

## Levy of Income-tax

As per Section 4, Income of the previous year of a person is charged to tax in the immediately following assessment year.

## PREVIOUS YEAR [SECTION 3]

- Previous Year means the financial year immediately preceding the Assessment Year.
- Income earned in a year is assessed in the next year.
- The year in which income is earned is known as Previous Year and the next year in which income is assessed is known as Assessment Year.
- It is mandatory for all assessee to follow financial year (from 1st April to 31st March) as previous year for Income-Tax purpose.

Business or profession newly set up during the financial year

In such a case, the previous year shall be the period beginning on the date of setting up of the business or profession and ending with 31st March of the said financial year.

If a source of income comes into existence in the said financial year, then, the previous year will commence from the date on which the source of income newly comes into existence and will end with 31st March of the financial year.

## ASSESSMENT YEAR (A.Y.) [SECTION 2(9)]

- Assessment year means the period of 12 months commencing on the 1st day of April every year.
- It is the year (just after the previous year) in which income earned in the previous year is charged to tax.
- E.g., A.Y.2023-24 is a year, which commences on April 1, 2023 and ends on March 31, 2024. Income of an assessee earned in the previous year 2022-23 is assessed in the A.Y. 2023-24.

## ASSESSEE [SECTION 2(7)]

“Assessee” means,

- a person by whom any tax or any other sum of money (i.e., penalty or interest) is payable under this Act
- every person in respect of whom any proceeding under this Act has been taken (whether or not he is liable for any tax, interest or penalty) for the assessment of his income or loss or the Amount of refund due to him;
- a person who is assessable in respect of income or loss of another person;
- every person who is deemed to be an assessee under any provision of this Act; and
- a person who is deemed to be an ‘assessee in default’ under any provision of this Act. E.g. A person, who was liable to deduct tax but has failed to do so, shall be treated as an ‘assessee in default’.

## PERSON [SECTION 2(31)]

The term person includes the following:

- An Individual;
- A Hindu Undivided Family (HUF);
- A Company;
- A Firm (Includig LLP);

- v) An Association of Persons (AOP) or a Body of Individuals (BOI), whether incorporated or not;
- vi) A Local authority; &
- vii) Every artificial juridical person not falling within any of the preceding categories.

## HEADS OF INCOME [SECTION 14]

According to Sec.14 of the Act, all income of a person shall be classified under the following five heads:

1. Salaries;
2. Income from house property;
3. Profits and gains of business or profession;
4. Capital gains;
5. Income from other sources.

For computation of income, all taxable income should fall under any of the five heads of income as mentioned above. If any type of income does not become part of any one of the above mentioned first four heads, it should be part of the 5<sup>th</sup> head, i.e. Income from other sources, which may be termed as the residual head.

### Difference between Heads of income and Sources of income

- There are only five heads of income as per Sec. 14 of the Act, but the assessee may generate the income from various sources. In the same head of income, there may be various sources of income.
- E.g. under the head 'Income from house property', there may be two or more house properties and each house property shall be termed as a source of income.
- The source of income decides under which head (among the five heads) income shall be taxable.

### Computation of Income

Step 1: Determine Residential Status  
 Step 2: Compute Income Under Each Head Of Income  
 Step 3: Apply Clubbing of Income Provisions  
 Step 4: Set-off/carry forward and set-off of losses as per the provisions of the Act  
 Step 5: After Applying Step 2, 3 & 4 You will arrive at Gross total Income  
 Step 6: Claim Deductions Under Section 80C to 80U (if any From GTI)  
 Step 7: Total Income (Taxable Income) is arrived after claiming deductions from GTI

### DEFAULT TAX REGIME

Tax On Income of Individuals / Hindu Undivided family / AOPs / BOIs / Artificial Judicial Person [Section 115BAC]

Income	Tax Rate
On First 3,00,000	Nil
Next 3,00,000	5%
Next 3,00,000	10%
Next 3,00,000	15%
Next 3,00,000	20%
Balance Income	30%

### Computation Of Tax Liability (Old Regime / Alternate Scheme / Normal Provisions)

- A. In case of Individual / Hindu Undivided Family / AOP / BOI / Artificial Judicial Person / Local Authority**  
Resident individual of the age of 60 years or more at any time upto the end of relevant previous year but less than eighty years (senior citizen)

Income	Tax Rate
On First 3,00,000	Nil
Next 2,00,000	5%
Next 5,00,000	20%
Balance Income	30%

- B. Resident individual of the age of 80 years or more at any time upto the end of relevant previous year (Very senior citizen)**

Income	Tax Rate
On First 5,00,000	Nil
Next 5,00,000	20%
Balance Income	30%

- C. Any other Individual & HUF or AOP/BOI or Artificial Judicial Person**

Income	Tax Rate
On First 2,50,000	Nil
Next 2,50,000	5%
Next 5,00,000	20%
Balance Income	30%

#### Health and Education Cess

If any tax is charged for any specific purpose, it is called Cess. Health and Education Cess shall be charged @ 4% on the Amount of income tax.

#### Surcharge

Surcharge is an additional tax payable over and above the incometax. Surcharge is levied as a percentage of income-tax, where total income exceeds ` 50 lakhs.

- A. In case the Individual/HUF/AOP /BOI and Artificial Juridical Person pays tax under default tax regime under section 115BAC**

Income	Rate
Total income does not exceed ₹ 50 lacs	Nil
Total income exceeds ₹ 50 lacs but does not exceed ₹ 1 crore	10% of tax
Total income exceeds ₹ 1 crorebut does not exceed ₹ 2 crores	15% of tax
Total income exceeds ₹ 2 crores	25% of tax

- B. In case the Individual/HUF/AOP /BOI and Artificial Juridical Person pays tax under default tax regime under section 115BAC**

Income	Rate
Total income does not exceed ₹ 50 lacs	Nil
Total income exceeds ₹ 50 lacs but does not exceed ₹ 1 crore	10% of tax
Total income exceeds ₹ 1 crorebut does not exceed ₹ 2 crores	15% of tax
Total income exceeds ₹ 2 crores but does not exceed ₹ 5 crores	25% of tax

Health & education cess shall be charged on the total of tax plus surcharge.

**Note 1:** Surcharge on Income tax payable on Capital gain u/s 112, 112A, 111A and dividend income shall not exceed 15%.

**Note 2:** If Total Income Exceeds 2 Crore Because of Income u/s 112, 112A, 111A or dividend income, then Maximum Surcharge applicable is 15%.

**Note 3:** An AOP consisting of only companies as members then Maximum Surcharge applicable is 15%.

### Marginal Relief

- If due to applicability of surcharge (or higher surcharge is levied)
- Tax liability increases more than the increase in income
- Then assessee is eligible for Marginal Relief equals to Difference of Increase in Tax and Increase in Income.

### Rebate [Section 87A]

#### A. Rebate Under Default Regime (New Regime)

1. Applicable to: Resident Individual
2. Conditions to be satisfied: Total income of the assessee does not exceed ₹ 7,00,000.
3. Quantum of Rebate: Lower of the following:
  - a. 100% of tax liability as computed above; or
  - b. ₹ 25,000/-

#### B. Rebate Under Old Regime (Normal Provisions)

1. Applicable to: Resident Individual
2. Conditions to be satisfied: Total income of the assessee does not exceed ₹ 5,00,000.
3. Quantum of Rebate: Lower of the following:
  - a. 100% of tax liability as computed above; or
  - b. ₹ 12,500/-

### Taxability of Casual Income

- Casual income shall be taxable under the head Other Sources and it will be included in the gross total income and also total income but while computing tax liability, casual income shall be separated from total income and shall be taxable @ 30%.
- If any expense has been incurred to earn the casual income, then such expense shall not be allowed to deducted.
- As per section 58(4), deduction under section 80C to 80U shall not be allowed from casual income however as per section 87A, rebate shall be allowed.

### Taxability of Capital Gains

There are two Types of Capital Gains

- a) Long Term Capital Gains
- b) Short Term Capital Gains

Further Long term and Short Term capital gain is divided as follows:

Long Term Capital Gains			Short Term Capital Gains		
u/s 112A	Special Income	10% on excess of ₹1Lakh	u/s 111A	Special Income	15%
u/s 112	Special Income	20%	Other STCG	Normal Income	Slab Rate

- If any person has transferred listed equity shares or listed units of equity oriented mutual funds or listed units of a business trust and has paid securities transaction tax, in such cases long term capital gain shall

be taxable @ 10% on gain excess of ₹1,00,000 u/s 112A and short term capital gains shall be covered under section 111A and shall be taxable @ 15%

- Deduction u/s 80C to 80U shall not be allowed from capital gain u/s 112, 112A & 111A.
- Rebate u/s 87A shall not be allowed from income u/s 112A.

### Special provision for resident individual / HUF

In case of a resident individual / HUF if total income excluding

- a) long term capital gains u/s 112
- b) short term capital gain covered under section 111A, and
- c) LTCG u/s 112A

is below the Amount which is exempt from income tax (i.e.2,50,000/3,00,000/5,00,000), in such cases deficiency in the exemption shall be allowed from long term capital gains or short term capital gain under section 111A or long term capital gains under section 112A as the case may be.

### Unexplained money, investments etc. [Section 115BBE]

- Such deemed income shall be taxed at the rate of 60% plus surcharge @25% of tax. Thus, the effective rate of tax (including surcharge@25% of tax and cess@4% of tax and surcharge) is 78%.
- No basic exemption or allowance or expenditure shall be allowed to the assessee under any provision of the Income-tax Act, 1961 in computing such deemed income.
- Further, no set off of any loss shall be allowable against such income.

### Analysis Of Taxability Of Special Income

Normal Income is taxable as per slab rate and also eligible for deduction u/s 80C to 80U. However Special income is taxable at special rates as given under:

Particulars	LTCG Sec 112A	LTCG Sec 112	STCG Sec 111A	Casual Income Sec 115 BB	Net Winings From Online Game	Unexplained money Sec 115BBE
Rabate U/s 87A	Not Allowed	Allowed	Allowed	Allowed	Allowed	Not Allowed
Deduction U/S 80C- 80 U	Not Allowed	Not Allowed	Not Allowed	Not Allowed	Not Allowed	Not Allowed
Rate	10% on income above ₹ 1 Lakh	20%	15%	30%	30%	78%

### In case of Partnership Firm Including LLP

Tax	30%
Surcharge	12% provided total income is exceeding ₹ 1 crore.
Marginal Relief	Marginal relief shall be allowed if income has exceeded ₹ 1 crore.

### In case of Domestic Company

**Manufacturing Company Opts To Pay Tax u/s 115BAB**

<b>Tax</b>	15%	
<b>Surcharge</b>	10% (irrespective of income)	
<b>Marginal Relief</b>	Not Allowed	

<b>Other Domestic Company</b>		
<b>Opts Old Regime</b>		
<b>Tax</b>	30% . However, if Total Turnover or gross receipts of the previous year 2021-22 does not exceed 400 Crore -> 25% Tax Shall be levied)	
<b>Surcharge</b>	<b>Income</b>	<b>Rate</b>
	Exceeds 1 Crore but upto 10 Crore	7%
	Exceeds 10 Crore	12%
<b>Marginal Relief</b>	Allowed	
<b>Opts New Regime</b>		
<b>Tax</b>	22%	
<b>Surcharge</b>	10% (irrespective of income)	
<b>Marginal Relief</b>	Not Allowed	

**In Case Of Foreign Company**

<b>Tax</b>	40%	
<b>Surcharge</b>	<b>Income</b>	<b>Rate</b>
	Exceeds 1 Crore but upto 10 Crore	2%
	Exceeds 10 Crore	5%
<b>Marginal Relief</b>	Allowed	

**In case of Co-operative Societies**

<b>Old Regime</b>	
<b>Income</b>	<b>Rate</b>
First 10,000	10%
Next 10,000	20%
Balance	30%
<b>Surcharge</b>	
Income Exceeds 1 crore but upto 10 crore	7%
Income Exceeds 10 crore	12%
<b>New Regime</b>	
<b>A manufacturing co-operative society u/s 115BAE (Same As Manufacturing Domestic Company)</b>	
<b>Tax</b>	15%

<b>Surcharge</b>	<b>10% (irrespective of income)</b>
<b>Marginal Relief</b>	<b>Not Allowed</b>
<b>Other co-operative society u/s 115BAD (Same As Other Domestic Company)</b>	
<b>Tax</b>	<b>22%</b>
<b>Surcharge</b>	<b>10% (irrespective of income)</b>
<b>Marginal Relief</b>	<b>Not Allowed</b>

# AGRICULTURE INCOME

## Meaning of Agricultural Income Section 2(1A)

### 1. Income from leasing out of agricultural land Section 2(1A) (a)

If any person has given any agricultural land on rent, rent so received (either in cash or in kind) shall be considered to be agricultural income and shall be exempt from income tax.

However if any interest is recovered for late payment of rent then such interest will be taxable under head other sources.

### 2. Income from Agricultural Operations Section 2(1A)(b)

If any person is engaged in agricultural activities, income derived from such agricultural operations shall be considered to be agricultural income.

#### Agriculture Operation

Operation	Income
Only Basics Operations	Agriculture income
Basics Operations & Subsequent operations	Agriculture income
Only Subsequent operations	Non Agriculture income

#### Note:

- a) If any shareholder has received dividend from a company having income from agricultural activities, such dividend income shall not be considered to be agricultural income
- b) If any partnership firm has agricultural income and firm has paid any salary or interest to the partners, it will be considered to be agricultural income to the partners.

### 3. Any income derived from any building Section 2(1A)(c)

Income from building shall be agriculture income if all the following conditions are satisfied.

- (i) The building is on or in the immediate vicinity of agricultural land.
- (ii) It is occupied by the cultivator or receiver of rent or revenue.
- (iii) It is used as a dwelling house or as a store-house or other out-house.
- (iv) The land is assessed to land revenue or it is situated in rural area.

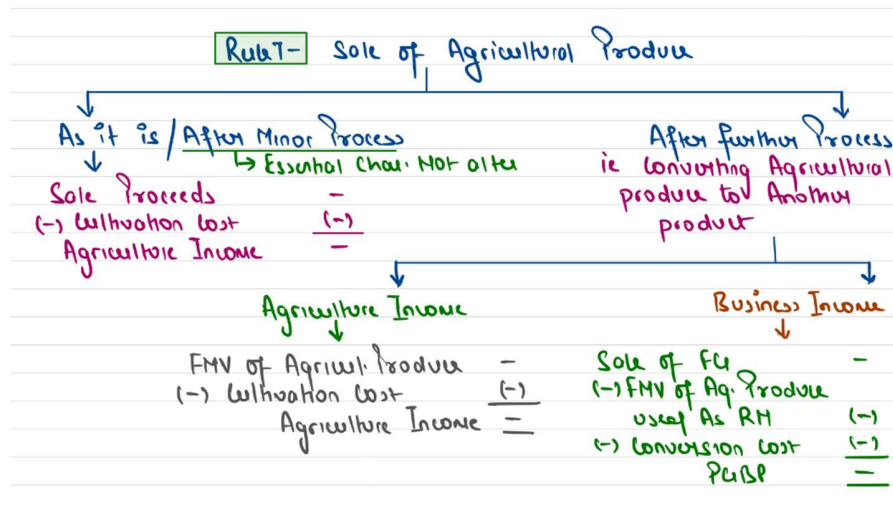
**Note:** Income derived from nursery shall be deemed to be an Agriculture income.

## Income which is partially agricultural and partially from business

Rule	Business	Agriculture %	Non- Agriculture %
7A	Manufacture of Rubber	65%	35%



7B(1)	Sale of coffee grown and cured by seller.	75%	25%
7B(1A)	Sale of coffee grown, cured, roasted and grounded by seller in India with or without mixing chicory or other flavouring ingredients	60%	40%
8	Growing and manufacturing tea in India.	60%	40%



### Partial integration of agricultural income with non-agricultural income

Addition of agricultural income to non agricultural income for computation of tax is known as partial integration.

#### Conditions

1. The assessee is an individual or HUF or BOI, or AOP or artificial juridical person.
2. Non-agricultural income exceeds basic exemption limit; and
3. Agricultural income exceeds ₹5,000.

<b>Step 1</b>	Calculate tax on total income including agriculture income	-
<b>Step 2</b>	Calculate tax on (Basic Exemption Limit + Agriculture Income)	-
<b>Step 3</b>	Tax Payable Before Rebate u/s 87A or Surcharge (Step2 – Step3)	-
<b>Step 4</b>	Apply Rebate u/s 87A or Surcharge if TI exceeds 50 lacs	-
<b>Step 5</b>	Levy 4% HEC	-
	<b>Tax Liability</b>	-

# INCOME UNDER HEAD SALARIES

## Important Concepts Relating To Salaries

- (1) **Employer-employee relationship:** Every payment made by an employer to his employee for service rendered would be chargeable to tax as salaries.
- (2) **Full-time or part-time employment:** It does not matter whether the employee is a full-time employee or a part time one.
- (3) **Foregoing of salary:** Once salary accrues, the subsequent waiver by the employee does not absolve him from liability to income-tax. Such waiver is only an application and hence, chargeable to tax.
- (4) **Surrender of salary:** Exempt while computing his taxable income.
- (5) **Salary paid tax-free:** This, in other words, means that the employer bears the burden of the tax on the salary of the employee. In such a case, the income from salaries in the hands of the employee will consist of his salary income and also the tax on this salary paid by the employer.
- (6) **Place of accrual of salary:** salary earned in India is deemed to accrue or arise in India even if it is paid outside India or it is paid or payable after the contract of employment in India comes to an end.

## BASIS OF CHARGE (SECTION 15)

- (i) Section 15 deals with the basis of charge. Salary is chargeable to tax either on 'due' basis or on 'receipt' basis, whichever is earlier.
- (ii) However, where any salary, paid in advance, is assessed in the year of payment, it cannot be subsequently brought to tax in the year in which it due.
- (iii) If the salary paid in arrears has already been assessed on due basis, the same cannot be taxed again when it is paid.

## ALLOWANCES

### 1. Fully Taxable Allowances

Servant Allowance	Fixed Medical Allowance	Meal Allowance
Dearness allowance.	City Compensatory Allowance	Overseas allowance
Entertainment allowance	Telephone Allowance	Overtime allowance
Rural allowance	Project allowance (personal research)	High Cost of living Allowance
Holiday Home Allowance	Non-Practising Allowance	Marriage / Family Allowance

## 2. Fully exempted allowances

Following allowances are fully exempted from tax:

- A. Allowances paid to Supreme Court and High Court Judges.
- B. Any salary or allowance or perquisites paid to the employees of United Nation Organisation.
- C. Section 10(7). Any allowances or perquisites paid or allowed by Government of India to Indian citizen for rendering services outside India.

## 3. Official Allowances

For The Following Allowances, amount received or actually spent by Employee, whichever is lower shall be exempt from tax under Old Regime

Transfer Allowance	Helper Allowance
Daily Allowance	Conveyance Allowance
Academic Allowance	Research & Development Allowance(R & D)
Uniform Allowance	Travelling Allowance

Note: Under Default Regime exemption is allowed only for Travelling Allowance/Daily Allowance/Conveyance Allowance. Other official allowances are fully taxable.

## 4. Allowances For Personal Nature

Following Exemption is allowed only under old regime ( under default regime no exemption is allowed for personal nature allowances)

- A. **Children Education Allowance:** exempt upto ₹100 p.m. per child upto two child.
- B. **Hostel Allowance:** exempt upto ₹300 p.m. per child upto two children.
- C. **Transport Allowance:** Fully Taxable. However, if granted to an employee, who is blind or orthopaedically handicapped with disability of lower extremities is exempt upto ₹3,200 p.m.
- D. **Outstation Allowance:** Granted to an employee working in any transport system to meet his personal expenditure. It is exempt to the extent of least of the following:
  - (i) 70% of the allowance received
  - (ii) ₹10,000 p.m.
- E. **Underground Allowance:** Allowance to the employees who are working in the mines. It is exempt upto ₹800 p.m.
- F. **Tribal Area Allowance:** exempt upto ₹200 p.m
- G. **Other notified allowances:**
  - (i) Compensatory modified field area allowance. upto ₹ 1,000 p.m. is exempt.
  - (ii) Composite field area allowance. upto ₹ 2,600 p.m. is exempt.
  - (iii) Compensatory field area allowance. upto ₹ 2,600 p.m. is exempt.
  - (iv) Island Duty allowance. upto ₹ 3,250 p.m. is exempt.
  - (v) Counter insurgency allowance. upto ₹ 3,900 p.m. is exempt.
  - (vi) Special Compensatory highly active field area allowance. upto ₹4,200 p.m. is exempt.

## 5. Section 10(13A) & Rule 2a. House Rent Allowance

- Exemption is allowed only under old regime (under default regime no exemption is allowed for HRA)
- House rent allowance is exempt to the extent of the least of the following:
  - (i) (Rent Paid – 10% of salary)
  - (ii) 50% of retirement benefit salary in case of Mumbai, Kolkata, Chennai or Delhi.  
Or  
40% of retirement benefit salary in case of any other place.
  - (iii) House rent allowance received

### Meaning of Salary for HRA (also known as Retirement Benefit salary)

Basic Salary + DA (RB) + Commission (% of TO)

**Note:** If There Is Change In HRA, Salary, Rent Paid and Location of Accommodation, then Exemption shall be computed separately for each such Change.

## DEDUCTION U/S 16

### A. Standard Deduction [Section 16(ia)] - Allowed under Both Regimes

A deduction of 50,000 or the amount of the gross salary, whichever is less.

### B. Entertainment Allowance [Section 16(ii)] - Allowed only under Old Regime

Deduction shall be allowed only in case of government employees to the extent of the least of the following:

- (i) 20% of basic salary
- (ii) ₹ 5,000
- (iii) The actual allowance received by the employee

### C. Professional Tax [Section 16(iii)] - Allowed only under Old Regime

- Employee will be allowed to claim deduction Of professional tax paid by him
- If the amount has been paid by the employer on behalf of the employee, it will be first included in gross salary and subsequently deduction is allowed
- If the amount is due but not paid, deduction is not allowed.

## RETIREMENT BENEFITS

### 1. Gratuity

- Gratuity Received During Employment Is Fully Taxable
- Gratuity Received at the time of retirement is to be treated as follows:

Employee	Exemption u/s 10(10) [Allowed under Both Regime]
Government	Fully Exempt
Other EE covered under POGA	Least Of Following is Exempt: a) ₹ 20 Lakh b) Gratuity Received c) $15/26 \times \text{Last Drawn Salary} \times \text{CY}$ Note: 1. CY = Completed year or partthereof in excess of 6m 2. Last Drawn Salary = Basic + DA
Other EE Not covered under POGA	Least Of Following is Exempt: a) ₹ 20 Lakh b) Gratuity Received c) $1/2 \times \text{Avg Salary} \times \text{CY}$ Note: 1. CY = Completed year 2. Salary = Basic + DA(RS) + Comm(%) 3. Avg Salary= 10m Avg Salary Immediately Preceeding "month" of Retirement

2. Pension

- a) Uncommuted Pension – FullyTaxable
- b) Commuted Pension

Received By	Exemption u/s 10(10A) [Allowed under Both Regime]
Govt. EE	Fully Exempt
Non Govt.EE	<u>Gratuity Received</u> : 1/3 of Total Pension Is Exempt <u>Gratuity Not Received</u> : 1/2 of Total Pension Is Exempt

Total Pension = [Commuted Pension ÷ Commutation %]

3. Leave Encashment (Exemption u/s 10(10AA)) - [Allowed under Both Regime]

Least Of Following Is Exempt:

- a) Leave Encashment Received
- b) ₹ 25,00,000
- c) 10m x Average Salary
- d) Leave @ credit (in months) x AverageSalary

Note:

- (i) Leave @ Credit (In Months)

Leaves Available For Completed Year (Max= 30 leaves per Year)	XX
(-) Leaves Availd During Employment	XX

(-) Leaves Encashed During Employment	xx
Leaves @ credit (in days)	Xx
	÷ 30 days
Leaves @ credit (in months)	xx

- (ii) Salary = Basic + DA(RB) + Commission (% of TO)  
 (iii) Avg Salary= 10m Avg Salary Immediately Preceding “Day” of Retirement.  
 (iv) Leave Encashed During Employment Is Fully Taxable

**4. Retrenchment Compensation S. 10(10B) - [Allowed under Both Regime]**

Least of the following is exempt :

- Compensation actually received
- ₹ 5,00,000
- $15/26 \times$  Completed years of service and part thereof in excess of 6 months.

**5. Voluntary Retirement Compensation S. 10(10C) - [Allowed under Both Regime]**

Least of the following is exempt :

- Compensation received
- ₹ 5,00,000
- 3 months' salary x completed years of service
- Last drawn salary x remaining months of services left

**6. Provident Fund - [Allowed under Both Regime]**

Particulars	SPF	RPF	URPF	PPF
ER Contribution	EXEMPT	Exempt Upto 12% of RBS	Taxable at the time of withdrawal	
EE Contribution	Deduction u/s80C	Deduction u/s80C	No Deduction allowed u/s 80C	Deduction u/s80C
Interest Credited	EXEMPT (See Note 3)	Exempt Upto 9.5% (See Note 3)	Taxable at the time of withdrawal	EXEMPT (See Note 3)
Withdrawal	EXEMPT	EXEMPT (See Note 1)	See Note 2	EXEMPT

**Note**

- Exempt, If any of the following condition satisfied:
  - 5 years of continuous service with same employer
  - retires before rendering 5 years of service because of ill health, contraction or discontinuance of employer's business or reason beyond the control of the employee
  - on cessation of employment with existing ER, accumulated balance in RPF is transferred to

new employer or transferred to his NPS account referred to in section 80CCD

2. Withdrawal from URPF shall be treated as follows:

ER Contribution	EE Contribution	Int On EE Cont.	Int On ER Cont.
Taxable u/h salary	Exempt	Taxable u/h Other Source	Taxable u/h Salary

3. Int on EE's Contribution towards SPF/RPF

- Exemption u/s 10(11) and 10(12) not available for interest accrued during the PY to the extent it relates to the contribution made by EE exceeding ₹ 2,50,000 in any PY on or after 1/4/2021.
- However if ER do not contribute in that fund then exemption in respect of interest is allowed upto ₹ 5,00,000 instead of ₹ 2,50,000.

**TAXABILITY OF PERQUISITES**

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

	Particulars	Amount
<b>Step 1</b>	<b>Value Of Accommodation</b>	
	<b>Case 1: Accommodation Is owned by Employer</b>	
	Specified % of Salary (See Note 1)	xx
	<b>Case 2: Accommodation Is Taken on Rent by Employer</b>	
	Rent Paid by the ER or 15% of Salary – whichever is lower.	xx
	<b>Case 3: Government Employees (Central or State Government)</b>	
	Licence Fee determined by the Government	xx
<b>Step 2</b>	<b>Add: 10% p.a of Cost Of Asset (If Asset is owned by ER)</b>	xx
<b>Step 3</b>	<b>Add: Hire Charges paid by the ER (Asset taken on rent by ER)</b>	xx
<b>Step 4</b>	<b>Less: Amount Recovered From EE</b>	xx

**Note**

a) Meaning of Salary Rent free accommodation salary shall include:

- Basic pay
- Dearness Allowance/Dearness Pay. If it forms part of salary for retirement benefits as per service agreement.
- Taxable portion of all allowances.
- Bonus /Commission /Fees etc.
- Leave salary (when the employee is in employment)

It will not include

- Taxable portion of perquisites whether monetary or non-monetary
- Taxable portion of provident fund
- Any payment after retirement like gratuity/ commuted pension or provident fund etc.

(iv) Arrear of salary or advance salary

Note: Salary only for the period for which rent free accommodation is provided shall be taken into consideration

**Accommodation provided at two places**

If any employee has been transferred and employer has provided him accommodation at the new place also, in such cases only one of the accommodation shall be taxable having lower perquisite value but only for a period of 90 days (three months) and thereafter both of the accommodations shall be taxable

**Accommodation provided in a hotel**

Perquisite value shall be 24% of salary or actual expenditure incurred whichever is less.

However, Perquisite shall not be taxable if both of the following conditions are satisfied:

1. Hotel accommodation is for a period not exceeding in aggregate 15 days
2. Employee has been transferred from one place to another

**FRINGE BENEFITS UNDER SECTION 17(2)(viii)**

**1. Interest free or concessional loans Rule 3(7)(i)**

Perquisite = Sum of Monthly Outstanding balance x (SBI Rate – ER Rate) x 1/12

Exception: No perquisite shall be computed in following cases:

- a) where aggregate amount of all such loan during a particular year is upto ₹20,000
- b) If employer has given loan for treatment of specified disease given under rule 3A, there is no perquisite value

**2. Free food or refreshment Rule 3(7)(iii)**

a) Free refreshments Tea or Non-Alcoholic Beverages / Snacks during working hours are Exempt.

b) Free meals taxable as follows:

Perquisite = (Cost of Meal – Amount Recovered).

However, perquisite upto ₹ 50 per meal is exempt [If Assessee Opts Out From Default Regime].

**3. Facility of travelling, touring, accommodation (holiday home) etc. Rule 3(7)(ii)**

a) Perquisite value shall be actual expenditure incurred by the employer, reduced by the amount recovered from the employee

b) If the employee is on official tour and any member of his household has accompanied him, perquisite value is amount spent on Family Member

c) If official tour was extended for personal purpose, expenditure for the extended part of the tour shall be taxable.



4. **Gifts to the employees Rule 3(7)(iv)**
  - a) Cash Gift = Fully Taxable
  - b) Kind Gift = Exempt Upto Rs 5000 p.a.
5. **Credit card facility Rule 3(7)(v)**  
Perquisite Value = Amount spent for personal use of employee.

6. **Club facilities Rule 3(7)(vi)**  
Perquisite Value = Amount spent for personal use of employee.

7. **Use of employer's assets by the employees Rule 3(7)(vii)**

Asset	Perquisite
Laptop / Computer	NIL
Other	10% p.a. of actual cost of such asset (or hire charges paid by ER) Less: amount recovered from EE

8. **Amount or the aggregate of amounts of any contribution made to the account of the assessee by employer in a recognised provident fund/NPS/approved superannuation fund [Section 17(2)(vii)]**

The amount or aggregate of amounts of any contribution made

- a) in a recognised provident fund
- b) in NPS referred to in section 80CCD(1)
- c) in an approved superannuation fund

by the employer to the account of the assessee, to the extent it exceeds ` 7,50,000 shall be considered as perquisites

9. **Annual accretion to the balance at the credit of the recognised provident fund/NPS/approved superannuation fund which relates to the employer's contribution and included in total income**

$$TP = (PC/2)*R + (PC_1 + TP_1)*R$$

Where,

TP = Taxable Perquisite

PC = Amt or agg. of amt of ER's contribution in excess of ₹ 7.5 lakh

PC<sub>1</sub> = Amt or agg. of amt of ER's contribution in excess of ₹ 7.5 lakh for earlier years

TP<sub>1</sub> = Agg. of taxable perquisite under section 17(2)(vii) for earlier year

R = I/ Favg.

10. **Any other benefit Rule 3(7)(ix)**

Perquisite = Cost to the employer – Amount Recovered

**Note:** If the employer has provided telephone facility including the mobile phone, it will be exempt. However if any telephone allowance has been received, then it shall be fully taxable.

**11. Sale Of Movable Asset**

Particulars	Amount	Asset	Depreciation
Cost of Asset	-	Computer & Peripherals	50 % WDV
(-) Depreciation	-	Motor Vehicle	20% WDV
(-) Amount Recovered From EE	-	Other Asset	10% SLM
Taxable Value	-		

Note: Depreciation in all cases is charged For Complete Year.

**12. Medical Facility****A. In India**

Expenses Incurred/ Facility Provided By ER	Treatment
In ER Hospital	Exempt
In Govt. Hospital	Exempt
In Approved hospital For Specified Disease	Exempt
Health Insurance Premium of EE & Family Member	Exempt
Any other	Taxable

**B. Outside India**

Expenses Incurred by ER	Treatment
Stay Abroad	Exempt upto Permitted By RBI
Treatment Abroad	Exempt upto Permitted By RBI
Travel Abroad	
a) GTI > 2L	Fully Taxable
b) GTI ≤ 2L	Fully Exempt

**Note:**

- Exemption is allowed for medical treatment of EE, Spouse, Children, Dependent family member ( Parents, Brother & Sister)
- Exemption of stay and travel abroad is for patient and one attendant only.
- Exemption is allowed for COVID-19 treatment subject to conditions notified by CG.

**13. Leave Travel Concession [Section 10(5) Rule 2B] - [Allowed Only under OLD Regime]**

Journey Performed By	Maximum Exemption
Air	Economy Fare
Other Than Air	1st Class AC Fare Of Railway
Places Not connected By Rail	
a) Recognised Transport System (RTS) Exist	Deluxe or First Class Fare of RTS
b) No Recognised Transport System (RTS) Exist	1st Class AC Fare Of Railways on the basis of KM Travelled

**Notes:**

- Ceiling on number of journeys: The exemption shall be available to an individual two times

in each block of four calendar year (current block is 2022-25)

2. Family”, shall include—

- A. the spouse and children however exemption shall be allowed maximum 2 children but in case of multiple birth after the birth of one child, exemption is allowed for all the children
- B. wholly or mainly dependent parents, brothers and sisters

**PERQUISITES ARE TAXABLE ONLY IN THE HANDS OF SPECIFIED EMPLOYEES**

1. Gardener/watchman/ sweeper or any other servant

Perquisite = Amount Spent By ER less Amount Recovered from EE

2. Transport Facilities

- a) ER business is carriage of goods or passengers
- b) Perq. Shall be Fair Market Value as reduced by Amount Recovered From EE

3. Education facility

Nature Of Expenditure	Perquisite
Training of Employees	Not Taxable
Education to Family Member	Fully Taxable
Education to Children of Employees	
a) school maintained by the ER or the school sponsored by the ER	Cost to the Employer as reduced by amount recovered from EE
b) Other Schools	Cost of education IN similar locality / institution as reduced by amount recovered from EE

Note: If the Cost of Education per Child does not exceed ₹ 1,000 p.m. then such benefit is Not Taxable, otherwise fully taxable.

4. Service of Sweeper, Gardener or Watchman or Personal Attendant

Perquisite = Amount Spent By ER less Amount Recovered from EE

5. Gas/Electricity or Water Facility

Particulars	Perquisite
ER has his own business	Manufacturing cost to the employer
Sourced From Third Party	Amount Paid To Third Party

Amount recovered from EE Shall be Deducted

6. Sweat Equity Share/ESOP

- a) Perquisite = FMV on Exercise Date – Amount Paid by Employee
- b) FMV should be taken on the date on which option is exercised by the EE.

7. **Payments Of Life Insurance Premium By The Employer**

Premium so paid shall be taxable. However premium paid for personal accident policy or for staff group insurance scheme shall be exempt.

8. **Motor car facility**

Valuation of Motor Car facility			
Car Owned By ER And Used By EE			
Purpose	Expenses Met By	Perquisite Value	
Partly Official And Partly Personal (Amount Recovered From Ee Is Ignored)	Employer	Small Car- 1800 Pm Big Car- 2400 Pm	For Driver - 900 Pm
	Employee	Small Car- 600 Pm Big Car- 900 Pm	For Driver - 900 Pm
Personal	Employer	Expenses Incurred By ER	-
		+ Driver Salary	-
		+ 10% P.A Of Cost Of Car	-
		+ Hire Charges Of Car	-
		(-) Amount Recovered From EE	-
		Perquisite Value	-
Car Owned By EE & Used By EE			
Purpose	Expenses Met By	Perquisite Value	
Partly Official And Partly Personal	Employer	Expenses Incurred By ER	-
		+ Driver Salary	-
		(-) Fixed Personal Expense	
		Small Car	(1,800)
		Big Car	(2,400)
		Driver	(900)
	Perquisite Value	-	
Personal	Employer	Expenses Incurred By ER	-
		+ Driver Salary	-
		(-) Amount Recovered From EE	(-)
		Perquisite Value	-
Other Vehicle			
Purpose	Expenses	Perquisite Value	

	<b>Met By</b>	
<b>Partly Official And Partly Personal</b>	<b>Employer</b>	<b>Expenditure By Employer - ₹ 900 P.M</b>

**Note 1:** More than one motor car is provided to the employee for official/personal use –  
Any 1 car shall be treated as used for partly official and partly personal purpose and other car(s) shall be treated as used for personal.

**Note 2:** If car is used for 100% official use then it shall not be considered as perquisite.

# RESIDENTIAL STATUS

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

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

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

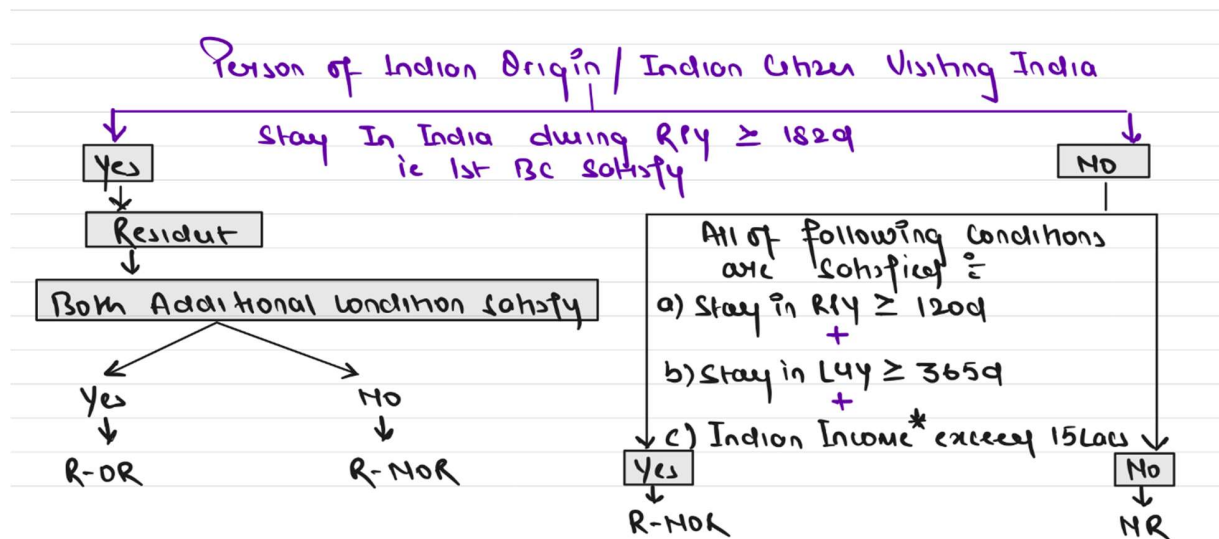
Note:

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

### Exceptions to the basic condition - Check only 182 days

1. If an Indian Citizen leaves India for the purpose of employment
2. If an Indian Citizen leaves India as a crew member of Indian Ship.

Note: Date of Joining and Date of Signing Off As per continuous discharge certificate shall be considered as outside India in the case of crew member of foreign going Ship.



\* Indian Income includes Foreign business income whose control is in India or foreign professional income whose setup is in India

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

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

### Deemed Resident Section 6(1A)

Individual Shall be NOR if all of the following conditions are satisfied:-

- a) Individual is Indian Citizen
- b) Total income excluding income from foreign sources but including foreign business income whose control is in India, exceeds 15 Lakh.
- c) Such person is not paying Tax In any Country due to his domicile, residence or similar nature

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

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

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

### Residential status of partnership firm or BOI or AOP Section 6(2)

Resident → C&M is wholly or partially in India, other wide NR.

### Residential Status Of Company Section 6(3)

Indian Co. → Always Resident.

Foreign company → Resident if POEM is in India

### Scope of Total Income or Tax Incidence [Section 5]

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

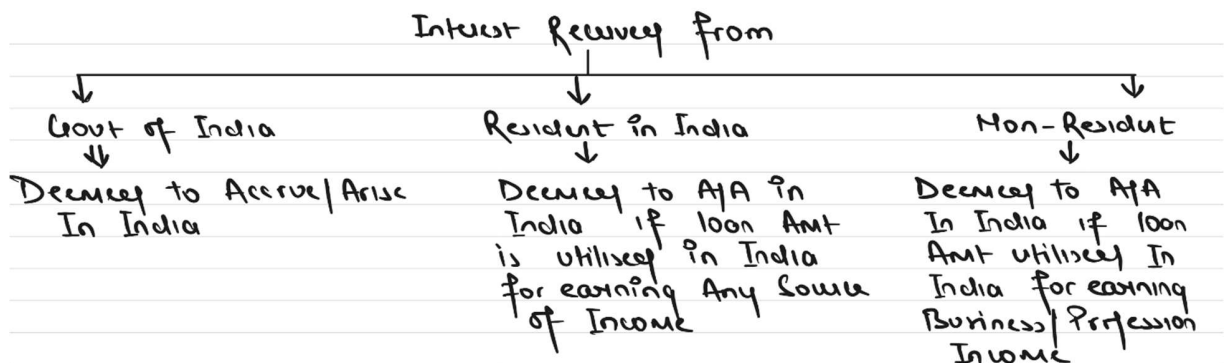
Income	ROR	NOR	NR
Indian	Taxable	Taxable	Taxable
Foreign	Taxable	Non – Taxable Exception : Following Foreign Incomes are Taxable. 1. Business Income – Business Controlled From India. 2. Professional Income – Profession Set Up in india	Non - Taxable

## Income deemed to accrue or arise in India Section 9

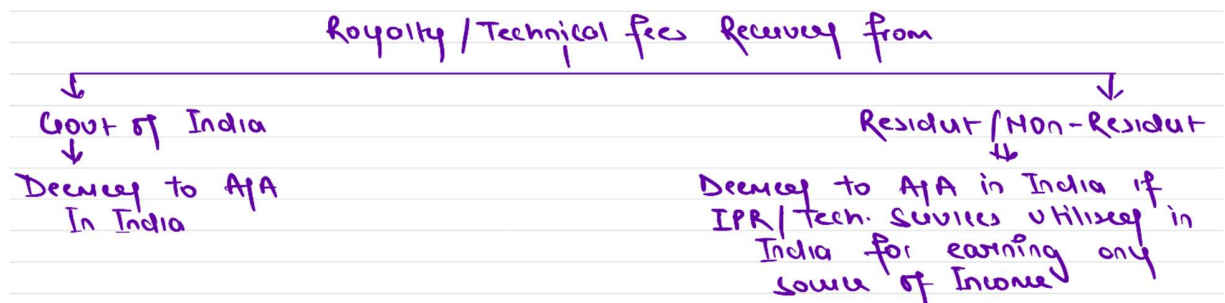
1. Any income accruing or arising to an assessee in any place outside India whether directly or indirectly
  - (a) through or from any business connection in India,
  - (b) through or from any property, any asset or source of income in India or
  - (c) through the transfer of a capital asset situated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

Exception:

- Purchase for export.
  - Collection of news.
  - Shooting of film in India by foreign citizen.
2. Income, which falls under the head "Salaries", deemed to accrue or arise in India, if it is earned in India. Salary payable for service rendered in India would be treated as earned in India.
  3. Income from 'Salaries' which is payable by the Government to a citizen of India for services rendered outside India would be deemed to accrue or arise in India. However, allowances and perquisites paid or allowed outside India by the Government to an Indian citizen for services rendered outside India is exempt, by virtue of section 10(7).
  4. Interest On Loan



5. Royalty Or fees from technical services





# PROFITS & GAINS FROM BUSINESS & PROFESSION

## Section 28 Basis Of Charge

1. The profit of any business or profession carried at any time during the relevant PY.
2. Export incentives.(Cash assistance/ sale of import licence/ duty drawback)
3. Profit on sale of Duty Entitlement Pass Book.
4. The value of any benefit or perquisite arising from business or Profession (Gift received from customers/client)
5. Any interest, salary, bonus, commission or remuneration, received by a partner of a firm from such firm.
6. Non - competing fees
  - a) for not carrying out any activity in relation to any Business
  - b) not sharing any know-how, patent, copyright, trademark, licence, franchise or any other business or commercial right
7. Any sum received by ER under a Keyman insurance policy
8. Income from speculative transaction
9. Amount received in connection with termination or modification of terms and conditions of any Business contracts.
10. If any person has converted any inventory or stock in trade in to a capital asset.( Business Income = FMV on Date of Conversion

### Note:

#### Meaning of Speculative Transaction

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

#### Transactions not deemed to be speculative transactions

The following forms of transactions shall not be deemed to be speculative transaction:

- a) Hedging contract in respect of raw materials or merchandise or stocks and shares
- b) Forward contract
- c) Trading in derivatives carried out electronically through SEBI registered stockbroker or sub broker or intermediary in a recognized stock exchange.
- d) Trading in commodity derivatives carried out electronically through a registered member or intermediary in a recognised stock exchange, which is chargeable to commodities transaction tax.

However, the requirement of chargeability of commodities transaction tax is not applicable in respect of trading in agricultural commodity derivatives.

## Section 29 How to Compute PGBP

The income referred to in section 28 shall be computed in accordance with the provisions contained in sections 30 to 43D.

### Rent, Rates, Taxes, Repairs and Insurance for Buildings [Section 30]

Building Used As	Expenses Allowed
Tenant	Rent, Current Repairs, Municipal Taxes & Insurance
Owner	Current Repairs, Taxes, Insurance and also Dep (u/s 32)

Note:

1. Capital repairs incurred by the owner are not allowed as a deduction but instead, assessee can claim depreciation on such repairs.
2. Capital repairs incurred by tenant is treated as deemed building and depreciation is allowed to tenant.
3. If assessee is owner of building then assessee cannot claim notional rent.

### Section 31 Deduction relating to plant, machinery & furniture

- Current Repairs and Insurance related to P/M & Furniture used in business is allowed u/s 31.
- Rent Paid for P/M & Furniture if taken on hire, shall also be allowed but in u/s 37.

### Section 32 Depreciation

#### 1. Conditions for claiming Depreciation

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

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

Note:

- a) It is mandatory for Assessee to claim depreciation.
- b) Depreciation is allowed when asset is put to use and not when it is ready to use.

#### 2. Methods Of Depreciation

- (a) Normal Depreciation For Block Of Assets on WDV basis [Sec 32(1)(ii)]
- (b) Additional Depreciation For Eligible Asset [Sec 32(1)(ia)]
- (c) Asset Wise Depreciation For An Undertaking Engaged In Generation or Generation & Distribution Of Power [Sec 32(1) (i)]

### 3. Section 2(11): Block of Assets

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

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

### 4. Rate Of Depreciation

<b>Building</b>	
• Residential Purpose Building other than Hotel	5%
• Non Residential Purpose Building including Hotel	10%
• Temporary erections	40%
<b>Furniture and Fittings</b>	<b>10%</b>
<b>Machinery and Plant</b>	
<b>Machinery and Plant (General)</b>	<b>15%</b>
• Motor cars	
• Used in a business of running them on hire	
Generally	30%
Acquired and Put To Use between 23/8/19 – 31/3/20	45%
• Other than Used in a business of running them on hire	
Generally	15%
Acquired and Put To Use between 23/8/19 – 31/3/20	30%
• Ships	20%
• Aeroplanes	40%
• Computers including computer software and computer peripherals (Excluding Mobile)	40%
• Books	40%
<b>Intangible Assets other than Goodwill</b>	<b>25%</b>

### 5. WDV For Charging Depreciation

Particulars	Amount
Opening WDV of Block	xxx
Add: Assets acquired During the previous year	
Put To Use for 180 days or more	xxx
Put To Use for Less than 180 days	xxx
Not Put To Use	xxx
Less: Money Payable (Selling Price Of Asset)	(xxx)
	<b>Closing WDV Before Depreciation</b>
	xxx
Less: Depreciation actually Allowed	xxx

Note: If asset is acquired but not put to use, then depreciation on such asset shall not be allowed.

**6. Depreciation allowed at Half Rate**

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

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

**7. When No Depreciation Shall Be Allowed**

**a) All the assets of the block are transferred (Block Ceases To Exist)**

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

- i. Sale price exceeds (Op. WDV + Assets purchased during the year)  
 $STCG \text{ u/s } 50 = \text{Sale Price} - (\text{Op. WDV} + \text{Assets purchased during the year})$
- ii. Sale price < ( Op. WDV+ Assets purchased during the year then)  
 $STCL \text{ u/s } 50 = \text{Sale Price} - (\text{Op. WDV} + \text{Assets purchased during the year})$

**b) Part of block is sold and the sale consideration of assets exceeds block Value**

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

**8. Additional depreciation on new machinery or plant [Section 32(1)(iia)]**

**A. Condition:**

- (i) An assessee is engaged in the business of manufacture or production of any article or thing.
- (ii) An assessee who is in the business of generation transmission or distribution of power.

**B Assets for which additional depreciation is allowed:**

Any new machinery or plant which has been acquired and installed. However , additional depreciation shall not allowed for:

- (i) Ships and aircraft;
- (ii) Second Hand Plant/Machinery ;or
- (iii) Any machinery or plant installed office or residential accommodation or office appliances or road transport vehicles;
- (iv) Any machinery or plant , the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise)

**C. Additional depreciation shall be allowed @ 20% in the first year in which it is put to use. However, if the asset is put to use for less than 180 days, then additional depreciation is**

allowed @ 10% in the first year, and balance of 10% shall be allowed in the immediately succeeding PY.

## 9. Actual cost

It means,

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

### Important points to remember

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

### Actual cost in certain special situations [Explanations to section 43(1)]

Situation	Actual Cost
Acquisition of Asset: Where assessee himself acquires the asset.	Purchase Price Add: (a) Interest on Loan for the period upto the date of usage of the asset (b) Freight and Insurance (c) Loading, Unloading Charges (d) Installation and Erection Charges Less: (a) Any amount met by any Authority or any other person by way of Subsidy or Grant, (b) GST ITC Credit availed
Assets used in Scientific Research subsequently put into use for business.	Nil. As Asset Cost wholly deductible u/s 35
Conversion of Stock into Capital Asset	FMV which has been taken into account for the purpose of Sec.28(via)
Asset received under Gift, Will or Inheritance.	WDV to the Previous Owner.
Acquisition of Second Hand asset to claim depreciation on enhanced cost to reduce tax liability, in the opinion of A.O.	Cost as determined by the AO, having regard to circumstances of the case, with the prior approval of Joint Commissioner of Income Tax.
Transfer and Re-acquisition: Transfer of an asset and re-acquisition of the same.	WDV at the time of Original Transfer or repurchase price, whichever is less.
Sale and Lease Back: Sale of an asset to the	WDV to the Transferor.

Lessor and taking them back on lease.	
Building used for private purpose and subsequently put into use in business	Cost of Acquisition or Construction Less: Notional / Deemed Depreciation for the period of personal use.
Assets brought into India by a Non-Resident.	Actual Cost of Acquisition Less: Notional Depreciation for the period held outside India
Receipt of Subsidy / Grant / Reimbursement for the acquisition of asset from Central Government or State Government	Actual Cost shall be reduced by cost as related with such Subsidy/ Grant / Reimbursement

#### 10. Depreciation On SLM Basis

Assessee	Engaged in Generation, transmission, Distribution of Power
Time to Exercise	Before RFD u/s 139(1) of PY in which they begin to generate power. The option once exercised shall not be reversed.

**Note:** Option of SLM is For Tangible Assets only; For Intangible Assets only WDV is applicable. Depreciation can be charged on tangible assets individually; i.e SLM/WDV whichever is more beneficial.

#### Sale of Asset By Assessee Engaged In Power Generation

- **Case 1: Sale Value < Book Value**  
Terminal Depreciation (Dr. to P/L) = Book Value – Sale Value
- **Case 2: Sale Value > Book Value But ≤ Actual Cost**  
Balancing Charge (Cr. To P/L) = Sale Value – Book Value
- **Case 3: Sale Value > Actual Cost**
  - Balancing Charge (Cr. To P/L) = Actual Cost – Book Value
  - LTCG/STCG Depending on Period of Holding = Sale Value – Actual Cost

#### 11. Carry forward and set off of unabsorbed depreciation

If Depreciation claim is more than profits before depreciation, then excess depreciation shall be deducted to the extent profits available and excess shall be c/f as unabsorbed depreciation. After C/F Following shall be the order of setoff

- (i) PY Depreciation
- (ii) B/f Business Loss
- (iii) C/F Unabsorbed Depreciation

### Section 35 Scientific Research

#### 1. In-house Research ( Research – Related To Business)

Assessee	All Assesseees
Research	100% of revenue as well as capital expenditure incurred during the

During PY	previous year shall be allowed as deduction except capital expenditure on purchase of LAND.
Research before commencement of business	<ul style="list-style-type: none"> <li>Exp Incurred upto 3 years before the commencement of business shall be allowed in the year of commencement of business.</li> <li>Revenue Expenditure – Only Salary (Excluding Perq) + Material Note: Other Revenue Exp Not Allowed</li> <li>Capital Expenditure – Allowed Except LAND</li> </ul>

## 2. Sale of assets used for scientific research Section 41(3)

- Asset Sold Without Being Put to use for business purpose:**
  - Sale Value  $\leq$  Actual Cost, then sale value is Business Income
  - Sale Value  $>$  Actual Cost, then actual value is business income and difference between sale value and actual cost shall be STCG/LTCG depending upon period of holding
- Asset Sold After Being Put to use for business purpose:**  
Asset will be added to the respective block with NIL value and deducted from the block with sale value

## 3. Carried forward of unadjusted capital expenditure of scientific research

- If profit before deducting capital expenditure on scientific research is less than capital expenditure on scientific research, then excess capital expenditure is carried forward.
- Revenue expenditure on Scientific Research is always allowed irrespective of availability of profits.

## 4. Contribution To Outside Agency (Research – Business Relation not compulsory)

Donation given to an Approved scientific research association	100%
Donation is given to an Indian company approved for the purpose of scientific research or to any approved institution social science or statistical research.	100%
Donation is given to IIT/National Laboratory for scientific research	100%

## Section 35AD Deduction in case of Specified Businesses

### 1. Specified business means

Specified Business	Commencement
(a) Laying & 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.	on or after 01.04.2007
(b) Setting up and operating a Cold Chain Facility,	on or after 01.04.2009
(c) Setting up and operating a Warehousing Facility for storage of Agricultural Produce.	on or after 01.04.2009

(d) Building and operating a Hotel of two star or above category as classified by the Central Government.	on or after 01.04.2010
(e) Building and operating a Hospital with atleast 100 beds for patients.	on or after 01.04.2010
(f) Developing and building a Housing Project under a scheme for Affordable Housing Slum Redevelopment or Rehabilitation Scheme framed by Central or State Government and notified by CBDT.	on or after 01.04.2010
(g) Developing and building a Housing Project under a scheme for Affordable Housing framed by the Central Government or State Government and notified by CBDT	on or after 01.04.2010
(h) New Plant or in newly installed capacity in an existing Plant, for production of Fertilizer.	on or after 01.04.2010
(i) Setting up and operating an Inland Container Depot or Container Freight Station notified or approved under the Customs Act.	on or after 01.04.2012
(j) Bee-keeping and production of Honey and Beeswax.	on or after 01.04.2012
(k) Setting up and operating a Warehousing Facility for storage of Sugar.	on or after 01.04.2012
(l) Laying and operating a Slurry Pipeline for the transportation of Iron Ore.	on or after 01.04.2014
(m) Setting up and operating Semi-Conductor Wafer Fabrication Manufacturing Unit notified by CBDT.	on or after 01.04.2014
(n) Business of developing or maintaining and operating or developing, maintaining and operating a New Infrastructure Facility	On or after 01.04.2017

2. **Deduction:** 100% of capital expenditure except (Land, Goodwill and financial instrument). Also expenses incurred before commencement of business shall be allowed if capitalized in books of accounts.
  
3. However, Any Expenditure for Acquisition of any Asset for which aggregate payment made to A Person in A Day, otherwise than by A/c Payee Cheque/Draft or Electronic clearing system is more than Rs. 10,000 , then such payment Not Eligible for Deduction u/s 35AD
  
4. **Conditions to claim Deduction u/s 35AD:**
  - a) Business Not Formed by Splitting/Reconstruction of Existing Business
  - b) Not Formed by Transfer of Used P&M ( However, Used P&M is Allowed upto 20%)
  - c) Asset must be used in business for 8 AY for which deduction Is claimed u/s 35AD otherwise, in the year of sale or put to use in other business shall be business income which is equals to:



## Section 35D Preliminary Expenditure

1. **Meaning:** Preliminary expenses are expenses incurred before setting up of the business; or the expenses are incurred in connection with extension (same line of business) of an undertaking or in connection with setting up a new business. (Setting up new factory, opening a new branch)
2. **Assessee:** The Assessee should be an -Indian Company, or Non-Corporate Resident Assessee.
3. **Eligible Expenses:**
  - (i) Preparation of feasibility report
  - (ii) Conducting market survey or any other survey necessary for the business.
  - (iii) Preparation of project report.
  - (iv) Engineering services relating to the business.
  - (v) Legal charges for drafting any agreement relating to the setting up or conduct of the business.
  - (vi) Legal charges for drafting and printing of Memorandum of Association (MOA) and Articles of Association (AOA).
  - (vii) Registration fees of a company paid to Registrar of Companies.
  - (viii) Expenses and legal charges incurred in drafting, printing and advertising of prospectus.
  - (ix) Expenditure incurred on issue of shares or debentures like underwriting commission, brokerage, advertisement etc.

Note: Salary to employees, rent of premises, interest on borrowed capital are not treated as preliminary expenses hence deduction never allowed. These are treated as dead expenses.

### 4. Deduction

- (i) An Indian company  
Lower of following shall be allowed as deduction in 5 equal installments
  - (a) Aggregate Amount of eligible expenditure or
  - (b) 5% of the cost of project or 5% of the capital employed- whichever is higher
- (ii) a resident non-corporate assessee.
  - (a) Aggregate Amount of eligible expenditure or
  - (b) 5% of the cost of projectwhichever is lower is allowed as deduction in 5 equal installments

### 5. Note:

- a) Cost of project includes actual cost of the fixed assets, being land, buildings, leaseholds, plant, machinery, furniture, fittings and railway sidings (including expenditure on development of land and buildings).
- b) Capital employed is the aggregate of the issued share capital, debentures and long-term borrowings

- c) Reserve and Surplus including security premium shall not be part of Capital Employed.

### Section 35DDA Amortisation of expenditure incurred under Voluntary Retirement Scheme

If any employer has given voluntary retirement to the employees and has paid any Amount in connection with such voluntary retirement, such payment shall be allowed to assessee in 5 annual equal installments commencing from the year in which payment is made.

### Section 36 Other Deductions

The following expenses are allowed to be debited in the profit & Loss Account

1. Insurance Premium
  - a) Stock (including livestock)
  - b) Medical Insurance of EE (provided not paid in cash)
2. Bonus Or Commission Paid to the EEs [not payable as dividend], subject to section 43B.  
Note: there is no restriction on the amount of the bonus, it may exceed the bonus payable under the Payment Of Bonus Act, 1965
3. Interest On Loan taken for business or profession. However, if a loan is taken from a scheduled bank or financial institution including NBFC, deduction is allowed subject to section 43B.  
Note: loan taken for asset – Interest prior to the date the asset is put to use is capitalized and depreciation is allowed.
4. Discount on Zero coupon bonds is allowed on a pro-rata basis over the life of ZCB.
5. ER contribution to
 

1. Statutory Provident Fund	Allowed subject to the provisions of Section 43B i.e. if paid upto RFD
2. Recognized Provident Fund	
3. Approved superannuation fund	
4. Approved gratuity fund	
5. Any other Approved Fund	
6. ER Contribution to NPS referred u/s 80CCD, lower of following shall be allowed as deduction:
  - i) Amount contributed
  - ii) 10% of RBS
7. EE contribution deducted by the ER from his salary will be allowed if ER Deposited the amount in the relevant account upto the due date in the relevant Act (i.e. 15<sup>th</sup> of Next Month)  
Note: if the amount is deposited after the due date of the Fund, then such amount shall be considered as PGBP income of ER and never be allowed as deduction to ER.
8. Bad Debts  
Bad debts written off from the books of accounts – allowed as a deduction  
Note: Such debts have been taken into account for computing income of PY or any earlier PY.  
Provision for bad debts is not allowed as a deduction.  
Bad Debts recovered – Income of recovery year, whether or not business or profession is in existence.
9. Family planning Expenditure is allowed to company assessee as follows

Revenue Expenditure	Full
Capital Expenditure	In 5 Installments

If Sufficient profit is not available then expenditure (R/C) shall be deducted to the extent of profit available.

10. STT/CTT paid is allowed as deduction if securities/commodities are held as stock in trade.

### SECTION 37(1) GENERAL DEDUCTIONS

If any expenditure is not covered under section 30 to 36, then such expense shall be allowed under this section subject to following conditions:

- (a) Expenditure is of revenue nature
- (b) Expenditure is incurred for the purpose of business and profession.

Various expenditure which may be allowed under section 37(1) are as given below:

1. Expenditure in connection with advertisement. If the expenditure incurred is capital nature, depreciation is allowed.
2. Expenditure on travelling including the expenses of boarding and lodging in connection with business/profession.
3. Salary paid to the employees.
4. Expenditure in connection with entertainment of the employees or the customer
5. Expenditure in connection with opening ceremony (Mahurat) of the business/profession.
6. Expenditure on the occasion of various festivals like Diwali etc. for employees or customer
7. Interest on late payment of GST.
8. Expenditure in connection with legal proceedings.
9. Professional tax paid by a person carrying on business or profession.
10. Expenditure on the filing of return of income, filing of appeal or audit fee etc. is allowed.
11. Expenditure incurred on Keyman insurance policy
12. Any other expenditure which is revenue in nature and it is related to business or profession.

Following expenses are not allowed as deduction:

- a) CSR expenses incurred by company.
- b) advertisement in any souvenir, brochure, tract, pamphlet or the like published by a political party.
- c) Penalty for breach of law.  
Note: Penalty for breach of contract – Allowed as deduction.
- d) Interest on loan taken for payment of income tax
- e) Illegal expenses like, hafta, bribe etc.

### SECTION 38 EXPENDITURE WHICH ARE PARTLY IN BUSINESS USE AND PARTLY IN PERSONAL USE

If any person has any asset in business or profession as well as in personal use, expenditure is allowed only to the extent the asset is in the use of the business or profession

### Expenses Not Allowed As Deduction

### Payments on Which TDS Provisions Apply

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

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

Disallowance shall be:

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

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

#### Section 40(a)(iii)

Any sum which is chargeable under the head 'Salaries' if it is payable outside India or to a non-resident and if the tax has not been paid thereon nor deducted.

#### Section 40(a)(v)

Tax paid on perquisites on behalf of employees is not deductible- In case of an employee, deriving income in the nature of perquisites (other than monetary payments), the amount of tax on such income paid by his employer is exempt from tax in the hands of that employee. Correspondingly, such payment is not allowed as deduction from the income of the employer.

### SECTION 40(b) PAYMENT OF SALARY OR INTEREST TO THE PARTNERS

- (a) Interest to the partner is allowed if mentioned in the partnership deed but maximum @ 12% p.a.
- (b) Payment of salary, bonus, commission or any other remuneration is allowed to the working partner subject to the following limits:

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

#### Meaning Of BP

Particulars	Amount
Profit as per Income Tax	-
Add: Remuneration to Partner ( if debited to P/L)	-

Less: Brought forward Depreciation (Unabsorbed Dep)	(-)
Book Profit	-

Note: Brought forward losses shall not be adjusted for calculation of Book Profit.

### Section 40A(2) Payment Made To Relatives

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

#### Meaning of Related Person

1. For An individual → An individual who is relative of the assessee.  
Relative, in relation to an “individual”, means the spouse, brother or sister or any lineal ascendant or descendant of that individual [Section 2(41)].
2. For A Company → Director of the company or any relative of a director
3. For A Firm → Partner of the firm or relative of a partner
4. For An AOP → Member of the AOP or relative of a member
5. For An HUF → Member of the family or relative of such person

### Section 40A(3) Payment by non specified Mode

- A Payment or Aggregate of Payments made to A Person in A Day for An Expenditure exceeds Rs. 10,000 (Rs. 35,000 to Transporter for Goods Carriages),
- Entire payment shall be disallowed
- If it is made through any mode other than A/C payee cheque/Draft or an Electronic clearing system through bank A/C, Debit/Credit Card, IMPS, NEFT, RTGS, Net Banking, UPI etc.

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

1. Payments made to Cultivator, Grower or Producer of agricultural produce & related products etc
2. Payment made to Government, Banks, RBI, LIC
3. Payment to person residing @ place which is not served by bank.
4. Where the payment is made by any person to his agent who is required to make payment in cash for goods or services on behalf of such person;
5. Payment to employee for retirement benefit not exceeding Rs.50,000
6. Where the payment is made for the purchase of the products manufactured in a cottage industry, to the producer of such products.
7. Where the payment is made by transferring funds from one bank account to the other or payment is being made by any credit card/ a debit card/ letter of credit etc., payment is allowed.

Note:

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

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

If provision (contribution) is made towards approved gratuity fund, then such provision is allowed as per Section 36(1)(v) subject to section 43B. However If provision (contribution) is made towards unapproved gratuity fund, then such provision is disallowed under Section 40A(7).

### Section 43B Certain Payments Allowed On Payment Basis

Following expenditures are allowed if paid on or before the due date mentioned u/s 139(1):

- a) Tax, Duty, Cess or Fee (by whatever name called) levied under any law.
- b) Employer's Contribution to any SPF, RPF, Approved Superannuation Fund, Approved Gratuity Fund, Notified Pension Scheme or any recognized fund
- c) Leave Salary, Bonus/Commission to employees.
- d) Interest on any Loan or borrowing from any Bank, Financial Institution including NBFC.
- e) Any Sum Payable to Indian Railways for the use of Railways Assets.

Note:

1. If the payment is made after due date of filing of return of income, expenditure is allowed in the year in which the assessee has made the payment.
2. If outstanding interest on any loan or borrowing or advance, is converted into a new loan or borrowing or advance, shall not be considered as paid and hence not eligible for deduction. However, deduction shall be allowed for installments actually paid in respect of new loan.
3. Similarly if outstanding interest is converted into debentures, such conversion is not to be considered as actual payment.

### Amendment By FA 2023

Any sum payable by the assessee to MSME beyond the time limit specified in section 15 of the MSME Development Act, 2006 would be allowed as deduction only in that previous year in which such sum is actually paid.

As per section 15 of the MSME Development Act, 2006, payment is to be made to the supplier as follows:

- (a) in case of written agreement- as per agreement subject to maximum 45 days from the date of

acceptance of goods and service

(b) in case of no written agreement- maximum 15 days.

### Section 44AA Compulsory Maintenance Of Books Of Accounts

#### 1. Assessee engaged in Specified Professions

Gross receipts exceeds INR 1.5 Lakh in each of the last three PY	Gross receipts doesn't exceeds INR 1.5 Lakh in each of the last three PY
Prescribed Books as per Rule 6f	Necessary books to enable AO to assess the income.

#### Specified Profession

1. Legal profession
2. Medical profession
3. Engineering profession
4. Architectural profession
5. Profession of accountancy
6. Technical consultancy
7. Interior decoration
8. Authorised representatives
9. Film artists
10. Company Secretary
11. Information Technology

#### 2. Assessee engaged in other Profession or Business

Required to maintain such books of a/c which will enable ao to compute their taxable income if any of the following conditions are satisfied in ANY ONE of the last 3 PY:

	Individual / HUF	Other Assessee
1. Income exceeds	INR 2.5 Lakh	INR 1.20 Lakh
2. Turnover or Gross Receipts exceeds	INR 25 Lakh	INR 10 Lakh

3. If a person fails to maintain books of account as required by section 44AA → penalty of Rs. 25,000 would be attracted u/s 271A.
4. Prescribe books as per Rule 6F
  - (i) a cash book;
  - (ii) a journal
  - (iii) a ledger;
  - (iv) Carbon copies of bills and receipts in relation to sums exceeding Rs. 25;
  - (v) Original bills and receipts of expenditure.
5. Preservation of the books of accounts The books of accounts are to be kept and maintained for the period of atleast 6 years from the end of the relevant assessment year.

### Section 44AB Compulsory Audit Of Books Of Accounts

Assessee Engaged In	Audit Requirement
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Business	Turnover exceeds 1 Crore Proviso to Section 44AB(a) Inserted : NO AUDIT Upto 10 Crore Turnover if : a) If Turnover of assessee is more than 1 crore but upto 10 crore b) Aggregate of all Amounts received in cash is not more than 5% of total Receipts during the PY, and c) Aggregate of all Amounts paid in cash is not more than 5 % of total payments during the year.
Profession	Gross Receipts exceeds 50 Lakh
Persons covered under S. 44AD, 44ADA,44AE	If such person claims that his income is LOWER than Income computed on Presumptive basis & his Income Exceeds Basic exemption limit.

Penalty for failure to get books of account audited u/s 271B:

- a) 0.5% of Total Sales, Turnover Or Gross Receipts
- b) Rs. 1,50,000

### Presumptive Taxation

#### Section 44AD PROFITS AND GAINS OF BUSINESS ON PRESUMPTIVE BASIS

1. **Eligible Assessee:** Resident Individual/ HUF / Firm except LLP
2. Section 44AD is applicable only to business and not to specified profession and also it is not applicable for the persons having earning as commission or brokerage or Agency Business.
3. Turnover of eligible assessee doesn't Exceed 2 crore (3 crore, if aggregate cash receipts in relevant P.Y. is upto 5% of T.O. or G.R.)
4. **Presumptive Income** = 8% of Turnover or Gross Receipts. No further deduction is allowed under section 30 to 38.  
Rate of 6% shall be applied instead of 8% if the Amount of total turnover or gross receipts which is received through specified mode upto RFD as per section 139(1).
5. Brought forward business loss is allowed to be adjusted from such income but brought forward depreciation is not allowed to be adjusted from such income.
6. If Assessee opts Section 44AD, then assessee shall be exempt from maintaining books of accounts as well as from audit requirement.
7. Such assessee shall be required to pay advance tax to the extent of 100% of tax liability on or before 15th March of the relevant previous year
8. If an assessee has opted for presumptive income under section 44AD and in the subsequent 5 years he has rejected presumptive income, in that case he will not be allowed to opt for presumptive income for next 5 year If assessee has rejected the presumptive income, he will be required to maintain any books of accounts and also audit is required.



1. **Eligible Assessee:** Resident Individual or Partnership excluding LLP having specified profession
2. Section 44ADA shall be available if G.R. of PY is upto Rs. 50 Lakhs  
(75 akhs if aggregate cash receipts in relevant P.Y.  $\leq$  5% of total gross receipts)
3. **Presumptive Income** = 50% of Gross Receipts. No further deduction is allowed under section 30 to 38.
4. Brought forward business loss is allowed to be adjusted from such income but brought forward depreciation is not allowed to be adjusted from such income.
5. If Assessee opts Section 44ADA, then assessee shall be exempt from maintaining books of accounts as well as from audit requirement.
6. Such assessee shall be required to pay advance tax to the extent of 100% of tax liability on or before 15th March of the relevant previous year.
7. Assessee can change the option on a year-to-year basis.

**Section 44AE BUSINESS OF PLYING, HIRING OR LEASING GOODS**

1. If any person is engaged in the business of plying, hiring or leasing goods carriages, he will have the option to compute PGBP on presumptive basis:
  - a) Heavy goods Vehicle (Gross Weight > 12,000 Kgs or 12 Tons)  $\rightarrow$  Rs. 1,000 per ton per month or part thereof.
  - b) Other vehicle: Rs. 7,500 per month or part thereof.

Note: income is calculated on the basis of ownership of vehicle. It is irrelevant whether assessee actually runs the vehicle or not.
2. Assessee should not own more than 10 vehicles at anytime during the year.
3. No further deduction is allowed under section 30 to 38 but in case of a firm interest and salary to partners is allowed as per section 40(b).
4. The assessee shall be exempt from maintaining books of accounts or audit.
5. The assessee has the option to reject presumptive income but in that case assessee should maintain any books of accounts and also audit is required.
6. An assessee, who is in possession of a goods carriage, whether taken on hire purchase or on instalments, shall be deemed to be the owner of such goods carriage.
7. Assessee can change the option on year-to-year basis.
8. Brought forward depreciation shall not be allowed to be adjusted but brought forward business loss shall be allowed to be adjusted.

# INCOME U/H HOUSE PROPERTY

## Basis Of Charge (Section 22)

1. Property should consist of any building or land appurtenant thereto
2. Assessee must be the owner or Deemed Owner
3. HP Must be used for any purpose except business or profession of Assessee

Note: Annual value of HP held as SIT will also be taxable under this head. However, As per Section 23(5) NAV of HP held as SIT shall be Nil for 2 years from the end of FY in which completion certificate is issued, if Not Let Out for such period.

## Computation of Income Under House Property

Particulars	Rs.
Gross Annual Value (GAV)	-
Less: Municipal Tax (MT) Paid By Owner	-
Net Annual Value (NAV)	-
Less: Standard Deduction u/s 24(a)	-
Less: Interest On Capital Borrowed u/s 24(b)	-
Income U/H House Property	-

## Calculation Of GAV (Section 23)

1. Fair Rent	-
2. Municipal Value	-
3. Standard Rent	-
4. Expected Rent (Higher of 1 or 2 but restricted to 3)	-
5. Actual rent Received or Receivable	-
6. GAV (Higher of 4 or 5)	-

### Note: Municipal Taxes

1. Deducted from GAV if paid by Owner during previous year.
2. Deductible in PY of Payment even if they relate to past years.

## CASE A. Income Of House Lying Vacant For Some Period

1. Calculate Expected Rent (ER) for whole year
2. Calculate Actual Rent (AR) for Let out period
3. Compare Expected Rent and AR
  - Situation 1:** If  $AR > ER$ , then  $GAV = AR$ .
  - Situation 2:** If  $AR < ER$  due to vacancy, then  $GAV = AR$ .
  - Situation 3:** If  $AR < ER$  due to other reason, then  $GAV = ER$

### CASE B. Income Of House Let out For Part of the Year & Self Occupied for part of the year

1. Calculate Expected Rent (ER) for whole year
2. Calculate Actual Rent (AR) for Let out period
3. GAV = Higher Of ER Or AR.

### CASE C. Self-Occupied/Unoccupied House Property (For Maximum 2 House Property)

1. GAV = Nil for 2 houses
2. Deduction of MT Paid shall not be allowed
3. Thus NAV = Nil
4. Interest on capital borrowed allowed subject to maximum 2,00,000 or 30,000 as the case may be. (Only in case of Old regime)

Note: Under default regime, no deduction is allowed for interest on capital borrowed of Self occupied property. Hence, income of Self occupied property shall always be nil under default regime.

### CASE D. More Than 2 House Self Occupied

1. Any 2 Houses Shall be considered as Self occupied and dealt with accordingly.
2. Remaining house(s) shall be Deemed to be Let Out and its GAV Shall be Expected Rent.

### CASE E. Part (Portion) of the house if Let Out And Other Part (Portion) Is Self Occupied

Let Out (LO) Portion	Self-Occupied Portion
<p>Compute income of let out portion normally considering Following:</p> <ol style="list-style-type: none"><li>a) ER shall be Computed for the part of property LO.</li><li>b) MT Allowed for the part of property LO.</li><li>c) ICB shall be Allowed for the part of property LO.</li></ol> <p>(Suppose 60% portion is LO and 40% Is Self Occupied, then above 3 points shall be calculated for 60% only)</p>	<ol style="list-style-type: none"><li>1. GAV = Nil</li><li>2. Deduction of MT Paid shall not be allowed</li><li>3. Thus NAV = Nil</li><li>4. ICB Shall be allowed for the part of property Self Occupied only under old regime (Subject To Maximum 30,000/2,00,000)</li></ol>

### Treatment Of Unrealised Rent

Actual rent received/receivable should not include unrealised rent if all the conditions are satisfied:

- a) Tenancy is bona fide;
- b) defaulting tenant has vacated HP;
- c) defaulting tenant is not in occupation of another HP Of Assessee;
- d) Assessee initiated legal steps to recover unrealised rent or satisfy AO that such will be useless.

### Tax liability in respect of arrears of rent / Recovery of Unrealised Rent (Section 25A)

Recovery of unrealised rent or arrears of rent received shall be taxable in the year of receipt after standard deduction of 30%

## Statutory Deduction (Section 24(a))

Section 24(a), assessee shall be allowed a notional expenditure equals to 30% of NAV

## Interest On Capital Borrowed (Section 24(b))

- 1) **Pre- Construction Period** (From Date Of Loan till the PY preceding the PY in which construction is completed) – Accumulated Interest is allowed in 5 installments commencing from the year in which construction is completed.
- 2) **Current Year interest** (Relevant PY) – Allowed in same previous Year on due basis.

**Note:**

1. Interest on fresh loan taken to repay original loan is allowed.
2. Brokerage/commission for Arrangement of loan is Not allowed.
3. Interest on unpaid interest is Not allowed
4. If loan is taken from o/s India, Interest is deductible only if TDS is deducted

## Restriction of deduction in case of Self Occupied House property

Situation	Max. Deduction
Loan for acquisition or construction of HP taken on/after 1.4.99 & such acquisition or construction is completed within 5 year from end of FY In Which loan is taken.	Rs. 2 Lakh
Other Cases	Rs. 30,000

**Note:** ICB in respect of SO property is allowed only under old regime.

## Co-owned House Property

Co-owned Property Is Let Out	Co-owned Property is Self Occupied
<ol style="list-style-type: none"><li>1. Calculate income of let out property normally as a single owner.</li><li>2. Income so calculated shall be divided between each co-owner on the basis of ownership right.</li></ol>	<ol style="list-style-type: none"><li>1. Calculated for each co-owner separately.</li><li>2. NAV= Nil</li><li>3. Each co-owner is entitled for deduction of ICB of Rs.30,000 or Rs.2 lakh respectively (only in case of old regime)</li></ol>

## Deemed Owner (Section 27)

a) <b>Transfer of HP to Spouse for Inadequate consideration</b>	Transferor Spouse is deemed to be owner of HP transferred. However, if Transferred under an agreement to live apart, then transferee spouse shall be considered as owner
b) <b>Transfer of HP to Minor Child for inadequate consideration</b>	Transferor is deemed as owner of HP. However, HP is transferred to a minor married daughter, then deemed ownership not applied.
c) <b>Member of a Co-operative Society</b>	Member to whom a building or part thereof is allotted or leased under a House Building Scheme of a

	society/company/association, shall be deemed to be owner of that building
<b>d) Person in possession of a property</b>	If possession is received for part performance of the contract, then person having the possession is deemed owner for income tax purpose
<b>e) Holder Of Impartible Estate</b>	Deemed as owner of all properties in the estate
<b>f) Lease for 12 years or more</b>	A person who acquires any building by way of lease for a period of 12 years or more shall be deemed to be the owner of that building.

# DEDUCTION FROM GROSS TOTAL INCOME

- Deduction is allowed from Gross Total Income. If GTI is less than deduction then, deduction is restricted to the amount of GTI.
- No Deduction is allowed from STCG u/s 111A , LTCG u/s 112, LTCG u/s 112A and casual income.

## SECTION 80C DEDUCTION IN RESPECT OF CERTAIN PAYMENTS/INVESTMENTS

1. **Assessee** - Individual / HUF
2. **Deduction** - Amount Invested or ₹ 1.5 lacs – Whichever is lower
3. **Payment Is Made Towards**
  - (i) Life Insurance Policy for self, spouse & child. Subject to a maximum of 10% of the actual capital sum assured.(15% for person who is a person with disability as referred to in section 80U or suffering from disease as specified in section 80DDB)
  - (ii) In respect of policy issued before 01.04.2012, 10% shall be taken as 20%
  - (iii) Contribution made in Unit Linked insurance Plan (ULIP) of UTI or mutual fund. (self, spouse and any child or any member of HUF)
  - (iv) Investment in fixed deposit for a period of 5 years or more
  - (v) Invested in five year post office time deposit account
  - (vi) Contribution by individual to SPF / RPF.
  - (vii) Contribution made by individual or HUF to Public Provident Fund (self, spouse and any child or any member of HUF)
  - (viii) Deduction shall be allowed if amount has been invested in National Saving Certificate (NSC).
  - (ix) Interest accrued on NSC shall be income under the head other sources also deduction is allowed for such interest u/s 80C. However, no deduction shall be allowed for Interest accrued in last year.
  - (x) Repayment of Principle amount of Housing Loan.
  - (xi) Stamp duty, registration fee or other charges paid for acquisition of house property
  - (xii) Payment of tuition fees (maximum two children and it should be whole time education)
  - (xiii) Senior Citizens Savings Scheme.
  - (xiv) Investment in Sukanya Samridhi Account.
  - (xv) Contribution to any notified pension scheme of Mutual fund or UTI
  - (xvi) Contribution to NPS Tier-2 account by CG EE for a fixed period of 3 years or more.

## SECTION 80CCC DEDUCTION IN RESPECT OF CONTRIBUTION TO CERTAIN PENSION FUNDS

- **Assessee** - Individual
- **Deduction** - Amount Invested or ₹ 1.5 lacs – Whichever is lower
- **Payment Is Made Towards**
  - a. Pension plan of Life Insurance Corporation (LIC) also known as annuity scheme; or

- b. Pension Plan of any other Private Insurer as approved by Controller of Insurance.

### Section 80CCD Deduction in respect of contribution to Pension Scheme of Central Government

1. **Assessee - Individual**
2. **Assessee's own contribution**
  - **Section 80CCD(1)**
    - a) Salaried EE = EE's Contribution subject to maximum 10% Of RBS
    - b) Other Individual = Assessee's Contribution subject to maximum 20% of GTI
  - **Section 80CCD(1B)**

An additional deduction of upto ₹ 50,000 is allowed over and above u/s 80CCD (1)  
Note: Always claim deduction under 80CCD(1B) first and then balance under 80CCD (1)
3. **ER Contribution to EE's NPS [Section 80CCD(2)]**
  - a) Amount contributed by ER is Added to Gross Salary
  - b) Also Deduction is allowed for such contribution subject to maximum 10% Of RBS (14% of RBS in case contribution is made by CG/SG)

### SECTION 80 CCE RESTRICTION ON DEDUCTION

- Maximum deduction allowed under section 80C + 80CCC + 80CCD(1) shall be ₹1,50,000.
- Note: ER Contribution u/s 80CCD(2) and Additional Deduction u/s 80CCD(1B) is not covered u/s 80CCE. In other words, these are allowed separately to assessee

### SECTION 80CCH DEDUCTION IN RESPECT OF CONTRIBUTION TO AGNIPATH SCHEME

1. Agnipath scheme is a Central Government scheme launched in 2022 for enrolment of Indian youth in the Indian Armed Forces
2. Each Agniveer is to contribute 30% of his monthly customized Agniveer Package to the individual's Agniveer Corpus Fund. Further, the Government will also contribute a matching amount to the 'Agniveer Corpus Fund
3. The Agniveer Corpus Fund means a fund in which consolidated contributions of all the Agniveers and matching contributions of the Central Government along with interest on both these contributions are held.
4. **Deduction**
  - a) **Assessee's own contribution Section 80CCH (1)**

Agniveer is eligible for contribution made to individual's Agniveer Corpus Fund.
  - b) **Contribution made by CG Section 80CCH (2)**

Central Government's contribution to the Agniveer Corpus Fund would be included in the salary of the assessee and then whole amount of contribution is allowed as a deduction.

## SECTION 80 D DEDUCTION IN RESPECT OF FAMILY INSURANCE PREMIUM

1. **Assessee** - Individual / HUF
2. **Payment Made For** –
  - a) Health insurance premium
  - b) Contribution in Central Govt. Health Scheme
  - c) Preventive Health Checkup (PHC)
3. **Deduction**
  - i. **Self / Spouse/ dependant Children** - Amount paid Subject to max 25,000. (In case of Resident Senior Citizen max ₹ 50,000)
  - ii. **Parents (dependent / Not dependent)** - Amount paid Subject to max 25,000. (In case of Resident Senior Citizen max ₹ 50,000)
4. In case of Resident senior citizen, Deduction of ₹ 50,000 is allowed in case of medical expenditure even if no insurance premium is paid
5. Maximum Deduction for Preventive Health-Check up of Family & Parents is ₹ 5,000 which is included in overall limit of ₹25,000 / ₹ 50,000.
6. No Deduction is allowed for the payment of premium made in cash. PHC payment can be made by any mode.
7. Where medical insurance is paid in lumpsum for more than 1 year, deduction shall be allowed for each PY as follows:

$$\text{Deduction per year} = \frac{\text{Lumpsum Premium}}{\text{PY for Which Insurance is Valid}}$$

## SECTION 80DD DEDUCTION IN RESPECT OF MAINTENANCE OF DISABLED DEPENDANT

1. **Assessee** - Resident Individual / HUF
2. **Deduction** - ₹75,000 irrespective of the expenditure (₹ 1,25,000 in case of severe disability)
3. **Dependant** -
  - a) **For Individual** - Spouse, children, parents, brothers and sisters who are dependent on the individual
  - b) **For HUF** - Any member of the Hindu Undivided Family

Note: Assessee should incur expenses on medical treatment including nursing or paid/deposited amount in LIC scheme for the maintenance of dependent disabled.

## SECTION 80DDB MEDICAL TREATMENT OF SPECIFIED DISEASE

1. **Assessee** - Resident Individual / HUF
2. **Expenditure** - Treatment of disease specified in the rule 11DD
3. **Incurred On** –
  - a) **For Individual** – Self or a Dependent Spouse, children, parents, brothers and sisters
  - b) **For HUF**- Any member dependent on the Hindu Undivided Family
4. **Deduction** –
  - a) Amount incurred or ₹40,000 whichever is less.
  - b) For senior citizen - Amount incurred or ₹1,00,000 whichever is less.



## SECTION 80E PAYMENT OF INTEREST ON LOAN TAKEN FOR HIGHER EDUCATION

1. **Assessee** – Individual
2. **Deduction** - Payment of interest on loan taken by him from any financial institutions for pursuing higher education (any course after class XII<sup>th</sup>)
3. **Education of** - self or spouse or children or any person for whom the assessee is legal guardian
4. No deduction shall be allowed for repayment of the principal loan amount
5. Deduction is allowed for a maximum period of 8 years starting from the year in which first payment of interest was given

## SECTION 80EE INTEREST ON LOAN TAKEN FOR CERTAIN HOUSE PROPERTY

1. **Assessee** – Individual
2. **Deduction** - Interest payable on loan taken from any financial institution for acquisition of a residential house property (Max deduction = ₹ 50,000).
3. **Conditions:**
  - a) Loan has been sanctioned during 1/4/2016 – 31/3/2017
  - b) Value of house should not exceed ₹ 50 Lakh.
  - c) Loan amount is upto ₹ 35 lakh
  - d) Assessee doesn't own any RHP on the date of loan sanction
4. Assessee shall claim deduction u/s 24(b) first and then remaining interest shall be allowed under this section.

Note: Loan should be taken from banks or financial institutions.

## SECTION 80EEA INTEREST ON LOAN TAKEN FOR CERTAIN HOUSE PROPERTY

1. **Assessee** – Individual
2. **Deduction** - Interest payable on loan taken from any financial institution for acquisition of a residential house property (Max deduction = 1.5 Lacs).
3. **Conditions:**
  - a) Loan has been sanctioned during 1/4/19 – 31/3/22
  - b) SDV ≤ 45 Lakh.
  - c) Assessee doesn't own any RHP on the date of loan sanction
  - d) Assessee shall claim deduction u/s 24(b) first and then remaining interest shall be allowed under this section.

Note: Loan should be taken from banks or financial institutions.

## SECTION 80EEB INTEREST ON LOAN TAKEN FOR PURCHASE OF ELECTRIC VEHICLE

1. **Assessee** – Individual
2. **Deduction** - Interest payable on loan taken from any financial institution for purchase of electric vehicle (Max deduction = 1.5 Lacs).
3. **Conditions:** Loan has been sanctioned during 1/4/19 – 31/3/23
4. Deduction is allowed irrespective of fact whether e-vehicle is purchased for official or personal use.

Note: Loan should be taken from banks or financial institutions.

## SECTION 80G DONATIONS TO CERTAIN FUNDS, CHARITABLE INSTITUTIONS ETC.

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

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

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

### Category 2: Donation qualifying for 50% deduction, without any qualifying limit Prime Minister's Drought Relief Fund

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

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

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

- (1) Any Institution or Fund established in India for charitable purposes

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

**Qualifying limit:** The eligible donations referred to in category 3 and 4 should be aggregated and the sum total should be limited to 10% of the adjusted gross total income.

**Adjusted Total Income** Means GTI as reduced by LTCG (u/s 112/112A) & STCG u/s 111A & All Deductions except 80G

#### SECTION 80GG DEDUCTION IN CASE OF PAYMENT OF RENT

1. **Assessee** - Individual (Must Not be receiving HRA/RFAC)
2. **Deduction** – Lower of following shall be allowed as deduction:
  - a) ₹ 5,000 Per Month
  - b) Rent paid - 10% of Adjusted GTI
  - c) 25% of Adjusted GTI
3. **Adjusted GTI** Means GTI as reduced by LTCG (u/s 112/112A) & STCG u/s 111A & All Deductions except 80GG.
4. **Other Conditions:**
  - Individual should not have any house in his name or spouse name or minor child name or in the name of HUF of which he is a member, at a place of his duty.
  - Assessee may have house at any other place but it should not be self occupied i.e. it may be let out or vacant

#### SECTION 80GGB CONTRIBUTIONS TO POLITICAL PARTIES OR ELECTORAL TRUST

1. **Assessee** - Indian Company
2. **Deduction** – 100% of Amount Contributed

#### SECTION 80GGC CONTRIBUTIONS TO POLITICAL PARTIES OR ELECTORAL TRUST

1. **Assessee** – Any person other than Indian Company
2. **Deduction** – 100% of Amount Contributed

#### SECTION 80JJAA DEDUCTION IN CASE OF NEW EMPLOYMENT

1. **Assessee** - All Assessee's whose accounts are required to be audited u/s 44AB (i.e. TO > ₹ 1cr/10cr).
2. **Deduction** - 30% of additional employee cost incurred. Deduction is allowed for 3 assessment

years including the assessment year in which such employment is provided.

3. **Conditions**

- a) Emoluments should be paid through account payee cheque, an account payee bank draft or by use of electronic clearing system
  - b) Additional employee” means an employee who has been employed during the previous year and whose employment has the effect of increasing the total number of employees employed by the employer as on the last day of the preceding year.
  - c) Additional EE does not include —
    - (i) an employee whose total emoluments are more than ₹ 25,000 per month; or
    - (ii) an employee employed for a period of less than 240 days during PY (in case of business of manufacturing of apparel or footwear or leather products, 150 days shall be considered).
    - (iii) an employee who does not participate in the recognised provident fund.
4. If an EE is employed for less than 240/150 days as the case may be during the PY, but is employed for a period of 240/150 days or more in the immediately succeeding year, then he shall deemed to be employed in succeeding year and accordingly ER shall be entitled for deduction under this section for such EEs in the succeeding year.

**SECTION 80QQB ROYALTY INCOME, ETC., OF AUTHORS OF BOOKS OTHER THAN TEXT BOOKS**

1. **Assessee** - Resident individual
2. **Deduction** – Royalty income or ₹3,00,000 whichever is less.  
However, Royalty received in excess of 15% of the value of books sold during the previous year shall be ignored
3. Royalty from Foreign Country: Deduction allowed if Royalty brought to India in convertible foreign exchange within 6 Months from the end of previous year.

**SECTION 80RRB DEDUCTION IN RESPECT OF ROYALTY ON PATENTS**

1. **Assessee** - Resident individual
2. **Deduction** – Royalty income or ₹3,00,000 whichever is less.
3. Royalty from Foreign Country: Deduction allowed if Royalty brought to India in convertible foreign exchange within 6 Months from the end of previous year.

**SECTION 80TTA INTEREST ON DEPOSITS IN SAVINGS ACCOUNT**

1. **Assessee** - Individual / HUF (other than senior citizen)
2. **Deduction** – Lower of Following is allowed as deduction
  - a) Interest Amount
  - b) ₹ 10,000
3. Interest income on saving bank accounts with any Bank/ Post Office is eligible for deduction under this section.
4. No deduction is allowed from interest on time deposit/ fixed deposit.

**Note:** As per section 10(15), Interest on Post Office Savings Bank Account to the extent of ₹3,500 per year shall be exempt from income tax and in the case of joint account, exemption shall be allowed upto ₹7,000 per year.

## SECTION 80TTB INTEREST ON DEPOSITS IN CASE OF SENIOR CITIZENS

1. **Assessee** - Senior citizen
2. **Deduction** – Lower of Following is allowed as deduction
  - a) Interest Amount
  - b) ₹ 50,000
3. Interest income on Saving, fixed, time, recurring or any other deposit is eligible for deduction under this section.

## SECTION 80U DEDUCTION FOR HANDICAPPED ASSESSEE

1. **Assessee** – Resident Individual
2. **Deduction** – ₹ 75,000 (₹ 1,25,000 for severe Disability)

# TAX DEDUCTION AT SOURCE

## Section 192 TDS On Salary

Payment	Payer	Payee	Rate
Salary	Any Person (ER)	Any Person (EE)	Slab Rate
<b>Additional Points</b>			
<ol style="list-style-type: none"><li>1. TDS to be deducted @ the time of payment</li><li>2. If any person is working with two or more employers, in that case he should submit the particulars of his salary from all the employers to one of the employer who will deduct TDS on total Salary from all the ERs.</li><li>3. For taxability of Salary under normal scheme (i.e. old regime) EE has to submit declaration to ER, then ER shall deduct TDS under Normal Scheme.</li><li>4. If any employee has income under any other head, the employee may report such incomes to the employer and the employer shall take it into consideration while deducting TDS.</li><li>5. If employee has loss under the head house property, he shall be allowed to report such loss to the employer.</li><li>6. EE has to give evidence/proof of deductions, Rent Paid for HRA Exemption, Travel expenses for LTC exemption.</li><li>7. If the ER bears the tax on non-monetary perq, then such tax shall not be deducted from salary of EE. Note: Tax on non-monetary perq paid by ER is exempted in hands of EE u/s 10(10CC) and ER is not allowed to dr. such expense to P/L.</li><li>8. Where firm pays salary to partner, then section 192 is not applicable.</li></ol>			

## Section 192A Withdrawal From Employees Provident Fund

Payment	Payer	Payee	Rate
Accumulated Balance Of PF	Any Person	Any Person (EE)	10%
<b>Additional Points</b>			
<ol style="list-style-type: none"><li>1. TDS to be deducted @ the time of payment</li><li>2. No TDS, if payment is less than 50,000</li><li>3. No TDS if Withdrawal from PF is Exempt (Refer Salary Chap.)</li><li>4. If EE fails to furnish the PAN, then TDS is deducted @ MMR (30% + 37% + 4% i.e. 42.744%)</li></ol>			

## Section 193 Interest on Securities

Payment	Payer	Payee	Rate
Interest on Securities	Any Person	Resident Person	10%

### Additional Points

#### No TDS in Following Cases

- (a) 7 Years NSC;
- (b) National Development/Defence Bond;
- (c) 54EC Bonds: PFCL & IRFCL;
- (d) Listed DEMAT Securities;
- (e) Interest is payable to LIC/GIC/Insurance co.
- (f) Interest on Debentures of Public Co. to Resident Ind/HUF by A/c payee cheque in FY is upto Rs. 5,000.
- (g) CG/SG Securities  
Note: TDS Shall be deducted on 8% saving (taxable) bonds & 7.75% Savings (Taxable) Bonds if interest is more than Rs. 10,000
- (h) Individual holding 6.5% Gold Bonds,1977 or 7% gold bonds,1980 provided that nominal value of bond is upto Rs. 10,000

### Section 194 Dividend

Payment	Payer	Payee	Rate
Dividend	Domestic Company	Resident Person	10%
<b>Additional Points</b>			
<ol style="list-style-type: none"><li>1. TDS to be deducted @ the time of payment</li><li>2. No TDS where dividend is payable to LIC/GIC/Insurance co.</li><li>3. No TDS If dividend is upto Rs. 5,000 in a FY is paid to individual by any mode other than cash.</li></ol>			

### Section 194A Interest Other Than Interest On Securities

Payment	Payer	Payee	Rate
Interest Other than Securities Interest	Any Person Other Than Ind/HUF	Resident Person	10%
<b>Additional Points</b>			
<ol style="list-style-type: none"><li>1. Ind/HUF shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession.</li><li>2. No TDS In Following Cases:<ol style="list-style-type: none"><li>a) Interest Paid by Bank/Post Office on time deposits (FD) not exceeding Rs. 40,000 (Rs. 50,000 for Senior Citizen) Limit of 40K/50K → Branch wise; However, if CBS exist, limit of 40K/50K is for Whole bank (All Braches)</li><li>b) Interest on savings account.</li><li>c) Other Interest uptoRs.5,000</li></ol></li></ol>			

- d) Interest to banks, Financial corporation, LIC, UTI, Co-op Banks;
- e) Interest paid by firm to its partners.
- f) Exempted interest u/s 10(15)
- g) Interest paid by primary agricultural credit society on deposits made with them.
- h) Interest on tax refund by Government
- i) Interest on Zero Coupon Bonds

### Section 194B WINNING FROM LOTTERIES OR CROSS WORD PUZZLES, ETC.

Payment	Payer	Payee	Rate
WINNING FROM LOTTERIES OR CROSS WORD PUZZLES, ETC.	Any Person	Any Person	30%
<b>Additional Points</b>			
<ol style="list-style-type: none"> <li>1. TDS required to be deducted @ time of payment</li> <li>2. No TDS if winning amount is upto Rs. 10,000</li> <li>3. If prize is given partly in cash and partly in kind then tax on whole prize (i.e. aggregate of cash and value of prize in kind) shall be deducted from the cash prize.</li> <li>4. If prize is given in kind only (or cash prize is not sufficient), then payer should ensure that tax has been paid on such income before releasing such prize.</li> <li>5. If prize money is paid in instalments, then tax shall be deducted at the time of payment of each instalment.</li> <li>6. Where an agent receives the prize money on unsold ticket or becomes entitled to an unclaimed prize, it shall form part of his business income and therefore not liable for tax deduction u/s 194B</li> </ol>			

### Section 194BA WINNINGS FROM ONLINE GAMES

Payment	Payer	Payee	Rate
WINNINGS FROM ONLINE GAMES	Any Person	Any Person	30%
<b>Additional Points</b>			
<ol style="list-style-type: none"> <li>1. TDS is to be deducted at the end of the FY. In case, there is withdrawal from user account during the FY, tax would be deducted at the time of such withdrawal on net winnings comprised in such withdrawal.            Net winnings = A-(B+C),            where  <b>A</b> = Amount withdrawn from the user account;  <b>B</b> = Aggregate amount of non-taxable deposit made in the user account by the owner of such account during the financial year, till the time of such withdrawal; and  <b>C</b> = Opening balance of the user account at the beginning of the financial year.</li> <li>2. Any deposit in the form of bonus, referral bonus, incentives etc would form part of net winnings and tax under section 194BA of the Act is liable to be deducted at the time of</li> </ol>			



withdrawal as well as at the end of the financial year.

3. If some incentives/bonus which is credited in user account only for the purposes of playing and they cannot be withdrawn or used for any other purposes, then such deposit shall be ignored for calculation of net winnings. However when these incentive / bonus are recharacterised and they are allowed to be withdrawn, they will become part of net winnings for the year in which they are withdrawn.
4. No TDS where net winnings withdrawn does not exceed Rs 100 in a month
5. If prize is given partly in cash and partly in kind then tax on whole prize (i.e. aggregate of cash and value of prize in kind) shall be deducted from the cash prize.
6. If prize is given in kind only (or cash prize is not sufficient), then payer should ensure that tax has been paid on such income before releasing such prize.

### Section 194BB WINNING FROM HORSE RACES

Payment	Payer	Payee	Rate
WINNINGS FROM HORSE RACES	Any Person	Any Person	30%
<b>Additional Points</b>			
1. TDS required to be deducted @ time of payment			
2. No TDS if winning amount is upto Rs. 10,000.			

### SECTION 194C PAYMENT TO CONTRACTOR

Payment	Payer	Payee	Rate
Payment to contractor. Works / labour contract ; Advertising contract, Catering, TV, Transporters, Job Work.	Any Person Other Than Ind/HUF/AOP/BOI	Resident Person	Payee Ind/HUF – 1% Other – 2%
<b>Additional Points</b>			
1. Ind/HUF/AOP/BOI shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession.			
2. NO TDS in following Cases:			
(a) If Single payment is upto Rs. 30,000 & Aggregate payment upto Rs. 1,00,000 during FY.			
(b) Personal contract of Individual / HUF			
(c) Payment to contractor in transport business owning not more than 10 trucks during FY & furnishes PAN			
3. Works Includes			
a) advertising			
b) broadcasting and telecasting including production of programmes for such broadcasting or telecasting;			

- c) carriage of goods and passengers by any mode of transport other than by railways;
- d) catering.
- e) manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee u/s 40A(2).  
but does not include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer or associate of such customer

4. In case of Job work, TDS shall be applied on the invoice value excluding the value of material purchased from the customer, provided bifurcation is given in the invoice. Otherwise, TDS is applied on entire value.
5. Payment by broadcaster or telecasters (TV Channels / OTT) to production houses for the production of content for broadcasting/Telecasting:
  - a) Content is produced as per broadcasters requirement and Copyright of such content is with broadcaster → Covered under definition of work → TDS u/s 194C is Applicable
  - b) Broadcaster acquires telecast rights of the content already produced → Not covered under definition of work → No TDS u/s 194C is Applicable.
6. Payment for transportation of gas:  
If seller sells as well as transports the gas to the buyer till the point of delivery, nature of such contract remains “contract of sale” and not a works contract. It is irrelevant whether transportation charges are included in cost of gas or it is shown separately. However, if transportation facility is availed from third person, then transport charges are liable for tds u/s 194C.

### Section 194D Insurance Commission

Payment	Payer	Payee	Rate
Insurance Commission	Any Person	Resident Person	5%
<b>Additional Points</b>			
No TDS if Commission is upto Rs. 15,000.			

### Section 194DA Maturity of Life Insurance Policy

Payment	Payer	Payee	Rate
Maturity of Life Insurance Policy	Any Person	Resident Person	5% of Income Received
<b>Additional Points</b>			
1. TDS required to be deducted @ time of payment			
2. No TDS if maturity Amount Received is less than Rs. 1,00,000			
3. No TDS if maturity Amount is Exempt u/s 10(10D)			

### Section 194E Payment To Non Resident Sportsman/Entertainer Or Sports Associations

Payment	Payer	Payee	Rate
Payment To Non Resident Sportsman Or Sports Associations	Any Person	Non Resident Sportsman Or Sports Associations	20.8% (20% + 4%)
<b>Additional Points</b>			
Income Received by NR Sportsman by way of			
(a) Participation in India in any game (excluding card game or gambling) or sport			
(b) Advertising			
(c) Contribution of articles relating to any game or sports in any newspaper, magazine or journal.			
(d) Income received for performing in India by NR entertainer.			

### Section 194G COMMISSION ON SALE OF LOTTERY TICKETS

Payment	Payer	Payee	Rate
COMMISSION ON SALE OF LOTTERY TICKETS	Any Person	Any Person	5%
<b>Additional Points</b>			
No TDS if Commission is upto Rs. 15,000			

### Section 194H Commission & Brokerage

Payment	Payer	Payee	Rate
Commission & Brokerage	Any Person Other Than Ind/HUF	Resident Person	5%
<b>Additional Points</b>			
1. Ind/HUF shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession.			
2. No TDS if Commission is upto Rs. 15,000			
3. No TDS on any commission or brokerage payable by BSNL or MTNL to their public call office franchisees.			
4. NO TDS if commission or brokerage related to security like commission to underwriter, brokerage on public issue etc.			

### Section 194-I TDS ON RENT

Payment	Payer	Payee	Rate	
Rent of Land & Building, Plant & Machinery, Furniture & Fixture	Any Person Other Than Ind/HUF	Resident Person	P&M	2%
			L&B	10%
			F&F	10%

**Additional Points**

1. Ind/HUF shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession.
2. No TDS if Rent is upto Rs. 2,40,000
3. Lump sum lease premium or one-time upfront lease charges, which are not adjustable against periodic rent, paid or payable for acquisition of long-term leasehold rights are not payments in the nature of rent within the meaning of sec. 194-I. Therefore, NO TDS.
4. Passenger Service Fees paid by airline company to airport operator is not treated as rent. Therefore, NO TDS u/s 194-I.
5. No TDS on refundable deposit.
6. Advance rent is liable for TDS @ the time of payment.
7. Warehousing Charges are covered under this section.

**Section 194-IA TRANSFER OF CERTAIN IMMOVABLE PROPERTY**

Payment	Payer	Payee	Rate
Transfer Of Immovable Property other Than Rural Agriculture Land	Any Person (Buyer)	Resident Person (Seller)	1% of consideration paid or SDV, whichever is higher.
<b>Additional Points</b>			
<ol style="list-style-type: none"> <li>1. No TDS Where the consideration for the transfer of an immovable property is less than ` 50 lakh.</li> <li>2. Consideration for transfer of any immovable property shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee, or any other charges of similar nature, which are incidental to transfer of the immovable property.</li> </ol>			

**Section 194-IB Rent of Immovable Property**

Payment	Payer	Payee	Rate
Rent of Immovable Property	Ind/HUF (Not covered u/s 194-I)	Resident Person	5%
<b>Additional Points</b>			
<ol style="list-style-type: none"> <li>1. NO TDS Where rent for a month or part thereof does not exceed ` 50,000</li> <li>2. TDS is to be deducted At the time of credit of rent for the last month of the previous year (or the last month of tenancy, if the property is vacated during the year) to the account of the payee or at the time of payment, whichever is earlier.</li> <li>3. If payee fails to provide his PAN, TDS is required to be deducted @ 20%. However, deduction under this section shall not exceed the amount of rent payable for the last month</li> </ol>			

## Section 194J FEES FOR PROFESSIONAL OR TECHNICAL SERVICES

Payment	Payer	Payee	Rate	
Fees for technical service; Professional Fees; Royalty; Non-Compete Fee; Director's Remuneration	Any Person Other Than Ind/HUF	Resident Person	Payee	%
			Call Center	2%
			FTS/ Royalty for Cinem. Films	2%
			Other	10%
<b>Additional Points</b>				
<ol style="list-style-type: none"> <li>Ind/HUF shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession.</li> <li>No TDS to be deducted if Amount paid is upto Rs.30,000 each in the case of Fees for technical service; Professional Fees; Royalty; Non-Compete Fee.</li> <li>TDS is always deducted from Directors Remuneration.</li> <li>NO TDS on Fees for professional service by Ind/HUF if made for Personal Purpose.</li> <li>Ind/HUF is not required to deduct tax on royalty or NCF even if last year TO/GR exceeds Threshold.</li> <li>Payments made to sportsperson, Umpire, Commentator, Referee, Physiotherapist, team physician, Anchor, Event Manager will also be regarded as professional fee and liable to TDS u/s 194J.</li> <li>'fees for technical services' means consideration for rendering of any managerial, technical or consultancy services but does not include consideration for any construction, assembly, mining or like project undertaken by the recipient.</li> <li>TPAs (Third Party Administrator's) who are making payment on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. are liable to deduct tax at source under section 194J on all such payments to hospitals etc</li> </ol>				

## Section 194K Income In Respect Of Units

Payment	Payer	Payee	Rate
Income In Respect Of Units	Any Person (UTI/MF)	Resident Person	10%
<b>Additional Points</b>			
NO TDS If the aggregate amounts of income credited during the FY to the payee does not exceed ` 5,000			

## Section 194LA Compensation On Acquisition Of Immovable Property

Payment	Payer	Payee	Rate
Compensation On Compulsory Acquisition Of Immovable Property	Any Person	Resident Person	10%
<b>Additional Points</b>			

1. TDS is required to Deduct only @ the time of Payment.
2. NO TDS if payment is upto Rs. 2,50,000 during a FY.
3. No TDS if Urban Agricultural Land is compulsory acquired as capital gain on this transaction is Exempted u/s 10(37) and RAL is not a Capital Asset

### Section 194M Payment Of Certain Sums By Ind/HUF

Payment	Payer	Payee	Rate
Payment Of Works Contract, Commission, Fees for Professional Services	Ind/HUF – Not Covered u/s 194C, 194H & 194J	Resident Person	5%
<b>Additional Points</b>			
<ol style="list-style-type: none"> <li>1. No TDS if amount paid is upto Rs. 50,00,000</li> <li>2. Sec. 194M is applicable if Sec. 194C/194H/194J is NOT Applicable to Resident Individual/HUF</li> </ol>			

### Section 194N Cash Withdrawal From Bank

Payment	Payer	Payee	Rate															
Cash Withdrawal From Bank	Bank, Co-op Bank, Post Office	Any Person	Refer Note 2															
<b>Additional Points</b>																		
<ol style="list-style-type: none"> <li>1. TDS is to be deducted @ time of payment</li> <li>2. TDS Rate <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2">In case of Defaulter</th> <th></th> </tr> </thead> <tbody> <tr> <td>Aggregate payment exceeds ` 20 lakh but does not exceed ` 1 crore</td> <td></td> <td>2%</td> </tr> <tr> <td>Aggregate payment exceeds ` 1 crore</td> <td></td> <td>5%</td> </tr> <tr> <th colspan="2">In any other case</th> <th></th> </tr> <tr> <td>Aggregate payment exceeds ` 1 crore</td> <td></td> <td>2%</td> </tr> </tbody> </table> </li> <li>3. Defaulter means the recipient who has not filed the returns of income last 3 previous years, for which the time limit to file return of income u/s 139(1) has expired.</li> <li>4. No TDS if payment is made to: <ol style="list-style-type: none"> <li>a) the Government;</li> <li>b) Any bank, co-op bank, post office or their business correspondent</li> <li>c) Any white label automated teller machine operator</li> </ol> </li> </ol>				In case of Defaulter			Aggregate payment exceeds ` 20 lakh but does not exceed ` 1 crore		2%	Aggregate payment exceeds ` 1 crore		5%	In any other case			Aggregate payment exceeds ` 1 crore		2%
In case of Defaulter																		
Aggregate payment exceeds ` 20 lakh but does not exceed ` 1 crore		2%																
Aggregate payment exceeds ` 1 crore		5%																
In any other case																		
Aggregate payment exceeds ` 1 crore		2%																

### Section 194O Payment of Certain Sums By E-Commerce Operator

Payment	Payer	Payee	Rate
Payment By E-Commerce Operator to E-Commerce	E-Com Operator (Eg. Flipkart,	Resident Person (E-com participant	Refer Note 1

Participant for Sale of Goods or Services	Amazon, Meesho etc.)	selling goods or service through E-com operator	
<b>Additional Points</b>			
<ol style="list-style-type: none"> <li>1. 1% of gross amount of sale.</li> <li>2. Any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant, shall be deemed to be the amount credited or paid by the e-commerce operator to the e-commerce participant and shall be included in the gross amount of such sale or services for the purpose of TDS.</li> <li>3. No TDS if following conditions are satisfied: <ol style="list-style-type: none"> <li>a) e-com participant is an individual or Hindu undivided family.</li> <li>b) The gross amount of such sale or services during the PY is upto ` 5,00,000</li> <li>c) Such e-com participant has furnished his PAN or Aadhaar to the e-com operator.</li> </ol> </li> <li>4. A transaction in respect of which TDS deducted u/s 194O (or which is not liable to deduction i.e. upto 5 Lakhs), shall not be liable to TDS under any other provisions.</li> <li>5. However, TDS shall be deducted under any other provision if any amount received by an e-com operator for hosting advertisements or providing any other services which are not in connection with the sale or services.</li> </ol>			

### Section 194P TDS by Bank In case of Specified Senior Citizen

Payment	Payer	Payee	Rate
Pension From ER and Interest On Deposit with Bank	Specified Bank	Resident Individual Age is 75 years or more	Slab Rate
<b>Additional Points</b>			
<ol style="list-style-type: none"> <li>1. This section is applicable if specified senior citizen <ol style="list-style-type: none"> <li>a) is having pension income [Also, he should have no other income except interest income from any account maintained in the same specified bank in which he is receiving his pension income]</li> <li>b) has furnished a declaration to the specified bank containing such particulars, in the prescribed form and verified in the prescribed manner</li> </ol> </li> <li>2. The specified senior citizen is exempted from filing his return of income for the assessment year relevant to the previous year in which the tax has been deducted under this section.</li> </ol>			

### Section 194 Q Purchase of Goods

Payment	Payer	Payee	Rate
Purchase of goods of the value exceeding ` 50 lakhs in a PY	Buyer [LY TO is more than 10 Cr]	Resident Seller	0.1% of sum paid in excess of 50 lakhs

### Additional Points

1. TDS is to be deducted at the time of payment or crediting the seller, whichever is earlier.
2. No TDS in this section in respect of a transaction on which –
  - (a) TDS under any of the provisions of this Act; and
  - (b) TCS under the provisions of section 206C, other than section 206C(1H)
3. In case of a transaction to which both section 206C(1H) and section 194Q applies, tax is required to be deducted under section 194Q.
4. If PAN of PAYEE is not available then, TDS rate is 5%
5. TDS u/s 194Q is not applicable on GST/VAT/Sales Tax/Excise Duty (i.e in short it is not applicable on indirect tax). However if advance payment is made then TDS should be deducted on entire advance amount paid including IDT.
6. In case of purchase return where money is returned by the seller, TDS may be adjusted against the next purchase from the seller.
7. If business is commenced by the buyer in the current year, then his last year TO is NIL and hence this section shall not be applicable.
8. No TDS if seller is department of Govt. (i.e. CG/SG shall not be considered as Seller for this section)

### 194R BENEFIT OR PERQUISITE IN RESPECT OF BUSINESS OR PROFESSION

Payment	Payer	Payee	Rate
Benefit Or Perquisite In Respect Of Business Or Profession	Any Person Other Than Ind/HUF	Resident Person	10%

### Additional Points

1. Ind/HUF shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession.
2. **valuation of benefit/perquisite**  
**Benefit/Perq Purchased by Payer** → Purchase price shall be the value of Benefit/Perq  
**Benefit/Perq Manuf. By Payer** → Price Charged from customer  
GST would not be included for the valuation of benefit/perq for TDS u/s 194R
3. NO TDS if amount of benefit or perq provided to a person is upto Rs. 20,000 in PY.
4. In a case where the benefit or perquisite, is wholly in kind or partly in cash and partly in kind but the part in cash is not sufficient to meet the TDS Liability the payer shall, before releasing the benefit or perquisite, ensure that TDS has been paid in respect of the benefit or perquisite by way of
  - a) Payer has collected TDS amount from Payee
  - b) Payer pays TDS by his own (i.e. Benefit or perq paid is treated as Net amount itself)
  - c) Payee deposit TDS to govt by way of advance tax and submit proof to payer.
5. Note:
  - a) NO TDS on sales disc./cash disc./rebates allowed to customer.



- b) The deductor is not required to check whether the amount of benefit or perquisite would be taxable in the hands of the recipient u/s 28. The amount could be taxable under any other section like section 41(1) etc.
- c) one-time loan settlement with borrowers or waiver of loan granted by Bank, Co-op Bank, PFI, NBFC etc would not be considered as benefit or perq for TDS u/s 194R
- d) Product is given to Influencer for advertisement/awareness of product:
  - i. product is returned to the manufacturing company – NO TDS u/s 194R
  - ii. Product is retained by influencer – Considered as Benefit/Perq & TDS is attracted.
- e) If capital asset has been provided as benefit/perq to payee and payer has deducted TDS u/s 194R, then FMV of such benefit/perq shall be treated as actual cost of asset for payee and dep is allowed u/s 32 on such FMV.
- f) Issue of bonus shares and right shares by the widely held company to all shareholders are outside the scope of section 194R

#### Other Provisions

#### 1. TDS requirement arise

- a) At the time of payment
- b) At the time of crediting the payee, Whichever is earlier.

However, in following cases TDS is deducted at the time of payment:

- |                                    |  |
|------------------------------------|--|
| a) Salary (Section 192)            | f) Compulsory Acquisition of Immovable Prop. (Section 194LA) |
| b) EPF Payment (Section 192A)      | g) Cash Withdrawal from bank (section 194N)                  |
| c) Dividend (Section 194)          | h) Benefit or Perquisites (Section 194R)                     |
| d) Winnings (194B/BA/BB)           |  |
| e) Maturity Of LIP (Section 194DA) |  |

#### 2. SECTION 206AA TDS RATE IF PAYEE FAILS TO FURNISH A PAN

If payee doesn't furnish a PAN, then TDS shall be deducted:

- (a) Rate prescribed in the relevant section
- (b) 20% Whichever is higher.

Note: for section 194-O/194-Q maximum TDS rate is 5%

#### 3. Section 206AB- Higher rate of TDS in case of specified person

If payee has not filed return of income for preceeding year for which due date u/s 139(1) has been expired and aggregate of TDS & TCS is Rs. 50,000 or more during the previous year, then applicable rate shall be higher of:

- a) Twice the TDS/TCS Rate
- b) 5%.

However, section 206AB is not applicable in case of tax deductible at source under sections 192, 192A, 194B, 194BA, 194BB, 194-IA, 194-IB, 194M11 or 194N

Note: In case where section 206AA and Section 206AB both are applicable then TDS shall be deducted @ higher of the two rates provided in section 206AA and section 206AB

#### 4. CONSEQUENCES OF FAILURE TO DEDUCT OR PAY [SECTION 201]

**Assessee in Default:** If payer has not deducted the TDS or after deduction has not been deposited to Govt, then such person is treated as assessee in default and required to pay penalty u/s 221 and that can be upto 100% of TDS amount.

##### **Non-applicability of deeming provision:**

Payer shall not be treated as assessee in default if payee-

- a) has furnished his return of income under section 139;
- b) has taken into account such sum for computing income in such return of income; and
- c) has paid the tax due on the income declared by him in such return of income, and the payer furnishes a certificate to this effect from an accountant in such form as may be prescribed.

##### **Interest Liability**

**Late deduction-** Payer is liable to pay simple interest @ 1% for every month or part of month on the amount of such tax from the date on which tax was deductible to the date on which such tax was actually deducted

**Late Deposit-** Payer is liable to pay simple interest @ 1.5% for every month or part of month from the date on which tax was deducted to the date on which such tax is actually paid

# RETURN OF INCOME

## SECTION 139(1) COMPULSORY FILING OF RETURN OF INCOME

- a) It is compulsory for companies and firms to file a return of income or loss for every previous year
- b) For other assesses return filling is mandatory if GTI without giving effect to the provisions of section 54/54B/54D/54EC/54F exceeds BEL.
- c) For Following Person Return Filling is Mandatory
  1. ROR – Individual if at any time during the PY,
    - i. Is a beneficial owner of any asset (including any financial interest in any entity) located outside India or has a signing authority in any account located outside India
    - ii. is a beneficiary of any asset (including any financial interest in any entity) located outside India

Note: where income is already includes in the income of person referred in (i), then person in (ii) is not required to file the return.

“Beneficial Owner” means An individual who has provided, directly or indirectly, consideration for the asset for the immediate or future benefit, of himself or any other person.

“Beneficiary” means An individual who derives benefit from the asset during the previous year and the consideration for such asset has been provided by any person, other than such beneficiary

2. has deposited an amount or aggregate of the amounts exceeding ` 1 crore in one or more current accounts or 50 lakhs or more in one or more saving accounts.
3. has incurred Foreign travel expenditure of aggregate amount exceeding ` 2 lakh for himself or any other person.
4. has incurred expenditure of aggregate amount exceeding ` 1 lakh towards consumption of electricity
5. if his total sales, turnover or gross receipts, as the case may be, in the business > ` 60 lakhs or total gross receipts in profession > ` 10 lakhs, during the previous year
6. if the aggregate of TDS and TCS during the previous year, in the case of the person, is ` 25,000 or more (50,000 in case of Senior citizen)

### d) Due Date

<ul style="list-style-type: none"><li>(a) A company</li><li>(b) A person (other than a company) whose accounts are required to be audited any law; or</li><li>(c) A partner of a firm whose accounts are required to be audited under any law</li></ul>	31 <sup>st</sup> October of AY
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An assessee including the partners of the firm being such assessee who is required to furnish a report referred to in section 92E	30 <sup>th</sup> Nov Of AY
In the case of any other assessee	31 <sup>st</sup> July

### SECTION 234F FEE FOR DEFAULT IN FURNISHING RETURN OF INCOME

Where a person, who is required to furnish a return of income fails to do so upto due date as per 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.

### SECTION 139(3) RETURN OF LOSS

1. Section 80 requires mandatory filing of return of loss u/s 139 (3) on or before the due date specified u/s 139 (1) for carry forward of the following losses –
 

(a) Business loss u/s 72 (1)	(d) Loss under the head “Capital Gains” u/s 74 (1)
(b) Speculation business loss u/s 73 (2)	(e) Loss from the activity of owning and
(c) Loss from specified business u/s 73A (2)	maintaining race horses u/s 74A (3)

If return is not filed upto the due date as per section 139(1) then, above losses are not allowed to be carried forward.

Note: restriction is on carried forward and not on set-off i.e. if return is filed late, then set-off of above losses are allowed but not allowed to C/F.

2. However, loss under the head “Income from house property” u/s 71B and unabsorbed depreciation u/s 32 can be carried forward for set-off even though return of loss has not been filed before the due date.

### SECTION 139(4) BELATED RETURN

Any person who has not furnished a return within the time allowed to him under section 139 (1) may furnish the return for any previous year at any time –

- (i) before 31/12/AY
- (ii) before the completion of the assessment, whichever is earlier

consequences of Belated return

- a) Not allowed to C/F losses as per section 80
- b) Interest u/s 234A @ 1% pm or part thereof

- c) Late fees u/s 234F.

### SECTION 139(5) REVISED RETURN

If any person having furnished a return under section 139(1) or a belated return under section 139(4), discovers any omission or any wrong statement therein, he may furnish a revised return at any time –

- (i) before 31/12/AY
- (ii) before the completion of the assessment, whichever is earlier

Note:

- a) Revised return substitutes original return from the date original return was filed
- b) Assessee can revise the belated return as well
- c) Assessee can revise return any no. of times within the time limit.

### SECTION 139(9) DEFECTIVE RETURN

1. Return shall be considered as defective, if –
  - a) Return is not filed in prescribed form
  - b) Tax proof is not provided along with return filed.
  - c) Audit report u/s 44AB is not submitted.
2. If return is defective then AO may intimate the defect to the assessee and give him an opportunity to rectify the defect within a period of 15 days or extended period at the discretion of AO.
3. If the defect is not rectified within the time allowed, then the return would be treated as an invalid return.

### SECTION 139(8A) OPTION TO FILE UPDATED RETURN OF INCOME

1. Any person may furnish an updated return of his income or the income of any other person in respect of which he is assessable whether or not he has furnished a return under section 139(1) or belated return or revised return for that AY.
2. Updated return is to be filed within 24 months from the end of the relevant assessment year.
3. Not allow to file the updated return if –
  - a) It is a loss return
  - b) has the effect of decreasing the total tax liability determined on the basis of return furnished under section 139(1)/(4)/(5).
  - c) results in refund or increases the refund due on the basis of return furnished under section 139(1)/(4)/(5).
  - d) An updated return has been filed earlier.

- e) any proceeding for assessment or reassessment or recomputation or revision of income is pending or has been completed for the relevant assessment year
- 4. If the loss or any part thereof carried forward or unabsorbed depreciation carried forward or AMT credit carried forward is to be reduced for any subsequent previous year as a result of furnishing of updated return of income for a previous year, an updated return is required to be furnished for each such subsequent previous year.
- 5. Additional Income Tax Payable at the time of Updated Return.
  - a) If such return is furnished after the expiry of time limit u/s 139(4)/(5) of the AY and before the expiry of 12 months from the end of Relevant AY

Additional Tax = 25% of (Tax + Interest)

- b) If such return is furnished after the expiry of 12 months from the end of Relevant AY but before the end of 24 months from the end of Relevant AY

Additional Tax = 50% of (Tax + Interest)