FOR IPCC & PCC

Summary of Taxation

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SUMMARY OF SALARIES

☞ **BASIS OF CHARGE [Section 15]**

Salary is taxable on due basis or on receipt basis,
Whichever is earlier

☞ **Gratuity [Section 10(10)]**

(a) Govt. Employee – Fully Exempt
(b) Employee covered by Gratuity Act –
  (i) Rs. 1000000
  (ii) 15/26 x Last drawn salary x No. of completed year plus excess of six months
  (iii) Actual received

(c) Any other employees

  (i) Rs. 10,00,000
  (ii) 15/30 x Average Salary of 10 Months x No. of Completed years
  (iii) Actual received

☞ **Pension [Section 10(10A)]**

- Uncommuted pension – Fully Taxable
- Commuted pension :-
  (a) Government Employees – Fully Exempt
  (b) Non-Govt Employees (receive gratuity also) – 1/3 of full value of pension
  (c) Non-Govt. Employee (not receive gratuity) – ½ of full value of pension

☞ **Leave Salary [Section 10(10AA)]**

(a) Govt. Employee – Fully Exempt
(b) Non-Govt. Employee –
  (i) Maximum 30 days per annum x completed year of services x Ave. salary of last 10 months
  (ii) Average salary x 10 months
  (iii) Rs. 3,00,000
  (iv) Actual received

☞ **Retrenchment Compensation [Section 10(10B)]**

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

☞ **Voluntary Retirement [Section 10(10)]**

(i) 10 Years of service or 40 year 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)
  (a) Last Drawn Salary x 3-Months x No. of Completed year of Service
  (b) Last Drawn Salary x balance of months of Service Left
  (c) Actual Amount Received
  (d) Rs. 5,00,000

☞ Provident Fund

(i) **RPF** – Employer's Contribution – excess of 12% of salary (Taxable)

Interest on Provident Fund – excess of 9.5% (Taxable)

(ii) **UPF** – Employer's Contribution – Taxable (salary)
Interest on Employer's contribution – Taxable (salary)
Interest on Employee's Contribution – Taxable (other sources)

☞ ALLOWANCES

(1) Fully Taxable Allowances
(2) Allowances **Exempt upto specified limit**
  (A) House Rent Allowance [section 10(13A)] –
    (i) Actual Allowances Received
    (ii) Rent Paid – 10% of salary
    (iii) 50% of salary – If the Accomodation is in M,K,D,C
    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 (Exempt)
   (i) Children Education Allowances –Rs. 100 p.m. per child (maximum two children)
   (ii) Hostel Expenditure Allowances – Rs. 300 p.m. per child (maximum two children)
   (iii) Transport Allowances – Rs. 800 p.m.(Rs.1600 p.m. for blind/Handicapped)
   (iv) Allowances allowed to transport employees (who not received daily allowances)
   (a) 70% of such allowances, or (b) Rs. 6000 p.m. (whichever is less)
   (v) Tribal Area Allowances – Rs. 200 p.m.
   (vi) Underground Allowances – Rs. 800p.m.

(3) Fully Exempted Allowances
   (i) Foreign (Govt. employee)
   (ii) HC or SC Judge
   (iii) UNO

☞ <u>**PERQUISITES**</u>

(1) Taxable in the hands of all employees

(A) Rent Free Accomodation –
Govt. employee – as per Govt. Rules
Non-Govt. Employee –
   (i) Owned by Employer -
      (a) 15% of salary (in cities population exceed 25,00,000)
      (b) 10% of salary (in cities population exceeding 10,00,000 but not exceeding 25,00,000)
      (c) 7.55 of salary in other case
   (ii) Not owned by employer –
      (a) Actual Rent, or (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% p.a.(exceptions loan upto Rs.20000)
ii. Use of moveable assets – 10% p.a. of the actual cost or actual rental charges.
iii. Transfer of moveable assets
   Computer and Electronics Items **– Depre. @50%** for completed year (w.d.v.)
   Motor Car Depreciation **@ 20%** for completed year (w.d.v.)
   Other Assets – Depre. **@ 10% for completed years (SLM)**

(2) Perquisite Taxable in the hands of Specified Employees :-

(i) Sweeper, Guardner or Watchman – Actual Cost

(ii) Gas, Electricity or Water – Actual cost or Manufacturing Cost

(iii) Education Facilities – For Children Rs. 1000 p.m. (Exempt)

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

(3) Tax Free Perquisite for all Employees :-

(i) Medical Facilities

Medical Treatment in India :-

Employer's Hospital, Govt. Hospital, Notified Hospital, Group Medical 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)] – Max. of Two Journeys in a Block of 4-Years (2010-2013) by Air or First Class Air-conditioned in Train by shortest distance.

☞ **DEDUCTION FROM SALARY**

(1) Entertainment Allowances [section 16(ii)] – For Govt. Employees Only.

(a) Actual amount, (b) 20% of Basic Salary, (c) Rs. 5000

(2) Professional Tax [section 16(iii)] – Actual Amount Paid

RELIEF AVAILABLE [section 89]

Step-1

Step-2

MEANING OF SALARY FOR DIFFERENT PURPOSES :-

(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) (4) Leave Salary (5) Voluntary Retirement Compensation (6) Contribution to RPF (7) House Rent Allowances	Basic Salary + DA (if forming part of retirement benefit) + Commission as a fixed percentage of turnover
(8) Rent Free Accommodation	Basic Salary + DA (for Retirement Benefit) + Bonus or Commission + Taxable Allowances.

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SUMMARY OF HOUSE PROPERTY

☞ **Basis of Charge [Section 22]**

Annual value – building and land apportionment thereto – owner – not use business or profession.
In case of composite rent – if it is in separable (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 impartiable 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 receivable.

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)

Case – II :- **LET OUT FOR FULL YEAR (Sum Unrealised Rent)**

Step- III :- (i) Answer of step II (ii) Actual Rent of Previous Year less UR (Higher)

Key Note – Condition (i) Bonafide (ii) Tenant has vacant or Steps have been taken
(iii)Tenant is not in Occupation of any Other Property
(iv) Taken all reasonable steps for the recovery of unpaid rent.

Case – III **:- LET OUT FOR (Vacancy also)**

Step IV :- Determined value in step III less [Actual rent per month x vacant months]

Key Notes :- In Step III Actual rent for whole of previous year

Case – IV **:- Vacancy + Unrealised Rent**

Case – V **:- SELF ACQUIRED PROPERTY**

Net Annual Value – Nill
Deduction – Interest on Capital Borrowed – Rs.30,000 (Maximum Limit)
Rs. 1,50,000 --- Loan on or After 01.04.1999—Within 3 Years acquired or Constructed – Proof

MORE THAN ONE SELF OCCUPIED PROPERTY – [Section 23(4)]

One Self Occupied property = Nil (Other deemed let out)

Case – VI **:- SELF OCCUPIED + LET OUT**

Actual Rent taken for let out period only, but Municipal Tax for the full P/Y.

☞ **DEDUCTION [Section 24]**

(i) Municipal Tax paid by Owner

(ii) Std. deduction @ 30% of NAV.

(iii) Interest on Borrowed Capital (Accrual Basis)

KEY NOTE :- Interest of Pre-construction period :-
Date of Loan to prior to the P/Y (completed) = 5 equal instalments

Brokerage commission (disallowed), Interest on unpaid interest (disallowed), Interest on fresh loan (allowed), Interest on Borrowed Capital, Payable outside India without TDS (disallowed).

☞ RECOVERY OF UNREALISED RENT ALREADY REDUCED FROM THE ANNUAL VALUE FOR A/Y- 2002-03 & ONWARDS [Section 25AA]

Unrealised Rent recovered less Already Taxed Earlier (Taxable)

☞ ARREARS OF RENT RECEIVED [Section 25B]

Arrears of rent received less Already taxed earlier (Taxable after deducting 30%)

☞ CO-OWNERSHIP [Section 26]

Provision of self occupied property will apply to each co-owner
Deduction upto Rs.30000 / Rs. 1,50,000 will be available to each co-owner.

☞ PROPERTY EXEMPT FROM TAX

One Palace of Ex-Ruler, Trade union, One self Occupied property, Use for business or Profession, Political Party, Charitable Purposes, Hospitals.

☞ COMPOSITE RENT

Actual Rent Received ***less*** Electricity bill, Water bill, Lift maintenance expenses, Liftman Salary, Salary of Gardener, Lighting of Stairs.

SUMMARY OF PGBP

☞ **CHARGEABLE UNDER THE HEAD BUSINESS OR PROFESSION [Section 28]**

(i) Profit and Gains of Business and 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 or Profession.
(v) Salary received by a 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 deduction has been allowed under section 35AD.

☞ **BUSINESS MUST BE CARRIED ON DURING THE P/Y**

Exceptions :- Recovery against any loss, balancing charge, Sale of Scientific Research Assets, Recovery against bad debts, Amount withdrawn from special reserve.

☞ **METHOD OF ACCOUNTING [Section 145]**

Cash or Mercantile system (option of assessee)

Two Accounting Standards in Mercantile Systems

- AS-I : - Disclosure of Accounting Policies.
- AS-II :- Prior period and extra ordinary items and changes in accounting policies.

☞ **Admissible Deduction [section 30-37]**

- Rent, Rates, Taxes, Repairs and Insurance for Buildings [section 30]
- Repairs and Insurance of Machinery, plant and Furniture [section 31]
  - Only Revenue Expenditures.

- **Depreciation [section 32]**
  Owner --- must use in Bussiness or Profession--- Relevant Previous Year—Eligible Assets—WDV method.

- Block of Assets [section 2 (11)] :- Same Nature--- Same Rate
- Rate of Depreciation for Various Block of Assets :---
  I. Building :- Residential (5%), Non Residential (10%), Temporary Structure (100%).
  II. Furniture & Fittings (10%).
  III. Plant & Machinery :- General Rate (15%), Books for Profession & 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) (iia)]**

Only for Manufacturing Business--- any new machinery or Plant (other than ships and aircraft)
Installed after 31-03-2005---- @ 20% of Actual cost.
Condition :-- No Second Hand, Not installed in Office, no road transport vehicles, No deduction in one P/Y.

Short Term Capital Gain For Depreciable Assets

I. When entire block are not transferred-----

Consideration for transferred less Expenses of transferred, Opening WDV, Purchase ---
----- If the difference is a Profit it is Taxable as STCG
----- If the difference is a Loss it is Claimed Depreciation u/s 32.

If assets purchase during relevant P/Y ---- Put to use less than 180 days (Depreciation 50% of prescribed rate)

☞ **Depreciation for undertaking engaged in Generation & Distribution of Power**

WDV or Straight Line Method (option of Assessee)
Consequences 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 --- Carry forward to any number of years

	Tea Development Account [section 33AB]	Site Restoration Fund A/c [section 33ABA]
Applicable	Tea or Coffee or Rubber	Petroleum or Natural Gas
Time Limit	Six months from end of P/Y or before ROI	Before end of P/Y
Deposit	NABARD or TCR Board	SBI or Scheme of Ministry of P&G
Deduction	40% of Profits of such Business (maximum limits)	20% Profit of such Bussiness (maximum limit)

- Common Provission in Case of Section 33AB / 33ABA
  Deduction withdrawn --- Purchase for office or Residence, Office Appliances (other than computer), Deduction allowed in one Year, XIth Schedule, Sale before 8-Years from end of P/Y.

☞ **Expenditure of Scientific Research [section 35]**

1. **Expenditure incurred by the Assessee for his Business**
   A. In All cases of In house research --- 100% (other than cost of any land)

      Any expenditure incurred during the 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 or Building)

      Specified business = Bio-technologies or Companies engaged in the business of manufacture or production of an article or thing except those specified in the Eleventh Schedule of the Income Tax Act.

☞ **In Case of Contribution to Outsiders :--**

Contribution to	Weighted deduction (w.e.f. A.Y. 2011-12)
An approved research association which has, as its object, undertaking of scientific research related or unrelated to the business of assessee [section 35(1)(ii)]	175%
An approved university, college or other institution for the use of scientific research related or unrelated to the business of the assessee [section 35(1)(ii)]	175%
An approved university, college or an approved association which has as its object the undertaking of research in social sciences or statistical science related or unrelated to the business of assessee [section 35(1)(ii)]	125%
A company to be used by such company for scientific research [section 35(1)(iia)	125%

☞ **<u>Expenditure on Acquisition of Patent Rights or Copy Rights [section 35A]</u>**

Before 01.04.1998 ---- Allowed in 14 equal annual instalments
On or After 01.04.1998 --- Depreciation @ 25% (WDV)

☞ **<u>Expenditure for obtaining Telecommunication Licence [section 35ABB]</u>**

Amount of Deduction = Amount paid / Remaining period of Licence

☞ **<u>Donation for Eligible Project [section 35AC]</u>**

(1) Eligible Expenditure --- Payment to Public sector company, Local Authority, Approved association, Direct Expenditure incurred on eligible project (for company only)
(2) Amount of Deduction --- Actual Payment or Actual expenditure
(3) Withdrawal of exemption ---- Project is not being carried on accordance with conditions of national committee, Report not furnished to the national committee.

Investment- linked tax incentive for specified business – cold chain facilities, warehousing facilities for storage of agricultural produce, and cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities, Business of building and operating anywheare in india a new hotel of 2 star or above category, a new Hospital with atleast 100 beds for patients, developing and building a housing project under a scheme for Slum redevelopment or rehabilitation.[section 35AD]

☞ **<u>Donation for Rural Development [section 35CCA]</u>**

National fund for Rural development, National Urban poverty Eradication Fund.

☞ Preliminary Expenses [section 35D]

(1) Applicability --- Indian company or Non corporate resident assessee.
(2) Before commencement of Business --- For setting up of any business.
After commencement of business --- Extension or setting up new undertaking.
(3) List of Specified Expenditure --- Feasibility report, Project report, Market survey, Engineering Services, Legal Charges, Drafting and Printing of MOA & AOA, Registering Fee, Issue of Shares or Debentures, Underwriting commission, Expenditure of Prospectus.
(4) Company --- 5% of cost of project or 5% of Capital Employed (maximum limit)
(5) Amount of Deduction --- 5 equal instalments.

☞ Expenditure incase of Amalgamation or Demerger [section 35DD]

Indian company --- 5 instalments.

☞ Expenditure incurred under voluntary retirement scheme [section 35DDA]

Any assessee --- 5 equal annual instalments.

☞ Expenditure on Prospecting for Certain Minerals [section 35E]

Amount of Deductions – One- tenth of expenditure or income from such prospecting (lower)

☞ 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 filling 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 of ROI.
(9) Amount of Deduction = Actual cost of Animals Less amount realised 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 Bank.
(12)Special Reserve created by Financial Corporation.
(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 per Unabsorbed Depreciation.

(14) Treatment of Discount on Zero Coupon bonds --- Allowed Proportionately.
(15) Securities Transaction Tax (STT) to be allowed as a deduction.
(16) Special deduction for reserve (maximum 20%) allow to National Housing Bank.

☞ General Deduction [section 37] :-

Expenditure only for Business or Profession – Revenue Nature --- During the P/Y – Not Covered by section 30 to 36 --- No Personal expenditure.

☞ **DISALLOWED EXPENDITURE [SECTION 40(a) to 43 B]**

Expenses not Deductable [section 40(a)]

(1) Salary, Interest, Royalty etc. For Non-Resident (without TDS).
(2) Interest Commission, Royalty etc for Resident (without TDS).
(3) Income Tax/ Dividend Tax.
(4) Wealth Tax.

☞ **Disallowances for Partnership Firm [section 40(b)]**

- Payment of Interest to any Partner :- As per Deed or 12% p.a. (whichever is lower)
- For payment of salary, Bonus to working partner :-

Specified Profession Firm & Other Firm	
On the first Rs. 3,00,000 of the book profit or in case of a loss.	Rs. 1,50,000 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 40A (3)]**

Payment in excess of Rs. 20,000 (for transporters 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 exceeding Rs. 50,000), village not served by any Bank, Book Adjustment, Producer of Agricultural, Poultry Farm, Dairy, Cottage Industry (without aid of power).

☞ Disallowance or Provision for Gratuity [section 40A(7)]

- Provision for Gratuity disallowed.

- Approved Gratuity fund (allowed), Actually payment of Gratuity (allowed)

Deduction based on actual payment [section 43B]

Certain deductions are made only on actual payment on or before the due date of ROI --- Any tax, Duty, cess, Interest on loans from scheduled banks or any public financials institution, any bonus or commission or leave encashment to employees, contribution to PF.

Maintenance of accounts by Persons carrying on Profession or Business [section 44AA & Rule 6F]

(i) Business Assessee (other than notified profession) :--- Income from Business or Profession exceeds Rs. 1,20,000 or Total sales/gross receipts Rs. 10,00,000.

In any of the 3 preceeding P/Y or likely to exceeds incase of Newly Set up 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 the amounts are not exceeded.

Notified Professions :--- Profession of Law, Medicine, Engineering, Accountancy, CA, CS etc.

(i) Gross receipts exceeding Rs. 1,50,000 (in all the three years immediately preceeding the P/Y or likely to exceed if the profession is newly set up)

Assessee is required to maintain :-- Specified Books --- Cash Book, Journal, Ledger, Carbon copies of bills exceeding of Rs. 25, Original bill for expenditure exceeding Rs.50.

In case of Medical Profession :--- Daily cash registers, 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 exceeds 60,00,000.
  (b) For profession gross receipts exceeds Rs. 15,00,000.
  (c) Business referred to u/s 44AD/ AE 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) Consequences of Non-Compliance ---- Defective Return [section 139(9)].

☞ **Presumptive income in case of specific Business or Profession [section 44AD/AE]**

Any business except the business of section 44 AE (Gross receipts not exceeds Rs. 60 Lakhs) :-- 8% or more of gross turnover.
Business of Plying and Leasing Goods Carriages (section 44AE) :-- Heavy Goods Vehicle Rs. 5000 P.M. and others Rs. 4,500 p.m. or part of the month (maximum 10 goods carriage).

☞ **COMMON PROVISION IN CASE OF SECTION 44AD/AE :--**

(1) Deduction u/s 30 to 38 – (deemed to be allowed)
(2) Depreciation (deemed to be allowed)
(3) Turnover for u/s 44AB (not to be considered)
(4) Option for lesser amount (section 44AA 44AB applicable)
(5) Partner’s --- interest, salary (allowed)
(6) Deduction u/s 80C to 80U (allowed).

SUMMARY OF CAPITAL GAINS

☞ **BASIS OF CHARGE [SECTION 45 (1)]**

Capital Assets --- P/Y --- Capital Gain --- Exemption u/s 54 to 54 H (applicable)

☞ **CAPITAL ASSETS [SECTION 2(14)]**

Includes :--- Property of any kinds whether or not connected with business or profession.

Excludes :-- Stock-in-trade, Personal effects (except jewellery, archeological collections etc), Rural agricultural land in india.

☞ **TYPES OF CAPITAL ASSETS**

(I) **SHORT TERM CAPITAL ASSETS** :-- Holding Period not more than 36 months.

Exceptions :--- 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 BONDS [Section 2(48)] :-**

(a) Issued (on or after 01-06-2005) --- 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 Govt. --- Notification in the Official Gazettee.

☞ **Transactions 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% share holding)

(4) Subsidiary company to its Indian Holding Company (condition --- 100% share holding)
(5) Amalgamating company to its Indian Amalgamated company.
(6) Amalgamation of a company with a Banking Institution.
(7) Demerged company to its Indian resulting company.
(8) Transfer of shares by a resulting company to the shareholders of Demerged company.
(9) Shares of Amalgamated company to the Shareholders of Amalgamating company.
(10) Transfer made by one Non resident to another Non resident (outside India).
(11) Transfer (Government, University, National Museium, 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 worker co-operative)
(14) Transfer of capital assets of a Firm into company.

CONDITION :-- All assets or Liabilities, capital ratio, Partners received only shares, 50% voting power—5 years.

☞ **Computation of Capital Gains [section 48] :--**

(i) Computation of Short Term Capital Gains :-

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

(ii) Computation of Long Term Capital Gains :-

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

☞ **Cost of Acquisition and Improvement [section 55]**

❖ In case of right to manufacture, produce any article or Goodwill of a business.

COA ---- Nil (if self generated by assessee or previous owner),
Cost to assessee / previous owner (if acquired / purchase)
COI ---- Nil

❖ *In case of Tenancy rights, Route permits and Loom hours, Trademark or Brand name.*

COA --- Nil (if self generated by assessee or previous owner)
Cost to assessee or previous owner (if acquired / purchase)
COI --- Expenses incurred by assessee or previous owner.

❖ *Goodwill of profession is not Taxable --- B. Srinivas Setty (case study of SC)*

☞ **Cost of acquisition of different types of Shares [section 55]**

Particulars of Assets	Date of acquisition / Holding Period	Cost of Acquisition
(1) Shares originally purchased :-		
(a) Primary market	Date of Allotment	Allotment price
(b) Secondary market		
(i) Transaction through shares brokers.	Date of broker's note	Amount paid + Brokerage charges + Adjustment for ex. & Cum. Dividend / interest.
(ii) Transactions between	Date of contract of sale	

parties directly.		As above (excluding Brokerage)
(2) Bonus Share	Date of Allotment	Nil
(3) Shares acquired in different lots at different points 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 shares holders and subscribed by him.	Date of allotment	Offer Price
(6) Right shares 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

COMPUTATION OF CAPITAL GAINS IN SPECIAL CASES				
Section	**Nature of Transaction**	**Year of Taxability**	**Computation of Capital Gains**	
45(1A)	Insurance claim on loss of assets	Year of receipt of claim	Insurance claim received less COA or ICOA	
45(2)	Conversion of capital asset 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 Less COA or ICOA	
45(2A)	Sale of shares held as depository (FIFO method)	Year of Transfer	Consideration for transfer Less COA ICOA	
45(3)	Introduction of Capital asset by a partner into the Firm	Year of Introduction	Amount credited in Partner’s Capital Account in the Books of the Firm Less COA/ICOA.	
45(4)	Distribution of Capital Asset	Year of distribution	FMV on date of transfer Less	

	to partners/members on dissolution of Firm/AOP/BOI		COA or ICOA	
45(5)	Compulsory acquisition of capital asset by Govt. (a)Normal compensation	Year of First receipt	Whole of normal compensation received or receivable Less COA or ICOA	
	(b)Enhanced compensatio	Year of receipt of claim	Enhanced compensation Less expenses incurred	
45(6)	Redemption of 80CCB Units	Year of repurchase	Repurchase price Less Amount invested (no indexation)	
46	Receipt of assets or Cash from company on Liquidation	Year of Receipt	FMV of assets received ADD Amount received in Cash LESS Deemed Dividend u/s 2(22)(e) LESS COA/ ICOA of Shares	
46A	Repurchase or Buy back of shares / Specified securities	Year of repurchase	Consideration for transfer LESS COA / ICOA	
50B	Sale or undertakings as a going concern or Slump Sale	Year of Transfer	Lump Sum Consideration Less 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 Less COA or ICOA	

☞ **ADVANCE MONEY FORFEITED [section 51]**

Cost of assessee Less forfeited by the assessee.

☞ **REFERENCE OF VALUATION OFFICER [section 55A]**

(i) Sale consideration < FMV

(ii) Difference between FMV and Sale consideration (more than 25,000 or 15%)

☞ **EXEMPTION ON COMPULSORY ACQUISITION OF AGRICULTURAL LAND [section 10(37)]**

Individual or HUF ---- Holding Period 2 Years or More --- Consideration determined by CG or RBI On or after 01.04.2004.

☞ **EXEMPTION ON LTCG FROM SHARES [section 10(38)]**

Transfer on or after 01.10.2004 --- Through recognised stock exchange --- Security transaction tax applicable.

☞ **TAX ON STCG FROM SHARES @15% [section 111A]**

Transfer on or after 01.10.2004 ---- Through recognised stock exchange --- Security transaction tax applicable.

☞ **TAX ON LTCG FROM LISTED SECURITIES [section 112]**

Tax @ 20% on LTCG after Indexation or TAX @ 10% on LTCG without Indexation (whichever is lower)

Exemption from capital gains u/s – 54/54B/54D/54EC/54F/54G/54GA

Sec.	Asset Trans-ferred	Who is entitled	Use or Holding Period	Amount to be Invested	New Asset	Exemp-tion	Prescribed period for Investment	Treatment of unutilised amount	Sale of New Assets
54	Residential house	Individual or HUF	Exceeding 36-month	Capital gain	Residential house	Capital gains or amount invested whichever is less	Within one year before or 2 years after the date of transfer in case of purchase, or within 3years after the date of transfer, in case of new construction.	Deposite in Capital gains account scheme before due date of furnishing the return of Income.	If sold within 3 years from from the date of purchase/constructi on, 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 exemption.
54B	Agricultur al Land	Individual	Used for 2yrs for agricultur e	Capital Gains	Agricultur al land	As above	Within two years after transfer	As Above	As above
54D	L & B for Industrial undertakin g	Any assessee	Used for 2 years	Capital gains	L & B for industrial undertakin g	As above	Within 3 years after transfer	As above	As above
54EC	Long term capital assets	Any assessee	LTCA	Capital Gains	Bonds issued on or after 01.04.2007 by NHAI or RECL	Capital gains or amt. Invested (whicheve r is less) (maxi. Rs. 50 Lakhs during any financial year)	Within 6 months of transfer of original asset	Not applicable	If sold within 3 years, exempted capital gain will be deemed to be the income from LTCG of the assessee in the year of sale of new asset.
54F	Any asset other than Residential House	Individual or HUF	Should be LTCA, should not own more than one house on date of transfer.	Net considera tion	Residential House	Capital gains x (Amt invested/ Net considerat ion)	Within one year before or two years after transfer in case of purchase or 3 years after transfer in case of construction.	Deposite in capital gains account scheme before due date of furnishing return of income.	Sale as for section 54, 54B, 54D, except that u/s-54F it will be taxed as LTCA.
54G	P & M or L & B, for industrial undertakin g in urban area.	Any asseessee	May be LTCA or STCA	Capital Gains	P & M or L & B, used for industrial Undertakin g in Non-urban area or Meeting expenses	Capital Gains or amount invested whichever is less	Within one year before or within 3years after the date of transfer.	As above	Same as for section 54, 54B and 54D.

					of shifting.				
54GA	P & M or L & B for industrial in Urban area.	Any assessee.	May be LTCA or STCA	Capital Gains	P & M or L & B used for industrial undertaking in SEZ or meeting expenses of shifting.	Capital Gains or amount invested whichever is less.	Within one year before or within 3years after the date of transfer.	As above	Same as per section 54.
Key Notes :-- Under all the above section, amount deposited in Capital Gains Account Scheme. If not utilised with the prescribed time. It will be Taxed in the previous year in which the prescribed period expires.									

SUMMARY OF OTHER SOURCES

☞ **BASIS OF CHARGE [section 56(2)]**

Income not related to any other head.

☞ **SPECIFIC INCOME [section 56(2)]**

(i) Dividend, winning from lotteries, races, card games, income from letting machinery or furniture alongwith building and only machinery or furniture, Interest on securities,

(ii) Where any sum of money/any property / movable property Exceeding Rs. 50,000 the whole of such some (except – relative, occasion of marrage, under a will, in contemplation of death of the payer).

☞ **DEEMED DIVIDEND [section 2(22)]**

(a) Any distribution by a company,
(b) Distribution of debenture,
(c) Distribution of accumulated profit to share holders on liquidation,
(d) Distribution on reduction of share capital,
(e) Any advance or 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 cess + 1% SHEC.

☞ **INTEREST ON SECURITIES [Rate of TDS]**	
Type of Security	**Rate of TDS**
(i) CG / SG securities (ii) Listed Securities (iii) Unlisted securities	No TDS 10% 20%
NOTE :- In case of Tax free non government securities – Grossing up of Interest	

☞ **BOND WASHING TRANSACTION**

If owner of any security sells it just before due date and again acquires them after due date ,
He will 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.

EXCEPTIONS :-

(a) If there is no avoidance of Income Tax or
(b) The avoidance of Income Tax was exceptional and not systematic and that there was no avoidance of Income Tax by such a transaction in any of the three preceeding years.

☞ **FAMILY PENSION [section 57 (iia)]**

Family pension received by legal heir of Deceased employee, taxable under the head “other sources”.

Standard Deduction to legal heirs is allowed

(i) 33.33% of pension or

(ii) Rs. 15,000 } Whichever is Less.

SUMMARY OF CLUBBING OF INCOME

- **<u>TRANSFER OF INCOME WITHOUT TRANSFER OF ASSETS [section 60]</u>**
  Taxable in the hands of Transferor.

- **<u>REVOCABLE TRANSFER OF ASSETS [section 61]</u>**
  Taxable in the hands of Transferor.

- **REMUNERATION OF A SPOUSE FROM A CONCERN IN WHICH THE OTHER SPOUSE HAS SUBSTANTIAL INTEREST OTHER THAN FOR EXCERCISING PROFESSIONAL KNOWLEDGE [section 64(1)(ii)] :---**
  Clubbed in the hands of Individual.

- **<u>INCOME FROM ASSET TRANSFERRED TO THE SPOUSE FOR INADEQUATE CONSIDERATION [section 64(1)(iv)] :----</u>**
  Clubbed in the hands of Individual.

☞ **<u>INCOME FROM ASSETS TRANSFERRED TO SON'S WIFE FOR INADEQUATE CONSIDERATION [section 64(1)(vi)] :---</u>**

Clubbed in the hands of Individual.

☞ **<u>INCOME FROM ASSETS TRANSFERRED TO ANY PERSON FOR THE BENEFIT OF THE SPOUSE OF THE TRANSFEROR [section 64(1)(vii)] :---</u>**

Clubbed in the hands of Individual.

☞ **<u>INCOME FROM ASSET TRANSFERRED TO ANY PERSON FOR THE BENEFIT OF SON'S WIFE OF THE TRANSFEROR [section 64(1)(viii)] :----</u>**

Clubbed in the hands of Individual.

☞ **<u>CLUBBING OF THE INCOME OF A MINOR CHILD [section 64(1A)] :---</u>**

In the hands of parent whose total income is higher or the person the maintained Minor.

☞ **<u>INCOME FROM SELF ACQUIRED PROPERTY CONVERTED TO JOINT FAMILY PROPERTY FOR IN ADEQUATE CONSIDERATION [section 64(2)] :- - - -</u>**

Clubbed in the hands of Individual.

SET – OFF AND CARRY FORWARD OF LOSSES

NATURE OF INCOME		SETT – OFF			CARRY FORWARD	SET – OFF
		Same Source under same head	Inter-Source under same head	Inter-Head	For Assessment Year	From
SALARY		N.A.	N.A.	N.A.	N.A.	N.A.
HOUSE PROPERTY		✓	✓	✓	8 Years	Same Head
PGBP	Non-Speculation	✓	✓	✓ Except from salary	8 Years	Same Head
	Speculation	✓	×	×	4 Years	Same source
	Owning & Maintenance Race Horses	✓	×	×	4 Years	Same Source
CAPITAL GAINS	Short Term	✓	✓	×	8 Years	Same Head
	Long Term	✓	×	×	8 Years	Same Source
OTHER SOURCES	Winning from Lottery etc.	×	×	×		

	Interest etc.	✓	✓	✓	

DEDUCTIONS UNDER CHAPTER VIA

Section	Applicability	Nature of Payment/Receipt	Amount of Deduction
80C	Individual / HUF	Refer Exe. No 1,2	Maximum Rs. 1,00,000
80CCC	Individuals	Contribution to certain pension funds	Amount paid or Rs. 1,00,000 (Lower)
80CCD	CG or Other or Self Employees	Contribution to CG Pension Scheme	Amount paid or 10% of Salary (lower) [for self employee – Maximum of 10% of GTI]
80CCE	80C + 80CCC + 80CCD		Maximum Rs. 1,00,000
80CCF	Individual / HUF	Long Term Infrastructure bonds	Maximum Rs. 20,000
80D	Individual / HUF		General : Premium paid or Rs. 15,000 (lower) and for parents Rs. 15,000. Senior citizen : - Premium paid or Rs. 20,000 (lower)
80DD	Resident Individual / HUF	Expenditure on dependent handicapped Dependents relative	Disability : Rs. 50,000 (fixed) / Sever Disability : Rs. 1,00,000(fixed)
80DDB	Resident Individual / HUF	Expenditure on Specified Diseases	General :- Actual or Rs. 40,000 (whichever is less) Senior Citizen :- Actual or Rs. 60,000 (whichever is less)
80E	Individuals	Interest on repayment of loan taken for higher education.	Actual Interest (maximum 8- Assessment year)
80G	All Assessees	Deduction in respect of Donation	❖ 100% deduction without qualifying limit ❖ 50% deduction without qualifying limit ❖ 100% deduction with qualifying limit,(10% of adj. Total income) ❖ 50% deduction with qualifying limit
80GG	Individuals	Assessee should not be entitled to HRA, not own	(i) Rent paid Less 10% of Adj. Total Income

		any residential house at work place	(ii) 25% of Adj. Total Income (iii) Rs. 2,000 P.M.
80GGA	All Assessees (no PGBP income)	Donations	Just like to section 35 / 35CCA / 35AC
80GGB	Indian Company	Donation to political party or Electoral trust	Actual amount donated
80GGC	Other than Indian Company (except local authority, A.J.P.)	Donation to Political Party or Electoral Trust	Actual Amount Donated
80IA	Industrial Undertaking	Infrastructure facility, Telecommunication, Industrial Park, Distribution of power	100% profit for 10 years
80JJA	All Assessees	Business of Processing of Bio-degradable waste	100% of profit for first 5 assessment year
80JJAA	Indian Companies	Deductions 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% 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 ❖ Consumer's Co-operative Society Rs. 1,00,000
80QQB	Resident Individual	Royalty Incomes from Books	Least of whole of such income or Rs. 3,00,000
80RRB	Resident individual	Income from Patent Registered after 01-04-2003	Least of whole of such income or Rs. 3,00,000
80U	Handicapped Resident Individuals		General :- Rs. 50,000 (fixed) Sever Disability :- Rs. 1,00,000 (fixed)

RETURN OF INCOME

SECTION	PRTICULARS	
139(1)	Return of Income DUE DATE :- (a) Where the Assessee is the Company (i) Other than company where accounts are Audited (ii) Working Partner of a firm (A/c's are Audited) (b) IN Any Other Case	Company, Firm, A person Other than Company or Firm if it is total income exceed the maximum amount which is not chargeable to Income Tax :- 30th September of A.Y. 30th September of A.Y. 30th September of A.Y. 31st July of A.Y.
139(1A)	Bulk Return	Filling of Return through Employer (Floppy, Diskette, Magnetic Cartrage Tape, CD ROM etc)
139(1B)	Filling of Return on Computer readable media	Floppy, Diskette, Magnetic cartrage Tape, CD ROM or any other computer readable media.
139(3)	Return of Loss	File within the time specified in section 139(1) If return of loss is not filed then following loss cannot be carried forward (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 A.Y. or before completion of Assessment (earlier)

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 association	Scientific Research, News Agency, Professional Institution, Universal hospital, Institution for the development of Khadi, Trade Union.
139(5)	Revised Return of income	Within 1 year from the end of the relevant A.Y. or before completion of assessment (earlier). Belated Return cannot be revised [kumar Jagdish Chandra Sinha (SC)]
139(6A)	Particulars to be furnished by business assessee	Name and Address of Principal Place and Branches, Partners or Members, Profit share of Partners or Members, Audit report u/s 44Ab
139(6)	Other Assessee	Income exempt from tax, assets, Bank Account & Credit Card, Expenditure excess the limits.
139(9)	Defective Return	Annexure, Computation of Tax, Audit Report u/s 44Ab, Proof of TDS and Advance Tax, Books of Account, Statement, Audit u/s 233AB of Company Act.
139A	Permanent Account Number	(i) Total Income greater than basic exemption limit. (ii) Gross Turnover / Receipts greater than Rs. 5,00,000. (iii) Charitable Trust u/s 139(4A). (iv) Return of fringe benefits.
140	Signing of Return	Individual – Himself, HUF – Karta, Company – MD, Firm – Managing Partner, LLP – Designated Partner, Local Authority – Principal Officer, Political Party – CEO, AOP – Principal Officer.

SUMMARY OF TAX DEDUCTED AT SOURCE

SECTION	NATURE OF PAYMENT	WHO IS LIABLE TO DEDUCT TAX	TYPE OF RECIPIENT	RATE OF TDS	EXEMPTION LIMIT
192	Salary	Employers	Employee	Rates of tax as applicable to the Individual.	Basic Exemption applicable to Individuals (Rs. 1,60,000 / Rs. 1,90,000 / Rs. 2,40,000)
193	Interest on Securities	Payer of Interest of Securities	A Resident Person	Domestic Company- 10%, Others – Listed Debentures 10%, Non-listed debentures- 10%.	Exempted for certain listed securities u/s 193. Listed Debenture – Rs.2500 Demat Securities.
194	Dividend u/s 2(22)(e)	Domestic Company	Resident	10%	Upto Rs. 2,500 during a financial year in case of an Individual.
194A	Interest other than interest on securities	All assesses except Individuals and HUF who are not subject to audit u/s 44AB during prior previous year.	A Resident Person	Domestic Companies – 10%, Others – 10%	Rs. 10,000 if payment made by Banking Company, Co-operative society, Post Office Rs. 5,000 payment made by any Other person.
194B	Winning from Lottery / Crossword Puzzle	Any Person	Any Person	30%	Rs. 10,000

194BB	Winning from Horse Races	Any Person	Any Person	30%	Rs. 5,000
194C	Payment to contractor or sub contractor	All Assesses except Individuals and HUF who are not subject to audit u/s 44AB during prior previous year.	Any Person Resident in INDIA	Individual, HUF – 1%, Others – 2%	Rs. 30,000 per contract value or Credit less than Rs. 75,000 p.a. in aggregate.
194D	Insurance Commission	Any Person	Resident Assesses	Dom. Company-10% Others – 10%	Rs. 20,000 p.a.
194E	Payment to non-resident sportsmen or sports association of income referred to u/s 115BBA	Any Person	Non-resident – Sportsmen being foreign citizen; or sports association	10%	Nil
194EE	National saving scheme	Post office	Any person	20%	Nil
194F	Repurchase of units	Mutual funds or UTI	Unit holder u/s 80CCB	20%	Nil
194G	Commission on sale of Lottery tickets	Any Person	Any Person	10%	Rs. 1,000
194H	Commission or Brokerage	All Assesses except Individuals and HUF who are not subject to audit u/s 44Ab during prior previous year.	A resident Person	10%	(i) Rs. 5,000 (ii) Commission payable by BSNL or MTNL.
194 I	Rent	All assesses except Individual and HUF who are not subject	A resident Person	Rent of P & M- 2%, Rent of Land, Building,	(i) Rs. 1,80,000 in a financial year.

		to audit u/s 44AB during prior previous year.		Furniture – 10%.	(ii) Payee is a Govt. Or Local Authority.
194 J	Professional or Technical Fees	All assesses except Individual and HUF who are not subject to audit u/s 44Ab during prior previous year.	A resident person	10%	Rs. 30,000 in a financial year.
194 LA	Compensation / Enhanced Compensation on compulsory acquisition	Any Person	A Resident Person	10%	Aggregate of such payments during the F.Y. 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 the Finance Act.	Dividend in referred in section 115-O.