**CA-IPCC**

2013-14

**INCOME TAX**

**SUPER SUMMARY**

**BY VIJAY BORIWAL**

**Syllabus As Per ICAI**

**Paper 4: Taxation**

*(One paper* - three *hours* – *100 marks)*

**Level of Knowledge:** Working knowledge

**Objectives:**

1. To gain knowledge of the provisions of Income-tax law relating to the topics mentioned in the contents below; and
2. To gain ability to solve simple problems concerning assessees with the status of ‘Individual’; and covering the areas mentioned in the contents below.

**Contents:**

**Part I: Income-tax (50 marks)**

1. **Important definitions in the Income-tax Act, 1961**
2. **Basis of charge; rates of taxes applicable for different types of assessees**
3. **Concepts of previous year and assessment year**
4. **Residential status and scope of total income; Income deemed to be received / deemed to accrue or arise in India**
5. **Incomes which do not form part of total income**
6. **Heads of income and the provisions governing computation of income under different heads**
7. **Income of other persons included in assessee’s total income**
8. **Aggregation of income; set-off or carry forward and set-off of losses**
9. **Deductions from gross total income**
10. **Computation of total income and tax payable; rebates and reliefs**
11. **Provisions concerning advance tax and tax deducted at source**
12. **Provisions for filing of return of income.**

**Part II: Service tax (25 marks) and VAT (25 marks)**

**Objective:** To gain knowledge of the provisions of service tax as mentioned below and basic concepts ofValue Added Tax (VAT) in India.

**Service tax (25 marks)**

**Contents:**

1. Service tax – concepts and general principles
2. Charge of service tax and taxable services
3. Valuation of taxable services
4. Payment of service tax and filing of returns

**VAT (25 marks)**

1. VAT – concepts and general principles
2. Calculation of VAT Liability including input Tax Credits
3. Small Dealers and Composition Scheme
4. VAT Procedures.

**Note:** If new legislations are enacted in place of the existing legislations the syllabus will accordingly includethe corresponding provisions of such new legislations in the place of the existing legislations with effect from the date to be notified by the Institute. Students shall not be examined with reference to any particular State VAT Law.

**2**

**List of Abbreviations**

|  |  |  |  |
| --- | --- | --- | --- |
| **A/C** | Account | **MF** | Mutual Fund |
| **A/Y** | Assessment year | **MTAX** | Municipal Tax |
| **AJP** | Artificial Juridical Person | **MTHS** | Months |
| **AMT** | Amount | **MV** | Market Value |
|  |  |  | National Bank for Agricultural & Rural |
| **AO** | Assessing Officer | **NABARD** | Development |
| **AOP** | Association of Persons | **NAV** | Net Annual value |
| **AR** | Actual Rent | **NCR** | National Capital Region |
| **AS** | Accounting Standard | **NHB** | National Housing Bank |
| **ASF** | Approved Superannuation Fund | **NPS** | National Pension Scheme |
| **B/F** | Brought Forward | **NR** | Non Resident |
| **B/P** | Business & Profession | **P&L** | Profit & Loss A/c |
| **BOA** | Books of Accounts | **P&M** | Plant & Machinery |
| **BOI** | Body of Individuals | **P/Y** | Previous Year |
| **C&M** | Control & Management | **PAN** | Permanent Account Number |
| **C&R** | Charitable & Religions | **PFI** | Public Financial Institution |
| **CA** | Chartered Acct / Capital Asset | **PIO** | Person of Indian Origin |
| **CBDT** | Central Board of Direct Tax | **POH** | Period of Holding |
| **CCIT** | Chief Commission of India | **RBI** | Reserve Bank of India |
| **CDT** | Corporate Dividend Tax | **RDP** | Rural Development Programme |
| **CGAS** | Capital Gain Account Scheme | **RNOR** | Resident & Not Ordinarily Resident |
| **CGOVT.** | Central Government | **ROI** | Return of Income |
| **CII** | Cost Inflation Index | **ROR** | Resident & Ordinarily Resident |
| **COA** | Cost of Acquisition | **RPF** | Recognised Provident fund |
|  | Delhi, Mumbai, Kolkatta, |  |  |
| **D/M/K/C** | Chennai | **RV** | Reasonable value/ Expected rent |
| **DA(RB)** | DA forming part of Retirement Benefits | **SBI** | State Bank of India |
| **ECS** | Electronic Clearing Scheme | **SD** | Statutory Deduction |
| **EE** | Employee | **SEBI** | Securities & Exchange Board of India |
| **ELSS** | Equity Linked Saving Scheme | **SEZ** | Special Economic Zone |
| **ER** | Employer | **SFC** | State Financial Corporation |
| **ESI** | Employee state Insurance | **SGOVT.** | State Government |
| **ESOP** | Employee stock option plan | **SI** | Substantial Interest |
| **F/Y** | Financial Year | **SICA** | Sick Industrial companies Act |
| **FIFO** | First in First out | **SIIC** | State Industrial Investment Corporation |
| **FMV** | Fair Market Value | **SIT** | Stock in trade |
| **FVC** | Full Value of Consideration | **SLM** | Straight line Method |
| **GAV** | Gross Annual value | **SP** | Selling price |
| **GTI** | Gross Total Income | **SPF** | Statutory Provident Fund |
| **HP** | house property | **ST** | Short Term |
| **HRA** | House Rent Allowance | **STCA** | Short term Capital Asset |
| **HUF** | Hindu Undivided Family | **STCG** | Short term Capital Gain |
| **I/O/S** | Income from other Sources | **STT** | Security transaction tax |
|  | Industrial Development Bank of |  |  |
| **IDBI** | India | **TDS** | Tax deducted at source |
|  |  | **3** |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **IFCI** |  | Industrial financial corporation of India |  | **TI** |  | Total Income |  |  |  |
|  |  |  |  |  |  |  |
|  | **IIT** |  | Indian Institute of Technology |  | **TRP** |  | Tax Return Preparer |  |  |  |
|  | **L&B** |  | Land & Machinery |  | **URPF** |  | Unrecognised provident fund | |  |  |
|  | **LC** |  | Letter of Credit |  | **URSF** |  | Unrecognised super annuation fund | |  |  |
|  | **LIP** |  | Life Insurance Policy |  | **US-64** |  | Unit Gain Scheme-64 | |  |  |
|  | **LIT** |  | Litre |  | **UTI** |  | Unit trust of India | |  |  |
|  | **LLP** |  | Limited Liability Partnership |  | **UTI** |  | Unit trust of India | |  |  |
|  | **LT** |  | Long term |  | **VRS** |  | Voluntary Retirement Scheme | |  |  |
|  | **LTC** |  | Leave Travel Concession |  | **WDV** |  | Written Down Value | |  |  |
|  | **LTCA** |  | Long term Capital Asset |  |  |  |  |  |  |  |

**4**

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|  |  |  |  | **CHAPTER –1** | |  |
|  |  |  |  | **BASIC CONCEPTS** | |  |
| **Sections covered in this chapter** | | |  |  |  |  |
|  | **Sec 1** | Short title, extent & | **Sec 172** | Non-resident shipping business |  |  |
|  |  | commencement |  |  |  |  |
|  |  |  | **Sec 174** | Assessment of persons leaving India |  |  |
|  | **Sec 2** | **Definitions** | **Sec.174A** | Associations/ bodies formed for short duration |  |  |
|  | **Sec 2(7)** | Assessee | **Sec 175** | Assessment of person trying to alienate his assets |  |  |
|  | **Sec 2(9)** | Assessment Year | **Sec 176** | Discontinued business |  |  |
|  | **Sec 2(17)** | Company | **Sec 68** | Cash credit |  |  |
|  | **Sec 2(23)** | Partnership firm | **Sec 69** | Unexplained investment |  |  |
|  | **Sec 2(26)** | Indian Company |  |  |  |  |
|  | **Sec 69B** | Amount of investment not fully disclosed |  |  |
|  | **Sec 2(31)** | Person |  |  |
|  |  |  |  |  |
|  | **Sec 2(34)** | Previous Year |  |  |  |  |
|  | **Sec 2(45)** | Total Income |  |  |  |  |
|  | **Sec 14** | Heads of Income |  |  |  |  |
|  | **Sec 3** | Previous Year | **Sec 69C** | Unexplained expenditure |  |  |
|  | **Sec 4** | Charge of Income Tax | **Sec.69D** | Amount borrowed or repaid on Hundi |  |  |

**Section 1: SHORT TITLE, EXTENT AND COMMENCEMENT**

This act is called Income –tax Act,1961 **,** extend to whole of India w.e.f 1st day of April,1962

**Section 4 : CHARGE OF INCOME-TAX**

**INCOME TAX** for **A/Y** @ **RATES** specified by **FINANCE ACT** On **TOTAL INCOME** during **P/Y**

Of any **PERSON** who is an **ASSESSEE**

**Section 2(31) : PERSON INCLUDES**

1. **An Individual**
2. **A Hindu Undivided Family**
3. **A Company : Sec 2(17):** Company means **Indian company** or **foreign company**
4. **A Firm: Sec 2(23) : Firm *shall include LLP as defined in Limited Liability Partnership Act, 2008***
5. **An AOP/BOI, whether incorporated or not , whether for profit or not**
6. **A local authority**: According to General Clause Act, It means

 Panchayat / Municipality/ Municipal committee/ district Board /Cantonment Board

1. **Every AJP not falling within any of preceding sub-clauses**

**Section 2(7) : Assessee :** Person by whom **tax or other sum is payable** & includes

* Person against whom proceeding under Income-tax taken for assessment of income/ loss/ refund
* **A deemed assessee** - A person who is deemed to be an assessee for some other person
* Assessee who is deemed to be an **‘Assessee in default** ‘

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**Section 2(9) : Assessment Year**

Assessment Year means the period of 12 months commencing on the first day of April every year.

**Section 2 (34) : Previous year means previous year defined under Sec 3**

**Sec 3 : Previous year** means the financial year immediately preceding the assessment year.

**First P/Y for a B/P newly set-up during the F/Y or for a new source of income:**

In such a case period **beginning** from date of setting up of business /new source came into existence & **Ending** on the last day of that F/Y

**Cases where income of previous year is assessed in the same year**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **section** | **Sec 172 :** |  | **Sec 174:** | |  |  | **Sec174A :** | | | **Sec 175 :** | |  |  | **Sec 176 :** |  |  |
|  | **Non resident** | | **Assessment of** | | | | **Association** | | | **Assessment of** | | |  | **Discontinued** | |  |
|  | **shipping** |  | **Persons Leaving** | | | | **formed for short** | | | **Persons Likely to** | | | | **Business** |  |  |
|  | **business** |  | **India** |  |  |  | **duration** | |  | **Transfer Property** | | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **to Avoid Tax** | |  |  |  |  |  |
| **Applicable** | **Non-Resident** | | Appears to AO | | |  | Appears | | to AO | Appears to AO | |  |  | Where any | |  |
|  | owner/Charterer of | | that **any** | |  |  | that any AOP | | | that any | person | | is | business/ |  |  |
|  | Ship Carrying | | **individual** may | | |  | formed | | for | likely to sell any of | | | | profession is | |  |
|  | passengers, | | leave India | | |  | particular | |  | his assets during a | | | | discontinued in any | | |
|  | livestock,goods | | during | current | |  | event/purpose. | | | P/Y |  |  |  | P/Y |  |  |
|  | shipped at Indian | | P/Y or shortly | | |  | & is likely to be | | | with a view to avoid | | | |  |  |  |
|  | Port during | P/Y | after its expiry & | | | | dissolved | | during | payment | of | any | |  |  |  |
|  |  |  | has no | intention | | | P/Y |  |  | liability |  |  |  |  |  |  |
|  |  |  | of returning to | | |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | India |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Income** | **7.5 %** of | amount | TI of | individual | | | TI | of | such | TI of such person | | | | B/P income | |  |
|  | on account of such | | From first | | day | of | association | | | commencing | | from | | Commencing | | from |
|  | carriage |  | P/Y |  | Upto | | Commencing | | | first day of P/Y | |  |  | first day of P/Y Upto | | |
|  |  |  | probable | | date | of | from | first | day of | Upto | date |  | of | date |  | of |
|  |  |  | his departure from | | | | P/Y Upto | | date of | commencement | | | of | discontinuance | |  |
|  |  |  | India |  |  |  | its dissolution | | | proceedings by AO | | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  | under this section | | |  |  |  |  |
| **When** | Chargeable | to tax | chargeable to | | | tax | chargeable to tax | | | chargeable to tax in | | | | chargeable to tax in | | |
| **taxable** | in **same P/Y** . | | in **same P/Y** | | |  | in **same P/Y** | | | **same P/Y** | |  |  | **same** | **P/Y** | at |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  | **discretion of AO** | | |

**6**

**P/Y FOR UNDISCLOSED SOURCES OF INCOME**

**In following cases if no satisfactory explanation is provided, then amount deemed as Income of P/y of discovery**

**1**. **Cash Credit [Sec. 68] : Sum is found credited** in BOA of assessee

***Sum credited for closely held company consists of share application money/share capita/share premium/other amount, any explanation offered by company shall be deemed to be not satisfactory, unless Resident in whose name such credit is recorded also offers an explanation about nature & source of such sum so credited & such explanation in opinion of AO has been found to be satisfactory Exception : Sum credited in Venture capital fund/venture capital company u/s10(23FB )[FA,2012]***

**2**. **Unexplained investment [Sec. 69]** : **Investment** not recorded in BOA

**3**. **Unexplained money [Sec. 69A]** : **Money, jewellery or other valuable article** not recorded in the BOA

**4**. **Investment not fully disclosed [Sec. 69B]** : Investments/ bullion/jewellery **>** amount recorded in BOA

**5**. **Unexplained expenditure [Sec. 69C]** : **Unexplained** Expenditure

**6**. **Amount borrowed or repaid on Hundi [Sec. 69D]** :**Amount borrowed /repaid on Hundi** otherwisethan through A/C payee cheque

***Sec 115BBE : Tax on income referred u/s 68 or 69 or 69A or 69B or 69C or 69D***

***If Total Income includes any income referred under above sections, income-tax shall be payable @ 30%***

***No deduction in respect of any expenditure/allowance shall be allowed under any provision of this Act in computing his income referred under above sections.***

**Some important principles** which explain the **concept of income** for Income-tax purpose

1. Even **illegal income** is taxed just like any legal income.
2. **Diversion of Income** : Income which due to compulsory obligation, is diverted before it becomes due

**Income after Diversion is taxable**

**Application of income** : income which has become due and afterwards assessee meets an obligationwhether compulsory or self imposed out of such income

**Income before Application is taxable**

1. **Pin Money:** Money received by wife for her personal expenses from husband is not taxable
2. **Revenue receipt :**Receipt on account of circulating capital**.** Revenue receipts taxable unless specificallyexempted eg dividend income, though a revenue receipt, is exempt from tax u/s 10.

**Capital receipt :** Receipt on account of fixed capital**.** Capital receipts are generally not chargeable to taxunless specifically taxable eg. profit on sale of capital assets,though it is capital receipt but it is taxable u/s45

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**RATES OF INCOME TAX (ASSESSMENT YEAR 2013 – 2014)**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Nature of Person** | **Exemption** | **SLAB Rates** | |  |  | **Surcharge** | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **Total Income** |  |  | **Rate** |  |  |  |  |
|  |  |  |  |  |  |  | **NA** |  |  |  |
| **1.** | **INDIVIDUAL** | **2,00,000** | 0 – **2,00,000** |  | : | NIL |  |  |  |  |
|  | **(*Other than 2 ,3 below)*** |  | > 2,00,000 upto 5,00,000 | | : | 10% |  |  |  |  |
|  |  |  | > 5,00,000 upto 10,00,000 | | : | 20% |  |  |  |  |
|  |  |  | > 10,00,000 |  | : 30% | |  |  |  |  |
|  |  |  |  |  |  |  | **NA** |  |  |  |
| **2.** | **Senior Citizen** ( ***Resident in*** | **2,50,000** | 0 – **2,50,000** |  | : NIL | |  |  |  |  |
| ***India +* atleast *60 yrs and < 80*** | |  | > 2,50,000 upto 5,00,000 | | : | 10% |  |  |  |  |
| ***years at any time during p/y 12-13*** | |  | > 5,00,000 upto 10,00,000 | | : | 20% |  |  |  |  |
|  |  |  | > 10,00,000 |  | : 30% | |  |  |  |  |
|  |  |  |  |  |  |  | **NA** |  |  |  |
| ***3.*** | ***Very Senior Citizen (Resident*** | **5,00,000** | 0 – **5,00,000** |  | : NIL | |  |  |  |  |
| ***in India & atleast 80 yrs at any time*** | |  |  |  |  |  |
|  | > 5,00,000 upto 10,00,000 | | : | 20% |  |  |  |  |
| ***during p/y 12-13)*** | |  |  |  |  |  |
|  |  |  | > 10,00,000 |  | : 30% | |  |  |  |  |
|  | |  |  |  |  |  |  |  |  |  |
| **HUF,AOP,BOI & AJP** | | **2,00,000** | **As applicable to** |  |  |  | **NA** |  |  |  |
|  |  |  | **individual in point 1** | |  |  |  |  |  |  |
| **Domestic Company** | | **NIL** | 30% |  |  |  | 0-1 crore | : NIL | |  |
|  |  |  |  |  |  |  | > 1 crore | : | **5%** |  |
| **Foreign company** | | **NIL** | 40% |  |  |  | 0-1 crore | : NIL | |  |
|  |  |  |  |  |  |  | > 1crore | : | **2%** |  |
| **Partnership Firm/LLP** | | **NIL** | 30% |  |  |  | **NA** |  |  |  |
|  | |  |  |  |  |  |  |  |  |  |
| **Local Authority** | | **NIL** | 30% |  |  |  | **NA** |  |  |  |
|  | |  |  |  | |  |  |  |  |  |
| **Co-Op. Society** | | **NIL** | 0 – 10,000 | : 10% | |  | **NA** |  |  |  |
|  |  |  | above10,000 upto 20,000 | : 20% | |  |  |  |  |  |
|  |  |  | above 20,000 | : 30% | |  |  |  |  |  |

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**CHAPTER – 2**

**RESIDENTIAL STATUS**

**Sections covered in this chapter**

|  |  |
| --- | --- |
| **Sec 5** | Scope of Total income |
| **Sec 6(1)** | Residential status of an Individual |
| **Sec 6(2)** | Residential status of an HUF, Firm, AOP & BOI |
| **Sec 6(3)** | Residential status of Company |
| **Sec 6(4)** | Residential status of other assessee |
| **Sec 6(5)** | Resident for one source resident for all source |
| **Sec 6(6)** | Not ordinarily Resident |
|  |  |
| **Sec 7** | Income deemed to be received |
|  |  |
| **Sec 9** | Income deemed to accrue or arise in India |

**(1)** **Residential Status of an Individual**

**Basic Condition : Sec 6 (1)**

**1st Condition : 182** days or more during P/Y(**OR)**

**2nd condition : 60** days or more during P/Y **and**

**365** days or more during preceding 4 P/y

**Exception to 2nd condition :**

1. Indian citizen **leaves** India for **employment** abroad during P/Y
2. India citizen who is working on Indian ship **leaves** India during P/Y.
3. Indian citizen or PIO **coming** to India on a **visit** during P/Y.

**Additional condition : Sec 6 (6)**

**1st Condition : 730** days or more in ***preceding* 7 P/Y (and)**

**2nd Condition :** Resident in **2** out of ***preceding 10 P/Y***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Status** | **Basic Condition** | **Additional Conditions** |  |  |
|  | **1st or 2nd** | **1st and 2nd** |  |  |
| **ROR** |  |  |  |  |
|  |  |  |  |  |
|  | **1st or 2nd** | **1st and 2nd** |  |  |
| **RNOR** |  | **not together** |  |  |
|  |  |  |  |  |
|  | **Neither 1st nor 2nd** | **NA** |  |  |
| **NR** |  |  | **(** |  |
|  | **9** |  |  |
|  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2) Residential Status of HUF** | | | **: 6(2) + 6(6)** |  |  |
|  | **ROR** |  | ***Any part*** of ***C&M*** situated in India during P/Y | **&** |  |
|  |  |  | Karta satisfying both additional conditions |  |  |
|  |  |  |  |  |  |
|  | **RNOR** |  | ***Any part*** of ***C&M*** situated in India during P/Y | **&** |  |
|  |  |  | Karta not satisfying additional conditions together | |  |
|  |  |  |  |  |  |
|  | **NR** |  | ***No part*** of ***C&M*** situated in India during P/Y |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **(3)** | **Residential status of Firm, AOP & Other Non Corporate Assessee : 6 (2)** | | | | | |  |
|  |  |  | **Resident** | |  | ***Any part*** of ***C&M*** situated in India during the P/Y |  |
|  |  |  |  |  |  |  |  |
|  |  |  | **Non resident** | |  | ***No part*** of**C&M**situated in India during the P/Y |  |
|  |  |  |  |  |  |  |  |
| **(4)** | **Residential status of Company : 6(3)** | | | | | |  |
|  |  |  | **Resident** | **Indian company** | **or foreign company** *100%* ***C&M*** in India during P/Y | |  |
|  |  |  |  |  | |  |  |
|  |  |  | **Non Resident** | **Foreign company *any part* of C&M** outside India during P/Y | | |  |
|  | |  | |  | |  |  |
| **(5) Residential status of Other Assessee : 6(4)** | | | | | | |  |
|  |  |  | **Resident** |  |  | **Any part** of **C&M** situated in India during P/Y |  |
|  |  |  |  |  |  |  |  |
|  |  |  | **Non Resident** |  |  | **No part** of **C&M** situated India during P/Y |  |
|  |  |  |  |  |  |  |  |

**Scope of Total Income : Sec 5**

|  |  |  |  |
| --- | --- | --- | --- |
| **Types of Income** | **ROR** | **RNOR** | **NR** |
| **Indian Income** |  |  |  |
| - *Due in India & Received any where* | Yes | Yes | Yes |
| - *Due outside &* ***Received*** *in India* | Yes | Yes | Yes |
|  |  |  |  |
| **Foreign income** |  |  |  |
| *Due outside & received outside* |  |  |  |
| - B or P income controlled from India | Yes | Yes | **No** |
| - Other Income | Yes | **No** | **No** |
|  |  |  |  |

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**DUE Includes Deemed cases u/s 9**

1. Income from a **Business Connection** in India

|  |  |
| --- | --- |
| 2. | Income from property asset or source **in India** |
|  |  |
| 3. | Capital gain from **Capital asset** situated **in India** |
|  |  |
| 4. | Salary from **services** rendered **in India** |
|  |  |
| 5. | Salary to **Indian citizen** from **Govt** of India ***(Sec 10(7)*** *: Allowance & Perquisite* |
|  | *exempt* ***)*** |
|  |  |
| 6. | **Dividend** from **Indian company(*Sec 10(34)*** *: Dividend is exempt from Tax****)*** |
|  |  |
| 7. | Interest/Royalty/Fee for Technical services from **Government** of India |
|  |  |
| 8. | Interest/Royalty/Fee for Technical services from **Resident** |
|  | (**Except** money/service is utilized for **business outside India**) |

1. Interest /Royalty/Fees for Technical services from **Non resident** (**Provided** money/service is utilized for **Indian business**)

**Special point :**

Where income is deemed to accrue or arise in India under Point **(7) , (8), (9)**

such income **shall be included in total income of non-resident**

whether or not non-resident has a

* 1. **Residence** or **Place of business** or **Business connection** in India. ***OR***
  2. ***Rendered Services in India*** 
     1. **Interest** credited to **RPF** in excess of **9.5% p.a**
     2. **Employer** contribution to **RPF** in excess of **12% of Salary** of employee
     3. **Transferred balance** in **RPF**

**Receive includes Deemed cases u/s 7**

4. **Employer Contribution** under pension scheme **u/s 80CCD**

**11**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **CHAPTER – 3** |  |
|  |  | **INCOMES WHICH ARE EXEMPT** |  |
| **The following Amount are exempt u/s 10** | | |  |
| **Section** |  | **Nature of income** |  |
|  |  | |  |
| **10(10BC)** | Amount from C/S/Govt/local authority by way of compensation on account of any disaster | |  |
| **10(10D)** | Sum received under LIC policy including bonus Exceptions a) policy u/s 80DD b) Keyman Insurance Policy | |  |
|  | c) policy where premium > 20%/10% of sum insured. (on Death is exempt) | |  |
| **10(16)** | Scholarship to meet cost of education | |  |
|  | Member of Parliament : Daily Allowances & Other Allowances | |  |
| **10(17)** | Member of Legislative Assembly : Daily Allowance & Constituency Allowance | |  |
|  |  | |  |
|  | Payment in Cash or Kind | |  |
|  | - For award in public interest by CGovt/SGovt/body approved by CGovt. | |  |
| **10(17A)** | - For reward by CGovt/SGovt for purpose approved by C Govt. | |  |
|  | Pension received by Individual or Family Pension by family member if Individual awarded Vir Chakra or | |  |
| **10(18)** | Mahavir Chakra or Param Vir Chakra or other notified gallantry awards. | |  |
|  |  | |  |
| **10(19)** | Family pension received by widow /heir on death of member of armed forces during duty | |  |
| **10(19A)** | Annual value of one palace of an ex ruler provided such annual value exempt before 28.12.71 | |  |
|  |  | |  |
|  | The following incomes of Local authority | |  |
|  | -House property, capital gains, other sources & | |  |
| **10(20)** | -trade/business income from supply of : | |  |
|  | - water or electricity within or outside its jurisdictional area | |  |
|  | - any other commodity or service within own jurisdictional area | |  |
| **10(22B)** | Income of specified news agency set up in India solely for collection & distribution of news, provided does not | |  |
|  | distribute its income to its members | |  |
| **10(23A)** | Income of professional associations/institutions Exception : | |  |
|  | -Income from house property, Investment Incomes | |  |
|  | -Income from specific services to its member | |  |
|  | Income of certain institutions like | |  |
| **10(23C)** | -PM national relief fund | |  |
|  | -National foundation for communal harmony | |  |
|  | -Educational institutions not for profit | |  |
|  | -Hospital treating specified ailments not for profit | |  |
|  | -Fund or institutions for charitable purposes, having importance throughout India/States | |  |
|  |  | |  |
| **10(23FB)** | Any income of venture capital company or venture capital fund from investment in venture capital undertaking. | |  |
| **10(24)** | House proper income & Income from other sources arising to a registered trade union | |  |
| **10(39)** | Income arising from any International sporting event held in India if such event is | |  |
|  | -approved by international body regulating such sport | |  |
|  | -has participation by more than two countries & is notified by central govt for this clause | |  |
|  |  | |  |
| **10(43)** | Amount received by an Individual as a loan, either in lumpsum or in instalment,in a transaction of reverse | |  |
|  | mortage referred in Sec 47(xvi) | |  |
| **10(45)** | Any allowance or perquisite, as notified by CG in the Official Gazette paid to Current/Retired | |  |
|  | Chairman/Member of Union Public Service Commission. | |  |
| **10(46)** | Any specified income arising to Body/Authority/Board /Trust/ Commission which— | |  |
|  | (a) | Has been established under Central, State or Provincial Act, or constituted by C/S/GOVT |  |
|  | (b) | Object of any activity for benefit of general public |  |
|  | (c) | Not engaged in any commercial activity |  |
|  | (d) | Notified by CGOVT in Official Gazette |  |
| **10(47)** | Any income of an infrastructure debt fund, set up as per prescribed guidelines which is notified by CGOVT | |  |
|  |  |  |  |
| ***10(48)*** | ***Any income received in India in Indian currency by a foreign company for sale of crude oil to any*** | |  |
|  |  |
|  | ***person in India Provided that such income is received under agreement with Central Government in*** | |  |
|  | ***National Interest + Foreign company not engaged in any activity in India other than receipt of such*** | |  |
|  | ***income*** | |  |
|  |  |  |  |
|  |  | **12** |  |

**INCOME OF CHARITABLE & RELIGIOUS TRUST**

In order to claim exemption of its Income u/s. 11 , a Charitable/Religious trust should fulfill below conditions

Trust should be created for a lawful purpose

Trust should be for **charitable or religious purpose**

Property should be held under trust Trust should be registered with CIT

Accounts should be audited if TI before exemption u/s11 & 12 exceeds exemption amount Trust should not be created for the benefit of particular community or caste

**Special point : *Sec 2 (15) : Charitable & Religious purpose includes relief to the poor, education,* *medical relief, preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest and advancement of any other object of General Public Utility***

***Any other object of General Public Utility shall not be a charitable purpose if it involves carrying on of any activity in nature of Trade, Commerce ,Business or Service for consideration provided Receipts is upto 25 lakhs during P/Y***

**Various types of Income of a Trust**

1. Income from property held under trust
2. Voluntary contributions (donations) not forming part of Corpus
3. Voluntary contributions (donations) forming part of Corpus.
4. Anonymous donations
5. Business Income
   1. **INCOME FROM PROPERTY HELD UNDER TRUST**
6. **APPLIED for Charitable or Religious purpose in India : Income applied** is atleast 85% : 100% income is exempt

**Income applied** less than 85% : **Amount applied + 15% is exmept**

1. **Applied for Charitable Purpose outside India :** Income Exempt, provided such trust createdfor Promoting international welfare in which India is interested

**INCOME APPLIED means actually applied or deemed to be applied for Charitable or Religious purpose in India**

**Income deemed to be applied**

1. Non application due to non-receipt of Income during P/y: Such income should be applied for C&R purpose during P/Y of actual receipt **or** during next P/Y
2. non application due to other reasons: Such income should be applied for C & R purpose during P/Y next to p/y to which such income relates

**Special Points:** Option (under A or B) has to be exercise by trust in writing before time u/s sec139(1)

**Section 11(2): Additional exemption for Income accumulated or set apart in excess of 15%**

Where 85% income not applied (actual or deemed) for C&R purpose

then ***additional exemption*** for amount which is accumulated for application in future year **Provided :** Notice to A.O in **Form 10 upto time u/s 139(1)**,specifying period & purpose

*Period* ***cannot exceed 5 yrs*** *from P/Y in which such income is derived and* Money so accumulated isdeposited as per **Sec.11(5)**

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**Special Points : Section 11(5)**

**Central/State Government** Securities

Deposits/Bonds of **Financial Corporation** providing long-term finance for industrial development Deposits/Bonds of **public company** providing long term finance for residential houses

Debentures of **any company,** Units of **UTI**, **IDBI**.

Deposit with Schedule Bank, Co-op Bank, Post Office Saving Bank. **Immovable property** excluding plant & machinery

* 1. **Voluntary contribution (Donations) not forming part of corpus (Sec.12)**

**(*Same treatment as income from property held under trust*)**

1. **Voluntary contributions (Donation) forming part of corpus [Sec. 11(1)] : *(Fully Exempt)***
2. **Anonymous donations :** Means any voluntary contribution where a person receiving such contribution **does not maintain** a record of identity indicating name & address of person making such contribution

**115BBC : Tax treatment of Anonymous Donation**

Income-tax @ 30% on anonymous donations **> higher** than 5% of total donations or1,00,000

Sec 115BBC not applicable for anonymous donation received by trust created wholly for religious purposes or trust created wholly for religious & charitable purposes other than any anonymous donation made for educational or medical purpose

**E) Business Income**

Business income arising from business carried on by trust is also Exempt u/s. 11 , Provided business is incidental to attainment of objectives of trust **and** Separate books of accounts of such business are maintained

**Special Point :** However If income shown in accounts of such business undertaking is less than incomedetermined by AO, then **such excess will not be exempt.**

**Section 13: Cases when Exemption u/s. 11 or 12 Not Available**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Income used for | Trust created for | According to terms of | During P/Y | Funds not |
| private religious | benefit of particular | trust, Income is to applied | income used | invested u/s. |
| purpose, not for public | religious | for benefit of specified | for benefit of | **11(5**) |
| benefit | community | persons u/s. **13(3)** | specified |  |
|  |  |  | person u/s. |  |
|  |  |  | **13(3)** |  |

**Sec. 13(3): Specified Persons**

Author of Trust.

Person contributed greater than 50,000/- during P/Y

Where person above (in point 1 or 2) is a HUF, any member of such HUF Trustee/Manager of trust

Relatives of (persons under points 1, 2, 3, 4, )

Concern in which (persons under points 1, 2, 3, 4, 5) has **Substantial interest** (i.e. entitled to 20% of equity shares or 20% of profits of the concern whether held singly or jointly)

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**Section 12A : Registration of Trust :** Every trust wanting to claim exemption of its income u/s 11 or 12shall make an application for registration of the trust in the prescribed form & manner to CIT

**Section 12AA : Procedure for Registration**

The CIT on receipt of application for registration u/s 12A

Shall call for documents & information to satisfy himself about genuineness about activities of trust After being satisfied that trust is genuine

Pass an order in writing registering the trust

**Special Point :** order granting registration/refusing registration to be passed **before expiry of 6 months** from the end of month in which application was received

**Sec. 12AA(3) :**

Where trust/institution has been granted registration and

Subsequently CIT satisfied that activities of charitable trust or

institution are not genuine **or** are not being carried in accordance to the object. Pass order in writing **canceling the registration** of such trust

**15**

**CHAPTER - 4**

**INCOME UNDER THE HEAD SALARIES**

**(1) Master-Servant Relationship:**

For income to be taxable under this head, there should be relationship of Master & Servant between the payer and payee.

**(2) Sec 15:**

1. Salary is chargeable to tax on **Due or Receipt basis**, *whichever is earlier*
2. **Advance salary** is taxable in the previous year of **Receipt**
3. **Arrears of salary** is taxable in the previous year of **Receipt**

**(3) Computation of Taxable salary**

**Step 1 : Compute Gross Salary [After claiming Exemptions]**

1. **Basic Salary**
2. **Bonus**
3. **Commission**
4. **Allowances**
5. **Perquisites**
6. **Leave travel concession**
7. **Medical facilities**
8. **Retirement benefit**
9. **Profit in lieu of salary**

**Step 2 : Less :** Deductions

**Sec 16(ii) : Entertainment Allowance**

**Central & State Govt employee**

Minimum of following 3

1. Actual Entertainment Allowance
2. 5,000
3. 20% of **Basic Salary**

**Sec 16(iii) : Tax on Employment**

* **Any** Employee
* Amount **Paid** during P/Y

**Step 3 : TAXABLE SALARY (Step 1 – Step 2)**

**COMPONENTS OF GROSS SALARY**

1. **Basic Salary :** Monetary Amount received monthly or otherwise is called Basic Salary.
2. **Bonus :** It is reward for good services and also is paid by employer on certain occasions like Diwali etc
   * It is taxable in P/Y of Receipt
3. **Commission : Incentives** given by employer so that employee works efficiently. It is
   * + Generally given as % of Sales, Net profit of employer etc.
     + All types of commission are **Fully taxable**

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|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **(D) Allowances : Extra monetary amount** given by employer | | | | | | | | |  |  |  |
|  |  |  |  | **:** For meeting (Personal or official) expenses of employee | | | | |  |  |  |
|  |  |  |  | **: Allowances less exemption** is included in Gross Salary | | | | |  |  |  |
|  |  |  |  |  |  | **Types of Allowances** | | |  |  |  |
|  |  | **I** Entertainment allowance | | |  | **Deduction u/s 16(ii)** | “Discussed Earlier” | |  |  |  |
|  |  | **II.** House Rent Allowance | | |  | **Exemption u/s 10(13A)** | | |  |  |  |
|  |  |  |  |  |  | - All Employees |  |  |  |  |  |
|  |  |  |  |  |  | - Minimum of following |  |  |  |  |  |
|  |  |  |  |  |  | (a) Actual HRA |  |  |  |  |  |
|  |  |  |  |  |  | (b) Rent Paid – 10% of **Salary** | | |  |  |  |
|  |  |  |  |  |  | (c) **50% Salary** : [Accommodation in D/M/K/C] | | | | |  |
|  |  |  |  |  |  | **40% Salary** : [Accommodation other City] | | | | |  |
|  |  |  |  |  |  | - Salary = **Basic + DA(RB) + Commission fixed % of turnover** | | | | |  |
|  |  |  |  |  |  | - **Due Basis** for which Accommodation taken on Rent | | | | |  |
|  |  |  |  |  |  | - Exemption calculated **Period Wise** | | |  |  |  |
|  |  | **III.** |  | Special allowance |  | **Exemption u/s10(14)** |  |  |  |  |  |
|  |  |  |  | under **Rule 2BB(1)** for |  | Amount Spent for **Official Purpose** | | |  |  |  |
|  |  |  |  | **Official Purpose** |  |  |  |  |  |  |  |
|  | 1 | |  | **Travelling Allowance** |  | Cost of travel on tour or transfer | | |  |  |  |
|  | 2 | |  | **Daily Allowance** |  | Daily expenses on tour or transfer | | |  |  |  |
|  | 3 | |  | **Conveyance allowance** |  | Cost of travel for official duties | | |  |  |  |
|  | 4 | |  | **Helper Allowance** |  | Cost of Helper for official duty | | |  |  |  |
|  | 5 | |  | **Academic Allowance** |  | Cost of Research & training for employees | | |  |  |  |
|  | 6 | |  | **Uniform Allowance** |  | Cost of purchasing & maintaining uniform for official duty | | | | |  |
|  |  |  |  |  | |  |  |  | |  | |
|  |  |  |  | Special allowance under **Rule** | |  |  | **Exemption u/s 10(14)** | |  | |
|  |  |  |  | **2BB(2)** for **Personal Purpose** | |  |  | Actual Amount or specified limit, less | |  | |
|  |  | 1 |  | **Children Education allowance** | |  |  | **` 100 Pm** / per child | |  |  |
|  |  |  |  | (For cost of Education of children) | | |  | Subject to max of 2 child | |  | |
|  |  | 2 |  | **Hostel Expenditure Allowance** | | |  | **` 300 Pm** / per child | |  |  |
|  |  |  |  | (For cost of Hostel expenses of children) | | |  | Subject to max of 2 children | |  | |
|  |  | 3 |  | **Tribal Area allowance** | |  |  | **` 200 pm** |  |  |  |
|  |  |  |  | (Employee residing Tribal Area) | |  |  |  |  |  |  |
|  |  | 4 |  | **Transport Allowance** | |  |  | **` 800 Pm** |  |  |  |
|  |  |  |  | (Cost of travel between home & office) | | |  | (**`1,600 Pm** for Blind/Handicap) | |  | |
|  |  | 5 |  | Allowance for **Transport employee** | | |  | **70%** of allowance or **10,000** pm, less | |  |  |
|  |  |  |  | (Employee working in transport undertaking) | | |  |  |  |  |  |
|  |  | 6 |  | **Underground allowance** | |  |  | **` 800 Pm** |  |  |  |
|  |  |  |  | (Employee working in underground mines) | | |  |  |  |  |  |
|  |  | 7 |  | **Counter Insurgency Allowance** | | |  | **` 3,900 Pm** |  |  |  |
|  |  |  |  | (For Armed forces fighting insurgents) | | |  |  |  |  |  |
|  |  | 8 |  | **Island duty allowance** | |  |  | **` 3,250 Pm** |  |  |  |
|  |  |  |  | (For armed forces working in Andaman & lakshadweep ) | | | |  |  |  |  |
|  |  | 9 |  | **High Altitude allowance** | |  |  | 9,000 to 15,000 ft : **1,060 Pm** | |  |  |
|  |  |  |  | (For armed forces working in high altitudes) | | |  | Above 15,000 | : **1,600Pm** |  | |
|  |  |  |  |  | |  |  |  |  |  |  |
|  |  |  |  | **Other Allowances** | |  |  |  |  |  |  |
|  |  | **IV.** |  | 1. Dearness Allowance | |  |  |  |  |  |  |
|  |  |  |  | 2. Lunch Allowance | |  |  |  | **Fully Taxable** |  | |
|  |  |  |  | 3. City compensatory Allowance | | |  |  |  |  |  |
|  |  |  |  | 4. Servant Allowance | |  |  |  |  |  |  |
|  |  |  |  | 5. Medical Allowance etc. | |  |  |  |  |  |  |

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**(E) PERQUISITES : Facilities Provided by Employer to Employee Types of Perquisites (Sec 17(2)**

**Rent free** Accommodation **provided** by Employer

**Concessional** accommodation **provided** by employerSum **paid** by Employer for **obligation** of employee

LIC policy /Annuity policy premium **payable** by employer Fringe benefits

**Value of ESOP**

**Employer contribution to approved superannuation fund exceeding one lakh**

Perquisites taxable for **Specified Employees**

**1st Perquisite : Rent free accommodation (RFA)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | ***Central/State Govt. Employee*** | | | | | |  |  |  |  |
|  | **Unfurnished** |  |  |  |  | ***Furnished*** | | | |  |  |  |  |
|  | **Accommodation** |  |  |  | ***Accommodation*** | | | | |  |  |  |  |
|  | **(A)** | ***Other than in a Hotel*** | | | | | | |  | ***In a Hotel*** | |  |  |
|  |  | Value as per **(A)** | | |  |  |  |  |  | 24% **RFA Salary** | |  |  |
|  | License fees | ***Add*** : | |  |  |  |  |  |  | ***or*** | |  |  |
|  | determined by | 10% p.a of actual cost of furniture**(*owned*)** | | | | | | |  | Actual charges of Hotel | |  |  |
|  | Central/State Govt. |  |  |  |  | ***or*** | | |  |  |  |  |  |
|  |  | Actual hire charges ***( hired*)** | | | | | | |  | ***Whichever is less****.* | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | |  |  |  |  |
|  |  |  |  |  |  |  | **Other Employee** | | |  |  |  |  |
|  | **Unfurnished Accommodation** | | | | | | |  | | **Furnished Accommodation** | | | |
|  | **(B)** |  |  |  |  |  | **(C)** |  |  |  |  |  |  |
|  | **If Owned by employer** | | | |  |  | ***Not owned*** |  | | **Other than Hotel** |  | **In a Hotel** | |
|  | Population of city |  |  | **RFA** |  |  | ***(e.g Rent or*** |  | | Value **(B)** or **(C)** |  |  |  |
|  |  |  |  | **Salary** |  |  | ***lease)*** |  | | **Add :** |  |  |  |
|  | Upto 10 lakhs |  |  | 7.5% |  |  | Rent Payable by |  | | 10% p.a of actual cost of |  | Same as for | |
|  | > 10 lakhs but upto 25 | |  | 10% |  |  | employer |  | | furniture etc **(*owned*)** |  | Govt | |
|  | lakhs |  |  |  |  |  | ***or*** |  | | ***or*** |  | employee | |
|  | > 25 lakhs |  |  | 15% |  |  | **15% RFA** salary |  | | Actual hire charges |  |  |  |
|  |  |  |  |  |  |  | Whichever is less |  | | payable ***( hired)*** |  |  |  |

1. RFA Salary on **DUE BASIS** for period for accommodation provided
2. RFA Salary from **ALL EMPLOYERS** during above period
3. **RFA Salary** = **Basic** + **DA(RB)** + **Bonus** + **All** Commission + **All** taxable allowances + **Other monetary** payment (except perquisites)
4. Accommodation in a **HOTEL** upto **15 DAYS** on **TRANSFER** is exempt.
5. New accommodation provided on transfer while retaining old accommodation

**1st 90 days** : **Either** of accommodation taxable **After 90 days** : **Both** accommodation taxable.

1. Accommodation in **REMOTE AREA** and provided on **MINING SITE**, **OIL EXPLORATION SITE,POWER**

**GENERATION SITE,DAM SITE,PROJECT EXECUTION SITE** or on offshore site is **EXEMPT**

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**2nd Perquisite : Concessional Accommodation**

**Step 1 :** Calculate value as if accommodation is **provided rent free. Step 2 :** Deduct **Rent charged** by **employer**.

**Step 3 :** Remaining amount is **value of Concessional** accommodation.

**3rd Perquisite : LIC Policy & Annuity Policy**

* Taken by **Employer**
* Premium **PAYABLE** during previous year
* is taxable as perquisites in hand of employee.

**4th Perquisite: Monetary obligation of employee**

* **PAID** by employer
* is taxable as perquisites in hands of employee

**5th Perqusite : Fringe benefits**

1. **Interest free or concessional loans**

The valuation of perquisite is done on **maximum outstanding monthly balance** at **rate of interest charged** **by SBI as on 1/4/2012**. If however, **interest is charged** from employee, **reduce such rate** from SBI rate

**Exemption : The following loans are not taxable perquisite**

1. **Medical Loans** taken for treatment of diseases under **Rule 3A** . If loan is reimbursed under medicalinsurance scheme, then such amount reimbursed shall be treated as taxable perquisite
2. Small loans i.e. Total amount of loan is **upto** **`** **20,000** in the current previous year.

**2) Use of Movable Assets**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Laptop/Computers** | **Exempt** as per Rule 3 |  |  |
|  |  |  |  |  |  |
|  |  | **Telephone including mobile** | **Exempt** as per Rule 3 |  |  |
|  |  |  |  |  |  |
|  |  | **Motor Cars** | **Taxable** under Perquisites for ***Specified Employees*** | |  |
|  |  |  |  |  |  |
|  |  | **Other Movable Assets** | If **owned** by employer **: 10% p.a of original cost** | |  |
|  |  |  | In other cases : **100% of hire charges** payable by employer | |  |
|  |  |  | for such assets |  |  |
|  |  |  |  |  |  |
| **3) Transfer of Movable assets** | | |  |  |  |
|  |  |  |  |  | |
|  |  | **Computer & Electronic Items** | **Motor Car** | **Other Assets** | |
|  |  | Actual cost to Employer | Actual cost to Employer | Actual cost to Employer | |
|  |  | ***Less* :** | ***Less* :** | ***Less* :** | |
|  | **50%** on **WDV** for each **completed** | | **20%** on **WDV** for each | **10%** on **SLM** for each | |
|  |  | **year** of **use** by **employer** | **completed year** of **use** by | **completed year** of **use** by | |
|  | *Less* : Amt recovered from employee. | | **employer** | **employer** | |
|  |  |  | *Less* : Amt. recovered from | *Less* : Amt. recovered from | |
|  |  |  | employee | employee | |

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|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **4) Travelling, Tour, Accommodation & Other Expenses** | | | | |  |  |  |  |  |
|  |  |  | **OFFICIAL TOUR** | | | |  |  |  |
|  |  |  |  |  | |  |  |  |  |
|  |  | **Employee** | **Household Member** | | | |  |  |  |
|  |  |  |  |  | |  |  |  |  |
|  |  |  | Facility maintained by employee & not | | |  | Other Cases | |  |
|  |  |  | available for all employees | |  |  |  |  |  |
|  |  |  |  |  | |  |  |  |  |
|  |  | **Exempt** | **Value at which similar services** | | |  | **Actual expenditure of** | |  |
|  |  |  | **provided by other agencies to public** | | |  | **employer** | |  |
|  |  |  |  |  | |  |  |  |  |
|  |  |  |  |  | | |  |  |  |
|  |  |  | **PRIVATE TOUR** | | | |  |  |  |
|  |  |  |  |  | | |  |  |  |
|  |  |  | **Employee/Household Member** | | | |  |  |  |
|  |  | Facility maintained by employee & not | |  |  |  | Other Cases |  |  |
|  |  | available for all employees | |  |  |  |  |  |  |
|  |  | **Value at which similar services** | |  | **Actual expenditure of employer** | | |  |  |
|  |  | **provided by other agencies to public** | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

1. **Free Meals, Tea & Snacks**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **FREE MEALS/NON ALCHOLIC BEVERAGES** | | | |  |  | ***TEA AND SNACKS*** | |  |
|  |  |  |  |  |  |  |  |  |
| **Office premises or** | |  | **Remote Area or** | |  |  |  |  |
| **At eating joints by voucher** | | | **Offshore Installation** | | **Other Case** |  |  |  |
|  |  | *Non Office* | *Office* | *Non Office* |  | *Office* | *Non Office* |  |
| Office Hours |  | *Hours* | *Hours* | *Hours* |  | *Hours* | *Hours* |  |
|  |  |  |  |  |  |  |  |  |
| Nil, if value upto ` |  |  |  |  | Actual |  |  |  |
| 50/- per meal |  | Actual |  | Actual |  | Actual |  |
|  |  | expenditure |  |  |
|  |  | expenditure | Nil | expenditure of | Nil | expenditure of |  |
|  |  | of employer |  |
| (If value > 50 |  | of employer |  | employer |  | employer |  |
|  |  |  |  |  |
| excess taxable) |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

1. **Gift, Vouchers or token**.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | ***In Kind*** | |  |  |  |  | ***In Cash*** | | |  |
|  |  |  | **Aggregate value** upto |  | **Aggregate value** >`5,000/- during P/Y | | | |  | Any amount | | |  |
|  |  |  | `5,000 during P/Y |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **Exempt** |  | Perquisite Value = **(Actual value – 5,000/-)** | | | |  | Fully **Taxable** | | |  |
| **7)** |  |  |  | | | | |  | |  |  |  |  |
|  |  | **Expenditure on credit card including membership & annual fees** | | | | | | |  |  |  |  |
|  |  |  | ***Official purpose*** | | |  |  | **Other Purposes** | | | | |  |
|  |  |  |  | **Nil,** *Provided:* | |  |  | **Expenditure of employer** | | | | |  |
|  |  | a) Details of date/nature of expenditure maintained by employer | | | | **and** | | *Less*: Amount recovered from | | | | |  |
|  |  | b) Employer certifies that expenditure for official purpose | | | |  |  | employee | |  |  |  |  |
| **8)** |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **Club membership & club expenses (including annual or periodic fees)** | | | | | | |  |  |  |  |
|  |  |  | ***official purpose*** | | |  |  | **Other Purposes** | | |  |  |  |
|  |  |  | **Nil**, Provided : | | |  | **Expenditure of employer** | | | |  |  |  |
|  |  | a) Details of date/nature of expenditure maintained by employer | | | | **&** |  |  |  |  |  |  |  |
|  |  | b) | Employer certifies that expenditure for official purpose | | |  | *Less* : Amt. recovered from | | | |  | |  |
|  |  |  |  |  |  |  |  | employee | | |  | |  |

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**6th Perquisite : Sweat equity shares Value of Perquisite** :

**FMV** of ESOP on date on which the **option is exercised** by assessee

***Less :*** *Amount recovered from the assessee in respect of such shares/security*

**7TH PERQUISITE : Employer Contribution to Approved Superannuation Fund**

**Value of Perquisite :** Employer contribution to Superannuation fund during the p/y ***less*** `1,00,000

**Tax treatment of Superannuation Fund**

**Approved Superannuation Fund**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | ***Employees*** | ***Employer’s*** | ***Interest on accumulated*** | ***Payment of Accumulated balance*** |  |
|  | ***Contribution*** | ***Contribution*** | ***balance*** |  |  |
|  | Deduction **80C** | Excess of |  | Exempt from tax u/s **10(13),** if |  |
|  | **from GTI** is | `1,00,000 treated | Exempt from Tax | on death *,* on retirement ,after specified |  |
|  | available to | as Perquisite |  | age ***or*** becoming incapacitated before |  |
|  | employee |  |  | retirement |  |

**8th Perquisites taxable for Specified Employee**

**Specified Employee**

* + 1. Employee is director of his **employer company** or
    2. Employee holds at least **20% equity shares** of his **employer** company or
    3. Employee **Taxable salary** exceeds 50,000 **pa.** ***(Excluding non monetary payment)***

1. **Motor Car** 
   1. **Motor Car owned/ hired by employer & expenses met by Employer**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | *Official purpose* |  |  | *Private purpose* |  | *Partly official & partly* | | |  |
|  |  |  |  |  |  | *private* | | |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  | Sum total of : | |  | **Car upto 1.6 Lit.** | | |  |
|  | **Exempt** |  |  |  |  |  |  |  |  |
| *(Provided* | |  | **Actual** running & maintenance expenses | |  | 1,800 p.m **+** 900 pm for | | |  |
|  |  |  |  | chauffer(If any) | | |  |
| *specified* | |  |  |  |  |  |
|  | **Actual** remuneration to chauffeur | |  |  |  |  |  |
| *documents are* | |  |  |  |  |  |  |
|  |  |  |  | **Car > 1.6 Lit.** | | |  |
| *maintained by* | |  |  |  |  |  |
|  | **10% of cost of car** (if owned) or **Hire charges** (if hired) | | |  |  |  |  |
| *employer)* | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  | ***Less: Amt recovered from employee*** | |  | 2,400 p.m + 900 p.m for | | |  |
|  |  |  |  | chauffer (If any) | | |  |
|  |  |  |  |  |  |  |
|  |  | | |  |  | |  |  |  |
|  | **2. Motor Car owned/ hired by employer & Expenses met by Employee** | | | | | |  | |  |
|  |  | |  |  |  | |  | |  |
|  | *Official purpose* | |  | *Private purpose* | *Partly official & partly private* | |  |  |  |
|  |  |  |  |  |  | |  | |  |
|  |  |  |  |  |  | |  |  |  |
|  |  |  |  | **Sum total of** | **Car upto 1.6 Lit.** | |  |  |  |
|  | **Exempt** | |  |  | 600p.m + 900 pm for chauffer.(If any) | |  | |  |
|  |  |  |  | **Actual** remuneration to chauffeur |  |  |  |  |  |
|  |  |  |  | 10% of cost of car (if owned) or hire | **Car > 1.6 Lit**. | |  |  |  |
|  |  |  |  | charges (if hired) |  | |  |
|  |  |  |  | 900 p.m + 900 pm for chauffeur (If | |  |  |  |
|  |  |  |  |  |  | |  |
|  |  |  |  | ***Less: Amt recovered from employee*** | any) | |  | |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  | **21** | |  |  |  |  |  |

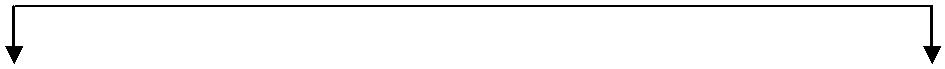
|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | | |  |  |  |  |  |
|  |  | **3. Motor Car owned by employee & expenses met by Employer** | | | | | | |  |  |  |
|  |  |  |  |  | | |  |  |  |  |  |
|  |  | *Official* |  | *Private purpose* | | |  | *Partly official & partly private* |  |  |  |
|  |  | *purpose* |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | Actual Exp. of employer |  |  |  |
|  |  | **EXEMPT** |  | **Amount paid by** | | |  |  |  |  |  |
|  |  |  |  | **employer** | |  |  | ***Less* :** |  |  |  |
|  |  | *(Provided* |  |  |  |  |  | I,800 pm + 900 pm **(car upto 1.6Lit)** |  |  |  |
|  |  | *specified* |  |  |  |  |  | OR |  |  |  |
|  |  | *documents are* |  | *Perquisite taxable* | | |  | 2,400 pm + 900 pm **(car > 1.6 Lit)** |  |  |  |
|  |  | *maintained by* |  | *for all employees* | | |  |  |  |  |  |
|  |  | *employer)* |  |  |  |  |  | ***Higher deduction*** *for official expenses* | *if specified* | |  |
|  |  |  |  |  |  |  |  | *documents are maintained* |  |  |  |
|  |  |  | |  | | | |  |  |  |  |
|  |  | **4. Other Conveyance owned by employee & expenses met by Employer** | | | | | | |  |  |  |
|  |  |  |  |  | | |  |  |  |  |  |
|  |  | *Official* |  | *Private purpose* | | |  | *Partly official & partly private* |  |  |  |
|  |  | *purpose* |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | | |  |  |  |  |  |
|  |  |  |  | ***Expenditure*** paid | | |  | Actual Exp. of employer |  |  |  |
|  |  | **EXEMPT** |  | by employer | |  |  |  |  |  |  |
|  |  | *(Provided* |  |  |  |  |  | ***Less* :**900 pm |  |  |  |
|  |  | *specified* |  | ***Perquisite taxable*** | | |  |  |  |  |  |
|  |  | *documents are* |  | ***for all employees*** | | |  | ***Higher deduction*** *for official expenses* | *if specified* |  | |
|  |  | *maintained by* |  |  |  |  |  | *documents are maintained* |  |  |  |
|  |  | *employer)* |  |  |  |  |  |  |  |  |  |
| **Special Points :** | | |  |  |  |  |  |  |  |  |  |
| **a)** Where **more than one** motorcar is for both official & private purposes | | | | | | | | |  |  |  |
|  | Value of One Car | |  |  | = | *Value as per* ***partly official & partly private*** | | |  |  |  |
|  |  | Value of Other Cars | | | = | *Value as per* ***private purpose*** | | |  |  |  |

* 1. **Specified Documents** :
     1. Employees should maintain details of date of journey, destination, mileage, expenditure incurred
     2. And employer gives certificate that expenses incurred wholly & exclusively for official purpose.
  2. Vehicle provided by employer to employee for journey from his residence to his office or other place of work & back shall not be regarded as perquisite.

1. **Sweeper, Gardener, Watchman or Personal attendant**

**Value of perquisite :** Actual cost to employer ***Less*** Amount paid by employee

1. **Supply of Gas, Electricity or Water provided to Employee**



|  |  |  |  |
| --- | --- | --- | --- |
| ***Purchase from outside agency*** |  |  | ***From own resources*** |
| Amount **paid** to outside agency |  |  | Manufacturing cost |
| ***Less*:**Amount**paid**by employee |  |  | ***Less:*** Amount**paid**by Employee |
|  |  |  |  |
|  | **22** | |  |

1. **Educational facilities to employee children & members of household** 
   1. *Facility in Educational institutions maintained by employer or in other educational institutions due to employment*

|  |  |  |
| --- | --- | --- |
| **To whom** | **Cost of education in similar** | **Value of Perquisite** |
|  | **school in similar locality** |  |
|  |  |  |
| **Employee child** | *upto ` 1,000 p.m per child* | **Fully exempt** |
|  |  |  |
|  | *greater than 1,000 p.m per child* | **Cost of education in similar school in** |
|  |  | **same locality less 1,000 pm** |
| **Household members** | *Limit of `1,000 irrelevant* | **Cost of education in similar school in** |
|  |  | **same locality** |

*B) Facility in any other educational institutions*

|  |  |
| --- | --- |
| **To whom** | **Value of Perquisite** |
| **Employee child** | **Actual Cost to Employer** |
|  |  |
| **Household members** | **Actual Cost to Employer** |

Education facility **to employee** in any form like training, seminars, conference etc. is fully exempt.

**5) Free or concessional tickets provided to employees of transport undertakings for private journeys**

* Employees of airlines and railways**: Exempt** in hands of employees
* Employee of other transport undertaking : Value at which such benefit or amenity is provided by the employer to public

**(F) LEAVE TRAVEL CONCESSION IN INDIA (LTC ) :**

**Exemption u/s 10(5) read with rule 2B**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Journey by Air** |  | **Journey by Rail** | **Journey by other modes** |
|  |  |  |  | **Connected by Rail** |
|  | *Minimum of following* |  | *Minimum of following* | *Same as column 2* |
| **i.** | Actual LTC | **i.** | Actual LTC | **Not Connected by Rail** |
|  |  |  |  | *Minimum of following* |
| **i.** | Actual expenditure | **ii.** | Actual expenditure | i) Actual LTC |
| **ii. Air economy fare of Air** | | **ii.AC 1st class RAIL FARE** | | Ii) Actual expenditure |
|  | **India by shortest route** |  | **by shortest route** |  |
|  |  |  |  | **iii) Deluxe fare of Public transport by** |
|  |  |  |  | **shortest route OR** |
|  |  |  |  | **Similar AC 1st class rail fare by shortest** |
|  |  |  |  | **route** |
|  |  |  |  |  |

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**Special Points** :

1. Exemption available on **twice** from calendar year 2006 – 09, 2009 -13
2. **ONLY ONE** exemption carried forward in Calendar Year succeeding end of block.
3. LTC available for a **TWO** children born on or after 01.10.1998. However, this restriction shall not apply in respect of children born before 1-10-1998 and also incase of multiple births after one child.
4. Family means : Spouse & Children

Parents, brother, sisters of employee who are **dependent** on employee.

**(G) MEDICAL FACILITIES (Proviso to sec 17(2))**

**MEDICAL FACILITIES IN INDIA**

**( to EMPLOYEE / Family Members)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **In Govt Hospital** or | **Premium paid for Health** | **Other case** |
|  | Hospital | **local authority hospital** or | **Insurance under approved** |  |
|  | **maintained** | **Govt. approved hospital** or | **scheme** |  |
|  | **by employer** | **Hospital approved by CCIT** |  |  |
|  |  | (For ***prescribed disease*** only) |  |  |
|  |  |  |  |  |
|  |  |  |  | Exempt upto ` |
|  | Fully Exempt | Fully Exempt | Fully Exempt | 15,000/- in P/Y |
|  |  |  |  | ***Excess taxable*** |
|  |  |  |  |  |

**MEDICAL FACILITIES OUTSIDE INDIA**

|  |  |  |
| --- | --- | --- |
| On Medical Expenses for Patient | On stay abroad of Patient along | On Travel of Patient along with one |
|  | with one attendant | attendant (total two persons) |
|  | (total two persons) |  |
| ***Tax free to extent permitted by*** | ***Tax free to extent permitted by*** | ***Tax free if employee’s GTI UPTO*** |
| ***RBI*** | ***RBI*** | ***` 2 lac (before including such*** |
|  |  | ***travel expenses)*** |
|  |  |  |

**(H) RETIREMENT BENEFITS**

**1)**Gratuity **2)**Pension **3)**Leave salary **4)**Retrenchment compensation **5)**Voluntary Retirement **6)** Provident fund

**1. GRATUITY**

**Gratuity to be included under Salary = Amount of Gratuity *less* Exemption u/s. 10(10)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Employee** | **Central/ State/** | **Employee covered under payment** | |  | **Other Employees** |
|  | **Local Authority** |  | **of Gratuity Act, 1972** |  |  |
|  |  | **Minimum of Following:** | | **Minimum of Following:** | |
| Exemption | 100% of Gratuity | **i.** | Actual Gratuity received. | **i.** | Actual Gratuity received. |
| Amount | **Exempt** |  |  |  |  |
|  |  | **ii.** | ***` 10,00,000*** | **ii.** | *` 10,00,000* |
|  |  | **iii. [15 X** Completed yrs of service | | **iii. [15 X** Completed yrs of service | |
|  |  |  | ***Including*** *part*excess*6 mths***]** |  | ***Excluding*** *part****]*** |
|  |  |  | **X** |  | **X** |
|  |  |  | **[last month salary / 26]** |  | **[Average monthly salary / 30]** |
|  |  |  | |  | |
|  |  | **Salary (as per Gratuity Act.)** | | **Salary :** Basic Salary + DA (RB) + | |
| Definition of | N.A |  |  | Commission as fixed % of turnover | |
| Salary |  | Basic Salary + **100%** DA | |  |  |
|  |  |  |  |  |  |
|  |  |  | **24** |  |  |

**SOME SPECIAL POINTS:**

The limit of ` 10,00,000 shall be **reduced** by exemption claimed in earlier P/Y

Gratuity received from **more than one employer in the same P/Y,** the limit of ` 10,00,000 would apply to the **aggregate of gratuity**

Every **“complete year of service**” shall also include **prior service period** under previous employer provided he was not paid gratuity by him.

Any gratuity paid to an employee, while he **continues to remain in service** with the same employer is taxable under the head “Salaries”

**2. PENSION**

**Uncommuted pension i.e. the periodical/monthly pension:**

It is **fully taxable** in the hand of **All Employees**, whether government or non-government.

**Commuted pension i.e. lumpsum pension:**

Though it is **also taxable**, **exemption u/s 10(10A)** can be claimed by the employee

**Exemption u/s 10(10A):**

**Treatment for employees of Government, local authorities & Statutory Corporations:**

Commuted pension is **wholly exempt**

**Treatment in the case of Other Employees**

Commuted pension is **exempt** to the following extent:

1. If **receives** Gratuity : **1/3** of **Normal commuted** value
2. If he **does not** receive gratuity : **1/2** of **Normal commuted** value

**NCV = Actual Commutted pension X 100 % of commutation**

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**3. LEAVE SALARY**

**Exemption u/s 10(10AA)**

1. **Central Government/ State Govt. Employees**

It is fully **exempt** from tax.

1. **Other Employees**

(i.e. Private employees including employees of local authority and statutory corporation)

**It is exempt to the extent of the minimum** of the **following four** amounts:

1. Leave encashment actually received
2. `3,00,000
3. 10 **X** **Average Monthly Salary**
4. **Unavailed Leave X Average Monthly Salary**

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**Unavailed leave** =

Step 1 **: [**Total Leaves entitled by employer**]** or

**[ 30 days leave** per Completed Year of Service**,** Excluding part**] *whichever is less***

Step 2 **:** Leaves **actually** taken

Step 3 **:** Step 1 – Step 2 is **unavailed leave**

**Meaning of Salary: Basic** + **DA (RB)** + **Commission at fixed % of turnover**

**Average Monthly Salary**: is to be calculated on the basis of the average of salary during the period of 10months **immediately preceding** the date of his retirement*.*

**SOME SPECIAL POINTS**

The limit of ` 3,00,000, shall be reduced by exemption claimed in **earlier P/Y**

Leave encashment **from more than one employer** in the same previous year, the limit of ` 3,00,000 would apply to the aggregate of leave encashment

Amount paid to the legal heirs of the deceased employee is not taxable (both for private and Govt. employees).

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The scheme of Voluntary Retirement should be in accordance with **rule 2BA**.

**Actual Compensation received/receivable *or* `5,00,000/-***whichever is less*.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | |  |  |
| **4. RETRENCHMENT COMPENSATION** | | |  |  |
|  | **Exemption u/s.10 (10B) :** | |  |  |
|  | Minimum of following is exempt | |  |  |
| **i)** | Actual Compensation received. | |  |  |
| **ii)** | `5,00,000/-. | |  |  |
| **iii)** | 15 **X Average pay X** Completed yrs of service including part excess of 6 months. | | |  |
| **Average Pay:** | |  |  |  |
| For Monthly Wages | | : Average of last 3 calendar months | preceding date of retrenchment |  |
| For Weekly Wages | | : Average of Last 4 weeks preceding date of retrenchment | |  |
| For Daily Wages | | : Average of Last 12 working days preceding date of retrenchment | |  |
|  |  | **Pay includes all but does not include bonus** | |  |

**5. COMPENSATION ON VOLUNTARY RETIRMENT**

**Exemption u/s 10(10C)**

**Conditions to be Satisfied**

**Amount of Exemption**

**Special Points : [Rule 2BA]:**

1. **Actual Compensation SHOULD NOT EXCEED**

→ 3 months salary **X** Completed years of service (Part Ignored) **OR**

→ Current Salary per month **X** Balance months of service left, whichever is less

→ If actual compensation exceeds no exemption shall be available

completed **10 YRS OF SERVICE** or **40 YRS OF AGE**[not applicable for public sector company employee Scheme applicable to **ALL EMPLOYEE** (except Directors)

Scheme to result in **OVERALL REDUCTION** in existing strength of employees. **Vacancy** caused by voluntary retirement should **not be filled up**.

Retiring employee shall **NOT BE EMPLOYED** in other concern of same management.

* 1. **Meaning of Salary : Basic + DA(RB) + Commission fixed % of turnover**
  2. Exemption under 10(10C) can be claimed only **Once** by the Assessee.

1. **TAX TREATMENT OF PROVIDENT FUNDS**

**Statutory Provident Fund (SPF)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | ***Employees Contribution*** | |  |  | ***Employer’s*** | |  | ***Interest on*** | |  | ***Payment of Accumulated*** |
|  |  |  |  |  | ***Contribution*** | |  | ***Provident Fund*** | |  | ***balance*** |
|  | Deduction **u/s 80C** is available | |  | Exempt from Tax | | |  | Exempt from Tax | |  | Exempt from Tax **u/s 10(11)** |
|  | to employee | |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | | |  |  |  |
|  |  |  |  |  | **Recognised Provident Fund (RPF)** | | | | |  |  |
|  | ***Employees*** | ***Employer’s*** | |  |  | ***Interest on*** | |  | ***Payment of Accumulated balance*** | | |
|  | ***Contribution*** | ***Contribution*** | |  |  | ***Provident Fund*** | | |  |  |  |
|  |  |  |  |  |  |  |  |  | Exempt **u/s 10(12)** if : | | |
|  | Deduction **u/s** | Exempt upto 12% | | |  | Exempt upto 9.5% | | | i. Service atleast 5 yrs ***or*** | | |
|  | **80C** is available | of **Salary** | |  |  | p.a | |  | ii. Termination due to **ILL health,** | | |
|  | to employee |  |  |  |  |  |  |  | Closure of | **ER business,** | |
|  |  | *Excess* | |  |  |  |  |  | **other reason beyond employee control *or*** | | |
|  |  | taxable under | |  |  | *Excess* taxable under | | | existing balance T/F to new employer RPF A/c. | | |
|  |  | Salary u/s 17(1) | | |  | Salary u/s 17(1) | | | ***If none of*** | ***above situations exist, then*** | |
|  |  |  |  |  |  |  |  |  | ***amount treated as URPF*** | | |

***Salary for the purpose of R.P.F* : Basic + DA(RB) + Commission fixed % of turnover**

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  | | |  |  | |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **Unrecognised Provident Fund(URPF)** | | | | | | | | | |  |  |  |  |
|  | ***Employees*** |  | ***Employer’s*** | | | |  | ***Interest on*** | | | | |  |  | ***Payment of accumulated balance*** | | | | | |
|  | ***Contribution*** |  | ***Contribution*** | | | |  | ***Provident Fund*** | | | | |  |  |  |  |  |  |  |  |
| No deduction **u/s** | |  | Exempt | | |  |  | Exempt | | |  |  | **Employers contribution + interest** taxable under | | | | | | | |
|  | **80C** |  |  |  |  |  |  |  |  |  |  |  |  | **salary** u/s 17(3) in previous year of payment | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  | **Interest on Employee contribution** taxable as **I/O/S** | | | | | | | |
|  |  |  |  |  |  |  |  |  | | | |  | | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  | **Public Provident Fund (PPF)** | | | | | | | | |  |  |  |  |
|  | ***ASSESSEE*** | |  |  |  |  | ***Employer’s*** | | |  |  |  | ***Interest on*** | | |  | ***Payment of Accumulated*** | | | |
|  | ***Contribution*** | |  |  |  |  | ***Contribution*** | | |  |  |  | ***Provident Fund*** | | |  |  |  | ***balance*** | |
|  | Deduction **u/s 80C** is | | |  |  | No employers | | | |  |  | Exempt from Tax | | | |  |  | Fully exempt **10(11)** | | |
|  | available to assessee | | |  | |  | contribution | | |  |  |  |  |  |  |  |  |  |  |  |
| **(i)** | | |  |  |  |  | **Profits in lieu of salary [Section 17(3)]** | | | | | | | | | |  |  |  |  |
|  |  |  |  |  |  |  |  | **Profit in lieu of salary** | | | | | | | | |  |  |  |  |
|  | **Terminal /retrenchment** | | | |  | **Keyman** | | |  | **Amount during** | | | |  | **Payment from** | | |  | **Other sums** |  |
|  | **Compensation** | | | |  | **Insurance** | | |  |  | **Pre & Post** | | |  | **URPF or from** | | |  |  |  |
|  |  |  |  |  |  | **Policy** | | |  |  | **employment** | | |  | **URSF** | |  |  |  |  |
|  | Amount in connection | | | |  | Amount | | |  | Amount from ER | | | |  | **employer** | |  |  | All other sums from |  |
|  | with termination | | of | |  | includin | | |  | before joining or | | | |  | contribution and | | |  | employer |  |
|  | employment | |  |  |  | Bonus) | | |  |  | after leaving | | |  | Interest | |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Other sections : Sec 10(6)** : Remuneration to **Foreign citizens from services** | | | | | | | | | | | **in India** is Exempt | | |
| **1.** | **Purpose** | **Diplomatic Personnel or** | | | | | **Employee** | **of a** | | **Non-resident** |  | **Trainee of** | **foreign** |
|  |  | **trade representative in** | | | |  | **foreign** |  |  | **ship’s crew** |  | **Government** | |
|  |  | **India** |  |  |  |  | **Enterprise** | |  |  |  |  |  |
| **2.** | **Condition** | Not engaged | | in | other | | Foreign |  |  |  |  | Training in | office of |
|  |  | business, profession | | | | or | enterprise | is | not |  |  | Government/Govt | |
|  |  | employment in India & | | | |  | engaged | in | any | ----- |  | company/statutory | |
|  |  |  |  |  |  |  | business in India | | |  |  | corporation. |  |
|  |  | Indian | officials | in | that | |  |  |  |  |  |  |  |
|  |  | foreign | country | enjoys | | a |  |  |  |  |  |  |  |
|  |  | similar exemption | | |  |  |  |  |  |  |  |  |  |
| **3.** | **Stay in** | Any no of days | |  |  |  | Upto 90 days | |  | Upto 90 days |  | Any no of days | |
|  | **India** |  |  |  |  |  |  |  |  |  |  |  |  |

**Sec. 89(1) : Relief Where any portion of Salary is received in arrears or in advance**

**Step 1:** Calculate the tax payable of the previous year in which the arrears/advanceSalary is received

1. On Total income inclusive of additional salary.
2. On Total income exclusive of additional salary.

The difference between (a) and (b) is the tax on additional salary included in the total income.

**Step 2:** Calculate the tax payable of every previous year to which the additional salary relates

1. On total income including additional salary of that particular previous year.
2. On total income excluding additional salary.

Calculate difference between (a) & (b) for every P/Y to which additional salary relates & aggregates same.

**Step 3:** The excess between the tax on additional salary as calculated under step 1 and 2 shall be therelief admissible u/s 89(1). If there is no excess, no relief is admissible.

If the tax calculated in step 1 is less than tax calculated in step 2, the assessee need not apply for relief.

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**CHAPTER – 5**

**INCOME UNDER THE**

**HEAD HOUSE PROPERTY**

**Sec 22 : Annual Value of Building owned is taxable under HP(except used for Business/Profession)**

|  |  |  |
| --- | --- | --- |
| (1) | Municipal value | XXXXX |
| (2) | Fair Rental value | XXXXX |
| (3) | Standard Rent | XXXXX |
|  | ***(1 or 2,Higher, cannot exceed 3)*** |  |
| (4) | Reasonable Value | XXXXX |
| (5) | Actual Rent Received/Receivable | XXXXX |
|  | ***(Excluding Unrealised rent ) Rule 4*** |  |
|  | **( 4 or 5) Higher : GAV** | XXXXX |
| **Less :** Municipal taxes | | (XXXXX) |
|  | ***(Paid by Owner during P/Y)*** |  |
|  | **NAV** | XXXXX |
| **Less : Deductions** | |  |
| **24 (a) : 30%** of **Positive** NAV | | (XXXXX) |
|  | *Actual expenses have no relevance* |  |
|  | |  |
| **24 (b) :** Interest **Due** on borrowed Capital | | (XXXXX) |
| Interest due during p/y + Interest for | |  |
| Preconstruction/prepurchase period | |  |
|  |  |  |
|  | **Amount after deduction** | XXXXX |
| **Add :** Recovery u/s **25A, 25AA , 25B** | | XXXXX |
|  | **Amount Taxable under HP** | **XXXXX** |
|  |  |  |

**Deduction u/s 24(b)**

|  |  |  |
| --- | --- | --- |
| **Type of Property** | **Deduction u/s** | **Purpose of loan** |
|  | **24(b) on Due** |  |
|  | **basis** |  |
| **Let out property** | **100%** | Construction, Purchase, Repair, Renovation, Reconstruction |
|  |  |  |
| **Residential property** | **Max 30,000** | Construction, Purchase, Repair, Renovation, Reconstruction |
| **whose NAV =NIL** |  |  |
|  |  |  |
| **Residential property** | **Max 1,50,000** |  loan is taken on or after 1st April,1999 |
| **whose NAV =NIL** |  |  for **purchase or construction** |
|  |  |  purchase or construction is completed |
|  |  |  Within 3 years from end of financial year in which loan is taken |
| **Special Points** |  |  |

* Interest on **unpaid interest** is not deductible.
* Interest on a **fresh loan** raised merely to **repay the original loan** taken for the above purpose is allowable as a deduction under this section.
* **Brokerage or commission** paid for arranging the loan is not deductible.
* If **arrears of interest** is paid during the previous year, no deduction is available in respect of arrears as it has already been claimed on due basis in earlier years.

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* Similarly **interest paid in advance** is not fully deductible in one year, as deduction is on accrual basis.
* If interest is **payable outside India** then it must be paid after TDS as per the requirement of Section 25 of Income Tax Act, otherwise the deduction shall not be allowed.
* If interest is paid on **unpaid purchase price** to the seller then also deduction can be claimed u/s 24(b).

**TAX TREATMENT OF VARIOUS PROPERTY**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **(1)** |  | **(2)** |  | **(3)** | **(4)** |
| **Type of House** | **Fully let out** | **HP partly let out & partly vacant** | | | **Fully vacant** | |
| **Property** |  |  |  |  |  |  |
|  | Sec23(1)(a) or | Case 1 | Case 2 | Case 3 |  |  |
|  | Sec 23(1)(b) | **AR >RV** | **AR < RV** | **AR < RV** | **Intention** | **No** |
|  |  |  | (Rent | (Due to | **to let out** | **Intention** |
|  | Higher |  | less) | vacancy) |  | **to let out** |
|  |  |  |  | 23(1)(c) | 23(1)(c) |  |
| **(1) RV** | **Entire P/Y** | **Entire P/Y** | **Entire P/Y** | **Entire P/Y** | **Entire P/Y** | **Entire P/Y** |
|  |  |  |  |  |  |  |
| **(2) AR** | **Let out** | **Let out** | **Let out** | **Let out** | **Nil** | **Nil** |
|  | **period** | **period** | **period** | **period** |  |  |
|  |  |  |  |  |  |  |
| **GAV** | **1 or 2, Higher** | **AR** | **RV** | **AR** | **NIL** | **RV** |
|  |  |  |  |  |  |  |
| **Less :** | **Paid by** | **Paid by** | **Paid by** | **Paid by** | **Paid by** | **Paid by** |
| **M. Tax** | **Owner** | **Owner** | **Owner** | **Owner** | **Owner** | **Owner** |
|  |  |  |  |  |  |  |
| **NAV** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Less:** | **30% of** | **30% of** | **30% of** | **30% of NAV** | **NIL** | **30% of** |
| **24(a): SD** | **NAV** | **NAV** | **NAV** |  |  | **NAV** |
|  |  |  |  |  |  |  |
| **Less:** | **Fully allowed** | **Fully** | **Fully** | **Fully** | **Fully** | **Fully** |
| **24 (b) :** |  | **allowed** | **allowed** | **allowed** | **allowed** | **allowed** |
| **Interest DUE** |  |  |  |  |  |  |
| **during P/Y+ Pre** |  |  |  |  |  |  |
| **contruction/** |  |  |  |  |  |  |
| **purchase period** |  |  |  |  |  |  |
| **Amount after** |  |  |  |  |  |  |
| **Deduction** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Add :** |  |  |  |  |  |  |
| **25A/25AA/** |  |  |  |  |  |  |
| **25B** |  |  |  |  |  |  |
| **Income taxable** |  |  |  |  |  |  |
| **under HP** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | |  | | |  |  |  |  |  |  |
|  |  |  | **(5) Self** |  | **(6) Not** |  | **(7)** | **More than one residence** | | | | | |  | **(8) Partly let out &** |  | |  |
|  |  |  | **Residence** |  | **occupied due** |  | **property** | |  |  |  |  |  |  | **Partly self** |  | |  |
|  |  |  |  |  | **to B/P/E** |  |  |  |  |  |  |  |  |  | **residence** |  | |  |
|  |  |  |  |  |  |  |  | **Sec 23(4)** | | | | | |  | **Sec 23(1)(a) or** |  | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Sec 23(1((b),high** |  | |  |
|  |  |  | ***Sec 23(2)*** |  | ***Sec 23(2)+*** |  | ***Residence*** | | |  | ***Deemed to*** | | |  |  |  |  |  |
|  |  |  | ***+Sec23(3)*** |  | ***Sec 23(3)*** |  |  |  |  |  |  |  | ***let out*** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |
|  |  | **(1) RV** | NA |  | NA |  |  | NA |  |  |  | **Entire P/y** | |  | **Entire P/Y** |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |
|  |  | **(2) AR** | NA |  | NA |  |  | NA |  |  |  |  | Nil |  | **Let out period** |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |
|  |  | **GAV** | **NA** |  | NA |  |  | **NA** |  |  |  |  | **RV** |  | 1 or 2,Higher |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  | |  |
|  |  | **Less :** |  |  |  |  |  |  |  |  | **Paid by** | | |  | **Paid by** |  |  |  |
|  |  | **M. Tax** | NA |  | NA |  |  | NA |  |  | **Owner** | | |  | **Owner** |  | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **NAV** | **NIL** |  | **NIL** |  |  | **Nil** |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  | |  |
|  |  | **Less:** | NA |  | NA |  |  | NA |  |  | 30% of NAV | | |  | 30% of |  |  |  |
|  |  | **24(a): SD** |  |  |  |  |  |  |  |  |  |  |  |  | NAV |  | |  |
|  |  | **Less:** |  |  |  |  |  |  |  |  | **Fully** | | |  | **Fully allowed** |  |  |  |
|  |  | **24 (b) :** | **Max 30,000/** |  | **Max 30,000/** |  | **Max 30,000/** | | |  | **allowed** | | |  |  |  |  |  |
|  |  | **Interest DUE** | **Max 1,50,000** |  | **Max 1,50,000** |  | **Max 1,50,000** | | |  |  |  |  |  |  |  |  |  |
|  |  | **during P/Y+** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Precontruction/** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **purchase period** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Amount after** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Deduction** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Add :** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **25A/25AA/** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **25B** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Taxable** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | | |  |  |  |  |  |  |  |  | | |  |
|  |  | **Sec 25A** |  |  | **Sec 25AA** | | |  |  |  |  |  |  |  | **Sec 25B** | | |  |
|  |  | **Recovery of Unrealised Rent** | |  | **Recovery of Unrealised Rent** | | | | | |  |  | **Recovery of Arrears of rent** | | | | |  |
|  |  |  | |  |  |  | |  |  | | |  |  | |  | | |  |
|  |  | **Deduction claimed** for Unrealised | |  | Unrealised | rent | | **reduced** | from | | |  | HP let out a | | to a tenant for any | | |  |
|  |  | Rent **upto A/Y 2001-2002** | |  | actual rent **on or after A/Y 2002-** | | | | | | |  | previous year | | | | |  |
|  |  |  |  |  | **2003** |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Recovery** of Such amount in a | |  | **Recovery** of such amount in a P/Y | | | | | | |  | Recovery of arrears of rent **not** | | | | |  |
|  |  | P/Y |  |  |  |  |  |  |  |  |  |  | **charged to tax for any P/Y** | | | | |  |
|  |  |  | |  |  | | | | | |  |  |  | | | | |  |
|  |  | Recovered amount **taxable under** | |  | Recovered amount taxable under | | | | | |  |  | Recovered amount taxable under | | | | |  |
|  |  | **HP** in **P/Y** of **receipt** | |  | **HP** in **previous year** of receipt | | | | | |  |  | **house property** in **previous year** | | | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  | of **receipt** | |  |  |  |  |
|  |  | **Whether or not** assessee is | |  | **Whether or not** assessee is | | | |  |  |  |  | **Whether or not** assessee is | | | | |  |
|  |  | **owner of such property** in **p/y of** | |  | **owner of such property** in | | | | **p/y of** | | |  | **owner of such property** in **p/y** | | | | |  |
|  |  | **receipt** |  |  | **receipt** |  |  |  |  |  |  |  | **of receipt** | |  |  |  |  |
|  |  |  | |  |  | | | | | |  |  |  | | | | |  |
|  |  | **No deductions** allowed from such | |  | **No deductions** allowed from such | | | | | |  |  | **Deduction of 30%** shall be | | | | |  |
|  |  | unrealised rent. |  |  | unrealised rent. | | |  |  |  |  |  | allowed from such unrealised | | | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  | rent. | |  |  |  |  |
|  |  | **Interest on unrealised** rent is | |  | **Interest on unrealised** rent is | | | | | |  |  |  |  |  |  |  |  |
|  |  | taxable under other source. | |  | taxable under other source. | | | |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **31** | |  |  |  |  |  |  |  |  |  |  |  |

**Sec 25 : Deduction of Interest payable outside India**

Shall be allowed only if

Tax deposited on such Interest income or

Deducted at source from such interest income or

some person is treated as agent in India of recipient

**Sec 26 : House Property Owned by Co-owners**

If the share of each co-owner

Is **definite & ascertainable**

**Each co-owner** shall be taxable for **his portion** in HP **Otherwise** HP income taxable **in hands of AOP**

**Sec 27 : Deemed Owners**

**Individual** transfers House Property to **Spouse** for **inadequate consideration** except,HP transferred under an **agreement to live apart**

HP transferred to **minor** except **minor married daughter** . **Holder** of **impartible** estate.

**Member** of Co-op society, Company to whom flat is allotted under house building scheme

**Person** allowed to take **Possession** as per transaction **u/s 53A of Transfer of Property**

**Act.**

A person acquiring House property on lease for **12 years or more**

**Special point :**

***1.If assessee is dealing in Property dealing business or business of letting out ,even then rental income will be chargeable under House property***

***2.If letting is subservient & incidental to running of main business than rental income chargeable under P/G/B/P.***

***3. Treatment of Composite Rent is done as under***

|  |  |  |
| --- | --- | --- |
| *Where rent of property and rent of services / assets* ***can be*** | | Where rent of property and rent of services / |
| ***separated*** | | assets **cannot be separated** |
|  |  |  |
| *Rent of letting of property* | *Rent of service ,assets* |  |
|  |  | Taxable under Other sources or Business |
| Taxable under House | Taxable under Other sources |  |
| property | or business |  |

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|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **CHAPTER – 6** | |
|  |  |  | **INCOME UNDER THE HEAD PGBP** | |
| **Sections covered in this chapter** | | |  |  |
|  | **Sec 28** |  | **Basis of Charge** |  |
|  | **Sec 29** |  | Computation of Business Income |  |
|  | **Sec 30** |  | Building used for business |  |
|  | **Sec 31** |  | P&M, F&F used for business |  |
|  | **Sec 32** |  | Depreciation |  |
|  | **Sec 33AB** |  | Tea/coffee/rubber devp. account |  |
|  |  |  |  |  |
|  | **Sec 33ABA** |  | Site restoration fund |  |
|  | **Sec 35** |  | Scientific research |  |
|  | **Sec 35(2AA)** |  | Weighted deduction for cont. to national laboratory etc |  |
|  | **Sec 35(2AB)** |  | Company assessee , In house scientific research |  |
|  | **Sec 35ABB** |  | Telecommunication licence |  |
|  | **Sec 35AC** |  | Expenditure on eligible projects or schemes |  |
|  | **Sec 35AD** |  | Deduction of Capital Expenditure for specified Business |  |
|  | **Sec 35CCA** |  | Expenditure on Rural Devp. Programmes |  |
|  | **Sec 35CCC** |  | Expenditure on Agricultural extension project |  |
|  | **Sec 35CCD** |  | Expenditure on Skill Development Project |  |
|  | **Sec 35D** |  | Amortisation of preliminary expenses |  |
|  | **Sec 35DD** |  | Amortisation in case of Amalgamation/demerger |  |
|  | **Sec 35DDA** |  | Amortisation of expenditure in case of VRS |  |
|  | **Sec 35E** |  | Expenditure on prospecting for minerals |  |
|  | **Sec 36** |  | Allowable deductions |  |
|  |  |  |  |  |
|  | **Sec 37(1)** |  | General deductions |  |
|  | **Sec 37(2B)** |  | Expenditure to political party |  |
|  | **Sec 38(2)** |  | Building, P&M,F&F not exclusively for business |  |
|  | **Sec 40** |  | Deductions not allowable |  |
|  | **Sec 40A(2)** |  | Expenditure to specified persons |  |
|  | **Sec 40A(3)** |  | Payment other than by account payee cheque |  |
|  | **Sec 40A(7)** |  | Disallowance for provision for gratuity |  |
|  | **Sec 40A(9)** |  | Disallowance of Employer contribution to funds not required by Law |  |
|  | **Sec 41** |  | Deemed profits chargeable to tax |  |
|  | **Sec 43(1)** |  | Actual cost |  |
|  | **Sec 43(2)** |  | Meaning of Paid |  |
|  | **Sec 43(3)** |  | Meaning of Plant |  |
|  | **Sec 43(4)** |  | Scientific research |  |
|  | **Sec 43(6)** |  | Written Down Value |  |
|  | **Sec 43B** |  | Certain deductions on Actual Payment Basis |  |
|  | **Sec 44AA** |  | Books of account |  |
|  | **Sec 44AB** |  | Audit of accounts |  |
|  | **Sec 44AD/44AE** |  | Deemed business incomes |  |
|  | **Sec 44B** |  | Non resident shipping business |  |
|  | **Sec 44BB** |  | Non resident business of exploration of mineral oil |  |
|  | **Sec 44BBA** |  | Non resident aircraft business |  |
|  | **Sec 44BBB** |  | Foreign company in civil construction business |  |

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**Section 28 : Following Incomes are chargeable under “P/G/B/P”**

* 1. Profit of any B/P *carried by assessee* **at any time** during P/Y
  2. Any remuneration by **Partner** from Firm.
  3. **Compensation** on Termination/Modification of agreement for managing a Company, terms of Agency,Vesting in Govt, management of any business
  4. **Non-compete** fees & **Exclusivity** rights
  5. **Benefits/Perquisites** arising from carrying on business or profession
  6. Sum received under **Keyman Insurance Policy** including bonus
  7. **Export Incentive**

1. Income derived by trade, professional from **specific services** performed for its member.
2. ***Any sum on received on demolition, destruction or transfer of Capital asset, if asset allowed deduction u/s 35AD***

**Sec. 145 : Profits** is calculated on basis of **Cash or Mercantile** basis **regularly employed** & in accordancewith **AS-I & AS - II**

If **AO is not satisfied** about **correctness** of accounts , or if **method of accounting** & notified **accounting** **standards** not regularly followed than AO may make an **assessment u/s 144**

**Sec. 145A :** Purchase**,** Sale**,** Stock on **Basis of Accounting & shall include** tax, duty incurred .

***Such taxes included even if after the payment assessee can claim refund or credit later on***

**Sec 43(2) :** Paid means **Actually paid** (for cash basis ) or **Incurred** (for mercantile basis )

**Section 29 :** Income referred in **sec 28** shall be computed according to **Section 30 to 43D**

**Section 30 : Buildings used for B&P** ,*Following deductions allowed*

**Rent** (If taken on rent), **Revenue Repairs** , **Municipal Taxes** & **Insurance Premium**

**Section 31 : Machinery, Plant & Furniture used for B&P *,*** Following deductions allowed **Revenue Repairs** & **Insurance Premium**

**Section 32 : DEPRECIATION**

**Building**, **Furniture** , **Plant & Machinery** or **Intangible assets *owned Wholly*** or ***Partly***

Used for Business or Profession

**[Rate** of Depreciation **]** X **[ WDV** of **Block Of Asset** as on **31/3/2011 ]**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **WRITTEN DOWN VALUE (WDV) [Section 43(6)]** | | | |
|  |  | WDV of block of assets at beginning of relevant P/Y |  | A |  |
|  |  | **Add :** Actual Cost of asset acquired |  | B |  |
|  |  | **Less :** Money receivable on transfer of Capital asset |  | C |  |
|  |  | **WDV of block of asset as on last day relevant P/Y** |  | **A+B-C** |  |
|  |  |  |  | | |
|  |  | **TYPES OF ASSETS** | **Rate of Depreciation** | | |
| **Building :** | | |  |  |  |
| - | Residential | | 5% | |  |
| - | Non Residential | | **10%** | |  |
| - | Temporary Structure | | 100% | |  |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | |  |  |  |
|  |  | **Furniture & Fittings including electrical fittings** | | **10%** |  |  |
|  |  | **Plant & Machinery :** | |  |  |  |
|  | | - | Books (annual publications) for Profession | 100% |  |  |
|  | | - | Books for Library business | 100% |  |  |
|  |  | - Air & Water Pollution control equipments | | 100% |  |  |
|  |  |  | Energy saving device, renewal energy device | 80% |  |  |
|  |  |  | ***(Wind Mills Installed on or after 1/4/12 depreciation reduced to 15%*** | 60% |  |  |
|  |  | - Books (other than annual publications) for Profession | | 60% |  |  |
|  |  | - COMPUTER including computer software | | 40% |  |  |
|  | | - | Aero planes | 30% |  |  |
|  |  |  | Motor car, buses, used for hire |  |  |
|  | | - | 20% |  |  |
|  | | - | Ships | 15% |  |  |
|  |  | - Motor car used for Business & Profession | | **15%** |  |  |
|  |  | - General rate of other machinery | |  |  |  |
|  |  | **Intangible Assets :** | | **25%** |  |  |

**Depreciation restricted to 50% *( Proviso to sec 32(1))***

Where assets **acquired** in P/Y & **put to use** < 180 days in **that** P/Y

Then depreciation on that asset **restricted to 50%** of normal rate for **that P/Y** only

**Additional Depreciation**:

a)New P&M acquired & installed (other than ships & aircraft) ***On or after 1.4.2005*** b)Business of **manufacture of any** ***article or business of generation or generation &*** ***distribution of power***

1. Conditions to be satisfied:
   * Should not be second hand
   * Not installed in **office premises** or in **residential accommodation**
   * Not **office appliance** or road transport vehicle.
   * 100% deduction not applicable

**d)Extra 20%,** (If acquired and put to use< 180 days then **10%**).***for first year***

**Proportionate Depreciation** (**4th proviso to sec 32)**

-Partnership firm into company u/s 47(xiii) or

***- Conversion of Private Company or Unlisted Public Company into LLP u/s 47(xiiib)***

-Proprietary concern into company u/s 47(xiv) or -Amalgamation or de merger or

-succession otherwise on death

-Depreciation apportioned between the predecessor & successor -On basis of **days** the **assets used** by them during that P/Y.

**Depreciation for Power Generating Undertaking**

|  |  |
| --- | --- |
| ***1)*** | ***Option either to claim depreciation*** on W.D.V basis**or**on S.L.M basis |
| ***2)*** | Option exercised before furnishing ROI for A/Y Generation of power (*once exercised it is final)* |

**Sale of assets by such undertaking**

*Depreciation Claimed and provided on WDV basis : Same treatment as done u/s 32 Depreciation* ***Claimed and provided*** *on SLM basis :*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Step 1*** | ***:*** *Find out value on 1/4/2012 (Cost of asset less deduction claimed in prior p/y)* | | |
| **Step 2** | **:** If SP | < | Opening value, **loss debited to P&L** as Terminal depreciation |
|  | If SP | > | Opening value less than cost, **profit taxable as Business income** u/s 41(3) |
|  | If SP | > | Opening value > cost , |

**Cost - WDV as P/G/B/P** u/s 41(2) & **SP - WDV as cap gains** (ST or LT as per period)

**If such asset sold in same P/Y in which such asset is brought into use, then STCG will arise.**

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|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **5. Section 50 : STCG on Sale of Depreciable Assets** | | | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | **CASE 1** |  |  |  | **CASE 2** |  |  |  |  |
|  | **All assets of block are transferred** | |  |  | **All assets not transferred** |  |  |  |  |
|  |  |  |  |  | Sale proceeds >(Opening w.d.v & Actual cost | ) | |  |  |
|  | *Block* ***ceases to exist*** | *&* |  |  | *Block* ***exist at NIL value*** *&* |  |  |  |  |
|  | *no depreciation for that P/Y* | |  |  | *no depreciation for that P/Y* |  |  |  |  |
|  | **Computation** |  |  |  | **Computation** |  |  |  |  |
|  | Net sale consideration |  | A |  | Net sale consideration |  | A |  |  |
|  | **Less** : Opening W.D.V |  |  |  | **Less** : Opening W.D.V |  |  |  |  |
|  |  | B |  |  | B |  |  |
|  | **Less** :Cost of assets acquired during P/Y | |  | **Less** : Cost of assets acquired during P/Y |  |  |  |
|  | C |  |  | C |  |  |
|  |  |  |  |  |  |  |  |
|  | ***If, (A-B-C) is positive, then*** | *STCG* |  |  | *(A-B-C) will always be positive and will result in* | | |  |  |
|  | *If, (A-B-C) is negative, then* | ***STCL*** |  |  | ***STCG*** |  |  |  |  |

**6. Section 43(1) : Actual Cost**

Means actual cost of the asset to the assessee reduced by that portion of the cost, which is met directly or indirectly by any other person or authority

|  |  |  |
| --- | --- | --- |
| **Explanations to section 43(1)** | **Notional Actual Cost** |  |
| **Explanation 1:** | Actual Cost |  |
| Asset ceases for Scientific research & now to be used for B/P of the Assessee. | ***Less:*** Deduction claimed u/s.35 |  |
| **Explanation 2:** | **Actual cost to other person** |  |
| Asset belonging to other person **is gifted or inherited** by the Assessee | ***Less:*** deduction allowed to |  |
|  | previous owner as if only asset in |  |
|  | block |  |
| **Explanation 3:** | **Amount determined by AO** with |  |
| Asset belonging to other person , used for the purpose of his business or | prior approval of Joint |  |
| profession is transferred to Assessee and AO is satisfied that transfer is to | Commissioner |  |
| reduce Income tax liability |  |  |
| **Explanation 4:** | Actual cost when 1st acquired the |  |
| Asset is reacquired by Assessee which was used for his B/P & was transferred | asset *Less* Depreciation allowable |  |
| to some other person | to him ***or*** |  |
|  | Reacquisition Price , *lower* |  |
| **Explanation 5:** | Actual cost ***Less*** Depr allowable |  |
| **Building** belonging to assessee brought into B&P during P/Y | as if building used for B&P since |  |
|  | its acquisition. |  |
| **Explanation 8 :** | Will not be added to actual cost |  |
| Interest paid or payable for acquiring an asset | after asset first put to use. |  |
|  |  |
| **Explanation 9 :** | Actual cost reduced by Excise, |  |
| Where an asset is acquired on which Excise, Custom Duty is repayable | Custom Duty repayable |  |
|  |  |
|  |  |  |
| **Explanation 10 :** |  |  |
| Where portion of cost of an asset met by Central Government, State Government, Authority or other person | |  |
|  |  |  |
| If Subsidy, Grant etc., is *directly related* to the asset | Actual cost reduced by |  |
|  | value of subsidy |  |
|  |  |  |
| If Subsidy, Grant etc., is *not directly* related to an asset but a consolidated | Actual cost reduced by |  |
| sum | proportionate amount of subsidy. |  |
| **Explanation 13 :** |  |  |
| Capital asset on which deduction has been allowed or is allowable under | NIL |  |
| section 35AD |  |  |
|  |  |  |

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**7. Is it mandatory to claim depreciation:**

*Explanation to Sec. 32 :* Depreciation provisions shall apply whether or not the assessee has claimeddeduction for depreciation.

**8. Carry forward and set off of unabsorbed depreciation [Sec. 32(2)]**

Deduct depreciation from P/G/B/P.

If P/G/B/P is insufficient deduct balance depreciation from other heads .

If Incomes of other heads insufficient, *unabsorbed depreciation* **C/F** for **any number** of A/Y In next A/Y ,b/f depr added to depreciation & step 1 to step 4 will be followed

However, if **B/F losses** are also there in P/Y along with B/F depr, then priority of set off as follows

 1st setoff current year depreciation

 Then setoff B/F losses

 Then setoff unabsorbed depreciation.

**Special points :**

1. B/P of which depreciation was computed need not be carried on in P/Y in which b/f depr is set off.
2. Depreciation can be c/f only by the same assessee.

***Exceptions to 2nd point:***

1. Firm succeeded by a company u/s 47(Xiii)
2. Proprietary concern succeeded by a company u/s 47(Xiv)
3. Amalgamation or Demerger

**9. Asset not exclusively used for Business or Profession [Sec. 38(2)]**

Where Building, P&M or Furniture **Not exclusively** used for B or P Then deduction **u/s. 30, 31, 32**

Shall be restricted to such **fair proportion** as determined by AO

**SEC 33AB & SEC 33BBA**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Section** |  | **33AB : Tea/Coffee/Rubber Devp. A/c.** | | |  | **33ABA : Site Restoration Fund** |
| **1.** | **Assessee** |  | Growing & Manufacturing Tea/ Coffee/ Rubber | | | Prospecting/Extraction/ production of Petroleum | |
|  |  |  |  |  | **in India** |  | /Natural Gas or both **in India** |
| **2** | **Conditions** |  |  |  | Deposit with NABARD ***or*** |  | ***Deposit before end of P/Y*** |
|  |  |  | Deposit a/c within **6 months** from end of P/Y | | |  | in SBI **or** In site restoration a/c |
|  |  |  |  |  | **or** before **due date** ROI |  |  |
|  |  |  |  |  | *Whichever is earlier* |  |  |
| **3.** | **Deduction** |  |  |  | Amount deposited under point 2 |  | Amount deposited under point 2 |
|  |  |  |  |  | ***or*** |  | ***or*** |
|  |  |  |  | **40%** profits business before 33AB, | |  | **20%** profits of business before 33ABA, |
|  |  |  |  |  | ***whichever is less*** |  | ***whichever is less*** |
|  |  | |  |  | | |  |
| 1. | **Restriction on** | |  | Amount withdrawn to be **utilised according** to | | | **specified scheme in p/y of withdrawal** |
|  | **utilisation of** | |  | Amount withdrawn for following deemed as Business income. | | | |
|  | **Amount** | |  | i. | P&M installed in **Office or Residence,** | |  |
|  | **deposited** | |  | **ii.** | **Office appliance** (other than **computer),** | |  |
|  |  |  |  | iii. | **P&M, eligible for 100**%deduction under P/G/B/P | | |
|  |  |  |  | iv. | P&M for manufacturing article in **XI Schedule.** | | |
| 2. | **Withdrawal of** | |  | Amount withdrawn not utilised for, | | |  |
|  | **Deduction** | |  | 1.Specified purposes, **amount unutilised** shall be **Business Income of** **that P/Y.** | | | |
|  |  |  |  | 2. | Asset sold before 8 years from end of P/Y in which acquired, deduction claimed w.r.t cost | | |
|  |  |  |  |  | of asset, **Business Income of P/Y of sale**. | | |
| 3. | **CA Report** | |  | Accounts audited by CA & report attach with ROI. | | | |

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**Section 35 : Expenditure on Scientific Research**

**In-house Scientific research carried out by ANY assessee** ( **Related to Assessee Business)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Pre commencement (**3 years prior to | | | **Post commencement** (On or after date of | |  |
| commencement of Business) | |  | commencement) |  |  |
|  |  |  |  |  |  |
| **Revenue expenditure** |  | **Capital Expenditure** | **Revenue Expenditure** | **Capital Expenditure** |  |
|  |  |  |  |  |  |
| **Salary** of Research Staff |  | Any Capital | **All** Revenue Expenditure | Any Capital expenditure |  |
| & **Purchase of Material** |  | expenditure **except** |  | **except Land** |  |
| for scientific Research |  | **Land** |  |  |  |
|  |  |  |  |  |  |
| **Deduction in P/Y of** |  | **Deduction in P/Y of** | **Deduction in P/Y in** | **Deduction in P/Y in** |  |
| **commencement** |  | **commencement** | **which incurred** |  |
|  | **which incurred** |  |
|  |  |  |  |  |
|  |  |  |  |  |  |

**Special Point : Applicable for Pre commencement revenue expenditure only**

1. Salary **does not include perquisites**
2. Such revenue expenditure has to be certified by **prescribed authority**

**Calculation of Deduction u/s 35**

1. Revenue expenditure on scientific research is **100% allowed** as deduction irrespective of profits.
2. Capital expenditure on scientific research are allowed as deduction **subject to availability of profit**. Set off & Carry forward **same as unabsorbed depreciation**

**Section 35 (2AB)**

Company (Manufacturing any article except ***XI*** ***th*** ***schedule***)

Expenditure (**except on Land & Building**) for approved in house scientific research. Weighted deduction of **200%** of such expenditure will be allowed

**Special point :** No deduction allowed to a company approved 35(1)(iia) for expenditure u/s 35(2AB)

**Contributions/Donations to outsiders by ANY assessee**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sec. 35(1)(ii)** | **Sec. 35(1)(iii)** | **Sec. 35 (2AA)** | **Sec 35(1)(iia)** |
|  |  |  |  |
| *Research related /* | *Research related /* | *Research related /* | *Research related /* |
| *Unrelated* | *Unrelated* | *Unrelated* | *Unrelated* |
|  |  |  |  |
| Approved association | Approved university, | National Laboratory or | **Indian company** |
| *or* approved | college or institution for | University or IIT to be used | having main object of |
| university, college **for** | **Social Sciences &** | for **approved Scientific** | **scientific research** & |
| **Scientific Research** | **Statistical Research** | **Research Programme** | devp. & also approved |
|  |  |  | by prescribed authority |
| **175%** of amount paid | **175%** of amount paid | **200 %** of amount paid | **125%** of amount paid |
| allowed in P/Y | allowed in P/Y | allowed in P/Y | allowed in P/Y |

**Sec 10(21) : Exemption of Income of Research Association**

Any income of **Association approved u/s 35(1)(ii) or 35(1)(iii)** shall be exempt provided that Research association -

1. Applies its Income, or accumulates it as per section 11(2) and 11(3)
2. Invest or deposit its funds as per Sec 11(5)

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  | **SALE OF ASSET USED FOR SCIENTIFIC RESEARCH** | |  |  |
|  |  | *Sold without used for other purpose* | *Sold after used for business* |  |  |
|  | *Step 1 : Find out opening value as on 1/4/2012* | | When used in Business, the |  |  |
|  | Step 2 : | *(Cost of asset less deduction claimed in prior p/y)* | asset will be included in block, |  |  |
|  |  | its **Actual Cost** will be |  |  |
|  | If SP < | Opening value, **loss debited to P&L** |  |  |
|  | taken as **per** |  |  |
|  | If SP > | Opening value but less than cost, **profit taxable as Business** |  |  |
|  | ***[Explanation 1 to Sec. 43(1)]*** |  |  |
|  |  | **income** u/s 41(3) |  |  |
|  |  |  |  |  |
|  | If SP > | Opening value > cost , | When it is sold, sales value |  |  |
|  |  | Cost - WDV taxable as Business income u/s 41(3) & SP - |  |  |
|  |  | deducted from WDV of block |  |  |
|  |  | WDV taxable as capital gains (ST or LT depending upon |  |  |
|  |  | period) |  |  |  |
|  |  |  |  |  |  |

**Special points :**

Deduction u/s 35 **shall not be disallowed** if subsequent to payment ,approval of such association, institution, etc is withdrawn.

**Section 35 ABB : Expenditure for obtaining Telecommunication License**

**Capital Expenditure ACTUALLY INCURRED to acquire Telecom license**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | *Before commencement of business* | | | *After commencement of business* | | |
|  |  | **Period of Deduction** | | | **Period of Deduction** | | |
|  |  | P/Y of commencement **to** P/Y of expiry | | | P/Y of Actual payment **to** P/Y of Expiry | | |
|  |  | **Amount of deduction** | | | **Amount of deduction** | | |
|  | = | License fees actually paid | | | = License fees actually paid | | |
|  |  | No. of previous years in above period | | | No. of previous years in above period | | |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  | |  |  |
|  |  |  | **TRANSFER OF LICENSE** | | |  |  |
|  |  | *100% licence sold* | |  | *Part License sold* | |  |
|  | **Sale price < W.D.V** | | **Sale price > W.D.V** |  | **Sale price < W.D.V** | **Sale price > W.D.V** |  |
|  | (W.D.V **-** Sale price) | | Deduction claimed |  | (W.D.V **-** Sale price) | Deduction claimed |  |
|  | allowed as deduction | | earlier Business |  | allowed as deduction | earlier Business |  |
|  | in p/y of transfer | | income |  | **equally** for balance | income |  |
|  |  |  |  |  | unexpired life of |  |  |
|  |  |  | ***Capital Gain if SP*** |  | license | ***Capital Gain if SP*** |  |
|  |  |  | ***>Cost*** |  |  | ***>Cost*** |  |

**Section 35 AC: Expenditure on Eligible projects or schemes**

Payment to Public Sector Co , Local Authority, Institution approved by National Committee, For promoting Social/Economic Welfare or up liftment of Public

Deduction if certificate is obtained from receiver & attached with ROI

**Special points :**

1. **Company assessee** can also **incur expense itself**
2. Deduction u/s 35AC **shall not be disallowed** if subsequent to payment ,approval of such institution or project is withdrawn

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**Sec 35AD : Deduction of Capital expenditure of Specified Business**

**Assessee**

1)**Cold chain facility** ( Business commenced wef 1/4/09)

2) **Agricultural Warehousing facilities** ( wef 1/4/09)

3)Laying of **Cross-country natural gas/crude/petroleum pipeline** ( w.e .f 1/4/07)

*4)Building & operating a* ***Hotel*** *of* ***two-star or above*** *in India ( w.e.f 1/4/10)*

*5)Building & operating* ***hospital of atleast 100 beds*** *in India( w.e.f 1/4/10)*

*6)Projects for* ***Slum development & rehabilitation*** *in India ( w.e.f 1/4/10)*

*7)Developing and building a* ***Housing project*** *under a scheme for affordable housing framed by CGovt /SGovt and notified by the Board (w.e.f 1 /4 /11)*

*8)****Production of Fertilizer in India*** *& investment in new plant or in newly installed capacity of existing plant . ( w..e.f 1/4 /11)*

1. ***Setting up & operating an inland container depot or a container freight station notified under Customs Act ( w.e.f 1/4/12)***
2. ***Bee-keeping & production of honey and beeswax (w.e.f 1/4/12)***
3. ***Setting up & operating a warehousing facility for storage of sugar (w.e.f 1/4/12)***

|  |  |
| --- | --- |
| **Deduction** | **100% Capital expenditure** for above business incurred in P/Y |
|  | *Pre commencement Capital Expenditure allowed in P/Y of commencement* |

|  |  |  |
| --- | --- | --- |
|  | ***150% for business mentioned in point (1) , (2) ,(5) , (7) , (8) if business commenced*** |  |
|  | ***on or after 1/4/2012*** |  |
|  |  |  |
| **Exclusions** | **Does not include** expenditure on land, goodwill or financial instrument |  |
|  |  |  |
| **Conditions** | 1. It is not set up by **splitting up or reconstruction** of existing business |  |
|  |  |
|  | 2. Atleast 80% P&M should not be previously used |  |
|  | **Exception to 2nd Condition :** |  |
|  | *a) P&M used outside India other than the assessee & is imported into India* |  |
|  |  |  |
| **Limitations** | **No deduction** shall be available for specified business under ***Part C of Chapter VI-A*** |  |
|  |  |  |
| **Sale of asset** | Sum received/receivable on account of destruction/ demolition/ discard/ transfer of such Capital |  |
|  | asset shall be **deemed as P/G/B/P** |  |
|  |  |  |
| **Loss of** | **Loss of Specified Business** can be set off against profits of other specified business only. |  |
| **business** | Unabsorbed loss will be **c/f & set off against profits of specified business** of subsequent A/Y |  |
|  |  |
|  | -C/F & set off for **unlimited period** |  |

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Section 35 CCA : Payment to Associations for carrying out Rural Development Plans (RDP)** | | | | | |
|  |  | **Deduction for payment of sum to** | |  |  |
|  | Association engaged | Association engaged in | Rural Development | National Urban |  |
|  | in **approved** RDP | **Training of persons** | Fund set up by | Poverty Eradication |  |
|  |  | for RDP | Central Govt. | Fund Set up by |  |
|  |  |  |  | Central Govt. |  |

Deduction u/s 35CCA **shall not be disallowed** if subsequent to payment, approval of institution is withdrawn.

***Sec 35CCC : Expenditure on Agricultural Extension Project***

***Expenditure on Agricultural Extension Project notified by Board : Deduction of 150% such expenditure.***

*If Deduction under this section is claimed & allowed for any A/Y than deduction shall not be allowed of such expenditure*

*under any other provisions of this Act*

***Sec 35CCD : Expenditure on skill development project***

***Company incurs any expenditure (not being expenditure of land or building) on any Skill Development project notified by Board : Deduction of 150% such expenditure.***

*If Deduction under this section is claimed & allowed for any A/Y than deduction shall not be allowed of such expenditure under any other provisions of this Act*

**Section 35 D: Amortization of Preliminary expenses**

|  |  |  |
| --- | --- | --- |
| **1** | **Assessee** | Indian Company **or** Resident Non Corporate Assessee |
| **2** | **Expenditure when incurred** | Before commencement **or** After commencement *for* |
|  |  | Extension *or* Setting up of new unit |
| **3** | **Specified Expenditure** | (i) Feasibility/Project report (iii) Market/Other Surveys (iii) Engineering |
|  | *Expenditure under point i to iii, can* | Services (iv) Legal Charges for drafting agreements |
|  | *be incurred by assessee himself or* | **For Company Assessee**, expenditure on Memorandum & Articles, Legal |
|  | *approved concern* | Fees for registration, expenses on public issue |
| **4** | **Qualifying amount of Specified** | **Non-Corporate Assessee** |
|  | **Expenditure** | **A.** Total of Specified expenditure **or** |
|  |  | **B.** 5% of **Cost of Project** |
|  |  | **A or B,** *whichever is less* |
|  |  | **Indian Company** |
|  |  | **A.**Total of Specified expenditure **or** |
|  |  | **B.** 5% of **Cost of Project or**5% of **Capital employed**,*Higher* |
|  |  | **A or B,** whichever is less |
| **5** | **Period of Deduction** | Qualifying Amount in **5 Equal annual installments** starting from |
|  |  | **specified p/y** |
| **6** | **Compulsory Audit***(Not applicable* | Audit of accounts by C.A for P/Y in which expenditure incurred & attach |
|  | *for Company, Cooperative society)* | C.A report with ROI for the 1st yr |

**Cost of project :** Cost of **FIXED ASSETS** as per books on last day of **specified** P/Y.

**Capital employed :** Total of issued share capital, debentures, Long term borrowings on last day of **specified** P/Y

**LT Borrowings :**

Loan from Govt. or IFCI or ICICI or Approved financial institution, repayable in not less than 5 years, Loan in foreign currency for purchase of P&M outside India, repayable after 7 years

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**Section 35 DD : Expenditure in case of Amalgamation or Demerger :**

***Indian Company*** incurs expenditure for amalgamation or demerger.

Deduction in **5 equal annual installments** from P/Y of amalgamation or demerger.

**Section 35 DDA : Expenses incurred under Voluntary Retirement Scheme**

***Any assessee*** incurs expenditure for payment of sum under V.R.S.

Deduction in **5 equal annual installments** starting from the P/Y in which amount paid

**Section 35 E: Deduction for prospecting Minerals**

Indian Company or Resident non-corporate assessee in production of specified mineral.

Incurs **Expenditure** **during p/year of commercial production** or **4 prior p/y**

Expenditure ***does not include*** the following expenditure:

* 1. **Capital expenditure**
  2. Acquisition of the **site**
  3. Expenditure met directly or indirectly by any person or authority

**Deduction:** 10% of qualifying expenditure allowed for **10 years** starting from P/Y of commercialproduction

**Maximum deduction allowed each year** : 10% of qualifying expenditure **or** Income from suchBusiness before 35E, *whichever is less.*

**Unallowed qualifying expenditure** carried forward for next year& added to next year installment.However after 10th year no deduction shall be allowed

**Audit of accounts by C.A** for the previous year in which expenditure incurred & attach C.A report withROI for the 1st yr. *(Not applicable for Company, Cooperative society)*

**Section 36(1)** : **Expenses allowed from Business/Profession**

|  |  |
| --- | --- |
| **Sec. 36(1)(i)** |  |
|  | Premium for insurance of SIT used for B/P. |
|  |  |
| **Sec. 36(1)(ib)** | Health insurance premium paid by ***employer*** for his employees by **any mode other than cash** |
|  | under an approved scheme |
| **Sec. 36(1)(ii)** | Bonus or Commission to employee provided not payable as profits. ***(Subject to sec 43B)*** |
|  |  |
| **Sec. 36(1)(iii)** |  |
|  | Interest on loan for B/P ***(Subject to sec 43B)*** |
|  |  |
| **Sec.36(1)(iiia)** | **Prorata** amount of discount on a **Zero Coupon bond** |
| **Sec. 36(1)(iv)** | ***Employer* contribution**towards RPF or ASF ***(Subject to sec 43B)*** |
|  |  |
| **Sec.36(1)(iva)** | **Employer contribution towards a NPS u/s 80CCD, on account of an employee upto 10% of** |
|  | **salary ( Meaning of Salary same as HRA)** |
| **Sec. 36(1)(v)** | ***Employer*** contribution towards Approved Gratuity Fund ***(Subject to sec 43B)*** |
|  |  |
| **Sec. 36(1)(va)** : | Employee Contribution of PF /SF/ ESI received *by* ***Employer*** provided such amount |
|  | **credited** by the employer **on or before specified date** |
|  | **Sec 2(24)(x) :**Employees Contribution to PF/SF/ESI deemed as income of employer. |
|  |  |
| **Sec. 36(1)(vi)** |  |
|  | *Cost of* Animals (less SP )used for B/P (not as S.I.T) & have died or become useless |
|  |  |

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|  |  |
| --- | --- |
|  |  |
| **Sec. 36(1)(vii)** :Deduction of **Bad Debt** in Provided such | amount credited in P&L earlier |
| **Special Points**: Assessee money lending or is Bank ***condition of credit not applicable*** | |
| No deduction for provision made for bad and doubtful debt. | |

**Sec. 41(4)** : **Subsequent recovery of written off bad debt taxable u/s 41(4)**

1. Assessee claiming Bad Debt & who recovers the bad debt should be **same**
2. It is **not necessary business is in existence** in P/Y of recovery

**Sec. 36(1)(ix)** ***Company*** *incurred expenditure*for Family Planning among Employees

**Revenue Expenditure** : 100% allowed in P/Y in which incurred

**Capital Expenditure** : Allowed 20% for 5 years

**Special Points:**

Set off & C/F of Capital Expenditure same as depreciation

If a family planning capital asset is sold, then provision of **Sec. 41(3) & Sec. 43(1)** shall apply as they apply for Scientific research capital asset

**Sec 36(1)(xv)** ***Sum paid as STT on Business Income***

**Sec. 37(1) : GENERAL DEDUCTION**

*If* not covered under Sec. 30 to Sec. 36

*If* incurred during P/Y wholly & exclusively for**B/P** *If* not of Capital Nature

*If* Not a personal expense of Assessee

**Special Points:**

Expenditure for any offence or which is prohibited by law not allowed as deduction

**Sec 37(2B)** : Advertisement in any souvenir, pamphlet etc. of a political party not allowed as deduction

**Sec. 40(a) : Following expenses allowed as deduction subject to certain conditions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Payment to** | **Type of** | **Condition** | **Due date of Deposit of TDS for claiming** | |
| **whom** | **payment** |  | **deduction** | |
| **Non-Resident** | Any sum subject | TDS should be deducted | TDS deducted during March,13 **:** Upto 30th Apri, 13 | |
| /**Foreign** | to TDS except | & deposited within |  |  |
| **company** | salary | **specified time** | TDS deducted during other month of P/Y 12/13 | |
|  |  |  | **:** upto | 7th day of next month |
|  |  | *If conditions are not* |  |  |
|  |  | *satisfied, deduction in P/Y* |  |  |
|  |  | *of actual deposit* |  |  |
|  |  |  |  | |
| **Non Resident** | Salary | TDS should be deducted | TDS deducted during March,13 **:** Upto 30th April, 13 | |
|  |  | & deposited within |  |  |
|  |  | **specified time** | TDS deducted during other months of P/Y 12/13 **:** | |
|  |  |  | upto 7th day of next month | |
|  |  |  |  |  |
| **Resident** | Interest, Royalty**,** | TDS should be deducted |  |  |
|  | Rent, fees for | & deposited within | ***TDS deducted during P/Y 12-13 : Upto Due date*** | |
|  | professional/tech | **specified time** |  | ***of return*** |
|  | nical services, |  | *If Payer fails to deduct TDS for above payment to* | |
|  | commission/ | *If conditions are not* | *resident but is not deemed to be assessee in* | |
|  | brokerage or | *satisfied, deduction in P/Y* | *default as resident payee has directly paid tax ,* | |
|  | payment | *of actual deposit* | *than it shall be deemed that payer has deducted &* | |
|  | to contractor |  | *paid* | *tax on date of filing of return by resident* |
|  |  |  | *payee* |  |
| **Govt** | Income Tax, Wealth Tax , Tax on **non monetary perquisite** not allowed as deduction | | | |
|  |  |  |  |  |

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**Sec. 40A(2) :**

**Revenue expenditure** for which paymentto be made to **Specified Person**

AO may **disallow** expenditure **exceeding FMV**

***Disallowance u/s 40A(2) shall be made in respect of specified domestic transaction u/s 92BA, if such transaction is not at arm's length price as defined in 92F.***

**Special Points:**

|  |  |
| --- | --- |
| **Assessee** | **Specified Persons** |
| **Individual** | -Relative |
|  | -Entity in which Individual or relative has SI |
|  |  |
| **Other Assessee** | **-Director/ Partner/Member or their Relatives** |
|  | **-ANY PERSON** In whose business director/partner/Relative has SI |
|  | -Individual having **SI** in Assessee & his relative |
|  | -Any entity having SI in Assessee & their director/partner/member/relative |
|  | -Any director/Partner/member having SI in Assessee & their entity/relative |
|  |  |

**Substantial Interest** : **Atleast 20%** Equity Share/profits **at any time** during P/Y

**Sec. 40A(3):**

**Revenue expenditure** Incurred in ***excess*** of`20,000 **&**

payment of such expenditure ***in a day*** in excess of ` 20,000

only by **A/C payee cheque** or **A/C payee bank draft** IF not then **100% expenditure disallowed**

**Special point :**

Payment made for plying, hiring or leasing goods carriages limit per day is `35,000

**Special points :**

Expenditure allowed during P/Y on due basis & In subsequent P/Y Section 40A(3) not followed Deemed as P/G/B/P of subsequent P/Y

**Rule 6DD**: **Exceptions to Sec. 40A(3)**

1. Banks, LIC, Government.
2. Payment by LC, bill of exchange, ECS, credit card or debit card
3. Payment by **way of adjustment** against liability of payee for goods supplied by assessee.
4. Payment to producer of agriculture, forest, animal husbandry, dairy, poultry farming or fish products.
5. Purchase of products manufactured by producer without aid of power in a cottage industry.
6. Payment in village/town not served by bank on date of payment to person who resides/carrying on his business/profession/vocation in such village/town
7. Payment of retirement benefits upto ` 50,000
8. Payment on day on which banks closed due to holiday or strike.
9. Where payment is made by any person to his agent who is required to make payment in cash for goods on behalf of such person
10. Payment of salary after TDS, and when such employee

is temporarily posted for atleat 15 days in place other than his normal place of duty or on ship &

(i) does not maintain any account in any bank at such place or ship

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**Sec. 40A(7)**: **Disallowance for Gratuity**

No deduction of provision made for payment of Gratuity to employees unless provision made

Towards **Approved** gratuity fund *or*

For payment of gratuity **actually becoming payable** during P/Y

**Sec 40A(9):Employer contribution towards funds required by law**

No deduction shall be allowed of employer contribution/ setting up/formation expenses of any fund not required to be kept under law

**Sec. 43B**: **Certain deductions on Actual Payment Basis**

Assessee following **Mercantile basis**

Following deductions allowed in P/Y if **PAYMENT** made **upto Due date of return** Otherwise allowed in **P/Y of actual payment**

**DEDUCTION u/s 43B**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Allowable taxes | Employer | Bonus or | Interest on | Interest on any | Payment of |  |
|  |  | Contribution to PF, | Comm. | Loan from **PFI**, | loan from | leave salary to |  |
|  |  | SF, GF | to | **SFC** or **SIIC** | schedule bank | employee |  |
|  |  |  | employee |  |  |  |  |

**Deemed Profits Chargeable to tax**

**Sec. 41(1)**: **Recovery of Loss/Deductions etc. allowed earlier**

Recovery out of amount of Expense//loss/ Trading liability by *same assessee* or *his successor ,which was* allowed as deduction in any P/Y than such recovered amt shall deemed to be P/G/B/P of P/Y in which received **Sec. 41(2)** : Balancing Charge.

**Sec. 41(3)** : Sale of Capital Asset used for Scientific Research. **Sec. 41(4)** : Recovery of Bad Debt.

**Sec. 41(5)** : Loss of P/Y in which business cease to exist can be **set off** from Deemed incomes u/s. 41(1), (3), (4).

***(Exception to rule that business loss can be carried forward for 8 years only)***

***Special Points : Sec 41 will apply even if business is not in existence in p/y of recovery***

**Sec. 44AA**: **Maintenance of accounts by Persons carrying on Profession or Business**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SPECIFIED PROFESSION** | |  | **OTHER PROFESSION / BUSINESS** | | |
|  |  |  | Gross Receipt > `10,00,000 | | Other case |
| Gross Receipts > ` 1,50,000 |  | Other case |  | **or** |  |
| for **All** 3 preceding P/Y |  |  | PGBP > ` 1,20,000 | |  |
|  |  |  | in **Any** of | 3 preceding P/Y |  |
| **Specified books of accounts** to be |  | Such **books of accounts** to **enable AO** to compute his TI | | | **NO** BOA |
| maintained for that P/Y |  |  | *(i.e. Cash Book, & Ledger)* | |  |

**Special Points**:

1. **Specified profession :** Legal, Medical, Engineering, Architectural, Accountancy, TechnicalConsultancy, Interior decoration or other notified profession
2. **Specified books of accounts :**

Journal (if accounts on mercantile basis). Cash Book & Ledger.

Carbon copies of bill issued > ` 25

Original bills or receipts for exp. > ` 50

Payment vouchers for exp. incurred upto ` 50

*These books are required to be kept and maintained for* ***6 years*** *from end of relevant A/Y*

**3.** A Doctor shall also maintain **daily case register** & **stock register**

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**Sec. 44AB**: **Compulsory Audit of Accounts**

**PROFESSION :** P/Y in whichGross receipts> **` 25,00,000**

**BUSINESS :** P/Y in whichGross receipts> **` 1,00,00,000**

**Special Points :**

Audit by CA before ***30th*** ***Sept of A/Y*** & audit report to be furnished in **Form 3CB** upto the said date The audit report shall contain prescribed particulars in **Form 3**

Sec. 44AB also applicable even if accounts audited under **other law** .In this case Audit report is furnished under **Form 3CA**

**COMPUTATION OF P/G/B/P ON PRESUMPTIVE BASIS**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **SEC 44AD** | **SEC 44AE** |
| **1.** | **Overriding** | **Sec 28 to 43C** | **Sec 28 to 43C** |
| **2.** | **Assessee** | *Resident Individual, Resident HUF or* | Any Assessee (Resident/Non Resident) |
|  |  | *Resident Partnership Firm Excluding* |  |
|  |  | *Limited Liability Partnership* |  |
| **3.** | **Business** | Any Business except | Plying, Hiring or Leasing goods carriage |
|  |  | (i) Business u/s 44AE |  |
|  |  | (ii) Specified Profession u/s 44AA |  |
|  |  | *(iii) Income of commission or* |  |
|  |  | *brokerage or* |  |
|  |  | *(iv) Agency business* |  |
| **4.** | **Limitations** | *Provided Gross receipts/turnover* ***does*** | ***Owns not more than 10 goods*** *carriage at* |
|  |  | ***not exceeds 1 crore*** | *any time during previous year* |
| **5.** | **Sum** |  | **` 5,000/- pm** (or part) for every Heavy good |
|  | **deemed as** | ***8 %*** *of Gross Receipts/ Turnover in P/Y* | carriage owned during p/y |
|  | **P/G/B/P** |  | and |
|  |  |  | **` 4,500/- pm** (or part) for other goods |
|  |  |  | carriage owned during p/y |
| **6.** | **Deductions** | ***No deduction u/s Sec. 30 to 38*** *shall be* | **No deduction u/s Sec. 30 to 38** shall be |
|  | **under PGBP** | *allowed* ***except 40(b)*** | allowed **except 40(b)** |
|  |  |  |  |
| **7.** | **Other** | *Deduction* ***u/s 10A, 10AA, 10B, 10BA*** *or* | No such restrictions |
|  | **Deductions** | *under heading* ***‘C’ of Chapter VIA*** *shall* |  |
|  |  | ***not be available*** |  |
| **8.** | **B/F losses** | Brought Forward losses **available** | Brought Forward losses **available** |
| **9.** | **Liability of** | *Provisions of Advance tax* **shall not** | Provisions of Advance tax **shall** apply to |
|  | **Advance tax** | *apply to such specified business* | such specified business |
| **10.** | **Benefits** | If assessee declares **Deemed income** or | If assessee declares **Deemed income or** |
|  |  | any **amount higher** ,then **not** to maintain | any **amount higher** ,then **not to** maintain |
|  |  | books u/s **44AA** or to get audit u/s **44AB** | books u/s **44AA** or to get audit u/s **44AB** |
| **11.** | **Option to** | Assessee can claim **lower income** than | Assessee can claim **lower income** than |
|  | **claim lower** | Deemed income provided TI **>** Exemption | Deemed income |
|  | **income** | limit | Provided **maintains accounts u/s. 44AA** & |
|  |  |  | gets them **audited u/s. 44AB.** |
|  |  | Provided **maintains accounts u/s. 44AA** |  |
|  |  | & gets them **audited u/s. 44AB.** |  |
| **12.** | **Limit for** | Turnover of such business not be added | Turnover of such business will not be added |
|  | **44AA/44AB** | to turnover of other business for | to turnover of other business for applicability |
|  |  | applicability of Sec 44AA/44AB of other | of Sec 44AA/44AB of other business |
|  |  | business |  |

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**Sec 40(b) : Tax Treatment in hands of Partner in a Partnership Firm/ Limited Liability Partnership (LLP)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Payment** | **Salary/Bonus/Commission** | | **Interest on Capital** | |
|  |  |  |  |  |
| **Partner** | Working Partner | | All | Partner |
|  |  |  |  |  |
| **Partnership deed** | Authorized by Partnership Deed / | | Authorized by | Partnership Deed/ |
|  | Change should be prospective | | Change should be prospective | |
|  |  |  |  |  |
|  | **Book Profits** | **Maximum Deduction** |  |  |
| **Amount of** |  |  | Upto 12 % P.a | |
| **deduction** | Upto 3,00,000 | ` 1,50,000 or |  |  |
|  | *(Including Loss)* | 90% of BP |  |  |
|  |  | *(whichever is more)* |  |  |
|  |  |  |  |  |
|  | Balance Book profit | 60% of BP |  |  |
|  |  |  |  |  |

**Computation of Book Profits**

1. Compute Net profit as per P&L A/C of the firm Under Head P/G/B/P.
2. **Add:** Below items, **if already debited** to P&L A/C
   1. Remuneration paid to ALL Partners
   2. Interest to ALL partners in excess of 12% P.a

**Some Sections applicable for Non residents**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Sec** | | **44B** | **44BB** | **44BBA** |  | **44BBB** |  |
| **Overriding** | | Overriding sec 28 to | Overriding sec 28 to | Overriding sec 28 to 43A | Overriding sec 28 to | | |
|  |  | 43A | 43A |  | 43A |  |  |
|  | |  |  |  |  | |  |
| **Assessee** | | Non Resident | Non Resident | Non Resident | Foreign company | | |
|  | |  |  |  |  | |  |
| **Business** | | **Operation of ships** | **Services** and **facilities** | **Operation of aircraft** | **Civilconstruction** | | |
|  |  |  | or **supply** of p&M on |  | or | erection of P&M | |
|  |  |  | hire for prospecting/ |  | for | turnkey projects | |
|  |  |  | extraction/production of |  | approved by Cgovt | | |
|  |  |  | mineral oils |  |  |  |  |
|  | |  |  |  |  | |  |
| **% deemed as** | | **7.5 % Indian Income** | **10% Indian Income** | **5 % Indian Income** | **10 % Income** | | |
| **Income** |  | *(Due in India + Due* | *(Due in India + Due* | *(Due in India + Due* | due in India | | |
|  |  | *outside received in* | *outside received in* | *outsidereceivedin* |  |  |  |
|  |  | *India)* | *India)* | *India)* |  |  |  |
| **Option** | **to** |  | **Yes** |  |  | **Yes** | |
| **claim** | **lower** | NO | **Provided** books u/s | No | **Provided** books u/s | | |
| **profits** |  |  | 44AA **,** audit u/s 44AB **&** |  | 44AA **,** audit u/s | | |
|  |  |  | scrutiny u/s 143(3) for |  | 44AB **&** scrutiny u/s | | |
|  |  |  | that assessment year |  | 143(3) for that | | |
|  |  |  |  |  | assessment year | | |
|  |  |  |  |  |  |  |  |

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|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **CHAPTER – 7** | |
|  |  |  | **INCOME UNDER THE** | |
|  |  |  | **HEAD CAPITAL GAINS** | |
| **Sections covered in this chapter** | |  |  |  |
|  | **Sec 45(1)** | Basis of charge |  |  |
|  | **Sec 45(IA)** | Destruction of Capital Asset | |  |
|  | **Sec 45(2)** | Conversion of Capital Asset into SIT | |  |
|  | **Sec 45(2A)** | Transfer of Demat Securities | |  |
|  | **Sec 45(3)** | Transfer of capital asset | by Partner to Firm |  |
|  | **Sec 45(4)** | Transfer of capital asset | by Firm to Partner |  |
|  | **Sec 45(5)** | Compulsory acquisition of Capital Asset | |  |
|  | **Sec 46(1)(2)** | Liquidation of Company |  |  |
|  | **Sec 46A** | Buy back of own shares |  |  |
|  | **Sec 47** | Transfers not regarded as transfers | |  |
|  | **Sec 50B** | Slump sale |  |  |
|  | **Sec 50C** | Real estate transaction |  |  |
|  | **Sec 54** | Exemptions from capital gains | |  |
|  | **Sec 55** | Cost of acquisition and cost of improvement | |  |
|  | **Sec 55A** | Reference to valuation officer | |  |
|  | **Other sections** |  |  |  |
|  | **Sec 2(14)** | Capital asset |  |  |
|  | **Sec 2(47)** | Transfer |  |  |
|  | **Sec 10(33)** | Capital gain exempt on transfer of US-64 | |  |
|  | **Sec 10(37)** | Capital gain exempt on Compulsory acq. of urban agrl. land | |  |
|  | **Sec 10(38)** | LTCG exempt on transfer of shares,units | |  |
|  | **Sec 111A** | STCG @ 15% on shares,units | |  |

**Sec. 45(1): Charging Section**

Profit on **TRANSFER** Of **CAPITAL ASSET**

Taxable under Capital Gain In **P/Y** of **transfer**

**Sec. 2(14) : Capital Asset**

Any kind of Property ***whether or not*** connected to B/P

***It does not include:***

SIT, Raw Material held for B/P

Movable personal assets **excluding** Jewellery, Antiques, Drawings, Paintings,Sculptures Agricultural Land in **Rural area in India**

Gold Deposit Bonds issued under Gold Deposit Scheme 1999

**Special Points: Following types of Agricultural Lands are Capital Assets**

**a)** **Agricultural Land situated in Urban area**

Area within jurisdiction of Municipal Corporation having population of at least 10,000 ***Or*** Upto 8 Kms from limits of such Municipal Corporation.

b) **Agricultural land situated outside India**

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**Section 2(47)**: **Transfer Includes**

Sale, Exchange or Relinquishment Extinguishment of any right in CA

Compulsory Acquisition of CA under any law Conversion of CA into SIT of business

Possession of Immovable Property transferred u/s 53A, Transfer of Property Act

Any transaction by way of becoming a member in Coop. society or company which enables enjoyment of Immovable property

Maturity or redemption of Zero coupon bonds

**Computation of Capital Gains**

There are 2 types of Capital Gains :

1. **Short Term Capital Gain (STCG)** : Transfer of STCA
2. **Long Term Capital Gain (LTCG)** : Transfer of LTCA

|  |  |  |  |
| --- | --- | --- | --- |
|  | **CAPITAL ASSETS** | |  |
| **Shares of a Company, listed Securities,** | |  |  |
| **Units of UTI & Mutual Funds,** | | **Other Capital Assets** | |
| **Zero coupon Bonds** | |  |  |
| Upto **12 months** | **> 12** months | **Upto 36 months** | > **36** months preceding |
| *preceding* | preceding | preceding | date of transfer |
| date of transfer | date of transfer | date of transfer |  |
| *STCA* | *LTCA* | *STCA* | *LTCA* |

**Section 48 : Computation of Capital Gains**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Short Term Capital Gain** | | | |  |  |  |  |  | **Long Term Capital Gain** | | |
|  |  | FULL VALUE OF CONSIDERATION | | | |  |  |  | FULL VALUE OF CONSIDERATION | | | | |
|  | ***Less* :**Selling Expenses | | |  |  |  | **Less :** Selling Expenses | | | | | | |
|  | **:** | Cost of Acquisition of STCA | | | |  |  |  | **:** | ***Indexed*** Cost of Acquisition of LTCA | | | |
|  | **:** | Cost of improvement of STCA | | | |  |  |  | **:** | ***Indexed*** Cost of Improvement of LTCA | | | |
|  |  | |  |  |  |  |  |  |  |  |  |  |  |
| **Special Points:** | | | |  |  |  |  |  |  |  |  |  |  |
| **No deduction** of **STT** whether paid on **purchases** or **sale** | | | | | | | | | |  |  |  |  |
| **Indexed Cost of Acquisition** | | | |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | CII of **F/Y** of **transfer** | | | | | |
|  | Cost of Acquisition | | | **X**------------------------------------------------------------------- | |  |  |  |  |  |  |  |  |
|  |  |  |  | CII of | | ***( F/Y*** *asset* ***held ) or (F/Y*** *81-82****)****, later* | | | | | | | |
|  |  | **Bonds** (*other than capital indexed bonds of Govt*) **& Debentures, No indexation** | | | | | | | | | | | |
| **Indexed Cost of Improvement** | | | | | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | CII | | *of* ***F/Y*** *of* ***transfer*** | | | | |
|  | Cost of Improvement | | | **X**----------------------------------------------------------- | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | CII of **F/Y** of | | | | **improvement** | | |
| **Cost Inflation Index :** | | | |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **F/Y** |  | **CII** | |  | **F/Y** | |  | **CII** |  |
|  |  |  |  | **1981-82** |  | **100** | |  | 1997-98 | |  | 331 |  |
|  |  |  |  | 1982-83 |  | 109 | |  | 1998-99 | |  | 351 |  |
|  |  |  |  | 1983-84 |  | 116 | |  | 1999-00 | |  | 389 |  |
|  |  |  |  |  |  | **49** | |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
|  | 1984-85 |  | 125 | 2000-01 | 406 |  |
|  | 1985-86 |  | 133 | 2001-02 | 426 |  |
|  | 1986-87 |  | 140 | 2002-03 | 447 |  |
|  | 1987-88 |  | 150 | 2003-04 | 463 |  |
|  | 1988-89 |  | 161 | 2004-05 | 480 |  |
|  | 1989-90 |  | 172 | 2005-06 | 497 |  |
|  | 1990-91 |  | 182 | 2006-07 | 519 |  |
|  | 1991-92 |  | 199 | 2007-08 | 551 |  |
|  | 1992-93 |  | 223 | 2008-09 | 582 |  |
|  | 1993-94 |  | 244 | 2009-10 | 632 |  |
|  | 1994-95 |  | 259 | 2010-11 | 711 |  |
|  | 1995-96 |  | 281 | 2011-12 | 785 |  |
|  | 1996-97 |  | 305 | **2012-13** | **852** |  |

**Section 55: COST OF ACQUISITION**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Types of Capital Asset** |  |  | **Cost of Acquisition** | **Period of holding** |  |
|  | **A** | | 1) | Goodwill of **business** |  |  | **N I L** |  |  |
|  |  |  | 2) Trademark, Brand name of | |  |  | *[If Self generated]* |  |  |
|  |  |  |  | **business** |  |  | Or | Date of Purchase |  |
|  |  |  | 3) | Tenancy Rights |  |  | **Purchase price** | /Self development |  |
|  |  |  | 4) Stage Carriage permits (route | |  |  | *[If purchase]* | **To** |  |
|  |  |  |  | permit) |  | FMV on 1.4.1981 not available if | | Date of Transfer |  |
|  |  |  | 5) | Loom Hours |  | purchased upto 31.3.1981 | |  |  |
|  |  |  | 6) Right to manufacture any | |  |  |  |  |  |
|  |  |  |  | article/carry any **business** |  |  |  |  |  |
|  | **B** | | Shares purchased from company | |  | Amount actually paid to company | | Date of Allotment **To** Transfer |  |
|  |  |  | Shares purchased from | |  | Amount actually paid to broker | | Date of broker note **To** Transfer |  |
|  |  |  | Broker/Market | |  |  | including brokerage |  |  |
|  |  |  |  | |  |  |  |  |  |
|  |  |  | Right Shares **subscribed** | |  | Amount Actually paid to company | | Date of Allotment **To** Transfer |  |
|  |  |  |  | |  |  |  |  |  |
|  |  |  | Right offer renounced | |  |  | Nil | Date of offer **To** Renouncement |  |
|  |  |  |  | |  |  |  |  |  |
|  |  |  | Person **purchasing** renounced | |  | Amount paid to Seller of right **and** | | Date of allotment of right **To** |  |
|  |  |  | offer | |  |  | Company | Date of sale |  |
|  |  |  | Bonus Shares/Other Asset allotted | |  |  | Nil | Date of allotment of bonus |  |
|  |  |  |  | **free of cost** | ***FMV on 1.4.1981 available if such*** | | | shares **To** transfer |  |
|  |  |  |  |  |  | ***assets are purchased upto*** | |  |  |
|  |  |  |  |  |  | ***31.3.81*** | |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | **C** | |  | **Other Capital Assets** |  | Cost of Acquisition to **Assessee** | | Date of Acquisition |  |
|  |  |  |  |  |  | *FMV on 1.4.1981 available if such* | | **To** |  |
|  |  |  |  |  |  | *assets purchased upto 31.3.1981* | | Date of Transfer |  |
|  |  |  |  | |  |  |  |  |  |
| **Section 55 : Cost of Improvement** | | | | |  |  |  |  |  |
| **A** | |  | | **Capital Assets** |  |  | **Cost of improvement** | |  |
|  |  | -Goodwill of **Business** | | |  |  |  | **NIL** |  |
|  |  | -Right to manufacture, process any article | | | |  | *(Whether capital asset is Self generated or purchased)* | |  |
|  |  | -Right to carry on any **business** | | |  |  |  |  |  |
| **B** | |  |  | **Other Capital Assets** |  |  | **Capital Expenditure** by **Assessee** on improvement | |  |
|  |  |  |  |  |  |  | **On or after 1.4.81** |  |  |

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|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **COMPUTATION OF CAPITAL GAINS IN CERTAIN CASES** | | | | |  |  |
|  |  |  |  |  |  |  |  |
| **Section** | **Type of Transfer** | **POH** | |  | **FVC** |  | **Indexation** |
| **Sec45(1A)** | **Destruction of Capital Asset** | Date of Acquisition **TO** | |  | Money/FMV of |  | P/Y of Acquisition |
|  | due to Natural Disaster, Riot , | Date of Destruction | |  | asset on date of |  | **TO** P/Y of |
|  | Accidental Fire or Enemy action |  |  |  | receipt |  | Destruction |
|  | ***Taxable in P/Y of receipt of*** |  |  |  |  |  |  |
|  | ***compensation*** |  |  |  |  |  |  |
| **Sec 45(2)** | **Conversion of CA into SIT** | Date of Acquisition **TO** | |  | **FMV** of CA on |  | P/Y of Acquisition |
|  |  | Date of conversion to | |  | conversion |  | **TO** P/Y of |
|  | ***Taxable In P/Y of sale of SIT*** | SIT | |  | (SP – FMV) is |  | Conversion |
|  |  |  |  |  | P/G/B/P |  |  |
| **Sec45(2A)** | **Transfer of Demat Securities** | **FIFO basis** | |  | **Actual FVC** |  | P/Y of Acquisition |
|  |  |  |  |  |  |  | **TO** P/Y of Transfer |
|  | ***Taxable in hand of Beneficial*** |  |  |  |  |  |  |
|  | ***owner in P/Y of transfer*** |  |  |  |  |  |  |
| **Sec 45(3)** | **Transfer of CA to Firm/AOP** | Date of Acquisition **TO** | |  | Amount **recorded** |  | P/Y of Acquisition |
|  |  | Date of transfer to firm | |  | **in books** of |  | **TO** P/Y of Transfer |
|  | ***Cap Gain in hands partner/*** |  |  |  | Firm/AOP/BOI |  |  |
|  | ***member in P/Y of transfer*** |  |  |  |  |  |  |
| **Sec 45(4)** | Transfer of Cap Asset by | Date of Acquisition of | |  | FMV on date of |  | P/Y of Acquisition |
|  | Firm/AOP on dissolution | asset **TO** date of transfer | | | transfer |  | **TO** P/Y of Transfer |
|  | /**otherwise** | by Firm/AOP | |  |  |  |  |
|  | ***Cap Gain in hands of Firm/*** |  |  |  |  |  |  |
|  | ***AOP in P/Y of transfer*** |  |  |  |  |  |  |
| **45(5)** | CA is Compulsory acquired | Date of acquisition **TO** | |  | Full amount of |  | P/Y of Acquisition |
|  | under any law | Date of compulsory | |  | Compensation |  | **TO** P/Y of |
|  |  | acquisition. | |  |  |  | Compulsory |
|  | ***Taxable in P/Y in which*** |  |  |  |  |  | Acquisition |
|  | ***compensation/part is 1st*** |  |  |  |  |  |  |
|  | ***received*** |  |  |  |  |  |  |
|  | **Enhanced Compensation** | **SAME** as original | |  | Actual enhanced |  | NIL |
|  | Taxable in P/Y of receipt | compensation. | |  | compensation |  |  |
|  | Capital Gain on purchase by | Date of acquisition of | |  | Amount from |  | P/Y of Acquisition |
| **Sec 46A** | Company of its own | Shares/Securities **TO** | |  | company for buy |  | **TO** P/Y of Buy Back |
|  | Share/securities ***(Buy Back)*** | Date of Buy Back | |  | back |  |  |
|  | ***Capital Gain in P/Y of Buy Back*** |  |  |  |  |  |  |
| **Sec 46(1)** | Distribution of CA by Company to | Such distribution **NOT** regarded as Transfer In hands of company | | | | | |
|  | its shareholders on liquidation |  |  |  |  |  |  |
| **Sec 46(2)** | Shareholder receives any money | Date of acquisition |  | Money + MV of asset | | P/Y of acquisition TO | |
|  | or other assets on liquidation | of shares **TO** Date |  | on distribution - | | P/Y of Liquidation | |
|  |  | of liquidation |  | Deemed dividend u/s | |  |  |
|  | ***Taxable as in P/Y of Receipt*** |  |  | 2(22)(c) | |  |  |
| **Sec 50B** | **Slump Sale** | Date of ownership of |  | Sale price of the | |  | ***LTCA , no*** |
|  | ***Cap Gain of P/Y of slump sale*** | the undertaking **TO** |  | undertaking | | ***indexation*** | |
|  |  | Date of slump sale |  |  |  |  |  |
|  | COA : Value of Assets *L*ess |  |  |  |  |  |  |
|  | Value of liability |  |  |  |  |  |  |
|  | Non depr assets at Book value & |  |  |  |  |  |  |
|  | Depr assets at WDV |  |  |  |  |  |  |
|  |  |  |  | | |  |  |
| **Sec 51** | **Forfeiture of Advance Money** | **shall be deducted** from COA /FMV/WDV | | | |  |  |
|  | by Assessee | Forfeited amount is **More** than the COA, excess is **not taxable** | | | | | |
|  |  | **51** |  |  |  |  |  |

**Section 47: Following transfers will not be regarded as transfer 1**. Distribution of CA on Total/Partial partition of H.U.F

**2**. Transfer of CA under Gift/ Will/ Irrevocable Trust

**(*Excludes transfer under gift of shares, debentures allotted by company under E.S.O.P)***

**3**. Transfer of CA by 100% Holding co to Indian Subsidiary co **OR** Subsidiary co to 100% Indian Holding co

**4**. Transfer of CA by amalgamating co to amalgamated **Indian co** under amalgamation.

1. Transfer of Shares of Indian co by amalgamating foreign co to amalgamated foreign co At least 25% S/H of amalgamating foreign co are S/H of amalgamated foreign co ***&*** Transfer not taxable in country in which **amalgamating foreign co** is incorporated.

**In the above cases from 1 to 5**, No Capital Gain will arise in hands of transferor.

When **transferee** transfers the above Capital Assets, he will be chargeable to Capital Gains.

**Computing cap gains in hands of transferee**

|  |  |
| --- | --- |
| COA to transferee (1 to 5) **(Sec 49(1))** | Cost to **previous owner** who had **actually** |
|  | **purchased** the CA |
| POH **(Sec 2(42A))** | **Period** for which held by previous owner |
|  | **will also** be included |

1. Transfer of **Shares of Amalgamating Co** by S/H to Amalgamated Indian Co under Amalgamation

provided transfer made for shares in Amalgamated Co

|  |  |
| --- | --- |
| COA of shares in Amalgamated Co | COA of shares of Amalgamating Co against which |
| **[49(2A]** | shares allotted in Amalgamated co |
| POH **[2(42A)]** | Period of holding shares in Amalgamating Co **will** |
|  | **also** be included. |

**7**. Transfer of CA by De merged Co to Resulting **Indian** Co in a scheme of Demerger

**8**. Issue of Share by resulting Co to shareholders of demerged Co for consideration of Demerger

**Special Points:**

|  |  |  |
| --- | --- | --- |
| 1. | COA of shares in Resulting Co. **[49(2C)]** | Cost of acq. of shares in De merged co. |
|  |  | **X**Book value of assets T/F in Demerger |
|  |  | Net worth of De merged company |
|  |  |  |
| 2. | COA of shares of De merged Co. **[49(2D)]** | Reduce Original cost by **above** |

1. Transfer of **Bonds or Global Depository Receipts** by NR to another NR outside India.
2. Transfer by any person to Govt, University, National Museum/Gallery of **work of art, archaeological,** **scientific or art collection, books, manuscript, drawing, painting, photograph**

**11**. Conversion ofbonds or debenturesof a co. into Shares /Debentures of that Co. **Special Points:** If converted shares/debentured are transferred:

|  |  |  |  |
| --- | --- | --- | --- |
| 1. COA of converted shares/ Debentures | Cost of that part of Bonds or Debenture, which is so converted | | |
| 2. POH of such converted | From the date of conversion to date of sale of such converted | | |
| shares/debentures | share/debenture |  |  |

1. Conversion of foreign currency exchangeable bonds into shares/debentures of Co.

**Special Points:** If converted shares are transferred:

|  |  |
| --- | --- |
| 1. COA of converted shares | Cost of Bonds which is so converted. |
| 2. POH of such converted shares | From the date of conversion to date of sale of such converted share |
|  | **52** |

1. Transfer of CA on conversion of a Firm to a Co **, Provided**

**All assets & liabilities** of firm become the assets & liability of Co.

**All partners** become the S/H of the Co. in **same proportion** of their Capital A/cPartners should receive **only shares allotted** by Co. as consideration for transfer.

Shareholding of partners in Co. **atleast 50%** & **maintained for 5 yrs** from date of conversion.

1. Transfer of **Any capital asset** by a private company or unlisted public company to LLP **OR**

Any transfer of a shares held in the company by a shareholder *as a result of conversion of the company*

*into a LLP in accordance with LLPAct, 2008 ,* **Provided**

* + - All **assets and liabilities** of company become assets and liabilities of limited liability partnership.
    - **All the shareholders** of company **become the partners** of LLP.
    - The shareholders of company **do not receive any consideration**,in any form, other than by way of **share in profit and capital contribution** in LLP.
    - Their capital contribution and profit sharing ratio in limited liability partnership are in **same** **proportion** as their shareholding in the company on the date of conversion.
    - The aggregate of profit sharing ratio of shareholders of the company in the LLP shall **be atleast** **50%** and should be **maintained for 5 years** from date of conversion
    - The Turnover of business of company in **any of 3 previous years** preceding the previous year of conversion **does not exceed 60,00,000.**

1. Transfer of CA on conversion of Sole proprietary concern to a Co, **Provided**

**All assets & liabilities** of the sole proprietary concern become the asset & liabilities of the Co.

Sole proprietor should **hold least 50%** of total voting power & should be **maintained for 5 years** from date of succession.

Sole proprietary should receive **only shares allotted** by Co. as consideration for transfer.

1. Transfer of **LAND** by Sick Industrial Co. under scheme prepared under SICA.
2. Transfer by S/H of shares of predecessor coop. bank in a business reorganization Provided he is allotted shares of successor coop. bank as consideration for transfer
3. Transfer in a business reorganisation, of a capital asset by the **Predecessor co-operative bank** to the successor co-operative bank.
4. Transfer by a shareholder, in a business reorganisation, of **shares held by him in predecessor co-operative bank** if transfer is for allotment share in successor co-operative bank
5. Transfer in **Security Lending Scheme** under an agreement which assessee has entered into with borrower of such securities and which is subject to guidelines of SEBI/RBI
6. Transfer of a capital asset in transaction of **Reverse Mortgage** under CG notified scheme

**Section 55A : Reference to valuation officer**.

For **FMV** of Capital Asset u/s **45(1A), 45 (2), 45 (4), 46 (2), 55, Exchange of asset u/s 2 (47) & 50(C)**

The AO may refer valuation of CA to **valuation officer** in **following cases**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Case 1** |  | **Case 2** |  |
|  | Value claimed by assessee **according** to | Where value claimed by assessee is **not according** to | |  |
|  | estimate by Registered Valuer |  | estimate by Registered Valuer |  |
|  | If AO is of opinion that | If AO is of opinion that | |  |
|  | **MV is different from value** claimed by | MV > value claimed by assessee | |  |
|  | assessee |  | 15% **or** `. 25,000, less. |  |
|  |  | **53** |  |  |

**Section 50C: FVC for Real Estate transactions**

Sale consideration on transfer of L&B **<** Stamp valuation then Stamp Value **Deemed** as FVC

**Section 50C(2)**

Assessee claims that Stamp Valuation **>** FMV on date of transfer AO may refer the valuation to valuation officer u/s 55A

* IF Valuation determined by valuation officer u/s. **50C(2)**
* **Is less than** Stamp valuation
* then **value u/s 50C** shall be **Deemed** to be FVC

|  |  |
| --- | --- |
| ***Sec 50D :Fair*** | ***market value deemed to be full value of consideration in certain cases :*** |
| ***IF*** consideration on | transfer of capital asset is not ascertainable : Fair Market Value of on date of transfer |

shall be deemed as full value of the consideration

**Section 10 (33) : Income exempt from Transfer of certain units**

Capital gains **exempt** on Transfer of units of **US-64** *(STCA or LTCA)*

**Section 10(37) : Compulsory acquisition of land**

Individual or HUF

Compulsory acquisition of **Urban agricultural land (LT or ST)**

Used 2 yrs before transfer for agricultural purposes by individual/parents/HUF Compensation received **on or after 1st** **April 2004**

capital gains shall be **exempt**

**Section 10(38) : Income exempt from transfer of certain Capital Assets**

Transfer of **Equity shares** or **Units of equity oriented mutual fund (LTCA)**

Transaction subjected to **STT** Capital Gains **exempt**

**Section 111A**:

**Equity shares or Units in Equity oriented Mutual Fund (STCA)**

and such transaction is chargeable to **STT** STCG shall be chargeable **@ 15%**

**TAX RATE FOR CAPITAL GAIN A/Y 13 -14**

**Short Term Capital Gain (STCG)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **10(33) , 10(37)** | |  |  | **111A** |  |  | **other STCG** | | |
|  | **Exempt** | |  | **15%** |  | **Taxable at slab rate** | | | |
|  |  |  |  |  | |  |  |  |  |
|  |  |  |  | **Long Term Capital Gain (LTCG)** | |  |  |  |  |
|  |  |  |  |  | |  |  |  |  |
|  | **10(33), 10(37),** |  |  | **Listed securities** , **Units of MF** | |  |  | **Other LTCG** |  |
|  | **10(38)** |  |  | **Zero Coupon Bonds** | |  |  |  |  |
|  | **Exempt** |  | **20%** | (with Indexation) **Or** | |  |  |  |  |
|  |  |  | **10%** | (without indexation) ***whichever is lower*** | | |  | **20%** |  |
|  |  |  |  | **54** |  |  |  |  |  |

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|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **CHAPTER - 8** | |
|  |  | **INCOME UNDER THE** | |
|  |  | **HEAD OTHER SOURCES** | |
| **Sections covered in this chapter** | | | |
|  | **Sec 56(1)** | General Charging Section |  |
|  | **Sec 56(2)** | Specific Charging Section |  |
|  | **Sec 115O** | Corporate Dividend Tax by Domestic company |  |
|  | **Sec 10(34)** | Dividend referred under 115O Exempt |  |
|  | **Sec 145** | Method of accounting |  |
|  | **Sec 2(22)** | Deemed dividend |  |
|  | **Sec 115R** | Dividend Tax by Mutual funds |  |
|  | **Sec 10(35)** | Dividend referred under 115R Exempt |  |
|  | **Sec 115BB** | Rate of Tax on lottery Incomes |  |
|  | **Sec 194B** | TDS on Lottery ,etc |  |
|  | **Sec 115BB** | TDS on horse races |  |
|  | **Sec 2(22B)** | Interest on security |  |
|  | **Sec 193** | TDS on interest on Security |  |
|  | **Sec 194A** | TDS on interest other than interest on Security |  |
|  | **Sec 10(15)** | Interest exempt from Tax |  |
|  | **Sec 57** | Deductible expenses from I/O/S |  |
|  | **Sec 58** | Non Deductible expenses from I/O/S |  |

**Sec. 56(1) : CHARGING SECTION**

Income **Not Excluded** from Total Income & **Not chargeable** to tax under **other 4 heads**

chargeable under **I/O/S**

**Sec. 56(2): Following Incomes SHALL BE chargeable under I/O/S**

1. **Dividend** Income
2. Winnings from **Lotterie**s, cross word puzzles , card games etc**(casual incomes).**
3. Interest on **Securities** ,*if not chargeable as P/G/B/P*
4. **letting of P&M/Furniture**,*if not chargeable as P/G/B/P*
5. Composite **letting of BUILDING** with P&M/Furniture, which is inseparable*,if not chargeable as P/G/B/P*
6. Sum under **Keyman Insurance Policy**, *if not chargeable under salary or P/G/B/P*
7. **Gifts** received by **Individual & HUF**
8. **Specified shares received by Firms/specified companies**
9. **Interest received on compensation** or on enhanced compensation

**(J) *Share premium in excess of fair market value to be treated as income of Closely Held Company.***

**Method of Accounting** : **Sec. 145** : Profits is calculated on Cash or Mercantile basis regularly employed &as per **AS-I & AS - II**

**(**A) : **Taxation of Dividend Received From Companies**

**Sec. 115O : Domestic Company** to pay **CDT @ 15% + 5 % surcharge + 3% cess** on divided declared or paid

**Sec. 10(34) :** Dividend referred to in **Sec. 115O** is EXEMPT in hands of receiver

**Domestic company Sec 2(22A): Indian company** or **foreign company made arrangement** for distributionof dividend in India

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**Special Points :**

1. Sec.115O applicable for actual dividend & deemed dividend u/s. **2(22) (a), (b), (c), (d)** & **NOT 2(22)(e).**
2. Dividend includes both **Interim** & **final** dividend.
3. Such CDT is payable even if Income Tax is not payable by company
4. ***CDT shall be chargeable for dividends declared by Developer of SEZ w.e.f 1/6/2011***

**Sec. 2(22)**: **Dividend Includes**

**Distribution by a Company to**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sec. 2(22)(a)** | **Sec. 2(22)(b)** | | **Sec.2(22)(c)** | **Sec. 2(22)(d)** |
| ***ANY*** | ***ANY*** | ***Preference*** | ***Equity*** | ***Equity Shareholder*** |
| ***Shareholder*** | ***Shareholder*** | ***Share Holders*** | ***Shareholder*** |  |
| All or part of its | **Debentures**, deposit | **Bonus** | money/ asset on | Money / Asset on |
| **Assets** | certificate | shares | **liquidation** | **Reduction of capital** |

***To the extent company possesses accumulated profits whether capitalized or not***

**Sec. 2(22)(e) : Taxable in hands of receiver**

**Closely held Company** Gives loan or Advance TO

Specified Shareholder (atleast 10% equity shares), ***Deemed dividend in hands of S/H***

CONCERN in which specified shareholder is partner/member & **has SI** , ***Deemed dividend*** ***for concern***

Any person on behalf of specified shareholder , ***Deemed dividend in hands of S/H***

**Special Points: Substantial Interest means**: at least **20%** income/ equity shares **(any time)**

**Sec. 194 : T.D.S on Dividend**

|  |  |  |
| --- | --- | --- |
| **1.** | **Type of Payment** | **Dividend u/s 2(22)(e)** |
|  |  |  |
| **2.** | **Payer** | Domestic Company |
|  |  |  |
| **3.** | **Payee** | Resident |
| **4.** | **Time of TDS** | Payment |
| **5.** | **Rate of TDS** | 10% |

1. **Exemption Limit** Aggregate upto `.2,500 in P/Y + A/c Payee cheque

**Sec 2(18) : Company in which the public are substantially interested ( Widely held company)**

A company is said to be a company in which the public are substantially interested if

1. owned by Government or RBI or
2. Its atleast 40% shares are held by Government or RBI or
3. company registered u/s 25 of Companies act or
4. company whose principal business is to accept deposits from its members or
5. company in which atleast 50% equity shares were throughout P/Y held by co-operative societies
6. It is a public company company and
   1. its equity shares were listed on last day of P/Y on recognised stock exchange in India or
   2. its atleast 50% equity shares were throughout P/Y held by Government or statutory corporation

**A company not covered under above categories is a closely held company**

**59**

**Taxation of Dividend received from Mutual funds & UTI**:

**Sec. 10(35)** : **Income** from units of Mutual Fund shall be **EXEMPT** in hands of receiver

**Sec. 115 R** :Mutual Funds & UTI shall pay Dividend distribution tax at appropriate rates.

**(B) : Winning from Lottery, Crossword Puzzle, Races incl horse race, Card game/ other game,Gambling/betting**

**Sec. 115BB:** Tax on above **@ 30%**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **TDS** | **Sec 194B** | **Sec 194BB** |  |
|  |  |  |  |  |
| **1.** | **Payment** | **Lottery**, **Crossword Puzzle**, **Card** | **Horse Races** |  |
|  |  | /**Other game** |  |  |
|  |  |  |  |  |
| **2.** | **Payer** | Any Person | Any Person |  |
|  |  |  |  |  |
| **3.** | **Payee** | Any Person | Any Person |  |
|  |  |  |  |  |
| **4.** | **Time of** | Payment | Payment |  |
|  | **TDS** |  |  |  |
|  |  |  |  |  |
| **5.** | **Rate of** | 30% ***(Sec 115BB)*** | 30% ***(Sec 115BB)*** |  |
|  | **TDS** |  |  |  |
|  |  |  |  |  |
| **6.** | **Limit** | Aggregate upto `.10,000 in P/Y | Aggregate upto `.5,000 in P/Y |  |
|  |  |  |
|  |  |  |  |  |

**Special Points :**

1. Deduction u/s 80C to 80 U **will not** be available from such **Incomes**.
2. **Sec. 58(4):** No deduction for **any Expenditure or Allowance** from **such incomes**

**Amount to be included in Total Income is Gross amount of winning and not Net amount received after TDS**

Gross Amount to be = Net Amount Received after TDS X 100

included in Total Income 100 - TDS rate

**Winnings are wholly in kind or partly in cash and partly in kind**

Where the winnings are **wholly in kind** or **partly in cash & partly in kind**

but the part in **cash is not sufficient** to meet TDS liability , Payer shall,

before releasing the winnings,

ensure that **tax has been paid** in respect of winnings.

**60**

**(C) Interest on Securities** : Income from Interest on Securities is covered Under I/O/S if not underPGBP

**Sec. 10(15) : Interest Exempt from Tax**

1. Interest on **Notified bonds/certificates**

Post office Saving Bank account, Post office Time deposit Special Bearer Bonds

1. - 7% Capital Investment Bond
   * + 6.5% Relief Bonds, 2003.
2. Notified Bond/Debenture of **Public Sector Companies**.
3. Bonds of **Local Authority**, i.e. Municipal Bonds.
4. Interest on **Gold Deposit Bonds** issued under Gold Deposit scheme 1999.

**Sec. 193: TDS on Interest on Securities**

|  |  |  |
| --- | --- | --- |
| **1.** | **Type of Payment** | **Interest on Securities** |
| **2.** | **Payer** | Any Person |
| **3.** | **Payee** | Resident |
|  |  |  |
| **4.** | **Time of TDS** | Credit or Payment, earlier |
| **5.** | **Rate of TDS** | 10% |
| **6.** | **No TDS in following** | 1. securities of **Central** or **State Government** |
|  | **cases** | 2. **Listed securities** in **Demat** form |
|  |  | 3. Interest payable to **Resident Individual/HUF** on any |
|  |  | debenture issued by company in which the public are |
|  |  | substantially interested, if |
|  |  | (a) Aggregate amount of interest during **P/Y is upto 5,000** |
|  |  | (b) Interest is paid by company by **account payee cheque** |
|  |  | [w.e.f 1/7/12] |

**Special Point :**

**1. Amount to be included in Total Income is Gross amount & not Net amount received after TDS**

Gross Amount = Net Amount Received after TDS X 100 100 - TDS rate

**Computation of Taxable Interest to be included in IOS**

***Step 1*** :Determine ownership on**Due date of interest**as Interest on security is receivable by person who owns securityon Due date.

***Step 2 :*** Determine whether security are purchased from**Company or Market/broker**

**If security are purchased from Company :**

Interest receivable for period = **Date of purchase** to **Due date**

**If security are purchased from Market/broker :**

Interest receivable for period = **Interest declared on due date**

***Step 3 :*** Then apply the**Method of accounting**(Cash or Mercantile)

**61**

**Bond Washing Transactions : Sec 94(1)**

If **owner of security***(Transferor)*

**Sells** security before record date & **Acquires** the same after record dateInterest received by transferee

**Deemed** as Income of transferor

*However Deeming provisions of sec 94(1) is not applicable if*

1. If there is **no avoidance** of Income tax **or**
   1. Avoidance of tax was **exceptional & not systematic** & no avoidance during last **three preceding P/Y**

**Sec. 194A: TDS on Interest other than “Interest on Securities**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **1.** | **Type of Payment** | **Interest** *other than* **Interest on Securities** | | |  |
| **2.** | **Payer** | IND/HUF subjected to tax audit for prior P/Y **or** Other Payer | | |  |
| **3.** | **Payee** | Resident | |  |  |
| **4.** | **Time of TDS** | Credit or Payment, earlier | |  |  |
| **5.** | **Rate of TDS** | 10% |  |  |  |
| **6.** | ***No TDS in following*** | 1. | Interest by firm to a partner | |  |
| 2. | Interest by coop. society to member | |  |
|  | ***cases*** |  |
|  | 3. | Interest by bank on saving account/recurring account | |  |
|  |  |  |
| **7.** | **Exemption Limit** | Payer Bank | | : Aggregate upto `.10,000 in P/Y |  |
|  |  | Payer Post office for | |  |  |
|  |  | Senior citizen saving scheme : Aggregate upto `.10,000 in P/Y | | |  |
|  |  | Other Payer | | : Aggregate upto `. 5,000 in P/Y |  |

**(D) Income from letting of machinery, plant or furniture belonging to assessee**

If P&M etc. is **NOT** let out as part of business than income from such hire will be taxable I/O/S

**If letting is as part of his business activity than under P/G/B/P**

**(E) Income from composite letting of machinery, plant furniture and buildings**

If letting of building **is inseparable** from letting of P&M etc. & letting is **NOT** a part of business activity, than income arising from such letting will be taxable I/O/S

**If letting is as part of his business activity than under P/G/B/P**

**(F) Sum received under Keyman insurance policy including Bonus**

is taxable as I/O/S provided not chargeable under head salary or P/G/B/P

**62**

1. **Sum/Property received by Individual or HUF as Gifts A. Taxation of Monetary Gifts**

**Sum of money Without consideration**

In excess of `. 50,000 in P/Y **whole** of such sum

Shall be included in **income of receiver** under head I/O/S

**B. Taxation of Property as Gift /Inadequate consideration *(w.e.f 1.10.2009)***

**Property means :** Immovable property , Shares and securities , Jewellery, Bullion, Archaeologicalcollections ,Drawings , Paintings , Sculptures , Any work of art

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Transfer** | **Immovable property** | **IOS of receiver** | | **Movable property** | **IOS of receiver** |  |
|  |  |  |  |  |  |  |
| **Gift** | *Stamp value upto* | **Exempt** | | *FMV upto 50,000* | **Exempt** |  |
|  | *50,000* |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  | *Stamp value > 50,000* | **Stamp Value** | | *FMV > 50,000* | **FMV** |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **For** |  |  |  | *Consideration atleast* | **Exempt** |  |
| **Consideration** | *Irrespective of Stamp* |  |  | *(FMV - 50,000)* |  |  |
|  | **Exempt** | |  |  |  |
|  | *Value* | *Consideration <* | **FMV -** |  |
|  |  |  |  |
|  |  |  |  | *(FMV - 50,000)* | **Consideration** |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**Sec 49(4) : If kind gift taxable in hands of receiver, Stamp value /FMV deemed as Cost of Acqusition**

**Special Points :**

1. **Sum of Money/Property received from following will not be included in Income** 
   * 1. From **RELATIVE**
     2. On **Marriage** of Individual.
     3. Under **will** or **inheritance**.
     4. Received in **contemplation of death** of payer/donor
     5. From **Trust** registered u/s 12AA , **Local authority** u/s 10(20)
     6. From any university /educational institution/hospital/trust/institution u/s 10(23C)
   1. **RELATIVE means**
   2. Spouse , Brother or Sister
   3. Brother or sister of spouse
   4. Brother or sister of either of the parents
   5. Any lineal ascendant or descendant of Individual or spouse
   6. Spouse of the above persons
   7. Members of HUF
2. **Specified shares received by Firms/specified companies** 
   * Where a **Firm** or a **Closely held company**
   * receives from **Any Person**
   * **shares of closely held company**

* **Without Consideration**, **aggregate FMV > 50,000**, than **aggregate FMV** taxable as income under IOS
* For **Consideration** < **(aggregate FMV – 50,000),** then **aggregate (FMV – Consideration)** taxable as income under IOS

**63**

1. **:** Interest received by an assessee on **Compensation** or on **Enhanced Compensation** shall be **deemed** to be the income of the previous year in which it is received.
2. **: *Share premium in excess of FMV to be treated as income of Closely Held Company***

***Closely Held Company Receives in P/Y From a resident consideration for issue of shares at premium which is Excess of fair market value of shares, Such excess shall be treated as income***

*Exception : consideration for issue of shares is received*

1. *by a venture capital undertaking from a venture capital company or a venture capital fund or*
2. *by a company from a class/classes of persons as notified by Central Government in this behalf.*

**Sec 57 : Deductions available from I/O/S**

**Sec 57(i) : Collection Charges against taxable dividend/Interest**

Commission/remuneration to a banker/other person for realising dividend/interest.

**Sec 57(ii) :** Deduction from Composite letting of building or Plant or Machinery / Furniture

Revenue Repair & Insurance to premises, machinery, plant or furniture. Depreciation on such building ,machinery, Plant or furniture

**Sec 57(iia) : Deduction against family pension**

33.33 % of Pension **OR** `. 15,000/- *whichever is less*

**However following pension are exempt from tax**

**10(18)** **Pension** received by Individual or **Family Pension** by family member ***if*** Individual has been in serviceof C/S Govt. & awarded Vir Chakra /Mahavir Chakra /Param Vir Chakra/other notified gallantry awards.

**10(19)** **Family pension** received by widow /children/ heir on death of member of armed forces during duty

**Sec 57(iii) :** Any otherRevenue expenditureexclusively for purpose of earning such income. **Sec 57(iv ) :** Deduction of 50% from Interest received on compensation/Enhanced compensation

**Section 14A : No deduction** for expenditure incurred for **EXEMPT INCOME**

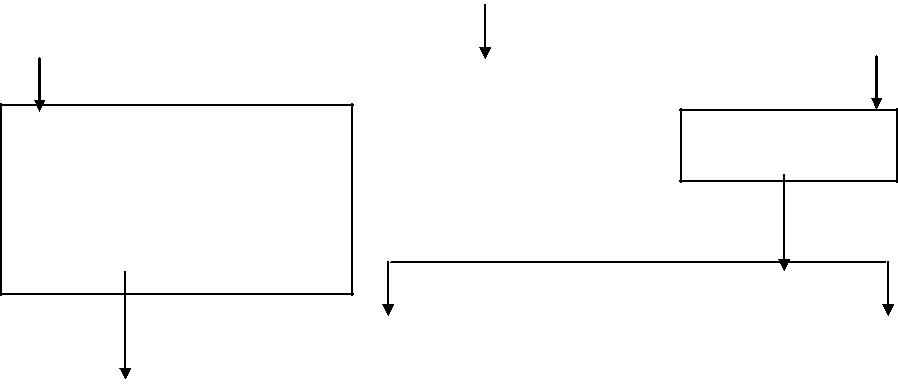
**Sec 58 : No deduction of following expenses from I/O/S**

* Personal Expenses of Assessee.
* Interest paid outside India on which Tax not paid or deducted at source
* Income Tax / Wealth Tax.
* Expenditure referred to in **Sec. 40A(2),40A(3)**
* Expenditure/allowance from CASUAL INCOME (except Income from owning & maintaining race horses)

**Sec 59 :** If expense allowed as deduction from I/O/S , recovery of any amount out of that expense shall be taxable asI/O/S in p/y of receipt

**64**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **CHAPTER - 9** | | |
|  |  |  |  | **CLUBBING OF INCOME** | | | |
| **Sections covered in this chapter** | | | | | | | |
|  | **Sec 60** | | Transfer of Income without transfer of asset | | | |  |
|  | **Sec 61** | | Revocable transfer of asset | | | |  |
|  | **Sec 62** | | Irrevocable transfer of asset | | | |  |
|  | **Sec 63** | | Revocable transfer defined | | | |  |
|  | **Sec 64(1)(ii)** | | Clubbing of spouse remuneration | | | |  |
|  | **Sec 64(1)(iv)** | | Asset transferred to spouse | | | |  |
|  | **Sec 64(1)(iv)** | | Asset transferred to sons wife | | | |  |
|  | **Sec 64(1)(vii)** | | Asset transferred to AOP/Other person for benefit of spouse | | | |  |
|  | **Sec 64(1)(viii)** | | Asset transferred to AOP/Other person for benefit of sons wife | | | |  |
|  | **Sec 64(1A)** | | Clubbing of Minor Income | | | |  |
|  | **Sec 10(32)** | | Exemption from clubbed minor income | | | |  |
|  | **Sec 64(2)** | | Self acquired property converted into HUF property | | | |  |
|  | **Sec 65** | | Notice to Transferee | | | |  |
|  |  |  |  |  |  |  | |
|  |  |  |  | ANY PERSON (i.e. Transferor) |  |  |  |
|  |  |  |  | Transfers to |  |  | |
|  |  |  |  | ANY PERSON (i.e. Transferee) |  |  | |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

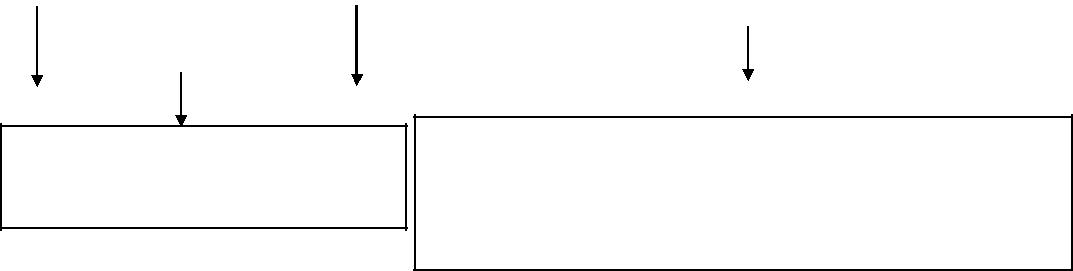


**INCOME** of an asset(*under revocable or* *irrevocable transfer*)

**[Sec. 60]**

The **ASSET**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Under** |  |
|  |  |  | **Under Revocable** | |  |  |
|  |  |  | **Transfer (Sec. 61)** | |  | **Irrevocable transfer** |  |
| All income of | |  |
|  |  |  |  | **(Sec. 62)** |  |
| transferee | |  |  |  |  |  |
|  |  |  |  | All income of transferee |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |



***Clubbed with income* of transferor**

**Income of Transferee (*However, when power to***

*Revoke* ***the transfer arises such income shall******be included with transferor)***

**Sec. 62: Irrevocable transfer**

Transfer not revocable during lifetime of Transferee **&** Transferor derives no benefit from such income

**Sec. 63: Revocable Transfer**

A transfer which provides for transfer of Income*/*Asset to transferor during life time of transferee *OR* gives transferor right to re-assume power over Income/Asset during life time of transferee

**65**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **Sec** | **64(1)(ii)** | **64(1)(iv)** | **Sec. 64(1)(vi)** | **Sec. 64(1)(vii)** | **Sec. 64(1)(viii)** |
|  | **Clubbing of** | **Income from** | **Income from** | **Asset transferred** | **Asset transferred** |
|  | **Spouse** | **Asset transferred** | **Asset** | **to Person/AOP for** | **to Person/AOP for** |
|  | **Remuneration** | **to spouse for** | **transferred to** | **Inadequate** | **Inadequate** |
|  |  | ***Inadequate*** | **Son’s wife for** | **consideration** | **consideration** |
|  |  | ***consideration*** | ***Inadequate*** |  |  |
|  |  |  | ***consideration*** |  |  |
| **When** | If an individual has | Individual transfers | Individual | Individual transfers | Individual transfers |
|  | **SI** in **Concern** | **Any asset**(*other* | transfers | **Any asset** to any | **Any asset** to any |
|  |  | *than house* | **Any asset** | **Person/AOP** for | **Person/AOP** for |
|  | Individual himself | *property*) | directly/indirectly | benefit of Spouse | benefit of Sons wife |
|  | or with **relative** ***at*** | directly/indirectly to | to Son’s wife |  |  |
|  | ***any time*** during | Spouse |  |  |  |
|  | p/y hold atleast |  |  |  |  |
|  | 20% equity /20% |  |  |  |  |
|  | profit |  |  |  |  |
|  |  |  |  |  |  |
| **Clubbing** | Salary from **that** | Income of | Income of | Income of | Income of |
| **with** | concern drawn by | transferred asset | transferred asset | transferred asset | transferred asset |
| **Individual** | **Spouse** | arising to spouse | arising to sons | arising to | arising to |
|  |  |  | wife | Person/AOP | person/AOP |
|  |  |  |  |  |  |
| **Exceptions** | **No clubbing if** | **No clubbing if** | **No clubbing if** |  |  |
|  | Spouse | 1.Transfer under | Father/mother in |  |  |
|  | **Professionally** | **agreement to live** | law & daughter in |  |  |
|  | **qualified/** | **apart** | law relation **does** |  |  |
|  | **experience** |  | **not exist** at |  |  |
|  |  | 2.Husband/wife | transfer of asset |  |  |
|  |  | relation **does not** | **or** at accrual of |  |  |
|  |  | **exist** either at | income |  |  |
|  |  | transfer of asset **or** |  |  |  |
|  |  | at accrual of |  |  |  |
|  |  | Income. |  |  |  |
|  |  |  |  |  |  |

**Clubbed when spouse/ son’s wife invests transferred asset in Business/Partnership Firm**

|  |  |
| --- | --- |
|  | Investment out of T/f asset in |
| Income from Business **or** | business or in partnership firm As on 1st day of P/Y |
|  | **X**------------------------------------------ |
| Interest from partnership firm | Total investment by transferee |
|  | As on 1st day of P/Y |

**66**

**Sec. 64(1A): Clubbing of Minor’s Income**

**All incomes of** Minor child

clubbed with income of that Parent

whose **TI (excluding minor income) is Greater**

**Special Point:**

**If marriage does not exist**, minor income clubbed with that parent who **maintains the minor** in the p/Y

Once income is clubbed with either parent, Income of next P/Y will also be clubbed with that parent only, unless AO is satisfied it is not necessary to do so

**Minor income will be taxable in the hands of minor only**

Minor suffering from **disability** specified in **Sec.80U.**

Income of minor arising due to **Manual work** done by him.

Income of minor due to his **skills, talent or specialised knowledge** and experience.

**Special Points:**

If minor’s income is clubbed, exemption **u/s. 10(32)** subject to Max. **`. 1500/- per minor .** If Minor attains majority during P/Y, income till date of majority to be clubbed.

Minor child includes step and adopted child.

If minor income taxable in his hands, **Income on such income** shall be clubbed with parent.

**Sec. 64(2): Income from self-acquired property converted to Joint family Property**

If Self-acquired property of individual is Converted into Joint Family Property ***for inadequate*** ***consideration***, the income of HUF from such property, Shall be clubbed with that individual’s income

Where **such converted property** is subsequently partitioned, then income derived by spouse from portion received by her, is to be clubbed with individual’s income

**Misc. Provisions of clubbing**

1. Clubbing of Income includes **Clubbing of** **Loss** also.
2. If **form** of transferred asset is **Changed** by transferee, then income from such changed asset shall be clubbed.
3. If transferee **Sells** the asset, then capital gain so arising shall also be clubbed.
4. **Income on Clubbed income** will **not** be clubbed.
5. Clubbing provisions are ***mandatory***, even if it results in benefit to the individual or loss to the revenue.
6. **Sec. 65 :** AO can serve notice of demand of tax on clubbed income to the transferee Then transfereeshall be liable to pay tax **on portion of clubbed income.**

***(This provision is also applicable in case of deemed owner u/s. 27)***

**67**

**CHAPTER – 10**

**SET OFF, OR CARRY FORWARD**

**AND SET-OFF OF LOSSES**

**Sections covered in this chapter**

|  |  |  |
| --- | --- | --- |
| **Sec 70** | Intra head adjustments |  |
| **Sec 71** | Inter head adjustments |  |
| **Sec 71B** | Carry forward of House property loss |  |
| **Sec 72** | Carry forward of Business Loss |  |
| **Sec 73** | Carry forward of Speculation Loss |  |
| **Sec 74** | Carry forward of Capital Loss |  |
| **Sec 74A** | Carry forward of loss from owning & maintaining race horses |  |
| **Sec 78(1)** | Carry forward and set off of losses in case of change in constitution of firm |  |
|  |  |
|  |  |  |
| **Sec 78(2)** | Loss on Inheritance of Business |  |
|  |  |  |
| **Sec 79** | Carry forward and set off of losses in the case of Closely held company |  |
| **Sec 94(7)** | Dividend stripping |  |
| **Sec 94(8)** | Bonus stripping |  |

**TAX TREATMENT OF LOSS**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Same head set off** | |  | **Inter head set** | |  | **C/F & Set off** | |  |
|  | ***Same*** | ***Other*** |  | **off *Except*** | |  |  |  |  |
|  |  | ***Casual Income*** | |  |  |  |  |
| **Nature of Loss** | ***Source*** | ***source*** |  | ***A/Ys*** |  | ***from*** |  |
|  |  |  |  |  |
| **SALARY** |  |  | **NO LOSS** | | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **HOUSE PROPERTY** |  |  |  |  |  | **8** |  | **Same Head** |  |
| **(u/s 71B)** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **PGBP** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **8** |  | **Same Head** |  |
| ***NON SPECULATIVE*** |  |  |  | ***Except*** |  |  |  |  |  |
| ***(u/s 72)*** |  |  |  |  |  |  |  |  |
|  |  |  | ***Salary*** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| ***SPECULATIVE*** |  | **X** |  | **X** |  | **4** |  | **Same Source** |  |
| ***(u/s 73*** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **CAPITAL GAINS (u/s 74)** |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **X** |  | **8** |  | **Same Head** |  |
| ***STCL*** |  |  |  |  |  |  |  |  |  |
| ***LTCL*** |  |  |  |  |  |  |  |  |  |
|  | **X** |  | **X** |  | **8** |  | **Same Source** |  |
|  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **OTHER SOURCES** |  |  |  |  |  |  |  |  |  |
|  |  | **Loss cannot be set off & C/F** | | | | |  |  |  |
| **Casual incomes** |  |  |  |  |  |  |  |  |  |
| **Owning & maintaining** |  |  |  |  |  |  |  |  |  |
| **race horses (u/s 74A)** |  | **X** |  | **X** |  | **4** |  | **Same Source** |  |
| **Other** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **NA** |  | **NA** |  |
|  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  | **68** |  |  |  |  |  |  |  |

**Other Important sections of chapter**

1. **Assessee who incurred the loss & who is claiming Carry Forward & Set off Should be SAME**

**Exceptions :**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Inheritance** | **Amalgamation** | **Demerger** | **Conversion** | **Conversion** | **Conversion of** | |  |
| **CASES** | **of Business** |  |  | **of** | **of Private** | **Sole Proprietor** | |  |
|  |  |  |  | **Partnership** | **company or** | **into Company** | |  |
|  |  |  |  | **firm into** | **Unlisted** |  |  |  |
|  |  |  |  | **Company** | **Public** |  |  |  |
|  |  |  |  |  | **Company** |  |  |  |
|  |  |  |  |  | **into LLP** |  |  |  |
| **Section** | **78(2)** | **Sec 72A** | **Sec 72A** | **Sec 47(xiii)** | **Sec47(xiiia)** | **Sec 47(xiv)** | |  |
| **Who shall** | **B/f. losses** | **Accumulated** | **Accumulated** | **Accumulated** | **Accumulated** | **Accumulated** | |  |
| **set off &** | **of** | **loss &** | **loss &** | **loss &** | **loss &** | **loss &** |  |  |
| **C/F** | **predecessor** | **unabsorbed** | **unabsorbed** | **unabsorbed** | **unabsorbed** | **unabsorbed** | |  |
|  | shall be set | **depreciation** | **depreciation** | **depreciation** | **depreciation** | **depreciation** of | |  |
|  | off & C/f by | of | of Demerged | of the Firm | of Private co | sole proprietor | |  |
|  | successor | amalgamating | company shall | shall be set | /Unlisted | shall be set off & | |  |
|  |  | company shall | be set off & C/F | off & C/F by | public co shall | C/F by Company | |  |
|  |  | be set off & | by Resulting | Company | be set off & |  |  |  |
|  |  | C/F by | Company |  | C/F by LLP |  |  |  |
|  |  | Amalgamated |  |  |  |  |  |  |
|  |  | company |  |  |  |  |  |  |
| **Period of** | Remaining | Subsequent 8 | Subsequent 8 | Subsequent 8 | Subsequent 8 | Subsequent 8 A/Y | | |
| **C/F of** | no. of P/Y | A/Y from A/Y of | A/Y from A/Y of | A/Y from A/Y | A/Y from A/Y | from | A/Y | of |
| **Losses** |  | amalgamation | Demerger | of Conversion | of Conversion | Conversion | |  |

**Sec 72A : Conditions**

**The Amalgamating company**

1. was engaged in business for atleast 3 years
2. has held continuously as on date of amalgamation at least ¾ of book value of fixed assets held by it 2 yrs prior to date of amalgamation

**The Amalgamated company**

1. holds continuously for a atleast 5 years from date of amalgamation at least ¾ of book value of fixed assets of amalgamating company acquired in scheme of amalgamation
2. continues business of amalgamating company for atleast 5 years from date of amalgamation

**2***.* **Losses can be carried forward for 8 Assessment Years : Exceptions**

* 1. **Sec 41(5) : (Explained under head P/G/B/P)**
  2. **Proviso to Sec 72(1)** 
     + Business discontinued in P/Y due to **Natural calamity**/ **riots**/ **accidental fire** /**enemy action**
     + is re-established **before expiry of 3 years** from end of that P/Y
     + Losses of **that P/Y including B/F losses** shall be C/f for set off from the year in which business re-established and subsequent 7 A/Y

1. **Sec 73A : Loss of business for which deduction claimed u/s 35AD**

**3**. Unabsorbed depreciation**,** unabsorbed capital expenditure on scientific research**, &** unabsorbedexpenditure on family planning **are** ***not business losses*** **&** ***can be C/F*** **for any number of A/Y**

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|  |  |  |
| --- | --- | --- |
|  | |  |
| **4. Priority of Set off under P/G/B/P** | |  |
| **Step 1** | **:** 1stset off **current P/Y** depreciation, **current P/Y** capital expenditure on scientific research | |
|  | and **current P/Y** capital expenditure on family planning |  |
| **Step 2** | **:** Then set off **B/F** business loss |  |
| **Step 3** | **:** Then **B/F** depreciation, **B/F** capital expenditure on scientific research and **B/F** capital | |
|  | expenditure on family planning |  |

1. **Sec. 80 :** No Loss shall be carried forward **u/s 72, 73, 74, 74A,** unless ROI filed u/s.139(3)

**Sec. 139(3) :** For C/F of losses **u/s. 72, 73, 74, 74A,** assessee have to file ROI within time u/s.139 (1)

*Therefore, loss u/s. 71B, (House property Loss) can be C/f even if return not filed*

1. Carry forward & set off possible against **Clubbed income** also
2. Sec 70 and 71 **are mandatory**.
3. If losses are C/f under sec 71B to 74A & are not set off against profits of succeeding year inspite of profits being there, **they cannot be set off in later years**
4. **Sec. 94(7) : Dividend Stripping**

* Any person Buys **securities or units** within 3 months before Record Date &
* Sells **securities** within 3 months **Or units** within 9 months after such record date
* **Dividend/Income** on such securities/units is **Exempt**
* **Then, LOSS upto the amount of exempt dividend cannot be set off/C/F 10. Sec 94(8): Bonus Stripping**
* Any person Buys **UNITS** within **3 months** prior to record date
* Such person is allotted **BONUS UNITS**
* He sells all or any of **ORIGINAL UNITS** while continuing to hold all or any of BONUS UNITS within **9** **months** after record date
* Then, **LOSS cannot be set off/C/F**

**Special point :** Such LOSS shall be **deemed to be COA** of **BONUS UNITS** held on date of such sale

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1. **Carry forward and set off of losses in case of change in constitution of firm : 78(1)**

**Change in constitution** of a firm due to Retirement or Death of partner

Firm shall not be entitled to C/F and set off

so much of the **LOSS** proportionate

to share of retired or deceased partner

which exceeds his share of profits, if any, in firm in respect of P/Y

1. **Carry forward and set off of losses in the case of Closely held companies : Sec 79**

Where a **change in shareholding** in Closely held company

**LOSS** incurred in any **year prior** to P/Y

shall be C/F and set off against the income of P/Y if

**Atleast 51% equity shares** were held by **same persons** as on last day of P/Y in which loss wasincurred & last day of P/Y in which C/F & set off is to be done

**Special point :**

Change in shareholding in P/Y due to **death of a shareholder OR** on account of transfer of shares by way of **gift to any relative** , **will be not treated** as change in shareholding

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**CHAPTER – 11**

**DEDUCTIONS**

**Sections covered in this chapter :**

|  |  |
| --- | --- |
| **Sec 80C** | Deduction of Life insurance etc |
| **Sec 80CCC** | Contribution to pension fund |
| **Sec80CCD** | Contribution to notified pension scheme |
| **Sec 80CCE** | Limit of I lac |
| **Sec 80CCG** | investment made under an equity savings scheme |
| **Sec 80D** | Medical insurance premium |
| **Sec 80DD** | Medical treatment of disabled relative |
| **Sec 80DDB** | Medical treatment for specified disease |
| **Sec 80E** | Interest on loan for higher education |
| **Sec 80G** | Donations |
| **Sec 80GG** | Deduction of rent paid |
| **Sec 80GGA** | Contribution for scientific research, rural devp. etc |
| **Sec 80GGB** | Contribution to political party by company |
| **Sec 80GGC** | Contribution to political party by non corporate |
| **Sec 80-IA** | Industrial undertaking engaged in infrastructure |
| **Sec 80-IAB** | Developer of SEZ |
| **Sec 80-IC** | Manufacturing in specified areas |
| **Sec 80-ID** | Operation of Hotels and Convention Centres |
| **Sec 80-IE** | Manufacturing of specified article in specified area |
| **Sec 80 JJA** | Business of collecting/processing bio degradable waste |
| **Sec 80JJAA** | Employment of new workmen |
| **Sec 80LA** | Offshore banking unit |
| **Sec 80 P** | Income of Coop. society |
| **Sec 80QQB** | Deduction of Royalty from Books |
| **Sec 80RRB** | Deduction of Royalty from patents |
| **Sec 80TTA** | Deduction of interest of saving account |
| **Sec 80U** | Deduction for person with disability |

**Basis rules while computing deductions**

1. Deductions cannot exceed amount of GTI
2. Deductions not allowed from LTCG, STCG u/s 111A and Casual incomes

**Sec. 80C : Individual or HUF**

Amount **deposited/paid** in **specified investments/securities upto 1,00,000**

**List of Specified investments/securities**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Investments** |  | **Deposits** |  | **Expenses** | | | **Repayment of** |  |
|  |  |  |  |  |  |  |  | **Housing loan** |  |
|  | **LIP** for himself ,spouse & child |  | **National Housing Bank** | | **Tuition fees** for | | | Repayment of |  |
| *(Premium > 20% sum assured* | |  |  |  | **any 2** children | | | **Principal amt** for loan |  |
| *ignored for policy issued upto* | |  | **Public Sector Co**. engaged | | for | **Full** | **time** | **borrowed** for |  |
| *31/3/2012 & Premium> 10% sum* | |  | in LT Finance for Residential | | **education** | |  | **Purchase/** |  |
| *assured ignored for policy issued on* | |  | Houses in India. |  | to | University, | | **Construction** of |  |
| *or after 1/4/2012)* | |  |  |  | College, School, | | | **Residential** House |  |
|  |  |  | **Authority in India**, Providing | | other | Education | | From authority, |  |
|  | Employee cont to |  | Housing accommodation | | Institution | | **in** | Central/State govt. |  |
|  | **SPF/RPF/ASF/PPF** |  |  |  | **India** |  |  | bank ,LIC, NHB,Public |  |
|  |  |  |  |  |  |  | Company / Co-Op |  |
|  | **NSC VIII issue** + interest |  | **5 Yr deposit in** | **Schedule** |  |  |  |  |
| (*Excluding* | |  | Society / employer |  |
|  | accrued |  | **bank** under Cgovt scheme | |  |  |
|  |  | *development* | | |  |  |
|  | **Shares /Debentures** of Public |  |  |  |  |  |
|  |  |  | *fees & donation)* | | | ***Includes registration*** |  |
|  | company /public financial |  | ***5 Yr time deposit in post*** | |  |
|  |  |  |  | ***charges*** |  |
|  | institution for infrastructure |  | ***office*** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | Bonds of **NABARD** |  |  |  |  |  |  |  |  |
|  | **ELSS,2005** |  | ***Seniorcitizen*** | ***saving*** |  |  |  |  |  |
|  |  |  | ***scheme*** *,200*4 |  |  |  |  |  |  |
|  |  |  | **72** |  |  |  |  |  |  |

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|  |  | |  | |  | | | |  |  |  |
| **SEC** | **ASSESSEE** | | **INVESTMENT** | | **CONDITIONS** | | | |  | **DEDUCTION** |  |
| **Sec.** | Individual | | Contribution to | | **Out of income** | | | |  | Upto ` 1,00,000 |  |
| **80CCC** |  |  | National Pension | | **chargeable to tax** | | | |  |  |  |
|  |  |  | Scheme |  |  |  |  |  |  |  |  |
| **Sec.** | Individual | | Contribution to |  | Employee | |  |  | EE cont or 10% of salary**{80CCD(1)}+** | |  |
| **80CCD** |  |  | Central Govt N.P.S | |  |  |  |  | ER cont or 10% of salary **{80CCD(2)]** | |  |
|  |  |  |  |  | Non employee | | |  | *Upto 10% of GTI* ***{sec 80CCD(1)}*** | |  |
| ***Sec 80CCE*** |  | ***80C + 80CCC + 80CCD(1) Upto 1,00,000*** | | | | | | |  |  |  |
| ***Sec 80CCG*** | *Resident* | | Listed Equity |  | GTI of the assessee is | | | | ***50% of amount invested*** *in such* | |  |
|  | *Individual* | | shares under Rajiv | | upto 10 lacs & | | |  | *equity shares* ***or 25,000*** *, whichever* | |  |
|  |  |  |  | *is less* | |  |
|  |  |  | Gandhi equity |  | Assessee is a new | | | |  |
|  |  |  |  |  |  |  |
|  |  |  | saving scheme | | retail investor | | |  |  |  |  |
|  |  | |  | |  |  |  | |  | |  |
| **Sec. 80D** | Ind or HUF | | **Medical Insurance** | | **Out** | **of** | **Income** | | Himself , spouse, Dep children : Upto | |  |
|  |  |  | Premium from |  | **chargeable** | | **to** | **tax** & | 15,000 **+** | |  |
|  |  |  | insurance company / | | any mode ***other than*** | | | |  |  |  |
|  |  |  | CGHS **or expn for** | | ***cash*** | ***(except*** | | ***for*** | For parents Upto 15,000. | |  |
|  |  |  | **preventive health** | | ***preventive*** | | ***health*** | |  |  |  |
|  |  |  | **check up upto 5,000** | | ***Upto 5,000 Extra deduction for Senior*** | |  |
|  |  |  | ***check up)*** | |  |  |  |
|  |  |  |  |  |  |  | ***citizen(atleast 60 yrs + Resident)*** | |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | |  | | | |  | |  |
| **Sec. 80 DD** | Ind | or HUF | Medical Treatment of | | Incurred Expenditure **or** | | | | Disability **:** ` 50,000 | |  |
|  | *(Resident)* | | Disabled relatives | | deposit under annuity | | | |  |  |  |
|  | Provided | | (Spouse, Child, |  |  |  |  |  | Severe Disability **:** ` 1,00,000 | |  |
|  | dependant | | Parents, Brothers & | |  |  |  |  |  |  |  |
|  | not | claimed | Sisters who are |  |  |  |  |  |  |  |  |
|  | 80U |  | dependent) |  |  |  |  |  |  |  |  |
| **Sec. 80U** | Individual | | Suffering from |  | No expenditure required | | | | Disability : ` 50,000 , | |  |
|  | (Resident) | | Disability |  |  |  |  |  | Severe Disability : ` 1,00,000 | |  |
| **Sec. 80** | Ind or HUF | | Expenses for |  | **Disease u/r 11DD** | | | | Upto ` 40,000 | |  |
| **DDB** | *(Resident )* | | Medical Treatment of | |  |  |  |  |  |  |  |
|  |  |  | Self or Relative |  |  |  |  |  | Extra upto 20,000 for ***Senior Citizen*** | |  |
|  |  |  | *(Relative same as* | |  |  |  |  | ***(atleast 60 yrs + Resident)*** | |  |
|  |  |  | *80DD)* |  |  |  |  |  |  |  |  |
| **Sec. 80E** | Individual | | Loan from Financial | | *Himself/spouse/* | | |  | Actual Interest paid | |  |
|  |  |  | Institution/Bank / | | *child/Legal guardian* | | | |  |  |  |
|  |  |  | approved Charitable | | **Higher education**: | | | | 8 A/Y starting from A/y in which interest | |  |
|  |  |  | Institution |  | Any course after 12th | | | | paid |  |  |
| **Sec. 80G** | All |  | ***Donations in*** | ***Cash*** | ***Refer Annexure 1*** | | | | 1st Category : 100% | |  |
|  | Assessees | | ***upto 10,000.*** |  | **Limit** = 10% of | | |  | 2nd Category : 50% | |  |
|  |  |  | ***> 10,000 by*** | ***other*** |  | GTI |  |  | 3rd Category : 100% (Total or **LIMIT**, | |  |
|  |  |  | ***than cash*** |  | Less : LTCG | |  |  |  | less) |  |
|  |  |  |  |  | Less : STCG( 111A ) | | | | 4th Category : 50% (Total or **LIMIT**, less) | |  |
|  |  |  |  |  | Less : other | | Deductions | |  |  |  |
| **Sec. 80GG** | Individual | | **Rent paid** for |  | **Assessee/** | | **Spouse/** | | (a) Rent paid – 10% of **LIMIT** | |  |
|  |  |  | Residential House | | **Minor** | **Child** | no | house | (b) | 25% of **LIMIT** |  |
|  |  |  |  |  | **at place of duty &** | | | | (c) | ` 2,000/- PM , ***less*** |  |
|  |  |  | Employee *Not* |  | **Assessee** no house at | | | |  |  |  |
|  |  |  | *entitled to* ***HRA &*** | | other | palace | | whose | **Limit** = GTI | |  |
|  |  |  | ***RFA*** |  | NAV = Nil | |  |  | Less : LTCG | |  |
|  |  |  |  |  |  |  |  |  | Less : STCG (111A) | |  |
|  |  |  |  |  |  |  |  |  | Less : Other Deductions | |  |
| **Sec.** | All Assessee | | ***Contribution in*** |  | ***Provided no P/G/B/P*** | | | | Appr association for **Scientific /*Social*** | |  |
| **80GGA** |  |  | ***Cash upto 10,000.*** | | ***Income*** | |  |  | ***/Statistical Research*** | |  |
|  |  |  | ***> 10,000 by other*** | |  |  |  |  |  |  |  |
|  |  |  | ***than cash*** |  |  |  |  |  | Govt Co/Local Authority/Association for | |  |
|  |  |  |  |  |  |  |  |  | ***social & economic welfare*** | |  |
|  |  |  |  |  |  |  |  |  | Association for **Rural Development /RDP** | |  |
|  |  |  |  |  | **73** |  |  |  |  |  |  |

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|  |  |  |  |  |  |  |  |  |  | . |  |  |
| **Sec.** | Indian | Contribution to Political | | | | | Party / *Electoral Trusts* | | | 100% sum contributed | | |
| **80GGB** | Company |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | | |  |  |  | | |  |  |  |
| **Sec.** | Other than | Contribution to | | |  | (except institution funded by | | | | 100% sum contributed | | |
| **80GGC** | Indian | Political Party / | | |  | Govt.) | |  |  |  |  |  |
|  | Company | *Electoral Trusts* | | |  |  |  |  |  |  |  |  |
| **Sec. 80JJA** | Any | Collecting | | & |  | 5 consecutive Assessment | | | | 100% Profits of such Business | | |
|  | Assessee | processing of Bio- | | |  | Years beginning with A/y of | | | |  |  |  |
|  |  | degradable | | waste |  | commencement | | |  |  |  |  |
|  |  | for | generating | |  |  |  |  |  |  |  |  |
|  |  | power/biofertilizers | | |  |  |  |  |  |  |  |  |
|  |  | etc |  |  |  |  |  |  |  |  |  |  |
|  |  |  | |  |  |  | | | |  | | |
| **Sec.** | Indian | Industrial | |  |  | Total of 3 Assessment Years | | | | **New Industrial undertaking** : 30% of | | |
|  |  |  | | |  |  | | | |  |  |  |
| **80JJAA** | Company | undertaking | | |  | *beginning with A/y in which* | | | | Wages to **new regular workman** > 100 | | |
|  |  | Manufacturing any | | |  | *employment provided* | | |  | workman during P/Y | | |
|  |  | article |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **Existing Industrial undertaking :** *30% of* | | |
|  |  |  |  |  |  |  |  |  |  |  | |  |
|  |  |  |  |  |  |  |  |  |  | Wages to new regular workman > 100 | | |
|  |  |  |  |  |  |  |  |  |  | workman during P/Y & new workman | | |
|  |  |  |  |  |  |  |  |  |  | atleast 10 % of existing strength as on last | | |
|  |  |  |  |  |  |  |  |  |  | day of P/Y | | |
| **Sec 80LA** | Schedule/foreign | bank | | having |  |  |  |  |  | 100% of Income for 5 consecutive A/Y | | |
|  | offshore Banking unit in SEZ | | | |  |  |  |  |  | starting with A/Y of operations | | |
|  | Unit of an International financial | | | |  |  |  |  |  |  |  |  |
|  | services centre | |  |  |  |  |  |  |  | *Thereafter 50% for next 5 A/y* | | |
| **Sec.** | Individual | Royalty | | for |  | *Following royalty not eligible* | | | | Eligible Royalty income or | | |
| **80QQB** | Resident | Author of Books | | |  |  |  |  |  | ` 3,00,000/- *whichever is less* | | |
|  |  | ***Excluded:*** | | |  | *Regular royalty > 15% of* | | | |  |  |  |
|  |  | Text | Booksfor | |  | *books sold during p/y* | | |  |  |  |  |
|  |  | schools, | |  |  |  |  |  |  |  |  |  |
|  |  | Magazines | |  |  | Foreign | | Exchange | royalty |  |  |  |
|  |  | ,newspaper, | | |  | not brought into India within | | | |  |  |  |
|  |  | Journals, | | Guides, |  | 6 months from end of P/Y | | | |  |  |  |
|  |  | Pamphlets | |  |  |  |  |  |  |  |  |  |
|  |  |  | |  |  |  | |  | |  | | |
| **Sec.** | Individual | Royalty in | | respect |  | True and | | 1st inventor under | | Eligible Royalty Income or ` 3,00,000/-, | | |
| **80RRB** | Resident in | of patent | |  |  | patents act & includes Co- | | | | *whichever is less* | | |
|  | India |  |  |  |  | patentee. | |  |  |  |  |  |
|  |  |  |  |  |  | Foreign | | Exchange | royalty |  |  |  |
|  |  |  |  |  |  | not brought into India within | | | |  |  |  |
|  |  |  |  |  |  | 6 months from end of P/Y | | | |  |  |  |
|  |  |  |  |  |  | not eligible for deduction | | | |  |  |  |
| **Sec 80TTA** | ***Individual*** | ***Interest*** | | ***on*** |  |  |  |  |  |  |  |  |
|  | ***or HUF*** | ***saving deposit*** | | |  |  |  |  |  | **Max 10,000** | | |
|  |  | ***with*** | ***bank/post*** | |  |  |  |  |  |  |  |  |
|  |  | ***office*** |  |  |  |  |  |  |  |  |  |  |

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**Deductions u/s 80IA to 80IE**

**Common points applicable for all :**

1. Deductions **shall not exceed P/G/B/P** of eligible business entitled to claim deduction
2. If Deduction u/s 80IA to 80IE is allowed for any A/Y from Specified business, then no other deduction will be allowed for that A/y from such specified business
3. Deductions will be only allowed **Return filed upto Due date u/s 139(1)** (Sec 80AC)
4. **Transfer price of goods & services** between eligible business and other business will be determinedon the basis on MV of such goods & services on the date of transfer
5. **Accounts must be audited by a Chartered Accountant** & report should be furnished along with return
6. It should **not be formed by splitting or reconstruction** of an existing business
7. At least **80% of total cost of P&M** should be new .
8. If business is transferred then deduction shall be allowed to **transferee only for remaining period**

**Sec 80IA : Development of Infrastructure Facility**

1. Developing & Maintaining Infrastructure facility
2. Providing Telecommunication services
3. Developing & Maintaining Industrial Parks
4. Generation & Distribution of Electricity

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Infrastructure facility** | **Telecomm services** | **Industrial Parks** | **Electricity** |
|  |  |  |  |  |
| **Assessee** | Indian company or | Any Assessee | Any Assessee | Any Assessee |
|  | Consortium of Indian |  |  |  |
|  | company |  |  |  |
|  |  |  |  |  |
| **Type of** | Developing & | Cellular, Internet, | Development of | Power |
| **Business** | maintaining | radio paging services | Industrial area for | generation/Power |
|  | infrastructural facility |  | setting up industrial unit | Transmission |
|  | like roads, toll, bridges, |  | & also maintaining such |  |
|  | airports, sea ports,etc |  | industrial area |  |
| **Deduction** | 100% profits for 10 | 100% profits for 1st 5 | 100% profits for 10 | 100% profits for 10 |
|  | years out of 15 years | years.30% for next 5 | years out of 15 years | years out of 15 |
|  |  | years Out of 15 years |  | years |

**Sec 80IAB : Development of SEZ**

1. **Eligibility :** Business of developing notified SEZ
2. **Amount of deduction: 100%** profits for any **10 years out of 15 years** starting from year of Notification

**Sec 80IC : Manufacturing in Specified Areas**

1. **Eligibility :** - Any manufacturing in Himachal Pradesh, Uttaranchal
   * It should start manufacturing within the specified period only
2. **Amount of deduction:**

**In Sikkim or North Eastern region : 100%** of profits for **10 years** starting from year of operation **In Himachal Pradesh or Uttaranchal : 100%** of profits for **5 years** starting from year of operation

**25%** of profits for **next 5 years**

**Sec 80ID : Operation of Hotels and Convention Centres**

1. **Eligibility :** Business of hotel/convention centre located in*NCR and Faridabad, Gurgaon, Gautam Budh**Nagar and Ghaziabad*
2. **Amount of deduction: 100%** of profits for **5 consecutive A/Y** starting from year of operation
3. Such hotel/convention centre constructed during **1.04.07 to 31.07.10**

*W.e.f A/Y 2009-10: Benefit of this section has been provided to new two–stars, three-stars or four-star category hotels located in specified districts having a world heritage site. Such hotels should be constructed and start functioning between 1.4.08 to 31.3.2013 (Specified districts include Agra, Bharatpur, Bellary, Gaya etc)*

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**Sec 80IE : Manufacturing of specified article in specified area**

1. **Eligibility :** - Manufacturing **Eligible article** or substantial expansion of such manufacturing
   * The manufacturing in **North -Eastern states**

Eligible Article means any article other than Tobacco, Pan masala,Plastic carrybags ,etc

1. **Amount of deduction: 100%** of profits for any **10 consecutive A/Y** starting from p/y of manufacturing
2. It should start manufacturing between 1st April ,2007 and 1st April,2017

**Annexure : The following donations are eligible for deduction u/s 80G**

**100%** deduction **without** qualifying **Limit**

1. National Defence Fund/National Sports Fund /National Cultural Fund/National Illness Assistance Fund.
2. Army/Naval/Air Force Welfare Fund / PM National Relief Fund.
3. National Foundation for communal Harmony.
4. National Trust for Welfare of Person with Mental Retardation & Mental Disabilities.
5. National/State Blood Transfusion Council.
6. Maharashtra CM Earthquake Relief Fund.
7. Andhra Pradesh CM Cyclone Relief Fund.
8. Gujarat Fund for Earthquake Relief.
9. Chief Minister Relief Fund for the state or Lieutenant Governor relief Fund for union territory.
10. Africa (Public Contribution India) Fund.
11. Any Fund set by State Government for Medical Relief of Poor.
12. Zila Saksharta Samiti of a District.
13. Approved University/Education Institution of National Eminence.
14. Fund for technology Development Set by Central Government.

**50%** Deduction **without** qualifying **Limit**

1. Jawaharlal Nehru Memorial Fund.
2. National Children Fund.
3. Prime Minister Drought Relief Fund.
4. Indira Gandhi Memorial trust.
5. Rajiv Gandhi Foundation.

**100%** Deduction **subject to** Qualifying **Limit**

1. Govt./Local authority for promoting Family Planning.
2. Sum paid by **Company** to IOA for development of sports

**50%** Deduction **subject to** Qualifying **Limit**

1. Govt/Local Authority for any Charitable Purpose *(except Family Planning).*
2. Approved Charitable Institution **u/s 80G(5)**.
3. Authority engaged in planning, development of cities, towns
4. Corporation established by C Govt or S Govt. for promoting interest of minority community.
5. Notified Temple, Church, Mosque, Gurdwara notified by CG of Artistic Importance

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**CHAPTER – 12**

**AGRICULTURAL INCOME**

**Sec. 10(1) : Agricultural Income shall be exempt from Income Tax**

**Sec. 2(1A) :** Agricultural Income includes

1. **Rent derived** from Land situated in **India &** used for agriculture or
2. **Income derived from such land** 
   * By Agriculture or
   * By process employed by cultivator to render produce fit for market or

- Through Sale of the produce raised **or** received as rent in kind or

1. **Income derived from any Building occupied by cultivator** *provided:*
   * Building is situated on such agricultural land & is used as Dwelling House or Store House &
   * Land assessed to local rates **or** situated in rural area &
   * L & B is used for Agricultural purposes only & not for other purposes

**1)Any income from seedling or sapling grown in nursery is also agricultural Income. 2)**Agricultural Income will not include Income from **transfer of land situated in Urban Area**

**Income which is Partially Agricultural and Partially from Business**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **RULE 8** | |  |  |  | **RULE 7B** | |  |
|  |  |  | ***RULE 7A*** |  |  |  |  |  |
|  | |  |  |  |  |  |  |  |
| Growing & mfn **TEA** | | | Growing & Mfn **RUBBER** | | Growing & manufacturing **COFFEE** | | | |
| Agrl. |  | Non Agrl. | Agrl. | Non Agrl. | *Coffee grown & cured* | | *Coffee grown , cured,* | |
|  |  |  |  |  |  |  | *roasted & grounded* | |
| 60% |  | 40% | 65% | 35% | Agrl. : 75% | Non Agrl. | Agrl. | Non Agrl. |
|  |  |  |  |  |  | 25% | 60% | 40% |
|  |  |  |  |  |  |  |  |  |

**Special Points** :

1. Computation of Income in case of **Tea, Rubber & Coffee.**
   1. Compute the Income from Growing & Manufacture Operations under head P/G/B/P
   2. Then Apply the % as above in order to determine Agrl. & Non Agrl. Income
2. **Computation of Income for Growing & manufacture product *other than Tea ,Rubber, coffee)* ( Rule 7)**

|  |  |
| --- | --- |
| **Agricultural Income** | **Non-Agricultural Income** |
| **MV** of Agricultural produce | Sale value of other product |
| grown & used as raw material | **Less :** Market value of Raw material grown & utilized for production |
| in business |  |
| **Less :** Cultivation expenses | **Less :** Other Business expenses |
|  |  |

**Partial Integration of Agricultural Income with Non-Agricultural Income**

♣ **Individual/HUF/AOP/BOI**

♣ Agricultural Income **>** `. 5,000 **&** Non-Agricultural Income **>** Exemption Limit

**Step 1** : Calculate Tax on aggregate of Agrl. & Non-Agrl. income as if Total Income **Step 2** : Calculate Tax on (Exemption Limit + Agrl. income) as if Total Income **Step 3** : Step 1 – Step 2 is the Tax Payable

**Step 4 :** Add tax on Income taxable as per Fixed rate **Step 5** : Add 3 % Education Cess

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**CHAPTER – 13 COMPUTATION OF INCOME OF INDIVIDUALS**

**Step 1** : Determine Residential Status of Individual for P/Y & then determine his income on basis ofresidential status. **(Sec 5)**

**Step 2** : Compute his **Total Income** as follows

**Computation of Total Income of ………**

**for Assessment Year 13-14 (P/Y 12-13)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | Heads of income | | | | | | | |  | |  | `. | |  | | `. | | |
| **(A) Income under head Salary** | | | | | | |  | |  |  | | |  | |  | |  | |
|  |  | | GROSS SALARY *(after allowing exemptions)* | | | | | | | | --------- | |  |  | |  | |  | | |
| : |  | | Entertainment Allow. u/s | | | | 16 (ii) | | --------- |  | | |  | |  | |  | |
| : |  | | Employment Tax | | | u/s 16(iii) | | | | | ---------- | |  | \_\_\_\_\_\_\_\_\_ | | | |  | | |
|  | | | | | | | | |  |  | | |  | |  | |  | |
| **(B) Income under head House Property** | | | | | | | |  | | | |  |  | |  | |  | |
|  |  | | Annual value of House Property u/s 23 | | | | | | ---------- |  | | |  | |  | |  | |
| Less | : Statutory Deduction u/s | | | | | | 24(a) | ---------- | | | |  |  | |  | |  | |
|  | : | | Interest Payable | | | u/s | 24(b) | | ---------- |  | | |  | |  | |  | |
| Add : Recovery of Unrealised rent u/s 25A, 25AA , | | | | | | | | | | | | | | | | | ----------- | \_\_\_\_\_\_\_\_\_ | | | |  |
|  |  | | Arrear u/s 25B | | |  |  | | | |  | |  |  | |  | |  | | |
| **(C) Income under head P/G/B/P** | | | | | | | | |  |  | | |  | |  | |  | |
|  |  | | Net profit as per P&L a/c | | | | | | | | ----------- | |  |  | |  | |  | | |
| Add: adjustments as per Sec 30 to 43 B | | | | | | | | | ----------- |  | | |  | |  | |  | |
| Less: adjustments as per Sec 30 to 43 B | | | | | | | | ----------- | | | |  | \_\_\_\_\_\_\_\_\_ | | | |  | |
|  | | | | | | | | |  |  | | |  | |  | |  | |
| **(D) Income under head Capital Gains** | | | | | | | |  | | | |  |  | |  | |  | |
|  |  | | Long Term Capital Gains | | | | ----------- | |  |  | | |  | |  | |  | |
|  |  | | Short Term Capital Gains | | | | ----------- | | | |  | |  |  | |  | |  | | |
| Less: Exemptions u/s 54 | | | | | |  | ------------ | |  |  | | | \_\_\_\_\_\_\_\_\_ | | | |  | |
|  | | | | | | | |  | | | |  |  | |  | |  | |
| **(E) Income under head Other Sources** | | | | | | | | |  |  | | |  | |  | |  | |
|  |  | | Gross Income | | |  | ----------- | | | |  | |  |  | |  | |  | | |
| Less : Deduction u/s 57 | | | | | |  | ----------- | |  |  | | | \_\_\_\_\_\_\_\_\_ | | | |  | |
|  | | | | | | | |  | | | |  |  | |  | |  | |
| **(F) ADD** : Income to be Clubbed u/s 60 to 64 | | | | | | | | |  |  | | |  | |  | |  | |
|  |  | | ***(Under EACH Head)*** | | | | | | | |  | |  |  | |  | |  | | |
| **(G) LESS**: Set off & carry forward of losses u/s 70 to 80 | | | | | | | | |  |  | | |  | |  | |  | |
|  |  | | ***(Under EACH Head)*** | | | | | | | |  | |  |  | |  | |  | | |
|  |  | |  | | | **Gross Total Income [ GTI ]** | | |  |  | | |  | |  | |  | |
|  |  | |  | | | (A + B+ C+ D+ E + F -G) | | | | |  | |  | \_\_\_\_\_\_\_\_\_ | | | |  | | |
|  |  | | **Less:** Deductions under chapter VI-A | | | | | |  |  | | | \_\_\_\_\_\_\_\_\_ | | | |  | |
|  |  | |  | | |  | (Sec 80C to 80 U) | | | |  | |  |  | |  | |  | | |
|  |  | |  | | |  | **Total Income [ TI ]** | |  |  | | | \_\_\_\_\_\_\_\_\_ | | | |  | |
|  | |  | ***(Rounded off to nearest 10 rupee u/s 288A)*** | | | | | | | | | | | | | |  | | |  |  | | |

**Special Points: *Deductions from 80C to 80U not available against incomes taxable at Fixed rates***

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**Step 3 : Computation of Tax on Total Income**

**Computation of Tax of ……… For Assessment Year 13-14 (P/Y 12-13)**

|  |  |  |
| --- | --- | --- |
| Tax on Total Income | ( **at slab rates** ) | A |
| ***(Allow agricultural income Rebate)*** | |  |
| Tax on Total Income | ( **at fixed rates**) | B |
|  |  | --------- |
|  | (A + B) | C |
| **ADD:** Education Cess @ **3%** of C | | D |
|  |  | --------- |
|  | (C+ D) | E |
| **LESS:** Relief u/s 89(1) |  | F |
|  |  | --------- |
| **Total Tax Liability** | (E - F) | G |
| **LESS :** Advance Tax / T.D.S |  | H |
|  |  | ---------- |
| **Tax Payable or (Refundable)** | | G – H |
| ***(Rounded off to Nearest 10 rupee u/s 288B)*** | | ---------- |

**1.** **SLAB RATES OF INCOME TAX for INDIVIDUALS (A/Y 2013 – 2014)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Exemption** | **Rates of Income Tax** |  |
| **Nature of Person** | **Amount** |  |  |
|  |  |  |  |
| **1.INDIVIDUAL** |  | **Total Income** | **Rate** |
| ***(Other than 2 & 3 below)*** | **2,00,000** | 0 – 2,00,000 | : NIL |
|  |  | above 2,00,000 upto 5,00,000 : 10% | |
|  |  | Above5,00,000 upto 10,00,000 : 20% | |
|  |  | Above10,00,000 | : 30% |
| **2. Senior Citizen** | **2,50,000** | 0 – 2,50,000 | : NIL |
| *(****Resident in India & atleast*** |  | Above2,50,000 upto 5,00,000 : 10% | |
| ***60 yrs but less than 80 yrs*** |  | Above5,00,000 upto 10,00,000: 20% | |
| ***any time during p/y 12-13)*** |  | Above10,00,000 | : 30% |
|  |  |  |  |
| **3. Very Senior Citizen** | **5,00,000** | 0 – 5,00,000 | : NIL |
| ***( Resident in India & atleast*** |  | Above 5,00,000 upto 10,00,000: 20% | |
| ***80 yrs any time during p/y*** |  | Above 10,00,000 | : 30% |
| ***12-13)*** |  |  |  |
|  |  |  |  |

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**2.** **FIXED RATES OF INCOME TAX for INDIVIDUALS (A/Y 2013 – 2014)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **(1) Short Term Capital Gain** | | |  | **(2) Long Term Capital Gain** | |  | **(3) Casual Incomes** |  |
|  |  |  |  |  |  |  | *Lotteries, Crossword* |  |
|  |  |  |  |  |  |  | *Puzzle, Races including* |  |
| *u/s. 10(33)* | *u/s.* | *Other* | *u/s 10(33),* |  | *Listed securities or* | *Other* |  |
|  | *horse races, Card* |  |
| *10(37)* | *111A* | *STCG* | *10(37),* |  | *Units or Zero Coupon Bonds* | *LTCG* |  |
|  | *games etc.* |  |
|  |  |  | *10(38)* |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  | **20%** *(with Indexation)* ***or*** |  |  |  |
| **Exempt** | **15%** | **Slab** | **Exempt** |  | **10%** *(without indexation)* | **20%** | **30%** |  |
|  |  | **rate** |  |  | ***whichever is lower*** |  |  |  |

**Special point : Benefits of Exemption Limit** :

* **Individual or HUF (Resident )**

 **[Total Income]** - **[Taxable LTCG] - [STCG Taxable @ 15%]**

* Is less than **Exemption Limit**
* Such **shortfall** shall be reduced
* From **Taxable LTCG or STCG taxable @ 15%** and
* Tax shall be payable on **balance**

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|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **CHAPTER – 14** | |
|  |  | **RETURN OF INCOME** | |
| **Sections covered in this chapter** | |  |  |
|  | **Sec139(1)** | Furnishing of ROI |  |
|  | **Sec 139(1A)** | Bulk filing of Returns |  |
|  | **Sec 139(1B)** | Filing of Return on Computer readable media |  |
|  | **Sec 139(1C)** |  |  |
|  | **Sec 139(3)** | Return of loss |  |
|  | **Sec 139(4)** | Belated return |  |
|  | **Sec 139(5)** | Revised return |  |
|  | **Sec 139(4A)** | Return of charitable organisation |  |
|  | **Sec 139(4B)** | Advance tax in case of capital gain/casual income |  |
|  | **Sec 139(4C)** | ROI by Assessees Claiming Exemption u/s 10 |  |
|  | **Sec 139(4D)** | ROI by Scientific research institutions |  |
|  | **Sec 139(9)** | Defective return |  |
|  | **Sec 140** | Signing of ROI |  |
|  | **Sec 139A** | PAN |  |
|  | **Sec 139B** | Return through TRP |  |
|  | **Sec 139C** | Documents not to be attached with return |  |
|  | **Sec 139D** | Mandatory efiling of ROI |  |

**Sec.139(1): Furnishing of Return of Income**

(COMPANY) **OR** (FIRM )**OR** (Other than a company or firm if GTI > Exemption Limit**)**

**Shall file ROI** upto **Due date** In **prescribed form**

**Verified** in prescribed manner & containing **prescribed particulars**

|  |  |
| --- | --- |
| **Person** | **Due Date** |
| **Company required to furnish a report u/s 92E** | **30th Nov of A/Y** |
| ***Other company*** | **3oth Sept of A/Y** |
| **Other than Company** |  |
| **1)** Accounts Audited under Income tax / other law | **3oth Sept of A/Y** |
| **2)** Working Partner of firm & Firms A/c audited under Income tax/Other law | **3oth Sept of A/Y** |
| **3)** Other assessee | **31ST July of A/Y** |

***Person who is ROR & who is not required to furnish a return u/s139(1) & has any asset (including any financial interest in any entity)located outside India or signing authority in any account located outside India, shall furnish, on or before due date, a return in respect of his income or loss for previous year***

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**Sec. 139(1A) : Bulk filing of Returns by employer on Computer readable media**

Individual having Salary income ,***at his option*** furnish **RETURN** to Employer under **specified scheme** Then employer shall furnish returns in **electronic form** upto due date u/s 139(1)

Return filed u/s 139(1A) deemed to be return u/s 139(1)

**Sec. 139(1B) : Filing of Return on Computer readable media**

Every person required to furnish ROI u/s. 139(1)

May ***at his option*** furnish ROI of any P/Y in **electronic form** accordance to specified scheme Return filed u/s 139(1B) deemed to be return u/s 139(1)

***Sec 139(1C) : Overriding 139(1), Central Government may, by notification in Official Gazette, exempt any class or classes of persons from the requirement of furnishing a return of income.***

*As per notification 36/2011, Salaried Individual having Interest on saving a/c upto 10,000 & TI upto 5lacs are exempt from filing ROI for A/Y 11/12.*

**Sec. 139(3) : Return of Loss**

Loss can be **C/F u/s 72.73,74,74A** only **loss return** filed upto due date u/s. 139(1)

**Special Points:**

1. **Return filed u/s 139(3) shall be deemed to be return filed u/s. 139(1)**
2. If loss return not filed within due date, then loss **cannot** be C/F
3. Losses **can be set off** even if ROI filed after due date
4. Unabsorbed depreciation **can be C/f** if ROI filed after due date
5. Loss under this head **can be C/f** even if ROI filed after due date
6. Loss u/s. 142 (1) **canno**t be C/f

**Sec. 139(4)** : **Belated Return**

If ROI not filed u/s. 139(1) or 142(1)

He **may** still furnish ROI At any time **before**

1 year from end of A/Y **or** completion of Assessment , ***earlier***

**Sec. 139(5)** : **Revised Return**

Person having furnished ROI u/s. 139(1) *or* 142(1)

Discovers any **Omission** *or* **Wrong statement** **May** furnish **Revised ROI** At any time **before**

1 year from end of A/Y **or** completion of Assessment , ***earlier***

**Special Points**:

Revised return substitutes original return Return u/s. 139(4) cannot be revised

Loss return u/s. 139(3) can be revised

Return can be revised any number of times

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|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | |  |  |  |  |
|  | **139(4A)** |  | **139(4B)** |  | **139(4C)** | |  |  |  | **139(4D)** |
| **Assessee** | Charitable | or | Political Party |  Research association u/s. 10(21) | | |  | or | University, college | |
|  | Religious Trust |  |  |  News Agency u/s. 10(22B) | | |  |  | or institution u/s **sec** | |
|  |  |  |  |  | Professional | association | u/s. | | **35(1)(ii) & 35(1)(iii)** | |
|  |  |  |  |  | 10(23A) |  |  |  |  |  |
|  |  |  |  |  | Funds, Trusts, University, Hospitals | | | |  |  |
|  |  |  |  |  | etc u/s 10(23C) |  |  |  |  |  |
|  |  |  |  |  Trade Unions, Associations u/s. | | | | |  |  |
|  |  |  |  |  | 10(24) |  |  |  |  |  |
|  |  |  |  | o Body, Trust u/s 10(46) | | |  |  |  |  |
|  |  |  |  | o Infrastructure | | Debt Fund |  | u/s |  |  |
|  |  |  |  |  |  | 10(47) |  |  |  |  |
| **Liability to** | TI before Exemption | | TI before | TI before Exemption u/s. 10 | | |  |  | Which is not | |
| **file ROI** | u/s. 11 & 12 **Exceeds** | | Exemption u/s. 13A | **Exceeds** Exemption limit | | |  |  | required to furnish | |
|  | Exemption limit |  | **Exceeds** |  |  |  |  |  | Return under any | |
|  |  |  | Exemption Limit |  |  |  |  |  | other provision | |
|  | A/c audited : 30th | | 30th Sept. of A/Y | A/c audited : 30th Sept. of A/Y | | |  |  | A/c audited : 30th | |
| **Due Date** | Sept. A/Y |  |  | A/c not audited : 31st July of A/Y | | | |  | Sept. of A/Y | |
|  | A/c not audited : 31st | |  |  |  |  |  |  | A/c | not audited : |
|  | July of A/Y |  |  |  |  |  |  |  | 31st | July of A/Y |
|  | **Sec. 272A** |  | **Sec. 271F** | **Sec. 272A** | |  |  |  | **Sec. 271F** | |
| **Penalty** | `. 100/- per day, for |  | `. 5000/- if ROI | `. 100/- per day, for each day of | | |  |  | `. 5000/- if ROI filed | |
|  | each day of failure |  | filed after end of | failure | |  |  |  | after end of A/Y | |
|  |  |  | A/Y |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

**Sec 139(6) : Prescribed Particulars in Return**

The form of the returns **139(1), 139(3) and 142(1)** shall require the assessee to furnish particulars of

**Exempt income** , **Prescribed assets & its value**, **bank account, credit card** , **prescribed expenditure exceeding prescribed limits**

**Sec 139(6A) : Additional Particulars in return**

Assessee having business or profession income shall furnish in return u/s 139 & 142(1),

* Also require him to furnish audit report u/s 44AB,
* Particulars of location and style of principal place of business or profession and branches,
* Names and addresses of his partners,
* If he is a member of an AOP/BOI, the names of other members of AOP/BOI

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**Sec. 139(9) : Defective Return**

*ROI shall be regarded as defective unless* ***all conditions are*** *fulfilled*

1. ROI in prescribed form with all columns filled
2. Statement showing Computation of Tax
3. Tax Audit reports u/s. 44AB
4. Proof of TDS, Advance Tax, Self Assessment Tax. is attached
5. **Regular books maintained**, Copy of Mfn A/c, Trading A/c, P&L A/c or I&E A/c & Balance Sheet
6. **Regular books not maintained**, statement showing Turnover, Gross Receipts, Gross Profit, Expenses, Net Profit ofthe B/P , Debtors, Creditors, Stock in Hand , Cash & Bank Balances at end of year
7. **If accounts are Audited**: Copy of audited P&L A/c, Balance Sheet & Auditors Report
8. Copy of Cost Audit Report u/s. 233B (*in case of cost audit done)*

**Special Points**:

**1.** Unsigned return is not invalid return but *void-ab-initio. (invalid)*

**2**. **Notice by AO to rectify defect**

AO considers ROI as defective, he **may** intimate to rectify defect within 15 days from date of receipt AO can **also extend** time limit upon application by assessee

If defect is not rectified within above time period then return treated as *void-ab-initio*.(invalid)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Sec. 140** : **Signing of ROI** | | | |  |  |  |  |  |  |  |
| **1**. | **Individual** | |  |  |  |  |  |  |  |  |
|  |  | Present in India | | | : Himself |  |  |  |  |  |
|  |  | Absent from India | | | : Either himself or authorised person | | |  |  |  |
|  |  | Mentally Incapacitated | | | : Legal Guardian | | |  |  |  |
|  |  | Other reasons | |  | : Authorised Person ***( attach Power of Attorney with ROI)*** | | | | |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **2**. | **Partnership Firm : Managing Partner** or **Any partner** *not a minor*(if no MP/if MP cannot sign) | | | | | | | | |  |
| **3.** | **LLP** : **Designated Partner** or **Any partner** (if no MP/if MP cannot sign) | | | | | | | |  |  |
| **4**. | **Company** | |  |  |  |  |  |  |  |  |
|  | **Managing** | | **No MD or cannot sign due** | | | **company is NR** |  | **Company** | **Company Mgt taken** |  |
|  | **Director** | | **to unavoidable reasons** | | |  |  | **wound-up** | **Over C/ S Govt** |  |
|  | MD himself | |  | any Director | | Authorised person |  | By liquidator | By Principal Officer |  |
| **5**. | **HUF : Karta** OR | | | Any Adult member (Karta absent from India or Mentally incapacitated) | | | | | |  |
| **6**. | **Political Party** | | | : Chief Executive Officer | | | |  |  |  |
| **7**. | **Local Authority** | | | : Principal Officer | |  |  |  |  |  |
| **8**. | **AOP/BOI** | |  | : Any member or Principal Officer | | | |  |  |  |
| **9**. | **Other Assessee** : | | | Person competent to act | | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

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**Sec. 139A : Permanent Account Number (PAN )**

Application for PAN in the following cases

1. If TI of person > exemption amount
2. If total sales, turnover are likely to > 5 lakhs in any p/y
3. If return is to be filed u/s 139(4A)

**Time limit for making an application**

For point (1) : Upto 31st May of A/Y relevant to P/Y

For point (2) & (3) : Before end of P/Y

**Special points:**

1. PAN Suo Moto By AO **:** For **prescribed transactions**, AO may also allot PAN , if tax payable or not
2. PAN under Central Govt. Directions **:** For collecting information ,cgovt. may direct any class of persons to apply for PAN
3. Voluntary application of PAN **:**Person not required apply for PAN u/s 139A can also apply for PAN

**Cases where PAN has to be quoted :** Returns, correspondences , challans for any payment of any sum dueunder this act **&** documents relating to **PRESCRIBED TRANSACTIONS**

**Prescribed Transactions where PAN has to be Quoted : Rule 114B**

***Value of Transaction***

|  |  |  |  |
| --- | --- | --- | --- |
| **1.** | **Sale & Purchase** of **Immovable property** | **> `. 5,00,000** |  |
|  | Payment to a dealer for purchase of **bullion or jewellery** |  |  |
|  |  |  |  |
| **2.** | **Sale/Purchase** of **Securities** | **> `. 1,00,000** |  |
| **3.** | **Time deposit** with any bank |  |  |
| **4.** | **Deposit with post Office** Saving Banks | **> `. 50,000** |  |
| **5.** | **Cash Payment** for bank draft, pay order, banker cheque during one day |  |  |
| **6** | **Cash Deposit** in any bank in one account in a day |  |  |
| **7.** | **Payment** to **Mutual Fund** for purchase of its units | **> `. 50.000** |  |
| **8.** | **Payment** to **company** for acquiring shares issued by it |  |  |
| **9.** |  |  |
| **Payment** to **company** for acquiring debentures or bonds issued by it |  |  |
| **10.** |  |  |
|  |  |  |
| **11.** | **Payment** to **RBI** for acquiring bonds issued by it |  |  |
|  |  |  |  |
| **12.** | **Payment** of Hotel/Restaurant bill at one time |  |  |
| **13.** | **Cash payment** for travel to foreign country |  |  |
|  | (*Except* ***Pakistan*** *,****Nepal*** *,****Bhutan****,* ***Bangladesh*** *,****Srilanka****,* ***Maldives*** *to* | **> `. 25,000** |  |
|  | ***China*** *on kailash mansarover or to* ***Saudi Arabia*** *on Haj)* |  |  |

1. Sale/Purchase of Motor vehicle *(other than 2 wheelers*)
2. Application for installation of Telephone/Cellular

|  |  |  |
| --- | --- | --- |
| **16.** | Opening an Account with any bank | **Any value** |
| **17.** | Application for Credit Card |  |

**Special Points : A person does not have PAN Has to give declaration in Form 60**

**139B : Scheme for submission of returns through TRP**

Every person other than Company or person whose accounts are audited under any law May furnish his return TRP

Authorised to act under scheme of CBDT

**Special Points:**

1. Every TRP shall assist person furnishing return as per scheme & affix his signature
2. TRP shall not include

Officer of schedule bank in which assessee has current a/c or has regular dealings or a Legal practitioner in civil courts or a Chartered accountant or

an employee of the assessee

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**139C: Documents not to be attached with return**

CBDT may make rules for classes of persons who are not required to furnish

documents, statements, receipts, certificates, audit reports or any other documents Which are otherwise required to be furnished with return

But such documents etc shall be produced before Assessing Officer on demand

**139D : Filing of return in Electronic Form** :CBDT may make rules for

Class or Classes of persons required to furnish Electronic return form and manner of furnishing electronic return

Documents not be furnished with electronic return but ***shall be produced before AO on demand***

the computer resource or the electronic record to which the return in electronic form may be transmitted

**Sec. 140A : Self Assessment**

Every person before submitting return

Has to make **Self assessment of his income** & determine tax on basis of return Such Tax is known as Self Assessment Tax & has to be paid before ROI is filed Proof of payment of Self Assessment Tax has to be attached with ROI

**Sec 143 : Processing of Return**

If return filed u/s 139 or u/s 142(1), such return **shall be processed** in the following manner

* 1. The Total Income or loss shall be computed after making the following adjustments
     + 1. **Arithmetical error** or an **incorrect claim** which is apparent from any information in return
  2. Tax and interest shall be computed on basis of total income computed under clause (a)
  3. Then Sum **Payable or Refund** due shall be determined
     1. An **intimation** shall be prepared & sent to assessee specifying the **sum payable or refund due**

**Special point :**

1. Intimation also sent if **loss declared** in return is **adjusted** but no tax/interest is payable or refundable
2. Intimation shall not be sent after **expiry of 1 year from end of F/Y** in which the return is filed.

**Sec 143(2) : Notice of Scrutiny Assessment**

Return filed u/s 139 or u/s 142(1)

AO considers it necessary to ensure that assessee

* + has not **understated income** or has not **computed excessive loss** or
  + has not **under-paid tax** in any manner

**shall serve** on assessee a notice requiring him, on a date to be specified therein, either to attend hisoffice or to produce any evidence on which the assessee may rely in support of return

**Special point :** No notice u/s 143(2) shall be **served on assessee** after the expiry of **six months** from **end of F/Y** in which the return is furnished.

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**CHAPTER - 15**

**ADVANCE TAX**

**Sections covered in this chapter**

|  |  |
| --- | --- |
| **Sec 207** | Liability for payment of advance tax |
| **Sec 208** | Advance tax if 5000 or more |
| **Sec209** | Computation of advance tax |
| **Sec 210** | Computation of advance tax by AO |
| **Sec 211** | Due date of advance tax |
| **Sec 234A** | Interest for payment of Tax after due date of return |
| **Sec 234B** | Interest for non payment of advance tax |
| **Sec 234C** | Interest for deferment of advance tax |
| **Proviso to sec 234C** | Advance tax in case of capital gain/casual income |

**Sec 207 : Liability for payment of advance tax**

Tax shall be payable **in ADVANCE** during any F/Y

on **Total Income** chargeable in following **A/Y** as per sections 208 to 219

**Sec 208 :** Advance tax payable during a F/Y if advance tax liability is **10,000 or more**

***Special point : Advance Tax not applicable for Individual who is a Senior Citizen & does not have any income chargeable unde "Profits and Gains of business or profession.***

**Sec 209 : Computation of Advance tax Liability**

Step 1 : **Estimate** TOTAL INCOME of the current financial year Step 2 : Compute Tax on such estimated income

Step 3 : **Add** Education cess @ 3% Step 5 : **Deduct** T.D.S

**Balance is advance tax liability during the financial year**

*Special point : For computing liability for advance tax, income-tax calculated shall not be reduced by TDS if person responsible for deducting tax has paid or credited such income without deduction of tax*.

**Sec 210 : Payment by assessee on his own**

Every person who is liable to pay advance tax shall **on his own** Pay Advance tax on or before due date u/s 211 & Calculated in manner u/s 209

**Increase or decrease of subsequent installments**

A person who pays any installment of advance tax

May increase or reduce advance tax payable in remaining installment In accordance with estimate of current income

**Sec 211: Due dates for payment of advance tax**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Due date of installment** | **Company assessee** | | **Non company assessee** |  |
|  | Upto **15 June** of current F/Y | At least | **15%** | **NA** |  |
|  |  | of advance tax liability | |  |  |
|  | Upto **15 September** of current F/Y | At least | **45%** | At least **30%** |  |
|  |  | of advance tax liability | | of advance tax liability |  |
|  |  |  |  |  |  |
|  | Upto **15 December** of current F/Y | At least | **75%** | At least **60%** |  |
|  |  | of advance tax liability | | of advance tax liability |  |
|  | Upto **15 March** of current F/Y | At least | **100%** | At least **100%** |  |
|  |  | of advance tax liability | | of advance tax liability |  |
|  |  |  |  |  |  |
|  |  |  | **87** |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **Section** | ***234C: Interest for Deferment*** |  | ***234B: Interest for Non*** | ***234A : Interest for payment of*** |  |
|  | ***of advance tax*** |  | ***Payment of tax upto 31st*** |  |
|  |  | ***tax after due date of return*** |  |
|  |  |  | ***march of P/Y*** |  |
|  |  |  |  |  |
| **Default** | **No advance tax** paid or |  | **No advance tax paid** or | Tax paid **after due date of return** |  |
|  | Advance tax paid **after Due** |  | advance tax paid **< 90%** of **tax** |  |  |
|  | **dates or** |  | **as per ROI** |  |  |
| **Interest** | **1% per month** |  | **1% per month /part** | **1% per month /part** |  |
| **Duration** | 3 months/1 month for last |  | 1st April of A/Y to date of | Date after Due date to date of |  |
|  | installment |  | payment | payment |  |
| **Amount** | Actual Advance tax liability on |  | Tax as per ROI less Advance | Tax as per ROI less Advance Tax |  |
|  | due date *l****ess*** Advance tax |  | tax paid | Paid |  |
|  | deposited upto due date |  |  |  |
|  |  |  |  |  |

**Exception to Interest u/s 234C** **: No interest liability will arise u/s 234C if**

1. **Advance tax paid by company** 
   * upto 15th June is upto **12% of tax** as per ROI or
   * upto 15th September is upto **36 % of tax** as per ROI
2. **Proviso to Sec 234C:**

If **Capital gain/Casual income** arises **after due date of installment**

& if **entire tax payable** on such incomes is paid in **remaining installments**

If such income arises after 15 march, then entire tax should be paid by 31st march of relevant F/Y

**244A : Interest on Refunds**

Interest will be receivable on tax refundable at ½ **% pm or part** from 1st April of A/Y to date on refund

**Special point :**

1. No interest u/s 244A shall be receivable if amount of refund is **<** ***10%of tax*** **as per ROI**
2. If proceedings of refund are ***delayed due to assessee***, such period of delay shall be excluded from period for which interest is payable

**Sec 210 : Payment of advance tax on order of AO**

**If AO may issue an order** u/s 210 requiring a person To pay advance tax

Provided that person has already been assessed by way of **regular assessment**

Such order can be passed any time during the financial year but not later than last date of February

**Sec 209 : Computation of advance tax by AO**

For computing advance tax AO shall take the **higher of following** Total income of **latest P/Y** of regular assessment **OR**

Total income declared in return for any p/y **after above previous year**

**Amendment of order by AO**

AO can also amend his original u/s 210, If

After passing of his original order , Return of income is filed by assessee **or** regular assessment is made for later previous year

However amended order has to be served upto last day of February only

**Assessee can also estimate his income after receiving AO orde**r

If Assessee estimates his income to be less than estimate of AO as per order u/s 210, He can submit his own estimate and pay advance tax on such lower estimate

However if assessee estimates his income to be higher ,than

there is no need to submit estimate, and assessee will pay advance tax on such higher estimate

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**CHAPTER –16**

**TAX DEDUCTED AT SOURCE**

**Sections covered in this chapter**

|  |  |
| --- | --- |
| **Sec 191** | Direct payment |
| **Sec 192** | TDS on salary |
| **Sec 193** | TDS on interest on security |
| **Sec 194** | TDS on dividend |
| **Sec 194A** | TDS on other interest |
| **Sec 194B** | TDS on lottery, crossword puzzles etc |
|  |  |
| **Sec 194BB** | TDS on Horse races |
|  |  |
| **Sec 194C** | TDS on Contractor |
| **Sec 194D** | TDS on Insurance commission |
| **Sec 194E** | TDS on payment to NR sportsman or sports Association |
| **Sec 194G** | TDS on commission on sale of lottery tickets |
| **Sec 194H** | TDS on commission & Brokerage |
| **Sec 194I** | TDS on rent |
| **Sec 194J** | TDS on fees for professional/technical services |
| **Sec 194LA** | TDS on compulsory acquisition of immovable [property |
| **Sec 195** | TDS on Non resident |
| **Sec 195A** | Tax free payments |
| **Sec 196** | No TDS if payments to specified payees |
|  |  |
| **Sec 197** | Certificate for no TDS/lower rates |
| **Sec 197A** | Self declaration |
| **Sec 198** | TDS is deemed Income |
| **Sec 199** | Credit of TDS |
| **Sec 200** | Duty of person deducting tax |
| **Sec 201** | Consequences of failure to Deduct/Pay TDS |
| **Sec 203** | TDS certificates |
|  |  |
| **Sec 203A** | TAN |
|  |  |
| **Sec 203AA** | Annual Tax deduction/Deposit statement |
| **Sec 205** | Bar against direct demand on Assesse |
|  |  |
| **Sec 206AA** | Deductee to disclose PAN |

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Section** | **192** | **193** | **194** | **194A** |  |
|  | **Salary** | **Interest on security** | **Dividend u/s** | **Interest other than Interest** |  |
| **Income** |  |  | **2(22)(e)** | **on security** |  |
| **Payer** | **Any** Employer | **Any person** |  | **Ind / HUF** ( tax audit in |  |
|  |  |  | Domestic | previous F/Y) **or** |  |
|  |  |  | company | **Other payer** |  |
|  |  |  |  |  |  |
| **Payee** | Any Employee | Resident | Resident | Resident |  |
| **Exemption** | 1,80,000/1,90,000/ | See below |  |  |  |
| **Limit** | 2,50,000 / 5,00,000 |  | upto `.2,500 + | See Below |  |
|  |  |  | A/c Payee |  |  |
|  |  |  | cheque |  |  |
|  |  |  |  |  |  |
| **Time of** | Payment | Payment or Credit, | Payment | Payment or credit, |  |
| **Deduction** |  | earlier |  | earlier |  |
| **Rate of** | At slab rates + |  | **10%** | **Non corporate** |  |
| **deduction** | Education cess | 10% |  | **payee :** 10% |  |
|  |  |  |  | **Corporate** |  |
|  |  |  |  | **payee:** 20% |  |
|  |  |  |  |  |  |
| **Other** | Employee may furnish | **No TDS** |  | **No TDS** |  |
| **provisions** | details of previous |  |  |  |  |
|  | salary to current |  |  | 4. Interest to partner from |  |
|  | employer | **1) Listed demat** |  | his firm. |  |
|  |  | securities |  |  |  |
|  | Employee can also |  |  | 5. Interest on saving |  |
|  | disclose **other income** | **2)**Securitiy C/S Govt |  | account with bank |  |
|  | &TDS on them **or** |  |  |  |  |
|  | **loss from HP** for same |  |  | 6. Payer Bank |  |
|  | F/Y to employer | **3)**. Interest payable to |  | upto `.10,000 in P/Y |  |
|  |  | Resident Individual/HUF |  | **4.** Payer Post office for |  |
|  | **In both cases** | on debenture issued by |  |  |
|  | **employer shall take** |  | Senior citizen saving |  |
|  | closely held company if |  |  |
|  | **the above and then** |  | scheme : upto `.10,000 |  |
|  |  |  |  |
|  | **deduct tax** |  |  |  |
|  | (a) Aggregate amount |  | in P/Y |  |
|  |  |  |  |
|  |  | of interest during |  | **5.** Other Payer : upto`. |  |
|  |  | **P/Y is upto 5,000** |  |  |
|  |  |  | 5,000 in P/Y |  |
|  |  |  |  |  |
|  |  | (b) Interest paid by |  |  |  |
|  |  | by A/C **payee** |  |  |  |
|  |  | **cheque**[w.e.f 1/7/12] |  |  |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
|  | **Section** | **194B** | **194BB** |  | **194C** | **194 D** | **194E** |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | **Income** |  |  |  |  |  |  |  |  |
|  |  | Lottery, | Horse races |  | Payment to Contractor | Insurance | Income u/s |  |  |
|  |  | Crossword |  |  |  | commission | 115BBA to |  |  |
|  |  | Puzzles, |  |  |  |  | NR Sportsmen/ |  |  |
|  |  | Card Game/ |  |  |  |  | Association ***or*** |  |  |
|  |  | Other game |  |  |  |  | ***Entertainer*** |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | **Payer** | **Any** person | **Any** person |  | Ind/HUF subjected to | Any person | Any person |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  | tax audit for prior P/Y |  |  |  |  |
|  |  |  |  |  | or Other payer |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | **Payee** | **Any Person** | **Any Person** |  | Resident contractor | Resident | Non resident |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | sportsmen/Sport |  |  |
|  |  |  |  |  |  |  | association |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | **Exemption** |  |  |  | 30,000 per payment& |  |  |  |  |
|  | **limit** | *10,000* | *5,000* |  | 75,000 aggregate | 20,000 | NIL |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | **Time of** | Payment | Payment |  | Payment or credit, | Payment or credit, | Payment or |  |  |
|  | **Deduction** |  |  |  | earlier | earlier | credit, Earlier |  |  |
|  |  |  |  |  | **Contractor** | 10% | ***20%*** |  |  |
|  |  |  |  |  | **Ind/HUF : 1%** |  |  |  |  |
|  | **Rate of** | **30%** | **30%** |  |  |  |  |  |  |
|  | **deduction** |  |  |  | **Other case : 2%** |  |  |  |  |
|  |  |  |  |  | ***Nil rate if transporter*** |  |  |  |  |
|  |  |  |  |  | ***quotes his PAN*** |  |  |  |  |
|  | **Other** |  |  |  | No TDS by Ind/HUF if |  |  |  |  |
|  | **provisions** |  |  |  | payment for personal |  |  |  |  |
|  |  |  |  |  | purpose |  |  |  |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |
|  | **Section** | **194G** | **194H** |  | **194I** | **194 J** |  | **194 LA** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | **Income** |  |  |  |  | Fee for Professional |  | Compensation |  |  |
|  |  | Commission | Commission/ |  | Rent | /technical |  | on acquisition |  |  |
|  |  | on sale of | Brokerage |  |  | services/Royalty |  | of land (other |  |  |
|  |  | lottery ticket |  |  |  |  | than agriculture |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | ***Remuneration/Fees*** |  | land) or |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | ***/commission to*** |  | building |  |  |
|  |  |  |  |  |  | ***director other than*** |  |  |  |  |
|  |  |  |  |  |  | ***employee director*** |  |  |  |  |
|  |  |  |  |  |  | ***[w.e.f 1/7/12]*** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | **Payer** |  |  |  |  | **Ind /HUF** (tax audit for |  |  |  |  |
|  |  | Any person | **Ind /HUF**(tax |  | **Ind/HUF** (tax audit | prior P/Y ) or **Other** |  | Any person |  |  |
|  |  |  | audit for prior |  | for prior P/Y) or | **payer** |  |  |  |  |
|  |  |  | P/Y) or |  | **Other payer** |  |  |  |  |  |
|  |  |  | **Other payer** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | **Payee** | Any person | Resident |  | Resident | Resident |  | Resident |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | **Exemption** | 1,000 | 2,500 |  |  | *30,000* |  | 2,00,000 |  |  |
|  | **limit** |  |  |  |  |  |  |  |  |  |
|  | **Time of** | Payment or | Payment or |  | Payment or credit, | Payment or credit, |  | Payment or |  |  |
|  | **Deduction** | credit,earlier | credit, earlier |  | earlier | earlier |  | credit, earlier |  |  |
|  | **Rate of** |  |  |  | **P&M : 2 %** | 10% |  | 10% |  |  |
|  | **deduction** | 10% | 10% |  | **L&B or F/F : 10%** |  |  |  |  |  |
|  | **Other** |  |  |  |  | No TDS by Ind/HUF if |  |  |  |  |
|  | **provisions** |  |  |  |  | payment for personal |  |  |  |  |
|  |  |  |  |  |  | purpose |  |  |  |  |

**Sec 191 : Direct Payment**

If **Tax not deducted, then** Income tax shall be payable **by assessee directly as advance tax or otherwise**

**Sec 195A : Tax Free Payments**

If **TDS** is borne by **Payer** Payment made to payee will be treated as **net amount after TDS**

Gross Amount to be = Net Amount received X 100 included in Total Income 100 - TDS rate

**Special point : Grossing up not done for Tax on Non monetary perquisites borne by Employer**

**Sec 196 : No TDS if payments to Specified Payee**

No deduction of tax for payment to **Govt, RBI , Mutual Fund** u/s 10(23D) , **Corporation** under **Central Act** which is exempt from income-tax on its income

**Sec 197 : Certificate for No deduction or deduction at lower rates**

Application to AO for TDS at lower rates/No deduction ***(Except for Sec 194B , 194BB , 194E)*** If AO is satisfied that application is justified than Grant a certificate

**Special Point:**

1. Upon furnishing of certificate ,Payer shall deduct tax at lower rates or deduct no tax
2. Certificate will be valid until it is cancelled by AO

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**Sec 197A : Self Declaration for No deduction of Tax**

**Individual, resident** in India having income subjected to TDS u/s **193, 194 or 194A**

furnishes **declaration** in **duplicate** in writing to the payer in **prescribed form** **Than no deduction of tax** shall be made by Payer

*Payer shall deliver to CCIT or CIT one copy of declaration on or before 7th day of month next following month in which declaration is furnished to him.*

**This declaration shall be made only if**

1. **Tax** on his **estimated Total income** of the previous year is **NIL** &
2. Aggregate **such incomes** during previous year **does not exceed Exemption limit**

**Sec 199 : Credit for Tax Deducted :** Any TDS **deducted** & **paid** to Central Government by payer Shall be treatedas **payment of tax on behalf of payee** & Payee shall get **Credit of Tax deducted**

**Sec 200 : DUTY OF PERSON Deducting TAX**

1. The person deducting the tax shall deposit the tax with the Central Government

**Where govt. is deducting the tax :**

If tax is paid without income-tax challan **: Same day**

If tax is paid by an income-tax challan. **: 7 days from end of month of deduction**

**Other person :**

If amount is credited or paid in the month of March **: On or before 30th** **day of April**

In other case **: on or before 7 days from end of month of deduction**

***AO with prior approval of JC, permit Quarterly payment of TDS u/s 192 or 194A or 194D or 194H as follows***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Quarter ending** | **Due date for Govt Deductor** | | **Due date for Non Govt Deductor** | |
| 1. | **30th June** | 31st | July of F/Y | 15th July of F/Y | |
| 2. | **30th September** | 31st | October of F/Y | 15th | July of F/Y |
| 3. | **31st December** | 31st January of succeeding F/Y | | 15th | January of succeeding F/Y |
| 4. | **31st March** | 15th May of succeeding F/y | | 15th May of succeeding F/y | |

1. **Deductor** shall deliver following **Quarterly statements** to DGIT(Systems)
   1. Deduction of tax u/s 192 **: Form No. 24Q**
   2. Deduction of other TDS
      1. If deductee if Foreign Company or RNOR or NR **: Form No. 27Q**
      2. Other deductee : **Form No. 26Q**

**Statements shall be furnished by due date as follows**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Quarter ending** | |  | **Due date** |
| 1. | 30th June | | 15th July of F/y | |
| 2. | 30th September | | 15th | October of F/y |
| 3. | 31st | December | 15th | January of F/Y |
| 4. | 31st | March | 15th May of succeeding F/y | |

**The statements may be furnished either in Paper form or Electronically**

**Electronically is mandatory for following Deductor :** Government **,** Company **, Person whose** Accountsaudited u/s 44AB in preceding F/Y **or** Deductee’s for any quarter of the financial year are twenty or more

**The statement shall contain the following**

1. TAN of Deductor
2. PAN of deductor
3. PAN of deductees
4. Particulars of tax paid to Govt

**Special point : Penalty u/s 272A :** Penalty of 100 per day for default in filing statement

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**200A : Processing of Statements of TDS**

1. If statement of TDS filed u/s 200, such statement shall be processed in following manner :
   1. Sums deductible shall be computed after making the following adjustments **Arithmetical error** or **Incorrect claim,** apparent from any information in statement
   2. **Interest** shall be computed
   3. **Sum payable** or **Refunable** to deductor shall be determined
   4. **An intimation** shall be prepared & sent specifying sum payable or refundable and
   5. Sum refundable to deductor shall be granted

**Provided** that no intimation shall be sent after end of 1 year from end of F/Y in which statement is filed.

**Sec 201 : Consequences of Failure to Deduct/Pay TDS**

If payer does not deduct, or after deducting fails to pay whole or any part of tax

then, such person be deemed to be an **Assessee in default**

Liable to pay

**Interest @ 1% pm or part** for period from **Due date of deduction TO Date of actual Deduction AND Interest @ 1.5% Pm or part** for the period from **Date of actual deduction TO Date of actual deposit**

and such interest shall be paid before furnishing the statement u/s 200

***Any person who fails to deduct whole/part of TDS on sum to Resident shall not be deemed to be an assessee in default if such resident has***

1. ***Furnished his return of income u/s 139***
2. ***Taken into account such sum for computing income in such return of income &***
3. ***Paid the tax due on income declared by him in such return***
4. ***Person furnishes a certificate from an accountant in prescribed form***

***In such case interest shall be payable from return of income by such resident***

***date on which such tax was deductible to date of furnishing of [w.e.f 1/7/12]***

**Sec 203 : Certificate for Tax Deducted**

Every person deducting TDS Shall, within **Prescribed period** & **Prescribed form** furnish to Payee a Certificate of deduction

* + Specifying the amount so deducted
  + Rate of TDS & Other prescribed particulars

**Sec 203A : Tax deduction Account Number (TAN)**

Every person, liable to deduct tax Shall apply to AO for allotment of TAN in **prescribed form**

TAN shall be quoted in all **Challans** for Deposit of TDS, **Certificates** furnished under section 203 , **Statements** u/s section 200 , other documents

**203AA : Furnishing of Statement of tax deducted**

The Income-tax authority shall within **prescribed time** after end of each financial year prepare and deliver to every person

on whose income **Tax Deducted or Paid**

a statement in **prescribed form** specifying the amount of tax deducted or paid

**205 : Bar against direct demand on Assessee**

**Where tax is deductible**

**assessee shall not be called** upon to pay the tax himself

to the extent to which **tax has been deducted from that income**

**206AA : Requirement to furnish Permanent Account Number**

The payee (Deductee) shall furnish his **Permanent Account Number** (PAN) to the person responsible for deducting such tax ( Deductor)

***If Deductee does not disclose his PAN,*** TDS will be deducted at Applicable TDS rate**or**20%,higher

**Special point :**

1. **Declaration u/s 197A , Certificate u/s 197** shall be invalid without PAN
2. The deductee shall furnish his PAN to deductor and both shall indicate the same in all **correspondence, bills, vouchers and other documents** which are sent to each other.
3. Where PAN provided is **invalid or does not belong to the deductee**, it shall be deemed that deductee has not furnished his PAN to deductor.

**CHAPTER –17**

**ALTERNATE MINIMUM TAX(AMT)**

**Chapter XII-BA of INCOME TAX ACT**

**Sec 115JC : Special provisions for payment of tax by certain persons other than a company**

(1)Notwithstanding anything contained in this Act,

If Regular Income Tax Payable for P/Y by a non company person **< Alternate minimum tax payable** for such P/Y , than

* **Adjusted Total Income** = **Total income** of that person for such P/Y
* Liable to **Pay AMT** on such total income **@ 18.5%.**

(2) **Adjusted Total Income** shall be the total income before giving effect to this Chapter as increased by (*i*) Deductions claimed, if any, under any section (other than section 80P) included in Chapter VI-A

under the heading "*C.—Deductions in respect of certain incomes"* & (*ii*) Deduction claimed, if any, under section 10AA.

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

**Sec 115JD : Tax credit for Alternate Minimum Tax**

1. The credit for tax paid by person u/s 115JC shall be allowed to him in accordance with provisions of this section.
2. The tax credit of A/Y to be allowed shall be **excess of AMT paid over regular income-tax payable** of that year.
3. No interest shall be payable on tax credit allowed under sub-section (1).
4. The amount of tax credit determined as above shall be C/F & set off in accordance with below provisions but such C/F shall not be allowed beyond 10th A/Y immediately succeeding A/Y for which tax credit becomes allowable
5. In any A/Y in which the regular income-tax exceeds AMT, the tax credit shall be allowed to be set off to the extent of the excess of regular income-tax over the AMT and balance of tax credit shall be carried forward.
6. If the amount of regular income-tax or AMT is reduced or increased as a result of any order passed under

this Act, the amount of tax credit allowed under this section shall also be varied accordingly.

**Sec 115JE : Application of other provisions :** All other provisions of this Act shall apply toabove [person

**Sec 115JEE : Application of this Chapter to certain persons**

1. The provisions of this Chapter shall apply to person who has claimed any deduction under any section (other than section 80P) included in Chapter VI-A under heading "*C.—Deductions in respect of certain incomes"* **or** Section 10AA.
2. The provisions of this Chapter shall not apply to Individual or a HUF or AOP or a BOI or AJP if adjusted total income of such person does not **exceed** **`** **20,00,000**

**2. "Regular income-tax"** means the income-tax payable for a previous year by a a person on his total income" inaccordance with the provisions of this Act other than the provisions of this Chapter’.

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