

# Referencer for Quick Revision



## Intermediate Course Paper-4: Taxation

A compendium of subject-wise capsules published in the monthly journal "The Chartered Accountant Student"



**Board of Studies  
(Academic)  
ICAI**

# INDEX

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Paper No.	Subject	Page No.	Edition of Students' Journal	Topics
4A	Income-tax Law	1-11	May 2023	Computation of Total Income and Tax Payable by an Individual – Step by Step Procedure
		12-18	January 2023	Advance Tax, Tax Deduction at Source and Introduction to Tax Collection at Source
4B	Indirect Taxes	19-21	November 2022	Time and Value of Supply
		22-26	November 2022	Input Tax Credit

The provisions of Income-tax law, as amended by the Finance Act, 2022 to the extent included in the syllabus of Intermediate (New) Paper 4A: Income-tax Law, are relevant for May, 2023 and November, 2023 examinations. This Capsule on Income-tax law attempts to give an overview of the step by step procedure for computation of total income and tax payable by an individual for A.Y.2023-24, being the relevant assessment year for May, 2023 and November, 2023 examinations. For detailed study, students are advised to read the May, 2022 edition of the Study Material of Paper 4A: Income-tax Law webhosted at [https://www.icai.org/post.html?post\\_id=18481](https://www.icai.org/post.html?post_id=18481) along with the Statutory Update webhosted at <https://resource.cdn.icai.org/72468bos58397.pdf>.

### COMPUTATION OF TOTAL INCOME AND TAX PAYABLE BY AN INDIVIDUAL – STEP BY STEP PROCEDURE

Income-tax is levied on an assessee's total income. Such total income has to be computed as per the provisions contained in the Income-tax Act, 1961. Steps 1 to 8 given hereunder have to be followed for computing the total income of an individual assessee as per the regular provisions of the Income-tax Act, 1961. Thereafter, Steps 9 to 15 have to be followed for computing the tax payable.

#### Step 1 – Determination of residential status

The residential status of an individual has to be determined to ascertain which income is to be included in his total income (TI).

In case of an individual, the duration for which he is present in India in the relevant previous year or relevant previous year and the earlier previous years, as the case may be, determine his residential status. Based on the days spent by him in India, he may be resident or a non-resident.

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

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

[Refer Fig 1]

#### Step 2 – Classification of income under five heads

An individual may earn income from different sources. Under the Income-tax Act, 1961, for computation of TI, all income of an individual tax payer can be classified into **five different heads of income**.

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

#### Step 3 – Computation of income under each head

- Income under each head (–) exemptions (–) deductions allowable under that head

[For detail computation of income under each head, refer Module 2 of the Study Material]

#### Step 4 – Clubbing of income of spouse, minor child etc.

In case of individuals, income-tax is levied on a slab system on the total income. The tax system is progressive i.e., as the income increases, the applicable rate of tax increases. Some taxpayers

in the higher income bracket have a tendency to divert some portion of their income to their spouse, minor child etc. to minimize their tax burden.

In order to prevent such tax avoidance, clubbing provisions have been incorporated in the Act, under which income arising to certain persons (like spouse, minor child etc.) have to be included in the income of the person who has diverted his income for the purpose of computing tax liability [Refer Table 2].

#### Step 5 – Set-off of current year losses and brought forward losses

An assessee may have different sources of income under the same head of income. He may have profit from one source and loss from the other. Similarly, an assessee can have loss under one head of income and profits under another heads of income. There are provisions in the Act for allowing inter-head adjustment in certain cases. The losses is allowed to be set off in the following series -

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

Thereafter, unabsorbed losses and unabsorbed depreciation would be carried forward.

[Refer Fig 3]

#### Step 6 – Computation of gross total income

<b>Gross Total Income</b>	= Add income computed under each head	→ Apply clubbing provisions	→ Apply the provisions for set-off and carry forward of losses
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#### Step 7 – Deductions from gross total income

There are deductions under Chapter VI-A allowable from Gross Total Income. These deductions are of following types –

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

[Refer Table 4]

#### Step 8 – Computation of total income

- Total Income = Gross total income (–) Deductions under Chapter VI-A
- Total Income should be rounded off to the nearest multiple of ₹ 10

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

Total income (in ₹)	Rate of Tax
Upto ₹ 2,50,000 (in case of an individual below 60 years)	Nil
Upto ₹ 3,00,000 (in case of an individual who is 60 years or more but less than 80 years and resident in India)	
Upto ₹ 5,00,000 (in case of an individual who is 80 years or more and resident in India)	
₹ 2,50,001/ ₹ 3,00,001, as the case may be, to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

## Step 10 – Surcharge and Rebate

### Surcharge

S. No.	Particulars	Rate of surcharge on income-tax
(i)	Where the TI (including dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹ 50 lakhs but ≤ ₹ 1 crore	10%
(ii)	Where TI (including dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹ 1 crore but ≤ ₹ 2 crore	15%
(iii)	Where TI (excluding dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹ 2 crore but ≤ ₹ 5 crore	25%
	The rate of surcharge on the income-tax payable on the portion of dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A	Not exceeding 15%
(iv)	Where TI (excluding dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹ 5 crore	37%
	Rate of surcharge on the income-tax payable on the portion of dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A	Not exceeding 15%
(v)	Where TI (including dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹ 2 crore in cases not covered under (iii) and (iv) above	15%

**Rebate under section 87A:** Rebate u/s 87A allowable to resident individuals having total income of up to ₹ 5 lakh.

Rebate would be equal to the amount of ₹ 12,500 or income-tax on total income, whichever is less.

However, rebate u/s 87A is not available in respect of tax payable @10% on long-term capital gains taxable u/s 112A.

## Step 11 – Health and Education cess on Income-tax

Health and Education cess	4% of income-tax and surcharge, if applicable
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Total Tax Liability	= Tax on total income at applicable rates	(+) Surcharge, at applicable rates, if total income > ₹ 50 lakhs, or	(-) Rebate u/s 87A, if total income ≤ ₹ 5 lakh	(+) HEC@4%
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## Step 12 – Examine the applicability of Alternate Minimum Tax (AMT)

- If an individual is claiming dedn u/s 10AA or u/s 35AD or section 80JJAA, 80QQB & 80RRB and his adjusted TI > ₹ 20 lakhs, AMT provisions will apply.
- Compute AMT [18.5% of adjusted TI plus surcharge, if applicable plus HEC @4%].
- If AMT > tax computed as per regular provisions, adjusted TI would be deemed to be TI.
- Tax is leviable @18.5% of adjusted total income plus surcharge, if applicable plus HEC @4%.
- Tax credit can be c/f for maximum 15 A.Ys. = AMT less Tax computed as per regular provisions.
- Individuals exercising option u/s 115BAC are not liable to AMT u/s 115JC.

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

As per section 115BAC, individuals have an option to pay tax in respect of their TI (other than income chargeable to tax at special rates under Chapter XII) at following concessional rates, if they do not avail certain exemptions/ dedns like LTC, std deduction under the head “Salaries”, int. on housing loan on self-occupied property, dedns under Chapter VI-A (other than 80CCD(2) or section 80JJAA), set-off of b/f loss or depr., if they relate to any of the above dedns, set-off of loss from house property against income under any other head, etc. –

	Total Income	Tax rate
(i)	Upto ₹ 2,50,000	Nil
(ii)	From ₹ 2,50,001 to ₹ 5,00,000	5%
(iii)	From ₹ 5,00,001 to ₹ 7,50,000	10%
(iv)	From ₹ 7,50,001 to ₹ 10,00,000	15%
(v)	From ₹ 10,00,001 to ₹ 12,50,000	20%
(vi)	From ₹ 12,50,001 to ₹ 15,00,000	25%
(vii)	Above ₹ 15,00,000	30%

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

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

**Note** - If an individual having income from business or profession exercises option to pay tax u/s 115BAC in a PY., then, the said provisions would apply for all subsequent PYs.

An individual not having income from business or profession can exercise the option to pay tax u/s 115BAC for each PY. He may exercise the option in a particular PY., but may not do so in another PY., depending on whether or not exercising the option is beneficial to him in the respective PY.

## Step 14 – Credit for advance tax, TDS and TCS

Tax payable/ Tax refundable = Total tax liability (-) TDS (-) TCS (-) Advance tax paid

[Refer Table 5 for advance tax]

## Step 15 – Tax payable/ Tax refundable

- Tax payable/ Tax refundable should be rounded off to the nearest multiple of ₹ 10.
- The assessee has to pay the amt of tax payable (called self-

# INCOME TAX LAW

assessment tax) at the time of filing of return of income.

- If any refund is due, assessee will get the same after filing the return of income.

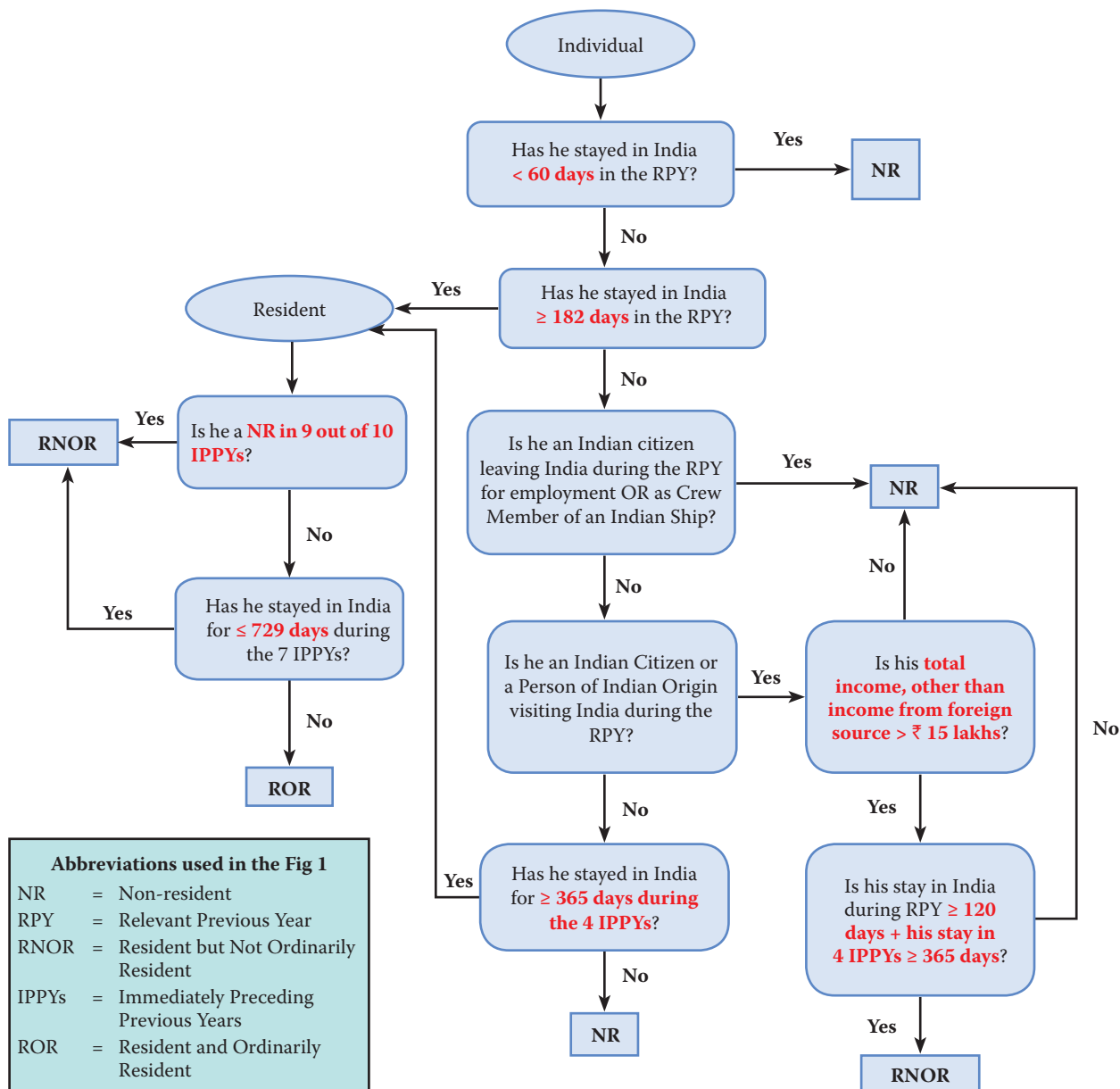
## Step 16 - Return of Income

The Income-tax Act, 1961 contains provisions for filing of return of income. Return of income is the format in which the assessee

furnishes information as to his total income and tax payable. The Act has prescribed due dates for filing return of income in case of different assesseees. An individual is required to file a return of income in the prescribed form (ITR 1/2/3/4, as the case may be as applicable to him) if his total income exceeds the basic exemption limit or he fulfills certain other conditions.

Fig 1

## Determination of Residential Status of an Individual



**Deemed resident [Section 6(1A)]** - An individual, being an Indian citizen, having TI (other than the income from foreign sources) > ₹ 15 lakhs during the RPY would be deemed to be resident in India in that PY, if he is not liable to pay tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature. A deemed resident u/s 6(1A) would always be a RNOR.

**Note** - If an individual is a resident in India in the PY as per section 6(1), then, the provision of deemed resident u/s 6(1A) would not apply to him.

Table 2

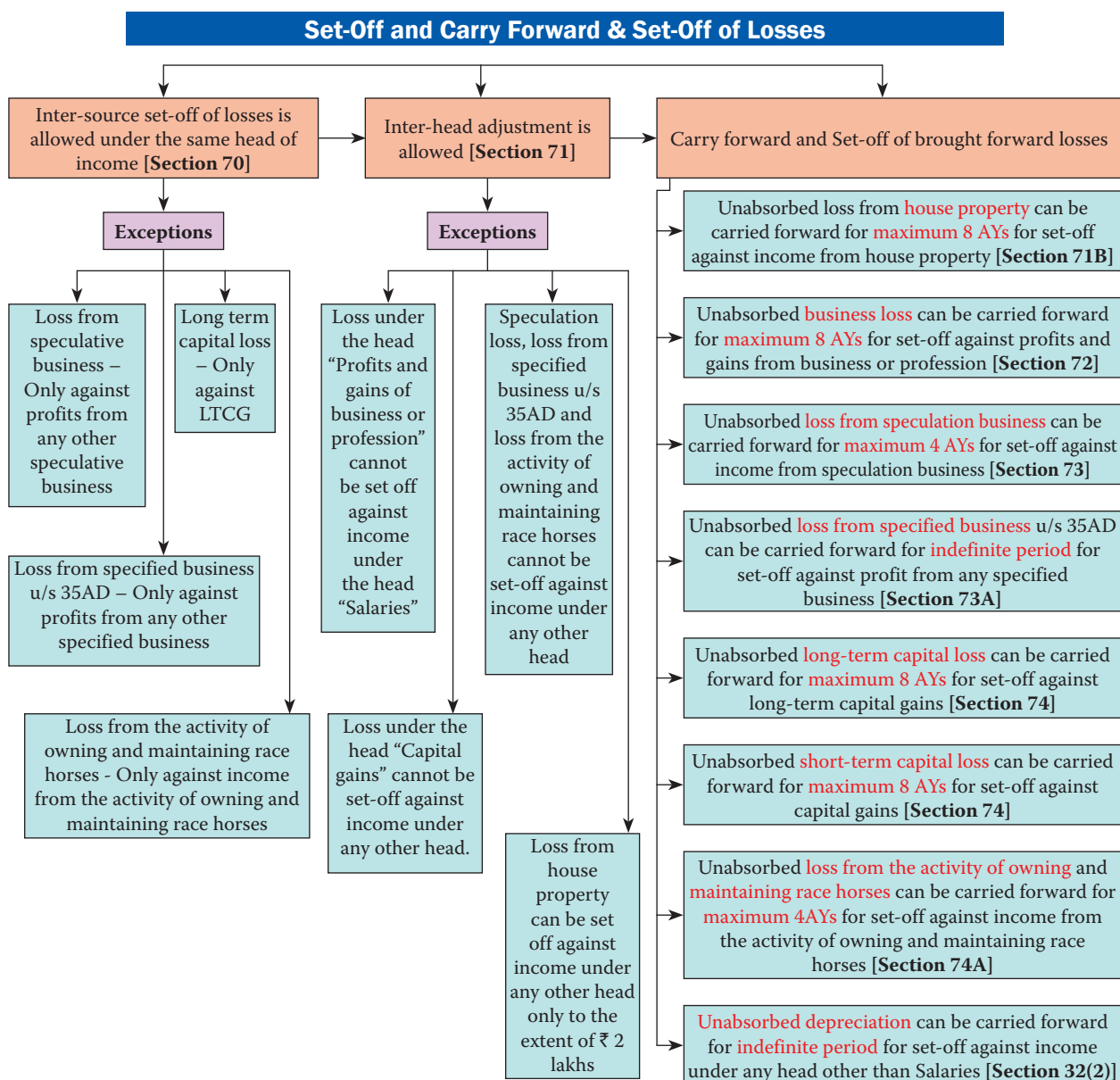
## Income of Other Persons Included in Assessee's Total Income

Section	Income to be clubbed	Contents
60	Income transferred w/o transfer of asset	When a person transfers the income accruing to an asset w/o transfer of the asset itself, such income is to be included in the TI of the transferor, whether the transfer is revocable or irrevocable.
61	Income arising from revocable transfer of assets	Such income is to be included in the hands of the transferor. A transfer is deemed to be revocable if it – (i) contains any provision for re-transfer of the whole or any part of the income or assets to the transferor; or (ii) gives right to re-assume power over the whole or any part of the income or the asset.
64(1)(ii)	Income arising to spouse by way of remuneration from a concern in which the individual has substantial interest	Such income arising to spouse is to be included in the TI of the individual. However, if remuneration received is attributable to the application of technical or professional knowledge and experience of spouse, then, such income is not to be clubbed.
64(1)(iv)	Income arising to spouse from assets transferred w/o adequate consideration	Income arising from an asset (other than house property) transferred otherwise than for adequate consideration or not in connection with an agreement to live apart, from one spouse to another shall be included in the TI of the transferor. However, this provision will not apply in the case of transfer of house property, since the transferor-spouse would be the deemed owner as per section 27.
64(1)(vi)	Income arising to son's wife from an asset transferred w/o adequate consideration	Income arising from an asset transferred otherwise than for adequate consideration, by an individual to his or her son's wife shall be included in the TI of the transferor.
64(1)(vii)/ 64(1)(viii)	Income arising from transfer of assets for the benefit of spouse or son's wife	All income arising to any person or AoPs from assets transferred w/o adequate consideration is includible in the income of the transferor, to the extent such income is used by the transferee for the immediate or deferred benefit of the transferor's spouse or son's wife.
64(1A)	Income of minor child	All income arising or accruing to a minor child (including a minor married daughter) shall be included in the TI of his or her parent. The income of the minor child shall be included with the income of that parent, whose TI, before including minor's income, is higher. Where the marriage of the parents does not subsist, the income of the minor will be includible in the income of that parent who maintains the minor child in the relevant previous year. The parent, in whose TI, the income of the minor child or children are included, shall be entitled to exemption of such income subject to a maximum of ₹ 1,500 per child u/s 10(32). The following income of a minor child shall, however, not be clubbed in the hands of his or her parent - (a) Income from manual work done by him or activity involving application of minor's skill, talent or specialized knowledge and experience; and (b) Income of a minor child suffering from any disability specified in section 80U. In case the asset transferred to a minor child (not being a minor married daughter) w/o consideration or for inadequate consideration is house property, then, by virtue of section 27(i), the transferor-parent will be the deemed owner of the house property. Consequently, clubbing provisions u/s 64(1A) would not be attracted in respect of such income, due to which the benefit of exemption u/s 10(32) cannot be availed against such income. However, if the house property is transferred by a parent to his or her minor married daughter w/o consideration or for inadequate consideration, then, section 27(i) is not attracted. In such a case, the income from house property will be included u/s 64(1A) in the hands of that parent, whose total income before including minor child's income is higher; and benefit of exemption u/s 10(32) can be availed by that parent in respect of the income so included.
64(2)	Conversion of self-acquired property into the property of a HUF	Where an individual, who is a member of the HUF, converts his individual property into property of the HUF of which he is a member, directly or indirectly, to the family otherwise than for adequate consideration, the income from such property shall continue to be included in the total income of the individual. Where the converted property has been partitioned, either by way of total or partial partition, the income derived from such converted property as is received by the spouse on partition shall also be included in the total income of the individual who effected the conversion of such property.

**Note:** 'Income' includes 'loss'. Therefore, clubbing provisions would be attracted in all the above cases, even if there is a loss and not income.



Fig 3



#### Order of set-off of losses by an Individual

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

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

Table 4

## Deductions from Gross Total Income – Chapter VI-A

Deductions in respect of certain payments							
Section	Eligible Assessee	Eligible Payments	Permissible Deduction				
80C	Individual or HUF	<b>Contribution to PPF, Payment of LIC premium, etc.</b> Sums paid or deposited in the previous year by way of <ul style="list-style-type: none"><li>- Life insurance premium</li><li>- Contribution to PPF/ SPF/ RPF and approved superannuation fund</li><li>- Repayment of housing loan taken from Govt., bank, LIC, specified employer etc.</li><li>- Tuition fees to any Indian university, college, school for full-time education of any two children</li><li>- Term deposit for a fixed period of not less than 5 years with schedule bank</li><li>- Subscription to notified bonds of NABARD</li><li>- Five year post office time deposit</li><li>- Senior Citizen's Savings Scheme Account etc.</li><li>- Contribution by Central Govt. employee to additional account (Tier II A/c) of NPS referred to u/s 80CCD</li></ul>	Sum paid or deposited, subject to a maximum of ₹ 1,50,000				
80CCC	Individual	<b>Contribution to certain pension funds</b> Any amount paid or deposited to keep in force a contract for any annuity plan of LIC of India or any other insurer for receiving pension from the fund.	Amount paid or deposited, subject to a maximum of ₹ 1,50,000				
80CCD	Individual employed by the Central Government or any other employer; Any other individual assessee	<b>Contribution to Pension Scheme of Central Government</b> An individual employed by the Central Government on or after 1.1.2004 or any other employer or any other assessee, being an individual, who has paid or deposited any amount in his account under a notified pension scheme [to his individual pension account (Tier I A/c) under National Pension Scheme & Atal Pension Yojana]	<b>Employee's Contribution/ Individual's Contribution</b> In case of a salaried individual, deduction of own contribution under section 80CCD(1) is restricted to 10% of his salary. In any other case, deduction under section 80CCD(1) is restricted to 20% of gross total income. Further, additional deduction of upto ₹ 50,000 is available under section 80CCD(1B). <b>Employer's Contribution</b> The entire employer's contribution would be included in the salary of the employee. The deduction of employer's contribution under section 80CCD(2) would be restricted to 14% of salary, where the employer is the Central Government or State Government and 10%, in case of any other employer.				
<b>Note – As per section 80CCE, maximum permissible deduction u/s 80C, 80CCC &amp; 80CCD(1) is ₹ 1,50,000. However, the limit ₹ 1.50 lakh u/s 80CCE does not apply to deduction u/s 80CCD(2) and 80CCD(1B).</b>							
80D	Individual and HUF	<b>Medical Insurance Premium</b> (1) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of – <table><tr><td>in case of an individual</td><td>self, spouse and dependent children</td></tr><tr><td>in case of HUF</td><td>family member</td></tr></table> (2) In case of an individual, contribution, otherwise than by way of cash, to CGHS or any other scheme as notified by Central Government.	in case of an individual	self, spouse and dependent children	in case of HUF	family member	<div>Maximum ₹ 25,000 (₹ 50,000, in case the individual or his or her spouse is a senior citizen)</div>
in case of an individual	self, spouse and dependent children						
in case of HUF	family member						



Deductions in respect of certain payments									
Section	Eligible Assessee	Eligible Payments	Permissible Deduction						
		<p>(3) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of parents, whether or not dependent on the individual.</p> <p><b>Notes:</b></p> <p>(i) Any amount paid, otherwise than by way of cash, on account of medical expenditure incurred on the health of the assessee or his family member or his parent, who is a senior citizen and no amount has been paid to effect or to keep in force an insurance on the health of such person.</p> <p>(ii) Payment, including cash payment, for preventive health check up of himself, spouse, dependent children and parents.</p>	<p><b>Maximum ₹ 25,000 (₹ 50,000, in case either or both of the parents are senior citizen(s))</b></p> <p>Amount paid subject to a cap of ₹ 50,000 (in case one parent is a senior citizen, in respect of whom insurance premium is paid, and the other is a senior citizen on whom medical expenditure is incurred, the total deduction cannot exceed ₹ 50,000)</p> <p>Amount paid subject to a cap of ₹ 5,000, in aggregate (subject to the overall individual limits of ₹ 25,000/ ₹ 50,000, as the case may be)</p>						
80DD	Resident Individual or HUF	<p><b>Maintenance including medical treatment of a dependant disabled</b></p> <p>Any <b>amount incurred for the medical treatment</b> (including nursing), training and rehabilitation of a <b>dependent disabled</b> <b>and / or</b></p> <p>Any <b>amount paid or deposited</b> under the scheme framed in this behalf by the <b>LIC</b> or any other insurer or Administrator or Specified Company and approved by Board.</p> <p><b>Meaning of Dependant</b></p> <table><tr><th>(1) In case of</th><th>(2) Dependant</th></tr><tr><td>An individual</td><td>Spouse, children, parents, brothers, sisters</td></tr><tr><td>A HUF</td><td>Any member</td></tr></table> <p>Persons mentioned in column (2) should be wholly or mainly dependant on the person mentioned in corresponding column (1) for support and maintenance. <b>Such persons should not have claimed deduction u/s 80U</b> in computing TI of that year.</p>	(1) In case of	(2) Dependant	An individual	Spouse, children, parents, brothers, sisters	A HUF	Any member	<p>Flat deduction of <b>₹ 75,000</b>.</p> <p>In case of <b>severe disability</b> (i.e. person with 80% or more disability) the flat deduction shall be <b>₹ 1,25,000</b>.</p>
(1) In case of	(2) Dependant								
An individual	Spouse, children, parents, brothers, sisters								
A HUF	Any member								
80DDB	Resident Individual or HUF	<p><b>Deduction for medical treatment of specified diseases or ailments</b></p> <p>Amount paid for <b>specified diseases or ailment</b></p> <table><tr><th>Assessee</th><th>Amount spent</th></tr><tr><td>An individual</td><td>For himself or his dependant being spouse, children, parents, brothers or sisters wholly or mainly dependant on the individual for support and maintenance</td></tr><tr><td>A HUF</td><td>For any member</td></tr></table>	Assessee	Amount spent	An individual	For himself or his dependant being spouse, children, parents, brothers or sisters wholly or mainly dependant on the individual for support and maintenance	A HUF	For any member	<p>Actual sum paid or <b>₹ 40,000 (₹ 1,00,000, if the payment is for medical treatment of a senior citizen), whichever is less,</b></p> <p><b>minus</b></p> <p>the <b>amount received</b> from the insurance company or reimbursed by the employer.</p>
Assessee	Amount spent								
An individual	For himself or his dependant being spouse, children, parents, brothers or sisters wholly or mainly dependant on the individual for support and maintenance								
A HUF	For any member								
80E	Individual	<p><b>Interest on loan taken for higher education</b></p> <p>Interest on loan taken from any financial institution or approved charitable institution.</p> <p>Such <b>loan is taken for pursuing his higher education</b> or higher education of his or her <b>relative</b> i.e., spouse or children of the individual or the student for whom the individual is the legal guardian.</p>	<p>The deduction is available for <b>interest payment in the initial A.Y</b> (year of commencement of interest payment) and seven A.Y. immediately succeeding the initial A.Y.</p> <p><b>(or)</b></p> <p><b>until the interest is paid</b> in full by the assessee, whichever is earlier.</p>						

Deductions in respect of certain payments																		
Section	Eligible Assessee	Eligible Payments	Permissible Deduction															
80EE	Individual	<b>Deduction for interest on loan borrowed from any financial institution [bank/ housing finance company (HFC)] for acquisition of residential house property</b>	Deduction of upto ₹ 50,000 would be allowed in respect of interest on loan taken from a financial institution (FI). <b>Conditions:</b> (1) Loan should be sanctioned during PY.2016-17 (2) Loan sanctioned ≤ ₹ 35 lakhs (3) Value of house ≤ ₹ 50 lakhs (4) The assessee should not own any residential house on the date of sanction of loan.															
80EEA	Individual	<b>Deduction in respect of interest payable on loan taken from a FI (bank or HFC) for acquisition of residential house property</b> (In case the property is self-occupied, the dedn would be over and above the dedn of ₹ 2 lakhs u/s 24)	Deduction of upto ₹ 1,50,000 would be allowed in respect of interest payable on loan taken from a FI for acquisition of house property. <b>Conditions:</b> (1) Loan should be sanctioned by a FI during the period between 1 <sup>st</sup> April 2019 to 31 <sup>st</sup> March 2022. (2) Stamp Duty Value of house ≤ ₹ 45 lakhs (3) The individual should not own any residential house on the date of sanction of loan. (4) The individual should not be eligible to claim deduction u/s 80EE.															
80EEB	Individual	<b>Deduction in respect of interest payable on loan taken from a FI (bank or certain NBFCs) for purchase of electric vehicle</b>	Deduction of upto ₹ 1,50,000 would be allowed in respect of interest payable on loan taken for purchase of electric vehicle.  Loan should be sanctioned by a FI during the period from 1.4.2019 to 31.3.2023															
80G	All assessees	<b>Donations to certain funds, charitable institutions etc.</b> <b>There are four categories of deductions –</b> <table><tr><th colspan="2">Category</th><th>Donee</th></tr><tr><td>(I)</td><td>100% deduction of amount donated, without any qualifying limit</td><td>Prime Minister's National Relief Fund, National Children's Fund, Swachh Bharat Kosh, National Defence Fund, PM CARES Fund etc.</td></tr><tr><td>(II)</td><td>50% deduction of amount donated, without any qualifying limit</td><td>Prime Minister's Drought Relief Fund, Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust, Rajiv Gandhi Foundation.</td></tr><tr><td>(III)</td><td>100% deduction of amount donated, subject to qualifying limit</td><td>Government or local authority, institution for promotion of family planning etc.</td></tr><tr><td>(IV)</td><td>50% deduction of amount donated, subject to qualifying limit.</td><td>Government or any local authority to be used for charitable purpose, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.</td></tr></table>		Category		Donee	(I)	100% deduction of amount donated, without any qualifying limit	Prime Minister's National Relief Fund, National Children's Fund, Swachh Bharat Kosh, National Defence Fund, PM CARES Fund etc.	(II)	50% deduction of amount donated, without any qualifying limit	Prime Minister's Drought Relief Fund, Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust, Rajiv Gandhi Foundation.	(III)	100% deduction of amount donated, subject to qualifying limit	Government or local authority, institution for promotion of family planning etc.	(IV)	50% deduction of amount donated, subject to qualifying limit.	Government or any local authority to be used for charitable purpose, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.
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(IV)	50% deduction of amount donated, subject to qualifying limit.	Government or any local authority to be used for charitable purpose, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.																

Deductions in respect of certain payments									
Section	Eligible Assessee	Eligible Payments	Permissible Deduction						
		<b>Calculation of Qualifying limit for Category III &amp; IV donations:</b> <b>Step 1:</b> Compute adjusted total income, i.e., the gross total income as reduced by the following: <table><tr><td>1.</td><td>Deductions under Chapter VI-A, except u/s 80G</td></tr><tr><td>2.</td><td>Short term capital gains taxable u/s 111A</td></tr><tr><td>3.</td><td>Long term capital gains taxable u/s 112 &amp; 112A</td></tr></table> <b>Step 2:</b> Calculate <b>10% of adjusted total income</b> . <b>Step 3:</b> Calculate the actual donation, which is subject to qualifying limit <b>Step 4:</b> Lower of Step 2 or Step 3 is the maximum permissible deduction. <b>Step 5:</b> The said deduction is adjusted first against donations qualifying for 100% deduction (i.e., Category III donations). Thereafter, 50% of balance qualifies for deduction u/s 80G. <b>Note - No deduction shall be allowed for donation in excess of ₹ 2,000, if paid in cash.</b>		1.	Deductions under Chapter VI-A, except u/s 80G	2.	Short term capital gains taxable u/s 111A	3.	Long term capital gains taxable u/s 112 & 112A
1.	Deductions under Chapter VI-A, except u/s 80G								
2.	Short term capital gains taxable u/s 111A								
3.	Long term capital gains taxable u/s 112 & 112A								
80GG	Individual not in receipt of house rent allowance	<b>Rent paid for residential accommodation</b>	<b>Least of the following</b> is allowable as deduction: (1) 25% of total income; (2) Rent paid – 10% of total income (3) ₹ 5,000 p.m. No deduction if any residential accommodation is owned by the assessee/ his spouse/ minor child/ HUF at the place where he ordinarily resides or performs the duties of his office or employment or carries on his business or profession.						
80GGC	Any person, other than local authority and an artificial juridical person funded by the Government.	<b>Contributions to political parties</b> Amount contributed to a registered political party or an electoral trust.	<b>Actual contribution</b> (otherwise than by way of cash)						
Deductions in respect of Certain Incomes									
As per section 80AC, furnishing return of income on or before due date is mandatory for claiming deduction in respect of certain incomes.									
Section	Eligible Assessee	Condition for Deduction /Eligible Income	Permissible Deduction						
80JAA	An assessee to whom section 44AB applies, whose gross total income includes profits and gains derived from business	<b>Deduction in respect of employment of new employees</b>	<b>30% of additional employee cost</b> incurred in the previous year. Deduction is allowable for 3 assessment years including assessment year relevant to the previous year in which such employment is provided. <i>For conditions to be satisfied, read Chapter 7 of the Study Material.</i>						
80QQB	Resident individual, being an author	<b>Royalty income, etc., of authors of certain books other than text books</b> Consideration for assignment or grant of any of his interests in the copyright of any book, being a work of literary, artistic or scientific nature or royalty or copyright fee received as lumpsum or otherwise.	<b>Income derived in the exercise of profession or ₹ 3,00,000, whichever is less.</b> In respect of royalty or copyright fee received otherwise than by way of lumpsum, income to be restricted to 15% of value of books sold during the relevant previous year.						
80RRB	Resident individual, being a patentee	<b>Royalty on patents</b> Any income by way of royalty on patents registered on or after 1.4.2003	Whole of such <b>income or ₹ 3,00,000, whichever is less.</b>						
Deductions in respect of Other Income									
Section	Eligible Assessee	Eligible Income	Permissible Deduction						
80TTA	Individual or a HUF, other than a resident senior citizen	<b>Interest on deposits in savings account</b> Interest on deposits in a savings account with a bank, a co-operative society or a post office (not being time deposits, which are repayable on expiry of fixed periods)	Actual interest subject to a <b>maximum of ₹ 10,000.</b>						

Deductions in respect of certain payments			
Section	Eligible Assessee	Eligible Payments	Permissible Deduction
80TTB	Resident senior citizen (i.e. an individual of the age of 60 years or more at any time during the previous year)	<b>Interest on deposits</b> Interest on deposits (both fixed deposits and saving accounts) with banking company, co-operative society engaged in the business of banking or a post office.	Actual interest or ₹ 50,000, whichever is less.
Other Deductions			
Section	Eligible Assessee	Condition for Deduction	Permissible Deduction
80U	Resident Individual	<b>Deduction in case of a person with disability</b> Any person, who is certified by the medical authority to be a person with disability.	Flat deduction of ₹ 75,000, in case of a person with disability. Flat deduction of ₹ 1,25,000, in case of a person with severe disability (80% or more disability).

Table 5

### Advance Payment of Tax

Liability for payment of advance tax [Sections 207 & 208]	
<ul style="list-style-type: none"> <li>Tax shall be payable in advance during any F.Y. in respect of the TI of an individual which would be chargeable to tax for the A.Y. immediately following that F.Y.</li> <li>Advance tax is payable during a F.Y. in every case where the amt of such tax payable by the assessee during the year is ₹ 10,000 or more.</li> <li>However, an individual resident in India of the age of 60 years or more at any time during the P.Y., who does not have any income chargeable under PGBP, is not liable to pay advance tax.</li> </ul>	
Instalments of advance tax and due dates [Section 211]	
Advance tax payment schedule for corporates and non-corporates (other than an assessee computing profits on presumptive basis u/s 44AD or section 44ADA) – Four instalments	
Due date of instalment	Amt payable
On or before 15 <sup>th</sup> June	Not less than 15% of advance tax liability
On or before 15 <sup>th</sup> September	Not less than 45% of advance tax liability (-) amt paid in earlier instalment
On or before 15 <sup>th</sup> December	Not less than 75% of advance tax liability (-) amt paid in earlier instalment or instalments
On or before 15 <sup>th</sup> March	The whole amt of advance tax liability (-) amt paid in earlier instalment or instalments
Advance tax payment by assessee computing profits on presumptive basis u/s 44AD(1) or 44ADA(1)	
<p>An eligible assessee, opting for computation of profits or gains of business or profession on presumptive basis in respect of eligible business referred to in section 44AD(1) or in respect of eligible profession referred to in section 44ADA(1), shall be required to pay advance tax of the whole amt on or before 15<sup>th</sup> March of the F.Y.</p> <p>However, any amt paid by way of advance tax on or before 31<sup>st</sup> March shall also be treated as advance tax paid during the F.Y. ending on that day.</p>	
Interest for defaults in payment of advance tax [Section 234B]	
(1)	Interest u/s 234B is attracted for non-payment of advance tax or payment of advance tax of an amt less than 90% of assessed tax.
(2)	The interest liability would be 1% per month or part of the month from 1st April following the F.Y. upto the date of determination of TI u/s 143(1).
(3)	Such interest is calculated on the amt of difference between the assessed tax and the advance tax paid.
(4)	“Assessed tax” means the tax on TI determined u/s 143(1) less TDS & TCS, any relief of tax allowed u/s 89, any tax credit allowed to be set off in accordance with the provisions of section 115JD.
(5)	Where self-assessment tax is paid by the assessee u/s 140A or otherwise, interest shall be calculated upto the date of payment of such tax and reduced by the interest, if any, paid u/s 140A towards the interest chargeable under this section.
Interest for deferment of advance tax [Section 234C]	
(a)	<p><b>Manner of computation of interest u/s 234C for deferment of advance tax by assessee, being an individual:</b></p> <p>In case an assessee, other than an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or section 44ADA(1), who is liable to pay advance tax u/s 208 has failed to pay such tax or the advance tax paid by such assessee on its current income on or before the dates specified in column (1) below is less than the specified percentage [given in column (2) below] of tax due on returned income, then simple interest@1% per month for the period specified in column (4) on the amt of shortfall, as per column (3) is leviable u/s 234C.</p>

	Specified date	Specified %	Shortfall in advance tax	Period
	(1)	(2)	(3)	(4)
	15 <sup>th</sup> June	15%	15% of tax due on returned income (-) advance tax paid up to 15 <sup>th</sup> June	3 months
	15 <sup>th</sup> September	45%	45% of tax due on returned income (-) advance tax paid up to 15 <sup>th</sup> September	3 months
	15 <sup>th</sup> December	75%	75% of tax due on returned income (-) advance tax paid up to 15 <sup>th</sup> December	3 months
	15 <sup>th</sup> March	100%	100% of tax due on returned income (-) advance tax paid up to 15 <sup>th</sup> March	1 month
<p><b>Note</b> – However, <b>if the advance tax paid by the assessee on the current income, on or before 15th June or 15th September, is not less than 12% or 36% of the tax due on the returned income, respectively, then, the assessee shall not be liable to pay any interest on the amt of the shortfall on those dates.</b></p> <p><b>Tax due on returned income</b> = Tax chargeable on TI declared in the return of income (-) TDS (-) TCS (-) any relief of tax allowed u/s 89 (-) any tax credit allowed to be set off in accordance with section 115JD.</p>				
(b)	<p><b>Computation of interest u/s 234C in case of an individual who declares profits and gains in accordance with the provisions of section 44AD(1) or 44ADA(1):</b></p> <p>In case an assessee, who declares profits and gains in accordance with the provisions of <b>section 44AD(1) or 44ADA(1)</b>, who is <b>liable to pay advance tax u/s 208</b> has –</p> <ul style="list-style-type: none"> <li>- <b>failed to pay such tax</b> or</li> <li>- the advance tax paid by the individual on his current income <b>on or before 15th March</b> is less than the tax due on the returned income, then, the assessee shall be liable to pay <b>simple interest at the rate of 1%</b> on the amt of the shortfall from the tax due on the returned income.</li> </ul>			
(c)	<p><b>Non-applicability of interest u/s 234C in certain cases:</b></p> <p>Interest u/s 234C shall <b>not</b> be leviable in respect of any shortfall in pay of tax due on returned income, where <b>such shortfall</b> is on account <b>of under-estimate or failure to estimate</b> –</p> <ul style="list-style-type: none"> <li>(i) the amt of <b>capital gains</b>;</li> <li>(ii) income of nature referred to in section 2(24)(ix) i.e., <b>winnings from lotteries, crossword puzzles etc.;</b></li> <li>(iii) <b>income under the head “PGBP” in cases where the income accrues or arises under the said head for the first time.</b></li> <li>(iv) the amount of <b>dividend income other than deemed dividend referred u/s 2(22)(e).</b></li> </ul> <p>However, the assessee should have <b>paid the whole of the amt of tax payable</b> in respect of such income referred to in (i), (ii) (iii) and (iv), as the case may be, had such income been a part of the TI, <b>as part of the remaining instalments of advance tax which are due or where no such instalments are due, by 31st March of the F.Y.</b></p>			

## INCOME TAX LAW: A CAPSULE FOR QUICK RECAP

This Capsule on Income-tax law attempts to give an overview of the provisions relating to tax deduction at source, advance tax and tax collection at source, as amended by the Finance Act, 2022, to the extent included in the syllabus of Intermediate Paper 4A: Income-tax Law and relevant for May 2023 examination. These provisions are contained in Chapter 9 of Module 3 of the May 2022 edition of the Study Material of Intermediate Paper 4A Income-tax Law.

## CHAPTER 9: ADVANCE TAX, TDS AND INTRODUCTION TO TCS

## I. TAX DEDUCTION AT SOURCE

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
192	Salary	Basic exemption limit (₹2,50,000 / ₹3,00,000, as the case may be). This is taken care of in computation of the average rate of income-tax.	Any person responsible for paying any income chargeable under the head "Salaries"	Individual (Employee)	Average rate of income-tax computed on the basis of the rates in force (or) the rates specified in section 115BAC, if intimated by the employee	At the time of payment (payt) <sup>1</sup>
192A	Premature withdrawal from EPF	Payt or aggregate payt ≥ ₹50,000	Trustees of the EPF Scheme or any authorised person under the Scheme	Individual (Employee)	10% [In case of failure to furnish PAN, TDS@ Maximum Marginal Rate]	At the time of payt
193	Interest on securities	> ₹10,000 in a F.Y., in case of interest on 8% Savings (Taxable) Bonds, 2003/ 7.75% Savings (Taxable) Bonds, 2018. > ₹5,000 in a F.Y., in case of interest on debentures issued by a Co. in which the public are substantially interested, paid or credited to a resident individual or HUF by an A/c payee cheque. > No threshold specified in any other case.	Any person responsible for paying any income by way of interest on securities	Any resident	10%	At the time of credit of such income to the a/c of the payee or at the time of payt, whichever is earlier.
194	Dividend (including dividend on preference shares)	> ₹5,000 in a F.Y., in case of dividend paid or credited to an individual shareholder by any mode other than cash > No threshold in other cases	The Principal Officer of a domestic company	Resident shareholder	10%	Before making any payt by any mode in respect of any dividend or before making any distribution or payt of dividend.
194A	Interest other than interest on securities	> ₹40,000 in a F.Y., in case of interest credited or paid by – (i) a banking company; (ii) a co-operative society engaged in banking business; and (iii) a post office on any deposit under a notified scheme. In all the above cases, if payee is a resident senior citizen, tax deduction limit is > ₹50,000. > ₹5,000 in a F.Y., in other cases.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover ≤ ₹1 crore in case of business or ₹50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying interest other than interest on securities.	Any Resident	10%	At the time of credit of such income to the a/c of the payee or at the time of payt, whichever is earlier.
194B	Winnings from any lottery, crossword puzzle or card game or other game of any sort	> ₹10,000	The person responsible for paying income by way of such winnings	Any Person	30%	At the time of payt

<sup>1</sup>Except in case of TDS on perquisite of ESOP provided by eligible start-up



Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
194BB	Winnings from horse race	> ₹10,000	Book Maker or a person holding licence for horse racing or for arranging for wagering or betting in any race course.	Any Person	30%	At the time of payt
194C	Payts to Contractors	<p>Single sum credited or paid &gt; ₹30,000 (or)</p> <p>The aggregate of sums credited or paid to a contractor during the F.Y. &gt; ₹1,00,000</p> <p>Individual/HUF need not deduct tax where sum is credited or paid exclusively for personal purposes</p>	Central/State Govt., Local authority, Central/State/ Provincial Corpn., company, firm, trust, registered society, co-operative society, university estd under Central/ State/ Provincial Act, declared university under the UGC Act, Govt. of Foreign State or a foreign enterprise, Individual/ HUF whose total sales, gross receipts or turnover > ₹1 crore in case of business or ₹50 lakhs in case of profession during the immediately preceding F.Y.	Any Resident contractor for carrying out any work (including supply of labour)	<p>1% of sum paid or credited, if the payee is an Individual or HUF</p> <p>2% of sum paid or credited, if the payee is any other person.</p>	At the time of credit of such sum to the a/c of the contractor or at the time of payt, whichever is earlier.
194D	Insurance Commission	> ₹15,000 in a F.Y.	Any person responsible for paying any income by way of remuneration or reward for soliciting or procuring insurance business	Any Resident	5%	At the time of credit of such income to the a/c of the payee or at the time of payt, whichever is earlier.
194DA	Any sum under a Life Insurance Policy	≥ ₹1,00,000 (aggregate amt of payt to a payee in a F.Y.)	Any person responsible for paying any sum under a LIP, including the sum allocated by way of bonus	Any Resident	5% of the amt of income comprised	At the time of payt
194E	Payt to non-resident (NR) sportsmen or sports associations of income referred to in section 115BBA	-	Any person responsible for making the payt	NR sportsman (including an athelete) or entertainer who is not a citizen of India or NR sports association or institution	20.8% (including health and education cess@4%)	At the time of credit of such income to the a/c of the payee or at the time of payt, whichever is earlier.
194EE	Payt of deposit under NSS	≥ ₹2,500 in a F.Y.	Any person responsible for paying	Individual or HUF	10%	At the time of payt
194G	Commission on sale of lottery tickets	> ₹15,000 in a F.Y.	Any person responsible for paying any income by way of commission, remuneration or prize on lottery tickets	Any person stocking, distributing, purchasing or selling lottery tickets	5%	At the time of credit of such income to the a/c of the payee or at the time of payt, whichever is earlier.
194H	Commission or brokerage	> ₹15,000 in a F.Y.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover ≤ ₹1 crore in case of business or ₹50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying commission or brokerage.	Any resident	5%	At the time of credit of such income to the a/c of the payee or at the time of payt, whichever is earlier.

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
194-I	Rent	> ₹2,40,000 in a F.Y.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover ≤ ₹1 crore in case of business or ₹50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying rent.	Any resident	For P & M or equipment - 2%  For land or building, land appurtenant to a building, furniture or fittings - 10%	At the time of credit of such income to the a/c of the payee or at the time of payment, whichever is earlier.
194-IA	Payt on transfer of certain immovable property other than agricultural land	≥ ₹50 lakh (Consideration (considn) for transfer or stamp duty value)	Any person, being a transferee (other than a person referred to in section 194LA responsible for paying compensation for compulsory acquisition of immovable property other than rural agricultural land)	Resident transferor	1% of considn for transfer or stamp duty value, whichever is higher	At the time of credit of such sum to the a/c of the transferor or at the time of payment, whichever is earlier.
194-IB	Payt of rent by certain individuals or HUF	> ₹50,000 for a month or part of a month	Individual/ HUF (other than Individual/HUF whose total sales, gross receipts or turnover > ₹1 crore in case of business or ₹50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying rent.	Any Resident	5%	At the time of credit of rent, for the last month of the P.Y. or the last month of tenancy, if the property is vacated during the year, as the case may be, to the a/c of the payee or at the time of payment, whichever is earlier
194-IC	Payt under specified agreement (agmt) referred to in section 45(5A)	No threshold specified.	Any person responsible for paying any sum by way of considn, not being considn in kind, under a registered agmt, wherein L or B or both are handed over by the owner for developmt of real estate project, for a considn, being a share in L or B or both in such project, with payt of part considn in cash.	Any Resident	10%	At the time of credit of such income to the a/c of the payee or at the time of payment, whichever is earlier.
194J	Fees for professional services or technical services(FPS/FTS)/ Royalty/ Non-compete fees/Director's remuneration	> ₹30,000 in a F.Y., for each category of income. (However, this limit does not apply in case of payt made to director of a company).	Any person, other than an individual or HUF; However, in case of FPS or FTS paid or credited, an individual/HUF, whose total sales, gross receipts or turnover > ₹1 crore in case of business or ₹50 lakhs in case of profession during the immediately preceding F.Y., is liable to deduct tax u/s 194J, except where FPS is credited or paid exclusively for his personal purposes.	Any Resident	2% - Payee engaged only in the business of operation of call centre. 2% - In case of FTS or royalty, where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films 10% - Other payts	At the time of credit of such sum to the a/c of the payee or at the time of payment, whichever is earlier.

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
194K	Income on units other than in the nature of capital gains	> ₹5,000 in a F.Y.	Any person responsible for paying any income in respect of units of a mutual fund/ Administrator of the specified undertaking/ specified company	Any resident	10%	At the time of credit of such sum to the a/c of the payee or at the time of pay, whichever is earlier.
194LA	Compensation on acquisition of certain immovable property other than agricultural land	> ₹2,50,000 in a F.Y.	Any person responsible for paying any sum in the nature of compensation or enhanced compensation on compulsory acquisition of immovable property	Any Resident	10%	At the time of pay
194M	-Payts to Contractors -Commission or brokerage - Fees for professional services	> ₹50,00,000 in a F.Y.	Individual or HUF other than those who are required to deduct tax at source u/s 194C or 194H or 194J	Any Resident	5%	At the time of credit of such sum to the a/c of the payee or at the time of pay, whichever is earlier.
194N	Cash withdrawals	> ₹1 crore	- a banking company or any bank or banking institution - a co-operative society engaged in carrying on the business of banking or - a post office who is responsible for paying any sum, being the amt or the aggregate of amts, as the case may be, in cash exceeding ₹1 crore during the P.Y., to any person from one or more accounts maintained by the recipient	Any person	@2% of such sum In case the recipient has not filed ROI for all the 3 immediately preceding P.Y.s, for which time limit u/s 139(1) has expired, such sum shall be the amt or agg. of amts, in cash > ₹20 lakh during the P.Y. TDS - @2% of the sum, where cash withdrawal > ₹20 lakhs but ≤ ₹1 crore - @5% of sum, where cash withdrawal > ₹1 crore	At the time of pay of such sum
194O	Sale considn or considn for services facilitated through digital electronic facility platform	> ₹5 lakhs, being gross amt of sales or service or both in a financial year to an e-commerce participant, being individual or HUF and such e-commerce participant has furnished PAN or Aadhar number to the e-commerce operator > No threshold in other cases	E-commerce operator, who facilitates sale of goods or provision of services of an e-commerce participant through digital or electronic facility or platform	E-commerce participant	1% of gross amt of sale or service or both [In case of failure to furnish PAN, Maximum TDS@5%]	At the time of credit of amt. of sale or services or both to the a/c of an e-commerce participant or at the time of pay, whichever is earlier.
194P	Pension (along with interest on bank account)	Basic exemption limit (₹3,00,000/ ₹5,00,000, as the case be) [i.e., total income after giving effect to the dedn allowable under Chapter VI-A > the basic exemption limit. Further, in case the individual is entitled to rebate u/s 87A from tax payable then the same should be given effect to]	Notified specified bank	Specified senior citizen i.e., An individual, being a resident in India, who - is of the age of 75 years or more at any time during the P.Y.; - is having pension income and no other income except interest income received or receivable from any a/c maintained by such individual in the same specified bank in which he is receiving the pension income; and - has furnished a declaration to the specified bank.	Rates in force	

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
194Q	Purchase of goods	> ₹50 lakhs in a P.Y.	Buyer, who is responsible for paying any sum for purchase of goods. Buyer means a person whose total sales, gross receipts or turnover from business > ₹10 crores during the F.Y. immediately preceding the F.Y. in which the purchase of goods is carried out.	Any resident	0.1% of sum > ₹50 lakhs	At the time of credit of such sum to the a/c of the seller or at the time of pay, whichever is earlier.
194R	Any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession	Value or aggregate of value of benefit or perquisite > ₹20,000 in a F.Y.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover ≤ ₹1 crore in case of business or ₹50 lakhs in case of profession during the immediately preceding F.Y.) responsible for providing to a resident, any benefit or perquisite. In case of a company, "person responsible for paying" means company itself including the Principal Officer thereof.	Any resident	10% of value or aggregate of value of benefit or perquisite	Before providing such benefit or perquisite
206AA	Section 206AA requires furnishing of PAN by the deductee to the deductor, failing which the deductor has to deduct tax at the <b>higher of the following rates, namely, -</b> (i) at the rate specified in the relevant provision of the Income-tax Act, 1961; or (ii) at the rate or rates in force; or (iii) at the rate of 20% and in case of section 194-O and 194Q, 5%.					
206AB	Section 206AB requires tax to be deducted at source on any sum or income or amt paid or payable or credited, by a person to a specified person, <b>at higher of the following rates –</b> (i) at twice the rate specified in the relevant provision of the Act; (ii) at twice the rate or rates in force i.e., the rate mentioned in the Finance Act; or (iii) at 5%. However, section 206AB is <b>not</b> applicable in case of tax deductible at source u/s 192, 192A, 194B, 194BB, 194-IA, 194-IB, 194M or 194N. <b>Meaning of "specified person"</b> – A person who has <b>not</b> furnished the ROI for the A.Y. relevant to the P.Y. immediately preceding the F.Y. in which tax is required to be deducted, for which the time limit for furnishing the return of income u/s 139(1) has expired, and the agg. of tax deducted at source and tax collected at source in his case is ₹50,000 or more in the said P.Y. However, the specified person does not include a non-resident who does not have a PE in India. In case the provisions of section 206AA are also applicable to the specified person, in addition to the provisions of this section, then, tax is required to be deducted at higher of the two rates provided in section 206AA and section 206AB.					

## II. ADVANCE PAYMENT OF TAX

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

- Tax shall be payable in advance during any F.Y. in respect of the total income (TI) of the assessee which would be chargeable to tax for the A.Y. immediately following that F.Y.
- Advance tax is payable** during a F.Y. in every case where the amt of such **tax payable** by the assessee during the year is **₹10,000 or more**.
- However, **an individual resident in India of the age of 60 years or more** at any time during the P.Y., who **does not have any income chargeable under PGBP, is not liable to pay advance tax**.

### Instalments of advance tax and due dates [Section 211]

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

Due date of instalment	Amt payable
On or before <b>15<sup>th</sup> June</b>	Not less than <b>15%</b> of advance tax liability.
On or before <b>15<sup>th</sup> September</b>	Not less than <b>45%</b> of advance tax liability (-) amt paid in earlier instalment.
On or before <b>15<sup>th</sup> December</b>	Not less than <b>75%</b> of advance tax liability (-) amt paid in earlier instalment or instalments.
On or before <b>15<sup>th</sup> March</b>	The whole amt of advance tax liability (-) amt paid in earlier instalment or instalments.

### Advance tax payment by assessee computing profits on presumptive basis u/s 44AD(1) or section 44ADA(1)

An eligible assessee, opting for computation of profits or gains of business or profession on presumptive basis in respect of eligible business referred to in section 44AD(1) or in respect of eligible profession referred to in section 44ADA(1), shall be required to pay advance tax of the whole amt **on or before 15<sup>th</sup> March of the F.Y.** However, any amt paid by way of advance tax **on or before 31<sup>st</sup> March** shall also be treated as advance tax paid during the F.Y. ending on that day.

Interest for defaults in payment of advance tax [Section 234B]	
(1)	Interest u/s 234B is attracted for <b>non-payment of advance tax or pay of advance tax of an amt less than 90% of assessed tax.</b>
(2)	The interest liability would be <b>1% per month or part of the month from 1<sup>st</sup> April following the F.Y. upto the date of determination of TI u/s 143(1)</b> and where regular assessment is made, upto the date of such regular assessment.
(3)	Such interest is calculated on the amt of <b>difference between the assessed tax and the advance tax paid.</b>
(4)	<b>"Assessed tax"</b> means the <b>tax on TI determined u/s 143(1) or under regular assessment less TDS &amp; TCS, any relief of tax allowed u/s 89, any tax credit</b> allowed to be set off in accordance with <b>the provisions of section 115JD</b> . Tax on the TI determined u/s 143(1) shall not include the additional income-tax, if any, payable u/s 140B.
(5)	Where self-assessment tax is paid by the assessee u/s 140A or otherwise, interest shall be calculated upto the date of pay of such tax and reduced by the interest, if any, paid u/s 140A towards the interest chargeable under this section. Thereafter, interest shall be calculated @1% on the amt by which the tax so paid together with the advance tax paid falls short of the assessed tax.

Interest for deferment of advance tax [Section 234C]				
(a)	<b>Manner of computation of interest u/s 234C for deferment of advance tax by corporate and non-corporate assesseees:</b> In case an assessee, other than an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or section 44ADA(1), who is liable to pay advance tax u/s 208 has failed to pay such tax or the advance tax paid by such assessee on its current income on or before the dates specified in column (1) below is less than the specified percentage [given in column (2) below] of tax due on returned income, then simple interest@1% per month for the period specified in column (4) on the amt of shortfall, as per column (3) is leviable u/s 234C.			
	Specified date	Specified %	Shortfall in advance tax	Period
	(1)	(2)	(3)	(4)
	15 <sup>th</sup> June	15%	15% of tax due on returned income (-) advance tax paid up to 15 <sup>th</sup> June	3 months
	15 <sup>th</sup> September	45%	45% of tax due on returned income (-) advance tax paid up to 15 <sup>th</sup> September	3 months
	15 <sup>th</sup> December	75%	75% of tax due on returned income (-) advance tax paid up to 15 <sup>th</sup> December	3 months
	15 <sup>th</sup> March	100%	100% of tax due on returned income (-) advance tax paid up to 15 <sup>th</sup> March	1 month
	<i>Note – However, if the advance tax paid by the assessee on the current income, on or before 15<sup>th</sup> June or 15<sup>th</sup> September, is not less than 12% or 36% of the tax due on the returned income, respectively, then, the assessee shall not be liable to pay any interest on the amt of the shortfall on those dates.</i> <i>Tax due on returned income = Tax chargeable on TI declared in the return of income – TDS – TCS - any relief of tax allowed u/s 89 - any tax credit allowed to be set off in accordance with section 115JD.</i>			
	(b)	<b>Computation of interest u/s 234C in case of an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or 44ADA(1):</b> In case an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or 44ADA(1), who is liable to pay advance tax u/s 208 has – <ul style="list-style-type: none"><li>failed to pay such tax or</li><li>the advance tax paid by the assessee on its current income <b>on or before 15<sup>th</sup> March</b> is less than the tax due on the returned income, then, the assessee shall be liable to pay <b>simple interest at the rate of 1%</b> on the amt of the shortfall from the tax due on the returned income.</li></ul>		
(c)	<b>Non-applicability of interest u/s 234C in certain cases:</b> Interest u/s 234C shall <b>not</b> be leviable in respect of any shortfall in pay of tax due on returned income, where <b>such shortfall</b> is on a/c of <b>under-estimate or failure to estimate –</b> <ul style="list-style-type: none"><li>(i) the amt of <b>capital gains</b>;</li><li>(ii) income of nature referred to in section 2(24)(ix) i.e., <b>winnings from lotteries, crossword puzzles etc.;</b></li><li>(iii) <b>income under the head “PGBP” in cases where the income accrues or arises under the said head for the first time;</b></li><li>(iv) the amt of <b>dividend income u/s 2(22)(a)/(b)/(c)/(d).</b></li></ul> However, the assessee should have <b>paid the whole of the amt of tax payable</b> in respect of such income referred to in (i), (ii), (iii) and (iv), as the case may be, had such income been a part of the TI, <b>as part of the remaining instalments of advance tax which are due or where no such instalments are due, by 31st March of the F.Y.</b>			

III. TAX COLLECTION AT SOURCE [SECTION 206C]																										
(a)	<p><b>Sale of certain goods [Section 206C(1)]</b> - Sellers of certain goods are required to collect tax from the buyers at the specified rates. The specified percentage for collection of tax at source is as follows:</p> <table border="1"> <thead> <tr> <th></th><th>Nature of Goods</th><th>Percentage</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Alcoholic liquor for human consumption</td><td>1%</td></tr> <tr> <td>(ii)</td><td>Tendu leaves</td><td>5%</td></tr> <tr> <td>(iii)</td><td>Timber obtained under a forest lease</td><td>2.5%</td></tr> <tr> <td>(iv)</td><td>Timber obtained by any mode other than (iii)</td><td>2.5%</td></tr> <tr> <td>(v)</td><td>Any other forest produce not being timber or tendu leaves</td><td>2.5%</td></tr> <tr> <td>(vi)</td><td>Scrap</td><td>1%</td></tr> <tr> <td>(vii)</td><td>Minerals, being coal or lignite or iron ore</td><td>1%</td></tr> </tbody> </table> <p>However, no collection of tax shall be made in the case of a resident buyer, if such buyer furnishes a declaration in writing in duplicate to the effect that goods are to be utilised for the purpose of manufacturing, processing or producing articles or things or for the purposes of generation of power and not for trading purposes [Section 206C(1A)]</p>			Nature of Goods	Percentage	(i)	Alcoholic liquor for human consumption	1%	(ii)	Tendu leaves	5%	(iii)	Timber obtained under a forest lease	2.5%	(iv)	Timber obtained by any mode other than (iii)	2.5%	(v)	Any other forest produce not being timber or tendu leaves	2.5%	(vi)	Scrap	1%	(vii)	Minerals, being coal or lignite or iron ore	1%
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(b)	<b>Lease or a licence of parking lot, toll plaza or mine or a quarry [Section 206C(1C)]</b> - Every person who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest in any - parking lot or - toll plaza or - a mine or a quarry to another person (other than a public sector company) for the use of such parking lot or toll plaza or mine or quarry for the purposes of business. The tax shall be collected as provided, from the licensee or lessee of any such licence, contract or lease of the specified nature, at the rate of <b>2%</b> , at the time of debiting of the amt payable by the licensee or lessee to his account or at the time of receipt of such amt from the licensee or lessee in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier.																				
(c)	<b>Sale of motor vehicle of value exceeding ₹10 lakhs [Section 206C(1F)]</b> - Every person, being a seller, who receives any amt as considn <b>for sale of a motor vehicle of the value exceeding ₹10 lakhs</b> , shall, at the time of receipt of such amt, collect tax from the buyer@ <b>1%</b> of the sale considn.																				
(d)	<b>Overseas remittance or an overseas tour package [Section 206C(1G)]</b> - Every person, - <b>being an authorized dealer, who receives amt under the Liberalised Remittance Scheme of the RBI for overseas remittance from a buyer</b> , being a person remitting such amt out of India, - <b>being seller of an overseas tour programme package who receives any amt from the buyer who purchases the package</b> has to <b>collect tax</b> at the rate of <b>5%</b> of such amt at the time of debiting of the amt payable by the buyer or at the time of receipt of such amt from the said buyer by any mode, whichever is earlier. <b>Rate of TCS in case of collection by an authorized dealer</b> <table><tr><th>S. No.</th><th>Amt and purpose of remittance</th><th>Rate of TCS</th></tr><tr><td>(i)</td><td>(a)Where the amt <b>is remitted for a purpose other than purchase of overseas tour program package; and</b> (b) the amt or aggregate of the amts being remitted by a buyer <b>is less than ₹7 lakhs in a F.Y.</b></td><td>Nil (No tax to be collected at source)</td></tr><tr><td>(ii)</td><td>(a)Where the amt is remitted for a purpose <b>other than purchase of overseas tour program package; and</b> (b) the amt or aggregate of the <b>amts in excess of ₹7 lakhs is remitted by the buyer in a F.Y.</b></td><td><b>5% of the amt or agg. of amts &gt; ₹7 lakh</b></td></tr><tr><td>(iii)</td><td>(a)Where the amt being remitted out is <b>a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education; and</b> (b) the amt or aggregate of the <b>amts in excess of ₹7 lakhs is remitted by the buyer in a F.Y.</b></td><td><b>0.5% of the amt or agg. of amts &gt; ₹7 lakh</b></td></tr></table> <b>Cases where no tax is to be collected</b> <table><tr><td>(i)</td><td>No TCS by the authorized dealer on an amt in respect of which the sum has been collected by the seller</td></tr><tr><td>(ii)</td><td>No TCS, if the buyer is liable to deduct tax at source under any other provision of the Act and has deducted such tax</td></tr><tr><td>(iii)</td><td>No TCS, if the buyer is the Central Govt, a State Govt, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority or any other person notified by the Central Govt, subject to fulfillment of conditions stipulated thereunder. Accordingly, the CBDT has notified that the provisions of section 206C(1G) would not apply to a person (being a buyer) who is a non-resident in terms of section 6 and does not have a PE in India.</td></tr></table>			S. No.	Amt and purpose of remittance	Rate of TCS	(i)	(a)Where the amt <b>is remitted for a purpose other than purchase of overseas tour program package; and</b> (b) the amt or aggregate of the amts being remitted by a buyer <b>is less than ₹7 lakhs in a F.Y.</b>	Nil (No tax to be collected at source)	(ii)	(a)Where the amt is remitted for a purpose <b>other than purchase of overseas tour program package; and</b> (b) the amt or aggregate of the <b>amts in excess of ₹7 lakhs is remitted by the buyer in a F.Y.</b>	<b>5% of the amt or agg. of amts &gt; ₹7 lakh</b>	(iii)	(a)Where the amt being remitted out is <b>a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education; and</b> (b) the amt or aggregate of the <b>amts in excess of ₹7 lakhs is remitted by the buyer in a F.Y.</b>	<b>0.5% of the amt or agg. of amts &gt; ₹7 lakh</b>	(i)	No TCS by the authorized dealer on an amt in respect of which the sum has been collected by the seller	(ii)	No TCS, if the buyer is liable to deduct tax at source under any other provision of the Act and has deducted such tax	(iii)	No TCS, if the buyer is the Central Govt, a State Govt, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority or any other person notified by the Central Govt, subject to fulfillment of conditions stipulated thereunder. Accordingly, the CBDT has notified that the provisions of section 206C(1G) would not apply to a person (being a buyer) who is a non-resident in terms of section 6 and does not have a PE in India.
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(e)	<b>Sale of goods of value exceeding ₹50 lakhs [Section 206C(1H)]</b> - Every person, being <b>a seller, who receives any amt as consideration for sale of goods of the value exceeding ₹50 lakhs in a P.Y.</b> , other than exported goods or goods covered in (a)/(c)/(d)], is required to collect tax at source, at the time of receipt of such amt, <b>@0.1%</b> of the sale consideration <b>exceeding ₹50 lakhs</b> . However, tax is not required to be collected if the buyer is liable to deduct tax at source under any other provision of the Act on the goods purchased by him from the seller and has deducted such tax.																				
(f)	In case of <b>non-furnishing of PAN [PAN or Aadhar number in case of section 206C(1H)]</b> by the collectee to the collector, tax is required to be collected at the higher of – (i) <b>twice the rate specified in the relevant provisions of the Act; or</b> (ii) <b>5% [1%, in case tax is required to be collected at source u/s 206C(1H)]. [Section 206CC]</b> The provisions of section 206CC does <b>not</b> apply to a non-resident who does not have a permanent establishment in India.																				
(g)	Section 206CCA requires tax to be collected at source on any sum or amt received by a person from a specified person, <b>at higher of the following rates –</b> (i) <b>at twice the rate prescribed in the relevant provision of the Act; or</b> (ii) <b>at 5%</b> <b>Meaning of “specified person”</b> – A person who has <b>not</b> furnished the ROI for the A.Y. relevant to the P.Y. immediately preceding the F.Y. in which tax is required to be collected, for which the time limit for furnishing the return of income u/s 139(1) has expired, and the agg. of tax deducted at source and tax collected at source in his case is ₹50,000 or more in the said P.Y. However, the specified person does not include a non-resident who does not have a PE in India. In case the provisions of section 206CC are also applicable to the specified person, in addition to the provisions of this section, then, tax is required to be collected at higher of the two rates provided in section 206CC and section 206CCA.																				



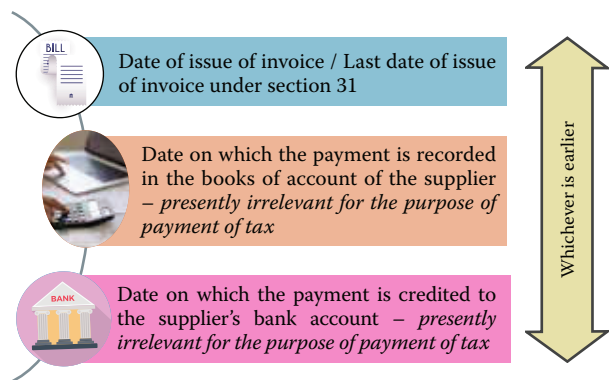
## CA INTERMEDIATE - PAPER 4B - INDIRECT TAXES

## Goods and Services Tax: A Capsule for Quick Recap

It has always been the endeavour of Board of Studies to provide quality academic inputs to the students of Chartered Accountancy Course. Keeping with this objective, BoS has come up with a crisp and concise capsule on Section B - Indirect Taxes of Paper 4: Taxation of Intermediate Course, to facilitate students in quick revision before examination. The Capsule makes use of diagrams, tables, flow charts etc. to facilitate recap of select topics of Goods and Services Tax law namely, significant aspects of Time of Supply, Value of Supply and Input Tax Credit. The capsule is based on the GST laws as amended by the Finance Act, 2021, including significant notifications and circulars issued, up to 30<sup>th</sup> April, 2022 and is thus, very useful for quick recap on day before the examination for the students appearing in November 2022 examination. Students may note that this capsule is a tool for quick revision and thus, should not be taken as a substitute for the detailed study of the subject. Students are advised to refer to the August 2021 Edition of Intermediate Course Study Material along with Statutory Update for November 2022 examination which has been hosted on the ICAI website, for comprehensive study and revision. Students appearing for May 2023 examination may also refer this capsule along with the Statutory Update for May 2023 examination which will be hosted on the BoS Knowledge Portal.

## CHAPTER 5 - TIME AND VALUE OF SUPPLY

## TIME OF SUPPLY OF GOODS UNDER FORWARD CHARGE AS PER SECTION 12

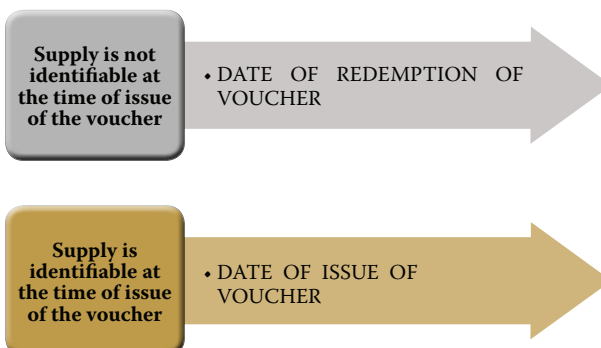


If it is not possible to determine the time of supply through above parameters, THEN

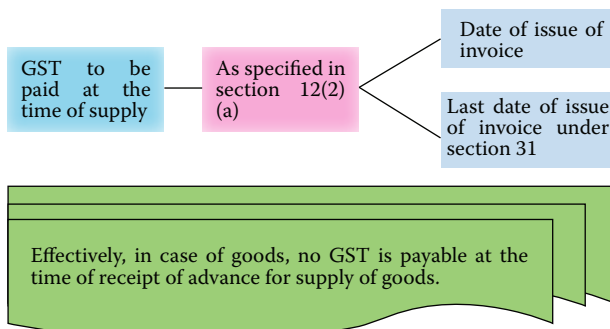
Date on which goods are recorded in the books of account of the recipient of supply



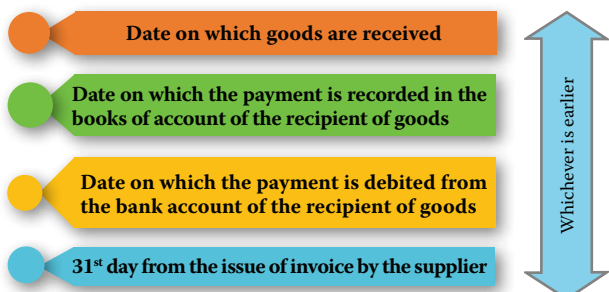
## TIME OF SUPPLY OF VOUCHERS EXCHANGEABLE FOR GOODS



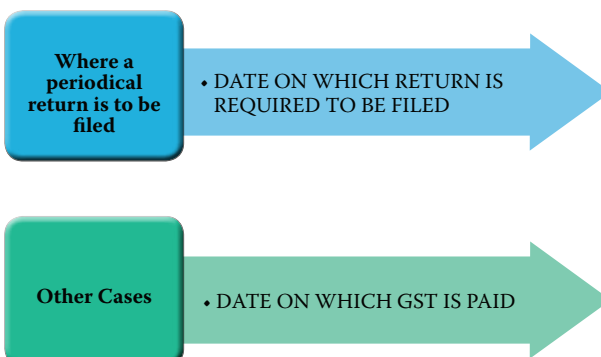
## SPECIAL PROCEDURE UNDER SECTION 148 FOR PAYMENT OF TAX IN CASE OF GOODS



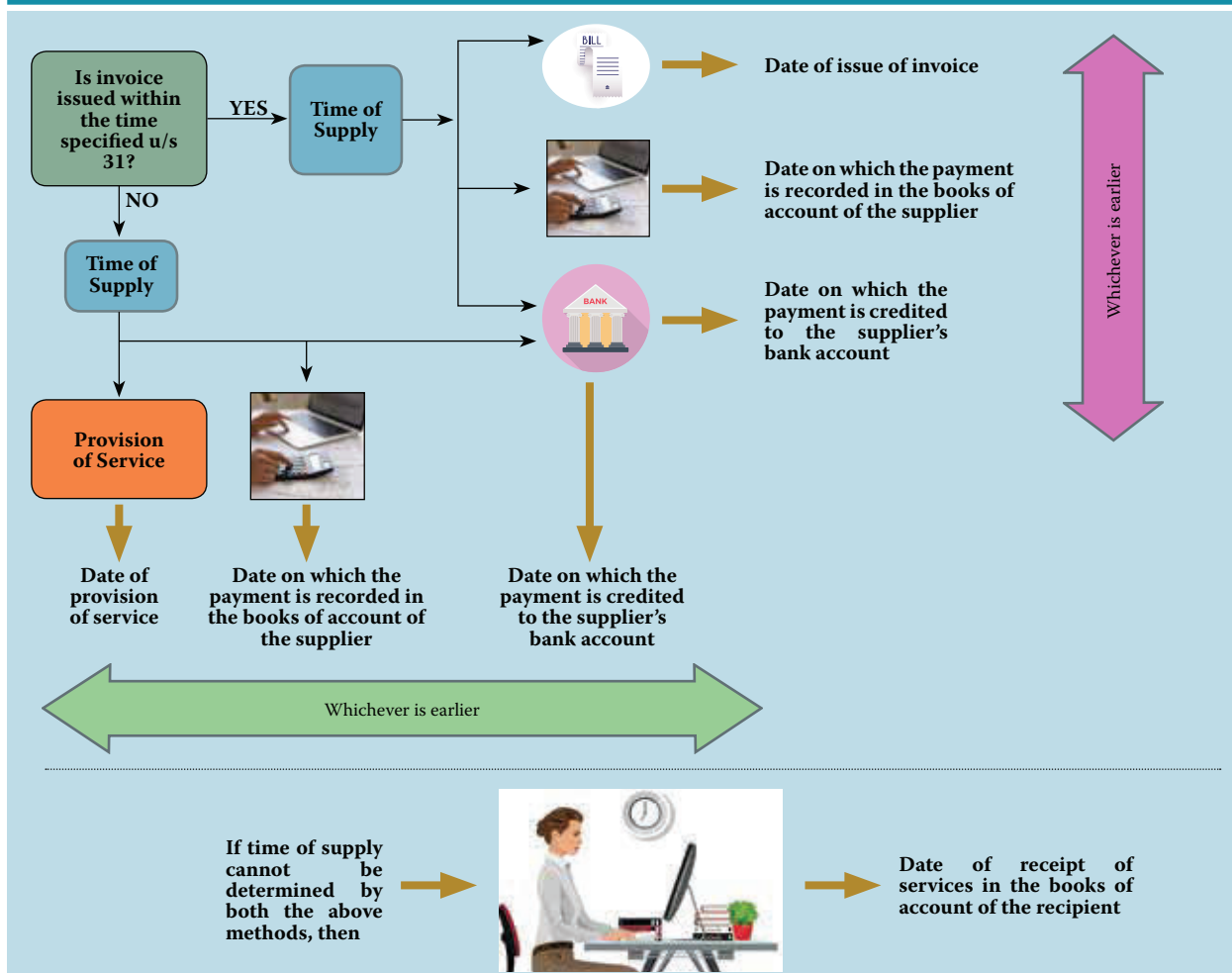
## TIME OF SUPPLY OF GOODS UNDER REVERSE CHARGE



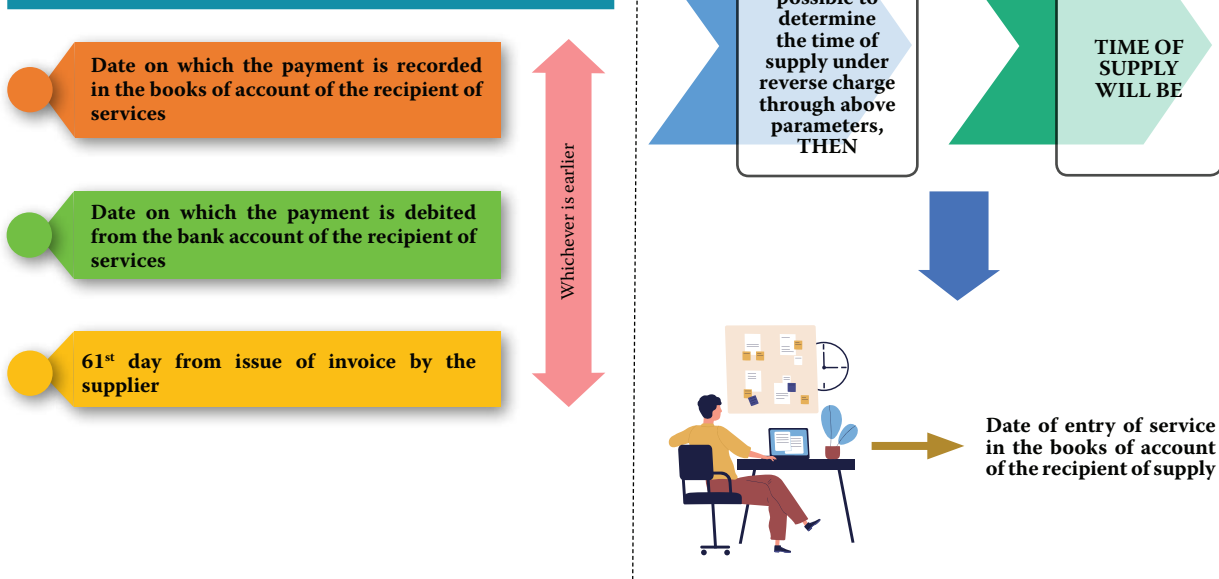
## TIME OF SUPPLY OF GOODS IN RESIDUAL CASES



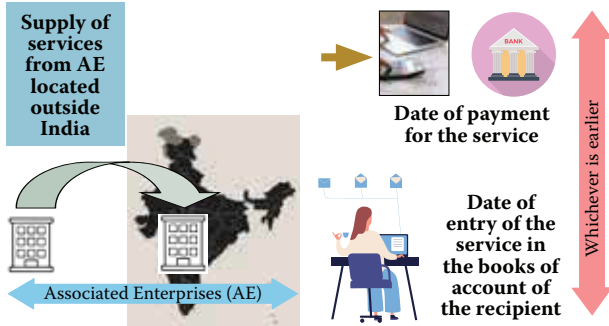
## TIME OF SUPPLY OF SERVICES UNDER FORWARD CHARGE



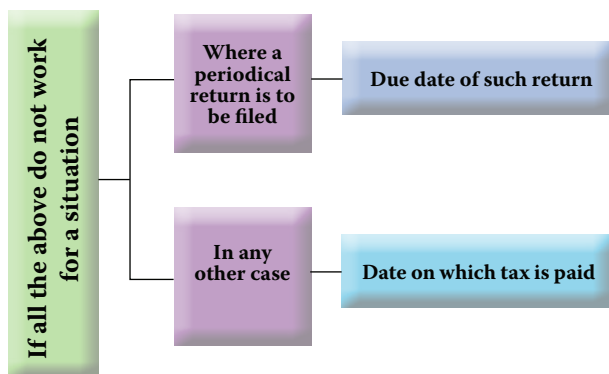
## TIME OF SUPPLY OF SERVICES UNDER REVERSE CHARGE



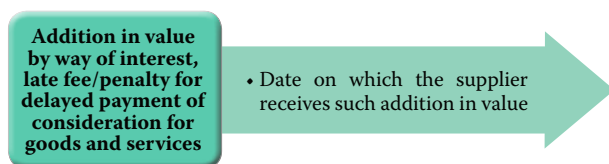
## TIME OF SUPPLY IN CASE OF IMPORT OF SERVICES FROM ASSOCIATED ENTERPRISES



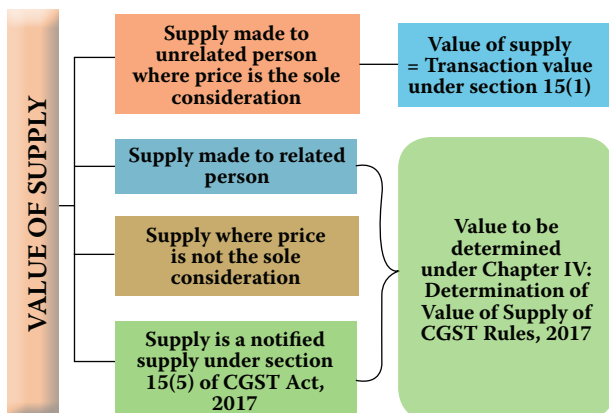
## TIME OF SUPPLY OF SERVICES IN RESIDUAL CASES



## TIME OF SUPPLY FOR ADDITION IN VALUE BY WAY OF INTEREST/ LATE FEE/ PENALTY FOR DELAYED PAYMENT OF CONSIDERATION FOR GOODS AND SERVICES



## VALUE OF SUPPLY



⇒ Taxes other than GST

⇒ Third party payments made by recipient in relation to supply, which supplier was liable to pay and were not included in the price

⇒ Incidental expenses including anything done by the supplier in respect of the supply till delivery of goods/ supply of services, if charged to recipient

⇒ Subsidies directly linked to price of supply other than the ones given by Central/State Governments

⇒ Interest/late fee/penalty for delay in payment of consideration

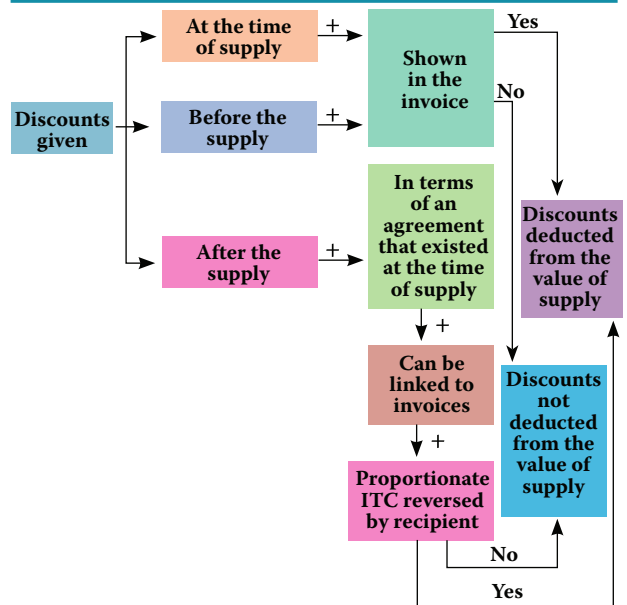
Inclusions in value under section 15(2) of CGST Act, 2017

## Exclusions from value under section 15(2) of CGST Act, 2017

Discounts given before or at the time of supply and recorded in the invoice

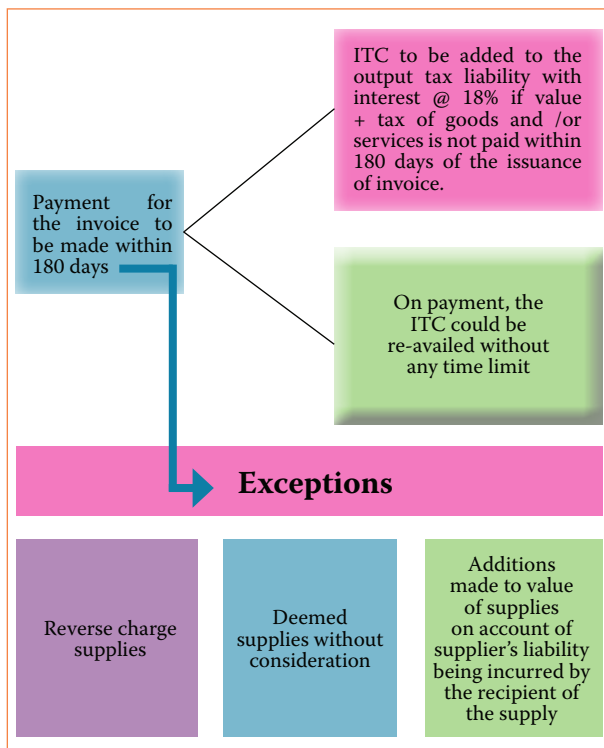
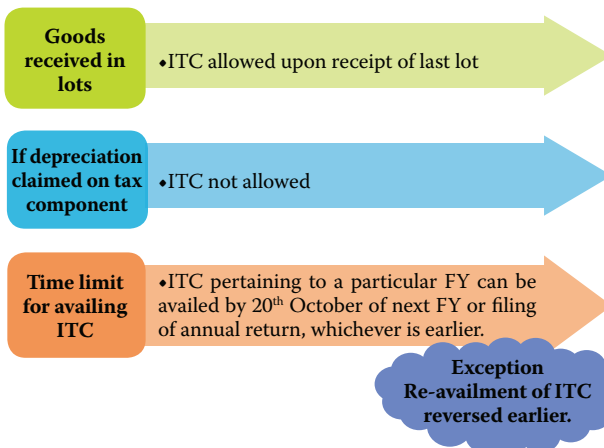
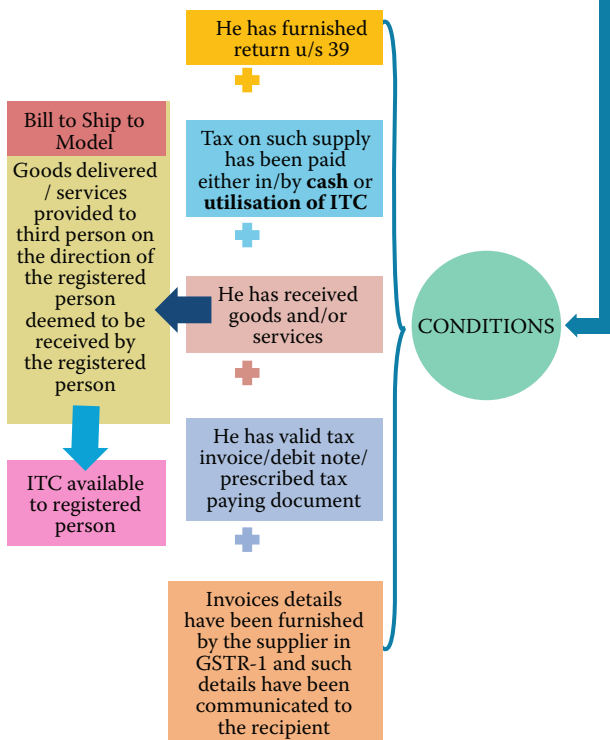
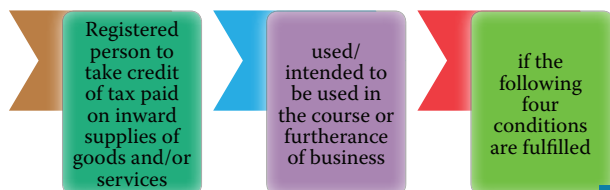
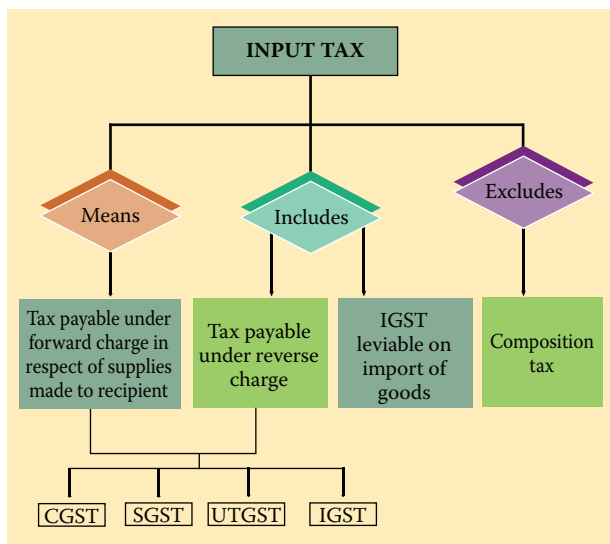
Post supply discount/ incentive, if known in advance & linked with invoices & proportionate input tax credit reversed by the recipient

## ALLOWABILITY OF DISCOUNT AS A DEDUCTION FROM THE VALUE

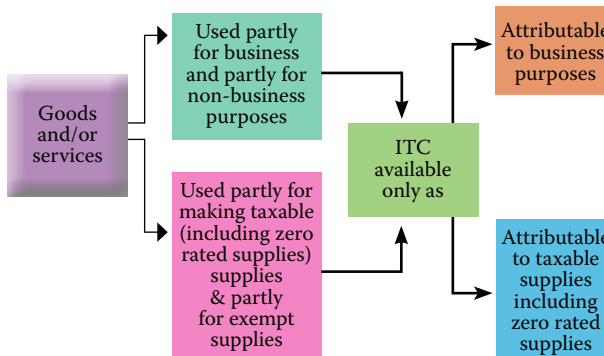


## CHAPTER 6 – INPUT TAX CREDIT

### ELIGIBILITY AND CONDITIONS FOR TAKING ITC



### APPORTIONMENT OF CREDIT



# BLOCKED CREDIT

## (i) Motor vehicles and other conveyances and related services (insurance, servicing and repair and maintenance)

S. No.	Goods and/or services on which credit is blocked	Exceptions to goods and/or services mentioned in column (2) on which credit is allowed	Remarks
(1)	(2)	(3)	(4)
(i)	Motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) – Referred to as ineligible motor vehicle in this table	Ineligible motor vehicles when used for any of the following eligible purposes - <ul style="list-style-type: none"> <li>&gt; making further taxable supply of such motor vehicles;</li> <li>&gt; making taxable supply of transportation of passengers;</li> <li>&gt; making taxable supply of imparting training on driving such motor vehicles.</li> </ul>	<ul style="list-style-type: none"> <li>❑ ITC on ineligible motor vehicles used for any purpose other than the eligible purposes is not allowed.</li> <li>❑ ITC on motor vehicles for transportation of persons with seating capacity &gt; 13 persons (including the driver) used for any purpose is allowed.</li> <li>❑ ITC on motor vehicles other than ineligible motor vehicles (e.g. motor vehicle used for transportation of goods, dumpers, tippers, etc.) used for any purpose is allowed.</li> </ul>
(ii)	Vessels and aircrafts	Vessels and aircraft when used for any of the following eligible purposes- <ul style="list-style-type: none"> <li>&gt; making further taxable supply of such vessels or aircraft;</li> <li>&gt; making taxable supply of transportation of passengers;</li> <li>&gt; making taxable supply of imparting training on navigating such vessels;</li> <li>&gt; making taxable supply of imparting training on flying such aircrafts;</li> <li>&gt; transportation of goods.</li> </ul>	ITC on vessels and aircrafts used for any purpose other than the eligible purposes

(iii)	General insurance, servicing, repair and maintenance relating to: <ul style="list-style-type: none"> <li>&gt; Ineligible motor vehicles</li> <li>&gt; Vessels</li> <li>&gt; Aircraft</li> </ul>	<ul style="list-style-type: none"> <li>❑ Such services relating to ineligible motor vehicles, vessels or aircraft when used for eligible purposes</li> <li>❑ Such services when received by- <ul style="list-style-type: none"> <li>• Manufacturer of ineligible motor vehicles, vessels or aircraft; or</li> <li>• Supplier of general insurance services in respect of ineligible motor vehicles, vessels or aircraft insured by him</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>❑ ITC is not allowed on services of general insurance, servicing, repair and maintenance relating to motor vehicles, vessels or aircraft, ITC on which is not allowed.</li> <li>❑ ITC is allowed on services of general insurance, servicing, repair and maintenance relating to motor vehicles, vessels or aircraft, ITC on which is allowed.</li> </ul>
(iv)	Leasing, renting or hiring of motor vehicles, vessels or aircraft on which ITC is not allowed	<ul style="list-style-type: none"> <li>❑ Such services when used for making an outward taxable supply of the same category of services or as an element of a taxable composite or mixed supply</li> <li>❑ Such services when provided by an employer to its employees under a statutory obligation</li> </ul>	<ul style="list-style-type: none"> <li>❑ ITC on leasing, renting or hiring of motor vehicles, vessels or aircraft on which ITC is allowed, is also allowed.</li> <li>❑ ITC on such services is allowed in the case of sub-contracting, i.e. when such services are used by the taxpayer who is in the same line of business.</li> </ul>

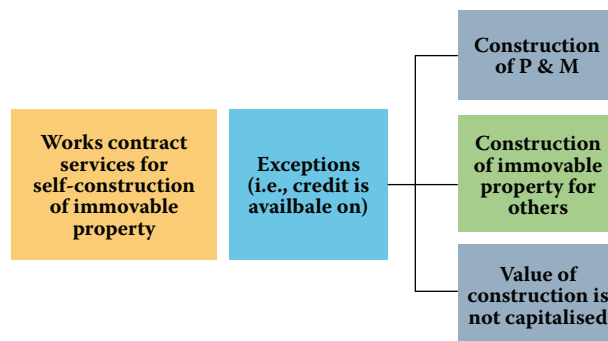
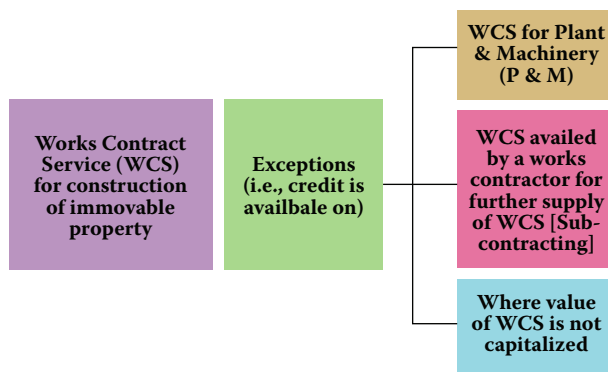
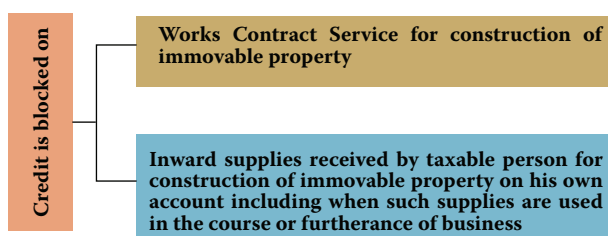
## (ii) Food & beverages, outdoor catering, health services and other services

S. No.	Goods and/or services on which credit is blocked	Exceptions to goods and/or services mentioned in column (2) on which credit is allowed	Remarks
(1)	(2)	(3)	(4)
(i)	<ul style="list-style-type: none"> <li>◆ Food and beverages</li> <li>◆ Outdoor catering</li> <li>◆ Beauty treatment</li> <li>◆ Health services</li> <li>◆ Cosmetic and plastic surgery</li> <li>◆ Life insurance and health insurance</li> </ul>	<ul style="list-style-type: none"> <li>◆ Such goods and/or services when used by a registered person for making an outward taxable supply of the same category of goods and/or services or as an element of a taxable composite or mixed supply</li> <li>◆ Such goods and/or services when provided by an employer to its employees under a statutory obligation</li> </ul>	<ul style="list-style-type: none"> <li>◆ ITC on such goods and/or services is allowed in the case of sub-contracting, i.e. when such goods and/or services are used by the taxpayer who is in the same line of business, e.g., outdoor catering service availed by another outdoor caterer.</li> </ul>

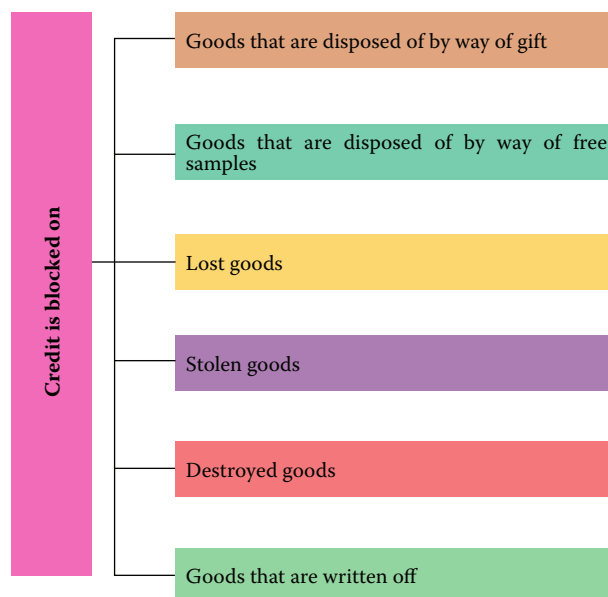
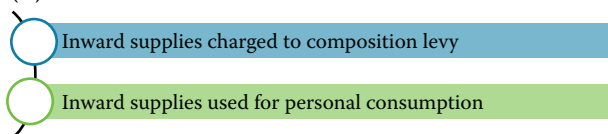
## INDIRECT TAXES

S. No.	Goods and/or services on which credit is blocked	Exceptions to goods and/or services mentioned in column (2) on which credit is allowed	Remarks
(i)			◆ When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.
(ii)	Membership of a club, health and fitness centre	Such services when provided by an employer to its employees under a statutory obligation	When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.
(iii)	Travel benefits extended to employees on vacation such as leave or home travel concession	Such services when provided by an employer to its employees under a statutory obligation	When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.

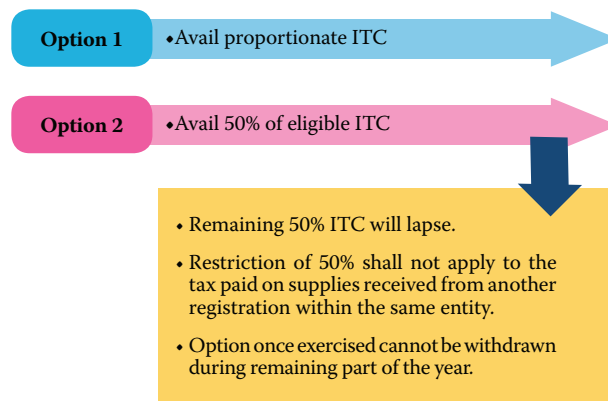
### (iii) Works contract services for construction of immovable property and self-construction of immovable property



### (iv) Other blocked credits



## SPECIAL PROVISIONS FOR BANKING COMPANIES AND NBFCs





## SPECIAL CIRCUMSTANCES ENABLING AVAILING OF CREDIT

S. No.	Persons eligible to take credit	Goods entitled to ITC		Restriction/conditions
		Inputs held in stock/capital goods	As on	
(1)	(2)	(3)	(4)	(5)
1	Person who has applied for registration within 30 days from the date on which he becomes liable to registration and has been granted such registration	Inputs held in stock and inputs contained in semi-finished or finished goods held in stock	The day immediately preceding the date from which he becomes liable to pay tax	> ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier.
2	Person who is not required to register, but obtains voluntary registration	Inputs held in stock and inputs contained in semi-finished or finished goods held in stock	The day immediately preceding the date of registration	
3	Registered person who ceases to pay composition tax and switches to regular scheme	Inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods	The day immediately preceding the date from which he becomes liable to pay tax under regular scheme	<ul style="list-style-type: none"> <li>&gt; ITC on capital goods will be reduced by 5% per quarter of a year or part of the year from the date of invoice.</li> <li>&gt; ITC claimed shall be verified with the corresponding details furnished by the corresponding supplier.</li> </ul>
4	Registered person whose exempt supplies become taxable supplies	Inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and capital goods exclusively used for such exempt supply	The day immediately preceding the date from which such supply becomes taxable	<ul style="list-style-type: none"> <li>&gt; ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier.</li> </ul>

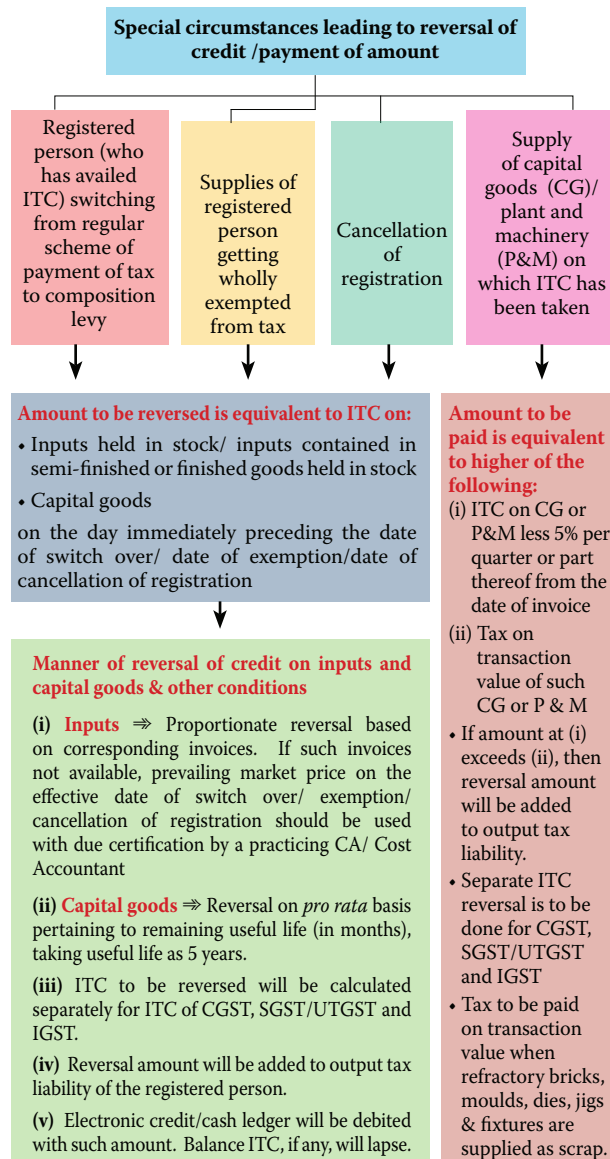
### Conditions for availing above credit

(i) Filing of electronic declaration giving details of inputs held in stock/contained in semi-finished goods and finished goods held in stock and capital goods on the days immediately preceding the day on which credit becomes eligible.

(ii) Declaration has to be filed within 30 days from becoming eligible to avail credit.

(iii) Details in (i) to be certified by a CA/ Cost Accountant if aggregate claim of CGST, SGST/IGST credit is more than ₹2,00,000.

## SPECIAL CIRCUMSTANCES LEADING TO REVERSAL OF CREDIT/PAYMENT OF AMOUNT



### Transfer of unutilised ITC on account of change in constitution of registered person

In case of sale, merger, amalgamation, lease or transfer of business, unutilised ITC can be transferred to the new entity if there is a specific provision for transfer of liabilities to the new entity. The inputs and capital goods so transferred should be duly accounted for by the transferee in his books of accounts.

In case of demerger, ITC is apportioned in the ratio of value of entire assets (including assets on which ITC has not been taken) of the new units as per the demerger scheme.

Details of change in constitution are to be furnished on common portal along with request to transfer unutilised ITC. CA/Cost Accountant certificate is to be submitted certifying that change in constitution has been done with specific provision for transfer of liabilities.

Upon acceptance of such details by the transferee on the common portal, the unutilised ITC is credited to his Electronic Credit Ledger.

# INDIRECT TAXES

## Transfer of unutilised ITC on obtaining separate registrations for multiple places of business within a State/UT

Registered person having separate registrations for multiple places of business can transfer the unutilised ITC to any or all of the newly registered place(s) of business in the ratio of the value of assets held by them at the time of registration.

Value of assets means the value of the entire assets of the business irrespective of whether ITC has been availed thereon or not.

The registered person should furnish the prescribed details on the common portal within a period of 30 days from obtaining such separate registrations.

Upon acceptance of such details by the newly registered person (transferee) on the common portal, the unutilised ITC is credited to his electronic credit ledger.

## PROVISIONS RELATING TO UTILIZATION OF ITC

A supplier making intra-State, inter-State and imported purchases (of goods) is eligible for ITC as under:

Intra-State purchases	Inter-State purchases	Import of goods
CGST SGST	IGST	BCD IGST
CGST SGST	IGST	IGST

## ORDER OF UTILIZATION OF ITC

ITC of	Output IGST liability	Output CGST liability	Output SGST/UTGST liability
IGST	(I)	(II) – In any order and in any proportion	
(III) ITC of IGST to be completely exhausted mandatorily			
CGST	(V)	(IV)	Not permitted
SGST/UTGST	(VII) Only after ITC of CGST has been utilized fully	Not permitted	(VI)
The numerals given above can be further explained in the following manner:			
(I)	IGST credit should first be utilized towards payment of IGST.		
(II)	Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion, i.e., remaining ITC of IGST can be utilized – <ul style="list-style-type: none"> <li>• first towards payment of CGST and then towards payment of SGST; or</li> <li>• first towards payment of SGST and then towards payment of CGST; or</li> <li>• towards payment of CGST and SGST simultaneously in any proportion, e.g., 50: 50, 30: 70, 40: 60 and so on.</li> </ul>		

(III)	Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
(IV) & (V)	ITC of CGST should be utilized for payment of CGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST/UTGST
(VI) & (VII)	ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully. ITC of SGST/UTGST cannot be utilized for payment of CGST.

- Cross-utilization of credit is available only between CGST - IGST and SGST/UTGST - IGST.
- CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.
- ITC of IGST need to be exhausted fully before proceeding to utilize the ITC of CGST and SGST in that order.

Order of utilization of ITC has been can alternatively be represented as follows:

