

CHARTERED ACCOUNTANCY
INTERMEDIATE COURSE

Paper-3
"INCOME TAX"
SUMMARY NOTES

∞ Author ∞

CA. NIRAJ D MAHAJAN

(ACA, LLB, B.Com.)

LINK TO TRY FREE MCQS!



First Edition: August 2023

© Designed & Authored by CA Niraj D Mahajan

No part of this book may be reproduced or transmitted in any form or by any means – electronic or mechanical device including photocopying, recording or by any other information storage or retrieval system, without permission in writing from the Author. Any breach of the aforementioned shall be liable for legal action.

Subject of Law is dynamic in nature. If there are any errors please intimate the Author. You may get reward!

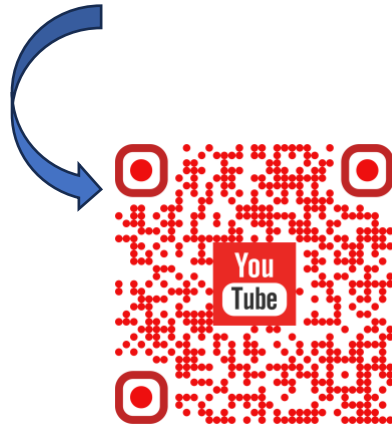
The Compiler is cumulation of previous Questions and their suggested answers from various ICAI sources. Kindly solve/apply it as per latest amendments.

Lets connect!

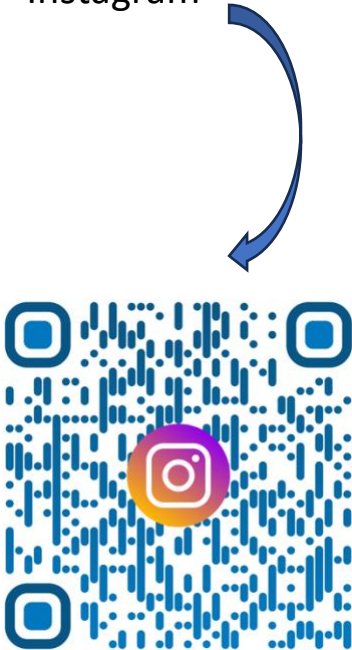
[scan the QR codes if you bored to type 😊]

Post a selfie with our notes & Tag us IF YOU LIKE THIS BOOK ! 😊

Youtube



Instagram



Telegram



Your Friend first,

Niraj D Mahajan

CA Niraj D Mahajan

CHAPTER 1 - BASIC CONCEPTS

Income-tax is the most significant direct tax. **Entry 82 of the Union List** i.e., List I of Seventh Schedule to Article 246 of the Constitution of India has given the power to Parliament to make laws on taxes on income other than agricultural income.

Components of income-tax law:

- **Income-tax Act, 1961** - governs the levy of income-tax in India.
- **Income-tax Rules, 1962** - formulated for proper administration of the Act.
- **Annual Finance Act** - Amendments in the Income-tax Act, 1961 are affected every year through the Annual Finance Act.
- **Circulars** - issued by CBDT to clarify the meaning and scope of certain provisions of the Act.
- **Notifications** - issued to give effect to the provisions of the Act/ make or amend Rules.
- **Court decisions** - interprets the various provisions of income-tax law.

Income-tax is a **TAX** levied on the **TOTAL INCOME** of the **PREVIOUS YEAR** of every **PERSON**.

(1) Person: A person includes an individual, Hindu Undivided Family (HUF), Association of Persons (AOP), Body of Individuals (BOI), a firm, a company etc.

(2) Concept of Previous year (P.Y.) and Assessment Year (A.Y.): Previous year is the financial year immediately preceding the assessment year i.e., it is the financial year ending on 31st March, in which the income has accrued/received. In case of a newly set-up business, the previous year would be the period beginning with the date of setting up of the business or profession or, as the case may be, the date on which the source of income newly came into existence, and ending on 31st March.

Assessment year (A.Y.): Assessment year means the period of twelve months commencing on the 1st April every year.

Exceptions to the rule that income is charged to income-tax in the Assessment Year following the previous year

The income of an assessee for a previous year is charged to income-tax in the assessment year following the previous year. However, in the following cases, this rule does not apply and the income is taxed in the previous year in which it is earned.

- (i) Shipping business of non-resident [**Section 172**]
- (ii) Persons leaving India [**Section 174**]
- (iii) AOP/BOI/Artificial Juridical Person formed for a particular event or purpose [**Section 174A**]
- (iv) Persons likely to transfer property to avoid tax [**Section 175**]
- (v) Discontinued business [**Section 176**].

Rate of tax for Undisclosed Sources of Income

The following undisclosed incomes are chargeable to tax @78% [i.e., 60% plus surcharge @25% plus cess @4%] as specified under section 115BBE:

- (i) Cash Credits [**Section 68**]
- (ii) Unexplained Investments [**Section 69**]
- (iii) Unexplained money etc. [**Section 69A**]
- (iv) Amount of investments etc., not fully disclosed in the books of account [**Section 69B**]
- (v) Unexplained expenditure [**Section 69C**]
- (vi) Amount borrowed or repaid on hundi [**Section 69D**]

(3) Total Income: Total income has to be computed as per the provisions contained in the Income-tax Act, 1961. The following steps has to be followed for computing the total income of an assessee:

Step 1 - Determination of residential status,

Step 2 - Classification of income under different heads,

Step 3 - Computation of income under each head after providing for permissible deductions/exemptions,

Step 4 - Clubbing of income of spouse, minor child etc,

Step 5 - Set-off or carry forward and set-off of losses,

Step 6 - Computation of Gross Total Income,

Step 7 - Deductions from Gross Total Income Step.

(4) Tax liability: Tax has to be computed by applying the rates of tax mentioned in the Annual Finance Act and the rate specified under the Income Tax Act, 1961, as the case may be.

Persons	Rate Of Taxes		
Individual (not opting for the provisions of section 115 BAC)	(i) (a) Up to ₹2,50,000 (below 60 years) (b) Up to ₹3,00,000 (60 years or above but less than 80 years and resident in India) (c) Up to ₹5,00,000 (above 80 years and resident in India) (ii) ₹2,50,001/ ₹3,00,001, as the case may be, to ₹5,00,000 [in cases (i) and (ii) above, respectively] (iii) ₹5,00,001 to ₹10,00,000 (iv) Above ₹10,00,000		Nil 5% 20% 30%
Hindu Undivided Family (HUF) (not opting for the provisions of section 115 BAC)/ Association of Persons (AOP)/ Body of Individuals (BOI)/ Artificial Juridical Person	Up to ₹2,50,000 ₹2,50,001 to ₹5,00,000 ₹5,00,001 to ₹10,00,000 Above ₹10,00,000		Nil 5% 20% 30%
Firm/LLP/local authority		30%	
Co-operative Society (not opting for the provisions of section 115 BAD)	Up to ₹10,000 ₹10,001 to ₹20,000 Above ₹20,000		10% 20% 30%
Company (not opting for the provisions of section 115 BAA/115 BAB)	Domestic Company Total turnover or gross receipts in the P.Y. 2020-21 ≤ ₹400 crore 25%	Foreign Company Other domestic companies 30%	40%

Surcharge

Individual/ HUF/ AOP (other than an AOP consisting of only companies as members)/ BOI/ Artificial juridical person

Where the total income (including dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹50 lakh but is ≤ ₹1 crore	10%
Where the total income (including dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹1 crore but is ≤ ₹2 crore	15%
- Where the total income (excluding dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹2 crore but is ≤ ₹5 crore - Rate of surcharge on the income-tax payable on the portion of dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A	25% Not Exceeding 15%
- Where the total income (excluding dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹5 crore - Rate of surcharge on the income-tax payable on the portion of dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A.	37% Not Exceeding 15%
Where the total income (including dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹2 crore in cases not covered in (iii) and (iv) above	15%

In case of an AOP of only companies as members

Where the total income > ₹50 lakh but is < ₹1 crore	10%
Where the total income > ₹1 crore	15%

Firm/Limited Liability Partnership/Local Authorities

Where the total income > Rs.1 crore 12%

Co-operative societies (other than a co-operative society opting for section 115 BAD)

Total income > ` 50 lakhs but is ≤ Rs. 10 crore	7%
Total income > Rs. 10 crore	12%

Domestic company (other than a domestic company opting for section 115 BAA or section 115 BAB)

<i>Total income > Rs.1 crore but is ≤ Rs. 10 crore</i>	7%
<i>Total income is > Rs. 10 crore</i>	12%

Foreign company

<i>Total income > Rs. 1 crore but is ≤ Rs.10 crore</i>	2%
<i>Total income is > Rs.10 crore</i>	5%

Rebate under section 87A: Rebate of up to ` 12,500 for resident individuals having total income of up to ` 5 lakh.

"Health and Education cess" on Income-tax: 4% of income-tax and surcharge, if applicable.

CHAPTER 2: RESIDENCE AND SCOPE OF TOTAL INCOME

Section 6 [Residence in India]

(I)(A) Individuals [Resident and ordinarily resident/ Resident but not ordinarily resident/ non-resident] The residential status of an individual is determined on the basis of the period of his stay in India.

Basic conditions:

- (i) He must be present in India for a period of 182 days or more during the previous year
- (ii) He must be present in India for a period of 60 days or more during the previous year and 365 days or more during the 4 years immediately preceding the previous year.

Cases where condition (ii) is not applicable:

- (a) Where an Indian citizen who leaves India during the previous year for the purpose of employment outside India or as a member of the crew of an Indian ship;
- (b) Where an Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India during the previous year [whose total income (excluding income from foreign sources) does not exceed ` 15 lakhs].

Additional condition:

- (1) He is a resident in at least 2 out of 10 previous years preceding the relevant previous year;
- (2) His stay in India in the last 7 years preceding the relevant previous year is 730 days or more.

Resident and ordinarily resident [ROR]	Resident but not ordinarily resident [RNOR]	Non-resident [NR]
Must satisfy at least one of the basic conditions [(i) or (ii)] and both the additional conditions [(1) & (2)]	Must satisfy at least one of the basic conditions [(i) or (ii)] and one or none of the additional conditions [(1) or (2) or neither]	Must not satisfy either of the basic conditions [neither (i) nor (ii)]

(B) An Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India during the previous year (having total income, other than the income from foreign sources), exceeding ` 15 lakhs during the previous year would be resident if his period of stay is

- 182 days or more during the previous year [First condition]; or

- 120 days or more during the previous year **and** 365 days or more during the 4 years immediately preceding the previous year [Second condition].

Such an individual would, however, be resident but not ordinarily resident if he satisfies only the second condition mentioned above but not the first condition (i.e., the period of his stay in India during the relevant previous year is ≥ 120 days but < 182 days).

If he satisfies the first condition, he would be-

- Resident and ordinarily resident (ROR), if he satisfies both the additional conditions [(1) & (2)] and

- Resident but not ordinarily resident (RNOR) if he satisfies one or none of the additional conditions [(1) or (2) or neither].

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

(C) Deemed resident in India [Section 6(1A)] - An individual, being an Indian citizen, having total income, other than the income from foreign sources, exceeding ` 15 lakhs during the previous year would be deemed to be **resident but not ordinarily resident in India** in that previous year, if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.

This provision would not apply in case of an individual who is said to be resident in India in the previous year under section 6(1).

(II) HUF [ROR/RNOR/non-resident] A HUF would be **resident in India** if the **control and management** of its affairs is situated **wholly or partly in India**.

If the **control and management** of the affairs is situated **wholly outside India**, it would become a **non-resident**.

If the HUF is resident, then the satisfaction or otherwise of additional conditions by Karta would determine whether the HUF is **ROR** or **RNOR**.

If Karta satisfies both the additional conditions [(1) & (2)] in (I) above, then, the HUF would be **ROR**. Otherwise, the HUF would be **RNOR**.

(III) Firms , AoPs and BoIs [Resident/Non-resident]

(i) A firm, AoP or BoI would be **resident in India**, if the **control and management** of its affairs is situated **wholly or partly in India**.

(ii) If the **control and management** of the affairs is situated **wholly outside India**, they would become a **non-resident**.

(IV) Companies [Resident/Non-resident]

(i) A company would be **resident in India** in any previous year, if it is an Indian company or its place of effective management (POEM) in that year, is in India.

(ii) If the company is not an Indian Company and its POEM is also not in India in that year, it would become a non-resident for that year.

Section 5 [Scope of Total Income]

Resident and Ordinarily Resident	Resident but not Ordinarily Resident	Non-Resident
Income received/ deemed to be received/accrued or arisen/deemed to accrue or arise in or outside India In short, the global income is taxable.	Income which is received/ deemed to be received/ accrued or arisen/ deemed to accrue or arise in India; AND Income which accrues or arises outside India being derived from a business controlled in or profession set up in India.	Income received/ deemed to be received/accrued or arisen/deemed to accrue or arise in India.

CHAPTER 3: INCOMES WHICH DO NOT FORM PART OF TOTAL INCOME

Section

10(1) Agricultural income is exempt under section 10(1).

However, agricultural income has to be aggregated with non-agricultural income for determining the rate at which non-agricultural income would be subject to tax, in case of individuals, HUF, AOPs & BOIs etc., where the -

- agricultural income exceeds ` 5,000 p.a. and
- non-agricultural income exceeds the basic exemption limit.

The following are the steps to be followed in computation of tax

Step 1: Tax on non-agricultural income plus agricultural income

Step 2: Tax on agricultural income plus basic exemption limit

Step 3: Tax payable by the assessee = Step 1 - Step 2

Step 4: Add Surcharge/Deduct Rebate u/s 87A, if applicable.

Step 5: Add Health and Education Cess@4%.

10(2) Since the HUF is taxed in respect of its income, the share income is exempt from tax in the hands of the member.

10(2A) The partner's share in the total income of the firm or LLP is exempt from tax

10(4) Income by way of interest on moneys standing to his credit in a **Non-resident (External) Account (NRE A/c)**, is exempt in the hands of an individual, being a person resident outside India as per the FEMA, 1999 or in the hands of an individual who has been permitted by the RBI to maintain such account.

10(6) Remuneration received by an individual, who is not a citizen of India, as an official of an embassy, high commission, legation, consulate or the trade representation of a foreign State or as a member of the staff of any of these officials would be exempt, subject to satisfaction of certain conditions:

(i) such members of staff are subjects of the country represented and not engaged in any business or profession or employment in India otherwise than as members of such staff.

(ii) remuneration of corresponding officials of the Government or members of the staff resident for similar purposes enjoy similar exemption in the other Country.

10(10BC) Compensation received or receivable from the Central Government, State Government or local authority by an individual or his legal heir on account of any disaster is exempt except to the extent of loss or damage allowed as deduction under the Act.

10(11A) Any payment from Sukanya Samriddhi Account

10(16) The value of scholarship granted to meet the cost of education would be exempt from tax in the hands of the recipient irrespective of the amount or source of scholarship.

10(17) Daily allowance received by any Member of Parliament or of State Legislatures or any Committee thereof are exempt.

10(17A) Awards for literary, scientific and artistic works and other awards by the Government are exempt.

10(18) Pension received by an individual who has been in service of Central or State Government and has awarded "ParamVir Chakra" or "MahaVir Chakra" or "Vir Chakra" such other gallantry award as the Central Government notifies is exempt from tax.

10(26AAA) Income from any source in the state of Sikkim, dividend income and interest on securities is exempt in the hands of a Sikkimese individual. This exemption is not available to a Sikkimese woman who, on or after 1st April, 2008, marries a non-Sikkimese individual.

10AA Tax holiday for unit established in Special Economic Zones (SEZs), which begins to manufacture or produce articles or things or provide any service on or after 1.4.2005 but before 1.4.2021, for 15 consecutive assessment years in respect of its profits derived from exports of such articles or things or export of services (including computer software).

Amount of exemption =

Profits of Unit in SEZ × Export turnover of Unit SEZ

Total turnover of Unit SEZ

100% of such profits would be exempt in the first five years, 50% in the next five years and in the last five years, 50% subject to transfer to SEZ Reinvestment Reserve Account.

CHAPTER 4: HEADS OF INCOME

UNIT 1: SALARIES

Basis of Charge [Section 15]

- (i) Salary is chargeable to tax either on 'due' basis or on 'receipt' basis, whichever is earlier.
- (ii) However, where any salary, paid in advance, is assessed in the year of payment, it cannot be subsequently brought to tax in the year in which it becomes due.
- (iii) If the salary paid in arrears has already been assessed on due basis, the same cannot be taxed again when it is paid.

Taxability/Exemption of certain Allowances

Section	Allowance	Exemption
10(13A)	House Rent Allowance	Least of the following is exempt: (a) HRA actually received (b) Rent paid less 10% of salary (c) 50% of salary, if accommodation is located in Mumbai, Kolkata, Delhi or Chennai 40% of salary, if the accommodation is located in any other city
10(14)(ii)	Children education allowance	Rs.100 per month per child upto maximum of two children
	Transport allowance for commuting between the place of residence and the place of duty	Rs.3,200 per month for an employee who is blind or deaf and dumb or orthopedically handicapped Note - This exemption is not allowed to any other employee.
	Hostel expenditure of employee's children	Rs. 300 per month per child up to a maximum of two children

Exemption of Terminal Benefits

Section	Component of salary	Category of employee	Particulars [Taxability / Exemption under section 10]
10(10)	Gratuity	Central Government employees/ Members of Civil Services/ local authority employees etc.	Fully exempt u/s 10(10)(i)
		Other employees	Least of the following is exempt : (i) Gratuity actually received <u>In case of employees covered by the Payment of Gratuity Act, 1972</u> (ii) $15/26 \times$ last drawn salary \times number of completed years or part in excess of six months (iii) Rs.20,00,000
			<u>In case of employees not covered by the Payment of Gratuity Act, 1972</u> (ii) $1/2 \times$ average salary of the last 10 months \times number of completed years of service (fraction to be ignored). (iii) Rs.20,00,000

10(10A)	Pension		
	Uncommuted pension	Government & NonGovernment employees	Fully taxable
	Commuted pension	Employees of Central Government/local authorities/ Statutory corporation/ members of Civil services/ All-India services/ Defence Services	Fully exempt under section 10(10A)(i)
		Other Employee	<u>If the employee is in receipt of gratuity</u>

			$\frac{1}{3} \times (\text{commuted pension received} \div \text{commutation \%}) \times 100$ <p><u>If the employee is not in receipt of gratuity</u></p> $\frac{1}{2} \times (\text{commuted pension received} \div \text{commutation \%}) \times 100$
--	--	--	--

10(10AA)	Leave Salary		
	Received during service	Government & NonGovernment	Fully taxable
	Received at the time of retirement, (whether on superannuation or otherwise)	Government	Fully exempt u/s 10(10AA)(i)
		NonGovernment	<p>Least of the following is exempt : (i) Rs. 3,00,000</p> <p>(ii) Leave salary actually received</p> <p>(iii) Cash equivalent of leave standing at the credit of the employee [based on average salary of last 10 months] (maximum 30 days for every year of service)</p> <p>(iv) 10 months' salary (based on average salary of last 10 months preceding retirement)</p>
10(10B)	Retrenchment Compensation		<p>Least of the following is exempt : (i) Compensation actually received</p> <p>(ii) Rs.5,00,000</p> <p>(iii) 15 days average pay × Completed years of service and part thereof in excess of 6 months</p>
10(10C)	Voluntary Retirement Compensation	Central and State Government, Public	Least of the following is exempt : (i) Compensation actually received (ii)

		sector company, any other company, local authority, cooperative society, IIT etc	Rs.5,00,000 (iii) 3 months' salary x completed years of service (iv) Last drawn salary x remaining months of services left
--	--	--	--

Section 10(5) [Leave Travel Concession]

Exemption is available for 2 trips in a block of 4 calendar years.

S.no	Journey performed by	Exemption
1.	Air	Amount not exceeding air economy fare by the shortest route.
2.	Any other mode : (i) Where rail service is available (ii) Where rail service is not available a) and public transport does not exist b) but public transport exists.	Amount not exceeding air conditioned first class rail fare by the shortest route to the place of destination Amount not exceeding the first class or deluxe class fare by the shortest route to the place of destination

Provident Funds - Exemption & Taxability provisions

Particulars	Recognized PF	Unrecognized PF	Statutory PF	Public PF
Employer's Contribution	Contribution in excess of 12% of salary is taxable as "salary" u/s 17(1)	Not taxable at the time of contribution	Fully exempt	N.A. (as there is only assessee's own contribution)
Employee's Contribution	Eligible for deduction u/s 80C	Not eligible for deduction	Eligible for deduction u/s 80C	Eligible for deduction u/s 80C
Interest Credited on Employer's Contribution	Amount in excess of 9.5% p.a. is taxable as "salary" u/s 17(1)	Not taxable at the time of credit of interest	Fully exempt	N.A.
Interest Credited on Employee's Contribution	Amount in excess of 9.5% p.a. is taxable as "salary" u/s 17(1) [See Note below]	Not taxable at the time of credit of interest	Exempt up to certain limit of contribution	Fully exempt

			[See Note below]	
Amount withdrawn on retirement/ termination	Exempt from tax if (i) employee served a continuous period of 5 years or more; or (ii) retires before rendering 5 years of service because of ill health, contraction or discontinuous of employer's business or reason beyond the control of the employee; or	Employer's contribution and interest thereon is taxable as salary. Employee's contribution is not taxable. Interest on employee's contribution is taxable under income from other source	Fully exempt u/s 10(11)	Fully exempt u/s 10(11)
	(iii) on cessation of employment, the employee obtains employment with any other employer, to the extent the accumulated balance in RPF is transferred to his RPF account maintained by the new employer. (iv) The entire balance standing to the credit of the employee is transferred to his NPS account referred to in section 80CCD and notified by the Central Government In other cases, it will be taxable.			

As per section 10(11), any payment from a Provident Fund (PF) to which Provident Fund Act, 1925, applies or from the Public Provident Fund would be exempt. Accumulated balance due and becoming payable to an employee participating in a Recognized Provident Fund (RPF) would be exempt under section 10(12). However, the exemption under section 10(11) or 10(12) would not be available in respect of income by way of interest accrued during the previous year to the extent it relates to the amount or the aggregate of amounts of contribution made by that person/employee exceeding Rs.2,50,000 in any previous year in that fund, on or after 1st April, 2021. If the contribution by such person/employee is in a fund in which there is no employer's contribution, then, a higher limit of Rs.5,00,000 would be applicable for such contribution, and interest accrued in any previous year in that fund, on or after 1st April, 2021 would be exempt up to that limit. It may be noted that interest accrued on contribution to such funds up to 31st March, 2021 would be exempt without any limit, even if the accrual of income is after that date.

Valuation of Perquisites [Section 17(2) read with Rule 3]**(I) Rent-free residential accommodation**

S. No. (A)	Category of Employee (B)	Unfurnished accommodation (C)	Furnished accommodation (D)								
1	Government employee	Licence fee determined as per Government rules as reduced by the rent actually paid by the employee.	Value determined under column (C) Add: 10% p.a. of the furniture cost. However, if the furniture is hired, then hire charges payable/paid should be added to the value determined under column (C), as reduced by charges recovered from the employee.								
2	Non Government employee	<p><u>Where accommodation is owned by employer</u></p> <table border="1"> <thead> <tr> <th>Location</th> <th>Perquisite value</th> </tr> </thead> <tbody> <tr> <td>In cities having a population > 25 lacs as per 2001 census</td> <td>15% of salary</td> </tr> <tr> <td>In cities having a population > 10 lakhs ≤ 25 lacs as per 2001 census</td> <td>10% of salary</td> </tr> <tr> <td>In other areas</td> <td>7.5% of salary</td> </tr> </tbody> </table> <p>The perquisite value should be arrived at by reducing the rent, if any, actually paid by the employee, from the above value.</p>	Location	Perquisite value	In cities having a population > 25 lacs as per 2001 census	15% of salary	In cities having a population > 10 lakhs ≤ 25 lacs as per 2001 census	10% of salary	In other areas	7.5% of salary	Value determined under column (C) Add: 10% p.a. of the furniture cost. However, if the furniture is hired, then hire charges payable/paid should be added to the value determined under column (C), as reduced by charges recovered from the employee
Location	Perquisite value										
In cities having a population > 25 lacs as per 2001 census	15% of salary										
In cities having a population > 10 lakhs ≤ 25 lacs as per 2001 census	10% of salary										
In other areas	7.5% of salary										
3		Where the accommodation is taken on lease or rent by employer Lower of the following is taxable: (a) actual amount of lease rent paid or payable by employer or (b) 15% of salary The lower of the above should be reduced by the rent, actually paid by the employee, to arrive	Value determined under column (C) Add: 10% p.a. of the furniture cost. However, if the furniture is hired, then hire charges payable/paid should be added to the value determined under column (C), as reduced by charges								

		at the perquisite value.	recovered from the employee.
--	--	--------------------------	------------------------------

(II) Interest free or concessional loan

In respect of any loan given by employer to employee or any member of his household (excluding for medical treatment for specified ailments or where loans amount in aggregate does not exceed ` 20,000), the interest at the rate charged by SBI as on the first day of the relevant previous year at maximum outstanding monthly balance (aggregate outstanding balance for each loan as on the last day of each month) as reduced by the interest, if any, actually paid by him or any member of his household.

(III) Use of movable assets by employee/ any member of his household

Asset given	Value of benefit
(a) Use of laptops and computers	Nil
(b) Movable assets, other than - (i) laptops and computers; and (ii) assets already specified	10% p.a. of the actual cost of such asset, or the amount of rent or charge paid, or payable by the employer, as the case may be (-) Amount paid by/ recovered from an employee

(IV) Transfer of movable assets

Actual cost of asset to employer (-) cost of normal wear and tear (-) amount paid or recovered from employee

Assets transferred	Value of perquisite
Computers and electronic items	@50% on WDV for each completed year of usage
Motor cars	@20% on WDV for each completed year of usage
Any other asset	@10% of actual cost of such asset to employer for each completed year of usage [on SLM basis]

(V) Motor car

S.N O.	Car owned/ hired by	Expenses met by	Wholly official use	Partly personal use (c)
---------------	----------------------------	------------------------	----------------------------	--------------------------------

1	Employer	Employer	Not a perquisite*	<table border="1"> <tr> <th>cc of engine</th> <th>Perquisite value</th> </tr> <tr> <td>Up to 1.6 litres</td> <td>Rs. 1,800 p.m.</td> </tr> <tr> <td>above 1.6 litres</td> <td>Rs.2,400 p.m</td> </tr> </table>		cc of engine	Perquisite value	Up to 1.6 litres	Rs. 1,800 p.m.	above 1.6 litres	Rs.2,400 p.m
				cc of engine	Perquisite value						
				Up to 1.6 litres	Rs. 1,800 p.m.						
				above 1.6 litres	Rs.2,400 p.m						
If chauffeur is also provided, Rs. 900 p.m. should be added to the above value.											
2	Employee	Employer	Not a perquisite*	Actual amount of expenditure incurred by the employer as reduced by the perquisite value arrived at in (1) above.							
3	Employer	Employee		<table border="1"> <tr> <th>cc of engine</th> <th>Perquisite value</th> </tr> <tr> <td>Up to 1.6 litres</td> <td>Rs. 600 p.m.</td> </tr> <tr> <td>above 1.6 litres</td> <td>Rs.900 p.m.</td> </tr> </table>		cc of engine	Perquisite value	Up to 1.6 litres	Rs. 600 p.m.	above 1.6 litres	Rs.900 p.m.
				cc of engine	Perquisite value						
				Up to 1.6 litres	Rs. 600 p.m.						
				above 1.6 litres	Rs.900 p.m.						
If chauffeur is also provided, Rs. 900 p.m. should be added to the above value.											

* Provided employer maintains the complete details of such journey and expenditure thereon and gives a certificate that such expenditure are incurred wholly for official use. Note: Where car is owned by employer and expenses are also met by the employer, the taxable perquisites in case such car is used wholly for personal purposes of the employee would be equal to the actual expenditure incurred by the employer on running and maintenance expenses and normal wear and tear(calculated @10% p.a. of actual cost of motor car) less amount charged from the employee for such use.

Meaning of Salary:

S. No.	Calculation of exemption of Allowance/ Terminal benefit/Valuation of perquisite	Meaning of salary
1.	Gratuity (in case of non-Government employees covered by the Payment of Gratuity Act, 1972)	Basic salary and dearness allowance.

<p>2.</p>	<p>a) Gratuity (in case of nonGovernment employee not covered by Payment of Gratuity Act, 1972) b) Leave Salary c) House Rent Allowance d) Recognized Provident Fund e) Voluntary Retirement Compensation</p>	<p>Basic salary and dearness allowance, if provided in terms of employment, and commission calculated as a fixed percentage of turnover.</p>
<p>3.</p>	<p>Rent free accommodation and concessional accommodation</p>	<p>All pay, allowance, bonus or commission or any monetary payment by whatever name called but excludes- (1) Dearness allowance not forming part of computation of superannuation or retirement benefit (2) employer's contribution to the provident fund account of the employee; (3) allowances which are exempted from the payment of tax; (4) value of the perquisites specified in section 17(2); (5) any payment or expenditure specifically excluded under the proviso to section 17(2) i.e., payment of medical insurance premium specified therein. (6) lump-sum payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, leave encashment, voluntary retirement benefits, commutation of pension and similar payments.</p>

Deductions from gross salary [Section 16]

<p>1.</p>	<p>Standard deduction [Section 16(ia)] Standard deduction of up to Rs.50,000.</p>						
<p>2.</p>	<p>Entertainment allowance (allowable only in the case of government employees) [Section 16(ii)] Least of the following is allowed as deduction:</p> <table border="1" data-bbox="338 2139 1243 2448"> <tr> <td data-bbox="338 2139 478 2243"> <p>1.</p> </td> <td data-bbox="478 2139 1243 2243"> <p>Rs.5000</p> </td> </tr> <tr> <td data-bbox="338 2243 478 2347"> <p>2.</p> </td> <td data-bbox="478 2243 1243 2347"> <p>1/5th of basic salary</p> </td> </tr> <tr> <td data-bbox="338 2347 478 2448"> <p>3.</p> </td> <td data-bbox="478 2347 1243 2448"> <p>Actual entertainment allowance received</p> </td> </tr> </table>	<p>1.</p>	<p>Rs.5000</p>	<p>2.</p>	<p>1/5th of basic salary</p>	<p>3.</p>	<p>Actual entertainment allowance received</p>
<p>1.</p>	<p>Rs.5000</p>						
<p>2.</p>	<p>1/5th of basic salary</p>						
<p>3.</p>	<p>Actual entertainment allowance received</p>						

3.	<p>Professional tax [Section 16(iii)]</p> <p>Any sum paid by the assessee on account of tax on employment is allowable as deduction. In case professional tax is paid by employer on behalf of employee, the amount paid shall be included in gross salary as a prerequisite and then deduction can be claimed.</p>
-----------	--

Relief when salary is paid in arrears or in advance [Section 89]

Step 1	<p>Calculate tax payable of the previous year in which the arrears/advance salary is received by considering:</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 10%;">a.</td> <td>Total Income inclusive of additional salary</td> </tr> <tr> <td>b.</td> <td>Total Income exclusive of additional salary</td> </tr> </table>	a.	Total Income inclusive of additional salary	b.	Total Income exclusive of additional salary
a.	Total Income inclusive of additional salary				
b.	Total Income exclusive of additional salary				
Step 2	Compute the difference the tax calculated in Step 1 and Step 2 [i.e., (a) - (b)]				
Step 3	<p>Calculate the tax payable of every previous year to which the additional salary relates:</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 10%;">a.</td> <td>On total income including additional salary of that particular previous year</td> </tr> <tr> <td>b.</td> <td>On total income excluding additional salary.</td> </tr> </table>	a.	On total income including additional salary of that particular previous year	b.	On total income excluding additional salary.
a.	On total income including additional salary of that particular previous year				
b.	On total income excluding additional salary.				
Step 4	Calculate the difference between (a) and (b) in Step 3 for every previous year to which the additional salary relates and aggregate the same.				
Step 5	Relief under section 89(1) = Amount calculated in Step 2 - Amount calculated in Step 4				

UNIT - 2 : INCOME FROM HOUSE PROPERTY

Section	Contents
22	<p>Basis of Charge</p> <p>The annual value of any property comprising buildings or lands appurtenant thereto, of which the assessee is the owner, is chargeable to tax under the head "Income from house property".</p> <p>(i) Property should consist of any buildings or lands appurtenant thereto Income from letting out of vacant land is, however, taxable under the head "Income from other sources" or "Profits and gains from business or profession",</p>

as the case may be.

(ii) Assessee must be the owner of the property

(iii) The property may be used for any purpose, but it should not be used by the owner for the purpose of any business or profession carried on by him, the profit of which is chargeable to tax. Further, the income earned by an assessee engaged in the business of letting out of properties on rent would be taxable as business income.

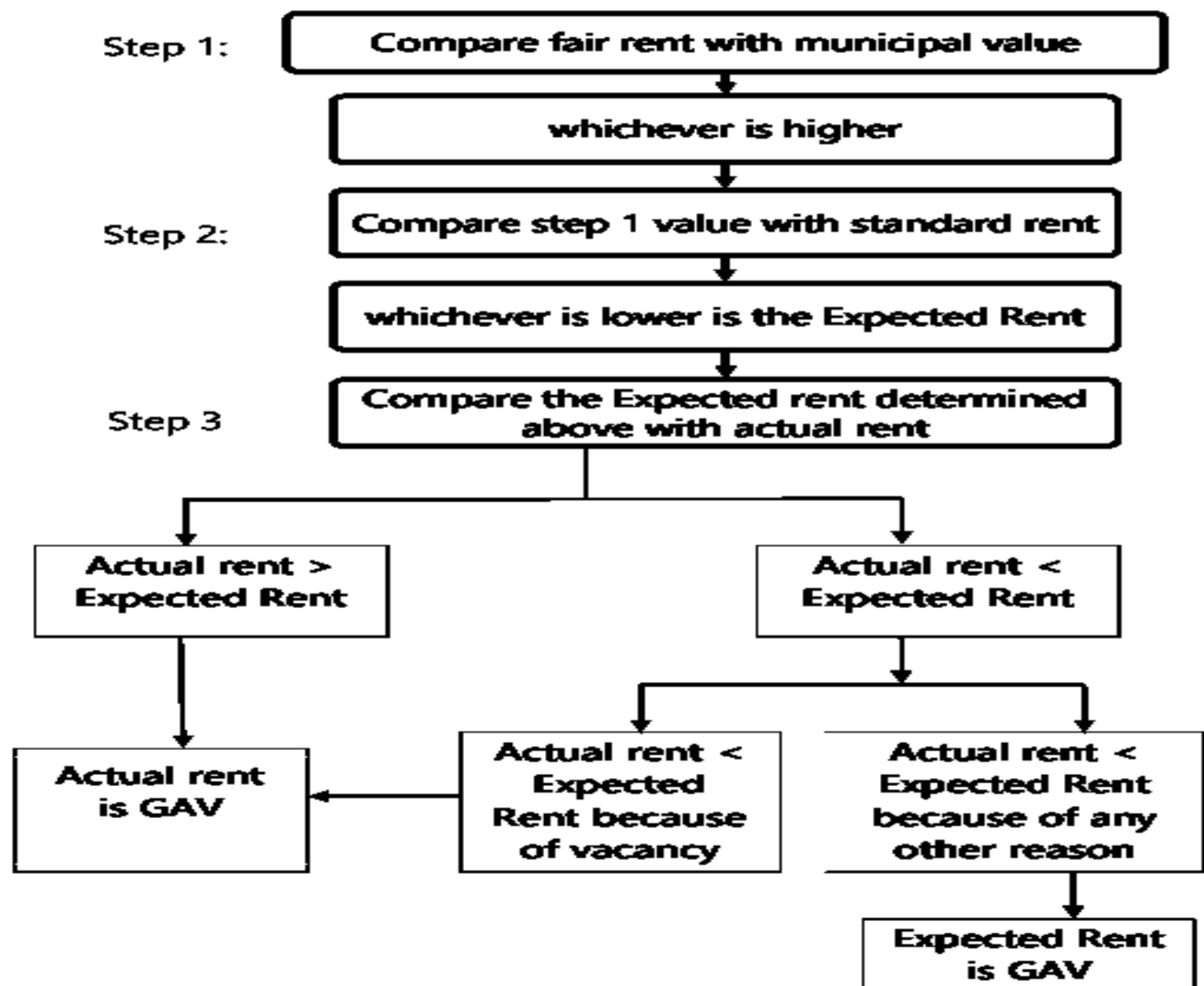
(iv) Property held as stock-in-trade etc.

Annual value of house property will be charged under the head "Income from house property", where it is held by the assessee as stock-in-trade of a business also.

23(1)

Annual Value of let-out property

Annual value is the amount arrived after deducting the municipal taxes **actually paid by the owner** during the previous year from the Gross Annual Value (GAV). The GAV of Let-out property would be determined in the following manner:



23(2)	<i>Annual Value of self-occupied property Where the property is self-occupied for own residence or unoccupied throughout the previous year owing to his employment, business or profession carried on at any other place and residing at that other place in a building not belonging to him, its Annual Value will be Nil, provided no other benefit is derived by the owner from such property. An assessee can claim benefit of Nil Annual Value in respect of one or two residential house properties self-occupied by him.</i>
23(4)	<i>Annual Value of deemed to be let-out property If more than two properties are so self-occupied/unoccupied, the assessee may claim benefit of Nil annual value in respect of any two properties at his option. The other property(s) would be deemed to be let out, in respect of which Expected Rent would be the GAV.</i>
23(5)	<i>Annual value where the property is held as stock-in-trade etc. Where property consisting of any buildings or lands appurtenant thereto is held as stock-in-trade and the whole or any part of the property is not let out during the whole or any part of the previous year, the annual value of such property or part of the property for the period up to 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 shall be taken as "Nil".</i>
24	<p>Deductions from Annual Value</p> <p>1. 30% of Annual Value [Section 24(a)] 2. Interest on borrowed capital [Section 24(b)]: Interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction can be claimed as deduction.</p> <p>Pre-construction interest: Interest for the period prior to the previous year in which property is acquired or construction is completed. Pre-construction interest is allowable as deduction in 5 equal instalments from the previous year of completion of construction or acquisition.</p> <p>(a) Let out property: Whole of the amount of interest on borrowed capital payable during the previous year and apportioned pre-construction interest without any ceiling limit would be allowed as deduction.</p> <p>(b) Self-occupied property:</p> <p>(i) Loan taken on or after 1.4.99:</p> <p>Interest on loan taken for acquisition or construction of house on or after 1.4.99, where such construction is completed within 5 years from the end of the financial year in which capital was borrowed, aggregate interest paid or payable for one or two self-occupied properties subject to a maximum of ` 2,00,000 (including apportioned pre-construction interest).</p>

	<p>(ii) Loan taken before 1.4.99:</p> <p>In case of loan for acquisition or construction taken prior to 1.4.99 or loan taken for repair, renovation or reconstruction at any point of time, aggregate interest paid or payable for one or two self-occupied properties subject to a maximum of Rs.30,000 (including apportioned pre construction interest).</p> <p>Note - Total amount of interest deduction under (i) and (i) in respect of one or two self-occupied properties owned by the assessee cannot exceed Rs.2,00,000.</p>
25	Inadmissible deductions 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
25A	Taxability of recovery of unrealised rent & arrears of rent received (i) Taxable in the year of receipt/ realisation (ii) Deduction@30% of rent received/ realised (iii) Taxable even if assessee is not the owner of the property in the financial year of receipt/ realisation
26	<p>Co-owned property</p> <p>(i) Self-occupied property:</p> <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 Rs. 30,000 / Rs.2,00,000, as the case may be, on account of interest on borrowed capital. However, aggregate deduction of interest to each co-owner in respect of co-owned self-occupied property and any other self occupied house property, if any, cannot exceed Rs.30,000/ Rs.2,00,000, as the case may be.</p> <p>(ii) Let-out property:</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 share.</p>
27	<p>Deemed Ownership:</p> <p>The following persons, though not legal owners of a property, are deemed to be the owners: (i) Transferor of the property, where the property is transferred to the spouse or to minor child except minor married daughter, without adequate consideration (ii) Holder of an impartible estate (iii) Member of a co-operative society etc. (iv) Person in possession of a property (v) Person having right in a property for a period not less than 12 years</p>

Other important points

1	The Actual rent received/receivable should not include any amount of rent which is not capable of being realised i.e., unrealized rent while determining gross annual value in case let-out property, provided the conditions specified in Rule 4 are satisfied. Note - The income-tax returns, however, permit deduction of unrealized rent from gross annual value. If this view is taken, the unrealized rent should be deducted only after computing gross annual value
2	If a portion of a property is let-out and a portion is self-occupied, then, the income will be computed separately for let out and self occupied portion.

UNIT - 3 : PROFITS AND GAINS OF BUSINESS OR PROFESSION

Method of Accounting [Section 145]

Income chargeable under this head shall be computed in accordance with the method of accounting, either cash or mercantile basis, regularly and consistently employed by the assessee.

Income chargeable under this head [Section 28]

(i) The profits and gains of any business or profession carried on by the assessee at any time during the previous year.

(ii) Any compensation or other payment due to or received by a person, at or in connection with -

(a) Termination of his management or modification of the terms and conditions relating thereto, in case the person is managing the whole or substantially the whole of the affairs of an Indian company.

(b) Termination of his office or modification of the terms and conditions relating thereto, in case the person is managing the whole or substantially the whole of the affairs in India of any other company.

(c) Termination of agency or modification of the terms and conditions relating thereto, in case the person is holding an agency in India for any part of the activities relating to the business of any other person.

(d) Vesting in the Government or in any corporation owned and controlled by the Government, under any law for the time being in force, of the management of any property or business.

(e) Termination or the modification of the terms and conditions of any contract relating to his business

(iii) Income derived by a trade, professional or similar association from specific services performed for its members.

(iv) In the case of an assessee carrying on export business, the following incentives -

(a) Profit on sale of import entitlements;

(b) Cash assistance against exports under any scheme of GoI;

(c) Customs duty or excise re-paid or repayable as drawback;

(d) Profit on transfer of Duty Free Replenishment Certificate.

(v) Value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of profession.

(vi) Any interest, salary, bonus, commission or remuneration due to, or received by, a partner of a firm from such firm (to the extent allowed as deduction in the hands of the firm).

(vii) Any sum, received or receivable, in cash or kind under an agreement for -

(a) not carrying out any activity in relation to any business or profession; or

(b) not sharing any know-how, patent, copyright, trademark, licence, franchise or any other business or commercial right of similar nature or information or technique likely to assist in the manufacture or processing of goods or provision of services.

(viii) Any sum received under a Keyman insurance policy including the sum allocated by way of bonus on such policy.

(ix) Fair market value of inventory as on date on which it is converted into or treated as a capital asset.

(x) Any sum, whether received or receivable, in cash or kind, on account of any capital asset (other than land or goodwill or financial instrument) being demolished, destroyed, discarded or transferred, in respect of which the whole of the expenditure had been allowed as deduction under section 35AD.

Computation of income under the head "Profits and gains of business or profession"

As per section 29, the income referred to in section 28 has to be computed in accordance with the provisions contained in sections 30 to 43D.

Admissible Deductions

Section	Deduction
30	Amount paid on account of rent, rates, taxes, repairs (not including expenditure in the nature of capital expenditure) and insurance for buildings used for the purpose of business or profession. In case the premises are occupied by the assessee as a tenant, the amount of repairs would be allowed as deduction only if he has undertaken to bear the cost of repairs to the premises
31	Amount paid on account for current repairs and insurance of machinery, plant and furniture used for the purpose of business or profession.
32	<p>Depreciation</p> <p>Depreciation is mandatorily allowable as deduction.</p> <p>Conditions for claiming depreciation</p> <ul style="list-style-type: none"> • Assets must be used for the purpose of business or profession at any time during the previous year. <p>Note: If the asset is acquired during the previous year and is put to use for less than 180 days during that previous year then, only 50% of the depreciation calculated at the rates prescribed will be allowed.</p> <ul style="list-style-type: none"> • The asset should be owned (wholly or partly) by the assessee. • The depreciation shall be allowed on the written down value of the block of assets at the prescribed rates (except in the case of assets of power generating units, in respect of which depreciation has to be calculated as a percentage of actual cost). <p>As per section 2(11), block of assets means a group of assets falling within a class of assets comprising:</p> <p>(a) tangible assets, being buildings, machinery, plant or furniture,</p> <p>(b) intangible assets, being know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature, not being goodwill of a business or profession; in respect of which, the same rate of depreciation is prescribed.</p>
	Written Down Value of Assets (W.D.V.) [Section 43(6)]

	(1) W.D.V. of the block of assets in immediately preceding previous year	xxx
	(2) Less: Depreciation actually allowed in respect of that block of assets in said preceding previous year	xxx
	Opening balance as on 1st April of the current P.Y. Increased by	xxx
	(3) Actual cost of assets acquired during the previous year, not being on account of acquisition of goodwill of a business or profession	xxx
	(4) Total (1) - (2) + (3)	xxx
	Reduced by	
	(5) Money receivable in respect of any asset falling within the block which is sold, discarded, demolished or destroyed during that previous year together with scrap value. However, such an amount cannot exceed the amount in (4).	xxx
	(6) In case of slump sale , actual cost of the asset (-) amount of depreciation that would have been allowable to the assessee for any assessment year as if the asset was the only asset in the block. However, such an amount of reduction cannot exceed the WDV.	xxx
	(7) W.D.V at the end of the year (on which depreciation is allowable) [(4) - (5) - (6)]	xxx
	(8) Depreciation at the prescribed rate (Rate of Depreciation × WDV arrived at in (7) above)	xxx
	Note - If the actual cost includes cost of asset put to use for less than 180 days in the relevant P.Y. of acquisition, then, depreciation on such cost would be 50% of the prescribed rate	
32(1)(iia)	Additional depreciation at the rate of 20% of actual cost of plant or machinery acquired and installed after 31.03.2005 by an assessee engaged in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power, shall be allowed. If plant and machinery is acquired and put to use for the purpose of business or profession for less than 180 days during the previous year in which it is acquired, additional depreciation will get restricted to 10% of actual cost (i.e., 50% of 20%). The balance additional depreciation@10% of actual cost will be allowed in the immediately succeeding previous year.	

However, additional depreciation will **not** be allowed on the following plant or machinery:

- Ships, aircraft, road transport vehicles, office appliances;
- Machinery previously used by any other person;
- Machinery installed in any office premises, residential accommodation, or guest house;
- Machinery in respect of which, the whole of the actual cost is fully allowed as deduction (whether by way of depreciation or otherwise) of any one previous year.

Expenditure on Scientific Research

Expenditure incurred by assessee

- Any revenue and capital expenditure (other than cost of acquisition of land) on scientific research for in-house research related to its business is allowable as deduction [**Section 35(1)(i) & Section 35(1)(iv) read with section 35(2)**].
- Deduction is also allowed in respect of payment of salary or purchase of material inputs for such scientific research during 3 years immediately preceding the year of commencement of business. Such expenditure is deemed to have been incurred in the year of commencement of business and is, hence, allowed as deduction in that year [**Section 35(1)(i)**].
- Capital expenditure incurred during 3 years immediately preceding the year of commencement of the business is also deemed to have been incurred in the year in which the business commences, and is hence, allowed as deduction in that year [**Section 35(1)(iv) read with section 35(2)**].
- In case of companies engaged in the business of biotechnology or manufacture or production of article or thing, other than the article or thing listed in the Eleventh Schedule (alcohol spirits, tobacco and tobacco products, cosmetics and toilet preparations, confectionary and chocolates, tooth paste, dental cream, tooth powder and soap), deduction of **100% of expenditure incurred on scientific research** on in-house research and development facility is allowed (other than expenditure on cost of land or building) [**Section 35(2AB)**].

Contributions to Outsiders

Contributions made by any assessee to certain specified/ approved institutions shall be entitled to deduction of 100% of contribution made to:

Section	Association/University/Company/College/IIT
35(1)(ii)	Notified approved research association/university/college/ other institution for scientific research

	35(1)(iia)	Approved notified Company for scientific research
	35(1)(iii)	Notified approved research association/university/college/ other institution for research in social science or statistical research
	35(2AA)	Approved National Laboratory/ University/ IIT/ specified person to be used for scientific research undertaken under an approved programme
35AD	<p>This section provides for investment-linked tax deduction in respect of the following specified businesses commencing operations on or after the dates specified thereto -</p> <ul style="list-style-type: none"> • setting-up and operating 'cold chain' facilities for specified products (commencing operations on or after 1.4.2009); • setting-up and operating warehousing facilities for storing agricultural produce (commencing operations on or after 1.4.2009); • laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network (commencing operations on or after 1.4.2007); • building and operating a hotel of two-star or above category, anywhere in India (commencing operations on or after 1.4.2010); • building and operating a hospital, anywhere in India, with at least 100 beds for patients (commencing operations on or after 1.4.2010); • developing and building a housing project under a notified scheme for slum redevelopment or rehabilitation framed by the Central Government or a State Government (commencing operations on or after 1.4.2010); • developing and building a housing project under a notified scheme for affordable housing framed by the Central Government or State Government (commencing operations on or after 1.4.2011); • production of fertilisers in India (commencing operations on or after 1.4.2011); • setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962 (commencing operations on or after 1.4.2012); • bee-keeping and production of honey and beeswax (commencing operations on or after 1.4.2012); • setting up and operating a warehousing facility for storage of sugar 	

(commencing operations on or after 1.4.2012);

- laying and operating a slurry pipeline for transportation of iron-ore (commencing operations on or after 1.4.201

- developing or maintaining and operating or developing, maintaining and operating a new infrastructure facility (commencing operations on or after 1.4.2017)

Quantum of deduction - 100% of the capital expenditure (other than expenditure on acquisition of any land, goodwill or financial instrument) incurred during the previous year, wholly and exclusively for the above specified businesses would be allowed as deduction from the business income of an assessee, if he has opted for the provisions of section 35AD.

Further, the expenditure incurred, wholly and exclusively, for the purpose of specified business **prior to commencement of operation** would be allowed as deduction during the previous year in which the assessee commences operation of his specified business, provided the amount incurred prior to commencement has been **capitalised in the books of account of the assessee on the date of commencement of its operations.**

Payment exceeding Rs.10,000 to be made through prescribed electronic modes to qualify for deduction u/s 35AD - Any expenditure in respect of which payment or aggregate of payment made to a person of an amount exceeding Rs.10,000 in a day otherwise than by account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through such other prescribed electronic modes would not be eligible for deduction.

Non-eligibility for deduction u/s 10AA or Chapter VI-A - An assessee availing investment-linked tax deduction u/s 35AD in respect of any specified business in any assessment year, is not eligible for claiming profit-linked deduction under Chapter VI-A or section 10AA for the same or any other A.Y. in respect of such specified business if the assessee has claimed or opted for section 35AD and deduction thereunder has been allowed to him.

Asset to be used only for specified business for 8 years - Any asset in respect of which a deduction is claimed and allowed under section 35AD shall be used only for the specified business, for a period of 8 years beginning with the previous year in which such asset is acquired or constructed. If such asset is used for any purpose other than the specified business, **the total amount of deduction so claimed and allowed u/s 35AD in any previous year**

	<i>in respect of such asset, as reduced by the depreciation allowable under section 32 as if no deduction had been allowed under section 35AD, shall be deemed to be the business income of the assessee of the previous year in which the asset is so used</i>
35D	<p>Preliminary expenditure incurred by Indian companies and other resident non-corporate assesseees shall be allowed as deduction over a period of 5 years beginning with the previous year in which business commences or in which extension of the undertaking is completed or the new unit commences operation or productions.</p> <p>Examples of Preliminary expenses - expenses on preparation of project report, feasibility report, market survey, engineering services, legal charges for drafting agreement.</p> <p><i>In case of a Company, preliminary expenses would include, in addition to the above, legal charges for drafting MOA, AOA, printing of MOA and AOA, fee for registration of Co., expenditure in connection with issue of shares or debentures of Co. (i.e. underwriting commission, brokerage and charges for drafting, typing, printing and advertisement of the prospectus)</i></p> <p>Qualifying amount - Maximum aggregate amount of the qualifying expenses that can be amortised is 5% of the cost of the project (i.e., actual cost of fixed assets in the books of account on the last day of the P.Y.). In case of an Indian company, 5% of the cost of project or at its option, 5% of the capital employed by the company (aggregate of issued share capital, debentures, long-term borrowings as on the last day of the P.Y.), whichever is higher.</p>
35DDA	One-fifth of the expenditure incurred by an assessee-employer in any previous year in the form of payment to any employee in connection with his voluntary retirement in accordance with a scheme of voluntary retirement, shall be allowed as deduction in that previous year and the balance in four equal instalments in the immediately four succeeding previous years.
36(1)(iii) I	Interest paid in respect of capital borrowed for the purposes of business or profession. However, any interest paid for acquisition of an asset (whether capitalised in the books of account or not) for any period beginning from the date on which the capital was borrowed for acquisition of the asset till the date on which such asset was first put to use, shall not be allowed as deduction.
36(1)(iv)	Any sum paid by the assessee as an employer by way of contribution towards a recognized provident fund or approved superannuation fund.
36(1)(iva)	Any sum paid by the assessee as an employer by way of contribution towards a pension scheme referred to in section 80CCD, to the extent of 10% of salary of any employee. Salary includes dearness allowance, if the

	terms of employment so provide. Correspondingly, section 40A(9) disallows the sum paid in excess of 10% of the salary of any employee
36(1)(va)	Amount received by assessee-employer as contribution from his employees towards their welfare fund to be allowed as deduction only if such amount is credited by the assessee to the employee's account in the relevant fund on or before due date under the relevant Act/Rule/order/notification. Amount credited after the said due date but on or before the due date under section 139(1) would not be eligible for deduction.
36(1)(vii)	Any bad debts written off as irrecoverable in the accounts of the assessee for the previous year, provided the debt has been taken into account in computing the income of the previous year or any earlier previous year. Amount of debt taken into account in computing the income of the assessee on the basis of notified ICDSs to be allowed as deduction in the previous year in which such debt or part thereof becomes irrecoverable. If a debt, which has not been recognized in the books of account as per the requirement of the accounting standards but has been taken into account in the computation of income as per the notified ICDSs, has become irrecoverable, it can still be claimed as bad debts under section 36(1)(vii) since it shall be deemed that the debt has been written off as irrecoverable in the books of account by virtue of the second proviso to section 36(1)(vii). This is because some ICDSs require recognition of income at an earlier point of time (prior to the point of time such income is recognised in the books of account). Consequently, if the whole or part of such income recognised at an earlier point of time for tax purposes becomes irrecoverable, it can be claimed as bad debts on account of the second provision to section 36(1)(vii).
36(1)(ix)	Any bona fide expenditure incurred by a company for the purpose of promoting family planning amongst its employees. In case the expenditure or part thereof is of capital nature, one-fifth of such expenditure shall be deducted for the previous year in which it was incurred; and the balance in four equal instalments in four succeeding previous years. Family planning expenses, whether revenue or capital, is not allowable as deduction for non-corporate assesses, like individuals, HUFs, firms, LLPs.
36(1)(xv)	An amount equal to the securities transaction tax (STT) paid by the assessee in respect of taxable securities transactions entered into in the course of his business during the previous year, if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession"
36(1)(xvi)	An amount equal to commodities transaction tax (CTT) paid in respect of taxable commodities transactions entered into the course of business during the previous year, if the income arising from such taxable commodities

	transactions is included in the income computed under the head "Profits and gains of business or profession"
--	--

General

37(1)	<p>An expenditure shall be allowed under section 37, provided:</p> <ul style="list-style-type: none"> • it is not in the nature of expenditure described under sections 30 to 36; • it is not in the nature of capital expenditure; • it is not a personal expenditure of the assessee; • it is laid out and expended wholly and exclusively for the purpose of business/profession; • it is not incurred for any purpose which is an offence or which is prohibited by law; and • it is not an expenditure incurred by the assessee on CSR activities referred to in section 135 of the Companies Act, 2013. <p>Expenditure incurred for any purpose which is an offence or which is prohibited by law" shall include and shall be deemed to have always included the expenditure incurred by an assessee,</p> <p>- (i) for any purpose which is an offence under any law for the time being in force, in India or outside India or which is prohibited by any law for the time being in force, in India or outside India; or</p> <p>(ii) to provide any benefit or perquisite to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guidelines, as the case may be, for the time being in force, governing the conduct of such person; or</p> <p>(iii) to compound an offence under any law for the time being in force, in India or outside India.</p>
37(2B)	<p>Any expenditure incurred for advertising in any souvenir, brochure, tract, pamphlet etc. published by a political party is not allowable as deduction</p>

Amounts not deductible In the hands of any assessee

Section	Particulars
40(a)(i)	<i>Any interest, royalty, fees for technical services or other sum chargeable under the Act, which is payable outside India or in India to a non corporate non-resident or to a foreign company, on which tax deductible at source has not been deducted or after deduction has not been paid on or before the due date specified u/s 139(1). However, if such tax has been deducted in any subsequent year or has been deducted in the previous year but paid in the subsequent year after the due date specified under section 139(1), such sum shall be allowed as deduction in computing the income of the previous year in which such tax is paid.</i>
40(a)(ia)	<i>30% of any sum payable to a resident on which tax is deductible at source under Chapter XVII-B and such tax has not been deducted or, after deduction has not been paid on or before the due date for filing of return of income u/s 139(1). However, if such tax has been deducted in any subsequent year or has been deducted in the previous year but paid in the subsequent year after the due date specified under section 139(1), 30% of such sum shall be allowed as deduction in computing the income of the previous year in which such tax is paid.</i>
40(a)(ii)	<i>Any sum paid on account of income-tax including surcharge or cess</i>
40(a)(iii)	<i>Any payment chargeable under the head "Salaries", if it is payable outside India or to a non-resident, if tax has not been paid thereon nor deducted therefrom</i>
40(a)(v)	<i>Tax paid by the employer on non-monetary perquisites provided to its employees, which is exempt under section 10(10CC) in the hands of the employee</i>

In case of partnership firms or LLPs -

40(b)	(i)	Salary, bonus, commission or remuneration, by whatever name called, paid to any partner who is not a working partner;	
	(ii)	Payment of remuneration to a working partner or interest to any partner, which is not - <ul style="list-style-type: none"> • authorised by the partnership deed; or • in accordance with the terms of the partnership deed 	
	(iii)	Payment of remuneration to a working partner or interest to any partner authorised by and in accordance with the terms of the partnership deed, but relates to a period falling prior to the date of such partnership and is not authorised by the earlier partnership deed.	
	(iv)	Payment of interest to any partner authorised by and in accordance with the terms of the partnership deed and falling after the date of the partnership deed to the extent of the excess of the amount calculated at 12% simple interest per annum .	
	(v)	Payment of remuneration to a working partner which is authorised by and in accordance with the partnership deed to the extent the aggregate of such payment to working partners exceed the following limits -	
		a	On the first Rs.3,00,000 of the book-profit or in case of a loss
	b	On the balance of book profit	60%

Meaning of Book profit: Book profit means the **net profit as shown in the P & L A/c** for the relevant previous year computed in accordance with the provisions for computing income

from profits and gains. The above amount should be increased by the remuneration paid or payable to all partners of the firm if the same has been deducted while computing net profit.

Expenses or payments not deductible in certain circumstances

Section	Particulars												
40A(2)	<p>Any expenditure incurred in respect of which a payment is made to a related person or entity, to the extent it is considered excessive or unreasonable by the Assessing Officer. Few examples of related persons are as under:</p> <table border="1"> <thead> <tr> <th>Assessee</th> <th>Related Person</th> </tr> </thead> <tbody> <tr> <td>Individual</td> <td>Any relative of the individual (husband or wife, brother or sister, any lineal ascendant or descendant of the individual)</td> </tr> <tr> <td>Firm</td> <td>Any partner of the firm or relative of such partner</td> </tr> <tr> <td>HUF & AOP</td> <td>Any member of the AOP or HUF or any relative of such member</td> </tr> <tr> <td>Company</td> <td>Director of the company or any relative of the director</td> </tr> <tr> <td>Any assessee</td> <td>Any individual who has a substantial interest (20% or more voting power or beneficial entitlement to 20% of profits) in the business or profession of the assessee; or A relative of such individual.</td> </tr> </tbody> </table>	Assessee	Related Person	Individual	Any relative of the individual (husband or wife, brother or sister, any lineal ascendant or descendant of the individual)	Firm	Any partner of the firm or relative of such partner	HUF & AOP	Any member of the AOP or HUF or any relative of such member	Company	Director of the company or any relative of the director	Any assessee	Any individual who has a substantial interest (20% or more voting power or beneficial entitlement to 20% of profits) in the business or profession of the assessee; or A relative of such individual.
Assessee	Related Person												
Individual	Any relative of the individual (husband or wife, brother or sister, any lineal ascendant or descendant of the individual)												
Firm	Any partner of the firm or relative of such partner												
HUF & AOP	Any member of the AOP or HUF or any relative of such member												
Company	Director of the company or any relative of the director												
Any assessee	Any individual who has a substantial interest (20% or more voting power or beneficial entitlement to 20% of profits) in the business or profession of the assessee; or A relative of such individual.												
40A(3)	<p>Any expenditure, in respect of which a payment or aggregate of payments made to a person in a single day other than by account payee cheque or account payee bank draft or ECS through bank account or through such other prescribed electronic modes exceeds Rs.10,000.</p> <p>In case of payments made to transport operators for plying, hiring or leasing goods carriages, an enhanced limit of Rs. 35,000 shall apply.</p> <p>If the payment/payments exceed this limit, the entire expenditure would be disallowed.</p> <p>However, disallowance would not be attracted if the cases and circumstances in which payment is made otherwise than by way of an account payee cheque or bank draft are covered in Rule 6DD.</p> <p>Few Examples of exceptions covered in Rule 6DD:</p> <ul style="list-style-type: none"> -Payment to RBI, SBI, Co-operative banks -Payment made to Government, which according to its Rules, has to be made in 												

	<p><i>legal tender</i></p> <p><i>-Payment for purchase of agricultural produce, forest produce, fish and fish products, productions of horticulture or apiculture to the cultivator, grower or producer of such produce or products.</i></p>
40A(3A)	<p><i>Where an expenditure has been allowed as deduction on accrual basis in any previous year, and payment is made in a subsequent previous year otherwise than by account payee cheque or account payee bank draft or ECS through bank account or through such other prescribed electronic modes and such payment (or aggregate of payments made to a person in a day is made in a subsequent previous year) is in excess of the limits of Rs. 10,000/ Rs. 35,000 specified above, the payment/aggregate of payments so made shall be deemed as profits and gains of the business or profession and charged to tax as income of the subsequent previous year.</i></p> <p><i>However, the deeming provision will not apply in the cases and circumstances covered in Rule 6DD.</i></p>
40A(7)	<p>Provision for payment of gratuity to employees.</p> <p><i>However, disallowance would not be attracted if provision is made for contribution to approved gratuity fund or for payment of gratuity that has become payable during the year.</i></p>

Profits chargeable to tax [Section 41]

41(1)	<p><i>Where deduction was allowed in respect of loss, expenditure or trading liability for any year and subsequently, during any previous year, the assessee or successor of the business has obtained any amount in respect of such loss or expenditure or some benefit in respect of such trading liability by way of remission or cessation thereof, the amount obtained or the value of benefit accrued shall be deemed to be income of the P.Y. in which such benefit was obtained.</i></p>
41(3)	<p><i>Amount realised on transfer of an asset used for scientific research without being used for other purposes is taxable as business income in the year of sale to the extent of lower of - - deduction allowed under section 35(1)(iv); and - sale proceeds</i></p>
41(4)	<p><i>Any amount recovered by the assessee against bad debt earlier allowed as deduction shall be taxed as income in the year in which it is received.</i></p>

Certain Deductions to be allowed only on Actual Payment [Section 43B]

In respect of the following sums payable by an assessee during the P.Y., deduction is allowable only if the sum is actually paid on or before the due date of filing of return u/s 139(1) for the said P.Y. Otherwise, the same would be allowed only in the year in which the sum is actually paid.

- (i) **Tax, duty, cess or fee**, under any law for the time being in force; or
- (ii) **Contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees**; or
- (iii) **Bonus or commission for services rendered by employees**, where such sum would not have been payable to him as profits or dividend if it had not been paid as bonus or commission; or
- (iv) **Interest on any loan or borrowing from any public financial institution or a State Financial Corporation or a State Industrial Investment Corporation**, in accordance with the terms and conditions of the agreement governing such loan or borrowing; or
- (v) **Interest on any loan or borrowing from a deposit taking NBFC or systemically important non-deposit taking NBFC** (i.e., whose total assets as per the last audited Balance Sheet is Rs.500 crore or more), in accordance with the terms and conditions of the agreement governing such loan or borrowing
- (vi) **Interest on any loan or advance from a scheduled bank or cooperative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank** in accordance with the terms and conditions of the agreement governing such loan or advances; or
- (vii) **Payment in lieu of any leave at the credit of his employee.**
- (viii) **Any sum payable to the Indian Railways for use of Railway assets.**

Other Provisions

Section	Particulars
43CA	<p>Where the consideration for the transfer of an asset (other than capital asset), being land or building or both, is less than the stamp duty value, the value so adopted or assessed or assessable (i.e., the stamp duty value) shall be deemed to be the full value of the consideration for the purposes of computing income under the head "Profits and gains of business or profession".</p> <p>However, if the stamp duty value does not exceed 110% of the actual consideration received or accruing then, such consideration shall be deemed</p>

	<p>to be the full value of consideration for the purpose of computing profits and gains from transfer of such asset. Further, where the date of an agreement fixing the value of consideration for the transfer of the asset and the date of registration of the transfer of the asset are not same, the stamp duty value may be taken as on the date of the agreement for transfer instead of on the date of registration for such transfer, provided at least a part of the consideration has been received by way of an account payee cheque/ account payee bank draft or use of ECS through a bank account or through such other prescribed electronic modes on or before the date of the agreement.</p>
--	--

44AB	Mandatory audit of accounts of certain persons
-------------	---

	Category of person	Condition for applicability of section 44AB
1	2	3
I	In case of a person carrying on business	
a	<i>In case of a person carrying on business</i>	<i>If his total sales, turnover or gross receipts in business > Rs.1 crore in the relevant PY Note - The requirement of audit u/s 44AB does not apply to a person who declares profits and gains on presumptive basis u/s 44AD and his total sales, turnover, or gross receipts does not exceed Rs.2 crore.</i>
	<i>If in case of such person carrying on business - (i) Aggregate cash receipts in the relevant PY ≤ 5% of total receipts (incl. receipts for sales, turnover, gross receipts); and (ii) Aggregate cash payments in the relevant PY ≤ 5% of total payments (incl. amount incurred for expenditure)</i>	<i>If his total sales, turnover or gross receipts in business > Rs.10 crore in the relevant PY</i>

Note - For this purpose, the payment or receipt, as the case may be, by a cheque drawn on a bank or by a bank draft, which is not account payee, would be deemed to be the payment or receipt, as the case may be, in cash.

b	<i>In case of an assessee covered u/s 44AE i.e., an assessee engaged in the business of plying, hiring or leasing goods carriages who owns not more than 10 goods carriages at any time during the P.Y.</i>	<i>If such assessee claims that the profits and gains from business in the relevant P.Y. are lower than the profits and gains computed on a presumptive basis u/s 44AE [i.e Rs. 1000 per ton of gross vehicle weight or unladen weight in case of each heavy goods vehicle and Rs.7,500 for each vehicle, other than heavy goods vehicle, for every month or part of the month for which the vehicle is owned by the assessee].</i>
c	<i>In case of an eligible assessee carrying on business, whose total turnover, sales, gross receipts \leq Rs. 200 lakhs, and who has opted for section 44AD in any earlier PY (say, P.Y.2021-22)</i>	<i>If he declares profit for any of the five successive PYs (say, P.Y.2022- 23) not in accordance with section 44AD (i.e., he declares profits lower than 8% or 6% of total turnover, sales or gross receipts, as the case may be, in that year), then he cannot opt for section 44AD for five successive PYs after the year of such default (i.e., from P.Y.2023-24 to P.Y.2027-28). For the year of default (i.e., P.Y.2022-23) and five successive previous years (i.e., P.Y.2023-24 to P.Y.2027-28), he has to maintain books of account u/s 44AA and get them audited u/s 44AB, if his income exceeds the basic exemption limit.</i>
II	<i>In case of persons carrying on profession</i>	
a	<i>In case of persons carrying on profession</i>	<i>If his gross receipts in profession $>$ Rs.50 lakh in the relevant PY</i>
b	<i>In case of an assessee carrying on a notified profession under section 44AA(1) i.e., legal medical, engineering, accountancy, architecture, interior decoration, technical consultancy, whose gross receipts \leq Rs.50 lakhs</i>	<i>If such resident assessee claims that the profits and gains from such profession in the relevant PY are lower than the profits and gains computed on a presumptive basis u/s 44ADA (50% of gross receipts) and his income exceeds the basic exemption limit in that PY.</i>

Presumptive Income provisions

Section	Particulars	Deemed profits and gains
44AD	<p>Any individual, HUF or firm who is a resident (other than LLP) who has not claimed deduction under section 10AA or Chapter VI-A under the heading "C - Deductions in respect of certain incomes" engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE) and whose total turnover or gross receipts in the previous year does not exceed Rs.2 crore.</p> <p><u>Non-applicability of section 44AD</u></p> <p>This section will not apply to - (i) a person carrying on specified professions referred to in section 44AA(1), (ii) a person earning income in the nature of commission or brokerage;</p> <p>(iii) a person carrying on agency business.</p>	<p>8% of gross receipts or total turnover or such higher sum claimed to have been earned by him</p> <p>However, the presumptive income would be 6% (instead of 8%) of total turnover or sales, in respect of amount which is received</p> <ul style="list-style-type: none"> • by an account payee cheque or • by an account payee bank draft or • by use of electronic clearing system through a bank account or • through such other prescribed electronic modes <p>during the previous year or before the due date of filing</p> <p>of return u/s 139(1) in respect of that previous year</p>
44ADA	<p>An assessee, being an individual or a partnership firm (other than LLP) resident in India, who is engaged -</p> <p>in any profession referred to in section 44AA(1) such as legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette; and whose total gross receipts does not exceed Rs.50 lakhs in a previous year</p>	<p>50% of the gross receipts or such higher sum claimed to have been earned by him.</p>
44AE	<p>Any assessee who owns not more than ten goods carriages at any time during the previous year and who is engaged in the business of plying, hiring and leasing goods carriages.</p>	<p>For each heavy goods vehicle, Rs. 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for every month or part of a month during which the vehicle is owned by the assessee.</p>

		<p><i>For each vehicle, other than heavy goods vehicle, Rs.7,500 per month or part of a month during which such vehicle is owned by the assessee</i></p> <p>(or)</p> <p><i>an amount claimed to have been actually earned from such vehicle, whichever is higher</i></p>
--	--	---

Taxability in case of composite income

In cases where income is derived from the sale of rubber manufactured or processed from rubber plants grown by the seller in India, coffee grown and cured/grown, cured, roasted and grounded by the seller in India, or tea grown and manufactured by the seller in India, the income shall be computed as if it were income derived from business, and a specified percentage of such income, as given in the table below, shall be deemed to be income liable to tax -

Rule	Nature of composite income	Business income (Taxable)	Agricultural Income (Exempt)
7A	<i>Income from sale of rubber products derived from rubber plants grown by the seller in India</i>	35%	65%
7B	<i>- grown and cured by the seller in India</i>	25%	75%
	<i>- grown, cured, roasted and grounded by the seller in India</i>	40%	60%
8	<i>Income from sale of tea grown and manufactured by the seller in India</i>	40%	60%

UNIT - 4 : CAPITAL GAINS

Scope and year of chargeability [Section 45]

Any profits or gains arising from the transfer of a capital asset affected in the previous year will be chargeable to tax under the head 'Capital Gains', and shall be deemed to be the income of the previous year in which the transfer took place [Section 45(1)]

Section	Profits and gains arising from the following transactions chargeable as income	P.Y. in which income is chargeable to tax	Deemed Full Value of consideration for computation of capital gains under section 48
45(1 A)	Money or other asset received under an insurance from an insurer on account of damage/destruction of any capital asset, as a result of, flood, hurricane, cyclone, earthquake or other convulsion of nature, riot or civil disturbance, accidental fire or explosion, action by an enemy or action taken in combating an enemy	The previous year in which such money or other asset is received	The value of money or the fair market value of other asset received
45(2)	Transfer by way of conversion by the owner of a capital asset into stock-in-trade of a business carried on by him.	The previous year in which such stock-in-trade is sold or otherwise transferred by him	The fair market value of the capital asset on the date of such conversion
45(5)	Transfer by way of compulsory acquisition under any law, or a transfer, the consideration for which was determined or approved by the Central Government or RBI	The previous year in which the consideration or part thereof is first received.	Compensation or consideration determined or approved in the first instance by the Central Government or RBI
	If the compensation or consideration is further enhanced by any court, Tribunal or other authority, the enhanced amount will be deemed to	The previous year in which the amount was received by the	Amount by which the compensation or consideration is enhanced or further

	<p>be the income However, any amount of compensation received in pursuance of an interim order of a court, Tribunal or other authority shall be deemed to be income chargeable under the head "Capital Gains" of the previous year in which the final order of such court, Tribunal or other authority is made</p>	<p>assessee.</p>	<p>enhanced. For this purpose cost of acquisition and cost of improvement shall be taken as 'Nil'.</p>
45(5A)	<p>Transfer of a capital asset, being land or building or both, by an individual or Hindu undivided family, who enters into a specified agreement for development of a project, provided he does not transfer his share in the project on or before the date of issuance of completion certificate.</p>	<p>The previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority.</p>	<p>The stamp duty value of his share in the project, being land or building or both, on the date of issuing of said certificate of completion + Consideration received in cash, if any,</p>

Definitions [Section 2]

Secti on	Term	Definition
2(14)	Capital Asset	<p>Capital Asset means -</p> <p>(a) property of any kind held by an assessee, whether or not connected with his business or profession;</p> <p>(b) any securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the SEBI Act, 1992.</p> <p>Exclusions from the definition of Capital Asset:</p> <ul style="list-style-type: none"> -Stock in trade [other than securities referred to in (b) above], raw materials or consumables held for the purposes of business or profession; -Personal effects except jewellery, archeological collections, drawings, paintings, sculptures or any work of art; -Rural agricultural land in India i.e. agricultural land not situated within specified urban limits. <p>The agricultural land described in (a) and (b) below, being land situated</p>

within the specified urban limits, would fall within the definition of "capital asset", and transfer of such land would attract capital gains tax -

(a) agricultural land situated in any area within the jurisdiction of a municipality or cantonment board having population of not less than ten thousand, or

(b) agricultural land situated in any area within such distance, measured aerially, in relation to the range of population as shown hereunder -

	Shortest aerial distance from the local limits of a municipality or cantonment board referred to in item (a)	Population according to the last preceding census of which the relevant figures have been published before the first day of the previous year
i	$\leq 2 \text{ kms}$	$> 10,000$
ii	$> 2 \text{ kms but } \leq 6 \text{ kms}$	$> 1,00,000$
iii	$> 6 \text{ kms but } \leq 8 \text{ kms}$	$> 10,00,000$

-Gold Deposits Bonds issued under the Gold Deposit Scheme, 1999 or deposit certificates issued under the Gold Monetisation Scheme, 2015 and Gold Monetisation Scheme, 2018 notified by the Central Government;

- $6\frac{1}{2}\%$ Gold Bonds, 1977 or 7% Gold Bonds, 1980 or National Defence Gold Bonds, 1980, issued by the Central Government;

-Special Bearer Bonds, 1991 issued by the Central Government.

Note: 'Property' includes and shall be deemed to have always included any rights in or in relation to an Indian company, including rights of management or control or any other rights whatsoever.

2 (42A)	Short Term capital asset		
		Asset	Period of holding to be treated as STCA
		A security (other than a unit) listed in a recognized stock exchange in India, a unit of UTI or a unit of an equity oriented fund or a zero coupon bond	not more than 12 months immediately preceding the date of its transfer
		A share of a company (not being a share listed in a recognized stock exchange in India)	not more than 24 months immediately preceding the date of its transfer
		An immovable property, being land or building or both	not more than 24 months immediately preceding the date of its transfer
		Any other capital asset	not more than 36 months immediately preceding the date of its transfer
2(29 A)	Long- term capital asset	Capital asset which is not a short-term capital asset is a long-term capital asset	
		Asset	Period of holding to be treated as LTCA
		A security (other than a unit) listed in a recognized stock exchange in India, a unit of UTI or a unit of an equity oriented fund or a zero coupon bond	More than 12 months immediately preceding the date of its transfer
		A share of a company (not being a share listed in a recognized stock exchange in India)	More than 24 months immediately preceding the date of its transfer
		An immovable property, being land or building or both	More than 24 months immediately preceding the date of its transfer
		Any other capital asset	More than 36 months immediately preceding

			the date of its transfer
--	--	--	--------------------------

Transactions not regarded as transfer [Section 47]: Some Examples

- Any distribution of capital assets on the total or partial partition of a HUF
- Any transfer of capital asset under a gift or will or an irrevocable trust
- Any transfer of capital asset by a holding company to its 100% subsidiary Indian company or by a subsidiary company to its 100% holding Indian company
- Any transfer or issue of shares by the resulting company, in a scheme of demerger to the shareholders of the demerged company
- Any transfer by a shareholder in a scheme of amalgamation of shares held by him in the amalgamating company
- Any transfer by an individual of sovereign gold bonds issued by RBI by way of redemption
- Any transfer by way of conversion of bonds, debentures, debenture stock, deposit certificates of a company, into shares or debentures of that company.
- Any transfer by way of conversion of preference shares of a company into equity shares of that company
- Any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government.

Mode of computation of Capital Gains [Section 48]

Computation of long-term capital gains

Full value of consideration received or accruing as a result of transfer	XX
Less: Expenditure incurred wholly and exclusively in connection with such transfer (e.g. brokerage on sale)	XX
(Note: Deduction on account of STT paid will not be allowed)	
Net Sale Consideration	
Less: Indexed cost of acquisition and indexed cost of improvement	XX
Less: Exemption under sections 54/54B/54D/54EC/54F	XX
Long-term capital gains	XX

XX

Notes:

(i) Deduction on account of securities transaction tax paid will not be allowed.

(ii) Indexed Cost of Acquisition = Cost of acquisition ×

$\frac{\text{CII for the year in which the asset is transferred}}{\text{CII for the year in which the asset was first held by the assessee or 2001-02, whichever is later}}$

CII for the year in which the asset was first held by the assessee or 2001-02, whichever is later

(iii) Indexed Cost of Improvement =

$\text{Cost of improvement} \times \frac{\text{CII for the year in which the asset is transferred}}{\text{CII for the year in which the improvement took place}}$

(iv) Benefit of indexation will, however, not be available in respect of long term capital gains from transfer of bonds or debentures other than capital indexed bonds issued by the Government and sovereign gold bonds issued by RBI and in respect of long-term capital gains chargeable to tax under section 112A.

Computation of short-term capital gains

Full value of consideration received or accruing as a result of transfer xxx

Less: Expenditure incurred wholly and exclusively in connection

with such transfer (e.g. brokerage on sale) xxx

(Note: Deduction on account of STT paid will not be allowed)

Net Sale Consideration xxx

Less: Cost of acquisition and cost of improvement xxx

Less: Exemption under sections 54B/54D xxx

Short-term capital gains xxx

Capital Gains: Special Provisions**Section 50**

Any income from transfer of depreciable assets is deemed to be capital gains arising from transfer of short-term capital assets, irrespective of the period of holding (i.e., indexation benefit would not be available even if the period of holding of such assets is more than 36 months).

Section 50B

Capital Gains on Slump Sale

Any profits and gains arising from slump sale effected in the previous year shall be chargeable to income-tax as capital gains arising from the transfer of capital assets and shall be deemed to be the income of the previous year in which the transfer took place.

Where the undertaking being transferred under slump sale is held for more than 36 months, the resultant gain is long-term; However, no indexation benefit would be available. If the undertaking is held for less than 36 months, the resultant gain is short-term.

Net worth is deemed to be the cost of acquisition and the cost of improvement - 'Net worth' shall be aggregate value of total assets minus value of liabilities of such undertaking as per books of account.

Fair market value is deemed to be the full value of consideration - Fair market value of the capital asset as on the date of transfer, calculated in the prescribed manner, shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of such capital asset. Accordingly, the CBDT has prescribed that, for the purpose of section 50B(2)(ii), the fair market value (FMV) of capital assets would be the higher of -

(i) FMV 1, being the fair market value of capital assets transferred by way of slump sale (determined on the date of slump sale); and

(ii) FMV 2, being the fair market value of the consideration (monetary and non-monetary) received or accruing as a result of transfer by way of slump sale

Capital gains = Fair market value - Net Worth

Aggregate value of total assets would be the aggregate of the following :

i) Written Down Value of depreciable assets;

ii) Nil, in case of self generated goodwill

iii) Nil, in case of capital assets in respect of which the whole of the expenditure has been allowed or is allowable as deduction under section 35AD; and

iv) Book value for other assets. Revaluation of assets shall be ignored for computing Net Worth.

Section 50C**Computation of capital gains on sale of land or building or both**

Condition	Deemed Sale Consideration
<p>1. Stamp Duty Value > Actual Consideration</p> <p>If Stamp Duty Value > 110% of actual consideration</p> <p>If Stamp Duty Value ≤ 110% of actual sale consideration.</p>	<p>Stamp Duty Value</p> <p>Actual sale consideration</p>
<p>2. Actual Consideration > Stamp Duty Value</p>	<p>Actual sale consideration</p>
<p>3. Value ascertained by Valuation Officer > Stamp Duty Value</p>	<p>Stamp Duty Value</p>
<p>4. Value ascertained by Valuation Officer < Stamp Duty Value</p>	<p>Value ascertained by Valuation Officer</p>

Note -

If the date of agreement is different from the date of transfer, stamp duty value on the date of agreement can be considered, if whole or part of the consideration is received by way of account payee cheque/bank draft or ECS or prescribed electronic modes (IMPS, UPI, RTGS, NEFT, Net banking, debit card, credit card or BHIM Aadhar Pay) on or before the date of agreement. Otherwise, stamp duty value on the date of transfer has to be considered.

Section 50CA**Fair Market Value deemed to be full value of consideration in case of transfer of unlisted shares in certain cases**

<p>If consideration received or accruing as a result of transfer of unquoted share < FMV of such share determined in the prescribed manner The provisions of this section would not,</p>	<p>FMV of such share determined in the prescribed manner would be deemed as the full value of consideration</p>
---	---

however, be applicable to any consideration received or accruing as a result of transfer by such class of persons and subject to such conditions as may be prescribed.	
--	--

Section 50D

Fair Market Value deemed to be full value of consideration in certain cases

Where the consideration received or accruing as a result of the transfer of a capital asset by an assessee is not ascertainable or cannot be determined.	FMV of the said asset on the date of transfer would be deemed as the full value of consideration.
--	---

Section 51 Advance money received and forfeited upto 31.3.2014

Where the assessee has received advance money on an earlier occasion for transfer of capital asset, but the transfer could not be effected due to failure of negotiations, then, the advance money forfeited by the assessee has to be reduced from the cost of acquisition (and indexation would be calculated on the cost so reduced) while computing capital gains, when the capital asset is transferred or sold.

Advance money received and forfeited on or after 1.4.2014

Such advance money received on or after 1.4.2014 would be taxable under section 56(2) under the heading "Income from other sources". Therefore, advance money received and forfeited on or after 1.4.2014 should not be deducted from the cost for determining the indexed cost of acquisition while computing capital gains arising on transfer of the asset.

Section 111A

Tax on short-term capital gains on transfer of equity shares and units of equity oriented fund on which STT is chargeable

- Any short-term capital gains on transfer of equity shares or units of an equity oriented fund shall be liable to tax @15%, if securities transaction tax has been paid on such sale.
- In case of **resident individuals and HUF**, the short-term capital gain shall be **reduced by the unexhausted basic exemption limit** and the balance shall be taxed at 15%.

- **No deduction under Chapter VI-A** can be claimed in respect of such short-term capital gain.
- Short-term capital gains arising from transactions undertaken in foreign currency on a recognized stock exchange located in an International Financial Services Centre (IFSC) would be taxable at a concessional rate of 15% even when STT is not paid in respect of such transaction.

Section 112

Tax on long-term capital gains

- Any long-term capital gains, other than long term capital gains taxable under section 112A, shall be liable to tax @20%.
- In case of **resident individuals** and HUFs, the long-term capital gain shall be **reduced by the unexhausted basic exemption limit**, and the balance shall be subject to tax at 20%. In case of non-corporate non-resident or foreign company, capital gains arising from the transfer of a capital asset, being unlisted securities, or shares of a closely held company shall be chargeable to tax @10% without giving effect to the indexation provision under second proviso to section 48 and currency conversion under first proviso to section 48.
- Capital gains on transfer of listed securities (other than units) or zero coupon bonds shall be chargeable to tax @10% computed without the benefit of indexation or @20% availing the benefit of indexation, whichever is more beneficial to the assessee.
- **No deduction under Chapter VI-A** can be claimed in respect of long-term capital gains.

Section 112A

Tax on long-term capital gains on certain assets

- Any long-term capital gains **exceeding ₹1,00,000** on transfer of equity shares or units of an equity oriented fund shall be liable to tax @10% on such capital gain, if securities transaction tax has been paid on acquisition and such sale in case of equity share, and on such sale in case of units of an equity oriented mutual fund.
- In case of **resident individuals** and HUF, the long-term capital gain shall be **reduced by the unexhausted basic exemption limit** and the balance shall be taxed at 10%.
- **No deduction under Chapter VI-A** or rebate under section 87A can be claimed in respect of such long-term capital gain.

- Long-term capital gains (in excess of ₹1,00,000) arising from transaction undertaken on a recognized stock exchange located in an International Financial Services Centre (IFSC) would be taxable at a concessional rate of 10%, where the consideration for transfer is received or receivable in foreign currency, even when STT is not paid in respect of such transaction.

Cost of Acquisition (Section 55)

Nature of asset	Cost of acquisition
<p>1. Goodwill of business or profession, trademark, brand name etc.,</p> <ul style="list-style-type: none"> - Self generated - Acquired from previous owner <p>However, in case of capital asset, being goodwill of a business or profession, in respect of which depreciation u/s 32(1) has been obtained by the assessee in any P.Y. (upto P.Y.2019-20)</p> <ul style="list-style-type: none"> - became the property of the assessee by way of distribution of assets on total or partial partition of HUF, under a gift or will, by succession, inheritance, distribution of assets on liquidation of a company, etc. and previous owner has acquired it by purchase <p>However, in case of capital asset, being goodwill of a business or profession which was acquired by the previous owner by purchase and in respect of which depreciation u/s 32(1) has been obtained by the assessee in any P.Y. (upto P.Y.2019-20)</p> <p>The cost of improvement of such assets would be Nil.</p> <p>2. Bonus shares If bonus shares are allotted before 1.4.2001</p> <p>If bonus shares are allotted on or after</p>	<p>Nil</p> <p>Purchase price</p> <p>Purchase price as reduced by the total amount of depreciation obtained by the assessee under section 32(1).</p> <p>Purchase price for such previous owner</p> <p>Purchase price as reduced by the total amount of depreciation obtained by the assessee under section 32(1).</p>

<p>1.4.2001</p> <p>Bonus shares allotted before 1.2.2018, on which STT has been paid at the time of transfer</p>	<p>FMV on 1.4.2001</p> <p>Nil</p>
<p>3. Rights Shares</p> <p>Original shares (which forms the basis of entitlement of rights shares)</p> <p>Rights shares subscribed for by the assessee</p> <p>Rights entitlement (which is renounced by the assessee in favour of a person)</p> <p>Rights shares which are purchased by the person in whose favour the assessee has renounced the rights entitlement.</p>	<p>The higher of -</p> <p>(i) Actual cost of acquisition (i.e., Nil, in case of bonus shares allotted on or after 1.4.2001; and FMV on 1.4.2001, in case of bonus shares allotted before 1.4.2001)</p> <p>(ii) Lower of -</p> <p>(a) FMV as on 31.1.2018; and</p> <p>(b) Actual sale consideration</p> <p>Amount actually paid for acquiring the original shares</p> <p>Amount actually paid for acquiring the rights shares</p> <p>Nil</p>
<p>4. Long term capital assets being,</p> <ul style="list-style-type: none"> - equity shares in a company on which STT is paid both at the time of purchase and transfer or - unit of equity oriented fund on which STT is paid at the time of transfer. <p>acquired before 1st February, 2018</p>	<p>Purchase price paid to the renouncer of rights entitlement as well as the amount paid to the Co. which has allotted the rights shares.</p> <p>Cost of acquisition shall be the higher of -</p> <p>(i) cost of acquisition of such asset; and</p> <p>(ii) lower of</p> <ul style="list-style-type: none"> - the FMV of such asset on 31.1.2018;

<p>5. Any other capital asset</p> <p>Where such capital asset became the property of the assessee before 1.4.2001</p> <p>Where capital assets became the property of the assessee by way of distribution of assets on total or partial partition of HUF, under a gift or will, by succession, inheritance, distribution of assets on liquidation of a company, etc and the capital asset became the property of the previous owner before 1.4.2001.</p> <p>Cost of the property in the hands of the previous owner cannot be ascertained.</p>	<p>and</p> <p>- the full value of consideration recd or accruing as a result of the transfer of the capital asset.</p> <p>Cost of the asset to the assessee, or FMV as on 1.4.2001, at the option of the assessee. However, in case of capital asset being land or building, FMV as on 1.4.2001 shall not exceed stamp duty value as on 1.4.2001.</p> <p>Cost to the previous owner or FMV as on 1.4.2001, at the option of the assessee.</p> <p>However, in case of capital asset being land or building, FMV as on 1.4.2001 shall not exceed stamp duty value as on 1.4.2001.</p> <p>The FMV on the date on which the capital asset becomes the property of the previous owner would be considered as cost of acquisition.</p>
---	--

Cost of improvement of certain assets [Section 55]

Nature of asset	Cost of improvement
<p>1. Goodwill of a business, right to manufacture, produce or process any article or thing, right to carry on any business or profession.</p> <p>2. Where the capital asset became the property of the previous owner or the assessee before 1-4-2001.</p>	<p>Nil</p> <p>All expenditure of a capital nature incurred in making any addition or alteration to the capital asset on or after 1.4.2001 by the previous owner or the assessee.</p>

<p>3. In relation to any other capital asset</p>	<p>All capital expenditure incurred in making additions or alterations to the capital asset on or after 1.4.2001 -</p> <ul style="list-style-type: none"> - by the assessee after it became his property; and - by the previous owner [in a case where the assessee acquired the property by modes specified in section 49(1)].
--	---

Capital Gains: Exemptions under section 10

Section 10(37) Where any individual or HUF owns urban agricultural land which has been used for agricultural purposes for a period of two years immediately preceding the date of transfer by such individual or a parent of his or by such HUF and the same is compulsorily acquired under any law or the consideration for such transfer is determined or approved by the Central Government or the RBI, resultant capital gain will be exempt provided the compensation or consideration for such transfer is received on or after 1.4.2004.

Section 10(43) The amount received by the senior citizen as a loan, either in lump sum or in instalments, in a transaction of reverse mortgage would be exempt from income-tax.

Exemption of Capital Gains [Sections 54 to 54F]

Particulars	Section 54	Section 54B	Section 54D	Section 54EC	Section 54F
Eligible Assessee	Individual/ HUF	Individual/ HUF	Any assessee	Any assessee	Individual/ HUF
Asset transferred	Residential House (LTCA)	Urban Agricultural Land	Land & building forming part of an industrial undertaking	Land or building or both (LTCA)	Any LTCA other than Residential House.
Other Conditions	Income from such house should be chargeable under the head "Income from house"	Land should be used for agricultural purposes by assessee or his parents or HUF for 2	land & building have been used for business of undertaking for at least 2 years	-	Assessee should not own more than one residential house on the date of

	property"	years immediately preceding the date of transfer	immediately preceding the date of transfer. The transfer should be by way of compulsory acquisition of the industrial undertaking		transfer. He should not purchase within 2 years or construct within 3 years after the date of transfer, another residential house.
Qualifying asset i.e., asset in which capital gains has to be invested	One Residential House situated in India/Two residential houses in India, at the option of the assessee, where capital gains does not exceed ₹2 crore	Land for being used for agricultural purpose (Urban/Rural)	Land or Building or right in land or building	Bonds of NHAI or RECL or any other bond notified by C.G. (Redeemable after 5 years)	One Residential House situated in India
Time limit for purchase/ construction	Purchase within 1 year before or 2 years after the date of transfer (or) construct within 3 years after the date of transfer	Purchase within a period of 2 years after the date of transfer	Purchase/ construct within 3 years after the date of transfer, for shifting or reestablishing the existing undertaking or setting up a new industrial undertaking	Purchase within a period of 6 months after the date of transfer	Purchase within 1 year before or 2 years after the date of transfer (or) Construct within 3 years after the date of transfer
Amount of Exemption	Cost of new Residential House or two	Cost of new Agricultural Land or	Cost of new asset or Capital Gain,	Capital Gain or amount invested in	Cost of new Residential House \geq Net

	houses, as the case may be or	Capital Gain, whichever is lower, is exempt Capital Gain, whichever is lower, is exempt	whichever is lower.	specified bonds, whichever is lower. Maximum permissible investment out of capital gains arising in any financial year is ₹50 lakhs, whether such investment is made in the current FY or subsequent FY or both.	sale consideration of original asset, entire Capital gain is exempt. Cost of new Residential House < Net sale consideration of original asset, proportionate capital gain is exempt.
--	-------------------------------	--	---------------------	---	---

UNIT – 5 : INCOME FROM OTHER SOURCES

Where any income, profits or gains includible in the total income of an assessee, cannot be included under any of the other heads, it would be chargeable under the head 'Income from other sources'. Hence, this head is the residuary head of income [Section 56(1)]

Specific Incomes Chargeable under this head [Section 56(2)]

(1) Dividend Income

(2) Casual income (winnings from lotteries, crossword puzzles, races including horse races, card games and other games, gambling, betting etc.). Such winnings are chargeable to tax at a flat rate of 30% under section 115BB and no expenditure or deduction under Chapter VIA can be allowed from such income. No loss can be set-off against such income and even the unexhausted basic exemption limit cannot be exhausted against such income.

(3) Sum of money or property received by any person [Section 56(2)(x)]

Nature of asset	Particulars	Taxable Value
Money	Without consideration	The whole amount, if the same exceeds ₹50,000.
Movable property	Without consideration	The aggregate fair market value of the property, if it exceeds ₹50,000.
Movable property	Inadequate consideration	The difference between the aggregate fair market value and the consideration, if such difference exceeds ₹50,000.
Immovable property	Without consideration	The stamp value of the property, if it exceeds ₹50,000.
Immovable property	Inadequate consideration	The difference between the stamp duty value and the consideration, if such difference exceeds the higher of ₹50,000 and 10% of consideration. The difference between the stamp duty value and the consideration, if such difference is more than the higher of ₹50,000 and 20% of consideration, in case the immovable property is a residential unit which is held as stock-in-trade by the seller and transferred between 12.11.2020 and 30.6.2021 by way of first time allotment to the buyer and the consideration for transfer ≤ ₹2 crores.

Receipts exempted from the applicability of section 56(2)(x)

Any sum of money or value of property received -

- (a) from any relative; or
- (b) on the occasion of the marriage of the individual; or
- (c) under a will or by way of inheritance; or
- (d) in contemplation of death of the payer or donor, as the case may be; or
- (e) from any local authority; or
- (f) from any fund or university or other educational institution or hospital or other medical institution or any trust or institution; or
- (g) from or by any registered trust or institution
- (h) by any fund or trust or institution or any university or other educational institution or any hospital or other medical institution.
- (i) by way of transaction not regarded as transfer under specified clauses of section 47
- (j) from an individual by a trust created or established solely for the benefit of a relative of the individual.
- (k) from such class of persons and subject to such conditions, as may be prescribed.
- (l) by an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family, for any illness related to COVID-19 subject to conditions notified by the Central Government
- (m) by a member of the family of a deceased person -
 - (A) from the employer of the deceased person (without any limit); or
 - (B) from any other person or persons to the extent that such sum or aggregate of such sums \leq ₹10 lakhs,

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

- (i) received within 12 months from the date of death of such person; and
- (ii) subject to such other conditions notified by the Central Government.

(4) Other receipts chargeable under this head

Section 56(2)(viib) Consideration received in excess of FMV of shares issued by a closely held company to any person, being a resident, to be treated as income of such company, where shares are issued at a premium

Section 56(2)(viii) Interest received on compensation/enhanced compensation deemed to be income in the year of receipt and taxable under the head "Income from Other Sources".

Section 56(2)(ix) Any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset, if such sum is forfeited and the negotiations do not result in transfer of such asset (in a case where advance is received and forfeited on or after 1.4.2014).

Section 56(2)(xi) Compensation or other payment, due to or received by any person, by whatever name called, in connection with termination of his employment or the modification of the terms and conditions relating thereto.

Deductions allowable [Section 57]

Particulars	Deduction
1. In case of dividend or income in respect of units of mutual fund or income in respect of units from a specified company.	Interest expenditure to earn such income. However, such interest expenses cannot exceed 20% of such income included in total income, without deduction under this section.
2. In case of interest on securities.	Any reasonable sum paid by way of commission or remuneration to a banker or any other person.
3. Income consists of recovery from employees as contribution to any PF, superannuation fund etc.	Amount of contribution remitted before the due date under the respective Acts, in accordance with the provisions of section 36(1)(va)
4. Income from letting on hire of machinery, plant and furniture, with or without building.	Current repairs to the machinery, plant, furniture or building, insurance premium, depreciation/ unabsorbed depreciation.
5. Family Pension	Sum equal to - 33 1/3% of such income or - ₹15,000, whichever is less
6. Interest on compensation/enhanced compensation received	50% of such interest income

Deductions not allowable [Section 58]

1. Any personal expense of the assessee
2. Any interest chargeable to tax under the Act which is payable outside India on which tax has not been paid or deducted at source.
3. Any payment chargeable to tax under the head "Salaries", if it is payable outside India unless tax has been paid thereon or deducted at source.
4. Any expenditure in respect of which a payment is made to a related person, to the extent the same is considered excessive or unreasonable by the Assessing Officer, having regard to the FMV.
5. Any expenditure in respect of which a payment or aggregate payments exceeding ₹10,000 is made to a person in a day otherwise than by account payee cheque or draft or ECS through bank account or through such other prescribed electronic mode such as credit card, debit card, net banking, IMPS, UPI, RTGS, NEFT, and BHIM Aadhar Pay.
6. 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.
7. 30% of expenditure in respect of sum which is payable to a resident on which tax is deductible at source, if such tax has not been deducted or after deduction has not been paid on or before the due date of return specified in section 139(1).

CHAPTER 5- INCOME OF OTHER PERSONS INCLUDED IN ASSESSEE'S TOTAL INCOME

Section	Income to be clubbed	Contents
60	<i>Income transferred without transfer of asset</i>	<i>When a person transfers the income accruing to an asset without the transfer of the asset itself, such income is to be included in the total income of the transferor, whether the transfer is revocable or irrevocable</i>
61	<i>Income arising from revocable transfer of assets</i>	<i>Such income is to be included in the hands of the transferor. A transfer is deemed to be revocable if it - (i) contains any provision for re-transfer of the whole or any part of the income or assets to the transferor; or (ii) gives the right to re-assume power over the whole or any part of the income or the asset.</i>
64(1)(ii)	<i>Income arising to spouse by way of remuneration from a concern in which the individual has substantial interest</i>	<i>Such income arising to spouses is to be included in the total income of the individual. However, if remuneration received is attributable to the application of technical or professional knowledge and experience of the spouse, then such income is not to be clubbed.</i>
64(1)(iv)	<i>Income arising to spouse from assets transferred without adequate consideration</i>	<i>Income arising from an asset (other than house property) transferred otherwise than for adequate consideration or not in connection with an agreement to live apart, from one spouse to another shall be included in the total income of the transferor. However, this provision will not apply in the case of transfer of house property, since the transferor-spouse would be the deemed owner as per section 27.</i>
64(1)(vi)	<i>Income arising to son's wife from an asset transferred without adequate consideration</i>	<i>Income arising from an asset transferred otherwise than for adequate consideration, by an individual to his or her son's wife shall be included in the total income of the transferor.</i>
64(1)(vii)/ 64(1)(viii)	<i>Income arising from transfer of assets for the benefit of</i>	<i>All income arising to any person or association of persons from assets transferred without adequate consideration is includible in the income of the transferor, to the</i>

	<i>spouse or son's wife</i>	<i>extent such income is used by the transferee for the immediate or deferred benefit of the transferor's spouse or son's wife.</i>
64(1A)	<i>Income of minor child</i>	<p><i>All income arising or accruing to a minor child (including a minor married daughter) shall be included in the total income of his or her parent.</i></p> <p><i>The income of the minor child shall be included with the income of that parent, whose total income, before including the minor's income, is higher.</i></p> <p><i>Where the marriage of the parents does not subsist, the income of the minor will be includible in the income of that parent who maintains the minor child in the relevant previous year.</i></p> <p><i>The parent, in whose total income, the income of the minor child or children are included, shall be entitled to exemption of such income subject to a maximum of ₹1,500 per child under section 10(32).</i></p> <p><i>The following income of a minor child shall, however, not be clubbed in the hands of his or her parent -</i></p> <p><i>(a) Income from manual work done by him or activity involving application of minor's skill, talent or specialised knowledge and experience; and</i></p> <p><i>(b) Income of a minor child suffering from any disability specified in section 80U.</i></p> <p><i>In case the asset transferred to a minor child (not being a minor married daughter) without consideration or for inadequate consideration is house property, then, by virtue of section 27(i), the transferor-parent will be the deemed owner of the house property. Therefore, the income from house property will be taxable in the hands of the transferor parent, being the deemed owner and not in the hands of the minor child. Consequently, clubbing provisions u/s 64(1A) would not be attracted in respect of such income, due to which the benefit of exemption u/s 10(32) cannot be availed against such income.</i></p> <p><i>However, if the house property is transferred by a parent to his or her minor married daughter without consideration or for inadequate consideration, then, section 27(i) is not attracted. In such a case, the income from house property will be included u/s 64(1A) in the</i></p>

		hands of that parent, whose total income before including minor child's income is higher; and benefit of exemption u/s 10(32) can be availed by that parent in respect of the income so included.
64(2)	Conversion of self-acquired property into the property of a HUF	<p>Where an individual, who is a member of the HUF, converts his individual property into property of the HUF of which he is a member, directly or indirectly, to the family otherwise than for adequate consideration, the income from such property shall continue to be included in the total income of the individual.</p> <p>Where the converted property has been partitioned, either by way of total or partial partition, the income derived from such converted property as is received by the spouse on partition shall also be included in the total income of the individual who effected the conversion of such property.</p>
<p>Note: As per Explanation 2 to section 64 'income' includes 'loss'. Therefore, clubbing provisions would be attracted in all the above cases, even if there is a loss and not income.</p>		

CHAPTER 6 AGGREGATION OF INCOME, SET-OFF AND CARRY FORWARD OF LOSSES

Inter-source and Inter-head set-off of losses [Sections 70 & 71]

Section 70

Inter-source set-off of losses under the same head of income

Any loss in respect of one source shall be set-off against income from any other source under the same head of income. For example,

- loss from textile business can be set-off against profit from printing business.
- loss from one house property can be set-off against income from another house property.
- short-term capital loss (STCL) can be set-off against both STCG and LTCG.

Exceptions:

- (i) Loss from speculation business can be set-off only against profits from another speculation business.
- (ii) Loss from specified business under section 35AD can be set off only against profits from any other specified business.
- (iii) Long term capital loss (LTCL) can be set-off only against Long term capital gains (LTCG).
- (iv) Loss from the activity of owning and maintaining race horses can be set-off only against income from the activity of owning and maintaining race horses.

Section 71

Inter head adjustment

Loss under one head of income can be set-off against income assessable under any other head of income. For example, business loss can be set-off against income from house property.

Exceptions:

- (i) Loss under the head "Profits and gains of business or profession" cannot be set off against income under the head "Salaries"
- (ii) Loss under the head "Capital gains" cannot be set-off against income under any other head.

(iii) Speculation loss, losses from specified business under section 35AD and loss from the activity of owning and maintaining race horses cannot be set-off against income under any other head.

(iv) Loss from house property can be set-off against income under any other head only to the extent of ₹2 lakhs. The remaining loss can be carried forward for set-off against income from house property of the succeeding year(s).

Losses which cannot be set-off or carried forward

Loss from gambling, betting, card games etc.

Loss from an exempt source [for example, share of loss of partnership firm cannot be set-off against any other business income]

Maximum period of carry forward of losses & Manner of set-off of brought forward losses

Sections	Nature of loss to be carried forward	Income against which the brought forward loss can be set-off	Maximum period [from the end of the relevant assessment year] for carry forward of losses
32(2)	Unabsorbed depreciation	Income under any head other than salaries	Indefinite period
71B	Unabsorbed loss from house property	Income from house property	8 assessment years
72	Unabsorbed business loss	Profits and gains from business or profession	8 assessment years
73	Loss from speculation business	Income from any speculation business	4 assessment years
73A	Loss from specified business under section 35AD	Profit from any specified business, irrespective of whether such business is eligible for deduction u/s 35AD	Indefinite period
74	Long-term capital	Long-term capital gains	8 assessment years

	<i>loss</i>		
	<i>Short-term capital loss</i>	<i>Short-term/Long-term capital gains</i>	<i>8 assessment years</i>
<i>74A</i>	<i>Loss from the activity of owning and maintaining race horses</i>	<i>Income from the activity of owning and maintaining race horses.</i>	<i>4 assessment years</i>

Order of set-off of losses

1. *Current year depreciation / Current year capital expenditure on scientific research and current year expenditure on family planning, to the extent allowed.*
2. *Brought forward loss from business/profession [Section 72(1)]*
3. *Unabsorbed depreciation [Section 32(2)]*
4. *Unabsorbed capital expenditure on scientific research [Section 35(4)].*
5. *Unabsorbed expenditure on family planning [Section 36(1)(ix)]*

Note - *As per section 80, filing of loss return under section 139(3) within the due date specified under section 139(1) is mandatory for carry forward of the above losses except loss from house property and unabsorbed depreciation.*

CHAPTER 7 DEDUCTIONS FROM GROSS TOTAL INCOME

Deductions in respect of certain payments

Section	Eligible Assessee	Eligible Payments	Permissible Deduction
80C	Individual or HUF	<p>Contribution to PPF, Payment of LIC premium, etc.</p> <p>Sums paid or deposited in the previous year by way of</p> <ul style="list-style-type: none"> - Life insurance premium - Contribution to PPF/ SPF/ RPF and approved superannuation fund - Repayment of housing loan taken from Govt., bank, LIC, specified employer etc. - Tuition fees to any Indian university, college, school for full-time education of any two children - Term deposit for a fixed period of not less than 5 years with scheduled bank - Subscription to notified bonds of NABARD - Five year post office time deposit - Senior Citizen's Savings Scheme Account etc. - Contribution by Central Govt. employee to additional account (Tier II A/c) of NPS referred to u/s 80CCD 	Sum paid or deposited, subject to a maximum of Rs.1,50,000
80CCC	Individual	<p>Contribution to certain pension funds</p> <p>Any amount paid or deposited to keep in force a contract for any annuity plan of LIC of India or any other insurer for receiving pension from the fund.</p>	Amount paid or deposited, subject to a maximum of Rs.1,50,000
80CCD	Individuals	Contribution to Pension Scheme of	Employee's Contribution/

	<p>employed by the Central Govt or any other employer; Any other individual assessee</p>	<p>Central Government An individual employed by the Central Government on or after 1.1.2004 or any other employer or any other assessee, being an individual, who has paid or deposited any amount in his account under a notified pension scheme [to his individual pension account [Tier I A/c] under National Pension Scheme & Atal Pension Yojana]</p>	<p>Individual' Contribution In case of a salaried individual, deduction of own contribution under section 80CCD(1) is restricted to 10% of his salary. In any other case, deduction under section 80CCD(1) is restricted to 20% of gross total income. Further, additional deduction of up to Rs. 50,000 is available under section 80CCD(1B)</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Employer's Contribution</p> <p>The entire employer's contribution would be included in the salary of the employee. The deduction of employer's contribution under section 80CCD(2) would be restricted to 14% of salary, where the employer is the Central Government or State Government; and 10%, in case of any other employer</p> </div>
--	--	--	---

Note - As per section 80CCE, maximum permissible deduction u/s 80C, 80CCC & 80CCD(1) is Rs. 1,50,000. However, the limit ₹1.50 lakh under section 80CCE does not apply to deduction under section 80CCD(2) and 80CCD(1B).

<p>80D</p>	<p>Individual and HUF</p>	<p>Medical Insurance Premium</p> <p>(1) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of-</p> <table border="1" style="margin-left: 20px;"> <tr> <td style="padding: 5px;">in case of an individual</td> <td style="padding: 5px;">self, spouse and dependent children</td> </tr> <tr> <td style="padding: 5px;">in case of HUF</td> <td style="padding: 5px;">family member</td> </tr> </table> <p>(2) In case of an individual, contribution,</p>	in case of an individual	self, spouse and dependent children	in case of HUF	family member	<p>Maximum Rs.25,000 (Rs.50,000, in case the individual or his or her spouse is a senior citizen)</p> <p>Maximum Rs.25,000 (Rs.50,000, in case either or both of the parents are senior citizen(s))</p>
in case of an individual	self, spouse and dependent children						
in case of HUF	family member						

		<p>otherwise than by way of cash, to CGHS or any other scheme as notified by Central Government.</p> <p>(3) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of parents, whether or not dependent on the individual.</p> <p>Notes:</p> <p>(i) Any amount paid, otherwise than by way of cash, on account of medical expenditure incurred on the health of the assessee or his family member or his parent, who is a senior citizen and no amount has been paid to effect or to keep in force an insurance on the health of such person.</p> <p>(ii) Payment, including cash payment, for preventive health check up of himself, spouse, dependent children and parents.</p>	<p>Amount paid subject to a cap of Rs.50,000 (in case one parent is a senior citizen, in respect of whom insurance premium is paid, and the other is a senior citizen on whom medical expenditure is incurred, the total deduction cannot exceed Rs. 50,000)</p> <p>Amount paid subject to a cap of Rs. 5,000, in aggregate (subject to the overall individual limits of Rs 25,000/ Rs 50,000, as the case may be)</p>						
80D	Resident Individual or HUF	<p>Maintenance including medical treatment of a dependent disabled Any amount incurred for the medical treatment (including nursing), training and rehabilitation of a dependent disabled and / or Any amount paid or deposited under the scheme framed in this behalf by the LIC or any other insurer or Administrator or Specified Company and approved by Board.</p> <p>Meaning of Dependant</p> <table border="1"> <thead> <tr> <th>(1) In case of</th> <th>(2) Dependant</th> </tr> </thead> <tbody> <tr> <td>An individual</td> <td>Spouse, children, parents, brothers, sisters</td> </tr> <tr> <td>A HUF</td> <td>Any member</td> </tr> </tbody> </table> <p>Persons mentioned in column (2) should be wholly or mainly dependent on the person mentioned in corresponding column (1) for support and maintenance. Such persons should not have claimed deduction under section 80U in computing total income of that year</p>	(1) In case of	(2) Dependant	An individual	Spouse, children, parents, brothers, sisters	A HUF	Any member	<p>Flat deduction of ` 75,000. In case of severe disability (i.e. person with 80% or more disability) the flat deduction shall be ` 1,25,000</p>
(1) In case of	(2) Dependant								
An individual	Spouse, children, parents, brothers, sisters								
A HUF	Any member								

	Resident Individual or HUF	<p>Deduction for medical treatment of specified diseases or ailments</p> <p>Amount paid for specified diseases or ailment</p> <table border="1"> <thead> <tr> <th>Assessee</th> <th>Amount spent</th> </tr> </thead> <tbody> <tr> <td>An individual</td> <td>For himself or his dependant being spouse, children, parents, brothers or sisters wholly or mainly dependant on the individual for support and maintenance</td> </tr> <tr> <td>A HUF</td> <td>For any member</td> </tr> </tbody> </table>	Assessee	Amount spent	An individual	For himself or his dependant being spouse, children, parents, brothers or sisters wholly or mainly dependant on the individual for support and maintenance	A HUF	For any member	Actual sum paid or Rs. 40,000 (Rs.1,00,000, if the payment is for medical treatment of a senior citizen), whichever is less, minus the amount received from the insurance company or reimbursed by the employer.
Assessee	Amount spent								
An individual	For himself or his dependant being spouse, children, parents, brothers or sisters wholly or mainly dependant on the individual for support and maintenance								
A HUF	For any member								
80E	Individual	<p>Interest on loan taken for higher education</p> <p>Interest on loan taken from any financial institution or approved charitable institution. Such loan is taken for pursuing his higher education or higher education of his or her relative i.e., spouse or children of the individual or the student for whom the individual is the legal guardian.</p>	The deduction is available for interest payment in the initial assessment year (year of commencement of interest payment) and seven assessment years immediately succeeding the initial assessment year (or) until the interest is paid in full by the assessee, whichever is earlier.						
80EE	Individuals	<p>Deduction for interest on loan borrowed from any financial institution [bank/housing finance company (HFC)] for acquisition of residential house property</p>	<p>Deduction of up to Rs. 50,000 would be allowed in respect of interest on loan taken from a financial institution (FI).</p> <p>Conditions: Loan should be sanctioned during P.Y.2016-17 Loan sanctioned \leq Rs. 35 lakhs Value of house \leq Rs. 50 lakhs The assessee should not own any residential house on the date of sanction of loan.</p>						
80EE A	Individual	<p>Deduction in respect of interest payable on loan taken from a FI (bank or HFC) for acquisition of residential house property</p> <p>(In case the property is self occupied , the deduction would be over and above the deduction of Rs. 2 lakhs under section 24) For example, if the interest payable is, say, Rs. 3,80,000 on loan</p>	<p>Deduction of up to Rs. 1,50,000 would be allowed in respect of interest payable on loan taken from a FI for acquisition of house property.</p> <p>Conditions:</p> <ul style="list-style-type: none"> • Loan should be sanctioned 						

		<p>taken from FI for acquisition of residential house, Rs.2 lakh can be claimed as deduction u/s 24(b) and Rs. 1.50 lakhs as deduction u/s 80EEA. Even though for let-out property, there is no limit u/s 24, by virtue of section 71(3A), the set-off of loss from house property against any other head of income is restricted to Rs. 2 lakh. Hence, the excess interest payable can be claimed u/s 80EEA, subject to fulfilment of prescribed conditions</p>	<p>by a FI during the period between 1st April 2019 to 31st March 2022.</p> <ul style="list-style-type: none"> • Stamp Duty Value of house ≤ ` 45 lakhs • The individual should not own any residential house on the date of sanction of loan. • The individual should not be eligible to claim deduction u/s 80EE
80EE AB	Individual	<p>Deduction in respect of interest payable on loan taken from a FI (bank or certain NBFCs) for purchase of electric vehicle</p>	<p>Deduction of up to Rs.1,50,000 would be allowed in respect of interest payable on loan taken for purchase of electric vehicle. Loan should be sanctioned by a FI during the period from 1.4.2019 to 31.3.2023</p>

80G All assessees Donations to certain funds, charitable institutions etc. There are four categories of deductions -

	Category	Donee
(i)	100% deduction of amount donated, without any qualifying limit	Prime Minister's National Relief Fund, National Children's Fund, Swachh Bharat Kosh, National Defence Fund, PM CARES Fund etc
(ii)	50% deduction of amount donated, without any qualifying limit	Prime Minister's Drought Relief Fund, Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust, Rajiv Gandhi Foundation
(iii)	100% deduction of amount donated, subject to qualifying limit	Government or local authority, institution for promotion of family planning etc
(iv)	50% deduction of amount donated, subject to qualifying limit.	Government or any local authority to be used for charitable purposes, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.

Calculation of Qualifying limit for Category III & IV donations:

Step 1: Compute adjusted total income, i.e., the gross total income as reduced by the following:

1.	Deductions under Chapter VI-A, except u/s 80G
2.	Short term capital gains taxable u/s 111A
3.	Long term capital gains taxable u/s 112 & 112A

Step 2: Calculate 10% of adjusted total income.

Step 3: Calculate the actual donation, which is subject to qualifying limit

Step 4: Lower of Step 2 or Step 3 is the maximum permissible deduction.

Step 5: The said deduction is adjusted first against donations qualifying for 100% deduction (i.e., Category III donations). Thereafter, 50% of balance qualifies for deduction under section 80G.

Note - No deduction shall be allowed for donation in excess of ` 2,000, if paid in cash

80GG	Individual not in receipt of house rent allowance	Rent paid for residential accommodation	Least of the following is allowable as deduction: (1) 25% of total income; (2) Rent paid - 10% of total income (3) Rs.5,000 p.m. No deduction if any residential accommodation is owned by the assessee/his spouse/minor child/HUF at the place where he ordinarily resides or performs the duties of his office or employment or carries on his business or profession.
80GGB	Indian company	Contributions to political parties Any sum contributed by it to a registered political party or an electoral trust.	Actual contribution (otherwise than by way of cash)
80GGC	Any person, other than local authority and an artificial juridical person funded by the Government	Contributions to political parties Any sum contributed by it to a registered political party or an electoral trust.	Actual contribution (otherwise than by way of cash)

Deductions in respect of Certain Incomes

As per section 80AC, furnishing return of income on or before the due date is mandatory for claiming deduction in respect of certain incomes.

Section	Eligible Assessee	Eligible Income	Permissible Deduction
80JJAA	An assessee to whom section 44AB applies, whose Gross total income includes profits and gains derived from business	Deduction in respect of employment of new employees	30% of additional employee cost incurred in the previous year. Deduction is allowable for 3 assessment years including assessment year relevant to the previous year in which such employment is provided.
80QQB	Resident individual, being an author	Royalty income, etc., of authors of certain books other than textbooks Consideration	Income derived in the exercise of profession or Rs.3,00,000, whichever is less. In respect of royalty or copyright fee received otherwise than by way of lump

		for assignment or grant of any of his interests in the copyright of any book, being a work of literary, artistic or scientific nature or royalty or copyright fee received as lump sum or otherwise.	sum, income to be restricted to 15% of value of books sold during the relevant previous year.
80RRB	Resident individual, being a patentee	Royalty on patents Any income by way of royalty on patents registered on or after 1.4.2003	Whole of such income or 3,00,000, whichever is less

Deductions in respect of Other Income

Section	Eligible Assessee	Eligible Income	Permissible Deduction
80TTA	Individual or a HUF, other than a resident senior citizen	Interest on deposits in savings account Interest on deposits in a savings account with a bank, a co-operative society or a post office (not being time deposits, which are repayable on expiry of fixed periods)	Actual interest subject to a maximum of Rs. 10,000
80TTB	Resident senior citizen (i.e. an individual of the age of 60 years or more at any time during the previous year)	Interest on deposits (both fixed deposits and saving accounts) with a banking company, cooperative society engaged in the business of banking or a post office.	Actual interest or Rs. 50,000, whichever is less

Other Deductions

Section	Eligible Assessee	Condition for deduction	Permissible Deduction
80U	Resident Individual	Deduction in case of a person with disability Any person who is certified by the medical authority to be a person with disability. Flat deduction of ` 75,000, in case of a person with disability. Flat deduction of ` 1,25,000, in case of a person with severe disability (80% or more	Flat deduction of Rs. 75,000, in case of a person with disability. Flat deduction of ` 1,25,000, in case of a person with severe disability (80% or more disability).

		disability).	
--	--	--------------	--

CHAPTER 8 COMPUTATION OF TOTAL INCOME AND TAX PAYABLE

Computation of Total Income and Tax liability of Individuals:

Income-tax is levied on an assessee's total income. Total income has to be computed as per the provisions contained in the Income-tax Act, 1961. The following steps has to be followed for computing the total income of an assessee:

Step 1 - Determination of residential status

- Resident - Resident and ordinarily resident - Resident but not ordinarily resident
- Non-resident

Note - An Indian citizen who is a deemed resident in India would be a resident but not ordinarily resident in India.

Step 2 - Classification of income under five heads

- Salaries,
- Income from house property,
- Profits and gains of business or profession
- Capital Gains
- Income from other sources

Step 3- Computation of income under each head

- Income under each head - exemptions - deductions

Step 4 - Clubbing of income of spouse, minor child etc.

Step 5 - Set-off current year losses and brought forward losses

- Inter-source set-off of losses
- Inter-head set-off of losses
- Set-off of brought forward losses
- Set-off of unabsorbed depreciation
- Carry forward of losses and unabsorbed depreciation

Step 6 - Computation of Gross Total Income

Gross Total Income = Add income computed under each head → Apply clubbing provisions → Apply the provisions for setoff and carry forward of losses

Step 7 - Deductions from Gross Total Income

- Deductions in respect of certain payments
- Deductions in respect of certain incomes
- Deduction in respect of other incomes
- Other deductions

Step 8 - Computation of Total income

- Gross Total Income - Deduction under Chapter VI-A
- Rounded off to the nearest multiple of ` 10

Step 9 - Application of rates of tax on total income in case of an individual

Total income (in Rs.)	Rate of Tax
Up to Rs.2,50,000 (below 60 years)	Nil
Up to Rs.3,00,000 (60 years or above but less than 80 years and resident in India)	
Up to Rs. 5,00,000 (above 80 years and resident in India)	

- The provisions of AMT would, however, not be applicable to an individual, HUF, AOPs, BOIs, whether incorporated or not, or artificial juridical person, if the adjusted total income of such person does not exceed Rs.20 lakh
- Compute AMT [18.5% (15% in case of a co-operative society) of adjusted total income plus surcharge, if applicable plus HEC @4%]
- If AMT > tax computed as per regular provisions, adjusted total income would be deemed to be total income.
- Tax is leviable @18.5% (15% in case of a co-operative society) of adjusted total income plus surcharge, if applicable plus HEC @4%
- Tax credit to be c/f = AMT less Tax computed as per regular provisions
- Individuals or HUFs exercising option u/s 115 BAC and co-operative society exercising option u/s 115 BAD are not liable to alternate minimum tax u/s 115JC.

Step 13 - Examine whether or not to exercise the option under section 115 BAC for availing concessional tax slab rates

As per section 115 BAC, individuals or HUFs 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 LTC, standard deduction under the head "Salaries", interest on housing loan on self-occupied property, deductions under Chapter VI-A (other than 80CCD(2) or section 80JJAA), set-off of brought forward loss or depreciation, if they relate to any of the above deductions, set-off of loss from house property against income under any other head, etc. -

(i) Up to Rs. 2,50,000	Nil
(ii) From Rs. 2,50,001 to Rs. 5,00,000	5%
(iii) From Rs. 5,00,001 to Rs. 7,50,000	10%
(iv) From Rs. 7,50,001 to Rs. 10,00,000	15%
(v) From Rs. 10,00,001 to Rs. 12,50,000	20%
(vi) From Rs. 12,50,001 to Rs. 15,00,000	25%
(vii) Above Rs. 15,00,000	30%

Surcharge would be attracted at the same rates and above the same thresholds of total income as under the regular provisions of the Income-tax Act, 1961. Further, HEC @4% would be attracted on income-tax so calculated plus surcharge, if applicable.

Examine the tax liability computed under the regular provisions of the Act (including provisions relating to AMT, if applicable) with the tax liability computed under section 115 BAC. Thereafter, if tax liability is lower as per the provisions under section 115 BAC, then opt to pay tax as per section 115 BAC.

Note - If an individual or HUF having income from business or profession exercises the option to pay tax under section 115 BAC in a previous year, then, the said provisions would apply for all subsequent previous years. An individual or HUF not having income from business or profession can exercise the option to pay tax under section 115 BAC for each previous year. He may exercise the option in a particular previous year, but may not do so in another previous year. An individual or HUF not having income from business or profession can exercise the option to pay tax under section 115 BAC for each previous year. He may exercise the option in a particular previous year, but may not do so in another previous year, depending on whether or not exercising the option is beneficial to him in the respective previous year.

Step 14 - Credit for advance tax, TDS and TCS

Tax payable = Total tax liability - TDS - TCS - Advance tax paid

Step 15 - Tax payable/ Tax refundable

- Tax payable should be rounded off to the nearest multiple of Rs.10.
- The assessee has to pay the amount of tax payable (called self-assessment tax) at the time of filing of the return
- If any refund is due, assessee will get the same after filing the return of income.

CHAPTER 9 ADVANCE TAX, TAX DEDUCTION AT SOURCE AND INTRODUCTION TO TAX COLLECTION AT SOURCE

I. TAX DEDUCTION AT SOURCE

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
192	Salary	Basic exemption limit (Rs. 2,50,000 / Rs.3,00,000, as the case may be). This is taken care of in computation of the average rate of income-tax.	Any person responsible for paying any income chargeable under the head "Salaries"	Individual (Employee)	Average rate of income-tax computed on the basis of the rates in force.	At the time of payment
192 A	Premature withdrawal from Employee Provident Fund	Payment or aggregate payment \geq Rs.50,000	Trustees of the EPF Scheme or any authorised person under the Scheme	Individual (Employee)	10% [In case of failure to furnish PAN, TDS@ Maximum Marginal Rate]	At the time of payment
193	Interest on Securities	> Rs.10,000 in a F.Y., in case of interest on 8% Savings (Taxable) Bonds, 2003/7.75% Savings (Taxable) Bonds, 2018. > Rs.5,000 in a F.Y., in case of interest on debentures issued by a Co. in which the public are substantially interested, paid or credited to a resident individual or HUF by an A/c payee cheque.	Any person responsible for paying any income by way of interest on securities	Any resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

		> No threshold specified in any other case.				
194	Dividend (including dividends on preference shares)	> Rs.5,000 in a F.Y., in case of dividend paid or credited to an individual shareholder by any mode other than cash > No threshold in other cases	The Principal Officer of a domestic company	Resident shareholder	10%	Before making any payment by any mode in respect of any dividend or before making any distribution or payment of dividend.
194 A	Interest other than interest on securities	> Rs.40,000 in a F.Y., in case of interest credited or paid by - (i) a banking company; (ii) a co-operative society engaged in banking business; and (iii) a post office on any deposit under a notified Scheme. In all the above cases, if the payee is a resident senior citizen, the tax deduction limit is > Rs.50,000. > Rs. 5,000 in a F.Y., in other cases.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover from business or profession do not exceed ` 1 crore in case of business or ` 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying interest other than interest on securities.	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194 B	Winnings from any lottery, crossword puzzle or card game or other game	> ` 10,000	The person responsible for paying income by way of such winnings	Any Person	30%	At the time of payment

	<i>of any sort</i>					
194 BB	Winnings from horse race	> Rs. 10,000	Book Maker or a person holding a licence for horse racing or for arranging for wagering or betting in any race course.	Any Person	30%	At the time of payment
194 C	Payments to Contractors	Single sum credited or paid > ` 30,000 (or) The aggregate of sums credited or paid to a contractor during the F.Y. > Rs. 1,00,000 Individual/HUF need not deduct tax where sum is credited or paid exclusively for personal purposes	Central/State Govt., Local authority, Central/State/ Provincial Corpn., company, firm, trust, registered society, cooperative society, university established under Central/State/ Provincial Act, declared university under the UGC Act, Govt. of Foreign State or a foreign enterprise, individual/HUF whose total sales, gross receipts or turnover from business or profession exceeds Rs.1 crore in case of business or Rs. 50 lakhs in case	Any Resident contractor for carrying out any work (including supply of labour)	1% of sum paid or credited, if the payee is an Individual or HUF 2% of sum paid or credited, if the payee is any other person.	At the time of credit of such sum to the account of the contractor or at the time of payment, whichever is earlier.

			<i>of profession during the immediately preceding F.Y.</i>			
194 D	<i>Insurance Commission</i>	<i>> 15,000 in a financial year.</i>	<i>Any person responsible for paying any income by way of remuneration or reward for soliciting or procuring insurance business</i>	<i>Any Resident</i>	<i>5%</i>	<i>At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.</i>
194 DA	<i>Any sum under a Life Insurance Policy</i>	<i>≥ Rs.1,00,000 (aggregate amount of payment to a payee in a financial year)</i>	<i>Any person responsible for paying any sum under a LIP, including the sum allocated by way of bonus</i>	<i>Any resident</i>	<i>5% of the amount of income comprised</i>	<i>At the time of payment</i>
194 E	<i>Payment to non-resident sportsmen or sports associations of income referred to in section 115BBA</i>		<i>Any person responsible for making the payment</i>	<i>Non-resident sportsman (including an athlete) or entertainer who is not a citizen of India or nonresident sports association or institution</i>	<i>20.8% (including health and education cess@4%)</i>	<i>At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.</i>
194	<i>Payment of deposit</i>	<i>≥ ` 2,500 in a</i>	<i>Any person responsible</i>	<i>Individual</i>	<i>10%</i>	<i>At the time</i>

EE	under National Saving Scheme	financial year	for paying	or HUF		of payment
194 G	Commission on sale of lottery tickets	> ₹ 15,000 in a financial year	Any person responsible for paying any income by way of commission, remuneration or prize (by whatever name called) on lottery tickets	Any person stocking, distributing, purchasing or selling lottery tickets	5%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier
194 H.	Commission or brokerage	> ₹ 15,000 in a financial year	Any person (other than an Individual or HUF whose total sales, gross receipts or turnover from business or profession do not exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying commission or brokerage.	Any resident	5%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194-I.	Rent	> ₹ 2,40,000 in a financial year	Any person (other than an individual or	Any resident	For P & M or equipment ²	At the time of credit of such income

			HUF whose total sales, gross receipts or turnover from business or profession carried on by him do not exceed ` 1 crore in case of business or ` 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying rent.		% For land or building, land appurtenant to a building, furniture or fittings - 10%	to the account of the payee or at the time of payment, whichever is earlier.
194-IA	Payment on transfer of certain immovable property other than agricultural land	≥ ` 50 lakh (Consideration for transfer or stamp duty value)	Any person, being a transferee (other than a person referred to in section 194LA responsible for paying compensation for compulsory acquisition of immovable property other than rural agricultural land)	Resident transferor	1% of consideration for transfer or stamp duty value, whichever is higher	At the time of credit of such sum to the account of the transferor or at the time of payment, whichever is earlier.
194-IB	Payment of rent by certain individuals or HUF	> ` 50,000 for a month or part of a month	Individual/ HUF (other than Individual/HUF whose total sales, gross receipts or turnover from business or profession	Any Resident	5%	At the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property

			carried on by him exceeds ` 1 crore in case of business or ` 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying rent.			is vacated during the year, as the case may be, to the account of the payee or at the time of payment, whichever is earlier
194-IC	Payment under specified agreement referred to in section 45(5A)	No threshold specified.	Any person responsible for paying any sum by way of consideration, not being consideration in kind, under a registered agreement, wherein L or B or both are handed over by the owner for development of real estate project, for a consideration, being a share in L or B or both in such project, with payment of part consideration in cash.	Any Resident.	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194J	Fees for professional or technical services/ Royalty/ Non Compete fees/ Director's	> ` 30,000 in a financial year, for each category of income. (However, this limit does not apply in case of payment made to the director of a	Any person, other than an individual or HUF; However, in case of fees for professional or technical services paid or	Any Resident	2% - Payee engaged only in the business of operation of call centre 2% - In case	At the time of credit of such sum to the account of the payee or at the time of payment,

	remuneration	company).	credited, individual/HUF, whose total sales, gross receipts or turnover from business or profession exceeds ` 1 crore in case of business or ` 50 lakhs in case of profession during the immediately preceding F.Y., is liable to deduct tax u/s 194J, except where fees for professional services is credited or paid exclusively for his personal purposes.		of fees for technical services or royalty, where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films 10% - Other payments	whichever is earlier
194 K	Income on units other than in the nature of capital gains	> ` 5,000 in a financial year	Any person responsible for paying any income in respect of units of a mutual fund/Administrator of the specified undertaking/specified company	Any resident	10%	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier
194 LA	194LA Compensation on acquisition of certain immovable	> ` 2,50,000 in a financial year	Any person responsible for paying any sum in the nature of compensation or enhanced	Any Resident	10%	At the time of payment

	property other than agricultural land		compensation on compulsory acquisition of immovable property			
194 M	-Payments to Contractors - Commission or brokerage - Fees for professional services	> ` 50,00,000 in a financial year	Individual or HUF other than those who are required to deduct tax at source under section 194C or 194H or 194J	Any Resident	5%	At the time of credit of such sum or at the time of payment, whichever is earlier.
194 N	Cash withdrawals	> ` 1 crore	- a banking company or any bank or banking institution - a co-operative society engaged in carrying on the business of banking or - a post office who is responsible for paying any sum, being the amount or the aggregate of amounts, as the case may be, in cash exceeding ` 1 crore during the previous year, to any person from one or more accounts maintained by the recipient	Any person	@2% of such sum In case the recipient has not filed ROI for all the 3 immediately preceding P.Y.s, for which time limit u/s 139(1) has expired, such sum shall be the amt or agg. of amts, in cash >` 20 lakh during the P.Y. TDS – @2% of the sum, where	At the time of payment of such sum

					cash withdrawal > ` 20 lakhs but ≤ ` 1 crore – @5% of sum, where cash withdrawal exceeds ` 1 crore	
194-O	Sale consideration or consideration for services facilitated through digital or electronic facility or platform	> ` 5 lakhs, being gross amount of sales or service or both in a financial year to an ecommerce participant, being individual or HUF and such ecommerce participant has furnished PAN or Aadhar number to the e-commerce operator > No threshold in other cases	E-commerce operator, who facilitates sale of goods or provision of services of an e-commerce participant through digital or electronic facility or platform	E-commerce participant	1% of gross amount of sale or service or both [In case of failure to furnish PAN, Maximum TDS@5%]	At the time of credit of amount of sale or services or both to the account of an ecommerce participant or at the time of payment, whichever is earlier.
194P	Pension (along with interest on bank account)	Basic exemption limit (` 3,00,000/` 5,00,000, as the case may be) [i.e., total income after giving effect to the deduction allowable under Chapter VI-A should exceed the basic exemption limit. Further, in case the individual is entitled to rebate under section 87A from tax payable, then the same should be given	Notified specified bank	Specified senior citizen i.e., An individual, being a resident in India, who - is of the age of 75 years or more at any time during the PY; - is having pension income and	Rates in force	

		<i>effect to]</i>		<i>no other income except interest income received or receivable from any account maintained by such individual in the same specified bank in which he is receiving his pension income; and - has furnished a declaration to the specified bank.</i>		
<i>194 Q</i>	<i>Purchase of goods</i>	<i>> ` 50 lakhs in a previous year</i>	<i>Buyer, who is responsible for paying any sum to any resident for purchase of goods. Buyer means a person whose total sales, gross receipts or turnover from business exceeds ` 10 crores during the FY immediately preceding the FY in which the purchase of goods is carried</i>	<i>Any resident</i>	<i>0.1% of sum exceeding ` 50 lakhs</i>	<i>At the time of credit of such sum to the account of the seller or at the time of payment, whichever is earlier.</i>

			out.			
194 R	Any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession	Value or aggregate of value of benefit or perquisite > ` 20,000 in a financial year	Any person (other than an individual or HUF whose total sales, gross receipts or turnover < ` 1 crore in case of business or < ` 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for providing to a resident, any benefit or perquisite. In case of a company, "person responsible for paying" means the company itself including the Principal Officer thereof	Any resident	10% of value or aggre. of value of such benefit or perquisite	Before providing such benefit or perquisite

CHAPTER 10 PROVISIONS FOR FILING RETURN OF INCOME AND SELF ASSESSMENT

Section	Particulars
139(1)	<p><u>Assessees required to file return of income compulsorily</u></p> <p>(i) Companies and firms (whether having profit or loss or nil income);</p> <p>(ii) a person, being a resident other than not ordinarily resident, having any asset (including any financial interest in any entity) located outside India held as a beneficial owner or beneficiary or who has a signing authority in any account located outside India, whether or not having income chargeable to tax;</p> <p>(iii) Individuals, HUF, AOPs or BOIs and artificial juridical persons whose total income before giving effect to the provisions of Chapter VI-A and sections 54, 54B, 54D, 54EC or 54F exceeds the basic exemption limit.</p> <p>(iv) Any person who during the previous year -</p> <ul style="list-style-type: none"> - has deposited more than ` 1 crore in one or more current accounts maintained with a banking company or a co-operative bank; or - has incurred expenditure of more than ` 2 lakh for himself or any other person for travel to a foreign country; or - has incurred expenditure of more than ` 1 lakh towards consumption of electricity; or - fulfils such other conditions as may be prescribed <p>(v) Any person other than a company or a firm, who is not required to furnish a return under section 139(1) -</p> <p>(i) if his total sales, turnover or gross receipts, as the case may be, in the business > ` 60 lakhs during the previous year; or</p> <p>(ii) if his total gross receipts in profession > ` 10 lakhs during the previous year; or</p> <p>(iii) if the aggregate of TDS and TCS during the previous year, in the case of the person, is ` 25,000 or more; or However, a resident individual who is of the age of 60 years or more, at any time during the relevant previous year, if the aggregate of TDS and TCS during the previous year, in his case, is ` 50,000 or more</p> <p>(iv) the deposit in one or more savings bank accounts of the person, in aggregate, is ` 50 lakhs</p>

or more during the previous year.

Due date of filing return of income

31st October of the assessment year, in case the assessee is:

(i) a company;

(ii) a person (other than company) whose accounts are required to be audited; or

(iii) a partner of a firm whose accounts are required to be audited.

31st July of the assessment year, in case of any other assessee (other than assesseees including the partners of the firm being such assesseees who are required to furnish report under section 92E, for whom the due date is 30th November of the assessment year).

234A

Interest for default in furnishing return of income

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

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

Circumstances	Ending on the following dates
Where the return is furnished after due date	the date of furnishing of the return
Where no return is furnished	the date of completion of assessment

However, where the assessee has paid taxes in full on or before the due date, interest under section 234A is not leviable

234F

Fee for default in furnishing return of income

Where a person who is required to furnish a return of income under section 139, fails to do so within the prescribed time limit under section 139(1), he shall pay, by way of fee, a sum of 5,000. However, if the total income of the person does not exceed ` 5 lakhs, the fees payable shall not exceed ` 1,000

139(3)

Return of loss

An assessee can carry forward or set off his/its losses provided he/it has filed his/its return under section 139(3), within the due date specified under section 139(1).

Exceptions

Loss from house property and unabsorbed depreciation can be carried forward for set-off even though return has not been filed before the due date.

139(4)	<p><u>Belated Return</u></p> <p>A return of income for any previous year, which has not been furnished within the time allowed u/s 139(1), may be furnished at any time before the:</p> <p>(i) three months prior to the end of the relevant assessment year (i.e., 31.12.2023 for P.Y. 2022-23); or</p> <p>(ii) completion of the assessment,</p> <p>whichever is earlier Thus, belated return can also be revised.</p>
139(8A)	<p>Any person may, whether or not he has furnished a return under section 139(1) or belated return under section 139(4) or revised return under section 139(5) for that assessment year, furnish an updated return of his income or the income of any other person in respect of which he is assessable, for the previous year relevant to the assessment year at any time within 24 months from the end of the relevant assessment year</p> <p>The provisions of updated return would not apply, if the updated return of such person for that assessment year -</p> <p>(i) is a loss return; or</p> <p>(ii) has the effect of decreasing the total tax liability determined on the basis of return furnished under section 139(1) or section 139(4) or section 139(5); or</p> <p>(iii) results in refund or increases the refund due on the basis of return furnished under section 139(1) or section 139(4) or section 139(5).</p> <p>No updated return can be furnished by any person for the relevant assessment year, where -</p> <p>(a) an updated return has been furnished by him under this subsection for the relevant assessment year; or</p> <p>(b) any proceeding for assessment or reassessment or recomputation or revision of income is pending or has been completed for the relevant assessment year in his case; or</p> <p>(c) he is such person or belongs to such class of persons, as may be notified by the CBDT.</p>
139A	<p><u>Permanent Account Number (PAN)</u></p> <p>Quoting of PAN is mandatory in all documents pertaining to the following prescribed transactions :</p> <p>(a) in all returns to, or correspondence with, any income-tax authority;</p> <p>(b) in all challans for the payment of any sum due under the Act;</p> <p>(c) in all documents pertaining to such transactions entered into by him, as may be prescribed by the CBDT in the interests of revenue. For example, sale or purchase of a motor vehicle, payment in cash of an amount exceeding ` 50,000 to a hotel against a bill or bills at any one time, etc.</p> <p><u>Interchangeability of PAN with the Aadhaar number</u></p>

	<p>Every person who is required to furnish or intimate or quote his PAN may furnish or intimate or quote his Aadhar Number in lieu of the PAN if he</p> <ul style="list-style-type: none"> - has not been allotted a PAN but possesses the Aadhar number - has been allotted a PAN and has intimated his Aadhar number to prescribed authority in accordance with the requirement contained in section 139AA(2).
139AA	<p><u>Quoting of Aadhar Number</u></p> <p>To be quoted by every person on or after 1.7.2017 in the application for allotment of PAN and in Return of Income If a person does not have Aadhar Number, the Enrolment ID of Aadhar application form issued to him at the time of enrolment shall be quoted.</p> <p>Every person who has been allotted PAN as on 1.7.2017 and who is eligible to obtain an Aadhaar Number, has to intimate his Aadhar Number to the prescribed authority on or before 31.3.2022.</p> <p>Where a person, whose PAN has become inoperative, is required to furnish, intimate or quote his PAN under the Act, it would be deemed that he has not furnished, intimated or quoted the PAN, as the case may be, in accordance with the provisions of the Act. Consequently, he would be liable for all the consequences under the Act for not furnishing, intimating or quoting the PAN.</p> <p>However, the consequences would have effect from the date specified by the CBDT i.e., 1st April, 2023.</p>
234H	<p>Where a person, who is required to intimate his Aadhar Number under section 139AA(2), fails to do so on or before the notified date i.e., 30th June, 2021, he shall be liable to pay such fee, as may be prescribed, at the time of making intimation under section 139AA(2) after 30th June, 2021. However, such fee shall not exceed 1,000.</p> <p>As per section 139AA(2), every person who has been allotted PAN as on 1st July, 2017 and eligible to obtain Aadhar Number, is required to intimate his Aadhaar number to the prescribed authority in the prescribed form and manner.</p> <p>Accordingly, the CBDT has vide notification no. 17/2022 dated 29.3.2022, inserted Rule 114(5A) to provide that if such person fails to do so by the date notified in section 139AA(2) i.e., 31st March, 2022, then at the time of subsequent intimation of his Aadhaar number to the prescribed authority, such person would be liable to pay, by way of fee, an amount equal to, –</p> <ul style="list-style-type: none"> (a) Rs.500, in a case where such intimation is made within three months from the date referred in section 139AA(2) i.e., by 30.06.2022; and (b) Rs.1,000, in all other cases.
140A	<p><u>Self-Assessment</u></p> <p>Where any tax is payable on the basis of any return required to be furnished under section 139, after taking into account –</p>

	<p>(i) the amount of tax, already paid,</p> <p>(ii) the tax deducted or collected at source</p> <p>(iii) any relief of tax claimed under section 89</p> <p>(iv) any tax credit claimed to be set-off in accordance with the provisions of section 115JD; and</p> <p>(v) any tax and interest payable as per the provisions of section 191(2)</p> <p>the assessee shall be liable to pay such tax together with interest and fee payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax before furnishing the return.</p> <p>Where the amount paid by the assessee under section 140A(1) falls short of the aggregate of the tax, interest and fee as aforesaid, the amount so paid shall first be adjusted towards the fee payable and thereafter, towards interest and the balance shall be adjusted towards the tax payable</p>
140B	<p>Payment of tax, additional tax, interest and fee before furnishing updated return of income if no return is furnished earlier - Where no return of income has been furnished by an assessee and tax is payable, on the basis of updated return to be furnished by such assessee under section 139(8A), the assessee would be liable to pay such tax together with interest and fee payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax, along with the payment of additional tax computed under section 140B(3), before furnishing the return.</p> <p>The tax payable is to be computed after taking into account the following -</p> <p>(i) the amount of tax, if any, already paid, as advance tax</p> <p>(ii) the tax deducted or collected at source</p> <p>(iii) any relief of tax claimed under section 89; and</p> <p>(iv) any tax credit claimed to set-off in accordance with the provisions of section 115JD</p> <p>Payment of tax, additional tax, interest and fee before furnishing updated return of income if return is furnished earlier 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.</p> <p>The tax payable has to be computed after taking into account the following -</p> <p>(i) the amount of relief or tax referred to in section 140A(1), the credit for which has been</p>

taken in the earlier return

(ii) the tax deducted or collected at source 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.

The aforesaid tax would be increased by the amount of refund, if any, issued in respect of such earlier return.

Additional income-tax payable at the time of updated return The additional tax payable at the time of furnishing the updated return under section 139(8A) would be -

(i) 25% of aggregate of tax and interest payable, as determined above, if such return is furnished after expiry of the time available under section 139(4) or 139(5) and before completion of the period of 12 months from the end of the relevant assessment year; or

(ii) 50% of aggregate of tax and interest payable, as determined above, if such return is furnished after the expiry of 12 months from the end of the relevant assessment year but before completion of the period of 24 months from the end of the relevant assessment year.