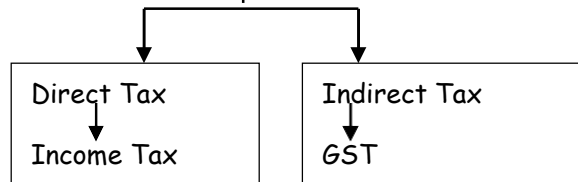


# Topic 1: Basic Concepts and Tax Rates

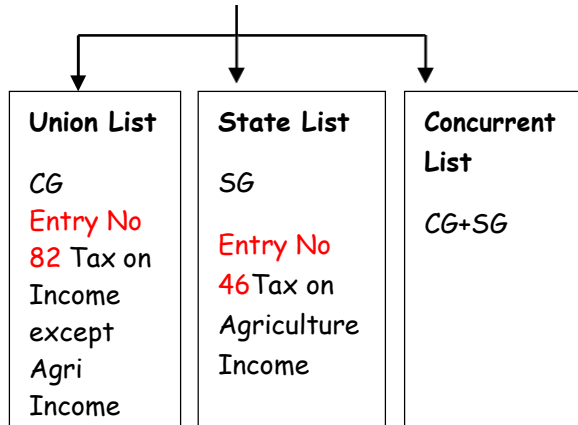
## Basic Points

Tax is a **compulsory** charge imposed by Government



## Indian Constitution :

**7<sup>th</sup> Schedule** of Article 246



## Sources of Income Tax Laws

- Income Tax Act, 1961: **Applicable to Whole of India.**
- Income Tax Rules, 1962.
- Annual Finance Act, 2021.
- Circulars issued by CBDT: Binding to A.O and not on Assessee.
- Notification issued by CG/CBDT
- Judicial Decisions.

## Sec 4: Charge of Income Tax

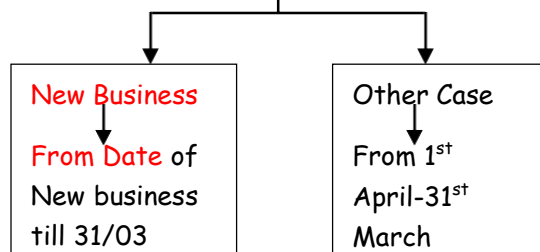
- Income tax is charged for every **Assessment Year.**
- It is Charged on Every **Person** as defined in **Sec 2(31).**
- Charged on **Total income** earned by Assessee during the **Previous Year.**
- **Tax is levied at the rates prescribed by Finance Act.**

## Sec 2(9): Assessment Year [A.Y.]

- Tax Payment Years.
- **12 months period** from 1/04...31/03

## Sec 3: Previous Year [P.Y.]

- Income earning year.
- Previous Year is Just Preceding A.Y.



## Sec 2(7): Assessee

Means any person who is liable to pay **Tax, Interest, or penalty** under Income Tax Act and include

- ✓ Deemed Assessee
- ✓ Assessee in Default

## Sec 2(31): Person

Person **includes:**

- Individual [I]
- Hindu Undivided Family [HUF]
- Company
- Firm [LLP]
- Association of person/ Body of Individual[AOP/BOI]
- Local Authority
- Artificial Juridical Person [AJP]

## General Rule

Income of P.Y. is Taxable in A.Y.

## Exception:

**Cases where Income of P.Y. is taxable in P.Y. itself:**

- Income of Non resident shipping business.
- Income of person leaving India permanently for long Duration.
- Income of Discontinued business.
- AOP/BOI/AJP formed for particular business.
- Person likely to transfer property to avoid tax.

## Five Heads of Income under Income Tax

1. Income from Salary.
2. Income from house Property.
3. Profits and Gains from Business and Profession.
4. Income From Capital Gains.
5. Income From other Sources.

## Steps for Calculation of Total Income

<b>Determine Residential Status First</b>	XXX
<b>Determine Income Under Each Heads</b>	
➤ Income From Salary	
➤ Income From House Property	
➤ PGBP	
➤ Income from Capital Gains	
➤ Income from other Sources	
Clubbing of Income	XXX
Setoff and Carry Forward of Losses	XXX
<b>Gross Total Income</b>	<b>XXX</b>
Less : Deduction under Chapter VI-A	(XXX)
<b>Total Income/ taxable Income</b>	<b>XXX</b>
Tax [Taxable Income × Rate of Tax ] A.	XXX
Add: Surcharge [If Income exceed Limit] B.	XXX
<b>Total A+B</b> C.	<b>XXX</b>
Add: Health and Education Cess [4% on Tax +Surcharge i.e. 4% on C	XXX
<b>Total Tax Payable</b>	<b>XXX</b>
Less: TDS/TCS/Advance Tax	(XXX)
<b>Net Tax Payable/Refundable</b>	<b>XXX/ (XXX)</b>

General Tax rates: For I/HUF/AOP/BOI/AJP [Resident/Non-Resident]

Total Income	Tax Rate
0-2,50,000 [Basic Exemption Limit]	Nil
2,50,000-5,00,000	
5,00,000-10,00,000	
Above 10,00,000	

For Individual Resident [Age ≥ 60]

Total Income	Tax Rate
0-3,00,000 [Basic Exemption Limit]	Nil
3,00,000-5,00,000	
5,00,000-10,00,000	
Above 10,00,000	

For Individual Resident [Age ≥ 80]

Total Income	Tax Rate
0-5,00,000 [Basic Exemption Limit]	Nil
5,00,000-10,00,000	20%
Above 10,00,000	30%

If DOB is 1st April, birthday will be deemed to be on 31<sup>st</sup> March and benefit of Senior Citizen and Super Senior Citizen will be given

Sec 87A: Rebate For Resident Individual

NTI ≤ \_\_\_\_\_

Rebate: 100% of income tax payable (Before HEC)  
↓  
12,500

Will get rebate against all income including lottery, winning etc... but NOT \_\_\_\_\_.

General Tax rates for Partnership Firm/LLP/Local Authority

Tax Rate :30%

Co-operative Societies

Total Income	Tax Rate
0-10,000	10%
10,000-20,000	
20,000	

Domestic Company

Total Turnover or Gross Receipts of P.Y. 2019-20	Tax Rate
Upto Rs _____	25%
Otherwise	30%

Foreign Company

Flat Tax rate: 40%

Surcharge: For I/HUF/AOP/BOI/AJP

Total Income	Tax Rate
>50 Lacs-1 Crore	10%
>1Crore-2Crore	
>2Crore-5Crore	
More than 5 Crore	

Surcharge Rate of \_\_\_\_\_ and \_\_\_\_\_ is not applicable on LTCG u/s 112A, STCG u/s 111A and Dividend Income.

Surcharge: For Firm/LLP/Local Authority/Co-operative Society

Total Income	Tax Rate
Upto 1 Crore	NIL
>1 Crore	12%

Surcharge for Domestic Company

Total Income	Tax Rate
>1 Crore upto 10 Crore	7%
> 10 Crore	12%

Surcharge for Foreign Company

Total Income	Tax Rate
>1 Crore upto 10 Crore	2%
> 10 Crore	5%

Health and Education Cess : Applicable in all cases

4% on [Tax +Surcharge (if any)]

To be added at the end

Marginal Relief

Applicable to All Assessee Where Surcharge is applicable. You have to check marginal relief concept when the total income is little bit more 50 Lacs/1Crore/2Crore/5Crore

Steps for Calculation of Marginal Relief

Step 1: Calculate tax on original Total Income [Without Cess]  
Step 2: Calculate Tax on 50lacs/1Crore/2Crore/5Crore [Without cess]  
Step 3: Tax to be paid=Step 2+Extra Income  
Step 4: Marginal Relief=Step 1-Step 3  
Example: Total income of X Ltd [Indian Co] 1,01,00,000

Step 1: Tax on Rs 1,01,00,000	32,42,100
Step 2: Tax on Rs 1,00,00,000	30,00,000
Step 3: Tax to be Paid = 30,00,000+1,00,000 =	31,00,000
Step 4: Marginal Relief= 32,42,100-31,00,000 =	1,42,100
Total Tax Payable= 32,42,100-1,42,100=	31,00,000
Add: Cess @4%	1,24,000
Total Tax	32,24,000

Example:  
Total of Mr Ram a resident Individual is Rs 5,07,20,000  
Age 50

Step 1: Tax on TI  
=Rs2,05,58,045  
Step 2: Tax on 5,00,00,000  
=Rs 1,85,15,625  
Step 3:  
1,85,15,625+7,20,000  
= Rs 1,92,35,625  
Step 4: Marginal Relief=  
2,05,89,045-  
1,92,35,625=Rs 13,53,420  
Total Tax Payable=  
2,05,89,045-13,53,420  
=Rs 1,92,35,625+Cess@4%  
=2,00,05,050

Maximum Marginal Rate

Highest Slab rate of Individual + Highest Surcharge Rate of individual +HEC  
  
=30%+37% of Tax+4% of Tax and Surcharge.  
  
=30%+11.1%+1.644%  
  
=42.744%

**Deemed Income:**  
**Sec 68: Cash Credit**

- Any Sum found credited in books of the assessee and the assessee offers \_\_\_\_\_  
\_\_\_\_\_ the sum so credited shall be deemed to be income of the assessee of that Previous Year.
- In case of closely held company in respect of any share application money, share capital, share premium or any such amount by whatever name called and the explanation given by company is not satisfactory than such shall be deemed to be income of the company .

**Sec 69: Unexplained Investments**

- Where in the F.Y immediately preceding the A.Y. the assessee has \_\_\_\_\_ in the BOA and the assessee offers no explanation about the nature and the source of investments or the explanation is not satisfactory, the value of the investments are taxed as income of the assessee of such F.Y.

**Sec 69A: Unexplained Money**

- Where in any F.Y. the assessee is found to be owner of any \_\_\_\_\_ and the same is not recorded in the BOA and the assessee offers no explanation about the nature and source of acquisition of such money, bullion, jewellery pr the explanation offered is not satisfactory, the money and the value of such bullion etc. may be deemed to be the income of the assessee of such financial year.

**Sec 69B: Amount of investments not fully disclosed in the books of accounts**

- Where in any F.Y the assessee has made any investments or is found to be the owner of any bullion, jewellery or other valuable article and the A.O. finds that the amount spent on making such investments or acquiring such articles exceeds the amount recorded in the BOA maintained by the assessee and he offers no explanation, such excess may be deemed to be income of assessee for such F.Y

**Sec 69C: Unexplained Expenditure**

- Where in any F.Y assessee incurs any expenditure and he offers no explanation about the source of such expenditure or the explanation is unsatisfactory tot the A.O. then A.O. can treat such unexplained expenditure as the income of the assessee for such F.Y. No deduction allowed in respect of such unexplained expenditure under any head of income.

**Sec 69D: Amount borrowed or repaid on hundi**

- Where any amount is borrowed on a hundi or any amount due thereon is repaid other than through an account-payee cheque drawn on a bank, the amount so borrowed or repaid shall be deemed to be the income of the person borrowing or repaying for the previous year in which the amount was borrowed or repaid, as the case may be. However, where any amount borrowed on a hundi has been deemed to be the income of any person, he will not be again liable to be assessed in respect of such amount on repayment of such amount. The amount repaid shall include interest paid on the amount borrowed.

**Sec 115BB:**

Tax on winnings from lotteries, card game, horse race etc.

**Tax Rate:30%**

**Sec 115BBE: Tax Rate for Deemed Income**

**Tax Rate 60%+ [Surcharge @25% and HEC @4%] = 78%**

- Not Eligible for Basic Exemption or any expenditure under Income Tax Act 1961.
- No setoff off losses allowed.

**Sec 115BAC: Alternate Tax Regime for Individual and HUF**

**It is an Optional at the end of Assessee**

Total Income	Tax Rate
0-2,50,000[BEL]	Nil
2,50,000-5,00,000	
5,00,001-7,50,000	
7,50,001-10,00,000	
10,00,001-12,50,000	
12,50,001-15,00,000	
Above 15,00,000	

- Special Income will be taxable at Special Rates.
- Surcharge will be 10%/15%/25%/37% depending on Total Income.
- Health and Education Cess will be \_\_\_\_\_ always.
- Option Shall be exercised in **FORM \_\_\_\_\_** long with ROI to be furnished u/s 139(1)

**Alternate Minimum Tax**

- Assesse opting 115BAC **not required to Pay AMT.**
- B/F AMT **credit cannot** be setoff against income u/s 115BAC.
- Therefore before opting 115BAC assessee **shall exhaust it's AMT Credit**

**Other Points:**

**Following Benefits or deduction Shall not be available:**

**Salary**

- Salary Allowances Exemption.
- House rent Allowance u/s 10(13A)
- Leave Travel Concession.
- Standard Deduction for Salary.
- Professional Tax.
- Entertainment Allowance.

**Allowance u/s 10(14): Except for the Following**

- Travel allowance to Divyang Employee
- Travelling or Tour Allowance
- Daily Allowance
- Conveyance Allowance

**House Property:** Interest Deduction on SOP.

**PGBP:**

- Additional Depreciation.
- Scientific Research.
- Specified Business.
- Sec 10AA

**IFOS:**

- Allowance for minor income.
- Allowance to MPs/MLA.
- Deduction from family pension u/s 57.

**Rebate u/s 87A Always Available.** **4**

# Topic 2: Residence and Scope of Total Income

## Residential Status of Individual

**Basic Condition** [ Any one is satisfied then Resident]

Total stay in India during PY  $\geq$  \_\_\_\_\_ days;

OR

Total stay in India during PY  $\geq$  60 days AND Total stay in India during last 4 P.Y. \_\_\_\_\_ 365 days [Note 1]

**Additional Condition** [ If Both is satisfied then Resident and Ordinary Resident]

- > Total stay in India in last \_\_\_\_\_ years  $\geq$  \_\_\_\_\_ days &
- > Resident in Any 2 PY out of last 10 PYs.

**CRUX:** If an Individual Satisfy Both additional Conditions  $\rightarrow$  ROR.

None or one Condition  $\rightarrow$  RNOR [Resident but not ordinary Resident]

Date of Arrival & Departure  $\rightarrow$  Considered in India for counting no. of days in India

## [Note 1]: Exceptions to 2<sup>nd</sup> Basic Condition

Following Individuals  $\rightarrow$  Residents only if Period of Stay during PY  $\geq$  182 days [i.e 2nd Condition  $\rightarrow$  Not Applicable in their cases]

(i) Indian Citizens who leaves India during PY as a **member of crew of Indian ship**; [Note 2]

(ii) Indian Citizens who leave India for **employment** outside India;

(iii) Indian Citizen or **Person of Indian Origin** who comes on visit to India in P.Y. [Such person must be engaged in employment/business/profession outside India] **and his total income excluding foreign income is upto Rs 15 Lakhs in P.Y.[#]**

**#** If total income excluding foreign Income is **more than 15 Lakhs** than 2<sup>nd</sup> Basic Condition will be applicable instead of 60 days, \_\_\_\_\_ are considered

**Person of Indian Origin:** If the person or his parents or his grandparents were born in **UNDIVIDED INDIA**. Grandparents include both maternal & paternal grandparents]

[Note 2]: For computation of "No of days stay in India "following time limit shall be excluded

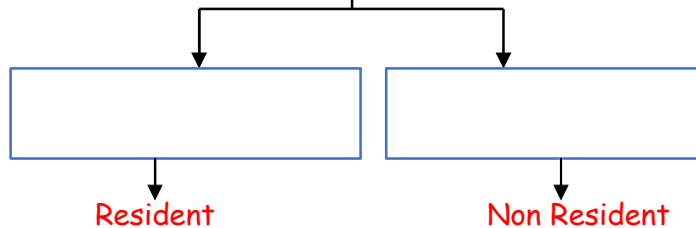
"From the date entered into the \_\_\_\_\_ in respect of joining the ship & ending on the date entered into continuous discharge certificate in respect of signing of the ship"

## Sec 6(1A): Deemed Resident

In case of Indian citizen having total income exceeding Rs 15Lakhs during the P.Y. shall be deemed to be resident in India in that Previous Year, if he is not liable to tax in any other country or territory by reasons of his domicile or residence or any other criteria of similar nature and he is always treated as RNOR

## Residential Status of HUF

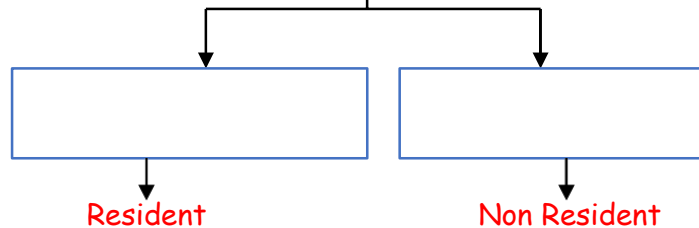
If control or management of its affairs is



If **KARTA** satisfy **Both** Additional Conditions  $\rightarrow$  HUF is **ROR** otherwise **RNOR**

## Residential Status of FIRM/AOP/BOI/AJP/LA

If control or management of its affairs is



**Only Individuals & HUF can be resident & ordinarily resident (ROR). All other classes of assesseees can be either a Resident or Non-Resident**

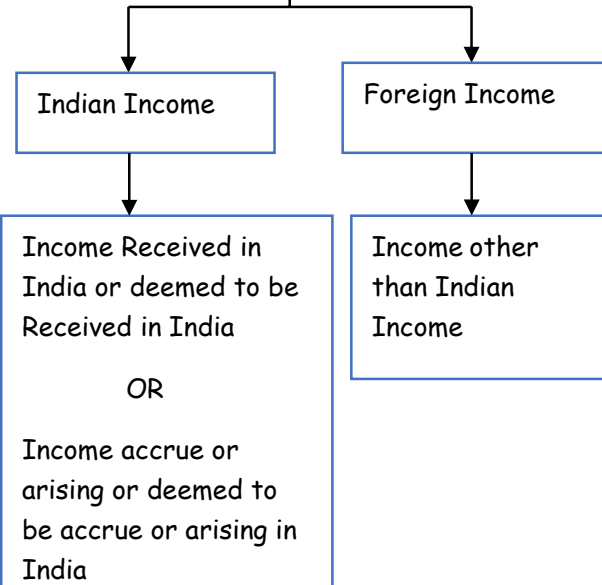
## Residential Status of Company

- > Indian Company - **Always Resident**
- > Foreign Company - If \_\_\_\_\_

\_\_\_\_\_ in that year then Resident otherwise Non resident

**POEM** : means a place where key management and commercial decisions necessary for the conduct of business are substantially made

## Scope of Total Income



- > **Accrue in India** : Means **generated** in India or source is in India
- > **Received in India**: Means where the income has been **first time** received in India. After receiving income o/s India and then remitting to India it cannot be treated as receipt of income inf India
- > Income can be **in cash or in Kind**



## Taxability of Income For Individual and HUF

Income	ROR	RNOR	NR
Indian Income	Taxable	Taxable	Taxable
<b>Foreign Income</b>			
Income from Business and profession Controlled/setup from India	Taxable	Taxable	Not Taxable
Other Foreign Income	Taxable	Not Taxable	Not Taxable

## Taxability of Income For other Assessee

Income	Resident	NR
Indian Income	Taxable	Taxable
Foreign Income	Taxable	Non Taxable

## Sec 7: Income deemed to be received in India

- Contribution in **excess of \_\_\_\_\_** to RPF or interest credited in excess of \_\_\_\_\_
- Contribution by CG or other employer under a **pension scheme** referred u/s 80CCD
- Amount **transferred from unrecognized PPF** to RPF[being ER contribution and int thereon]

## Sec 9: Income Deemed to be accrue or arise in India

Income (of a NR) from Business Connection in India  
**Business Connection means person acting on behalf of NR**  
 Must have **Authority** to conclude contracts on behalf of NR  
**habitually maintains stock of goods/** merchandise from which he regularly delivers goods/merchandise in India on behalf of NR.  
 Where he **habitually secures orders** in India for NR.

## Interest, Royalty, FTS [Fees for Technical services]

Deemed to accrue in India in following cases & taxable to everyone:

Taxable if paid by	Tax Treatment
GOI → NR	<b>Always Taxable</b> to NR if paid by GOI.
Resident → NR	<b>Not taxable</b> to Recipient NR in following cases: (i) If <b>Loan</b> is used for business/profession <b>o/s India</b> . (ii) If <b>Royalty/FTS</b> are for business/profession <b>o/s India</b>
NR → NR	<b>Taxable:</b> (i) If Loan is used for Business/Profession <b>in India</b> by NR. (ii) If Royalty/FTS are for Business/Profession in India. (iii) <b>Not Taxable:</b> If Loan is used by NR for <b>other than</b> Business/Profession

## Significant Economic Presence [SEP]

SEP of a NR in India shall also constitutes Business Connection in India

Nature of Transaction	Condition
Transaction in respect of any Goods/ Services/ Property carried out by a NR with any person in India including provision of download data or software in India	When Aggregate Payments Exceeds _____
Systematic and continuous soliciting of Business activities or engaging interaction with users in India	

## Not to be considered as Business Connection

- Purchase **of goods in India for export**
- News collection in India, transmission o/s India
- \_\_\_\_\_ films in India [Firm or company should not have any partner or shareholder who is resident or citizen of India]
- Foreign company engaged in **mining of uncut** or unassorted diamonds in Special Economic zone

## Other Points:

- Income from **property, Asset or source of Income is situated** in India, then it is treated as deemed to be accrue or arise in India
- **CG** on asset situated in India
- **Salary Income for services** rendered in India whether such Income is before or after service rendered like gratuity, pension, profit in lieu of salary
- Salary received by Indian citizen from government for service rendered o/s India **EXCEPT perquisite and allowance**
- Dividend paid by Indian company o/s India
- **Gifting** of any money by Resident to NR / foreign company

# Topic 3: Income which do not form part of Total Income

## Sec 10(1): Agricultural Income [Exempt]

**Sec 2(1A)** Agricultural Income: [Income of cultivators + Land holders who have rented out lands]

- > **Rent/Revenue** derived from letting of **land situated in India** & used for agriculture
- > Income from sale of agriculture produce [Note 1]
- > Rent from house [used for dwelling and store house]
- > Income from saplings/seeds grown in Nurser

Note: Foreign Agricultural land → **Agricultural Income is taxable u/h IFOS.**

## Note 1: Rule 7: Sale of Agriculture Produce

**Sale in Raw Form:** Total Agriculture Income

Sale after process

Process is Compulsory for sale:  
**Total Agriculture Income**

Process is Optional for sale

**Business Income:**  
Sale of Final product -  
Market value of agriculture used -  
Further process cost

**Agriculture Income:**  
Market value of Agriculture produce -  
Cost of cultivation

## Special Rules for Tea, coffee & Rubber

Rule		Agriculture Income	Business Income
8	Growing & Manufacturing of Tea		
7B	<b>Growing &amp; Manufacturing of Coffee</b> Sale of coffee grown & cured. Sale of coffee grown, cured, roasted & grounded		
7A	Growing & Manufacturing of Rubber		

**Bifurcation should be done after claiming**

## Scheme of Partial Integration

**Applicable:** Individual/ HUF/AOP/BOI/AJP

**Conditions:**

Agriculture Income **more** than Rs **5000** and **Non agriculture Income** more than Basic Exemption Limit

**Computation of Tax Liability**

Non Agriculture Income [TI]	A	xx
Agriculture Income	B	xx
Total [A+B]	C	xx
Tax Payable on C	D	xx
Aggregation of B and BEL	E	xx
Tax Payable on E	F	xx
Net Tax Payable [D-F]	G	XX

## Sec 10AA: Special Economic Zone

Applicable to entity which begins to manufacture or produce article things or computer software in any SEZ, deduction is allowed as follow

**Exempt Profit: Export Profits** derived from articles/things or providing any Services from SEZ unit

### Export Profits

**PGBP of SEZ unit X Export turnover/Total turnover**

**Deduction under this section available only if SEZ unit received approval up to 31/03/20 and manufacturing started till 31/03/21**

Total TO & Export TO does not include freight, telecommunication or insurance charges

- > Export T/O means consideration in respect of export brought into India in Convertible foreign currency within time permitted by RBI
- > Sale proceeds deemed to be received in India if a/c opened o/s India if opened with RBI approval

### Period of Deduction

For first five A.Y.	
For Next 5 A.Y.	
For Next 5 A.Y.	<b>50% of Export Profits OR Amount debited to P&amp;I A/c and credited to SEZ Reinvestment allowance Reserve a/c</b>

Reserve amount to be utilized to acquire new P&M within 3 years and also put to use within 3 years

Reserve cannot be used for : (i) Paying Dividend; (ii) Creation of Asset o/s India

### Below are also eligible for 10AA

- > Software developed at client place
- > Profits earned as a result of deployment of technical manpower at client place abroad for software development
- > When there is change in SEZ to another SEZ deduction allowed but on proportionate basis in case of change in ownership deduction also allowed to new

### Sec 14A: Expenditure incurred in relation to Exempt Income

- No deduction is allowed in respect of expenditure incurred by assessee for earning exempt income
- When A.O. **Satisfied** about correctness of the claim of expenditure- No action required
- When A.O. **is not satisfied**- Expenditure disallowed as per Rule 8D

### Alternate Minimum Tax

Applicable to **All assessee except** \_\_\_\_\_

**Sec 115 JC Income Tax payable by any person is higher of**

Tax as per income tax [Post SC & HEC]  
Adjusted total income X \_\_\_\_\_ [Post SC & HEC]

NTI as per normal provisions of tax	xx
+ Deduction u/s 10AA	xx
+ Deduction u/s 35AD	xx
+ Deduction u/c VI A [80 QQB, 80JJ AA 80 RRB]	xx
- Depreciation on asset assuming 35 AD not applied	(xx)
<b>Adjusted Total Income[ATI]</b>	xx

- Not applicable for individual / HUF / AOP/BOI/AJP with **ATI < \_\_\_\_\_**
- Applicable Only if assessee claiming deductions

### Amt Credit

- When AMT > Normal tax excess shall be treated as AMT credit
- AMT can be c/f and set off for 15A.Y.
- Setoff allowed when normal tax > AMT
- Credit= \_\_\_\_\_

AMT Not applicable when Assessee opted 115BAC

### Rule 8D: Expenditure in relation to Exempt Income

Amount of Expenditure directly relating to Exempt Income	xx
Amount equal to 1% of his annual average of monthly average of the opening & closing balance of investment, income from which is exempt	xx
Total disallowed u/s 14A	xx

Total Disallowance shall not be \_\_\_\_\_

Sec	Income	Eligible Assessee
10(2)	Income Share received by member from HUF	Member of HUF
10(2A)	Income share received by partner from FIRM	Partner of Firm
10(4)(ii)	Interest on money standing in NRE a/c in India	
10(6)(ii)	Remuneration of Foreign Diplomats in India: [not engaged in any other Business/Profession in India] AND Remuneration received by Indian official in such foreign countries should be Exempt.	
10(6)(vii)	Salary received by crew Member of Foreign Ship: If His stay in India ≤ 90 days in a PY.	Individual [Non resident who is not a citizen of india]

Sec	Income	Eligible Assessee
10(6)(vi)	Remuneration of Employees of a Foreign Enterprise: [Employer is not engaged in any other business/profession in India] 1. Employees' Stay in India ≤ 90 days in PY; 2. Remuneration paid to such employee → should Not Deductible to Employer:	Individual-Salaried employee not being citizen of India
10(6D)	Royalty/FTS received from National Technical Research Organisation (NTRO) → for services rendered in or outside India to NTRO.	NR and Foreign Company
10(10BB)	Payment to Bhopal Gas Victims	Any person
10(10BC)	Compensation received on account of Disaster from CG or SG or Local Authority	Any person
10(11A)	Payment from Sukanya Samridhi Scheme[ Interest also]	Any person
10(16)	Educational Scholarship	Any person
10(17)	Payment to MP MLA Daily and constituency allowance	Any person
10(17A)	Awards for literacy, scientific and artistic and other awards by the government	Any person
10(18)	Pension received by individual who has been in service of CG or SG and has awarded "Paramvirchakra" or " Mahavirchakra"or " Virchakra" such other awards CG notifies is exempt	Any person
10(26AAA)	Sikkimese Individual (i) Income from Any source in Sikkim (ii) Dividend/Interest → Exempt; If Sikkimese woman marry Non-Sikkimese on/after 1.4.2008 → Not Exempt.	Specified income of Sikkimese Individual

# Topic 4: Income from Salaries

## Sec 15: Charging Section

- Where there exists a relationship of **employer and employee** then income received is taxable under the head salary.
- Salary is taxable even in case of part time job like employee work with 2 employer's simultaneously.
- Salary is taxable on the basis of **due or received** whichever is earlier.

### Exception:

Following salaries charged to tax only on receipt basis

- ☐
- ☐
- ☐
- ☐

- Salary received by partner form partnership is taxable under the head PGBP.
- Salary received by MP, MLA, MLC shall be taxable under the head IFOS.

## How to Compute Salary

Basic Salary	XX
Add: Taxable allowance	XX
Add: Taxable Perquisite	XX
<b>Gross Salary</b>	<b>XX</b>
Less: Deduction u/s 16.	(XX)
<b>Net Salary</b>	<b>XX</b>

## Basic Salary

It is fully Taxable

## Allowances

### Dearness Allowance

- Dearness Allowance is fully taxable whether **it is in terms or not in terms**.
- If nothing is given about DA **then assume it is not in terms**

### Bonus

- Taxable on **receipt basis**. Consider only when actually received by company

### Commission

**Fully taxable** irrespective of any nature.

### Advance Salary

- Taxable on **receipt basis**.
- If advance against salary given then it shall be ignored or if only advance given then ignore **as it is treated as loan**.

### Arrears Salary

- Means salary under dispute or increase of salary retrospectively. Taxable in the year in which it is received

## Allowances Exempt u/s 10(14)

### Commutation/Transport Allowance

**Max Rs 3,200 p.m.** [in case of blind /deaf& dumb or handicapped

## Allowances Exempt u/s 10(14)

### Children Hostel Allowance

- Max Rs 300 p.m.** per child [max 2 child]

### Children Education Allowance

- Max Rs 100 p.m.** per child [max 2 child]

### Underground Allowance

- Allowed to employee who is working in unnatural climate.
- Max Rs \_\_\_\_\_**

### Tribal Allowance

- Max Rs 200 p.m.**

### Allowance to employees of transport undertaking

Amount received \* 70%  
OR  
Rs 10,000 p.m.

## Fully Exempt Allowance

## Sec 10(13A): Exemption for House Rent Allowance

40%/50% of salary  
OR  
Actual Amount received  
OR  
Rent Paid - 10% of Salary

### Notes:

- Salary = Basic + DA[T]+ Commission[T]
- If there is any change in factor namely salary, HRA, Period, place of business etc. needs to be computed separately
- \_\_\_\_\_if metro cities [Mumbai/Delhi/Chennai/Kolkata]

## Sec 16(ii): Entertainment Allowance

- Fully Taxable for all employees. Deduction is allowed to government employees.**

### Amount of Deduction for government employees

20% of Basic Salary  
OR  
Actual Amount received  
OR  
Maximum Rs 5,000

## Sec 16(i): Standard Deduction

Rs 50,000  
OR  
Amount of salary

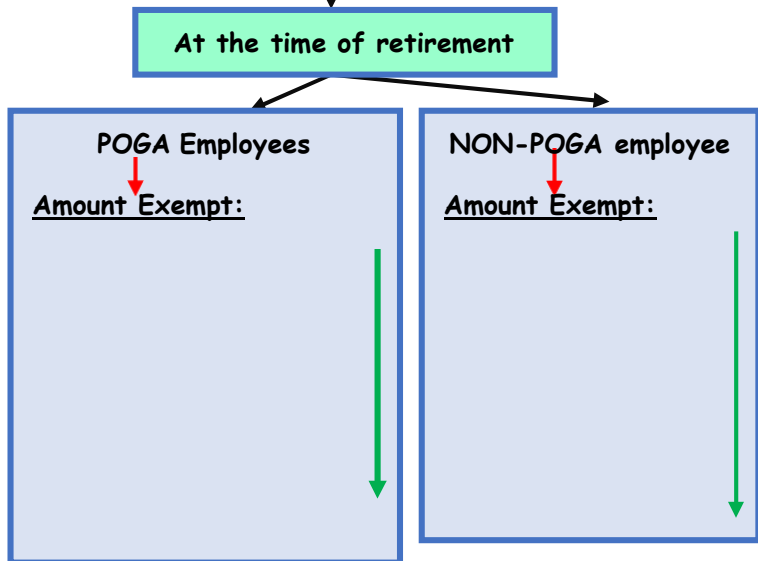
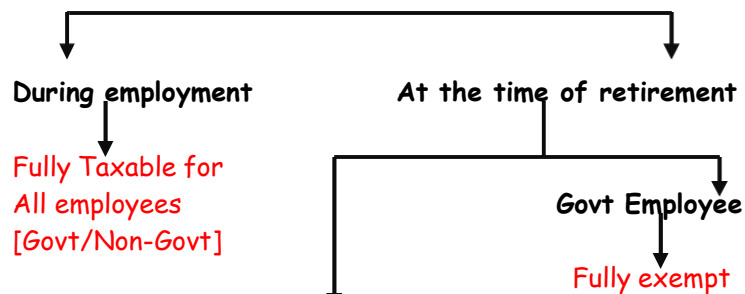
## Sec 16(iii): Professional Tax

- Professional tax means tax on employment, profession, trade, etc. levied by a state under article 276 of the Constitution.
- Deduction = Actual Amount Paid**
- If Employer has paid the amount, 1st Add in salary and then take the deduction



## Gratuity

Salary p.m.	Latest Basic Salary p.m. + Latest D.A.[Both]
Average Salary p.m.	Avg Basic Salary of Last 10 [excluding retirement month] months + Avg DA [T] of last 10 months + Avg T/O commission of last 10 months



### Note:

Complete year of service: For calculating complete year of service any period of more than 6 M shall be taken to be full year [only for POGA employee]

Leave Credit = \_\_\_\_\_

Maximum 30 days are allowed for every completed year

## Sec 10(10C): Voluntary Retirement Scheme

### Amount Exempt:

Actual Amount Received  
OR  
Maximum Rs.5,00,000  
OR  
Salary p.m. x 3months x No of years of Completed Service.  
OR  
Salary p.m. x Balance no of months left for service

Salary p.m.= Basic + DA[T] + Commission [T]

## Sec 10(10B): Retrenchment Compensation

### Amount Exempt:

Maximum Rs.5,00,000  
OR  
Compensation as per Industrial Disputes Act [Note 1]

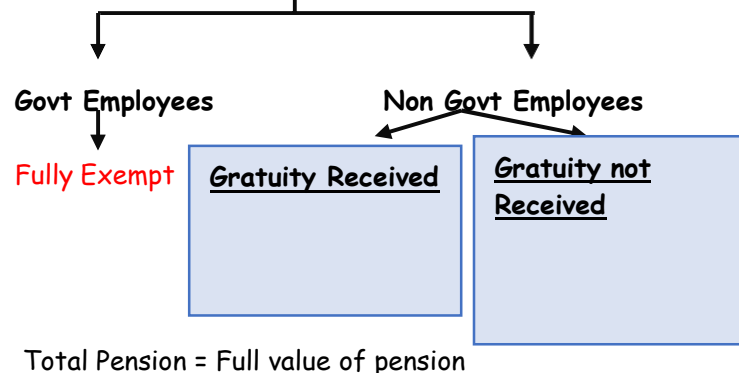
### Note:

- $\frac{15}{26} \times \text{Avg Salary of last 3months} \times \text{No of years of completion of service}$
- Salary p.m.= Basic + DA[T] + Commission [T]

## Pension

Uncommuted Pension [monthly pension] =

Commuted Pension [Lumpsum pension]: Exempt



## Provident Funds [PF]

Particulars	SPF	RPF	URPF
EE Contribution	Deduction u/s 80C	Deduction u/s 80C	No Deduction u/s 80C
ER's Contribution	Exempt	Exempt up to 12% of Salary Salary = Basic + DA[T] + Commission [T]	Exempt
Interest on PF	Exempt	Exempt from tax Up to 9.5% p.a.;	Exempt
Repayment of Lumpsum Amount at the time of retirement	Exempt u/s 10(11)	Exempt from tax, subject to fulfillment of certain condition	<ul style="list-style-type: none"><li>EE Cont: Exempt</li><li>Int on EE Cont: Taxable under IFOS</li><li>ER'S Cont: Taxable under Salary</li><li>Int on ER's Cont: Taxable under Salary</li></ul>

### Conditions:

Only if Employee has rendered 5 years of service or more  
If rendered less than 5 years of service then exemption allowed earlier in respect of contribution and interest shall be withdrawn.

However, in the following cases exemption shall not be withdrawn even if service rendered is for less than 5 years.

- Employee retired due to death.
- Employee retired due to shut down of employer's business
- Employee has retired with the instructions that his balance in RPF should be transferred to new employer or to NPS referred u/s 80CCD

### Common Note for SPF/RPF:

- Exemption u/s 10(11)/(12) not available for interest accrued during the P.Y. to the extent it relates to the contribution made by that person/employee exceeding Rs 2,50,000 in any P.Y. in that fund on or after 1/4/2021
- If ER does not made contribution than limit of Rs 2,50,000 not applicable
- Interest accrued before 31/3/2021 would be exempt without any limit

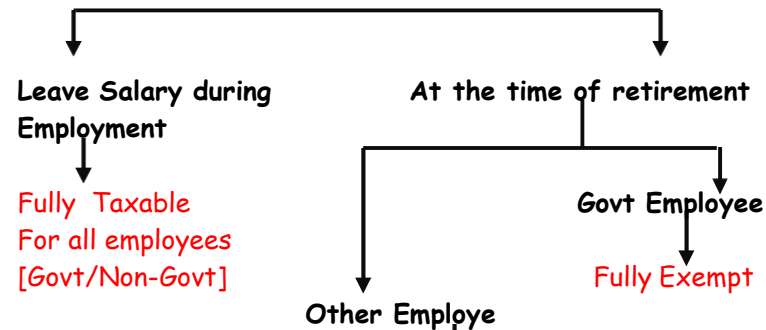
## Super Annuation fund [SAF]

Particulars	SAF
EE Contribution	
ER's Contribution	
Interest	
Repayment of Lumpsum Amount at the time of retirement	

Unapproved Super annuation fund = Same as URPF

## Leave Salary

It means payment made against unutilized leave



### Avg Salary p.m. =

Avg Basic salary of Last 10 months + Avg DA [T] of last 10 months + Commission [T] last 10 months

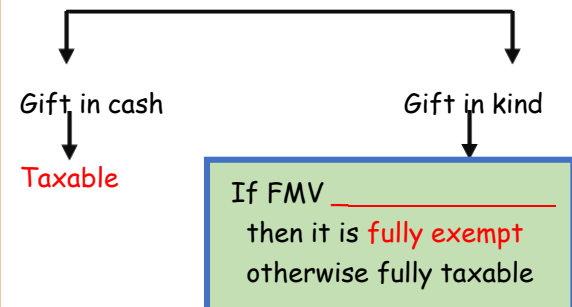
**Note:** Last 10 months from the date of retirement

### Exempt Amount:

## Sec 17(2): Perquisites

- It means extra benefit offered by employer to employee. It may be monetary or monetary.
- Perquisites is received when actual expenditure is incurred [car facility, medical facility]

### Gift



## ESOP: Employee Stock option Plan

Shares offered by company to employees at Less than market price  
**Taxable Amt =** \_\_\_\_\_  
 Take FMV of the date on which shares is exercised by employee

### Movable Asset

Computer/Laptop: Fully Exempt

### Other Asset:

1. Owned by employer

**Taxable Amount =** \_\_\_\_\_

2. Hired by employer

**Taxable Amount = Hire charges paid by ER**

### Gas Electricity and Water supply

It is fully taxable.

### Free Servant

It is fully Taxable

## Sec 17(2): Perquisites

### Transport facility for Transport employee

- Employee who are working with airline and railway company: **Airline and Railway facility is fully exempt.**
- For other employee: **Fully Taxable.**

### Educational facility:

- For employee: **Fully exempt**
- For children: **It is exempt if value of education is up to Rs 1,000p.m. per child and education is provided in employer's own institution or institution where employer have tie-ups, otherwise fully taxable.**
- For other relative: **Fully taxable**

### Loan

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

**Taxable Amount**

**=** \_\_\_\_\_

### Notes:

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

### Lunch Facility

Exempt upto Rs 50 per meal, if lunch is provided in office premises or through paid vouchers

### Note:

- Tea, coffee or breakfast is not taxable
- Lunch provided in remote area is not taxable

## Sec 17(2): Perquisites

### Leave Travel Concession

#### 1. Travel by Air:

**Amount Exempt:**

**Actual Expenses**

**OR**

**Economy class fare [Air India]**

#### 2. Travel by any other mode

**A. Railway Facility available:**

**Amount Exempt:**

**Actual Expenses**

**ORS**

**1<sup>st</sup> Class railway AC**

**B. Railway Facility not available**

**(i) Recognised transport facility available**

**Amount Exempt**

**Actual Expenses**

**OR**

**Deluxe class bus fare**

**(ii) Recognised transport facility not available**

**Amount Exempt:**

**Actual Expenses**

**OR**

**1<sup>st</sup> Class railway fare of Similar distance**

### Notes:

LTC is available for the travel of EE, his spouse, children and dependent relative [M,F,B,S].  
 LTC is available only for 2 children

**1<sup>st</sup> time = 1child 2<sup>nd</sup> time= Twins:**  
**Exemption allowed to 3 children.**

**1<sup>st</sup> time = 1twins 2<sup>nd</sup> time= 1child**  
**:Exemption allowed to 2 children**

## Sec 17(2): Perquisites

### Medical Facility

#### When the treatment is done in India:

Treatment in Govt hospital,  
Treatment in ER's own hospital  
Treatment in Govt Recognised  
Hospital

Otherwise: **Fully Taxable**

#### When the treatment is done outside India:

Benefit of treatment  
Benefit of Stay

Benefit of Travel:

#### Note:

- Medical insurance premium is fully exempt
- Exemption for stay and travel is allowed only for one patient and one attendant
- Exemption for treatment is allowed for EE, spouse, children, and dependent relative[M,F,B,S]

### Hotel Benefit

#### Taxable Amount:

- (I) 24% of Salary [Basic + DA + Bonus + Taxable Allowances + Commission [All] + other monetary income]
- (II) Hire [Rent] charges paid by employer

#### Notes:

- If hotel facility for transfer of employee upto 15days then not taxable
- If employer recover any rent from employee then reduce such amt from taxable amount

## Sec 17(2): Perquisites

#### For Government Employee:

Taxable as pee license fees decided by Govt

#### For other-employee:

##### I. Owned by Employer:

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

Furniture also provided = 10% of Cost

##### II. Hired by Employer:

Taxable Amount = 15% of Salary  
OR

Hire Charges paid by ER  
Furniture also provided: Hire charged paid by ER

#### Note:

- For Population upto 10lacs: **7.5%**
- For Population > 10lacs upto 25 lacs: **10%**
- For population > 25lacs: **15%**
- Salary = Same as mentioned in hotel benefit.
- Salary of Current period should be considered.
- Advance/Arrears of salary = Ignored
- Retirement benefit should not be considered [gratuity, VRS, Pension, Leave salary, lumpsum amt from P.F., Retrenchment compensation]
- Salary should only for the period of for which assessee has occupied property.
- **ER Contribution towards PF and Int on PF = Ignored**

### Car Facility

#### Car is used fully for office purpose:

If ER maintains record of each journey and employer issue certificate that car is used exclusively for office purposes

#### Car is used fully for Personal

##### purpose:

1. Car is owned by Employer: 10% of Cost  
OR
2. Hired by employer = Hire charges paid by employer[1]D  
Driver's salary [if paid by employer][2]  
Running and maintenance charges [if paid by employer][3]

Total Exempt = 1+2+3

#### Car is used fully for partly office and partly personal purpose:

##### 1. Car owned by Employee:

- (a) Running and maintenance charges paid by Employee: **No benefit and not taxable**
- (b) Running and maintenance charges paid by Employer

**Taxable Amount= Running and maintenance charges paid by ER - 1800p.m./2400p.m.**

For upto 1600CC= 1800p.m.

For more than 1600CC = 2400p.m.

##### 2. Car owned by Employer:

- (a) Running and maintenance charges paid by Employee:

**Taxable Amount = 600p.m./900p.m**

For upto 1600CC= 600p.m.

For more than 1600CC = 900m.

- (b) Running and maintenance charges paid by Employer:

**Taxable Amount = 1800p.m./2400p.m**

For upto 1600CC= 1800p.m.

For more than 1600CC = 240p.m.

## Sec 17(2): Perquisites

### Following perquisites which are fully exempt

- ✓ Telephone or mobile bill paid or reimbursed by employer.
- ✓ Scholarship to ee's children.
- ✓ Goods sold by employer to employee at reasonable price
- ✓ Tax on non-monetary perquisite paid by employer.

### Sale of shares by Employee

Capital gain will be applicable at the time of sale in the hands of employee:

#### Computation of Capital Gain

FVOC [Sale price]	XX
Less: Cost of Acquisition [FMV as per Sec. 3(8)]	(XX)
STCG/LTCG	XX

POH = from Date of allotment of ESOPS till the date of transfer of shares by employee

### Taxability of ESOPS in case of Startups referred u/s 80-IAC

Eligible startups are required to deduct TDS in case of ESOPs within 14 days from:

- After the expiry of 48 months from the end of relevant A.Y. or
- From the date of sale of such specified security or sweat equity shares by the assessee or
- From the date of the assessee ceasing to be the employee of the startup.



### Sec 17(2)(vii)

The amount or aggregate of amounts of any contribution made

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

by the employer to the account of the assessee, **to the extent it exceeds Rs 7,50,000.**

### Sec 17(2)(viii)

Annual accretion by way of Interest/dividend /similar amount on contribution of more than Rs 7,50,000

By ER also treated as Perquisite in hands of EE and Taxable. Calculation of Annual Accretion of Interest Dividend etc in P.Y.

**TP =**

TP	Taxable perquisite under section 17(2)(viii) for the current previous year
PC	Amount or aggregate of amounts of employer's contribution in excess of Rs 7.5 lakh to RPF, NPS u/s 80CCD and approved SAF during the previous year
PC1	Amount or aggregate of amounts of employer's contribution in excess of Rs 7.5 lakh to RPF, NPS u/s 80CCD and approved SAF for the previous year or years commencing on or after 1st April, 2020 other than the current previous year
TP1	Aggregate of taxable perquisite under section 17(2)(viii) for the previous year or years commencing on or after 1st April, 2020 other than the current previous year
R	I/Favg
I	Amount or aggregate of amounts of income accrued during the current previous year in RPF, NPS u/s 80CCD and approved SAF
Favg	Amount or aggregate of amounts of balance to the credit of RPF, NPS u/s 80CCD and approved SAF on 1st April, 2021 + Amount or aggregate of amounts of balance to the credit of RPF, NPS u/s 80CCD and approved SAF 31st March, 2022/2

### Perquisite Taxable

ESOPs or Sweat equity shares are taxable as perquisite in hands of employee in the year in which shares allotted to employee.

**Taxable Amt = FMV of Shares on the date on which option exercised - Amt paid by Employee for ESOPs**

#### **Calculation of FMV as per Rule 3(8)**

##### **I. If shares are listed on recognized stock exchange**

=

In a case where, on the date of the exercising of the option, the share in the company is listed on a recognized stock exchange, the **fair market value shall be the average of the opening price and closing price of the share** on that date on the said stock exchange.

##### **If shares are listed on more than one recognized stock exchange -**

However, where, on the date of exercising of the option, the share is listed on more than one recognized stock exchanges, the fair market value shall be the **average of opening price and closing price of the share on the recognised stock exchange which records the highest volume of trading in the share**

**If no trading in share on recognized stock exchange - Further, where on the date of exercising of the option, there is no trading in the share on any recognized stock exchange, the fair market value shall be -**

(a) the closing price of the share on any recognised stock exchange on a date closest to the date of exercising of the option and immediately preceding such date; or  
(b) the closing price of the share on a recognised stock exchange, which records the highest volume of trading in such share, if the closing price, as on the date closest to the date of exercising of the option and immediately preceding such date, is recorded on more than one recognized stock exchange.

##### **II. If shares are not listed on recognized stock exchange**

- In a case where, on the date of exercising of the option, the share in the company is not listed on a recognised stock exchange, **the fair market value shall be such value of the share in the company as determined by a merchant banker on specified date.**

### Rule 9D: Calculation of interest relating to contribution in SPF, RPF, exceeding specified limit

Separate accounts within the PF account shall be maintained during the P.Y. 21-22 and all subsequent P.Y. for taxable contribution and non-taxable contribution made by a person.

#### **Non-Taxable contribution account shall be the aggregate of the following**

- Closing balance in the account as on 31/3/2021
- Any Contribution made by the person in the account during the P.Y. 21-22 and subsequent P.Y. which is not included in the taxable contribution account and
- Interest accrued on (i) and (ii) as reduced by withdrawal, if any, from such account

#### **Taxable contribution account shall be the aggregate of the following**

- Contribution made by the person in a PY in the account during the PY 21-22 and subsequent PY which is in excess of 2,50,000/5,00,000
- Interest accrued on (i)

### Rebate u/s 89 for Arrears of Salary

**Step 1:** Firstly, calculate the tax due in the current year by including the arrears in your total income.

**Step 2:** Now, calculate the tax due in the current year by excluding the arrears from your total income.

**Step 3:** Compute the difference of the two figures step 1 and step 2 and let's call that difference as X

**Step 4:** Now calculate your tax due in the year for which the arrears have been received including the arrears in your total income

**Step 5:** Then calculate your tax due in the year for which the arrears have been received by excluding the arrears from your total income.

**Step 6:** After that compute the difference of the two figures of Step 4 and 5 and let's call the difference as Y

**Step 7:** Lastly Subtract X from Y and you will get the relief amount



# Topic 5: Income from House Property

## Sec 22: Charging Section

Rental Income [Annual Income] is taxable under the head IFHP if following two conditions are satisfied

- ✓ There should be House property [House property means **building** or **land appurtenant** thereto]
- ✓ Assessee should be **owner** [Legal & deemed] of that house property

## How to Compute IFHP?

Gross Annual Value [GAV] [Note 1]	xx
Less: Municipal taxes paid [Note 2]	(xx)
Net Annual Value	xx
Less: <u>Deduction u/s 24</u>	
(a) Standard Deduction [30% of NAV]	(xx)
(b) Interest on Loan	(xx)
Income from house property	xx

## Sec 23: Gross Annual Value [Note 1]

1. Calculate **Expected Rent** (ER) → **Higher** of (a) MV or (b) FR subject to Max. of SR.
2. Calculate **Actual Rent** Received (ARR)  
Rent Received + Rent receivable - Unrealized Rent
3. GAV = **Higher** of (1) ER or (2) ARR  
FR → Fair Rent → Rent of similar property in same locality  
MV → Municipal Value → Value of property as per municipal records

## Municipal Taxes [Note 2]

- **Tax which is recovered by:**
  - ✓ Municipality, Gram panchayat, Local Authority
- Also known as house tax, property tax, local tax
- Allowed on **payment** basis [O/s- not allowed]
- Allowed only **when paid** by owner
- If Municipal taxes given as % then it should be **calculated on MV**

## Types of house property

Let Out Property [LOP]: **Always Taxable**

**Self Occupied Property [SOP] [for Residence]**

Upto **TWO** SOP - \_\_\_\_\_

Remaining SOP - \_\_\_\_\_

**Self Occupied Property [SOP] [For Business and Profession] - Ignore**

Note: NAV of HP held as SIT = Nil for 2 years from the end of FY in which completion certificate is issued if Not Let Out for such period.

## Sec 24: Deduction

24(a) - Standard Deduction = \_\_\_\_\_  
[Flat Deduction] [No other deduction in HP]

24(b) - Interest on Borrowed Capital [Paid - Allowed; O/s - Allowed] [only when taken for Repairs, construction, renovation]

**Current Year Interest** → [Interest of PY of completion of construction & afterwards]

**Interest** = \_\_\_\_\_

**Pre-Construction Interest:** It means interest paid before the year in which construction was completed. Allowed in five equal instalments from the year in which construction was completed

**Important Points:**

- Interest on fresh loan taken to repay original loan → Deductible
- Brokerage/commission for Arrangement of loan → Not Deductible.
- Interest on unpaid interest → \_\_\_\_\_.
- If loan is taken from o/s India → \_\_\_\_\_.

## Limit on Deduction of Interest

**Only For SOP [No Limit for LOP/DLOP]**

Loan for acquisition/construction of HP on/after 1.4.99 & such acquisition or construction is completed within 5 year - \_\_\_\_\_  
Normal Case - \_\_\_\_\_

**Limit is for combined 2 SOP & not for each SOP**

## Concept of Vacancy

ER ≤ AR + VR then **AR will be GAV**  
ER > AR + VR then **ER will be GAV**

### Un-realised Rent

Rent which is not recovered by owner from tenant it is like bad debts, it is deductible while calculating actual rent when following 4 conditions are satisfied

- ✓ Tenancy is bonafide;
- ✓ Tenant should have vacated that house property
- ✓ Such tenant should not occupy any other house property of same assessee
- ✓ Reasonable steps have been taken for recovery of unrealized rent

Arrears of Rent: Means rent under dispute

### Sec 25A: Recovery of un-realised rent & arrears of rent

Taxable in the **year in which it is recovered**, whether assessee is owner or not

**Taxable Amount= Recovery \*70% [30% Std Deduction]**

### Concept of Partly Let out property

#### AREA WISE

If some area of house is let out and some is self occupied then let out portion is treated as LOP and self occupied is treated as SOP. In this case MV, FR, SR, municipal taxes, int on loan should be divided between SOP and LOP on area basis.

Actual rent should never be divided because it is always for LOP

#### TIME WISE

If property is let out for some period and self occupied for some period then it is treated as let out property only irrespective of the period even if for **one** day also.

### Sec 26: Co-ownership

Co-owned HP is LOP	Compute Income from HP as <b>if there is one owner</b> Income so computed shall be <b>apportioned</b> amongst each co-owner as <b>per their share</b> .
Co-owned HP is SOP	Annual Value → Nil Deduction of <b>30K/2 L u/s 24(b)</b> <b>separately for each co-owner</b> .

HP OWNED BY P'SHIP FIRM → Income is assessed in hands of firm & not to partners.

### Sec 27: Deemed owner

If any Individual transfer any house property to his/her spouse without any consideration or inadequate consideration than such Ind is treated as Deemed owner of that property

**Exception: Transfer in connection to live apart**

If any Individual transfer any house property to a minor child without any consideration or inadequate consideration than such Ind is treated as Deemed owner of that property

**Exception: Minor married Daughter**

In case of Co-op Society, Shareholder is treated as deemed owner

Holder of impartible Asset

### Concept of Composite Rent

Composite Rent= Rent of HP + Rent of any other assets

Agreement is separable

Rent of HP  
Under  
IFHP

Rent of other Assets  
Under  
IFOS/PGBP

Agreement is not separable

**Total Rent Taxable under PGBP/IFOS**

# Topic 6: Profits or Gain from Business and Profession

## Sec 28: Charging Section

Following income shall be taxable under the head PGBP:

- Any Profit or Gain of any Business or Profession.
- Assistance Grant or subsidy received from CG/SG/ relating to B & P.
- Profit on sale of Import Entitlement License.
- Export incentive on Duty Drawback.
- Value of any gift/perquisite arising due to B & P.
- Non-Compete Fees received for not carrying out activity relating to B & P or for not sharing Intangible asset.
- Amount received under keyman insurance policy.
- FMV of stock on conversion into capital asset.
- Interest Salary, bonus, commission, or any remuneration received by partner from partnership firm [ to the extent deduction allowed to firm/LLP].

## Speculative Business

Part of Business consist of sale/purchase of shares or commodity other than actual deliver.

P/L of Speculative Business to be calculated separately.

Following are not Speculative Business:

...

## Sec 29: How to Compute PGBP?

Follow Section 30 to 43D

### Calculation of PGBP Income

Net Profit As per P/L Account	XXX
<b>Add:</b>	
Depreciation Debited to P/L Account	XXX
Expenses Debited to P/L A/c but not allowed as deduction [Disallowed]	XXX
Income not credited to P/L A/C but taxable under this head	XXX
	XXX
<b>Less:</b>	
Depreciation as per Income Tax Act	(XXX)
Expenses Not Debited to P/L A/c but allowed as deduction [Allowed]	(XXX)
Income Credited to P/L A/C but not taxable under this head [ E.g. CG, Agri Income etc.]	(XXX)
PGBP	XXX

## Sec 30: Rent, Rates, Taxes, Repairs & Insurance of a Building.

Expenses	Deduction
Rent	Allowed
Rates and Taxes [Municipal Tax]	Allowed
Revenue Repairs	Allowed
Capital Repairs	Not Allowed
Insurance	Allowed

1. Expenses are allowed as deduction if Building is used for Business and Profession.
2. Capital Repair by Tenant is treated as Deemed building and hence Depreciation is allowed to tenant.

## Sec 31: Repairs & Insurance of a Plant and Machinery and furniture.

Expenses	Deduction
Revenue Repairs	Allowed
Capital Repairs	Not Allowed [Added to Cost of P&M and furniture]
Insurance	Allowed

## Sec 32: Depreciation

### Conditions to Claim Depreciation:

1. Asset Must be **used** in Business and Profession. [ Active/Passive]
- AND
2. Assessee must be **owner** of Such Asset [Wholly or Partly]

### Notes:

Depreciation is allowed only when asset is **put to use**.

In case of following Asset Depreciation is allowed **even if asset are ready for use**.

...

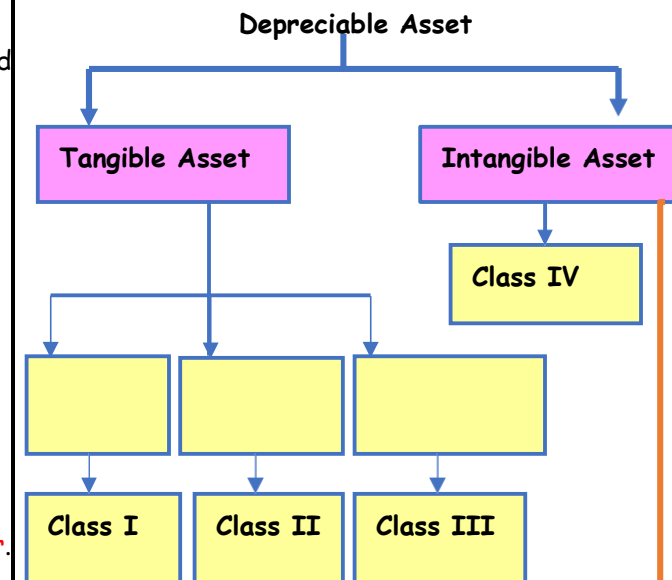
Depreciation is allowed to **beneficial owner**.

In case of Lease Asset, Depreciation is **allowed to Lessor**.

In case of partial ownership Depreciation is allowed as per respective share.

No Depreciation on Land and Goodwill.

It is Mandatory to Claim depreciation.



Intangible Asset includes knowhow, patent, copyright, Trademark, license, franchise, or any other business or commercial Right of similar nature **other than Goodwill of Business and profession**

Depreciation Rates:

Type of Asset	Rate
<b>Building</b>	
Residential Building	
Commercial Building	
Temporary Structures.	
<b>Furniture:</b>	
All Furniture	
<b>Plant and Machinery:</b>	
Aero planes, Pollution control equipment, Medical Equipment, Windmill, Energy Saving devices, Books and Annual Publications, Computer including computer software and accessories.	
Ships	
Motor car [Taxis, Buses etc.] used in business of running on hire.	
Other Motor car, Oil Wells, office equipment, EPABX and mobile phones, other Plant and machinery.	
<b>If motor car purchase and put to use between 23/8/2019-31/3/2020:</b> Hire [Taxis, Buses] Other motor car	
<b>Intangible Asset</b>	

Block of Asset System:

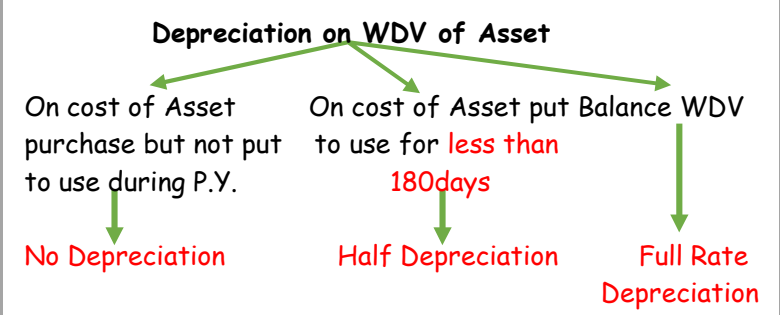
Same class of Asset AND having same rate of Depreciation.  
Depreciation Shall be allowed on WDV of Block of Asset at prescribed percentage.

Individual Asset System:

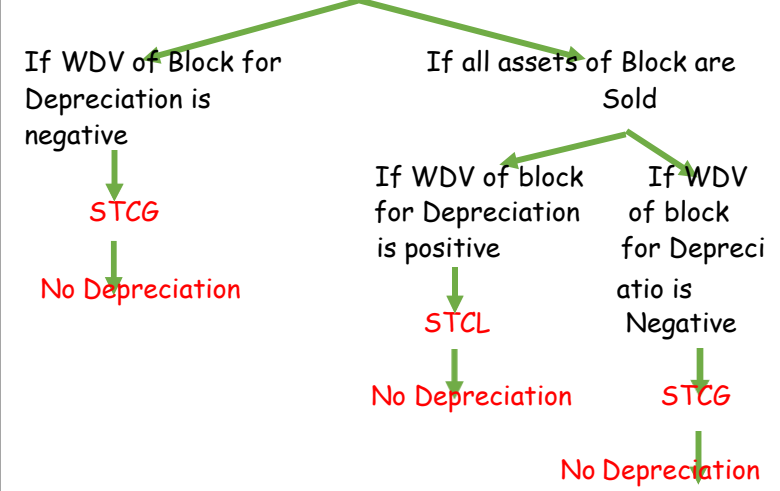
Depreciation should be calculated on Individual Asset.

Calculation of WDV of Block and Depreciation.

Opening WDV of Block as on 1 <sup>st</sup> Day of P.Y.	XXX
<b>Add:</b> Actual Cost of Asset Purchase during P.Y.	XXX
1. Put to use for 180 days or more	
2. Put to use for less than 180 days	
3. Purchase but not put to use during P.Y.	
<b>Less:</b> Amount received on sale of Asset/destroyed/demolished/discarded during P.Y.	(XXX)
<b>WDV of Block for Depreciation</b>	XXX
Less: Depreciation	(XXX)
<b>Closing WDV as on Last Day of P.Y.</b>	XXX



Capital Gain/Loss on Depreciable Asset



**Two methods of Depreciation WDV and SLM**  
Mandatory to follow WDV unless power generating Units. Means power generating units has option to follow WDV or SLM

Proviso to Sec 32(1): Depreciation in case of Amalgamation/Demerger/Succession.

Depreciation is calculated normally and after that it shall be distributed between amalgamating company/demerged company/predecessor AND Amalgamated Co /Resulting Company/ Successor in the ration of no of days for which assets were used by them.  
**Succession means:**

Sec 32(1)(iia): Additional Depreciation

**Eligible Assessee:**  
Assessee engaged in business of manufacturing/production of any article or generation transmission or distribution of power AND Purchase NEW Plant and Machinery during P.Y Also Include Business of Printing and Publishing.

**Additional Depreciation:**

- > 20% of \_\_\_\_\_
- > Depreciation allowed at 10% of actual cost [if asset used for less than 180 days].

No Depreciation is allowed in Following Plant and Machinery:

- > Second hand Plant and Machinery.
- > P&M installed in office premises or residential premises.
- > Office Appliances or Equipment.
- > Ships, Aircraft and transport vehicles.
- > P&M on which \_\_\_\_\_ deduction is allowed.

**Notes:**

- Additional Depreciation is allowed only when assessee follows WDV method.
- Forklift Truck used in factory is not treated as transport vehicle and hence additional depreciation allowed.

Sec 38(2): Asset Partly used for other purpose

If Asset is not exclusively used for Business/profession then deduction u/s 30,31,32 shall be restricted to a proportionate part as determined by A.O

Sec 43(1): Actual Cost

<b>Purchase Price</b>	X
<b>Add:</b>	
Installation Charges	X
Transport Charges	X
Trial run/ test run expense	X
Taxes Duty [If ITC not available]	X
Interest on Loan taken for Purchase of asset [upto Put to use]	X
Balance treated as revenue expenditure	
<b>Less:</b>	
Amount received on sale of trial run	(X)
Subsidy or Government grant received for Purchase of Asset	(X)
<b>Actual Cost</b>	X

If payment or expenditure for asset to single person in a single day exceed Rs 10,000 by Cash/Bearer Cheque/Cross Cheque then such payment shall not form part of Actual Cost of asset : Ignore Such Amount



Explanation to Sec 43(1)

Cases	Actual Cost
Asset used in scientific Research	Nil [We claim deduction in Sec 35]
Stock converted into capital Asset and used in Business and Profession	FMV on the date of conversion
Asset acquired by Gift/will	WDV of previous Owner
Reacquisition of Asset sold	Reacquisition Price OR WDV at the time of Sale
Building used for personal purpose brought into Business	Original Cost - Notional Depreciation till date at current Depreciation rate.
Asset transferred between holding and 100% Subsidiary	WDV of Transferor
Asset Transferred by Amalgamating Company to Amalgamated Company	WDV of Amalgamating Company
Asset Transferred by Demerged Company to Resulting Company	WDV of Demerged Company of Asset Transferred
Section 35AD	Nil
Asset acquired with an intention to claim higher Depreciation	Amount determined by A.O. with the approval of J.C.
Government Grant/Subsidy	IF relates to any Asset then reduce from the Actual Cost
Asset Brought into India by NR for use in his Business or profession	Actual Cost- Depreciation calculated at the rate in force as if the asset was used in India from the date of purchase

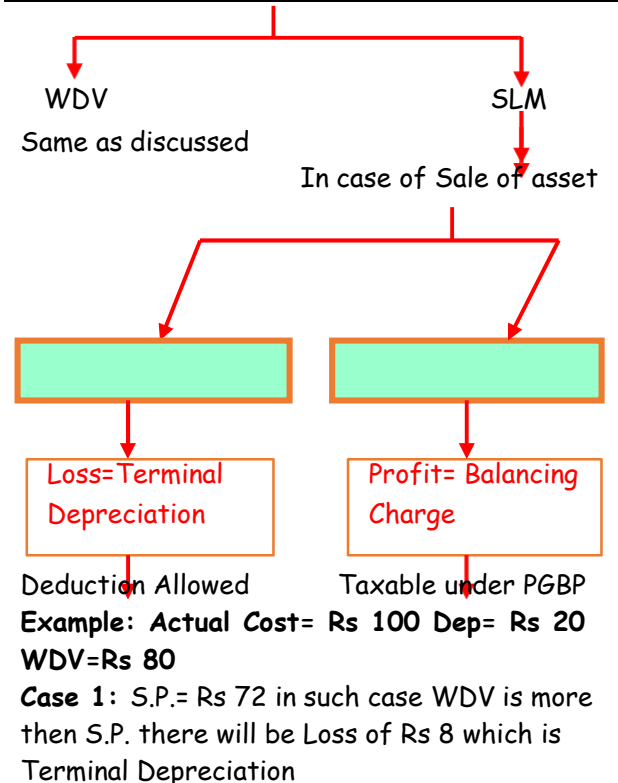
Explanation 7 to Sec 43(6)

In cases of Composite Scheme for the purpose of computing WDV of assets the total amount of Depreciation shall be computed as if the entire composite income of the assessee is chargeable under the head PGB. The depreciation so computed shall be deemed to have been actually allowed to the assessee.

\_\_\_\_\_.

**Example:** Turnover Say Rs 20 Lakhs, the Depreciation Rs 1 Lakhs, expenses Rs 14 Lakhs  
Sol:  
Income =Rs 15 Lakhs  
Business Income=Rs 6 Lakhs [40% of 15 Lacs]  
Depreciation as per rule= 40K [40%of 1 Lacs]  
As per this Explanation= Complete 1 Lacs

Depreciation for undertaking engaged in generation of Power



Taxation of Grants/Subsidy from Government

Any Subsidy, grants, cash incentive, duty drawback, waiver etc by CG or SG or any authority or Body [other than referred in explanation 10] shall be treated as Income u/s 2(24)(xviii)

**Notes:**

- If Subsidy received for acquiring asset, then reduce from actual cost of asset.
- Any other Subsidy treated as PGBP.
- Any subsidy or grant received as corpus donation from CG or any trust or institution shall be treated as income
- Not applicable for any subsidy which is received for welfare of individual

Depreciation on Goodwill of Business and Profession [w.e.f A.Y 21-22]

- Goodwill of a business or profession is \_\_\_\_\_for depreciation from P.Y.2020-221.
- If Value of Intangible block of Assets on 1<sup>st</sup> April 2020 includes goodwill of a business or profession [on which depreciation was obtained by the assessee upto P.Y. 2019-20] then depreciated value of goodwill shall be reduce from the value of the Intangible block of assets. For this purpose, depreciated value of goodwill shall be calculated as if the goodwill was the only asset in the relevant block of Assets.

**Sec 55:** If Goodwill of Business or Profession [on which depreciation claimed till P.Y.2019-20] is transferred during P.Y.2020-21 or thereafter then cost of Acquisition of goodwill for the purpose capital gain shall be actual cost minus depreciation claimed.

**Calculation of WDV of Intangible assets block for P.Y. 2020-21**

Opening WDV of ITA on 1/04/2020	XXX
Add: Actual cost of asset other goodwill acquired during P.Y.	XXX
Less: Money received [Sale Value]	(XXX)
Less: WDV of Goodwill [ assuming that goodwill is only asset in block	(XXX)
WDV for Depreciation	XXX
Less: Depreciation actually allowed	(XXX)
Closing WDV	XXX18

**Example:**

WDV of ITA-Rs 70,00,000 [Includes Patents and Goodwill].

Goodwill purchased on 14/02/2019-Rs 40,00,000.

Compute WDV of Block as on 1/04/2022 and depreciation allowed for P.Y.20-21 and P.Y. 21-22

**Calculation of Depreciation**

<b>Opening WDV on 1/4/2020</b>	<b>70,00,000</b>
Add: Actual Cost of asset acquired during P.Y.	Nil
Less: Money received	Nil
Less: WDV of Goodwill [Note 1]	(26,25,000)
<b>WDV for Depreciation</b>	<b>43,75,000</b>
Less: Dep actually allowed for P.Y.2020-21	(10,93,750)
<b>Opening WDV as on 1/4/21</b>	<b>32,81,250</b>
Add: Actual Cost of asset acquired during P.Y.	Nil
Less: Money received	Nil
<b>WDV for Depreciation</b>	<b>32,81,250</b>
Less: Dep actually allowed for P.Y.21-22	(8,20,313)
<b>Opening WDV as on 1/4/22</b>	<b>24,60,937</b>

**Note 1:**

<b>Opening WDV as on 1/4/18</b>	<b>Nil</b>
Add: Actual Cost of Goodwill acquired during P.Y.	40,00,000
Less: Money received	Nil
<b>WDV for Depreciation</b>	<b>40,00,000</b>
Less: Dep actually allowed for P.Y.18-19@12.5%	(5,00,000)
<b>Opening WDV as on 1/4/19</b>	<b>35,00,000</b>
Add: Actual Cost of Goodwill acquired during P.Y.	Nil
Less: Money Received	Nil
<b>WDV for Depreciation</b>	<b>35,00,000</b>
Less: Dep actually allowed for P.Y.19-20 @25%	(8,75,000)
<b>WDV of Goodwill on 1/4/20</b>	<b>26,25,000</b>

**Sec 32(2): Unabsorbed Depreciation**

Profit Before Charging Depreciation as Per Income Tax Act	XXX
Less: Depreciation as per Income Tax Act	(XXX)
Unabsorbed Depreciation	(XXX)

It can be setoff from any head of income except from salary AND can be carryforward for indefinite period

**Sec 35D: Preliminary expenses**

Deduction allowed only to resident assessee who incurs preliminary expenses at the time of **commencement of business or extension of business or setting up new business unit.**

**Preliminary expenses include:**

- ✓ Preparation of feasibility report
- ✓ Market survey
- ✓ Engineering Services
- ✓ Drafting of MOA/AOA
- ✓ Legal fees
- ✓ Expenses relating to public issue of shares and debentures
- ✓ Other expenses as notified by CBDT

**Maximum Limit for Deduction:****Indian Company:**

5% of Cost of project  
OR

5% of Capital Employed

**Other Resident Assessee:**

5% of Cost of Project

**Deduction Allowed:**

Actual Preliminary Expenses  
OR

Amount as per Maximum Limit

Deduction

Cost of Project: Amount invested in Fixed assets of new business or extension or new unit.

Capital Employed: Share capital+ Debentures+ Long term borrowings for new business/extension/new unit  
Share capital shall not include Reserve and surplus and security premium

**Sec 35DD: Expenditure on Voluntary Retirement Scheme [VRS]**

Eligible Assessee: All Assessee

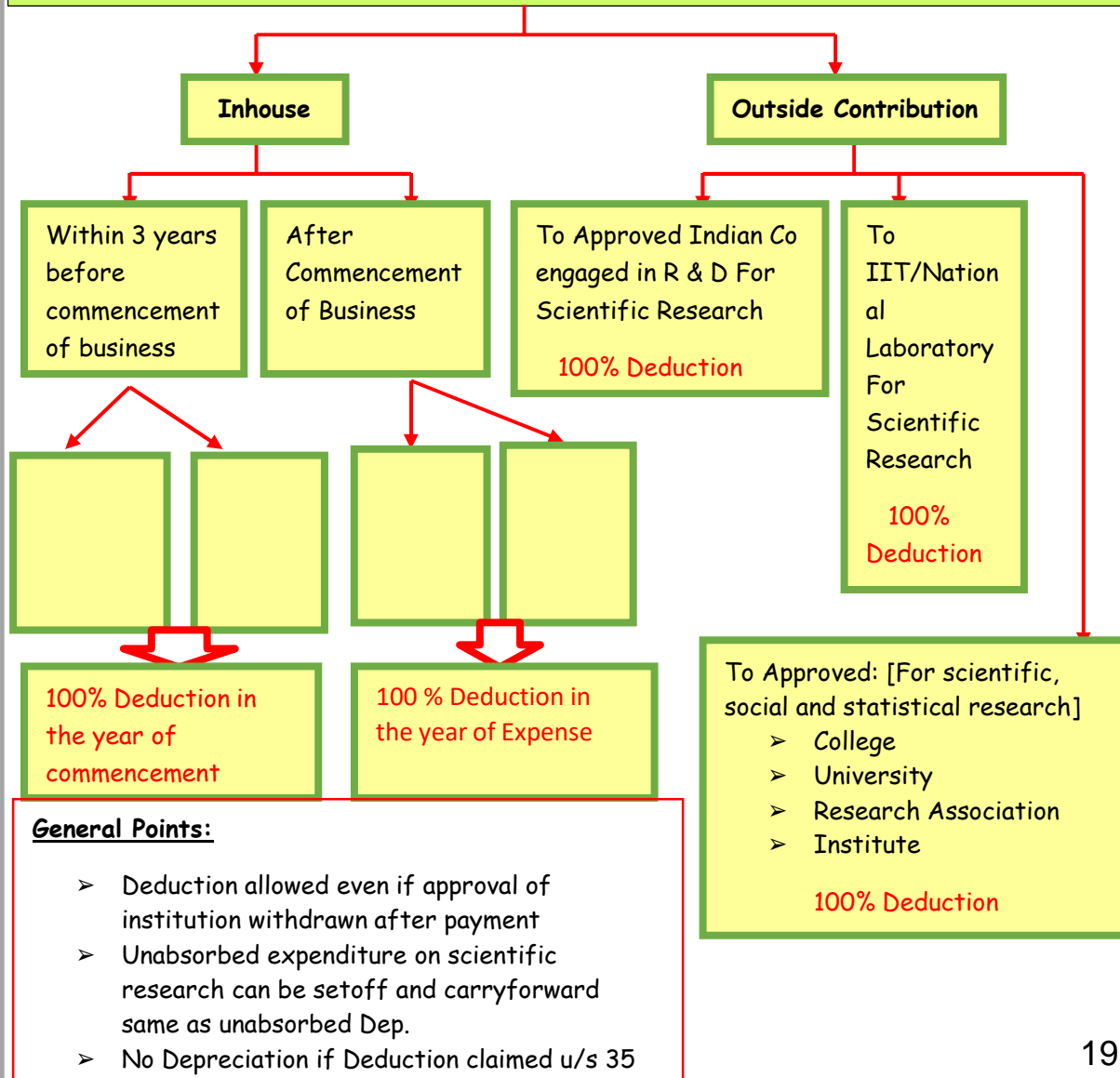
Deduction allowed in Five equal instalments in 5 years of amount paid.

**Deduction for P.Y.=** \_\_\_\_\_

**Common Note for Sec 35D and 35DDA**

In case of Amalgamation/Demerger then remaining deduction shall be allowed to Amalgamated Company/Resulting Company.

**For Sec 35DDA:** In case of succession the remaining deduction shall be allowed to successor

**Sec 35D: Scientific Research**

**Sec 35AD: Expenditure on Specified Business [ Optional For assessee]**

Deduction allowed on all capital expenses **except Land/Goodwill/Financial instrument.**

**Capital Expenditure:**

- **Before Commencement of business:**  
100% Deduction in the year of commencement
- **After Commencement of business:**  
100% Deduction in the year of expense

**Specified Business:**

1. Cold Chain Facility.
2. Hotel of 2 star or above.
3. Hospital with atleast 100 beds for patients.
4. Housing project for slum development scheme and under affordable housing scheme.
5. Production of Fertilizers in India.
6. Inland Container depot.
7. Honey Production.
8. Warehousing facility for storage of sugar.
9. Warehousing facility for storage of Agriculture produce.
10. Cross country pipeline of natural gas/oil.
11. Slurry pipeline for transportation of Iron ore.
12. Semi conductor wafer fabrication manufacturing unit.
13. Developing maintaining and operating new Infrastructure facility

**Other Important Points:**

- Business should be new [**Not formed by splitting up or reconstruction of existing Business**].
- Plant and machinery should be new **except Imported P&M and 20% of Total P&M can be old.**
- Depreciation Not allowed if Deduction claimed u/s 35AD

- If payment or expenditure for capital asset to single person in a single day exceed Rs 10,000 by Cash/Bearer Cheque/Cross Cheque then no deduction shall be allowed for such expense: **Ignore Such Amount**
- If Deduction is claimed u/s 35AD then deduction u/s 80IA to 80RRB and Sec 10AA shall not be allowed for same business.
- Loss from specified business is setoff against profit of any other specified business.
- Loss from specified business can be carryforward for Indefinite period.
- **If Specified Business capital Asset is sold then Amount received taxable under PGBP. [No CG even if SP>Actual Cost]**
- Asset on which deduction us claimed u/s 35AD should be **exclusively** used for specified business for minimum period **of 8 years from** the year of acquisition.

**If Specified Business Asset is used for Non-Specified Business within period of 8 years then following shall be taxable under PGBP**

Deduction Allowed Earlier [Cost of Asset]	X
Less: Depreciation that would have been allowable if Sec 35AD was not there	(X)
<b>PGBP</b>	<b>X</b>

**If Specified Business Asset is transferred to Non-Specified Business within period of 8 years then Actual Cost for Non-Specified business shall be:**

Cost of Asset	X
Less: Depreciation allowable if such asset used for non-specified business from the date of acquisition	(X)
<b>Actual Cost of Asset</b>	<b>X</b>

**If Specified Business Asset is used/transferred to Non-Specified Business after period of 8 years:**  
**No PGBP Income**  
**Actual Cost: Nil**

**Sec 36: Certain Deductions**

**Sec 36(1)(i): Premium for insurance of Stock in Trade**

- It is **allowed** as Deduction.

**Sec 36(1)(ib): Health insurance premium for employees**

- **Allowed** as deduction if paid in any **mode other than Cash**

**Sec 36(1)(ii): Bonus or commission to employees**

- **Allowed** as deduction subject to **Sec 43B.**
- There is no restriction on the amount of bonus it may exceed the bonus payable under payment of Bonus

**Sec 36(1)(iii): Interest on Loan**

Personal Purpose: **Not allowed**  
**For Business/profession Purpose:**  
**Loan from Sch Bank/PFI/State Financial Corporation/State Industrial Investment Corporation/NBFC.**  
Allowed as deduction subject Sec 43B.  
**Loan From other:**  
Allowed as Deduction

**Sec 36(1)(iia): Discount on Zero Coupon Bond**

Prorata amount of discount shall be amortized over the life of ZCB

**Sec 36(1)(iv)/(v): Employer's contribution for the benefit of the employee**

Statutory Provident Fund  
Recognized Provident Fund  
Approved Superannuation Fund  
Approved Gratuity Fund  
Any other Fund as per Law

Unapproved Recognized PF  
Unapproved Superannuation fund  
Unapproved Gratuity Fund  
Any other fund

**Sec 36(1)(iva): Employer's Contribution towards Pension Scheme referred u/s 80CCD**

Deduction allowed to employer. [Subject to Sec 43B]

**Amount of Deduction:**  
Actual Contribution  
OR

10% of Salary [Basic + DA(Terms)]

**Sec 36 (1)(va): Employees contribution towards PF/ESI/Superannuation fund**

- Deduction allowed if amount is deposited on or before **due date of that fund.**
- If not deposited by Employer on or before due date of that fund then it shall be deemed to be PGBP income of employer and never be allowed to employer
- PF due date is 15<sup>th</sup> of Next month.

**Sec 36(1)(ix): Expenses on promotion of Family Planning of employees**

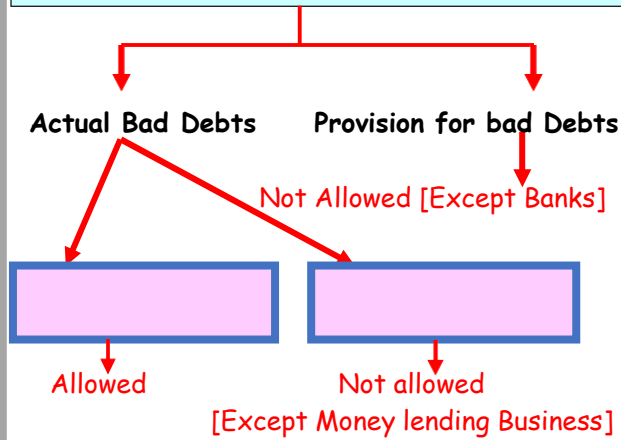
Eligible Assessee: **Only Companies**

**Amount of Deduction:**

**Revenue expenses:** 100% Deduction Allowed  
**Capital Expenses:** Allowed in 5 equal instalments



### Sec 36(1)(vii): Bad Debts



#### Other Points:

- Bad Debts **should be written off** in the books in the P.Y. in which deduction is claimed.
- Debts **should be taken into account** for computing income for P.Y. or earlier P.Y.
- No need to prove that the debts are become bad.

### Sec 41(4): Bad Debts Recovery

- Taxable under PGBP in the year of Recovery.
- **Amount Taxable=Bad Debts recovered in excess of not written off** [Recovery-Disallowed earlier]
- Taxable only if Assessee who claims Bad Debts and Assessee who recovers is Same.
- Where the amount of such debt has been taken into account in computing the income for P.Y. or earlier P.Y. [on the basis of ICDS without recording the same in the accounts] such debt shall be allowed in the P.Y. in which such debts becomes bad and IT shall be deemed that such debt has been written off as irrecoverable in the accounts.

#### Example:

Bad Debts =Rs 1,00,000, Allowed by A.O.=Rs 60,000  
Disallowed=Rs 40,000 Recovered=Rs62,000  
Taxable Amount=62,000-40,000=Rs 22,000

### Sec 36(1)(xv)/(xvi): Securities Transaction tax/Commodity Transaction Tax

It is **allowed as deduction** if assessee held shares/units/commodities as **Stock in Trade**.

### Sec 36(1)(xviii): Mark to market Loss or other expected Loss

Deduction allowed as per ICDS [ on the basis of actual settlement]

### Sec 37: General Deduction

**Any expenditure [other than covered u/s 30-36] is allowed as deduction if following conditions are satisfied:**

- Expenses Should be **Revenue** in nature
- Expenses incurred wholly and **exclusively for Business and profession**.
- Expenses should **not be prohibited** by law

#### Allowability of some expenses

Corporate Social Responsibility [Not treated as Business expenses]	
Gift to employee	
Dividend	
Customary Expenses [puja at the time of diwali]	
Expenses incurred by CA;s for attending CPE seminars	
Advertisement in brochure, souvenir, newspaper, pamphlet published by Political party	Not allowed
Interest on Loan taken for payment of Tax	Not Allowed
Freebies i.e. illegal expenses	

Premium paid by the firm on the keyman insurance policy of a partner	Allowed
Tax audit fees or litigation expenses in relation to income tax cases	Allowed
Provision for loss of subsidiary, provision for deferred tax, provision for un-certain liability, provision in diminution in value of asset	Not allowed
Share issue expenses [other than preliminary] incurred for IPO/FPO/Right shares	Not Allowed [as it is Capital in nature as it results in change in capital]
Expenditure incurred for Buy back of Shares, Bonus shares, Debentures or loan issue expenses	Allowed as it is revenue in nature and does not results into change in capital

#### Tax and Interest and penalties of Direct tax and Indirect Tax:

	Direct Tax	Indirect Tax
Tax, Advance Tax, TDS	Not Allowed	Allowed
Interest [Including Interest on TDS and Advance Tax]	Not allowed	Allowed
Penalty	Not allowed	Not allowed

Penalty for Breach of Law: **Not allowed**

Penalty for breach of contract [Revenue in nature]: **Allowed**

### Amount Not Deductible

#### Sec 40(a)(i): Payment made to Non-resident

Any Amount paid or credited to NR or Foreign company on which TDS was deductible:

- **But TDS was not deducted** during P.Y.  
OR
- **TDS deducted but not paid** to Govt **upto due date** of ROI

Then such Amount=**100% disallowed** in Current P.Y.

#### Sec 40(a)(ia):Payment made to resident

Any Amount paid or credited to resident on which TDS was deductible:

- **But TDS was not deducted** during P.Y.  
OR
- **TDS deducted but not paid** to Govt **upto due date** of ROI

Then such Amount=**30% disallowed** in Current P.Y.

#### Exception to Sec 40(a)(i)/(a)(ia)

IF any amount has been paid or credited to payee without deduction of TDS andbsuch payee:

- **Furnishes his ROI**
- **Considers such amount in Total Income**
- **Paid Tax due on** such amount

Then amount will be disallowed in the Current year however allowed in the year when payee Files his ROI.

However payer has to pay Interest u/s 201(1A)@1%p.m. or part of month on the amount of TDS not deducted from the date on which the TDS was so deductible till the date on which payee file his ROI



## Amount Not Deductible

### Sec 40(a)(iib): Royalty, fees etc charged by State Govt

If any Royalty, fees, service charge etc is exclusively collected by State Government from **state govt undertaking** then such expense is **not allowed** to such state govt undertaking

### Sec 40(a)(iii): TDS on salary payable outside India or NR

**Any Salary payable outside India or to NR in India and if:**

- TDS **Not deducted**  
OR
- TDS **deducted but not paid to Govt** upto due date of TDS payment,

Then **such sum shall not be allowed** as deduction.

If TDS deposited late even by one day, the salary shall not be allowed as deduction

### Sec 40(a)(v): Tax on Non-monetary perquisite

Tax on non-monetary perquisite is generally paid by employee. However, if employer decide to pay tax on non-monetary perquisite from his pocket, then that tax is **Not Allowed** as deduction **because its exempt in the hands of employee u/s 10(10CC)**

### Sec 40A(2): Payments to specified persons [Relatives]

IF Payment of expenditure made to specified persons then A.O. can disallow Excessive or unreasonable Amount.

**Payment in Excess of FMV= Excess disallowed**

Note 1: Specified Persons [Relatives]

Asseesee	Specified Person [ Relative]
Individual	Spouse, Mother, Father, Brother, Sister, Lineal Ascendant or Descendant of Individual
HUF	Member and their Relative
Firm	Partner and their Relative
AOP/BOI	Member and their Relative
Company	Director and their Relative
For All Assessee	Any person holding <b>Substantial Interest</b> in Business of Assessee/Relative of Assessee <b>Substantial Interest Means 20% or more of Voting power or Profit Share</b>

### Sec 40A(3): Cash Payment >10,000 to a single person in a single day

- If aggregate payment for expenditure to single person in a **single day exceed Rs 10,000** by Cash/Bearer Cheque/Cross Cheque then **such payment = 100% Disallowed.**
- If Payment Made to **transporter**, then limit will be **35,000.**

#### Sec 40A(3A):

- If Expenditure claimed as deduction in earlier year on due basis and if such expenditure subsequently paid in cash/Bearer cheque/cross cheque in excess of Rs 10,000 in a day then deduction allowed earlier is Taxable under PGBP

#### Exception to Sec 40A(3) [Rule 6DD]:

- Payment made to RBI/LIC/Banks/Govt.
- Payment By book entry [Adjustment]
- Payment made in village/town where there are no banking facility

Continue.....

- Payment of Retirement benefits to employees /their family upto Rs 50,000
- Payment of salary to employees who is posted to a place other than his normal place of duty for 15 days or more
- Payment to producer/Cultivator of Agricultural product, forest product, poultry, Dairy product, fish product, live stock etc. [Not middleman /trader]
- Payment made by authorized dealer or money changer against purchase of foreign currency or travellers cheques in the normal course of his business
- Payment made through NEFT/RTGS/Debit card/Credit card/ECS/UPI/BHIM

### Sec 40A(7): Provision of Gratuity

#### **Not Allowed**

Only payment to **Approved Gratuity fund** or provision for gratuity actually become payable during P.Y. [due basis] shall be allowed as deduction.

### 43A: Asset purchase in foreign currency in credit or when asset acquired from currency loan

Profit/loss due to foreign Exchange fluctuations **at the time of payment** shall be adjusted from cost of Asset

- **If Profit:**
- **If Loss: Added to Cost of Asset**

Also includes profit/loss on Hedging contract entered for such asset

## Sec 43B: Expenses Allowed on Payment Basis

Following expenses are allowed only if they are **PAID** up to due date of return filing as per Sec 139(1):

- Any **tax, Duty, Cess.**
- Employer Contribution towards
  1. **Statutory** Provident Fund
  2. **Recognized** Provident Fund
  3. Approved **Superannuation** Fund
  4. Approved **Gratuity** Fund
  5. Pension scheme u/s 80CCD
  6. Any other Fund as per law
- **Bonus** or **commission** to employee.
- Interest on Loan to:
  1. Scheduled Bank
  2. Co-operative Bank
  3. Public financial institution
  4. State Financial Corporation
  5. State industrial investment corporation
  6. NBFC
- **Leave encashment** to employees.
- Amount **payable to railways** for use of railway asset.

If Interest converted to Loan then such conversion cannot be treated as payment.

**However, when Instalment of such converted Interest is paid, deduction is allowed.**

## Sec 41: Deemed PGBP

### 41(1): Recovery against any deductions already claimed

If assessee has taken deduction of any expenditure or trading liability in earlier years AND during Current p.y. Assessee has obtained refund of such expenditure OR there is remission or cessation of such liability

**Then such Remission/refund shall be deemed to be PGBP**

## Sec 41: Deemed PGBP

### Sec 41(2): Balancing Charge

Already Discussed with Depreciation.

### Sec 41(3): Sale of Scientific Research Asset

#### Sale without use in Business

Sale Price  
OR  
Deduction already claimed u/s 35(1)(iv).  
IF S.P. > Cost then Capital gain also arise.

#### Sale after use in Business:

Add to block of asset  
Actual Cost = Nil

At the time of sale **sec 50** will arise.

### Sec 41(4): Recovery of Bad Debts

Already Discussed

### PART B: Maintenance of BOA for other Assessee:

For Individual/HUF required to maintain when:  
Turnover/Gross receipts exceed Rs 25,00,000  
OR  
PGBP Income exceed Rs 2,50,000

In any **ONE** of 3 Preceding P.Y.

#### For other person when:

Turnover/Gross receipts exceed Rs 10,00,000  
OR  
PGBP Income exceed Rs 1,20,000

In any **ONE** of 3 Preceding P.Y.

## Sec 44AA: Compulsory Maintenance of Books of Accounts [BOA]

### PART A: Maintenance of BOA by Notified Profession:

**Notified Person:** Legal, Medical, Engineering, Architect, Accounting, Technical Consultancy, Interior Decoration, Film artist, CS, IT Professionals

If Gross Receipts **exceed** Rs \_\_\_\_\_ in all 3 preceding P.Y. OR Likely to exceed in Current P.Y. [New Business]

Other Case

Maintain Such BOA which enables A.O. to Compute Total Income

1. Cash Book
2. Journal
3. Ledger
4. Carbon Copies of bills exceeding Rs 25
5. Original bill for expenditure bill exceeding Rs 50
6. Daily case register and stock register [Medical]

As per Sec 271A, if assessee fails to maintain BOA as per Sec 44AA

## 44AB: Compulsory Audit of Books of Accounts

### Specified Profession

When G.R. > Rs 50 Lacs

### For Business

When T/o > Rs 1 Crore

From A.Y. 2021-22;

### Non-Applicability:

Assessee declaring income u/s 44AD and his turnover/GR is upto Rs 2 Crore.

### Mandatory Audit

1. If Assessee covered by Sec 44AD/44ADA and Assessee claims income less than 8%/6% or 50% of Turnover/Gross Receipts and his total income is more than basic exemption limit.
2. Assessee claiming lower income u/s 44AE

Audit must be done by CA

Tax audit report to be filed in form 3CA/3CB/3CD

**Specified Date:** 1 month before the due date of filing ROI u/s 139(1)

**Penalty U/s 271B: If Assessee fails to get accounts audited**  
0.5% of T.O/G.R.  
OR  
Rs 1,50,000

## Sec 40(b): Payment of Interest, Bonus, Commission or Remuneration

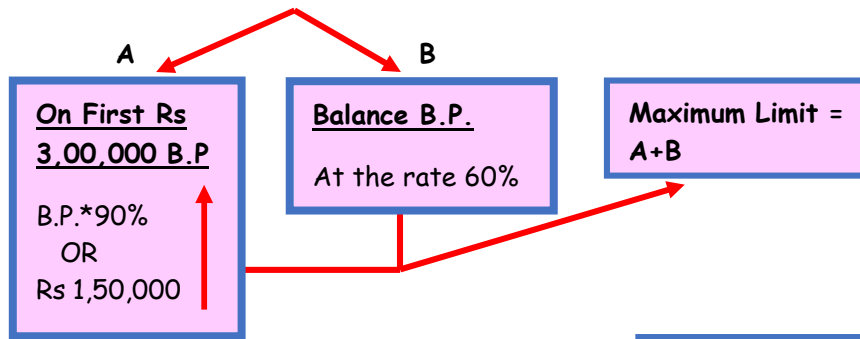
**Interest & Remuneration paid by firm/LLP is allowed as deduction if following conditions are satisfied**

- > Remuneration paid to only working partner
- > Remuneration and Interest should be authorized by partnership deed
- > Remuneration and interest should relate to period falling after the date of partnership deed. Means no retrospective interest
- > Interest on Partner's capital and loan allowed max@12% Simple Interest

Continue....Next Page

- Remuneration allowed on **Book Profit** Basis

### BOOK PROFIT



### Book Profit

Net Profit under PGBP	XX
Less: Current year+ b/f depreciation	(XX)
Add: Remuneration [if debited to P/L]	XX
<b>Book Profit</b>	<b>XX</b>

### Explanation to Sec 40(b):

- If any individual is a partner in a firm on **individual capacity** & receiving interest on **representative capacity** then sec 40(b) not applicable.
- If any individual is a partner in a firm on **representative capacity** & receiving interest on **individual capacity** then sec 40(b) not applicable
- **40(b) Not applicable it means interest can be paid more than 12%.**
- Applicable only For interest and not for remuneration. i.e. means remuneration shall be within limit of 40(b) irrespective whether individual or representative capacity.

### **Sec 40(ba): Interest, salary, Bonus, Commission paid by AOP/BOI while computing PGBP shall be disallowed**

- If any individual is a member in a AOP/BOI on **individual capacity** & receiving interest on **representative capacity** then sec 40(ba) not applicable.
- If any individual is a member in a AOP/BOI on **representative capacity** & receiving interest on **individual capacity** then sec 40(ba) not applicable
- **40(ba) Not applicable it means interest is allowed to AOP/BOI while computing PGBP**
- Net interest shall be allowed when int is received and paid \_\_\_\_

## PRESUMPTIVE TAXATION

Particulars	Sec 44AD	Sec 44ADA	Sec 44AE
Eligible Assessee	Resident Individual/Resident HUF/Resident Firm <b>[Not LLP]</b> engage in <b>any business</b> other than 1. <b>Sec 44AE</b> 2. <b>Agency Business</b> 3. <b>Commission &amp; Brokerage business</b>	Resident Individual/Resident Firm <b>[Not LLP]</b> engage in notified profession	Any Assessee engage in business of plying, hiring, leasing goods carriage [Transportation Business]
Eligible Business /profession	1. Applicable <b>only to business:</b> 2. Any business whose total T/o/G.R. <b>is up to Rs 2 Crore</b>	Notified Profession whose Gross <b>Receipts are upto Rs 50 lacs</b>	Transportation business in which assessee does not more than 10 Goods carriage at any time during P.Y.
PGBP Income			
Expenditure Deduction	No Deduction of any expenditure u/s 30-38 and 40(b)	No Deduction of any expenditure u/s 30-38 and 40(b)	No Deduction of any expenditure u/s 30-38
Maintenance of BOA	Not required to maintain BOA if Assessee opt for this sec	Not required to maintain BOA if Assessee opt for this sec	Not required to maintain BOA if Assessee opt for this sec
Other Points	<ul style="list-style-type: none"> <li>➤ Assessee shall not claimed deduction u/s 10AA and Sec 80IA to 80RRB</li> <li>➤ ROI filing Due date= 31<sup>st</sup> July of A.Y.</li> <li>➤ Advance Tax only in one instalment i.e.15<sup>th</sup> March of F.Y.</li> <li>➤ If Assessee declares income for any P.Y. as per Sec 44AD and he does not declare income for next 5 consecutive P.Y. as per Sec 44AD ↓</li> <li>➤ He will not be eligible for 44AD for 5 years subsequent to year in which does not declare income as per Sec 44AD</li> </ul>	<ul style="list-style-type: none"> <li>➤ Advance Tax only in one instalment i.e.15<sup>th</sup> March of F.Y.</li> <li>➤ ROI filing Due date= 31<sup>st</sup> July of A.Y</li> </ul>	<ul style="list-style-type: none"> <li>➤ Advance Tax Payment in 4 Instalments</li> <li>➤ ROI filing Due date= 31<sup>st</sup> July of A.Y</li> </ul>



# Topic 7: Income from Capital Gains

## Sec 45(1): Charging Section

- If there is a **Capital Asset** AND **transfer** of Capital Asset during P.Y.
- Then any gain arising from such transfer shall be taxable under head capital gains **in the P.Y. in which transfer took place.**

## Sec 2(14): Capital Asset

- Property of any kind [Movable/Immovable/Tangible/Intangible] held by assessee whether it is Business or profession property or Personal property.
- Any Securities held by foreign institutional investor [FII]

### Capital Asset does not include:

- Stock in trade [RM/WIP/FG].
- Movable personal property **but** however it includes
  - Jewellery, Drawings, Paintings, Sculpture, Archaeological Collection or any other work of art
- Rural Agriculture** Land in India.
- Gold Deposit Bonds**
- ULIP** to which exemption u/s 10(10D) does not apply due to fourth and fifth proviso thereof.

### Notes:

- Gold utensils, silver Bars, silver coins were held not to be consider as personal effect: **Capital Gain applicable.**
- Silver utensils: **No Capital Gain.**
- Car used in business treated as Capital Asset.

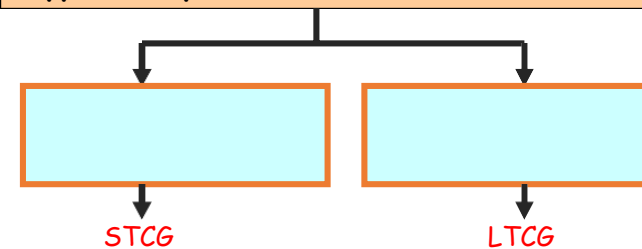
## Definition of Urban Area:

- Any Area [municipality, cantonment board etc] which has population of 10,000 or more
- In the following area within the distance, measured aerially

Shortest distance from area referred in point 1	Population according to last census
Upto 2 Kms	>10,000 up to 1,00,000
Upto 6 Kms	>1,00,000 up to 10,00,000
Upto 8Kms	>10,00,000

Rural area means area which is not urban area.

## Type of Capital Asset



Capital Asset	Period of Holding [Short term]	Period of Holding [Long term]
<ol style="list-style-type: none"> <li>Listed Shares &amp; Securities</li> <li>Zero Coupon Bond</li> <li>Unit of Equity oriented mutual funds/UTI</li> </ol>		
<ol style="list-style-type: none"> <li>Unlisted Shares</li> <li>Land and Building</li> </ol>		
Other capital Asset		

## Sec 2(47): Definition of Transfer

- Sale, exchange or relinquishment of asset.
- Extinguishment of any right therein.
- Compulsory acquisition thereof under any law.
- Conversion of capital asset into stock in trade.
- Possession of immovable property in part performance of contract.
- Any transaction which has the effect of transferring or enabling the enjoyment of property
- Redemption of Zero-Coupon Bonds

## Sec 48: Computation of Capital Gain

Particulars	Rs
Full value of Consideration [FVOC]	X
Less: Transfer expenses	(X)
<b>Net Consideration</b>	<b>X</b>
Less: Cost of Acquisition	(X)
Less: Cost of Improvement	(X)
<b>Capital Gain</b>	<b>X</b>

### Second Proviso [exception] to Section 48:

#### Indexation:

In case of LTCA, COA and COI be indexed

**A. Indexed Cost of Acquisition [ICOA]**  
 $COA \times CII$  for the year of transfer

CII for the first year in which asset was held by assessee or for the year 2001-02 whichever, is **later**

**B. Indexed Cost of Improvement [ICOI]**  
 $COI \times CII$  for the year of transfer

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

#### Cost Inflation Index:

P.Y.2021-22= 317

P.Y.2001-02= 100

## When Asset Acquired before 1/04/2001:

**Cost of Acquisition will be**

Actual Cost

OR

FMV as on 1/04/2001

**When Improvement done before**

**1/04/2001: Ignored**

### Important Note:

## First Proviso to Sec 48: Computation of Capital Gain in case of NR

- Assessee; Non-Resident [Includes Foreign Company]
- Who is holding **Shares or Debentures of Indian Company** AND such asset was acquired in foreign currency by way of purchase or reinvestment then CG shall be calculated in foreign currency and after that it shall be reconverted into Indian Currency

### Rules 115A: Method of Conversion

COA		
Transfer expense		
Sale Consideration		
CG into INR		

Indexation not Available

DOT= Date of Transfer

Assessee should be NR in the year of Sale



Third Proviso to Sec 48:

Indexation not available in case of LTCG for assets specified in Sec 112A.

Fourth Proviso to Sec 48:

Indexation not available to Bonds or Debentures except Capital Indexation Bonds and Sovereign gold bonds.

Redemption of Sovereign Gold Bonds

- A. Individual on Maturity: No CG as per Sec 47
- B. Individual Transfer before maturity: CG Apply [Index Available]
- C. Other Assessee: CG Applicable on transfer or maturity.

Fifth Proviso to Sec 48:

Foreign exchange fluctuation on RDB.

- Assessee: Non resident
- Any gain arising on rupee denominated bond against foreign currency at the time of redemption of RDB of Indian company shall be ignored for the purpose of Computation of FVOC.

Seventh Proviso to Sec 48: Security Transaction Tax [STT] not allowed

Transfer expenses are allowed as deduction except for STT


Sec 55: Cost of Acquisition and Cost of Improvement

Cost of Acquisition:

Normal Case:

COA = Purchase price [Including all expense related to purchase except STT]

Special Cases:

- 1. When Asset becomes property by way of Transactions not regarded as Transfer [sec 47]:  
COA= Cost to Previous owner
- 2. Goodwill of Business or Profession, Brand Name, Trade mark, right to manufacture any article or thing, Tenancy right, Loan hours, Route permits,



- Notes:
- Benefit of FMV as on 1/04/2001 NOT available
  - If Depreciation claimed on goodwill by assessee then COA=Purchase Price - Depreciation

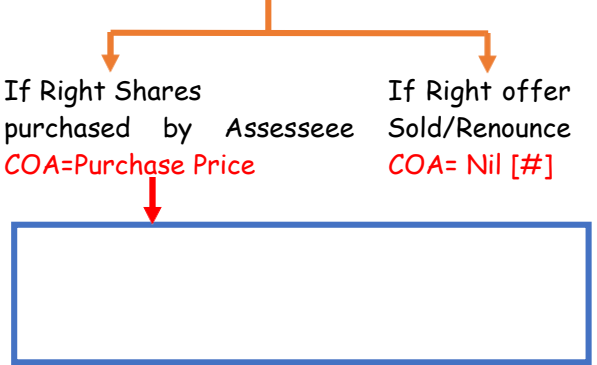
3. Bonus Shares/Security



- Note:
- Period of Holding [POH] in case of shares/securities = From allotment date to transfer date

Cost of Acquisition:

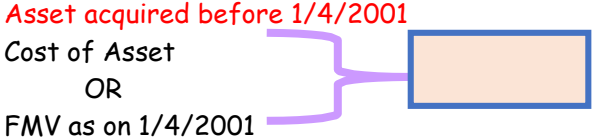
4. Right Shares/Security



# CG Computation

STCG = FVOC - COA  
Here FVOC= Renouncement price  
POH = From offer date to renouncement date therefore STCG.

5. Other Assets



Asset acquired on or after 1/4/2001: Cost of acquisition.

Note:  
In case of Land and Building FMV as on 1/4/2001 shall not exceed SDV as on 1/4/2001

Example 1:  
X acquired a house property on 1/07/1992 for Rs 2,00,000. FMV as on 1/4/2001 is Rs 5,00,000 and SDV on 1/4/2001 is Rs 4,50,000  
Here COA will be Rs 4,50,000

Example 2: Assume in above case SDV is Rs 7,00,000  
Then COA will be Rs 5,00,000

Example 3: Assume in Case 1 Cost Rs

Cost of Improvement

- All expenditure of capital nature incurred on improvement of capital Asset by assessee/previous owner on or after 1/4/2001 shall be considered.
- Expenditure incurred before 1/4/2001: Ignored
- Goodwill of Business or Profession, Brand Name, Trade mark, right to manufacture any article or thing, Tenancy right, Loan hours, Route permits: Expenditure Shall always be Nil

Capital Gains in Special Cases

As per Sec 45(1) Capital gain is chargeable to tax in the year of transfer but in the following 4 cases capital gain is not taxable in the year of transfer.

Sec 45(1A): Insurance Claims for Damage or Destruction of Capital Asset

When capital asset is destroyed due to fire, flood, earthquake, or any other natural calamity.  
Capital gain is taxable in year in which insurance claim is received.  
IF no claim received then no capital gain shall arise.

Sale Consideration = Amount received/FMV of asset received from Insurance company.  
POH = Upto the Date of destruction  
Index for transfer year= Year of Destruction

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Capital Gains in Special Cases

Sec 45(2): Capital Asset Converted into Stock

- Capital Gain is taxable in the year in which converted stock is sold.
- Sale Consideration = FMV of Capital asset on the date of Conversion.
- Index for transfer year = Year of conversion.

CG Computation


Business Income


- If proportionate stock is sold then proportionate amount is taxable.
- Amount recorded in the BOA= Relevant.

Note:

For the purpose of Sec 54EC period of 6 months shall calculate from date of sale of stock in trade.

Conversion of Stock in Trade into Capital Assets:

FMV of inventory on the date on which it is converted into or treated as Capital asset.

Income= FMV of Inventory on the date of conversion

COA= FMV on the date of conversion

POH=From the date of conversion or treatment into capital asset

Capital Gains in Special Cases

Sec 45(5): Compulsory Acquisition of capital Asset under any Law.

- Capital Gain is taxable in the year in which compensation is received
- Initial Compensation:**
- Taxable in the year in which compensation is first received [ Full compensation is taxable even if part amount is received]
  - Sale Consideration= Initial Compensation Amount.
  - Index for transfer year = Year in which asset is compulsory acquired

FVOC [Initial Compensation]	X
Less: COA/ICOA	(X)
Less: COI/ICOI	(X)
STCG/LTCG	X

Enhanced Compensation:

- Taxable as and when compensation received.
- Sale Consideration= Enhanced Compensation.
- COA= Litigation Expenses.
- Taxable only when it is received on the base of Final order

FVOC [Enhanced Compensation]	X
Less: Litigation Expenses	(X)
STCG/LTCG	X

Notes:

- Interest received on late/Enhanced compensation= Taxable under IFOS.
- 50% Deduction will be allowed u/s 57.
- If compensation reduced by any court or authority then rectification has to be made to give effect of the same

Capital Gains in Special Cases

Sec 45(5A): Capital Gain in case of Join Development Agreement [JDA]

- Applicable to Individual or HUF
- Capital Gain is taxable in the year in which Completion certificate is Issued.
- Sale Consideration= SDV in project on the date of issue of completion certificate + Amount received in cash
- Index for transfer year = Year in which possession is Transferred
- COA = Amount deemed as FVOC u/s 45(5A)

Full Value of Consideration/Sale Consideration

Amount received or accruing from transfer of capital asset = Sale Price

Sec 50C: FVOC/ Sale consideration of Land and Building

FVOC will be:

Sale Price  
OR  
Stamp Duty Value  
If Stamp duty value is upto 110% of Sale Price then FVOC will be Sale Price.

Example:

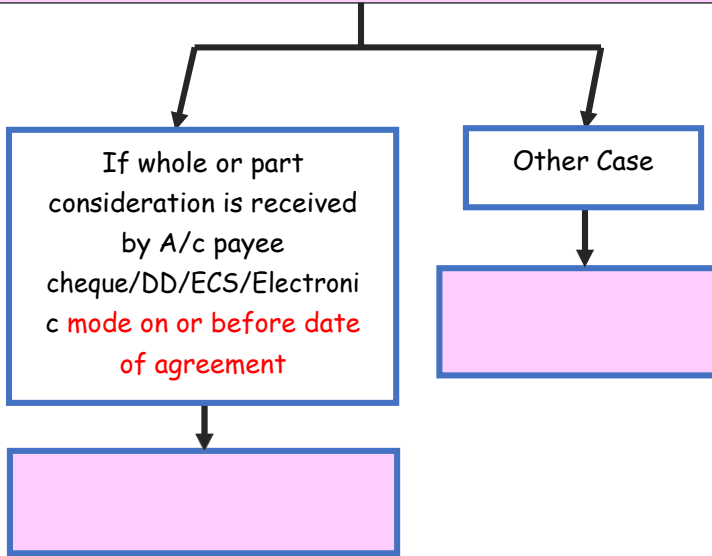
Sale Price= Rs 1,00,000  
SDV=Rs 1,08,000  
FVOC = Sale Price Rs 1,00,000 as SDV is within 110% of Sale Price

Example 2: Assuming in above SDV =Rs 1,12,000

FVOC =Rs 1,12,000 as SDV > 110% of Sale Price

FVOC/ Sale Consideration

If Date of Agreement and Date of Registration is not Same for SDV



**Electronic mode Includes:**  
Credit Card, Debit Card, Net banking, RTGS, IMPS, BHIM, UPI, NEFT

Reference to Valuation Officer

- If Assessee not agree with SDV and not disputed that in court.
- Assessee can request A.O. to refer case to Departmental officer.
- A.O. may refer that case to valuation officer

Case	FVOC/Sale Consideration
	Stamp duty Value [SDV]
	Valuation Amount OR Sale Price

Full Value of Consideration/Sale Consideration

Amount received or accruing from transfer of capital asset = Sale Price

Sec 50CA: FVOC/ Sale Consideration for Unlisted Shares

FVOC/ Sale Consideration will be:

FMV  
OR  
Sale Price

Sec 50D: Sale Consideration when Sale price is not ascertainable or cannot be determined.

FMV on the Date of transfer shall be FVOC/sale consideration.

Sec 51: Advance Money Forfeited

If forfeited before 1/04/2014

↓

Deduct from Cost of Acquisition before indexation [ When such asset is sold]

If forfeited on or after 1/04/2014

↓

Taxable under Income from other source

Sec 50B: Slump Sale

It means sale of unit/undertaking/division for lumpsum consideration without assigning value/selling price of individual asset.

Case	STCG/LTCG
If unit held for upto 3 years	
If unit held for more than 3 years	

Sec 50B: Slump Sale

Calculation of Capital Gain.

Particulars	Rs
FVOC/ Sale Consideration [FMV as per Rule 11UAE]	X
Less: Transfer Expenses	(X)
Net Consideration	X
Less: Cost of Acquisition [Note 1]	X
STCG/LTCG	X

Note 1:

- COA= Net-worth of undertaking/unit
- Indexation = Not available.
- FVOC will be

FMV 1: FMV of assets transferred  
OR  
FMV 2: FMV of consideration receipt [monetary + non-monetary]

Computation of Net-worth:

Depreciable Asset	WDV as per income tax act
Add: Other Asset	Book Value
Total Assets	XXX
Less: Liabilities	(Book value)
Net worth	XXX

Notes:

- Revaluation Shall be ignored.
- If net worth becomes negative then COA= Nil
- For 35AD assets, self-generated goodwill, Value= Nil
- No profit under PGBP shall arise even if stock is transferred in slump sale

Sec 47: Certain Transaction not regarded as Transfer [Exempt Transfer]

In the following cases no capital gain will arise:

- Distribution on Total/partial partition of HUF.
- Transfer under Gift/ will/irrevocable trust [Except ESOP]
- Transfer under Amalgamation, by amalgamating company to amalgamated company provided amalgamated company is an Indian Company
- Transfer of Capital Asset between wholly owned subsidiary [100%] and holding company

Conditions:

- Transferee co should be Indian company.
- Holding company holds 100% Shareholding of Subsidiary.

For Above Cases 1-4

COA= Cost to the previous owner.

ICOA=  $COA * CII$  of the year of transfer

CII for the year in which asset first held by previous owner

COI=Incurred by previous owner and present owner shall be considered.

POH= POH of Previous owner shall be considered

Benefit of FMV as on 1/4/2001: Available

Sec 47: Certain Transaction not regarded as Transfer [Exempt Transfer]

- Transfer of Capital assets being shares of amalgamating company by a shareholder in a scheme of amalgamation:  
Conditions:
  - Amalgamated company is Indian Company.
  - Consideration of allotment to him in shares in amalgamated company.
- Transfer of shares by demerged company to resulting company in a scheme of demerger provided Resulting company is an Indian Company.
- Transfer of Rupee Denominated Bond of an Indian company by one NR to Another NR outside India.
- Issue of shares by resulting company to shareholder of demerged company will not be regarded as transfer of shares of demerged company in the hands of such shareholders.
- Transfer of Government security [carrying a periodic payment of interest] made outside India by one non-resident to another resident through an intermediary dealing in settlement of securities.
- Any transfer of sovereign gold bonds issued by RBI under sovereign gold bond scheme 2015, by way of redemption by an assessee being an individual.
- Transfer of capital asset being any work of art, archaeological/scientific/ art collection, book, manuscript, drawing, painting, print to the government, university, national museum, national art gallery, national archives any public museum or notified institution.
- Transfer of capital asset under Reverse mortgage. [Any amount received by Senior citizen under this scheme is exempt]



**Sec 47: Certain Transaction not regarded as Transfer [Exempt Transfer]**

13. Conversion of bonds/debentures/deposit certificates of a company into debentures or share of that company

**Note:**

- COA of shares/debentures received on conversion = Cost of that part of debenture/bond/debt stock/deposit certificate, which is so converted.
- POH of shares or debentures shall also include the period for which debt/bonds/debt stock/deposit certificate held by assessee.

14. Conversion of Preference shares of company into equity shares of that company

**Notes:**

- COA of equity shares received on conversion shall be the cost of that part of preference shares, which is so converted.
- POH of equity shares shall also include the period for which pref. shares are held by assessee.

**EXEMPTION**

Particulars	Sec 54	Sec 54B	Sec 54D	Sec 54EC	Sec 54F
Eligible Assessee	Individual/HUF	Individual/HUF	Any person	Any Person	Individual/HUF
Asset Transferred	Residential House Property [LTCG]	Urban Agriculture Land [STCG/LTCG]	Compulsory Acquisition of Land & Building of Industrial Unit [STCG/LTCG]	Land or Building or Both [LTCG]	Any capital asset not being residential House Property [LTCG]
Asset in which capital Gain is invested					
Time Limit for Investment					
Deposit Scheme	Applicable	Applicable	Applicable	Not Applicable	Not Applicable
Exemption Limit	Capital Gains OR Cost of New Asset/ Amount Deposited	Capital Gains OR Cost of new asset/ Amount Deposited	Capital Gains OR Cost of new asset/ Amount Deposited	Capital Gains OR Cost of new asset Maximum Rs 50 Lacs	$\left\{ \frac{\text{Amount Invested}}{\text{Net Consideration}} \right\} \times \text{LTCG}$
Withdrawal of Exemption	If new Asset transfer within 3 years from the date of purchase or date of construction ↓ Then Amount exempt earlier will be deducted from COA of new asset	If new Asset transfer within 3 years from the date of purchase. ↓ Then Amount exempt earlier will be deducted from COA of new asset	If new Asset transfer within 3 years from the date of purchase or date of construction ↓ Then Amount exempt earlier will be deducted from COA of new asset	If new Asset transfer within 5 years ↓ Then Amount exempt earlier will be taxable as LTCG in the year of transfer/conversion	If new Asset transfer within 3 years ↓ Then Amount exempt earlier will be taxable as LTCG in the year of transfer.
Other Points	Payment for investment is sufficient for exemption. Residential House can be SOP or LOP. Investment in two adjacent flats are treated as 1. Construction includes cost of both Land & Building. Investment in name of any other person also eligible for exemption	Asset transferred shall be used for agriculture purpose by individual or his parents during 2 years before the transfer. Payment for investment is sufficient for exemption. Investment in name of any other person also eligible for exemption	Asset transferred shall be used for Industrial unit for 2 years before the transfer. Payment for Investment is sufficient for exemption.	Payment for investment is sufficient for exemption. In case of conversion of Land & Building into Stock in trade, investment time limit of 6 months shall be considered from the date of sale of stock in trade.	Payment for investment is sufficient for exemption. Investment in name of any other person also eligible for exemption. Assessee does not own more than 1 residential house property at the time of transfer.

## Exemption

### Important Points:

1. **Not utilization of balance in capital gain A/c scheme:**
  - ✓ Amount deposited is not utilized wholly or partly for specified purpose in specified time.
  - ✓ Amount not so utilized is taxable as capital gain of P.Y. in which specified time expires
2. **Sec 54EC:**
  - ✓ If assessee takes any loan or advance on the security of bonds/units, he shall be deemed to have converted into money on the date on which such loan or advance is taken and capital gain exempted earlier shall be taxable

### Additional Conditions for Sec 54F:

- ✓ On the date of transfer of LTCA assessee should not own more than one residential house.
- ✓ Should not purchase any other house within 2 years or construct within 3 years from the date of transfer.
- ✓ If conditions not satisfied then exempt CG taxable in P.Y. in which such other residential house purchased/constructed.

## Sec 10(37): Exemption of CG on case of Urban Agriculture Land

LTCG/STCG on compulsory acquisition of urban agriculture land shall be exempted if following conditions are satisfied:  
 Assessee should be Individual/HUF.  
 Such agriculture land should be used for agriculture purpose for 2 years before date of transfer by assessee or his parents.  
 Consideration is determined by RBI/CG.

## Tax Rates on Capital Gains

### Sec 111A: Tax on STCG of certain Assets

#### STCG on transfer of:

Equity Shares.  
 Units of Equity oriented fund.  
 Units of Business trust.



#### Other STCG: Taxable at Normal Tax Rate

#### Note:

- Deduction under Chapter VI-A not available
- Benefit of 15% available when transaction carried out in IFSC whether STT paid or not

### Sec 112A: Tax on LTCG of certain Assets

#### LTCG on transfer of:

Equity Shares.  
 Units of Equity oriented fund.  
 Units of Business trust

STT Paid  
 [Listed]

#### Note:

- Deduction under Chapter VI-A not available.
- In case of equity shares STT paid both at the time of purchase and Sale
- Benefit of 10% available when transaction carried out in IFSC whether STT paid or not
- Rebate u/s 87A not available

## Tax Rates on Capital Gains

### Sec 55: Cost of Acquisition for transfer of Assets mentioned in Sec 112A

If Assets mentioned in Sec 112A are purchased or acquired before 1/2/2018.

#### Cost of Acquisition will be:

Step 1: Cost of Acquisition

OR

Step 2:

#### Step 2:

FMV as on 31/1/2018

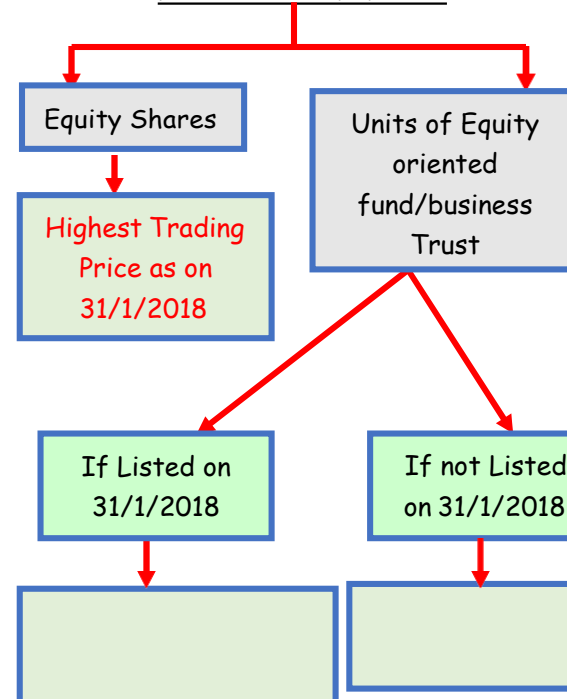
OR

Sale consideration

#### Note:

- Indexation not available

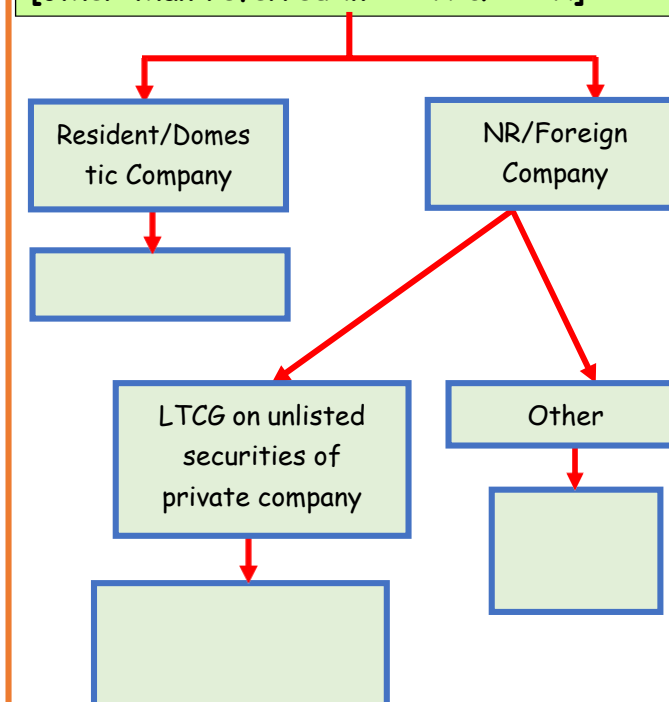
#### FMV as on 31/1/2018



If no trading on 31/1/2018 then highest price on such stock exchange on a date immediately preceding 31/1/2018

## Tax Rates on Capital Gains

### Sec 112: Other Long Term Capital Gain [other than referred in 112A & 111A]



In case of LTCG on listed securities other than units and ZCB assessee can pay tax:

10% without indexation  
 20% with indexation

### Common points for 111A/112A/112

1. No Deduction under Chapter VI-A.
2. Benefit of Basic exemption Limit : Available to Resident /Individual
  - First from other Income
  - Then from 111A/112A/112

Total Income of Mr Deep is Rs 4,20,000 [include LTCG of Rs 2,50,000 on land]

Now tax liability:

$[2,50,000 - 80,000] = 1,70,000 \times 20\% = \text{Rs } 34,000 + \text{HEC @4\%}$

Sec 55A: Reference to Valuation officer.

In the following case A.O. an refer to valuation officer:

FMV claimed by assessee as per Registered Valuer

- A.O. is of the opinion that the value so claimed is at variance with it's FMV

In any other case:

- FMV as per A.O. opinion more than value claimed by assessee by:  
15% of Value claimed by Asseseee  
OR  
Rs 25,000
- Having regard to nature of asset and other relevant circumstances, it is necessary so to do.

Taxation in case of Amalgamation

Sec 2(1B): Definition of Amalgamation

Merger of one or more companies with another company or the merger of two or more companies to form one company that:

- All the assets and liabilities of amalgamating company becomes the assets & liabilities of amalgamated company.
- Shareholders holding minimum 75% in value of shares in amalgamating company become shareholders of amalgamated company.

Taxation of Shareholder

- As per sec 47, there is no transfer and hence no capital gain when shareholders allotted shares of amalgamated company in exchange of share of amalgamating company.

Taxation in case of Amalgamation

- COA of the shares in the amalgamated company = COA of shares in the amalgamating company.
- POH = Period for which shares held in amalgamating company + period in amalgamated company.

Taxation of Amalgamating Company

- As per Sec 47, there will be no capital gain on transfer of capital asset by amalgamating company to amalgamated company.

Taxation of Amalgamated Company

- COA of asset becomes property of amalgamated company = COA of amalgamating company [cost to previous owner]
- POH = Period of Amalgamating company + period of Amalgamated Company
- PGBP losses and unabsorbed depreciation of amalgamating company can be c/f & set off by amalgamated company.

Taxation in case of Demerger

Sec 2(19AA): Definition of Demerger

- All the assets and liabilities of Demerged company becomes the assets & liabilities of Resulting company.
- All the assets & liabilities should be transferred at book value. [Revaluation shall be ignored]
- Transfer of undertaking on Going concern basis

Taxation in case of Demerger

- the resulting company issues, in consideration of the demerger, its shares to the shareholders of the demerged company on a proportionate basis;
- The shareholders holding minimum 75% value of shares in the demerged company becomes the shareholder of Resulting company.

Taxation of Shareholder

- As per sec 47, there is no capital gain in the hands of shareholders of demerged company when they receive share of resulting company.
- POH of shares of resulting company = Period for which shares were held in demerged company shall also be considered
- COA of Shares of Resulting company  
COA of Shares  
Held in demerged \* Company

Net BV of assets transferred in demerger  
Net worth of demerged Company before demerger

Net worth = Paid up share capital + General Reserve.

COA of Shares in demerged Company

COA of original shares in demerged company	X
Less: COA of shares in resulting company as computed in point 3	(X)
	X

Taxation in case of Demerger

Taxation of Resulting Company

COA of Asset received in Demerger = COA to Demerged company

Taxation of Demerged Company

- As per Sec 47, there will be no capital gain when asset transferred by Demerged company to resulting company.
- PGBP losses and unabsorbed depreciation of amalgamating company can be c/f & set off by amalgamated company

Taxation in case of Buyback of Share by Domestic Company

In the hands of Company:

- Taxable \_\_\_\_\_ on Distributed income
- Distributed company = Buyback Price - issue price [including premium]

In the hands of shareholder:

- Capital Gain exempt u/s 10(34)

Note:

- Redemption of Preference share also amounts to Buy Back
- Interest @ 1%p.m. or part of the month applicable from 15<sup>th</sup> day. Assessee will be treated as assessee in default



## Taxation in case of Liquidation

### In the hands of Company:

- When asset of company is distributed on it's liquidation such distribution shall not be treated as transfer.

Hence, capital gain shall not apply in the hand of company

### In the hands of shareholder:

- Distribution shall be treated as Deemed dividend u/s 2(22)(c)

Particulars	Amount
Money Received	X
Add: FMV of asset received on date of distribution	X
Less: Amount assessed as dividend u/s 2(22)(c)	(X)
<b>Sale Consideration/FVOC</b>	<b>X</b>
Less: COA/ICOA	(X)
<b>STCG/LTCG</b>	<b>X</b>

### Note:

1. POH of Shares = Date of Acquisition to date of liquidation
2. CG applicable in the hands of shareholder in the year in which he received assets under liquidation
3. COA of assets received under liquidation is FMV of such asset on the date of distribution.

## Summary for indexation

### In the following four cases indexation benefit is not available:

1. Capital gain in case of NR
2. Capital gain in case of Debenture and bond
3. Assets mentioned in 112A: Listed equity shares, Equity oriented units, units of business trust\_
4. Sec 50B: Slum sale

## Summary for Period of Holding

### Normal Case:

From Date of purchase to Date of sale/Transfer

### Special case:

1. When Asset becomes property by way of Transactions not regarded as Transfer [sec 47]: Include Period of Previous owner/Previous Asset.
2. Asset Destroyed case: Upto Date of destruction
3. Conversion of capital Asset into stock in trade: Upto Date of conversion
4. Compulsory Acquisition: Upto date of compulsory acquisition
5. Shares in a company Liquidation: upto date of Liquidation

# Topic 8: Income from Other Sources

## Sec 56(1): Charging Section

Income is taxable under this head if:

It is not taxable under other heads

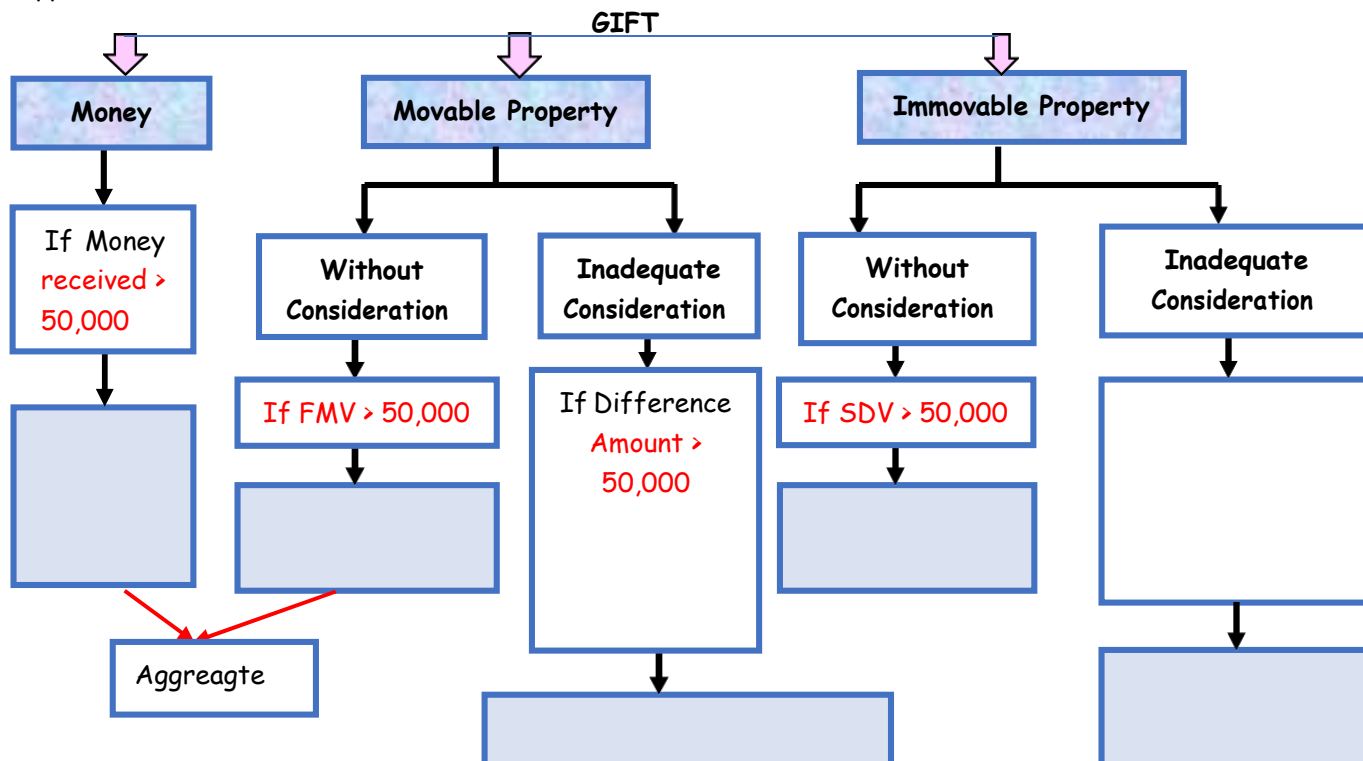
OR

Income is not exempt under Income Tax Act, 1961

- ✓ Dividend.
- ✓ **Winnings** from puzzles, card game, etc.
- ✓ Any Sum received from the employee toward contribution for any staff welfare fund, if it is not chargeable under PGBP.
- ✓ **Interest on securities** if not chargeable under PGBP
- ✓ Rent from letting out P&M or furniture with or without building, if not chargeable under PGBP.
- ✓ Any sum received from keyman insurance policy if not chargeable under PGBP.
- ✓ **Interest received on compensation** of compulsory acquisition of capital asset.
- ✓ Amount received under family pension.
- ✓ **Interest received on Bank deposit** and loan given.
- ✓ **Interest on income tax refund.**
- ✓ Income from **subletting** of house property.
- ✓ **Royalty** income.
- ✓ Agriculture Income.
- ✓ Director **sitting** fees.
- ✓ Salary of MP/MLA/MLC

## Sec 56(2)(x): Money or property received without consideration or for Inadequate consideration in excess of Rs 50,000/Taxability of Gifts

Applicable to **All Assessee.**



### Note:

- SDV same as per Sec 50C
- For seller of residential unit from 12.11.2020-30.06.2021 for inadequate consideration upto Rs 2 crore we will consider 120% instead of 110%

**Property [Movable and Immovable] includes:**

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- Gift received by employee from employer due to \_\_\_\_\_
- Any Benefit/gift/perquisite arising due to Business or **profession Taxable under head PGBP**

## Sec 56(2)(x) Not applicable i.e. Exempted Gifts

**Gifts received from:**

- ✓ From relative
- ✓ On marriage of individual
- ✓ Under will or inheritance
- ✓ Due to death of donor or payer
- ✓ From local authority
- ✓ From Institution trust registered u/s 12AA
- ✓ From any Hospital or any medical institution
- ✓ From any university or educational institution
- ✓ From any individual by a trust created solely for the benefit of relative of the individual.
- ✓ By way of transaction not regarded as transfer
- ✓ By an fund, trust, hospital, medical institution, university education, institution refereed in sec 10(23C)

Any car, phone, T.V. furniture, wrist watch etc. received then not taxable even if \_\_\_\_\_

When property is Stock in trade **then sec 56(2)(x) not applicable.**

Sec 56(2)(x) is applicable even gift [money] made outside India by R to NR

### Sec 49(4):

- IF property [Gift] is taxable u/s 56(2)(x) and it sold Subsequently, **than it's COA = FMC/SDV Taxed u/s 56(2)(x)**
- Ignore Cost of Previous owner & POH

## Relative:

### For Individual:

1. Spouse
2. Brother or Sister of Individual
3. Brother or sister of spouse of Individual
4. Brother or sister of either of parents of Individual.
5. Any Lineal Ascendent or Descendent of Individual.
6. Any Lineal Ascendent or Descendent of spouse of Individual.
7. Spouse of person referred in 2 to 6 [Niece, nephew, friends, fiancé are not relative]

### For HUF

- Any member of HUF

### Example:

Mr. Raj acquired House property for Rs 3 Lakhs during P.Y. 2001-02, he gifted such property to his friend Deep on 16/7/21 [SDV on the date of gifting was Rs 40 lakhs]. Deep sold such property to Viraj on 16/2/22 for Rs 83 Lakhs.

Answer:

### In the hands of Raj:

No capital gain as gift is not regarded as transfer.

### In the hands of Deep:

Since friend is not relative therefore taxability will arise in the hands of Deep. SDV > 50,000 therefore entire SDV is taxable i.e. Entire 40 Lakhs will be taxed.

In the hands of Deep when property sold:

FVOC	Rs 83,00,000
(-) Transfer Expenses	-
	Rs 83,00,000
(-) COA as per S 49(4)	Rs 40,00,000
STCG	Rs 43,00,000

Assuming Raj and Deep are brother

In hands of Raj: No CG as Gift is not regarded as transfer

In hands of Deep: No CG as it is exempted Gifts

### When capital asset is sold

FVOC	Rs 83,00,000
(-) transfer Expenses	-
	Rs 83,00,000
(-) ICOA	
[3,00,000*317/100]	Rs 9,51,000
LTCG	Rs 73,49,000

## Sec 43CA: SDV shall be treated as sales consideration

When **any immovable property** held as Stock in trade in that case **Sale Consideration will be:**

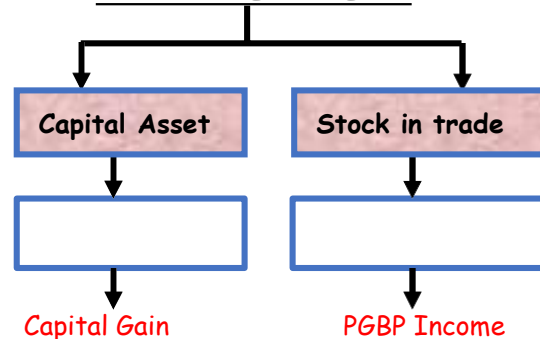
Stamp duty value  
OR  
Sale Price



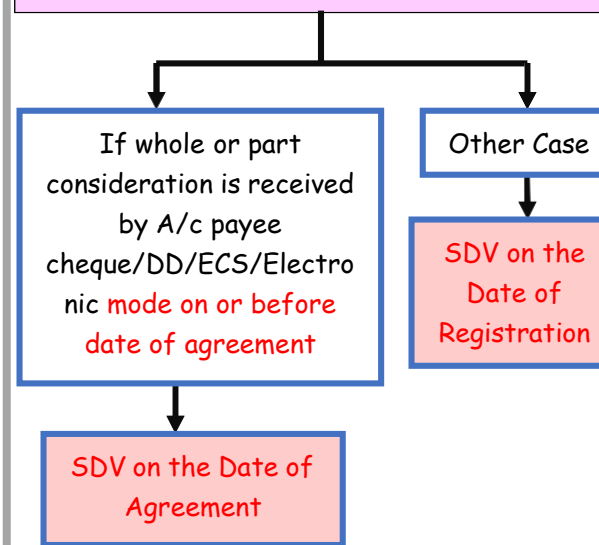
### Note:

- If **SDV is upto 110%** of sale price then Sale consideration will be **SDV**.
- **For seller of Residential unit between 12.11.2020-30.06-2021 sale amount upto Rs 2Crore we will take 120% instead of 110%**

### IMMOVABLE PROPERTY



## For Sec 50C/43CA/56(2)(x): If Date of Agreement and Date of Registration is not Same



**Example:** X Builder transfer a residential house to Mr. Deep on 14/4/2021 for Rs 1.9Cr. SDV on the date of transfer was Rs 2.15Cr. Discuss tax treatment in hands of X and Deep

### Answer:

In this case tolerance band of 120% of sale price will be applicable as it is residential unit. Therefore, 120% of Sale price will be Rs 2.28Cr.

Actual SDV given = Rs 2.15Cr which is less than 120% of Sale Price

### In the hands of X Builders:

As per Sec 43CA since SDV is not more than 120% of Sale price the sale consideration will be Rs 1.9Cr.

### In the hands of Deep

Difference between SDV and Sale consideration is more than 50,000 but SDV is not more than 120% of sale price so Sec 56(2)(x) not applicable

## Sec 56(2)(viib): Shares issued on premium

### Applicable:

When **closely held company** issues shares to any **resident share holder** on premium then **Income of Company =** \_\_\_\_\_  
Taxable under IFOS

### Note: Closely held company includes

- Private company/unlisted company

## Salary Income of MP/MLA

Daily Allowance and Constituency Allowance is Exempt  
Other Salary Income = Taxable under other Source

## Sec 57: While calculating Income under IFOS Following Deduction shall be allowed

### Income from units of UTI/Mutual Funds

Either Dividend or Interest Income will be there  
Taxable in the hands of unitholders.

Deduction of Expense: Only Interest Expense, maximum 20% of Such income

### Interest on Securities

If not taxable under PGBP then taxable under IFOS

Deduction of Expense: Interest/brokerage/or any other expense incurred [same as per PGBP provisions]

### Employee contribution toward any welfare fund

Taxable under IFOS.

Deduction of Expense: any amount remitted before due date under respective acts [36(1)(va)]



Sec 57: While calculating Income under IFOS Following Deduction shall be allowed

Rental income from Plant& Machinery, furniture

If not taxable under PGBP then taxable under IFOS

Computation of Income:

Net Income	X

Family Pension

Monthly pension received by employee family after the death of employee.

Deduction Limit:

1/3<sup>rd</sup> of Family pension received

OR

Rs 15,000 P.a.

Family pension received by widow/children of member of armed forces/paramilitary forces of the union.

Received by any member of the family of an individual who had been in the service of central or state government and had been awarded "paramvirhchakra" or "mahavirchakra" or other notified awards would be exempt u/s10(18)(ii).

Interest on compensation or Enhanced compensation

Income of P.Y. in which it is received.

Casual Income

Casual Income includes:

- .
- .
- .
- .
- .
- .

Tax Rate @ 30%.

Other points:

- No deduction of any expenditure.
- No setoff of losses.
- Losses can be carryforward
- No benefit of basic exemption limit.
- No deduction under chapter VI-A

Advance money forfeited

If forfeited on or after 1.04.2014-

\_\_\_\_\_

Sec 58: Expenses Not allowed as deduction under IFOS

- Any personal expenses of assessee
- Any interest chargeable under this act which is payable outside India on which TDS has not been paid or deducted.
- Any payment which is chargeable under the head salaries if it is payable outside India unless TDS has been paid or deducted thereon
- Cash expenditure exceeding 10,000.
- Amount paid to resident person on which no T.D.S has been deducted.

Taxation of Dividend

- Indian Company: Company formed and registered under Companies Act, 2013
- Domestic Company: Indian company or any other foreign company who has made prescribed arrangement for payment of dividend within India. Therefore, every Indian are Domestic company but all foreign company are not domestic.
- If foreign company makes prescribed arrangement for payment of dividends in India then it shall be treated as Domestic company
- Foreign Company: Company which is not domestic company.

Taxability:

Dividend from Domestic Company:

Dividend from foreign Company:

Deduction of Expense: Only Interest Expense, maximum 20% of Such income

Taxation of Deemed Dividend

Sec 2(22)(a)/(b)/(c)/(d): All Companies

Sec 2(22)(a): Distribution of Company assets to shareholders to the extent of Accumulated Profits [capitalized or not]

Sec 2(22)(b):

Distribution of debentures, deposit certificates to shareholders and bonus shares to preference shareholders to the extent of Accumulated Profits whether capitalized or no

Sec 2(22)(c):

Distribution on liquidation to shareholders to the extent of Accumulated profits whether capitalized or not

Sec 2(22)(d):

Distribution on reduction of capital to shareholders to the extent of Accumulated profits whether capitalized or not

Sec 2(22)(e): Advance or Loan by closely held company to it's shareholders to the extent of Accumulated profits

Applicable: Closely held company [Private company/unlisted company].

Any payment by a company in which public is not substantially interested [Private/unlisted company] by way of Loan/ Advance to

- Shareholder holding not less than 10% voting power [Equity Share capital]

OR

- Any concern/ Entity in which such shareholder has substantial interest [ 20% or more voting power/share in profit at any time during the P.Y.]

To the extent of Accumulated Profits of the company shall be treated as Deemed Dividend

Notes:

- Concern means HUF, Firm, Company, AOP/BOI
- Any payment by company on behalf of or for individual benefit of such shareholder is also deemed dividend
- Repayment of loans/advance is irrelevant
- Shareholder can be any person
- Accumulated profits mean profits as per companies act [means accounting profit] and not assessable profit

Not to be treated as Deemed Dividend:

- Loan/Advance in the ordinary course of business.
- Trade Advances which is in the nature of commercial transaction.
- Buy Back of Shares.
- Shares allotted to Shareholder of demerged company by resulting company under scheme of demerger.
- Any Distribution in respect of pref. Shares
- Any Dividend paid by a company, which is setoff by company against the loan which has been deemed as dividend u/s 2(22)(e)

# Topic 9: Clubbing of Income

## Sec 64(1A): Income of Minor Child

### Taxability:

- ✓ In the hands of parent whose income is **more** before clubbing minor's income
- ✓ Parents **got divorced** → Clubbed to parent who **maintain** minor child in the PY
- ✓ **Both Parents are Dead:** \_\_\_\_\_
- ✓ Clubbing provisions are also applicable in case of minor married daughter

### Exceptions:

- ✓ Income has been earned by the Minor due to his own Skills and manual work
- ✓ Minor is suffering from disabilities referred in Section 80U

**Exemption** to Minor's Parent u/s 10(32) = **Rs. 1500** p.a.per child is allowed

Once clubbing is done with that of one parent it will continue to be clubbed with that parent only unless A.O. changes

Child includes step child and adopted child

## Sec 64(1)(iv): Asset transferred to spouse

- Individual transfer any Asset (other than House) to his/her spouse without consideration or for Inadequate Consideration → \_\_\_\_\_
- Applicable when **relationship** of Husband and wife **exist**
- Transfer for Agreement to Live Apart → **No Clubbing**

## Sec 64(1)(vi): Asset transferred to son's wife

- Individual transfer any Asset (other than House) to his/her son's wife without consideration or for Inadequate Consideration → \_\_\_\_\_
- Applicable when **relationship** of mother/father in law & daughter in law exist and wife **exist**

## Sec 64(1)(ii): Income of spouse from a concern where assessee has substantial interest

- **Remuneration to Spouse:** from concern in which other Spouse has Substantial Interest → \_\_\_\_\_
- **NO CLUBBING** → If Remuneration is received by Spouse due to his/her **Qualifications**.
- **Both** Husband & Wife has SI & both gets remuneration without Qualification from Same Concern → **Clubbed in TI of Husband/Wife whose TI (excluding such remuneration) is higher**
- Substantial Interest: For Company → **20% or more shareholding**  
For Firm/AOP/BOI → **20% or more PSR**

## Sec 64(2): Asset transfer to HUF

Income derived by HUF from such property → \_\_\_\_\_

**CLUBBING AFTER PARTITION:** Share of Individual + Spouse + Minor Child → \_\_\_\_\_

## Sec 64(1)(vii)&(viii): Asset transferred to any person for the benefit of spouse or son's wife

Clubbed in Income of Transferor (upto benefit accruing to spouse/son's wife)

## Sec 60: Income transfer without transfer of asset

Asset transferred by individual to spouse /son's wife and such amount is invested in business then proportionate profit will be clubbed using following formula

Income from business × Gifted by assessee/Capital of business on First day of P.Y [Note 1]

## Sec 61: Revocable Transfer

Income is received by transferee but tax is paid by transferor

### Exception:

## Some important points:

- ✓ Income includes **losses** → **Hence Clubbing provision applicable**
- ✓ Asset transferred is **converted** into other form → Income from such **converted** asset shall be clubbed
- ✓ **Capital gain** will be clubbed in case of sale of asset
- ✓ Clubbing provision also applicable in case of **crossgifts** to the extent of income on the matching amount of crossgifts

### Note 1:

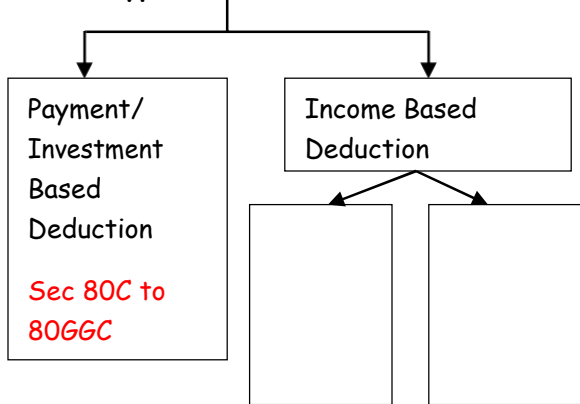
- ✓ Clubbing applicable only when gifted money is included in opening capital
- ✓ All the clubbing provision are not applicable to second generation

# Topic 10: Deduction under Chapter VI-A

## Basics

- Deduction under Chapter VI-A Cannot exceed Gross Total Income.
- Deduction under Chapter VI-A is not available from income which are chargeable at Special rates.

### Types of Deduction



**Note 1:** Deduction available only when ROI is filed upto Due date u/s 139(1)

## Sec 80C: Specified Payments

**Eligible Assessee:** Individual and HUF  
**Maximum Deduction:** Rs 1,50,000

### Eligible Investments:

- Life Insurance Premium [Note 1]
- Investment in PPF [ Individual : Self, Spouse, Children] [ HUF: Any member of HUF.
- Employee Contribution in SPF and RPF.
- Investment in NSC and Interest accrued thereon,
- Repayment of Housing Loan taken from Financial institution or Banks for Purchase or Construction of House

- **Fixed Deposit** in Schedule Bank or Post office for a period of **5 Years**.
- \_\_\_\_\_ paid for education of children [ Maximum 2 children for education in India] [ Coaching fees, Donation not allowed].
- Deposit in **NABARD Bonds**.
- Deposit in \_\_\_\_\_
- Deposit in \_\_\_\_\_
- Stamp Duty Registration Fees for Purchase of House Property.
- Investments in Units of UTI/Mutual Funds.
- Investment in pension fund of UTI/Mutual Fund.
- Contribution by Central Government Employee to Tier II A/c of pension Scheme 80CCD.
- Contribution towards Unit Linked Insurance Premium.

### Note 1:

Individual: Self, Spouse, Children

HUF: Any member of HUF

Policy Taken before 1/04/2012

Premium Paid

OR

\_\_\_\_\_ of Policy Value [Sum Assured]

Policy Taken on or after 1/04/2012

Premium Paid

OR

10% of Policy Value [Sum Assured]

Policy Taken on or after 1/04/2013 for person with disability u/s 80U and suffering from specified disease u/s 80DDb

Premium Paid

OR

\_\_\_\_\_ of Policy Value [Sum Assured]

## Sec 80CCC: Contribution to Pension Fund of LIC or other Insurance Company

**Eligible Assessee:** Individual

**Maximum Deduction:** \_\_\_\_\_

## Sec 80CCD(2): Employer's Contribution to NPS for the benefit of employee:

ER's Contribution **first Taxable** under the head Salary in the hands of employee than he gets deduction u/s 80CCD(2)

### Amount of Deduction:

Employer's Contribution

OR

10 % of Salary

**14% of Salary if CG Employee**

**Salary=Basic Salary + DA**

**Amount Received on Closure of Account:**

- In Case of Death: **Fully Exempt**
- Other Case: \_\_\_\_\_ **Exempt**

In case of **partial withdrawal** from NPS by an employee payment shall be exempt **upto 25%** of Contribution made by him [ Fully Taxable for Non-Salaried Employee]

## Sec 80CCE: Aggregate Deduction u/s 80C+80CCC+80CCD(1)

## Sec 80CCD: Contribution to Pension Fund of CG or New pension Scheme or Atal Pension Yojana

**Eligible Assessee:** Individual  
**80CCD(1):**

**Amount of Deduction**

**For Salaried Employee**

Employees Contribution

OR

10% of Salary

**Other Individual**

Assessee's Contribution

OR

20% of GTI

### 80CCD(1B):

Balance Contribution u/s 80CCD(1) can be claimed u/s 80CCD(1B) upto Rs 50,000

## Sec 80E: Deduction in respect of Interest on Loan for higher education in India or abroad

**Eligible Assessee:**

\_\_\_\_\_

**Deduction Amount:**

Interest Paid

[Maximum for \_\_\_\_\_ Years]

Deduction is allowed if loan taken for Self, spouse, children, and any student from whom assessee is legal Guardian

## Sec 80EE: Deduction in respect of Interest on Housing Loan

**Eligible Assessee:** Individual

**Maximum Deduction:** Rs 50,000

### Conditions:

- Loan Should be taken from \_\_\_\_\_ institution for acquisition of residential property.
- Purchase price of house **upto Rs \_\_\_\_\_ Lacs**.
- Loan Should be **Sanctioned Between 1/4/2016-31/3/2017**
- Assessee does **not own any residential house** on the date of sanction of Loan
- **First deduction** should be claimed \_\_\_\_\_ **upto 2 lacs** and remaining int deduction in 80EE



Sec 80EEA: Deduction in respect of Interest on Housing Loan

Eligible Assessee: Individual [Other than Covered in 80EE]

Maximum Deduction: Rs 1,50,000

Conditions:

- Loan Should be taken from Banks or Financial institution for acquisition of residential property.
- Stamp duty value of house property upto Rs 45 Lacs.
- Loan Should be Sanctioned Between 1/4/2019-31/3/2022.
- Assessee does not own any residential house on the date of sanction of Loan.
- No deduction under any other provisions of the act if deduction taken under this section.
- First deduction should be claimed u/s 24(b) upto 2 lacs and remaining int deduction u/s 80EEA

Sec 80EEB: Deduction in respect of Interest on Electric Vehicle Loan

Eligible Assessee: Individual

Maximum Deduction: \_\_\_\_\_

Conditions:

- Loan Should be taken from Banks or Financial institution including NBFC for Purchase of electric Vehicle.
- Loan Should be sanctioned between 1/4/2019-31/3/2023.
- No deduction under any other provisions of the act if deduction taken under this section assessment year.

Sec 80G: Donation

Eligible Assessee: All Assessee

Eligible Donation

Category A	Category B	Category C	Category D
1. 2. 3. 4.	1. National Defense Fund 2. National Children Fund 3. Swachh Bharat Kosh 4. Clean Ganga Fund 5. Fund For Army etc. 6. P.M. National relief Fund 7. National Sports Fund 8. CM Fund.	1. Charitable Trust. 2. Donation for renovation or repair of temple gurudwara, mosque or church. 3. Donation for promoting minority interest. 4. Donation to Housing Development Authority.	1. Donation for Promoting Family Planning. 2. Donation by Company to Indian Olympic Association.

Calculation of Limit and Donation under Category C and D:

Step 1: Calculate Adjusted Total Income

Gross Total Income	XXX
Less: Deduction under Chapter VI-A [Except 80G]	(XXX)
Adjusted Total Income[ATI]	XXX

Step 2: Maximum Limit of Donation

Total Donation Under Category C and D  
OR

10% of Adjusted Total Income

Step 3: Maximum limit of Donation

First Category D:	Then Category C:
_____ _____	_____ _____

Donor shall be allowed deduction if done trust/institution prepare statement in FORM 10BD and submitted to PDGIT upto 31<sup>st</sup> May of Next F.Y.

Donee shall furnishes a certificate to the donor in FORM No 10BE upto\_\_\_\_\_

Example:

Gross Total Income Rs 7,00,000

Deduction Under chapter VI-A Rs 1,00,000

Donation to Charitable RS 30,000

Donation For Family Planning Rs 50,000

Answer:

Step 1: Adjusted Total Income =Rs 6,00,000

Step 2: Maximum Limit of Donation

Total Donation [30,000+50,000] Rs 80,000

10% of ATI [6,00,000\*10%] Rs 60,000

60,000

Step 3: Maximum Limit of Donation =Rs 60,000

First Category D i.e Family Planning [100% with Limit]  
=Rs 50,000\*100%= Rs 50,000

Balance For Category C i.e. Charitable Donation [50% with Limit] [Half Deduction]  
(60,000-50,000)\*50%= Rs 5,000

Total Donation Allowed =Rs 55,000 [50,000+5,000]

Note:

Donation in kind are not eligible

**Sec 80GG: Rent Paid of House Porperty**

**Eligible Assessee:** Individual [who does not receive HRA]  
**Amount of Deduction:**  
Rs 5,000 p.m.  
OR  
25% of ATI  
OR  
Rent Paid-10% of ATI

ATI= Adjusted Total Income  
Gross Total Income XXX  
Less: Deduction Under Chapter VI-A (XXX) except 80GG  
Adjusted Total income XXX

This assessee or his spouse or minor child or HUF should not own any house at the place of his duty

**Sec 80GGA: Deduction in respect of Donation for Scientific Research or Rural Development**

**Eligible Assessee:**  
  
**Amount of Deduction:** 100% of Donation.  
  
No Deduction allowed for donation paid in Cash exceeding Rs 2,000.

**Sec 80GGB: Donation to Political Party or Electoral Trust**

**Eligible Assessee:** Indian Company  
**Amount of Deduction:** 100% of Donation.  
  
No Deduction allowed for donation paid in Cash.

**Sec 80GGC: Donation to Political Party or Electoral Trust**

**Eligible Assessee:**  
**Amount of Deduction:** 100% of Donation.  
  
No Deduction allowed for donation paid in Cash.

**Sec 80JJAA: Deduction in respect of Employment of new Employees**

**Eligible Assessee:** Any Assessee engaged in Business and to Whom Sec 44AB applies.  
**Amount of Deduction:** 30% of Additional Employee Cost. [Deduction Allowed for 3 Consecutive Years].  
**Additional Employee Cost:** Total Salary Paid or Payable to Additional Employee employed during the P.Y.  
**Note 1:**  
For Existing Business: Deduction is allowed only if:

- There is **increase in Total no** of employees.
  - Salary Paid by A/c payee Cheque /DD/ECS/Electronic mode
- Note 2:**
- Additional Employees do not include: Employees
  - \_\_\_\_\_.
  - Employees who do not **participate** in **RPF**
  - Employees for whom entire contribution is paid by Government under Employees Pension Scheme.
  - Employee employed for **less** than \_\_\_\_\_ days in a P.Y.[In case of **manufacture of Apparel or footwear or leather products** than \_\_\_\_\_days.
- Note 3: #**

**Sec 80QQB: Royalty from books of literacy, artistic, scientific nature.**

**Eligible Assessee:** Resident Individual  
**Amount of Deduction:**  
**Eligible Royalty** Received  
OR  
Rs 3,00,000

**Note: Eligible Royalty**

- When Lump Sump Royalty received: Amount Received as royalty.
- Not Lump Sum: \_\_\_\_\_ of the value of Books Sold

If Royalty is received outside India, then deduction is allowed only if such royalty amount is brought in India in convertible foreign Exchange \_\_\_\_\_months from the end of P.Y. or time allowed by

**Sec 80RRB: Royalty from patents.**

**Eligible Assessee:** Resident Individual  
**Amount of Deduction:**  
Royalty Received  
OR  
Rs 3,00,000

**Note:**  
If Royalty is received outside India, then deduction is allowed only if such royalty amount is brought in India in convertible foreign Exchange within 6 months from the end of P.Y. or time allowed by RBI

**Sec 80TTA: Interest on Saving Account**

**Eligible Assessee:** Individual and HUF  
**Amount of Deduction:**  
Interest Amount  
OR  
Rs 10,000

- Saving Account with **Bank, Co-operative Bank or Post office.**
- Deduction not available to Resident Senior Citizen Eligible for deduction u/s 80TTB

**Sec 80TTB: Interest on Deposits in case of senior Citizens**

**Eligible Assessee:** \_\_\_\_\_  
**Amount of Deduction:**  
Interest Amount  
OR  
Rs 50,000

- Saving Account with **Bank, Co-operative Bank or Post office.**
- Deduction not available to Resident Senior Citizen Eligible for deduction u/s 80TTB

**Common Note for 80TTA and 80TTB:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**# Note 3: For Sec 80JJAA**

\_\_\_\_\_

\_\_\_\_\_

**Sec 80D: Deduction in respect of Medical Insurance Premium, Central Govt. Health Scheme, Preventive Health Checkup and Medical Treatment:**

Eligible Assessee: Individual and HUF  
Individual: **Self, Spouse, Parents [Whether Dependent or not] and Dependent Children.**  
HUF: **Any member of HUF.**  
Mode of Payment: Any mode **other than cash** but payment for preventive health checkup can be made in **cash.**

Amount Paid For	Nature of Payment	Amount of Deduction
Self, Spouse and dependent Children	1. Health/Medical Insurance Premium.	Rs 25,000
	2. Contribution to Central. Government Health Scheme.	OR Total Payment
	3. Preventive Health Checkup.	<b>If any person is 60 years or more plus Resident</b> Rs 50,000 OR Total Payment
Parents [Whether Dependent or Not]	1. Health/Medical Insurance Premium.	Rs 25,000
	2. Preventive Health Checkup	OR Total Payment
		<b>If any person is 60 years or more plus Resident</b> Rs 50,000 OR Total Payment
Member of HUF	Health/Medical Insurance Premium.	Rs 25,000
		OR Total Payment

**Notes:**

- > **Aggregate Payment for preventive health Checkup of Self, Spouse, dependent children and Parents cannot exceed Rs 5,000.**
- > **IF Person is 60 years or more then medical expenditure are also eligible.**
- > **Member of HUF also eligible for 50,000 benefit if 60 years or more.**

**If Premium is paid for more than one year, then Deduction for each year shall be computed as follows:**

**Sec 80DD: Deduction in respect of Medical Treatment and Maintenance of Handicapped dependent relative**

Eligible Assessee: Resident Individual and HUF  
Relative Individual: **Spouse, Brother, Sister, Children, Mother, Father**  
HUF: **Any member of HUF.**

Amount of Deduction:  
Normal Disability: Rs 75,000  
Severe Disability: Rs 1,25,000  
[80% or more]

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

**Sec 80DDB: Deduction in respect of Medical Treatment of specified Disease**

Eligible Assessee: Resident Individual and HUF.  
Individual: **Self, dependent relative[ Spouse, Brother, Sister, Children, Parents]**  
HUF: **Any dependent member of HUF.**

Amount of Deduction:  
Actual Expenses on treatment  
OR  
40,000/1,00,000 [#]  
Less: Insurance Claim received  
Amount of Deduction

XXX  
(XXX)  
XXX

Assessee should have incur expenses on treatment of specified disease.  
# Normal Case: 40,000  
Senior Citizen: 1,00,000

**Sec 80U: Deduction for Handicapped Assessee**

Eligible Assessee: Resident Individual  
Amount of Deduction:  
Normal Disability: Rs 75,000  
Severe Disability: Rs 1,25,000  
[80% or more]



## Sec 70: Intra Head Adjustment/Inter Source

- Loss from **one source** can be **set off** against Income from another source under **same head of income**

### Exceptions:

Speculative Business Loss	
Specified Business Loss [Sec 35AD]	
Long term Capital Loss	
Loss from Activity of O&M Race Horses	

## Sec 71: Inter Head Adjustment

- Loss from **one head of income** can be **set off** against **another head of Income**

### Exceptions:

Speculative Business Loss	
Specified Business Loss [Sec 35AD]	
Long term Capital Loss	
Loss from Activity of O&M Race Horses	
Short Term capital Loss	
Business Loss	

### Transaction in shares where delivery affected

**PGBP:** if held as **Stock in trade**

**CG** if shares are held as **Capital Asset**

### Transaction in shares where delivery not affected

**Always Speculation Business Income**

### Derivatives

**Always Normal Business Income**

# Topic 11: Set off and Carry forward of Losses

## Carry forward of Losses:

- If Loss **cannot be set off** either under (i) Same head (Intra Head) or (ii) Different heads of Income (Inter Head) due to **Absence of Eligible Income in same year**, it is **carried forward** to next year & **set off against income from same head** subject to certain restrictions in following AYs subject to prescribed time limit  
[In simple words year in which loss incurred for first time than we will set off in that year and if any loss left than it will c/f]
- **Brought Forward Loss can be set off only against Income from same head only** (Unabsorbed Depreciation → \_\_\_\_\_ except Salary)

Loss From	In the year of Loss		In Subsequent Years	Carried forward No of Years
	Intra Head Adjustment	Inter Head Adjustment	Carried Forward Losses and set off	
<u>Salary</u>	Not Possible		Not Possible	
<u>House Property</u>	Allowed		<b>Only Against HP</b>	
<u>PGBP</u>				
Normal Business	Allowed		<b>Allowed only against Normal Business Income</b>	
Speculative Business	Against Speculative Business		Allowed only against Speculative gain	
Specified Business	Against Specified Business		Allowed only against Specified Business	
Unabsorbed Depreciation	Allowed		Allowed [Except against salary]	
<u>Capital Gains</u>				
LTCL	Against LTCL		Against LTCL	
STCL	<b>Against STCL/LTCG</b>		Against STCL/LTCG	
<u>IFOS</u>				
Owning and maintaining of horse	Only against Income from horses		Only Against Income from Horses	
Other Loss	Allowed		Not allowed	

## Order of Set off of Losses

- 1) Current year Depreciation
- 2) Brought forward losses from Business and Profession
- 3) Unabsorbed Depreciation

## Other points:

- ✓ In case of exempt income losses shall be ignored
- ✓ No setoff allowed in case of casual income [lottery, puzzles etc]
- ✓ B/f losses from a business can be set off even if such business is discontinued
- ✓ Set off of losses not permissible against unexplained Income/Investment, money etc

# Topic 12: Advance Tax

Tax is recovered from the assessee in following ways:

- Advance Tax
- TDS
- TCS

Generally, income of P.Y. is taxable in the Following A.Y. However, assessee is required to pay advance tax in P.Y. itself on the basis of estimated income u/s 207

## Sec 208: Applicability of Advance Tax

- All Taxable incomes [including capital gains, winnings from lotteries, crossword puzzle etc are liable for advance tax
- Obligation to Pay Advance Tax Arises where advance tax payable in a year is
- Advance Tax Payable = [(Tax on Estimated Total Income - Rebate/Relief) + HEC - TDS/TCS]
- **Exception:**

## Sec 209: Procedure for Computing Advance Tax Payable

Following Steps Needs to be followed

Step 1:

Step 2:

Step 3:

- **Net Agricultural income** is also considered for the purpose of computing Advance Tax in case of specified class of assesses.
- The Specified Percentage of Advance tax shall be paid by the assessee on his accord on or before the due date of each installment

## Sec 210: Payment of Advance Tax

Payment of Advance Tax may be made in the following ways:

- By Assessee on his own
- In pursuance of notice by A.O

If the **tax payer has not paid advance tax**, then the A.O. can pass an order specifying the installments in which advance tax should be paid.

A.O. can pass this order only up to the **last day of February**. The assessee can submit lower or higher estimate of income and pay tax accordingly

## Sec 211: Advance Tax Due Date

Date of Payment	Cumulative % of Advance Tax
Up to 15th June of PY	
Up to 15th Sept of PY	
Up to 15th Dec of PY	
Up to 15th Mar of PY	

If assessee paying **tax u/s 44 AD / 44 ADA**, Due date = 15th March [Only 1 Installment]

## Some Key Points

- Estimated Income shall be Revised @ every date of Payment.
- Tax deductible but not so deducted cannot be reduced for computing Advance Tax
- **Advance tax paid on/before 31st March →**
- Banks Closed on Payment Date → Pay on Next Working Day; and no interest will be levied
- If any unexpected income arises after DD of any instalment. In such cases, Advance Tax payable on such Income, shall be paid in Remaining Instalments or by 31st March of PY (if No Instalment is remaining). [E.g. Capital gains, Winnings]

**Note: There is No penalty for non-payment of advance tax. However, the assessee is liable to pay simple interest u/s 234**

## Topic 13: Interest u/s 234A/B/C/D & 244A

### Sec 234A: Interest for delay in Return filing

**When:** If No ROI is filed or ROI is filed after the Due Date u/s 139(1).

Tax as per Return of Income [After adj TDS / TCS / Adv tax / MAT credit/ Relief u/s 89]

x

Rate [1 % Per month or part of a month]

x

Period [From: Next day after ROI due date Till: Date of actual filing]

**Note:** However as per Supreme court decision in Dr. Pranoy Roy credit will be given of self assessment, if it is paid upto due date of return filing.

### Sec 234E: Fee for default in furnishing TDS/TCS statements

**When:** For delayed filing quarterly statement

**Amount:** Mandatory fees of Rs 200 per day during which default continues

**Maximum:** Fees cannot exceed the amount of TDS deductible

Fees shall be paid before filing quarterly statement

### Sec 234B: Interest for non/short payment of Advance tax

**When:** No Advance Tax Paid OR Advance Tax paid is < 90% of Assessed Tax

Advance Tax short paid as per ROI

x

Rate \_\_\_\_\_

x

Period \_\_\_\_\_

### Sec 234C: Interest for deferment of Advance tax instalments

Deferred Amount

x

Rate \_\_\_\_\_

x

Period [3months for all instalment except last instalment]

[for last instalment int is applicable for 1 month i.e 16/3-31/3]

No interest if advance tax paid up to 12% in 1<sup>st</sup> instalment or 36% in 2<sup>nd</sup> instalment

### Sec 234F: Fee for default in furnishing return of income

ROI up to 31 Dec AY = 5000

ROI after 31 Dec AY = 10,000

Max 1,000, if NTI does not exceed 5 Lacs

### Sec 234H: Fee for default in Linking Aadhar with PAN

Fees of Rs 500 applicable if assessee link aadhar with PAN after 31/03/2022 but before 30/06/2022 This fee applicable at the time of linking

After 30/06/2022 = Fees of Rs 1,000

### Sec 244A: Interest on Refund @ 0.5%

Refund out of Self assessment Tax:

**From:** Date of filing of return or Payment of taxes

Whichever is later

**Till:** Date of Granting refund

Refund out of TDS/TCS:

**Return filed upto due date u/s 139(1)** From :1<sup>st</sup> April of A.Y. Till:

Date of Granting refund

**Return filed after due date**

**From:** Date of filing return Till:

Date of granting refund



# Topic 14: Tax Deducted and Tax Collected at Source

## TDS: Some Basic Points

TDS Deducted only when amount taxable in the hands of receiver

**TDS to be deducted**

At the time of payment

Or

At the time of credit

EARLIER

**Exception:** TDS deducted at the time of payment

- Salary
- EPF Payment
- Winnings
- Dividend
- Cash withdrawal
- Maturity of LIP
- Compensation on Compulsory acquisition

Generally, no surcharge and cess to be added  
However, when payment made to NR/ foreign company or salary then surcharge and cess to be added

When GST amount is separate than No TDS on GST

In certain cases TDS also deducted where the payment made for personal purpose

**TDS Rate when No PAN furnished by payee to payer [Sec 206AA]**

Rate as per Respective Section  
Or

20%

HIGHER

For Sec 194-O/194-Q- Rate is 5%

[#] Individual and HUF required to deduct TDS if Last year turnover > 1 Cr in case of business or > 50 lacs in case of profession

Section	Nature of Payment	Payer	Payee	Rate	Remarks
		Any person	Employee[R/NR]	Slab Rate	<ul style="list-style-type: none"> <li>Employer Shall consider details of other income and deduction if submitted by Employee. TIP paid to workers No TDS</li> <li>Employer shall <b>not consider loss except loss from house property.</b></li> <li>When Employee has worked with more than one employer or changed the job during the P.Y he may furnish the details of his salary and TDS deducted by one employer to another employer.</li> <li><b>TDS not to be deducted in case Remuneration</b> received by partner from FIRM</li> </ul>
		Any Person	Employee[R/NR]	10%	<ul style="list-style-type: none"> <li>No TDS if amount less than 50,000</li> <li><b>IF No PAN furnished by Employee than TDS at MMR</b></li> </ul>
		Any Person	Resident Payee	10%	<p><b>No TDS if interest is paid:</b></p> <ul style="list-style-type: none"> <li>➤ For Debentures issued by a public company to I/HUF if Int does not exceed Rs 5000 during the P.Y and the same is paid by a/c cheque</li> <li>➤ Int Paid to GIC LIC or other insurers</li> <li>➤ Securities Listed through <b>D-Mat form</b></li> <li>➤ National Development bonds</li> <li>➤ Seven-year National Saving Certificate</li> <li>➤ <b>Sec 54EC Capital gains</b> bonds issued by Power Finance Corp Limited or Indian railway finance corporation limited</li> <li>➤ 8% saving (taxable) bonds, 2003/7.75% Savings (Taxable) Bonds, 2018 &gt; 10K → <b>TDS Applicable</b></li> </ul>
		Domestic Company	Resident Person	10%	<ul style="list-style-type: none"> <li><b>No TDS</b> if Payment made to Individual by any mode other than Cash and payment is <b>Upto Rs 5000</b> in P.Y</li> <li>No TDS if dividend to LIC GIC or any other insurer provided shares are owned by them or they have beneficial interest</li> </ul>
		Any person other than I and HUF [#]	Resident Person	10%	<p><b>No TDS if</b></p> <ul style="list-style-type: none"> <li>➤ Paid by bank / Post office <b>upto 40,000</b>[Rs 50,000 for Resident Senior]</li> <li>➤ [Limit of 40,000 is branch wise and if CBS adopted than Limit of 40,000 is for whole Bank]</li> <li>➤ Other cases <b>upto 5000</b></li> <li>➤ Paid by firm to partner</li> <li>➤ Int on income tax and bank saving</li> <li>➤ Interest on <b>ZCB</b></li> <li>➤ Interest by <b>one Co-op Society to another Co-op Society</b></li> <li>➤ Interest to Banks, Co-op banks, LIC, GIC, UTI, Skill Development Fund</li> <li>➤ <b>Interest on compensation awarded under Motor Accidents Claims Tribunal → No TDS on Credit of Any Amount of Interest &amp; No TDS on payment ≤ 50,000 in a</b></li> </ul>

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Section	Nature of Payment	Payer	Payee	Rate	Remarks
		Any Person	Any Person	30%	<b>No TDS if:</b> Winnings id Upto Rs 10,000 <ul style="list-style-type: none"> <li>➤ If the winning is wholly or partly in kind than payer shall release prize only after ensuring that tax on such winning is paid to Govt.</li> <li>➤ In Case Book punter paying the winnings , credits such winnings and debits the losses to the punter , tax has to be deducted @30% on winnings before set off of losses. Therefore, the net amount after deduction of tax and losses has to be paid to the winner.</li> </ul>
		Any Person	Any Person	30%	<ul style="list-style-type: none"> <li>➤ Same as 194B</li> </ul>
		Any Person other Than I and HUF[#]	Resident Person	If I/HUF than: 1% Others: 2%	<b>No TDS if:</b> <ul style="list-style-type: none"> <li>➤ Single contract upto 30K</li> <li>➤ Aggregate contract upto 1 Lac in P.Y</li> <li>➤ Contract for personal purpose of I/HUF</li> <li>➤ Transporter owns 10 or less vehicles at any time in P.Y and who furnishes a declaration to this effect along with PAN</li> </ul> <b>Work includes:</b> Advertising, Carriage of goods by any mode other than railways, Catering and Job Work In case of Job work TDS applied on value excluding material if no bifurcation than on Whole Amount. <b>Payment by broadcasters or telecasters [TV Channels] to production houses for production of content for broadcasting and telecasting</b> <ul style="list-style-type: none"> <li>➤ Where content is produced as per specification it is treated as job work and hence TDS applicable</li> <li>➤ Where telecaster/broadcaster acquires only telecasting or broadcasting rights than no TDS applicable</li> </ul> Payment by Client to advertisement agency TDS Applicable. Cold Storage Facility TDS Applicable. Payment for transportation of gas only if transportation charges paid by Third Party.
		Any Person	Any Resident Person	5%	<b>No TDS if:</b> <ul style="list-style-type: none"> <li>➤ If Commission is upto Rs 15,000 in F.Y.</li> </ul>
		Any Person	Any Resident Person	5%	<b>No TDS if:</b> <ul style="list-style-type: none"> <li>➤ If maturity amount is less than Rs 1,00,000.</li> <li>➤ If maturity amount is exempted u/s 10(10D).</li> </ul> Amount Eligible for TDS=Maturity Amount-Premium Paid.
		Any Person	NR Sportsperson/NR Entertainer not being Citizen of India or NR Sport association	20.8% [20%+HEC@4%]	<ul style="list-style-type: none"> <li>➤ Payment to NR not being Citizen of India for Participation in any game, Advertisement, Contribution of article in newspapers, magazines, journals relating to Sports in India.</li> <li>➤ Guarantee Income received by NR Sports association or institution in relation to any game or sports played in India.</li> </ul>
		Any Person	Any Person	5%	<b>No TDS if:</b> <ul style="list-style-type: none"> <li>➤ If Commission is upto Rs 15,000 in F.Y.</li> </ul>
		Any Person other Than I and HUF[#]	Resident Person	5%	<b>No TDS if:</b> <ul style="list-style-type: none"> <li>➤ If Commission and brokerage is upto Rs 15,000 in F.Y.</li> <li>➤ When Payment made by BSNL or MTNL to their public call office franchise</li> <li>➤ If Amount paid is related to security like underwriting, brokerage on Public issue</li> </ul>



Section	Nature of Payment	Payer	Payee	Rate	Remarks
		Any Person other Than I and HUF [#]	Resident Person	P & M: 2% Land, Building, Furniture:10%	<b>No TDS if:</b> <ul style="list-style-type: none"><li>➤ Rent up to Rs 2,40,000 to a person in F.Y.</li><li>➤ No TDS on refundable deposit</li><li>➤ Lumpsum Lease Payment at onetime upfront lease charges</li><li>➤ Amount paid for passenger service fees</li></ul> Advance Rent also Subject to TDS in the year of Payment TDS applicable irrespective whether payee is owner or not
		Any Person [Buyer]	Resident Person [Seller]	1% of Consideration	<b>No TDS if:</b> <ul style="list-style-type: none"><li>➤ Actual Consideration is less than Rs 50,00,000</li></ul> Actual Consideration includes Club fees, membership fees, parking fees or water facility fees, maintenance fees advance fees or any other similar charges
		I/HUF [Not covered in 194-I]	Resident Person	5%	<b>No TDS if:</b> <ul style="list-style-type: none"><li>➤ Rent is upto Rs 50,000 P.M. or part of month</li></ul> <b>Time of Deduction:</b> <div>At the time of credit OR Actual Payment of Last month rent</div> <div>When no PAN Rate is 20% however in this case deduction cannot exceed last month RENT</div> <div>EARLIER</div>
		Any Person	Resident Person	10%	Applicable for Consideration Received Under Section 45(5A)
		Any Person other Than I and HUF [#]	Resident Person	10% If payment made to call centre or FTS not being professional service or for cinematographic films, TDS@2%	<b>No TDS if:</b> <ul style="list-style-type: none"><li>➤ Professional fees/ technical services/ royalty is upto 30K [Separately]</li><li>➤ when fees for professional services is made for personal purpose by I/HUF</li></ul> For I/HUF they are required to deduct TDS only on Fees for professional service and Fees for Technical Service. No need to deduct TDS on royalty or Non-Compete Fees. Payment made to sportsmen, referee, Team physician, Anchor, Umpire, Commentator, Sports Columnist Event manager will be regarded as Fees for professional Service and TDS will be deducted u/s 195. Third Party making payments on behalf of insurance companies to hospital for settlement of medical/insurance claims etc. are liable to deduct TDS u/s 194J. Consideration paid for acquisition of Software falls within the definition of royalty and hence no TDS.
		Any Person[UTI/MF]	Resident Person	10%	<b>No TDS if:</b> <ul style="list-style-type: none"><li>➤ If payment is upto Rs 5,000 in a P.Y</li></ul>
		Any person	Resident Person	10%	<b>No TDS if:</b> <ul style="list-style-type: none"><li>➤ If payment is upto Rs 2,50,000 in a P.Y</li><li>➤ If immovable property is urban agricultural land as CG is exempt u/s 10(37)</li><li>➤ Rural Agricultural Land is Not Capital Asset</li></ul>
		I/HUF[Other than required to deduct TDS u/s 194C, 194H, 194J]	Resident Person	5%	<b>No TDS if</b> <ul style="list-style-type: none"><li>➤ aggregate sum paid is upto 50 Lac</li></ul> This section is specifically for payment made for personal purpose only.

Section	Nature of Payment	Payer	Payee	Rate	Remarks
194N	Cash Withdrawal from Bank, Co-op Bank, Post office	Bank, Co-op Bank, Post office	Any Person	2% [Note 1]	<b>No TDS if:</b> <ul style="list-style-type: none"> <li>➤ Cash withdrawal is upto Rs 1 Crore. <b>If more than 1 Crore</b> than TDS applicable on <b>excess</b> amount over 1 Crore</li> <li>➤ Cash Withdrawal by Government, Banks , Co-op Bank, Post office, white Label ATM, Cash Replenishment Agencies, Agents under Agriculture Produce Market Committee, Authorised Dealer, Full Fledge Money Changer</li> </ul> <b>Note 1:</b> <ul style="list-style-type: none"> <li>➤ If <b>return</b> not filed in last 3 AY, then <b>20 Lacs &lt; Withdrawal &lt; 1 Cr, TDS @2% on excess</b></li> <li>➤ 1 Cr &lt; Withdrawal , <b>TDS @5% on excess</b></li> </ul>
194-O	Payment By Ecommerce [ Sale of Goods or services ]	Any person[E-Com operator who owns or manage E-Facility or platform]	Resident Person[ E-Commerce Participant who selling goods or services through E-Com operator ]	1% [Gross Amount of Sale i.e.Total Price collected from Customer	<b>No TDS if all satisfied</b> <ul style="list-style-type: none"> <li>➤ Payee is <b>Individual/HUF</b>.</li> <li>➤ Gross sale through ECO upto 5 Lacs.</li> <li>➤ Payee has <b>furnished PAN or Aadhar</b> to ECO.</li> <li>❖ If TDS cannot be deducted under this Section than cannot be deducted any other section of the act. This is not applicable when payment has been made for hosting advertisement or providing ant other service which are not related to Sale of goods / services.</li> <li>❖ <b>Any payment made by payer to E-Com participant but sale is facilitated by E-Com operator shall be deemed to be the amount paid/credited by E-Com operator to E-Com participant and shall be included in gross amount for TDS purpose.</b></li> <li>❖ <b>Payment gateway will not be required to deduct TDS u/s 194-O if the tax has been deducted by E-com operator u/s 194-O of the act on the same transaction.</b></li> <li>❖ In years subsequent to the First Year, if the insurance agent or insurance aggregator has no involvement in transactions between insurance company and the buyer of insurance policy, he would not be liable to deduct TDS u/s 194-O for those subsequent years. However, the insurance company shall be required to deduct tax on commission payment, if any, made to the insurance agent or insurance aggregator for those subsequent years.</li> </ul>
194P	Pension income & interest on such pension income	Specified Bank [Schedule Bank]	Resident Individual age ≥75 in P.Y	Slab rate	TDS deducted after giving effect to VI A deduction & rebate 87ASenior citizen should have only such income
194-Q [W.E.F 1/7/2021] [Note 1]	Purchase of Goods More than 50 Lakhs in P.Y.	Any person [Buyer] whose last year Turnover is more than 10Crore	Resident Person [Seller]	0.1% of Sum in excess of Rs 50 Lakhs	<ul style="list-style-type: none"> <li>➤ No TDS upto 50 Lacs. TDS only on excess.</li> <li>➤ In case of transaction to which both 194 -O and 194-Q applies TDS to be deducted u/194 O.</li> <li>➤ No TDS if TCS u/s 206C(1) / (1F) / (1G).</li> <li>➤ No TDS on security commodity traded through RSE.</li> <li>➤ Renewable energy certificate traded through registered power exchanges.</li> <li>➤ In case transaction to which both S 206(1H) and 194Q applies TDS to be deducted u/s 194Q.</li> <li>➤ Since 194Q is effective from 1/7/2021 so purchase made or payment made upto 30/06/2021 not subject to TDS . Since limit of 50 Lakhs is for whole P.Y. so for checking limit of 50 Lakhs we will consider purchase made between 1/4/2021-30/6/2021</li> <li>➤ Not applicable for Exempt income.</li> <li>➤ Not applicable in first year of Incorporation.</li> <li>➤ Only Business T/o or Profession receipts should be taken.</li> <li>➤ In case of Purchase return no need to return TDS amount it can be adjusted in future against the same seller</li> </ul>

## Sec 196

TDS **Not Applicable** if Payee is Government, RBI, Mutual Fund, New Pension Trust, Statutory Corporation.

## Sec 197

Payee can apply to A.O. to issue certificate of **Lower Deduction or No Deduction** of TDS if Total income or receipts of income is not liable to tax or taxable at lower rate.

## Sec 197A

If Income of Resident Assessee other than Company and Firm is Less than Basic Exemption limit, no TDS Shall be deducted u/s 192A, 193, 194A, 194D, 194DA, 194-I. if **Payee give self Declaration in form 15G and 15H[ for Senior Citizen]**.

## Sec 198

TDS Shall be deemed to be the income of the Payee, except TDS paid by Employer on Non-Monetary Perquisite or TDS deducted u/s 194N.

## Sec 199

TDS Credit is available to person from whose income deduction is made except Clubbing of income.

## Due Dates for Payment of TDS

During April -Feb	7 <sup>th</sup> of Next Month
March Month	30 <sup>th</sup> April

**For 194-I, 194-IB, 194M : By 30<sup>th</sup> of Next Month**

## Sec 206AB: Higher Rate of Deduction for non filing Return of Income

If Payee has not filed his ROI for 2 Preceding P.Y.  
[For which ROI filing Time limit Expires] AND for which aggregate of TDS and TCS of such Payee is 50,000 or more in each of these 2 P.Y.  
Then TDS Rate Shall be

Twice of Rate Given  
OR  
5%

**HIGHER**

Not Applicable in Case of 192, 192A, 194B, 194BB, 194N  
If Both Sec 206AA and 206AB applicable than Rate will be Higher of Both.

## Due Dates for TDS Return/ Statement

Quarter Ended	TDS Return
30 <sup>th</sup> June	31 <sup>st</sup> July
30 <sup>th</sup> September	31 <sup>st</sup> October
31 <sup>st</sup> December	31 <sup>st</sup> January
31 <sup>st</sup> March	31 <sup>st</sup> May

**Fees of Rs 200 per day of default u/s 234E if TDS return after due dates.**

**IF TDS/TCS return filed after 1 year of Prescribed date the penalty u/s 271H ranging from Min 10,000 to Maximum Rs 1,00,000 also applicable.**

## Sec 201

If Assessee fails to deduct TDS or after deduction fails to pay TDS to Govt, Assessee will be deemed to be Assesee in default.

If Assessee fails to deduct TDS of any payee he shall not be deemed to be Assessee in default if Such Payee

- Furnished his ROI
- Taken Such Sum in Income
- Paid Tax on Such Sum
- Payer has furnished a certificate from CA in form 26A

## Sec 201(1A): Interest on Late Deduction or Late Payment

In Case of Late Deduction:

**Int @ 1%** Per month or part thereof on amount of TDS not deducted from date on which **TDS was deductible** till date on which **TDS is actually deducted**

In Case of Late payment:

**Int @ 1.5%** Per month or part thereof on amount of TDS not paid from date on which **TDS was deducted** till date on which **tax is actually paid**

## Sec 200A [Processing of TDS return]

TDS return filed shall be processed electronically and the following adjustment shall be made

- Rectification of any Arithmetical Accuracy
- Incorrect Claim

An Intimation will be prepared specifying the amount of demand/refund alongwith interest, fees [if any] and sent to the deductor **within 1 year** from the end of the F.Y in which return was filed.

## TCS: SOME BASIC POINTS

TCS is Collected by Seller from Buyer

**TCS is to be Collected:**

At the time of Receipt of Amount  
OR  
Debiting the A/c of Buyer

**Earlier**

- No TCS if Seller is I / HUF and whose Turnover / Gross Receipts From Business/ Profession in last year is upto Rs 1 Cr/50 Lakhs.
- No TCS if Buyer is Government, Embassy, Consultants, High Commission, Trade Representation, and Clubs.
- No TCS if Buyer buys goods for personal consumption.
- NO TCS if goods are used for manufacturing article.



### TCS RATES [206C(1)]

Specified Goods	Rate
Alcoholic Liquor for Home Consumption	
Scrap [Not usable as such]	
Minerals being Coal, lignite, Iron ore	
Timber and other forest products	
Tendu Leaves	

### TCS RATES [206C(1C)]

Lease or Licensing of parking Lot, Toll Plaza, Mines or quarry for the purpose of business	2%
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### TCS RATES [206C(1F)]

Sale of Motor Vehicle of the value exceeding 10 Lakhs	1%
<ul style="list-style-type: none"> <li>No TCS if Consideration per vehicle is upto Rs 10 Lakhs.</li> <li>Sale of Motor Vehicle by Manufacture to dealer /distributor</li> <li>At the time of receipt of amount</li> </ul>	

### TCS RATES [206C(1G)]

Overseas Remittance	5% on remittance in excess of Rs 7Lakhs
Overseas Tour Package	5% of Sale Value
<ul style="list-style-type: none"> <li>No TCS if remittance is upto Rs 7 Lakhs in a year</li> <li>IF remittance is out of Loan from financial institution for educational purpose u/s 80E than TCS rate will be 0.5%</li> <li>Not applicable to NRI who is visiting India</li> </ul>	

### TCS RATES 206C(1H)

Sale of Goods of value exceeding Rs 50 Lakhs	0.1% of Sale Consideration in excess of Rs 50 Lakhs
<ul style="list-style-type: none"> <li>No TCS on Export of Goods and Goods specified in 206C(1).</li> <li>Applicable only if seller Turnover exceeds Rs 10 Crs in Preceding F.Y</li> <li>If TDS applicable u/s 194Q than no TCS.</li> </ul>	

### 206CC : Non Furnishing of PAN by Collectee or Aadhar

If the Collectee has not provided his PAN to the Collector then TCS Rate Shall be	
Twice of the rate	}
OR	
5% [1% in case of sub section (1H)]	

### Sec 206CCA: Higher Rate of TCS for non filing Return of Income

If Collectee has not filed his ROI for 2 Preceding P.Y.[For which ROI filing Time limit Expires] AND for which aggregate TCS of such collectee is 50,000 or more in each of these 2 P.Y. Then TCS Rate Shall be	
Twice of Rate Given	}
OR	
5%	

### Due Date for Payment of TCS is 7<sup>th</sup> of Next Month

### Due Date for TCS Return/ Statement

Quarter Ended	TDS Return
30 <sup>th</sup> June	
30 <sup>th</sup> September	
31 <sup>st</sup> December	
31 <sup>st</sup> March	

Fees of Rs 200 per day of default u/s 234E if TDS return after due dates. IF TDS/TCS return filed after 1 year of Prescribed date the penalty u/s 271H ranging from Min 10,000 to Maximum Rs 1,00,000 also applicable

### Sec 206CB [Processing of TCS return]

TCS return filed shall be processed electronically and the following adjustment shall be made

- Rectification of any Arithmetical Accuracy
- Incorrect Claim

An Intimation will be prepared specifying the amount of demand/refund along with interest, fees [if any] and sent to the deductor within 1 year from the end of the F.Y in which return was filed.

### Note 1:

- If the invoice is received before = Excluding GST
- If the Advance is received before invoice = Including GST
- Same treatment for VAT/Sales Tax/Excise Duty
- In case of purchase returns, where the money is refunded by the seller = Tax deducted earlier u/s 194Q on such purchase (which is now returned) may be adjusted against the next purchase from the same seller
- Can Department of Government be a "buyer" for the purposes of section 194Q?
  - If it is carrying on business/commercial activity = Yes
  - If it is not carrying on any business/commercial activity = No
- Can Department of Central/State Government be considered as "seller" for the purpose of section 194Q? = No

# Topic 15: Provision for filing Return of Income and self Assessment

## Sec 139: Filing of Return of Income

Company & Firms (Including LLP)- \_\_\_\_\_

Other Person- If GTI (before claiming exemption u/s 54,54B,54D,54EC,54F) >

Resident & ordinary resident who is beneficial owner / beneficiary of any asset located o/s India.

### Beneficial Owner:

holds any asset located o/s India  
Signing authority in any A/C o/s India

Beneficiary of Asset located o/s India - **Not** required to file ROI, if such income is includible in the income of beneficial owner

### Other Points:

- > Deposited > 1 crore aggregate in current a/c
- > Electricity expenditure > 1 Lac
- > Incurred foreign travel expenditure > 2 Lacs for himself or any other person

## Sec 139(1A): Option to furnish return to employer

Section gives an option to salaried person to furnish a ROI for any P.Y to his employer in accordance with such schemes as may be specified by CBDT

## Sec 139(1B):

Filing of ROI through Computer mode in accordance with schemes as may be notified by CBDT

## Sec 139(1): Due Date for filing ROI

Person required to furnish transfer pricing audit report u/s 92E	
<ul style="list-style-type: none"> <li>&gt; Every other company</li> <li>&gt; Person whose Books of A/c are required to be audited</li> <li>&gt; Working Partner of Audited FIRM</li> </ul>	
Any other Person	

## Sec 139(1C):

CG may by notification specify class of person who are exempted from filing ROI

## Sec 139(9): Defective Return

Return shall be considered as defective, if-

- > Return not filed in prescribed form
- > Proof of tax not attached with return
- > Report u/s 44AB not submitted

A.O will give 15 days to assessee to rectify the defect if assessee does not rectify the defect the return will be considered as invalid return

## Sec 139(3): Loss Return

ROI needs to be filed upto due date for carry forward of following losses[ Sec 80]

- > Business loss
- > Speculation business loss
- > Loss from specified business
- > Loss in CG
- > Loss from activity of owning and maintaining race horses

### Notes:

- > Loss can be set off even if return filed after due date
- > HP loss and unabsorbed depreciation can be c/f even if return filed late

Loss allowed to be c/f (Even if return not filed within due date) if genuine hardship

Authority	Return Losses
CIT/PCIT	
CCIT/PCCIT	
CBDT	

## Sec 139AA: Aadhar Number

Every person eligible to obtain Aadhar Number must mandatorily quote Aadhar Number in:

(a) Application form for Allotment of PAN; (b) ROI.  
If a person does not have Aadhar Number, he is required to quote Enrolment ID of Aadhar

Every person already having PAN on 1<sup>st</sup> July 2017 shall link Aadhar with PAN within the time allowed by Government otherwise PAN will be inoperative

Exceptions: Provisions of Sec 139AA would not apply to Individual who does not possess Aadhar number or Enrolment ID & is: (a) Residing in States of Assam, J&K; Meghalaya; (b) Non-Resident; (C) Super Senior Citizen [Age ≥ 80 years at any time during PY; (d) Not a Citizen of India

## Sec 139(4): Belated Return

If return not filed within due date, can be filed within **[EARLIER]** 3 months prior to end of relevant A.Y.

OR

Before completion of assessment Consequences

No carry forward of losses.  
No VI - A deductions (Income based)  
Interest u/s 234A i.e. 1% pm or part thereof  
Late filing fees u/s 234F - 5,000 / 1,000

## Sec 139(5): Revised Return

If any error discovered in ROI filed earlier u/s 139(1)/(3)/(4) then Return can be revised within **[EARLIER]** 3 months prior to end of relevant AY

OR

Before completion of assessment

- > Unlimited revised returns can be filed
- > Revised Return substitutes original return from the date original return was filed

## Sec 140: Verification of Return

In case of	Verified by
1. Individual 2. Individual Not present in India or mentally incapacitated	1. Himself 2. Competent to verify on behalf of individual
1. HUF 2. Karta Not present in India or Karta not capacitated	1. Karta 2. Any adult member of HUF
1. Partnership Firm 2. If there is no Managing Partner	1. Managing Partner 2. Any Adult Partner
1. LLP 2. If there is no Designated Partner	1. Designated Partner 2. Any partner or any other person may be prescribed
1. Company 2. NO MD	1. MD 2. Any other Director as may be prescribed
1. Company under liquidation 2. Company under Insolvency	1. Liquidator 2. Insolvency professional appointed by adjudicating authority
1. Political Party 2. Local Authority 3. Any other person	1. CEO 2. Principal Officer 3. Person competent to verify

## Sec 139A: Permanent Account Number

Person required to Apply PAN	Time limit for making Application
Person whose TI (or TI of any other person i.r.o which he is assessable) > BEL	On/before 31st May of AY for which such income is assessable
Person carrying on any business/profession whose Sales; TO; GR > (likely to be) Rs. 5 lacs in any PY	Before the end of that PY
Resident (other than individual) which enters into financial transaction ≥ Rs. 2.5L in a FY	On/before 31st May of the immediately following FY
Every person who is MD, director, partner, trustee, author, founder, Karta, CEO, PO or office bearer of any person referred in (3) above or agent of such person referred in (3) above	On/before 31st May of immediately following FY in which the person referred in (iii) enters into specified financial transaction

## Quoting of PAN

Nature of Transaction	Value
Contract for Sale/Purchase of securities	
Sale/Purchase of unlisted shares from open market.	
Payment to a mutual fund for purchase of its units.	
Payment for acquiring debentures/bonds/RBI bonds	
Sale/Purchase of other Goods/Services	
Sale/Purchase of Motor Vehicle	
Hotel/Restaurants bills	
Purchase of foreign currency	
Life Insurance Premium	
Opening Demat account.	
Opening Bank A/c other than time deposit	
Application for issue of Credit/Debit card	
Cash Deposit with a bank	
Purchase of bank draft/Cheque from bank	
Time deposit with (i) Bank/Co-operative bank/PO (ii) Nidhi Co. (iii) Registered NBFC	
Total Payment for prepaid payment instruments to a bank/co-operative bank	

**MINOR:** He shall quote PAN of parent or guardian

## PAN and Aadhar Interchangeable

Every person who is required to furnish/intimate/quote his PAN may furnish/intimate/quote his Aadhar No. in lieu of PAN if he:

- **has not been allotted** a PAN but possesses Aadhar no
- Has been allotted PAN and **has already linked Aadhar and PAN**

## Sec 139B: Tax Return Preparer

<b>Who Can be TRP</b>	Any <b>Individual Other</b> than <ul style="list-style-type: none"> <li>➤ CA</li> <li>➤ Legal Practitioner</li> <li>➤ Officer of Scheduled Bank</li> <li>➤ Employee of Specified class of person</li> </ul>
<b>Who can file ROI through TRP</b>	All <b>individual and HUF except</b> <ul style="list-style-type: none"> <li>➤ Company</li> <li>➤ Any other persons whose BOA are required to be audited u/s 44AB or any other Laws</li> </ul>

## Sec 140A: Self Assessment Tax

- Tax to be paid before return filing.[After considering Advance tax, TDS, TCS, MAT, AMT, relief[including relief u/s 89]
- In case of shortfall of payment, order of adjustment 1) Fees 2) Interest 3) Tax

## Sec 139C: Annexure Less ROI

- CBDT to make rules providing for a class or classes of persons who shall not be required to furnish any certificate, Audit report, any document or receipt etc along with their ROI
- Person can do e-filing of return **[139D]**
- AO may required person to furnish such documents as may be required

**Sec 139: Mandatory Return Filing [Amendments]**

Case	Prescribed Transaction	Monetary Threshold
A Person Carrying Business	His total sales, turnover or gross receipts, as the case may be, in the business	
A person carrying on profession	His total gross receipts in profession	
A resident individual who is aged ≥ 60 years at any time during the relevant P.Y.	The aggregate of TDS and TCS in his case	
Any other Person	The aggregate of TDS and TCS in his case	
A Person having Savings Bank Account	The deposit in one or more savings bank account of the person, in aggregate	