

#CrackTaxwithAmit



CA / CMA INTER
DIRECT
TAX
RAPIDER
May / June / Nov / Dec 24

- » Easy to Refer Colourful notes
- » Entire syllabus summarized in 100 Pages
- » Pictorial presentation of Concepts
- » Important highlighted points
- » Fully exam oriented book
- » Best book for last day revision

by
CA AMIT MAHAJAN



KNOW YOUR MENTOR

**CHARTERED
ACCOUNTANT**



LLB



EX-EY

YOUNG PASSIONATE PROFESSOR MAKING **TAX & LAW**
EASY WITH HIS LOVE FOR THE SUBJECT & A PRACTICAL
CORPORATE EXPERIENCE OF **6 YEARS** IN TAX

FOUNDER OF

 **MONEYMATTERSWITHAMIT**  **CA AMIT MAHAJAN**  **CA AMIT MAHAJAN**



CA AMIT MAHAJAN



Hear from my students



@manavverma4155 · 1 day ago

If any intermediate student is reading my comment,

Here is the genuine review for Amit Mahajan sir

1. Bahut easily complex subject ko easy bana dete h .. with the help of charts and colorful notes.

2. Notes provided by amit sir is next level ... Very helpful for the last 1.5 Day revision for the exam. Apko alag se koi charts ya summary banane ki koi jarurat nhi h.

These notes sum up A huge subject of Income Tax in just 150 pages. 🌟🔥

And GST in just 100 Pages. 🌟

3. I personally taken the Practice batch of Income tax ... & It's like full Paisa vasool h bhaini 😊 .

These notes sum up A huge subject of Income Tax in just 150 pages. 🌟🔥

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3. I personally taken the Practice batch of Income tax ... & It's like full Paisa vasool h bhaini 😊 .

4. Last but not least amit sir will help you ... not only in taxation and Law .. they will help you till the last night of the exam in all subjects like your big brother ... They always respond to your doubts and messages in very short span of time. ✅

And in my opinion amit sir se classes lena ka decision apko kabhi galat nhi lgega 🤔👍👍

★★★★★ (5/5)



@siddharthmdavse1271 · 1 day ago

I'd like to add up one more point Manav Bro's points above...

Sir ka saath sirf exams tak hi nahi, par exams ke baad bhi rehta hai, jo koi itna supportive nahi hota hai... I had taken last practice batch and cleared both groups in May 23, and was not confident in 8th paper... After a few days of exams and before results, Amit Sir had taken a post exam session where he emphasized on the inevitability of the situation then, and insisted me to just keep a positive mindset. I got a bit confidence after that session...

Believe me, Sir's teaching style is not based on this "Colonised version of education" where a student and teacher relationship persists only till exams and students being viewed as customers; but is based on ancient Indian "Gurukul" system where the student is viewed as a family member, and the Guru Shishya sambandha continues forever and beyond...



@zuharahman2568 · 1 day ago

if looking for tax faculties, on coming to know about Amit sir at first you might hesitate since he's new in this field, and since majority of people decide based on "experience". but once you get enrolled in it and you start doing the lectures, you'd never doubt your decision ever. best best and best.



@raginipandey23 · 1 day ago

Sir's teaching is very good, the way of covering the concepts is also excellent.....,I will tell everyone to take it, it is just amazing....



@vaishnavitirumala6926 · 17 hr ago

One of the best decisions I've taken for taxation as a repeater.. The confidence I got after studying from sir is on a whole other level..

You can totally vouch on sir for the conceptual clarity and writing practice which is the best part I can sincerely suggest everyone who finds taxation difficult to crack to go with/opt CA Amit Mahajan sir No regrets ❤️



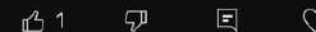
@Yash31200 · 1 day ago

Sukoon ka naam suna hai?? That's what Amit Sir's lectures are. The DT and IDT Rapiders are blessing for every student. The level of conceptual quality he provides is god level 🔥. Go ahead guys . Trust him blindly. 🙏



@armankhan3523 · 1 day ago

Bhai me likh ke deta hu sir se accha koi nhi sikha skta. The best teacher ❤️



Hear from my students

Sir you have been a great young inspiration for us. Teaching on point. Your friendly nature makes us free and comfortable to ask any doubts/questions. Direct tax is not an easy subject but when i study from your notes it seems very simple and less difficult. Thank you for all your efforts sir and revision lectures were a bonus to me 👍. Bye bye 😊 see you soon sir.

It's was really a good experience to start the DT journey with u (sir) . DT concepts are wider but ur explanation & Teaching technique is best in it. Especially the Last revision lectures have become mores helpful. Hope we all Rock in the paper As per ur expectation.

Teaching is so good and interesting. The way you clear the concept telling stories and all is really helpful to remembering .I really enjoy and fun in the tax lecture

Learning from you was a great experience for me. The way you teach by giving examples is the best way to learn. I will be lucky if I am learning from you in future

Excellent and simplified teaching

You have a natural knack of teaching concepts and you always make sure that you convey all the possible explanation and simplification to a concept untill you feel the student has understood . I really appreciate the personal touch you have with every student and you make us feel that we are learning from someone with whom we are very comfortable

Sir Your teaching style is great. I like your patience and politeness towards students. It was amazing experience with you. Thank you for your efforts for us. 😊

Excellent and simplified teaching

Thank you for being the best teacher in the world. You inspired in me a love for learning and made me feel like I could ask you anything. You always had the patience for my questions and knew just how to explain the answers. My fond memories of the time in your classroom will last a lifetime.

Just amazing experience of learning from Amit sir ...very chill and friendly person ..have solution for every tax question....motivator and good wisher person ...always boost confidence about studiessolve problems by giving realistic examples which helps to keep in remember that particular point ...makes harder think more easier and increase the curiosity about new things ...thank u so much sir for everything which u did for us

Hear from my students

Hi sir
I am Fathima from kerala
I was there in ur yesterday's live session..
I noticed your channel last month.
I saw the shorts video of dt and i was amused..
U taught that in such a easy way.and i saw all the videos in a single stretch
Believe me sir it boosted my confidence level..
I studied tds chapter for not less than 2/3 time
After then also I couldn't do questions
After yesterday's class i just checked py questions
I was shocked sir without even referring to my notebook i did those questions even with section numbers😱
Thank you so much sir
U deserve a big round of applause for your effort
Trust me sir one day ur channel will be at a high level
Ur hardwork will defined get paid of

06:20

You • Status
This is what achievement feels like - being remembered for direct tax along with other respected pr...

Yeh baat toh h sir
Apke revision k liye jitna bhi bola Jaye utna kaam

Apne core of the heart se har ek concept kraya h sb pr apne barabar mehnat ki h

Ek bhi concept m no compromise

I feel blessed that I have a great teacher likes you

And one more thing previous exam m mere tax m 35 the and abhi recently mock test diya tha apka lec dekh kr Now score is 58
And promise h sir ki exam m exemption launga tax m 🙏🙏🙏🙏

19:05

I hav paid for classes here
And I haven't seen those faculties taking this much effort
U are just being amazing
This is something we can't get by paying..
Unrequited love sir..
I feel like ur one of our own
Thank you so much sir
May god bless you

06:21

And one more thing sir
I studied time of supply so many times
But I always forgets the dates..I referred your note today..
Wonderful sir
Thank you for making tax so much easy..

06:34

N

Nikita Sharma • 17 minutes ago

Sir am not kidding but I had done salary from you before one day of exam the lecture which you had uploaded in which there is all adjustment regarding salary and there another video pf PGBP in which you had given very great logic of deduction and addition from p&l and that all adjustment came in exam and while solving paper am literally thanking you a lot and my paper pf DT gone so good much better than GST all thanks to you sir

@taufiqueumar8056 • 1 day ago
Tax Maven 🙏❤️

👍 1 🗨️ 💬 ❤️

@shreyakeshary6431 • 1 day ago
Badshah of Taxation. ❤️ honestly speaking agar tax Amit Sir se nahi padha toh kya tax padha... ? Hard se hard concepts ko easy way me aise sir smjha detey as if it was never tough. Go ahead guys. You can surely trust him 🙏🙏❤️

👍 1 🗨️ 💬 ❤️

Today

You • Status

🙏🙏🙏🙏

bhaiya sirf educator nhi naam hoga apka brand bnaoge app jab tax ka naam ayega ek hi naam ayega CA AMIT MAHAJAN

11:31

one & only CA AMIT MAHAJAN

11:31

even bhaiya mujhse koi tax k liye bolta h me apko recommend krta hu bhaiya bhot classes li bhot lecture dekhe pr jo knowledge apne di h its amazing mtlb pgbp capital gain smgh ni aate the

11:33

INDEX

1	BASIC CONCEPTS OF TAXATION	01 06	9	CLUBBING OF INCOME	86 90
2	RESIDENTIAL STATUS & SCOPE OF TOTAL INCOME	07 13	10	SET OFF / CARRY FORWARD OF LOSSES	91 95
3	INCOMES WHICH DO NOT FORM PART OF TOTAL INCOME	14 20	11	DEDUCTIONS FROM GTI	96 103
4	INCOME FROM SALARY	21 37	12	TAX DEDUCTED AT SOURCE	104 126
5	INCOME FROM HOUSE PROPERTY	38 44	13	RETURN OF INCOME & SELF ASSESSMENT	127 147
6	PROFITS & GAINS FROM BUSINESS AND PROFESSION (PGBP)	45 64	14	ALTERNATE MINIMUM TAX	148 149
7	CAPITAL GAINS	65 77	15	SECTION 115BAC	150 152
8	INCOME FROM OTHER SOURCES	78 85	16	SPECIAL ECONOMIC ZONE (SEZ)	153 155

Section 4 - Charging section and Rate of Tax

- Tax rates are fixed by the Annual Finance Act & not by the Income Tax Act.
- 'Total income' - it means total income from all sources after All Permissible Deduction - Except Incomes Taxable at Specified Rates.

A. INDIVIDUAL/ HUF/ AOP/ BOI/ AJP (Resident or Non-Resident) Non-Senior Citizen (<60 Years)

Total Income	Rate
Upto Rs.2,50,000 [Basic Exemption Limit]	Nil
From Rs.2,50,001 to Rs.5,00,000	5%
From Rs.5,00,001 to Rs.10,00,000	20%
Above Rs.10,00,000	30%

B. Resident Senior Citizen (60 years or more but < 80 years at any time during PY)

Total Income	Rate
Upto Rs.3,00,000 [Basic Exemption Limit]	Nil
From Rs.3,00,001 to Rs.5,00,000	5%
From Rs.5,00,001 to Rs.10,00,000	20%
Above Rs.10,00,000	30%

C. For Resident Super Senior Citizen (80 years or above at any time during PY)

Total Income	Rate
Upto Rs.5,00,000	Nil
From Rs.5,00,001 to Rs.10,00,000	20%
Above Rs.10,00,000	30%

D. Firms/LLP/Local Authority - Whole Income is taxable @ Flat 30% without any BEL.

E. Co-operative Societies

Total Income	Rate
Upto Rs.10,000	10%
From Rs.10,001 to Rs.20,000	20%
Above Rs.20,000	30%

F. Company

Nature of Company		Rate of Tax
Domestic	If Total Turnover/Gross Receipt in PY 2021-22 ≤ Rs. 400 Cr.	25%
	In other case	30%
Foreign (Co other than Domestic Co)		40%

Notes

- Section 115BAA - In case of domestic companies tax shall be payable @ 22% provided company shall not avail any exemption and deductions. Rate of surcharge shall be 10% irrespective of income. HEC @ 4%.
- Section 115BAB, In case of domestic companies which has been setup and registered on or after 01.10.2019 and commences manufacture of article or thing before 31.03.2024, tax shall be payable @ 15% provided company shall not avail any exemption and deductions. Rate of surcharge shall be 10% irrespective of income. HEC @ 4%

Clarification regarding attaining prescribed age of 60 years/80 years on 31st March itself, in case of senior/ very senior citizens whose date of birth falls on 1st April

Person born on 1st April would be considered to have attained a particular age on 31st March, the day before his birthday. Therefore, a resident individual whose 60th birthday falls on 1st April, 2019, would be treated as having attained 60 years in PY 2018-19, & would be eligible for higher BEL of Rs. 3 lacs.

- **Section 115BAC** - Individuals and HUF have an option to pay tax in respect of their total income (other than income chargeable to tax at special rates under Chapter XII) at following concessional rates, if they do not avail certain exemptions/deductions like:
 - Leave Travel concession,
 - standard deduction under the head "Salaries",
 - interest on housing loan on self-occupied property,
 - deductions under Chapter VI-A [other than 80CCD(2) and section 80JJAA) etc.

Upto Rs 2,50,000	NIL
Rs 3L to Rs 6L	5%
Rs 6L to Rs 9L	10%
Rs 9L to Rs 12L	15%
Rs 12L to Rs 15L	20%
Above Rs 15L	30%

Note - Individuals and HUF exercising option u/s 115BAC are not liable to alternate minimum tax u/s 115JC.

Note : Rate given u/s 115 BAC are the default tax rate Unless



the assessee exercises to shift out of the said scheme

Surcharge

- Surcharge is an additional tax payable over & above the income-tax. It is levied as % of income-tax.

Rates of Surcharge are as follows:

- Individual / HUF/ AOP/ BOI/ AJP

Income	> Rs. 50 Lacs ≤ Rs. 1 cr	> Rs.1 cr ≤ Rs. 2 cr	> Rs. 2 cr ≤ Rs. 5 cr	> Rs. 5 crores
Surcharge	10% of tax	15% of Tax	25% of Tax	37% of Tax

- Other Assesseees

Assessee	Rate of Surcharge if Total Income is ↓	
	>1 Cr but ≤ 10 Cr	> 10 Cr
1. Firms/LLP/LA	12 % of IT	
2. Domestic Companies & Co operative Society	7 % of IT	12 % of IT
3. Foreign Companies	2 % of IT	5 % of IT

NOTES:

Surcharge of 25% or 37% shall be applicable only if total income excluding dividends, short term capital gain under section 111A and long term capital gain under section 112A & Section 112 is exceeding Rs.200 Crore or Rs.500 Crores

Marginal Relief (Section 89)

If surcharge is applicable on Total Income - Marginal relief is available to ALL Assesseees

• Steps to calculate Marginal Relief

1. Calculate Tax (including surcharge) on Total Income of the Assessee.
2. Calculate Tax payable on Rs. 50 Lacs/1 Cr/2 Cr/5 Cr (as the case may be).
3. Calculate "Extra Tax Payable" because of Income above Rs. 50 Lacs/1 Cr/2 Cr/5 Cr. [Step 1 - 2]
4. Marginal Relief = Extra Tax Payable - Income above Rs. 50 Lacs/1 Cr/2 Cr/5 Cr.

REMEMBER: If Extra Tax > Extra Income, Difference between them is Marginal Relief.

Eg.

Sr.	Particulars	Rate of surcharge	Example	
			Components of total income	Applicable rate of surcharge
(i)	Where the total income (including dividend, income under section 111A, 112 and 112A) > Rs.50 lakhs but < Rs.1 crore	10%	<ul style="list-style-type: none">• Dividend - Rs.15 Lakhs• STCG u/s 111A - Rs.15 lakhs;• LTCG u/s 112 - Rs 25 Lakhs• LTCG u/s 112A - Rs.20 lakhs• Other income - Rs.25 lakhs	Surcharge would be levied @ 10% on income - tax computed on total income of Rs.1 Crore.
(ii)	Where total income (including dividend, income under section 111A, 112 and 112A) exceeds Rs.1 crore but does not exceeds Rs.2 crore	15%	<ul style="list-style-type: none">• Dividend - Rs.10 Lakhs• STCG u/s 111A - Rs.35 lakh;• LTCG u/s 112 - Rs 50 Lakhs• LTCG u/s 112A - Rs.35 lakh; and• Other income - Rs.55 lakhs	Surcharge would be levied @ 15% on income - tax computed on total income of Rs.1.85 Cr

(iii)	Where total income (excluding dividend, income under section 111A, 112 and 112A) exceeds Rs.2 crore but does not exceeds Rs.5 crore The rate of surcharge on the income - tax payable on the portion of income chargeable to tax under section 111A, 112, 112A & Dividend	25% Not exceeding 15%	<ul style="list-style-type: none"> • Dividend - Rs 51L • STCG u/s 111A - Rs.44 lakhs: • LTCG u/s 112 - Rs.42 lakhs; • LTCG u/s 112A - Rs 55 Lakhs • Other income - Rs.3 crores 	Surcharge would be levied @ 15% on income -tax on: <ul style="list-style-type: none"> • Dividend of Rs 51L; • STCG of Rs.44 lakhs - u/s 111A • LTCG of Rs.42 lakhs - u/s 112 • LTCG of Rs.55 lakhs - u/s 112A. Surcharge @ 25% would be leviable on income-tax computed on other income of Rs.3 crores included in total income
(iv)	Where total income (excluding dividend, income under section 111A, 112 and 112A) exceeds Rs.5 crore Rate of surcharge on the income- tax payable on Dividend & the portion of income chargeable to tax under section 111A, 112 and 112A	37% Not exceeding 15%	<ul style="list-style-type: none"> • Dividend income Rs.60 Lakhs • STCG u/s 111A Rs.50 lakhs: • LTCG u/s 112 - Rs.42 lakhs; • LTCG u/s 112A Rs.25 lakhs; and • Other income Rs.6 crores 	Surcharge would be levied @ 15% on income -tax on: <ul style="list-style-type: none"> • Dividend of Rs 60L • STCG of Rs.50 lakhs - u/s 111A • LTCG of Rs.42 lakhs - u/s 112 and • LTCG of Rs.25 lakhs - u/s 112A. Surcharge @ 37% would be leviable on the income-tax computed on other income of Rs.6 crores included in total income.
(v)	Where total income (including dividend, income under section 111A, 112 and 112A) exceeds Rs.2 crores in cases not covered under (iii) and (iv) above	15%	<ul style="list-style-type: none"> • Dividend income Rs 55 L • STCG u/s 111A Rs.60 lakhs: • LTCG u/s 112 - Rs.42 lakhs • LTCG u/s 112A Rs.35 lakhs; and • Other income Rs.1.10 crores 	Surcharge would be levied @ 15% on income -tax computed on total income of Rs.3.02 crores

Rebate u/s 87A

Eligible Assessee	Resident Individuals whose Total Income \leq Rs. 5,00,000.	
Amount of Rebate	<u>I) Default Scheme</u> Lower of (1.) Income tax payable or (2) ₹25,000	<u>I) Option Scheme (Normal provision)</u> Lower of (1) Income tax payable or (2) ₹12,500

Notes:

Rebate u/s 87A shall be before adding 4% HEC.

Rebate u/s 87A is not available on LTCG u/s 112A.

Health and Education Cess

- Health & Education cess @ 4% is levied on Total Income tax + SC - Rebate u/s 87A

Rounding off of Income and Tax payable (Section 288A/B)

Total income/Tax shall be rounded off to the nearest multiple of 10 Rupees.

* Amendment for Co-operative Societies

(1) Manufacturing Co-operative Society

- Resident in India
- Can opt for concessional tax rates u/s 115 BAE
- Set up & registered after 1/04/23, commences manufacture of article before 31/03/2024
- **Rate \rightarrow 15%** on income desired from such manufacturing.

(2) Other Co-operative Society

- Resident in India
- Can opt for concessional tax rates u/s 115 BAD
- **Rate \rightarrow 22%**

* Condition for 115 BAD & 115 BAE

- The total income of such co-operative societies would be computed without giving effect to deduction under section 10AA, 33AB, 33ABA, 35(1)(ii)/(iia)/(iii), 35(2AA), 35AD, 35CCC, additional depreciation under section 32(1)(iia), deduction under chapter VI-A (other than section 80JJAA) etc. and set off of loss and depreciation brought forward from earlier year relating to the above deductions.
- See 115JC \rightarrow Not applicable

Surcharge

- (a) In case of a co-operative society (other than a co-operative society opting for section 115BAD or section 115BAE), whose total income $>$ ₹ 1 crore but is \leq ₹10 crore

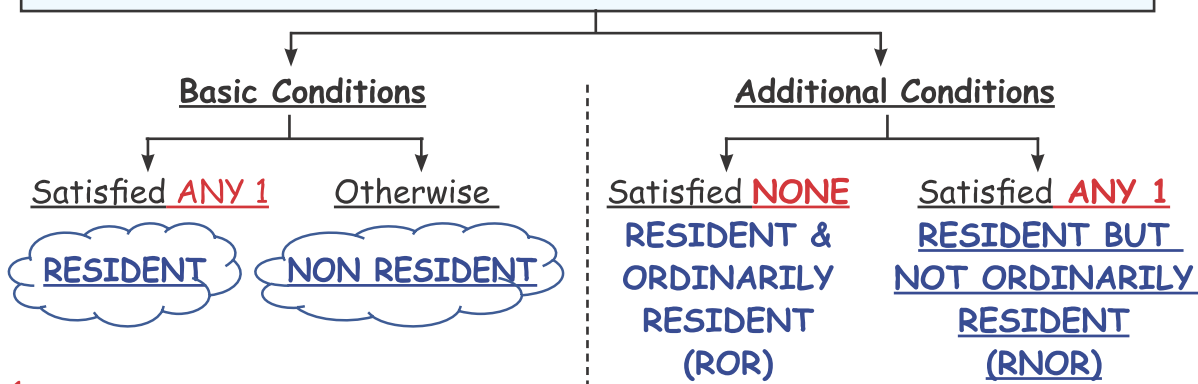
Where the total income exceeds ₹1 crore but does not exceed ₹10 crore, surcharge is payable at the rate of 7% of income-tax computed in accordance with the slab rates given above and/ or section 111A or section 112 or section 112A

Marginal Relief

Marginal relief is available in case of such co-operative societies i.e., the total amount of income-tax (together with surcharge) computed on such income should not exceed the

Part A - Residential Status

Residential Status of INDIVIDUAL



Additional Notes:

- In the absence of information, **date of arrival and date of departure**, both shall be included in no. of days stayed in India.
- Stay need **not be continuous** in India.
- Stay can be anywhere in India including territorial water of India [12 NM]
- Purpose of visiting is irrelevant.
- Residential status - Nothing to do with citizenship
- Residential status has to be determined for every A. Y. independently.

1

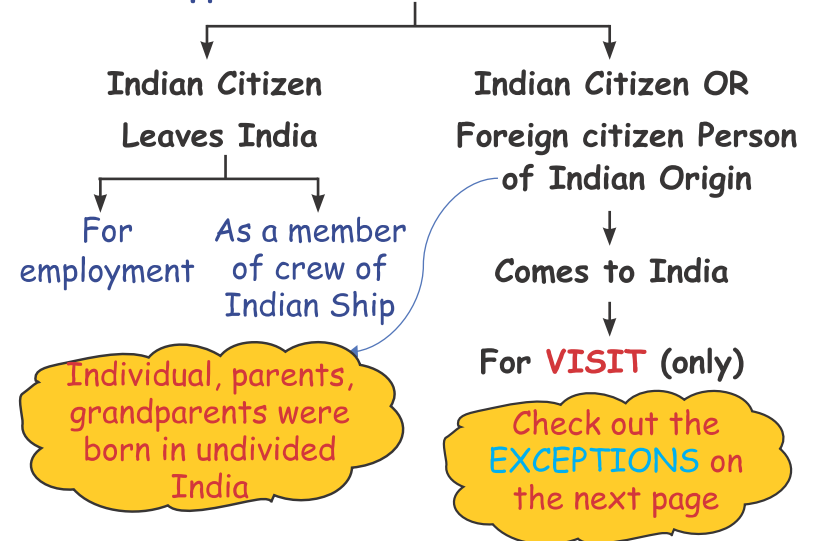
Stay of ≥ 182 days in India during current FY	1. Stay of 729 days or less in India during 7 immediately preceding FYs
OR	2. Non resident for 9 out of 10 immediately preceding FYs

Stay of 60 days or more in India during current FY	3. All of the following conditions are satisfied: - i. He is an "Indian Citizen OR a person of Indian origin"; ii. He, being outside India, comes on a VISIT to India during the relevant PY; iii. His "Total income OTHER THAN the income from foreign sources" > Rs. 15 Lakhs during FY; AND iv. His Stay IN India during the FY is 120 days or more but LESS THAN 182 days.
AND	
Stay of 365 days or more in India during 4 years immediately preceding FY	4. He is an Indian CITIZEN who is DEEMED to be Resident IN India under clause (1A)

If **Resident** - check for additional conditions
 If **NR** - No need to check additional conditions

Exceptions to general method of "determination of Residential Status" given above

In following assesseees, we only check the 182 days condition for determining whether Individual is Resident or not, i.e. the 60+365 days condition is NOT applicable for such assesseees



Exception - applicable ONLY for persons coming to India for VISIT (second point above)

If SUCH "Indian Citizen/person of Indian Origin" has "Total Income OTHER THAN the income from Foreign Sources" (i.e. Indian Income) > Rs.15 Lakhs during the PY, he will be treated as RESIDENT in India IF -

1. Stay IN India \geq 182 days during THE PY; OR
2. Stay IN India for \geq 120 days during THE PY
AND
Stay IN India \geq 365 days in PRECEDING 4 PYs

Amit is an Indian citizen, employed in Bali. Total income is Rs 25,00,000. Income from foreign sources is Rs 5,00,000. Visits India for 125 days during the previous year. Discuss. Also discuss if the foreign sourced income is Rs 12,00,000.

For persons leaving India as a crew member of Indian Ship - Rule 126 Income Tax Rule, 1962

Special Method of computation of no. of days stayed in India for a person who is an Indian Citizen working on Indian Foreign going ship [As per continuous Discharge Certificate]

No of days stayed in India	=	Total days in one FY (365 / 366)	-	No of days as per CDC	Additional days stayed outside India (He can be o/s India for personal reason say vacation)
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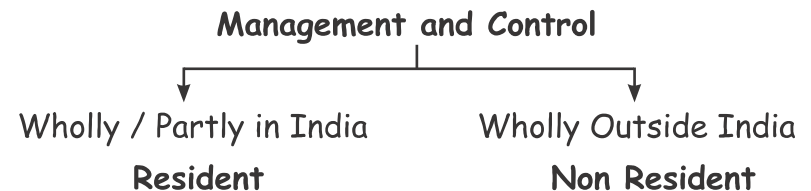
Consider Start date and End date as per CDC - assume that those many days he is OUTSIDE INDIA

DEEMED Resident [Section 6(1A)]:-

1. An individual, being an INDIAN CITIZEN, having "Total Income OTHER THAN the **Income from foreign sources**" (i.e. Indian Income) > Rs.15 lakhs during the PY would be DEEMED to be Resident in India in THAT PY, IF he is NOT liable to pay tax in any OTHER country or territory by reason of his "domicile or residence or any other criteria of similar nature".
2. However, THIS provision will NOT apply in case of an individual who IS a resident of India in the PY as per section 6(1).

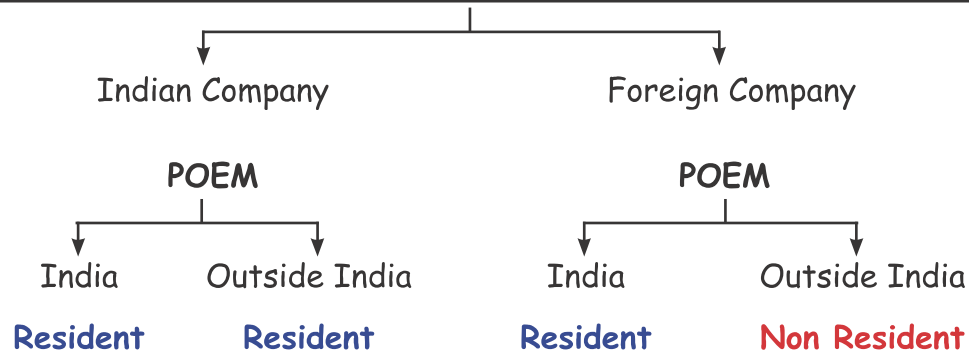
Income which accrues/arises OUTSIDE India (EXCEPT Income from a business controlled from or profession set up in India) which is **NOT DEEMED** to accrue or arise IN India

Residential Status of HUF



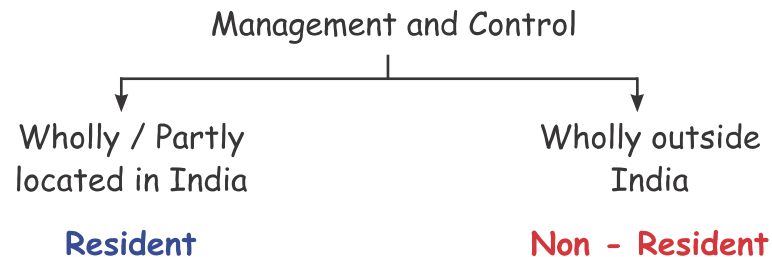
*** OR / NOR depends upon Karta**

Residential Status of Company

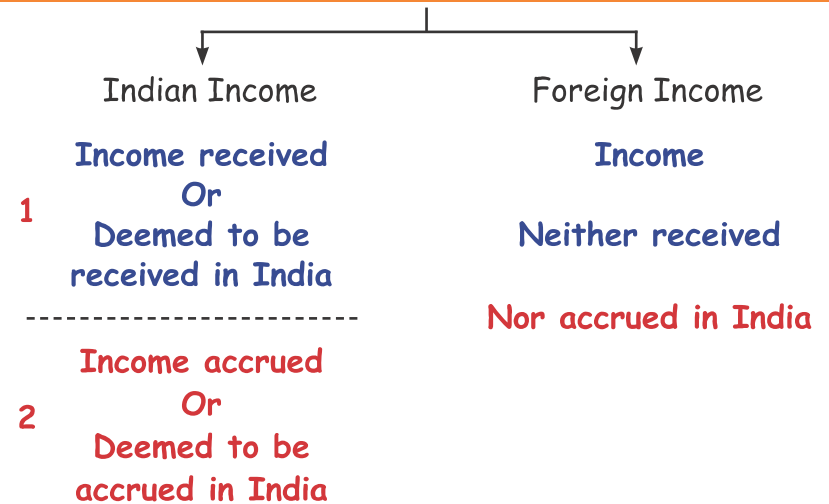


1. RIL → POEM → in India → _____
2. Apple Inc → POEM → O/S India → _____
3. Apple Inc → POEM → in India → _____
4. RIL → POEM → O/S India → _____

Residential Status of Firm / AOP / LLP

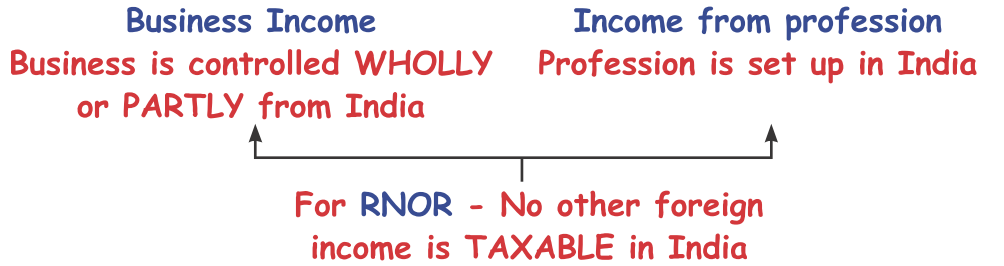


Part B - Scope of total income



Tax treatment for individuals and HUF				Tax treatment for other assesses		
Income	ROR	RNOR	NR	Income	ROR	NR
Indian Income	Taxable	Taxable	Taxable	India Income	Taxable	Taxable
Foreign Income	Taxable	(*) Check NOTE	Not Taxable	Foreign Income	Taxable	Not Taxable

Following 2 foreign incomes are taxable to RNOR even if it accrues outside India



Receipt of income	
Income received in India	<ol style="list-style-type: none"> 1. Receipt → First occasion (time) when the recipient gets money under his control 2. Any Further Remittance/Transmission of the received amount to another place/person does not result in "Receipt" in the hands of subsequent recipient
Income deemed to be received in India	<ol style="list-style-type: none"> 1. Employer's Contribution to RPF in excess of 12% of salary. 2. Interest credited to RPF of the Employee in excess of 9.5% p.a. 3. Amount transferred from URPF to RPF (Employer's contribution & its interest). 4. Contribution made by CG/other employer in the PY under Pension scheme [80CCD] to the account of employee. 5. Any Tax deducted at source

Accrual of income

- **Accrue** means the right to receive income
- **Due** means the right to enforce payment of the accrued income
- **Income taxed on accrual basis - NOT to be taxed again on receipt basis**

Ex - Salary for work done in December will accrue throughout the month, day to day, but will become due on the salary bill being passed on 31st Dec or 1st Jan.

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

1. **Income of a NR from a business connection in India**
 - i. **Bus. Connect - includes -** Any business activity carried out through a person acting on behalf of Non Resident [NR] - Branch office, Agent etc.

Note - Even if such income arises outside India, it will be deemed that such income has accrued in India & will be taxable in India
 - ii. **Person acting on behalf of NR - Agent must satisfy following conditions :**
 - Agent must have authority to conclude the contract on behalf of NR
 - He habitually maintains stock of goods / from which he regularly delivers goods / merchandise in India on behalf of NR
 - Where he habitually secures orders in India for NR

Note - If agent's authority is limited to purchase of goods for NR, **NO** business connection exists
 - iii. **Business connection for other Non-Resident is established if**
 - Such other NR controls NR
 - OR
 - Such other NR is controlled by the NR
 - OR
 - Such other NR is subject to same control as that of NR

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

iv. Examples of Business Connection:

- Branch office in India or Agent of a NR in India or an organization/factory of a NR in India.
- Appointing an agent in India for systematic & regular purchase of Raw Material or for sale of NR's goods for other business purpose.
- Formation of subsidiary company in India to carry on business of NR parent company.
- Any profit of NR which can be reasonably attributable to such part of operations carried out in India through business connections in India are deemed to be earned in India

Independent Agent

Agent who do not work mainly or wholly for NR: Where NR carries on business through broker/commission agent, there will be NO business connection if such a person is acting in ordinary course of his business

Which income is taxable?

ONLY SUCH PART of income as is REASONABLY ATTRIBUTABLE to the operations carried out IN INDIA shall be DEEMED to accrue/arise IN India.

Significant Economic Presence

SEP of a NR in India shall also constitute business connection in India.

WHAT IS SEP?

Nature of transaction	Condition
Any goods, services or property carried out by NR with any person in India (including provision of download of data or software in India)	Aggregate of payments arising from such transaction or transactions during the FY should > 2 crores.
Systematic and continuous soliciting of business activities or engaging in interaction with users in India	Number of users should be atleast 3 Lakhs

Further, the above transactions or activities shall constitute SEP in India, whether or not,

Agreement for such transactions or activities is entered in India;
NR has a residence or place of business in India; or
NR renders services in India;

Following shall not be treated as business connection in India		
1	Purchase of Goods in India for Export by NR	<ul style="list-style-type: none"> No Income shall be deemed to accrue in India from operations which are confined to purchase of goods in India for Export by NR
2	Business whose All operations are not carried out in India	<ul style="list-style-type: none"> Proportionate Income attributable to the operations carried out in India shall be deemed to accrue or arise in India. Income which cannot be attributed to the operations in India shall not be deemed to accrue / arise in India
3	Collection of News & Views in India for transmission out of India by NR	<ul style="list-style-type: none"> If a person engaged in business of News agency etc, Income from activities which are confined to the collection of news & views in India for transmission out of India is not deemed to accrue in India.
4	Shooting of Cinematograph films in India by NR	Income from operations confined to shooting of any cinematograph film in India, if such NR is: <ol style="list-style-type: none"> Individual, who is not a citizen of India or Firm which does not have any partner who is a Citizen of India or who is Resident in India; Company which does not have any Shareholder who is a Citizen of India or who is Resident in India
5	Display of Rough Diamonds in SNZ by Foreign Company	Income from the activities carried out by Foreign Company which are confined to display of uncut & unsorted diamonds (without any sorting or Sale) in any SNZ notified by CG

(ii) income from property or asset or source of income in India

Income from Property/Asset situated in India → Deemed to accrue in India

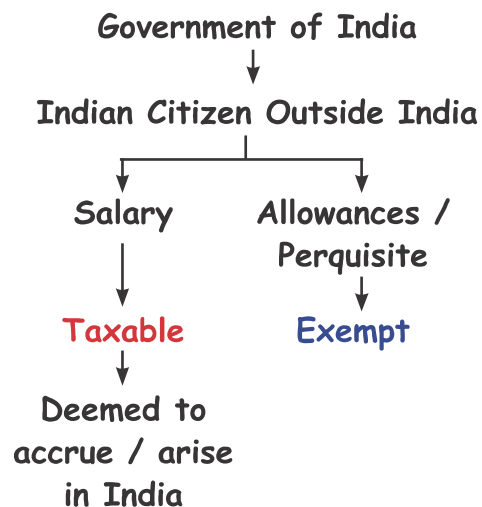
Examples

- Rent paid o/s India for use of machinery/buildings situated in India is deemed to accrue in India.
- Deposits with an Indian company for which interest is received o/s India

(iii) Capital gain on transfer of a capital asset situated in India

- Capital Gain on Transfer of Capital Asset situated in India is deemed to accrue in India even if:
 - Place of Registration of Document of Transfer is in India or outside India; &
 - Place of Payment of consideration for transfer is in India or outside India
- Capital Asset (being Share/Interest in a company registered or incorporated outside India) shall be deemed to be situated in India, if Share/Interest derives its value substantially from the assets located in India.
- Dividend declared by a foreign company outside India i.r.o shares which derive their value substantially from assets situated in India would NOT be deemed to be income accruing in India.

(iv) Salary Income - Deemed to accrue at the place where services are rendered



NOTE
Pension payable outside India by Government to its officials & judges who permanently reside outside India not deemed to accrue in India & thus NO TAX

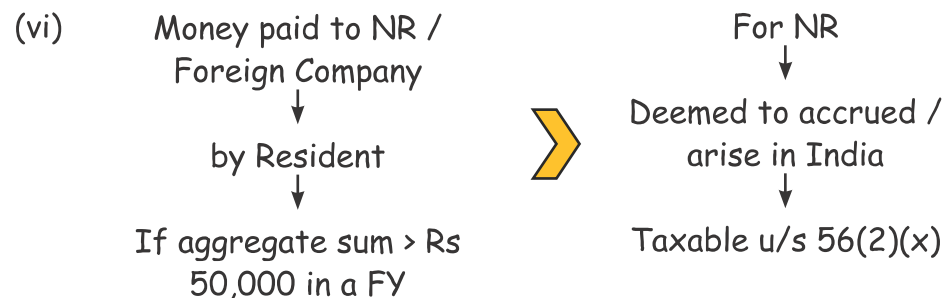
(vi) Dividend paid by an Indian company outside India

Dividends paid by an Indian company outside India is deemed to be accrue and arise in India and would be taxable in the hands of shareholders at normal slab rates.

Income	OR	NOR	NR
(1) Indian Income	√	√	√
(2) Foreign Income • Business controlled from India, OR • Profession set up in India	√	√	X
(3) Other Foreign Income	√	X	X
(4) Capital Receipt	X	X	X
(5) Exempt Income	X	X	X
(6) Dividend paid by Indian Company outside India	√	√	√

(v) Interest / Royalty / Fees for Technical services paid

Taxable if paid by	Tax Treatment
GOI → NR	Always Taxable to NR if paid by Gol.
Resident → NR	Not taxable to Recipient NR in following cases : (i) If Borrowed Money is used for business / profession o/s India (ii) If Royalty / FTS are for business / profession o/s India.
NR → NR	Taxable : (i) If Borrowed Money is used for Bus/Prof in India by NR (ii) If Royalty / FTS are for Business / Profession in India. Not Taxable : If BM is used by NR for other than Business / Profession.



3

INCOMES WHICH DO NOT FORM PART OF TOTAL INCOME

Part A - Agricultural Income

Agricultural income is Exempt from Tax because CG has NO Power to levy tax on such Income.

Definition of Agricultural Income [Sec2(1A)]

It covers income of not only cultivators but also the land holders who might have rented out lands Agricultural Income consists of -

1. **Rent**/Revenue derived from letting of land situated in India & used for agricultural purposes. Rent: Rent received by the original tenant from sub-tenant would also be agricultural income. Revenue: fees received for renewal of lease of land would be revenue derived from land.
Note: If agricultural land is situated in foreign country, Agricultural Income is taxable u/h IFOS.
2. Income **derived from Agriculture** or other related activities.
3. Agricultural income may be derived from **farm building** required for agriculture operations.
Conditions are as follows -
 1. The building is on or in the immediate vicinity of agricultural land.
 2. It is occupied by the cultivator or receiver of rent / revenue.
 3. It is used as a dwelling house or as a store-house.
 4. The land is assessed to land revenue or it is situated in rural area

Note: Income arising from use of farm building for any purpose (Ex: Letting for residential purpose or for business/profession) other than agriculture referred in (1) & (2) above would not be agricultural income.

Note for CA students - ICAI has removed this chapter, however, parts of this are covered in various other chapters. We will learn all these concepts in a separate chapter. Few points are given for knowledge purpose

PROFIT ON TRANSFER OF URBAN AGRICULTURAL LAND: Whether Agricultural Income?

No, as per Explanation to section 2(1A), CG arising from the transfer of urban agricultural land would not be treated as agricultural income u/s 10 but will be taxable u/s 45.

Ex: If I sell agricultural land situated in Mumbai for Rs.10 lacs & make profit of Rs.8 lacs over its COA. This surplus will not be an agricultural income exempt u/s 10(1). It will be taxable u/s 45 since it is urban agricultural Land & thus it is a capital asset.

RULE 7 - INCOME FROM GROWING & MANUFACTURING OF ANY PRODUCT

Business Income	Sale proceeds of final product manufactured by using agricultural produce (-) Market value of Agricultural produce used in manufacturing of such Product (-) Manufacturing Expenses.
Agriculture Income	Market Value of Agricultural produce - Cost of Cultivation.

Question

Mr. Buntly grows sugarcane & uses the same for the purpose of manufacturing sugar in his factory. 30% of sugarcane produce is sold for Rs.10 lacs & cost of cultivation of such sugarcane is Rs.5 lacs. Cost of cultivation of 70% is Rs.14 lacs & market value of the same is Rs.22 lacs. After incurring Rs.1.5 lacs in manufacturing process on the balance sugarcane, the sugar was sold for Rs.25 lacs. Compute B's business income & agricultural income.

Solution

Income from sale of sugarcane is agricultural income & Income from sale of sugar is business income.

Business income = Sale proceeds - MV of 70% of sugarcane (used in manufacture of sugar)
Manufacturing expenses
= Rs.25 lacs - Rs.22 lacs - Rs.1.5 lacs = Rs.1.5 lacs.

Agricultural income = Market value of sugarcane produce - Cost of cultivation.
= [Rs.10 lacs + Rs.22 lacs] - [Rs.5 lacs + Rs.14 lacs] = Rs.13 lacs.

Determination of Market Value

If Agricultural produce is capable of being sold in market as such/after ordinary processing	Market value = Value calculated at Average price at which it has been sold during relevant PY.
If Agricultural produce is incapable of being sold in market as such/after ordinary processing	Market Value = Cultivation Expenses + Rent paid for Land in which it was grown + Such profit as AO thinks to be reasonable.

Apportionment of income betn business income and agricultural income

Rule	Apportionment of Income in certain cases	Agriculture	Business
7A	Income from growing & manufacturing of RUBBER	65%	35%
7B	Income from growing & manufacturing of COFFEE		
	Income derived from sale of coffee grown & cured	75%	25%
	Income derived from sale of coffee grown, cured, roasted & grounded	60%	40%
8	Income from growing & manufacturing of TEA Example - If an assessee earns Rs.5 lakh (as per sec. 28) from the business of growing & manufacturing tea in India, then his business income will be Rs.2 lakh (i.e., 40% of Rs.5 lakh) & agro income will be Rs.3 lakh (i.e. 60% of Rs.5 lakh)	60%	40%

Determination of Market Value

Mahajan Virtuals Ltd. grows sugarcane to manufacture sugar. The data for the PY 2020-21 is as follows.

Determine the Income of the company

1. Cost of cultivation of sugarcane	6,00,000
2. Market value of Sugarcane when transferred to factory	10,00,000
3. other manufacturing cost	6,00,000
4. Sale of sugar	25,00,000
5. Salary of MD who looks after all operation of the company	3,00,000

Solution

Particulars	Rs.	Rs.
1. Profit & Gain of Business or Profession:		
Sales of sugar		25,00,000
Less: Average market Value of Sugarcane	10,00,000	
Salary to managing Director	3,00,000	(19,00,000)
Manufacturing cost	6,00,000	
Business Income		6,00,000
1. Computation of Agricultural Income:		
Market Value of Sugarcane		10,000
Less: Cost of Cultivation		(6,00,000)
Agricultural Income		4,00,000

Question

Mr. C manufactures latex from the rubber plants grown by him in India. These are then sold in the market for Rs.30 lacs. Cost of growing rubber plants is Rs.10 lacs & that of manufacturing latex is Rs.8 lacs. Compute his total income.

Solution

The total income of Mr. C comprises of agricultural income & business income.

Total profits from the sale of latex = Rs.30 lacs - Rs.10 lacs - Rs.8 lacs = **Rs.12 lacs.**

Agricultural income = 65% of Rs.12 lacs = Rs.7.8 lacs; **Business income** = 35% of Rs.12 lacs. = **Rs.4.2 lacs.**

PARTIAL INTEGRATION OF AGRICULTURAL INCOME WITH NON-AGRICULTURAL INCOME

- There exists an Indirect way of taxing agricultural income.
- It is known as partial integration of non-agricultural income with agricultural income.

Objective of PIT	Tax the non-agricultural Income at higher rates.
Applicability of PIT	Individuals, HUF, AOP/BOI & artificial persons. [Company & Firms]
Conditions for Partial Integration	1. Net Agricultural Income should exceed Rs 5,000 p.a. & 2. Non-Agricultural Income should exceed BEL.

Steps for calculation of tax in case of PIT

1. Calculate Tax on Net Agricultural Income + Non-Agricultural Income.
2. Calculate Tax on Net Agricultural Income + BEL.
3. Income tax Calculated in Step 1 - Income Tax calculated in Step 2.
4. Sum arrived in Step 3 shall be increased by SC (if applicable) & reduced by rebate u/s 87A.
5. Add Health & Education cess @ 4%.

Question

Mr. X, a resident, has provided the following particulars of his income for PY 2021-22: Compute his tax liability assuming his age is 45 years

Income from salary (computed)	Rs.1,80,000
Income from house property (computed)	Rs.2,00,000
Agricultural income from a land in Jaipur	Rs.2,80,000
Expenses incurred for earning agricultural income	Rs.1,70,000

Answer

Net Agricultural Income = Rs.2,80,000 - Rs.1,70,000 = Rs.1,10,000

Computation of tax liability (Age 45 years)

Step 1	Tax on Rs.4,90,000 (Rs.3,80,000 + Rs.1,10,000) = Rs.12,000.
Step 2	Tax on Rs.3,60,000 (Rs.1,10,000 + Rs.2,50,000) = Rs.5,500.
Step 3	Rs.12,000 - Rs.5,500 = Rs.6,500
Step 4 & 5	Rs.6,500 + 4% = Rs.6,760.

*In case of a senior citizen - In step 2 - limit would change to 3L instead of 2.5L

Restriction on Allowability of Expenditure incurred for earning exempt Income (Section 14A)

- Any expenditure incurred to earn Exempt Income shall not be allowed as deduction while computing income under any head since the exempt income is not taxable.

Share of HUF income received by a member from HUF [Section 10(2)]

- Income earned by the HUF is assessable in its own hands since HUF is a 'person' under Income Tax Act.
- Any sum received by an Individual as a member of HUF
 - either out of the family income or
 - out of the impartible estate belonging to the family shall be exempt in the hands of the member even if such income is exempt in the hands of HUF.

Question: Mr. A, member of HUF, received 10,000 as his share from income of HUF. Discuss Tax Treatment.

Answer:

Such income is not includible in Mr. A's chargeable income since section 10(2) exempts any sum received by an individual as a member of a HUF where such sum has been paid out of the income of the family.

Share of Profit of a Partner from a firm [Section 10(2A)]

- Share of the Partner in total income of the firm shall be exempt in the hands of partner even if taxable income becomes nil in the hands of firm due to any exemptions or deductions.

Interest on Non-Resident (EXTERNAL) A/C (only for Individual) [SEC 10(4)(ii)]

- Interest received on moneys in Non-Resident (External) A/c in any bank in India → Exempt to NR.

Points to Remember:

- Exemption is available only if such NR person is permitted by RBI to maintain such account.
- Joint-holders of NRE A/c will not be treated as AOP merely because they have A/c in joint names.

Exemption will be available to each of the joint-holders only if they fulfill other prescribed T&Cs.

Remuneration received by Individual who are not Citizens [Section 10(6)]

Sec	Exemptions & Conditions for claiming exemptions
(ii)	Remuneration of Foreign Diplomats in India: Conditions for Claiming Exemption: Remuneration received by Indian official in such foreign countries should be Exempt. Foreign officer is not engaged in any other business/profession/employment in India.
(vi)	Remuneration of Employees of a Foreign Enterprise for services rendered in India: Conditions for claiming Exemption: Employees' Stay in India ≤ 90 days in PY. Remuneration paid to such employee is not deductible from employer's income & Employer is not engaged in any Business/Trade in India.
(viii)	Salary received by NR Non-citizen of India as a crew Member of Foreign Ship: Condition for claiming Exemption: His stay in India ≤ 90 days in a PY.

Remuneration received by Individual who are not Citizens [Section 10(6)]

Sec	Exemptions & Conditions for claiming exemptions
(xi)	<p>Remuneration received by Foreign Gov. Employees from Foreign Gov. for specified training in India Training should be in any establishment/office of or in any undertaking owned by the following:</p> <ol style="list-style-type: none"> Government; Any Statutory corporation; Company wholly owned by CG/SG or Jointly by CG & SG or its Subsidiary company Any registered society which is wholly financed by CG/SG/Jointly by CG & SG

Royalty/fts from national technical research organization [Sec 10(6D)]

- Income arising to non-corporate NR & foreign companies, by way of Royalty/FTS rendered in or outside India to National Technical Research Organization (NTRO) is Exempt.

Allowances or perquisites o/s india to a citizen of india [SEC 10(7)]

Nature	Allowance & Perquisites [Basic Salary]
Paid by	Government of India
Paid to	Citizen of India
Paid for	Rendering services outside India to Government of India

Foreign Diplomats & Ambassadors

Payment to victims of bhopal gas disaster [SEC 10(10BB)]

- Any payment made to a victim of Bhopal Gas Leak Disaster → **Fully exempt.**
- No Exemption:** If the amount of Loss has been allowed as deduction.

Compensation received on account of any disaster [SEC 10(10BC)]

- Compensation** received for **any disaster** from **CG/SG/LA** by an **Individual/his legal heir** → Exempt.
- No Exemption:** If the amount of Loss has been allowed as deduction.

PENSION RECEIVED BY RECIPIENT OF GALLANTRY AWARDS - SEC 10(18)

- Pension received by Individual who was CG/SG employee & who has been awarded Param Vir Chakra/Maha Vir Chakra/ Vir Chakra → Exempt.
- In **case of Death of Awardee:** Family pension received by the member of his family is exempt.
- Disability pension granted to disabled personnel of armed forces (naval, military or air) who have been invalided on account of disability attributable to or aggravated by such service would be exempt from tax.

Note: Exemption will not be available to personnel who have been retired on superannuation or otherwise.

INCOME OF MEMBER OF SCHEDULED TRIBE IN SPECIFIED AREAS [SECTION 10(26)]

- Specified Area means:
 - a) Area specified in the Constitution of India; (North Cachar Hills District, Karbi Anglong District, Bodoland Territorial Areas District, Khasi Hills District, Jaintia Hills/Garo Hills District)
 - b) Manipur, Mizoram, Tripura, Nagaland, Arunachal Pradesh &
 - c) Ladakh in J & K.
- Following Incomes are **Exempt**:
 - a) Income from Any source in the specified areas or States.
 - b) Dividend or Interest on securities.

INCOME OF A SIKKIMESE INDIVIDUAL [SECTION 10(26AAA)]

Exempt Incomes:

- a) Income from **any source** in the State of Sikkim; or
- b) Income by way of **Dividend or Interest on securities**.

Exemption is not available → Sikkimese woman who marry Non-Sikkimese man on/after 1.4.2008.

Question:

Exemption is available to Sikkimese individual, only in respect of income from any source in Sikkim.

Answer:

Incorrect. Exemption u/s 10(26AAA) is available to a Sikkimese individual not only in respect of the said income, but also in respect of income by way of dividend or interest on securities

Section 15 - Charging section

- There has to be **employer-employee relationship (full time / part time does not matter)**
- When is it taxable? **Due / Receipt basis** (whichever is **earlier**)
- What if I receive the salary in advance - Taxable when received. Not taxable AGAIN at the time of accrual
- **Forgoing of salary** - Always **taxable** (application of income)
- **Surrender of salary** - to central Govt - **NOT** to be treated as salary.
- Employer bears burden of tax = Taxable salary would be - SALARY + TAXES borne by employer
- Salary due and Salary accrued = different
- Salary paid to MPs and MLAs = ~~Salary~~ IFOS

Difference between advance salary and advance against salary

- Loan is different from salary.
- When an employee takes a loan from his employer, which is repayable in certain specified installments, the loan amount cannot be brought to tax as salary of the employee.
- Similarly, advance against salary is different from advance salary.
- It is an advance taken by the employee from his employer.
- This advance is generally adjusted with his salary over a specified time period.
- It cannot be taxed as salary.

Calculation of Income from Salary

Particulars	Amounts
1. Basic Salary	XXX
2. Dearness Allowance (D.A.)	XXX
3. Commission	XXX
4. Bonus	XXX
5. Advance Salary / Arrears salary	XXX
6. Gratuity	XXX
7. Pension	XXX
8. Leave salary	XXX
9. Allowances	XXX
10. Provident Fund	XXX
11. Voluntary Retirement Compensation	XXX
12. Super Annuation fund	XXX
13. Retrenchment Compensation	XXX
14. Perquisite	XXX
Gross Salary	XXXX
(LESS) Deductions under Section 16	
- Professional taxes	(XXX)
- Entertainment allowance	(XXX)
- Standard deduction	(XXX)
Net Salary	XXX

Salary components in detail

1. **Basic salary** = FULLY taxable (Wages / Salary / Basic salary are used interchangeably)
2. **Dearness Allowance** = aimed at beating the impact of inflation

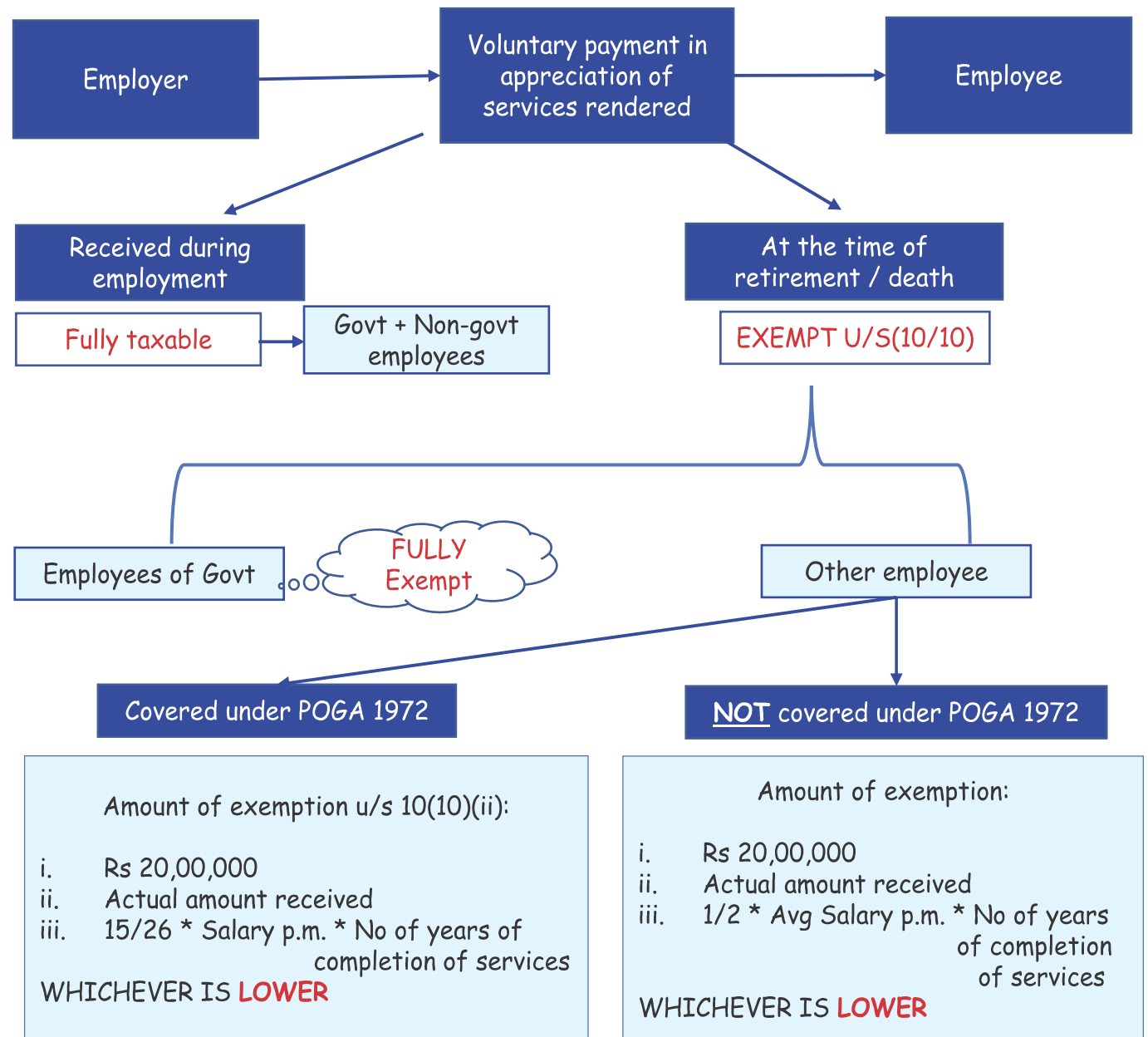
Treatment = Fully taxable whether it is 'in terms' or 'not in terms'

DA in terms = DA which is forming part of retirement benefit calculation.
3. **Commission (ANY)** - Fully taxable

In almost all formulae - ONLY turnover commission is considered
4. **Bonus** = Taxable on receipt basis (not on due basis)
5. **Advance salary** = Taxable on due or receipt basis, whichever is EARLIER

Arrears of salary = taxable in the year of receipt. Arrears may arise due to increase in salary retrospectively

6. Gratuity:



Salary per month (For POGA) :

Latest Basic salary p.m. XXX
 + Latest DA (BOTH) XXX
 XXX

Number of years of completion of service

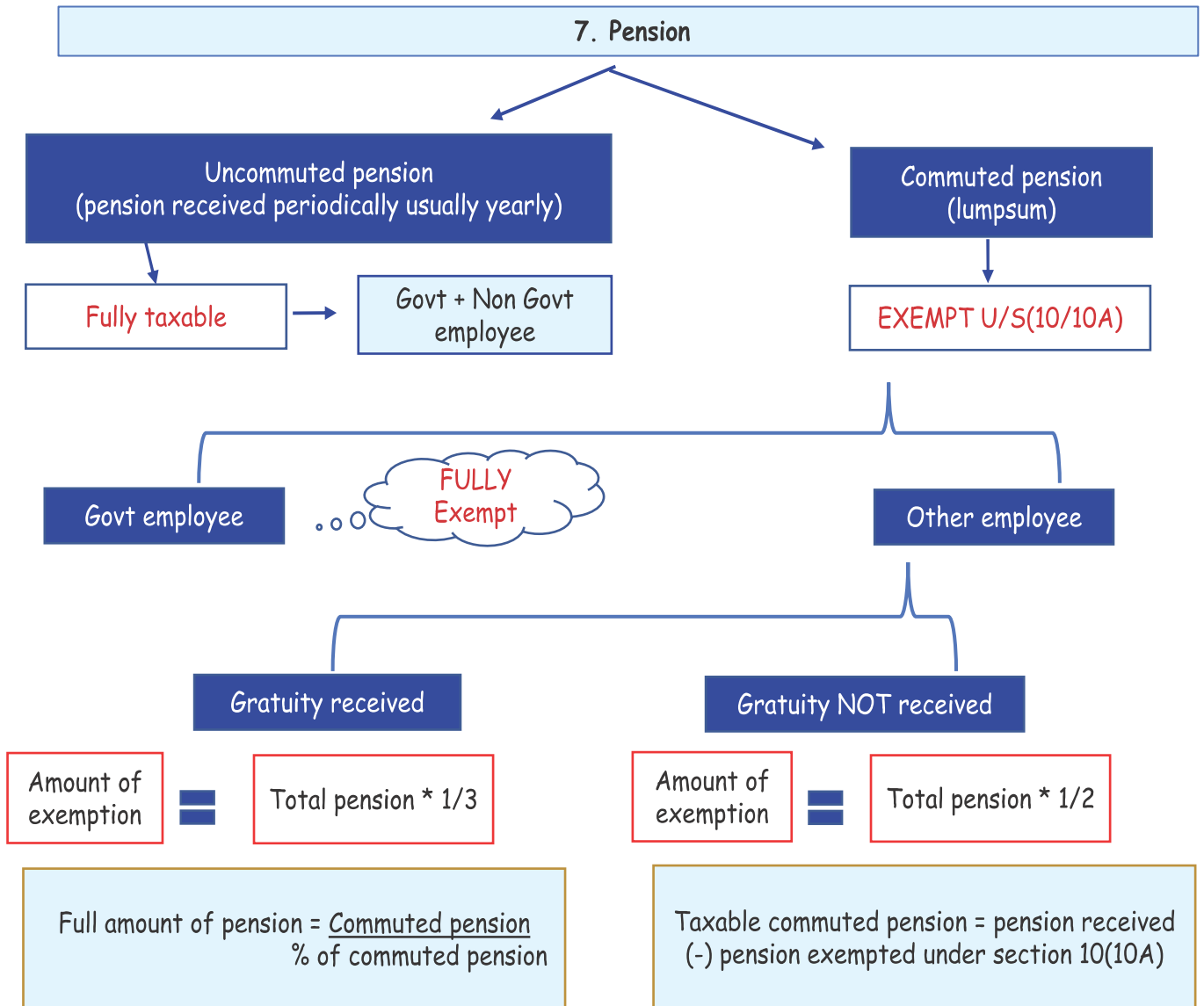
If fraction - Normal round off
 1 year 2 months = 1 year
 1 year 7 months = 2 years
 1 year 6 months = 1 year

Average salary per month (For NON POGA):

Avg basic salary of last 10 months XXX
 + Avg DA(T) of last 10 months XXX
 + Avg T/O commn of last 10 month XXX

Number of years of completion of service

IGNORE fractions
 1 year 2 months = 1 year
 1 years 7 months = 1 year
 1 year 6 months = 1 year



Special note - Generally students forget to consider the **uncommuted pension** after the computation.

Note - Annuity received from a past employer is taxable as **profit in lieu of salary**

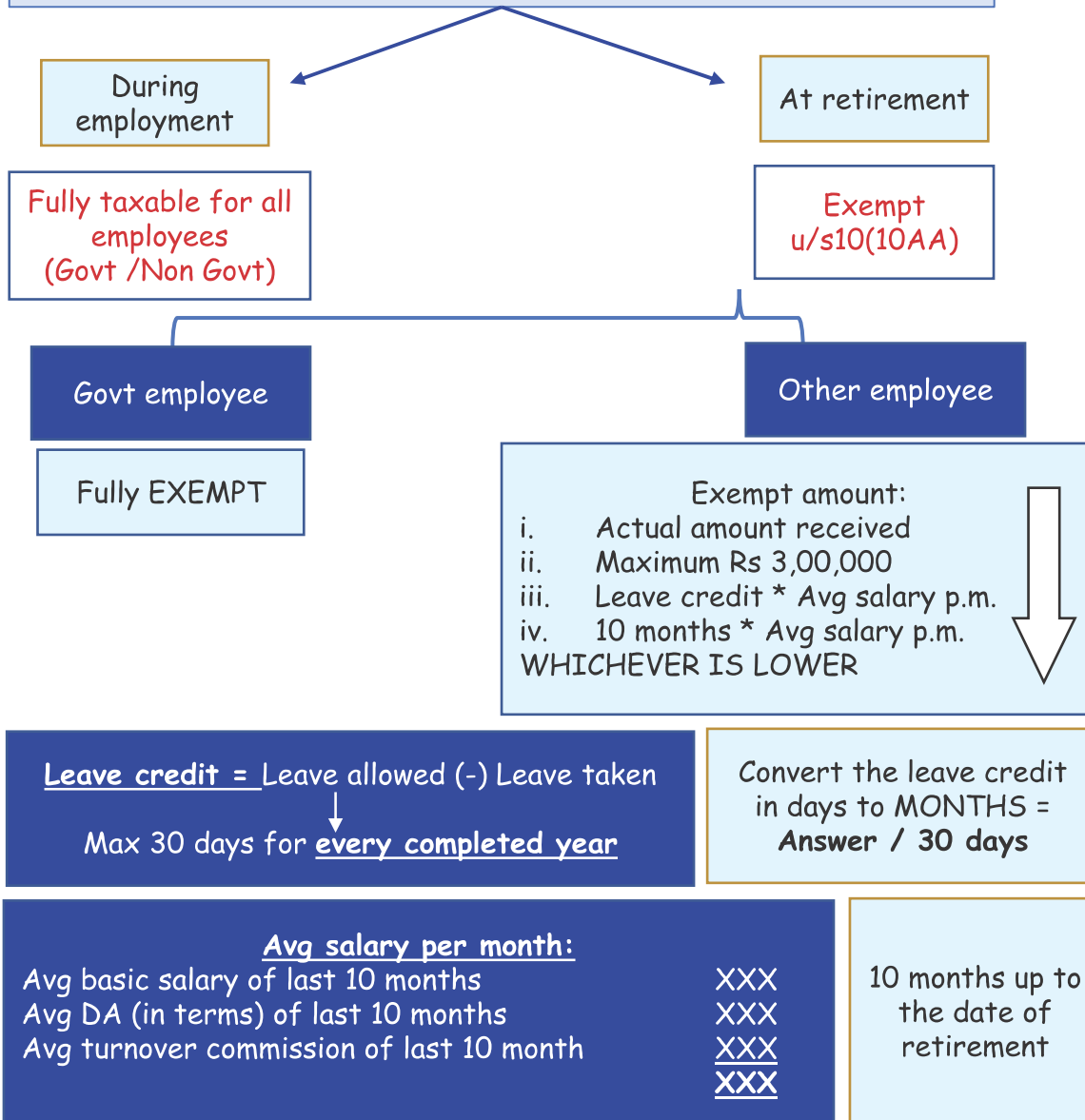
Examples on pension (very important)

Mr. Sagar who retired on 1.10.2021 is receiving 5,000 p.m. as pension. On 1.2.2022, he commuted 60% of his pension and received 3,00,000 as commuted pension. You are required to compute his taxable pension assuming:

- a. He is a government employee.
- b. He is a private sector employee and received gratuity of 5,00,000 at the time of retirement.
- c. He is a private sector employee and did not receive any gratuity at the time of retirement.

8. Leave salary

Meaning - Encashment of unutilized leaves by the employees







Mr. Gupta retired on 1.12.2021 after 20 years of service and received leave salary of 5,00,000. Other details of his salary income are:

Basic Salary	Rs 5,000 per month (1,000 was increased w.e.f. 1.4.2021)
Dearness Allowance:	Rs 3,000 p.m. (60% of which is for retirement benefits)
Commission:	Rs 7,500 p.m.
Bonus:	Rs 1,000 p.m.
Leave availed during service: 480 days. He was entitled to 30 days leave every year.	

Compute his taxable leave salary assuming:

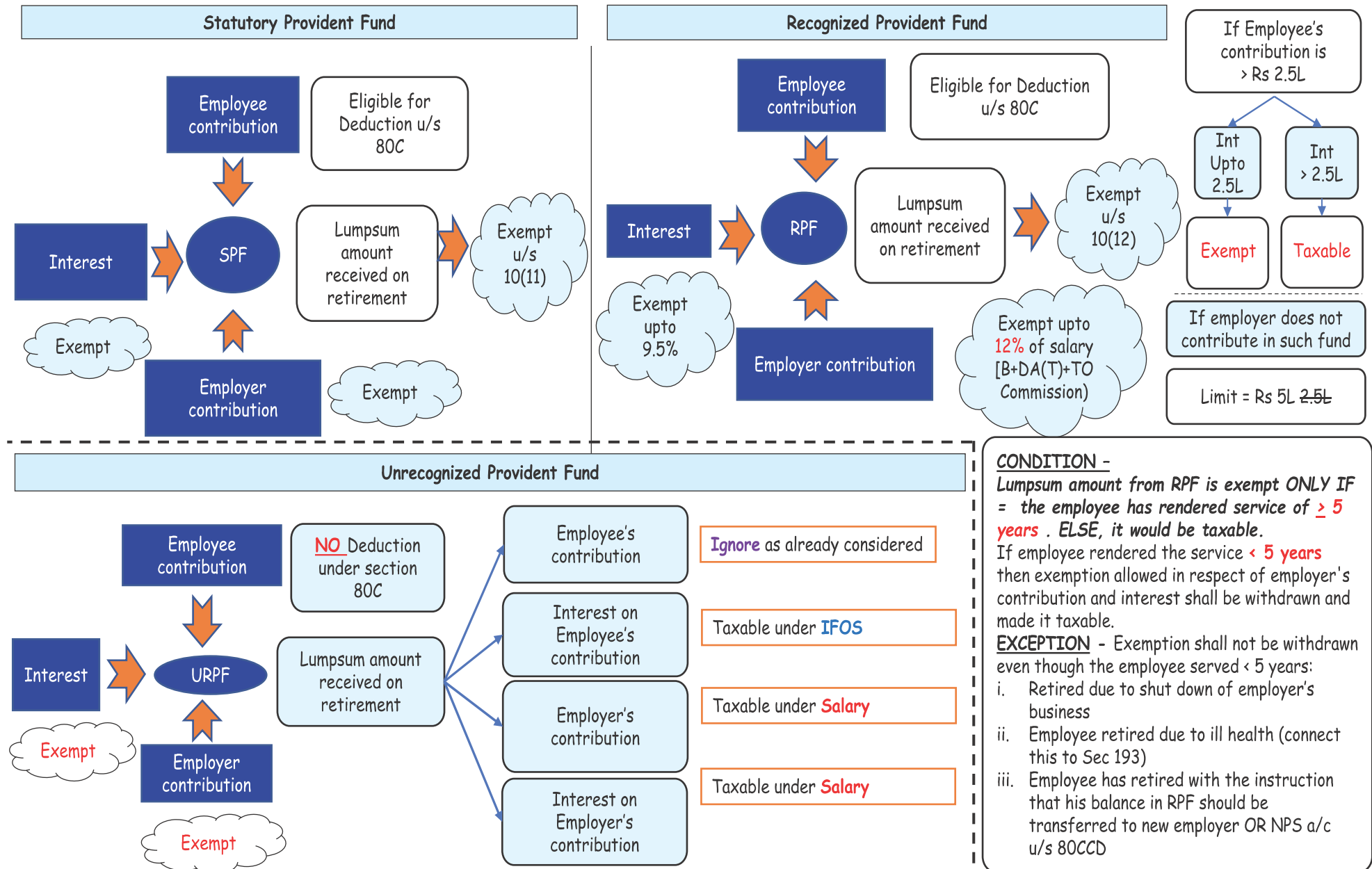
- He is a government employee
- He is a non government employee

9. Allowances

Allowance	Exemption
Children Education Allowance	Max Rs 100 p.m. per child (max 2 child)
Children Hostel Allowance	Max Rs 300 p.m. per child (max 2 child)
Commutation / Transport allowance	Max Rs 3200 p.m. (in case of blind/deaf/handicapped/dumb)
Underground Allowance (Mines)	Max Rs 800 p.m.
Tribal area Allowance	Max Rs 200 p.m.
Allowance to employees of Transport undertaking	70% of allowance OR Rs 10,000 p.m. 
House Rent Allowance - Exempt under 10(13A)	i. 40% / 50% of salary [Basic + DA(T) + Turnover Commission] ii.  Actual amount received iii.  Rent paid - 10% of salary [Basic + DA(T) + Turnover Commission]  Commission 50% = Metro cities [Mumbai, Delhi, Chennai, Kolkata], 40% = Other cities
Traveling or Tour allowance	Exempt on the basis of amount spent actually
Conveyance allowance	
Uniform allowance	
Daily allowance	
Helper allowance (for office Purpose)	
Research allowance / Academy allowance	
OTHER allowances	

Student's notes

10. Provident fund



11. Voluntary Retirement Scheme - Govt employee

Exempt u/s 10(10C)

Exempt amount:

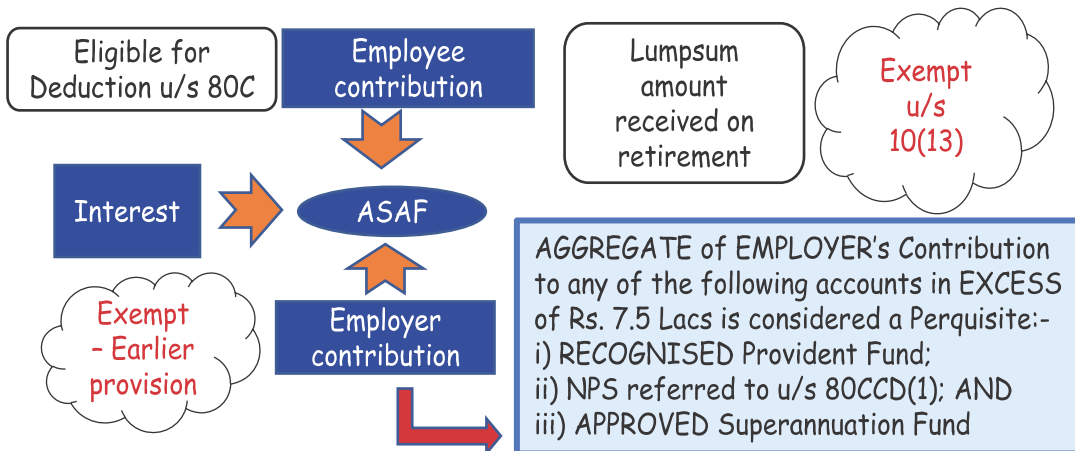
- i. Actual amount received
- ii. Maximum Rs 5,00,000
- iii. Salary pm * 3 months * No of years of completion of service (Ignore the fraction)
- iv. Salary p.m. * No of remaining months of service

WHICHEVER IS LOWER

Salary = Basic + DA(T) + Turnover commission

12. Super Annuation Fund

I. Approved Super Annuation Fund



II. Unapproved Super Annuation Fund

Same treatment as Unrecognized Provident Fund

13. Retrenchment compensation

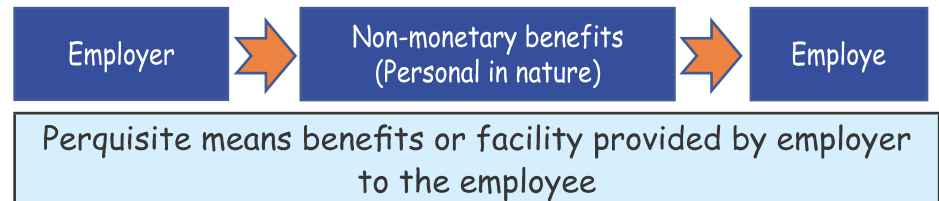
Exempt u/s 10(10B)

Exempt amount:

- i. Compensation as per Industrial Dispute Act
 - ii. Maximum of Rs 5,00,000
- Compensation as IDA = $15/26 \times \text{Avg salary of last 3 months} \times \text{No of years of completion of service (if fraction is > 6 months = round off)}$


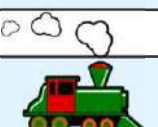

Salary = Basic + DA(T) + Turnover commission

14. Perquisites - Section 17(2) r.w. Rule 3



Provision under NEW sub-clause (viiia) to Section 17(2):-

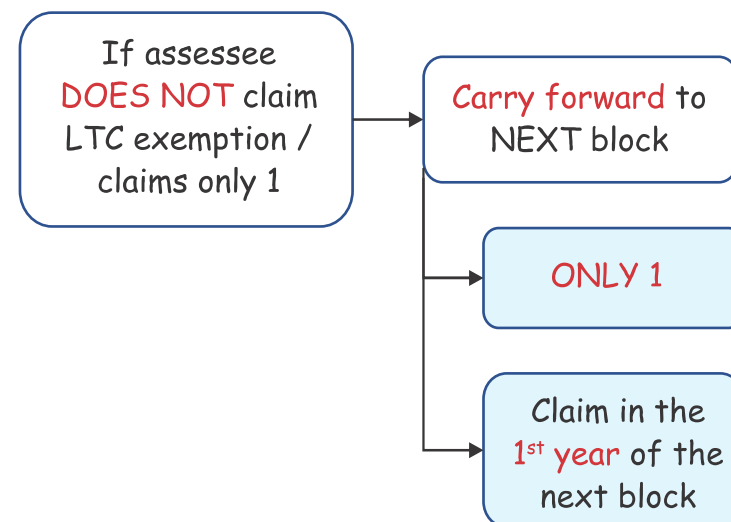
IF any Employer's Contribution to a fund becomes a perquisite in the hands of Employee u/s 17(2)(vii) (contribution exceeded 7.5 Lacs), Annual Accretion on SUCH Amount by way of "Interest, Dividend or any other amount of similar nature" during the PY shall be considered as a Perquisite in the hands of employee u/s 17(2)(viiia)

i. Leave Travel Concession (LTC)			
MODE	EXEMPT		
AIR 	1. Actual Exp	XX	↓
	2. Economy class fare	XX	
Any other mode 			
1. Rail service is available	1. Actual Exp	XX	↓
	2. 1st class fare	XX	
2. Rail service is NOT available 			
i. Recognized public transport is available	1. Actual Exp	XX	↓
	2. Deluxe class bus fare	XX	
ii. No recognized public transport is available	1. Actual Exp	XX	↓
	2. 1st class Railway fare of similar distance	XX	

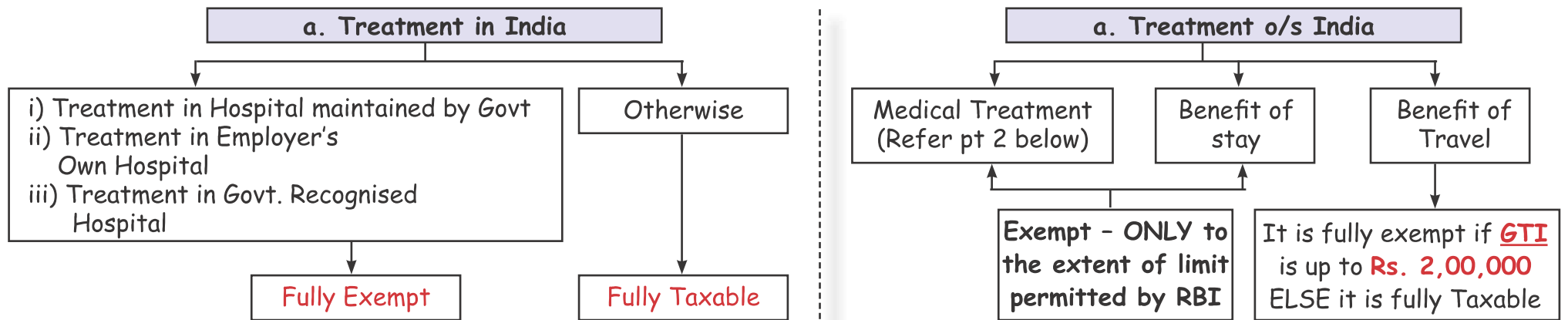
Travel only within India

Notes:

- LTC exemption is available for the travel of employee, his spouse, children* & dependent relative- (Mother, Father, Brother, Sister)
*Exemption of LTC is available only for 2 children born on or after 1/10/1998.
 - 1st time= 1 child 2nd time= Twins
Total 3 children = Exemption Allowed to all 3 children.
 - 1st time= Twins 2nd time= 1 child
Total 3 children= Exemption Allowed to only 2 children
- LTC exemption is available for 2 years during the block of 4 years (current block is 2022-25)
-



ii. Medical Facility



Notes:

1. Medical allowance → **FULLY TAXABLE**
1. Medical insurance premium is **FULLY EXEMPT**
2. Exemption for treatment is allowed for Employee, Spouse, Children & Dependent Relative (Mother, Father, Brother, Sister)
3. Exemption of stay & Travel is allowed only for one patient & one attendant

Employee to submit certain documents to employer

- (1) Covid-19 +ve report
- (2) All necessary document relating to
 - Medical treatment of employee/family member for → covid-19
 - Illness related to Covid-19 → suffered

↓

< 6 months from the date of being Covid +ve
- (3) A certificate of all the expenditure expenditure.

iii. Loan given by employer to employee at concessional rates of interest or without rate of interest

Taxable amount = Loan amount * (SBI Interest rate - Actual interest rate)

Notes

- i. If Loan amount is upto Rs 20,000 THEN interest benefit not taxable

- ii. If loan taken for treatment of specified disease - then interest benefit is not taxable even if the loan amount is more than Rs 20,000
- iii. Consider the outstanding loan amount on the last day of each month

iv. Gift

- In cash = Taxable
- In kind = FMV will be Taxable - If < Rs 5,000 p.a. - Exempt

v. ESOP - Co offers shares to employee at concessional rates

Taxable amount = FMV of shares (-) Issue price
FMV should be taken on the date on which option is exercised by employee

Example for better understanding

Question - Housing loan @ 6% per annum. Amount outstanding on 1.4.2021 is 6,00,000. Mr Kala pays 12,000 per month towards principal, on 5th of each month. Lending rate of SBI as on 1/04/2021 for housing loan may be taken as 10%.

Answer - The perquisite value for computation is $10\% - 6\% = 4\%$

Month	Maximum outstanding balance as on the last day of the month	Perquisite value @ 4% for the month
April 2021	5,88,000	1960
May 2021	5,76,000	1920
June 2021	5,64,000	1880
July 2021	5,52,000	1840
August 2021	5,40,000	1800
September 2021	5,28,000	1,760
October 2021	5,16,000	1720
November 2021	5,04,000	1680
December 2021	4,92,000	1640
January 2022	4,80,000	1600
February 2022	4,68,000	1560
March 2022	4,56,000	1520
Total value of this perquisite		20,880

vi. Use of movable asset

a. Computer / laptop = Fully exempt
 b. Other assets (TV etc) =

If owned by employer	Hired by employer
Taxable amount = 10% of cost	Taxable amount = Hire charges paid by employer

vii. Transfer of movable asset

Computer / laptop	Car	Any other asset
Taxable amount = WDV (-) Consideration	Taxable amount = WDV (-) Consideration	Taxable amount = WDV (-) Consideration
Dep 50%	Dep 20%	Dep 10%
WDV		SLM

Depreciation should be calculated for every completed year and not FY wise

viii. Lunch facility

Exempt upto Rs 50 per meal, if lunch is provided in office premises or through paid voucher

Note-

- Tea, coffee, breakfast provided in office - NOT taxable
- Lunch provided in remote area - NOT taxable

ix. Rent Free Accommodation (House facility)

1	2
Govt employee	Other employee
Taxable as per licence fees decided by govt	Owned by employer Hired by employer
	Taxable amount = 1. 15% of salary 2. Hire charges paid
Taxable amount = 7.5% / 10% / 15% of Salary	
Applicable to 2 and 3	
In case furniture is also provided	10% p.a of cost Hire charges paid by employer

Notes

- | | |
|--|---|
| <p>1. Population upto 10 lakhs = 7.5%
 Population upto 25 Lakhs = 10%
 More than 25 Lakhs = 15%</p> | <p>3. ABCDM should be calculated on due basis. Advance salary, arrears of salary should be ignored</p> |
| <p>2. Meaning of salary [A B2 C D M]
 A - Taxable Allowances
 B - Basic salary B - Bonus
 C - Commission
 D - DA (in terms)
 M - Other monetary income excluding perquisites
 Perquisites should not be considered</p> | <p>4. For computing ABCDM, retirement benefits should not be considered i.e. gratuity, Pension, leave salary, VRS, Retrenchment compensation etc.</p> <p>5. ABCDM should be considered at the time for which assessee had occupied such house.</p> <p>6. Employer contribution towards PF & interest on PF should also be not considered.</p> |

IMP - Exemption of 90 days for allotment of 2 houses - Where employee is transferred from one place to another and he has been provided accommodation at new place too - value of perq - taken for ONLY 1 such house for a period not exceeding 90 days. Thereafter, value of both the houses would be taxable

x. Hotel benefit / Accommodation benefit

Taxable amount =

- i. 24% of salary (ABCDM)
- ii. Hire / rent charges paid by employer



1. If hotel facility is provided at the time of transfer of employee & if it is upto 15 days, then it is not taxable.
2. In house facility & hotel facility if employer recover any rent from employee then such rent should be deducted from above taxable amount.

xi. Car facility

I. Car used for office purpose only - Fully exempt
Employer to maintain all the records of each journey and employer issues a certificate that the car is used exclusively for office purpose

II. Car is used for fully personal

Car is owned by Employer = 10% of cost

OR

Hired by employer = Hire charges paid by employer

+

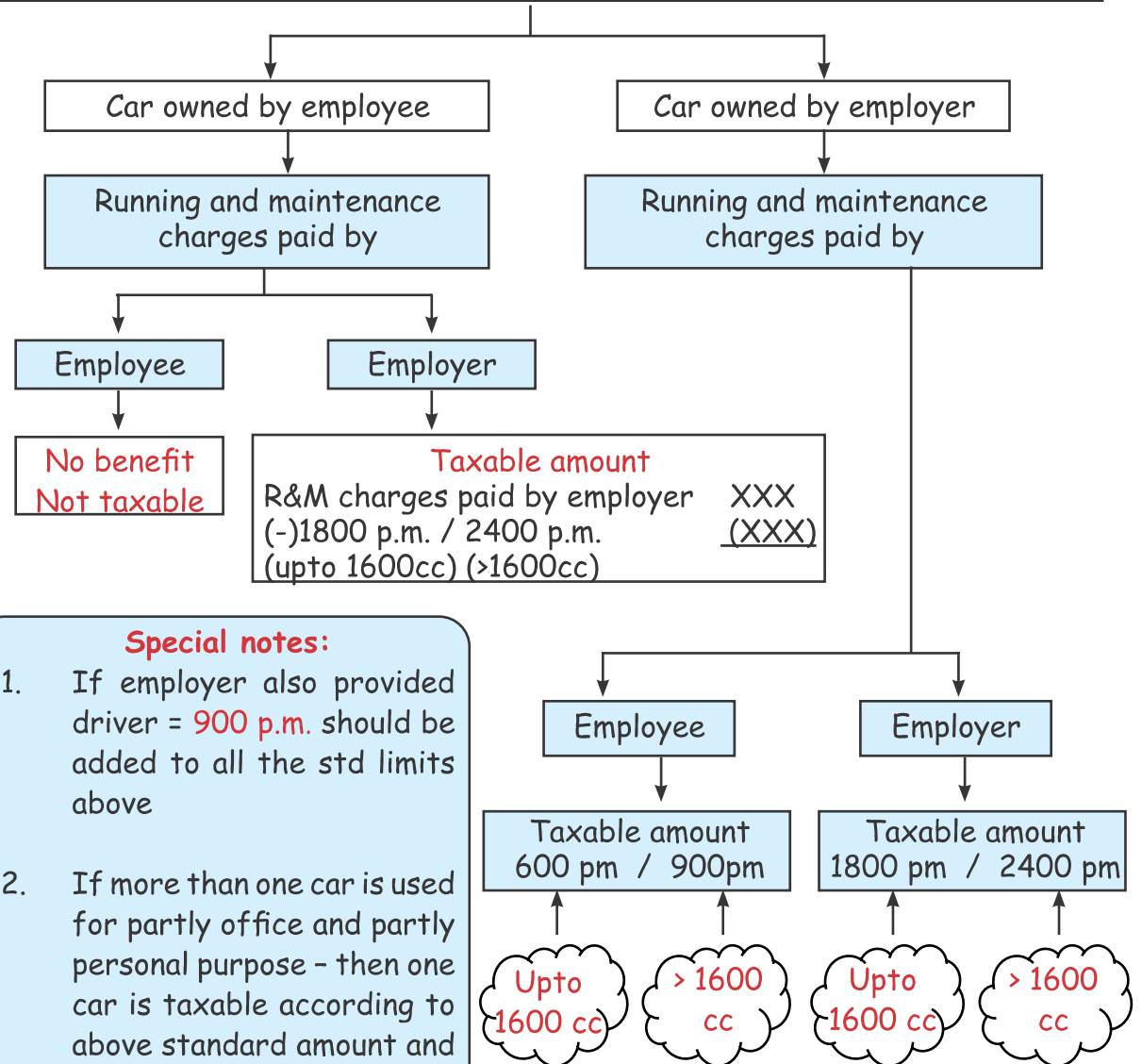
Driver's salary (if paid by employer) = XXX

+

Running and maintaining charges = XXX
(If paid by employer)

XXX

III. Car is used for partly for office and partly for personal purpose



Special notes:

1. If employer also provided driver = 900 p.m. should be added to all the std limits above
2. If more than one car is used for partly office and partly personal purpose - then one car is taxable according to above standard amount and other car shall be taxable on the assumption that it is fully used for personal purpose

xii. Transport facility for transport employee (free tickets)

- For airlines & railway employee - Airlines & Railway facility is fully **EXEMPT**
- For other employees - It is fully **TAXABLE**

xiii. Education facility

- i. For employee - Fully **EXEMPT**
- ii. For children - It is **exempt** if value of education is upto **1000 p.m. per child** & education is provided in **employer's own institution** or institution where employer have **tie-ups**, otherwise fully taxable.
- iii. For other relatives - Fully **TAXABLE**.

xiv. Gas, Electricity & water supply = FULLY taxable

xv. Free servant = FULLY taxable

xvi. Any other perquisite = FULLY taxable

Following perquisites are fully exempt:
 Telephone / mobile bill paid or reimbursed by Employer.
 Scholarship to employees children.
 Goods sold by employer to employee at reasonable price.
 Tax on Non - monetary perquisites paid by employer.

15. Professional Tax

It means tax on employment.
 If it is paid by employer on behalf of employee, then first it should be taxable and there after deduction allowed u/s 16.
 If it is paid by employee then only deduction is allowed.

16. Entertainment allowance only for Govt. employees

It is fully taxable for all employees. But deduction is allowed to government employees u/s 16 as follows:

- i. 20% of basic salary
- ii. Actual amount received
- iii. Maximum Rs 5,000



17. Standard deduction of Rs 50,000 or the amount of salary, whichever is LOWER

CONCEPT - Pay scale

Example - Mr Amit joined railways as on 1/6/2011 on a pay scale of 10,000 - 1,000 - 12,000 - 2000 - 18,000 - 3000. Compute salary for AY 2015-16

1/6/2011 to 31/5/2012	10,000
1/6/2012 to 31/5/2013	11,000
1/6/2013 to 31/5/2014	12,000
1/6/2014 to 31/5/2015	14,000

Salary for FY 2014-15 = (12000*2) + (14000*10) = Rs 1,64,000

Valuation of a "Specified Securities & Sweat Equity Shares" taxable u/s 17(2)(vi)]

GENERAL RULE - Tax on perquisite of Specified Securities and Sweat Equity Shares is required to be paid IN THE YEAR of Exercise of Option.

However, where such shares/securities are allotted BY the "Current employer, being an eligible startup referred to u/s 80-IAC", the perquisite will be taxable by the EARLIEST of the following Years:-

- i. Year AFTER the Expiry of 48 months from the END of the Relevant AY;
- ii. Year of the SALE of such "specified security or sweat equity share" by the assessee; OR
- iii. Year in which the assessee CEASES to be the employee of the "employer who allotted or transferred him such specified security or sweat equity share"

Consequential Provision:-

As per Section 191(2) - IF the income of employee includes perquisite taxable u/s 17(2)(vi) AND such shares/securities are allotted BY the "Current employer, being an eligible startup referred to u/s 80-IAC",

THEN, Income tax on such income has to be PAID by him WITHIN 14 Days from EARLIEST of the following dates:-

- i. Expiry of 48 months from the END of the Relevant AY;
- ii. Date of the SALE of such "specified security or sweat equity share" by the assessee; OR
- iii. Date of the assessee CEASING to be the employee of the "employer who allotted or transferred him such specified security or sweat equity share"

Section 17(2)(vii)	Employer's contribution towards RPF, NPS referred u/s 80CCD, Approved Super annulation Fund (ASF) > Rs 7,50,000 is treated as perquisite in hands of Employee.
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Section 17(2)(viia)	Annual Accretion by way of Interest/dividend/similar interest on contribution of > Rs 7,50,000 by employer also treated as perquisite in hands of employee.
---------------------	---

Calculation of Annual Accretion of Interest, dividend etc in PY

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

TP	Taxable perquisite under section 17(2)(viia) for the current previous year
PC	Employer's contribution > 7.5 lakh to RPF, NPS u/s 80CCD and ASF during the PY
PC1	Employer's contribution > 7.5 lakh to RPF, NPS u/s 80CCD and ASF for the previous year or years commencing on or after 1 April, 2020 other than the current previous year
TP1	Aggregate of taxable perquisite under section 17(2)(viia) for the previous year or years commencing on or after 1 April, 2020 other than the current previous year
R	I / Favg
I	Amounts of income accrued during the current previous year in RPF, NPS u/s 80CCD and ASF
Favg	(Balance to the credit of RPF, NPS u/s 80CCD and ASF on 1/04/2021+ Balance to the credit of RPF, NPS u/s 80CCD and ASF 31/03/2022)

IMPORTANT

Mr. Sunil is the CEO of Sheetal Textiles Ltd.

- His basic salary is 6,00,000 p.m.
- He is paid 8% as D.A.
- He contributes 10% of his pay and D.A. towards his RPF and the company contributes the same amount.
- The accumulated balance in RPF as on 1.4.2020, 31.3.2021 and 31.3.2022 is 50,35,000, 71,46,700 and 94,57,700, respectively.

Compute the perquisite value chargeable to tax in the hands of Mr. Sunil u/s 17(2)(vii) and 17(2)(viii) for the A.Y. 2021-22 and A.Y. 2022-23.

Computation of perquisite value taxable u/s 17(2)(vii) and 17(2)(viii) for A.Y. 21-22

1. **PC** = Perquisite value taxable u/s 17(2)(vii) = 7,77,600, being employer's contribution to RPF during the P.Y. 2020-21 (-) 7,50,000 = 27,600
2. **PC1** = NIL
3. **TP1** = NIL
4. **R** = $I / \text{Favg} = 5,56,500 / 60,90,850 = 0.0914$
 $I = 5,56,500$ [71,46,700 (-) 7,77,600 (-) 7,77,600 (-) 50,35,000]
 $\text{Favg} = \frac{50,35,000 + 71,46,700}{2} = 60,90,850$

$$\text{TP} = (\text{PC}/2) * \text{R} + (\text{PC1} + \text{TP1}) * \text{R}$$

$$\downarrow$$

$$(27,600/2) \times 0.0914 + 0$$

Rs 1,261

Computation of perquisite value taxable u/s 17(2)(vii) and 17(2)(viii) for A.Y. 22-23

1. **PC** = Perquisite value taxable u/s 17(2)(vii) = 7,77,600, being employer's contribution to RPF during the P.Y. 2021-22 (-) 7,50,000 = 27,600
2. **PC1** = Rs 27,600
3. **TP1** = Rs 1,261
4. **R** = $I / \text{Favg} = 7,55,800 / 83,02,200 = 0.0910$
 $I = 7,55,800$ [94,57,700 (-) 7,77,600 (-) 7,77,600 (-) 71,46,700]
 $\text{Favg} = \frac{71,46,700 + 94,57,700}{2} = 83,02,200$

$$\text{TP} = (\text{PC}/2) * \text{R} + (\text{PC1} + \text{TP1}) * \text{R}$$

$$\downarrow$$

$$[(27,600/2) \times 0.0910] + [27,600 + 1,261] * 0.0910$$

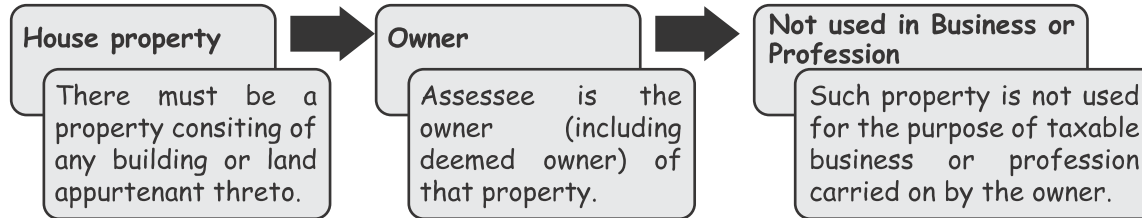
Rs 3,882

5

INCOME FROM HOUSE PROPERTY

Chargeability [Sec 22]

Annual value of the property shall be taxable under the head "Income from house property" subject to following:



Condition 1: Building or land appurtenant thereto

The term 'House Property' is not defined in Income tax Act. However, various judicial interpretation has construed the term house property as -

- Any land surrounded by wall having roof or not;
- Any land appurtenant to a building

Notes -

- Building includes residential as well as commercial houses
- Vacant land is not a house property. Hence, income from letting of vacant land is not taxable under this head
- An incomplete, a ruined or demolished house cannot be termed as house property
- Land appurtenant to a building includes car parking area, approach roads, backyards, courtyards, etc. attached to such building

Condition II: Owner

1. Annual value of a property - taxable - in the hands of the owner even if he is not in receipt of any income
2. income from **sub-letting is not taxable under this head (IFOS)**

Owner = Legal owner / Beneficial owner / Deemed owner (discussed later)

3. Should be the owner in PY - Ownership only in AY does not matter
4. Owner of building - need not be the owner of - land
5. Ownership = Free hold + leasehold rights
6. If title of owner is under dispute in the court = ownership to be determined by the tax department till the court gives its decision

Condition III: Use of property

Property should not used for business purpose - If it is so, income taxable under PGBP and not HP

Property held as stock in trade

Where house property is held as SIT & not let out during any part of the PY, then annual value = shall be computed as =

Up to 2 year from the end of FY in which the certificate of completion of construction of the property is obtained from the competent authority

After the completion of aforesaid period

Annual Value

NIL

Discussed later

★ Foreign property

If house property is situated abroad, then annual value of such property shall be taxable as:

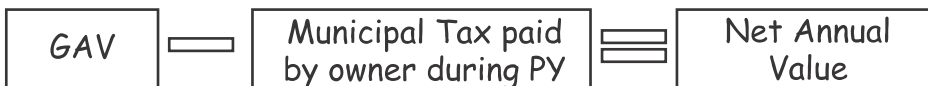
Assessee	Condition for taxability
ROR	Always taxable
RNOR / NR	Income must be received in India

★ Composite Letting [HP + Other Assets/Services]

Composite Rent = Rent for building + Rent for assets / Charges for various services

Tax Treatment	Two lettings are separable	Two lettings are not separable
Rent from HP	Taxable u/h HP	Taxable u/h PGBP or IFOS
Rent from other amenities	Taxable u/h PGBP or IFOS	Example: Hotel Business/PG

★ Determination of Annual Value



<u>Municipal Value</u>	<u>Fair Rent</u>	<u>Standard Rent</u>	<u>Note:</u>
Annual value of the property decided by municipality on which they charge municipal tax	Rent which similar property in the same locality would fetch	is fixed by Rent Control Act	Municipal Taxes paid by the owner during the PY are to be deducted to arrive at NAV

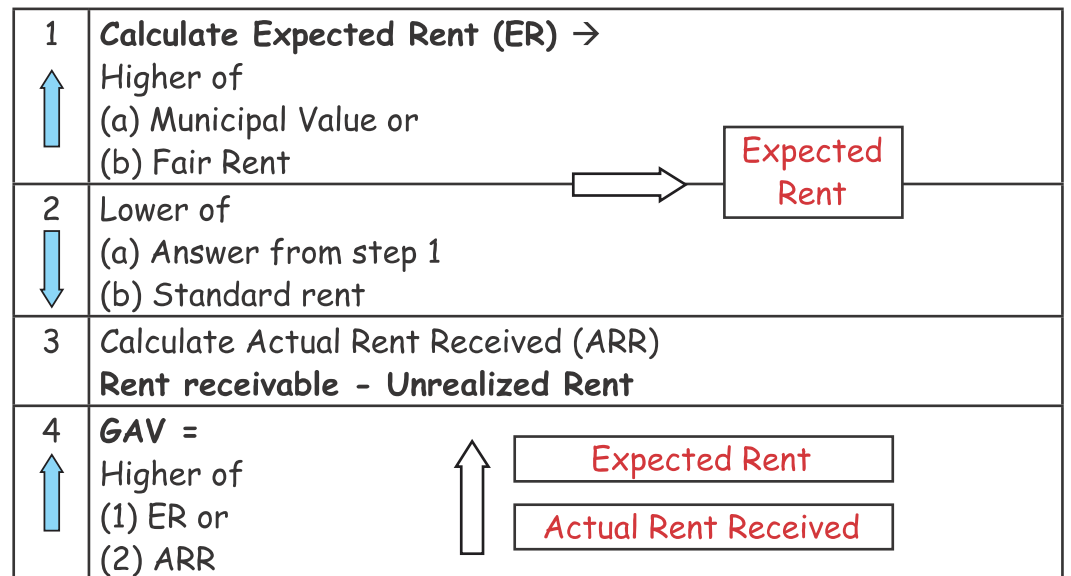
How to compute Income from House Property

A. Gross Annual Value(GAV)	xxx
B. Less: Municipal tax paid by owner during PY	xxx
C. Net Annual Value(NAV) [A-B]	xxx
D. Less: Deduction u/s 24	xxx
24(a): Standard deduction(30% of NAV)	xxx
24(b): Interest on borrowed Capital	xxx

★ I. GAV

Income tax is charged on income, but under the head 'HP', tax is NOT charged on the rent earned from house property BUT on the **inherent earning capacity** of the house property

Determination of Gross Annual Value[Section 23]



Determination of Annual Value for different types of HPs

Situation 1. Property let out throughout the previous year [Sec 23(1)(a)/(b)]

Use formula discussed in the previous slide

Situation 2. Where let out property is vacant for part of the year [Sec 23(1)(c)]

Where let out property is vacant for part of the year and owing to vacancy, the Actual Rent is lower than the Expected Rent,

GAV = Actual rent received or receivable

Situation 3. In case of self-occupied property / unoccupied property [Sec 23(2)]

If property is self occupied / unoccupied (due to employment / business / profession at a different place AND he resides at such other place which is not belonging to him)

Gross Net Annual Value = NIL

This benefit is available only for 2 self-occupied properties and ONLY to individuals / HUF

No deduction for municipal taxes

Situation 4. Property let out part of the year and occupied for part of the year [Sec 23(3)]

Step 1 - Calculate ER for whole year

Step 2 - Calculate ACTUAL rent received

Step 3 - Higher of

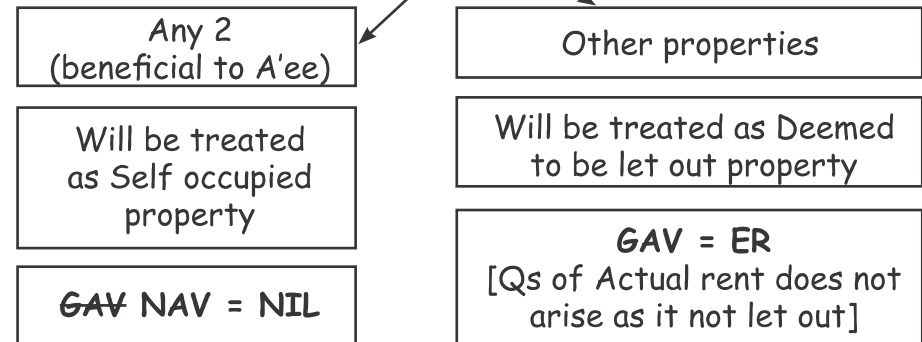
- ER (12 months)

- Actual Rent (Actual) ↑

Situation 5. Deemed to be let out property [Sec 23(4)]

- First 2 self occupied properties NAV = NIL

What if A'ee is owning more than 2 properties for self occupation



Situation 6. Property held as stock in trade [Sec 23(5)]

- Property consisting of any buildings or lands appurtenant thereto may be held as stock-in-trade, and the whole or any part of the property may not be let out during the whole or any part of the previous year.

- In such cases, the NAV = NIL.

- This benefit is available ONLY for the period upto 2 years from the end of the FY in which certificate of completion of construction of the property is obtained from the competent authority.

7. Property where portion is let out and portion is self occupied

- Portion let out - Compute separately as:
LET OUT PROPERTY
- Portion self occupied - Compute separately as:
SELF OCCUPIED PROPERTY
- No need to treat the whole property as single property
- Municipal Value, Fair Rent, Standard Rent - **DO NOT CONSIDER AS IT IS - WHY? ▼**
- Such municipal valuation = for entire property [Let out + SOP]
- We need to bifurcate these amounts between LO and SOP
Portion of LO = Consider only such proportional amount
Portion of SOP = Ignore as NAV = NIL
- How to bifurcate? - Plinth area / Built up floor space or any other reasonable basis



Summary

Notional income instead of real income

There are circumstances where notional income is charged to tax instead of real income.

1. **Situation 5** - Where the assessee owns more than 2 house properties for the purpose of self-occupation, the annual value of any 2 of those properties, at the option of the assessee, will be NIL and the other properties are deemed to be let-out and income has to be computed on a notional basis by taking the Expected Rent (ER) as the GAV.
2. **Situation 1** - In the case of property let-out throughout the previous year, if the Expected Rent (ER) exceeds the actual rent received or receivable, then ER is taken as the GAV.
3. **Situation 2** - In the case of let-out property which is vacant for part of the year, if the actual rent received or receivable for let out period is less than the Expected Rent (ER) for whole year not owing to vacancy, then ER for whole year is taken as the GAV.
4. **Situation 6** - In case of a house property held as stock-in-trade by assessee (which is not let out), income has to be computed on a notional basis by taking the Expected Rent (ER) as the GAV after 2 years from the end of the financial year in which certificate of completion of construction of the property is obtained from the competent authority.

★ **II. Taxes levied by Local Authorities (Municipal Tax)**

1. Deductible from GAV
2. Municipal tax includes Service taxes like fire tax, water tax, etc. levied by a local authority
3. HOW to compute? - % of Municipal Value
4. Conditions to be satisfied:
 1. Should be actually paid by the assessee
 2. Should be paid by the assessee - **Remember - Unpaid tax paid by tenant is not allowable as deduction**
 3. Should be related to PY / preceding PY
5. Deduction in the year of actual payment

Notes

Tax paid to foreign local authority	If property is situated in a foreign country, tax paid to foreign local authority shall be allowed as deduction
Tax exceeds GAV (Negative NAV)	In case municipal tax paid includes tax paid for several past years and the total amount of tax so paid by the owner exceeds GAV, then Net Annual Value (NAV) can be negative
Refund of tax	Refund of Municipal tax paid for a property is not taxable u/s 22
Advance Municipal Tax paid by the assessee	Municipal tax paid in advance is not allowed. It shall be allowed as and when it is incurred.

★ **Deductions from Annual Value [Sec 24]**

30% of NAV Sec 24(a)

Interest on borrowed capital Sec 24(b)

★ **Standard deduction - 30% of NAV**

1. Flat deduction is allowed irrespective of actual expense
2. NO 30% deduction in below cases (Reason: GAV is NIL)
 1. In case of self occupied properties
 2. If property is held as SIT and the whole or any part of the property is **NOT** let out during the whole or any part of the PY, **upto 2 years** from the end of the financial year in which **certificate of completion of construction** of the property is obtained from the competent authority.

★ **Interest on loan or borrowed capital**

Interest payable on amount borrowed for the purpose of **purchase, construction, renovation, repairing, extension, renewal or reconstruction** of house property can be claimed as deduction on **accrual basis**

	Pre construction period	Post construction period
Starts from	The day of commencement of construction or the day of borrowing, whichever is later	The first day of the PY in which construction is completed
Ends on	March 31 imm prior to the year of completion of constrtn	When loan is fully paid
Tax treatment	Interest incurred during above period shall be accumulated & allowed as deductn in 5 equal installments from the year of completion of construction	The interest expenses for the year (on accrual basis) shall be allowed as deduction in the respective year

Other important points

- a. Interest on borrowed capital is **allowed on accrual basis** even if the books of account are kept on cash basis.
- b. Interest paid on fresh loan, which **is taken to repay the original loan** (being taken for above-mentioned purpose) shall be **allowed** as deduction.
- c. Interest on new loan, taken for paying outstanding interest on old loan, is **not deductible**
- d. Amount paid as brokerage or commission, for arrangement of the loan, is **not deductible**.
- e. Interest on loan taken for payment of municipal tax, etc. is **NOT** allowed as deduction

★ Deduction in respect of self occupied / unoccupied property where annual value is NIL

In this case, the assessee will be allowed a deduction on account of interest (including 1/5th of the accumulated interest of pre construction period) as under:

	Conditions	Amount of deduction
a	Loan borrowed before 1.4.99 Where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital before 1.4.99	Actual interest payable in aggregate for one or two self occupied properties, subject to Rs 30,000
b	(i) Loan borrowed on/after 1.4.99 - Where the property is acquired / constructed with capital borrowed on/after 1.4.99 & such acquisition or construction is completed < 5 yrs from end of FY in which cap was borrowed	Actual interest payable in aggregate for one or two self occupied properties, subject to Rs 2,00,000

B	(ii) Where the property is repaired, renewed, or reconstructed with capital borrowed on or after 1.4.99	Actual interest payable in aggregate for one or two self occupied properties, subject to Rs 30,000
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Total interest deduction under (a) and (b) **CANNOT** exceed **Rs 2,00,000**

Other important points

- a. This limit is not applicable to let out / deemed to be let out property
- b. **UNPAID PURCHASE PRICE = CAPITAL BORROWED**
- c. Where a buyer enters into an arrangement with a seller to pay the sale price in instalments along with interest, Seller becomes the **LENDER** and Buyer becomes the **BORROWER**. Unpaid sales price would be treated as capital borrowed for acquiring property and interest paid = **ALLOWED AS DEDUCTION**

★ Treatment of unrealized Rent

1. Actual Rent received / receivable - should not include - rent which is not capable of being realized
2. **HOWEVER**, conditions to **Rule 4** to be satisfied:
 1. Tenancy is bona fide
 2. The defaulting tenant has vacated, or steps have been taken to compel him to vacate the property;
 3. The defaulting tenant is not in occupation of any other property of the assessee;
 4. The assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Assessing Officer that legal proceedings would be useless.

★ **Inadmissible deductions [Sec 25]**

Interest chargeable under this Act which is payable outside India shall not be deducted if -

- a. tax has not been paid or deducted from such interest and
- b. in respect of which there is no person in India who may be treated as an agent

★ **Arrears of rent and unrealised rent received [Sec 25A]**

1. Taxable in the year of receipt/ realization
2. Deduction @ 30% of rent received/ realized
3. Taxable even if assessee is not the owner of the property in the financial year of receipt/ realization.

★ **Treatment of Income from Co-owned property [Sec 26]**

Self occupied property	Let out property
<p>The annual value of the property of each co-owner will be Nil and each co-owner shall be entitled to a deduction of 30,000/ 2,00,000, as the case may be, on account of interest on borrowed capital. However, if the co-owner owns another self-occupied / unoccupied property, the aggregate interest from the co-owned property and the other self-occupied property cannot exceed 30,000/ 2,00,000, as the case may be.</p>	<p>The income from such property shall be computed as if the property is owned by one owner and thereafter the income so computed shall be apportioned amongst each co-owner as per their specific.</p>

★ **Deemed ownership [Sec 27]**

1. **Transfer of HP to Spouse for Inadequate consideration**
→ Transferor is deemed to be owner of HP transferred. [Except: Transferred under agreement to live apart].
2. **Transfer of HP to Minor Child for inadequate consideration**
→ Transferor is deemed owner of HP. [Except: HP is transferred to minor married daughter]NOTE - Where cash is transferred to spouse/minor child and the transferee acquires property out of such cash, then, the transferor shall not be treated as deemed owner of the property. However, clubbing provisions will be attracted.
3. **Holder of Impartible Estate** → Impartial estate is the property which is legally not divisible. Deemed as owner of all properties in the estate.
4. **Member of a Co-operative Society** to whom a building is allotted/leased under House Building Scheme of society → Deemed owner of building allotted to him although co-op society is legal owner of that building.
5. **Person in possession of HP under part-performance of a contract [Sec 53 of TOPA]** Buyer will be deemed owner of HP although it is not registered in his name.
6. **Person having right in property by way of Lease for 12 years or more:** A person who acquires any building by way of lease for a period of 12 years or more shall be deemed to be the owner of that building.
Exception: Lease is acquired from month to month basis or for < 1 year.

Section 28: Charging Section Following income shall be taxable under the head PGBP.

1. Any profit or gain of any **Business/Profession**
2. Profit on sale of **import entitlement licence**.
3. **Cash compensatory support** or duty drawback.
4. Profit on **sale of DEPB** (duty entitlement pass book scheme] or Duty Free Replenishment certification (DFRC)
5. Any amount received under **Keyman insurance policy**
6. **Any gift/benefit/perquisite** arising due to business or profession.
7. Any **interest, salary, bonus commission** received by partner from partnership firm
8. **Non-compete Fees** [not carrying out any activity in relation to any business or profession or not sharing any know-how, patent, copyright, trade mark etc.)
9. Income derived by a **trade, professional or similar association** from specific service perform for its member.
10. **FMV of SIT** as on the date on which it is converted into Capital asset.
11. Any compensation or other payment due to or received by, any person, at or in connection with the **termination or modification of the terms and conditions** of any contract relating to his business.

Section 29: How to compute PGBP

PGBP are to be computed in accordance with the provisions contained in sections 30 to 43D

Section 30 : Rent , Rates, Taxes, Repairs & Insurance of Building

	Rent	Rates & taxes	Insurance	Revenue repair	Cap repair
Owner	Not Allowed	Allowed	Allowed	Allowed	Not Allowed
Tenant	Allowed	Allowed	Allowed	Allowed	Not Allowed

Note- If tenant spends on capital repair - he will not get the deduction of depreciation as he is not the owner of the asset. It will be deemed building and depreciation **CAN BE CLAIMED** on that

Section 31 : Insurance and repairs of Plant and Machinery

	Rent	Insurance	Revenue repair	Cap repair
Owner	Not Allowed	Allowed	Allowed	Not Allowed
Tenant	Allowed	Allowed	Allowed	Not Allowed

Note- If tenant spends on capital repair - he will not get the deduction of depreciation as he is **not** the owner of the asset. It will be deemed building and depreciation **CAN BE CLAIMED** on that

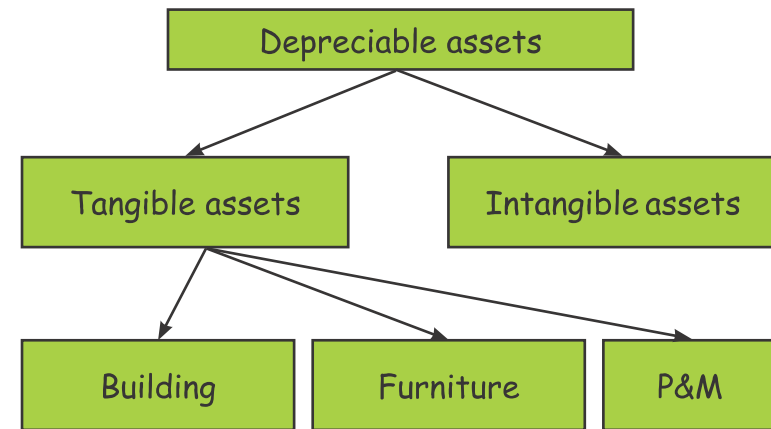
Section 32: Depreciation

Conditions to claim depreciation

1. Asset should be used for business / profession purposes (active or passive)
2. Assessee should be Owner of such asset (wholly or partly)

Notes:

1. Depreciation is allowed if assessee is beneficial owner (Even though not Registered owner)
2. In case of Hire Purchase, assessee gets the ownership only after payment of last instalment but he can claim depreciation from beginning, assuming assessee is the owner from beginning.
3. Depreciation on asset partially owned by the assessee shall be allowed to him to the extent of his share in asset.
4. In case of stand by machinery and emergency spares, the depreciation shall be allowed even if they are ready for use & not put to use.
5. NO Depreciation on LAND



1. **Mandatory** to claim depreciation for all assessee.
2. Depreciation on EPABX & Mobile phone - 15%
3. Depreciation allowed when asset actually put to use & not ready to use.

Rates of depreciation:

Asset	Rate (%)
Class I - Building	
i. Residential	5
ii. General ★	10
iii. Temporary structure	40
Class II - Furniture & Fittings ★	10
Class III - Plant & Machinery	
i. Motor Vehicles	
a) Used in business of running on hire	30
b) Other motor vehicles ★	15
ii. Ships	20
iii. Aircraft	40
iv. Computer/laptop ★	40
v. Books	40
a) Owned by assesses carrying on a profession (annual publications or other than annual pub)	40
b) Libraries business	40
vi. Windmills & its equipment	
a) Installed before 1.04.2014	15
b) Installed on or after 1.04.2014	40
vii. Pollution control equipment	40
viii. Other plant & machinery ★	15
ix. Oil wells	15
Class IV - Intangible assets ★	25

Depreciation for Power Generating undertaking/ sale of asset/ SLM method/ Individual asset system:

If power units follow SLM method then they are subject to individual asset system profit & loss is calculated on every sale.

For eg.

Actual cost of asset: Rs 100 - rate of depreciation = 10% SLM
In 3rd year suppose asset sold for a) 70 b) 85 c) 120

Calculation of depreciation is as follows for 2 yrs:

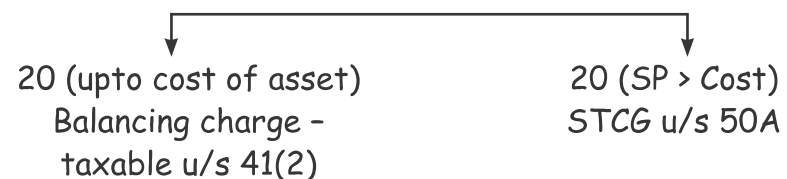
Actual cost	100
(-) depreciation for 1st yr	(10)
	90
(-) depreciation for 2nd yr	(10)
Opening WDV in 3rd yr	80

Tax treatment in case of sale (3rd year)

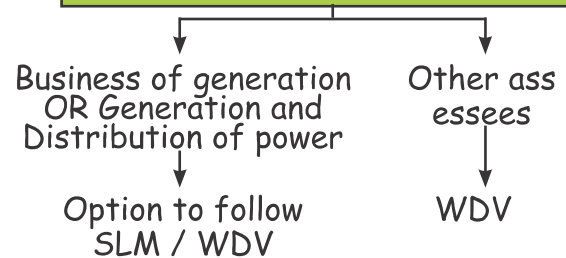
a) Sale value	70	
(-) WDV	(80)	
Loss - P&L (Dr side)	(10)	---> Terminal depreciation allowed as deduction u/s 32(i)(iii)

b) Sale value	85	
(-) WDV	(80)	
Profit - P&L (Cr side)	5	---> Balancing charge taxable as income under PGBP

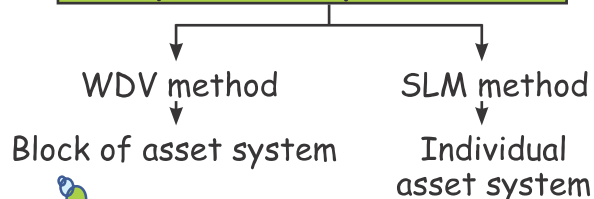
c) Sale value	120
(-) WDV	(80)
Profit	40



Method of depreciation



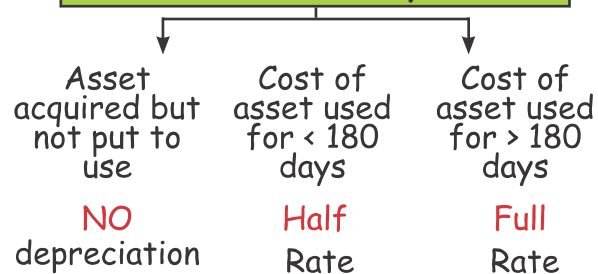
System of depreciation



Group of assets having same rate depn within same class of asset

Depn calculated on individual asset

WDV of block for depreciation



Notes:

1. If asset acquired during current FY & not put to use then depreciation shall not be allowed for such asset but that asset should be added to Block of asset.
2. Actual sale price of asset shall be reduced and not the FMV / SDV of asset sold.

Proviso to Sec 32(1) - Depreciation is restricted to 50% if asset is put to use for less than 180 days in the year of acquisition. Restriction applies in the year of acquisition.
 Ex - Purchased in FY 2018-19 put to use I the same FY for less than 180 days = Half rate
 Ex - Purchased in FY 2018-19 put to use in the NEXT FY for less than 180 days = Half FULL rate

Proviso to Sec. 32(1): Depreciation in case of Amalgamation / Demerger/ Succession
 Dep is calculated normally & after that it shall be distributed between Amalgamating co./ Demerged co./ Predecessor AND Amalgamated co./ Resulting co./ Successor in the ratio of the number of days for which assets were used by them

Section 32(1)(ia) Additional Depreciation

Eligible assessee? - Engaged in the business of manufacture of any article or Generation Transmission or Distribution of Power
Rate of additional depreciation = 20% on P&M ONLY

P&M will not include the following [SOS 100%]

- i. S = Second hand P&M
- ii. O = Any P&M installed in office premises or residential accommodation (**Factory premises - ALLOWED**)
- iii. S = Ships, aircraft & transport vehicles
- iv. 100% = P & M on which 100% deduction allowed

Note - Additional depreciation is allowed Only in the First year in which it is put to use. If put to use for < 180 days then 10% depn shall be allowed [20% * 50%]

- Additional notes:**
1. If additional depreciation allowed at Half Rate [asset used less than 180 days] then balance half rate depreciation shall be allowed in Next year.
 2. Additional depreciation is allowed only if assessee follow WDV method. It is not allowed to Power units if they follow SLM method.

Calculation of depreciation (Block of asset/ WDV method]	
Opening WDV of block	XXX
Add:	
Actual cost of asset acquired during PY	
- Put to use 180 days or more	XXX
- put to use less than 180 days	XXX
- acquired but not put to use	XXX
Less: Selling price of asset	(XX)
WDV of block for Depreciation	XXX
Less: Dep actually allowed	(XX)
Closing WDV of block	XXX

Section 43(1) - Actual cost	
Cost of asset (purchase price)	XXX
(+)	
i. Installation charges	XXX
ii. Transportation expenses for asset	XXX
iii. Trial run/test run expenses	XXX
iv. Taxes & duties (if ITC not available)	XXX
Interest on loan taken for acquisition of asset (upto the date of asset put to use)	XXX
	XXX
(-) Amount recd. on sale of trial run product	(XX)
(-) Subsidy / Govt Grants recd. for acquisition of assets	(XX)
Actual cost	XXX

NOTE - Where an assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which a payment made to a person in a day, other wise than by an account payee cheque or account payee DD or use of electronic clearing system, or any other mode as may be prescribed exceeds Rs 10,000, such expenditure shall not form part of actual cost of such asset.

Sec 38(2) - Asset partly used for other purpose

If asset is not exclusively used for the purpose of Business / Profession then deduction u/s 30/31/32 shall be restricted to a proportionate part as determined by Assessing Officer

Cases	Actual cost as per Sec 43(1)
Asset previously used for Scientific research brought in to regular business	Actual cost = NIL [because deduction already claimed u/s 35]
Stock converted into Capital asset and used for Business or Profession	FMV on the date of conversion
Asset acquired by way of gift / Will /Inheritance	Actual cost to the previous owner LESS Dep already allowed to him
Asset acquired with an intention to claim higher depreciation	Amount determined by AO, with the approval of Joint Commissioner (JC)
Re-acquisition of asset sold	i. WDV at the time of sale ii. Reacquisition cost
Asset Purchased & Leased back to the same person	WDV of the previous owner (Lessee)
Building was used for personal purpose now brought into business	Original cost XXX (-) notional depn till date at current depn rate (XX) Actual cost XXX
Capital asset transferred by holding Co. to 100% subsidiary Co. or 100% Subsidiary Co. to holding Co. [Sec. 47 (iv)/(v)]	Cost / WDV to the transferor company
Transferred by Amalgamating Co. to Amalgamated Co.	Cost / WDV to the amalgamating company
Transferred by Demerged Co. to Resulting Co	Cost / WDV to the demerged company
Asset acquired out of Borrowed fund	Interest up to first put to use form part of actual cost
GST	Duty in respect of which ITC is not allowed forming part of Actual cost
Govt grant / subsidy	If related to Asset = Reduce it from actual cost
Asset brought into India by NR for use in his Business or Profession	Actual cost (-) Depn calculated at the rate in force as if the asset was used in India from date of acquisition
Any capital asset acquired under Scheme of corporatisation of recog. Stock exchange (AOP/ BOI to Company)	Cost / WDV of AOP / BOI
Actual Cost allowed as deduction u/s35AD and capital asset transferred to non-specified business after 8 years from the year of acquisition or transfer by way of transactions referred in section 47	Actual cost for transferee shall be NIL

Computation of Capital Gains for depreciable assets

Block of asset ceased to exist	Rs	No.	Rs	No.
Selling price of asset	6,20,000		11,30,000	
Opening WDV of block	8,00,000	5	8,00,000	5
(+) actual cost of asset acquired	<u>3,00,000</u>	<u>2</u>	<u>3,00,000</u>	<u>2</u>
	11,00,000	7	11,00,000	7
(-) sale value of assets	<u>(6,20,000)</u>	<u>7</u>	<u>(11,00,000)</u>	<u>7</u>
WDV of block of asset	4,80,000	-	NIL	-

Asset	NO	Asset	NO
WDV	YES	WDV	NO
Depn	NO	Depn	NO
CG	YES	CG	YES

Capital Gains computation	Rs	Rs
FVOC	6,20,000	11,30,000
(-) COA = Opening WDV + asset acquired during PY	<u>(11,00,000)</u>	<u>(11,00,000)</u>
Capital Gains / Loss	(4,80,000)	30,000

Some assets of the block are transferred	Rs	No.	Rs	No.
Selling price of asset	11,20,000		11,30,000	
Opening WDV of block	8,00,000	5	8,00,000	5
(+) actual cost of asset acquired	<u>3,00,000</u>	<u>2</u>	<u>3,00,000</u>	<u>2</u>
	11,00,000	7	11,00,000	7
(-) sale value of assets	<u>(11,00,000)</u>	<u>4</u>	<u>(8,30,000)</u>	<u>4</u>
WDV of block of asset	NIL	3	2,70,000	3

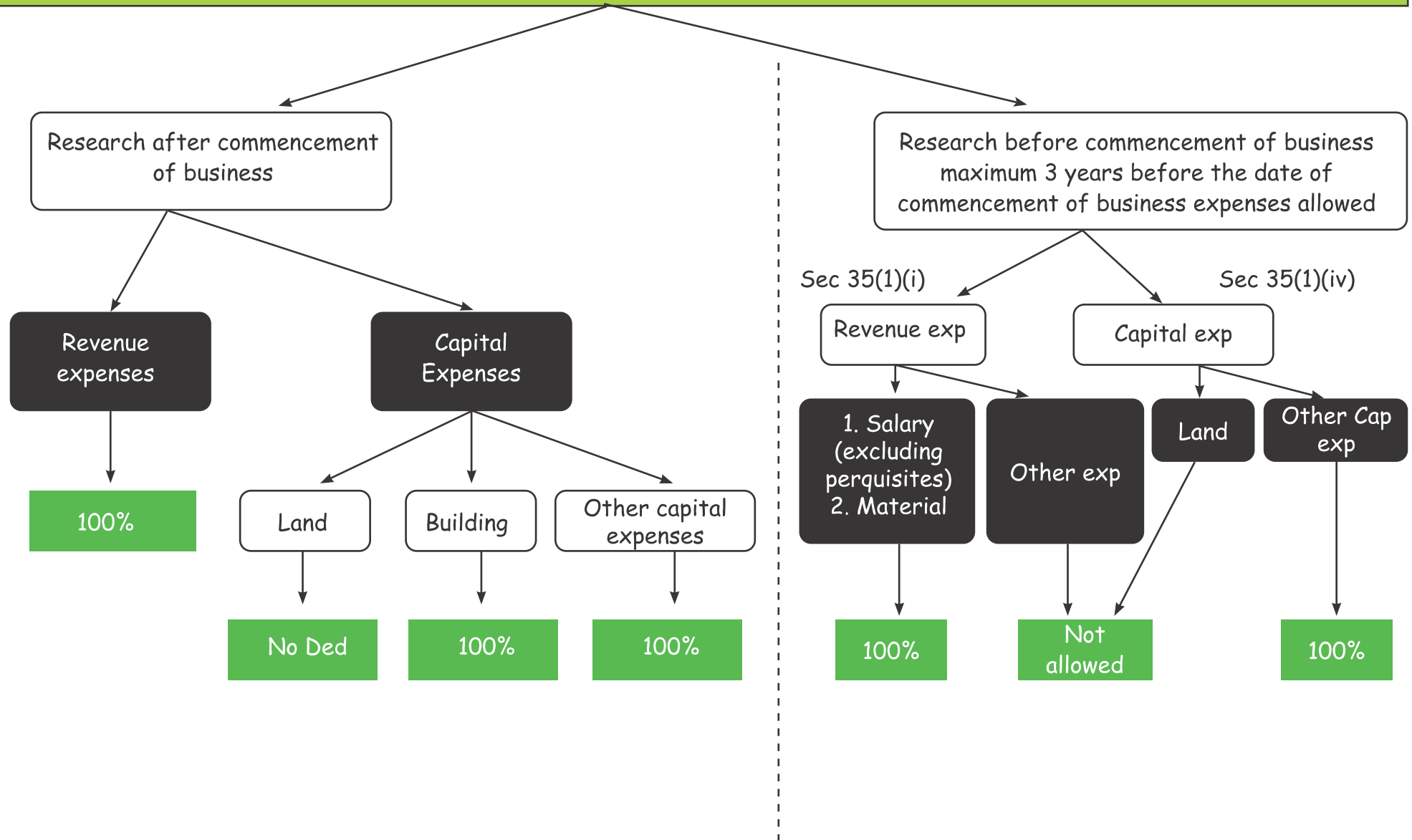
Asset	YES	Asset	YES
WDV	NO	WDV	YES
Depn	NO	Depn	YES
CG	YES	CG (NO CG as block not ceased)	NO

Capital Gains computation	Rs
FVOC	11,20,000
(-) COA = Opening WDV + asset acquired during PY	<u>(11,00,000)</u>
Capital Gains / Loss	20,000

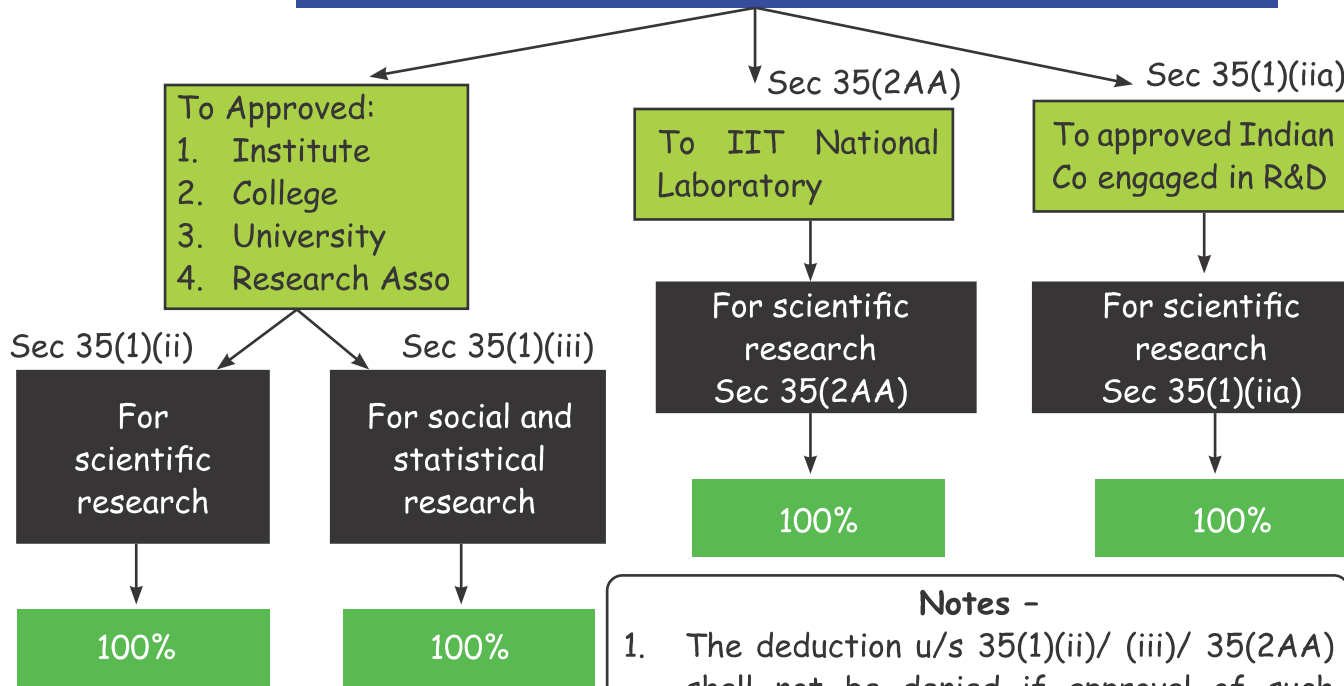
Normal depreciation will be allowed

Section 35 - Expenditure on scientific Research

Part A - In-house research (related to business of the assessee)



Part B - Contribution to outsiders (Not in-house)



Notes -

1. The deduction u/s 35(1)(ii)/ (iii)/ 35(2AA) shall not be denied if approval of such institution has been withdrawn after payment of sum by assessee.
2. No depreciation allowed on assets if deduction u/s 35 claimed.

Section 35CCC: Expenditure on Agriculture Extension Project - **Deduction @ 100 %** allowed, if expenses (revenue + capital) (except Land & Building) incurred for notified agriculture extension project. This deduction is allowed to all assessees

Section 35CCD: Expenditure for Skill Development Project - **Deduction @ 100%** allowed, if any expenditure incurred (revenue + capital) (except Land & Building) for notified skill development project. This deduction is allowed only to companies

Taxation of Grants/Subsidies from Govt

Any subsidy, grants, cash incentive, duty drawback, waiver etc by CG or SG or any Authority or Body (other than referred in explanation 10) shall be **treated as Income**.

Notes

- If subsidy received for acquiring an asset = it shall be deducted from actual cost of asset
- Any other subsidy / waiver of loan / Govt. Grant = Taxable under PGBP
- Any subsidy / grant received by trust or institution (established by CG/SG) as a Corpus fund from Central Govt shall not be treated as income.
- If loan taken for acquisition of asset is waived = then such loan shall be reduced from Actual cost of asset [block of asset].

NEW POINT

Section 35(1A) - Payer shall be entitled to deduction u/s 35(1)(ii) / (iia) / (iii) ONLY IF

1. The institution prepares a statement in Form 10BD and submit the same to the prescribed authority upto 31 May of next FY
2. The institution furnishes a certificate to the Donor in Form 10BE upto 31 May of next FY

Section 35D - Preliminary expenses

Preliminary expenses means:

Market survey
Preparation of feasibility report
Engineering services
Drafting and printing services
Legal fees, etc

Deduction allowed to resident assessee who incurs preliminary expenses before commencement of business or after commencement for extension / setting up a new unit.

Indian Co =

- i. Actual Prel Expenses
- ii. 5% of COP / CE

Whichever is LOWER

COP or CE, Whichever is HIGHER

Other Non corporate assesseees

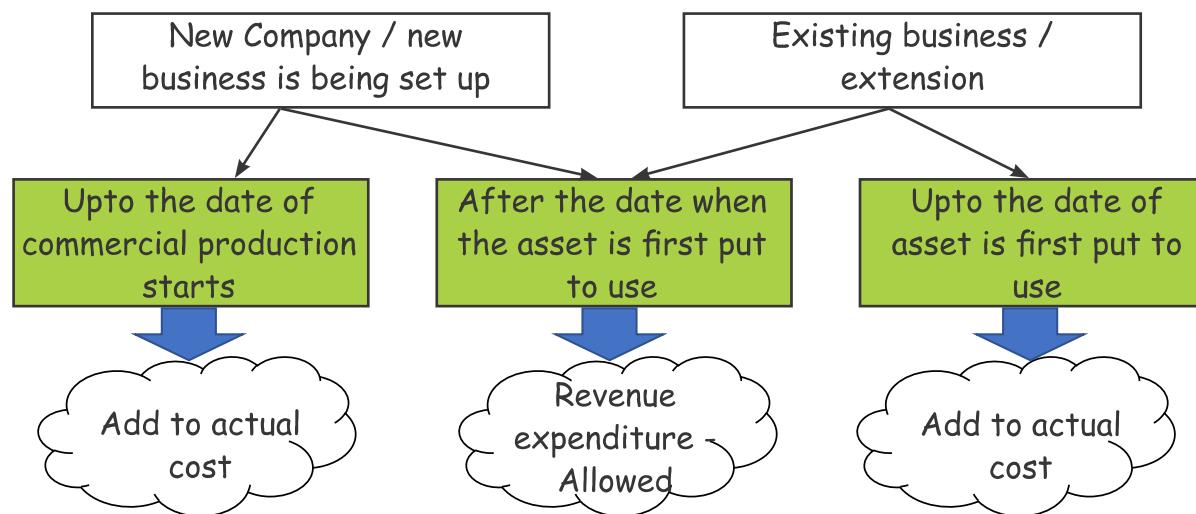
- i. Actual Prelim expenses
- ii. 5% of COP

Whichever is LOWER

NOTES

1. Deduction = 5 equal installments
2. COP = Cost of Project means = Amt invested in fixed asset of new project
3. CE = Cap Employed (Share Capital + Debentures + Long Term borrowing for new project = **NO Reserves and Surplus**)

Treatment of interest on loan taken for acquiring asset



Miscellaneous Provisions - Please read this after reading Section 36

Security Transaction Tax [Sec 36(1)(xv)]

Any amount of Securities Transaction Tax (STT) paid by the assessee during the previous year shall be allowed as deduction provided income arising from such transactions is included in the income computed under the head PGBP

Commodity Transaction Tax [Sec. 36(1)(xvi)]

Any amount of Commodities Transaction Tax (CTT) paid by the assessee in respect of the taxable commodities transactions entered into in the course of his business during the previous year shall be allowed as deduction provided income arising from such transactions is included in the income computed under the head PGBP

Purchase of Sugarcane [Sec. 36(1)(xvii)]

The amount of expenditure incurred by a co-operative society engaged in the business of manufacture of sugar for purchase of sugarcane at a price which is equal to or less than the price fixed or approved by the Government shall be allowed

Loss as per ICDS [Sec 36(1)(xviii)]

Marked to market loss or other expected loss as computed in accordance with the ICDS shall be allowed.

Section 35AD - Specified business

Sr No	Nature of business	% of deduction (capex)
1	Setting up & operating a cold chain facility	100%
2	Setting up & operating a warehousing facility for agricultural produce	100%
3	Laying & operating cross country pipeline for distribution of petroleum oil, natural gas	100%
4	Building & operating a Hotel of 2 star or above	100%
5	Building & operating a Hospital with minimum 100 patient beds	100%
6	Developing & building a Housing project under Slum development scheme	100%
7	Developing & building a housing project under affordable housing scheme	100%
8	Production of Fertilizers in India	100%
9	Setting up & operating inland container depot or container freight station	100%
10	Bee keeping and production of bee's honey& wax	100%
11	Setting up & operating a warehousing facility for sugar	100%
12	Laying & operating a slurry pipeline for transportation of Iron ore	100%
13	Setting up & operating a Semiconductor wafer fabrication manufacturing unit	100%
14	Developing or maintaining and operating or developing, maintaining and operating a new infrastructure facility (1. Road including toll road, bridge / rail system. 2. Highway project, water treatment system, irrigation project 3. Port, airport, inland waterways, inland port etc 4. Water supply project, water treatment system, irrigation project, sanitation)	100%

Conditions / Notes

- Not formed by splitting or reconstruction of existing business means business should be New
- P&M should be New**
Exception:
(1) Imported old P&M (P&M on which dep, not claimed under IT Act.)(2) 20% of total P&M can be old (Second Hand)
- Deduction allowed on all Capital expenses except **(a) Land (b) Goodwill (c) Financial instruments.**
- Further, any expenditure in respect of which payment or aggregate of payment made to a person of an amount exceeding 10,000 in a day otherwise than by ac payee cheque or an ac payee DD or use of electronic clearing system through a bank account would not be eligible for deduction or any other mode as may be prescribed [BHIM, Aadhar Pay etc]
- Depreciation **not allowed** if deduction claimed u/s **35AD.**
- If deduction u/s 35AD is claimed then deduction u/s 80IA to 80RRB & 10AA deduction shall not be allowed.
- Expenditure incurred, wholly and exclusively, for the purpose of specified business prior to commencement of operation would be allowed as deduction during the PY in which the assessee commences operation of his specified business.
- Claiming deduction u/s 35AD is optional. They can opt to not to avail the benefit of the section**

Section 36 - Deductions

Section 36(1)(i) - Premium for insurance of stock in trade = Allowed

Section 36(1)(ib) - Health insurance premium for employees = Allowed

Condition: Premium is paid in any mode **other than cash**

Section 36(1)(ii) - Bonus / commission paid to employees = Allowed

Condition: Subject to Sec 43B Bonus may exceed bonus payable under Payment of Bonus Act

Section 36(1)(iii) - Interest on loan

1. Loan taken for business / profession purpose - **ALLOWED**

1. Loan from Scheduled bank, Pub Financial Inst, State Financial Corp, NBFC = **ALLOWED** (43B restr)

2. Loan from others = **ALLOWED** (NO 43B restriction)

2. Personal purpose - **NOT ALLOWED**

Section 36(1)(vi) - Animals used in business (other than SIT)

Deduction is allowed in the year in which such animal becomes permanently useless or died

Deduction = Cost - scrap value

Section 36(1)(iiia) - Zero Coupon Bond

Pro-rata amount of discount shall be amortized over the life of ZCB (in calendar months)

Example - Tanvi Ltd issued 1,00,000 ZCB on 9 Dec 2018 @ Rs 90. FV of such ZCB is Rs 100.

It is redeemable after 10 months.

Deduction available for FY 2018-19:

Total discount available = 1L * Rs 10 = Rs 10L

Monthly discount = 10L / No of months i.e. Rs 10L / 10 months = Rs 1L per month

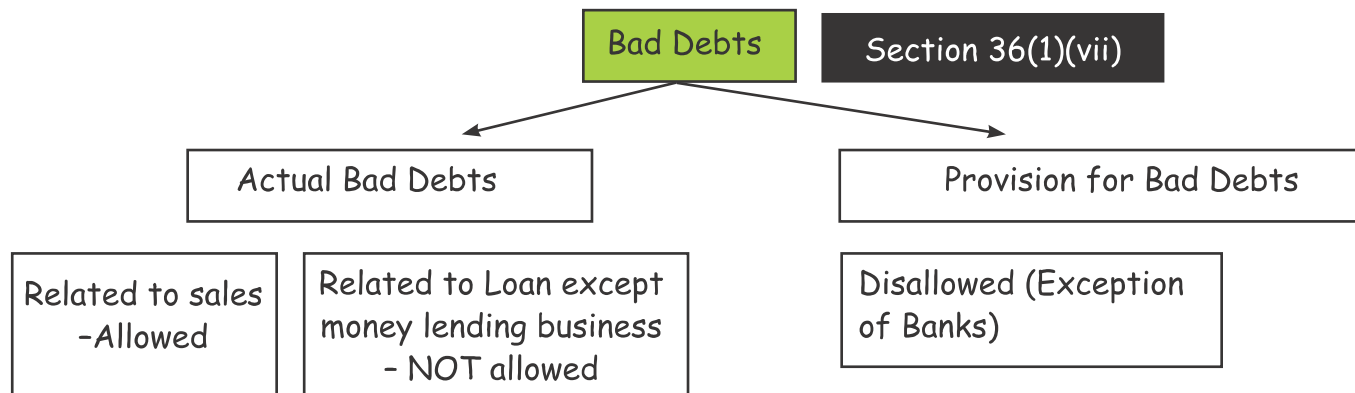
Number of months in FY 2018-19 = 4 months (Dec to Mar)

Deduction = Rs 1L * 4 months = Rs 4L

Imp note

If in any calendar month part is 15 days or more - it shall be increased to one calendar month
If LESS than 15 days - ignore

If above ZCB is issued on 16 Dec 2018 (redeemable after 10 months i.e. on 16 Oct 2019) - we will consider 11 months (consider Dec too as it has more than 15 days).



Notes:

1. Bad debts should be **written off** in the BOA of assessee in the FY in which deduction of BD is claimed
2. Debt should have been taken into account for computing income for FY or earlier FY
3. Subsequent recovery of bad debts after its allowance, it will be taxable in the year of receipt u/s 41(4)

Section 36(1)(iv)/(v) - Employer's contribution for the benefit of the employees

Contribution to

1. Recognized Provident Fund
2. Approved Super Annuation Fund
3. Approved Gratuity Fund = **Allowed subject to Sec 43B**

Section 36(1)(iva) - Employer's contribution towards Pension scheme referred u/s 80CCD

Total deduction allowed:

- Actual contribution
- 10% of salary [Basic salary + DA(terms)]



Sec 36(1)(va) - Employees contribution towards welfare fund

Any sum received by Employer from Employee as contribution to PF, SAF, ESI etc. is deemed to be PGBP if such sum is not deposited in respective fund up to the due date to **such fund AND NOT due date of filing of ROI**

Section 37 - General Deduction

Section 37(1) - Any expenditure [other than covered u/s 30 to 36] shall be allowed as deduction if following conditions are satisfied:

1. Expenses should be incurred wholly or exclusively for the purpose of Business or Profession.
2. Expenses should be revenue in nature.
3. Expenses should be Legal (It should not be illegal - Bribes)

Section 37(2B) - Any advertisement in a political magazine, newspaper will not be allowed as deduction. It is allowable as deduction u/s 80GGB and 80GGC

Important points

1. Expenditure to be incurred in PY
2. Gift to employee - **Allowed** as Ded
3. Dividend- **NOT Allowed**
4. Customary expenses (Puja during Diwali, Sankranti etc) - **Allowed**
5. Provisions - **NOT allowed**

Expenditure incurred towards

1. **IPO, FPO, Right shares** = NOT allowed (Capital base is getting altered)
2. **Buy-back, Bonus shares, Debenture or loan issue expenses** = Allowed (No Change in Cap base)

Taxes Interest and Penalties DIRECT TAX (Income Tax etc)



Tax	NOT allowed
Interest	NOT allowed
Penalty	NOT allowed

INDIRECT TAX (GST etc)

Tax	Allowed
Interest	Allowed
Penalty	NOT allowed

Penalty for breach of law = NOT allowed

Penalty for breach of contract = Allowed

Penalty in the nature of interest = 
Interest in the nature of penalty = 

Additional points

1. Interest on loan taken for income tax payment = **NOT allowed**
2. Tax audit fees / litigation expenses in relation to income taxes = **Allowed**

Section 40 - Amount specifically not included

Section 40(a)(i) - Payment made NR

Amount towards interest, royalty, Fees for Technical Services or similar sums paid / credited to NR or Foreign Co and if:

- TDS not deducted in PY; OR
- TDS deducted during the CY but not paid to the Govt up to due date filing return of income u/s 139(1)

THEN

Such amount to be paid to NR shall be **100%** disallowed as deduction in the current FY

Section 40(a)(ia) - Payment made Resident

Amount towards interest, royalty, Fees for Technical Services or similar sums paid / credited to Resident and if:

- TDS not deducted in PY; OR
- TDS deducted during the CY but not paid to the Govt up to due date filing return of income u/s 139(1)

THEN

Such amount to be paid to Resident shall be **30%** disallowed as deduction in the current FY

Exception -

- **My fault** - If any amount paid / credited to Recipient payee without deduction of TDS but
- **Payee being compliant** - Such payee - Furnishes his ROI and takes into account such amount in Total income.
- **Wow moment** - AND has paid the tax due on such income - Govt ko paisa mil gaya
- **CA certificate** - Payer furnishes a certificate from CA to this effect then it shall be deemed that - the payer has deducted TDS & paid to Govt on date of furnishing of return by payee and
- **JeBaat** - deduction of such expenditure shall be allowed accordingly

Sec 40(a)(iib) - Royalty, fees etc charged by State Govt

If any royalty, fees, service charge is exclusively collected by SG from SG undertaking then such expenses is NOT allowed to such SG undertaking

Sec 40(a)(iii) - TDS on salary payable outside India or NR

Any salary payable outside India or to NR in India and if:

- TDS not deducted; OR
- TDS deducted but not paid to the Govt up to due date filing return of income u/s 139(1)

THEN

Such sum shall NOT be allowed as dedn

Section 40(a)(v) - Tax on non-monetary perquisite

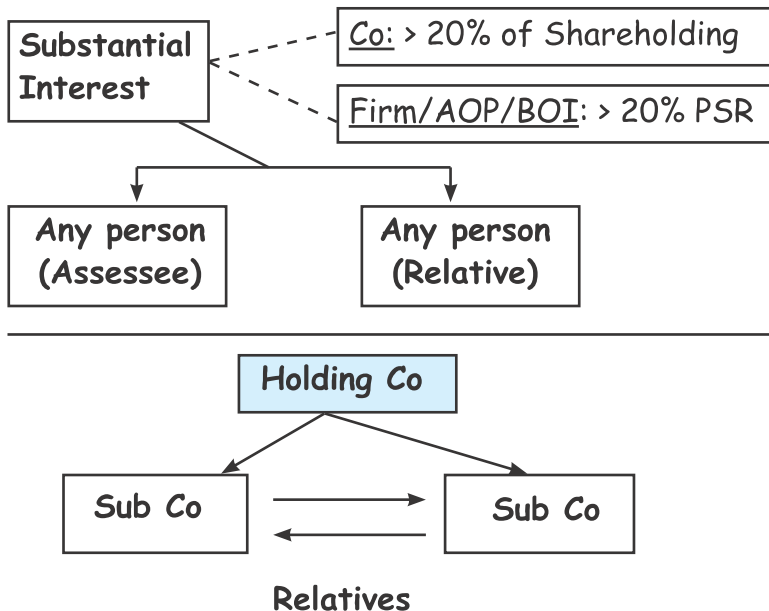
- If employer offers some Non-Monetary perquisite to the employee,
- Then tax on such Non-Monetary perquisite is the responsibility of the employee.
- But instead of employee, if employer decides to pay tax on such Non-Monetary perquisite from his pocket, then that Tax is Not Allowed as deduction because its Exempt in hand of Employee u/s 10(10CC).

Section 40A(2) - Payments to specified persons

If payment is made to specified person (relative) then excessive / unreasonable amount shall be disallowed by the AO

Specified person (relative) specifically for Sec 40A(2) is as follows:

Assessee	Specified person
Individual	Spouse, Brother, Sister, LA, LD
HUF	Member and their Relatives
Firm / LLP	Partner and their Relatives
Company	Director and their Relatives
AOP / BOI	Member and their Relatives



Section 40A(3) - Cash payment > Rs 10,000 to single person in a single day

If assessee makes payment for any expenditure to any person otherwise than Account Payee cheque or DD or use of electronic clearing system through a bank account or such other modes prescribed - is **more than Rs 10,000 in a single day** then such expenditure shall be disallowed

Example - If, w.r.t an expenditure of Rs 32,000 incurred by X Ltd., 4 cash payments of 8,000 are made on a particular day to Mr. Y - one in the morning at 10 a.m., one at 12 noon, one at 3 p.m. and one at 6 p.m., the entire expenditure of Rs 32,000 would be disallowed under section 40A(3), since the aggregate of cash payments made during a day to Mr. Y exceeds Rs 10,000.

Special Notes:

- If payment made to transporter then limit is 35,000,
- If expenditure paid by Cross cheque then also deduction not allowed
- If deduction is already claimed in the earlier year - later - payment is done in any other mode other than prescribed mode - deemed income of that later yr

Rule 6DD - Exceptions to Sec 40A(3)

1. Payment made to RBI/LIC / Commercial Banks (Pvt / Pub) / IDBI / Govt (Taxes).
2. Payment made through NEFT/RTGS/Debit card /ECS /credit card.
3. Payments by book entry (adjustment).
4. Payment of producers of agriculture product, forest product, poultry product, fish product, live-stock etc.
5. Payment required to be made on a day when banks are closed.
6. Payment of Retirement benefits, provided such payment is up to 50,000.
7. Payment of salary to an employee who is posted to any other place for continuous period of 15 days or more other than his normal place of duty (No bank account).
8. Payment made where banking facility not available. Payment is made by any person to his agent who is required to make payment in cash for goods or services on behalf of such person.
9. Payment is made by an authorised dealer or a money changer against purchase of foreign currency or travellers cheques in the normal course of his business

Sec 40A(7) - Provision of Gratuity

Only payment to Approved Gratuity Fund or provision for gratuity actually become payable during the P.Y. (due basis) is allowed as Deduction

Sec 43B - Expenses allowed on payment basis

Following expenses are allowed only if they are PAID up to the due date of return filing as per Section 139(1)

- a. Any tax, duty, cess
- b. Employer's contribution towards SPF, RPF, Approved Gratuity Fund, Approved Super Annuation Fund, New Pension Scheme, only fund as per law
- c. Bonus or commission to Employees
- d. Interest on loan to any PFI, State Financial Corp, State Industrial Investment Corp, scheduled banks
- e. Leave encashment (leave salary) to employee
- f. Any sum payable to Indian railways for use of railway assets
- g. Interest on any loan or borrowing from a deposit taking NBFC or systematically important Non deposit NBFC

V Imp - If interest payable is converted into loan interest so converted and not actually paid = shall not be deemed as actual payment

Sec 43A - Asset acquired from foreign country

If any asset is acquired from a foreign country through a loan in foreign currency or foreign suppliers credit, any loss/gain arising at the time of payment shall be adjusted with the Block of asset.

Notes:

1. Adjustment is made only at the time of actual payment of foreign loan or supplier's credit.
2. If there is gain then reduce from block of asset & if there is loss then added to the block of asset.
3. Profit or Loss on hedging contract for meeting out the loss in foreign currency payment towards asset acquired from outside India shall also be reduced or added to cost of asset.

If interest is payable on loan is converted into debentures by which the liability to pay is deferred to future date then it will not be considered as actual payment of interest

Sec 44AA - Compulsory of maintenance accounts

Refer next page

Sec 41 - Deemed PGBP

Sec. 41(1) - Recovery against any deductions already claimed

If Assessee was allowed a deduction in a earlier PY by way of expenditure, loss, trading liability &

Now during the current P.Y. Assessee has obtained a refund of such liability or there is remission / cessation of such trading liability, then such refund / remission shall be taxable under PGBP.

Example: a) Sales Tax Refund b) Stock in trade is destroyed by fire & allowed as trading loss & later on insurance compensation is received by assessee.

Sec 41(2) - Balance charge Discussed earlier

Sec 41(4) - Recovery of Bad Debts
Recovered amount shall be taxable in the year in which it is recovered

Sec 44AB - Tax Audit

- Tax audit is compulsory in following cases:
- a) Business - If **T/O > 1 crore** during the PY (Also refer next page)
 - b) Profession - If **Gross receipts > 50 lakhs** during the P.Y.
 - Requirement of audit u/s 44AB does not apply to a person who declares profits / gains on a presumptive basis under section 44AD
 - c) If assessee covered by Sec. 44AD or Sec. 44ADA and assessee claimed income less than 8%/6% or 50% & his Total income is more than Basic exemption = comply 44AA and 44AB. **Even if TO < 1 Cr? - YES**

Note:

1. Audit can be done by CA
2. Due date = 31 Oct of AY

Recovery after discontinuance of business or profession [Sec. 176(3A) and (4)] - Due to death or retirement - Income received shall be deemed to be the receipts and taxable

Sec 44AA

- 1) Notified Profession - [Medical / Legal / film artist / Architecture / Consulting]
 - **GR > ₹ 1,50,000 in all 3 preceding F.Y.**
 - **OR likely to exceed ₹ 1,50,000 during P.Y. if newly set up.**
- 2) Other person carrying on business / Profession :
 - (i) **Individual / HUF**
 - **TI > ₹2,50,000 in any 1 of past 3 Yrs.**
 - **To/GR > ₹25,00,000 in any 1 of past 3 Yrs.**
 - (ii) **Other than Individual / HUF**
 - **TI > 1,20,000 in any 1 of Past 3 Yrs.**
 - **To/GR > 10,00,000 in any 1 of past 3 Yrs.**

New provision in Section 44AB [Tax Audit]

Persons	When tax audit is required
If in case of such person carrying on business - <ol style="list-style-type: none"> 1. Aggregate cash receipts in the relevant PY < 5% of total receipts (incl. receipts for sales, turnover, gross receipts); AND 2. Aggregate cash payments in the relevant PY < 5% total payments (including amount incurred for expenditure) 	If his total sales, turnover or gross receipts in business > 10 crore in the relevant PY

Sec. 44AD: Profit & Gains of Business on Presumptive Basis

- Eligible Assessee** : Resident Individual/Resident HUF / Resident firm (excluding LLP) who has not claimed dedn u/s 10AA or 80IA to 80RRB
- This Section is applicable for any Business except
 - Sec. 44AE Business
 - Agency Business
 - Commission & Brokerage business and **Turnover / Gross Receipts is up to 2 crore**
- Presumptive PGBP Income = **Turnover / Gross receipts x 8%**
NOTE: If Turnover / Gross Receipts realized by AC Cheque/DD/ Electronic payment through Bank Account or any other electronic mode may be prescribed upto due date of Return Filing the PGBP Income = **Turnover * 6%**
- The eligible assessee is required to pay Advance tax. However, there will be only one instalment 15 March of Financial year
- If Sec 44AD is applied = **Sec 30 to 38 shall not be allowed**
- If assessee declares income as per Sec 44AD and whose T/O is **up to 2 Crores** assessee is not required to maintain books of account & get it audited.
- If assessee declares income for any PY as per 44AD & he doesn't declare income as per 44AD in any of the 5 consecutive PYs, then he shall not be eligible to claim benefit of sec. 44AD for 5 years subsequent to the year in which assessee not declared income as per Sec. 44AD

Sec. 44ADA: PGBP on presumptive basis for professional

- Eligible Assessee : Resident assessee (Individual / Firm and NOT LLP) engaged in profession as referred to in Section 44AA
- This Section is applicable if gross receipt is **less than Rs 50 Lakhs**
- Total income under PGBP = **Gross receipt * 50%**
- NO further deduction allowed - Expenses referred to in Sec 30 to 38 shall not be allowed as dedn
- Maintenance of books of accounts - If assessee declares income lower than 50% and his Net Total Income is more than basic exemption = he is required to maintain books of accounts and get it audited
- Advance Tax - Eligible assessee is required to pay advance tax by 15 March of the Financial Year

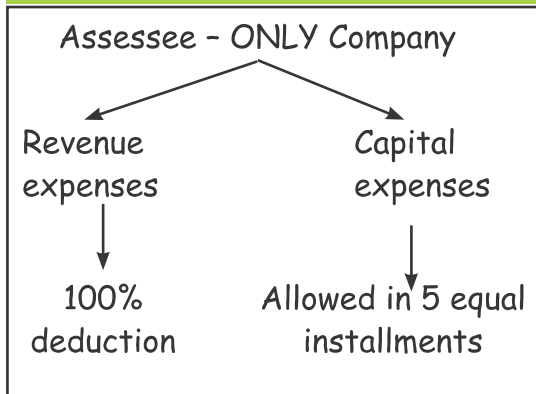
Sec. 44AE: Presumptive taxation for Transporters

- Eligible Assessee : Assessee engaged in the business of plying, hiring leasing such goods carriage then PGBP

Heavy goods vehicle	Rs 1000 per ton per month / part of the month of gross vehicle weight or unladen weight
Other vehicle	Rs 7500 for every month or part of the month

- Can assessee declare higher income in his return of income
- Assessee should own **maximum 10 vehicles**. If assessee owns more than 10 vehicles at any time during the PY = this section will not apply
- Expenses referred to in Sec 30 to 38 shall not be allowed as dedn
- Partner remuneration, salary, interest as per 40(b) = Allowed
- Heavy goods vehicle means any goods carriage, gross vehicle weight of which exceeds 12000 kgs
- Maintenance and Audit of BOA ✘

Section 36(1)(ix) - Expenses on promotion of family planning of employees



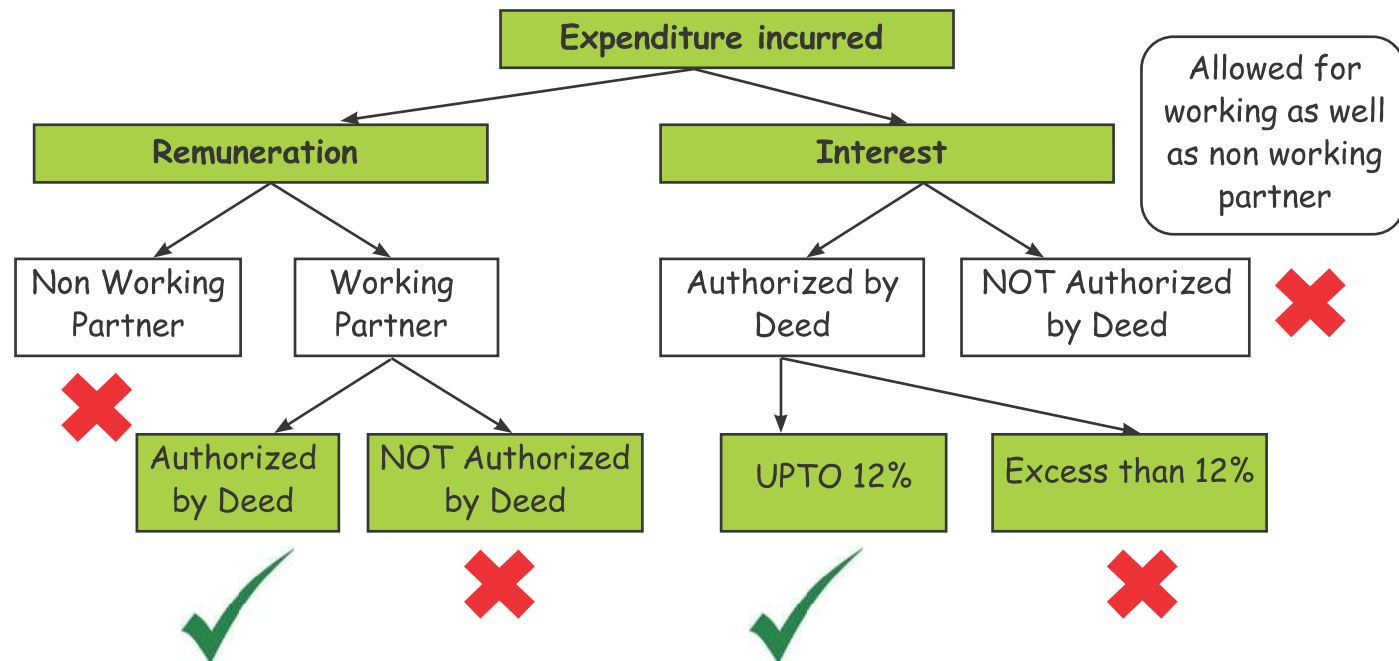
Section 35DDA - Expenditure on Voluntary Retirement Scheme

Eligible assessee - All assessee

Deduction allowed - Allowed

IN 5 equal instalments

Section 40(b)



Limit for remuneration	Book Profit	Quantum of deduction
➔	On the first Rs 3,00,000 of BP	Rs 1,50,000 or 90% of BP ↑
	On the balance of book profit	60% of BP

Book profit - Book profit means income computed under the head Income from Business or Profession under BEFORE allowing deduction in respect of remuneration allowed to partners (but after reducing interest to the extent of 12% - thus, calculate interest first and then remuneration).

If there's a BOOK LOSS - Deduction is Rs 1,50,000

Depreciation on Goodwill of Business and Profession (Amendment)

1. Goodwill of a Business or Profession is not eligible for depreciation from FY 2020-21
2. In case the block of assets of Intangibles on 1/04/2020 includes GOODWILL of a B / P (on the amount on which dep is already taken upto FY 19-20), then - WDV of the goodwill will be reduced from the block of intangibles.
3. **HOW TO COMPUTE WDV OF GOODWILL AS ON 31/03/2020** - Compute depreciation of goodwill independently till 31/03/2020 (till FY 2019-20) - as if it is the only asset in the block
4. **HOW TO COMPUTE WDV OF BLOCK OF INTANGIBLES:**

Example for better understanding

1. Acquisition of goodwill on 01/07/2019 - - Rs 20,00,000
2. WDV of the block of intangibles as on 01/04/2020 - - Rs 50,00,000

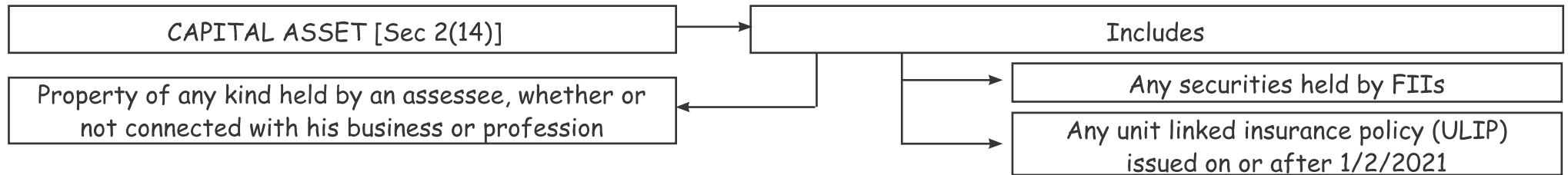
Compute WDV of the block as on 1/04/2022 and also, depreciation allowed for FY 2020-21 and FY 2021-22

Particulars	Rs
Opening WDV of a block of asset for intangibles as on 1/04/2020	XXX
(+) Purchases - Actual Cost (Except for G/W)	XXX
(-) Sale Value (if any)	(XX)
(-) WDV OF GOODWILL (as computed in pt 3)	(XX)
<u>WDV for computing depreciation</u>	XXX
(-) Depreciation for the year	(XX)
<u>Closing WDV</u>	XXX

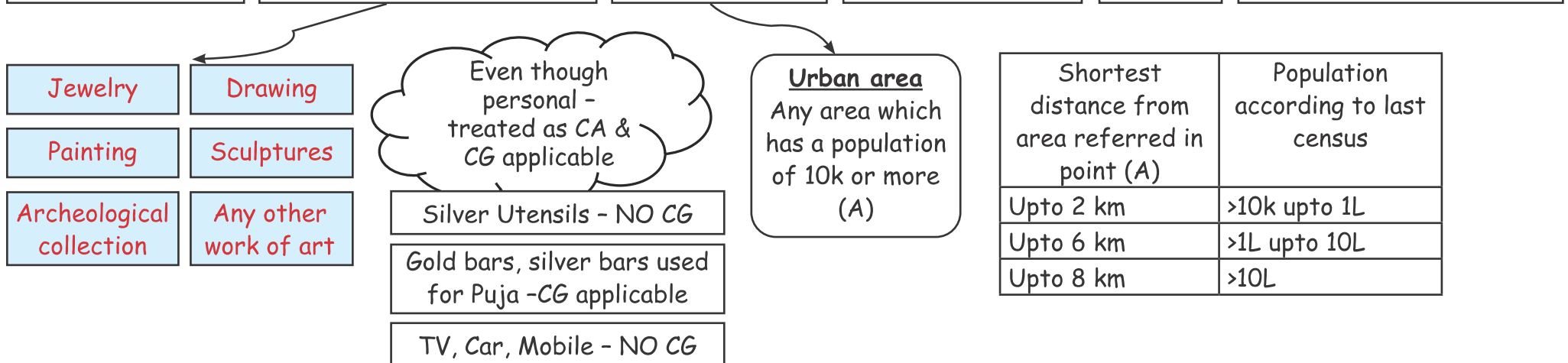
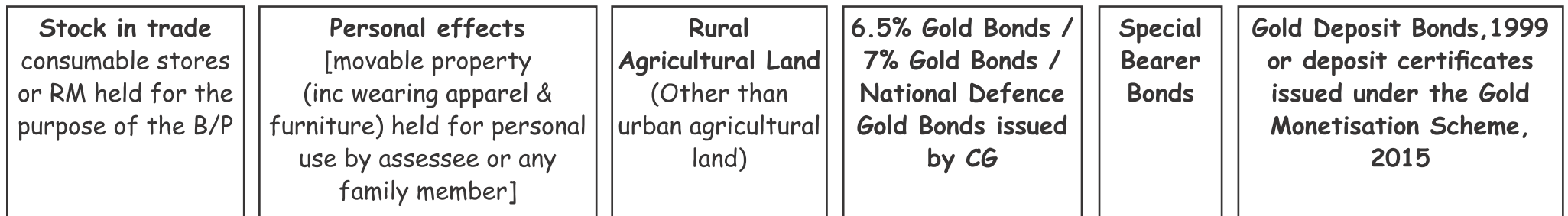
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CAPITAL GAINS

Section 45(1) - Any profit and gains from TRANSFER of CAPITAL ASSET shall be chargeable under the head CG in the PY in which transfer took place



Exclusions (Not a Capital Asset)



Definition of Transfer

1. Sale, exchange or relinquishment of the asset
2. Extinguishment of any rights therein
3. Compulsory acquisition thereof under any law
4. Conversion of capital asset into stock in trade
5. Allowing the possession of any immovable property to be taken or retained in part performance of a contract
6. Any transaction (like becoming a member of, or acquiring shares in a co-operative society) which has the effect of enabling the enjoyment of immovable property
7. Redemption of ZCB

Types of capital assets

Short Term
Capital Asset
(STCA)

Long Term
Capital Asset
(LTCA)

Period of holding : A summary

STCA, if held for ≤ 12 month

LTCA, if held for > 12 months

STCA, if held for ≤ 24 month

LTCA, if held for > 24 months

STCA, if held for ≤ 36 month

LTCA, if held for > 36 months

- Security (other than unit) listed in a recognized stock exchange
- Unit of equity oriented fund/unit of UTI
- Zero Coupon bond

- Unlisted shares
- Land or building or both

- Unit of debt oriented fund
- Unlisted securities other than shares
- Other capital assets

Section 48 - Computation of CG

Particulars	Rs
Full Value of Consideration	XXX
(-) Transfer Expenses	(XXX)
Net consideration	XXX
(-) Cost of acquisition	(XX)
(-) Cost of Improvement	(XX)
Capital Gains (LT / ST)	XXX

NOTE - Land & Building are two separate capital assets. If land is acquired before 2 years and building is constructed within 2 years - we need to calculate separate CG for Land and Building.
Land - LTCG & Building - STCG

Second Proviso to
Section 48 - Indexation
benefit

Indexation benefit is applicable only in case of **LTCA**. And **NO** STCA

Cost of acquisition and Cost of Improvement should be indexed

Asset acquired before 1/4/2001
COA = Actual cost OR FMV as on 1/4/01,
Whichever is Higher

ICOA = COA X $\frac{\text{CII for the year of TRANSFER}}{\text{CII for the year in which asset held by the assessee or for AY 01-02, whichever is later}}$

Improvement before 1/4/2001
IGNORE

ICOI = COI X $\frac{\text{CII for the year of TRANSFER}}{\text{CII for the year in which improvement to the asset took place}}$

CII - Cost Inflation Index

First proviso to Sec 48 - CG in case of NR

1. Assessee is a NR (inc F Co)
2. Asset should be shares / Deb of Indian Company
3. Such asset was acquired in foreign currency by way of purchase / re-investment then
CG shall be calculated in foreign currency and after it shall be reconverted into Indian currency

(Question to be practiced in the lec)

Sale Consideration = Avg of TTBR and TTSR = Date of **TRANSFER**
 Expenses = Avg of TTBR and TTSR = Date of **TRANSFER**
 COA = Avg of TTBR and TTSR = Date of **ACQUISITION**
 CG in Indian Currency = TTBR = Date of **TRANSFER**

Seventh proviso to Sec 48

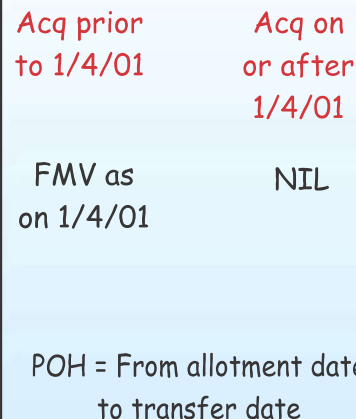
STT paid on sale / purchase of shares / unit shall not be allowed under CG

Cost of acquisition

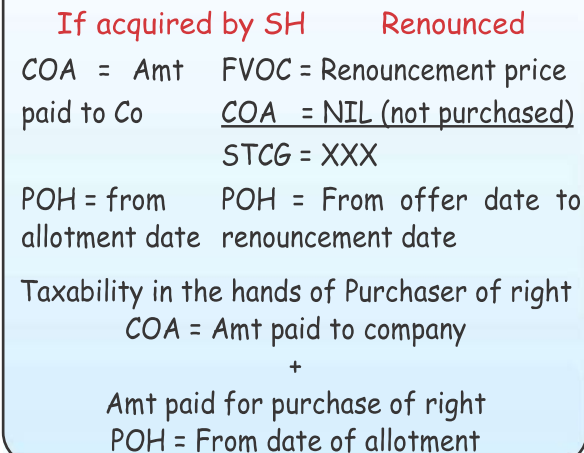
In case of

- Goodwill of business & profession
 - Trademark
 - Brand name
 - Right to manufacture/produce /process any article or things (patent & copyright)
 - Right to carry on any business / profession
 - Tenancy right
 - Loom hours
 - Route permits
- COA = Self generated - NIL
 COA = Purchased = Purchase price

Bonus shares



Right shares



Asset acquired before 1/4/01 = COA or FMV as on 1/4/01, **Higher**

Asset acquired after 1/4/01 = COA

If a capital asset is LAND / BUILDING / BOTH - FMV as on 1/04/2001 shall NOT exceed SDV as on 1/04/2001. Formula is **HIGHER** OF [COA or (FMV or SDV as on 1/04/2001, whichever is lower)]

Cost of improvement = COI is a capex incurred by the assessee in making any additions / improvement to the capital asset

Goodwill / business / Trademark / Patent / Copyright = NIL

After 1/4/2001 = Actual cost of Improvement

Prior to 1/4/2001 = NIL (Ignore)

General Rule = Section 45(1) = CG is chargeable to tax in the year of transfer

4 exceptions (1-4) to the general rule = covered in next slide

1. Sec 45(2) - Conversion of Capital asset into stock in trade

1. Conversion of capital asset into stock in trade is considered as transfer and CG ARISES where an assessee converts CA into SIT.

2. TAX IN THE YEAR OF SALE OF SIT

3. Capital Gains

FVOC (FMV on date of conversion) = XXX
 (-) Cost of acquisition = (XX)
 STCG / LTCG = XXX

4. PGBP

Sale price of stock in trade = XXX
 (-) FMV on date of conversion = (XX)
 PGBP = XXX

1. FMV is relevant and Amt recorded in BOA is irrelevant
2. If any part of SIT is sold (say 40%) = Only part CG shall arise in the year in which part SIT is sold (only 40% CG to be paid). Compute as if 100% CG to be paid and then apply %.
3. **CBDT circular** = Section 54EC = 6 months shall start from the date of sale of SIT and not from the date of conversion

Conversion of SIT into Capital asset

1. PGBP = FMV of inventory as on date on which it is converted into Capital asset
2. If such converted Cap Asset is sold
 COA = FMV as mentioned above (as tax already paid) POH = from date of conversion

2. Sec 45(5) - Compensation on compulsory acquisition

1. Capital asset belonging to a person is taken over by the CG by way of compulsory acquisition. Consideration = determined by CG

2. TAX IN THE YEAR IN WHICH COMPENSATION IS RECEIVED

3. Initial Compensation:

FVOC (Initial Comp) = XXX
 COA / ICOA = (XX)
 COI / ICOI = (XX)
 STCG / LTCG = XXX

If Initial compensation is ST = Enhanced will also be ST

4. Enhanced compensation:

FVOC (enhanced compensation) = XXX
 (-) Litigation expenses = (XX)
 STCG / LTCG = XXX

5. Person may go to the court for enhanced compensation = if court agrees and grants additional compensation = such additional amount shall be taxable as CG in the year of receipt and not in the year of court order

6. If compensation is received in instalments.

- i. **Initial compensation** - Fully Taxable in the year in which first instalment is received
- ii. **Enhanced compensation** - Taxable as and when received

Note - Any interest received on late compensation = Taxable under IFOS in year of receipt & 50% deduction allowed u/s 57

3. Sec 45(1A) - Insurance claims for damage or destruction of capital asset

1. On destruction of capital asset - assessee receives compensation in the form of money or any other asset
2. **Destruction** = Natural calamities, riot, fire etc
3. **Destruction** = Transfer
4. **TAX IN THE YEAR IN WHICH INSURANCE COMPENSATION IS RECEIVED**
5. What if assessee did not receive any compensation? - NO CAPITAL GAINS
6. **Computation:**

FVOC [Money / FMV of asset]	= XXX
(-) COA / ICOA	= (XX)
(-) COI / ICOI	= (XX)
STCG / LTCG	= XXX

5. Section 45(3) - Transfer of capital asset by Partner to Partnership Firm

1. **Capital Gains** = in the hands of Partner
2. **FVOC** = Amt recorded in books of Firm
3. **If immovable property** = SDV or amt recorded in books, whichever is HIGHER to be consider as FVOC
4. **Year of CG** = Year transfer

4. Sec 45(5A) - Capital gains in case of special agreement

1. **Applicability** = Individual / HUF
2. **Nature** = Assessee entered into a specified agreement for development of project- CG on transfer of Land / Building / both = Taxable as CG
3. **TAX IN THE YEAR IN WHICH CERTIFICATE OF COMPLETION FOR PART OR WHOLE PROJECT IS RECEIVED**
4. **Year of transfer** = Year in which asset is handed over to developer
5. **Year of tax** = Year in which CC is issued by competent authority
6. **FVOC** = SDV on the date of issue of CC of his share in project + consideration received in cash
7. If assessee transfers his share in project **on or before** date of issue of CC = CG will be taxable in the year in which asset handed over by developer

6. Sec 45(4) - Transfer of capital asset by firm to partner

1. **Capital Gains** = in the hands of Firm
2. **FVOC** = FMV on the date of transfer
3. **Year of CG** = Year of transfer

Section 50C - FVOC = Stamp duty Value

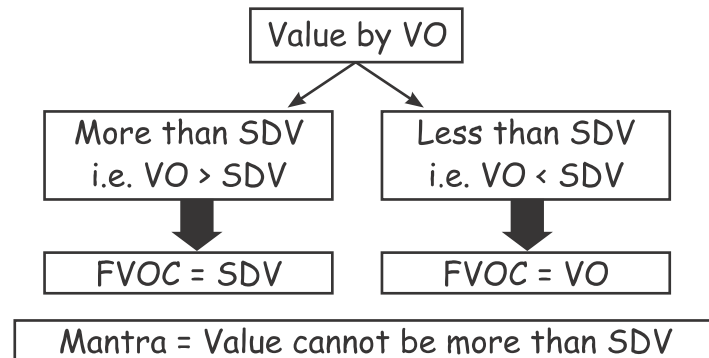
In case of Land / Building / both

General Rule:

1. IF $SC < SDV$ (assessed by stamp valuation authority) THEN, FVOC = SDV

Exception (110%) [marginal difference chalega]

2. IF $SDV < 110\% SC$, THEN, FVOC = SC
3. IF $SDV > 110\% SC$, THEN, FVOC = SDV



SDV ON WHICH DATE TO BE CONSIDERED?

Usually SDV on the date of registration is considered but, under this section - if date of agreement and registration are not the same - then assessee can take SDV on the date of agreement

IF assessee has received consideration / part thereof upto the date of agreement in ac payee cheque / DD, use of electronic clearing system through bank account or any other mode

Sec 51 - Advance money forfeited

1. If advance money / token money / earnest money is forfeited
 1. **BEFORE 1/4/2014** - Reduce it from COA (before indexation)
 2. **AFTER 1/4/2014** - Charged to tax under IFOS
2. If advance money is forfeited by previous owner (say father) - after his death property got transferred to his son. Will his son pay tax on the amount forfeited by his father? NO

Section 50CA - FVOC = FMV of unlisted shares

In case of unlisted shares

- IF $SC < FMV$ THEN, FVOC = FMV

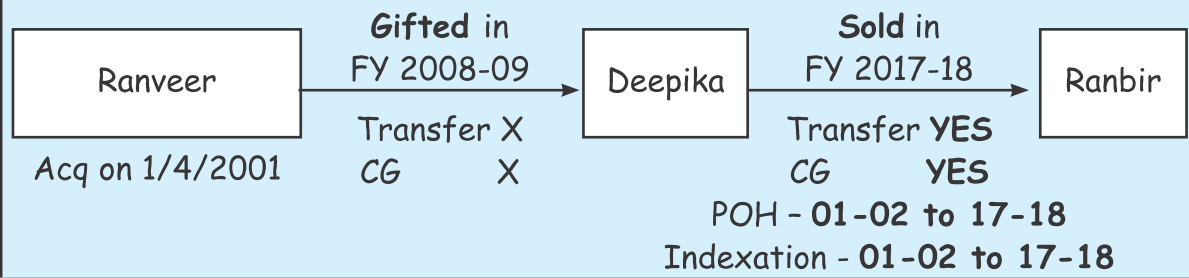
Section 50D - Sale Consideration is not determinable / cannot be determined

FVOC = FMV on the date of transfer

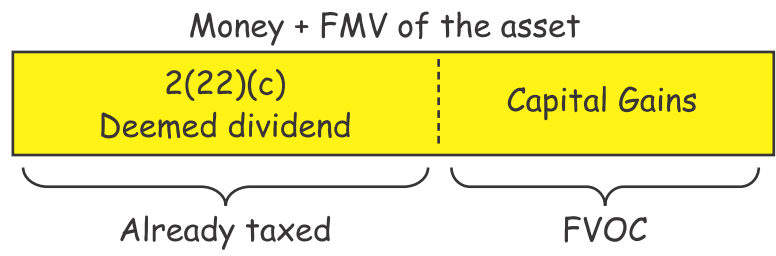
Sec 47 - Certain transactions not regarded as transfer - No CG

1. **Any distribution of capital assets on the total or partial partition of a HUF**
2. **Any transfer of a capital asset under a gift or will or an irrevocable trust**
Exception - It does not involve gift of capital asset being shares / debentures / warrants allotted by company to employees under ESOPs or any other scheme
3. **Any transfer of capital asset by a holding company to its subsidiary company OR subsidiary company to its 100% holding company**
Condition 1 - Holding company holds 100% shareholding of subsidiary company
Condition 2 - Transferee company should be Indian Company
Condition 3 - This exemption is not allowed if capital asset is transferred as stock-in-trade (SIT) < 8 years
4. **Transfer of capital asset by amalgamating company to amalgamated Indian company, in a scheme of amalgamation**

In above cases - CG will calculated in the hands of person who further sells it:
 COA = Cost to the previous owner
 COI = incurred by previous owner + present owner
 POH = POH of previous owner
 Indexation available from the date when the asset was first acquired by the A'ee



5. Transfer of capital asset by the Demerged Co to the Resulting INDIAN company, in a scheme of demerger
6. Transfer/ issue of shares by resulting co, in a scheme of demerger
7. Transfer of shares by a shareholder in a scheme of amalgamation, of share held by him in the amalgamating company [47(vii)]Condition = Amalgamated Co is Indian Company
8. Transfer of RDB outside India by a NR to another NR
9. Transfer of Government Security outside India by NR to another NR
10. Redemption of sovereign gold bonds by Individual issued by RBI
11. Transfer of capital asset being any work of art, archeological / scientific / art collection, book manuscript, drawing, painting / photograph / print TO the Govt, University, museum, national art gallery, national archives or any other public museum or institution notified by the Central Government
12. Transfer on conversion of bonds or debentures etc. into shares or debentures
13. Conversion of preference shares into equity shares
14. Transfer of capital asset by reverse mortgage - CG arises when the bank / any institution further transfers the asset



Capital gains on distribution of assets by companies in liquidation [Section 46]

On liquidation - assets are distributed to its SHs.

1. **In the hands of liquidated company** - Not regarded as transfer in the hands of Company. Note - Assets to be distributed to SHs. If liquidator sells the cap asset resulting in and distributes the funds collected - Co will be liable for CG

2. **In the hands of SHs** - SHs receive money / other assets from the Co. CG to be charged on the money received / FMV of the assets received.

1. Distribution attributable to accumulated profits - Deemed Dividend u/s 2(22)(c)
2. Other cases - Computation of FVOC

Money received	XXX
(+) FMV of assets	XXX
(-) Deemed dividend	(XX)
FVOC	XXX

3. If SHs sells that asset further -
FVOC = Actual consideration received
COA = FMV on the date of distribution

Capital gains on buyback of shares or specified securities [section 46a]

- In case of shares (other than shares of domestic companies) OR specified securities (ESOP etc)

- a. In the hands of Company - NO Tax
- b. In the hands of shareholders - As per Section 46A, a capital gain is applicable in hands of shareholder. Computation is as under:

FVOC (buy back price)	XXX
(-) COA / ICOA	(XX)
STCG / LTCG	XXX

POH = Date of acquisition till date of buy back

- In case of shares of domestic company (listed as well as unlisted)

- a. In the hands of the company - 23.296% (20% + 12% + 4%) [Section 115QA] on distributed income which shall be calculated as under:
Distributed income = Buyback price - Issue price (including premium)

b. In the hands of the shareholder: NO Tax - exempt u/s 10(34A)

Sec 50B - Slump sale

Slump sale means assessee transfers the entire undertaking / division for LUMPSUM consideration without assigning value / selling price of individual asset

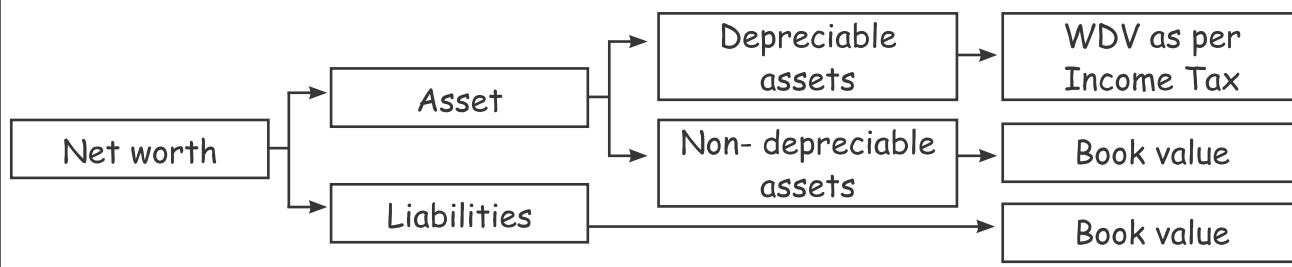
FVOC = REFER NOTE (Note)	= XXX
Transfer expenses = Actual	= (XX)
COA = Net worth of undertaking	= XXX

NO INDEXATION

CG = can be LTCG (undertaking held for > 3 years) or STCG (< 3 years)

Important Notes -

- Revaluation to be ignored (If revaluation reserve is given in B/S - adjust the asset value)
- Asset includes stock in trade - will there be any tax under PGBP? NO
- For computing Net worth - If asset (on which deduction u/s 35AD was claimed) - is transferred = Value shall be NIL
- If Net worth is negative then COA = NIL



NOTE

FVOC = FMV

What is FMV?

FMV 1 or FMV 2 - Whichever is higher

FMV 1 - FMV of the assets transferred (on the date of slump sale)

FMV 2 - FMV of consideration received (monetary + non monetary)

Exemption u/s 54

Sec	Applicable	Original asset transferred	Re-invested in	Time for re-investment	Conditions on new assets	Exemption	Deposit scheme
54	Individual & HUF	Long term residential house property	Residential HP Where CG > 2Cr = only 1 RHP in India Where CG < 2Cr = Option to acquire / construct 2 RHP in India	Purchase 1 yr before or within 2 yrs or Construct within 3 yrs from transfer date of original asset	The RHP ie the re-investment should not be sold for 3 yrs from its purchase / construction. If he does so - Reduce exemption amount from COA of new asset Amt deposited in CGAS - but not utilized = Unutilized amount is taxable as LTCG during the year in which period of 3 years expires	Capital gain or re-investment whichever is lower ↓ Max Exemption ↓ ₹10cr.	Applicable. Assessee may temporarily deposit amt in bank under the scheme on or before due date of filing ROI

Note: If assessee has exercised the option to purchase 2 residential houses in India then he shall not be entitled to exercise this option again in the subsequent years

54B	Individual & HUF	Agricultural land situated in urban area should be used for agri purpose atleast 2 yr prior to sale	Agriculture land in urban/ rural area	Purchase within 2 yrs from date of transfer	Not to be sold for 3 yrs from its purchase. If he does so - Reduce exemption amount from COA of new asset Unutilized amt in CGAS will be taxable in the PY in which 2 years period expires	Capital gain or re-investment whichever is lower	Applicable
54D	Any Assessee	Land & building forming part of industrial undertaking - been compulsorily acquired	Land & Building forming part of new industrial undertaking	Purchase within 3 years from date of receipt of compensation	Land & Building should not be sold for 3 yrs from its purchase Consequences of default - similar to Sec 54 and Sec 54B	Capital gain or re-investment whichever is lower	Applicable

Exemption u/s 54

Sec	Applicable	Original asset transferred	Re-invested in	Time for re-investment	Conditions on new assets	Exemption	Deposit scheme
54EC	Any Assessee	Long term capital asset being land/ building or both	In bonds of NHAI, REC, Power Finance corp Ltd, Indian Railways finance	6 months from the date of transfer of original asset	Not to be sold for 5 yrs from purchase. No loan should be taken for 5 yrs against security of these bonds. Assessee is allowed to purchase bonds max of Rs 50 lakhs	Capital gain or re-investment whichever is lower	Not Applicable
54F	Individual & HUF	Any long term capital asset other than R.H.P. assessee On the date of transfer = Assessee should not own more than 1 R.H.P.	RHP only in India	Purchase 1 yr before or within 2 yrs or construct within 3 yrs from transfer date of original asset	Not to be sold for 3 yrs from its purchase. Assessee should not buy another house for 2 yrs or construct another for 3 yrs from date of transfer of original capital asset If new CA is transferred within 3 years = exempted CG will be taxable in PY of transfer of new asset and treated as LTCG	If entire net consideration is invested then exemption is equal to capital gain. If part of the consideration is invested then proportionate capital gain is exempted: Max Dedⁿ → 10Cr.	Applicable
					<p>Exemption = LTCG * <u>Amount invested in new residential house</u> Net sale consideration</p> <p>How much % of net sale consideration is actually invested by the assessee? - Utna exemption milega</p>		

Tax on Long Term Capital Gain

Section 112A

Assets -
Equity shares
Equity oriented mutual funds,

Tax Rate - @10%

(concessional rate)

Gain exceeding Rs 100,000
(say income is 90K - No Tax till 1L)
(say income is 1.10L - Tax only on 10k and not on 1.10L)

NO INDEXATION

Condition -

STT is paid on transfer of equity shares and units (In simple words - assets should be listed)

Basic exemption benefit ?

Not available

Chapter VI A deduction available ? NO

Rebate u/s 87A - Not available

Section 112

Asset - Other than 112A
Tax Rate - 20%.
Basic exemption benefit ? **NO**
Chapter VI A deduction available ? **NO**

Special Case - Proviso to Sec 112

In case of LTCG on Listed securities (other than units) and ZCB
There will be two options available

Option 1 - Tax @ 20% with indexation or **Option 2** - Tax @ 10% without indexation

In case of NR or Foreign Co Unlisted securities / shares
- 10% tax on LTCG without 1st or 2nd proviso to Sec 48

Tax on Short Term Capital Gain

Section 111A

Assets -
Equity shares and
Equity oriented mutual funds.
Transaction on recognized stock exchange. STT paid.
Tax rate - 15% (concessional rate)

Basic exemption limit - **NOT available.**

Chapter VI deducted - **NOT available**

Normal

Taxed at normal rates applicable to the assessee

Benefit of basic exemption against LTCG 112A, 112, STCG u/s 111A

In case of resident individual / HUF

If balance total income (other than LTCG u/s 112A, LTCG u/s 112 and STCG u/s 111A) is less than basic exemption limit

THEN

Unexhausted (unutilized) basic exemption can be used against LTCG u/s 112, LTCG 112A and STCG 111A

Total income of Mr Mahajan is Rs 4.20L (it includes LTCG on sale of land of Rs 2.6 L).

Income (excluding LTCG as Basic exem limit is not applicable) = 1.60 L

Unexhausted Limit - 2.5L (-) 1.60L = 90K

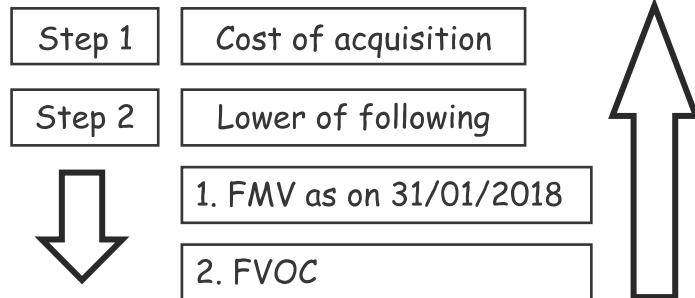
LTCG = 2.60L (-) 90K = 1.70L

Tax as per Sec 112 = 1.70L * 20%

Section 55 - Cost of Acquisition - Applicable in case of Sec 112A

In case of equity shares or unit of equity oriented fund referred to in Section 112A acquired before 1/2/2018

Higher of Step 1 and 2



Amendment is applicable from 1/4/2018

Prior to amendment = Section 10(38) exemption

Logic - to be discussed in the lecture

Examples for reference

Scenario 1 - An equity share is acquired on 1st of January, 2017 at Rs 100, its fair market value is Rs 200 on 31st of January, 2018 and it is sold on 1st of April, 2020 at Rs 250. As the actual cost of acquisition is less than the fair market value as on 31st of January, 2018, the fair market value of Rs 200 will be taken as the cost of acquisition and the long-term capital gain will be Rs 50 (Rs 250 - Rs 200).

Scenario 2 - An equity share is acquired on 1st of January, 2017 at Rs 100, its fair market value is Rs 200 on 31st of January, 2018 and it is sold on 1st of April, 2020 at Rs 150. In this case, the actual cost of acquisition is less than the fair market value as on 31st of January, 2018. However, the sale value is also less than the fair market value as on 31st of January, 2018. Accordingly, the sale value of Rs 150 will be taken as the cost of acquisition and the long-term capital gain will be NIL (Rs 150 - Rs 150).

Scenario 3 - An equity share is acquired on 1st of January, 2017 at Rs 100, its fair market value is Rs 50 on 31st of January, 2018 and it is sold on 1st of April, 2020 at Rs 150. In this case, the fair market value as on 31st of January, 2018 is less than the actual cost of acquisition, and therefore, the actual cost of Rs 100 will be taken as actual cost of acquisition and the long-term capital gain will be Rs 50 (Rs 150 - Rs 100).

Scenario 4 - An equity share is acquired on 1st of January, 2017 at Rs 100, its fair market value is Rs 200 on 31st of January, 2018 and it is sold on 1st of April, 2020 at Rs 50. In this case, the actual cost of acquisition is less than the fair market value as on 31st January, 2018. The sale value is less than the fair market value as on 31st of January, 2018 and also the actual cost of acquisition. Therefore, the actual cost of Rs 100 will be taken as the cost of acquisition in this case. Hence, the long-term capital loss will be Rs 50 (Rs 50 - Rs 100) in this case.

computation of capital gains in case of market linked debentures (section 50AA)

(1) Transfer of unit of a Specified Mutual Fund or Market Linked Debenture: Section 50AA provides for the computation of capital gains in case of transfer of unit(s) of

- a Specified Mutual Fund acquired on or after 1.4.2023 or
- a Market Linked Debenture.

Section 50AA will have an over-riding effect in spite of anything contained in section 2(42A) which defines a short-term capital asset. Accordingly, capital gain arising from the transfer or redemption or maturity of unit of a Specified Mutual Fund acquired on or after 1.4.2023 or Market Linked Debenture would be deemed to be short term capital gains and chargeable to tax at normal rate of tax.

➤ Computation of Capital Gains

FVOC	Amt received as a result of transfer/redemption/maturity
(-) COA	(-) Actual
(-) Expenditure incurred	(-) Actual
CU	xxxx

- No deduction of security Transaction Tax

Meaning of certain terms:

S No.	Term	Meaning
(i)	Market Linked Debenture	A security (i) which has an underlying principal component in the form of debt security, and (ii) where the returns are linked to market returns on other underlying securities or indices. It includes any security classified or regulated as a market linked debenture by the SEBI.
(ii)	Specified Mutual Fund	A Mutual Fund where not more than 35% of its total proceeds is invested in the equity shares of domestic companies. However, the percentage of equity shareholding held in respect of the Specified Mutual Fund shall be computed with reference to the annual average of the daily closing figures.

Section 56

- Any Income **other than** exempt Incomes chargeable under salaries, income from house property, PGBP & Capital Gains
- Income chargeable under this head is computed in accordance with the method of accounting regularly employed by the assessee.
- For instance,
 - BOA = mercantile system: Income is taxable and expenditure is deductible on = "Accrual / Due basis"
 - BOA = Cash system: Income is taxable and expenditure is deductible on = "Receipt / payment basis" and on "payment" basis.

Income chargeable under IFOS

- Interest on securities** (if security held as stock-in-trade, then interest taxable under PGBP) - Taxable basis the accounting method followed. Even though security held for 2 months - entire interest would be taxable
- Rent from letting out** of plant, machinery, furniture.
- Dividend** on shares.
- Winning from **lotteries**, puzzles, card games, etc.
- Interest on bank deposit** & loan given.
- Royalty** income
- Directors sitting fees.**
- Agricultural income** from land located outside India.
- Income from **sub-letting** of house property.
- Salary of **MP/ MLA/MLC.**
- Interest on **income tax refund.**
- Income on any **investment.**
- Gift**

Casual income [Sec 56(2)(ib)]

Means income in the nature of winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort, gambling, betting etc. Such Winnings are chargeable to tax = **Flat rate of 30%** under section 115BB.

Special notes:

- No deduction of expenses u/s 57
- No deduction under chapter VI-A
- No benefit of basic exemption limit
- No set off and carry forward of losses

Note

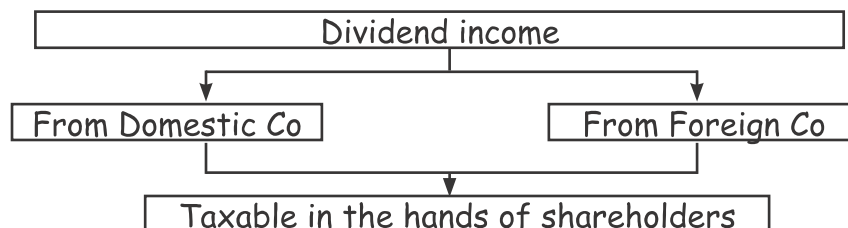
- Sometimes lottery income received is given rather than lottery income. In such case, students are required to gross up the lottery income received.**

Lottery income received
 Lottery income earned - TDS on such income @30% u/s 194B and 194BB

Gross Lottery income = $\frac{\text{Inc Received}}{70\%}$

NO TDS in following cases:

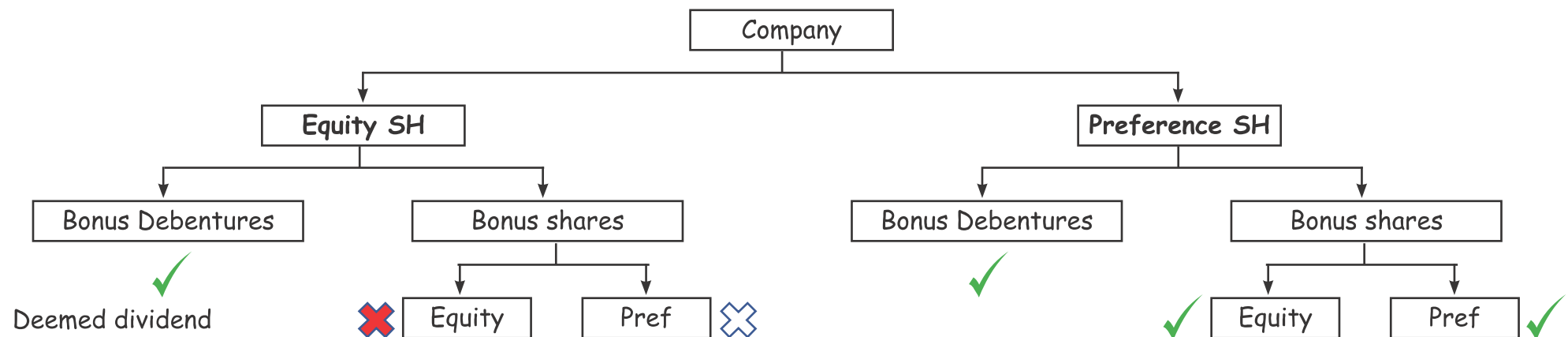
- If amount under winning from lottery / race horse is **< Rs 10,000**
- Winning from races other than Horse Race eg Camel race



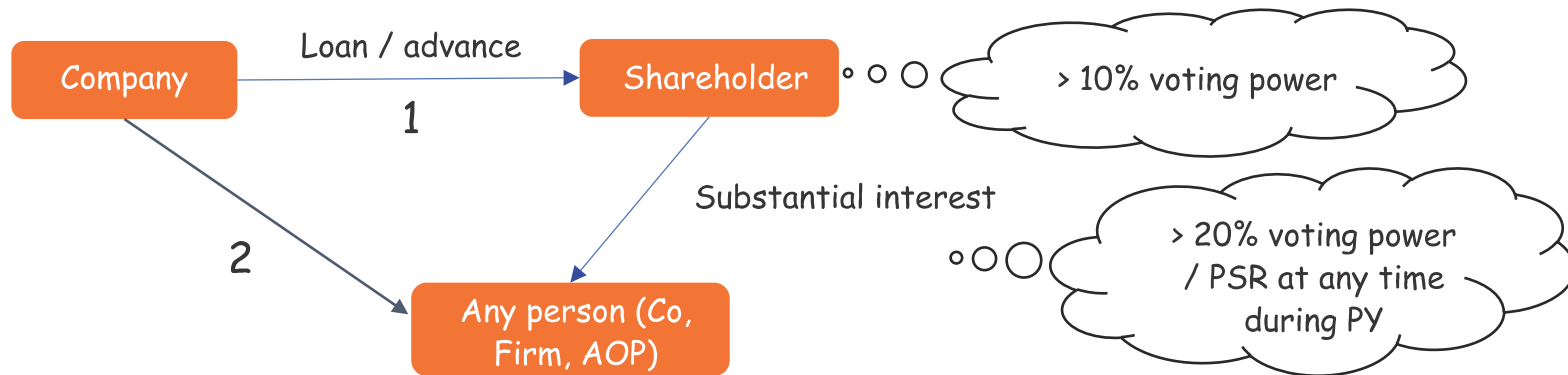
Concept - Deemed Dividend

- In reality the payments are not dividend but for the purpose of income tax they are treated as dividends.
- The objective is to plug the loopholes in the tax provision & to check avoidance.
- The following payments / distributors are deemed as dividend to the extent of Accumulated profits.
- Accumulated profits in section 2(22)(a),(b),(d) and (e) include all profits of the company up to the date of distribution or payment of dividend and u/s 2(22)(c) all profits up to date of liquidation.

Section	Company	Shareholder	Nature of distribution	Extent	Tax rate
2(22)(a)	Any Company	Any	Distribution of all or any part of assets of the company	Accumulated profits whether capitalized or not	Taxable in the hands of shareholders
2(22)(b)	Any Company	Any	Debentures, debenture-stock, or deposit certificates in any form, whether with or without interest		
	Any Company	Preference SH	Bonus shares		
2(22)(c)	Any Company	Any	Any distribution on its liquidation		
2(22)(d)	Any Company	Any	Any distribution on the reduction of its capital		



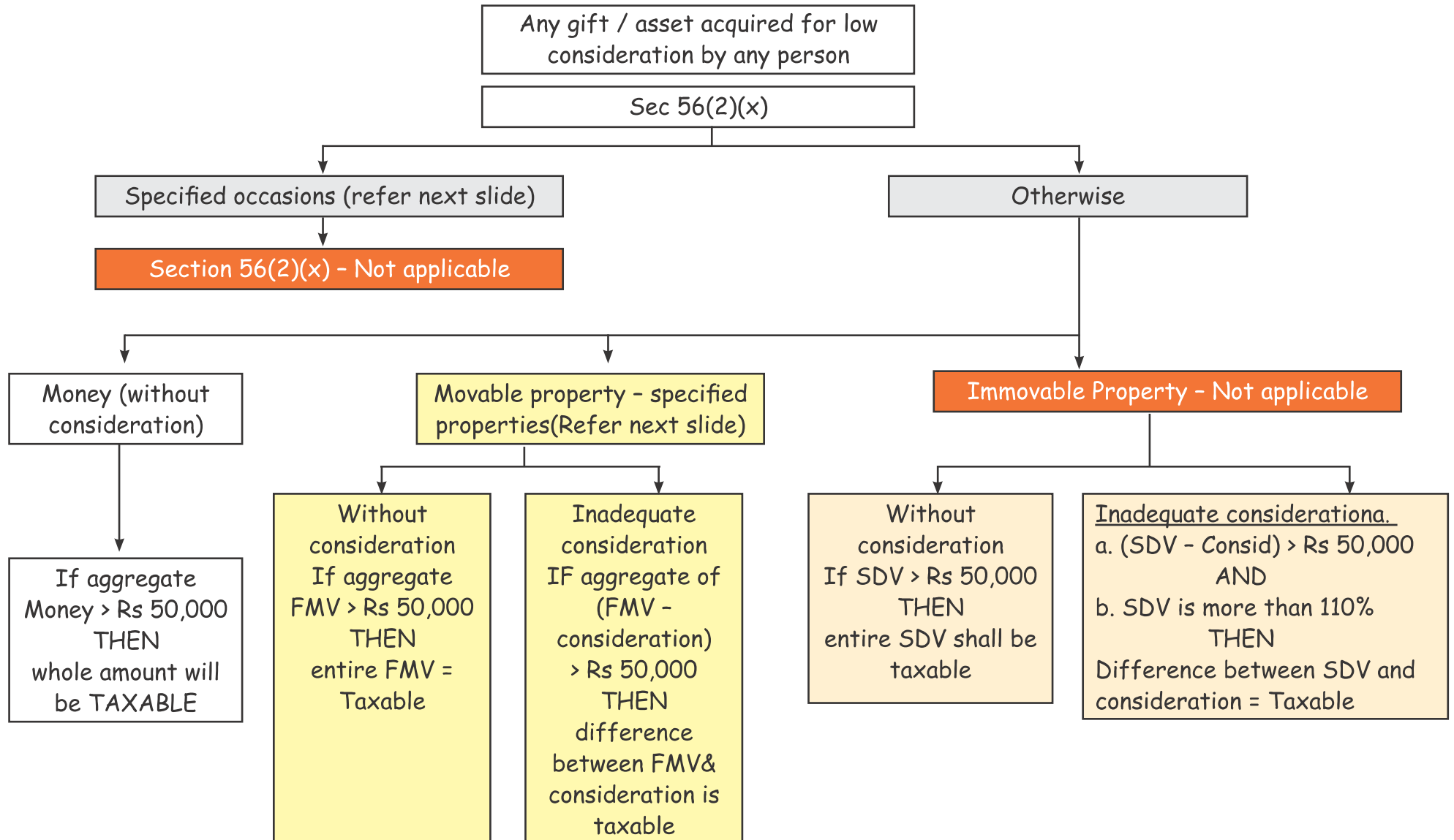
Section 2(22)(e) - Loans or advances by closely held company



- Loan/advances - treated as **deemed dividend to the extent** to which company possesses **accumulated profit** and it would be taxed in the hands of SHs
- **Loan is repaid** or Company charges market rate of interest **doesn't make any difference** in the applicability of sec 2(22)(e).
- Accumulated profit means profit as per Company Act (means accounting profit).

NO DEEMED DIVIDEND

- Section 2(22)(e) is not applicable in case of **trade advances** means advance which is in the nature of commercial transaction. Example: advance made by company to sister concern for job work, Advance was made by a company to its shareholder to install plant and machinery at the shareholder's premises to enable him to do job work for the company so that the company could fulfil an export order etc.
- Any Advance or Loans given by Company in the **ordinary course of its business** of money lending where money lending is substantial part of the business
- Any dividend paid by a company and is set off by Company against the loan which has been deemed as dividend us 2(22)(e).



Specified Occasions

Money / Property is NOT taxable if it is received (IM DR HTELI):

- Under will or **I**nheritance
 - **M**arriage
 - In contemplation of **D**eath
 - FROM Any **R**ELATIVE
 - Form any **H**ospital / medical institution
 - From any **E**ducational institution / university
 - From any **T**rust registered u/s 12AA
 - From any **L**ocal authority defined u/s 10(20)
 - From any **I**ndividual by / trust created solely for the benefit of the relative of the individual
 - By any Fund, Trust, Hospital, Medical Institution, University, Educational Institution referred in Section 10(23C)
 - Compensation on disaster from **SG / CG**
 - **By an individual - from any person - for any expenditure actually incurred by him on his / his family member's medical treatment related to COVID-19**
 - **By a member of family of a deceased person -**
 - From **E'r of deceased person (w/o limit)**
 - From any other person to the extent of **Rs 10L**
- Conditions -**
1. **Cause = death due to COVID-19**
 2. **Amount received < 12 months from the date of death**

Specified Properties

- Shares & securities
- Jewellery
- Drawing
- Painting
- Archaeological collection
- Sculptures
- Any other work of art
- Bullion
- Virtual Digital Asset **Amdt**
- Any property received as gift or acquired for low consideration other than above - Section 56(2)(x) = **Not Applicable**
- Examples - Car, Washing machine, TV received and even though value is more than Rs 50,000 = **NOT taxable**

Section 56(2)(viib)

Shares issued at premium

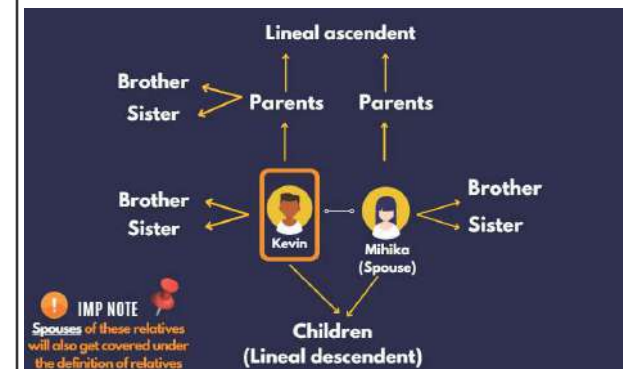
If any closely held company issues shares to any resident shareholder on Premium:

Taxable amount = [Issue price - FMV of shares]

Prov Not Applicable =

1. Shares issued at par or discount even though > FMV →

Meaning of relative



In case of HUF = Any member of HUF

- In case of stock in trade - Section 56(2)(x) = NOT applicable
- Section 56(2)(x) = applicable only in case of **CAPITAL ASSET**

Example to be discussed in the lecture

2. If such company is converted into a company in which the public are substantially interested during the previous year itself after issuance of shares

Section 57 - Deductions permissible from IFOS

Dividend / Income i.r.o. units of MF / Specified units

- Interest expenditure to earn such income = allowed as deduction
To the extent of = 20% of such income
- Example - Loan taken for investing in MF. MF Interest is Rs 1L, interest on loan is Rs 40,000. Deduction = ~~40,000~~ Rs 20,000 (being 20% of 1L)

Interest on securities

- If any interest / commission paid to banker for realizing such interest

Deduction in respect of employees contribution towards staff welfare schemes:

- Deduction in respect of any sum received by a tax payer as contribution from his employees = allowable ONLY IF such sum is credited by the tax payer to the employee's account in the relevant fund before the due date of the fund under the provisions of any law or terms of contract of service or otherwise.
- Otherwise IFOS as income.

Repairs, depreciation in the case of letting out of plant, machinery, furniture, building:

In the case of income chargeable under section 56, the following expenses are deductible:

- a. Current repairs in respect of building (Similar to Sec. 30)
- b. Insurance premium in respect of insurance against risk of damage or destruction of the premises (Similar to Sec. 30)
- c. Repairs and insurance of machinery, plant and furniture. (Similar to Sec. 31)
- d. Depreciation (Similar to Sec. 32) allowed as wear and tear

In case of income by way of compensation/ enhanced compensation received chargeable to tax under section 56(2)(viii):

Deduction of 50% of such income. No deduction would be allowable under any other clause of section 57 in respect of such income.

Miscellaneous

Any other expenditure other than in the of capital expenditure expended wholly or exclusively for the purpose of making or earning such income

Std deduction in case of Family Pension:

- In the case of income in the nature of family pension, the amount deductible is:
- **Rs.15,000** or **1/3 of such income**, whichever is less.

"Family Pension" means a regular monthly amount payable by the employer to a person belonging to the family of an employee, in the event of his death.

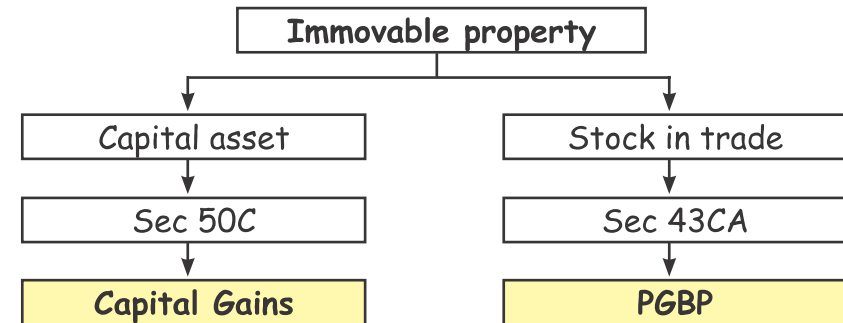
NOTE - Pension received by widow / children / heirs of members of armed forces of Union and DEATH has occurred in the course of operational duties = EXEMPT

Section 58 - Specific disallowances

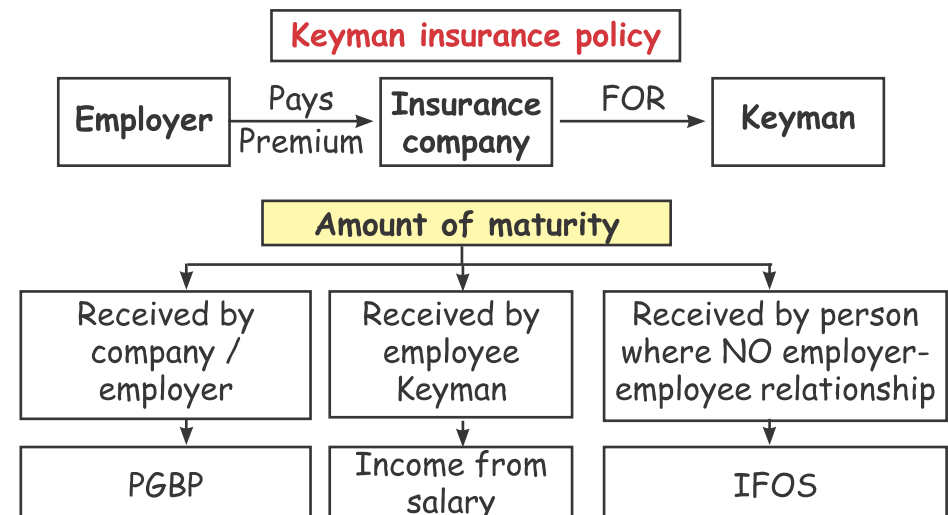
1. **Personal expenses**
2. **Interest** : Any interest chargeable under the Act which is payable outside India on which tax has not been deducted at source = is **not deductible**. [Similar to Sec.40(a)]
3. **Salary outside India**: Any payment of salaries outside India is **not deductible** if tax has not been paid or deducted therefrom. [Similar to Sec.40(a)]
4. **Amount specified by section 40A**: Any amount specified by section 40A is not deductible while calculating income under the head IFOS.
5. **Expenditure in respect of winning from lottery**: No deduction in respect of any expenditure or allowance in connection with income by way of earnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature whatsoever **shall be allowed** in computing the said income.
The prohibition will not, however, apply in respect of the income of an assessee, being the owner of race horses, from the activity of owning and maintaining such horses. In respect of the activity of owning and maintaining race horses, expenses incurred shall be allowed even in the absence of any stake money earned. Such loss shall be allowed to be carried forward in accordance with the provisions of section 74A.

Section 43CA: SDV to be treated as sales consideration

In case of immovable property held as stock - in trade, if $SC < SDV$ THEN $SC =$ deemed to be = SDV for computing PGBP. However, where $SDV < 110\%$ of SC THEN SC treated as **FVOC**



If date of agreement & registration are not same, **SDV on the date of agreement** can be considered u/s 50C/43CA/56(2)(x), if full or part consideration received or paid by A/c Payee cheque, A/c Payee DD or any mode of electronic clearing system, through bank account or any other electronic modes as may be prescribed.



APPLICABLE RATE OF TAX IN RESPECT OF WINNINGS FROM ONLINE GAMES [SECTION 115BBJ]

- (i) This section provides that net winnings from any online game would be taxed at a flat rate of 30% plus surcharge, if applicable, plus health and education cess@4%.
- (ii) **Meaning of online games:** A game that is offered on the internet and is accessible by a user through a computer resource including any telecommunication device
- (iii) No expenditure or allowance can be allowed from such income. (iv) Deduction under Chapter VI-A is not allowable from such income. (v) Adjustment of unexhausted basic exemption limit is also not permitted against such income.

Notes

Introduction

- Normally, an Assessee is taxed in respect of his own income only, but in some exceptional cases this principle is deviated by Income Tax Act
- Under **Section 60 to 64** of the Act an assessee may be taxed in respect of an income which legally belongs to someone else
- Inclusion of an income of one person in the income of another person is known as 'Clubbing of Income'

Why Clubbing?

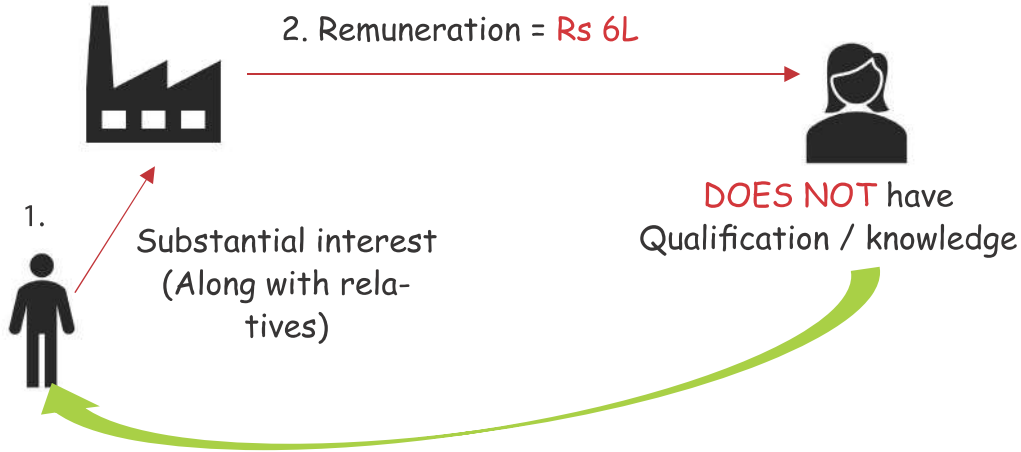
- Assessee tries to reduce his/her own tax liability by transferring either an asset or an income to his family members or tries to make such arrangements, wherein the ultimate benefit of such transferred asset or income is received back by him/her
- **Applicable to** - Transactions governed by Section 60 to Section 64
- **What if the clubbing is beneficial to the assessee** - if application of clubbing provisions result in reduction of tax liability of the assessee, then also they shall be made applicable, whether they are prejudicial to the interest of the Income Tax Department or not

Clubbable incomes

1. **Transfer of an Income without transferring the Asset: (Section 60):**
 - Asset owned by an assessee and an income is generated out of that asset and that income is transferred by that assessee to ANY PERSON,
 - **without transferring the ownership** of that asset,
 - then such transferred income will be clubbed back in the income of the Transferor Assessee
2. **Revocable Transfer of an Income generating Asset (Section 61)**
 - When an Income generating Asset is being transferred by the assessee, under a Revocable Transfer (Reversible Transfer, wherein the ownership of the asset can be taken back by the Transferor) to any person,
 - then income generated out of that asset will be clubbed in the income of the Transferor assessee,
 - **ONLY IF the transfer of the asset is revocable.**
3. **Remuneration of Spouse [Section 64(1)(ii)]**
 - Where, a taxpayer being an Individual, has a 'Substantial Interest' (> 20% of voting power / PSR) in a concern at any time during the FY,
 - whether individually on his/her own + jointly with relatives and
 - **Spouse** of that individual taxpayer, is **employed** by that concern,
 - **Without that spouse having any Technical or Professional Qualification, Knowledge or Experience** in the related field,
 - THEN the remuneration received by that spouse from that concern shall be clubbed in the hands of that individual taxpayer having a substantial interest that concern.

1.

Example for better understanding



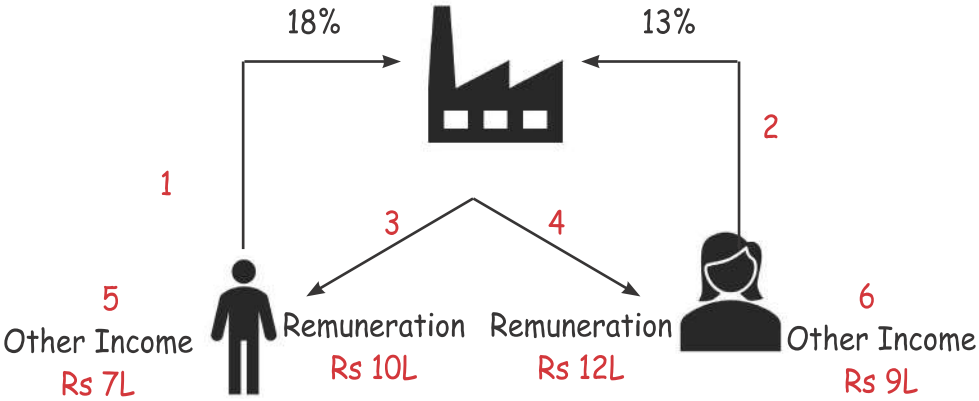
Substantial interest to be checked along with relative [S B F M S L A L D]

If the spouse has qualification / knowledge / experience

- Provision **NOT** applicable
- Taxed in the hands of **Spouse**
- **BECAUSE** she has earned that income on her skills and experience

Sr No	Individual (has substantial interest)	Spouse (Qualification)	Clubbing
1	X	X	X
2	X	YES	X
3	YES	YES	X
4	YES	NO	YES

2.

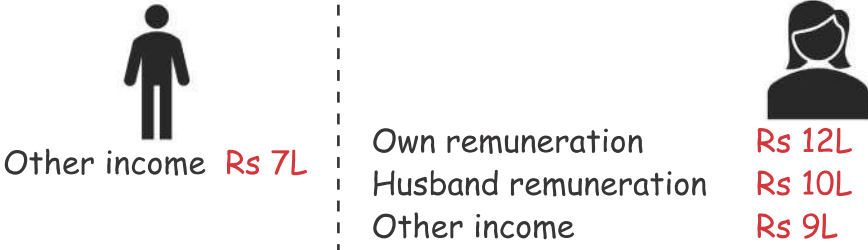


Husband's perspective, he is holding more than 20% of holding along with his wife i.e. 31% (18% + 13%) and Spouse does not have qualification - HENCE whatever amount earned by her would be clubbed in the hands of the Husband.

Wife's perspective, she is holding more than 20% of holding along with her husband i.e. 31% (18% + 13%) and the husband also does not have any qualification - HENCE whatever amount earned by her would be clubbed in the hands of the wife.

NOW WHAT TO DO?

Check other incomes of the husband and wife - club the remuneration in that person's hands whose **OTHER INCOME** is more



4. Transfer of an Income yielding Asset, other than a House Property to Spouse, without adequate consideration: [Section 61(1)(iv)]

- When an income yielding asset belonging to the assessee, other than a House Property
- is being transferred by an assessee to his/her Spouse,
- without an adequate consideration
- otherwise than for an agreement to live apart,
- THEN the income yielded by that asset shall be clubbed in the hands of the transferor assessee
 - i. **Relationship of Husband-Wife shall exist BOTH at the time of transfer of asset as well as at the time of accrual of income**
 - ii. What if asset transferred before marriage - clubbing provisions **shall not be applicable**
 - iii. What if either of the spouse dies - Clubbing not applicable
 - iv. If transferee spouse sells off that transferred asset - **CG income shall to be clubbed** in the hands of transferor spouse
 - v. What if asset is transferred for adequate consideration - **NO clubbing**
 - vi. **An Income arising from accretion - NO clubbing**

Example = Mr A transferred 1,000 - 12 % Debentures of Rs 100 each in X Ltd to his wife without any consideration. Debenture interest of 12,000/- received by Mrs. A shall be clubbed in the hands of Mr. A.

But if Mrs A invests the interest amount of 12,000/- to buy further debentures and earns further interest of Rs 1200/- then that shall not be clubbed back in the hands of Mr. A. as income arising from accretion or addition to the asset is not liable to clubbing provisions.

5. Transfer of an income yielding asset to Son's Wife without an adequate consideration [Section 64(1)(vi)]

[only son's wife and not daughter's husband] - Clubbed in the hands of transferor

- Section applicable to individuals only
- Father-in-Law or Mother-in-Law and Daughter-in-Law relationship shall exist both at the time of transfer of asset as well as at the time of accrual of income from that asset

6. Transfer of an income yielding asset by Assessee without an adequate consideration to any person for the benefit of Spouse [Section 64(1)(vii)] - Clubbed in the hands of transferor

7. Transfer of an income yielding asset by Assessee without an adequate consideration to any person for the benefit of Son's Wife: [Section 64(1)(viii)] - Clubbed in the hands of transferor

8. Income of a Minor Child: [Section 64(1A)]

General Rule - Income earned by minor shall be Taxable in the hands of the PARENTS (whose income is MORE) Clubbing NOT APPLICABLE

1. Income is due to **MANUAL WORK**
2. Income is due to **SKILLS AND TALENT**
3. Minor is suffering from **DISABILITY**

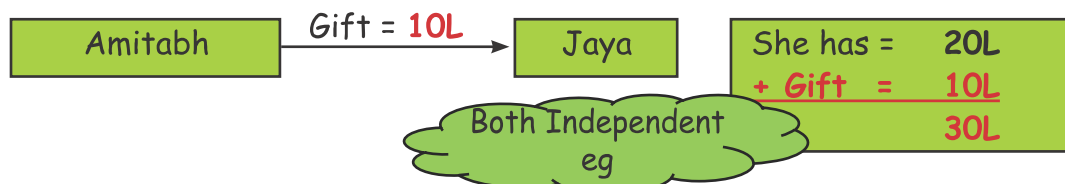
If clubbed - Exemption Rs **1,500** p.a. per child

For clubbing, marriage should be subsisting - else clubbed in the hands **who maintains him / her** irrespective of the total income

Once clubbed - continued to get clubbed **in that parent's hand only** even though in the next year total income of other increases

9. Transferred asset is invested in business

- Where the assets transferred by an individual to his spouse are invested by the transferee in the business - proportionate income arising to the transferee from such investment is to be included in the total income of the transferor.
- If the investment is in the nature of contribution of capital, proportionate interest receivable by the transferee from the firm will be clubbed with the income of the transferor.



As on 1/4/2019

Capital = Rs 30L

Profit = Rs 6L



As on 1/4/2020

Capital = Rs ~~30L~~ 20L

Profit = Rs 8L



ALWAYS CHECK THIS
Whether asset transferred by Amitabh is forming part of capital **ON THE FIRST DAY OF THE FY**
IF YES - CLUBBING ✓

Some proportionate part of the profit (Rs 6L) is earned out of the asset / cash gifted by Amitabh

THUS - such proportionate amount would be CLUBBED

$$\frac{\text{Rs } 10\text{L}}{\text{Rs } 30\text{L}} \times \text{Rs } 6\text{L} = \text{Rs } 2\text{L}$$

CHECK whether gifted amount / asset is included in Jaya's capital on the first day of FY??? **NO**

THUS - **NO CLUBBING in FY 2020-21**

Then when?

NEXT FY (2021-22) as it will be included in the opening capital (1/04/2021)

CLUBBING AMOUNT in FY 2020-21
NIL

10. Sec 64(2) - HUF

- When personal property of an individual is converted after 31.12.69 into the property of the family, then the Income from such converted property will be included in the Income of the Individual.
- Total income clubbed i.e. not only to the extent of inadequate consideration.
- If however, the converted property is subsequently partitioned amongst the members of the family, the income derived from such converted property, as is received by the spouse of the transferrer, will be taxable in the hands of the transferrer.

Example

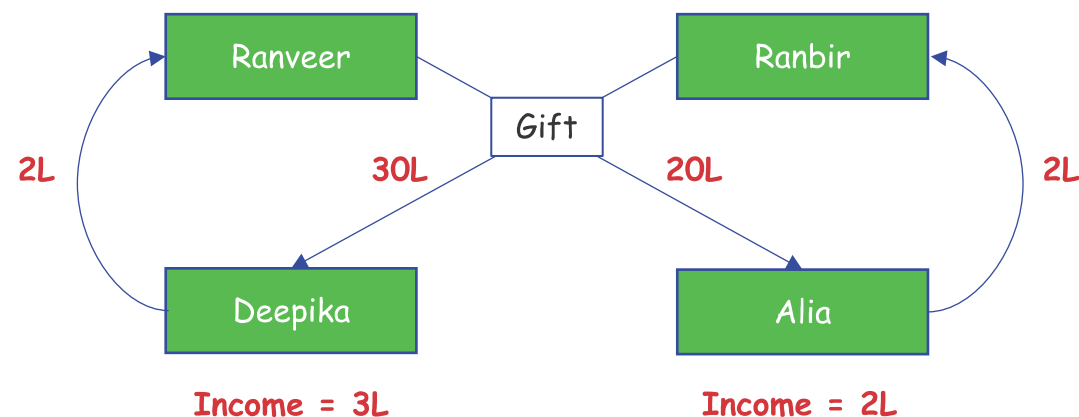
X transfers his self acquired property yielding an annual income of Rs. 1,00,000, to his HUF, consisting of X, Mrs. X, his major son Y and minor son Z.

Income of Rs. 1,00,000, will be included in the income of X (and not he HUF) by virtue of this section.

If, however, the property is partitioned amongst the family members; income derived from converted property by Mrs. X (i.e. 1/4th of Rs. 1,00,000) will be included in the income of X under section 64(2).

CROSS TRANSFER

- Example - A making gift of 50,000 to the wife of his brother B for the purchase of a house by her and a simultaneous gift by B to A's minor son of shares in a foreign company worth 50,000 owned by him
- In the case of cross transfers also, the income from the assets transferred would be assessed in the hands of the **DEEMED TRANSFEROR** if the transfers are so intimately connected as to form part of a single transaction, and each transfer constitutes consideration for the other by being mutual or otherwise.
- Thus, in the instant case, the transfers have been made by A and B to persons who are not their spouse or minor child so as to circumvent the provisions of this section, showing that such transfers constituted consideration for each other.
- CIT v. Keshavji Morarji[1967] 66 ITR 142,
- If 2 transactions are inter-connected and are parts of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted.



Simple language to write in exam

If Assessing Officer is convinced that some gifts are related with each other in a circuitous way
AND
There is an intention to evade provisions of Sec 64(1)

Section 70: Intra head adjustment

- Loss from one source of income can be set off against income from another source of income but in the same head of income.

Exceptions:

- Speculative business loss \longleftrightarrow speculative business income.
- Specified business loss \longleftrightarrow specified business income
- Long term capital loss (LTCL) \longleftrightarrow LTCG
- Loss from owning & maintaining race horses \longleftrightarrow income from owning & maintaining race horses.

Section 71: Inter-head adjustment

Loss under 1 head \longleftrightarrow Income from another head but in the same previous year - which means for c/f of losses = Inter head adjustment is NOT allowed

Exceptions:

- Speculative business loss \longleftrightarrow speculative business income.
- Specified business loss \longleftrightarrow specified business income
- Long term capital loss (LTCL) \longleftrightarrow LTCG
- Loss from owning & maintaining race horses \longleftrightarrow income from owning & maintaining race horses.
- Short term capital loss (STCL) \longleftrightarrow STCG / LTCG.
- Loss from business **cannot be set off** against salary.

5. IFOS

- Loss from owning and maintaining race horses
 - Set off OR b. Carry Forward
- Other losses
 - Intra OR b. Inter OR c. Carry forward **NOT ALLOWED**
- Loss in Casual income (Lottery / gambling)
 - NO SET OFF
 - NO CARRY FORWARD

Analysis of set off under ALL the heads

- Income from Salary = LOSS **×**
- Income from House Property:
Loss from House Property can be adjusted against:
 - Intra Head - Other HP's income
 - Inter Head - (Maximum Rs 2L) - if following 115BAC - **no inter head adjustment possible**
 - If not possible from 1 and 2 = carry forward
- PGBP
 - Loss from specified business = can be set off against
 - Specified business income
 - Carry forward
 - Loss from speculative business = can be set off against
 - Set off against speculation business income
 - Carry forward
 - Other business loss = can be set off against
 - Intra head adjustment
 - Inter head adjustment **EXCEPT SALARY**
 - Carry forward
- Capital Gains
 - Short Term Capital Loss = can be set off against
 - STCG / LTCG
 - Carry forward
 - Long Term Capital Loss = can be set off against
 - LTCG and
 - Carry forward

Practice questions

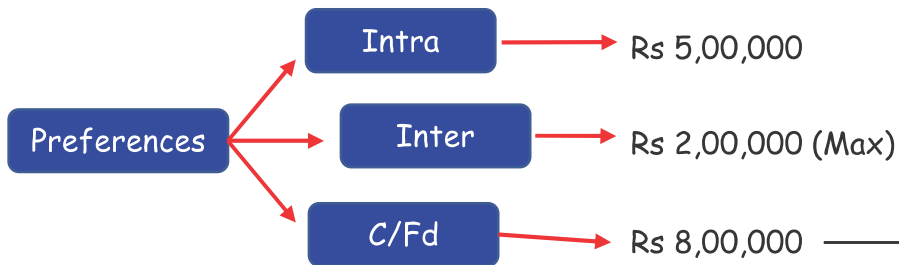
Sr No	Transaction	Answer
1	Long Term Capital Loss can be adjusted against?	
2	House Property loss can be adjusted against?	
3	Other business loss - can it be adjusted against speculative or specified INCOME	
4	STCL can be adjusted against?	
5	Can we adjust normal business loss against LTCG?	
6	IFOS loss - can I set off and carry forward?	
7	Can we adjust specified business loss against speculative income?	
8	Can we adjust business income against salary?	
9	Loss from owning and maintaining horse races against HP income	
10	House property Loss against Income from Owning and Maintaining Horse races	

Answers

- | | |
|-----------------------------|---|
| 1. ONLY LTCG | 2. Any head (Inter head - 2L restriction) |
| 3. Yes 4. STCG / LTCG | 5. YES |
| 6. set off possible, NO c/f | 7. NO |
| 8. NO | 9. NO. |
| 10. YES | |

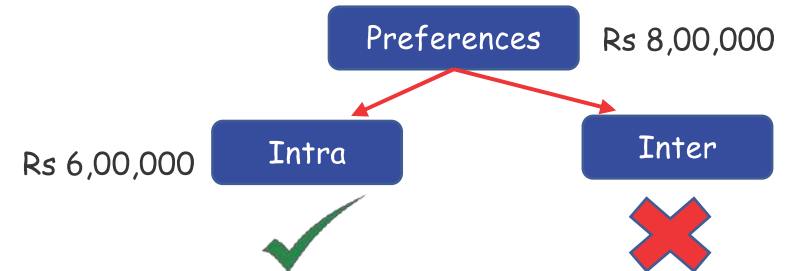
FY 2018-19

Income under PGBP	Rs 30,00,000
Loss under House Property 1	Rs 15,00,000
Income under House Property 2	Rs 5,00,000



FY 2019-20

Income under PGBP	Rs 15,00,000
Income under House Property 2	Rs 6,00,000



Remaining Rs 2 Lakhs = Carried forward

In case the losses are carried forward = Losses can be set off ONLY against INTRA and NOT INTER

FY 2018-19

Loss under PGBP	Rs 10,00,000
-----------------	--------------

FY 2019-20

Income under PGBP	Rs 15,00,000
Loss under HP	Rs 1,50,000

Which one to set off????

Current Year
Loss under HP



Past Year
Loss under PGBP



Carry forward and set off of Losses

Section	Losses to be carried forward	Brought forward losses can be set off against	Time limit	Mandatory filing of return
71B	Loss from House Property	House Property Income	8 years	No
72	Normal business Loss	Business Income	8 years	Yes
73	Speculative business Loss	Speculative business Income	4 years	Yes
73A	Specified business Loss	Specified business Income	NO Limit	Yes
74	Short Term Capital Loss	STCG / LTCG	8 years	Yes
	Long Term Capital Loss	LTCG only	8 years	Yes
74A	Loss from owning and maintaining race horses	Income from owning and maintaining race horses	4 years	Yes
32(2)	Unabsorbed depreciation	Any other income OTHER THAN Salary	NO Limit	NO

1. Order for set off of losses:
 - a. Current year depreciation
 - b. CY capex on scientific research & CY expenditure on family planning
 - c. B/f losses from Business or profession
 - d. Unabsorbed depreciation
 - e. Unabsorbed capital expenditure on sci. research
 - f. Unabsorbed expenditure on family planning
2. CBDT circular = If there is income under any head & eligible losses under any other head, such loss shall be first set off against the income before set off & c/f of losses (refer next slide)
3. B/f losses from a business can be set off even if such business is not continued.
4. Set off of losses are not permissible = against = unexplained money / income / investment u/s 68, 69, 69A, 69B, 69B, 69C, 69D
5. Losses in relation to exempt incomes to be ignored

Chapter (6A) Aggregation of Income (Anti black money)

Section	Particulars
68	Cash Credit:
	AO may ask → <ul style="list-style-type: none"> → Identity → Genuineness → Credit Worthiness
69	Unexplained Investment
69A	Unexplained money, Bullion, Jewellery etc
69B	Amount of Investment etc, not fully disclosed in the books of accounts
69C	Unexplained expenditure
69D	Amount borrowed or repaid on Hundi
	Rate of aggregation of income under section 115BBE: =60% + 25% + 4% =78% Notes: 1. No deduction under any head 2. No deduction under Chapter VI A 3. No set off and carry forward of losses 4. No benefit of basic exemption limit

Deductions under chapter VI-A is restricted to Gross Total Income and it cannot be carried forward

There are specified incomes where deductions cannot be claimed:

- Long Term Capital Gains
- Long Term Capital Gains u/s 112A
- Short Term Capital Gains u/s 111A
- Casual income etc

Section 80C - Specified Investments

Eligible assessee: ONLY individual and HUF

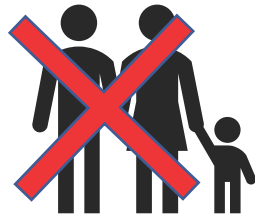
Deduction: Rs 1,50,000 MAX

- Investments:

1. LIC premium

[Individual - Himself, spouse, children]

[HUF - Any member]



If policy is acquired BEFORE 1/4/2012

- i. Premium paid OR
- ii. 20% policy value



If policy is acquired AFTER 1/4/2012

- i. Premium paid OR
- ii. 10% policy value



If policy issue on or after 1/4/2013 for person with disability (u/s 80U) or person suffering from specified disease (u/s 80DDB)

- i. Premium paid OR
- ii. 15% of policy value



- Amount deposited in PPF [himself, spouse, children]
- Employee's contribution to Statutory provident fund, Recognised Provident fund (SPF&RPF)
- Amount invested in NSC as well as interest accrued on NSC
- Repayment of Loan taken from Banks or Financial Institution for purchase construction of House (Principle amount) - including Stamp duty, registration fee for acquisition of house property
- Fixed Deposit in a scheduled Bank or Post office for 5 years or more,
- Tuition fees paid for education of children [Max 2 children for full time education in India]
- Contribution towards Unit Linked Insurance Plan(ULIP)
- Notified units of Mutual Funds or UTI.

- Deposit in Notified bonds of NABARD.
- Deposit in Senior citizen Saving Scheme.
- Notified Pension scheme of UTI or MF.
- Deposit in Sukanya Samridhi Scheme Alc [For individual himself/herself or any girl child of individual or girl child for whom such individual is a legal guardian.

Section 80CCC: Contribution to Pension Fund of LIC / Other insurance company

Eligible assessee: Individual
Deduction: Rs 1,50,000 (MAX)

Section 80CCD: Contribution to Pension scheme of CG / Notified Pension scheme / Atal Pension Yojna

Eligible assessee: Individual
Deduction:

Section 80CCD(1)

Salaried employee	Other employees (Self employed)
1. Employee Contribution 2. 10% of Salary	1. Assessee's Contribution 2. 20% of GTI

Salary = [Basic + DA(in terms)]

Section 80CCD(2)

Employer's contribution to NPS for the benefit of employee.

Since employer is spending money for employee - contribution by employer is first included in Income from Salary. Further, employee will get the deduction of such amount included in the head in his ROI.

Deduction:

- i. Employer's contribution OR
- ii. 10% of Salary [Basic + DA(in terms)]

If Employer is CG/SG - Limit is 14%

Section 80CCD(1B): Additional deduction upto Rs 50,000 = allowed other than contributions covered u/s 80CCD(1)

- In case of salaried employee:
 - i. Employee's contribution Rs 1,80,000
 - ii. 10% salary (Salary 14.4L) Rs 1,44,000
- 80CCD(1) = Rs 1,44,000
- Contribution unutilized = 1.80L (-) 1.44L = Rs 36,000
- 80CCD(1B) = Rs 36,000
- Is it necessary to claim amount of contribution against 80CCD(1) and then unexhausted amount in Sec 80CCD(1B)? OR we can utilize the limit of Rs 50,000 first and then remaining amount in Sec 80CCD(1)
- No such restriction = Assessee can first utilize the limit of Rs 50,000 and then remaining amount can be considered for computing Sec 80CCD(1)

Section 80CCE

Aggregate deduction u/s 80C + 80CCC + 80CCD(1) = 1,50,000

Section 80D: Deduction in respect of Medical Insurance Premium, Central Govt Health scheme, Preventive Health Check-up and Medical Treatment

Eligible assessee: Individual and HUF

Individual - Himself, Spouse, Parents (dependent or independent) and DEPENDENT children

HUF - Any member

Mode: Any mode other than cash. Payment for preventive check ups can be made in cash

Particulars	Individual		HUF
	Self, Spouse, Dependent Children	Parents	Members
i. Medical Insurance premium	✓	✓	✓
ii. CG health scheme	✓	✗	✗
iii. Preventive health check up	✓	✓	✗
1. Deduction	Max Rs 25,000	Max Rs 25,000	Max Rs 25,000
Additional deduction (when medical insurance policy taken on life of senior citizen) Age > 60 years	Max Rs 25,000	Max Rs 25,000	Max Rs 25,000
+			
2. Medical expenditure of senior citizen (age > 60 years) and medical premium not paid for such person	Max Rs 50,000	Max Rs 50,000	Max Rs 50,000
MAXIMUM DEDUCTION (1+2)	Max Rs 50,000	Max Rs 50,000	Max Rs 50,000

Aggregate payment for preventive health check up for himself, spouse, dependent children and **PARENTS** cannot be more than Rs 5,000

If medical premium is paid lumpsum for more than 1 year

Allowable deduction = Equal proportion basis the total years of the policy

If policy is taken for 3 years and 60,000 is paid = deduction of Rs 20,000 in each year for 3 years

Example - Policy taken on 1/7/2022 for 3 years - premium - Rs 60,000

Deduction - 20,000?? **NO**

Policy is covering 4 FYs i.e. 1/7/22 to 30/6/25
(FY 22-23, 23-24, 24-25, 25-26)

Thus, Deduction = 60,000/4 = Rs 15,000

Section 80DD: Deduction of medical treatment & maintenance of handicapped dependent relative

Eligible assessee: Resident individual

Deduction = **FLAT deduction:**

1. Normal disability = **Rs 75,000**
2. Severe disability (80% or more) = **Rs 1,25,000**

Spend on
Medical treatment (including nursing), training and rehab of a dependent having disability

Special notes

- Assessee should incur expenses on medical treatment or deposit any amount for maintenance of such handicapped dependent relative - He / She should not take a deduction u/s 80U
- Relative:
 1. **Individual** - spouse, brother, sister, children, mother, father.
 2. **HUF**- Any member of HUF

Expected Qs - Grandfather, Grandmother

Section 80U: Deduction for handicapped assessee

Eligible assessee: Resident individual

Deduction = **FLAT deduction:**

1. Normal disability = **Rs 75,000**
2. Severe disability = **Rs 1,25,000**

Section 80DDB: Deduction in respect of medical treatment of specified disease (Rule 11DD)

Eligible assessee: Resident individual (for self, dependent relative (S, C, P, B, S) HUF (any dependent member)

Deduction:

- | | |
|---|------|
| i. Actual expenses on treatment | XXX |
| ii. Maximum Rs 40,000 (normal case)/ Rs 1,00,000 (Sr Citizen) | XXX |
| (Whichever is lower) | |
| LESS: Insurance claim | (XX) |
| Amount of deduction | XXX |



Section 80E - Deduction in respect of interest on loan for higher education in India or abroad

Eligible assessee: Individual

Deduction - **Interest amount** for a period of **8 consecutive years** starting from the year in which assessee starts paying interest

Condition - Deduction allowed only if loan taken for the education of **self, spouse, children** and **any student** for whom assessee is a legal guardian

Section 80EE - Deduction in respect of interest on housing loan

Eligible assessee: Individual

Deduction: Max **Rs 50,000**

Conditions to be satisfied:

- i. Loan should be taken from bank or financial institution for acquisition of residential property.
- ii. **Purchase price of house < 50 Lakhs**
- iii. Loan should be sanctioned between 1/4/2016 to 31/3/2017
- iv. **Loan amount < 35 lakh**
- v. Assessee **does not own** any residential house **on the date of sanction** of loan.
- vi. First deduction should be claimed u/s 24(b) of house property (up to 2,00,000) and remaining int deduction u/s 80EE.

Section 80EEA: Deduction in respect of interest of housing loan

Eligible assessee: Individual (Other than covered in 80EE)

Deduction = MAX Rs 1,50,000

Conditions to be satisfied

- i. Loan should be taken from **banks or financial institutions** for acquisition of residential house property.
- ii. **SDV < 45 lakhs.**
- iii. Loan should be **sanctioned** between **1/4/2019 to 31/3/2022**
- iv. Assessee **does not own any residential house property** on the date of sanction of loan.
- v. Where a deduction under this section is allowed for any interest, deduction shall not be allowed in respect of such interest under any other provision of this Act for the some or any other assessment year.
- vi. **First** deduction should be claimed **u/s 24(b)** of house property and **remaining interest deduction u/s 80EEA.**

Section 80EEB: Deduction in respect of interest on Electric Vehicle loan

Eligible assessee: Individual

Deduction = MAX Rs 1,50,000

Conditions to be satisfied

- i. Loan should be taken from **banks or financial institutions including NBFC** for purchase of electric vehicle
- ii. Loan should be **sanctioned** between **1/4/2019 to 31/3/2023**
- iii. Where deduction under this section is allowed for any interest, deduction shall not be allowed in respect of such interest under any other provision of this Act for the some or any other AY.

Section 80GG: Rent paid of House Property (HRA / RFA not received)

Eligible assessee: Individual

Deduction:

- i. Rs 5000 per month
- ii. 25% of adjusted Gross Total Income
- iii. Rent paid (-) 10% of adjusted Gross Total Income



What is Adjusted GTI ?

GTI (-) incomes taxable at special rate (-) All the deductions under Chapter VIA (except for section 80GG)

Assessee / his spouse / minor child / HUF should not own any house at the place of his duty

Section 80GGA: Dedn of donation for scientific research or rural dev

Eligible assessee: All assesses (except assessee having income under the head PGBP)

Deduction: 100% of donation / contribution

Note - If donation / contribution is made more than Rs 2,000 - it should not be made in cash

Section 80GGB: Donation to political parties / electoral trust

Eligible assessee: Indian Company

Deduction = Full donation

Section 80GGC: Donation to political parties / electoral trust

Eligible assessee: Any person (Other than Indian Co)

Deduction = Full donation

Donation should not be in Cash

Section 80JJAA: Deduction in respect of Employment of new employees

Eligible Assessee: Any Assessee engaged in Business and to whom Sec 44AB applies (i.e. T/O > 1 cr).

Amount of deduction: **30% of Additional employee cost**
(deduction allowed for 3 consecutive years)

What is Additional employee cost:

Total emoluments paid or payable to **Additional employees** employed during the PY

1. **In case of existing business:** **Additional employee cost shall be NIL**, if
There is **no increase** in the Total number of employees.
Emoluments paid otherwise than by A/c payee cheque / draft / NEFT / RTGS or any other electric mode as may be prescribed

Example: Suppose total employee as on 31/3/19 were 90 and during P.Y. 2018-19 - 20 employees left the job & 20 new employees joined, then there will be no deduction under this Section

BUT

If 25 new employees joined then deduction will be allowed on emoluments paid to 5 new employees,

2. **In case of New Business** - Additional employee cost shall be emoluments paid /payable to employees employed during the P.Y.

Additional employees include -

- Employee whose emoluments < **25,000 p.m.**
- Employee employed for > **240 days** in PY (in case of manufacture of apparel or footwear or leather products then 150 days)
- Employee **participates in RPF.**

Note - If an employee is employed during the previous year for less than 240 days or 150 days, but is employed for a period of 240 days or 150 days, in the immediately succeeding year, he shall be deemed to have been employed in the succeeding year.

Accordingly, the employer would be entitled to deduction of 30% of additional employee cost of such employees in the succeeding year.

Section 80G - Donations

Eligible assessee: All assesses

Eligible donations:

Part A

- | | | |
|---|---|------|
| <ol style="list-style-type: none"> 1. Jawaharlal Nehru Memorial Fund 2. Indira Gandhi Memorial Trust 3. Rajiv Gandhi Foundation 4. P.M. Drought Relief Fund | } | 50% |
| ----- | | |
| <ol style="list-style-type: none"> 5. National Defense Fund 6. National sports fund 7. National children fund 8. National cultural fund 9. National Fund for control of Drug abuse 10. P.M. National Relief fund 11. P.M. Armenia Earthquake Relief fund 12. C.M. Relief Fund 13. Zilla Saksharta Samiti 14. Swachh Bharat Kosh Clean Ganga Fund 15. Fund for Army, etc 16. PM CARES FUND | } | 100% |

Family Planning	Rs 30,000
Renovation of temple	Rs 50,000
Total Donation	Rs 80,000
10% of ATI	Rs 50,000
Eligible donation	Rs 50,000



Part B

House: Donation to Housing development authority

Temple: Donation for renovation or repair of temple, gurudwara, mosque or church, etc.

Trust: Donation to any public Charitable Trust

Minority: Donation for promoting minority community in India,

Family: Donation to Government or Local Authority or approved Institution for promoting Family Planning.

Olympics: Donations by company to Indian Olympics Association or any other institution for development of infrastructure for sports in India,

Limit for eligible donation

Total donation as per Part B category	XXX	
10% of Adjusted Total Income (ATI)	XXX	Eligible deduction

What is ATI?

Gross Total Income (excluding income as per special rate)	XXX
(-) All eligible deductions (except Sec 80G)	(XXX)
Adjusted Total Income	XXX

Deduction under this section is not allowed if donation made in cash is more than Rs 2,000

Section 80QQB - Royalty from books of literacy, artistic, scientific nature

Eligible assessee: Resident individual

Deduction:

- i. Eligible royalty received
 - ii. Rs 3,00,000
- 

Eligible royalty:

If lump sum royalty is received = Amount received as royalty

If lump sum not received = Upto 15% of the value of books sold.


Sometimes - Assessee does not get lump sum royalty amount but gets some % of amount of the value of books basis number of books sold. Say Amit is an author of a book of scientific nature and earns 25% royalty on sale of such book. 10,000 books sold. Total amount earned = 10,000 * 500 per book = 50,00,000. Deduction = Rs 7,50,000 (limited to 15% of Rs 50L) or Rs 3,00,000 - Answer = Rs 3,00,000.

Note: If Royalty is earned outside India, then deduction is allowed only if such royalty amount is brought in India in convertible foreign exchange within 6 months from the end of the PY or time allowed by RBI

Section 80RRB: Royalty from patents

Eligible assessee: Resident individual

Deduction:

- i. Eligible royalty received
 - ii. Rs 3,00,000
- 

Note: If Royalty is earned outside India, then deduction is allowed only if such royalty amount is brought in India in convertible foreign exchange within 6 months from the end of the PY or time allowed by RBI

Section 80TTA: Interest on savings account

Eligible assessee: Individual and HUF

Deduction:

- i. Interest Amount received
 - ii. Rs 10,000
- 

Saving account meaning - savings account with Banking Company, Co-operative Banks or Post Office

NO DEDUCTION ON FIXED / TIME DEPOSIT

Sec 10(15) - Int on Post Office Savings Bank A/c = Rs 3,500/yr Exempt

In case of joint account - **Rs 7,000/yr**

Section 80TTB: Interest on deposits (FD / TD / RD) in case of senior citizens

Eligible assessee: Resident senior citizen whose GTI includes interest on deposit with bank, co-operative bank or post office

Amount of deduction:

- i. Interest Amount received
 - ii. Rs 50,000
- 

Non-availability of deduction to partner/member, where deposit held by firm/AOP/BOI:

Where interest income is derived from any deposit held by, or on behalf of, a firm, an AOP or a BOI, the partner of the firm or member of AOP/BOI would not be allowed deduction in respect of such income while computing their total income.

Tax Deducted at Source

1. Tax is deducted only if amount is taxable in hands of receiver.

2. TDS requirement arise:

i. at the time of **payment**

OR

ii. at the time **crediting** the A/c of payee

Whichever is earlier

3. In following cases TDS deducted only at **the time of payments**:

a. Salary

b. Winnings

c. Maturity of life insurance policy

4. If payee **fails to furnish his PAN** to the payer, TDS rate shall be (Sec 206AA):

i. Rate as per respective section (Rates in force)

OR

ii. 20% (5% in case of 194-O and 194Q)

1. If the payment is made by payer without TDS, then payee shall be responsible to make payment of tax directly. However, if the tax has been deducted by payer, but not deposited with Government, then payee cannot be called upon to pay that much tax.

31 July 2019

XYZ Exp A/c (Dr) ... Rs 50,000
To Payee A/c...Rs 50,000

2 August 2019

Payee A/c (Dr)... Rs 50,000
To Bank.... Rs 50,000

XYZ Exp A/c (Dr) ...Rs 50,000
To Payee A/c...Rs 45,000
To TDS A/c.. Rs 5,000




Payee A/c (Dr)... Rs 45,000
To Bank.... Rs 45,000

Section	Nature	Payer	Payee	Rate	Additional Note
192	Salary	Any person	Employee (R / NR)	Slab Rate	<ol style="list-style-type: none"> Employee to furnish necessary details to Employer related to other income & Deduction of employee Employer shall not consider any loss except house property loss At the time of payment
192A	Accumulated balance of Provident Fund	Any person	Employee	10%	<ol style="list-style-type: none"> TDS applicable only if it is taxable in the hands of employee NO TDS if amount is < Rs 50,000 To promote the savings - if amount is withdrawn < 5 years (Except for ill health, business discontinued, cessation of employment) - TDS is applicable No tax on withdrawal - if he has opted for transfer of balance to new employer If PAN is not furnished by Employer - Tax @ MMR
193	TDS on interest on securities	Any person	Any resident person	10%	<ol style="list-style-type: none"> NO TDS if interest <ul style="list-style-type: none"> - Paid to LIC, GIC - Payable on any Securities of CG or SG - DMAT secure ties - National defense Bonds / Loan, National Devt Bonds <p>Note: It may be noted that TDS has to be deducted in respect of interest payable on 8% Savings (Taxable) Bonds, 2003, or 7.75% Savings (Taxable) Bonds, 2018, only if such interest payable exceeds 10,000 during the financial year.</p>
194	TDS on Dividends	Principal Officer of Domestic Company	Resident Shareholder	10%	<ol style="list-style-type: none"> TDS on - amount distributed / paid by the company Threshold Limit:- NO TDS if BOTH of the following are satisfied:- <ol style="list-style-type: none"> Dividend is paid by any mode OTHER THAN Cash; AND AGGREGATE of the dividend < Rs. 5,000 NO TDS if payment is made to: <ol style="list-style-type: none"> LIC, GIC, Subsidiaries of GIC

Section	Nature	Payer	Payee	Rate	Additional Note
194A	TDS on interest(other than interest)	Any person Other than Individual / HUF whose ↓ Total income / Gross receipts / TO ↓ < 1 Cr in case of business / 50 Lakhs in case of profession	Employee (R / NR)	10%	<p>1. TDS NOT required to be deducted if (BOB FIS B) <u>B</u>² = Int paid by Banks / Co-op Bank / Post office upto 40,000 (Rs 50,000, in case of payee, being a resident senior citizen) <u>O</u> = In other cases its upto 5,000 <u>F</u> = Int paid by firm to partners <u>I</u> = Int on Income tax <u>S</u> = Int on Bank Saving A/c <u>B</u> = Int paid TO any Bank / LIC/ UTI / Any Insurer</p> <p>Note :- Bank opting core banking solutions (CBS) then, the limit of Rs 40,000 will not be per Branch but will be per Bank / Co-op society</p> <p>2. NO TDS Interest paid by Co-op society (other than Co-op Bank) to its members or to any other Co-op society.</p> <p>However, the Co-operative Society referred to here will have to deduct TDS if BOTH of the following are satisfied:-</p> <ol style="list-style-type: none"> Sales, GR or TO > 50 Cr. during the FY immediately PRECEDING the "FY in which such interest is credited/paid"; AND The AGGREGATE of such interest > Rs 40,000 (50,000 in case payee is a Senior Citizen) <p>3. NO TDS - Interest paid in respect of certain scheme of post office, Kisan Vikas Patra, India Vikas Patra, National Saving Certificate, P.O monthly income A/c, P.O. Recurring deposits</p>

Section	Nature	Payer	Payee	Rate	Additional Note
194B	Winning from lotteries, cross word puzzles, card games, etc	Any person	Any person	30%	If winning is upto Rs 10,000 = NO TDS NOTE: If winning is in kind then organizer (say KBC) will realize winning only after ensuring that tax on winning paid to Govt
194BB	Winning from horse race	1. Bookmaker 2. Person who has been granted license for i. Horse racing ii. Arranging for wagering / betting in any race course	Any person	30%	If winning is upto Rs 10,000 = NO TDS

Section	Nature	Payer	Payee	Rate	Additional Note
194C	TDS on contract	Any person (Other than Individual / HUF/ AOP / BOI whose TS/ GR/ TO "does not EXCEED 1 Cr In case of Business OR 50 lakhs in case of Profession" in the immediately PRECEDING FY)	Resident payee	If contractor is: - Individual / HUF = 1% Others = 2%	<ol style="list-style-type: none"> NO TDS if: <ul style="list-style-type: none"> a) Single payment upto 30,000 OR b) Aggregate of payment in PY upto Rs 1,00,000 NO TDS if contract is for personal purpose of individual / HUF TDS is required to be deducted if any person is liable for carrying out any WORK. For the purpose of contract, work includes- <ul style="list-style-type: none"> • Advertisement, Broadcast, Telecast • Catering • Carriage of goods, Passenger other than Railway • Manufacturing / Supplying of any product as per specification of customer out of material purchased / supplied by such customer (Job work) or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee under the provisions contained in Section 40A(2)(b) No TDS if payment made to transporter & he does not own more than 10 vehicles at any time during PY & he furnishes a declarations + PAN In case of Job work, the TDS shall be deducted - <ul style="list-style-type: none"> • On the invoice value excluding the value of material, if material value mentioned separately in invoice • On the whole of the invoice value, if value of material is not mentioned separately in the invoice. Contract also includes sub contract. Gas Transportation charges + sale of natural gas - NO TDS as it is contract for sale and NOT a works contract
Some important issues basis CBDT circular:					
<pre> graph LR Customer[Customer] -- "194C ₹ ✓" --> AdAgency[Ad Agency] AdAgency -- "194C ₹ ✗" --> TVchannel[TV channel] </pre>					
<p>Payment made by TV channel / broadcasters to Production house for production of content</p> <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p>If program is as per specifications of telecaster & broadcaster and copyright of content are also transferred to telecaster / Broadcaster</p> <p style="text-align: center;">↓</p> <p>WORKS CONTRACT - 194C</p> </div> <div style="width: 45%;"> <p>If right of content already produced by production house is acquired by telecaster / broadcaster</p> <p style="text-align: center;">↓</p> <p>NO WORKS CONTRACT - NO 194C</p> </div> </div>					

Section	Nature	Payer	Payee	Rate	Additional Note
194D	Tax on insurance commission	Insurance company	Resident agent	5%	NO TDS if = commission upto Rs 15,000 per annum
194DA	TDS on maturity proceeds of a life insurance policy	Any person  भारतीय जीवन बीमा निगम LIFE INSURANCE CORPORATION OF INDIA	Resident person	5%	NO TDS if - 1. a) Amount exempted u/s 10 (10D) b) Maturity amount less than Rs 1,00,000 2. TDS required to be deducted only on income portion i.e. (Maturity Proceeds minus premium paid).
194E	TDS on payment to NR sportsman / Association / Entertainer	Any person  	NR sportsman / NR entertainer (not a citizen of India) / NR Sports Association	20% + Surcharge + Cess	Payment made for: a. Participation in any game in India i.e. IPL / PBL b. Advertisement c. Contribution of any article in newspaper etc. d. performance in India.
194EE	Deposits under National Savings Scheme	National Savings Scheme	Any person Other than heirs of the assessee	10%	<u>NO TDS</u> if amount is < Rs 2,500
194G	TDS on commission on sale of lottery tickets	Any person	Any person	5%	NO TDS if commission upto Rs 15,000 p.a.

Section	Nature	Payer	Payee	Rate	Additional Note
194H	TDS on commission and brokerage	Any person (Other than Individual / HUF whose TI / GR / TO does not exceed 1 Cr in case of business / 50 Lakhs in case of profession)	Any resident person	5%	<ol style="list-style-type: none"> No TDS if commission is upto 15,000 p.a. No TDS if commission / Brokerage is relating to securities like commission to underwriters, Brokerage on public issue, Brokerage on stock exchange transaction etc.
194I	TDS on rent	Any person (Other than Individual / HUF whose TI / GR / TO does not exceed 1 Cr in case of business / 50 Lakhs in case of profession)	Any resident person	P&M = 2%Land, Building and Furniture = 10%	<ol style="list-style-type: none"> No TDS if rent upto 2,40,000 p.a. (if property is owned by more than one then limit of 2,40,000 applied to each co-owner) Non refundable deposit, arrears of rent received, advance rent also eligible for TDS. Passenger service fee paid by airlines co. to airport authority - TDS u/s 194C and NO 194I If rent include municipal taxes - No TDS on municipal taxes 194-I = Not applicable for cooling charges paid by to customers to cold storage Lumpsum lease premium paid for acquisition of a long term lease - acquisition of any long term lease rights of any property. However, it should not be adjusted from periodic rent payable.

Section	Nature	Payer	Payee	Rate	Additional Note
194IB	TDS on rent of immovable property	Individual and HUF (Other than covered u/s 194-I) Can be R or NR	Any resident person	5%	<ol style="list-style-type: none"> No TDS if: Rent is < Rs 50,000 per month or part of the month Time for deduction: This deduction is to be made at the time of <ol style="list-style-type: none"> Credit of such rent, for the last month of the FY OR the last month of tenancy, (if the property is vacated during the year), as the case may be, to the account of the payee OR At the time of payment thereof in cash or by issue of cheque or draft or by any other mode, whichever is earlier. Note : Deduction not to exceed rent for last month:
194IA	TDS on purchase of immovable property (other than rural agricultural land)	Any person	Any resident person	1%	<ol style="list-style-type: none"> No TDS if consideration is < 50 lakhs [Actual consideration & not the SDV] If consideration is 50 lakhs or more & only part payment is made = TDS is applicable on every part payment of consideration. Consideration shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property. TAN not required

Section	Nature	Payer	Payee	Rate	Additional Note
194IC	TDS on payment under development agreement (not in kind)	Any person	Any resident person	10%	<ol style="list-style-type: none"> 1. Consideration under specified agreement u/s. 45(5A) (not being consideration in kind) 2. 45(5A) Specified Agreement means a registered agreement in which a person owning land or building or both, agrees to allow another person to develop a real estate project on such land or building or both 3. The consideration, in this case, is a share, being land or building or both in such project 4. Part of the consideration may also be in cash 5. If getting covered under 194IC = Sec 194IA NOT applicable
194J	TDS on professional services	Any person (Other than Individual / HUF whose TI / GR / TO does not exceed 1 Cr in case of business / 50 Lakhs in case of profession)	Any resident person	Refer chart on next page	<p>No TDS if -</p> <ol style="list-style-type: none"> a) Fees for professional services is up to Rs 30,000 p.a. b) Fees for technical services upto 30,000 p.a. c) Royalty is upto 30,000 p.a. d) Non compete fee is upto 30,000 p.a. e) In case of Director fees - No limit <p>Note: Limit of 30,000 applied separately on professional fees, Royalty, etc. (except director fees)</p> <ol style="list-style-type: none"> 1. TDS on payment BY Third Party Administrator on behalf of insurance companies to the Hospitals - TDS u/s 194J applicable Reason - Payment made for seeking medical assistance - covered under 'professional services' 2. Transfer of right to use a computer software - ROYALTY - 194J

IMPORTANT

Payment made for acquiring software from a RESIDENT transferor, the provisions of Sec 194J would not be attracted

1. Software is acquired in a subsequent transfer without any modification by the transferor;
2. TDS has been deducted under section 194J on payment for any previous transfer of such software; and
3. Transferee obtains a declaration from the transferor that TDS has been so deducted along with the PAN of the transferor.

TDS Rate u/s 194J

Particulars	Rate of TDS
Amt. being paid is Fees for TECHNICAL Services (NOT being PROFESSIONAL Services)	2%
Amt. being paid is Royalty IN THE NATURE OF Consideration for Sale, Distribution or Exhibition of Cinematographic Films(Not all kinds of Royalty)	2%
Where the PAYEE is engaged ONLY in the business of Operation of Call Centre	2%
All other cases	10%

Section	Nature	Payer	Payee	Rate	Additional Note
194K	TDS on Income i.r.o. Units	Any person	Any resident unitholder	10%	<p>1. Amount on which TDS is to be deducted:- Income in respect of:-</p> <p>i. Units of a Mutual Fund;</p> <p>ii. Units from "Administrator of Specified Undertaking"; OR</p> <p>iii. Units from Specified Company</p> <p>2. NO TDS if EITHER of the following are satisfied:-</p> <p>i. SUCH Income is in the nature of CAPITAL GAINS; OR</p> <p>ii. AGGREGATE of the SUCH income < Rs. 5,000.</p>
194LA	TDS on compulsory acquisition of immovable property	Any person	Any resident person	10%	<p>NO TDS if consideration is upto Rs 2,50,000</p> <p>NO TDS if compulsory acquisition of rural agricultural land</p>
194M	TDS on contract / commission / brokerage / Fees for Professional Services	Individual / HUF (other than covered by Sec 194C, 194H, 194J)	Any resident person	5%	<p>- NO TDS under this section if sum or aggregate of sum paid / credited is upto Rs 50,00,000</p> <p>- TAN not required</p>
194N	TDS on cash withdrawal (Introduced to discourage cash transactions)	Banks / Co-operative Banks / Post office	Any person	2% of sum exceeding Rs 1 Cr	<p>1. TDS applicable only if payer paying sum or aggregate of sum in CASH in excess of Rs 1 Cr in PY from one or more accounts maintained by payee. Under this section - TDS only on Amount in excess of 1 Crores</p> <p>2. This section not applicable if payee is Govt, Banks, Co Op Bank, Post office or any white label ATM operator or any other person may be notified by RBI</p> <p>3. If the recipient has not furnished the ROIs for ALL the PAST 3 AYs for which limit u/s 139(1) has been expired, immediately preceding the FY in which payment of the sum is made - TDS rates</p> <p>2% - Cash withdrawn is > Rs 20 Lakhs but < 1 Cr</p> <p>5% - Cash withdrawn is > 1 Cr</p>

Section	Nature	Payer	Payee	Rate	Additional Note
194Q	Purchase of goods Where value is > 50L	Buyer, who is responsible for paying any sum to any resident for purchase of goods. Buyer - Sales / TO / GR > 10Cr in preceeding FY of purchase of goods	Any Resident	0.1% of sum in excess of 50L (Failure to furnish PAN - MAX 5%)	TDS not required to be deducted under this section in respect of a transaction on which - (a) tax is deductible under any of the provisions of this Act; and (b) tax is collectible under the provisions of section 206C, other than section 206C(1H).
194P	Pension (along with interest on bank account)	Notified Specified Banks	Specified senior citizen	Rates in force After giving effect to Chap VI-A deductions and 87A rebate	Specified banks - banking company notified by CG Specified Senior Citizen - Resident - > 75 years of age during FY - Having pension income (he should not be having any other income except for interest income from any account maintained in the same bank)
194-O	Sale consideration / consideration for services facilitated through digital / electronic facility	E-COMMERCE OPERATOR who facilitates sale of goods / provision of services of E COMMERCE PARTICIPANT	E-COMMERCE PARTICIPANT	1% of gross amount of sale / service / both (Failure to furnish PAN - MAX 5%)	Section not applicable: - E-Com Participant = Individual / HUF - Gross Amount < Rs 5,00,000 - E-Com Participant - furnishes Aadhar / PAN
195	TDS on sum payable to NR / foreign co	Any person	NR / Foreign Co	- DTAA rate OR - Rates in Force	Nature of payment a) Interest b) Any other sum which is chargeable to tax in India (except salary u/s 192, 194B, 194BB, 194E, 194LB, 194LBA)

Clarifications on Sec 194Q

- Provision is applicable from 1 July 2021 - While computing Rs 50 Lakhs - we should count Rs 50 Lakhs from 1 July 2021 OR 1 April 2021? **1/04/2021**
- Advance money paid by buyer - If money is paid in advance prior to 01/07/2021
NO TDS
- Purchase return by buyer - what to do with TDS? - **Adjust TDS in next transaction with the seller**
- In case of purchase return - Buyer did not refund but goods replaced - **TDS - no adjustment**
- While while computing TDS should we include the GST component?
 - GST is separately shown in the invoice - **exclude the GST component**
 - If GST is not shown separately in the invoice - **TDS on the entire amount**
 - If amount is paid in advance - bill not generated - **TDS on the entire amount**
- If buyer is a NR - TDS applicable?
 - If permanent establishment is in India - **TDS is applicable**
 - if permanent establishment is not in India - **TDS is not applicable**
Permanent Establishment - fixed place of business
- What if seller's income is exempt - **NO TDS**
- What if partial income is exempt - **TDS is applicable**
- What if buyers company is incorporated in the current year, so how to compute last year's turnover? - Provision is **NOT APPLICABLE**

Clarifications on Sec 194Q

- For a buyer, should we consider only business turnover or business and non business turnover?

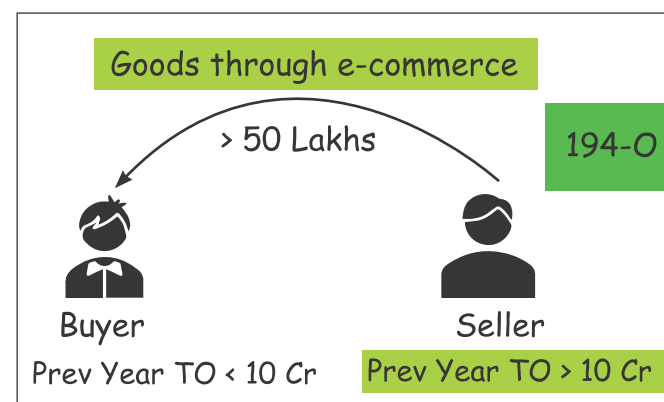
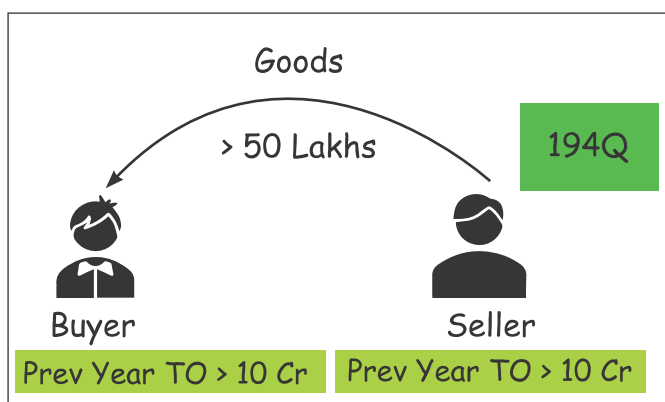
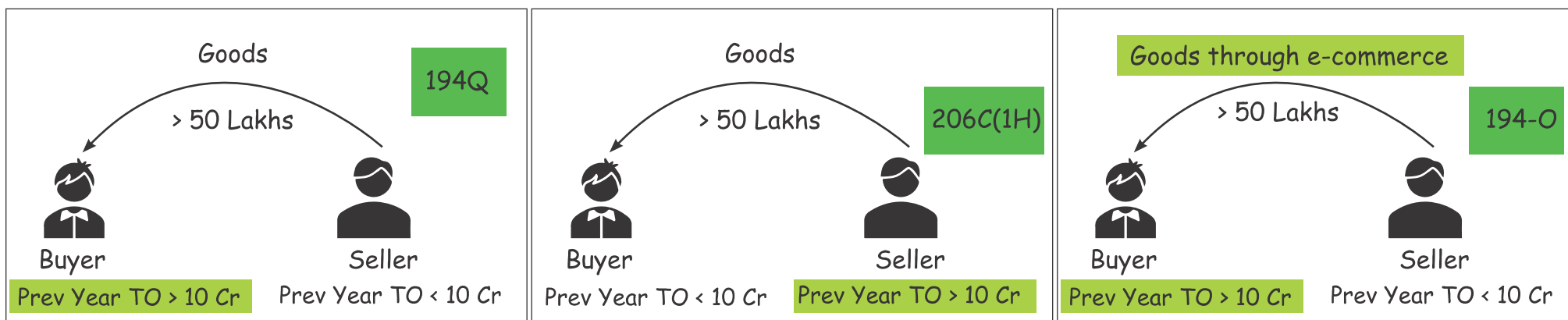
Business Turnover - 8 Cr

Other activity - 4 Cr

Total - 12 Cr

Consider only business turnover

Interlinking of Sec 194Q, 206C(1H) & 194-O



Section 206AB - Special provision for TDS for non-filers of income-tax return

Where TDS is required to be on any sum payable by a person to a specified person, TDS shall be deducted at the higher of the following rates, namely

- (i) 2 times the rate specified in the relevant provision of the Act; or
- (ii) 2 times the rate or rates in force; or
- (iii) 5%

Specified person

1. Person who has not filed the ROI for both of 2 AYs immediately prior to FY in which tax is required to be deducted, for which the time limit of filing return of income under section 139(1) has expired; and
2. Aggregate of TDS and TCS in his case is \geq Rs 50,000 in each of these 2 FYs

Section not applicable

Non Resident does not have a PE in India

If Sec 206AA is applicable to such specified person - Applicable rate would be HIGHER of Sec 206AA and 206AB

Similar Section is also inserted for TCS - Sec 206CCA

Circular No. 23/2017: NO TDS on GST Component of Services

Section 196 - NO TDS if payee is CG / SG / RBI / Statutory Corporation / Any Mutual Fund

Section 197 - Where total income or receipt of income is not liable to tax or taxable at low rates, then he can apply to AO to issue a certificate for No deduction / lower deduction of TDS. In such case payer shall deduct TDS as per rate specified in certificate.

Section 197A - Where income (GTI) of assessee is less than Basic Exemption = Then = in case of sec 192A/ 193 / 194A/ 194DA /194I / **194K**, assessee can give a self declaration in form no 15G / H to Payer for non-deduction of TDS.

Under Section 197A if income (192A/ 193/ 194A / 194DA/ 194I) is more than Basic exemption but NTI (total Income) is less than Basic exemption then sec 197 A not applicable (except Senior citizen)

Due date for payment of TDS:

April to February = 7th of next month
March = 30th of April of next FY

TDS - July 2019 = before 7th of August 2019

TDS - Oct 2019 = before 7th of Nov 2019

TDS - March 2020 = before 30th of April 2020

Quarter	TDS return - due date	TCS return - due date
30 June	31 July	15 July
30 September	31 Oct	15 Oct
31 December	31 Jan	15 Jan
31 March	31 May	15 May

Section 200A - Processing of TDS returns (Intimation given by department)

1. TDS return shall be processed u/s 200A & following adjustments to be made
 - a) Arithmetical errors in the return can be rectified
 - b) Incorrect claim in return
2. Intimation shall be sent to deductor specifying the amount of demand or refund.
3. Intimation shall be issued within 1 year from end of FY in which quarterly return was filed.

Sec 201 : If assessee fails to deduct TDS or after deduction, fails to pay TDS to Govt = then assessee is treated as deemed to be 'assessee in default'.

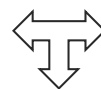
He shall be liable to pay interest u/s 220 & penalty u/s 221.

Exception (where assessee is deemed to be 'assessee in default' even though payer fails to deduct TDS)

- Such payee has furnished his ROI u/s 139
- He has taken into account such sum for computing income in such return of income; and
- He has paid the tax due on the income declared by him in such return of income, and
- Person furnishes a certificate to this effect from an accountant in such form as maybe prescribed

Section 201(1A):
Late deduction /
late payment of
TDS

Late deduction: Interest @ 1% per month or part of a month on amount of TDS **from** the date of tax was **deductible** till the date of tax **actually deducted**.



Late payment: Interest @ 1.5% per month or part of a month on amount of TDS from the date on which tax was **deducted** till date on which such **tax is actually paid**.

Section 234E : Fees for default in furnishing TDS/TCS return.
Fees is payable @ 200 per day for every day during which the default continues
Fees cannot be more than amount of TDS/TCS

Tax Collected at Source

Nature of Goods	TCS Rate
Alcoholic liquor for human consumption	1%
Tendu leaves	5%
Timber and any other forest product	2.5%
Scrap	<u>1%</u>
Minerals being coal, ignite or iron ore	1%
Motor vehicle (value > Rs 10,00,000)	1%

Special notes:

1. TCS in case of motor vehicle is applicable only if consideration is more than Rs 10,00,000
2. TCS not applicable if buyer is Government, embassies, consulates, high commissioner institutions notified under united Nations Act 1947.
3. TCS also applies in case of lease or license of parking lot, toll plaza, mine & quarry = TCS Rate is 2%
4. TCS in case of goods prescribed on point 1 to 5 - NOT applicable if goods purchased for personal consumption
5. Sec 206C(1A) - NO TCS - if buyer is Resident and furnishes a declaration that such goods used in manufacturing of any product / in power generation **BUT buyer purchasing goods TDS can be applicable - YES - Sec 194Q**

TCS

Section 206C(1G) - Overseas remittance / an overseas tour package -

For the simplified language - Please watch YT video on CA Amit Mahajan / Telegram Channel Tax notes and Guidance

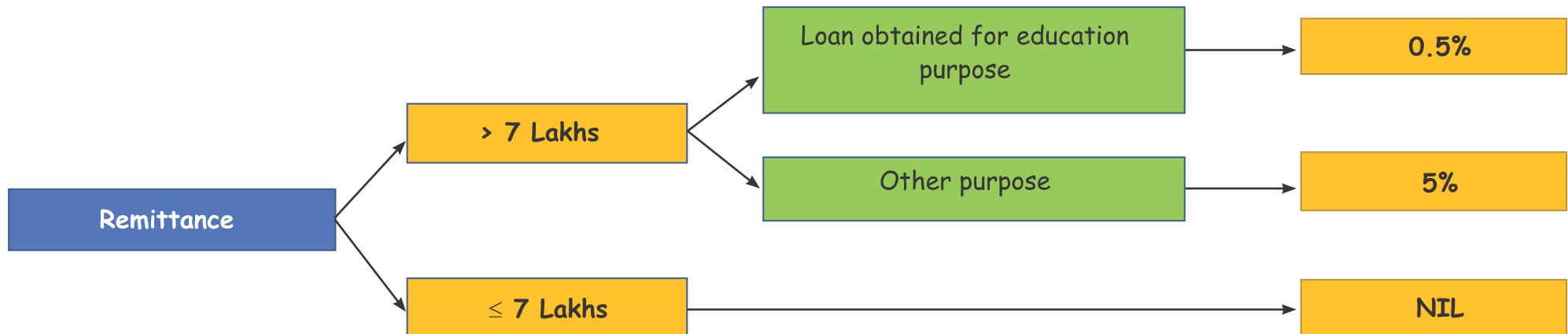
Rate - **5%** on:-

TCS on -

- Amount received BY an Authorised Dealer for remittance **OUT OF INDIA** where such amount is received FROM a Buyer under the Liberalised Remittance Scheme of the RBI OR
- Amount received BY a Seller i.r.o. an **Overseas Tour Programme Package** purchased by Buyer

Note:-

- TCS Rate shall be **0.5%** if the amount Remitted **OUT OF INDIA** by the buyer IS a "Loan obtained from a "Financial Institution referred u/s 80E" for pursuing ANY education.



For attracting TCS u/s 206C(1G), the BUYER has to be any person OTHER THAN the following:

- A person who is LIABLE to deduct TDS under any section AND who HAS DEDUCTED such TDS; OR
- CG, SG, embassy, high commission, legation, commission, consulate & the trade representation of a foreign state, a club;
- Local Authority as defined in Explanation to Section 10(20); OR
- Any OTHER person that CG may notify in Off. Gazette for this purpose.

Section 206C(1H) - Purchase of goods

TCS is collected at following rates u/s 206C(1H):-

At **0.1%** on Consideration for Sale of ANY Goods (not services)

However, this section is **NOT** applicable in case the Consideration received is against:-

- a) Export of Goods OUT of India; OR
- b) Sales of Goods covered u/s 206C(1)/(1F)/(1G).

Note:-

If the Buyer does NOT furnish his PAN/Aadhaar Number to the Seller, the Seller shall collect TCS at HIGHER of the following 2 rates:-

1. **Twice** the rate specified in THIS Sub-Section; AND
2. **1%**

NOTE - To attract TCS provisions, Seller MEANS a person whose "total sales, gross receipts or turnover" from the BUSINESS carried on by him EXCEED Rs. 10 Cr. during the FY immediately PRECEDING the "FY in which the sale of goods is carried out"

For attracting TCS u/s 206C(1H), the BUYER has to be any person OTHER THAN the following:-

1. A person who is LIABLE to deduct TDS under any section AND who HAS DEDUCTED such TDS; OR
2. CG, SG, embassy, high commission, legation, commission, consulate & the trade representation of a foreign state, a club;
3. Local Authority as defined in Explanation to Section 10(20);
4. A person IMPORTING goods into India; OR
5. Any OTHER person that CG may notify in Off. Gazette for this purpose.

Section 206CC - Requirement to furnish Permanent Account number by collectee

Any person paying any sum, on which TCS is collectible - shall furnish his PAN to the Collector.

If fails to furnish PAN to the collector - he shall collect taxes at the higher of the following rates:

1. 2 times the rate specified in the Act; OR
2. 5%

- Declaration u/s 206C(1A) - invalid unless PAN is furnished - then collect tax as per provision mentioned above
- Certificate for lower collection of TCS shall not be granted unless the application made under that section contains the PAN of the applicant
- If PAN is invalid - treated as if PAN is not furnished

Section NOT APPLICABLE to - NR who does not have permanent establishment in India

Section 206CCA - Special provision for collection of tax at source for non-filers of income-tax return

Where TCS is required to be collected on any sum received by a person from a specified person, the tax shall be collected at the **higher** of the following two rates:

1. 2 times the rate specified in the Act; OR
2. 5%

If Sec 206CC is also applicable - Take **higher** rate between Sec 206CC and Sec 206CCA

Specified person

1. Person who has not filed the ROI for both of 2 AYs immediately prior to FY in which tax is required to be collected, for which the time limit of filing return of income under section 139(1) has expired; and
2. Aggregate of TDS and TCS in his case is \geq Rs 50,000 in each of these 2 FYs

Not Applicable

NR
NOT having
PE in India

Advance Tax

- Advance tax means tax paid in the financial year immediately preceding the A.Y. (i.e.PY)
- Advance shall be calculated by estimating the current year income then applying tax rates. TDS/TCS & MAT credit shall be deducted to arrive at Advance tax liability.
- Assessee is required to pay Advance tax if his liability for advance tax is 10,000 or more.
- Exceptions : Resident Senior citizen not having income under the head "PGBP"

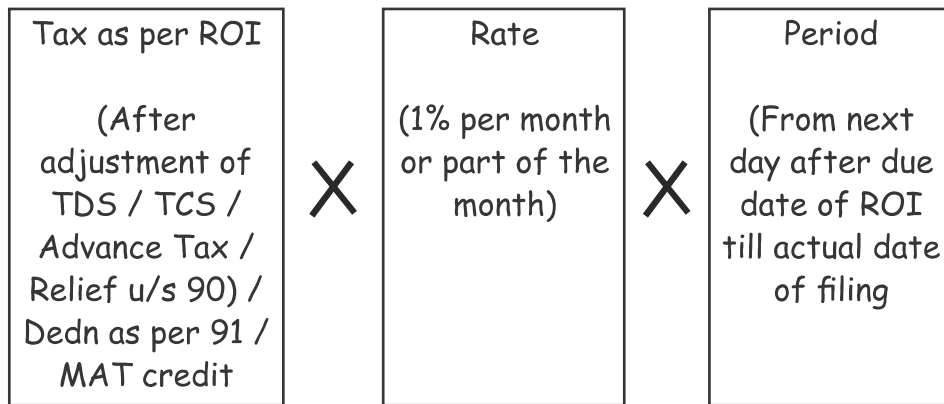
Due dates

Due dates	Amount of advance tax
Upto 15th June of PY	Upto 15% of advance tax liability
Upto 15th September of PY	Upto 45% of advance tax liability
Upto 15th December of PY	Upto 75% of advance tax liability
Upto 15th March of PY	Upto 100% of advance tax liability

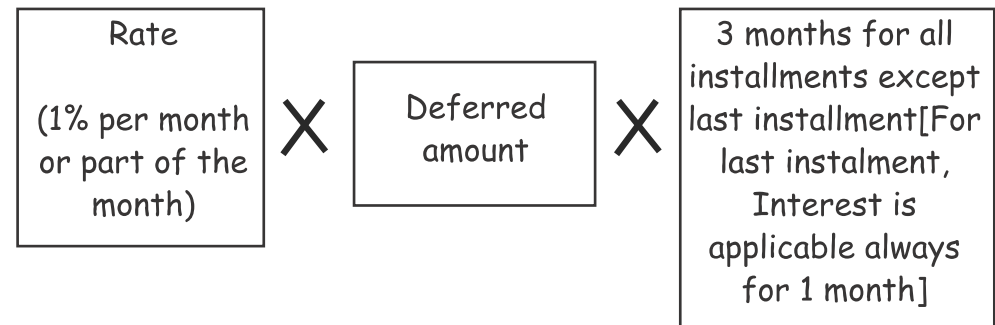
Note - If assessee opts for Sec 44AD / ADA = Due date of advance tax is 15th March of PY

Any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during each financial year on or before 15th March.

Section 234A - Interest for delay in return filing



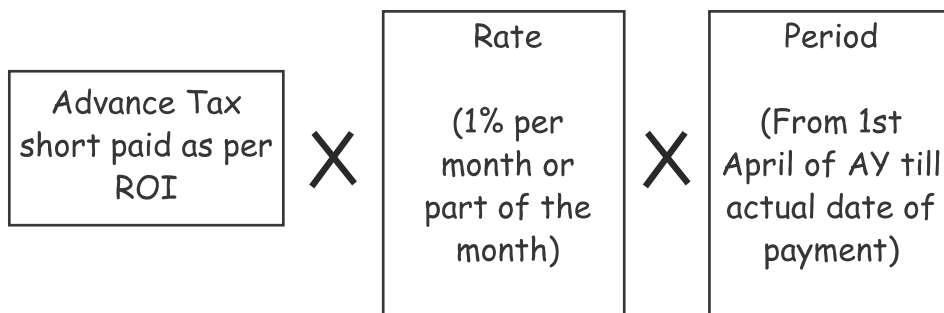
Section 234C - Deferment of Advance Tax instalments



Margin of Safety

No interest u/s 234C shall be levied if assessee paid advance tax upto 12% in the first instalment, upto 36% in 2nd instalment

Section 234B - Interest for non / short payment of advance tax



Note - This interest is not applicable if assessee has paid 90% or more advance tax payable

In case assessee is unable to estimate his income for eg. Winning from lottery / capital gains - Then how to pay advance Tax?

If assessee is not able to estimate capital gains and winnings or income under PGBP accrues first time, Dividend u/s 115BBDA THEN advance tax on such income shall be paid in remaining instalment by assessee after receipt of such income. Winning in the month of July - consider that in the estimated income of Q2 and pay tax. If no instalment is due [income recd. during 16/3 to 31/3] then Advance tax shall be paid upto 31/3 of P.Y.

(Refer question on 234A / B/ C on my YouTube channel CA Amit Mahajan) 6

Return of Income

Section	Heading	Particulars
139(1)	Due dates for filling voluntary returns	<p>I] Company / Firm -</p> <ul style="list-style-type: none"> - Companies & Firms are compulsorily required to file ROI for every PY on/before the due date in the prescribed form. - Even in case of Loss, they are compulsorily required to file ROI <p>II] Other than Company / Firm -</p> <ul style="list-style-type: none"> - Required to file ROI only if his Total Income or total income of 'any other person' w.r.t which he is assessable during PY exceeds BEL before claiming Chapter VI-A deductions or Sec. 54/54B/54D/54EC/54F <p>Example</p> <p>Qs. Mr. X, a non-resident (age 82 years) having total income of Rs. 1,60,000 after deduction of Rs. 1,20,000 u/c VI-A. His total income comprises of property & interest income. Whether he is required to file ROI.</p> <p>Answer:</p> <p>As per section 139(1), every person, whose total income without giving effect to the provisions of Chapter VI-A exceeds BEL is required to furnish ROI for the relevant AY on/before the due date.</p> <p>GTI of Mr. X (before deduction under Chapter VI-A) is Rs. 2,80,000 which exceeds BEL of Rs. 2,50,000. Therefore, Mr. X has to furnish his ROI for AY 2020-21.</p> <p>Note: Even though Mr. X is over 80 years of age, he is not entitled to BEL of Rs. 5 lacs, since he is a NR</p>

Due dates

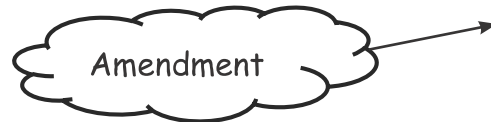
Return of Income

<ul style="list-style-type: none"> - Company - A person (other than a company) whose accounts are required to be audited - A working partner of a firm whose accounts are required to be audited 	31 October
Assessee (including partners of the A'ee) who is required to furnish the report referred to in Sec 92E	30 November
Any other assessee	31 July

Remember

1. Total Income for determining whether a person is required to file ROI or not = Income before claiming deductions under Chapter VI-A & Section 10A, 10AA.
2. 'Any other person' includes 'Representative assesses' & 'Legal Representatives'.

Section 5A - If an individual governed by Portuguese Civil Code of 1860 in Goa, Dadra, Nagar Haveli and Daman and Diu - then income earned by either husband or a wife shall be equally distributed between husband and wife **except for salary**

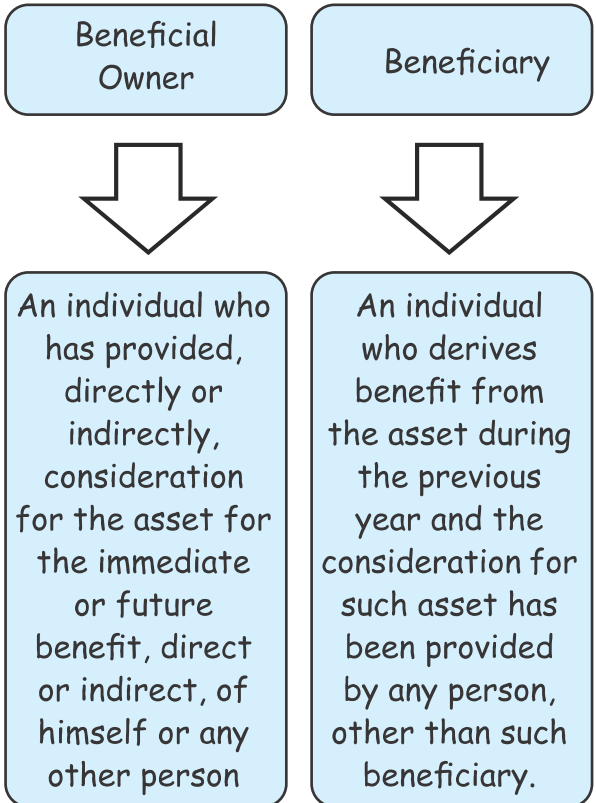


The basic exemption limit is ₹3,00,000 for individuals/HUF/AOPs/BOIs and artificial juridical persons under default tax regime under section 11 5BAC. This amount denotes the level of total income, which is arrived at after claiming the admissible deductions under Chapter VI-A i.e., 80CCD(2), 80CCH(2) and 80JJAA under default tax regime and exemption under section 54/54B/54D/54EC or 54F in respect of capital gain. However, the level of total income to be considered for the purpose of filing return of income is the income before claiming the admissible deductions under Chapter VI-A and exemption under section 54/54B/54D/54EC or 54F.

However, in case the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A), the basic exemption limit would be ₹2,50,000 for individuals/HUF/AOPs/ BOIs and artificial juridical persons, ₹3,00,000 for resident individuals of the age of 60 years but less than 80 years and p5,00,000 for resident individuals of the age of 80 years or more at any time during the previous year. Also, the assessee would be eligible for other deductions under Chapter VI-A subject to fulfilling the stipulated conditions.

Return of Income

Section	Heading	Particulars
139(1)	Compulsory filing of return of income	<div style="border: 1px solid black; background-color: #90EE90; padding: 5px; margin: 5px auto; width: 80%;"> A resident other than not ordinarily resident within the meaning of section 6(6) </div> <div style="text-align: center; margin: 5px auto;">↓</div> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; margin: 5px auto; width: 80%;"> who is not required to furnish a return of income u/s 139(1) </div> <div style="text-align: center; margin: 5px auto;">AND ↓</div> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; margin: 5px auto; width: 80%;"> who at any time during the P.Y. </div> <div style="display: flex; justify-content: space-around; margin: 5px auto;"> <div style="text-align: center;"> <div style="border: 1px solid black; border-radius: 50%; width: 20px; height: 20px; background-color: #90EE90; display: flex; align-items: center; justify-content: center; margin: 0 auto;">A</div> <div style="margin: 5px auto;">↓</div> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; margin: 5px auto; width: 80%;"> holds, as beneficial owner or otherwise, any asset (including financial interest in any entity) located outside India </div> </div> <div style="text-align: center;"> <p>OR</p> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; margin: 5px auto; width: 80%;"> has a signing authority in any account located outside India </div> </div> <div style="text-align: center;"> <div style="border: 1px solid black; border-radius: 50%; width: 20px; height: 20px; background-color: #90EE90; display: flex; align-items: center; justify-content: center; margin: 0 auto;">B</div> <div style="margin: 5px auto;">↓</div> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; margin: 5px auto; width: 80%;"> is a beneficiary of any asset (including financial interest in any entity) located outside India </div> </div> </div> <div style="text-align: center; margin: 5px auto;">↓</div> <div style="border: 1px solid black; background-color: #90EE90; padding: 10px; margin: 5px auto; width: 90%; border-radius: 15px;"> However, where any income arising from such asset is includible in the hands of the person specified in (A) in accordance with the provisions of the Act, an individual, being a beneficiary of such asset, is not required to file return of income under the fourth proviso. </div>



Return of Income

Section	Heading	Particulars															
139(1)	Compulsory filing of return of income	<p>Any person (other than a company/firm) who is not required to furnish a return u/s 139(1), is required to file income-tax return if (during PY), such person</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Deposit in Bank</td> <td>has deposited an amount or aggregate of the amounts > Rs. 1 crore in one or more current A/c maintained with a banking company or a co-operative bank; or</td> </tr> <tr> <td>Foreign Travel</td> <td>has incurred expenditure of an amount or aggregate of the amounts > Rs. 2 lacs for himself or any other person for travel to a foreign country;</td> </tr> <tr> <td>Electricity</td> <td>has incurred expenditure of an amount or aggregate of the amounts > Rs. 1 lac towards consumption of electricity;</td> </tr> </table>	Deposit in Bank	has deposited an amount or aggregate of the amounts > Rs. 1 crore in one or more current A/c maintained with a banking company or a co-operative bank; or	Foreign Travel	has incurred expenditure of an amount or aggregate of the amounts > Rs. 2 lacs for himself or any other person for travel to a foreign country;	Electricity	has incurred expenditure of an amount or aggregate of the amounts > Rs. 1 lac towards consumption of electricity;									
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139(3)	Loss Returns	<ul style="list-style-type: none"> - Return of Loss is required to be furnished if a person wants to carry forward his losses - Section 80 requires mandatory filing of return of loss u/s 139(3) on or before the due date specified u/s 139(1) for carry forward of the following losses OF THE CURRENT YEAR- <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="width: 50%;">a) Business loss u/s 72(1)(b)</td> <td style="width: 50%;">Loss return - YES</td> <td style="width: 50%;">Carry forward - YES</td> </tr> <tr> <td>b) Speculation business loss u/s 73(2)(c)</td> <td>Loss Return - NO</td> <td>Carry forward - YES</td> </tr> <tr> <td>c) Loss from specified business u/s 73A(2)(d)</td> <td></td> <td></td> </tr> <tr> <td>d) Loss under the head "Capital Gains" u/s 74(1)(e)</td> <td></td> <td></td> </tr> <tr> <td>e) Loss from the activity of owning and maintaining race horses u/s 74A(3)</td> <td></td> <td></td> </tr> </table> <p>EXCEPTION</p> <ul style="list-style-type: none"> - Loss under "Income from House Property" u/s 71B and Unabsorbed Depreciation u/s 32 can be carried forward for set-off even though return of loss has not been filed before the due date. <p>IS IT MANDATORY TO FILE ROI (except for company and firm) IN CASE OF LOSS? - NO</p> <p>IF I DONOT FILE THE LOSS RETURN FOR CURRENT YEAR</p> <ul style="list-style-type: none"> - Can I set off the losses of the current year? - YES - Can I carry forward these losses? - NO - Can I carry forward the brought forward losses? - YES (If Loss of earlier years for which ROL was filed within DD in that year) 	a) Business loss u/s 72(1)(b)	Loss return - YES	Carry forward - YES	b) Speculation business loss u/s 73(2)(c)	Loss Return - NO	Carry forward - YES	c) Loss from specified business u/s 73A(2)(d)			d) Loss under the head "Capital Gains" u/s 74(1)(e)			e) Loss from the activity of owning and maintaining race horses u/s 74A(3)		
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Return of Income

Section	Heading	Particulars
139(4)	Belated return	<ul style="list-style-type: none"> - Any person who has not furnished a return within the time allowed to him under Sec. 139(1) or within the time allowed under a notice u/s. 142(1), - may furnish the return for any PY at any time before <ol style="list-style-type: none"> 1. 3 months prior to the end of the relevant AY OR 2. Before the completion of the assessment, Whichever is EARLIER. <div style="border: 1px solid black; background-color: #fff9c4; padding: 5px; margin-top: 10px;"> <p style="text-align: center;">Disadvantages of not filing the return u/s 139(1)</p> <ul style="list-style-type: none"> - 234A - Fees u/s 234F - No carry forward of losses except for HP and UAD </div> <p style="margin-top: 10px;">Note - However, he will be liable to pay interest u/s 234A</p>
139(5)	Revised return	<ul style="list-style-type: none"> - In case any person having furnished ROI u/s 139(1) [original return] / u/s 139(4) - Discovers any omission / any wrong statement therein - he may furnish revised return AT ANY TIME <ol style="list-style-type: none"> 1. 3 months prior to the end of the relevant AY OR 2. Before the completion of the assessment, Whichever is EARLIER. <div style="margin-left: 400px; margin-top: -20px;"> <p style="font-size: 2em;">}</p> <p style="margin-left: 20px;">Same as belated return</p> </div> <p>Special notes</p> <ul style="list-style-type: none"> - Return of loss u/s 139(3) is ALWAYS considered as original return as per section 139(1) - Loss return can be revised - Revised return substitutes the original return - If original ROL (filed on 25 September 2020) is revised as per section 139(5) (on 22 March 2021), then Revised ROL shall substitute the original ROL from the date original ROI is filed (25 September) & such revised ROL shall be deemed to be filed within time limit of section 139(1) & loss claimed in revised ROL can be carried forward - IT Act has not given any other option for revising the contents of the original return - ONLY 139(5) - CAN BELATED RETURN [139(4)] BE REVISED? - YES - Revised return can be revised for any number of times - BUT - should be filed within the mentioned due date

Return of Income

Section	Heading	Particulars
139(9)	Defective return	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; width: 25%;"> AO has the power to call upon the assessee to rectify a defective return </div> <div style="font-size: 2em;">➔</div> <div style="border: 1px solid black; padding: 5px; width: 30%; text-align: center;"> Intimation to assessee + Opportunity to rectify the defect + Within 15 days from the date of intimation </div> <div style="font-size: 2em;">➔</div> <div style="border: 1px solid black; padding: 5px; width: 25%;"> If ROI is not rectified within time limit Treated as INVALID RETURN As if assessee had never filed his ROI </div> </div> <div style="text-align: center; margin-top: 10px;"> On application - Extension can be granted by AO </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> Condonation - Where the assessee rectifies the defect after the expiry 15 days or the further extended period, but before assessment is made, AO may can condone the delay & treat the return as a valid return. </div>
		<p>ROI shall be considered as defective in the following conditions:</p> <ol style="list-style-type: none"> 1. Annexures, Statements & columns in ROI relating to computation of income chargeable under each head of income, computations of GTI & total income have NOT been duly filled in. 2. ROI is NOT Accompanied by the audit report 3. ROI is NOT accompanied by tax proofs 4. ROI is NOT accompanied by copies of Audited P&L A/c, Balance sheet & Auditor's report 5. ROI is NOT accompanied by cost audit report 6. Proof of payment of tax as required u/s140B - if ROI is an updated return furnished u/s 139(8A)
139(6)	Particulars to be furnished in the return.	<ol style="list-style-type: none"> 1. Income exempt from tax, 2. Assets of the prescribed nature and value and belonging to him, his bank account and credit card held by him. 3. His bank account and credit card held by him (recently added) 4. Expenditure exceeding the prescribed limits incurred by him under prescribed heads and such outgoing as may be prescribed.

Option to file **UPDATED RETURN OF INCOME**

1. **Option to file updated return of income** - Any person may furnish an updated return of his income or the income of any other person in respect of which he is assessable, for the previous year relevant to the assessment year at any time within 24 months from the end of the relevant assessment year.

This is irrespective of whether or not he has furnished a return under section 139(1) OR belated return under section 139(4) or revised return under section 139(5) for that assessment year. For example, an updated return for A.Y. 2023-24 can be filed till 31.3.2026.

2. **Non applicability of the provisions of updated return** - The provisions of updated return would not apply, if the updated return of such person for that AY
 - i) is a loss return; or
 - ii) has the effect of decreasing the total tax liability determined on the basis of return furnished u/s 139(1) or 139(4) or 139(5); or
 - iii) results in refund or increases the refund due on the basis of return furnished u/s 139(1) or 139(4) or 139(5)
3. **Circumstances in which updated return cannot be furnished** - No updated return can be furnished by any person for the relevant assessment year, where
 - (a) an updated return has been furnished by him under this sub-section for the relevant assessment year; or
 - (b) any proceeding for assessment or reassessment or recomputation or revision of income is pending or has been completed for the relevant assessment year in his case; or
 - (c) he is such person or belongs to such class of persons, as may be notified by the CBDT.

4. **Updated return can be filed if original return is a loss return and updated return is a return of income** - If any person has a loss in any previous year and has furnished a return of loss on or before the due date of filing return of income under section 139(1), he shall be allowed to furnish an updated return if such updated return is a return of income.

For example if Mr. X has furnished his return of loss for A.Y. 2022-23 on 31.5.2022 consisting of 5,00,000 as business loss, he can furnish an updated return for AY. 2022-23 upto 31.3.2025 if such updated return is a return of income.

5. **Updated return to be furnished for subsequent previous year in case (4) above** If the loss or any part thereof carried forward under Chapter VI or unabsorbed depreciation carried forward under section 32(2) or tax credit carried forward under section 115JD is to be reduced for any subsequent previous year as a result of furnishing of updated return of income for a previous year, an updated return is required to be furnished for each such subsequent previous year.

Return of Income

Section	Heading	Particulars
139A	Permanent Account Number	

Sr No	Persons required to apply for PAN	Time limit for making application
i	Every person, if his total income or the total income of any other person in respect of which he is assessable under the Act during any previous year exceeds basic exemption limit	On or before 31st May of the assessment year for which such income is assessable
ii	Every person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed 5 lakhs in any previous year	Before the end of that FY (PY) .
iii	Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to {2,50,000 or more in a financial year}	On or before 31st May of the immediately following financial year
iv	Every person who is a MD, Partner, Trustee, Author, Founder, Karta, CEO, Principal Officer or office bearer of any person referred in (iii) above or any person competent to act on behalf of such person referred in (iii) above	On or before 31st May of the immediately following financial year in which the person referred in (i) enters into financial transaction specified therein.

Return of Income

Section	Heading	Particulars																		
139A	Permanent Account Number	<p>Power of Central Government</p> <ul style="list-style-type: none"> - CG is empowered to specify any class/classes of persons by whom tax is payable by notification in Official Gazette for allotment of PAN. Such persons are required to apply within prescribed time in notification for the allotment of a PAN. - For collecting any useful/relevant information, CG may notify any class or classes of persons & such persons shall apply to AO for allotment of a PAN 																		
		<p>Suo moto application by the assessee: Any person (other than mentioned above) may apply to AO for allotment of PAN</p>																		
		<p>PAN must be quoted in all the following documents:</p> <ol style="list-style-type: none"> 1. All Returns to any authority/All challans for the payment of any sum due under the Act 2. All documents pertaining to the following transactions entered into by any person 																		
		<p>Transactions where quoting of PAN is mandatory:</p> <p>A] Sale / Purchase of assets</p> <p>Securities:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Sr</th> <th style="text-align: center;">Nature</th> <th style="text-align: center;">Value</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Sale or Purchase of securities</td> <td>Transaction Value > Rs. 1 lac</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Sale/purchase of Unlisted shares from open market</td> <td>Transaction Value > Rs. 1 lac</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Payment for Purchase of units of MF</td> <td>Transaction Value > Rs. 50,000.</td> </tr> <tr> <td style="text-align: center;">4</td> <td>Payment for acquiring Debenture/Bonds issued by company</td> <td>Transaction Value > Rs. 50,000</td> </tr> <tr> <td style="text-align: center;">5</td> <td>Payment to RBI for acquiring Bonds issued by it</td> <td>Transaction Value > Rs. 50,000</td> </tr> </tbody> </table>	Sr	Nature	Value	1	Sale or Purchase of securities	Transaction Value > Rs. 1 lac	2	Sale/purchase of Unlisted shares from open market	Transaction Value > Rs. 1 lac	3	Payment for Purchase of units of MF	Transaction Value > Rs. 50,000.	4	Payment for acquiring Debenture/Bonds issued by company	Transaction Value > Rs. 50,000	5	Payment to RBI for acquiring Bonds issued by it	Transaction Value > Rs. 50,000
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Return of Income

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		<p>B] Transaction with banking company/co-operative bank/post office</p> <table border="1"> <thead> <tr> <th style="text-align: center;">Sr</th> <th style="text-align: center;">Nature</th> <th style="text-align: center;">Value</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Opening a Bank account (other than Time Deposit) All Transactions. Purchase of Bank Draft/Pay orders/Cheque Payment in cash > Rs. 50,000 in one day.</td> <td>All Transactions</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Making Application for Issue of Credit/Debit Card</td> <td>All Transactions</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Opening Demat Account</td> <td>All Transactions.</td> </tr> <tr> <td style="text-align: center;">4</td> <td>Cash Deposit with Bank - Note: Cash Deposits > Rs. 2,50,000 during 9th Nov 2016 - 30th Dec 2016 → PAN required</td> <td>Total Cash Deposit > Rs. 50,000 in a day</td> </tr> <tr> <td style="text-align: center;">5</td> <td>Time deposit with (i) Banking company/Co-operative bank/Post office (ii) Nidhi Company (iii) Registered NBFC.</td> <td>Deposit > Rs. 50,000 at a time OR Total Deposit > Rs. 5 Lacs during a FY.</td> </tr> <tr> <td style="text-align: center;">6</td> <td>Payment for Prepaid Payment Instruments to Banking company/Co-operative bank.</td> <td>Total Payment in cash/bank draft/pay order > Rs. 50,000 during the FY</td> </tr> </tbody> </table>	Sr	Nature	Value	1	Opening a Bank account (other than Time Deposit) All Transactions. Purchase of Bank Draft/Pay orders/Cheque Payment in cash > Rs. 50,000 in one day.	All Transactions	2	Making Application for Issue of Credit/Debit Card	All Transactions	3	Opening Demat Account	All Transactions.	4	Cash Deposit with Bank - Note: Cash Deposits > Rs. 2,50,000 during 9th Nov 2016 - 30th Dec 2016 → PAN required	Total Cash Deposit > Rs. 50,000 in a day	5	Time deposit with (i) Banking company/Co-operative bank/Post office (ii) Nidhi Company (iii) Registered NBFC.	Deposit > Rs. 50,000 at a time OR Total Deposit > Rs. 5 Lacs during a FY.	6	Payment for Prepaid Payment Instruments to Banking company/Co-operative bank.	Total Payment in cash/bank draft/pay order > Rs. 50,000 during the FY
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Return of Income

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		<p>Note: In case of Change in Address/Name & Nature of Business → Intimate such change to AO.</p> <ol style="list-style-type: none"> 1. MINOR → shall quote PAN of his Parent or Guardian while entering into above transactions. 2. PERSON NOT HAVING PAN → Declaration in Form No. 60 giving details of such transaction. 3. NON-APPLICABILITY: Provisions of this rule shall not apply to: (i) CG/SG; (ii) Consular Offices 												
		<p>Intimation of pan to deductor of TDS - [Sub-section (5A)]</p> <ol style="list-style-type: none"> 1. Every Payee (person who receives any amount from which tax has been deducted at source) shall intimate his PAN to the deductor (person responsible for deducting such tax). 2. Quoting of PAN in certain documents - [Sub-section (5B)] 												
		<p>Inter-changeability of PAN with the Aadhaar number</p> <p>Every person who is required to furnish or intimate or quote his PAN may furnish or intimate or quote his Aadhar Number in lieu of the PAN if he</p> <ol style="list-style-type: none"> a. has not been allotted a PAN but possesses the Aadhar number b. has been allotted a PAN and has intimated his Aadhar number to prescribed authority in accordance with the requirement contained in section 139AA(2). <p>PAN would be allotted in prescribed manner to a person who has not been allotted a PAN but possesses Aadhar number.</p>												

Return of Income

Section	Heading	Particulars				
139A	Permanent Account Number	<p>COMPUTERIZED PAN</p> <ol style="list-style-type: none"> 1. CBDT had introduced a new scheme of allotment of computerized 10-digit PAN. 2. Such PAN comprises of 10 Alphanumeric characters & is issued in the form of laminated card. 3. All person who were allotted PAN earlier (Old PAN) & all person who were required to apply for PAN & did not apply, shall apply to AO for new series PAN within specified time. 4. Once the new series PAN is allotted to any person, the old PAN shall cease to have effect. 5. No person who has obtained the new series PAN shall apply, obtain or process another PAN. 				
139AA	Quoting of Aadhar Number	<ol style="list-style-type: none"> 1. Every person eligible to obtain Aadhar Number must mandatorily quote Aadhar Number in: (a) Application form for Allotment of PAN; (b) ROI. 2. If Aadhar No is not available - f a person does not have Aadhar Number, he is required to quote Enrolment ID of Aadhar application form. 3. Intimation to authorities - Every person who has been allotted PAN & who is eligible to obtain Aadhar Number, shall intimate his Aadhar No. to the prescribed authority before date notified by CG 4. Consequences of failure to intimate Aadhar - If a person fails to intimate Aadhar Number - PAN allotted to such person shall be made inoperative after the date so notified in the prescribed manner - See next page 				
		<p>Exceptions- Provisions of Sec 139AA would not apply to Individual who does not possess Aadhar number or Enrolment ID & is:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">(a) Residing in States of Assam, Jammu & Kashmir and Meghalaya;</td> <td style="width: 50%;">(b) Non-Resident</td> </tr> <tr> <td>(b) Super Senior Citizen [Age \geq 80 years at any time during PY];</td> <td>(d) Not a Citizen of India.</td> </tr> </table>	(a) Residing in States of Assam, Jammu & Kashmir and Meghalaya;	(b) Non-Resident	(b) Super Senior Citizen [Age \geq 80 years at any time during PY];	(d) Not a Citizen of India.
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(b) Super Senior Citizen [Age \geq 80 years at any time during PY];	(d) Not a Citizen of India.					

Return of Income

Section	Heading	Particulars
139AA	Quoting of Aadhar Number	Rule 114AAA specifies the manner of making the PAN inoperative:

Sr	Nature
1	If a person, who has been allotted PAN as on 1st July, 2017 and is required to intimate his Aadhaar number under section 139AA(2), has failed to intimate the same on or before 31st March, 2022 , the PAN of such person would become inoperative immediately after the said date (i.e., after 31st March, 2022) for the purposes of furnishing, intimating or quoting under the Income-tax Act, 1961.
2	Accordingly, where a person, whose PAN has become inoperative, is required to furnish, intimate or quote his PAN under the Act, it shall be deemed that he has not furnished, intimated or quoted the PAN, as the case may be, in accordance with the provisions of the Act. Consequently, he would be liable for all the consequences under the Act for not furnishing, intimating or quoting the PAN.
3	Where such person who has not intimated his Aadhaar number on or before 31st March, 2022, intimates his Aadhaar number under section 139AA(2) after 31st March, 2022, his PAN would become operative from the date of intimation of Aadhaar number for the purposes of furnishing, intimating or quoting under the Act. Accordingly, the consequences in sub-rule (2) would not be applicable from such date of intimation.
4	The Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems) has to specify the formats and standards along with the procedure for verifying the operational status of PAN under sub-rules (1) and (2).

Return of Income

Section	Heading	Particulars
139B	Submission of returns through Tax Return Preparers	<p>Submission of returns through Tax Return Preparers.</p> <ul style="list-style-type: none"> • TRP assists the persons in furnishing return of income. • TRP means an INDIVIDUAL who has been authorized to act as TRP under a scheme framed. • Following eligible person cannot furnish a ROI though TRP <ul style="list-style-type: none"> • Any person other than individuals and HUF • Person whose books of accounts are required to be audited u/s 44AB • Person who is not a resident in India during PY • Certain categories of persons cannot act as TRP <ol style="list-style-type: none"> 1. Any officer of a scheduled bank with which the assessee maintains a current account or has other regular dealings 2. Any legal practitioner who is entitled to practice in any civil court in India. 3. An accountant (CA) 4. An employee of the 'specified class or classes of persons' who has been authorized to act as a Tax Return Preparer under the Scheme. <p>Who is specified class / classes of persons? Any person other than the person whose accounts are required to be audited u/s 44AB.</p> <p style="text-align: center;">Examples</p> <ol style="list-style-type: none"> i. Officer of scheduled bank in which assessee maintains current account or has regular dealings. ii. Legal practitioner who is entitled to practice in civil court in India. iii. Practicing CA etc.

Return of Income

Section	Heading	Particulars													
140	Return to be signed by whom	In the case of Individual H.U.F. Company Firm LLP Local Authority Pol. Party AOP/BOI Any other person	By Whom Himself Karta Managing Director Managing Partner Designated Partner Principal Officer Political Chief Executive Officer By a member/principal officer thereof. Person competent to act on his behalf or representative assessee.	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #e1f5fe;"> <th style="width: 50%;">Circumstances</th> <th style="width: 50%;">Authorized Person</th> </tr> </thead> <tbody> <tr> <td>Where the company is not resident in India</td> <td>Person who holds valid POA</td> </tr> <tr> <td>Where Company is being wound under court order</td> <td>Liquidator</td> </tr> <tr> <td>Where person has been appointed as the receiver of the assets</td> <td>Liquidator</td> </tr> <tr> <td>Mngt - taken over by CG / SG</td> <td>Principal Officer</td> </tr> </tbody> </table>	Circumstances	Authorized Person	Where the company is not resident in India	Person who holds valid POA	Where Company is being wound under court order	Liquidator	Where person has been appointed as the receiver of the assets	Liquidator	Mngt - taken over by CG / SG	Principal Officer	
Circumstances	Authorized Person														
Where the company is not resident in India	Person who holds valid POA														
Where Company is being wound under court order	Liquidator														
Where person has been appointed as the receiver of the assets	Liquidator														
Mngt - taken over by CG / SG	Principal Officer														
		<ul style="list-style-type: none"> - If the person who is required to sign is absent from India or for any other reason, it is not possible for the person to sign the return, then by some other person duly authorised by him. - In the case of a company another director of a company - Refer next page - In the case of a firm another partner of a firm. - If the person is mentally incapacitated, then <ul style="list-style-type: none"> i. In the case of Individual By his guardian or a person competent to act on his behalf. ii. In the case of H.U.F. By any other adult member of the family. 													

Section	Heading	Particulars							
140A	Self Assessment Tax	Payment of Tax, Interest & Fee before filing ROI	<ol style="list-style-type: none"> If any tax is payable on the basis of Total Income in ROI filed u/s 139(1), such tax shall be paid by the assessee himself after taking credit of <ol style="list-style-type: none"> Any Tax already paid TDS/TCS Advance Tax Relief u/s 89. Any Interest u/s 234A/B/C or Fees payable for any delay in filing ROI or any default shall also be paid with the tax payable before filing ROI. ROI shall be accompanied by Proof of Payment 						
		Order of Adjustment of Amount paid by the Assessee	<ol style="list-style-type: none"> If SAT paid u/s 140A(1) < Tax + Interest + Fees; THEN ORDER OF ADJUSTMENT: <ol style="list-style-type: none"> Fees payable Interest Balance towards Tax 						
		Consequence of Failure to Pay Tax/Interest/Fee	Assessee shall be deemed to be Assessee in Default in respect of such unpaid Tax or Interest or fees						
234F	Fees for default in furnishing return of income	<p>If any assessee has failed to file ROI before the time limit given under Sec 139(1), he shall pay fees as under:</p> <table border="1"> <thead> <tr> <th>Fees</th> <th>Circumstances</th> </tr> </thead> <tbody> <tr> <td>Rs 5,000</td> <td>If ROI is not furnished within due dates mentioned under Sec 139(1)</td> </tr> <tr> <td>Rs 1,000</td> <td>If the total income does not exceed Rs 5,00,000 - Fees shall not exceed Rs 1,000</td> </tr> </tbody> </table>		Fees	Circumstances	Rs 5,000	If ROI is not furnished within due dates mentioned under Sec 139(1)	Rs 1,000	If the total income does not exceed Rs 5,00,000 - Fees shall not exceed Rs 1,000
Fees	Circumstances								
Rs 5,000	If ROI is not furnished within due dates mentioned under Sec 139(1)								
Rs 1,000	If the total income does not exceed Rs 5,00,000 - Fees shall not exceed Rs 1,000								

Amendments

1 Link PAN with Aadhar
 ↳ on or before 31/3/2022

* IF not linked → Fee u/s 234H → Not exceeding ₹1000/-

Intimate on

2 IF PAN & Aadhar → NOT linked

↓

PAN will be inoperative.

↓

- ① Cannot file ROI
- ② Pending ROI → NOT processed
- ③ Pending Refunds → cannot be processed
- ④ Pending proceedings of defective return.
↳ cannot be completed.
- ⑤ chances of deducting higher TDS

Clarification consequences would be applicable from

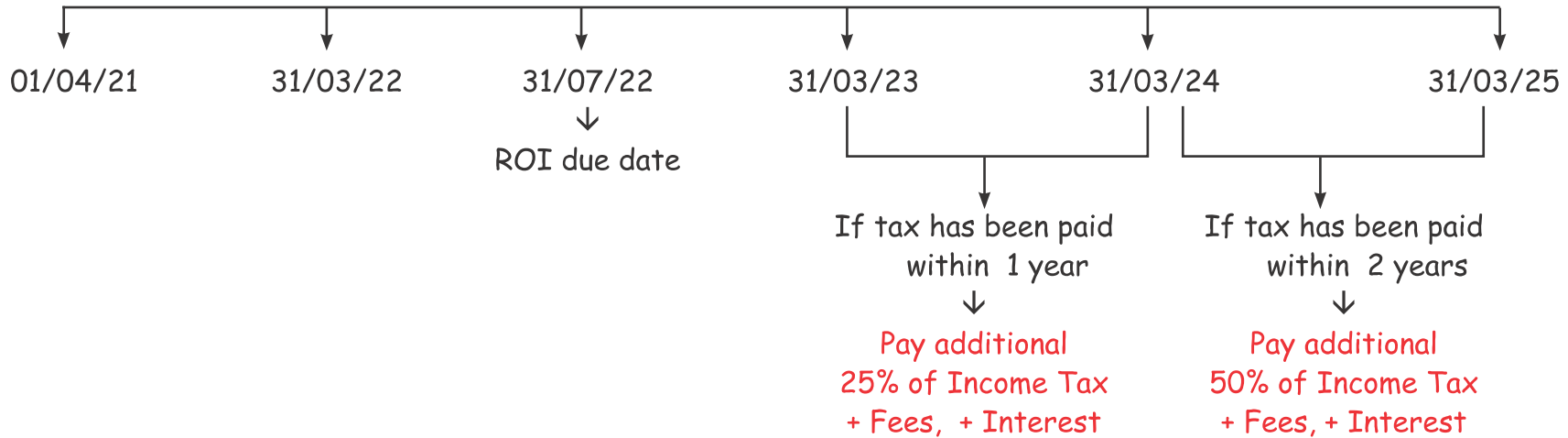
↓

1/4/2023

Who is required to file ROI? (Additional points)

(1)	Case	Prescribed transaction(s)	Prescribed Monetary threshold
(1)	(2)	(3)	(4)
(i)	A person carrying on business	His total sales, turnover or gross receipts , as the case may be, in the business	> ₹ 60 lakhs during the relevant P.Y.
(ii)	A person carrying on profession	His total gross receipts in profession	> ₹ 10 lakhs during the relevant P.Y.
(iii)	(a) A resident individual who is aged ≥ 60 years at any time during the relevant P.Y.	The aggregate of TDS and TCS in his case	≥ ₹ 50,000 during the relevant P.Y.
	(b) Any other person	The aggregate of TDS and TCS in his case	≥ ₹ 25,000 during the relevant P.Y.
(iv)	A person having savings bank account	The deposit in one or more savings bank account of the person, in aggregate	≥ ₹ 50 lakhs during the relevant P.Y.

Update ROI [Sec. 139(8A)]



	Original	Updated	
<p>Update Return Not Applicable</p> <p>→ 3L</p> <p>→ (10L)</p> <p>→ 10L</p> <p>→ Tax → 5L</p>		<p>(2L) *</p> <p>(2L) *</p> <p>7L *</p> <p>Refund - (2L) ✓</p>	<p>❖ Original return → Loss Return</p> <p>Updated return → Profit</p> <p>Possible ?? → Yes</p> <p style="text-align: center;">↓</p> <p>If loss return is furnished within due date of furnishing ROI u/s 139(1)</p>
<p>→ Update Return → Loss Return</p> <p>→ Tax liability → say 1L → Update Return u/s 139(1)/(4)/(5)</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Say 80K</p> <p style="text-align: center;">[Should not decrease the tax liability]</p> <p>→ Result in Refund/↑ in Refund</p>			

TAX ON UPDATED RETURN [SECTION 140B]

(1) Payment of tax, additional tax, interest and fee before furnishing updated return of income

(a) In a case where no return is furnished earlier [Section 140B(1)]

(I) Tax to be paid along with interest and fee before furnishing of updating return:

Where no return of income under section 139(1) or 139(4) has been furnished by an assessee and tax is payable, on the basis of updated return to be furnished by such assessee under section 139(8A), the assessee would be liable to pay such tax together with interest and fee payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax, along with the payment of additional tax computed under section 140B(11) before furnishing the return.

The updated return shall be accompanied by proof of payment of such tax, additional income-tax, interest and fee.

(II) Manner of computation of tax payable on the basis of updated return

The tax payable is to be computed after taking into account the following -

- (i) the amount of tax, if any, already paid, as advance tax;
- (ii) the tax deducted or collected at source;
- (iii) any relief of tax claimed under section 89; and
- (iv) any tax credit claimed to set-off in accordance with the provisions of section 115JD, in case the assessee has exercised the option of shifting out of the default tax regime provided under section 7 15BAC(7A).

(III) Interest under section 234A if no earlier return has been furnished

In a case, where no earlier return has been furnished, the interest payable under section 234A has to be computed on the amount of the tax on the total income as declared in the updated return under section 139(8A), in accordance with the provisions of section 140A(1A).

(b) In a case where return is furnished earlier [Section 140B(2)]

(I) Tax to be paid along with interest before furnishing updated return:

Where, return of income under section 139(1) or 139(4) or 139(5) has been furnished by an assessee and tax is payable, on the basis of updated return to be furnished by such assessee under section 139(8A), the assessee would be liable to pay such tax together with interest payable under any provision of this Act for any default or delay in payment of advance tax, along with the payment of additional tax computed under section 140B(3) (as reduced by the amount of interest paid under the provisions of this Act in the earlier return) before furnishing the return.

The updated return shall be accompanied by proof of payment of such tax, additional income-tax and interest.

(II) Manner of computation of tax payable on the basis of updated return:

The tax payable has to be computed after taking into account the following -

- (i) the amount of relief or tax referred to in section 140A(1), the credit for which has been taken in the earlier return;

- (ii) the tax deducted or collected at source, in accordance with the provisions of Chapter XVII-B, on any income which is subject to such deduction or collection and which is taken into account in computing total income and which has not been included in the earlier return;
 - (iii) any tax credit claimed, to set-off in accordance with the provisions of section 115JD, which has not been claimed in the earlier return, in case the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A); and
- the aforesaid tax would be increased by the amount of refund, if any, issued in respect of such earlier return.

(III) Interest under section 234B where earlier return has been furnished [Section 140B(4)]

In a case where an earlier return has been furnished, interest payable under section 234B has to be computed on the assessed tax.

"Assessed tax" means the tax on the total income as declared in the updated return to be furnished under section 139(8A), after taking into account the following:

- (i) the amount of relief or tax referred to in section 140A(1), the credit for which has been taken in the earlier return, if any;
- (ii) the tax deducted or collected at source, in accordance with the provisions of Chapter XVII-B, on any income which is subject to such deduction or collection and which is taken into account in computing total income and which has not been included in the earlier return;
- (iii) any tax credit claimed, to set-off in accordance with the provisions of section 115JD, which has not been claimed in the

earlier return, in case the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A); and

the aforesaid tax would be increased by the amount of refund, if any, issued in respect of such earlier return.

(IV) Interest under section 234C if earlier return has been furnished

Interest payable under section 234C, where an earlier return has been furnished, has to be computed after taking into account the total income furnished in the updated return as returned income.

(2) Additional income-tax payable at the time of updated return [Section 14013(3)]

The additional income-tax payable at the time of furnishing the updated return under section 139(8A) would be —

S.No.	Time of furnishing updated return	Additional Income-tax Payable
(I)	If such return is furnished after expiry of the time available under section 139(4) or 139(5) of the assessment year and before completion of the period of 12 months from the end of the relevant assessment year;	25% of aggregate of tax and interest payable, as determined in (1) above

(ii)	If such return is furnished after the expiry of 12 months from the relevant assessment year but before completion of the period of 24 months from the end of the relevant assessment year.	50% of aggregate of end of the tax and interest payable, as determined in (1) above
------	--	--

Computation of Additional income-tax

For the purpose of computation of Additional income-tax",

- tax would include surcharge and cess, by whatever name called, on such tax.
- the interest payable would be interest chargeable under any provision of the Act, on the income as per updated return furnished under section 139(8A), as reduced by interest paid in the earlier return, if any. However, the interest paid in the earlier return would be considered to be nil, if no earlier return has been furnished.

Note - An updated return furnished under section 139(8A) would be regarded as defective return as referred u/s 139(9) unless such return of income is accompanied by the proof of payment of tax as required under section 140B.

<u>Student's notes</u>

Applicability

Individual / HUF /
AOP / BOI / AJP

Not applicable

ATI < 20L

ATI = Adjusted Total Income

Where the regular income-tax payable for a previous year by a person, other than a company, is < the AMT payable for such previous year, such person shall be liable to pay tax @ 15% of the Adjusted Total Income

Amdt.

- 1) @15% → in case of co-op society,
- 2) @18.5% → in case of other assessees

What is Adjusted Total Income

Adjusted total income ('ATI') shall be the total income as increased by—

i) deduction claimed u/s 10AA	XXX
ii) deductions claimed u/s 80IA to 80RRB (except 80P); and	XXX
iii) deduction claimed under section 35AD	<u>XXX</u> XXX
(i) Depreciation allowable as per section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed	XXX
Adjusted Total Income	XXX

Report of a CA -

Every person to whom this section applies shall obtain a report from an accountant, certifying that the ATI and the AMT have been computed in accordance with the provisions of this Chapter and furnish such report on or before the due date of furnishing of return of income u/s 139(1)

Sec 115JD - Tax Credit

1. Tax credit = the excess of alternate minimum tax paid over the regular income tax payable of that year.
2. No interest shall be payable on tax credit allowed under sub-section
3. The amount of tax credit shall be carried forward and set off within **15 AY's** immediately succeeding the AY for which tax credit becomes allowable.
4. Set off is allowed in any assessment year in which the regular income-tax exceeds the AMT.
5. If the amount of regular income-tax or AMT is reduced or increased as a result of any order passed under this Act, the amount of tax credit allowed under this section shall also be varied accordingly.

Year	AMT	Regular Income Tax	Tax amount	AMT Credit in current year	Total credit
1	100	80	100	20	20
Tax as per AMT is higher - Thus pay 100 [Get credit of 20]					
2	120	110	120	10	30 (20+10)
Tax as per AMT is higher - Thus pay 120 [Get credit of 10]					
3	100	110	100 (110 - 10) <i>Cr Utilized</i>	-	20 (30-10)
Tax as per normal rates is higher - Adjust AMT credit to the extent of difference between AMT and normal rates i.e. 10					
4	125	110	125	15	35
Tax as per AMT is higher - Thus pay 125 [Get credit of 15]					

Option to pay income-tax at concessional tax slab rates

- Section 115BAC of the Income-tax Act, 1967 provides for concessional rates of tax to individuals/HUF/AoPs/Bols and artificial juridical persons. Under this regime certain exemptions/deductions are, however, not available. The rates given under section 115BAC are the default tax rates unless the assessee exercises an option to shift out of the said regime. The basic exemption limit under section 75BAC is ₹3,00,000. This means that no tax is payable by an assessee with total income of upto ₹3,00,000. The tax rates under section 115BAC is as follows -

(i)	Upto Rs 3,00,000	NIL
(ii)	From Rs 3,00,000 to Rs 6,00,000	5%
(iii)	From Rs 6,00,000 to Rs 9,00,000	10%
(iv)	From Rs 9,00,000 to Rs 12,00,000	15%
(v)	From Rs 12,00,000 to Rs 15,00,000	20%
(vi)	Above Rs 15,00,000	30%

Condition 1: Computation of Total Income for availing concessional rates of tax:

The total income is computed without allowing certain deductions and exemptions. The following is the list of exemptions and deductions not to be allowed while computing tax under section 115BAC.

Section	Exemption/Deduction not allowable
10(5)	Leave Travel Concession
10(13A)	House Rent Allowance
10(14)	Exemption in respect of special allowances (Certain exemptions are allowed - See List at the end of this table)
10(17)	Daily allowance or constituency allowance of MPs and MLAs
10(32)	Exemption in respect of minor's income to be clubbed with the parent as per section 64(1A)
10AA	Deduction in respect of profits arising to a business established in a SEZ
16	Standard Deduction, Entertainment Allowance and Professional Tax (i.e., tax on employment)
24(b)	Interest on loan in respect of SOP
32(1)(iia)	Additional Depreciation
35 (2AA) or 35(1) (ii) / (iia) / (iii)	Scientific Research through outside institution
33AB	Tea / coffee / rubber development benefit
35AD	Capital Expenditure on specified business
35CCC	Expenditure incurred on notified agricultural project
57(iia)	Deduction in respect of family pension
80C to 80U	All deductions under chapter VI-A (However, deduction under section 80CCD(2) in respect of employer's contribution to NPS and deduction under section 80JJAA in respect of new employment shall be allowed)

Exemptions under section 10(14) which will be allowed

- Transport Allowance
- Conveyance Allowance
- Tour Allowance/Travel Allowance
- Daily allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty

Condition 2 - Certain losses not allowed to be set-off

While computing total income, set-off of -

- (i) Any carried forward loss or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in the table above; or
- (ii) Loss under the head house property with any other head of income; would not be allowed.

Condition 3 - Depreciation or additional depreciation

Depreciation rate of any block of asset is restricted to the extent of 40% and not entitled for additional depreciation.

Additional points (First read the example before reading the provisions)

- In case of an individual or HUF opting for section 115BAC, total income should be computed without set-off of any loss brought forward or depreciation from any earlier assessment year, where such loss or depreciation is attributable to any of the deductions listed in (1) above [Such loss and depreciation would be deemed to have been already given effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year]
- Where there is a depreciation allowance in respect of a block of asset from an earlier assessment year attributable to additional depreciation u/s 32(1)(iia), which has not been given full effect to prior to A.Y. 2021-22 and which is not allowed to be set-off in the A.Y.2021-22 due to exercise of option u/s 115BAC from that year, corresponding adjustment shall be made to the WDV of such block of assets as on 1.4.2020 in the prescribed manner i.e., the WDV as on 1.4.2020 will be increased by the unabsorbed additional depreciation not allowed to be set-off.

Example: - Let us consider the case of Mr. X who carries on business of manufacturing of steel.

- He has unabsorbed depreciation as on 1.4.2020, which includes amount attributable to additional depreciation u/s 32(1)(iia) of P.Y.2019-20 or any earlier previous year in respect of block of plant and machinery.
- If he exercises option under section 115BAC for P.Y.2020-21 relevant to A.Y.2021-22, the amount so attributable to additional depreciation of earlier years remaining unabsorbed as on 1.4.2020 would not be eligible for set-off against current year income.
- Accordingly, the WDV of the block as on 1.4.2020 has to be increased by the said amount not allowed to be set-off.

AMT liability not attracted:

Individuals or HUFs exercising option u/s 115BAC are not liable to alternate minimum tax u/s 115JC.

(1)

Amendment

In case of an assessee not having income from business or profession

In case of individuals not having income from business or profession, the total income and tax liability may be computed every year, both in accordance with default tax regime under section 115BAC and regular provisions of the Act (including provisions relating to AMT, if applicable), in order to determine which is more beneficial and accordingly, decide whether or not to shift out of the default regime under section 115BAC.

In effect, such individual can choose whether or not to exercise the option of shifting out in each previous year. He may choose to pay tax under default regime under section 115BAC in one year and exercise the option to shift out of default tax regime in another year.

Amendment

(2)

In case of an assessee having income from business or profession:

In case of individuals having income from business or profession, the total income and tax liability may be computed, both in accordance with default tax regime under section 115BAC and regular provisions of the Act (including provisions relating to AMT, if applicable), in order to determine which is more beneficial.

Such individual has an option to shift out/opt out of the default tax regime under this section and the option has to be exercised on or before the due date specified under section 139(1) for furnishing the return of income for such previous year and once such option is exercised, it would apply to subsequent assessment years.

Such person who has exercised the above option of shifting out of the default regime for any previous year shall be able to withdraw such option only once and pay tax under the default regime under section 115BAC for a previous year other than the year in which it was exercised.

Thereafter, such person shall never be eligible to exercise option under this section, except where such person ceases to have any business income in which case, option under (i) above would be available.

SECTION 10AA - Tax Holiday for newly established units in Special Economic Zone (SEZ)

Where an assessee begins to manufacture or produce articles or things or provides any service on or after 1.4.2005 but upto 31.3.2020 in a unit set up in a SEZ, a **deduction of profits for 15 consecutive year** shall be allowed as follows -

1. **100%** of the profits derived from the export of such article or thing or from service for **5 consecutive years** beginning from the year in which the unit begins to manufacture or produce or provide service;
2. **50%** of the profits derived from the export of such article or thing or from service for the next **5 consecutive years**; and
3. **50%** of the profits from such export for the **next 5 years**, provided that the profits are transferred to a special reserve called as "Special Economic Zone Reinvestment Reserve Account" and are utilized for the prescribed purposes.

Formula for exemption

Eligible profits =

$$\text{Profits from business of the unit} \times \frac{\text{Export Turnover of the unit}}{\text{Total turnover of the unit}}$$

Excluding freight,
commission etc involved in
such export

Amount of Exemption

For the First 5 years	100% of Eligible Profits
For the Next 5 years	50% of Eligible Profits
For the Last 5 years	1. 50% of Eligible profits 2. Amount is transferred to the special reserve account. ↓

Qs 1

Y Ltd. furnishes you the following information for the year ended 31.3.2021:

Particulars	Rs. (in lacs)
Total turnover of Unit A located in Special Economic Zone	100
Profit of the business of Unit A	30
Export turnover of Unit A	50
Total turnover of Unit B located in Domestic Tariff Area (DTA)	200
Profit of the business of Unit B	20

Compute deduction under section 10AA for the FY 2021-22, assuming that Y Ltd. commenced operations in SEZ and DTA in the year 2017-18.

Ans

- 100% of the profit derived from export of articles or things or services is **eligible for deduction** under section 10AA, since FY 2021-22 falls within the first 5 year period commencing from the year of manufacture or production of articles or things or provision of services by the Unit in SEZ.
- As per section 10AA(7), the profit derived from export of articles or things or services shall be the amount which bears to the profits of the business of the undertaking, being the Unit, the same proportion as the export turnover in respect of articles or things or services bears to the total turnover of the business carried on by the undertaking

$$\text{Deduction under section 10AA} = 30 \text{ Lacs} * 50/100 = 15 \text{ Lacs}$$

Note - No deduction under section 10AA is allowable in respect of profits of business of Unit B located in DTA.

Qs 2

Rudra Ltd. has one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The company provides the following details for the previous year 2020-21

Particulars	Rudra Ltd. (Rs.)	Unit in DTA (Rs.)
Total Sales	6,00,00,000	2,00,00,000
Export Sales	4,60,00,000	1,60,00,000
Net Profit	80,00,000	20,00,000

Calculate the eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2021-22, in the following situations:

- If both the units were set up and start manufacturing from 22-05-2013.
- If both the units were set up and start manufacturing from 14-05-2017.

Ans

- As per section 10AA, in computing the total income of Rudra Ltd. from its unit located in a Special Economic Zone (SEZ), which begins to manufacture or produce articles or things or provide any services during the previous year relevant to the AY commencing on or after 01.04.2006 but before 1.4.2021,
- There shall be allowed a deduction of 100% of the profit and gains derived from export of such articles or things or from services for a period of five consecutive assessment years beginning with the assessment year relevant to the previous year in which the Unit begins to manufacture or produce such articles or things or provide services, as the case may be, and 50% of such profits for further 5 assessment years subject to fulfillment of other conditions specified in section 10AA.

If Unit in SEZ was set up & began manufacturing from 22-05-2013 - 8th Year

$$= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 50\%$$

$$= \text{Rs.60 lakhs} \times \frac{\text{Rs.300 lakhs} \times \frac{(460-160)}{\text{Rs.400 lakhs}} \times 50\%}{(600-100)} = \text{Rs.22.50 lakhs}$$

If Unit in SEZ was set up & began manufacturing from 14-05-2017 - 4th Year

$$= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 100\%$$

$$= \text{Rs.60 lakhs} \times \frac{\text{Rs.300 lakhs}}{\text{Rs.400 lakhs}} \times 100\% = \text{Rs.45 lakhs}$$

Students Speaks

“ @zuharahman2568 · 1 day ago
if looking for tax faculties, on coming to know about Amit sir at first you might hesitate since he's new in this field, and since majority of people decide based on "experience". but once you get enrolled in it and you start doing the lectures, you'd never doubt your decision ever. best best and best.

1 1 1 1

”

“ @raginipandey23 · 1 day ago
Sir's teaching is very good, the way of covering the concepts is also excellent.....I will tell everyone to take it, it is just amazing.....

1 1 1 1

”

“ Hlw sir!
Sir aapke teaching style to ek no he koye aapka haat nhi pakd sakta, but jitna achha aap padhate Ho n vesehi aap is new generation ko humare culture ki imp bhi batata Ho Humare generation bohat coolness me jiti he but aap Hume sikhate Ho the imp of our culture the sanskar. Jo is generation me kaam dikhta he - Humare isme ek shlok he Guru Hai Param Brahma Oh bhagwan aap me dikhte he sir.
Word bhi kam he sir how best you are. I'm really glad ke me aapke students Ho. Love you sir!
Aapke jyse guru Ho na India ki generation kabhi bighad nhi sakti. Miss you sir. Aap ko kabhi bhi jaroort Ho sir to aapke students he sir. Aap kabhi batate nhi aap kine problem Ho us hasi ke piche chupa dete Ho but whenever u need us your students is there for u sir!

Akshat Jain - CA INTER student

”

“ @jasvindarsingh3617 · 7 minutes ago
@CrackTaxWithAmit Tnku sir
You are one of the best teacher of dt maina boht teacher se class li aj tk dt samaj nii aya ab apka YouTube lec se padh rha you r the best
Aisa lagta apna koi frnd hi padha rha sidha dimag me ghus jata
Tnku soo much sir

1 1 1 1

”

“ 60 marks in 5-6 hours
@satyamkumar-te9ik · 16 hours ago
he is a boon for us students directly from God, the one of the most awesome sir anyone can get. From the start I was very afraid of taxation, How can I do taxation, but the way he teaches, gives effort and every guidelines he gives to us is a boon, till now I have studied from him capital gain, salary, house property and as people say these are the most hardest chapter, but trust me I'm still thinking where is the hard part, it's so simple with CA AMIT MAHAJAN sir, sir ji for sure ye champ aapka naam roushan krega

2 1 1 1

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“ October 23
Bhaiya, can't thank you enough for today's session Tax automatically becomes easy and interesting, when learning from you it really helped me in revising the whole IDT in detail You are a real gem and not exaggerating, A TAX GURU We need more teachers like you You need to be appreciated for the efforts you put in for all of us Charts you use for revision is just amazing It was infact a comprehensive revision of full syllabus of GST, rather than just super 60 even the smallest and the most ignored sections were covered Thank you once again bhaiya I'm indebted to you, forever

”

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