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Income Tax

For CA-IPCC/CS-Executive/CWA-Intermediate

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CONTENTS

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 1ST CHAPTER

BASIC CONCEPTS AND DEFINATIONS

1) The Income-tax Act, 1961 came into force with effect from 1/4/1962. It has XXIII chapters and 298 sections in all.

2) **India: Section 2(25A)** India means the territory of India as referred to in Article 1 of the Constitution, its territorial waters, seabed and subsoil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other maritime Zones Act, 1976 and the air space above its territory and territorial waters.

3) **Person: Section 2(31)** includes seven types of persons namely an individual, a Hindu undivided family (HUF), A company, A firm, An association of persons (AOP) or a body of individuals (BOI), A local authority, Every artificial juridical person not falling within any of the preceding sub clauses.

4) The 2 basic differences between **AOP and BOI** are:

   a) In BOI there are only individuals but in AOP there can be any type of persons.
   b) BOI is creation of law whereas AOP can be created by different persons coming together for doing some income producing activity on the voluntary basis.

5) **Assessee: Section 2(7)** means any person by whom tax, interest or penalty is payable under any provision of this act and includes:

   a) deemed assessee

   b) assessee in default

   c) Person against whom any income tax proceedings have been started for the assessment of his income or loss or the income of some other person or the loss for whom he is liable.

6) **Assessment year: Section 2(9)** means the period of 12 months starting from 1st April every year and ending on 31st march of the succeeding year.

7) **Previous year: Section 2(34)** means the year immediately preceeding to assessment year. Income for the previous year is always taxed in the assessment year. The following are the exceptions to the general rule that income of every previous year is chargeable to tax in the relevant assessment year.

Section 172:	Shipping business of a non-resident;
Section 174:	Person leaving India;
Section 174A:	An AOP formed for the purpose of a particular event.
Section 175:	Persons likely to transfer property to avoid tax;
Section 176:	Discontinued business or profession

8) **Income includes the gifts** received in excess of ₹50000. If anyone has received gift in cash exceeding ₹50000 from a non-relative then whole of such amount received shall be considered his income.

9) However gifts received from relatives shall not be covered in the said 8) point above.

10) **Section 14:** Gross total income is the aggregate of income from all five heads of Income, namely

   Income under the head salary

   Income under the head house property

   Income under the head business and profession

   Income under the head capital gains

   Income under the head other sources

11) **Section 14A:** while computing total income no deduction shall be allowed for that expenditure which has been incurred to earn exempted income.

12) **Section 2(45):** Total income is income after reducing the deduction under chapter VI-A from the gross total income. This income is also called taxable income on which tax has to be imposed.

13) **Section 288A:** The total income shall be rounded off in the multiples of ₹ 10.

14) **APPLICATION OF INCOME V/S DIVERSION OF INCOME:** Application of income means spending the money after it has been earned by the assessee. Such an amount is always included while computing taxable income in the hands of assessee. In other words once an income has been earned it could not be excluded on the grounds that it has been applied for some purpose. On the other hand diversion of income is the process of diverting the income before it is earned by the assessee.

FOR EXAMPLE: J Ltd. sells a unit of a product at ₹100 with very clear message to customer that out of ₹100 ₹5 will go to the charitable institution. Now only ₹95 shall be regarded as the income in the hands of company and ₹5 will be known as diversion of income.

FOR EXAMPLE: Mr. J inherited property from his father but subject to the right of residence in favour of mother of Mr. J. This means that Mr. J has the right over the ownership of the property but mother has right over residence in the house. If the house is to be sold then for the effective sale of house both should transfer their rights in house. From the total sales consideration Mr. J cannot be held liable for the tax on that portion which represents the right of his mother.

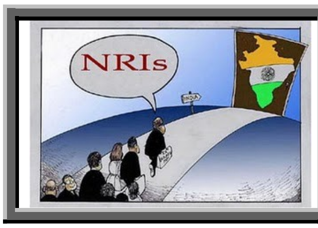
15) **REVENUE VS CAPITAL:** Any receipt of money can either be categorized as revenue or capital. Revenue receipts are always fully taxable unless specific exemption has been provided for that. Capital receipts are never taxable. That's why amount received from insurance company at the time of maturity is not taxed u/s 10(10D). Similarly loan taken is also not taxed. However, some of the capital receipts are taxable since they have been specifically provided in the definition of Income such as tax on Capital gains on sale of Capital asset.

DIFFERENCE BETWEEN CAPITAL RECEIPT AND REVENUE RECEIPT

Capital Receipt	Revenue Receipts
Capital receipt is generally referable to fixed capital. For eg. Sale price on the sale of assets, which assessee uses as a fixed asset in his business is a capital receipt	Revenue receipt refers to circulating capital. For eg. Sale price of the stock in trade is a revenue receipt
Payment received towards the compensation for the extinction of a profit earning source is a capital receipt	Payment received to compensate loss of earnings is a revenue receipt
A receipt in lieu of source of income is a capital receipt. For eg. Compensation for the loss of employment is a capital receipt.	A receipt in lieu of income is a revenue receipt
Capital receipts are exempt from tax unless they are expressively taxable like in the case of capital gains	Revenue receipts are always taxable unless expressly exempt from tax under section 10

16) For the purposes of Income Tax Act Company has very wide meaning as compared to what has been defined under the company law. The term company has been defined under section 2(17) and it has been further classified into:

(a) Domestic company : Section 2(22A)
(b) Foreign company : Section 2(23A)
(c) Indian company : Section 2(26)
(d) A Company in which public is substantially interested : Section 2(18)



For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 2ND CHAPTER

RESIDENTIAL STATUS

1) **Section 6(1):** An Individual can be resident or a non resident in India. To be a resident he has to satisfy one of the following ***Basic conditions:***
   a) **Stay in India >/= 182 days in a PY OR**
   b) **Stay in India >/= 60 days in a PY and Stay in India >/= 365 days in preceeding 4 PYs.**
2) For the ***b)*** condition above, we have 3 exceptional cases. In all these 3 cases 60 days shall be taken as 182 days:
   (a) A citizen of India who leaves India for the employment purposes.
   (b) A citizen of India who leaves India as a member of crew of Indian ship.
   (c) An Individual who is a citizen of India OR is a person of Indian origin who comes to India on a visit.
3) **Section 6(6)(a):** A Resident individual can be ROR or NOR. ROR is one who satisfies both of the following ***Additional conditions:***
   a) **Resident in 2/10 preceeding PYs.**
   b) **Stay in India >/= 730 days in a 7 preceding PYs.**
4) For an individual, residential status is determined based on the period of stay in India. However, for HUF, Firm, AOP and other non-corporate entities the control and management is critical in determining residential status.
5) While determining residential status of HUF period of stay of karta is not at all relevant. What is important is whether control and management of such HUF is situated in India or not. Further to check whether HUF is ROR or NOR residential status of karta as an individual becomes relevant.
6) An Indian company is always regarded as a Domestic Company. A company incorporated outside India may also be treated as a domestic company if certain conditions are fulfilled.
7) An Indian company is always a resident. A Company incorporated outside India is treated as `resident' only if control and management is wholly in India.
8) ***Resident and ordinarily resident is taxed on his global income.***
9) Not ordinarily resident is taxed in respect of Indian Income. In respect of foreign income he is taxed only if it is from business controlled in India or profession set up in India.
10) Nonresident is taxed in respect of Indian Incomes only.
11) Remittance in India is never taxed in India, since it is the second receipt.
12) Agriculture income from a land in India is always exempt from tax. However, if land is not in India then agriculture income will be taxed in India.
13) Dividend from Domestic Company is not taxed but from foreign company it is fully chargeable to tax. Dividends from cooperative societies are fully taxable.
14) TAX INCIDENCE:

SL NO	INCOMES	Resident and ordinary resident	Resident but not ordinary resident	Non resident
1	Income received in India whether accrued in India or outside India.	Yes	Yes	Yes
2	Income deemed to be received India whether accrued in India or outside India.	Yes	Yes	Yes
3	Income accruing or arising in India whether received in India or outside India.	Yes	Yes	Yes
4	Income deemed to accrue or arise in India whether received in India or outside India.	Yes	Yes	Yes
5	Income received and accrued outside India from a business controlled in or a profession setup in India.	Yes	Yes	No
6	Income received and accrued outside India or a profession set up outside India from a business controlled from outside India or a profession set up outside India.	Yes	No	No
7	Income (not being from a business /profession) received and accrued outside India.	Yes	No	No
8	Income earned and received outside India in the year preceding to the relevant previous year and remitted to India in the relevant previous year.	No	No	No

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SUMMARY OF 3RD CHAPTER

CALCULATION OF INCOME TAX

1) Income of every person is chargeable to tax at the rates prescribed in the Finance Act such as slab rates. However some of the income tax rates are not mentioned in Finance Act but they have been mentioned in Act itself, such as Tax on

a) winning from (lottery, crossword puzzle, Race including horse race, Card Game & Other Game and gambling or betting) income is **30%** as per section **115BB** and

b) tax on long-term capital gains is **20%** as per section **112**, and

c) if equity shares are sold after 1/10/2004 the STCG are taxable at **15%** as per section **111A**.

2) Individuals, HUF, AOP, BOI and every artificial juridical person get their income taxable on the basis of slab rate.

Tax Rate	Resident Senior Citizen 65 Years or above	Resident Woman below 65 Years	Others Individual / HUF / AOP
Nil	Up to ₹ 2,40,000	Up to ₹ 1,90,000	Up to ₹ 1,60,000
10%	Above ₹ 2,40,000 to ₹ 5,00,000	Above ₹ 1,90,000 to ₹ 5,00,000	Above ₹ 1,60,000 to ₹ 5,00,000
20%	Above ₹ 5,00,000 to ₹ 8,00,000	Above ₹ 5,00,000 to ₹ 8,00,000	Above ₹ 5,00,000 to ₹ 8,00,000
30%	Above ₹ 8,00,000	Above ₹ 8,00,000	Above ₹ 8,00,000

3) Surcharge @ 10% is leviable on the tax liability ~~in the case of individual and HUF where their taxable income exceeds ₹ 10 lakhs and~~ ₹ 100 Lakhs in case of firms and companies for the AY 2011-2012.

4) Firms & domestic companies are chargeable at a flat rate of 30%.

5) Surcharge leviable for the AY 2011-2012 has been 7.5% except in case of foreign companies where it is 2.5%.

6) No surcharge is imposed on local authority and co-operative societies.

7) Every person whose total income of the assessment year exceeds the maximum amount not chargeable to tax shall pay the tax as per the rates mentioned in the finance act, in the previous year itself. Such total income is to be calculated on the basis of the ***residential status*** of a person.

8) ***Education cess*** for the AY 2011-2012 is

- 2% for primary education and
- 1% for higher and secondary education.

We should not calculate and charge education cess at 3%, it would be principally wrong.

Rate of Income – Tax for AY 2011 – 12 for Other Assessee

Type of Assessee	*Rate of Tax*	*Surcharge*
Firm ***(Including limited liability partnership)***	30% + 2%EC + 1% SHEC	Surcharge – Nil
Domestic Companies	30% + 2%EC + 1% SHEC	Surcharge @ 7.5% if the total income exceeds ₹ 1 crore
Foreign Companies	40% + 2%EC + 1% SHEC ***Certain Royalties*** 50% + 2%EC + 1% SHEC	Surcharge @ 2.5% if the total income exceeds ₹ 1 crore
Local Authorities	30% + 2%EC + 1% SHEC	Surcharge is not applicable
Co-operative Societies	**For First** ₹ 10,000 @ 10% **For Next** ₹ 10,000 @ 10% **For Balance** @ 10% ***+ 2%EC + 1% SHEC***	Surcharge is not applicable
MAT = Minimum Alternate Tax	18% of Book Profit ***+ 2%EC + 1% SHEC***	Surcharge @ 7.5% if the total income exceeds ₹ 1 crore ***In case of Foreign Companies*** Surcharge @ 2.5% if the total income exceeds ₹ 1 crore

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SUMMARY OF 4TH CHAPTER

INCOME UNDER THE HEAD SALARY

1) **Employer – Employee relationship:** Income is taxable as income from salary if there is an employer - employee relationship between 2 persons. Partners are not employees of partnership firm and that's why salary received from the firm is not taxable as salary income but it is taxable as income from business and profession. Similarly members of parliament have no employer and therefore sitting fees received by them for attending parliament session shall be taxable as income from other sources.

2) **Contract of service vs Contract for service:** Wherever there exists employer-employee relationship there is a **"contract of service".** In this employer can control and direct the work to be performed by employee. In this case income received by a person shall be regarded as salary. Where there is **no employer-employee relationship** then two people enjoy the relationship of **"contract for service".** In this the contractee can only be told what is to be done. There can be no specific instructions about how it is to be done. In this case income shall be taxable as income of business and profession or income of other sources.

3) **`Contract of Service' creates employer –** employee relationship whereas `contract for service' doesn't result in such a relationship. Therefore any Income from such relation is not to be taxed under this head of Income.

4) **TDS on salary VS Tax free salary:** Under the concept of TDS employer will calculate and deduct tax on the monthly basis before handing over salary to employee. But in case of tax free salary employer will pay tax on the salary income of employee out of his own pocket and therefore such amount of tax is added in the salary of the employee.

5) **Advance salary VS advance against salary:** Under the concept of advance salary employee gets salary from the employer before salary gets due to him. But in case of advance against salary employer giver loan to employee on a condition that installment of such loan would be deducted from the monthly salary of employee.

6) **Section 15:** Salary income is taxable on due or receipt basis whichever is earlier. But if it is taxed on due basis it will not be again taxed when it is received.

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

7) **Section 9(1):** Salary is always accrued at a place where the services are rendered. However in case of government employee who is working outside India, his salary shall always be accrued in India.

8) **Surrender and forgoing of salary:** Is salary is surrendered in favor of the government then such salary is not taxed. However if employee forgoes his salary in favor of some other employee then such salary is taxable in hands of employee.

9) **Salary from more than 1 employer:** If salary is received from more than 1 employer then aggregate of salary from all employers shall be taxed.

10) **Profits in lieu of salary:** Amount of compensation from any person before assessee joining any employment with that person or after cessation of his employment with that person is profit in lieu of salary and taxable u/s 17(3).

11) **Tax paid by employer on the perquisite value of non-monetary perquisites:** If employer pays tax on behalf of employee then salary paid to employee will know as tax free salary. Such amount of tax paid by employer on behalf of employee shall be employee's income and will be added to his gross salary. However if employer pays such amount of tax on non monetary perquisites then so much of tax shall NOT be included in gross salary of employee---Section 10(10CC).

12) **Entertainment allowance** is given a deduction only to government employees. Government employees mean employees of Central Government and State Government---Section 16(ii).

13) **Professional tax** is imposed by the State Government and never by Central Government. Professional Tax is allowed as deduction u/s 16(iii) on the payment basis and not on accrual basis. Professional Tax is given a deduction even if amount has been paid by employers although it will be first included in the gross salary.

14) **Gratuity—Section 10(10)** For government employees, gratuity is fully exempt from tax at the time of retirement. Government employees mean employees of Central Government, State Government, and Local Authority. For other maximum exemption for the life time is **₹ 10,00,000**. Gratuity received any time before retirement shall be fully taxable and gratuity at death is exempt from tax.

Gratuity *[Section 10 (10)]*

(a) Government employee – *Fully Exempt.*

(b) Employee ***covered*** by Gratuity Act – *Minimum of*

(i) ₹ 10,00,000

(ii) $\frac{15}{26} \times \textit{Last drawn salary} \times \textit{No. completed years}$ **plus** $\textit{excess of six months}$

(iii) *Actual* Received

(c) Any other Employee – Minimum of

(i) ₹ 10,00,000

(ii) $\frac{15}{30} \times \textit{Last drawn salary} \times \textit{No. completed years}$ **plus** $\textit{excess of six months}$

(iii) Actual Received

15) **Commuted Pension—Sec 10(10A):** For government employees or non government employees uncommuted pension is always fully taxable. Pension is allowed to be commuted to the maximum of ***40% of the future 100 months***. Commuted pension is always fully exempt from tax for government employees but for non government employees its exemption depends on whether assessee has received gratuity or not at retirement. Government employees mean employees of Central Government, State Government, Local Authority and Statutory Corporation.

Pension *[Section 10 (10A)]*

- Uncommuted Pension – *Fully Taxable*
- Commuted Pension

(a) Government employee – *fully exempt*

(b) Non-Govt. employee (Received gratuity also) – 1/3rd of full value of pension.

(c) Non-Govt. employee (Not – Received gratuity) – 1/2nd of full value of pension.

16) **Family pension:** After the death of the employee pension shall be paid to his family members and such pension is called family pension. After death of member of armed forces who was winner of gallantry award pension given to his family members shall be fully exempt from tax under section 10(18). If member of armed forces die during combat duties then pension given to his family members shall be fully exempt from tax under section 10(19). In all other cases family pension is regarded as income from other sources and is exempt from tax under section 57 to the lower of:

a) 1/3 of family pension received.

b) Maximum limit of ₹ 15000/

17) **Leave salary--Sec10(10AA):** Encashment of leave during tenure of job is always fully taxable for all kinds of employees whether government or non government. Encashment of leave at retirement is exempt for maximum of ₹300000. Government employee means employee of Central Government and State Government. Leave encashment given to family members after the death of the employee shall be fully exempt from tax.

Leave Salary *[Section 10 (10AA)]*
(a) Government employee – *Fully Exempt* **(b)** Non-Govt. employee – *Minimum of* **(i)** ₹ 3,00,000 **(ii)** Average Salary of last 10 months x Balance Leave calculated on the basis of 30 days p.a. **(iii)** Average Salary x 10 months. **(iv)** Actual Received.

18) **Retirement Compensation:** 15 days (out of 26 days) Salary for every completed year of service or any part thereof in excess of 6 months (as calculation in accordance with industrial Disputes Act.

Retirement Compensation *[Section 10 (10B)]*
Minimum of **(i)** ₹ 5,00,000 **(ii)** Amount Calculated in accordance with industrial Dispute Act, 1947 **[3 months or 4 week or 12 days salary / 78 or 26 or 12] × 15 Days × No. of completed Service years. [R/F]** **(iii)** Actual Received.

19) **Voluntary Retirement : (Very IMP)**

- i) Completed 10 years of service OR completed 40 years of Age.
- ii) For all employees (except directors of the company)
- iii) Reduction in number of employees
- iv) Voluntary separation is not to be filled up.
- v) The retiring employee of a company shall **not** be employed in any Co. or Concern belonging to the **same management**.
- vi) Exemption is available to an employee only once.

Voluntary Retirement *[Section 10 (10C)] & Rule 2BA*
Minimum of **(i)** ₹ 5,00,000 **(ii)** Last Drawn Salary x 3 months x No. of completed years of service. **(iii)** Last Drawn Salary x balance of months of service left. **(iv)** Actual Received.

20) Provident Fund: Contribution of employer to SPF is fully exempt from tax. Further interest accrued on SPF is also fully exempt from tax under section 10(11). Contribution of employer to RPF account of employee is exempt up to 12% of salary and interest thereon is exempt up to 9.5% of total contribution. Contribution to URPF and interest thereon is fully taxable at the time of retirement or withdrawal.

Provident Fund	
(i) **Recognized Provident Fund (RPF)**	→ Employer's contribution – *excess of 12% of 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)*

21) LTC: Exemption u/s. 10(5) in respect of leave travel concession or allowance is with reference to 2 trips in a block of 4 calendar years.

22) Foreign allowances and perquisites: Any allowances or perquisite given to employee of government outside India shall be fully exempt from tax under section 10(7). Such an allowance is also known as foreign allowance.

23) ESOPs are not taxable as perquisite if issued in accordance with the guidelines specified by the Central Government.

24) The following is the tax treatment for various allowances:

***A)* HRA u/s 10(13A) RWR 2A**—Exempt up to the least of

1. Actual HRA received.
2. Rent paid in excess of 10% of salary i.e. *rent paid –10% of salary.*
3. 50% of the salary in metros and 40% in other places.

Salary would mean BS+DA(R)+commission on fixed % basis of sales.

***B)* Official allowances u/s 10(14):** all these allowances are exempt up to the lower of:

a) **amount received or**

b) **Actual amount spent for the official purposes**

- **Conveyance Allowance,**
- **Academic Allowance,**
- **Traveling Allowance,**
- **Helper Allowance,**
- **Uniform Allowance,**
- **Daily Allowance**

***C)* Allowances which are exempt to the lower of amount received and limit set by law.**

(i) Children Education Allowance: It is exempt up to ₹100 p.m. per child for maximum of 2 children. Children may include adopted or step children but shall not include grandchildren. Children can be any 2 children.

(ii) Hostel Expenditure Allowance: exempt up to ₹300 p.m. per child up to a maximum of two children. Children will include adopted and step children but shall not include grand-children. That means allowance for grand-children shall be fully taxable.

(iii) Underground Allowance: exempt up to ₹800 Per month.

(iv) Tribal Area Allowance: It is exempt up to ₹200 per month.

(v) Counter Insurgency allowances: Exempt up to ₹3900 pm.

(vi) Transport Allowance: Exempt to the extent of ₹800 p.m. but if the employee is physically handicapped then the amount exempt is ₹1600 pm.

(vii) Outstation allowance: The amount of exemption shall be: (a) 70% of such allowance or (b) ₹10,000 p.m. Whichever is less.

D) **Allowances which are fully taxable are**

Dearness allowances (DA),	Overtime allowance,
City compensatory allowance (CCA),	Servant allowance/ warden allowance,
Lunch allowance/Tiffin allowance,	Family allowance,
Deputation allowance,	Split duty allowance,
Dating/Marriage allowance,	Entertainment allowance (For Non Govt. Employee),

Medical allowance is always fully taxable irrespective of any amount spent on medical treatment.

E) **Fully exempted allowances – *allowances allowed to***

(i) Foreign Govt. Employee **(ii) HC or SC Judge** **(iii) UNO Employees**

25) The following are exempt perquisites:

(i) Interest free loan in respect of medical treatment for specified ailments.
(ii) Holiday home, Health club, sports and similar facilities made uniformly available to all employees.
(iii) Hotel accommodation up to 15 days on transfer.
(iv) Motorcar and Conveyance facility. (for Residence to Work Place ***and*** Work Place to Residence)
(v) Medical facility in own hospital; public hospital; Government hospital or approved hospital.
(vi) Credit Card and Club facility.
(vii) Use of computers and laptop.
(viii) Expenses on phones including mobile phones i.e. telephone facility.
(ix) Newspapers and periodicals.
(x) Meals Tea coffee snacks etc provided.
(xi) Amount spent on the training of employee or on refreshment course.
(xii) Any kind of good of which employer is a producer and is supplied by him to his employee at concessional rate.
(xiii) Recreational facility provided by employer to employee.
(xiv) Perquisites outside India to citizen of India who is government employee.
(xv) Payment of the premium on the accidental policy of employee.
(xvi) Rent Free Accommodation provided to judges of HC or SC or official of parliament or union minister or leader of opposition in parliament.
(xvii) Conveyance provided to judges of HC or SC.

26) The following perquisites are exempt if the value does not exceed the prescribed limit.

1. Interest on petty loans not exceeding ₹ 20000 in aggregate
2. Medical Reimbursement up to ₹ 15000 in a year.

27) Perquisites taxable only for specified employees-----section 17(2) (iii)

1. Gardner, watchman, sweeper or any other personal attendant--------Rule 3(3). – Actual Cost (Taxable)
2. Gas, electricity, water facility---------Rule 3(4). – Actual Cost or Manufacturing Cost (Taxable)
3. Educational facility---------------------Rule 3(5). – For Children ₹ 1,000 Per child Per Month (Exempt)

Employee is specified employee if he falls under any 1 of the following 3 categories:

1. He is any director of the company and is also employee of company.
2. He is the employee with the substantial interest in the company i.e. he holds 20% or more of the voting power.
3. His income under the head "salaries" excluding non monetary perquisites exceeds ₹50000.

28) Perquisites taxable for all kinds of employees:

1. RFA (Rent Free Accommodation) ---Section 17(2)(i) RWR 3(1).

<table>
<tr><td>1. Rent Free (Unfurnished)</td><td>Government</td><td>TAXABLE The license fees OR Fair rent determined as per Government rules.</td><td></td></tr>
<tr><td></td><td>Others</td><td>TAXABLE
1. Where the accommodation is OWNED by employer-<table><tr><th>City's Population</th><th>% of Salary</th></tr><tr><td>^ 25 Lakhs</td><td>15</td></tr><tr><td>^ 10 Lakhs - 25 Lakhs</td><td>10</td></tr><tr><td>10 Lakhs & below</td><td>7.5</td></tr></table>2. Where the accommodation is taken on LEASE OR RENT by the employer-
Actual amount of lease or rent paid by the employer or 15% of the salary whichever is lower.</td><td rowspan="7">City's Population as per 2001 census.
Salary means: - Basic+ D. Pay + Bonus+ Fees + Commission(whether fixed or not) + All other taxable allowance (only taxable portion) + Income tax/Professional taxes paid by the employer + Gas, Electricity Water bills paid/reimbursed by the employer + any monetary payments. [It shall not includes D.A. arrears or advance salary , salary in lieu of leave, provident fund excess, gratuitous bonus, value of perks and profits in lieu of salary.]
Note:-
a. Salary is to be computed on due basis for the period for which the R.F.A. has been providing to the employee.
b. If the employee receives salary from more than one employer, the aggregate of the salary recd from both the employers for the period for which accommodation is provided has to be taken into account for valuation of rent free accommodation even though the accommodation has been provided only by one employer.</td></tr>
<tr><td>2. Rent Free (Furnished)</td><td>All</td><td>TAXABLE
Value of Unfurnished accommodation PLUS
I. 10% p.a. of the cost of furniture etc.-if owned by the employer. OR
II. Actual hire charges- if hire charges is paid by the employer.</td></tr>
<tr><td>3. At Concessional Rent Section 17(2)(ii) RWR 3(1)</td><td>All</td><td>TAXABLE Value of Rent Free Accommodation Less: - Rent, if any, actually paid by the employee.</td></tr>
<tr><td>4. In a Hotel (accommodation is provided by an employer.)</td><td>All</td><td>TAXABLE 24% of the salary OR actual charges paid/payable whichever is lower.
There will be no perquisite if-
a. Such accommodation is provided for a period not exceeding 15 days and.
b. Provided on the transfer of the employee from one place to another.</td></tr>
<tr><td>5. Accommodation provided in a remote area (40 kms. away from a town having a population not exceeding 20000)</td><td>All</td><td>EXEMPT</td></tr>
<tr><td>6. Accommodation provided at an offshore site.</td><td>All</td><td>EXEMPT</td></tr>
<tr><td>7. Accommodation provided at new place of posting on transfer while retaining at the accommodation at the other place.</td><td>All</td><td>Upto 90 Days the value of one accommodation with lower value shall be TAXABLE, otherwise than after value of both accommodation shall be TAXABLE.</td></tr>
</table>

2. Employee's obligation met by employer-----------------Section 17(2)(iv) – Actual Expenditure *(Taxable).*

3. Amount of premium paid by employer on behalf of employee------Section 17(2)(v) – Actual Expenditure *(Taxable).*

4. Fringe benefits---------Section 17(2)(vi) RWR 3(7)

A) Interest free or concessional loan – Interest Rate of SBI or 12% p.a. (Exceptions loan upto ₹ 20,000)

B) Use of movable asset belonging to employer – 10% p.a. of the actual Cost <u>*OR*</u> actual rental charge.

C) Transfer of a movable asset by employer to employee.

Computer and Electronic items (Not Home appliances) – Depreciation @ 50% for completed year (WDV)

Motor Car – Depreciation @ 20% for completed year (WDV)

Other Asset- Depreciation @ 10% for completed year (SLM)

29) Conveyance facilities

1. Motor Car/Vehicle

Employer is liable to FBT — All — **EXEMPT**

Employer is liable to FBT means: - Employer is a Company, Firm, and Society etc. (Under Chapter XII-H)

Employer is Not liable to FBT — Non specified: **EXEMPT**; Specified:

If Car/Vehicle used exclusively for office duties:
EXEMPT (Not a perquisites)

If Car/Vehicle used exclusively for personal purposes:
TAXABLE Expenditure incurred by employer + 10% of cost of car or hire charges (when **Car is owned/hired by employer)**

If Car/Vehicle Used partly in employment and partly in personal purposes:
TAXABLE

Car is owned by	Small car (cubic capacity of engine does not exceed 1.6 litre)	Large car (cubic capacity of engine exceed 1.6 litre)
Employer		
When all expenses are met or reimbursed by the **employer.**	**₹ 1,800 p.m. (+₹ 900 p.m. for Driver)**	**₹ 2,400 p.m. (+₹ 900 p.m. for Driver)**
When expenses for personal purposes are met by employee.	**₹ 600 p.m. (+₹ 900 p.m. for Driver)**	**₹ 900 p.m. (+₹ 900 p.m. for Driver)**
Employee	Expenses met or reimbursed by the **employer** are more than ₹ **1,800pm (+ ₹ 900 p.m. for Driver)**	Expenses met or reimbursed by the **employer** are more than ₹ **2,400pm (+ ₹ 900 p.m. for Driver)**
Other Vehicle owned by Employee	**Expenses met or reimbursed by the employer are more than Rs. 600 p.m.**	

Employer is Not liable to FBT means: - Employer is a Government, Charitable Trust, Political Parties, HUF, Individual and Sole-Trader etc. (Under Chapter XII-H)

SPECIFIED EMPLOYEE means: -

1.	His salary income by way of monetary payments exceeds Rs. 50,000 (after deductions U/S 16) **OR**
2.	He has a substantial interest in the company. (Carrying 20% or more voting power.) **OR**
3.	He is a director of a company.

Notes:-

1. Where one or more motor cars are owned or hired by the employer and the employee *(or any member of his household)* are allowed the use of such motor car *(or all or any of such motor cars) (other wise than wholly and exclusively in the performance of his duties)*, the value of perquisite shall be the amount calculated in respect of one car is accordance as *"if the employee had been the provided one motor car for use partly in the performance of his duties and partly for his private or personal purposes"* and the amount calculated in respects of motor car or cars in accordance as *"if has been provided with such car or cars exclusively for his private or personal purposes."*
2. The use of motor car by an employee for the purpose of going from his residence to the place where the duty of employment are to be performed or from such place back to his residence, is not chargeable to tax. **[U/S 17(2)(iii)]**
3. **Car at concessional rate:** Value as per PC – Amount recovered from employee.

2. Leave travel concession. **(LTC)** — All

EXEMPT U/S 10(5) Maximum of **2 journeys** in a block of **4 years** by [air/first class air conditioned travel by shortest distance OR actual expenditure incurred on the performance of journey.] From 1st Jan. 1986. **[2009-2012]**

The employee is entitled to exemption u/s 10(5) in respect of the value of travel concession or assistance received by or due to him from his employer or former employer for himself and his family, in connection with his proceeding –
(A) On leave to any place in India.
(B) To any place in India after retirement from service or after the termination of his service.

FAMILY FOR THIS PURPOSE INCLUDES :-
(A) The spouse & two children (after 1.10.98) of the employee.
(B) Parents, brothers & sister of the employee, who are wholly or mainly dependent upon him.

3. Travelling & Tourism Expenses.
(Travelling, touring, accommodation & any other expenses paid for or borne or reimbursed by the employer for any holiday availed of by the employee or any **member of his household.**)

Employer is liable to FBT — All — **EXEMPT**

Employer is Not liable to FBT — All — **TAXABLE**

"Employee's Member of household" & "Employee's Member of Family" shall include:
(A) Spouse(s)[Dependent & not dependent];
(B) Children and their spouses [Dependent & not dependent];
(C) Parents [Dependent];
(D) Servants and All dependents.

But taxable for Employer @ 30% of Expenses.

Where such facility is maintained by the employer, and is available uniformly to all employees.	NIL
Where such facility is maintained by the employer, and is not available uniformly to all employees.	It will be the value at which such facilities are offered by other agencies to the public.
Where the employee is on official tour and the expenses are incurred in respect of any member of his household accompanying him.	The amount of expenditure so incurred.
Where any official tour is extended as a vacation	The value will be limited to the expenses incurred in relation to such extended period of stay or vacation.
In any other case, where such facility is given to the employee or any member of his household.	A sum equal to the amount of expenditure incurred by the employer.

4. Free Travel facilities by transport Undertaking.

Employer is liable to FBT — All — **EXEMPT**

Employer is Not liable to FBT — Non specified: **EXEMPT**; Specified: **TAXABLE**

Not apply to the employees of an airline or the railways.

30) Educational Facilities

1. Education in employer's institution — Non specified: **EXEMPT**; Specified: **TAXABLE**

For Employee's Children
Cost of education in a similar institution in or near the locality *Less: -* Rs. 1,000 p.m. per child.

For Employee's other Members of household
Cost of education in a similar institution in or near the locality.

2. Educational Expenses paid & reimbursed by employer — All

For Employee (Training)	**EXEMPT**
For Member of household	**TAXABLE**

3. Scholarships — All — **EXEMPT**

For Employee's Members of household

31) Madical Facilities

- Hospital Owned By Employer
  - Tax free
- Other Hospital
  - In India
    - Private
      - Exempt upto Rs.15000
    - Permitted by Govt.
      - Tax free
  - outside India
    - Gross Income > 2 Lac
      - Fully Taxable
    - G.Income < 2Lac
      - 1 Patient & 1 Attendant
        - Tax free

Deductions from salary
(1) Entertainment allowances *[Section 16(ii)]*-For Govt. employees only *Minimum of* (a) Actual amount (b) 20% of Basic Salary (c) ₹ 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

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 5TH CHAPTER

INCOME FROM HOUSE PROPERTY

1. House property must comprise of building OR lands attached to such building to attract taxability under this head of income.
2. This is the only head of income where income may get computed on notional basis and taxed.
3. Taxability arises in the hands of the owner or deemed owner as defined under section 27.
4. NAV is computed u/s 23 and for this purposes the following steps are followed:
   a) Step 1: Higher of Municipal value and Fair Rent.
   b) Step 2: Lower of Standard rent and value at step 1.
   c) Step 3: Value of step 2 less Loss of rent due to vacancy of property.
   d) Step 4: Higher of value at step 3 and actual rent received is GAV.
   e) Step 5: From GAV calculated at step 4 we reduce municipal taxes paid by landlord on or before 31/3/PY.
5. Municipal taxes are deducted on payment basis and not on the accrual basis. Further taxes which are paid by landlord are to be reduced and not which have been paid by tenant.
6. Section 24(a) allows 30% flat deduction on NAV and section 24(b) allows interest on capital borrowed.
7. In case of oneself occupied property, net annual value is nil but interest on borrowed capital u/s 24(b) is allowed as a deduction up to ₹ 30,000, if loan was taken before 1/4/99.
8. If loan is taken on or after 1/4/99 and purchase or construction of house is completed within 3 years from the end of the financial year of obtaining the loan, then the limit of ₹ 30000 is substituted by ₹ 1,50,000.
9. Interest on loan borrowed which is payable outside India shall be allowed as deduction only if tax is deducted or paid at source.
10. In case of house property which is vacant, municipal taxes are allowed to be reduced and thus we can have negative NAV.
11. Unrealized rent does not form part of actual rent if all the conditions of Rule 4 are satisfied.
12. If subsequently unrealized rent is received it is taxed u/s. 25AA in the year of receipt without any deduction u/s. 24.
13. Arrears of rent received from a tenant shall be taxed u/s. 25B but subject to 30% deduction of such arrear.
14. Co-owner's share of income from property is included in each co-owners individual assessment and is not assessable as on AOP.
15. In case where the property is partly self occupied and partly let out on the basis of area then MV, FR, SR,MT paid and Interest on borrowed capital has to be bifurcated on the basis of area. However, if property is PLO/PSO on the basis of time period then nothing has to be bifurcated.
16. Net annual value of a property can be negative provided municipal taxes paid are higher than the amount of GAV.
17. If assessee has the main business of letting out property or dealing in property even then the rental income is to be taxed under this head of income and not under the head of PGBP.
18. In case assessee received composite rent for letting out the property as well as facilities along with such property then it has the following tax treatment:
    a) If letting out of building and facilities is separable then rent of the property is to be taxed under the head of HP and rent of facilities under the head PGBP or OS as the case may be.
    b) If letting out of building and facilities is not separable then rent of the property as well as rent of facilities is to be taxed under the head PGBP or OS as the case may be.
19. Following HP are not chargeable to tax under the head of HP:
    a) Income from a farmhouse.
    b) Property held by a charitable trust
    c) Property used for own business or profession.
    d) A SO or a vacant house.
    e) A palace of ex ruler.
20. Advance rent received by the assessee shall be taxable in the year to which it relates.
21. In the case of house property which is vacant, municipal taxes are allowed to be reduced.

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 → ₹ 30,000 (*maximum limit*)
₹ 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)=5 equal 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 ₹ 30,000 / ₹ 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

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 6TH CHAPTER

INCOME FROM BUSINESS & PROFESSION

1) **Section 145:** Profits and gains of Business or Profession shall be computed either on cash basis or mercantile basis of accounting.

2) Speculation Business income should to be computed separately as loss from such business cannot be set off against any other business income.

3) Revenue loss or expenditure incidental to business is excludable in the computation even though there is no specification provision. For example expenditure on stationery is deductible even though there is no specific section for this.

4) All the assets use for business can be classified as under:

Tangible: (a) Land – it is not eligible for depreciation.

(b) Building, machinery, plant and furniture are eligible for depreciation.

Intangible: Know-how, patents, copyrights, trademarks, licenses, franchises are eligible for depreciation.

5) Revenue expenses incurred in relation to the assets mentioned in point 4) should be considered for deduction u/s. 30, 31 and 37(1). Capital expenditure not qualifying under these provisions may be capitalized and depreciation u/s. 32 can be claimed if eligible.

6) Only in the case of undertakings engaged in the business of generation or generation and distribution of power, there is an option to avail depreciation on straight-line method. This option is for only those assets, which have been purchased after 31/3/98. In all other cases depreciation is deductible only on written down value method. The option has to be exercised in the beginning and shall apply to all the subsequent assessment yea₹

7) If depreciation has been charged as per SLM basis as mentioned in 6) above and then block of asset has been sold:

(a) For the value less than the value of block then we get terminal depreciation, which can be debited, to PL account.
(b) For the value more than the value of block then up to the amount of depreciation debited to the day is treated as PGBP income and balance if any is treated as STCG.

8) Interest on loan borrowed for acquiring on asset used in the business has to be treated as under:

a) Before the commencement of production/Business has to be capitalized.
b) Interest relating to the period after the asset is first put to use shall never form part of the cost of the asset. As per Sec. 43(1) it shall be allowed as revenue expenditure.

9) Unabsorbed depreciation is treated as part of current year depreciation and therefore, can be set off against income under other heads of income as well (except income of salary and casual incomes). It can be carried forward indefinitely even if the business is discontinued.

10) As per section 50 there shall be always STCG on sale of a depreciable asset.

11) In case of asset being destroyed and insurance company gives a similar asset to assessee then the value of such asset destroyed shall not be reduced from the block as per the SC case of **CIT vs Kasturi and Sons Ltd..**

12) The deduction of scientific research expenditure u/s. 35 shall be as follows:

	Particulars	Deduction permissible.
1	Expenditure incurred for own business: - U/s. 35(2AB) – special activities such as pharmaceuticals, bio-technology, computers etc. - U/s. 35 – Other cases	eighted deduction of 150% Deduction of 100%
2	Contribution to Government's, approved university's, college or institution's laboratory	Weighted deduction of 125%

13) Generally, revenue expenditure is deductible in the year when expenditure has been incurred and capital expenditure is capitalized. The concept of deferred revenue expenditure is not prevalent in Indian income tax structure. However, such principle is made applicable under the following sections:

A) Section 35D – Amortization of preliminary expenditure – write it off over 5 yea₹ Qualifying amount shall be follows:

- **a.** For non-corporate assessee it cannot exceed 5% of cost of project
- **b.** For a Company it cannot exceed 5% of cost of project OR 5% capital employed which ever is higher.

B) Section 35DD – Expenses incurred for amalgamation and demerger – write off over 5 yea₹

C) Section 35DDA – Voluntary Retirement Service compensation – write off over 5 yea₹

D) Section 37(1) – Discount/ premium on redeemable preference shares or bonds or debentures can be spread over the life of the instrument **– Madras Industrial Investment Corporation Ltd..**

14) The bad debts written off during preceding previous years and which are recovered during the previous year then recovery is fully taxable in the year of recovery provided it is recovered by the same assessee who has incurred such bad debt as was decided by **SC in the case of P.K.Kaimal.**

15) Expenditure on advertisement in souvenir, brochure, pamphlet etc. published by a political party is not allowed as deduction. However a deduction for the same or/and similar expenditure is allowed as deduction under section 80GGB and 80 GGC.

16) Expenses not deductible are as follows:

1. **Sec. 40(a)** –Any payment outside India on which no TDS has been done or has been paid.
2. **Sec. 40A(2)** – Excessive and unreasonable expenditure where a relative and substantial interest holding is involved.
3. **Sec. 40A(3)** – Expenditure paid in excess of ₹20000 otherwise than by account payee cheque or bank draft subject to rule 6DD.
4. **Sec. 40A(7)** – Provision for gratuity.
5. **Sec. 40A(9)** – Contribution to unapproved funds.
6. **Sec. 43B** – Certain expenses not paid within the stipulated time limit. This applies irrespective of method of accounting.

17) Where the partnership deed stipulates terms of interest and salary to partners, the amount authorized by the deed or the limit prescribed by Sec. 40(b), whichever is lower, shall be allowed as deduction. This limit is as follows:

BOOK PROFITS OF PROFESSIONAL FIRMS	BOOK PROFITS OF OTHER FIRMS	REMUNERATION AS % OF BOOK PROFITS
On first ₹ 3,00,0000 or in case of Loss	On first ₹ 1,50,000 or in case of Loss	₹ 50,000 or 90% of book profits whichever is higher
On Balance	On Balance	60%

18) U/s. 44AA the assessee needs to maintain books of account in the following cases:

- **a)** Notified professions – Gross receipts exceed ₹ 1.5 lakhs.
- **b)** Other professions/business– Income exceeds ₹ 12 lakhs or turnover exceeds ₹ 10 lakhs.

19) U/s.44AB Audit is mandatory if

(a) Profession gross receipts exceed ₹ 10 lakhs.
(b) Presumptive cases covered by 44AD; 44AE & 44AF. 44BB and 44BBB, where the income is less than prescribed limit.

20) Presumptive business income provisions are as follows:

Provision	Sec. 44AD	Sec. 44AE	Sec. 44AF
Nature & Eligibility	Civil construction business having Turnover ≤ 40 lakhs.	Transport business-having no. of vehicles ≤ 10	Retail Traders having Turnover ≤ 40 lakhs.
Deemed Income	8% or more of turnover.	Heavy vehicle – ₹ 3,500 or more. Others ₹ 3,150 or more (p.m. or part of the month)	5% or more of Turnover.

All the Best

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 → 200% (*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 → 175% (*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

Payment to specified persons *[Section 40A(2)]*

AO may disallowed → excessive or unreasonable (*fair market value*)

Cash Payment in respect of expenditure exceeding ₹ 20,000 *[Section 40(A)(3)]*

Payment in excess of ₹ 20,000 (*for transporter ₹ 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 ₹ 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 ₹ 1,20,000 *Or* Total sales/gross receipts exceeds ₹ 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 ₹ 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 ₹ 25, Original Bill for expenditure exceeding ₹. 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 ₹ 60,00,000
(b) For profession gross receipts exceeds ₹ 15,00,000
(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 ₹ 3,500 p.m. and other ₹ 3,150 p.m. or part of a month (*Maximum 10 goods carriage*)

Retail traders whose turnover exceeds ₹ 60,00,000 *[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*)

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 7TH CHAPTER

INCOME FROM CAPITAL GAINS

1) In order to attract taxability under this head of income there must be `capital asset' and it must be covered under the term of `transfer'.

2) As per section 2(14) stock in trade, personal effects and agricultural land in rural area are not considered as capital asset and hence there shall be no capital gains on their transfer.

3) Transactions constituting `transfer' are illustrated u/s. 2(47) some of which are as follows:

- **a.** Sale, exchange or relinquishment of a capital asset.
- **b.** Extinguishments of any right in asset.
- **c.** Compulsory acquisition by of capital asset by government
- **d.** Conversion of capital asset into stock in trade.
- **e.** Any transaction as referred as to in Section 53A of Transfer Of Property Act 1882.

4) These transactions are not regarded as `transfer' u/s. 47, therefore no capital gains shall be charged

- **i.** Transfer under gift or will
- **ii.** Distribution of assets on partition of HUF
- **iii.** Transfer of the artistic, scientific work etc. to the government, university, museum etc.
- **iv.** Conversion of the bonds, debentures, deposits etc into shares or the debentures of that company.
- **v.** Transfer of shares held by shareholders under the amalgamation if:
  - **1.** Amalgamated company is an Indian company.
  - **2.** Transfer is made in consideration of allotment to him of the shares in the amalgamated company.

5) A capital asset is treated as long-term capital asset on the basis of period of holding as follows:

- **(a)** Shares, listed securities, Units of UTI and mutual funds recognized u/s. 10(23D) – 12 months or more.
- **(b)** All other capital assets–36 months or more (Depreciable assets are always treated as STCA)

6) In case of LTCA, COA is to be indexed with the factor for that year in which the asset was for the first time acquired by the assessee.

7) Section 48's provisos:

- **a)** 1st Proviso applies to non residents on transfer of shares and debentures only.
- **b)** 2nd proviso applies to all kinds of LTCA.
- **c)** 3rd proviso applies to bonds and debentures and indexation is not done.

8) Benefit of indexation is not available in case of:

- **a)** Short term capital assets;
- **b)** Bonds and debentures since 3rd proviso to section 48 is applicable.
- **c)** Slump sale u/s. 50B

9) There are 8 self generated assets in respect of which the **cost of acquisition** shall be adopted as **nil** in case an assessee has not incurred any cost for acquisition them. These assets are self generated goodwill; tenancy right; route permit; Loom hours; Right to manufacture, produce or process any article or thing; Bonus shares acquired after 1/4/81; Right to subscribe to shares ; trademark or brand name.

10) In the case of bonus shares acquired before 1/4/1981, it is possible to avail fair market value as on 1/4/1981 as the cost of acquisition. In fact, it is the only asset; among the 8 assets referred to above for which fair market value as on 1/4/1981 can be availed if the bonus shares have been acquired prior to that date. **In the case of the other assets, even if they are acquired prior to 1/4/1981, cost will be taken as nil.**

11) In case of gift or will or inheritance cost of acquisition shall be the cost at which the previous owner acquired the asset. Further in while calculating the period of holding the period for which the asset was held by previous owner and current owner shall be added together.

12) The differential treatment between long term and short term capital assets shall be as follows:-

Particulars	Long Term	Short Term
Indexation benefit	Available	Not available
Exemption u/s 54, 54EC,54F & 54G Exemption u/s 54B, 54D, 54G & 54GA	Available Available	Not available Available
Concessional tax rate u/s. 112	Available in case of securities	Not available
Basic exemption limit (Individual & HUF)	Available to residents if incomes except LTCG are less than basic exempt limit	Available
Deductions of section 80C to 80U	Not available	Available

13) **Section 45(1A):** Capital gains tax normally arises in the year of transfer except in the case of insurance compensation where it is taxed in the year of receipts.

14) **Section 45(2):** Conversion of capital asset into stock-in-trade is taxed in the year of sale of such stock-in-trade but while indexing the cost of acquisition shall taken for the year in which conversion took place.

15) **Section 45(5):** In case of compulsory acquisition capital gain is taxed in the year of receipt of compensation or part of the compensation. In case of enhanced compensation CG shall have the same nature as that of original compensation. In case of reduction of compensation, the tax on original compensation or enhanced compensation shall be revised.

16) Values to be considered for the adoption for computation of capital gains are as:

   a) **Section 45(2)** Conversion of capital asset into stock – Fair market value on date of conversion.

   b) **Section 45(3)** Partner or member introducing asset to firm or AOP – Book value recorded in firm.

   c) **Section 45(4)** Dissolution of firm and distribution of assets – Fair market value on the date of distribution. In other cases, actual consideration to be adopted.

17) Computation of capital gains in case of non-depreciable assets shall be calculated u/s. 48 and in the case of depreciable assets it shall be as under:

   (i) **Section 50:** In case of depreciable assets used for the business and professional purposes.

   (ii) **Section. 50A**, where straight-line method is adopted by power sector undertaking.

   (iii) **Section. 50B**, where slump sale is affected.

18) **Section. 50C** of valuation for the Stamp Duty Act we have to take higher of:

   a) Sale consideration

   b) Value as fixed under that act.

19) Benefit of indexation is not available in case of:

   a) Short term capital assets;

   b) Bonds and debentures since 3rd proviso to section 48 is applicable.

   c) Slump sale u/s. 50B

20) Exemptions of capital gains available only to individual and/or HUF assessees: Section 54, 54B and 54F

Provisions	Capital gains on sale of residential property used for residential property: Section 54	Capital gains on sale of urban agricultural land and used for another agriculture land Section 54B	Capital gain on sale of LTCA not to be charged in case of investment in residential house: Section 54F
a) **Assessee**	Individual/HUF	Individual	Individual/HUF
b) **Asset transferred**	Residential house property being buildings or lands appurtenant thereto.	Agricultural land used by individual or his parent for agricultural purposes during 2 years preceding date of transfer	Any capital asset not being residential house property. Exemption is not available if assessee owns more than 2 residential houses including a new house.
c) **Nature of Asset**	LTCA	LTCA / STCA	LTCA
d) **New Asset to be purchased/constructed**	Residential house property i.e. buildings or lands appurtenant thereto	Agricultural land (in urban or rural area)	Residential house property i.e. buildings or lands appurtenant thereto
e) **Time-limit for purchase/construction**	Purchase: Within 1 year before or 2 years after the date of transfer. Construction: complete construction within 3 years year from date of transfer	Purchase within 2 years from the date of transfer	Purchase: Within 1 year before or 2 years after date of transfer; and Construction: Complete construction within 3 year from date of transfer
f) **Deposit scheme (Discussed later)**	Applicable	Applicable	Applicable
g) **Amount of Exemption**	Lower of – Capital gains or investment in new asset	Lower of – capital gains or cost of new asset	Cost of new house x Capital Gains ÷ Net consideration being Full Value of consideration less Expenses on transfer
h) **Withdrawal of Exemption on**	If transfer of the new asset within 3 years from its purchase/ construction	If transfer of the new asset within 3 years from its purchase	(a) if assessee purchases within 2 years or constructs within 3 years from date of transfer of original asset, a residential house other than new house; or (b) transfer new asset within 3 years from date of its purchase/ construction
i) **Taxability on Withdrawal**	Amount of exemption claimed earlier shall be reduced from the cost of acquisition of new asset.	Exemption claimed earlier shall be reduced from cost of acquisition of new asset.	Amount exempted earlier shall be taxable as long-term capital gains in previous year in which – (a) another residential house is purchased or constructed, or (b) the new asset is transferred.

21) Exemptions in respect of capital gains available to all assessees: Section 54D, 54EC, 54G and 54GA

Provisions	Compulsory acquisition of land & buildings Section 54D	Investment in certain bonds: Section 54EC	Shifting of undertaking to rural area: Section 54G	Shifting of undertaking to SEZ: Section 54GA
a) Assessee	Any person	Any person	Any person	Any person
b) Asset transferred	Compulsory acquisition of land or building which was used in the business of industrial undertaking during 2 years prior to date of transfer.	Any long term capital asset	Transfer of plant, machinery or land or building for shifting industrial undertaking from urban area to rural area	Transfer of plant, machinery or land or building for shifting industrial undertaking from urban area to Special Economic Zone
c) Nature of Asset	Short term/ Long term	Long term	Short term/ Long term	Short term/ Long term
d) New Asset to be purchased/ constructed	New land or buildings for the industrial undertaking.	Bonds, redeemable after 3 years issued – (a) by National Highway Authority of India; or (b) by Rural Electrification Corporation, maximum exemption limit being ₹ 50 lakhs (Amended by FA, 2007 w.e.f. 1-4-08)	(a) Purchase/ Construction of plant, machinery, land or building in such rural area or, (b) Shifting original assets to that area or, (c) Incurring notified expenses	(a) Purchase/ Constructed of plant, machinery, land or building in such SEZ or, (b) Shifting the original assets to SEZ or, (c) Incurring notified expenses.
e) Time-limit for purchase/ construction of new asset.	Within 3 years from date of receipt of initial compensation.	Within 6 months from the date of transfer of original asset.	Within 1 year before or 3 years after the date of transfer.	Within 1 year before or 3 years after the date of transfer.
f) Deposit scheme	Applicable	-	Applicable	Applicable
g) amount of Exemption	Lower of – capital gains or investment in new asset.	Lower of – capital gains or investment in new asset	Lower of – Capital gains, or Cost incurred for (a) to (c) of point 4.	Lower of Capital gains, or Cost incurred for (a) to (c) of point 4.
h) Withdrawal exemption	Transfer of new asset within a period of 3 years from the date of its acquisition or construction.	Transfer of new asset, conversion thereof in money of taking loan or advance on its security within 3 years from date of its acquisition	Transfer of new or shifted asset within a period of 3 years from the date of its acquisition or construction or shifting	Transfer of new or shifted asset within a period of 3 years from the date of its acquisition or construction or shifting
i) Taxability on Withdrawal of Exemption	Amount of exemption claimed earlier shall be reduced from the cost of acquisition of new asset.	Exempted capital gain will taxable as long-term capital gains in previous year in which such transfer/conversion takes place.	Amount of exemption claimed earlier shall be reduced from the cost of acquisition of new or shifted asset.	Amount of exemption claimed earlier shall be reduced from the cost of acquisition of new or shifted asset.

Note: If exemption has been claimed u/s 54EC in respect of investment in a new asset, no deduction shall be allowed u/s 80C with reference to the amount of investment for which exemption has been claimed.

22) Indexation factors to be used for indexation of LTCA are:

Previous Year	Indexation factor	Previous Year	Indexation factor	Previous Year	Indexation Factor (CII)*
1981-1982	100	1991-1992	199	2001-2002	426
1982-1983	109	1992-1993	223	2002-2003	447
1983-1984	116	1993-1994	244	2003-2004	463
1984-1985	125	1994-1995	259	2004-2005	480
1985-1986	133	1995-1996	281	2005-2006	497
1986-1987	140	1996-1997	305	2006-2007	519
1987-1988	150	1997-1998	331	2007-2008	551
1988-1989	161	1998-1999	351	2008-2009	582
1989-1990	172	1999-2000	389	2009-2010	632
1990-1991	182	2000-2001	406	2010-2011	711

*** Cost Inflation Index.**

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	Date of Allotment	Allotment price
(b) Secondary market		
(i) Transaction trough share broker	Date of broker's note	Amount paid + Brokerage charges + Adjustment for exp. & com. + dividend/interest
(ii) Transaction between parties directly	Date of contract of sale	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 dissolutions of firm/AOP/BOI	Year of first receipt	FMV on date of transfer ***Less*** COA 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 ₹ 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*)

1	2	3	4	5	6	7	8	9
Sec	**Assets transferred**	**who entitled**	**Use or Holding period**	**New Assets**	**Exemption**	**Prescribed Period for Investment**	**Treatment of Unutilized Amount**	**Sale of new Asset**
54	Residential House	Ind Huf	LTCA	Residential House	Capital Gains invested	Purchased within one year before or two years after date of transfer, or completed construction within 3 years, after the date of transfer	Deposit in Capital Gains A/c Scheme upto due date of furnishing the return of Income	If sold within 3 years from the date of purchase / construction, capital gains claimed as exempt shall be reduced from COA of new asset.
54B	Agricultural Land	Ind	*Use* by him /parents for 2 years or more	Agricultural Land	Capital Gains invested	Within two years after date of transfer	—do—	—do—
54D	L/B for Indus. undertaking	All	Used for 24 months or more	L/B for Indus. undertaking	Capital Gains invested	Within 3 years after date of receipt of compensation on such *compulsory acquisition*	—do—	—do—
54EC	Any asset	All	LTCA	Long term specified assets	Capital gains invested	Six months from transfer **Specified assets** are bonds of NHAI, RECI	NA	If sold within 3 years of acquisition, exempted gain taxable as LTCG in the year of transfer of new asset.
If any loan /advance is taken on the security of such long term specified asset, then exempted capital gain shall become taxable.								
54F	Any asset other than residential house	Ind or Huf	LTCA	Residential house	Proportionate ***Net*** consideration invested	Same as for Sec. 54	Same as Sec. 54.	If Sold within 3 years from date of purchase/construction, cap. gain exempt shall be taxable as LTCG in year of transfer.
Exemption shall be given if on the date of transfer of original asset, assessee does not own more than one residential house, other than the new asset. Exemption shall be withdrawn if he purchases within 2 years or constructs within 3 years after the date of transfer any residential house other than the new asset.								
54G	P/M or L/B used for industrial undertaking in Urban Area.	All		P/M or L/B for IU in non-urban area or for shifting expenses	CG invested	Within one year before or within 3 years after transfer.	—do—	Same as for section 54, 54B and 54D.
54GA	P/M or L/B used for industrial undertaking in Urban Area.	All		P/M or L/B for IU in ***special economic zone*** or for shifting expenses	CG invested	Within one year before or within 3 years after transfer.	—do—	Same as for section 54, 54B and 54D.

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 8TH CHAPTER

INCOME FROM OTHER SOURCES

1) The following incomes are always taxable as income from other sources:
   (c) Dividend income from foreign company.
   (d) Casual income such as wining from lottery, crossword puzzles, gambling, card games, winning from horse races etc.
   (e) Contribution of PF received by the employee and not deposited with the PF.
   (f) Interest on securities.
   (g) Rent from letting of plant and machinery along with building.
   (h) Sum received by keyman from keyman insurance policy if employer and employee relation is absent.
   (i) Income from subletting of house property.
   (j) Gifts in cash received exceeding ₹ 50000 from non relatives. But gifts on the occasion of marriage are not taxable. Similarly gifts given in anticipation of death shall not be taxable.
2) **Section 145:** Income under the head of other sources shall be calculated on the cash basis or accrual basis of accounting whichever is followed by the assessee.
3) Following are some of the incomes which are taxable under the head of other sources:
   a) Director's fee.
   b) Agriculture income from outside India.
   c) Rent of open plot of land.
   d) Salary payable to members of parliament.
   e) Family pension received by family members of deceased employee is taxable as income from other sources. But an exemption of 15000 or 1/3 of such income shall be allowed as per section 57.
   f) Interest on employee's own contribution in URPF when he gets retired.
   g) Any income from undisclosed sources.
   h) Any other casual income.
   i) Income from royalty.
   j) Ground rent.
   k) Examination fees received by a teacher from a person other than his employer.
4) Dividends received by shareholders from a domestic company other than those covered by section 2(22)(e) is exempt from tax u/s. 10(34) for shareholder since company has to pay CDT.
5) Income from Other Sources is a residuary head of income, which includes all income which is not covered by other heads of income and which are not exempt from tax.
6) While income from building property and land appurtenant thereto is taxable under the head `Income from house property', if vacant land is let out, the rent is assessable under the head `Income from other sources'.
7) Income from agricultural activities is exempt from tax u/s 10(1), if agriculture land is situated in India but if land is outside India then income shall not be exempt but it will be taxable as the income from other sources.
8) Apart from the specific deductions permissible u/s. 57, any expenditure wholly and exclusively incurred for the purpose of earning any income assessable under this head is also allowable and deduction.
9) If the assessee receives pension after retirement, the same is assessable under the head `Salaries'. Whereas, if family pension is received by the legal heir of the deceased employee, it is taxable under this head subject to 1/3 of family pension or ₹ 15,000 whichever is less.
10) Winnings from lottery, crossword puzzles, races, etc. shall be taxed at the rate of 30% (plus surcharge and education cess) u/s. 115BB.
11) From the casual incomes no kind of expenses are allowed to be deducted and gross amount is taxable.

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 ₹ 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

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 9TH CHAPTER

CLUBBING OF INCOMES

1) **Section 60:** If income is transferred without transfer of the asset then such income shall be taxable for the transferred and not for the transferee.
2) **Section 61:** In the case of revocable transfer, income from the asset shall be taxable for the transfer and not for the transferee but if the transfer is not revocable then it shall be taxable for the transferor.
3) **Section 64(1)(ii):** An individual is chargeable to tax in respect of any salary, commission, fees or any other form of remuneration received by the spouse from a concern in which the individual has substantial interest except in case where income of spouse is earned only due to application of technical or professional knowledge or experience.
4) **Section 64(1)(iv):** if person has transferred an asset to spouse and spouse earns some income from such asset then such income shall be taxable for the transferor of the asset.
5) Income on the asset transferred is clubbed but not the income on accretion to the asset.
6) **Section 64(1A)**: Any income accruing or arising to a minor child is liable to be clubbed with the income of father or mother whose so ever has higher total income before such clubbing.
7) Income derived by a minor child out of skill and talent or by way of salary and wages shall not be clubbed. However, if such income is invested and income is earned thereon, such income shall be clubbed.
8) Clubbing ceases to operate when the minor becomes a major.
9) There is no clubbing of income in the case of a minor child who is eligible for deduction u/s. 80U.
10) Similarly, where a minor child does not have parents, clubbing of income does not arise. The minor child will be assessable in his own case. Guardian will be representative assessee for assessment purposes.
11) If the income is to be clubbed then it shall be computed first in the hands of receiver under relevant head and then it shall be included in the total income individual under same head.

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

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 10TH CHAPTER

SET OFF & CARRY FORWARD OF LOSSES

1) **Section 70:** Loss from one source can be set-off against income from another source under the same head in the same year except
   - **a.** Speculation loss.
   - **b.** Long-term capital loss.
   - **c.** Loss from owning and maintaining racehorses.
   - **d.** No loss to be set off from income, which is exempt from tax.
   - **e.** No loss to be set off from income of lotteries, card games, races etc.
   - **f.** Loss of PGBP can not be set off from salary income
2) **Section 71:** Loss under one head of income can be set-off against income under another head of income in the same year except those which are mentioned in 1) above.
3) The question of computing loss under the head `salaries' does not arise. Under all other heads, there is a possibility that the net result of computation is a loss. Such loss remaining unabsorbed after set-off can be carried forward up to 8 assessment year (4 years in the case of loss from the activity of owing and maintaining race horses and speculation business loss) to be set-off against income under the same head.
4) Speculation loss, long-term capital loss and loss from the activity of owning and maintaining racehorses can be set-off only against income of the same nature.
5) **Section 72A:** In the case of amalgamation the unabsorbed loss and depreciation is treated as that of the amalgamated company. Therefore, carry forward of loss is available for subsequent 8 assessment years and depreciation can be carried forward indefinitely. This period of 8 years is irrespective of the period of loss, which has been, carry forwarded by amalgamating company.
6) In the case of demerger, the loss attributable to the resulting company shall be carried forward for the unexpired period of 8 yea₹
7) If business is succeeded by way of inheritance, loss of the predecessor from such business can be carried forward by the successor.
8) **Section 79:** Closely held company can carry forward loss only if 51% of voting right is held by the same shareholde₹
9) Carry forward benefit of business loss; speculation loss; loss under `capital gains' and loss from the activity of owning and maintaining race horses can be availed only if the return of loss is furnished within the due date u/s. 139(1). This condition does not apply to unabsorbed depreciation u/s. 32(2) and loss from house property u/s. 71B.

Sr. No.	Section	Types of Loss		Set off Against Income In same Assessment Year	In subsequent Assessment Year	Can be carried forward for
1.	72	Business or Profession (Non-Speculation other than Depreciation)		Business Income head; or any other head except salaries [sec 71(2A)]	Business Income Head (Note 1)	8 years
2.	32	Unabsorbed Depreciation		As above	Business Income Head or any other head (Note 2)	Indefinitely
3.	73	Business (Speculation)		Speculation Profit	Speculation Profit	4 years
4	73 A	Business 35 AD		Specified Business (refer business income)	Specified Business (refer business income	Any number of years until it is fully set off.
5	70/74	Short-term capital loss		Capital gain (LTG or STG)	Capital gain (LTG or STG)	8 years
	70/74	Long-term capital loss		Long-term capital gain	Long-term capital gain only	8 years
6	74A	Running and Maintaining Race Horses		Same income only	Same income only	4 years
7	71	Other sources		Other sources or any other head	No carry forward	N. A.
8	71B	House Property:				
		a)	Let out property	Income from House property head or any other head	Income from House property	8 years
		b)	Self-occupied Property (On account of interest on borrowed capital)	Income from House property head or any other head	Income from House property	8 years

NOTES:

1. Unabsorbed business losses can be carried forward and set off against profits from any business there is no need to continue the same business in which the loss was incurred.
2. Depreciation can be carried forward and set off against the profits from any business in the succeeding assessment year. The business in which the loss was incurred need not be continued in that year.
3. The effect of depreciation, business loss and investment allowance should be given in the following order:
   - Current year's Depreciation
   - Unabsorbed Business loss
   - Unabsorbed Depreciation
   - Unabsorbed Investment Allowance.
4. A return of loss is required to be furnished for determining the carry forward of such losses, by the due date prescribed for different assessees' u/s. 139(1) of the Act. (S. 80).
5. Income by way of winning from lotteries, cross word puzzles, card games, betting, tv games etc shall not used to set off any loss
6. Current year income under each is to be calculated first and then set off to be made after that.
7. When two possible set off available, set off can be done which is most beneficial to assessee,

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SUMMARY OF 11TH CHAPTER

AGRICULTURE INCOME

1) As per section 10(1) agriculture income is exempt from income tax if agricultural land is situated in India. If agriculture land is outside India then the agricultural income shall be taxable.

2) Power to tax agriculture income has been given to state governments by the constitution of India.

3) Definition of agriculture income is given in section 2(1A).

4) To term any activity as agricultural activity both basic conditions and subsequent conditions have to be satisfied as was decided by SC in the case of Raja Binoy Kumar Sahas Roy.

5) Activities which are allied activities to agriculture such as animal husbandry, dairy farming, fishery etc. are not regarded as agricultural activities and therefore income from these sources are not exempt. They are taxable as income from business and profession.

6) If a partnership is having main activity of agriculture then remuneration and interest received by the partners from such firm shall be regarded as agriculture income and hence not chargeable to tax but share in the post tax profits of firm is not agriculture income as was decided by the in the case of R. M. Chidambaram Pillai.

7) Income from sale of rubber, coffee and tea shall be bifurcated as business income and agriculture income as per rule 7, rule 7B and rule 8.

8) In case of Individual, HUF, AOP and BOI agriculture income and non agriculture income have to be clubbed together to calculate tax on the non agriculture income. This shall be done when agriculture income exceeds ₹ 5000 pa and non agriculture income exceeds basic exempt limit. This leads to partial taxation of agriculture income.

9) We can say that agriculture income is not fully exempt from tax but it is partially taxable in some special cases.

Meaning: Agricultural income means -

a. Any rent or revenue derived from a land, which is situated in India & is used for agricultural purposes;
b. Any income derived from such land by agricultural operations;
c. Any income derived from such land by the cultivator by processing the agricultural produce raised or by the receiver of rent in kind by processing the agricultural produce received; so as to render it fit for sale in market.
d. Any income derived from such land on sale made by the cultivator of the agricultural produce raised; or by the receiver of rent in kind of the agricultural produce received; without carrying on any process, other than the process required to render it fit for the market.
e. Any income derived from a building subject to fulfillment of the following conditions a) The building should be occupied by the cultivator or receiver of rent in kind. b) The building should be on or in the immediate vicinity of the land, being situated in India and used for agricultural purposes. c) The building should be used as dwelling house or store-house or other out building. d) The land is either situated in rural area or assessed to land revenue.

Agricultural activity means:

Basic Operation: It means application of human skill & labour upon the land, prior to germination. E.g. Tilling of land, sowing of seeds, planting, irrigation, etc.

Subsequent Operation: It means operations which fosters the growth and preserves the produce; for rendering the produce fit for sale in market; and which are performed after the produce sprouts from the land. E.g. pruning, cutting, harvesting, etc.

Activity	Whether treated as agricultural activity or not
Mere Basic Operation	Agricultural activity
Mere Subsequent Operation	Not an agricultural activity
Subsequent operation together with basic operation	Agricultural activity

Treatment of Partly Agricultural & Partly Non-Agricultural Income

Growing & manufacturing tea: 60% is agricultural income and 40% is non-agricultural income.
Growing & manufacturing rubber: 65% is agricultural income and 35% is non-agricultural income.
Growing & manufacturing coffee:

- If coffee grown and cured by the seller: 75% is agricultural income and 25% is non-agricultural income.
- If coffee grown, cured, roasted and grounded by the seller: 60% is agricultural income and 40% is non-agricultural income.

Any other case: In such case, assessee will prepare two statements of income, i.e., one for agro-business and another for non agro-business and for computing agricultural income, the market value of any agricultural produce, which is utilised as raw material in such business, is to be treated as revenue for agro-business and deductible expenditure for non agro-business.

Tax treatment of Agro Income / Impact of agricultural income on tax computation

Conditions

1. The assessee is an individual, HUF, a BOI, an AOP, or an artificial juridical person.
2. The assessee has non-agricultural income exceeding exempted limit of income.
3. The agricultural income of assessee exceeds Rs.5000.

Treatment

Step 1: Compute income tax on total income of assessee including Agro-income.
Step 2: Compute income tax on (Agricultural income + Maximum exempted limit)
Step 3: Tax liability before rebate & surcharge = (Tax as per step 1) - (Tax as per step 2)

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 12TH CHAPTER

DEDUCTIONS FROM GTI

1) Deductions under section 80C to 80U are not allowed to be deducted from Long Term Capital Gain and casual incomes such as winning of Lotteries, races etc.

2) Aggregate of all deductions cannot exceed GTI. In other words we can not have loss due to deductions.

Sec.	Available to	Condition	Deduction
80C	Individual /HUF	• Subscription to notified bond of NABARD • ≥5 years term deposit in bank/ Post office • LIP – Self , Spouse, Children (Dependent, Independent, Married, Unmarried) • Contribution to Provident Fund, Superannuation Fund • NSC • Tuition Fees (for full time education of two children in India) • 15 year PPF [Self, Spouse, Children (Minor)] • Payment towards Cost of purchase / construction of Residential property Including Repayment of housing loan (Only Principle Component) • Notified Unit of UTI, Mutual fund, LIC • Subscription to Public Deposit Scheme of HUDCO (Housing & Urban Development Corporation Ltd.) • Senior Citizen Saving Scheme	Up to ₹ 1,00,000 (Sec. 80CCE)
80CCC	Individual	Deposit to Pension Fund of LIC or other insurer	
80CCD	Individual	Deposit to Pension Fund Scheme Notified by CG (Employed by CG or other Employer) Up to 10% of Salary (Employer Contribution) Up to 10% of Salary (Employee Contribution)	
80CCF	Individual /HUF	Long term Infrastructure Bond notified by CG Tenure of the Bond • A minimum period of 10 years • The minimum lock in period for an investor shall be five years.	Up to ₹ 20,000
80D	Individual /HUF	Mediclaim Policy of GIC paid by any mode other than cash or Central Government Health Scheme. • Insurance can be taken on the health of Self, Spouse and Dependent Children	Up to ₹ 15,000 Up to ₹ 20,000 (if any one is Senior Citizen)
		• Insurance can be taken on the health of Parents (Father & Mother whether dependent or not)	Up to ₹ 15,000 Up to ₹ 20,000 (if any one is Senior Citizen)
80DD	Resident Individual/	Maintenance including Medical Treatment of dependent with disability	Fixed Deduction ₹ 50,000 or

	HUF	• Medical Treatment • Deposit in Scheme of LIC or other insurer in this behalf • Disable dependent must not claim Deduction u/s 80U • Spouse, Parent, Children, Brother, Sister	₹ 1,00,000 (if disability > 80%)`
80DDB	Resident Individual/HUF	Medical Treatment of Specified disease of Self, Spouse, Parent, Children, Brother, Sister • Amount received from Insurance Company shall be deducted from ₹ 40,000/ ₹ 60,000	Up to ₹ 40,000 or Up to ₹ 60,000 if incurred in respect of Senior Citizen
80E	Individual	Payment of Interest on loan taken for higher studies • Self, Spouse, Children (Dependent, Independent, Married, Unmarried) • Available for 8 AY beginning with AY year in which payment of interest begins • Any Studies after passing Xth including Vocational Studies	Amount of interest paid (Not the principal sum)
80G	Any assessee	Donation (in cash) • Available in respect of fund set up for Charitable purpose not religious purpose GTI xx Less: LTCG, STCG U/S 111A xx Less: Exempted Income xx Less: All deduction u/s 80C to 80U except 80G xx Adjusted GTI xx	See Note after the Chart
80GGB	Indian Company	Donation to Political Party or Electoral Trust	Amount donated
80GGC	Any assessee other than Indian Company		
80QQB	Resident Individual	Royalty income of Author Case 1 : Copy right transferred for lumpsum consideration Case 2 : Copy right not transferred, Royalty Received whether in Lumpsum or otherwise • For the purpose of Deduction in Case 2, royalty received not to exceed 15% of value of book sold. • Amount Received in India in convertible foreign exchange within 6 month from end of PY shall be taken as Royalty received	Royalty Received less expenses or ₹ 3,00,000 whichever is lower
80RRB	Resident Individual	Royalty on Patent • Amount Received in India in convertible foreign exchange within 6 month from end of PY shall be taken as Royalty received	
80U	Individual	Suffering from disability (Blindness, low vision, leprosy-cured, hearing impairment, locomotors disability, Mental retardation, mental illness)	Fixed Deduction ₹ 50,000 or ₹ 1,00,000 (if disability > 80%)

Note:

Deduction under section 80G

(A) Donations eligible for deduction without any limit:

1. 100% Deduction will be allowed if donations are given to-

(a) Prime Minister's National Relief Fund;
(b) Armenia Earthquake Relief fund;
(c) Africa (Public contribution-India) fund
(d) National foundation for Communal Harmony;
(e) National illness Assistance Fund;
(f) National Cultural Fund set up by government;
(g) Gujarat Govt.'s Earthquake Relief fund;
(h) National Defence Fund set up by government.
(i) National sports Fund set up by Govt;
(j) Zila Sakaharta Samiti
(k) An appkroved University or other educational institution of national eminence;
(l) Maharastra Chief Minister's Earthquake Relief Fund;
(m) The National Blood Transfusion Council or any State Blood Transfusion Council;
(n) Any fund set up by a State Government to provide medical relief to the poor;
(o) Central Welfare fund for Army or Air Force or Indian Naval Benevolent Fund;
(p) Andhra Pradesh Chief ministers Cyclone Relief Fund;
(q) Fund for Technology Development and Application set up by Govt.;
(r) Chief Ministers Relief fund or Lieutenant governor's Relief Fund of any State or Union Territory;
(s) Welfare trust for persons with Autism, Cerebral Palsy and Multiple Disabilities.

2. 50% deduction will be allowed if donations made to-

(a) Jawaharlal Nehru Memorial Fund
(b) Rajiv Gandhi Foundation
(c) Indira Gandhi Memorial Trust
(d) National Children's Fund
(e) Prime Minister's Drought Relief Fund

(B) Donations eligible for deduction subject to Qualifying limit (i.e. 10% of Adjusted GTI):

1. 100% deduction shall be allowed subject to the qualifying amount if donations are made:

(a) To government or any approved local authority, institution or association to be utilized for promoting family planning;
(b) By company to Indian Olympic Association or other notified association / institution in India for development of infrastructure for sports and games, or sponsorship thereof in India.

2. 50% deduction shall be allowed subject to the qualifying amount if donations are made:

(a) To Government or any approved local authority, for charitable purpose except promoting family planning.
(b) To approved charitable institution, which satisfies the conditions of section 80G (5).
(c) For renovation or repair of nay temple, mosque, gurudwara, church or other place notified to be of historic / archaeological artistic importance or as a place of public worship of renown;
(d) To housing development authority or city / town / village development authority constituted in India by or under any law
(e) Corporation for promoting interests of minority community as given under section 10(26BB)

Available to	Condition	Project to be completed	Deduction
	Sec. 80IA		
Indian Company	Developing, Operating, Maintaining, Infrastructure Facility • Road, Toll road, bridge or a rail system • Highway Project including housing • Water Supply Project , Solid waste management System		100% for 10 AY out of 20 AY
	• A Port, Airport, Inland waterways, inland Port or navigational channel in the sea		100% for 10 AY out of 15 AY
Any Assessee	Providing Telecommunication Service	31.3.05	100% for 5 AY 30% for 5 AY
	Maintains & Operates Industrial Park or SEZ	31.3.05	100% for 10 AY
	Generation or distribution of Power (Includes Substantial Renovation i.e. new plant and Machinery > 50% of old P&M on 1.4.04)		
Indian Company	Laying and operating cross-country natural gas distribution network		100% for 10 AY out of 15 AY
	Sec. 80IAB		
Any Assessee	Maintains & operates Industrial Park or SEZ (after 1.4.05)		100% for 10 AY out of 15 AY
	Sec. 80IB		
Any Assessee	Industrial undertaking in Backward area (Production of Alcohol, Cigarettes Prohibited)	31.3.04 (31.3.12 for J&K)	100% -5 AY 25% -5 AY (30% in case of company)
	Cold Chain Facility		
	SSI in any Area		25%- 10 AY (30% in case of company)
Indian Company	Hotel (old building eligible) in hilly area	31.3.01	50% - 10 AY
	Hotel (old building eligible) in other area (except metro)		30% - 10 AY
Any Assessee	Building, Owning, Operating Multiplex Theatre, Convention Center (Auditorium) *Old Building not eligible	31.3.05	50% - 5 AY
Any Assessee	Construction and development of housing project	4 years from end of FY in which approved	100% till sold
Indian Company	Scientific research & Industrial development		100% - 10 AY
Any Assessee	Production or Refining of Mineral oil & Natural gas	31.3.2012	100% -7 AY
	Handling , Storage and transportation of food grains		100%- 5 AY 25% - 5 AY (30% in case of company)
	Processing, Reservation and Packaging of fruits & vegetables		
	Hospital in Rural area (At least 100 beds)		100% -5AY

Sec. 80IC

Undertaking in Special Category State

- Manufacturing or producing eligible article or thing
- Undertakes substantial expansion New P&M > 50% of old P&M (but before Depreciation)

State	Production Up to	Deduction
Sikkim North eastern State	31.3.07	100% for 10 AY
Himachal Pradesh Uttaranchal	31.3.12	100% for 5 AY 25% for 5 AY (30% in case of company)

Sec. 80ID

Business.	Hotel (2,3,4 Star), Convention Centre
Specified Area	Delhi, Faridabad, Gurgoan, Ghaziabad, Budh Nagar
Construction Period	1.4.07 to 31.7.10
Deduction	100% for 5 AY
Objective	Accommodate visitors to Commonwealth games held in Oct 2010

Sec. 80IE

Undertaking in North Eastern States (includes State of Sikkim also)

(i) Manufacture or produce eligible article or thing

(ii) Undertakes Substantial expansion (New P&M >25% of old P&M)

(iii) Carry on eligible business – Hotel above 2 Star Category, Information technology, Bio technology, Old age home, Nursing home >25 bed, Vocational training Institute for Hotel Management

(iv) Period of Operation to Commence – 1.4.2007 to 31.3.2017

(v) Deduction – 100% for 10 AY

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 13TH CHAPTER

EXEMPTED INCOMES

1) **Section 10:** All of the following incomes are exempt from tax
   - **a)** Agriculture income from land in India.
   - **b)** Share of income of HUF for member of HUF.
   - **c)** Share of income of firm for the partner of firm.
   - **d)** Compensation from disasters [w.e.f section 10 (10BC)].
   - **e)** Amount received on the maturity of life insurance policy.
   - **f)** Scholarships received for meeting cost of education.
   - **g)** Income from awards.
   - **h)** Income from dividends from shares and units of mutual funds.
   - **i)** Income from international sporting events.
2) **Section 10A:** Provisions for newly established undertakings in free trade zones, or special economic zone.
3) **Section 10AA:** Special provisions in respect of newly established units in special economy zone.
4) **Section 10B:** Provisions in respect of newly established 100% export oriented undertaking.
5) **Section 10BA:** Deduction in respect of export of artistic handmade wooden articles

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SUMMARY OF 14TH CHAPTER

ASSESSMENT PROCEDURE & RETURN OF INCOME

1) **SECTION 139(1):** It is compulsory for every company and a partnership firm to file its return of income on or before due date irrespective of level of income. Further in case of loss also they have to file return of income in the prescribed format.

2) It is compulsory for every person other than a company and partnership firms to file return of income on or before the due date if his total Income or total income of some other person in respect of which he is assessable during the year exceeds the basic exempt limit.

3) Where the assessee is company, partnership firm, a person (other than company) whose accounts are required to be audited, a co-operative, the person is working partner of a firm whose accounts are required to be audited, due date is 31/September/AY and in any other case due date is 31/ July/AY.

4) If an assessee has defaulted in filing return of income then he shall be liable to pay interest under section 234A and to pay penalty under section 271F.

5) If the ROI is furnished after the due date or is not furnished at all then assessee has to pay interest under section 234A @ 1% pm or part of the month. Interest shall be paid for the period starting from the date next to the due date of ROI and ending on the date when ROI is filed.

6) **Section 139(3):** It is not mandatory to file a return of loss, as there is no taxable income. However losses of "Non speculative business under section 72(1)" ; "Speculative business under section 73(2) ; "Capital Gains under section 74" ; "losses from the activity of owning and maintaining of race horses under section 74A" can be carried forward only if a return of loss is filed. However, Loss under "House Property" and "Unabsorbed Depreciation" can be carried forward even if return of loss is filed after due date.

7) **Section 139(4):** If ROI is not filed within the time allowed u/s 139(1) the AO can issue a notice requiring the assessee to furnish ROI within the time specified by him. If the return is not furnished within time allowed u/s 139(1) or within the time allowed under notice issued by AO still assessee can file ROI and such ROI shall be know as belated return. Belated ROI can be filed before:

   (i) End of one year from the end of relevant AY or

   (ii) Before completion of assessment **whichever is earlier.**

8) **Section 139(5):** If assessee discovers any omission or wrong statement in return filed u/s 139 (1) or u/s142 (1) he may furnish a revised return. ROI can be revised

   i) Before the end of one year from the end of the relevant assessment year OR

   ii) Before the completion of assessment **whichever is earlier.**

9) Belated return can't be revised as was decided by SC in case of **KUMAR JAGDISH CHANDRA SINHA.**

10) Return of loss can be revised and as many number of times as one desires but if done within the time limit specified

11) Every person who has been allotted PAN shall quote it:

   (a) While receiving income on which TDS has to be done and shall be told to the person doing TDS. This is not required where income is not chargeable to tax.

   (b) In all return and correspondence with income tax dept.

   (c) Sale/Purchase of Motor Vehicle (Excluding 2 wheelers).

   (d) Sale/Purchase of any immovable property for 5 lakhs or more.

   (e) Sale/Purchase of securities exceeding ₹ 1 lakhs.

   (f) Application for telephone connection.

   (g) Opening of a Bank Account.

   (h) Payment to hotels or restaurant of bill exceeding ₹ 25,000 at one time.

(g) Time deposits with a bank or post office exceeding ₹50,000.

(h) Payment in cash for the bank draft for ₹ 50000 or more.

(i) Cash deposit of ₹ 50000 or more in a bank in one day.

(j) Payment in cash exceeding ₹ 25000 in connection with the travel to the foreign country.

12) Types of return forms applicable are:

Form no.	Form applicable to
ITR 1	Individual having income from one or more of the following sources: **a)** Salary. **b)** Family pension. **c)** Interest income chargeable as income from other sources.
ITR 2	An individual or HUF not having income under the head of PGBP
ITR 3	An individual or HUF being a partner in a partnership firm and whose income under the head PGBP comprises only of interest or remuneration received or receivable from that firm.
ITR 4	Individual or HUF deriving income from proprietary business or profession.
ITR 5	Any person other than **a)** Individual **b)** HUF **c)** Company. **d)** Person for whom ITR& is applicable In other words this form is applicable to partnership firms, AOP/BOI and artificial juridical persons.
ITR 6	Company except that company for which ITR7 is applicable.
ITR 7	Any person including company (whether or not registered under section 25 of the companies act 1956) required to file a return under section 139(4A), (4B), (4C) or (4D)
ITR 8	A person who is not required to furnish the return of income but is required to furnish the return of fringe benefits.

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 ₹ 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

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 15TH CHAPTER

ADVANCE TAX AND INTEREST PAYABLE

1) **Section 207:** Advance tax is payable on the income of the current year including on the income of capital gains and casual incomes.
2) **Section 208:** Advance tax is payable if the income tax after TDS is ₹ 5000 or more.
3) **Section 209:** From the income tax liability, TDS has to be reduced and the balance shall be payable as per instalments mentioned in section 211.
4) **Section 210:** income tax is payable by the assessee if assessing officer sends him a notice for the same. This notice can be sent latest by the last day of the February of the previous year.
5) **Section 211:** Advance tax shall be payable as per following instalments.

Due date of installment	Amount payable
Companies	
On or before 15/06/PY	15% of advance tax payable
On or before 15/09/PY	45% of advance tax payable as reduced by any amount already paid.
On or before 15/12/PY	75% of advance tax payable as reduced by any amount already paid.
On or before 15/03/PY	100% of advance tax payable as reduced by the amount already paid.
Other than Companies	
On or before 15/09/PY	30% of advance tax payable
On or before 15/12/PY	60% of advance tax payable as reduced by any amount already paid.
On or before 15/03/PY	100% of advance tax payable as reduced by the amount already paid

6) **Section 211B:** If assessee does not pay advance tax when he is liable to pay then he will be deemed to be assessee in default.
7) Consequences for non-payment of advance tax shall be
   - **a)** Assessee is known as assessee in default.
   - **b)** Assessee shall be liable to pay interest under section 234C and section 234B.
   - **c)** Assessee shall be liable to pay penalty under section 140A(3) which can be maximum of 100% of such tax.
8) **Section 234A:** If the ROI is furnished after the due date or is not furnished at all then assessee has to pay interest under section 234A @ 1% pm or part of the month. Interest shall be paid for the period starting from the date next to the due date of ROI and ending on the date when ROI is filed.
9) **Section 234B:** If assessee has paid advance tax less than the 90% of the assessed tax then he shall be liable to pay interest under section 234B at rate of interest payable shall be 1% pm or part of the month. Interest shall be paid for the period starting from the 1/4/AY and ending on the date when such tax is paid.
10) **Section 234C:** If any person has not paid his advance tax on the due dates as mentioned in section 211 then such person has to pay interest under section 234C at the rate of interest shall be 1% per month or for part of the month. The period of interest shall be 3 months but for the last installment the period shall be only 1 month.

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 16TH CHAPTER

TAX DEDUCTED AT SOURCE

1) **Total income of the assessee for the previous year is taxable in the assessment year. However income tax is recovered from the assessee in the manner of advance payment of taxes in different installments or by tax deducted at source.**
2) TDS on salaries: Section 192: **TDS to be done by employer at the time of payment of salary except in case where salary income is less than basic exempt limit. Before deducting TDS the employer should calculate the total income of employee and for this deduction under section 80C,80CCC, 80D, 80DD, 80E, 80G, 80GG and 80U should be allowed. Salary income shall be reduced by loss of house property before TDS if employee declares such loss. However he can't declare any other loss.**
3) TDS on interest on securities: Section 193: **TDS is to be done at time of credit or payment whichever is earlier. No TDS is to be done on debenture interest of if interest does not exceed ₹2500 for the previous year. TDS shall be done by the payer @ 10% in case of listed debentures and in case of non-listed debentures @ 20%. If the recipient is a domestic company then TDS shall be done @ 20%. Surcharge and education cess as applicable shall also be charged.**
4) TDS on dividends: Section 194: **The domestic company-paying dividend of section 2(22)(e) to a resident shareholder shall do TDS @ 20% and no TDS on dividend income of resident individual if it is paid by A/C payee cheque and amount does not exceed ₹2500 during the previous year.**
5) TDS on interest other than securities: Section 194A: **TDS shall be done at the time of credit or payment whichever is earlier @ of 20% if recipient is company and if recipient is a resident non-company assessee then TDS shall be done @ 10%. No TDS shall be done if interest payable by a bank, co-operative society and post office is ₹ 10000 or less , in other cases where interest payable is ₹ 5000 or less.**
6) TDS on winning of lottery/games: Section 194B: **TDS shall be done at the time of payment and shall be done @ 30%. But if the winning are ₹ 5000 or less then no TDS is required to be done.**
7) TDS on winning from horse races: Section 194BB: **TDS shall be done at the time of payment and shall be done @ 30% but if the winning are ₹ 2500 or less then no TDS is required to be done.**
8) TDS on payment to contractor/sub-contractor: Section 194C: **In case of specified payers TDS shall be done at the following rates:**

   a. 1% and surcharge and education cess of gross receipt in case of advertising and

   b. 2% and surcharge and education cess of gross receipt in any other case

   Payments covered are the payment for work contract and shall be done at the time of payment or credit which ever is earlier. No TDS shall be done if the single payment is ₹ 20000 or less and the aggregate payment does not exceed ₹ 50000 during the financial year. Where a resident contractor has to make a payment to another resident contractor the TDS has to be done in every case @ 1% plus surcharge and education cess as applicable. No TDS shall be done if the single payment is ₹ 20000 or less and the aggregate payment does not exceed ₹ 50000 during the financial year.
9) **TDS on insurance commission: Section 194D:** TDS shall be done at the time of payment or credit of commission whichever is earlier and shall be done @ 10% if recipient is resident non-corporate assessee and if recipient is resident company then TDS shall be done @ 20%. There shall be no TDS if payment is ₹ 5000 or less.
10) **TDS on payment to nr sportsmen and sports institutions: Section 194E:** Any person making a payment to a non resident sportsman or a sports association. Shall do TDS at the time of making payment or at the time of credit which ever is earlier. Rate of TDS shall be 10%.There is no exemption limit under this section.
11) **TDS on payment in respect of national saving scheme: Section 194EE:** TDS has to be done by post office for the payment of NSS to any person. TDS shall be done on both principal and interest. TDS has to be done by post office at the time of making payment @ of 20%. No TDS has to be done by post office is the payment is less than or equal to ₹ 2500 or Payment is made to legal heirs of the depositor.
12) **TDS on commission on sale of lottery tickets: Section 194G:** TDS has to be done by any person paying commission on sale of lottery tickets to any other person. TDS has to be done at the time of payment or credit whichever is earlier at the rate of 10%. No TDS has to be done where the payment is less than or equal to ₹ 1000.

13) **TDS on commission on brokerage: Section 194H:** TDS has to be done by any person paying commission or brokerage. TDS has to be done at the time of payment or credit whichever is earlier. TDS has to be done at 10%.No TDS has to be done where the payment is less than or equal to ₹ 2500. Further no TDS shall be done on the payments of commission or brokerage payable by BSNL or MTNL to their public call office franchisees.

14) **TDS on rent: Section 194-I:** TDS has to be done at the time of payment or credit whichever is earlier but No TDS has to be done where the payment is less than or equal to ₹ 10000 pm and no TDS if the payee is a government or a local authority. TDS shall be done at rate of 10% on rent of plant and machinery. TDS shall be done at the rate of 15% on the rent of land, building, furniture and fitting if the recipient is individual or HUF but at the rate of 20% in case of any other recipient.

15) **TDS on fee of professional or technical services: Section 194-J:** TDS shall be done on fees for technical, professional services or on royalty income, at the time of payment or credit whichever is earlier. No TDS shall be done if the payment for technical, professional services or of royalty income is ₹ 20000 or less during the financial year. **Rate of TDS:** TDS has to be done at 10%. Professional services means services of legal, medical, engineering, accountancy, interior decoration and Technical services means services of managerial, consultancy services.

16) **In all of the above cases the rate of TDS shall be increased by surcharge and education cess.**

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 (₹ 1,60,000/ ₹ 1,90,000/ ₹ 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: ₹ 2,500 De-mat. Security
194	Dividend u/s 2(22)(c)	Domestic company	Resident	20%	Upto ₹ 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%	₹ 10,000 if payment made by Banking co., co-operative society, post office. ₹ 5,000 if payment made by any other person.
194B	Winning from lotteries/ crossword puzzles	Any Person	Any Person	30%	₹ 10,000
194BB	Winning from horse race	Any Person	Any Person	30%	₹ 5,000
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%	₹ 30,000 per contract value or credit less than ₹ 75,000 p.a. aggregate
194D	Insurance commission	Any Person	Resident Assessee	Domestic Co.: 20% Others: 10%	₹ 20,000 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%	₹ 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%	₹ 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) ₹ 5,000 (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) ₹ 1,80,000 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%	₹ 30,000 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 ₹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*

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 17TH CHAPTER

CHARITABLE OR RELIGIOUS TRUSTS

1) Trust means obligations attached to the ownership of the property which arises out of the confidence reposed by one person to some another person. The person who imposes such confidence is called Author of trust and who accepts such confidence is called Trustee and the property in respect of which obligation is attached is called Trust property.

2) The income of capital gains, voluntary contributions received by trust and similar institutions which are registered as companies under section 25 of companies act shall be exempt from tax if trusts is a registered trust and its accounts are audited.

3) Trust must utilized 85% of its income within the same previous year for acquiring assets or to promote the objects of the trust. A trust can use the money for revenue or capital expenditure provided the expenditure is done for the purpose of promoting the objects of trust.

4) If the funds can not be used then funds can be accumulated but accumulation is not allowed for the period exceeding 5 yea₹ Further the amount so accumulated should be invested in the specific investments such as in any account in the post office, deposit in any account of a scheduled bank, Units of UTI, Securities issued by central or state government.

5) Anonymous donations (when name and address of donor is not maintained) shall not be exempt and hence shall be taxable at the rate of 30%. However in the case of religious trust it shall not be taxable.

6) Trust has to submit application for registration to CIT before the expiry of 1 year from the date of creation of trust. CIT after satisfying himself about the genuineness of the activities of the trust shall pass the orders in writing registering the trust. The time limit for passing the orders is 6 months from the end of the month in which the application was made.

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 18TH CHAPTER

INCOME TAX RATES FOR AY 2011-12

In case of every Individual or HUF or AOP/BOI *(other than a co-operative society)* whether incorporated or not, every artificial judicial person	
Upto ₹ 1,60,000	NIL
₹ 1,60,010 to ₹ 5,00,000	10%
₹ 5,00,010 to ₹ 8,00,000	20%
Above ₹ 8,00,00	30%
In the case of every Individual, being a women resident in India, and below the age of 65 years at any time during the previous year	
Upto ₹ 1,90,000	NIL
₹ 1,90,010 to ₹ 5,00,000	10%
₹ 5,00,010 to ₹ 8,00,000	20%
Above ₹ 8,00,00	30%
In the case of every Individual, being a resident in India, who is of the age of 65 years at any time during the previous year	
Upto ₹ 2,40,000	NIL
₹ 2,40,010 to ₹ 5,00,000	10%
₹ 5,00,010 to ₹ 8,00,000	20%
Above ₹ 8,00,00	30%
Note: 1. No surcharge is payable by the above assesse. 2. 'Education Cess' @ 2% & 'Secondary and Higher Secondary Education Cess (SHEC)' @ 1% on income tax shall be chargeable	
In case of every co-operative society	
Where income does not exceed ₹ 10,000	10%
Where the Total Income exceeds ₹ 10,000 but does not exceeds ₹ 20,000	₹ 1,000 plus 20% of the amount by which the total income exceeds ₹ 10,000
Where the total income exceeds ₹ 20,000	₹ 1,000 plus 30% of the amount by which the total income exceeds ₹ 10,000
Note: 1. No surcharge shall be levied in the case of a co-operative society 2. 'Education Cess' @ 2% & 'Secondary and Higher Secondary Education Cess (SHEC)' @ 1% on income tax shall be chargeable	
In case if any firm *(including LLP)*	**30%**
Note: 1. No surcharge shall be levied in case of firm 2. 'Education Cess' @ 2% & 'Secondary and Higher Secondary Education Cess (SHEC)' @ 1% on income tax shall be chargeable	

In case of Company

Company	***Particular***	***Rate***	***Surcharge***
For domestic company	Total income exceeds ₹ 1,00,00,000	30%	7.5%
For foreign company	Total income exceeds ₹ 1,00,00,000	40%	2.5%

Note: 'Education Cess' @ 2% & 'Secondary and Higher Secondary Education Cess (SHEC)' @ 1% on income tax shall be chargeable

Special rates of Income Tax	
On Short-Term Capital Gain (STCG) covered under *Section 111A*	15%
On Long-Term Capital Gain (LTCG) covered under *Section 112*	20%
On winning of lotteries, crossword puzzles, card games etc. *[Sec. 115BB]*	30%

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 19TH CHAPTER

ASSUMPTIONS

If nothing mentioned clearly in question only then make following assumptions

Income from Salary

S.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 Allowance, Daily Allowance)	If expenditure not given assume that fully expended for official purposes
8.	HRA, city in which house taken on rent	Assume 40% (For any other place)
9.	Rent Free Accommodation	If nothing mentioned or only Fair Rent Value given then 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 facilities	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	Not-Listed at any recognised stock exchange

Set-off or Carry Forward of Losses

1.	Business Losses	Non-Speculation Business Losses

For CA – IPCC / CS – Executive / CWA – Intermediate

SUMMARY OF 20TH CHAPTER

MEANING OF RELATIVE

No.	Particulars	Meaning of Relative
	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


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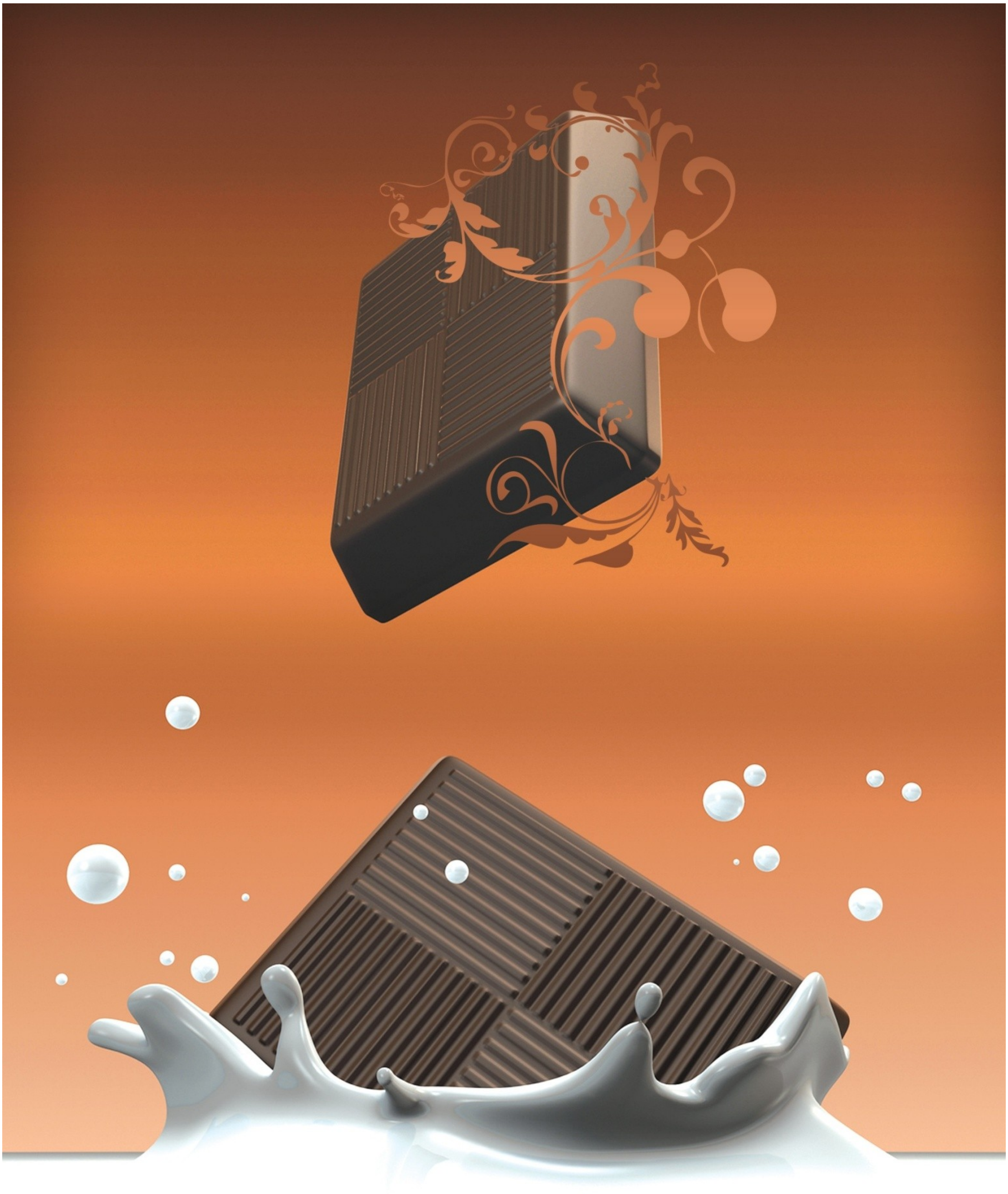

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