PROCEDURE FOR COMPUTATION OF TAX LIABILITY OF FIRMS FOR A.Y. 2008-09 AND 2009-10

Income-Tax to be charged: A firm is taxable at the rate of 30 per cent for the assessment year 2008-09 and 2009-10.

Surcharge: 10 per cent of income-tax [*i.e.,* income-tax after rebate under section 88E^] if net income exceeds Rs. 1 crore (no surcharge if net income does not exceed Rs. 1 crore), subject to marginal relief given below-

Marginal relief- In the case of a firm having a net income of exceeding Rs. 1 crore, the net amount payable as income-tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

Education cess: It is 2 per cent of income-tax (after rebate under section 88E^) and surcharge.

Secondary and higher education cess: It is 1 per cent of income-tax (*i.e.,* after rebate under section 88E^) and surcharge.

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^Rebate under section 88E is not deductible from assessment year 2009-10.

September 13, 2008

Rebate in respect of securities transaction tax Under Sec.88E, applicable for the assessment year 2005-06 to 2008-09

Conditions: - The following conditions should be satisfied:-

1. The taxpayer is an individual, HUF, firm or any other person.

2. His income includes any income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions.

3. The assessee furnishes along with the return of income evidence of payment of securities transaction tax in Form No. 10DB (in respect of transactions entered into a recognized stock exchange) and Form No. 10DC (in respect of transaction of sale to a mutual fund).

Rebate:- If the above conditions are satisfied, rebate is available under section 88E. The quantum of rebate is equal to securities transaction tax paid by the assessee in respect of taxable securities transaction entered into in the course of his business during the previous year. However the amount of rebate cannot exceed tax calculated at the average rate of tax on income.

$$\left\{ \textit{i.e.,}\ \frac{\text{taxable income under section 28 from securities transaction}}{\text{Net income or total income}} \times \text{Tax liability before any rebate, surcharge and education cess} \right\}$$

September 13, 2008