Tax planning with reference of setting up the new business

When new business formed or establish government provide so many benefits to the owners so that business may grow well. As per the income tax Act,1961 there are so many sections which is beneficial for the new business. These sections play an important role at the time of tax planning.

TEA DEVELOPMENT ACCOUNT [S. 33AB]

- Assessee is engaged in business of growing and manufacturing tea in India.
- It has deposited amount with NABARD in specified scheme or in TDA a/c within 6 months from the end of the previous year or before filing return whichever is earlier.
- Audit report is furnished in Form No. 3AC.
- **Bifurcation of Agriculture and non-Agriculture income:**

Particulars	Agriculture income	Non- Agriculture income
Tea	**60%**	**40%**
Rubber	**65%**	**35%**
Coffee	**75%**	**25%**

- Deductible amount: Lower of the following two
  - (i) Sum deposited as mentioned above.
  - (ii) 40% of profit of such business.

- Amount deposited can be withdrawn only for specified purposes. If the amount so withdrawn is not utilized for the specified purpose, then unutilized amount will be deemed to be taxable profit of that year.

- Amount can be withdrawn in case of closure of business or dissolution of firm. In both these cases it will be treated as profits.

- Amount withdrawn in following cases will not be treated as income.
  - (i) Death of the taxpayer.
  - (ii) Partition of HUF.
  - (iii) Liquidation of company.
- Amount withdrawn from account can be utilized for specified purposes only. It can’t be utilized for purchase of P&M, residential building, guest house, office appliances (except computers) or any other machinery entitled for 100% dep.

- If assets acquired is sold or transferred before the expiry of 8 years, then cost of assets relatable to the deduction allowed will be treated as business profit in the year of transfer. Exceptions to the above rule
  - (i) Transfer to Central / State Govt, Local authority, Govt. Co, Statutory Corporation
  - (ii) Succession of firm by company
  - (iii) In the scheme of amalgamation / demerger.

SITE RESTORATION FUND [S. 33ABA]

- Assessee is engaged in business of prospecting, extraction, production of petroleum or natural gas in India.
- It has deposited amount with SBI in specified scheme or in SRF a/c before the end of the previous year.
- Audit report is furnished in Form No. 3AD.
- Deductible amount: Lower of the following
  - (i) Sum deposited as mentioned above.
  - (ii) 20% of profit of such business.
- Other Points : Same as TDA (S. 33AB)

Preliminary Expenses [S. 35D]

(a) Allowed to an Indian company or resident assessee. Not allowed to foreign co. even if it is resident in India.

(b) May be before commencement of business or after commencement.

(c) Examples: Registration fees under the companies act, printing of memorandum, fees for project / technical reports, public issue expenses, underwriting commission, issue of share capital, etc.

(d) Maximum ceiling is restricted to 5% of cost of project. If however, it is a company assessee, then maximum ceiling is 5% of cost of project or 5% of capital employed whichever is less.

(e) Report of CA in case of non –corporate assessee is required to claim deduction.

(f) Amortisation of preliminary expenses is allowed only to the assessee who has incurred the expenditure. Exception: In a scheme of amalagamation. In Amalagamation, deduction from PY in which amalagamation took place is allowed to the amalagamted company.

Cost of project: It means cost of fixed assets as appearing on the last day of the previous year in which business is commenced.

Capital employed: It includes aggregate of issued share capital, debentures and long term borrowings (not repayable before 7 years) as appearing on the last day of the previous year in which business is commenced.

Deduction allowed : It is 1/5 for 5 years.

Expenses on prospecting of minerals business [35E]:

- Available to Indian company and resident assessee.
- Qualifying amount will be expenditure incurred during the year in which commercial production took place and preceding 4 years.
- Following not included in qualifying expenses
  - Expenses met by any person / authority
  - Proceeds from sale of salvage, compensation, insurance etc.
  - Expenses on acquisition of site
  - Expenses on acquisition of deposits
  - Capital Expenditure eligible for depreciation u/s 32.
- Amount deducted is 1/10 of qualifying exp. Or income earned which ever is less. Deduction is available for 10 years.

- Report of CA in case of non –corporate assessee is required to claim deduction.

[Sec- 41(4A)]: Amount withdrawn from Special Reserve u/s 36(1)(viii)

If any amount is withdrawn from or other purpose, then chargeable to tax in the year of withdrawal whether or not business is in existence.

Section 42: Calculation of income in case of business for prospecting or extraction of mineral oils

If any person is engaged in business of prospecting for or extraction / production of mineral oils having agreement with GOI for either association or participation and approved by Parliament, then certain provisions of Income Tax Act are modified to a certain extent provided in the agreement. In such case, the deduction or expenditure will be allowed as prescribed in the agreement even if they are otherwise not allowable as per different provisions of Income Tax Act. Certain examples are:

(a) Expenses relating to infructuous (no benefit) exploration in respect of any area surrendered prior to beginning of commercial production.
(b) Expenses incurred before or after commercial production regarding drilling or exploartaion activities or services in respect of physical assets used in that connection.

If the business or any interest in business is transferred wholly or partly in accordance with the agreement, then treatment of sale proceeds is done as under:

(i) If proceeds are less than the expenses incurred remaining unallowed, then entire balance expenditure will be allowed as a deduction in the year of transfer itself.
(ii) If proceeds exceeds the expenses remaining unallowed, then excess upto deduction allowed is taxable as business income in the year of transfer.

Activities connected with exploration of mineral oils [S. 44BB]

10% of receipts is deemed to be the income.

Income of assessee engaged in any business except plying, hiring of vehicles. (Sec 44AD)

(a) The option for declaring income under assumption basis will be available to following assessee only i.e. Individual, HUF and Partnership Firm (Not LLP)
(b) Following persons are not eligible to avail any benefit u/s 44AD.
    i. Person carrying on profession.
    ii. Person earning income from commission / brokerage.
    iii. Person carrying agency business.
(c) The Turnover does not exceed Rs. 1 cr.
(d) The assessee has not claimed deduction u/s 10A, 10AA, 10B, 10BA or 80HH to 80RRB in the relevant assessment year.
(e) Such persons can declare income @ 8% of gross receipts and will not required to maintain any books of accounts.
(f) No other expenditure will be allowed.
(g) Deduction under chapter VIA available.

(h) If declares lower profits then accounts are to be maintained and audited.
(i) In case of partnership firm interest and salary paid to partners will be deducted from 8%.
(j) Turnover of this business is excluded for calculating limits for audit if profit declared u/s 44AD.

2. **<u>Income of assessee engaged in the business of plying, leasing or hiring trucks : [S. 44AE]</u>**

- It applies to only those assessee who does not own more than 10 vehicles at any time during the previous year.
- Heavy Vehicle (More than 12 Ton Capacity) : Net income Rs. 5000 P.M.
- Light Vehicle : Net income Rs. 4500 P.M.
- Part of a month is full month.
- The income is taken for 12 months throughout the year. No deduction for any non working season etc. is allowed.
- If a vehicle is acquired during mid of the year, then its income is taxable from the month in which it is owned by the assessee (date of put to use is irrelevant). Vice versa provision in case of sale of assets.
- No other expenditure will be allowed.
- Deductions under chap VI A are available.
- If declares lower profits then accounts are to be audited.
- In case of partnership firm interest and salary paid to partners will be deducted from net income.
- Turnover of this business is excluded for calculating limits for audit if profit declared u/s 44AE

<u>Common points for 44AD/AE.</u>

- In all cases for the purpose of WDV of assets, depreciation will be deemed to be claimed and value of assets will be reduced accordingly.
- Turnover of such business is excluded for the purpose of limit of turnover for tax audit u/s 44AB.
- No disallowance can be made for any expenditure if profits are in conformity with the above sections.
- Only remuneration & interest to partners is allowed after calculating the assumed income.
- **<u>Set off & carry forward of losses will be applicable. Since 44AD & AE covers all deductions allowed u/s 32 to 44, therefore, B/F unabsorbed depreciation will not be allowed as a set off from income computed under Section 44AD / AE. However, brought forward business losses is allowed as a set off since it is covered by the provisions of Section 72A.</u>**
- Deduction under Chapter VIA is available.
- Though the Assessee is not required to maintain any books of accounts if profits are declared u/s 44AD/AE but the income tax department during assessment proceedings may enquire the following items:
  (a) Sundry Debtors
  (b) Sundry Creditors

(c) Gross Receipts
(d) Stock
(e) Cash & Bank balance

COMPUTATION OF INCOME ON ESTIMATION BASIS OF NON RESIDENT

1. **Shipping business [S. 44B]**

7.5% of following receipts is deemed to be the income.

- Amount paid or payable in India or outside India for carrying any passenger, carriage etc. at any port in India.
- Amount received or deemed to be received in India for carrying any passenger, carriage etc. at any port outside India.

2. **Activities connected with exploration of mineral oils [S. 44BB]**

10% of receipts is deemed to be the income.

3. **Foreign airlines [S. 44BBA]**

5% of following receipts is deemed to be the income.

(a) Amount paid or payable in India or outside India for carrying any passenger, carriage etc. at any port in India.
(b) Amount received or deemed to be received in India for carrying any passenger, carriage etc. at any port outside India.

4. **Foreign company engaged in civil construction business [S. 44BBB]**

10% of receipts are deemed to be the income.

Royalty and technical services fees in case of foreign companies u/s 44D:

If agreement is made after 1.4.76 (S.115A) and covered by any following four cases

(a) If agreement is made with GOI.
(b) If agreement is made with Indian concern and approved by GOI.
(c) If relates to industrial policy matter of GOI.
(d) If as a result of transfer of all or any rights in copyright in any book or computer software to a persons resident.

Chargeable to tax a@ 10% +SC+EC

Note: No deduction u/s 28 to 44 are available.

Deduction u/c VIA is available.

Other Cases

1. ***If Company:*** No deduction u/s 28 to 44. Tax rate is 40%

2. ***Other N/R:*** Deduction available. Tax rate as applicable.

Deductions from income

80 IA

Deduction u/s 80IA is available in respect of following activitie

Infrastructure facility:

Infrastructure facilities mean development of Roads, Bridges, Canals, Rail System, Highway Projects, Water Supply, Irrigation, Port, Airports, Navigational channel in sea

Conditions

- ❖ Owned by Indian Company.
- ❖ Agreement with government. Transfer to government condition is withdrawn

Date

On or after 01.04.1995

Amount of deduction

100% of profits for 10 years

If Housing & other allied activities are part of highway project

Profits are not taxable if transferred to Special Reserve Account and utilized for highway projects (excluding housing) before 3 years from the year in which transferred. Unutilized amount is taxable in the year in which transfer took place.

The CBDT has clarified that widening of an existing road by constructing additional lanes as a part of highway project by an undertaking would be regarded as a new infrastructure facility u/s 80IA. However, simply relaying of an existing road will not be classifiable as infrastructure facility.

Telecommunication Services

Telecommunication services means basic or cellular, domestic satellite service, networking, internet, broad-band etc.

Conditions

- ✓ **Any undertaking**
- ✓ **It should be new undertaking**

- ✓ **Not formed by new plant and machinery**

Date

It should be from 1st April 1995 to 31st March 2005

Amount of Deduction

- ✓ 100% of profits for first 5 years
- ✓ 30% of profits for next 5 years

Industrial Parks:-

Conditions

Any undertaking develops / operates / maintains industrial park or SEZ as per schemes notified by Central Govt.

Date:

Parks : It should be 1st April 1997 to 31st March 2011

SEZ : It should be 1st April 1997 to 31st March 2005 (If after 31.03.05, then deduction u/s 80IAB)

Amount of deduction

100% of profit for 10 year

Power generation / distribution:-

Conditions

- ❖ Owned by any undertaking
- ❖ It is set up in India for distribution / generation of power.
- ❖ New Undertaking
- ❖ Not formed by old Plant & Machinery Undertaking should be new undertaking (Not applicable in case of State Electricity Boards)

Date

- ❖ Generation & distribution : 01/04/1993 to 31/03/2010
- ❖ - Transmission by laying network: 01/04/1999 to 31/03/2013
- ❖ - - If substantial expansion taken between 01/04/2004 to 31/03/2013 Substantial expansion means increase in Book Value of Plant & Machinery by at least 50% as on 01.04.04.

Amount:

100% for 10 year

Natural Gas Distribution

Conditions

- ❖ The assessee is an Indian Company / Board / Corporation established under any State or Central Act.
- ❖ Approved by Petroleum & Natural Gas Regulatory Board
- ❖ Notified by Central Government
- ❖ 1/3rd of total pipeline capacity available for use on common carrier basis by any person except the assessee and associated persons.
- ❖ It should be new undertaking
- ❖ Not formed by old plant & machinery
- ❖ Fulfills any other condition as prescribed

Commencement Date: should be commencing on or after 1st April 2007.

Deduction of Amount: 100% for 10 years

Definition of Associated persons

- ➢ Person who participates directly / indirectly in management / control / capital of the assessee.
- ➢ Holds directly / indirectly at least 26% of voting power.
- ➢ Person who is entitled to appoint more than half of the Board of Directors.
- ➢ Person who appoints one or more executive directors
- ➢ Person who guarantees at least 10% borrowings of the assessee.

The above deduction will not be available from AY 2010-11. The benefit of deduction will now be claimed u/s 35AD.

Amendment in Section 80IA w.e.f AY 2010-11

The deduction u/s 80IA will not be available in case of works contract awarded by any person including CG/SG and executed by an undertaking / enterprise referred in section 80IA. This amendment is made w.r.e.f. AY 2000-01.

80 IAB:

Deduction to undertaking developing, operating or maintaining SEZ area on or after 01/04/2005.

80 IB:

- ❖ **Industrial Undertaking**

  Condition
- ➢ It is available to any Industrial undertaking
- ➢ Undertaking should be new Undertaking
- ➢ Not formed by transfer of old plant & machinery

- ➢ It manufactures articles except non priority items as per 11th schedule. (SSI units or Bacward State located units can manufacture any article)
- ➢ There should be at least 10 labours if production with the help of power, 20 persons in case without power.

For details please refer study material.

Operation of ships

Condition

- ➢ Only to Indian Company & fully for business purpose only
- ➢ Ships not used in India before.

Date

From 1st April1991 to 31st March 1995

Amount of Deduction

30% of profits for 10 years

Hotel Industry

Condition

- ❖ Only to Indian Company
- ❖ Not formed by splitting up
- ❖ Not formed by transfer of old building
- ❖ Paid Up Capital is at least Rs. 5 Lac
- ❖ Hotel located in a hilly area / rural area / piligrimage (Other than metro cities)
- ❖ Approved by prescribed authority (Department of tourism)
- ❖ Deduction to specified & non specified hotels both. Non specified means situated in other areas

Condition for approval

- ❖ Not more than 300 rooms of 3 star category.
- ❖ Place is specified
- ❖ Hilly Area means above 1000 mtrs from sea leve;

Date

01/04/1997 to 31/03/2001

Amount

- ✓ Specified Hotel : 50 % for 10 years
- ✓ Non-Specified : 30% for 10 years

Industrial Research

Condition

- Only to Indian Company
- Main object is scientific & industrial research or development.
- Approved by prescribed authority (Department of science)

Date

01/04/2000 to 31/03/2007

Amount

100% for 10 years

Mineral Oils

Condition

- New Undertaking
- Not formed by old Plant & machinery
- 10 / 20 workers

Date

- If located in places other than NE Region

- Production : On or after 01/04/1997
- Refining: On or after 01/10/1998 but upto 31/03/2012.

Amount

100% for 7 years

If the undertaking begins refining of mineral oils on or after 1.4.09, deduction will be allowed if following conditions are fulfilled.

(a) It is wholly owned by a public sector company or by any other company in which public sector company holds at least 49% of voting rights.
(b) It is notified by Govt before 01.06.2008.
(c) It begins refining during 1.4.09 to 31.3.12.

The deduction in case of production of mineral oil will not be available for blocks licensed under a contract awarded after 31/3/11 as per New Exploration Licencing Policy announced by GOI or in pursuance of any law for the time being in force or by the Central or State Govt. in any other manner.

Developing & building Housing Projects

Conditions

- The project approved by local authority before 31/03/2007.
- Minimum one acre land size
- The built up area of shops & other commercial if any should not exceed 3% of aggregate built up area of housing project or 5000 Sq. Ft whichever is higher.
- Built up area of each residential unit should not exceed
  - ✓ 1000 Sq Ft (Delhi & Mumbai or 25 Kms within Delhi & Mumbai)
  - ✓ 1500 Sq Ft at other places

Date

- If project is approved up to 31/3/04--- Construction should be completed up to 31st March 2008.
- If project approved in FY 2004-05--- Construction should be completed within 4 yrs from the end of financial year in which housing project is approved by local authority i.e. up to 31st March 2010.
- If project approved on or after 1/4/05----- Construction should be completed within 5 yrs from the end of financial year in which housing project is approved by the authority.

Amount : 100% of profits in any year.

Processing, preservation, packaging of fruits / vegetables

Condition

- Any undertaking
- Engaged in business of food grains, processing. Preservation and packaging of meat and meat products / poultry / marine / dairy products

Date

On or after 01/04/2001

In case of meat / poultry / marine / dairy : On or after 01/04/2009

Amount

If Company : 100% - First 5 Years

30% - Next 5 Years

If other : 100% - First 5 Years

25% - Next 5 Years

Multiplex Theatres

Condition

- Any undertaking
- Not formed by splitting up
- Not formed by old building
- Not located within jurisdiction of Mumbai, Kolkatta, Delhi & Chennai
- Prescribed area
- Two or more cinema theatres & commercial shops & other facilities

Date

01/04/2002 to 31/03/2005 (Date of construction)

Amount

50% for 5 years

Conventional Centres

Condition

- ❖ Any undertaking
- ❖ Not formed by splitting up
- ❖ Not formed by old building
- ❖ Prescribed area
- ❖ Halls to be used for holding seminars, conferences with other facilities

Date

01/04/2002 to 31/03/2005 (Date of construction)

Amount

50% for 5 years

Hospital in Rural Areas

Condition

- ❖ Any assessee engaged in business of maintenance / running of hospital in rural area.
- ❖ At least 100 patient beds
- ❖ Construction of hospital is as per rules & regulations of local authority

Date

Construction between 01/10/2004 to 31/03/2008. The construction is deemed to be completed when certificate issued by local authority.

Amount

- ❖ 100% for 5 years.

Hospital in Certain Areas

Condition

- ❖ Any assessee engaged in business of maintenance / running of hospital in urban area excluding following places:
- ❖ Mumbai, Delhi, Kolkatta, Chennai, Hyderabad, Bangalore, Ahmedabd, Faridabad, Gurgaon, Gazaiabad, Gandhinagar, Secunderabad.
- ❖ At least 100 patient beds
- ❖ Construction of hospital is as per rules & regulations of local authority

Date

Construction between 01/04/2008 to 31/03/2013. The construction is deemed to be completed when certificate issued by local authority.

Amount

100% for 5 years.

80 IC:

Profits of certain undertaking in special category of states

Condition

- Not formed by splitting up
- Not formed by old Plant & machinery
- Established in certain category of states
- It produces specified goods

Date

Sikkim	: 23/12/2002 to 31/03/2007
Himachal & Uttaranchal	: 07/01/2003 to 31/03/2012
NE States	: 24/12/1997 to 31/03/2007

Amount

Sikkim & NE States	: 100% profit for 10 years
Himachal & Uttranchal	: 100% profit for - First 5 Years
	25% - Next 5 Years (30% if Company)

80 ID:

Hotel & Conventional centre in NCR.

Condition

- The assessee is engaged in the business of hotel / conventional centre in specified areas
- Specified area means territory of Delhi & surrounding areas (Faridabad, Gurgaon, Gaziabad, Budh Nagar)
- Hotel category : 2/3/4 Star
- Not formed by splitting up
- Not by old building

Date

01/04/2007 to 31/07/2010

Amount

100% of profit for 5 years

Hotel & Conventional centre in other big cities

Condition

- The assessee is engaged in the business of hotel / conventional centre in specified districts having a world heritage site: Agra, Jalgaon, Aurangabad, Kancheepuram, Puri, Bhartapur, Chatrpur, Thanjavur, Bellary, South 24 pargans, Chanmoli, Raisen, Gaya, Bhopal, Panchmanhal, Kamprup, Goalpara, Nagaon, Goa, Darjeeling, Nilgiri.
- Hotel category : 2/3/4 Star
- Not formed by splitting up
- Not by old building

Date

01/04/2008 to 31/03/2011

Amount

100% for 5 years

80 IE:

Certain undertaking in NE States.

Condition

- ✓ The assessee is engaged in the business of manufacturing of goods (Not being tobacco, pan masala, plastic carry bags)
- ✓ The assessee engaged in providing eligible services (Hotel management, Nursing Home, Old Age homes, catering, civil, fashion design, Industrial Training, IT hardware, Bio-technology)
- ✓ Established in NE states (Arunachal, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura)
- ✓ Not formed by splitting up
- ✓ Not by old building

Date

01/04/2007 to 31/03/2017

Amount

100% for 5 years

Common points for all deductions u/s 80IA to 80IE

- **Initial assessment year** starts from the year in which the operation begins.
- The assessee may choose any year after commencement as initial assessment year but not **beyond 15th assessment year (20 in case of highway projects) :** Only in case of 80IA
- The deduction is available for continuous period. If there is loss in any year, the year will be included in tax holiday period.
- Deduction is available **unit wise**. If any company has more than one undertaking, some eligible for deduction and some not, then deduction is calculated with reference to profits of each undertaking separately.
- **Brought forward losses are to be set off** first before giving deduction.
- No **double deduction** is permissible.
- **Return filed in time period u/s 139(1)**
- Audit Report
- **Recalculation of profits by Assessing Officer**

  The AO is entitled to recalculate profits in following cases

  (a) If it appears that profit of non eligible units is transferred to an eligible unit by the assessee.

  (b) If there is transaction between two different assessee for avoidance of tax liability.

  Amendment in above from AY 13-14: New Section 92BA

  Sec. 92BA is inserted to extend transfer pricing provisions to a few domestic transactions including transactions u/s 80IA to 80IE. So, the deductions under sections 80IA to 80IE will be calculated with regard to Arm's Length Price. This provision will apply only if value of transactions exceed Rs. 5.00 crore.

- **In case of amalgamation / Demerger**

  The amalgamating company / demerged company is not entitled to deduction in the year in which amalgamation / demerger took place. Deduction is eligible in the hands of amalgamated company / resulting company from the year in which the restructuring took place for balance unexpired tax holiday period.

- **Splitting up of business**

  If business is reconstructed / revived as a result of disturbance due to circumstances u/s 33B of IT Act (Flood, Drought, Riots, War or any other natural calamity)

- **Old Plant & Machinery**

  Two Exceptions

(a) Second hand imported machinery is treated as a new machinery in India provided that it is not used in India before and no depreciation is claimed on such machinery by any person in India.

(b) 20% of total value of machinery can be old machinery

Inter unit transfer

For the purpose of claiming deductions under chapter VIA (80H to RRB) transactions are undertaken between two different units, then vaule of these transactions shall be determined at the market value of such goods / services as on date of transfer. The FMV will be calculated as under:

Situation	FMV
(a) If an exemption eligible unit supplies to ineligible unit of the assessee	The price which would have been realized if such goods were sold by the eligible unit in the open market subject to statutory / regulatory restrictions if any.
(b) If an exemption eligible unit acquires good / services from ineligible unit of the assessee	The price which would have cost if such goods were acquired by the eligible unit from the open market subject to statutory / regulatory restrictions if any.

Other deductions from income

1. **80 JJA:- Profit from business of collecting and processing of bio-degradable waste:**
   Whole profit is deducted for 5 years.

2. **80JJAA:- Employment of new workmen**

(a) Available to Indian Company

(b) Engaged in manufacturing or production of things.

(c) New Undertaking

(d) CA report in FN 10DA

Deductible amount:

For 1st year:- 30% of additional wages paid to new workmen (employed in excess of 100)

For next 2 years:- Deduction is available only if there is increase of 10% in number of employees as compared with last day of the preceding year.

Workman: It does not include (a) Person in Military / Navy (b) Employed in managerial or administrative capacity (c) Employed in supervisory capacity having wages in excess of Rs. 1600 per month.

Regular Workmen : It does not include (a) Casual workmen, (b) labour contractor, (c) less than 300 days.

Special tax rate under section :

Provisions of Sec. 115

Section 115A: Any interest received by a Non Resident from notified infrastructure bond fund shall be taxable @ 5% +(SC and EC, SHEC).

Amendment from 1/7/12: Any interest recd by a non resident / foreign company from a specified company (Indian company) in respect of money borrowed between 1/7/12 to 30/6/15 will be taxable @ 5%. The concessional tax rate will be applicable if interest is covered u/s 194LC.

Sec. 115A(1)

20% tax rate in case of dividend income, interest from Govt / Indian concern in foreign currency, in respect of units purchased in foreign currency

(Sec.- 115AB)

10% tax rate in case of income of overseas financial institution regarding income of units purchased in

foreign currency and long term capital gains.

(Sec- 115AC)

10% tax rate in case of NR if income is by way of interest, dividend on bonds or global depository Receipts and LTCG.

(Sec- 115AD)

Notified foreign institutional investor:

- 20% tax rate in case of income received in respect of securities listed in recognised stock exchange.
- 10% in case of LTCG.
- 30% in case of STCG

Sec- 115BBA

Non resident sportsman being a foreign citizen.

10% tax rate in case of income received from participation in game in India, advertisement, articles in magazines. **The rate is increased to 20% from AY 13-14**

From AY 13-14: The scope of Section 115BBA is extended to cover income arising to a Non Resident entertainer (theatre, radio or television artists or musicians) from performances in India.

Sec. 115BBA
Non resident sports association

10% tax rate in respect of guarantee money for games to be played in India.

Sec- 115BBE from AY 2013-14: Income referred u/s 68 to 69D (income from undisclosed sources) will be taxable @ 30% +SC+EC

Sec- 115D
Non resident Indian

- 20% tax rate in case of investment income from foreign exchange assets.
- 10% in case of LTCG on transfer of foreign exchange assets.
-

Filing of Return Of Income in India

Compulsory filing of return

115A(1)(b), 115AB, 115AC(b), 115ACA, 115AD

No filing of return in other sections if:

1. Income includes income only under that particular section.
2. TDS is deducted on such income.