

**FOR CA-IPCC**

# INCOME TAX

## Super Summary

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**Special Thanks:** CA Sunil Sanghvi & CA Sunil Jain

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**Features:**

- \* Based on the Arihant Spirals
- \* All Important points are covered
- \* With Estimated Time Allotment
- \* Written according to suggestions and guidance of above faculties

**Study Pattern:**

Step I: Read Arihant spirals

Step II: Cross check with module

Step III: Read this super summery



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| <i>Total time</i>                         | 150 minutes<br>(2.30 hrs.) |                 |

**Rules of My Life:**

**"Don't use anyone, but being useful for everyone."**

**"There is no tax on helping each other."**

**"Live for other is more joyful rather than live for yourself."**

**"If you light a lamp for somebody, it will also brighten your path."**

**"Happiness is a by-product of an effort to make someone else happy." ☺**

**- Me**

**DEDICATED TO MY FRIENDS**

**- Written by Bhavin Pathak**

## INCOME FROM SALARY

(Estimated Time Allocated – 20 minutes)

### Basis of charge [Section 15]

Salary is taxable on due basis or on receipt basis whichever is earlier.

### Gratuity [Section 10(10)]

- (a) Government employee-Fully exempted
- (b) Employee covered by Gratuity Act – *Minimum of*
  - (i) Actual Received
  - (ii)  $\frac{15}{26} \times \text{Last Drawn Salary} \times \text{No. of completed years plus excess of six months}$
  - (iii) Rs. 3,50,000
- (c) Any other Employees – *Minimum of*
  - (i) Actual Received
  - (ii)  $\frac{15}{30} \times \text{Average Salary of 10 months} \times \text{No. of completed years}$
  - (iii) Rs. 3,50,000

### Pension [Section 10(10A)]

- ⇒ Uncommuted pension – fully exempt
- ⇒ Commuted pension-
  - (a) Government employee – fully exempt
  - (b) Non-Govt. employee (received gratuity also) -  $\frac{1}{3}$  of full value of pension
  - (c) Non-Govt. employee (not received gratuity) -  $\frac{1}{2}$  of full value of pension

### Leave Salary [Section 10(10AA)]

- (i) Govt. employee – fully exempt
- (ii) Non-Govt. employee – *Minimum of*
  - (a) Actual Received
  - (b) Avg. salary of last 10 months  $\times$  Balance Leave calculated on the basis of 30 days
  - (c) Average Salary  $\times$  10 months
  - (d) Rs. 3,00,000

### Retirement Compensation [Section 10(10B)]

*Minimum of*

- (i) Actual Received
- (ii) Amount calculated in accordance with Industrial Dispute Act, 1947
- (iii) Rs. 5,00,000

### Voluntary Retirement [Section 10(10C)] & Rule 2BA

- (i) 10 years of service or 40 years of age
- (ii) For all employees (*except directors of the company*)
- (iii) Reduction in number of employees
- (iv) Not to be filled up
- (v) No same management
- (vi) *Minimum of*
  - (a) Actual amount received

- (b) Last drawn salary  $\times$  3 months  $\times$  No. of completed years of services  
 (c) Last drawn salary  $\times$  balance months' service left  
 (d) Rs. 5,00,000

**Provident Fund**

- |                                         |                                                                                                                                                                                                  |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>(i) RPF</b>                          | → Employee's contribution – excess of 12% salary ( <i>Taxable</i> )<br>→ Interest on provident fund – excess of 9.5% ( <i>Taxable</i> )                                                          |
| <b>(ii) Unrecognized provident fund</b> | → Employer's contribution-Taxable ( <i>Salary</i> )<br>→ Interest on Employer's contribution-Taxable ( <i>Salary</i> )<br>→ Interest on Employee's contribution-Taxable ( <i>Other sources</i> ) |

**Allowances**

- (1) Fully taxable allowances
- (2) Allowance exempt upto specified limit
  - (A) House Rent Allowances [Section 10(13A)] & Rule 2A
 

*Minimum of*

    - (i) Actual allowance received
    - (ii) Rent paid – 10% Salary
    - (iii) 50% of salary - If accommodation is in Mumbai, Kolkata, Delhi, Chennai  
40% of salary - For any other place
  - (B) Actual amount received or amount spent whichever is less (*exempt*)
    - (i) Travelling (ii) Daily (iii) Conveyance (iv) Helper (v) Academic (vi) Uniform
  - (C) Amount received or the limit specified-whichever is less is exempt
    - (i) Children education allowance-Rs.100 p.m. per child (maximum 2 children)
    - (ii) Hostel expenditure allowances-Rs.300 p.m. per child (maximum 2 children)
    - (iii) Transport allowance-Rs.800 p.m. (Rs.1600 for blind/handicapped)
    - (iv) Allowance allowed to transport employees (*who not received daily allowance*)
      - (a) 70% of such allowance or (b) Rs.6000 p.m. (*whichever is less*)
    - (v) Tribal area allowance-Rs.200 p.m.
    - (vi) Underground allowances-Rs.800 p.m.
- (3) Fully exempted allowances
  - (i) Foreign (Govt. Employee) (ii) HC or SC Judge (iii) UNO

**Perquisites [Section 17(2)]**

- (1) Taxable in the hands of all employee**
  - (A) Rent free accommodation
 

Govt. employee-as per Govt. rules  
Non-Govt. employee-

    - (i) Owned by employer-15% of salary (in cities population exceeds 25,00,000)  
10% of salary (in cities population exceeding 10,00,000 but not exceeding 25,00,000)  
– 7.5% of salary (*in other place*)
    - (ii) Not owned by employer: (a) actual rent and (b) 15% of salary (whichever is less)
  - (B) Valuation of monetary obligation of employee-actual expenditure
  - (C) (i) Interest free loan-Interest rate of SBI or 12% (*exemption loan upto Rs.20000*)  
(ii) Use of moveable assets-10% p.a. of actual cost or actual rental charge  
(iii) Transfer of moveable asset
 

Computer & electronic items-Dep. @ 50% for completed years (WDV)  
Motor car-Dep. @ 20% for completed years (WDV)  
Other assets-Dep. 10% for completed years (SLM)
- (2) Perquisites taxable in the hands of specified employees**
  - (i) Sweeper, Gardener or watchman-Actual cost
  - (ii) Gas, electricity or water-Actual cost or manufacturing cost
  - (iii) Education facilities-For children Rs.1,000 p.m. (*exempt*)

Specified employees means-Director, 20% (beneficial ownership), salary more than Rs.50,000 p.a.

**(3) Tax free perquisites for all employees**

(i) Medical facilities

**Medical treatment in India:**

Employer's hospital, Govt. Hospital, Notified hospital, Group medicine insurance, medical insurance u/s 80D (fully exempt)

Any other medical expenditure-maximum of Rs.15,000

**Medical treatment abroad:**

Medical treatment and stay expenses abroad-exempt (If permitted by RBI)

Travel expenditure → GTI upto Rs. 2,00,000 (Fully exempt)

→ GTI above Rs. 2,00,000 (Fully Taxable)

(ii) Leave travel concession [Section 10(5)]-maximum of 2 journeys in block of 4 years (2006-2009) by air/first class air-conditioned in train by shortest distance

**Deductions from salary**

(1) Entertainment allowances [Section 16(ii)]-For Govt. employees only

Minimum of

(a) Actual amount (b) 20% of Basic Salary (c) Rs. 5,000

(2) Professional Tax [Section 16(iii)]-Actual amount paid

**Relief Available [Section 89] – Step 1 – Step 2**

**Meaning of salary for Different purpose-**

|                                                             |                                                                                                       |
|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| (1) For entertainment allowances                            | Basic salary only                                                                                     |
| (2) Gratuity for employees (Covered under Gratuity Act)     | Basic Salary + DA                                                                                     |
| (3) Gratuity for employees (not covered under Gratuity Act) | Basic Salary + DA (if forming part of retirement benefit) + Commission as a fixed percentage turnover |
| (4) Leave Salary                                            |                                                                                                       |
| (5) Voluntary retirement compensation                       |                                                                                                       |
| (6) Contribution to RPF                                     |                                                                                                       |
| (7) House rent Allowances                                   | Basic salary + DA (for R.B.) + Bonus or commission + Taxable Allowances                               |
| (8) Rent free accommodation                                 |                                                                                                       |

**INCOME FROM HOUSE PROPERTY**

(Estimated Time Allocated – 10 minutes)

**Basis of charge [Section 22]**

Annual Value-Building and land apportionment-owner-not use business and profession

In case of composite rent – If it is inseparable (PGBP/Other sources)

**Deemed Owner [Section 27]**

- (1) Transfer to spouse (except agreement to live apart)
- (2) Transfer to a minor child (except minor married daughter)
- (3) Individual holds and importable estate
- (4) Member of co-operative society
- (5) Part performance of Contract u/s 53A – Transfer of Property Act
- (6) Lease – Not less than 12 years
- (7) Dispute – Income received

**Case I – Let out for full year**

**Step I:** MV or FR (higher) **Step II:** Answer or SR (lower) **Step III:** Answer or AR (higher)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Case II – Let out for full year (sum unrealized rent)</b>                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Step III:</b> (i) Answer of Step II (ii) Actual Rent of PY less UR ( <i>higher</i> )<br><i>Key Note</i> – Conditions : (i) Bonafide (ii) Tenant has vacant or Steps have been taken<br>(iii) Tenant is not in occupation of any other property<br>(iv) Taken all reasonable steps for the recovery of unpaid rent                                                                                                                                             |
| <b>Case III – Let out for full year (vacancy also)</b>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Step IV:</b> Determined value in Step III less [Actual rent per month × Vacant months]<br><i>Key Note</i> – In Step III Actual Rent for whole of previous year                                                                                                                                                                                                                                                                                                |
| <b>Case IV – Vacancy + Unrealized Rent</b>                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Case V – Self acquired property</b>                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Net Annual Value → NIL<br>Deduction → Interest on capital borrowed → Rs. 30,000 ( <i>maximum limit</i> )<br>Rs. 1,50,000 → Loan on or after 1/4/1999 → within 3 years acquired or considered → proof<br><b>More than one self-occupied property [Section 23(4)]</b><br>One self-occupied property = Nil ( <i>Other deemed let out</i> )                                                                                                                          |
| <b>Case VI – Self occupied + Let out</b>                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Actual Rent taken for let out period only, but municipal tax for the full P/Y                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Deductions [Section 24]</b>                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| (i) Municipal tax paid by owner<br>(ii) Std. deduction @ 30% of NAV<br>(iii) Interest on borrowed capital ( <i>Accrued basis</i> )<br><i>Key Note</i> – Interest on pre-construction period-<br>Date of loan to prior to the P/Y (completed) = 5 equal instalments<br>Borrowed commission (disallowed), Interest on unpaid interest (disallowed), Interest on fresh loan (allowed), Interest on borrowed capital, Payable outside India without TDS (disallowed) |
| <b>Recovery of unrealized rent already reduced from the annual value for A/Y 2002-03 &amp; onwards [Section 25AA]</b>                                                                                                                                                                                                                                                                                                                                            |
| Unrealized rent recovered less Already taxed earlier ( <i>Taxable</i> )                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Arrears of rent received [Section 25B]</b>                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Arrears of rent received less Already taxed earlier ( <i>Taxable after deducting 30%</i> )                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Co-ownership [Section 26]</b>                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| → Provision of self-occupied property will apply to each co-owner<br>→ Deduction upto Rs. 30,000 / Rs. 1,50,000 will be available to each co-owner                                                                                                                                                                                                                                                                                                               |
| <b>Property Exempt From Tax</b>                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| One Palace of Ex-Ruler, Trade Union, One Self Occupied Property, Use of Business or Profession, Political Party, Charitable Purpose, Hospital                                                                                                                                                                                                                                                                                                                    |
| <b>Composite Rent</b>                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Actual Rent Received less Electricity bill, water bill, Lift maintenance expenses, Liftman salary, Salary of gardener, Lighting of stairs                                                                                                                                                                                                                                                                                                                        |

**PROFIT & LOSS FROM BUSINESS & PROFESSION**  
**(Estimated Time Allocated – 30 minutes)**

**Chargeable under the head business or profession [Section 28]**

- (i) Profits and Gains of Business or profession
- (ii) Compensation: Indian company, any other company in India, Agency, Govt.
- (iii) Profit on import licence, Cash assistance against exports, Duty Draw back
- (iv) Value of benefit or perquisite arising from business/profession
- (v) Salary received by partner of a firm
- (vi) (a) Not carrying out any activity (b) Not sharing any know how
- (vii) Keyman Insurance Policy
- (viii) Any sum received or receivable on account of any capital assets, in respect of which deductions has been allowed under *Section 35AD*

**Business must be carried on during the P/Y**

Exceptions: Recovery against loss, Balancing charge, Sale of Scientific Research Assets, Recovery against bad debts, Amount withdrawn from special reserve

**Method of Accounting [Section 32]**

Cash system or mercantile system (*option to assessee*)  
 Two Accounting Standards (AS) in mercantile system  
 AS 1: Disclosure of Accounting Policies  
 AS 2: Prior period and extra ordinary items and charges in accounting policies

**Admissible Deduction [Section 30-37]**

**Rent, rates, taxes, repairs and insurance for buildings [Section 30]**

**Repairs and Insurance of machinery, plant & furniture [Section 31]**

Only revenue expenditure

**Depreciation [Section 32]**

Owner → Asset must use in business/profession → relevant P/Y → eligible asset → WDV method

**Block of Assets [Section 2(ii)]:** Same nature → Same Rate

**Rates of depreciation for various block of assets**

- (I) Building: Residential → 5%, Non-residential → 10%, Temporary residential → 100%
- (II) Furniture & Fittings → 10%
- (III) Plant & Machinery: General Rate → 15%, Books for profession and library → 100%, Motor car for Hire → 30%, Motor car for Business → 15%, Computer → 60%, Ships → 20%
- (IV) Intangible assets → 25%

**Additional Depreciation [Section 32 (1)(ia)]**

Only for manufacturing business → any new machinery or plant (*other than ships and aircrafts*) installed after 31/3/2005 → @ 20% of annual cost  
*Condition:* No second hand, not installed in office, no road transport vehicle, no deduction in one P/Y

**Short Term Capital Gain for Depreciable Asset**

*When entire block are not transferred:*

Consideration for transfer less Expenses of transferred, Opening WDV, Purchase

- If the difference is *profit*, it is taxable as STCG.
- If the difference is *loss*, it is claimed depreciation under *section 32*.

If asset purchased during the relevant P/Y → Put in to use *less than 180 days (dep. 50% of prescribed rate)*

**Computation of Depreciation**

|       |                                                                                   |       |              |
|-------|-----------------------------------------------------------------------------------|-------|--------------|
|       | Depreciated value of block at begging of P/Y                                      | (i)   | .....        |
| Add:  | Cost of asset <i>put to use</i> during the P/Y                                    | (ii)  |              |
|       | a. Assets eligible for dep. @ 100% of normal rate                                 | ..... |              |
|       | b. Assets eligible for dep. @ 50% of normal rate                                  | ..... | .....        |
| Less: | Money payable in respect of assets sold/discarded/demolished/destroyed during P/Y |       |              |
|       | Subject to maximum of (i)+(ii)                                                    |       | (.....)      |
|       | WDV at the end of P/Y [Section 43(6)(c)]                                          |       | .....        |
| Less: | Depreciation for the P/Y                                                          |       | (.....)      |
|       | <b>Depreciated value at the end of P/Y</b>                                        |       | <b>.....</b> |

**Computation of STCG/STCL**

|       |                                                                                                                                                                                |               |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
|       | Sale consideration of those depreciable assets which have been transferred during the P/Y and which fall in the same block of asset ( <i>whether received in cash or not</i> ) | .....         |
| Less: | Total of following three                                                                                                                                                       |               |
|       | a. Opening value of block                                                                                                                                                      | .....         |
|       | b. Cost of capital acquired during the P/Y                                                                                                                                     | .....         |
|       | c. Cost of transfer                                                                                                                                                            | ..... (.....) |
|       | <b>STCG/STCL</b>                                                                                                                                                               | <b>.....</b>  |

**Depreciation for undertaking engaged in generation & distribution of power**WDV or SLM (*option of assessee*)

Consequence if the above assets are sold

Depreciation on the basis of WDV: Same treatment as done in Block concept

Depreciation on the basis of SLM:

(i) WDV – Sale Price = Terminal Depreciation (*allowed in PGBP*)(ii) Sale price (*not more than actual cost*) – WDV = Balancing charge (*Taxable in PGBP*)(iii) Sale price (*more than actual cost*) – Actual Cost = Capital Gain**Set-off and carry forward of unabsorbed depreciation [Section 32(2)]**

Same head → any head of income other than salary → carry forward to any number of years

|                                                                                                          | <b>Tea Development Account [Section 33AB]</b>         | <b>Site restoration fund A/c [Section 33ABA]</b>  |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|
| <i>Applicable</i>                                                                                        | Tea or Coffee or rubber                               | Petroleum or natural gas                          |
| <i>Time Limit</i>                                                                                        | Six months of end of P/Y or before ROI                | Before end of P/Y                                 |
| <i>Deposit</i>                                                                                           | NABARD or TCR board                                   | SBI or Scheme of Ministry of P & G                |
| <i>Deduction</i>                                                                                         | 40% of profits of such business ( <i>max. limit</i> ) | 20% profit of such business ( <i>mix. limit</i> ) |
| <b>Common provision in case of Section 33AB/33ABA</b>                                                    |                                                       |                                                   |
| Deduction withdrawn → Purchase for office or residence, office appliances ( <i>other than computer</i> ) |                                                       |                                                   |
| Deduction allowed → in one year, XI <sup>th</sup> Schedule, sale before 8 years from end of P/Y          |                                                       |                                                   |

**Expenditure of scientific research [Section 35]**

(1) Expenditure incurred by the assessee

(A) In all cases of in house research → 100% (*other than cost of any land*)Any expenditure during 3 years immediately preceding the year of commencement of business → 100% (*other than cost of any land*)(B) In case of companies in specified business → 150% (*except land and building*)Special business = Bio-technologies or companies engaged in the business of manufacturer or production of an article or thing except those specified in the XI<sup>th</sup>

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Schedule of the Income Tax Act</p> <p>(2) In case of contribution to outsiders → 125% (<i>whether or not research related to assessee business</i>)<br/>Any national laboratory, university, IIT, Approved bodies</p> <p><b>Unabsorbed expenditure</b> → Same Treatment as unabsorbed depreciation</p>                                                                                                                                                                                                                                                         |
| <p><b>Expenditure on acquisition of Patent Rights or Copy Rights [Section 35A]</b></p> <p>Before 1/4/1998 → Allowed in 14 equal annual instalments<br/>On or after → Depreciation at 25% (WDV)</p>                                                                                                                                                                                                                                                                                                                                                                |
| <p><b>Expenditure for obtaining Telecommunication License [Section 35ABB]</b></p> <p>Amount of deduction = <math>\frac{\text{Amount paid}}{\text{Remaining period of license}}</math></p>                                                                                                                                                                                                                                                                                                                                                                         |
| <p><b>Donation for Eligible Project [Section 35AC]</b></p> <p>(1) Eligible expenditure → Payment to public sector company, local authority, approved association, direct expenditure incurred on eligible project (<i>For Company only</i>)<br/>(2) Amount deduction → Actual payment or actual expenditure<br/>(3) Withdrawal of exemption → Project is not being carried on accordance with condition of national committee, Report nor furnished to the national committee</p>                                                                                 |
| <p><b>Investment-linked tax incentive for specified business-cold chain facilities, warehousing facilities for storage of agriculture produce, and cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities [Section 35AD]</b></p>                                                                                                                                                                                                                                                                     |
| <p><b>Donation for Rural Development [Section 35CCA]</b></p> <p>National fund for Rural Development, National Urban poverty Eradication Fund</p>                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p><b>Preliminary Expenses [Section 35]</b></p> <p>(1) Applicability → Indian company or Non-corporate resident assessee<br/>(2) Before commencement of business → For setting up of any business<br/>After commencement of business → Extension or setting up new undertaking<br/>(3) List of specified expenditures → Feasibility Report, project report, market survey, engineering services, legal charges, drafting and printing of MoA &amp; AoA, registration fees, issue of shares and debentures, underwriting commission, expenditure of prospectus</p> |
| <p><b>Expenditure in case of amalgamation or demerger [Section 35DD]</b></p> <p>Indian company → 5 instalments</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p><b>Expenditure incurred under Voluntary Retirement Scheme (VRS) [Section 35DDA]</b></p> <p>Any assessee → 5 equal annual instalments</p>                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p><b>Expenditure on prospecting for certain minerals [Section 35E]</b></p> <p>Amount of deduction → <math>\frac{1}{10}</math>th of expenditure or Income from such prospecting (<i>lower</i>)</p>                                                                                                                                                                                                                                                                                                                                                                |

**Other Deduction [Section 36(1)]**

- (1) Insurance premium on stocks → allowable only in year of payment
- (2) Insurance premium on life of cattle → allowable only in year of payment
- (3) Insurance premium paid on health of employees → payment made by any mode other than cash
- (4) Bonus or commission paid to employees → on or before due date of filing return [Section 43B]
- (5) Interest paid on borrowed capital → Actual Interest
- (6) Employers contribution to RPF → on or before the due date of ROI
- (7) Contribution to approved gratuity fund → on or before the due date of ROI
- (8) Contribution from employees → on or before the due date under the relevant Act
- (9) Amount of deduction = Actual cost of animal **less** Amount realized on sale of animals
- (10) Bad debts → only actual bad debts allowed (*provision for bad debts disallowed*)
- (11) Provision for bad and doubtful debts for rural branches of Banks and co-operative banks
- (12) Special reserve created by Financial Corporations
- (13) Family planning expenditure → only for company assessee
  - ⇒ Revenue expenditure → fully allowed
  - ⇒ Capital expenditure → Allowed in 5 years in equal instalments
  - ⇒ Unabsorbed family planning expenditure → same manner as unabsorbed depreciation
- (14) Treatment of discount on zero coupon bonds → Allowed proportionately
- (15) Securities Transaction Tax (STT) → Allowed as a deduction
- (16) Special deduction for reserve (*maximum 20%*) → allowed to national Housing Bank

**General Deduction [Section 40 (a)]**

Expenditure only for business or profession → revenue nature → during the P/Y → not covered by Section 30 to 36 → No personal expenditure

**Disallowed Expenditures [Section 40(a) – 43B]****Expenses not deductible [Section 40(a)]**

(1) Salary, Interest, Royalty, etc. for non-resident (*without TDS*) (2) Interest, Commission, Royalty, etc. for resident (*without TDS*) (3) Fringe benefit tax (4) Income tax/Dividend tax (5) Wealth Tax

**Disallowance for Partnership firm [Section 40(b)]**

- ⇒ Payment of interest to any partner → as per deed 12% p.a. (*whichever is lower*)
- ⇒ For payment of salary, bonus to working partner:

**Specified Profession Firm & other Firm**

|                                                                        |                                                                                 |
|------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| On the first Rs. <b>3,00,000</b> of the book profit or in case of loss | Rs. <b>1,50,000</b> or at the rate of 90% of the book profit, whichever is more |
| On the balance of the book profit                                      | 60% of book profit                                                              |

**Payment to specified persons [Section 40A(2)]**

AO may disallowed → excessive or unreasonable (*fair market value*)

**Cash Payment in respect of expenditure exceeding Rs. 20,000 [Section 40(A)(3)]**

Payment in excess of Rs. 20,000 (*for transporter Rs. 35,000*) otherwise **Account Payee** cheque or Demand Draft → 100% disallowed

Exceptions: Payment made to bank and financial institutions, Govt., Banking Holiday, Employees (*not exceed Rs. 50,000*), village not served by any bank, book adjustment, producer of agriculture, Poultry farm, Dairy, Cottage Industry (*without aid of power*)

**Disallowance or provision for gratuity [Section 40A(7)]**

- ⇒ Provision for Gratuity
- ⇒ Approved gratuity fund (*allowed*), actual payment of gratuity (*allowed*)

**Deduction based on actual payment [Section 43B]**

Certain deduction are made only on actual payment on or before the due date of ROI → Any tax, duty, cess, Interest on loans from scheduled bank or any public financial institution, any bonus or commission or leave encashment to employees, contribution to PF

**Maintenance of accounts by person carrying on profession or business [Section 44A & Rule 6F]**

(i) Business assessee (**Other than notified profession**): Income from business or profession exceeds Rs. 1,20,000 Or Total sales/gross receipts exceeds Rs. 10,00,000.  
In any of 3 preceeding P/Y or likely to exceeds in case of newly setup business or profession. Assessee is required to maintain → books of account and other documents (for computation of income)

(ii) Not required to maintain any books if specified amount are not exceeded.

**Notified Professions:** Profession of Law, Medicine, engineering, accounting, CA, CS, etc.

(i) Gross receipts exceeding Rs. 1,50,000 (in all three years immediately preceeding the PY or likely to exceed if the profession is newly setup)

Assessee is required to maintain: **Specified books** → Cash Book, Journal, Ledger, Carbon Copies of Bills exceeding Rs. 25, Original Bill for expenditure exceeding Rs. 50

In case of medicine profession: Daily Cash Register, Medicine Inventory Register

(ii) In other cases: Assessee is required to maintain such books of account and other documents as may enable the Assessing Officer to compute income

**Compulsory Audit of Accounts [Section 44AB]**

- (1) Applicability →
  - (a) For business total sales or gross receipts exceed Rs. 40,00,000
  - (b) For profession gross receipts exceeds Rs. 10,00,000
  - (c) Business referred to u/s 44AD/AE/AF and declaring lower income
- (2) Filling of report → Audit report of CA on or before 30th September of the relevant A/Y
- (3) If accounts audited under any other law → Report with audit report under any law
- (4) Consequence of non-compliance → Defective return [Section 139(9)]

**Presumptive income in case of Specific Business or Profession [Section 44AD/AE/AF]**

**Civil construction [Section 44AD]:** 8% or more of gross turnover

**Business of plying and leasing goods carriages [Section 44AE]:** Heavy goods vehicle Rs. 3,500 p.m. and other Rs. 3,150 p.m. or part of a month (Maximum 10 goods carriage)

**Retail traders whose turnover exceeds Rs. 40,00,000 [Section 44AF]:** 5% or more of gross turnover

**Common provisions in case of Section 44AD/AE/AF**

- (1) Deduction under Section 30-38 (deemed to be allowed)
- (2) Depreciation (deemed to be allowed)
- (3) Turnover for under Section 44AB (not to considered)
- (4) Option for lesser amount (Section 44AA & 44AB applicable)
- (5) Partner's – Interest, salary (allowed)
- (6) Deduction under Section 80C-80U (allowed)

## INCOME FROM CAPITAL GAIN

(Estimated Time Allocated – 20 minutes)

### Basis of charge [Section 45(1)]

Capital assets → Transfer → P/Y → Capital Gain → Exemption u/s 54-54H (applicable)

### Capital Assets [Section 2(14)]

**Includes** → Property of any kind whether or not connected with business or profession

**Excludes** → Stock in trade, personal effects (except jewelry, archeological collections etc.), Rural agriculture land in India

### Types of Capital Assets

(i) **Short term capital assets** → Holding period not more than **36 months**

Exception → Holding period not more than **12 months**

Equity or preference shares, listed securities, units of mutual fund, Zero Coupon Bonds

(ii) **Long term capital assets** → A capital assets which is not a short term capital asset

### Transfer [Section 2(47)]

Sale Exchange, Relinquishment, Extinguishment, Compulsory Acquisition, Conversion of Capital Assets, **Redemption of Zero Coupon Bonds**, Part Performance of Contract (Transfer Of Property Act), Enjoyment Of Immovable Property

### Meaning of Zero Coupon Bond [Section 2(48)]

(a) Issued (on or after 1/6/2005) → Infrastructure capital company or infrastructure capital fund or public sector company or scheduled bank

(b) No payment and benefit → before maturity or redemption

(c) Central government → Notification in the Official Gazettee

### Transaction which are not considered as transfer [Section 47]

- (1) Partition of HUF
- (2) Gift or will or irrevocable trust (except → ESOP)
- (3) Holding company to its Indian Subsidiary company (Condition → 100% shareholding)
- (4) Subsidiary company to its Indian Holding company (Condition → 100% shareholding)
- (5) Amalgamation company to its Indian amalgamated company
- (6) Amalgamation of a company with a Banking Institutions
- (7) Demerged company to its Indian resulting company
- (8) Transfer of shares by resulting company to the shareholders of demerged company
- (9) Shares of amalgamated company to shareholder of amalgamated company
- (10) Transfer made by one non-resident to another non-resident (outside India)
- (11) Transfer (Government, University, Notional Museum, National art Gallery, Notified by CG)
- (12) Conversion of Bonds, debenture, deposit certificate into shares or debentures of that company
- (13) Transfer of land by Sick Industrial company (managed by its own co-operative)
- (14) Transfer of capital assets of a firm into company

**Condition:** All assets/liabilities, capital ratio, partners received only by shares, 50% voting power 5 years

### Comparison of Capital Gain [Section 48]

(i) Computation of Short Term Capital Gain:

Full value of consideration **Less** Transfer expenses, COA, COI, Exemption u/s 54B, 54D & 54G

(ii) Computation of Long Term Capital Gain:

Full value of consideration **Less** Transfer expenses, ICOA, ICOI, Exemption u/s 54-54H

| <b>Cost of acquisition and Improvement [Section 55]</b>                                   |                                                         |
|-------------------------------------------------------------------------------------------|---------------------------------------------------------|
| ⇒ <b>In case of right to manufacture, produce any article or goodwill of a business</b>   |                                                         |
| COA → Nil (if self-generated by assessee or provision owner.)                             | Cost to assessee/ Previous Owner (if required/purchase) |
| COI → Nil                                                                                 |                                                         |
| ⇒ <b>In case of Tenancy rights, Route permits and loom hours, trademarks or bond name</b> |                                                         |
| COA → Nil (if self-generated by assessee or provision owner.)                             | Cost to assessee/ Previous Owner (if required/purchase) |
| COI → Expenses incurred by assessee or previous owner                                     |                                                         |

|                                              |                          |
|----------------------------------------------|--------------------------|
| <b>Goodwill of profession is not taxable</b> | → B. Srinivas Setty (SC) |
|----------------------------------------------|--------------------------|

| <b>Cost of Acquisition of different types of shares [Section 55]</b>        |                                                                                         |                                                                                  |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <b>Particulars of Assets</b>                                                | <b>Date of acquisition/Holding Period</b>                                               | <b>Cost of Acquisition</b>                                                       |
| (1) Shares originally purchased:                                            |                                                                                         |                                                                                  |
| (a) Primary market                                                          | Date of Allotment                                                                       | Allotment price                                                                  |
| (b) Secondary market                                                        |                                                                                         |                                                                                  |
| (i) Transaction through share broker                                        | Date of broker's note                                                                   | Amount paid + Brokerage charges + Adjustment for exp. & com. + dividend/interest |
| (ii) Transaction between parties directly                                   | Date of contract of sale                                                                | As above (excluding brokerage)                                                   |
| (2) Bonus share                                                             | Date of allotment                                                                       | NIL                                                                              |
| (3) Shares acquired in different lots at different point of time            | FIFO method                                                                             | FIFO method                                                                      |
| (4) Shares held in depository system (taxable in hands of beneficial owner) | FIFO method                                                                             | FIFO method                                                                      |
| (5) Right shares offered to existing shareholders and subscribed by them    | Date of allotment                                                                       | Offer Price                                                                      |
| (6) Right share acquired by a person by way of renouncement                 | Date of allotment                                                                       | Offer price + Amount paid for renouncement                                       |
| (7) Renouncement of right shares in favour of another person                | Holding period is date of offer of such right to the date of renouncement (always STCG) | NIL                                                                              |
| (8) Financial asset acquired without any payment                            | Date of allotment of such financial assets                                              | NIL                                                                              |

| <b>Computation of Capital Gain in Special Cases</b> |                                                                                                                          |                                     |                                                                                                                                            |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Section</b>                                      | <b>Nature of Transaction</b>                                                                                             | <b>Year of taxability</b>           | <b>Computation of Capital gain</b>                                                                                                         |
| 45(1A)                                              | Insurance claim on loss of assets                                                                                        | Year of receipt of claim            | Insurance claim received <b>Less</b> COA or COI                                                                                            |
| 45(2)                                               | Conversion of capital assets into Stock-in-trade (Key note: Indexation based on year of conversion, not on year of sale) | Year of transfer of converted stock | FMV of the capital asset on conversion <b>Less</b> COA or ICOA<br>Business income = Sale consideration <b>Less</b> FMV considered as above |
| 45(2A)                                              | Sale of shares held as depository (FIFO method)                                                                          | Year of transfer                    | Consideration for transfer <b>Less</b> COA or ICOA                                                                                         |
| 45(3)                                               | Introduction of capital assets by partner into firm                                                                      | Year of distribution                | Amount credited in partners' capital a/c in the books of the firm <b>Less</b> COA or ICOA                                                  |
| 45(4)                                               | Distribution of capital asset by partners/ members on                                                                    | Year of first receipt               | FMV on date of transfer <b>Less</b> COA                                                                                                    |

|       |                                                                              |                          |                                                                                                                                    |
|-------|------------------------------------------------------------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------|
|       | dissolutions of firm/AOP/BOI                                                 |                          | or ICOA                                                                                                                            |
| 45(5) | Compulsory acquisition of capital asset by Government                        |                          |                                                                                                                                    |
|       | (a) Normal compensation                                                      | Year of first receipt    | Whole of normal compensation received or receivable <b>Less</b> COA or ICOA                                                        |
|       | (b) Enhanced compensation                                                    | Year of receipt of claim | Enhanced compensation <b>Less</b> Expenses incurred                                                                                |
| 45(6) | Redemption 80CCB Units                                                       | Year of repurchase       | Repurchase price <b>Less</b> Amount invested ( <i>no indexation</i> )                                                              |
| 46    | Receipts of Assets / cash from company on liquidation                        | Year of receipt          | FMV of asset received <b>Add</b> Amount received in Cash <b>Less</b> Deemed dividend u/s 2(22)(c) <b>Less</b> COA or ICOA of hares |
| 46A   | Repurchase/buy back of shares /Specified securities                          | Year of repurchase       | Consideration for transfer <b>Less</b> COA or ICOA                                                                                 |
| 50B   | Sale or undertaking as a going concern or Slump sale                         | Year of transfer         | Lump sum consideration <b>Less</b> Net worth                                                                                       |
| 50C   | Transfer of land or building or both at less than stamp duty authority value | Year of transfer         | Value determined by stamp duty authority <b>Less</b> COA or ICOA                                                                   |

**Advance money forfeited [Section 51]**Cost of assessee **Less** Forfeited by the assessee**Reference of a valuation officer [Section 55A]**

(i) Sale consideration &lt; FMV

(ii) Difference between FMV and sale consideration (*more than Rs. 25,000 or 15%*)**Exemption on compulsory acquisition of agriculture land [Section 10(37)]**

Individual or HUF → Holding period 2 year or more → Consideration determined by CG or RBI → on or before 1/4/2004

**Exemption on LTCG from Shares [Section 19(38)]**

Transfer on or after 1/10/2004 → Through recognized stock exchange → security transaction tax applicable

**Tax on STCG from shares @ 15% [Section 111A]**

Transfer on or after 1/10/2004 → Through recognized stock exchange → security transaction tax applicable

**Tax on LTCG from listed securities [Section 112]**Tax @ 20% on LTCG after Indexation or @ 10% on LTCG without indexation (*whichever is less*)

| <b>Exemption from Capital Gain [Section 54/54B/54D/54EC/54F/54G/54GA]</b> |                                                       |                        |                                                                            |                              |                                                                                                  |                                                                                                |                                                                                                                                                           |                                                                                            |                                                                                                                                                                                                      |
|---------------------------------------------------------------------------|-------------------------------------------------------|------------------------|----------------------------------------------------------------------------|------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Sec.</b>                                                               | <b>Asset transferred</b>                              | <b>Who is entitled</b> | <b>Use of Holding period</b>                                               | <b>Amount to be invested</b> | <b>New Asset</b>                                                                                 | <b>Exemptions</b>                                                                              | <b>Prescribed period for investment</b>                                                                                                                   | <b>Treatment of unutilized amount</b>                                                      | <b>Sale of new asset</b>                                                                                                                                                                             |
| 54                                                                        | Residual House                                        | Individual or HUF      | Exceeding 36 months                                                        | Capital Gain                 | Residual House                                                                                   | Capital Gain or amt. invested whichever is less                                                | Within 1 yr. before or 2 yrs. after the date of transfer in case of purchase, or within 3 yrs. after the date of transaction in case of new consideration | Deposit in Capital Gains Account Scheme before due date of furnishing the return of Income | If sold within 3 yrs. from the date of purchase/construction for the purpose of computation of STCA on the new asset, the cost of new asset shall be reduced by the amount of CG claimed as exempted |
| 54B                                                                       | Agricultural Land                                     | Individual             | Use for 2 yrs. for agriculture                                             | Capital Gain                 | Agricultural land                                                                                | As Above                                                                                       | Within 2 yrs. after transfer                                                                                                                              | As Above                                                                                   | As Above                                                                                                                                                                                             |
| 54D                                                                       | L & B for industrial Undertaking                      | Any assessee           | Use for 2 years                                                            | Capital Gain                 | L & B for industrial undertaking                                                                 | As Above                                                                                       | Within 3 yrs. after transfer                                                                                                                              | As Above                                                                                   | As Above                                                                                                                                                                                             |
| 54EC                                                                      | Long term capital asset                               | Any assessee           | LTCA                                                                       | Capital Gain                 | Bonds issued on or after 1/4/2007 by NHAI or RECL                                                | Capital Gain or amt. invested whichever is less (maximum Rs.50 lakh during any financial year) | Within 6 months of transfer of original asset                                                                                                             | Not Applicable                                                                             | If sold within 3 yrs. exempted Capital gain will be deemed to be the income of the assessee in the yr. of sale of new asset                                                                          |
| 54F                                                                       | Any asset other than residual house                   | Individual or HUF      | Should be LTCA. Should not own more than one house on the date of transfer | Net consideration            | Residual House                                                                                   | $\text{Capital Gain} \times \frac{\text{Amt. Invested}}{\text{Net consider.}}$                 | Within 1 yr. before or 2 yrs. after the date of transfer in case of purchase, or within 3 yrs. after transfer in case of construction                     | Deposit in Capital Gains Account Scheme before due date of furnishing the return of Income | Sale as for Section 54, 54B, 54D except that under section 54F will be taxed as LTCG                                                                                                                 |
| 54G                                                                       | P & M or L&M for industrial undertaking in urban area | Any assessee           | May be LTCA or STCA                                                        | Capital Gain                 | P & M or L & B used for industrial undertaking in non-urban area or meeting expenses of shifting | Capital Gain or amt. invested whichever is less                                                | Within 1 yr. before or within 3 yr. after the date of transfer                                                                                            | As Above                                                                                   | Same as for Section 54, 54B & 54D                                                                                                                                                                    |
| 54GA                                                                      | P & M or L&M for industrial in urban area             | Any assessee           | May be LTCA or STCA                                                        | Capital Gain                 | P & M or L & B used for industrial undertaking in SEZ or meeting expenses of shifting            | Capital Gain or amt. invested whichever is less                                                | Within 1 yr. before or within 3 yr. after the date of transfer                                                                                            | As Above                                                                                   | Same as per Section 54                                                                                                                                                                               |

**INCOME FROM OTHER SOURCES***(Estimated Time Allocated – 8 minutes)***Basic Charge [Section 56(1)]**

Income not related to any head

**Specified Incomes [Section 56(2)]**

- (i) Dividend, winning from lotteries, races, card games, incomes from letting machinery or furniture along with building and only machinery or furniture, interest on securities.
- (ii) **Where any some of money / any property / movable property exceeding Rs. 50,000 the whole of such amount (except relative, occasion of marriage, under a will, in comparison of death of the payer)**

**Deemed Dividend [Section 2(22)]**

(a) Any distribution by company, (b) Distribution of debenture, (c) Distribution of accumulated profit to shareholders on liquidation, (d) Distribution on reduction of share capital, (e) Any advance / loan by a private company to equity shareholder (10% voting power) or any concern (in which such member is have been not less than 20% voting power)

**Rate of tax in case of winning from lottery etc. [Section 155BB]**

30% of such income + 2% education + 1% SHEC

**Interest on securities (Rates of TDS)**

| Types of Security         | Rate of TDS |
|---------------------------|-------------|
| (i) CG/SG securities      | No TDS      |
| (ii) Listed securities    | 10%         |
| (iii) Unlisted Securities | 20%         |

**Note: In case of tax free non-government securities → Grossing Up of interest****Bond Washing Transaction**

- If owner of any securities sells it just before due date and again acquires them after due date, he will be able to avoid payment of tax on interest
- In such case as per Section 94 interest would be deemed to be the income of transferor and not Transferee.

**Example:**

- (a) If there is not avoidance of Income Tax or
- (b) The avoidance of Income Tax was exceptional and bot synergic and there was no avoidance of income tax of three proceeding years.

**Family Pension [Section 37(ia)]**

Family pension received by legal heir of deceased employee, taxable under the head "other source. Standard deduction to legal heirs is allowed.

- (i) 33.33% of pension
  - (ii) Rs. 15000
- } whichever is lower

## CLUBBING OF INCOME

*(Estimated Time Allocated – 8 minutes)*

|                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Transfer of income without transfer of assets [Section 60]</b>                                                                                                    |
| Taxable in hands of transferor                                                                                                                                       |
| <b>Revocable transfer of assets [Section 61]</b>                                                                                                                     |
| Taxable in the hands of transferor                                                                                                                                   |
| <b>Remuneration of a spouse from a concern in which the other spouse has substantial interest other than for excising professional knowledge [Section 64(1)(ii)]</b> |
| Clubbed in the hands of individual                                                                                                                                   |
| <b>Income from assets transferred to the spouse for inadequate consideration [Section 64(1)(iv)]</b>                                                                 |
| Clubbed in the hands of individual                                                                                                                                   |
| <b>Income from assets transferred to the son's wife for inadequate consideration [Section 64(1)(vi)]</b>                                                             |
| Clubbed in the hands of individual                                                                                                                                   |
| <b>Income from assets transferred to any person for the benefit of the spouse of the transferor [Section 64(1)(vii)]</b>                                             |
| Clubbed in the hands of individual                                                                                                                                   |
| <b>Income from assets transferred to any person for the benefit of the son's wife of the transferor [Section 64(1)(vii)]</b>                                         |
| Clubbed in the hands of individual                                                                                                                                   |
| <b>Clubbing of income of a minor child [Section 64(1A)]</b>                                                                                                          |
| In the hands of parents whose total income is higher or the person maintained minor                                                                                  |
| <b>Income from self-acquired property concerted to joint family property for inadequate consideration [Section 64(2)]</b>                                            |
| Clubbed in the hands of individual                                                                                                                                   |

**SET-OFF & CARRY FORWARD***(Estimated Time Allocated – 6 minutes)*

| Nature of Income     |                                             | Set-Off                     |                              |                                | Carry Forward       | Set-Off   |
|----------------------|---------------------------------------------|-----------------------------|------------------------------|--------------------------------|---------------------|-----------|
|                      |                                             | Same Source under same head | Inter-source under same head | Inter-Head                     | For Assessment Year | From      |
| <b>Salary</b>        |                                             | NA                          | NA                           | NA                             | NA                  | NA        |
| <b>PGBP</b>          | <b>Non-Speculation</b>                      | ✓                           | ✓                            | ✓<br><i>Except from Salary</i> | 8 years             | Same head |
|                      | <b>Speculation</b>                          | ✓                           | ✓                            | ✓                              | 4 years             | Same head |
|                      | <b>Owning &amp; maintenance race horses</b> | ✓                           | ×                            | ×                              | 4 years             | Same head |
| <b>Capital Gains</b> | <b>Short Term</b>                           | ✓                           | ✓                            | ×                              | 8 years             | Same head |
|                      | <b>Long Term</b>                            | ✓                           | ×                            | ×                              | 8 years             | Same head |
| <b>Other Sources</b> | <b>Winning from lottery etc.</b>            | ×                           | ×                            | ×                              |                     |           |
|                      | <b>Interest etc.</b>                        | ✓                           | ✓                            | ✓                              |                     |           |

**DEDUCTIONS (UNDER CHAPTER VIA) FROM GROSS TOTAL INCOME***(Estimated Time Allocated – 14 minutes)*

| Sec.   | Applicability                                                    | Nature of Payment/Receipt                                                           | Amount of deduction                                                                                                                                                                                       |
|--------|------------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 80C    | Individual/HUF                                                   | Life insurance premium, contributions to PF, etc.                                   | Max. Rs. 1,00,000                                                                                                                                                                                         |
| 80CCC  | Individuals                                                      | Contribution to certain pension funds                                               | Amt. paid or Rs. 1,00,000 ( <i>lower</i> )                                                                                                                                                                |
| 80CCD  | CG or other or self-employees                                    | Contribution to CG pension schemes                                                  | Amt. paid or 10% of salary ( <i>lower</i> )<br>[Self-employees max. 10% of GTI]                                                                                                                           |
| 80CCE  | 80C+80CCC+80CCD                                                  |                                                                                     | Max. Rs. 1,00,000                                                                                                                                                                                         |
| 80D    | Individuals/HUF                                                  |                                                                                     | General: Premium paid or Rs. 15,000 ( <i>lower</i> ) and For parents Rs. 15,000<br>Senior citizen: premium paid or Rs. 20,000 ( <i>lower</i> )                                                            |
| 80DD   | Resident Individual/HUF                                          | Expenditure on handicapped dependent relative                                       | Disability: Rs. 50,000 ( <i>fixed</i> ),<br>Severe Disability: Rs. 1,00,000 ( <i>fixed</i> )                                                                                                              |
| 80DDB  | Resident Individual/HUF                                          | Expenditure on specified diseases                                                   | General: Actual or Rs. 40,000 ( <i>whichever is less</i> )<br>Senior citizen: Actual or Rs. 60,000 ( <i>whichever is less</i> )                                                                           |
| 80E    | Individuals                                                      | Interest on payment of loan taken for Higher Education                              | Actual Interest ( <i>maximum 8 assessment year</i> )                                                                                                                                                      |
| 80G    | All Assesseees                                                   | Deduction in respect of Donation                                                    | ⇒ 100% deduction without Qualifying Limit<br>⇒ 50% deduction without Qualifying limit<br>⇒ 100% deduction without Qualifying limit (10% of Adj. total income)<br>⇒ 50% deduction without Qualifying limit |
| 80GG   | Individuals                                                      | Assessee should not be entitled to HRA, not own any residential at work space       | Minimum of<br>(i) Rent paid <b>less</b> 10% of Adj. total income<br>(ii) 25% of Adj. Total Income, (iii) Rs. 2000 p.m.                                                                                    |
| 80GGA  | All Assesseees ( <i>no PGBP income</i> )                         | Donations                                                                           | Just like to Section 35/35CCA/35AC                                                                                                                                                                        |
| 80GGB  | Indian Companies                                                 | Donation to Political Party or Electoral Trust                                      | Actual amt. donated                                                                                                                                                                                       |
| 80GGC  | Other than Indian Company ( <i>except local authority, AJP</i> ) | Donation to Political Party or Electoral Trust                                      | Actual amt. donated                                                                                                                                                                                       |
| 80IA   | Industrial Undertaking                                           | Infrastructural facility, telecommunication, industrial park, distribution of power | 100% of profit for 10 years                                                                                                                                                                               |
| 80JJA  | All Assesseees                                                   | Business of processing of Bio-degradable waste                                      | 100% of profit for first 5 Assessment years                                                                                                                                                               |
| 80JJAA | Indian Companies                                                 | Deduction for additional employment                                                 | 30% of Additional wages for 3 years                                                                                                                                                                       |
| 80LA   | Off shore banking units of banks                                 | Income from Off-shore banking unit                                                  | First 5 years : 100%,<br>Next 5 years : 50% } of such income                                                                                                                                              |
| 80P    | Co-operative society                                             | Cottage industries, marketing of the agricultural produce, fishing                  | ⇒ Co-operative society engaged in other activities Rs. 50,000<br>⇒ Consumer's co-operative society Rs. Rs. 1,00,000                                                                                       |
| 80QQB  | Resident Individual                                              | Royalty income from book                                                            | Least of whole of such income of Rs. 3,00,000                                                                                                                                                             |
| 80RRB  | Resident Individual                                              | Income from patent registered after 1/4/2003                                        | Least of whole of such income of Rs. 3,00,000                                                                                                                                                             |
| 80U    | Handicapped Resident Individual                                  |                                                                                     | General: Rs. 50,000 ( <i>fixed</i> )<br>Severe Disability: Rs. 75,000 ( <i>fixed</i> )                                                                                                                    |

## RETURN OF INCOME

(Estimated Time Allocated – 12 minutes)

| Sec.    | Particulars                                                                                                                                                                                             |                                                                                                                                                                                                                                        |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 139(1)  | Return of Income:<br><br><b>Due Date:</b><br>(a) Where the assessee is company<br>(i) Other than co. where a/c are audited<br>(ii) Working partner of a firm (a/c are audited)<br>(b) In any other case | Company, firm, a person other than company or firm if its total income exceeds the maximum amount which is not chargeable to Income Tax<br><br>30th September of AY<br>30th September of AY<br>30th September of AY<br>31st July of AY |
| 139(1A) | Bulk Return                                                                                                                                                                                             | Filing of return through employer<br>(Floppy, Diskette, Magnetic cartage Tape, CD ROMS etc.)                                                                                                                                           |
| 139(1B) | Filing of Return on Computer readable media                                                                                                                                                             | Floppy, Diskette, Magnetic cartage Tape, CD ROMS etc. or any other computer readable media                                                                                                                                             |
| 139(3)  | Return of loss                                                                                                                                                                                          | File within time specified in <i>Section 193(1)</i><br>If return of loss is not filed then following loss cannot be carried forward<br>(i) Business loss (ii) Capital loss (iii) Owning and maintenance race horses loss               |
| 139(4)  | Belated return                                                                                                                                                                                          | Within 1 year from the end of relevant AY or before completion of assessment ( <i>earlier</i> )                                                                                                                                        |
| 139(4A) | Return of charitable trust                                                                                                                                                                              | Before allowing exemption u/s 11 & 12 exceeds the basic exemption limit                                                                                                                                                                |
| 139(4B) | Return on behalf of Political Party                                                                                                                                                                     | Before allowing exemption u/s 13A exceeds the basic exemption limit                                                                                                                                                                    |
| 139(4C) | Return of Income of certain associations                                                                                                                                                                | Scientific Research, News agency, Professional institution, University Hospital, Institution for development of Khadi, Trade Union                                                                                                     |
| 139(5)  | Revised Return of income                                                                                                                                                                                | Within 1 year from the end of relevant AY or before completion of assessment ( <i>earlier</i> )<br><b>Belated return cannot be revised</b> [Kumar Jagdish Chandra Sinha (SC)]                                                          |
| 139(6)  | Other Assessee                                                                                                                                                                                          | Income exempt from tax, assets, bank account & credit card, expenditure excess the limit                                                                                                                                               |
| 139(6A) | Particulars to be furnished by business assessee                                                                                                                                                        | Name and address of principal place and branches, partners or members<br>Profit share of partners or members, Audit report under <i>Section 44AB</i>                                                                                   |
| 139(9)  | Defective return                                                                                                                                                                                        | Annexure, computation of the tax, audit report u/s 44AB, proof of TDS and advanced Tax Account, Statement, Audit u/s 233AB of Companies Act                                                                                            |
| 139A    | Permanent Account Number (PAN)                                                                                                                                                                          | (i) Total Income greater than Basic exemption limit<br>(ii) Gross turnover/receipt greater than Rs. 5,00,000<br>(iii) Charitable Trust<br>(iv) Return of fringe benefit                                                                |
| 140     | Signing of return                                                                                                                                                                                       | Individual → himself, HUF → Karta, Company → MD, Firm → Managing Partner, LLP-Designated Local Authority → Principal officer, Political Party → CEO, AOP → Principal officer                                                           |

**TAX DEDUCTED AT SOURCES (TDS)**  
*(Estimated Time Allocated – 14 minutes)*

| Sec.  | Nature of payment                                                                        | Who is liable to deduct tax?                                                                  | Type of Recipient                                                   | Rates of TDS                                                                    | Exemption Limit                                                                                                              |
|-------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| 192   | Salary                                                                                   | Employers                                                                                     | Employees                                                           | Rates of tax as applicable to the individual                                    | Basic exemption applicable to individuals<br>(Rs. 1,60,000/<br>Rs. 1,90,000/<br>Rs. 2,40,000)                                |
| 193   | Interest on securities                                                                   | Payer of Interest of securities                                                               | A resident person                                                   | Domestic co.: 10%<br>Other: Listed debentures 10%<br>Non-listed debentures: 10% | Exempted for certain listed securities u/s 193. Listed Debentures: Rs. 2,500 Demat security                                  |
| 194   | Dividend u/s 2(22)(c)                                                                    | Domestic company                                                                              | Resident                                                            | 20%                                                                             | Upto Rs. 2,500 during a FY in case of an individual                                                                          |
| 194A  | Interest other than interest on securities                                               | All assessee except Individuals and HUF who are not subject to audit u/s 44AB during prior PY | A resident person                                                   | Domestic co.: 10%<br>Other: 10%                                                 | Rs. 10,000 if payment made by Banking co., co-operative society, post office. Rs. 5,000 if payment made by any other person. |
| 194B  | Winning from lotteries/ crossword puzzles                                                | Any Person                                                                                    | Any Person                                                          | 30%                                                                             | Rs. 5,000                                                                                                                    |
| 194BB | Winning from horse race                                                                  | Any Person                                                                                    | Any Person                                                          | 30%                                                                             | Rs. 2,500                                                                                                                    |
| 194C  | Payment to contractor or sub-contractor                                                  | All assessee except Individuals and HUF who are not subject to audit u/s 44AB during prior PY | Any person resident in India                                        | Individual/HUF: 1%<br>Other: 2%                                                 | Rs. 20,000 per contract value or credit less than Rs. 50,000 p.a. aggregate                                                  |
| 194D  | Insurance commission                                                                     | Any Person                                                                                    | Resident Assessee                                                   | Domestic Co.: 20%<br>Others: 10%                                                | Rs. 5,000 p.a.                                                                                                               |
| 194E  | Payment to non-resident sportsmen or sport association of income referred to sec. 155BBA | Any Person                                                                                    | Non-resident: Sportsmen being foreign citizen; or Sport association | 10%                                                                             | NIL                                                                                                                          |
| 194EE | National saving scheme                                                                   | Post office                                                                                   | Any Person                                                          | 20%                                                                             | Rs. 2,500 or payment is made to heirs of the deceased assessee                                                               |
| 194F  | Repurchase of units                                                                      | Mutual funds or UTI                                                                           | Unit holder u/s 80CCB                                               | 20%                                                                             | NIL                                                                                                                          |
| 194G  | Commission on sale of lottery                                                            | Any Person                                                                                    | Any resident Person                                                 | 10%                                                                             | Rs. 1,000 p.a.                                                                                                               |
| 194H  | Commission on brokerage                                                                  | All assessee except Individuals and HUF who are not subject to audit u/s 44AB during prior PY | Any resident Person                                                 | 10%                                                                             | (i) Rs. 2,500<br>(ii) Commission payable by BSNL or MTNL                                                                     |
| 194I  | Rent                                                                                     | All assessee except Individuals and HUF who are not subject to audit u/s 44AB during prior PY | Any resident Person                                                 | Rent of P & M: 2%<br>Rent of L & B. Furniture: 10%                              | (i) Rs. 1,20,000 in a financial year<br>(ii) Payee is Govt./Local authority                                                  |
| 194J  | Professional or Technical fees                                                           | All assessee except Individuals and HUF who are not subject to audit u/s 44AB during prior PY | Any resident Person                                                 | 10%                                                                             | Rs. 20,000 in a financial year                                                                                               |
| 194LA | Compensation/ Enhanced compensation on compulsory acquisition                            | Any person                                                                                    | Any resident Person                                                 | 10%                                                                             | Aggregate of such payments during the FY does not exceed Rs. 1,00,000                                                        |
| 195   | Interest; or any other sum (other than income taxable as "Salaries")                     | Any person                                                                                    | Non-resident foreign company                                        | As Specified by Finance Act                                                     | Dividend referred in Section 115O                                                                                            |

**APPENDIX-I****ASSUMPTIONS***(Estimated Time Allocated – 05 minutes)****If nothing mentioned clearly in question only then make following assumptions.***

| <b>INCOME FROM SALARY</b>                 |                                                                      |                                                                                                                                                            |
|-------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>No.</b>                                | <b>Particulars</b>                                                   | <b>Assumption</b>                                                                                                                                          |
| 1.                                        | Govt./Non-Govt.                                                      | Assume non-govt. employee                                                                                                                                  |
| 2.                                        | Gratuity                                                             | Employee is not covered under Payment of Gratuity Act                                                                                                      |
| 3.                                        | Pension                                                              | Uncommuted pension                                                                                                                                         |
| 4.                                        | Employees PF contribution                                            | Basic salary is gross without deducting employees' contribution                                                                                            |
| 5.                                        | Dearness Allowances                                                  | It is not under terms of employment                                                                                                                        |
| 6.                                        | Dearness Pay                                                         | It is under terms of employment                                                                                                                            |
| 7.                                        | Specified Allowances<br>(Travelling Allowances,<br>Daily Allowances) | If expenditure not given assume that fully expended for official purpose                                                                                   |
| 8.                                        | HRA, city in which house taken on rent                               | Assume 40% (For any other place)                                                                                                                           |
| 9.                                        | Rent free Accommodation                                              | If nothing is mentioned or only Fair Rent Value given then assume that owned by employer and if Actual Rent or Lease Rent given then not owned by employer |
| 10.                                       | Rent free Accommodation                                              | If owned by employer and population not given then assume that in city of more than 25,00,000                                                              |
| 11.                                       | Interest free loan                                                   | If rate of interest of SBI not given assume to be 12% p.a.                                                                                                 |
| 12.                                       | Education facility                                                   | Employer has no contract with the school and it is not maintained by employer                                                                              |
| 13.                                       | Medical facility                                                     | In any other hospital and exemption upto Rs. 15,000                                                                                                        |
| <b>INCOME FROM HOUSE PROPERTY</b>         |                                                                      |                                                                                                                                                            |
| 1.                                        | Interest for self-occupied property                                  | Loan was taken before 1/4/1999                                                                                                                             |
| 2.                                        | Recovery of unrealized rent                                          | Covered u/s 25A                                                                                                                                            |
| <b>INCOME FROM OTHER SOURCES</b>          |                                                                      |                                                                                                                                                            |
| 1.                                        | Debentures                                                           | Non-listed at any recognized stock exchange                                                                                                                |
| <b>SET-OFF OR CARRY FORWARD OF LOSSES</b> |                                                                      |                                                                                                                                                            |
| 1.                                        | Business Losses                                                      | Non-speculation Business Losses                                                                                                                            |

## APPENDIX-II

## MEANING OF RELATIVES

***(Estimated Time Allocated – 05 minutes)***

| INCOME FROM SALARY                        |                                                  |                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No.                                       | Particulars                                      | Meaning of Relative                                                                                                                                                                                                                                                                                                                                                                         |
| 1.                                        | Prescribed fringe benefits                       | Member of household<br>(a) Spouses<br>(b) Children and their spouses<br>(c) Parents<br>(d) Servants and dependents                                                                                                                                                                                                                                                                          |
| 2.                                        | Medical facilities and leave travel concession   | (a) The spouses & children<br>(b) Parents, brothers and sisters of the individual wholly or mainly dependent on the individual                                                                                                                                                                                                                                                              |
| PROFIT & GAIN FROM BUSINESS OR PROFESSION |                                                  |                                                                                                                                                                                                                                                                                                                                                                                             |
| 1.                                        | Payment to specified persons<br>[Section 40A(2)] | Specified person means relative, partner, director or person having substantial interest or relative of any such person<br>(Any relative i.e., spouse, any brother, sister lineal ascendant or descendant of such individual)                                                                                                                                                               |
| INCOME FROM OTHER SOURCES                 |                                                  |                                                                                                                                                                                                                                                                                                                                                                                             |
| 1.                                        | Gifts (in money)<br>[Section 56(2)]              | (a) Spouse of the individual<br>(b) Brother or sister of the individual<br>(c) Brother or sister of spouse of the individual<br>(d) Brother or sister of either of the spouse or the individual<br>(e) Any lineal ascendant or descendant of the individual<br>(f) lineal ascendant or descendant of spouse of the individual<br>(g) Spouse of the person referred to in clauses (b) to (f) |
| CLUBBING OF INCOME                        |                                                  |                                                                                                                                                                                                                                                                                                                                                                                             |
| 1.                                        | Substantial Interest                             | Individual, spouse, brother, sister or lineal ascendant & descendant                                                                                                                                                                                                                                                                                                                        |
| DEDUCTIONS                                |                                                  |                                                                                                                                                                                                                                                                                                                                                                                             |
| 1.                                        | Life Insurance Premium<br>[Section 80C]          | LIP on life of himself, spouse and children.<br>In HUF: any member of family                                                                                                                                                                                                                                                                                                                |
| 2.                                        | Medical Insurance Premium<br>[Section 80D]       | (1) Individual, spouse, parents (whether dependent or not), dependent children<br>(2) In case of HUF: in the name of any member                                                                                                                                                                                                                                                             |
| 3.                                        | Section 80DD &<br>Section 80DDb                  | (i) Individual, spouses, children, parents, brother and sister<br>(ii) In case of HUF, any member of HUF                                                                                                                                                                                                                                                                                    |
| 4.                                        | Section 80E                                      | Spouse, children of individual                                                                                                                                                                                                                                                                                                                                                              |

## Best of Luck