

CA/CMA INTER **DIRECT TAX**

MAY/SEPT 26 & JAN 27
& JUN/DEC 26

ORIGINAL NOTES

APPLICABLE FOR
PY 2025-26 / AY 2026-27

AS PER
FINANCE ACT 2025



CA SHIRISH VYAS



CA/CMA INTER
MAY/SEPT. 26/JAN. 27
& JUNE/DEC 26

DIRECT TAX NOTES
PY 2025-26/AY 2026-27

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PREFACE

In my many years of teaching Direct Tax subject, I have always been passionate about helping students achieve their full potential. I remember standing in front of a classroom filled with eager young minds, and encouraging them to write colourful notes that would help them better remember the vast concepts of Direct Tax subject. Now, I am delighted to present the same in a printed form to support all CA students across the country.

This book aims to provide a comprehensive and simplified coverage of Direct Tax subject for all CA Inter students. This book represents the culmination of my extensive experience in teaching Direct Tax, and has helped countless students in the last 28 years. This book can also be used by students of CMA Inter appearing in June & Dec 26.

I have taken great care to ensure that this book covers all the important aspects of the Direct Tax syllabus prescribed by the Institute of Chartered Accountants of India.

It is a matter of immense satisfaction to me that through this book, I can contribute to your dream of becoming a CA. As an educator, I assure you that this book is the best solution to all your Direct Tax requirements.

Remember that you have the passion and the potential to succeed, and I wish you all the very best in your future endeavours.

I am thankful to all my well-wishers, supporters, and my past students.

Key features of this Book:

1. **One stop solution** for all CA Final students;
2. **Comprehensive** coverage of the syllabus of CA Course;
3. **Charts and graphical presentation** for quick recalling;
4. Use of **mnemonics** for memorizing complicated provisions;
5. **Highlighted catch words in red** for faster revision;

Happy learning and good luck!

Best regards,

CA SHIRISH VYAS

IMPORTANT NOTE

Any updates, changes, or corrections [if any] in this book will be uploaded in a separate file. You can access the latest version at any time using the QR code provided below:



STAY UPDATED, KEEP LEARNING

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DEDUCTIONS UNDER CHAPTER VI A

SECTION	NATURE OF DEDN	AMT. OF DEDUCTION	OTHER POINTS
80U	Deduction for Handicapped Assessee	Disability 1) Less than 40% Nil 2) $\geq 40\% & < 80\%$ ₹ 75,000 (flat) 3) $\geq 80\%$ (Severe) ₹ 1,25,000 (flat)	The assessee should submit a copy of certificate of disability issued by the medical authority.
80DD	Treatment And Maintenance of HDR	Same as 80U	(1) The assessee should: (a) spend on the treatment of HDR; or (b) deposit some amount with LIC/UTI/Other Insurance Co. for maintenance of HDR (2) H – Handicapped D – Dependent R – Relative (Spouse/Children/Parents/Brothers/Sisters) (3) The assessee should submit a copy of certificate of disability issued by the medical authority.

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80DDB Treatment of Specified Disease	Max.40,000* Less: Recovery from Insurance Co./Employer	(1) The assessee should spend on the treatment of specified Disease (either for himself or dependent relative). Meaning of relative – same as Sec. 80DD. (2) The Disease should be specified in Rule 11DD. (3) Patient = *Senior Citizen – Max ₹ 1 Lakh
80E Interest on Loan for Higher Education	Full amount of Interest (Max. 8 yrs.)	 For whom Higher Education (Any course after Grade 12) - Assessee - Spouse - Children - Student for Whom Assessee is a Guardian From whom - Banks - Fin. Inst.. - Approved Charitable Institution
80GG	Deduction for Rent Paid	 For AGTI 1) 25% of AGTI 2) ₹ 5,000 p.m. 3) Rent paid – 10% of AGTI From AGTI (1) The assessee should not receive HRA (2) The assessee, his spouse, minor children & HUF (where he is a member) should not own a Residential Accommodation at a place where he resides/performs his duties. (3) AGTI – Adjusted Gross Total Income Gross Total Income Less: All dedn except sec.80GG

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80GGA	Donation for Scientific Research, Rural Development	100% of amt. donated	Assessee should not have business income . Donation exceeding ₹ 2,000 should be paid by any mode other than cash.
80GBB	Donation to Political Party or Electoral Trust	100% of amt. donated	<ul style="list-style-type: none"> - Assessee should be company. - The political party should be registered under Representation of People Act, 1951 (ROPA). - Donation in cash – Not Allowed.
80GGC	Donation to Political Party or Electoral Trust	100% of amt. donated	<ul style="list-style-type: none"> - Assessee should be anyone other than a company. - The political party should be registered under Representation of People Act, 1951 (ROPA). - Donation in cash – Not Allowed.
80QQB	Royalty from Books [Literary, Artistic or Scientific Nature].	1) 100% of [Indian Royalty + Foreign Royalty brought in India] 2) ₹ 3,00,000 3) 15% of Sales Whichever is less	In case of Foreign Royalty, dedn is allowed only if the royalty is brought in India in convertible foreign exchange within 6 months from the end of the P.Y. or such extended time as may be allowed by RBI/Other Competent Authority.

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80RRB	Royalty from Patents [Registered under Patents Act, 1970]	2) 100% of [Indian Royalty + Foreign Royalty brought in India] 2) ₹ 3,00,000 Whichever is less	In case of Foreign Royalty, dedn is allowed only if the royalty is brought in India in convertible foreign exchange within 6 months from the end of the P.Y. or such extended time as may be allowed by RBI/Other Competent Authority.
80TTA	Interest on Savings A/c [with Bank/PO]	Max. 10,000	Assessee should not be SENIOR CITIZEN
80TTB	Interest on Any A/c [with Bank/PO]	Max. 50,000	Assessee should be SENIOR CITIZEN [Resident person – age 60 years or more]

Deduction u/s **80U, 80DD, 80DDB, 80QOB, 80RRB** and **80TTB** is allowed only to **RESIDENT** assessee.

In all the above sections, **SENIOR CITIZEN** = **Resident + 60 years or more**

Requirement of **dependent** is there only in sections having alphabet "D" [Sec.80D/DD/DDB]

Dedn. under chapter **VIA** is **not allowed** in to **STCG u/s 111A, LTCG & Winnings**

Section 80C/CCC/CCD:

Specified Investments

Contribution to Pension Scheme

Central Government (NPS) – Tier I

Own Contribution

Employer's Cont.

Actual – 50,000 u/s 80CCD(1B)

Dedn u/s 80CCD(1)

Max. 10% of Basic + DA [in terms]
(If Salaried Assessee)

Max. 20% of GTI

(If Other Assessee)

Dedn u/s 80C

=

Max. 1,50,000

Max. 1,50,000

First, include in Salaries
Then, dedn u/s 80CCD(2)
= Max. 10% of Basic + DA*

Total Dedn u/s 80C + 80CCC + 80CCD(1)
= Max. 1,50,000

Other Specified Investments

[Note 1]

Dedn u/s 80C

=

Max. 1,50,000

Total Dedn u/s 80C + 80CCC + 80CCD(1)
= Max. 1,50,000

* 14% of Basic Salary + DA [in terms], in case of Govt. Employees

Note 1:

Section 80C: LIST OF SPECIFIED INVESTMENTS

Deduction of **Max. ₹1,50,000** is allowed in respect of following payments:

LUMP₃ – N₂T₂RS₂

- 1) Payment of **Life Insurance Premium***
- 2) Investment in **UTI**:
 - Contribution to ULIP [Unit Linked Insurance Plan]
 - Investment in E.L.S.S. [Equity Linked Saving Scheme]
- 3) Investment in **Mutual Fund**:
 - Investment in E.L.S.S. [Equity Linked Saving Scheme]
- 4) Employees Contribution to **Provident fund [SPF and RPF]**
- 5) Deposit in 5 years POTD A/c [**Post Office Time Deposit A/c**]
- 6) Deposit in **PPF A/c** [Interest – Ex. u/s 10(11)]
- 7) Investment in **NSC** [National Savings Certificate]
Note: Interest on NSC is also eligible for deduction u/s 80C
[First included in IFOS & then deduction u/s 80C]
- 8) Investment in Bonds of **NABARD**
- 9) **Term Deposit** with Bank [5 years or more]
- 10) **Tuition fees** of maximum 2 children [school fees, college fees, etc.]
- 11) **Repayment of Housing Loan** taken from Banks/Financial Institutions [Only principal amt. is eligible; interest can be deducted u/s 24 in IFHP]. Stamp duty/Registration fees paid for purchase of house is also eligible for deduction.
- 12) Investment in **Senior Citizen Saving Scheme**
- 13) Deposit in **Sukanya Samridhi A/c Scheme**

In case of following payments, deduction is allowed whether the payment is for himself, spouse, children:

- ⇒ Payment of L.I.C. Premium
- ⇒ Contribution to U.L.I.P.
- ⇒ Deposit in P.P.F. A/c

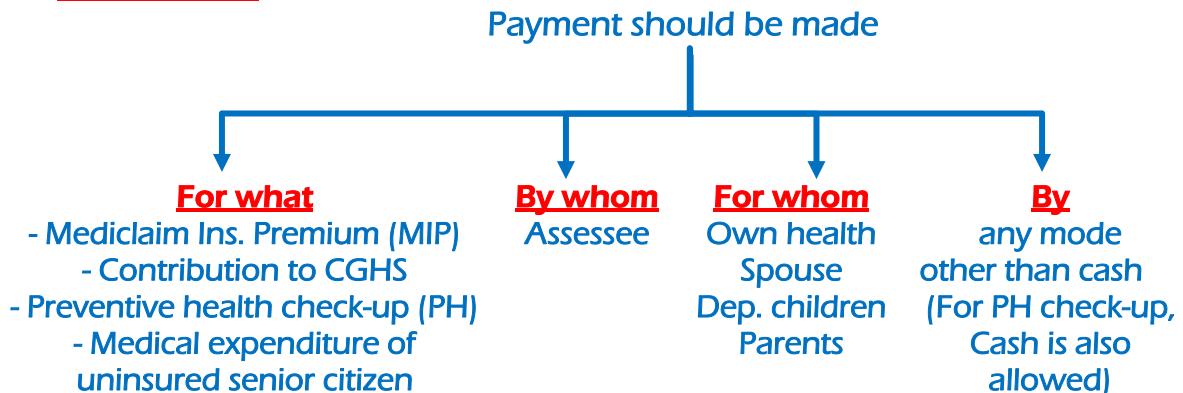
***Limit on Life Ins.. Premium**

Max. 20%/10%/15% of sum assured
20% - If policy taken before 1.4.2012
10% - If policy taken on/after 1.4.2012
15% - If policy taken on/after 1.4.2013
for persons with disability/sp. disease

Section 80D

Mediclaim Insurance Premium

→ Conditions:



CGHS = Central Govt. Health Scheme

→ Amount of Deduction:

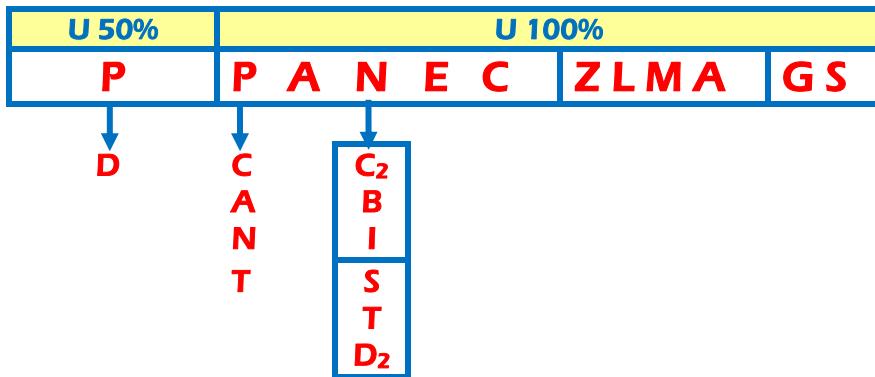
<u>Payment for Self/Spouse/Dependent Children:</u>		Max. 25,000	Max. 25,000	Max. 50,000	Max. 50,000	Max. 1,00,000
Additional Dedn for Senior citizen (MIP)		Max. 25,000	Max. 25,000	Max. 50,000	Max. 50,000	Max. 1,00,000
Basic Dedn for Senior citizen/Others (MIP + CGHS + PH)		Max. 25,000	Max. 25,000	Max. 50,000	Max. 50,000	Max. 1,00,000
Medical Exp.. of Uninsured Senior citizen		Max. 25,000	Max. 25,000	Max. 50,000	Max. 50,000	Max. 1,00,000
+		TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
=		Max. 5,000				

Section 80G DONATIONS

Following donations are eligible for deduction:

Unlimited Category

In respect of following donations, there is no limit on the amount of donation but some are eligible for 50% deduction and some for 100% deduction



UNLIMITED (50% Deduction)

P rime Minister **D** rought Relief Fund

UNLIMITED (100% Deduction)

Prime Minister Fund for:

National Relief*
Armenia Earthquake Relief
Tsunami Relief

Africa (Public Contribution – India) Fund

National Funds for:

Communal Harmony
Children Fund
Blood Transfusion
Illness Assistance
Sports / Culture
Technology Development
Defence Fund
Drug Abuse Control

Educational Institution of National Eminence

Chief Minister Earthquake Relief Fund (Maharashtra)

Chief Minister Cyclone Relief Fund (Andhra Pradesh)

Zilla Saksharta Samiti

Lieutenant Governor's Relief Fund
Medical Relief to Poor (State fund)
Army/Airforce/Navy Welfare Fund

Gujarat Earthquake Relief Fund

Clean **G**anga Fund
(only for residents)
Swachh Bharat Kosh

**or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND)*

Limited Category

In respect of following donations, there is a limit i.e. the total amount of all the following donations should not exceed 10% of AGTI (Adjusted gross total income)

L 100%	L 50%
F	O

Family Planning (Given to Govt., Local Authority or Approved Institution)

Olympic Association/any other institution (for sports infrastructure or sponsorship of sports in India)

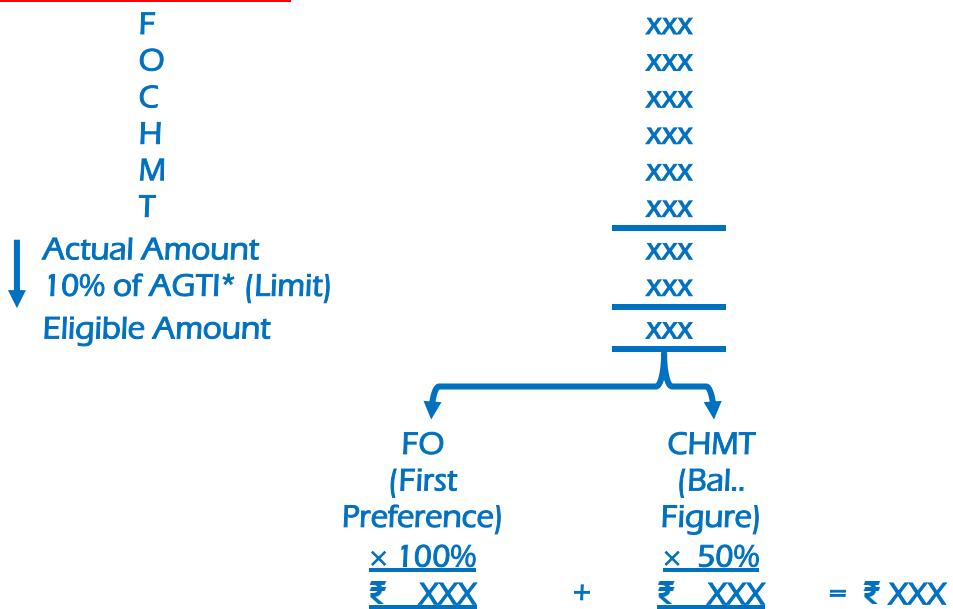
Charitable Purpose (Given to Govt., Local Authority or Approved Institution)

Housing Development Authority (HDA)

Minority Community

Temples, Church, Mosque, Gurudwara & Historical Places [notified]
[only for Repairs and Renovations]

→ **Amount of Deduction:**



* **AGTI (Adjusted Gross Total Income):**

Gross Total Income xxx
 (Excluding STCG u/s 111A, LTCG u/s 112A and Other LTCG)
 Less: Deductions under Chapter VIA (Excluding Sec. 80G) -XX
 Adjusted Gross Total Income XXX

Note:

Donation in kind (Not Allowed)

Donation **exceeding ₹ 2,000** should be paid by **any mode other than cash**

Section 80EE/80EEA

Interest on Housing Loan

Interest on housing loan is allowed as **deduction u/s 24** (under the head IFHP).

If following conditions are satisfied then **additional deduction** for interest is allowed u/s 80EE/80EEA:

Section 80EE	Section 80EEA
Value of HP ≤ 50 Lakhs	Value of HP ≤ 45 Lakhs
Loan amt. should not exceed ₹ 35L	No such condition
Loan should be taken in P.Y. 16-17	Loan should be taken during 2019-22
Dedn = Interest Amt. [Max. 50,000]	Dedn = Interest Amt. [Max. 1,50,000]
Assessee should not own any residential HP on the date of sanction of loan.	
Loan should be taken from Banks/Financial Institutions	

Section 80EEB

Interest on Loan for ELECTRIC VEHICLE

In case of **individuals**, loan taken from **Banks/Financial Institutions/NBFC** for purchase of **Electric Vehicle** is allowed as deduction (loan should be sanctioned between **1.4.19** and **31.3.23**).

⇒ Amount of deduction = Interest Amount [**Max. 1,50,000**]

Section 80JJAA

Appointment of New Employees

This deduction is allowed to **tax audit assessees** for appointment of new employees during the year.

→ **Amount of Deduction:**

= 30% of Salary paid to new employees (for 3 consecutive years)

→ **Conditions:**

- 1) The assessee should appoint **new employees** during the year
- 2) Salary of the new employees should be **₹ 25,000 p.m.**
- 3) In the current year, the new employees should be employed for **atleast 240* days.**
- 4) The new employees should **participate in RPF.**
- 5) There should be **net increase** in the number of employees compared to the total number of employees employed as on the last day of the preceding year.
- 6) Salary should be paid by **account payee cheque/draft/ECS** [Electronic Clearing Scheme].

***150 days**, if assessee engaged in the business of manufacturing of **apparel, footwear or leather products.**

DEDN UNDER CHAPTER VIA IN NEW REGIME

If total income is to be computed as per new regime, then none of the deductions under chapter VIA will be allowed except following:

- 1) Deduction u/s **80CCD(2)** [14% of Basic + DA in terms for **Govt. employees as well as non-govt. employees**].
- 2) Deduction u/s **80CCH(2).**
- 3) Deduction u/s **80JJAA.**

Note: Concept of new regime is discussed in detail in a separate topic of concessional tax regime

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## DEDUCTION u/s 10AA

### STATEMENT OF TOTAL INCOME

|                                            |             |
|--------------------------------------------|-------------|
| Income from Salaries                       | XXX         |
| Income from House Property                 | XXX         |
| Income from Business                       | XXX         |
| Capital Gains                              | XXX         |
| Income from Other Sources                  | XXX         |
| <b>GROSS TOTAL INCOME</b>                  | <b>XXX</b>  |
| <u>Less: Deductions under chapter VI A</u> | <u>- XX</u> |
|                                            | XXX         |
| <b>Less: Deduction u/s 10AA</b>            | <b>- XX</b> |
| <b>NET TAXABLE INCOME (N.T.I.)</b>         | <b>XXX</b>  |

Deduction u/s 10AA is allowed if **export business** of a manufacturer or software developer is **located in SEZ** [Special Economic Zone] and the business should commence **before 1/4/2021**. If export business is started on or after 1/4/2021 then deduction u/s 10AA is not allowed.

### Amount of Deduction

| <b>= Taxable IFB of SEZ Unit X</b> | <b>Export Turnover of SEZ Unit</b>                                      |
|------------------------------------|-------------------------------------------------------------------------|
|                                    | <b>Total Turnover of SEZ Unit</b>                                       |
| First 5 yrs.                       | <b>100% of above formula</b>                                            |
| Next 5 yrs.                        | <b>50% of above formula</b>                                             |
| Next 5 yrs.                        | <b>(i) 50% of above formula</b><br><b>(ii) Amt. transfer to SEZRARA</b> |

**SEZRARA =**  
**Special Economic Zone Re-investment Allowance Reserve A/c**

**Note 1:**

**EXPORT TURNOVER**

|                                                                                                                                                                                           |            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Export proceeds received or brought in India in convertible foreign exchange within 6 months from the end of PY or such extended time as may be allowed by RBI/other competent authority. | RXXX       |
| <u>Less:</u> Freight, Insurance, Telecommunication charges & Fees for Technical Services incurred <b>outside</b> India                                                                    | (XXX)      |
| <b>EXPORT TURNOVER</b>                                                                                                                                                                    | <b>XXX</b> |

**IMPORTANT NOTE:**

**Deduction u/s 10AA is **not allowed** under **NEW REGIME**.**

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COMPUTATION OF TAX LIABILITY

STATEMENT OF TOTAL INCOME

Income from Salaries	XXX
Income from House Property	XXX
Income from Business	XXX
Capital Gains	XXX
Income from Other Sources	XXX
GROSS TOTAL INCOME	XXX
<u>Less: Deductions under chapter VI A</u>	- XX
NET TAXABLE INCOME (N.T.I.)	XXX

STATEMENT OF TAX

	STCG u/s 111A	LTCG u/s 112A	LTCG (Other)	Winning	Balance N.T.I
N.T.I.	XXX	XXX	XXX	XXX	XXX
Tax on above	XXX 20%	XXX* 12.5%	XXX 12.5%	XXX 30%	XXX Note 1
Tax on Above			XXX - XX		
<u>Less: Rebate u/s 87A</u>			XXX +XX		
<u>Add: Surcharge</u>			XXX +XX		
<u>Add: HEC @4%</u>					
Tax Liability			XXX		

* LTCG u/s 112A is **exempt up to 1,25,000**.
Balance is taxable @ **12.5%**.

NOTE 1: TAX ON BALANCE N.T.I.**→ For Individuals / HUF – Slab Rates****As per old regime:**

Balance NTI	Rates
Up to ₹ 2,50,000	0%
> 2,50,000 up to ₹ 5,00,000	5%
> 5,00,000 up to ₹ 10,00,000	20%
> ₹ 10,00,000	30%

Senior CitizenResident **60 yrs.** & above

Balance NTI	Rate
Up to ₹ 3 Lakhs	0%
> 3 L up to ₹ 5 L	5%
> 5 L up to ₹ 10 L	20%
> ₹ 10 Lakhs	30%

Very Senior CitizenResident **80 yrs.** & above

Balance NTI	Rate
Up to ₹ 5 Lakhs	0%
> 5 L up to ₹ 10 L	20%
> ₹ 10 Lakhs	30%

As per new tax regime:

Discussed separately in the topic of Concessional Tax Regime

→ For P Firms / LLP – 30%**→ For Indian Companies – 30%*****→ For Foreign Companies – 35%****→ For Co-op Sty**

First 10,000 - 10%

Next 10,000 - 20%

Balance - 30%

* Indian companies having **total turnover** or gross receipts **up to Rs. 400 crores** in **PY 2023-24** shall be taxable @**25%**

NOTE 2: REBATE U/S 87A:

In case of **Resident individuals** whose **N T I** is up to **₹ 5,00,000**, rebate of maximum **₹ 12,500** shall be allowed.

NOTE 3: SURCHARGE:**→ For Individuals / HUF [Assessee subject to slab rates]**

10% of tax if NTI exceeds ₹ 50 lakhs

15% of tax if NTI exceeds ₹ 1 cr.

25% of tax if NTI exceeds ₹ 2 cr.

37% of tax if NTI exceeds ₹ 5 cr.

**→ For Indian Company/Co-operative societies:**

7% of tax if NTI > ₹ 1 crore and 12% of tax if NTI > ₹ 10 crores.

→ For Foreign Company

2% of tax if NTI > ₹ 1 crore and 5% of tax if NTI > ₹ 10 crores.

**→ For Partnership Firms/LLP:**

12% of tax if NTI exceeds ₹ 1 crore.

**NOTE 4: MARGINAL RELIEF**

An assessee who is liable to pay surcharge is entitled to marginal relief as follows:

	Amt.
Extra Tax	xxx
<u>Less: Extra Income</u>	- xx
Marginal Relief	xxx

If the above answer is negative then there will be no marginal relief.

Example:

Compute the **tax liability** of X Ltd. on N.T.I. of ₹1,00,50,000 [assuming turnover in PY 23-24 is more than ₹ 400 crores].

Answer:

STATEMENT OF TAX

	STCG u/s111A	LTCG	Win...	Balance
Net Taxable Income	NIL	NIL	NIL	1,00,50,000
Tax on above	NIL	NIL	NIL	30,15,000
<u>Add: Surcharge @ 7%</u>				+ 2,11,050
				32,26,050
Less: Marginal Relief [Working 1]				- 1,76,050
				30,50,000
<u>Add: HEC @ 4%</u>				+ 1,22,000
Tax Liability				31,72,000

Working 1:

		Extra Income 50,000
Total Income	1,00,00,000	1,00,50,000
Tax on above [incl. SC]	30,00,000 (@30%)	32,26,050 (@30% + 7% SC)

Extra Tax 2,26,050

	Amt.
Extra Tax	2,26,050
<u>Less: Extra Income</u>	- 50,000
Marginal Relief	1,76,050

Example on income exceeding 10 crores:

Extra Income 50,000	
Total Income	10,00,00,000
Tax on above [incl. SC]	3,21,00,000 (@30% + 7% SC)
	10,00,50,000
	3,36,16,800 (@30% + 12% SC)
Extra Tax 15,16,800	
Extra Tax	15,16,800
<u>Less:</u> Extra Income	- 50,000
Marginal Relief	14,66,800
	Amt.

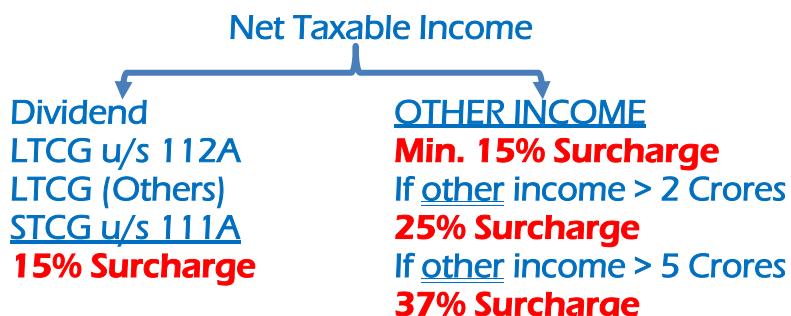
Explanation:

In this example, the income of company has increased by ₹50,000 but the tax has increased by ₹ 15,16,800. This situation is not acceptable because for additional income of 50,000, no one would like to pay additional tax of 15,16,800 [at the most, one can pay additional tax of ₹50,000; hence, the difference i.e. 15,16,800 - 50,000 i.e. 14,66,800 shall be exempted in the form of marginal relief].

NOTE 5:**25% / 37% Surcharge NOT APPLICABLE in certain cases:**25% / 37% surcharge is not applicable in case of **DL₂S**:

- **Dividend**
- **LTCG u/s 112A**
- **LTCG (Others)**
- **STCG u/s 111A**

In case of Individual / HUF, if **NTI (Net Taxable Income) exceeds 2 crores** then surcharge is calculated as follows:

**Example:**

	NTI up to 2 crores			NTI more than 2 crores		
	DL ₂ S	90L	90L	90L	15%	90L
Other Income	5L		90L	120L	15%	300L
NTI	95L	10%	180L	210L	15%	600L

	NTI up to 2 crores			NTI more than 2 crores		
	DL ₂ S	90L	90L	90L	15%	90L
Other Income	5L		90L	120L	15%	300L
NTI	95L	10%	180L	210L	15%	600L

NOTE 6: UNEXHAUSTED BASIC EXEMPTION

In case of Individuals / HUF, if the **Balance NTI is less than Basic Exemption Limit** (2,50,000 / 3,00,000 / 5,00,000) then, the **unexhausted Basic Exemption** can be utilized against:

- LTCG (Others)
- STCG u/s 111A
- LTCG u/s 112A

Not Against WinningsThis benefit of Unexhausted Basic Ex.. is **ONLY FOR RESIDENTS**.

Example: Compute the tax liability of Mr. X as per old regime:

1) Income from HP	1,00,000
2) STCG (Sale of Land in June 25)	20,000
3) LTCG (Sale of Gold in June 25)	3,80,000
4) STCG (Sale of Eq. Sh. in June 25)	1,00,000
5) Winnings	1,00,000

Answer: STATEMENT OF TOTAL INCOME

IFHP	1,00,000
CG	
⇒ STCG u/s 111A	1,00,000
⇒ STCG [Sale of Land]	20,000
⇒ LTCG [Sale of Gold]	3,80,000
IFOS [Winnings]	<u>1,00,000</u>
Gross Total Income	7,00,000
<u>Less: Dedn u/c VIA</u>	<u>—</u>
Net Taxable Income	7,00,000

STATEMENT OF TAX

	STCG u/s 111A	LTCG u/s 112A	LTCG (Others)	Winning	Balance
Net Taxable Income	1 L	Nil	3.80 L	1 L	1,20,000
Tax on above (Unexhausted Ex. = 2.5 L – 1.2 L = 1.3 L)	Nil (1 L – 1 L) x 20%	Nil	43,750 (3.80 L – 30,000) x 12.5%	30,000 (1 L x 30%)	Nil (Slab Rates)
<u>Less: Rebate u/s 87A</u>			73,750	Nil	
<u>Add: Surcharge</u>			Nil	Nil	
<u>Add: HEC @4%</u>			+ 2,950		
Tax Payable			76,700		

NOTE 7: PARTIAL INTEGRATION OF AGRICULTURAL INCOME:

If an assessee has Agricultural Income in India and if all the following conditions are satisfied, then Tax is calculated in special way:

→ Conditions:

- 1) The assessee should be **Individual / HUF**.
- 2) The Balance NTI should be **more than basic exemption**.
- 3) Net Agricultural Income should be **more than ₹ 5,000**.

If all the above conditions are satisfied then tax is calculated as follows:

Tax on (Balance NTI + Net Agricultural Income)	xxx
<u>Less:</u> Tax on (Basic Exemption + Net Agricultural Income)	xxx
Tax payable	xxx

Example:

From following details, compute tax liability of Mr. X [old regime]

- 1) STCG 9,00,000
- 2) Agricultural Income 2,20,000 (Expenses = 20,000)

	₹
Income from Salaries	Nil
Income from HP	Nil
Income from Business	Nil
Capital Gains	
→ STCG	9,00,000
IFOS	
→ Agricultural Income [Exempt u/s 10(1)]	Nil
GTI/NTI	9,00,000

Solution:

STATEMENT OF TAX

	STCG u/s 111A	LTCG u/s 112A	LTCG	Winning	Balance NTI
NET TAXABLE INCOME	NIL	NIL	NIL	NIL	9,00,000
Tax on above	NIL	NIL	NIL	NIL	1,32,500 [Note 1]
Tax on Above			1,32,500		
<u>Less:</u> Rebate u/s 87A			NIL		
<u>Add:</u> Surcharge			1,32,500		
<u>Add:</u> HEC @ 4%			NIL		
Tax Liability			1,32,500 +41,300		1,73,800

Note 1: Tax on Balance NTI (Scheme of Partial Integration)

Tax on (Balance NTI + Net Agricultural Income) Tax on (9,00,000 + 2,00,000)	1,42,500
<u>Less:</u> Tax on (Basic Exemption + Net Agricultural Income) Tax on (2,50,000 + 2,00,000)	- 10,000
Tax payable	1,32,500

NOTE 8: TAX ON UNEXPLAINED INCOME:

Any **unexplained credit** or **unexplained investments** or **unexplained expenditure** shall be **deemed as income**.

As per section 115BBE, tax on such deemed income is levied u/s @60% [plus **Surcharge @25%** plus **HEC @4%**] [Effective rate 78%]

TAX CALCULATION UNDER NEW REGIME

If tax liability is to be computed as per new regime, then following points should be noted:

- 1) **Slab rates for senior citizen and other assessees will be common** as follows:

Net Taxable Income	Tax
up to Rs. 4,00,000	0%
> 4,00,000 up to 8,00,000	5%
> 8,00,000 up to 12,00,000	10%
> 12,00,000 up to 16,00,000	15%
> 16,00,000 up to 20,00,000	20%
> 20,00,000 up to 24,00,000	25%
> 24,00,000	30%

- 2) Surcharge of **37%** is **not applicable**.
- 3) Rebate u/s 87A of **max.60,000** will be allowed if **NTI is upto Rs. 12 lakhs**.
- 4) Rebate u/s 87A will not be allowed to incomes taxable at special rates [it will be allowed **only for incomes taxable at slab rates**].
- 5) **Marginal Rebate** is allowed if the NTI increases marginally above **₹12,00,000**.
Amt of marginal rebate
= Extra Tax above ₹12 lakhs – Extra income above ₹12 lakhs.

Example:

Extra Income 10,000	
Total Income	12,00,000
Tax u/s 115BAC [after rebate]	Nil
	12,10,000
	61,500
Extra Tax 61,500	
Extra Tax	61,500
Less: Extra Income	- 10,000
Marginal Rebate	51,500

~~~~~

## ALTERNATE MINIMUM TAX

AMT is applicable to **all the assessees (other than companies)**.  
Alternate Minimum Tax is for assessees claiming deduction under:

Sec. 80-IA to 80RRB

Sec. 10AA and

Sec. 35AD

Due to benefits under these sections, tax liability of such assessees reduces to a nominal amount. Hence, **section 115JC** requires such assessees to pay a minimum amount of tax. This is known as Alternate Minimum Tax (AMT). Accordingly, tax liability of such assessees is computed as follows:

- (i) Normal Tax as per general provisions of Income Tax
- (ii) Alternate Minimum Tax\* (AMT)  
Whichever is higher

### \*Alternate Minimum Tax:

|                                                          | Rs.        |
|----------------------------------------------------------|------------|
| Net Taxable Income                                       | xxx        |
| <u>Add:</u> Deduction u/s 80-IA to 80RRB                 | + xx       |
| <u>Add:</u> Deduction u/s 10AA                           | + xx       |
| <u>Add:</u> Full Cost Deduction u/s 35AD                 | + xx       |
| <u>Less:</u> Depn. on Sec. 35AD Assets                   | - xx       |
| <b>Adjusted Total Income</b>                             | <b>xxx</b> |
| Tax on above @ 18.5%                                     | xxx        |
| <u>Add:</u> Surcharge [if ATI exceeds 50 lakhs/ 1 crore] | + xx       |
| <u>Add:</u> Health and Education Cess @4%                | + xx       |
| <b>Alternate Minimum Tax (AMT)</b>                       | <b>xxx</b> |

### Note 1:

In case of Individual, HUF and AOP/BOI, AMT is **not payable** if Adjusted Total Income **does not exceed 20 lakhs**.

### Note 2:

AMT is **not applicable** under **new regime**.

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SET OFF & CARRY FORWARD OF LOSSES

Losses can be adjusted against income by following 3 steps:

STEP 1: Inter Source Adjustment: (Sec. 70)

This means loss from one source can be adjusted against the income from another source **within the same head**.

STEP 2: Inter Head Adjustment: (Sec. 71)

This means loss under **one head** can be adjusted **against** income under **another head** with the same year.

→ **Exceptions:**

- (1) **Speculation** loss can be adjusted only against **speculation** income.
- (2) Loss from activity of **owning & maintaining** race horses can be adjusted only against income from **same activity**.
- (3) **LTCL** can be adjusted only against **LTCG**.
- (4) **STCL** can be adjusted against **STCG/LTCG**.
- (5) **Business loss** (normal) can be adjusted against any income **except** Income from **Salaries**.
- (6) Business loss (**Sec.35AD**) can be adjusted only against business income (**Sec.35AD**)
- (7) **House property** loss with other heads - **Max.2 lakhs** - can be set-off

STEP 3: Carry Forward:

If a loss cannot be adjusted in the year in which loss was suffered then it can be c/f and s/off in subsequent yrs as follows:

Sec.	Type of loss	To be adjusted against	Period of C/f	Return "in time"
71B	HP (Loss)	Same head (IFHP)	8 yrs.	Not reqd.
72	Normal Bus. Loss	Same head (IFB)	8 yrs.	Necessary
73	Spec. Bus. Loss	Spec. Bus. Income	4 yrs.	Necessary
73A	Sec. 35AD Loss	Sec. 35AD Income	Unltd	Necessary
74	LT Loss	LTCG	8 yrs.	Necessary
	ST Loss	STCG/LTCG	8 yrs.	Necessary
74A	O & M Loss	O & M Income	4 yrs.	Necessary

→ **Summary:**

Loss under Heads	Set off in the Year of loss	Set off in Subsequent yr.
Income from Salaries	Not possible	
Income from HP	Anywhere [max. 2 L]	Same head
<u>Income from Business:</u>		
- Normally	Anywhere (except IFS)	Same head
- Speculation	Speculation Income	Spec.. Income
- O & M	O & M	O & M
- 35AD Business	35AD Business	35AD Business
<u>Capital Gains:</u>		
- LT	LT	LT
- ST	ST/LT	ST/LT
IFOS	Anywhere	C/f not allowed

Important Notes:

- (1) **Speculation** business refers to transactions in which shares or commodities are bought & sold **without actual delivery**. Accordingly, **intra-day trading** in shares is treated as speculation, since shares are purchased and sold on the same day without delivery.
However, certain transactions are **specifically excluded** from speculation under the Income-tax Act:
 - ⇒ **Derivatives** in shares or commodities carried out on a recognized stock exchange are treated as non-speculative business.
 - ⇒ Trading in **Futures & Options** (F&O), whether in equity or commodities on recognized exchanges, is also classified as non-speculative business, even though they are settled without delivery.
- (2) Business loss (Normal/Speculation) can be c/f **even if the business is discontinued**. However, loss from activity of O & M race horses cannot be c/f if the activity is discontinued.
- (3) Any loss from **exempt source** of income **cannot be set off & carried forward**.

(4) **Unabsorbed Depreciation:** It means loss in business due to depreciation i.e. the profit is not sufficient to absorb the depreciation.

- (1) It can be c/f for **unlimited** number of years
- (2) It can be s/o against **any income/head** except IFS
- (3) It can be c/f even if the return is filed late.

(5) Under **new regime**, the rules for set off and carry forward of losses is same except following point:
→ Set-off of **HP loss** against other heads is **not allowed** in new regime.

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## CLUBBING OF INCOME

### Income of a Minor Child

Income of a minor child will be clubbed in the hands of parent (i.e. Father or Mother) whose net taxable income is greater. However, following income of minor child shall not be clubbed:

1. Income earned by minor child by doing **manual work**.
2. Income earned by minor child through his **talent, knowledge, skill or experience**.
3. Income earned by **handicapped minor child specified u/s 80U**.

**Note:** Income of a minor child [if clubbed in parent's income] is exempt u/s 10(32) in old regime – **Max ₹1,500 per minor child**.

### Income of Spouse

If following 2 conditions are satisfied then income of spouse will be clubbed in the hands of assessee:

1. The income should be **salary, fees, commission or any other remuneration**.
2. Such income should be derived from a concern where assessee has a **substantial interest**.

Substantial interest means having **atleast 20%** shares or atleast 20% right in profits – **along with his relatives** as defined in sec.40A(2)

#### Note 1:

Clubbing will not take place if spouse holds any **professional, talent, knowledge, technical qualification skill or experience**.

#### Note 2:

If husband and wife – both are substantial interest holder and they both do not have any professional or technical qualification then income will be clubbed in the hands of that assessee whose income is greater.

### **Transfers for inadequate consideration**

In case of following transfers, income earned by the transferee shall be clubbed in the income of transferor if such transfer is for **no price or low price** (inadequate consideration):

- a) Transfer to spouse
- b) Transfer to any other person for the benefit of spouse
- c) Transfer to son's wife
- d) Transfer to any other person for the benefit of son's wife
- e) Transfer to HUF

**Note 1:**

Clubbing provisions shall **not apply** if the transfer to spouse is in connection with an **agreement to live apart** (divorce or separation).

**Note 2:**

Income from the "**accretion**" of the transferred asset is **not liable to be clubbed** in the hands of the transferor i.e. If transferee [spouse/son's wife etc.] reinvests the income and earns further income → that further income is not clubbed



## TAX DEDUCTION AT SOURCE

### ► SUMMARY:

Part - I : TDS LIMITS / TDS RATES / PAYER / RECEIVER

Part - II : SECTION WISE NOTES

Part - III: GENERAL NOTES

## PART - I

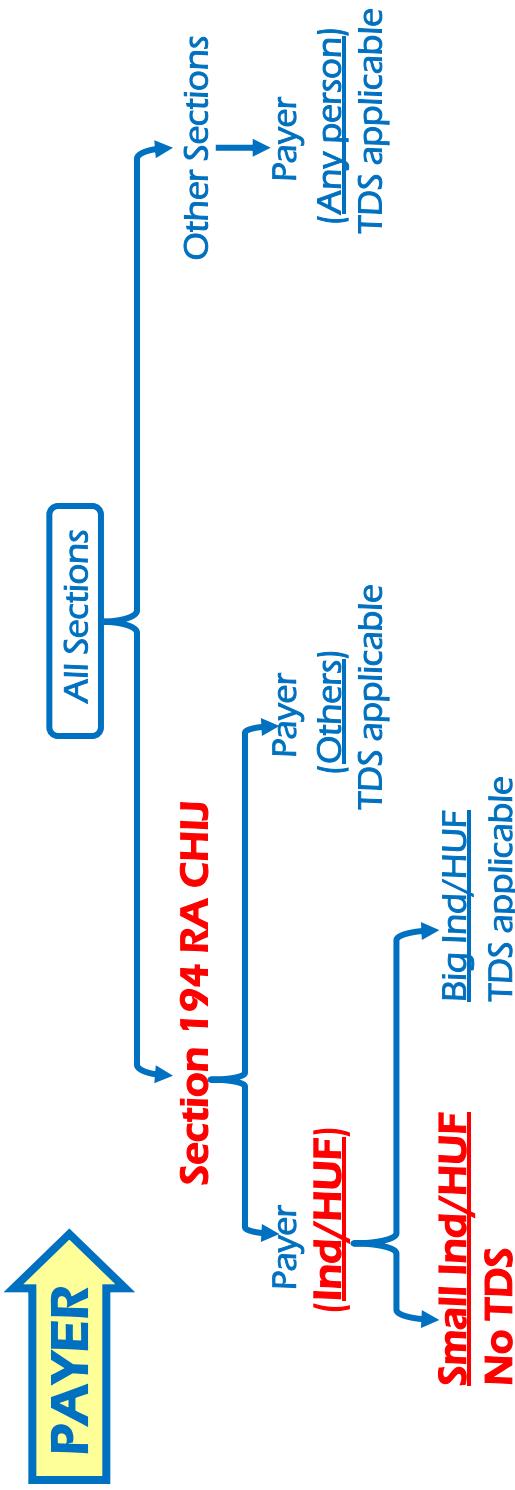
## TDS LIMITS / TDS RATES / PAYER / RECEIVER

| Section | Nature of Payment                                      | When to deduct?                                                    | How much?  |
|---------|--------------------------------------------------------|--------------------------------------------------------------------|------------|
| 192     | <b>S</b> <b>Salary</b>                                 | If Taxable Ifs > Basic Exemption                                   | Slab Rates |
| 193     | <b>I</b> <b>Interest on Securities</b>                 | If > ₹ 10,000                                                      | 10%        |
| 194     | <b>D</b> <b>Dividend from Indian Company</b>           | If > ₹ 10,000 [if S/H is Individual]                               | 10%        |
| 194A    | <b>I</b> <b>Interest other than Int. on Securities</b> | Bank/PO Interest – If > ₹ 50,000<br>Other Interest – If > ₹ 10,000 | 10%        |
| 194BB   | <b>W<sub>1</sub></b> <b>Horse Race <b>Winnings</b></b> | If > ₹ 10,000                                                      | 30%        |
| 194B    | <b>W<sub>2</sub></b> <b>Other <b>Winnings</b></b>      | If > ₹ 10,000                                                      | 30%        |
| 194BA   | <b>W<sub>3</sub></b> <b>Winnings from Online Games</b> | Any Amount                                                         | 30%        |

CA SHIRISH VYAS / CA INTER / DIRECT TAX / TDS

|      |                      |                                                                                                                                                                                          |                                                                                                 |                                      |
|------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------------------------|
| 194C | <b>C<sub>1</sub></b> | Payment to Works <b>Contractor</b>                                                                                                                                                       | Single Payment > ₹ 30,000 or Aggregate Payment > ₹ 1,00,000                                     | Receiver<br>Ind./HUF 1%<br>Others 2% |
| 194D | <b>C<sub>2</sub></b> | Insurance <b>Commission</b>                                                                                                                                                              | If > ₹ 20,000                                                                                   | Receiver<br>Company 10%<br>Others 2% |
| 194G | <b>C<sub>3</sub></b> | Lottery <b>Commission</b>                                                                                                                                                                | If > ₹ 20,000                                                                                   | 2%                                   |
| 194H | <b>C<sub>4</sub></b> | Other <b>Commission</b>                                                                                                                                                                  | If > ₹ 20,000                                                                                   | 2%                                   |
| 194I | <b>R</b>             | <b>Rent</b> of L/B/F/P/M/E [Land/Bldg/<br>Furniture/Plant/Machinery/Equip.]                                                                                                              | If Rent > ₹ 50,000 p.m.                                                                         | L/B/F 10%<br>P/M/E 2%                |
|      | <b>F</b>             | <b>Fees for Professional services</b><br><b>Fees for Technical services</b><br><b>Non-compete fees</b><br><b>Royalty (for films)</b><br><b>Royalty (others)</b><br><b>Directors fees</b> | If > ₹ 50,000<br>If > ₹ 50,000<br>If > ₹ 50,000<br>If > ₹ 50,000<br>If > ₹ 50,000<br>Any Amount | 10%<br>2%<br>10%<br>2%<br>10%<br>10% |
| 194J | <b>C</b>             | <b>Compulsory Acquisition</b> of<br>immovable property (except Ag.land)                                                                                                                  | If Compensation > ₹ 5,00,000                                                                    | 10%                                  |
|      | <b>P</b>             | <b>Purchase of immovable property</b><br>(except Rural Ag. Land)                                                                                                                         | If Consideration ≥ ₹ 50,00,000                                                                  | 1%                                   |

**There are few more sections of TDS which are discussed in Section wise notes.**



**Small** Individual/HUF means an Ind/HUF who does not carry on any business/profession or :

- whose **Total Sales**/Turnover in *preceding FY* is **up to Rs. 1 crore** [if such Ind/HUF carries on a **business**]  
Or
- whose **Gross receipts** in *preceding FY* is **up to Rs. 50 lakhs** [if such Ind/HUF carries on a **profession**]

Under section **194C & J**, there is **no requirement** of deducting TDS if the payment is **personal** in nature.

# RECEIVER

All Sections

## Section 192/194BB/BA/B/N

TDS is deducted under **same section**  
whether receiver is **R / NR**

Other Sections in above table

TDS is deducted under **these sections**  
only if the receiver is **Resident**.  
If the receiver is **NIR** then TDS  
is deducted under **different sections**

| Payment to <b>Residents</b>                                                                                                                                                                                                                         | Payment to <b>Non-Residents</b>                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sections 192/193/194A .....etc..<br><b>Selected</b> payments subject to TDS<br>TDS at <b>ad hoc</b> rates<br>Up to some limit ( <b>threshold</b> ) not deducted<br>In some cases, <b>Ind/HUF Payer exempted</b><br><b>Ignore surcharge and cess</b> | Mainly Sec. 195<br><b>All</b> payments subject to TDS<br>TDS at <b>actual</b> rates<br><b>No threshold</b> limits<br><b>No one exempted</b><br><b>Consider surcharge and cess</b> |

### **IMPORTANT POINTS:**

- 1) In the chapter of TDS, always think from **payer's point of view**. Deducting TDS increases the **compliance burden for the payer**.
- 2) In order to decide whether TDS is deductible or not, following is the line of thinking:  
**Always check the receiver first**
  - ⇒ If the receiver is **NR** then TDS is always applicable (mainly u/s **195**) (irrespective of the type of payment, type of payer and the threshold limits).
  - ⇒ If the receiver is **Resident** then TDS is deducted only in case of selected payments (SIDI W<sub>3</sub>C<sub>4</sub>RF CP). Check the type of payer (especially in sec 194 RA CHU) and the threshold limits.
- 3) All the **threshold** limits are **aggregate of the financial year except** in case of winnings, compulsory acquisition and purchase of immovable property [where the threshold limit is per transaction].
- 4) If a payment includes GST then TDS is deducted on the amount paid **excluding GST** [if GST specified separately in the bill].

## PART - II

## SECTION WISE NOTES

### Section 192: TDS ON SALARIES:

TDS as per **slab rates** if taxable income from salaries of the employee **exceeds the basic exemption**.

- (a) For the purpose of computing TDS, the employee can inform following to his employer:
  - His other incomes along with TDS and TCS on other incomes
  - Chapter VIA details like some investments for sec. 80C, mediclaim premium for sec. 80D etc.
  - House property loss [However, the employee **cannot inform other losses**]
- (b) As per **section 192A**, premature withdrawal from **RPF** by an employee is also subject to **TDS @ 10%** if the amount withdrawn is **Rs.50,000 or more** [premature means **service less than 5 years**].

### Section 193: INTEREST ON SECURITIES:

TDS @**10%** is applicable if aggregate interest paid during the financial year exceeds **₹ 10,000**.

In following cases, there is **NO** requirement of deducting **TDS**:

- a) Interest on Central/State **Government Securities** [no TDS].  
But, in case of 7.75% Savings Taxable Bonds, 2018, Floating Rate Savings (Taxable) Bonds (FRSB) 2020 and other notified Govt. securities, TDS is deducted if interest exceeds ₹ 10,000.
- b) Interest received by **LIC/GIC/any other insurer** [no TDS].

### **Section 194: DIVIDEND ON SHARES:**

TDS @**10%** is applicable in case of dividend paid by Indian companies [**including deemed dividend**].

In following cases, there is **NO** requirement of deducting **TDS**:

- a) Dividend received by **LIC/GIC/any other insurer** [no TDS].
- b) Dividend received by an **individual** by any mode **other than cash** if the aggregate dividend during the financial year is **up to ₹ 10,000**.

### **Section 194A: INTEREST OTHER THAN INTEREST ON SECURITIES:**

TDS @**10%** is applicable if aggregate interest paid during the financial year:

- **Exceeds ₹ 50,000** (if paid by a Bank/PO)
- **Exceeds ₹ 10,000** (if paid by any other person)

In following cases, there is **NO** requirement of deducting **TDS**:

- a) Interest paid by **Banks** on **Savings\* A/c.**
- b) Interest paid to **Banks / LIC / GIC / Other Insurance Companies**

#### **Note 1:**

\*TDS is deducted by Bank [including Co-op. Banks] only on FD/RD account. If a person has FD/RD accounts in different branches of same bank then TDS is deducted by such bank if the **aggregate of interest from all branches** exceeds Rs.50,000 **provided such bank adopts CBS** [Core Banking Solutions]. Otherwise, the limit of Rs. 50,000 is checked branch-wise.

**Note 2:** In case of **Bank/PO**, threshold is **Rs.1,00,000** instead of Rs.50,000 [if the receiver is **senior citizen**].

### **Section 194BB/B/BA: Winnings:**

TDS @**30%** u/s 194BB/B is applicable if the winnings **per transaction exceeds ₹10,000**.

a) If winning is in kind, then the payer should **first ensure** that the tax is paid by the winner & **then release** the prize.

### **Section 194C: PAYMENT FOR WORKS CONTRACT:**

TDS is applicable if the **single** payment exceeds **₹30,000** or **aggregate** payment during the financial year exceeds **₹1,00,000 (1%**, if the receiver is Individual/HUF and **2%**, if the receiver is any other person).

a) In general, works contract means getting the **work done** from someone **as per our requirement or specification**.

As per Section 194C, Works contract **includes ABC<sub>2</sub> JL :**

- **Advertisement**
- **Broadcasting and Telecasting**
- **Catering**
- **Carriage of goods\*** and passengers by any mode of transport [except railways]
- **Job work** [Mfg. as per our specification out of materials supplied by us or our associate – Meaning of associate is same as meaning of relative u/s 40A(2)].
- Supply of **Labour** for works contract

b) \* In case of contract for **Goods transport** – **No TDS** if the goods transporter owns **up to 10 trucks** [provided such transporter furnishes his **PAN** & a **declaration** that he does not own more than 10 trucks]

**Works contract specifically excludes payments covered u/s 194J.**

### **Section 194D/G/H: INSURANCE/LOTTERY/OTHER COMMISSION:**

TDS applicable, if the aggregate payment during the financial year exceeds ₹20,000 (2% on all types of commission and for **insurance** commission – **10%**, if the receiver is a **domestic company**) “Other” Commission or Brokerage is subject to TDS u/s 194H if it is for **agency of goods/assets/properties [excluding securities]**. Hence, commission for agency of securities is not subject to TDS u/s 194H [Eg: Commission/Brokerage paid to share brokers].

### **Section 194J: FEES FOR PROFESSIONAL SERVICES ETC.:**

In case of professional services, technical services, non-compete fees and royalty, TDS is applicable if aggregate amount paid during the financial year exceeds ₹ 50,000 and in case of directors’ fees and remuneration, there is **no threshold limit**.

a) Professional Service includes -

**MA2LE FIT CO.:** Medical, Accountancy, Architecture, Legal, Engineering, Film Artist, Interior Decoration, Information Technology, Technical Consultancy, Company Secretary and Others (notified by the CBDT)  
**SUP2AC3E:** Sportsperson, Umpires & Referees, Physician, Physiotherapists, Anchors, Coaches, Commentators, Sports Columnist, and Event Managers in relation to Sports Activities.

b) Technical Service means **managerial, technical** and **consultancy** services.  
**E.g.:** Payment made to **Call Center** for managing the calls of customers is a payment for managerial service [technical service].

**Section 194IA: PURCHASE OF IMMOVABLE PROPERTY:**

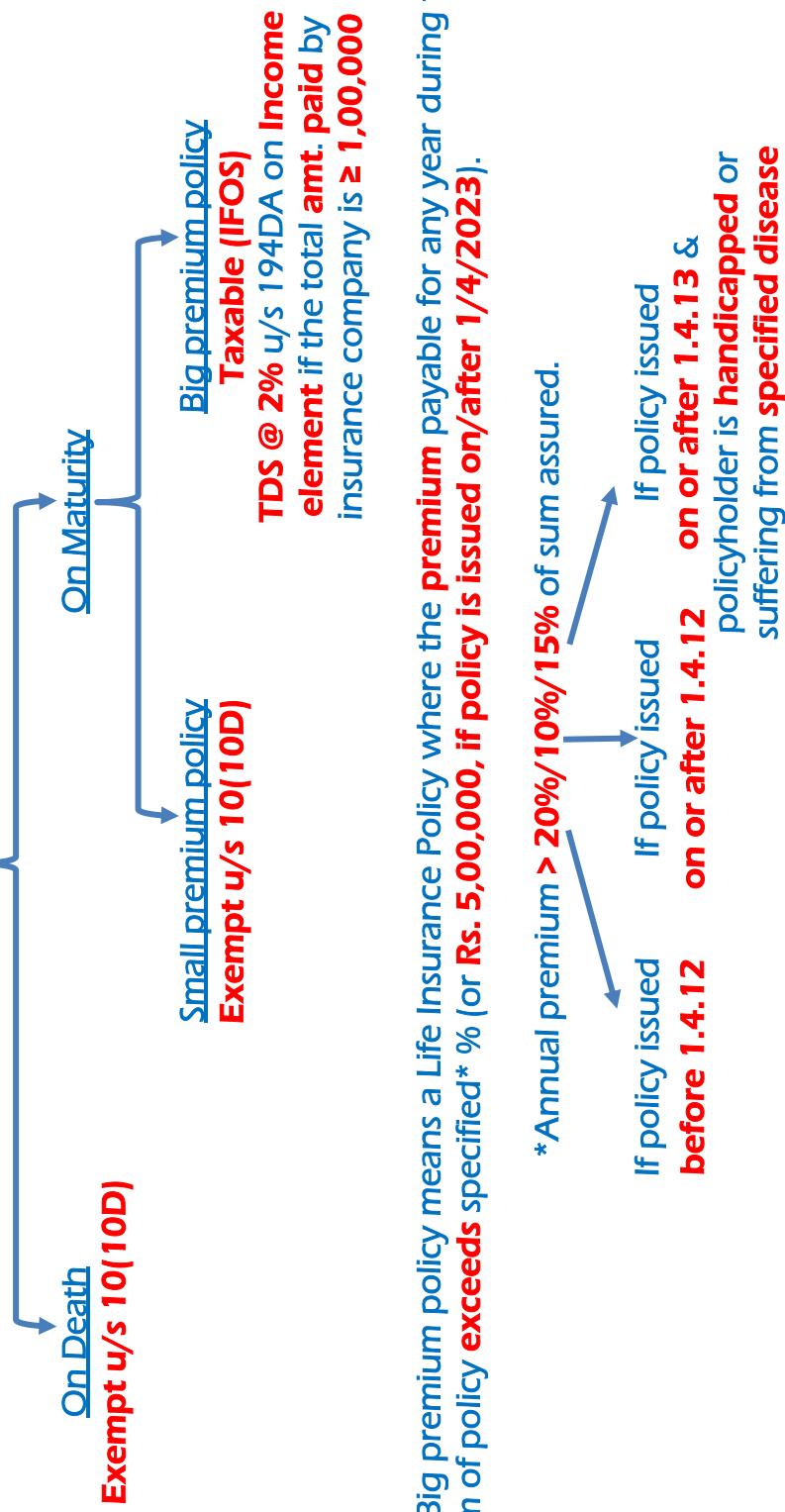
- a) TDS of 1% is deducted if **Actual Consideration** or **Stamp Duty Value** (whichever is **higher**) is more than or equal to Rs. 50 lakhs.
- b) Actual consideration = Purchase price **including charges** for club membership, car parking, electricity and other charges.
- c) Where there are multiple buyers or sellers of a **single property** then the threshold of 50 lakhs is applicable on **aggregate amount** paid/payable by **all the buyers to all the sellers**.

**Section 194K: INCOME FROM UNITS OF UTI/MUTUAL FUND:**

TDS will be deducted by Mutual fund/UTI @ **10%** if the aggregate amount of income from units **exceeds RS. 10,000** during the financial year.

## Section 194 DA: LIFE INSURANCE CLAIM ON MATURITY

Amount received from Life Insurance Policy



► Big premium policy means a Life Insurance Policy where the **premium** payable for any year during the term of policy **exceeds** specified\* % (or **Rs. 5,00,000**, if policy is issued on/after **1/4/2023**).

\*Annual premium **> 20%/10%/15%** of sum assured.

If policy issued  
**before 1.4.12**      If policy issued  
**on or after 1.4.12**      If policy issued  
If policyholder is **handicapped** or  
**suffering from specified disease**

**Note:** Threshold of Rs. 5 lakhs is not per policy. It is aggregate premium of all the life insurance policies held by the assessee. Hence, in case of an assessee holding **multiple life insurance policies**, amount received from only those policies will be exempt u/s 10(10D) where the **aggregate premium does not exceed Rs. 5 lakhs**.

#### **Section 194IB: TDS ON RENT:**

Small Ind/HUF are exempted from deducting TDS u/s 194-I. However, if a **small Ind/HUF** pays rent **exceeding Rs.50,000 pm** in respect of an **immovable property** then such Ind/HUF is required to deduct **TDS @2% u/s 194IB**.

#### **Section 194M: WORKS CONTRACT, PROFESSIONAL SERVICES AND COMMISSION:**

Small Ind/HUF are excluded from deducting TDS u/s 194C/J/H.  
In case of personal transactions, even big Ind/HUF are excluded from deducting TDS u/s 194C & J. Such **Ind/HUFs** [who are **excluded from deducting TDS u/s 194C/J/H**] are required to deduct TDS **@ 2% u/s 194M** if the **aggregate** of payment for [works contract + professional services + Commission/Brokerage] to a **particular person** during the financial year **exceeds Rs. 50 lakhs**.

### Section 194 N: TDS ON CASH WITHDRAWAL:

If any person (R/NR) withdraws cash from a particular BANK [incl. co-op. bank] or a POST OFFICE then TDS is deducted **@2%** if the total cash withdrawn during the PY **exceeds Rs. 1 crore (3 crores, in case of **co-operative societies**).**

⇒ Amount of TDS = 2% of (Total withdrawal – 1 crore)

The purpose of this TDS is to discourage cash transactions and promote cash-less economy. Limit of Rs. 1 crore is not branch-wise. It is bank-wise. Cash withdrawn from all the accounts with a particular Bank or PO should be > 1 crore during the PY.

However, if a person withdrawing cash has **not filed the return in all the preceding 3 PYs\*** then TDS is deducted as follows:

| Total Cash Withdrawal during the PY | TDS |
|-------------------------------------|-----|
| up to Rs. 20 lakhs                  | 0%  |
| > Rs. 20 lakhs up to Rs. 1 crore*   | 2%  |
| > Rs. 1 crore*                      | 5%  |

\***3 crores, in case of **co-operative societies****

Example:

|                                                |                       |
|------------------------------------------------|-----------------------|
| If total cash withdrawn = Rs. 1.25 crores then |                       |
| TDS up to Rs. 20 lakhs                         | Nil                   |
| TDS above Rs. 20 L up to Rs. 1 crore           | 1,60,000 (2% of 80 L) |
| TDS above Rs. 1 crore                          | 1,25,000 (5% of 25 L) |

\*3 PYs are those **3 preceding PYs** in respect of which **due date of filing return has expired**.

Example 1:

If cash is **withdrawn on 15<sup>th</sup> July, 2025** then as on 15<sup>th</sup> July, 2025, due date of filing return of PY 2024-25 has not expired [assuming due date of return as 31<sup>st</sup> July]. Hence, we don't consider PY 2024-25 in preceding 3 PYs. Accordingly, preceding 3 PYs shall be:

**PY 2023-24      PY 2022-23      PY 2021-22**

Example 2:

If cash is **withdrawn on 15<sup>th</sup> Sep., 2025** then as on 15<sup>th</sup> Sep., 2025, due date of filing return of PY 2024-25 has expired [assuming due date of return as 31<sup>st</sup> July]. Hence, we consider PY 2024-25 in preceding 3 PYs. Accordingly, preceding 3 PYs shall be:

**PY 2024-25      PY 2023-24      PY 2022-23**

⇒ No TDS under section 194N if cash is withdrawn by following persons [because they genuinely require huge amount of cash in their day-to-day functioning]:

- **Post office**
- **Banks** [incl. Co-op. banks] and their business correspondent [retail agents of banks]
- White label **ATM** operator [WLATMO] of banks
- **Government**
- Any **Other notified person**

Presently, following persons are notified:

- 1) **Commission agents** or traders registered under **APMC** [Agricultural Produce Market Committee]
  - if cash is withdrawn for payment to farmers for purchase of agricultural produce.
- 2) **Cash replenishment agencies** and franchise agents of WLATMO
  - if cash is withdrawn for replenishing cash in ATM operated by WLATMO
- 3) **Authorised Forex dealer**/its franchise agent and Full-Fledged Money Changer/its franchise agent
  - if cash is withdrawn for purchase of foreign currency

**Section 194P: TDS ON PENSION INCOME OF SENIOR CITIZEN:**

If a **senior citizen** receives **pension** in a bank and has no other income except **interest income** from such bank then such bank is required to compute the **tax at slab rates** on total income of such senior citizen **[after considering deductions under chapter VIA and rebate u/s 87A]** and deduct the same from the income of such senior citizen. Once, TDS is deducted u/s 194P then such senior citizen is **not required to file return** of his income. This section is applicable only if the senior citizen receives pension in such bank and has **no other income** except interest income from such bank.  
Here, senior citizen = **Resident person 75 years and above.**

**Section 194Q: TDS ON PURCHASE OF GOODS:**

This section requires a buyer of any goods to deduct **TDS @0.1%** on payment for **purchase of such goods** if aggregate value of such purchase is **more than Rs. 50 lakhs** in a financial year.

**TDS of 0.1% is on the amount in excess of Rs. 50 lakhs.**

This section is applicable **only if the turnover/gross receipts of such buyer is more than Rs. 10 crores** in the preceding financial year.

### **Section 94R: ANY BENEFIT/PERQUISITE ARISING IN THE COURSE OF BUSINESS/PROFESSION:**

This TDS is on additional benefit / perquisite received by a business person (over & above the normal fees received from clients/supplier).

|                                               |                                                                             |                    |
|-----------------------------------------------|-----------------------------------------------------------------------------|--------------------|
| Any<br>person<br><b>(excl. Small Ind/HUF)</b> | Benefit/Perquisite<br>Value <b>&gt; 20,000</b><br><b>TDS u/s 194R @ 10%</b> | Business<br>person |
|-----------------------------------------------|-----------------------------------------------------------------------------|--------------------|

If benefit is in kind then the provider of benefit shall first ensure that the tax is paid by the receiver and then provide the benefit.

**Example:** A lawyer received fees of Rs. 5,00,000 from his client and a **free air ticket** valued at Rs. 40,000 (because he provided good service to his client). In such case, the client will first ensure that the tax of Rs. 4,000 is paid by the lawyer as TDS and then he should give the free air ticket to the lawyer.

### **Section 94T: TDS ON PAYMENT BY P FIRM TO PARTNER:**

Remuneration and interest paid by a partnership firm to a partner shall be subject to TDS @ 10% if the aggregate of such payment during the financial year **exceeds ₹20,000**.

## PART - II

### GENERAL NOTES

#### 1) WHEN TO DEDUCT TDS?

| Nature of Payment                                                  | When to Deduct?                                                                                                                                                           |
|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Salary, Winnings, Compensation, Cash withdrawal & Life ins.. claim | At the time of Actual payment                                                                                                                                             |
| Online winnings                                                    | At the time of Actual payment or at the end of F.Y.<br>whichever is earlier                                                                                               |
| All other payments except u/s 194IB                                | At the time of Actual payment or when party's a/c is credited whichever is earlier                                                                                        |
| Rent u/s 194IB                                                     | At the time of:<br>i) Actual payment of the rent of last month of the FY*<br>or ii) When party's a/c is credited with the rent of such last month<br>Whichever is earlier |

\*last month of tenancy, if property is vacated during the FY

## 2) WHEN TO DEPOSIT TDS?

Normally  
TDS deducted in the month of **March**  
TDS deducted u/s **194IA/IB/M**

→ Example:

### By 7<sup>th</sup> of Next Month

|                                       |                               |         |           |                                             |
|---------------------------------------|-------------------------------|---------|-----------|---------------------------------------------|
| <b>3<sup>rd</sup> Jun<br/>Earlier</b> | Rent A/c<br><b>To R's A/c</b> | Dr. 100 | <b>90</b> | Party's A/c Credited                        |
|                                       |                               | 10      |           | To TDS Payable A/c<br><b>(TDS Deducted)</b> |

or

|                            |                                    |        |           |                |
|----------------------------|------------------------------------|--------|-----------|----------------|
| <b>23<sup>rd</sup> Aug</b> | R's A/c<br><b>To Cash/Bank A/c</b> | Dr. 90 | <b>90</b> | Actual Payment |
|----------------------------|------------------------------------|--------|-----------|----------------|

|                               |                                   |    |                        |
|-------------------------------|-----------------------------------|----|------------------------|
| <b>By 7<sup>th</sup> July</b> | TDS Payable A/c<br>To Cash/Bk A/c | 10 | 10                     |
|                               |                                   |    | <b>(TDS Deposited)</b> |

**30<sup>th</sup> April**      **If it is for the mnth of March**

### 3) INTEREST ON LATE DEDUCTION / LATE DEPOSIT:

| Late Deduction                                                                                                                                                                                                                                    | Late Deposit                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Interest u/s <b>201(1A)</b><br/> <math>= \text{TDS Amt} \times \text{1\% pm} \times \text{Period}^*</math> [in months]<br/> [Period = From the date when tax was<br/> <b>deductible</b> up <b>to</b> the date when tax is <b>deducted</b>]</p> | <p>Interest u/s <b>201(1A)</b><br/> <math>= \text{TDS Amt} \times \text{1.5\% pm} \times \text{Period}^*</math> [in months]<br/> [Period = From the date when tax was<br/> <b>deducted</b> up <b>to</b> the date when tax is <b>deposited</b>]</p> |

\*Part of the month is treated as full month

→ **EXAMPLE ON LATE DEPOSIT:**

|                                    |                         |                           |     |     |                         |
|------------------------------------|-------------------------|---------------------------|-----|-----|-------------------------|
|                                    | 3 <sup>rd</sup> Jun     | Rent A/c                  | Dr. | 100 |                         |
|                                    |                         | To R's A/c                |     | 90  |                         |
|                                    |                         | <b>To TDS Payable A/c</b> |     | 10  | <b>Kata time pe</b>     |
| Interest on late deposit           | June                    |                           |     |     |                         |
| = 10 x 1.5% p.m. x <b>4 months</b> | July                    |                           |     |     |                         |
|                                    | Aug                     |                           |     |     |                         |
|                                    | Sept                    |                           |     |     |                         |
|                                    | By 7 <sup>th</sup> July | TDS Payable A/c           |     | 10  |                         |
|                                    | 24 <sup>th</sup> Sep    | <b>To Cash/Bank A/c</b>   |     | 10  | <b>Deposit late kya</b> |

→ **EXAMPLE ON LATE DEDUCTION & LATE DEPOSIT:**

|                                    |                       |                           |     |     |                         |
|------------------------------------|-----------------------|---------------------------|-----|-----|-------------------------|
|                                    | 3 <sup>rd</sup> Jun   | Rent A/c                  | Dr. | 100 |                         |
|                                    |                       | To R's A/c                |     | 100 |                         |
|                                    |                       | <b>To TDS Payable A/c</b> |     | 10  | <b>Kata Late</b>        |
| Interest on late deduction         | June                  |                           |     |     |                         |
| = 10 x 1% p.m. x <b>3 months</b>   | July                  |                           |     |     |                         |
|                                    | Aug                   |                           |     |     |                         |
|                                    | 23 <sup>th</sup> Aug  | R's A/c                   | Dr. | 10  |                         |
|                                    |                       | <b>To TDS Payable A/c</b> |     | 10  | <b>Kata Late</b>        |
| Interest on late deposit           | Sep                   |                           |     |     |                         |
| = 10 x 1.5% p.m. x <b>2 months</b> | Oct                   |                           |     |     |                         |
|                                    | 13 <sup>th</sup> Oct. | TDS Payable A/c           |     | 10  |                         |
|                                    |                       | <b>To Cash/Bank A/c</b>   |     | 10  | <b>Deposit late kya</b> |

#### 4) **TDS RETURNS:**

TDS returns [Statements of TDS] are filed on quarterly basis as follows:

| Quarter ended on | Due Date                       |
|------------------|--------------------------------|
| June 30          | <b>31<sup>st</sup> July</b>    |
| September 30     | <b>31<sup>st</sup> October</b> |
| December 31      | <b>31<sup>st</sup> January</b> |
| March 31         | <b>31<sup>st</sup> May</b>     |

#### **Note:**

- 1) Late filing fees ₹ **200 per day u/s 234E** (maximum upto the TDS amount of that quarter).

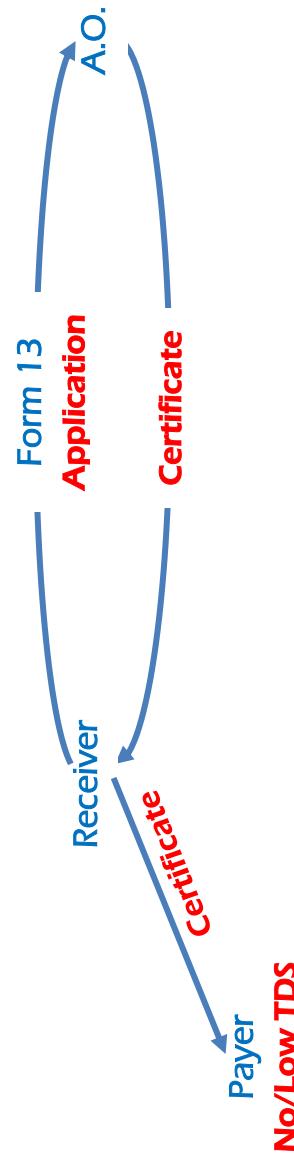
#### 5) **SECTION 197A: NOT TDS ON DR2 I3 M: (For Ind/HUF)**

In case of **D**ividend, **R**ent u/s 194I, withdrawal from **R**PF, **I**nterest, **I**nsurance commission/ **L**ife **I**nsurance claim and income from **M**utual Fund, the payer shall not deduct TDS if the receiver furnishes a **declaration in Form 15G/H to the payer** [Declaration that the tax on his estimated total income will be Nil] – [Form 15H, for senior citizen].



### 6) **SECTION 197: NO TDS/LOW TDS: (For All assessees)**

Under all the sections including sec. 195 [except Sec. 194BB/B/BA/DA/IA/IB and 194N/P/R], the receiver can make an application in **Form 13 to the A.O.** [for No TDS/Low TDS]. If the A.O. is satisfied then he shall issue a Certificate of no TDS/Low TDS. Certificate is valid until its cancellation by A.O.



### 7) **SECTION 40(a): EXPENSES SUBJECT TO TDS:**

While computing income from business, expenses [subject to TDS] incurred in a PY shall be **allowed in the same PY** if following 2 conditions are satisfied:

- 1) TDS should be **deducted** latest up to **31<sup>st</sup> March** of the PY and
- 2) TDS should be **deposited** latest up to the **due date of filing return** of income.

If any one of the above conditions is **not satisfied** then 30% [in case of Resident] and 100% [in case of NR] shall be **disallowed** in the **current PY**. However, this 30%/100% shall be **allowed** in future i.e. the **year in which TDS is deposited**.

### 8) **Section 206AA: HIGHER TDS IF PAN NOT FURNISHED.**

In all the transactions, which are subject to TDS, the receiver shall furnish his PAN to the payer. If he fails to furnish his PAN or if the furnishes a wrong PAN then TDS shall be deducted **at the rate 20%\*** [or the actual TDS rate whichever is higher]. **\*5%, in case of TDS u/s 194 O and 194Q.**

### 9) **EFFECT OF SURCHARGE/EDUCATION CESS.**

Normally, surcharge and HEC are ignored while deducting TDS [because TDS is at ad-hoc rate]. However, in case of payment of **salary, pension u/s 194P** & payment to **non-residents**, surcharge [if payment exceeds 50L/1 crore etc.] and HEC shall be considered [because in such cases, TDS is deducted at actual tax rates].

### 10) **TDS CERTIFICATE.**

The payer shall issue a TDS Certificate to the receiver in:

Form 16 – in case of salaries, Form 16A – in case of others

Form 16B – in case section 194IA, Form 16C – in case of section 194IB, Form 16D – in case of sec. 194M

### 11) **SECTION 198/199.**

As per Section 198, TDS [whether deducted in India or outside India] is deemed to be received i.e. the receiver has to **show Gross** amount while computing his total income. As per Section 199, the **receiver shall get the credit of TDS.**

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TAX COLLECTION AT SOURCE – Sec.206C

Tax Deduction at Source	Tax Collection at Source
TDS is on payments	TCS is on receipts
Obligation of payer	Obligation of receiver
TDS is deducted by the payer on specified payments	TCS is collected by the receiver on specified receipts

TCS is mainly collected on specified sale/lease transactions



RATES OF TCS

TCS is applicable on following Sale / Lease Transactions:

Section	Type of Transactions	TCS %
206C(1)	<u>Sale</u> of following goods: <ul style="list-style-type: none"> - Tendu leaves - Timber and other forest produce - Alcohol, Scrap & Minerals [Coal & iron ore] <u>Note:</u> If the buyer purchases above goods for personal consumption or for use in Manufacturing / Power Generation then TCS is not applicable .	5% 2% 1%
206C(1F)	<u>Sale</u> of Motor Car & other notified goods valued at > 10 lakhs (Note 1)	1%
206C(1C)	<u>Lease</u> of Parking lot/Toll Plaza/Mine [for business purpose]	2%
206C(1G)	<u>Sale</u> of Foreign currency by authorised dealer to any person for remittance abroad: <ul style="list-style-type: none"> → Remittance for Educational/Medical purpose → Loan money remitted for Educational Purpose (if loan is from Banks or Fin.Inst. or App. Ch.Inst.) → Other Remittance No TCS if aggregate remittance per remitter is upto ₹ 10 lakhs. TCS is calculated on amt. in excess of ₹ 10 L. 	5% 0% 20%
206C(1G)	<u>Sale</u> of Overseas Tour Package <ul style="list-style-type: none"> → Upto ₹ 10 lakhs → Balance 	5% 20%

Note 1: Goods notified for TCS u/s 206C(1F):

- 1) Wrist watch
- 2) Art piece such as antiques, paintings, and sculptures
- 3) Collectibles such as coins and stamps
- 4) Yacht, rowing boats, canoes, and helicopters
- 5) Sunglasses,
- 6) Handbags and Purses
- 7) Shoes
- 8) Sportswear and equipment (such as golf kits, ski-wear)
- 9) Home theatre systems
- 10) Horses used for horse racing or polo

TCS will be levied on sale of a **single item** of the notified goods which are of the **value exceeding ₹10 lakhs**.

GENERAL NOTES

1) BUYER – GOVERNMENT:

No TCS if the buyer is **Government** [Central/State/Local].

2) SMALL IND./HUE:

Under section **206C(1)** (Sale of T.T.ASM) & **206C(1F)** (Sale of Car or other notified goods), **small Ind/HUF** whose turnover in the preceding FY is up to ₹1 crore [Business]/ ₹50 lakhs [Profession] is **not liable** to collect TCS.

3) WHEN TO COLLECT / DEPOSIT TCS:

Collected at the time:

When Party's account is **debited** or **Actual Receipt**

Whichever is **earlier**

Deposited by **7th of next month** (even for TCS of March month)

However, in case of sale of Motor Vehicle/Other notified goods, TCS is collected at the time of Actual Receipt of consideration.

4) INTEREST ON LATE COLLECTION OF TCS

= Amt. of TCS x **1% p.m.** x No. of months* [from the date when TCS was **collectible** up to the dt. when it is **collected**.

*part of the month is treated as full month

INTEREST ON LATE DEPOSIT OF TCS =

= Amt. of TCS x **1.5% p.m.** x No. of months* [from the date when TCS was **collected** up to the dt. when it is **deposited**.

*part of the month is treated as full month

5) TCS RETURNS [Due Dates]:

Quarter ended on	Due Date
June 30	15th July
September 30	15th October
December 31	15th January
March 31	15th May

6) Sec. 206CC: HIGHER TCS IF PAN NOT FURNISHED:

In all the transactions, which are subject to TCS, the buyer/lessee shall furnish his PAN to the seller/lessor. If he fails to furnish his PAN or if the furnishes a wrong PAN then TCS shall be collected at **double** the rate or **5%**, whichever is **high** [subject to max. of 20%].

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## ADVANCE TAX AND INTEREST

### → What is Advance Tax?

Normally, tax is paid in the assessment year. However, if tax is **paid in the previous year** itself then it is known as advance tax. Any tax **paid up to 31<sup>st</sup> March of the PY** is treated as advance tax.

### → Who should pay Advance Tax?

An Assessee whose tax liability is **Rs. 10,000 or more** is required to pay the tax in advance i.e. in the previous year itself.

**Note:** A **resident senior citizen** [not having income from business] is **not required** to pay advance tax.

### → How to pay Advance Tax?

An Assessee should **estimate** his total income at the beginning of the year and if his tax liability [**after deducting various credits and reliefs** like TDS/TCS etc.] is Rs. 10,000 or more then he should pay his tax liability during the previous year – in **installments** as per following **due dates**:

| Due Dates                             | Advance Tax           |
|---------------------------------------|-----------------------|
| Upto 15 <sup>th</sup> June of the PY  | 15% of Tax Liability  |
| Upto 15 <sup>th</sup> Sept. of the PY | 45% of Tax Liability  |
| Upto 15 <sup>th</sup> Dec. of the PY  | 75% of Tax Liability  |
| Upto 15 <sup>th</sup> Mar. of the PY  | 100% of Tax Liability |

**Note:** An Assessee subject to **presumptive taxation** u/s 44AD or 44ADA is required to pay the whole of advance tax in **one installment** [up to **15<sup>th</sup> March of PY**]

### → Failure to pay Advance Tax?

For failure to pay advance tax, an assessee is liable to pay **interest u/s 234B and 234C @ 1% per month.**

Interest u/s **234B** is for **non-payment/short payment** of advance tax **upto 31<sup>st</sup> March of PY.**

Interest u/s **234C** is for the **non-payment/short payment** of advance tax **on due dates of four installments** of advance tax.

**Example:**

If the tax liability of an assessee is **Rs. 1,00,000** then the assessee should pay this amount up to 31<sup>st</sup> March of PY. However, he **pays only Rs. 80,000** up to 31<sup>st</sup> March of PY and balance is paid at the time of filing the return say on 24<sup>th</sup> July of AY.

In such case, interest u/s 234B is payable on the **short payment** of advance tax of **Rs. 20,000** @1% pm for the period after 31/3 of PY i.e. from 1<sup>st</sup> April of AY up to the date of actual payment i.e. 24<sup>th</sup> July of AY [4 months].

Hence, Interest u/s 234B =  $20,000 \times 1\% \text{ pm} \times 4 \text{ months} = 800$

Thus, formula for interest u/s 234B is as follows:

**INTEREST U/S 234B**

| <b>Advance tax</b>                                                                                        | <b>X 1% p.m.</b>                                                  | <b>X Period of delay</b>                                                                         |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| <b>= not paid/short* paid</b><br>[Total Tax liability –<br>Tax paid upto 31 <sup>st</sup><br>March of PY] | <b>X</b><br>[part of the<br>month is<br>treated as full<br>month] | <b>X</b><br>[starting from<br>1 <sup>st</sup> April of AY upto<br>the actual date of<br>payment] |

\* if **90%** or more of the tax liability is paid in advance [up to 31<sup>st</sup> March of the PY] then it is **not treated as short payment** and there will be **no interest** under this section [Since advance tax is paid on estimated basis in the PY itself, an assessee cannot be expected to pay the entire amount of his actual tax liability by the end of PY]

In the above example, tax liability of **Rs. 1,00,000** was supposed to be paid in 4 installments. However, assessee paid **Rs. 80,000** only out of which:

**Rs. 5,000** was paid on **10<sup>th</sup> June**,  
**Rs. 20,000** was paid on **12<sup>th</sup> Sep**,  
**Rs. 35,000** was paid on **8<sup>th</sup> Dec** and  
**Rs. 20,000** was paid on **14<sup>th</sup> March**.

Hence, interest u/s 234C will be calculated as follows:

| Due dates<br>(1)               | Advance tax required to be paid<br>(2) | Tax paid<br>(3) | Shortfall<br>(2) – (3) | Amount of Interest u/s 234C |
|--------------------------------|----------------------------------------|-----------------|------------------------|-----------------------------|
| Upto 15 <sup>th</sup> Jun      | 15,000                                 | 5,000           | 10,000                 | 10,000 x 1% x 3* months     |
| Upto 15 <sup>th</sup> Sep      | 45,000                                 | 25,000          | 20,000                 | 20,000 x 1% x 3* months     |
| Upto 15 <sup>th</sup> Dec      | 75,000                                 | 60,000          | 15,000                 | 15,000 x 1% x 3* months     |
| Upto 15 <sup>th</sup> Mar      | 1,00,000                               | 80,000          | 20,000                 | 20,000 x 1% x 1* month      |
| <b>Total Interest u/s 234C</b> |                                        |                 |                        | <b>1,550</b>                |

\* Shortfall in each installment is assumed to be paid in next installment. Hence, in first 3 installments, delay of 3 months is subject to interest. However, shortfall in last installment is assumed to be paid by 31<sup>st</sup> March. Hence, in last installment, delay of 1 month is subject to interest. In fact, in our example, shortfall in last installment i.e. Rs.20,000 is paid on 24<sup>th</sup> July. So, there is delay of 5 months [from 16<sup>th</sup> March to 24<sup>th</sup> July] but out of these 5 months, 4 months [1/4 to 24/7] is subject to interest u/s 234B and 1 month [16/3 to 31/3] will be subject to interest u/s 234C.

Thus, formula for interest u/s 234C is as follows:

## INTEREST U/S 234C

| Due dates<br>(1)            | Advance tax required to be paid<br>(2) | Tax actually paid<br>(3) | Shortfall<br>(2) – (3) | Amount of interest u/s 234C      |
|-----------------------------|----------------------------------------|--------------------------|------------------------|----------------------------------|
| Upto 15 <sup>th</sup> June  | 15% of Tax                             | xxx                      | xxx                    | <b>Shortfall x 1% x 3 months</b> |
| Upto 15 <sup>th</sup> Sept. | 45% of Tax                             | xxx                      | xxx                    | <b>Shortfall x 1% x 3 months</b> |
| Upto 15 <sup>th</sup> Dec.  | 75% of Tax                             | xxx                      | xxx                    | <b>Shortfall x 1% x 3 months</b> |
| Upto 15 <sup>th</sup> Mar.  | 100% of Tax                            | xxx                      | xxx                    | <b>Shortfall x 1% x 1 month</b>  |
|                             |                                        |                          |                        | <b>Total Interest u/s 234C</b>   |

If tax actually paid upto 15<sup>th</sup> June is **12% or more** and

If tax actually paid upto 15<sup>th</sup> Sept. is **36% or more**

then there is **no interest on such shortfall** [because these are initial installments and it's difficult to estimate the tax liability in the initial installments]. However, if the tax paid is less than 12%/36% then the interest will be calculated on the entire shortfall based on 15%/45%.

Capital gains, dividends and winnings cannot be estimated in advance. Hence, tax on capital gains, dividend and winnings is required to be paid only after such income arises [upto due date immediately falling after the date on which such income arises]. However, tax on all other incomes is required to be estimated and paid from the beginning of the year.

## INTEREST U/S 234A

Interest u/s 234A is payable for delay in filing the return. It is calculated as follows:

Amount of interest = **Tax remaining unpaid** **X** **1% p.m.** **X** **Period of delay**  
 on the due date [part of the [starting after the  
 of filing return month is due date of return up  
 treated as full to the actual date of  
 month] filing the return.

⇒ **Summary:**

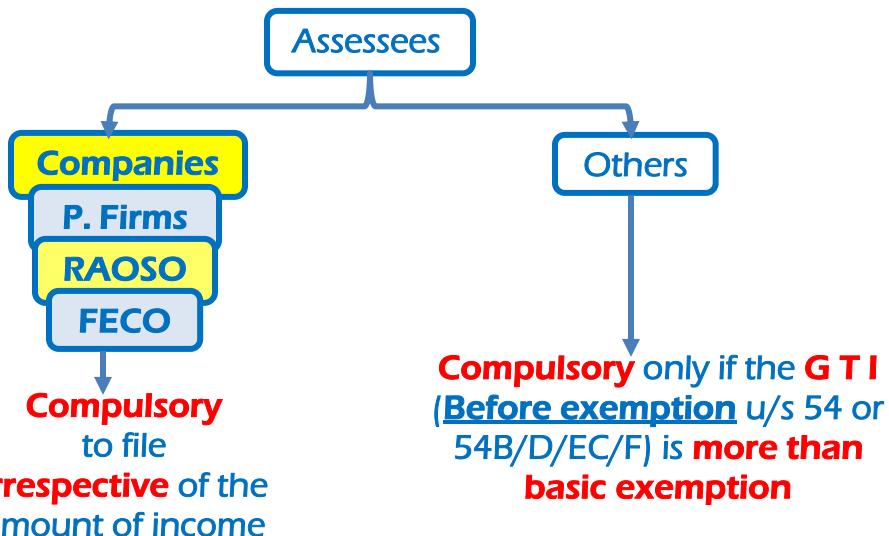
| Sec. 234A                                                                                                | Sec. 234B                                                                                             | Sec. 234C                                                       |                                                                 |                                                                 |                                                                  |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------|
| Tax liability                                                                                            |                                                                                                       |                                                                 |                                                                 |                                                                 |                                                                  |
| <b>Tax liability<br/>Less:<br/>Paid upto<br/>due date<br/>of filing<br/>return</b>                       | <b>Tax liability<br/>Less:<br/>Paid upto<br/>31/3 of PY</b>                                           | <b>Upto 15%<br/>Less:<br/>Paid upto<br/>15<sup>th</sup> Jun</b> | <b>Upto 45%<br/>Less:<br/>Paid upto<br/>15<sup>th</sup> Sep</b> | <b>Upto 75%<br/>Less:<br/>Paid upto<br/>15<sup>th</sup> Dec</b> | <b>Upto 100%<br/>Less:<br/>Paid upto<br/>15<sup>th</sup> Mar</b> |
| <b>x 1% p.m. x</b>                                                                                       | <b>x 1% p.m. x</b>                                                                                    | <b>x 1% pm x</b>                                                | <b>x 1% pm x</b>                                                | <b>x 1% pm x</b>                                                | <b>x 1% pm x</b>                                                 |
| <b>No. of<br/>months<br/>From<br/>Due date<br/>of return<br/>Up to<br/>Actual<br/>date<br/>of return</b> | <b>No. of<br/>months<br/>From<br/>1st Apr. of<br/>AY<br/>Up to<br/>Actual<br/>date of<br/>payment</b> | <b>No. of<br/>months<br/>3 mnths</b>                            | <b>No. of<br/>months<br/>3 mnths</b>                            | <b>No. of<br/>months<br/>3 mnths</b>                            | <b>No. of<br/>months<br/>1 mnth</b>                              |

# RETURNS & SELF-ASSESSMENT

## Section 139(1):

## VOLUNTARY RETURN:

### a) Who should file?



### RAOSO

Resident person having **Asset** located **Outside India** or having **Signing authority** in an account **Outside India**

### FECO

A person, who during the PY, has

- Incurred **> Rs. 2 lakhs** on **Foreign Travel** [for himself/others]
- Incurred **> Rs. 1 lakh** on consumption of **Electricity**
- Deposited **> Rs. 1 crore** in one or more **Current A/c** with a bank [incl. Co-op. bank]
- Fulfilled such **Other conditions** as may be prescribed. For this, the CBDT has prescribed following conditions:
  - If the **turnover** is **> Rs. 60 L** (in case of a **business**) or if the **gross receipts** is **> Rs. 10 L** (in case of a **profession**)
  - If the **aggregate amount of (TDS+TCS)** is **≥ Rs. 25,000** (or **≥ Rs. 50,000** in case of senior citizen)
  - If amount deposited in one or more **savings account** with a bank is **≥ Rs. 50 lakhs**.

**b) When to file? [Due Dates]:**

- CAP – **31<sup>st</sup> October** of the A.Y.
- Transfer Pricing Assessee – **30<sup>th</sup> November** of the A.Y.
- Other Assessee – **31<sup>st</sup> July** of the A.Y.

**C** – Companies

**A** – Other assessee whose accounts are subject to **Audit**

**P** – Partner of a firm whose accounts are audited

**c) How to file?**

Return should be filed in **prescribed form**.

**Section 139(3):**

**LOSS RETURN:**

It is necessary to file the return of loss because as per **sec. 80**, if the return of loss is **not filed in time** then losses **cannot be carried forward**.

However, **house property** loss and **unabsorbed depn.** can be carried forward even if the return is filed **after the due date**.

**Notes:**

- 1) If the return of loss is not filed in time then carry forward is not allowed but **set-off in the same year is allowed**.

**Section 139(4):**

**BELATED RETURN:**

- a) An Assessee can file a belated return either:

- (i) Up to **31<sup>st</sup> December of A.Y.**
- or      (ii) Before **Completion of Assessment**  
whichever is **earlier**

- b) For delay in filing the return, the assessee is liable to pay **Interest u/s 234A** as follows:

→ Interest Amt. = Tax Amt × **1% p.m.** × No. of months of delay  
[Part of the month is treated as full month]

c) For delay in filing the return, the assessee is also liable to pay **Late Filing Fees u/s 234F** as follows:

| Net Taxable Income     | Late Filing Fees |
|------------------------|------------------|
| Up to Rs. 5,00,000     | Rs. 1,000        |
| More than Rs. 5,00,000 | Rs. 5,000        |

**Section 139(5):**

**REVISED RETURN:**

a) If there is any **mistake** or **omission** in the return (whether filed **timely** or **belated**) then the assessee can file a revised return within the following time limit:

(i) Up to **31<sup>st</sup> December of A.Y.**  
**or** (ii) Before **Completion of Assessment**  
 whichever is **earlier**

b) A Revised return can be **further revised**.

**Note:** Once the **original** return is filed **on time**, the assessee shall not be treated as late filer just because the revised return is filed at a later date. Accordingly, there will be **no interest** u/s 234A or **late filing fees** u/s 234F and if there is loss in the revised return then such loss **can be carried forward**.

**Section 139(9):**

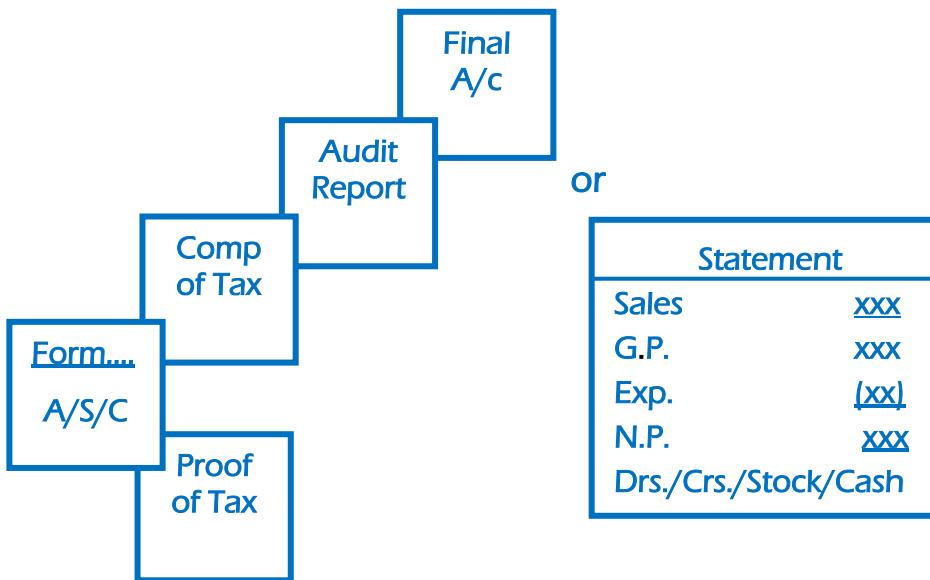
**DEFECTIVE RETURN:**

a) A return is treated as defective in **any one** of the following circumstances:

- The Annexures, statements and columns in the return are **not duly filled in**; or
- The return is **not accompanied** by a copy of:
  - Computation of tax or
  - Proof of tax paid or
  - Audit Report or
  - Final Accounts [If the books are maintained] or

– Statement indicating amount of Sales, GP, Exps, NP, Drs, Crs, Stock & Cash [If the books are not maintained]

b) If the return is defective, the Assessing Officer (A.O.) shall **intimate the defect** to the assessee giving him a **time of 15 days** to rectify the defect. If the assessee fails to rectify the defect within 15 days or such extended time as may be allowed by A.O. then the return is treated as **Invalid**.



**Section 140A:**

**SELF-ASSESSMENT:**

This section requires that the assessee **himself** should **compute** his Total Income/Tax and the assessee **himself** should **pay** the tax (along with Interest and late filing fees, if any)

## UPDATED RETURN

### SECTION 139(8A): UPDATED RETURN

As per this section, a person can file return **upto 48 months** from the **end of AY**. Any return filed after 31<sup>st</sup> December of AY is called updated return. Updated Return (UR) can be filed irrespective of whether such person has already filed the return earlier or not.

This is beneficial for a person who didn't file the return but he wants to file the return for getting loan from bank etc. Also beneficial for those who have shown very low income and want to confess the actual higher income.

### CONDITIONS

1. Updated return cannot be filed to **reduce tax liability** or claim additional refund or to claim loss.
2. Updated Return cannot be filed if it is **already filed** earlier. This means, UR can be filed **only once** for a particular year.
3. UR cannot be filed in respect of a year for which **Assessment** is pending / completed.

#### Note 1:

As per **section 140B**, a person filing UR is required to pay **Additional Tax** (before filing the UR) as follows:

| Updated Return filed                                             | Addl. Tax  |
|------------------------------------------------------------------|------------|
| Up to <b>12</b> months from the end of AY                        | <b>25%</b> |
| After <b>12</b> months up to <b>24</b> months from the end of AY | <b>50%</b> |
| After <b>24</b> months up to <b>36</b> months from the end of AY | <b>60%</b> |
| After <b>36</b> months up to <b>48</b> months from the end of AY | <b>70%</b> |

**25%/50%/60%/70% is applied on:**

**(Tax as per UR incl. Interest – Tax incl. Int. paid earlier)**

## PERMANENT ACCOUNT NUMBER

As per **section 139A**, following persons are required to apply for the allotment of PAN within the specified time limit

|    | Persons required to apply                                                                                                                                                                     | Time limit for application                                                                                                                                 |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) | Every person, whose <b>total income exceeds the basic exemption limit</b> .                                                                                                                   | On or before <b>31<sup>st</sup> May</b> of the assessment year                                                                                             |
| 2) | Every person whose <b>turnover</b> or gross receipts is likely to <b>exceed ₹ 5 lakhs</b> in the PY.                                                                                          | Before the <b>end of such PY</b> .                                                                                                                         |
| 3) | Every person being a resident (other than an individual) who enters into a <b>financial transaction</b> of an amount aggregating to <b>₹ 2,50,000 or more</b> in a financial year.            | On or before <b>31<sup>st</sup> May</b> of the immediately following financial year.                                                                       |
| 4) | Every person who is a managing director, director, partner, trustee, founder, karta, chief executive officer, principal officer or office bearer of any person referred in (3) above          | On or before <b>31<sup>st</sup> May</b> of the immediately following financial year in which the person referred in (3) enters into financial transaction. |
| 5) | Every person, who intends to <b>deposit or withdraw cash</b> in/from a bank or post office, if the aggregate cash deposit or withdrawal during a financial year is <b>₹ 20 lakh or more</b> . | <b>At least 7 days before</b> the date on which he intends to deposit/withdraw cash.                                                                       |
| 6) | Any person, who intends to <b>open a current account</b> or cash credit account with a bank or a post office.                                                                                 | <b>At least 7 days before</b> the date on which he intends to open such account.                                                                           |

## AADHAAR NUMBER

It is compulsory to quote Aadhaar Number in the application form for allotment of **PAN** (Permanent Account Number) and in the **return of income**.

The provisions of section 139AA relating to quoting of Aadhaar Number would **not apply** to an individual who does not possess the Aadhaar number or Enrolment ID and is:

- (i) residing in **Assam, Jammu & Kashmir** and **Meghalaya**;
- (ii) a **non-resident** as per the Income-tax Act, 1961;
- (iii) of the age of **80 years or more** at any time during the PY;
- (iv) **not a citizen** of India

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CONCESSIONAL TAX REGIME

Section 115 BAC: CONCESSIONAL TAX FOR IND./HUF etc.

As per this section, **Individuals** and **HUFs** have an **option** to pay tax at **concessional slab rates** and get **other benefits** if certain deductions/exemptions are **sacrificed**:

→ Concessional Slab Rates:

Net Taxable Income	Tax
up to Rs. 4,00,000	0%
> 4,00,000 up to 8,00,000	5%
> 8,00,000 up to 12,00,000	10%
> 12,00,000 up to 16,00,000	15%
> 16,00,000 up to 20,00,000	20%
> 20,00,000 up to 24,00,000	25%
> 24,00,000	30%

→ Other benefits u/s 115BAC:

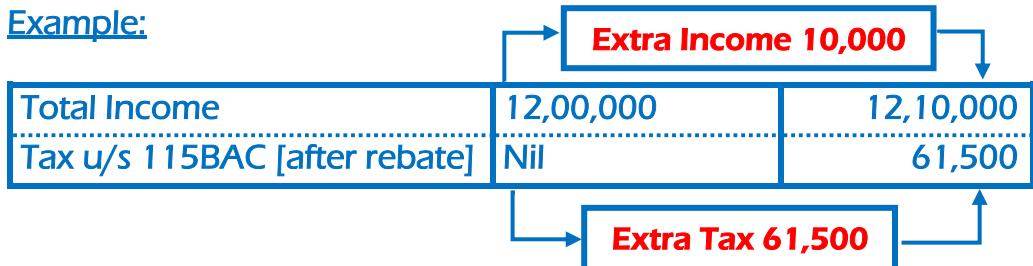
- 1) Surcharge of **37%** is **not applicable** u/s 115BAC.
- 2) Alternate Minimum Tax (**AMT**) is **not applicable**.
- 3) **Increased Standard deduction** for **salaried** employees of **₹75,000** instead of **₹ 50,000**.
- 4) **Increased Standard deduction** limit for **Family Pension** under the head IFOS = **₹ 25,000** instead of **₹ 15,000**.
- 5) For employers contribution to NPS, all employees (Govt. or Non-Govt.) can claim deduction upto **14% of Basic + DA** u/s **80CCD(2)**.
- 6) Rebate u/s 87A of **max.60,000** will be allowed if **NTI is upto Rs. 12 lakhs**. As per sec.115BAC, rebate u/s 87A is not allowed to incomes taxable at special rates [it is allowed **only for incomes taxable at slab rates**].

Marginal Rebate is allowed if the NTI increases marginally above ₹12,00,000.

Amt of marginal rebate

= Extra Tax above ₹12 lakhs – Extra income above ₹12 lakhs.

Example:



	Amt.
Extra Tax	61,500
<u>Less:</u> Extra Income	- 10,000
Marginal Rebate	51,500

→ **Deductions/Exemptions to be sacrificed:**

10AA	Dedn for Exporters in SEZ
Chapter VIA {except u/s 80CCD(2), 80CCH(2) and 80JJAA}	
32(1)(iia)	Additional depreciation
35	Contribution for Research [In-house Res.. exp. is allowed]
35AD	Dedn for Specified Business
Set-off of b/f losses/depreciation arising due to above deductions	
10(5)	Leave Travel Concession
10(13A)	House Rent Allowance
10(14)	Exemption for Children Education/Hostel allowance and Special Compensatory allowances cannot be claimed. However, exemption for following allowances can be claimed: 1) Conveyance allowance for office purpose, 2) Travelling on Tour or Transfer allowance, 3) Daily allowance for day-to-day exps. on tour/transfer 4) Commutation allowance to handicapped emp.
10(17)	Daily allowance to MPs/MLAs
10(32)	Minor Child's Income [Ex. of 1,500 per child to parents]
16	Dedn for Entertainment Allow and Prof. Tax
24(b)	Interest dedn. for Self-occupied property
Set-off of HP loss against other heads	

Note 1:

Section 115BAC is **optional**. Sec. 115BAC is the **default tax regime**. By default, an assessee will be assessed as per the provisions of sec.115BAC. If assessee wants the normal slab rates [old tax regime] then he should inform the I.Tax Dept. This option can be exercised in **any year**. This option should be exercised in **prescribed manner** on or before the **due date of filing return**. This option is revocable i.e. the Assessee can **change** the option **every year**. However, if the assessee has Income from **Business or profession**, the option of normal slab rates can be **revoked only one time** and once revoked, the assessee can never opt for normal slab rates (till the assessee has Income from Business/Profession)



AGRICULTURAL INCOME

As per section 10(1), agricultural income in India is exempt and as per section 2(1A), agricultural income includes following incomes. Hence, following incomes are exempt:

- Income from agricultural operations **[Note 2]**
- Rent from agricultural land
- Income from farm building **[Note 1]**

Note 1: Income from farm building:

Income from farm building will be exempt if all the following conditions are satisfied:

- i) It should be **situated on the agricultural land** or in the immediate vicinity of agricultural land;
- ii) It should be used either as a **dwelling house** or a **store house**;
- iii) The agricultural land should be subject to **land revenue** in India or **any local rate** or it should **not** be **situated in urban area**.

Urban area means area:

- within the municipality having **population of >10,000** or
- within **2 kms** of the municipality having population of **>10,000** or
- within **6 kms** of the municipality having population of **>1 lakh** or
- within **8 kms** of the municipality having population of **>10 lakh**

Note 2: Income from agricultural operations:

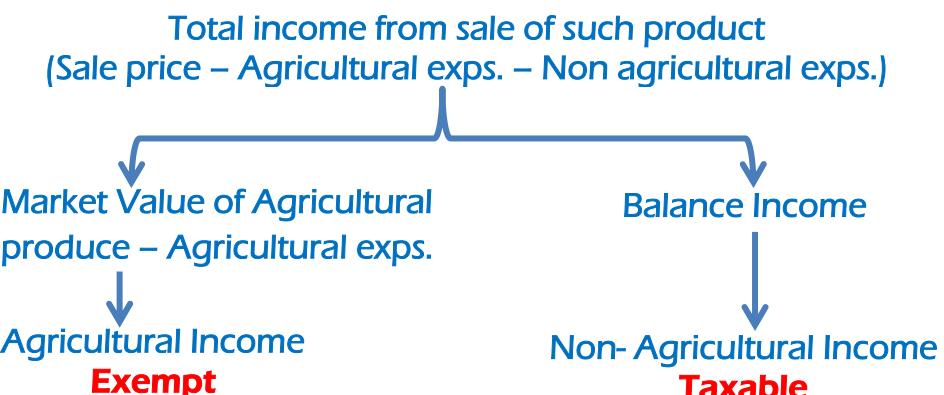
This includes 2 types of incomes as follows:

- 1) Income from sale of products [produced from pure agricultural operations **without any further processing**]: Such income is **fully exempt**
- 2) Income from sale of products [produced from agricultural operations with **further processing** involving non-agricultural operations]: Such income is **partly exempt – partly taxable** as follows:

→ If the product is **Tea, Coffee and Rubber** then there is standard ratio to apportion the agricultural and non-agricultural component as follows:

	Agricultural Income (Exempt)	Non-agri.. income (Taxable)
Income from Tea Business	60%	40%
Income from Coffee Business → Coffee grown and cured → Coffee grown, cured, roasted and grounded	75% 60%	25% 40%
Income from Rubber Business	65%	35%

→ If the product is **other than tea, coffee and rubber** then the agricultural and non- agricultural component is computed as follows:



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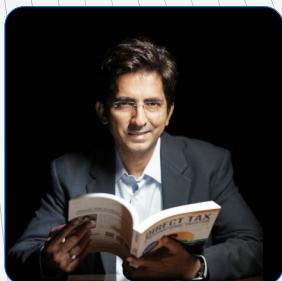
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After qualifying as a Chartered Accountant in 1997 with an All India Rank of 42, CA Shirish Vyas, turned to the Education Industry to transform his passion into a profession. With a vast experience of over 28 years, he is an eminent Professor, Mentor, Motivator and Guide to many CA Students. To instill the same passion and motivation into his students, he founded the Prime Vision Professional Education and is currently a leading faculty and mentor of this prominent Institute.

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