

CA Final
Direct taxes Flow charts

May 2017

Amended by FA 2016

Along with all important circulars and notifications up to 31.10.2016

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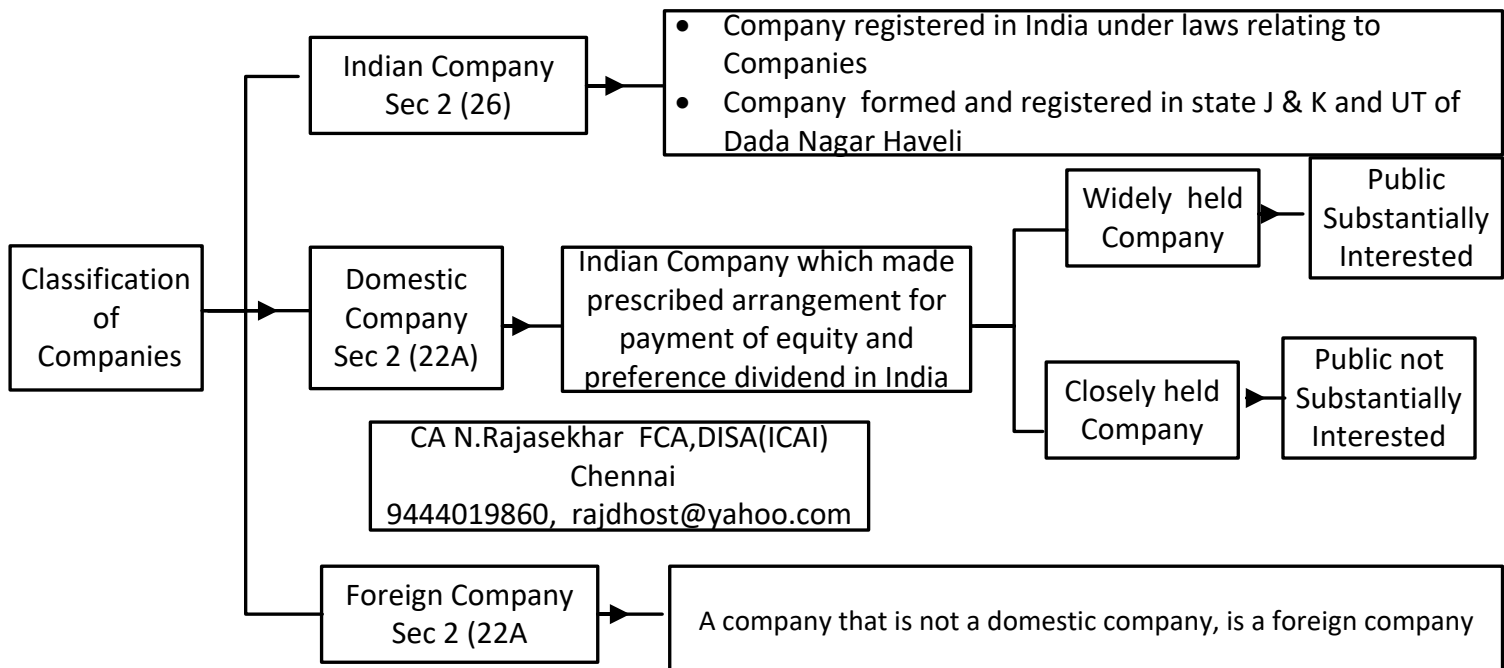
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Index		
SN	Topic	Page No.
1	Assessment of Companies	1
2	Non Resident taxation	21
3	Assessment of firms	26
4	Charitable trusts	29
5	Alternative Minimum tax	35
6	Assessment of cooperative societies	36
7	Income from Business	37
8	Capital gains	57
9	Income from Other sources	69
10	Clubbing and set off	73
11	Deductions from GTI	78
12	Return of income	85

Note: All important topics from the exam point of view covering 50 to 60 marks are given in this notes. Other topics will be uploaded soon.

Good wishes
Happy reading

The Company is a person for all purpose of the Income tax Act

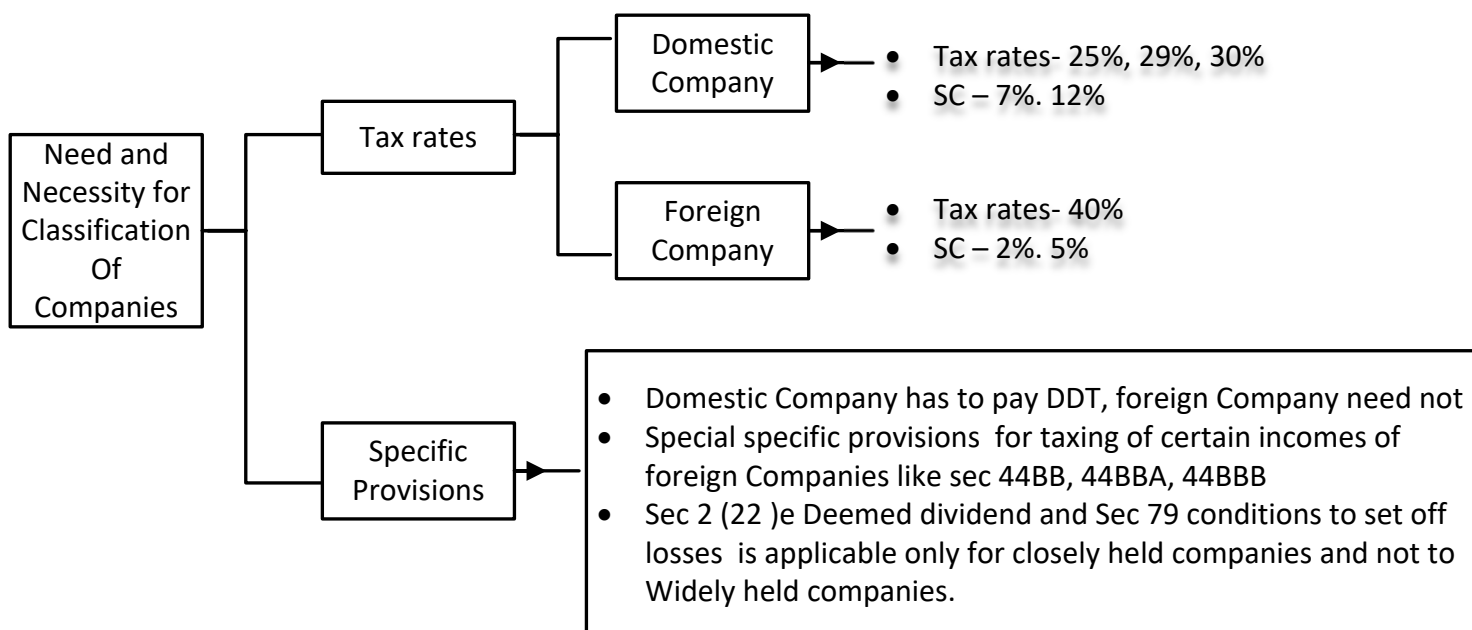


Companies in which Public are Substantially Interested (Widely held Company)

- Companies owned by Govt./RBI
- Companies where at least 40% of shares held Govt./RBI
- Listed Companies
- Sec 25 Companies
- Mutual benefit companies
- Companies not having share Capital declared by Board as Public are Substantially Interested
- Companies whose equity shares carrying not less than 51% of the voting power were throughout the relevant previous year held by one or more co-operative societies

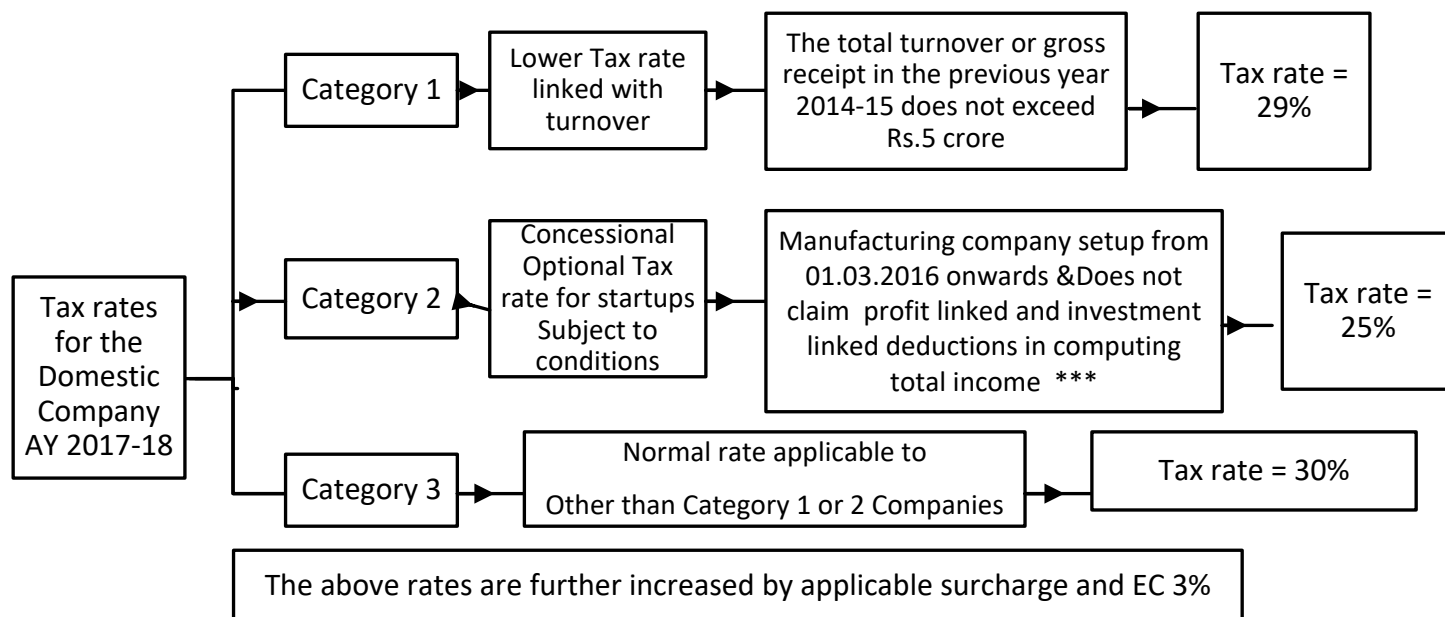
Companies in which Public not Substantially Interested
Closely held Company

- Private Limited Company
- Public Limited Company closely held by family group



Assessment of Companies-2

Tax rates of the Company for AY 2017-18



*** The option is exercised By Company assessee in the prescribed manner on or before the due date specified under section 139(1).

Profit based and investments deductions not to be claimed for concessional rate of tax

SN	Section	Nature of Deductions
1	10AA	Profits of SEZ
2	32, 32AC and AD	Additional depreciation, Investment allowance, Depreciation in case of backward districts of AP, Telangana, Bihar, west Bengal
3	33AB	40% of Profits under tea development account
4	33ABA	20% Profit under petroleum natural gas
5	35	Weighted deduction for expenditure incurred on scientific research
6	35AC	Deduction for eligible projects
7	35AD	Deduction for Capital expenditure of specified business
8	35CCC/CCD	Deduction for agricultural extension project/skill development project
9	Chapter VI	Income based deduction other than 80JJAA
10	Setoff c/f	Should not set off losses of the earlier years of SL No 1 to 9

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Tax rate for the foreign Company AY 2017-18

Tax rate = 40%

Surcharge applicable for the companies AY 2017-18		
Total income in Rs.	Domestic Company	Foreign Company
Up to Rs. 1 crore	NIL	NIL
>1 crore = 10 Crore	7%	2%
>10 crore	12%	5%

Tax on distributed profit of domestic companies -Dividend distribution tax(DDT)[Section 115-O]

Applicable to

Domestic company

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Nature of amount

Dividend declared /
distributed/ paid -
(Interim or final)

Note: Gross up with
15%, then apply
effective rate.

Rate of tax

15%+ SC-12% +EC-3% - effective rate 17.304%

**Dividend
distribution
tax
(DDT)**Relief from
DDT

The following dividends should be reduced from dividend for payment DDT

- 1.Any dividend received by Holding company from. Indian Subsidiary if it is paid dividend distribution tax on such dividend
2. Foreign subsidiary if tax on such dividend paid by Indian company u/s 115BBD

Exemption
From DDT

1.Dividend distribution tax is not applicable and exempt for the dividend distributed to any person for and on behalf of NPS trust (National Pension trust). If a company pay any such dividend, Dividend paid on behalf of NPS trust amount can be reduced and can pay DDT tax on the remaining amount

2.Dividend distributed by SPV to business trust subject to conditions

3.Dividend distributed by international financial service centers

Grossing
up
And
calculation

The net distributed profit of dividend of domestic company after reducing the dividend of subsidiary, the amount is to be grossed up as below

Dividend distributed by the company	xxxxxxx
Less : dividend received from subsidiary Company	xxxxxxx
Net Distributed profits	xxxxxxx
Add Increase for grossing up -15/85 x net distributed profits	xxxxxxx
Gross dividend	xxxxxxx
DDT @15%	xxxxxxx
Add: Surcharge- 12%	xxxxxxx
Add: EC 3%	xxxxxxx
Total DDT	xxxxxxx

Time limit for
payment

Within 14 days from the date of Dividend declared /distributed/ paid
whichever is earlier

Interest for
Delay

Delay in payment attracts interest @ 1% per month or part of month

Default

- The Principal Officer and the company would be deemed to be an assessee-in-default, if they fail to pay DDT as per Sec 115O.
- Recovery proceedings will start

No deduction

Dividend distribution Tax is payable in addition to normal income tax payable by the domestic company
DDT payment is final and deduction will not be available under any provisions of the act

Assessment of Companies -4

Dividend Distribution tax -2

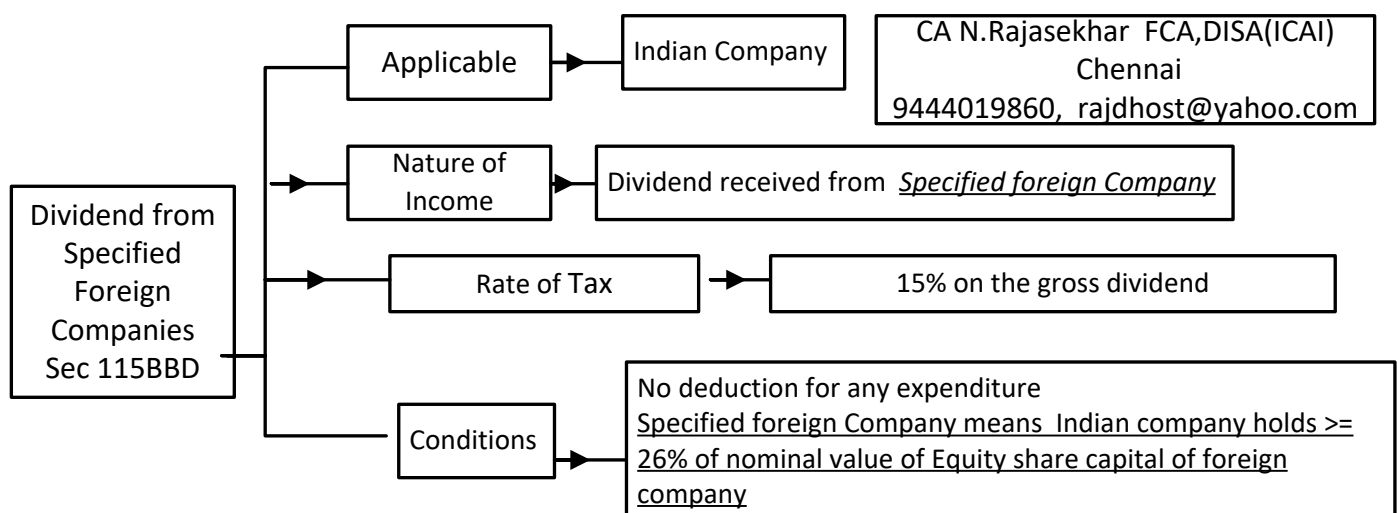
Illustration

XYZ Ltd., a domestic company, has distributed on 15.11.2016, dividend of Rs. 230 lakhs to its shareholders. On 1/11/2016, XYZ Ltd. has received dividend of Rs. 60 lakhs from its domestic subsidiary company ABC Ltd., on which ABC Ltd. has paid dividend distribution tax under section 115-O. Compute the additional income-tax payable by XYZ Ltd. under section 115-O

Particulars	Rs. In lakhs
Dividend distributed by XYZ Ltd.	230.00
Less: Dividend received from subsidiary ABC Ltd.	60.00
Net distributed profits	170.00
Add: Increase for gross up $170 \times 15/85$	30.00
Gross Dividend	200.00
Dividend Distribution Tax @ 15%	30.00
Add SC -12%	3.60
Sub total	33.60
Add Ec-3%	1.008
Total DDT	34.308
Alternatively, $200 \text{ lakhs} \times 17.304\% = \text{Rs. } 34.308 \text{ lakhs}$	

Dividend received in excess of Rs. 10 lakhs received by shareholder is taxable Sec 115BBDA from AY 2017-18)

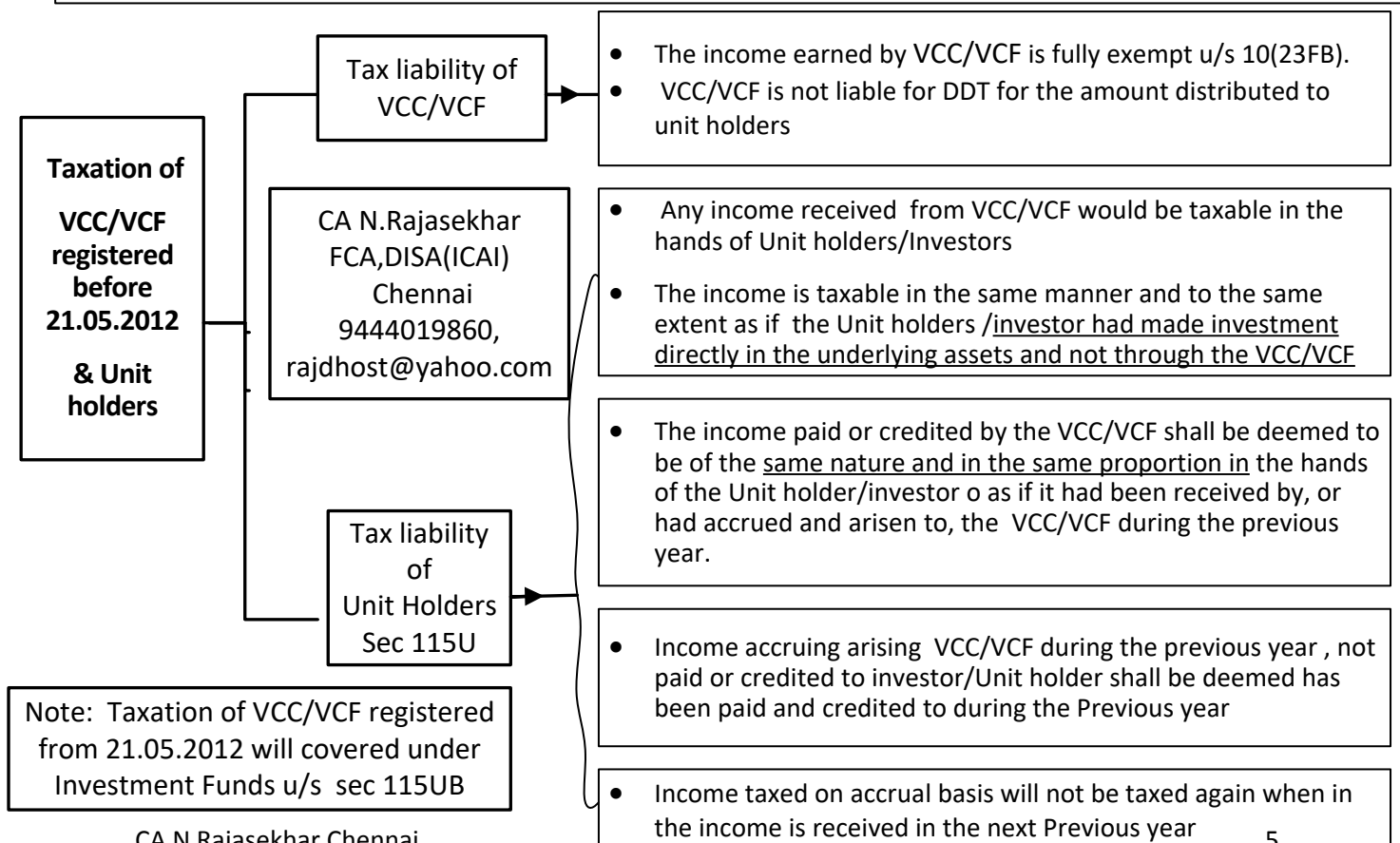
1	Section 10(34) exempts dividend received by a shareholder of a domestic company, since the same is subject to dividend distribution tax (DDT) under section 115-O
2	Section 115BBDA has been inserted to provide that any income by way of aggregate dividend <u>in excess of Rs. 10 lakh</u> shall be chargeable to tax in the case of an individual, Hindu undivided family (HUF) or a firm who is resident in India, at the rate of 10%.
3	The excess dividend amount is taxable at flat rate of 10% , without any deduction and set off losses
4	Example:
	ABC Ltd declares a dividend of Rs. 170 lakhs. Mr. X holds 10% and Mr. Y holds 5% receives a dividend of Rs. 17 lakhs and Rs. 8.5 lakhs respectively. Tax treatment is as below
(a)	ABC Ltd has to pay dividend distribution tax on $170 \times 100/85 = 200 \text{ lakhs}$ @15%+SC+EC
(b)	Mr X is taxable on the dividend amount of Rs. 7 lakhs (Rs. 17 lakhs-Rs. 10 lakhs) @ 10% = Rs.1.7 lakhs with out any deduction and set off losses.
(c)	Dividend received by Mr. Y is fully exempt u/s 10(34) as the amount is not exceeding Rs. 10 lakhs

Concessional rate of tax on dividends received by Indian companies from specified foreign companies [Section 115BBD]


Note: Other incomes are taxable as per rates of Finance Act

Tax on distributed income of mutual funds sections 115R, 115S and 115T					
1	Applicable to	Specified Company under UTI Act 2002/Mutual fund Company			
2	Nature of amount	Any amount of income distributed to Unit holders			
		Fund	payee	Rate	Effective rate*
3	Rates of tax	Equity-oriented fund	Any Person	NIL	NIL
		Money market mutual fund (MMMF) or liquid fund	Individual or HUF	25%	28.84%
			Any Other Person	30%	34.608%
		Funds other than MMMF) or liquid fund	Individual or HUF	25%	28.84%
			Any Other Person	30%	34.608%
		Infrastructure Debt Fund set up as a Mutual Fund	Non-corporate non-resident or a foreign company	5%	5.768%
		*Rates + SC- 12% + EC -3% (Note: first grossing up to be done and then effective should apply)			
4	Time limit for payment	Within 14 days from the date of declaration or distribution whichever is earlier			
5	Grossing up	Method of calculation was similar with applicable rates of tax.			
6	Interest	Delay in payment attracts interest @ 1% per month or part of month			
7	Default	The person responsible for payment of tax and Mutual fund company would be deemed to be an assessee-in-default if they fail to pay the tax			
8	CBEC Clarification	Redemption of units or repurchase of units will not attract tax. The same is taxable under the head of capital gains in the hands of unit holder.			
		Issue of bonus /additional units also will not attract tax			
		Dividend income received by unit holder from mutual fund company is exempt in his hands u/s 10(35)			
9	Exempt for investment fund	Income paid by an investment fund to its unit holders would not be subject to dividend distribution tax under Chapter XII-D or tax on distributed income			

Taxation of Venture Capital Company (VCC) and Venture Capital Fund (VCF) Registered Before 21.05.2012 Under SEBI Regulations or Venture Capital Scheme of UTI. Section 10(23FB) & Section 115U



Taxation of VCC/VCF registered before 21.05.2012 contd.

Illustration

A Venture Capital Fund registered before 21-05-2012 derived total income of Rs.100 lakh comprising dividend of 40 lakhs from shares of a Venture Capital Undertaking and interest of Rs.60 lakhs on loan granted to such undertaking. Unit holder Mr. X receives income of Rs. 20 lakhs from such fund. Examine the taxability of VCF and Unit holders.

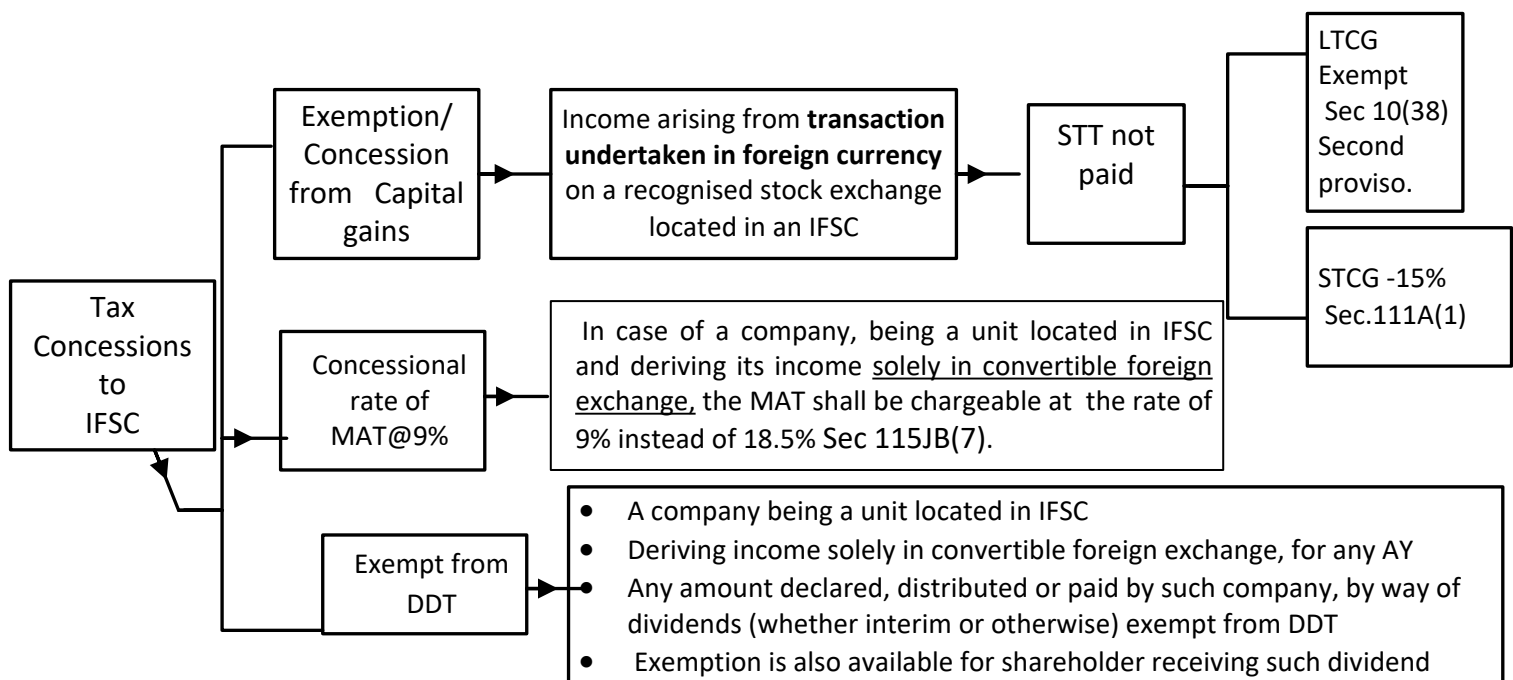
Solution**Tax Liability of VCC/VCF**

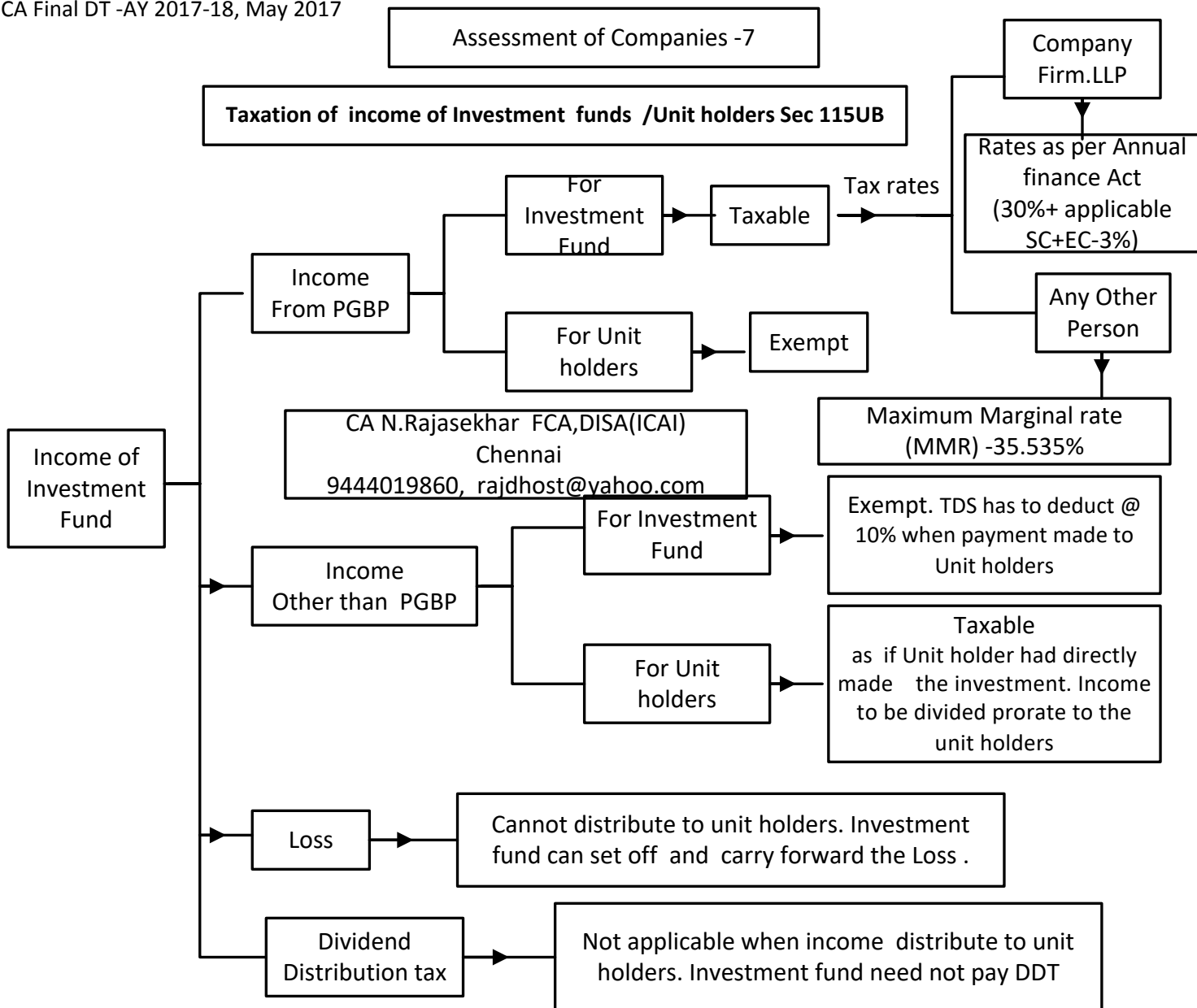
- ❖ Income earned by VCC/VCF is exempt u/s 10(23FB). Hence there is no tax liability on the VCC/VCF on the income earned Rs. 100 lakhs. VCC need not pay DDT on the dividend distributed Rs. 40 lakhs
- ❖ Income received by Unit holders is taxable u/s 115U as if /investor had made investment directly in the underlying assets and not through the VCC/VCF

Tax liability of Mr. X

- ❖ Dividend portion = 40 lakhs /100 lakhs x 20 lakhs =8 lakhs
- ❖ Interest portion =60 lakhs/100 lakhs x 20 lakhs = 12 lakhs

Tax Concessions to International financial service centers (IFSC) from AY 2017-18



**Meaning of Certain Terms****Investment Fund :**

- Any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which has been under SEBI as Category I or II Alternative Investment fund regulations under SEBI Act

Unit

- Beneficial interest of an investor in the investment fund or a scheme of the investment fund and shall include shares or partnership interests.

Illustration

The following are the particulars of income of three investment funds for P.Y.2016-17

Particulars	Investment funds Rs.		
	X	Y	Z
Business Income	Nil	4,00,000	(4,00,000)
Capital Gains	32,00,000	28,00,000	(12,00,000)
Income from other sources	8,00,000	8,00,000	16,00,000

Compute the total income of the investment funds and unit-holders for A.Y.2017-18, Assuming that each investment fund has 20 unit holders each having one unit; and

income from investment in the investment fund is the only income of the unit - holder.

Compute the total income of the investment funds and unit-holders for A.Y.2017-18

If Investment Fund Z has the following income components for previous year .2017-18, what would be the total income of the fund for that year

Business Income Rs. 4 lakh, Capital Gains Rs. 18 lakh/ Income from other source Rs. 16 lakh

Solution

Taxation of income of Investment funds /Unit holders Sec 115UB - 2

Computation taxable income of Investment funds AY 2017-18						
	Investment funds/Unit holders					
Particulars	X	Unit holders	Y	Unit holders	Z	Unit holders
Business Income	Nil	Nil	4,00,000	Exempt	-	No distribution-
Capital Gains	Exempt	32,00,000	Exempt	28,00,000	Exempt	No distribution
Income from other sources	Exempt	8,00,000	Exempt	8,00,000	Exempt	12,00,000 Note:1
Note 1 Investment fund set off business loss of Rs. 4,00,000 from Rs. 16,00,000 and distributes the remaining						
Note 2 : Long term Capital loss of Investment fund Z Rs.12 lakhs cannot be set off against other sources income and it can be carry forward to Next year.						
Income of each unit holder can be calculated by dividing total income amount with 20						
Computation taxable income of Investment funds for AY 2018-19						
	Investment fund					
Particulars	Z		Unit holders		Per unit holder	
Business Income	4,00,000		Exempt		Exempt	
Capital Gains	Exempt		(Note)6,00,000		30,000	
Income from other sources	Exempt		16,00,000		80,000	
Note Long term capital gains Rs. 18 lakh Less set off long term capital loss Rs. 12 lakh AY 2017-18						

Note:

If a Investment fund is a company, firm, LLP, the income is taxable at 30% + applicable Surcharge and Ec 3%

If a Investment fund is a any other person the income is taxable at MMR

The income of unit holders are taxable at the rates applicable to them

Conversion of an Indian branch of foreign company into an Indian subsidiary company Sec 115JG		
1	Applicable	Foreign bank branch operating in India
2	transaction	Conversion of foreign bank branch in India to Indian subsidiary
3	Condition	Conversion as per RBI Guidelines/ as per conditions notified by CG
4	Benefits	Capital gains are not taxable in the PY of conversion
		Computation of income of foreign company and Indian subsidiary company would apply with such exceptions, modifications and adaptations as specified in the notification.
		Benefit of carryforward and setoff of losses, tax credit in respect of deemed income paid
5	Default	Conditions not fulfilled, benefits are not available.

Taxation of Secritisation Trust up to 31.05.2016

Levy of additional income-tax on income distributed by securitization trusts 115TA, 115TB and 115TC Applicable from 01.04.2016 to 31.05.2016				
1	Applicable to	Securitisation trust		
2	Nature of amount	Any amount of income distributed to investors		
3	Rates of tax	Category of investor	Rate	Effective rate*
		Mutual fund exempt u/s 10 23(D)	NIL	NIL
		Individual or HUF	25%	28.84%
		Any Other Person	30%	34.608%
		* rates + SC 12%+ EC 3 %		
4	Time limit for payment	Within 14 days from the date of declaration or distribution whichever is earlier		
5	Interest	Delay in payment attracts interest @ 1% per month or part of month		
6	Default	The person responsible for payment of tax would be deemed to be an assessee-in-default if they fail to pay the tax		

Illustration

A securitization trust distributes income of Rs. 50 lakh on 6th April 2016 to its investors comprising of

Category of investor	Income distributed (Rs.)
Mutual funds exempt under section 10(23D)	15,00,000
Individuals and HUFs	7,50,000
Persons other than mentioned in (i) & (ii) above	27,50,000

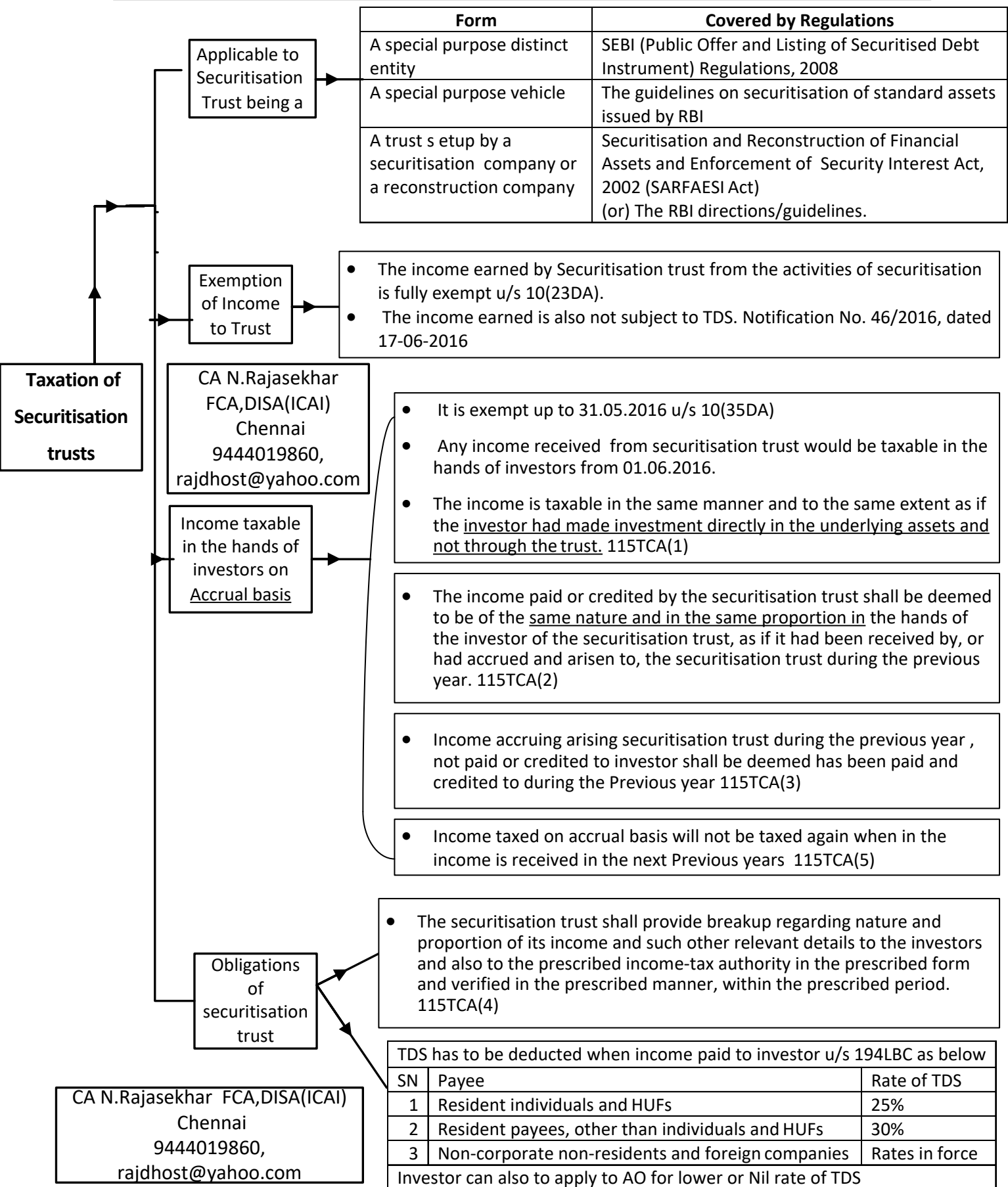
Compute the additional income-tax payable by the trust under section 115TA. Assuming that the additional income-tax payable as per section 115TA is paid to the credit of the Central Government on 25th June 2016 compute the interest, if any payable, under section 115TB

Solution			
Category of investor	Income distributed (Rs.)	Rate of tax	Amount
Mutual funds exempt under section 10(23D)	15,00,000	NIL	NIL
Individuals and HUFs	7,50,000	28.84%	2,16,300
Persons other than mentioned in (i) & (ii) above	27,50,000	34.608%	9,51,720
Total income Distribution tax			11,68,020
Interest on delay for 3 months (working note)			35,041
Total amount payable			12,03,061

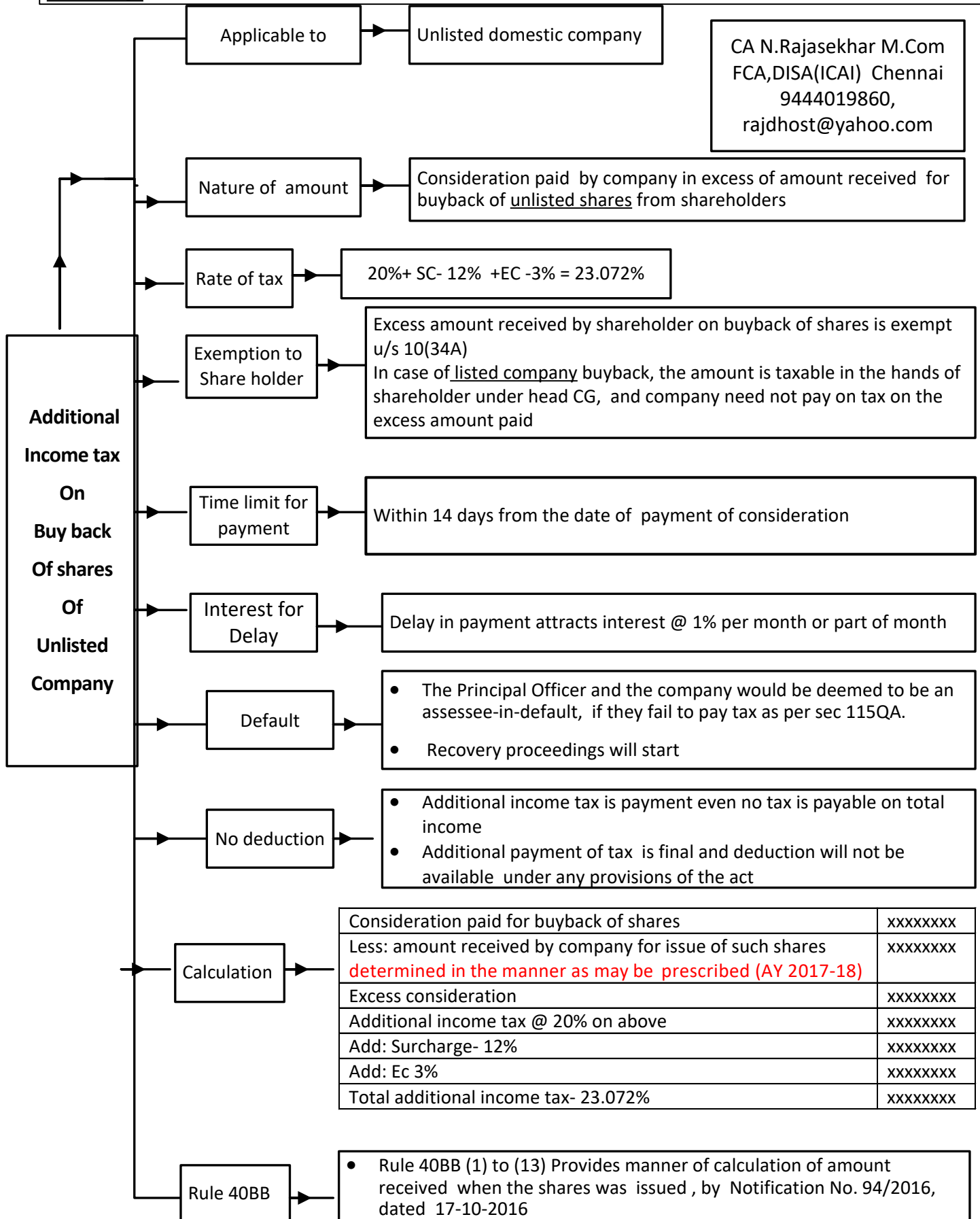
Working Notes: Interest Calculation	
Date of distribution of income	6 th April 2016
Due date for payment of tax	20 th April 2016
Delay calculation	
21 st April to 20 th May 2016	1 month
21 st May to 20 th June 2016	1 month
21 st June to 25 th June 2016 (5 days –Part of month)	1 month
Total delay	3 months
Interest Rs. 11,68,020 x 1% x 3 =	Rs. 35,041

Note: Interest calculation similar in cases of income distribution like DDT, Income tax distribution by Mutual funds, etc

**New taxation Scheme applicable to securitization trusts and its investors 115TCA,
Applicable from 01.06.2016**



Levy of additional income-tax on distributed income of a domestic company on account of buy-back of unlisted shares u/s 77A of the Companies Act - Any law for the time being in-force relating to companies sec 115QA



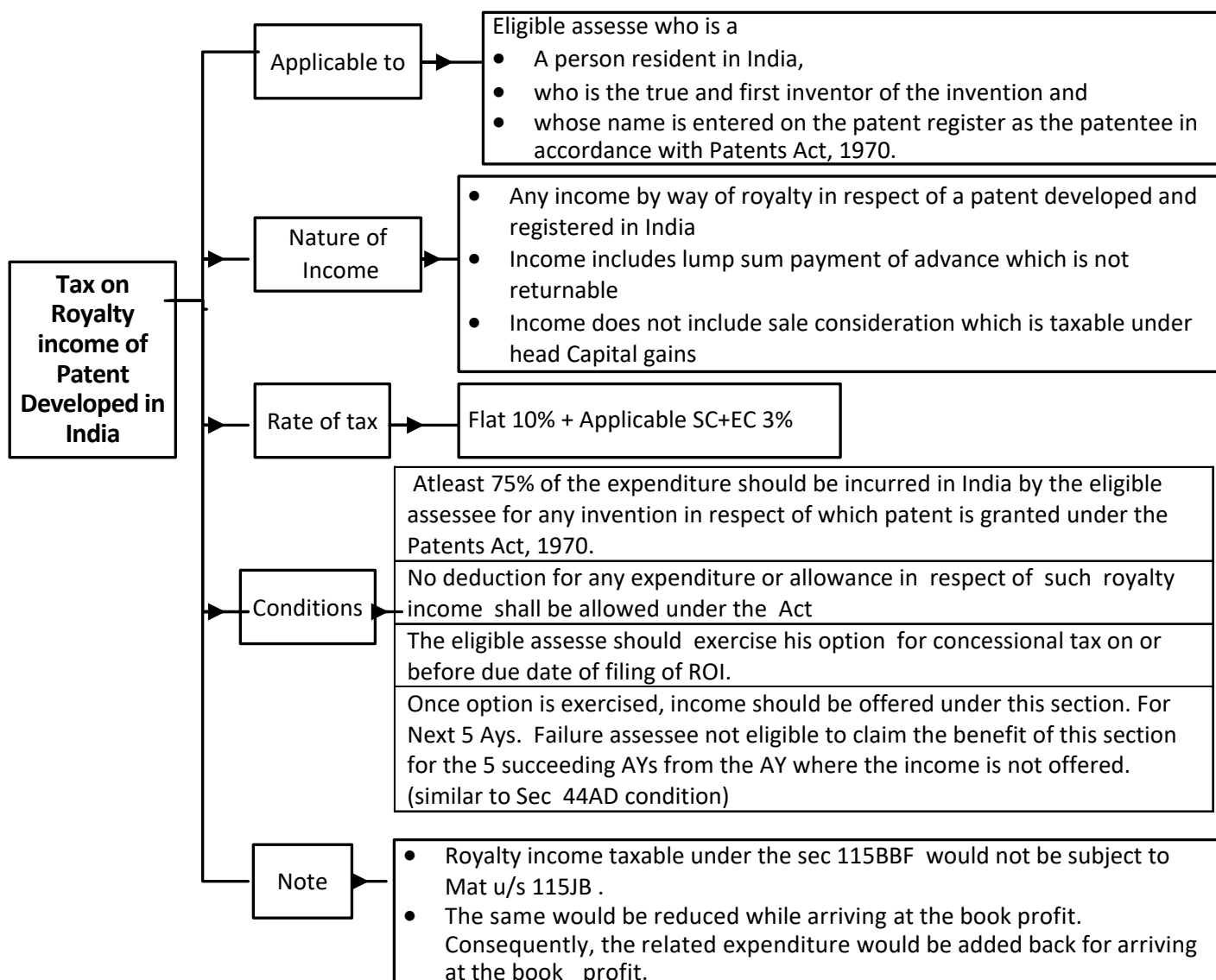
Additional income tax on Buyback continued

Illustration: ABC Ltd., a domestic company, purchases its own unlisted shares on 4th July, 2016. The consideration for buyback amounted to Rs. 42lakh, which was paid on the same day. The amount received by the company two years back which is determined as per prescribed manner under rule 40BB of Income tax rules is Rs. 26 lakhs. Compute the additional income-tax payable by ABC Ltd. Compute the interest, if any, payable if such tax is paid to the credit of the Central Government on 29th September, 2016.

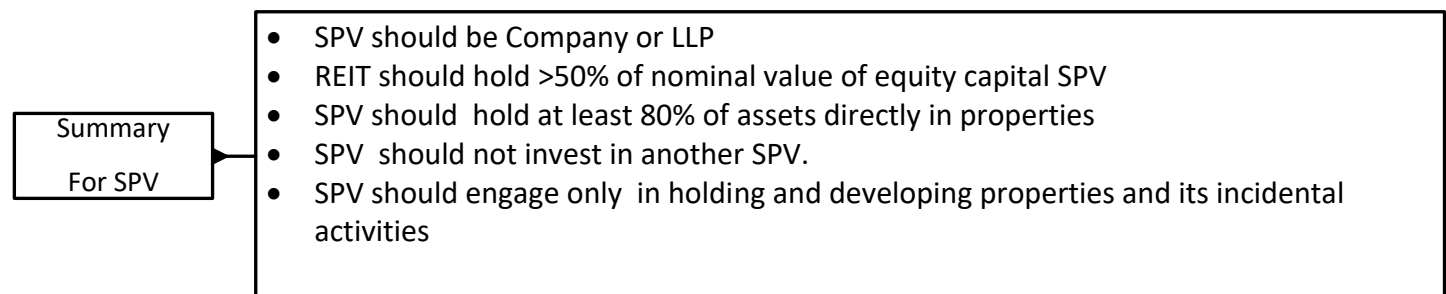
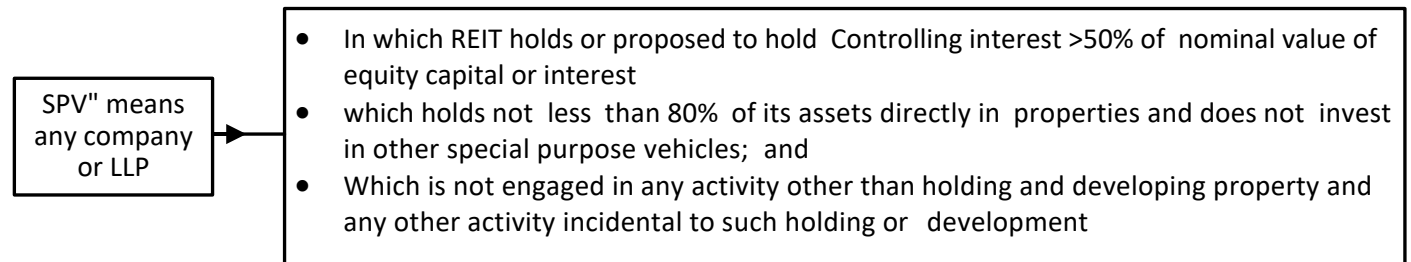
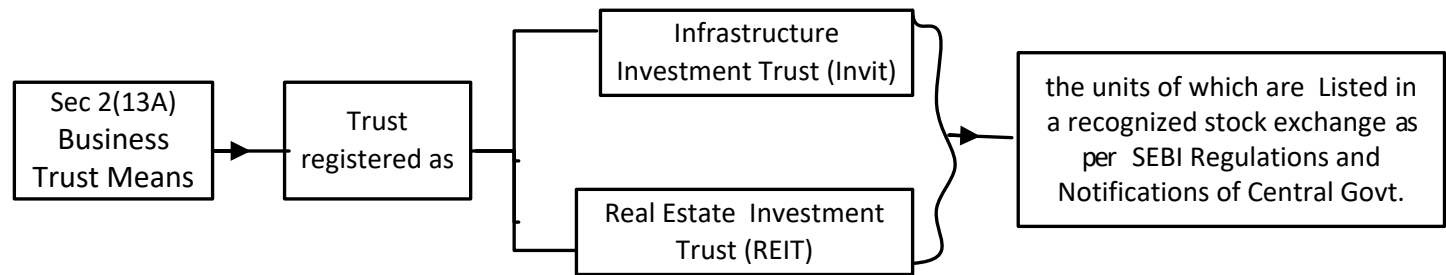
Solution:	
Consideration paid for buyback of shares	42,00,000
Less: amount received by company for issue of such shares determined in the manner as may be prescribed	26,00,000
Excess consideration	16,00,000
Additional income tax @ 23.072% on above	3,69,152
Interest from 19 th July to 29 th September 2016 (2 months+11 days or 3 months)	
$369152 \times 1\% \times 3 =$	11,075

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Concessional Taxation for royalty income in respect of patent developed and registered in India [Section 115BBF] from AY 2017-18

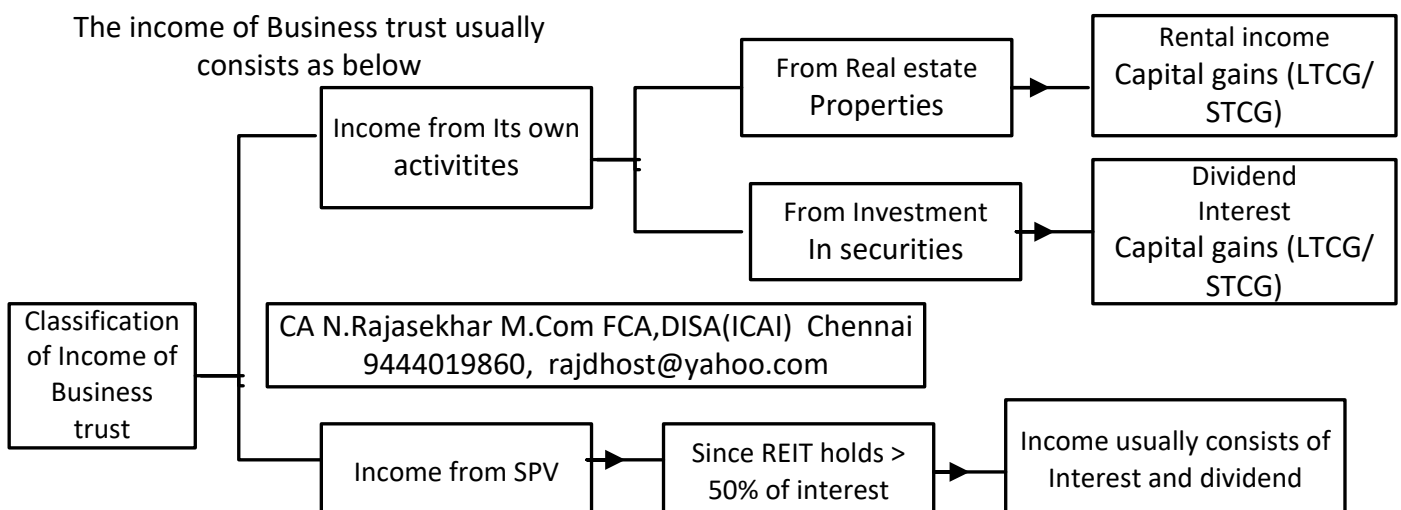


Taxation of Business trust and Its Unit holders Sec 115UA, Sec 1023(FC) & 1023(FD)-1



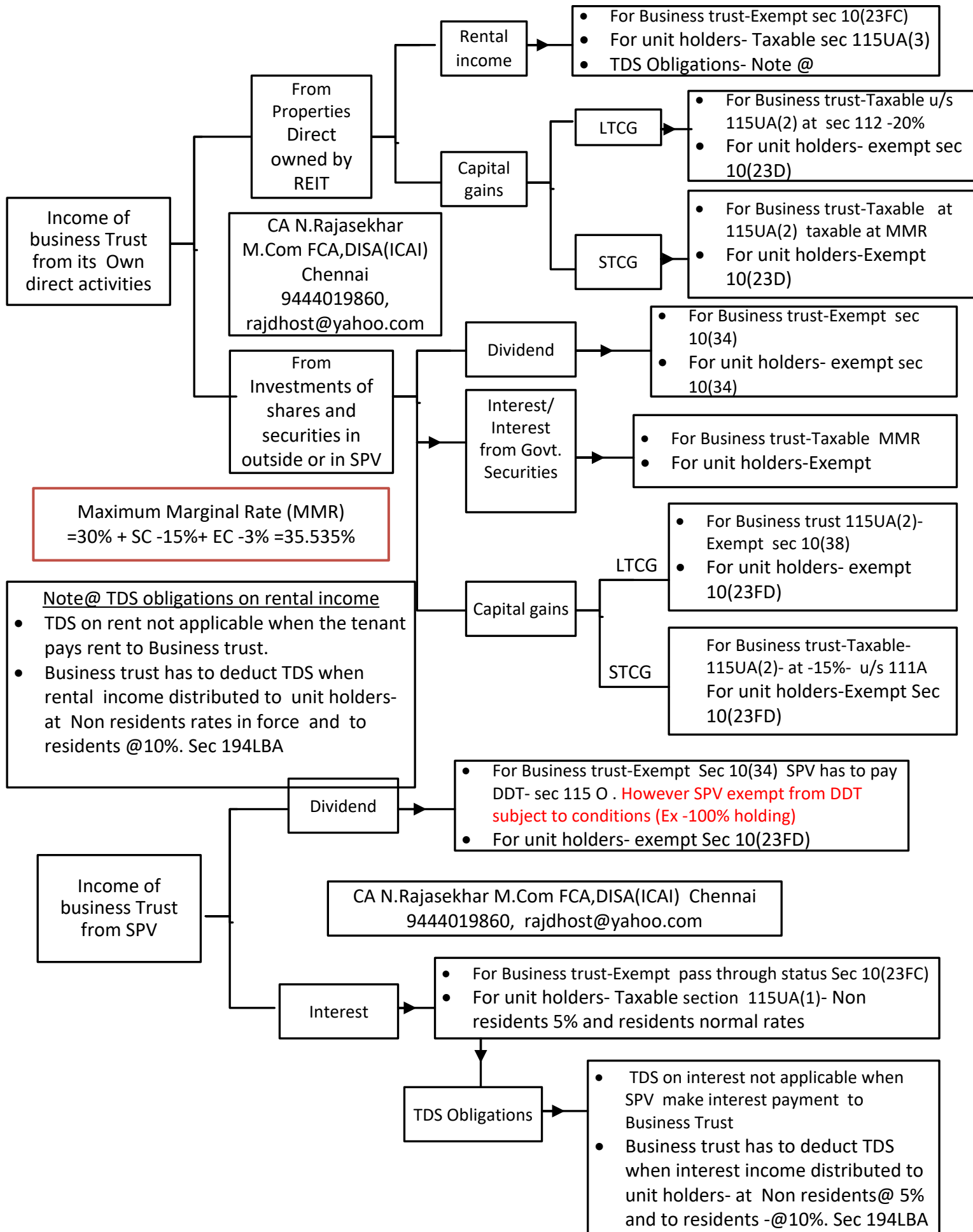
- SEBI has notified, Infrastructure Investment Trust (Invit) and Real Estate Investment Trust (REIT) regulations 2014,
- REIT/(Invit) shall be set up as a trust and registered with SEBI. It shall have parties such as Trustee, Sponsor(s) and Manager.
- REIT/(Invit) raise funds through initial offer, right issue and institutional placement etc.,
- REIT invest directly or through SPV in commercial real estate properties where as Invit. Invests directly or through SPV in infrastructure projects

The income of Business trust usually consists as below



- The above income will be distributed by Business trust to its unit holders.
- Certain incomes are taxable in the hands of business trust and certain income are taxable in the hands of unit holders and certain income are exempt.
- Taxation of above discussed in next sheet

Taxation of Business trust and its unit holders-2



Assessment of Companies -15

Taxation of Business trust and unit holders -3

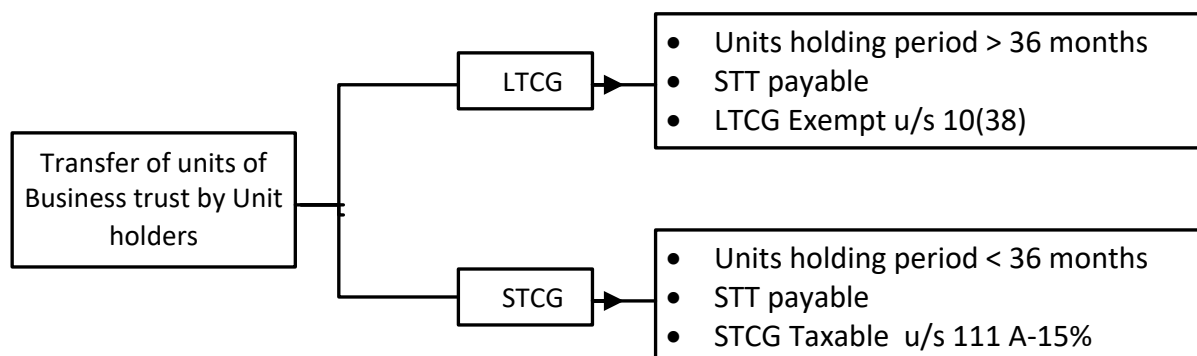


Illustration on Taxation of Business Trust and Unit holders

A business trust, registered under SEBI (Real Estate Investment Trusts) Regulations, 2014, gives particulars of its income for the P.Y.2016-17

Particulars	Rs in Crores.
Interest income from Gama Ltd.	14.00
Dividend income from Gama Ltd.	12.00
Short-term capital gains on sale of listed shares of Gama Ltd.	11.50
Short-term capital gains on sale of developmental properties	11.00
Interest received from investments in unlisted debentures of Real estate companies	1.00
Rental income from directly owned real estate assets	12.50
Long Term Capital Gains on sale of real estate property	2.50
Long Term Capital Gains on sale of listed shares of Gama Ltd	12.50
Interest on Government Securities	11.00
Total income of REIT	88.00

Gama Ltd. is an Indian company in which the business trust holds 70% of the shareholding of Gama Ltd. Discuss the tax consequences of the above income earned by the business trust in the hands of the business trust and the unit holders, assuming that the business trust has distributed Rs.70 crore to the unit holders in the P.Y.2016-17

Assessment of Companies -16

Taxation of Business trusts -4

Solution				
Business trust holds 70% of controlling interest in Gama Ltd, Hence Gama Ltd is SPV of Business Trust				
SN	Particulars	Business trust	Unit Holders	Remarks
1	Interest income from Gama Ltd.	Exempt 10(23FC)	Taxable 115UA(1)	For Business trust pass through status it is exempt. Business trust has to deduct TDS u/s 194LBA. @ 10% for residents & 5% for non-residents Each Unit holders taxable proportionately @ 10% for residents & 5% for non-residents
2	Dividend income from Gama Ltd.	Exempt 10(34)	Exempt 10(23FD)	Business trust Exempt. SPV pay DDT.(If Bt holds 100% in Special conditions SPV Exempt from DDT) Distributed income from SPV other than interest exempt in the hands of unit holders
3	Short-term capital gains on sale of listed shares of Gama Ltd.	Taxable Sec 115UA(2)	Exempt 10(23FD)	Business trust taxable u/s 111A @15% + applicable SC + EC 3%. STCG exempt in the hands of Unit holders.
4	Short-term capital gains on sale of developmental properties	Taxable Sec 115UA(2)	Exempt 10(23FD)	Business trust taxable at MMR 35.535% STCG exempt in the hands of Unit holders.
5	Interest received from investments in unlisted debentures of real estate companies	Taxable Sec 115UA(2)	Exempt 10(23FD)	Business trust taxable at MMR 35.535% STCG exempt in the hands of Unit holders.
6	Rental income from directly owned real estate assets	Exempt 10(23FCA)	Taxable Sec 115UA(3)	Business trust Exempt. Person paying rent to BT need not deduct TDS. Business Trust has to Deduct TDS when income distributed to Unit holders, for residents @10%. Non Residents at rates in force. Distributed income by way of renting or leasing or letting out any real estate asset owned directly by such REIT is deemed income of the unit holder as per section 115UA(3) and it is taxable
7	Long Term Capital Gains on sale of real estate property	Taxable Sec 115UA(2)	Exempt 10(23FD)	Business trust taxable @ 20% u/s 112 Units holders exempt u/s 10 (23FD)
8	Long Term Capital Gains on sale of listed shares of Gama Ltd	Exempt 10(38)	Exempt 10(23FD)	Business trust Exempt Units holders exempt u/s 10 (23FD)
9	Interest on Government Securities	Taxable Sec 115UA(2)	Exempt 10(23FD)	Business Trusts taxable at MMR 35.535% Units holders exempt u/s 10 (23FD)
Calculation of share of Total Unit holders' taxable income				
Particulars				Rs in Cr.
Total Income of REIT				88.00
Income distributed to unit holders				70.00
Interest income from Gama Ltd				14.00
Rental income from directly owned real Estate assets				12.50
Portion of Interest income from Gama Ltd distributed to Unit holders = $70/88 \times 14 =$				11.14
Portion of Rental income distributed to Unit holders = $70/88 \times 12.50 =$				9.94
Income exempt in the hands of unit holders $70.00 - 11.14 - 9.94 =$				48.92

Assessment of Companies -17

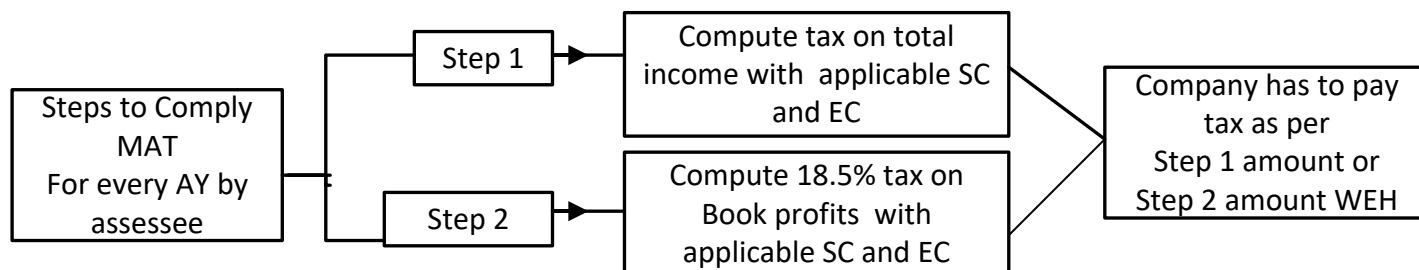
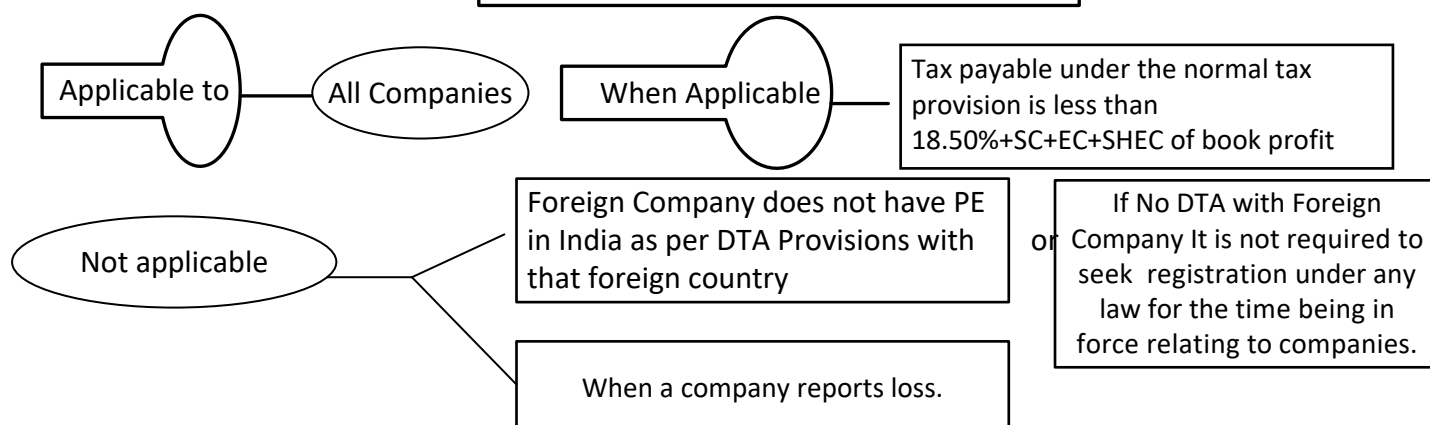
Tax on income from life insurance business Sec 115B

1	Applicable	Company having income from life insurance business
2	Rate	Income from such life insurance business is taxable at flat rate of 12 ½%
3	Conditions	Income should be calculated as per schedule I of IT Act
		No other deductions
		Other income if any taxable at normal rates.
4	Benefit	Income from life insurance is not subject to MAT

Taxation of investment income/loss of non-life insurance business Rule 5 Computation of income

1	Applicable	Company having income from non- life insurance business
2	Computation	Profit should be considered before making any appropriation
		Income should be prepared after adjustment of unexpired risks, disallowances from section 30 to 43 B
		Provision for diminution in the value of investment and disallowances u/s 30 to 43 B should be added back
		Any gain or loss on realization of investments not credited or debited to profit and loss account, shall be added or deducted, as the case may be

Minimum Alternative tax MAT Sec 115JB



- If Step 2 amount is paid, the assessee will get a tax credit, which is known as Mat credit.
- Mat credit = Step 2 amount minus step 1 amount
- The Mat credit can be c/f for a period of 10 AYS and can be set off when tax payable under normal income tax provisions under step 1.
- Step 1 amount minus mat credit should not be less than mat amount calculated under step 2
- In case of conversion of a private company or unlisted public company into an LLP, Mat credit cannot be c/f by LLP

Computation of book Profit for MAT Purpose		
	Net profit as per Profit and Loss account prepared as per Sch. VI using accounting policies, standards as laid down before AGM	xxxxxx
	Add: If the following items are debited to PL Account	
1	Income-tax paid/ or payable, provision	xxxxxx
2	SC on Income tax EC , Interest on Income tax	xxxxxx
3	dividend distribution tax / tax on distributed income	xxxxxx
4	Amount carried to any reserves other than shipping reserve u/s 33AC	xxxxxx
5	amounts set aside to provision for meeting liabilities other than ascertained liabilities; or	xxxxxx
6	amount of provision for losses of subsidiary companies; or	xxxxxx
7	amount of dividends paid or proposed; or	xxxxxx
8	amount of expenditure relatable to any income to which section 10 [other than section 10(38)] or 11 or 12 apply; or	xxxxxx
9	amount of expenditure relatable to income, being share of the assessee in the income of an AOP or BOI, on which no income-tax is payable in as per section 86; or	xxxxxx
10	the amount of expenditure relatable to income accruing or arising to an assessee, being a foreign company, from –	
	the capital gains arising on transactions in securities; or	xxxxxx
	the interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII,	xxxxxx
11	if the income-tax payable thereon in accordance with the provisions of the Act, other than the provisions of this Chapter, is at a rate less than 18.5%; or	xxxxxx
12	the amount representing notional loss on transfer of a capital asset, being share or a special purpose vehicle to a business trust in exchange of units allotted by that trust or the amount representing notional loss resulting from any change in carrying amount of said units or the amount of loss on transfer of such units; or	xxxxxx
13	the amount of depreciation; or	xxxxxx
14	the amount of deferred tax and provision therefor; or	xxxxxx
15	the amount set aside as provision for diminution in the value of any asset.	xxxxxx
The net profit shall also be increased by		
	the amount standing in revaluation reserve relating to the revalued asset on the retirement or disposal of such asset, in case the same is not credited to the profit and loss account.	xxxxxx
	the amount of gain on units of business trust are actually transferred has to be added to compute the book profit, (since notional gains on transfer of share of a special purpose vehicle to a business trust in exchange for the units of the business trust and notional gains resulting from change in carrying amount of such units have been deducted earlier to compute book profit. The amount of gain has to be computed by taking into consideration the cost of shares exchanged with the units of the business trust, in a case where the shares are carried at cost. In a case where the shares are carried at a value other than the cost through profit and loss account, the carrying amount of shares at the time of exchange would be <i>taken into consideration for computing the amount of gain</i> . The amount of gain on such transfer, if any, credited to profit and loss account will be reduced.)	xxxxxx
The net profit shall be reduced by the following amounts:		
1	amount withdrawn from any reserve or provision, if any, such amount is credited to the profit and loss account. However, the amount withdrawn from reserves/provisions shall not be reduced from the book profit unless the book profit of that year has been increased by those reserves/ provisions;	xxxxxx
2	amount of income to which section 10 [other than section 10(38)] or 11 or 12 apply, if such amount is credited to the profit and loss amount;	xxxxxx

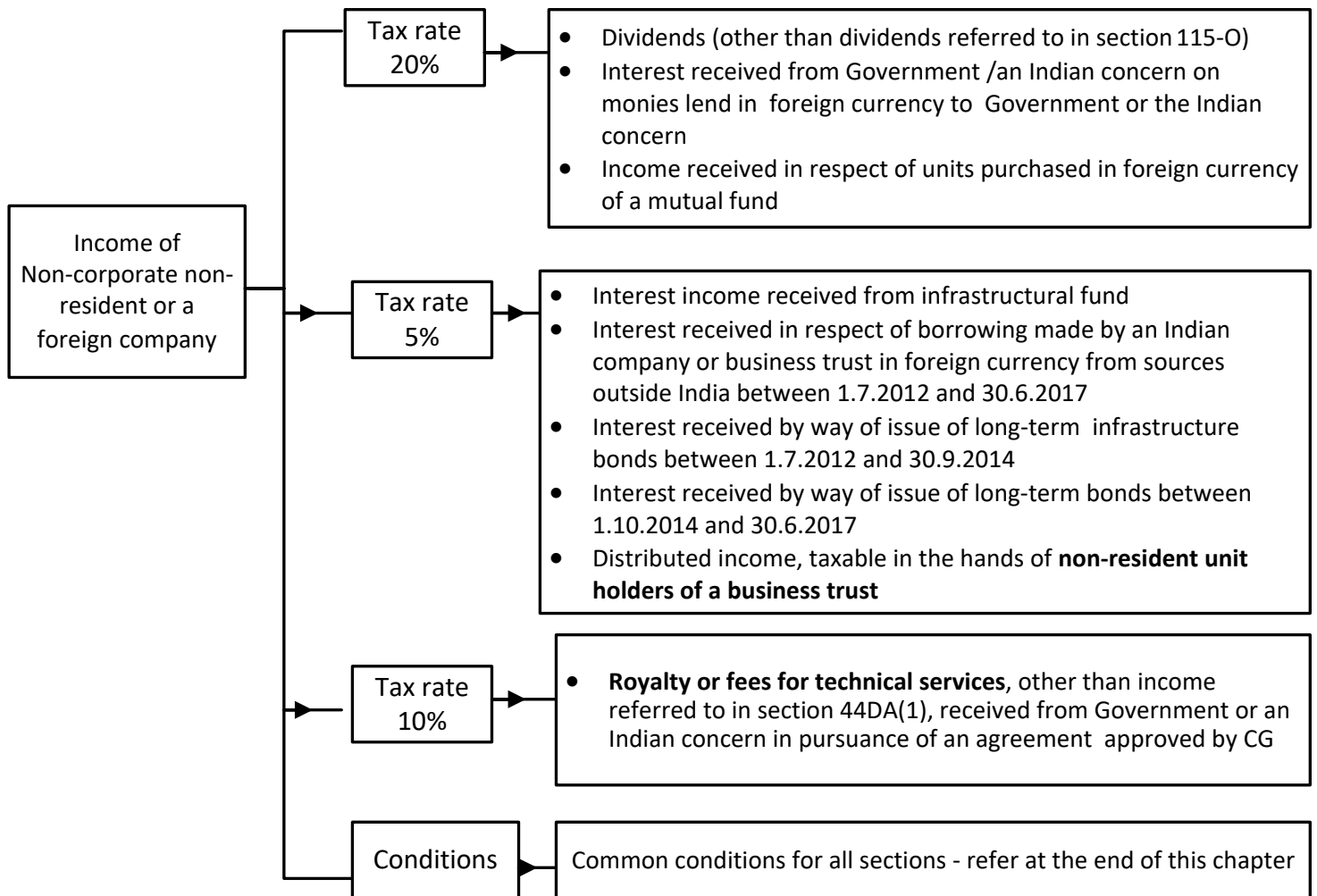
3	the amount of depreciation debited to the profit and loss account (excluding the claim of depreciation on account of revaluation of assets);	xxxxxx
4	the amount withdrawn from the revaluation reserve and credited to the profit and loss account, to the extent it does not exceed the amount of depreciation on revaluation of assets;	xxxxxx
5	the amount of income, being the share of the assessee in the income of an AOP or BOI, on which no income-tax is payable in accordance with the provisions of section 86, if any such amount is credited to the profit and loss account; or	xxxxxx
6	the amount of income accruing or arising to an assessee, being a foreign company, from, - the capital gains arising on transactions in securities; or the interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII, if such income is credited to the profit and loss account and the income-tax payable thereon in accordance with the provisions of the Income-tax Act, 1961, other than the provisions of Chapter XII-B, is at a rate less than 18.5%; or	xxxxxx xxxxxx xxxxxx
7	the amount representing – the notional gain on transfer of a capital asset, being a share of a SPV to a business trust in exchange of units allotted by the business trust; notional gain resulting from any change in carrying amount of said units; or gain on transfer of such units, if any above incomes credited to profit and loss account;	xxxxxx xxxxxx xxxxxx
8	the amount of loss on transfer of units acquired in exchange of shares of SPV computed by taking into account the cost of the shares exchanged with the units, where the shares are carried at cost. In case shares are carried at a value other than cost through profit and loss account, the amount of loss on transfer of such units has to be computed by taking into account the carrying amount of the shares at the time of exchange;	xxxxxx
9	the interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII, if such income is credited to the profit and loss account and the income-tax payable thereon in accordance with the provisions of the Income-tax Act, 1961, other than the provisions of Chapter XII-B, is at a rate less than 18.5%; or	xxxxxx xxxxxx
10	amount of income by way of royalty in respect of patent chargeable to tax under section 115BBF. If any expenditure debited to PL Account that also be added	xxxxxx
11	amount of brought forward loss or unabsorbed depreciation, whichever is less as per books of account. The loss shall not include depreciation; If either the figure of brought forward loss or unabsorbed depreciation is –NIL, no deduction will be allowed from the book profit of the relevant year;	xxxxxx
12	amount of profits of a sick industrial company (BIFR company) commencing from the previous year in which the company became sick and ending with the assessment year during which the entire net worth becomes positive.	xxxxxx
13	the amount of deferred tax, if any such amount is credited to the profit and loss account	xxxxxx
Book Profit		xxxxxx
Mat @18.5% above		xxxxxx
Add: SC		xxxxxx
Sub total		xxxxxx
Add EC -3%		xxxxxx
Total Mat amount		xxxxxx

Note: In case of unit located in International Financial Services Centre and deriving its income solely in convertible foreign exchange, the MAT will be charged @9% instead of 18.5% (FA 2016)

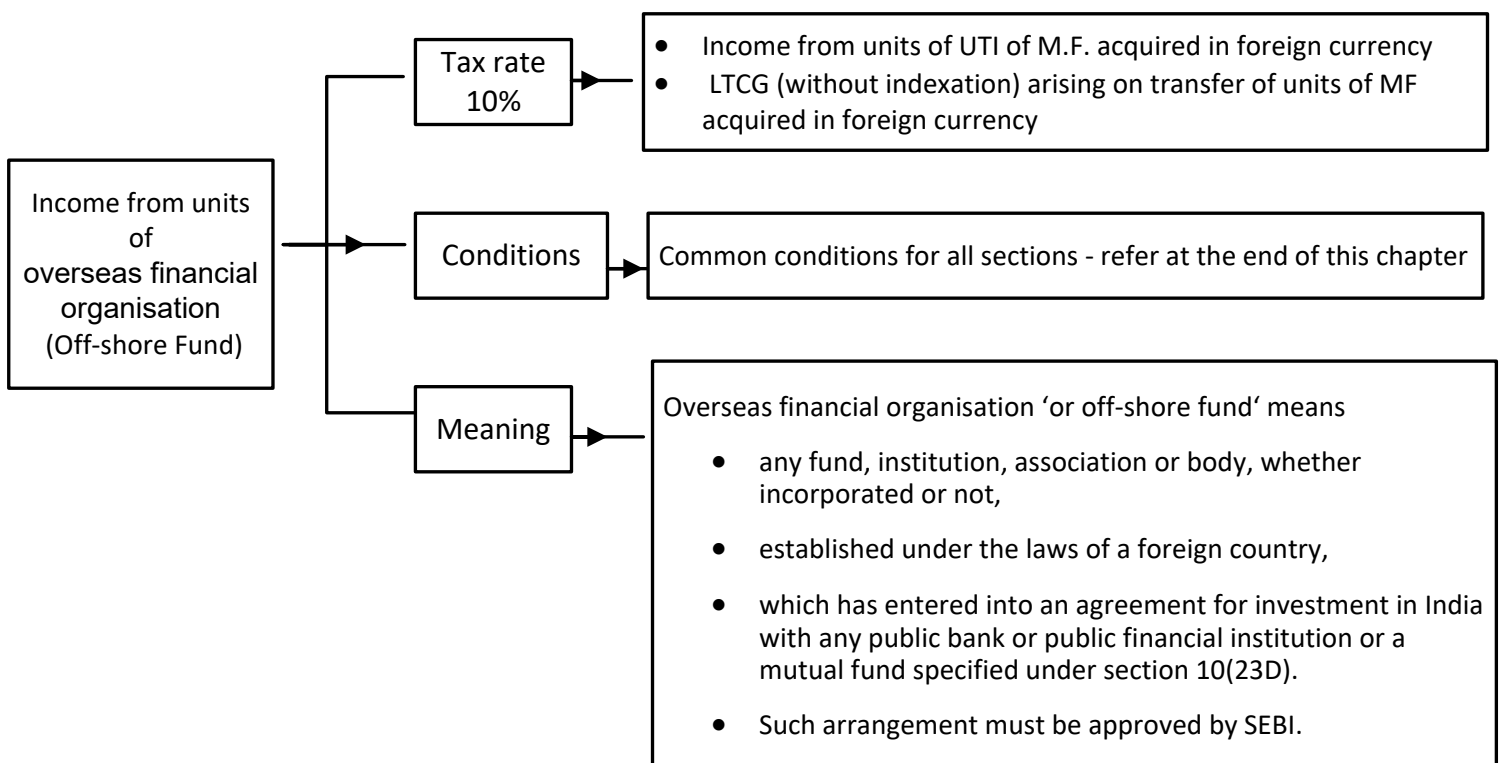
Surcharges in case of MAT		
Book profit in Rs.	Domestic Company	Foreign Company
Up to Rs. 1 crore	NIL	NIL
>1 crore <= 10 Crore	7%	2%
>10 crore	12%	5%

Computation of Tonnage Income from Business of Operating Qualifying Ships Sec 115VA to 115VZC			
1	Applicable to	Qualifying Company, which means	
		Indian company having place of effective management is in India	
		Having at least one qualifying ship	
		the main object of the company is to carry on the business of operating ships	
		Qualifying ship means ocean going ship or vessel with net 15 tonnage registered or licensed under Merchant shipping Act 1958	
2	Income of PGBP under scheme	Qualifying ship having net tonnage	Amount of daily tonnage income
		Up to 1000	70 for each 100 tons
		Exceeding 1,000 but not more than 10,000	Rs. 700 plus Rs. 53 for each 100 tons exceeding 1,000 tons
		Exceeding 10,000 but not more than 25,000	Rs. 5,470 plus Rs. 42 for each 100 tons exceeding 10,000 tons
		Exceeding 25,000Rs.	Rs. 11,770 plus Rs. 29 for each 100 tons exceeding 25,000 tons
		- The slab is per ship and per day. - Total income is to be arrived by considering the total no of ships and no of days operated. Income shall be taxed at the rate applicable to the Company	
3	Opting for Scheme	The Company shall file an application to the JCIT in the prescribed form within 3 months of its incorporation/or from 1.10.2004 or with in 3 months of the date on which it became a qualifying Company	
		The JCIT shall pass an order of approval or refusal	
		The order for approval of the JCIT shall be valid for a period of 10 years.	
		Review or order for further period of 10 years	
4	Conditions after opting	The Company shall create at least 20% of the book profit u/s 115JB as a reserve called Tonnage Tax Reserve. The reserve used for purchase of new ships etc within 8 years. Reserve should not be used for declaration of dividend or distribution of profit	
		Non utilization of reserve will be treated as deemed income	
		Newly acquired ships should not be transferred for a period of 3 years	
		The Company shall comply with minimum training requirements in respect of its trainee officers and its compliance certificate from Director General of shipping (DGS) shall be furnished along with return of income. Noncompliance for consecutive 5 years the option cease have effect	
		No deductions and disallowances from sec 30 to 43B	
		No deductions from Gross total income. No set off and carry forward of loss and carry forward of unabsorbed depreciation.	
		Maintenance of separate books of accounts and audit by CA	
5	Withdrawal from Scheme	The qualifying Company ceases to be the qualifying Company if,	
		It fails to create a Tonnage Tax Reserve for a period of two consecutive previous years	
		It fails to comply with the minimum training requirements for 5 consecutive previous years	
		It operates more than 49% of the net tonnage during the previous year as chartered in.	
		It abuses the provisions of Tonnage scheme to avoid tax.	
		It voluntarily files a declaration in writing to the A.O that the provisions of this scheme may not be made applicable to it. Once opted out reentry not permitted for 10 years	

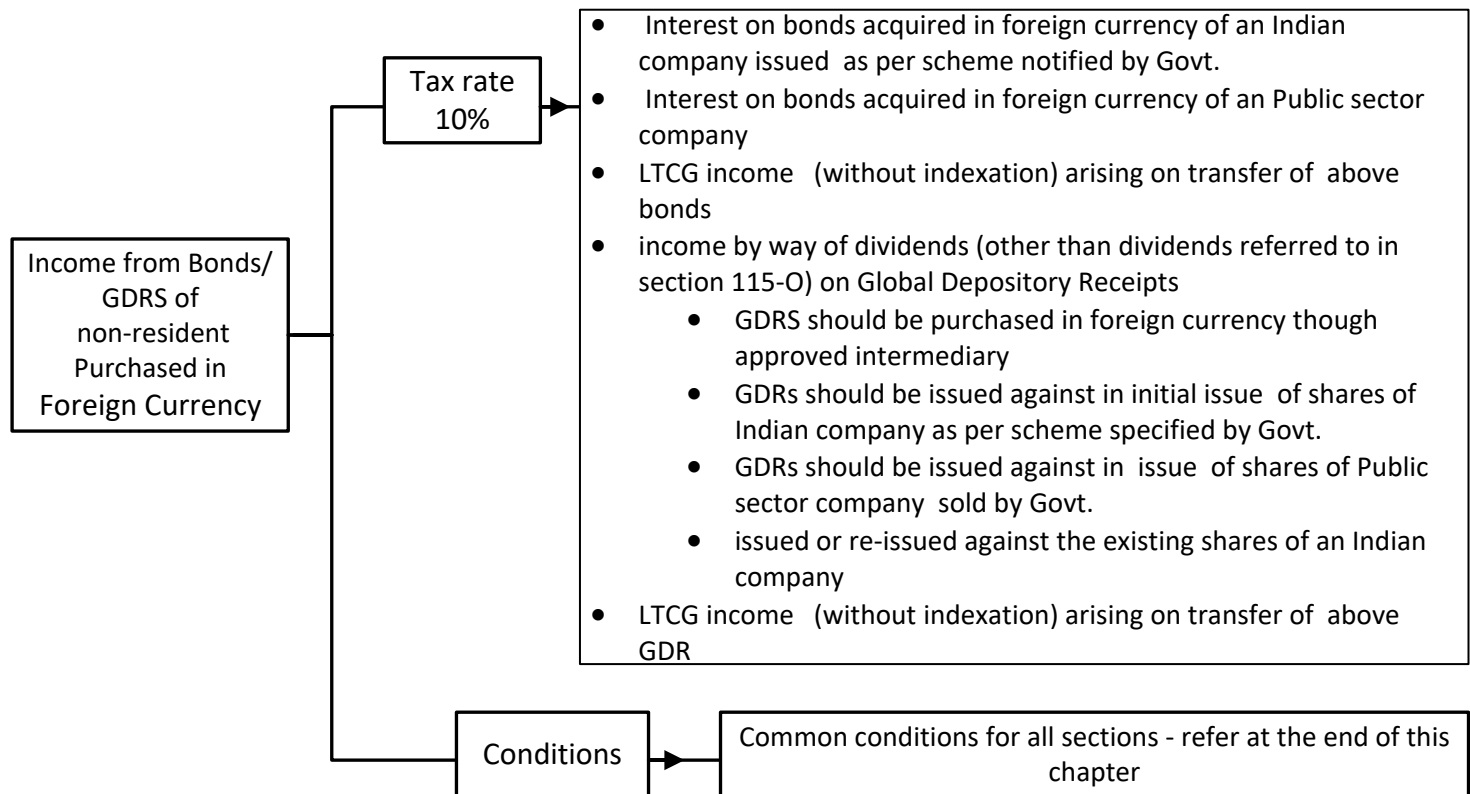
Section 115A: Interest dividend, royalty income of Non Resident and Foreign Company



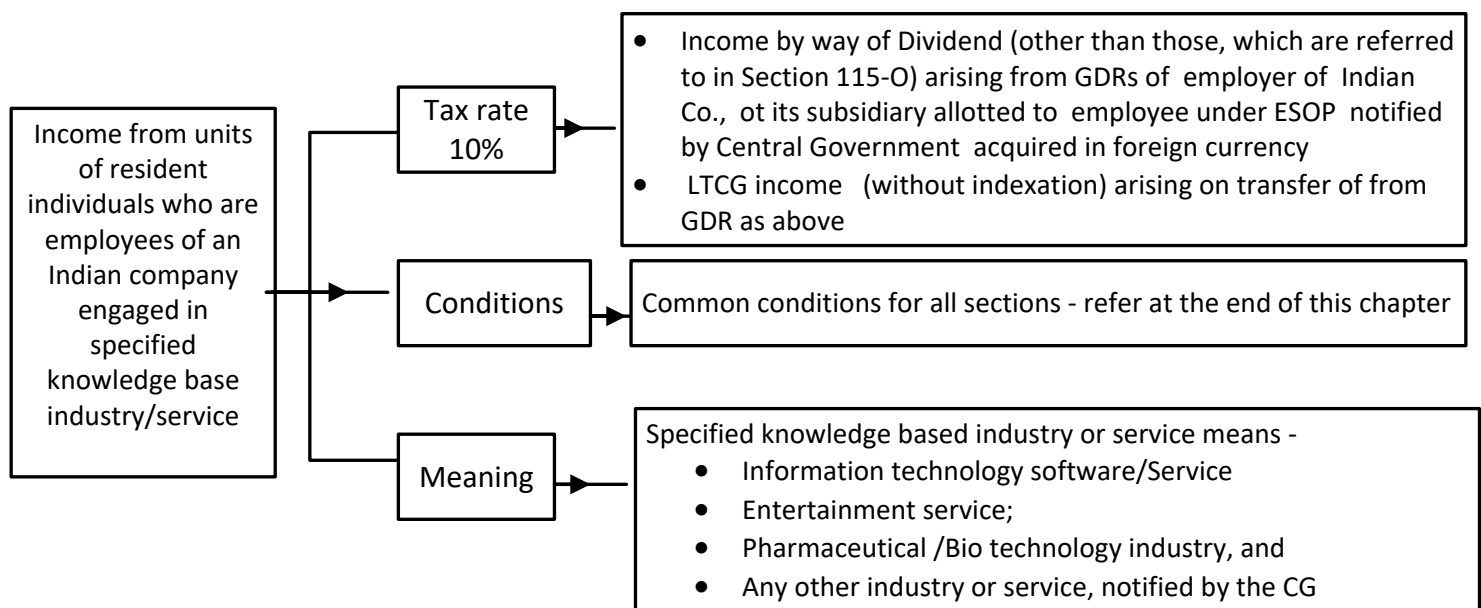
Section 115AB income from Units purchased in foreign currency by Overseas Financial organisation (Off shore Funds)



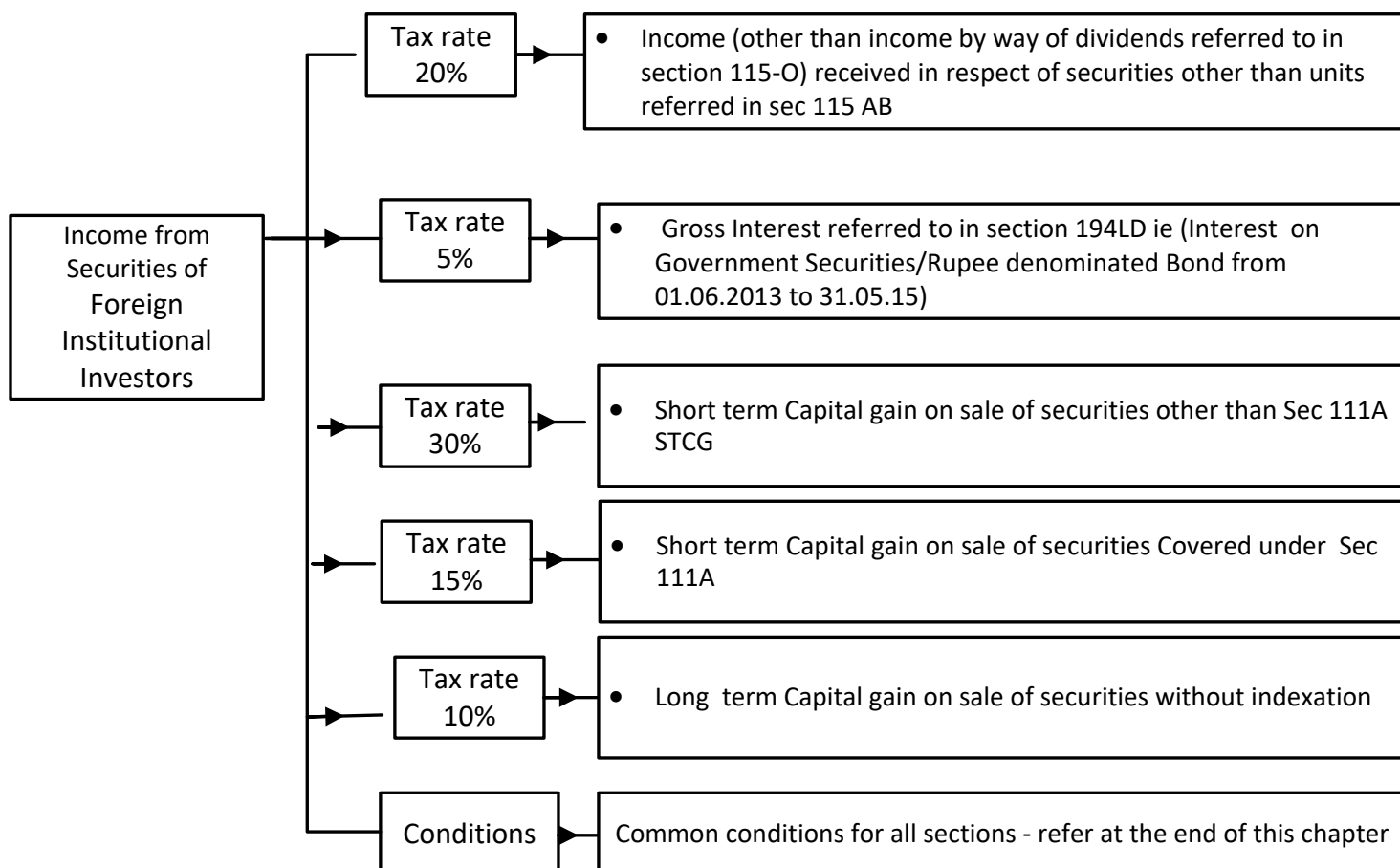
Section 115AC :Tax on income from bonds or Global Depository Receipts purchased in foreign currency or capital gains arising from their transfer



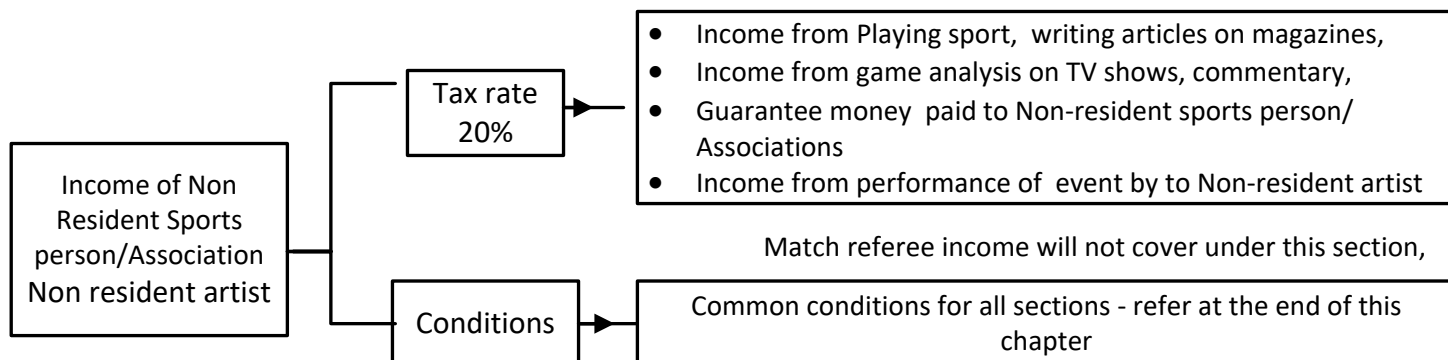
Section 115ACA :Tax on income from Global Depository Receipts purchased in foreign currency or capital gains arising from their transfer for employees of Indian Company



Section 115AD :Tax on income of Foreign Institutional Investors from securities or capital gains arising form their transfer:



Section 115BBA :Tax on income of Non Resident Sport person/Association/Non Resident Artist



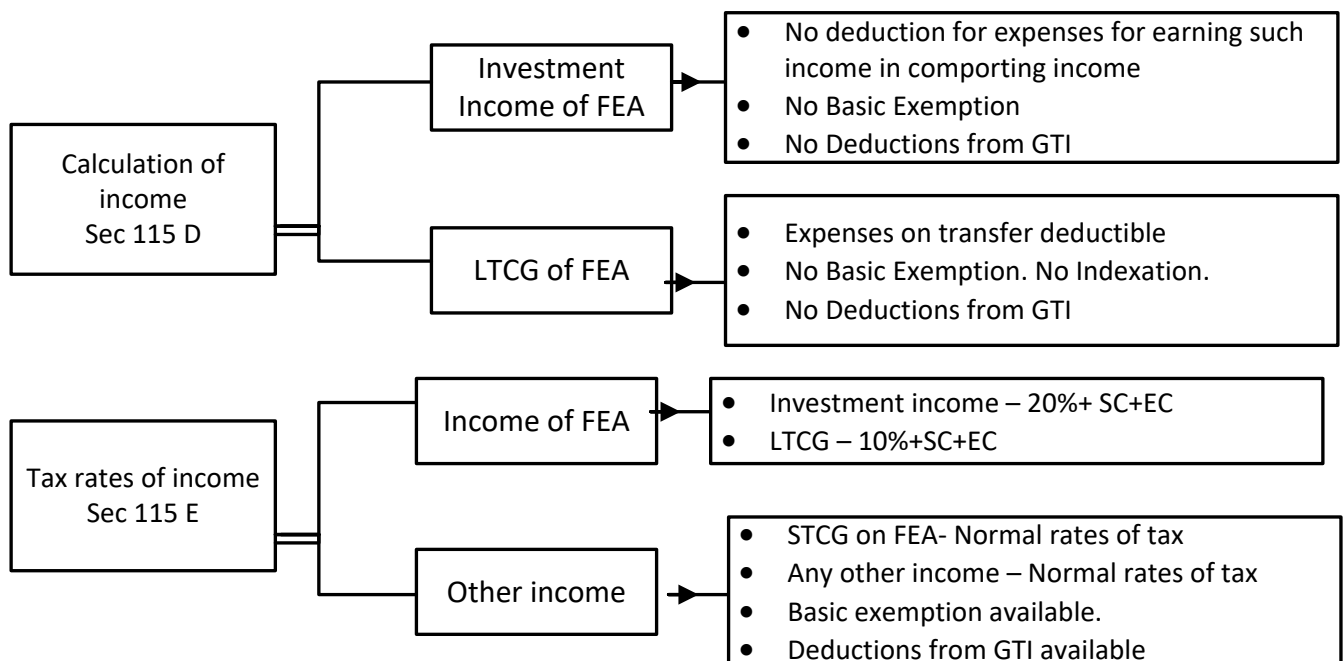
Common conditions to tax income at special rates from sec 115 A to 115 BBA given as above

1	No deductions for any expenditure in computing the income from sec 28 to 44 C or sec 57
2	Deductions from GTI is not available for any of the above incomes
3	If assessee has any other incomes for that other income alone deductions from GTI is available
4	No Indexation Benefit will be allowable while calculating LTCG mentioned in any of the above mentioned sections
5	All the above mentioned rate of tax shall be further increased by applicable rate of Surcharge and Education Cess wherever applicable
6	If India has DTA with the country where assessee has resident in that country, income is taxable as per rate of DTA or as per rates given in these sections which is lower.
7	If India has no DTA income is taxable as per special rates
8	With regards to the incomes covered by 115A, 115AC, 115BBA the ROI is not required to be filed by the assessee covered by these sections if tds has been deducted in respect of these income and if he has no other income.

- ⇒ The taxability of a Non-Resident Individuals will be governed by provisions of this chapter. However, this chapter are optional.
- ⇒ A Non-Resident Indian may opt to be governed by normal provisions of the Income Tax Act, as are applicable to Residents.
- ⇒ The provisions of this chapter are applicable only specified incomes.
- ⇒ Any income, which is not covered by provisions of this chapter, will be charged to tax as per normal rates of tax as are applicable to residents

Definitions : Sec 115 C

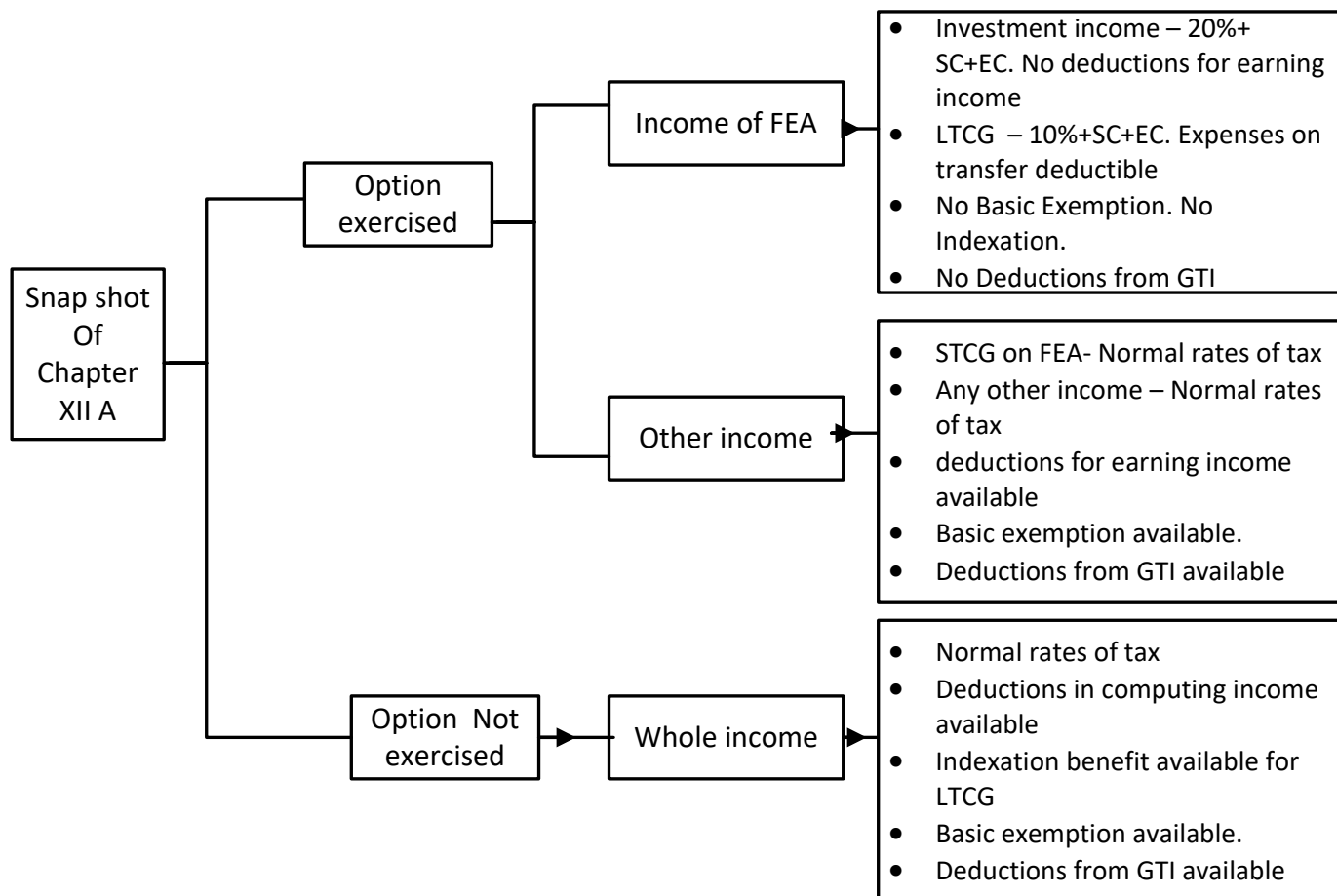
1	Foreign exchange asset (FEA)	Means any of the following assets purchased, acquired or subscribed to in convertible foreign exchange Shares of an Indian Company Debentures of an Indian Public Company Deposits with an Indian Public Company Securities of Central Govt. Any other assets as may be notified by Central Govt.
2	Investment income	means any income derived (other than dividends referred to in section 115-O) from a foreign exchange asset
3	LTCG	Means income chargeable under the head —Capital Gains relating to a capital asset, being a foreign exchange asset which is not a short-term capital asset.

**Exemption can be claimed on transfer of LTCG of FEA as below**

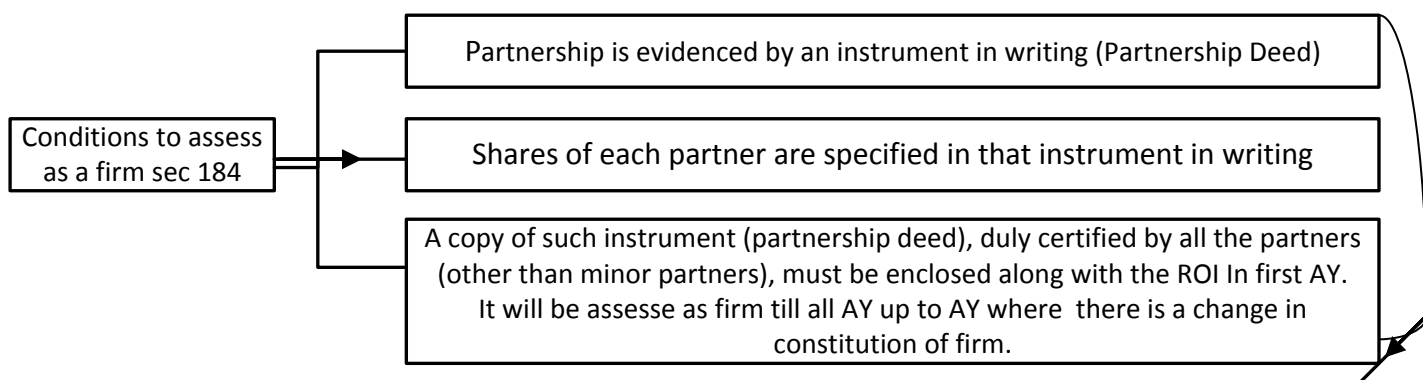
New asset to purchase	Foreign Exchange asset
	Certificates specified in Sec 10 (4B) ie NSC
Time limit	6 Months from the date of transfer
Amount of exemption	If Entire net consideration is used for purchase of new asset- Full Capital gain exempt
	If Part of net consideration is used exemption limited to Cost of New Asset x Capital gain/Net Consideration (similar to sec 54 F)
Exemption withdrawn	If New Asset is transferred or converted (otherwise than by transfer) into money, within a period of 3 years from the date of its acquisition, the capital gain, exempted earlier taxed in the PY of Conversion/transfer.

Exemption of LTCG of FEA
Sec 115 F

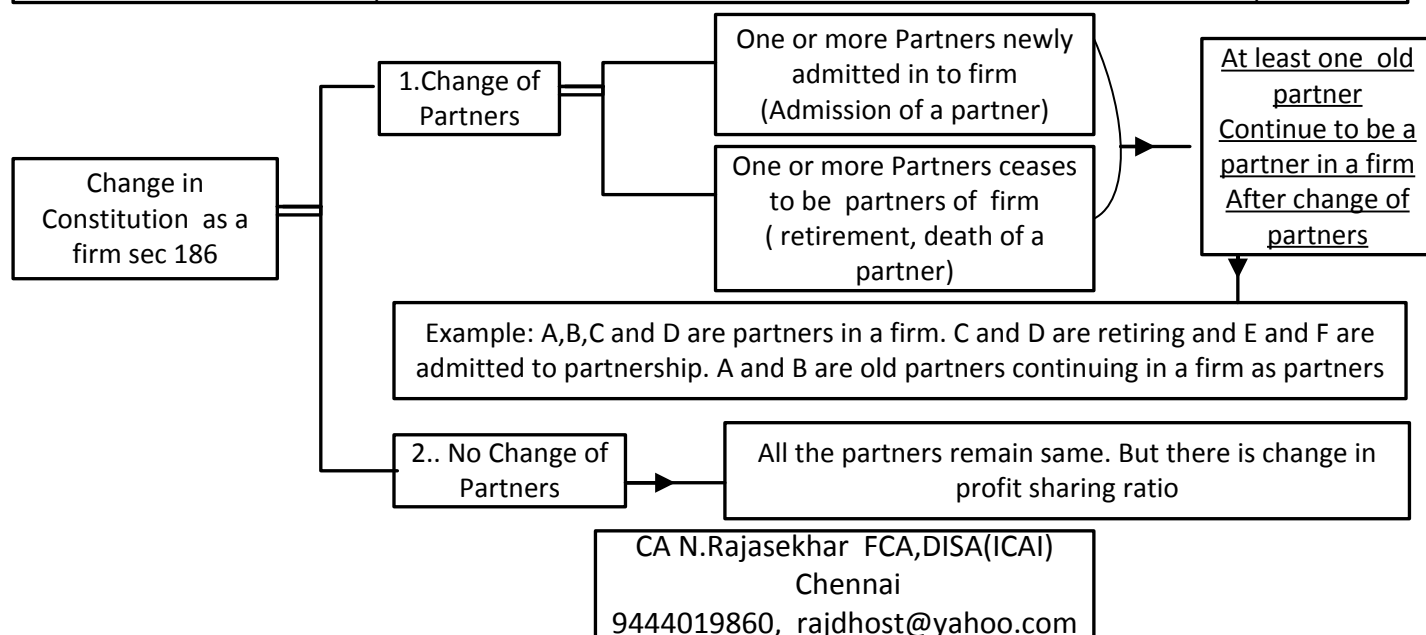
Other Provisions	
Sec 115G	ROI need not filed. If the TDS is deducted on income from FEA and there is no other income
Sec 115 H	If Nonresident Indian becomes resident in any subsequent PY, He can make a declaration to AO, the provisions of Chapter XII A continue to apply to him. However he can choose this option only till the time he hold Foreign exchange Asset
Sec 115I	Chapter XII A Provisions and its special rates are only Optional.
	NRI may choose not to apply these provisions, by declaring in the ROI about this.
	In such case the normal provisions of Income tax is applicable to him



Assessment of firms- Applicable Specific sections		
1	2(24)	Salary, Commission, Bonus, Remuneration received by a partner from the Partnership Firm is income
2	10(2A):	Share of profits from firm is exempt in hands of partner
3	15	Salary, Commission, Bonus, Remuneration received by a partner from the Partnership Firm is not taxable under salary
4	28	Salary, Commission, Bonus, Remuneration received by a partner from the Partnership Firm is taxable under PGBP
5	40(b)	Limits of Salary, Commission, Bonus, Remuneration received by a partner
6	45(3)	Transfer of capital asset by partner to firm Amount recorded in the books is Sale consideration
7	45(4)	Transfer of capital asset by firm to partner FMV of asset on the date of transfer is Sale consideration
8	47	Conversion of firm in to company not a transfer subject to conditions
9	56	Taxability when receipt of shares of PVT Ltd or Closely held company
10	78	Set off and carryforward losses of retiring partner
11	167A	Rates of taxes – Flat 30% (other than LTCG and STCG 111A) +SC+EC
12	184 to 189	Assessment of firms

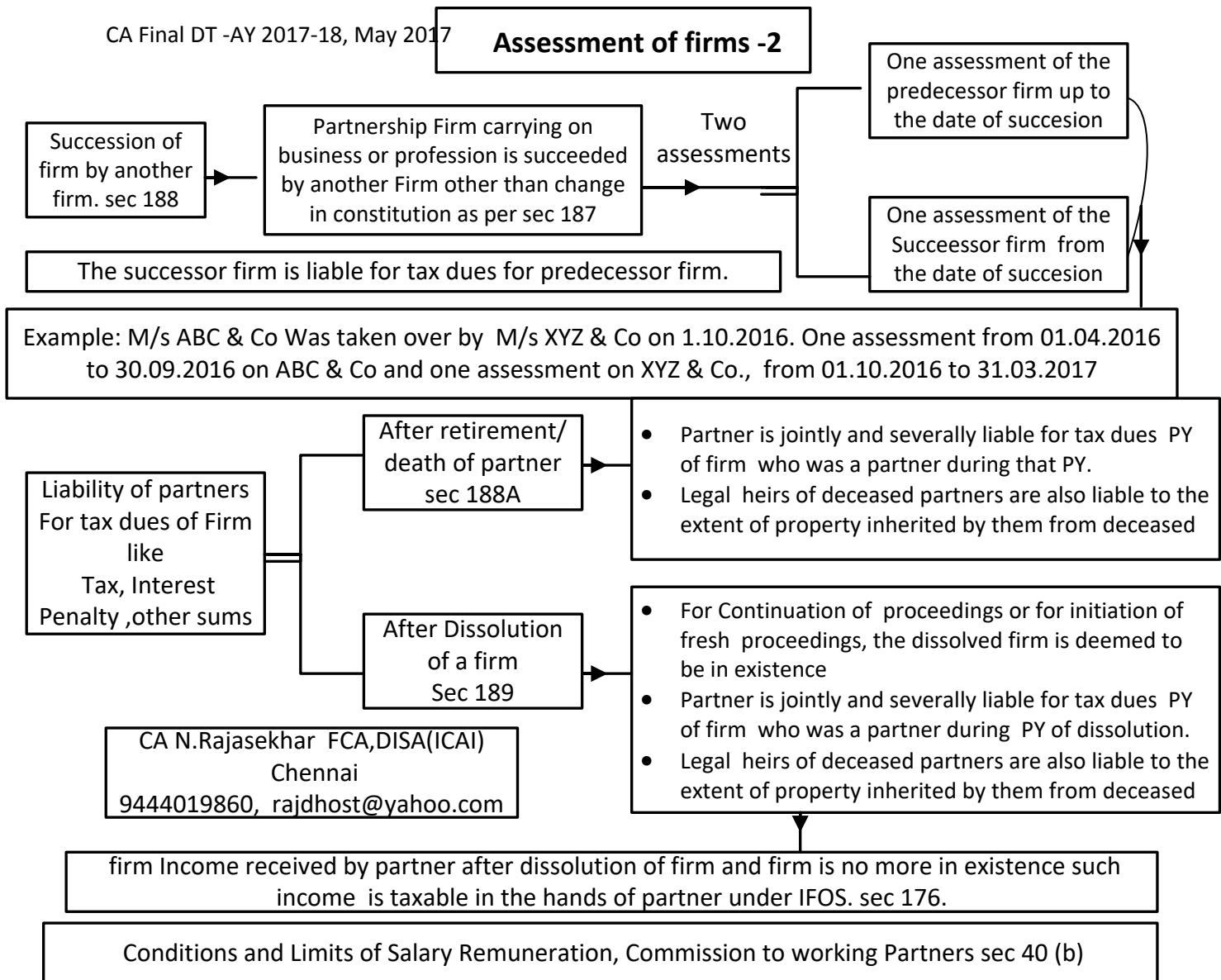


Sec 185: Violation of any Condition: Firm Continue to assess as firm , But Salary, Remuneration, commission, Interest on capitals will not be allowed as deduction. Not taxable in the hands of partner .



Assessment in case of Change in Constitution

- There is only one Assessment in the year of AY where change in constitution takes place.
- Firm has to file fresh new Partnership Deed along with ROI in the first AY after change takes place.

Assessment of firms -2**Conditions**

1	Payment to working partner only. Working partner means <u>individual</u> who is actively engaged in firm
2	The amount should be quantified or manner of calculation should be specified in the deed.
3	The payment should be made only from the date of agreement and not from earlier period
4	Amount to all the working partners should not exceeds the limits

Limits for Salary, Commission, Bonus, Remuneration, etc.. paid by firm to all Working partners(WP)

S N	Amount of Book profits	Maximum Amount Payable to all W. P. (Per Annum)
1	In case o Book profit is negative or NIL	Rs 1,50,0000/-
	In case of Book Profit is Positive	
2	On First Rs. 3,00,000/- of book profit	Rs 1,50,0000/- or 90% of Book profit Whichever is higher
3	On Remaining amount book profit	60% of Book Profit

Limits for Interest on Capital to all partners (Working , non-working partners)

S N	Deduction will be available least of the following
1	Amount as per partnership deed
2	Amount actually paid
3	Simple Interest @ 12% p.a.

When the firm is also receivable interest on drawings, Interest is to be calculated on gross interest paid and not on net interest.

Assessment of firms -3

	Calculation of Book Profit	
1	Net profit as per profit and Loss Account	xxxxxxx
2	Add/Less: adjustment from sec 28 to 44 D(Disallowances/ Exclusion of other heads of income etc)	xxxxxxx
3	Add: Salary, remuneration, commission paid to working partner if debited in P & L A/c	xxxxxxx
4	Add: Interest on Capital to partner in excess of 12% if debited in P & L A/c	xxxxxxx
5	Less: Unabsorbed Depreciation if any	xxxxxxx
5	Book profits	xxxxxxx
6	Calculate Salary, remuneration, commission as a % on above	xxxxxxx

Computation of taxable business/Profession profits	
Book profits calculated as above	xxxxxxx
Less: salary, remuneration, commission working partner	
Amount as per partnership deed (Amount debited in PL) or	xxxxxxx
Amount as % of book profits Whichever is less	
Taxable business/Profession profits	xxxxxxx
Amount of Salary Remuneration Bonus or Commission/Interest on capital allowed as deduction is taxable in the hands of partners	

Computation of total income	
Income from PGBP as above	xxxxxxx
Income from other heads	xxxxxxx
Set off and carryforward of losses	xxxxxxx
Gross total income	xxxxxxx
Deductions from GTI	xxxxxxx
Total income	xxxxxxx
Tax on total income	xxxxxxx
Special rates (LTCG/STCG 111A etc)	xxxxxxx
Other income -30%	xxxxxxx
Add SC + EC	xxxxxxx
Total tax	xxxxxxx

Carry forward and set off of loss in the case of change in the constitution of firm sec 78(1)

Not Applicable

- Admission of new partner in PY
- Change in profit sharing ratio of partners.
- Carry forward of Unabsorbed depreciation, Capital Exp. on Scientific research /Family planning
- Sett of losses in the PY of change in Constitution

Carry forward of Losses, where, Change in Constitution as a firm sec 78(1)

Applicable

- When a partner retires/ dies during the PY
- Carry forward of losses of HP, PGBP, LTCG, STCG, Specified Business, Owing and maintaining horse races

Se 78 provides that, excess share of deceased/retiring partner over his share of income cannot be carry forward.

Steps

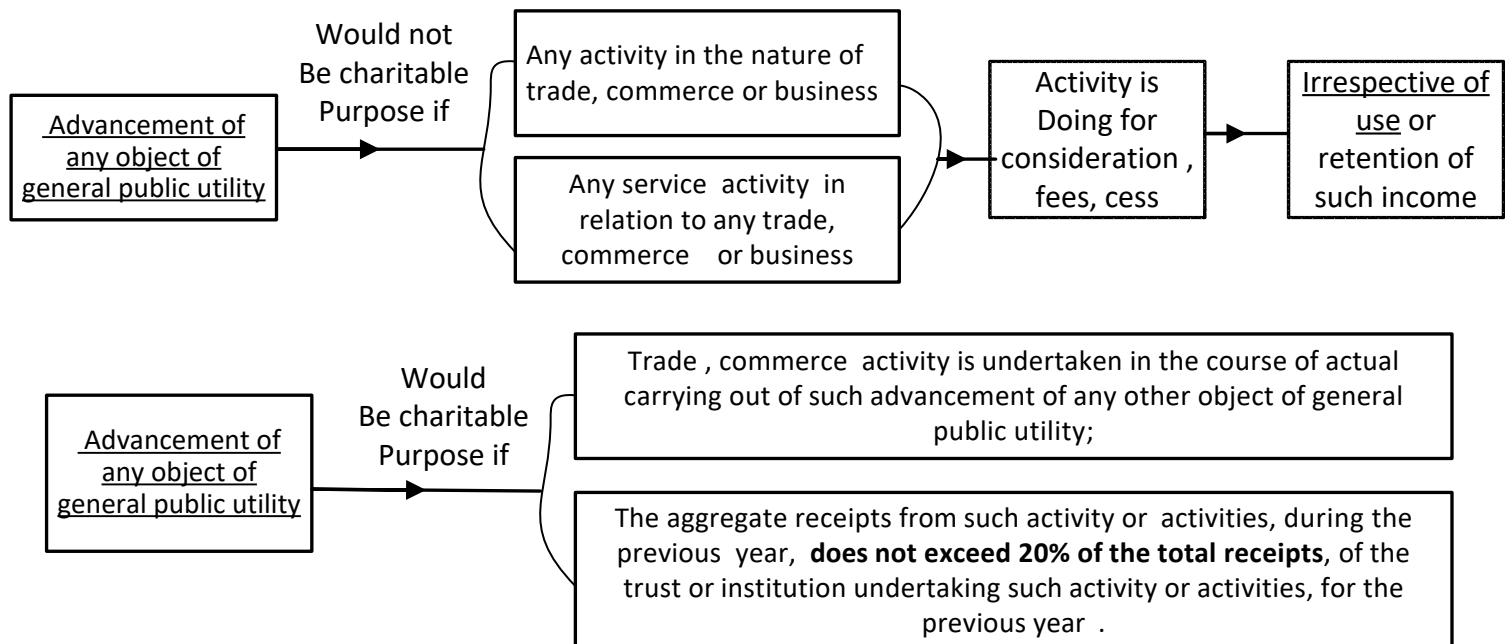
Share of Outgoing partner in Carry forward of losses in the PY of change in constitution	xxxxxxx
Less: Share of Income of outgoing Partner in the PY of change in constitution	xxxxxxx
Loss that cannot be carry forward	xxxxxxx
Losses that can be C/F to Next AY	
Total Losses to be C/f	xxxxxxx
Less Loss that cannot be carry forward	xxxxxxx
Losses that can be C/F to Next AY	xxxxxxx

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Taxation of Charitable or Religious Trusts and Institutions [Sections 11 to 13]

Income from property held for charitable or religious purposes shall be exempt from tax subject to conditions

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

**Illustration 1**

- An institution having its main object as "advancement of general public utility" received
- `Rs.50 lakhs in aggregate during the P.Y.2016-17 from an activity in the nature of trade. The total receipts of the institution, including donations, was Rs. 200 lakhs. It applied 85% of its total receipts from such activity during the same year for its main object i.e. advancement of general public utility. Examine tax consequence.

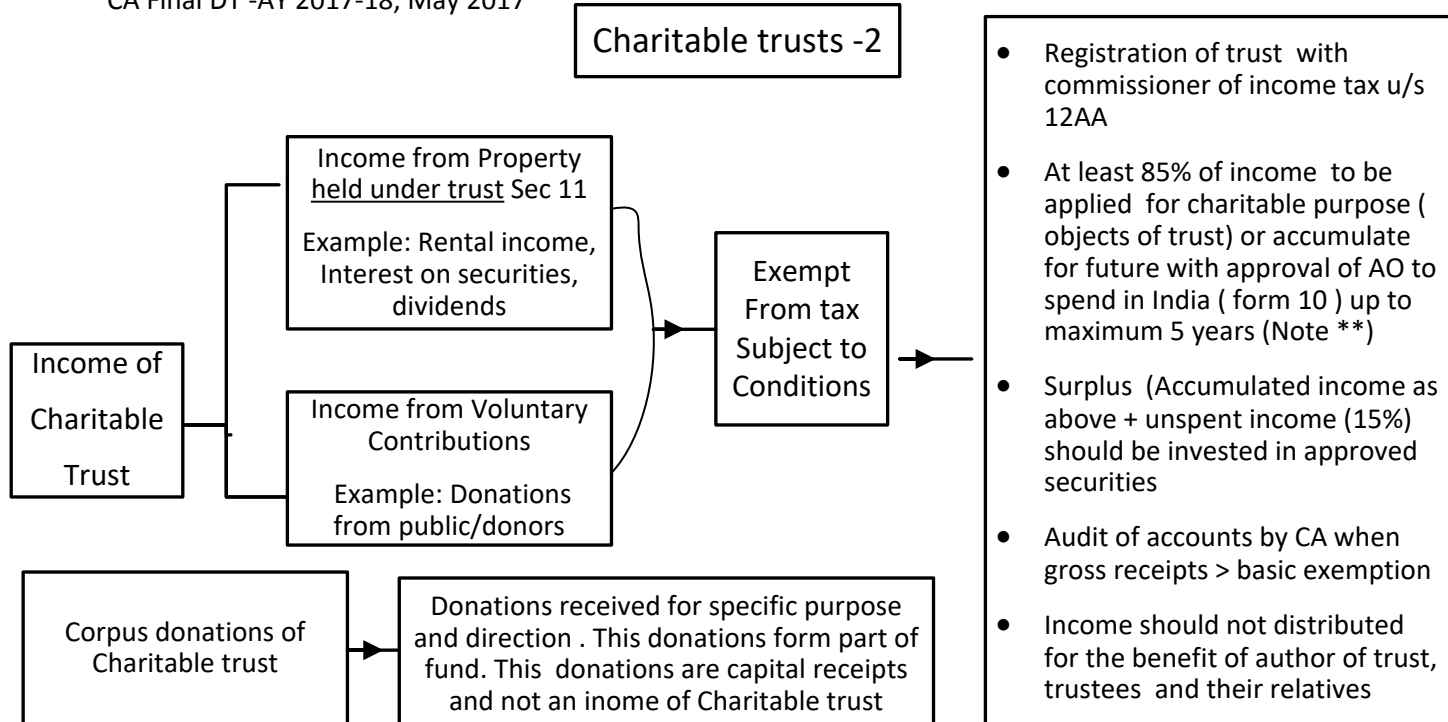
Answer:

- The institution will lose its -charitable| status for the P.Y.2016-17 since it has received `Rs.50 lakhs from an activity in the nature of trade, which exceeds Rs. 40 lakhs, being 20% of the total receipts of the institution undertaking that activity for the previous year
- .The application of 85% of such receipt for its main object during the year would not help in retaining its charitable status for that year.
- The institution will lose its charitable status and consequently, the benefit of exemption of income for the P.Y.2016-17, irrespective of the fact that its approval is not withdrawn or its registration is not cancelled.

.Illustration 2

- In the above illustration if trust receives Rs. 35 lakhs which is less than 20% of total receipts, the trust will continue to get exemption of income

Charitable trusts -2



(Note **)

- If charitable trust wants to apply 85% of income for charitable purpose, but inability to apply, because the income is not received or by any other reason, the income can be applied in the year of receipt or subsequent P.Y. The trust should make an application in exercising the option this regard along with ROI to AO. Such income should not be considered for application of income for objects.
- If application is not made or application made but income not applied, the short fall is taxable income and it is taxable

Consequences if conditions not satisfied

	Such income deemed to be income of the previous year in which any of the conditions not satisfied.
	If income not spent within stipulated time, for the purpose of accumulation, deemed to be income of the previous year immediately following period of accumulation

1	Registration of Charitable Trusts
	Application to the Principal Commissioner or Commissioner at any time
	He would call for such documents or information from the trust or institution as he thinks necessary in order to satisfy himself about the genuineness of activities of the trust or institution and may also make such enquiries as he may deem necessary in this behalf.
	After satisfying himself about the objects of the trust or institution and the genuineness of its activities, he shall pass an order in writing registering the trust or institution.
	Exemption for income u/s 11 or 12 is available from the previous year of registration. Exemption for earlier years will be given subject to conditions
	If he is not satisfied, he shall pass an order in writing refusing to register the trust or institution
	Any order or refusal is appealable with Tribunal u/s 253
2	Cancellation of Registration
	Subsequently it is noticed that its activities are being carried out in such a manner that,—
	its income does not ensure for the benefit of general public
	it is for benefit of any particular religious community or caste
	any income or property of the trust is applied for benefit of specified persons like author of trust, trustees
	its funds are invested in prohibited modes ie other than in specified modes u/s 11(5)
	the Principal Commissioner or the Commissioner may cancel the registration of such trust or institution. However, if the trust or institution proves that there was a reasonable cause for the activities to be carried out in the above manner, the registration shall not be cancelled.

Charitable trusts 3

3	Denial of Exemption for income[Section 13]
	The property is held under a trust for private religious purposes
	Trust has been established for the benefit of any particular religious community or caste however exception for trust created for the benefit of for SC/ST/SC/ tribal/Woman Children
	Trust funds are invested or deposited otherwise than in the forms or modes specified in section 11(5)
	Income of trust used directly for the benefit of author, trustee committee members and their relatives
4	Specified investments sec 11(5)
	Investments and certificates in Central and state Governments
	Post office savings and certificates/Units of UTI
	Investments deposits in public sector companies/scheduled banks/IDBI
	Investment in immovable property excluding plant and machinery, not being plant and machinery installed in a building for the convenient occupation

Computation of total income of chartable trust		
Income from property held under trust		xxxxxxx
Add: Income from Voluntary contributions	xxxxxxx	
Less Corpus donations included in above	xxxxxxx	xxxxxxx
Gross income of trust		xxxxxxx
Less: 15% set apart (Non-taxable income)/		xxxxxxx
85% of the income to be applied for objects		xxxxxxx
Less: Income not received during PY/ or Income received on the last day of the PY/ or Income received but not able spend , Option exercised to spend in next 2 years		xxxxxxx
Income to be applied for objects		xxxxxxx
Less: Income applied for objects		xxxxxxx
Short fall/ Total income		xxxxxxx
Tax on above (rates of AJP) ie rates of individual		xxxxxxx
Computation of total income of charitable trust for subsequent years		
Income not received during PY/ or Income received on the last day of the PY/ or Income received but not able spend permission obtained for accumulation		xxxxxxx
Less: Income applied for objects with in time allowed		xxxxxxx
Short fall/ Total income		xxxxxxx
Tax on above (rates of AJP) ie rates of individual		xxxxxxx

Business income of trust

- ❖ Exemption is available only in relation to any profit and gains of business of a trust, if business is incidental to the attainment of the objectives of the trust
- ❖ Separate books of account are maintained in respect of such business.

Trust property consists of Business undertaking

- The income tax officer has power to compute income under the provisions of IT.
- If the income computed by ITI is more than the income of business undertaking such excess shall be deemed to be applied for non charitable purpose. It will be taxable income of charitable trust in the previous year

Charitable trusts -4

Capital gains of Charitable trust	
1	There is no distinction between long term and short term.
2	There is no indexation benefit.
3	The deductions u/s 54 is also not eligible
4	The trust will get exemption when it uses consideration for purchase of new asset
5	When entire net Consideration is invested in new capital asset, income is deemed to have been used for objects of trust and it is exempt
6	If the part of consideration is not invested in new asset, exemption available for the difference between Cost of new asset and cost of asset sold
7	If the part of income of capital asset is used for charitable purpose, in that part alone will be exempt. For example, if 2/3 of income of capital asset is used for charitable purpose 2/3(Cost of new asset-cost of asset sold) is exempt and deemed to be have used for the objects of trust

Example	
Sale consideration of asset	2,04,000
Expenses on transfer	4000
Cost of acquisition of asset	1,25,000
Cost of new asset purchased	
Alternative 1	2,00,000
Alternative 2	1,50,000

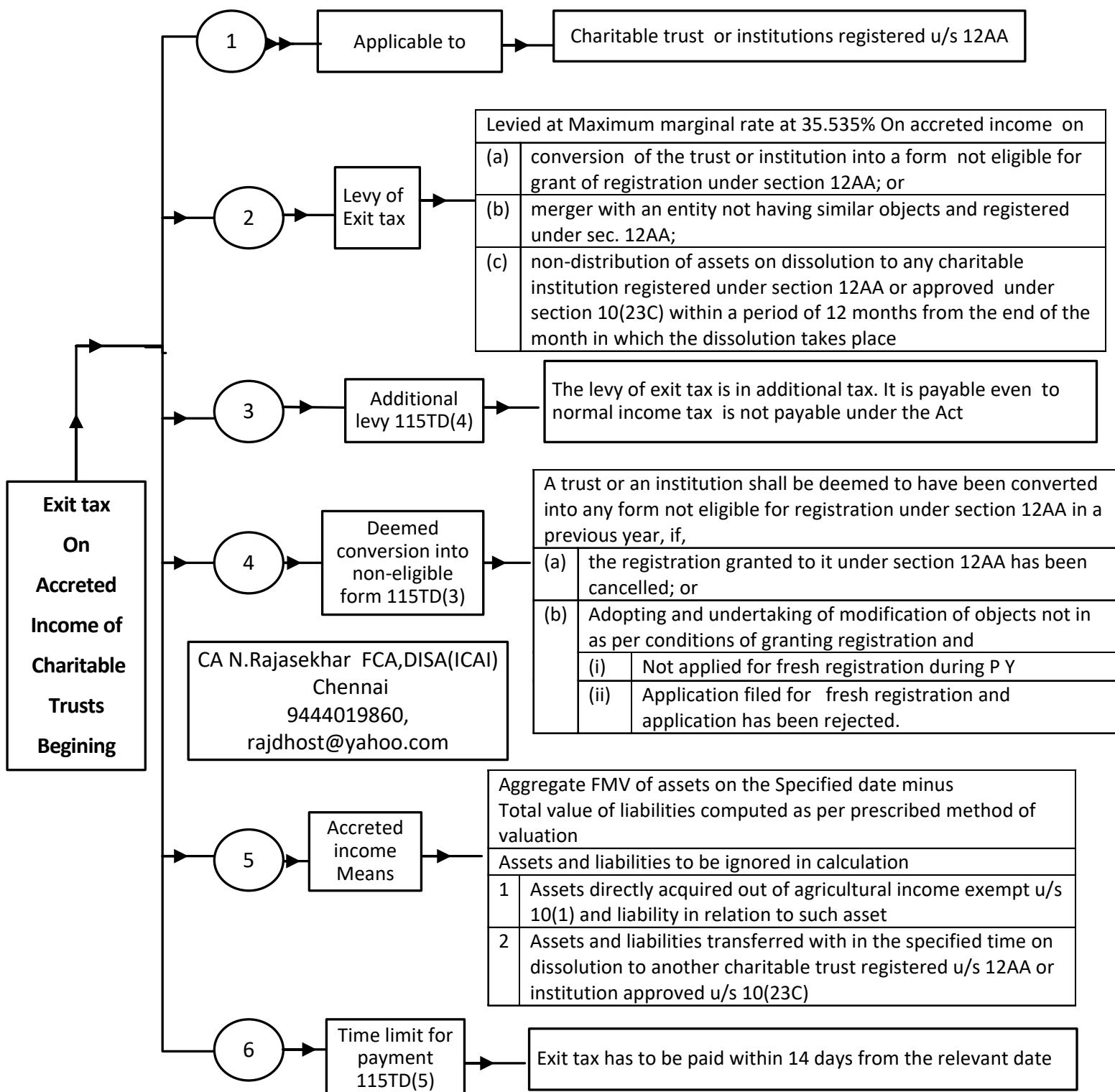
Solution	Alt 1	Alt 2
Sale consideration of asset	2,04,000	2,04,000
Less: Expenses on transfer	4,000	4,000
	2,00,000	2,00,000
Less: Cost of acquisition of asset	1,25,000	1,25,000
Capital gain	75,000	75,000
Alt 1. Full capital gain Rs. 75, 000 deemed to be have used for charitable purpose. It is exempt		
Alt 2 Rs. 25,000 (1,50,000-1,25,000) deemed to have used for charitable purposes. It is exempt. Trust has to use 85% of Rs.50,000 for charitable purpose to get exemption		

Anonymous Donations received by Charitable Trusts/Institutions Sec 13(7)/[Section 115BBC]					
1	Anonymous donation means any voluntary contributions where the person receiving such contribution does not maintain a record of the identity indicating the name and address of the person making such contribution and such other particulars as may be prescribed				
2	Anonymous Donations received by Charitable Trusts/Institutions referred in Sec 10(23(c) to be should be included in the total income and it is subject to tax @ 30% as per sec 115BBC				
3	The exemption provisions contained in section 11 or section 12 shall not be applicable in respect of any anonymous donations received				
4	Corpus anonymous donation would not be exempt as per section 11(1)(d). It would be taxable				
5	However, charitable trusts and institutions will get some basic exemption from higher rate and the remaining donations are taxable @ 30%				
	Exemption will be (a) 5% of total donations or Rs. 1,00,000 Whichever is higher. The remaining donations are taxable @ 30%				
	Example				
	Situation	Total donations	Anonymous donations received	Anonymous donations Taxed at Normal rate	Anonymous donations taxable @ 30%
	1	30,00,000	6,00,000	1,50,000 (5%)	4,50,000
	2	15,00,000	4,00,000	1,00,000	3,00,000
6	Taxation of Anonymous donations @ 30% is not applicable for Wholly religious trusts.				

Exit tax on accreted income of Charitable trust and Institutions
Sec 115TD, 115TE and 115 TF (FA 2016)

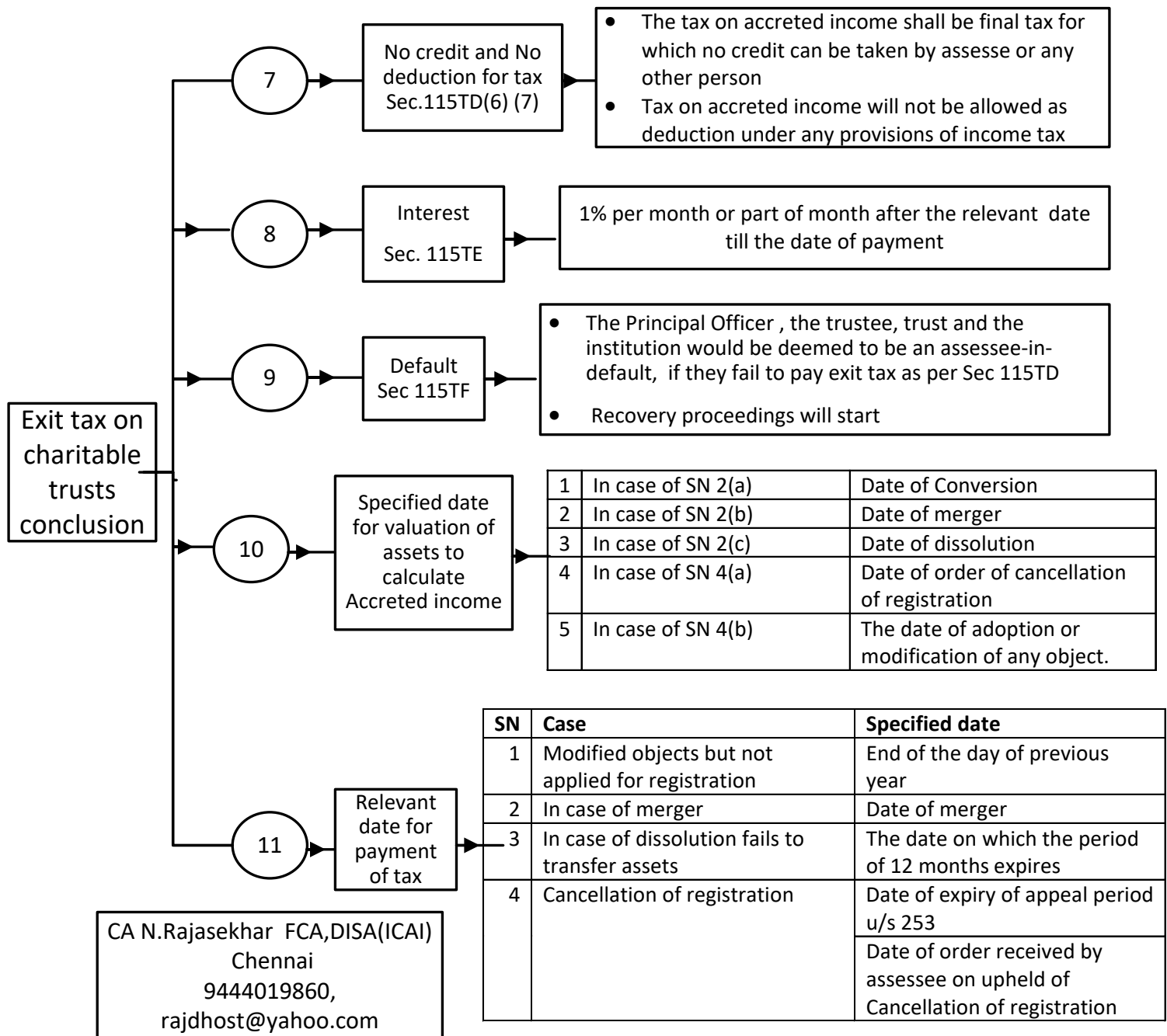
Background

- Charitable trusts having built up corpus/wealth through exemptions being converted into non-charitable organisation with no tax consequences, such wealth should be taxed.
- New section 115TD has been inserted for imposing additional income-tax in the nature of an exit tax when the organization is converted into a non-charitable organization or gets merged with a non-charitable organization or does not transfer the assets to another charitable organisation

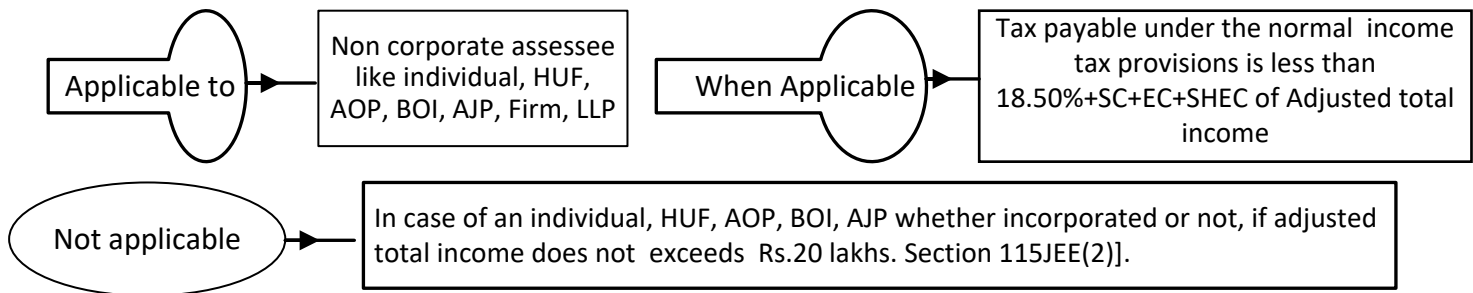


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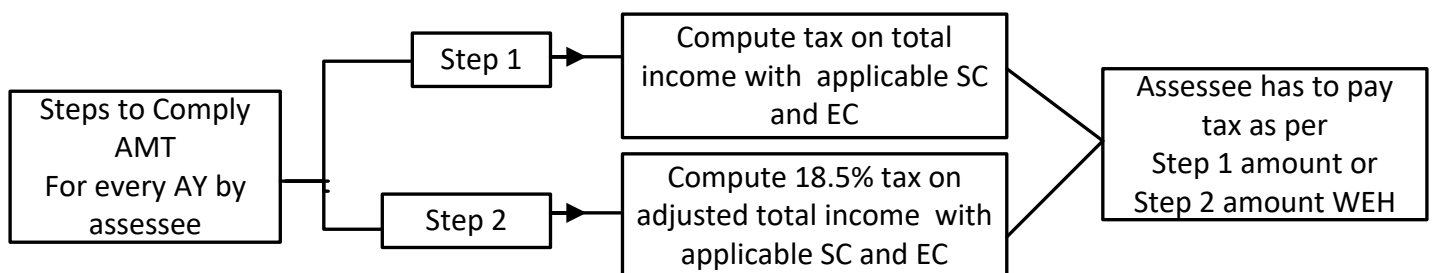
Exit tax on charitable trusts -2



Alternative Minimum Tax (AMT) sec 115JC to 115JF



- AMT is similar to MAT. However the tax base under AMT is adjusted total income instead of book profits under MAT. AMT Credit is similar to MAT Credit.
- All other provisions remain applicable to AMT like . Advance tax, interest u/s 234A, 234B, 234C, penalty, etc.
- If the amount of regular income-tax or AMT is reduced or increased as a result of any order passed under the Income-tax Act, 1961, the amount of tax credit allowed under section 115JD would also vary accordingly



If Step 2 amount is paid , the assessee will get a tax credit, which is known as AMT credit .

AMT credit = Step 2 amount minus step 1 amount

The AMT credit can be c/f for a period of 10 AYS and can be set off when tax payable under normal income tax provisions under step 1 .

Step 1 amount minus AMT credit should not be less than AMT amount calculated under step 2

Tax Credit allowable even if Adjusted Total Income does not exceed ` 20 lakh in the year of set-off [Section 115JEE(3)]

Calculation of Adjusted total income for AMT			
1	Total income as per Income tax Act Calculated		XXX
2	Add: Deductions from GTI from Sec 80 H to 80 RRB except 80P		XXX
3	Add: Deduction U/s 10AA for SEZ profits		XXX
4	Add: Deduction U/s 35 AD for Specified Business	xxx	
	Less: Depreciation u/s 32 on asset as if No deduction u/s 35 AD is claimed.	xxx	xxx
5	Adjusted total income		XXX
6	AMT 18.5% on above		XXX
7	Add: SC		XXX
			XXX
8	Add: EC 3%		XXX
9	Total AMT		XXX

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Tax rates of Alternative Minimum tax AMT for Non Corporates (Indl.HUF LLP/ AOP/BOI, AJP)			
Adjusted total income	AMT	SC	Education cess
up to Rs. 1 Crore	18.5%	NIL	3% of income- tax
Above Rs 1 crore	18.5%	Firm LLP -12%	3% of (AMT+ surcharge)5
CA N Rajasekhar Chennai		Indl, Huf AOP BOI,AJP -15%	

Assessment of Cooperative Societies

- ❖ Co-operative society|| means a society registered under the Cooperative Societies Act, 1912 or under any other law for the time being in force in any State for the registration of co-operative societies [Section 2(19)].
- ❖ Exempted income: The income of a marketing society derived from the letting out of godown or warehouses for storage, processing or facilitating the marketing of commodities is totally exempt from tax under section 10(29)

Sec 80 P provides Income from following activities of a cooperative society shall be allowed 100% deduction in computing total income

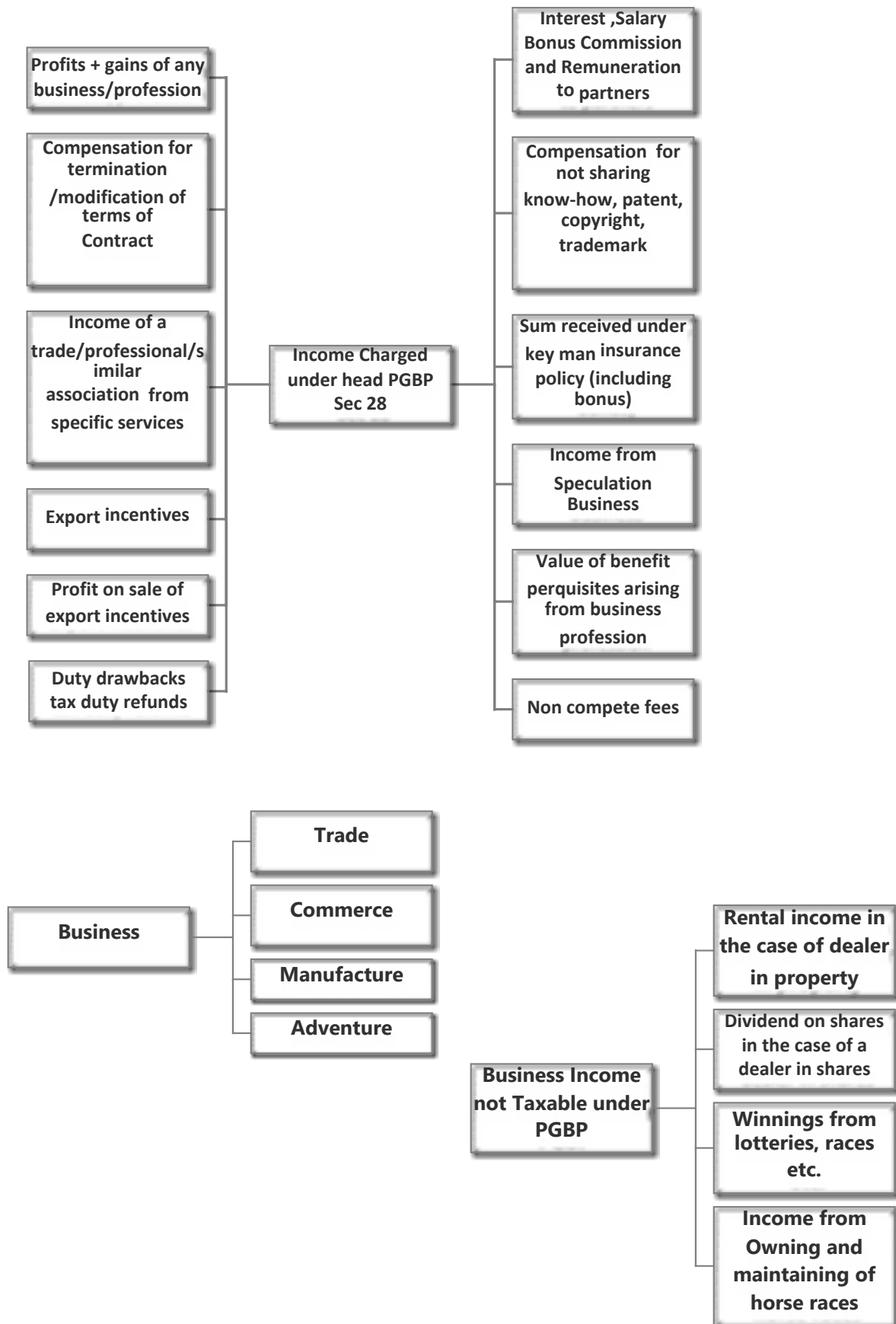
SN	Activity
1	Income from marketing of the agricultural produce grown by its members
2	Income derived from the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture
3	Income from processing without the aid of power
4	Income from fishing or allied services
5	Income from supplying milk, oilseeds, fruits & vegetables raised by its members to federal milk co-operative society
6	Any interest, dividend income derived from its investments with any other co-operative society
7	Income derived from letting out of godown or warehouses for storage, processing or facilitating the marketing of commodities
8	Income from Primary agricultural credit societies/ Income of Primary co-operative agricultural and rural development banks confined to taluk
9	100% of the income from interest on securities or income from house property in case of co-operative society provided its GTI does not exceed Rs. 20,000. not being
	A housing society or
	An urban consumer society or
	Society carrying on transport business or
	Society engaged in the performance of any manufacturing operating with the aid of power
10	Co-operative societies engaged in a business other than those mentioned above shall not be liable to pay tax on:
	In case of consumer co-operative society:
	In other case: Maximum up to Rs. 50,000 of income
Note1	The above income should be included in GTI first under various heads and then deduction should be given u/s 80 P
Note 2	Income from urban banking business of cooperative societies is taxable/Income from Regional rural banks is taxable

Computation of total income of Cooperative societies is similar to like any other assessee.

The tax rates of is as follows.

Co-operative Societies			
Total income	Income-tax rates	Surcharge	Education cess
Up to Rs. 10,000	10%	Nil	3%
> 10,000 – up to Rs 20,000	20%	Nil	3%
> 20,000 – Up to Rs.1 Crore	30%	Nil	3%
> Rs. 1 Crore	30%	12% of income-tax	3% of income- tax + surcharge

Income from PGBP Charging section



Profit and gains of Business or Profession (PGBP)
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Computation of income from Business
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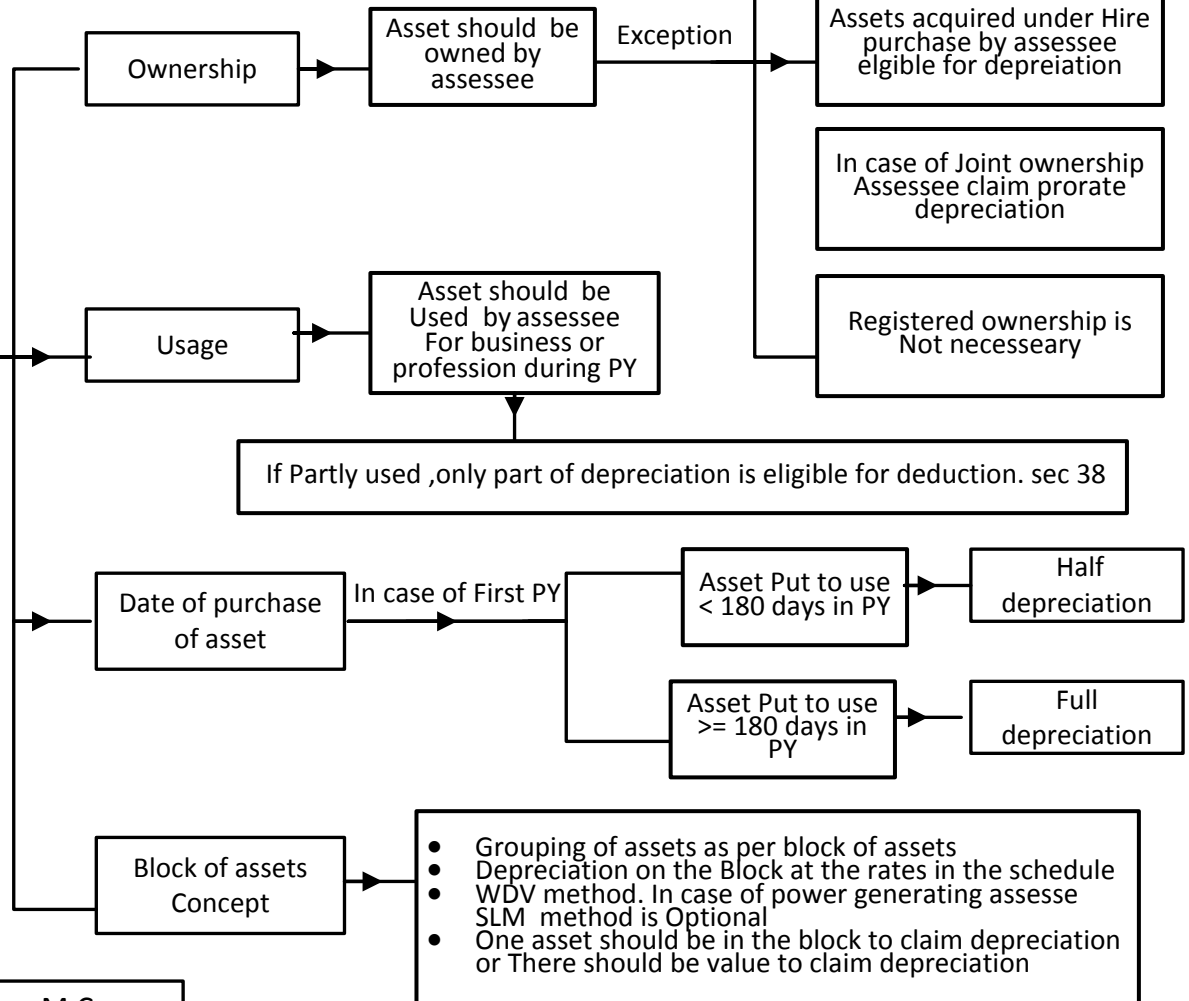
Net Profit as per P & L Account	xxx
Add: Amount debited to P & L A/c but disallowable or considered separately	xxx
Add: Taxable business Income not credited to P & L A/c.	xxx
Less: Amount credited to P & L A/c but not taxable / taxable under different heads.	xxx
Less: Allowable expenses not debited to P & L A/c.	xxx
Taxable PGBP	xxx

Deductions Computation of income from Business Part 1- Sec 30 sec 35

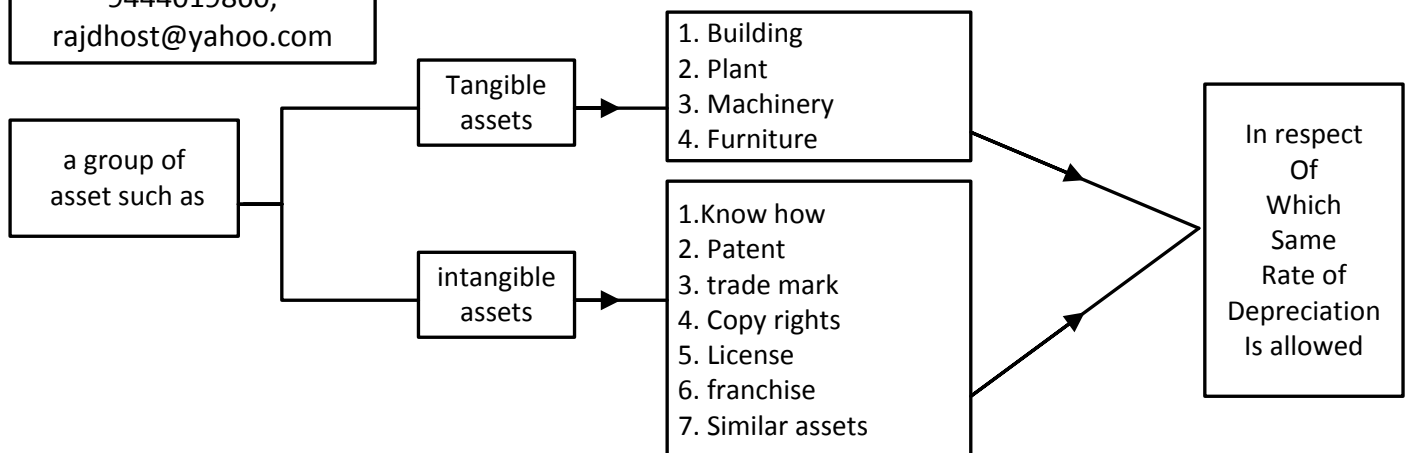
S NO	Section	Particulars of expenses	Amount of deduction
1	30	Rent, rates, taxes, Revenue expenditure of repairs and insurance for building	Full 100%
2	31	Rent, rates, Revenue expenditure of repairs and insurance for Plant and Machinery and furniture	Full 100%
3	32	Depreciation on tangible and intangible assets	Refer details
4	33AB	Tea/coffee/Rubber Development Account for such assessee	40% of Profit or amount deposited in NABARD WEL
5	33ABA	Site Restoration Fund for petroleum and natural gas	20% of Profit or amount deposited in fund WEL
6	35	Capital Expenditure deduction for scientific research	Refer details
7	35ABB	Capital Expenditure for obtaining licence to operate telecommunication services.	Deduction over a period of licence equally beginning from the year of payment
8	35ABA	Capital Expenditure for Spectrum fee	Same as above
9	35AC	Expenditure on eligible projects or schemes on social Economic development and uplift of public	Full 100% (No deduction from AY 2018-19)
10	35AD	Eligible assessee- Specified business (cold storage/warehousing/hospital etc)	Refer details
11.	35CCA	Payment to associations and institutions for carrying out rural development programs	Full 100%
12.	35CCC & 35 CCD	Expenditure other than land and bld., incurred on Agricultural extension Project or skill development project approved by CBDT	Weighted deduction of 150% of expenses (100 % from AY 2021-22)
13.	35D	Amortization of preliminary expenses. 5% of cost of project/capital employed or actual exp WEL	1/5 of Expenses
14.	35DD	Expenditure incurred on amalgamation or demerger by an Indian company from the year of amalgamation.	1/5 of Expenses
15	35DDA	Amount paid to an employee on voluntary retirement under a scheme of voluntary retirement,	1/5 of Expenses
16	35E	Amortization of expenditure on prospecting etc. for minerals for resident assessee. No deduction for capital exp on assets, acq. site, and mineral deposits	1/10 of expenses or income from such business WEL

Depreciation. sec 32

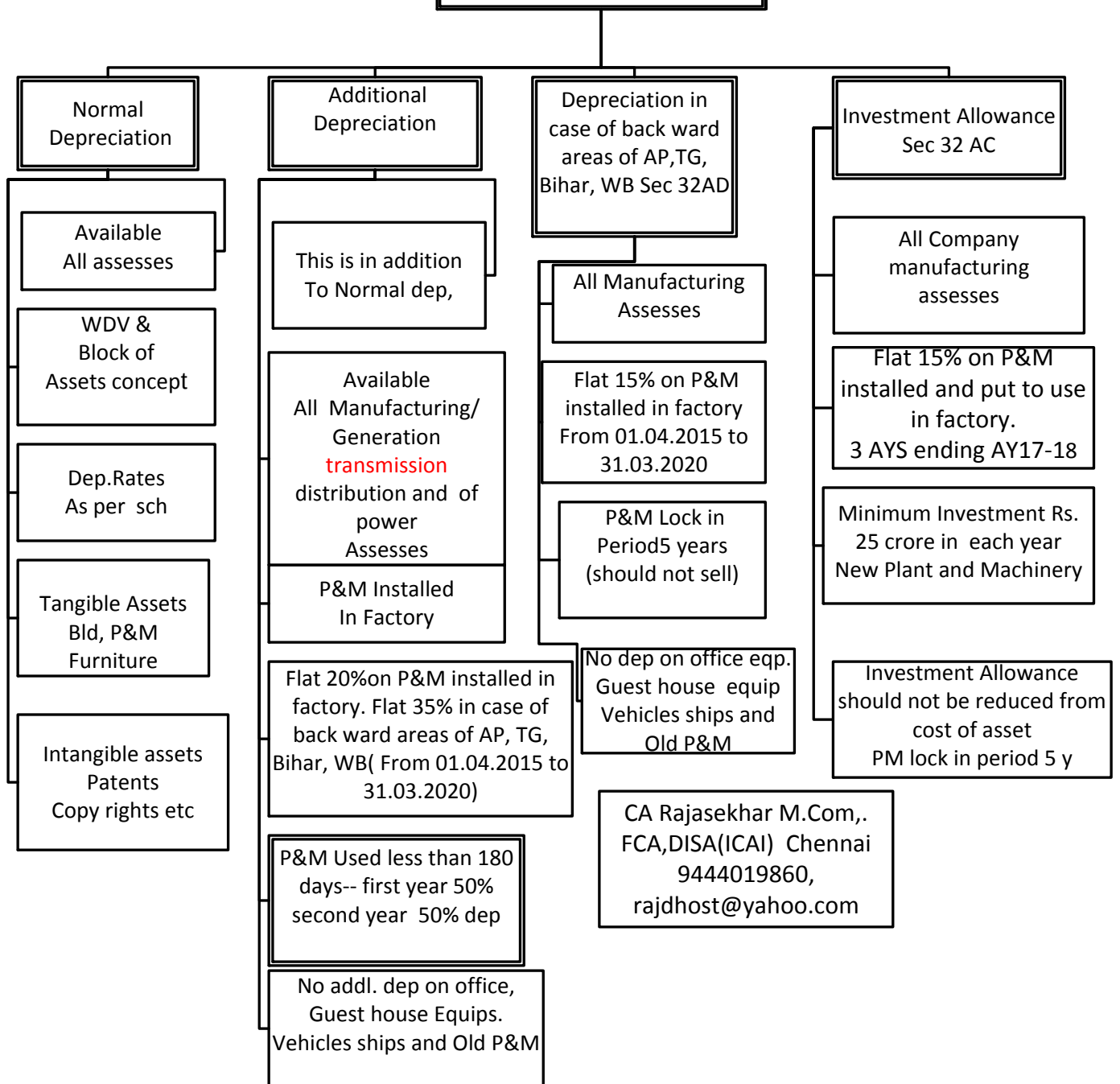
- Depreciation is a fall in the value of asset due to usage or passage of time
- Depreciation is loss and it will be allowed as deduction in computing income from business or profession
- Allowance for depreciation is mandatory, even assessee does not claim AO will allow depreciation

Conditions for claiming for Depreciation

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Block of asset Sec 2 (11)**Unabsorbed Depreciation sec 32(2)**

- If the profits are not sufficient to deduct depreciation, the depreciation can be carry forward with out any time limit.
- Unabsorbed depreciation can be set off against any head of income except salaries
- Set off will be allowed even if the same business to which it relates is no longer in existence in the year in which the set off takes place.
- Current year depreciation should be deduct first before set off unabsorbed depreciation

Depreciation- sec 32**Types of Depreciation****Calculation of WDV and Depreciation in case of Block of assets**

1	W.D.V. of the block of assets on 1st April of the Previous Year	xxxxxx
2	Add. Assets purchased during the Previous Year	xxxxxx
3	Total (A) + (B) = (C)	xxxxxx
4	Less. Money receivable in respect of any asset falling within the block against sales and scrap-value	Xxxxxx
5	W.D.V. for calculation of for Depreciation	Xxxxxx
6	Depreciation as per rates in the schedule	xxxxxx

Depreciation 3

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Depreciation in case of amalgamation
conversion to firm company/ succession etc
apportionment

1. Calculate dep as if no amalgamation conversion or succession
Ex. OB full dep. Additions more than 180 days/less than 180 days.
2. Apportion dep. On basis of no of days assets used between predecessor and successor

Dep on the Opening balance of assets

No of days used
365

On the additions before
The date of conversion/
succession

No of days used is to counted
from the date of asset put to use
to the end of the PY

On the additions after
The date of conversion/
succession

Total depreciation to be allocated to
Successor

ABC & Co Converted in to ABC Ltd on 01.10.2016	Solution		
Details of assets	Depreciation	ABC & Co.	ABC Ltd.,
P & M OB on 01.04.2016 – Rs. 1,00,000/-	P & M Rs. 1,00,000 x 15%=15,000	15000 x183/365 = 7521	15000 x182/365= 7479
Furniture Purchased on 01.06.2016 Rs. 1,00,000	Furniture =1,00,000 x 10% =10,000	10000 x 122/304= 4013	10000 x 182/304= 5987
Bld Purchased on 01.12.2016 - 10,00,000 (Less than 180 days)	Bld -10,00,000 x ½ x 10% = 50,000	NIL	50,000
Total Depreciation	75,000	11,534	63,466
Similar calculation has to made for additional depreciation etc., depend on the type of assessee			

Depreciation In Case of assets of an Undertaking Engaged in Generation or Generation and Distribution of Power u/s 32 (I)(i)

Depreciation on SLM on Cost

Total Depreciation should not exceed Cost

SLM is optional, Can switch to WDV for all future years

Where the power-generating unit claims depreciation on the straight-line basis, where the asset is sold discarded demolished, the treatment as taxation was as under

Sale of Asset Claiming
Dep, in SLM on cost

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Sale Price > WDV

Sale price-WDV = Balancing charge

Taxable under PGBP

Sale Price > WDV

WDV-Sale price = Terminal depreciation

It is Loss allowed as deduction

Sale Price > Cost

Sale Price-Cost = Short term capital gain

Taxable under STCG

Cost-WDV = Balancing charge

Taxable under PGBP

	PART A : TANGIBLE ASSETS	%
I	BUILDINGS: a) Buildings which are used mainly for residential purposes b) Buildings - Others c) Purely temporary erections such as wooden structures	5 10 100
ii	FURNITURE AND FITTING: Furniture and Fitting including electrical fittings	10
iii	MACHINERY AND PLANT 1) Machinery and Plant 2) Motor cars other than those used in a business of running them on hire 3) Aero planes - Aero engines/machinery of mfg of articles using technology know how of university/lab/public sector or Govt. 4) Motor buses, motor lorries and motor taxies used in a business of running them on hire. 5) Computers 6) Specified Air Control Pollution Equipment's/Water Control/Pollution Equipment's 7) (a) Wind mills and any specially designed devices which run on wind mills (b) Any special devices including electric generators and pumps running	15 15 40 30 60 100 80
	5) i) <u>Books owned by assesses carrying on a profession:</u> a) Books, being annual publication. b) Books other than those covered by entry (a) above. ii) Books owned by assessee's carrying on business in running lending libraries.	100 60 100
IV	SHIPS	20

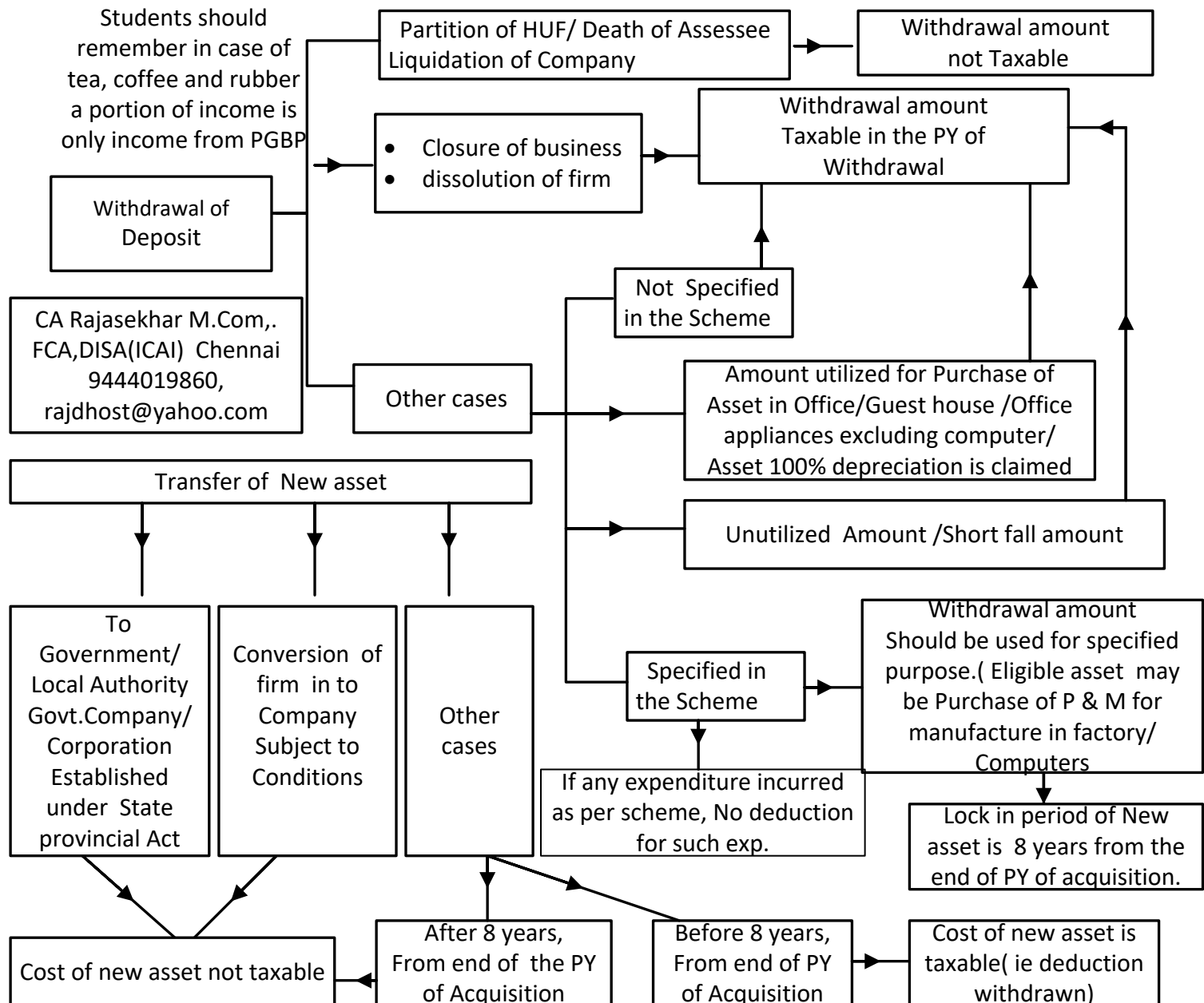
	PART B: INTANGIBLE ASSETS: Know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature.	25
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Determination of Cost of Asset for Depreciation- Sec 43

S No	Situation	Actual Cost
1	In Case of purchase	Purchase price + nonrefundable taxes +Transportation + installation charges Site preparation+ Architect fees+ Interest on borrowed capital up to asset put to use + Trail run expenses — sale of scrap from trail run material
2	Asset used for Scientific research.	Actual cost will be nil
3	Asset acquired by way of inheritance gift etc.	Cost to the Previous owner (-) Depreciation up to date shall be cost to the present owner. Market value on date of gift not relevant.
4	Assesses building earlier used for other purpose now used for	Original Cost less Depreciation (rate applicable at the time of actual acquisition)].
5	Asset acquired on partition of H.U.F.	W.D V. in the hands of coparceners which would have been if the partition would not take place
6	Interest in connection with Acquisition	Interest up to the date at which the asset is first put to use will be Added
7	Asset acquired under refund condition under Customs Tariff Act, and	Actual Cost (-) Refund
8	Subsidy, grant or reimbursement of the cost by Government or others.	Actual Cost (-) such facility

Tea Development Account/Coffee Development Account/Rubber Development Account [Section 33AB]		
1	Applicable	Assessee manufacturing tea or coffee or rubber in India
2	Amount of deduction	40% of Income from PGBP (PGBP means before this deduction and set off Business Loss)
		Amount deposited in NABARD within 6 months from the end of PY or Before due date of ROI Whichever is earlier
3	Conditions	Audit of A/C by CA and report under IT Act / Audit under other law and report under IT ACT.
		When assessee is a firm/AOP No deduction to partner/member
		Restrictions on use and withdrawal of deposit (see below)

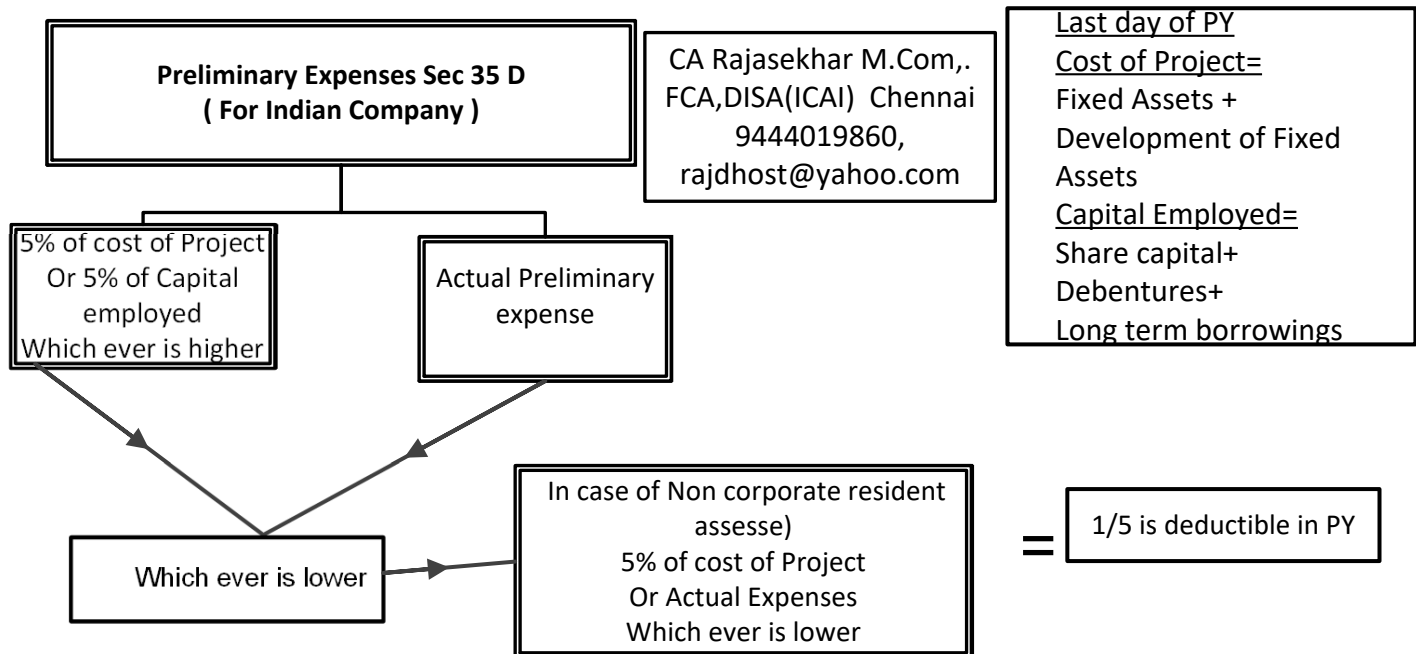
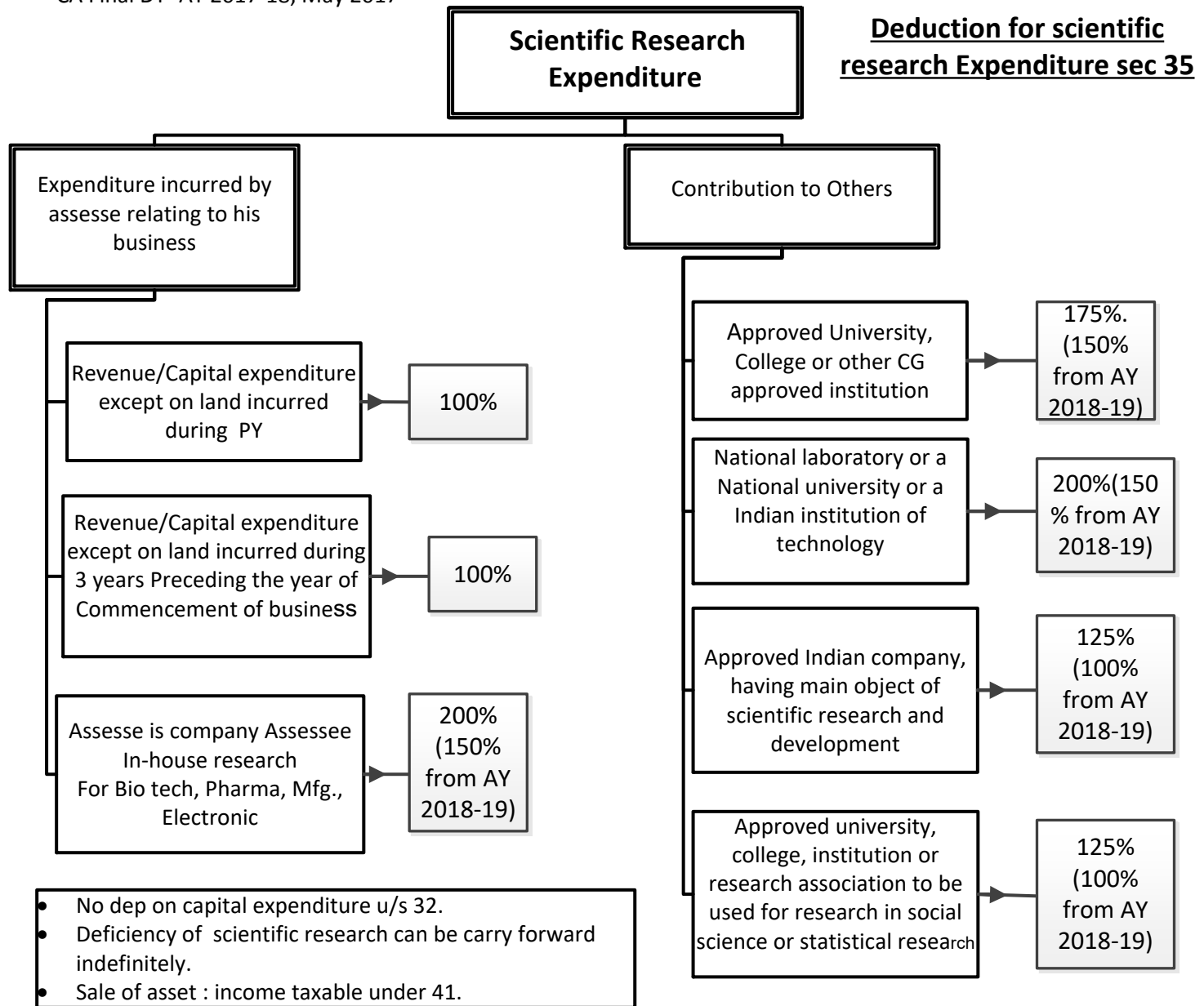
Students should remember in case of tea, coffee and rubber a portion of income is only income from PGBP



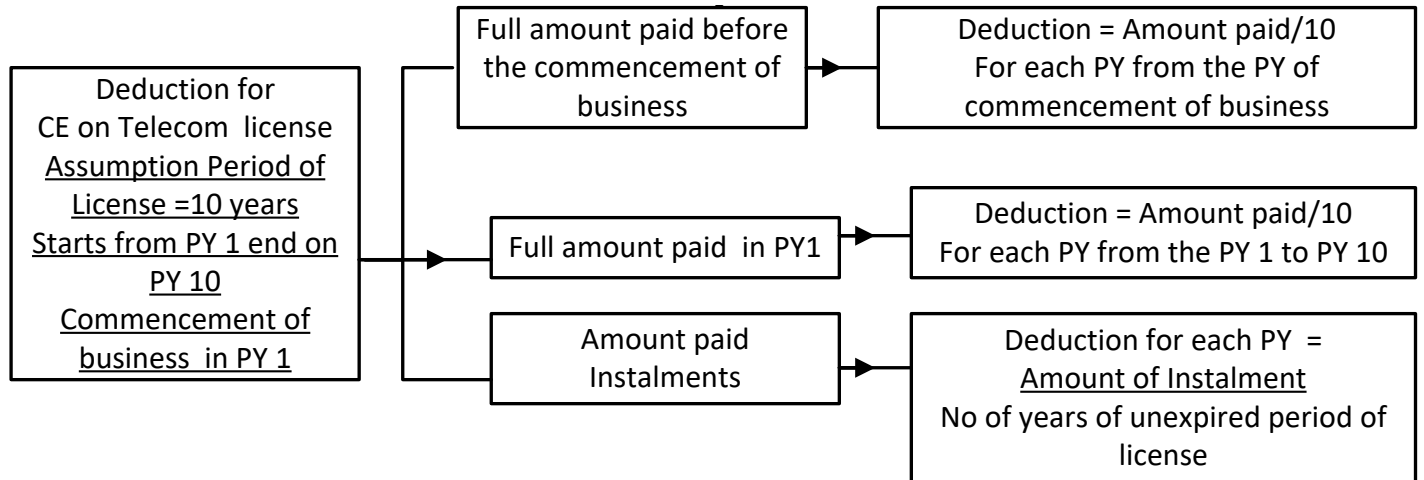
Illustration

The Business profit of X Ltd., a tea growing and manufacturing company, is Rs. 100 lakhs for the assessment year 2017-18. It deposits Rs. 35 lakhs in the "special account" for claiming deduction under section 33AB. The brought forward business loss of Rs.20 lakhs. Calculate the taxable income from PGBP

Business profits	100
Less Deduction u/s 33AB (40% x 100 =40) or Rs.35 lakhs WEL	35
	65
Rule 8: Non Agricultural income -65 x 40%	26
Less Brought forward Business loss	20
Income from PGBP	6

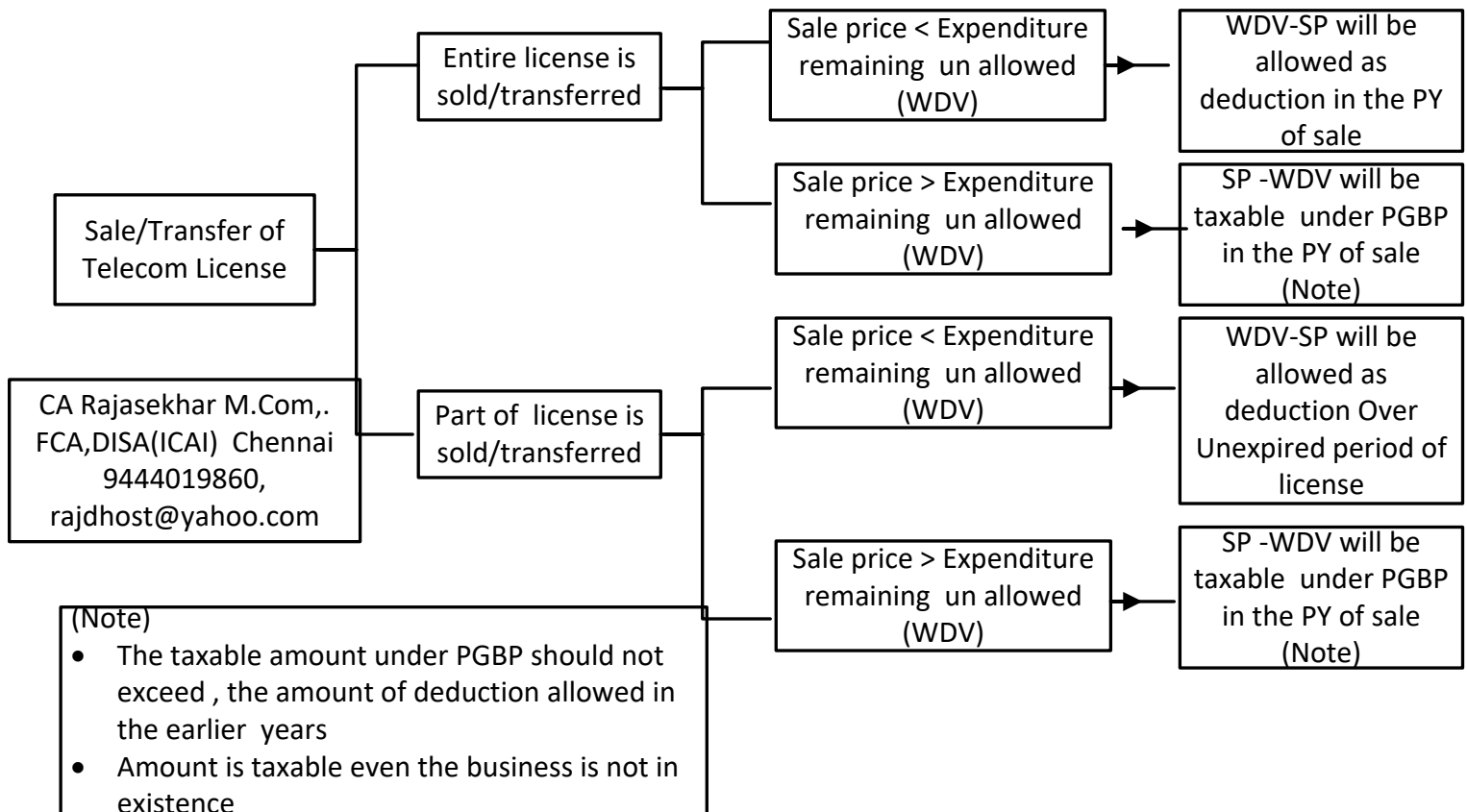


Deduction for Capital Expenditure for obtaining licence to operate telecommunication services [Section 35ABB]



Example: Period of License 10 years : Amount paid in 5 instalments from PY1 to PY 5

Deduction for PY1	Amount paid in PY1/10
Deduction for PY2	Amount paid in PY2/9 + Deduction amount for PY1
Deduction for PY3	Amount paid in PY3/8 + Deduction amount for PY1+ Deduction amount for PY 2
Deduction for PY4	Amount paid in PY4/7 + Deduction amount for PY1+ PY 2+ PY3
Deduction for PY5	Amount paid in PY5/6+ Deduction amount for PY1+ PY 2+ PY3+PY4
Deduction for PY 6 to PY 10	Deduction amount for PY1+ PY 2+ PY3+PY4+PY5



Deduction for Site Restoration Fund [Section 33ABA]		
1	Applicable	Assessee carrying on business of prospecting for, or extraction or production, of petroleum or natural gas or both in India
2	Amount of deduction	20% of Income from PGBP (PGBP means before this deduction and set off Business Loss) Amount deposited in SBI as per scheme approved by CG or Ministry / within 6 months from the end of PY or before due date of ROI Whichever is earlier
3	Conditions	Audit of A/C by CA and report under IT Act / Audit under other law and report under IT ACT. When assessee is a firm/AOP No deduction to partner/member Restrictions on use and withdrawal of deposit (same as tea development account) When the amount is Withdrawn on closure of Account ,, amount taxable = Amount withdrawn minus Amount payable to CG as per Agreement u/s 42

Deduction for expenditure on eligible projects sec 35 AC		
1	Applicable	All assessee
2	Eligible project	project or scheme for promoting the social and economic welfare of, or the upliftment of, the public notified by CG on the recommendation of National Committee
3	Payment to be made to	Public sector company, Local Authority or association approved by National committee In case of Indian Company can incur expenditure on eligible projects
4	Amount of deduction	100% of Contribution or expenditure incurred
5	Conditions	Audit Certificate from recipient in case of contribution/CA certificate in case of expenditure incurred Deduction available even approval is withdrawn to institution after the date of contribution

Deduction for Payment to the associations and institutions carrying out rural development programmes sec 35 CCA		
1	Applicable	All assessee
2	Payment to be made to	Payment to an association or institution, having the objective of undertaking programmes of rural development. Such payment must be used for carrying out any programme of rural development approved by the prescribed authority National Fund for Rural Development set up by CG National Urban Poverty Eradication Fund set-up and notified by CG
3	Amount of deduction	100% of Contribution
4	Conditions	Audit Certificate from recipient in case of contribution Deduction available even approval is withdrawn to institution after the date of contribution

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Weighted Deduction for Expenditure incurred on notified Skill Development project [Section 35 CCD]		
1	Applicable	Company assessee
2	Expenditure incurred	The project should be notified by CBDT Assessee should setup their own institution with the Coordination of National Skill Development corporation Expenditure incurred other than land and Building on the skill development in the manufacturing sector
3	Amount of deduction	150% of expenditure incurred

Weighted Deduction for Expenditure incurred on notified agricultural extension project (Sec 35 CCC)		
1	Applicable	All assessee
2	Expenditure incurred	Project should be undertaken by Assessee himself
		Project should have Prior approval of Ministry of Agriculture Govt. of India
		Expenditure other than land and Building exceeds Rs. 25 lakhs
3	Amount of deduction	150% of expenditure incurred
4	Conditions	Separate books of Accounts. Audit by CA. CA should report about gaminess of activities of project and fulfilment of conditions.
		The assessee shall not get any direct or indirect benefit from the project except deduction under this section.
		If assessee received any amount from beneficiary, that amount should be reduced from amount of deduction.
		Any reimbursement of expenditure to assessee by any person will not be allowed as deduction
		Assessee should file ROI before due date.
		Assessee should furnish audit accounts, report, note on the project, Certificate from Agricultural ministry about the genuineness of activities of project

CBDT Circulars

Admissibility of claim of deduction of bad debts under section 36(1)(vii) read with section 36(2) [Circular No. 12/2016, dated 30-05-2016]

There are disputes on the allowability of bad debt that are written off as irrecoverable in the accounts of the assessee in the cases where assessee fails to establish that the debt is irrecoverable

Accordingly, the CBDT has clarified, vide this Circular, that claim for any debt or part thereof in any previous year, shall be admissible under section 36(1)(vii), if it is written off as irrecoverable in the books of accounts of the assessee for that previous year and it fulfills the conditions stipulated in section 36(2). Thus, there is no requirement in law that the assessee has to establish that the debt has, in fact, become irrecoverable.

Eligibility for grant of additional depreciation under section 32(1)(iia) in the case of an assessee engaged in printing or printing and publishing [Circular No. 15/2016, dated 19-05-2016]

CBDT has clarified that the business of printing or printing and publishing amounts to manufacture or production of an article or thing and is, therefore, eligible for additional depreciation under section 32(1)(iia). The Circular was issued as per The Kerala High Court, in the case of Mathrubhoomi Printing & Publishing Co.,ITA No 23 of 2015/ Delhi High Court judgement in the case of Delhi Press Patra Prakashan Ltd.,ITA No 49 of 2016

Deduction for specified business

<u>Deduction in respect of Capital expenditure on specified business [Section 35AD]</u>

Deduction for all Capital expenditure, other than land, Good will and Financial instrument
--

- | |
|---|
| <ul style="list-style-type: none"> • Deduction available for all capital expenditure (other than land Good will and financial instrument) <u>incurred wholly and exclusively for the specified business.</u> • Deduction also available for capital expenditure incurred before the commencement of business <u>if it is Capitalized on the books of accounts on the date of commencement of business</u> |
|---|

SNO	Specified Business	Amount of Deduction
1	Setting up & operating a cold chain facility for agricultural produce, meat, poultry products, processed	150% (100% from AY 2018-19)
2	Setting up & operating a warehousing facility for storage of agricultural produce	150% (100% from AY 2018-19)
3	Laying & operating a cross-country natural gas pipeline network for distribution including storage facilities by Indian company or consortium	100%
4	Laying & operating a cross-country crude/petroleum oil pipeline network for distribution including storage facilities by Indian company or consortium	100%
5	Building and operating anywhere in India, a new hotel of 2 Star or above category	100%
6	New Hospital with at least 100 beds	150% (100% from AY 2018-19)
7	Developing and building a housing project under a scheme for slum redevelopment or rehabilitation/affordable house	150% (100% from AY 2018-19)
8	Setting up and operating an inland container depot or a container freight station notified under the Customs Act, 1962; (b) bee-keeping and production of honey and beeswax;	100%
9	Manufacture of fertilizer in India	150% (100% from AY 2018-19)
10	Laying and Operating of Slurry pipeline for transportation of iron ore.	100%
11	Setting up and operation of semiconductor of water fabrication manufacture unit as per Board guidelines	100%
12	Infrastructure facility. Business owned by Indian Company/ Consortium of Companies/Corporation (from 01.04.2017)	100% (from AY 2018-19)

Conditions for Claiming deduction

- | |
|--|
| <ul style="list-style-type: none"> • <u>Deduction of 150% available for business start from 01/04/2012.</u> • <u>Business should be new business should not form by split-up</u> • <u>P & M should be the new machinery. Old Machinery Up to 20% of total value of P& M used in India can be used,</u> • <u>Deduction from Gross total income and Sec 10 AA for SEZ exports not available for this specified business</u> • <u>Lock in period of asset is 8 years</u> |
|--|

Deductions Part 2**Deductions u/s 36**

S NO	Details of expenditure/Loss allowed as deduction
1	Insurance premium for stock & stores
2	Premium on lives of cattle.
3	Premium on health insurance of employees paid by any mode other than cash ie (Cheque DD, pay order Insurance scheme approved by IRDA)
4	Bonus or commission to employees paid to employees in PY or before due date of ROI
5	Interest on borrowed capital
6	Discount on Zero coupon Bonds- for infrastructure companies/fund, Public sector banks/schedule banks- Allowable over a period of bonds on prorata basis
7	Interest paid on borrowing for acquisition of new asset period after asset put to use
8	Employer's Contribution to RPF or Approved Superannuating Fund
9	Employer's contribution to approved gratuity fund.
10	Employee's contribution towards provident funds, & other funds of Staff welfare.
11	Loss on animals in connection of Business
12	Bad debts Actually written off in the books
13	Bad debts Provision of banks (refer details)
14	Transfer to special reserve of financial corporations. This deduction will be available to cooperative banks other than rural banks and rural agricultural credit banks deduction available only for specified entities with specified business
15	Family planning expenditure on employees Capital expenditure 1/5- revenue exp. -full
16	Revenue expenditure incurred by entities established under state central provincial Act, subject to condition that expenditure is incurred for objects and purpose as CG notify
17	Banking Cash Transaction tax- provided the transaction was a part of business.
18	Any sum paid by a public financial institution towards credit guarantee fund trust for small industries notified by the Central Government
19	Securities transaction tax paid in case of share or stock broker income from business on sale of shares and securities
20	Commodities Transaction Tax (CTT) to be levied on taxable commodities transaction' means transaction of sale of commodity derivatives in respect of commodities, other than agricultural commodities, traded in recognised associations.
21	Amount of expenditure incurred by a co-operative society for purchase of sugarcane at price fixed by the Government.

Special provision for bad and doubtful debts in cases of Rural Branches of Scheduled Banks

S N	Assessee	Deduction
1	Foreign Banks	5% of Total Income
2	Public financial institutes/ NBFC Companies	5% of the Total Income.
3	Rural Banks	10% of total advances
4	All other bank including cooperative bank	7.5% of total Income

Deductions Part 3**Deductions u/s 37**

Sec 37 part 1	Any expenditure incurred for the purpose of business or profession which is not covered under sec 30 to sec 36 for example. Salaries, printing and stationery, travelling ,telephone, brokerage etc
Sec 37 part 2	Personal expenditure, capital expenditure, penalty in violation of law, corporate responsibility expenditure incurred —All are not allowed deduction.
Sec 37 (2B)	Advertisement in souvenir, brochure, tract, pamphlet, etc., of political party will not be allowed as deduction. For Indian Company it will be allowed as deduction u/s 80 GGA
CBDT Circular	expenses incurred in providing freebies to medical practitioner by pharmaceutical and allied health sector industry not allowed as deduction
	Deduction in respect of cost of production allowable under section 37 in the case of Abandoned Feature Films

Section 38: Building, plant, machinery or furniture not exclusively used for the purpose of business or profession :

Expense related to use for Business/Profession will be allowed as deduction on prorata basis,

Disallowances in computing income from Business profession -sec 40

The following expenses will not be allowed as deduction in computing income.
If this items are debited to P&L they have to add back,

Payments made to Nonresident/foreign company outside India towards Any interest, royalty, fees for technical services or any other sum taxable without deducting TDS/ Deducting TDS but not paid before the due date of filing of ROI Deduction will be allowed in the previous year of payment to Government.

Any Payments made to resident without deducting TDS/ Deducting TDS but not paid before the due date of filing of ROI. 30% of the amount will be disallowed Deduction will be allowed in the previous year of payment to Government.

securities transaction tax and fringe benefit tax

Income tax on Indian income /Foreign income, wealth tax

Salaries payable outside India, or in India to a non-resident without deducting tax/without payment of tax to government which tax has not been paid/deducted at source

Employer contribution Payments to provident fund/other funds for employees benefit which are chargeable to tax as salaries which tax has not been paid/deducted at source

Tax paid by an employer on nonmonetary perquisites of Employee

Salary bonus commission to partners of firm/Members of AOP in excess of limits

40A(2)	Expenditure involving payment to relative/director/ partner/substantially interested person, etc., which, in the opinion of the Assessing Officer, is excessive or unreasonable
40A(3)	Payments exceeding Rs. 20,000 made otherwise than by crossed cheque/bank draft entire amount exceeding 20000 full amounts disallowed. The limit of 20000 is to be considered for all the bills per day subject to certain exceptions. In case of payment to transporter the limit is Rs.35,000/- This is not applicable for payments to bank, public financial institutions govt, farmers for buying agricultural produce, Salary paid after deducting tds to employee in remote area,
40A(7)	Any provision for payment of gratuity
40A (9) to (11)	Contribution any employee welfare trusts societies AOP registered under society Act etc. However Recognised contributions as per sec 36 will be allowed

Income from Business Special Provisions

Sec 41 Deemed Income

Sl. N	Sec 41	Nature of transaction
1	1.	Any allowance or deduction allowed in an earlier year/trading liability incurred by the assessee and subsequently received/remission or cessation of the liability. Chargeable to tax even received by successor
2	2.	Any liability, which is unilaterally written off in the accounts by the assessee or his successor in business, chargeable to tax.
3	3.	In case power generating units' sale of depreciable asset/ compensation received together with scrap value.-Balancing charge
4	4	Profits made on sale of a capital asset for scientific research in respect of which a deduction had been allowed u/s 35 in an earlier year.
5	4A	Amount recovered on account of bad debts allowed in an earlier year.
6	5	Any amount withdrawn from the special reserves created and maintained u/s 36(1) (viii) shall be chargeable as income in the previous year in which the amount is withdrawn.

Section 43A: Gain or Loss on Foreign Exchange Currency Fluctuation

- when an asset is purchased by borrowing foreign currency loan,
- Any Loss on currency fluctuation should be added to the cost
- Any gain should be reduced from the cost,
- The depreciation is to be calculated on revised WDV

Sec 43 B Deduction based on actual payment

The following payments will be allowed as deduction only when they are paid during PY or paid before due date of filing of ROI

- Taxes , Duty , and govt payments
- Bonus or Commission
- Contribution to Approved Funds
- Interest on Loan taken from Banks financial institutions
- Leave Salary
- **Sum Payable to Indian Railways for use of Railway assets**

Special provisions for presumptive income of Non residents

Section	Nature of Business	Deemed income
44B	Profits and gains of shipping business from or due to India	7.5%
44BB	Business of exploration etc. of mineral oil	10%
44BBA	Profits and gains of business of operation of aircraft	5%
44BBB	Profits and gains of foreign companies engaged in the business of civil construction etc in certain turnkey power projects (Amount payable in India or Outside India)	10%

Note: the Above topics were covered under Non resident taxation

Income form Business or Profession

Special Provisions

Maintenance of books of Accounts sec 44 AA

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Gross Receipts > 1,50,000
In all 3 Prior PYs

Rule 6F

New Profession: Gross
Receipts likely to > 1,50,000
in that PY

Maintenance of
books of Accounts
sec 44 AA

In case of Notified
Profession

In case of Other
profession & Business &
Sec 44 AD, 44ADA, AE
Presumptive tax
assessee claiming lower
income than the limit

Gross Receipts > 10 Lakhs or
income from PGBP > 1,20,000
In any one in 3 Prior PYs

New Business or Profession:
Gross Receipts likely > 10 Lakhs
or income from PGBP likely >
1,20,000 In that PY

Notified Profession

Legal, medical, engineering, architectural, accountancy, technical
consultancy, interior decoration, authorised representative and film artist

Books to maintain: Cash book, Journal (for mercantile basis) ledger, Copies of bills issued > Rs. 25, Original bills
for expenditure > Rs. 50 & In case of medical Profession -- stock details for medicine

Compulsory audit (Tax Audit) Sec 44 AB

Compulsory
Audit of
Accounts by
Chartered
Accountant

In case of Business
assessee

Total turnover
Or Gross receipts >
1 Crore in PY

In case of
Professional
assessee

Gross receipts > 50
lakhs in PY

Sec 44 AE BB, BBB
Presumptive tax
Assessee

assessee claiming
lower income than
the limit

Sec 44 AD, ADA,
Presumptive tax
Assessee

assessee claiming
lower income than
the limit &
income exceeds
basic exemption
limit

- Audit report due date - 30th Sep
- Audit report
- Assessee audit under other law- Form 3CA
- Other Assessee form 3CB
- Professional assessee form 3CC
- Other Particulars
- Business assessee form 3CD
- Professional Assessee form 3CE

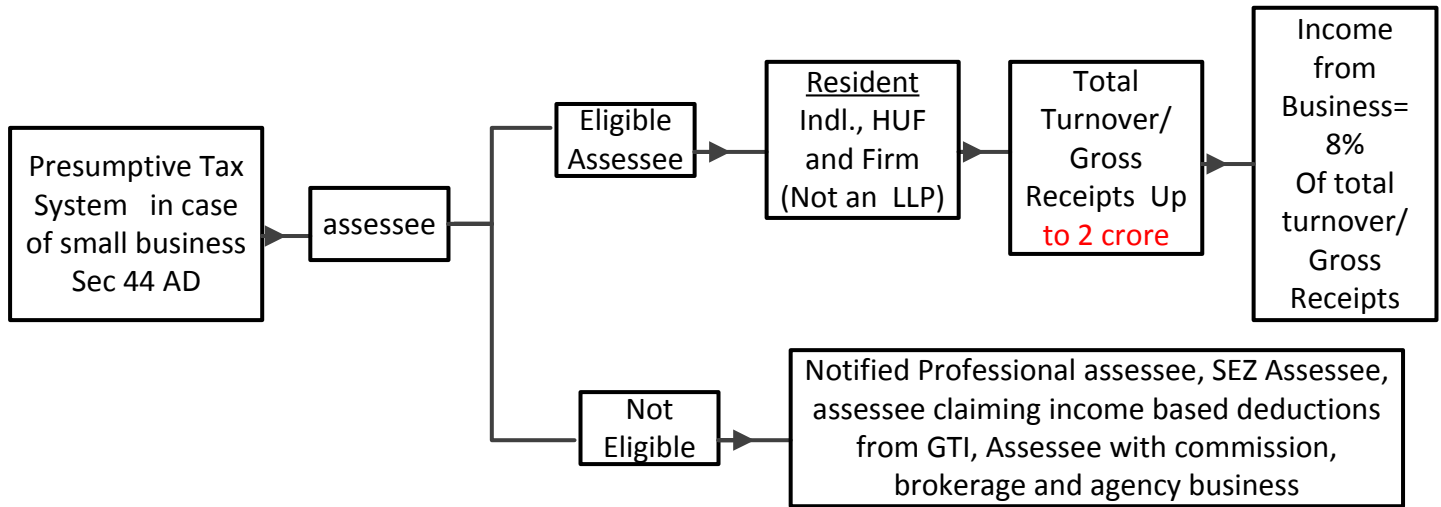
Income form Business or Profession

Special Provisions-Presumptive Tax system

Presumptive Tax System sec 44 AD

Presumptive Tax System in case of small business assessee (other than transport business assessee)sec 44 AD

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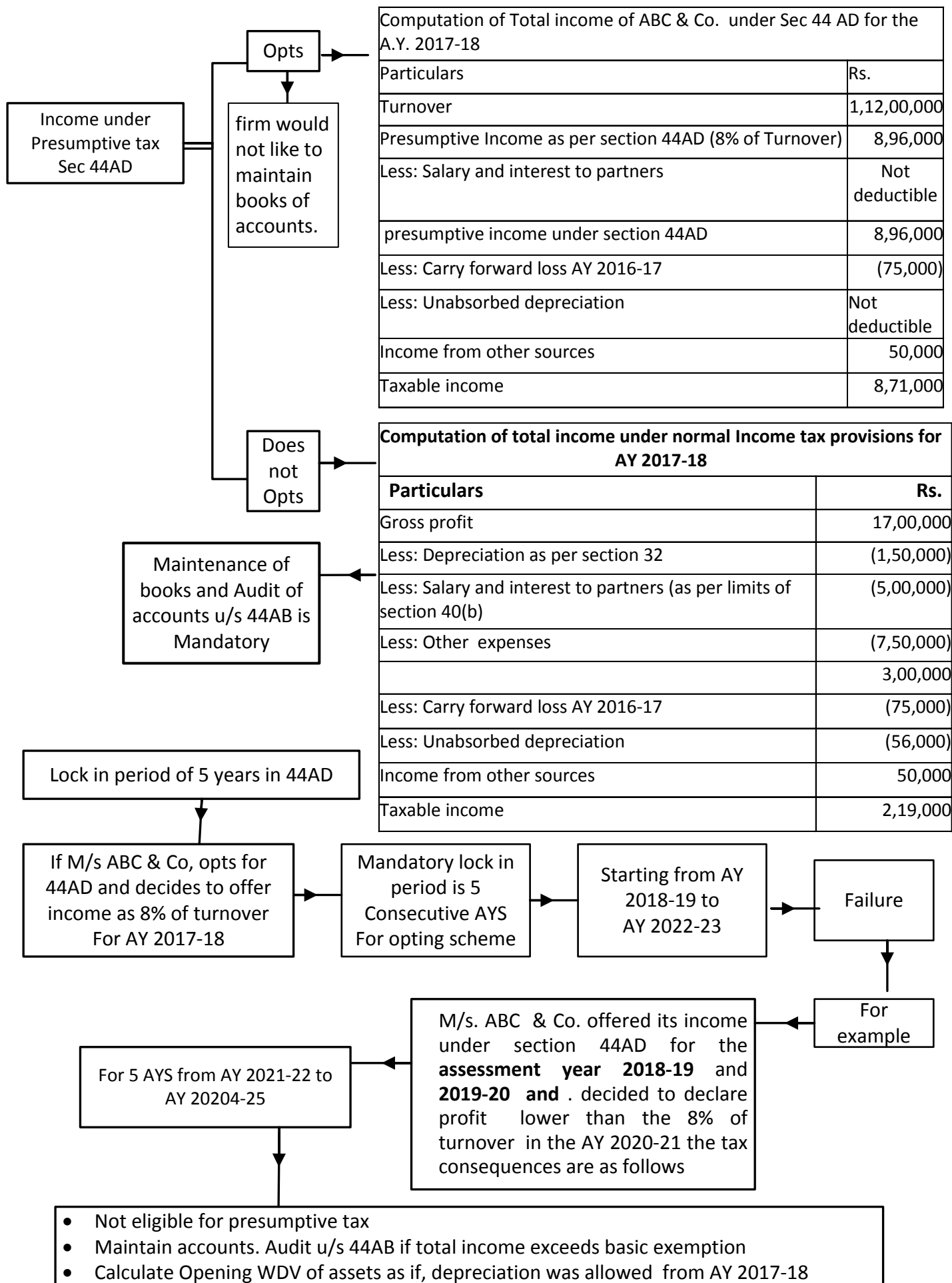
- Higher turnover limit for Rs. 2crores with out Audit of Accounts u/s 44AB
- In case of non-offering of income as per section 44AD for five continuous years, eligible assessee cannot opt for section 44AD for the next five AYs after the assessment year of first non-option.
- Advance tax to be paid on or before 15th March of the financial year in One installment
- In case of firm Salary, interest, remuneration paid to partner as per section 40(b) **not** deductible

Illustration on sec 44AD presumptive tax

M/s. ABC & Co., a resident, a partnership firm provides the following particulars for the PY 2016-17.	
Particulars	R
Gross turnover	1,70,00,00
Gross profit	17,00,000
Depreciation as per section 32	(1,50,000)
Salary and interest to partners (as per limits of section 40(b))	(5,00,000)
Other expenses	(7,50,000)
Net profit	3,00,000
Income from other sources	50,000
Carry forward loss AY 2016-17	75,000
Unabsorbed depreciation	56,000

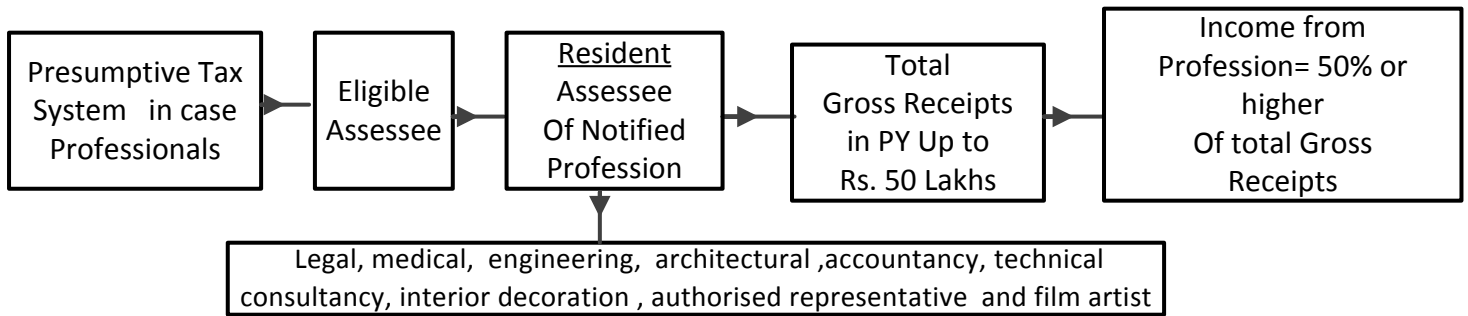
You are required to compute total income of the firm for the AY 2017-18

Solution

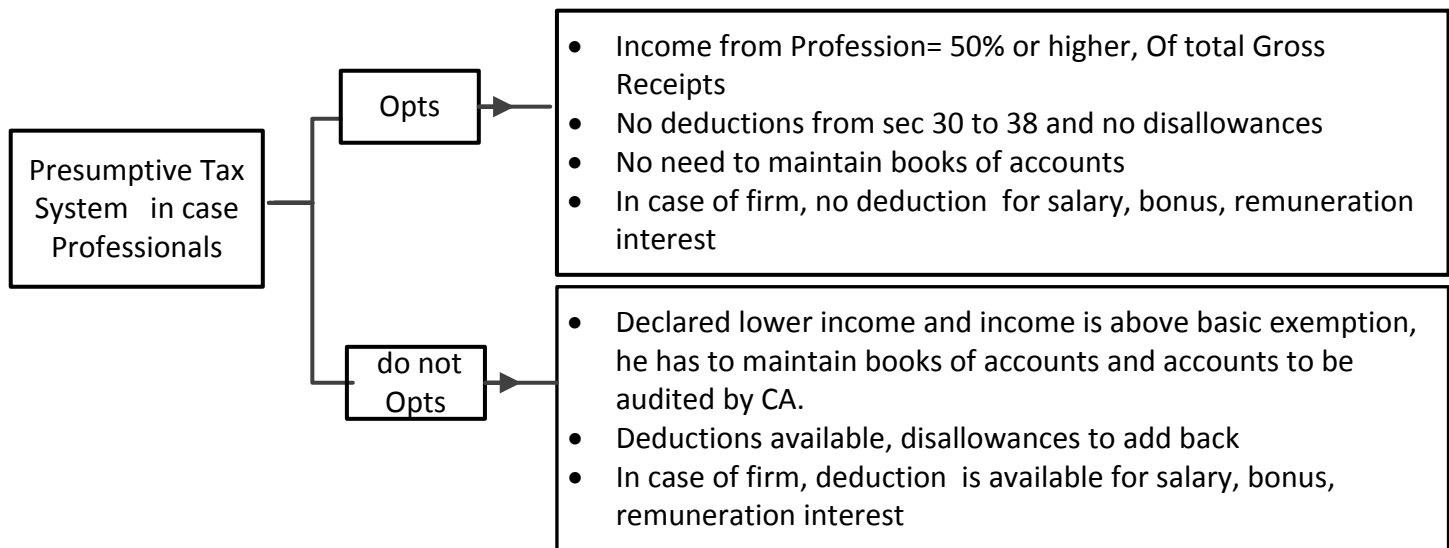


Note: Computation of income for the presumptive tax for professions u/s 44ADA is similar to sec 44AD with modifications, Like, 1. Receipts limit is Rs. 50 lakhs, 2. Percentage of income is 50%, 3. There is no lock in period of 5 years

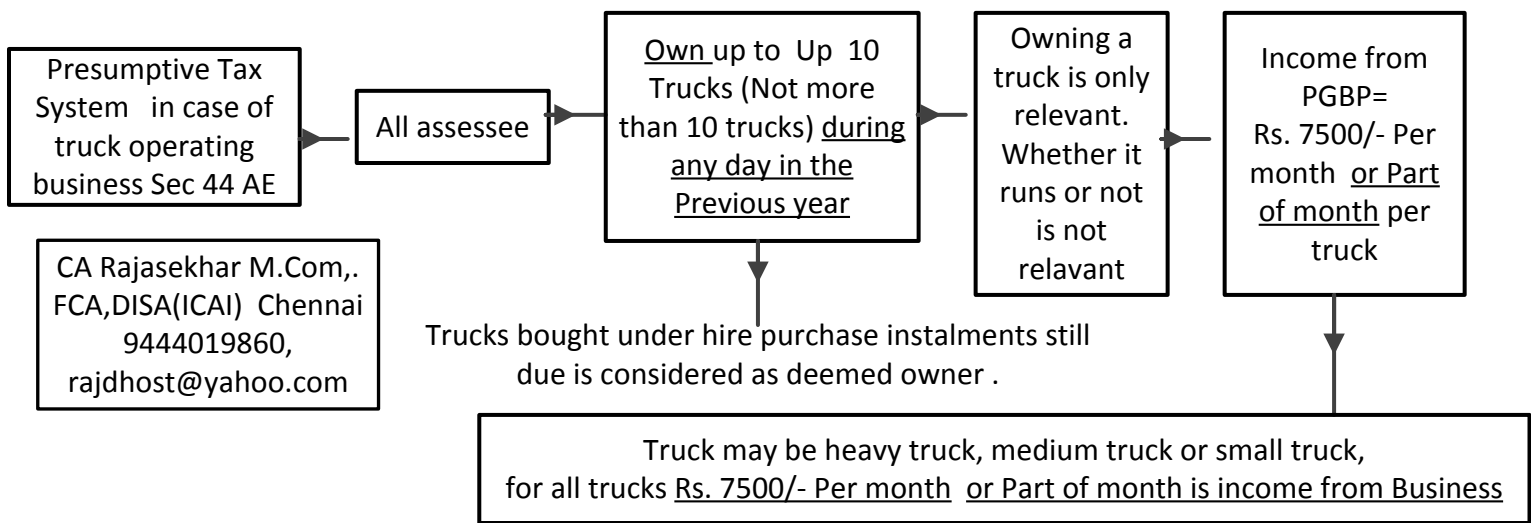
Presumptive Tax System sec 44 ADA for Professionals AY 2017-18



Sec 44ADA Overrides the provisions of sec 28 to 43 C. No lock in period of 5 years as in sec 44 AD



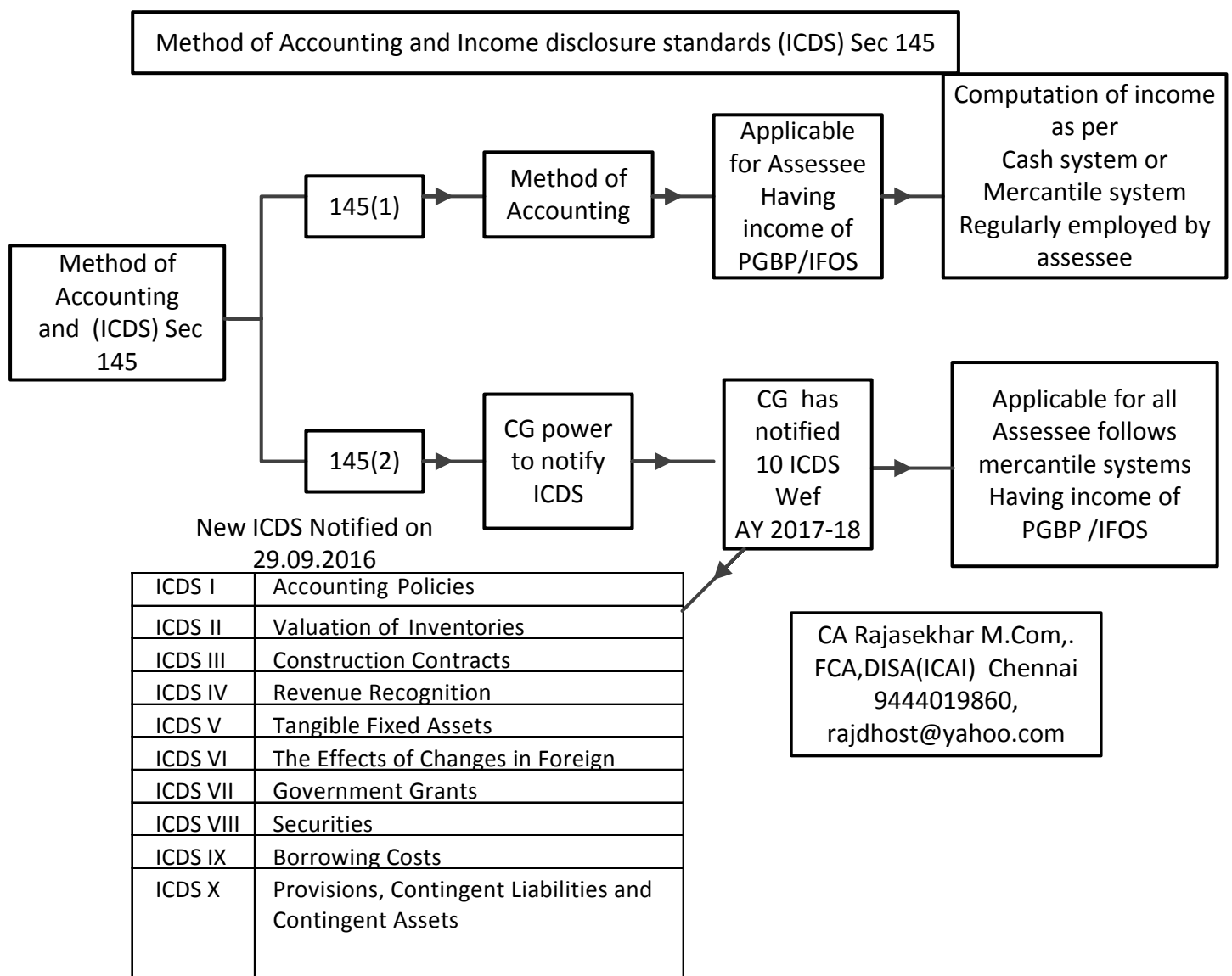
Presumptive Tax System in case of truck operating business Assessee/ transport business assessee)sec 44 AE



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Presumptive tax-- Common points for sec 44AD,44ADA and 44 AE

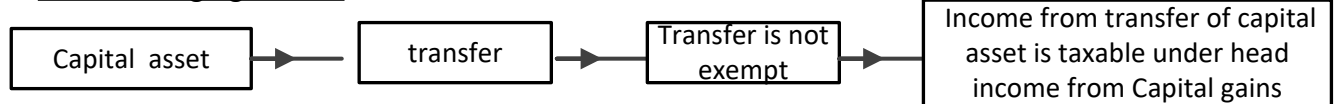
- No need to maintain books of accounts under income tax sec 44AA
- All expenses and depreciation, unabsorbed dep from sec 30 to 38 deemed to have been allowed.
- WDV of assets has to calculate as if depreciation allowed
- Disallowances u/s 40 and 43 B not applicable. There is no need to add back,
- Assessee can declare higher income than prescribed limit, if he earns
- Assessee declaring lower income than prescribed limit, and if total income exceed basic exemption limit, he has to maintain books of accounts and accounts to be audited u/ 44 AB.
- Deductions from Gross total income and Set off of business loss can be claimed
- In case of firm Salary remuneration and commission to working partners can be claimed for section 44 AE Assessee



Capital gains

Capital gains basics

Sec 45 Charging section



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Capital asset sec 2(14)

Include

Capital asset

- All Properties of Assessee Business or Personal
- Jewellery, archeological collections, Paintings. Drawing, sculptures and work or any art
- Any securities held by FIII which has invested as per SEBI guidelines.

Exclude

Not a Capital asset

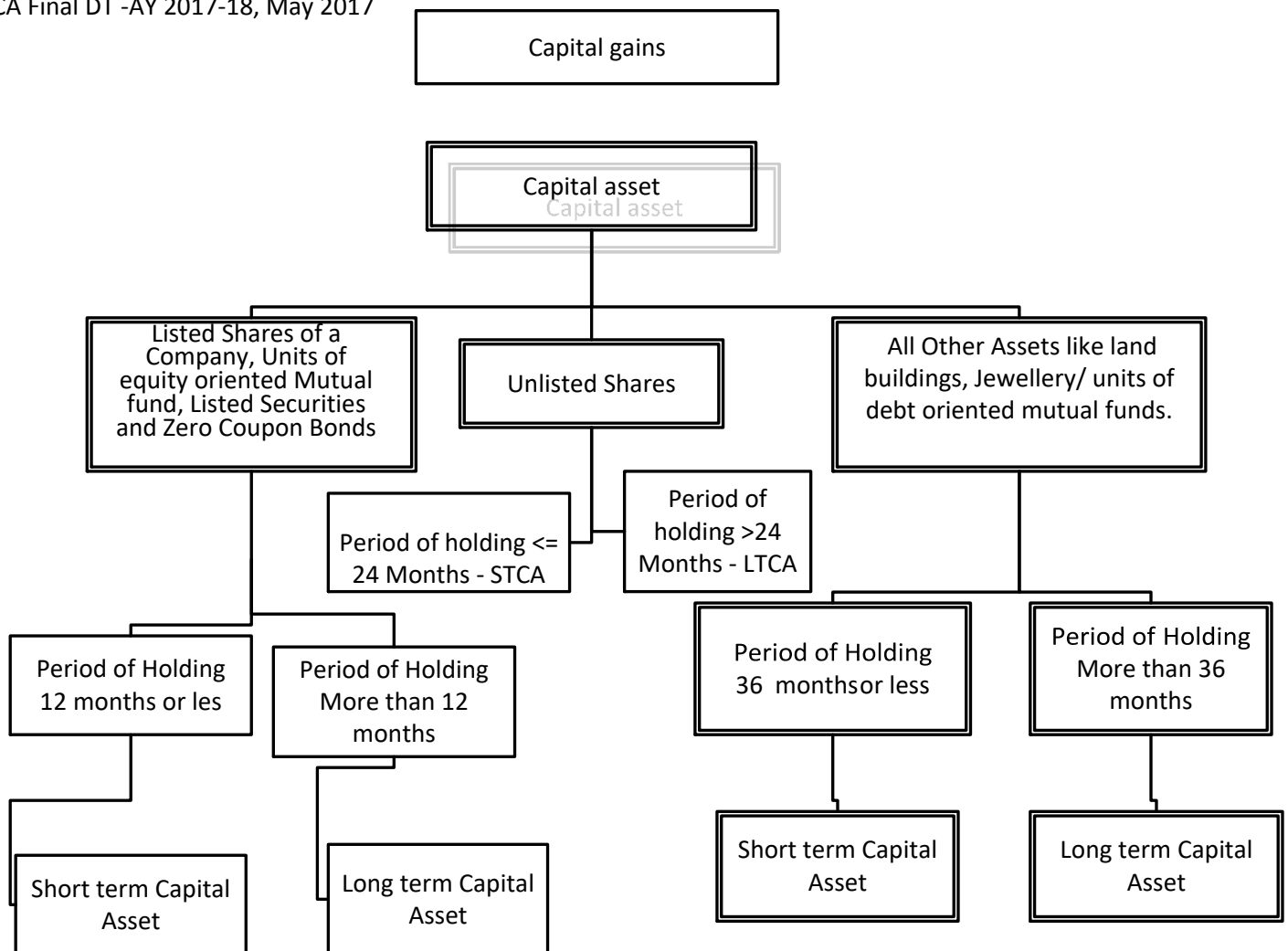
- Stock in-trade, of business
- Person assets of assessee of moveable nature like furniture, house hold items & motor vehicles
- Rural Agricultural land
- Special bears bonds, gold bonds, defense bonds

Meaning of transfer Sec 2 (47)

1 Sale	5.Compulsory acquisition under law by Govt or Local authority	9.Distribution of asset on dissolution of a firm / BOI / AOP.
2 Exchange	6. Conversion of Capital asset in stock in trade (Conversion of personal asset in to business asset)	10.Transfer of a capital asset by a partner or member to the firm / AOP,
3. Relinquishment of any right in asset(foregoing)	7. Handing over the possession of an immovable property	11,Maturity or redemption of Zero coupon bond
4. Extinguishment of asset (loss of asset by fire accident)	8.Transferring enjoyment of any right or immovable property or t therein by society to member	

Certain transactions not regarded as transfer Meaning of transfer Sec .47

1 Transfer of Capital asset by a company; <u>to its shareholders; on its liquidation.</u>	5.Transfers between holding and 100% subsidiary if transferee is an Indian Company
2 Distribution of capital asset by a HUF on total or partial partition of the family	6. Transfer of assets under amalgamation demerger successions and conversion of business subject to some conditions
3. Transfer of assets under Gift/Will except ESOP Sweat equity to employees	7. Issue of new shares in exchange of old shares in amalgamation etc.,
4. Extinguishment of asset (loss of asset by fire accident)	8.Transfer of capital asset of paintings art work archeology collections to university museum and Govt.

**Note:**

❑ In case of Depreciable asset forming part of block of asset will short-term capital asset. Period of holding is not relevant.

❑ In case of slump sale assets will be treated as short-term if the period of undertaking existence is less than 36 months. It will be treated as long-term if the period of undertaking a existence is 36 months or more and not on the basis of period of asset holding.

DETERMINATION OF PERIOD OF HOLDING

Sl. No.	Situation	Period of holding
1.	In case of a share Held in a Company in Liquidation	Up to the date of liquidation
2	Assets acquired under inheritance	The period for which the preceding owner held the asset shall be included.
3	Shares Held in an Amalgamated Indian Company/demerger.	The period for which the shares in amalgamating company / demerged company were held, shall be included
4	In case of all other shares /Esop/Sweat equity	From the date of its allotment
5	In case of right entitlement	From the date such right is offered
6	Transfer of security by depository	The period of holding shall be determined on FIFO method
7	Securities Transacted through Stock Exchanges	Date of Broker note provided delivery of shares is made
8	Securities takes place directly between parties without Stock Exchanges	Date of Contract of sale provided delivery of shares is made.

Capital gains

Computation of Capital gain Sec 48

Long Term Capital Gains

Particulars	Rs	Rs.
Full value of consideration i.e., sale or transfer price of Long term capital assets	xxxxxxxxxx	
Less: Expenses on transfer	xxxxxxxxxx	
Net Consideration		xxxxxxxxxx
Less: Index Cost of Acquisition	xxxxxxxxxx	
Less: Index Cost of Improvement	xxxxxxxxxx	xxxxxxxxxx
Long term Capital gains		xxxxxxxxxx
<i>Less. Exemptions u/s 54, 54-B, 54 EC, 54-D and 54 G, 54 GA, 54 GB if any</i>		xxxxxxxxxx
Taxable long term Capital gains		xxxxxxxxxx

Short — Term Capital Gains

Particulars	Rs	Rs.
Full value of consideration i.e., sale or transfer price of Long term capital assets	xxxxxxxxxx	
Less: Expenses on transfer	xxxxxxxxxx	
Net Consideration		xxxxxxxxxx
Less: Cost of Acquisition	xxxxxxxxxx	
Less: Cost of Improvement	xxxxxxxxxx	xxxxxxxxxx
Short term Capital gains		xxxxxxxxxx
<i>Less. Exemptions u/s, 54-B, 54, 54-D and 54 G, 54 G A, if any</i>		xxxxxxxxxx
Taxable short term Capital gains		xxxxxxxxxx

In Computing Capital gain deduction is not available in respect of any sum paid on account of Securities transaction tax

Indexation:

It is available for all Long Term Capital Assets except for Bonds, Slump Sale, Debentures (other than capital indexed bonds issued by the Government)

Indexed Cost of Acquisition =

$$\text{Cost of acquisition} \times \frac{\text{CII for the year in which the asset is transferred}}{\text{CII for the year in which the asset was first held by the assessee or 1981-82, whichever is later}}$$

Indexed Cost of Improvement =

$$\text{Cost of improvement} \times \frac{\text{CII for the year in which the asset is transferred}}{\text{CII for the year in which the improvement took place}}$$

Full value consideration and chargeability for computation of capital gains sec 45

Transfer of a capital asset 45 (1)	<table border="1"> <thead> <tr> <th>Year of taxable</th><th>Consideration</th></tr> </thead> <tbody> <tr> <td>Previous year in which transfer takes place</td><td>Consideration for the transfer.(Sale Price)</td></tr> </tbody> </table>	Year of taxable	Consideration	Previous year in which transfer takes place	Consideration for the transfer.(Sale Price)
Year of taxable	Consideration				
Previous year in which transfer takes place	Consideration for the transfer.(Sale Price)				
Damage to or destruction of any capital asset 45(1A)	<table border="1"> <thead> <tr> <th>Year of taxable</th><th>Consideration</th></tr> </thead> <tbody> <tr> <td>Previous year in which money or other asset is received from the insurance company</td><td>The value of money or the fair market value of other assets on the date of such receipt</td></tr> </tbody> </table>	Year of taxable	Consideration	Previous year in which money or other asset is received from the insurance company	The value of money or the fair market value of other assets on the date of such receipt
Year of taxable	Consideration				
Previous year in which money or other asset is received from the insurance company	The value of money or the fair market value of other assets on the date of such receipt				
Conversion of capital asset into stock —in-trade Sec 45(2).	<table border="1"> <thead> <tr> <th>Year of taxable</th><th>Consideration</th></tr> </thead> <tbody> <tr> <td>Previous year in which stock in-trade is sold</td><td>Fair Market value as on the date of conversion</td></tr> </tbody> </table> Note: FMV – Cost of acquisition = Capital gain Sale price of stock –FMV on the date of conversion = income from business	Year of taxable	Consideration	Previous year in which stock in-trade is sold	Fair Market value as on the date of conversion
Year of taxable	Consideration				
Previous year in which stock in-trade is sold	Fair Market value as on the date of conversion				
Transfer of capital asset by a partner to the firm or by a member to the AOP or Bol 45(3).	<table border="1"> <thead> <tr> <th>Year of taxable</th><th>Consideration</th></tr> </thead> <tbody> <tr> <td>Previous year in which transfer takes place</td><td>The value of the <u>asset recorded in the books of the firm or AOP or BOL</u>.</td></tr> </tbody> </table>	Year of taxable	Consideration	Previous year in which transfer takes place	The value of the <u>asset recorded in the books of the firm or AOP or BOL</u> .
Year of taxable	Consideration				
Previous year in which transfer takes place	The value of the <u>asset recorded in the books of the firm or AOP or BOL</u> .				
Transfer of a capital asset by way of distribution on dissolution or otherwise of a firm or AOP or BOL.45(4)	<table border="1"> <thead> <tr> <th>Year of taxable</th><th>Consideration</th></tr> </thead> <tbody> <tr> <td>Previous year in which transfer takes place.</td><td>Fair market value of asset as on date of transfer.</td></tr> </tbody> </table>	Year of taxable	Consideration	Previous year in which transfer takes place.	Fair market value of asset as on date of transfer.
Year of taxable	Consideration				
Previous year in which transfer takes place.	Fair market value of asset as on date of transfer.				
Transfer of a capital asset by way of compulsory acquisition under any law.	<table border="1"> <thead> <tr> <th>Year of taxable</th><th>Consideration</th></tr> </thead> <tbody> <tr> <td>Previous year in which compensation is received</td><td>The initial compensation or enhanced compensation</td></tr> </tbody> </table> Note: In case of additional/enhanced compensation cost of acquisition is nil	Year of taxable	Consideration	Previous year in which compensation is received	The initial compensation or enhanced compensation
Year of taxable	Consideration				
Previous year in which compensation is received	The initial compensation or enhanced compensation				
Repurchase of mutual fund units referred to in the Sec. 80CCB.	<table border="1"> <thead> <tr> <th>Year of taxable</th><th>Consideration</th></tr> </thead> <tbody> <tr> <td>Previous year in which the repurchase takes place or the scheme terminates.</td><td>Repurchase price Difference between repurchase price and amount invested shall</td></tr> </tbody> </table>	Year of taxable	Consideration	Previous year in which the repurchase takes place or the scheme terminates.	Repurchase price Difference between repurchase price and amount invested shall
Year of taxable	Consideration				
Previous year in which the repurchase takes place or the scheme terminates.	Repurchase price Difference between repurchase price and amount invested shall				

**Cost of Acquisition for calculation of Capital gains in
Different Cases (Sec 49, 50, 51 & 55)**

Sl No.	Section/asset	Cost of Acquisition
1	Sec. 49 (1) Assets Acquired without Paying Price (inheritance gift, business Conversions	<i>Assets Acquired without Paying Price</i> -Cost to the previous owner
	if asset acquired is Made Before 01-04-1981	Cost of Asset or FMV as on 01-04-1981 whichever is higher.
2	Sec. 49 (2) <i>Shares of Amalgamations</i>	The cost of shares of amalgamated company shall be the cost of acquisition of shares of amalgamating company. The same principle will apply in case of amalgamation of cooperative banks
5.	Sec 49(2AB) In case of ESOP securities transferred by employee	The cost of acquisition shall be the fair market value of Shares on date of allotment.
7.	Sec. 50 Depreciable Assets	The cost of acquisition will be opening WDV of block + addition of cost of assets acquired during the year
8.	Sec. 50(A) In case of depreciable assets being power generating unit	Cost of acquisition will be WDV of asset — Terminal Depreciation + Balancing charge.
9	Sec. 50 (B) slump sale	Cost of acquisition will be net worth of the undertaking.
10	Sec. 51. Forfeited Advance Money	It is taxable under income from other sources from 01.4.2014 Any forfeiture of advance up to 31.03.2014 should be reduced from cost and it should be indexed
12	Sec 55(2) (v) conversion, recon version, division, sub-division of shares	The cost of acquisition will be the cost at which original shares were acquired.
13	Sec. 55 (2)(aa)(iii-a) Bonus Shares	cost of acquisition Nil
14	Sec, 55(2) (a) Goodwill/intangible asset	If purchased, its purchase price. If it is self-generated then its cost of acquisition shall be Nil.
15	Sec. 55(2)(aa) Right Shares	For Original Owner Amount actually paid the assessee. For any other person in whose favor the right is renounced Amount paid for purchasing the right entitlement (+) The cost of Right shares or security.
16	In case of asset declared under income declaration scheme 2016	Fair market value of asset

Capital gains

Capital gains special issues-1

Capital gains on distribution of assets to shareholders on Liquidation of company [Section 46]

Taxability in the hands of	Calculation	
Company	No tax in the hands of the company.	
Shareholders	FMV of assets on distributions	XXXXXX
	Less: Share of Accumulated profits	XXXXXX
		XXXXXX
	Less: Cost of Acquisition of shares	XXXXXX
	Capital gains	XXXXX

Capital gains on buyback, etc. of shares [Section 46A]

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(1)	(2)	(3)
Taxability in the hands of	Buyback of unlisted shares by domestic companies	Buyback of any other shares (listed shares etc.)
Company	Additional income-tax@ 23.072% .	No tax in the hands of the company.
Shareholders	Income arising to shareholders exempt under section 10(34A)	Income arising to shareholders taxable as capital gains under section 46A. (buyback price-cost)

Capital gains Depreciable asset [Section 50]

Computation of capital gain/ loss can be made in the case of transfer of a depreciable asset only in the following two situations

1.	On the last day of the previous year, written down value of the block of assets is Zero/there is no amount to provide depreciation	50(1)
2.	When the block of assets is empty on the last day of the previous year i.e., all assets in the block was sold during the previous year	50 (2)

Computation of Capital gain

Full value of consideration		XXX
Less: (a) Expenses for transfer.	XXX	
(b) W.D.V of the block of assets at the beginning of the previous year	XXX	
(c) Assets acquired during the year and belonging to the same block of assets	XXX	XXX
Short-term capital gain/ loss		XXX

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Capital gains

Capital gains special issues-2

Capital gains in case of Slump Sale - Sec. 50B

(Sale of business or undertaking for lump sum Consideration)

Calculation of Capital gain

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Full value consideration (Sale price of business)	Xxxxxxxxxx
Less Net worth(N.W) of business (Cost of acquisition)	Xxxxxxxxxx
(N. W = Assets-Liabilities) Depreciable asset wdv/ Non Depreciable asset Book value should be taken	
Ignore Revalued figures and stamp duty values of assets	
Long term Capital gain (If business exist more than 36 months)	Xxxxxxxxxx
Short term Capital gain (If business exist 36 months or less)	Xxxxxxxxxx

Full Value Consideration in case of Sale of Land or land and Buildings - Sec. 50C

1	When stamp value and sale price both are available	Stamp value or actual consideration ie sale price of asset whichever is higher is Full value consideration
2	If Stamp value > sale price of asset And value of the valuation officer is also available (If the assessee does not appeal)	Stamp value or value of valuation officer whichever is lower is the consideration

Stamp duty value can be taken as Full value Consideration if the Part or full consideration was paid in A/C payee cheque. Draft or ECS mode on or before the date of agreement(AY 2017-18)

Fair Market Value to be the full value of consideration in certain cases [Section 50D]

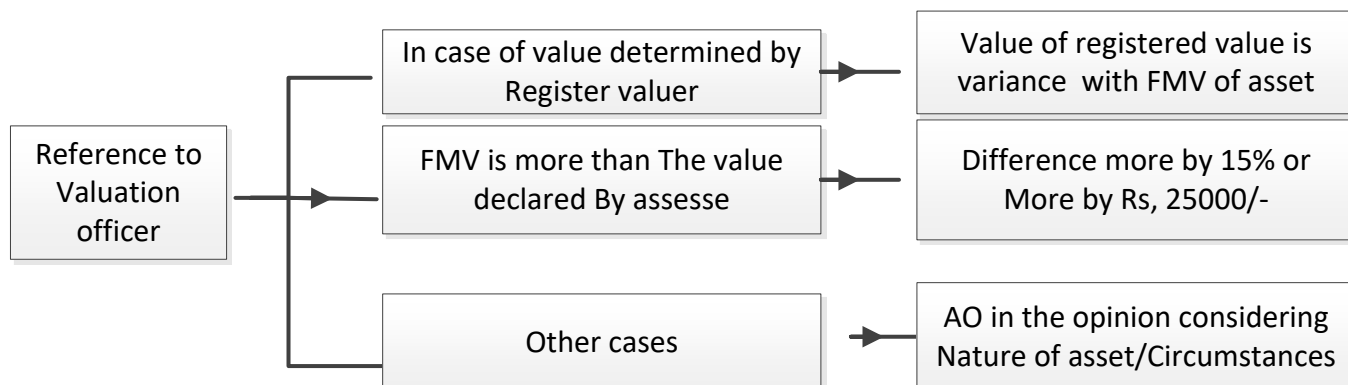
- Where the consideration of transfer of a capital asset by an assessee is not ascertainable or cannot be determined, then, for the purpose of computing capital gains,
- the FMV of the asset on the date of transfer shall be deemed to be the full value of the consideration

Section 51: Advance Money Forfeited

- Advance money received and forfeited up to 31.3.2014 – Deduct from Cost of acquisition and then indexation should be given
- From 1.4.2014 would be taxable under section 56(2) under the head “Income from other sources”.

Reference to Valuation Officer Sec 55 A

Assessing Officer can refer to Income tax valuation officer to determine the FMV of asset in the following cases



Capital gains

Capital gains exempt from tax under sec 10 Exemptions and deductions-1

Transfer of units of UTI. - Sec 10(36)
Transfer of capital asset being Units under UTI 1964 if transfer takes place after 1.4.2002
Transfer of Listed BSE 500 Equity Shares - Sec 10 (33)
Capital gain on listed equity shares purchased after 1.3.2003 but before 1.3.2005, (BSE 500 index) if transaction purchase and sale entered through recognized stock exchange in India provided period of holding is more than 12 months.

Capital Gain on Transfer of urban Agricultural land - Sec 10 (37)
Applicable only to individual or a Hindu undivided family
transfer is by way of compulsory acquisition under any law
Such land, during the period of two years immediately preceding the date of transfer, was being used for agricultural purposes by such Hindu undivided family or individual or a parent of his;

Long term Capital gain of Equity share/Units - Sec. 10(38)
transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund will be exempt from tax where—
the transaction of sale of such equity share or unit is entered into on or after the date 1.10.2004
Such transaction is chargeable to securities transaction tax.
The similar short term capital gains are taxable at flat 15% u/s 111A

Capital gains deductions u/s 54

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Capital Gains from Transfer of a Residential House (Sec. 54)

Applicable to	Individual & HUF's
Capital to be transferred	LTCA Residential HP (Self occupied or Let-out)
New asset to Purchased or Deposit of amount	Purchase / Construction of new House. Deduction available only for one house. Deposit in capital gain Scheme 1988
Time Limit for Utilization	1. For purchase: One year back or two Years after the date of transfer 2. For construction: within 3 years from date of transfer 3. Deposit in capital gain Scheme before due date of filing of ROI
Amount of exemption	Amount utilised in Purchase or Construction (+) amount deposited in Capital
Other Conditions:	1. No restriction on owning any house 2. Restriction of 3 years on transfer of new asset or deposited amount (otherwise previously Exempted LTCG shall be taxable).

Capital gains

Exemptions and deductions-2

CAPITAL GAINS FROM TRANSFER OF AGRICULTURAL LAND (Sec. 54B)

Applicable to	Individual & HUF's
Capital Asset to be transferred	LTCA or STCA Agricultural Land
New asset to Purchased or Deposit of amount	Purchase of new agricultural land Deposit in capital gain Scheme 1988 before due date of filing of RO
Time Limit for purchase of New asset	For purchase: two Years after the date of transfer/ Deposit in capital gain Scheme 1988 before due date of filing of ROI
Amount of exemption	Amount utilised in Purchase (+) amount deposited in Capital Gains Amount scheme or capital gain whichever is less
Other Conditions	1. The Agricultural should be used by assessee or his parent for agricultural purposes at least 2 years before the date of transfer 2. Restriction of 3 years on transfer of new asset or deposited amount (otherwise previously Exempted LTCG)

Capital Gains from Compulsory Acquisition of Industrial Undertaking (Sec. 54D)

Applicable to	All Assesseees
Capital Asset to be transferred	LTCA or STCA land building acquired on compulsory acquisition
New asset to Purchased or Deposit of amount	1. Purchase of any other land building 2. Construction of any other building 3. Deposit in capital gain Scheme 1988 before due date of filing of ROI
Time Limit for purchase of New asset	1. In case of Purchase: 3 Years from the date of transfer 2. In case of construction: 3 years from the date of transfer 3. In case of Deposit: Before due date of furnishing ROI
Amount of exemption	Amount utilized in purchase of land/building or construction of building (+) amount deposited if any or Amount of Capital Gain whichever is less
Other conditions:	1. Newly acquired land/ building to be used for shifting old unit or setting — up new unit 2. Restriction of 3 years on transfer of new asset or utilisation of Deposit

Exemption Capital Gains for Rural Development and Development of Highways (sec. 54EC)

Applicable to	All Assesseees
Capital Asset to be transferred	The Asset should be any Long- term Capital Asset.
New asset to Purchased or Deposit of amount	3years bonds of National Highways Authority of India and Rural Electrification Corporation Ltd. Maximum ceiling in Investment Rs. 50 lakhs in one financial year or two financial year
Time Limit for purchase of New asset	Within 6 Months from the date of Transfer
Amount of Exemption	Amount of capital gains or investment in bonds whichever is less
Other conditions	(i) Bonds Not to be transferred within 3 years (otherwise taxable) ii) The cost of specified assets which is considered for exemption u/s 54EC, No deduction under any other deduction,

Exemptions and deductions-3

Capital Gains from an Asset Other Than Residential House (Sec. 54F)

Applicable to	Individuals & HUF's
Capital Asset to be transferred	ANY LTCA other than Residential house
Amount to be invested to get exemption:	The amount of Net Consideration and not the capital gains
New asset to Purchased or Deposit of amount	1. Purchase of Residential house 2. Construction of a Residential house 3. Deposit in Capital gain Scheme
Time Limit for purchase of New asset	1. In case of Purchase: One-year back or Two year after. 2. In case of Construction: Three years forward 3. In case of Deposit: Before due date of furnishing of ROI
Amount of Exemption	If Full net consideration is invested, entire capital gain is exempt. If part of consideration is invested exemption = capital gains x cost of new asset/Net
Other Condition	The assessee does not owns more than one residential house, (other than the new asset), on the date of transfer of the original asset, or should not purchase any residential house, (other than the new asset) within one year from the date of such transfer, or constructs any residential house, (other than the new asset), within three years from the date of such transfer

Capital Gains from Shifting of an Industrial Undertaking from Urban Area to Rural Area (Sec. 54G)

Applicable to	All Assesseees
Capital Asset to be transferred	LTCA or STCA of Plant, Machinery, Land, building and right in land or Building
New asset to Purchased	Investment in P & M, L & B and expenses as per scheme and
Time Limit for purchase of New asset	One year back or two-year after Deposit : Before due date of furnishing return of income
Amount of Exemption	Cost of new asset (+) amount of deposit if any or amount of capital gain whichever is less
Other conditions	Restriction of 3 years on transfer of new asset or Restriction on utilization of Deposit

Capital Gains from Shifting of an Industrial Undertaking from Urban Area to Special Economic Zone (Sec. 54GA)

Applicable to	All Assesseees
Capital Asset to be transferred	LTCA or STCA of Plant, Machinery, Land, building and right in land or Building
New asset to Purchased	Investment in P & M, L & B and expenses as per scheme and
Time Limit for purchase of New asset	One year back or two-year after Deposit : Before due date of furnishing return of income
Amount of Exemption	Cost of new asset (+) amount of deposit if any or amount of capital gain whichever is less
Other conditions	Restriction of 3 years on transfer of new asset or Restriction on utilization of Deposit

Exemptions and deductions-4 & Tax rates

Exemption of long-term capital gains on transfer of residential property if the sale consideration is used for subscription in equity of a new start-up manufacturing SME company to be used for purchase of new plant and machinery [New Section 54GB]

Applicable to	Individual/HUF
Capital Asset to be transferred	The Asset should be Long term residential property (house or plot of Land)
Amount to be invested to get exemption	The amount of Net Consideration
New asset to be Purchased Deposit of amount	Equity shares of an eligible company being a newly incorporated SME company engaged in the manufacturing sector, which is utilized by the company for the purchase of new plant and machinery/ shares of eligible startup
Time Limit for purchase of New asset	Within 6 months from the date of transfer
Amount of Exemption	Full net consideration to be invested, otherwise the exemption will be proportionate as under $\text{Capital Gains} \times \text{Cost of New Asset} / \text{Net consideration}$
Other conditions	Restriction of 3 years on transfer of new asset or Restriction on utilization of Deposit

Computation of Capital Gain in case of violation takes place by sale of asset within a period of 3 years for the purpose of the sections 54, 54 B, 54 EC, 54 F, 54 G, 54 GA and 54 GB

Sale Consideration of new asset sold	XXXXXXXX
Less Cost of Acquisition : Cost of acquisition of new asset minus Capital gain exempted earlier	XXXXX
Short term capital gain	XXXXXXXX

Tax rates on Capital Gains

Tax on short term capital gains in certain cases — Sec. 111 A

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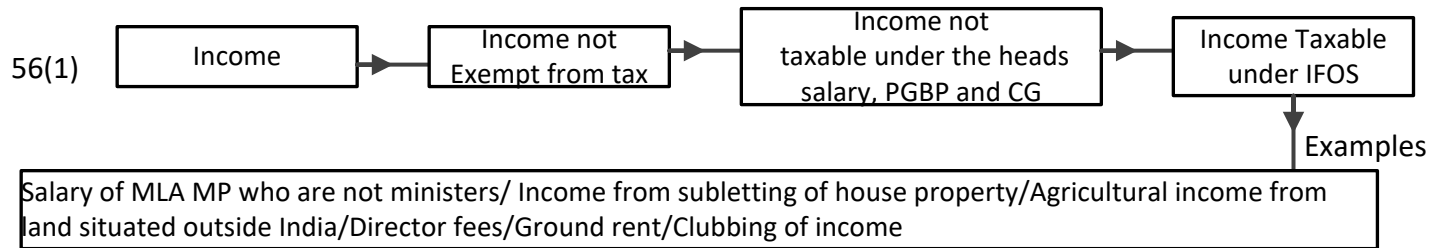
- This Section Applicable to all Assesses.
- STCG taxed flat rate of 15 % only in respect of equity shares and units of equity oriented fund.
- Such equity shares and units of equity oriented fund. Are liable to Securities transaction tax.
- No deduction will be available from gross total income
- In case of no other income to set off the loss, income from long term capital gains can be used to set off the losses and balance can be taxed @ 15%
- In case of resident individual and HUF, if the basic exemption is not exhausted by any other income, then short term capital gains will be reduced by unexhausted basic exemption limit and balance will be taxable only at 15%.

Tax on long term capital gains - Sec 112

- This Section Applicable to all Assesses
- LTCG taxed flat rate of 20%
- No deduction will be available from gross total income
- In case of resident individual and HUF, if the basic exemption is not exhausted by any other income, then long term capital gains will be reduced by unexhausted basic exemption limit and balance will be taxable only at 20%.
- In case of no other income to set off the loss, income from long term capital gains can be used to set off the losses and balance can be taxed @ 20%
- In case of Nonresidents un listed securities tax will be 10% without out indexation or 20% with indexation at the option of assessee
- **Long-term capital gains on shares of private companies to be subject to concessional rate of tax@10% without index in the hands of non-corporate non-residents and foreign companies [Section 112(1)(c)]**

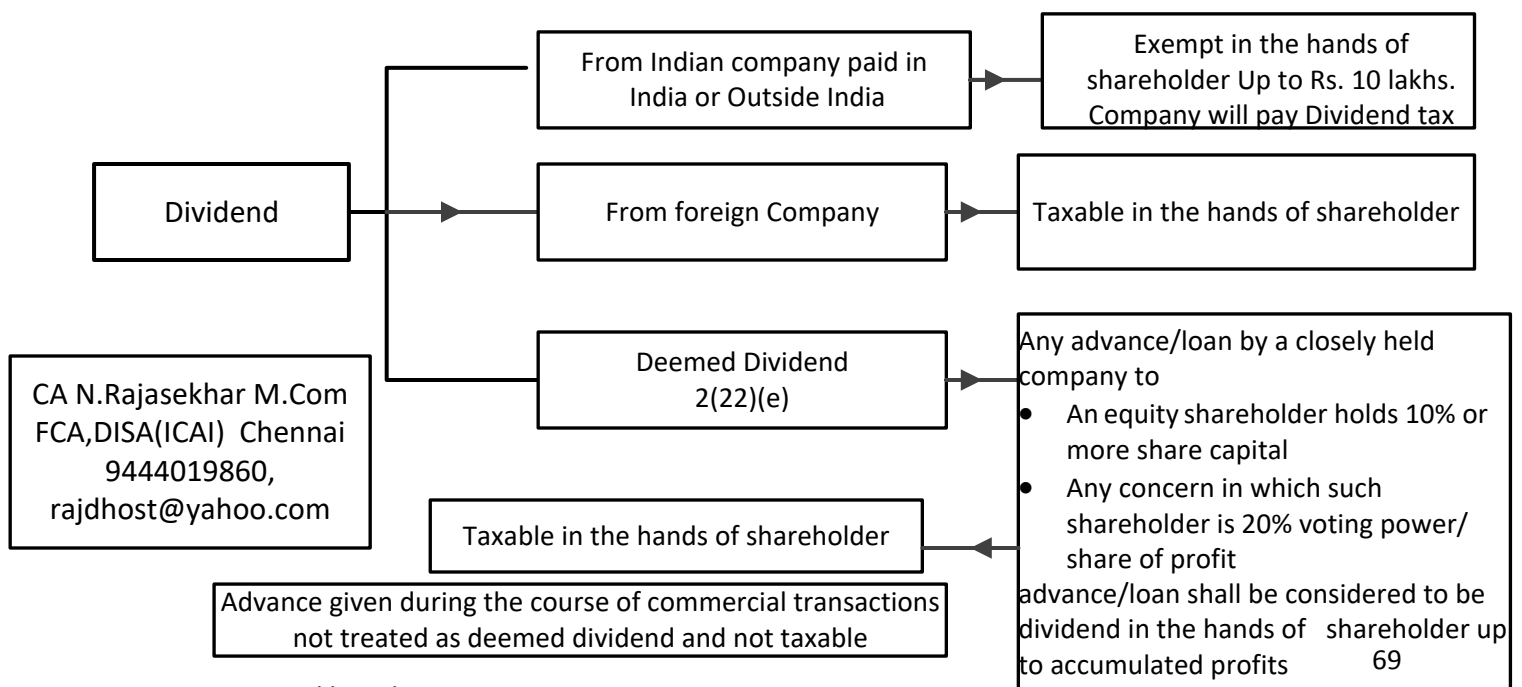
Section 54EE Exemption of long-term capital gains on investment in notified units of specified fund

Applicable to	All Assessee
Capital Asset to be transferred	The Asset should be Long term Capital asset
Amount to be invested to get exemption	The amount of Capital gains
New asset to Purchased / Deposit of amount	Units of specified fund issued before April 1 st 2019. Maximum Amount Rs. 50 lakhs
Time Limit for purchase of New asset	Within 6 months from the date of transfer
Amount of Exemption	Capital gains or investment whichever is less
Other conditions	Restriction of 3 years on transfer of new asset for 3 years. if the assessee takes any loan or advance on the security of such units, he shall be

Income from Other sources (IFOS)Charging Section sec 56

56(2) The Following Incomes are Taxable under IFOS

SNO	Income
1	Dividends
2	Winnings from lotteries ,puzzles, card games ,betting's races tv shows etc.,
3	Interest on Securities if it is not charged under Income from business or Profession
4	Letting out of plant and machinery (if not chargeable under Income from business or Profession)
5	Income from letting or hire any building in which plant and machinery is situated and letting of building is inseparable from letting of plant and machinery
6	Sum received from Key man Insurance Policy including bonus if such some is not chargeable under head Salaries or business or Profession.
7	interest on Compensation/Enhanced compensation on compulsory acquisition. Taxable in the year of receipt. 50% deduction, Balance 50% is taxable
8	forfeiture of advance received in the transfer of capital asset
9	Gifts received in cash or kind in excess of Rs, 50000/-
10	Transfer of shares without consideration or for inadequate consideration to in case of recipient firms and companies also
11	Consideration received in excess of FMV of shares issued by a closely held company to be treated as income of such company, where shares are issued at a premium



Taxability of Gifts Received by Indl., HUF sec 56 (2)

Gifts received in cash or Kind
By Individual HUF

Exempt

- From any relative (any amount/ on any occasion)
- On the occasion of the marriage of the individual from (any person any amount)
- Under a will or by way of inheritance;
- In contemplation of death of the payer.
- received from any local authority u/s 10(20)
- received from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution u/s 10(23C)
- Received from any trust or institution registered under section 12AA.
- any sum or property received by a HUF from its members

Other than the above the taxability is as below

Gifts received in cash or Kind
By Individual HUF

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Gifts received in cash in
cash Cheque Draft,
Certificate like FD
NSC etc

Total Amount
Received from All
Persons
Is > Rs. 50,000/
full amount Is taxable

Gifts received in Kind

Immovable Property
(Land and Building)

Movable Property
(Jewellery, shares securities
Drawings painting art work
Archeological collection)

Without
Consideration

Inadequate
Consideration

Without
Consideration

Inadequate
Consideration

Stamp Value >
Rs. 50,000/-
full amount Is
taxable

Stamp Value minus
Consideration >
Rs. 50,000/-
Is taxable

Fair Market Value >
Rs. 50,000/-
Is taxable

Fair Market
Value minus
Consideration
>Rs. 50,000/-
Is taxable

Limits calculation

- ◆ For cash all taxable gifts received from all the persons in excess of Rs.50000/-
- ◆ For all the movable property received by way of gift in excess of Rs.50000/-
- ◆ For all the movable property received for inadequate Consideration in excess of Rs.50000/-
- ◆ For each the immovable property received by gift in excess of Rs.50000/-
- ◆ For each the immovable property received for inadequate Consideration in excess of Rs.50000

Shares received by an individual or HUF as a consequence of demerger or amalgamation of a company or a business reorganization of a co-operative bank not taxable as gift received

Income from Other sources

Valuation of movable property for taxability

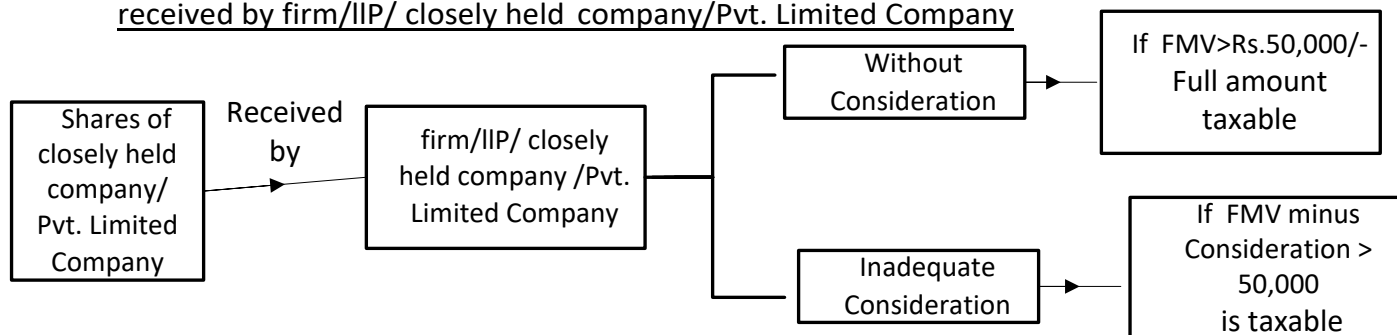
1. In case of Jewellery, Archaeological Collection, Drawings, . Paintings, Sculptures, . Any work of art etc., the value will be done as below:

	Circumstances	Value
1	Normal Circumstances	FMV as on the date of receipt
2	In case of purchased movable property received	Purchase price
3	Other cases	Value determined by Valuation officer

In case of Shares and Securities

SNO	Type of Shares and securities	Particulars	Value
1	Quoted shares and securities	Transaction received through Recognised Stock exchange	FMV of shares
		Transaction not received through Recognised Stock exchange	Lowest Price of shares & securities in the preceding day
2	Unquoted shares	NA	value to be calculated on net assets basis.

Gift tax liability in case of shares of closely held company/Pvt. Limited Company received by firm/IIP/ closely held company/Pvt. Limited Company



Not applicable:

1. Shares of listed public company.
2. Transactions which are not treated as transfer u/47 like transfer of shares in amalgamation conversion etc

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Issue of shares by a Closely Held Company at premium above FMV

Consideration received in excess of FMV of shares issued by a closely held company/Pvt Company to be treated as income of such company, where shares are issued at a premium as below

SNO	Particulars	Taxable value
1	Issue price of shares < FMV of shares	NIL
2	Issue price of shares > FMV of shares	Issue price - FMV

Deductible Expenses from Other Sources Income U/S 57

1	In case of dividends/interest of securities	Remuneration or commission for the purpose of realizing, dividend & interest on borrowed capital
2	Income from, building machinery, plant or furniture let on hire:	Repairs, insurance, depreciation, unabsorbed depreciation
3	Family pension	1/3 of family pension, Rs.15000/- whichever is less
4	General deduction	As per sec 37 of income from business
5	Owning and maintaining horse races	Normal business expenditure
6	Interest on Compensation/enhanced compensation	50% of such interest

Income from Other sources

Grossing up of income:

Certain income, the tds is deducted and net amount is available for calculating income. In such cases the net income is to be Grossed up as below:

SNO	Particulars	Rate of TDS
1	Interest on securities	10
2	Winning from lotteries	30
3	Winning from Horse races	30

Grossing up of Net Interest Income	→	Gross amount = $\frac{\text{Net interest} \times 100}{100-10}$ -
Grossing up of Net winnings	→	Gross amount = $\frac{\text{Net Winnings} \times 100}{100-30}$ -

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Expenditure Not Deductible (Sec 58)

SL No.	The following amounts are not deductible while computing income from other sources:
1.	Personal expenses.
2.	Income tax proceedings before any income tax authority, Tribunal or Court.
3	interest/salary payable outside India without TDS.
4.	Income tax/wealth tax
5	Payments to relatives in excess of market limits/payments in excess of Rs.20000/-
6	In respect of winnings income, no deduction Such income is taxable at flat rate of 30%. However in case of the owner of the horse maintained deductions are available in computing his income from the activity of swinging and maintaining such horses-[Proviso to Sec. 58(4)].

Bond washing transaction Sec. 94(1)

- ♦ If owner of any security sell it just before due date and again acquires them after due date, he will be able to avoid payment of tax on interest.
 - ♦ In such case, interest would be deemed to be income of the transferor and not transferee.
- Exceptions: If there is no avoidance of tax

Dividend Stripping in case of Shares/Units

Sec. 94(7)

If any person has purchased shares/units within 3 months prior to record date and after receiving the dividends, the shares were sold within 3 months or the units were sold within 9 months after the record date, in such cases, any loss incurred to the extent dividend were received shall not be taken into consideration.

Bonus Stripping in case of Shares/Units Sec. 94(8)

If any person has purchased units within 3 months prior to record date and after receiving the additional units, the original units were sold within 9 months after the record date, in such cases, any loss incurred shall not be taken into consideration.

Deemed income chargeable to tax [Section 59]: Where any expenditure allowed as deduction subsequently recovered/ or any benefit received, such income is taxable under income from other sources. This section is similar to sec 41 of income from business.

Clubbing of income		
Section	Income to be clubbed	The relevant provision
60	Income alone transferred without transfer of asset	Such income is to be included in the total income of the transferor
61 to 63	Income arising from revocable transfer of assets (Revocable transfer means transfer for certain	Such income is to be included in the income of the transferor.
64(1)(ii)	Income of spouse by way of salary remuneration, commission etc. from a concern in which the individual has substantial interest (20% or more along with relatives) Relatives=spouse+brother+sister+ parents +children	Income of spouse from the concern is to be included in the total income of the individual. Exception: application of technical or professional knowledge and experience of spouse Note{ When indl., and spouse both are substantial interest , income to be clubbed with the income of individual whose income is higher
64(1)(iv)	Income arising to spouse from assets transferred without adequate consideration/inadequate consideration (It Covers all assets and cash also/Capital contributions	Income from such assets shall be included in the total income of the transferor. Exception: 1. Assets transferred in agreement to live apart 2. Premarital transfers 3. Bonafide loans
64(1)(vi)	Income arising to sons wife from assets transferred without adequate consideration/inadequate consideration (It Covers	Same as above
64(1)(vii) / 64(1)(viii)	Income arising from transfer of assets third person for the benefit of	Income from such assets shall be included in the total income of the transferor.
64(1A)	Income of minor child	Income of the minor child shall be included with the income of that parent, whose total income, before including minor's income, is higher, Exemption of up to Rs. 1500 per child u/s 10(32) will be given in clubbing of income Exception No Clubbing * Income from manual work done by him * Income from activity involving application of minor's skill, talent or specialized knowledge and experience; and * Income of a minor child suffering from any disability specified in section 80U.

Set off and Carry forward of Losses
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Rules for Carry forward and Set-off of brought forward losses				
Section	Nature of loss to be carried forward	Current year setoff	set-off in next year/ Brought forward losses	Time limit for carry forward of losses
71B	Loss from house property	Any head of income	Income from house property	8 AY
72	Loss from Business Profession	Any head of income except salaries	Profits and gains from business or profession	8 AY
73	Loss from speculation business	income from speculation business	Income from speculation business	4 AY
73A	Loss from specified business under section 35AD	Profit from any specified business	Profit from any specified business	Indefinite period
74	Long-term capital loss	Long-term capital gains	Long-term capital gains	8 AY
	Short-term capital loss	Short-term/Long-term capital gains	Short-term/Long-term capital gains	8 AY
74A	Loss from the activity of owning and maintaining race horses	Income from the activity of owning and maintaining race horses.	Income from the activity of owning and maintaining race horses.	4 AY
32	Unabsorbed depreciation	Any head of income except salaries	Any head of income except salaries	Indefinite period
	Income from other sources Except all Winnings	Any head of income	No carry forward No set off	No carry forward

In Case of income from business or profession The order of set off losses are as below

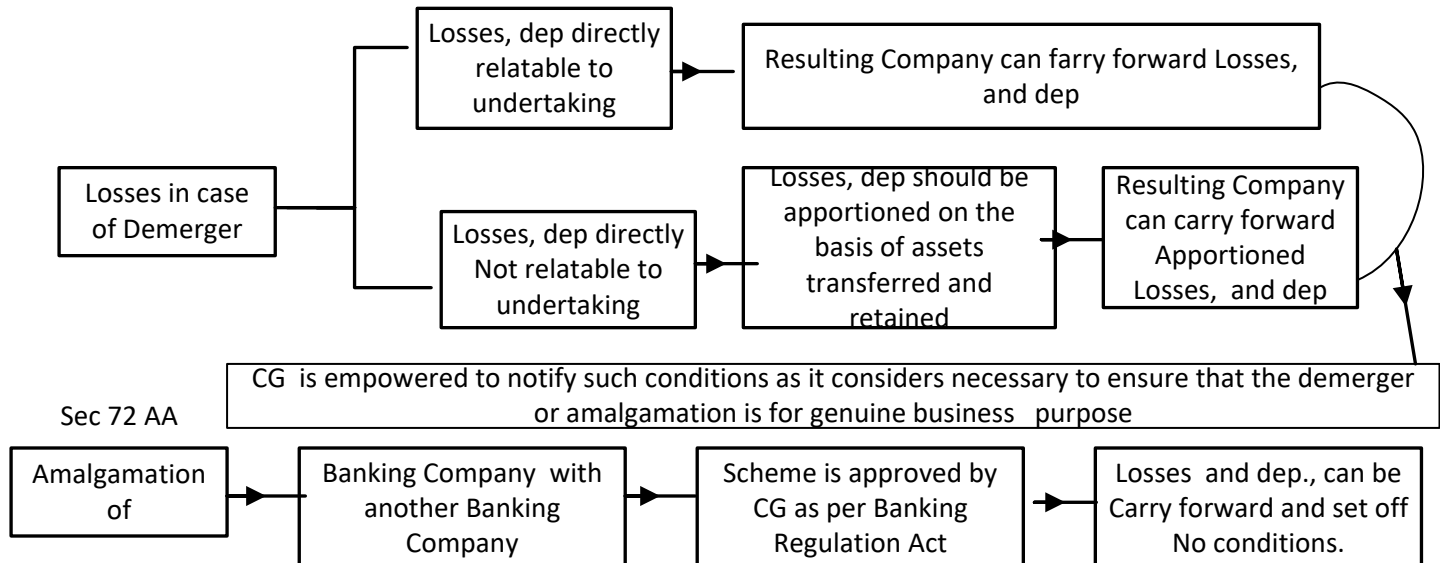
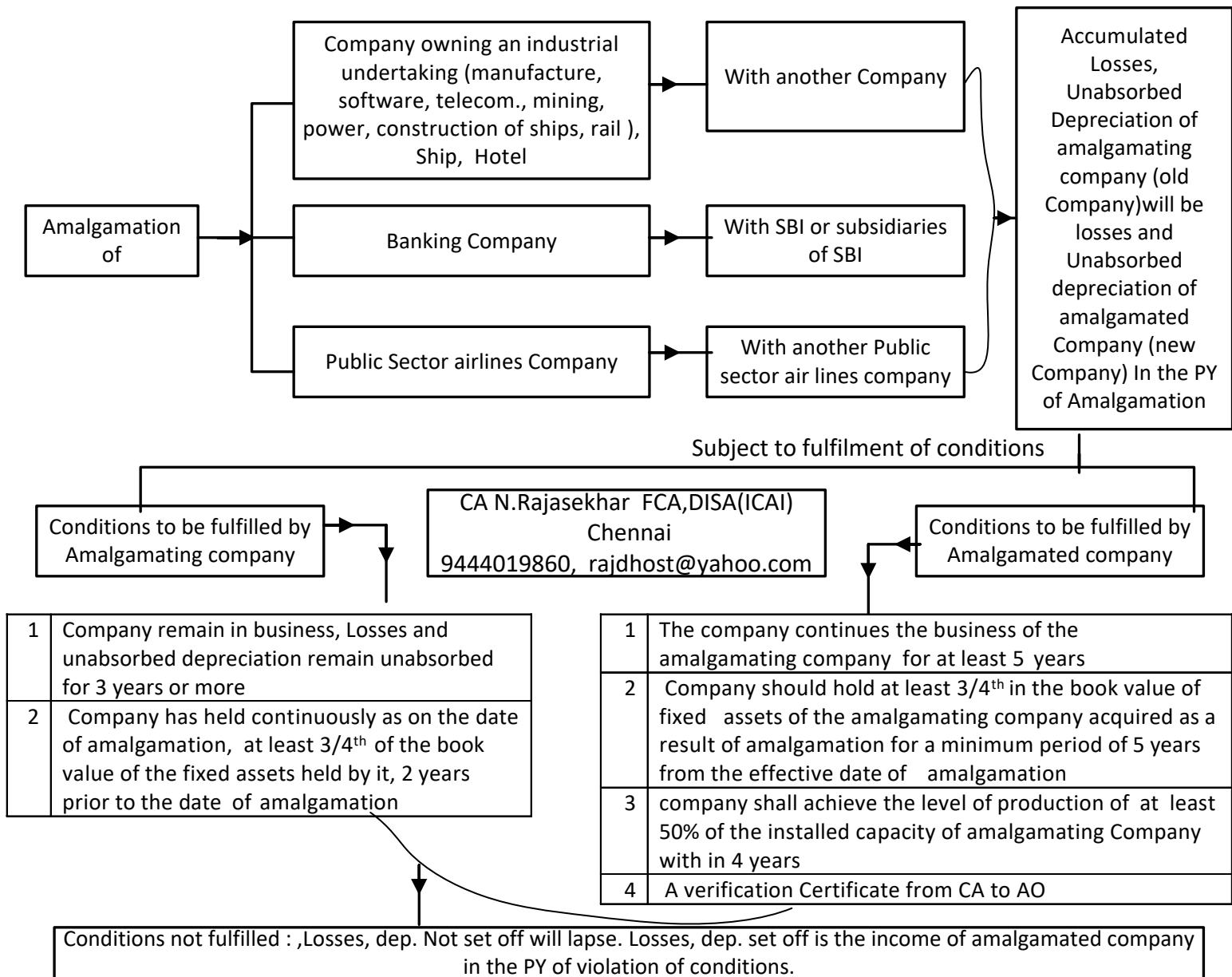
- Current year depreciation
- Current year capital expenditure on scientific research and current year Expenditure on family planning, t
- Brought forward loss from business/profession [Section 72(1)]
- Unabsorbed depreciation [Section 32(2)]
- Unabsorbed capital expenditure on scientific research [Section 35(4)].
- Unabsorbed expenditure on family planning [Section 36(1)(ix)]

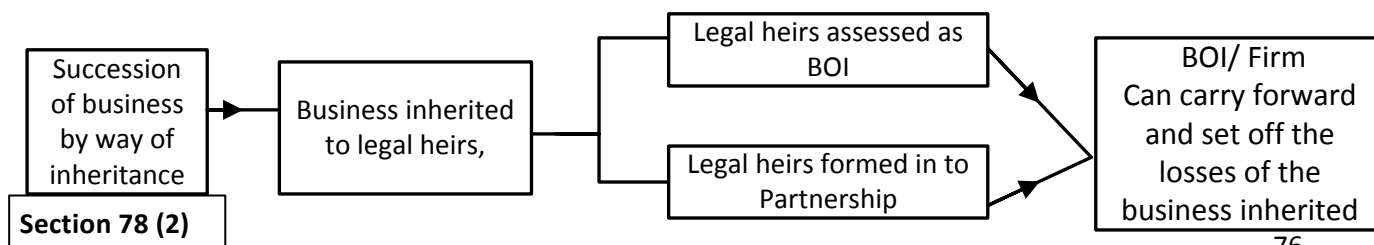
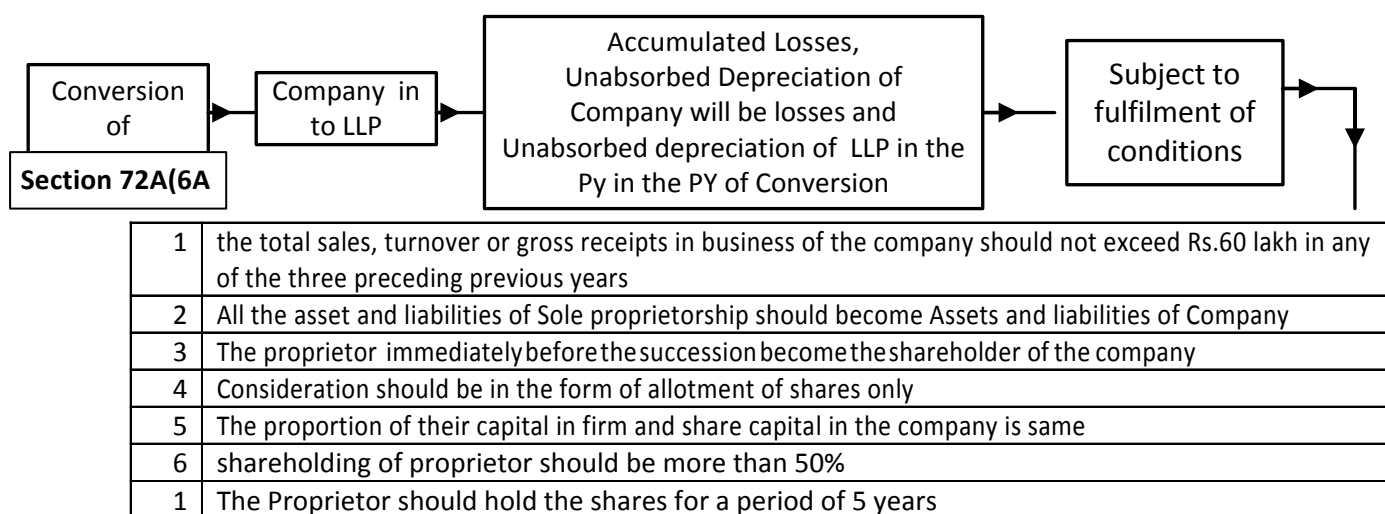
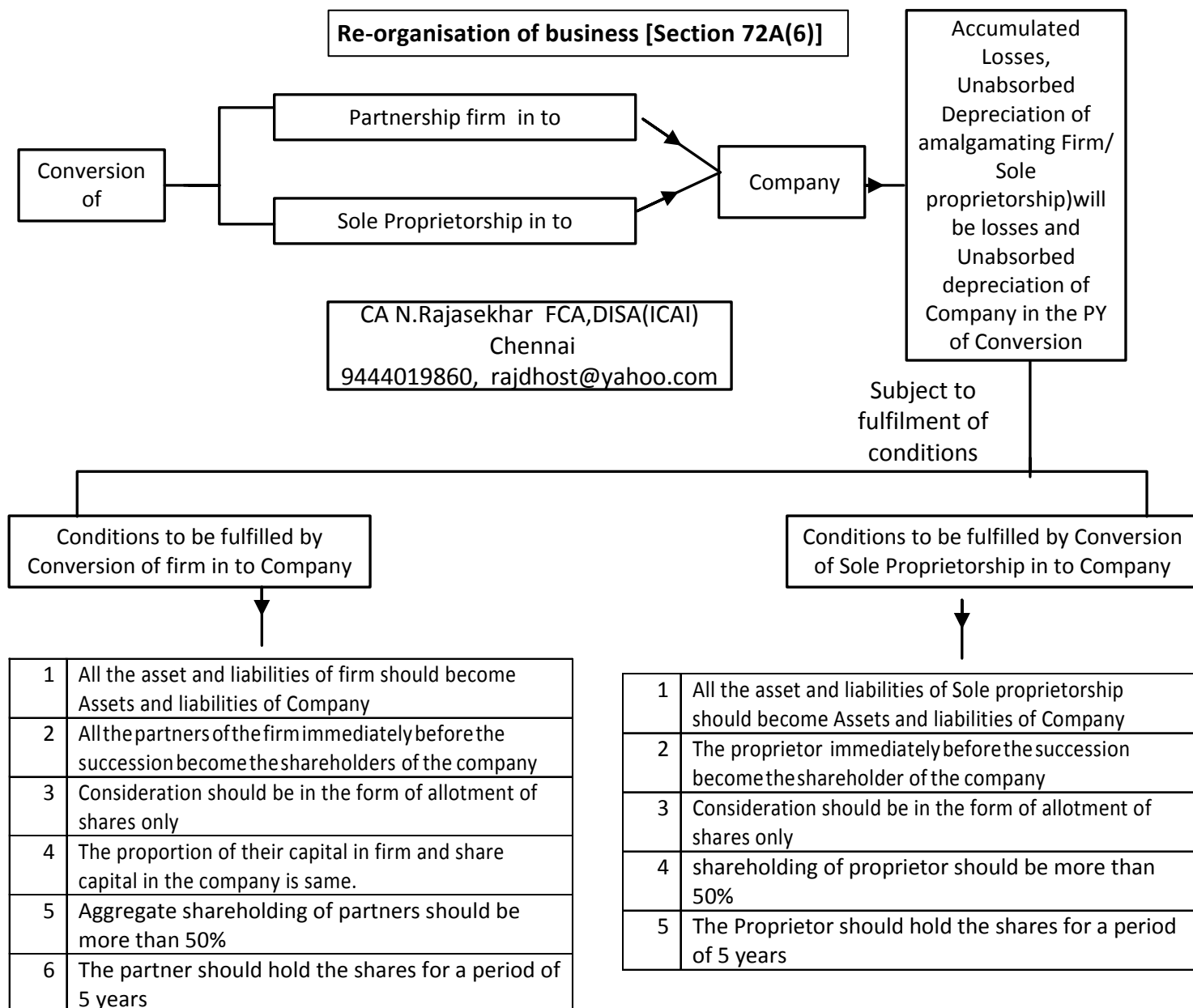
Note:

- Income from all winnings would not be used to set off any loss.
- Any income which is exempt would not be used to set off any loss.
- IIA return of loss is to be filed in case of loss from Business/Profession, capital gains, income from owning and maintaining horse races with in due date to carry forward the losses.
- When two possible set off available, set off can be done which is most beneficial to assessee

Set-off of losses not permissible against unexplained income, investments, money etc. chargeable under sections 68/69/69A/69B/69C/69D [Section 115BBE] FA 2016

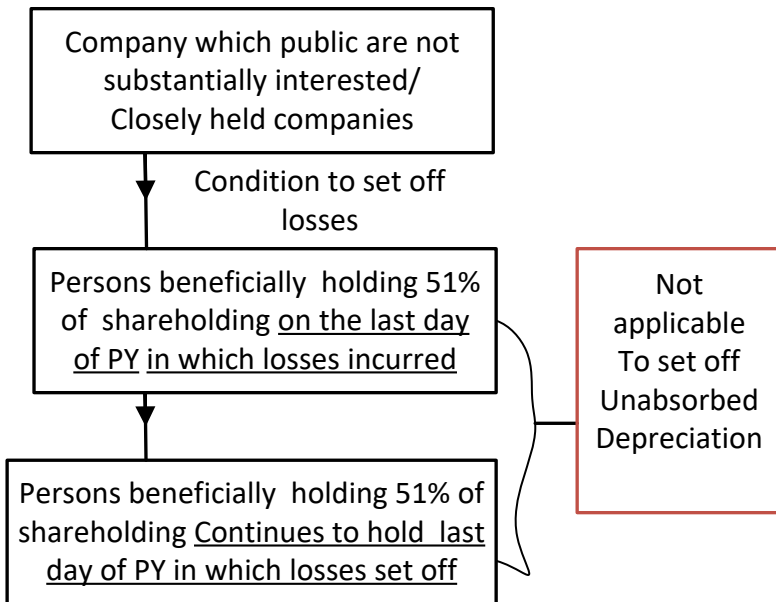
**Carry forward and set-off of accumulated business losses and unabsorbed depreciation
in certain cases of Amalgamation/ Demerger, etc Sec 72 A**





Set off Losses in case of Closely held Companies Sec 79

Example



Previous year	Share holding pattern at the end of PY		Amount of profit (Loss) Rs.
2014-15	A	12%	Rs. 3,00,000/-
	B	18%	
	C	30%	
	D	40%	
2015-16	A	5%	(Rs.1,50,000)
	B	31%	
	C	29%	
	D	35%	
2016-17	X	15%	Rs. 2,50,000/-
	Y	25%	
	Z	10%	
	D	50%	

In the above example Company Cannot set off the loss of Rs.1,50,000 in AY 2017-18. If Mr. D has 51% or above or Mr. D with any combination of Mr. A, B, or C has 51% or more at the end of PY 2016-17 it can set off the loss.

Conditions Not applicable

Change of Shareholding pattern due to

- Death of share holder
- Gifting of shares to relative
- Amalgamation/Demerge of Indian Company which is subsidiary of foreign Company, subject to the condition that 51% of the shareholders of the amalgamating/demerged company continue to be shareholders of the amalgamated/ resulting company.

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Deductions from Gross Total Income

Particulars	Rs.
Income From 'Salaries'	XXX
Income from 'House Property'	XXX
Income from 'Profits & Gains of Business/ Profession	XXX
Income from 'Capital Gains'	XXX
Income from 'Other Sources'	XXX
Clubbing Provisions (Sec.60 -65, Chapter V)	XXX
Set off of carried forward losses (Sec.70 -75, Chapter VI)	(XX)
Gross Total Income	XXXXX
Less Deductions from Gross total income from sec 80 C to 80 U	XXXXX
Total income	XXXXX

Deductions from GTI is not allowed for the following incomes

- ❖ Long Term Capital Gains
- ❖ Short Term Capital Gains u/s.111A
- ❖ Winnings from lotteries, crossword puzzles horse races , card games gambling betting etc– Sec 115 B
- ❖ Income of a non-resident – Sec 115A(1)(a), 115AB, AC, ACA, AD, BBA, BBD, other incomes taxable at special rates.

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Deductions for Life Insurance Premium, Provident Fund etc. for INdl.HUF Sec. 80C

1 Life Insurance Premium	
Eligible for	For HUF- Any member of family For an individual- Self , spouse Any child, (Minor or major), No deduction on any other person (brother, sister, parents)
Special points	Spouse children deduction available even they are not dependents on assessee or Non Resident
	Amount of deduction
	Policy taken before 01.04 2012-20% of sum assured or amount of premium WEL
	Policy taken from 01.04 2012-10% of sum assured or amount of premium WEL
	Policy taken from 01.04 2013-15% of sum assured or amount of premium WEL In case of disable person, persons suffering diseases
2. Premium Payment of deferred annuity with Insurance Company or any other person	
Eligible for	For an individual- Self , spouse Any child(Minor or major), No deduction on any other person (brother, sister, parents)
Special points	Spouse children deduction available even they are not dependents on assessee or Non Resident
3. Statutory Provident Fund or Recognized Provident Fund or Employee Provident fund/ Approved superannuation fund/	
Eligible for	For an individual himself
Special points	Deduction available only for employee contribution
4. Annuity deducted by employer	
Eligible for	For an individual himself
Special points	Deduction : Maximum 1/5 th of salary
5. Retirement annuity plans or Pension plans of LIC or insurance company/ Subscription to Mutual funds/ 5 year FD in scheduled bank or post office / Deposits in National housing bank/ Deposits in public sector housing finance companies/ Senior citizen deposit scheme/ Bonds of NABARD/ NS Certificates VIII issue/ Equity shares or debentures of public Ltd of infrastructure company (Lock in period -3 years) or Capital of public financial institution	
Eligible for	For an individual himself
Special points	Contribution to be in name of individual himself

6. Public provident fund/Unit linked insurance plan		
Eligible for	For an individual- Self , spouse Any child(Minor or major), No deduction on any other person (brother, sister, parents)	
	For HUF- Any member of family	
Special points	Spouse children deduction available even they are not dependents on assessee or Non Resident	
7 Tuition fees paid any two children for full time Education in India		
Eligible for	For an individual himself	
Special points	No deduction for donation or fees paid for education outside India	
8. Housing loan repayment of residential house (Principal + Interest)		
Eligible for	For an individual himself	
Special points	Loan should be taken from bank or Public financial institutional, Public housing finance company / Employer of public sector Company or Public Company university or college.	
	Construction of house should be completed during previous year.	
	If interest claimed as deduction in house property it cannot be claimed here again	
	No deduction for loan taken from relative	
9. Stamp duty, registration fees and other expenses paid for purchase of house Property		
Eligible for	For an individual himself	
Special points		
Sec 80 CCC- Deduction in respect of contribution to certain pension funds		
Eligible for	For an individual	
Special points	Any amount paid or deposited to keep in force a contract for any annuity plan of LIC of India or any other insurer for receiving pension from the fund	
	Contribution to be made out of income chargeable to tax.	
Sec 80 CCD- Deduction in respect of contribution to certain pension funds of Central Government		
Eligible for	For an individual employed from 1 st Jan 2004/Self-employed individual	
Special points	Any amount paid or deposited in Central Government Pension scheme./Atal Pension yojana/	
	Employee/Individual contributing Sec 80 CCD (1)	Deduction: Max 10% of Salary /GTI
	Employer Contribution (to be included in the salary and deduction available) 80 CCD (2)	Deduction: Max 10% of Salary (overall Limit of Rs. 1,50,000 not applicable)
	Additional contribution by employee/Individual for New pension scheme of Government 80 CCD (1B)	Deduction: Maximum Rs. 50,000/- In addition to overall Limit of Rs. 1,50,000/-

Sec 80 CCE- The aggregate total deductions from Sec 80 C & 80 CCC , 80 CCD (1) is Rs. 1,50,000/ & Sec 80CCD (1B) is Rs. 50,000 and 80 CCD (2) is 10% of salary

[Section 80CCG] -Deduction in respect of investment made under an equity savings scheme		
Eligible for	Resident individual being a new retail investor whose GTI is ≤ Rs. 12 lacs	
Amount of deduction	50% of the amount invested or Rs. 25,000 Whichever is less	
Special points	The investment should be in such listed equity shares or listed units of equity-oriented fund specified under the notified scheme.	
	Lock in period 3 years	
	Deduction shall be allowed for three consecutive AYS beginning with AY to the previous year in which the investment is made	

Deductions from GTI -3

[Section 80 D] -Deduction in respect of Contribution to Medical insurance premium/ Central Government Health Insurance scheme		
Eligible Assessee	Individual/ HUF	
Deduction	Health insurance premium paid in case of HUF Members of family/ In case of individual self, spouse, parents and dependent children . <u>Payment in any more other than Cash</u>	
Special points	1.For Self Spouse and dependent Children	Amount of premium paid or Rs. 25,000 Whichever is less
	2.In case of any above person is resident and age is 60 years or more	Amount of premium paid or Rs.30 ,000 Whichever is less
	3.Contribution for parents	Amount of premium paid or Rs. 25,000 Whichever is less
	4.Contribution for parents In case either or both the parents is of the age of 60 years or more + Resident in India	Amount of premium paid or Rs.30 ,000 Whichever is less
	5.Preventive health check for self-spouse parents and dependent children – <u>Payment can be made in cash</u>	Amount of premium paid or Rs.5 ,000 Whichever is less with in the limit of (Rs. 25000 or Rs. 30,000)
	6.Amount paid on account of <u>medical expenditure</u> -- For self/spouse/parents who is of the age of 80	Amount of premium paid or Rs.30 ,000 Whichever is less
•In case the individual or any of his family members is a senior citizen or very senior citizen, the aggregate of deduction, in respect of payment of premium, contribution to CGHS and medical expenditure incurred, cannot exceed Rs.30,000. •In case one of the parents is a senior citizen and another is a very senior citizen or both of them are very senior citizens, the aggregate of deduction, in respect of payment of medical insurance premium and medical expenditure incurred, cannot exceed Rs.30,000.		

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[Section 80 DD] Deduction in respect of maintenance including medical treatment of a dependent disabled		
Eligible Assessee	Resident Individual/ Resident HUF	
Deduction for	The assessee should have incurred any expenditure for the medical treatment (including nursing), training and rehabilitation of dependent person with disability	
	Any amount paid or deposited under the scheme framed for medical treatment by the LIC or any other insurer	
Amount of Flat deduction	Normal disability –Rs. 75,000	Sever disability Person with 80% or more disability) – Rs.1, 25,000
Special points	Deduction available only In case of individual dependent relatives /and in case of HUF dependent family members	
	Dependent Relative for individual is <u>Spouse, children, parents, brothers and sisters</u>	
	The dependent relative not claimed any deduction under section 80U in the computation of his income	

Deductions from GTI -4

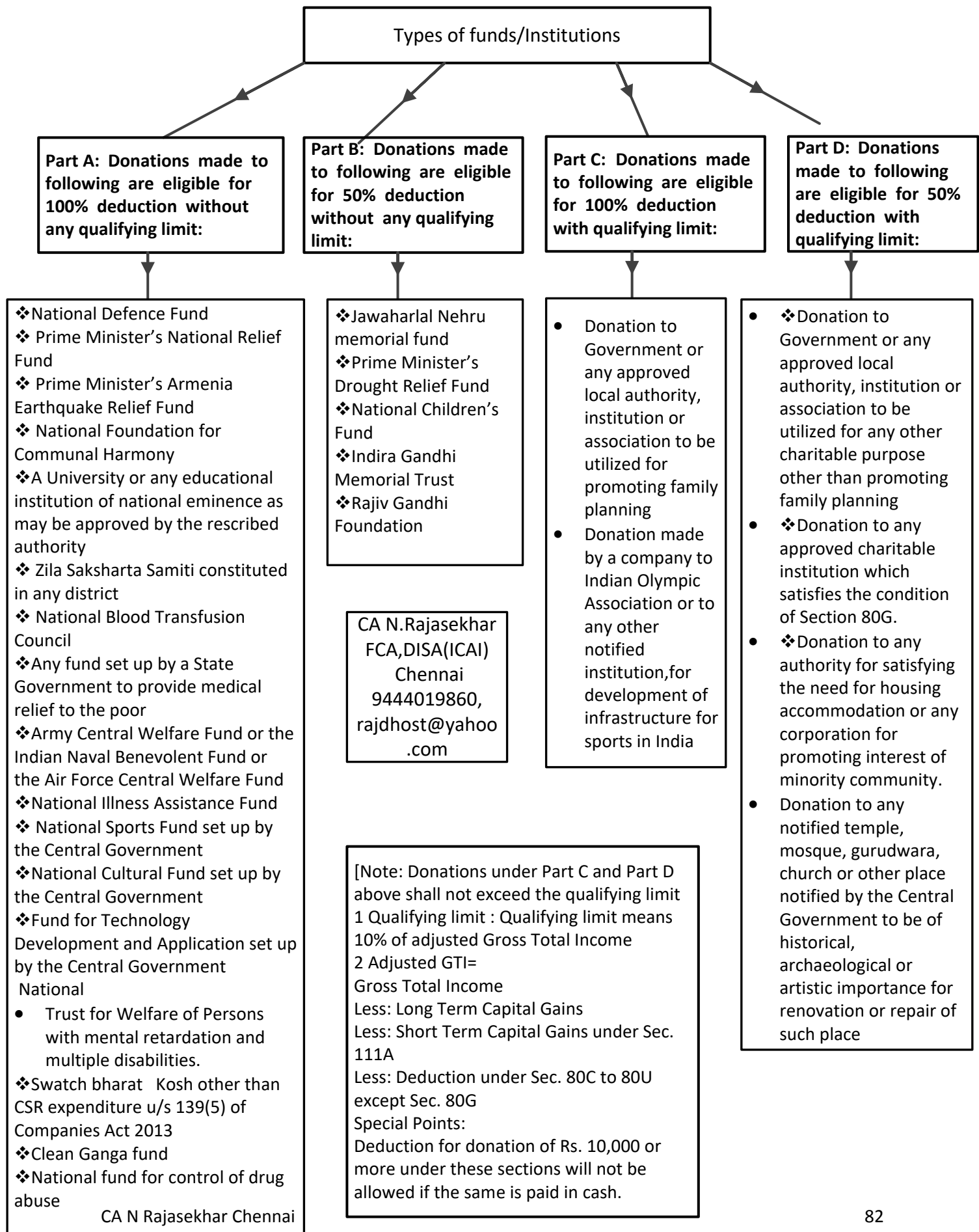
[Section 80 DDB] Deduction in respect of medical treatment for specified diseases			
Eligible Assessee	Resident Individual/ Resident HUF		
Deduction for	The assessee should have incurred any expenditure for the medical treatment of specified diseases of oncology, neurology, immunology, hematology and urology		
	Expenditure by individual on self or dependent relative/In case of HUF on the members of family.		
Amount of deduction	Actual expenditure or Rs. 40,000 Whichever is less	Actual expenditure or Rs. 60,000 Whichever is less in case of amount paid for Senior citizen	Actual expenditure or Rs. 80,000 Whichever is less in case of amount paid for Very Senior citizen
Special points	Deduction available only In case of individual dependent relatives /and in case of HUF dependent family members		
	Dependent Relative for individual is <u>Spouse, children, parents, brothers and sisters</u>		
	<u>The deduction</u> under this section shall be reduced by the amount received, if any, under an insurance from an insurer, or reimbursed by an employer, for the medical treatment of the assessee or the dependent		

[Section 80 E] Deduction in respect Interest paid on education loan for higher education	
Eligible Assessee	Individual
Deduction for	The assessee should paid Interest on educational loan out of income chargeable to tax The loan should be taken from any financial institution or approved charitable institution
	Loan taken for higher education of individual spouse or children
Amount of deduction	Amount of interest paid
Special points	Deduction available for 8 Consecutive Assessment years

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[Section 80 EE] Deduction in respect Interest paid on Housing loan for residential house property	
Eligible assessee	Individual
Deduction for	The assessee should paid Interest on housing loan .The loan should be taken from any financial institution or housing finance Company
	Loan taken for higher education of individual spouse or children
Amount of deduction	Amount of interest paid or Rs, 50,000 WEL
Special points	Deduction available till the repayment of loan
	The assessee should not own any residential house on the date of sanction of loan
	Value of house ≤ ` 50 lakhs and Loan sanctioned ≤ ` 35 lakhs
	Loan should be sanctioned during the P.Y.2016-17

- Applicable to all assessee
- Deduction is allowed to all assessee for payments made to specified funds/ institutions
- Donation shall be sum of money; Donation in kind is not deductible. Further proof of payment shall be furnished with the return



Section 80GG: Deduction in respect of house rent paid

Eligible assessee	Individual does not receiving HRA
Deduction for	Expenditure incurred towards payment of rent in respect of furnished or unfurnished accommodation occupied for his own residence.
Conditions to claim deduction	Residential accommodation should not be owned by assessee, his spouse, minor child or by HUF at a place where assessee ordinarily resides or carries on business or profession Assessee, spouse, minor child should not own residential accommodation at any other place which is in occupation of the assessee Assessee pay more than 10% of total income towards payment of rent Assessee to submit a declaration in Form No. 10BA with the Return of Income.
Amount of deduction	Rs. 5000/- per month 25% of total income
Least of	Rent paid minus 10% of total income

Total income Means	
Gross Total income	xxxxx
Less: All deductions from Sec 80 C to 80 U Except 80 GG	xxxxx
Total income	xxxxxxx

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Deduction in respect of donation to scientific research or rural development Section 80 GGA

Eligible assessee	Any Assessee Who does not have income from Business or Profession
Eligible contributions	Donations for Scientific Research or research in social sciences or Rural Development or Conservation of Natural Resources or to National Urban Poverty Eradication Fund or for eligible project/scheme
Condition	Donee should be approved u/s. 35 or 35CCA or 35AC.
Amount of Deduction	Full -100%. If the donation is of <u>Rs.10,000/- or more</u> , the payment must be made by any mode <u>other than cash</u> If the association approval cancelled after the donation is paid, deduction cannot be denied.

Section 80 GGB Deduction in respect of donation to Political party or Electoral trust-

Eligible assessee	Indian Company
Eligible contributions	Donation/Subscription or payment to political party or Electoral trust Expenditure on advertisement in any publication (being a publication in the nature of a souvenir, brochure, tract, pamphlet) of political party
Amount of Deduction	Full -100%. No deduction shall be allowed in respect of any sum contributed by way of cash.

Section 80 GGC Deduction in respect of donation to Political party or Electoral trust-

Eligible assessee	Any person, <u>other than</u> local authority and an artificial juridical person funded by the Government /other than Indian Company
Eligible contributions	Donation/Subscription or payment to political party or Electoral trust
Amount of Deduction	Full -100%. No deduction shall be allowed in respect of any sum contributed by way of cash.

Sec 80 JJA: Deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste

Eligible assessee	All Assessee
Eligible Income	Income from business consists of
	Collecting and processing or treating of bio-degradable waste for generating power, or
	Producing bio-fertilizers, bio-pesticides or other biological agents, or
	Producing bio-gas, or
	Making pellets or briquettes for fuel or organic manure
Amount of Deduction	100% of profits for 5 Consecutive Ays from AY of Commencement of business

Sec 80QQB: Deduction in respect of Royalty income, etc., of authors of certain books

Eligible assessee	Resident Individual
Eligible Income	Lump sum consideration for the assignment or grant of any of his interests in the copyright of any book
	Royalty income by way of % on sales book or copyright
Amount of Deduction	In case of Lump sum Consideration – Amount received or Rs. 3,00,000/- WEL
	In Case of % of Sales - Maximum 15%
Special points	In case of income from outside, foreign exchange should be received with in the 6 months or time permitted by RBI
	No deduction for publishing of school textbooks or guides

Sec 80RRB: Deduction in respect of Royalty income of Patents

Eligible assessee	Resident Individual
Eligible Income	Royalty income including consideration for transfer of rights in the patent or for providing information for working or use thereof in India.
Amount of Deduction	Amount received or Rs. 3,00,000/- Whichever is less
Special points	In case of income from outside, foreign exchange should be received with in the 6 months or time permitted by RBI
	The exemption shall not be available on any consideration for sale of product manufactured with the use of the patented process or patented article for commercial use.

Sec 80TTA: Deduction in respect of Interest of savings Bank Account

Eligible assessee	Individual/HUF
Eligible Income	income by way of an interest on deposits in a saving account of bank Cooperative bank /post office
Amount of Deduction	Amount of interest or Rs. 10,000/- WEL
No deduction	No deduction for interest on Fixed deposits

Sec 80 U: Deduction in respect of income of Person suffering with disability

Eligible assessee	Resident Individual
Eligible Income	Any income
Amount of Deduction	Normal disability- Amount of income or Rs. 75000/- WEL
	Severe disability- Amount of income or Rs. 1,25000/- WEL
Condition	A Certificate from medical authority during previous year about disability

Return of income

Return of Income is a document to be filed by assessee to the Income tax department, normally yearly once, declaring details about his total income and tax paid

Voluntary Return of Income Sec 139 (1)

Nature of Assessee	When Return of income to be filed
Company/Firm/LLP	Irrespective of Income it is Mandatory to file R O I. Even no business/No transactions/Even incur Loss
Individual/HUF A O P/BOI/Artificial judicial person	When total Income before deductions of GTI/ Before taking deduction for export profit or before taking exemption of LTCG of STT paid u/s 10(38) exceeds basic exemption limit.
a person, being a resident Other than not ordinarily resident,	holds, as beneficial owner or otherwise, any asset (including financial interest in any entity) located outside India or signing authority in any account located outside India, whether or not having income chargeable to tax or is a beneficiary of any asset (including financial interest in any entity) located outside India However such person not required to file ROI if such income includible in his total income
All other persons	When the total income exceeds basic exemption limit

Due date for filing Return of income

Return of Income should be filed within due date. The due dates are

Due date for filing Return of income	
Nature of Assessee	Due date
Company, Persons whose accounts are subject to audit under Income tax or any other law	30 th September of AY
Working partner of a firm where firm accounts are subject to audit	30 th September of AY
Assesseees who are required to furnish report under section 92E (transfer pricing)	30 th November of AY
All other persons	31 st July of AY
The above due dates can be extended by CBDT By notification	
If the due date is holiday for Income tax, ROI can be filed in next working day (Applicable for paper return)	
Consequences for not filing Voluntary return in due date	
1	Penal interest under section 234 A,
2	Penalty of Rs. 5,000 may be imposed under section 271F.
3	Business Loss/CG Loss/owning and maintaining horse race loss cannot be carry forward
4	Deduction under sections 10AA, 10B, 80-IA, 80-IAB, 80-IB, 80-IC, 80- ID and 80-IE is not be available
5	Best judgment assessment u/s 144

Sec. 139 (1A)- Bulk Filing of Returns by the Employer for employees on Computer Readable Media

1	Option available to individual who is in receipt of income chargeable under the head "Salaries" residing in Selected Cities.
2	He can furnish a return of his income for any previous year to his employer, in accordance specified scheme
3	Such employer shall furnish all returns of income received by him on or before the due date, in magnetic form.
4	Any employee who has filed a return of his income to his employer shall be deemed to have furnished a return of income u/s 139(1) and the provisions of this Act shall apply accordingly

Sec 139 (1B) Furnishing the Return of Income through Intermediary

1	This is an Optional scheme available to all assesses who does not have business income
2	This Scheme is currently available in Metros and selected cities
3	The tax Payer can furnish his return of income to the intermediary authorized for this purpose (notified by CBDT for these purpose)
4	The intermediary furnishes return of income to Income tax department online, by transmitting the data.
5	The Intermediary will also provide facility for preparing return of Income

Sec 139 (1C) Power of Central Government to exempt class of persons to file ROI

1	Central government by notification exempt from persons filing ROI
2	For example Exemption is available to salaried employee whose salary is Up Rs, 5 lakhs per annum and if the TDS has been deducted by employer on his salary.

Sec. 139 (3)- Furnishing of Loss Return

Assesse Suffering loss of the following shall file ROI with in due date to get the benefit of carry forward of loss of that Assessment year

1	Business or profession loss sec 72(1)	2	Speculation Business loss sec 72(2)
3	Loss from Specified Business Sec 73A(2)	4	Loss under the head "Capital Gains" sec 74(1)
5	Loss from the activity of owning and maintaining race horses under section 74A(3)		
Losses can be carry forward without filing ROI			
1	Loss from House property	2	Unabsorbed Depreciation

Sec 139 (4) Belated return or Late filing of Return of income

Any person who has not furnished a return within due date may furnish the return for any previous year at any time -

1	before the end of the relevant AY or	2	before the completion of the assessment
Whichever is earlier			

Sec 139 (5) Revised return

Any person who has filed under sec 139(1) or filed u/s 139(4) Belated return found any errors or omissions he can file revised return at any time -

1	before one year from end of the relevant AY or	2	before the completion of the assessment
Whichever is earlier			

Sec 139 (4A) Return of Charitable trust

1	Charitable trust should file Return of income if the total income before giving exemption u/s 11 or 12 exceeds the basic exemption limit should file ROI
2	i.e. If Gross receipts exceeds basic exemption it has to file ROI

Sec 139 (4B) Return of Political Party

1	Political should file Return of income if the total income before giving exemption u/s 13 A exceeds the basic exemption limit should file ROI
2	i.e. If Gross receipts exceeds basic exemption it has to file ROI

Sec 139 (4C) Return of Associations

1	Associations like Scientific research, trade unions ,News agency, Venture Capital company should file Return of income if the total income before giving exemption u/s 10 exceeds the basic exemption limit should file ROI
2	i.e. If Gross receipts exceeds basic exemption it has to file ROI

Sec 139 (4D) Mandatory filing of returns by Universities, Colleges doing scientific research etc.,

1	It will be mandatory for every university, college or other institution referred to in clause (ii) and clause (iii) of section 35(1), which is not required to furnish its return of income or loss under any other provision of section 139, to furnish its return in respect of its income or loss in every previous year.
2	All the provisions of the Income-tax Act, 1961 shall apply to such return as if it were a return under section 139(1)

Sec 139 (4E) Filing of Return of Income by a business trust

1	Every business trust, which is not required to furnish return of income or loss under any other provision of this section, has to furnish the return of its income in respect of its income or loss in every previous year
2	All the provisions of the Income-tax Act, 1961 shall apply to such return as if it were a return under section 139(1)

Sec 139 (4F) Filing of Return of Income by Investment Fund

1	Every investment fund referred to in section 115UB, which is not required to furnish return of income or loss under any other provision of this section, shall furnish the return of income in respect of income or loss in every previous year.
2	All the provisions of the Income-tax Act, 1961 shall apply to such return as if it were a return under section 139(1)

Sec 139 (6) Particulars to be filed with ROI

The prescribed form of the return shall, in certain specified cases, require the assessee to furnish the particulars of

1	income exempt from tax
2	assets of the prescribed nature and value and belonging to him
3	his bank account and credit card held by him
4	expenditure exceeding the prescribed limits incurred by him under prescribed heads
5	Such other outgoings as may be prescribed

Sec 139 (6A) Particulars to be furnished with return of income in the case of an assessee engaged in business or profession	
The prescribed form of the return shall, in the case of an assessee engaged in any business or profession, also require him to furnish	
1	The report of any audit referred to in section 44AB.
2	The particulars of the location and style of the principal place where he carries on the business or profession and all the branches thereof.
3	The names and addresses of his partners, if any, in such business or profession.
4	if he is a member of an association or body of individuals,
	the names of the other members of the association or the body of individuals; and
	the extent of the share of the assessee and the shares of all such partners or members, as the case may be, in the profits of the business or profession.

Sec 139 (9) Defective Return	
In the following cases Return of Income (ROI) shall be regarded as defective:	
1	The annexure, statement and columns in the Return of Income (ROI) are wrongly filed in.
2	Return of income is not accompanied by computation of income and tax/Audit Report.
3	Return of income is not accompanied by proof of tax paid, Proof of TDS
4	T.D.S/TCS certificate not filed up to 2 years from the end of relevant assessment year
If the books of account maintained by the Assessee, Return of income is not accompanied by copies of Statement of accounts / audit report	
If regular books of accounts are not maintained by the assessee	
1	the Return of Income (ROI) is not accompanied by a statement indicating the amount of Turnover/Gross receipt, gross profit, expenses, net profit, total sundry debtors, total sundry creditors, stock in hand and cash in hand at the end of relevant previous year
2	CBDT to dispense with any of the above conditions in respect of a class or classes of persons. The Board shall have the power to include any of the above condition in the forms of return of income section 139 (1) & (6)
Time limit for rectification of Defective Return	
1	AO has to give notice .Assessee has to correct the defect within 15 days
2	If not rectified the defect with the 15 days, the return is treated as invalid/not filed return of income.
3	Assessing officer can condone the delay in rectification, if the rectification has been done before completion of assessment

Prescribed forms for Filing of ROI

Forms	Applicability
ITR - 1	Return of Income for Individuals having salary and interest income and no other Income
ITR-2	Return of income for Individuals and HUFs having income from any source except from business or profession
ITR-3	Return of income for Individuals and HUFs being partners in Firms and not having carrying any business under proprietorship.

ITR -4	Return of Income for Individuals and HUFs having Proprietary business or profession
ITR-4S(SUGAM)	For individual or HUF deriving business income and such income is computed in accordance with special provision referred to in sections 44AD, 44ADA and 44AE
ITR-5	Return of Income for Firms/AOP/BOI.
ITR-6	Return of Income Companies
ITR-7	Return of Income For Charitable/Religious trust, political parties Non-profit associations
ITR-V	Acknowledgment for Return of Income

Sec. 139A and Rule 114 Permanent Account Number (PAN)	
The department is issuing multi-purpose laminated PAN Cards containing the Permanent Account Number of the Assessee.	
Who shall apply for PAN	
1	Companies, firm, LLP, Charitable trust, Certain Associations and persons whose income exceed basic exemption is required to obtain permanent account number before the end of the accounting year.
2	Persons wants to claim refund, persons whose receipts are subject to TDs
3	Importer exporters
4	Indirect tax assessee
5	Assessing officer can also allot PAN to any person
Intimation of PAN to the persons deducting TDS/TCS- Sec 139A (5A)/5C	
1	The persons whose income/receipts are subject to TDS or whose purchase are subject to TCS, shall intimate his PAN to deductor/Seller.
2	The person who does not taxable income can furnish form 15 G or 15 H as per sec 197
Quoting P A N	
1	Assessee should quote his PAN with all correspondence to Income tax departments in tax challan, notices, ROI etc.,
2	Assessee should quote PAN in notified transactions
3	Minor to quote PAN of Guardian
4	If a person does not have PAN/GIR and who have entered into any of the above transactions shall make a declaration in Form No.60
5	A person having agricultural income is not subject to the above provisions if has submitted Form 61
6	Every person shall intimate the Assessing Officer any change in his address or in the name and nature of Business/Profession
7	Failure to apply for PAN or quoting wrong pan penalty Rs. 10000

Sec. 139B Tax Return Preparer	
1	This section provides that, for the purpose of enabling any specified class or classes of persons to prepare and furnish their returns of income.
2	CBDT may notify a Scheme to provide that such persons may furnish their returns of income through a Tax Return Preparer authorised to act as such under the Scheme.

3	The Tax Return Preparer shall assist the persons furnishing the return , and shall also affix his signature on such return.
4	A Tax Return Preparer can be an individual, other than
(a)	Any officer of a scheduled bank with which the assessee maintains a current account or has other regular dealings.
(b)	Any legal practitioner who is entitled to practice in any civil court in India.
(c)	A chartered accountant.
(d)	an employee of the Company or a employee of tax audit assessee
5	The Scheme notified under the said section may provide for the following
(a)	the manner in which and the period for which the Tax Return Preparers shall be authorised,
(b)	the educational and other qualifications to be possessed, and the training and other conditions required to be fulfilled, by a person to act as a Tax Return Preparer,
(c)	the code of conduct for the Tax Return Preparers,
(d)	the duties and obligations of the Tax Return Preparers,
(e)	the circumstances under which the authorisation given to a Tax Return Preparer may be withdrawn, and any other matter relevant

Sec 139 C : Power of CBDT to dispense with furnishing documents etc. with the return and filing of return in electronic form	
1	CBDT may make rules providing for a class or classes of persons who may not be required to furnish documents, statements, receipts, certificate, reports of audit or any other documents, which are required to be furnished along with the return under any other provisions of this Act.
2	However, on demand, the said documents, statements, receipts, certificate, reports of audit or any other documents have to be produced before the Assessing Officer.
3	In case of sec 44 AB, The audit report is to be obtained by specified date ie 30 th of September and should be retained by assessee, and it should be produced before IT authorities as and when demanded

Sec 139 D : Electronic Filing of ROI	
Section 139D empowers the CBDT to make rules providing for	
1	the class or classes of persons who shall be required to furnish the return of Income in electronic form Example: companies, tax audit assessees, individual, HUF, AOP, BOI, AJP whose total income exceeds Rs. 10 lakhs
2	The form and the manner in which the return of income in electronic form may be furnished;
3	the documents, statements, receipts, certificates or audited reports which may not be furnished along with the return of income in electronic form but have to be produced before the Assessing Officer on demand;
4	The computer resource or the electronic record to which the return of income in electronic form may be transmitted.

Sec 140: Return of income whom should sign		
SNO	Assessee	Person who should sign
1	Individual	By the individual himself; or
		If he is absent from India, by a person duly authorized by him; or
		If he is mentally in-capacitated, by his guardian or any valid power of attorney holder
2	Company	By the managing director.
		Where there is no managing director or MD is unable to sign, by any director.
		Where the company is taken over by Government, by the principal officer
3	Firm	by the managing partner
		If for any unavoidable reason he is unable to sign or where there is no managing partner by any partner who is not a minor.
4	LLP	by the Designated partner
		If for any unavoidable reason he is unable to sign or where there is no designated partner by any partner
5	HUF	By the Karta.
		If he is absent from India or is <i>mentally incapacitated</i> , by the member
6	local authority	Principal officer.
7	Political Party	Chief Executive Officer
8	Association	Principal Officer or Member
9	Any other person	By that person or by some person competent to act on his behalf.