SPARK INSTITUTE FOR CA

IPCC-GRP1-INCOME TAX SUMMARY NOTES

Prepared by : CA ASHWIN GILDA

Maitrivanam, Hyd

Ph: 9490421640

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Day 1: Clubbing of Income
✓ setoff & c/f
✓ Return of Income.

Day 2: Deduction
✓ Agricultural Income
✓ Advance tax.

Day 3: Salaries

Day 4: IFOS & House property

Day 5: Capital gains

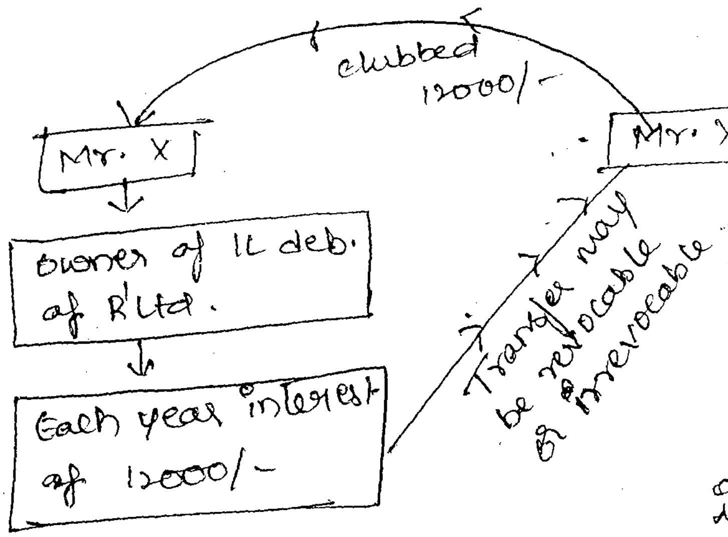
Day 6: PGBP

Day 7: TDS
Income exempt from tax.

CLUBBING OF INCOME (0-8M)

1. Sec 60 to sec 64 deals with clubbing of Income.
2. clubbing refers to Income of one person would be clubbed in the hands of another.
3. The most imp section is sec 64(1A) read with 10(32). (i.e income of a minor child)
4. clubbing chapter has been introduced in the law so that one should not shift the Income in the hands of other person.

Sec 60: TRANSFER OF INCOME WITHOUT TRANSFER OF THE ASSET.



→ U/s sec 60 the relation b/w two parties is irrelavent

→ As per sec 60 if there is a transfer of income without transfer of underlying asset, the income earned by the transferee would be clubbed in the hands of transferor.

Sec 61: TRANSFER OF ASSET UNDER REVOCABLE CLAUSE.

Mr X → Mr. Y

Transfer of asset

- Revocable transfer → Sec 61 will apply
- Irrevocable transfer. → sec 61 has no role to play

Income earned by Mr. Y from such asset will be clubbed in the hands of Mr. X.

Note! ① Relation b/w X & Y is irrelavent.

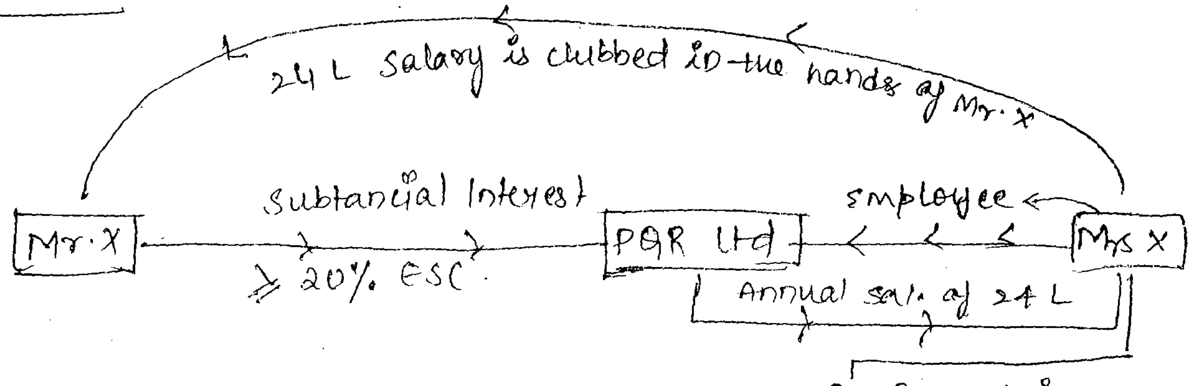
② This sec will apply only in a case where the transfer of asset is a revocable transfer.

③ A transfer is said to revocable if the transferor has kept any right to take back the asset from the transferee.

④ As per Sec 61, Income earned by the transferee from such asset will attract clubbing.

⑤ Note: A transfer is said to be irrevocable if the asset is transferred for the life time of the transfee, However the day the transferee dies, the transfer is said to be revocable.

Sec 64 (1) (ii): INCOME EARNED BY THE SPOUSE FROM AN ENTITY IN WHICH ASSESEE HOLDS SUBSTANTIAL INTEREST

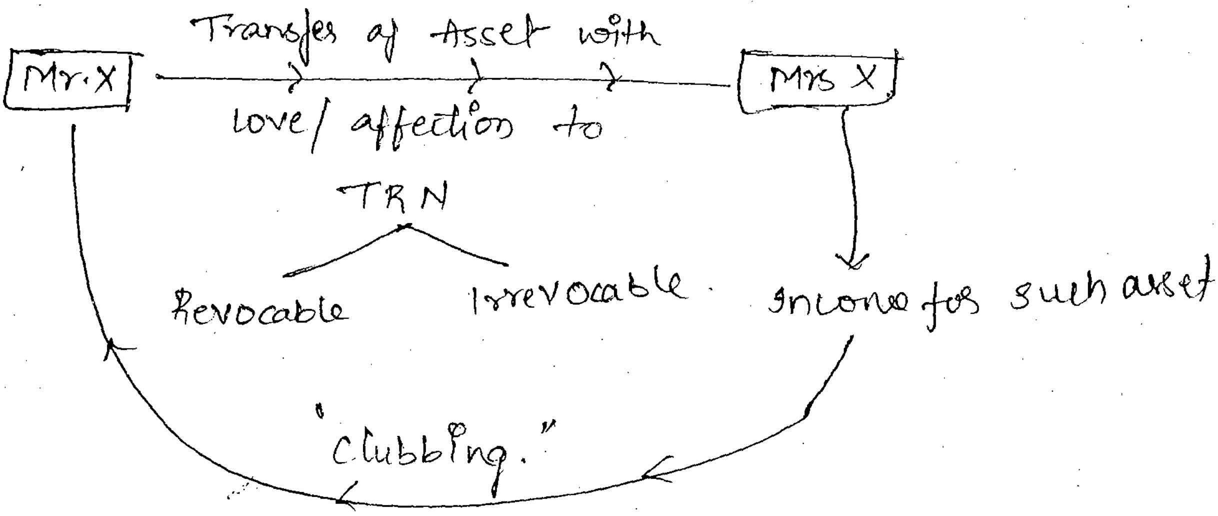


~~Note:~~

→ To attract clubbing u/s 64(1)(ii) the spouse of the assessee draws some remuneration or commission etc without holding a professional degree, experience & expertise. In such case the income earned would be clubbed in the hands of Assessee (Mr. X)

Q1 - Is Mrs X is a professional - No.
(or)
Q2 - Is Mrs X an experienced & Expertise Individual - NO

Sec 64(1) (iv): TRANSFER OF ASSET BY ASSESSEE TO THE SPOUSE



① This sec will apply even if the transfer of asset is under irrevocable clause.

② It will not apply if the Asset is transferred before marraige and subsequently the relation turns into Husband and wife.

③ We know as per sec 27(1) if the Assesse transfers the House property to the spouse then the Assesse will remain deemed owner. of such H.P. Therefore there is a clubbing of ownership.

④ clubbing provisions will attract only for income from the Asset. There will be no clubbing of Income from Income.

⑤ Even CG arising on transfer of such asset will attract clubbing.

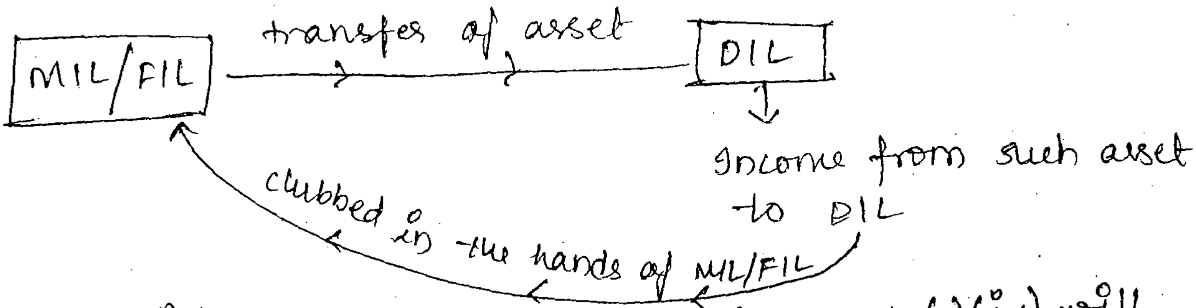
⑥ Under this sec the asset transferred to the spouse may remain in the same form & may be converted into a diff. asset. still clubbing prov. will continue to attract from the new asset.

⑦ If the income earned from the asset is an exempt income, there would be no clubbing.

⑧ Say, In a case if the husband gives money to the wife and wife invest in a business, the income from such business will also attract clubbing.

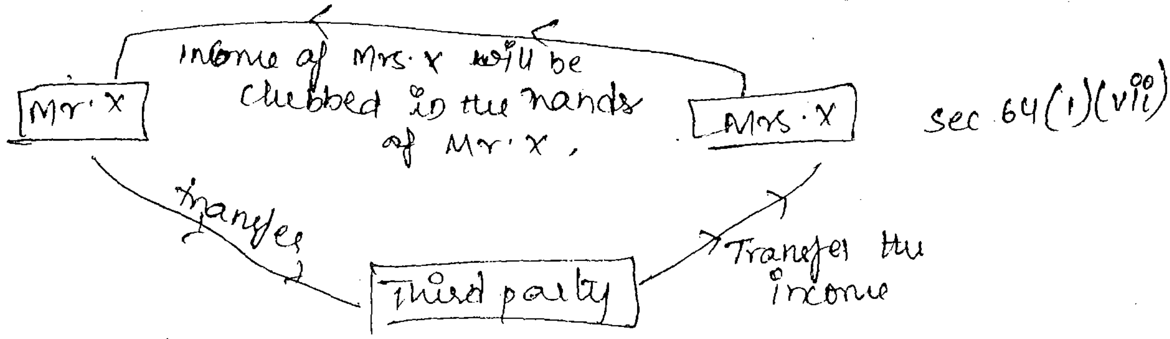
Note: If the same capital is given in the form of loan, there would be no clubbing.

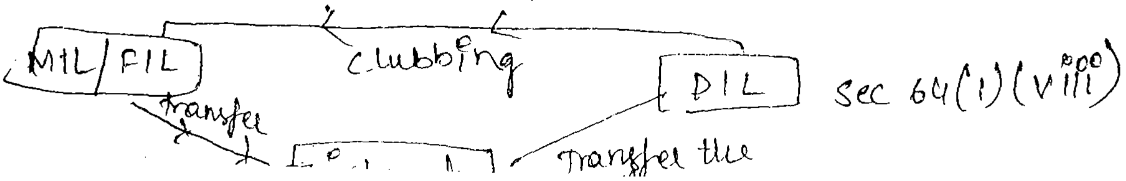
Sec 64(1)(vi)



Note: All the points that we have learn in sec 64(1)(iv) will equally apply here.

Sec 64(1)(vii)(viii) Indirect transfer to spouse / DIL





~~Sec 64(1)(~~

Sec 64(1A) - CLUBBING OF INCOME OF MINOR CHILD

Income of a minor child

will not attract clubbing

(a) If the minor child is a disabled minor.

(b) If the minor child earns income because of his own skill or talent or labour

will attract clubbing

In all other cases income of a minor child will be clubbed in the hands of a parent (mother or father).

(1) The income will be clubbed in the hands of that parent who so ever has the highest total income.

(2) After clubbing of income of minor child, parent can avail exemption u/s 10(32) where the exemption cannot exceed

(a) The income of the minor child so clubbed.

(b) Max - 1500/- per child.

} w.e.i

(3) Even if the minor child is a minor married daughter, clubbing provisions will continue to attract in the hands of parents.

** (4) Lets say if a minor earns 7L from skill and talent and this 7L is deposited in SBI FD, then interest from such FD will still attract clubbing.

(5) There is no restriction u/s 10(32) that exemption would be given only for income of 2 children. Therefore if the ... exemption will be given for

⑥ We know that as per sec 56(2)(vii), gift aggregating upto 50000 are not subject to tax. However if the gift value exceeds 50000 then entire amt. will become taxable

General points on clubbing

① If an income is exempt from tax, it will not attract any clubbing

② An income may be +ve or −ve, still it will attract clubbing prov.

③ Post clubbing the head of income should not change. Therefore the clubbing should happen under respective heads.

SETOFF & C/F OF LOSSES [0-8M]

Learning objective

① In this chapter what we want to learn is how should a loss of the C.Y be treated.

② We will also learn if a loss of C.Y cannot be adjusted whether we can C/f such loss.

③ Once the loss is c/f how it should be set off in future.

~~Consider the following chart~~

~~Mr. X~~

Consider the followings,

- Mr.X
  - Salaries
    - S_1
    - S_2
  - H.P
    - H_1
    - H_2
    - H_3
  - B/P
    - Specified Business
      - B1
      - (B2)
    - Speculative transaction
      - B_3
      - (B4)
    - NSNS
      - B_1
      - B_2
      - (B_3)
  - C/G
    - LTCG
      - L_1
      - L_2
      - (L_3)
    - STCG
      - S_1
      - (S_2)
  - IFOS
    - Income from activity of "OMRH"
      - $OMRH_1$
      - $OMRH_2$
    - winning i.e Betting
      - (B_1)
      - (B_2)
      - B_3
    - All other IFOS
      - ( )
      - ( )

The following order should be followed while adjusting the losses.

ⓐ Intra Head always first (with in the head)

ⓑ After Intra head if there is still loss, we should go for inter head adjustments.

ⓒ Even after intra and inter, still there is a C.Y loss, we should c/f (if permissible).

ⓓ Now one should try to adjust the b/f losses. (i.e past year losses).

ⓔ ~~i~~ ~~At~~ last one should deal with unabsorbed depreciation

→ Loss of C.Y can be c/f only if return of income ~~can~~ is filled within the due date. i.e ~~3~~ [31/07 / 30/9 / 30/11]

SUMMARY OF SETOFF AND CARRY FORWARD.

				In future
H.P loss of C.Y →	Adj from IFHP →	Adj from any head except winnings →	C.F ~~ROI~~ (8 yrs) →	can be Adj only with IFHP
Speculative B.L →	$\boxed{\text{Only}}$ with Spec. B.I →	→	C.F (ROI) (4 yrs) →	only with Spec. B.I.
Specified B.L (35AD) →	$\boxed{\text{only}}$ with Specified B.I →	→	C.F (ROI) ($\propto$ yrs) →	only with Specified B.I
NSNS B.L →	Any B.I →	Adj from any head of income except salary & winning →	C.F (ROI) (8 yrs) →	any business income.
STCL →	Any C.G ST LT →	→	C.F (ROI) (8 yrs) →	any C.G
LTCL →	$\boxed{\text{Only}}$ LT.C.G →	→	C.F (ROI) (8 yrs) →	only with LTCG
Loss from "OMRH" →	$\boxed{\text{Only}}$ with income from OMRH →	→	C.F (ROI) (4 yrs) →	only with OMRH income.
Negative winnings →	No intra →	No inter →	NO ~~C/F~~ →	N/A.
Negative IFOS being others →	any IFOS income except winnings →	Adj with any head of income →	~~CF~~ →	N/A

Understanding Unabsorbed depreciation and its tax treatment

Example: Mr. X 15 – 16

Sal	2L	2L	2L	can be c/f for indefinite period.
H.P	1L	1L	NIL	↑
C.Y.B.I (bef. dep)	40000	NIL	NIL	
C.Y dep	400000	3.6L	(1.2L)	— unabsorbed dep.
LTCG	1L	1L	NIL	↓ In future you can adj with ANY head of Income Except "sal" & "winnings".
STCG	40000	40000	NIL	
IFOS (winnings)	2L	2L	2L	

(Set off: H.P 1L, C.Y dep 3.6L, LTCG 1L, STCG 40000)

→ Depreciation is said to be unabsorbed if there is no income available for adj. of dep. (dep. can never be adj. from sal. and winnings).

↓

Unabsorbed dep. can always be c/f for indefinite period

↓

As U/A dep. is not a loss whether or not ROI is filed, such ~~loss~~ exp. can be c/f

↓

U/A dep. so c/f can be adj. in future with any head of Income except salaries and winnings.

Additional points:

1. A discontinued business loss can be adj with continuing business, therefore business continuity is not a must.
2. H.P loss of the c.y and unabsorbed dep. of the c.y can always be c/f whether or not ROI is filed.
3. An exempt loss cannot be adj from taxable income.

Ex: Negative Agri. Income, share of loss from P.F,

RETURN OF INCOME. [4M]

(1) A ROI is an annual declaration filled by the Assesse in ITR forms with the IT dept.

(2) learning objectives would be

(a) what is the due date of ROI

(b) who is under obligation to file ROI.

(c) Loss Return.

(d) Belated Return.

(e) Revised Return

*** (f) ROI to be verified by whom.

DUE DATE OF ROI

- Generally the ROI due date is 31/7/ of next year of A.Y
- In the following 3 cases the ROI due date is 30/9
  - (a) where the books are subject to audit u/s 44AB
  - (b) Any company.
  - (c) partner of a P.F where firm books are subject to audit
- In a case if the Assesse is supposed to a djust T.P report u/s 92E of I.T Act.
  - 30/11

Who is under obligation to file ROI.

(a) If the Assesse is Compony, P.F, L.L.P → ROI filling is mandatory

(b) In a case if the Assesse avails exemption which is a specific exemption given to that Assessee only then ROI should be filled mandatorily if → The T.I without claiming such exemption exceed the B.E.L.

In a case of I/HUF AOP/BOI/AJP → ROI filling would be mandatory if the T.I. + 80C to 80U + 10AA Exceeds B.E.L

Note! Those Assesses who are having foreign assets or foreign bank a/c's. ROI filling would be come mandatory.

Loss Return 139(3)

d to

The following losses of the C.Y can be c/f only if ROI is filled in Time.

u/s

(a) Any business loss.
(b) Any capital loss.
(c) loss on activity of OMRH.

Note: H.P loss and unabsorbed dep. can be c/f whether or not ROI is filled.

Belated Return 139(4)

① A return filled after due date but within the delay time allowed in Law, such return is called as belated return.

② A return can be filled late but it should be filled within earlier of the following dates.

(a) within 1 year from the end of relavent A.Y

(or)

(b) on or before the completion of assesment under BJA u/s 144.

Consequences of Belated Return

1. Interest u/s 234A @ 1% p.m can be levied.
2. penalty of Rs 5000/- can be levied.
3. Such return cannot be revised.
4. Certain losses of the C.Y cannot be c/f.
5. Deduction u/s 80IA to 80IE cannot be claimed.

Revised Return 139(5)

1. Revised return means revising a return filed earlier.
2. A belated return cannot be revised.
3. Even a revised return can be revised.
4. The due date to file the revised return would be ~~So~~ earlier of the following.

   (a) with 1 yr from the end of relavent A.Y.

   (or)

   (b) before completion of assessment.

5. Revised return means filling a return afresh.

Verification to be done by whom → Refer P.M.

AGRICULTURAL INCOME [0-4M]

① We know as per sec 10(1), agricultural income is exempt from tax.

② However one has to understand when an income is said to be agri. income. As per sec 2(1A), the term agricultural income is defined.

③ As per sec 2(1A) Agri. ~~mea~~ income means

- Any rent or revenue derived from a land which is situated in India and is used for agricultural purposes
- Likewise any income generated by the process of converting the non-marketable agri. produce and by making it market fit.
  → Even income from such process is called as agri. income.
- Income from farm house can be taken as agri. income subject to foll. conditions:-
  a) If the farmhouse is occupied by the owner or cultivator for the purpose of residency or as a store house.
  b) The farm house should be situated nearby the cultivated land.
  c) The land referred above should be a rural agri. land.

Note: ① The term agriculture doesnot include allied activities. Therefore, poultry farming, pisciculture, animal husbandary, dairy farming. etc cannot be taken as agriculture.

② It has been clarified in the law that income from nursery activity can be taken as agriculture income.

③ Incoming ~~coming~~ from supply of agriculture equipments, interest by lending loan to farmers, irrigation services etc cannot be termed as agriculture income.

④ Income ~~coming~~ from a land used for agriculture but situated outside India then income cannot be said to be agriculture income.

⑤ Income from sale of agriculture land cannot be ~~con~~ said as agri. income as the income is not by use of land. but it is by sale of land.

How would you determine agri. income if the assesse is engaged in composite business.

① Examples of composite income: ⓐ Growing sugarcane and converting it into sugar ⓑ Growing groundnut and converting it into ground nut oil ⓒ Growing coffee beans and converting it into coffee powder.

② Under the IT rules, for the following 3 business ready made ratios are given.

AI and NI ~~these~~ ratios are

Composite business	% of A.I	% of Non A.I
(a) Tea	60%	40%
(b) Rubber	65%	35%
(c) coffee (cured & roasted)	60%	40%
(d) coffee (cured but not roasted)	75%	25%

(3) In case of other Composite businesses

↓

Apply rule 7 for determination of A.I & Non A.I

Example! X ltd is engaged ~~Sug~~ growing sugar cane → Sugar → Sale

P&L

Sale of sugar = 100L

(-) $\boxed{\text{Cost to grow S.C} = (30L)}$ → substitute ~~the~~ with M.V of grown S.C ↓ M.V of S.C = 35

(-) Cost to conv. SC = (40L)

30L

AI NI

NAI

S.V of sugar = 100

(-) P.C of S.C = 35L

(-) C.C of S.C = 40L

NAI 25L

As per rule 7 for determining Non A.I we should first determine the M.V of agri. produce. This M.V of agri. produce should be substituted in the place of cost of growing A.P. The resultant ans. would be N.A.P

↓

Say. M.V of S.C is 35L. then ~~the~~ the agriculture Income & Non Agriculture Income are as follows.

How would you compute the T.L of the individual if he earns agriculture income.

Mr X submits the following info for P.Y 2015-16

Salary	4L
H.P	2L
A.I	4L
(-)	4L NIL
IFOS	1L
GTI	7L
Deductions U/s 80C - 8U	(1L)
TI	6L

T/L

6L → 2.5L NIL, 2.5L 10%, 1L @ 20% → 45000

NAI - 6L
AI 4L
10L

2.5L NIL, 2.5L @ 10%, 5L @ 20%

(-) A.I Exempt - (2.5L) (1.5L)

NIL NIL 70000

T/L = 70000/-

Find out the T.I as if agricultural income is taxable then reduce the agricultural income from lower slabs first.

ADVANCE TAX [0-4M]

① As the name suggests Adv. tax refers to tax paid in adv.

② Generally for an income earned during the year, the tax is assessed in the next year.

③ However as per I.T provisions, as the income is earned during the year, the tax should also be paid during the year. This is also called as "pay as you earn" scheme.

④ The tax paid during the year for the same year is called as advance tax.

⑤ ~~The~~ In the following cases there is no need to pay Adv. tax.

ⓐ If the Adv. tax liability is less than 10000/-

ⓑ If the assesse is a resident senior individual and not having any Business income. ~~there~~

ⓒ In a case of assesse offering business income as per sec 44AD. ~~no need~~

⑥ How should we find out the ATL

Step 1: Find out / make an estimation of Total Income.

Step 2: Determine the T.L on the estimated income.

Step 3: Deduct the TDS from the Tax liability. The amt. left is called as Adv. tax liability (ATL)

⑦ The due dates to pay advance Tax.

In a case of non-corporate assesse → 3 Installments

In case of ~~non~~ corporate assesse → 4 Installments

3 Installments				4 Installments			
15th sep	15th Dec	15th mar	OD	15th June	15th sep	15th Dec	15th march
30%	60%	100%	cummulatively	15%	45%	75%	100%

Mr. X provides U the following data and requests you to determine the self assessment T.L his age - 62 (ROI).

The details of estimate income as follows.

- Salary - 4 L
- H.P - 3 L
- IFOS - 7 L
- 80C-80U - (3 L)
- Expected TDS - 40000

<u>Answer:</u> As Mr. X is a resident senior individual not having any B/P income, there would be no need to pay Adv. tax.

General Deductions [0-4M]

Intro

① General deductions refers to those deductions which are allowed u/s 80C – 80U from GTI

② The max. deduction u/s. 80C – 80U cannot exceed GTI

③ 80C – 80U deductions are not available from the followings 3 incomes

ⓐ LTCG

ⓑ STCG being 111A.

ⓒ winnings.

Example

	Salary	2L	
	H.P	20000	
20%	LTCG	4L	deductions not allowed
15%	STCG	2L	
30%	winnings	4L	
	GTI =	1220000	

(–) ded 80C-80U (2.2L) – max deduction

In the above example as 80C–80U cannot be claimed from LTCG, STCG being 111A and winnings Therefore the max. deduction can be upto 2.2L.

④ There are certain sections where the deduction cannot exceed the prescribed amt.

80C – max – 1.5L

80CCC – max – 1.5L

80CCD(1) max 10% of salary (or) 10% of GTI.

Note: It is also given that 80C + 80CCC + 80CCD(1) put together cannot exceed 1.5L.

80D - max - 25000 / 30000 column wise.

80 DDB - max - 40000 / 60000 / 80000

80 TTA - max - 10000

⑤ Grouping the sections on the basis of different category.

Investment	Personal Exp.	Donation	Profit	Miscalleneous.
80C	80D	80GGA	80IA	80TTA
80CCC	80DD	80GGB	80 IB	80QQB
80CCD	80 DDB	80GGC	80 IC	80 RRB
80 CCG	80E	80G	80 ID	80 JJAA
withdrawn - $\boxed{80CCF}$	80U		80 IE	
	80GG			

Sec - 80C : Investment Section.

① This section is applicable only to Individual, HUF.

② To claim deduction in this section the Assessee has to make investment in the list notified U/s 80C.

③ The investment has to be done on before 31/03

④ Investment shall be done in cash & otherwise.

⑤ The max. deduction U/s 80C - 1.5L

⑥ Generally all the investments should be in the name of the assesse. However the foll. investments can be done in the name of spouse and children of the Assesse. (children may be married, unmarried, dependant, non-dependant, major, minor etc).

Investments are

(a) Investment in LIC
(b) Mutual fund units
(c) Units of UTI
(d) PPF
(e) Unit Linked Insurance policy (ULIP)
(f) Sukanya Samriddi Scheme.

(7) List of qualified investments U/s 80C (over and above).

(g) RPF
(h) SPF
(i) Term deposits ($\geq$ 5 yrs) (any T.D) (any bank)
(j) Annuity plans of LIC or any other Insurer.
(k) ~~A.~~ Bonds of NABARD.
(l) National saving ~~sch~~ certificate
(m) By purchase of Residential H.P. (i.e repayment of Housing loan take from a bank)

∴ (property should be ready in this section for claiming dection).

I — Sec24
P — 80C

Note: (1) Even stamp duty payment is qualified for deduction.

(2) For claiming deduction of principal repayment, RHP should be ready.

(n) Education fee paid for full-time education in India.

~~Ex~~ deduction is given only for 2 children of the assessee.

** Note: The max. deduction for the premium paid on Life Insurance policies cannot exceed

(a) 20% of sum Assured if the policy is taken prior to 1.4.12
(b) 10% of sum assured if the policy is taken on or after 1.4.12

80CCC -

Note: In a case for a Investment being non commutable deffered Annuity plan is qualified for deduction u/s 80C, again one should not claim 80CCC.

1. Applicability - Individuals / HUF
2. The Assesse should invest in non-commutable deffered annuity plans. of LIC.
3. The Investment should be done only from taxable income.
4. The max. deduction cannot exceed 1.5L.

80CCG - Investment in Securities Rajiv Gandhi Equity Saving Scheme.

1. Applicability - Individuals only.
2. He should Invest in securities notified under Rajiv Gandhi Equity Saving scheme.
3. Even investment in ~~Mutul~~ Mutual fund units covered by RGESS are eligible investments.
4. Deduction - 50% of amt. invt. or 25000/- } W.E.L

Note: Therefore to claim 25000/- deduction, one should invest 50000/-

5. This section is applicable only if the following 2 conditions are satisfied.
   a. The Individual Assesse should be a new retail Investor.
   b. The GTI of the year of Investments should not exceed 12L.
6. The investment in RGESS will have a lock in period of 3 yrs.

∴ If one comes out from the scheme with in 3 yrs, the ...tion allowed earlier u/s 80CCG would be taxed as

⑦ This sec. will apply only for 3 consecutive years starting from the P.Y in which investment is made. (To claim deduction invt. should be done in each yr) (but obvious).

*
80D -

① Applicability - Individuals & HUF.

② Assesse should incurr the foll. exp.

ⓐ payment of medical insurance premium. (Non cash).

ⓑ payment for preventive medical check-ups. (cash/Non cash)

ⓒ medical exp. incurred on a very senior resident individual not having a medical insurance policy. (Non cash).

③ The exp. should be incurred on.

ⓐ Assesse himself

Spouse

Assesse dependant children.

ⓑ On the Assesse parents may/may not be dependant.

④ max. deduction allowed.

- For (a) above → max - 25000/-
- For (b) above → 25000/-

Note: If the exp. is incurred on senior resident then add. deduction of 5000/- should be added to the limits above.

80DD: Expenditure on maintenance of Disabled Dependant

① Applicability - Individual / HUF.

② Assesse should act like a care taker for a disabled dependant family member.

③ The family member can be. ~~&~~ A_S, $A_{B\&S}$, A_C, A_P,

④ If the Assesse incurs any exp on maintenance of such ~~depen~~ disabled dependant family mem - then a FLAT DEDUCTION of 75000/- is allowed.

Note: If the disability is a serevere disability ($\geq 80\%$) - then a FLAT DEDUCTION of 125000/-

80U

This sec. is similar to 80DD. The only diff. is sec 80DD deduction is in the hands of care taker. whereas 80U is in the hands of Assesse himself who is disabled but independant.

Even the deduction amount is same i.e flat deduction of 75000/ 125000.

80DDB

① Applicability - Individuals / HUF.

② He should incurr exp. on medical treatment of specified disease for a dependant family member & for himself.
(Family def - Similar to 80D)

③ The exp. should be incurred on Assesse or any dependant family member.

④ The max. deduction cannot exceed 40000

Note: ① Exp. incurred on senior resident the deduction limit

(7) If the exp. incurred on very senior citizen the limit would be 80000/-.

80E : Interest on Education loan.

(1) Applicability : Individual

(2) Assesse should have taken a loan from a bank or a public charitable trust for the purpose of higher education of himself, on spouse or children.

(3) The Education should be for a class ~~for~~ ~~a~~ higher than 8th.

(4) Deduction is given only for the int. exp.

(5) education need not be a full time education

(6) There is no restriction or limit on interest deductability

80GGB & 80GGC

(1) This sec is applicable when donation is made to political parties (registered).

(2) Donation in cash is disqualified for deduction.

(3) The amount of deduction is 100% of donation made.

(4) 80GGB is applicable for corporates; whereas 80GGC is applicable for others than corporates (Not applicable for Local Authority and AJP).

80TTA ~~:~~ Interest On Savings A/c.

(1) Applicability - Individual.

(2) Deduction is for Int. on Savings a/c. The a/c May be with a bank or co-operative bank or post office.

(3) The max. deduction is 10000/- (Assesse wise)

Note: As per sec 10(15) Int. from a post office savings a/c is exempt upto 3500/-

80CCD : Investment in New (National) pension scheme :

Under Section 80CCD we have 2 sub section :

80CCD (i)

This deduction is allowed if assesse does investment himself as an employee or otherwise

max. deduction cannot exceed 10% of salary or 10% of GTI.

80CCCD (ii)

This deduction is given to the employee for the employer contribution to the employee A/c.

we know that such contribution is first taxed as salary in the hands of employee and later from GTI deduction is allowed U/s 80 CCD (2)

we know the maximum deduction of 80CCCD(2) cannot exceed 10% of salary.

(2) From Fin Act 2015 to encourage investment in NPS, A new subsection has been introduced that is 80 CCB (1B) However the max. deduction U/s 80CCD (1B) cannot exceed 50K.

(3) To summarise.

(a) max deduction U/s 80C + 80CCC + 80CCD(1) put together cannot exceed 150000.

(b) Apart 80CCD(1B) deduction is independant of 1.5L.

<u>Note</u>: Applicable only to Individual.

Sec 80 QQB: Royalty on books:

1. Applicability - Individual.
2. This section is applicable in the hands of authors of book (other than academic books)
3. The max. deduction for a financial year cannot exceed 3L.
4. This section will not apply in the hands of family members after the death of author.
5. The deduction should be computed as follows.

If royalty is received as lumpsum amount

Such lumpsum Amt	xxx	xxx	W.E.L
or			
PC BTI	xxx		
or			
max limit	3L	3L	

If royalty is received as a % on book sold.

Such consideration (Not exceeding 15%)	xxx (expenditure)	W.E.L
or		
FCBTI		
max limit	3L	

Note: Always remember that first royalty should be offered as income under the head B/P or IFOS and subsequently deduction should be claimed from GTI.

80G: Donation to specified categories.

1. 80G is a donation based sec. assesse has to make donation to specified categories to enjoy deduction under this section.
2. It should be only in form of money therefore donation in kind is not qualified for deduction.
3. However if donation made in cash it should be ensure that the total cash donation should not exceed 10K. If donation is more than 10K then the entire Amt. of donation is not qualified for deduction.

④ Donation should be made to approve list. Therefore Donation beyond the Approved category will not be qualified for deduction

⑤ Assesse should have proof of donation. Therefore if there is no evidence with regard to donation then there would be no 80G deduction

⑥ For the purpose of computing deduction the list of donations can be broadly linked into 4 categories.

The deduction would be as follows:

Category A (100% of ~~deduction~~ donation is allowed)		xxx
Category B (50% of donation is allowed)		xxx
Category C Amt. of donation xxx or 10% of AGTI xxx (whichever is lower)	× 100%	xxx
Category D Amt. of donation xxx or 10% of AGTI xxx (whichever is lower)	× 50%	xxx

Note: ① AGTI = GTI − 80C + 80U (Except 80G) − LTCG − STCG (111A).

Note: ② The total deduction under category C & D put together cannot exceed 10% of AGTI.

③ one has to remember which donation from which category.

⑦ Refer 171 to 172 for the list of donations.

⑧ Applicable to all assesses.

Sec 80GG: Rent for Residence:

① This deduction is applicable only in the hands of ~~ass~~ Individual

② This deduction is available when the assesse doesnot claim HRA exemption or doesnot have his own House property.

③ Therefore he incurrs rental expenditure for the purpose of

(4) The deduction u/s 80GG is lower of the following:

(a) Rent paid – 10% of AGTI
(b) 25% of AGTI.
(c) max to max 2000 p.m

W.E.L

Note: AGTI = GTI – 80C to 80U (Except 80GG) – LTCG – STCG 111A

80RRB: deduction for royalty income on tests & knowhow:-
This section is similar to 80QQB. Therefore even the deduction amt limit is 3L [refer Pg. No. 167].

80JJAA: ~~Add.~~ deduction for wages paid to new regular workmen.

80GGA: Donation for science research, poverty eradication program rural development program etc.

(a) Applicable to all Assessee.
(b) deduction is given as 100% of amt. donated.
(c) donation in cash is qualified for deduction only. if the cash donation doesnot exceed 10000. once the cash donation exceed 10000 No deduction is allowed.

Sec 80G · Deductions for donations

1. Applicability: Any Assesse.
2. Assessee need to make donations in specified category
   - (a) category 1
   - (b) category 2
   - (c) category 3
   - (d) category 4
3. Donation can be made in cash also but it should be ensured that the aggregate cash donation should not exceed 10000/-
4. The deduction is given as follows.

category 1 :	100% of amount donated	x x x
category 2 :	50% of amount donated	x x x
category 3 :	Amt. donated or 10% of AGTI } W.E.L × 100%	x x x
category 4 :	Amt donated or 10% of AGTI } W.E.L × 50%	x x x
	Deduction u/s 80G ⟹	x x x

AGTI refers to Adjusted Gross Total Income i.e

AGTI = GTI − 80C to 80U deduction (except 80G) − LTCG − STCG (111A)

5. What becomes important is to remember what is category 1 to category 4 donation.

Category 2 donations

(a) Donation to prime minister drought ~~ref~~ relief fund
(b) Donation to Jawahar lal nehru memorial fund.
(c) Donation to Rajiv Gandhi foundation.
(d) Donation to Indira Gandhi memorial trust.

Note: (1) prime minister national relief fund is cat-1 donation.
(2) children welfare fund is also cat-1 donation.

Category 3 donation

(a) Donation by company for the promotion ~~of~~ or sponsership of sports.
(b) Donation by any person to the government for the welfare of family planning schemes.

Category 4 donation

(a) Donation to govt for the purpose of other than family planning but the donation is done for charitable purpose.
(b) Donation to a registered charitable trust.
(c) Donation to govt for the purpose of promotion of backward caste or minority community.
(d) Donation to an entity which in town planning & infra. development or housing development. Eg: Hyderabad Development Housing Authority.
(e) Donation to notified temples, gurudwaras, church any place of worship or any other place of artistic importance.

111A)

1

SALARIES

Learning objectives:

(a) Meaning of the term 'Salary'.
(b) How and when Salary Income would be taxed (Sec 15)
(c) Tax statement of leave salary.
(d) Tax statement of Gratuity.
(e) Tax statement of pension
(f) Tax statement of allowances
(g) Tax statement of perquisites
(h) Tax statement of contribution of provident funds.
(i) Tax statement of professional tax paid.

Intro & Timing of Taxability

1. Salary is the remuneration received when an employee renders services to his employer.
2. Only Individuals can earn salary. Therefore only an Indivi-dual can be an employee.
3. An Employer may be any person. (Resident / Non-Resident)
4. Salary gets taxed at a place where services are rendered. ∴ If an employee renders services in India, Salary income would be taxed in India. Likewise if an 'Yee renders Services outside India, Salary income would be taxed outside India.

To be precise salary income is said to accrue at the [illegible] the services are rendered

(5) As per Sec 15 salary is taxable on due or receipt basis E.O.E
∴ Method of a/c'ng has no role to play ∴ we can say that if salary is recd in adv. it would become taxable on the date it is received.

(6) various components of salary are.

(a) Basic
(b) Dearness allowance (D.A)
(c) Bonus.
(d) Allowance (i.e money given by the Employer for a Specific purpose) Eg: Lunch allowance, Telephone allowance, medical, HRA etc
(e) perquisites (i.e benefits given by the employer in non-monetary form.)
(f) Employer contribution to the welfare fund of YEE. Eg: Contribution to RPF, contribution to NPS. etc.
(g) Even amt. received by way of leave salary, pension & gratuity is also treated as salary Income.

(7) It has been clarified u/s 15 that the remuneration paid by the P.F to its partners. cannot be treated as salary as there is no master and servant relationship b/w the two.

Understanding when D.A is said to provided and when D.A is not said to be provided.

Basic salary - 10L
D.A - 2L
'YER contribution to welfare of 'YEE = 10% [Basic + 60% D.A]

D.A = 2L
- 60% DA(P)
- 40% DA (N.P)

Tax ~~Sta~~ Treatment of Leave Salary.

- Leave salary received during service.
  - Taxable.
- Leave salary received at the time of retirement, resignation & superannuation
  - Govt. Employee's (CG/SG)
    - Exempt.
  - Non-Govt employees.
    - Least of the following is EXEMPT

W.E.L

- (a) Cash equivalent of leave standing to ones credit. xxx
  (Leave entitlement should not exceed 30 day for every year of completed service).
- (b) Actual leave salary* recd. xxx
- (c) Last drawn 10 months sal. xxx
- (d) max to max 300000/- xxx

*Salary - Basic + D.A + commission on turnover

→ DA provided refers to that portion of D.A which is considered while contributing to retirement benefits.

→ D.A not provided refers to the balance portion of D.A.

Tax Treatment of Gratuity

Received by Government Employees (SG/CG/L.A)

$\boxed{\text{Exempt}}$

Salary - Basic + D.A

Received by Non-govt. employees

If employees is covered by gratuity Act

Least of the following is Exempt.

ⓐ $\frac{15}{26}$ × L.D.S per month × C.Y.S or part thereof in excess of 6M.

ⓑ Actual gratuity received.

ⓒ Max-to max - 10L

W.E.L

not covered by gratuity act

least of the following is Exempt

ⓐ $\frac{1}{2}$ × Avg. sal. per month × C.Y.S ~~or~~

↳ Avg. should be of 10M salary

* salary = Basic + D.A(P) + commission

ⓑ Actual gratuity

ⓒ max to max - 10L

Tax Treatment Of Pension.

pension refers to money received after retirement. Generally pension would be received each year as an annuity

Before learning tax treatment of pension. Let us understand the following terms.

Uncommuted pension: pension received in installments.

commuted pension: pension received in lumpsum. Eg: Mr x commutes 60% of his pension and receives 6L.

Full pension refers to the amt that would have been received had the 100% pension had been withdrawn.

Pension

- Uncommuted pension
  - Taxable.
- commuted pension.
  - In case of govt. employee's [CG/SG/LA/statutory corporation]
    - Exempt
  - Non-govt.
    - If gratuity amt is received

Amt of pension recd	= xxx
(-) 1/3 of full pension	(xx)
Taxable pension	xxx

    - If gratuity amt is not received

Amt of pension received	= xxx
(-) 1/2 of Full pension	= (xx)
Taxable pension	xxx

Tax Treatment of Allowances.

① Allowance refers to amount received by the employee from the employer for a specific purpose. The purpose may be personal & official. The tax treatment of allowances can be learned in

② ~~The~~ 3 parts, Type 1, Type 2, Types - 3 allowance.

Type 1 - Tax treatment : These allowance would be taxable if they remain unspent.

∴ Taxable portion = Amount received − Amount spent.

The following allowance are Type - 1.

ⓐ Transfer allowance.
ⓑ conveyance allowance.
ⓒ Travel allowance.
ⓓ Uniform allowance.
ⓔ Reasearch allowance
ⓕ Daily allowance
ⓖ Helper allowance

Type - 2 : ① For Type - 2 allowance the taxable portion would be

Taxable allowance - Amt. received − Fixed exemption (irrespective exemption).

② Fixed exemptions are

ⓐ child Education allowance = 100 p.m per child (max - 2 children)

ⓑ child Hostel allowance = 300 p.m per child (max - 2 children)

ⓒ Transport allowance = 1600 p.m is exempt.
(Residence ⟺ office)

Note! In a case of disabled YEE, the exemption would be 3200/-)

ⓓ Travel allowance received by transport employee.

70% of such allowance or 10000 p.m } W.E.L is exempt.

Type 3 - These are those allowances which are fully taxable.

(a) Special allowance.
(b) Telephone allowane
(c) Medical. allowanee
(d) lunch allowance
(e) entertainment allowance
(f) city compensatory allowance etc.

Note: HRA exemption would be learnt seperately.

* Tax Treatment of HRA.

(1) HRA refers to the money given by the employer to the employee for paying rent of residency.

(2) HRA exemption would vary depending on the place for which the rent is paid.

(3) HRA Exemption is given u/s 10(13A) which is as follows.

In a case if rent is paid for a building situated in mumbai, culcutta, Delhi, chennai (MKDC)

Least of the following is Exempt.

(a) 50% of salary (B + D.A + commission) xxx
(b) Actual HRA received xxx
(c) Rent – 10% of salary xxx

W.E.L

If rent is paid for other cases.

least of the following is Exempt.

(a) 40% of salary
(b) Actual HRA received
(c) Rent – 10% of salary

W.E.L

~~Note~~

Note:

Following points are of observation -

(a) HRA Exemption would be nil if there is no rental exp.

(b) Taxable HRA would be → Amt. received - Exemption.

Tax Treatment of Perquisites

1. Perquisites refers to non-monetary fascilities given by the employer to the employee.
2. As perks are given in non-monetary form, the valuation of perks becomes important.
3. Rule 3, of IT rules, 1962 deals with valuation of perks.
4. Most of the perks would be ~~taxables~~.
5. Few examples of perks would be.
   - (a) Use of Employer assets for personal purpose.
   - (b) use of motor car.
   - (c) Taking a loan from employer at concessional rate.
   - (d) Education fascility
   - (e) Medical fascility
   - (f) RFA or Accomodation at concessional rate
   - (g) purchase of second hand asset from employer.

(1) Perk on Use of Employer Asset.

↓ If the asset is used for official purpose.

↓ Nothing would be taxable as there is no perk.

(Eg) Eg! laptop, desktop, phone.

↓ If the asset is used for personal purpose.

T/P = 10% p.a on the original cost of the Asset - Recovery

(2) Perk in respect of RFA.

If Accomodation is owned by the employer.

If the acc. is given at a place where population is

≤ 10L — 7.5% taxable

>10L ≤ 25L — 10% taxable

> 25L — 15% of salary is taxable

If Accomodation is leased by employer.

T/P = W.E.L { lease rent incurred by the employer. or 15% of salary

~~Add.~~ points

(1) If along with acomodation ~~for tok~~ furniture fascility is also provided then 10% of original cost of furniture would also be a taxable perk.

(2) Salary means all components of salary except the following 4:
(a) D.A (not provided).
(b) Any allowances which are not taxable.
(c) Any perk.
(d) ~~Any~~ employer contribution to the welfare fund of employee.

(3) In a case if there is any recovery done by the employer from the employee then it should be reduced while computing taxable perk.

③ Education perk.

① Fascility provided to employee children ~~to the~~ in an education inst. which is not owned by the employer, such fascility would become taxable.

② If fascility is given in the education inst. which is owned & maintained by the employer. then.

- to the employee himself
  - Not taxable.
- If the fascility is givent to YEE children.
  - Upto 1000/- p.m per child
    - Nothing taxable. (No restriction on no. of children).
    - [If more than 1000, whole amt. taxable].
- If the fascility is provided to any other family member say, spouse, sibling
  - Taxable.

④ Perk in respect of Medical fascility.

① If the fascility is provided to a non family member

Taxable.

② If fascility provided to employee & family mem (S, C, DB&S, D Parents) then

ⓐ If ~~fascility~~ is provided in the employer own hospital - Not taxable

ⓑ If fascility is provided in the govt. hospital - Not taxable.

ⓒ If fascility is provided by way of medical insurace premium

Not taxable.

ⓓ If fascility is provided in a private clinic.

Upto 15000/- nothing would be taxable.

Excess of 15000/- Excess would be taxable.

ⓔ If fascility is provided outside India.

Amt spent upto RBI limits

↓

Not taxable.

However excess amount spent if any would become taxable.

⑤ Perk in respect of lunch.

① If the fascility is given by way of tea, coffee or snacks during office hours. — Not taxable.

② If the fascility is provided by way of meal.

↓

upto 50/- per day per meal — Not taxable.

∴ Excess of 50/- excess would be taxable.

③ If the fascility is provided in a remote area nothing would taxable.

④ Even if the fascility is provided by way of meal passes, then upto 50/- per meal per day nothing would be taxable.

⑥ Perk by way of gift.

If gift is given in the form of money

↓

Taxable.

If ~~fascility~~ gift is given in kind

- upto 5000/- in aggregate
  ↓
  Nothing would be taxable.
- if the aggregate value of gift exceeds 5000, entire amt would would be taxable.

Note: Gift coupons are treated as gift in kind ∴ upto 5000/- nothing should be taxable.

⑦ Perk by taking a loan from Employer at concessional rate or with no rate of Interest.

① When an employee takes loan from his employer then the perk would be the savings in the interest. ② For this purpose we compare the SBI lending rate with the employer lending rate.

③ Example SBI - 15% p.a
Employer - 6% p.a } lending rates

Perk = 9% p.a on the loan amt.

④ In the following 2 cases there is no need to compute any perk.

ⓐ Where the loan taken is $\leq$ 20000/-

ⓑ Where loan is taken for medical purposes (irrespective of loan amt).

* ⑧ Perk on purchase of Second hand movable asset of the Employer.

Steps to compute perk would be as follows.

Step - 1:	Start with the original cost of the Asset	XX
Step - 2:	Deduct dep. for completed years only.	(X)
	Value of second hand Asset	XXX
Step 3:	Deduct the purchase price by employee	(XX)
	Value of taxable perk →	XXX

Method and rate of dep. is as follows.

ⓐ Electronic items - 50% p.a WDV

ⓑ Motor car - 20% WDV

ⓒ Any other Asset - 10% SLM

Note: If the asset is put to use for less than 1 Year then there will be no depreciation.

9. Perk in respect of Motor Car.

OWNER OF CAR	MAINTENANCE OF CAR	USED ONLY FOR OFFICE PURPOSE	USED FOR PERSONAL USE	USED PARTLY	
				SMALL CAR ≤ 1600CC	BIG CAR > 1600CC
Employee	Employee	No perk	No perk	No perk	No perk
Employee	Employer	No perk	T/P = Exp by YER - recovery	* Exp - 1800p.m - *900p.m - Recovery	Exp - 2400p.m - 900p.m - Recovery
Employer	Employer	No perk	10% of original cost + Exp by YER - recovery	1800 pm + *900p.m - Nil recovery	2400p.m + *900p.m - Nil recovery
Employer	Employee	No perk	10% of original cost of car - recovery	600p.m + *900p.m - Nil recovery	900p.m + *900p.m - Nil recovery

Note: 900* should be considered only when there is a driver is seperately engaged for the car.

Treatment Of Employer And Employee Contribution To The Provident Fund

1. P.F is a welfare fund that is, it is a fund started for the employee welfare.
2. In a p.f (a) employer makes a deposit (its an income to the employee)
   (b) employee also makes a deposit (its a saving)
3. In the P.F a/c interest would be accrued.
4. An employee at his option would withdraw the money from the provident fund.
5. The learning aspects would.
   (a) Tax treatment of employer and (b) employee contribution
   (c) Interest tax treatment (d) withdrawl ~~tax~~ treatment.
6. There are 3 types of P.F where both employee and employer can participate. Such p.f's are - SPF, RPF, URPF.
7. Tax Treatment

	SPF	RPF*	URPF
(a) Employer contribution to	exempt	Upto 12% of salary (i.e B+DA(P)+comm) nothing is taxable. Excess would be taxable.	Not taxable in the year of contribution
(b) Employee contribution to	80C deduction is allowed	80C deduction is allowed	80C deduction not allowed.
(c) Interest on	Exempt	Upto 9.5% nothing is taxable. Excess is taxable.	Not taxable in the year of accrual.
(d) withdrawl from	Exempt	Exempt (if withdrawn after 5 years).	At the time of withdrawl from URPF except for the employee contribution balance portion would become taxable.

PROFESSIONAL TAX DEDUCTION

① professional tax is a levy by the state govt. on the employee.

② ∴ It is expected that Employee pays his own professional tax.

③ professional tax is allowed as deduction from salary only on paid basis.

④ If professional tax payable by employee is paid by employer, it would become a perk. first and later deduction would be ~~[illegible]~~ allowed.

CAPITAL GAINS: [8M] Sec 45 – 55A.

Introduction

① CG arises when an assesse makes a transfer of capital Asset.

Consider the following chart.

There should be a capital asset → Sec 2(14)

→ There should be a transfer of capital Asset. → Sec 2(47) → There are few cases where transfer are not treated as transfer u/s 47 → No need to compute CG.

→ We should compute CG in the P.Y in which transfer takes place. → Exceptions to the timing part of computation.

LTCG → Transfer of LTCA

STCG → Transfer of STCA

Exceptions

ⓐ where transfer of capital Asset is because of fire accident & natural calamities. 45(1A)

computation in the P.Y in which insurance claim is received.

ⓑ when capital Asset is converted into stock-in-trade. 45(2)

computation in the P.Y in which stock-in-trade is sold.

ⓒ where the transfer is by way of compulsory acquisition. 45(5)

computation in the P.Y in which the intial compensation is received.

Understanding the term "Capital Asset".

1. The term capital Asset is defined in sec 2(14).
2. As per sec 2(14) capital Asset

Includes

Any property may be movable or immovable, tangible, intangible, fixed or circulating.

Excludes

(a) stock-in-trade.
(b) Rural Agri- land.
(c) personal effects.

3. The following are not to be treated as personal effects ∴ Transfer of these will also attract capital gains
   a. Jwellery.
   b. Archaeological collections
   c. Drawings
   d. paintings
   e. sculptures
   f. any work of art.
4. Few examples of personal effects are (a) personal car, (b) personal computer, (c) mobile, (d) personal furniture (e) clothing etc.
5. One should not make any opinion that only business assets are treated as capital assets.
   ∴ Even assets which are other than business assets are treated as capital Assets Eg. L&B, shares & securities held in investment form.

Meaning of the term ~~TRAST~~ Transfer. 2(47).

1. The term transfer includes.
   - (a) Sale.
   - (b) Exchange.
   - (c) Relinquishment or Extinguishments of rights.
   - (d) conversion of capital Asset into stock-in-trade.
   - (e) compulsory acquisition.
   - (f) Redemption of zero coupon bonds.

2. However there are certain cases where a transfer is not treated as transfer. These are listed in sec 47. In all these cases the transferor need not compute capital gain.

(a) Any company who makes a transfer of capital Asset in kind to its shareholders. at the time of liquidation of the company.

(b) In case of HUF who makes a transfer of capital asset in kind to the members of HUF. at the time of partition.

** (c) Any person who makes a transfer of capital asset by way of will, inheritance or succession to any person. Then transfer is not treated as transfer.

(d) If a holding co. makes a transfer of capital Asset to its 100% subsidary. Transfer is not taken as transfer.

(e) If 100% subsidary makes a transfer of C.A to its holding co. where ho. co. is a Indian co.

(f) Amalgamating co. makes a transfer of C.A to amalgated co. because of amalgamation.

(g) If a demerged. co. makes a transfer of C.A at the time of Demerger to the resulting co.

(h) Conversion of debentures into equity shares. Such conversion is not treated as transfer.

(i) Restructuring cases.

- (a) Conversion of Partnership Firm into LLP.
- (b) Conversion of CHC into LLP.
- (c) Conversion of sole proprietor into company.

(j) If a sh. holder of amalgamating co. gets shares of amalgamated co. then such exchange of shares is not treated as transfer.

(k) Transfer of capital Asset under notified scheme of reverse mortgage is not treated as transfer.

Understanding the term of capital Asset.

TERM

- When an asset is said to be held as short term capital asset.
  - In case of shares and securities
    - (a) Shares
      - Listed: $POH \leq 1Y$
      - Unlisted: $POH \leq 3Y$
    - (b) Mutual fund units
      - Equity oriented: $POH \leq 1Y$
      - Debt oriented: $POH \leq 3Y$
    - (c) Any other securities
      - Listed: $POH \leq 1Y$
      - Unlisted: $POH \leq 3Y$
  - Any other asset: $POH \leq 3$ years
- When an asset is said to be held as long term capital asset.
  - If it is not held as STCA.

Note: (1) We can always say that any asset if transferred after 3 yrs is treated as LT

3/04

② However sometimes, few asset will become LT even after 1Y.

ⓐ Listed shares

ⓑ Equity oriented mutual fund units

ⓒ Any listed security.

Computation Manner of LTCG and STCG.

STCG

FVC	xxx
(-) Expenditure incurred wholly and exclusively on transfer of C.A	(xx)
Net sale consideration	xxx
(-) COA	(xx)
(-) COI	(xx)
STCG/STCL	xxx
(-) Exemption U/s (54B/54D, 54G, 54GA)	(xx)
Net STCG =	xxx

LTCG

FVC	xxx
(-) Exp.	(xx)
Net sale consideration.	xxx
(-) I'COA	(xx)
(-) I' COI	(xx)
LTCG/LTCL	xxx
(-) Exemption U/s 54 - 54GA	(xx)
Net LTCG -	xxx

Example

Mr. X

POH = LT

Acq: CA = 4L

year = 1981-82

Year 2015 - 2016

sold = 120L

Exp. = 2L

118L

LTCG

FVC	=	120L
(-) Exp	=	2L
		118L

(-) I'COA -

$$\left[4L * \frac{2015-16}{1981-82} \right] = 4324000$$

LTCG xxx

~~Add.~~ points:

① Indexation benefit is available only when the asset if the asset is transe

② However there are 2 cases when even if the asset is transferred as long term, there would be no benefit of indexation

② Debentures

In case of transfer of C.A forming part of a block i.e depreciable capital Asset.

Understanding full value of consideration.

① Full FVC means gross sale value i.e before claiming deduction of any exp.

② Full doesnot mean fair market value unless said otherwise

③ There are certain cases where we adopt deemed FVC in the place of actual sale value.

CASE	D'FCV	Special points
) In a case of transfer of capital asset because of fire accident & natural calamity or action of an enemy or civil disturbances. AND there is a insurance claim Sec 45(1A)	Insurance claim so received itself is a D'FVC.	ⓐ It is a timing exception case. ⓑ Transfer date is the date when the accident occurs. Therefore the POH & POI will stop upto the date of transfer.
) A conversion of capital Asset into stock-in-trade. Sec 45(2)	FMV on the date of conversion is D'FVC.	ⓐ We compute capital gain in the P.Y when the stock-in-trade is sold. ⓑ The POH & POI will stop upto the date of conversion ~~(i.e transfer)~~
Transfer of capital Asset by a partner to its firm 45(3)	The amount at which the asset is recorded in the books of firm. That value is taken as Deemed FVC.	ⓐ Here the CG should be computed by partner.
Transfer of CA by firm to the partner 45(4)	The F.M.V on the date of transfer is taken as D'FVC.	ⓐ Here the CG has to be computed by firm. ⓑ However if the asset transferred is depreciable C.A forming part of a block one has to compute CG carefully

Tricky cases are

5. Sec 50C : Transfer of LCB at a value less than stamp Duty value.

D'FVC

(a) If the SDV is accepted, then the SDV is D'FVC.

(b) If SDV is challenged in the court, then result of the proceeding

(c) If the case is referred to the valuation officer, then the value ascertained by valuation officer. (In no case ~~SDV~~ the value should exceed SDV).

Special points -

① Sec 50C will apply only when sale value is less than SDV.

② Sec 50C will apply only when LCB are transferred as CA

③ If the expenditure incurred on transfer is given as a % then apply the % on the Actual sale value.

Deduction for Expenditure incurred on transfer.

① Any Exp. incurred to make a transfer of Capital Asset should be claimed as deduction while computing CG.

② The Exp. may be incurred before transfer or after transfer or on the date of transfer.

③ The Exp. should not be an illegal or bogus expenditure. In such case it is obvious deduction will not be allowed

④ STT paid on ~~trasf~~ transfer of securities/shares is not qualified for deduction. It is qualified for deduction only when the exp. is incurred as a part of business. (i.e. 8A)

⑤ In a case of transfer of LCB if the Exp. is given as % apply the % on Actual sale value.

Sec 50C

Cost of Acquisition (COA)

① COA refers to the cost incurred to acquire the asset.

② All the cost incurred to acquire the asset should be added to asset value.

Eg! If a Bui-- is purchased for 40L and reg. fee 3L
Total COA is 40L + 3L = 43L.

③ There are certain cases where we have to adopt the deemed COA in the place of Actual COA.

CASE	~~AN~~ D' COA
1. In a case where asset is received or acquired in those cases as referred in sec 47	Cost of the previous owner.

Note: ① The POH should also be taken from the date the asset is held by the previous owner.

② However the benefit of indexation would be available for the COA from the date the asset is received.

③ If the previous owner as done any improvement, even such improvement cost should be considered while computing CG.

CASE	D' COA
2. If the COA is prior to 1.4.1981	The assesse can adopt at his option the FMV on 1.4.1981 as deemed COA.
3. In case of bonus shares	Nil.

Note! If the bonus shares are acquired prior to 1.4.1981 then adopt FMV on 1.4.1981

CASE	D' COA
4. In case of conversion of debt. into Equity shares.	cost of debentures are cost of equity shares.

5. In case if right shares are acquired by purchasing rights — The amount paid to acquire right + the amt. paid to acquire right shares. ①

6. If sh. holders of amalgamating co. has received the shares of amalgamated co. on amalgamation — D'COA of amalgamated co. shares would be the cost at which the amalgamating co. shares are acquired. ② ③

7. In case of transfer of capital Asset forming part of "Block of Asset." ④

Generally there is no need to compute any Capital Gain.

However the need to compute CG arises when ⑤
ⓐ If the block turns negative
(or)
ⓑ The block turns empty. ⑥
↓
In these cases the D'COA would be the opening WDV of the block + purchases made within the block.

Note: ① There is no benefit of indexation available.
② The CG or CL is always treated as STCG or STCL.

8. In a case, if there is any adv. received and forfeited by the current assessee prior to 1.4.2014 — then the D'COA should be the Actual COA − the advance forfeited.

Note: Indexation, if any, should be given only on net COA.

Cost Of Improvement (COI)

① COI refers to any capital exp. incurred ~~from~~ ~~a~~ on development of a capital asset.

② Any improvement done prior to 1.4.1981 has to be ignored.

③ Therefore only improvements done after 1.4.1981 are relavent.

④ If the asset is transferred as long term then indexation benefit to improvement cost is also available.

⑤ However benefit of Indexation to the improvement is given from the date the improvement is complete.

⑥ Sometimes even cost of Improvement done by the previous Owner should be Considered in a case if the COA is taken as cost to the previous Owner.

Exemption U/s 54 to 54GB.

~~①~~ $\boxed{\text{most important 54 and 54EC}}$

① Exemption U/s 54 to 54GB is available only while computing CG.

② All the sections are investment based sections, therefore they demand some investment by the assesse within time limit.

LTCG
- 54
- $\boxed{54B}$
- $\boxed{54D}$
- 54EC
- ~~54F~~
- $\boxed{54G}$
- $\boxed{54GA}$
- 54GB

STCG: 54B, 54D, 54G, 54GA

What shld be Invested whether CG amount or Net sale consideration
- CG amt → Except these 2 sections
- 54F, 54GB → NSC

How to read
- (54, 54B, 54D, 54G, 54GA)
- 54EC
- 54F, 54GB

Section	Applicable to whom	What should transferred	where to Invest.
Sec 54	Individual/HUF	LT residential house property	ⓐ By purchase of RHP (2 yrs) (or) ⓑ By construction of RHP (within 3 yrs) ⓒ ~~CGAS~~ by depositing in Capital Gain Accounts scheme. (on or before ROI due date)
Note: The investment should be by purchase or construction of only 1 RHP.			
Sec 54B	Individual/HUF	Transfer of Urban agriculture land	ⓐ By purchase of agriculture land (2 yrs). (or) ⓑ deposit in CGAS. (ROI due date)
Sec 54D	Any Assessee.	Transfer of L&B held for business use. (Transfer is by way of compulsory acquisition).	ⓐ By purchase or construction of building or land (within 3 yrs). ⓑ deposit in CGAS (before ROI due date.
Sec 54G	Any Assessee	Transfer of L&B & P&M used in business. (due to shifting the business from Urban area to Rural Area)	ⓐ by purchase of L&B & P&M (3 yrs) ⓑ construction of building within 3 yrs ⓒ deposit in CGAS.

... the reason at sales is

Kusal Jain)

Ⓒ deposit in CGAS.

Sec 54GA Any Assessee Same as 54G (only difference is the reason of sale is shifting of business from urban area to SEZ)

Sec 54EC Any Assessee. Transfer of any LTCA.

Note: The max. exemption u/s 54EC in the hands of Assesse cannot exceed 50L.

ⓐ By purchase of bonds of NHAI or RECL. within 6m from the date of transfer.
~~ⓑ Deposit in CGAS.~~

Sec 54F Individual/HUF Transfer of any LTCA other than RHP.

Note: ① U/s 54F the investment should be by purchase or construction of only 1 RHP.
② This sec will not apply if the assesse has 2 or more RHP's on the date of transfer.

ⓐ Same as 54.
ⓑ However exemption is as follows.

$$54F \text{ Exemption} = \frac{LTCG \times \text{investment}}{NSC}$$

Sec 40(a)(ia) : where assesse makes any payment to a resident on which TDS should have been deducted.

↓

BUT.

Assesse fails to deduct TDS

After ded TDS fails to deduct TDS on/bef. BOI due date

On both the CASES

↓

30% of the exp. would be disallowed.

Ex! X Ltd paid a rent of Rs. 500000/- to a resident on which TDS is not deducted then the disallowance portion of the rent would be 30% i.e 1.5L of the exp. would be disallowed.

(2) Other disallowances U/s 40.

(a) Income tax.

(b) Wealth tax.

Note! IT and WT are personal expenses. Likewise even int. on late payment of IT is not qualified for deduction.

(3) Tax payed by the employer on non-monetary perks, such tax so paid is not qualified for deduction.

(4) If an AOP/BOI makes any payment by way of interest, commission remuneration & salary to the members of AOP/BOI then such interest and similar expenses will not be qualified for deduction.

(5) If a P.F pays int. to a partners on capital and the rate of int. exceeds 12% p.a then excess int. wouldnot be qualified for deduction.

(6) If a state govt. undertaking makes any payment by way of Royalty, privilage fee, liscence fee or any other amt. to the state govt. which is an exclusive levy govt. on their. Undertakings. then such expenditure is not qualified for deduction.

Sec 40 A Disallowances

① 40 A(2): If an assesse incurrs any expenditure through ~~retiv~~ relatives or associate enterprises and the assessing officer is of the opinion that the expenditure incurred is in excess of FMV then the excessive exp. is disallowed.

Eg: Mr. x pays remuneration to his bro. 6L p.a. The A.O is of the opinion that such exp. is excessive by 2L. The excess exp. that is 2L is disallowed.

② 40 A(3): If an assesse incurrs any exp. exceeding 20k. and the payment of such exp. is made in cash exceeding 20k to a person in a day then

↓

Such cash exp. so incurred would be disallowed.

Eg: Mr. Hari has paid Rs 30000 salary to a person in cash. The entire 30000 is disallowed for deduction.

Note: Replace 20000/- by 35000/- in case of payments made to transport contractors.

③ 40 A(9): If an employer makes or contributes amount to the welfare fund of the employee where amount contributed is in excess of statutory limit then such excess exp so incurred would be disallowed u/s 40A(9).

Sec 44AD:

① This section is applicable only to resident individual, resident HUF and Resident P.F.

② This section is applicable if the turnover of the business doesnot exceed 1 cr. (i.e T.O ≤ 100L)

③ The assesse should not claim sec 10AA benifit for that business.

④ The presumptive income is ~~80~~/ 8% of T.O.

Note: 8% of T.O is only Business income.

⑤ All deductions u/s 30 to 37(1) all deemed to havee been allowed. (including unabsorbed dep).

⑥ One can adjust the presumptive income with C.Y losses and b/f losses.

⑦ Even one can claim sec 80C to 80U deductions.

⑧ If an assesse complies with sec 44AD then he need not maintain BOA and get the same audited. Even Assesse need not pay Adv. Tax of such business.

⑨ Sec 44AD is optional Therefore if the assesse whishes to opt out, he can do so

↓

However non compliance of this section will lead to maintenance of BOA and mandatory Audit by a C.A if the Total Income Exceed B.E.L.

⑩ If an assesse wishes to declare income more than 8% of his turnover, he should be welcomed to do so.

↓

It still means assesse is complying with the section.

Sec 44 AE:

1. Applicability: All Assessees.
2. Assessee should be in the business of leasing goods carraiges or transportation of goods by goods carrages (plying).
3. The assessee should not own more than 10 goods carraiges at any point of time during the p.y.
4. The presumptive income is Rs 7500/- p.m per truck owned by the assessee.

Note: 1. The presumptive income is computed on the basis of ownership period and not put to use period.
2. part of the month owned = full month owned. (~~moth~~ (month means calender month).

5. This section is optional, Therefore if the assesse computes the income section then he need not maintain BOA and get the same audited.
6. Non compliance of sec 44AE will lead to mandatory BOA & Mandatory Audit.
7. For the presumptive income computed u/s 44AE,
   a. All deductions u/s 30 to 37(1) are deemed to have been allowed.
   b. However one can still adjust c.y losses and b/f losses
   c. Deduction u/s 80C to 80U are still available.

Sec 43CA. 1. In a case if an assessee transfers L&B as C.A then sec 50C provisions would attract.

2. similarly when L&B is transferred as stock-in-trade, sec 43CA provisions will attract.
3. If the ~~stake value~~ sale value is < SDV then

(a) Accepts the SDV then B.I should be computed taking such SDV.

(b) If the assessee disputes the SDV then the result of the proceedings should be taken as sale value.

(c) If the case is referred to the V.O, then the value determined by the V.O should be taken as sale value. (In no case the value can exceed SDV).

Sec 41 – Deemed profit.

① In a case if any deduction is allowed in the past in relation to a expense ~~of~~ or loss or trading liability.

↓

And during the C.Y there is a recovery or reimbursement of such expense. then such amounts so recovered should be offered as B/P income whether or no the Business is in existence.

Eg: Stock loss suffered → Insurance claim received.

- Sales tax paid → Reimbursement received.
- Credit purchases made → creditors written off.

② Likewise if a deduction is allowed in past in relation to a bad debt and.

↓

during the C.Y there is a recovery of such bad debt Then Such amount should be offered as business and profession income whether ~~the~~ or not the business is in existence.

Income Exempt From Tax. [4M]

① Sec 10(1): Agriculture income is exempt from tax. when an income is said to be agricultural income is defined in Sec 2(1A).

② Sec 10(2): share of profit received by a member from its HUF. such share of profit is exempt u/s 10(2).

③ Sec 10(2A) - share of profit received by a partner from its firm is exempt from tax.

Note: If a partner receives a share in losses then for such loss there is no set off and c/f.

④ sec 10(4)(ii): In a case if individual earns int. from a Non-Resident External a/c - Exempt from tax.

Note: such NRE a/c should be opened as per the permi--ssion of RBI.

⑤ sec 10(10) - Gratuity exemption in the hands of YEE.

Read in salaries

⑥ Sec 10(10D) - If a individual receives any income from a LIP then such amount so received would be exempt from tax.

However in the following 2 cases exemption is not available.

ⓐ where insurance policy is taken on K.I.P.

ⓑ where the premium paid for such policy exceeds 20% & 10% of sum assured.

Sec 10(10A) - pension ~~by~~ from Employees.

Sec 10(10AA) - leave salary in the hands of employee.

Sec 10(10BC) - If a Individual / his legal heirs receives any compensation from CG/SG/L.A on a/c of disaster, then such amount so received would be exempt from tax.

Sec 10(10CC) - In a case if the employer pays tax on non-monetary perks then such tax paid is again a benefit in the hands of employee. However such tax is an exempt income in the hands of employee

Sec 10(16): If an individual receives any scholarship to meet the cost of Education, then such scholarship is exempt.

Sec 10(18) 1 (a) If an Individual who has been in the services of CG/SG and (b) he has received a gallantry award, Eg: paramveer chakra, veerachakra etc then pension received by such employee or his family members would remain exempt for life time.

Sec 10(19). If an individual being a member of armed force has lost his life during service (operational duties)

↓

pension to his family members would remain exempt for life time.

10(20): The following incomes to the L.A are exempt.

(a) Income from H/P
(b) C/G
(c) IFOS
(d) B/P (if the business is carried out within the limits of municipality).

Sec 10(26AAA): The following income to a sikkimese individual are exempt.

(a) Any income from the state of sikkim.
(b) Income by way of dividend or int. on securities.

Note: If a sikkimese woman marries to a non-sikkimese individual on or after 1.4.2008 should be treated as non sikkimese.

Sec 10(32):

(1) we know that income of a minor child would be clubbed in the hands of parent as per 64(1A).
(2) After clubbing parent can avail exemption u/s 10(32).
(3) However the exemption per child cannot exceed 1500/- ~~child~~

Note: There is no limit that the exemption would be available only for 2 children.

Sec 10(34): Dividend from an Indian company would be exempt from tax in the hands of sh. holders.

Note: (1) Dividend being 2(22)(e) would still remain taxable.
(2) Exemption u/s 10(34) is available as the company paying dividend pays dividend distribution tax on the declared dividend.

Sec 10(35): Dividend from mutual fund units would be exempt.

Sec 10(38): If any person who makes a transfer of equity shares held as LT ↓

on which STT is paid then the LTCG would be exempt from tax.

Note! ① If there is a LTCL in the above case then for such loss there is no set off and c/f.

② In a case if equity shares are transferred as short term, then Sec 111A will attract and the resultant CG would be taxable at 15%

Sec 10(37). If an Individual / HUF makes a transfer of an Urban agri. land by way of compulsory acquisition then the resultant CG (LT/ST) would be exempt from tax.

Note! ① The agriculture land should be one which has been used by assessee for a minimum period of 2 yrs immediately preceeding the date of transfer for agri. purpose.

② Sec 10(37) will apply only when the compensation is as per the norms of CG or RBI.

Sec 10(43): If a individual receives any amount under a notified reverse mortgauge scheme then such amount would be exempt in the hands of individual.

Note! The amount may be received in lumpsum or in installments.

Sec 10(48): In a case if a foreign company agrees and enters a contract with CG to accept India currency as payment for supply of any good or any service then

↓

The profit from sale of such good or by rendering of such services would be exempt.

Note: This exemption has been given to some foreign company ...

Sec 10AA.

① This sec has been introduced in the IT act to ~~ext~~ Encourage Exporters.

② The export may be of goods & services.

③ If a assessee operates his business in a ~~spe~~ SEZ then he can avail exemption of such business profits for a period of 15 years as follows.

1 - 5 years	5 - 10	10 - 15
$P \times \frac{ET}{TT}$	$P \times \frac{ET}{TT} \times 50\%$	W.E.L. { $P \times \frac{ET}{TT} \times 50\%$ or Amt deposited in SEZRA~~RA~~.

Note: ① P = Profit of such business

EP = Export T.O of such business.

TT = Total T.O of such business.

② In Exam when the problem is given on 10AA, make a count of no. of yrs for the business commencement.

Eg: for a business commenced in 2009-10, for the P.Y 2015-16 10AA exemption would be, $P \times \frac{ET}{TT} \times 50\%$.

Sec 13A: Exemption in the hands of registered political party.

A registered political parties can avail the following exemption.

ⓐ H/P

ⓑ ~~EFH~~ CG

ⓒ ~~Eg~~ IFOS

Note: ① A registered p.p should no engage itself into any trading activity

② ... to maintain BOA as well ..

all the donors making a donation ≥ 20000.

3) A p.p ~~as~~ is under obligation to get the BOA audited by a ~~charted~~ chartered Accountant. (4) (5) (5)

TDS [0 – 4M].

1) TDS provisions has been introduced in the Income tax act so that there should be a minimum escapement of ~~taxes~~ tax liability i.e TDS provisions are introduced that the tax evasion is at minimum.

2) TDS is an obligation on every payer to deduct TDS while making payment to the payee. Therefore the payer is called Deductor and the payee is called deductee

3) The tax deducted by the payer should be deposited by the payer with the IT dept in the name of payee. (PAN)

Eg: Mr. X, a chartered a/c has provided C.A services to XYZ ltd he raised a bill of 2L on XYZ ltd.

↓

XYZ ltd is supposed to deduct TDS u/s 194J @ 10% and remit 1.8L to Mr. X. The 20000 TDS so deducted should be deposited with Income tax dept. with the PAN of Mr.X.

↓

The tax so paid will be given as a credit to Mr. X at the time of computation of Total Tax liability.

(4) Sec 192 to 196 of the I.T deals with TDS provisions.

(4) we have to read this sections as if we are deductors.

(5) The list of TDS sections are:

192 – TDS on salary payments

192A – TDS on withdrawals from RPF (if taxable).

193 – TDS on Int. ~~on~~ from securities.

194A – TDS on Int. other than securities.

194 – TDS on dividend being 2(22)(e)

194B – TDS on winnings.

194BB – TDS on winnings from betting on horse race.

194C – TDS on payment to contractors & sub contractors.

194D – ~~co~~ TDS on comission to insurance agents

194G – TDS on commission for sale or distribution of lottery.

194H – TDS on any comission or brokerage.

194DA – TDS on payments from L.I.P (if not exempt).

194E – TDS on payment to
- (a) Non-resident sports person.
- (b) Non-resident entertainer.
- (c) Non-resident sport association.

194I – TDS on rent for L&B / P&M / Furniture.

194IA – TDS on payment for purchase of immovable property consideration ≥ 50L.

194LA – payment for compulsory acquisition of immovable property

194J – TDS on
- (a) professional services (FPS)
- (b) Fee for Technical Services (FTS)
- (c) Royalty
- (d) Fee for Non-compete fee
- (e) payment to directors not in the nature of

(6) Timing of deduction of TDS.

Generally TDS should be deducted at the time of payment / credit in BOA, which ever is earlier.

However there are few sections which requires to deduct TDS only at the time of payment.
[192, 192A, 194, 194B, 194BB, 194DA, 194LA].

- 192
- 192A
- 194
- 194B
- 194BB
- 194DA
- 194LA

(7) If a Individual / HUF whose last year books of a/c's are not subject to audit then such Individual / HUF need not deduct TDS under the following 5 sections.

194 H
194 I
194 J
194 A
194 C

(8) A deductor is normally supposed to deduct TDS but also

(a) Deposit the TDS on or before the 7th of next month. (However for the month of March the due date would be 30th of April).

(b) The deductor is also supposed to file a TDS return with the IT department on quarterly basis.

⑨ In a case if the payee doesnot provide a valid PAN to the payer then as per Sec 206AA the TDS should be deducted at higher of the following rate :

(a) Rate in the relavent section
(or)
(b) 20%

W.E.H

⑩ The most imp. sections are 194A, B, C, H, I, J

Sec 192

(a) who should be the payer = Any person.
(b) who should be the payee = Any person (Individual)
(c) TDS on what = on salary.
(d) Rate of TDS = @ Avg. rate $\left[\frac{T.L}{T.I} \times 100\right]$
(e) Timing - at the time of payment.

Note: $\frac{T.L \text{ (including surcharge \& cess)}}{T.I} \times 100$.

Sec 192A

(a) Payer - Any person.
(b) payee - Resident person.
(c) TDS on what - withdrawl on RPF (if taxable).
(d) Rate - 10%
(e) Timing - payment

Note: ① There will be no TDS, if the aggregate payment to a payee ≤ 30000/-
② In a case if a payee doesnot provide a valid PAN the TDS should be at maximum marginal Rate (MMR).

Sec 193

payer - Any person
payee - Resident person.
TDS on what - Int. on Securities
Rate - 10%.
Timing - @ P/C [W.E.E]

Note! ① If the interest is paid to a Individual or HUF on debentures and the amt. doesnot exceed 5000/- and the payment is made by crossed a/c payee cheque then there would be no

(c) If Int is payable by securities of CG/SG - NO TDS

Sec 194

payer - Any person. (CHC)

payee - Any Resident person.

TDS on what - Dividend being 2(22)(e)

Rate - 10%.

Timing - @ payment.

Sec 194A

payer - Any person.

payee - Resident person.

TDS on what - Int. on otherthan securities.

Rate - 10%.

Timing - @ P/C [W.E.E]

Note: There should be no TDS in the following cases.

(a) If the interest amount is ≤ 5000/-

(b) If the interest is paid to bank.

(c) If the interest is paid on FD is ≤ 10000/- (~~all~~ amendment branches of a bank put together)

(d) If interest is on savings a/c.

Sec 194 B & Sec 194BB

payer - Any person

payee - Any person.

TDS on what - winnings.

Rate - 30%

Timing - @ payment.

Note: U/s 194 B there would be no TDS if the single payment doesnot exceed 10000/-

Likewise in 194BB - NO TDS if single payment doesnot exceed 5000/-.

Sec 194C .

payer : Any person.

payee : Resident person.

TDS on what - payment to contractor & sub-contractor for work contract.

Rate - 1% if the payee is individual + HUF
2% other than HUF.

Timing - @ P/C [W.E.E]

Note: ① There will be no TDS if both the conditions are cumulatively satisfied.

ⓐ If the single payment doesnot exceed 30000/-

ⓑ The aggregate payment doesnot exceed 75000/-.

② If the contract is sale contract i.e the contractor purchases the material from outside and converts it according to the specification of payee and supply it to the payee, then it would be a sale contract - NO TDS.

& of together

** ③ If the payment is made to transport contractors who has ≤ 10 goods carriages at any point of time, then irrespective of the payment amount there would be no TDS.

Sec 194D/G/H - commission & Brokerage.

Payer - Any person.

Payee - Resident person.

TDS on what - commission & brokerage . to

- D — Insurance agents
- G — lottery agents
- H — any other agents

Rate — 10%

Timing - @ P/C [W.E.E]

Note: ① U/s 194D, there would be no TDS if the aggregate payment to payee ≤ 20000/-

② U/s 194G there will be no TDS if the aggregate payment is ≤ 1000/-

③ U/s 194H - NO TDS if Aggregate payment ≤ 5000/-

Sec 194DA

payer : Any person.

payee : Resident person.

TDS on what : on payment from L.I.P. (if not exempt u/s 10(10D))

Rate : 2%

Timing : @ payment

Note : There would be NO TDS if the aggregate ~~amount~~ payment is < 100000.

Sec 194E

payer :- Any person

payee : a Non Resident sports person, entertainer, sports association.

TDS on what : payment made to these persons for performace in India or for contribution of articles ~~for~~ in Newspaper or article.

Rate : @ 20% added with 3% Education cess [20.6%]

Timing : P/C [w.e.e]

Sec 194I

payer : Any person

payee : Resident

TDS on what : Rent for building / P&M / Furniture.

Rate : 2% on P&M

10% for others

Timing : @ P/C [w.e.e]

Note: When no TDS
ⓐ If the agg. payments to payee doesnot exceed 1.8L

Sec 194 IA/LA

Particulars	194LA ~~194IA~~	194IA ~~194LA~~
Payer	any person	any person
Payee	Resident	Resident
TDS on what	payment for compulsory acquisition of L&B (other than agri. land)	payment for acquisition of L&B (other than agri. land)
Rate	10%	1%
Timing	@ payment ~~/credit~~	P/C [w.e.e]
	≤ 2L	Agg. < 50L

When No TDS
ⓐ Agg. payment ≤ 2L.

Sec 194J

Payer : Any person.
Payee : Resident.
TDS on what :
ⓐ FPS (if > 30000)
ⓑ FTS (if > 30000)
ⓒ Royalty (if > 30000)
ⓓ NCF (if > 30000)
ⓔ payment to director not in the nature of salary.

Rate : @ 10%
Timing : P/C [w.e.e]

Few things to be covered.

1. Rates of Tax for Individual.
2. Rebate U/s 87A
3. Accelerated Assessment (Sec 172 to 176)
4. method of a/c'ng (Sec 145)
5. Residential status of individual
6. Business connection def Sec 9(1)(i)
7. when an income is said to deemed to accrue or arise in India.

PGBP

Analysis of Sections

Sec 28 to 44DB → set off

- Sec 28 of charging section
- Sec 30 to 37(1) → deductions from B/P
  - Sec 30 to 36 → Specific deduction
  - sec 37(1) → General deduction section of B/P
- ** Sec 40 → Expenses disallowed
  - Sec 40A → Expenses disallowed in CERTAIN CASES.
  - Sec 43B → Expenditure would remain disallowed if payment is not made on & before ROI D.D

Procedure Sections

- Sec 44AA maintenance of Books of a/c's
- Sec 44AB audit of BOA by C.A