Amendment of Income Tax Rules, 1962 Applicable for NOV 2010

Changes in limits for valuation of Car

[refer page 38]

(13) Valuation of motor Car

- **Owned or hired by employer and used**
  - **exclusively for official purpose**
    - Nil taxable if *Specified Documents* maintained
  - **exclusively for private purpose**
    - Runn. & main- Actual
    - Chauffeur - Actual
    - Wear & Tear 10%p.a. of cost Or hire charges
  - **partly offical and partly personal**
    - Runn. & main expenses by (Actual exp. is irrelevant)
      - **employer**
        - Upto 1.6 ltrs cubic capacity **Rs. ~~1,200~~ 1,800p.m.** shall be taxable
        - Exceeding 1.6 ltrs **Rs. ~~1,600~~ 2,400p.m.** shall be taxable
      - **employee**
        - Upto 1.6 ltrs cubic capacity Rs. **~~400~~ , 600 p.m.** shall be taxable
        - Exceeding 1.6 ltrs Rs. **~~600~~ , 900p.m.** shall be taxable
    - Add **Rs. ~~600~~ 900 p.m.** if chauffeur is also provided.
- **owned by employee and used**
  - **exclusively for official purpose**
    - Nil if *specified Documents* maintained
  - **partly offical and partly personal**
    - *Total* Actual expenditure for office and personal ***Less:*** **~~1,200~~ 1,800/~~1,600~~ 2400pm**
    - Less: **~~600~~ .900 pm** for chauffeur(if any)
    - However if actual expen. for official purpose is more than the limits then actual expenditure can be deducted by maintaining *specified documents*
  - **fully for private use**
    - actual exp. incurred by employer shall be taxable

(i) Specified documents

(ii) If employee has been provided with more than one car, which are not used exclusively for official purposes then

(a) value of one car shall be **~~1,200 or 1,600 Rs.~~ 1,800 or 2,400** + Rs. **~~600~~ 900p.m.** for driver (if any) as the case may be and

(b) the value of other cars shall be as if they are used exclusively for personal purposes.

Amendment of Income Tax Rules, 1962 Applicable for NOV 2010

Changes in limits for valuation of Car **[refer page 38]**

As per amended Rule 3, following changes have been made-

(i) Limits of Rs. 1,200 (upto 1.6 ltrs cc)/1,600 p.m.(exceeding 1.6 ltrs cc) in case Running & Maint. Expenses met by employer shall be substituted by Rs. 1,800/2,400 p.m.

(ii) Limits of Rs. 400 (upto 1.6 ltrs cc)/600 p.m.(exceeding 1.6 ltrs cc) in case Running & Maint. Expenses met by employee shall be substituted by Rs. 600/900 p.m.

(iii) Limit of Rs. 600 in case chauffeur is also provided shall be substituted by 900 p.m.

HIGHLIGHTS OF AMENDMENTS SUGGESTED IN FINANCE ACT 2009 ASSESSMENT YEAR -2010-11

APPLICABLE FOR PCC/IPCC MAY-2010/NOV-2010

1. **SLAB RATE**

- **Individual, Hindu Undivided Family, Association of Persons, Body of Individual**
  Income shall be taxable at the slab rates given below:

If total Income upto Rs.1,60,000	NIL
On next 1,40,000	10%
On next 2,00,000	20%
On Balance amount	30%

- **Resident woman below the age of 65 years**

If total income is upto Rs.1,90,000	NIL
On next Rs.1,10,000	10%
On next Rs.2,00,000	20%
On Balance amount	30%

- **Resident individual of the age of 65 years or more**

If total income is upto Rs.2,40,000	NIL
On next Rs.60,000	10%
On next Rs.2,00,000	20%
On Balance amount	30%

No surcharge is applicable for individual, HUF, AOP, BOI and partnership firm from A.Y. 2010-11 however company has to pay surcharge as usual.

2. Fringe benefit tax is omitted hence the employee has to pay tax even if the employer is company or firm etc.

3. As per section 17(2)(vi), if the employer has issued shares or securities at concessional rate, its market value shall be taxable in the hands of the employee

4. As per section 17(2)(vii), employer's contribution to superannuation fund in excess of Rs.1,00,000 shall be taxable in the hands of the employee.

5. As per section 17(2)(viii), fringe benefits like loan by the employer to the employee etc. shall know be covered under section 17(2)(viii) instead of section 17(2)(vi).

6. Advance tax is payable only if tax payable is Rs.10,000 or more instead of Rs.5,000 or more.

7. Gift

If gift has been given in kind, it is exempt but w.e.f. A.Y. 2010-11, it is taxable in the manner given below:
(i) In case of immovable property, if the value of immovable property for the purpose of charging stamp duty is upto Rs.50,000, it will be exempt and if it is exceeding Rs.50,000, entire amount is taxable.
(ii) In case of any other gift in kind like jewellery etc., if the aggregate market value is upto Rs.50,000, it is exempt but if it is exceeding Rs.50,000, entire amount is taxable.

Example
(i) Mr. X has received three gifts from his three friends
(a) Rs.55,000 in cash
(b) Land with market value Rs.5,00,000 but the value for the purpose of charging stamp duty Rs.4,00,000.
(c) Jewellery with market value Rs.3,00,000

In this case, taxable amount shall be 55,000 + 4,00,000 + 3,00,000 = 7,55,000

If in the above case instead of receiving the land free of cost, Mr. X has paid Rs.1,40,000, taxable amount shall be 4,00,000 – 1,40,000 = 2,60,000 but if Mr. X has paid Rs.3,70,000, Taxable amount shall be nil because if the difference (4,00,000 – 3,70,000) is upto Rs.50,000, it will be exempt.

8. Salary etc. allowed to the working partners shall be as given below:

(i) First Rs.3,00,000 of the book profits	90% or Rs.1,50,000 whichever is higher
(ii) On the balance	60%

9. As per section 40A(3), payments exceeding Rs.20,000 should be by account payee cheque or account payee bank draft but in case of payments made for plying, hiring or leasing goods carriages, Rs.20,000 shall be taken as Rs.35,000.

10. Under section 80DD, deduction in case of severe disability shall be Rs.1,00,000 instead of Rs.75,000. Similarly under section 80U, deduction for severe disability shall be Rs.1,00,000

11. No surcharge or education cess in case of TDS, however, in case of non-resident company, surcharge and education cess shall be applicable in the normal manner.
In case of salary income, education cess shall be applicable in the normal manner.

12. TDS under section 194C shall be @ 1% for all type of contracts if payment is given to an individual or HUF @ 2% in case of payment to any other person.

No TDS in case of payment for plying, hiring, leasing goods carriages under section 194C.

13. TDS under section 194-I shall be @ 2% in case of rent for plant and machinery etc. and @ 10% in case of letting out of house property.

14. If the person from whose income, tax is to deducted has not submitted his PAN, as per section 206AA, rate of TDS shall be actual rate or 20% whichever is higher.

15. Under section 80E, higher education shall include any course of study after passing senior secondary examination.

16. Charitable purpose shall include relief of the poor, education, medical relief, preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest and the advancement of any other object of general public utility.

17. Cost of acquisition in case of shares/debentures received under ESOP Section 49(2AA)
If the employer has issued sweat equity shares to the employees, in such cases as per section 17(2)(vi), market value of the shares shall be taxable in the hands of the employee.

If the same shares have been sold by the employees subsequently, the cost of acquisition of the shares shall be the market value of the shares which was taken into consideration for the purpose of perquisite value under the head salary.

18. Cost of acquisition in case of assets received as gift Section 49(4)
If any gift in kind was taxable under section 56, in such cases, at the time of sale, cost of acquisition of such asset shall be the value which has been taken into consideration for the purpose of computing taxable amount of gift. E.g. Mr. X purchased one house property on 01.07.2008 and it was gifted to Mr. Y on 01.11.2009 and value for the purpose of charging stamp duty was Rs.5,00,000 and subsequently the house property was sold by Mr. Y on 01.01.2010 for Rs.15,00,000, in this case capital gains shall be computed in the manner given below:

	Rs.
Full value of consideration	15,00,000
Less: Cost of acquisition	5,00,000
Short term capital gain	10,00,000

19. ICAI has clarified that the five services for the May 2010 and Nov 2010 examination shall be as given below:

1. Legal Consultancy Services
2. Mandeep Keeper's Services
3. Commercial Training or Coaching Services
4. Information Technology Software Services
5. Services in respect of membership of clubs or associations

20. For the students appearing in Nov' 2010, perquisite value for motor car for official/personal purpose shall be Rs.1,800 p.m. for 1.6 litres and Rs.2,400 p.m. for motor car exceeding 1.6 litres and perquisite value for driver shall be Rs.900 p.m. as per the new rules notified on 18th Dec' 2009.

INCOME FROM SALARY

(Estimated Time Allocated – 20 minutes)

Basis of charge ***[Section 15]***
Salary is taxable on due basis or on receipt basis whichever is earlier.

Gratuity ***[Section 10(10)]***
(a) Government employee-Fully exempted
(b) Employee covered by Gratuity Act – *Minimum of*
(i) Actual Received
(ii) $\frac{15}{26} \times$ Last Drawn Salary $\times$ No. of completed years plus excess of six months
(iii) Rs. 3,50,000
(c) Any other Employees – *Minimum of*
(i) Actual Received
(ii) $\frac{15}{30} \times$ Average Salary of 10 months $\times$ No. of completed years
(iii) Rs. 3,50,000

Pension ***[Section 10(10A)]***
⇒ Uncommuted pension – fully exempt
⇒ Commuted pension-
(a) Government employee – fully exempt
(b) Non-Govt. employee (received gratuity also) - $\frac{1}{3}$ of full value of pension
(c) Non-Govt. employee (not received gratuity) - $\frac{1}{2}$ of full value of pension

Leave Salary ***[Section 10(10AA)]***
(i) Govt. employee – fully exempt
(ii) Non-Govt. employee – *Minimum of*
(a) Actual Received
(b) Avg. salary of last 10 months $\times$ Balance Leave calculated on the basis of 30 days
(c) Average Salary $\times$ 10 months
(d) Rs. 3,00,000

Retirement Compensation ***[Section 10(10B)]***
Minimum of
(i) Actual Received
(ii) Amount calculated in accordance with Industrial Dispute Act, 1947
(iii) Rs. 5,00,000

Voluntary Retirement ***[Section 10(10C)] & Rule 2BA***
(i) 10 years of service or 40 years of age
(ii) For all employees (*except directors of the company*)
(iii) Reduction in number of employees
(iv) Not to be filled up
(v) No same management
(vi) *Minimum of*
(a) Actual amount received

(b) Last drown salary × 3 months × No.of completed years of services
(c) Last drown salary × balance months' service left
(d) Rs. 5,00,000

Provident Fund	
(i) RPF	→ Employee's contribution – excess of 12% salary (*Taxable*) → Interest on provident fund – excess of 9.5% (*Taxable*)
(ii) Unrecognized provident fund	→ Employer's contribution-Taxable (*Salary*) → Interest on Employer's contribution-Taxable (*Salary*) → Interest on Employee's contribution-Taxable (*Other sources*)

Allowances

(1) Fully taxable allowances
(2) Allowance exempt upto specified limit
  (A) House Rent Allowances *[Section 10(13A)] & Rule 2A*
   Minimum of
   (i) Actual allowance received
   (ii) Rent paid – 10% Salary
   (iii) 50% of salary - If accommodation is in Mumbai, Kolkata, Delhi, Chennai
     40% of salary - For any other place
  (B) Actual amount received or amount spent whichever is less (*exempt*)
   (i) Travelling (ii) Daily (iii) Conveyance (iv) Helper (v) Academic (vi) Uniform
  (C) Amount received or the limit specified-whichever is less is exempt
   (i) Children education allowance-Rs.100 p.m. per child (maximum 2 children)
   (ii) Hostel expenditure allowances-Rs.300 p.m. per child (maximum 2 children)
   (iii) Transport allowance-Rs.800 p.m. (Rs.1600 for blind/handicapped)
   (iv) Allowance allowed to transport employees (*who not received daily allowance*)
     (a) 70% of such allowance *or* (b) Rs.6000 p.m. (*whichever is less*)
   (v) Tribal area allowance-Rs.200 p.m.
   (vi) Underground alloances-Rs800 p.m.
(3) Fully exempted allowances
  (i) Foreign (Govt. Employee) (ii) HC or SC Judge (iii) UNO

Perquisites *[Section 17(2)]*

(1) Taxable in the hands of all employee
  (A) Rent free accommodation
   Govt. employee-as per Govt. rules
   Non-Govt. employee-
   (i) Owned by employer-15% of salary (in cities population exceeds 25,00,000)
    10% of salary (in cities population exceeding 10,00,000 but not exceeding 25,00,000)
    – 7.5% of salary (*in other place*)
   (ii) Not owned by employer: (a) actual rent and (b) 15% of salary (whichever is less)
  (B) Valuation of monetary obligation of employee-actual expenditure
  (C) (i) Interest free loan-Interest rate of SBI or 12%(*exemption loan upto Rs.20000*)
   (ii) Use of moveable assets-10% p.a. of actual cost or actual rental charge
   (iii) Transfer of moveable asset
     Computer & electronic items-Dep. @ 50% for completed years (WDV)
     Motor car-Dep. @ 20% for completed years (WDV)
     Other assets-Dep. 10% for completed years (SLM)
(2) Perquisites taxable in the hands of specified employees
  (i) Sweeper, Gardener or watchman-Actual cost
  (ii) Gas, electricity or water-Actual cost or manufacturing cost
  (iii) Education facilities-For children Rs.1,000 p.m. (*exempt*)

Specified employees means-Director, 20% (beneficial ownership), salary more than Rs.50,000 p.a.

(3) Tax free perquisites for all employees

(i) Medical facilities

Medical treatment in India:

Employer's hospital, Govt. Hospital, Notified hospital, Group medicine insurance, medical insurance *u/s 80D* (*fully exempt*)

Any other medical expenditure-maximum of Rs.15,000

Medical treatment abroad:

Medical treatment and stay expenses abroad-exempt (If permitted by RBI)

Travel expenditure → GTI upto Rs. 2,00,000 (Fully exempt)

→ GTI above Rs. 2,00,000 (Fully Taxable)

(ii) Leave travel concession *[Section 10(5)]*-maximum of 2 journeys in block of 4 years (2006-2009) by air/first class air-conditioned in train by shortest distance

Deductions from salary

(1) Entertainment allowances *[Section 16(ii)]*-For Govt. employees only

Minimum of

(a) Actual amount (b) 20% of Basic Salary (c) Rs. 5,000

(2) Professional Tax *[Section 16(iii)]*-Actual amount paid

Relief Available *[Section 89]* – Step 1 – Step 2

Meaning of salary for Different purpose-

(1) For entertainment allowances	Basic salary only
(2) Gratuity for employees (Covered under Gratuity Act)	Basic Salary + DA
(3) Gratuity for employees (not covered under Gratuity Act)	Basic Salary + DA (if forming part of retirement benefit) +Commission as a fixed percentage turnover
(4) Leave Salary	
(5) Voluntary retirement compensation	
(6) Contribution to RPF	
(7) House rent Allowances	
(8) Rent free accommodation	Basic salary + DA (for R.B.) + Bonus or commission + Taxable Allowances

INCOME FROM HOUSE PROPERTY

(Estimated Time Allocated – 10 minutes)

Basis of charge *[Section 22]*

Annual Value–Building and land apportionment–owner–not use business and profession

In case of composite rent – If it is inseparable (*PGBP/Other sources*)

Deemed Owner *[Section 27]*

(1) Transfer to spouse (*except agreement to live apart*)
(2) Transfer to a minor child (*except minor married daughter*)
(3) Individual holds and importable estate
(4) Member of co-operative society
(5) Part performance of Contract *u/s 53A* – Transfer of Property Act
(6) Lease – Not less than 12 years
(7) Dispute – Income received

Case I – Let out for full year

Step I: MV or FR (*higher*) **Step II:** Answer or SR (*lower*) **Step III:** Answer or AR (*higher*)

Case II – Let out for full year (*sum unrealized rent*)

Step III: (i) Answer of Step II (ii) Actual Rent of PY *less* UR (*higher*)
Key Note – Conditions : (i) Bonafide (ii) Tenant has vacant or Steps have been taken
(iii) Tanent is not in occupation of any other property
(iv)Taken all reasonable steps for the recoveryof upaid rent

Case III – Let out for full year (*vacancy also*)

Step IV: Determined value in Step III *less* [Actual rent per month × Vacant months]
Key Note – In Step III Actual Rent for whole of previous year

Case IV – Vacancy + Unrealized Rent

Case V – Self acquired property

Net Annual Value → NIL
Deduction → Interest on capital borrowed → Rs. 30.000 (*maximum limit*)
Rs.1,50,000 → Loan on or after 1/4/1999 → within 3 years acquired or considered → proof
More than one self-occupied property *[Section 23(4)]*
One self-occupied property=Nil (*Other deemed let out*)

Case VI – Self occupied + Let out

Actual Rent taken for let out period only, but municipal tax for the full P/Y

Deductions *[Section 24]*

(i) Municipal tax paid by owner
(ii) Std. deduction @ 30% of NAV
(iii) Interest on borrowed capital (*Accrued basis*)
Key Note – Interest on pre-construction period-
Date of loan to prior to the P/Y (completed)=5equal instalments
Borrowed commission (disallowed), Interest on unpaid interest (disallowed), Interest on fresh loan (allowed, Interest on borrowed capital, Payable outside India without TDS (disallowed)

Recovery of unrealized rent already reduced from the annual value for A/Y 2002-03 & onwards *[Section 25AA]*

Unrealized rent recovered *less* Already taxed earlier (*Taxable*)

Arrears of rent received *[Section 25B]*

Arrears of rent received *less* Already taxed earlier (*Taxable after deducting 30%*)

Co-ownership *[Section 26]*

→ Provision of self-occupied property will apply to each co-owner
→ Deduction upto Rs. 30,000 / Rs.1,50,000 will be available to each co-owner

Property Exempt From Tax

One Palace of Ex-Ruler, Trade Union, One Self Occupied Property, Use of Business or Profession , Political Party, Charitable Purpose, Hospital

Composite Rent

Actual Rent Received *less* Electricity bill, water bill, Lift maintenance expenses, Liftman salary, Salary of gardener, Lighting of stairs

PROFIT & LOSS FROM BUSINESS & PROFESSION
(Estimated Time Allocated – 30 minutes)

Chargeable under the head business or profession *[Section 28]*

(i) Profits and Gains of Business or profession
(ii) Compensation: Indian company, any other company in India, Agency, Govt.
(iii) Profit on import licence, Cash assistance against exports, Duty Draw back
(iv) Value of benefit or perquisite arising from business/profession
(v) Salary received by partner of a firm
(vi) (a) Not carrying out any activity (b) Not sharing any know how
(vii) Keyman Insurance Policy
(viii) Any sum received or receivable on account of any capital assets, in respect of which deductions has been allowed under *Section 35AD*

Business must be carried on during the P/Y

Exceptions: Recovery against loss, Balancing charge, Sale of Scientific Research Assets, Recovery against bad debts, Amount withdrawn from special reserve

Method of Accounting *[Section 32]*

Cash system or mercantile system (*option to assessee*)
Two **A**ccounting **S**tandards (AS) in mercantile system
AS 1: Disclosure of Accounting Policies
AS 2: Prior period and extra ordinary items and charges in accounting policies

Admissible Deduction *[Section 30-37]*

Rent, rates, taxes, repairs and insurance for buildings *[Section 30]*

Repairs and Insurance of machinery, plant & furniture *[Section 31]*

Only revenue expenditure

Depreciation *[Section 32]*

Owner → Asset must use in business/profession → relevant P/Y → eligible asset → WDV method

Block of Assets *[Section 2(ii)]*: Same nature → Same Rate

Rates of depreciation for various block of assets

(I) Building: Residential → 5%, Non-residential → 10%, Temporary residential → 100%
(II) Furniture & Fittings →10%
(III) Plant & Machinery: General Rate →15%, Books for profession and library → 100%, Motor car for Hire → 30%, Motor car for Business → 15%, Computer → 60%, Ships → 20%
(IV) Intangible assets → 25%

Additional Depreciation *[Section 32 (1)(iia)]*

Only for manufacturing business → any new machinery or plant (*other than ships and aircrafts*) installed after 31/3/2005 → @ 20% of annual cost
Condition: No second hand, not installed in office, no road transport vehicle, no deduction in one P/Y

Short Term Capital Gain for Depreciable Asset

When entire block are not transferred:
Consideration for transfer *less* Expenses of transferred, Opening WDV, Purchase
→ If the difference is *profit*, it is taxable as STCG.
→ If the difference is *loss*, it is claimed depreciation under *section 32*.
If asset purchased during the relevant P/Y → Put in to use *less than* 180 days (*dep. 50% of prescribed rate*)

Computation of Depreciation

	Depreciated value of block at begging of P/Y	*(i)*		……
Add:	Cost of asset *put to use* during the P/Y	*(ii)*		
	a. Assets eligible for dep. @ 100% of normal rate		……	
	b. Assets eligible for dep. @ 50% of normal rate		……	……
Less:	Money payable in respect of assets sold/discarded/demolished/destroyed during P/Y			
	Subject to maximum of	*(i)+(ii)*		(……)
	WDV at the end of P/Y *[Section 43(6)(c)]*			……
Less:	Depreciation for the P/Y			(……)
	Depreciated value at the end of P/Y			……

Computation of STCG/STCL

	Sale consideration of those depreciable assets which have been transferred during the P/Y and which fall in the same block of asset *(whether received in cash or not)*		……
Less:	Total of following three		
	a. Opening value of block	……	
	b. Cost of capital acquired during the P/Y	……	
	c. Cost of transfer	…….	(……)
	STCG/STCL		……

Depreciation for undertaking engaged in generation & distribution of power
WDV or SLM (*option of assessee*)
Consequence if the above assets are sold
Depreciation on the basis of WDV: Same treatment as done in Block concept
Depreciation on the basis of SLM:
(i) WDV – Sale Price = Terminal Depreciation (*allowed in PGBP*)
(ii) Sale price (*not more than actual cost*) – WDV = Balancing charge (*Taxable in PGBP*)
(iii) Sale price (*more than actual cost*) – Actual Cost = Capital Gain

Set-off and carry forward of unabsorbed depreciation *[Section 32(2)]*
Same head → any head of income other than salary → carry forward to any number of years

	Tea Development Account *[Section 33AB]*	**Site restoration fund A/c *[Section 33ABA]***
Applicable	Tea *or* Coffee *or* rubber	Petroleum *or* natural gas
Time Limit	Six months of end of P/Y *or* before ROI	Before end of P/Y
Deposit	NABARD *or* TCR board	SBI *or* Scheme of Ministry of P & G
Deduction	40% of profits of such business (*max. limit*)	20% profit of such business (*mix. limit*)
Common provision in case of *Section 33AB/33ABA*		
Deduction withdrawn → Purchase for office or residence, office appliances (*other than computer*)		
Deduction allowed → in one year, XIth Schedule, sale before 8 years from end of P/Y		

Expenditure of scientific research *[Section 35]*
(1) Expenditure incurred by the assessee (A) In all cases of in house research → 100% (*other than cost of any land*) Any expenditure during 3 years immediately preceding the year of commencement of business → 100% (*other than cost of any land*) (B) In case of companies in specified business → 150% (*except land and building*) Special business = Bio-technologies or companies engaged in the business of manufacturer or production of an article or thing except those specified in the XIth

Schedule of the Income Tax Act
(2) In case of contribution to outsiders → 125% (*whether or not research related to assessee business*)
Any national laboratory, university, IIT, Approved bodies
Unabsorbed expenditure → Same Treatment as unabsorbed depreciation

Expenditure on acquisition of Patent Rights *or* Copy Rights *[Section 35A]*

Before 1/4/1998 → Allowed in 14 equal annual instalments
On or after → Depreciation at 25% (WDV)

Expenditure for obtaining Telecommunication License *[Section 35ABB]*

$$\text{Amount of deduction} = \frac{\text{Amount paid}}{\text{Remaining period of license}}$$

Donation for Eligible Project *[Section 35AC]*

(1) Eligible expenditure → Payment to public sector company, local authority, approved association, direct expenditure incurred on eligible project (*For Company only*)
(2) Amount deduction → Actual payment *or* actual expenditure
(3) Withdrawal of exemption → Project is not being carried on accordance with condition of national committee, Report nor furnished to the national committee

Investment-linked tax incentive for specified business-cold chain facilities, warehousing facilities for storage of agriculture produce, and cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities *[Section 35AD]*

Donation for Rural Development *[Section 35CCA]*

National fund for Rural Development, National Urban poverty Eradication Fund

Preliminary Expenses *[Section 35]*

(1) Applicability → Indian company *or* Non-corporate resident assessee
(2) Before commencement of business → For setting up of any business
After commencement of business → Extension *or* setting up new undertaking
(3) List of specified expenditures → Feasibility Report, project report, market survey, engineering services, legal charges, drafting and printing of MoA & AoA, registration fees, issue of shares and debentures, underwriting commission, expenditure of prospectus

Expenditure in case of amalgamation *or* demerger *[Section 35DD]*

Indian company → 5 instalments

Expenditure incurred under Voluntary Retirement Scheme (VRS) *[Section 35DDA]*

Any assesse → 5 equal annual instalments

Expenditure on prospecting for certain minerals *[Section 35E]*

Account of deduction → $\frac{1}{10}$th of expenditure *or* Income from such prospecting (*lower*)

Other Deduction ***[Section 36(1)]***
(1) Insurance premium on stocks → allowable only in year of payment
(2) Insurance premium on life of cattle → allowable only in year of payment
(3) Insurance premium paid on health of employees → payment made by any mode other than cash
(4) Bonus *or* commission paid to employees → on *or* before due date of filing return *[Section 43B]*
(5) Interest paid on borrowed capital → Actual Interest
(6) Employers contribution to RPF → on *or* before the due date of ROI
(7) Contribution to approved gratuity fund → on *or* before the due date of ROI
(8) Contribution from employees → on *or* before the due date under the relevant Act
(9) Amount of deduction = Actual cost of animal ***less*** Amount realized on sale of animals
(10) Bad debts → only actual bad debts allowed (*provision for bad debts disallowed*)
(11) Provision for bad and doubtful debts for rural branches of Banks and co-operative banks
(12) Special reserve created by Financial Corporations
(13) Family planning expenditure → only for company assessee
⇒ Revenue expenditure → fully allowed
⇒ Capital expenditure → Allowed in 5 years in equal instalments
⇒ Unabsorbed family planning expenditure → same manner as unabsorbed depreciation
(14) Treatment of discount on zero coupon bonds → Allowed proportionately
(15) Securities Transaction Tax (STT) → Allowed as a deduction
(16) Special deduction for reserve (*maximum 20%*) → allowed to national Housing Bank

General Deduction ***[Section 40 (a)]***
Expenditure only for business or profession → revenue nature → during the P/Y → not covered by *Section 30 to 36* → No personal expenditure

Disallowed Expenditures ***[Section 40(a) – 43B]***

Expenses not deductible ***[Section 40(a)]***
(1) Salary, Interest, Royalty, etc. for non-resident (*without TDS*) (2) Interest, Commission, Royalty, etc. for resident (*without TDS*) (3) Fringe benefit tax (4) Income tax/Dividend tax (5) Wealth Tax

Disallowance for Partnership firm ***[Section 40(b)]***

⇒ Payment of interest to any partner → as per deed 12% p.a. (*whichever is lower*)

⇒ For payment of salary, bonus to working partner:

Specified Profession Firm & other Firm	
On the first Rs. ***3,00,000*** of the book profit or in case of loss	Rs. ***1,50,000*** or at the rate of 90% of the book profit, whichever is more
On the balance of the book profit	60% of book profit

Payment to specified persons ***[Section 40A(2)]***
AO may disallowed → excessive or unreasonable (*fair market value*)

Cash Payment in respect of expenditure exceeding Rs. 20,000 ***[Section 40(A)(3)]***
Payment in excess of Rs. 20,000 (*for transporter Rs. 35,000*) otherwise **Account Payee** cheque *or* Demand Draft → 100% disallowed Exceptions: Payment made to bank and financial institutions, Govt., Banking Holiday, Employees (*not exceed Rs. 50,000*), village not served by any bank, book adjustment, producer of agriculture, Poultry farm, Dairy, Cottage Industry (*without aid of power*)

Disallowance or provision for gratuity ***[Section 40A(7)]***
⇒ Provision for Gratuity
⇒ Approved gratuity fund (*allowed*), actual payment of gratuity (*allowed*)

Deduction based on actual payment *[Section 43B]*
Certain deduction are made only on actual payment on or before the due date of ROI → Any tax, duty, cess, Interest on loans from scheduled bank or any public financial institution, any bonus or commission or leave encashment to employees, contribution to PF

Maintenance of accounts by person carrying on profession or business *[Section 44A & Rule 6F]*

(i) Business assesse (***Other than notified profession***): Income from business or profession exceeds Rs. 1,20,000 *Or* Total sales/gross receipts exceeds Rs. 10,00,000.
In any of 3 preceeding P/Y or likely to exceeds in case of newly setup business or profession.
Assessee is required to maintain → books of account and other documents (*for computation of income*)

(ii) Not required to maintain any books if specified amount are not exceeded.

Notified Professions: Profession of Law, Medicine, engineering, accounting, CA, CS, etc.

(i) Gross receipts exceeding Rs. 1,50,000 (*in all three years immediately preceeding the PY or likely to exceed if the profession is newly setup*)
Assessee is required to maintain: **Specified books** → Cash Book, Journal, Ledger, Carbon Copies of Bills exceeding Rs. 25, Original Bill for expenditure exceeding Rs. 50
In case of medicine profession: Daily Cash Register, Medicine Inventory Register

(ii) In other cases: Assessee is required to maintain such books of account and other documents as may enable the Assessing Officer to compute income

Compulsory Audit of Accounts *[Section 44AB]*

(1) Applicability →
 (a) For business total sales or gross receipts exceed Rs. 40,00,000
 (b) For profession gross receipts exceeds Rs. 10,00,000
 (c) Business referred to *u/s 44AD/AE/AF* and declaring lower income

(2) Filling of report → Audit report of CA on or before 30th September of the relevant A/Y

(3) If accounts audited under any other law → Report with audit report under any law

(4) Consequence of non-compliance → Defective return *[Section 139(9)]*

Presumptive income in case of Specific Business or Profession *[Section 44AD/AE/AF]*

Civil construction *[Section 44AD]*: 8% or more of gross turnover

Business of plying and leasing goods carriages *[Section 44AE]*: Heavy goods vehicle Rs. 3,500 p.m. and other Rs. 3,150 p.m. or part of a month (*Maximum 10 goods carriage*)

Retail traders whose turnover exceeds Rs. 40,00,000 *[Section 44AF]*: 5% or more of gross turnover

Common provisions in case of *Section 44AD/AE/AF*

(1) Deduction under *Section 30-38* (*deemed to be allowed*)
(2) Depreciation (*deemed to be allowed*)
(3) Turnover for under *Section 44AB* (*not to considered*)
(4) Option for lesser amount (*Section 44AA & 44AB applicable*)
(5) Partner's – Interest, salary (*allowed*)
(6) Deduction under *Section 80C-80U* (*allowed*)

INCOME FROM CAPITAL GAIN
(Estimated Time Allocated – 20 minutes)

Basis of charge *[Section 45(1)]*
Capital assets → Transfer → P/Y → Capital Gain → Exemption *u/s 54-54H* (*applicable*)

Capital Assets *[Section 2(14)]*
Includes → Property of any kind whether or not connected with business or profession
Excludes → Stock in trade, personal effects (except jewelry, archeological collections etc.), Rural agriculture land in India

Types of Capital Assets
(i) Short term capital assets → Holding period not more than **36 months**
Exception → Holding period not more than **12 months**
Equity or preference shares, listed securities, units of mutual fund, Zero Coupon Bonds
(ii) Long term capital assets → A capital assets which is not a short term capital asset

Transfer *[Section 2(47)]*
Sale Exchange, Relinquishment, Extinguishment, Compulsory Acquisition, Conversion of Capital Assets, ***Redemption of Zero Coupon Bonds*,** Part Performance of Contract (*Transfer Of Property Act*), Enjoyment Of Immovable Property

Meaning of Zero Coupon Bond *[Section 2(48)]*
(a) Issued (*on or after 1/6/2005*) → Infrastructure capital company or infrastructure capital fund or public sector company or scheduled bank
(b) No payment and benefit → before maturity or redemption
(c) Central government → Notification in the Official Gazettee

Transaction which are not considered as transfer *[Section 47]*
(1) Partition of HUF
(2) Gift or will or irrevocable trust (*except→ESOP*)
(3) Holding company to its Indian Subsidiary company (*Condition→100% shareholding*)
(4) Subsidiary company to its Indian Holding company (*Condition→100% shareholding*)
(5) Amalgamation company to its Indian amalgamated company
(6) Amalgamation of a company with a Banking Institutions
(7) Demerged company to its Indian resulting company
(8) Transfer of shares by resulting company to the shareholders of demerged company
(9) Shares of amalgamated company to shareholder of amalgamated company
(10) Transfer made by one non-resident to another non-resident (*outside India*)
(11) Transfer (*Government, University, Notional Museum, National art Gallery, Notified by CG*)
(12) Conversion of Bonds, debenture, deposit certificate into shares or debentures of that company
(13) Transfer of land by Sick Industrial company (*managed by its own co-operative*)
(14) Transfer of capital assets of a firm into company
Condition: All assets/liabilities, capital ratio, partners received only by shares, 50% voting power 5 years

Comparison of Capital Gain *[Section 48]*
(i) Computation of Short Term Capital Gain:
Full value of consideration ***Less*** Transfer expenses, COA, COI, Exemption *u/s 54B, 54D & 54G*
(ii) Computation of Long Term Capital Gain:
Full value of consideration ***Less*** Transfer expenses, ICOA, ICOI, Exemption *u/s 54-54H*

Cost of acquisition and Improvement *[Section 55]*
⇒ **In case of right to manufacture, produce any article or goodwill of a business** COA → Nil (*if self-generated by assessee or provision owner.*) Cost to assessee/ Previous Owner (*if required/purchase*) COI → Nil ⇒ **In case of Tenancy rights, Route permits and loom hours, trademarks or bond name** COA → Nil (*if self-generated by assessee or provision owner.*) Cost to assessee/ Previous Owner (*if required/purchase*) COI → Expenses incurred by assessee or previous owner

Goodwill of profession is not taxable → B. Srinivas Setty (SC)

Cost of Acquisition of different types of shares *[Section 55]*

Particulars of Assets	Date of acquisition/Holding Period	Cost of Acquisition
(1) Shares originally purchased: (a) Primary market (b) Secondary market (i) Transaction trough share broker (ii) Transaction between parties directly	 Date of Allotment Date of broker's note Date of contract of sale	 Allotment price Amount paid + Brokerage charges + Adjustment for exp. & com. + dividend/interest As above (*excluding brokerage*)
(2) Bonus share	Date of allotment	NIL
(3) Shares acquired in different lots at different point of time	FIFO method	FIFO method
(4) Shares held in depositary system (*taxable in hands of beneficial owner*)	FIFO method	FIFO method
(5) Right shares offered to existing shareholders and subscribed by them	Date of allotment	Offer Price
(6) Right share acquired by a person by way of renouncement	Date of allotment	Offer price + Amount paid for renouncement
(7) Renouncement of right shares in favour of another person	Holding period is date of offer of such right to the date of renouncement (*always STCG*)	NIL
(8) Financial asset acquired without any payment	Date of allotment of such financial assets	NIL

Computation of Capital Gain in Special Cases

Section	Nature of Transaction	Year of taxability	Computation of Capital gain
45(1A)	Insurance claim on loss of assets	Year of receipt of claim	Insurance claim received ***Less*** COA or COI
45(2)	Conversion of capital assets into Stock-in-trade (*Key note:* Indexation based on year of conversion, not on year of sale)	Year of transfer of converted stock	FMV of the capital asset on conversion ***Less*** COA or ICOA Business income= Sale consideration ***Less*** FMV considered as above
45(2A)	Sale of shares held as depository (*FIFO method*)	Year of transfer	Consideration for transfer ***Less*** COA or ICOA
45(3)	Introduction of capital assets by partner into firm	Year of distribution	Amount credited in partners' capital a/c in the books of the firm ***Less*** COA or ICOA
45(4)	Distribution of capital asset by partners/ members on	Year of first receipt	FMV on date of transfer ***Less*** COA

	dissolutions of firm/AOP/BOI		or ICOA
45(5)	Compulsory acquisition of capital asset by Government		
	(a) Normal compensation	Year of first receipt	Whole of normal compensation received or receivable ***Less*** COA or ICOA
	(b) Enhanced compensation	Year of receipt of claim	Enhanced compensation ***Less*** Expenses incurred
45(6)	Redemption 80CCB Units	Year of repurchase	Repurchase price ***Less*** Amount invested (*no indexation*)
46	Receipts of Assets / cash from company on liquidation	Year of receipt	FMV of asset received ***Add*** Amount received in Cash ***Less*** Deemed dividend *u/s 2(22)(c)* ***Less*** COA or ICOA of hares
46A	Repurchase/bay back of shares /Specified securities	Year of repurchase	Consideration for transfer ***Less*** COA or ICOA
50B	Sale or undertaking as a going concern or Slump sale	Year of transfer	Lump sum consideration ***Less*** Net worth
50C	Transfer of land or building or both at less than stamp duty authority value	Year of transfer	Value determined by stamp duty authority ***Less*** COA or ICOA

Advance money forfeited *[Section 51]*
Cost of assesse ***Less*** Forfeited by the assessee

Reference of a valuation officer *[Section 55A]*
(i) Sale consideration<FMV (ii) Difference between FMV and sale consideration (*more than Rs. 25,000 or 15%*)

Exemption on compulsory acquisition of agriculture land *[Section 10(37)]*
Individual or HUF → Holding period 2 year or more → Consideration determined by CG or RBI → on or before 1/4/2004

Exemption on LTCG from Shares *[Section 19(38)]*
Transfer on or after 1/10/2004 → Through recognized stock exchange → security transaction tax applicable

Tax on STCG from shares @ 15% *[Section 111A]*
Transfer on or after 1/10/2004 → Through recognized stock exchange → security transaction tax applicable

Tax on LTCG from listed securities *[Section 112]*
Tax @ 20% on LTCG after Indexation *or* @ 10% on LTCG without indexation (*whichever is less*)

Exemption from Capital Gain *[Section 54/54B/54D/54EC/54F/54G/54GA]*

Sec.	Asset transferred	Who is entitled	Use of Holding period	Amount to be invested	New Asset	Exemptions	Prescribed period for investment	Treatment of unutilized amount	Sale of new asset
54	Residual House	Individual or HUF	Exceeding 36 months	Capital Gain	Residual House	Capital Gain or amt. invested whichever is less	Within 1 yr. before or 2 yrs. after the date of transfer in case of purchase, or within 3 yrs. after the date of transaction in case of new consideration	Deposit in Capital Gains Account Scheme before due date of furnishing the return of Income	If sold within 3 yrs. from the date of purchase/ construction for the purpose of computation of STCA on the new asset, the cost of new asset shall be reduced by the amount of CG claimed as exempted
54B	Agricultural Land	Individual	Use for 2 yrs. for agriculture	Capital Gain	Agricultural land	As Above	Within 2 yrs. after transfer	As Above	As Above
54D	L & B for industrial Undertaking	Any assessee	Use for 2 years	Capital Gain	L & B for industrial undertaking	As Above	Within 3 yrs. after transfer	As Above	As Above
54EC	Long term capital asset	Any assessee	LTCA	Capital Gain	Bonds issued on or after 1/4/2007 by NHAI or RECL	Capital Gain or amt. invested whichever is less (maximum Rs.50 lakh during any financial year	Within 6 months of transfer of original asset	Not Applicable	If sold within 3 yrs. exempted Capital gain will be deemed to be the income of the assessee in the yr. of sale of new asset
54F	Any asset other than residual house	Individual or HUF	Should be LTCA. Should not own more than one house on the date of transfer	Net consideration	Residual House	$\text{Capital Gain} \times \frac{\text{Amt. Invested}}{\text{Net consider.}}$	Within 1 yr. before or 2 yrs. after the date of transfer in case of purchase, or within 3 yrs. after transfer in case of construction	Deposit in Capital Gains Account Scheme before due date of furnishing the return of Income	Sale as for Section 54. 54B, 54D except that under section 54F will be taxed as LTCG
54G	P & M or L&M for industrial undertaking in urban area	Any assessee	May be LTCA or STCA	Capital Gain	P & M or L & B used for industrial undertaking in non-urban area or meeting expenses of shifting	Capital Gain or amt. invested whichever is less	Within 1 yr. before or within 3 yr. after the date of transfer	As Above	Same as for Section 54, 54B & 54D
54GA	P & M or L&M for industrial in urban area	Any assessee	May be LTCA or STCA	Capital Gain	P & M or L & B used for industrial undertaking in SEZ or meeting expenses of shifting	Capital Gain or amt. invested whichever is less	Within 1 yr. before or within 3 yr. after the date of transfer	As Above	Same as per Section 54

INCOME FROM OTHER SOURCES

(Estimated Time Allocated – 8 minutes)

Basic Charge *[Section 56(1)]*
Income not related to any head

Specified Incomes *[Section 56(2)]*
(i) Dividend, winning from lotteries, races, card games, incomes from letting machinery or furniture along with building and only machinery or furniture, interest on securities.
(ii) **Where any some of money / any property / movable property exceeding Rs. 50,000 the whole of such amount (*except-relative, occasion of marriage, under a will, in comparison of death of the payer*)**

Deemed Dividend *[Section 2(22)]*
(a) Any distribution by company, (b) Distribution of debenture, (c) Distribution of accumulated profit to shareholders on liquidation, (d) Distribution on reduction of share capital, (e) Any advance / loan by a private company to equity shareholder (*10% voting power*) *or* any concern (*in which such member is have been not less than 20% voting power*)

Rate of tax in case of winning from lottery etc. *[Section 155BB]*
30% of such income + 2% education + 1% SHEC

Interest on securities (*Rates of TDS*)

Types of Security	Rate of TDS
(i) CG/SG securities	No TDS
(ii) Listed securities	10%
(iii) Unlisted Securities	20%
Note: In case of tax free non-government securities → Grossing Up of interest	

Bond Washing Transaction

→ If owner of any securities sells it just before due date and again acquires them after due date, he will be able to avoid payment of tax on interest

→ In such case as per *Section 94* interest would be deemed to be the income of transferor and not Transferee.

Example:

(a) If there is not avoidance of Income Tax or

(b) The avoidance of Income Tax was exceptional and bot synergic and there was no avoidance of income tax of three proceeding years.

Family Pension *[Section 37(iia)]*

Family pension received by legal heir of deceased employee, taxable under the head "other source. Standard deduction to legal heirs is allowed.

(i) 33.33% of pension
(ii) Rs. 15000
} whichever is lower

CLUBBING OF INCOME

(Estimated Time Allocated – 8 minutes)

Transfer of income without transfer of assets *[Section 60]*
Taxable in hands of transferor

Revocable transfer of assets *[Section 61]*
Taxable in the hands of transferor

Remuneration of a spouse from a concern in which the other spouse has substantial interest other than for excising professional knowledge *[Section 64(1)(ii)]*
Clubbed in the hands of individual

Income from assets transferred to the spouse for inadequate consideration *[Section 64(1)(iv)]*
Clubbed in the hands of individual

Income from assets transferred to the son's wife for inadequate consideration *[Section 64(1)(vi)]*
Clubbed in the hands of individual

Income from assets transferred to any person for the benefit of the spouse of the transferor *[Section 64(1)(vii)]*
Clubbed in the hands of individual

Income from assets transferred to any person for the benefit of the son's wife of the transferor *[Section 64(1)(vii)]*
Clubbed in the hands of individual

Clubbing of income of a minor child *[Section 64(1A)]*
In the hands of parents whose total income is higher or the person maintained minor

Income from self-acquired property concerted to joint family property for inadequate consideration *[Section 64(2)]*
Clubbed in the hands of individual

SET-OFF & CARRY FORWARD

(Estimated Time Allocated – 6 minutes)

Nature of Income		Set-Off			Carry Forward	Set-Off
		Same Source under same head	**Inter-source under same head**	**Inter-Head**	**For Assessment Year**	**From**
Salary		NA	NA	NA	NA	NA
PGBP	**Non-Speculation**	✓	✓	✓ ***Except from Salary***	8 years	Same head
	Speculation	✓	✓	✓	*4 years*	Same head
	Owning & maintenance race horses	✓	×	×	*4 years*	Same head
Capital Gains	**Short Term**	✓	✓	×	8 years	Same head
	Long Term	✓	×	×	8 years	Same head
Other Sources	**Winning from lottery etc.**	×	×	×		
	Interest etc.	✓	✓	✓		

DEDUCTIONS (UNDER CHAPTER VIA) FROM GROSS TOTAL INCOME

(Estimated Time Allocated – 14 minutes)

Sec.	Applicability	Nature of Payment/Receipt	Amount of deduction
80C	Individual/HUF	Life insurance premium, contributions to PF, etc.	Max. Rs. 1,00,000
80CCC	Individuals	Contribution to certain pension funds	Amt. paid or Rs. 1,00,000 (*lower*)
80CCD	CG or other or self-employees	Contribution to CG pension schemes	Amt. paid or 10% of salary (*lower*) [Self-employees max. 10% of GTI]
80CCE	80C+80CCC+80CCD		Max. Rs. 1,00,000
80D	Individuals/HUF		General: Premium paid or Rs. 15,000 (*lower*) and For parents Rs. 15,000 Senior citizen: premium paid or Rs. 20,000 (*lower*)
80DD	Resident Individual/HUF	Expenditure on handicapped dependent relative	Disability: Rs. 50,000 (*fixed*), Severe Disability: Rs. 1,00,000 (*fixed*)
80DDB	Resident Individual/HUF	Expenditure on specified diseases	General: Actual or Rs. 40,000 (*whichever is less*) Senior citizen: Actual or Rs. 60,000 (*whichever is less*)
80E	Individuals	Interest on payment of loan taken for Higher Education	Actual Interest (*maximum 8 assessment year*)
80G	All Assessees	Deduction in respect of Donation	⇒ 100% deduction without Qualifying Limit ⇒ 50% deduction without Qualifying limit ⇒ 100% deduction without Qualifying limit (*10% of Adj. total income*) ⇒ 50% deduction without Qualifying limit
80GG	Individuals	Assessee should not be entitled to HRA, not own any residential at work space	Minimum of (i) Rent paid ***less*** 10% of Adj. total income (ii) 25% of Adj. Total Income , (iii) Rs. 2000 p.m.
80GGA	All Assessees (*no PGBP income*)	Donations	Just like to *Section 35/35CCA/35AC*
80GGB	Indian Companies	Donation to Political Party or Electoral Trust	Actual amt. donated
80GGC	Other than Indian Company (*except local authority, AJP*)	Donation to Political Party or Electoral Trust	Actual amt. donated
80IA	Industrial Undertaking	Infrastructural facility, telecommunication, industrial park, distribution of power	100% of profit for 10 years
80JJA	All Assessees	Business of processing of Bio-degradable waste	100% of profit for first 5 Assessment years
80JJAA	Indian Companies	Deduction for additional employment	30% of Additional wages for 3 years
80LA	Off shore banking units of banks	Income from Off-shore banking unit	First 5 years : 100%, Next 5 years : 50% } of such income
80P	Co-operative society	Cottage industries, marketing of the agricultural produce, fishing	⇒ Co-operative society engaged in other activities Rs. 50,000 ⇒ Consumer's co-operative society Rs. Rs. 1,00,000
80QQB	Resident Individual	Royalty income from book	Least of whole of such income of Rs. 3,00,000
80RRB	Resident Individual	Income from patent registered after 1/4/2003	Least of whole of such income of Rs. 3,00,000
80U	Handicapped Resident Individual		General: Rs. 50,000 (*fixed*) Severe Disability: Rs. 75,000 (*fixed*)

RETURN OF INCOME

(Estimated Time Allocated – 12 minutes)

Sec.	**Particulars**	
139(1)	Return of Income: **Due Date:** (a) Where the assessee is company (i) Other than co. where a/c are audited (ii) Working partner of a firm (a/c are audited) (b) In any other case	Company, firm, a person other than company or firm if its total income exceeds the maximum amount which is not chargeable to Income Tax 30th September of AY 30th September of AY 30th September of AY 31st July of AY
139(1A)	Bulk Return	Filing of return through employer (*Floppy, Diskette, Magnetic cartage Tape, CD ROMS etc.*)
139(1B)	Filing of Return on Computer readable media	Floppy, Diskette, Magnetic cartage Tape, CD ROMS etc. or any other computer readable media
139(3)	Return of loss	File within time specified in *Section 193(1)* If return of loss is not filed then following loss cannot be carried forward (i) Business loss (ii) Capital loss (iii) Owning and maintenance race horses loss
139(4)	Belated return	Within 1 year from the end of relevant AY or before completion of assessment (*earlier*)
139(4A)	Return of charitable trust	Before allowing exemption *u/s 11 & 12* exceeds the basic exemption limit
139(4B)	Return on behalf of Political Party	Before allowing exemption *u/s 13A* exceeds the basic exemption limit
139(4C)	Return of Income of certain associations	Scientific Research, News agency, Professional institution, University Hospital, Institution for development of Khadi, Trade Union
139(5)	Revised Return of income	Within 1 year from the end of relevant AY or before completion of assessment (*earlier*) Belated return cannot be revised [*Kumar Jagdish Chandra Sinha (SC)*]
139(6)	Other Assessee	Income exempt from tax, assets, bank account & credit card, expenditure excess the limit
139(6A)	Particulars to be furnished by business assessee	Name and address of principal place and branches, partners or members Profit share of partners or members, Audit report under *Section 44AB*
139(9)	Defective return	Annexure, computation of the tax, audit report *u/s 44AB*, proof of TDS and advanced Tax Account, Statement, Audit *u/s 233AB* of Companies Act
139A	Permanent Account Number (PAN)	(i) Total Income greater than Basic exemption limit (ii) Gross turnover/receipt greater than Rs. 5,00,000 (iii) Charitable Trust (iv) Return of fringe benefit
140	Signing of return	Individual → himself, HUF → Karta, Company → MD, Firm → Managing Partner, LLP-Designated Local Authority → Principal officer, Political Party → CEO, AOP → Principal officer

TAX DEDUCTED AT SOURCES (TDS)
(Estimated Time Allocated – 14 minutes)

Sec.	Nature of payment	Who is liable to deduct tax?	Type of Recipient	Rates of TDS	Exemption Limit
192	Salary	Employers	Employees	Rates of tax as applicable to the individual	Basic exemption applicable to individuals (Rs. 1,60,000/ Rs. 1,90,000/ Rs. 2,40,000)
193	Interest on securities	Payer of Interest of securities	A resident person	Domestic co.: 10% Other: Listed debentures 10% Non-listed debentures: 10%	Exempted for certain listed securities u/s 193. Listed Debentures: Rs. 2,500 Demat security
194	Dividend u/s 2(22)(c)	Domestic company	Resident	20%	Upto Rs. 2,500 during a FY in case of an individual
194A	Interest other than interest on securities	All assessee except Individuals and HUF who are not subject to audit u/s 44AB during prior PY	A resident person	Domestic co.: 10% Other: 10%	Rs. 10,000 if payment made by Banking co., co-operative society, post office. Rs. 5,000 if payment made by any other person.
194B	Winning from lotteries/ crossword puzzles	Any Person	Any Person	30%	Rs. 5,000
194BB	Winning from horse race	Any Person	Any Person	30%	Rs. 2,500
194C	Payment to contractor or sub- contractor	All assessee except Individuals and HUF who are not subject to audit u/s 44AB during prior PY	Any person resident in India	Individual/HUF: 1% Other: 2%	Rs. 20,000 per contract value or credit less than Rs. 50,000 p.a. aggregate
194D	Insurance commission	Any Person	Resident Assessee	Domestic Co.: 20% Others: 10%	Rs. 5,000 p.a.
194E	Payment to non-resident sportsmen or sport association of income referred to sec. 155BBA	Any Person	Non-resident: Sportsmen being foreign citizen; or Sport association	10%	NIL
194EE	National saving scheme	Post office	Any Person	20%	Rs. 2,500 or payment is made to heirs of the deceased assessee
194F	Repurchase of units	Mutual funds or UTI	Unit holder u/s 80CCB	20%	NIL
194G	Commission on sale of lottery	Any Person	Any resident Person	10%	Rs. 1,000 p.a.
194H	Commission on brokerage	All assessee except Individuals and HUF who are not subject to audit u/s 44AB during prior PY	Any resident Person	10%	(i) Rs. 2,500 (ii) Commission payable by BSNL or MTNL
194I	Rent	All assessee except Individuals and HUF who are not subject to audit u/s 44AB during prior PY	Any resident Person	Rent of P & M: 2% Rent of L & B, Furniture:10%	(i) Rs. 1,20,000 in a financial year (ii) Payee is Govt./Local authority
194J	Professional or Technical fees	All assessee except Individuals and HUF who are not subject to audit u/s 44AB during prior PY	Any resident Person	10%	Rs. 20,000 in a financial year
194LA	Compensation/ Enhanced compensation on compulsory acquisition	Any person	Any resident Person	10%	Aggregate of such payments during the FY does not exceed Rs. 1,00,000
195	Interest; or any other sum (*other than income taxable as "Salaries"*)	Any person	Non-resident foreign company	As Specified by Finance Act	Dividend referred in *Section 115O*

APPENDIX-I

ASSUMPTIONS

(Estimated Time Allocated – 05 minutes)

If nothing mentioned clearly in question only then make following assumptions.

INCOME FROM SALARY		
No.	***Particulars***	***Assumption***
1.	Govt./Non-Govt.	Assume non-govt. employee
2.	Gratuity	Employee is not covered under Payment of Gratuity Act
3.	Pension	Uncommuted pension
4.	Employees PF contribution	Basic salary is gross without deducting employees' contribution
5.	Dearness Allowances	It is not under terms of employment
6.	Dearness Pay	It is under terms of employment
7.	Specified Allowances (*Travelling Allowances, Daily Allowances*)	If expenditure not given assume that fully expended for official purpose
8.	HRA, city in which house taken on rent	Assume 40% (*For any other place*)
9.	Rent free Accommodation	If nothing is mentioned or only Fair Rent Value given than assume that owned by employer and if Actual Rent or Lease Rent given then not owned by employer
10.	Rent free Accommodation	If owned by employer and population not given then assume that in city of more than 25,00,000
11.	Interest free loan	If rate of interest of SBI not given assume to be 12% p.a.
12.	Education facility	Employer has no contract with the school and it is not maintained by employer
13.	Medical facility	In any other hospital and exemption upto Rs. 15,000
INCOME FROM HOUSE PROPERTY		
1.	Interest for self-occupied property	Loan was taken before 1/4/1999
2.	Recovery of unrealized rent	Covered u/s 25A
INCOME FROM OTHER SOURCES		
1.	Debentures	Non-listed at any recognized stock exchange
SET-OFF OR CARRY FORWARD OF LOSSES		
1.	Business Losses	Non-speculation Business Losses

APPENDIX-II

MEANING OF RELATIVES

(Estimated Time Allocated – 05 minutes)

INCOME FROM SALARY		
No.	***Particulars***	***Meaning of Relative***
1.	Prescribed fringe benefits	Member of household (a) Spouses (b) Children and their spouses (c) Parents (d) Servants and dependents
2.	Medical facilities and leave travel concession	(a) The spouses & children (b) Parents, brothers and sisters of the individual wholly or mainly dependent on the individual
PROFIT & GAIN FROM BUSINESS OR PROFESSION		
1.	Payment to specified persons *[Section 40A(2)]*	Specified person means relative, partner, director or person having substantial interest or relative of any such person (*Any relative i.e., spouse, any brother, sister lineal ascendant or descendant of such individual*)
INCOME FROM OTHER SOURCES		
1.	Gifts (*in money*) *[Section 56(2)]*	(a) Spouse of the individual (b) Brother or sister of the individual (c) Brother or sister of spouse of the individual (d) Brother or sister of either of the spouse or the individual (e) Any lineal ascendant or descendant of the individual (f) lineal ascendant or descendant of spouse of the individual (g) Spouse of the person referred to in clauses (*b*) to (*f*)
CLUBBING OF INCOME		
1.	Substantial Interest	Individual, spouse, brother, sister or lineal ascendant & descendant
DEDUCTIONS		
1.	Life Insurance Premium *[Section 80C]*	LIP on life of himself, spouse and children. In HUF: any member of family
2.	Medical Insurance Premium *[Section 80D]*	(1) Individual, spouse, parents (*whether dependent or not*), dependent children (2) In case of HUF: in the name of any member
3.	*Section 80DD & Section 80DDB*	(i) Individual, spouses, children, parents, brother and sister (ii) In case of HUF, any member of HUF
4.	*Section 80E*	Spouse, children of individual

Best of Luck