

Revisionary Notes for CA – IPCE – Direct Taxation

Relevant for Nov. 2016 Exams

These Notes Include:

- All Important Provisions relevant from
Exam point of view
- All Amendments simplified from RTP – Nov 2016

Entire DT in merely 53 pages

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CA – IPCE – Taxation

Direct Tax – 50 Marks

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Revisionary Notes contains all the Important Provisions relevant from Exam Point of View.

However, these Notes are meant for REVISION ONLY.

These Notes must be referred only after thorough study of the whole DT Syllabus.

These Notes cover all Important Amendments from Supplementary & RTP (Nov. 2016)

Basic Concepts

Income Tax Act, 1961 came into force on 1st April, 1962

PERSON [Section 2(31)]

Person includes:

1. An individual;
2. A Hindu Undivided Family (HUF);
3. A Company;
4. A Firm;
5. An Association of Persons (AOP) or a Body of Individuals (BOI),
6. A local authority;
7. Artificial juridical person.

TOTAL INCOME [Section 2(45)]:

Net Total Income/ Net Taxable Income = GTI (-) Deductions

Rates of Tax for A.Y.2016-17:

In case of Individuals (both male & female) (age<60 years),HUF, AOP, BOI & every other artificial judicial person & NON RESIDENT (irrespective of age)

1)

Total income ≤ 2,50,000	Nil
2,50,001 – 5,00,000	10%
5,00,001 – 10,00,000	20%
> 10,00,001	30%

2) In case of Individuals (age 60 - 79 years)

Total income ≤ 3,00,000	Nil
3,00,001 – 5,00,000	10%
5,00,001 – 10,00,000	20%
> 10,00,001	30%

3) In case of Individuals (age ≥ 80 years)

Total income ≤ 5,00,000	Nil
5,00,001 – 10,00,000	20%
> 10,00,001	30%

4) In the case of every co-operative society -

≤10,000	10%
10,001 – 20,000	20%
>20,001	30%

5) In the case of every **firm/Limited Liability Partnership (LLP)/ local authority/domestic company**

On the whole of the total income	30%
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6) In the case of a foreign company:

(i) On certain specified income (royalty or technical fees)	50%
(ii) On other income	40%

SURCHARGE ON INCOME – TAX

Individual, HUF, BOI, AOP, AJP, Firm, LLP, Co-operative Soc. Or LA if net income exceeds Rs. 1 Crore	12%
Domestic Company - If net Income exceeds 1 crore but does not exceed Rs. 10 crore	7%
Net income exceeds Rs. 10 crore	12%
Foreign Company - Net Income exceeds 1 crore but does not exceed Rs. 10 crore	2%
Net income exceeds Rs. 10 crore	5%

CESS @ 3% is applicable to all types of persons.

Provisions relating to rounding off :

Rounding off of income [Sec.288A]

Rounding off of tax [Sec.288B]

**Rebate of up to Rs. 2,000 for resident individuals having total income of up to Rs 5lakh
[Section 87A]**

Certain cases when income of a previous year will be assessed in the previous year itself

(i) Shipping business of non-resident [Section 172]

(ii) Persons leaving India

(iii) AOP / BOI / Artificial Juridical Person formed for a particular event or purpose

(iv) Persons likely to transfer property to avoid tax

(v) Discontinued business

Residential Status & Scope of Total Income

A) RESIDENTIAL STATUS OF AN INDIVIDUAL:

Resident :

if he fulfils **any one** of the following two basic conditions:[Section 6(1)]

- | |
|---|
| 1) He is in India in that year for a period or periods amounting in all to 182 days or more.
OR
2) 60 days or more during the previous year and 365 days or more during the 4 years immediately preceding that previous year. |
|---|

Exception [Explanation to Sec.6(1)]

In the case of following special individuals, the 2nd basic condition is not applicable :

- | |
|---|
| 1) who leaves India for the purpose of <u>employment outside India</u> or an Indian Citizen who leaves India during the previous year as a <u>member of the crew of an Indian ship</u> .
2) An Indian Citizen or a <u>person of Indian Origin</u> , who comes <u>on a visit to India</u> during the previous year. |
|---|

Thus, these special individuals shall not be treated as resident unless their stay in India is at least 182 days during the previous year.

In case of Member of Crew of Indian Ship leaving India:

*The following period shall be **excluded** from the "No. of Stays in India":*

*The Date entered in Continuous Discharge Certificate as **JOINING THE SHIP** till the Date entered in Continuous Discharge Certificate as **SIGNING OFF THE SHIP***

Resident and Ordinarily Resident:

In addition to fulfilling one of the above basic conditions, the individual shall have to fulfill **both** the following additional conditions for him to be considered as resident and ordinarily resident: [Section 6(6)]

- | |
|---|
| 1) He has been resident in India in at least 2 out of 10 years preceding the relevant previous year
AND
2) He has been in India for a period of 730 days or more during 7 years preceding the relevant previous year. |
|---|

RESIDENTIAL STATUS OF H.U.F. : [Section 6(2)]

Resident: A Hindu Undivided Family is said to be resident in India, if control and management of its affairs is wholly or partly situated in India.

Non-resident

A Hindu Undivided Family is non-resident in India, if control and management of its affairs is wholly situated outside India.

Resident and Ordinarily Resident :

A resident H.U.F. will be treated as Resident and Ordinarily Resident only if its Karta (or manager) has satisfied the two additional conditions of Sec.6(6) during the relevant previous year; otherwise, it will be treated as Resident but not Ordinarily Resident.

RESIDENTIAL STATUS OF A COMPANY [Section 6(3)]

An Indian company is always resident in India.

A foreign company is resident in India only if, during the previous year, the Place of Effective Management is in India.

RESIDENTIAL STATUS OF ANY OTHER PERSON OTHER THAN INDIVIDUAL, HUF & COMPANY [Section 6(4)]

Considered as resident if the control and management is wholly or partly situated in India. If the control and management is wholly situated outside India, such firm, AOP or any other person is considered as non-resident.

Scope of Total Income [Section 5]

Particulars of Income	ROR	RNOR	NR
	Whether Taxable		
INDIAN INCOME Income received or deemed to be received in India whether earned in India or elsewhere	Yes	Yes	Yes
Income which accrues or arises or is deemed to accrue or arise in India during the previous year, whether received in India or elsewhere	Yes	Yes	Yes
FOREIGN INCOME : Income which accrues or arises outside India and received outside India from a <u>business controlled from India or Profession set up in India.</u>	Yes	Yes	No
Income, which accrues or arises outside India and received outside India in the previous year from <u>any other source.</u>	Yes	No	No
Past income (whether taxed or untaxed) which accrues or arises outside India and received outside India, remitted to India during the previous year.	No	No	No

INCOME DEEMED TO ACCRUE OR ARISE IN INDIA [Section 9]

a) Income accruing or arising through or from any business connection in India.

(Eg.: Branch, Factory in India)

Exceptions to 'business connection'

- Operations confined to purchase of goods in India for the purpose of exports;
- Operations confined to collection of news & views for transmission outside India by or on behalf of non-resident who is engaged in the business of running news agency or of publishing newspapers, magazines or journals;
- Operations confined to shooting of cinematograph films in India

b) Income from any property, any asset or source of income in India.

c) Income through the sale of a capital asset situated in India.

d) Interest/Royalty/Technical Services Fees payable by Government of India or where the Money borrowed/Patent/Services are utilised in India

Incomes which do not form part of Total Income

Agricultural Income [Section 10(1)]

Partial Integration: Income partly agricultural and partly non-agricultural.

For disintegrating a composite business income, which is partly agricultural and partly non-agricultural, the following rules are applicable-

Income	Non-agricultural income	Agricultural Income	Income tax rules
Growing and manufacturing tea in India	40%	60%	Rule 8
Sale of centrifuged latex or cenex (rubber) manufactured from rubber plants grown by the seller in India	35%	65%	Rule 7A
Growing & curing of coffee in India	25%	75%	Rule 7B
Growing, curing, roasting & grounding coffee in India with or without mixing of chicory or other flavouring ingredients	40%	60%	Rule 7B

SECTION 10: AGRICULTURAL INCOME EXEMPT FROM TAX

Partial Integration:

Agricultural income is exempt from tax under section 10 of the income-tax Act. However, for computation of income tax, the agricultural income is aggregated with non-agricultural income if:

- Assessee is an individual, HUF, AOP/BOI (taxable at normal rates applicable to an individual)
- Assessee had non-agricultural income which exceeds the taxable limit.
- Agricultural income exceeds Rs 5,000.

The aggregation of agricultural income with non-agricultural income and computation of income tax for the year 2015-16 shall be in the following manner:

Step-1: = Tax on: Net agricultural income+ Non Agricultural Income

Step-2: = Tax on: Net agricultural income+ BEL

Therefore final tax payable = Step 1 (-) Step 2 (-) Rebate if any (+) Cess if any

Receipts by a member of HUF from HUF is exempt [Section 10(2)]:

Share of profits received by a partner from a partnership firm is exempt [Section 10(2A)]:

Section 10(7): Any allowance or perquisite paid or allowed outside India by the Government to a citizen of India for rendering service outside India is exempt.

Section 10(10BB): Compensation received by victims of Bhopal Gas Leak Disaster is fully exempt.

Section 10(10BC) : Any amount received or receivable from the central or state government or local authority by an individual or his legal heir by way of compensation on account of any disaster.

Section 10(10D):

Policy issued before 1st April, 2012: 20% of the actual capital sum assured
Policy issued on or after 1st April, 2012: 10% of the actual capital sum assured
Policy issued on or after 1st April, 2013- In case of persons with disability or person with severe disability as per Section 80U or suffering from disease or ailment: 15% of the actual capital sum assured.
(This Section is not applicable to Keyman Insurance Policy)

Section 10(11) to Section 10(14) are covered in Salaries

Interest exempt from tax [Section 10(15)]-

interest on Post Office Savings Bank Account which was so far fully exempt would henceforth be exempt from tax for any assessment year only to the extent of:

(1) Rs. 3,500 in case of an individual account. (2) Rs. 7,000 in case of a joint account.

Specification of bonds for interest exemption under section 10(15)

Bonds of:

National Highways Authority of India (NHAI), / Rural Electrification Corporation Limited,

Educational scholarships [Section 10(16)]

Payments to MPs & MLAs [Section 10(17)]

Awards for literary, scientific and artistic works and other awards by the Government [Section 10(17A)]

Pension and Family Pension in certain cases [Section 10(18)]

Section 10(19) : Family Pension received by family members of soldiers

Section 10(22B): Press Trust of India - News agency notified:

The income of such news agency will not be included in computing the total income of a previous year of such agency, for three years, provided it applies its income or accumulates it for application solely for collection and distribution of news and does not distribute its income in any manner to its members.

Exemption of income of Prasar Bharati (Broadcasting Corporation of India) [Section 10(23BBH)]

Section 10(23C) – Exemption of Income of certain Specified Funds

Taking into consideration, the importance of Swachh Bharat Kosh and Clean Ganga Fund, the scope of section 10(23C) has been expanded to exempt the income of Swachh Bharat Kosh and Clean Ganga Fund, set up by the Central Government, from income-tax.

Section 10 (23D) – Income of Specified Mutual Funds

Section 10(26AAA): Sikkim: Income from any source in the state of Sikkim, dividend income and interest on securities is exempt in the hands of a Sikkimese individual. This exemption is not available to a Sikkimese woman who, on or after 1st April, 2008, marries a non-Sikkimese individual.

Section 10(26BBB) was inserted in the Income-tax Act, 1961 vide Finance Act, 2003 w.e.f. 01.04.2004 to provide that any income of a corporation established by a Central, State or Provincial Act for the welfare and economic upliftment of ex-servicemen being the citizens of India does not form part of the total income.

Such corporations are statutorily not required to file return of income as per section 139 and their income is also unconditionally exempt under section 10. Hence, there would be no requirement for tax deduction at source from the payments made to such corporations, since their income is in any case exempt under the Income-tax Act, 1961.

Section 10(32) – Covered in Clubbing of Income

Section 10(34): Dividend on shares

Exemption of income received by an investor on account of buy-back of unlisted shares of a domestic company [Section 10(34A)]

The income arising to the shareholders in respect of such buy back of unlisted shares by the domestic company would be exempt under section 10(34A) w.e.f. A.Y.2014-15, where the company is liable to pay the additional income-tax on the buy-back of shares.

Income from units of UTI or specified Mutual Fund [Section 10(35)]

Section 10(43): Income/Loan received from Bank in Reverse Mortgage Scheme is fully exempt from Tax

Exemption in respect of income received by certain foreign companies in India in Indian currency from sale of crude oil to any person in India [Section 10(48)]

Section 10AA:

Amount of exemption =

Profits from business of the undertaking being the unit ×

$$\left(\frac{\text{Export turnover of the undertaking of such articles or things or computer software}}{\text{Total turnover of the business carried on by the undertaking}} \right)$$

100% of such profits would be exempt in the first five years, 50% in the next five years and in the last five years, 50% subject to transfer to special reserve.

Taxation of Charitable/Religious Trusts & Institutions

Sec. 2(15) : Charitable Purpose

Includes:

- Relief of poor
- Education
- Medical relief
- Preservation of Environment/Monuments/Places of Artistic or Historic Interest
- ***Yoga***
- The advancement of any other object of general public utility.

“Advancement of any other object of general public utility” would continue to be a “charitable purpose”, if the activity in the nature of trade, commerce or business is

undertaken in the course of actual carrying out of such advancement of any other object of general public utility and the aggregate receipts from any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business does not exceed 20% of the total receipts of the trust or institution undertaking such activity or activities, for the previous year.

Sec. 11(1): Income from Property held for Charitable/Religious Purposes

Following income shall not be included in the total income of trust:

- 1) 15% of Gross Income
- 2) 85% of the income derived provided it is **applied** for relevant purposes
- 3) Corpus Donations (ie Voluntary Contributions made with a specific direction that they shall form part of the corpus of the trust)

Power of Principal Commissioner/Commissioner to cancel registration of trust or institution expanded (Section: 12AA)

It provides that where a trust or an institution has been granted registration, and subsequently it is noticed that its activities are being carried out in such a manner that,—

- (i) its income does not ensure for the benefit of general public;
- (ii) it is for benefit of any particular religious community or caste;
- (iii) any income or property of the trust is applied for benefit of specified persons like author of trust, trustees etc.; or (iv) its funds are invested in prohibited modes

Investment in Stock certificate as defined in the Sovereign Gold Bonds Scheme, 2015 notified as eligible form of investment by a charitable trust [Notification No. 21/2016, dated 23-03-2016]

Section 13A:

Any income from house property, income from other sources, capital gains and income by way of voluntary contributions received by the political parties from any person is exempt under section 13A, subject to satisfaction of the following conditions -

- (i) maintenance of such books and other documents as would enable the Assessing Officer to properly deduce the income of the political party;
- (ii) maintenance of record in respect of each such voluntary contribution in excess of Rs. 20,000;
- (iii) audit of accounts by a chartered accountant; and
- (iv) submission of a report under section 29C(3) of the Representation of People Act, 1951 for every financial year.

Income from House Property

- i) Let-out property- section 23(1)
- ii) Self-occupied property or unoccupied property- section 23(2) (a) and (b); and
- iii) Deemed let out property-section 23(4).

1) LET -OUT PROPERTIES (LOP) [SECTION 23(1)]

Following is the format which is used for computation of income from house property in case of a let out property:

	Rs.	Rs.
Gross Annual Value (GAV)		xxxx
Less: Property taxes or municipal taxes paid to local authority and borne by owner.		(xxxx)
Net Annual Value (NAV)		xxxx
Less: Deduction u/s 24-		
a) 30% of net annual value.	xxxx	
b) Interest on loans	xxxx	(xxxx)
Income from house property.		xxxxxx

METHOD OF CALCULATING GROSS ANNUAL VALUE

(A) Reasonable Expected Rent:

- (i) Municipal Value
- (ii) Fair Rent
- (iii) Higher of (i) & (ii)
- (iv) Standard Rent
- (v) RER (Lower of (iii) & (iv))

(B) Actual Rent received or receivable

GAV = Higher of (A) & (B)

(C) This Step is applicable, only if the following 2 conditions are fulfilled:

- (i) Vacancy
- (ii) $AR < RER$

If Step (C) is applicable, we should find out "c" where $c = AR + \text{Rent for Vacancy Period}$
 "c" is never GAV.

If $C \geq RER$, then $GAV = AR$

If $C < RER$, then $GAV = RER - \text{Loss due to Vacancy}$

DEDUCTIONS FROM INCOME FROM HOUSE PROPERTY [SECTION 24]

2) SELF OCCUPIED PROPERTY OR UNOCCUPIED PROPERTY [SECTION 23(2)]

The annual value of the property shall be taken into NIL

	Rs.
Annual Value as per Section 23(2)	Nil
Less: Interest on loan borrowed as per section 24(b)	(xxx)
Loss from house property	xxx

Deduction of interest on loan taken in respect of a self-occupied property:

A	Where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital before 1.4.99.	Actual interest payable subject to maximum of Rs. 30,000
B	Where the property is acquired or constructed with capital borrowed on or after 1.4.99 and such acquisition or construction is completed within 3 years from the end of the financial year in which the capital was borrowed.	Actual interest payable subject to maximum of Rs. 2,00,000
C	Where the property is repaired, renewed or reconstructed with capital borrowed on or after 1.4.99.	Actual interest payable subject to a maximum of Rs. 30,000.

It may be noticed that: -

(A)+ (B) ≤ 2,00,000

(A)+ (C) ≤ 30,000

(B)+(C) ≤ 2,00,000

(A)+ (B) + (C) ≤ 2,00,000

3) DEEMED TO BE LET OUT PROPERTIES [SECTION 23(4)]

Only 1 SOP, Others DLOP.

a) Reasonable Expected Rent has to be adopted as gross annual value.

* Standard Deduction as well as deduction in respect of interest are allowed from the NAV in respect of a deemed let out property. The limits applicable to interest in respect of self-occupied property shall not be accepted to be a deemed let out property.

INTEREST NOT DEDUCTIBLE IF TDS NOT DEDUCTED ON INTEREST PAID OUTSIDE INDIA FROM "INCOME FROM HOUSE PROPERTY" [SECTION 25]**Taxability of recovery of unrealised rent & arrears of rent received:**

Unrealised – Bad debts recovered – Standard Deduction is not allowed.

Arrears of Rent - Standard Deduction is allowed.

PROPERTY OWNED BY CO-OWNERS [SECTION 26]

In case of LOP – Total Income ÷ Share

In case of SOP – Compute Individually & Interest Deduction u/s 24(b) is available to individual co-owners

CASE OF COMPOSITE RENT:

a) Where along with the property, various facilities like lift, gas, water etc are provided:

If separable: Then Rent from HP under the head IFHP & Value of Services under the head IFOS

If not separable: Then total rent (-) cost of services = IFHP

b) Where along with property. Furniture, machinery or plant belonging to the assessee has also been let out:

If separable: Then Rent from HP under the head IFHP & Value of Assets under the head IFOS/PGBP

If not separable: Then total rent = IFOS / PGBP

Income from Salaries

Salary is chargeable to tax either on due basis or on receipt basis whichever is earlier.

FOREGOING OF SALARY – Taxable AND SURRENDER OF SALARY – Not Taxable

DEDUCTIONS FROM SALARY

Entertainment allowances [Section 16 (ii)]

Entertainment allowances is first included in salary income and thereafter, a deduction is given on the following basis only to a Government employee

The *least* of the following is deductible:

a) Rs. 5,000; b) 20% of basic salary; or c) Amount of entertainment allowance granted during the previous year.

Profession Tax: [SECTION 16 (iii)]

Deduction is always available to employee & the amount which is paid by the employer is added in the salary 1st as a perquisite.

EXEMPTION IN RESPECT OF GRATUITY [SECTION 10(10)]

Particulars	Exemption in case of Govt. Employees	Exemption in case of employee covered by Payment of Gratuity Act, 1972	Exemption in case of any other employee
What is the amount of exemption?	Entire amount is exempted	1) 15 days salary x period of service. 2) Actual gratuity received. 3) Maximum Rs. 10,00,000 Whichever is less	1) ½ month salary x period of service. 2) Actual gratuity received. 3) Maximum Rs. 10,00,000 Whichever is less
How to calculate salary for the purpose of exemption?	Not applicable	Basic + D.A. (R) + D.A. (Ord.) last drawn.	Average salary in 10 months preceding the month of retirement, taking only Basic, D.A. (R) and turnover commission.
How to calculate 15 days salary/ ½ months' salary?	Not applicable	<u>Above salary x 15</u> 26	Above salary x ½
How to calculate period of service?	Not applicable	Any part of a year more than 6 months shall be taken as a year.	Any part of a year more than, less than or equal to 6 months shall be totally ignored.

COMMUTED PENSION [SECTION 10(10A)]

1) Uncommuted pension refers to pension periodically received by the employee. Commuted pension means lumpsum amount taken by commuting the pension or part of the pension.

2) Uncommuted pension is taxable as salary u/s 15 in hands of both Government and non-Government employees.

Exemption u/s 10(10A) is allowed in case of commuted pension. The amount of exemption is as below:

Govt. Employee	Pvt. Employee receiving Gratuity	Pvt. Employee not receiving Gratuity
Fully exempt	$\frac{\text{Commuted Pension} \times 1}{\text{Fraction commuted} \times 3}$	$\frac{\text{Commuted Pension} \times 1}{\text{Fraction commuted} \times 2}$

LEAVE SALARY [SECTION 10(10AA)]

1. Leave salary received during the period of service is always taxable.

2. Exemption is available in case of leave salary received at the time of retirement.

Particulars	Exemption in case of govt. employees	Exemption in case of any other employee
What is the amount of exemption?	Entire amount is exempted from tax.	1) Average salary x leave credit. 2) Average salary x 10 months. 3) Actual leave encashment. 4) Maximum Rs. 3,00,000 Whichever is less
How to calculate salary for the purpose of exemption?	Not applicable	Average salary in 10 months preceding the retirement, taking only basic, Dearness Allowances to the extent the terms of employment so provide and Turnover Commission.
How to calculate leave credit, which is nothing, but leave eligible but not used?	Not applicable	Maximum 1 month leave for each full year of service minus actual period of leave taken

RETRENCHMENT COMPENSATION [SECTION 10 (10B)]

Compensation received by a workman at the time of retrenchment is exempt to the extent of the lower of the following:

- $15/26 \times \text{Average salary of last 3 months} \times \text{Completed years of service and part thereof in excess of 6 months}$
- Rs. 5, 00,000; or
- The actual amount received.

COMPENSATION ON VOLUNTARY RETIREMENT [SECTION 10(10C)]

Least of the following is exempt :

- Compensation actually received
- Rs. 5,00,000
- Last drawn salary x 3 months x completed years of service
- Last drawn salary x remaining months of service

Section 10(5) [Leave Travel Concession]: Travelling Expenses by Shortest Route & by Economy Class/ 1st Class is totally allowed as Exemption.

The restriction imposed for two children is not applicable in case of multiple births (twins) which takes place after the first child.

TREATMENT OF PROVIDENT FUND (Section 10(11) & 10(12))

	Statutory PF	Recognized PF	Unrecognized PF	PPF
Employer's contribution to provident fund	Exempt from tax.	Exempt upto 12% of salary. Excess is taxable.	Not taxable yearly	N.A.
Deduction under Sec. 80C on employee's contribution	Available u/s 80C	Available u/s 80C	Not eligible for deduction	Available u/s 80C
Amount credited to provident fund.	Exempt from tax.	Exempt from tax if rate of interest does not exceed the rate of 9.5%	Not taxable yearly	Exempt from tax u/s 10(11)
Lumpsum payment at the time of retirement	Exempt from tax u/s 10(11)	Exempt from tax if employee served a continuous period of 5 years or more or retires before rendering 5 years of service because of reason beyond the control of the employee. In other case, it will be taxable.	Employees' own contribution is exempt. Interest on employee's contribution – IFOS. Balance taxable under the head "Salaries"	Exempt from tax.

Salary for this purpose= Basic + D.A. (R) + Turnover Commission.

APPROVED SUPPERANNUATION FUND [Section 10(13)]

Employer's contribution in excess of Rs. 1,00,000 is considered as perquisite in the hands of the employee. Employee's contribution qualifies for deduction under Section 80C. Interest on accumulated balance is not chargeable to tax.

HOUSE RENT ALLOWANCE [SECTION 10(13A)]

House rent allowance granted to an assessee by his employer is exempt to the extent of least of the following:

- Excess rent paid over 10% of salary due for the relevant period, or
- If the accommodation is in: Calcutta, Chennai, Delhi and Mumbai- 50% of salary and in any other places- 40% of salary; or
- Actual allowance received.

SPECIFIC/NOTIFIED SPECIAL ALLOWANCES [SECTION 10(14)]

(A) Allowances which are exempt to the extent of actual amount received or the amount spent for the specified purpose for which these are received, whichever is less.

a) Travelling Allowance(tour) b) Daily Allowance c) Conveyance Allowance(local) d) Helper Allowance e) Academic Allowance f) Uniform Allowance

(B) Allowances which are exempt to the extent of amount received or the limit specified, whichever is less

a) Children Education Allowance: b) Hostel Expenditure Allowance c) Transport Allowance

Amendment for Transport Allowance:

Normal Employee: Increased from 800p.m. to 1600p.m.

Special Employee (blind or deaf and dumb or orthopedically handicapped employee with disability of lower extremities): Increased from 1600p.m. to 3200p.m.

(C) Allowance where exemption is allowed upto certain percentage of amount received

Amount of exemption shall be 70% of such allowance or Rs. 10,000 p.m., whichever is less.

Section 17(2) - Value of Rent Free accommodation:

A) Unfurnished Accommodation

The perquisites in this regard shall be valued as follows:

Situations	Taxable value of perquisite
CG & SG Employees.	License fee determined by such government in accordance with the rules framed by that government.
Other employee-Owned accommodation	i) 15% of salary in cities having population exceeding 25 lakhs as per 2001 census; ii) 10% salary in cities having population exceeding 10 lakhs but not exceeding 25 lakhs as per 2001 census. iii) 7.5% of salary in other areas.
Other employee-Leased accommodation	The actual amount of lease rental period or payable by the employer or 15% of salary whichever is low.

B) Furnished Accommodation

To the value of Unfurnished Accommodation, the following is added:

- i) If furniture is owned by the employer- 10% per annum, of the original cost of furniture.
- ii) If furniture is hired by the employer- Actual hire charges payable.

"Salary" includes the basic pay, DA(R) , allowances like HRA & that of Sec. 10(14), bonus or commission payable monthly otherwise or any monetary payment, by whatever name called from one or more employers, as the case may be, but does not include the- following namely:

- a) Employer's contribution to the Provident Fund account of the employee;
- b) The value of perquisites
- c) DA(Ord)

Interest free or concessional loan:

Exempt for Petty Loans upto Rs. 20000 or for Specified Medical Treatments

For Calculation Purpose, Rate of Interest of SBI as on 1st day of Financial Year

Use of Moveable Assets

CIRCUMSTANCES	VALUE OF BENEFIT
a) Use of laptops and computers b) Other Assets	NIL i) 10% per annum of the actual cost of such assets, or ii) The amount of rent or charges paid, or payable by the employer as the case may be

Transfer of any movable assets

ASSETS TRANSFERRED	VALUE OF BENEFIT
a) Computers & electronic items like digital diaries, printers, etc. (Data Storage Devices)	Actual cost (-) 50% of the cost to the employer for each completed year during which such asset was put to use by the employer, on the basis of reducing balance method.
b) Motor cars	Actual cost (-) 20% of the cost to the employer for each completed year during which such asset was put to use by the employer, on the basis of reducing balance method.
c) Any other assets like TV, washing machine, microwave, ovens, mixers, etc.	Actual cost (-) 10% of the cost to the employer for each completed year during which such asset was put to use by the employer, on the basis of straight line method.

ESOP

The value of sweat equity shares chargeable to tax as perquisite shall be the fair market value of such shares on the date on which the option is exercised by the assessee as reduced by the amount actually paid by, or recovered from, the assessee in respect of such shares.

CAR PERQUISITE

a) Car Owned by Employee – If Repairs & Maintenance Expenses are borne by the employer

Private Journey	Amount Paid by Employer
Office & Private Journey	Amount borne by Employer xxxx (-) If C.C ≤ 1.6 litres 1800 p.m (-) If C.C > 1.6 litres 2400 p.m (-) For Driver's salary <u>900 p.m.</u> Taxable Amount xxxxx

b) Car provided by Employer

i) Expenses borne by Employee

Private Journey	Taxable Amount = Wear & Tear (10% of cost) or Rent/Hire Charges (+) Driver's Salary
Office & Private Journey	If C.C ≤ 1.6 litres 600 p.m If C.C > 1.6 litres 900 p.m For Driver's salary <u>900 p.m.</u> Taxable Amount xxxxx

ii) Expenses borne by Employer

Private Journey	Taxable Amount = Wear & Tear (10% of cost) or Rent/Hire Charges (+) Driver's Salary (+) Running & Maintenance Expenses	
Office & Private Journey	If C.C ≤ 1.6 litres	1800 p.m
	If C.C > 1.6 litres	2400 p.m
	For Driver's salary	<u>900 p.m.</u>
	Taxable Amount	xxxxx

Value of gift, voucher or token in lieu of such gift : Upto Rs. 5000 – Exempt, Otherwise Fully Taxable (Alternative Answer as per ICAI – Balance Amount is Taxable)

MEDICAL FACILITY NOT A TAXABLE PERQUISITE [PROVISO TO SECTION 17(2)]

Hospital Maintained by Employer	100% Exempted for employee & family members
Expenses borne by Employer	a) Treatment in Govt. / Recognized Hospital – 100% Exempted for employee & family Members b) Other Hospitals (Private) – Exempted upto 15,000 p.a. Balance Taxable
Mediclaim Insurance paid by Employer	100% Exempted for employee & family members

MEDICAL TREATMENT OUTSIDE INDIA

The following expenditure incurred by employer on treatment of the employee or his family member outside India is also a tax-free perquisite.

- 1) Expenses on medical treatment of the employee or any other member of his family outside India.
- 2) Expenses on stay abroad of the employee or any other member of his family for medical treatment with one attendant who accompanies the patient
- 3) Travel expenses of the patient (employee or his family member) and one attendant who accompany the patient in connection with such treatment. It shall be tax-free in the case of those employees whose gross total income (before including therein such travel expenditure as perquisite) does not exceed Rs. 2, 00,000.

Family means spouse and children of the individual. Children may be dependent or independent, married or unmarried. It also includes parents, brothers and sisters of the individual if they are wholly or mainly dependent upon him.

PERQUISITE IN RESPECT OF GAS, ELECTRIC, ENERGY AND WATER SUPPLY FOR HOUSEHOLD CONSUMPTION

Provided by Employer's own sources: Cost of the Facilities

Provided by Employer from others: Market Price of such Facilities

VALUATION OF FREE OR CONCESSIONAL EDUCATIONAL FACILITIES:

If the educational facility is provided to any member of the household of the employee - The cost of such education in a similar institution in or near the locality.

If the educational facility is provided to the children of the employee - No perquisite if the cost of such education or the value of such benefit per child does not exceed Rs. 1,000 p.m. If exceeds Rs. 1000 p.m. then Fully Taxable
--

Value of free meals, tea & snacks: Exempt upto Rs. 50/meal in office.

If nothing is specified about the number of meals, Assume 300 Meals in a year & support it by a Note.

RELIEF U/S 89: Arrears of Salary

Calculation:

- A)** Calculate Tax incl Cess on (Current Year Income + Arrears)
- B)** Calculate Tax incl Cess on (Current Year Income excluding Arrears)
- C)** Take Difference of A – B
- D)** Calculate Tax incl Cess on (That Year's Income + Arrears)
- E)** Calculate Tax incl Cess on (That Year's Income excluding Arrears)
- F)** Take Difference of D – E
- G)** Relief = C – F
 - **"That Year's"** means the Year to which the Arrears of Salary relates to.

Profits or Gains from Business or Profession

MANNER OF COMPUTATION OF INCOME [Section 29]

Net Profit as per P & L Account	xxx
Add: Amt. debited to P & L A/c but disallowable or considered separately	xxx
Add: Taxable business Income not credited to P & L A/c.	xxx
Less: Amt credited to P & L A/c but not taxable / taxable under different heads.	xxx
Less: Allowable expenses not debited to P & L A/c.	xxx
Taxable PGBP	xxx

Expenses relating to Building [Section 30]

Expenses relating to Machinery, Plant and Furniture: [Section 31]

Depreciation [Section 32]

TABLE OF RATES AT WHICH DEPRICIATION IS ADMISSIBLE

		%
	PART A : TANGIBLE ASSETS	
I	BUILDINGS: a) Buildings which are used mainly for residential purposes b) Buildings - Others c) Purely temporary erections such as wooden structures	5 10 100
II	FURNITURE AND FITTING: Furniture and Fitting including electrical fittings	10
III	MACHINERY AND PLANT 1) Machinery and Plant 2) Motor cars other than those used in a business of running them on hire 3) Aeroplanes - Aeroengines 4) Motor buses/lorries/taxis used in a business of running them on hire. 5) Computers 6) Specified Air Control Pollution Equipments/Water Control/Pollution Equipments 7) Wind mills/Devices which run on wind mills/Electric generators and pumps running on wind energy installed on or after 1.4.2014 8) Oil Wells (Mineral Oil Concerns) (w.e.f. 01/04/2016)	15 15 40 30 60 100 80 15
	8) i) <u>Books owned by assesses carrying on a profession:</u> a) Books, being annual publication. b) Books other than those covered by entry (a) above. ii) Books owned by assessee's carrying on business in running lending libraries.	100 60 100
IV	SHIPS	20
	PART B: INTANGIBLE ASSETS: Know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature.	25

Normal Depreciation: The product of WDV of the block and rate of depreciation is the amount of depreciation.

Additional Depreciation: An assessee engaged in the business of manufacture/production of any article or thing can claim additional depreciation at the rate of **20 per cent of actual cost** if a few conditions are satisfied.

Balance 50% of additional depreciation to be allowed in the subsequent year, where the plant and machinery is put to use for less than 180 days during the previous year of acquisition and installation [Sections 32(1)]
Effective from : A.Y. 2016-17

Manufacturing COMPANIES investing more than Rs. 25 crore in new plant and machinery in any previous year during the period from 1.4.2014 to 31.3.2017 entitled to investment allowance@15% [Section 32AC(1A)]

The investment allowance@15% under this section is in addition to the depreciation and additional depreciation allowable under section 32(1). Further, the investment allowance would not be reduced to arrive at the written down value of plant and machinery because it is a Deduction & Not Depreciation. However this deduction is available only to **COMPANIES**

Manufacturing INDUSTRIES (Can be any Assessee) set up in the notified backward areas of specified States - Andhra Pradesh, Bihar, Telangana and West Bengal to be eligible for a deduction @15% of the actual cost of new plant & machinery acquired and installed on or after 1.4.2015 during the previous year [Section 32AD]

Effective from: A.Y. 2016-17

Where the **assessee is a company**, deduction under section 32AD would be available over and above the existing deduction available under section 32AC.

Lock in Period of New Plant & Machinery – 5 Years

If sold before that – Then Deduction allowed earlier shall be Taxable in the year of sale under the head PGBP.

Additional depreciation @35% to be allowed to assessee setting up manufacturing units in notified backward areas of specified States and acquiring and installing of new plant & machinery [Proviso to section 32(1)(ia)]
Effective from: A.Y. 2016-17

Such additional depreciation shall be restricted to 17.5% (i.e., 50% of 35%), if the new plant and machinery acquired is put to use for the purpose of business for less than 180 days in the year of acquisition and installation.

The balance 50% of additional depreciation (i.e., 50% of 35%) would, however, be allowed in the immediately succeeding financial year.

Depreciation in case of Succession, Amalgamation or Demerger: Apportion in the ratio of number of days used.

Expenditure on scientific research [section 35]**Expenditure incurred by the assessee:**

Type of assessee	Type of expenditure	Deduction
Any	Revenue and capital expenditure incurred in p.y.(other than land)	100% in that P.Y.
Any	Pre-commencement expenditure: (during 3 years immediately preceding the year of the commencement of business) i. salary to research staff ii. Purchase of materials for research iii. Capital exp. (except Land)	100% in the P.Y. of commencement of business
A company engaged in a business of: a) Bio – technology Or b) Manufacture/ production of any article {Section 35(2AB)}	Revenue and capital expenditure incurred in p.y.(other than land and building)	200% in that p.y.

b)

Contribution made to outsiders [section 35(1)(ii) & (iii)] Donee institution	Deduction
Approved University, College or other institution or research association which has as its object, the undertaking of scientific research to be used for scientific research provided that the university, college, institution or association is approved for this purpose by the Central Government by notification in the Official Gazette.	175%
Approved Indian company, having main object of scientific research and development	125%
Approved university, college, institution or research association to be used for research in social science or statistical research	125%
National laboratory or a university or a Indian institution of technology or specified person	200%

Expenditure for obtaining licenses to operate telecommunication service [section 35 ABB]**Expenditure on specified business [section 35 AD]:**

1. Sec 35AD provides **100% deduction of capital expenditure** incurred in specified business. It provides that an assessee carrying on the business of:

- (a) **cold chain** facility
- (b) **warehousing** facility for storage of **agriculture product**.
- (c) Laying and operating a **cross country natural gas or a crude or petroleum oil pipeline** network for distribution, including storage facility being a integral part of such network.
- (d) a **new hotel of 2 star** or above category as classified by the central govt.

- (e) a **new hospital with at least 100 beds** for patients.
- (f) **slum redevelopment or rehabilitation** scheme framed by the govt.
- (g) **affordable housing** framed by the central govt. or the state govt.
- (h) **Production of fertilizers** in India
- (i) setting up and operating an **inland container depot or a container freight station** notified or approved under the Customs Act, 1962;
- (j) **bee-keeping and production of honey** and beeswax; and
- (k) setting up and operating a **warehousing facility for storage of sugar**.
- (l) laying and operating a slurry pipeline for the **transportation of iron ore**;
- (m) setting up and operating a semiconductor **wafer fabrication manufacturing unit**

*Above Business shall be allowed **100% deduction** in respect of the capital expenditure incurred wholly & exclusively for such business, **excluding goodwill, land & financial instruments**.*

Weighted “investment-linked” tax deduction @ 150% for certain specified businesses:

- (i) setting up and operating a cold chain facility;
- (ii) setting up and operating a warehousing facility for storage of agricultural produce;
- (iii) building and operating, anywhere in India, a hospital with at least 100 beds for patients;
- (iv) affordable housing framed by the Central Government or a State Government.
- (v) production of fertilizer in India.

Any asset in respect of which a deduction is claimed and allowed under section 35AD shall be used only for the specified business, for a period of eight years beginning with the previous year in which such asset is acquired or constructed. If such asset is used for any purpose other than the specified business, **then the following shall be treated as Business Income:**

Deduction allowed u/s. 35AD (-) Depreciation allowable

Expenditure by way of payment to associations and institutions for carrying out Rural Development Programmes [section 35CCA]

Weighted deduction @ 150% in respect of expenditure incurred on notified agricultural extension project [Section 35CCC]

Weighted deduction @ 150% in respect of expenditure incurred by companies on notified skill development project [Section 35CCD]

Amortization of certain preliminary expenditure[section 35D]:

Deduction per year = $1/5^{\text{th}}$ of (Lower of Limit Prescribed or Actual Expenses)

Limit Prescribed:

In case of Corporate: 5% of Cost of Project or 5% of Capital Employed whichever is higher.

In case of Non Corporate: 5% of Cost of Project.

Amortization of expenditure in case of amalgamation or demerger [Section 35DD]

Deduction per year = $1/5^{\text{th}}$ of Actual Expenses

Amortization of expenditure under voluntary retirement scheme [Section 35DDA]

Deduction per year = $1/5^{\text{th}}$ of Actual Expenses

Other Deductions [Section 36(1)]

- 1) Insurance premium paid for stocks or stores or on the life of cattle owned by a member of primary co-operative society or paid by any mode other than cash for insuring the health of employees.
- 2) Bonus or commission (subject to section 43B)
- 3) Interest paid in respect of capital borrowed for the purpose of business or profession.
Interest paid in respect of capital borrowed for acquisition of an asset, for the period upto the date on which the asset is first put to use to be capitalized, even if the acquisition of the asset is not for extension of existing business or profession [Section 36(1)(iii)]
- 4) Discount of zero coupon bonds
- 5) ***If the assessee deposits any sum payable by it by way of tax, duty, cess or fee, by whatever name called, under any law for the time being in force, or any sum payable by the assessee as an employer by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees, on or before the 'due date' applicable in his case for furnishing the return of income under section 139(1) of the Act, no disallowance can be made under section 43B of the Act. It is further clarified that this Circular does not apply to claim of deduction relating to employee's contribution to welfare funds which are governed by section 36(1)(va) of the Income-tax Act, 1961.***
- 6) Contribution made to an employee's account, towards a pension scheme referred to in section 80CCD to the extent it does not exceed 10% of the salary of the employee in the previous year.
- 7) Any sum received from any of the employees towards their contribution to the welfare fund account, if such sum is remitted on or before the relevant due date to the concerned fund account (the amount so received from employees is treated as income u/s 2(24) and it is allowed as deduction only if it is paid within the stipulated due date)
- 8) In respect of animals issued for the purpose of business or profession, the differences' between the actual cost and amount if any realized in respect of the carcasses or animals.
- 9) Any revenue expenditure incurred by a **company** for promoting family planning among employees. If the expenditure incurred is of a capital nature, deduction shall be allowed over period of 5 years in equal installments.
- 10) Securities/Commodities transaction Tax paid in respect of transactions in securities the income from which is taxable under the head business income. (Only for Dealers & not Investors)
- 11) Provision for Bad Debts is disallowed. But actual bad debts are allowed.
Bad debts recovered is taxable.
Bad debts previously disallowed, now recovered is not taxable. (36(1)(vii))
- 12) (36(1)(viii)) – Taxation of Bank (Provision for Bad debts)
Indian Bank – 7.5% of total income under this head before any deduction + 10% of aggregate average advances made by rural branches.
PFI & Foreign Bank: 5% of total income under this head before any deduction

General Deduction: [Sec 37(1)]

Any Deduction not allowed under section 30 to 36, which is of revenue nature, related to Business or Profession & not in the nature of penalty

Inadmissibility of expenses incurred in providing freebies to medical practitioner by pharmaceutical and allied health sector industry.

Disallowed for pharmaceutical and allied health sector industry u/s 37(1) as it is prohibited by law (Indian Medical Council (Professional Conduct, Etiquette and Ethics Regulations, 2002). Taxable as Business Income for Medical Practitioner.

It is not an expenditure incurred by the assessee on CSR activities referred to in section 135 of the Companies Act, 2013.

Deduction in respect of cost of production allowable under section 37 in the case of Abandoned Feature Films

Advertisement in publications of a political party [Section 37(2B)] - Disallowed

Building, plant, machinery or furniture not exclusively used for the purpose of business or profession [Section 38]: Only Expense related to use for Business/Profession is allowed.

Inadmissible expenditure

Disallowances in the case of all assessees [Section 40(a)]

40(a)(i)	Any interest, royalty, fees for technical services or other sum chargeable under the Act, payable outside India or to a non corporate nonresident or to a foreign company, on which TDS has not been deducted or after deduction has not been paid on or before the due date specified under section 139(1). However, if such tax has been deducted in any subsequent year or has been deducted in the previous year but paid in the subsequent year after the due date specified under section 139(1), such sum shall be allowed as deduction in computing the income of the previous year in which such tax is paid.
40(a)(ia)	30% of any sum payable to a resident on which tax is deductible at source under Chapter XVII-B and such tax has not been deducted or, after deduction has not been paid on or before the due date for filing of return of income under section 139(1). However, if such tax has been deducted in any subsequent year or has been deducted in the previous year but paid in the subsequent year after the due date specified under section 139(1), 30% of such sum shall be allowed as deduction in computing the income of the previous year in which such tax is paid.
40(a)(ii)/(iia)	Any sum paid on account of income-tax or wealth-tax
40(a)(iii)	Any payment chargeable under the head "Salaries", if it is payable outside India or to a non-resident, if tax has not been paid thereon nor deducted therefrom
40(a)(v)	Tax paid by the employer on non-monetary perquisites provided to its employees, which is exempt under section 10(10CC) in the hands of the employee.
40(b)	In case of partnership firms or LLPs - (i) Salary, bonus, commission or remuneration, must be paid to working

	partner only (ii) It must be: • authorized by the partnership deed; or • in accordance with the terms of the partnership deed. (iii) Must not exceed 12% p.a. (iv) Maximum Limits - (a) On the first Rs. 3,00,000 of the book-profit or in case of a loss -Rs. 1,50,000 or 90% of the book-profit, whichever is more. (b) On the balance of book-profit -60%
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Excessive and unreasonable expenditure: [Section 40A (2)]: Disallowed to the Extent Unreasonable.

Disallowances out of cash expenditure exceeding Rs 20,000 [Section 40A(3)]

In case of Transporters – Rs. 35000

Rule 6 DD – Exceptions

Disallowance in respect of provision for gratuity [Section 40A(7)]

Disallowance in respect of contribution to Non-statutory funds [Section 40A(9)]

Section 43A: Gain or Loss on Foreign Exchange Currency Fluctuation

This section is attracted when an asset is purchased from outside India through a Loan in foreign country.

If any loss has arisen due to fluctuation, such loss must be added back to WDV & depreciation must be provided on such revised WDV & vice versa in case of Gain.

Deduction based on actual payment [Section 43B]

1. Taxes , Duty , Cess etc
2. Bonus or Commission
3. Contribution to Approved Funds
4. Interest on Loan taken from PFI/Corporations
5. Interest on Loan taken from Scheduled Bank
6. Leave Salary

Special provisions [Section 44AA to 44D]

Maintenance of books of accounts [Section 44AA]: Number of years of maintenance: 6

Audit of accounts [Section 44AB]

In the case of any person:

- Carrying on business where the turnover exceeds Rs 1 Crore or
- Carrying on profession where the gross receipts exceed Rs 25 lakhs or
- Carrying on the business referred to in section 44AD or 44AE or 44BBB and claiming his income from any such business to be lower than the income prescribed under the relevant section.

The specified due date: For all assesses – 30th September of the relevant assessment year.

Presumptive Taxation:

Eligible business [Section 44AD]:

In case of an eligible assessee carrying on eligible business whose gross receipts from such business does not exceed Rs 1 Crore, a sum equal to 8% of the gross receipts shall be deemed to be the income from such business.

Transport operation business [Section 44AE]

In the case of an assessee who carried on the business of plying, hiring, or leasing goods carriages and who owns not more than 10 goods carriages at any time during the previous year

Deemed Income = Rs. 7,500 per month (or part of a month) Per Vehicle.

However, the assessee can claim a higher amount as actually earned from the vehicle(s) as income from the vehicle(s).

Special provisions for computing profits and gains of shipping business in the case of non-residents [Section 44B]

Deemed Income = 7.5% of Income from/due to India

Special provisions for computing profits and gains in connection with the business of exploration etc of mineral oil [Section 44BB]

Deemed Income = 10% of Income

Special provisions for computing profits and gains of business of operation of aircraft in the case of non-residents [Section 44BBA]

Deemed Income = 5% of Income

Special provisions for computing profits and gains of foreign companies engaged in the business of civil construction etc in certain turnkey power projects [Section 44BBB]

Deemed business income = 10% of the amount paid or payable (whether in or out of India)

Capital Gains

Chargeability [Section 45(1)]

Meaning of Capital asset [Section 2(14)]

‘Capital asset’ means property of any kind held by an assessee, whether or not connected with his business or profession.

However, the following assets are **excluded** from the definition of ‘Capital Assets.’ –

- a) Any **Stock-in-trade**,
- b) **Personal effects**
[jewellery, archaeological collections, drawings, paintings, sculptures or any work of art are not considered as personal effect. Hence they are capital assets.];
- c) Rural agricultural land in India i.e. agricultural land not situated within specified urban limits.

	Shortest aerial distance from the local limits of a municipality or cantonment board referred to in item (a)	Population according to the last preceding census of which the relevant figures have been published before the first day of the previous year.
(i)	≤ 2 kilometers	> 10,000 ≤ 1,00,000
(ii)	≤ 6 kilometers	> 1,00,000 ≤ 10,00,000
(iii)	≤ 8 kilometers	> 10,00,000

Types of Capital Assets: Capital assets are of two types:

1. Short-term capital asset
2. Long-term capital asset

1. **Short-term capital asset [section 2(42A)]:** Period of Holding should be ≤ 36 months

In case of the following FOUR assets, if the asset is held by an assessee for ≤ 12 months immediately preceding the date of its transfer, it is known as a short term capital asset.

- a) Listed Security
- b) Units of the UTI
- c) Units of Equity Oriented Mutual fund specified u/s 10(23D)
- d) (Except debt oriented fund)
- e) Zero coupon bonds.

Clarification:

If the Period of holding of units of debt oriented mutual fund and unlisted securities is more than 36 months then it will be considered as LTCA Effective from: A.Y.2015-16

In the case of a capital asset, being a share or debenture of a company, which becomes the property of the assessee due to conversion, there shall be included the period for which the bond, debenture, debenture-stock or deposit certificate, as the case may be, was held by the assessee prior to the conversion. The said rule shall come into force with effect from 01-04-2016.

2. Long-term capital Asset [section 2 (29A)]:

It means a capital asset, which is not a short-term capital asset.

In other words, if the asset is held by the assessee for > 36 months/12 months, such an asset will be treated as a Long-term capital asset:

Section 2 (47) – 'Transfer' in relation to a capital asset includes:

1. Sale, exchange or relinquishment of a capital asset; or
2. Extinguishments of any rights therein; or
3. Compulsory acquisition of a capital asset under any law; or
4. Conversion or treatment of a capital asset into/as stock-in-trade; or
5. Any transaction involving the allowing of the possession of an immovable property to be taken or retained in part performance of a contract of the nature referred to in Section 53A of the transfer of Property Act; or
6. Any transactions whether by way of acquiring shares in or by way of becoming a member of a co-operative society,
7. The maturing or redemption of zero coupon bonds.

Section 47 – Transactions which are not regarded as Transfer (Few Examples)

- 1) Transfer of a capital asset in a total or partial partition of a H.U.F.
- 2) Transfer of a capital asset by way of gift or under a will or an irrevocable trust.
- 3) Amalgamation/Demerger/Succession/Conversion
- 4) Conversion of bonds or debentures, debenture stock, deposit certificates of a company into shares or debentures of that company.
- 5) Any transfer of membership right held by a member of recognised stock exchange in India for acquisition of shares and trading or clearing right of stock exchange in accordance with scheme approved by SEBI.
- 6) Transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government.

Full Value of Consideration = Selling Price

Expenses on transfer = Selling Expenses

However, any securities transaction tax paid is also **not allowed** as deduction.

Cost of Acquisition [Section 55(2)]:

1. **Normal Capital Asset:** Actual Cost or Cost to the Previous Owner or FMV as on 1.4.1981 if the asset was acquired before 1.4.1981
2. **Right Shares:** Price Actually paid to acquire the shares
3. **Bonus Shares:**
 - a) If allotted on or after 1.4.1981 - NIL
 - b) If allotted before 1.4.1981– NIL or FMV as on 1.4.1981 (at the option of the assessee)
4. **Intangibles:**
 - a) Self Generated - NIL
 - b) Purchased – Actual Cost Paid (Option to take FMV as on 1.4.1981 is not avbl)

Cost of Improvement [Section 55]

The cost of improvement incurred on or after 1.4.1981 only can be taken into account for computation.

Cost of Improvement of Previous Owner is also to be considered.

Indexation:

It is available for all Long Term Capital Assets except for Bonds, Slump Sale, Debentures (other than capital indexed bonds issued by the Government)

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Indexed Cost of Acquisition =

$$\text{Cost of acquisition} \times \frac{\text{CII for the year in which the asset is transferred}}{\text{CII for the year in which the asset was first held by the assessee or 1981-82, whichever is later}}$$

Indexed Cost of Improvement =

$$\text{Cost of improvement} \times \frac{\text{CII for the year in which the asset is transferred}}{\text{CII for the year in which the improvement took place}}$$

Capital Gains in case of amount received from an insurer on account of damage or destruction of any capital asset [Section 45(1A)]

Amount Recd from Insurance Company = FVC

If Similar Asset is recd in exchange then FVC = FMV of that Asset.

Capital Gains on conversion of Capital asset into stock-in trade [section 45(2)]

Capital gains on transfer of capital asset by a partner/member to a firm/AOP/BOI as capital contribution [section 45(3)]

Amount recorded in the books of the firm shall be deemed to be the full value of consideration.

Capital gain on transfer of capital asset by way of distribution on dissolution of firm, AOP/BOI [section 45(4)]

FMV of the asset as on the date of such transfer shall be deemed to be the full value of the consideration received by the firm.

Computation of capital gains in the case of compulsory acquisition of an asset [Section 45(5)]

The taxation of initial compensation and enhanced compensation is as follows:

Amount Received	Year of Chargeability	Full value of consideration	Cost of acquisition/cost of improvement
Initial compensation	Year of receipt of initial compensation or part thereof.	Entire initial compensation (even if received in installments)	As per normal provisions
Enhanced Compensation	Year of receipt	Amount of enhanced compensation	Nil

Computation of capital gains- Depreciable asset [Section 50]

- a) There must be at least one asset in the block; and
- b) There must be some value for the block on which prescribed % can be applied.

Where anyone or both mentioned requirements are not satisfied on transfer of any asset from the block, the provisions of Section 32 cease to apply and automatically the provisions of Section 50 become applicable resulting in short term capital gains/ loss.

The computation of short term capital gain or loss shall be on the following basis:

Full value of consideration		XXX
Less: (a) Expenses for transfer.	XXX	
(b) W.D.V of the block of assets at the beginning of the previous year	XXX	
(c) Assets acquired during the year and belonging to the same block of assets	XXX	XXX
Short-term capital gain/ loss		XXX

Special provision for cost of acquisition in case of depreciable asset for power sector assessee [Section 50A]

1. Since depreciation in such cases is allowable on the actual cost of **each individual asset**,
At the time of sale of capital asset,
If $SP > OC$, then CG
 $SP - WDV$, the PGBP (Balancing Charge u/s 41(2))
If $SP < WDV$, then deficit is allowable as terminal depreciation u/s 32 in the year of transfer.
2. The capital gain can be STCG or LTCG depending upon period of holding.

Special provision for computation of capital gains in case of slump sale [Section 50B]

Capital Gains = FVC (-) Expenses on Transfer (-) Net Worth of the Undertaking

Period of Holding of the Entire Undertaking will be considered to determine whether it is Long Term Asset or Short Term Asset.

Special provision for land & Building [Section 50C]

Level 1: Higher of Actual Consideration & Stamp Duty Value

Level 2: Lower of Stamp Duty Value & Value decided by Valuation officer

Section 50D: Where FVC cannot be determined, FVC = FMV**Section 43CA: (Applicable for other than Capital Assets)**

Then Higher of Actual Consideration or the Stamp Duty Value

Stamp Duty Value on the Date of Agreement is to be adopted if at least a part of the consideration has been received by any mode other than cash on or before the date of the agreement. If not, then Stamp Duty Value on the Date of Registration.

Section 51: Advance Money Forfeited

Advance money received and forfeited upto 31.3.2014 – Deducted from COA & then Indexation

After 1.4.2014 would be taxable under section 56(2) under the head “Income from other sources”.

Exemption of Capital Gains arising on compulsory acquisition land [section. 10(37)]

Exemption of long-term capital gains on transfer of specified securities [Section 10(38)]

Tax on Long term Capital Gains [Section 112]

If indexation benefit has been availed = 20%

No indexation (Bonds, Debentures & Slump Sale) = 10%

No deduction can be claimed under Chapter VIA from such STCG.

Surcharge (as applicable) and Education cess of 3% is also payable in respect of long term capital gains u/s 112.

Tax on Short – term Capital Gains in certain cases {Section 111A}

Any short-term capital gains arising on transfer of the following assets shall be taxed @ 15% if the transaction is liable to STT:

Equity shares of a company, or Units of an equity oriented fund

Any other Short term Capital Asset = Basic Exemption Limit.

No deduction can be claimed under Chapter VIA from such STCG.

Exemption of Capital Gains

Particulars	Sec. 54	Sec. 54B	Sec. 54D	Sec. 54EC
Exemption available to:	Individual/HUF	Individual/HUF	Any Assessee	Any Assessee
Property Transferred	Long Term Residential House Property	Urban Agricultural Land	Compulsory Acquisition of Industrial L & B	Transfer of any Long term capital Asset
Exemption if:	1 Residential HP in India is purchased 1 year before or 2 years after the date of transfer or Constructed within 3 years of the date of transfer	New Urban/Rural Agricultural land is purchased within 2 years from the date of transfer	Purchased / Constructs another Land/Bldg within 3 years from the date of transfer	Purchase Bonds issued by: - NHAI - REC Ltd. Within 6 months of transfer
Deduction	Lower of: 1) Capital Gains 2) Amount invested in new HP or amount deposited in CGAS	Lower of: 1) Capital Gains 2) Amount invested in new land or amount deposited in CGAS	Lower of: 1) Capital Gains 2) Amount invested in new land/bldg or amount deposited in CGAS	Lower of: 1) Capital Gains 2) Amount invested in new bonds Deposit in CGAS not allowed
Deduction Cancelled if: (i.e. treated as Capital Gains)	If New HP is transferred within 3 years of purchase or construction OR Amount unutilized in CGAS for 3 years from the date of transfer	If New Property is transferred within 2 years of purchase OR Amount unutilized in CGAS for 2 years from the date of transfer	If New Property is transferred within 3 years of purchase or construction OR Amount unutilized in CGAS for 3 years from the date of transfer	If New Bonds are transferred within 3 years of purchase (Maximum Investment in the financial year in which the original assets are transferred and in the subsequent financial year does not exceed fifty lakh rupees.)

For claiming exemption u/s 54F, Assessee should not own more than 1 HP, on the date of transfer, other than the New one.

Particulars	Sec. 54F	Sec. 54G	Sec. 54GA	Sec. 54GB
Exemption to	Individual/HUF	Any Assessee	Any Assessee	Individual/HUF
Property Transferred	Any Long Term Capital Asset other than Residential House Property	Transfer of assets of industrial undertaking due to shifting of industrial undertaking from urban areas to rural areas.	Trf of assets of industrial undertaking due to shifting of industrial undertaking from urban areas to SEZ	Transfer of residential HP / Plot of land
Exemption if:	1 New Residential HP in India is purchased 1 year before or 2 years after the date of transfer or Constructed within 3 years of the date of transfer	New P &M, L & B are purchased within 3 years of transfer	New P &M, L & B are purchased within 3 years of transfer	Purchase of shares of a newly incorporated SME engaged in mfg. sector which should be utilised for P & M within or before the due of filing ROI
Deduction	1) If Net FVC $\leq$ Cost of new HP, then entire CG = Exempt. 2) If Net FVC > Cost of New HP, then Exemption = $\frac{\text{LTCG} * \text{Amt Inv in New HP}}{\text{Net FVC}}$	Lower of: 1) Capital Gains 2) Amount invested in new asset	Lower of: 1) Capital Gains 2) Amount invested in new asset	1) If Net FVC $\leq$ Cost of new investment, then entire CG = Exempt. 2) If Net FVC > Cost of New Inv, then Exemption = $\frac{\text{LTCG} * \text{Amt Inv in New Inv.}}{\text{Net FVC}}$
Deduction Cancelled if: (i.e. treated as Capital Gains)	If New Asset is transferred within 3 years OR Amount unutilized in CGAS for 3 years from the date of transfer	If New Asset is transferred within 3 years OR Amount unutilized in CGAS for 3 years from the date of transfer	If New Asset is trfd within 3 years OR Amount unutilized in CGAS for 3years from the date of trf.	If New Asset is transferred within 5 years from the date of subscription in shares

Income from Other Sources

CHARGEABILITY: Sec. 56(1)

Following gifts-in-kind received *by an individual or HUF*:

	Nature of asset	Particulars	Taxable value
1	Money	Without consideration	The whole amount if the same exceeds ₹ 50,000 in aggregate.
2	Movable property	Without consideration	The aggregate fair market value of the property, if it exceeds ₹ 50,000.
3	Movable property	Inadequate consideration	The difference between the aggregate fair market value and the consideration, if such difference exceeds ₹ 50,000.
4	Immovable property	Without consideration	The stamp value of the property, if it exceeds ₹ 50,000.
5	Immovable property	Inadequate consideration	The difference between the stamp duty value and the consideration, if such difference exceeds ₹ 50,000.

EXCEPTIONS:

If the amount or property is received-

From a relative or on occasion of the marriage, or Under a will or by inheritance, or in contemplation of the death of the payer, From a local authority, From any fund/ foundation/ university/ other educational institution/ hospital/ medical institution/ any trust or institution registered u/s 12AA; it will not be considered as income.

Meaning of Relative:

For this purpose, the term relative means:

Spouse of the individual

Brother or sister of the individual

Brother or sister of the spouse of the individual

Brother or sister of either of the parents of the individual

Any lineal ascendant or descendant of the individual/spouse

The spouse of any of the persons referred to in 2 to 6 above.

Expenses deductible/admissible

Deductible Expenses [Section 57]

- 1) In respect of dividend income and interest income any reasonable expenditure incurred by way of commission or remuneration for realization of such income is deductible.
- 2) In respect of family pension, a sum equal to 33.33% of the pension or Rs. 15,000, whichever is less, shall be allowed as deduction.
- 3) Standard deduction of 50% shall be allowed from interest on compensation or enhanced compensation. No other deduction shall be allowed there from.

Other Points:

(a) Any sum of money or property received by a HUF without consideration or for inadequate consideration from its members to be exempt from tax.

(b) Consideration received in excess of FMV of shares issued by a closely held company to be treated as income of such company, where shares are issued at a premium.

If $IP < FV$ then nothing is taxable. If $IP > FV$, then compare IP & FMV . $IP - FMV$ would be taxable under this section

Interest from non-SLR Securities of Banks: Whether chargeable under the head "Profits and gains of business or profession" or "Income from other sources"? [Circular No. 18, dated 2.11.2015]

The Apex Court held that the investments made by a banking concern are part of the business of banking. Therefore, the income arising from such investments is attributable to the business of banking falling under the head "Profits and Gains of Business and Profession".

Clubbing of Income

Section	Income to be clubbed	Provision
60	Income transferred without transfer of asset	Such income is to be included in the total income of the transferor
61	Income arising from revocable transfer of assets	Such income is to be included in the hands of the transferor.
64(1)(ii)	Income arising to spouse by way of remuneration from a concern in which the individual has substantial interest (20%)	Such income arising to spouse is to be included in the total income of the individual. Exception: application of technical or professional knowledge and experience of spouse
64(1)(iv)	Income arising to spouse from assets transferred without adequate consideration	Shall be included in the total income of the transferor.
64(1)(vi)	Income arising to son's wife from an asset transferred without adequate consideration	Shall be included in the total income of the transferor.
64(1)(vii)/ 64(1)(viii)	Income arising from transfer of assets for the benefit of spouse or son's wife	Shall be included in the total income of the transferor.
64(1A)	Income of minor child	The income of the minor child shall be included with the income of that parent, whose total income, before including minor's income, is higher, exemption of Rs. 1500 per child u/s 10(32) Exception: (a) Income from manual work done by him or activity involving application of minor's skill, talent or specialized knowledge and experience; and (b) Income of a minor child suffering from any disability specified in section 80U.

Aggregation of Income, Set Off & Carry Forward of Losses

Section	Provision	Exceptions
70	Inter-source set-off under the same head of income Any loss in respect of one source shall be set-off against income from any other source under the same head of income.	(i) Loss from speculative business (ii) Loss from specified business under section 35AD (iii) Long term capital loss and (iv) Loss from the activity of owning and maintaining race horses
71	Inter head adjustment Loss under one head of income can be set-off against income assessable under any other head of income.	(i) Loss under the head "Profits and gains of business or profession" cannot be set off against income under the head "Salaries" (ii) Loss under the head "Capital gains" cannot be set-off against income under any other head. (iii) Speculation loss and loss from the activity of owning and maintaining race horses cannot be set-off against income under any other head.

Carry forward and Set-off of brought forward losses

Section	Nature of loss to be carried forward	Income against which the brought forward loss can be set-off	Maximum permissible period for carry forward of losses
71B	Unabsorbed loss from house property	Income from house property	8 assessment years
72	Unabsorbed business loss	Profits and gains from business or profession	8 assessment years
73	Loss from speculation business	Income from speculation business	4 assessment years
73A	Loss from specified business under section 35AD	Profit from any specified business	Indefinite period
74	Long-term capital loss	Long-term capital gains	8 assessment years
74	Short-term capital loss	Short-term/Long-term capital Gains	8 assessment years
74A	Loss from the activity of owning and maintaining race horses	Income from the activity of owning and maintaining race horses.	4 assessment years

Order of set-off of losses

- 1. Current year depreciation / Current year capital expenditure on scientific research and current year expenditure on family planning, to the extent allowed.**
- 2. Brought forward loss from business/profession [Section 72(1)]**
- 3. Unabsorbed depreciation [Section 32(2)] (indefinitely)**
- 4. Unabsorbed capital expenditure on scientific research (indefinitely) [Section 35(4)].**

Sec. 78(1): Loss in case of retirement or death:

Share pertaining to retired/deceased partner cannot be carried forward.

(Except unabsorbed depreciation)

Loss returns (section 80)

No loss which has been determined in pursuance of return filed in accordance with the provisions of section 139 (3) shall be carried forward under the provisions of section 72 to 74A. This condition does not apply to loss from house property carried forward u/s 71B, 73A and unabsorbed depreciation carried forward u/s 32(2).

Deductions from GTI

Deductions in respect of certain payments

Deduction u/s 80C (For investment in LIC, PF, etc.)

1. Eligible Assessee:

a) An individual; or b) Hindu Undivided Family

2. Eligible Investments/ Contributions:

Life insurance premium

Contribution made by an individual towards Statutory Provident Fund and Recognised Provident Fund.

Contribution made by a person towards 15 year Public Provident Fund (**Max. 1.5L**)

Contribution made by an individual towards approved superannuation fund

Any sum paid by a person as subscription to National Saving Certificates, VIII issues

Contribution made by a person for participating in the unit Linked Insurance Plan of LIC Mutual Fund u/s 10 (23D)

Any tuition fees (excluding donation, development fees, etc.) Paid to university, college, school or other educational institution situated within India for the full time education of any two children.

Any specified payment made by person towards the cost of purchase/ construction of new residential house property, the income from which is chargeable to tax under the head IFHP (or loss, in case of SOP).

Notified Bonds of NABARD

Term Deposit of a Bank (**Max. 1.5L**)

Deduction under section 80C to be available in respect of deposit in Sukanya Samridhi Account Scheme for the welfare of girl child Related amendment in section: 10(11A)

Effective from: A.Y.2015-16: EEE Investment

Other conditions:

- 1) Deduction will be allowed only if “actual payments” are made i.e. outstanding are not allowed.
- 2) Amount of deduction= 100% of Qualifying investment or **Rs. 1,50,000** whichever is lower.

Contribution to certain pensions Funds / Annuity Plans {section 80CCC}

Permissible Deduction – 1,50,000/-

Contribution to pension Scheme notified by Central Government {Section 80CCD}

<u>Contribution made by an employee / individual</u>	<u>Section No.</u>	<u>Limit</u>
Contribution made by an employee/individual	80CCD (1)	10% of the salary or GTI (subject to overall limit of Rs. 150000 u/s 80CCE)
Employer's contribution	80CCD (2)	10% of the salary or GTI
Additional Contribution by Employee	80CCD(1B)	Maximum Rs. 50000 (In addition to Rs. 1.50 Lakhs)

'Atal Pension Yojna' notified under section 80CCD(1) [Notification No. 7/2016 dated 19-02-2016]

Section 80CCD(1) empowers the Central Government to notify a pension scheme, contribution to which would qualify for deduction in the hands of an individual assessee.

80CCE:

Limit on deductions under sections 80C, 80CCC and 80CCD(1): The aggregate amount of deductions under section 80C, Section 80CCC and employees' contribution u/s 80CCD shall not, in any case, exceed Rs. 1,50,000."

Limit of 80CCD(1B) is over & above Rs. 50000

80CCG - Investment made under notified equity savings scheme

Resident Individual, being a new retail investor:

Payment made for acquisition of listed equity shares or **listed units of equity oriented fund** by new retail investor in accordance with the scheme notified by the Central Government. For availing this deduction, gross total income of the individual ≤ Rs. **12 lacs**.

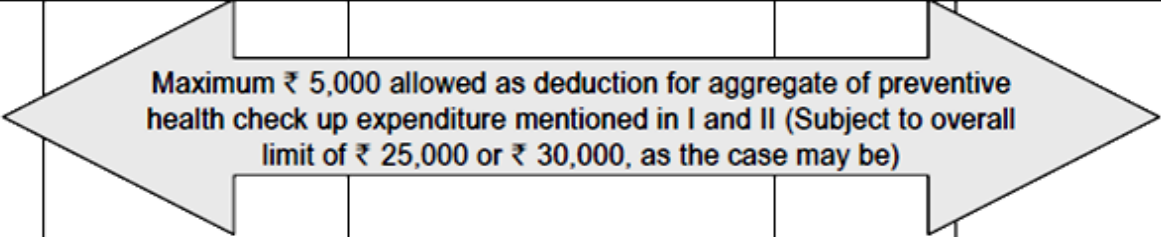
Permissible Deduction:

50% of the amount invested in such listed equity shares or listed units **(or)** Rs. 25,000, whichever is **lower**.

The deduction is available for three consecutive assessment years beginning with the assessment year in which equity shares or units were first acquired.

Health Insurance Premium [Section 80D]

S. No.	Nature of payment/ expenditure	Expenditure on behalf of		Deduction for A.Y. 2016-17
I	(i) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health	In case of individual	Self, spouse and dependent children	₹ 25,000
	(ii) Contribution to Central Government Health Scheme (CGHS)	In case of HUF	Family member	
	(iii) Preventive health check up expenditure	In case any of the above persons is of the age of 60 years or more + resident in India		₹ 30,000
II	(i) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health	For Parents		₹ 25,000
	(ii) Preventive health check up	In case either or both the parents is of the age of 60 years or more + Resident in India		₹ 30,000

 Maximum ₹ 5,000 allowed as deduction for aggregate of preventive health check up expenditure mentioned in I and II (Subject to overall limit of ₹ 25,000 or ₹ 30,000, as the case may be)			
III	Amount paid on account of medical expenditure	For self/ spouse/ parents + who is of the age of 80 years or more + Resident in India + no payment has been made to keep in force an insurance on the health of such person	₹ 30,000

Maintenance and medical treatment of handicapped dependent [Section 80DD]

Flat deduction of Rs. 75,000. Severe disability Rs. 1,25,000

Medical treatment for certain specified disease or ailment [Section 80DDB]

Eligible assessee- Individual or HUF, resident in India.

Amount paid for specified diseases or ailment:

In case the assessee is an individual	For himself or his dependent spouse, children, parents, brothers or sisters
In case the assessee is a HUF	For any member of his family

	Dependent	Maximum limit (₹)
(1)	A very senior citizen, being a resident individual	80,000
(2)	A senior citizen, being a resident individual	60,000
(3)	Dependent, other than mentioned in (1) & (2) above	40,000

Actual sum paid or the Limit Specified whichever is less, **minus** the amount reimbursed from the insurance company or the employer.

Deduction in respect of payment of interest on loan taken for higher education [Section 80E]

Deduction in respect of donations to certain funds, charitable institutions, etc. [Section 80G]

- A. Donations made of following are eligible from 100% deduction without any qualifying limit:

Newly Added:

Swachh Bharat Kosh, Clean Ganga Fund and National Fund for Control of Drug Abuse

- B. Donations made to the following are eligible for 50% deduction without any qualifying limit:
- C. Donations made to the following are eligible for 100% deduction subject to qualifying limit.
- D. Donations made to the following are eligible for 50% deduction subject to qualifying limit.

For applying qualifying limit, all donations made to funds/ institutions covered under (C) and (D) above shall be aggregated and the aggregate amount shall be limited to 10% of Adjusted Gross Total Income.

Adjusted Gross total Income- Adjusted Gross total Income for this purpose means the Gross total Income as reduced by-

1. Long term capital gains, if any, which have been included in the gross total income;
2. All deductions permissible u/s 80C to 80U except deduction under Section 80G.
3. Short term Capital Gain liable to tax u/s 111A.

Aggregate deduction: The quantum of deduction shall be the aggregate of the deductions permissible under clause (A), (B), (C) and (D).

Donations for scientific research, rural development, etc. by other than business assessee.
[Section 80GGA]

No deduction in respect of cash donation exceeding of Rs. 10,000 [Section 80G & Section 80GGA]

Deduction in respect of interest on deposits in savings accounts [New Section 80TTA] :
Deduction = Actual Interest or Maximum Rs. 10000 whichever is Lower.

Deduction in respect of contributions given by companies to political parties [Section 80GGB]

Deduction in respect of contributions given by any person to political parties [Section 80GGC]

Deduction in case of a person with disability [Section 80U]

	A.Y.2016-17
Persons with disability	75,000
Persons with severe disability	1,25,000

Provisions Concerning Advance Tax & Tax Deducted at Source

Sec. 211 - ADVANCE TAX IN CASE OF COS.

Due Dates	Amount Payable
On or Before 15 th June	Atleast 15% of tax
≤ 15 th September	Atleast 45% of tax (-) Anything Paid Before
≤ 15 th December	Atleast 75% of tax (-) Anything Paid Before
≤ 15 th March	Whole of the Advance Tax

Sec. 211 - ADVANCE TAX IN CASE OF OTHER THAN CORPORATES

Due Dates	Amount Payable
≤ 15 th September	Atleast 30% of tax
≤ 15 th December	Atleast 60% of tax (-) Anything Paid Before
≤ 15 th March	Whole of the Advance Tax

If Tax is paid between 15th – 31st March, it will be considered as Advance tax, but Interest u/s. 234C will be applicable.

U/S 234B: For default in payment of Advance Tax.

- That is:
 - If assessee has failed to pay AT or
 - Advance tax paid is less than 90% of Assessed tax.
- Interest @ 1% p.m./ part of month.
- Interest from 1st April, next following such F.Y. to the date of determination of income/assessment.
- On which amount??

If no advance tax paid then on assessed tax.

If paid less than 90% then on: Assessed tax (-) Advance tax paid.

U/S 234C: For deferment of advance tax (ie. AT paid is < limit specified in Sec. 211)

- That is: Interest is levied if the assessee fails to pay % of advance tax as prescribed u/s. 211
- Interest @1% p.m. for 3 months on amount of shortfall & for 1 month on last installment

RELAXATION IN CASE OF COMPANIES:

If Companies have before 15th June/ 15th sep paid atleast 12% & 36% respectively of the tax due, then no interest u/s. 234C

Notes:

If shortfall is due to underestimation of

- Capital Gains
 - lottery income/puzzle/races/gambling ,betting **(Since these are unexpected incomes)**
- then **no interest**.

Section	192
Description	Salary
Threshold Limit	Basic exemption limit (Rs. 2,50,000 / Rs. 3,00,000, as the case may be)
Payer	Any person
Type of Payee	Individual
Rate of TDS	Average rate of income tax computed on the basis of the rates in force.
Time of deduction	At the time of payment
Payments / Income exempted from TDS	Allowances, to the extent exempt under section 10, and exempt perquisites would be excluded.

Amendment:

Person responsible for paying income chargeable under the head “Salaries” to obtain proof or evidence or particulars of prescribed deductions/ exemptions/setoff of losses claimed by the assessee [Section 192(2D)]

Tax to be deducted@10% on premature taxable withdrawal from employees provident fund [Section 192A]

Tax deduction at source under this section has to be made only if the amount of such payment or aggregate amount of such payment of the payee is Rs. 30,000 or more.

Further, any person entitled to receive any amount on which tax is deductible under this section has to furnish his PAN to the person responsible for deducting such tax. In case he fails to do so, tax would be deductible at the maximum marginal rate.

Section	193
Description	Interest on Securities
Threshold Limit	- 8% Savings (Taxable) Bonds, 2003 – Rs. 10,000 - Interest on debentures issued by a company in which the public are substantially interested, paid or credited to a resident individual or HUF – Rs. 5,000
Payer	Any person
Type of Payee	Any resident
Rate of TDS	10%
Time of deduction	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
Payments / Income exempted from TDS	Some exempted interest payments are interest – - On any security of the Central Government or a State Government. - Payable to LIC, GIC or any of the four public sector insurance companies formed by GIC. - Payable on any security issued by a company, where such security is in dematerialized form and is listed on a recognized stock exchange in India.

Section	194
Description	Dividend
Threshold Limit	Rs. 2,500 in a financial year
Payer	The Principal Officer of a domestic company
Type of Payee	Resident Individual
Rate of TDS	10%
Time of deduction	At the time of payment
Payments / Income exempted from TDS	Dividend credited or paid to LIC, GIC or any of the four public sector insurance companies formed by GIC, Dividend referred to in section 115-O, since the domestic company distributing dividend has paid dividend distribution tax on such dividend.
Section	194A
Description	Interest other than interest on securities
Threshold Limit	Rs. 10,000 in a financial year, in case of interest paid by – (i) a banking company on Term/Recurring Deposits; (ii) a cooperative society engaged in banking business; (iii) deposits with post office. Rs. 5,000 in a financial year, in other cases.
Payer	Any person, other than an individual or HUF not liable to tax audit u/s 44AB in the immediately preceding financial year.
Type of Payee	Any Resident
Rate of TDS	10%
Time of deduction	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
Payments / Income exempted from TDS	Interest credited or paid to: - any banking company, or a cooperative society engaged in the business banking - any financial corporation established or under a Central, State or Provincial Act - the Life Insurance Corporation of India. - the Unit Trust of India; - any company and cooperative society carrying on the business of insurance. - notified institution, association, body class of institutions, associations bodies - Interest credited or paid by a firm to a partner - Interest credited or paid by a co-operative society to its member or to any other co-operative society, etc.

Amendment:

- 1) Threshold limit to be reckoned with reference to the aggregate interest credited or paid by all branches of a banking company/co-operative bank/public company which has adopted core banking solutions**

2) ***Tax deduction from interest on compensation awarded by the Motor Accidents Claims Tribunal to be made at the time of payment, where the interest or aggregate interest paid exceeds Rs. 50,000.***

3) **Applicability of provisions for deduction of tax at source under section 194A on interest on fixed deposit made in the name of the Registrar General of Court or the depositor of the Fund on directions of Courts [Circular No.23/2015, dated 28-12- 2015]**

It is clarified that interest on FDRs made in the name of Registrar General of the Court or the depositor of the fund on the directions of the Court, will not be subject to TDS till the matter is decided by the Court. However, once the Court decides the ownership of the money lying in the fixed deposit, the provisions of section 194A will apply to the recipient of the income.

Section	194B
Description	Winnings from any lottery crossword puzzle or card game or other game of any sort
Threshold Limit	Payment of an Amount exceeding Rs. 10,000
Payer	Any Person
Type of Payee	Any Person
Rate of TDS	30%
Time of deduction	At the time of payment
Payments / Income exempted from TDS	-

Section	194BB
Description	Winnings from horse race
Threshold Limit	Payment of an amount exceeding Rs. 5,000
Payer	Book Maker or a person holding licence for horse racing, wagering or betting in any race course.
Type of Payee	Any Person
Rate of TDS	30%
Time of deduction	At the time of payment
Payments / Income exempted from TDS	-

Section	194C
Description	Payments to Contractors
Threshold Limit	Single sum credited or paid exceeding Rs. 30,000 or The aggregate of sums credited or paid during the financial year exceeding Rs. 75,000
Payer	Central / State Govt., Local authority, Central/ State/Provincial Corpn., company, firm, trust, cooperative society, individuals/ HUFs liable to tax audit in the immediately preceding financial year.
Type of Payee	Any Resident contractor for carrying out any work (including supply of labour)

Rate of TDS	1% of sum paid or credited, if the payee is an Individual or HUF 2% of sum paid or credited, if the payee is any other person
Time of deduction	At the time of credit of such sum to the account of the contractor or at the time of payment, whichever is earlier.
Payments / Income exempted from TDS	(i) Any sum credited or paid to a contractor in transport business owning not more than 10 Vehicles , if the contractor furnishes his PAN to the person paying or crediting such sum. (ii) Any sum credited or paid by an individual or HUF exclusively for personal purposes of such individual or HUF.

Exemption from applicability of TDS provisions under section 194C to be available only in respect of payments to transport operators owning ten or less goods carriages at any time during the previous year, on furnishing of PAN

Applicability of TDS provisions on payments by broadcasters or Television Channels to production houses for production of content or programme for telecasting [Circular No. 04/2016, dated 29-2-2016]

Payments by Television Channels to Production houses for production of content or programme for telecasting:

If Production House has made any content as per the specification of Channel, then it would attract TDS u/s. 194C.

If Channel is broadcasting any content which is already produced by the House, then it would not attract TDS u/s. 194C

Applicability of TDS provisions on payments by television channels and publishing houses to advertisement companies for procuring or canvassing for advertisements [Circular No. 05/2016, dated 29-2-2016]

Payment made by Client to AD Co. for making the AD & getting it published on Channel/Media would attract TDS u/s. 194C

Amount paid as Commission/Brokerage by Channel to Advertising Agencies for procuring Ads would NOT attract TDS u/s. 194H as it was recently held that the relation between Channel & AD Co. is on Principal – Principal Basis & not Principal-Agent Basis.

Section	194D
Description	Insurance Commission
Threshold Limit	Rs. 20,000 in a financial year
Payer	Any person
Type of Payee	Any Resident
Rate of TDS	10%
Time of deduction	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier
Payments / Income exempted from TDS	-

Section	194DA
Description	Any sum under a Life Insurance Policy
Threshold Limit	Less than Rs. 1,00,000 (aggregate amount of payment to a payee in a financial year)
Payer	Any person
Type of Payee	Any resident
Rate of TDS	2%
Time of deduction	At the time of payment
Payments / Income exempted from TDS	Sums which are exempt under section 10(10D)

Section	194H
Description	Commission or brokerage
Threshold Limit	Rs. 5,000 in a financial year
Payer	Any person, other than an individual or HUF not liable to tax audit u/s 44AB in the immediately preceding financial year.
Type of Payee	Any Resident
Rate of TDS	10%
Time of deduction	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
Payments / Income exempted from TDS	Commission or brokerage payable by BSNL or MTNL to their PCO franchisees.

Section	194-I
Description	Rent
Threshold Limit	Rs. 1,80,000 in a financial year
Payer	Any person, other than an individual or HUF not liable to tax audit u/s 44AB in the immediately preceding financial year.
Type of Payee	Any Resident
Rate of TDS	For P & M or equipment- 2% For land, building, furniture or fixtures - 10%
Time of deduction	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
Payments / Income exempted from TDS	-

Section	194-IA
Description	Payment on transfer of certain immovable property
Threshold Limit	Rs. 50 lakh (Consideration for transfer)
Payer	Any person, being a transferee
Type of Payee	Resident transferor
Rate of TDS	1%
Time of deduction	At the time of credit of such sum to the account of the

	transferor or at the time of payment, whichever is earlier.
Payments / Income exempted from TDS	Payment for transfer of agricultural land

Section	194J
Description	Fees for professional or technical services/ Royalty/ Non compete fees/ Director remuneration
Threshold Limit	Rs. 30,000 in a financial year, for each category of income. (However, this limit does not apply in case of payment made to director of a company).
Payer	Any person, other than an individual or HUF not liable to tax audit u/s 44AB in the immediately preceding financial year
Type of Payee	Any Resident
Rate of TDS	10%
Time of deduction	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
Payments / Income exempted from TDS	Any sum by way of fees for professional services credited or paid by an individual or HUF exclusively for personal purposes of such individual or any member of HUF.

Section	194LA
Description	Compensation on acquisition of certain immovable property
Threshold Limit	Rs. 2,00,000 in a financial year
Payer	Any person
Type of Payee	Any Resident
Rate of TDS	10%
Time of deduction	At the time of payment
Payments / Income exempted from TDS	Compensation on acquisition of agricultural land.

Section	194E
Description	Payment to non-resident sportsmen or sportsmen association or entertainer
Threshold Limit	-
Payer	Any Person
Type of Payee	Any non - resident sportsmen not citizen of India and non resident sports association or non - resident entertainer
Rate of TDS	20.6%
Time of deduction	At the time of credit or payment, whichever is earlier
Payments / Income exempted from TDS	-

Section	194G
Description	Commission, etc. on the sale of lottery tickets
Threshold Limit	No TDS where amount does not exceed Rs. 1,000 during a Financial Year
Payer	Any Person
Type of Payee	Any Person
Rate of TDS	10%
Time of deduction	At the time of credit or payment, whichever is earlier
Payments / Income exempted from TDS	-

Section 195: TDS on payments to Non – Residents – Compulsory TDS

SECTION 196:

No TDS shall be deducted from any sum payable to:

- (i) Government
- (ii) RBI
- (iii) Mutual Funds
- (iv) Corp. established under any Central Act whose income is exempt from tax.

SECTION 206AA : REQUIREMENT TO FURNISH PERMANENT ACCOUNT NUMBER - TAX DEDUCTION AT HIGHER RATE FOR FAILURE TO FURNISH PAN.

Non-deduction of tax at source on the service tax component comprised in payments made to residents, if the service-tax component is indicated separately [Circular No. 1/2014, dated 13.1.2014]

Difference between TDS and TCS:

	TDS	TCS
(1)	TDS is tax deduction at source	TCS is tax collection at source.
(2)	Person responsible for paying is required to deduct tax at source at the prescribed rate.	Seller of certain goods is responsible for collecting tax at source at the prescribed rate from the buyer. Person who grants licence or lease (in respect of any parking lot, toll plaza, mine or quarry) is responsible for collecting tax at source at the prescribed rate from the licensee or lessee, as the case may be.
(3)	Generally, tax is required to be deducted at the time of credit to the account of the payee or at the time of payment, whichever is earlier. However, in case of payment of salary and payment in respect of life insurance policy, tax is required to be deducted at the time of payment.	Generally, tax is required to be collected at source at the time of debiting of the amount payable by the buyer of certain goods to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier. However, in case of sale of jewellery or bullion, tax collection at source is required at the time of receipt of sale consideration in cash.

Provisions for filing Return of Income

Voluntary Return:

The following persons are under statutory obligation to file return of income by virtue of Section 139(1), (4A), (4C), (4D):

Taxpayer	Minimum income to attract the provision of filing return of income
Company or Firm (Sec 139 (1))	Any Income or Loss
A person other than a company or a firm (Sec 139 (1))	If Gross Total Income exceeds Basic Exemption Limit
For Charitable or religious trusts (Sec 139 (4A))	If Gross Total Income (without giving exemption u/s 11 & 12) exceeds Basic Exemption Limit
Chief executive officer of every political party (Sec 139 (4B))	If Gross Total Income (without giving exemption u/s 13) exceeds Basic Exemption Limit
Other institutions like Research Assoc., News Agency, Educational/Medical Institution, trade union, Mutual Fund, securitization trust, VCC/VCF etc (Sec 139 (4C))	If Gross Total Income (without giving exemption u/s 10) exceeds Basic Exemption Limit
Any University/college/other institution referred to in Sec. 35(i),(ii) (iii) (Sec 139 (4D))	Any Income or Loss

Time limit for filing ROI (Section 139 (1))

The Due dates for filing ROI & Tax Audit Report are given below:

Situations	Due date of filing ROI
1) Company/ Persons other than company Covered by Audit/ 'Working Partner'	30 th September
2) In any other case	31 st July

Return of Loss (Section 139(3))

- 1) If loss from PGBP or Capital Gains should be carried forward - Assessee shall furnish a Return of Loss within the time allowed in 139(1)
- 2) Section 80 states that, if Return of Loss is not filed within the time prescribed, the loss cannot be carried forward. (Exception – Unabsorbed Depreciation, Loss from Specified Business & Loss from House Property)

Belated Return (Section 139(4))

Assessee can file a belated return for any PY at any time before one year from the end of the AY or before the Assessment is completed, whichever is earlier.

Revised Return (Sec 139(5))

Such revised return can be furnished at any time before the expiry of one year from the end of the relevant AY or before completion of assessment, whichever is earlier.

Where belated return is filed u/s 139(4), assessee cannot file a revised return u/s 139(5).

Defective return (Sec 139(9))

Return of income filed without payment of self-assessment tax (along with interest) under section 140A considered defective [Section 139(9)]

Permanent Account Number [Section 139A]:

Transaction prescribed by the Board – The Board has prescribed the following transactions where a person has to quote his PAN:

- (a) sale/purchase of an immovable property or Rs 5 lakh or more.
- (b) sale/purchase of a motor vehicle.
- (c) Time deposit in a bank/post office of more than Rs.50,000 at one time or Rs. 500000 aggregating during the year.
- (d) sale/purchase of securities exceeding Rs. 1 lakh per transaction
- (e) Opening a bank account (other than time deposit account).
- (f) making payment of hotel / restaurant bill of more than Rs. 50,000,
- (g) payment in cash for purchase of Bank Draft/ Pay Order / Banker's Cheque of Rs. 50,000 or more
- (h) cash deposit of Rs. 50,000 or more in a bank in one day
- (i) payment in cash in connection with travel to a foreign country of Rs. 50,000 or more at any one time.
- (j) making an application for the following purposes involving payment of an amount exceeding Rs. 50,000 -
 - for purchase of units of a mutual fund;
 - for acquiring shares of a company through public issue;
 - for acquiring debentures of a company or institution;
 - for acquiring bonds of Reserve Bank of India.
- (k) payment of an amount aggregating Rs. 50,000 or more in a year as life insurance premium to an insurer;
- (l) Issue of Credit Card / Debit Card
- (m) Opening of Demat Account
- (n) Sale or Purchase of Non-Listed Shares of more than Rs. 1,00,000 per transaction
- (o) Sale or purchase, by any person, of goods or services of any nature other than those specified above – Rs. 200000 per transaction

Scheme to facilitate submissions of return through Tax Return Preparers (Section 139B)

Following persons cannot act as a TRP:

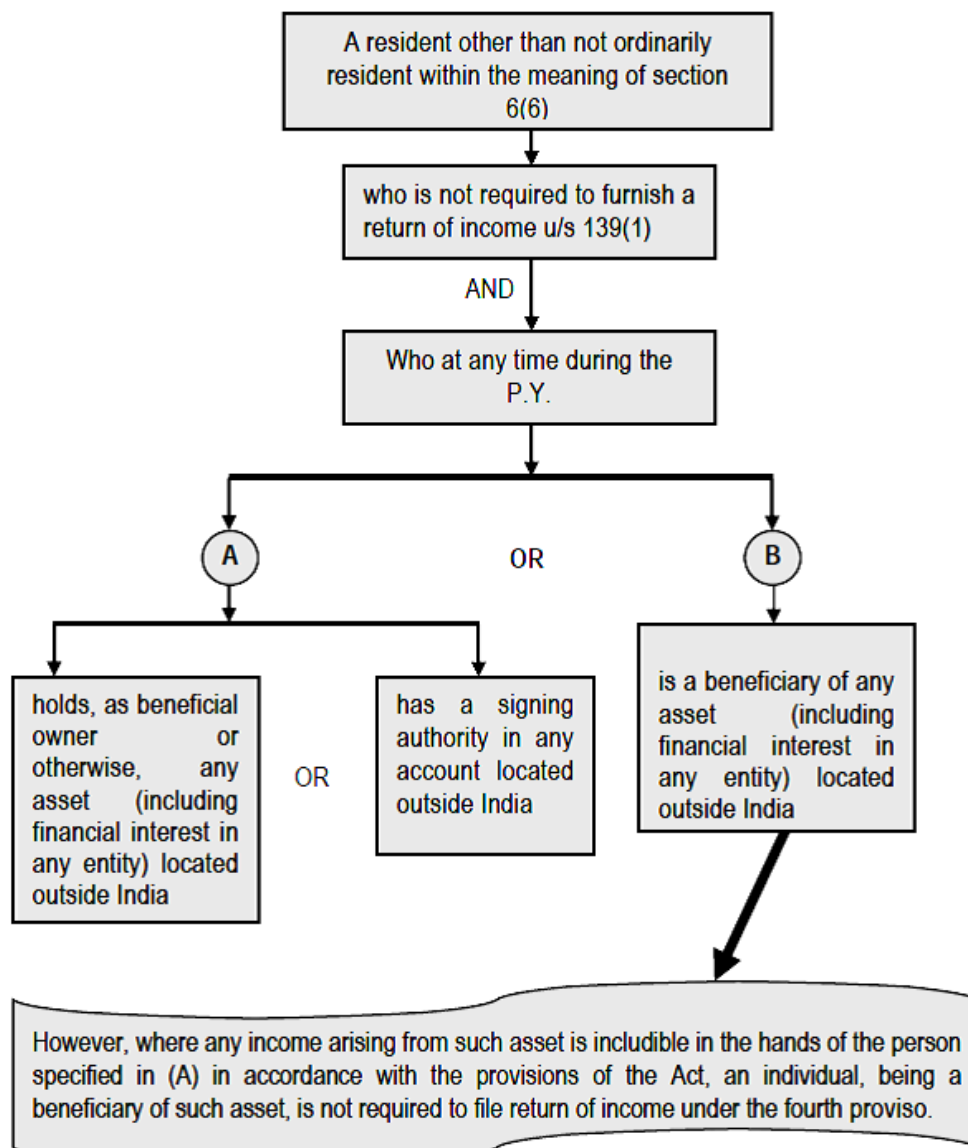
- a) Any officer of a scheduled bank in which the assessee maintains a current account or has regular dealings
- b) A legal practitioner
- c) CA

Return by whom to be signed (Sec 140)

	Assessee	Signatory
(1)	Individual	Himself
	When absent from India	Himself or any other person duly authorized by him(holding a valid power of attorney)
	Mentally Incapacitated	His guardian or any other person competent to act on his behalf
	For any other reason he is not able to sign	Any other person duly authorized by him(holding a valid power of attorney)
(2)	H.U.F	Karta
	Where Karta is absent from India or is mentally incapacitated	Any other adult member of the family
(3)	Company	M.D.
	Where MD is unable to sign or where there is no MD	Any other Director
	When company is not resident in India	Any person who holds a valid power of attorney from the company
	When company is in liquidation	The Liquidator
	When the company's management is taken over by the Govt.	The Principal Officer
(4)	Partnership Firm	Managing Partner or any other partner not being a minor
(5)	LLP	Designated Partner or any other partner not being a minor
(6)	Local Authority	Principal Officer
(7)	Political Party	Chief Executive Officer
(8)	Association of Persons	Any member or principal officer
(9)	Any other person	That person or some other person who is competent to sign

Mandatory filing of ROI by every resident having any asset (including financial interest in any entity) located outside India [Section 139(1)]

Requirement of filing of return of income as per the new fourth and fifth proviso to section 139(1)



Interest u/s 234A: For default in furnishing ROI.

➤ That is:

If furnished late or not furnished.

➤ Interest @ 1% p.m./ part of month.

➤ Interest calculated on tax amount due from Due Date to Actual Filing Date.

Interest under section 234A not chargeable on self assessment tax paid before the due date of filing of return of income.

DT Amendments - IPCE - Nov.'16 Exams (Simplified from RTP – Nov. 2016)

Chapter	Amendments
Basic Concepts	No Amendments
Residential Status & Scope of Total Income	In case of Member of Crew of Indian Ship leaving India: The following period shall be excluded from the “No. of Stays in India”: The Date entered in Continuous Discharge Certificate as JOINING THE SHIP till the Date entered in Continuous Discharge Certificate as SIGNING OFF THE SHIP
Income Exempt from Tax (Sec. 10, 11, 12 & 13)	Income of “PRESS TRUST OF INDIA” earned solely from collection and distribution of news is exempt u/s. 10(22B) Transport Allowance u/s. 10(14) – The limit was increased to Rs. 3200 for blind or deaf and dumb or orthopedically handicapped employee Where the Charitable Trust accumulates its income to applied in future years, it is supposed to deposit the amount in specified modes. For the same purpose, “Investment in Stock certificate as defined in the Sovereign Gold Bonds Scheme, 2015” is also notified as Specified Mode.
Income from House Property	No Amendments
Income from Salaries	No Amendments
Profits or Gains from Business or Profession	For the purpose of Section 32AD, Investment Allowance was Allowed if any assessee invests in Plant & Machinery in Notified Backward Areas. Investment made between 01.04.2015 till 31.03.2020 would qualify for the deduction u/s. 35AD Oil wells is included in New Appendix under Mineral Oil concerns under “III. Plant and Machinery” which is eligible for depreciation @ 15% (wef 01.04.2016) The films which do not get Censor Board Approval are treated as Abandoned Films. But cost has already been incurred in respect of cost of production. Such cost is allowable under section 37. Non – SLR (Other than those reqd by SLR) Investments made

	by a banking concern are part of the Banking Business. Hence any income from such Non SLR investments shall be treated as PGBP Income & not from IFOS. If Employer contributes any sum for Employee's benefit to any notified funds (Eg.: PF, Superannuation etc) before the due of filing ROI i.e. 31st July or 30th Sept as the case may be, no amount shall be disallowed under section 43B. Income from sale of Investments can be treated as PGBP or CG Income depending on the nature of Investments. If such investments are treated as Stock In Trade, income from the same shall be treated as PGBP Income & if such investments are treated as Capital Assets, then income from them will be considered as Capital Gains.
Capital Gains	CII for PY 2015-16: 1081 Period of Holding: In case, Debentures are converted in Equity Shares, the POH of Equity shares shall be considered from the date of purchase of Debentures & not from the date of Conversion.
IFOS	No Amendments
Deductions from Gross Total Income	"Atal Pension Yojna" has been added as a Notified Pension Scheme for the purpose of Section 80CCD(1)
Clubbing of Income, Set Off & Carry Forward	No Amendments
Return of Income	Monetary limits of specified transactions which require quoting of PAN has been enhanced with effect from 1st January, 2016: 1) <u>Without any Monetary Limit</u> Sale or purchase of a motor vehicle, Opening an bank account (other than time deposit & savings), Issue of Debit/Credit Card, Opening of Demat Account. 2) <u>If Paid in cash exceeding Rs. 50,000</u> Payment to a hotel or restaurant against bill, For Travel to any foreign country, Payment for DD/PO (exceeding Rs. 50000 in cash in a single day), Deposit of Cash in Bank (exceeding Rs. 50000 in cash in a single day) 3) <u>If amount exceeds Rs. 50,000</u> Payment to a Mutual Fund for units, Payment to Company/RBI for acquiring debentures or bonds, 4) <u>Time Deposit exceeding Rs. 50000 at one time or Rs.</u>

	<u>500000 in 1 year</u> 5) <u>Amount aggregating to more than Rs. 50000 in one year:</u> Payment for DD/PO, Payment of LIC Premium 6) <u>Sale/Purchase of Securities</u> (Amount exceeding Rs. 100000 per transaction) 7) <u>Sale/Purchase of Immovable Property</u> (Amount exceeding Rs. 10L) 8) <u>Sale or Purchase of anything not specified above</u> (Amount exceeding Rs. 2L per transaction)
Advance Tax & Interest	No Amendments
TDS & TCS	<u>Section 194A:</u> In case of Dispute regarding ownership of FD & if the case is still pending before the Court , the Interest is accrued in the name of Registrar General of Court, TDS on such FD Interest would be deducted only when the true owner is determined i.e. on Actual Payment Basis & not on Accrual. <u>Section 194C:</u> Payments by Television Channels to Production houses for production of content or programme for telecasting: If Production House has made any content as per the <u>specification</u> of Channel, then it would attract TDS u/s. 194C. If Channel is broadcasting any content which is already produced by the House, then it would not attract TDS u/s. 194C Payment made by Client to AD Co. for making the AD & getting it published on Channel/Media would attract TDS u/s. 194C <u>Section 194H:</u> Amount paid as Commission/Brokerage by Channel to Advertising Agencies for procuring Ads would NOT attract TDS u/s. 194H as it was recently held that the relation between Channel & AD Co. is on Principal – Principal Basis & not Principal-Agent Basis.