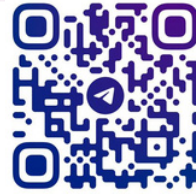


# CONNECT WITH CA VARDHAMAN SIR

01



**TELEGRAM**



02



**YOUTUBE**



03



**INSTAGRAM**



04



**LINKEDIN**



05



**WHATS APP GROUP**



**Contact for any enquiry -  
9039600091**

# INCOME TAX

COMPACT

CA/CMA - INTER

APPLICABLE FOR MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26

2	Residential status	1 - 4
3	Income from Salary	5 - 22
4	Income from house property	23 - 27
5	Profit and gains from business or profession	28 - 55
6	Capital gain	56 - 80
7	Income from other source	81- 95
8	Income of other person included in assessee total income	96 - 97
9	Aggregation of income and set off of loss	98- 99
10	Deduction under chapter VI-A	100 - 115
11	TDS, TCS & Advance tax	116 - 139
12	Provision for filing of return	140 - 156
13	Computation Of Total Income	157 - 161

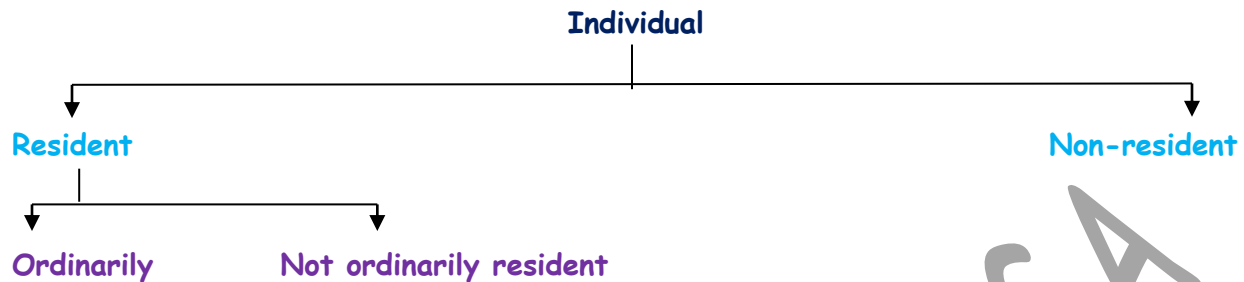
Red - heading, Green - amendment, Other colour - key words

# Income Tax – 50 Marks

## Section-wise weightage

Content	Section	Weightage
Basic concepts	I	10% – 20%
Residential status and scope of total income	II	25% – 30%
Heads of income	III	25% – 30%
Clubbing, Set-off, Deduction	IV	15% – 20%
Advance Tax, TDS & TCS, Provision for filing of return	V	15% – 20%
Computation of Total Income, AMT	VI	15% – 20%

## CHAPTER - 2: RESIDENTIAL STATUS



### Residential status of an individual [ Section 6(1)]

#### **BASIC CONDITION:**

1. In India for a period of 182 days or more during P.Y or,
2. In India for a period of 60 days or more during P.Y + 365 days or more during 4 year preceding the P.Y.

#### **✚ Exceptions:** As per explanation to Section 6(1),

(1) the period of 60 days [ given in (2) above ] is substituted by 182 days in case of an individual -

- (i) Indian citizen, leaves India for employment outside India;
- (ii) Indian citizen, leaves India as a member of the crew of an Indian ship;
- (iii) Indian citizen or person of Indian origin, who being outside India, comes to visit to India in the P.Y.

(2) the period of 60 days [ given in (2) above ] is substituted by 120 days in case of an individual being an Indian Citizen or a person of Indian origin, who being outside India, comes on a visit to India in the previous year, having total income, other than the income from foreign sources, exceeding Rs 15 Lakh during the previous year.

"Income from foreign sources" means income which accrues or arises outside India (except income derived from a business controlled in or profession set up in India) and which is not deemed to accrue or arise in India. [Amended by Finance Act, 2020]

**Period of stay in case Indian citizen being crew member of foreign bound ship** - jab se Indian port leave kiya tabse se vapis Indian port aane tak period exclude karenge for counting days in India.

While counting the number of days of stay in India, the day of arrival as well as departure are included for stay in India.

#### **✚ Deemed resident in India [Section 6(1A)]:** An individual shall be deemed to be resident in India if he fulfills the following conditions:

- (1) He must be citizen of India;

(2) His total income, other than the income from foreign sources, must exceed Rs 15 Lakh during the previous year; and

(3) He is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.

If these conditions are satisfied he is deemed to be Not Ordinarily resident in India as per section 6(1)(d).

**Non Applicability [Explanation]:** The above provisions shall not apply in case of an individual who is said to be resident in India in the previous year under Section 6(1).

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

**Meaning of "liable to tax" [section 2(29A)]:** Liable to tax, in relation to a person and with reference to a country, means that there is an income tax liability on such person under the law of that country for the time being in force. It also includes a person who has subsequently been exempted from such liability under the law of that country.

**✚ Not Ordinarily Resident....Additional conditions u/s 6(6):**

(a) Non-resident in India in any 9 years out of total 10 years preceding P.Y

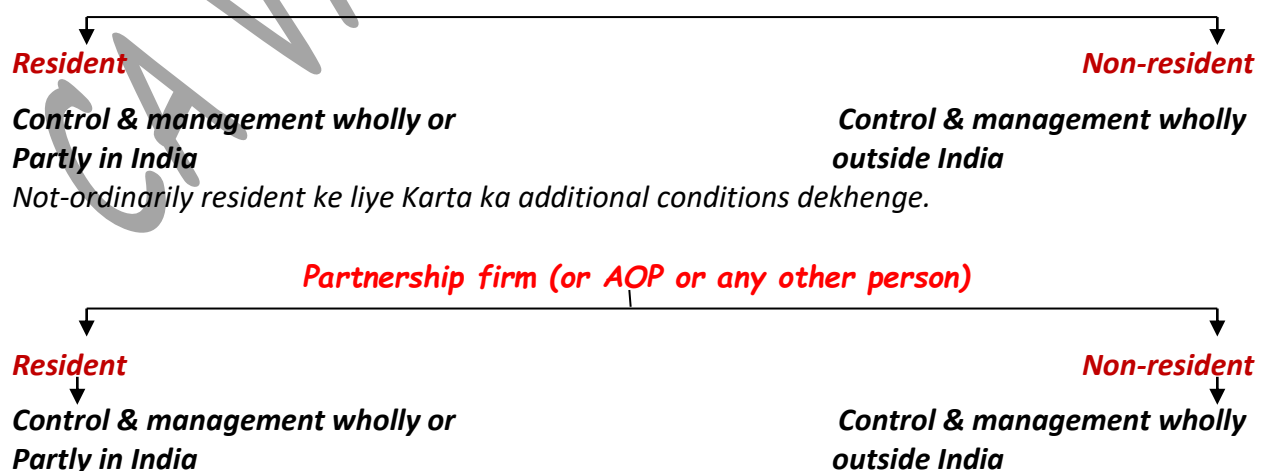
(b) In India for a period of 729 days or less during the 7 preceding the P.Y

(c) A citizen of India, or a person of Indian Origin, having total income, other than the income from foreign sources, exceeding Rs 15 Lakh during the previous year, and he comes to India for the purpose of visit to India during the relevant previous year and he has been in India for a periods amounting in all to 120 days or more but less than 182 days; or

(d) A citizen of India who is deemed to be resident in India under Section 6(1A).

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

**HUF**





**Company [Section 6 (3)]:** A company is said to be resident in India in any previous year, if -

- (a) It is an Indian company; or
- (b) Its place of effective management in that year is in India.

**Scope of total income [ section 5 ]**

	Particulars	OR	NOR	NR
i.	Income received or deemed to be received in India ( chahe kahi bhi earn karo)	Yes	Yes	Yes
ii.	Income which accrue or arises or is deemed to accrue or arise in India (chahe kahi bhi receive ho)	Yes	Yes	Yes
iii.	Income which accrue or arises outside India and received outside India from a business controlled from India ( India main sirf business control kar raha hai aur kuch nahi)	Yes	Yes	No
iv.	Income which accrue or arise outside India and received outside India in the P.Y from any other source ( business ke alawa koi aur source se income a rahi hai)	Yes	No	No
v.	Income accrue or arise outside India and received outside India & remitted to India	No	No	No

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

1) All income accruing or rising, whether directly or indirectly, through or from -

- ✚ Any **business connection** in India; or
- ✚ Any **property** in India; or
- ✚ Any **asset or source of income** in India; or
- ✚ Through the **transfer of capital asset** situated in India.

2) Incomes not deemed to accrue or arise in India -

- ♦ In case of a business, in respect of which all the operations are not carried out in India.
- ♦ Purchase of goods in India for export
- ♦ Collection of news and views in India for transmission out of India
- ♦ Shooting of cinematograph films in India
- ♦ Activities confined to display of rough diamonds in SNZs

**Business connections include**

- ♣ **Concluding agent** - an authority to **conclude contracts** on behalf of non-resident
- ♣ **Stocking agent** - he **maintains stock of goods** in India
- ♣ **Indenting agent** - he **secures orders** in India

**Significant economic presence means**

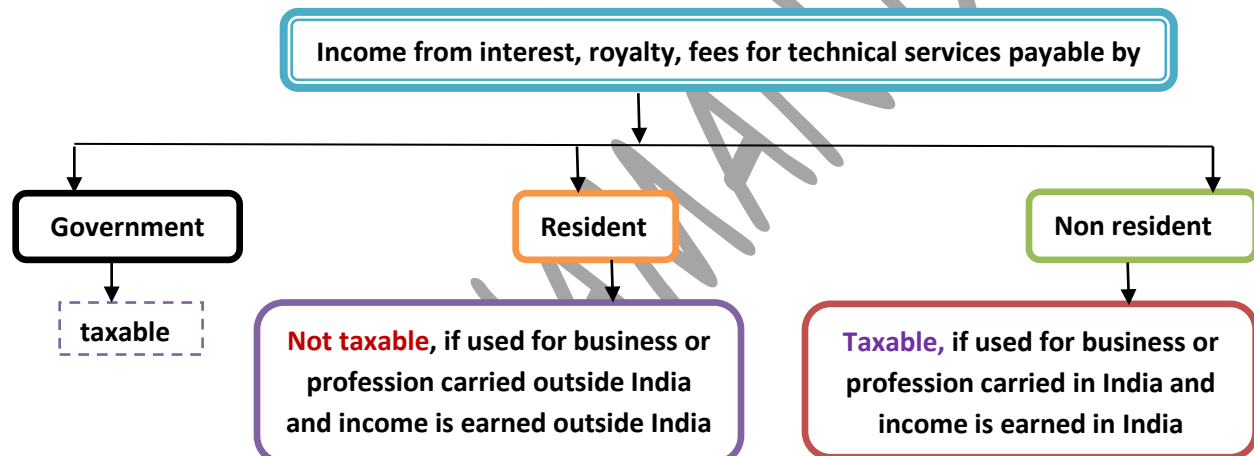
	Nature of transaction	Condition
(a)	In respect of any goods, services or property carried out by a non-resident with any person in India including provision of download of data or	Aggregate of payments arising from such transaction or transactions

	software in India	during the previous year should exceed ' 2 crores.
(b)	Systematic and continuous soliciting of business activities or engaging in interaction with users in India	The number of users should be atleast 3 lakhs

Further, the above transactions or activities shall constitute significant economic presence in India, whether or not -

- (i) The agreement for such transactions or activities is entered in India;
- (ii) The non-resident has a residence or place of business in India; or
- (iii) The non-resident renders services in India:

However, where a business connection is established by reason of significant economic presence in India, only so much of income as is attributable to the transaction or activities referred in (a) or (b) above shall be deemed to accrue or arise in India.



## CHAPTER - 3: INCOME FROM SALARY

- An income earned is chargeable to tax under the head "salaries" - if and only if there exists an employer and employee relationship between the payer and the payee. Principle - agent not, independent professional, paper setter/invigilator not covered.
- Salary received by MP's/MLA's not covered.
- Remuneration received by judges are taxable under head salary.
- Retainership fees received by advocate general is not taxable under head salary.
- Pay and allowance to chief minister is salary.

### SALARIES (SECTION 15)

- ✚ Salary taxable on due basis.
- ✚ Advance salary taxable on receipt basis.
- ✚ Arrears of salary taxable on receipt basis.
- ✚ Advance salary not to be taxed again on due basis.
- ✚ Salary received by partner of firm to be taxed under PGBP.

### SALARY {SECTION 17(1)} includes:-

- ♣ the contribution made by the Central Government in the previous year, to the Agniveer Corpus Fund account of an individual enrolled in the Agnipath Scheme referred to in section 80CCH.
- Fixed pay scale - fixed amount of salary
- Graded pay scale - annual increment in salary (eg: ₹ 20000-500-25000-1000-40000-1500-60000)
- Loan against salary - salary ke against loan and baad me salary se installment me deduct karwana. Yeh taxable nahi hota hai.
- Advance against salary - salary ke against advance and baad me adjust karwana but yeh taxable hai.
- Foregoing of salary - waive of salary after due or accures. It is taxable.
- Surrender of salary - surrender to the government and it is exempt.
- Annuity - means the yearly sums payable to a person.
  - ♦ Present employer - **taxable as salary.**
  - ♦ Past employer - **taxable as profit in lieu of salary.**
  - ♦ Other than employer - **taxable as income from other sources.**
- Salary received from UNO - Exempt.

### DEDUCTION FROM SALARIES (SECTION 16)

- ♥ Standard deduction - ₹ 50000 [₹ 75,000 in case where income tax is computed under default tax regime under section 115BAC(1A)(ii)] or the amount of salary, WEL.



- ♥ **Entertainment allowance** - only govt. employees. First included in salary then deduction is given. Least of following:
  - ✓ Actual amount received
  - ✓ ₹ 5000
  - ✓ 20% of basic salary.
- ♥ **Employment tax** - an assessee is allowed as deduction and cannot exceed ₹ 2500 p.a.

### **TAXABILITY OF ALLOWANCES**

#### **HOUSE RENT ALLOWANCE {SECTION 10(13A)}**

**Least** of the following shall be exempt-

S.No.	In other cities	In Mumbai, Delhi, Chennai and Kolkata
1.	Actual HRA received	Actual HRA received
2.	Rent paid - 10% of salary	Rent paid - 10% of salary
3.	40% of salary	50% of salary

**Salary** = Basic pay + Dearness Allowance (if it enters into retirement benefits) + percentage -wise fixed commission on turnover.

#### **Exemption not applicable:**

- ♣ The residential accommodation occupied by the assessee is owned by him or
- ♣ The assessee has not actually incurred expenditure on payment of rent in respect of the residential accommodation occupied by him.

#### **FULLY TAXABLE ALLOWANCES:**

Dearness allowance	Tiffin allowance	Interim allowance
Overtime allowance	Transport allowance to employee other than blind/deaf and dumb/ orthopedically handicapped employee	Any other cash allowance etc.
City compensatory allowance	Servant allowance	Non-practicing allowance
Warden allowance	Medical allowance	Project allowance
Family allowance		

#### **PARTLY TAXABLE ALLOWANCES:**

- (A) **Allowance exempt from tax** (exclusively for official purpose ke liye to the extent such expenses are actually incurred)

Travelling allowance	Conveyance allowance	Uniform allowance
Daily allowance	Research allowance	Helper allowance

- (B) **Allowance exempt from tax to the extent amount notified**

ALLOWANCES	AMOUNT EXEMPT
Special compensatory (hilly areas) allowance	₹ 800 or 7000 or 300 p.m

Border area allowance or remote locality allowance or difficult area allowance or distributed area allowance	₹ 1300 or 1100 or 1050 or 750 or 300 or 200
Transport allowance to employees of transport system	(a) 70% of such allowance (b) ₹ 10000 p.m WEL
Tribal area allowance	₹ 200 p.m
Transport allowance (residence to office)	Now fully taxable
Transport allowance (deaf and dumb or orthopaedically handicapped from residence to office)	₹ 3200 p.m
Underground allowance	₹ 800 p.m
Children education allowance	₹ 100 p.m per child for max 2 children
Hostel expenditure allowance	₹ 300 p.m per child for max 2 children
Compensatory field area allowance	₹ 2600p.m
Compensatory modified field area allowance	₹ 1000p.m

**(c) WHOLLY EXEMPT ALLOWANCE:**

- ❖ Allowance to Indian citizen who is a government employee and rendering services outside India.
- ❖ Allowance to high court judges.
- ❖ Sumptuary allowances to judges of high court and supreme court.
- ❖ Allowances to employees of UNO.

**PERQUISITES {SECTION 17(2)}**

- **Specified employees:** means-
  - ✚ An employee who is a director of the company or
  - ✚ An employee being a person who has a substantial interest in the company.
  - ✚ Any other employee whose income chargeable under the head "salaries" exclusive of all the value of all benefits or amenities not provided for by way of monetary payment, exceed ₹ 50000. ( ₹ 50000 main all non-monetary benefits, all monetary payments exempt under section 10, deduction under section 16 yeh sab ko exclude ya deduct karna hai)
- **Perquisites taxable in case of specified employees only:** car facility, provision for sweeper, domestic servant, facility for gas, electricity or water, education facility, and transport facility are taxable only in the case of specified employees.

**RENT FREE ACCOMMODATION (RFA) [Explanation to Section 17(2) read with Rule 3]**

S.NO	CIRCUMSTA	WHEN ACCOMMODATION IS	WHEN
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	NCES	UNFURNISHED	ACCOMMODATION IS FURNISHED
	Column (1)	Column (2)	Column (3)
1.	When accommodation is <b>provided by govt. to govt. employee</b>	License fees - rent paid by employee	Column (2) + 10% p.a. of the cost of furniture if owned by employer or hire charges payable - recovered by employee
2.	(a) <b>owned and provided by other employer</b>	<ul style="list-style-type: none"> <li>• <b>10%</b> of salary in cities having population &gt; 40 lakhs as per 2011 census;</li> <li>• <b>7.5%</b> of salary in cities having population &gt; 15 lakhs ≤ 40 lakhs as per 2011 census;</li> <li>• <b>5%</b> of salary in other areas, in respect of the period during which the said accommodation was occupied by the employee during the previous year <b>as reduced by</b> the rent, if any, actually paid by the employee.</li> </ul>	
	(b) <b>Taken on lease or rent by employer</b>	Lower of - I. Actual rent paid by the employer or II. <b>10% of salary;</b> WEL Less: recovered from employee	

**Taxability of accommodation for subsequent years:** Where the accommodation is owned or taken on lease or rent by the employer and the same accommodation is continued to be provided to the same employee for more than one previous year, the amount calculated in accordance with Sl. No. 2(a) or 2(b) shall not exceed the amount so calculated for the first previous year, as multiplied by the amount which is a ratio of the Cost Inflation Index for the previous year for which the amount is calculated and the Cost Inflation Index for the previous year in which the accommodation was initially provided to the employee.

(i) "Cost Inflation Index" means the index notified by the Central Government in Official Gazette Explanation to section 48;

(ii) "First previous year" means the previous year 2023-2024, or the previous year in which the accommodation was provided to the employee, whichever is later.

3.	In hotel	N.A	Lower of - i. The actual charges paid or ii. 24% of salary Less : recovered from employee
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**Salary** = Basic pay + D.A (if forming part of superannuation or retirement benefits) + Bonus + commission + Fees + All taxable allowances + All monetary payments chargeable to tax; from one or more employers,

**Salary shall not include** -

- D.A not forming part
- Employers contribution to provident fund
- Allowances which are exempt
- The value of perquisite specified in section 17(2) i.e HRA
- Any payment or expenditure specifically excluded under proviso to section 17(2)(iii) or proviso to sec 17(2) i.e jo upper table me excluded hai.
- Lump sum payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and similar payments.

**Exemptions:**

- a) Hotel accommodation not exceeding 15 days - value of perquisite is nil.
- b) Accommodation of temporary nature/ remote area : Accommodation provided to employee working at mining site or an onshore oil exploration site, or a project execution site or a dam site or a power generation site or an offshore site -
  - (i) which, being of a temporary nature and having plinth area not exceeding 1000 sq. feet, is located not less than 8 kms. away from the local limits of any municipality or a cantonment board; or
  - (ii) which is located in a remote area."Remote area", means any area other than an area which is located -
  - (a) within the local limits of; or

(b) within a distance, measured aurally, of 30 kilometers from the local limits of, any municipality or a cantonment board having a population of 1,00,000 or more based on the 2011 census.

**Double accommodation on account of transfer:**

**For first 90 days** - lower of the value of two accommodations

**After 90 days** - value of perquisite will be aggregate of both accommodations.

**Government employee sent on deputation** - value of perquisite of such an accommodation shall be calculated as if the accommodation is owned by the employer

**PERQUISITE TAXABLE IN THE HANDS OF SPECIFIED EMPLOYEE**

**MOTAR CAR OR OTHER CONVEYANCE FACILITY**

CIRCUMSTANCES	USED WHOLLY FOR PRIVATE PURPOSE	PARTLY FOR OFFICIAL AND PARTLY FOR PERSONAL PURPOSES	
(I)When motar car is owned or hired by the employer:-			
(a) Maintenance & running expenses met or reimbursed by employer	Amount incurred or reimbursed + chauffeur's salary + 10% of actual cost of car or hire charges Less: amount recovered	If CC < 1.6 litres: ₹ 1800 p.m + (900 p.m if chauffer provided)	If CC > 1.6 litres: ₹ 2400 p.m + (900 p.m if chauffer provided)
(b) Maintenance & running expenses met by employee {note 1}	10% of actual cost of car or hire charges	If CC < 1.6 litres: ₹ 600 p.m + (900 p.m if chauffer provided) {note 4)	If CC > 1.6 litres: ₹ 900 p.m + (900 p.m if chauffer provided) {note 4)
(II)When the motor car is owned by employee and maintenance and running expenses including remuneration of the chauffeur are met or reimbursed by employer	Actual expenditure incurred by employer Less: amount recovered	Actual expenses incurred by employer Less : If CC < 1.6 litres: ₹ 1800 p.m + (900 p.m if chauffer provided) {note 3)	Actual expenses incurred by employer Less : If CC > 1.6 litres: ₹ 2400 p.m + (900 p.m if chauffer provided) {note 3)

(III) Conveyance other than motor car (scooter, motorcycle etc.,) is owned by the employee and the employer meet its running expenses	Actual expenditure incurred by employer for maintenance and running Less: amount recovered	Actual expenditure incurred by employer Less : ₹ 900 p.m {note 3}
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**Notes:**

1. Wholly and exclusively for business purpose - **fully exempt**.
2. If two car provided - one car for private purpose and another for partly official and partly personal purpose.
3. Where the assessee claims that wholly and exclusively for official purpose and expenses incurred is higher than the amount deducted - then he need to provide proof.
4. No deduction shall be allowed for the amount recovered.
5. Perquisite is calculated for calendar month.
6. If car used from office to residence the considered for official use.

**SWEeper, GARDENER, WATCHMEN OR PERSONAL ATTENDANT:**

Salary paid - amount recovered

**GAS ELECTRICITY OR WATER FACILITY:**

- Employer own source: manufacturing cost p.u \* no. of unit consumed
  - From outside agencies: hire charges paid
- Less : Amount recovered

**FEES OR CONCESSIONAL EDUCATIONAL FACILITY:**

CIRCUMSTANCES	VALUE OF PERQUISITE
(I) Employer incurs cost of education	Actual expenditure incurred by the employer
(II) Educational institution is owned and maintained by the employer or Free educational facility is provided in any other institution by reason of his employment with that employer.	Cost of such education in a similar institution in or near the locality. {The perquisite is exempt if - (a) Free education facility is provided to children of the employee and (b) Cost of education is upto RS 1000 p.m per child, Otherwise it is fully taxable}
Less: Amount recovered	

**TRANSPORT FACILITY TO THE EMPLOYEES OF TRANSPORT UNDERTAKING**

Amount charged from general public - amount recovered  
(does not apply to airline or railways)



**EMPLOYEE STOP OPTION PLAN / SCHEME (ESOP)**

FMV on the date of exercising of option by employee	-
Less: amount recovered	-
Value of sweat equity shares	-

**Deferment of taxability in case of ESOP allotted to employee of eligible start-up.**  
Where the income of the assessee of any assessment year, beginning on or after 01-04-2021, includes perquisite income of specified securities or sweat equity shares and such specified security or sweat equity shares are directly allotted or transferred directly or indirectly by the current employer, being an eligible start-up referred to in Section 80-IAC, the tax or interest on such income included in the notice of demand u/s 156(1) shall be payable by the assessee within 14 days -

- ✚ After the expiry of 48 months from the end of the relevant assessment year; or
- ✚ From the date of sale of such specified security or sweat equity share by the assessee; or
- ✚ From the date of the assessee ceasing to be the employee of the employer who allotted or transferred him such specified security or sweat equity share, Whichever is the earliest.

**Thus, the tax burden on such employee getting ESOP has been reduced by deferring the payment of tax by 5 years or till they leave the company or when they sell shares, whichever is earliest**

**FMV in the following cases: (on the date of exercising option)**

<b>CASE</b>	<b>FMV shall be</b>
<b>Listed equity shares:</b>	
(a) Only one RSE	Opening + closing price/2
(b) Only one RSE but not traded on that day	Closing price of previous day
(c) More than one RSE	Opening + closing price/2 ( highest volume wala RSE)
(d) More than one RSE but not traded on that day	Closing price of previous day ( highest volume wala RSE)
<b>Unlisted equity shares</b>	Value by merchant banker
<b>Specified securities not being an equity share</b>	Value by merchant banker

**MEDICAL FACILITY [ Proviso to Section 17(2)]**

<b>SITUATION</b>	<b>RESULT</b>
Treatment in hospital maintained by employer (employee or his family member)	<b>Exempt</b>
Treatment in govt. hospital (employee or his family member)	<b>Exempt</b>

Treatment of prescribed disease in a hospital approved by the principal chief commissioner or chief commissioner (employee or his family member)	<b>Exempt</b>
<b>COVID medical treatment expenditure by the employer:</b> Any sum paid by an employer in respect of expenditure incurred on medical treatment of employee or any of his family member in respect of any illness relating to COVID-19 subject to such conditions as the notified by the Central Government.	<b>Exempt</b>
Health insurance premium paid by the employer	<b>Exempt</b>
Health insurance premium reimbursed by the employer	<b>Exempt</b>
<b>Medical treatment abroad:</b> expenditure incurred or reimbursed by the employer (a) medical treatment of employee or his family + stay + (one attendant ) (b) cost of travel of employee or his family + attendant if <b>Gross total income does not exceed ₹ 2 lacs</b> (family means spouse, children, (brother, sister, parents - wholly or mainly dependent upon individual))	<b>Exempt</b>  <b>exempt</b>

#### **FRINGE BENEFITS**

#### **INTEREST FREE OR CONCESSIONAL LOANS**

Max. monthly outstanding balance \* rate charged p.a by SBI for similar purpose -  
(saal ke start me i.e 1/4/2020)

Less: amount recovered -

(monthly outstanding balance means the aggregate outstanding balance for each loan as on the last day of each month)

#### **TRAVELLING, TOURING, ACCOMMODATION AND ANY OTHER EXPENSES PAID FOR OR BORNE OR REIMBURSED BY THE EMPLOYER FOR ANY HOLIDAY, OTHER THAN LEAVE TRAVEL CONCESSION/ ASSISTANCE, AVAILED OF BY AN EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD**

Value shall be the amount of the expenditure incurred by the employer

Facility is maintained by employer and not available to all employee	Value of such facility offered by other agencies to public
Employee on official tour + expenses for household	Amount of expenditure incurred
Official tour extended to vacation	Expenses incurred for extended vacations

#### **FREE FOOD & NON-ALCHOLIC BEVERAGES PROVIDED BY EMPLOYER**

Amount incurred by employer - amount recovered

✱ during working hours upto ₹ 50 per meal exempt above taxable

♣ tea and snacks during working not taxable

♣ free food & non alcoholic beverages in remote area not taxable

**GIFTS INCLUDING GIFT VOUCHERS AND TOKENS RECEIVED BY THE EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD ON CEREMONIAL OCCASIONS OR OTHERWISE**

Sum equal to amount to such gift (Rs 5000 aggregate value exempt)

**CREDIT CARD OR ADD ON CARD PROVIDED TO EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD**

Amount of expenses reimbursed by employer - amount recovered  
(if for official purpose not taxable)

**CLUB FACILITY PROVIDED TO EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD**

Amount of expenses paid or reimbursed by employer - amount recovered

Corporate membership exempt

Wholly and exclusively for business purpose exempt

Facilities provided to all employees exempt

**USE, BY THE EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD, OF MOVABLE ASSETS (OTHER THAN ASSETS ELSEWHERE SPECIFIED IN RULE 3) BELONGING TO THE EMPLOYER OR HIRED BY HIM**

Value of perquisite = 10% of the actual cost of asset or amt of rent or hire charges paid by employer - amount recovered  
(use of laptop and computers is exempt)

**TRANSFER OF ANY MOVABLE ASSET WHICH ARE BELONGING TO THE EMPLOYER, DIRECTLY OR INDIRECTLY TO EMPLOYEE OR ANY MEMBER OF HIS HOUSEHOLD**

COMPUTERS & ELECTRONIC GADGETS	MOTOR CARS	OTHERS
Actual cost Less: dep 50% (WDV) Less: amount recovered	Actual cost Less: dep 20% (WDV) Less: amount recovered	Actual cost Less: dep 10% (SLM) Less: amount recovered

**Note:**

- (1) Depreciation is allowed for each completed year of put to use.
- (2) Electronic gadgets means data storage and handling devices like computer, digital diaries and printers. They do not include household appliances like washing machines, microwaves ovens, mixers, hot plates, ovens etc.
- (3) Member of household shall include - (i) spouse; (ii) children and their spouses; (iii) Parents; and (iv) servants and dependants

**ANY OTHER AMENITY OR BENEFITS**

Cost of same to the employer - amount recovered  
(telephone/mobile charges paid by employer is exempt)

**PERQUISITE WHICH ARE EXEMPT**

Perquisite allowed outside India by the provided	Employer's contribution to staff group insurance scheme	Annual premium by employer on personal accident policy
Refreshment	Telephone	Subsidized lunch
Recreational facilities	Transport facility	Amount spent on training of employees
Sum payable by employer to a RPF	Privilege passes and privilege ticket	Leave travel concession
Medical facility	Rent free official residence	Rent free furnished residence
Conveyance facility		

**PROFIT IN LIEU OF SALARY {SECTION 17(3)}**

Profit in lieu of salary includes:

- ♦ Compensation received or due from employer or former employer in connection with termination or modification of employment.
- ♦ Provident fund or other fund se paise milna jo ki assessee contribute nahi kiya hai.
- ♦ Sum received under keyman insurance policy
- ♦ Any amount received before joining and after cessation of employment.

**GRATUITY {SECTION 10(10)}**

- 1) Govt. employee - exempt
- 2) Other employees (covered under gratuity act, 1972):

**Least** of following:

✚ ₹ 20 lacs or

✚ Actual gratuity received

✚  $15/26 \times \text{salary last drawn} \times \text{no. of completed years of service or part thereof in excess of 6 months.}$

(Salary = basic pay + D.A always included)

Seasonal establishment me 15 ke badale 7 days lena hai.

6m se upper hua toh full year lena hai.

- 3) Other employees ( not covered under gratuity act, 1972):

**Least** of the following:

✚ ₹ 20 lacs

✚ Actual gratuity received

✚  $\frac{1}{2} \times \text{average salary} \times \text{completed year of service (fraction of a year not to be considered)}$

(average salary = average of salary in last 10 months preceding the month of retirement)

Salary = Basic pay + D.A ( forming part of retiring benefit) + % waise fixed commission on turnover.

**Note:**

- ✦ Gratuity received during employment is **fully taxable**.
- ✦ If received from more than one employer the aggregate of both employer to be taken for limit.
- ✦ If already claim exemption then reduce then amount claim exemption for next time.
- ✦ Old employer period to be included while computing period for new employer if gratuity is not received from old employee.

**EARNED LEAVE SALARY {SECTION 10(10AA)}:**

a) Govt. employee - exempt

b) Other employee:

**Least** of following:

- Actual amount received
  - ₹ 250000
  - 10<sup>th</sup> months average salary
  - Average salary \* leaves at the credit of an employee taking 30 days in a year for completed years of service. (fraction to be ignored)
- Salary** = basic pay + D.A (forming part) + percentage-wise fixed commission on turnover.

**Average salary** = average of salary drawn in the last 10 months immediately preceding the date of retirement.

Leave standing at the credit of employee = annual leave entitlement (taking 30 days in a year \* completed year of service rendered) - leaves actually availed in service.

**Note:**

- ✓ Exemption is also available in case of resignation.
- ✓ No exemption during employment.
- ✓ Received from more than one employer the aggregate.
- ✓ If already claim exemption then can claim balance from next employer.
- ✓ Leave salary to widow/legal heirs/family member of the assessee during employment not taxable.

**COMMUTED PENSION {SECTION 10 (10A)}**

❖ Govt. employee - exempt

❖ Other employee:

- a) In receipt of gratuity - **exemption 1/3<sup>rd</sup> of commuted value of pension**

- b) Not In receipt of gratuity - exemption 1/2<sup>rd</sup> of commuted value of pension

**Note:**

- Commuted value of pension = pension received / % of pension commuted.
- Uncommuted pension taxable in case of alle employees even govt. employee.
- Pension received from UNO is exempt.
- Commuted pension from LIC or any other approved insurer is exempt.
- Family pension received by legal heirs is taxable as income from other source.

**LEAVE TRAVEL CONCESSION {SECTION 10(5)}**

Received to him or his family {spouse, children, brother and sister, parents (dependent upon him). In case of children born after 1/10/1998 the exemption is available for only two surviving children and in case of birth of multiple children born after on child, the multiple children shall be regarded as one child} during employment or after retirement/termination from former or current employer to any place in India is exempt.

Amount of exemption:

Situations	Exemption upto the amount not exceeding -
Journey by air	Economy fare of national carrier by shortest route
In case places are connected by rail and journey is performed other than air	1 <sup>st</sup> class AC rail fare by the shortest route
If the places are not connected by rail and - <ul style="list-style-type: none"><li>✚ Recognised means of transport exists</li><li>✚ No recognised means of transport exists</li></ul>	1 <sup>st</sup> deluxe class fare on such transport by shortest route 1 <sup>st</sup> class AC rail fare by the shortest route
The amount of exemption shall not exceed the amount actually incurred	

**Claim of exemption:**

- The assessee can claim exemption for any two journeys in a block of 4 calendar years.
- In case no concession or only one concession is availed in the previous block, then the assessee can claim one additional exemption in the first year of next block.

**RETRENCHMENT COMPENSATION {SECTION 10(10B)}**

Least of the following is exempt:

- a) Actual amount received
- b) ₹ 500000



- c)  $15/26 \times \text{avg salary of last 3 months} \times \text{completed year of service and part thereof in excess of 6 months}$ .

**VOLUNTARY RETIREMENT/SEPERATION {SECTION 10(10C)}**

Eligible assessee main sab a jaate hai.

Limit:

**Least** of the following:

- ♦ Actual amount received
- ♦ ₹ 500000

**Amount of compensation does not exceed:**

- 3 months \* salary last drawn \* completed year of service or
  - Salary last drawn \* balance of month left before retirement or superannuation
- Salary = basic pay + D.A (forming part) + % wise fixed commission on turnover
- (agar amount received amount of compensation se jayada hua toh toh entire amount taxable)

**Guidelines for claiming exemption:**

- a) The scheme applies to an employee who has completed 10 years of service or completed 40 years of age except in case of public sector company.
- b) It applies to all employees including workers and executive except directors of a company or co-operative society.
- c) The vacancy caused should not be filled up.
- d) Retiring employee is not employed in another company / concerns belonging to same management.
- e) Exemption is allowed only once.
- f) No exemption if relief claimed u/s 89.

**EXEMPTION IN RESPECT OF TAX ON NON-MONETARY PERQUISITE BORNE BY THE EMPLOYER ON BEHALF OF EMPLOYEE {SECTION 10 (10CC)}**

**PROVIDENT FUND AND TAX RELIEF**

Tax treatment of various provident fund

Tax incidence of	SPF	RPF	URPF
1) Employers contribution	Exempt	Exempt upto 12% of salary (note 1)	Not taxable when contribution is made
2) Employees contribution	Taxable	Taxable	Taxable
3) Deduction u/s 80C on employees contribution	Available	Available	Not Available

<b>4) Interest credited to PF</b>	<b>Exempt (note 6)</b>	<b>Exempt upto interest calculated 9.5% p.a (note 2 &amp; 6)</b>	<b>Not taxable when interest is credited</b>
<b>5) Lump sum payment at the time of retirement or termination of service</b>	<b>Exempt u/s 10(11)</b>	<b>Exempt from tax in some cases. When not exempt provident fund will be treated as unrecognised fund from the beginning. (note 3 &amp; 4)</b>	<ul style="list-style-type: none"> <li>➤ <b>Employers contribution &amp; interest</b> : taxable as salary.</li> <li>➤ <b>Employees own contribution</b>: exempt as taxed earlier.</li> <li>➤ <b>Interest on employees contribution</b>: taxable as income from other source</li> </ul>

**It includes:**

<b>Contribution to RPF/NPS/Approved superannuation fund</b>	<p>The amount or the aggregate of amounts of any contribution made to the account of the assessee by the employer -</p> <ul style="list-style-type: none"> <li>a) In a recognised provident fund;</li> <li>b) In the scheme referred to in section 80CCD(1); and</li> <li>c) In an approved superannuation fund,</li> </ul> <p>To the extent it exceed ₹ 7,50,000 in a previous year.</p>
<b>Interest/Dividend etc. on taxable contributions under RPF/NPS/Approved superannuation Fund</b>	<p>The annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme referred above to the extent it relates to the contribution which is included in total income in any previous year computed in such manner as may be prescribed.</p>

**Note:**

1. Salary = basic + D.A (forming part) + percentage wise fixed commission on turnover.
2. The annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme referred above to the extent it relates to the contribution which is included in total income in any previous year computed in such manner as may be prescribed.

The CBDT has, vide Rule 3B, notified the following manner to compute the annual accretion by way of interest, dividend or any other amount of similar nature during the previous year

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

<b>TP</b>	<b>Taxable perquisite under section 17(2)(via)for the current previous year</b>
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<b>PC</b>	Amount or aggregate of amounts of employer's contribution in excess of ₹ 7.5 lakh to recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund during the previous year
<b>PC1</b>	Amount or aggregate of amounts of employer's contribution in excess of ₹ 7.5 lakh to recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund for the previous year or years commencing on or after 1 April, 2020 other than the current previous year
<b>TPI</b>	Aggregate of taxable perquisite under section 17(2)(vii) for the previous year or years commencing on or after 1" April, 2020 other than the current previous year
<b>R</b>	1/ Favg
<b>I</b>	Amount or aggregate of amounts of income accrued during the current previous year in recognized provident fund, national pension scheme u/s 80CCD and approved superannuation
<b>Favg</b>	(Amount or aggregate of amounts balance to the credit of recognized provident fund, national fund pension scheme u/s 80CCD and approved superannuation fund on 1st April, 2021 + Amount or aggregate of amounts of balance to the credit of recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund on 31st March, 2022)/2

Where the amount or aggregate of amounts of TPI and PCI exceeds the amount or aggregate of amounts of balance to the credit of the specified fund or scheme on 1" April, 2021, then, the amount in excess of the amount or aggregate of amounts of the said balance shall be ignored for the purpose of computing the amount or aggregate of amounts of TP1 and PC1.

3. Lump sum payment at the time of retirement or termination of service is exempt from tax is:
  - a) Employee continuous service for 5 years or more.
  - b) Service is terminated due to ill health of employee or discontinuance of employers business or any other reason beyond his control.
  - c) On cessation of employment, RPF account is transfer from one employer to another.
  - d) The entire balance outstanding is credited under pension scheme under section 80CCD and notified by the CG.
4. Previous employer period will also be counted for 5 years counting.
5. In case, if UPRF is converted into RPF, then the amount to be taxed shall be the amount which is arrived by treating the fund as RPF from its inception i.e from the year of creation of fund.
6. **Taxability of accrued interest from SPF/RPF:** Exemption u/s 10(11)/10(12) shall not apply to the income by way of interest accrued during the previous year in the account of a person to the extent it relates to the amount or aggregate of amounts of contribution made by that person exceeding ₹

2,50,000 (₹ 5,00,000 if no contribution by the employer of such person ) in any previous year in that fund, on or after 1/4/2021 and computed in such manner as may be prescribed

It may be noted that interest accrued on contribution to such funds upto 31/3/2021 would be exempt without any limit, even if the accrual of income is after that date.

**APPROVED SUPERANNUATION FUND {SECTION 10(13)}**

- ✚ **Employers contribution** - exempt upto ₹ 150000.
- ✚ **Employee contribution** - deduction under section 80C
- ✚ **Interest** - Exempt. However **The annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme referred above to the extent it relates to the contribution which is included in total income in any previous year computed in such manner as may be prescribed.**
- ✚ **Exemption of payment from the fund:** if the payment are made to :-
  - To legal heirs on the death of the beneficiary or
  - To an employee in substitution of or in commutation of an annuity on his retirement at or after a specified age or if he becomes incapable prior to his retirement.
  - In form of refund of contribution on death of beneficiary. (point 1)
  - In the form of refund of contribution to an employee leaving the service in circumstances other than those mentioned in point 1 above, to the extent the payment does not exceed contribution made prior to commencement of this act and interest thereon.
  - By way of transfer to the account of the employee under a pension scheme referred to in section 80CCD and notified by the CG.

**SECTION 89: RELIEF WHEN SALARY IS PAID IN ARREARS OR IN ADVANCE**

- (A) **Relief when available:** Section 89 read with Rule 21A grants relief to the assessee who receives -
- (a) salary, being paid in arrears or in advance; or
  - (b) salary for more than 12 months in any one financial year; or
  - (c) profits in lieu of salary under section 17(3); or
  - (d) family pension as referred to in Section 57(iia) being paid in arrears, due to which his total income is assessed at a rate higher than that at which it should have been assessed.
- (B) **Calculation of relief:** The admissible relief will be calculated as per the following steps-
- (1) Calculate the tax payable on the total income, including the additional salary, of the previous year in which the same is received.

- (2) Calculate the tax payable on the total income, excluding the additional salary of the previous year in which the same is received.
- (3) Find out the difference between the tax at (1) and (2).
- (4) Compute tax on total income after including the additional salary in the previous year to which such salary relates.
- (5) Compute tax on total income after excluding the additional salary in the previous year to which such salary relates.
- (6) Find out the difference between tax at (4) and (5).
- (7) Relief under section 89 = Tax computed at (3) - Tax computed at (6).
- (C) **No relief, if exemption claimed u/s 10(10C) in respect of VRS compensation:**  
No relief shall be granted under this section in respect of any amount received or receivable by an assessee on his voluntary retirement or termination of his service under Voluntary Retirement or Separation Scheme if an exemption u/s 10(10C) has been claimed in respect of such or any other assessment year.

**Effect: The cumulative effect of sections 10(10C) and 89 is**

- (a) The assessee cannot avail of exemption u/s 10(10C) and simultaneously claim relief u/s 89 in respect of the un-exempt portion in the same assessment year,
- (b) Once exemption is claimed u/s 10(10C), no exemption u/s 10(10C) and no relief u/s 89 can be claimed for any other assessment year in respect of VRS compensation;
- (c) Once relief is claimed u/s 89 in respect of VRS compensation received, no exemption u/s 10(10C) can be claimed for any other assessment year. However, if any VRS compensation is received subsequently from any other employer, relief u/s 89 can be claimed. Therefore, relief u/s 89 can be claimed more than once.

## CHAPTER - 4: INCOME FROM HOUSE PROPERTY

Conditions to be fulfilled for the purpose of charging any income under this head (SECTION 22):

- Property must consists of any **building or land appurtenant thereto** -
  - a) Building include building constructed on leasehold/rented land
  - b) Rent of vacant land - taxable under IOS.
- Assessee must be the **owner** of such property -
  - a) Free hold and leasehold rights and deemed owner also covered.
  - b) Ownership must exist in P.Y.
- The property can be used for any purpose **except for the purpose of business or profession of the assessee** -
  - a) If business of letting then taxable as business income.
  - b) If used for own business then not taxable under IHP or business income.
- Property held as stock in trade etc - **Annual value** in case of IHP. Builders ke pass **2 years** ka time hai tab tak vo **annual value NIL** claim kar sakte hai from the end of the financial year in which certificate of completion of construction was obtained.

Exemptions:

- ♣ **Sublet receipt** - taxable under IOS.
- ♣ **Principal of mutuality** - agar assessee ke upper apply hota hai toh IHP pe bhi applicable hoga.
- ♣ **Letting is incidental to main business** - taxable under PGBP
- ♣ **Assessee's property used for his partnership firm** - not taxable under this head. But if property is owned by HUF is given on rent to firm in which members of HUF are partners in their personal capacity, the taxable under IHP in the hands of HUF.
- ♣ **Rental income of residential house property** - not to be taxed under PGBP: **Any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head "PGBP" and shall be chargeable under the head "IHP"**

**DISPUTED PROPERTY:** person who receives income or enjoys the possession of property are assessable to tax under IHP.

**COMPOSITE RENT:**

Tax treatment:

- 1) **Composite rent including rent for letting out of property as well as rendering of services** -



- ♣ **Two different line of activities** - apportioned as IHP and business income.
- 2) **Two activities they form single activity** -
  - ♦ **main intention letting** - IHP
  - ♦ **main intention to exploit the immovable property by way of commercial complex** - PGBP
- 3) **Composite rent including rent for letting out of building as well as other assets like P&M, furniture:**
  - ✚ **If letting of property is inseparable:** entire income as PGBP or IOS
  - ✚ **If letting of property is separable:** rent under IHP & rent from other property under PGBP or IOS.

**COMPUTATION OF ANNUAL VALUE (SECTION 23)**

Particulars	Amount (Rs)
Fair rent (a)	-
Municipal Rent (b)	-
<b>Whichever is higher (a or b) (c)</b>	-
Standard Rent (d)	-
<b>Expected Rent /Whichever is lower (c or d) (e)</b>	-
Actual rent received/receivable (ARR) (f)	-
<b>(GAV) Gross annual value/whichever is higher (e or f )</b>	-
Less : Municipal Taxes	-
<b>Net annual value (NAV)</b>	-
Less: Deduction u/s 24:	
Standard Deduction (30% of NAV)	-
Interest on loan	-
<b>Income from House Property</b>	-

**Notes:**

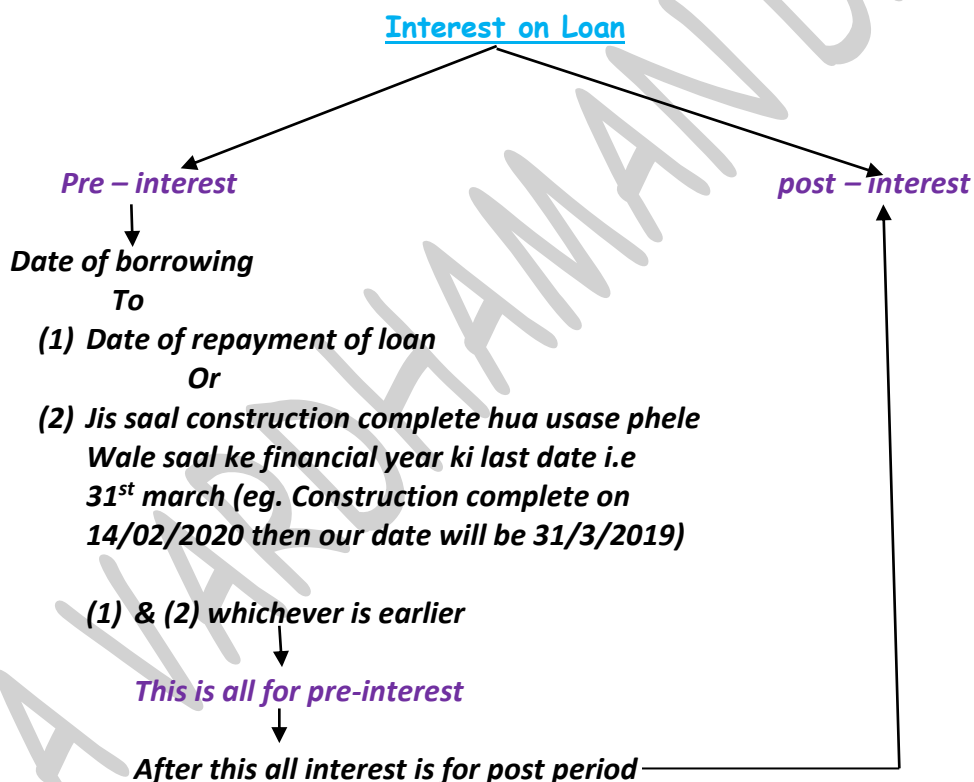
- Agar ARR, ER se cum hai due to vacancy (matlab khali rehene ke karan) toh **GAV = ARR**.
- Municipal taxes sirf jo owner pay karta hai vahi minus hota hai chahe jitney saal ka bhi pay kare (advance not allowed)
- **Unrealised rent(UR)** (jo dub gaya hai) shall be **deducted from ARR**. UR ki **4 conditions fulfill** honi chahiye tabhi deduct hoga.
- **ARR exceed PER** (proportionate expected rent) se due to vacancy toh **GAV = ARR**, PER ka matlab utne mahine ka proportionate expected rent jitney mahine property rent pe hi.
- **ARR less than PER** ( vacancy ke alawa koi kaaran se eg: self occupied raha) then **GAV = ER for 12 months**.

- If property vacant for whole year then annual value shall be NIL.
- Section 23(2) ke hesab se **two ghar ka selfoccupied ya unoccupied house property ki annual value nil lenge. (individual, HUF)**
- Agar house property kuch samay let out and kuch samay self occupied toh annual value NIL nahi lenge. (eg: 4 months raha 8 months let out toh pura 12months let out mana jayega) and actual rent ko excepted rent of 12months se compare karke GAV nikalenge.
- Half portion let out/half portion self occupied the dono ko alag alag maan ke tax lagayenge.

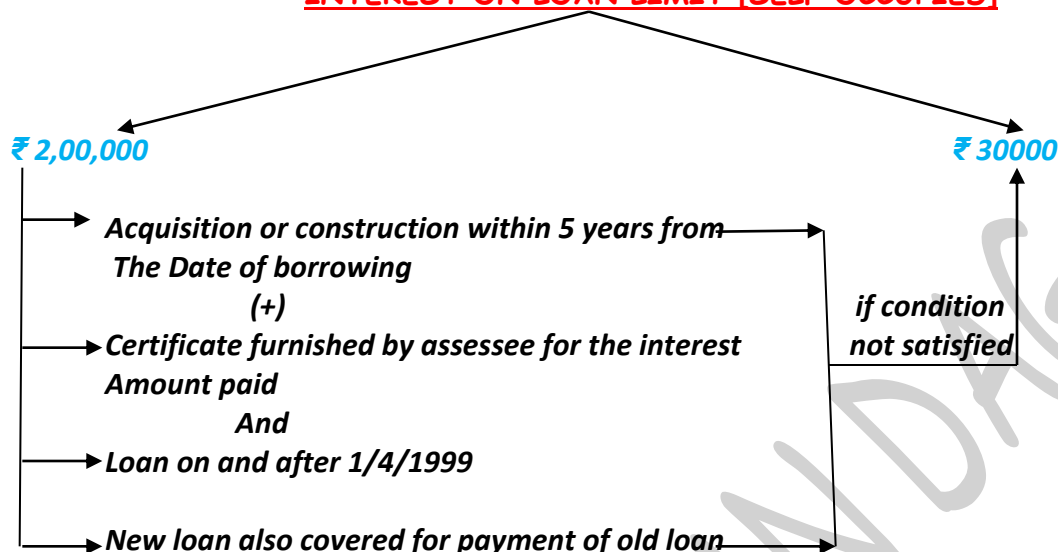
### DEDUCTION FROM ANNUAL VALUE(SECTION 24)

(I) Standard deduction - 30% of NAV

(II)



### INTEREST ON LOAN LIMIT [SELF OCCUPIED]



- ✚ Repair, renewal or reconstruction main Rs 30000 milega.
- ✚ Interest include service fees or other charges in respect of money borrowed.
- ✚ Interest on unpaid interest is not deductible.
- ✚ Pre - interest 5 installements main milta hai from the date of completion.
- ✚ Friends se bhi liye loan pe interest mil jaata hai

### AMOUNT NOT DEDUCTIBLE (SECTION 25):

Any interest payable (shall not be allowed)

- ♣ Which is payable outside India,
- ♣ On which tax has not been deducted or paid
- ♣ Jo non resident ka agent nahi hai

### PROVISION FOR ARREARS OF RENT AND UNREALISED RENT RECEIVED SUBSEQUENTLY (SECTION 25A)

Amount received as Arrears of rent and unrealised rent	-
Less: standard deduction 30% of such amount	-
Income from house property	-

Jis financial year me received hoga ussi financial year me taxable hoga chahe property ho ya nahi vo.

### PROPERTY OWNED BY CO-OWNERS (SECTION 26)

- a) Shares are definite and ascertainable - each person will be treated as separate and will be taxable. (haar chije dono ki alag alag hogi jaise ki interest ki limit and self occupied ki limit)
- b) Unascertainable shares - then will be taxed as AOP.

**DEEMED OWNERSHIP (SECTION 27):**

1. **Transfer to spouse or minor child otherwise than for adequate consideration:**  
An individual who transfer otherwise than for adequate consideration his house property to -
  - ♣ His or her spouse, not being a transfer in connection with an agreement to live apart; or
  - ♣ Minor child, not being married daughter.Shall be deemed to be the owner of the house property so transferred.
2. **Holder of an impartible estate.**
3. **Property allotted under house building scheme.**
4. **Possession on part performance of contract.**
5. **Holder of substantial lease or other rights for not less than 12 years:** A person who acquires any rights (excluding any right by way of a lease from month to month or for a period not exceeding one year) shall be deemed to be the owner of that building or part thereof.  
{Transfer means -
  - ✚ Transfer of property by way of sale or exchange or lease for a term of not less than 12 years, and includes allowing the possession of such property to be taken or retained in part performance of a contract.
  - ✚ Doing of anything which has the effect of transferring, or enabling the enjoyment of, such property.}}

## **CHAPTER - 5: PROFIT AND GAINS FROM BUSINESS AND PROFESSION**

### **CHARGING SECTION (SECTION 28):**

- Profit and gains of any business or profession.
- **Compensation:** any compensation received or due to be received by-
  - ✚ Person managing **Indian company** in relation to termination or modification in terms and condition.
  - ✚ Person managing **other company** in relation to termination or modification in terms and condition.
  - ✚ Person holding **agency in India** in relation to termination or modification in terms and condition.
  - ✚ Person vesting in the government.
  - ✚ Person in relation to contract termination or modification in terms and condition.
- Income derived by a trade, association or professional from specific services to its members.
- **Incentive from export business:**
  - ✚ Profit on sale of import entitlement.
  - ✚ Cash assistance against export under any scheme of GOI.
  - ✚ Duty drawback
  - ✚ Profit on the transfer of DEPB
  - ✚ Profit on the transfer of DFRC.
- **Benefit or perquisite arising from business or profession.**
- **Partner's remuneration.**
- **Non-competing fees** and exclusivity receipt (compensation from multilateral fund of the montreal protocol on substances that deplete ozone layer is not taxable)
- Key man insurance policy receipt.
- FMV of inventory on its conversion as capital assets.
- Sale proceed of assets of specified business.
- ♣ Income from letting of residential house - Taxable under IHP: **Any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head "PGBP" and shall be chargeable under the head "IHP" [Explanation 3] [Inserted w.e.f. 01-04-2025 i.e. A.Y 2025-26]**

### **MODE OF COMPUTATION OF INCOME UNDER PGBP(SECTION 29)**

<b>PARTICULARS</b>	<b>AMOUNT</b>
Net profit as per P/L account	-
<b>Add:</b> expenses debited to P/L account not allowable under this Head	-
<b>Less:</b> allowable expenses under this head not debited to P/L a/c	-
<b>Less:</b> income not taxable under this head but credited to P/L a/c	-
<b>Add:</b> income not credited to P/L a/c but taxable under this head	-
Profit and gains of business and profession	-

**BASIC REQUIREMENT FOR CHARGING ANY INCOME UNDER PGBP**

- ◆ There should be **profit & gains**.
- ◆ Profit and gains may be of any business or profession.
- ◆ Business or profession must be carried on by assessee. (**pre incorporation profits not included**)
- ◆ Business or profession should be carried on at any time during the previous year.
- ◆ Income from letting of business assets.

**SPECULATION TRANSACTION {SECTION 43(5)}**

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

Following transaction **will not be treated as speculative transactions**:

- ◆ Hedging contract in respect of raw material or merchandise.
- ◆ Hedging contract in respect of stock and shares.
- ◆ Forward contract.
- ◆ Trading on derivatives.
- ◆ Trading in commodity derivatives.

**DEEMED SPECULATION BUSINESS (EXPLANATION TO SECTION 73):**

Where any part of the business of a company consists of purchase and sale of shares of other companies, then such company shall be **deemed to be carrying on a speculation business** to the extent to which the business consists of the purchase and sale of such shares.

**Exception: (in case main taxable nahi hoga)**

- ♣ A company whose GTI consists mainly of income under the head IHP, CG and IOS.
- ♣ A company the principal business of which is the business of trading in shares or banking or the granting of loans and advances.



### CLAIMING DEDUCTION OF LOSSES INCIDENTAL TO BUSINESS

- ♥ Loss should be real in nature.
- ♥ Loss should be revenue.
- ♥ Losses be actually occurred.
- ♥ Losses should be incidental to business.

### ADMISSIBILITY OF DEDUCTION UNDER SECTION 30 TO 44DB.

- ❖ Expenditure should relate to the business of the assessee.
- ❖ Expenditure should relate to the P.Y in which business has been carried out.
- ❖ Burden to prove the admissibility of expenditure lies to the assessee.
- ❖ No expenditure allowed before setting up of the business.

### DEDUCTION IN RESPECT OF RENT, RATES & TAXES ETC. OF BUILDING, MACHINERY AND FURNITURE - SECTION 30 & 31

1. Rent, rates, taxes, repairs and insurance of building (section 30):
  - ✓ Rent and repairs of premises:
    - ⌚ As a tenant: rent paid + cost of repair
    - ⌚ Otherwise as a tenant: amt paid for current repair.
  - ✓ Taxes: such as municipal taxes, local tax subject to section 43B.
  - ✓ Insurance premium: amount of premium paid.
2. Cost of repairs and current repairs of capital nature not deductible
3. Capital expenditure on leased building - lessee deemed owner - entitled for depreciation.(extra expense jo karega uspe)
4. Repairs and insurance of machinery, plant or furniture (section 31): same as above 3 points

### DEPRECIATION, WDV AND ACTUAL COST

#### DEPRECIATION (SECTION 32)

1. Depreciation is available on "assets" and "block of assets" ( not being goodwill of a business or profession)
2. Asset must be owned wholly or partly by assessee: depreciation is allowed only to the owner of asset, however registered ownership is not necessary.  
Exception:
  - ✚ Lessee is entitled to claim depreciation on any superstructure, constructed by him.
  - ✚ In case of hire purchase: hire purchaser is allowed depreciation.
3. Asset must be used for the purpose of business or profession of the assessee.
4. Asset should be used during the relevant previous year: in order to claim depreciation, it is mandatory that the asset must be in use during the previous year (Trail run is use)

Amount of depreciation:

- ☉ Use for less than 180days: put to use less than 180 days then 50% depreciation.
- ☉ Use for 180 days or more: 100 % depreciation allowed.
- ☉ Subsequent year me jitne bhi din koi relevant nahi hai.

5. Claim for depreciation is mandatory.

6. Rate of depreciation read it from book.

**ACTUAL COST {SECTION 43(1)}**

Actual cost means the actual cost of the assets of the assessee, reduced by that portion of the cost thereof, if any, as has been met directly or indirectly by any other person or authority. However agar asset ke liye ₹ 10000 se jayada cash payment kiya hoga toh vo asset ki cost me add nahi hoga. [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]

**COMPUTATION OF ACTUAL COST:**

PARTICULARS	AMOUNT
Purchase price of the asset	-
Add: Direct cost attributable to bring asset to its present location and working condition for its intended use (i.e expenses incurred for acquiring the asset E.g. - freight, insurance, loading and handling etc. and expenses incurred in connection with the installation of asset.)	-
Add: Interest on capital borrowed in connection with the acquisition of asset before the asset is first put to use	-
Less: Amount of duty of excise or additional duties of custom levied on it and included in its cost, in respect of which claim of CENVAT credit has been made and allowed under the CENVAT credit rules 2004	-
Less: Portion of cost of asset which has been met directly or indirectly by the C.G in the form of subsidy or grant.	-
Add/Less: Increase/ Decrease in cost due to exchange rate fluctuation	-
Actual cost of the asset	-

**WRITTEN DOWN VALUE(WDV)[SECTION 43(6)]**

- In case of asset acquired in the P.Y: actual cost of the asset
- In case of asset acquired before the P.Y: actual cost - depreciation

**WDV IN CASE OF BLOCK OF ASSETS [SECTION 43(6)(c)]**

Particulars	Amount
WDV at the beginning of the year	-
Add: actual cost of the asset falling within the block, <b>not being increase on account of acquisition of goodwill of a business or profession acquired during the previous year</b>	-
Less:	-
(i) money payable (including scrap) in respect of any asset falling within that block which is sold, discarded, demolished or destroyed during the previous year, to the extent it does not exceed the sum of the above two	
(ii) <b>where goodwill of a business or profession was part of the block of assets on which depreciation was allowed to the assessee upto previous year 2019-20, actual cost of the goodwill as reduced by amount of depreciation that would have been allowable to the assessee for such goodwill as if goodwill was the only asset in the block. However, the amount of reduction cannot exceed the WDV.</b>	
WDV at the end of the year	-
Less: Depreciation at block rate	-
Depreciated value at the block at the end of the year	-

**WDV IN CASE OF SLUMP SALE**

PARTICULARS	AMOUNT
WDV of block of assets	-
Less: Deduction on account of slump sale to the extent of amount computed (below)	-

PARTICULARS	AMOUNT
Actual cost of assets falling in the block, which is transferred by slump sale	-
Less: Depreciation that would have been allowed if that asset was the only one in the block	-
Deduction on account of slump sale	-

For computing depreciation upward and downward revaluation of asset to be ignored.

WDV in case of assessee having partly agriculture and partly business income:

Depreciation shall be allowed only for business purpose.

WDV in case of block of asset transferred in succession of business and profession:

WDV in the hands of predecessor/transferor/amalgamating co/demerged co.

**BLOCK EXIST BUT WDV CEASES TO EXIST:** sale price > wdv - STCG, sale price < wdv - depreciation.

**WDV EXIST BUT BLOCK CEASES TO EXIST:** sale price > wdv - STCG, sale price < wdv - STCL.

**SPECIAL PROVISIONS CONSEQUENTIAL TO CHANGE IN RATE OF EXCHANGE OF CURRENCY (SECTION 43A)**

**Applicability:**

- ❖ Asset acquired from outside India for business & profession.
- ❖ Subsequently, there is change in exchange rate.

**Treatment:**

- ❖ The amount of liability so increased or decreased at the time of payment shall be added or reduced to the cost of asset or the amount of capital expenditure.

**Other relevant point:**

- ❖ Adjustment of only actual payment.
- ❖ Liability met by other person no adjustment needed.
- ❖ Increase/decrease in liability of interest payment on account of exchange rate fluctuation will form part of the cost of asset.

**APPORTIONMENT OF DEPRECIATION**

Apportionment of depreciation in case of amalgamation/ demerger/business reorganization: in the ratio of the number of days of use of asset by them during that previous year.

**ADDITIONAL DEPRECIATION [SECTION 32(1)(ia)]**

**Applicability:** Is available on new machinery or plant (other than ship and aircraft), which has been acquired and installed after 31-05-2005.

- ❖ Assessee engaged in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power.
- ❖ Available in case of block of asset.

**Deduction:**

- ❖ 20% of actual cost of P&M. if put to use for less than 180 days, then only 10% will be allowed.
- ❖ Balance of additional depreciation will be allowed in succeeding P.Y

**No deduction:**

- ✚ P&M used outside India (second hand)
- ✚ Any official appliances or road transport vehicles.

- ✚ P&M installed in office premises or the residential accommodation (including guest house)
- ✚ P&M whose whole of the actual cost is deductible.

**UNABSORBED DEPRECIATION [SECTION 32(2)]**

- ♥ Shall be allowed to be carry forward.
- ♥ Can be carry forward even if business is not in existence.
- ♥ Return of loss is not required
- ♥ Brought forward loss shall be given priority over unabsorbed depreciation.
- ♥ Can be carry forward infinite.

**DEPRECIATION IN CASE OF POWER GENERATING UNIT [SECTION 32(1)(i)]**

- ⦿ **Applicability:** applies to power generating undertaking, but doesn't apply to undertaking only engaged in distribution of power.
- ⦿ **Claim for depreciation on SLM basis instead of WDV:** Depreciation dono methods se claim kar sakte hai but ek baar jo method claim karenge vo aage ke years ke liye bhi applicable hoga.
- ⦿ **Treatment in case of sale of assets:**
  - Monies payable is less than WDV: **terminal depreciation**
  - Monies payable exceed WDV not cost: **balancing charge**
  - Monies payable exceed WDV and cost: **balance charge + capital gain.**

**CERTAIN SPECIAL DEDUCTION - SECTION 35 TO 35DDA**

**DEDUCTION IN RESPECT OF EXPENDITURE INCURRED ON SCIENTIFIC RESEARCH[SECTION 35]**

Section 35	Expenditure incurred	Amt of deduction	Conditions
(1)(i)	Revenue expenditure on scientific research related to business (before commencement of business)	100%	Expenditure incurred 3 years before commencement of business.
(1)(ii)	Sum paid to a research association, university, college or institution	100%	Deduction is allowed even if not allowed related to business.
(1)(ia)	Sum paid to company having its main objective of scientific research	100%	-
(1)(iii)	Sum paid for social science or statistical research	100%	Deduction allowed even if research is not related to business.

(1)(iv)/(2)	<ul style="list-style-type: none"> <li>✚ Capital expenditure (except expenditure on purchase of land) on scientific research</li> <li>✚ Capital expenditure (except expenditure on purchase of land) incurred before the commencement of business</li> </ul>	100%	Expenditure incurred 3 years before commencement of business. No depreciation is allowable.
(2AA)	Sum paid to - <ul style="list-style-type: none"> <li>➤ National labouratory</li> <li>➤ University</li> <li>➤ IIT</li> <li>➤ Specified person</li> </ul>	100%	-
(2AB)	<ul style="list-style-type: none"> <li>▪ Expenditure (not being in nature of cost of any land or building) incurred on in-house research and development facility incurred by a company engaged in the business of manufacture or production of any article or thing, not being an article or thing specified in the list of the eleventh schedule</li> <li>▪ Expenditure on scientific research in relation to drugs and pharmaceuticals</li> </ul>	100%	-

**Note:**

- ❖ Deduction not to be denied even if approval withdrawn subsequently -
  - ✚ The approval granted to association, university, college, other institution referred to u/s 35(1)(ii)/(iii), or the company referred u/s 35(1)(ia) or the laboratory or specified person referred to under section 35(2AA) has been withdrawn; or
  - ✚ The approval granted to the programme undertaken by the National laboratory, University, Indian institute of technology or specified person, has been withdrawn.
- ✚ **Condition for claiming deduction:** The deduction in respect of any sum paid to the research associations, university, college or other institution referred to in Section 35(1)(ii)/(iii), or the company referred to in Section 35(1)(ia) shall not



be allowed, unless such research association, university, college or other institution or company -

(i) Prescribed statement to be furnished

(ii) Certificate to be furnished to the donor.

- ❖ Unabsorbed scientific research capital expenditure is carried forward and set off in the same manner as unabsorbed depreciation.
- ❖ **Actual use for scientific research during the previous year** - not necessary. (there is no requirement for put to use, only installation is needed)
- ❖ **Scientific research asset sold:**
  - **Without being used:**
    - Sale proceed upto amount of deduction is deemed as profit.
    - Sale proceed above cost is taxable as capital gain.
  - **After being used:**
    - At the time for business purpose: cost will be NIL (100% deduction allowed)
    - At the time for sale: capital gain

### **EXPENDITURE ON SPECIFIED BUSINESS (SECTION 35AD)**

1. **Optional deduction:** An Assessee shall be allowed deduction under this section if he opts for the provisions of this section
2. **Meaning of specified business:**
  - ⌚ **Cold chain facilities:** on or after 1-4-2009
  - ⌚ **Warehousing facilities - agriculture produce:** on or after 1-4-2009
  - ⌚ **Hospitals:** atleast 100 beds on or after 1-4-2010
  - ⌚ **Housing project:** affordable house on or after 1-4-2011
  - ⌚ **Fertilizer plant:** production of fertilizer on or after 1-4-2011.
  - ⌚ **Cross-country natural gas pipeline network:** on or after 1-4-2007.
  - ⌚ **Hotel:** two star or above on or after 1-4-2010
  - ⌚ **Slum redevelopment housing project:** on or after 1-4-2010
  - ⌚ **ICD/CFS:** on or after 1-4-2012
  - ⌚ **Bee-keeping and production of honey and beeswax:** on or after 1-4-2012
  - ⌚ **Warehousing facility - sugar:** on or after 1-4-2012
  - ⌚ **Slurry pipe line:** on or after 1-4-2014
  - ⌚ **Semi-conductor wafer-fabrication manufacturing unit:** on or after 1-4-2014
  - ⌚ **Infrastructural facility:** on or after 1-4-2017.

**Eligible Deduction:** 100% of the capital expenditure incurred. Deduction in respect of expenditure incurred prior to commencement will be allowed. Capital expenditure exceed Rs 10000 or expenditure on land, goodwill and financial instrument not

eligible. [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]

**3. Condition to claim deduction:**

- a) It is not set up by splitting up, or the reconstruction, of a business already in existence.
- b) It is not set up by the transfer of P&M previously used for any purpose. However second hand P&M doesn't exceed 20% of total value of P&M or second hand P&M is the imported one and no depreciation is claimed on it.

**4. Minimum use of capital asset for specified business - 8 years**

**5. Asset used for purpose other than specified business - consequences thereof:**  
the total amount of deduction so claimed and allowed in one or more previous year as reduced by the amount of depreciation allowable in accordance of the provision of section 32, as if no deduction under this section was allowed, shall be deemed to be the income of the assessee chargeable under the head PGBP of the previous year in which the asset is so used.

**6. In case of hotel operation can be transferred but the deduction will be allowed to the owner.**

**7. Deduction under this section will not be allowed under any other section - No deduction in respect of the expenditure shall be allowed to the assessee under any other section in any previous year or under this section in any other previous year, if the deduction has been claimed or opted by the assessee and allowed to him under this section**

**8. Carry forward and setoff of losses will be indefinite period.**

**AMORTIZATION OF CERTAIN PRELIMINARY EXPENSES (SECTION 35D)**

**1. Eligible assessee:** Indian company or a person resident in India.

**2. Deduction to be allowed in 5 equal installment:** preliminary expenditure incurred before commencement of business (from the date of commencement of business) or after relating to extension of undertaking or setting up new unit ( P.Y in which extension is completed or new unit commences production)

**3. Expenditure eligible for deduction:**

✚ Expenditure in connection with -

- ◆ Feasibility report
- ◆ Project report
- ◆ Conducting market or any other survey

- ♦ Engineering services  
The assessee has to furnish a statement containing the particulars of above expenditure within prescribed period to the prescribed income tax authority in the prescribed form and manner.
  - + Legal services for drafting any document
  - + Assessee is a company, also expenditure of
    - ♦ Legal charges of MOA and AOA
    - ♦ Printing charges of MOA and AOA
    - ♦ Registration fees
    - ♦ Underwriting commission or brokerage etc.
  - + Such other expenditure.
4. Amount qualifying for deduction: **lower** of the following:
- ♣ Aggregate of eligible expenditure or
  - ♣ **Higher of** (i) or (ii)-
    - (i) 5% of cost of project or
    - (ii) 5% of capital employed (only in case of Indian company)
5. Audit of accounts: where the assessee is a person other than a company or a co-operative society, no deduction shall be admissible unless the account of the assessee for the year or years in which the expenditure is incurred have been audited by a Chartered Accountant before the specified date referred to in section 44AB and the assessee furnishes for the first year in which the deduction under this section is claimed, the report of such audit by that date in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed.
6. Transfer of undertaking in scheme of amalgamation/demerger: balance years ke liye samne wale ko milega.
7. No double deduction.
8. Service unit also eligible.

#### **AMORTIZATION OF EXPENDITURE INCURRED UNDER VOLUNTARY RETIREMENT SCHEME (SECTION 35DDA)**

1. Eligible assessee: any person.
2. Eligible expenditure: 100%
3. Deduction and period:  $1/5^{\text{th}}$  of expenditure for 5 successive years starting from P.Y from year expenditure incurred.
4. Transfer of undertaking in scheme of amalgamation/demerger: balance years ke liye samne wale ko milega.
5. No double deduction.

**OTHER SPECIFIED DEDUCTION AND GENERAL DEDUCTION (SECTION 36 & 37)**

**Other deduction (section 36)**

Section 36 (1)	Deductible expenditure	Conditions
(i)	<b>Insurance premium</b> on stock or store	Used for business purpose
(ia)	Insurance premium paid by federal milk cooperative society	-
(ib)	<b>Health insurance premium</b> paid by any mode of payment other than cash by an employer for employee	Scheme framed by GIC and other insurer approved by IRDA
(ii)	<b>Bonus or commission</b> paid to employee (otherwise as profit or dividend) subject to 43B	Bonus exceeding statutory limit will also be allowed
(iii)	<b>Interest on capital borrowed</b> for the purpose of business or profession (asset ke put to use phele ka interest cost of asset me include ho jaata hai and uske baad ka interest as revenue expenditure allowed ho jaata hai)	Interest on own capital is not deductible
(iiia)	<b>Discount on zero coupon</b> bond ZCB issued by any infrastructure capital company/ fund or <b>infrastructure debt fund</b> or public sector or scheduled bank.	Allowed over the life of bond
(iv)	Contribution made by employer to RPF/approved superannuation fund	Subject to section 43B
(iva)	Deduction of contribution made by employer towards a pension scheme u/s 80CCD or <b>14%</b> of salary of employee (WEL) [Amended w.e.f. 1-4-2025 i.e AY 2025-26]	Salary includes DA forming part
(v)	Sum paid by employer towards an approved gratuity fund	Subject to section 43B
(va)	<b>Sum received by assessee from his employees as contribution to provident fund or employee state insurance fund or superannuation fund or any other welfare fund</b>  <b>Sum received is treated as income first then allowed as deduction</b>	Such sum should be credited by the assessee to the employee's account in the relevant funds on or before the due date <b>Due date not to be</b>

		determined as per Section 43B
(vi)	Loss in respect of animals, animals used for business or profession (otherwise than an stock in trade)	Deduction allowed = [actual cost of the animal - sale proceed of animals]
(vii)	Expenditure on promoting family planning <b>Revenue expenditure</b> - 100 % in year which it is incurred <b>Capital expenditure</b> - 1/5 <sup>th</sup> of the expenditure ( 5 years main allow hoga)	Only available to company
(viii)	<b>STT paid will be allowed</b>	-
(ix)	<b>CTT paid will be allowed</b>	-

**DEDUCTION IN RESPECT OF BAD DEPTS (SECTION 35(I)(vii) & 36(2))**

- a) Bad dept written off irrecoverable shall be allowed. However provision for doubtful debt will not be allowed.
- b) Koi debt irrecoverable hogaya hai and usko ICDS ke basis me income liye the and vo bhale he books of accounts me record nahi hua hai uski deduction mil jayegi as bad dept.
- c) Deduction is allowed subject to conditions:
  - 1. There must be a debt and the debt must be incidental to the business or profession of the assessee.
  - 2. Such debt shall be taken while computing the income of the assessee.
- d) In case of bank agar provision se jayada bad dept hua toh excess amount ki deduction mil jayegi.
- e) Bad dept recovered is taxable in the P.Y which it is recovered.
- f) **Successor of business** - bad dept allowed business wise, not assessee wise.
- g) No requirement to prove bad depts..

**GENERAL DEDUCTION (SECTION 37)**

The expenditure should be in the nature of:

- ☞ Should **not** be in the nature of **section 30 to 36**.
- ☞ Incurred by assessee during the accounting year.
- ☞ Should be in respect of business.
- ☞ Should not be in the nature of **personal expenses**.
- ☞ Not be in the nature of **capital expenditure**.
- ☞ Should be **wholly and exclusively** for business or profession.

Expenditure for any offence or prohibited purpose - not allowable

Scope of expenditure for any offence or prohibited purpose [Explanation 3]:  
Such expenditure shall include the expenditure incurred by an assessee, -

- (i) For any purpose which is an offence under, or which is prohibited by, any law for the time being in force, in India or outside India; or
  - (ii) To provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guideline, as the case may be, for the time being in force, governing the conduct of such person; or
  - (iii) To compound an offence under any law for the time being in force, in India or outside India.
  - (iv) To settle proceedings initiated in relation to contravention under such law as may be notified by the central government in the official Gazette in this behalf. [Amended w.e.f 01-04-2025 i.e. AY 2025-26]
- CSR expenditure - not deductible
  - Advertisement expenditure in magazine published by political party - not deductible.
  - Illegal business losses shall be allowed as deduction while computing income from illegal business.

**SPECIAL DISALLOWANCES - SECTION 40 & 40A**

**Amount not deductible (section 40):**

Sec. 40(a)	Expenditure disallowed
(i)	<p>Payment outside India or to non-resident on which tax has not been deducted/paid.</p> <ul style="list-style-type: none"><li>➤ Any interest, royalty, fees for technical services or any other sum chargeable in the hands of receipt under this act and payable-<ul style="list-style-type: none"><li>a) Outside India or</li><li>b) In India to a non-resident, not being a company or to a foreign company</li></ul>On which tax is not deducted or after deduction is not paid on or before due date of filing return u/s 139(1).</li><li>➤ However, where in respect of any sum -<ul style="list-style-type: none"><li>i. Tax has been deducted in subsequent year or</li><li>ii. Has been deducted during the P.Y but paid after the due date specified under 139(1).</li></ul>The such sum shall be allowed as deduction in computing the income of the subsequent P.Y in which TDS has been so paid.</li></ul>



	<p>➤ Where the assessee fails to deduct the whole or any part of the tax then such assessee shall not be assessee in default, if the such payee</p> <ol style="list-style-type: none"><li>Has furnished return of income.</li><li>Has taken such income in return.</li><li>Has paid tax on that income, payer furnishes certificate from accountant.</li></ol> <p>It would be deemed that the assessee has deducted and paid the tax.</p>
(ia)	<p>Payment to residents on which tax has not been deducted/paid - 30 % of such sum shall be not allowed as deduction</p> <p>➤ 30% of any sum payable to a resident on which tax is not deducted or after deduction is not paid on or before due date of filing return u/s 139(1).</p> <p>➤ However, where in respect of any sum-</p> <ol style="list-style-type: none"><li>Tax has been deducted in subsequent year or</li><li>Has been deducted during the P.Y but paid after the due date specified under 139(1).</li></ol> <p>The such sum shall be allowed as deduction in computing the income of the subsequent P.Y in which TDS has been so paid. Where the assessee fails to deduct and pay tax and if the payee pays the same then the assessee will not be called as a assessee in default.</p>
(ii)	<p><b>Income tax</b> "Tax" shall include any surcharge or cess, by whatever name called, on such tax</p>
(iia)	<p><b>Wealth tax</b></p>
(iib)	<p><b>Certain fees, royalty, service charges etc. payable by state government undertaking to the state government</b></p>
(iii)	<p><b>Payment of salary outside india or to non-resident on which tax has not been deducted and paid.</b></p>
(iv)	<p><b>Contribution towards employees welfare fund</b></p>
(v)	<p><b>Tax paid on non-monetary perquisites</b></p>

**PROVISION REALTING TO COMPUTATION OF PROFITS AND GAINS OF BUSINESS OR PROFESSION OF FIRM [ SECTION 40(b)]**

Following amount shall be disallowed -

- Any payment of salary, bonus, commission or remuneration, to any partner who is not working, i.e. non-working partner

- (ii) Any interest paid to any partner in excess of **12% simple interest**
- (iii) Any remuneration prior to deed not allowed
- (iv) Limit:

Book profit	Allowable remuneration
On first ₹ <b>6,00,000</b> of book profit, or in case of a loss	<ul style="list-style-type: none"> <li>➤ ₹ <b>3,00,000</b> or</li> <li>➤ <b>90% of book profits,</b></li> <li><b>Whichever is more</b></li> <li><b>[Amended w.e.f. 1-4-2025</b></li> <li><b>i.e. AY 2025-26]</b></li> </ul>
On balance of the book profit	<b>60% of book profits</b>

- ✚ Explanation 1: individual capacity ( representative capacity) main partner and interest individual capacity(representative capacity) main milega toh allowed hai.
- ✚ Exemption to partners in respect of their shares in firm's income
- ✚ Interest, salary, etc. received by a partner to be assessed as his business income.

**DISALLOWANCE OF PAYMENT MADE TO SPECIFIED PERSONS/RELATIVES IN EXCESS OF FAIR MARKET VALUE [SECTION 40A(2)]**

**Payment made to relative in excess of fair value** - not deductibe: if the

- ❖ Payment made to specified persons and
  - ❖ The assessing officer is of opinion that such expenditure is excessive or unreasonable.
- So much of excessive or unreasonable will be disallowed

**Meaning of specified persons:**

(i)	Assessee is individual	Relative of assessee
(ii)	Assessee is a company, firm, AOP or HUF	Director of company, partner of firm, member of AOP or HUF and relative of above.
(iii)	Individual has substantial interest or relative of such individual	
(iv)	Assessee is a company, firm, AOP or HUF or Director of company, partner of firm, member of AOP or HUF and relative of above have substantial interest in other company.	

**SECTION 40A(3)**

**Expenditure paid in aggregate exceeding ₹ 10000 in a day, otherwise than by account payee cheque or account payee bank draft. [ (a) credit card; (b) Debit card; (c) Net**

banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]

1. Disallowance to be made in the year of payment for expenditure incurred in earlier years.
2. Enhanced limit of Rs 35000 in case of goods transport agencies.
3. No person to enforce that payment exceeding Rs 10000/35000 to be made in cash.
4. Cases where disallowance would not be attracted:   
  - + Loan transactions: sirf principal payment kar sakte hai but interest ke liye limit apply hogi he.
  - + Payment made by commission agents: for purchase of goods or services. Ha agar khud apne side se supply karega toh limit applicable hogi.

**PROVISIONS OF SECTION 40A(3) NOT TO APPLY IN CERTAIN CASES (EXCEPTION TO SECTION 40A(3) ARE GIVEN IN RULE 6DD)**

- Payment made to RBI, SBI, banking co., LIC and other banks
- Payment made to government.
- Payment made through any bank, including foreign bank, by any of these modes-
  - ⊗ Any letter of credit arrangements
  - ⊗ A mail or telegraphic transfer
  - ⊗ A book adjustment between banks
  - ⊗ A bill of exchange made payable only to a bank
  - ⊗ Electronic clearing system
  - ⊗ A credit card
  - ⊗ A debit card
- Payment is made for adjustment against liability
- Where payment is made to the cultivator, grower or producer of the following for purchase thereof-
  - ❖ Agriculture or forest produce
  - ❖ Produce of animal husbandry (including livestock, meat, hides, and skins) or dairy or poultry farming
  - ❖ Fish or fish products
  - ❖ The products of horticulture or apiculture
- Payment made for manufacture or production in cottage industry without the aid of power
- Payment is made in village or town where there is no bank.

- Payment made to agent who is required to make payment in cash
- Payment made to an authorized dealer or money changer against foreign currency.
- Where any payment is made to an employee of assessee or the heir of any such employee, on or in connection with the retirement, retrenchment, resignation, discharge or death of such employee, on account of gratuity, retrenchment compensation or similar terminal benefit and aggregate of such sums payable to employee or his the heir does not exceed ₹ 50,000;
- Where the payment is made by an assessee by way of salary to his employee after deducting the income-tax at source, when such employee is temporarily posted for a continuous period of 15 days or more in a place other than his normal place of duty or on a ship, and does not maintain any account in any bank at such place or ship;

**PROVISION MADE FOR GRATUITY [SECTION 40A(7)]**

- ♥ **Provision made for unapproved gratuity fund** - not allowable: however provision made by the assessee towards approved gratuity fund which becomes payable during the P.Y will be allowable.
- ♥ **Payment of gratuity to retiring employee** - allowable (subject to section 43B).

**PAYMENT MADE TO NON-STATUTORY FUNDS - NON DEDUCTIBLE (SECTION 40A(9))**

**DEEMED PROFITS - SECTION 41**

SECTION	DEEMED PROFIT
41(1)	<p><b>Recovery against a deduction allowed in any previous year:</b> where an allowance or deduction has been made in the assessment for any year in respect of loss, expenditure or trading liability incurred by the assessee and subsequently during any previous year-</p> <ul style="list-style-type: none"><li>➤ The assessee has obtained, whether in cash or in any other manner or whatsoever,</li><li>➤ Any amount in respect of such loss or expenditure or some benefits in respect of such trading liability by way of its remission or cessation thereof;</li></ul> <p>Then the amount obtained by such person or the value of benefit accruing to him shall be deemed to be PGBP and accordingly, taxable as the income of the that P.Y, whether the business or profession si in existence in that year or not.</p> <p>The same provisions shall apply in case of succession of business, in which the amount received shall be taxable in the hands of the successor.</p>

41(5)	Set off of losses against incomes taxable under section 41(1)/(3)/(4)/(4A)
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**CERTAIN DEDUCTIONS TO BE ALLOWED ONLY ON ACTUAL PAYMENT [SECTION 43B]**

- ♣ Any sum payable by the assessee by way of tax, duty, cess or fee, by whatever name called, under any law for the time being in force or
- ♣ Any sum payable by the assessee as an employer by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees or
- ♣ Any bonus or commission to employees for services rendered.
- ♣ Any sum payable by the assessee as an employer in lieu of any leave at the credit of his employee or (leave encashment)
- ♣ Any sum payable by the assessee to the Indian railways for the use of railways assets.
- ♣ Any sum payable by the assessee as interest on any loan or borrowing from-
  1. Any public financial institution
  2. State financial corporations or state industrial investment corporationsIn accordance with the terms and conditions of the agreement governing such loans or borrowing.
- ♣ Any sum payable by the assessee as interest on any loan or borrowing from notified class of non-banking financial companies, in accordance with the terms and conditions of the agreement governing such loan or borrowing.

Where a deduction in respect of any sum referred above is allowed in computing the income referred to in section 28, of the previous year in which the liability to pay such sum was incurred by the assessee, the assessee shall not be entitled to any deduction under this section in respect of such sum in computing the income of the previous year in which the sum is actually paid by him.
- ♣ Any sum payable by the assessee as interest on any loan or advances from a schedule bank or a co-operative bank other than a primary agriculture credit society or a primary co-operative agriculture and rural development bank in accordance with the terms and conditions of the agreement governing such loan and advance.
- ♣ Any sum payable by the assessee to a micro or small enterprise beyond the time-limit specified in section 15 of the Micro, Small and Medium Enterprises Development Act, 2006.

Section 15 of the of the Micro, Small and Medium Enterprises Development Act, 2006 mandates payment of goods or services to supplier, being a micro or small

enterprises by the buyer on or before the date agreed upon between them in writing i.e., as per the written agreement, which cannot be more than **45 days** from the day of acceptance or the day of deemed acceptance of any goods or services by a buyer from a supplier. If there is no such written agreement, the payment shall be made before the appointed day i.e., within **15 days**.

If the sum payable by the assessee to a micro or small enterprise is paid as per written agreement (maximum within 45 days) or **within 15 days** in case of no agreement, the deduction can be claimed on accrual basis if mercantile method of accounting is followed by the assessee.

However, if the sum payable by the assessee to a micro or small enterprise is not paid as per written agreement or **within 15 days** in case of no agreement, the deduction would be allowed in the previous year in which it is actually paid.

**Example:** Mr. A has purchased goods of ₹ 10,000 from A & Co., a micro enterprise on 1-3-2024. As per the written agreement between them, the payment has to be made by 5-4-2024. Mr. A follows mercantile method of accounting.

(i) If Mr. A paid the sum on 2-4-2024:

Since Mr. A paid the sum on or before 5-4-2024, the deduction would be allowed in P.Y. 2023-24.

(ii) If Mr. A paid the sum on 20-4-2024:

Since Mr. A paid the sum beyond the time limit, the deduction would be allowed in the year of actual payment i.e., P.Y. 2024-25.

**Meaning of Micro and Small enterprise**

S.No	Meaning	
(1)	In case of Enterprises engaged in the manufacture or production of good pertaining to specified industries	
	<b>Micro enterprise</b>	<b>Small enterprise</b>
	Where the investment in plant and machinery $\leq$ ₹ 25 lakhs	Where the investment in plant and machinery $>$ ₹ 25 lakhs $\leq$ ₹ 5 crores
	Note: For calculating investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such notified items shall be excluded.	
(2)	In case of enterprises engaged in providing or rendering services	
	<b>Micro enterprise</b>	<b>Small enterprise</b>



	Where the investment in equipment $\leq$ ₹ 10 lakhs	Where the investment in equipment $> 10$ lakhs $\leq$ 2 crores
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**Manner of deduction:**

Case	Year of allowance
If the sum relates to any previous year for which payment has been made on or before the due date of furnishing the return of income of that year	<b>In the P.Y to which it relates</b>
In any other case	<b>In the year of payment</b>

**In case of conversion of interest into loan/borrowing/advance:** in case if any interest is payable and such interest is converted into loan or borrowing or advance or debenture or any other instrument by which the liability to pay is deferred to a future date, then the same shall not be allowed as deduction in the year of conversion, but shall be allowed in the year in which such converted loan is as actually paid.

**Employees contribution to staff welfare scheme not covered:** This section shall not apply and shall be deemed never to have been applied to a sum received by the assessee from any of his employee to which the provisions of section 2(24)(x) applies.

In effect, section 43B(b) covers only employer's contribution to provident fund, superannuation fund, gratuity fund or any other fund for welfare of employees, for remittance of which extended time limit upto due date of return u/s 139(1) is available; however, it does not include within its scope, employees contribution to such funds received by the employer, which has to be credited to the employee's account in the relevant fund on or before the due date specified under the relevant act, rule etc. amount credited after the said due date but on or before the due date under section 139(1) would not be eligible for deduction.

**SPECIAL PROVISION FOR FULL VALUE OF CONSIDERATION FOR TRANSFER OF ASSETS OTHER THAN CAPITAL ASSETS IN CERTAIN CASES (SECTION 43CA)**

- Stamp duty value deemed to be full value of consideration:** agar land and building ko transfer kiya as stock in trade (other than capital asset) SDV se kam me toh value SDV he transfer value hogi. But agar SDV aur consideration me **110%** of consideration se jayada ka difference nahi hai toh uss case main consideration ko he le lenge otherwise SDV lenge. [Amended by Finance Act, 2020]
- Stamp duty value on the date of agreement to be considered:** agar agreement wale din kuch consideration other than cash me diya hoga toh SDV on the date of agreement lenge otherwise SDV on the date of registry.

**3. Other provision of section 50C applicable.**

**MAINTENANCE OF BOOKS OF ACCOUNTS BY CERTAIN PERSONS ON BUSINESS OR PROFESSION (SECTION 44AA)**

1. **Person carrying on specified professions:** jo log specified profession kar rahe hai unko books of accounts maintain karna padega jab-

- If the **gross receipt exceed ₹ 150000 in all the three immediately preceding year** or
- If new profession then ₹ 150000 in current year

**Books of accounts to be maintained**

- (i) Cash book
- (ii) Journal
- (iii) Ledger
- (iv) Carbon copies or counterfoils of bills exceeding ₹ 25
- (v) Original bill issued, in absence of bills payment exceed ₹ 50 then payment voucher.

**Additional book in case of medical profession:**

- (a) A daily case register in form no. 3C
- (b) An inventory as on the first and last day of P.Y

2. **Other assessee's:**

<b>In case of existing business or profession</b>	If- (a) His income from PGBP exceeds ₹ 120000 (₹ 250000 in case of individual or HUF) or; (b) Total sales/turnover/gross receipt thereof exceed ₹ 1000000 (₹ 2500000 in case of individual or HUF) In any of the three previous year immediately preceding the P.Y
<b>In case of newly set up business or profession</b>	If- (a) His income from PGBP is likely to exceed ₹ 120000 (₹ 250000 in case of individual and HUF) during the P.Y (c) Total sales/turnover/gross receipt thereof exceed ₹ 1000000 (₹ 2500000 in case of individual or HUF) during the P.Y
<b>In case of deemed profits u/s 44AE, 44BB or 44BBB</b>	If the assessee has claimed his income lower than the profits and gains so deemed, during the year
<b>Where the provisions of section 44AD(4) are applicable</b>	If his income exceed the maximum amount which is not chargeable to income tax in any previous year.

**Notes:**

- ❖ **Place at which books to be kept:** at principal place of business. However if separate book of account are maintained for each place of business, then the same are to be kept at their respective places.
- ❖ **Period for maintenance of books:** 6 years.

**AUDIT OF ACCOUNTS OF CERTAIN PERSONS CARRYING ON BUSINESS OR PROFESSION (SECTION 44AB)**

1. Tax audit: by CA in form 3CB along with prescribed particulars (form 3CD)

<b>In case of business</b>	<p>Total sales, turnover or gross receipt, as the case may be, <b>exceed ₹ 1 crore</b> in any previous year or</p> <p>However, in the case of a person whose –</p> <p>(a) Aggregate of all <b>amounts received</b> including amount received for sales, turnover or gross receipt during the previous year, in cash, <b>does not exceed 5%</b> of the said amount; and</p> <p>(b) Aggregate of <b>all payment</b> made including amount incurred for expenditure, in cash, during the previous year <b>does not exceed 5%</b> of the said payment,</p> <p>He will have to get his account audited if his total sales, turnover or gross receipt, as the case may be, <b>exceeds Rs 10 crore</b> in any previous year;</p> <p>The payment or receipt, as the case may be, by cheque drawn on a bank or by a bank draft which is not account payee, shall be deemed to be the payment or receipt, as the case may be, in cash</p> <p><b>Note:</b> The requirement of audit u/s 44AB does not apply to a person who declares profits and gains for the previous year on presumptive basis u/s 44AD(1).</p>
<b>In case of profession</b>	<p>Gross receipt <b>exceed Rs 50 lakh</b> in any previous year</p> <p><b>Note:</b> The requirement of audit u/s 44AB does not apply to a person who declares profits and gains for the previous year on presumptive basis u/s 44ADA(1).</p>
<b>In case the PGBP are deemed profits u/s 44AE, 44BB or 44BBB</b>	<p>If the assessee has claimed his income lower than the profits and gains so deemed, during the year</p>
<b>In case of business if the provisions of</b>	<p>If his income exceed the maximum amount which is not chargeable to income tax in any previous year.</p>

<b>section 44AD(4) are applicable</b>	
<b>In case the PGBP are deemed profit u/s 44ADA</b>	He has claimed his income to be lower than the profit and gains so deemed and his income exceed the maximum amount not chargeable to tax in any P.Y

2. Non-applicability: This section shall not apply to the person, who declares profits and gains for the previous year in accordance with the provisions of 44AD(1) and his total sales, turnover or gross receipt as the case may be in business **does not exceed ₹ 2 crore rupees in such previous year.**
3. Audit under other law.

**SPECIAL PROVISIONS FOR COMPUTING PROFITS AND GAINS OF BUSINESS ON PRESUMPTIVE BASIS (SECTION 44AD)**

**1. Eligible assessee:**

- Individual, HUF, partnership firm who is resident (not LLP)
- Not claimed deduction under section 10A, 10AA, 10B, 10BBA, 80-IA to 80RRB

**2. Eligible business:**

- Any business except section 44AE and
- **Whose turnover or gross receipt does not exceed Rs 2 crore in P.Y**
- It means -
  - (a) Any business, other than business referred to in section 44AE,
  - (b) whose total turnover/gross receipts in the P.Y. **≤ ₹ 300 lakhs** in the relevant P.Y., if aggregate cash receipts in the relevant PY **≤ 5%** of total turnover or gross receipts.In effect, if the turnover of business is **> ₹ 200 lakhs ≤ ₹ 300 lakhs**, the benefit of section 44AD can be availed only if aggregate cash receipts in relevant P.Y. **≤ 5%** of total turnover or gross receipts.

**Note:** For this purpose, the receipt of amount or aggregate of amounts by a cheque drawn on a bank or by a bank draft, which is not account payee, would be deemed to be the receipt in cash.

**3. Non applicability:**

- Person carrying specified profession referred under section 44AA.
- A person earning income in the nature of commission or brokerage
- A person carrying agency business.

**4. Presumptive income(section 28 to 43C would not apply):**

5. A sum equal to **8% (6% in case business carried through any mode other than cash)** [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate

payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]

- A sum higher claimed by assessee.

Shall be deemed to be the profit and gains of such business under PGBP.

**5. No deduction under section 30 to 38.**

6. **Determination of WDV:** jaise asset ki WDV nikalte hai vaise he nikalenge asset ki WDV pata karne ke liye but eska koi relevance nahi hai upper ki income nikalne main.

7. **Consequences of declaring lower income [section 44AD(4)]:** agar assessee 8% se bhi come income declare karta hai es section main toh vo next 5 assessment year ke liye ineligible ho jayega yeh section me income claim karne ke liye matlab section 44AD nahi le payega.

**8. In case profit claimed to be lower than the deemed profits - maintenance of audit and accounts:**

- To whom provisions of section 44AD(4) is applicable (upper diya hai) and
- Whose total income exceed the maximum amount not chargeable to income tax

**Shall be required to keep and maintain books of accounts u/s 44AA and get audited u/s 44AB.**

**9. Advance tax to be deposited upto 15<sup>th</sup> march of the relevant year.**

10. In case of supply of material by contractee/purchaser - no profit is earned thereon by contractor/manufacturer, hence not included in turnover/ gross receipt. (value of material ko nahi lenge)

**SPECIAL PROVISION FOR COMPUTING PROFIT AND GAINS OF PROFESSION ON PRESUMPTIVE BASIS [SECTION 44ADA]**

**1. Eligible assessee:**

- ✚ Being an individual or a partnership firm other than a limited liability partnership, who is a resident in India,
- ✚ Profession under section 44AA(1) and
- ✚ Total gross receipt does not exceed Rs 50 lakh in a P.Y [gross receipts  $\leq$  ₹ 75 lakhs in the relevant P.Y., if aggregate cash receipts in the relevant PY  $\leq$  5% of total gross receipts.]

In effect, if the gross receipts from profession is  $>$  ₹ 50 lakhs  $\leq$  ₹ 75 lakhs, the benefit of section 44ADA can be availed only if aggregate cash receipts in relevant P.Y.  $\leq$  5% of total gross receipts.

Note: For this purpose, the receipt of amount or aggregate of amounts by a cheque drawn on a bank or by a bank draft, which is not account payee, would be deemed to be the receipt in cash.

**2. Presumptive income:**

- ✚ 50 % of the total gross receipt or,
- ✚ Higher amount claimed by the assessee.

**3. No further deduction under section 30 to 38**

**4. WDV of asset:** jaise asset ki WDV nikalte hai vaise he nikalenge asset ki WDV pata karne ke liye but eska koi relevance nahi hai upper ki income nikalne main.

**5. Accounts and audit if profits claimed to lower than deemed profits:**

- ✚ Assessee who claims that his profits and gains are lower than the deemed profits and gains specified above and
- ✚ Whose total income exceed the maximum amount not chargeable to income tax  
Shall be required to keep and maintain books of accounts u/s 44AA and get audited u/s 44AB.

**6. Advance tax to be deposited upto 15<sup>th</sup> march of the relevant year.**

**SPECIAL PROVISION FOR COMPUTING PROFITS AND GAINS OF BUSINESS OF HIRING,PLYING OR LEASING GOODS CARRIAGE [SECTION 44AE]**

**1. Eligible assessee (section 28 to 43C would not apply):** assessee who

- ⊗ Owns not more than 10 goods carriage at any time during the P.Y and
- ⊗ Is engaged in the business of plying, hiring or leasing such good carriages.

Income shall be charged under the head PGBP

Hire purchase deemed to be the owner of goods carriage.

Note: even if on a single day, the number of goods carriage (whether heavy goods vehicle or not) exceed 10, then, this section shall not apply to that assessee for that P.Y

**2. Deemed profits:**

	Particulars	Rs
1.	<b>In case of goods carriage being a heavy goods vehicle : higher of</b> ✓ Rs 1000 per ton of gross vehicle weight or unladen weight, as the case may be, per month per vehicle * no. of months or part of a month in the P.Y during which the heavy vehicle is owned by the assessee * no. of heavy goods vehicle ✓ An amount claimed to have been actually earned	-
2.	<b>In case of goods carriage other than a heavy good vehicle: higher of-</b>	-



	<b>✓ Rs 7500 p.m per vehicle * no. of month or part of a month in the previous year during which the vehicle is owned by the assessee * no of other goods carriages</b> <b>✓ An amount claimed to have been actually earned</b>	
	Profit and gains from PGBP	-
Heavy goods vehicle means any good carriage, the gross vehicle weight of which exceeds 12000kg		
Unladen weight means the weight of a vehicle or trailer including all equipment ordinarily used with the vehicle or trailer when working but excluding the weight of driver or attendant and where alternative parts or bodies are used the unladen weight of the vehicle means the weight of the vehicle with the heaviest such alternative body or part.		

3. All other deductions deemed to be allowed under section 30 to 38.
4. Salary interest to partners is allowed.
5. Not requirement to maintain books of accounts and get the accounts audited
6. Option to claim lower profits: Shall be required to keep and maintain books of accounts u/s 44AA and get audited u/s 44AB.

### **AGRICULTURE INCOME**

#### **Instances of agriculture income:**

- ✚ Income from growing trade or commercial products like jute, cotton, etc. is an agriculture income.
- ✚ Income from growing flowers is an agriculture income.
- ✚ Plant sold in pots are an agriculture income provided basis operations are performed.
- ✚ **Remuneration and interest to partner:** Any remuneration (salary, commission etc) received by partner from a firm engaged in agriculture operation is an agriculture income.

#### **Instances of non-agriculture income:**

- Salary received by an employee from any business (having agriculture income)
- Dividend received from a company engaged in agricultural operation.
- Income from fisheries
- Income from poultry farming
- Income from dairy farming, butter & cheese making etc.
- Breeding & rearing of livestock.
- Income earned by a cultivator from conversion of sugarcane (raised on own land) to jaggery is non-agricultural income to the extent to which income is related to such conversion only.

- Income from a land situated outside India is non-agriculture income and taxable under the head "Income from other sources"
- Income from sale of trees and grasses grown spontaneously (without any human effort)
- Proceeds from sale of cocoons are not agriculture income. Agriculture produce is mulberry leaves and not silkworms.

**In case of rubber, coffee and tea business -**

Particulars	Rubber [Rule 7A]	Coffee [ Rule 7B]		Tea [ Rule 8]
Income derived from sale of -	Latex/catex/block rubbers manufactured or processed from rubber plants grown by seller in India	Coffee grown & cured by seller in India	Coffee grown & cured, roasted and grounded by seller in India	Tea grown & manufactured by seller in India
Business income	35%	25%	40%	40%
Agriculture income	65%	75%	60%	60%

**In case of any other business [Rule 7]:** The following mode will be adopted -

- ♣ **Agriculture income** = (market value of agriculture produce used as raw material for business + sale proceeds from direct sale of agriculture produce) - cost of cultivation.
- ♣ **Business income** = sale proceeds of the processed goods - market value of agriculture used as raw material for business - expenses for processing

**Condition for applicability:**

- (a) The taxpayer is a HUF, an individual, BOI or an AOP or artificial judicial person.
- (b) The non-agriculture income exceeds the maximum amount not chargeable to tax; and
- (c) Agriculture income exceeds ₹5,000.

**Computation of tax**

**Step 1:** Net agriculture income is to be computed as if it were income chargeable to income tax.

**Step 2:** compute tax on (agriculture + non-agriculture income)

**Step 3:** compute tax on (Net agriculture income + maximum amount not chargeable to tax)

**Step 4:** compute [Amount calculated in step 2 - amount calculated in step 3]

**Step 5:** total income tax payable = tax as computed under step 4 - tax rebate.

## CHAPTER - 6: CAPITAL GAIN

### CHARGING SECTION [SECTION 45]

#### Conditions:

- Capital asset
- Transfer
- Previous year
- Profit or gain/loss
- Should not be exempt

### CAPITAL ASSET [SECTION 2(14)]

#### 1. Capital asset means -

- a) **Property of any kind** held by the assessee, whether or not connected with business or not.
- b) Any securities held by FIIs
- c) Any unit linked insurance policy (ULIP) issued on or after 1/2/2021, to which exemption u/s 10(10D) does not apply on account of -
  - (i) Premium payable exceeding ₹ 2,50,000 for any of the previous year during the term of such policy; or
  - (ii) The aggregate amount of premium exceeding ₹ 2,50,000 in any of the previous year during the term of any such ULIP(s), in a case where premium is payable by a person for more than one ULIP issued on or after 01/2/2021

#### But does not include

- a) Any **stock in trade** (other than above point), consumable stores or raw material held for the purpose of business or profession.
- b) **Personal effect**, that is to say, movable property (including wearing apparel and furniture) held for personal use by the assessee or any member of his family dependent upon him, but excludes -
  - i. Jewellery
  - ii. Archaeological collection
  - iii. Drawing
  - iv. Painting
  - v. Sculptures
  - vi. Any work of art.

(matlab yeh sab capital asset hai)

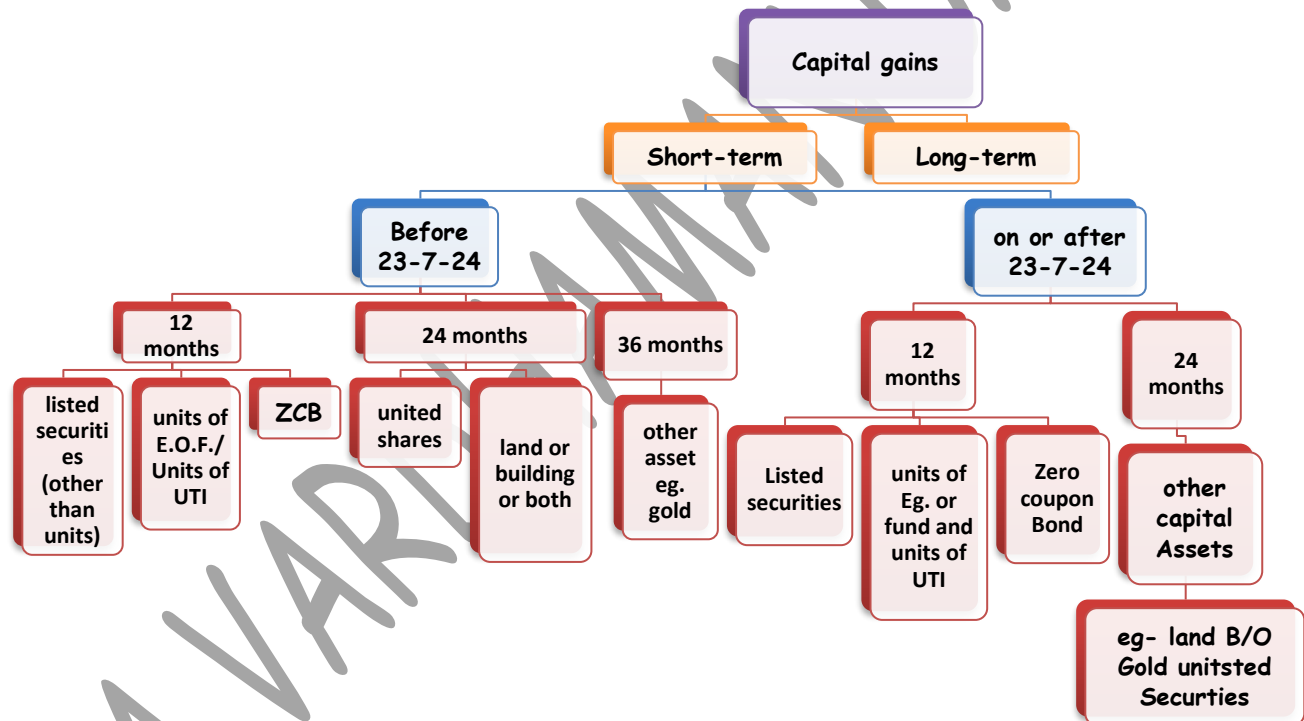
- c) **Rural agriculture lands**: urban agriculture land capital asset hai.
  - i. Agriculture land situated in an area where population not less than 10000.
  - ii. Agriculture land situated within limit:

≤ 2 km	-	10000 ≤ 100000
≤ 6km	-	100000 ≤ 1000000

< 8 km - 1000000 <

- d) Specified gold bonds
- e) Special bearer bonds, 1991
- f) Gold deposit bonds (gold monetisation bond 2015)
- 2. Rights in or relation to an Indian company - included in property
- 3. Other aspects - silver utensils (in kitchen or dining room for personal use will not be treated as capital asset), silver bars, sovereign and rupee coins used for puja, festival etc is treated as capital asset. Gold articles are capital asset.

**SHORT TERM CAPITAL ASSET [SECTION 2(42A)]**



**Transfer Before 23/07/2024 then we will check 12m,24m,16m,and transfer on or after 23/07/2024 we will 12m or 24m**

### **DETERMINATION OF PERIOD OF HOLDING**

	<b>CIRCUMSTANCES</b>	<b>PERIOD OF HOLDING</b>
1.	Shares held in a company in liquidation	Period subsequent to liquidation will be excluded
2.	Capital asset acquired u/s 49(1) modes	Period for which asset held by previous owner will be included.
3.	Conversion of inventory into capital asset	Period from date of conversion shall be considered
4.	Shares held in amalgamated company	Period for which shares held in amalgamating company will also be considered
5.	Right shares a) Shares subscribed b) Right renounced	From the date of allotment
6.	Offer of right	Period from the date of offer of such right
7.	Bonus shares	From the date of allotment
8.	Shares held in resulting company	Period from the shares held in demerged company
9.	Units of mutual fund acquired under consolidating scheme of mutual fund	Period jab units consolidate hone ke phele wale time ko bhi include karenge
10.	Equity shares acquired on conversion of preference shares	Period of preference share will also be included
11.	Units of mutual fund acquired under consolidating plan of mutual fund scheme	Period for which units held in scheme before consolidating will also be included
12.	Sweat equity shares/ESOP	Period from the date of allotment
13.	(i) Where Electronic Gold Receipt is issued by a Vault Manager in respect of gold deposited [Conversion of gold into Electronic Gold Receipt as referred to in section 47(viid)]	The period for which such gold was held by the assessee prior to conversion into the Electronic Gold Receipt
	(ii) Where gold is released in respect of an electronic gold receipt [conversion of electronic gold receipt into gold as referred to in section 47(viid)]	The period for which such electronic gold receipt was held by the assessee prior to its conversion into gold

**Property constructed on a land purchased earlier:** then land and building ka period of holding alag alag compute karenge.

### **TRANSFER [ SECTION 2(47)]**

Transfer in relation to capital asset includes -

- ♣ **Sale, exchange or relinquishment** of the asset,
- ♣ **Compulsory acquisition** under any law,
- ♣ **Extinguishment** of any rights therein,
- ♣ **Maturity or redemption of zero coupon bond**,
- ♣ **Capital asset converted into stock in trade**,
- ♣ Any transaction involving allowing of **possession of immovable property to be taken or retained in part performance** of a contract of the nature referred under section 53A of transfer of property act, 1882,
- ♣ Any transaction (whether by way of acquiring shares in, or by way of becoming a member of, a **cooperative society, company or other AOP** or by way of any arrangement or agreement or in any other manner) that has the effect of transferring, or enabling the enjoyment of, any immovable property.

### **TRANSACTION NOT REGARDED AS 'TRANSFER' [SECTION 47]**

SEC. 47	TRANSACTIONS
(i)	Any distribution of capital asset on the <b>total or partial partition of HUF</b>
(iii)	Any transfer of a capital asset under a <b>gift or will or an irrevocable trust</b> : Any transfer of a capital asset by an individual or a HUF, under a gift or will or an irrevocable trust. [Amended w.e.f. 1/4/2025 i.e. AY 2025-26]
(iv)	Any transfer of a capital asset by a company to its subsidiary co. if - a) Parent company or nominees hold <b>100%</b> of the share capital of subsidiary co. <b>b) Subsidiary co is an Indian company.</b>
(v)	Any transfer of a capital asset by a subsidiary company to its holding co. if - c) Parent company hold <b>100%</b> of the share capital of subsidiary co. <b>d) holding co. is an Indian company.</b>
(vi)	Any transfer, in a <b>scheme of amalgamation</b> , of a capital asset by the amalgamating company to the amalgamated company if the amalgamated company is an Indian company.
(vib)	Any transfer, in a <b>demerger</b> , of capital asset by the demerged company to the resulting company, if the resulting company is an Indian company.
(vid)	Any <b>transfer or issue of shares by the resulting company</b> , in a scheme of demerger <b>to the shareholders of the demerged company</b> if the transfer or issue is made in consideration of demerger of the undertaking.
(vii)	Any <b>transfer by a shareholder, in a scheme of amalgamation</b> , of a capital asset being a share or shares held by him in the amalgamating company, if



	<p>-</p> <p>a) the transfer is made in consideration of the allotment to him of any share or shares in the amalgamated company except where the shareholder itself is the amalgamated company; and</p> <p>b) The amalgamated company is an Indian company.</p> <p>However, if besides share(s) in amalgamated company, the shareholder is allotted something more, say bonds or debentures, in consideration of such transfer; the transfer will not be exempt. Composite consideration is not covered by section 47(vii). - CIT v. Gautam Sarabhai Trust [1988] 173 ITR 216 (Guj.)</p>
(viiia)	Any transfer, made outside India, of a capital asset being rupee denominated bond of an Indian company issued outside India, by a non-resident to another non-resident.
(viiib)	<p>Transfer of specified capital asset by a non-resident on a recognized stock exchange in any IFSC:</p> <p>Any transfer of a capital asset, being-</p> <p>(a) bond or Global Depository Receipt referred to in Section 115AC(1); or</p> <p>(b) rupee denominated bond of an Indian company; or</p> <p>(c) derivative; or</p> <p>(d) such other securities as may be notified by the Central Government in this behalf,</p> <p>made by a non-resident on a recognised stock exchange located in any International Financial Services Centre (IFSC) and where the consideration for such transaction is paid or payable in foreign currency.</p>
(viiic)	Any transfer of a capital asset, being Government Security carrying a periodic payment of interest, made outside India through an intermediary dealing in settlement of securities, by a non-resident to another nonresident.
(viid)	Any transfer of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015, by way of redemption, by an assessee being an individual.
(viid)	Conversion of gold into Electronic Gold Receipt or vice a versa: Any transfer of a capital asset, being conversion of gold into Electronic Gold Receipt issued by a Vault Manager, or conversion of Electronic Gold Receipt into gold.
(ix)	Any transfer of a capital asset, being any work of art, archaeological, scientific or art collection, book, manuscript, drawing, painting, photograph or print, to the Government or a University or the National Museum, National Art Gallery, National Archives or any such other public museum or institution as may be notified by the Central Government in the

[illegible]

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[illegible]

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before 23/7/2024, benefit of indexation shall be available and same shall be chargeable to tax @20% u/s 112

**Notes:**

**1. Computation of indexed COA or COI -**

$\text{Indexed COA} = \text{COA} * \text{CII of the year of transfer}$

CII for [ (i) first year in which asset was held by the assessee or  
(ii) for the year beginning on 1-4-2001, whichever is later ]

$\text{Indexed COI} = \text{COI} * \text{CII of the year of transfer}$

CII for the year in which cost of improvement took place

**2. STT paid is not allowed.**

**3. COMPUTATION OF CAPITAL GAINS- SHORT TERM AND LONG TERM**

The cost of acquisition of the asset or the cost of improvement thereto would not include the deductions claimed on interest u/s 24(b) or under the provisions of Chapter VI-A.

4. Interest on loan taken for acquisition, construction, repairs, reconstruction of house property is allowable as deduction under section 24(b). Sections 80EE and 80EEA in Chapter VI-A provide for deduction of interest payable on loan taken for acquisition of house property, subject to fulfillment of certain conditions.

5. The interest allowed as deduction under section 24(b) while computing income from house property and interest allowed as deduction under section 80EE or 80EEA of Chapter VI-A would not be included in the cost of acquisition or cost of improvement while computing capital gains on transfer of house property.

6. Indexation benefit will not be available in computing the long-term capital gain arising from the transfer of a long-term capital asset, being a bond or debenture other than-

(a) Capital indexed bonds issued by the Government; or

(b) Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015.

In case of depreciable assets, unit of a specified mutual fund and marked linked debenture (discussed later), there will be no indexation and the capital gains will always be short-term capital gains.

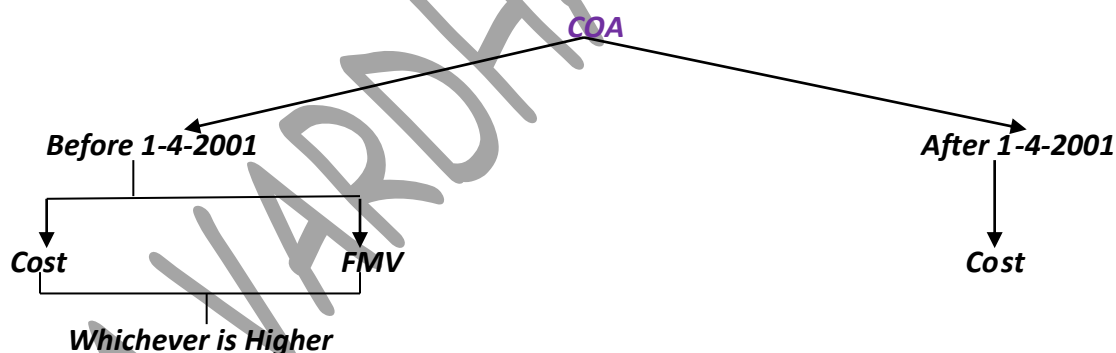
7. In case of assessee being a non-resident, any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of a Indian company held by him, shall be ignored for the purpose of computation of full value of consideration under this section.

**8. CII for 24-25 is 363.**

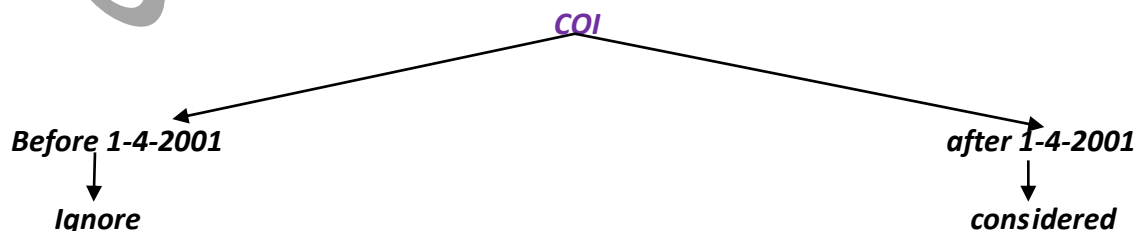
**SPECIAL PROVISION FOR NON - RESIDENTS [ FIRST PROVISO TO SECTION 48 AND RULE 115A]**

PARTICULARS	AMOUNT
Full Value of consideration is converted into foreign currency by applying <b>average exchange rate as on the date of transfer</b>	-
Less: Expenses incurred wholly and exclusively on transfer is converted into foreign currency by applying <b>average exchange rate as on date of transfer.</b>	-
Less: Cost of acquisition is converted into foreign currency by applying average exchange rate as on date of acquisition. <b>(No indexation benefit is available)</b>	-
Resultant Capital Gains in foreign currency to be reconverted into Indian Currency by applying telegraphic transfer <b>buying rate on date of transfer.</b>	-
<b>Note:</b> (1) <b>Average exchange rate</b> [Telegraphic transfer buying rate + Telegraphic transfer selling rate (as per SBI)] + 2 (2) This manner of computation of capital gains shall be applicable in respect of capital gains accruing or arising from every reinvestment thereafter in, and sale of, shares/debentures of an Indian company.	

**SECTION 55**



**In case of a capital asset**, being land or building or both, the fair market value of such asset on 01-04-2001 **shall not exceed the stamp duty value**, whenever available, of such asset as on 01-04-2001.



**COST WITH REFERENCE TO CERTAIN MODES OF ACQUISITION (SECTION 49)**

Sec. 49	Mode of acquisition	Cost
(1)	Where the capital asset became the property of the assessee under modes specified in Section 49(1). [Note-1]	Cost of previous owner + cost improvement of previous owner (note 2)
(2)	Where the share(s) of an amalgamated Indian company became the property of the assessee in consideration of a transfer in scheme of amalgamation.	COA amalgamating co. Wali
(2A)	Where the shares or debentures of a company became the property of the assessee by way of conversion of bonds or debentures, debenture-stock or deposit certificates, referred to in Section 47(x)/ (xa).	Jo cost bonds or debenture ki thi
(2AA)	Transfer of specified security/stock options or sweat equity shares, referred to in Section 17(2)(vi).	FMV is taken
(2AD)	Where the capital asset, being a unit or units in a consolidated scheme of a mutual fund, became the assessee in consideration of a transfer property of referred to in Section 47(xviii).	COA shall be the COA of units to him.( jitne me acquire kiya unit ko)
(2AE)	Where the capital asset, being equity share of a company, became the property of the assessee in consideration of a transfer referred to in Section 47 (xb).	Jo cost preference share ki hai vahi equity ki hogi
(2C)/(2D)	Where the share(s) of resulting company became the property of the assessee in scheme of demerger.	Cost of shares in resulting company : jitne ki asset phele thi usko proportionate karke batana padega dono company main.
(4)	Transfer of been a property, the value of which has subject to tax under section 56(2)(vii)/ (viiia)/ (x) (i.e. taxable gifts of movable/immovable property).	Value which has been taken under 56(2)(vii)/ (viiia)/ (x)
(9)	Where the capital gain arises from the transfer of a capital asset referred to in Section 28(via)	Cost of acquisition of such asset shall be deemed to be in the

		fair market value which has been taken into account for the purpose of section 28(via)
10	Where a capital asset, being an Electronic Gold Receipt issued by a Vault Manager became the property of the person as consideration for transfer of gold [Section 47(viid)]	The cost of gold in the hands of the person in whose name Electronic Gold Receipt is issued.
	Where gold is released against an Electronic Gold Receipt, which became the property of the person as consideration for transfer of Electronic Gold Receipt [Section 47(viid)]	The cost of the Electronic Gold Receipt in the hands of such person.

**Notes:**

**(1) The various modes specified under section 49(1):**

**Where the capital asset become the property of the assessee -**

- (i) On any distribution of assets on the total or partial partition of a Hindu undivided family;
- (ii) Under a gift or will;
- (iii) (a) by succession, inheritance or devolution, or  
(b) on any distribution of assets on the liquidation of a company, or  
(c) under a transfer to a revocable or an irrevocable trust, or  
(d) under any such transfer as is referred to in Section 47(iv)/(v)/(vi)/(via)/(viaa)/(viab)/(vib)/(vic)/(vica)/(vicb)/(vicc)/(xiii)/(xiib)/(xiv).
- (iv) In case of HUF-assessee, by conversion of member's individual property into HUF property.

(2) 'Previous owner' means the last previous owner of the asset who acquired it by a mode of acquisition other than that referred to under section 49(1).

(3) Indexation benefits in respect of the gifted asset to apply from the year in which the asset was first acquired by the previous owner.

Capital asset	COA	COI
Goodwill of business or profession or any other intangible asset of business or right to manufacture/ produce/ process any article/ thing, or right to carry on any business or profession or any other right.	If self generated - NIL If purchased from previous owner - purchase price	NIL



Trademark /brand name associated with business or tenancy rights or stage carriage permits / loom hours	If self generated - NIL If purchased from previous owner - purchase price	Expenses incurred by assessee or previous owner after 31-3-2001
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However, in case of a capital asset, being goodwill of a business or profession, in respect of which depreciation u/s 32(1) has been obtained by the assessee in any previous year (upto P.Y 2020-21), the cost of acquisition of such goodwill would be the amount of the purchase price as reduced by the total amount of depreciation (upto P.Y 2020-21) obtained by the assessee u/s 32(1).

### **BONUS SHARE [ SECTION 55 ]**

- ♣ Allotted **before** 1-4-2001 - COA = **cost** of acquisition
- ♣ Allotted **after** 1-4-2001 - COA = **NIL**
- ♣ Bonus share allotted before 1-2-2018, on which STT has been paid at the time of transfer -

Step 1: COA

Step 2: (1) FMV on 31/1/2018 or

(1) Sale consideration

(1) Or (2) whichever is lower

**Step 1 and step 2 [ whichever is higher ]**

### **RIGHT SHARE [ SECTION 55 ]**

- ♣ **COA** - purchase price
- ♣ **Rights are renounced** - COA = purchase price + amount paid for renounced
- ♣ **Offer for right shares** - **NIL**

### **SHARES/STOCK OF COMPANY ACQUIRED ON CONSOLIDATION & DIVISION OF SHARES OF LARGER OR SMALLER AMOUNT / CONVERSION OF SHARES INTO STOCK OR VICE - VERSA / CONVERSION OF ONE KIND OF SHARES IN OR OTHER**

COA = cost calculated with reference to the cost of acquisition of the shares or stock from which such share or stock is derived.

### **CAPITAL GAIN IN SPECIAL CASES**

### **CAPITAL GAINS IN CASE OF DAMAGE OR DESTRUCTION OF CAPITAL ASSET [section 45(1A)]:**

Where any person receives, at any time during any previous year, any money or other assets under an insurance from an insurer on account of damage to, or destruction of, any capital asset, as a result of -

- a) **flood, typhoon, hurricane, cyclone, earthquake or other convulsion of nature;**  
**or**

- b) riot or civil disturbance; or
  - c) accidental fire or explosion; or
  - d) action by an enemy or action taken in combating an enemy (whether with or without a declaration of war),  
then, any profits or gains arising from receipt of such money or other assets shall be taxable as capital gains, where-
- Sale consideration - value of money + FMV of asset received
  - Year of taxability - P.Y in which money or asset is received
  - Other than above cases damages to asset will not be taxable.

**CAPITAL GAIN IN CASE OF TRANSFER OF SHARES HELD BY DEPOSITORY [ SECTION 45(2A)]**

COA AND PERIOD OF HOLDING shall be determined on the basis of FIFO method

**COMPULSORY ACQUISITION OF ANY CAPITAL ASSET UNDER ANY LAW [ SECTION 45(5)]**

- ✦ Sale consideration - amt. of compensation
- ✦ Year of taxability - P.Y in which compensation is first received by assessee
- ✦ In case compensation is enhanced -
  - ❖ Sale consideration - full value of consideration
  - ❖ COA/COI - NIL
  - ❖ Compensation received by interim order - taxable when final compensation is received
- ✦ Interest received on compensation/ enhanced compensation - 50% is taxable.
- ✦ Compulsory acquisition of urban agriculture land - exempt [ section 10(37)]
  - ❖ Land in urban area
  - ❖ 2 years before transfer used for agriculture purpose by individual / HUF
  - ❖ There is compulsory acquisition by govt.
  - ❖ Income arisen after 1-4-2004.
- ✦ Capital gains on transfer of specified asset under land pooling scheme - exempt [ section 10(37A)]

**CAPITAL GAIN ON DISTRIBUTION OF ASSET BY COMPANY IN LIQUIDATION (SECTION 46)**

✦ **Taxability:**

In the hands of company: shall not be regarded as transfer

In the hands of shareholder: taxable as capital gain

**Computation of capital gain**

Particulars	Amount
Money so received or market value of the other asset received on liquidation on the date of distribution	-
Less: amount assessed as deemed dividend under section 2(22)(c) to the	-

extent of accumulated profits as on the date of liquidation	
Full value of consideration for the purpose of section 48	-
Less: ICOA (or COA) of the shares held in that co.	-
<b>LTCG/STCG</b>	-

- ✦ Cost of acquisition of assets received on liquidation in hands of shareholders:  
FMV on the date of distribution.

**CAPITAL GAINS ON PURCHASE BY COMPANY OF ITS OWN SHARES OR OTHER SPECIFIED SECURITIES [SECTION 46A]**

<b>Taxability in the hands of</b>	<b>Buyback of shares by domestic companies</b>	<b>Buyback of shares by company, other than domestic companies</b>	<b>Buyback of specified securities by any company</b>
<b>Company</b>	<b>23.296%</b> (unlisted bhi covered hai) However, the company shall not be liable to pay tax on any buy-back of shares, that takes place on or after 01-10-2024	No tax	No tax
<b>Shareholders</b>	Income arising to shareholders of listed / unlisted companies is exempt under section 10(34) However, exemption shall not apply with respect to any buy back of shares by a company on or after 01-10-2024 and in computing capital gains on such buy back, the value of consideration received by the shareholder shall be deemed to be nil. Note: Amount received on buy back shall be taxable as deemed dividend in hands of shareholder.	Taxable as capital gain u/s 46A	Taxable as capital gain u/s 46A
<b>Note:</b> The sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders, who received payment from such			

buy-back of shares and shall be charged to income-tax at applicable rates. No deduction for expenses shall be available against such dividend income while determining the income from other sources. The cost of acquisition of the shares which have been bought back would generate a capital loss in the hands of the shareholder as these assets have been extinguished. Therefore when the shareholder has any other capital gain from sale of shares or otherwise subsequently, he would be entitled to claim his original cost of acquisition of all the shares (ie. the shares earlier bought back plus shares finally sold). It shall be computed as follows:

- (i) deeming value of consideration of shares under buy-back (for purposes of computing capital loss) as nil;
- (ii) allowing capital loss on buy-back, computed as value of consideration (nil) less cost of acquisition;
- (iii) allowing the carry forward of this as capital loss, which may subsequently be set-off against consideration received on sale and thereby reduce the capital gains to this extent.

Example:

100 shares bought in 2020 @ ₹ 40/- per share

Total cost of acquisition 4,000/-

20 shares bought back in 2024 @ ₹60/- per share

Income taxable as deemed dividend ₹1,200/-

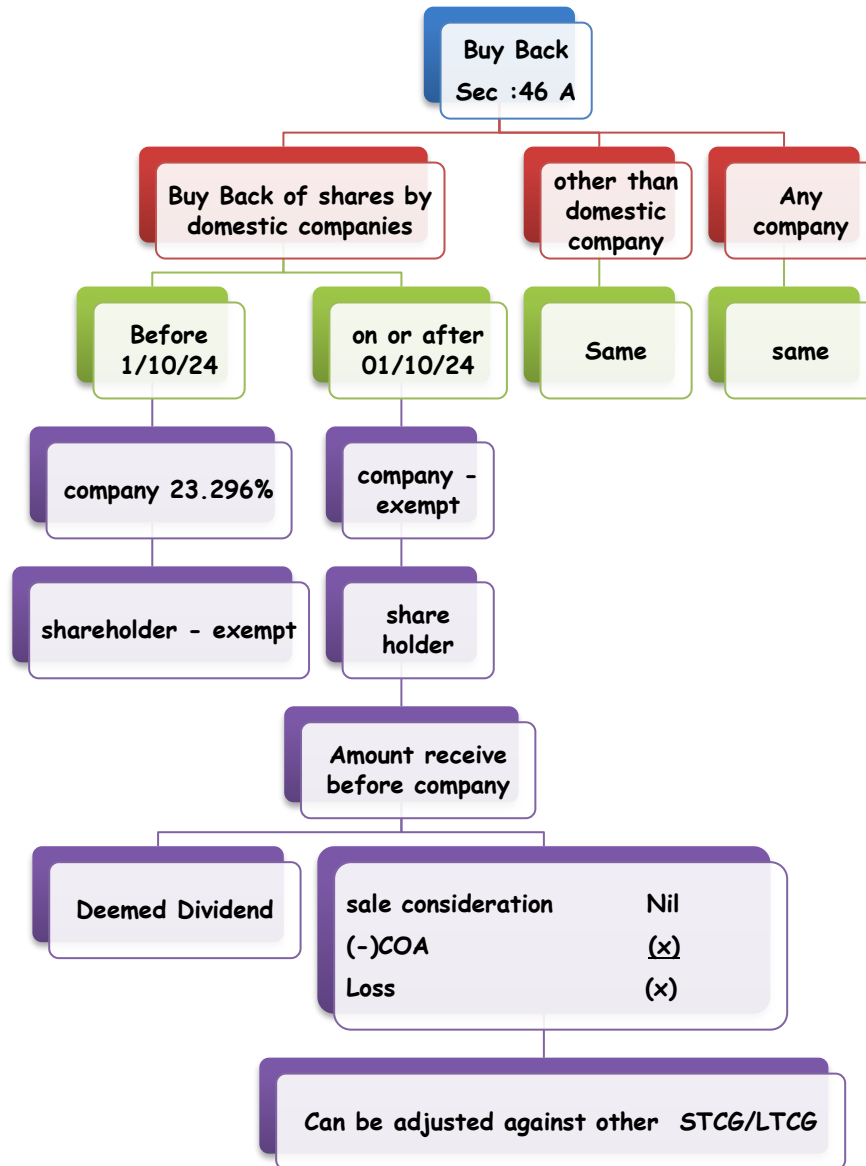
Capital loss on such buyback (₹ 40×20) ₹800/-

50 Shares sold in 2025 @ ₹ 70 per share

Capital Gain (3,500-2,000) ₹ 1,500

Chargeable capital gain after set off ₹ 700.

These amendments will take effect from 01-10-2024, and will accordingly apply to any buy-back of shares that takes place on or after this date.



**CAPITAL GAIN IN CASE OF DEPRECIABLE ASSET U/S 50.**(yeh apan PGBP me block ke concept me padte hai so yaha vapis padhne ki jarurt nahi hai)

**SPECIAL PROVISION FOR COMPUTATION OF CAPITAL GAIN IN CASE OF SLUMP SALE [SECTION 50B]**

**Slump sale [ section 2(42C) ]:** it means transfer of one or more undertakings, by any means, for a lump sum consideration without values being assigned to the individual assets and liabilities in such transfer.

Computation of capital gain:

Full value of consideration being <b>Fair Market value of the capital assets as on the date of transfer, calculated in the prescribed manner</b>	-
	-

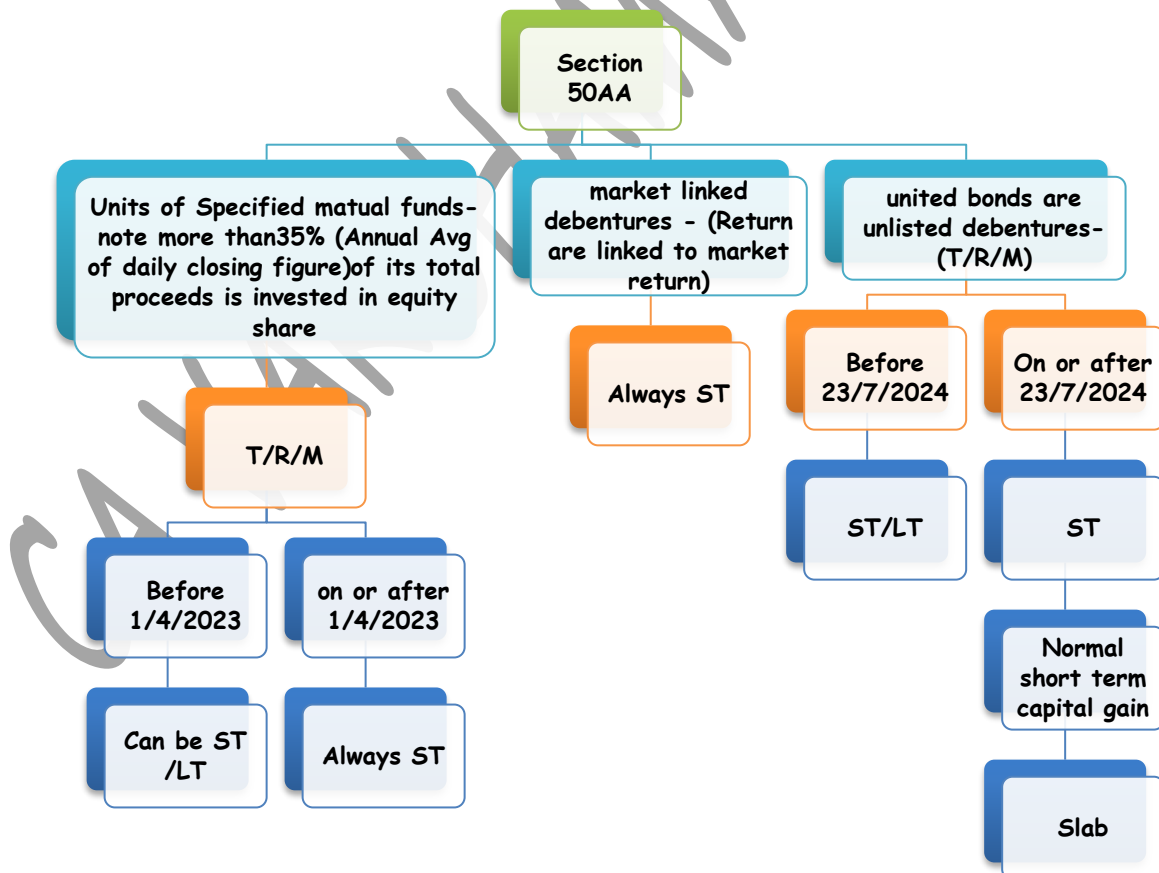
Less: expenditure incurred	-
Less: Net worth	-
<b>Short term/long term capital gain</b>	-

**Computation of net worth:**

Aggregate value of total asset of undertaking (ignore revaluation):-	-
In case of depreciable asset, the WDV of the block	-
In case asset section 35AD wali hai	-
In the case of capital asset being goodwill of a business or profession, which has not been acquired by the assessee by purchase from a previous owner	-
In case of other asset, the book value	-
Less: value of liabilities	-
<b>Net worth</b>	-

- No indexation
- Certificate by chartered accountant

**COMPUTATION OF CAPITAL GAINS IN CASE OF DEBENTURES [SECTIONS 50AA]**  
**MARKET LINKED**



**T-TRANSFER ,R-REDEM, M-MATURITY, ST-SHORT TERM, LT- LONG TERM**



**FULL VALUE OF CONSIDERATION IN CERTAIN CASES [ SECTION 50C ]**

1. Stamp duty value deemed to be full value of consideration in case it exceed actual consideration:

- ❖  $SDV > \text{sale consideration} - SDV$
- ❖  $SDV < \text{sale consideration} - \text{sale consideration}$

**Sale consideration on the date of agreement to be considered:** Agar any mode other than cash main date of agreement wale din payment kiya hai toh date of agreement wale din ki SDV otherwise SDV date of registry ki lenge. [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment]

2. Stamp duty value not be full value of consideration: Agar sale consideration and SDV me difference **110%** se jayada ka nahi hai toh apna SDV lenge
3. Reference to valuation officer: the assessing officer may refer to valuation officer where -
- ❖ The assessee claim  $SDV > FMV$  and
  - ❖ SDV has not been disputed
4. Where the value ascertained by valuation officer exceeds the value assessed by stamp valuation authority:
- ❖  $SDV > \text{valuation officer ki determined value} - \text{valuation officer ki determined value lenge}$
  - ❖  $SDV < \text{valuation officer ki determined value} - SDV \text{ lenge.}$
5. FMV as on 01-04-2001 not to exceed SDV as on that date: in case of a capital asset, being land or building or both, the fair market value of such asset on 01-04-2001 shall not exceed the stamp duty value, wherever available, of such asset as on the 1-04-2001.

**SPECIAL PROVISION FOR FULL VALUE OF CONSIDERATION FOR TRANSFER OF SHARE OTHER THAN QUOTED SHARE [ SECTION 50CA ]**

Agar unquoted shares and value of consideration FMV se kam hai toh bhi value of consideration ko deemed full value of consideration manege

However, the provision of this section shall not apply to any consideration received or accruing as a result of transfer by such class of persons and subject to such conditions as may be prescribed.

**FAIR MARKET VALUE DEEMED TO BE FULL VALUE OF CONSIDERATION IN CERTAIN CASES [ SECTION 50D ]**

Jaha pe consideration is not ascertainable or cannot be determined toh FMV will be deemed to be full value of consideration.

**ADVANCE MONEY FORFEITED [ SECTION 51 ]**

**If advance was received and forfeited  
Before 1-4-2014**

**Advance forfeited to be deducted while determining  
COA for computing capital gain**

**Taxability is postponed to the year of actual  
of  
Transfer of capital asset**

**if advance was received and  
forfeited on or after 1-4-2014**

**advance forfeited to be taxed as  
IOS**

**tax liability is attracted in the year  
forfeiture of advance**

S.no	Particulars	Section 54	Section 54B	Section 54D	Section 54EC	Section 54F
1.	Eligible assessee	Individual/HUF	Individual/HUF	Any assessee	Any assessee	Individual/HUF
2.	Asset transferred	Residential house (LTCA)	Urban agriculture land	Land & building forming part of an industrial undertaking	Land or building or both (LTCA)	Any LTCA other than residential houses.
3.	Other conditions	Income from such house should be chargeable under the head "income from house property"	Land should be used for agriculture purposes by assessee or his parents or HUF for 2 years immediately preceding the date of transfer.	Land & building have been used for business of undertaking for at least 2 years immediately preceding the date of transfer. The transfer should be by way of compulsory acquisition of the industrial	-	Assessee should not own more than one residential house on the date of transfer. He should not purchase within 2 years or construct within 3 years after the

				undertaking		date of transfer, another residential house.
4.	Qualifying assets i.e., asset in which capital gain is to be invested	One residential house situated in India/Two residential houses in India, at the option of the assessee, where capital gains does not exceed Rs 2 crore	Land for being used for agriculture purpose (urban/rural )	land or building or right in land or building	Bonds of NHAI or RECL or any other bond notified by C.G (redeemable after 5 years)	One residential unit situated in India
5.	Time limit for purchase/construction	Purchase within 1 year or before 2 years after the date of transfer or construct within 3 years after the date of transfer	Purchase within a period of 2 years after the date of transfer.	Purchase/construct within 3 years after the date of transfer, for shifting or re-establishing the exiting undertaking or setting up a new industrial undertaking	Purchase within a period of 6 months after the date of transfer.	Purchase within 1 year or before 2 years after the date of transfer or construct within 3 years after the date of transfer
6.	Amount of exemption	Cost of new residential house or two houses,	Cost of new agriculture land or capital gain, whichever	Cost of new asset or capital gain whichever is lower	Capital gain or amount specified in bonds, whichever is	Cost of new residential house > net sale

		<p>as the case may be or capital gain, whichever is lower, is exempt.</p> <p>However, if the cost of new residential house(s) exceeds ₹ 10 crores, the amount exceeding ₹ 10 crore would not be taken into account for exemption.</p> <p>It means the maximum exemption that can be claimed by the assessee under section 54 is ₹ 10 crore."</p>	<p>lower is exempt.</p>		<p>lower. Maximum permissible investment out of capital gain arising in any financial year is Rs 50lacs, whether such investment is made in the current F.Y or subsequent F.Y or both.</p>	<p>consideration of original asset, entire capital gain is exempt. Cost of new residential house &lt; net consideration of original asset, proportionate capital gain is exempt.</p> <p>However, if the cost of new residential house(s) exceeds ₹ 10 crores, the amount exceeding ₹ 10 crore would not be taken into account for exemption. It means the maximum exemption</p>
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						that can be claimed by the assessee under section 54 is ₹ 10 crore."
	Lock in period	in 3 years	3 years	3 years	5 years	3 years

**Capital Gains Accounts Scheme (CGAS), 1988:** The assessee availing exemption under this section has to comply with the provisions of this scheme, which are as follows -

**(i) Exemption available only if amount deposited in the Deposit A/c before due date of return:** The exemption is available if the investment in new asset is made within the time allowed. In case, the amount of capital gains could not be appropriated for the specified purposes before the due date of furnishing return of income, then, the same is to be deposited by him, before furnishing such return, in deposit account in any such bank or institution as may be specified. Such return shall be accompanied by proof of such deposit.

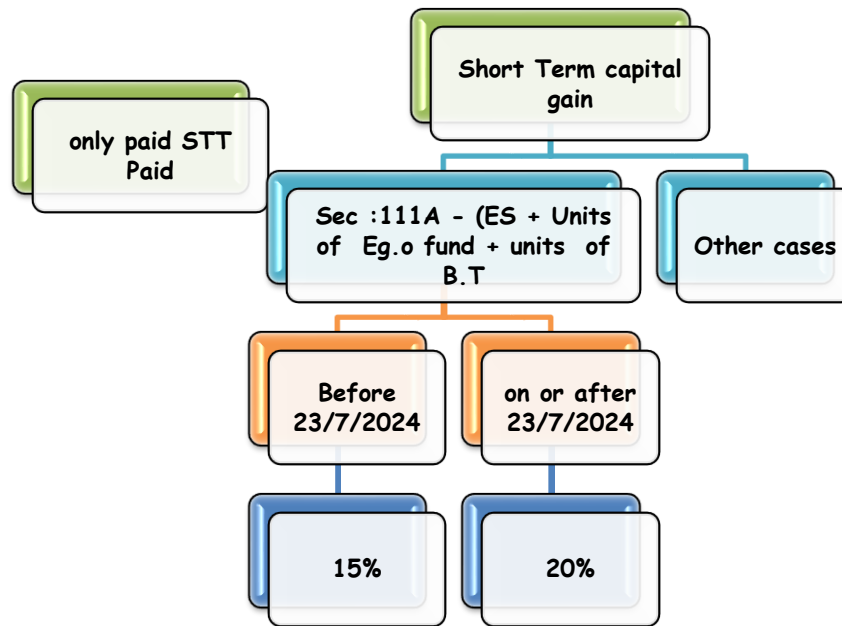
However, the capital gain in excess of ₹ 10 crore would not be taken into account for the purpose of deposit in CGAS.

#### **REFERENCE TO VALUATION OFFICER [ SECTION 55A ]**

With a view to ascertaining the fair market value of a capital asset, the Assessing Officer may refer the valuation of a capital asset to a Valuation Officer in following cases-

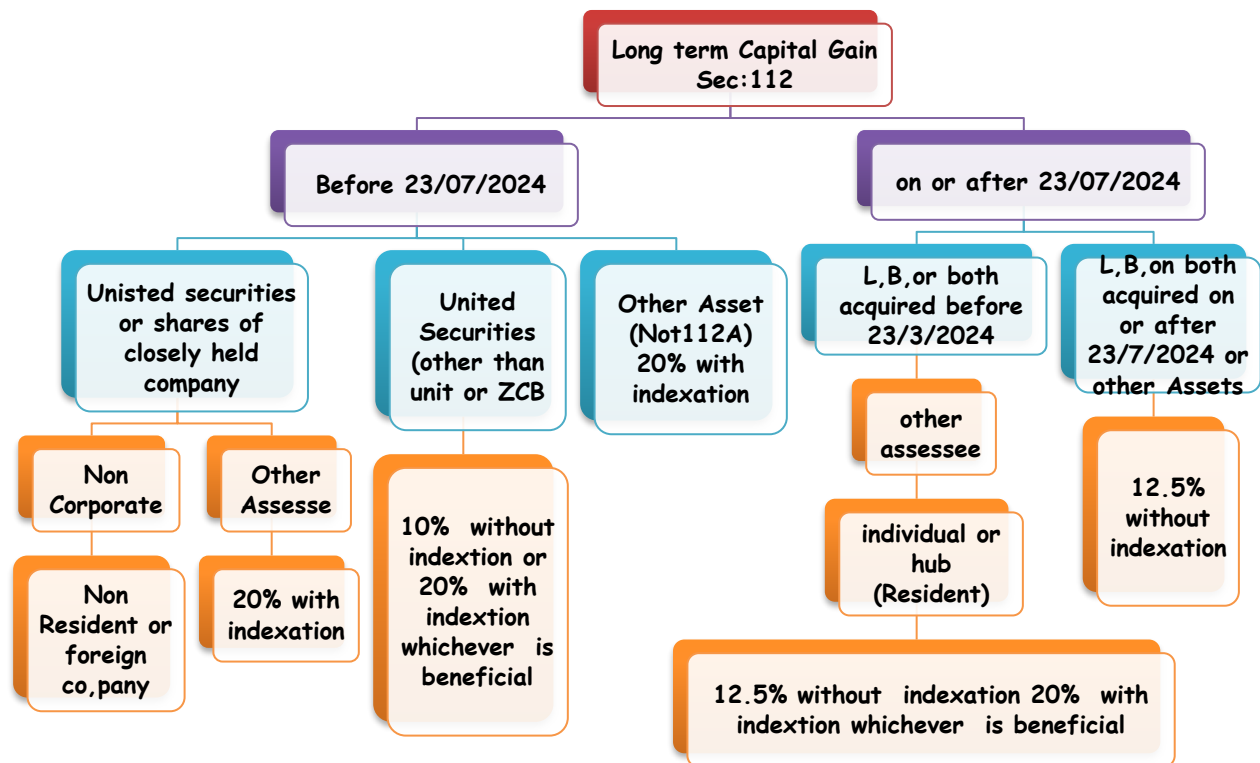
- (1) in a case where the value of the asset as claimed by the assessee is in accordance with the estimate made by registered valuer, if the Assessing Officer is of opinion that the value so claimed is at variance with its fair market value.
- (2) in any other case, if the Assessing Officer is of opinion
  - (i) that the fair market value of the asset exceeds the value of the asset as claimed by the assessee by -
    - (a) Rs 25,000; or
    - (b) 15% of the value claimed by the assessee;
  - (ii) that having regard to the nature of the asset and other relevant circumstances, it is necessary so to do.

#### **TAXABILITY OF CAPITAL GAIN**

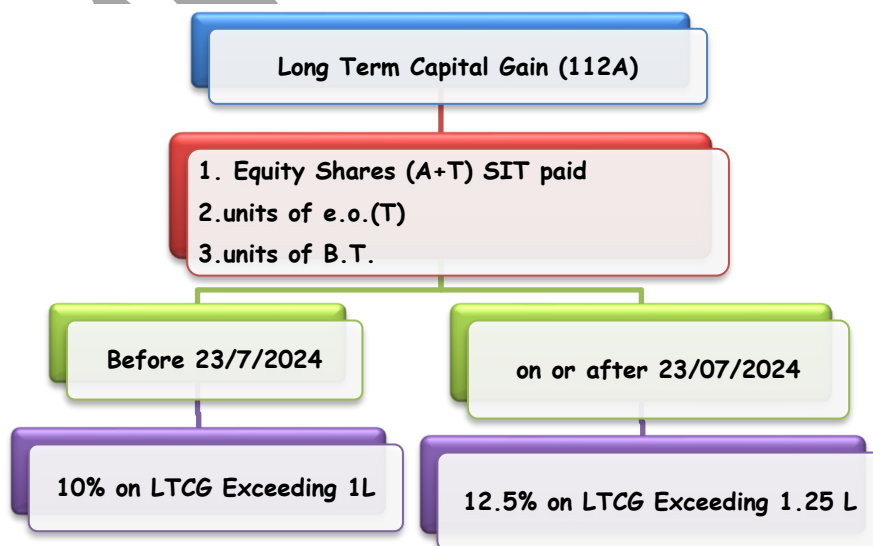


- ★ Individual/Hub =(BEL - Other income) - short term CG 111A
- ★ 111A - No Deduction
- ★ Other STCG - Deduction allowed .- Sec:50AA





- ✚ Individual/Hub =(BEL - Other income) - 112
- ✚ Bonds and debentures - same chart as Sec : 50AA
- ✚ No Deduction



- ✚ Total exemption cannot exceed above limit in a year
- ✚ Individual/HUB = (BEL-Other income) then (-) 112A.
- ✚ No deduction allowed
- ✚ No Rebote .u/s 87A.

**Meaning of FMV:**

	Circumstance	FMV
(i)	In a case where the capital asset is listed on any recognized stock exchange as on 31-01-2018	<p><b>If there is trading in such asset on such exchange on 31-01-2018</b>                      The highest price of the capital asset quoted on such exchange on the said date</p> <p><b>If there is no trading in such asset on such exchange on 31-01-2018</b>                      The highest price of such asset on such exchange on a date immediately preceding 31-01-2018 when such asset was traded on such exchange.</p>
(ii)	In a case where the capital asset is a unit which is not listed on any recognized stock exchange as on 31-01-2018	The net asset value of such unit as on the said date
(iii)	<p>In a case where the capital asset is an equity share in a company which is</p> <p>(a) not listed on a recognized stock exchange as on 31-01-2018 but listed on such exchange on the date of transfer</p> <p>(b) not listed on a recognized stock exchange as on the 31-01-2018, or which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31-01-2018 by way of transaction not regarded as transfer u/s 47, as the case may be, but listed on such exchange subsequent to the date of transfer (where such transfer is in respect of sale of unlisted equity shares under an offer</p>	<p>FMV = COA * CII of 2017-18 i.e. 272 CII for the first year in which the Asset was held by the assessee or 2001-02 whichever is later.</p>

	<p>for sale to the public included in an initial public offer)</p> <p>(c) listed on a recognized stock exchange on the date of transfer and which became the property of the assessee in consideration of share which is not listed on such exchange as on 31/1/2018 by way of transaction not regarded as transfer u/s 47</p>	
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## CHAPTER - 7: INCOME FROM OTHER SOURCES

### INCOME FROM OTHER SOURCES [SECTION 56]

Conditions:

- (1) Receipt of income
- (2) Income must not be exempt
- (3) Income must not be charged under any other head

Sec. 56(2)	Income taxable under the head "income from other resources"
(i)	Dividends
(ib)	Lottery income
(ic)	Employees contribution towards staff welfare fund : if not taxable under head PGBP
(id)	Interest on securities
(ii)	Hire income of plant, machinery and furniture: if not taxable under head PGBP
(iii)	Hire income of plant, machinery and furniture along with building: if not taxable under head PGBP
(iv)	Keyman insurance policy receipt: if not taxable under head PGBP, salary
(viib)	<p><del>Shares issued by Private limited Company — Issue price exceeds FMV of shares [Section 56(2)(viib)]</del></p> <p><del>Where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares.</del></p> <p><del>The person from whom the consideration is received may be a resident or non resident.</del></p> <p><b>Explanation:</b></p> <p><del>(a) The fair market value of the shares shall be the value—</del></p> <p><del>(i) as may be determined in accordance with such method as may be prescribed; or</del></p> <p><del>(ii) as may be substantiated by the company to the satisfaction of the Assessing Officer,</del></p> <p><del>based on the value, on the date of issue of shares, of its assets, including intangible assets being goodwill, knowhow, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar</del></p>

	<p>nature;</p> <p><del>Whichever higher,</del></p> <p><del>(b) "Venture capital company", "venture capital fund" and "venture capital undertaking" shall have the meanings respectively assigned to them in Section 10(23FB).</del></p> <p><del>(c) "Specified fund" means a fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which has been granted a certificate of registration as a Category I or a Category II Alternative Investment Fund and is regulated under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012 made under the SEBI Act, 1992 or regulated under the International Financial Services Centre Authority (Fund Management) Regulations, 2022 made under the International Financial Services Authority Act, 2019.</del></p> <p><del>(d) "Trust" means a trust established under the Indian Trusts Act, 1882 or under any other law for the time being in force.</del></p>
(viii)	Interest on compensation
(ix)	Advance money forfeited
(x)	<p>Sum received, including the amount allocated by way of bonus, under a LIP other than under a ULIP and keyman insurance policy, which is not exempt u/s 10(10D) [Section 56(2)(xii)]</p> <p>Any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy would not be included in the total income of a person [Section 10(10D)].</p>

The following table summarizes the exemption available under section 10(10D) vis-a-vis the date of issue of such policies and the corresponding condition to be satisfied for exemption -

Particulars	Exemption u/s 10(10D)
In respect of policies issued before 1.4.2013	Any sum received under a LIP including the sum allocated by way of bonus is exempt.
In respect of policies issued between 1.4.2003 and 31.3.2021	Any sum received under a LIP including the sum allocated by way of bonus exempt. However, exemption would not be available if the premium payable for any of the years during the term of the policy exceeds 20% of "actual capital sum assured".
In respect of	Any sum received under a LIP including the sum allocated by

<b>policies issue on or after 1.4.2012 but before 1.4.2013</b>	way of bonus is exempt. However, exemption would not be available if the premium payable for any of the years during the term of the policy exceeds 10% of actual capital sum assured.
<b>In respect of policies issue on or after 1.4.2013</b>	<b>(a) Where the insurance is on the life of a person with disability or severe disability as referred to in section 80U or a person suffering from disease or ailment as specified under section 80DDB.</b>
	Any sum received under a LIP including the sum allocated by way of bonus is exempt. However, exemption would not be available if the premium payable for any of the years during the term of the policy exceeds 15% of "actual capital sum assured"
	<b>(b) Where the insurance is on the life of any person, other than mentioned in (a) above</b>
	Any sum received under a LIP including the sum allocated by way of bonus is exempt. However, exemption would not be available if the premium payable for any of the years during the term of the policy exceeds 10% of "actual capital sum assured".
<b>In respect of policies issued on or after 1.4.2023</b>	Any sum received under a LIP including the sum allocated by way of bonus is exempt. However, exemption would not be available if the premium payable for any of the years during the term of the policy exceeds 10% or 15%, as the case may be, of "actual capital sum assured." Further, exemption would also not be available if the amount of premium payable exceeds ₹ 5,00,000 for any of the previous years during the term of such policy. In a case where premium is payable by a person for more than one LIP (other than ULIP) and the aggregate of premium payable on such policies exceed ₹ 5,00,000 for any of the previous years during the term of any such policy(ies), exemption would be available in respect of any of those LIPS (other than ULIP), at the option of the assessee, whose aggregate premium payable does not exceed ₹ 5,00,000 for any of the previous years during their term.
Any sum is received on the death of a person is exempt irrespective of the annual premium payable on the policy. The condition of payment of premium of 10% or 15% or 20% or ₹ 5,00,000 would not be applicable.	



**Exemption is not available in respect of amount received from an insurance policy taken for disabled person under section 80DD:** Any sum received under section 80DD(3) shall not be exempt under section 10(10D). Accordingly, if the dependent disabled, in respect of whom an individual or the member of the HUF has paid or deposited any amount in any scheme of LIC or any other insurer, predeceases the individual or the member of the HUF, the amount so paid or deposited shall be deemed to be the income of the assessee of the previous year in which such amount is received. Such amount would not be exempt u/s 10(10D).

**Exemption is not available in respect of the sum received under a Keyman insurance policy:** Any sum received under a Keyman insurance policy shall also not be exempt.

**Explanation 1** to section 10(10D) defines "Keyman insurance policy" as a life insurance policy taken by one person on the life of another person who is or was the employee of the first- mentioned person or is or was connected in any manner whatsoever with the business of the first- mentioned person. The term includes within its scope a keyman insurance policy which has been assigned to any person during its term, with or without consideration. Therefore, such policies shall continue to be treated as a keyman insurance policy even after the same is assigned to the keyman. Consequently, the sum received by the keyman on such policies, being "keyman insurance policies", would not be exempt u/s 10(10D).

**Taxability of sum received under a LIP which is not exempt u/s 10(10D):** Where any sum is received (including the amount allocated by way of bonus) at any time during a previous year, under a life insurance policy, other than the sum -

(i) received under a ULIP

(ii) received under a Keyman insurance policy

which is not exempt under section 10(10D), the sum so received as exceeds the aggregate of the premium paid during the term of such life insurance policy, and not claimed as deduction under any other provision of the Act, computed in the prescribed manner, would be chargeable to tax under the head "Income from other sources".

## **DEEMED DIVIDEND AND ITS TAXABILITY**

### **SECTION 2(22)**

- (a) **Distribution of accumulated profits, entailing release of assets:** Any distribution by a company of accumulated profits, whether capitalised or not, if such distribution entails the release by the company to its shareholders of all or any part of the assets of the company.

**Bonus shares:** The bonus shares issued by a company to its equity shareholders is not treated as dividend since it does not involve any release of assets. However, if the bonus shares are redeemed (if such bonus shares are preference shares), then it will be treated as dividend at the time of such redemption since there involves release of assets.

- (b) Distribution of debentures/ deposit-certificates to shareholders or bonus shares to preference shareholders : Any distribution by a company of
- (i) Debentures, debenture-stock, or deposit certificates in any form, whether with or without interest, to its shareholders; and
  - (ii) Bonus shares to its preference shareholders, to the extent to which the company possesses accumulated profits, whether capitalised or not.
- (c) Distribution to shareholders on liquidation: Any distribution made to the shareholders of a company on its liquidation, to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalised or not.
- (d) Distribution to shareholders on reduction of share capital: Any distribution to its shareholders by a company on the reduction of its capital, to the extent to which the company possesses accumulated profits, whether capitalised or not.
- (e) Loan/ advances by a private company to its substantial shareholder/ concern: Any payment made by a company, not being a company in which the public are substantially interested, of any sum by way of advance or loan, to the extent of accumulated profits (capitalised accumulated profits not included here), -
- (i) To a **shareholder** who is the beneficial owner of equity shares holding not **less than 10% of the voting power**.
  - (ii) To any **concern (HUF/Firm/AOP/BOI/Company)** in which the shareholder referred to in (i) above is a member or a partner and in which he has a substantial interest.
  - (iii) To **any person on behalf, or for the individual benefit**, of shareholder referred to in (i) above.
- (f) Any payment by a company on purchase of its own shares from a shareholder in accordance with the provisions of section 68 of the companies act, 2013; [w.e.f. 01-10-2024]

Exclusions: Dividend does not include -

- (a) ~~Any payment made by a company on purchase of its own shares from provisions of Section 68 a shareholder in accordance with the of the Companies Act, 2013.~~
- (b) Any distribution of **shares pursuant to a demerger** by the resulting company to the shareholders of the demerged company (whether or not there is a reduction of capital in the demerged company).
- (c) Any dividend paid by a company which is **set-off by it against whole or any part of deemed dividend** under section 2(22)(e), to the extent it is so set-off.

- (d) Any **advance or loan made to shareholder** or such concern by a company in **ordinary course of its business**, where lending of money is substantial part of business of company.
- (e) Any **distribution made in accordance with Section 2(22)(c)/(d) in respect of any share issued** for full cash consideration, where the holder of the share is not entitled in the event of liquidation to participate in the surplus assets.

**Taxability of deemed dividend/income from units of mutual fund:** Deemed dividend under section 2(22)(a) to 2(22)(e) and income from units of mutual fund shall be taxed as follows -

**(1) In hands of shareholders/unit-holder:**

- (a) **Taxable:** It shall be chargeable to tax since exemption available u/s 10(34)/10(35) has been withdrawn from assessment year 2021-22.
- (b) **Deduction:** No deduction shall be allowed from the dividend income **other than dividend referred under section 2(22)(f)**, or income in respect of units of a Mutual Fund specified under section 10(23D) or income in respect of units from a specified company defined in the explanation to section 10(35), **other than deduction on account of interest expense, and in any previous year such deduction shall not exceed 20%** of the dividend income, or income in respect of such units, included in the total income for that year, without deduction under this section.

**No deduction shall be allowed in case of dividend income of the nature referred to in section 2(22)(f) [Amended w.e.f. 1-10-2024]**

- (c) **Grossing up:** Since dividend income/income from units of mutual fund is subject to **TDS u/s 194/194K @10%**, hence such income is to be grossed up before being included in the total income of assessee.

The net income shall be grossed up as follows -

$$\text{Gross dividend} = \frac{\text{Net Dividend} * 100}{\{100 - (\text{Rate of TDS i.e } 10)\} \text{ i.e } 90}$$

- (2) **In hands of company/mutual fund:** The company/mutual Fund will not be liable to pay tax on distributed profit under section 115-O/115R. However, company/mutual fund shall be liable to deduct tax at source @ 10% under section 194/194K.

However, no such deduction shall be made u/s 194 in the case of a shareholder, being an individual, if -

- (a) The dividend is paid by the company by any mode other than cash; and
- (b) The amount of such dividend or, as the case may be, the aggregate of the amount of such dividend distributed or paid or likely to be distributed or paid during the financial year by the company to the shareholder, **does not exceed Rs 5000.**

Similarly in case of mutual fund, TDS provisions will not be applicable where the amount of such income or, as the case may be, the aggregate of the

amounts of such income credited or paid or likely to be credited or paid during the financial year by the person responsible for making the payment to the account of, or to, the payee not exceed Rs 5000.

**TAX ON WINNINGS FROM LOTTERIES, CROSSWORD PUZZLES, RACES INCLUDING HORSE RACES, CARD GAMES AND OTHER GAMES OF ANY SORT OR GAMBLING OR BETTING OF ANY FORM OR NATURE WHATSOEVER [ SECTION 115BB ]**

Winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or gambling or betting of any form or nature whatsoever, shall be taxable @ 30% (plus surcharge, as applicable and HEC) under Section 115BB. However, income by way of winnings from any online game would not be taxed under this section.

**Grossing up of income:** Income in form of winnings from lotteries, crossword puzzles, card games or other game of any sort or from gambling or betting of any form or nature or other games of any sort is subject to TDS under section 194B if it if the amount or aggregate of amounts of payment exceeds ₹ 10,000 during the financial year and income from horse races is subject to TDS under section 194BB if it if the amount or aggregate of amounts of payment exceeds 10,000 during the financial year. Thus, such income is to be grossed up before being included in the total income of the assessee.

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

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

**INTEREST ON SECURITIES [ Section 2(28B)]:** "Interest on securities" means\_-

- (a) Interest on any securities of the CG/SG.
- (b) Interest on debentures or any other securities for money issued by or on behalf of a local authority or a company or a corporation established by a Central state or provincial act.

**Grossing up of interest:** income in form of interest on securities is subject to TDS under section 193 @ 10% if it exceed ₹ 5000. However, no TDS is deducted from

government securities except from 7.75% saving (taxable) bonds, 2018 or Floating Rate Saving Bonds, 2020 (taxable) if the interest exceed Rs 10000.

### **TAXBALITY OF GIFTS**

- (1) **Cash gifts, or gifts of movable property, or gifts of immovable property** [section 56(2)(x)]: where any person receives, in any P.Y, from any person or persons on or after 01-04-2017 -

	Case	Amount taxable
(a)	<b>Cash gifts:</b> any sum of money, without consideration, the aggregate value of which exceed Rs 50000	The Whole of the aggregate value of such sum (matlab Rs 50000 se ek rupee bhi jayada hua toh pura taxable hoga)
(b)	<p><b>Immovable property without consideration or for inadequate consideration:</b> any immovable property -</p> <p>(i) without consideration, the stamp duty value of which exceeds Rs 50000</p> <p>(ii) for a consideration, the stamp duty of such property as exceeds such consideration, if the amount of such excess is more than the higher of the following amounts, namely -</p> <p>(a) the amount of Rs 50000 and</p> <p>(b) the amount equal of 10% of the consideration.</p> <p>Stamp duty value on the date of agreement to be considered: agar agreement wale din kuch consideration other than cash me diya hoga toh SDV on the date of agreement lenge otherwise SDV on the date of registry. Agar disputed value hai toh jo section 50C me jo provisions hai vo applicable honge disputed property se related. (section 50C ko saath me connect karke padhna chahiye) [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic</p>	<p>The stamp duty value of such property.</p> <p>The stamp duty value of such property - such consideration.</p>



	payment] [Amended by Finance Act, 2020]	
(c)	<p><b>Movable property without consideration or for inadequate consideration:</b> any property, other than immovable property -</p> <p>(i) <b>without consideration</b>, the aggregate fair market value of which <b>exceeds Rs 50000</b>,</p> <p>(ii) <b>for a consideration</b> which is less than the aggregate fair market value of the property by an amount <b>exceeding Rs 50000</b></p>	<p>The <b>whole of the aggregate fair market value</b> of such property.</p> <p>The <b>aggregate fair market value</b> of such property - such consideration.</p>

**Exception:** this clause shall not apply to any sum of money or any property received -

- (i) From any relative
- (ii) On the occasion of the marriage of the individual; or
- (iii) Under a will or by way of inheritance; or
- (iv) In contemplation of death of the payer or donor; or
- (v) From any local authority as defined in explanation to section 10(20); or
- (vi) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in section 10(23C); or  
However, the exemption shall not be available where any sum of money or any property has been received by any person referred to in Section 13(3);
- (vii) From any trust or institution registered under section 12A or Section 12AA or 12AB; or  
However, the exemption shall not be available where any sum of money or any property has been received by any person referred to in Section 13(3);
- (viii) By any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in section 10(23C)(iv)/(v)/(vi)/(via); or
- (ix) By way of transaction not regarded as transfer u/s 47(i)/(iv)/(v)/(vi)/(viaa)/(vib)/(vic)/(vica)/(vicb)/(vid)/(vii); or
- (x) From an individual by a trust created or established solely for the benefit of relative of the individual; or
- (xi) From such class of persons and subject to such conditions, as may be prescribed.



- (xii) By an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family, for illness related to COVID-19 subject to such conditions, as the central government may, by notification in the official Gazette, specify in this behalf.
- (xiii) By a member of the family of a deceased person -
- (a) From the employer of the deceased person; or
  - (b) From any other person or persons to the extent that such sum or aggregate of such **sum does not exceed ₹ 10 lakh**,  
Where the cause of death of such person is illness related to COVID-19 and the payment is -
- (i) **Received within 12 months** from the date of death of such person; and
  - (ii) Subject to such other conditions, as the central government may, by notification in the official Gazette, specify in this behalf.
- Explanation: for the purposes of clause (xii) and (xiii), "family", in relation to an individual means -
- (i) The spouse and children of the individual; and
  - (ii) The parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

(2) **'Relative'** means -

- \* Individual + spouse (dono ke parents + parents ke bhi brother and sister + individual and spouse ke brother and sister + eske upper ya niche kitne bhi linear ascendant and descendant (eg dadaji ya individual ke bache) + yeh jitne bhi log hai un sab ke spouse)
- \* In case of HUF - any family member.

**Meaning of various terms:**

- (a) **"Property"** means the following capital asset of the assessee, namely -
- (i) Immovable property being land or building or both;
  - (ii) Share and securities
  - (iii) Jewellery
  - (iv) Archaeological collection
  - (v) Drawing
  - (vi) Painting
  - (vii) Sculptures
  - (viii) Any work of art; or
  - (ix) Bullion

(x) virtual digital asset.

**DEDUCTION [ SECTION 57 ]**

The income chargeable under the head "Income from other sources" shall be computed after making the following deductions -

- (1) In the **case of dividends** or interest on securities - any reasonable **sum paid by way of commission or remuneration** to a banker or any other person for the purpose of realising such dividend or interest on behalf of the assessee.  
However, no deduction shall be allowed from the dividend income, or income in respect of units of a mutual fund specified under section 10(23D) or income in respect of units from a specified company defined in the explanation to section 10(35), other than deduction on account of interest expense, and in any previous year such deduction shall not exceed 20% of the dividend income, or income in respect of such units, included in the total income for that year, without deduction under this section.  
**However, no deduction shall be allowed in case of dividend income of the nature referred to in section 2(22)(f).**
- (2) Where any **sum is received by an employer from employees as contribution** to any provident fund, superannuation fund or any fund set up under the provisions of the Employees' State Insurance Act - **a deduction will be allowed in accordance with the provisions of section 36(1)(va)** i.e. to the extent the contribution is remitted to the employees account before the due date under the respective Acts.
- (3) Where the **income is from letting on hire of machinery, plant and furniture**, with or without building, the following deductions as provided in section 30, 31, 32 read with section 38 shall be allowed :
  - (a) the amount paid on account of any current repairs to the machinery, plant or furniture.
  - (b) the amount of any premium paid in respect of insurance against risk of damage or destruction of the machinery or plant or furniture.
  - (c) the normal depreciation allowance in respect of the machinery, plant or furniture, due thereon.
- (4) **In the case of family pension a deduction of a sum equal to one-third of such income or Rs 15,000, [₹ 25,000 in a case where income-tax is computed under default tax regime u/s 115BAC(1A)(ii)] whichever is less, is allowable.**  
**Thus, from AY 2025-26, this deduction is allowable both under the default tax regime u/s 115BAC subject to maximum of ₹ 25,000 and under the optional tax regime i.e. normal provisions of the act subject to maximum of ₹ 25,000**
- (5) **Any other expenditure** (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purpose of making or earning such income is deductible.

The said expenditure is allowed as a deduction even if the income for which it is incurred is not actually earned. Thus, interest on loan borrowed to purchase investments, is deductible even if there is no income derived from the investments in a particular year.

- (6) **A deduction of 50% of income by way of interest on compensation/enhanced compensation received chargeable to tax under section 56(2)(viii).**

**AMOUNT NOT DEDUCTION [ SECTION 58 ]**

- Any personal expense
- Any interest on which TDS is not deducted.
- Salaries paid outside India on which TDS is not deducted.
- Disallowance specified u/s 40
- Any sum paid on account of wealth tax
- All disallowance under section 40A.

**INCOMES EXEMPT FROM TAX**

Section	Exempted Income	Conditions / Remarks
10(4)	Interest received by an individual on moneys standing to the credit in Non- Resident (External) Account in any Indian bank.	Individual is a person resident outside India under FEMA or is a person who has been permitted by RBI to maintain the Non-Resident (External) Account.
10(10BC)	Compensation received on account of disaster.	(a) This clause exempts any amount received or receivable as compensation by an individual or his legal heir on account of any disaster. (b) Such compensation should be granted by the Central Government or a State Government or a local authority. (c) However, such exemption would not be available in respect of compensation for alleviating any damage or loss, which has already been allowed as deduction under the Act.
10(11A)	Any payment from an account, opened in accordance with the Sukanya Samriddhi Account Rules, 2014 made under the Government Savings Bank Act, 1873.	
10(15)	Interest income arising to certain persons	(1) Income by way of interest, premium on redemption or other payments on

		<p>securities, bonds, deposits, annuity certificates, saving certificates, or other certificates issued or notified by Central Government subject to prescribed conditions and limits.</p> <p><b>Note:</b> The interest on Post Office Savings Bank Account which was so far fully exempt would henceforth be exempt from tax for any assessment year only to the extent of :</p> <p style="color: red;">(i) ₹ 3,500 in case of an individual account.</p> <p style="color: red;">(ii) ₹ 7,000 in case of a joint account.</p> <p>(2) In the case of an individual or a HUF, interest on notified Relief Bonds.</p> <p>(3) Interest on Gold Deposit Bonds issued under the notified Gold Deposit Scheme, 1999 or deposit certificates issued under the Gold Monetisation Scheme, 2015.</p> <p>(4) Interest on bonds, issued by -</p> <p style="padding-left: 20px;">(i) a local authority; or</p> <p style="padding-left: 20px;">(ii) a State Pooled Finance Entity and specified by the Central Government by notification in the Official Gazette.</p>
10(16)	Educational scholarships	<p><input type="checkbox"/> Recipient can be Indian or foreigner; the whole amount need not be spent on education.</p> <p><input type="checkbox"/> Scholarship granted to meet education cost of children of employee is exempt.</p>
10(17A)	Awards for literary, scientific and artistic works and other awards by the Government	Any award instituted in the public interest by the Central/ State Government or any body approved by the Central Government and a reward by Central/State Government for such purposes as may be approved by the Central Government in public interest,

		will enjoy exemption under this clause.
	<b>Taxability of Awards received by a Sportsman :</b> The CBDT has clarified that awards received by a sportsman, who is not a professional, will be liable to tax in his hands as the award will be in the nature of a gift and/or personal testimonial by virtue of Section 56(2)(vii). However, the awards received by sportsman which are approved u/s 10(17A) shall be exempt from tax. - <i>Circular No. 2/2014 dated 20-1-2014</i>	
10(18)	<b>Pension received by recipient of gallantry awards</b>	<p>Any income by way of pension received by an individual who has been awarded "Param Vir Chakra" or "Maha Vir Chakra" or "Vir Chakra" or such other gallantry award as the Central Government may, by notification in the Official Gazette, specify in this behalf.</p> <p>In case of the death of the awardee, any income by way of family pension received by any member of the family of the individual shall also be exempt under this section.</p>
	<b>Exemption of disability pension granted to disabled personnel of armed forces who have been invalided on account of disability attributable to or aggravated by such service :</b> The entire disability pension, i.e. "disability element" and "service element" of pension granted to members of naval, military or air forces who have been invalided out of naval, military or air force service on account of bodily disability attributable to or aggravated by such service would be exempt from tax.	
	<p>The CBDT has, vide this circular, clarified that exemption in respect of disability pension would be available to all armed forces personnel (irrespective of rank) who have been invalided out of such service on account of bodily disability attributable to or aggravated by such service. However, such tax exemption will be available only to armed forces personnel who have been invalided out of service on account of bodily disability attributable to or aggravated by such service and not to personnel who have been retired on superannuation or otherwise. - <i>Circular No. 13/2019, dated 24-6-2019</i></p>	

10(19)	Family pension received by widow/ children/ nominated heirs of members of armed forces	Exemption is available in respect of family pension received by the widow or children or nominated heirs, of a member of the armed forces (including para-military forces) of the Union, where the death of such member has occurred in the course of operational duties, in specified circumstances and conditions.
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## CHAPTER - 8: INCOME OF OTHER PERSON INCLUDED IN ASSESSEE TOTAL INCOME

Transfer of income where there is no transfer of asset [section 60]: Income shall be included in the income of transferor.

Recoverable transfer of assets [section 61]: Income shall be included in the income of transferor.

Exception to section 61 [section 62]: The provisions of section 61 shall not apply in the following cases:

(a)	Transfer not recoverable during the life time of the beneficiary or the transferee	Income from the transferred asset will not be included in the total income of transferor provided transferor receives no direct or indirect benefit from such income. ( if receives then will be included in transferor income)
(b)	Transfer made before April 1, 1961 and not revocable for a period exceeding 6 years	

In both the cases, as and when the power to revoke the transfer arises, the income arising by virtue of such transfer will be included in the total income of the transferor.

- (1) **Remuneration received by spouse from concern in which individual has substantial interest [section 64(1)(ii)]**: Income will be clubbed in individual income.

Exception: This provision shall not apply in case spouse have technical or professional qualification.

In case of husband and wife both have substantial interest in a concern and both are in receipt of remuneration: income shall be clubbed whose, total income is greater.

- (2) **Income from assets transferred to spouse without adequate consideration [section 64(1)(iv)]**: Income arising to the spouse of such individual from assets transferred directly or indirectly by such individual otherwise than for adequate consideration or in connection with an agreement to live apart, subject to the provision of section 27(i). shall be clubbed in the income of transferor. There must be relationship of husband and wife at the time of both transfer of asset and accrual of income from such asset.

Investment of assets, received by spouse, in any business or as a capital contribution in firm: where the asset transferred directly or indirectly by an individual to his spouse are invested by the spouse, then proportionate income shall be clubbed.

- (3) **Income from assets transferred to person/AOP without adequate consideration for benefit of spouse**: Income shall be clubbed to the extent of benefit received.

(a) Income arising from investment of clubbed income: will not be clubbed.

- (b) Skill, experience and competence equivalent to professional qualification.
- (c) Capital gain income will also be clubbed.
- (4) **Income from assets transferred to son's wife without adequate consideration [section 64(1)(vi)]**: Income shall be clubbed in transferor total income. Provided relationship exist both transfer of asset and accrual of income.
- (5) **Income from assets transferred to person/AOP without adequate consideration for benefit of son's wife [section 64(1)(vii)]**: Income shall be clubbed to the extent of benefit received.

**INCOME FROM INDIVIDUAL TO INCLUDE INCOME OF MINOR CHILD [ SECTION 64(1A)]:**

All income accruing or arising to a minor child ('child' includes step child and adopted child) shall be included in the income of his parents. However income shall not be clubbed in case minor child is suffering from disability under section 80U.

- (a) No clubbing in certain cases:
  - (i) Manual work done by him or
  - (ii) Activity involving application of his skill, talent or specialised knowledge and experience.
- (b) Clubbing in whose hands:
  - (i) If marriage of parents subsist, then whose total income is greater.
  - (ii) If marriage does not subsists, the who maintain child.
- (c) **Exemption upto ₹1,500 per child**. Income received by minor child on compulsory acquisition of land will be taxable in the hands of parents.

**CONVERSION OF A SELF OCCUPIED PROPERTY INTO THE HUF PROPERTY [SECTION 64(2)]**: Shall be deemed to be income of individual not of HUF.

**CROSS TRANSFER**

- ♣ If the two transfers are inter-connected and are parts of the same transactions in such a way that a circuitous method has been adopted to evade tax, then the implications of clubbing provisions would be attracted.
- ♣ It is not necessary that there is transfer of same assets, the assets may be changed deliberately into assets of a like value of another person, but such a chain of transfers is covered by the word 'indirectly'.

## CHAPTER - 9: AGGREGATION OF INCOME AND SET-OFF OF LOSS

### INTER SOURCE ADJUSTMENT UNDER THE SAME HEAD OF INCOME

If in any year, the assessee has incurred loss from any source under a particular head of income, then he is allowed to adjust such loss against income from any other source falling under the same head. This may also be referred as Intra Head adjustment.

### INTER HEAD ADJUSTMENT IN THE ASSESSMENT YEAR

As explained above, any loss from one source of income is firstly set off against any gain from other source within the same head. Any remaining loss can then be set off against income from any other head. This process is to be done in same previous year. This is known as Inter Head Adjustment.

#### Exceptions:

- ♣ **Losses from speculation business** will only be set off against the profit of speculation business only. However losses from general business can be set off against profits from speculation business.
- ♣ **Long term capital loss** can be set off against long term capital gains only. However, short term capital loss can be set off against short term capital gain and long term capital gain.
- ♣ **Loss from owing & maintaining race horses** can be set off against profit from owing & maintaining race horses.
- ♣ **Loss from business income** cannot be set off against salary.
- ♣ Loss from winning from lotteries, crosswords, puzzles, card game or any other gambling can be set off against gains from winning from lotteries, crosswords, puzzles, card game or any other gambling.
- ♣ Losses from specified business [Section 73A(1)]: In case of an assessee exercising the option of shifting out of the default tax regime provided under section 115BAC(1A), loss in any specified business referred in section 35AD can be set-off only against any other specified business.  
However, losses from other business can be set-off against profits from specified business.

### CARRY FORWARD & SET OFF OF LOSSES

If the losses could not be set off under the same head or under different head of income in the same assessment year, such losses are allowed to be carried forward to be claimed as set off from the income of subsequent years.

Nature of losses	Set off against which income	Max. period loss can	Mandatory filing of return of
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		be carry forward	income
Loss from house property	Income from house property	8 years	No
Loss from normal business under the head PGBP	Profit from any normal business	8 years	Yes
Loss from speculation business	Profit from any speculation business	4 years	Yes
Loss from specified business u/s 35AD	Profit from specified business	Indefinite	Yes
STCL	STCG or LTCG	8 years	Yes
LTCL	LTCG	8 years	Yes
Loss from owing and maintaining race horse	Income from owing and maintaining race horse	4 years	Yes

Loss from House property: The loss under the head "Income from house property" would not be allowable to be set-off against income under the other head if the assessee pays tax at concessional rate under section 115BAC.

However, if the assessee exercises the option of shifting out of the default tax regime provided under section 115BAC(1A) and there is a loss under the head "Income from house property" and the assessee has income assessable under any other head of income, the maximum loss from house property which can be set-off against income from any other head is ₹ 2 lakhs. In other words, in such case, the amount of such loss exceeding ₹ 2 lakhs would not be allowable to be set-off against income under the other head.

### **CARRY FORWARD AND SET OFF OF LOSS FROM HOUSE PROPERTY [SECTION 71B]**

(a) **If the assessee exercises the option of shifting out of the default tax regime provided under section 115BAC(1A):** In any assessment year, if there is a loss under the head "Income from house property", such loss will first be set-off against income from any other head to the extent of ₹ 2,00,000 during the same year. The unabsorbed loss will be carried forward to the following assessment year to be set-off against income under the head "Income from house property".

(b) **If the assessee pays tax at concessional rate u/s 115BAC:** The loss under the head "Income from house property" would not be allowable to be set-off against income under any other head. The unabsorbed loss will be carried forward to the following assessment year to be set-off against income under the head "Income from house property".

Beside the above, the following can also be carried forward indefinitely although these are not business losses as per IT act:

1. Unabsorbed depreciation
2. Unabsorbed capital expenditure incurred scientific research;
3. Unabsorbed expenditure on family planning.

## CHAPTER - 10: DEDUCTION FROM GROSS TOTAL INCOME

### EXEMPTION VS DEDUCTIONS

(1) Exemptions: The various items of income referred to in the different clauses of section 10 are excluded from the total income of an assessee. These incomes are known as exempted incomes. "Exemption" means exclusion. A particular income exempt from tax under section 10 shall not enter into the computation of taxable income. However, there are certain items of income referred to in section 10 which are not exempted if the assessee pays concessional rates of tax under the default tax regime u/s 115BAC, namely, -

10(5)	Leave travel concession
10(13A)	House Rent Allowance
10(14)	Special Allowances except - (a) Travelling allowance (b) Daily allowance (c) Conveyance allowance (d) Transport allowance to blind/deaf and dumb/ orthopedically handicapped employee
10(17)	Daily allowance/ Constituency allowance received by any Member of Parliament or of State Legislatures
10(32)	Exemption in respect of income of minor child included in assessee's total income

(2) "Deduction" in relation to Chapter VI-A and section 10AA refers to the amount that is reduced from gross total income to arrive at the total income. There are incomes which are included in gross total income but are wholly or partly allowed as deduction under Chapter VI-A in computation of total income, if the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A) and pays tax as per the optional tax regime under the normal provisions of the Act.

Deduction is allowed on specific investments or expenses incurred by the taxpayer to promote the culture of savings and investments. This could include medical expenditure, donations made to charities, investments made in specific avenues such as Public Provident Fund (PPF), National Pension Scheme (NPS) etc.

However, if the assessee pays concessional rates of tax under default tax regime u/s 115BAC, only deduction in respect of employer's contribution to NPS u/s 80CCD(2),



Central Government's contribution to Agnipath Scheme u/s 80CCH(2) and deduction in respect of employment of new employees u/s 80JJAA would be allowed to the assessee. He cannot claim deduction under any other provision in Chapter VI-A under the default tax regime.

Section 10AA also provides for a deduction in respect of units established in SEZ from the total income of the assessee. It is available only if the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

This deduction is not available if the assessee pays concessional rates of tax under the default tax regime u/s 115BAC.

The tax liability is calculated on the "total income" which is arrived after reducing permissible deductions from gross total income.

Students should note this very important difference between exemption under section 10 and the deduction under Chapter VI-A/10AA.

**Difference between Deduction under Chapter VI-A & section 10AA and Exemption under section 10**

Particulars	Deduction (in relation to Chapter VI-A and section 10AA)	Exemption (contained in section 10)
Meaning	Investment /contributions in certain instruments (as prescribed under Income tax Act). Payments made for certain purposes.	incomes which are Income-exempt u/s 10 will not be included in computing gross total income.
Relevant Sections	Sections 80C to 80U in chapter VI-A and section 10AA of the Income-tax Act.	Section 10 of the Income-tax Act.
Manner of treatment	First included in the Gross Total Income and then deductions will be allowed form Gross Total Income.	Not included in the Gross Total Income.

The important point to be noted here is that if there is no gross total income, then no deductions will be permissible. This Chapter contains deduction under Chapter VI-A which includes deductions in respect of certain payments, deductions in respect of certain incomes, deductions in respect of other income and other deductions. It also includes deduction under section 10AA.

**Deduction to be made in computing total income [ section 80A]**

✚ Deduction cannot exceed GTI.



- ✚ No double deduction under two simultaneous provisions
- ✚ No deduction u/s 10A or 10AA or 80-IA to 80-RRB, if not claimed in the return of income.
- ✚ No deduction u/s 35AD, if deduction claimed u/s 80-IA to 80-RRB.
- ✚ Deduction not to be allowed unless return furnished.
- ✚ **No deduction under Chapter VI-A is allowed from the following income -**
  - (a) Long term capital gain u/s 112 and 112A
  - (b) Short term capital gain u/s 111A
  - (c) Winnings from lotteries, races, etc u/s 115BB
  - (d) Income u/s 115A(1)(a), 115BAC, 115ACA, 115AD, 115BBA, 115BBE, 115BBF, 115BBG, 115BBJ and 115D.

### **DEDUCTION UNDER SECTION 80C**

**Quantum of deduction:** The amount so deposited / invested or ₹1,50,000 whichever is less.

**Eligible deposits or investments:**

	Particulars	Notes
	<b>Category A:</b> Applicable to Individual & HUF both	In case of individual: individual, spouse and child In case of HUF: any member of HUF
(1)	Life insurance premium	Maximum deduction: <ul style="list-style-type: none"> <li>➤ Premium on insurance policy 10% of the actual sum assured on or after 1-04-2012</li> <li>➤ Premium on insurance policy 20% of the actual sum assured before 1-04-2012</li> <li>➤ Premium on insurance policy 15% of the actual sum assured on or after 1-4-2013, where the policy, is for insurance on life of any person, who is - <ul style="list-style-type: none"> <li>(i) A person with disability u/s 80U or</li> <li>(ii) Suffering from disease u/s 80DDB.</li> </ul> </li> </ul>
(2)	PPF	-
(3)	ULIP	-
(4)	Annuity plan	-
	<b>Category B:</b> Applicable to individual	
(1)	Deferred annuity plan	20% of salary
(2)	Deferred annuity plan of government	-
(3)	SPF/RPF	-
(4)	TUTION FEES	Only for 2 children not in nature of donation

		or development fees.
(5)	Repayment of housing loan	Any expenditure which is deductible u/s 24 is not deductible.
(6)	Approved superannuation fund	
(7)	Notified deposit scheme	Sukanya samriddhi account
(8)	NSC	-
(9)	Units of UTI or Mutual fund	-
(10)	Notified pension fund	-
(11)	Notified deposit scheme of NHB	-
(12)	Notified subscriptions to housing finance companies/housing boards	-
(13)	Equity shares, or debenture, units, etc. of infrastructure undertakings	-
(14)	5-year FDR's of Bank	-
(15)	Notified bonds of NABARD	-
(16)	Deposit in an account under the senior citizen saving scheme rules, 2004	-
(17)	5-year FDR's of post offices	-
(18)	NPS (Tier-II) contribution	Employee of central government (for not less than 3 years)

**CONTRIBUTION TO CERTAIN PENSION FUNDS [ SECTION 80CCC ]**

- ♣ **Eligible assessee:** Individual
- ♣ **Nature of payment:** Annuity plan fo LIC or other insurer under section 10(23AAB)
- ♣ **Amount of deduction:** Amount paid or ₹ 1,50,000 whichever is less.
- ♣ Amount received as pension or on surrender of annuity plan - **Taxable**.
- ♣ Double deduction not admissible under section 80C.

**CONTRIBUTION TO PENSION SCHEME OF CENTRAL GOVERNMENT [ SECTION 80CCD ]**

- ♣ **Eligible assessee:** Individual employed by CG or employed by any other employer or other individual assessee.
- ♣ **Nature of payment:** Employee's or Employer's contribution to Approved Pension Scheme of CG and amount deposited by other individual.
- ♣ **Amount of deduction:**

1. In case of salaried employee:

Employee's contribution [ section 80CCD(1) ] : amount paid or 10% of salary, whichever is lower.	-
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<b>Employer's contribution [ section 80CCD(1) ]</b> : amount paid or 10% of salary, (14% of salary where contribution is made by CG or SG), whichever is lower. Where the total income of the assessee is chargeable to tax under default tax regime u/s 115BAC(1A), instead of 10%, 14% shall be substituted w.e.f. 01/04/2025 i.e. AY 2025-26	-
Salary includes dearness allowance	

2. In case of any other individual assessee [ section 80CCD(1)]: Sum paid or 20% of his gross total income.

3. Additional deduction of ₹ 50,000 in respect of contribution to NPS of CG [ section 80CCD(1B)].

- ♣ Amount received as pension or on closure of pension scheme - **Taxable**. However in case of death, not taxable in hands of nominee.
- ♣ Pension from the NPS Trust to an assessee on closure or opting out of the pension scheme - **exempt upto 60%**.
- ♣ Payment from NPS trust to an employee on partial withdrawal - **exempt upto 25%**.
- ♣ No taxability if sum is invested in annuity plan.

**LIMIT ON DEDUCTION UNDER SECTION 80C, 80CCC AND 80CCD [ SECTION 80CCE]**: is restricted to ₹1,50,000. ( 50,000 pe yeh limit applicable nahi hogi).

**DEDUCTION IN RESPECT OF CONTRIBUTION TO AGNIPATH SCHEME [SECTION 80CCH]**

**(1) Meaning of Agnipath Scheme**: Agnipath scheme is a Central Government scheme launched in 2022 for enrolment of Indian youth in the Indian Armed Forces.

**(2) Meaning of Agniveer Corpus Fund**: The Agniveer Corpus Fund means a fund in which consolidated contributions of all the Agniveers and matching contributions of the Central Government along with interest on both these contributions are held.

**(3) Features of the Agnipath Scheme**: Each Agniveer is to contribute 30% of his monthly customized Agniveer Package to the individual's Agniveer Corpus Fund. Further, the Government will also contribute a matching amount to the Agniveer Corpus Fund". The Government will also pay to the subscriber interest as approved from time to time on the contributions standing in his account.

**(4) Deduction**: Section 80CCH provides deduction in respect of contribution made in the Agniveer Corpus Fund by the individual enrolled in the Agnipath Scheme and the Central Government.

**(5) Quantum of deduction**:

(i) Section 80CCH(1) provides a deduction for the amount paid or deposited by an assessee, being an individual enrolled in the Agnipath Scheme and subscribing to the

Agniveer Corpus Fund on or after 1-11-2022, in his account in the Agniveer Corpus Fund.

Deduction u/s 80CCH(1) would be available to an individual only if he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

(ii) Under section 80CCH(2), the whole amount of contribution made by the Central Government to the said account of an assessee in the Agniveer Corpus Fund, is allowed as a deduction in computation of the total income of the assessee.

(iii) The entire Central Government's contribution to the Agniveer Corpus Fund would be included in the salary of the assessee. However, deduction under section 80CCH(2) would be available for the same.

Deduction under section 80CCH(2) would be available to an individual irrespective of the regime under which he pays tax.

Exemption on payment from Agnipath Corpus Fund to a person enrolled under the Agnipath Scheme or to his nominee [Section 10(12C)]

Any payment from the Agnipath Corpus Fund to a person enrolled under the Agnipath Scheme or to his nominee would be exempt from tax.

### DEDUCTION IN RESPECT OF HEALTH INSURANCE PREMIA [ SECTION 80D ]

S.no	Nature of payment/expenditure	Expenditure on behalf of		Admissible deduction
1.	(i) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health	In case of individual	Self, spouse and dependent children	₹ 25,000
		In case of HUF	Family member	
	(ii) Contribution to CGHS (iii) Preventive health check up expenditure	IN CASE ANY OF THE ABOVE PERSONS IS OF THE AGE OF 60 YEARS OR MORE+ RESIDENT IN INDIA		₹ 50,000
2.	(i) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health	For parents		₹ 25,000
	(ii) Preventive health check up	IN CASE OF EITHER OR BOTH THE PARENTS IS OF THE AGE OF 60 YEARS OR MORE + RESIDENT IN INDIA		
	Maximum ₹5,000 allowed as deduction for aggregate of preventive health check up expenditure mentioned in 1 & 2 (subject to overall limit of ₹25,000 or ₹50,000, as the case may be)			
3.	Amount paid on account of Medical Expenditure	For self/spouse/parents + who is the age of 60 years or more + Resident in India + no		₹ 50,000

		payment has been made to keep in force an insurance on health of such person	
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**Note:** In case the individual or any of his family members is a senior citizen, the aggregate of deduction, in respect of payment of premium, contribution to CGHS and medical expenditure incurred, as specified in 1 & 3 above, cannot exceed ₹ 50,000.

In case the parents are senior citizen, the aggregate of deduction, in respect of payment of medical insurance premium and medical expenditure, as specified in 2 above, cannot exceed ₹ 50,000

**DEDUCTION IN RESPECT OF MAINTENANCE INCLUDING MEDICAL TREATMENT OF A DEPENDENT WHO IS A PERSON WITH DISABILITY [SECTION 80DD]**

- ♥ **Eligible assessee:** Resident individual or HUF
- ♥ **Nature of payment:** Expenditure incurred for medical treatment of dependent, being a person with disability
- ♥ **Amount of deduction:** General ₹75,000, special ₹1,25,000 (severe disability 80% or more)
- ♥ **Meaning of dependant:**
  - 1) **In case of individual:** spouse, children, parents, brothers and sisters of individual
  - 2) **In case of HUF:** any member of family
- ♥ Disability certificate to be furnished
- ♥ **Condition of scheme:**
  - (a) The scheme provides for payment of annuity or lump sum amount for the benefit of a dependent, being a person with disability, -
    - (i) In the event of the death of the individual or the member of the HUF in whose name subscription to the scheme has been made; or
    - (ii) On attaining the age of 60 years or more by such individual or the member of the HUF, and the payment or deposit to such scheme has been discontinued;
  - (b) The assessee must nominate either the dependant, being person with disability, or any other person or a trust to receive the payment on his behalf, for the benefit of such dependant.
- ♥ **Taxability of amount received on death of dependant:** if the dependant disabled predeceases such individual or member of HUF, the amount paid or deposited under the scheme shall be deemed to be income of assessee of the previous year in which it is received by the assessee and accordingly be chargeable to tax as the income of that previous year.



However, the taxability shall not arise to the amount received by the dependant, being a person with disability, before his death, by way of annuity or lump sum by application of the condition referred to in point no 1(a)(ii)

#### **DEDUCTION IN RESPECT OF MEDICAL TREATMENT, ETC. [ SECTION 80DDB ]**

- ♦ **Eligible assessee:** Resident individual or HUF
- ♦ **Condition to be satisfied:** Expenditure on medical treatment of prescribed disease of
  - 1) In case of individual: spouse, children, parents, brothers and sisters of individual
  - 2) In case of HUF: any member of family
- ♦ **Amount of deduction:** Sum so paid or ₹40,000 or ₹1,00,000 in case of senior citizen.
- ♦ Medical prescription to be obtained.

#### **DEDUCTION IN RESPECT OF INTEREST ON LOAN TAKEN FOR HIGHER EDUCATION [ SECTION 80E ]**

- + **Eligible assessee:** Individual
- + **Nature of payment:** Interest on loan taken from any financial institution or any approved charitable institution for higher education or higher education of relative.
- + **Amount of deduction:** 100%.
- + **Period of deduction:** 8 years or until interest is paid whichever is earlier.
- + Relative means individual, spouse and children.

#### **DEDUCTION IN RESPECT OF INTEREST ON LOAN TAKEN FOR RESIDENTIAL HOUSE PROPERTY [SECTION 80EE]**

- **Eligible assessee:** Individual.
- **Nature of payment:** Interest payable on loan taken from financial institution
- **Amount of deduction:** Interest payable or ₹50,000 whichever is less beginning with A.Y 2017-18 and subsequent assessment years.
- **Conditions to be satisfied:**
  - 1) Loan sanctioned between 1-4-2016 and 31-3-2017
  - 2) Amount of loan does not exceed ₹35,00,000
  - 3) Value of residential property does not exceed ₹50,00,000
  - 4) Assessee does not own any residential house property on the date of sanction of loan.
- **No double deduction.**

#### **DEDUCTION IN RESPECT OF INTEREST ON LAON TAKEN FOR CERTAIN HOUSE PROPERTY [ SECTION 80EEA ]**

- ♠ **Eligible assessee:** Individual not claiming deduction u/s 80EE
- ♠ **Nature of payment:** Interest payable on loan taken from financial institution



- ♣ **Amount of deduction:** Interest payable or ₹1,50,000 whichever is less beginning with A.Y 2021-22 and subsequent assessment years.
- ♣ **Conditions to be satisfied:**
  1. Loan sanctioned between 1-4-2019 and 31-3-2022
  2. Value of residential property does not exceed ₹45,00,000
  3. Assessee does not own any residential house property on the date of sanction of loan.
- ♣ No double deduction.

### **DEDUCTION IN RESPECT OF PURCHASE OF ELECTRIC VEHICLE [ SECTION 80EEB ]**

- ♣ **Eligible assessee:** Individual
- ♣ **Nature of payment:** Interest payable on loan taken from financial institution
- ♣ **Amount of deduction:** Interest payable or ₹1,50,000 whichever is less.
- ♣ **Conditions to be satisfied:** Loan sanctioned between 1-4-2019 and 31-3-2023.
- ♣ No double deduction.

### **DEDUCTION IN RESPECT OF DONATIONS TO CERTAIN FUNDS, CHARITABLE INSTITUTIONS, ETC. [ SECTION 80G ]**

✚ **Eligible assessee:** All assessee

In case of an individual, HUF, AOP (other than a co-operative society) or BoI or an artificial juridical person, deduction would be available only if they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). It would not be available if they pay concessional rates of tax under the default tax regime u/s 115BAC.

In case of companies and co-operative societies, deduction would not be available if they opt for the special provisions u/s 115BAA/115BAB and section 115BAD/115BAE, respectively. In other words, deduction would be available only if they pay tax under the normal provisions of the Act.

✚ **Conditions to be satisfied:**

- i. Donation in kind not eligible
- ii. No deduction for cash donation exceeding ₹2,000.

✚ **Amount of deduction:**

1. Funds eligible for 100% deduction without any qualifying limit -

- (a) National defence fund
- (b) The Prime Minister National Relief Fund or the Prime Minister's Citizen assistance and relief in Emergency Situation Fund (PM CARES FUND)
- (c) Swachh Bharat Kosh
- (d) Clean Ganga Fund
- (e) Chief Minister relief Fund.
- (f) National children fund

**(g) National sports development fund set by the central government**

**2. Funds eligible for 50% deduction without any qualifying limit -**

(a) The Prime Minister's Drought Relief Fund

**3. Funds eligible for 100% of qualifying amount -**

(a) Promoting family planning

(b) Indian Olympic association (only to company)

**4. Funds eligible for 50% of qualifying amount -**

(a) Charitable purpose

(b) Charitable institution

(c) House accommodation for planning, development or improvement of cities

(d) Promoting interest of minority

✚ **Qualifying limit**: 10% of adjusted total income

✚ **Adjusted total income**: Gross Total income - deduction under 80C to 80U other than 80G - income included in gross total income on which no tax is payable - incomes referred u/s 111A, 112, 112A, 115BB, 115(1)(a), 115AC, 115ACA, 115AD, 115BBA, 115BBD, 115BBDA, 115BE, 115BBF, 115BBG, 115BBH, 115BBJ and 115D included in gross total income.

✚ Deduction admissible to be done on the basis of information furnished by the donor to prescribed authority.

✚ Statement to be furnished to prescribed authority

✚ Certificate to the donor.

**DEDUCTION IN RESPECT OF RENTS PAID [ SECTION 80GG ]**

- ♦ **Eligible assessee**: Individual
- ♦ **Condition for eligibility**: Must not receive HRA.
- ♦ **Amount of deduction**: **least** of the following -
  1. Rent paid - 10% of adjusted total income
  2. 25% of adjusted total income
  3. ₹5,000 p.m.

**Adjusted total income** means total income computed before allowing the deduction under this section but excluding incomes from which deduction under this chapter is not allowed.

**DEDUCTION IN RESPECT OF CERTAIN DONATIONS FOR SCIENTIFIC RESEARCH OR RURAL DEVELOPMENT [ SECTION 80GGA ]**

- ♥ **Eligible assessee**: All assessee excluding whose GTI is from PGBP
- ♥ **No deduction for cash donation exceeding ₹2,000.**
- ♥ **Amount of donation** : **100%**
- ♥ Deduction not deniable even if approval withdrawn subsequently.
- ♥ Deduction admissible on the basis of information furnished by the payee to prescribed authority.

**DEDUCTION IN RESPECT OF CONTRIBUTION GIVEN BY COMPANIES TO POLITICAL PARTY [ SECTION 80GGB]**

- ♣ **Eligible assessee**: Indian company
- ♣ **Nature of payment**: Contribution to a political party
- ♣ **Amount of deduction**: 100%
- ♣ Cash contribution not eligible.

**DEDUCTION IN RESPECT OF CONTRIBUTION GIVEN BY ANY PERSON TO POLITICAL PARTY [ SECTION 80GGC ]**

- ♣ **Eligible assessee**: Any person ( other than local authority and an artificial juridical person, wholly or partly funded by the government )
- ♣ **Nature of payment**: Contribution to a political party
- ♣ **Amount of deduction**: 100%
- ♣ Cash contribution not eligible.

**DEDUCTION IN RESPECT OF EMPLOYMENT OF NEW EMPLOYEE [ SECTION 80JJAA ]**

- ♣ **Eligible assessee**: All assessee, whose GTI includes PGBP and to whom provision of section 44AB.
- ♣ **Quantum and period of deduction**: 30% of additional employee cost incurred and for 3 years
  - 1) **"Additional employee cost"** means total emoluments paid or payable to additional employee employed during the P.Y.  
However, in the case of an existing business, the additional employee cost shall be nil, if -
    - (a) No increase in number of employees
    - (b) emoluments are paid otherwise than by account payee cheque or account payee bank draft or by use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed. [ (a) credit card; (b) Debit card; (c) Net banking; (d) IMPS (immediate payment service); (e) UPI (unified payment service); (f) RTGS (real time gross settlement); (g) NEFT (national electronic funds transfer), and (h) BHIM (bharat interface for money) Aadhar pay have been prescribed as mode of electronic payment] [ Amended by Finance act 2020 ]
  - 2) Additional employee cost in case of new business shall of previous year.
  - 3) **Additional employee means** increase in total number of employee in P.Y, but does not include -
    - (a) An employee whose **total emoluments are more than ₹25,000 p.m.** or
    - (b) An employee for whom the entire contribution is paid by the government
    - (c) An employee employed for a period of **less than 240 days in P.Y, in case of manufacturing of apparel or footwear or leather products less than 150 days in P.Y.**

(d) An employee who **does not participate in the recognised provident fund.**

4) **Emoluments means** any sum paid or payable but does not include -

- (a) Any contribution paid or payable by the employer to any pension fund or provident fund or any other fund for the benefit of the employee and
- (b) Any lump-sum payment paid or payable to an employee at a time of termination of his service or superannuation or voluntary retirement, such as gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and the like.

▲ **Conditions for claiming deduction:** No deduction under shall be allowed -

- (i) If the business is formed by splitting up, or the reconstruction of an existing business (except in case of section 33B)
- (ii) In case of business reorganisation
- (iii) Unless the assessee furnishes the report of CA before the specified date referred to in section 44AB.

#### **DEDUCTION IN RESPECT OF ROYALTY INCOME, ETC., OF AUTHORS OF CERTAIN BOOKS OTHER THAN TEXT BOOKS [ SECTION 80QQB ]**

✚ **Eligible assessee:** Resident Individual (GTI includes eligible income)

✚ **Eligible income:** Income, on account of -

- (a) Lump sum consideration
- (b) Royalty or copyright fees

Book shall not include brochures, commentaries, diaries, guides, journals, magazines, newspapers, pamphlet, text-books for schools, tracts and other publications of similar nature.

✚ **Amount of deduction:** lower of 100% of such eligible income or ₹3,00,000.

Note: The amount of eligible income (before allowing expenses attributable to such income) shall not exceed 15% of the value of the books sold during the previous year. However, this condition is not applicable where the royalty or copyright fees is receivable in lump sum in lieu of all rights of the author in the book.

✚ Royalty income earned from foreign sources is taxable.

#### **DEDUCTION IN RESPECT OF ROYALTY INCOME ON PATENTS [ SECTION 80RRB ]**

✚ **Eligible assessee:** Resident Individual (GTI includes eligible income)

✚ **Eligible income:** Royalty income on patent

✚ **Amount of deduction:** lower of 100% of such eligible income or ₹3,00,000.

✚ Royalty income earned from foreign sources is taxable.

#### **DEDUCTION IN RESPECT OF INTEREST ON DEPOSITS IN SAVINGS ACCOUNTS [ SECTION 80TTA ]**

➤ **Eligible assessee:** Individual or HUF ( other than the assessee referred in section 80TTB )

- **Eligible income:** Any income by way of an interest on deposits in a saving account (not being time deposit) from a banking company, a co-operative society or a post office
- **Amount of deduction:** 100% of interest income or 10,000. Whichever is lower.
- No deduction in case of accounts held by/ on behalf of firm/ AOP/ BOI.

#### **DEDUCTION IN RESPECT OF INTEREST ON DEPOSITS IN CASE OF SENIOR CITIZENS [ SECTION 80TTB ]**

- **Eligible assessee:** Individual being senior citizen
- **Eligible income:** Any income by way of an interest on deposits from a banking company, a co-operative society or a post office
- **Amount of deduction:** 100% of interest income or 50,000. Whichever is lower.
- No deduction in case of accounts held by/ on behalf of firm/ AOP/ BOI.

#### **DEDUCTION IN CASE OF PERSON WITH DISABILITY [ SECTION 80U ]**

- **Eligible assessee:** Resident individual is certified by the medical authority to be person with disability.
- **Amount of deduction:** A deduction of ₹75,000 in respect of person with disability and ₹1,25,000 in respect of a person with **severe disability** (having disability over 80%).
- Prescribed certificate to be furnished.

#### **SPECIAL PROVISIONS IN RESPECT OF NEWLY ESTABLISHED UNITS IN SPECIAL ECONOMIC ZONES [SECTION 10AA]**

**(1) Introduction:** A deduction of profits and gains which are derived by an assessee being an entrepreneur from the export of articles or things or providing any service, shall be allowed from the total income of the assessee.

In case of an individual, HUF, AOP (other than a co-operative society) or BoI or an artificial juridical person, deduction would be available only if they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). The deduction would be available only under the optional tax regime, where they pay tax under the normal provisions of the Act.

In case of companies and co-operative societies, deduction would not be available if they opt for the special provisions u/s 115BAA/ 115BAB and section 115BAD/115BAE, respectively. The deduction would be available if they pay tax under the normal provisions of the Act.

**(2) Applicability:** This section applies to a unit established by an entrepreneur in a Special Economic Zone, which begins to manufacture or produce articles or things or



provide any services during the previous year relevant to A.Y. 2006-07 or any subsequent assessment year but not later than A.Y. 2020-21.

**Amount of deduction:**

<b>First 5 consecutive assessment years</b>	100% of profits and gains from export business (starting from assessment year relevant to year of start of production/ manufacture).
<b>Next 5 consecutive assessment years</b>	50% of profits and gains from export business.
<b>Further next 5 consecutive assessment years</b>	Lower of- <ul style="list-style-type: none"><li>➤ 50% of Profits from export business; or</li><li>➤ Amount transferred from Profit and Loss A/c to the "Special Economic Zone Reinvestment Reserve A/c".</li></ul>

Explanation: The amount of deduction under this section shall be allowed from the total income of the assessee computed in accordance with the provisions of this Act, before giving effect to the provisions of this section and the deduction under this section shall not exceed such total income of the assessee.

The deduction for last **5 assessment years** is allowed if -

- (i) The amount transferred to "Special Economic Zone Reinvestment Reserve A/c" is used for acquiring new plant or machinery, which is first put to use within 3 years from the year of creation of reserve.
- (ii) Until acquisition of such plant or machinery, it is used for business purposes other than for distribution by way of dividend or profits or remittance outside India for creation of any asset therein.
- (iii) Particulars of plant or machinery are furnished along with return of income for the previous year in which such plant or machinery is first put to use.

**(4) Export proceeds to be brought in India within 6 months:** Deduction under section 10AA would be available to a Unit, if the proceeds from sale of goods or provision of services is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of 6 months from the end of the previous year or, within such further period as the competent authority may allow in this behalf.

The export proceeds from sale of goods or provision of services shall be deemed to have been received in India where such export turnover is credited to a separate account maintained for that purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India.

**(5) Computation of profits from export business for the purposes of deduction:**



$$\begin{array}{rcccl} & \text{Export Turnover of} & \text{Profits and gains of business and} & & \\ & \text{Unit in SEZ} & \times & \text{profession of Unit in} & \\ \text{Profits and gains from} & & & & \\ \text{SEZ export business} & = & \frac{\quad}{\text{Total Turnover of Unit in SEZ}} & & \end{array}$$

**Meaning of Export turnover:** It means the consideration in respect of export by the undertaking being the unit of articles or things or services received in India or brought into India by the assessee in convertible foreign exchange within 6 months from the end of the previous year or within such further period as the competent authority may allow in this behalf.

However, it does not include -

(i) freight

(ii) telecommunication charges

(iii) insurance

attributable to the delivery of the articles or things outside India or expenses incurred in foreign exchange in rendering of services (including computer software) outside India.

**'Export'** in relation to Special Economic Zone means taking goods or providing services out of India from a Special Economic Zone by land, sea, air, or by any other mode, whether physical or otherwise.

**Note:** Profits and gains derived from on-site development of computer software (including services for development of software) outside India shall be deemed to be profits and gains. derived from the export of computer software outside India.

**(6) Transfer of the undertaking in amalgamation or demerger:**

The provisions of this section shall apply to the amalgamated or resulting unit, as if no amalgamation or demerger had taken place.

**(7) Losses and allowances to be carried forward or set-off:** The losses referred under section 72 (i.e. business loss, other than speculative business losses) or section 74 (ie. losses under the head 'Capital Gains'), so far as they relate to the business of the undertaking, shall be allowed to be carried forward or set-off. Further, unabsorbed depreciation, unabsorbed capital expenditure on scientific research or family planning shall also be allowed to be carried forward. However, only those losses or allowance shall be allowed to be carried forward, which relate to assessment year 2006-07 or any subsequent assessment year.

**(8) Report from a Chartered Accountant:** Deduction under this section shall be allowed only if the assessee furnishes, before the specified date referred to in section

44AB, a report from a chartered accountant certifying that the deduction has been correctly claimed.

**(9) Return to be furnished on or before due date:** No deduction under section 10AA would be allowed to an assessee who does not furnish a return of income on or before the due date specified under section 139(1).

**(10) No deduction u/s 35AD admissible:**

**(11) Other provisions:**

(i) Written down value of assets after tax holiday period will be computed presuming that depreciation has been allowed on them during the tax holiday period.

(ii) No deduction will be allowed under Section 80-IA or 80-IB in respect of that undertaking which has claimed exemption under this section.

(iii) Where any goods or services held for the purposes of eligible business are transferred to any other business carried on by the assessee, or where any goods held for any other business are transferred to the eligible business and, in either case, if the consideration for such transfer as recorded in the accounts of the eligible business does not correspond to the market value thereof, then the profits eligible for deduction shall be computed by adopting market value of such goods or services on the date of transfer. In case of exceptional difficulty in this regard, the profits shall be computed by the Assessing Officer on a reasonable basis as he may deem fit. Similarly, where due to the close connection between the assessee and the other person or for any other reason, it appears to the Assessing Officer that the profits of eligible business is increased to more than the ordinary profits, the Assessing Officer shall compute the amount of profits of such eligible business on a reasonable basis for allowing the deduction.

## INCOME TAX Compact (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

### 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 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 amount of such tax payable by the assessee during the year is ₹ 10,000 or more.
- However, an individual resident in India of the age 60 years or more at any time during the P.Y., who does not have income chargeable under the head " Profit and gains of business or profession"(PGBP), is *not liable to pay advance tax*.

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

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

<i>Due date of instalment</i>	<i>Amount payable</i>
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 (-) amount paid in earlier instalment.
On or before 15 <sup>th</sup> December	Not less than 75% of advance tax liability (-) amount paid in earlier instalment.
On or before 15 <sup>th</sup> March	The whole amount of advance tax liability (-) amount paid in earlier instalment.

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 in section 44ADA(1), shall be required to pay advance tax of the whole amount *on or before 15<sup>th</sup> March of the F.Y*

However, any amount 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 <i>non-payment of advance tax</i> or payment of advance tax of an amount <i>less than 90% of assessed tax</i> .   |
| (2) | <i>The interest liability would be 1% per month</i> or part of the month <i>from 1<sup>st</sup> April</i> following the F.Y <i>upto the date of determination of total income u/s 143(1)</i> and where regular assessment is made, upto the date of such regular assessment. |
| (3) | Such <i>interest is calculated</i> on the amount of <i>difference between the assessed tax and the advance tax paid</i> .  |

## **INCOME TAX Compact (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)**

- (4) **"Assessed Tax"** means the tax on total income determined u/s 143(1)/under regular assessment, as the case /s may be, *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 the section.

### **Interest for deferment of advance tax [ section 234C]**

- (a) **Manner of computation of interest u/s 234C for deferment of advance tax by corporate and non-corporate assesses:**

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% p.m. for the period specified in column(4) on the amount of shortfall, as per column (3) is leviable u/s 234C.

Specified date (1)	Specified (2)	Shortfall in advance tax (3)	Period (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 months

Note- However, if the advance tax paid by the current income, on or before 15<sup>th</sup> June or 15<sup>th</sup> September, is not less than 12% or, as the case may be, 36% of the tax due on the returned income, then, the assessee shall not be liable to pay any interest on the amount of the shortfall on those dates.

- (b) **Computation interest u/s 234C in case of an assessee who declares profit and gains in accordance with the provisions of section 44AD(1):**

In case an assessee who declares profits and gains in accordance with the provisions of sections 44AD(1) or sections 44AD(1), who is liable to pay advance tax u/s 208 has *failed to pay* such tax or the advance tax paid by the assessee on its current income *on or before 15<sup>th</sup> March* is less than the tax due on the returned income, then, the assessee shall be liable to pay *simple interest at the rate of 1%* on the amount of the shortfall from the tax due on the returned income.

- (c) **Non applicability of interest u/s 234C in certain cases:**

Interest u/s 234C *shall not be leviable* in respect of any shortfall in payment of tax due on returned income, where such shortfall is on account of under-estimate or failure to estimate -

- (i) The amount of *capital gains*;

## INCOME TAX Compact (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

- (ii) Income of nature referred to in section 2(24)(ix)., *winning from lotteries, crossword puzzles etc.;*
- (iii) Income under the head "*Profit and gains of business or profession*" in cases where the income accrues or arises under the said head for the *first time*.
- (iv) Income of the nature referred to in section 115BBDA(1) i.e., *dividend in aggregate exceeding of ₹10 lakhs* including in the assessee's total income.

However, the *assessee should have paid the whole of the amount* of tax payable 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 total income, as part of the remaining instalments of advance tax which are due or where no such instalments are due, *by 31<sup>st</sup> march of the F.Y*

Tax due on returned income = Tax chargeable on total income declared in the return of income - TDS - TCS - any relief of tax allowed u/s 89 - any tax allowed to be set off in accordance with the provisions of section 115JD

## CHAPTER-11 TAX DEDUCTED AT SOURCE

SECTION	NATURE OF PAYMENT	THRESHOLD LIMIT FOR DEDUCTION OF TAX AT SOURCE	PAYER	PAYEE	RATE OF TDS	TIME OF DEDUCTION																																																	
191	Direct payment	Tax payment in respect of ESOP to be paid by the assessee directly: For the purpose of paying income tax directly by the assessee, if the income of the assessee in any assessment year, beginning on or after 01-04-2021, includes income of the nature specified in section 17(2)(vi) i.e, ESOP and such specified security or sweat equity shares are allotted or transferred directly or indirectly by the current employer, being an eligible start-up referred to in section 80-IAC, the income tax on such income shall be payable by the assessee within 14 days -t (i) After the expiry of 48 months from the end of the relevant assessment year; or (ii) From the date of the sale of such specified security or sweat equity share by the assessee; or (iii) From the date of the assessee ceasing to be the employee of the employer who allotted or transferred him such specified security or sweat equity share, Whichever is earliest.																																																					
192	Salary	Basic exemption limit (Rs 250000/300000 as the case may be). This is taken care in computation of the average rate of income tax.	Any person responsible for paying any income chargeable under head "salaries"	Individual employee	Average rate of income tax computed on the basis of rate in force	At the time of payment																																																	
<table border="1"> <thead> <tr> <th align="center" colspan="2">Table - I</th><th></th><th align="center" colspan="2">Table - I</th><th></th><th></th></tr> </thead> <tbody> <tr> <td>Income under the head salaries [A]</td><td>xx</td><td></td><td>Income under the head salaries [A]</td><td>xx</td><td></td><td></td></tr> <tr> <td>Less: Loss from house property [B]</td><td>xx</td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>Add: Income under any other head</td><td></td><td></td><td>Less: Loss from house property [B]</td><td>xx</td><td></td><td></td></tr> <tr> <td>Gross amount [D = A - B + C]</td><td>xx</td><td></td><td>Gross amount [C = A - B]</td><td>Xx</td><td></td><td></td></tr> <tr> <td>Less: Deductions under Chapter VIA [E]</td><td>Xx</td><td></td><td>Less: Deductions under Chapter VIA [D]</td><td>xx</td><td></td><td></td></tr> <tr> <td>Net amount on which tax is to be Deducted [F = D - E]</td><td>Xx</td><td></td><td>Net amount on which tax is to be Deducted [E = C - D]</td><td></td><td></td><td></td></tr> </tbody> </table>							Table - I			Table - I				Income under the head salaries [A]	xx		Income under the head salaries [A]	xx			Less: Loss from house property [B]	xx						Add: Income under any other head			Less: Loss from house property [B]	xx			Gross amount [D = A - B + C]	xx		Gross amount [C = A - B]	Xx			Less: Deductions under Chapter VIA [E]	Xx		Less: Deductions under Chapter VIA [D]	xx			Net amount on which tax is to be Deducted [F = D - E]	Xx		Net amount on which tax is to be Deducted [E = C - D]			
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## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

	Tax on [F]		Xx	Tax on [E]		Xx
	Less: Any tax deducted or collected under any other provision as the case may be and relief under section 89 [G]		Xx	Less: Any tax deducted or collected under any other provision as the case may be and Relief under section 89 [F]		Xx
	Amount of tax to be deducted at source [H = F - G]		Xx	Amount of tax to be deducted at source [G = E - F]		xx
192A	Premature withdrawal from employee provident fund	Payment or aggregate payment <i>more than or equal to Rs 50000</i>	Trustees of the EPF scheme or any authorised person under the scheme	Individual (employee)	10%	At the <i>time of payment</i>
193	Interest on securities	<i>More than Rs 10000 in a F.Y.,</i> in case of interest on 8% saving (taxable) bonds, 2003/7.75% saving (taxable) bonds, 2018. <i>More than Rs 5000 in a F.Y.,</i> in case of debentures issued by a Co. in which public are substantially interest, paid or credited to a resident individual or HUF by an account payee cheque. No threshold specified in any other case. No TDS: (i) on any security of the Central Government or a State Government. <i>However, tax shall be deducted @ 10% if the</i>	Any person responsible for paying any income by way of interest on securities.	Any resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

		interest payable exceed 10,000 during the financial year on 8% saving (taxable) bonds, 2023 or 7.75% Savings (Taxable) Bonds, 2018 or floating rate saving bonds, 2020 (Taxable) or any other security of the central government or state government as the central government may, by notification in the official gazette, specify in this behalf.				
<b>194</b>	Dividend	<p><i>No TDS shall be made in the case of a shareholder, being and individual, if -</i></p> <p>(i) The dividend is paid by the company by any mode other than cash; and</p> <p>(ii) The amount of such divided or aggregate of dividend does not exceed Rs 5000.</p> <p><i>Non applicability: LIC, GIC, a business trust by SPV, any other person notified by CG</i></p>	Indian company or company having prescribed arrangement for declaration or payment in India (including dividend on preference share) u/s 2(22)(a) to <b>2(22)(f)</b>	Individual	<b>10%</b>	At the time of payment
<b>194A</b>	Interest other than	<b>More than Rs 40000</b> in a F.Y., in case of interest credited or paid by -	Any person (an individual or HUF whose total sales, gross receipts or	Any resident	<b>10%</b>	At the time of credit of such income to the account of the payee or at the time

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

	interest on securities	<p>(i) A banking company;</p> <p>(ii) A co-operative society engaged in banking business; and</p> <p>(iii) A post office on any deposit under a notified scheme.</p> <p>In all the above cases, if payee is a <b>resident senior citizen</b>, tax deduction limit is <b>more than RS 50000</b>.</p> <p><b>More than Rs 5000</b> in a F.Y., in other cases.</p>	turnover from <b>business</b> do exceed Rs 1 crore or Rs 50 lakh in case of <b>profession</b> ) responsible for paying interest other than interest on securities.			of payment, whichever is earlier.
	<p>However, a co-operative society referred shall be liable to deduct tax at source, if -</p> <p>(a) The total sales, gross receipt or turnover of the co-operative society exceed Rs 50 crore during the financial year immediately preceding the financial year in which the interest is credited or paid; and</p> <p>(b) The amount of interest, or the aggregate of the amounts of such interest, credited or paid, or is likely to be credited or paid, during the financial year is more than Rs 50000 in case of payee being a senior citizen and Rs 40000 in any other case.</p> <p>Time deposits means deposits (including recurring deposits) repayable on the expiry of fixed periods.</p> <p>No TDS/TCS at lower rate for notified persons: The central Government may, by notification in the official Gazette, provide that the deduction of tax shall not be made or shall be made at such lower rate, from such payment to such person or class of persons, as may be specified in the said notification.</p>					
<b>194B</b>	Winning from any lottery, crossword puzzle or card game or other game of any sort	<b>More than Rs 10000</b>	The person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle or card game or other game of any sort or from gambling or betting of any form or nature (other than winnings	Any person	<b>30%</b>	<b>At the time of payment</b>

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

			from any online game in respect of which TDS u/s 194BA would be applicable) shall be liable to deduct tax at source.			
<b>194BA</b>	WINNINGS FROM ONLINE GAMES	<i>No limit</i>	Any person	Any person	<b>30%</b>	time of such withdrawal on the net winnings comprised in such withdrawal, as well as on the remaining amount of net winnings in the user account, computed in the manner as may be prescribed, at the end of the financial year
<b>194BB</b>	Winning from horse race	<i>More than Rs 10000</i>	Book maker or a person holding license for horse racing or for arranging for wagering or betting in any race course	Any person	<b>30%</b>	At the <i>time of payment</i>
<b>194C</b>	Payments to contractors	Single cum credit or paid <i>more than Rs 30000 (or) The aggregate of sums</i> credited or paid to a contractor during the F.Y <i>more than Rs 100000</i> <i>Individual/HUF</i> need <i>not deduct tax</i> where sum is credited or paid <i>exclusively for personal purposes</i>	Central/state govt. local authority, central/state/provincial corpn., company, firm, trust, registered society, co-operative society, university established under central/state/provincial act, declared university under the UGC act, govt. of foreign state or a foreign enterprise, any	Any resident contractor for carrying out any work (including supply of work)	<b>1%</b> of sum paid or credited, if the <i>payee is an individual or HUF</i> <b>2%</b> of sum paid or credited, if the <i>payee is any other person</i>	At the time of credit of such income to the account of the contractor or at the time of payment, whichever is earlier.

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

			association or body established outside India, <i>Individual/HUF has total sales, gross receipt or turnover from business or profession carried on by him exceeding Rs 1 crore in case of business or Rs 50 Lakh in case of profession</i>			
	<p><i>Definition of work: "Work" shall include - manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee under the provisions contained in Section 40A(2)(b) but does not include</i></p> <p>(a) manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer or associate of such customer.</p> <p>(b) <i>Any sum referred to in section 194J(1) i.e. Fees for professional services [Amended w.e.f. 01-10-2024]</i></p>					
<b>194D</b>	Insurance commission	<i>More than Rs 15000</i> in a F.Y	Any person responsible for paying any income by way of remuneration or reward for soliciting or procuring insurance business <i>(including business relating to the continuance, renewal or revival of policies of insurance )</i>	Any resident	<b>5%</b>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
<b>194DA</b>	Any sum under a life insurance policy	<i>More than or equal to Rs 100000</i> (aggregate amount of payment 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	<i>2% [prior to 1/10/2024, it was 5%]</i>	At the <i>time of payment</i>

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

<b>194G</b>	Commission on sale of lottery tickets	<i>More than Rs 15000</i> in a F.Y	Any person responsible for paying any income by way of commission, remuneration or prize (by whatever name called) on lottery tickets	Any person stocking, distributing, purchasing or selling lottery tickets	<i>2% [prior to 1/10/2024, it was 5%]</i>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
<b>194H</b>	Commission or brokerage	<i>More than Rs 15000</i> in a F.Y	Any person ( an individual or HUF whose total sales, gross receipts or turnover from <i>business exceed Rs 1 crore or Rs 50 Lakh in case of profession</i> in the immediately preceding F.Y) responsible for paying commission or brokerage	Any resident	<i>2% [prior to 1/10/2024, it was 5%]</i>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
<b>194-I</b>	Rent	<i>More than or equal to Rs 240000</i> in a F.Y	Any person ( an individual or HUF whose total sales, gross receipts or turnover from <i>business exceed Rs 1 crore or Rs 50 Lakh in case of profession</i> in the immediately preceding F.Y) responsible for paying rent.	Any resident	<i>For P&amp;M or equipment - 2%  For land or building, land appurtenant to a building, furniture or fitting - 10%</i>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.



## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

<b>194-IA</b>	Payment on transfer of certain immovable property other than agriculture land	<i>consideration for transfer and SDV are both More than Rs 50,00,000 in a F.Y</i> <i>However, where there is more than one transferor or transferee in respect of any immovable property, then the consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property [Amended w.e.f. 01-10-2024]</i>	Any person, being a transferee (other than a person referred to in a section 194LA responsible for paying compensation for compulsory acquisition of immovable property)	Resident transferor	<b>1%</b> of consideration or the SDV of such property, whichever is higher	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
<b>194-IB</b>	Payment of rent by certain individuals or HUF	<i>More than Rs 50000 for a month or part of a month</i>	Individual/HUF (other than those referred to in the second proviso to section 194-I) responsible for paying rent.	Any resident	<i>2% [prior to 1/10/2024, it was 5%]</i>	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 account of the payee or at the time of payment, whichever is earlier.
<b>194J</b>	Fees for professional or technical services/Royalty/ non-compete	<i>More than Rs 30000 in a F.Y., for each category of income (however, this limit does not apply in case of payment of directors remuneration)</i>	Any person, other than an Individual/HUF; However, in case of fees for professional or technical services paid or credited, individual or	Any resident	<i>Mentioned below</i>	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

	fees/ director's remuneratio n		HUF whose total sales, gross receipts or turnover from business or profession <b>exceed</b> the monetary limits specified u/s 44AB in the immediately preceding F.Y., is liable to deduct tax u/s 194J, except where fees for professional services is credited or paid exclusively for his personal purposes.																				
	<table><tr><th rowspan="2">Nature of Income</th><th colspan="2">Rate of TDS</th></tr><tr><th>Existing Rates</th><th></th></tr><tr><td><i>Fees for technical services (not being a professional services)</i></td><td>2%</td><td></td></tr><tr><td><i>Royalty where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films</i></td><td>2%</td><td></td></tr><tr><td><i>In the case of a payee, engaged only in the business of operation of call centre</i></td><td>2%</td><td></td></tr><tr><td><i>In all other cases ( fees for professional service, other royalty, any remuneration or fees or commission, by whatever name called, other than those on which tax is deductible under section 192, to a director of company, non competing fees)</i></td><td>10%</td><td></td></tr></table>						Nature of Income	Rate of TDS		Existing Rates		<i>Fees for technical services (not being a professional services)</i>	2%		<i>Royalty where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films</i>	2%		<i>In the case of a payee, engaged only in the business of operation of call centre</i>	2%		<i>In all other cases ( fees for professional service, other royalty, any remuneration or fees or commission, by whatever name called, other than those on which tax is deductible under section 192, to a director of company, non competing fees)</i>	10%	
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194K	Income in respect of Units	No TDS in the following cases: The provision of this section shall not apply - (a) Where the amount of such income or aggregate of such income does not exceed Rs 5000; or	Any person responsible for paying to a resident any income in respect of - (a) Units of Mutual Fund specified under section 10(23D); or		10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.																	

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

		(b) If the income is of the nature of capital gain	(b) Units from the Administration of the specified undertaking; or (c) Units from the specified company, Shall be liable to deduct tax at source			
<b>194 LA</b>	Compensation on acquisition of certain immovable property other than agriculture land	<i>More than Rs 250000 in a F.Y</i>	Any person responsible for paying any sum in the nature of compensation or enhanced compensation on compulsory acquisition of immobile property	Any resident	<b>10%</b>	<b>At the time of payment</b>
<b>194M</b>	Payments to contractors (or) commission / brokerage (or) fees for professional services	<i>More than Rs 5000000 in a F.Y</i>	Individual or HUF <b>does not exceed Rs 1 crore in case of business or Rs 50 Lakh in case of profession</b> other than those who are required to deduct tax at source u/s 194C or 194H or 194J (other than for personal purpose)	Any resident	<b>2% [prior to 1/10/2024, it was 5%]</b>	<b>At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.</b>
<b>194N</b>	Cash withdrawal	<i>More than Rs 1 crore</i>	<ul style="list-style-type: none"> <li>- A banking company or any bank or banking institution</li> <li>- A co-operative society engaged in</li> </ul>	Any resident	<b>2% of sum exceeding Rs 1 crore (being amount or</b>	<b>At the time of payment of such sum</b>

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

			carrying on the business of banking or - Post office However, if the recipient is a co-operative society, tax is required to be deducted on any sum exceeding ₹ 3crore.		aggregate of amount)	
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### Amount and rate of TDS: 2% of the sum paid.

**Differential rate of deduction for recipient not having filed returns :** However, in case of a recipient who has not filed the returns of income for all of the 3 assessment years relevant to the 3 previous years, for which the time limit of file return of income u/s 139(1) has expired, immediately preceding the previous year payment of the sum is made to him, the provision of this section shall apply with in which the the modification that-

- (i) the sum shall be the amount or the aggregate of amounts and as the case may be, in cash exceeding Rs 20 lakh , during the previous year;
- (ii) the deduction shall be -
  - (a) @ 2% of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds Rs 20 lakh during the previous year but does not exceed Rs 1 crore; or
  - (b) @ 5% of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds Rs 1 crore during the previous year

The Central Government may specify in consultation with the Reserve Bank of India, by notification in the Official Gazette, the recipient in whose case the above provision shall not apply or apply at reduced rate, if such recipient satisfies the conditions specified in such notification.

**Time of tax deduction:** At the time of payment of such sum.

**Non applicability :** Tax deduction at source shall not apply to any payment made to, -

- (i) the Government;
- (ii) any banking company or co-operative society engaged in carrying on the business of banking or a post office;
- (iii) any business correspondent of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the guidelines issued in this regard by the Reserve Bank of India under the Reserve Bank of India Act, 1934;

- (iv) any white label automated teller machine operator of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the authorisation issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007;

**No TDS or TDS at reduced rates:** The central government may specify in consultation with the Reserve Bank of India, by notification in the official Gazette, the recipient in whose case the provision of this section shall not apply or apply at reduced rate, if such recipient satisfies the conditions specified in such notification.

Accordingly, the Central government has, in consultation with the RBI, notified the followers class of persons, payment to whom would not attract liability to deduct tax at source u/s 194N:

- (i) **Cash Replenishment Agencies (CRAs) and franchise agents of white label automated teller machine operators (WLATMO's):** For availing exemption from applicability of TDS u/s 194N, CRAs and franchise agents of WLATMOs should maintain a separate bank account from which withdrawal is made only for the purpose of replenishing cash in the Automated Teller Machine (ATMs) operated by such WLATMOs. Further, the WLATMO should furnish a certificate every month to the bank certifying that the bank account of the CRAs and the franchise agents of the WLATMOs have been examined and the amount withdrawn from their bank accounts has been reconciled with the amount of cash deposited in the ATM's of the WLATMO's
- (ii) **Commission agent or trader, operator under agriculture produce market committee (APMC), and registered under any law relating to Agriculture Produce Market of the concerned state:** For availing exemption from the applicability of TDS u/s 194N, the commission agent/trader should intimate to the banking company or co-operative society or post office, his account number through which he wishes to withdraw cash in excess of Rs 1 Crore in the previous year along with his permanent account number (PAN) and the details of the previous year. Also, he should certify to the banking company or co-operative society or post office that the withdrawal of cash from the account in excess of Rs 1 crore during the previous year is for the purpose of making payments to the farmers on account of purchase of agriculture produce. Further, the banking company or co-operative society or post office has to ensure that the PAN quoted is correct and the commission agent or trader is registered with the APMC, and for this purpose collect necessary evidences and place the same on record.
- (iii) (a) The authorised dealer and its franchise agent and sub-agent; and  
(b) Full-Fledged Money Changer (FFMC) licensed by the RBI and its franchise agent;  
Such person should maintain a separate bank account from which withdrawal is made only for the purpose of -  
(a) Purchase of foreign currency from foreign tourists or non-residents visiting India or from resident Indians on their return to India, in case as per the directions or guidelines issued by RBI; or  
(b) Disbursement of inward remittances to the recipient beneficiaries in India in cash under money transfer service scheme (MTSS) of the RBI;  
The exemption from the requirement to deduct tax u/s 194N would be available only if a certificate is furnished by the authorised dealers and their franchise agent and subagent, and the full-fledged money changers (FFMC) and their franchise agent to the

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

bank that withdrawal is only for the purpose specified above and the directions or guidelines issued by the RBI have been adhered to.

- (iv) **Person to whom credit is to be given for tax deducted and paid:** Rule 37BA provides the manner of giving credit for tax deducted and remitted to the central government i.e., it specifies the person to whom credit for tax deducted is to be given and also the assessment year for which the credit may be given. Accordingly, rule 37BA(3A) provides that, for the purpose of section 194N, credit for tax deducted at source shall be given to the person from whose account tax is deducted and paid to the central government account for the assessment year relevant to the previous year in which such tax deduction is made.

SECTION	NATURE OF PAYMENT	THRESHOLD LIMIT FOR DEDUCTION OF TAX AT SOURCE	PAYER	PAYEE	RATE OF TDS	TIME OF DEDUCTION
194P	Pension (along with interest on bank account)	<b>Basic exemption limit</b> (₹3,00,000/₹5,00,000, as the case may be) [i.e total income after giving effect to the deduction allowable under chapter VI-A should exceed the basic exemption limit. Further, in case the individual is entitled to rebate under section 87A from tax payable, then the same should be given to]	Notified specified bank	<b>Specified senior citizen</b> 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 exempt interest income received or receivable from any account		



**INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)**

				maintained by such individual in same specified bank in which he is receiving his pension income, and - has furnished a declaration to the specified bank		
<b>194Q</b>	Purchase of goods	More than 50 lakhs in a previous year	Buyer, who is responsible for paying any sum to any resident for purchase of goods. Buyer means a person whose total sales, gross receipt or turnover from business exceeds ₹ 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 exceeding ₹ 50 lakhs (if PAN not furnished - 5%)	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.

**INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)**

<b>194R</b>	Any person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession, by such resident.	Value or aggregate of value exceeding ₹ 20000	Individual or HUF does not exceed ₹ 1 crore in case of business or ₹ 50 Lakh in case of profession other than those who are required to deduct tax at source u/s 194C or 194H or 194J (other than for personal purpose) The provision of section 194R(1) would apply to any benefit or perquisite whether in cash or in kind or partly in cash and partly in kind.	Any resident	10% of the value or aggregate of value	Tax is deducted before providing such benefit or perquisite
<b>194T</b>	Any person, being a firm, responsible for paying any sum in the nature of salary, remuneration,	Where such sum or the aggregate of such sums credited or paid or likely to be credited or paid to the partner of the firm does not exceed ₹ 20,000 during the financial year	Firm	Partner	10%	Tax is deducted at the time of credit of such sum to the account of the partner (including the capital account) or at the time of payment thereof, whichever is earlier.

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

	commission, bonus or interest to a partner of the firm					
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Notes -

- (1) Section 206AA requires furnishing of PAN by the deductee to the deductor, failing which the deductor has to deduct tax at the higher of the following rates, namely -
- At the rate specified in the relevant provisions of the income tax act, 1961; or
  - At the rate or rates in force; or
  - At the rate of 20% [ 5% in case where the tax is required to be deducted u/s 194-0 and 194Q]

- (2) Section 206AB requires tax to be deducted at source under the provisions of this chapter on any sum or income or amount paid, or payable or credited, by a person (deductee) to a specified person, at higher of the following rates -
- At twice the rate prescribed in the relevant provisions of this act
  - At twice the rate or rates in force i.e., the rate mentioned in the Finance Act; or
  - At 5%

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

Meaning of "specified person" - A person who has not furnished the returns of income for the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing return of income under section 139(1) has expired, and the aggregate of tax deducted at source and tax collected at source in this case is ₹ 50,000 or more in the said previous years.

However, the specified person would not include-

- a non-resident who does not have a permanent establishment in India; or
- a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and is notified by the Central Government in this behalf.

- (3) 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.

- (4) The threshold limit given in column (3) of the table is with respect to each payee

### OTHER AMENDMENTS:

- ✚ Certificate for deduction of tax at a lower rate or nil rate [ section 197]: Applicability section 194Q also included [Amended w.e.f. 1/10/2024]

- ✦ **No deduction to be made in certain cases [ section 197A]:** payment made to specified association etc. - Not liable/liable at lower of TDS: No deduction of tax shall be made, or deduction of tax shall be made at such lower rate, from such payment to such person or class of persons, including institution, association or body or class of institution, association or bodies, as may be notified by the central government in the official Gazette, in this behalf.
- ✦ **All sums deducted in accordance with the foregoing provisions of this chapter and income tax paid outside India, by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under this act shall, for the purpose of computing the income of the assessee, be deemed to be received [Inserted w.e.f. 1/4/2025] Section 198**
- ✦ **No correction statement shall be delivered after the expiry of 6years from the end of the financial year in which the statement is required to be delivered [Amended w.e.f. 1/4/2025] Section 200**
- ✦ **Time-limit for deeming the assessee to be in default:** No order shall be made u/s 201(1) deeming a person to be an assessee in default for failure to deduct the whole or any part of the tax from **any person, at any time after the expiry of -**
  - (a) 6 years from the end of the financial year in which payment is made or credit is given; or**
  - (b) 2 years from the end of the financial year in which the correction statement is delivered under the first proviso to Section 200(3),**
 whichever is later.

## TAX COLLECTION AT SOURCE

- (a)** 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:

Nature of goods		Rate of TCS	
		Existing rates	
(i)	Alcoholic liquor for human consumption	1%	
(ii)	Tendu leaves	5%	
(iii)	Timber obtained under a forest lease or any other mode	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%	

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 purpose of generation of power and not for trading purpose.

## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

	<p>"Seller" means the central or state government; or local authority; or any statutory corporation or authority; or any company or firm or co-operative society and also includes an individual or a HUF whose <b>total sales, gross receipts or turnover from the business or profession carried on by him exceed RS 1 crore in case of business or Rs 50 Lakh in case of profession</b> during the financial year immediately preceding the financial year in which specified goods 206C(1) are sold.</p>										
(b)	<p>Every person who grants a lease or license or enters into a contract or otherwise transfers any right or interest in any</p> <ul style="list-style-type: none"> <li>- <b>Parking lot or</b></li> <li>- <b>Toll plaza or</b></li> <li>- <b>A mine or a quarry</b></li> </ul> <p>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 license, contract or lease of the specified nature, <b>at the rate of 2%</b>, at the time of debiting of the amount payable by the licensee or lessee to his account or at the time of receipt of such amount from the licensee or lessee in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier</p>										
(c)	<p>Every person, being a seller, who receives any amount as consideration for <b>sale of a motor vehicle or any other goods, as may be specified by the central government by notification in the official Gazettee of the value exceeding RS 10Lakhs</b>, shall, at the time of receipt of such amount, collect tax from the buyer <b>@ 1% of the sale consideration</b></p>										
(d)	<p><b>TCS on Remittance of foreign currency by an authorised dealer (AD) under liberalized remittance scheme (LRS) of reserve bank of India (RBI) [ section 206C(1G)(a)]</b></p> <p>(i) <b>Transaction liable to TCS:</b> Receipt for remittance, under LRS, out of India, for a buyer, in respect of a purpose other than tour program package (herein after referral an "other remittance"), if the remittance is Rs 7 lakhs or more.</p> <p>(ii) <b>Person liable to collect tax at source:</b> Every person being an authorized dealer (AD) is obliged to collect tax at source. Authorised dealer means a person authorised by the RBI under section 10(1) of the FEMA Act, 1999 to deal in foreign exchange or foreign security.</p> <p>(iii) <b>Rate of TCS:</b></p> <table border="1"> <thead> <tr> <th>S.No</th><th>Amount and purpose of remittance</th><th>Rate of TCS</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Where the amount is for purchase of an overseas tour programme package</td><td>5% till ₹ 7 lakhs, 20% thereafter</td></tr> <tr> <td>(ii)</td><td>(a) Where the amount is remitted for the purpose of education or medical treatment; and (b) the amount or aggregate of the amounts being remitted by a buyer is less than ₹ 7 lakhs in a financial year</td><td>Nil (No tax to be collected at source)</td></tr> </tbody> </table>		S.No	Amount and purpose of remittance	Rate of TCS	(i)	Where the amount is for purchase of an overseas tour programme package	5% till ₹ 7 lakhs, 20% thereafter	(ii)	(a) Where the amount is remitted for the purpose of education or medical treatment; and (b) the amount or aggregate of the amounts being remitted by a buyer is less than ₹ 7 lakhs in a financial year	Nil (No tax to be collected at source)
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## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

	(iii)	(a) Where the amount is remitted for the purpose other than mentioned in (ii) above; and (b) the amount or aggregate of the amounts being remitted by a buyer is less than ₹ 7 lakhs in a financial year	Nil (No tax to be collected at source)
	(iv)	(a) where the amount is remitted for the purpose of education or medical treatment; and (b) the amount or aggregate of the amounts in excess of ₹ 7 lakhs is remitted by the buyer in a financial year	5% of the amt or aggregate of amounts in excess of ₹ 7 lakh
	(v)	(a) where the amount is remitted for the purpose other than mentioned in (iv) above; and (b) the amount or aggregate of the amounts in excess of ₹ 7 lakhs is remitted by the buyer in a financial year	20% of the amt or aggregate of amounts in excess of ₹ 7 lakh
		(a) where the amount being remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education; and (b) the amount or aggregate of the amounts in excess of ₹ 7 lakhs is remitted by the buyer in a financial year	0.5% of the amt of aggregate of amounts in excess of ₹ 7 lakhs
<p>(iv) <b>When tax to be collected:</b> Tax is to be collected at the time when the amount is debited to buyers account or receipt of the amount for remittance, whichever is earlier.</p> <p>(v) The authorised dealer shall not collect the sum on an amount in respect of which the sum has been collected by seller.</p>			
<p>(e) <b>Sale of overseas tour programme package (OTPP/Package)</b> [ section 206C(1G)(b)]</p> <p>(i) <b>Meaning of overseas tour programme package (OTPP):</b> Any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.</p> <p>(ii) <b>Person liable to collect tax at source:</b> Seller of package/OTPP is obliged to collect tax on the amount received/receivable for sale of OTPPP, from the buyer.</p> <p>(iii) <b>Buyer:</b> Buyer, though not defined for the purpose, could be any person who purchases OTPPP. It could be any individual/firm/LLP/company or any other person. It could be a resident/non-resident or a citizen/non-citizen.</p> <p>(iv) <b>Rate of TCS:</b> 5% on the amount received/receivable for OTPPP. It could include all expenses/charges included in the price of tour package.</p>			



## INCOME TAX Summary Book (Applicable for MAY'25/JUNE'25/SEP'25/DEC'25/JAN'26)

	(v) <b>When tax to be collected:</b> At the time of debit of amount to buyer's account on receipt, whichever is earlier.
(f)	<p><b>Certain common provisions for obligations under section 206C(1G)</b></p> <p>(i) If the buyer (i.e. Remitter/OTPP purchaser) is obliged to deduct tax under some other provisions and has deducted tax, then TCS provision shall not apply.</p> <p>(ii) If the buyer is any one of the following, TCS provision would not apply - central government (CG), state government, an embassy, A high commission, A legation, A commission, A consulate, Trade representation of foreign state, and local authority [as defined in explanation below section 10(20)]</p>
(g)	<p><b>TCS on sale of goods where consideration exceeds Rs 50 Lakh [ section 206C(1H)]:</b></p> <p>(i) <b>Person liable to collect tax at source:</b> Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding Rs 50 lakh in any previous year, other than the goods being exported out of India or goods covered in Section 206C(1)/ (1F)/ (1G) shall collect tax at source.</p> <p><b>Meaning of seller:</b> Seller means a person whose total sales, gross receipt or turnover from the business carried on by him exceed Rs 10 crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out, not being a person as the central government may, by notification in the official gazette, specify for this purpose, subject to the conditions as may be specified therein.</p> <p>Thus, seller does not cover:</p> <p>(a) Any person not carrying on business;</p> <p>(b) Any person carrying on business whose turnover does not exceed Rs 10 crores in preceding financial year; and</p> <p>(c) Person(s) notified by central government, for the purpose, subject to fulfillment of conditions specified in the notification.</p> <p><b>Meaning of buyer:</b> "Buyer" means a person who purchases any goods, but does not include -</p> <p>(a) The central government, a state government, an embassy, a high commission, legation, commission, consulate and the trade representation of a foreign state; or</p> <p>(b) A local authority as defined in the explanation to section 10(20); or</p> <p>(c) A person importing goods into India or any other person as the central government may, by notification in the official gazette, specify for this purpose, subject to such conditions as may be specified therein;</p> <p>(ii) <b>Rate of TCS:</b> 0.1% (of the sale consideration exceeding Rs 50 Lakh (if the buyer has not provided the PAN or the Aadhar number to the seller, the rate of TCS shall be 1%))</p> <p>(iii) <b>When tax to be collected:</b> The collection is to be made at the time of receipt of the consideration for sale of goods.</p> <p>(iv) <b>Non applicability:</b> TCS provisions shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.</p>
	<b>Special provision for collection of tax at source for non-filers of income tax return [ section 206CCA]</b>

- ***Applicability - collectee is a specified person***

***Specified person means a person***

- ***Who has not filed the return of income for the assessment years relevant to the previous years immediately prior to the previous year in which tax is required to be collected, for which the time limit of filing return of income under section 139(1) has expired; and***
- ***The aggregate of tax deducted at source and tax collected at source in his case is ₹ 50,000 or more in the said previous year.***

However, the specified person would not include P-

(i) a non-resident who does not have a permanent establishment in India; or

(ii) a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and is notified by the Central Government in this behalf.

***Specified person shall not include a non resident who does not have a permanent establishment in India.***

- ***Rate of TCS: higher of twice the rate specified in the relevant provision of act or 5%***
- ***TCS at higher of rates u/s 206CC and 206CCA.***

## CHATER-12 PROVISION FOR FILLING OF RETURN

Sections	Particulars
139(1)	<p><b><u>Assessee required to file return of income compulsory</u></b></p> <p>(i) <b>Companies and firms</b> (whether having profit or loss or nil income);</p> <p>(ii) A person, being a <b>resident other than not ordinarily resident</b>, having <b>any asset (including any financial interest in any entity) located outside India, or signing authority in any account located outside India or if beneficiary of any asset located outside India</b>, whether or not having income chargeable to tax;</p> <p>(iii) <b>Individuals, HUF, AOP's or BOIs and artificial judicial persons</b> whose total income before giving effect to the provisions of <b>chapter VI-A and sections 54, 54B, 54D, 54EC or 54F exceed the basic exemption limit.</b></p> <p>(iv) The basic exemption limit is ₹ 3,00,000 for individuals/ HUF/ AOPS/ BOIs and artificial juridical persons under default tax regime under section 115BAC. This amount denotes the level of total income, which is arrived at after claiming the admissible deductions under Chapter VI-A i.e., 80CCD (2), 80CCH(2) and 80JJAA under default tax regime and exemption under section 54/54B/54D/ 54EC or 54F in respect of capital gain. However, the level of total income to be considered for the purpose of filing return of income is the income before claiming the admissible deductions under Chapter VI-A and exemption under section 54/54B/54D/54EC or 54F.</p> <p>However, in case the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A), the basic exemption limit would be ₹2,50,000 for individuals/HUF/AOPS/ BOIS and artificial juridical persons, 3,00,000 for resident individuals of the age of 60 years but less than 80 years and 5,00,000 for resident individuals of the age of 80 years or more at any time during the previous year. Also, the assessee would be eligible for other deductions under Chapter VI-A subject to fulfilling the stipulated conditions.</p> <p>(v) <b>Any person</b> who during the P.Y. -</p> <ul style="list-style-type: none"> <li>- Has <b>deposited more than Rs 1 crore</b> in one or more current accounts maintained with a banking company or a cooperative bank</li> <li>- Has incurred <b>expenditure of more than Rs 2 Lakh</b> for himself or any other person for <b>travel to a foreign company;</b></li> </ul>

## **INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)**

	<ul style="list-style-type: none"> <li>- Has incurred <b>expenditure of more than Rs 1 lakh</b> towards consumption of electricity</li> <li>- <b>If his total sales, turnover or gross receipt, as the case may be, in the business exceeds ₹ 60 lakhs during the previous year; or</b></li> <li>- <b>If his total gross receipt in profession exceeds ₹ 10 lakhs during the previous year; or</b></li> <li>- <b>If the aggregate of TDS and TCS during the previous year, in the case of the person, is ₹ 25,000 or more; or</b></li> </ul> <p><b>However, a resident individual who is of the age of 60 years or more, at any time during the relevant previous year would be required to file return of income only, if the aggregate of TDS and TCS during the previous year, in his case, is ₹ 50,000 or more</b></p> <ul style="list-style-type: none"> <li>- <b>The deposit in one or more saving bank account of the person, in aggregate, is ₹ 50 lakh or more during the previous year.</b></li> <li>- Fulfils such other conditions as may be prescribed</li> </ul> <p><b>Due date of filing return of income</b>  <b>31<sup>th</sup> October</b> of the A.Y. in case the assessee is:</p> <p><b>(i) A company;</b>  <b>(ii) A person (other than company) whose accounts are required to be audited; or</b>  <b>(iii) A partner of a firm whose accounts are required to be audited under this act or any other law for the time being in force or the spouse of such partner if the provisions of section 5A applies to such spouse</b></p> <p><b>31<sup>st</sup> July</b> of the A.Y., in case of any other assessee ( other than assesses, <b>including the partners of the firm or the spouse of such partner (if provisions of section 5A applies to such spouse) being such assessee who are required to furnish report u/s 92E, for whom the due date is 30<sup>th</sup> November of the A.Y)</b></p>				
<b>234A</b>	<p><b><u>Interest for default in furnishing return of income</u></b></p> <p>Interest u/s 234A is payable where an assessee furnishes the return of income after the due date or does not furnish the return of income.</p> <p>Assessee shall be liable to pay simple interest @1% per month or part of the month for the period commencing from the date immediately following the due date and ending on the following dates -</p> <table border="1"> <thead> <tr> <th><b>Circumstances</b></th><th><b>Ending on the following dates</b></th></tr> </thead> <tbody> <tr> <td>Where the return is furnished after due date</td><td>The date of furnishing of the return</td></tr> </tbody> </table>	<b>Circumstances</b>	<b>Ending on the following dates</b>	Where the return is furnished after due date	The date of furnishing of the return
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Where the return is furnished after due date	The date of furnishing of the return				

## **INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)**

	Where no return is furnished	The date of completion of assessment
	<p>However, where the assessee has paid taxes in full on or before the due date, interest u/s 234A is not leviable.</p> <ul style="list-style-type: none"> <li>Interest is payable in case updated return of income is furnished u/s 139(8A)</li> <li>Tax on total income as determined u/s 143(1) shall not include the additional income-tax, if any, payable under section 140B or section 143</li> <li>Tax on the total income determined under regular assessment shall not include the additional income-tax payable under section 140B</li> </ul>	
234F	<p><b><u>Fee for default in furnishing return of income</u></b></p> <p>Where a person who is <i>required to furnish a return of income</i> u/s 139, fails to do so within the prescribed time limit u/s 139(1), he shall pay, by way of fee, a sum of -</p> <p>(i) <i>Fee of ₹ 5000 payable for delay in furnishing return of income.</i></p> <p>(ii) <i>Fee of ₹ 1,000 payable if total income does not exceed ₹ 5,00,000</i></p>	
234H	<p><b><u>Fee for default relating to intimation of Aadhaar number</u></b></p> <p>Where a person is required to intimate his Aadhaar number under section 139AA(2) and such person fails to do so on before such date, as may be prescribed, not exceeding ₹ 1,000, at the time of making intimation after the said date.</p>	
139(3)	<p><b><u>Return of loss</u></b></p> <p>An assessee <i>can carry forward or set off</i> his/its losses provided he/it has filed his/its return u/s 139(3), <i>within the due date</i> specified u/s 139(1).</p> <p><b><u>Exceptions</u></b></p> <p><i>Loss from house property</i> and <i>unabsorbed depreciation</i> can be carried forward for set off even though return has not been filed before the due date.</p>	
139(4)	<p><b><u>Belated return</u></b></p> <p>A return of income for any P.Y., which has not been furnished within the time allowed u/s 139(1), may be furnished at any before the:</p> <p>(i) <i>3 months prior to End of the relevant A.Y.; (i.e., 31/12/2021 for P.Y 2021-22)</i> or</p> <p>(ii) <i>Completion of the assessment,</i></p> <p>Whichever is earlier.</p>	
139(5)	<p><b><u>Revised return</u></b></p>	

## **INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)**

	<p>A any <i>omission or any wrong statement is discovered in a return furnished u/s 139(1) or belated return u/s 139(4)</i>, a revised return may be furnished by the assessee at any <i>time before the:</i></p> <ul style="list-style-type: none"><li>(i) <i>3 months prior to End of the relevant A.Y.; (i.e., 31/12/2021 for P.Y 2021-22)</i> or</li><li>(ii) <i>Completion of the assessment,</i></li></ul> <p>Whichever is earlier.</p> <p>Thus, <i>belated return can also be revised.</i></p>
139(8A)	<p>(1) <u>Option to file updated return of income</u>: Any person may furnish an updated return of income or the income of any other person in respect of which he is assessable, for the previous year relevant to the assessment year at any time within 24 months from the end of the relevant assessment year. This is irrespective of whether or not he has furnished a return u/s 139(1) or belated return u/s 139(4) or revised return u/s 139(5) for that assessment year. For example, an updated return for A.Y. 2023-24 can be filed till 31-3-2026</p> <p>(2) <u>Non applicability of the provisions of updated return</u>: The provision of updated return would not apply, if the updated return of such person for the assessment year -</p> <ul style="list-style-type: none"><li>(i) Is a <b>loss return</b>; or</li><li>(ii) Has the effect of decreasing the total tax liability determined on the basis of return furnished u/s 139(1) or section 139(4) or section 139(5); or</li><li>(iii) Results in refund or increases the refund due on the basis of return furnished u/s 139(1) or section 139(4) or section 139(5)</li></ul> <p>(3) <u>Circumstances in which updated return cannot be furnished</u>: No updated return can be furnished by any person for the assessment year, where -</p> <ul style="list-style-type: none"><li>(a) An updated return has been furnished by him for the relevant assessment year; or</li><li>(b) Any proceeding for assessment or reassessment or recomputation or revision of income is pending or has been completed for the relevant assessment in his case; or</li><li>(c) He is such person or belongs to such class of persons, as may be notified by the CBDT.</li></ul> <p>(4) <u>Updated return can be filed if original return is a loss return and updated return is a return of income</u>: if any person has a loss in any previous year and has furnished a return of loss on or before the due date of filing return of income u/s 139(1), he shall be allowed to furnish an updated return if such updated return is a return of income.</p>



## ***INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)***

	<p>For example, if Mr. X has furnished his return of loss for A.Y. 2022-23 on 31/5/2022 consisting of ₹ 5,00,000 as business loss, he can furnish an updated return for A.Y. 2022-23 upto 31/5/2025 if such updated return is a return of income.</p> <p><b>(5) Updated return to be furnished for subsequent previous year in case (4) above:</b> if the loss or any part thereof carried forward under chapter VI-A or unabsorbed depreciation carried forward u/s 32(2) or tax credit carried forward u/s 115JD is to be reduced for any subsequent previous year as a result of furnishing of updated return of income for a previous year, an updated return is required to be furnished for each such subsequent previous year.</p>																			
<b>139(9A)</b>	<b>Where any return of income is furnished in pursuance of an order of CBDT u/s 11 provisions of section 139 shall apply</b>																			
<b>139A</b>	<p><b><u>Permanent account number (PAN)</u></b></p> <p>As per section 139A(1), the following persons mentioned in column (2), who have not been allotted a permanent account number(PAN), to apply to the assessing officer within the time specified in column(3) for the allotment of a PAN -</p> <table border="1"> <thead> <tr> <th></th><th><b><i>Persons required to apply for PAN</i></b></th><th><b><i>Time limit for making such application</i></b></th></tr> <tr> <th>(1)</th><th>(2)</th><th>(3)</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Every person, if his total income or the total income of any other person in respect of which he is assessable under the Act during any P.Y exceed the maximum amount which is not chargeable to income tax</td><td>On or before 31<sup>st</sup> May of the A.Y</td></tr> <tr> <td>(ii)</td><td>Every person carrying on any business or profession whose total sales, turnover or gross receipt are or is likely to exceed Rs 5 lakhs in any P.Y</td><td>Before the end of that F.Y. (P.Y)</td></tr> <tr> <td>(iii)</td><td>Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to Rs 250000 or more in a F.Y</td><td>On or before 31<sup>st</sup> May of the immediately following F.Y.</td></tr> <tr> <td>(iv)</td><td>Every person who is a managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or</td><td>On or before 31<sup>st</sup> May of the immediately following F.Y. in which</td></tr> </tbody> </table>			<b><i>Persons required to apply for PAN</i></b>	<b><i>Time limit for making such application</i></b>	(1)	(2)	(3)	(i)	Every person, if his total income or the total income of any other person in respect of which he is assessable under the Act during any P.Y exceed the maximum amount which is not chargeable to income tax	On or before 31 <sup>st</sup> May of the A.Y	(ii)	Every person carrying on any business or profession whose total sales, turnover or gross receipt are or is likely to exceed Rs 5 lakhs in any P.Y	Before the end of that F.Y. (P.Y)	(iii)	Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to Rs 250000 or more in a F.Y	On or before 31 <sup>st</sup> May of the immediately following F.Y.	(iv)	Every person who is a managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or	On or before 31 <sup>st</sup> May of the immediately following F.Y. in which
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## **INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)**

officer bearer of any person referred in (iii) above or any person competent to act on behalf of such person referred in (iii) above	the person referred in (iii) enters into financial transactions specified therein.
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Quoting of PAN is mandatory in all the following documents:

- (a) In all returns to, or correspondence with, any income tax authority;
- (b) In all challans for the payment of any sum due under the act;
- (c) In all documents pertaining to such transactions entered into by him, as may be prescribed by the CBDT in the interest of revenue. In this connections, CBDT has notified the following transactions, namely;

Further, every person who has not been allotted a PAN and intends to enter into such transaction as prescribed by the CBDT is also required to apply for PAN to the Assessing Officer. Accordingly, Rule 114BA has been inserted to prescribe the following transactions:

	Person required to apply for PAN [Rule 114BA]	Time limit for making application for PAN [Rule 114]
(i)	Every person, who intends to deposit cash in his one or more accounts with a banking company, cooperative bank or post office, if the cash deposit or the aggregate amount of cash deposit in such accounts during a financial year is ₹ 20 lakh or more	At least 7 days before the date on which he intends to deposit cash over the specified limit, i.e., ₹ 20 lakh or more.
(ii)	Every person, who intends to withdraw cash from his one or more accounts with a banking company, co-operative bank or post office, if the cash withdrawal or the aggregate amount of cash withdrawal from such accounts during a financial year is ₹ 20 lakh or more	At least 7 days before the date on which he intends to withdraw cash over the specified limit, ie., ₹ 20 lakh or more.
(iii)	Any person, who intends to open a current account or cash credit account with a banking company or a CO-operative bank, or a post Office	At least 7 days before the date on which he intends to open such account.

S.NO	Nature of transaction	Value of transaction
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## ***INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)***

1.	<i>Sale or purchase of a motor vehicle or vehicle</i> , other than two wheeled vehicles.	<i>All such transactions</i>
2.	<i>Opening an account (other than a time deposit referred to at Sl. No. 12 and a basic saving bank deposit account)</i> with a banking company or a cooperative bank	<i>All such transactions</i>
3.	<i>Making an application</i> to any banking company or a cooperative bank or to any other company or institution, <i>for issue of a credit or debit card</i>	<i>All such transactions</i>
4.	<i>Opening of a demat account</i> with a depository, participant, custodian of securities or any person registered under SEBI Act, 1992	<i>All such transactions</i>
5.	<i>Payment to a hotel or restaurant</i> against a bill or bills at any one time	Payment <i>in cash</i> of an amount > <i>Rs 50000</i>
6.	Payment in connection with <i>travel to any foreign country</i> or payment for <i>purchase of any foreign currency at any one time.</i>	Payment <i>in cash</i> of an amount > <i>Rs 50000</i>
7.	Payment to a <i>mutual fund for purchase of its units</i>	Amount > <i>Rs 50000</i>
8.	<i>Payment</i> to a company or an institution for <i>acquiring debentures or bonds issued by it.</i>	Amount > <i>Rs 50000</i>
9.	<i>Payment</i> to the <i>RBI</i> for <i>acquiring bonds</i> issued by it	Amount > <i>Rs 50000</i>
10.	<i>Deposit with a banking company</i> or a cooperative bank or post office	Cash deposit > <i>Rs 50000</i> during <i>any one day.</i>
11.	<i>Purchase of bank drafts</i> or pay orders or banker's cheque from a banking company or a cooperative bank.	Payment in cash of an amount > <i>Rs 50000</i> during <i>any one day</i>
12.	A <i>time deposit</i> with - (i) A banking company or a co-operative bank; (ii) A post office; (iii) A nidhi referred to in section 406 of the companies act, 2013 or	Amount > <i>Rs 50000</i> or <i>aggregating to more than Rs 5 lakh during a F.Y.</i>

## **INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)**

	(iv) A non banking financial company which holds a certificate of registration u/s 45-IA of the reserve bank of India act, 1934, to hold or accept deposit from public	
13	<b>Payment for one or more pre paid payment instrument</b> , as defined in the policy guidelines for issuance and operation of pre-paid payment instruments issued by RBI under the payment and settlement system act, 2007, to a banking company or a cooperative bank or to any other company or institution.	<b>Payment in cash or by way of a bank draft</b> or pay order or bankers cheque of an aggregating to more than <b>Rs 50000 in a F.Y.</b>
14.	Payment as <b>life insurance premium</b> to an insurer as defined in the insurance Act, 1938.	Amount <b>aggregating</b> to more than <b>Rs 50000 in a F.Y</b>
15.	<b>A contract for sale or purchase of securities</b> (other than shares) as defined in section 2(h) of the securities contracts (regulation) act, 1956.	Amount > <b>Rs 1 lakh per transaction</b>
16.	<b>Sale or purchase</b> , by any person, <b>of shares of a company not listed</b> in a recognised stock exchange	Amount > <b>Rs 1 lakh per transaction</b>
17.	<b>Sale or purchase of any immovable property.</b>	Amount > <b>Rs 10 Lakh</b> or valued by <b>stamp valuation</b> authority referred to in section 50C at an amount > Rs lakh
18.	<b>Sale or purchase</b> , by any person, <b>of goods or services</b> of any nature other than those specified at Sl. No. 1 to 17 of this table, if any.	Amount > <b>Rs 2 lakh per transaction</b>
19	<b>Cash deposit or deposits</b> in one or more account of a person with a bank or a co-operative bank or post office	Amount aggregating <b>20 lakhs or more</b> in a financial year

## **INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)**

20	<b>Cash withdrawal or withdrawals</b> a in one or more account of a person with a bank or a co-operative bank or post office	Amount aggregating <b>20 lakhs or more</b> in a financial year
21	<b>Opening of a current account or cash credit account</b> by a person with a bank or a co-operative bank or post office	All such transactions

### **Clarification with respect to relaxation of provision of rule 114AAA prescribing the manner of making PAN inoperative:**

Section 139AA(2) makes it mandatory for every person who has been allotted a PAN as on 1<sup>st</sup> July, 2017 to intimate his Aadhaar Number so that the Aadhaar and PAN can be linked. This is required to be done on or before a notified date, failing which the PAN would become inoperative.

Accordingly, in case of failure to intimate the Aadhaar number by 31/3/2022, the PAN allotted to the person would be made inoperative. Further, section 234H provides that where a person who is required to intimate his Aadhaar under section 139AA(2) fails to do so on or before a notified date, he would be liable to pay a fee not exceeding ₹ 1000, as may be prescribed, at the time of making intimation u/s 139AA(2) after the said date.

Further Rule 114AAA provides that if PAN of a person has become inoperative, he will not be able to furnish, intimate or quote his PAN and would be liable to all the consequences under the act for such failure.

This will have a number of implications such as:-

- (i) The person would not be able to file return using the inoperative PAN
- (ii) Pending returns will not be processed
- (iii) Pending refunds cannot be issued to inoperative PANs
- (iv) Pending proceedings as in the case of defective returns cannot be completed once the PAN is inoperative
- (v) Tax will be required to be deducted at a higher rate as PAN becomes inoperative.

In addition to the above, the tax payer might face difficulty at various other fora like banks and other financial portals, as PAN is one of the important KYC criterion for all kinds of financial transactions.

As per Rule 114AAA(2), where a person, whose PAN has become inoperative under Rule 114AAA(1), is required to furnish, intimate or quote his PAN, it would be deemed that he has not furnished, intimated or

## **INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)**

	<p>quoted the PAN, as the case may be, in accordance with the provisions of the act. Consequently, he would be liable for the consequences under the Act for not furnishing, intimating or quoting the PAN.</p> <p><u>In order to have smooth application of section 234H and existing rule 114AAA, it is clarified that -</u></p> <ul style="list-style-type: none"> <li>➤ The impact of Rule 114AAA(2) would come into effect from 1<sup>st</sup> April 2023; and</li> <li>➤ The period beginning from 1<sup>st</sup> April 2022 and ending with 31<sup>st</sup> march 2023, would be the period during which Rule 114AAA(2) would not have its negative consequences.</li> </ul> <p>However, the tax payer would be liable to pay a fee in accordance with section 234H read with Rule 114(5A).</p>										
139AA	<p><u>Quoting of Aadhar number</u></p> <p>Aadhar number to be quoted by <i>every person on or after 1/7/2017</i> in the application for allotment of PAN and in return of income.</p> <p>If a person does not have aadhar number, the enrollment ID of aadhar application form issued to him at the time of enrolment shall be quoted. <i>This provisions shall not apply in respect of any application form for allotment of permanent account number or return of income furnished on or after 1/10/2024.</i></p> <p>Aadhar number to be intimated to prescribed authority on or before a date notification by the central government i.e 31.12.2019</p> <p>PAN allottees to intimate Aadhaar number if PAN allotted on basis of Aadhar enrollment id [Section 139AA(2A)]: <i>Every person who was allotted permanent account number on the basis of enrollment ID of Aadhaar application form filed prior top 01-10-2024, shall intimate his Aadhaar number to such authority in such form and manner, as may be prescribed, on or before a date to be notified by the central government in the official Gazette.</i></p> <p>Inter-changeability of PAN with the aadhar number</p> <p>Every person who is required to furnish or intimate or quote his PAN may furnish or <i>intimate or quote his aadhar number in lieu of the PAN</i> w.e.f 1.09.2019 if he</p> <ul style="list-style-type: none"> <li>- Has not been allotted a PAN but possesses the aadhar number</li> <li>- Has been allotted a PAN and has intimated his aadhar number to prescribed authority.</li> </ul>										
140	<p>Persons authorised to verify return of income</p> <p>This section specifies the persons who are authorised to verify the return of income u/s 139.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">S.no</th><th style="width: 40%;">Assessee</th><th style="width: 40%;">Circumstance</th><th style="width: 10%;">Authorised person</th></tr> </thead> <tbody> <tr> <td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table>			S.no	Assessee	Circumstance	Authorised person				
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## INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)

	1.	Individual	(i) In circumstances not covered under (ii), (iii) & (iv) below	- <i>The individual himself</i>
			(ii) Where he is <i>absent from India</i>	- <i>The individual himself; or</i> - Any <i>person duly authorised</i> by him in this behalf holding a valid power of attorney from the individual (such power of attorney should be attached to the return of income)
			(iii) Where <i>he is mentally incapacitated</i> from attending to his affairs	- <i>His guardian; or</i> - Any <i>other person competent to act on his behalf</i>
			(iv) Where, for any other reason, it is <i>not possible for the individual to verify the return</i>	- Any person duly authorised by him in this behalf holding a valid power of attorney from the individual ( such power of attorney should be attached to the return of income)
140				
	S.No.	Assessee	Circumstances	Authorised persons
	2.	HUF	(i) In circumstances not covered under (ii) and (iii) below	- <i>The karta</i>
			(ii) Where the <i>karta is absent</i> from India	- Any <i>other adult member of the HUF</i>
			(iii) Where the <i>karta is mentally incapacitated</i> from attending to his affairs	- Any <i>other adult member of the HUF</i>
	3.	Company	(i) In circumstances not covered under (ii) to (iv) below	- The <i>managing director</i> of the company or any other person, as may be prescribed for this purpose.

## INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)

		(ii) (a) where for any unavoidable reason such <i>managing director is not able to verify the return</i> ; or (b) where there is <i>no managing director</i>	<ul style="list-style-type: none"><li>- <i>Any director</i> of the company</li><li>- <i>Any director</i> of the company</li></ul>
		(iii) Where the <i>company is not resident in India</i>	<ul style="list-style-type: none"><li>- <i>A person who holds a valid power of attorney</i> from such company to do so (such power of attorney should be attached to the return)</li></ul>
		(iv) (a) where the <i>company is being wound up</i> (whether under the orders of court or otherwise); or (b) where <i>any person has been appointed as the receiver of any assets</i> of the company	<ul style="list-style-type: none"><li>- Liquidator</li><li>- Liquidator</li></ul>
		(v) Where the <i>management of the company</i> has been <i>taken over by the central government</i> or any state government under any law	<ul style="list-style-type: none"><li>- The <i>principal officer</i> of the company</li></ul>
		(vi) Where an <i>application for corporate insolvency resolution process has been admitted</i> by the adjudicating authority under the insolvency and bankruptcy code, 2016	<ul style="list-style-type: none"><li>- <i>Insolvency professional</i> appointed by such adjudicating authority</li></ul>
4.	Firm	(i) In circumstances not covered under (ii) below	<ul style="list-style-type: none"><li>- The <i>managing partners</i> of the firm</li></ul>
		(ii) (a) where for any unavoidable reason <i>such managing partner is not able to verify the return</i> ; or (b) where there is <i>no managing partner</i>	<ul style="list-style-type: none"><li>- <i>Any partner</i> of the firm, <i>not being a minor</i></li><li>- <i>Any partner</i> of the firm, <i>not being a minor</i></li></ul>

## INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)

	5.	LLP	(i) In circumstances not covered under (ii) below	- Designated partner any other person, as may be prescribed for this purpose.
			(ii) (a) where for any unavoidable reason such designated partner is not able to verify the return; or (b) where there is no designated partner	- Any partner of LLP - Any partner of LLP
	6.	Local authority	-	- The principal officer
	7.	Political party	-	- The chief executive officer of such part ( whether he is known as secretary or by any other designation )
	8.	Any other association	-	- Any member of the association or the principal officer of such association
	9.	Any other person	-	- That person or some other person competent to act on his behalf.
140A	<p><b><u>Self assessment</u></b></p> <p>Where any tax is payable on the basis of any return required to be furnished u/s 139, after taking into account -</p> <p>(i) The amount of tax, already paid,</p> <p>(ii) The tax deducted or collected at source (TDS/TCS)</p> <p>(iii) Any relief of tax claimed u/s 89</p> <p>(iv) Any tax or interest payable according to the provisions of section 191(2)</p> <p>(v) Any tax credit claimed to be set off in accordance with the provisions of section 115JD (i.e alternate minimum tax).</p>			

## INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)

	<p>The assessee shall be <i>liable to pay such tax together with interest and fee payable</i> under any provision of this act for any delay in furnishing the return or any default or delay in payment of advance tax before furnishing the return.</p> <p>Where the <i>amount paid by the assessee falls short</i> of the aggregate of the tax, interest and fee as aforesaid, <i>the amount so paid shall first be adjusted</i> towards the <i>fee payable</i> and <i>thereafter, towards interest</i> and the <i>balance</i> shall be adjusted towards the <i>tax payable</i>.</p>																										
140B	<p><b>Computation of tax updated return</b></p> <p><b>The relevant provisions are discussed as under -</b></p> <p>(1) <u>Where assessee has not furnished the return earlier</u> - where no return of income u/s 139(1)/(4) has not furnished, the assessee shall not be liable to pay such tax together with interest, fee and additional income tax, before furnishing the return and the return shall be accompanied by proof of payment of such tax, additional income-tax, interest and fee. The same shall be computed as under -</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Tax payable on the basis of updated return</td><td style="text-align: right; padding: 5px;">XXX</td></tr> <tr> <td style="padding: 5px;"><b>Less: Taxes and relief as under</b></td><td></td></tr> <tr> <td style="padding: 5px;">(d) Any amount already paid under an provision of the Act (e.g. advance tax)</td><td style="text-align: right; padding: 5px;">XXX</td></tr> <tr> <td style="padding: 5px;">(e) Any tax deducted or collected at source.</td><td></td></tr> <tr> <td style="padding: 5px;">(f) Any relief of tax claimed u/s 89.</td><td style="text-align: right; padding: 5px;">XXX</td></tr> <tr> <td style="padding: 5px;">(g) Any relief of tax or deduction claimed u/s 90 or 91 on account of tax paid in any country outside India.</td><td style="text-align: right; padding: 5px;">XXX</td></tr> <tr> <td style="padding: 5px;">(h) Any relief of tax claimed u/s 90A on account of tax paid in any specified territory country outside India.</td><td style="text-align: right; padding: 5px;">XXX</td></tr> <tr> <td style="padding: 5px;">(i) Amount of tax credit claimed to be set-off in accordance with Section 115JAA or Section 115JD.</td><td style="text-align: right; padding: 5px;">XXX</td></tr> <tr> <td style="padding: 5px;"><b>ADD: Fee payable u/s 234F for default in furnishing of return.</b></td><td style="text-align: right; padding: 5px;">XXX</td></tr> <tr> <td style="padding: 5px;"><b>ADD: Interest Payable-</b></td><td style="text-align: right; padding: 5px;">XXX</td></tr> <tr> <td style="padding: 5px;">(a) U/s 234A for delay in furnishing the return, or</td><td style="text-align: right; padding: 5px;">XXX</td></tr> <tr> <td style="padding: 5px;">(b) U/s 234B for default or short payment of advance tax, or</td><td></td></tr> <tr> <td style="padding: 5px;">(c) U/s 234C for deferment of advance tax;</td><td style="text-align: right; padding: 5px;">XXX</td></tr> </table>	Tax payable on the basis of updated return	XXX	<b>Less: Taxes and relief as under</b>		(d) Any amount already paid under an provision of the Act (e.g. advance tax)	XXX	(e) Any tax deducted or collected at source.		(f) Any relief of tax claimed u/s 89.	XXX	(g) Any relief of tax or deduction claimed u/s 90 or 91 on account of tax paid in any country outside India.	XXX	(h) Any relief of tax claimed u/s 90A on account of tax paid in any specified territory country outside India.	XXX	(i) Amount of tax credit claimed to be set-off in accordance with Section 115JAA or Section 115JD.	XXX	<b>ADD: Fee payable u/s 234F for default in furnishing of return.</b>	XXX	<b>ADD: Interest Payable-</b>	XXX	(a) U/s 234A for delay in furnishing the return, or	XXX	(b) U/s 234B for default or short payment of advance tax, or		(c) U/s 234C for deferment of advance tax;	XXX
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## INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)

<b>ADD: Additional Income tax-</b> <ul style="list-style-type: none"> <li>➤ 25% of the aggregate of tax and interest payable if ROI is furnished within 12 months from end of relevant AY;</li> <li>➤ 50% of the aggregate of tax and interest payable if ROI is furnished after 12 months but before 24 months from end of relevant AY.</li> </ul>	XXX
<b>Total amount payable</b>	XXX
<p>(2) <u>Where the assessee has furnished the return of income earlier</u>: where return of income u/s 139(1)/(4)/(5) (referred to as earlier return) has been furnished by an assessee, he shall be liable to pay such tax, interest and additional income tax and the return shall be accompanied by proof of payment of the amount. The same shall be computed as under -</p>	
<p><b>Tax payable on the basis of updated return</b></p> <p><b>Less:</b> Taxes and relief as under -</p> <ul style="list-style-type: none"> <li>(a) Amount of relief or tax referred to Section 140(1), the credit for which has been taken in the earlier return</li> <li>(a) Any tax deducted or collected at source on any income which is subjected to such deduction or collection and which is taken into account in computing total income and which has not been included in the earlier return</li> <li>(a) Any relief of tax or deduction of tax claimed u/s 90 or section 91 on account of tax paid in a country outside India on such income which has been included in the earlier return;</li> <li>(a) Any relief of tax claimed u/s 90A on account of tax paid in any specified territory outside India referred to in that section on such income which has not been included in the earlier return</li> <li>(a) Any tax credit claimed, to be set-off in accordance with the provisions of section 115JAA or section 115JD, which has not been claimed in the earlier return;</li> </ul> <p><b>Add:</b> fee payable u/s 234F for default in furnishing of return</p> <p><b>Add:</b> Interest payable -</p>	<p>xxx</p> <p>xxx</p>

## ***INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)***

(a) u/s 234B for default or short payment of advance tax as reduced by interest paid in earlier return

(b) u/s 234C for deferment of advance tax as reduced by interest paid in earlier return;

**Add: additional income tax -**

- 25% of the aggregate of tax and interest payable if ROI is furnished within 12 months from end of relevant AY; and
- 50% of the aggregate of tax and interest payable if ROI is furnished after 12 months but before 24 months from end of relevant A.Y

**(3) Computation of additional income tax:** The additional income tax payable at the time of furnishing the return u/s 139(8A) shall be equal to, -

Time limit of furnishing updated return	Additional income tax payable
After expiry of the time available u/s 139(4)/(5) and before completion of the period of 12 months from the end of the relevant assessment year	25% of aggregate of tax and interest payable
After the expiry of 12 months but before completion of 24 months from the end of the relevant assessment year	50% of aggregate of tax and interest payable
For the purposes of computation of "additional income tax", tax shall include surcharge and cess, by whatever name called, on such tax [Explanation]	

**(4) Computation of interest payable u/s 234B:** Interest payable u/s 234B shall be computed on an amount equal to the assessed tax or, as the case may be, on the amount by which the advance tax paid falls short of the assessed tax, where, -

"Assessed tax" means the tax on the total income as declared in the return to be furnished u/s 139(8A), -

(a) After taking into account, -

- (i) The amount of relief or self assessment tax u/s Section 140A(1), the credit for which has been claimed in the earlier return;
- (ii) TDS/TCS, on any income which is subject to such deduction or collection and which is taken into account in computing such total income, which has not been included in the earlier return;



## ***INCOME TAX Compact (Applicable for MAY'24/JUNE'24/NOV'24/DEC'24)***

- (iii) Any relief of tax or deduction of tax claimed u/s 90 or section 91 on account of tax paid in a country outside India on such income which has not been included in the earlier return
  - (iv) Any relief of tax claimed u/s 90A on account of tax paid in any specified territory outside India referred to in that section on such income which has not been included in the earlier return;
  - (v) Any credit claimed, to be set off in accordance with the provisions of section 115JAA or section 115JD, which has not been claimed in the earlier return; and
- (b) As increased by the amount of refund, if any, issued in respect of such earlier return.
- (5) Power to CBDT to issue guidelines: In case of any difficulty arises in giving effect to the provisions of this section, the CBDT may issue guidelines for the purpose of removing the difficulty, with the approval of the central government, every guideline issues shall be laid before each house of parliament.
- (6) Computation of additional income tax: for the purpose of computation of "additional income tax", -
- ♦ Tax would include surcharge and cess, by whatever name called, on such tax.
  - ♦ The interest payable would be interest chargeable under any provision of the act, on the income as per updated return furnished u/s 139(8A), as reduced by interest paid in the earlier return, if any
- However, the interest paid in the earlier return would be considered to be nil, if no earlier return has been furnished.
- (7) Interest u/s 234A if no earlier return has been furnished: In a case, where no earlier return has been furnished, the interest payable u/s 234A has to be computed on the amount of the tax on the total income as declared in the updated return u/s 139(8A), in accordance with the provisions of section 140A(1A).
- (8) Interest u/s 234C if earlier return has been furnished: Interest payable u/s 234C, where an earlier return has been furnished, has to be computed after taking into account the income furnished in the return u/s 139(8A) as the return income.

## **CHAPTER - 13:**

# **COMPUTATION OF TOTAL INCOME**

### **GENERAL RATES OF INCOME-TAX**

- (1) **Individual/ Hindu Undivided Family (HUF)/ Association of Persons (AOP)/ Body of Individuals (BOI)/ Artificial Juridical Person**

Default tax regime under section 115BAC of the Income-tax Act, 1961:

#### **I. Concessional tax rates**

Individuals/HUF/AOPs/ BOIs or artificial judicial persons, other than those who exercise the option to opt out this regime under section 115BAC(6), have to pay tax in respect of their total income (other than income chargeable to tax at special rates under Chapter XII such as section 111A, 112, 112A, 115BB, 115BBJ etc.) at the following concessional rates, subject to certain conditions specified under section 115BAC(2) -

	<b>Total Income</b>	<b>Rate</b>
(i)	Upto ₹ 3,00,000	Nil
(ii)	From ₹ 3,00,001 to ₹ 7,00,000	5%
(iii)	From ₹ 7,00,001 to ₹ 10,00,000	10%
(iv)	From ₹ 10,00,001 to ₹ 12,00,000	15%
(v)	From ₹ 12,00,001 to ₹ 15,00,000	20%
(vi)	Above ₹ 15,00,000	30%

#### **+ Rate of surcharge applicable to Individual/HUF**

	<b>Particulars</b>	<b>Rate of surcharge on income tax</b>
(i)	Where the total income (including income u/s 111A, 112 and 112A) exceed ₹ 50 Lakhs but does not exceed ₹ 1 crore	10%
(ii)	Where the total income (including income u/s 111A, 112 and 112A) exceed ₹ 1 crore but does not exceed ₹ 2 crore	15%
(iii)	Where the total income (including income u/s 111A, 112 and 112A) exceed ₹ 2 crore but does not exceed ₹ 5 crore	25%
	The rate of surcharge on the income tax payable on the portion of income chargeable to tax u/s 111A, 112 and 112A	Not exceeding 15%

#### **II. Conditions to be satisfied**

The following are the conditions to be satisfied:

<b>(i)</b>	<b>Certain deductions/exemptions not allowable: Section 115BAC(2) provides that</b>
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	while computing total income, the following deductions/exemptions <b>would not be allowed:</b>
Section	Provision
<b>10(5)</b>	Leave travel concession
<b>10(13A)</b>	House rent allowance
<b>10(14)</b>	Exemption in respect of special allowances or benefit to meet expenses relating to duties or personal expenses (other than those as may be prescribed for this purpose)
<b>10(17)</b>	Daily allowance or constituency allowance of MPs and MLAs
<b>10(32)</b>	Exemption in respect of income of minor child included in the income of parent
<b>10AA</b>	Tax holiday for units established in SEZ
<b>16</b>	(i) Entertainment allowance (ii) Professional tax
<b>24(b)</b>	Interest on loan in respect of self-occupied property
<b>32(1)(iia)</b>	Additional depreciation
<b>35(1)(ii),(ii a),(iii)/35(2AA)</b>	Deduction in respect of contribution to- <ul style="list-style-type: none"> <li>▪ notified approved research association/ university/ college/ other institutions for scientific research [Section 35(1)(ii)]</li> <li>▪ approved Indian company for scientific research [Section 35(1) (iia)]</li> <li>▪ notified approved research association/ university/ college/ other institutions for research in social science or statistical research [Section 35(1)(iii)]</li> <li>▪ An approved National laboratory/ University/ IIT/ Specified person for scientific research undertaken under an approved programme [Section 35(2AA)]</li> </ul>
<b>35AD</b>	Investment linked tax incentives for specified businesses
<b>80C to 80U</b>	Deductions under Chapter VI-A (other than employers contribution towards NPS u/s 80CCD(2), <b>Central Government contribution towards Agnipath Scheme under section 80CCH(2)</b> and deduction in respect of employment of new employees under section 80JJAA).
<b>(ii)</b>	<p><b>Certain losses not allowed to be set-off:</b> While computing total income, set-off of any loss-</p> <p>(a) carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in (i) above; or</p> <p>(b) under the head house property with any other head of</p>

	income; would not be allowed.
(iii)	<b>Depreciation or additional depreciation:</b> Depreciation u/s 32 is to be determined in the prescribed manner. Depreciation in respect of any block of assets entitled to more than 40%, would be restricted to 40% on the written down value of such block of assets. Additional depreciation u/s 32(1)(iia), however, cannot be claimed.
(iv)	<b>Exemption or deduction for allowances or perquisite:</b> While computing total income, any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being force in India would not be allowed.

**Additional points:**

Total income under default tax regime should be computed without set-off of any loss brought forward or depreciation from any earlier assessment year, where such loss or depreciation is attributable to any of the deductions listed in (1) above. Such loss and depreciation would be deemed to have been already given effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year. Where income-tax on total income of the assessee is computed under this section and there is a depreciation allowance in respect of a block of asset from an earlier assessment year attributable to additional depreciation under section 32(1)(a), which has not been given full effect to prior to A.Y. 2024-25 and which is not allowed to be set-off in the A.Y.2024-25 due to section 115BAC, corresponding adjustment shall be made to the WDV of such block of assets as on 1.4.2023 in the prescribed manner i.e., the WDV as on 1.4.2023 will be increased by the unabsorbed additional depreciation not allowed to be set-off.

**Example:** Let us consider the case of Mr. X, who carries on business of manufacturing of steel. He has unabsorbed depreciation as on 1.4.2023, which includes amount attributable to additional depreciation u/s 32(1)(a) of P.Y. 2022-23 or any earlier previous year in respect of block of plant and machinery. If he pays tax under default tax regime under section 115BAC for P.Y. 2023-24 relevant to A.Y. 2024-25, the amount so attributable to additional depreciation of earlier year remaining unabsorbed as on 1.4.2023 would not be eligible for set-off against current year income and no further deduction for such loss or depreciation shall be allowed for any subsequent year. Accordingly, the WDV of the block as on 1.4.2023 has to be increased by the said amount not allowed to be set-off.

**III. Time limit for exercising the option to shift out of the default tax regime**

- (i) **In case of an assessee having no income from business or profession:** Where such individual/HUF/AOP/BOI or Artificial Juridical person is not having income from business or profession, he/it can exercise an option to shift out/opt out of the default tax regime under this section and such option has to be exercised along

with the return of income to be furnished under section 139(1) for a previous year relevant to the assessment year. In effect, such individual/HUF/AOP/BOI or Artificial Juridical person can choose whether or not to exercise the option of shifting out of the default tax regime in each previous year. He may choose to pay tax under default tax regime under section 115BAC in one year and exercise the option to shift out of default tax regime in another year.

(ii) **In case of an assessee having income from business or profession:** Such individual/HUF/AOP/BOI or Artificial Juridical person having income from business or profession has an option to shift out/ opt out of the default tax regime under this section and the option has to be exercised on or before the due date specified under section 139(1) for furnishing the return of income for such previous year and once such option is exercised, it would apply to subsequent assessment years.

Such person who has exercised the above option of shifting out of the default tax regime for any previous year shall be able to withdraw such option only once and pay tax under the default tax regime under section 115BAC for a previous year other than the year in which it was exercised.

Thereafter, such person shall never be eligible to exercise option under this section, except where such person ceases to have any business income in which case, option under (i) above would be available.

**AMT liability not attracted:** Individual/HUF/AoP/Bol or Artificial Juridical person paying tax under default tax regime under section 115BAC is not liable to alternate minimum tax under section 115JC. Such person would not be eligible to claim AMT credit also.

**Note:** It may be noted that in case of Individual/HUF/AOP/Bol or Artificial Juridical person not having income from business or profession, the total income and tax liability (including provisions relating to AMT, if applicable under normal provisions) may be computed every year both in accordance with the regular provisions of the Income-tax Act, 1961 and in accordance with the provisions of section 115BAC, in order to determine which is more beneficial and accordingly such person may decide whether to pay tax under default tax regime under section 115BAC or exercise the option to shift out and pay tax under normal provisions of the Act for that year.

**Rebate to resident individual paying tax under default tax regime under section 115BAC Section 87A**

In order to provide tax relief to the individual tax payers, section 87A provides a rebate from the tax payable by an assessee, being an individual resident in India. The rebate shall be provided as under-



- (a) If total income of such individual does not exceed ₹ 7,00,000, the rebate shall be equal to the amount of income-tax payable on his total income for any assessment year or an amount of ₹ 25,000, whichever is less.
- (b) If total income of such individual exceeds ₹ 7,00,000 and income-tax payable on such total income exceeds the amount by which the total income is in excess of ₹ 7,00,000, the rebate would be as follows:

**Step 1** - Total income (-) ₹ 7 lakhs (A)

**Step 2** - Compute income-tax liability on total income (B)

**Step 3** - If  $B > A$ , rebate under section 87A would be a  $B - A$ .

The amount of rebate under section 87A shall not exceed the amount of income-tax (as computed before allowing such rebate) on the total income of the assessee.

### ALTERNATIVE MINIMUM TAX

- ❖ Applicability - to a person, other than company
- ❖ 15% of adjusted total income in case of cooperative society
- ❖ Levy of AMT @18% on Adjusted total income: adjusted total income shall be the total income as increased by -
  - (a) Deduction claimed under section 80LA to 80RRB (other than section 80P)
  - (b) Deduction under section 10AA; and
  - (c) Deduction claimed, if any, under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed.
- ❖ Non applicability -
  - (i) An individual or HUF or an AOP/BOI, whether incorporated or not, or an artificial judicial person, if the adjusted total income of such person does not exceed ₹ 20 lakhs.
  - (ii) A person who has exercised the option referred to in 115BAC or section 115BAD.
- ❖ Obtaining report from CA.
- ❖ Applicability of interest and penal provisions: provisions relating to self assessment under section 140A, advance tax, interest under sections 234A, 234B and 234C, penalty etc. would also apply to a person who is subject to AMT.
- ❖ Tax credit for alternative minimum tax:
  - (a) Tax credit to be allowed = AMT paid - regular income tax payable
  - (b) No interest shall be payable on tax credit
  - (c) Tax credit for 15 subsequent assessment years
  - (d) Regular tax > AMT, then credit used
- ❖ Tax credit allowable even if adjustable total income does not exceed ₹ 20 lakh in the year of set off