Tax Rates for A.Y. 2017-18

* Individual / HUF — Tax Rate

A. For Individual & HUF (Resident or Non-Resident)

	Tax Rate
upto ₹ 250000 (Basic Exemption Limit)	NIL
>₹250000 upto ₹ 500000	10%
> ₹ 500000 upto ₹ 1000000	20%
> ₹ 1000000	30%

B. For Resident Senior Citizen (Age 60 years or more in P.Y.)

	Tax Rate
upto ₹ 300000 (Basic Exemption Limit)	NIL
>₹300000 upto ₹ 500000	10%
> ₹ 500000 upto ₹ 1000000	20%
> ₹ 1000000	30%

C. For Resident Super Senior Citizen (Age 80 years or more in P.Y.)

	Tax Rate
upto ₹ 500000 (Basic Exemption Limit)	NIL
> ₹ 500000 upto ₹ 1000000	20%
> ₹ 1000000	30%

Surcharge : @ 15% of Tax if NTI > ₹ 1 crore

* For Company. — Tax Rate

A. Domestic Company

	Tax Rate
(i) Total T/O or Gross receipt of P.Y. 14-15 upto ₹ 5 crores	29%
(ii) Otherwise	30%

B. Foreign company — 40%

Surcharge :

Net Taxable Income		
> ₹ 1 crore but ≤ ₹ 10 crore	7%	2%
> ₹ 10 crore	12%	5%

* For Partnership Firm / LLP / Local Authority

Tax Rate : 30%

Surcharge : @ 12% of Tax if NTI > ₹ 1 crore

NOTE : In all the above cases, Education cess is applicable @ 3%

* Rebate

For Resident Individuals having NTI upto ₹ 5 Lakhs,

a) 100% of Tax Payable , or

b) ₹ 5000

whichever is lower

This rebate shall be reduced before adding education cess.

Example :

Total income (NTI) of Mr. BB, aged 27 years	₹ 390,000
∴ Tax on ₹ 390000	₹ 14000
Less: Relief u/s 87A	
(i) Tax amount	
OR	
(ii) ₹ 5000	₹ 5000
	₹ 9000
Add : education cess @ 3%	₹ 270
Net Tax Payable.	₹ 9270

NOTE: Net Taxable Income (NTI) and Tax amount should be rounded off to the nearest rupees of 10.

Capital Gains & Taxation Of Gifts

* SECTION 2(14): DEFINITION OF CAPITAL ASSET.

Capital asset means –

a) Property of any kind held by Assessee, whether or not connected with Business or Profession.

b) Any securities held by a Foreign Institutional Investor (FII)

but capital asset does not include (exclude):

(i) Stock in trade (RM / WIP / FG)

(ii) Movable personal property (used by assessee or his dependant family member for personal purpose) but exclude: Jewellery, Drawing, Paintings, Sculpture, Archaeological collection or Any other work of art.

(iii) Rural Agricultural land in India

(iv) Gold Deposit Bonds, 1999 or Deposit certificates issued under the Gold Monetisation Scheme, 2015.

* TYPES OF CAPITAL ASSETS.

Short term capital Asset (STCA) → STCG

Long term capital Asset (LTCA) → LTCG

	Nature of Assets	STCA	LTCA
1.	A Security (other than units) listed in a recognised stock exchange in India	POH ≤ 12 months	POH > 12 months
2.	Units of UTI or Equity oriented mutual fund.		
3.	Zero coupon Bond (ZCB)		
4.	Unlisted shares of company	POH ≤ 24 months	POH > 24 months
5.	Any other asset	POH ≤ 36 months	POH > 36 months

* COST INFLATION INDEX (CII)

Financial Year	1981-82	→	100
Financial Year	2016-17	→	1125

* THIRD PROVISO TO SECTION 48 : NO INDEX IN CASE OF DEBENTURE & BOND

Index benefit NOT ALLOWED in case of Bonds / Debentures except capital indexation Bonds and Sovereign Gold Bonds issued by RBI.

* FOURTH PROVISO TO SECTION 48 : [Added by Finance Act 2016]

In case of NR assessee –

Any gain arising on Rupee appreciation against Foreign currency at the time of redemption of RDB (Rupee Denominated Bonds) of Indian company, shall be IGNORED for the purpose of computation of Full value of consideration.

* Example *

BB Ltd. (Indian company) issued RDB @ ₹ 10000 per bond on 14/02/2016. The Bonds redeemed at par on 13/1/2017. Mr. Sunny (NR) subscribed 100 Bonds. He invested foreign currency.

Exchange Rate on	14/02/2016	13/01/2017
$ 1	₹ 70	₹ 62

COA (in Foreign currency) = $ 14285.71.

Redemption Price (in Foreign currency) = $ 16129.03.

∴ Gain = $16129.03 – $ 14285.71 = $ 1843.32.

The gain of $ 1843.32 arising on account of appreciation in Rupee is NOT TAXABLE.

Suppose in above example if Bonds redeemed at 10% premium @ ₹ 11000 per bond.

Redemption price	\$ 17741.94
Cost of Acquisition	\$ 14285.71
GAIN.	\$ 3456.23

\$ 1612.91 → Short term Capital Gain — TAXABLE.

\$ 1843.32 — IGNORE → Rupee Appreciation — NOT TAXABLE.

NOTES:

1. For computation of capital Gain - First Proviso to Sec 48 applies.
2. If there is a loss due to Rupee depreciation, then it shall be allowed as capital loss.
3. Exemption is not available if RDB is transferred before maturity.

* SECTION 55: COST OF ACQUISITION & IMPROVEMENT.

* Cost of Acquisition (COA)

1. In case of Goodwill of Business (Not Profession), Trademark, Brandname, Patent, copyright, Right to carry on any business or Profession (*Added by Finance Act, 2016*), Tenancy rights, loom hours, route permits

Cost of Acquisition : a) Self - Generated = NIL
b) Purchased = Purchase price

NOTE: Benefit of FMV as on 01/04/1981 NOT AVAILABLE in case of above assets.

* Cost of Improvement (COI)

1. In case of Goodwill of Business, Patent, Copyright, right to carry on any business or Profession → Always NIL.

* SECTION 49 (5) : COA of assets declared under IDS, 2016 (Income Declaration Scheme)

⇨ The IDS, 2016 provides an opportunity to persons who have not paid taxes in past to come forward & declare undisclosed income (Black Money) and pay tax, surcharge & penalty in total @ 45% of such undisclosed income declared.

⇨ As per IDS 2016 Assessee can declare asset also which were acquired out of black money. The FMV as on 01/06/2016 shall be deemed to be undisclosed income & assessee has to pay tax @ 45% on such FMV.

⇨ IDS 2016 is applicable from 01/06/2016 till 30/09/2016.

⇨ As per Section 49 (5), where capital gain arise from transfer of an asset declared under IDS 2016 and tax, surcharge & penalty have been paid on FMV as on 01/06/16 then COA of such asset shall be FMV as on 01/06/2016.

Example :

Mr. Mukesh acquired 3BHK flat in Mumbai on 14/02/2013 out of Black money for ₹ 2 crores. The FMV as on 01/06/2016 is ₹ 3 crore.

Now if assessee disclose this flat under IDS 2016 & pay 45% of ₹ 3 crore.

Now if he sale such flat on 14/02/2017 for ₹ 5 crore then for computing capital gain COA shall be ₹ 3 crore but period of Holding shall be computed from 14/02/13 only.

* SECTION 50 C : STAMP DUTY VALUE SHALL BE TREATED AS FVOC.

- In case of Land or Building or Both (Immovable property) held as capital asset, if sales consideration less than SDV (assessed / assessable by stamp valuation Authority) then such SDV shall be deemed to be Full value of consideration (FVOC).

- Where assessee claim that SDV is more than FMV of the property & such SDV has not been disputed in any appeal then the A.O. may refer the valuation to valuation Officer (V.O.)

Value ascertained by V.O.

- More than SDV of Stamp valuation Authority → FVOC - SDV of Stamp Authority [Value of V.O. → IGNORED]
- Less than SDV of Stamp valuation Authority → FVOC - Value ascertained by valuation Officer (V.O)

Amendment by Finance Act 2016.

Normally SDV considered on date of registration but u/s 50 C if date of agreement & registration are not same, then assessee can take SDV on the date of agreement if he received consideration or part there of upto date of Agreement in any mode other than cash.

* SECTION 47 : CERTAIN TRANSACTIONS NOT REGARDED AS TRANSFER

1 conversion of Bonds/ debentures / Deposit certificates of a co. into debentures OR shares of that co. (However, conversion of Preference shares into equity shares, is considered to be transfer of Preference shares). Sec 47(x)

Notes :

i. COA of shares/ debentures received on conversion shall be cost of that part of debenture/ bond / deb. stock / deposit certificate, which is so converted. Sec 49(2A)

ii. POH of shares or debenture shall also include the period for which Deb / bonds / deb stock / deposit certificate held by assessee.

2 conversion of a Private co. or an unlisted Public co. into a Limited Liability Partnership (LLP) : Transfer of capital asset by a Private co. or an unlisted Public co. to a LLP in a scheme of conversion will not be regarded as a transfer if all the following conditions are satisfied: sec 47 (xiii b)

(i) All the assets & liabilities become the assets & liabilities of the LLP.

(ii) All the shareholders of the co. becomes partners of the LLP and their capital contribution & profit sharing ratio in the LLP are in the same proportion as their shareholding in the co. on the date of conversion.

(iii) The shareholders of the co. do not receive any other consideration / benefit from the LLP other than capital contribution & profit sharing in LLP, whether directly or indirectly.

(iv) The aggregate profit sharing ratio of the shareholders of the co. in such LLP shall not be less than 50% at any time during the period of 5 years from the date of conversion.

(v) The total sales / turnover / gross receipt of the co. in any of the 3 previous years immediately preceding the year in which the conversion takes place does not exceeds ₹ 60 lakhs.

(vi) No amount is paid either directly or indirectly to any partner out of balance of accumulated profit standing in the accounts of the co. on the date of conversion for a period of 3 years from the date of conversion.

(vii) *Added by Finance Act, 2016.*

The Total value of asset as appearing in the books of account of the company in any of the three P.Y.'s preceding the P.Y. in which the conversion takes place does not exceed ₹ 5 crores.

3 *Added by Finance Act, 2015*

Any transfer, by a mutual fund unit holder of units, held by him in the consolidating scheme of mutual fund, made in consideration of the allotment to him of units in consolidated scheme of the mutual fund. sec 47(xviii) provided the consolidation should be of two or more schemes of equity oriented fund or of two or more schemes of a fund other then equity oriented scheme

Example:

	Exemption to unit Holder
EOF A + EOF B = EOF C	Allowed
DOF X + DOF Y = DOF Z	Allowed
EOF P + DOF Q = EOF R	Not Allowed
DOF C + DOF D = EOF E	Not Allowed
EOF A + EOF B = DOF C	Not Allowed

** EOF - Equity oriented fund.
DOF - Debt oriented fund.

* Sec 49 (2AD):

cost of Acquisition of units received of Consolidated scheme = COA of units in the consolidating scheme.

POH of units of consolidated scheme shall also include period for which units hold under consolidating scheme.

* Example:

Mr. Kapil acquired 1000 units of Kotak classic equity oriented scheme @ ₹ 50 per unit on 14/02/2016. On 16/07/16 Kotak classic EOS is merged with Kotak-50 equity oriented scheme. He is allotted 1200 units of Kotak-50 in lieu of 1000 units of Kotak classic. FMV of Kotak-50 on 16/07/16 is ₹ 70 per unit. He sells 1200 units of Kotak-50 on 3/02/17 for ₹ 90 per unit.

Solution:

No capital gain due to Sec 47 (xviii) at the time of merger of Kotak classic with Kotak - 50.

Capital Gain on sale of Kotak-50.

	₹
FVOC (1200 × 90)	108,000
(–) COA (1000 × 50) ... S. 49(2AD)	(50000)
STCG	58,000

POH = 14/02/2016 to 03/02/2017.

4 Added by Finance Act, 2016.

- Any transfer by a mutual fund unit holder, of units, held by him in the consolidating plan of a mutual fund scheme, made in consideration of the allotment to him of units, in consolidated plan of that scheme of the mutual fund. (Sec 47 (xix))

- Mutual funds scheme has various plan like Growth plan, dividend plan, etc.

- SEBI now allowed merger of one plan with another plan of same mutual fund scheme.

- As per Sec 47 (xix) capital gain in hands of unit holder shall not apply when one plan merge with another plan of same mutual fund scheme.

Example:

Kotak equity MF scheme has two plan i.e Growth & Dividend plan.

Mr. Kapil acquired 1000 units of Kotak equity Growth plan @ ₹ 40 per unit on 16/07/2016. Now growth plan is merged with dividend plan on 19/10/16. & Mr Kapil allotted 1100 units of dividend plan. At the time of merger capital gain is not applicable in hands of Mr. Kapil.

Suppose Kapil sale all 1100 units @ ₹ 80 per unit of Dividend plan on 14/02/17 then capital gain is applicable.

computation of capital gain		₹
FVOC	(1100 x 80)	88000
(-) COA	(1000 x 40) --- cost of old plan	(40000)
STCG		48000

Exemption u/s 47 (xix) allowed only if –

* a plan of equity oriented MF merges with another plan of same equity oriented MF.

* a plan of debt oriented MF merges with another plan of same debt oriented MF.

5 Added by Finance Act, 2016.

Any transfer of Sovereign Gold Bonds issued by RBI under Sovereign Gold Bond Scheme 2015, by way of redemption by an Assessee being an individual.

PROVISIONS	Transfer of Residential Property / Plot [SECTION 54 GB]
① Assessee	Individual / HUF
② Nature of Asset	LTCA
③ Assets transferred	Residential property (a house or a plot of land).
④ New assets to be purchased or constructed	Subscription in Equity shares of Eligible Co. & Co. within 1 year from date of subscription utilised amount for purchase of New asset (P&M) Refer special point below.
⑤ Time limit of purchased or constructed	
⑥ Deposit scheme	Applicable
⑦ Amount of exemption	$\text{cost of new P\&M} \times \frac{\text{Capital gains}}{\text{Net consideration}}$
⑧ Transfer of New asset	If Equity shares of New asset transfer within 5 yrs from date of purchase / construction, then Exempt capital gains taxable in P.Y. of transfer of Equity shares / New asset.

NEW SECTION INSERTED BY FINANCE ACT, 2016.

SECTION 54 EE.

PROVISIONS	Investment in units of funds notified by CG [Funds to promote start up].
① Assessee	Any person
② Nature of Asset	LTCA
③ Assets transferred	Any LTCA
④ New Asset to be purchased or constructed	Units of Fund notified by CG.
⑤ Time limit of purchased or constructed	within 6 months from the date of transfer of original asset maximum exemption limit being ₹ 50 lakhs within prescribed limit (6 months)
⑥ Deposit scheme.	Not applicable
⑦ Amount of exemption	Minimum of: (i) capital gain (ii) cost of New Asset
⑧ Transfer of new assets.	New asset is transferred OR converted into money within 3 years from the date of acquisition then exempt LTCG taxable in the year of transfer / conversion.

* SPECIAL POINTS:

SECTION 54 GB.

a) Eligible company means –
company incorporated in India during the period from 1st April of previous year relevant to A.Y in which the capital gain arises to the due date of furnishing the return of income u/s 139 by assessee.

- Engaged in business of manufacture of an article or a thing or in an Eligible business.
- Co. in which the assessee has more than 50% share capital / voting rights after the subscription in shares.
- Co. qualifies to be a small / medium enterprise under Micro, Small & Medium Enterprise Act, 2006 or is an eligible startups.

(i) "Eligible Business" means a business involves innovation, development, deployment or commercialisation of new products processes or service driven by technology or intellectual property.

(ii) "Eligible startups" means co. satisfied following condition —

a) incorporated between 01/04/16 to 01/04/2019.

b) Total T/O of its business does not exceeds ₹25 cr in any of the P.Y. beginning on or after 01/04/2016 and ending on 31/03/2021.

c) It holds certificate of eligible business from the inter ministerial Board of certification as notified by central Govt.

b) New asset means new plant & machinery but does not include —

- P& M, which before its installation by assessee, was used either within or outside India by any other person
- P& M installed in any office premises or any residential accomodation, including guest-house.
- any office appliances including computers or computer software.

- any vehicle or
- P&M the whole of the actual cost of which is allowed as 100% deduction under PGBP.

Provided that in case of start up, being of technology driven start-up, the new asset shall include computer or computer software

* TAX RATES FOR CAPITAL GAIN.

1. Section 10 (38) & 111 A.

capital Gain on transfer of –
a) Equity shares of co.
b) units of Equity Oriented fund
c) units of Business trust

↓

STT paid on sale.

LTCG - Exempt u/s 10(38)

STCG - Taxable @ 15% as per Sec 111 A.

As per FA 2016, Sec 10(38) & Sec 111A is applicable if such transaction takes place on a recognised stock exchange located in IFSC (International financial services centre) provided the consideration is paid / payable in Foreign currency. Such transactions are not chargeable to STT.

* SHARES HELD AS STOCK IN TRADE OR CAPITAL ASSET (INVESTMENT).

- Benefit of Sec 10(38) & 111A is available only when shares are held as capital asset. If it is held as stock in trade then profit is taxable under the head PGBP.
- In deciding whether shares are capital assets or SIT, following points should be considered [CBDT circular]
  a) Treatment in Books of assessee i.e shown as investment or stock
  b) Quantum of purchase & sales.
  c) Holding period
  d) If objective is to earn dividend, then it is a capital asset
  e) whether shares have been purchased out of own funds or from loan taken.

* CBDT Circular No. 06/2016, dated 29/02/2016.

A.O. has to take into account following points while deciding whether profit from sale of shares/securities is taxable as PGBP or capital gain
a) where assessee itself, irrespective of the POH the listed shares & security opts to treat them as SIT
- income has to be taxable under the head PGBP.

b) In case of listed shares / securities held for more than 12 months & assessee desires to treat income under the head capital gain then A.O. should not dispute the same. However, this stand, once taken by Assessee not be allowed to change in subsequent A.Y.s and shall remain applicable in subsequent A.Y.'s.

c) In all other cases, the nature of transaction shall continue to be decided keeping in view of above circular.

NOTE: Principle listed in circular 06/2016 not applicable in case of sham transactions (Bogus transactions)

Profit & Gain Of Business Or Profession.

Rates of Depreciation

ASSETS	RATE(%)
Oil wells	15

SEC 32(1)(iia) Additional Depreciation.

→ Assessee - engaged in the Business of manufacture or generation transmission or distribution of Power (Amended by FA 2016)

→ Additional depⁿ @ 20% allowed on Plant & Machinery excluding foll:-
(i) Second hand P&M.
(ii) Any P&M installed in office premises or residential accomoda?.
(iii) Ships, aircraft & transport vehicles.
(iv) P&M on which 100% deduction allowed.

→ Additional depⁿ is allowed ONLY in the first year in which it is put to use. If put to use for less than 180 days then 10% Depⁿ shall be allowed [20% x 50%]

* Amendment by Finance Act, 2015.

1. If additional depⁿ allowed at Half rate [Asset used less than 180 days] -then balance half rate depⁿ shall be allowed in next year.

2. Additional depⁿ @ 35% available if undertaking is setup on or after 01/04/2015 in the notified backward area of Bihar, Andhrapradesh, Telangana or West Bengal for manufacturing of any article.

* Taxation of Grants / Subsidies from Govt.

Any subsidy, grants, cash incentive, duty drawback, waiver, etc by CG or SG or any authority or body [other than referred in Explanation 10] shall be treated as INCOME Sec 2(24)(xviii)

NOTES: 1. If subsidy for acquiring an asset → It shall be deducted from actual cost of asset.

2. Any other subsidy / waiver of loan / Govt grant from Govts / any authority / body will be taxable under PGBP

3. Any subsidy / grant received by Trust or Institutions (established by CG / SG) as a corpus fund from Central Govt shall not be treated as income .... Added by Finance Act, 2016.

4. If loan taken for acquisition of asset is waived, then such loan shall be reduced from actual cost of asset (Block of asset) [Steel Authority of India Ltd.

* Section 32AC / 32AD : INVESTMENT ALLOWANCE.

* Section 32AC : Investment in New P&M.

1. Eligible Assessee : only Company (Indian / Foreign) engaged in the business of manufacture / production of any article or things.

2. Amount of Deduction : 15% of Actual cost of new P&M acquired & installed in P.Y. if cost of P&M > ₹25Cr in P.Y. [This deduction is allowed upto 31.03.2017] P.Y. 2014-15 / P.Y. 2015-16 / P.Y. 2016-17.

* Section 32 AD : Investment in New P& M in Notified Backward Areas (FA, 2015)

1. Eligible Assessee : All $\boxed{\text{Assessee}}$ setting up an undertaking for manufacture or production of any article on or after 01/04/2015 in any notified Backward areas of Andhra Pradesh/ Bihar / Telangana / West Bengal.

2. Amount of Deduction : 15% of actual cost of new P& M acquired & installed during 01/04/2015 to 31/03/2020.

* Common Points for Sec 32AC / 32AD.

1. Assessee should not transfer P& M (on which Investment allowance claimed) with 5 years from the date of its installation. If it is transferred within 5 years then deduction allowed u/s 32 AC / 32 AD shall be taxable under PGBP in the year in which P& M sold.
[Exception - Amalgamation, Demerger or Reorganisation as per sec 47 (xiii) / 47 (xiv) / 47 (xiii b).

2. Plant & Machinery does not include —
- Second hand P& M
- Plant & M installed in office premises or residential accomodation.
- Ships, Aircraft & Road transport vehicles.
- P& M on which 100% deduction allowed.

3. This deduction is in addition to Depn & Additional Depn
4. This deduction shall not be reduced from WDV of block of assets
5. This deduction shall not be restricted to 50% if P& M used for less than 180 days.
6. Deduction u/s 32 AC & 32 AD can be claimed simultaneously.

* Amendment by Finance Act, 2016.
- Investment allowance u/s 32AC allowed only if actual cost > 25 crore & acquisition & installation had to be done in same P.Y.

- The requirement of acquisition & installation in the same year causes genuine hardship in a case where asset acquired but could not be installed in same P.Y.

- As per amendment by Finance Act, 2016 — where the installation of new asset is in a year other that the year of acquisition, the deduction shall be allowed in the year of installation, provided installation done upto 31/03/2017.

Example:

Cases	Actual Cost	P.Y. of Acquisition	P.Y. of installation	P.Y. of Deduction	Amt (₹)
X Ltd.	40 Cr	P.Y 2015-16	P.Y. 2016-17	P.Y. 2016-17	6 Cr
Y Ltd.	50 Cr	P.Y. 2016-17	P.Y. 2016-17	P.Y. 2016-17	7.5 Cr
Z Ltd.	60 Cr	P.Y. 2016-17	P.Y. 2017-18	–	–

* Section 35 ABB : Expenses for obtaining Telecommunication Licence

Licence obtained before commencement of Business [licence fees already paid]

→ Dedⁿ shall be allowed from P.Y. in which business commence till the P.Y. in which licence expires.

Licence obtained after commencement of Business

→ Dedⁿ shall be allowed from P.Y. in which fees paid till the P.Y. in which licence expires

Example: IDEA commenced business of telecommunication service during 1995-96. Assessee acquired telecommunication licence on 01/07/2016 for ₹ 100000. Life of licence 10 yrs. (till 30/06/2026) Dedⁿ Amt for P.Y. 2016-17.

$$= \frac{₹\ 100000}{11\ \text{year}} = ₹\ 9091$$

[from P.Y. 2016-17 to P.Y. 2026-27].

* Tax treatment on sale of licence.

For better understanding, we are going to take an example.

Cost of licence = ₹ 100 [Total amt paid in the beginning]

Life of licence = 10 yrs.

Suppose licence sold in 3^{rd} yr at a) 72 b) 89 c) 117.

(I) Full licence sold (II) Part licence sold.

→ (I) Full licence sold.

Cost of licence	100
(-) Dedⁿ 1^{st} yr u/s 35ABB	(10)
Unamortised fees.	90
(-) Dedⁿ 2^{nd} yr u/s 35ABB	(10)
Opng unamortised fees	80

(a) SP 72
(-) unamortised
fees (80)
(8).
↑
P & L (Dr side)
allowed as deduction u/s 35ABB in the year of sale

(b) SP 89
(-) unamortised
fees (80)
9.
↑
P & L (Cr side)
Taxable under PGBP in the year of sale.

(c) SP 117.
(-) unamortised
fees (80)
37

20 [upto cost] → Taxable under PGBP in the year of sale (P & L Cr side)

17 > cost → capital Gain.

Part II : Part licence sold.

(a) SP 72
(-) unamortised
fees (80)
8 → allowed as deduction in the remaining life of licence.

$$\frac{\text{unamortised fees} - \text{sale value}}{\text{Residual period}}$$

$= \frac{80 - 72}{8 \text{ yrs}} = 1$ for every year for 8 years.

(b) & (c) same as Part (I.)

* SECTION 35ABA : Expenses for obtaining Telecommunication Spectrum (Finance Act, 2016).

All provision contained in section 35 ABB, shall apply as if for the word " licence" the word "spectrum" had been substituted.

* common points for Sec 35 ABA / ABB.

1. Depn u/s 32 shall not be applied for Telecommunication licence & spectrum.

2. If there is a Amalgamation or Demerger, then remaining deduction shall be allowed to amalgamated company/ resulting company as they would have allowed to Amalgamating Co. / Demerger Co.

* Section 36 (1)(vii a) : Provision for Bad debts of Banks.

→ Indian Banks.

7.5% of GTI (before this dedn)

\+

10% of Aggregate Avg. advance made by Rural branches.

→ Foreign Banks
→ Public Financial Institutions
→ State Financial Corporation
→ State Industrial Investment Corporation
→ Non Banking Financial Co.

5% of GTI (before this dedn)

NOTES : 1. No dedn is allowed for actual bad debts u/s 36 (1)(vii)

2. Actual Bad debts should be debited to prov for Bad debts A/c

3. If prov. for bad debts less than actual bad debts then remaining bad debts allowed u/s 36 (1)(vii)

* SEC 43 B : Expenses allowed on Payment Basis

Following expenses are allowed only if they are PAID upto the due date of return filing as per Sec 139 (1).

a) Any Tax, Duty, Cess
b) Employer's contribution towards SPF, RPF, Approved Gratuity Fund, Approved Super Annuation Fund.
c) Bonus or Commission to Employees.
d) Interest on loan to any PFI, State Financial Corp, State Industrial Corp; Scheduled Banks.
e) Leave encashment (salary) to employees.
f) Any sum payable to Indian railways for use of railway assets.

NOTE: If payment made after due date of return filing then such expenses shall be allowed in the year of actual payment

* SEC 44AB : Compulsory audit of Books of A/cs (Tax Audit)

Tax audit is compulsory in following cases :-

a) Business - If T/O > ₹ 1 cr during the P.Y.
b) Profession - If Gross receipts > ₹ 50 lakhs during the P.Y.
c) If assessee covered by Sec 44AD or Sec 44ADA and assessee claimed income less than 8% or 50% & his total income is more than Basic exemptions.

NOTE: 1. Audit can be done by CA.
2. Due date 30/9 of A.Y.
3. Penalty u/s 271 B if assessee fails to get a/cs audited
(i) 0.5% of T/O, Gross receipts
(ii) ₹ 150000
whichever is lower

* PRESUMPTIVE TAXATION.

SEC 44 AD : Profit & Gains of Business on Presumptive basis

a) Eligible Assessee : Resident individual / Resident HUF / Resident firm (excluding LLP)

b) This section is applicable for any Business except -
- Sec 44AE Business
- Agency Business
- Commission & Brokerage business

and Turnover / Gross receipts is upto ₹ 2 crore.

c) Presumptive PGBP income = Turnover / Gross receipt × 8%

d) The eligible assessee is required to pay advance tax. However, there will be only one instalment i.e 15th March of financial year (Amended by F.A 2016)

e) If section 44 AD applied then dedn of expenditure u/s 30 to 38 shall not be allowed.

f) Partner's remuneration, salary, interest, etc as per sec 40(b) shall not be deductible while computing income under Sec 44 AD (Amended by FA 2016).

g) If assessee declares income as per Sec 44 AD and whose T/O is upto ₹ 2 cr then assessee is not required to maintain Books of account & get it audited.

h) If assessee declares income for any P.Y. as per Sec 44 AD & he does not declare income as per 44 AD for any of the five consecutive P.Y's, then he shall not eligible to claim benefit of Sec 44 AD for 5 years subsequent to the year in which assessee not declare income as per Sec 44 AD.

i) If point (h) is applicable & NTI of assessee is more than basic exemption then assessee is required to maintain books of account & get it audited.

Example:

Let us consider the following particulars relating to a resident individual, Mr. A being an eligible assessee whose gross receipts do not exceed ₹ 2 crore in any of the assessment years between A.Y. 2017-18 to A.Y. 2019-20.

	A.Y. 2017-18	A.Y. 2018-19	A.Y. 2019-20
Gross receipts (₹)	180,00,000	190,00,000	200,00,000
Income offered for taxation (₹)	14,40,000	15,20,000	12,00,000
% of gross receipts	8%	8%	6%
Offered income as per presumptive taxation scheme u/s 44 AD.	Yes	Yes	No.

In the above case, Mr. A, an eligible assessee, opts for presumptive taxation u/s 44 AD for A.Y. 2017-18 & A.Y. 2018-19 and offers income of ₹ 14.40 lakh & ₹ 15.20 lakh on gross receipts of ₹ 1.80 crore & ₹ 1.90 crore respectively.

However, for A.Y. 2019-20, he offers income of only ₹ 12 lakh on turnover of ₹ 2 crore, which amounts to 6% of his gross receipts. He maintains books of accounts u/s 44 AA & gets the same audited u/s 44 AB. Since he has not offered income in accordance with the provisions of Sec 44 AD(1) for five consecutive A.Ys, after A.Y. 2017-18, he will not be eligible to claim the benefit of Sec 44 AD for next five A.Y. succeeding A.Y. 2019-20 i.e. from A.Y. 2020-21 to 2024-25.

NOTE: Sec 44 AB makes it obligatory for every person carrying on business to get his accounts of any previous year audited if his total sales, turnover or gross receipts exceed ₹ 1 crore. However, if an eligible person opts for presumptive taxation scheme as per sec 44 AD(1), he shall not be required to get his accounts audited if the total turnover or gross receipts of the relevant previous year does not exceed ₹ 2 crore. The CBDT, has vide its Press Release dated 20th June, 2016, clarified that the higher threshold for non audit of accounts has been given only to assessees opting for presumptive taxation scheme u/s 44 AD.

* SEC 44 ADA: PGBP on presumptive basis for professional (New section added by FA, 2016)

a) Eligible Assessee: Resident assessee engaged in profession as referred in sec 44 AA.

b) This section applicable if gross receipt is upto ₹ 50 lakhs.

c) PGBP Income = Gross receipt × 50%.

d) Dedn of exps u/s 30 to 38 shall not be allowed.

e) If assessee declares income as per Sec 44 ADA then he is not required to maintain Books of A/cs & get it audited

f) If assessee declare income lower than 50% & his NTI is more than basic exemption then he is required to maintain books of a/c & get it audited.

Taxation of Dividend

* SEC 115 BBDA : Tax on dividend received by individual, HUF or firm in aggregate exceeding ₹ 10 lacs [FA 2016]

In case of :-

Dividend from Domestic company received by Resident Individual / HUF / Firm & dividend amount in aggregate more than ₹ 10 lakhs then receiver is required to pay tax @ 10% on dividend in excess of ₹ 1000,000.

NOTE: 1. No other expenditure allowed against dividend taxable under this section means gross dividend is taxable @ 10%.

2. If a company, AOP or BOI receives the dividend, then it shall not be taxable in their hands.

3. It may be noted that company shall also pay DDT u/s 115-O on the dividend which is getting taxed u/s 115 BBDA in the hands of shareholder.

4. Sec 10 (34) not apply for dividend referred under this section.

Example: Incito Ltd., a domestic company, declared dividend of ₹ 170 lakh for the year F.Y. 2015-16 & distributed the same on 10.07.2016. Mr. Abhishek, holding 10% shares in Incito Ltd., receives dividend of ₹ 17 lakh in July, 2016. Mr. Bhanwar, holding 5% shares in Incito Ltd., receives dividend of ₹ 8.50 lakh. Discuss the tax implications in the hands of Incito Ltd., Mr. Abhishek & Mr. Bhanwar. assuming that Mr. Bhanwar & Mr. Abhishek have not received dividend from any other domestic company during the year.

Solⁿ: (i) The dividend of ₹170 lakh declared & distributed in the P.Y. 2016-17 is subject to dividend distribution tax u/s 115-O in the hands of Micito Ltd. First of all, the dividend received has to be grossed up by applying the rate of 15%. The gross dividend is ₹ 200 lakh [₹ 170 × 100/85]. Dividend Distribution tax @ 17.304% is ₹ 34.608 lakh.

(ii) In the hands of Mr. Abhishek, dividend received upto ₹ 10 lakh would be exempt under sec 10(34). ₹ 7 lakh being dividend received in excess of ₹ 10 lakh, would be taxable @ 10% as per sec 115 BBDA. Such dividend would not be exempt u/s 10(34). Therefore, tax payable by Mr. Abhishek on dividend of ₹ 7 lakh u/s 115BBDA would be ₹ 72100 [i.e 10% of ₹ 7 lakh + cess @ 3%]

(iii) In the hands of Mr. Bhanwar, the entire dividend of ₹ 8.50 lakh received would be exempt u/s 10(34) since only dividend received in excess of ₹ 10 lakh would be taxable u/s 115 BBDA.

Taxation of Global Depository Receipts (GDR)

* Sec 115AC: Tax on income from Bonds or GDR purchased in foreign currency or capital gain to NR.

where income of an assessee, being NR (includes Foreign Co.) includes:	TAX RATE.
a) income by way of interest on bonds of an Indian Co issued in accordance with scheme of CG (OR) Bonds of Public Sector Co. sold by Govt & purchased by NR in foreign currency.	10% of income
b) income by way of LTCG on transfer of bonds referred to in clause (a) or GDR purchased by NR in foreign currency.	10% of LTCG

NOTE: GDR means any instrument in the form of a depository receipt or certificate created by the overseas depository bank outside India & issued to investor against the the issue of :-

(i) the ordinary shares of issuing company, being a Co. listed on recognised stock exchange in India or.

(ii) foreign currency convertible Bonds (FCCB) of issuing Co.

* Sec 47: Any transfer of bonds / GDR referred in Sec 115AC made outside India by OWNER to another NR shall not be treated as transfer & capital gain not applied.

	A		B		C		D		E		F
	NR	$\xrightarrow{\text{sale.}}$	NR	$\longrightarrow$	NR	$\longrightarrow$	NR	$\longrightarrow$	R	$\longrightarrow$	R.
Trf		×		×		×		✓		✓	
CG		×		×		×		✓		✓	

* Conversion of GDR into shares.

GDR cannot be traded in Indian stock exchange. If a NR wants to sell GDR on Indian stock exchange then he shall have to convert these GDR into shares by making a request to the C.G. for redemption of GDR & convert into equity shares.

On the conversion, capital gain applicable in hands of NR. FMV of shares on the date of which request for redemption is made is treated as sale price of GDR.

> COA of shares.

As per Sec 49 (2ABB), where shares of Co., is acquired by NR on redemption of GDR, the COA of shares shall be the price of such shares prevailing on any recognised stock exchange in India on the date on which request for redemption was made.

> POH of shares shall be reckoned from the date on which request for such redemption was made.

* Example:

Mrs. Sunny (NR) acquired 5000 GDR's of Reliance on 5/2/14 @ ₹ 1200 per GDR. On 17/7/16, she made a request for conversion of GDR into shares (request for redemption) on ~~to~~ that date the shares of reliance was listed at BSE. @ 1600 per share. Assessee recd. shares on 15/9/16 when it is listed at BSE @ ₹ 1725 per share. Assessee sold all the shares on 14/2/17 @ ₹ 2000 per share & STT paid on sale.

Computation of Capital Gain P.Y. 2016-17 A.Y. 2017-18

a)	On conversion of GDR into shares.	₹
	FVOC (5000 x 1600)	8000,000.
	(-) COA. (5000 x 1200).	6000,000
	[POH ⇒ 5/2/14 to 16/7/16]	STCG → 20,00,000.
	[ST → GDR not listed]	Normal tax rate

b) On sale of shares.

		₹
FVOC	(5000 x 2000).	100,00,000
(-) COA	(5000 x 1600)	80,00,000
	STCG.	20,00,000

[POH - 17/7/16 to 14/2/17]

Taxable @ 15% u/s 111A.

Equalisation Levy (New Chapter by FA 2016)

Many online Advtg portals (eg. Facebook, Google, Twitter) are NR & do not have permanent establishment in India. Many resident assessee make payment to Facebook / Google for advtg & claim as a business expenditure u/s 37. Suppose, ucito Academy (Resident) made payment to facebook for advtg. This amount is not taxable in India in hands of facebook since they don't have any P.E. in India & ucito academy will take deductions for such payment. Now India loosing its revenue since payer gets the deduction & amount recd by Payee is not taxable. So Finance Act 2016 w.e.f 1/6/16 introduced new concept of equalisation levy.

* Charge of equalisation levy [Sec 165 of FA 2016]

Equalisation levy @ 6% applicable if payment for specified service (ads) received / receivable by Non resident from —

a) a person resident in India & carrying Business or Profession

OR

b) Non resident having P.E. in India.

NOTE 1: Equalisation levy not applicable if:

- NR having P.E in India & service connected with such PE

OR

- Aggregate amount recd by NR from payer is upto ₹ 100000 in P.Y.

2. Specified service means :-

a) online Advtg

b) Any provn of digital advtg space or any other facility or service for the purpose of online advt.

* Collection & recovery of equalisation levy [Sec 166 of FA 2016]

Every resident person carrying on Business or Profession or a non-resident having P.E in India shall deduct the equalisation levy from the amount paid/payable to NR @ 6%, if aggregate amount of consideration for specified service is more than ₹ 100000 in P.Y.

NOTE:
1. Equalisation levy deducted shall be deposited to C.G. upto 7th of next month.
2. If any person fails to deduct equalisation levy then also he's liable to pay levy to govt.
3. Interest @ 1% pm or part of the month shall be applicable on late deposit of levy [Sec 170]

* Penalty for failure to deduct or pay equalisation levy (Sec 171)

a) Fails to deduct → 100% of equalisation levy that assessee failed to deduct.

b) Fails to pay → In addition to paying levy, penalty of ₹ 1000 per day during which failure continues, penalty shall not exceed the amt of equalisation levy.

* Sec 40 (a)(ib) : Non compliance of the provision of equalisation levy.

Any consideration paid / payable to NR for which equalisation levy is deductible and if

a) such levy has not been deducted OR.
b) levy deducted but not paid to govt upto due date of return filing

then such Advtg exps. shall not be allowed as dedn in current P.Y.

NOTE: If equalisation levy deducted in subsequent year or deducted in P.Y. but paid after due date of return filing then such sum shall be allowed as dedn in the P.Y. in which levy has been paid to govt.

* Sec 10(50): Income exempt from tax.

Any income arising on or after 01/6/2016 and chargeable to equalisation levy shall be exempt from tax.

Example: Incito Academy paid ₹ 400000 to facebook then incito reqd to deduct equalisation levy @ 6% & remit ₹ 376,000 to facebook. ₹ 400000 shall be allowed to incito academy if it deduct levy & paid to govt upto due date of ROI. As per Sec 10(50), amount of ₹ 400000 shall be exempt in hands of facebook.

Taxation Of Business Trust

UNIT HOLDERS → Invest in Business Trust → BUSINESS TRUST REIT / INVIT → Invest in SPV → SPECIAL PURPOSE VEHICLE (SPV)

Int from Business trust to unit holders - Taxable in hands of unit holder

Int from SPV to Business Trust - Exempt in hands of Business Trust u/s 10(23 FC)

* Business Trust means " Real Estate Investment Trust (REIT) " or " Infrastructure Investment Trust (Invit) " and unit of which are listed in recognised stock exchange

* Taxability in hands of Business Trust (REIT / Invit)

1. Interest or Dividend from SPV shall be fully exempt. u/s 10 (23 FC) so SPV is not required to deduct TDS on such interest.

2. Rental income of REIT (only REIT) from renting / leasing / letting out any Real estate asset owned by REIT shall be exempt - Sec 10 (23 FCA)

3. All other income of Business Trust - Taxable.

- LTCG 10 (38) → Exempt
- Other LTCG → Taxable @ 20%
- STCG 111 A → Taxable @ 15%
- All other income → Taxable @ MMR in hands of Business Trust @ 35.535%

* Taxability in hands of unit holders

1. Any interest received by unit holder from Business Trust (which was received from SPV) shall be taxable in hands of unit holder at following rates.
   - NR/foreign Co. → 5%
   - Others → Normal tax rates

2. Since interest is taxable in hands of unitholders so, Business Trust required to deduct TDS u/s 194 LBA at following rates.
   - Paid to NR / Foreign Co → 5%
   - Others → 10%

3. Taxability on transfer of unit of Business Trust → listed in recognised stock exchange & STT paid so.

   - LTCG [POH > 36 months] → Exempt u/s 10(38)
   - STCG → Taxable @ 15% u/s 111 A.

4. w.e.f. A.Y. 2015-16 Rental income received by unit Holder from REIT shall be taxable in hands of unit holder because it was exempt in hands of REIT u/s 10 (23 FCA).
   - Rental income Taxable in hands of unit Holders.
     - NR / Foreign Co → Normal tax rates.
     - Resident → Normal tax rates.
   - TDS u/s 194 LBA applicable.
     - NR / Foreign Co. → Rate in Force u/s 195.
     - Others (Resident) → 10%.

5. If any person transfer shares of SPV to Business Trust in exchange of unit of Business trust, shall not be treated as transfer & capital gain shall not apply ... Sec 47(xvii)
Sec 49 (2AC): COA of units = COA of shares in SPV.

Period of Holding = Period of shares in SPV + units in Business Trust.

6. Business Trust compulsory required to file return as per Section 139 (4E).

* Important notes.
1. SPV means Indian Company in which Business Trust holds controlling interest & any specific percentage of shareholding.

2. Income distribution by Business Trust to its unit holders shall be of the same nature & in the same proportion in hands of the unit holders as it had been received by Business Trust (Sec 115 UA)

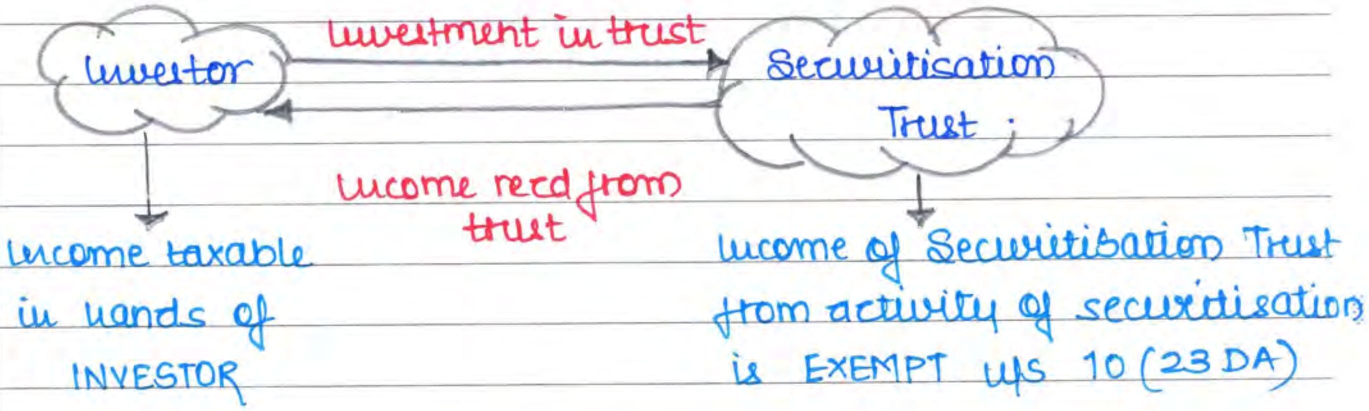
* Amendment by Finance Act, 2016 (w.e.f 1/6/16)
* Sec 115 O(7): Dividend distributed by SPV to Business Trust not liable for DDT if following condition satisfied.
(i) Business Trust hold 100% equity shares of SPV (except held by Govt, Govt body, any person required to hold by any law / direction of govt/ regulatory body)
Example: Govt holds 9% equity shares & Business Trust holds 91% equity shares & Business Trust holds 100% shares of SPV (assumed).

(ii) Dividend should be paid out of current profit i.e 'income earn after the date of acquisition of 100% equity shares of SPV by Business Trust.

NOTE: Dividend from SPV is exempt in hands of Business Trust & unit holders whether such dividend as per Sec 115O (7) or NOT.

Taxation of Securitisation Trust

[Amended Topic by Finance Act, 2016 w.e.f 1/6/16].



1. Income of Securitisation Trust from the activity of securitisation shall be exempt in hands of Trust as per Sec 10 (23 DA).

2. Income accruing or arising to, or received by investor from securitisation trust (out of investment made in trust), shall be taxable in hands of investor in the same manner & to the same extent as if investor had made investment directly in the underlying asset & not through the trust (Sec 115 TCA)

3. Income in hands of investor shall be of the same nature & in the same proportion as it had been accrued/recd by Securitisation Trust.

4. If the income accruing/arising/recd by trust during P.Y has not been paid or credited to the investor, the same shall be deemed to have been credited to the account of investor on the last day of P.Y.

5. Where income has been taxable in hands of investor in the year of accrual then same shall not be taxable in the year in which trust actually paid income.

6. The securitisation Trust shall provide breakup regarding nature & proportion of its income & other details to investor & income tax authority in prescribed form & time

7. Securitisation Trust required to deduct TDS at the time of payment OR credit whichever is earlier u/s 194 LBC.

Payee / Investor	Rate of TDS.
a. Resident Individual / HUF.	25%.
b. Other Resident payee	30%.
c. NR & Foreign Company	Rate in Force

8. Securitisation Trust means:

Form	Regulation.
a. A special purpose distinct entity	SEBI (Public Offer & listing of Securitised Debt Instrument) Regulation 2008.
b. A Special purpose vehicle	The guidelines on securitisation of standard assets issued by RBI.
c. A trust set up by a Securitisation Co. or a Reconstruction Co.	SARFAESI Act 2002 OR. RBI directions / guidelines

Minimum Alternate Tax. (MAT)

The prov. of MAT is applicable only to "COMPANIES" (including foreign / Govt. / Non-Govt. company)

As per S. 115JB, company have to pay tax:

(i) Tax as per Normal prov. of income tax	xxxxx
(ii) 18.5% of Book Profit (MAT) + SC + EC	xxxx

whichever is higher.

* Normal tax in case of company

	Indian company	Foreign company
Tax rate	30%	40%
Surcharge:		
If NTI > ₹ 1 cr upto ₹ 10 cr	7% of tax	2% of tax
NTI > ₹ 10 cr	12% of tax	5% of tax
Education cess	3%	3%

* MAT calculation

	₹
18.5% of Book Profit	xxxxx
(+) Surcharge:	
If BP > ₹ 1 cr 7%	
If BP > ₹ 10 cr 12%	xxxx
	xxxxx
(+) Education cess @ 3%	xxxx
MAT.	xxxxx

NOTE: 1. In case of Foreign co. surcharge rate is 2% & 5%.

2. Sec 115JB (7): where unit of assessee is located in an International financial services center (IFSC) & derives its income solely in convertible foreign exchange, then MAT is applicable @ 9% instead of 18.5% [F.A., 2016]

* EXPLANATION TO SEC 115 JB : computation of Book Profit

		₹	₹
	Net Profit as per P&L A/c (Companies Act)		xxx
	Add : [only if Dr. to P&L (except point no. 10)].		xx
1.	Income tax paid / prov [includes interest on IT, DDT, surcharge & education cess]	xx	
2.	Dividend paid / proposed.	xx	
3.	Any amount transferred to any Reserves A/c.	xx	
4	Losses of Subsidy Co.	xx	
5.	Prov. for unascertained / contingent liability	xx	
6.	Expenses for earning income exempt u/s 10, 11, 12. (except 10(38))	xx	
7.	Depreciation debited to P&L A/c (Total Depn)	xx	
8.	Prov for Diminution in the value of assets. (Prov. for Bad debts / AS-13 / AS-28)	xx	
9.	Deferred tax.	xx	
10.	Balance in Revaluation reserve on retirement or disposal of asset (if not credited to P&L A/c)	xx	
11.	Expenses related to share in the income of AOP / BOI.	xx	
12.	Expenses relating to income to Foreign Company from – Capital Gain on securities; or – interest, royalty, fees for technical services if the tax rate on above income is less than 18.5%	xx.	
13.	Any notional loss on exchange of shares of SPV (Special purpose vehicle) with units of Business Trust.	xx.	
14.	Expenditure relatable to income by way of royalty of patent taxable u/s 115 BBF. [Added F.A. 2016].	xx	xxx.

Less:

a.	Amount withdrawn from any reserve (if reserve made through P&L A/c)	xx	
b.	Income exempted u/s 10/11/12 (except Sec 10(38))	xx	
c.	Deferred tax	xx	
d.	Depreciation (excluding depn on Revaluation of asset)	xx.	
e.	Profit of sick industrial company	xx	
f.	Transfer from Revaluation reserve to the extent Depn on revaluation assets).	xx	
g.	(i) B/f Business loss xx OR (ii) B/f unabsorbed depn xx whichever is lower.	xx	
h.	Income as a share in income of AOP/BOI (because income already taxable in hands of AOP/BOI)	xx.	
(i)	Income to Foreign co. from — (a) capital gain on securities; or (b) interest, royalty or fees for technical services if tax rate on above income is less than 18.5%.	xx	
(j)	Any notional gain on exchange of shares of SPV with units of Business Trust.	xx	
(k)	Income by way of royalty in respect of patent chargeable to tax u/s 115 BBF (Added by FA, 2016) [as per Sec 115 BBF royalty is taxable @ 10%. so MAT is not applicable).	xx.	(xxxx)
	Book Profit ⟹		xxxx

NOTE: 1. For above adjustment, net profit should be computed as per Sch III of companies Act 2013.

2. In point no. 5 (Above table) prov. for gratuity, leave salary, prov. for warranty shall not be added if it is made as per Actual valuation or scientific basis.

3. Depreciation referred in point no. '7' and 'd' should be as per companies Act, NOT as per IT Act.

4. B/f business loss & unabsorbed depreciation as per Companies Act, NOT as per IT Act.

5. MAT not applicable in case of foreign companies — Provisions of MAT shall not be applicable in case of:

a) Foreign Company – resident of a country or specified territory with which India has DTAA & such foreign Co. does not have any P.E. (Permanent establishment) in India.

b) Foreign Co. — resident of country with which India does not have any DTAA & foreign company is not required to seek registration under any companies law.

[Added by F.A. 2016 w.e.f. A.Y. 2001-02].

* SEC 115 JAA : MAT credit

a) MAT credit shall be c/f & set off upto 10 A.Y.'s.

b) MAT

18.5% of Book Profit (MAT) — Tax as per Normal Prov.

c) MAT credit can be set off in the year in which Tax as per Normal prov > MAT (18.5% of Book Profit)

d) MAT credit can be utilised to the extent Normal tax exceeds MAT.

NOTE: 1. company to which MAT applies shall be liable to pay Advance tax, interest u/s 234 A / B / C

2. Apollo Tyres Ltd. – where P& L is prepared as per Companies Act, the A.O. could not recompute profit of company for MAT calculation. He can adjust only adjustment provided in expl^n 1 of Sec 115JB.

Example of MAT credit

P.Y.	Tax as per Sec 115JB (MAT)	Normal Tax	Tax Payable	MAT Adjst	Actual Tax paid	MAT Credit
2010-11	100,000	70000	100,000	–	100000	30000
2011-12	90,000	50000	90,000	–	90000	70000
2012-13	40,000	65000	65,000	25000	40000	45000
2013-14	50,000	55000	55000	5000	50000	40000
2014-15	30,000	90000	90000	40000	50000	–
2015-16.	130,000	80000.	130000	–	130000	50000

Deductions under Chapter VI A

* Section 80 CCD: contribution to Pension scheme of Central Govt / New Pension Scheme / Atal Pension Yojna.

a. eligible assessee : Individual

b. amount of deduction (sec 80 CCD(1))

Salaried Employee

(i) Employees Contribution xxx
(ii) 10% of salary. xxx

Other Individuals

(i) Assessee's Contribution xx
(ii) 10% of GTI xx

* Section 80 CCD(1B): Additional deduction upto ₹ 50000 shall be allowed other than contributions covered u/s 80 CCD(1)

Example: assessee's contribution - ₹ 140,000 towards NPS & his salary / GTI is ₹ 1100,000.

In this case, assessee can claim ₹ 110,000 (10% of salary/ GTI) u/s 80 CCD(1) & remaining ₹ 30000 u/s 80 CCD (1B) OR He can first claim u/s 80 CCD(1B) of ₹ 50000 & remaining ₹ 90000 u/s 80 CCD (1).

* Section 80 CCD (2): Employer's contribution to NPS for the benefit of Employee.

Employer's contribution is first taxable under the head salary in hands of Employee & then he gets deduction u/s 80 CCD (2)

(i) Employer's contribution	xxxxx
(ii) 10% of Salary	xxxxx.

NOTE 1: For the purpose of sec 80 CCD(1) & (2), salary means = Basic salary + DA. (in terms)

2. As per sec 10 (12 A) any payment received by employee on closure of his account is exempt to the extent of 40% (60% is taxable) if received by Non employee - then 100% is taxable.

In case of employee or non employee, any amount received from NPS by the nominee / legal heir on death of an assessee is FULLY EXEMPT.

* Section 80 EE: Deduction in respect of interest on housing loan [amended by Finance Act, 2016]

a. Eligible assessee : Individual

b. amount of ded^n : Max ₹ 50000.

c. condition :

i. loan should be taken from bank or financial institution for acquisition of residential property.

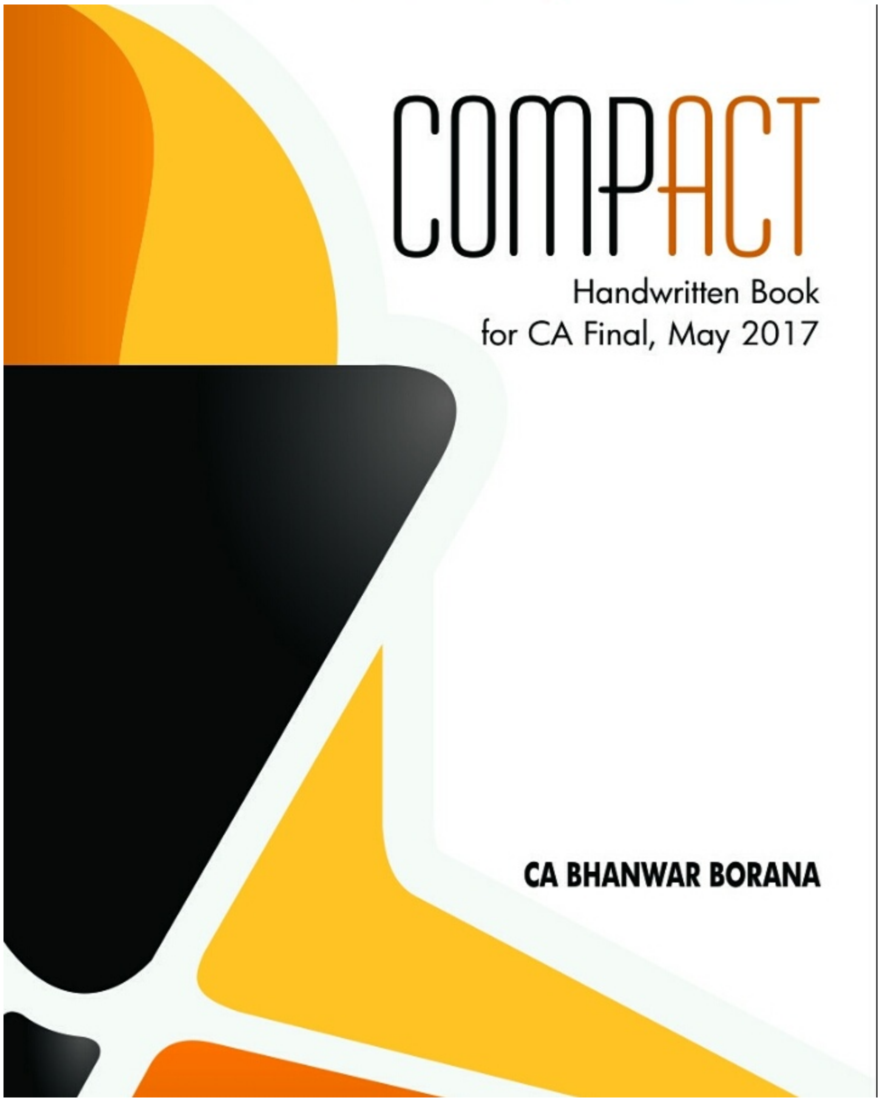
ii. Purchase price of house upto ₹ 50 lakh.

iii. loan should be sanctioned between 1/4/2016 to 31/3/2017

iv. loan amount upto ₹ 35 lakh.

v. assessee does not own any residential house on the date of sanction of loan.

vi) First ded^n should be claimed u/s 24(b) of house property (upto ₹ 200000) & remaining int ded^n u/s 80 EE.



Example: Mr. A purchased a residential house property for self-occupation at a cost of ₹ 45 lakh on 1.6.2016 in respect of which he took a housing loan of ₹ 35 lakh from Bank of India @ 11% p.a., on the same date. Compute the eligible deduction in respect of interest on housing loan for A.Y. 2017-18 under the provisions of the Income tax Act, 1961, assuming that the entire loan was outstanding as on 31.03.2017 & he does not own any other house property.

Ans:-

Interest deduction for A.Y. 2017-18.	₹
(i) Deduction allowable while computing income under the head "Income from House Property"	
Dedn u/s 24(b) ₹ 320833 ($₹ 3500000 \times 11\% \times 10/12$)	
Restricted to	200,000
(ii) Deduction under chapter VIA from Gross Total Income	
Deduction u/s 80 EE ₹ 120833 ($₹ 320833 - ₹ 200000$)	
Restricted to	50,000

* Section 80 GG : Rent paid of House Property (HRA not recd)

a. Eligible Assessee : Individual

b. Amount of deduction : (amended by Finance Act, 2016)

(i) ₹ 5000 p.m.

(ii) 25% of Total income (before this deduction)

(iii) Rent paid - 10% of Total income (before this deduction)

NOTE: The assessee or his spouse or minor child or HUF should not own any house at the place of his duty.

Example:

Mr. Ganesh, a businessman, whose total income (before allowing deduction u/s 80GG) for A.Y. 2017-18 is ₹ 460000 paid house rent at ₹ 12000 p.m. in respect of residential accomodation occupied by him at Mumbai. Compute the deduction allowable to him under section 80GG for A.Y. 2017-18.

Solution:

The ded^n u/s 80GG will be computed as follows:

(i) 5000 × 12 = ₹ 60000

(ii) 460000 × 25% = ₹ 115000

(iii) (144000 − 46000) = ₹ 98000

Deduction Amount = $\boxed{\text{₹ 60000/-}}$

* Section 80JJAA : Dedn in respect of Employment of new employees. (Amended by Finance Act, 2016)

a. Eligible assessee : Any assessee engaged in Business & whom Sec 44AB applies [i.e T/O > ₹ 1Cr]

b. Amount of dedn : 30% Additional employee cost.
(dedn allowed for 3 consecutive years)

c. Additional employee cost : Total emolument paid or payable to additional employees employed during the P.Y.

NOTE: 1. In case of existing business, additional employee cost shall be NIL, if
- there is no increase in the total number of employees
- emoluments paid otherwise than by A/c payee cheque / draft / NEFT / RTGS (means paid in CASH).

Example: Suppose total employees as on 31/3/16 were 100 and during P.Y. 2016-17, 15 employees left the job & 15 new employees joined, then there will be no dedn under this section. Suppose in above example 20 new employee joined then dedn will be allowed on emolument paid to 5 employees.

2. In case of New Business - Additional employee cost shall be emoluments paid / payable to employees employed during that P.Y.

d. Additional employees does not include -
- employee whose emoluments > ₹ 25000 p.m.
- employee employed for less than 240 days in P.Y.
- employee does not participate in RPF.
- employee for whom the entire contribution is paid by Government under Employees Pension Scheme notified in accordance with the prov. of the Employees Provident funds & Miscellaneous Provision Act, 1952.

e. "emoluments" means salary paid /payable to employee excluding non-monetary perquisite & retirement benefits.

__Example:__

Mr. A has commenced the business of manufacture of computers on 1.4.2016. He employed 350 new employees during the P.Y. 2016-17, the details of whom are as follow

	No. of Employees	Date of employment	Regular/ Casual	Total monthly emoluments per employee (₹)
i	75	1.4.2016	Regular	24,000
ii	125	1.5.2016	Regular	26,000
iii	50	1.8.2016	Casual	17,000
iv	100	1.9.2016	Regular	24,000

The regular employees participate in recognized provident fund while the casual employees do not. Further, out of 75, 50 & 100 regular employees employed on 1.4.2016, 1.5.2016 & 1.9.2016, only 40, 30 & 60 qualify as a "workman" under the Industrial Disputes Act, 1947.

Compute the deduction, if any, available to Mr. A for A.Y. 2017-18, if the profits & gains derived from manufacture of computers that year is ₹ 75 lakhs & his total turnover is ₹ 2.16 crores.

Solution: Mr. A is eligible for deduction u/s 80JJAA since he is subject to tax audit u/s 44AB for A.Y. 2017-18, as his total turnover from business exceeds ₹ 1 crore & he has employed "additional employees" during P.Y. 2016-17

Additional employee cost = ₹ 24000 × 12 × 75 [Working Note*]
= ₹ 21600,000

Deduction u/s 80JJAA = 30% of ₹ 21600,000 = ₹ 64,80,000

*Working Note:

Number of Additional employees

	No. of workmen	
Total no. of employees employed during the year		350
Less: Casual employees employed on 1.8.2016 who do not participate in Recognized Provident Fund	50	
Regular employees employed on 1.5.2016, since their total monthly emoluments exceed ₹25000	125	
Regular employees employed on 1.9.2016 since they have been employed for less than 240 days in the P.Y. 2016-17.	100	
Number of "Additional employees"		

NOTE: It is not necessary that the employee should qualify as a "workman" under the Industrial Dispute Act, 1947.

Assessment Procedures

* Sec 139 (1) : Filing of return of income (ROI)

a. For company & Partnership firm (including LLP) → return filing is compulsory

b. For other assessee →. If $\boxed{\text{GTI}}$ > Basic exemption, then return filing is compulsory
[Before giving effect of sec 10(38)]

Example : Mr. Ram Age 42 years.

	CASE I.	CASE II		CASE III
IFHP	340000		210000	210000.
LTCG (shares) STT paid	–	70000		–
(–) Exempt u/s 10 (38)	–	(70000)	–	–
GTI	340000		210000	210000
(–) Dedn u/c VI A	(120000)		(50000)	(50000)
NTI	220000		160,000	160000
Return filing	YES		YES	NO.

* Person compulsorily reqd to file the return

RESIDENT (OTHER THAN R but NOR)

(A)
- Beneficial owner of any asset (including financial interest) located outside India
- has signing authority in any Account outside India

(B)
- Beneficiary of any Asset (including financial interest) located outside India

NOTE: If income already included in the income of Person A then Person B not reqd to file the return.

* Due dates of Return filing

1. Assessee who is required to furnish report of Transfer pricing u/s 92E. — 30th Nov of A.Y.

2. A. Company
   B. Audit requirement under any law
   C. Working partner of firm whose accounts are reqd to be audited

   } 30th Sept of A.Y.

3. Others. — 31st July of A.Y.

* Sec 139 (3) : Loss return.

  As per Sec 80, PGBP loss or capital Gain cannot be c/f if return filed after due date u/s 139(1).

NOTE: 1. Loss can be set off even return filed after due date
2. House property losses & unabsorbed depn can be c/f even if return not filed / late filed.
3. Loss of specified Business (35AD) also cannot be c/f if return filed late.

* Sec 139 (4) : Belated Return.

If Assessee fails to file return within due date then he can file belated return within following time limit.

a) Before the end of Relevant A.Y.

OR.

b) Before completion of Assessment

whichever is earlier.

Sec 139 (5) : Revised Return.

Any person filed return u/s 139(1) or 139(3) or 139 (4), if discovers any ommission or a wrong statement in such ROI filed earlier, then such person can file revised return within following time limit.

a) 1 year from the end of Relevant A.Y.

OR.

b) Before completion of Assessment

whichever is earlier.

NOTE:
1. Belated return filed u/s 139 (4) can be revised u/s 139(5)
2. The revised return substitutes original return from the date the original return was filed
3. Assessee can revise return any no. of times within time limit.
4. Return filed in response to Notice u/s 142(1) cannot be revised.

* Sec 143(1): Processing of return (Intimation)

- All returns (100%) shall be processed u/s 143(1) & following adjustments to be made in the returned income:
  a) Arithmetical errors in the return can be rectified.
  b) Incorrect claim of assessee in ROI.
  [eg:- TDS claim not matching with Form 26AS or dedⁿ u/s 80C claimed more than ₹ 150000.

- From A.Y. 2017-18, foll adjuments can also be made:
  a) Disallowance of loss if return filed after due date.
  b) Disallowance of expenses indicated in the audit report but not taken into account in computing total income in the return.
  c) Disallowance of dedⁿ u/s 10AA, 80IA/IAB/IB/IC/ID/IE, if return filed after due date.
  d) Addition of income appearing in Form 26AS or Form 16A/16 which has not been included in computing the total income in the return.

- The above adjustments can be made on the basis of data available with the dept in form of audit report, returns of earlier years, Form 26AS, 16, 16A.

- Before making any such adjustment, an intimation has to be given to assessee requiring him to respond to such adjustment. The response recd, if any, has to be duly considered before effecting any adjustment. However, if NO RESPONSE is recd within 30 days of issue of such intimation, the processing shall be carried out incorporating the adjustments.

* Sec 147: Assessment or Reassessment of Income escaping assessment (Reopening of cases).

* The following shall also be deemed to be the cases where income has escaped assessment.

i. Income more than basic exemption but return not filed.

ii. Income has been under assessed or excessive loss, depn allowed to assessee.

iii. Taxes paid at lower rate.

iv. Where person is found having any asset located outside India.

v. Where assessee fails to furnish report of transfer pricing u/s 92 E.

vi. On the basis of info & document recd from IT Authority u/s 133C(2), it is notice by A.O. that assessee under stated the income or has claimed excessive loss, dedn, allowance or relief in return.

vii. On the basis of infon & doc. recd from I.T. Authority u/s 133C(2) it is notice by A.O. that the income is more than basic exemption & Assessee not filed return.

* TIME LIMIT FOR COMPLETING ASSESSMENT (w.e.f. 1/6/2016)

Assessment u/s	Section	Timelimit for completion of Assessment.
143(3) Scrutiny Assessment 144 Best Judgment Assessment	Sec 153(1)	21 months from the end of R.A.Y.
147 Income escaping Assessment Reassessment	Sec 153(2)	9 months from the end of F.Y in which notice u/s 148 was served
Fresh assessment u/s 143/144/147 where original assessment has been set aside, cancelled & referred back to A.O by an order u/s 254/263/264	Sec 153(3)	9 months from end of the F.Y. in which order u/s 254 is received by PCCIT/CCIT/PCIT/CIT or the order u/s 263/264 passed by CIT/PCIT.
where reference made to TPO u/s 92 CA.	Sec 153(4)	All above time limits shall increase by 12 months.
Effect to be given by A.O. to an order u/s 250/254/260/262/263/264 (Otherwise than fresh assessment)	Sec 153(5)	3 months from end of the month in which order u/s 250/254/260/262 is recd by CCIT/PCCIT/CIT/PCIT or order u/s 263/264 passed by CIT/PCIT. NOTE: Additional period of 6 months may be allowed by CIT/PCIT to A.O. if A.O. apply that order could not be given effect within 3 months.

Order of assessment relating to any A.Y. which stand revived u/s 153A(2) [Abated → revived]	Sec 153(8)	1 year from end of the month of such revival or within time limit given u/s 153 or 153B, whichever is Later
where assessment/reassessment made in consequence of or to give effect to any finding or direction in any order u/s 250/254/260/262/263/264 or order of any court.	Sec 153(6)(i)	12 months from end of the month in which order is received or passed by CIT / PCIT.
where assessment made on partner due to assessment made on firm u/s 147.	Sec 153(6)(ii)	12 months from end of the month in which the assessment order in case of firm was passed.

NOTE:

1. As per Sec 153(7), for the purpose of sec 153(5) & sec 153(6) if case is pending on 1/6/16 then time limit for taking requisite action by A.O. would be 31/3/2017.

2. For the purpose of sec 153, following time period shall be excluded.

	PARTICULARS	FROM	TILL.
a.	contravention of sec 10(21) (22B)/(23A)/(23B)/(23C) → A.O. inform to Govt.	Date on which A.O. informs.	Date on which Govt notification received by A.O.
b.	Direction for special audit u/s 142(2A)	Date on which A.O. directs.	last date on which assessee required to file report. OR date on which order set aside such direction was recd by CIT/PCIT [If direction challenged by Assessee in court].
c.	Reference made to valuation Officer u/s 142A.	date on which A.O. makes reference	date on which report recd by A.O.
d.	Declaration filed by Assessee u/s 158A. [Avoiding repetitive appeal]	date on which A.O. recd declaration	date on which A.O or ITAT passed order of accept or reject declaration.
e.	application made to ITSC & rejected.	date on which application made.	date on which order of rejection recd by CIT / PCIT.
f.	application made to AAR.	date on which application made.	date on which order of rejection recd by CIT / PCIT OR

		date on which Advance ruling pronounced is recd by CIT / PCIT.
g. where reference for exchange of info u/s 90 / 90A.	date on which reference made.	date on which info recd by CIT / PCIT OR 1 year whichever is less.

h. period for which assessment proceeding is stayed by any court.

i. time lost in giving opportunity to be reheard u/s 129.

NOTE: 1. After exclusion of above time limit, the period referred to in sec 153(1) / (2) / (3) / (8) available to A.O is less than 60 days, such remaining period shall be extended to 60 days.

2. where proceeding before ITSC abates u/s 245 HA the time available to the A.O. [after exclusion of period u/s 245 HA(4)] should not be less than 1 year.

3. The above exclusion of time limit is applicable time limit given u/s 153 B also [Time limit for search cases]

Appeals & Revision

* APPEAL TO ITAT [Sec 252 to 255].

1. A case at ITAT level shall be heard by "Bench" (Panel of Judges) Normally heard by 2 members bench (Division bench), one judicial member & other Accountant member.

   However, if total income of assessee is upto 50 Lakhs w.e.f. 1/6/2016 then appeal can be heard by single member.

* Sec 254.

  ITAT can rectify its order if there is mistake apparent on record within 6 months from the end of the month which original order was passed. It can be rectify on own motion or on an application made by Assessee.

Advance Tax (Sec 207 to 218)

1. Advance tax means tax paid in the financial year immediately preceeding the A.Y. i.e (P.Y.)

2. advance shall be calculated by estimating the current year income then applying tax rates. TDS / TCS & MAT credit shall be deducted to arrive at Advance tax liability

3. Assessee is reqd to pay Advance tax if his liability for advance tax is ₹ 10000 or more

Exceptions:

RESIDENT Senior citizen not having income under the head "PGBP".

4. Due dates of Advance tax for $\boxed{\text{all Assessee}}$ w.e.f 1/6/16.

DUE DATES.	AMOUNT OF ADVANCE TAX.
upto 15th June of P.Y	upto 15% of Advance tax liability
upto 15th Sept of P.Y.	upto 45% of Advance tax liability
upto 15th Dec of P.Y.	upto 75% of Advance tax liability
upto 15th Mar of P.Y.	upto 100% of Advance tax liability

NOTES: Tax paid upto 31st March of P.Y. is treated as Advance tax only.

If Assessee opt Sec 44 AD (Presumptive PGBP) then due date of Advance tax is 15th March of P.Y. (only one instalment).

Interest

* Sec 234 A : Interest for delay in return filing

Tax as per ROI × Rate × Period

[After Adjustment of TDS/TCS/Advance tax/ MAT credit / Relief] [1% per month or part of a month] [from next day after due date of ROI till date of Actual return filing]

i.e Tax remaining unpaid on 1st April of A.Y.

NOTE: However as per supreme court decision in Dr. Pranoy Roy, credit will be given of self Assessment tax, if it is paid upto due date of return filing.

* Sec 234 B : Interest for Non / short payment of Advance tax

This interest is not applicable if assessee paid 90% or more Advance tax of Advance tax payable.

Advance tax short paid as per ROI × Rate [1% per month or part of a month] × Period [from 1st April of A.Y. till Actual date of payment]

NOTE: If there is change in income due to processing of return u/s 143(1) or Assessment, then tax as per 143(1) / Assessed tax shall be taken instead of tax as per ROI.

[This is applicable only for interest u/s 234A & 234B]

* Sec 234C : Interest for deferment of Advance tax instalment

Deferred amount × 1% per month or part of a month × 3 months for all instalment except last instalment.
[for last instalment, int is applicable always for 1 month]
[16/3 ⟶ 31/3]

NOTE : 1. Int u/s 234C always calculated on tax as per ROI

2. No interest u/s 234C shall be levied if $\boxed{\text{Assessee}}$ paid Advance tax upto 12% in 1st instalment, upto 36% in 2nd instalment, upto 75% in 3rd instalment or 100% in last instalment

3. Advance tax in case of capital gain & winnings
Assessee is not able to estimate capital gains and winnings $\boxed{\text{or income under PGBP accrues first time}}$, so advance tax on such income shall be paid in remaining instalment by assessee after receipt of such income. If no instalment is due [income recd during 16/3 to 31/3] then Advance tax shall be paid upto 31/3 of P.Y.

* Sec 244A : Interest on refund. [Amendment w.e.f 1/6/16]
Simple interest @ .5% (1/2%) per month or part of the month will be paid by Dept on the amount refunded.

Period of Interest

- **Refund out of TDS/TCS Advance tax**
  - Return filed upto due date u/s 139(1) → From 1st April of A.Y. till date of granting of refund.
  - Return filed after due date → From the date of filing of return till date of granting of refund.
- **Refund out of Self Assessment tax u/s 140A etc** → Date of filing of return OR Payment of taxes whichever is LATER till date of granting of refund

NOTE: 1. Interest on refund is taxable under IFOS.
2. Dept. can set off refund amount against tax payable after intimating assessee.

* Additional interest on refund arising out of appeal effect being delayed beyond time u/s 153(5).

Additional simple interest @ 3% p.a on amount refunded shall be paid by dept to assessee if delay in refund arising as a result of giving effect to an order u/s 250/254/260/262/263/264 (otherwise than by making a fresh assessment or reassessment.

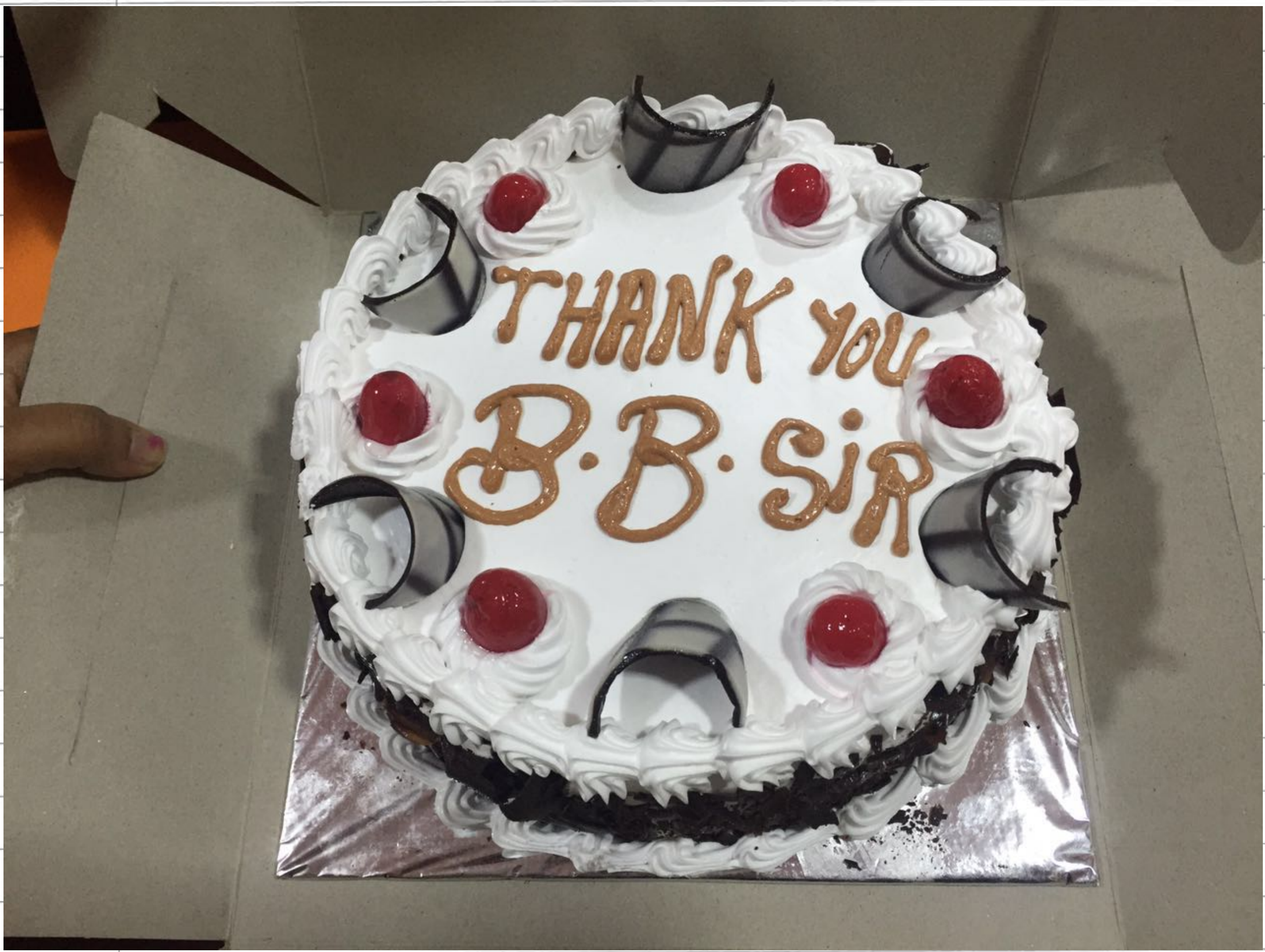
Period of Interest

- **Normal case** → From the expiry of $\boxed{3\text{ m}}$ from the end of the month in which the order u/s 250/254/260/262 is recd or order u/s 263/264 is passed by CIT/PCIT/CCIT/PCCIT till date of granting the refund
- **Where extension is granted by CIT/PCIT by invoking Prov of Sec 153(5)** → From the expiry of 9m from the end of the month in which order u/s 250/254/260/262 is recd or order u/s 263/264 is passed by CIT/PCIT/CCIT/PCCIT till date of granting of refund

* Sec 234D : Interest on excess refund granted.

If refund is granted u/s 143(1) & later, on completion of assessment, if either no refund is found due or the amount refunded is excess, then the excess refund will have to be paid back by assessee along with int u/s 234D @ 0.5% per month or part of a month on such excess refund.

Period : From date of granting the refund till date of completion of assessment.



Tax deducted at Source (TDS)

(Section 192 to 206)

1. Tax is deducted only if amount is taxable in hands of Receiver

2. TDS requirement arise :
   - i. at the time of payment OR .
   - ii. at the time of crediting the A/c of Payee

   whichever is earlier

   But in following cases TDS deducted only at the time of payments :
   - a. salary
   - b. winnings
   - c. Maturity of life insurance Policy.
   - d. compensation on compulsory acquisition of property.

3. All TDS rates are rates i.e 1%, 2%, 5%, 10%, etc

   But if Payment made to NR / Foreign Co, or payment of salary, surcharge & edu cess shall be considered.

4. If payee does not furnish his PAN to the payer, the TDS rate shall be - [Sec 206 AA)
   - (i) Rate as per respective section OR.
   - (ii) Rate @ 20%.

   whichever is higher

Section 206 AA not applicable if payment made to NR / foreign company in respect of.
- interest on long term bonds referred in Sec 194LC &
- any other payment subject to such conditions may be prescribed.

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	ADDITIONAL NOTES.
192	Salary	Any Person	Employee	Slab rate	1. Employer shall consider details of Other Income & Deduction of employee if furnished by Employee. 2. Employer shall not consider any loss except loss under the head Income from House Property.
192 A	Accumulated Balance of Provident Fund	Any Person	Employee	10%	1. TDS applicable only if it is taxable in hands of employee. 2. No TDS if amount upto ₹50000 w.e.f. 1/6/16.
193	TDS on Interest on Securities	Any Person	Any Resident person	10%.	1. No TDS if interest → paid to LIC, GIC, Other Insurer. → payable on Govt. securities → DMAT securities.
194	TDS on deemed Dividend	Domestic company	Resident	10%	1. No TDS if company paid DDT u/s 115O means. This section applicable only in case of Deemed Dividend u/s 2(22)(e). 2. From A.Y. 2016-17 if Dividend is taxable u/s 115 BBDA then Company required to deduct TDS.

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	ADDITIONAL NOTES
194 A	TDS on Interest (Other than securities)	Any Person Other than Individual / HUF not liable to Tax Audit in last P.Y.	Resident person	10%	1. No TDS if: a) Int paid by Banks / Co-op Bank / Post Office upto ₹ 10000 b) In other cases its upto ₹ 5000. c) Int paid by firm to Partners. d) Int on Income tax e) Int on Bank Savings A/c. f) Int paid to any Bank / LIC / UTI / Any Insurer. Note: Bank opting core banking solutions (CBS), then, the limit of ₹ 10000 will not be per Branch, but will be per Bank / Co-op society g) Interest paid by Co-op society (Other than Co-op bank) to its members or to any other coop society. h) Int paid in respect of certain scheme of Post office, Kisan Vikas Patra, Indira Vikas Patra, National saving certificate, P.O. monthly Income A/c, P.O. Recurring deposits.

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	ADDITIONAL NOTES
194 B	Winning from Lotteries, cross-word, puzzles, card games, etc	Any person	Any person	30%	No TDS if winnings is upto ₹10000 per winning.
194 BB	Winning from Horse Race	Any Person	Any Person	30%	No TDS if winnings is upto ₹ 10000 w.e.f. 1/6/2016 per winning.
194 C	TDS on Contract	Any Person (Other than Individual/HUF not liable to tax audit in last P.Y.)	Any Resident person.	If Contractor Ind/HUF-1% Others-2%	1. NO TDS if - a) Single payment upto ₹ 30000 OR b) Aggregate of payment in P.Y. upto ₹ 100000 w.e.f. 1/6/16 2. No TDS if contract is for personal purpose of Individual / HUF. 3. For the purpose of contract, work includes — → Advertisement, Broadcast, Telecast → Catering → Carriage of goods, passenger other than railway. → Manufacturing / supplying of any product as per specification of customer out of material purchased / supplied by such customer (Job work)

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	ADDITIONAL NOTES
					4. No TDS if payment made to transporter & he does not own more than 10 vehicles at any time during the p.y. & he furnish a declaration. 5. In case of Job work, the TDS shall be deducted – → on the invoice value excluding the value of material, if material value mentioned separately in invoice → on the whole of the invoice value, if value of material is not mentioned separately in the invoice. 6. Contract also include Sub contract 7. Some Issues related to Advt [CBDT Circular] → Payment by client to Advt agency It is work contract TDS u/s 194C applicable → Payment by Advt agency to TV Channel / Newspaper Company – No TDS u/s 194C.

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	ADDITIONAL NOTES
					→ Payment made by TV channel/ Newspaper Co. to Advt agency for booking /procuring /canvassing for Advts. - Payment is treated as discount & Not commission so TDS u/s 194 H not applicable. 8. Payment made by TV channels/ broadcasters to Prodⁿ House for Production of Content Programme If Programme is as per specifications of telecaster/ Broadcaster & Copyright of content also transfer to telecaster/Broadcaster → It's works Contract TDS u/s 194 C applicable. If right of content already produced by prodⁿ House is acquired by Telecaster or Broadcaster → No TDS u/s 194C

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	ADDITIONAL NOTES.
194 D	Tax on Insurance Commission	Insurance Company	Resident agent	5% w.e.f. 1/6/16.	No TDS if Commission is upto ₹ 15000 p.a. w.e.f 1/6/16.
194 DA.	TDS on maturity proceeds of a Life Ins. Policy	Any Person	Any Resident person	1% w.e.f. 1/6/16	No TDS if — a) Amt exempted u/s 10 (10 D) b) Amt upto ₹ 100000
194 E	TDS on payment to NR Sportsmen/ Association/ Entertainer	Any person	NR sportsmen NR Sports Association NR Entertainer	20% (+ cess)	Payment for a. Participation in any game in India i.e IPL. b. Advertisement c. Contribution of any article, news etc d. Performance in India.
194 G	TDS on Commission on sale of lottery tickets	Any person	Any person	5% w.e.f 1/6/16	No TDS if Commission upto ₹ 15000 p.a. w.e.f 1/6/16.
194 H	TDS on Commission & Brokerage	Any person (Other than Individual/HUF/ not liable to tax audit in last P.Y.)	Any Resident Person.	5% w.e.f. 1/6/16.	→ No TDS if commission upto ₹ 15000 w.e.f 1/6/16. → No TDS if commission/Brokerage is relating to securities like commission to underwriters, Brokerage on public issue, Brokerage on stock exchange transaction, etc.

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	ADDITIONAL NOTES.
194 I	TDS on Rent	Any person (Other than individual/ HUF not liable to tax audit in last P.Y.)	Any Resident person.	a) P&M - 2% b) Land & Bldg, Furniture - 10%.	1. No TDS if rent upto ₹ 180000 p.a. [if property is owned by more than one then limit of ₹ 180000 applied to each co-owner] 2. Non refundable deposits, arrears of rent received, advance rent also eligible for TDS. 3. If rent is paid to Business Trust (REFT) in respect of rent of real estate assets as it is exempt u/s 10 (23 FCA) then TDS not applicable. 4. Landing & Parking charges paid by Airlines Co. to Airport Authority → TDS u/s 194C ✓ 194I ✗ 5. If Rent include municipal taxes → No TDS on municipal taxes 6. The recipient of rent can give declaration u/s 197 A in Form 15G / 15H (Amendment).

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	ADDITIONAL NOTES
194 IA.	TDS on transfer (purchase) of immovable property (Other than Rural Agri land)	Any person	Any Resident person	1%	→ No TDS if consideration is less than ₹ 50 lakhs. [Actual considera² & not the SDV] → If consideration is ₹ 50 lakhs or more & only part payment is made then TDS applicable on every part payment of consideration
194 J.	TDS on professional services	Any person (Other than individual/HUF not liable to tax audit in last P.Y.)	Any resident person.	10%	No TDS if — a) Fees for Professional services is upto ₹ 30000. b) Fees for technical service upto ₹ 30000 c) Royalty is upto ₹ 30000 d) Non compete fees is upto ₹ 30000 e) In case of Director fees - No limit Note: Limit of ₹ 30000 applied separately on Professional fees, Royalty, etc (except Director fees)

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	ADDITIONAL NOTES.
194 LA	TDS on compen--sation for compulsory Acqn of immo. property	Any Person	Any Person	10%	No TDS if compensation is upto ₹ 250000 p.a. w.e.f 1/6/16 No TDS if compulsory acquisition of rural agricultural land.
194 LB	TDS on interest on Infrastructure Debt Fund	Infrastructure Debt Fund.	NR. or Foreign Co.	5%	Infrastructure Debt Fund referred in Sec 10(47).
195	TDS on any sum payable to NR or Foreign Co.	Any person	NR or foreign Co.	a) DTAA rate OR. b) Rate in force	Nature of Payment a) interest OR b) Any other sum which is chargeable to tax in India (except salary u/s 192, 194 B, 194 BB, 194 E, 194 LB, 194 LBA).

* Some notes related to TDS.

1. Any amount includes service tax amount then TDS should not be deducted on such service tax amount. It means TDS should be on Net amount.

2. No TDS if payee is central govt, state Govt, RBI, statutory corp, Any mutual fund (Sec 196)

3. where Total income or recepient of income is not liable to tax or taxable at low rates, then he can apply to A.O. to issue a certificate for No deduction/ lower deduction of TDS. In such case payer shall deduct TDS as per rate specified in certificate (Sec 197)

4. where income of Assessee is less than Basic Exemption, then in case of Sec 192 A/ 193/ 194 A / 194 DA / 194 I, assessee can give a self declaration in Form No. 15G/H to payer for non-deduction of TDS (Sec 197 A).
This section not applicable if recepient is company or Firm u/s 194 A if income (192A/193/194 A/194 DA/ 194 I) is more than Basic exemption but NTI (Total income) is less than Basic exemption then sec 194 A not applicable (except senior citizen)

Example: Rent received by Mr. Kunal is ₹ 350000 & he invested ₹ 120,000 u/s 80 C. Now his NTI is less than basic exemption. Tax payable is NIL. Now in this case, Kunal cannot furnish declaration u/s 15G.

* Due dates of Payment of TDS.

If Tax deducted during Apr – Feb: by 7th of the next month

March month: by 30th April of next F.Y.

* Due date of TDS / TCS return.

Quarter ended	TDS return due date	TCS return due date
30th June	31st July	15th July
30th Sept	31st Oct	15th October
31st Dec	31st Jan	15th January
31st Mar	31st May	15th May.

* Sec 200A : Processing of TDS return (intimation)

1. TDS return shall be processed u/s 200A & following adjustment to be made in –
   a) arithmetical errors in the return can be rectified.
   b) incorrect claim in return.

2. Intimation shall be sent to deductor specifying the amount of demand or refund.

3. Intimation shall be issued within 1 year from end of financial year in which quarterly return was filed.

* Sec 201 : If assessee fails to deduct TDS or after deduction fails to pay TDS to govt. then assessee is treated as deemed to be assessee in default. He shall be liable to pay interest u/s 220 & penalty u/s 221.

* Section 201 (1A): Late deduction / Late payment of TDS.

a. Late deduction – Interest @ 1% per month or part of a month on amount of TDS from the date of tax was deductible till the date of tax actually deducted.

b. Late payment – Interest @ 1.5% per month or part of a month on amount of TDS from the date on which tax was deducted till date on which such tax is actually paid

c. Section 234 E : Fees for default in furnishing TDS / TCS return
Fees is payable @ ₹ 200 per day for every day during which the failure continues. Fees cannot be more than amount of TDS / TCS

* Tax collected at source (TCS)

* Section 206 C : Seller shall collect tax from Buyer at the time of Debiting the A/c or receipt of amount of buyer whichever is earlier.

	Nature of Goods		TCS Rate
a.	Alcoholic liquor for human consumption	Sec. 206 C(1)	1%
b.	Tender leaves	Sec. 206 C(1)	5%
c.	Timber & any other forest product	Sec. 206 C(1)	2.5%
d.	Scrap	Sec. 206 C(1)	1%
e.	Minerals being coal, lignite or iron ore	Sec. 206 C(1)	1%
f.	Jewellery & Bullion (Note 1) Sec 206 C (1D)		1%
g.	Motor Vehicle (Note 2) Sec 206 C (1F)		1%
h.	Any other goods or services (Note 3) Sec 206C (1D)		1%

NOTE: 1. TCS in case of Jewellery / Bullion is applicable only if seller received consideration in CASH & consideration is more than ₹ 200,000 in case of Bullion & ₹ 500,000 in case of Jewellery.

2. TCS in case of motor vehicle is applicable only if consideration is more than ₹ 1000,000.

3. TCS in case of any other goods & services is applicable only if seller recd consideration in cash & consideration is more than ₹ 200,000.

4. TCS not applicable if buyer is Government, embassies, consulates, High commissions or institutions notified under United Nations Act, 1947.

5. TCS also applies in case of lease or licence of parking lot, toll plaza, mine & quarry – TCS Rate is 2%.
* Mine & quarry doesnot include mine of mineral oil

6. TCS in case of goods prescribed in point No. (a) to (e) not applicable if goods purchased for personal consumption.

7. TCS is not applicable if buyer is resident & furnish declaration that such goods used in manufacturing of any article or power generation [except in case of Jewellery & Bullion].

* CBDT circular No. 22/2016 relating to TCS.

1. Whether TCS applicable in case of sale of motor vehicle by manufacturers to dealers / distributors?

Ans:- No, TCS applies only in case of retail sales.

2. Whether TCS applicable in case of each sale of motor vehicle or aggregate value during the P.Y?

Ans:- TCS applicable if sale consideration > ₹ 10 lakhs. It is applicable to each sale & not aggregate value during P.Y.

3. Whether TCS on any other goods & services will apply where consideration is partly in cash & partly in cheque & cash is less than 2 lakhs?

Ans:- No, TCS not applicable when cash is upto ₹ 2 lakhs even sales consideration > ₹ 2 lakhs.

4. Whether TCS applicable only to cash component or whole consideration in case of any other goods or services?

Ans:- Only cash component

5. As per Sec 206 C (1D), tax is to be collected at source @ 1% if sale consideration received in cash exceeds ₹ 2 lakhs whereas as per Section 206 C (1F), tax is to be collected at Source @ 1% of the sale consideration of a motor vehicle exceeding 10 lakh rupees. Whether TCS will be made under both sub-section (1D) and (1F) of Sec 206 C @ 2%, where part of the payment for purchase of motor vehicle exceeds ₹ 200,000 in cash?

Ans:- Sub-section (1F) section 206 C provides for TCS at the rate of 1% on sale of motor vehicle of value exceeding ₹ 10 lakhs. This is irrespective of the mode of payment. Thus, if the value of motor vehicle is ₹ 20 lakhs, out of which ₹ 5 lakhs has been paid in cash & balance amount by way of cheque, the tax shall be collected at source @ 1% on total sale consideration of ₹ 20 lakhs only under Sec 206C (1F). However, if a vehicle is sold for ₹ 8 lakhs & the consideration is paid in cash, tax shall be collected at source @ 1% on ₹ 8 lakhs as per Sec 206 (1D).

Income from House Property.

* Interest on Loan.

1. Interest on loan is allowed as deduction, if loan is taken for the purpose of house property i.e purchase, construction, repair, renovation.
2. Loan may be taken from banks, financial institutions, trusts, friends, family, etc.
3. Interest is allowed on due basis [Paid - Allowed; O/s - Allowed]
4. Interest on interest (Penal interest) is $\boxed{\text{not allowed}}$ as ded^n
5. Limit

- LOP/DLOP
  - No limit (Total int allowed)
- SOP.
  - Special case
    - (1) Loan is taken on or after 1.4.1999

      +

      (2) Loan taken for purchase or construction of house property.

      +

      (3) If loan is taken for construction then, Const^n should be completed within 5 years w.e.f. A.Y. 2017-18 from the end of the year in which Loan was taken

      Max. ₹ 200,000.
  - Normal Case
    - Max ₹ 30,000.

6. Any fresh loan is taken for repayment of earlier loan & earlier loan was taken for the purpose of house property then interest on fresh loan shall be allowed as deduction.
7. Interest paid outside India shall not be allowed as deduction if TDS not deducted on such interest.

* Unrealised Rent and Recovery of unrealised Rent.
Actual Rent = Rent received + Receivable − Unrealised rent.

Unrealised rent: It means rent which is not recovered by owner from tenant. It is like Bad debts of rent. It is deductible while calculating actual rent if following four conditions of Rule 4 are satisfied.

1. Tenancy should be bonafide
2. Tenant should have vacated that house property.
3. Such tenant should not occupy any other house property of same assessee.
4. Reasonable step should have been taken for recovery of unrealised rent.

Arrears of rent: It means rent under dispute.

Sec 25A: Recovery of unrealised rent & arrears of rent.
Recovery is taxable in the year in which it is recovered/received under the head house property, whether the assessee is the OWNER of the property or not in that financial year. Any expenditure incurred for such recovery shall be IGNORED.
Taxable Amt = Recovery × 70% [30% Std dedn]

Example:

① Unrealised rent = ₹ 60000 (For P.Y. 2010-11)
Allowed by AO = ₹ 35000.
Recovery during P.Y. 2016-17 = ₹ 52000.
Taxable amount = Recovery − Disallowed earlier
= 52000 − 25000.
= 27000 × 70%.
= ₹ 18900 /-

Tax on Accreted Income of Certain Trust or Institutions

[EXIT Tax] New Topic by Finance Act w.e.f 1/6/2016.

* Sec 115 TD : Tax on Accreted Income.

The "Accreted Income" of trust / institution registered u/s 12 AA shall be taxable @ MMR i.e 35.535% if :

a) Conversion of Trust / Institution into a form not eligible for Registration u/s 12AA. [Note 2]

b) Merger into an entity not having similar objects and registered u/s 12AA.

c) Non-distribution of assets on dissolution to any other Trust / Institution registered u/s 12AA / 10 (23C) within 12 months from end of the month in which dissolution takes place.

NOTE: 1. The exit tax shall be in addition to income taxable in hands of entity.

2. Deemed conversion into non-eligible form in following cases:

(i) registration granted u/s 12AA has been cancelled.

(ii) It has adopted or undertaken modification of its objects which do not conform to the conditions of registration and :

a) it has not applied for fresh registration u/s 12AA in that P.Y. or

b) it has applied for fresh registration u/s 12AA but application has been rejected.

3. "Accreted Income" shall be computed on "Specified date."

* Meaning of Accreted income

	Aggregate FMV of total Asset	xxxxx
(–)	Total liability of trust	(xxxx)
	Accreted income	xxxxx

Following assets & liabilities in respect of that assets shall **not** be considered in accreted income.

a) Assets acquired out of Agriculture income

b) Assets acquired by trust from the date of creation of trust to the date from which registration become effective u/s 12AA.

c) Asset transfer on dissolution to other Trust / institution registered u/s 12AA / 10 (23C) within 12 months from end of the month in which dissolution takes place.

4. Meaning of "Specified date" i.e date of valuation of assets & liability.

In case of:

- Conversion of Trust into Non-Eligible form
  - Registration granted cancelled → date of order cancelling registration u/s 12AA
  - Modification of objects → date of adoption or modification of any objects
- Merger with any other Non-Charitable Trust → Date of merger
- Failure to transfer asset on dissolution within 12 months → Date of Dissolution

* Sec 115TD(4) : Exit tax payable if no income tax is payable by the Trust / Institution.

* Sec 115TD(5) : Period within which exit tax has to be paid to Central Govt.

Tax has to be paid to the Central Govt within 14 days from:

Cases.	14 days from
(A) Conversion of Trust into Non-Eligible Form. (i) Registration granted u/s 12AA has been cancelled.	14 days from: the date on which: a) the period for filing appeal to ITAT against the order cancelling the registration expires & No appeal has been filed by Trust OR b) the order in any appeal confirming the cancellation of regn is recd by trust.
(ii) It has adopted or undertaken modification of its objects which do not conform to the condition of registration: a) Not applied for fresh registration	14 days from end of P.Y.
b) Applied for fresh regn but rejected.	14 days from the date on which a) the period for filing appeal to ITAT against the order rejecting the application expires & No appeal filed by Trust OR

	b) the order in any appeal confirming the cancelling the application is recd by Trust
B) Merger with any other Non-charitable Institutions	14 days from the date of merger.
C) Failure to transfer asset to Trust/institution registered u/s 12AA/10(23C) within period of 12 months from end of the months in which dissolution took place.	14 days from the date on which period of 12 months [at the end of the month in which dissolution took place] expires.

* Sec 115TE: Interest for non-payment of tax within 14 days.
Interest @ 1% p.m. or part of the month from the 15^{th} day till date on which the tax is actually paid.

* Sec 115TF: Trust / Institution is deemed to be assessee in default
If tax not paid then principal officer / Trustee / Trust / institution shall be treated as assessee deemed to be default.
In case of transfer of assets upon dissolution of the trust to recipient, which is not charitable trust, the recipient of asset shall also be treated as assessee in default. However, recipients liability shall be limited to the extent to which the asset received by him is capable of meeting the liability.

Some other Amendments by Finance Act, 2016.

1. Set off of losses not permissible against unexplained income, investments, money etc. chargeable u/s 68 / 69 / 69A / 69B / 69C / 69D [Sec 115 BBE].

   As per Sec 115 BBE, unexplained cash credit / investment / Money / Expenditure etc are taxable @ 30%.

   No set off of any loss shall allowed against such income.

2. Period of stay in India for an Indian citizen, being a member of the crew of a Foreign bound ship leaving India [CBDT Notification]

   For computation of "No. of days stay in India" following time limit shall be excluded:

   → "From the date entered into the continuous discharge certificate in respect of joining the ship & ending on the date entered into continuous discharge certificate in respect of signing of the ship."

3. Sec 10 (48 A): Any income accruing / arising to Foreign Co on account of storage of crude oil in a facility in India & sale of such crude oil to resident person, shall be exempt from tax.

   conditions :

   Such storage & sale in pursuant to an agreement or an arrangement entered into by C.G. or approved by C.G.

4. Sec 10 (15): Interest on Deposit certificate issued under Gold monetisation scheme, 2015 shall be exempt from tax

   capital gain is also not applicable on such certificate as it is not included in the definition of capital assets

* Sec 80 IAC : Deductions for New Start ups.

a. Eligible assessee : company or LLP engaged in a business which involves innovation, development, deployment, commercialization of new products, processes or services driven by technology or intellectual property.

→ company / LLP should be incorporated during 1/4/16 to 31/3/2019 & T/O should be upto 25 cr in P.Y. [from P.Y. 2016-17 to P.Y. 20-21]

→ Assessee should hold certificate of eligible business from IMBC (Inter-Ministerial Board of Certification)

b. Amt of Deduction : 100% of profit deemed by startup for any three consecutive A.Y. out of five year beginning from the year in which start up is incorporated.

c. Conditions :

i. It should not be formed by split up or reconstruction of existing business.

ii. P&M should be New.

exception :

→ 20% can be second hand.

→ Imported Second hand P&M is treated as New on

d. Accounts should be audited by CA.

Example : A Ltd. was incorporated on 1.4.2016 to carry on the business of innovation, development, deployment & commercialization of new processes driven by technology. It holds a certificate of eligible business from the notified IMBC.

its total turnover & profits & gains from such business for the P.Y. 2016-17 to P.Y 2020-21 are as follows: (₹ in cr)

	P.Y. 2016-17	P.Y. 2017-18	P.Y 2018-19	P.Y. 2019-20	P.Y. 2020-21
Particulars.	15.42	18.36	20.21	22.72	24.95
Total Turnover	(2.52)	(1.37)	6.52	8.13	9.87

Is A Ltd. eligible for any tax benefit under the provisions of the income tax Act, 1961? If yes, what is the benefit available?

Ans:- A Ltd. is an eligible start-up, since –

1. It is a company engaged in eligible business of innovation, development, deployment & commercialization of new processes driven by technology. It holds a certificate of eligible business from the notified IMBC.
2. It is incorporated during the period 1.4.2016 to 31.3.2019
3. Its total turnover does not exceed ₹25 crores in any previous year from P.Y. 2016-17 to P.Y. 2020-21.
4. It holds a certificate of eligible business from the notified IMBC.

Therefore, A Ltd., being an eligible start-up, is eligible for deduction u/s 80-IAC of 100% of the profits & gains derived by it from an eligible business for any three consecutive assessment years out of five years beginning from the year in which the eligible start up is incorporated i.e P.Y. 2016-17.

In the first two years i.e., P.Y. 2016-17 & P.Y. 2017-18, A Ltd. has incurred a loss. In the subsequent three years i.e. P.Y. 2018-19, P.Y. 2019-20 & P.Y. 2020-21, A Ltd. has earned profits from eligible business & can hence, claim 100% of its profits as deduction under sec 80-IAC from the P.Y 2018-19 to P.Y. 2020-21. However, for P.Y. 2018-19, the profits eligible for deduction would be the profits after set off of brought forward losses of P.Y. 2016-17 & P.Y. 2017-18.

* Sec 115BBF: Royalty income from patent.

Royalty income in respect of patent developed & registered in india shall be taxable @ 10%.

NOTE: 1. Developed means 7.5% of expenditure should be incurred in india be eligible assessee for invention.

2. No dedⁿ for any expenditure / allowance in respect of royalty income shall be allowed under Act.

3. Eligible Assessee means: A person resident in India who is true & first inventor of the invention & whose name is register as patentee under Patent Act, 1970.

4. Assessee has to exercise the option for taxation of royalty in accordance with prov. of Sec 115 BBF upto due date of return filing u/s 139 (1) where assessee opt Sec 115 BBF for any P.Y. & the assessee not offer income as per Sec 115 BBF in any of the Next 5 years then Assessee shall not be eligible to claim benefit of Sec 115 BBF for 5 A.Y. subsequent to the A.Y. relevant to the P.Y. in which income has not been offered as per Sec 115 BBF.