DIRECT TAX SUMMARY

TAX RATES, SURCHARGE AND MARGINAL RELEIF

SECTION	DESCRIPTION AND CONCLUSION

TAX RATES

INDIVIDUAL AND OTHER		SENIOR CITIZEN (≥60year <80year)		SUPER SENIOR CITIZEN (≥80year)		DOMESTIC COMPONY , FIRM, LOCAL AUTOHORITY		FOREIGN COMPONY		Co-operative Society	
INCOME	RATES	INCOME	RATES	INCOME	RATES	INCOME	RATES	INCOME	RATES	Income	Rates
0-2.5	NIL	0-3	NIL			ALL INCOME	30%	ALL INCOME	40%	0-10k	10%
2.5-5	10%	3-5	10%	0-5	NIL					10-20k	20%
5-10	20%	5-10	20%	5-10	20%					>20k	30%
>10	30%	>10	30%	>10	30%						

U/S 87A Resident Individual and HUF having income up to 5,00,000 entitled to rebate of Rs. 2000 From there calculated Tax. Calculated income tax increased with Education cess @2% and secondary and higher education cess @1% and **SURCHARGE** .

SURCHARGE

INDIVIDUAL, HUF, LOCAL AUTHORITY,AOP,BOI,FIRM		DOMESTIC COMPONY		FOREIGN COMPONY	
INCOME	SURCHARGE	INCOME	SURCHARGE	INCOME	SURCHARGE
>1 CRORE	10%	>1 CRORE ≤10 CRORE	5%	>1 CRORE ≤10 CRORE	2%
		≥10 CRORE	10%	≥10 CRORE	5%

Subject to **MARGINAL RELIEF**.

MARGINAL RELEIF

ASSESSEE	CALCULATION(Maximum tax restricted to)
Individual, HUF, LOCAL AUTHOITY	(TAX ON **1** CRORE)+(TOTAL INCOME – **1** CRORE)
DOMESTIC COMPONY	(TAX ON **1** CRORE)+(TOTAL INCOME – **1** CRORE) IF THE TOTAL INCOME EXCEED **10** CRORE (TAX ON **10** CRORE WITH SURCHARGE OF 5%)+(TOTAL INCOME – **1** CRORE)
FOREIGN COMPONY	(TAX ON **1** CRORE)+(TOTAL INCOME – **1** CRORE) IF THE TOTAL INCOME EXCEED **10** CRORE (TAX ON **10** CRORE WITH SURCHARGE OF 2%)+(TOTAL INCOME – **1** CRORE)

Marginal relief is granted so as to additional income tax due to surcharge doesn't exceed addition income.

CAPITAL GAIN

SECTION	DESCRIPTION AND GIST
45(1)	CHARGING SECTION Chargeability under the head of capital gain,any profit or loss arising on **transfer** of **capital assets** ,in the previous year in which **TRANSFER** of **CAPITAL ASSETES** took place. Except section 45(1A),45(2) and 45(5) *<u>Secton 2(47) TRANSFER</u>* means sales, exchange, relinquishment, extinguishment(right cease),

compulsory acquisition, conversion of capital assets in to stock in trade, possession transfer even due to part performance without transfer of right.

Explanation(F.Act-2012)Disposing, parting with an asset or any interest therein /creating interest therein, from transfer of share or shares of a company registered or incorporated outside india.

<u>Section 2(14) CAPITAL ASSETS</u> means **(a)**property of any kind held by an assessee,wheter or not conneted with his business **(b)** security held by FII/FPI (either as SIT or otherwise) except (i)SIT {other than Sub-clause (b)}, consumable stores & Raw material (ii)personnel affefct(excluding JADPSA), (III)Agricultural land (iv)Gold deposit bond issued under gold deposit scheme 1999. ,

Explanation (F.Act-2012) Any right in relation to Indian compony.

PTBR : JADPSA are capital assets. Jewellery, Archaeological collection, Drawing, Painting, Sculptures, Any other work of art.

45(1A) **<u>INSURANE CLAIM</u>**

Transfer took place in the year of damage or destruction but Taxable in the year of Receipt of insurance claim.

<u>Capital gain / loss</u>

Sale consideration (FMV or insurance claim)	√
Less:	
Cost of Acquisition/ indexed cost of acquisition	
Cost of improvement / indexed cost of improvement	√
Capital gain/ loss	√

45(2) **<u>CONVERSION OF CAPITAL ASSETS IN TO STOK IN TRADE</u>**

Transfer took place in the year of Conversion but Taxable in the year of Sale. Indexation will be made from the date of acquisition till the date of conversion in to stock in trade.

<u>Capital gain / loss</u>

Sale consideration (FMV)	√
Less:	
Cost of Acquisition/ indexed cost of acquisition	
Cost of improvement / indexed cost of improvement	√
Capital gain/ loss	√

<u>Business income / loss</u>

Sales value	√
Less: FMV	√
Business income/loss	√

Note : If any portion of assets sold then proportionate FMV should reduced from sale consideration.

45(5) **<u>COMPULSORY ACQUISITION</u>**

Transfer took place in the year of compulsory Acquisition and indexed accordingly but taxable in the year of **first** receipt even part there of original compensation, taking in to consideration full original compensation. Enhanced compensation is taxable in the year of receipt of claim.

Wef AY 2015-16 Provided compensation received persuance of interim order chargeable in the year of final order. No any expenses allowed except legal expenses inrespect of enhanced copensation. **Interest** received on compensation of enhanced compensation taxable u/h of **IFOS** and no any deduction allowed under any clause except section 57 deductions of flat 50%.

Capital gain / loss

Sale consideration (original compensation) √

Less:

Cost of Acquisition/ indexed cost of acquisition

Cost of improvement / indexed cost of improvement √

Capital gain/ loss √

PTBR : Deduction u/s 57 is allowed only for **INTEREST,** not for original or enhanced compensation

48 **METHOD OF COMPUTATION OF CAPITAL GAIN**

FULL VALUE OF CONSIDERATION RECEIVED/ RECEIVABLE (Actual,FMV,SDV,etc) √

Less: expenses of transfer √

NET CONSIDERATION √

Less:

Cost of Acquisition/indexed cost of acquisition √

Cost of Improvement/indexed cost of improvement √

Capital gain/ loss √

50 Advance money received in respect of negotiation for its transfer and is forfieted by the assessee then dedcuted form COA,FMV or WDV as the case may be.**Provided on or after 01/04/2014 it shall be considered as IFOS**.

First poviso **CAPITAL GAIN IN CASE OF NON-RESIDENT**

Applicable when initial investment is made in foreign currency. It is applicable only for share and debentures.

RULE 115 A : METHOD OF CONVERSION-Telegraphic Transfer Buying / selling Rate

Cost of Acquisition	Average of TTBR and TTSR	On the date of acquisition
Sale consideration & Exp. On transfer	Average of TTBR and TTSR	On the date of transfer
Capital Gain	TTBR	On the date of transfer

Note : Not applicable for unit of UTI,MF,BT

Second Proviso **INDEXATION**

Only of long term capital assets. No indexation for Short term capital assets and Depreciable Assets.

Assets	Listed Share , unit of UTI or EOF, ZCB	DOMF, unit of business trust or other
STCA	≤12 months	≤36 months
LTCA	>12 months	> 36 months

For long term capital assets instead of Cost of Acquisition and Cost of Improvement , indexed cost of Acquisition and indexed cost of improvement shall be taken.

ICOA/ICOI= COA/COI*$\frac{\text{CII of the year in which transfer took place}}{\text{CII of the year of Acquisition/improvement}}$

Third proviso **SECOND PROVISIO OF SECTION 48 NOT TO APPLY**

Benefit of indexation not available on bond and debenture.

Fifth proviso **STT NOT ALLOWED ON TRANSFER OF CAPITLA ASSETS**

STT not allowed as expenses on transfer and accordingly neither be reduced from sale consideration Nor add in Cost of Acquisition.

PTBR: STT allowed when share held as Stock in trade.

55 **COST OF ACQUISTION**

Includes all cost incurred to acquire the capital assets reduced by that have been made by other authority.

PTBR: The capital gain is derived after reduction of COA and COI from FVCR. So the capital assets which is not acquired , automatically generated (eg. Goodwill,Right,etc) then cost of acquisition is

indeterminate then capital gain can't be calculated and accordingly capital gain will not arise.
So to overcome from this tax planning.
For the following self generated assets cost of acquisition specified.

CAPITAL ASSETS	COST OF ACQUISTION	
	ACQUIRED	SELF GENERATED
Goodwill of a **business**	Purchase price	NIL
Trade mark or brand name associated with a business	Purchase price	NIL
Tenancy rights	Purchase price	NIL
Stage carriage permits(Route Permits)	Purchase price	NIL
Loom hours	Purchase price	NIL
Right to manufacture, produce any article or thing	Purchase price	NIL
Right to carry on any business	Purchase price	NIL

B.C.Srinivasa Setty(SC) : COA of self generated assets other than those mentioned in section 55, is indeterminate, Therefore no capital gains shall arise. E.g on sale of spontaneously grown trees, goodwill of profession.
Also goodwill of profession is not a capital Assets.

COST OF IMPROVEMENT
Cost incurred after acquisition.
NIL for Goodwill of business, Right to manufacture, produce or process any article or thing, Right to carry on any business.
PTBR: Cost of improvement incurred before 01.04.1981 is to be ignored in all cases.

50 D **FAIR MARKET VALUE**
Fair market value deemed to be Full value of Consideration Received (FVCR) Where consideration received / receivable from TRANSFER of CAPITAL ASSETS is not Ascertainable.
PTBR :FMV concept Relevant only for 45(1A),45(2),45(4),46(2) and 50(D)

50C **SPECIAL PROVISION FOR FULL VALUE OF CONSIDERATION IN CERTAIN CASES**
For Capital Assets being land, building or both if FVCR is less than the SDV then SDV to be taken as FVCR. If SDV exceed FAIR VALUE then Assessing Officer may refer to Valuation Officer. Where values determined by Valuation officer exceed SDV then SDV should be taken as FVCR.

43CA **SPECIAL PROVISION FOR FULL VALUE OF CONSIDERATION IN CERTAIN CASES FOR OTHER THAN CAPITAL ASSETS**
For IMMOVABLE PROPERTY BEING land, building or both held as stock in trade if FVCR is less than the SDV then SDV to be taken as FVCR. If SDV exceed FAIR VALUE then Assessing Officer may refer to Valuation Officer. Where values determined by Valuation officer exceed SDV then SDV should be taken as FVCR.
PTBR : Where Date of Agreement and Date of Registration is not same then option to take SDV as of Date of agreement, if prior transaction is on Date of Agreement in other than cash.
This option is available to seller who involved in Real estate.

45(2A) **TRANSFER OF SECURITIES BY DEPOSITORIES**
Follow FIFO method to determine COA and indexed accordingly.

45(3) **CAPITAL GAIN ON TRANSFER OF A CAPITAL ASSET BY A PARTNER/ MEMBER TO FIRM/AOP/BOI**
FVCR :Amount recorded in the book is FVCR.

45(4) **CAPITAL GAINS ON TRANSFER OF A CAPITAL ASSET BY WAY OF DISTRIBUTION ON DISSOLUTION OF FIRM/AOP/BOI or otherwise.**
FVCR:The FMV on the date of distribution is FVCR.

10(37) **EXEMPTION IS RESPECT OF CAPITAL GAIN IN CASE OF AGRICULTURAL LAND**
If compulsory acquired agricultural land of urban area by government and such land used by individual HUF, or his family **≥2 year.**

10(38)	**<u>EXEMPTION IN RESPECT OF LONG TERM CAPITAL GAIN IN CASE OF SPECIFIED SECURITIES</u>** When LTCG arise on sale of Equity Share or Unit of Equity oriented Mutual Fund and such Sale should subject to Security transaction tax(STT). Both listed and unlisted equity share is subject to STT. Loss will have no tax implication. So no tax treatment for loss.
111A	**<u>TAX ON SHORT TERM CAPITAL GAIN</u>** When STCG arise on sale of Equity Share or Unit of Equity oriented Mutual Fund and such Sale should subject to Security transaction tax (STT). Both listed and unlisted equity share is subject to STT, then such STCG is taxable @ 15%. PTBR : Otherwise Normal rate 30%/40%/slab rate as the case may be as applicable to assessees. It is subject to slab benefit.
112	**<u>TAX ON LONG TERM CAPITAL GAIN</u>** For all assessees including non-residents, TAX Rate on LTCG is **20%.** **However. For non-resident, tax on LTCG on unlisted securities shall be 10% without applying the first proviso and second proviso to section 48.** **Chargeable only @20% (with indixation) Capital Gain on unit of DOMF and UNLISTED SHARE.** **SLAB BENEFIT u/s 111A and 112 (not for NR)** Income excluding STCG/LTCG chargeable at normal rate. However if after excluding STCG/LTCG, total income falls below minimum amount not chargeable to tax the such deficiency shall be met from STCG/LTCG, and such reduced STCG/LTCG chargeable at 15% or 20%
Proviso to 112	**<u>LTCG ON LISTED SECURITIES(SHARE & DEBENTURE) OR UNIT OR ZCB</u>** TAX Rates is lower of the following: 20% after indexation 10% without indexation Subject to exemption u/s 10(38) for equity share and unit.
47	**<u>CERTAIN TRANSACTION NOT REGARDED AS TRANSFER</u>** (i) Distribution of capital assets on partition of **HUF.** (ii) Transfer of capital assets under a **GIFT, WILL, IRREVOCABLE TRUST.** (iii) Any transfer in a scheme of **AMALGAMATION.** (iv) Transfer of Capital assets by a **holding to subsidiary** company. (v) Transfer of Capital assets by a **subsidiary to holding** company. (vi) Transfer of **share held in an Indian company, by the amalgamating foreign company to the amalgamated foreign company**. (vii) Transfer in a scheme of **amalgamation of banking company with a banking institution.** **(viib)** transfer of government securites carrying a periodic payment by NR TO NR. (viii) Any transfer of **GDR between NR to NR**, made outside INDIA. (ix) Any transfer of a capital assets, being any work of art, archaeological, scientific, or art collection, book, manuscript, drawing, painting, photograph or print **to government** or public museum. (x) Any transfer by way of conversion of **bonds, or debentures or debenture stock or deposit certificates of a company into the shares or debentures** of that company. (xa) - Any transfer by wary **conversion of bonds** referred to in section 115AC (FCEB) **in to share** debenture of any company. (xi) Transfer of **share in a scheme of amalgamation.** (xii) Any transfer of capital assets being **land of sick industrial company.** (xiii) A **firm succeeded by a company.** (xiiib) **conversion of company in the LLP.** (xiv) A **sole proprietorship concern succeeded by a company**. (xv) Any transfer in a scheme of lending of any securities (xvi) Any transfer of capital Assets in the course of **Demutualisation or corporatisation** of RSE. (xvii) Any transfer of capital Assets being a **membership right** held by a member of RSE. (xviii) Any transfer of capital Assets in a transaction of **reverse mortgage**.
COMMON POINT	***<u>49(1): COA & COI –</u>*** COA and COI of improvement in the hand previous owner who acquire or incurred, will be COA and COI in the hand of recipient in case of exempted transfer.

2(42A): PERIOD OF HOLDING-Period during which assets held by predecessor will also be considered for determination of STCG AND LTCG and indexed accordingly.

72A : Accumulated loss and unabsorbed depreciation: accumulated loss and unabsorbed depreciation of predecessor will be termed as accumulated loss and unabsorbed depreciation of the previous year in which transfer took place, Accordingly it will allowed to carry forward for the initial eligible assessment year.(eg. In case of business loss it will be allowed to c/f for 8AY.)

47A : Withdrawal of exemption : If any of the applicable condition fail to comply.

32 : Depreciation : Depreciation will be allowed to the extent, allowable as if such succession would have not been place. And such depreciation will be apportioned between predecessor and successor in the ration of number of days for which assets used by them.

other expenses : Allowable for remaining number of year as if such succession has not taken place. (Eg. 35,35ABB, 35D, 35ADD, etc)

BAD DEBT : If debtor of predecessor become bad will be allowed to successor. However if bad of predecessor recovered will not be taxable in the hand of successor.(**P.K.KAIMAL)**

Following is not treated as succession and accordingly on transfer capital gain will be taxable

Proprietorship converted in to firm

Company converted in to firm

47(iii) **ANY TRANSFER IN A SCHEME OF AMALGAMATION.**

Following condition should be satisfied:

(i) All assets and liability immediately before amalgamation should become of amalgamated company.

(ii) Share holder holding at least 75% share of amalgamating company should become shareholder of amalgamated company.

47(iv),47(v) **TRANSFER OF CAPITAL ASSETS BY A HOLDING TO SUBSIDIARY COMPANY. OR TRANSFER OF CAPITAL ASSETS BY A SUBSIDIARY TO HOLDING COMPANY.**

Following condition should be satisfied.

(a) The holding company or its nominees hold the entire share capital of the subsidiary company.

(b) The holding company is an Indian company.

Section 47A: **WITHDROWL OF EXMPTION.** Where at any time before the expiry of **8 year.**

(a) Such capital asset is converted into stock in trade by the transferee company. Or

(b) The holding company or its nominees cease to hold the whole of the share capital of the subsidiary company.

47(vi) **TRANSFER OF SHARE HELD IN AN INDIAN COMPANY, BY THE AMALGAMATING FOREIGN COMPANY TO THE AMALGAMATED FOREIGN COMPANY.**

Following condition should be satisfied.

(a) At least 25% of the shareholder of the4 amalgamating foreign company continue to remain shareholders of the amalgamated foreign company and

(b) Such transfer does not attract tax on capital gains in the country in which the amalgamating company is incorporated.

47(x) **ANY TRANSFER BY WAY OF CONVERSION OF BONDS, OR DEBENTURES OR DEBENTURE STOCK OR DEPOSIT CERTIFICATES OF A COMPANY INTO THE SHARES OR DEBENTURES OF THAT COMPANY.**

Section 49(2A): The cost of acquisition of share or debenture received on conversion shall be proportionate cost of original debenture of deposit certificate which is so converted.

PTBR : The holding period of original debenture shall not be considered for new share or debenture received on debenture.

47(xi) **TRANSFER OF SHARE IN A SCHEME OF AMALGAMATION.**

Following condition should be satisfied:

(a) The transfer is made in consideration of allotment to him of the shares in the amalgamated company except where the shareholders itself is the amalgamated company and

(b) The amalgamated company is an Indian company.

Section 49(2) : COA of share in amalgamated company shall be COA of share in amalgamating company.

47(xii) **ANY TRANSFER OF CAPITAL ASSETS BEING LAND OF SICK INDUSTRIAL COMPANY.**

	(a) The company transfer LAND.(exemption only for land) (b) The land is transferred during the period beginning from the PY in which company become sick industrial company and ending with the PY in which entire net worth exceeds or equal to accumulated loss. (c) The sick industrial company managed by its workers' co-operative. (d) The land is transferred under a scheme prepared and sanctioned by BIFR.
47(xiii)	**<u>A FIRM SUCCEEDED BY A COMPANY.</u>** Following condition should be satisfied: (a) **All the Assets and liabilities** of the firm relating to the business immediately before the succession become the assets and liabilities of the company; (b) **All the Partner** of the firm immediately before the succession **become the shareholders** of the company in the **same proportion** in which their capital account stood in the books of the firm on the date of succession; (c) The partner of the firm **do not receive any consideration or benefit,** directly or indirectly, in any form or manner, **other than by way of allotment of shares** in the company; and (d) The aggregate of the shareholding in the company of the partners of the firm is not less than **50% of the total voting power** in the company and their shareholding continues to be as such for a period of **5 year** from the date of the succession.
47(xiiib)	**<u>CONVERSION OF COMPANY IN TO LLP</u>** Following condition should be satisfied: (a) **All the assets and liabilities** of the company immediately before the conversion become the assets and liabilities of the LLP. (b) **All the shareholders** of the company immediately before the conversion **become the partner** of the LLP and their capital contribution and profit sharing ration in the LLP are **in the same proportion** as their shareholding in the company on the date of conversion. (c) Shareholders **do not receive any consideration other than share in profit and capital contribution** in LLP. (d) The aggregate of the **PSR of shareholder** of the company in the LLP shall **not less than 50%** at any time during the period of **5 year** from the date of conversion; (e) The total sales, turnover or gross receipt should **not exceed 60 lakh rupees in any 3 PPY**. **(f) No amount is paid, to any partner out of accumulated profit standing as on date of conversion.**
47(xiv)	**<u>A SOLE PROPRIETORSHIP CONCERN SUCCEEDED BY A COMPANY.</u>** Following condition should be satisfied: (a) **All the assets and liabilities** of the sole proprietor concern relating to the business immediately before the succession becomes the assets and liabilities of the company. (b) The **shareholding** of the sole proprietor in the company is **not less than 50%** of the total voting power in the company and his shareholding continues to so remain as such for a period of **5 year** from the date of the succession ; and (c) The sole proprietor **does not receive any consideration** or benefit directly or indirectly, in any form or manner , **other than** by way of allotment of **share** in the company;
47(xvi)	**<u>ANY TRANSFER OF CAPITAL ASSETS IN THE COURSE OF DEMUTUALISATION OR CORPORATISATION OF RSE.</u>** Following condition should be satisfied (a) All the assets and liabilities of the AOPs or BOIs relating to the business immediately before the succession become the assets and liabilities of the company; (b) The corporatization of recognized stock exchange in India is carried out in accordance with a scheme of demutualization or corporatization which is approved by SEBI.
47(xvii) 47(xviii)	**<u>REVERSE MORTGAGE</u>** A lump sum amount at initial or EMI at each interval in respect of capital assets and transfer of such capital assets will take place at end. So initial contract made not regarded as transfer according no capital gain arise. Section 10(43) : such lump sum or EMI is exempt from tax in the hand of recipient. Even payment to annuity sourcing institution registered from IRDA, who further make payment to ultimate client.

	PTBR : At end, on sale or transfer of capital assets, capital gain is taxable.
56(2)	**<u>Advance money forfeited</u>** Advance money forfeited reduced from COST OF ACQUISTION. However Advance money forfeited on or after 01/04/2014 treated as IFOS .

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EXEMPTION UNDER THE HEAD OF CAPITAL GAIN								
SECTION	**54**	**54B**	**54D**	**54G**	**54GA**	**54GB**	**54EC**	**54F**
ASSETS TRANSFERRED	RHP	Agric… Land of urban area	Land and building Cumpulsory Acq,	L/B,P/M Or Right thereon	L/B,P/M Or Right thereon	RHP	Any capital Assets	Any capital assets other than RHP
PERIOD OF USE	>36 month	> 2 year by assessee of their parent	2 Year for industrial purpose	NA	NA	>36 month	>36 month	>36 month
NEW ASSETS	Residential House Property	Agric… Land	L/B or P/M for industrial purpose	L/B or P/M	L/B or P/M	Equity share of on eligible company for purchase of new assets	Bond of RECL or NHAL	RHP
PERIOD OF ACQUISITION OR CONSTRUTION	**Purchase** with in 1 year before or **construct with in 2 year from DOT.**	**Purchase** with in 2 year for date of transfer	With in 3 year from date of receipt of compen--sation	With in 1 year before or after the DOT	With in 1 year before or after the DOT	With in the due date of ROI UTILISE NET consideration for subscription of equity share of New co.and co. should utilise with in 1 year for date of subscription.	With in six month from date of transf	With in 1 year before or 2 year after the DOT
EXEMPTION	Cos of new assets or CG w.i.less	Cos of new assets or CG w.i.less	Cos of new assets or CG w.i.less	Cos of new assets or CG w.i.less	Cos of new assets or CG w.i.less	If CONA ≥ NC then full other wise proportion	Cos of new assets or CG w.i.less	If CONA ≥ NC then full other wise proportio
DEPOSIT SCHEME (CGAS)	Available	Available	Available	Available	Available	Available	NA	Available
WITHDRAWAL OF EXEMPTION	If new RHP transferred with in 3 year from its purchase or constrct	If transfer with in 3 year from DOA	If transfer with in 3 year from DOA	If transfer with in 3 year from DOA	If transfer with in 3 year from DOA	If with in 1 year equity share or new assets sold or trasnfered	Sold or pledge with in 3 year from DOA	(i).If with in 3 year new assets transferred (ii)if with in 2 year additional purchased or with in 3 year new construct
COMPUTING MACHINIARY	Applicable	Appli	Applica	App	App	NA	NA	NA
ASSESSEE	Individual or HUF	Individual or HUF	All industrial undertaking	All industrial undertaking	All industrial undertaking	Individual or HUF	All	Individual or HUF

By Md Imran

PREVENTION AND CIRULATION OF UNACCOUNTED MONEY

SECTION	DESCRIPTION AND CONCLUSION
56(2)(vii)	Purchase/gift received by individual or HUF. (coa/exemption/relative define
56(2)(viia)	Share received as gift by closely held company(other than widely held company)
56(2)(viib)	Received consideration for issue of share at above face value

SECTION	ASSESSEE	ASSETS GIFTED	MODE	TAXABLITY	ASSESSABLE VALUE (IFOS)
56(2)(vii) **Property** : immovable Share Jewellery Archeological collection Drawing Painting Sculpture Bullion Any other Work of art **Not include Car,watch etc.**	Individual and HUF (*Here assessee has option to take SDV of as on date of agreement if initially full or part consideration received in other than cash as on DOA or prior to DOA.	MONEY	Without consideration	If >50000	Whole
		IMMOVABLE PROPERTY	*With consideration	If SDV exceeds Purchase price by more than 50000	SDV-Purchase Price
			Without consideration	If SDV > 50000	Whole
		MOVABLE PREPERTY	With consideration	If Fair value exceeds Purchase price by more than 50000	Fair value-Purchase Price
			Without consideration	If Fair value > 50000	Whole
56(2)(viia)	Closely held company (other than widely held, eg.public) Or firm	Share	With consideration	If Fair market value exceeds Purchase price by more than 50000	Fair market value-Purchase Price
			Without consideration	If Fair market value > 50000	Whole
56(2)(viib)	Closely held company (other than widely held, eg.public)	Consideration for issue of share	**NA**	**Applicable when issue price exceed face value**	**Consideration – fair market valu**

Note : (1) Aggregate value of All sum received during previous year from All person should consider while determining the limit of 50000.

(2) property should be in the nature of capital assets, if it is received in other form then 56(2)(vii) not applicable. Eg- as sit.

(3) 56(2)(vii) not applicable when property receipt from relative or on the occasion of marriage or on death.

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(4) Relative :

(a)spouse of individual,

(b)brother and sister of idividual

(c) brother and sister of spouse of individual or

(d) brother and sister of parent of idividual,

(e) lineal ascendent or descendent of individual

(f) lineal ascendent or descendent of spouse of individual

(g) spouse of person refered in (b) and (d)

(h) HUF and there member

Following are not relative, So if receipt from them it would be taxable.

1. **Doughter of elder sister**
2. **Brother's mother in law.**

Computation of PGBP Income

Profit and loss as per profit and loss account		
Add	Expenses debited to profit and loss account but disallowed as per income tax act.	
	Income not credited to profit and loss a/c but taxable as per Income tax Act.	
Less	Income credited to profit and loss a/c but not taxable as per income tax Act	
	Expenses not debited to profit and loss a/c but Allowable as per income tax Act.	
Profit and loss as per income tax		

Section wise categorisation

Section	Description
28	chargeability of income
30-37 (1)	Admissible expenses
37(2) - 40	Inadmissinble expenses (Disallowed)
41-42	tax to recovery, earlier allowed as deductin
43	deduction allowed only on payment basis
44AA-44AB	Maintainance of account and audit
44AD044AE	persumptive income in case of carriage vechile

SECTION	CONTENT
28	Taxable income under head of PGBP
29	Computation of profit and loss u/h of PGBP considering section 29 to 43B
Admissible Expenditure	
30	Rent, Rates, tax, Repair and insurance of building
31	Repair and insurance of plant and machinery and furniture.
32(1)(ii)	Depreciation
32(1)(iia)	Additional Depreciation
35	Expenditure on Scientific research
35ABB	Amortisation of telecom licence fee
35AC	Expenditure on eligible project Scheme
35AD	Deduction of expenditure on specified business
35CCA	contribution to association or institution for carrying out RDP.
35CCC	Expenditure onAgricultural extension project
35CCD	Expenditure of Skill development project
35DDA	Amortisaiton of expenditure on VRS.
35D	Preliminary expenses
36	Other deduction as specified
37(1)	deduction of other genuine business expenses
Inadmissible expenditure	
37(2B)	Contribution to political party or amount paid on violation of law
40(a)(i)	Amount paid to Non-resident without deducting tax
40(a)(ia)	Amount paid to resident without deducting tax
40(a)(ii)	Payment of income tax
40(a)(iia)	Payment of wealth tax
40(a)(iii)	Payment made to non-resident as salary without deducing TDS
40(a)(iv)	Payment to provident fund without secure that TDS will be duducted therefrom.
40(a)(v)	Payment of taxes in respect of non monetary perquisities
40(b)	Deduction in respect of payment to partner
40(ba)	Disallowance applicable to AOP/BOI

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40A(3)	Expenses not deductible under certain circumstances
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41	Profit chargeable to tax
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43A	Foreign exchange fluctuation
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43(1)	Actual cost of assets
43(6)	WDV
Audit and accounts	
44AA	Compulsory maintenances of accounts
44AB	compulsory Audit
Presumptive taxation	
44AD	Presumptive income of person engage in business other than transport
44AE	presumptive income of person engage in business of transport
Certain deduction and exemption	
Deduction under section 80	It is deducted from gross total income
Exemption under section 10	It doesn't form part of gross total income

28	**Taxable income under head of PGBP**

Memory technique : BPSC DPS PINK

B- Benefit and perquisites arising from business or profession.
P- Profit and gain of any business or profession.
S- Sale of import entitlement licence.
C- Cash compensatory support.
D- Duty Drawback.
P- Profit on the transfer of duty entitlement passbook.
S- Self contributories and Self Beneficiary (Trade Association,RWA,Club,etc) , income from Specific Services.
P- Profit on duty free replenishment certificate.
I- Interest, Salary, Bonus, Commission or remuneration received by partner to the extent allowed u/s 40(b).
N- Not Carrying out any activity.
K- Key man insurance policy.

30	**Rent, Rates, tax, Repair and insurance of building**

Allowed which is in the nature of revenue. If it is in the nature of capital then not allowed. Capital expenditure incurred by tenant deemed as owner for such and depreciation allowed to them.
Expenditure on Advertisement is revenue expenditure.

31	**Repair and insurance of plant and machinery and furniture.**

Allowed which is in the nature of revenue. If it is in the nature of capital then not allowed.

32(1)(ii)	**Depreciation**

Depreciation allowed to owner on building, p/m, Furniture, Intangible assets, etc. Even wholly or Partly used by assessee. Even wholly or partly owned possession. It is mandatory irrespective of assessee desire to claim or not. Depreciation is Allowed on block wise. Separate block for each categories of assets that is chargeable at same rate. Depreciation is allowed on WDV standing on last day previous year. Block of assets prepared as follows:

	Block -1	Block -2	Block -3	Block -4	Block -5	Block -6
Rate	10%	15%	20%	25%	30%	60%
Opening WDV						
Add : Assets Acquired during year.						
Less : Amount Payable in respect of Assets sold, discarded , demolished or destroyed..						
Balance						
Depreciation on Above balance						
Closing WDV						

32(1)(iia)	**Additional Depreciation**

In case of new plant and machinery acquired and installed for manufacture or production of article or thing or for generation or generation and distribution of power, additional depreciation @**20%** of actual cost shall be allowed as deduction. However, depreciation would be restricted to 10% if put to use for less than 180 days.
No deduction for following :

1. For any Second hand machinery or plant.
2. For any residential accommodation.
3. For office appliance or road transport.
4. For machinery or plant whole of the actual cost of which allowed as deduction.

5. Assessee engage in generation or generation and distribution or electricity, who is claiming depreciation as per WDV.

35	**Expenditure on Scientific research**

Research related to business			Research not related to business		
35(1)(i)	Revenue expenditure (including salary and material used in SR with in 3 year before commencement of SR)	100%	35(1)(ii)	Contribution for Scientific research	175%
35(1)(iia)	Payment to company for SR with specific direction to use for the business of assessee.	125%	35(1)(iii)	Contribution for social science or Statistical research	125%
35(1)(iv)	Capital expenditure incurred in SR with in 3 year before commencement of SR(not for land)	100%			
35(2AA)	IIT, National laboratories, university	200%			
35(2AB)	In house scientific research	200%			

35ABB	Amortisation of telecom licence fee

Amortise over relevant period.

Relevant period:

From business commencement or payment made whichever is earlier **till** expiry.

Treatment on sale of Telecommunication licence.

	Sale price > Unamortised balance	Sale Price < Unamortised balance
In part	Profit till depreciation allowed PGBP income beyond that CG.	Balance considered as cost allowed in remaining period.
In full		Balance amount allowed as deduction in the year of transfer

35AC	**Expenditure on eligible project Scheme**

Allowed even if it in the nature of

35AD	**Deduction of expenditure on specified business**

150% or 100% deduction of capital expenditure on specified business or 100% deduction of revenue expenditure of specified business, incurred before commencement of business.

150% for following:

Memory technique : H2PWC

H- Housing project under affordable housing scheme.

H- Hospital with at least 100 beds facilities.

P- Production of fertilizer.

W- Warehousing facilities.

C- Cold chain facilities for agricultural produce.

35CCA	**Contribution to association or institution for carrying out RDP.**

Allowed even if it in the nature of corporate social responsibilities.

35CCC	**Expenditure on Agricultural extension project**

35CCD	**Expenditure of Skill development project**

Allowed even if it in the nature of corporate social responsibilities.

35DDA	**Amortisaiton of expenditure on VRS.**

Allowed equally over period of 5 year.

35D	**Preliminary expenses**

Allowed equally over period of 5 year.

36	**Other deduction as specified**

There are certain expenditure which are specifically allowed.

Memories technique : IMBIZEEL BSF

I- Insurance of stock in trade

M- Mediclaim insurance on the health of employee.

B-Bonus or commission paid to employee.

I-Interest on borrowed capital after the assets put to use.

Z-Zero coupon bond (Discount portion over period of ZCB)

E- Employer contribution to pension Scheme/provident fund/Superannuation fund/Gratuity fund.

E- Employees contribution towards Welfare fund.

L- live Stock – no depreciation allowed, on death or becoming unusable difference between cost and value realised allowed as terminal depreciation.

B- Bad debt- Actual Bad debt written off as irrecoverable.

S-Security transaction tax and Commodity transaction tax.

F-Family Planning expenditure (allowed to company assessee in 5 year)

37(1)	**deduction of other genuine business expenses**

Which is not personal in nature, which is not in the nature of capital &it is used exclusively for the purpose of business or profession.

Inadmissible expenditure

37(2B)	**Contribution to political party or amount paid on violation of law**

It is not allowed as expenditure but it can be claimed as deduction u/s 80GGB &80GGC.

40(a)(i)	**Amount paid to Non-resident without deducting tax**

It is allowed as deduction if deduct in previous year and paid to govt before due date of filing of return u/s 139(1). Such would be allowed in the year of payment or deduction & payment as the case may be.

40(a)(ia)	**Amount paid to resident without deducting tax**

It is allowed as deduction if deduct in previous year and paid to govt before due date of filing of return u/s 139(1), failure to which disallowance will be restricted to 30% and such would be allowed in the year of payment or deduction & payment as the case may be.

40(a)(ii)	**Payment of income tax**
40(a)(iia)	**Payment of wealth tax**

It is not allowed as deduction if debited to profit and loss a/c now add back.

40(a)(iii)	**Payment made to non-resident as salary without deducing TDS**

40(a)(iv)	**Payment to provident fund without secure that TDS will be duducted therefrom.**

Employer's contribution towards provident fund or any other fund not allowed as deduction if it is not ensured that TDS will be deducted there from at maturity.

40(a)(v)	**Payment of taxes in respect of non monetary perquisites.**

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Payment of tax on behalf of employee on non-monetary perquisites is not allowed as deduction. It is not taxable in the hand of employee since such is exempted u/s 10(10CC)

40(b)	**Deduction in respect of payment to partner**

Salary, commission, bonus and remuneration allowed if it is paid to working partner. Payment of Interest to working as well as non-working partner allowed as deduction.

However maximum remuneration to working partner will be restricted to following.

PGBP income before remuneration	Amount of remuneration
On first 300000	150000 or 90% of remuneration whichever is higher
beyond 300000	60% of remuneration

40(ba)	**Disallowance applicable to AOP/BOI**

Salary, commission, bonus and remuneration paid to member not allowed as deduction. However, interest paid to its member and receipt from its member, then net to be disallowed. Interest paid to member in representative capacity (HUF, karta) allowed if member in individual capacity. Interest paid to member in individual capacity allowed if member in representative (HUF, karta) capacity.

40A(3)	**Expenses not deductible under certain circumstances**

When payment is made in cash in excess of 20000/35000 to a person in a day by otherwise account payee cheque or account payee demand draft. However, nod disallowance will be made in case of certain specified unavoidable circumstance (bank holiday, Bank strike, etc).

Certain taxable income

41(1)	**Recovery of expenditure & remission and cessation of trading liabilities**

Recovery of expenditure, which was earlier allowed as deduction, is taxable as business income. Eg. Recovery of bad debt is taxable to the extent of earlier allowed as deduction.
Remission or cessation of trading liabilities in respect of which earlier allowed deduction,taxable as business income.
Even by unilateral act trading liability cease to exist, deemed to business income.
Time barred liability written off is taxable as business income. However time barred liabilities not written of is not taxable.
Trading liabilities includes trade deposit, working capital loan, cash credit, etc.
Waiver of unpaid Interest on term loan is not taxable since it was not earlier allowed as deduction.

43A	**Foreign exchange fluctuation**

Capital assets: where any capital assets acquired on suppliers credit or loan in foreign currency, then, affect of changes in foreign currency should be recognised in cost of assets only in the year of payment.
Depreciable assets: where any capital assets acquired on suppliers credit or loan in foreign currency, then, affect of changes in foreign currency should be recognised in cost of assets only in the year of payment.
Stock in trade: WOODWARD GOVERRNOR INDIA(P) LTD.
If an assessee coverts the outstanding liability related to the import of raw materials using the closing rate of exchange of exchange as on last day of previous year (31st march) and such conversion result in loss, then such is allowable under section 37(1).
That is allowed to recognise on accrual basis rather than payment basis.

43B	**Disallowance of unpaid liability**

Following are certain expenditure in respect of which deduction allowed only on payment basis.

Memory technique: BITEL

B- Bonus or commission payable to employee.

I- Interest payable on any load or borrowing.

T-tax, due or cess.

E- Employer contribution to retirement fund.

L- Leave encashment.

Actual cost of assets acquire and WDV

43(1)	**Actual cost of assets**

Actual cost of assets means cost of acquisition including other cost incurred to bring the assets at current location and make them worthy to put to use, reduced by that have been met by any other authority.

Presumptive taxation

44AD	**Presumptive income of person engage in business other than transport**

Applicable to sole proprietor, individual, HUF and firm carrying any business having a gross turnover not exceeding rupees one crore. No any deduction of expenditure, deduction under section 30 to 38 deemed to have been allowed. However, deduction under section 40(b) would be available to firm.

Presumptive rate of income is **8%** of gross turnover/gross receipt.

44AE	**presumptive income of person engage in business of transport**

For assessee engage in the business of plying, hiring, leasing goods carriage vehicle not owing exceeding 10 goods carriage vehicle.

Presumptive rate of income is rupees 7500 per month per vehicles.

Deduction under section 80	**It is deducted from gross total income**

Section	Content
80C	Life insurance premium, deferred annuity contribution to provident fund, subscription to certain shares or debentures, investment in bond of NABARD, investment in five year post office deposit, tuition fees of school or college, repayment of loan taken for construction of residential house property, etc. Maximum restricted to 150000
80CCC	Maximum restricted to 100000
80CCD(1)	Contribution to new pension scheme up to 10% of salary or gross total income for salaried person or self employed respectively. Maximum restricted to 150000
80CCE	80C+80CCC+80CCD(1)=150000
80CCG	Rajiv Gandhi equity saving scheme: for new retail investor having GTI not exceeding 12 lack, entitle to rebate of 50% of amount of investment in equity share or unit of equity oriented mutual fund or 25000 whichever is less.
80D	Specified decease. Deduction for senior citizen 20000 and for other than senior citizen 15000 rupees.
80DD	Disability if ≥80% then deduction is 100000 & if <80% then deduction is 50000.
80DDB	Expenditure for medical treatment of decease: deduction for senior citizen is 60000 and for other 40000.
80E	Interest of loan taken for education
80EE	Interest on loan taken for construction of RHP provident loan amount not exceeding 25 lacs, value of house doesn't exceed 40 lacs and assess should not have any other RHP.
80G	Donation to fund, trust for charitable purpose who is approved u/s 80G. Eg- PMNRF, If amount exceed 10000 then only account payee cheque or account payee bank draft.
80GGA	Donation to scientific research association or social and statistical research association. If amount exceed 10000 then only account payee cheque or account payee bank draft.
80GGB	Contribution to political party or electrol trust by company.
80GGC	Contribution to political party or electrol trust by individual.

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80JJAA	30% of additional wages paid to new regular workmen by company. New regular workmen doesn't include casual employee.
80P	Deduction available to Co-operative society: 100% of profit included in GTI. Memory technique(1) ABCDF (2),(3) &(4) + GEENRAL DEDUCITION OF 100000 OR 50000. (1) ABCDF (i) (a) Agriculture-Purchase of agricultural implements, seed, livestock for agriculture (b) Agriculture-processing of agricultural produced without the aid of power. (c) Agriculture- Marketing of agricultural produce. (ii) B- Business of providing credit facilities. (iii) C-Cottage industry. (iv) D-Disposal of labour. (v) F-Fishing or allied activity. (2)100% of profit to primary society engage in supplying milk, oilseeds, fruits or vegetable raised or grown by its member. (3) 100% of profit consists of interest or dividends income from investment in other co-operative society. (4) 100% of profit from letting of godowns or warehouse. + Consumer's co-operative society-100000 Other than consumer's co-operative society-50000
80TTA	Interest received in saving account maximum deduction restricted 10000 rupees.

Exemption under section 10	**It doesn't form part of gross total income**

Section	Content
10(1)	Agricultural income
10(2A)	Share of the partner in total income of partnership firm
10(7)	Allowance or perquisites paid by government to its employee outside india.
10(10CC)	Tax paid on perquisites but its employer exempt in the hand of employee.
10(10D)	Any sum received under life insurance policy including bonus.
10(23D)	Income of mutual fund
10(23DA)	Income of securitisation trust from activity of securitisation
10(23FB)	Income of VCC/VCF from investment in VCC.
10(23FC)	Interest income received by business trust form SPV.
10(23FD)	Income received by unit holder of business trust from BT except portion of income consisting of interest income exempted u/s 10(23FC)
10(34)	Dividend received by share holder.
10(34A)	Consideration received by holder of securities on buy back of unlisted equity share.
10(35)	Dividend interest received by united holder of MF form MF.
10(35A)	
10(37)	Capital gain on compulsory acquisition of agricultural land of urban area by government.
10(38)	Long term capital gain on sale of share & unit of equity oriented mutual fund
10(43)	Amount received under reverse mortgage.
10(44)	Income received by NPS Trust
10(48)	Income received in Indian currency by foreign company for supplies of crued oil and other as specified by central government.