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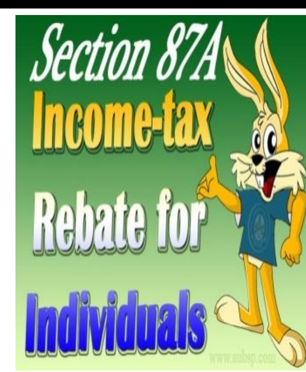
CHAPTER 1: INTRODUCTION TO INCOME TAX ACT 1961

TAX RATES FOR AY 18-19

Tax rate	Resident Individual age < 60 (Male & Female), HUF, AOP, BOI & AJP	Resident Individual (Age >= 60 during PY) Senior citizen(Male& Female)	Resident Individual (Age >=80 during PY) Super senior citizen(Male & Female)
NIL	2,50,000	3,00,000	5,00,000
5%	2,50,001 to 5,00,000	3,00,001 to 5,00,000	NA
20%	5,00,001 to 10,00,000	5,00,001 to 10,00,000	5,00,001 to 10,00,000
30%	Above 10,00,000	Above 10,00,000	Above 10,00,000
Add: Surcharge	**Income**	**Rate**	
	50,00,000 to 1,00,00,000	10%	
	Above 1,00,00,000	15%	
Education cess	2% on Tax plus surcharge (if applicable)		
Secondary and Higher secondary Education cess	1% on Tax plus surcharge (if applicable)		

REBATE U/ 87A



- A resident individual (whose net income does not exceed Rs. 3,50,000) can avail rebate u/s. 87A. It is deductible from income tax before calculating education cess.
- **Net income = GTI – Deduction u/s 80C to 80U**
- **The amount of rebate is 100%** of income tax or Rs. 2,500 whichever is less.**[Amendment Finance Act 2017]**
- **It is to be deducted before education cess.**
- **Rebate u/s 87A and surcharge cannot come at a time.**

NON RESIDENT ASSESSEE

- For Non-Resident individual exempted income shall be upto Rs. 2, 50,000 irrespective of Age Tax Rate for Non-Resident.
- Surcharge @ 10% for income between 50L to 1cr & above 1cr 15%
- Cess @ 3% on Tax + SC
- Rebate u/s 87A is not available.

Illustration 1

Compute the tax liability in the following cases:-

Assessee	Status	Total Income (in Rs.)
(a) Mr. Mohan	Resident Individual of 40 years	2,60,000
(b) Mrs. Swati	Non-resident Individual of 65 years	2,75,000
(c) Mr. Bansal	Resident Individual of 25 years	4,50,000
(d) Mrs. Priyanka	Resident Individual of 21 years	5,35,000
(e) Mrs. Resham	Resident individual of 60 years	12,00,000
(f) Mrs. Radhika	Resident Individual of 80 years	18,00,000
(g) Ms. Madhuri	Resident Individual of 21 years	2,65,500

Solution

The computation of tax liability is given below:-

Assessee	Total Income (?)	Income-tax	Rebate u/s. 87A	Income tax after	EC & SHEC @ 3% rebate	Total Tax	Total Tax (rounded off)
(a) Mr. Mohan	2,60,000	500	500	--	--	--	--
(b) Mrs. Swati	2,75,000	1250	--	1250	37	1287	1290
(c) Mr. Bansal	4,50,000	10,000	--	10,000	300	10,300	10,300
(d) Mrs. Priyanka	5,35,000	19,500	--	19,500	585	20,085	20,090
(e) Mrs. Resham	12,00,000	1,70,000	--	1,70,000	5,100	1,75,100	1,75,100
(f) Mrs. Radhika	18,00,000	3,40,000	--	3,40,000	10,200	3,50,200	3,50,200
(g) Ms. Madhuri	2,65,500	775	775	--	--	--	--

Illustration 2

Compute the amount of marginal relief available if the income of Mr. Apple is Rs. 51 lakhs and tax payable

Solution

Particulars	Difference	Rate	5000000	5100000
Up to 2,50,000	2,50,000	Exempt	-	-
2,50,000 to 5,00,000	250000	5%	12500	12500
5,00,000 to 10,00,000	500000	20%	100000	100000
Above 10,00,000	4000000	30%	1200000	
	4100000	30%		1230000
Total Tax			1312500	1342500
Add: SC @ 10% on Tax			NA	134250
= TAX + SC			1312500	1476750

Marginal Relief	[(Income tax + surcharge on actual income) – (Income tax on 50L / 11 crore as the case may be)] –[actual income – 50 L / 1 crore]
	[(1476750-1312500) - (51,00,000- 50,00,000)]
	164250 - 100000
	64250

Calculation of Tax Liability after Marginal Relief

Particulars	Amount
Income	5100000
Tax on 5100000 computed above	1342500
Add: Sc @ 10%	134250
= Tax plus surcharge	1476750
Less: Marginal relief computed above	64250
= Tax	1412500
Add: Cess @ 3%	42375
= Tax liability	1454875
Rounded off	1454880

Illustration 3

Compute the amount of marginal relief available if the income of Mr. Raju cha cha is Rs 52 lakhs and tax Payable

Solution

Particulars	Difference	Rate	5000000	5200000
Up to 2,50,000	2,50,000	Exempt	-	-
2,50,000 to 5,00,000	250000	5%	12500	12500
5,00,000 to 10,00,000	500000	20%	100000	100000
Above 10,00,000	4000000	30%	1200000	
	4200000	30%		1260000
Total Tax			1312500	1372500
Add: SC @ 10% on Tax			NA	137250
= TAX + SC			1312500	1509750

Marginal Relief	[(Income tax + surcharge on actual income) – (Income tax on 50L / 1 crore as the case may be)] –[actual income – 50 L / 1 crore]
	[(1509750-1312500) - (52,00,000- 50,00,000)]
	197250 - 200000
	(2750)
Note: No relief shall be provided as increase in income is more than increase in tax.	

Tax Payable

Tax on 5200000	1509750
Plus cess @ 3%	45293
Tax liability	1555043
Rounded off	1555040

Illustration 4

Compute the amount of marginal relief available if the income of Mr. Santra is Rs 1.01cr and tax Payable

Solution

Particulars	Difference	Rate	10000000	10100000
Up to 2,50,000	2,50,000	Exempt	-	-
2,50,000 to 5,00,000	250000	5%	12500	12500
5,00,000 to 10,00,000	500000	20%	100000	100000
Above 10,00,000	9000000	30%	2700000	
	9100000	30%		2730000
Total Tax			2812500	2842500
Add: SC @ 10% / 15% on Tax			281250	426375
= TAX + SC			3093750	3268875

Marginal Relief	[(Income tax + surcharge on actual income) – (Income tax on 1 crore as the case may be)] –[actual income –1 crore]
	[(32,68,875-30,93,750) - (10100000- 10000000)]
	175125 - 100000
	75125

Calculation of Tax liability after Marginal Relief

Particulars	Amount
Income	10100000
Tax on 10100000 computed above	2842500
Add: Sc @ 15%	426375
= Tax plus surcharge	3268875
Less: Marginal relief computed above	75125
= Tax	3193750
Add: Cess @ 3%	95813
= Tax liability	3289563
Rounded off	3289560

Compute the amount of marginal relief available if the income of Mr. Tappu is Rs 10220000 and tax Payable

Solution

Particulars	Difference	Rate	10000000	10220000
Up to 2,50,000	2,50,000	Exempt	-	-
2,50,000 to 5,00,000	250000	5%	12500	12500
5,00,000 to 10,00,000	500000	20%	100000	100000
Above 10,00,000	9000000	30%	2700000	
	9220000	30%		2766000
Total Tax			2812500	2878500
Add: SC @ 10% / 15% on Tax			281250	431775
= TAX + SC			3093750	3310275

Marginal Relief	[(Income tax + surcharge on actual income) – (Income tax on 1 crore as the case may be)] –[actual income – 1 crore]
	[(3303375-3093750) - (1,02,00,000- 1,00,00,000)]
	216525- 220000
	(3475)
Key Note	Marginal relief is not given as increased in income is enough to pay increase in tax

Tax Payable

Tax on 10220000	3310275
Plus cess @ 3%	99308
Tax liability	3409583
Rounded off	3409580

FOR DOMESTIC COMPANIES

Particulars	AY 17-18	AY 18-19	Income between 1 cr to 10 cr	Above 10 cr	cess
If turnover of or gross receipt during PY 14-15 dose not exceeds 5cr	29%	NA	7%	12%	3%
If turnover of or gross receipt during PY 15-16 dose not exceeds 50cr	NA	25%	7%	12%	3%
Otherwise	30%	30%	7%	12%	3%

CHAPTER 2: RESIDENTIAL STATUS

Vodafone International Holdings Vs. Union of India (SC)

Explanation 5: For the removal of doubts, it is hereby clarified that an asset or a capital asset being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be and shall always be deemed to have been situated in India, if the share or interest derives, directly or indirectly, its value substantially from the assets located in India.

Provide that nothing contained in this Explanation shall apply to an asset or capital asset, which is held by a non-resident by way of investment, directly or indirectly, in a Foreign Institutional Investor as referred to in clause (a) of the Explanation to section 115AD for an Assessment Years 2012 – 13 to 2014 – 15 [proviso **inserted by FA 2017 with retrospective effect from 01/04/2012.]**

Provided further that nothing contained in this Explanation shall apply to an asset or capital asset, which is held by a non-resident by way of investment, directly or indirectly, in Category – I or Category – Iiforeign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, made under the Securities and Exchange Board of India Act, 1992 [Proviso inserted by **FA 2017 with retrospective effect from 01/04/2015.]**

CHAPTER 3: INCOMES EXEMPT FROM TAX

OTHER INCOMES EXEMPT FROM TAX SECTION 10(2) TO (48)

1	10(12B)	Payment to employee on partial withdrawal from NPS. Any payment from the National Pension System Trust to an employee under the pension scheme referred to in section 80CCD, on partial withdrawal made out of his account in accordance with the terms and conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 and the regulations made thereunder, to the extent it does not exceed 25% of the amount of contributions made by him [inserted by FA 17]
2	10(37A)	**Capital Gain on transfer of land or building under the Andhra Pradesh Capital City Land Pooling Scheme** [Inserted by FA 2017 with retrospective effect from 01/04/2015] Any "Capital Gains" in respect of transfer of a specified capital asset arising to an • **An individual or** • **A Hindu undivided family,** Who was the owner of such specified capital asset as on the 2nd day of June, 2014 and transfers that specified capital asset under the Land Pooling Scheme (herein referred to as "the scheme") covered under the Andhra Pradesh Capital City Land Pooling Scheme (Formulation and Implementation) Rules, 2015 made under the provisions of the Andhra Pradesh Capital Region Development Authority Act, 2014 and the rules, regulations and Schemes made under the said Act. **Explanation.** – For the purpose of this clause, **"Specified Capital Asset"** means,- a) The **land or building or both** owned by the assessee as on the 2nd June, 2014 and which has been transferred under the scheme; or b) The **Land Pooling Ownership certificate** issued under the scheme to the assessee in respect of land or building or both referred to in clause (a); or c) The **reconstituted plot or land**, received by the assessee in lieu of land or building or both referred to in clause (a) in accordance with the scheme, if such plot or land, so received is **transferred within 2 years from** the end of the financial year in which the possession of such plot or land was handed over to him;
3	10(38)	**Long-Term capital Gain on transfer of Securities**: **1.** Income should be from transfer of a Long-term Capital Asset being – (a) A Equity share in a company, or (b) A Unit of an equity oriented Fund, or (c) A Unit of Business trust. **Note:** Exemption shall also apply in respect of any Income arising from transfer of units of a Business Trust which were acquired in consideration of a transfer referred to in Sec. 47(xvii). **2.** The sale transaction should be entered into on or after 1/10/2004.

		3. Transaction should be chargeable to securities transaction tax under Chapter VII. 9 [w.e.f. 1/4/2017, this condition is not applicable for a transaction undertaken on a Recognised Stock Exchange (RSE) located in any International Financial Services Centre (IFSC) and where the consideration for such transaction is paid or payable in Foreign Currency. **4.** Provided also that nothing contained in this clause shall apply to any income arising from the transfer of a long term capital asset, being an equity share in a company, if the transaction of acquisition, other than the acquisition notified by the Central Government in this behalf, of such equity share is entered into on or after the 1st October, 2014 and such transaction is not chargeable to STT [Inserted by FA 2017 w-e-f PY 17 – 18]. **5.** Equity Oriented Fund means a Fund (a) Where the investible funds are invested by way of Equity Shares in Domestic Companies to the extent of more than 65% of the total Proceeds of such Fund, and (b) Which has been set up under a Scheme of Mutual Fund specified u/s 10(23D). **Note:** Percentage of Equity Shareholding of the Fund will be determined with reference to the Annual Average of the monthly averages of the Opening and Closing Figures. The above Exempt Income is includible in computing Book Profit for determining Minimum Alternate Tax u/s 115JB.
4	**10(48B)**	**Sale of leftover stock of crude oil** Any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from the facility in India after the expiry of the agreement or the arrangement referred to in clause (48A) subject to such conditions as may be notified by the Central Government in this behalf [Inserted by FA 2017 w-e-f PY 17 – 18]

(SPECIAL ECONOMIC ZONE) (SEC. 10AA)

Explanation

For the removal of doubts, it is hereby declared that the amount of deduction under this section shall be allowed from the total income of the assessee computed in accordance with the provision of this Act, before giving effect to the provisions of this section and the deduction under this section shall not exceed such total income of the assessee.

ASSESSMENT OF TRUST

Application of income

Donation given by the trust is an application of income. however it should not be given with a specific direction that is shall form part of corpus of the other trust. (**Explanation inserted by Finance Act 17**)

Fresh registration in case of change in object

Exempt trust shall be required to obtain a fresh registration in case of modifications in the objects after initial registration has been granted an application to be made within 30 days of modification.

POLYTICAL PARTY

No donation > Rs. 2,000/- is received by such political party otherwise than by an account payee cheque drawn on a bank an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond.

Return must be file before the due date of filing return. If not submitted exemption u/s 13A will not be available.

CHAPTER 4: INCOME FROM SALARY [SEC 15 TO 17]

SBI Rate of Interest as on 01/04/2017

Category of Loan	Amount	Male	Female
Housing loan	Any	8.65% & 8.7% (above 75 lakhs)	8.6% & 8.65% (above 75 lakhs)
Car loan	Any	9.25%	9.20%
Certified pre owned car loan		13.20%	13.20%
Two - wheeler loan	Any	12.65%	12.65%
Student loan	Up to 7.5 lakh	10%	10%
	Above 7.5 lakh	10.75%	10.75 %
Xpress credit a. IT Employees b. Employee of related corporation c. Employee of unrelated corporation		 12.9% to 14.9% 11.9% to 14.75% 12.65% to 15%	 12.9% to 14.9% 11.9% to 14.75% 12.65% to 15%

CHAPTER 5: INCOME FROM HOUSE PROPERTY

PROPERTY HELD AS STOCK IN TRADE: SEC. 23(5)

Where the building or land appurtenant thereto is held as stock in trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be NIL.

CHAPTER 6: INCOME FROM BUSINESS OR PROFESSION

RATES

Block	Dep	Nature of asset
Buildings[1]	5%	Residential building other than hotels and boarding
Buildings	10%	Non-residential building, godown, office, factory etc. including hotels and boarding
Buildings	100%	Temporary construction
Buildings	10%	Any furniture including electrical fittings
Plant[2] / Machinery	15%	Motor car not used for hiring purpose
Plant / Machinery	20%	Ocean going ships, vessels ordinarily operating on inland waters, speed boats.
Plant / Machinery	30%	Motor car including lorries, buses, used for hiring purposes A.C. Machine installed in car shall be treated in car shall be treated as part of car and Aeroplane shall be charged @ 30%
Plant / Machinery	40%	Commercial vehicle which is acquired on or after 1.1.2009 and is put to use before 01/10/09 for the purpose of business or profession.
Plant / Machinery	40%	Computer including computer software **[Fin Act 2017]** Books owned by a professional (other than annual publication)
Plant / Machinery	40%	Air or water pollution control equipment **[Fin Act 2017]** Books owned by a professional (annual publication)
Plant / Machinery	15%	In general (if nothing is mentioned regarding nature of plant and machinery)
Intangible Assets[3]	25%	Acquired after 31.3.1998

ACTUAL COST OF ASSETS [SEC. 43(1)]

It means -

The actual cost – cost met directly or indirectly by any other person authority.

Cost of fixed asset is to include all expenses directly related to acquisition of the asset, expenses necessary to bring the asset to site, install it and make it fit for use and expenses incurred to facilitated the use of the asset.

Provided further that where the assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which a payment or aggregate of payment bank or an account payee bank draft or use of electronic clearing system through a bank account, > Rs. 10,000/-, such expenditure shall be ignored for the purposes of determination of such cost [inserted by FA 17 w-e-f PY 17 – 18]

SECTION 32AC

Not applicable from AY 18-19.

EXPENDITURE ON SCIENTIFIC RESEARCH [SEC. 35]

EXPENDITURE ON IN HOUSE R & D BY COMPANIES (SEC 35(2AB)]

Assessee	Company only
Eligible business	Bio-technology or any business of manufacture or production of any article or thing. Not being an article or thing specified in the list of the eleventh schedule
Expenditure	Capital or revenue expenditure excluding cost of any land and building
Time	No deduction shall be allowed to a company accepting donations u/s 35(1)(iia)(C)
Deduction	**1)** 150% of sum paid from PY 17 – 18 to PY 19 – 20. Thereafter 100% of revenue and capital expenditure except cost of land & building **2)** Cost of building is not entitled for weighted deduction but eligible for 100% deduction u/s 35(1)(iv) **3)** Cost of any land shall not be allowed any deduction **Note:** pre-commencement expenses and cost of building is not allowed under section 35(2AB). Hence they shall be entitled for 100% deduction u/s 35(1) and 35(2)

CONTRIBUTION MADE FOR SCIENTIFIC RESEARCH, RESEARCH IN SOCIAL SCIENCE OR STATISTICAL RESEARCH, ETC.:

Section	In respect of	Quantum of deduction
35(2AA)	Contribution to a **National laboratory or a university or an IIT or a specified person,** with specific direction that the sum shall be used to scientific research. Provided that such university, college or other institution – (a) Is for the time being approved by prescribed authority; and (b) Is notified in the Official Gazette, by the Central Government; Provided that the prescribed authority shall, before granting approval, satisfy itself about the feasibility of carrying out the scientific research and shall submit its report to the Principal Chief Commissioner or Chief Commissioner or principal Director General or Director General in such form as may be prescribed	**150%** **[Fin Act 2017]** **(earlier 200%)**
35(1)(ii)	Contribution to **an approved scientific research association**, (that has the object and undertaking scientific research) or not an **approved university, college or the institution** to be use for scientific	**150%** **[Fin Act 2017]** **(earlier 175%)**

	research. Provided that such association, university, college or other institution – (a) Is for the time being approved, and (b) Is notified in the Official Gazette, by the Central Government;	
35(1)(iia)	Contribution to a **company** to be used by it for scientific research Provided that such company – (a) Is registered in India, (b) Has as its main object the scientific research and development, (c) Is, for the purpose of this clause, for the time being approved by the prescribed authority in the prescribed manner, and (d) Fulfils such other conditions as may be prescribed; [Sec. 35(1)(iia)(C)]	**100%** **[Fin Act 2017]** **(earlier 125%)**
35(1)(iii)	Contribution to a **University, college, or other institution to be used for research in social science or statistical research.** Provided that such association, university, college or other institution – (a) Is for the time being approved, and (b) Is notified in the Official Gazette, by the Central Government;	**100%** **[Fin Act 2017]** **(earlier 125%)**

DONATION FOR ELIGIBLE PROJECT: SECTION 35 AC

Deduction for promoting social and economic welfare or upliftment of the public

Omitted from AY 18-19.

DEDUCTION FOR EXPENDITURE ON SPECIFIED BUSINESS: SECTION 35 AD

Deduction = 100% of capital expenditure

Ineligible Expenditure:

1. Any Capital expenditure in respect of which the payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a **bank account, > Rs. 10,000, or**
2. Any expenditure incurred on the acquisition of any
   (i) Land, or
   (ii) Goodwill, or
   (iii) Financial Instrument

Specified business	Commencement
(a) Laying and operating a cross country Natural Gas or Crude or Petroleum Oil **Pipeline Network** for distribution, including Storage Facilities being an integral part of such network	On or after 1/4/2008
(b) Setting up and operating a Cold Chain Facility,	on or after 01/04/2010

(c) Setting up and operating a Warehousing Facility for storage of **Agricultural Produce**.	on or after 01/04/2010
(d) Building and operating a **Hotel** of two star or above category as classified \ by the Central Government.	n or after 01/04/2011
(e) Building and operating a **Hospital** with at least 100 beds for patients.	on or after 01/04/2011
(f) Developing and building a Housing Project under a scheme for **Affordable Housing Slum Redevelopment or Rehabilitation Scheme** framed by Central or State Government and notified by CBDT.	n or after 01/04/2011
(g) Developing and building a Housing Project under a scheme for **Affordable Housing** framed by the Central Government or State Government and notified by CBDT[**Guidelines as per Notification No. 1/2012**]	on or after 01/04/2011
(h) New Plant or in newly installed capacity in an existing Plant, for production of Fertilizer.	on or after 01/04/2011
(i) Setting up and operating an **Inland Container Depot or Container Freight Station** notified or approved under the Customs Act.	on or after 01/04/2013
(j) Bee-keeping and production of Honey and Beeswax.	on or after 01/04/2013
(k) Setting up and operating a **Warehousing** Facility for storage of Sugar.	on or after 01/04/2013
(l) Laying and operating a **Slurry Pipeline** for the transportation of Iron Ore.	or after 01/04/2015
(m) Setting up and operating **semi-conductor Wafer Fabrication** Manufacturing Unit notified by CBDT.	on or after 01/04/2015
(n) Business of developing or maintaining or operating or developing, maintaining and operating a New Infrastructure Facility **<u>Infrastructure facility means</u> –** a. A road including toll road, a bridge, a rail system b. A highway project including housing or other activities being an integral part of the highway project c. A water supply project, water treatment system, irrigation project, sanitation or sewerage system or solid waste management system d. a port airport inland waterway, inland port or the navigation channel in the sea.	**on or after 01/04/2017**

SEC 40A (3)AMOUNTS NOT DEDUCTIBLE IN RESPECT OF EXPENDITURE EXCEEDING RS. 10,000 / 35,000

a) If any payment is made in excess of Rs. 10,000 (In case of plying. Hiring or leasing Goods carriage above Rs. 35000) otherwise than by a crossed cheque or bank draft (crossed) then 100% of such expenses will be disallowed. [Fin Act 2017]

b) A payment (or aggregate of payment made to person in a day) in respect of the above expenditure exceeds Rs. 10,000.

CERTAIN EXPENDITURES ALLOWED ONLY IF PAYMENT IS MADE BY DUE DATE OF FILLING OF RETURN [SEC.43B]

Type of expenditure	Following expenditures are allowed only if payment is made by due date of filling of return 1. Tax, Duty, cess, etc, by whatever name called, payable to Government. 2. Bonus or commission to employees. 3. Interest on loan to public financial institutions (i.e. ICICI, IFCI, IDBI, LIC and UTI) or a State financial corporation; or State industrial investment corporation. 4. Interest on loan to a scheduled bank including loan or advance from cooperative bank **(FA act 2017)** 5. Leave encashment payable to employee. 6. Employer contribution to any provident fund, superannuation fund, gratuity fund or any other fund for the welfare of employees 7. Any sum payable by Assessee to the Indian Railways for use of Railway Assets.

COMPULSORY MAINTENANCE OF BOOKS OF ACCOUNTS [SEC. 44 AA]

1. Maintenance of Books of Accounts is compulsory in the following cases-

Specified professionals	Others
Assessees carrying on professional of – **a.** Law, **b.** Medicine, **c.** Accountancy, **d.** Architecture, **e.** technical Consultancy, **f.** Interior Decoration, **g.** Authorised representative, **h.** Film Artist, **i.** Information Technology Professionals Whose Gross Receipt exceed Rs. **1,50,000, in all** the prior three years or during current previous year in which business is commenced.	**a)** Income under the head Business or profession exceed Rs. **2,50,000, in any of the prior 3 years or likely** to exceed Rs. 2,50,000 during current previous year in which business is commenced **and** **b)** Where the turnover or Sales or Gross Receipts exceeds Rs. **25,00,000 in any of the 3 preceding previous years or likely** to exceed Rs. 25,00,000 during current previous year in which business is commenced. ***FA ACT 2017*** **c)** When the Assessee has declared lower income then as prescribed u/s 44AE, 44BB, 44BBB, **d)** Assessee whose Income exceeds basic exemption, but declaring lower income than as prescribed u/s 44AD. **e)** W.e.f. 1/4/2017 Eligible Assessee to whom provisions of Sec. 44AD(4) applies, and whose Income exceeds the maximum amount which is not chargeable to tax in any previous year.

WHEN AUDIT OF CERTAIN PERSON IS COMPULSORY [SEC. 44AB]

Applicability: Tax audit is applicable in the case of –

a. Assessee carrying on any Business where Total Turnover or Gross Receipts exceeds Rs. **1 Crore, or**

b. Assessee carrying on profession, where Gross receipts exceeds Rs**. 50 lakhs**, or

c. Person covered under Sec 44AD who declare profits for PY as per provision of this section and his total turnover dose not exceeds 2cr (no audit even if turnover exceeds 1cr.) **FA act 2017**

PRESUMPTIVE TAXATION SCHEME FOR ASSESSEES ENGAGED IN ELIGIBLE PROFESSION

Estimated Income	8% of Gross Receipts received or receivable during the PY, or higher sum claimed to have been earned by the assesse **6% of total turnover** or gross receipts which is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date u/s 139(1).

CHAPTER 7: CAPITAL GAIN

PERIOD OF HOLDING (POH) OF THE ASSET, AS SUMMARIZED BELOW -

Nature of asset	STCA	LTCA
1 A security (other than unit) listed in a recognized stock exchange in India, 2 Units of UTI or Equity oriented Mutual Fund specified u/s 10(23D), 3. Zero coupon bond	POH <= 12 months	POH > 12 months
4. Unlisted shares 5. *Immovable property being land or building or both* ***(FA act 2017)***	POH <= 24 months	POH > 24 months
6. Any other Asset	POH <= 36 months	POH > 36 months

Period of holding applicable to different assets

Nature of asset	Period
Shares (equity of preference) or Debentures or bonds listed in RSE in India	12 months
Shares (equity of preference) or Debentures or bonds listed in SE outside India	36 months
Unlisted Shares (equity or preference)	24 months
Units of UTI	12 months
Units of equity oriented MF	12 months
Units of Debts fund or money market mutual fund	36 months
Zero coupon Bonds	12 months
Land or Building or both	24 months
Debenture or bond	36 months
Any other Asset	36 months

Consolidation of 'plans' within a 'scheme' of mutual fund–

POH of the units of consolidated plan shall include the POH for which the units in consolidating plan of mutual fund scheme were held

Cost of acquisition of the units in the consolidated plan shall the cost of units in consolidating plan of mutual fund scheme

COST INFLATION INDEX FOR DIFFERENT FINANCIAL YEARS IS AS FOLLOWS:

Financial year	Index	Financial year	Index	Financial year	Index
2001 – 02	**100**	**2008 – 09**	**137**	**2015 – 16**	**254**
2002 – 03	**105**	**2009 – 10**	**148**	**2016-17**	**264**
2003 – 04	**109**	**2010 – 11**	**167**	**2017-18**	**272**
2004 – 05	**113**	**2011 – 12**	**184**		
2005 – 06	**117**	**2012 – 13**	**200**		
2006 – 07	**122**	**2013 – 14**	**220**		

2007 – 08	**129**	**2014 – 15**	**240**		

Base year shifted from 1981 to 2001.

Therefore in case of capital assets acquired before 01.04.2001, FMV as on 1.4.2001 can be substituted for cost of acquisition.

SEC. 45(5A): CAPITAL GAIN ON TRANSFER OF LAND OR BUILDING OR BOTH, UNDER DEVELOPMENT AGREEMENT

Assessee = Individual or HUF,
Asset Transferred: Land or building or both, under a specified agreement

"**Specified agreement**" means a registered agreement in which a person owning land or building or both, agrees to allow another person to develop a real estate project on such land or building or both, in consideration of a share, being land or building or both in such project, whether with or without payment of part of the consideration in cash

PY of taxability: PY in which the certificate of completion for the whole or part of the project is issued by the competent authority;

Full value of consideration: The stamp duty value, on the date of issue of completion certificate, of his share, being land or building or both in the project, as increased by the consideration received in cash, if any.

Exception: provisions of this sub-section shall not apply where the assessee transfers his share in the project on or before the date of issue of said certificate of completion, and the capital gains shall be deemed to be the income of the previous year in which such transfer takes place and the provisions of this Act, other than the provisions of this sub-section, shall apply for the purpose of determination of full value of consideration received or accruing as a result of such transfer.

Explanation.- For the purpose of this sub-section, the expression –

(i) "Competent Authority" means the authority empowered to approve the building plan by or under any law for the time being in force;
(ii) "Stamp Duty Value" means the value adopted or assessed or assessable by any authority of Government for the purpose of payment of stamp duty in respect of an immovable property being land or building or both.

Example

Mr. Pati owns a land acquired on 01/02/2003 for Rs. 60,00,000/-. he enters into an registered agreement with Patni Real Estate on 12/03/2016 to allow development of the same in return on 2 flats and cash consideration of Rs. 80,00,000/-.

The company completes the project and obtains certificate on 10/11/2017 from authority. The stamp duty value of each flat was Rs. 56,00,000/-.

Compute the capital gain taxable in the hands of Mr. Haque.

Solution

Calculations of Capital Gain on transfer of development rights in the Land

Period of Holding

Sale consideration	
(-) Indexed cost of acquisition	
Long Term Capital Gain	

50CA: SPECIAL PROVISION FOR FULL VALUE OF CONSIDERATION FOR TRANSFER OF SHARE OTHER THAN QUOTED SHARE.

Where the consideration received or accruing as a result of the transfer by an assessee of a capital asset, being share of a quoted share, is **< the FMV** of such share determined in such manner as may be prescribed,

Full value of consideration = FMV on the date of transfer.

Explanation. – For the purpose of this section, **"Quoted share"** means the share quoted on any recognised stock exchange with regularity from time of time, where the quotation of such share is based on current transaction made in the ordinary course of business.

SEC 50D FAIR MARKET VALUE DEEMED TO BE FULL VALUE OF CONSIDERATION IN CERTAIN CASES

Where the consideration received or accruing as a result of the transfer of a capital asset by an assessee is not ascertainable or cannot be determined, then, for the purpose of computing income chargeable to tax as capital gains, the FMV of the said asset on the date of transfer shall be deemed to be the full value of the consideration received or accruing as a result of such transfer.

COST OF ACQUISITION OF RECONSTITUTED PLOT OF LAND RECEIVED UNDER ANDHRA PRADESH CAPITAL LAND POOLING SCHEME [SEC. 49(6)]

Capital gain is chargeable where the reconstituted plot of land is transferred after the expiry of 2 years from the end of the financial year in which the possession of such asset was handed over the assessee,

Cost of Acquisition = Stamp duty value as on the last day of the 2nd financial year after the end of the financial year in which the possession of the said specified capital asset was handed over to the assesse.

SEC 46 & 47 TRANSACTIONS NOT REGARDED AS TRANSFER

1) Any transfer, made outside India, of a capital asset being rupee denominated bond of an Indian company issued outside India, by anon-resident to another non-resident

2) Conversion of preference share of accompany into equity share of that company will not be regarded as transfer

3) In determining the period of holding of such equityshares, the period of holding of the preference shares shall be included

4) The cost of acquisition of the converted equity shares shall be deemed to be the cost of acquisition of preference share

CHAPTER 8: INCOME FROM OTHER SOURCES

TAX ON DIVIDEND IN CERTAIN SITUATIONS [SEC. 115BBDAA]

1. **Applicability:** All Resident except

a. If dividend received by domestic company.

b. If dividend received by a fund/ institution/ trust/ university/ medical institution referred in Sec 10(23C)

c. IF dividend is received by trust/institution registered under Sec 12A or 12AA. **(FA act 2017)**

2. **Nature of Income:** Any Income in aggregate exceeding Rs. 10 Lakhs, by way of Dividends cleared, distributed or paid by a Domestic Company.
3. **Rate of Tax:** Tax = 10% on the Income in aggregate by way of such Dividends. [Note: this is in addition to the Tax Payable on Other Total Income.]
4. **No Deduction:** No deduction in respect of any expenditure or allowance or set off of loss shall be allowed to the Assessee under any provision of this Act in computing the income by way of dividends u/s 115BBDA(1)(a).
5. **Meaning:** Dividend shall have the same meaning as per Sec. 2(22) but excludes sub-clause (e) thereof.

GIFT [SEC. 56(2) (vii)

Applicable to All person (earlier only for Individual or HUF)

Effect:

Definition of property unchanged, but for firms and closely held companies–earlier only shares of closely held companies were covered, now all properties as defined in Expln to clause(vii)covered.
Further even widely held companies become liable now.

Proposed amendment to list of exceptions:

Received from any trust fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause(23C)of section 10/sub-clause (iv)/(v)/(vi)r(via) of clause (23C)of section10

By way of transaction not regarded as transfer under clauses (i) / (vi) / (via) / (viaa) / (vib) / (vic) / (vica) / (vicb)/(vid)or(vii)ofsection47

CHAPTER 9: CLUBBING OF INCOME

NO AMENDMENTS

CHAPTER 10: SET OFF AND CARRY FORWARD OF LOSSES

SEC 71 INTER HEAD ADJUSTMENT

- New sub-section (3A) proposed to be inserted
- Restriction on set-off of loss under the head "Income from House Property" to Rs. 2 Lacs against income assessable from other head of income.

CARRY FORWARD AND SET OFF OF LOSSES IN THE CASE OF CERTAIN COMPANIES [SEC. 79]

Provision of Sec 79 will continue in the case of closely held company but other than an eligible start up covered by Sec 80- IAC. In case of eligible start p carry forward and set off of losses will be governed by Sec 79(b) as explained below.

Sec 79(b) CARRY FORWARD &SET OFF OF LOSSES IN CASE OF ELIGILBE START UP

- "All Shareholders" who held shares carrying voting power on the last day of the year or years in which the loss was incurred, should continue to remain shareholders on last day of such previous year (When loss is intended to be set-off)
- Loss incurred in period of seven years beginning from year of incorporation
- "All" instead of "51%" as against requirement w.r.t. shareholding for other Companies
- Existing shareholders to remain, no restrictive condition on addition of new shareholders
- Thus, in case of loss in the first seven years, set off allowed even if shareholding is diluted but the original shareholders to continue as shareholders.

CHAPTER 11: PERMISSIBLE DEDUCTION FROM TOTAL INCOME

SECTION 80CCD CONTRIBUTION TO NATIONAL PENSION SCHEME

Applicable to	An Individual (irrespective of his residential status)

Quantum of Deduction :

A. ***In case of salaried individual***

Lower of the following

- The whole of the amount so paid or deposited
- Maximum of 10% of his salary in the previous year

Add: Employers contribution maximum to the extent of 10% of salary

Salary = Basic + DA (if applicable)

Employer contribution to NPS is treated as salary income.

B. ***In case of other individual***

- The whole of the amount so paid or deposited
- maximum of **20% of his GTI (FA Act 2017) [earlier 10%]**

NOTE:

Further in respect of employee contribution /Assessees contribution in addition to 10% of salary / 10% of GTI an Additional deduction of Rs 50,000 shall be allowed.

SECTION 80CCG: IN RESPECT OF INVESTMENT MADE UNDER ANY EQUITY SAVING SCHEME (RAJIV GANDHI EQUITY SCHEME)

Not applicable from AY 18-19.

SECTION 80G DEDUCTION IN RESPECT OF DONATION TO CERTAIN FUNDS, CHARITABLE INSTITUTIONS

- **This deduction is available to all assessee, (irrespective of residential status or citizenship of the individual)**
- Donation in kind is not allowed as deduction.
- Donation for a particular community is not allowed as deduction.
- Proof of donation in original should be attached with the return of income.
- **Donation in excess of Rs. 10,000 must be paid by Account Payee Cheque. (FA Act 2017)[earlier 20,000]**

80IAC: SPECIAL PROVISION IN RESPECT OF SPECIFIED BUSINESS (W.e.f. AY 17-18)

1. **Applicability:** Assessee being an eligible start-up.
2. **Quantum of deduction:** 100% of the profit and gains derived from such eligible Start-Up business.

3. **Period of Deduction:** deduction can be claimed at the option of the Assessee, for any 3 consecutive assessment years out of **7 years** beginning from the year in which the eligible start-up incorporated.
(FA Act 2017) earlier 5 yrs.

SECTION 80IBA: DEDUCTIONS FOR PROFITS & GAINS FROM HOUSING PROJECTS

Project completion period extended to 5 yrs from 3 yrs.

CHAPTER 12: RELIEF

There is no amendment in this chapter.

CHAPTER 13: ADVANCE TAX

Payment of Advance tax

Assessee referred to in Sec 44ADA opting computation of PGBP can pay advance tax 100% on 15th March of PY.

The advance on certain income can be paid after its occurrence as it cannot be estimated

1) LTCG
2) Casual income
3) Dividend income chargeable u/s 115BBDA **(FA act 2017)**

Interest on delayed payment of Advance tax u/s 234C

If short fall in payment of advance tax is on account of under estimation or failure in estimation of income of the nature referred to insect 115BBDA the interest u/s234C shall not be levied.

CHAPTER 14: TDS & TCS

INSURANCE COMMISSION: SEC 194D

Form 15G/15H applicable.

PAYMENT FROM LIFE INSURANCE POLICY: SEC 194DA

Form 15G/15H applicable.

PAYMENT OF RENT BY CERTAIN INDIVIDUALS OR HUF: SEC 194IB

Person responsible to deduct tax	Individual or HUF other than those covered by 194-I. [Even Salaried person paying rent > Rs. 50,000 P. M and claiming HRA exemption are required to deduct and pay TDS of Landlord]
Category of Payee	Any person being resident in India
Nature of payment	Rent > 50,000 pm or part thereof "Rent" means any payment, by whatever name called, under any lease, sub – lease, tenancy or any other agreement or arrangement for the use of any land or building or both.
Rate of deduction of tax	5% of rent
No TDS	rent < = Rs. 50,000 pm or part
Time for deduction of tax	a) At the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, to the account of the payee or b) At the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, Whichever is earlier.
Time for deposit of TDS	Compulsory electronic payment within 30 days from the end of the month in which the deduction is made
Challan cum statement	Form No. 26QC along with deposit of TDS
Certificate of TDS and time of issue	Form 16C within 15 days from the due date for furnishing the challan – cum statement in the above mentioned Form No. 26QC.
TAN and PAN Numbers?	Deductor is not required to have TAN number. However, he must obtain PAN of the Deductee. Otherwise tax will have to be deducted @ 20% instead of 5%. Section 206AA will apply in such case. However, such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of the tenancy, as the case may be

Example: if assessee pays rent of 35,000 pm for whole year

Ans: No required for TDS

Example: if assessee pays rent of 1,00,000 pm for whole year

Ans: he is liable to deduct tac at source in the month of march @ 5% of (1,00,000 × 12) = 60,000 and pay Rs. 40,000 to be landlord

Example: If assessee pays rent of 40,000 pm for 7 months and 55,000 pm for 5 months

Ans: He is liable to deduct tax in the month of March @ 5% of (55,000 × 5) = 13,750 and pay only 41,250 to the landlord

Example: If assessee pays rent of 60,000 pm only for the months of April to Aug

Ans: He is liable to deduct tax @ 5% of (60,000 × 5) = 15,000 from the rent of August and pay 45,000 to be landlord.

Example: if the assessee pays rent of 1,00,000 pm for whole year but the landlord does not provide his PAN

Ans: He will have deduct tax @ 20% of 1,00,000 × 12) = 2,40,000 from the rent of March. However since the amount exceeds the total rent for March, amount deductible will be restricted to 1,00,000. i.e., total rent for March

PAYMENT FROM JOINT DEVELOPMENT AGREEMENT SEC 194IC

Notwithstanding anything contained in section 194-IA, any person responsible for paying to a resident any sum by way of consideration, not being consideration in kind, under the agreement referred to in sub-section (5A) of section 45, shall at the time of credit of such sum to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to **ten per cent**. of such sum as income-tax thereon

FEES FOR PROFESSIONAL OR TECHNICAL SERVICES: - SEC 194J

Rate of deduction	10% 2% in case of payments received or credited to a payee, being a person engaged only if the business of operation of call centre w.e.f 01/06/2017

TAX COLLECTED AT SOURCE

TCS ON SALE OF JEWELLERY OR BULLION

Omitted.

REQUIRED TO FURNISH PAN BY COLLECTEE. SEC 206CC

(1) Notwithstanding anything contained in any other provisions of this Act, any collectee shall furnish his PAN to the collector, failing which tax shall be collected at the higher of the following rates, namely: -
   i) At twice the rate specified in the relevant provision of this Act; or
   ii) At the rate of 5%

(2) No declaration under sub-section (1A) of section 206C shall be valid unless the person furnishes his permanent Account Number in such declaration.

(3) In case any declaration becomes invalid under sub-section (2), the collector shall collect the tax at source in accordance with the provisions of sub-section (1).

(4) No certificate under sub-section (9) of section 206C shall be granted unless the application made under that section contains the permanent Account Number of the applicant.

(5) The collectee shall furnish his Permanent Account Number to the collector and both shall indicate the same in all the correspondence, bills, vouchers and other documents which are sent to each other.

(6) Where the Permanent Account Number provided to the collector is invalid or does not belong to the collectee, it shall be deemed that the collectee has not furnished his Permanent Account Number to the collector and the provisions of sub-section (1) shall apply accordingly.

(7) The provisions of this section shall not apply to a non-resident who does not have permanent establishment in India.

Explanation. – For the purpose of this sub-section, the expression “permanent establishment” includes a fixed place of business through which the business of the enterprise is wholly or partly carried on.

CHAPTER 15: RETURN, ASSESSMENT PROCEDURE AND INTEREST

RETURNS

REVISED RETURN [SEC. 139(5)]

If an assessee discovers any **omission or wrong statement** (Bonafide in nature) in return originally filed, he can revise his return u/s. 139(5).

Conditions to file a revised return:

1. **Only return filed u/s. 139(1) or in pursuance of a notice u/s. 142(1) can be revised.**
2. Revised return can be filed only if the assessee discovers any omission or wrong statement in return originally file **in other words, an assessee cannot revise a return if the omission or error in the original return was pre-known to him.**

Time Limit: Assessee may file the revised return:

- **Within one year from the end of relevant assessment year; or**
- **Before completion of regular assessment, whichever is earlier. [FA ACT 2017]**

QUOTING OF AADHAAR NUMBER SEC. 139AA

1. Every person who is eligible to obtain number shall, on or after the 1st day of July, 2017, quote Adhaar number –

(i) In the application form for allotment of PAN

(ii) In the RIO:

Provided that where the person does not possess the Aadhar Number, the Enrolment ID of Aadhar application form issued to him at the time of enrolment shall be quoted in the application for PAN or, as the case may be, in the RIO furnished by him.

2. Every person who has been allotted PAN as on the 1st day of July, 2017 and who is eligible to obtain Aadhar number, shall intimate his Aadhar number to such authority in such form and manner as may be prescribed, on or before a date of to be notified by the Central Government in the Official Gazette:

Provided that in case of failure to intimate the Aadhar number, the PAN allotted to the person shall be deemed to be invalid and the other provisions of this Act shall apply, as if the person had not applied for allotment of PAN.

3. The provisions of this section shall not apply to such person or class or classes of persons or any State or part of any State, as may be notified by the Central Government in this behalf, in the Official Gazette.

FEE FOR DIFFICULT IN FURNISHING RETURN OF INCOME 234F

1. Without prejudice to the provisions of this Act, where a person required to furnish a return of income u/s 139, fails to do so within the time prescribed in section 139(1), he shall pay, by way of fee, a sum of,
   a) Rs. 5,000/-, if the return is furnished on or before 31st December of the AY;
   b) Rs. 10,000/- in any other case

Provided that if the total income of the person does not exceed Rs. 5 lakh, the fee payable under this section shall not exceed Rs. 1,000/-.

2. The provisions of this section applicable from AY 18 – 19

ASSESSMENT PROCEDURE

TIME LIMIT FOR COMPLETION OF SCRUTINY ASSESSMENT

Assessment u/s. 143(3) should be completed **within 18 months (Finance Act 2017) from the end** of the relevant assessment year. (earlier 21 months)

BEST JUDGEMENT ASSESSMENT [SEC. 144

Time limit to complete assessment: 18 months from the end of relevant assessment year

TIME LIMIT FOR COMPLETION OF INCOMEESCAPING ASSESSMENT U/S 147

No order of assessment, reassessment shall be made u/s 147 after the **expiry of 9 months** from the end of the financial year in which notice u/s 148 was serve.