INCOME TAX SHORT NOTES FOR C.S, C.A, C.M.A EXAM- 2014

Brief History of Income Tax in India

In India, Income tax was introduced for the first time in 1860, The Income Tax Act 1961 has been brought into force with 1 April 1962. It applies to the whole of India including Jammu and Kashmir.

Income-tax law in India

The income tax law in India consists of the following components:

1. Income tax Acts
2. Income tax rules
3. Finance Act
4. Circulars, notifications etc
5. Legal decision of courts.

Finance Act:

Every year, the Finance Minister of the Government of India presents the Budget to the Parliament. Once the Finance Bill is approved by the Parliament and gets the assent of the President of India, it becomes the Finance Act.

Income-tax Rules:

The administration of direct taxes is looked after by the Central Board of Direct Taxes (CBDT). The CBDT is empowered to make rules for carrying out the purposes of the Act. For the proper administration of the Income-tax Act, the CBDT frames rules from time to time. These rules are collectively called Income-tax Rules, 1962.

Circulars and Notifications:

Circulars are issued by the CBDT from time to time to deal with certain specific problems and to clarify doubts regarding the scope and meaning of the provisions. These circulars are issued for the guidance of the officers and/or assessees.

Important Definitions

Assessment Year: Section 2(9)

"Assessment year" means the period starting from April 1 and ending on March 31 of the next year. Eg: Assessment year 2013-14 which commences on April 1, 2013 and ends on March 31, 2014? Income of previous year of an assessee is taxed during the assessment year at the rates prescribed by the relevant Finance Act for tax rates

Previous year: section 3

Income earned in a particular year is taxable in the next year. The year in which income is earned is known as previous year and the next year in which income is taxable is known as assessment year. In other words, previous year is the financial year immediately proceeding the assessment year.

Person: **Section 2(31)**

The term "person" includes:

1. An individual;
2. A Hindu undivided family;
3. A company;
4. A firm;
5. An association of persons or a body of individuals , whether incorporated or not; 6. a local authority; and
7. Every artificial juridical person not falling with in any of the preceding categories.

Assessee: **Section 2(7)**

Every person in respect of whom, any proceeding under the act has been taken for the assessment of his income or of the income of any other person in respect of which he is assessable or of the loss sustained by him or by such other person or the amount of refund due to him or to such other person may be called an assessee.

Deemed Assessee:

A person who is deemed to be an assessee for some other person is called "Deemed Assessee".

Assessee in Default:

When a person is responsible for doing any work under the Income Tax Act and he fails to do it, he is called an "Assessee in default".

Assessment [Section 2(8)

This is the procedure by which the income of an assessee is determined by the Assessing Officer.

Exceptions to the general rule that previous year's income is taxable during the assessment year

In the following situations income of an assessee is liable to be assessed to tax in the same year in which he earns the income:

a. Income of non-residents from shipping, Sec.172.
b. Income of persons leaving India, Sec.174.
c. Assessment of AOP/BOI, or AOP Formed for a particular event or Purpose.Sec.174A
d .Persons likely to transfer Property to avoid Tax Sec.175.
e. Income of a discontinued business.Sec.176

Residential Status and Tax Incidence

Tax incidence on an assessee depends on his residential status. The residential status of an assessee is determined with reference to his residence in India during the previous year. Therefore, the determination of the residential status of a person is very significant in order to find out his tax liability.

Residential Status of an Individual

As per section 6, an individual may be
(a) Resident and ordinarily resident in India,
(b) Resident but not ordinarily resident in India, or
(c) Non-resident in India.

The following are the two sets of conditions for determining the residential status of an individual:

Basic conditions:

He is in India in the previous year for a period of 182 days or more
OR
He is in India for a period of 60 days or more during the previous year and has been in India for a period of 365 days or more during 4 years immediately proceeding the previous year.

Note: In the following two cases, an individual needs to be present in India for a minimum of 182 days or more in order to become resident in India:

(a) An Indian citizen who leaves India during the previous year for the purpose of taking employment outside India or an Indian citizen leaving India during the previous year as a member of the crew of an Indian ship.
(b) An Indian citizen or a person of Indian origin who comes on visit to India during the previous year (a person is said to be of Indian origin if either he or any of his parents or any of his grandparents was born in undivided India).

Additional Conditions:
(i) He has been resident in India in at least 2 out of 10 previous years [according to basic condition noted above] immediately preceding the relevant previous year.

AND

(ii) He has been in India for a period of 730 days or more during 7 years immediately preceeding the relevant previous year.

Resident
An individual is said to be resident in India if he satisfies any one of the basic conditions. **(A)Resident and Ordinarily Resident**
An individual is said to be resident and ordinarily resident in India if he satisfies any one of the basic conditions and both of the additional conditions.

(B)Resident But Not Ordinarily Resident
An individual is said to be resident but not ordinarily resident in India if he satisfies any one of the basic conditions but not satisfies both of the additional conditions.

Non-Resident
An individual is a non-resident in India if he satisfies none of the basic conditions

HEADS OF INCOME:

Income of a person is classified into 5 categories. Thus, income belonging to a particular category is taxed under a separate head of income pertaining to that category. Section 14 of the Act, has classified five different heads of income for the purpose of computation of total income.
All income shall be classified under the following heads for the purpose of computation of taxable amount subject to certain Exemptions' and deductions.

THE FIVE HEADS OF INCOME ARE:

1. Income under the head salaries (Section 15 – 17)
2. Income from house property (Section 22 – 27)
3. Profits and gains from business or profession (Section 28 – 44)
4. Capital gains (Section 45 – 55)
5. Income from other sources (Section 56 – 59)

FORMAT OF GROSS TOTAL INCOME

Assessee: Mr/Mrs. A
Assessment Year: 2013-2014
Previous Year: 2012-2013

COMPUTATION OF GROSS TOTAL INCOME OF MR. / MRS.…A

Particulars	Amount	Amount
1. Income under the head salaries (As per Working Note :1)	xxx	
2. Income from house property (As per Working Note :2)	xxx	
3. Profits and gains from business or profession (As per Working Note :3)	xxx	
4. Capital gains (As per Working Note :4)	xxx	
5. Income from other sources (As per Working Note :5)	xxx	
Gross Total Income		xxxxx
Less Deduction as per Chapter VI A (Sec 80 C to 80 U) (As per Working Note :6)		(XXX) -----------
Net Taxable income		XXXX ====

Working Note: 1

Computation of Taxable Salary of Mr…..

Particulars	Amount	Amount
Basic Salary	xxx	
DA	xxx	
Etc		
Gross Salary		xxxx
Less Deduction u/s 16 (ii) E.A	xxx	
16(iii) P.Tax	xxx	
Net Taxable Salary		xxxx

Working Note: 2

Computation of Taxable Income from house Property of Mr…..

Particulars	Amount	Amount
Gross Annual Value	Xxx	
Less Municipal Tax	Xxx	xxxx
Net Annual Value	--------	
Less Deduction u/s 24		
30 % of NAV	xxx	xxx
Interst on Loan	Xxx	xxxx
Income from House Propery		=====

*** Prepare All Working Notes.

INCOME FROM "SALARY"

Meaning of Salary: Any remuneration paid by an employer to an employee in consideration of his services is called salaries. It includes monetary value of those benefits and facilities, which are provided by the employer and are taxable.

Income forming part of salary: They include basic salary, advance salary, fees, commission, bonus, taxable value of cash allowances, perquisites and retirement benefits. **Section 17** of the Act gives an inclusive definition of salary. Broadly, it includes:

1. Basic salary
2. Fees, Commission and Bonus
3. Taxable value of cash allowances
4. Taxable value of perquisites
5. Retirement Benefits

Allowances:

These are of three types

1. **Taxable Allowances :** Dearness allowance, Medical allowance, Servant allowance, Warden Allowance, Family allowance, City Compensatory allowance etc.

2. **Allowances exempt upto specified limit**: House rent allowances, Entertainment allowance, Certain Special allowances, etc.

3. **Fully exempted allowances**: Foreign allowance, sumptuary allowance to High Court / Supreme Court Judges, Allowances from U.NO.

<u>Fully taxable allowances</u>

Dearness Allowance and Dearness Pay
City Compensatory Allowance
Tiffin / Lunch Allowance
Warden or Proctor Allowance
Overtime Allowance
Fixed Medical Allowance
Servant Allowance
Other allowances

<u>Partially exempt allowances</u>

This category includes allowances which are exempt up to certain limit.

<u>House Rent Allowance (H.R.A.) Sec.10(13A)</u>

An allowance granted to a person by his employer to meet expenditure incurred on payment of rent in respect of residential accommodation occupied by him is exempt from tax to the extent of least of the following three amounts:

<u>Format for computation of H.R.A</u>

1)Rent-10% of Salary 2)House Rent Allowance actually received by the assessee 3) 50% of salary (If accommodation is situated in Mumbai, Kolkata, Delhi, Chennai) ***OR*** 40% of salary (if accommodation is situated in any other place).	Xxxx Xxxx Xxxx
Least of the Above	XXX

If an employee is living in his own house and receiving HRA, it will be fully taxable.

<u>Entertainment Allowance Sec.16 (ii)</u>

This allowance is first included in gross salary under allowances and then deduction is given to only government employees under Section 16 (ii).

<u>Limit</u>

Gross Salary	XXXXXX
1) 5000 2) 1/5 of the Salary 3) Actual Amount	
Least of the Above	XXX

Special Allowances for meeting official expenditure

Certain allowances are given to the employees to meet expenses incurred exclusively in performance of official duties and hence are exempt to the extent actually incurred for the purpose for which it is given. These include travelling allowance, daily allowance, conveyance allowance, helper allowance, research allowance and uniform allowance.

Children Education Allowance

This allowance is exempt to the extent of Rs.**100 per** month per child for maximum of **2** children

Children Hostel Allowance

Exempt to the extent of **Rs.300 per** month per child for maximumof **2** children.

Transport Allowance
An amount uptoRs.**800 per** month paid is exempt. However, in case of blind and orthopedically **handicapped** persons, it is exempt up to Rs. **1600p.m.**

Out of station allowance
Exempt up to **70%** of such allowance or Rs.**6000 per month**, whichever is **less**

Transport Allowance
An amount uptoRs.800 per month paid is exempt. However, in case of blind and orthopedically handicapped persons, it is exempt up to Rs. 1600p.m.

Out of station allowance
Exempt up to 70% of such allowance or Rs.6000 per month, whichever is less

FULLY EXEMPT ALLOWANCES

- Foreign allowance_is usually paid by the government to its employees being Indian citizen posted out of India for rendering services abroad. It is fully exempt from tax.
- Allowance to High Court and Supreme Court Judges of whatever nature are exempt from tax.
- Allowances from UNO organisation to its employees are fully exempt from tax.

Retirement Benefits

Gratuity Sce.10 (10)

1) **Govt Employee** death cum retirement is wholly exempt from tax

2) **Employees covered by the payment of Gratuity Act 1972**

Actual Gratuity	Xxxx
1) 10,00,000 2)15/26*last drawn salary *completed year of service or Part of the year in excess of 6 months. 3) Actual Amount Least of the above	Xxxx Xxx Xxxx ---------------- Xxxxx
Taxable Gratuity	Xxxxx

4) **Employees not covered by the payment of Gratuity Act 1972**

Actual Gratuity	Xxxx
1) 10,00,000 2)1/2 * Average last 10 months salary * complted year of service 3) Actual Amount Least of the above	Xxxx Xxx Xxxx ---------------- Xxxxx
Taxable Gratuity	Xxxxx

PENSION

Un commuted pension refers to pension periodically received by the employee. It is taxable in the hands of the both Govt. and Non Govt Employees.

Commuted pension Sec.10 (10A) means lumsum amount taken by commuting the pension or part of the pension. Any commuted pension received by a Govt employee is wholly exempt from tax.

Others are following

Received Gratuity	Not Received Gratuity
Actual Amount xxx Less Commuted pension 100/Rate*1/3 xxxx ---------- Taxable Amount xxx	Actual Amount Xxx Less Commuted pension *100/Rate*1/2 Xxxx ---------- Taxable Amount Xxx

LEAVE SALARY. Sec.10 (10AA)

Govt employee is wholly exempt from tax.

Others are following

Actual Amount	Xxxx
1) 300,000 2)10* salary (Average last 10 months salary) 3)cash equivalent leave* Average last 10 months salary 3) Actual Amount Least of the above	Xxxx Xxx Xxxx ---------------- Xxxxx
Taxable Amount	Xxxxx

RETRENCHEMENT COMPENSATION Sec.10(10B)

Actual Amount	Xxxx
1) Amount calculated under the Industrial Disputes Act 1947. 2) 500,000	Xxxx Xxx --------------- Xxxxx
TaxableAmount	Xxxxx

VOLUNTARY RETIREMENT SCHEME Sec.10(10C)

Employee who has completed 10 years of service or completed 40 years of age

Actual Amount	Xxxx
1) last drawn salary *3* complted years service *OR* last drawn salary * remaining months of service whichever is lower 2)500,000 3)actual Amount Received	Xxxx Xxx xxxx ---------------- Xxxxx
Taxable Amount	xxxxx

PROVIDENT FUND Sec.10(11),Sec.10(12) etc.

CONDITION	SPF	RPF	UPF	PPF
Employer Contribution	Not Included	Excess of 12%	Not taxable	NA
Employee Contribution	80C	80C	N.A	80C
Interest	NA	Excess of 9.5%	NA	Exempt

RENT FREE ACCOMADATION Sec.17(2)

Govt Employee : License fee determined by the Govt

Other than Govt Employee

Accommodation owned by the Employer.

Population	Less than 10 lakhs	7.5 % of salary
	10 lakhs to 25 lakhs	10% of salary
	Above 25 lakhs	15%

- Perquisite in respect of education facilities per child does not exceed Rs.1,000/- P.M
- Reimbursement of actual Medical treatment shall not exceed Rs.15000/-in a year.
- Interest free or concessional loan will be taxable, if it is below than SBI Rate.

DEFINITION OF SALARY FOR COMPUTATION OF SALARY INCOME.

Entertainment Allowance	Basic salary
Gratuity covered under the Act	Basic Salary + DA
Other Gratuity Rpf Leave Salary HRA VRS	Basic Salary DA terms of employment Commission as 5 of turnover
Perquisites	All Pay except D A not forming part Employer contribution to PF Allowance which are Exempt.Etc

INCOME FROM HOUSE PROPERTY

Conditions for Chargeability

Property should consist of any building or land appurtenant thereto.

Assessee must be the owner of the property

The property may be used for any purpose, but it should not be used by the owner for the purpose of any business or profession carried on by him, the profit of which is chargeable to tax.

Meaning of composite rent

The owner of a property may sometimes receive rent in respect of building as well as –

(1) Other assets like say, furniture, plant and machinery.

(2) For different services provided in the building, for E.g. – Lifts, Security,etc

Where composite rent includes rent of building and charges for different services (lifts, security etc.), the composite rent is has to be split up in the following manner -

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(a) The sum attributable to use of property is to be assessed under section 22 as income from house property;

(b) The sum attributable to use of services is to charged to tax under the head "Profits and gains of business or profession" or under the head "Income from other sources".

<u>Determination of Annual Value [Section 23]</u>

This involves three steps:

Step 1 - Determination of Gross Annual Value (GAV).

Step 2 – From GAV computed in step 1, deduct municipal tax paid by the owner during the previous year.

Step 3 – The balance will be the Net Annual Value (NAV), which as per the Income-tax Act is the annual value.

<u>Deemed to be let out property [Section 23(4)]</u>

(a) Where the assessee owns more than one property for self-occupation, then the income from any one such property, at the option of the assessee, shall be computed under the self-occupied property category and its annual value will be nil. The other self-occupied/unoccupied properties shall be treated as "deemed let out properties".

(b) This option can be changed year after year in a manner beneficial to the assessee.

*** Notional income instead of real income

Thus, under this head of income, there are circumstances where notional income is charged to tax instead of real income. For example –

Where the assessee owns more than one house property for the purpose of self-occupation, the annual value of any one of those properties, at the option of the assessee, will be nil and the other properties are deemed to be let-out and income has to computed on a notional basis by taking the ALV as the GAV.

In the case of let-out property also, if the ALV exceeds the actual rent, the ALV is taken as the GAV.

Property taxes (Municipal taxes)

(1) Property taxes are allowable as deduction from the GAV subject to the following two conditions:

(a) It should be borne by the assessee (owner); and

(b) It should be actually paid during the previous year.

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Deductions from Annual Value [Section 24]

(i) There are two deductions from annual value. They are –

(1) 30% of NAV; and

(2) interest on borrowed capital

(a) Interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction can be claimed as deduction.

(b) Interest payable on a fresh loan taken to repay the original loan raised earlier for the aforesaid purposes is also admissible as a deduction.

(c) Interest relating to the year of completion of construction can be fully claimed in that year irrespective of the date of completion.

(d) Interest payable on borrowed capital for the period prior to the previous year in which the property has been acquired or constructed, can be claimed as deduction over a period of 5 years in equal annual installments commencing from the year of acquisition or completion of construction.

(ii) Deduction in respect of one self-occupied property where annual value is nil (1) In this case, the assessee will be allowed a deduction on account of interest (including 1/5th of the accumulated interest of pre-construction period) as under –

(a)Where the property has been acquired, Actual interest payable subject constructed, repaired, renewed or reconstructed to maximum of ` 30,000. with borrowed capital before 1.4.99.

(b) Where the property is acquired or constructed Actual interest payable subject with capital borrowed on or after 1.4.99 and such to maximum of ` 1,50,000, if acquisition or construction is completed within 3 certificate mentioned in (2) years from the end of the financial year in which below is obtained. the capital was borrowed.

(c) Where the property is repaired, renewed or Actual interest payable subject reconstructed with capital borrowed on or after to a maximum of ` 30,000.1.4.99.

(2) For the purpose of claiming deduction of ` 1,50,000 the assessee should furnish a certificate from the person to whom any interest is payable on the capital borrowed, specifying the amount of interest payable by the assessee for the purpose of such acquisition or construction of the property.

(3) The ceiling prescribed for one self-occupied property as above in respect of interest on loan borrowed does not apply to a deemed let-out property.

(4) Deduction under section 24(b) for interest is available on accrual basis. Therefore interest accrued but not paid during the year can also be claimed as deduction.

(5) Interest on unpaid interest is not deductible.

Computation of Annual Value.

Step 1

Compare Fair Rent with Municipal Value

Which ever is higher is considered as Fair Rent

Step 2

Rent of Step 1 with Standard Rent

Which ever is lower is considered as Fair Rent

Step 3

Compare Fair Rent Determined Above With Actual Rent

I) Actual Rent is higher than Fair Rent = Actual Rent is Annual Value

II) Actual Rent is lower than Fair Rent
(Actual Rent does not include unrealised Rent. If Conditions Of Rule 4 are Satisfied)

Actual Rent is less Than Fair Rent Because of Vacancy Actual Rent = Annual Value

Actual Rent is less Than Fair Rent Because of any other factor Fair Rent Rent = Annual Value

Gross Annual Value (GAV) (A)

Less:

Municipal taxes (paid by the owner during the previous year)**B**:

Net Annual Value (NAV) = (A-B)

C Less: Deductions u/s *24*

(a) 30% of NAV

D (b) Interest on borrowed capital

E (actual without any ceiling limit)

Income from house property (C-D-E)

F

Interest on borrowed capital

Interest on loan taken for acquisition or construction of house on or after 1.4.99 and same was completed within 3 years from the end of the financial year in which capital was borrowed, interest paid or payable subject to a maximum of ` 1,50,000 (including apportioned pre-construction interest).

In case of loan for acquisition or construction taken prior to 1.4.99 or loan taken for repair, renovation or reconstruction at any point of time, interest paid or payable subject to a maximum of` 30,000.

INCOME UNDER THE HEAD "PROFITS AND GAINS FROM BUSINESS AND PROFESSION

NATURE OF INCOME

Business,Vocation and
Profession carried on by the assessee of whatsoever nature.

METHOD OF ACCOUNTING:

As Regularly Employed can be "Cash" Basis or "Accrual" Basis Subject to Provisions of Section 43B.

. **RENT, RATES, TAXES, INSURANCE FOR BUILDING (Sec. 30)**: -

Any rent, rates, taxes, insurance premium paid by the assessee during the previous year in respect of the place for business purpose would be allowed as a deduction.

REPAIRS AND INSURANCE OF PLANT, MACHINARY, FURNITURE (Sec. 31): -

Any amount spent on repairs, insurance or hire charges, etc. On Plant, machinery, furniture by a business organisation is allowed as a deduction.

DEPRECIATION (Sec. 32):

Depreciation can be classified into 3 parts to deal in the subject of income tax

- Normal Depreciation
- Additional Depreciation
- Depreciation on SLM basis in case of electricity companies

Normal depreciation is provided on block of assets method on WDV of the block as on every 31 March

Block of assets means group of assets having same rate of depreciation and falling under a specific class of assets. These assets are grouped together and depreciation is provided on the block as illustrated in the coming points.

Computation of WDV of the block:-

WDV at the beginning of year	XXXX
Add:-	
Actual cost incurred on assets (Acquired during the year)	XXXXX
Less	xxxxxx
Money Payable during the year(Which is sold)	xxxxx
	XXXXX
Depreciation at the prescribed %	xxxxx
Closing WDV	XXX

Depreciation is provided for whole year except when, Asset is Acquired and put to use during the year for less than 180 days during the year , in this case the depreciation is limited to 50% of total depreciation, but if same asset acquired during earlier years but put to use this year and usage period less than 180 days during current year then depreciation for whole year.

When all the assets of block are sold, in such a case no depreciation is allowed and short term capital/gain or loss would be attracted as per provisions of section 50 discussed in capital gains.

PART OF BLOCK SOLD BUT MONEY PAYABLE EXCEEDS WDV:- In such a case no depreciation is allowed and also short term capital gain provision as per section 50 is attracted.

ADDITIONAL DEPRECIATION: -

Additional depreciation is only to manufacturing concerns. Additional depreciation on certain assets: 20% or 10% (for <180days). *Only factory machinery and equipments* .

Assets on which additional depreciation is not allowed:-

Not second hand machinery

Not on ships, aircrafts and road transport vehicles Not allowed on equipments installed in office

In case an enterprise is engaged in electricity business it has option to charge depreciation on SLM basis but such an option is available once only and can't be changed

UNABSORBED DEPRECIATION: -

There cannot be loss under business head due to depreciation.If such depreciation could not be set off under business head then it can be set off from any other head except salary in the same year, and if still it could not be set off it can be carried forward indefinitely to succeeding years for set off in the similar manner.

License to operate telecommunication services:

Deduction in equal installments over Remaining useful life of licence on paid basis. If licence is sold, WDV of licence is reduced by the amount of money recovered and remaining WDV is allowed as deduction in equal instalments over remaining life of asset.

If sold for price exceeding WDV, no deduction is allowed in remaining years instead capital gain is charged as per capital gain provisions.

AMORTIZATION OF CERTAIN PRELIMINARY EXPENSES SEC 35D

Company assessee: 5% of cost of project or 5% of cost of capital whichever is beneficial to the assessee.

Others: 5% of cost of project

Before commencement of business: -For setting up any Business

After setting up of business: - Extension or setting up of new undertaking.

List of specified expenditure including documents like feasibility report, project report, market survey, engineering services, legal charges , Drafting and printing of MOA and AOA, registration fees, issue of shares and debentures, underwriting commission, expenditure on prospectus have to be submitted.

Deduction for amalgamation/ demerger and VRS

Quantum: -1/5 of expenditure in each successive year but it is to be noted that VRS is allowed only when amount is actually paid which is not a case Amalgamation demerger.

OTHER DEDUCTIONS (section 36)

1. Insurance premium on stocks
2. Bonus or commission to employees: deduction subject to section 43B
3. Insurance on health of employees by any mode other than cash
4. Interest on borrowed capital, if for use of business
5. Discount on issue of zero coupon bonds to be allowed as deduction on pro-rata basis.
6. Employer's contribution to recognized provident fund or approved superannuation fund subject to section 43B
7. Employer's contribution to approved gratuity fund subject to section 43B

Bad debts subject to conditions:

Income from sale recognized. If any amount has been subsequently recovered in respect of above then it shall be taxable under business head even if business is discontinued.

Provision for bad and doubtful debts: NO deduction in general but deduction available to Scheduled or non-scheduled cooperative banks Foreign banks or State Finance Corporation

STT paid : Deduction if income earned included in PGBP

GENERAL DEDUCTIONS UNDER SECTION 37(1) BASIC CONDITIONS FOR DEDUCTION:

1. Not of personal nature
2. Not of capital nature
3. Incurred during PY .

Wholly or exclusively for business or profession:

- Remuneration to Employees

Payment of penalty/ damages of compensatory nature. Penalties paid to custom, sales tax authorities, excise authorities, Income tax authorities not allowed.

EXPENSES NOT DEDUCTIBLE

Section 40A (2): - AO may disallow payment made to relative if in his opinion it is excess of the market value.

Section 40A (3): -

Any payment exceeding **Rs. 20000 or Rs.35000**(in case of payment to a transporter engaged in plying, hiring, transporting etc.) in a day by a assessee will be allowed as a deduction only when payment is made by a account payee cheque.

EXCEPTONS: - This section is not applicable when

Payment is made to bank or financial institution,

Govt. Under required law

Payment on a Banking Holiday

Payment to employees not exceeding Rs.50,000 - Payment in a village not served by a bank

Book Adjustment

Payment for purchase of agriculture produce, Poultry farm produce, Dairy items, cottage industry(working without aid of power

SALARY AND INTEREST ON CAPITAL TO PARTNERS (SECTION 40(b):

Interest, salary: Deduction as per provisions in partnership deed.

Interest on capital: - Rate specified in partnership deed or 12% whichever is lower.

Salary: - Allowed only to working partners.

It should be lower of amount specified in partnership deed or following amount:-

On First Rs.300,000 Of Book Profits	90% of book profits or Rs.150,000 whichever is more
On Balance Of Book Profits	60% of book profits

DEDUCTION UNDER SECTION 43B:-

Section 43 B mentions some cases where deduction will be allowed only when amount is actually paid by the assessee before due date of filing return.In all these cases deduction of the expense is allowed on “paid” basis.

However when expenditure is disallowed in one year, it will be allowed as a deduction in the previous year in which such expenses are actually paid.

1. Any sum payable by way of tax, cess, duty or fee under any law and by whatever name called.
2. Any sum payable by employer by way of contribution to provident fund or superannuation fund or any other employee benefit fund.
3. Any sum payable as bonus, commission to employees for services rendered.
4. Any sum payable as interest on loan borrowed from public financial institution or state financial institution.
5. Any sum payable as interest on loan taken from scheduled bank including co-operative societies.
6. Any sum payable by employer in lieu of leave salary to employee.

MAINTENANCE OF BOOKS OF ACCOUNTS BY PERSONS CARRYING ON BUSINESS OR PROFESSION (SECTION 44AA AND RULE 6F): -

Assessee carrying on Business or profession other than the profession notified under the rule 6F

Income ExceedsRs. **120000** In Any Of 3 Preceding Previous Years or Likely to exceed Limit In Case Of Newly Set Up Business Or Profession

Or

If the turnover or sales or Gross Exceeds Rs.**10 Lakhs** .In Any Of 3 Preceding Previous Years Or Likely To Exceed Limit In Case Of Newly Set Up Business Or Profession

RULE 6F

In the case of Assessee carrying on profession of law, Company Secretary, Accountancy, medicine, architecture etc

Gross Recipts Exceeds Rs.**150,000** In All 3 Preceding Previous Years Or Likely To Exceed Limit In Case Of Newly Set Up Business

Specified Books: - Cash Book, Journal (If Accounts On Accrual Basis), Ledger Carbon Copy Of Receipts Exceeding Rs. 25 And Original Copy Of Expenditure Exceeding Rs.50

If The Assessee Falling Under Section 44ad, 44ae, 44bb, 44bbb Or Any Other Section Of Presumptive Income, Declares His Income Lower Than Specified In These Sections, He Is Required To Maintain Such Books As May Enable A.O. To Compute His Income.

Sec.271A
Failing to keep, maintain or retain books of accounts u/s 44AA read with rule 6F,will be levied a penalty of ***RS.250,000/-***

COMPULSARY AUDIT OF ACCOUNTS UNDER SECTION 44AB

Business: - In Case Gross Turnover Or Total Sales Exceeds **Rs.1core**

Profession: - In Case Gross Receipts Exceeds **Rs. 25 Lakhs.**

A Person Falling Under Section 44 AD Declaring a Lower Income

Filing of Report of Audit:

An audit report duly verified by a CA on or before 30.09.yyyy of the relevant year has to be submitted.

Sec.271B
Failing to get accounts audited or furnish audit report required u/s44ABF, will be levied a penalty of ***RS.150, 000/-*** *or Equal to HALF OF TOTAL SALES which ever IS LESS*

PRESUMPTIVE INCOME UNDER SECTION 44AD
(Business other than that of goods carriage): -

This scheme is applicable to residents Individuals, HUF, Firm other than LLP. Carrying on any business whose gross receipt from such business **does not exceed Rs.1** Crore A sum equal to **8% of** gross receipt paid or payable to the assessee or such higher
sum as declared by the assessee in the return of income shall be deemed to be the income from such business.

However for sum lower than this income, accounts have to be maintained and get audited.

All deductions under section 30 to 38 along with unabsorbed depreciation would be deemed to have been allowed.

However salary and interest to partners to the limit specified in section 40(b) have to be allowed17

PRESUMPTIVE INCOME UNDER SECTION 44AE (Business of goods carriage): -

Scheme is applicable to only those assesses who do not own more than 10 goods carriage at any time during the previous year.

Profits and gains from such business would be deemed to be as under:-

For heavy goods vehicle : - **Rs. 5000 For every month or part** of month for which such vehicle is owned by assessee

For other vehicles: - **Rs. 4500 For every month or part of month** for which such vehicle is owned by assessee

Assessee can declare income higher than this specified limit

However for sum lower than this income, accounts have to be maintained and get audited.

All deductions under section 30 to 38 along with unabsorbed depreciation would be deemed to have been allowed.

However salary and interest to partners to the limit specified in section 40(b) have to be allowed.

PRESUMPTIVE INCOME UNDER SECTION 44BBA

(Non-resident's Business of operating aircraft): -

In this presume income to be 5% of the Fare and freight: -

Whether paid or payable in India or outside India for transportation of goods, passenger, livestock, mail, etc. from any place in India

AND

Amount received or deemed to be received in India for transportation of goods, passenger, livestock, mail, etc. from any place outside India.
Maintain books of accounts as necessary for A.O. to compute his income. Get his Accounts audited under section 44AB

INCOME UNDER THE HEAD CAPITAL GAINS

Capital Asset .Sec.2(14) means property of any kind held by an assessee whether or not connected with his business or profession ,but does not include the following:

1. Stock in trade, Raw materials and consumables stores held for the purpose of business or profession.
2. Personal effects of movable nature, such as furniture, utensils and vehicles held for personal use by the assessee or any dependent member of his family.
3. Agricultural land in India which is not situated in any specified area.
4. Gold Bonds issued by the government of India including gold deposit bond issued under the gold deposit scheme notified by the cent.Govt.

CAPITAL ASSETS ARE TWO TYPES LONG TERN & SHORTERM

Capital gain arises from the transfer of any capital asset.

Short-term capital gain is a gain arising from the transfer of an asset which is held by the assessee **for not more than: 12 months** from the date of its acquisition **in case of shares,** units and any other listed securities and **for not more than 36 months** in the case of **other** assets . otherwise it is long term capital gain

Distribution of assets by a company at the time of liquidation shall be regarded as a transfer and subject to capital gain in the hands of the shareholders

Transfer by holding company to its subsidiary company or by a subsidiary company to its holding company shall not be regarded as transfer if the holding company owns: 100 % shares of the subsidiary company

Amalgamation of company as per the scheme of amalgamation shall not be regarded as transfer provided the amalgamated company is: an Indian company

Transfer of capital asset in the scheme of demerger shall not be regarded as transfer for the purpose of capital gain if the resulting company is an Indian company

The assessee is allowed to opt for market value as on 1.4.1981 in case of: all capital assets other than depreciable assets, goodwill of a business, right to manufacture,etc.

Where the capital asset became the property of the assessee in any mode given under section 49(1), the cost of acquisition of such assets shall be: cost for which the previous owner of the property acquired it .

Period of holding would be considered from the date of which property was held by the previous owner but index would be available the year in which the property is acquired by the assessee

FORMAT OF COMPUTATION OF LONG TERM CAPITAL GAIN

Sale consideration		xxx
Less		
Expenses on Transfer(Like Brokerage etc)	xxx	
Net Consideration		____
Less Indexed cost of acquisition	xxx	xxx
Less Indexed cost of Improvement	Xxx	xxx
Long term Capital Gain	-------	____
		Xxx
		===

FORMAT OF COMPUTATION OF SHOT REM TERM CAPITAL GAIN

Sale consideration Less Expenses on Transfer(Like Brokerage etc) Net Consideration Less acquisition Less Improvement Less short term Capital Gain	 xxx xxx Xxx -------	xxx ____ xxx xxx ____ Xxx ===

In computing capital gain arising from transfer of a long term capital asset deduction can be claimed for the cost of acquisition and cost of improvement after indexing the same.

Indexed cost of acquisition means an amount which bears to the cost of acquisition the same proportion as cost inflation index for the year in which the assets is transferred bears to the cost on inflation index for the first year in which the asset was held by the assessee or for the year beginning on the 1St day of April 1981, which is later.

The benefit of indexation can be availed either from the year of acquisition of the asset by the assessee or from the base year 1981-82, which ever is later. if an asset is acquired prior to 01-04-1981 and if the cost is higher than market value as on 01-04-01981 then the assessee can adopt the cost and be entitled indexation with effect from 1981-82. In the alternative, if the market value as on 01-04-1981 is higher than the cost the assessee may be choose to adopt the market value as on 01-04-1981and entitled to indexation of such value of the asset from 1981-82

Indexed cost of acquisition

Cost of acquisition or fair market value
as on 01-04-1981 as case may be
________________________________ * Index factor for the year of Transfer
Index factor for the year 191-82 or
For the first year in which the asset
was held by the assesseeWhich ever is later

****** Cost of Improvement same as cost of acquisition

Indexation Benefit is not available in the following cases:

I. Short term Capital Assets
II. Bonds and debentures
III. Where option of 10% tax rate is availed u/112
IV. Slump sale u/s50B
V. Sale of shares by non resident

Tax on Short Capital Gain Sec.111A

Any short term capital gain arising from the transfer of an equity share in a company or a unit of an equity oriented fund shall be liable to tax @15% if the following conditions are satisfied:

i. The Transaction of sale should take place through a recognized stock exchange.
ii. Such transaction is chargeable to Securities Transaction Tax.

If the total income of an assessee includes such short term capital Gain and other income ,the tax payable by the assessee in such a case shall be the aggregate of-

i. The amount of income Tax calculated on such short term capital gain (15%)
ii. The amount of income tax payable on the balance amount of the total income as if such balance amount were the total income of the assessee.

In the case of an individual or HUF, being a resident, where the total income as reduced by such short term capital gain is below the basic exemption limit then the short term capital gain shall be reduced by the amount of basic exemption limit not exhausted by any other income and only the balance short term capital gain shall be chargeable @15%. For a non resident assessee adjusting of basic exemption limit against short term capital gain shall not be applicable .Hence the entire amount of STCH shall be subject to tax @15%.

Assessee is not entitled to claim any deductions provided under Chapter VI-A in respect of such Short Term Capital Gain.

Tax on Long Term Capital Gain Sec.112.

Where the total income of an assessee includes any income, arising from the transfer of a long-term capital asset, which is chargeable under the head Capital gains, such long term capital gain shall be charged to tax at 20% rate.

Any L.T.C.G araising from transfer of equity share of a company or a unit of equity oriented fund which are listed in a recognized stock exchange is excempt from tax u/s 10(38).

Where the transferred L.T.C.A is in the nature of listed securities or Units of UTI or Mutual fund or Zero coupon bond ,the gain arising from transfer of such securities or units shall be liable to tax at the rate of 10% on such LTCG computed without the benefit of indexation or at the rate of 20% on such LTCG computed availing the benefit of indexation whichever is more beneficial to the assessee.

The possibility of Applying 10% or 20% tax rate shall arise only in case where the listed shares are not traded through a recognized stock Exchange and not chargeable Securities Transaction Tax.

Exception from Capital Gain

SECTION	ASSESSEE	CONDITION	EXCEMPTION
Sec .54	Individual/ H.U.F	Long term Residential House to be Transferred. With in the period of 1Year before or 2 year after the date of transfer, a residential house is purchased or with in a period of 3 year a residential house is constructed.	Cost of new house Or up to C.G
Sec.54 B	Individual/ H.U.F	Agricultural land to be transferred(same must be used in 2 year immediately preceding the date of transfer for Agr.Purpose by individual or Parents. With in the period2 years the date of transfer another Agr.Land is purchased.	Cost of new Agr.Land or up to C.G
Sec .54 D	Any Assessee	Land ,Building or any right in land forming part of Industrial undertaking must be compulsory acquired.	Cost of new Assets Or Up to C.G
Sec .54 EC	Any Assessee	Transfer a Long Term Capital Asset With in a period of 6 months from the date of transfer amount of C.G shoul have been invested in specified bond issued by REC.or NHAI. The above bond shall not transfer or covert or avail loan within a period of 3 year. Maximum amount of Investment shall not exceed 50lakhs during the year.	Amount of Investment in the specified bonds or capital gains whichever is lower.
Sec .54 F	Individual/ H.U.F	The Asset is LTCA not being residential home. The Assessee does not own more than 1 Residential House other than new asset on the date of transfer. With in the period of 1Year before or 2 year after the date of transfer, a residential house is purchased or with in a period of 3 year a residential house is constructed.	(Investment in new asset/Net consideration) * Capital Gain
Sec .54 G	Any Assessee	Machinery or plant or building or any rights in building or land used for business of an industrial undertaking situated in an urban area is transferred. Transfer is due to shifting to any area other than an urban area.	Cost of new Asset Or up to C.G

Sec.54 GA	Any Assessee	Machinery or plant or building or any rights in building or land used for business of an industrial undertaking situated in an urban area is transferred. Transfer is due to shifting to any Special Economic Zone.	Cost of new Asset Or up to C.G
Sec.54 GB	Individual/ H.U.F	Long term Residential property or land is to be transferred. The assessee before due date of furnishing return has unlisted the net consideration for subscribing to the equity shares of an eligible company	Up to the capital Gain or (Cost of new house/net consideration)*capital Gain

INCOME FROM OTHER SOURCES

Income from Other Sources is a residuary head of income. Any item of income chargeable to tax but does not fall within the ambit of the other four specific heads of income shall be included under this head of income.

Chargeability – Section 56

The following income shall be charged to tax only under the head "Income from Other Sources":

(1) Dividend income covered by sub-clause (a) to (e) of clause (22) of Section 2.

(2) Income by way of winnings from lotteries, cross word puzzles, races including horse race, card games and other games of any sort, gambling, betting, etc. It requires mention here that such winnings are chargeable to tax u/s 115BB at a flat rate of 30%.

(3) Any sum of money, the aggregate value of which exceeds **Rs.50, 000** received from any person without consideration by an individual or Hindu Undivided Family .

However, exemption is granted in respect of any sum of money received –

(a) from any relative; or

(b) on the occasion of marriage of individual; or

(c) under a Will or by way of inheritance; or

(d) in contemplation of death of the payer or

(e) from a local authority; or

(f) from any fund, foundation, university, other educational institution, hospital, medical institution, any trust or institution referred to in Section 10(23C); or

(g) From charitable institutions registered u/s 12AA.

In respect of above gifts, there is no ceiling limit and therefore, entire amount is exempt from chargeability.

The **defintion of the term 'relative'** for this purpose is as under :

a) husband or wife of individual;
b) brother or sister of the individual;

c) brother of husband of the individual;
d) brother of wife of the individual;
e) sister of husband of the individual;
f) sister of wife of the individual;
g) brother of father of the individual;
h) brother of mother of the individual;
i) sister of father of the individual;
j) sister of mother of the individual;
k) lineal ascendant of the individual (say, grandfather)
l) lineal descendant of the individual (say, son, grandson, daughter)
m) lineal ascendant of the husband of the individual
n) lineal descendant of the husband of the individual
o) lineal ascendant of the wife of the individual (say, wife's father)
p) lineal descendant of the wife of the individual;
q) wife or husband of the relatives listed at serial numbers (b) to (p)

INCOME CHARGEABLE UNDER THIS HEAD, ONLY IF NOT CHARGEABLE

UNDER THE HEAD 'PROFITS AND GAINS OF BUSINESS OR PROFESSION.

The following income shall be chargeable to tax under this head of income only if it is not taxable under the head "Profits and Gains of Business or Profession":

(a) Interest on securities (State and Central Government securities and debentures);

(b) Any sum collected from employees towards their share of contribution to any Welfare Fund Account :

(c) Income from letting of machinery, plant and furniture; and

(d) Income from letting of machinery, plant and Furniture together with building, if the letting of the building is inseparable to the letting of other assets.

INCOME CHARGEABLE UNDER THIS HEAD ONLY IF NOT CHARGEABLE UNDER THE HEAD "PROFITS AND GAINS OF BUSINESS OR PROFESSION" OR UNDER THE HEAD "SALARIES"

Any sum received under a Keyman insurance policy including bonus is chargeable under this head when it is received by any person other than the employer who took the policy and the employee in whose name the policy was taken.

DIVIDEND

Section 2(22) defines 'Dividend' to include –
Any distribution by a company to its shareholders to the extent of accumulated profits whether capitalized or not resulting in the release of all or any part of the assets of the company,
b)any distribution to its shareholders by a company –

- Of debentures, debenture-stock or deposit-certificates with or without interest;

- Distribution of bonus shares to the preference shareholders by the company, to the extent of accumulated profits, whether capitalized or not,

  any distribution made to the shareholders by a company on its liquidation to the extent to which the distribution is attributable to the accumulated profits of the company, whether capitalized or not,

Any distribution by a company to its shareholders on account of reduction of share capital to the extent of which the company possesses accumulated profits, whether capitalized or not.

Any payment to the extent of accumulated profits by a company, not being a company in which public are substantially interested, of any sum by way of: Sec.2(22)(e)

1. Loan or advance to a shareholder who holds the beneficial ownership of equity shares carrying not less than 10% voting power,
2. loan or advance to any concern (HUF, firm, AOP, Body of Individuals or a company) in which such shareholder is a member or partner holding substantial interest (20% or more beneficial interest at any time during the previous year),
3. Any payment on behalf of or for the individual benefit of any such shareholder made to any person.

Exceptions:

(1) Any advance or loan to a shareholder or the concern in which the shareholder has substantial interest by a company will not be deemed as dividend, if the loan or advance is given during the normal course of its business provided the lending of money is a substantial part of the business of the company.

(2) Any payment made by a company on purchase of its own shares from a shareholder in accordance with the provisions of Section 77A of the Companies Act, 1956, shall not be regarded as dividend. Such buyback of shares attracts capital gains tax liability in the hands of the shareholder u/s 46A.

(3) Any distribution of shares pursuant to a demerger by the resulting company to the shareholders of the demerged company (whether or not there is a reduction of capital in the demerged company) shall not be treated as dividend.

8.5 WINNINGS FROM LOTTERY, ETC. – SECTION 115BB

Where the total income of an assessee includes any income by way of winnings from any lottery or crossword puzzle or race including horse race or card game and other game of any sort or from gabling or betting of any form, tax shall be calculated at the rate of 30% of such income plus surcharge.

SECTION 80C TO 80U

Deduction in respect of LIC, PF etc. Sec.80C.

Eligible Assessee: Individual/Huf

- Investments/contributions to LIC Premium, Deferred Annuity, Unit Linked Insurance plan, PPF, RPF, Superannuation fund.
- Subscription to notified security or deposit schemne, N.S.C, Units of Mutual fund or fund setup by UTI, Bond issued by NABARD,5 year post office deposit scheme, Senior citizen savings deposit scheme.
- Repayment of Housing loan, Tuition fees for full time education of any 2 children
- Tution fees for full Time education In India of any Two Children.

Deduction in respect of contribution to certain pension funds. Sec.80CCC.
Deduction in respect of contribution to pension scheme of Central Government. Sec.80CCD

Eligible Assessee: Individual

Contribution made to annuity plan Lic, Maximum Rs.100,000/-

For 80CCD an individual has contributed any amount under a pension scheme notified by Cen Govt. Subject to the following limit

If individual deriving salary income: 10% of salary

If individual deriving other income: 10% Gross total income

Limit on deduction u/s.80C,80CCC,80CCD, (Sec.80CCE)

Restricted to Maximum of Rs.100,000/-

Deduction in respect of Investment in Equity Savings Scheme.Sec.80CCG

Eligible Assessee: Resident Individual.

Amount of deduction is to be extent of 50% of the amount invested in listed equity shares accordance with Rajiv Gandhi Equity Savings Scheme 2012 Subject to maximum Rs.25000/- (Investment can go up to 50,000).

Such deduction can be allowed subject to the following conditions:

i. GTI of assessee shall not exceed 10Laks
ii. The assessee is a new retail investor Locking period is 3 Year

Medical Insurance Premium / Central Govt Health Scheme Sec.80D

Eligible Assessee: Individual/Huf

Eligibility	Amount paid in respect of		Total Deduction U/S 80D
	Self, Spouse & Dependent Children	Parents, dependent or not	
No one attained the age of 60Years	Rs.15000	Rs.15000	Rs.30,000
Assessee his family less than 60 years of age and parent is a Senior citizen	Rs.15000	Rs.20,000	Rs..35000
Assessee and the Parent attained the age of 60Years	Rs.20000	Rs.20000	Rs.40,000

*In case of an Individual any amount paid up to Rs.5000/- towards preventive Health checkups (PHC) of the Assessee or his family
* Mediclaim Premium payment should be made by any other Mode Other than Cash.In case PHC Payment may be made by any mode including Cash.

Medical Treatment of a dependent with disability Sec.80DD

Eligible Assessee: Resident Individual/Huf

Normal deduction at a flat amount of Rs.50, 000/- and if the severe disability deduction shall be Rs.100, 000/-

Medical Treatment for certain disease or ailment Sec.80DDB

Eligible Assessee: Resident Individual/Huf

Deduction shall be the amount of actually paid or Rs.40,000/- whichever is less In case of senior citizen who is aged 60 years or more the deduction shall be the amount of actually paid or 60,000/- whichever is less

Deduction for interest on loan taken for higher education Sec.80E

Eligible Assessee: Individual

Any amount of paid towards interest on loan borrowed from higher education .This deduction is allowed for the initial year and immediately succeeding 7 assessment years or until the interest is paid by the assessee in full ,which ever is earlier.

Deduction to certain fund, Charitable Institutions .Sec.80G

Eligible Assessee: Any Assessee.

1) **50% deduction with out any limit**

   Jawaharlal Nehru Memorial Fund, P.M Draught Relief Fund, National Children Fund , Indira Gandhi Memorial Trust, Rajiv Gandhi Foundation.

2) **(a) 100% deduction Restricted*****
   1. Contribution by a company as donation to The Indian Olympic Association or ny Association established for Sports and games
   2. Govt or Local Authority or approved Institution/Association for promotion of family planning

   (b) 50% deduction Restricted***

1. Renovation of Temple, Mosque, Church etc.
2. Any approved public trust
3. Any corporation established for by govt for promoting Interest of schedule caste or Tribe

4. Any authority set up for providing for Housing accommodation or town planning
5. Any govt or local authority set up for promoting family planning.

***Qualifying Amount

Step 1: Computed adjusted total Income, which is GTI as reduced by:-

Deduction under chapter VI-A

Long Term Capital gain Sec.112

Short Term capital gain Sec.111A

Step 2: 10% of Total Income Step

3: donation is 100% or 50%

3) **100% deduction with out any limit.**

   Other all Donation in the list like P.M national, P.M.Armenia Earthquake relief fund, National Defense fund, National foundation for communal Harmony

Rent paid Sec.80GG

Eligible Assessee: individual

The assessee should not be in receipt of house rent allowance.

Least of the following:

1) Rent -10% of Total Income
2) 25% of Total income.
3) Rs.2000/-P.M

Donation for Scientific research ,rural development etc. Sec.80GGA

Eligible Assessee: All assessee not having any income chargeable under the head "profit and Gains of Business or Profession"
100% of Donation.

Contribution by companies to political Parties Sec.80GGB

Deduction shall be allowed in respect of contribution as referred in Sec.293A of the companies' act 1956**.**

Contribution by any Person to political Parties Sec.80GGC

Deduction shall be allowed in respect of contribution made by any person to political party or electoral trust while computing the Total Income.

FILING RETURN OF INCOME
Due Dates Sec.139 (1):

Assessee	Due Date
Any assessee who is required to furnish transfer pricing report U/S .92E	30^{th} Novener of relevant A.Y
Any other Company other than above Other person whose accounts are required to be audited under the Act or under any other law	30^{th} September of relevant A.Y
In case of any other Assessee	30^{th}July of relevant A.Y

Return in Electronic Form Sec.139 (1B)

All company Assessee
Assessee who are subjected to audit u/s 44AB
Total income Exceed Rs.10 lakhs

Belated Return Sec.139 (4)

Any person who has not furnished a return:
On or before the time allowed u/s 139(1)
Within the time allowed by the notice issued u/s.142 (1)

Revised Return Sec.139 (5).

Any person who has furnished a return u/s.139 (1) or pursuance of notice issued u/s.142(1) can file revised return if the assessee discovers any omission or any wrong statement in the return filed earlier. Such revised return can be furnished at any time before the expiry of one year from the end of relevant assessment year or before completion of assessment which ever is earlier.

ADVANCE TAX

Advance tax shall be payable in every case where amount of such tax payable by the assessee during the year is .Rs.10,000/- or more Sec.208.

Due Dates for payment of advance tax

Instalment date	Corporate Assessee	Non Corporate Assessee
15^{th} June	Not less than 15%	Not Applicable
15^{th} September	Not less than 45%	Not less than 30%
15^{th} December	Not less than 75%	Not less than 60%
15^{th} March	Not less than 100%	Not less than 100 %

INTEREST

Sec.234A	Sec.234B	Sec.234C
For default in furnishing return of income	For default in payment of Advance Tax	Deferment of advance Tax
Interest @1%	Interest @1%	Interest @1%
Return of income furnishing after due date or is nor furnished the assessee shall be liable to pay Interest @ 1% of every month or part of a month.	Where in any financial year ,an assessee who is liable to pay advance tax u/s208 has failed to pay such tax or the advance tax paid by such assessee is less than 90% of the assessed tax, the assessee shall be liable to pay interest @1% of every month or part of month	Where in any financial year the assessee who is liable to pay advance tax u/s208 has failed to pay such tax or advance tax paid by the assessee on the current income on or or before July/Sep/Dec on its short fall

CLUBBING OF INCOME.

As per Sec.60 when income alone is transferred without transfer of the asset giving rise to such income, it is deemed to be the income of the transferor. It does not matter whether such transfer is revocable or irrevocable.

Income of Minor Child

In computing the total income of any individual there shall be included all such income as arises or accrues to his minor child

In the case of an assessee to an individual in whose total income the minor child income is to be included u/s 64(1A)exemption is given up to Rs.1500/- in respect of each minor child.

However income of minor child shall not be clubbed if:-

1. Manual work done by him: or
2. Activity involving of his skill, talent or specialized knowledge and experience.
3. If the minor child is suffering from any disability of nature specified in Sec.80U .

CARRY FORWARD OF LOSSES

Sec.	Nature of Loss	Number of years	To be set-off Against
71B	Loss from House Property	8	Income from house property
32(2)	Unabsorbed Depreciation	Indefinite Period	Any head of income other than salaries
72	Unabsorbed business loss.	8	Profit and gains of Business or Profession
73	Speculation business loss.	4	Income from speculation Business
73A	Losses of specified business u/s35AD	Indefinite Period	Income from any specified business
74	Loss under the head "capital Gain" 1)STCL 2)LTCL	8	STCG/LTCG LTCG
74A	Loss from the activity of owning and maintaining race horses.	4	Income from same activity

Income Tax Slabs and Rates Assessment Year 2014-15

(Financial Year 2013-14)

Individual resident below 60 years of age (i.e. born on or after 1st April 1953) or any NRI / HUF / AOP / BOI / AJP *

i. Income-tax:

	Income Slabs	Income Tax Rate
i.	Where the total income does not exceed Rs. 2,00,000/-.	NIL
ii.	Where the total income exceeds Rs. 2,00,000/- but does not exceed Rs. 5,00,000/-. (for difference /300,000)	10% of amount by which the total income exceeds Rs. 2,00,000/-
iii.	Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000/-.(for difference /500,000)	Rs. 30,000/- + 20% of the amount by which the total income exceeds Rs. 5,00,000/-.
iv.	Where the total income exceeds Rs. 10,00,000/- (Balance Amount -10,00,000)	Rs. 130,000/- + 30% of the amount by which the total income exceeds Rs. 10,00,000/-.

** Abbreviations used:*

NRI - Non Resident Individual; HUF - Hindu Undivided Family; AOP - Association of Persons; BOI - Body of Individuals; AJP - Artificial Judicial Person

II. Individual resident who is of the age of 60 years or more but below the age of 80 years at any time during the previous year

	Income Slabs	Income Tax Rate
i.	Where the total income does not exceed Rs. 2,50,000/-.	NIL
ii.	Where the total income exceeds Rs. 2,50,000/- but does not exceed Rs. 5,00,000/-	10% of the amount by which the total income exceeds Rs. 2,50,000/-.
iii.	Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000/-	Rs. 25,000/- + 20% of the amount by which the total income exceeds Rs. 5,00,000/-.
iv.	Where the total income exceeds Rs. 10,00,000/-	Rs. 125,000/- + 30% of the amount by which the total income exceeds Rs. 10,00,000/-.

III. Individual resident who is of the age of 80 years or more at any time during the previous year

i. Income-tax:

	Income Slabs	Income Tax Rate
i.	Where the total income does not exceed Rs. 5,00,000/-.	NIL
ii.	Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000/-	20% of the amount by which the total income exceeds Rs. 5,00,000/-.
iii.	Where the total income exceeds Rs. 10,00,000/-	Rs. 100,000/- + 30% of the amount by which the total income exceeds Rs. 10,00,000/-.

IV. Co-operative Society

i. Income-tax:

	Income Slabs	Income Tax Rate
i.	Where the total income does not exceed Rs. 10,000/-.	10% of the income.
ii.	Where the total income exceeds Rs. 10,000/- but does not exceed Rs. 20,000/-.	Rs. 1,000/- + 20% of income in excess of Rs. 10,000/-.
iii	Where the total income exceeds Rs. 20,000/-	Rs. 3.000/- + 30% of the amount by which the total income exceeds Rs. 20,000/-.

SURCHARGE

In case of individuals, HUF,BOI, AOP, AOP, Firm, Co Operative Societies, and Local Authority, Surcharge at the rate of 10% shall be leived if the Total Income exceeds Rs.1 Core.

EDUCATION CESS

The amount of Tax and Surcharge computed by applying the above mentioned rates shall be further increased by education cess @ 2 % and Secondary and Higher education cess @1 %

REBATE FROM INCOME TAX TO RESIDENT INDIVIDUAL

An assessee being an Individual Resident in India ,whose Total Income does not Exceeded Rs.500,00 shall be entitled to a deduction of an equal amount to 100 % of Income Tax or an amount of Rs.2000 which ever is less. Rebate shall be calculated before levy of education cess. This Provision does not apply to a resident Individual aged 80 Years and above.

V. Firm /LLP
i. Income-tax: 30% of total income.
ii. Education Cess: 3% of the Income Tax.
iii. Surcharge 10 % if Exceed Core

VII. Domestic Company
i. Income-tax: 30% of total income.
ii. Surcharge: 5% of such income tax, provided that the total income exceeds Rs. 1 crore. and 10 % if Exceed 10 Core
iii. Education Cess: 3% of the total of Income Tax and Surcharge.

VIII. Company other than a Domestic Company

I. Income-tax:
@ 50% of on so much of the total income as consist of (a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976; or (b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976, and where such agreement has, in either case, been approved by the Central Government.

@ 40% of the balance

ii. **Surcharge:** 2% of such income tax, provided that the total income exceeds Rs. 1 crore.and 5% if Exceed 10 Cr
iii. **Education Cess:** 3% of the total of Income Tax and Surcharge.

Income Exempt from Income Tax

The following Income is exempt from Income tax:-

1. Agriculture Income [Sec. 10(1)]
2. Payments received from family income by a member of HUF [Sec. 10(2)] 3. Share of profit from a firm [Sec. 10(2A)]
4. Interest received by a non resident from prescribed securities [Sec. 10(4)]
5. Interest received by a person who is resident outside India on amounts credited in the non-resident (External) account [Sec. 10(4)]
6. Leave travel concession provided by as employer to his Indian citizen employee,Sec. 10(5)] 7. Remuneration received by foreign diplomats of all categories [Sec. 10(6)]
8. Salary received by a foreign citizen as an employee of a foreign enterprise provided his stay in India does not exceed 90 days [Sec. 10(6)(vi)]
9. Salary received by a non-resident foreign citizen as a member of ship's crew provided his total stay in India does not exceed 90 days [Sec. 10(6)(vii)]
10. Remuneration received by an employee, being a foreign national, of a foreign

government deputed in India for training in a Government establishment or public sector undertaking [Sec. 10(6)(xi)]

11. Tax paid on behalf of foreign companies [Sec. 10(6A)]
12. Tax paid by Government or an Indian concern in case of a non-resident / foreign company [Sec.10(6B)]
13. Income arising to notified foreign companies from services provided in or outside India in project connected with the security of India [Sec. 10(6C)]
14. Foreign allowance granted by the Government of India to its employees posted abroad [Sec. 10(7)]
15. Remuneration received from a foreign Government by an individual who is in India in connection with any sponsored co-operative technical assistance programme with a foreign Government and the income of the family members of such employee [Sec. 10(8)and(9)]
16. Remuneration / fee received by non-received consultants and their foreign employees [Sec. 10(8A),(8B) and (9)]
17. Death-cum-retirement gratuity [Sec. 10(10)]
18. Commuted value of pension and any payment received by way of commutation of pension by as individual out of annuity plan of LIC or any other insurer from a fund set up by that corporation or insurer [Sec. 10(10A)]
19. Leave salary [Sec. 10(10AA)]
20. Retrenchment compensation [Sec. 10(10B)]
21. Compensation received by victims of Bhopal gas leak disaster [Sec. 10(10BB)]
22. Compensation from the Central Government or a state Government or a local authority received by an individual or his legal heir on account of any disaster [Sec. 10(10BC)]
23. Compensation received from a public sector company at the time of voluntary retirement or separation [Sec. 10(10C)]
24. Tax on perquisite paid by employer [Sec. 10(10CC)

5. Any sum (including bonus) on life insurance policy (not being a keyman insurance policy) [Sec. 10(10D)]

26. Any amount from provident fund paid to retiring employee [Sec. 10(11)]
27. Amount from an approved superannuation fund to legal heirs of the employee [Sec. 10(13)] 28. House rent allowance subject to certain limits [Sec. 10(13A)]
29. Special allowance granted to an employee [Sec. 10(14)] 30. Interest from certain exempted securities [Sec. 10(15)]
31. Payment made by an Indian company, engaged in the business of operation of an aircraft, to acquire an aircraft on lease from a foreign Government or foreign enterprise [Sec. 10(15A)]
32. Scholarship granted to meet the cost of education [Sec. 10(16)]
33. Daily allowance of a member of parliament or state Legislature (entire amount is exempt), any other allowance subject to certain conditions [Sec. 10(17)]

34. Rewards given by the central or state Government for literary, scientific or artistic work or attainment or for service for alleviating or for service for alleviating the

distress of the poor, the weak and the ailing, or for proficiency in sports and games or gallantry awards approved by the Government [Sec. 10(17A)]

35. Pension and family pension of gallery award winners [Sec. 10(18)]
36. Family pension received by family members of armed forces [Sec. 10(19)]
37. National property income of any one place occupied by a former ruler [Sec. 10(19A)]
38. Income from local authorities [Sec. 10(20)]
39. Any income of housing boards constituted in India for planning, development or improvement of cities, town or villages [Sec. 10(20A)]
40. Any income of an approved scientific research association [Sec. 10(21)] 41. Income of specified non- agencies [Sec. 10(22B)]
42. Any income (other than interest on securities income from property income received for rendering any specific services and income by way of interest or dividends) of approved professional bodies [Sec. 10(23A)]
43. Any income received by any person on behalf of any regimental fund or non public fund established by the armed forces of the union for the welfare of the past and present members of the such forces or their dependents [Sec. 10(23AA)]
44. Income of funds established for the welfare of employees [Sec. 10(23AAA)]
45. Any income of the pension fund set by LIC or any other insurer approved by the controller of insurance or insurance Regulatory and development authority [Sec. 10(23AAB)]
46. any income (other than business income) of a trust or a society approved by Khadi and village industries commission [Sec. 10(23B)]
47. Income of an authority whether known as Khadi and village industries board or by any other name for the development of Khadi and village industries [Sec. 10(23BB)]
48. Income of the European Economic Community derived in India by way of, interest, dividends or capital gains in certain cases [Section 10(23BBB)]
49. Any income arising to anybody or authority established, constituted or appointed under any enactment for the administration of public religious or charitable trusts or endowments or societies for religious or charitable purposes [Section 10(23BBA)]
50. Income of SAARC Fund for Regional Projects, set up by Colombo Declaration [Section 10(23BBC)]
51. Any income of Secretariat of Asian Organisation of Supreme Audit Institutions [Section 10(23BBD)]
52. Any income received by any person on behalf of specified national funds and approved public charitable trust or institution [Section 10(23C)]
53. Income of Mutual Fund set up by — a public sector bank or a public financial institution [Section 10(23D)]
54. Any income by way of dividend, or long term capital gains of venture capital funds and venture capital companies [Section 10(23F)]
55. Income of a member of Scheduled Tribe, living in Nagaland, Manipur, Tripura, Arunachal Pradesh and Mizoram from any source arising by reason of his employment therein and income by way of dividend and interest on securities [Section 10(26)]
56. Any income accruing or arising to any resident of Ladakh from any source therein or

out of India before the assessment year 1989-90, provided that such person was resident in Ladakh in the previous year relevant to the assessment year 1962-63 [Section 10(26A)]

57. Any income of a statutory Central or State corporation or of a body/institution, financed by the Government formed for promoting the interest of Scheduled Castes/Tribes [Section 10(26B)]
58. Income of co-operative society formed for promoting interests of members of Scheduled Castes/Scheduled Tribes [Section 10(27)]
59. Income by way of subsidy from Tea Board for replanting or replacement of tea bushes or for the purpose of rejuvenation or consolidation of areas used for cultivation of tea in India [Section 10(30)]
60. Subsidy received by planters of Rubber, Coffee, Cardamon [Section 10(31)]
61. Income of a minor child up to Rs. 1,500 in respect of each minor child whose income is includible under section 64(1A) [Section 10(32)]
62. Any income by way of Capital gains on transfer of US-64 units [Section 10(33)]
63. Dividend on or after April, 2003 from domestic companies [Section 10(34)]
64. Income on units of Mutual Funds on or after April 1, 2003 [Section 10(35)]
65. Long term Capital gains on transfer of listed Equity Shares purchased during 1-3-2003 to 29-2-2004 [Section 10(36)]
66. Capital gain to individual/HUF on compensation received on compulsory acquisition of urban agriculture land [Section 10(37)]
67. Long term capital gain in some cases [Section 10(38)]
68. Sum received without consideration from international sporting event held in India [Section 10(39)]
69. Income of Industrial Units situated in trade-free zones, specified technology parks etc. [Section 10A]
70. Income from specified 100% export oriented undertakings [Section 10B]
71. Income from property held for approved charitable or religious purposes [Section 11]
72. Specified Income of Registered political parties [Section 13A]

AGRICULTURE INCOME

Agriculture income is exempt under the Indian Income Tax Act. This means that income earned from agricultural operations is not taxed. The reason for exemption of agriculture income from Central Taxation is that the Constitution gives exclusive power to make laws with respect to taxes on agricultural income to the State Legislature. However while computing tax on non-agricultural income agricultural income is also taken into consideration. As per Income Tax Act income earned from any of the under given three sources meant Agricultural Income;

(i) Any rent received from land which is used for agricultural purpose.
(ii) Any income derived from such land by agricultural operations including processing of agricultural produce, raised or received as rent in kind so as to render it fit for the market, or sale of such produce.

(iii) Income attributable to a farm house subject to the condition that building is situated on or in the immediate vicinity of the land and is used as a dwelling house, store house etc.

Now income earned from carrying nursery operations is also considered as agricultural income and hence exempt from income tax.

In order to consider an income as agricultural income certain points have to be kept in mind:

(i) There must me a land.
(ii) The land is being used for agricultural operations.
(iii) Agricultural operation means that efforts have been induced for the crop to sprout out of the land .
(iv) If any rent is being received from the land then in order to assess that rental income as agricultural income there must be agricultural activities on the land.
(v) In order to assess income of farm house as agricultural income the farm house building must be situated on the land itself only and is used as a store house/dwelling house.

Partly agriculture income

Partly agricultural income consists of both the element of agriculture and business, so non agricultural part of the income is taxed. Some examples for partly agricultural income are given below:

Rule	Produce	Agricultural Income	Business income
7A	Rubber	65%	35%
7B(1)	Coffee grown and Cured	75%	25%
7B(1A)	Coffee grown and Cured, roasted and grounded	60%	40%
8	Tea grown and manufactured	60%	40%

<u>Tax Liability on Agricultural Income</u>

Aggregation of Agricultural Income + Total Income and find tax Payable on that	XXXX
Aggregation of Agricultural Income +Basic exemption Limit and tax payable on That	XXXX
Difference is Net tax Payable	xx

MARGINAL RELIEF

The concept of Marginal Relief is applicable in the following Situations.

I. In the case of non corporate assessee (Individual ,HUF,AOP,BOI, Co Operative Society,Firm,AOP)where the total Income exceeds Rs.1 Core and Surcharge of 10 % becomes leviable;
II. In the Income domestic companies ,where Surcharge is applicable @5% for total Income above Rs.1 crore and @10% if exceeds Rs.10 Crores; and
III. In the case of Foreign Companies, where surcharge is applicable @2% for total Income above Rs.1 Crore and 5% if the it exceeds Rs.10 Cores .

Marginal Relief shall be available only where the tax on account of surcharge exceeds the amount of income exceeding Rs.1 core or Rs.10 Crores,as the case may be .In such a case,tax payble on account of surcharge would be restricted to the amount exceeding Rs.1 core or Rs.10 Crore as the case may be
The Metholodology of Computation of Marginal relief can be better understood by applying the following Steps.

STEP I	Compute the Total amount Payable as Income Tax and Surcharge on Total Income
STEP II	a) Compute the Tax payable on Rs.1 Core or 10 Core as the case may be. b) Add The amount of Income tax in excess of Rs.1 Core or Rs.10 cores. c) It may be Noted that in case May be Commutating tax payable for Income exceeding Rs.10 core , Surcharge at the applicable rate Shall be considered
STEP III	If the amount arrived at in the steps-1 exceeds the amount arrived at in the Step II, The assessee is entitled to marginal relief to the extent of the difference. Consequently the amount payable as income Tax and surcharge shall be amount arrived in Step I or Step II Which ever is Less.

Tax and Surcharge as Computed above shall be increased by education cess @ 3 %.

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TDS RATES FOR 2014-2015

Section	For Payment of	On Payments Exceeding	Individual/HUF	Others
193	Interest on Debentures	Rs. 5000/-	10%	10%
194	Deemed Dividend	No minimum	10%	10%
194 A	Interest other than on securities by banks	Rs. 10000/-	10%	10%
194 A	Interest other than on securities by others	Rs. 5000/-	10%	10%
194 B	Winnings from Lotteries / Puzzle / Game	Rs. 10000/-	30%	30%
194 BB	Winnings from Horse Race	Rs. 5000/-	30%	30%
194 C (1)	Payment to Contractors	Rs. 30000/- for single payment	1%	2%
		Rs. 75000/- for aggregate		
194 C (2)	Payment to Sub-Contractors / for Advertisements	payment during Financial Year		
194 D	Payment of Insurance Commission	Rs. 20000/-	10%	10%
194 EE	Payment of NSS Deposits	Rs. 2500/-	20%	NA
194 F	Repurchase of units by Mutual Funds / UTI	Rs. 1000/-	20%	20%
194 G	Commission ons Sale of Lottery tickets	Rs. 1000/-	10%	10%
194 H	Commission or Brokerage	Rs. 5000/-	10%	10%
194 I	Rent of Land, Building or Furniture	Rs. 180000/-	10%	10%
	Rent of Plant & Machinery	Rs. 180000/-	2%	2%
194 IA	Transfer of Immovable Property (w.e.f. 01.06.2013)	Rs. 50 lacs	1%	1%
194 J	Professional / technical services, royalty	Rs. 30000/-	10%	10%
194 J (1)	Remuneration / commission to director of the company	-	10%	10%
194 J (ba)	Any remuneration / fees / commission paid to a director of a company, other than those on which tax is deductible u/s 192.	-	10%	10%
194 L	Compensation on acquisition of Capital Asset	Rs. 100000/-	10%	10%
194 LA	Compensation on acquisition of certain immovable property	Rs. 200000/-	10%	10%