

CA | CMA INTER

**DIRECT TAX**

# POCKET BOOK

May / June / Sept / Dec 2025



Entire **DT** In **60** Pages

by CA Amit Mahajan

Kasa kaayyy!

Dosto,

I present you the Direct tax Pocket Book.

This book has been written with immense effort, research, and a deep commitment to your learning. I have created it with the objective of helping you revise effectively, especially in the last days before the exam.

Keeping in mind the vastness of the syllabus, this book is structured to provide a clear and concise understanding of Income Tax, making your revision process smoother and more efficient.

Every page, every explanation, and every example in this book is designed to simplify the complexities of Income tax and ensure that you grasp the concepts quickly.

While every effort has been made to ensure accuracy, if you come across any errors or mistakes, please communicate them to us. They are purely unintentional, and your feedback will help us improve.

Let's crack Tax! ❤️

- Amit Bhaiya



# Index



	Revision 1	Revision 2	Revision 3
1. Basics	✓		
2. Residential status	✓		
3. Do not form part of Total Income	✓		
4. income from salary.			
5. Income from house property			
6. Profit & gains from business profession			
7. Capital gains.			
8. Income from other sources			
9. Clubbing of income			
10. Set of/carry forward of losses			
11. Deductions from GTI			
12. Tax deducted at source			
13. Return of income	✓		
14. Alternate minimum tax	✓		
15. Section 115BAC	✓		
16. Special Economic Zone	✓		



# BASICS



## Section 4 - Charging section and Rate of Tax

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

### I. Default Tax Rates

(i)	From Rs. 0 to Rs 3,00,000	NIL
(ii)	From Rs 3,00,001 to Rs 7,00,000	5%
(iii)	From Rs 7,00,001 to Rs 10,00,000	10%
(iv)	From Rs 10,00,000 to Rs 12,00,000	15%
(v)	From Rs 12,00,001 to Rs 15,00,000	20%
(vi)	Above Rs 15,00,000	30%

The rates given under section 115BAC are the default tax rates unless the assessee exercises an option to shift out of the said regime. The basic exemption limit under section 115BAC is -3,00,000.

### II. Normal Tax Rates

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

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

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

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

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

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

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

#### E. Co-operative Societies

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

#### F. Company

	Nature of Company	Rate of Tax
Domestic	If Total Turnover/Gross Receipt in PY 202 -2 ≤ Rs. 400 Cr.	25%
	In other case	30%
Foreign	(Co other than Domestic Co)	0%



**Section 115BAA** - domestic co. tax shall be @ 22%; co. shall not avail any exemption and deductions. Surcharge - 10% irrespective of income. HEC @ 4%.

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

### Surcharge

#### I. Individual / HUF/ AOP/ BOI/ AJP

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

#### II. Others

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

### Health and Education Cess

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

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

### Marginal Relief

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

#### Steps to calculate Marginal Relief

- Calculate Tax (with surcharge) on Total Income
- Calculate Tax payable on Rs. 50 Lacs/1 Cr/2 Cr/5 Cr.
- Calculate "Extra Tax Payable" [Step 1 - 2]
- Marginal Relief = Extra Tax Payable - Income above Rs. 50 Lacs/1 Cr/2 Cr/5 Cr.

#### Marginal Relief in case of Sec 115BAC

- If total Income exceeds ₹7,00,000 marginally, then the Assessee is eligible for rebate (like marginal relief)
- Where is he eligible for Rebate? When total income exceeds of ₹7,00,000 < Tax liability
- Total rebate = Tax amount (-) income in excess of ₹7L

#### Rebate u/s 87A

Rebate u/s 87A [OLD Regime]	
Assessee	Resident Individual whose Total Income ≤ Rs. 5 Lacs
Rebate	Lower of (i) Income Tax payable OR (ii) Rs. 12,500
<ul style="list-style-type: none"> <li>Rebate u/s 87A shall be before adding 4% of HEC</li> <li>Rebate u/s 87A is not available in respect of tax payable 10% on LTCG u/s 112A</li> <li>FMM: Rebate u/s 87A is available from Casual Incomes.</li> </ul>	

Rebate u/s 87A [New Regime]	
Assessee	Resident Individual whose Total Income ≤ Rs. 7 Lacs
Rebate	Lower of (i) Income Tax payable OR (ii) Rs. 25,000
<p>If TI &gt; Rs. 7 Lacs, then rebate shall be [Same as Marginal Relief]</p> <p>(1) Compute Tax on TI (2) Compute Extra Income (Le Income over Rs. 7 Lacs)</p> <p>Note: If Tax on TI &gt; Extra Income, Rebate Tax on TI-Extra Income.</p>	

### Option to pay tax at concessional tax rates

Exemptions under section 10(14) which will be allowed

### Option to pay tax at concessional tax rates

Section 115BAC of the Income-tax Act, 1961 provides for concessional rates of tax to individuals/HUF/AoPs/Bols and artificial juridical persons. Under this regime certain exemptions/ deductions are, however, not available. The rates given under section 115BAC are the default tax rates ( given on page 1 ) unless the assessee exercises an option to shift out of the said regime.

### Condition 1: Computation of Total Income for concessional rates tax:

The following is the list of exemptions and deductions not to be allowed while computing tax under section 115BAC.

Section	Exemption/Deduction not allowable
10(5)	Leave Travel Concession
10(13A)	House Rent Allowance
10(14)	Exemption in respect of special allowances (Certain exemptions are allowed – See List at the end of this table)
10(17)	Daily allowance or constituency allowance of MPs and MLAs
10(32)	Exemption in respect of minor's income to be clubbed with the parent as per section 64(1A)
10AA	Deduction in respect of profits arising to a business established in a SEZ
16	Entertainment Allowance and Professional Tax (i.e., tax on employment)
24(b)	Interest on loan in respect of SOP
32(1)(iia)	Additional Depreciation
35 (2AA) or 35(1) (ii) / (iia) / (iii)	Scientific Research through outside institution
33AB	Tea / coffee / rubber development benefit
35AD	Capital Expenditure on specified business
35CCC	Expenditure incurred on notified agricultural project
80C to 80U	All deductions under chapter VI-A (However, deduction under section 80CCD(2) in respect of employer's contribution to NPS, deduction under section 80JJAA in respect of new employment and CG's contribution to agnipath scheme u/s 80CCH(2) shall be allowed)

Exemptions under section 10(14) which will be allowed

- Transport Allowance
- Conveyance Allowance
- Tour Allowance/Travel Allowance
- Daily allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty

### Condition 2 – Certain losses not allowed to be set-off

While computing total income, set-off of –

- Any carried forward loss or depreciation from any earlier AY, if such loss or depreciation is attributable to any of the deductions referred to in the table above; or
- Loss under the head HP with any other head of income; would not be allowed.

**Note:** HP LOSS – Intra head ☒, Inter head ☒, C/F loss ☒

### Condition 3 – Depreciation or additional depreciation

Depreciation rate of any block of asset is restricted to the extent of 40% and not entitled for additional depreciation.

### AMT liability not attracted

Individuals or HUFs exercising option u/s 115BAC are not liable to alternate minimum tax u/s 115JC



# 2 RESIDENTIAL STATUS & SCOPE OF TOTAL INCOME



Non Resident ( NR )

Resident ( R )

Resident and Ordinarily Resident ( ROR )

Resident and Not Ordinarily Resident ( RNOR )

Check additional conditions for ROR & RNOR

2 Basic Conditions ( satisfy any 1 )

1. Stay of ≥ 182 days in India during current FY OR

2. I) Stay of 60 days or more in India during current FY AND

II) Stay of 365 days or more in India during 4 years immediately preceding FY



2nd Condition i.e. 60 + 365 days NOT applicable for -

Indian Citizen

Leaving India

Foreign citizen - person of Indian origin **X**

Employment

Crew member of Indian Ship

Check Rule 126

No of days stayed in India =	Total days in one FY (365 / 366)	(-) No of days as per CDC	(-) additional days stayed outside India
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(Including personal reasons)

Indian Citizen

Coming to India for VISIT

foreign citizen - person of Indian origin **✓**

BUT

If Indian Sourced Income > 15 Lakhs, treated as RESIDENT in India IF -

C.Y. Stay IN India for ≥ 120 days < 180 days

AND

Stay IN India ≥ 365 days in last 4 PYs

Additional Conditions



Satisfy

None

ROR

Any 1

RNOR

### Additional Conditions



1. Last 7 FYs  $\leq$  729 days
2. Atleast 9/10 FYs - NR
3. CY. Stay  $\geq$  120 < 182 days + Last 4 FYs stay > 365 days
4. Deemed Resident [Sec 6(1A)] - Indian Citizen, with Indian sources income more than 15L, tax not paid in any other country.

#### • HUF

Management &  
Control

Wholly/partially in India  
Wholly O/S in India

R  
NR

ROR/RNOR - See karta

#### • Partnership firm

Management &  
Control

Wholly/partially in India  
Wholly O/S in India

R  
NR

#### • Company

Indian

POEM

India

R

O/S India

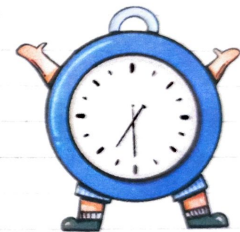
NR

Foreign

POEM

India R

O/S India NR



### SCOPE OF TOTAL INCOME

#### Indian Income

- Accrued/ Deemed ✓
- Received/ Deemed ✓

- Receipt of income - first receipt
- Further remittance - not a receipt

#### Foreign Income

Not received,  
Not accrued,  
Not deemed to be received,  
Not deemed to be accrued.



	ROR	RNOR	NR
Indian Income	✓	✓	✓
Foreign Income	✓	✗	✗

Taxable in 2 cases ★

- NR has a business gets 100% controlled from India, still **NOT TAXABLE**

**Business** wholly / partially controlled from India

**Profession** which is set up in India

Deemed to be **accrued** in India

**Business Connection**

Income from property situated in India

Income from capital gains from assets located in India

Salary by govt. of India paid to employees o/s India

- Salary - **taxable**
- Perq/allowance - **not taxable**
- Pension to officials and judges settled o/s India - **not taxable**

**Physical Establishment**

- Authority to conduct contracts
- Habitually maintains stock
- Habitually secured orders in India

**Significant**

**Economic Presence**

Amt  $\geq$  2 cr. or

Users  $\geq$  3 L

**Except News**

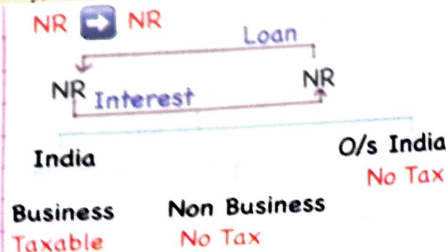
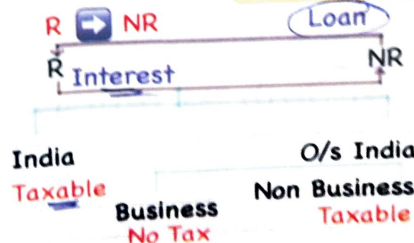
**Cinematic Film**

**Purchase**

**Business - India**

**Display of uncut rough diamonds in SNZ**

**Interest, Royalty, FTS**



# 3

## INCOME WHICH DO NOT FORM PART OF TOTAL INCOME

### PART A - Agricultural Income

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

1. Rent/Revenue derived from letting of land situated in India & used for agricultural purposes. Rent: Rent received by the original tenant from sub-tenant would also be agricultural income. Revenue: fees received for renewal of lease of land would be revenue derived from land.

Note: If agricultural land is situated in foreign country, Agricultural Income is taxable u/h IFOS.

2. Income derived from Agriculture or other related activities.

3. Agricultural income may be derived from farm building required for agriculture operations. Conditions are as follows -

- The building is on or in the immediate vicinity of agricultural land.
- It is occupied by the cultivator or receiver of rent / revenue.
- It is used as a dwelling house or as a store-house.
- The land is assessed to land revenue or it is situated in rural area

### PROFIT ON TRANSFER OF URBAN AGRICULTURAL

LAND: Whether Agricultural Income?

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

### RULE 7 - INCOME FROM GROWING & MANUFACTURING

Business Income - Sale proceeds of final product manufactured by using agricultural produce

- (-) Market value of Agricultural produce used in manufacturing
- (-) Manufacturing Expenses.

Agriculture income - Market Value of Agricultural produce - Cost of Cultivation.

### Determination of Market Value

If Agricultural produce is capable of being sold in market as such/after ordinary processing

Market value = Value calculated at Average price at which it has been sold during relevant PY.

If Agricultural produce is incapable of being sold in market as such/after ordinary processing

Market Value = Cultivation Expenses + Rent paid for Land in which it was grown + Such profit as AO thinks to be reasonable

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

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



## Apportionment of income betn business income & agricultural income

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

## Steps for calculation of tax in case of PIT

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

## Share of HUF income received by a member from HUF

Income earned by the HUF is assessable in its own hands since HUF is a 'person' under Income Tax Act.

Any sum received by an Individual as a member of HUF either out of the family income or out of the impartible estate belonging to the family shall be exempt in the hands of the member even if such income is exempt in the hands of HUF

## PARTIAL INTEGRATION OF AGRICULTURAL INCOME WITH NON-AGRICULTURAL INCOME

Objective of PIT	Tax the non-agricultural Income at higher rates.
Applicability of PIT	Individuals, HUF, AOP/BOI & artificial persons. [Company & Firms]
Conditions for Partial Integration	<ol style="list-style-type: none"> <li>1. <u>Net Agricultural Income</u> should exceed Rs 5,000 p.a. &amp;</li> <li>2. <u>Non-Agricultural Income</u> should exceed BEL.</li> </ol> <i>Basic Ex. Limit</i>

## Interest on Non-Resident (EXTERNAL) A/C (only for Individual)

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

Points to Remember:

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

# 4

## Section 15 - Charging Section

### Employer-Employee Relationship

- Due or Receipt basis whichever is earlier
- Forgoing of Salary - TAXABLE
- Surrender of Salary - Not treated as salary
- Salary paid to MPs and MLAs = IFOS

## INCOME FROM SALARY

### Calculation of Income from Salary

1. Basic Salary
2. Dearness Allowance (DA)
3. Commission
4. Bonus
5. Advance Salary/ Arrears Salary
6. Gratuity
7. Pension
8. Leave Salary
9. Allowances
10. Provident Fund
11. Voluntary Retirement Compensation
12. Super Annuation fund
13. Retrenchment Compensation
14. Perquisite

### GROSS SALARY

- (-) Deduction under section 16
- (-) Professional taxes
- (-) Entertainment allowance
- (-) standard deduction

### NET SALARY

Amt.

\*Salary per month ( for  
POGA ) - Basic + DA

\*Avg. salary per month  
( for NON POGA )

Uncommuted  
(Periodically)

(Taxable)

Govt. Employee - fully exempt

Gratuity Received

Amt. of exemption = Total pension \* 1/3

Full amount of pension = commuted  
pension / % of commuted pension

Gratuity

Received during  
employment

FULLY TAXABLE

Govt. Employee - EXEMPT

Covered  
under POGA

i) ₹20,00,000

ii) actual amt. received

iii)  $15/26 \times \text{salary pm} \times$   
no. of years of

completion of service  
(Round off Allowed)  
(15 Yrs = 2 Year)

Pension

At the time of  
retirement / death

Others

Not covered  
under POGA

i) ₹20,00,000

ii) actual amt. received

iii)  $1/2 \times \text{avg. salary pm} \times$   
no. of years of completion

of service (ignore fraction)  
Basic + DA(F) + Comm(T)

Commuted  
(Lump sum)

Others

Gratuity not received

Amt. of exemption = Total pension \* 1/2

Taxable commuted pension =  
pension received (-) pension  
exempted under section 10(10A)



## Leave Salary

During employment

**TAXABLE**

At retirement

Govt employee

fully exempt

Others

Exempt amount :

- Leave credit = Leave Allowed - Leave Taken
- I) Actual amount received
  - II) Maximum 25,00,000
  - III) Leave credit \* avg. salary p.m.
  - IV) 10 Months \* avg. salary p.m.
- Max 30 days for every year

**Salary = Basic + DA(T) + Commission**

Whichever is lower

## Allowances

1. Children education allowance Max ₹100 p.m. per child (max 2)
2. Children hostel allowance Max ₹300 p.m. per child (max 2)
3. Commutation/ Transport allowance Max ₹3200 p.m. (handicapped)  
Max ₹800 p.m.
4. Underground allowance Max ₹200 p.m.
5. Tribal area allowance 70% allowance or ₹10,000 p.m.
6. Employees Transport undertaking I) 40% / 50% of salary (BDTC)
7. House rent Allowance II) Actual amount received  
III) Rent Paid - 10% of salary  
Whichever is lower
8. Traveling or Tour allowance
9. Conveyance allowance
10. Uniform allowance
11. Daily allowance
12. Helper allowance
13. Research allowance

Exempt on basis of amount spent actually.

## Provident Fund

### 1. Statutory Provident Fund (SPF)

Employee contribution (80C)

Interest (Exempt)

Lump sum amount received on retirement

Exempt u/s 10(11)

Employer contribution (exempt)

### 2. Recognised Provident Fund (RPF)

Employee contribution\* (80C)

Interest (Exempt upto 9.5%)

Lump sum amount received on retirement

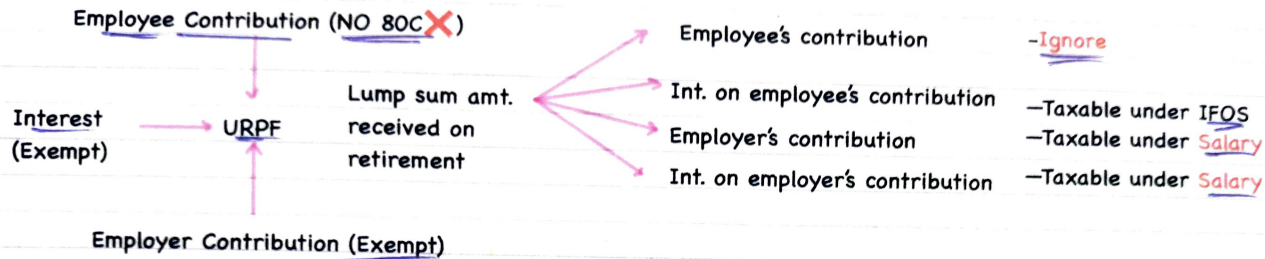
Exempt u/s 10(12)

Employer contribution (exempt upto 12.5% of salary B+DA(T)+TO Comm.)

\*If employee's contri is > 2.5L;  
Int. Upto 2.5L Exempt, above 2.5L taxable.  
If employer does not contribute, limit = 5L



### 3. Unrecognised Provident Fund



#### Voluntary retirement scheme - government employee

Exempt u/s 10(10C)

Exempt amount :

- I) Actual amount received
- II) Maximum ₹5,00,000
- III)  $\text{Salary pm} \times 3 \text{ months} \times \text{No of years of completion of service}$   
(Ignore the fraction)
- IV)  $\text{Salary p.m.} \times \text{No of remaining months of service}$

WHICHEVER IS LOWER

Salary = Basic + DA(T) + Turnover commission

#### Retrenchment compensation

Exempt u/s 10(10B)

Exempt amount:

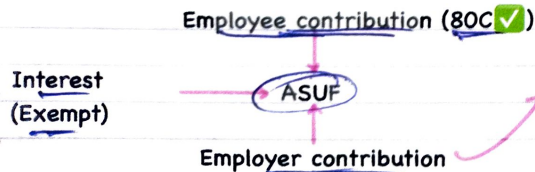
- i. Compensation as per Industrial Dispute Act
- ii. Maximum of Rs 5,00,000

Compensation as IDA =  $\frac{15}{26} \times \text{average salary of last 3 months}$   
 $\times \text{No of years of completion of service (if fraction is } > 6 \text{ months = round off)}$

Salary = Basic + DA(T) + Turnover commission

#### Super Annuation Fund

##### I. Approved Super Annuation Fund



Aggregate of employers contribution to any of the following amounts in excess of ₹7.5 lakhs is considered a perquisite -

- I. Recognised Provident fund
- II. NPS referred to u/s 80CCD(1)
- III. approved superannuation fund

II. Unapproved superannuation fund same treatment as URPF

## Perquisites

### I. Leave Travel Concession (LTC)

Mode	Exempt (which ever is lower)
AIR ✈	actual expense or economy class fare
Any other mode	Actual expense or first class fare
1. Rail Service is available	Actual expense or deluxe class bus fare
2. Rail Service is <u>not</u> available	Actual expense or first class railway fare of similar distance
I) Recognised public transport	
II) No recognised public transport	

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

Taxable amt. = loan amount \* (SBI Interest Rate - Actual Interest Rate)

I. If loan amt. in upto ₹20,000 then interest benefit not taxable

II. If loan taken for treatment of specified disease - then interest benefit is not taxable even if the loan amount is more than Rs 20,000

III. Consider the outstanding loan amount on the last day of each month

### III. Gift

In cash = taxable

In kind = FMV will be taxable - IF < ₹5,000 p.a. - Exempt

IV. ESOP - company offer shares to employ at concession rate

Taxable amount = FMV of shares (-) Issue price

FMV should be taken on the date on which option is exercised by employee

### V. Lunch facility

Exempt upto ₹50, if lunch is provided in office premises or paid voucher.

Note- 1. tea, coffee, breakfast provided in office - not taxable

2. Lunch provided in remote area - not taxable

VI. Gas, Electricity & water supply = Fully Taxable

VII. Free Servant = Fully Taxable

### VIII. Education Facility

i) For employee - fully EXEMPT

ii) For children - For children - It is exempt if value of education is upto 1000 p.m. per child & education is provided in employer's own institution or institution where employer have tie-ups, otherwise fully taxable.

iii) For other relatives - Fully TAXABLE.

IX. Transport facility for transport employee (free tickets)

For airlines & railway employee - Airlines & Railway facility is fully EXEMPT

For other employees - It is Fully TAXABLE

### X. Medical Facility

## X. Medical Facility

### a. Treatment in India

- i) Treatment in Hospital maintained by Govt
- ii) Treatment in Employer's Own Hospital
- iii) Treatment in Govt. Recognised Hospital

Fully Exempt

Otherwise - taxable

### b. Treatment O/S India

Medical Treatment  
(Refer pt 2 below)

Benefit of stay

Benefit of travel

Exempt - ONLY to the extent  
of limit permitted by RBI

It is fully exempt  
if GTI is up to Rs.  
2,00,000 ELSE it  
is fully Taxable

Notes:

1. Medical allowance - FULLY TAXABLE; Medical insurance premium is FULLY EXEMPT
2. Exemption for treatment is allowed for Employee, Spouse, Children & Dependent Relative (Mother, Father, Brother, Sister)
3. Exemption of stay & Travel is allowed only for one patient & one attendant
4. Employee to submit certain documents to employer (1) Covid-19 +ve report (2) All necessary document relating to Medical treatment of employee/family member for covid-19; Illness related to Covid-19 suffered < 6 months from the date of being Covid +ve; A certificate of all the expenditure expenditure.

## XI. Use of movable asset

- a. Computer / laptop = Fully exempt
- b. Other assets (TV etc) = If owned by employer; Taxable amount = 10% of cost/ Hired by employer; Taxable amount = Hire charges paid

## XII. Transfer of movable asset

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

## XIII. Hotel benefit / Accommodation benefit

- i. 24% of salary (ABCDM)
- ii. Hire / rent charges paid by employer
1. If facility is provided at the time of transfer of employee & if it is upto 15 days, then it is not taxable.
2. In house facility & hotel facility if employer recover any rent from employee then such rent should be deducted from above taxable amt.



#### XIV. Rent Free Accommodation (House facility)

Government Employee

Taxable as per licence  
fees decided by govt

Other Employee

Hired by employer

Owned by employer

Taxable amount = 7.5% / 10% / 15% of Salary

Population upto 10 lakhs = 7.5%

Population upto 25 Lakhs = 10%

More than 25 Lakhs = 15%

In case furniture is also provided 10% p.a of cost  
Hire charges paid by employer

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

#### XV. Car Facility

I. Car used for office purpose only - Fully exempt

Employer to maintain all the records of each journey and employer issues a certificate that the car is used exclusively for office purpose

II. Car is used for fully personal

Car is owned by Employer = 10% of cost OR

Hired by employer = Hire charges paid by employer + Driver's salary (if paid by employer) + running and maintaining charges

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

Car owned by employee

Running and maintenance charges paid by

Employee

No benefit, not taxable

Employer

Taxable amount

R&M charges paid by employer

Taxable amount

R&M charges paid by employer

(-) 1800 p.m. / 2400 p.m.

XX

(XX)

Employee  
600 p.m. / 900 p.m.

Car owned by employer  
Running and maintenance charges  
Employer  
1800 p.m. / 2400 p.m.

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

#### XIV. Any other perquisite = fully taxable

Following perquisites are fully exempt:


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

#### Professional Tax

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

#### Entertainment Allowance only for govt employees

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

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

Standard deduction of ₹75,000 or the amount of salary, whichever is LOWER, and if opted for normal scheme - ₹50,000.

Section 17(2)(vii) - Employer's contribution towards RPF, NPS referred u/s 80CCD, Approved Super annulation Fund > ₹ 7,50,000

Section 17(2)(viii) - Annual Accretion by way of Interest/dividend/similar interest on contribution of > Rs 7,50,000 by employer

Calculation of Annual Accretion of Interest, dividend etc in PY

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

TP - Taxable perquisite under section 17(2)(viii) for the current previous year

PC - Employer's contribution > 7.5 lakh to RPF, NPS u/s 80CCD and ASF during the PY

PC1 - Employer's contribution > 7.5 lakh to RPF, NPS u/s 80CCD and ASF for the previous year or years commencing on or after 1 April, 2020 other than the current previous year

TP1 - Aggregate of taxable perquisite under section 17(2)(viii) for the previous year or years commencing on or after 1 April, 2020 other than the current previous year

R - I / Favg

I - Amounts of income accrued during the current previous year in RPF, NPS u/s 80CCD and ASF

Favg - ( Balance to the credit of RPF, NPS u/s 80CCD and ASF on 1/04/2021+ Balance to the credit of RPF, NPS u/s 80CCD and ASF 31/03/2022)



# 5

## INCOME FROM HOUSE PROPERTY

- Annual value will be assessed under the head house property if three conditions are satisfied

1. There should be a HP

- Based on various caselaw, HP means- any land surrounded by wall; any land appurtenant to a building.
- Residential ✓ commercial purpose ✓
- Incomplete, ruined, demolished building is not HP
- Rental income received from such demolished building-IFOS
- Vacant land - let out - IFOS
- Land appurtenant included car parking, backyard, approach roads

2. Assessee should be the owner of HP

- Aee should be the owner
- Registered owner/beneficial owner/Deemed owner
- Income from subletting is Tax under IFOS
- Should be owner in PY - ownership only in AY does not matter
- Ownership of building need not be the owner of land
- Ownership = freehold + leasehold rights
- If the title of owner is under dispute in the court= Ownership to be determined by tax department until court gives its decision

3. Assessee should not use it for his business

House property should not be used for business if used taxable under PGBP

Property held as stock in trade, not let out during any part of the PY then annual value =

Upto 2 years - NIL

After 2 years - Deemed to be let out

Format

- Expected rent\*
- Actual rent ( Rent receivable - Unrealised Rent )

I. Gross annual value ( a or b whichever is higher)

(-) municipal taxes paid by the owner during PY

II. Net annual value

(-) deduction u/s 24

- standard deduction, 30% of NAV
- Interest on borrowed capital

Income from house property

- \* Expected Rent - 1. Higher of a) Municipal Value or b) Fair Value But, lower of a) answer from 1. b) Standard Rent

### Foreign Property

If I let out the foreign property & earns rent out of it, then such rent would be taxable in India.

ROR- Always taxable

RNOR/NR- Only if received in India

### Composite Letting

When HP is let out along with amenities, for ex. furniture, such letting is called as composite letting.

When two lettings are separable

- Rent from HP - taxable u/h HP
- Rent from other amenities - taxable u/h PGBP or IFOS

When two lettings are not separable

- Taxable u/h PGBP or IFOS

## I. Determination of Annual Value for different types of HPs

Situation 1 - Property let out throughout the PY

GAV = Expected Rent or Actual Rent

Situation 2 - Where let out property is vacant for part of the year

When let out property vacant for part of the year, only due to vacancy and actual rent is lower than the expected rent. GAV = actual rent received or receivable

Situation 4 - Property let out part of the year and occupied for the part of the year

- Step 1- Calculate ER for the whole year
- Step 2- Calculate ACTUAL rent Received
- Step 3- Higher of above

Situation 3 - In case of self occupied property / unoccupied property

NAV = NIL

This benefit is available for only 2 SO properties and only to individuals / HUF

Situation 5 - Deemed to be let out property

First 2 SO properties = NIL  
Other properties - GAV = ER

Situation 6 - property held as stock in trade

NAV = NIL

This benefit is available only for the period upto 2 years from the end of FY.

After 2 years, to be treated as DLO, where GAV = ER

Situation 7 - Property where portion is let out and portion is self occupied

Portion let out & portion self occupied - compute separately. Do not treat the whole property as single property. Bifurcate on the basis of Plinth area / built up floor space or any other reasonable basis.

## II. Municipal Tax

Mun. Tax% is to be applied on Municipal Value. Deduction in the year of actual payment. Conditions to be satisfied: 1. Should be actually paid by the assessee. 2. Should be paid by the assessee, Unpaid tax by tenant is not allowable as deduction. 3. Should be related to PY

Municipal taxes paid for the prior years in the current year - allowed for all the years in the current year

Municipal tax paid in advance for the subsequent years in the current year - Not allowed for all the years in the current year -

Allowed as and when accrued .



### III. Deduction u/s 24

#### Section 24(a) Standard deduction

- This deduction is allowed to all the assessee @ 30%
- This deduction includes all cost incurred by the assessee for repair, maintenance, insurance, other charges.
- No separate treatment to be given for these expenses.

#### Section 24 (b) Interest on borrowed capital

Int. payable on amount borrowed for the purpose of purchase, construction, renovation, repairing, extension, renewal, or reconstruction. (accrual basis)

#### LO Property

No restriction on deduction, allowed on accrual basis

#### SO Property

Loan taken

Prior to 1/4/99

On/after 1/4/99

Purchase construction

Repair renewal, reconstruction

Purchase construction

₹2,00,000  
Only when construction is completed within 5 years

₹30,000

Repair, renewal, reconstruction,

₹30,000

- Assessee can get a maximum deduction of ₹2,00,00 combining all the interest together

### Interest on borrowed capital

#### Pre construction Interest

- Accumulate the entire pre-construction interest for all the FYs
- Deduction in the FY in which the construction is completed
- amount of deduction - 5 equal instalments

#### Post construction Interest

- Interest paid after completion of construction
- This interest will always be the part of current FY

	Pre	Post
Start	Loan taken or start of construction, whichever ever is later	1st April of the FY in which completion certificate is received
End	31st March of Pre-construction FY in which completion certificate is received	Date of repayment of loan

#### Second loan taken to repay the earlier loan.

- If second loan taken to repay the principal component of first loan - deduction allowed.
- If second loan taken to repay the interest component of the first loan - Deduction not allowed
- If taken to repay the municipal tax - deduction not allowed.



### Unrealised rent

Actual rent Received / Receivable - Should not include rent, which is not capable of being realised. (However) conditions to rule 4 to be satisfied;

1. Tenancy is bona fide
2. The defaulting tenant was vacated, or steps have been taken to compel him to vacate the property.
3. The defaulting tenant is not an occupation of any other property of the assessee
4. The assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent.

### Inadmissible deductions

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

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

### Arrears of rent and unrealised rent received

1. Taxable in the year of receipt/realisation
2. Deduction @ 30% of rent received/realised
3. Taxable, even if assessee is not the owner of the property in the FY of receipt/realisation.

### Co-owned property

#### Let Out

- Make only one computation
- Get final answer
- Bifurcate into 2 in the proportion

#### Self occupied

- Two separate computations
- Limit of ₹2,00,000/₹30,000 is available to both the co-owners independently
- It is always beneficial to buy a new SOP on loan jointly so that the benefit of limit of interest can be availed by both.

### Deemed ownership

- Transfer of HP to spouse for inadequate consideration
- Transfer of HP to minor child for inadequate consideration
- Holder of impartible estate
- Member of a cooperative Society
- Person in possession of HP under part performance of a contract
- Person having right in property by way of lease for 12 years or more.

# 6 PROFITS AND GAINS FROM BUSINESS AND PROFESSION

## Section 28: Charging section

- Any profit or gain of any Business/Profession
- Import entitlement licence.
- Cash compensatory support
- DEPB (duty entitlement pass book scheme)
- Keyman insurance policy
- gift/benefit/perquisite
- Interest, salary, bonus commission
- Non-compete Fees
- Trade, professional or similar association
- FMV of SIT as on the date on which converted into CA
- Termination or modification of the terms and conditions

## Section 30 : Rent, Rates, Taxes, Repairs & insurance of building

## Section 31: Insurance and repairs of Plant and Machinery

	Rent	Rates & taxes	Insurance	Revenue repair	Capital Repair
Owner	Not allowed	Allowed	Allowed	Allowed	Not allowed
Tenant	Allowed	Allowed	Allowed	Allowed	Not allowed

## Section 32: Depreciation

- Conditions to claim depreciation
  - Asset used for business/profession (active or passive)
  - Assessee should be Owner (wholly or partly)
- Mandatory to claim for all assessee.
- Depreciation on Mobile phone - 15%
- Depreciation allowed when asset actually put to use & not ready to use.

### Methods of depreciation

Business of generation OR  
Generation and  
Distribution of power  
Optional - SLM/WDV

Other  
assesses  
WDV

### System of depreciation

WDV - Block of  
asset method

SLM - Individual asset  
system

### WDV of block for depreciation

Asset acquired  
but not put to use

NO  
depreciation

Cost of asset used  
for < 180 days

Half  
Rate

Cost of asset used  
for > 180 days

Full  
Rate



## Rates of depreciation:

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

## Calculation of depreciation (Block of asset/ WDV method)

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

## Additional Depreciation

Eligible assessee? - Manufacturing / Power Generation

Rate of additional depreciation = 20% on P&M ONLY

- S = Second hand P&M
- O = Any P&M installed in office premises
- S = Ships, aircraft & transport vehicles
- 100% = P & M on which 100% deduction allowed.

Additional depreciation is allowed only if assessee follow WDV method. It is not allowed to Power units if they follow SLM.



## Section 35 - Expenditure on scientific research

### Part A - In-house Research

Research after commencement of business

Revenue expenses

100%

Capital expenses

Land

No deduction

Building

100%

Other capital expenses

100%

Research before commencement of business maximum 3 years before the date of commencement of business expenses allowed.

Revenue expense

1. Salary (excluding perquisites)

2. Material

100%

Other exp. Not allowed

Capital expense

Land

Other cap expense

100%

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

To approved:

1. Institute
2. College
3. University
4. Research Asso.

For scientific research 100%

For social and statistical research 100%

To IIT National Laboratory

For scientific research  
Sec 35(2AA) - 100%

To approved Indian Co engaged in R&D Res. Developm

For scientific research  
Sec 35(1)(ia) - 100%

Section 35CCC/CCD: Expenditure on Agriculture Extension Project/Skill Development Project - Deduction @ 100%

Taxation of Grants/Subsidies from govt - INCOME

If subsidy received for acquiring asset = it shall be deducted from actual cost

Any other subsidy / waiver of loan / Govt. Grant = Taxable under PGDP

Any subsidy / grant received by trust or institution (established by CG/SG) as a Corpus fund shall not be treated as income.

If loan taken for acquisition of asset waived = then such loan shall be reduced from Actual cost of asset [block of asset]

## Section 35D - Preliminary Expenses

Preliminary expenses means:

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

Deduction allowed to resident assessee who incurs preliminary expenses before commencement of business or after commencement for extension / setting up a new unit. Deduction = 5 equal installments.

Indian Co =

i. Actual Prel Expenses

ii. 5% of COP / CE

(COP or CE) Whichever is HIGHER

Whichever is LOWER

Other Non corporate assessee =

i. Actual Prelim expenses

ii. 5% of COP.

Whichever is LOWER

COP = Cost of Project

CE = Capital Employed

### Treatment of interest on loan taken for acquiring asset

New Company / new business is being set up

Existing business / extension

Upto the date of commercial production starts

Add to actual cost

After the date when the asset is first put to use

Revenue expenditure - Allowed

Upto the date of asset is first put to use

Add to actual cost

## Section 35AD - Specified Business

1. New Business

2. P&M should be New; Exception: (1) Imported old P&M (P&M on which dep, not claimed.) (2) 20% of P&M can be second hand.

3. Deduction allowed on all Capital expenses except (a) Land (b) Goodwill (c) Financial instruments.

4. Further, any expenditure in respect of which payment or aggregate of payment made to a person of an amount exceeding 10,000 in a day otherwise than by ac payee cheque or an ac payee DD or use of ECS [BHIM, Aadhar Pay etc]

5. Depreciation not allowed if deduction claimed u/s 35AD.

Nature of Business - % of deduction (capex) 100%

- ✓ 1. Setting up & operating a cold chain facility
- ✓ 2. Laying & operating cross country pipeline for distribution of petroleum oil, natural gas
- ✓ 3. Building & operating a Hotel of 2 star or above
- ✓ 4. Building & operating a Hospital with minimum 100 patient beds
- ✓ 5. Setting up & operating a warehousing facility for agricultural produce
- ✓ 6. Developing & building a Housing project under Slum development scheme
- ✓ 7. Developing & building a housing project under affordable housing scheme
8. Production of Fertilizers in India
9. Setting up & operating inland container depot or container freight station
10. Bee keeping and production of bee's honey & wax
11. Setting up & operating a warehousing facility for sugar
12. Laying & operating a slurry pipeline for transportation of Iron ore
13. Setting up & operating a Semiconductor wafer fabrication manufacturing unit
14. Developing or maintaining and operating or developing, maintaining and operating a new infrastructure facility

Section 36 - Deductions

- Premium for insurance of Stock in Trade = Allowed
- Health insurance premium for employees = Allowed (Premium paid in any mode other than cash)
- Bonus/Commission paid to employees = Allowed
- Interest on loan = Allowed (Personally purpose = Not Allowed)
- Animals used in business (other than SIT); Deduction = Cost - Scrap Value
- Zero coupon bond = Pro Rata amount of discount shall be amortised over the life of ZCB.
- Bad Debts = Allowed
- Provision for bad debts = Disallowed
- Employers contribution for the benefit of the employees = Allowed
- Employees contribution towards pension scheme = actual contribution or 10% of salary (B+DA)



### Section 37 - General Deduction

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

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

#### Imp. Points

1. Expenditure to be incurred in PY
2. Gift to employee - Allowed as Ded
3. Dividend - NOT Allowed
4. Customary expenses - Allowed
5. Provisions - NOT allowed

#### Expenditure incurred towards

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

#### Tax, Interest & Penalties

- Direct tax - Not allowed
- Indirect tax - Tax, Interest - Allowed (Penalty - Not allowed)
- Penalty for breach of law = Not allowed
- Penalty for breach of contract = allowed
- Penalty in the nature of interest = Not allowed
- Interest in the nature of Penalty = Not allowed
- Interest on loan taken for income tax payment = not allowed
- Tax audit fees/Litigation expenses in relation to income tax = allowed

### Section 40 - Amount specifically not included

Amount towards interest, royalty, Fees for Technical Services or similar sums paid / credited to NR or Foreign Co and if: TDS not deducted in PY; OR TDS deducted during the CY but not paid to the Govt up to due date filing return of income. Such amount to be paid to NR shall be 100% disallowed.

In case payment made to resident, 30% disallowed.

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

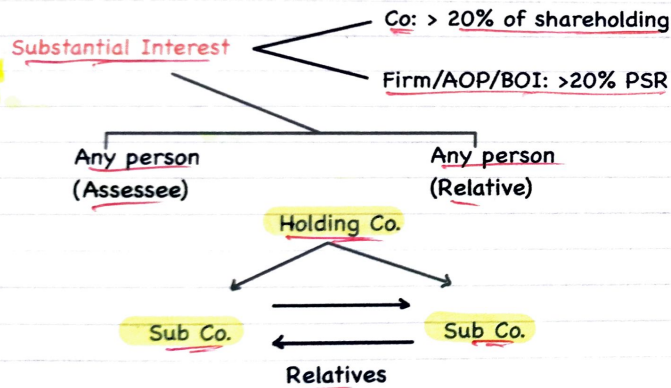
TDS on salary payable outside India or NR, Any salary payable outside India or to NR in India and if: TDS not deducted; Such sum shall NOT be allowed as deduction.

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

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

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

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



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

If payment made to transporter then limit 35,000/-  
If deduction is already claimed in the earlier year - later - deemed income of that later yr - other than prescribed modes

#### Section 43B - Expenses allowed on payment basis

Only if PAID up to the due date of return.

- a. Any tax, duty, cess
- b. Employer's contribution towards PF
- c. Bonus or commission to Employees
- d. Interest on loan to any PFI
- e. Leave encashment (leave salary)
- f. Sum payable to Indian railways for use of railway assets
- g. Interest on loan from NBFC
- h. New Clause - 43B
  - a. Payment to MSME included in 43B
  - b. Meaning of MSME

#### Section 43A- Asset acquired from foreign country

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

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



#### Section 41 - Deemed PGDP

- Recovery against any deductions already claimed
- Balance charge
- Recovery of Bad Debts

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

#### Section 44AB - Tax Audit

Tax audit is compulsory in following cases:

- a) Business - If  $T/O > 1 \text{ crore}$  during the PY
- b) Profession - If  $\text{Gross receipts} > 50 \text{ lakhs}$  during the PY. Requirement of audit does not apply on a presumptive basis.
- c) If assessee covered by Sec. 44AD or Sec. 44ADA and assessee claimed income less than 8%/6% or 50% & his Total income is more than Basic exemption = comply 44AA and 44AB. Even if  $TO < 1 \text{ Cr?}$  - YES
- d) If Total turnover  $< \text{Rs. 2 crores}$  & assessee has opted for section 44AD in any earlier PY (say, PY 2022-23) or Assessee whose Total Cash Receipts in relevant PY  $< 5\%$  of Total turnover & Turnover  $> \text{Rs. 3 Crores}$  & who has opted for section 44AD in any earlier PY (say, PY 2022-23) IF he declares profit for any of 5 successive PYs not in accordance with section 44AD (Le, he declares profits lower than 8% or 6%), then, he cannot opt for section 44AD for 5 successive PYs after the year of such default (ie, from PY 2024-25 to PY 2028-29). For the year of default (ie, PY 2023-24) & next 5 PYs (Le, PY 2024-25 to PY 2028-29), he has to maintain books of account u/s 44AA and get them audited u/s 44AB, if his income  $> \text{BEL}$
- e) If Gross Receipt for PY  $> \text{Rs. 50 Lacs}$ .  
(Note: If Gross Receipts for the PY  $< \text{Rs. 50 Lacs}$  OR Assessee whose Total Cash receipts in relevant PY  $< 5\%$  of Total receipts & whole Gross Receipts  $< \text{Rs. 75 Lacs}$  but such resident assessee claims that his income is LOWER than income computed on Presumptive basis u/s 44ADA & his Income  $> \text{BEL}$  in PY - Audit is compulsory.
- g) Penalty if assessee fails to get accounts audited: (i) 0.5% of T.O. or G.R. or (ii) ₹1,50,000; Whichever is lower

Due date = 31 Oct of AY



### Section 44AA

- 1) Notified Profession - [Medical / Legal / film artist / Architecture / Consulting]  
GR > ₹1,50,000 in all 3 preceding FY. or likely to exceed ₹1,50,000 during P.Y. if newly set up.
- 2) Other person carrying on business / Profession :
  - (i) Individual / HUF  
TI > ₹2,50,000 in any 1 of past 3 Yrs; To/GR > ₹25,00,000 in any 1 of past 3 Yrs.
  - (ii) Other than Individual / HUF  
TI > 1,20,000 in any 1 of Past 3 Yrs; To/GR > 10,00,000 in any 1 of past 3 Yrs.
- 3) Minimum period of Maintenance of books of A / C \* s = 6 years from the end of AY.  
Penalty for failure to maintain books of A/c = Rs. 25,000.

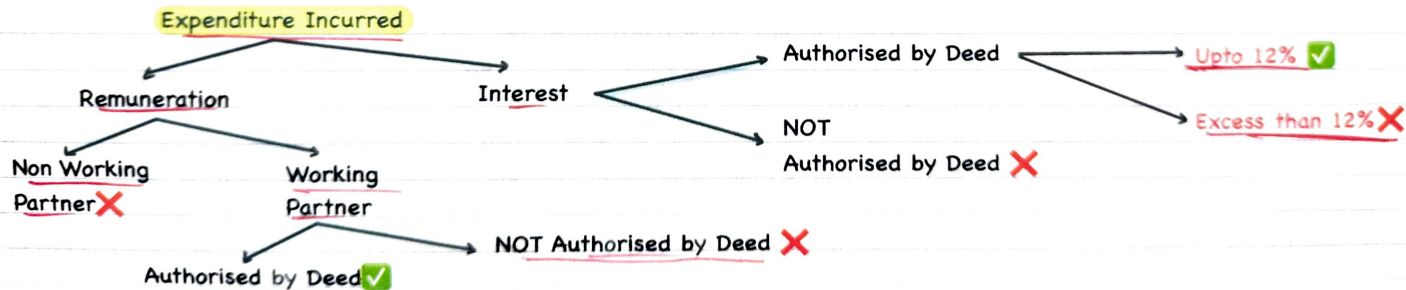
### Section 36(1)(ix)

Expenses on promotion of family planning of employees Assessee - ONLY Company

Revenue expenses — 100% deduction

Capital expenses — Allowed in 5 equal installments

### Section 40(b)



Limit for remuneration >

Book profit	Quantum of deduction
On the first ₹6,00,000 on BP	₹3,00,000 or 90% of BP
On the balance of book profit	60% of BP

If there's a BOOK LOSS -  
Deduction is Rs 3,00,000

### Section 35DDA

Expenditure on Voluntary Retirement Scheme

Eligible assessee - All assessee;  
Deduction allowed - Allowed  
IN 5 equal instalments

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

- a. Eligible Assessee : Resident Individual/Resident HUF / Resident firm who has not claimed dedn u/s 10AA or 80IA to 80RRB
- b. This Section is applicable for any Business except a) Sec. 44AE Business b) Agency Business c) Commission and TO / GR is up to 2 Cr.
- c. Presumptive PoBP Income = Turnover / Gross receipts  $\times$  8% (If prescribed modes - 6%)
- d. The eligible assessee is required to pay Advance tax. However, there will be only one instalment 15 March of Financial year
- e. If Sec 44AD is applied = Sec 30 to 38 shall not be allowed.
- g. In this case, assessee is not required to maintain books of account & get it audited.
- h. If assessee declares income for any PY as per 44AD & he doesn't declare income as per 44AD in any of the 5 consecutive PYs, then he shall not be eligible to claim benefit of sec. 44AD for 5 years subsequent to the year in which assessee not declared income.
- i. Note: Where the amounts received during the PY in "cash does not exceed 5% of the told turnover or gross receipts of such Py then limit of T/o 3 crore apply instead of ₹2 crore.

#### Sec 44ADA: PGBP on presumptive basis for professional

- a. Eligible Assessee : Resident assessee and engaged profession; b. This Section is applicable if gross receipt is less than Rs 50 Lakhs
  - c. Total income under PGBP = Gross receipt  $\times$  50%; d. NO further deduction allowed - Sec 30 to 38 shall not be allowed as dedn
  - e. Maintenance of books of accounts - if assessee declares income lower than 50% and his net income is more than basic exemption = he is required to maintain books of accounts and get it audited.
  - f. Advance Tax- Eligible assessee is advance tax by 15 March of the Financial Year; g. PGBP Income Gross receipt  $\times$  50%.
- Note: Where the amounts received during the PY cash does not exceed 5% of the gross receipts of such Py then limit of GR 75 lakhs apply instead of ₹ 50 lakhs

#### Sec 44AE: Presumptive taxation for Transporters

- a. Eligible Assessee : Assessee engaged in the business of plying, hiring leasing such goods carriage then PGBP
- Heavy - ₹1000 per ton per month goods part of the month of vehicle gross vehicle weight or unladen weight
- Other - ₹ 7500 for every month vehicle or part of the month
- b. Can assessee declare higher income in his return of income
- c. Assessee should own maximum 10 vehicles. If assessee owns more than 10 vehicles = this section will not apply
- d. Expenses referred to in Sec 30 to 38 shall not be allowed as dedn
- e. Partner remuneration, salary, interest as per 40(b) = Allowed
- f. Heavy goods vehicle means any goods carriage, gross vehicle weight of which exceeds 12000 kgs
- g. Maintenance and Audit of BOA ~~X~~



## 7

## CAPITAL GAINS



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

CA - Includes Property of any kind held by an assessee, whether or not connected with his business or profession; Any securities held by FIIs; Any unit linked insurance policy (ULIP) issued on or after 1/2/2021

## Exclusions (not a capital asset)

Stock in trade  
consumable stores  
or RM held for the  
purpose of the B/P

Personal effects  
[movable property (inc  
wearing apparel & furniture)  
held for personal use]

Rural Agricultural  
Land (Other than  
urban agricultural  
land)

6.5% Gold Bonds / 7%  
Gold Bonds / National  
Defence Gold Bonds  
issued by CG

Special  
Bearer  
Bonds

Gold Deposit Bonds, 1999  
or deposit certificates  
issued.

Jewellery; Painting; Drawing;  
Sculptures; Archeological collection;  
any other work of art

Urban area - any  
area which has a  
population of 10k  
or more (A)

Shortest distance from point (A)	Population acc. To last census
<u>Upto 2 km</u>	<u>&gt; 10k upto 1L</u>
<u>Upto 6 km</u>	<u>&gt; 1L upto 10L</u>
<u>Upto 8 km</u>	<u>&gt; 10L</u>

Transfer - Sale, exchange or relinquishment of the asset; Extinguishment of any rights therein; Compulsory acquisition thereof under any law; Conversion of capital asset into stock in trade; Allowing the possession of any immovable property to be taken or retained in part performance of a contract; Any transaction which has the effect of enabling the enjoyment of immovable property; Redemption of ZCB

Period of holding: a summary i) if assets are required prior to 23/7/24

STCA < 12 months; LTCA > 12 months

Security listed in a recognised stock exchange;  
Unit of equity oriented fund/ unit of UTI; ZCB

STCA < 24 months; LTCA > 24 months

Unlisted shares  
Land or building or both

STCA < 36 months; LTCA > 36 months

Unit of debt oriented fund; Unlisted securities other than shares; Other CA



ii) if assets are acquired on or after 23/7/2024.

STCA < 12 months; LTCA > 12 months Security listed in a recognised stock exchange; Unit of equity oriented fund/ unit of UTI; ZCB  
Period of holding - 24 months in case of all the Other assets.

- Indexation benefit is applicable only in case of LTCA. And NO STCA
- Cost of acquisition and Cost of Improvement should be indexed
- Asset acquired before 1/4/2001

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

ICOA = COA X CII for the year of transfer

CII for the year in which asset  
held by the assessee or for  
AY01-02, which ever is later

Improvement before 1/4/2001- IGNORE

ICOI = COI X CII for the year of TRANSFER

CII for the year in which  
improvement to the asset  
took place

First proviso to Sec 48 - CG in case of NR

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

Seventh proviso to Sec 48

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

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

Cost of acquisition

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

Acq prior to 1/04/01

Acq on or after 1/04/01

FMV as on 1/04/01

NIL

POH = From allotment date to transfer date

Right shares

Renounced

FVOC = Renouncement price

COA = NIL (not purchased)

STCG = XXX

POH = From offer date to  
renouncement date

If acquired by SH

COA = Amt paid to Co

POH = from allotment date

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

- Asset acquired before 1/4/01 = COA or FMV as on 1/4/01, Higher; Asset acquired after 1/4/01 = COA  
If a capital asset is LAND / BUILDING / BOTH - FMV as on 1/04/2001 shall NOT exceed SDV as on 1/04/2001. Formula is  
HIGHER OF [COA or (FMV or SDV as on 1/04/2001, whichever is lower)]

- Cost of improvement = COI is a capex incurred by the assessee in making any additions / improvement to the capital asset
- Goodwill / business / Trademark / Patent / Copyright = NIL
- After 1/4/2001 = Actual cost of Improvement
- Prior to 1/4/2001 = NIL (Ignore)

#### Sec 45(2) - Conversion of capital asset into stock in trade

##### TAX IN THE YEAR OF SALE OF SIT

##### Capital Gains

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

PGBP = Sale price of stock in trade - FMV on date of conversion

- If any part of SIT is sold (say 40%) = Only part CG shall arise in the year in which part SIT is sold (only 40% CG to be paid). Compute as if 100% CG to be paid and then apply %.
- 6 months shall start from the date of sale of SIT and not from the date of conversion

##### Conversion of stock in trade into capital asset

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

#### Sec 45(5) Compensation on compulsory acquisition

- Capital asset belonging to a person is taken over by the CG by way of compulsory acquisition. Consideration = determined by CG
- TAX IN THE YEAR IN WHICH COMPENSATION IS RECEIVED
- Initial Compensation  
FVOC (initial) = XXX  
COA/ICOA = (XX)  
COI/ICOI = (XX)  
STCG/LTCG = XXX
- Enhanced Compensation  
FVOC (enhanced) XXX  
(-) Litigation expenses (XX)  
STCG/LTCG XXX
- Person may go to the court for enhanced compensation = if court agrees and grants additional compensation = such additional amount shall be taxable as CG in the year of receipt and not in the year of court order

##### 6. If compensation is received in instalments

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



#### Sec 45(1A) - Insurance claims for damage or destruction of CA

1. On destruction of capital asset - assessee receives compensation in the form of money or any other asset
2. Destruction = Natural calamities, riot, fire etc
3. Destruction = Transfer
4. TAX IN THE YEAR IN WHICH INSURANCE COMPENSATION IS RECEIVED

Computation:

FVOC [Money / FMV of asset] = XXX

(-) COA / ICOA =. (XX)

(-) COI / IcoI = (XX)

STCG / LTCG =. XXX

#### Section 45(3) - Transfer of CA by Partner to Partnership Firm

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

#### Section 50C - FVOC = Stamp duty Value

In case of Land / Building / both

General Rule:

1. IF  $SC < SDV$  (assessed by stamp valuation authority) THEN,  $FVOC = SDV$   
Exception (110%) [marginal difference chalega]
2. IF  $SDV < 110\% SC$ , THEN,  $FVOC = SC$
3. IF  $SDV > 110\% SC$ , THEN,  $FVOC = SDV$

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

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

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

Capital Gains = in the hands of Firm

2. FVOC = FMV on the date of transfer
3. Year of CG = Year of transfer

#### SDV ON WHICH DATE TO BE CONSIDERED?

Usually SDV on the date of registration is considered but, under this section - if date of agreement and registration are not the same - then assessee can take SDV on the date of agreement IF assessee has received consideration / part thereof upto the date of agreement in ac payee cheque / DD, use of electronic clearing system through bank account or any other mode

#### Section 50CA - FVOC = FMV of unlisted shares

In case of unlisted shares

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

#### Sec 51 - Advance money forfeited

Capital gains on distribution of assets by companies in liquidation  
Liquidation - assets are distributed to its SHs.



### Sec 51 - Advance money forfeited

If advance money / token money / earnest money is forfeited

1. BEFORE 1/4/2014 - Reduce it from COA (before indexation)
2. AFTER 1/4/2014 - Charged to tax under IFOS

If advance money is forfeited by previous owner (say father) - after his death property got transferred to his son. Will his son pay tax on the amount forfeited by his father? **NO**

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

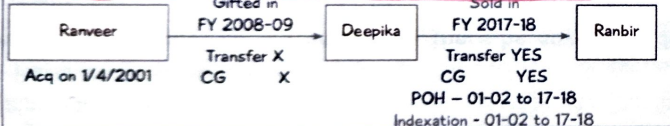
FVOC = FMV on the date of transfer

In above cases - CG will be calculated in the hands of person who further sells it: COA = Cost to the previous owner

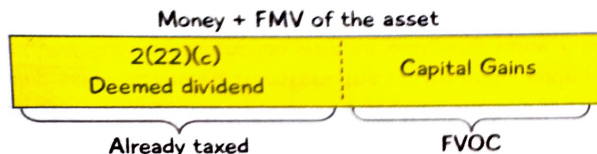
COI = incurred by previous owner + present owner

POH = POH of previous owner

Indexation available from the date when the asset was first acquired by the A's



COA of current asset (EGR/gold) received on conversion = cost of earlier asset (gold/EGR) which is so converted.  
-Sec. 49(10) POH of earlier asset (gold/EGR) shall also include the period for which current asset (EGR/ gold)



### Capital gains on distribution of assets by companies in liquidation

On liquidation - assets are distributed to its SHs.

1. In the hands of liquidated company - Not regarded as transfer in the hands of Company.
2. In the hands of SHs - SHs receive money / other assets from the Co. CG to be charged on the money received / FMV of the assets received.

- Distribution attributable to accumulated profits - Deemed.

Dividend u/s 2(22)(c)

- Other cases - Computation of FVOC

Money received XXX

(+) FMV of assets. XXX

(-) Deemed dividend (XX)

FVOC. XXX

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

### Capital gains on buyback of shares - applicable in hands of shareholder

FVOC (buy back price) XXX

(-) COA / ICOA. (XX)

STCG / LTCG. XXX

POH = Date of acquisition till date of buy back

Treated as dividends in the hands of Shareholders

In the hands of Company - TDS @ 194 to be deducted

In the hands of Shareholder - Taxable under IFOS as DIVIDEND

Buy-back is extinguishment of rights and, CG to be applicable

### NOTE- FVOC = FMV

What is FMV?

FMV 1 or FMV 2 - Whichever is higher

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

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

### Sec 50B - Slump sale

Slump sale - assessee transfers the entire undertaking / division for LUMP SUM consideration without assigning value / SP of individual asset

FVOC = REFER NOTE (Note) = XXX

Transfer expenses = Actual = (XX)

COA = Net worth of undertaking = XXX

NQ INDEXATION

CG = can be LTCG (undertaking > 3 years); STCG (< 3 years)

Important Notes -

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

### Computation of capital gains in case of market linked debentures

Transfer of unit of a Specified Mutual Fund or Market Linked Debenture: computation of capital gains in case of transfer of unit(s) of - a Specified Mutual Fund acquired on or after 1.4.2023 or a Market Linked Debenture.

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

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

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

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

Step 1 Cost of acquisition

Step 2 Lower of following

1. FMV as on 31/01/2018
2. FVOC

Amendment is applicable from 1/4/2018

Prior to amendment = Section 10(38) exemption



LONG TERM Sec 112A	TAX RATES Sec 112	SHORT TERM Sec 111A	Normal Rates
<p><u>Assets transferred</u></p> <ul style="list-style-type: none"> <li>Listed equity shares</li> <li>Units of equity oriented funds</li> <li>Units of business trust</li> </ul> <p><u>Tax Rate - Asset transferred</u></p> <ul style="list-style-type: none"> <li>Before 23/7/24 - 10% in excess of ₹1.25L</li> <li>On or after 23/7/24 - 12.5% in excess of ₹1.25L</li> </ul> <p><u>Conditions</u></p> <ol style="list-style-type: none"> <li>1) STT should be paid</li> <li>2) Chapter VI A ded-not allowed</li> <li>3) Rebate u/s 87A-not allowed</li> </ol> <p><b>NO INDEXATION</b></p>	<p><u>Assets transferred other than section 112A</u></p> <p><u>Rate of tax transfer prior to 23/7/24 - 20% with indexation</u> <u>Transfer on /after 23/07/24 -</u></p> <ul style="list-style-type: none"> <li>Land/building/both acquired before 23/7/24 had sold on/ after 23/7/24</li> </ul> <p>—Individual/HUF (Residents)</p> <p>20% with <u>indexation</u>      12.5% <u>without indexation</u></p> <p><u>Other than individual/HUF</u></p> <p>—12.5% <u>Without indexation</u></p> <ul style="list-style-type: none"> <li>Land/building/both acquired on/after 23/7/24 had sold on/ after 23/7/24</li> </ul> <p>—12.5% <u>without indexation</u></p> <ul style="list-style-type: none"> <li>Other assets either required prior/on/after 23/7/24 &amp; sold on/after 23/7/24</li> </ul> <p>— 12.5% <u>without indexation</u></p> <ul style="list-style-type: none"> <li>chapter VIA Deduction <del>X</del></li> <li>Rebate u/s 87A <input checked="" type="checkbox"/></li> <li>Un exhausted BEL <input checked="" type="checkbox"/></li> </ul>	<p><u>Assets transferred</u></p> <ul style="list-style-type: none"> <li>Listed equity shares</li> <li>Units of equity oriented funds</li> <li>Units of business trust</li> </ul> <p><u>Tax Rate - Asset transferred</u></p> <ul style="list-style-type: none"> <li>Before 23/7/24 - 15%</li> <li>On or after 23/7/24 - 20%</li> </ul> <p><u>Conditions</u></p> <ol style="list-style-type: none"> <li>1. Chapter VIA Ded <del>X</del></li> <li>2. Rebate u/s 87A <input checked="" type="checkbox"/></li> <li>3. BEL <del>X</del> only unexhausted BEL</li> </ol>	<p><u>Assets transferred other than section 111A</u></p> <p><u>Tax Rates - normal rates applicable to respective assessee</u></p>



Exemption u/s 54

Sec	Applicable	Original asset	Reinvested	Time for reinvestment	Conditions on new assets	Exemption	Deposit scheme
54	Individual & HUF	Long term residential HP	Residential HP Where CG > 2Cr = only 1 RHP in India. Where CG < 2Cr = Option to acquire / construct 2 RHP in India	Purchase 1 yr before or within 2 yrs or Construct within 3 yrs from transfer date of original asset	The RHP should not be sold for 3 yrs from its purchase / construction. If he does so - Reduce exemption amount from COA of new asset Amt deposited in CGAS - but not utilized = Unutilized amount is taxable as LTCG during the year in which period of 3 years expires	Capital gain or re-investment whichever is lower ↓ Max Exemption ↓ ₹10Cr.	Applicable. Assessee may temporarily deposit amt in bank under the scheme on or before due date of filing ROI
54B	Individual & HUF	Agricultural land situated in urban area used for agri atleast 2 yr prior to sale	Agriculture land in urban/ rural area	Purchase within 2 yrs from date of transfer	Not to be sold for 3 yrs from its purchase. If he does so - Reduce exemption amount from COA of new asset; Unutilised amt in CGAS taxable in PY in which 2 years period expires	Capital gain or re-investment whichever is lower	Applicable
54D	Any Assessee	Land & building forming part of industrial undertaking - been compulsorily acquired	Land & Building forming part of new industrial undertaking	Purchase within 3 years from date of receipt of compensation	Land & Building should not be sold for 3 yrs from its purchase Consequences of default - similar to Sec 54 and Sec 54B	Capital gain or re-investment whichever is lower	Applicable

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

Exemption = LTCG \*  $\frac{\text{Amount invested in new residential house}}{\text{Net sale consideration}}$   
 How much % of net sale consideration is actually invested by the assessee? - Utna exemption milega

# 8

## INCOME FROM OTHER SOURCES

### Section 56

Any Income other than exempt Incomes chargeable under salaries, income from HP, PGBP & Capital gains.

### Incomes chargeable under IFOS

1. Interest on Securities
2. Rent from letting out
3. Dividend on shares
4. Winning from lottery puzzles, etc
5. Interest on bank deposit
6. Royalty income.
7. Director sitting fees
8. Agriculture income from land located outside India
9. Income from subletting of HP
10. Salary of MP/MLA/MLC
11. Interest on income tax refund
12. Income on any investment
13. Gift

### Casual Income

Means income in the nature of winning from lottery, crossword puzzles, races, including horse races, card games, and other games of any sort, gambling, betting etc. Flat 30% rate applicable.

1. No deduction of expenses u/s 57
2. No deduction under chapter VI-A
3. No benefit of basic exemption limit
4. No set off & carry forward of losses

### Dividend Income

From Domestic Co.

From foreign Co.

Taxable in the hands of shareholders

### Deemed Dividend

These payments are not dividend but for the purpose of income tax. They are treated as dividends. these payments are deemed as dividend to the extent of accumulated profits.

### Dividend/income i.r.o units of MF

Deduction allowed to extent of 20% of income

### Compensation/Enhanced Compensation

Deduction of 50% of such income

### Std deduction in case of family pension

₹25,000 or 1/3 of such income, whichever is less.

Pension received by widow/ children/heirs of members of armed forces of union and death has occurred in the course of operational duties = exempt

### 2(22)(a)

Distribution of all or any part of assets of the company

- Debentures, debenture stock, or deposit certificates
- Bonus shares to preference shareholder

### 2(22)(b)

### 2(22)(c)

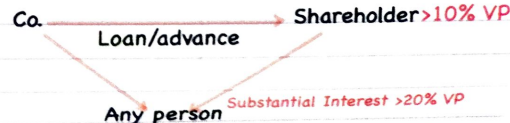
Any distribution on its liquidation

### 2(22)(d)

Any distribution on the reduction of capital

### 2(22)(e)

Loans are advances by closely held company





## Section 56(2)(X)

Any gift/asset acquired for low consideration by any person

Specified Occasions \*(IM DR HTLI)

56(2)(X) - Not Applicable

Otherwise

Money (without consideration)

If aggregate money > ₹50,000,  
then whole amount will be taxable.Movable property - specified  
properties \*

Immovable property - not applicable

Without consideration,  
if aggregate FMV >  
₹50,000 then entire  
FMV = taxableInadequate consideration, if  
agg. of (FMV - consideration)  
> ₹50,000 then difference  
between FMV and  
consideration is taxableWithout  
consideration  
if SDV >  
₹50,000,  
then entire  
SDV shall be  
taxableInadequate consideration  
a. (SDV - consid.)  
> ₹50,000 AND  
b. SDV is more than  
110% then difference  
between SDV and  
consideration = taxable.

## Section 58 - specific disallowances

1. Personal expenses
2. Interest payable outside India (TDS not deducted)
3. Salary outside India
4. Amount specified by section 40A
5. Expenditure in respect of winning from lottery

## Winning from online games (115BBJ)

- Flat rate of 30% + surcharge + cess
- No expenditure/ allowance/ deduction/ unexhausted basic exemption limit can be allowed from such income

Section 43CA: SDV to be treated  
as sales considerationIn case of immovable property  
held as stock - in trade,  
If SC < SDV THEN SC = deemed to  
be = SDV for computing PGBP.However, where SDV < 110% of  
SC THEN SC treated as FVOC

## Keyman Insurance Policy

Employer pays premium to  
insurance company for keyman.If the amount of maturity is  
received by person, where is no  
employer - employee relationship  
exists then charged to income from  
other sources.

# 9

## CLUBBING OF INCOME

Assessee tries to reduce his/her own tax liability by transferring either an asset or an income to his family or tries to make such arrangements, wherein the ultimate benefit of such transferred asset or income is received back by him/her.

### Clubbable Income

1. **Transfer of an Income without transferring the Asset:** Asset owned by an assessee and an income is generated out of that asset and that income is transferred by that assessee to **ANY PERSON**, without transferring the ownership of that asset, clubbed in the income of transferor assessee.
2. **Revocable Transfer of an Income generating Asset:** When an Income generating Asset is being transferred by the assessee, under a **Revocable Transfer** to any person, then income clubbed in the income of the Transferor assessee.
3. **Remuneration of Spouse:** Where, a taxpayer being an Individual, has a 'Substantial Interest' (>20% of voting power / PSR) in a concern at any time during the FY, whether individually on his/her own + jointly with relatives and Spouse of that individual taxpayer, is employed by that concern, Without that spouse having any Technical or Professional Qualification, Knowledge or Experience in the related field, THEN the remuneration received by that spouse from that concern shall be clubbed in the hands of that individual taxpayer having a substantial interest that concern.
4. **Transfer of an Income yielding Asset, other than a House Property to Spouse, without adequate consideration:**  
When an income yielding asset belonging to the assessee, other than a HP is being transferred by an assessee to his/her Spouse, without an adequate consideration otherwise than for an agreement to live apart, THEN the income yielded, clubbed in the hands of the transferor assessee
  - i. Relationship of Husband-Wife shall exist BOTH at the time of transfer of asset as well as at the time of accrual of income
  - ii. What if asset transferred before marriage - **NO** clubbing
  - iii. What if either of the spouse dies - **NO** clubbing
  - iv. If transferee spouse sells off that transferred asset - CG income shall to be clubbed in the hands of transferor spouse
  - v. What if asset is transferred for adequate consideration - **NO** clubbing
  - vi. An Income arising from accretion - **NO** clubbing



5. Transfer of an income yielding asset to Son's Wife without an adequate consideration [only son's wife and not daughter's husband]  
- Clubbed in the hands of transferor; applicable to individuals only
6. Transfer of an income yielding asset by Assessee without an adequate consideration to any person for the benefit of Spouse -  
Clubbed in the hands of transferor
7. Transfer of an income yielding asset by Assessee without an adequate consideration to any person for the benefit of Son's Wife -  
Clubbed in the hands of transferor

8. Income of a Minor Child: - Income earned by minor shall be Taxable in the hands of the PARENTS (whose income is MORE)

**Clubbing NOT APPLICABLE if**

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

For clubbing, marriage should be subsisting else clubbed with who maintains him / her irrespective of the total income

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

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

**9. Transferred asset is invested in business**

Where the assets transferred by an individual to his spouse are invested by the transferee in the business - proportionate income arising to the transferee from such investment is to be included in the total income of the transferor.

If the investment is in the nature of contribution of capital, proportionate interest receivable by the transferee from the firm will be clubbed with the income of the transferor.

**10. HUF**

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

- In the case of cross transfers also, the income from the assets transferred would be assessed in the hands of the DEEMED TRANSFEROR if the transfers are so intimately connected as to form part of a single transaction, and each transfer constitutes consideration for the other by being mutual or otherwise.

If 2 transactions are inter-connected and are parts of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted.



# 10

## SET OFF / CARRY FORWARD OF LOSSES

### Section 70: Intra Head Adjustment

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

#### Exceptions:

Speculative business loss - Speculative business income

Specified business loss - Specified business income

Long-term capital loss ( LTCG ) - LTCG

Loss from owning and maintaining race horses - Income from owning and maintaining race horses.

### Section 71: Inter Head Adjustment

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

#### Exceptions:

1. Speculative business loss - speculative business income.
2. Specified business loss - specified business income.
3. Long term capital loss (LTCG) - LTCG
4. Loss from owning & maintaining race horses - income from owning & maintaining race horses.
5. Short term capital loss (STCG) - STCG
6. Loss from business **cannot be set off** against salary.

### Analysis of set off under all the heads

- **Income from salary = loss** ✗
- **Income from house property:** Loss from HP can be adjusted against;
  - a. Intra head - other HPs income
  - b. Inter head - (max 2L) If following 115BAC no inter head adj. If not possible from 1 and 2 - carry forward
- **PGBP**
  - i) loss from specified business can be set off against
    - a. Specified business.
    - b. Carry forward
  - ii) Loss from speculative business = can be set off against
    - a. Set off against business income
    - b. carry forward
  - iii) Other business loss = can be set off against
    - a. Intra head adjustment
    - b. Inter head adjustment **except salary**
    - c. Carry forward
- **Capital Gains**
  - i) STCL = can be set off against STCG/LTCG or carry forward.
  - ii) LTCL = can be set off against LTCG or carry forward.
- **IFOS**
  - i) Loss from owning & maintaining race horses
    - a. Set off.
    - b. Carry forward
  - ii) Other losses
    - a. Intra or b. Inter c. Carry forward **NOT ALLOWED**
  - iii) Loss in casual income ( lottery / gambling )
    - a. No set off.
    - b. No carry forward

Carry forward and set off of losses			
Losses to be carry forward	Brought forward losses can be set off against	Time limit	Mandatory filing of return.
Loss from house property	House property income	8 years	No
Normal business loss	Business income	8 years	Yes
Speculative business loss	Speculative business income	4 years	Yes
Specified business loss	Specified business income	NO LIMIT	Yes
Short term capital loss	STCG/LTCG	8 years	Yes
Long term capital loss	LTCG only	8 years	Yes
Loss from owning & maintaining race horses	Income from owning & maintaining race horses	4 years	Yes
Unabsorbed depreciation	Any income other than salary	No limit	No

### 1. Order of set off of losses:

- |  |  |
|--|--|
| a. Current year depreciation                       | b. CY capex on scientific research & CY expenditure on family planning |
| c. B/f losses from business or profession          | d. Unabsorbed depreciation   |
| e. Unabsorbed capital expenditure on sci. research | f. Unabsorbed expenditure on family planning                           |

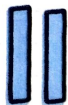
2. CBDT circular = If there is income under any head & eligible losses under any other head, such loss shall be first set off against the income before set off & c/f of losses.

3. B/f losses from a business can be set off even if such business is not continued.

4. Set off of losses are not permissible = against = unexplained money / income / investment u/s 68, 69, 69A, 69B, 69C, 69D

5. Losses in relation to exempt incomes to be ignored





## DEDUCTIONS

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

### Section 80C - Specified Investments

Eligible assessee: ONLY individual and HUF; Deduction: Rs 1,50,000 MAX; Investments:

#### 1. LIC premium

[Individual - Himself, spouse, children], [HUF - Any member]

- If policy is acquired BEFORE 1/4/2012 - i. Premium paid OR ii. 20% policy value (earlier)
- If policy is acquired AFTER 1/4/2012 i. Premium paid OR ii. 10% policy value (earlier)
- If policy issue on or after 1/4/2013 for person with disability (u/s 80U) or person suffering from specified disease (u/s 80DDB)
- i. Premium paid OR ii. 15% of policy value (earlier)

- Amount deposited in PPF [himself, spouse, children]
- Employee's contribution to Statutory provident fund, Recognised Provident fund (SPF&RPF)
- Amount invested in NSC as well as interest accrued on NSC
- Repayment of Loan taken from Banks or Financial Institution for purchase construction of House (Principle amount) - including Stamp duty, registration fee for acquisition of house property
- Fixed Deposit in a scheduled Bank or Post office for 5 years or more,
- Tuition fees paid for education of children [Max 2 children for full time education in India]
- Contribution towards Unit Linked Insurance Plan (ULIP)
- Notified units of Mutual Funds or UTI.
- Investment in tax saver fund
- Tax deposit in assessee name
- Deposit in Notified bonds of NABARD.
- Deposit in Senior citizen Saving Scheme.
- Notified Pension scheme of UTI or MF.
- Deposit in Sukanya Samridhi Scheme A/c [For individual himself/herself or any girl child of individual or girl child for whom such individual is a legal guardian.



Alert!!!! Only 3 deductions are allowed in New Scheme(115BAC):

- (1) Section 80CCD(2);
- (2) Section 80CCH(2)
- (3) Section 80JJAA

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

Eligible assessee: Individual

**Section 80CCC:** Contribution to Pension Fund of LIC / Other Insurance company  
Eligible assessee: Individual  
Deduction: Rs 1,50,000 (MAX)

**Section 80CCD:** Contribution to Pension scheme of CG / Notified Pension scheme / Atal Pension Yojana  
Eligible assessee: Individual

Deduction: Section 80CCD(1) Salaried employee (earlier of)

1. Employee Contribution or 2. 10% of Salary

Other employees - Self employed; (earlier of)

1. Assessee's Contribution or 2. 20% of GTI

Salary = [Basic + DA(in terms)]

**Section 80CCD(2)**

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

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

**Section 80CCD(1B):** Additional deduction upto Rs 50,000 = allowed other than contributions covered u/s 80CCD(1)  
In case of salaried employee: i. Employee's contribution Rs 1,80,000 or ii. 10% salary (Salary 14.4L) Rs 1,44,000

80CCD(1) = Rs 1,44,000; Contribution unutilised = 1.80L (-) 1.44L = Rs 36,000; 80CCD(1B) = Rs 36,000

Is it necessary to claim amount of contribution against 80CCD(1) and then unexhausted amount in Sec 80CCD(1B)? OR we can utilise the limit of Rs 50,000 first and then remaining amount in Sec 80CCD(1) NO such restriction = Assessee can first utilise the limit of Rs 50,000 and then remaining amount can be considered for computing Sec 80CCD(1)

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

**Sec 80CCH:** Contribution to Agnipath Scheme (Added by FA 23 w.e.f. AY 24-25)


- Eligible Assessee: Individual enrolled in Agnipath scheme subscribing to the Agniveer Corpus Fund on or after 1.11.2022,
  - Sec 80CCH(1): 100% of his contribution to Agnipath Corpus Fund
  - Sec 80CCH(2): 100% of CG contribution to Agnipath Corpus Fund (first it is taxable under salary and then EE can claim deduction here)
  - Sec 10(12C): Any amount received by assessee or his nominee from Agnipath Fund is exempt from tax.
- Note: As per Agnipath scheme 30% of monthly package should contributed to Agnipath fund by assessee and CG will also contribute matching amount.



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

Eligible: Individual & HUF; Individual – self, spouse, parents (dependent or independent) and dependent children; HUF – Any member

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

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

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

If medical premium is paid lump sum for more than 1 year

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

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

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

Eligible assessee: Resident individual; Deduction : 1. Normal disability = Rs 75,000 2. Severe disability (80% or more) = Rs 1,25,000

Assessee should incur expenses on medical treatment or deposit any amount for maintenance of such handicapped dependent relative -

He / She should not take a deduction u/s 80U

Relative:

1. Individual – spouse, brother, sister, children, mother, father.
2. HUF- Any member of HUF

### Section 80U: Deduction for handicapped assessee

Eligible assessee: Resident individual

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

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

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

2. Severe disability = Rs 1,25,000

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

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

**Deduction:**

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

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

**Eligible assessee:** Individual

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

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

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

**Eligible assessee:** Individual

**Deduction:** Max Rs 50,000

**Conditions to be satisfied:**

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

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

**Eligible assessee:** Individual (Other than covered in 80EE); **Deduction = MAX Rs 1,50,000;** **Conditions to be satisfied:**

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



**Section 80GG: Rent paid of House Property (HRA / RFA not received); Eligible assessee: Individual; Deduction:**

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

**What is Adjusted GTI ?**

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

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

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

**Eligible assessee: Individual**

**Deduction = MAX Rs 1,50,000**

- i. Loan should be taken from banks or financial institutions including NBFC for purchase of electric vehicle
- ii. Loan should be sanctioned between 1/4/2019 to 31/3/2023

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

**Eligible assessee: All assesses (except assesses having income under the head PGBP); Deduction: 100% of donation / contribution loan**

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

**Section 80GGB: Donation to political parties / electoral trust**

**Eligible assessee: Indian Company**

**Deduction = Full donation**

**Section 80GGC: Donation to political parties / electoral trust**

**Eligible assessee: Any person (Other than Indian Co)**

**Deduction = Full donation**

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

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

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

**What is Additional employee cost:**

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

**1. In case of existing business: Additional employee cost shall be NIL, if**

**# There is no increase in the Total number of employees.**

**# Emoluments paid otherwise than by A/c payee cheque / draft / NEFT / RTGS or any other electric mode.**

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

**Section 80G - Donations**

**Part B**

**Eligible assessee: All assesses**

**Eligible donations:**

**House: Donation to Housing development authority**

**Section 80TTA: Interest on savings A/C**

**Eligible: Individual and HUF**

electric mode.

Eligible donations:

50% Unlimited

- 100%

Rs 50,000

$$\begin{aligned} & 30,000 \times 100\% \\ & = \text{Rs } 30,000 \end{aligned}$$
$$20,000 \text{ (balance)} \times 50\% = \text{Rs } 10,000$$

## - 50%

100%

Limit for eligible donation

Eligible deduction

**Adjusted Total Income**

If lump sum royalty is received = Amount received as royalty  
If lump sum not received = Upto 15% of the value of books sold.



12

## TAX DEDUCTED AT SOURCE

	Nature	Slab Rate	Additional Note
192	Salary	Slab Rate	Only HP Loss can be shown
192A	Acc. Balance of PF	10%	<p>Amount</p> <p>&lt;50K ✗</p> <p>&gt;50K ₹withdrawn ✗</p> <p>&lt;5years</p> <p>&gt;5years ✗</p> <p>Business discount/ cessation of employment/ ill health ✗</p> <p>Other reasons 10%</p> <p>*NO PAN - MMR</p>
193	Interest on Securities	10%	✗ LIC/GIC/CG or SG Sec/ DEMAT ✓ Saving taxable bonds
194	TDS on dividend	10%	✗ <5000 & not paid in cash ✗ LIC/GIC
194A	TDS on interest other than securities	10%	<p>✗ B O B F I S B</p> <p>40K 5K 50K Firm to Int. on IT Saving Int to</p> <p>Bank Int Other Int Bank Int partner Bank bank</p> <p>Interest</p> <p>✓ Co-op society - member/ other co-op</p> <p>Sales &gt;50Cr. + Interest &gt;40K/50K</p>
194B	Lottery/ Puzzles	30%	✗ upto 10,000
194BB	Horse races		
194C	Contract	Individual 1% Others 2%	<p>✗ single payment upto 30k; Aggregate in FY upto 1L</p> <p>✗ transporter having less than 10 MV, any time during FY - declaration + PAN</p> <p>✗ Gas transportation + sale</p>
194D	Insurance Commission		
194G	Comm. lottery ticket	2%	✗ upto ₹15,000
194H	Comm. & Brokerage		

194P	Pension	Slab Rate	Senior citizen > 75 years, having pension income (not having any other income); Interest from same bank ✗ If exempt u/s 10(10D); Maturity > 1 Lakh
194DA	Maturity proceeds of life insurance	2%	
194E	Sportsman/Entertainer	20%	Surcharge + cess ✗ upto 2500
194EE	Dep. under NSS	10%	✗ Upto 2.40L (If co-owned, then limit of 2.40L to each co-owner) ✗ Mun. taxes
194I	Rent	P/M - 2% B/F - 10%	✗ Cooling charges to cold storage ✗ passenger service fees ✓ non-refundable dep., Advance rent, Arrears of rent
194IB	Rent of immovable property	2%	✗ Upto 50K rent Time of deduction - Credit of last month or last month of tenancy
194IA	Purchase of immovable property	1%	✗ consideration ≤ 50 Lakhs; TAN Not required
194IC	Payment under development Agreement	10%	SDA - Not in kind - Sec 45(5A)
194J	Professional services	10%*	Director sitting fees - No Limit FTS, royalty, FPS, noncompete fees ≤ ₹30,000 *2% - technical service, royalty cinematic films, payee call centre
194K	Income w.r.t. units	10%	✗ <5,000
194LA	Compulsory Acquisition of immovable property	10%	✗ <2,50,000 ✗ Agricultural Land
194M	Contract/Commission/Brokerage/Fees for professional services	2%	✗ ≤ ₹ 50 Lakhs
194N	Cash Withdrawal	2% in excess of 1 Cr.	Limit 20L, if ROI not filed for last 3 FYs (all 3) 0-20L Nil, 20L-1Cr. 2%, 1Cr above 5% Limit bank wise
194Q	Purchase of goods > 50 Lakhs	0.1% in excess of 50Lakhs	1) Buyer's T/O / Sales > 10 Cr. in last FY 2) Purchase of goods worth more than 50Lakhs Failure to furnish PAN - 5%



## TAX COLLECTED AT SOURCE

### Remittance O/S India (LRS)

Medical & education purpose

≤ 7 L  
NO TCS

> 7 L  
5% TCS

Other purpose

≤ 7 L  
NO TCS

> 7 L  
20% TCS

### Overseas Tour Package



3L+ TCS

Tour Operator  
(Trip to Maldives)

Rate (Slabwise) ≤ 7L - 5% > 7L - 20%

## Section 206 (IH) - SALE OF GOODS



Buyer

Goods sold > 50L



Seller

₹ + TCS

TO > 10 Cr.

Seller's  
prep FY TO  
is > ₹10Cr.

Value of  
goods sold  
> ₹50L

Buyer and  
seller both  
should be in  
India

No TCS if the  
buyer is  
embassy, high  
commission etc

TCS Rate - 0.1% in excess of ₹50L

Buyer does not provide PAN 1) 2 x Actual Rate 2) 1% which is higher

## Advance Tax

- Tax paid in FY
- Only if tax Liability > ₹10,000
- Tax on estimation basis
- No advance tax - Res SR citizen - having income not under PGBP

- If final tax liability more than advance tax paid at end of FY pay the differential tax as self asst tax along with interest
- If final tax liability less than advance tax paid at end of the FY, will be eligible for refund with interest

Due dates	Amount of advance tax
Upto 15th June of PY	Upto 15% of advance tax liability
Upto 15th September of PY	Upto 45% of advance tax liability
Upto 15th December of PY	Upto 75% of advance tax liability
Upto 15th March of PY	Upto 100% of advance tax liability

13

## RETURN OF INCOME

**Section 139(1)** - Due dates for filing voluntary returns

- I] Company / Firm - Companies & Firms are compulsorily required to file ROI for every PY on/before the due date in the prescribed form. Even in case of Loss, they are compulsorily required to file ROI. *Return of Income*
- II] Other than Company / Firm - Required to file ROI only if his Total Income or total income of 'any other person' w.r.t which he is assessable during PY exceeds BEL before claiming Chapter VI-A deductions or Sec. 54/54B/54D/54EC/54F.

*Basic Exemption Limit*

- Due Dates — 31.October • Company
- A person (other than a company) whose accounts are required to be audited
  - A working partner of a firm whose accounts are required to be audited
- 31.July • any other assessee

### Compulsory filing of return of income

Any person (other than a company/firm) who is not required to furnish a return u/s 139(1), is required to file income-tax return if (during PY), such person

- Deposit in Bank has deposited an amount or aggregate of the amounts > Rs. 1 crore in one or more current A/c maintained with a banking company or a co-operative bank; or
- Foreign Travel has incurred expenditure of an amount or aggregate of the amounts > Rs. 2 lacs for himself or any other person for travel to a foreign country;
- Electricity has incurred expenditure of an amount or aggregate of the amounts > Rs. 1 lac towards consumption of electricity;

### 139(3) - Loss Return

Return of Loss is required to be furnished if a person wants to carry forward his losses.

Loss under "Income from House Property" u/s 71B and Unabsorbed Depreciation u/s 32 can be carried forward for set-off even though return of loss has not been filed before the due date.



#### 139(4) Belated Return

- Any person who has not furnished a return within the time allowed to him under Sec. 139(1) or within the time allowed under a notice u/s. 142(1), may furnish the return for any PY at any time before;  
3 months prior to the end of the relevant AY OR Before the completion of the assessment,  
Whichever is EARLIER.
- However, he will be liable to pay interest u/s 234A

#### 139(5) Revised Return

*Return of Income*

- In case any person having furnished ROI, discovers any omission / any wrong statement therein - he may furnish revised return, 3 months prior to the end of the relevant AY OR Before the completion of the assessment, (Same as belated return) Whichever is EARLIER.
- Revised return substitutes the original return
- Revised return can be revised for any number of times - BUT - should be filed within the mentioned due date.

#### 139(6) Particulars to be furnished in the return

- Income exempt from tax,
- Assets of the prescribed nature and value and belonging to him, his bank account and credit card held by him.
- His bank account and credit card held by him (recently added)
- Expenditure exceeding the prescribed limits incurred by him under prescribed heads and such outgoing as may be prescribed.

#### 139(9) Defective Return

AO has the power to call upon the assessee to rectify a defective return

Intimation to assessee

+ Opportunity to rectify the defect

+ Within 15 days from the date of intimation

If ROI is not rectified within time limit Treated as INVALID RETURN

As if assessee had never filed his ROI

Condonation - Where the assessee rectifies the defect after the expiry 15 days or the further extended period, but before assessment is made, AO may can condone the delay & treat the return as a valid return.

is made, AO may can condone the delay & treat the return as a valid return.

### 139A Permanent Account Number PAN

Persons required to apply for PAN

- Every person, if his total income or the total income exceeds basic exemption limit - on or before 31st May
- Every person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed 5 lakhs in any previous year - Before the end of that FY.
- Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to (2,50,000 or more in FY) - On or before 31st May
- Every person who is a MD, Partner, Trustee, Author, Founder, Karta, CEO, Principal Officer or office bearer of any person in above point - on or before 31st May

### COMPUTERISED PAN

1. CBDT had introduced a new scheme of allotment of computerised 10-digit PAN.
2. Such PAN comprises of 10 Alphanumeric characters & is issued in the form of laminated card.
3. All person who were allotted PAN earlier (Old PAN) & all person who were required to apply for PAN & did not apply, shall apply to AO for new series PAN within specified time.
4. Once the new series PAN is allotted to any person, the old PAN shall cease to have effect.
5. No person who has obtained the new series PAN shall apply, obtain or process another PAN.

### 272B Penalty for failure to comply with section 139A

1. Fails to comply with provisions of sec 139A penalty ₹10,000
2. If a person requires to quote his PAN or Aadhar, in any document, quotes a false number penalty ₹10,000 for each default.
3. Person entering into prescribed transactions fails to authentic PAN or Aadhar in documents penalty ₹10,000 for each default.
4. Person receiving such documents fails to ensure that PAN or Aadhar quoted and fails to authentic penalty ₹10,000 for each default.

### 234F Fees for default in furnishing return of income

- Rs 5,000 - If ROI is not furnished within due dates mentioned under Sec 139(1)
- Rs 1,000 - If the total income does not exceed Rs 5,00,000 - Fees shall not exceed Rs 1,000



### 139B Submission of returns through Tax Return Preparers.

TRP assists the persons in furnishing return of income. TRP means an INDIVIDUAL who has been authorised to act as TRP under a scheme framed.

Following eligible person cannot furnish a ROI though TRP

1. Any person other than individuals and HUF
2. Person whose books of accounts are required to be audited u/s 44AB
3. Person who is not a resident in India during PY

Certain categories of persons cannot act as TRP

1. Any officer of a scheduled bank with which the assessee maintains a current account or has other regular dealings
2. Any legal practitioner who is entitled to practice in any civil court in India.
3. An accountant (CA)
4. An employee of the 'specified class or classes of persons' who has been authorised to act as a Tax Return Preparer under the Scheme.

Who is specified class / classes of persons? Any person other than the person whose accounts are required to be audited u/s 44AB

### 140 Return to be signed by whom

In the case of	By Whom
Individual	Himself
H.U.F.	Karta
Company	Managing Director
Firm	Managing Partner
LLP	Designated Partner
Local Authority	Principal Officer Political
Pol. Party	Chief Executive Officer
AOP/BOI	By a member/principal officer thereof.
Any other person	Person competent to act on his behalf

### 140A Self Assessment Tax

If any tax is payable on the basis of Total Income in ROI filed u/s 139(1), such tax shall be paid by the assessee himself after taking credit of

(i) Any Tax already paid

(ii) TDS/TCS

(iii) Advance Tax (iv) Relief u/s 89.

Any Interest u/s 234A/B/C or Fees payable for any delay in filing ROI or any default shall also be paid with the tax payable before filing ROI. ROI shall be accompanied by Proof of Payment

# 14

## ALTERNATE MINIMUM TAX

**Applicability** - Individual / HUF / AOP / BOI / AJP

**Not Applicable** - Adjusted Total Income < 20 Lakhs

20L से ज्यादा होना चाहिए APPLICABLE होना

Where the regular income-tax payable for a previous year by a person, other than a company, is < the AMT payable for such previous year, such person shall be liable to **pay tax @ 15%\* of the Adjusted Total Income**

\*Amdt. @15% - in case of **co-op society**, @18.5% - in case of other assesses

**Adjusted total income ('ATI')** shall be the **total income as increased** by-

- i) deduction claimed u/s 10AA **SEZ unit**
  - ii) deductions claimed u/s 80IA to 80RRB (except 80P); and **(Royalty)**
  - iii) deduction claimed under section 35AD **Specifying Business**
  - (iv) **Depreciation** allowable as per section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed
- Adjusted Total Income

XXX

XXX

XXX

(XXX)

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### Report of a CA -

Every person to whom this section applies shall obtain a report from an accountant, certifying that the ATI and the AMT have been computed in accordance with the provisions of this Chapter and furnish such report on or before the due date of furnishing of return of income u/s 139(1)

### Sec 115JD - Tax Credit

1. **Tax credit = the excess of AMT paid over the regular income tax payable.**
2. **No interest shall be payable on tax credit allowed.**
3. **The amount of tax credit shall be c/f and set off within 15 AY's immediately succeeding the AY for which tax credit becomes allowable.**
4. **Set off is allowed in any AY in which the regular income-tax exceeds the AMT.**
5. **If the amount of regular income-tax or AMT is reduced or increased as a result of any order passed under this Act, the amount of tax credit allowed shall also be varied accordingly.**

Year	AMT	Regular Income Tax	Tax amount	AMT Credit in current year	Total credit
1	100	80	100	20	20
Tax as per AMT is higher - Thus pay 100 (Get credit of 20)					
2	120	110	120	10	30 (20-10)
Tax as per AMT is higher - Thus pay 120 (Get credit of 10)					
3	100	110	110	100 (110 - 10)	20 (30-10)
Tax as per normal rates is higher - Adjust AMT credit to the extent of difference between AMT and normal rates i.e. 10					
4	125	110	125	15	35
Tax as per AMT is higher - Thus pay 125 (Get credit of 15)					



# 15

## SECTION 115 BAC

Section 115BAC provides for concessional rates of tax to individuals/HUF/AoPs/BOIs and artificial juridical persons. Under this regime certain exemptions/deductions are, however, not available. The rates given under section 115BAC are the default tax rates unless the assessee exercises an option to shift out of the said regime. The basic exemption limit under section 115BAC is 3,00,000. The tax rates are -



i) Upto ₹3,00,000	Nil
ii) From ₹3,00,000 to ₹6,00,000	5%
iii) From ₹7,00,000 to ₹10,00,000	10%
iv) From ₹10,00,000 to ₹12,00,000	15%
v) From ₹12,00,000 to ₹15,00,000	20%
Above ₹15,00,000	30%

### Exemptions allowed

- Transport Allowance
- Conveyance Allowance
- Tour Allowance/Travel Allowance
- Daily allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty

### • Certain losses (not allowed to be set-off)

While computing total income, set-off of -

- Any carried forward loss or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in the table above; or
- Loss under the head house property with any other head of income; would not be allowed.

### Exemptions/Deductions (not allowable)

- ✓ 10(5) Leave Travel Concession
- ✓ 10(13A) House Rent Allowance *HRA*
- ✓ 10(14) Exemption in respect of special allowances
- ✓ 10(17) Daily allowance/constituency allowance of MPs and MLAs
- ✓ 10(32) Exemption in respect of minor's income to be clubbed with the parent as per section 64(1A)
- ✓ 10AA Deduction in respect of profits arising to a business established in a SEZ
- ✓ 16 Standard Deduction, Entertainment Allowance and Professional Tax (i.e., tax on employment)
- ✓ 24(b) Interest on loan in respect of SOP *Self occupied Property*
- 32(1)(iia) Additional Depreciation
- ✓ 35(2AA) Scientific Research through outside institution
- ✓ 33AB Tea / coffee / rubber development benefit
- ✓ 35AD Capital Expenditure on specified business
- ✓ 35CCC Expenditure incurred on notified agricultural project
- ✓ 57(iia) Deduction in respect of family pension
- ✓ 80C to 80U All deductions under chapter VI-A
- ✓ 80U (However, deduction under section 80CCD(2) in respect of employer's contribution to NPS and deduction under section 80JJAA in respect of new employment shall be allowed)

### • Depreciation or additional depreciation

- In case of individuals having income from business or profession,

(H) Loss under the head house property with any other head of income; would not be allowed.

respect of employer's contribution to NPS and deduction under section 80JJAA in respect of new employment shall be allowed)

- Depreciation or additional depreciation

Depreciation rate of any block of asset is restricted to the extent of 40% and not entitled for additional depreciation.

- AMT Liability not attracted

Individuals or HUFs exercising option u/s 115BAC are not liable to alternate minimum tax u/s 115JC.

- In case of individuals not having income from business or profession, the total income and tax liability may be computed every year, both in accordance with default tax regime under section 115BAC and regular provisions of the Act (including provisions relating to AMT, if applicable), in order to determine which is more beneficial and accordingly, decide whether or not to shift out of the default regime under section 115BAC.
- In effect, such individual can choose whether or not to exercise the option of shifting out in each previous year. He may choose to pay tax under default regime under section 115BAC in one year and exercise the option to shift out of default tax regime in another year.

- In case of individuals having income from business or profession, the total income and tax liability may be computed, both in accordance with default tax regime under section 115BAC and regular provisions of the Act (including provisions relating to AMT, if applicable), in order to determine which is more beneficial.

Such individual has an option to shift out/opt out of the default tax regime under this section and the option has to be exercised on or before the due date specified under section 139(1) for furnishing the return of income for such previous year and once such option is exercised, it would apply to subsequent assessment years.

Such person who has exercised the above option of shifting out of the default regime for any previous year shall be able to withdraw such option only once and pay tax under the default regime under section 115BAC for a previous year other than the year in which it was exercised.

Thereafter, such person shall never be eligible to exercise option under this section, except where such person ceases to have any business income in which case, option under (i) above would be available.



# 16

## SPECIAL ECONOMIC ZONE (SEZ)

Where an assessee begins to manufacture or produce articles or things or provides any service on or after 1.4.2005 but upto 31.3.2020 in a unit set up in a SEZ, a deduction of profits for 15 consecutive year shall be allowed as follows -

1. 100% of the profits derived from the export of such article or thing or from service for 5 consecutive years beginning from the year in which the unit begins to manufacture or produce or provide service;
2. 50% of the profits derived from the export of such article or thing or from service for the next 5 consecutive years; and
3. 50% of the profits from such export for the next 5 years, provided that the profits are transferred to a special reserve called as "Special Economic Zone Reinvestment Reserve Account" and are utilised for the prescribed purposes.

SEZ Re-investment Res. A/c

Formula for exemptions-

$$\text{Profits from business of the unit} \times \frac{\text{Export turnover of the unit}}{\text{Total turnover of the unit}}$$

Excluding freight,  
commission etc involved  
in such export

### Amount of Exemption

For the first 5 years	100% of eligible profits
For the next 5 years	50% of eligible profits
For the last 5 years	1. 50% of eligible profits
	2. Amount is transferred to then special reserve account

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