess capital expenditure is carried forward and allowed as deduction from any income except salary and windfall gains		Amortisation of certain Preliminary Expenses S.35D	
		Indian Company	
		Expense is allowed in 5 installments from year of commencement of business. Expense allowed is higher of	
		1. 5% of cost of project	
		2. 5% of capital Employed.	
		subject to maximum actual Expenditure.	
		Other Resident	
		Expense is allowed in 5 installments from year of commencement of business. Expense allowed is Lower Of	
		1. 5% of cost of project	
		2. Actual Expenditure	

Deductions Not Allowed As Deduction

Payments on Which TDS Provisions Apply

Disallowance will be attracted if any of the following conditions are satisfied:

- a) TDS not Deducted upto last day of Relevant PY
- b) TDS Not deposited with govt. upto return filing date u/s 139(1).

Disallowance shall be:

Section	Payment To	Disallowance
40(a)(i)	Payment to any person O/S India or in India to Non-resident	100%
40(a)(ia)	Payment In India To Resident	30%

Disallowed amount shall be allowed in the year in which TDS is deposited with GOVT

Disallowance in Case of Partnership Firm

1. Interest paid to partners is allowed if mentioned in partnership deed subject to maximum 12%.
2. Remuneration by whatever name called shall be allowed only to working partner and that to subject to maximum of following

Book Profit(BP)	Max. Remuneration
Upto Rs. 3,00,000	90% of BP or Rs. 1.5 Lakh, whichever is higher
Beyond Rs. 3,00,000	60% of BP

Remember: Remuneration Paid by AOP/BOI to its Members [Sec 40(ba)] → Not Deductible

Payment Made To Relatives S. 40A(2)

If A.O is of the opinion that having regard to FMV, payment is excessive or unreasonable, then such excessive or unreasonable payment shall be disallowed.

Employer's contribution to various funds Section 40A(9)

ER contribution to various funds is allowed only if such funds are notified under any Act.

Payment by non specified Mode S.40A(3)

- A Payment or Aggregate of Payments made to A Person in A Day for An Expenditure exceeds Rs. 10,000 (Rs. 35,000 to Transporter for Goods Carriages],
- entire payment shall be disallowed
- if it is made through any mode other than A/C payee cheque/Draft or an Electronic clearing system through bank A/C

Rule 6DD (exception to S.40A(3)) no disallowance for following payments:

1. Payments made to Cultivator, Grower or Producer of agricultural produce & related products etc
2. Payment made to Government, Banks, RBI, LIC
3. Payment to person residing @ place which is not served by bank.
4. Payment made on a day on which Banks were closed.
5. Payment to employee for retirement benefit not exceeding Rs.50,000

Note: .

1. If Expenditure has been allowed as deduction in any earlier PY on accrual basis (if assessee is following accrual basis) & payment for such expenditure has been made in any subsequent PY exceeding Rs. 10,000/35,000 in cash to a person in a day, then such payment shall be deemed to be the income of PY in which payment is made
2. Sec 40A(3) does not Apply for Repayment of Loans. But it applies to interest payments since interest is a deductible expenditure.

Deductibility in respect of provision for Gratuity Fund Section 40A(7)

If provision(contribution) is made towards approved gratuity fund, then such provision is allowed as per S.36 subject to S.43B. However If provision(contribution) is made towards unapproved gratuity fund, then such provision is disallowed under S.40A(7).

S. 43 B – Certain Payments Allowed On Payment Basis

Following Expenses are allowed in the previous year to which they belong, provided they are paid upto Return Filing date u/s 139(1), otherwise deduction shall be allowed in the year of payment

1. Tax, Duty, Cess or Fee (by whatever name called) levied under any law	2. Employer's Contribution to any PF/SF/Gratuity Fund or any recognized fund	3. Interest on any Loan or borrowing from any Bank, Financial Institution including NBFC. (Not any other person)	4. Leave Salary, Bonus/Commission to employees	5. Any Sum Payable to Indian Railways for the use of Railways Assets.
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Compulsory Maintenance Of Books Of Accounts S. 44AA		Compulsory Audit Of Books Of Accounts S.44AB	
Assessee engaged in Specified Professions		Assessee Engaged In	Audit Requirement
Gross receipts exceeds INR 1.5 Lakh in each of the last three PY	Gross receipts doesn't exceeds INR 1.5 Lakh in each of the last three PY	Business	Turnover exceeds 1 Crore
Prescribed Books as per Rule 6f	Necessary books to enable AO to assess the income.	Profession	Gross Receipts exceeds 50 Lakh
Assessee engaged in other profession or Business		Persons covered under S. 44AD, 44ADA,44AE	If such person claims that his income is LOWER than Income computed on Presumptive basis & his Income Exceeds Basic exemption limit.
Required to maintain such books of a/c which will enable ao to compute their taxable income if <u>any</u> of the following conditions are satisfied in ANY ONE of the last 3 PY:		Proviso to Section 44AB(a) Inserted : NO AUDIT Upto 10 Crore Turnover	
	Individual / HUF	Other Assessee	a) If Turnover of assessee is more than 1 crore but upto 10 crore
1. Income exceeds	INR 2.5 Lakh	INR 1.20 Lakh	b) Aggregate of all Amounts received in cash is not more than 5% of total Receipts during the PY, and
2. Turnover exceeds	INR 25 Lakh	INR 10 Lakh	c) Aggregate of all Amounts paid in cash is not more than 5 % of total payments during the year.

Presumptive Scheme Of Taxation

Conditions	S. 44 AD	S. 44ADA	S. 44AE	
Assessee	<ul style="list-style-type: none"> Resident Individual / HUF / Firm (NOT LLP) Engaged in any business other than specified profession , or earning any commission/brokerage income. Turnover ≤ 2 Crore 	<ul style="list-style-type: none"> Resident Individual or Partnership excluding LLP Engaged in Specified Profession as per S.44AA Gross Reciept ≤ 50 Lakh 	<ul style="list-style-type: none"> Persons carrying on business of plying, hiring, & leasing goods carriages Must Not own more than 10 goods vehicle @ anytime during PY. 	
Income	8% of turnover or income declared by assessee, W.E.H. However if assessee has received the payment by Specified mode upto RFD, then on such amount deemed income shall be 6% or more	50% or income declared by assessee, W.E.H	Heavy goods Vehicle (HGV)	Rs 1000/ton per month or part thereof
			Other Vehicle	Rs 7,500 per month or part thereof
Note: Only for the period during which vehicle is owned by Assessee in PY.				

Common Points

<ol style="list-style-type: none"> No Deduction u/s 30 - 38 shall be available. However, Salary & Interest paid by firm to Partner shall be Deducted u/s 44AE only. Audit u/s 44Ab is Not required. Assessee is required to pay advance tax in single installment on 15th March of PY. However assessee covered u/s 44AE shall required to pay advance tax normally 	<ol style="list-style-type: none"> If Assessee claims income lower than presumptive income then assessee is required to maintain BOA u/s 44AA and also get them audited. <p>If an assessee has opted for presumptive income under section 44AD and in the subsequent 5 years he has rejected presumptive income, in that case he will not be allowed to opt for presumptive income for next 5 years. If assessee has rejected the presumptive income, he will be required to maintain any books of accounts and also audit is required</p>
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DEPRECIATION

Conditions to be satisfied for claiming depreciation

- a) Asset must be owned by the assessee, wholly or partly.
- b) Asset must be used for the purpose of business or profession.
- c) Asset must be used during the previous year.

If any of the above condition is not satisfied, depreciation shall not be allowed

Section 2(11): Block of Assets

It means a group of assets falling within a class of assets comprising:

- a) Tangible assets, being building, plant and machinery or furniture
- b) Intangible assets, being know how, patents, copyrights, trademarks etc. in respect of which same rate of depreciation is charged.

a) Building	
• Residential Purpose Building other than Hotel	5%
• Non Residential Purpose Building including Hotel	10%
• Temporary erections	40%
b) Furniture and Fittings	10%
c) Machinery and Plant	
• Motor cars other than used in a business of running them on hire	15%
• Machinery and Plant (General)	
• Ships	20%
• Motor Vehicles used in business of running them on hire	30%
• Aeroplanes	40%
• Computers including computer software	40%
• Books	40%
d) Intangible Assets other than Goodwill	25%

WDV For Charging The Depreciation

Opening WDV	xxx
Add: Assets Put to Use During the previous year	xxx
Less: Consideration received from Selling or discarding any asset during the previous year	(xxx)
Closing WDV Before Depreciation	xxx

On closing WDV before depreciation, compute the depreciation at the rates prescribed for each block

Actual cost

It means,

- a) Actual cost of the asset to assessee, and
- b) It should not include any portion of cost which has been incurred directly or indirectly by anyother person or authority.

Important points to remember

1. If assessee makes a payment or aggregate of payment more than INR 10,000 to a person in a day, by mode other than an A/c payee cheque, A/c payee bank draft or electronic clearing system through bank account, such payment shall be ignored for the purpose of determination of actual cost.
2. Interest paid before commencement of production on amounts borrowed for acquisition and installation of machinery forms the part of actual cost.

Depreciation @ Half Rate

Depreciation will be restricted to 50% of the normal depreciation , if the following conditions are satisfied:

1. Asset is purchased and put to use in the same Year.
2. Period of put to use < 180 days.

When No Depreciation Shall Be Allowed

All the assets of the block are transferred:

In case all the assets in any block are transferred during the previous year then the block shall ceases to exist and no depreciation will be allowed. It can happen in the following two cases:

- a) Sale price > (Op. WDV + Assets purchased during the year),
- b) Sale price < (Op. WDV+ Assets purchased during the year then)

Such excess or deficit shall be treated as short-term capital gain or short – term capital loss as the case may be u/s 50.

Part of block is sold and the sale consideration of assets exceed block Value

- Sale price > (Op. WDV + Assets purchased during the year)
- Although certain assets exist in block, but the WDV of the block shall be reduced to NIL and no Depreciation shall be allowed.
- Excess shall be treated as short-term capital gain.

Section 32(1)(iia): Additional depreciation on new machinery or plant	Depreciation On SLM Basis								
<p>Condition:</p> <p>(i) An assessee is engaged in the business of manufacture or production of any article or thing.</p> <p>(ii) An assessee who is in the business of generation transmission or distribution of power.</p> <p>Assets for which additional depreciation is allowed:</p> <p>Any new machinery or plant which has been acquired and installed. However , additional depreciation shall not allowed for:</p> <p>(i) Ships and aircraft;</p> <p>(ii) Second Hand Plant/Machinery ;or</p> <p>(iii) Any machinery or plant installed office or residential accommodation or office appliances or road transport vehicles;</p> <p>(iv) Any machinery or plant , the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise)</p> <p style="text-align: center;"><u>Rate of additional depreciation</u></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Put To Use \geq 180 days</th> <th>Put To Use < 180 days</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">20%</td> <td style="text-align: center;">10%</td> </tr> </tbody> </table>	Put To Use \geq 180 days	Put To Use < 180 days	20%	10%	<table border="1" style="width: 100%;"> <thead> <tr> <th>Assessee</th> <th>Engaged in Generation, transmission, Distribution of Power</th> </tr> </thead> <tbody> <tr> <td>Time to Exercise</td> <td>Before RFD u/s 139(1) of PY in which they begin to generate power. The option once exercised shall not be reversed.</td> </tr> </tbody> </table> <p>Note: Option of SLM is For Tangible Assets only; For Intangible Assets only WDV is applicable. Depreciation can be charged on tangible assets individually; i.e SLM/WDV whichever is more beneficial.</p> <p style="text-align: center;">Sale of Asset By Assessee Engaged In Power Generation</p> <p>Case 1: Sale Value < Book Value Terminal Depreciation (Dr. to P/L) = Book Value – Sale Value</p> <p>Case 2: Sale Value > Book Value But \leq Actual Cost Balancing Charge(Cr. To P/L) = Sale Value – Book Value</p> <p>Case 3: Sale Value > Actual Cost</p> <ul style="list-style-type: none"> • Balancing Charge(Cr. To P/L) = Actual Cost – Book Value • LTCG/STCG Depending on Period of Holding = Sale Value – Actual Cost <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Depreciation provisions shall apply, whether or not the assessee has claimed the deduction in respect of depreciation in computing his total income</p> </div>	Assessee	Engaged in Generation, transmission, Distribution of Power	Time to Exercise	Before RFD u/s 139(1) of PY in which they begin to generate power. The option once exercised shall not be reversed.
Put To Use \geq 180 days	Put To Use < 180 days								
20%	10%								
Assessee	Engaged in Generation, transmission, Distribution of Power								
Time to Exercise	Before RFD u/s 139(1) of PY in which they begin to generate power. The option once exercised shall not be reversed.								
<p style="background-color: #f2f2f2; padding: 2px;">Section 32(2) : Carry forward and set off of unabsorbed depreciation</p> <p>If Depreciation claim is more than profits before depreciation, then excess depreciation shall be deducted to the extent profits available and excess shall be c/f as unabsorbed depreciation.</p> <p>After C/F Following shall be the order of setoff</p> <p>(i) PY Depreciation</p> <p>(ii) B/f Business Loss</p> <p>(iii) C/F Unabsorbed Depreciation</p>									

Chapter 5: Income Under The Head Capital Gains

Chargeability of capital Gains Section 45(1)		Asset purchased before 01.04.2001																			
Any profits or gains arising from the transfer of a capital asset effected in the previous year shall be deemed to be the income of the previous year in which the transfer took place.		If any capital asset has been purchased or constructed before 01.04.2001, in that case cost of acquisition shall be Higher Of:																			
<p>Capital assets Section 2(14)</p> <p>A. Capital asset" includes all assets Except</p> <p>i) any stock-in-trade</p> <p>ii) Personal movable effects. However, following personal movable assets shall be capital asset— (a) jewellery; (b) archaeological collections; (c) drawings; (d) paintings; (e) sculptures; or (f) any work of art.</p> <p>iii) Rural Agriculture Land.</p> <p>iv) Gold Deposit Bonds</p> <p>B. ULIP issued on or after 1.2.2021 where premium or aggregate premium payable exceed ₹ 2,50,000</p> <p>C. any securities held by a Foreign Institutional Investor</p>		<p>a) Actual Cost of Acquisition.</p> <p>b) FMV as on 1/4/2001.</p> <p>Note: Actual cost is Considered as COA In case of Goodwill/other like assets.</p> <p>Remember:</p> <ul style="list-style-type: none"> COI Shall be Considered only if incurred on/after 1.4.2001 COI by Previous Owner shall also be Considered I In case of Goodwill of Business Its COI shall be Nil. 																			
<p>Types Of Capital Assets</p> <p>Short-term capital asset = Capital asset held by an assessee for not more than 36 months, except in the following cases:</p> <table border="1"> <thead> <tr> <th>Short Term upto 12 Months</th> <th>Short Term upto 24 Months</th> </tr> </thead> <tbody> <tr> <td>(a) Shares Listed in Recognised Stock Exchange;</td> <td>a) Land or Building or both</td> </tr> <tr> <td>(b) A unit of the Unit Trust of India or an equity oriented mutual fund;</td> <td>b) Unlisted Shares</td> </tr> <tr> <td>(c) A zero coupon bond</td> <td></td> </tr> <tr> <td>(d) Any other security listed in a recognized stock exchange in India</td> <td></td> </tr> </tbody> </table>		Short Term upto 12 Months	Short Term upto 24 Months	(a) Shares Listed in Recognised Stock Exchange;	a) Land or Building or both	(b) A unit of the Unit Trust of India or an equity oriented mutual fund;	b) Unlisted Shares	(c) A zero coupon bond		(d) Any other security listed in a recognized stock exchange in India		<p>Section 2(47) Meaning of Transfer</p> <ol style="list-style-type: none"> the sale, exchange or relinquishment of the asset. the extinguishment of any rights therein. Extinguishment covers destruction of the assets. E.g. Termination of a lease; Redemption of preference shares/debentures. the compulsory acquisition of the asset by the Govt. Conversion of asset into stock-in-trade. Possession of any immovable property in part performance of a contract. any transaction which has the effect of transferring, or enabling the enjoyment of, any immovable property. [It is by becoming a member in a co-operative society, company or other association of persons] Maturity or redemption of zero coupon bond. 									
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<p>Computation of Short term Capital Gains & Long Term Capital Gains Section 48</p> <table border="1"> <thead> <tr> <th>Short Term Capital Gain</th> <th>Long Term Capital Gain</th> </tr> </thead> <tbody> <tr> <td>Full Value Of Consideration</td> <td>Full Value Of Consideration</td> </tr> <tr> <td>Less: Transfer Expenses</td> <td>Less: Transfer Expenses</td> </tr> <tr> <td>Net Consideration</td> <td>Net Consideration</td> </tr> <tr> <td>Less: Cost Of Acquisition(COA)</td> <td>Less: Indexed COA</td> </tr> <tr> <td>Less: Cost Of Improvement(COI)</td> <td>Less: Indexed COI</td> </tr> <tr> <td>Gain Before Exemption</td> <td>Gain Before Exemption</td> </tr> <tr> <td>Less Exemption Claimed</td> <td>Less Exemption Claimed</td> </tr> <tr> <td>STCG Taxable</td> <td>LTCG Taxable</td> </tr> </tbody> </table> <p>ICOA /ICOI means the cost adjusted as per cost inflation index ICOA = COA x Inflation Index Of Transfer Year / Inflation Index Of purchase year ICOI = COI x Inflation Index Of Transfer Year / Inflation Index Of improvement year</p>		Short Term Capital Gain	Long Term Capital Gain	Full Value Of Consideration	Full Value Of Consideration	Less: Transfer Expenses	Less: Transfer Expenses	Net Consideration	Net Consideration	Less: Cost Of Acquisition(COA)	Less: Indexed COA	Less: Cost Of Improvement(COI)	Less: Indexed COI	Gain Before Exemption	Gain Before Exemption	Less Exemption Claimed	Less Exemption Claimed	STCG Taxable	LTCG Taxable	<p>Section 47. What is not transfer</p> <p>(i) Gift, will or inheritance of property</p> <p>(ii) Distribution of capital assets on the partition of a Hindu Undivided Family.</p>	
Short Term Capital Gain	Long Term Capital Gain																				
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Gain Before Exemption	Gain Before Exemption																				
Less Exemption Claimed	Less Exemption Claimed																				
STCG Taxable	LTCG Taxable																				
<p>Section 49(1). Deemed cost of acquisition</p> <p>In case the asset is acquired through a mode given in section 47 (Gift to relative or will) then cost of acquisition is cost to the previous owner. Previous owner is the person who acquires the asset by paying the price. Period of holding shall be computed from the date the previous owner acquires the asset.</p>		<p>Treatment Of Advance Money Forefieted</p> <table border="1"> <thead> <tr> <th>Forfeited Before 1.4.2014</th> <th>Reduced from Original COA before Indexation</th> </tr> </thead> <tbody> <tr> <td>Forfeited on/after 1.4.2014</td> <td>Taxable u/h IFOS u/s 56(2)(ix)</td> </tr> </tbody> </table>		Forfeited Before 1.4.2014	Reduced from Original COA before Indexation	Forfeited on/after 1.4.2014	Taxable u/h IFOS u/s 56(2)(ix)														
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Forfeited on/after 1.4.2014	Taxable u/h IFOS u/s 56(2)(ix)																				
<p>No Indexation In Following Cases</p> <ol style="list-style-type: none"> Zero Coupon Bonds Debentures/ Bonds Slump Sale [Section 50B] 																					

Expenditure incurred on transfer of asset. E.g. Brokerage on transfer of asset etc. However STT is ignored	4. Depreciable Assets 5. Long term capital assets specified u/s 112A. [AY 2019-20].
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Capital Gain In Case Of Deemed Transfer

Particulars	Destruction of CA [S. 45(1A)]	Conversion of CA into SIT S. 45(2)	Capital Contribution By Partner S. 45(3)
Sale Consideration	Insurance Compensation	FMV of CA on Date of Conversion	Value of CA recorded in Firm books.
Deemed Transfer	In The PY of Destruction	In The PY of conversion	Year of contribution
Taxability	PY of Receipt of Money	PY in which SIT is sold/transferred & not in PY of Conversion into SIT	PY in which CA is given to firm

Note : in all of the above cases, Indexation (in case of long term Asset) shall be done upto the year of Transfer.

Compulsory Acquisition of Capital Asset S.45(5)		FVC In Case Of Transfer Of Land or building or Both [S.50C]		
Full value Of Consideration	Compensation Fixed	If SDV ≤ 110% Of Sales Consideration		
Taxability	Year in which initial compensation is received. If compensation is received in installments, then also Entire Capital Gain on Total Compensation is taxable in PY of receipt of 1st Instalment	Yes	NO	
Transfer	Year In which asset is compulsorily acquired.	FVC = Actual Sales Consideration		
Indexation	Shall be done upto the year of transfer	FVC = SDV		
Enhanced compensation	Taxable in the year of receipt after deducting litigation expenses.	If Date of agreement and date of registration is different and advance has been received by specified mode at the time of agreement		
		Yes	NO	
		SDV as on 'agreement date' shall be considered	SDV as on 'registration date' shall be considered	
Capital Gain In Case Of Specified Agreement [S.(45(5A))]		If case is referred to valuation officer then following shall be the situations and FVC		
Transaction	Cap. Gain on Transfer of L&B or Both under Specified Agreement	Situation	FVC	
Applicable to	Individual & HUF	Value of VO > SDV	SDV	
Taxability	Year In which completion certificate is received	Value of VO < SDV but > Actual Sales consideration	Value of VO	
Transfer	Date of handing over the possession to real estate developer	Value of VO < Actual Sales consideration	Actual Sales consideration	
FVC	SDV of share in project as on date of receiving completion certificate as increased by money consideration(if any)	COA of self generated assets.		
			COA	COI
		Brand name & Trademark associated with the business or profession	Nil	NA
		Tenancy rights	Nil	NA
		Goodwill of a business or profession	Nil	Nil
		Right to manufacture, produce or process any article or thing, for a consideration (Patent)	Nil	Nil
		Right to carry on any business or profession	Nil	Nil

Consequences of Transfer before Date of Issue of Completion Certificate: Benefit u/s 45(5A) is not available if assessee transfers his share in project on/before issue of completion certificate to any person.
In such case, CG shall arise in the year of such transfer.
In such case, section 45(5A) will not apply and FVC shall be as per S.50C.

Note :

- If the asset is purchased then purchase price is the COA. In case of goodwill of a business or profession on which depreciation is claimed, the cost of acquisition of such goodwill would be the amount of the purchase price as reduced by the total amount of depreciation (upto P.Y.19-20) obtained by the assessee u/s 32(1)
- FMV as on 1-4-2001 is ignored.

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Capital Gain In Case Of Slump Sale [S.50B]		Capital Gain IN Case Of Depreciable Asset
When whole unit is sold at lumpsum without valuing each asset individually is termed as Slump Sale.		All the assets of the block are transferred: In case all the assets in any block are transferred during the previous year then the block shall cease to exist and no depreciation will be allowed. It can happen in the following two cases:
FVC	Higher of: Sales Consideration Received OR FMV of capital asset transferred	c) STCG When Sale price > Block Value
COA	Net worth of unit. However, if any asset has been revalued, then such revaluation shall be ignored	d) STCL When Sale price < Block Value
If unit is sold after holding for more than 36 month, then capital gain shall be long term capital gain otherwise short term capital gain. However, No indexation benefit shall be available even in the case of long term capital gain.		Part of block is sold and the sale consideration of assets exceed block Value STCG When Sale price > Block Value

Capital Gain In Case Of Sale Of Share	
<ul style="list-style-type: none"> ➤ In case of original shares, cost of acquisition shall be the actual cost but if it was purchased before 1/4/2001, cost of acquisition shall be the actual cost or FMV as on 01.04.2001, whichever is higher. ➤ In case of bonus shares, cost of acquisition shall be nil but if bonus shares are issued before 01.04.2001, COA = FMV on 1/4/2001 ➤ In case of right shares, cost of acquisition shall be the amount for which such shares have been purchased. ➤ If right to purchase right shares has been renounced, amount received shall be considered to be short term capital gains. ➤ Cost of acquisition for the right renouncee shall be the amount paid to the person renouncing the right and amount paid to the company. 	<p>Listed Equity Shares Sold Through Recognized Stock exchange and Security Transaction Paid</p> <p>STCG: As per section 111A, such capital gains shall be taxed @ 15%. LTCG: As per section 112A, such capital gains shall be taxed @ 10% in excess of ₹ 1,00,000 and indexation is not applicable also no deduction under chapter VI A is allowed.</p> <p>Cost of Acquisition in case of Capital Gains u/s 112A As per section 55(2) (ac), In case of equity shares or units of equity oriented mutual funds or units of business trust which have been sold w.e.f. 01.04.2018 onwards, cost of acquisition shall be higher of:</p> <ol style="list-style-type: none"> 1. Cost of acquisition 2. Lower of <ol style="list-style-type: none"> (a) Fair market value of such asset on 31.01.2018 (b) Actual sale value

Sec. 45(1B): Capital Gain on ULIP's

Where any person receives, at any time during any PY, any amount, under a ULIP issued on or after 1.2.2021, to which exemption u/s 10(10D) does not apply on account of –

- (i) premium payable exceeding ₹ 2,50,000 for any of the PY's during the term of such policy; or
- (ii) the aggregate amount of premium exceeding ₹ 2,50,000 in any of the previous years during the term of any such ULIP(s), in a case where premium is payable by a person for more than one ULIP issued on or after 1.2.2021, then, any profits or gains arising from receipt of such amount by such person shall be chargeable to income-tax under the head "Capital gains" and shall be deemed to be the income of the such person for the PY in which such amount was received. The income taxable shall be calculated in such manner as may be prescribed (S.112A)

Exemptions						
	S. 54	S.54B	S.54D	S.54 EC	S.54EE	S.54F
Asset Transferred	LT – Residential House Property	Agriculture land (Urban)	L/B – Ind. Und. – Compulsory Acquired	LT – Land/Building	Any LT Capital Asset	Any LT CA Except Residential House Property
Assessee	Individual / HUF	Individual / HUF	Any Assessee	Any Assessee	Any Assessee	Individual / HUF
Investment	New Residential House Property (Note 1)	New Agriculture Land (U/R)	New L/B – Ind. Und.	Specified Bonds	Specified Units	New RHP
Time Limit For Invest.	Purchase – within 1 yr before or within 2 year From transfer date Construct – within 3 years from Transfer Date	Within 2 years from Transfer Date	Within 3 years from Date of Receipt of compensation	Within 6 months from transfer date	Same as 54EC	Same as S.54
Quantum Of Exemption	Lower of (i) Amount Invested (ii) Capital Gain	Lower of (i) Amount Invested (ii) Capital Gain	Lower of (i) Amount Invested (iii) Capital Gain	Lower of (i) Amount Invested (ii) Capital Gain Subject to Max = 50 Lacs	Lower of (i) Amount Invested (ii) Capital Gain Subject to Max = 50 Lacs	$\frac{\text{LTCG} \times \text{Amt Invested}}{\text{Net Consideration}}$
Lock in period of new asset	3 Years. Otherwise LTCG exempted earlier shall be reduced from COA of new Asset	Same as Sec. 54	Same as Sec. 54	5 Years. Otherwise LTCG exempted earlier shall be Taxable in the year in which asset is sold or converted into money	3 Years. Otherwise LTCG exempted earlier shall be Taxable in the year in which asset is sold or converted into money	3 Years. Otherwise LTCG exempted earlier shall be Taxable in the year in which asset is sold
CGAS	Available	Available	Available	Not Available	Not Available	Available

Note 1: If LTCG is less than 2 crore, then assessee can claim exemption for 2 house property. In other cases he can only purchase one house for claiming exemption under this section.

CAPITAL GAINS A/C SCHEME (CGAS):

- If Investment is not made before Due Date of filing of ROI, then to claim exemption assessee can deposit the amount in CGAS if not invested for the specified purpose.
- Such deposit in CGAS should be made before filing ROI or before DD of filing ROI, whichever is earlier.
- If amount deposited is not utilized for specified purpose within stipulated period, then unutilized amount shall be taxed as capital gain of PY in which specified period expires.
- If Individual dies before stipulated period, unutilized amount is not taxable in the hands of legal heirs of deceased individual

Chapter 6: Income Under The Head Other Sources

Basis OF Charge Section 56

- Any income which is not charged under any other head is charged under this head. E.g. Director's Fee, MP's/MLA's salary; Rent from vacant land; Income from sub letting; Interest; Royalty etc
- Following incomes are always charged under this head.
Gifts; Dividend; Lottery income; Rent of Plant; Income from owning and maintaining race horses.

Section 57 Amount expressly allowed as deduction

Expenditure (Revenue) should be incurred wholly and exclusively for earning income u/s 56. E.g. (a) Interest on loan taken for purchase of bond; (b) Collection charges; (c) Contribution towards PF etc

Other Incomes covered Under The Head Other Sources

1. Life insurance maturity proceeds if premium for any year exceeds 10% of assured amount.	2. Family pension less (1/3rd or ₹ 15,000 whichever is lower).
3. Owning & maintaining race horses.	4. Letting of plant & machinery
5. Lottery, Betting, Gambling or any other casual income. No deduction.	6. Composite letting of building + P & M
7. Maturity proceeds of keyman insurance policy Received by Legal Hier.	

Interest On Securities

Security Held As SIT	Income Under The head PGBP
Security Held As Investment	Income Under The head Other Sources

Following Interest incomes are exempt u/s 10(15)

- Interest on Post Office Savings Bank A/c Upto Rs. 3,500 in case of Individual A/c; & Upto Rs. 7,000 in case of Joint A/c.
- Interest on Following post office scheme
(a) Cash Certificates (b) Fixed deposit (c) Cumulative time deposit account (CTD)
- Interest on bonds of IRFCL, NHAI, RECL, PFCL.
- Interest on Gold Deposit Bonds issued u/s Gold Monetization Scheme, 2015.
- Interest from "Tax-Free Pooled Finance Development Bonds"

Casual Incomes

- Taxable @ 30% + SC (if any) + 4% HEC on tax u/s 115BB.
- No deduction for any Expenditure incurred shall be allowed.
- No Deduction under chapter VI-A Shall be allowed and also no loss is allowed to be adjusted with this income.
- Adjustment of unexhausted Basic Exemption Limit is also NOT ALLOWED.

GROSSING UP of Winning from Lottery/Interest on securities:

- If Net Amount is given, it shall be grossed up. Tax will be levied on Gross Income.
- Gross Amount = Net Amount [1 - Tax Rate]%
[Note: If Gross Amount is given, No grossing again]

Interest On Enhanced Compensation

- Taxable in PY of Receipt;
- 50% of Receipt is Deductible u/s 57.
- Hence only 50% amount shall be chargeable to tax.

Inadmissible Deductions U/S 58

- Personal Expenses
 - Excessive Payment to Relative
 - Cash Payment > Rs. 10,000 other than through specified mode.
- Payment on which TDS provisions applicable but TDS not deducted on time or deducted but not deposited on time.

Taxability Of Gift		Dividend	
Case A: Money Gift :		1. Received from domestic company – Fully Taxable	
Aggregate Money Gift Received > 50,000		2. Received from Foreign Company – Fully Taxable.	
Yes	No	3. Dividend Includes Deemed dividend u/s 2(22) (a) to (e)	
Entire Gift Is Taxable	Entire Gift Is Exempt	Note: Expenses Incurred for earning dividend shall not be allowed except interest on loan subject to maximum 20% of dividend income.	
Case B: Gift Of Immovable Property		S. 2(22)(a)	
Without Consideration		Distribution by Company to Shareholder which Releases Company's Asset shall be deemed dividend to the extent of accumulated profits including capitalized Profits	
SDV > 50,000		S. 2(22)(b)	
Yes	No	If any company has distributed Debentures / Deposit certificates to shareholders or bonus shares to preference shareholders it will be considered to be dividend but only to the extent of accumulated profits including capitalized profits	
SDV is Taxable as Gift	Not Taxable	S. 2(22)(c)	
Inadequate Consideration		If any company has distributed any amount to its shareholders in connection with its liquidation, it will be considered to be dividend but only to the extent of accumulated profits and any excess over it shall be considered to be full value of consideration as per section 46 and capital gains shall be computed accordingly.	
(SDV > 110% of Consideration Paid) & Inadequate Amount > 50,000		S. 2(22)(d)	
Yes	No	Any distribution to its shareholders by a company on the reduction of its capital, to the extent to which the company possesses accumulated profits	
(SDV – Consideration) is Taxable as Gift	Not Taxable	S. 2(22)(e)	
Note: 120% in case of Residential Unit fulfilling following conditions		Distribution of Accumulated Profits by Closely Held company by way of ADVANCE/LOAN to	
a) RU Transferred between 12.11.2020 and 30.6.2021		<ul style="list-style-type: none"> Shareholders beneficially holding at least 10% equity shares in the company; Any person on behalf of such shareholders/for benefit of such shareholder; Any CONCERN in which such shareholder has substantial interest; Any CONCERN in which such shareholder is member/partner. 	
b) first time allotment & Consideration upto 2Crores		Exception: Money lending is substantial business of company & loan is given in ordinary course	
Case C: Gift Of Movable Property		Following Payments shall not be treated as Deemed Dividend: (a) Trade Advances in the nature of commercial transactions (b) Payment on Buy-back of shares; (c) Distribution of shares in the scheme of Demerger.	
Without Consideration			
Aggregate FMV > 50,000			
Yes	No		
Aggregate FMV Taxable as Gift	Not Taxable		
Inadequate Consideration			
(FMV - Consideration Paid) > 50,000			
Yes	No		
(FMV - Consideration Paid) is Taxable as Gift	Not Taxable		
Exceptions	2. received under a will or inheritance.	3. received on the marriage of individual.	
1. received from any relative	4. received in contemplation of death of the payer.	5. Received from registered charitable institute	
Meaning Of Relatives			
For Individual			
Spouse/Brother/sister of the Individual	Brother/sister of Spouse of Individual		
Brother/sister of either of Parents of the Individual	Lineal Ascendant/Descendant of the Individual.		
Lineal Ascendant/Descendant of Spouse of the Individual	Spouse of any of the persons referred earlier		
For HUF – Members of HUF are Relatives.			

Chapter 7: Clubbing Of Income

Clubbing of income means Income of other person included in assessee's total income. For example: Income of husband which is shown to be the income of his wife is clubbed in the income of Husband and is taxable in the hands of the husband.

<ol style="list-style-type: none"> 1. Section 60 Transfer of income without transferring the asset 2. Section 61 Transfer of asset through revocable transfer <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>A transfer shall be deemed to be revocable if it contains any provision for the re-transfer directly or indirectly of the whole or any part of the income or assets to the transferor, or it, in any way, gives the transferor a right to re-assume power directly or indirectly over the whole or any part of the income or assets.</p> </div> 3. Section 62 If any person has transferred any asset through a transfer which is not revocable during the life time of the beneficiary, in this case clubbing provision shall not apply. 4. Section 64(1) TRANSFER OF ASSETS TO SPOUSE/SON'S WIFE Without Adequate Consideration – Income Clubbed in hands of Transferor <u>Note:</u> <ol style="list-style-type: none"> a) If there is inadequate consideration, clubbing provisions shall be applicable only with regard to the income relating to inadequate consideration. b) relationship of husband and wife must exist on the date of transfer of the asset and also on the date of accrual of income. c) Income from accretion shall not be clubbed 5. Section 64(1) Transfer of assets to any other person for the benefit of wife or son's wife - Clubbing is done in the hands of transferor. 	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p style="text-align: center;">Asset held by Minor Child Section 64(1A)</p> <ol style="list-style-type: none"> 1. Income which accrues to minor child – Clubbed In the hands of parent whose total income (excluding the income to be clubbed) is higher. 2. If the marriage of the parent does not subsist – Clubbing is done in the hands of parent who maintains the minor child. 3. As per Section 10(32) – Parent shall be entitled to an exemption of maximum of ₹ 1,500 in respect of each minor child 4. No clubbing shall be done in following cases- <ol style="list-style-type: none"> a) Minor child is suffering with disability mentioned u/s 80U b) Earned income from manual labour or through activity involving application of his skill, talent or specialized knowledge and experience </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p style="text-align: center;">Child includes step child, adopted child and minor married daughter.</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p style="text-align: center;">Conversion of self acquired property into common property of HUF</p> <p>Before Partition Of HUF Income derived by HUF from such property shall be Clubbed in hands of transferor.</p> <p>After Partition Of HUF Income from that part of asset which has been received by the spouse and minor child of such person, shall be clubbed in the income of such member.</p> </div> <div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Points To Remember</p> <ol style="list-style-type: none"> 1. No Clubbing on Accretion of Income (Income on Income). 2. Income includes loss and hence Losses are also clubbed. 3. Income is clubbed with the respective head to which it belongs. </div>
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Salary/commission/fee etc. from a concern in which the spouse has substantial interest Section 64(1)

- a) If any person receives remuneration without any proper qualification/ experience/ skill etc. from any concern where spouse have substantial interest – such remuneration is included in the income of spouse having substantial interest.**
- b) If both husband & wife receives remuneration without any proper qualification/ experience/ skill etc. from any concern where both have substantial interest – such remuneration is included in the income of spouse whose total income excluding this remuneration is higher.**
- c) If spouse receiving remuneration is having requisite qualification/experience/skill, then there will be no clubbing.**
- d) Substantial Interest - Substantial Interest: Individual along with his relatives beneficially holds 20% or more Equity shares at any time during PY.**

Relative: Husband, wife, brother, sister or Lineal Ascendant/Descendant of Individual.

Chapter 8: Set Off & Carry Forward Of Losses

Section 70. Set off of loss from one source against income from another source under the same head of income. It talks about losses which can be set off under same heads of income. Also known as Inter source adjustment or Intra-head adjustment.

Section 71. Set off of loss from one head against income from another head. It talks about losses which can be set off with different heads of income. Also known as Inter-head adjustment

Loss	Intra Head Adjustment	Inter Head Adjustment	Carry Forward
House Property	Available	Available But Maximum 2,00,000	8 Assessment Years S 71B
Specified Business Loss u/s 35AD	Specified Business income only	Not available	Till Loss get fully set off S 72
Speculative business loss	Speculative Business Income	Not Available	4 Assessment Years S 73
Non- Speculative Business loss	Available with any income under the head PGBP i.e. 1. Non- Speculative Business loss 2. Specified Business income 3. Speculative Business Income	Available with income under any other head except Salaries	8 Assessment Years S 72
Short Term Capital Loss	Available with a) LTCG b) STCG	Not Available	8 Assessment Years S 74
Long Term Capital Loss	Available with LTCG only	Not Available	8 Assessment Years S 74
Loss from Owning & Maintaining Race Horses	Income from Owning & Maintaining Race Horses	Not Available	4 Assessment Years S 74A
Any other loss under the head other sources	From any income under the head other sources except casual income	Available with income under any other head	Not Allowed

Points To Remember:

- Loss from Agriculture cannot be set off from incomes of other heads. Similarly loss of other heads cannot be set off from Agriculture Income. Loss from agriculture can be set off only from agricultural income and carry forward is allowed for 8 years and in subsequent years also it can be set off from agriculture income.
- No loss can be set off against the profit from winnings from races, lotteries, crossword puzzles, etc

3. Rules for set off of unabsorbed depreciation:

- The unabsorbed depreciation can be set off with any head's of income except casual income and salary income. But it shall be first set off with Business Income.
- The unabsorbed depreciation can be carried forward for indefinite period.
- The return of loss even if not filed in time, unabsorbed depreciation is allowed to be carried forward.

Chapter 9: Deductions from Gross Total Income

Deduction is allowed from Gross Total Income. If GTI is less than deduction then, deduction is restricted to the amount of GTI.		No Deduction is allowed from STCG u/s 111A , LTCG u/s 112, LTCG u/s 112A and casual income.	
Section 80 C	Deduction In Respect of Certain Payments / Investments	Deduction in respect of contribution to Pension Scheme of Central Government Section 80CCD	
Assessee	Individual / HUF	Assessee	Individual
Deduction	Amount Invested or Rs. 1.5 lacs – Whichever is lower	EE's Contribution (80CCD(1)) (Assessee Contribution)	Amount Contributed (Max = 10% of retirement benefit salary)
Payment Is Made Towards		ER Contribution 80CCD(2)	1. Amount contributed by ER is Added to Gross Salary 2. Also Deduction is allowed equals to 10% of retirement benefit salary
a)	Life Insurance Policy for self, spouse & child. Subject to a maximum of 10% of the actual capital sum assured.(15% for person who is a person with disability as referred to in section 80U or suffering from disease as specified in section 80DDB) In respect of policy issued before 01.04.2012, 10% shall be taken as 20%	In Case of Self Employed ((Assessee Contribution)	
b)	Contribution made in Unit Linked insurance Plan (ULIP) of UTI or mutual fund registered in India (self, spouse and any child or any member of HUF)	Deduction shall be allowed for such contribution but maximum to the extent of 20% of gross total income.	
c)	Investment in fixed deposit for a period of 5 years or more	Additional Deduction 80CCD(1B)	An additional deduction of upto ₹ 50,000 over and above ₹ 1,50,000 is allowed to an individual
d)	Invested in five year post office time deposit account	S. 80 CCE	
e)	Contribution by individual to SPF / RPF.	Maximum deduction allowed under section 80C + 80CCC + 80CCD(1) shall be Rs.1,50,000	
f)	Contribution made by individual or HUF to 15-year PPF (self, spouse and any child or any member of HUF)	Note: ER Contribution u/s 80CCD(2) and Additional Deduction u/s 80CCD(1B) is not covered u/s 80CCE. In other words, these are allowed separately to assessee.	
g)	Deduction shall be allowed if amount has been invested in National Saving Certificate (NSC). Interest accrued shall be income under the head other sources also deduction is allowed for such interest u/s 80C. However, no deduction shall be allowed for Interest accrued in last year.	Deduction In Respect of Family Insurance Premium S. 80D	
h)	Repayment of Housing Loan	Assessee	Individual / HUF
i)	Payment of tuition fees (maximum two children and it should be whole time education)	Payment Made For	1. Health insurance premium 2. Contribution in Central Govt. Health Scheme 3. Preventive Health Checkup (PHC)
j)	Senior Citizens Savings Scheme.	Deduction	
k)	Investment in Sukanya Samridhi Account.	Self / Spouse/ dependant Children	Amount paid Subject to max 25,000.(Including PHC) (In case of Resident Senior Citizen max ₹ 50,000)
l)	Contribution to any notified pension fund set up by the National Housing Bank or Mutual fund or UTI	Parents (dependent / Not dependent)	Amount paid Subject to max 25,000.(Including PHC) (In case of Resident Senior Citizen max ₹ 50,000)
Section 80 CCC		Deduction in respect of contribution to certain pension Funds	
Assessee	Individual	In case of Resident senior citizen, Deduction of ₹ 50,000 is allowed in case of medical expenditure even if no insurance premium is paid	
1.	Deposit is to be made in any	Maximum Deduction for Preventive Health-Check up of Family & Parents is Rs. 5,000 which is included in overall limit of Rs.25,000 / Rs. 50,000	
(a)	Pension plan of Life Insurance Corporation (LIC) also known as annuity scheme; or	No Deduction is allowed for the payment of premium made in cash. PHC payment can be made by any mode.	
(b)	Pension Plan of any other Private Insurer as approved by Controller of Insurance.		
2.	Maximum Deduction allowed under this section is Rs. 1,50,000.		

S. 80DD	Deduction in respect of maintenance of disabled dependant	S. 80QQB	Deduction in respect of royalty income, etc., of authors of certain books other than text books
Assessee	Resident individual / HUF	Assessee	Resident individual
Deduction	Rs.75,000 irrespective of the expenditure (Rs. 1,25,000 in case of severe disability)	Deduction	Royalty income or Rs.3,00,000 whichever is less. However, Royalty received in excess of 15% of the value of books sold during the previous year shall be ignored
Dependant	For Individual Spouse, children, parents, brothers and sisters who are dependant on the individual For HUF - Any member of the Hindu Undivided Family	Royalty from Foreign Country: Deduction allowed if Royalty brought to India within 6 Months from the end of previous year	
S. 80DDB	Medical treatment of specified disease	S. 80RRB	Deduction in respect of royalty on patents
Assessee	Resident individual / HUF	Assessee	Resident individual
Expenditure	Treatment of disease specified in the rule 11DD	Deduction	Royalty income or Rs.3,00,000 whichever is less.
Incurred On	For Individual - Himself or a Dependant person. For HUF- Any member dependant on the Hindu Undivided Family	Royalty from Foreign Country: Deduction allowed if Royalty brought to India within 6 Months from the end of previous year	
Deduction	Amount incurred or Rs.40,000 whichever is less. For senior citizen - Amount incurred or Rs.1,00,000 whichever is less.	S.80TTA	Deduction in respect of interest on deposits in savings account
S.80E	Payment of interest on loan taken for Higher Education	Assessee	Individual / HUF
Assessee	Individual	Deduction	1. interest income on saving bank accounts with any bank/ Post Office. 2. Deduction is allowed to the extent of Rs.10,000. 3. No deduction is allowed from interest on time deposit/ fixed deposit.
Deduction	Payment of interest on loan taken by him from any financial institutions for pursuing higher education	As per section 10(15), Interest on Post Office Savings Bank Account to the extent of Rs.3,500 per year shall be exempt from income tax and in the case of joint account, exemption shall be allowed upto Rs.7,000 per year.	
Education of	self or spouse or children or any person for whom the assessee is legal guardian	S.80TTB	Deduction in respect of interest on deposits
No deduction shall be allowed for repayment of the principal loan amount		Assessee	Senior Citizen
Deduction is allowed for a maximum period of 8 years starting from the year in which first payment of interest was given		Deduction	Interest Income subject to maximum Rs. 50,000
S.80EEA	Deduction in respect of interest on loan taken for certain house property.	Deposit	Saving, fixed, time, recurring or any other deposit.
Assessee	Individual	S. 80GG	Deduction in case of payment of rent
Deduction	Interest payable on loan taken from any financial institution for acquisition of a residential house property. (Max deduction = 1.5 Lacs)	Assessee	Individual (Must Not be receiving HRA/RFAC)
Conditions	1. Loan has been sanctioned during 1/4/19 – 31/3/22 2. SDV ≤ 45 Lakh. 3. Assessee doesn't own any RHP on the date of loan sanction	Deduction	Lower Of Following 1. Rs. 5,000 Per Month 2. 25% of Adjusted GTI 3. Rent paid - 10% of Adjusted GTI Adjusted GTI Means GTI as reduced by LTCG & STCG u/s 111A & All Deductions except 80GG
S.80EEB	Deduction in respect of interest on loan taken for purchase of electric vehicle	Conditions	<ul style="list-style-type: none"> Individual should not have any house in his name or spouse name or minor child name or in the name of HUF of which he is a member, at a place where he ordinarily resides or performs duties of his office or carries on his business or profession assessee may have house at any other place but it should not be self occupied i.e. it may be let out or vacant
Assessee	Individual		
Deduction	Interest payable on loan taken from any financial institution for purchase of electric vehicle. (Max deduction = 1.5 Lacs)		
Conditions	Loan has been sanctioned during 1/4/2019 – 31/3/2023		

S. 80GGB	Deduction in respect of contributions given by companies to political parties	S. 80GGC	Deduction in respect of contributions given by Any Person to political parties
Assessee	Indian Company	Assessee	Any Person other than company
Deduction	Sum contributed to political party other than through cash	Deduction	Sum contributed to political party other than through cash

Deduction in respect of donations to certain funds, charitable institutions etc. [Section 80G]

1. Deduction is available to all the assesses for donation made to eligible funds or institutions
2. Donations in kind shall not qualify for deduction.
3. No deduction shall be allowed in respect of donation of exceeding Rs. 2,000 unless such sum is paid by any mode other than cash.
4. Quantum of deduction:

There are four categories of deductions:

Category 1: Donation qualifying for 100% deduction, without any qualifying limit

- (1) The National Defence Fund set up by the Central Government
- (2) Prime Minister's National Relief Fund.
- (3) Prime Minister's Armenia Earthquake Relief Fund
- (4) The National Children's Fund
- (5) The National Foundation for Communal Harmony
- (6) Approved University or educational institution of national eminence
- (7) Chief Minister's Earthquake Relief Fund, Maharashtra
- (8) Any Zila Saksharta Samiti
- (9) Any State Government Fund set up to provide medical relief to the poor
- (10) The Army Central Welfare Fund or Indian Naval Benevolent Fund or Air Force Central Welfare Fund established by the armed forces of the Union for the welfare of past and present members of such forces or their dependents.
- (11) The National Illness Assistance Fund
- (12) The Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund in respect of any State or Union Territory
- (13) The National Sports Fund set up by the Central Government
- (14) The National Cultural Fund set up by the Central Government
- (15) The Fund for Technology Development and Application set up by the Central Government
- (16) The Swachh Bharat Kosh
- (17) The Clean Ganga Fund
- (18) The National Fund for Control of Drug Abuse

Category 2: Donation qualifying for 50% deduction, without any qualifying limit

- (1) The Jawaharlal Nehru Memorial Fund
- (2) Prime Minister's Drought Relief Fund
- (3) Indira Gandhi Memorial Trust
- (4) Rajiv Gandhi Foundation

Category 3: Donation qualifying for 100% deduction, subject to qualifying limit

- (1) The Government or to any approved local authority, institution or association for promotion of family planning
- (2) Sum paid by a company as donation to the Indian Olympic Association or any other association/institution established in India.

Category 4: Donation qualifying for 50% deduction, subject to qualifying limit.

- (1) Any Institution or Fund established in India for charitable purposes
- (2) The Government or any local authority for utilisation for any charitable purpose other than the purpose of promoting family planning
- (3) An authority constituted in India by or under any other law enacted either for dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or both
- (4) Any Corporation established by the Central Government or any State Government for promoting the interests of the members of a minority community.
- (5) for renovation or repair of Notified temple, mosque, gurdwara, church or any other similar place

Qualifying limit: The eligible donations referred to in III and IV should be aggregated and the sum total should be limited to 10% of the adjusted gross total income

Adjusted GTI Means GTI as reduced by LTCG & STCG u/s 111A & All Deductions except 80G

S. 80JJAA Deduction in case of new employment

Assessee	All Assessee's whose accounts are required to be audited
Deduction	equal to 30% of additional employee cost incurred. Deduction is allowed for 3 assessment years including the assessment year in which such employment is provided.
Conditions	<ol style="list-style-type: none"> 1. It should be a new business 2. Emoluments should be paid through account payee cheque, an account payee bank draft or by use of electronic clearing system 3. Additional employee" means an employee who has been employed during the previous year and whose employment has the effect of increasing the total number of employees employed by the employer as on the last day of the preceding year, but does not include,— <ol style="list-style-type: none"> (a) an employee whose total emoluments are more than twenty-five thousand rupees per month; or (b) an employee employed for a period of less than two hundred and forty days during the previous year. (c) an employee who does not participate in the recognised provident fund. <p>In the case of an assessee who is engaged in the business of manufacturing of apparel or footwear or leather products, 240 days shall be taken as 150 days.</p>

Chapter 10: Tax Deduction @ Source

Deduction of Tax at Source with regard to Salary Income Section 192

- Every person making payment of salary income to resident or non-resident shall deduct tax at source and for this purpose the employer shall estimate tax liability of the employee and tax so estimated shall be deducted in 12 monthly equal installments.
- If any person is working with two or more employers, in that case he should submit the particulars of his salary income from all the employers to one of the employer who will deduct tax at source taking into consideration income from all employers
- If any employee has income under any other head, the employee shall be allowed even to report such incomes to the employer and the employer shall take it into consideration. If employee has loss under the head house property, he shall be allowed to report such loss to the employer. The employee shall be required to give proof.
- For taxability of Salary under new concessional rates (Section 115BAC), employee to intimate employer of intention to opt for new concessional rates. Intimation so given will be applicable for the year & can't be modified.

Deduction of tax at source in case of payment from recognized provident fund Section 192A

The person responsible for making payment of recognized provident fund to any person shall deduct tax at source if the amount to be paid is taxable and tax shall be deducted at source @ 10% provided the amount paid or payable during a particular year is `50,000 or more.

Payments received from recognised provident fund shall be exempt from income tax if the employee has complied with any of the conditions given below:

- If the employee has rendered continuous service for a period of 5 years or more, or
- If he has not rendered such continuous service, the service has been terminated by reason of the employee's ill-health, or by the contraction or discontinuance of the employer's business or other cause beyond the control of the employee, or
- If the employee obtains employment with any other employer and the provident fund has been transferred to such employer and the total service with the former employer and the current employer is of 5 years or more.

If the employee has not complied with any of the above condition, then amount received by him shall be taxable but to the extent it was exempt earlier.

Section	Deductor	Rate	Non-Applicability
S.193 Interest on Securities	Company or Govt.	10%	(a) 7 Years NSC; (b) National Development/Defence Bond; (c) 54EC Bonds: PFCL & IRFCL; (d) CG/SG Securities (e) Listed DEMAT Securities; (g) Payable to LIC/GIC/Insurance co. (f) Interest on Debentures of Public Co. to Resident Ind/HUF by A/c payee cheque in FY ≤ 5K. Note: TDS Shall be deducted on 8% saving (taxable) bonds & 7.75% Savings (Taxable) Bonds if interest > Rs. 10,000
S. 194 Dividend (including dividends on preference shares)	Principal Officer of domestic company	10%	No TDS If dividend is upto 5,000 in a F.Y. by any mode other than cash
S.194A Interest other than "Interest on securities"	All person except Ind/HUF*	10%	1. Interest Paid by Bank/Post Office not exceeding Rs. 40,000 (Rs. 50,000 for Resident Senior Citizen) Limit of 40K/50K → Branch wise; However, if CBS exist, limit of 40K/50K is for Whole bank (All Braches) 2. Other Interest not exceeding Rs.5,000 3. Interest on loan given to banks.

			<ol style="list-style-type: none"> 4. Interest paid by firm to its partners. 5. Exempted interest u/s 10(15) 6. Interest paid by primary agricultural credit society on deposits made with them. 7. Interest on tax refund by Government 8. Interest on Zero Coupon Bonds 								
S.194B Winning from Lottery/crossword puzzles S.194BB Winning from horse race	Any person	30%	No TDS if winnings is upto Rs. 10,000.								
S.194C Payment to contractor. Works / labour contract ; Advertising contract, Catering, TV, Transporters, Job Work.	All person except ind/ HUF*	<table border="1"> <tr> <th>Payee</th> <th>Rate</th> </tr> <tr> <td>Ind HUF</td> <td>1%</td> </tr> <tr> <td>Other</td> <td>2%</td> </tr> </table>	Payee	Rate	Ind HUF	1%	Other	2%	<ol style="list-style-type: none"> 1. If Single payment is upto Rs. 30,000 & Aggregate payment upto Rs. 1,00,000 during FY. 2. Personal contract. 3. Payment to contractor in transport business owning ≤ 10 trucks during FY & furnishes PAN <p>Note: If No PAN Is provided by deductee, Rate of TDS →20%</p>		
Payee	Rate										
Ind HUF	1%										
Other	2%										
S.194D Insurance Commission	Any person	5%	Commission/remuneration/reward is upto Rs. 15,000.								
S.194DA Life insurance maturity proceeds	Any person	5% of Income received	<ol style="list-style-type: none"> 1. Amount Received < 1,00,000 2. Amount Exempt u/s 10(10D) 3. Keyman insurance policy. 								
S.194E Payment to Non Resident Sportsman	Any Person	20.8%	Always Deducted								
S.194EE National Saving scheme	Any Person	10%	<ol style="list-style-type: none"> 1. Payment made to legal heirs of a deceased depositor 2. Amount paid < 2,500 								
S.194G Commission on Sale of lottery	Any Person	5 %	Amount paid is upto Rs. 15,000								
S.194H Commission or brokerage other than share brokerage	All person except ind/ HUF*	5%	Amount paid is upto Rs. 15,000								
S.194I Rent of L&B, P&M, F&F	All person except ind/ HUF*	<table border="1"> <tr> <td>P&M</td> <td>2%</td> </tr> <tr> <td>Bldg</td> <td>10%</td> </tr> <tr> <td>F&F</td> <td>10%</td> </tr> </table>	P&M	2%	Bldg	10%	F&F	10%	<ol style="list-style-type: none"> 1. Rent paid is upto Rs.2,40,000 2. Rent paid to Govt / Local authority / RBI 		
P&M	2%										
Bldg	10%										
F&F	10%										
S.194IA Transfer of Immovable Property (Except Agriculture land)	Any person (buyer)	1% (No PAN→MMR)	Amount Paid < 50 Lakhs								
194IB Rent	Ind / HUF not Covered u/s 44AB	5%	<p>Rent Paid is upto Rs.50,000 p.m.</p> <p>Important:</p> <ul style="list-style-type: none"> • TDS is deducted on Last month of FY or in the month of vacating HP. • TDS u/s 194 IB shall not exceed Rent for last month of PY/Tenancy 								
S.194IC Specified Agreement 45(5A)	Any person	10%	Always Deducted								
S.194J Fees for technical service; Professional Fees; Royalty; Non-Compete Fee; Director's Remuneration	All person except ind/ HUF*	<table border="1"> <tr> <th>Payee</th> <th>%</th> </tr> <tr> <td>Call Center</td> <td>2%</td> </tr> <tr> <td>FTS/ Royalty for Cinem. Films</td> <td>2%</td> </tr> <tr> <td>Other</td> <td>10%</td> </tr> </table>	Payee	%	Call Center	2%	FTS/ Royalty for Cinem. Films	2%	Other	10%	<p>Amount paid is upto Rs.30,000 each in the case of Fees for technical service; Professional Fees; Royalty; Non-Compete Fee.</p> <p>Note: No Limit For Directors Remuneration</p>
Payee	%										
Call Center	2%										
FTS/ Royalty for Cinem. Films	2%										
Other	10%										
S. 194K TDS in case of "Income on units of Mutual Fund"	Any person	@ 10%	<p>Amount paid is upto Rs.5000</p> <p>Note: No TDS if income is in the nature of capital gains.</p>								

S.194LA Compulsory Acquisition of Immovable Property	Any Person	10%	Compensation Paid is upto Rs. 2,50,000 Note: Capital Gains on compulsory acquisition of Urban Agriculture Land is Exempt, Hence NO TDS.
S.194M Commission; Professional Fees; Works Contract	Ind/HUF (If not required to get books audited)	5%	Amount paid is Upto Rs. 50 Lacs Important: 1. Applicable only to Resident Individual/HUF (NO AUDIT u/s 44AB(a)/(b) in Last PY] 2. Sec. 194M is applicable if Sec. 194C/194H/194J is NOT Applicable to Resident Individual/HUF
S. 194N Cash Withdrawals	Bank; PO	2% of sum exceeding Rs. 1 crore	1. Total Cash Payment during PY ≤ Rs. 1 crore to any person from one or more accounts maintained with the Deductor. 2. Payment to Government; Bank; Co-op. banks; Post-office; Business Correspondent of bank; White label ATM operator of Bank or Co-op. banks
However, if assessee has not filed return for last 3 years and RFD u/s 139 is lapsed, then provision on this section shall be applicable with modification as follows: Withdrawal > 20 Lakh but upto 1 Crore → 2% TDS Withdrawal Exceeds 1 Crore → 5% TDS			
S. 194O TDS in case of Payment of certain sums by e-commerce operator to e-commerce participant	E-com Operator	1%	In case of Individual or HUF Gross Amount Received is upto 5 Lakhs.
S. 194P Pension (along with interest on bank account)	Notified specified bank	Average Rate	
Payee : Specified senior citizen i.e., a) An individual, being a resident in India, who - is of the age of 75 years or more; b) 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 s receiving his pension income; and c) has furnished a declaration to the specified bank.			
194Q Purchase of goods (w.e.f 1/7/2021)	Buyer	0.1% of sum exceeding ` 50 lakhs	No TDS if Aggregate is purchase is upto ` 50 lakhs in a previous year
Buyer, who is responsible for paying any sum to any resident for purchase of goods. Buyer means a person whose total sales, gross receipts or turnover from business exceeds ` 10 crores during the FY immediately preceding the FY in which the purchase of goods is carried out			

* Ind/ HUF shall be liable to deduct tax if last year there turnover exceeds 100 Lakhs / 50 Lakhs for business or profession as the case may be.

	Section 197	Section 197A	
Covers	Certificate of TDS at lower deduction or nil rate	Declaration of nil deduction of tax.	S.198 : TDS Deducted is treated as assessee's income. S.199: Assessee is entitled to adjust tax deducted at source from his tax liability. S.200: Deductor is required to deposit tax deducted by the 7 th of next month. However, tax deducted in the month of march is to be deposited by 30 th April. Deductor has to file TDS return Quarterly by 31 st of the month following the end of quarter. Deductor has to issue TDS certificate to deductee Quarterly by 31 st of the month following the end of quarter.
Issued by	Assessing Officer on application received by Assessee	Assessee	
Income	All kinds of incomes which are subjected to TDS	Only following payments subjected to TDS u/s 192A, 193, 194A, 194D, 194DA and 194I	

Chapter 11: Advance Payment Of Tax

- **Section 208:** Advance tax shall be payable during a financial year in every case where the amount of such tax payable by the assessee during that year, is ten thousand rupees or more.
An assessee has to estimate his current income and pay advance tax thereon. He need not submit any estimate or statement of income to the Assessing Officer
- **Section 207:** Every person shall pay tax in advance as per the provisions of advance tax i.e. in general every person should estimate his income and pay tax however exact amount of income tax shall be calculated at the end of the year. A senior citizen who do not have income under the head business/profession shall be exempt from payment of advance tax
As per section 211, all assessee have to pay advance tax in the manner given below:

Date	Tax
Upto 15th June of P.Y.	15% of tax payable
Upto 15th September of P.Y.	45% of tax payable
Upto 15th December of P.Y.	75% of tax payable
Upto 15th March of P.Y.	100% of tax payable

- **Section 234C:** If any person has defaulted in payment of advance tax, interest shall be charged @ 1% per month for a period of 3 months on the amount of default in each installment, but for the last installment, interest shall be charged only for one month. Income tax paid upto 31st March of previous year is also called advance tax.

Circumstances in which interest is payable under section 234C	Amount On which Interest Is to be paid
Where advance tax paid on or before June 15 th is less than 12% of the tax due on returned income	15% of tax due on returned income minus advance tax paid upto June 15 th .
Where advance tax paid on or before September 15 th is less than 36% of the tax due on returned income	45% of tax due on returned income minus advance tax paid upto September 15 th .
Where advance tax paid on or before December 15 th is less than 75% of the tax due on returned income	75% of tax due on returned income minus advance tax paid upto December 15 th .
Where advance tax paid on or before March 15 th is less than 100% of the tax due on returned income	100% of tax due on returned income minus advance tax paid upto March 15 th .

- **Section 234B:** if advance tax paid is less than 90% of actual tax liability, assessee shall be required to pay interest @ 1% per month or part of a month from 1st April of assessment year upto the date of payment. If advance tax paid is 90% or more of actual tax liability, no interest is payable.
- **Section 234A:** if any person has paid income tax after expiry of the last date of filing of return of income, interest shall be payable @ 1% p.m. or part of the month for the period subsequent to the last date of filing of return of income.

Payment of advance tax in case of capital gains/casual income/newly setup business/ profession/ Dividend Income in excess of Rs. 10,00,000

As per Section 234C, In case of capital gains and casual income, no advance tax is payable on estimated basis but if there is actual accrual of casual income or capital gains, advance tax is to be paid in the subsequent installments and if such accrual is after 15th March, advance tax is to be paid upto 31st March of previous year otherwise interest shall be charged under section 234C.

As per rule 119A, the principal amount shall be rounded off in the multiples of Rs.100 and any fraction of Rs.100 shall be ignored. For Eg. Default amount is 23,450, interest shall be charged on 23400.(i.e. Rs. 50 Ignored)

Chapter 12: Return Of Income

Section 139 Who is required to file the return of income

- Every Individual / HUF / AOP / BOI is required to file their return of income if their gross total income exceeds basic exemption.
- Every firm or company is required to file their return of income irrespective of income or loss.
- Explanation 2 to section 139. due dates of filing of income tax return

A company	31 st October of AY
A person (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force	31 st October of AY
A working partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force	31 st October of AY
In case of any other assessee.	31st July of AY

Section 234F: Late fees for delay in filing of return of income: If

- Total Income is upto ₹ 5,00,000 : Late Fees ₹ 1,000.
- Total Income exceeds ₹ 5,00,000 : Late Fees ₹ 5,000 if return is furnished after due date but on or before 31-12 otherwise ₹ 10,000

LOSS RETURN Section 139(3) read the section 80

If any person has sustained any loss under the head Business/Profession or under the head capital gains or the loss is from owning and maintaining of race horses, such shall be carried forward only when assessee files his return on or before the due date mentioned u/s 139(1).

Note:

- The above provisions are not applicable with regard to loss under the head house property and also it is not applicable with regard to unabsorbed depreciation.
- If any return is filed under section 139(3), it will be considered to be a return under section 139(1).

Belated Return of Income Section 139(4)

Every person is required to file a return of income within the time allowed under section 139(1) however return of income can be filed even after the due date but maximum upto 31st December of relevant assessment year or before the completion of assessment, whichever is earlier.

Section 139A. Permanent account number (PAN)

“Permanent account number” means a number which the Assessing Officer may allot to any person for the purpose of identification and includes a permanent account number having ten alphanumeric characters and issued in the form of a laminated card. [Form 49A].

Who should apply for PAN

- Every person if his total income exceeds the maximum amount which is not chargeable to income-tax
- Any person carrying on any business or profession whose total sales, turnover or by end of FY gross receipts are or is likely to exceed Rs. 5,00,000 in any previous year
- Charitable institutions required to furnish a return of income under section 139(4A)

Rule 114C: Classes of persons to whom provisions of section 139A shall not apply:

- The persons who have agricultural income and are not in receipt of any other income chargeable to tax.
- Non-Residents. (Advise : Should apply for PAN otherwise high rate of TDS)
- Central Govt., State Govts. and Consular Offices in transactions where they are payers.

PAN should be quoted in all the specified transaction: Every person shall

- quote PAN in all his returns, correspondence with income-tax authority and challans.
- sale or purchase of any immovable property valued at Rs, 5,00,000/- or more;
- sale or purchase of a motor vehicle.
- a contract for sale and purchase of securities exceeding ₹ 1,00,000/-
- opening a bank account.
- application of a telephone connection + mobile phone.
- payment to hotels and restaurants exceeding ₹25,000/- at any one time.
- payment in cash for purchase of bank drafts aggregating ₹ 50,000/- or more during any one day.
- deposit in cash aggregating ₹ 50,000/- or more with a banking company during any one day.
- Jewellery is purchased of atleast ₹ 5,00,000.
- not being an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a financial year;

Note: If PAN not allotted shall make a declaration in Form No. 60 giving therein the particulars of such transaction

Section 272B: Penalty for failure to comply with the provisions of section 139A. Rs. 10,000.

Income tax department can suo motto allot PAN.

Revised Return of Income Section 139(5)

If any person has furnished a return u/s 139(1),(2), (3) or (4), discovers any omission or any wrong statement, he may furnish a revised return at any time but upto 31st December of relevant assessment year or before the completion of assessment, whichever is earlier.

An assessee is allowed to revise the return of income any number of times, however, if the earlier return has already being assessed, revised return shall not be allowed.

Self-Assessment Section 140A

In general a person is required to pay tax in advance and balance amount should be paid in the assessment year (after adjusting the amount of TDS) and it is called Self - Assessment tax. In case of delay, interest shall be charged u/s 234A, 234B & 234C. For default in advance tax interest shall be charged under section 234C and for default in self-assessment tax, interest shall be charged u/s 234B. If tax is paid after the last date of filing of return of income, interest shall be charged u/s 234A. Tax and interest and fee must be paid before filing of return of income as per section 140A otherwise such person shall be considered to be assessee in default and penalty shall be imposed equal to the amount not paid by him. Further any amount paid by the assessee shall be first adjusted towards fee and then towards interest and afterwards towards tax.

Scheme for submission of returns through Tax Return Preparers Section 139B

In order to help the persons having low income or tax liability, department has started scheme of Tax Return Preparer who will file return for such persons. For this purpose department shall select and appoint TRPs. The tax return preparer shall hold a graduation degree from a recognised Indian university or other specified qualifications but such persons should not be a Chartered Accountant or other specified persons.

A person may approach a TRP for filing the return of income but any person who is required to get his accounts audited or any non resident shall not be allowed to file the return through the Tax Return Preparer.

Defective Return of Income Section 139(9)

If return filed by an assessee is found to be defective, assessing officer may intimate the defect to the assessee and give him an opportunity to rectify the defect within a period of fifteen days or within such further period which, the Assessing Officer may, allow and if the defect is not rectified within the said period, then the return shall be treated as an invalid return i.e. it will be presumed that the assessee has not filed any return of income.

Verifying of return of income Section 140

1. In the case of an individual, the return should be verified by the individual himself but if for any reason return cannot be verify by the individual, return can be verified by his agent and the agent should enclose copy of power of attorney with the return. If any individual is mentally incapacitated from attending to his affairs, return should be verified by his guardian or any other person competent to act on his behalf.
2. In the case of a Hindu Undivided Family, by the karta, and, where the karta is absent from India or is mentally incapacitated from attending to his affairs, by any other adult member (male or female) of such family.
3. In the case of a company, by the managing director and if managing director is not available, return can be signed by any director. In case of non-resident company, return can be signed by its agent. If company is in liquidation, return can be signed by the official liquidator.
4. In the case of a firm, return can be signed by managing partner and if managing partner is not available, return can be signed by any partner.
5. In the case of a limited liability partnership, return can be signed by the designated partner and if designated partner is not available, return can be signed by any partner.
6. In the case of a local authority, return can be signed by the principal officer.
7. In the case of a political party, return can be signed by Chief Executive Officer.
8. In the case of any other association, return can be signed by the Principal Officer and if Principal Officer is not available, by any member.
9. In the case of any other person, by that person or by some person competent to act on his behalf.