# AMIT TALDA CLASSES

*Building conceptions…..*

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# TAX LAWS & PRACTICE

## CS EXECUTIVE

## JUNE 2018

## Incorporating the Amendments by Finance Act, 2017

## BY

## CA. AMIT TALDA


PNY

## LIMITS (AMOUNT/TIMINGS)

| | |
|---|---|
| Maximum Amount of Deduction of Interest in case of Self Occupied House Property in case Loan is for Construction/Purchase of House Property **on or after** 01.04.1999 (Construction Completed within 5 years) | Rs. 2,00,000 |
| Maximum Amount of Deduction of Interest in case of Self Occupied House Property in case Loan is for Construction/Purchase of House Property **on or Before** 01.04.1999 (Construction Not Completed within 5 years) | Rs. 30,000 |
| Maximum Amount of Deduction of Interest in case of Self Occupied House Property in case Loan is for **Repairs/Renovation** of House Property (Date of borrowing is irrelevant) | Rs. 30,000 |
| Maximum Amount of Deduction of Interest in case of Let out Property | No Limit |
| **Pre-Construction Interest** on Self Occupied Property/Let out Property is allowed in how many years? | 5 Years<br>(1/5th in each year) |
| Compulsory Audit of Account of a **business u/s 44AB** if turnover of PY exceeds? | Rs. 1,00,00,000/- |
| Compulsory Audit of Account of a **Profession u/s 44AB** if turnover of PY exceeds? | Rs. 50,00,000/- |
| Compulsory Maintenance of **books of Account** u/s 44AA of a **business or Profession other than Specified Profession** if Turnover/Net Profit exceeds? | **Individual & HUF**<br>Turnover>Rs. 25 Lakhs<br>Net Profit> 2,50,000<br><br>**Other Assessee:**<br>Turnover>10 Lakhs<br>Net Profit>Rs. 1,20,000 |
| Compulsory Maintenance of **books of Account** of a **Specified Profession** if Gross Proceeds exceeds? | Rs. 1,50,000/- |
| How much is the Presumptive Income of a Business u/s 44AD? | If total turnover or gross receipts which is received by an Account Payee Cheque or Account Payee Bank Draft or Electronic Clearing System through a bank account: 6%<br><br>**In other case**:<br>8% of Turnover or Gross Receipts |
| Presumptive Scheme is available to a business if its turnover is? | Less than or equal to **2** Crores |

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| How much is the Presumptive Income of a Specified Profession u/s 44ADA? | 50% of Gross Receipts |
| Presumptive Scheme is available to a Specified Profession if its Gross Receipts is? | Less than or equal to **50** Lacs |
| How much is the Presumptive Income of a Business u/s 44AE? | **Rs. 7,500** per month per vehicle |
| Who is eligible for Presumptive scheme u/s 44AE? | Assessee carrying on Business of Plying, hiring or leasing goods carriage owning Vehicles not exceeding **10**. |
| Due date of filing return of income u/s 139(1) – Audit Assessee | 30th September of AY |
| Due date of filing return of income u/s 139(1) – Non - Audit Assessee | 31st July of AY |
| Due date of filing return of income u/s 139(1) – International Transaction or Specified Domestic Transaction u/s 92C along with Audit Report | 30th November of AY |
| Maximum Deduction of Entertainment Allowance to a Government Employee | Rs. 5,000 |
| Advance tax is payable by the Assessee under income tax act if total tax payable after deducting TDS is? | Rs. 10,000 or more |
| Partial Integration of Agriculture Income happens when? | Non Agri Income Exceeds maximum amount not chargeable to tax **&** Agri Income Exceeds Rs. 5,000. |
| Exemption to the parent in whose income, Minor's income is clubbed | Rs. 1,500 per child p.a. |
| Exemption of Family Pension Received by Family Member | 33.33% of Family Pension or Rs 15,000 whichever is less. |
| Exemption from Interest received on Compensation or Enhanced Compensation for Compulsory Acquisition under any Act | 50% of interest received on account of Compensation or Enhanced Compensation |
| Exemptions from Anonymous Donations received by a charitable trust | 5% of total donations or Rs. 1,00,000 whichever is higher |
| What is the Rebate available to Resident Individual u/s 87A | 100% of tax or Rs. **2,500** whichever is less |
| Who is eligible for Rebate u/s 87A? | Resident Individual whose Income does not exceed |

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| | Rs. 3,50,000 |
| Standard deduction from Net Annual Value u/h House Property | 30% |
| Deduction of Capital Expenditure for promoting family planning | 5 years (Equal Installments) |
| Disallowance of expenditure if the amount paid otherwise than Account Payee Cheque or Account Payee Draft or **Use of Electronic Clearing System through a Bank Account** and Amount exceeds: | Rs. 10,000 (Rs. 35,000 in case of Transporter) |
| Application for **Advance Ruling** can be withdrawn in how many days? | 30 days |
| Application for **Settlement Commission** can be withdrawn in how many days? | Cannot be withdrawn |
| Authority for Advance Rulings shall pass the ruling with how much time? | 6 Months |
| Application of Advance Ruling shall be made in how many copies? | 4 Copies<br>Fees: Rs. 10,000/- |
| Which Country Introduced the Concept of GAAR First? | Australia in 1981 |
| Applicability of General Anti Avoidance Rule? | Tax benefit exceeds Rs. 3 Crores |
| Within how many days appeal has to be filed before CIT (A) | 30 days |
| Within how much time CIT(A) must dispose off the Appeal? | 1 Year from the end of FY in which appeal is filed |
| Within how many days appeal has to be filed before ITAT | 60 Days |
| Within how many days appeal has to be filed before High Court | 120 Days |
| Within how many days appeal has to be filed before Supreme Court | 60 Days |
| ITAT can pass stay order of how many days? | 180 days (ITAT Can extend but not more than 365 days from the beginning) |
| Within how much time ITAT must dispose off the Appeal? | 4 Years from the end of FY in which Appeal is filed |
| Who is the final fact finding authority? | ITAT |
| Free/Concessional Loan shall not be a perquisite if the amount does not exceed? | Rs. 20,000 |
| What should be the Rate of Interest for chargeability of perquisite of Free or Concessional Loan in the hands of employees? | SBI Rate as on 1st April |
| Exemption from perquisite for free meal | Rs. 50 per meal |
| Exemption from perquisite of education of household members of employees | Rs. 1,000 p.m. |
| Exemption from medical reimbursement in the hands of employees | Rs. 15,000 p.a. |
| Leave Travel Assistance for employees | 2 Trips in a block of 4 Calendar years |
| What is limit for classification of transactions as Specified Domestic Transactions u/s 92BA | Rs. 20 Crores in PY |
| What is the Permissible variation between ALP and Transfer price? | 3% of Actual Price |
| What is the time limit for rectification of mistakes apparent from | 4 Years |

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| record u/s 154? | |
| What is the Time available to Dispute Resolution Panel for issuing directions? | 9 Months |
| What is the time limit available to Assessee for filing an application to Dispute Resolution Panel u/s 144C? | 30 days of receipt of draft order |
| What is the time limit for issue of Intimation of tax or interest u/s 143(1)? | 1 year from end of FY in ROI is filed |
| What is the time limit within which notice u/s 143(2) for Scrutiny Assessment can be issued? | 6 Months from the end of FY in which ROI is filed |
| What is the maximum period for which an Advance Pricing Agreement can remain valid? | 5 Years |
| Information relating to International Transactions is required to be maintained for how many years? | 8 Years from the end of relevant AY |
| Upto What amount of International Transaction is a person not required to maintain the information & documents? | Upto Rs. 1 Crore of aggregate value of International Transactions |
| Due date of filing return of income u/s 139(1) – International Transaction or Specified Domestic Transaction u/s 92C along with Audit Report | $30^{th}$ November of AY |

## INCOME WHICH DO NOT FORM PART OF TOTAL INCOME (EXEMPT INCOMES)

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|---|---|
| 10(1) | Agricultural Income |
| 10(2) | Sum received by an Individual as an member of HUF |
| 10(2A) | Share of profits received by Partner of a Firm |
| 10(7) | any allowances or perquisites paid or allowed as such outside India by the Government to a citizen of India for rendering service outside India ; |
| 10(10B) | Any compensation received by Employee under Industrial Disputes Act, 1947 |
| 10(10BB) | Any payment made under **Bhopal Gas Leak Disaster** |
| 10(10BC) | Any amount received from CG or SG or LA by an Individual or his Legal Heir by way of Compensation on account of any Disaster. |
| 10(11) | Receipt of Provident Fund as per Provident Funds Act |
| 10(13A) | House Rent Allowance received as per Limits |
| 10(16) | Scholarships granted to meet the cost of education |
| 10(17) | any income by way of—<br>(i) daily allowance received by any person by reason of his membership of Parliament or of any State Legislature or of any Committee thereof;<br>[(ii) any allowance received by any person by reason of his membership of Parliament under the Members of Parliament (Constituency Allowance) Rules, 1986;<br>[(iii) ***any constituency allowance*** received by any person by reason of his membership of any State Legislature under any Act or rules made by that State Legislature;]]] |
| 10(18) | any income by way of—<br>(i) pension received by an individual who has been in the service of the Central Government or State Government and has been awarded "Param Vir Chakra" or "Maha Vir Chakra" or "Vir Chakra" or such other gallantry award as the Central Government may, by notification29 in the Official Gazette, specify in this behalf;<br>(ii) **family pension received** by any member of the family of an individual referred to in sub-clause (i). |
| 10(19) | **family pension** received by the widow or children or nominated heirs, as the case may be, of a member of the **armed forces** (including para-military forces) of the Union, where the death of such member has occurred in the course of operational duties, |
| 10(20) | Income of Local Authority chargeable under the head:<br>(i) House Property<br>(ii) Capital Gains<br>(iii) Income from other sources<br>(iv) Trade or Business of supply of a commodity or service (not being water or electricity) |
| 10(22B) | Income of such news agency set up in India solely for collection and distribution of news as CG may notify. |
| 10(23D) | Income of **Registered Mutual Fund** registered with SEBI;<br>Such other Mutual fund set up by a Public Sector bank or Public Financial Institution or Authorized by RBI |
| 10(23DA) | Any income of **Securitization trust** from the activity of Securitization |
| 10(23FC) | any income of a **business trust** by way of interest received or receivable from a special purpose vehicle. |
| 10(24) | **Registered Trade Union:** |

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| | Income from House Property<br>Income from Other sources |
| 10(26AAB) | any income of an ***agricultural produce market committee*** or board constituted under any law for the time being in force for the purpose of regulating the marketing of agricultural produce |
| 10(34) | Dividends received on which DDT has been charged (Domestic Company) |
| 10(35) | Any Income received in respects of units of Registered Mutual Funds |
| 10(37) | In the case of an assessee, being an individual or a Hindu undivided family, any income chargeable under the head "Capital gains" arising from the transfer of agricultural land, where—<br>(i) such land is situate in any area referred to in item (a) or item (b) of sub-clause (iii) of clause (14) of section 2;<br>(ii) 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;<br>(iii) such transfer is by way of compulsory acquisition under any law, or a transfer the consideration for which is determined or approved by the Central Government or the Reserve Bank of India;<br>(iv) such income has arisen from the compensation or consideration for such transfer received by such assessee on or after the 1st day of April, 2004. |
| 10(38) | Any income arising from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund [or a unit of a business trust] on which STT is paid. |
| 10(43) | any amount received by an individual as a loan, either in lump sum or in instalment, in a transaction of ***reverse mortgage*** |
| 10(47) | Any income of an ***infrastructure debt fund*** |
| 10AA | **Newly Established Units in SEZ:**<br>(i) Deduction of 100% of profits & gains from exports of such articles or things or from services for a period of 5 Consecutive AY beginning with AY relevant to the PY in which Unit begins to manufacture or produce articles or things or provide services & 50% for further 5 Consecutive AY and thereafter;<br>(ii) For next 5 Consecutive AY, so much of amount not exceeding 50% of profits as is debited to Profit & Loss Account of the PY in respect of which deduction is to be allowed and credited to a reserve account (Called as SEZ Re-investment Reserve Account). |
| 13A | **Tax Exemptions to Political Parties (Assessed as AOP)**<br>Following Incomes of Political Parties are Exempt:<br>a) Income by way of Voluntary Contributions;<br>b) Income from House Property;<br>c) Income from Other Sources<br>d) Income from Capital Gain<br><br>Subject to following conditions:<br>a) Party keeps & maintains such books of account as would enable the AO to |

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| | property deduce the income;<br>b) In respect of voluntary contributions in excess of Rs. 20,000, the party keeps and maintains a record of contribution and names and addresses of the persons who have made the contribution;<br>c) Accounts of party are audited by CA or other qualified accountant;<br>d) No Donation of Rs. 2000 or more can be received by a political party otherwise by way of Account Payee Cheque/Draft/ ECS through a bank account or through Electoral Bonds.<br>e) Return of Income u/s 139(4B) should be filed by Political Party on or before the due date of filing ROI u/s 139(1), otherwise exemption u/s 13A will not be given.<br>f) CEO of political party is required to file a ROI if total income exceeds the maximum amount which is not chargeable to income tax. |
| 13B | **Voluntary Contributions received by Electoral Trust:**<br>Any Voluntary contributions received by an Electoral Trust shall not be included in total income of PY of such electoral trust, if:<br>(a) Such electoral trust distributes to any political party, registered u/s 29A of representation of people act, 1951 during the said PY, 95% of aggregate donations received by it during PY along with surplus, if any brought forward from any earlier PY; and<br>(b) Such Electoral trust functions in accordance with rules of CG. |

## FULL FORMS

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| **GAAR** | General Anti Avoidance Rules |
| **SAAR** | Specific Anti Avoidance Rules |
| **DTAA** | Double Taxation Avoidance Agreement |
| **AAR** | Authority for Advance Rulings |
| **ALP** | Arm's Length Price |
| **CUP** | Comparable Uncontrolled Price |
| **SLP** | Special Leave Petition |
| **ITAT** | Income Tax Appellate Tribunal |
| **CFC** | Controlled Foreign Corporation |
| **TIEA** | Tax Information Exchange Agreement |
| **OECD** | Organisation for Economic Co-operation & Development |
| **BEPS** | Base Erosion & Profit Shifting |
| **MAT** | Minimum Alternate Tax |
| **AMT** | Alternate Minimum Tax |
| **RPM** | Resale Price Method |
| **CPM** | Cost Plus Method |
| **PSM** | Profit Split Method |
| **TNMM** | Transactional Net Margin Method |
| **TPO** | Transfer Pricing Officer |
| **APA** | Advance Pricing Agreement |

## IMPORTANT SECTION NUMBERS

| | |
|---|---|
| **90** | Agreements with foreign countries or specified territories |
| **90A** | CG power to enter into agreement with any specified association in specified territory outside India |
| **91** | Relief when no bilateral agreement between the countries |
| **144** | Best Judgment Assessment |
| **143(1)** | Intimation of Assessment |
| **143(3)** | Regular Assessment |
| **147** | Re-Assessment or Income escaping Assessment |
| **148** | Notice of Re-Assessment |
| **154** | Rectification of Mistakes apparent from record |
| **263 & 264** | Revision by Commission of Income Tax |
| **249** | Appeal to CIT (A) |
| **260A** | Appeal to High Court |
| **261** | Appeal to Supreme Court |

## IMPORTANT FORM NUMBERS

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|---|---|
| **15G** | Application by an Resident Individual/HUF who is of age less than 60 years to receive the income without deduction of TDS |
| **15H** | Application by an Resident Individual who is of age 60 years or more to receive the income without deduction of TDS |
| **34B** | Application for Settlement of Cases (5 Copies) Rs. 500/- |
| **34C** | Application for Advance Ruling by a Non Resident (4 Copies i.e. Quadruplicate) |
| **34D** | Application for Advance Ruling by a Non Resident (for transaction with a Resident) |
| **34E** | Application for Advance Ruling by Notified Residents |
| **34EA** | Resident/non-resident who seeks advance ruling in respect of impermissible avoidance arrangement |
| **35** | Appeal to CIT (A) |
| **36** | Appeal to ITAT |
| **49A** | Application for allotment of PAN |
| **49B** | Application for allotment of TAN |
| **3CA** | Audit Report where accounts are audited under any other law |
| **3CB** | Audit Report where accounts are not audited under any other law |
| **3CD** | Statement of Particulars to be annexed with Audit Report u/s 44AB |
| **24Q** | TDS Return for Salary |
| **27Q** | TDS Return for Income other than Salary for Non Residents |
| **26Q** | TDS Return for Income other than Salary |
| **16** | TDS Certificate of Salary |
| **16A** | TDS Certificate other than Salary |
| **16B** | TDS Certificate for TDS Deducted u/s 194IA for purchase of Immovable Property |

# RATE OF TAXES

**Maximum Amount which is not chargeable to tax** i.e. Maximum Exemption Limit:
In case of certain assessee, there is no income tax on income earned during the previous year upto a certain limit.

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| In case of Individual (Male or Female), being Resident of India, who is of age of 80 years or more at any time during the Previous Year | ₹ 5,00,000 |
| In case of Individual (Male or Female), being Resident of India, who is of age of 60 years and above but less than 80 Years at any time during the Previous Year | ₹ 3,00,000 |
| Any other Individual, being Resident of India who is less than 60 Years of age or Individual who is a Non Resident irrespective of whether his age is less than or more than 60 Years. | ₹ 2,50,000 |
| HUF | ₹ 2,50,000 |
| AOP/BOI other than Co-operative Society | ₹ 2,50,000 |
| Artificial Juridical Person other than Company | ₹ 2,50,000 |
| Firm, Company, LA and Co-operative Society | NIL |

## RATE OF INCOME TAX FOR AY 2016-17:

### INDIVIDUALS:

For an Individual (Male or Female), Resident in India who is of age of 80 years or more:

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|---|---|
| **Upto 5,00,000** | NIL |
| 5,00,001 to 10,00,000 | 20% |
| Above 10,00,000 | 30% |

For an Individual (Male or Female) resident in India who is of age of 60 years or more but less than 80 years

| | |
|---|---|
| **Upto 3,00,000** | NIL |
| 3,00,001 to 5,00,000 | 5% |
| 5,00,001 to 10,00,000 | 20% |
| Above 10,00,000 | 30% |

For an Individual(Male or Female) resident in India age less than 60 years or Nonresident (any age)

| | |
|---|---|
| **Upto 2,50,000** | NIL |
| 2,50,001 to 5,00,000 | 5% |
| 5,00,001 to 10,00,000 | 20% |
| Above 10,00,000 | 30% |

Education Cess at the rate 2% on income tax shall be levied. And Secondary and higher education cess (SHEC) at the rate of 1% on income tax shall also be levied.

### FIRM/LLP/Local Authority: (No Basic Exemption)

Rate of Tax is 30% Flat. Education Cess at the rate 2% on income tax shall be levied. And Secondary and higher education cess (SHEC) at the rate of 1% on income tax shall also be levied.

### CO-OPERATIVE SOCIETY:

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| Where the total income does not exceed ₹ 10,000 | 10% of total income |
| Where the total income exceeds ` 10,000 but does not exceed ` 20,000 | ₹ 1,000 plus 20% of the amount that exceeds ₹ 10,000 |

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| Where the total income exceeds ₹ 20,000 | ₹ 3,000 plus 30% of the income that exceeds ₹ 20,000. |

**DOMESTIC COMPANY:**

| | Rate of Tax |
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| (i) Where the total turnover or Gross receipts in the **P.Y. 2015-2016** does not exceeds Rs 50 Crores | 25% of total Income for A.Y 2018-19 |
| (ii) in case of other Domestic Companies | 30% of Total Income |

**FOREIGN COMPANY:**

Rate of tax is 40% Flat of total income.

**SURCHARGE ON DIFFERENT PERSONS (TAX ON TAX) (JYADA KAMAANE KI SAZZA):**

| Assessee | Rate of Tax | Applicable Surcharge | | | Rate of EC+SHEC |
|---|---|---|---|---|---|
| | | TI> 50 Lakhs <1Crore | TI>₹1 Crore, but TI ≤ ₹10 Crore | TI >₹10 Crore | |
| 1. Domestic Companies | 29%/ 30% | - | 7% | 12% | 3% |
| 2. Foreign Companies | 40% | - | 2% | 5% | 3% |
| 3. Firms and LLP | 30% | - | 12% | 12% | 3% |
| 4. Local Authorities | 30% | - | 12% | 12% | 3% |
| 5. Co- operative Societies | Slabs | - | 12% | 12% | 3% |
| 6. Individuals/HUF/AOP/ BOI/ AJP | Slabs | **10%** | **15%** | **15%** | 3% |

## SPECIAL RATES OF TAX

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| Short Term Capital Gain on Listed Equity Shares on which STT has been Charged u/s 111A | 15% |
| Long term capital gain u/s 112 | 20% |
| Casual incomes like lottery | 30% |
| Dividend Distribution Tax (+SC+EC+SHEC extra) | 15%* |
| Voluntary Contributions to Charitable trust (Anonymous Donation) | 30% |
| Alternative Minimum Tax (AMT) or Minimum Alternative Tax (MAT) (+SC+EC+SHEC extra) | 18.5% |

***Effective Tax Rate is 17.304% (inclusive of SC+EC+SHEC)**

## TEA/COFFEE/RUBBER

| Rule | Nature of Business | Agl Inc. | Non-Agl. Inc. |
|---|---|---|---|
| 7A | Sale of Centrifuged Latex or Cenex manufactured from Rubber | 65% | 35% |
| 7B | (a) Sale of grown and cured Coffee by the Seller in India<br>(b) Sale of grown, cured, roasted and grounded Coffee by the Seller in India | 75%<br>60% | 25%<br>40% |
| 8 | Growing and Manufacturing Tea | 60% | 40% |

## HEADS OF INCOME VIS-À-VIS METHOD OF ACCOUNTING:

| Heads of Income | Relevance of Method of Accounting |
|---|---|
| Salaries | Taxable on the DUE BASIS OR RECEIPT BASIS; whichever is earlier (Method of Accounting is irrelevant) |
| House Property | Income from House Property is taxable only on ACCRUAL BASIS.<br>(Method of Accounting is irrelevant) |
| Business Income | Assessee may employ either Cash or Mercantile System of Accounting regularly. (Hybrid System not allowed)<br>(Exception Section 43B) |
| Capital Gain | Taxable during the Previous Year in which capital asset is transferred. (i.e year of Accrual) (Method of Accounting is irrelevant) |
| Income From Other Sources | Assessee may employ either Cash or Mercantile System of Accounting regularly. (Hybrid System not allowed)<br>(Exception Interest Receipt on Initial Compensation or Enhanced Compensation on compulsory acquisition under any Law) |

## RESIDENTIAL STATUS:

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| **INDIVIDUAL** | An individual is said to be resident in India if he satisfies **any one** of the following conditions:<br>(i) He is in India for a period aggregating to **182 days or more** in the relevant previous year; **OR**<br><br>(ii) He is in India for **60 days or more** during the relevant previous year and has been in India **for 365 days or more** during 4 previous years immediately preceding relevant previous year.<br><br>**EXCEPTIONS:**<br>(a)In case of an Individual, who is a Citizen of India and who leaves India in any previous year for the purposes of employment outside India, the condition number (ii) above shall not be applicable for the relevant previous year in which he leaves India.<br>In other words, for that particular previous year in which he leaves India for the purpose of employment outside India he shall be called resident only when he satisfies the condition No. 1 mentioned above.<br><br>Similarly, in case of an Individual who is a citizen of India and who leaves India in any PY as a member of the crew of an Indian Ship, the condition No. 2 above shall not be applicable.<br><br>(b) In case of an Individual, who is a Citizen of India, or a person of Indian Origin, who being outside India, comes on a visit to India in any previous year, the condition No. 2 mentioned above in his case also shall not be applicable.<br><br>**A person is said to be of Indian Origin if he or either of his parents or any of his grandparents was born in undivided India i.e. before India was partitioned.** |

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| | **When an Individual is said to be resident and ordinarily resident in India: (ROR)**<br>An individual, who is resident in India, shall be resident and ordinarily resident in India if he satisfies **both** the following conditions:<br>(i) He has been **resident** in India for at least **2 out of 10** previous years immediately preceding the relevant previous year. **AND**<br>(ii) He has been in India for **730 days or more**, during 7 previous years immediately preceding the relevant previous year. |
| **HINDU UNDIVIDED FAMILY** | A HUF is said to be resident in India in any PY in every case *except where during that year the control and management of its affairs is situated wholly outside India.*<br><br>A HUF is said to be Non Resident when the control and management of its affairs is situated wholly outside India.<br><br>*"Control and management refers to the decisions taken regarding affairs of the HUF. The control and management lies at the place where decisions regarding the affairs of the HUF are taken."*<br><br>**When is HUF said to be resident and ordinarily resident?**<br>The HUF is said to be resident and ordinarily resident in India if the Karta of HUF satisfies **both** the following conditions:<br><br>(i) Karta must be resident in at least 2 out of 10 previous years immediately preceding the relevant PY; **AND**<br><br>(ii) Karta must be in India for at least 730 days during 7 previous year immediately preceding the relevant previous year.<br>*If the karta does not satisfy any one or both of the conditions, then the HUF is said to be Resident but not ordinarily resident.* |
| **FIRM/ AOP/ BOI & AJP** | A firm, AOP and BOI is said to be resident in India in any previous year in all cases except where during that year the control and management of its affairs is situated wholly outside India.<br><br>In case of a firm, the control and management is in the hands of the partners and therefore, if the partners generally meet in India regarding the affairs of the firm, then the firm is said to be resident in India. |
| **COMPANY** | A company is said to be a resident in India in any previous year if:<br>(a) It is an Indian Company; **OR**<br><br>(b) During the relevant previous year, its **Place of Effective Management (POEM)** in that year is in India.<br><br>**A Place where Key Management & Commercial Decisions that are necessary for the conduct of the business of an Entity as a whole are in substance made.** |

# SCOPE OF INCOME

**1. In case of Resident in India (ROR in case of Individual and HUF) [Section 5(1)]**

The following incomes from whatever source derived form part of total income in case of resident in India (ROR for Individual and HUF)
(i) Any income which is received or is deemed to be received in India in the relevant PY by or on behalf of such person;
(ii) Any income which accrues or arises or is deemed to accrue or arise in India in the relevant PY;
(iii) Any income which accrues or arises **outside India** during the relevant PY.

**2. In case of Resident but not ordinarily resident in India (individual and HUF only)**

The following incomes from whatever source derived form part of total income in case of RNOR:
(i) Any income which is received or is deemed to be received in India in the relevant PY by or on behalf of such person;
(ii) Any income which accrues or arises or is deemed to accrue or arise in India in the relevant PY;
(iii) Any income which accrues or arises to him outside India during the relevant PY ***if it is derived from a business controlled in or a profession set up in India***.

**3. In case of Non-Resident in India [Section 5(2)]**

(i) Any income which is received or is deemed to be received in India in the relevant PY by or on behalf of such person;
(ii) Any income which accrues or arises or is deemed to accrue or arise in India in the relevant PY;

## TAX INCIDENCE VS. RESIDENTIAL STATUS

| **Where tax incidence arises in case of** | **ROR** | **RNOR** | **NR** |
|---|---|---|---|
| Income Received in India (whether accrued in or outside India) | YES | YES | YES |
| Income deemed to be received in India (whether accrued in or outside India) | YES | YES | YES |
| Income accrued or arising in India (whether received in India or Outside) | YES | YES | YES |
| Income deemed to accrued or arising in India (whether received in India or Outside) | YES | YES | YES |
| Income received and accrued outside India from a business controlled or a profession set **in India** | YES | YES | NO |
| Income received and accrued outside India from a business controlled or a profession set **outside India** | YES | NO | NO |
| Income earned and received outside India but later on remitted to India | NO | NO | NO |
| Past untaxed profits | NO | NO | NO |

## ALLOWANCES PARTLY EXEMPT [SEC. 10(14) & RULE 2BB]

| |
|---|
| 1. **Children Education Allowance**: It is a Cash Allowance given to an Employee for meeting the cost of education of his children.<br>Children Education Allowance received<br>**Less:** Exempt u/s 10(14) = **Rs 100 p.m. per Child, restricted to two children** |
| 2. **Children Hostel Expenditure Allowance**: This Allowance is given to meet the Hostel Expenditure of the Employee's Children.<br>Children Hostel Expenditure Allowance received<br>**Less:** Exempt u/s 10(14) = **Rs 300 p.m. per Child, restricted to two children** |
| 3. **Running Allowance**: This is given to employees working in the Transport Sector for meeting personal expenditure incurred during transport from one place to another.<br>Running Allowance received<br>**Less:** Exempt u/s 10(14) = **Least** of the following<br>(a) **70%** of the amount received xxx<br>(b) **Rs 10,000**xxx |
| 4. Transport Allowance: It is given to meet the Employee's expenditure for travelling from his residence to office and back.<br>Transport Allowance received<br>**Less:** Exempt u/s 10(14) **Rs 1,600 p.m. (if Employee is blind/handicapped/*deaf*, Rs 3200 p.m.)** |
| 5. **Mining/ Underground Allowance**: It is a Special Allowance paid to individuals employed in underground mines.<br>Mining/ Underground Allowance received<br>**Less:** Exempt u/s 10(14) **Rs 800 p.m.** |
| 6. **Tribal Area Allowance**: It is given to Individuals employed in Tribal Areas in Notified States.<br>Tribal Area Allowance received<br>**Less:** Exempt u/s 10(14) **Rs 200 p.m.** |
| 7. **Field Area Allowance:** It is a Compensatory Allowance paid to Employees in certain notified places. An Employee cannot claim exemption of Border Area Allowance, if he is in receipt of his allowance.<br>Field Area Allowance received<br>**Less:** Exempt u/s 10(14) **Rs 2600 p.m.** |

**Special Allowances which are exempt to the extent of actual amount received or the amount spent for the performance of duties of an office, Whichever is Less:**

| | |
|---|---|
| **Travelling Allowance** | Any allowance granted to meet the cost of travel on tour or on transfer of duty. Allowance for transfer includes any sum paid in connection with transfer, packing and transportation of personal effects on such transfer. |
| **Daily Allowance** | Any Allowance, whether granted on tour or for the period of journey In connection with transfer, to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty; |
| **Conveyance Allowance** | Any allowance granted to meet the expenditure incurred on conveyance in performance of duties of an office. Expenditure incurred on journey from |

| | |
|---|---|
| | residence to office and back to residence shall not be treated as expenditure incurred on conveyance in performance of official duties; (covered under transport allowance) |
| **Helper allowance** | Any allowance, by whatever name called, granted to meet the expenditure incurred on a helper where such helper is engaged for the performance of official duties only. |
| **Academic allowance** | Any allowance granted for encouraging academic, research and training pursuits in educational and research institutes. |
| **Uniform allowance** | Any allowance, by whatever name called, granted to meet the expenditure incurred on the purchase or maintenance of uniform for wear during the performance of duties of office. |

**Special Allowances which are exempt to the extent of actual amount received or the amount spent for the performance of duties of an office, Whichever is Less:**

1. Travelling Allowance
2. Daily Allowance
3. Conveyance Allowance
4. Helper Allowance
5. Academic Allowance
6. Uniform Allowance

## HOUSE RENT ALLOWANCE [SECTION 10(13A) AND RULE 2A]

HRA is exempt under section 10(13A) to the extent of the **minimum** of the following three amounts:

(a) **Actual HRA received** by the employee.

(b) Rent Paid **Less** 10% of Salary for the 'relevant period'.

(c) **50%** of the salary where the residential house is situat[ed at Mumbai, Kolkata, Delhi or] Chennai and **40%** of the salary where the house is situated at any other place, for the relevant period.

**<u>Salary for the purpose of HRA</u>**
BASIC SALARY + DA (forming part of retirement benefits) + Commission (fixed %)

**Relevant period'** means the period during which the said accommodation was occupied by the assessee during the previous year.

## GRATUITY [SEC 10(10)]:

**Gratuity**

- **Government Employees**
  - **Fully Exempt**
- **Non- Government Employees**
  - Employee covered by Gratuity Act,
    - **Least** of following is **exempt**
      - Actual Gratuity received,
      - 15/26 × last drawn salary × no. of years of Completed Service or part thereof in excess of six months
      - **Rs 10,00,000.**
  - Other Employees
    - **Least** of following is **exempt**
      - Actual Gratuity received,
      - 1/2 × Average salary for 10 months preceding the month of retirement × no. of fully Completed years of Service
      - **Rs 10,00,000.**

**Last drawn Salary** means Last completed month of Salary
**Salary** means: Basic + D.A
For purpose of calculating **completed year of service, more than 6 months** shall be taken as a completed year. A period of 6 months or less than 6 months shall be ignored.

**Salary means:**
Basic + DA + Commission forming part of salary as fixed percentage of Turnover
**Completed years of service**: **:** In calculating the number of years of service only completed years are to be taken into account and part of the year whether more or less than 6 months, will be ignored.

## TREATMENT OF PENSION [SECTION 17(1)(II)]:

Pension is a payment made by the employer after the retirement/death of the employees as a reward for past service.

**Pension**

- Uncommuted Pension
  - Fully Taxable
- Commutation of Pension
  - Government Employee
    - Fully Exempt
  - Other Employee
    - If in receipt of Gratuity
      - 1/3 × Full Value of Pension is Exempt
    - If in not receipt of Gratuity
      - 1/3 × Full Value of Pension is Exempt

## PROVIDENT FUNDS

| Particulars | Recognized PF | Unrecognized PF | Statutory PF | Public PF |
|---|---|---|---|---|
| **Employer's Contribution yearly** | Amount in excess of 12% of salary is taxable | Not taxable at the time of contribution | Fully exempt | N.A. |
| **Employee's Contribution** | Eligible for deduction u/s 80C | No Income Tax Benefit | Eligible for deduction u/s 80C | Eligible for deduction u/s 80C |
| **Interest Credited** | Amount in excess of 9.5% p.a. is | Interest on **Employee's Contribution is** | Fully exempt | Fully exempt |

| | | | | |
|---|---|---|---|---|
| | taxable | **taxable** under "Other Sources". Interest on **Employer's Contribution is not taxable** at the time of credit. | | |
| **Amount received on retirement, etc.** | **Exempt** from tax if employee served a Continuous period of **5 years or more** or retires before rendering 5 years of service because of reason beyond the control of the employee. In **other case**, it will be **taxable.** | **Employer's** contribution and **interest** thereon is **taxable as salary. Employee's** contribution is **not taxable**. **Interest** on **employee's contribution** is taxable under income from **other source**. | Fully exempt u/s 10(11) | Fully exempt u/s 10(11) |

**Salary for the purpose of PF** = Basic + D.A. (considered for retirement Benefits) + Commission as a fixed percentage of Turnover.

## RENT FREE ACCOMODATION

| S.no. | Category of Employee | Unfurnished Accommodation (a) | Furnished Accommodation (b) |
|---|---|---|---|
| 1. | Government employee | License fee determined by the Government<br>**Less:** Rent recovered from Employee | Value of Unfurnished Accommodation as determined in (a)<br>**Add:** Value of Furniture<br>- If owned by Employer, 10% P.A. of Original Cost of such Furniture<br>- If hired from Third Party, then Actual Hire Charges<br>**Less**: Any charges paid or payable by the Employee |

<table>
<tr>
<td>2.</td>
<td>Non-Government Employee</td>
<td>
WHERE ACCOMMODATION IS OWNED BY EMPLOYER
<table>
<tr><th>Location</th><th>Perquisite value</th></tr>
<tr><td>In cities having a population >25 lacs as per 2001 census.</td><td>15% of salary<br>Less: Rent actually paid by Employee</td></tr>
<tr><td>In cities having a population > 10 lacs ≤ 25 lacs as per 2001 census.</td><td>10% of salary<br>Less: Rent actually paid by Employee</td></tr>
<tr><td>In other areas</td><td>7.5% of salary<br>Less: Rent actually paid by Employee</td></tr>
</table>
</td>
<td>Same as Above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>WHERE THE ACCOMMODATION ISTAKEN ON LEASE OR RENT BY EMPLOYER<br>Rent Paid by Employer<br>Or<br>15% of Salary } whichever is Lower<br>Less: Rent recovered from Employee</td>
<td>Same as Above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>WHERE THE ACCOMMODATION IS IN HOTEL<br>24% of Salary paid or payable<br>Or<br>Actual Charges paid/ payable } W/L<br>Less: Amount paid or payable by the Employee</td>
<td>Same as Above</td>
</tr>
</table>

Accommodation in a Hotel will **not be taxable perquisite** if-

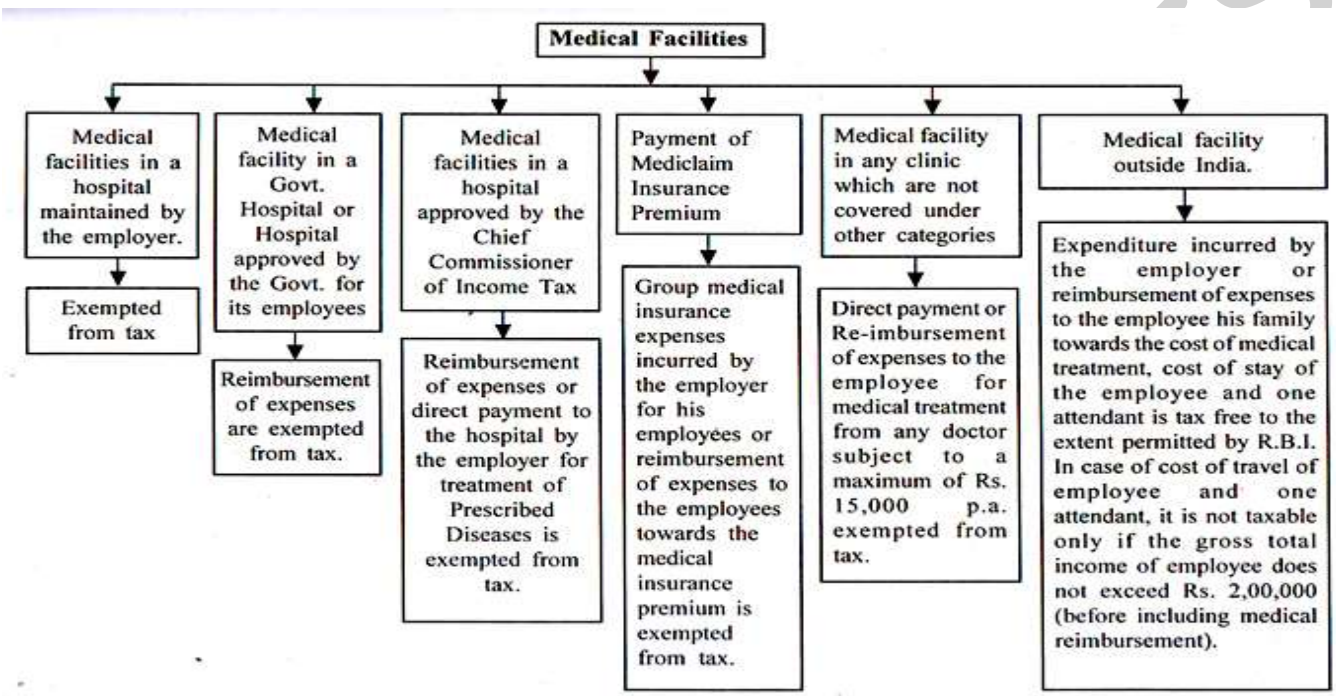
- The period of such accommodation does not exceed 15 Days,
- Such accommodation has been provided on the transfer of the Employee from one place to another.

## VALUATION OF MOTOR CAR/OTHER VEHICLES [RULE 3(2)]

<table>
<tr><th>S.no</th><th>Car owned/ hired by</th><th>Expenses met by</th><th>Wholly official use</th><th>Wholly personal use</th><th>Partly personal use</th></tr>
<tr>
<td>1.</td><td>Employer</td><td>Employer</td><td>Not a perquisite</td>
<td>Running and maintenance expenses, wear and tear or hire charges, driver salary less amount charged from the employee for such use.</td>
<td>
<table>
<tr><th>cc of engine</th><th>Perquisite value</th></tr>
<tr><td>upto 1.6litres</td><td>Rs 1,800 p.m.</td></tr>
<tr><td>above 1.6 litres</td><td>Rs 2,400 p.m.</td></tr>
</table>
If chauffeur is also provided, Rs 900 p.m. should be added to the above value.
</td>
</tr>
<tr>
<td>2.</td><td>Employee</td><td>Employer</td><td>Not a perquisite</td>
<td>Actual amount of expenditure incurred.</td>
<td>Actual amount of expenditure incurred by the employer as reduced by the perquisite value arrived at in (2) above.</td>
</tr>
<tr>
<td>3.</td><td>Employer</td><td>Employee</td><td>Not a perquisite</td>
<td>Wear and tear or hire charges, driver salary.</td>
<td>
<table>
<tr><th>cc of engine</th><th>Perquisite value</th></tr>
<tr><td>upto 1.6 litres</td><td>Rs 600 p.m.</td></tr>
<tr><td>above 1.6 litres</td><td>Rs 900 p.m.</td></tr>
</table>
If chauffeur is also provided, Rs 900 p.m. should be added to the above
</td>
</tr>
</table>

| | | | | | |
|---|---|---|---|---|---|
| | | | | | value. |

| PARTICULARS | MAXIMUM EXEMPTION LIMIT |
|---|---|
| Leave Salary | Rs. 3,00,000 |
| Voluntary Retirement | Rs. 5,00,000 |
| Retrenchment Compensation | Rs. 5,00,000 |
| Gratuity | Rs. 10,00,000 |
| Entertainment Allowance | Rs. 5,000 |




<table>
<tr>
<td rowspan="4">Transfer of Movable Asset to Employees<br><br>Completed year means actual completed year from the date of acquisition of asset to the date of transfer of such asset to employees.</td>
<td>Computers & Electronic Items</td>
<td>Motor Car</td>
<td>Other Assets</td>
</tr>
<tr>
<td>Actual Cost<br>Less: Depreciation @ 50% for every completed year under WDV method.</td>
<td>Actual Cost<br>Less: Depreciation @ 20% for every completed year under WDV method.</td>
<td>Actual Cost<br>Less: Depreciation @ 10% for every completed year under SLM method.</td>
</tr>
<tr>
<td>Value of the Asset<br>Less: Amount recovered from the employee</td>
<td>Value of the Asset<br>Less: Amount recovered from the employee</td>
<td>Value of the Asset<br>Less: Amount recovered from the employee</td>
</tr>
<tr>
<td>Value of perquisite</td>
<td>Value of perquisite</td>
<td>Value of perquisite</td>
</tr>
<tr>
<td></td>
<td colspan="3">• Electronic gadgets include Computer, Digital Diaries and printers, but exclude washing machines, microwave ovens, Mixers etc.<br>• Transfer of Assets, which are 10 years old, shall not attract taxability.</td>
</tr>
<tr>
<td>Use of Movable Assets other than Computer or Laptops or other</td>
<td colspan="3">10% of Actual Cost if owned by the Employer, or<br>Actual Rental Charge paid/ payable by Employer<br>Less: Amount recovred from Employee</td>
</tr>
</table>

| | |
|---|---|
| Assets already mentioned | |

**Treatment of Entertainment Allowance [Sec 16(ii)]**

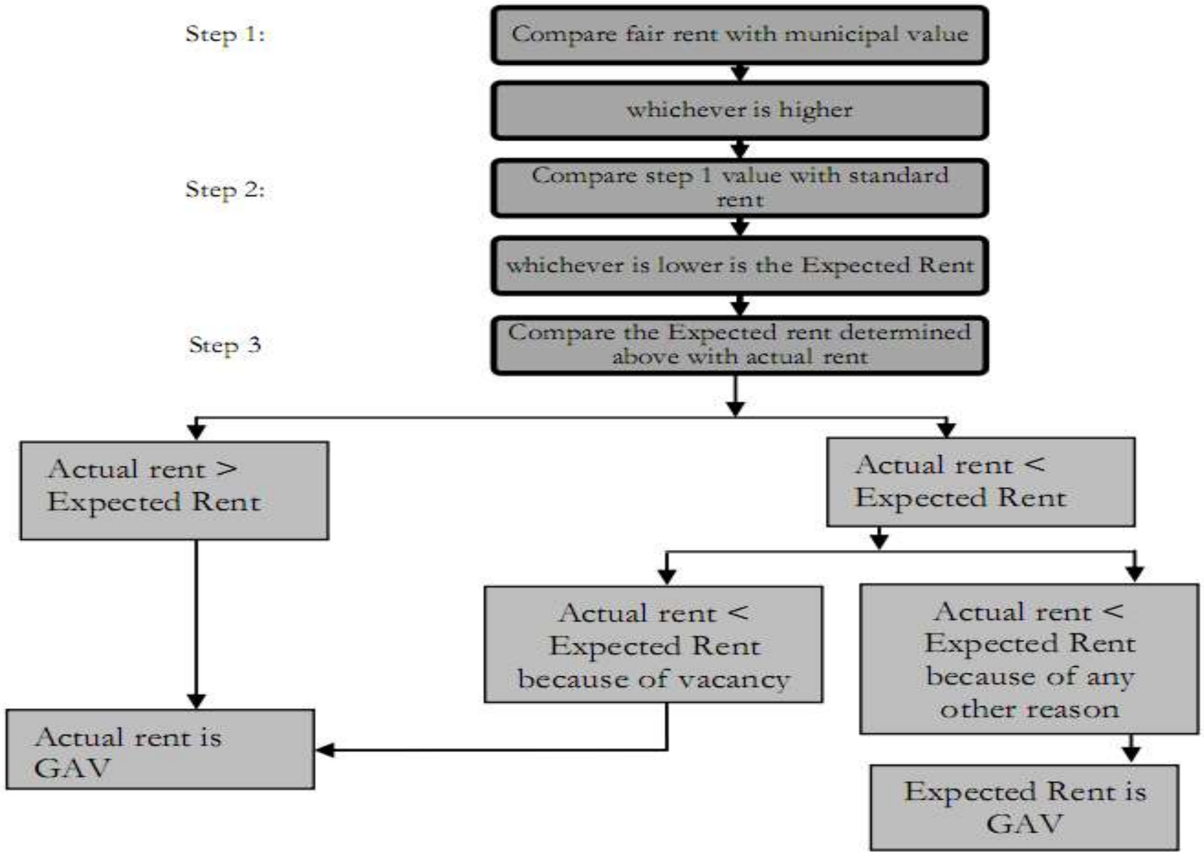
- This deduction is allowed only to a **Government employee**.
  Non-Government employees shall not be eligible for any deduction on account of any entertainment allowance received by them.

- **Least** of the following is allowed as deduction:-
  (i) Actual entertainment allowance received during the previous year.
  (ii) **20%** of **Basic** Salary of the Individual
  (iii) ₹5,000.

## TAXABLE UNDER WHICH HEAD (SPECIAL INCOMES)

| | |
|---|---|
| Rental Income from Vacant Land | Income from Other Sources<br>But if regular activity then PGBP |
| Sub-letting Income | Income from Other Sources<br>But if regular activity then PGBP |
| Composite Rent | **If Separable:**<br>Then Rent of Building taxable under Income from House Property<br>&<br>Rent of other Assets & Services shall be taxable under PGBP or Other Sources as the case may be<br><br>**If not Separable:**<br>Entire Rent shall be taxable under PGBP or Other Sources as the case may be |
| Rent received from Employees for Building or Staff Quarters let out to Employees | Under the Head Profits or Gains from Business or Profession |
| Family Pension received by family members of deceased employee | Income from Other Sources |
| Dividend Income | Income from Other Sources, if taxable |
| Winning from Lottery, Horse Race, Etc | Income from Other Sources |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

## Section 23(1) [Determination of Gross Annual Value(GAV) of Let-out Property]




**COMPUTATION OF INCOME FROM HOUSE PROPERTY**

| Particulars | SOP or SOP kept Vacant u/s 23(2) | Let-out for full year | Let-out property kept vacant for whole year | Let-out property kept vacant for part of the year | More than one property self-occupied | SOP for part of the year and let out for part of the year |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Annual Value** | NIL | u/s 23(1)(a)(b) [refer above] | u/s 23(1)(c) [refer above] | u/s 23(1)(c) [refer above] | One property like Column 1<br>Other Properties like Column 2 | For whole year u/s 23(1)(a)/(b) [refer above] |
| **Less: Municipal Taxes** | NIL | Municipal Tax paid | Municipal Tax paid | Municipal Tax paid | | Municipal Tax paid for whole year |
| **Balance** | NIL | NAV | (NAV) | NAV | | NAV |
| **Less: Deduction u/s 24** | | | | | | |
| **Standard Deduction @ 30%** | NIL | 30% of NAV | NIL | 30% of NAV | | 30% of NAV |
| **Interest on borrowed capital** | Loan taken after 1.4.99 for acqu./ const. of house & the same was completed within 5 yrs from the end of | Actual No ceiling Limit | No Limit | Actual No ceiling Limit | | Actual No ceiling Limit |

| | | | | | | |
|---|---|---|---|---|---|---|
| | F.Y in which loan is taken- max ded. Rs 2,00,000 (including apportioned pre- const. period int.) In any other case max. deduction Rs 30,000 | | | | | |

**Interest on borrowed capital**

**Pre-construction Interest**

It is allowed as deduction over a period of **5 years in equal annual installments** commencing from the year of acquisition or completion of construction.

**Post Construction/ acquisition Interest**

Deduction of interest is allowed in the year in which **interest is due**, even though it is not paid during the F.Y.

**Deduction of Interest on borrowed capital in respect of one self-occupied property where annual value is nil:**

**Interest on borrowed capital**

**Pre-construction Interest**

It is allowed as deduction over a period of **5 years in equal annual installments** commencing from the year of acquisition or completion of construction.

**Post Construction/ acquisition Interest**

Deduction of interest is allowed in the year in which **interest is due**, even though it is not paid during the F.Y.

**In case of SOP there is limit on deduction amount:**

| | | |
|---|---|---|
| (a) | Where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital before 1.4.99. | Actual interest payable subject to maximum of ₹ 30,000. |
| (b) | Where the property is acquired or constructed with capital borrowed on or after 1.4.99 and such acquisition or construction is completed within 3 years from the end of the financial year in which the capital was borrowed. | Actual interest payable subject to maximum of ₹ 2,00,000, if certificate mentioned in (2) below is obtained. |
| (c) | Where the property is repaired, renewed or reconstructed with capital borrowed on or after 1.4.99. | Actual interest payable subject to a maximum of ₹ 30,000. |

# DEPRECIATION CHART

| | | |
|---|---|---|
| **(a) Buildings** | | |
| Block 1 | Buildings which are used mainly for residential purpose *<u>except hotel and boarding houses</u>* | 5% |
| Block 2 | Buildings other than those used mainly for residential purposes and not covered by sub item (1) above. | 10% |
| Block 3 | Purely temporary erections such as wooden structures. | 100% |
| | | |
| **(b) Furniture and Fittings** | | |
| Block 1 | Furniture and Fittings including Electrical Fittings | 10% |
| | | |
| **© Machinery and Plant** | | |
| Block 1 | Motor cars, other than those used in the business of running them on hire | 15% |
| Block 2 | Machinery & Plant | 15% |
| Block 3 | Motor buses, motor lorries and motor taxi used in the business of running them on hire | 30% |
| Block 4 | Computers including computer software's | 60% |
| Block 5 | Books (other than annual publications and books owned by assessee carrying on business in running libraries) | 60% |
| Block 6 | Books owned by assessee carrying on profession being annual publications | 100% |
| Block 7 | Books owned by assessee carrying on business in running lending libraries | 100% |
| Block 8 | Aeroplanes - Aeroengines | 40% |
| Block 9 | New commercial vehicle which is acquired & put to use on or before 30.09.2009 | 50% |
| Block 10 | Moulds used in Rubber and Plastic Goods Factories | 30% |
| Block 11 | Lifesaving Medical Equipment | 40% |
| Block 12 | Containers made of Glass or Plastic used as re-fills. | 50% |
| Block 13 | Ships and Other Water Vessels | 20% |
| Block 14 | ***Renewable energy devices** if they are **installed** on or after **1st April 2014-**<br>(a) Wind Mills and any specially designed devices which run on wind mills;<br>(b) Any special devices including electric generators and pumps running on wind energy | **80%** |
| | | |
| **(d) Intangible Assets** | | |
| Block 1 | Know How, Patents, Copyrights, trademarks, Licenses, Franchises, etc. (includes Goodwill) | 25% |

## POWER UNDER CONSTITUTION FOR LEVY OF TAX

| | |
|---|---|
| **Entry 82 List 1** | **Tax on Income other than Agricultural Income** |

## INVESTMENT IN NEW PLANT OR MACHINERY (SEC 32AC/32AD)

| Section | ~~32AC(1)~~ | 32AC(1A) | 32AD |
|---|---|---|---|
| Effective Date | ~~1.4.2014~~ | 1.4.2015 | 1.4.2016 |
| Eligible Assessee | ~~Company~~ | Company | All Assessees |
| Period of Acquisition & Installation | ~~During the period from **01.04.2013 to 31.03.2015**~~ | During **any P.Y.** | During the period from **01.4.2015 to 31.3.2020** |
| Condition | ~~Aggregate amount of Actual Cost of such new Asset exceeds Rs 100 Crores.~~ | (a) Aggregate Amount of Actual Cost of New Asset exceeds Rs. 25 Crores.<br>(b) If deduction is allowable u/s 32AC(1), i.e. for investment **upto 31.03.2015,** then no deduction is allowed u/s 32AC(1A), for **A.Y. 2015-2016.** | (a) **Commencement:** Assessee should set up an Undertaking or Enterprise on or after 01.04.2015.<br>(b) **Location:** in any notified **Backward Area** in the state of Andhra Pradesh or Bihar or Telangana or West Bengal.<br>(c) **No Limit on Amount of Investment.** |
| Deduction for that A.Y. | ~~**(See note)**~~ | **15%** of the Actual Cost of such New Assets. | **15%** of the Actual Cost of such New Assets. |
| Last Year of Deduction | ~~A.Y. 2015-2016~~ | A.Y. 2017-2018 | A.Y. 2020-2021 |

**Note: (Not Relevant Now)**

| AY | Deduction u/s 32AC(1) |
|---|---|
| 2014-2015 | 15% of Cost of New Asset acquired and installed between 01.04.2013 to 31.03.2014, if Aggregate Amount of Actual Cost of such New Asset exceeds Rs 100 Crores. |
| 2015-2016 | 15% of Cost of New Asset acquired and installed between 01.04.2013 to 31.03.2015, **(Less)** Amount already allowed as deduction in AY 2014-2015 as above. |

## PRESUMPTIVE INCOME

| Sec. | Nature of Business | Profit on Turnover |
|---|---|---|
| **44AD** | All Resident Assessee except business of plying, hiring or leasing goods carriage | 6% of Turnover (received through Account payee Cheque or Draft or ECS)<br><br>In other Case: 8% of Turnover |
| **44ADA** | Specified Professions | 50% of Gross Receipts |
| **44AE** | Business of Plying, hiring or leasing goods carriage | Rs. 7,500 per month per vehicle |
| **44B** | Shipping Business | 7.5% of Gross Turnover |
| **44BB** | business of providing services or facilities in connection with, or supplying plant and machinery on hire, for extraction or production of, mineral oils | 10% of Gross Turnover |

| | | |
|---|---|---|
| **44BBA** | Operation of Aircraft | 10% of Gross Turnover |
| **44D** | Royalty or Technical fees derived by a Foreign Company from Government of Indian Concern **(Sec.115)** | Rate of Tax 20% |

## CONTRIBUTIONS MADE TO OUTSIDE RESEARCH ASSOCIATIONS/COMPANY

| **Sec.35** | **Payment made to** | **Conditions** | **Eligible Deduction** |
|---|---|---|---|
| (1)(ii) | (a) Any research Association, or<br>(b) Any University, College or Other Institution, to be used for SR. | (a) Object of Research Association should be the undertaking of SR.<br>(b) The Association/ University/ College/ Other Institution should be approved in accordance with the Guidelines, and should be notified by CG. | **175%** of sum paid. |
| (1)(iia) | Company | (a) Company should be registered in India.<br>(b) Its main object for SR & Development.<br>(c) The Company should be approved by Prescribed Authority and should fulfill other prescribed Conditions. | **125%** of sum paid |
| 1(iii) | (a) Any Research Association, or<br>(b) Any University, College or Other Institution | (a) Object of Research Association should be the undertaking of Research in Social Science or Statistical Research.<br>(b) If paid to University/ College/ Other Institution, it should be used for research in Social Science or Statistical Research. | **125%** of sum paid |
| (2AA) | National Laboratory or University or IIT or Specified Person | Payment should be made with a Specific direction that the said sum shall be used for SR undertaken under a Programme approved by Prescribed Authority. | **200%** of sum paid |

## DISALLOWANCES IN CASE OF PARTNERSHIP FIRM [Section 40(b)]

| | |
|---|---|
| **INTEREST ON PARTNER'S CAPITAL:** | Interest on capital of the partners is allowed as deduction only when the payment of interest is **mentioned in the partnership deed**.<br>Further the amount of interest allowed as deduction shall be either the **amount mentioned** in the partnership deed or **12% p.a.** whichever is **less.**<br>**Deduction= Rate of Interest mentioned in deed**<br>**or Whichever is Less**<br>**12% Simple Interest;**<br><br>**Note:** Interest given on **Current Account** of a Partner will **not** be **allowable as deduction**. |
| **REMUNERATION:** | Any salary, bonus, commission or any other remuneration is an allowable deduction only when-<br>➢ it is prescribed in the partnership deed and<br>➢ only when it is **paid to a working partner**. |

Salary paid to non working partner shall not be eligible for any deduction.

Further, the **quantum of deduction** payable to all working partner shall be **minimum** of the following two limits:
(a) Amount paid or payable to working partners as authorised in Partnership Deed.
(b) Maximum amount specified u/s 40(b).

**Maximum amount specified u/s 40(b):**

| | |
|---|---|
| On first Rs 3,00,000 of book profit or in case of a loss | 90% of the book profit or whichever is more |
| On the balance book profit | 60% of the book profit |

**Computation of Book Profits for the purpose of Sec 40(b):**

| | |
|---|---|
| Step 1 | Find out the Net Profit of the firm as per Profit & Loss Account |
| Step 2 | Make adjustment for admissible and inadmissible deduction of expe compute taxable income before deduction towards Interest and Rem Partners |
| Step 3 | If Interest & Remuneration already debited then ADD BACK |
| Step 4 | Deduct Interest allowable u/s 40(b) |
| Step 5 | Book Profit = Step 1 – Step 2 + Step 3 – Step 4 |

**Taxability in the hands of Partners:**

i) **Interest:** Interest received from the firm is **taxable** to the extent, it was allowed as expenditure in the hands of Firm u/s 40(b). (Interest paid above 12% is already taxed in the hands of Firm)

ii) **Remuneration:** Remuneration received from firm is **taxable** to the extent it is allowed as expenditure in the hands of firm u/s 40(b). (Remuneration paid above the limit prescribed u/s 40(b) is already taxed in the hands of firm)

iii) **Share Income from Firm:** Share of profit received from the firm is **exempt** in the hands of partners as the same has been taxed in the hands of firm.

## DEPRECIATION IN CASE OF POWER SECTOR UNITS – SLM

| | |
|---|---|
| **1. Eligible Assessee's:** | Power Sector Units engaged in the business of generation or generation and distribution of power can change depreciation on their assets under **Straight – Line Method,** at the rates prescribed in Appendix I of the Income Tax Rules. |
| **2. Eligible Assets:** | Power Sector Units can claim depreciation on SLM method **only on Tangible Assets.** For Intangible Assets, only WDV Method shall be applicable. |
| **3. Usage less than 180 days:** | **In case of newly acquired assets** put into use for less than 180 days, depreciation is allowable at **50% of the normal rate.** |
| **4. Option for WDV:** | **(a) WDV:** Power Sector Units can **also opt for** claiming depreciation under **Written Down Value Method.**<br>**(b) Time of exercise of option:** They have to exercise such option **before the due date of furnishing the Return u/s 139(1)** relevant to the previous year in which they **begin** |

<table>
<tr><td></td><td>to generate power.<br>(c) Nature of Decision: The option once exercised shall be final.</td></tr>
<tr><td>5. Sale in year of First Use:</td><td>Where the asset is sold or discarded in the previous year in which it is first put to use, any loss arising therefrom shall be treated as Capital Loss, i. e. Loss under the head “Capital Gains.”</td></tr>
<tr><td>6. Transfer of Depreciable Assets by Power Sector Units:</td><td>Capital Gains on transfer of Depreciable Assets held by Power Sector Units shall be computed as follows –
<table>
<tr><th>Situation</th><th>Condition</th><th>Treatment</th></tr>
<tr><td>I</td><td>Net Consideration is less than WDV</td><td>Terminal Depreciation u/s 32 = WDV Less Net Consideration.</td></tr>
<tr><td>II</td><td>Net Consideration is greater than WDV</td><td>Balancing Charge u/s 41(2) = Net Consideration Less WDV</td></tr>
<tr><td>III</td><td>Net Consideration is greater than Original Cost of Asset</td><td>Capital Gain = Net Consideration Less Original Cost [Note : Sec. 48 and 49 applies for Capital Gains]<br>Balancing Charge [Sec. 41(2)] = Original Cost Less WDV</td></tr>
</table>
Note:
<ul>
<li>Net Consideration = Consideration for Transfer Less Expenses of Transfer.</li>
<li>The amount of Balancing Charge should not exceed the difference between Actual Cost and the WDV.</li>
</ul></td></tr>
</table>

**Disallowance of 100% of expenditure is payment is made by any mode other than account payee cheque or draft or ECS through Bank Account: [Section 40A(3)(a)]**

| | |
|---|---|
| **1. Nature of Expenditure** | ➢Expenditure in respect of which aggregate payments made to a person in a day,<br>➢In excess of Rs 10,000 (Rs 35,000 for payment made for plying, hiring or leasing goods carriages) is made,<br>➢Otherwise than by way of Account Payee Cheque/ Demand Draft/ ECS |
| **2. Extend of Disallowance** | The whole of such expenditure shall not be allowed as a deduction. |
| **3. Payment of Outstanding Liabilities** | When an expenditure is allowed on due basis for a P.Y., and the liability is settled in the subsequent period-<br>(a) otherwise than by Account Payee Cheque/Draft/ ECS and<br>(b) Aggregate of Payment made in a day exceeds Rs 10,000/ 35,000<br>Such payment will be deemed to be Business Income of the P.Y. in the year of actual Payment. |
| **4. Applicability** | (a) This Rule does not apply in respect of an expenditure not claimed as deduction u/s 30 to 37.<br>(b) This rule is applicable even in respect of advance for an expenditure covered u/s 30 to 37. |

| | |
|---|---|
| **5. EXCEPTIONS: Rule 6DD** | (i) Where the payment is made to:<br>(a) RBI or any banking company;<br>(b) SBI or any subsidiary of SBI;<br>(c) any co-operative bank or land mortgage bank;<br>(d) LIC<br><br>(ii) Where the payment is made to GOI and under rules framed by it, such payment is required to be made in legal tender;<br><br>(iii) Where the payment is made by:<br>(a) any letter of credit arrangement through a bank;<br>(b) a mail or telegraphic transfer through a bank;<br>(c) a book adjustment from any account in a bank to any other account in that or any other bank;<br>(d) a credit card<br>(e) a debit card<br>(f) the use of ECS through a bank account<br><br>(iv) Where the payment is made for the purchase of:<br>(a) Agricultural or forest produce; or<br>(b) The produce of animal husbandry or dairy or poultry farming;<br>(c) Fish or fish products;<br>(d) The products of horticulture or apiculture.<br><br>(v) Where the payment was required to be made on a day on which banks were closed either on account of holiday or strike;<br><br>(vi) where the payment is made in a village or town, which on the date of such payment is not served by any bank, to any person who ordinarily resides, or is carrying on any business, profession or vocation, in any such village or town; |

**Stamp Duty Value of land and building to be taken as the full value of consideration in respect of transfer, even if the same are held by the transferor as stock-in-trade [Section 43CA]**

| | |
|---|---|
| **Situation** | Any Consideration received or accruing as a result of the transfer by an Assessee of an Asset (other than Capital Asset), being Land Building or both. |
| **Value of Consideration** | Value adopted/ assessed/ assessable by Stamp valuation Authority of State Government in respect of such transfer, shall be deemed to be full Value of Consideration received or accruing as a result of such transfer for the purposes of computing P&G from transfer of such asset. |
| **Relevant date for stamp duty value** | Value of consideration shall be as follows: |

| Situation | Relevant Date |
|---|---|
| **Time:** If Whole/ Part of the Consideration has been received on or before the date of Agreement<br>**&**<br>**Mode:** By any Mode other than Cash | Date of **Agreement** |
| In any other case | Date of **Registration** |

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**Maintenance of accounts by certain persons carrying on business or profession [Section 44AA and Rule 6F]**

| Class of Persons | Threshold limit of gross receipts/total income | Requirement |
|---|---|---|
| Every person carrying on a specified profession, namely, legal, medical, engineering, architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other notified profession [i.e., authorised representative, film artist, company secretary and information technology]. | If his total gross receipts from profession does not exceed Rs 1,50,000 in any one of the three years immediately preceding the previous year, or<br><br>Where the profession has been newly set up in the previous year, his total gross receipts in the profession for that year does not exceed Rs 1,50,000. | Maintenance of such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of the Act |
| Every person carrying on a specified profession, namely, legal, medical, engineering, architectural profession or the profession of accountancy or technical consultancy or interior decoration or authorised representative or film artist. | If his total gross receipts from profession exceeds Rs1,50,000 in any one of the three years immediately preceding the previous year, or<br><br>Where the profession has been newly set up in the previous year, his total gross receipts in the profession for that year exceeds Rs 1,50,000. | Maintenance of such books of account and other documents referred to in sub-rule (2), namely, cash book, journal, if accounts are maintained according to the mercantile system of accounting, a ledger, carbon copies of bills for sums exceeding Rs 25, original bills and receipts (payment vouchers in case the expenditure does not exceed Rs 50). |
| Every person carrying on a non-specified profession or business. | (i) If his total sales, turnover or gross receipts from business or profession exceeds Rs 10,00,000 in any one of the three years immediately preceding the previous year, or his income from business or profession exceeds Rs 1,20,000 in any one of the three years immediately preceding the previous year.<br><br>(ii) Where the business or profession has been newly set up in the previous year, his total sales, turnover or gross receipts for that year is likely to exceed Rs 10,00,000 or his income from business or profession for that year is likely to exceed Rs 1,20,000 in that year. | Maintenance of such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of the Act. |
| | **Provided that in the case of a person being an individual or a Hindu undivided family, the provisions of clause (i) and clause (ii) shall have effect, as if for the words "one lakh twenty thousand rupees", the words "two lakh fifty thousand rupees"** | |

| | | |
|---|---|---|
| | **had been substituted :**<br><br>**Provided further that in the case of a person being an individual or a Hindu undivided family, the provisions of clause (i) and clause (ii) shall have effect, as if for the words "ten lakh rupees", the words "twenty-five lakh rupees" had been substituted.** | |
| | (iii) Where the profits and gains from business are deemed to be the profits and gains of the assessee under section 44AE, 44BB, 44BBB and the assessee has claimed his income to be lower than the deemed profits. | |
| | (iv) Where the profits and gains from business are deemed to be the profits and gains of the assessee under section 44AD, and he has claimed such income to be lower than the deemed profits. | |

**Compulsory Audit of Accounts [Section 44AB and Rule 6G]**

| Category of person | Threshold limit for applicability of section 44AB |
|---|---|
| Every person carrying on business | Total sales, turnover or gross receipts in business > Rs 1 crore in any previous year |
| Every person carrying on profession | Gross receipts in profession > **Rs 50 lakh** in any previous year |
| Every person carrying on a business, where deemed profits are taxed on presumptive basis under section 44AE, 44BB and 44BBB. | Income is claimed to be lower than the deemed profits under the respective sections |
| **Every person carrying on a profession, where 50% of the gross receipts are deemed to be the profits under section 44ADA.** | **Income is claimed to be lower than the deemed profits and such income exceeds the basic exemption limit.** |
| **Every person who declared profit on presumptive basis under section 44AD for any previous year and thereafter, declares profits for any five consecutive assessment years relevant to the previous year succeeding such previous year not in accordance with presumptive tax provisions of section 44AD(1).** | **Income cannot be computed on the basis of presumptive tax provisions under section 44AD for five assessment years subsequent to the assessment year relevant to the previous year in which profits have not been declared under section 44AD(1) and whose income exceeds the basic exemption limit in that year.** |

**Forms of Report:**

| Nature of person | Audit Report | Statement of Particulars |
|---|---|---|
| In case of a person who carries on business or profession and whose books are required to be audited by or under any law. | **Form 3CA** | **Form 3CD** |
| In case of person who carries on business or profession but not being a person referred to above. | **Form 3CB** | **Form 3CD** |

## PRESUMPTIVE TAXATION

**Special provisions for computing profits and gains of any business (excluding the business covered under section 44AE)[Section 44AD]**

| | |
|---|---|
| **1. Eligible Assessee** | The scheme shall be applicable to an Individual, a HUF or Partnership Firm who is a resident but not to a LLP.<br>Thus, the scheme is not applicable to LLP, a company assessee or AOP/BOI, etc. |
| **2. Eligible Business** | (a) Any business except the business of plying, hiring or leasing goods carriages specified u/s 44AE, and<br>(b) Whose total Turnover or Gross Receipts in the P.Y. does not exceed **Rs 2 Crore**. |
| **3. Ineligible Business** | The Provision of Sec. 44AD are not applicable to-<br>(a) A person carrying on specified profession referred to in section 44AA;<br>(b) A person earning income in the nature of commission or brokerage;<br>(c) A person carrying on any agency business;<br>(d) A person who is availing deduction u/s 10AA or deduction under the provisions of Chapter VIA under the heading "C-deduction in respect of certain Income" (Section 80IA to 80RRB) in the relevant AY; |
| **4. Amount of Presumptive Income** | **8%** of the total turnover or gross receipts of the assessee in the PY; or<br>Such higher sum as declared by the Assessee will be **deemed** to be the Profits and Gains of Business or Profession. |
| **5. Deduction u/s 30 to 38** | Deemed to be allowed. |
| **6. Allowability of Depreciation for subsequent P.Y.** | WDV of Assets shall be computed, as if Depreciation had been allowed in earlier years. |
| **7. Maintenance of Books/ Audit** | Assessee opting for Presumptive Scheme u/s 44AD or u/s 44AE, will not be required to maintain Books of Accounts u/s 44AA and get the accounts audited u/s 44AB, in respect of such Income/ Business. |
| **8. Benefit of Chapter VIA** | Deduction u/s 80C to 80U shall be available to the Assessee. |
| **9. Advance Tax** | The eligible assessee **is now required to pay advance tax on or before 15th March** of the financial year. |
| **10. when Assessee declares lower Income** | An assessee with turnover not exceeding **2 crore**, who show an income below 8% of total turnover or gross receipts as the case may be and his total income exceeds the maximum amount which is not chargeable to tax, **be required to maintain the books of accounts as per section 44AA and also get them audited and furnish a report of such audit as required u/s 44AB.** |
| **11. Computation of Presumptive Income if Assessee is a Firm** | Compute presumptive Income as above<br>~~**Less:** Interest, Salary and Allowable Remuneration to Partners.~~<br>Balance is chargeable to tax as Firm's income.<br>**(Now Salary, interest, remuneration paid to partner as per section 40(b) not deductible.)**<br>Deleted by FA 16 |

| | |
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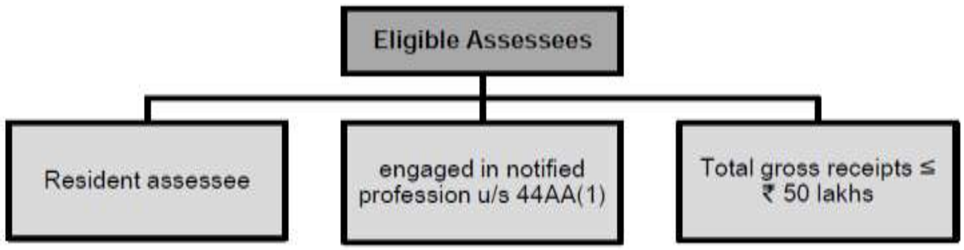
| **12. Non-offering of income as per section 44AD for five continuous years,** | Where an eligible assessee declares profit for any previous year in accordance with the provisions of this section and he declares profit for any of the five consecutive assessment years relevant to the previous year succeeding such previous year not in accordance with the provisions of this section, he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year in which the profit has not been declared in accordance with the provisions of this section. |

**Presumptive Taxation Scheme for Assessee engaged in eligible profession [Section 44ADA]**

| | |
|---|---|
| **1. Eligible Assessee** |  |
| **2. Eligible Business** | • Assessee who is engaged in any profession referred to in section 44AA(1) such as legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette; and<br>• whose total gross receipts does **not exceed fifty lakh** rupees in a previous year, |
| **3. Amount of Presumptive Income** | **50% of the total gross receipts** of the Assessee in the PY; or<br>Sum higher than the aforesaid sum claimed to have been earned by the Assessee. |
| **4. Deduction u/s 30 to 38** | Deemed to be allowed. |
| **5. Allowability of Depreciation for subsequent P.Y.** | WDV of Assets shall be computed, as if Depreciation had been allowed in earlier years. |
| **6. Maintenance of Books/ Audit** | Assessee opting for Presumptive Scheme u/s 44AD, 44ADA or u/s 44AE, will not be required to maintain Books of Accounts u/s 44AA and get the accounts audited u/s 44AB, in respect of such Income/ Business. |
| **7. when Assessee declares lower Income** | An assessee with gross receipts not exceeding **50 LAKH**, who show an income below 50% of gross receipts as the case may be and his total income exceeds the maximum amount which is not chargeable to tax, **be required to maintain the books of accounts as per section 44AA and also get them audited and furnish a report of such audit as required u/s 44AB**. |

**Presumptive Income of Plying Goods Carriages [Section 44AE]**

| | |
|---|---|
| **1.Eligible Assessee & Business** | The assessee who own not more than 10 goods carriages at any time during the previous year and who is engaged in the business of plying, hiring or leasing of goods carriages; |
| **2. Amount of** | Rs 7500 for every month or part thereof, during which the Goods Carriage is |

| | |
|---|---|
| **Presumptive Income** | owned by Assessee in the P.Y.<br>However, an Assessee may declare a higher income than that specified above. |
| **3. Deduction u/s 30 to 38** | Deemed to be allowed. |
| **4. Allowability of Depreciation for Subsequent P.Y's.** | WDV of Assets shall be computed, as if Depreciation had been allowed in earlier years. |
| **5. Maintenance of Books/ Audit** | Assessee opting for Presumptive Scheme u/s 44AD or u/s 44AE, will not be required to maintain Books of Accounts u/s 44AA and get the accounts audited u/s 44AB, in respect of such Income/ Business. |
| **6. Consideration of Turnover of Tax Audit u/s 44B** | Shall not be considered if the Assessee opts for Sec. 44AD/AE. |
| **8. Benefit of Chapter VIA** | Deduction u/s 80C to 80U shall be available to the Assessee. |
| **9. Computation of Presumptive Income if Assessee is a Firm** | Compute presumptive Income as above<br>**Less:** Interest, Salary and Allowable Remuneration to Partners.<br>Balance is chargeable to tax as Firm's income. |
| **10. Consequences if presumptive income scheme not opted** | The Assessee may choose not to opt for the scheme and may declare an income lower than the specified amount. In this case, the assessee shall have to maintain books of accounts and get his accounts audited by CA. |

# CAPITAL GAIN

| | |
|---|---|
| **(A) There must be a Capital Asset** | Capital Asset [Sec. 2(14):-<br>**Includes**<br>Property of any kind, held by the Assessee whether or not connected with business or profession.<br>**Excludes**<br>(a) SIT, Consumable Stores, Raw Material held for business or profession,<br>(b) Personal Effects **(Note 1)**<br>(c) Rural Agricultural Lands in India, **(Note 2)**<br>(d) 6.5% Gold Bonds 1977, 7% Gold Bonds 1980 & National Defence Bonds<br>(e) Special Bearer Bonds, 1991<br>(f) Gold Deposit Bonds, 1999<br>**Note:**<br>1. **Personal Effects:** It means Movable Property including wearing apparel and furniture, held for the personal use by the assessee or any member of his family dependent on him, but **excludes:**<br>(a) Jewellery;<br>(b) Archaeological Collections;<br>(c) Drawings;<br>(d) Paintings;<br>(e) Sculptures;<br>(f) Any work of art.<br>These are **Capital Asset** even though they are movable and used for personal purpose.<br>Jewellery includes<br>(a) **Ornaments:** Ornaments made of Gold, Silver or Platinum or any other |

precious metal.
The above ornaments will be considered as jewellery even if they-
- Contain any precious or Semi-Precious Stone, and
- Are worked/ sewn into any wearing apparel.

(b) **Stones:** Precious or Semi-Precious Stones-
- Whether or not set in any furniture or utensils or other article, or
- Whether or not worked or sewn into wearing apparel.

**Significant Issues:**
- **Silver Utensils** used for **entertaining guests** should also be treated as articles held for Personal use.
- Gold and Silver coins and bars used for **pooja** are "**Capital Assets**".

1. Capital Asset would **include** Agriculture Lands Situated-
   (a) In any area within Municipality/ Municipal Corporation/ Notified area Committee/ Town committee/ Cantonment Board, etc. which has a population of not less than 10,000 or

   (b) In any area within the distance, measured aerially-

| | Shortest aerial distance from the local limits of a municipality or cantonment board referred to in item (a) | Population according to the last preceding census of which the relevant figures have been published before the first day of the previous year. |
|---|---|---|
| (i) | ≤ 2 kilometers | > 10,000 ≤ 1,00,000 |
| (ii) | ≤ 6 kilometers | > 1,00,000 ≤ 10,00,000 |
| (iii) | ≤ 8 kilometers | > 10,00,000 |

**Example:**

| | Area | Shortest aerial distance from the local limits of a municipality or cantonment board referred to in item (a) | Population according to the last preceding census of which the relevant figures have been published before the first day of the previous year. | Is the land situated in this area a capital asset? |
|---|---|---|---|---|
| (i) | A | 1 km | 9,000 | No |
| (ii) | B | 1.5 kms | 12,000 | Yes |
| (iii) | C | 2 kms | 11,00,000 | Yes |
| (iv) | D | 3 kms | 80,000 | No |
| (v) | E | 4 kms | 3,00,000 | Yes |
| (v) | F | 5 kms | 12,00,000 | Yes |
| (vi) | G | 6 kms | 8,000 | No |
| (vii) | H | 7 kms | 4,00,000 | No |
| (viii) | I | 8 kms | 10,50,000 | Yes |
| (ix) | J | 9 kms | 15,00,000 | No |

3. **Property of any Kind:** The property of any kind used in the section 2(14) are of widest amplitude and include not only tangible assets but also intangible assets.
So, it can cover tangible assets like land, building, shares, cars, scooters, etc. and also the intangible assets like copyrights, route permits, trademarks, etc.

4. **The property transferred must be capital asset on the date of transfer:** To attract the capital gain, the property transferred must be a capital asset on the date of transfer and it is not necessary that it should have been a capital asset also on the date of acquisition by the assessee. If the concerned asset does not fall within the definition of capital asset on the date of transfer, no capital gain can be levied.

**COMPUTATION OF CAPITAL GAIN IN CERTAIN CASES:**

| | |
|---|---|
| **1. Taxation of Zero Coupon Bonds** | **(i) Meaning:** Zero Coupon Bond means a bond-<br>(a) Issued by any infrastructure capital company or infrastructure capital fund or public sector company or scheduled bank;<br>(b) In respect of which no payment and benefit is received or receivable before maturity or redemption from infrastructure capital company or infrastructure capital fund or public sector company; and<br>(c) Which the central government may, by notification in the official gazette, specify in this behalf.<br><br>**(ii) Transfer**: The maturity or redemption of zero coupon bond shall be regarded as transfer.<br><br>**(iii) Tax Treatment:** The profits arising on the transfer of such zero coupon bonds shall be chargeable under the head capital gain. Further, if such zero coupon bond are held for **not more than 12 months**, such capital gain shall be treated as **short term capital gain** and hence shall be subject to short term capital gain. On the other hand, where these bonds are **held for more than 12 months,** such capital gain shall be treated as **long term capital gain**.<br><br>**(iv) Tax Rate:** The long term capital gain on zero coupon bond shall be chargeable to tax at 10% of long term capital gain without indexation of cost of such bonds. |

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| **2. Insurance Compensation [Section 45(1A)]** | **(i)Causes for Compensation**: Where any person receives at any time during any previous year any money or other assets under a insurance from an insurer on account of damage to, or destruction of, any capital asset, as a result of:<br>(a) Flood, typhoon, hurricane, cyclone, earthquake or other convulsion of nature; or<br>(b) Riot or civil disturbance; or<br>(c) Accidental fire or explosion;<br>(d) Action by an enemy or action taken in combating an enemy<br>Then any profits or gains arising from receipt of such money or other assets shall be chargeable to income tax under the head "Capital Gain".<br><br>**(ii) Year of Taxability:** The capital gain shall be deemed to be the income of the PY in which such money or other asset was received.<br><br>**(iii) Computation of Capital Gains:**<br>(A) CONSIDERATION RECEIVED = Money or FMV of the Asset on the date of receipt.<br>(B) CAPITAL GAINS = Money Received or FMV of Asset received<br>**Less**: Cost of Acquisition or Indexed Cost of Acquisition<br><br>**(iv) Benefit of Indexation:** Indexation will be given upto the Year of Destruction or Damage.<br><br>**(v) Depreciable Assets:**<br>(a) Compensation received shall be **reduced** from the WDV of the Block, and any surplus shall be chargeable as STCG, and loss shall be treated as STCL.<br>(b) If some asset still exists in the Block and no surplus is available, then depreciation may be claimed on the balance.<br><br>**Significant Issues:**<br><br>**Damaged Machines:** If Damaged Machinery is repaired and re-used, the expense is deductible u/s 31. Any Insurance Compensation received for the damage is treated as income u/s 41(1), to the extent of deduction allowed u/s 31. Excess amount is Capital Receipt and not chargeable to tax. |
| **3) Capital gain on conversion of capital asset into stock in trade [Section 45(2)]** | **(i) Transfer**: Conversion of capital asset into stock in trade is treated as a "transfer" u/s 2 (47).<br><br>**(ii) Year of Taxability**: Capital gain will not arise in the PY in which it is converted, but it will arise in the PY in which such converted assets is sold or otherwise transferred.<br><br>**(iii) Full value of the consideration**: FMV of the asset, as on the date of such conversion, shall be deemed to be the full value of the consideration of the asset.<br><br>**(iv) Computation:** In the year of Sale or Transfer of Stock, the income shall be computed as under-<br>(A) CAPITAL GAIN = FMV of Stock on the date of Conversion<br>**Less:** Cost/ Indexed Cost of Acquisition.<br>(B) BUSINESS INCOME = Consideration Received on sale<br>**Less:** FMV of Capital Asset on date of conversion. |

| | |
|---|---|
| | **(v) Indexation:** Indexation of cost of acquisition and improvement, if required, will be done till the PY in which such **conversion** took place. |
| **4) Capital gain on transfer of capital asset by a partner/member to a firm/AOP/BOI as a capital contribution [Section 45(3)]** | **(i) Transfer:** The profits or gains arising from the transfer of capital asset held by a person, to a firm or AOP/BOI (not being a company or a co-operative society) in which:<br>(i) he is or<br>(ii) Becomes a partner or a member.<br>By way of capital contribution or otherwise, shall be chargeable to tax.<br><br>**(ii) Year of Taxability:** Capital Gain is charged to tax in the **PY**, in which such a transfer takes place.<br><br>**(iii) Capital Gain** = Amount credited in the Partner's Capital Account<br>**Less:** Cost or Indexed Cost of Acquisition.<br><br>**Partner/Member** → Transfers Capital asset → Firm/AOP/BOI<br>↓<br>**Amount recorded in books** is sales consideration |
| **5) Capital gain on transfer of a capital asset by way of distribution on the dissolution of a firm, AOP, BOI.** **[Section 45(4)]**<br><br>**Firm/AOP/BOI** | **(i) Transfer:** Distribution of Capital Asset by a Firm/ AOP/BOI on its dissolution or otherwise is a transfer.<br><br>**(ii) Year of Taxability:** Capital Gain is chargeable to tax in the hands of Firm/ AOP/ BOI in the **PY**, in which such transfer takes place.<br><br>**(iii) Capital Gain** = FMV of the Asset on the date of transfer<br>**Less:** Cost or Indexed Cost of Acquisition.<br><br>**Significant Issue:**<br>**Valuation of Stock on Dissolution**: When the business of the Firm is not continued, stock shall be valued at **Market Price** at the time of dissolution and the surplus shall be taxed in the hands of firm as Business Income.<br><br>Distributes capital Asset on dissolution of firm or on retirement of partner → Partner/Member<br>↓<br>**Fair Market value of Capital Asset on date of distribution is sales consideration** |
| **6) Capital gain on transfer by way of compulsory acquisition of an asset by Government [Section 45(5)]** | **1. Chargeability**: Where a capital asset, other than Urban Agricultural land, has been compulsorily acquired under any law, it will be treated as a transfer of previous year in which the asset is compulsorily acquired.<br><br>**2. Taxability of Receipts:**<br>A. NORMAL OR ORIGINAL COMPENSATION [SEC. 45(5)(A)]:<br>(i) Original Compensation is taxable in the P.Y. in which it is **first received**. |

| | |
|---|---|
| | (ii) **Whole** of the compensation is taxable, even if a portion of the amount is received.<br>(iii) Capital Gain = Enhanced Compensation received<br>**Less:** Cost or Indexed Cost of Acquisition.<br>**Note:** Indexation shall be applied for the Year in which the asset is compulsorily acquired.<br><br>B. ENHANCED COMPENSATION [SEC.45(5)(B)]<br>(i) Enhanced Compensation is taxable in the P.Y. in which it is **actually received.**<br>(ii) COA & COI shall be taken as **'NIL'**.<br>(iii) Capital Gain = Enhanced Compensation received<br>**Less:** Expenses on Receipt of Enhanced Compensation.<br><br>**3. Compensation received by Legal Heirs**: Compensation received subsequent to the death of Assessee is **taxable** in the hands of his legal heirs, under the head "Capital Gains".<br><br>**5. Reduction of Compensation**: Where normal compensation/ enhanced compensation is reduced by Court/ Tribunal/ Other Authority, then the Capital Gain is assessed in the year of receipt shall be re-computed accordingly, and rectification of assessment shall be made u/s 155.<br>**Note:** **Interest** on Enhanced Compensation on account of Compulsory acquisition, is chargeable under the head **"Income from Other Sources".** |
| **7) Capital gains on distribution of assets by companies in liquidation [Section 46]** | ➢ **In the hands of Company**: Where the assets of a company are distributed to its shareholder on its liquidation, such distribution shall not be regarded as a transfer by the company. Therefore, there will be **no capital gain** to the company.<br><br>➢ **In the hands of Shareholder**: Where a shareholder on the liquidation of a Company, receives any money or other asset from the company in lieu of the shares held by him, such a shareholder shall be chargeable to income tax under the head "**Capital gain" in respect of the money and the asset** so received.<br>**Capital Gain** = Money received and/or the Market Value of the Other assets on the date of distribution<br>**Less**: Deemed dividend within the meaning of Section 2(22)(c).<br>**Less**: COA/ICOA of shares<br><br>**Capital Gain on Subsequent Sale of assets received by Shareholder on Liquidation**: Net Consideration<br>**Less:** Market value of the asset on the date of distribution and COI |

**Transfer [Section 2(47)]:** Transfer, in relation to capital asset, includes:

(i) The sale, exchange or relinquishment of the asset; or

(ii) The extinguishment of any rights therein; or

(iii) The compulsory acquisition thereof under any law; or

(iv) Conversion of Capital Asset into SIT.

(v) The maturity or redemption of zero coupon bonds; or

(vi) any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of the contract of the nature referred to in Section 53A of Transfer of Property Act, 1882; or

(vii) Any transaction (whether by way of becoming a member of, or acquiring shares in a co-operative society, company or other association of person or by way of any agreement or any arrangement or in any other manner whatsoever)which has the effect of transferring or enabling the enjoyment of any immovable property.

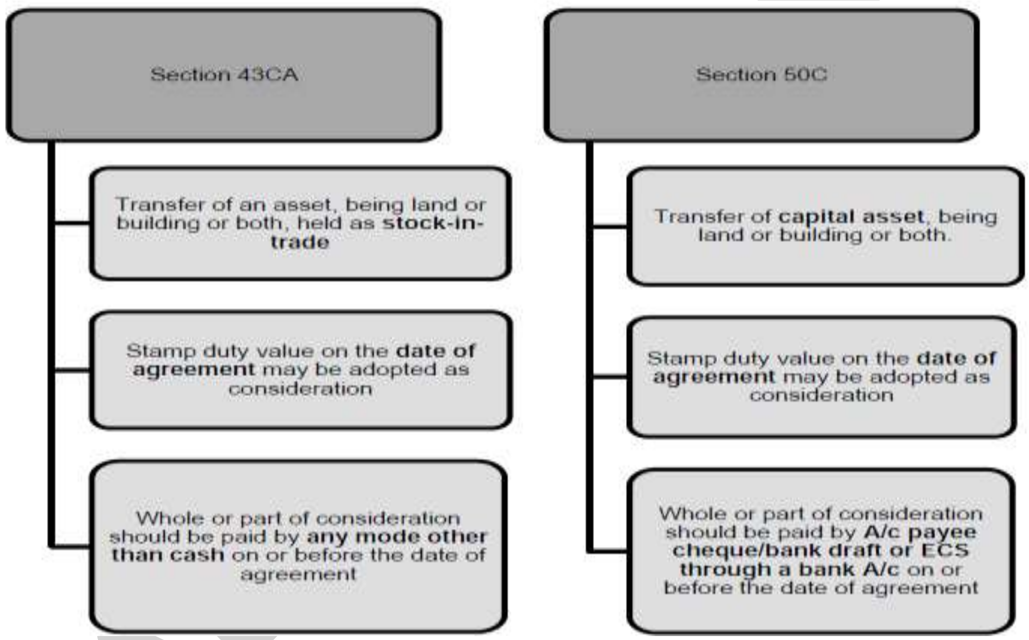
**Special provisions for computation of capital gains in case of slump sale [Section 50B]**

<table>
<tr><td>1. Meaning</td><td colspan="2">Slump Sale means transfer of one or more undertaking as a result of sale, for a lumpsum consideration, without assigning any value individual assets and liabilities transferred. [Sec.2(42C)]</td></tr>
<tr><td>2. Short Term or Long Term</td><td colspan="2">Capital Gain arising from Slump Sale of Capital Asset, being one or more undertakings owned or held by the Assessee for more than 36 months is LTCG. Otherwise, it will be treated as STCG.</td></tr>
<tr><td>3. No Benefit of Indexation</td><td colspan="2">Benefit of Indexed Cost of Acquisition/ Improvement is not available in computing LTCG.</td></tr>
<tr><td rowspan="4">4. Computation of Capital Gain</td><td>Step 1</td><td>TOTAL VALUE OF THE ASSETS = Depreciable Assets at WDV<br>+ Sec. 35AD Assets at NIL Value (see note)<br>+ Other Assets at Book Value</td></tr>
<tr><td>Step 2</td><td>NET WORTH = Total Value of the Assets (Step 1)<br>Less: Liability taken over</td></tr>
<tr><td>Step 3</td><td>CAPITAL GAIN = Net Consideration<br>Less: Net Worth (Step 2)</td></tr>
<tr><td colspan="2">Note: - If the whole of the expenditure has been allowed as deduction or is allowable as deduction under Sec. 35AD, Value of such Asset = NIL.<br>- Any change on account of revaluation of assets shall not be considered.</td></tr>
</table>

**Computation of capital gains in real estate transactions [Section 50C]**
**Transfer of Land / Building for lower consideration**

Section 50C makes a special provision for determining the full value of consideration in case of transfer of immovable property.

| | |
|---|---|
| **1. Asset** | The Assessee transfers Land, or Building or both. |
| **2. Value** | Sale Consideration received as a result of the transfer of *land and building or both*, is **less** than the value adopted or assessed or assessable by any authority of a state government (i.e. Stamp valuation authority”) for the purpose of payment of stamp duty in respect of such transfer. |
| **3. Consideration adopted for Capital Gains** | Value adopted by the Stamp Valuation Authority. |
| **4. Proviso to** | Section 50C of the Act has been amended in line with section 43CA to provide |

| | |
|---|---|
| **Sec 50C (1)**<br><br>**Inserted by FA 16** | that where the date of the agreement fixing the amount of consideration and the date of registration for the transfer of the capital asset are not the same, the value adopted or assessed or assessable by the stamp valuation authority on the **date of agreement** may be taken for the purposes of computing **full value of consideration** for such transfer.<br><br>**Condition for adoption of stamp duty value on the date of agreement:**<br>However, the stamp duty value on the date of agreement can be adopted only in a case where the amount of consideration, or a part thereof, has been paid by way of an **account payee cheque** or **account payee bank draft** or **use of electronic clearing system** through a bank account, **on or before the date of the agreement** for the transfer of such immovable property.<br><br><br> |

<table>
<tr><td rowspan="2">4. Reference to Valuation Officer</td><td>Conditions</td><td>If the following conditions are satisfied, the AO may on the basis of claim made by the assessee refer the valuation of the relevant asset to a valuation officer in accordance with section 55A of the Income tax act:<br><br>(i) Where the assessee claims before the AO that the value adopted or assessed by the stamp valuation authority exceeds the fair market value of the property as on the date of transfer; and<br><br>(ii) The value adopted by stamp valuation authority is not disputed, in any appeal or revision or reference before any authority or court.</td></tr>
<tr><td>Effects</td><td>If the FMV determined by the Valuation Officer is less than the value adopted for stamp duty purposes, the AO may take such FMV determined by Valuation Officer to be the full value of consideration.<br>However, if the FMV determined by the Valuation Officer is more than the value adopted or assessed or assessable for stamp duty purposes, the AO shall not adopt such FMV and will take the full value of consideration to be the value adopted or assessed or assessable for stamp duty purposes.</td></tr>
</table>

**Deemed full value of consideration**: In some cases, instead of actual consideration, the full value of consideration shall be the deemed value. Such cases have been summarized in the table given below:

| Sr. No | Mode of transfer | Deemed full value of consideration | Section |
|---|---|---|---|
| 1 | Money or asset received from an insurer on account of damage or destruction of any capital asset | Value of money and/or FMV of asset on the date of receipt | 45(1A) |
| 2 | Conversion into or treatment of capital asset into stock in trade | FMV of the asset as on the date of it conversion or treatment | 45(2) |
| 3 | Introduction of capital in kind into firm or AOP/BOI by partner/member | Amount recorded in the books of account of the firm or AOP/BOI as the value of the capital asset | 45(3) |
| 4 | Distribution of asset in kind on dissolution of firm or AOP or BOI | FMV as on the date of distribution | 45(4) |
| 5 | Shareholders receiving money and assets from the liquidator on the liquidation of the company | Money and market value of the assets on the date of distribution minus the amount assessed as deemed dividend u/s 2(22)(c) | 46(2) |
| 6 | Transfer of land or building or both | Not less than value adopted by or assessed or assessable by Stamp Valuation authority if consideration declared by assessee is less | 50C |
| 7 | Transfer of capital asset where consideration is not ascertainable or cannot be determined | Fair market value on the date of transfer | 50D |

## COST OF ACQUISITION [SECTION 55(2)]

<table>
<tr><td>General Principles</td><td>
<table>
<tr><th>Situation</th><th>Cost of Acquisition</th></tr>
<tr><td>(a) Capital Asset became property of an Assessee before 01.04.2001</td><td>COA to the Assessee<br>Or<br>FMV as on 2001<br>Whichever is higher</td></tr>
<tr><td>(b) Capital Asset became property of an Assessee on or after 01.04.2001</td><td>Cost incurred by the Assessee</td></tr>
<tr><td>(c) Capital Asset became property of Previous Owner before 01.04.2001 and transferred to the Assessee by any mode u/s 49(1)</td><td>cost to the Previous Owner<br>Or<br>FMV as on 2001<br>Whichever is higher</td></tr>
</table>
Note:<br>
1. When COA of the Previous Owner cannot be ascertained, FMV on the date on which Capital Asset became the Property of the Previous Owner shall be Considered.<br>
2. The option in the above case is not available for depreciable assets.<br>
3. The option is not available in case of goodwill of a business, brand or trademark associated with the business, whether self-generated or purchased.
</td></tr>
<tr><td>Cost of Specified Intangible Assets</td><td>
<table>
<tr><th>Specified Intangible Asset</th><th>Mode of Acquisition</th><th>Cost of Acquisition</th></tr>
<tr><td rowspan="2">➢ Goodwill of a Business (not of profession)<br>➢ Trademark or Brand Name associated with a business (not of profession)<br>➢ Right to manufacture, produce or process any article or thing<br>➢ Right to carry on any business<br>➢ Tenancy Rights, Stage Carriage Permits or Loom hours</td><td>(a) Acquisition of Asset by Assessee by purchase from previous owner.</td><td>Purchase Price</td></tr>
<tr><td>(b) Any other case (not being a case u/s 49(1), i.e. HUF Partition, Gift, Will, etc.)</td><td>NIL</td></tr>
</table>
</td></tr>
</table>

## COST OF IMPROVEMENT [SECTION 55(1)(B)]

| Situation | Cost of Improvement |
|---|---|
| capital asset being goodwill of a business or a right to manufacture, produce or process any article or thing or right to carry on any business | NIL. |
| (ii) In relation to any other asset:<br>(a) Where the capital asset becomes the property of the previous owner or the assessee before 01.04.2001. | All capital expenditure incurred in making any additions or alterations to the capital asset on or after 01.04.2001 by the previous owner or the assessee.<br>(a) All capital expenditure incurred in making any additions or alterations to the capital asset by the **Assessee** after it become his property. |

| | |
|---|---|
| (b) Any other Case | (b) Where the capital asset became the property of the Assessee by any mode specified in section 49(1), capital expenditure incurred by the **previous owner** also be treated as cost of improvement. |

## INDEXED COST OF ACQUISITION/ IMPROVEMENT [SECTION 55]

| | |
|---|---|
| **1. Meaning** | Indexation is a benefit given to the Assessee in computation of LTCG using Cost Inflation Index (CII). |
| **2. Computation** | Indexed Cost of Acquisition (ICA) and Indexed Cost of Improvement (ICI) is computed in the following manner-<br>**(a) Indexed Cost of Acquisition (ICA):**<br>(i) **Acquired prior to 01.04.1981**= Cost of Acquisition × $\frac{\text{CII for Year of Transfer}}{100}$<br>(ii) **Acquired on or after 01.04.1981=** Cost of Acquisition × $\frac{\text{CII for Year of Transfer}}{\text{CII for Year of Acquisition}}$<br>**(b) Indexed Cost of Improvement (ICI):**<br>Cost of Improvement × $\frac{\text{CII for Year of Transfer}}{\text{CII for Year of Acquisition}}$<br>**Note:** ICI can be computed **only** if it is incurred **on or after 01.04.2001**.<br>**Legal Decision**:<br>If an Assessee acquired a Capital Asset by way of Gift and transferred such Asset, then Indexed Cost of Acquisition would be with reference to the year in which Previous Owner held the asset and not the year in which Assessee became the Owner. Therefore, the CII should be based on the year in which the Previous Owner acquired the asset and not the year in which the Assessee became the Owner. |
| **BASE YEAR SHIFTED FROM 1981-1982 TO 2001-2002** | Base year for the purpose for calculation of Indexed cost of acquisition or improvement has been shifted from 1981-1982 to 2001-2002. Accordingly, if any Assessee/Previous Owner has acquired capital asset prior to 01.04.2001 then he will have the option to choose actual cost of acquisition or FMV as on 01.04.2001 as his cost of acquisition. Cost of improvement incurred by Assessee or previous owner prior to 01.04.2001 shall be taken as NIL. **(Amendment by Finance Act 2017)** |

<table>
<tr>
<td></td>
<td>
The Cost inflation Index as notified by the central government is as under:
<table>
<tr><th>FY</th><th>CII</th><th>FY</th><th>CII</th></tr>
<tr><td>2001-02</td><td>100</td><td>2013-14</td><td>220</td></tr>
<tr><td>2002-03</td><td>105</td><td>2014-15</td><td>240</td></tr>
<tr><td>2003-04</td><td>109</td><td>2015-16</td><td>254</td></tr>
<tr><td>2004-05</td><td>113</td><td>2016-17</td><td>264</td></tr>
<tr><td>2005-06</td><td>117</td><td>2017-18</td><td>272</td></tr>
<tr><td>2006-07</td><td>122</td><td></td><td></td></tr>
<tr><td>2007-08</td><td>129</td><td></td><td></td></tr>
<tr><td>2008-09</td><td>137</td><td></td><td></td></tr>
<tr><td>2009-10</td><td>148</td><td></td><td></td></tr>
<tr><td>2010-11</td><td>167</td><td></td><td></td></tr>
<tr><td>2011-12</td><td>184</td><td></td><td></td></tr>
<tr><td>2012-13</td><td>200</td><td></td><td></td></tr>
</table>
</td>
</tr>
<tr>
<td>3. Situations when Indexation is not available</td>
<td>
For the following transfers, the benefit of indexation is not available:-
<table>
<tr><th>Nature of LTCA Transferred</th><th>Assessee not eligible</th></tr>
<tr><td>(a) Bonds/ Debentures except Capital Indexed Bonds issued by Govt.</td><td>All Assessees</td></tr>
<tr><td>(b) Shares/ Debentures of Indian Company acquired by using Convertible Forex</td><td>Non- Residents</td></tr>
<tr><td>(c) Depreciable Assets</td><td>All Assessees</td></tr>
<tr><td>(d) Slump Sale</td><td>All Assessees</td></tr>
</table>
</td>
</tr>
<tr>
<td>Cost of acquisition of Bonus shares or any other financial asset allotted without payment</td>
<td>
Allotted after 01.04.2001: COA shall be taken as NIL. And the entire sale consideration received on the transfer shall be treated as Capital Gain.<br><br>
Allotted before 01.04.2001: cost of such bonus shares is NIL but the assessee may opt for FMV as on 01.04.2001 as the cost of acquisition of such bonus shares.
</td>
</tr>
<tr>
<td>Cost of acquisition of Right Shares [Section 55(2)(aa)]</td>
<td>
Where an assessee, by virtue of holding certain shares, become entitled to subscribe to any additional shares then:<br><br>
(i) The cost of acquisition of the original shares shall remain unchanged i.e. it shall be the amount actually paid for acquiring the original shares;<br><br>
(ii) The cost of acquisition of the right shares, when the assessee subscribes to the shares on the basis of the said entitlement, shall be the amount actually paid for acquiring the right shares.<br><br>
(iii) The cost of acquisition of the right to acquire such shares, when such a right is renounced in favour of any other person, shall be taken as NIL.<br><br>
(iv) As regards, the person in whose favour the right to subscribe to the shares has been renounced, the cost of acquisition of such right share shall be the amount paid by him to the company for acquiring the shares PLUS the amount paid to the person renouncing the right.
</td>
</tr>
<tr>
<td>Cost of acquisition of the shares in the resulting</td>
<td>
It shall be the amount which bears to the cost of acquisition of shares held by the assessee in the demerged company the same proportion as the net book value of the assets transferred in a demerged bears to the net worth of the
</td>
</tr>
</table>

| | |
|---|---|
| **company** | demerged company immediately before such demerger.<br>In other words:<br>Cost of acquisition of the shares in resulting company = Cost of acquisition of share held by the assessee in the demerged company × $\frac{\text{Net book value of the assets transferred in demerger}}{\text{Net worth of the demerged company immediately before demerger}}$<br><br>If the shares of the resulting company are later on transferred, then for computation of nature of capital gain, the period for which the shares were held in demerged company shall also be considered. |
| **Cost of Shares of Amalgamated Company [Section 49(2)]** | Where the shareholder of an amalgamating company gets the shares of the amalgamated company in lieu of the shares held by him in an amalgamating company, the cost of acquisition of such shares of the amalgamated company shall be deemed to be the cost of acquisition to him of the shares of amalgamating company.<br>***i.e. Cost of Shares of Amalgamating company becomes cost of shares of amalgamated company;*** |
| **Cost of specified security or sweat equity shares already treated as perquisite** | Where the capital gain arises from the transfer of specified security or sweat equity share, which has already been taxed under the head salary as perquisite, the cost of acquisition of such security shall be the Fair Market Value which has been taken into account for the purpose of valuation of perquisite. |

# EXEMPTIONS UNDER CAPITAL GAIN

| S.no. | Particulars | Section 54 | Section 54B | Section 54EC | Section 54D | Section 54G | Section 54F |
|---|---|---|---|---|---|---|---|
| 1 | **Eligible Assessee** | Individual / HUF"s | Individual / HUF"s | Any assessee | Any assessee | Any assessee | Individual / HUF"s |
| 2 | **Asset transferred** | Residential House | Urban Agricultural Land | Any Asset | L&B forming part of an industrial undertaking | Land, Building Machinery or Plant or any right in land or building used for business of Industrial Undertaking | Any asset other than Residential House. |
| 3 | **Period of holding of the asset transferred** | Long-term capital asset | At least 2 years immediately preceding the date of transfer | Long-term capital asset (including a depreciable asset held for more than 36 months) | At least 2 years immediately preceding the date of transfer. | Long-term/ Short-term capital asset | Long-term capital asset |
| 4 | **Other Conditions** | Income from such house should be chargeable under the head "Income from house property" | Land should be used for agricultural purposes by assessee or his parents or a HUF for two years | - | The transfer should be by way of compulsory Acquisition of the industrial undertaking | Shifting the Industrial Undertaking from Urban Area to Rural Area | Assessee should not own more than one residential house on the date of transfer |
| 5 | **Qualifying asset i.e., asset in which capital gains has to be invested** | One Residential House situated in India | Agricultural Land (Urban/ Rural) | Long Term Specified Asset – Bonds of NHAI or RECL (Redeemable after 3 years) | Land or Building | Land, Building New P&M and expenses on shifting the Industrial Undertaking | One Residential House situated in India |
| 6 | **Time limit for purchase/ construction** | Purchase within 1 year before or 2 years after | Purchase within 2 years from the date of transfer | Purchase within 6 months from the date of | Purchase/ construct within 3 years after transfer, for shifting or | Purchase/ construct within 1 year before or 3 years | Purchase within 1 year before or 2 years after |

| S.no. | Particulars | Section 54 | Section 54B | Section 54EC | Section 54D | Section 54G | Section 54F |
|---|---|---|---|---|---|---|---|
| | | the date of transfer or construct within 3 years after the date of transfer | | transfer | re-establishing the existing undertaking or setting up a new industrial undertaking. | after the transfer. | the date of transfer or Construct within 3 years after the date of transfer |
| 7 | **Amount of Exemption** | Cost of new Residential House or Capital Gain, whichever is lower, is exempt | Cost of new Agricultural Land or Capital Gain, whichever is lower, is exempt | Capital Gain or amount invested in specified bonds, whichever is lower. Maximum permissible investment in such bonds out of capital gains arising in any financial year is Rs 50 lakhs. | Cost of new asset or Capital Gain, whichever is lower. | Cost of new assets plus expenses incurred or Capital Gains, whichever is lower, is exempt. | Cost of new Residential House ≥ Net sale consideration of original asset, entire Capital gain is exempt. Cost of new Residential House < Net sale consideration of original asset, proportionate capital gain is exempt. |
| 8. | **Sale of New Asset** | If sold within 3 yrs. from date of purchase/ construction, for computing STCG on new asset, cost of new asset shall be reduced by amount of CG exempt. | Same as Section 54 | If sold within 3 yrs., exempted CG will be deemed to be LTCG of the assessee in the year of sale of new asset. | Same as Section 54 | Same as Section 54 | If sold within 3 yrs., (a) Capital gain/loss on transfer of new house which will always be short-term capital gain/ loss; (b) Capital gain exempt earlier under this Section i.e. 54F shall be treated as LTCG of the P.Y. in which the new asset is transferred. |

## CAPITAL GAINS - EXEMPTIONS UNDER SECTION 10

| Section | Particulars |
|---|---|
| **10(33)** | Any income arising from the transfer of a capital asset being a unit of UTI |
| **10(37)** | Where any individual or HUF owns urban agricultural land which has been used for agricultural purposes for a period of two years immediately preceding the date of transfer by such individual or a parent of his or by such HUF and the same is compulsorily acquired under any law or the consideration for such transfer is determined or approved by the Central Government or the RBI, resultant capital gain will be exempt provided the compensation or consideration for such transfer is received on or after 1.4.2004. |
| **10(38)** | Any income arising from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund shall be exempt, if such transaction is chargeable to securities transaction tax.<br><br>Provided further that the exemption shall be allowed in case of transfer of equity shares which were acquired on or after 1st October 2014, if STT is chargeable not only at the time of transfer but also at the time of acquisition of shares.<br><br>However the above restriction is not applicable in the following cases:<br>(i) Transfer of equity shares which were acquired prior to 1st October 2014;<br>(ii) Transfer of Mutual Fund units whether acquired before or after 1st October 2014. |

**Additional Tax on Dividend in Special Cases: (Section 115BBDA)**

**Assessee**: "specified assessee" means a person other than,—

(*i*) a domestic company; or

(*ii*) a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (*iv*) or sub-clause (*v*) or sub-clause (*vi*) or sub-clause (*via*) of clause (*23C*) of section 10; or

(*iii*) a trust or institution registered under section 12A or section 12AA.'.

**Income**: Dividend Income exceeding Rs. 10 Lakhs

**Tax**: 10% on the amount of dividend exceeding Rs. 10 Lakhs

**Meaning of Dividend**: Dividend as per Section 2(22) but does not included 2(22)(e)

# GIFTS RECEIVED BY INDIVIDUALS AND HUF [SEC. 56(2)(VII)]

**1. Applicability**

Individual & HUF.

**2. Taxability**

The following amounts received by an Individual or HUF from any person (subject to exceptions) is taxable as Income from Other Sources-

| Item Received | Nature | Amount Taxable under "Income from Other Sources" |
|---|---|---|
| **(a) Any sum of Money** | Without Consideration, the aggregate value of which exceeds Rs 50,000. | Whole of aggregate value of such sum. |
| **(b) Immovable Property** | (i) Without Consideration & Stamp Duty Value of Property > Rs 50,000. | Stamp duty value of property |
| | (ii) Inadequate Consideration, i.e. difference between Consideration & Stamp Duty Value exceeds Rs 50,000. | Stamp Duty Value – Consideration |
| **(c) Other than Immovable Property.** | (i) Without consideration & aggregate FMV > Rs 50,000. | FMV of such property |
| | (ii) Inadequate Consideration, i.e. difference between consideration & FMV exceeds Rs 50,000. | FMV – Consideration. |

Land or Building or both

**Other than Immovable Property includes:**
(a) Shares & Securities
(b) Jewellery
(c)Archeological Collections
(d) Drawings
(f) Paintings
(g) Sculptures
(h) Any art of work
(i) Bullion.

**3. Exceptions**

Gifts received from following persons/ situations are not taxable:-

(i) From any Relative; or
(ii) On the occasion of the marriage of the individual; or
(iii) Under a will or by way of inheritance; or
(iv) From any local authority; or
(v) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to u/s 10(23D); or
(vi) From any trust or institution registered u/s 12AA.

The expression "Relative" means:

**(i) In case of an Individual:**
(a) Spouse of the individual;
(b) Brother or sister of the individual;
(c) Brother or sister of spouse of the individual;
(d) Brother or sister of either of parents of the individual;
(e) Any lineal ascendant or descendant of the individual;
(f) Any lineal ascendant or descendant of the spouse of the individual;
(g) Spouse of the person referred to in items (b) to (f) mentioned above.

**Persons not covered under the definition of relative: (hence, Unrelated)**
1. Son/Daughter of Brother or sister of individual
2. Son/Daughter of Brother/Sister of Spouse of Individual
3. Son/Daughter of Brother or sister of Parent's of individual

**Value of shares received by a firm or a company for inadequate consideration or without consideration to be taxed in the hands of the recipient [Section 56(2)(viia)]**

Where a **firm or a company** not being a in which the public are substantially interested, receives, in any previous year, from any person or persons, any property, being **shares of a company** not being a company in which the public are substantially interested,-

| Situation | Amount taxable under Income from Other Sources |
|---|---|
| Without any consideration and the aggregate FMV exceeds Rs 50,000. | Whole of the Aggregate Value |
| Received for consideration less than FMV by Rs 50,000 | FMV<br>**Less:** Consideration |

However, the transactions undertaken for business reorganization, amalgamation and demerger which are not regarded as transfer under clauses, (via), (vic), (vicb), (vid) and (vii) of section 47 of the Act shall be excluded from the application of clause (viia).

**Share premium in excess of the fair market value to be treated as income [Section 56(2)(viib)] [W. e. f. A. Y. 2013-14]**

| | |
|---|---|
| **1. Situation** | A company, not being a company in which the public are substantially interested, receives, in any previous year, receives consideration for issue of shares and if the consideration received for issue of shares exceeds the face value of such shares, (i.e. issued at Premium) |
| **2. Subscriber** | Any person being a resident |
| **3. Taxable Amount** | The aggregate Consideration received as exceeds the FMV of Shares. |
| **4. Exception** | The above provision shall not apply where the consideration for issue of shares is received<br>(i) by a venture capital undertaking from a venture capital company or a venture capital fund; or<br>(ii) by a company from a class or classes of persons as may be notified by the Central Government in this behalf. |
| **5. FMV** | FMV of the shares shall be **higher** of the following:-<br>(i) Value determined in accordance with prescribed method; or<br>(ii) Value substantiated by the company to the satisfaction of the Assessing Officer, based on the value, on the date of issue of shares, of its assets, including intangible assets, being goodwill, know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature (i.e. the value shall be determined as per the net asset method including the value of intangible assets which are specified). |

**Family pension**

| | |
|---|---|
| **1. Meaning** | Family Pension received by the Family Members of the deceased employee. |
| **2. Taxability** | It is chargeable to tax u/h "IFOS" |
| **3. Deduction u/s 57** | ➢ 33.33% of Gross Pension,<br>Or } whichever is **Less** |

| | |
|---|---|
| | ➢ Rs 15,000 |
| **4. Exemptions available for Family Pension i.e. not Taxable** | Family Pension received by Widow or Childeren or Nominated Heirs of a Deceased Member of the **Armed Forces**.<br><br>**Condition:** The Member's death has occurred in the course of his operational Duties. |

**Interest on compensation or enhanced compensation [Section 56(2)(viii)]**

| | |
|---|---|
| **1. Taxability** | income by way of interest received on compensation or on enhanced compensation referred to in section 145A(b) above shall be taxable under the head income from other sources in the previous year in which such interest is received. |
| **2. Deduction from such interest [Section 57(iv)]:** | Above interest which is taxable under the head income from other sources, a deduction of a sum equal to **50%** of such income shall be allowed to the assessee and no deduction shall be allowed under any other clause of section 57. |

## CLUBBING OF INCOME

| | |
|---|---|
| **Salary, Commission, Fees or Remuneration paid to Spouse, from a concern in which Individual has a Substantial Interest [Sec.64(1)(ii)]:** | |
| **a) Clubbed in the hands of** | Individual |
| **b) Exception** | Clubbing is not attracted, in case the Spouse possesses technical or professional qualifications and the remuneration is received in exercise of that knowledge/qualification/experience. |
| **c) Where both husband & wife have substantial interest and both are getting remuneration from the concern** | Remuneration of both shall be clubbed in the hands of that spouse **whose total income**, before including such remuneration is **greater.**<br><br>**Note:** Where such income is once included in the hands of either spouse, any such income arising in any succeeding year shall not be included in the total income of other spouse unless the Assessing Officer is satisfied, after giving that spouse an opportunity of being heard, that it is necessary so to do.<br><br>**<u>Person having substantial interest in the company [Section 2(32)]</u>** – is a person who is the beneficial owner of shares (not being shares entitled to a fixed rate of dividend), whether with or without a right to participate in profits, carrying at least 20% of the total voting power. |
| **Income from Assets (Other than HP) transferred directly or indirectly to Spouse [Sec.64(1)(iv)]:** | |
| **a) Clubbed in the hands of** | Individual |
| **b) Exceptions** | • If the assets are transferred before marriage.<br>• If the assets are transferred for adequate consideration. [Note: Natural Love and Affection does not constitute adequate |

<table>
<tr><td></td><td>consideration.]<ul><li>If the assets are transferred in connection with an agreement to live apart.</li><li>If on the date of accrual of income, Transferee is not the spouse of the Transferor.</li><li>Any income from the accretion of the transferred asset is to be clubbed with the income of the Transferor.</li><li>If any income earned by investing such income (arising from transferred asset) cannot be clubbed.</li><li>If Property is acquired by the spouse out of pin money (i. e. an allowance given to the wife by her husband for her dress and usual household expenses)</li></ul></td></tr>
<tr><td colspan="2">Income from Assets transferred to Son's wife [Sec.64(1)(vi)]:</td></tr>
<tr><td>a) Clubbed in the hands of</td><td>Transferor (i.e. in Laws)</td></tr>
<tr><td>b) Condition</td><td>The transfer should be for inadequate consideration.</td></tr>
<tr><td colspan="2">Transfer of Assets by an Individual to a person or AOP to the extent such income is used by Transferee for the immediate or deferred benefit of Spouse/ Son's wife [Sec.64(1)(vii)(viii)]:</td></tr>
<tr><td>a) Clubbed in the hands of</td><td>Individual Transferor- when transferred to spouse, and<br>In Laws- when transferred to Son's Wife.</td></tr>
<tr><td>b) Condition</td><td>The transfer should be for inadequate consideration.</td></tr>
<tr><td colspan="2">Minor's Income [Sec.64(1A)]</td></tr>
<tr><td>a) Basic Principles</td><td><table>
<tr><th>Nature of Transaction</th><th>Clubbed in the hands of</th><th>Conditions/Exceptions</th></tr>
<tr><td>Income of a Minor Child, including Minor Married Daughter.<br><br>Note: Child includes Step-child and Adopted Child.</td><td><ul><li>If the Parents' marriage subsists, in the hands of the Parent whose total income is greater, or</li><li>If the marriage does not subsist, in the hands of the person who maintains the Minor Child.</li><li>Exemptions: The Parent in whose hands the Minor's Income is clubbed, is entitled to an exemption u/s 10(32), ₹ 1,500 per child.</li></ul></td><td>Following Incomes of Minor Child shall not be clubbed –<br>1. Income of a Minor Child suffering any disability specified u/s 80U.<br>2. Income on account of manual work done by Minor Child.<br>3. Income on account of any activity involving application of skills, talent or specialized knowledge and experience.<br>4. If an individual transfers House Property to a Minor Married Daughter, income from that property shall not be clubbed in the Parents' hands. [Sec.27]</td></tr>
</table></td></tr>
</table>

<table>
<tr><td>b) Taxability of Income of Minor Married Daughter</td><td>
<table>
<tr><th>Source of Income</th><th>Clubbed in the hands of</th></tr>
<tr><td>1. Income from House Property, where the Transferor is –</td><td></td></tr>
<tr><td>(a) Parent</td><td>Clubbing provisions not attracted. Taxable in Minor’s hands.</td></tr>
<tr><td>(b) Parents – in – law</td><td>Parents – in – law</td></tr>
<tr><td>(c) Spouse</td><td>Spouse.</td></tr>
<tr><td>(d) Any other Person</td><td>Parents. Exemption u/s 10(32) is applicable.</td></tr>
<tr><td>2. Income under other Heads of Income</td><td></td></tr>
<tr><td>(a) Minor suffering from disability u/s 80U</td><td>Clubbing provisions not attracted. Taxable in Minor’s hands.</td></tr>
<tr><td>(b) Income earned through– Manual work</td><td>Clubbing provisions not attracted. Taxable in Minor’s hands.</td></tr>
<tr><td>Skill, Talent and Specialized knowledge</td><td>Clubbing provisions not attracted. Taxable in Minor’s hands.</td></tr>
<tr><td>Any other source</td><td>Parents, Exemption u/s 10(32) is applicable.</td></tr>
</table>
</td></tr>
<tr><td>c) Change in Clubbing</td><td>Once clubbing of Minors Income is done with that of one parent, it will continue to be clubbed with that parent only, in subsequent years. However, the A. O. may club income of Minor with that of other parent if it is necessary to do so, after giving reasonable opportunity of being heard to other parent.</td></tr>
</table>

## SET OFF SET ON CHART

| Head of Income under which Loss is incurred | Set Off in the year of loss | | Carry Forward & Set off in subsequent previous years | | Time limit for c/fwd. and set off of losses | Return u/s 139(1) Apply (Sec. 80) |
|---|---|---|---|---|---|---|
| | **Under same head (Sec.70)** | **Under other head (Sec.71)** | **Under same head** | **Under other head** | | |
| Income from House Property (Max Amount = 2,00,000) | Yes | Yes | Yes | No | 8 A. Y. | No |
| Profits and gains from business or profession : | | | | | | |
| • Non-Speculation Business | Yes | Yes **(Note)** | Yes | No | 8 A. Y. | Yes |
| • Speculation Business **(Note)** | Yes | No | Yes | No | 4 A. Y. | Yes |
| • Specified Business **(Note)** | Yes | No | Yes | No | No Limit | **Yes** (Note) |
| • Unabsorbed Depreciation | Yes | Yes | Yes | Yes | No Limit | No |
| Capital Gains : | | | | | | |
| • Short Term | Yes | No | Yes | No | 8 A. Y. | Yes |
| • Long Term **(Note)** | Yes | No | Yes | No | 8 A. Y. | Yes |
| Income from Other Sources | | | | | | |
| • Lotteries, Crossword, Puzzles, Card Games, Gambling etc. | Profit from similar activities | No | No | No | N. A. | Yes |
| • Loss from activity of owning and maintaining Race Horses | Yes | No | Yes | No | 4. A. Y. | Yes |
| • Other Income | Yes | Yes | No | No | 8 A. Y. | Yes. |

| Loses | INCOMES | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary | House property | Business | | Capital Gains | | Other sources | | |
| | | | Normal | Speculative | Short | Long | Normal | Race | casual |
| Salary | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| House prop. | Y | Y | Y | Y | Y | Y | Y | Y | **N** |
| Normal bus. | **N** | Y | Y | Y | Y | Y | Y | Y | N |
| Specul. Bus. | N | N | N | **Y** | N | N | N | N | N |
| STCL | N | N | N | N | **Y** | **Y** | N | N | N |
| LTCG | N | N | N | N | N | **Y** | N | N | N |
| Normal Loss Other source | Y | Y | Y | Y | Y | Y | Y | Y | **N** |
| Horse race | N | N | N | N | N | N | N | **Y** | N |

## DEDUCTIONS UNDER CHAPTER VIA

| Sec. | Applicability | Nature of Payment/ Receipt | Amount of Deduction | Special Points |
|---|---|---|---|---|
| **80C** | Individual/ HUF | **Eligible Investments** | Maximum Amount along with deduction u/s 80CCC &80CCD(1) or independently u/s 80C, is restricted to **Rs 1,50,000**. **[Sec.80CCE]** | 1. Investment or Contribution should be made in **approved** investment schemes.<br>2. Deduction should be allowed on **Payment basis** not on accrual basis. |
| **80CCC** | All Individuals, irrespective of Residential Status and Citizenship | Amount paid or deposited by the Individual, in an **Annuity Plan** of LIC or any other Insurer, for receiving **Pension.** | **Amount Deposited Or which Rs 1,50,000**ver is **lower** | 1. Amount Deposited **excludes** Interest or Bonus accrued or credited to Assessees account. |
| **80CCD** | Individual employed by C.G. or any other Employer or Any other Individual | Employees Contribution to Approved Pension Scheme of the C.G. or Employers Contribution to Pension Scheme. | **1. Contribution made by Assessee [Sec.80CCD(1)]:**<br>• **Employee:** Amount paid or 20% of Salary, whichever is **less.**<br>• **Any Other Assessee:** Amount Paid or 20% of GTI, whichever is **less.**<br>**Note**: the deduction on account of | 1. Amount received by the Individual from such Scheme on:<br>• Account Closure;<br>• Opting out for such Pension Scheme;<br>• as pension from the Annuity Plan purchased or taken on such closure or opting out. |

| Sec. | Applicability | Nature of Payment/ Receipt | Amount of Deduction | Special Points |
|---|---|---|---|---|
| | | | employee/assessee contribution shall **not exceed Rs 1,50,000.**<br><br>**2. Contribution made by CG/Employer [Sec.80CCD(2)]:** Amount paid or 20% of Salary, whichever is **less.**<br><br>**3.**New Sub Section **(1B)** is inserted to provide an **additional** deduction of Rs. 50,000 in respect of amount contributed to NPS by an Individual or Employee.<br>**Note:** This is an additional deduction & shall not be included in the overall ceiling limit of Rs 1,50,000 u/s 80CCE. | Will be chargeable to tax in the P.Y. in which it was received. |
| **80CCG** | Resident Individual | Acquisition of Listed Equity Shares or Listed Units of an Equity Oriented Fund, in accordance with a Scheme notified by C.G. | 50% of the amount Invested<br>**Or**<br>Rs 25,000<br>whichever is **less**<br><br>**Deduction Period: 3 Consecutive AY** beginning with the AY relevant to the P.Y. in which the listed equity shares or listed units of equity oriented fund were **first acquired**. | **Condition**: GTI shall **not exceed Rs 12,00,000.**<br><br>New Investments on or after 01.04.2017 are not eligible for deduction under this Section.<br><br>Provided that an assessee, who has acquired listed equity shares or listed units of an equity oriented fund in accordance with the scheme referred to in sub-section (*1*) and claimed deduction under this section for any assessment year commencing on or before the 1st day of April, 2017, shall be allowed deduction under this section **till the assessment year commencing on the 1st day of April, 2019**, if he is otherwise eligible to claim the deduction in |

| Sec. | Applicability | Nature of Payment/ Receipt | Amount of Deduction | Special Points |
|---|---|---|---|---|
| | | | | accordance with the other provisions of this section. |
| **80D** | Individual, HUF whether Resident or Non-Resident. | a) **Medical Insurance**;<br><br>b) **Health Scheme** Contribution approved by **C.G**. (only Individual whether R or NR);<br><br>c) **Expenditure on Preventive Health Checkup**. (only Individual whether R or NR)<br><br>d) Medical Expenditure for **very Senior Citizen** | 1. **Individual :** Aggregate of the amounts in a, b, c-<br>• **Individual or his family** (Spouse or Dependent Child)- Aggregate of amounts or Rs**25,000** whichever is **less.**<br>• Parents (Whether **Dependent or not)-** Aggregate of amounts or Rs **25,000** whichever is **less.**<br><br>2. **HUF** – Policy in the name of any Member- Aggregate premium Paid or Rs **25,000** whichever is **less.**<br><br>3. Amount paid on account of **medical expenditure**: for self/ spouse/ parents + who is of the age 80years or more + Resident in India than deduction allowed is amount paid or Rs **30,000**whichever is **less.** | 1. Where the premium paid for a **Senior Citizen**, then deduction is **aggregate premium paid or Rs 30,000,** whichever is **lower**.<br>Here, Senior Citizen means an Individual Resident in India, who is of the age of **60 years or more** at any time during the relevant P.Y.<br><br>2. Expenditure for **Preventive Health Checkup** of the Assessee or his family is included in the total deduction of Rs. 25,000/30,000, subject to **maximum of Rs 5,000**.<br><br>3. **Payment** of Premium should be of **any mode other than Cash**. **Except** amount paid for **preventive health checkup** can be **any mode including Cash.** |
| **80DD** | Individual or HUF Resident in India. | a) **Expenditure incurred for** medical treatment, nursing, training and rehabilitation of **dependent being a person with disability**,<br><br>b) Amount deposited in Approved Scheme of LIC/UTI or other Approved Insurer, which provides for payment of recurring or lump sum amount for the benefit of the dependent after the demise of the Assessee. | 1. **General:** A fixed deduction of Rs **75,000** is allowed, irrespective of expenditure incurred/amount paid.<br><br>2. **Special**: if the Dependent person with "**severe disability'**, the deduction is Rs. **1,25,000**.<br>**Note: Severe Disability means** a Person with **80% or more** of one | 1. The Assessee shall furnish a copy of the Certificate issued by the Medical Authority along with ROI u/s 139.<br><br>2. Dependent means-<br>• Individual – Spouse, Children, Parents, Brothers & Sisters of the Individual, or any of them<br>• HUF – Any Member of HUF. |

| Sec. | Applicability | Nature of Payment/ Receipt | Amount of Deduction | Special Points |
|---|---|---|---|---|
| **80DDB** | Individual or HUF Resident in India. | Expenditure incurred for medical treatment of **specified diseases**<br>If the Assessee is-<br>• **Individual**- medical treatment of **himself or Dependent.**<br>• **HUF**- Medical Treatment of **any Member** of HUF.<br>**Note:** Specified Diseases includes:<br>a) Neurological Diseases,<br>b) Cancer<br>c) AIDS etc. | **1.General:**Rs 40,000or amount actually paid, whichever is **lower**.<br><br>**2.Expenditure incurred for Senior Citizen:** Rs 60,000 or amount actually paid, whichever is **lower**.<br>3. **Expenditure incurred for very Senior Citizen:** Rs 80,000 or amount actually paid, whichever is **lower**.<br><br>**Note:Senior Citizen** means an Individual Resident in India, who is of the age of **60 years or more** at any time during the relevant P.Y.<br>**Very Senior Citizen** means an Individual Resident in India, who is of the age of **80 years or more** at any time during the relevant P.Y. | 1. **Dependent** means-<br>• **Individual** – Spouse, Children, Parents, Brothers & Sisters of the Individual, or any of them<br>• **HUF** – Any Member of HUF.<br><br>2. Deduction shall be reduced by the amount received from the Insurer or reimbursement by the Employer, against any insurance for the Medical Treatment. |
| **80E** | Individual | Payment of **Interest on Educational Loan** taken from Financial Institution or Charitable Institution for the purpose of pursuing Higher Education for himself or for his Relative, i.e. Spouse and Children of the Individual. | • **Any amount of interest** paid is eligible for deduction.<br>**Principal Repayment is not eligible** for deduction.<br><br>• **Period of Deduction:** Deduction is available for a maximum period of **8 A.Y.** including first year of repayment or until the Interest is fully repaid, whichever is earlier. | **Meaning of Higher Education:** means any course (including Vocational Studies) pursued after passing the SSE, conducted by any recognized Board or university |
| **80EE** | Individual | Payment of **Interest on Loan** taken by Individual Assessee from any FI for the purpose of **acquisition of Residential HP.** | • **Maximum Amount:** Interest payable amount shall not exceed **Rs1,00,000.**<br><br>• **Period:** Deduction is available for AY 2014-15. If the interest payable for the AY 2014-15 is less than Rs 1,00,000 the balance amount shall be allowed | **Conditions for claiming Deduction:**<br>• **Loan Sanction Date:** beginning on 1st April 2013 and ending on 31st March 2014.<br>• **Maximum Loan: Rs 25Lakhs.**<br>• **Property Value:** value of Residential HP **should not exceed Rs 40 Lakhs.** |

| Sec. | Applicability | Nature of Payment/ Receipt | Amount of Deduction | Special Points |
|---|---|---|---|---|
| | | | in AY 2015-16 | • **No Other House:** The Assessee should **not** own any Residential HP on the date of sanction of the Loan.<br>• **No Double Deduction:** Where Deduction u/s 80EE is allowed, deduction shall not be allowed in respect of such interest under any other provisions of this act. |
| **80G** | All Assessees | **Contribution or Donation to Approved Funds and Charitable Institutions.** | **Categories of Deduction**: The deduction u/s 80G is available in the following Categories:<br>A. 100% Deduction, with no Ceiling Limit/ Restriction on amount of Donation. [See note 2]<br>B. 50% Deduction, with no Ceiling Limit/ Restriction on amount of Donation. [See note 2]<br><br>C. 100% Donation, with Qualifying Amount = 10% of Adjusted GTI. [See note 2]<br><br>D. 50% Donation, with Qualifying Amount = 10% of Adjusted GTI. [See note 2] | 1. Donation should be made in sum of **money** and **not in Kind**.<br><br>2. The Assessee should **produce Proof of Payment** along with ROI.<br><br>3. No deduction shall be allowed in respect of donation of any sum **exceeding Rs 2,000**, unless such sum is paid by **any mode other than cash.** |
| **80GG** | Individual | **Payment of Rent** for his Residential Accommodation, whether furnished or not. | **Amount of Deduction:**<br>• Rent paid less 10% Of Adjusted TI, or<br>• Rs 2,000 p.m., or<br>• 25% of Adjusted TI.<br>Whichever is less<br><br>**Note: Adjusted Total Income:**<br>GTI<br>**Less:** LTCG[Sec. 112(2)]<br>STCG [Sec. 111A]<br>All other deductions under Chapter VI-A except 80GG<br>**Adjusted Total Income** | **Conditions for claiming Deduction:**<br>• **No HRA**: Assessee should not be in receipt of HRA.<br><br>• **No Residential House** at the **place of Business**<br><br>• The accommodation should be occupied by the Assessee for the purpose of his **own Residence.** |

| Sec. | Applicability | Nature of Payment/ Receipt | Amount of Deduction | Special Points |
|---|---|---|---|---|
| **80GGB** | **Indian Company** | Amount contributed during the P.Y. to-<br>a) A **Political Party**;<br>b) An **Electoral Trust**. | **100% of** Contribution. | **No Deduction** shall be allowed in respect of any sum **contributed** by way of **Cash** |
| **80GGC** | **Any Person N.A. to**:<br>• L.A<br>• AJP wholly or partly funded by Government. | Amount contributed during the P.Y. to-<br>a) A **Political Party**; or<br>b) An **Electoral Trust**. | **100% of** Contribution. | **No Deduction** shall be allowed in respect of any sum **contributed** by way of **Cash** |
| **80QQB** | Resident Individual being an **Author** | **Source of Income:** Any **lumpsum consideration** for the assignment or grant of any interests in the **copyright of any Book**, being a work of literary, artistic or scientific nature, or for **Royalty or copyright Fees** (in lumpsum or otherwise)<br><br>**Note:** Books does not include Brochures, Diaries, Guides, Journals, Magazines, Newspapers, Pamphlets, Textbooks for Schools, and other publications of similar nature. | Whole of such income;<br>Or<br>Rs3,00,000<br>whichever is **less** | 1. **If income earned outside India:** It should be **remitted within 6 months from the end of the relevant P.Y,** or within such time extended by RBI.<br><br>**2.No Deduction** shall be allowed under any other provisions of this act in respect of such Income.<br><br>**3. Royalty not received in Lumpsum:** amount in **excess of 15% of the value of such books** sold during the P.Y shall be **ignored.** |
| **80RRB** | Resident Individual being a **Patentee** | **Source of Income:**<br>**a)** GTI of the Patentee includes **"Royalty"** in respect of the Patent, i.e. Consideration for-<br>• Transfer of all or any rights in respect of a patent; or<br>• Imparting of any information concerning the working of, or the use of, a patent , or | Whole of such income;<br>Or<br>Rs3,00,000<br>whichever is **less** | 1. **If income earned outside India:**It should be **remitted within 6 months from the end of the relevant P.Y,** or within such time extended by RBI.<br><br>**2.No Deduction** shall be allowed under any other provisions of this act in respect of such Income. |

| Sec. | Applicability | Nature of Payment/ Receipt | Amount of Deduction | Special Points |
|---|---|---|---|---|
| | | • Use of any Patent; or<br>• Rendering of any services in connection with the activities referred to in above sub clauses.<br><br>b) The above Royalty shall **not** include any consideration-<br>(i) being income chargeable u/h CG, or<br>ii) for sale of product manufactured with the use of patented process or patented article for commercial use. | | |
| **80TTA** | Individual/ HUF | **Nature of Income:** Interest on Deposits in a Saving Account ( not being Time Deposits) with-<br>• A Banking Company.<br>• A Co-Operative Society engaged in the business of banking.<br>• Post Office. | Interest Income; Or Rs 10,000 whichever is **less** | Deposit held by Firm, AOP or BOI: Where Saving Account is held in the name of a Firm, AOP, BOI, no deduction shall be allowed u/s 80TTA in respect of such income in computing the T.I of any Partner of the Firm or Member of AOP/BOI. |
| **80U** | Resident Individual, being a person with disability. | **Resident Individual** Suffering from **disability**, (i.e. Permanent Physical Disability or Mental Retardation including Blindness, loss of Voice, Autism, etc. | 1. **General:** A fixed deduction of Rs **75,000** is allowed.<br><br>2. **Special**: if the person have "**severe disability'**, the deduction is Rs. **1,25,000.**<br>**Note: Severe Disability means** a Person with **80% or more** of one or more disabilities. | 1. The Assessee shall furnish a copy of the Certificate issued by the Medical Authority along with ROI u/s 139. |

## ADVANCE TAX INSTALLMENTS

| Due date of installment in the relevant P.Y (Sec.211) | Amount Payable by Corporate Assessee & Non – Corporate Assessee (uniform Slabs) |
|---|---|
| 1. On or before the $15^{th}$ June | 15% of Advance Tax payable |
| 2. On or before the $15^{th}$ September. | 45% of advance tax payable |
| 3. On or before the $15^{th}$ December | 75% of advance tax payable |
| 4. On or before the $15^{th}$ March | 100% of advance tax payable |

## INTEREST/FEE PAYABLE UNDER INCOME TAX ACT

<table>
<tr><td>Section 234A: Late filing of ROI</td><td>Rate: 1% per month<br>Tenure: Starts from due date of filing ROI till actual date of filing ROI<br>Amount: tax not paid</td></tr>
<tr><td>Section 234B: Default in Payment of Advance Tax</td><td>Rate: 1% per month<br>Tenure: From $1^{st}$ April till the actual date of payment<br>Amount: Advance Tax not paid</td></tr>
<tr><td>Section 234C: Deferment of Advance Tax</td><td>Rate: 1% per month<br>Tenure:
<table>
<tr><th>Installment</th><th>Corporate</th></tr>
<tr><td>$1^{st}$ $15^{th}$ June</td><td>3 Months</td></tr>
<tr><td>$2^{nd}$ $15^{th}$ Sept</td><td>3 Months</td></tr>
<tr><td>$3^{rd}$ $15^{th}$ Dec</td><td>3 Months</td></tr>
<tr><td>$4^{th}$ $15^{th}$ Mar</td><td>1 Month</td></tr>
</table>
Amount: Deficit in each installment<br><br>In case of taxpayers (other than those who opted for presumptive taxation scheme under section 44AD or section 44ADA), interest shall be levied:<br>(i) If advance tax paid on or before 15th June is less than 12% of advance tax payable<br>(ii) If advance tax paid on or before $15^{th}$ September is less than 36% of advance tax payable<br>(iii) If advance tax paid on or before $15^{th}$ December is less than 75% of advance tax payable<br>(iv) If advance tax paid on or before $15^{th}$ March is less than 100% of advance tax payable</td></tr>
<tr><td>Section 234F: Penalty for late filing of Return of Income u/s 139</td><td>a) ROI filed after Due Date u/s 139 (1) but before $31^{st}$ December of AY: Rs. 5000<br>b) Rs. 10,000 in any other case (that is filed on or after $1^{st}$ January of AY)<br>If total income of the person does not exceed Rs. 5 Lakhs then fee payable shall not exceed Rs. 1000.</td></tr>
</table>

**Time for payment of TDS: (monthly)**

April to Feb = $7^{th}$ of the succeeding month

March = $30^{th}$ April

# DUE DATE OF FILING QUARTERLY STATEMENT:

| Sl. No. | Date of ending of the quarter of the financial year | Due date in the case Of other Deductors |
|---|---|---|
| 1. | 30th June | 31st July of the financial year |
| 2. | 30th September | 31st October of the financial year |
| | 31st December | 31st January of the financial year |
| 3. | 31st March | 31st May of the financial year immediately following the financial year in which deduction is made |

**Due date for Filing Form 26QB for TDS Deducted u/s 194IA is 30 days from the end of the month in which TDS is deducted.**

# TIME LIMIT FOR ISSUE OF CERTIFICATE

<table>
<tr><th>S. No.</th><th>Form No.</th><th>Periodicity</th><th>Due date</th></tr>
<tr><td>1.</td><td>16</td><td>Annual</td><td>By 31st day of May of the financial year immediately following the financial year in which the income was paid and tax deducted.</td></tr>
<tr><td>2.</td><td>16A</td><td>Quarterly</td><td>Within 15 days from the due date for furnishing the statement of tax deducted at source under rule 31A. In other words, certificate in Form No. 16A should be issued within the time limit specified as under:
<table>
<tr><th>Quarter ending</th><th>In other cases</th></tr>
<tr><td>30th June</td><td>14th August</td></tr>
<tr><td>30th September</td><td>15th November</td></tr>
<tr><td>31st December</td><td>15th Feb</td></tr>
<tr><td>31st March</td><td>15th June</td></tr>
</table></td></tr>
<tr><td>3.</td><td>16B</td><td>One Time</td><td>Within 15days from the due date for furnishing Challan cum Statement in Form 26QB</td></tr>
</table>

# TDS CHART

| Sec No. | Particulars | Rate | Exemption |
|---|---|---|---|
| 192A | Accumulated balance of Provident Fund | 10% | **Rs. 50,000** |
| 193 | Interest on Securities | 10% | Rs. 5,000 |
| 194 | Dividends | 20% | Rs. 2,500 |
| 194A | Interest other than interest on securities | 10% | Rs. 10,000 (in case of Banks)<br>Rs. 5,000 (others) |
| 194B | Winnings from Lotteries, Cross Word Puzzles, etc | 30% | Rs. 10,000 |
| 194BB | Winning from Horse Race | 30% | **Rs. 10,000** |
| 194C | Payment to Contractors/Sub Contractors | 1%: Payee is Ind/HUF<br>2%: Other Payee | Single Payment: Rs. 30,000<br>Annual: Rs. **1,00,000** |
| 194D | Insurance Commission | **5%** | Rs. 15,000 |
| 194DA | Payment under Life Insurance | **1%** | Rs. 1,00,000 |

| | | | |
|---|---|---|---|
| | Policy | | |
| 194E | Non – Resident Sportsman (including Athlete) or a Non Resident Entertainer<br>Or Non Resident Sports Association | **20% + Sur. +EC + SHEC** | NIL |
| 194EE | National Savings Scheme | **10%** | Rs. 2,500 |
| 194G | Commission on Sale of Lottery Tickets | **5%** | **Rs. 15,000** |
| 194H | Commission or Brokerage | **5%** | Rs. 15,000 |
| 194I | Rent | 2%: P or M<br>10%: L or B, F or F | Rs. 1,80,000 |
| 194IA | Payment for acquisition of Immovable Property other than Agri Land | 1% | Rs. 50,00,000 |
| 194IB | Rent Paid by Individual or HUF to a Resident Person | 5% | If the amount of rent exceeds Rs. 50,000 per month or part of a month During the PY. (w.e.f. 01.06.2017) |
| 194IC | Any person responsible to pay to a Resident person u/s 45(5A) | 10% | 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 |
| 194J | Sum paid for:<br>a) Professional Service<br>b) technical Services<br>c) Royalty<br>d) payment to director (No Exemption)<br>e) Non-Compete Fees | 10% | Rs. 30,000 (Except Payment to Director) |
| 194J | Payee engaged in the business of Call Centre | 2% | - |
| 194LA | Compensation on Compulsory Acquisition of any Immovable Property other than Agricultural Land | 10% | **Rs. 2,50,000** |

# IMPORTANT PENALTIES

| Default | Section No. | Penalty |
|---|---|---|
| Failure to comply with the Notice u/s 142 (1)/(2A)/143(2) | 271(1)(b) | Rs. 10,000 for each failure |
| Concealment of Income | 271(1)(c) | Minimum: 100%<br>Maximum: 300%<br>Of amount of concealment of tax |
| Failure to keep & maintain books of accounts u/s 44AA | 271A | Rs. 25,000 |
| Failure to keep and maintain information and documents relating to International Transaction or Specified Domestic Transaction | 271AA | 2% of value of transaction |
| Failure to get the accounts audited or furnish a report as required u/s 44AB | 271B | ½ % of total sales or Rs. 1,50,000 whichever is Less |
| Penalty for failure to furnish report from an Chartered Accountant as required under section 92E. (International transaction) | 271BA | Rs. 1 Lakh |
| Failure to deduct TDS or Failure to pay DDT u/s 115O | 271C | An amount equal to TDS not deducted or DDT not paid |
| Taking loans or deposits in contravention of Section 269SS | 271D | An amount equal to loan or deposit |
| Contravention with Section 269ST | 271DA | Sum equal to Receipt |
| Repayment of loan or deposits in contravention of Section 269T | 271E | An amount equal to loan or deposit repaid |
| ~~Failure to file return of income before the end of Assessment year~~ (Converted into Fee u/s 234F) | ~~271F~~ | ~~Rs. 5,000~~ |
| Penalty for failure to furnish information or document u/s 92D | 271G | 2% of value of International Transaction or Specified Domestic Transaction |
| Failure to file TDS return | 271H | Not less than 10,000 and upto 1,00,000 |
| Penalty for furnishing incorrect information in reports or certificates by Accountant or Merchant Banker or registered valuer | 271J | Rs. 10,000 for each report or certificate |
| Failure to comply with the provisions of PAN | 272B | Rs. 10,000 |
| Failure to comply with provisions of TAN | 272BB | Rs. 10,000 |

**NEW SECTION 269ST INSERTED: MODE OF UNDERTAKING TRANSACTIONS:**

No person shall receive an amount of two lakh rupees or more—
(*a*) in aggregate from a person in a day; or
(*b*) in respect of a single transaction; or
(*c*) in respect of transactions relating to one event or occasion from a person,
otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account:

Provided that the provisions of this section shall not apply to—
(*i*) any receipt by—
(*a*) Government;
(*b*) any banking company, post office savings bank or co-operative bank;
(*ii*) transactions of the nature referred to in section 269SS;
(*iii*) such other persons or class of persons or receipts, which the Central Government may, by notification in the Official Gazette, specify.

### PENALTY FOR CONTRAVENTION WITH SECTION 269ST (Section 271DA)

(*1*) If a person receives any sum in contravention of the provisions of section 269ST, he shall be liable to pay, by way of penalty, a **sum equal to the amount of such receipt**:
Provided that no penalty shall be imposable if such person proves that there were good and sufficient reasons for the contravention.
(*2*) Any penalty imposable under sub-section (*1*) shall be imposed by the **Joint Commissioner**

### TIME LIMIT FOR COMPLETION OF ASSESSMENTS AND REASSESEMENTS (SECTION 153)

| Section | Proceeding | Time Limit for Completion of Assessment or Reassessment |
|---|---|---|
| **153 (1)** | Regular assessment u/s 143/ Best judgment assessment u/s 144 | a) Within 21 months from end of the assessment year in which income was first assessable. [Applicable for assessment year 2017-18 or before]<br><br>b) **Within 18 months** from end of the assessment year in which income was first assessable. [Applicable for assessment year 2018-19]<br><br>c) Within 12 months from end of the assessment year in which income was first assessable. [Applicable for assessment year 2019-20 and onwards]<br><br>Note: If reference is made to TPO, the period available for assessment shall be extended by 12 months |
| **153 (2)** | Order of assessment or Reassessment u/s 147. | a) **Within 9 months** from end of the financial year in which notice under section 148 was served. [if notice is served before 01-04- 2019]<br><br>b) Within 12 months from end of the financial year in which notice under section 148 was served. [if notice is served on or after 01- 04-2019]<br><br>Note: If reference is made to TPO, the period available for reassessment shall be extended by 12 months. |

| | | |
|---|---|---|
| **153 (3)** | Fresh Assessment U/s 143/144/147 where the original assessment has been set aside, cancelled and referred back to AO by an order u/s 254/263/264 | a) Within 9 months from end of the financial year in which order under section 254 is received by - Principal Chief Commissioner or - Chief Commissioner or - Principal Commissioner or - Commissioner or, - as the case may be an order under section 263/264 is passed by Principal Commissioner or Commissioner<br><br>b) Within 12 months from the end of the financial year in which order under section 254 is received or order under section 263 or 264 is passed by the authority. [if order is passed on or after financial year 2019- 20]<br><br>Note: If reference is made to TPO, the period available for assessment shall be extended by 12 months. |
| **-** | Assessment u/s 153A | 21 Months from the end of FY in which last of the authorization for search u/s 132 or for requisition u/s 132A was executed. |
| **-** | Assessment u/s 153C | 21 Months from the end of FY in which last of the authorization for search u/s 132 or for requisition u/s 132A was executed. |
| **-** | Reference made to TPO u/s 92CA | 33 Months from the end of relevant AY |

## ASSOCIATED ENTERPRISES:

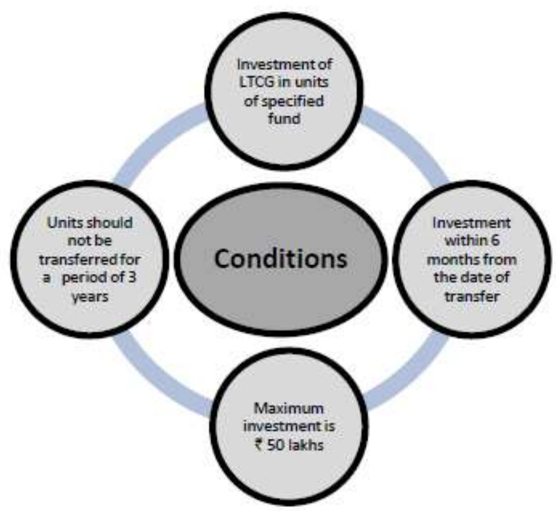
In Summary, two enterprises will be deemed as Associated Enterprises if

| Quantum of Interest | Criteria applied for Associated Enterprises |
|---|---|
| 26% or more | Shareholding with voting power – either direct or indirect |
| 51% or more | Advancement of loan by one entity to other constituting 51% or more of the book value of the total assists of the other entity |
| 51% or more | Based on the board of directors appointed by the governing board of the entity in the other |
| 90% or more | Based on the quantum of supply of raw materials and consumables by one entity to the other |
| 10% or more | Total Borrowing Guarantee by one enterprises for other |
| 10% or more | Interest by a firm or association of Person(AOP) or by a body of Individual (BOI) in other firm AOP or firm or BOI |

## Distinction Tax Evasion, Tax Avoidance and Tax Planning

| Points of distinction | Tax Evasion | Tax Aviodance | Tax Planning |
|---|---|---|---|
| **Meaning** | The illegal way of reducing tax liability by deliberately suppressing income or sale or by increasing expenses, etc., which results in reduction of total income of the assessee. | An exercise by which the assessee legally takes advantages of loopholes in the Tax laws. | Way of reducing tax liability by taking full advantages provided by the Act through exemptions, deductions, rebates and relief. |
| **Characteri-stics** | Illegal and objectionable, both in script and moral. | Immoral in nature and bends the law without breaking it. | Moral in nature and follow the provisions of law within the moral framework. |
| **Aim** | To reduce tax liability by applying unfair means. | To Minimize the tax liability by applying script of law only. | To reduce tax liability by applying script and moral of law. |
| **Practice** | Concealment of tax. | Hedging of tax. | Saving of tax. |
| **Approach** | Concerned with the past and applied after the liability of tax has arisen. It is done with negative approach to avail benefits by killing the moral of law. | Futuristic but short term in nature | Futuristic and positive in nature. The planning is made today to avail benefits in future. |
| **Legal implication** | It overrules the law. | It uses loopholes in the law. | It uses benefits of the law. |
| **Advantages** | Generally, not leads to advantages but causes penalty and prosecution. | Advantages arise in the short run. | Advantages arise in the long run. |

# IMPORTANT AMENDMENTS BY FINANCE ACT, 2016

<table>
<tr><td rowspan="8">Exemption of Long Term Capital Gains on Investment in Notified Units of Specified fund (NEW Section 54EE)(Effective AY2017-18)</td><td>OBJECTIVE</td><td>For incentivizing the startup ecosystem in India, the “Startup India Action Plan” envisages establishment of a Fund of Funds which intends to raise Rs. 2,500 Crores Annually for Four years to finance the startups.</td></tr>
<tr><td>EXEMPTION</td><td>In order to achieve this objective, New Section 54EE has been inserted to provide exemption from CG if LTCG proceeds are invested by an Assessee in units issued before 1st April 2019 of such fund, as may be notified by CG.</td></tr>
<tr><td>QUANTUM OF EXEMPTION</td><td>The lower of the Capital Gains or the amount so invested would be exempted under this Section.</td></tr>
<tr><td>TIME LIMIT FOR INVESTMENT</td><td>6 Months after the date of transfer</td></tr>
<tr><td>CEILING LIMIT FOR INVESTMENT</td><td>The Maximum investment in units of the specified fund in any FY is Rs. 50 Lakhs. Further, the investment made by an Assessee in the units of specified fund out of CG arising from the transfer of one or more Capital Assets, cannot exceed Rs. 50 Lakhs, whether the investment is made in the same FY or Subsequent FY or partly in the same FY and partly in the subsequent FY.</td></tr>
<tr><td>CONSEQUENCE OF TRANSFER BEFORE 3 YEARS</td><td>Where the units are transferred at any time within a period of 3 years from its acquisition, the capital gains, to the extent exempt earlier, would be chargeable as CG in the year of acquisition.</td></tr>
<tr><td>DEEMED TRANSFER</td><td>Further, if the assessee takes any loan or advance on the security of such units, he shall be deemed to have transferred such units on the date on which such loan or advance is taken.</td></tr>
<tr><td>CONDITIONS</td><td>
</td></tr>
<tr><td>EXEMPTION U/S 54GB EXTENDED</td><td colspan="2">In order to encourage individuals/HUF to setup a start-up company by selling a residential property and investing in the shares of such company, section 54GB has been amended to provide that long term capital gains arising on account of transfer of a residential property shall not be charged to tax, if:</td></tr>
</table>

(1) the net consideration is invested in subscription of equity shares of a company which qualifies to be an eligible start-up on or before the due date of filing return of income under section 139(1);

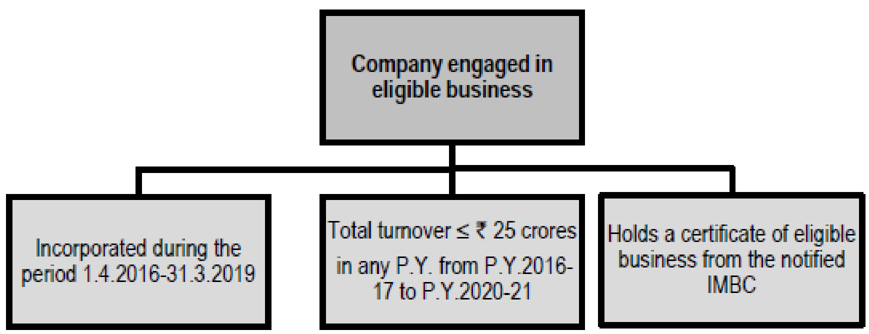
(2) the individual or HUF holds more than 50% shares of the company or 50% voting rights after the subscription in shares by such individual or HUF; and

(3) such company utilises the amount invested in shares to purchase new plant and machinery within one year from the date of subscription in equity shares.

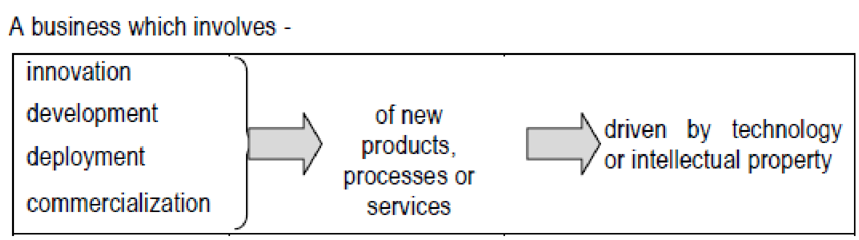
**Purchase of computers or computer software out of amount invested in**
**shares of an technology driven start-up permitted**

In case of an eligible start-up, being a technology driven start-up so certified by the notified Inter-Ministerial Board of Certification (IMBC), the company can also utilize the amount invested in shares to purchase computers or computer software. This is because computers or computer software form the core asset base of such technology driven start-ups.

**Meaning of Eligible Start Up Company:**




**Meaning of Eligible Business:**




**ADDITIONAL DEDUCTION FOR INTEREST ON LOAN BORROWED FOR ACQUISITION OF SELF-**

**Quantum of Deduction:** The Maximum Deduction allowable is Rs. 50,000/-.

**Tenure of Deduction:** Benefit of deduction under this section would be available till the repayment of loan continues.

**Condition:**

<table>
<tr>
<td>OCCUPIED HP BY AN INDIVIDUAL (SECTION 80EE)</td>
<td>
1. Loan should be sanctioned during PY 2016-17.<br>
2. Loan Sanctioned ≤ Rs. 35 Lakhs<br>
3. Value of House ≤ Rs. 50 Lakhs<br>
4. Assessee should not own any RHP on date of sanction of loan<br>
5. Loan taken by Financial Institution or Housing Finance Company
</td>
</tr>
<tr>
<td>REVISION IN THRESHOLD LIMITS FOR TDS</td>
<td>
<u>Revision in threshold limits for deduction of tax at source from certain payments</u>:
<table>
<tr><th rowspan="2"></th><th rowspan="2">Section</th><th rowspan="2">Nature of payment</th><th colspan="2">Threshold limit (₹ )</th></tr>
<tr><th>Upto 31.5.2016</th><th>From 1.6.2016</th></tr>
<tr><td>(1)</td><td>192A</td><td>Payment of accumulated balance due to an employee participating in recognized provident fund</td><td>30,000</td><td>50,000</td></tr>
<tr><td>(2)</td><td>194BB</td><td>Winnings from horse race</td><td>5,000</td><td>10,000</td></tr>
<tr><td>(3)</td><td>194C</td><td>Payment to contractors (revision of threshold of aggregate payment in a year)</td><td>75,000</td><td>1,00,000</td></tr>
<tr><td>(4)</td><td>194D</td><td>Insurance commission</td><td>20,000</td><td>15,000[3]</td></tr>
<tr><td>(5)</td><td>194G</td><td>Commission on sale of lottery tickets</td><td>1,000</td><td>15,000</td></tr>
<tr><td>(6)</td><td>194H</td><td>Commission or brokerage</td><td>5,000</td><td>15,000</td></tr>
<tr><td>(7)</td><td>194LA</td><td>Payment of compensation or enhanced compensation on compulsory acquisition of immovable property</td><td>2,00,000</td><td>2,50,000</td></tr>
</table>
</td>
</tr>
<tr>
<td>REDUCTION IN RATE OF TDS</td>
<td>
<u>Reduction in rate of tax to be deducted at source in respect of certain payments</u>:
<table>
<tr><th rowspan="2"></th><th rowspan="2">Section</th><th rowspan="2">Nature of payment</th><th colspan="2">Rate of TDS</th></tr>
<tr><th>Upto 31.5.2016</th><th>From 1.6.2016</th></tr>
<tr><td>(1)</td><td>194DA</td><td>Payment in respect of life insurance policy</td><td>2%</td><td>1%</td></tr>
<tr><td>(2)</td><td>194EE</td><td>Payments in respect of deposits under National Savings Scheme</td><td>20%</td><td>10%</td></tr>
<tr><td>(3)</td><td>194G</td><td>Commission on sale of lottery tickets</td><td>10%</td><td>5%</td></tr>
<tr><td>(4)</td><td>194H</td><td>Commission or brokerage</td><td>10%</td><td>5%</td></tr>
</table>
In addition, the rate of TDS under section 194D in respect of insurance commission has been reduced from 10% to 5%[4].
</td>
</tr>
<tr>
<td>TIME LIMIT FOR FILING BELATED RETURN U/S 139(4)</td>
<td>A person who has not furnished a return within the time allowed to him under<br>section 139(1), or within the time allowed under a notice issued under section 142(1), may furnish the return for any previous year at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.</td>
</tr>
<tr>
<td>BELATED RETURN CAN BE REVISED U/S 139(5)</td>
<td>If any person, having furnished a return under section 139(1) or belated return under section 139(4), discovers any omission or any wrong statement therein, he may furnish a revised return at any time before the</td>
</tr>
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<table>
<tr><td></td><td>end of the relevant assessment year or before the completion of the assessment, whichever is earlier.</td></tr>
<tr><td>RETURN NOT DEEMED TO BE DEFECTIVE IF SELF-ASSESSMENT TAX IS NOT PAID BEFORE FURNISHING THE RETURN</td><td>A return which is otherwise valid would not be treated defective merely because self-assessment tax and interest payable in accordance with the provisions of section 140A has not been paid on or before the date of furnishing of the return.</td></tr>
<tr><td>MONETARY LIMITS FOR FURNISHING PAN (W.E.F 01.01.2016)</td><td>
<table>
<tr><th>Nature of Transaction</th><th>Value of Transaction</th></tr>
<tr><td>Sale or Purchase of a motor vehicle which requires registration by a registration authority other than 2 wheelers.</td><td>All Such Transactions</td></tr>
<tr><td>Opening of an Account (other than Fixed Deposit and a Basic Saving Bank Deposit Account) with a Banking Company or a Co-operative Bank</td><td>All Such Transactions</td></tr>
<tr><td>Making an Application to any banking company or a Co-operative Bank or to any other company or institution, for issue of a credit or debit card</td><td>All such transactions</td></tr>
<tr><td>Opening of a Demat Account with a Depository, participant, Custodian of securities or any other person registered u/s 12(1A) of SEBI Act, 1992</td><td>All Such Transactions</td></tr>
<tr><td>Payment to a Hotel or restaurant against a bill or bills at any one time</td><td>Payment in cash exceeding Rs. 50,000</td></tr>
<tr><td>Payment in connection with travel to any foreign country or payment for purchase of any foreign currency at any one time</td><td>Payment in cash exceeding Rs. 50,000</td></tr>
<tr><td>Payment to a Mutual Fund for purchase of its units</td><td>Amount Exceeding Rs. 50,000</td></tr>
<tr><td>Payment to a company or an institution for acquiring debenture or bonds issued by it</td><td>Amount exceeding Rs. 50,000</td></tr>
<tr><td>Payment to RBI for acquiring bonds issued by it</td><td>Amount exceeding Rs. 50,000</td></tr>
<tr><td>Deposit with a banking company or a Co-operative Bank</td><td>Deposits in cash exceeding Rs. 50,000 during one day</td></tr>
<tr><td>Purchase of bank drafts or pay order or bankers cheque from banking company or co-operative bank</td><td>Payment in cash exceeding Rs. 50,000 during one day</td></tr>
<tr><td>A Time Deposit with:<br>a) Banking Company or a Co-operative Bank<br>b) Post office<br>c) Nidhi Company<br>d) NBFC(Deposit NBFC)</td><td>Amount exceeding Rs. 50,000 or aggregating to more than Rs. 5 Lakhs during a financial year.</td></tr>
<tr><td>Payment of Life Insurance Payment</td><td>Amount aggregating to more than Rs. 50,000 in a financial year</td></tr>
</table>
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<tr>
<td></td>
<td>
<table>
<tr><td>A contract for sale or purchase of Securities other than Shares</td><td>Amount exceeding Rs. 1 Lakhs per transaction</td></tr>
<tr><td>Sale or purchase by any person of Shares of a company not listed in RSE</td><td>Amount Exceeding Rs. 1 Lakh per transaction</td></tr>
<tr><td>Sale or purchase of any immovable property</td><td>Amount exceeding Rs. 10 Lakhs or valued by Stamp Valuation authority at an amount exceeding Rs. 10 Lakhs</td></tr>
<tr><td>Sale or Purchase by any person, of Goods or services other than above (including Jewellary)</td><td>Amount exceeding Rs. 2 Lakh per transaction</td></tr>
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</tr>
<tr>
<td>DEDUCTION IN RESPECT OF EMPLOYMENT OF NEW EMOPLOYEES (NEW SECTION 80JJAA)</td>
<td>
1. <u>Increase in Scope</u>: In old section, benefit was allowed only to Assessee whose GTI includes any profit and gains derived from manufacture of goods in a factory. Now, it has been substituted to increase the scope and cover all sectors.<br>
2. <u>Quantum of Deduction</u>: Assessee to whom Section 44AB applies, whose GTI includes any profits and gains derived from business, a deduction of an amount equal to 30% of additional employee cost incurred in course of business in PY, would be allowed for 3 AY including the AY relevant to PY in which such employment is provided.<br>
3. <u>Conditions</u>:<br>
a. Business should not be formed by splitting up, or the reconstruction, of an existing business;<br>
b. Business is not acquired by assessee by way of transfer from any other person or as a result of any business reorganization<br>
c. Report of Accountant, giving prescribed particulars, has to be furnished along with ROI<br>
4. <u>Additional Employee</u>: Employee who has been employed during the PY and whose employment has the effect of increasing the total number of employees employed by employer as on the last day of preceding year.<br>
<u>Exclusions from Definition</u>:<br>
<u>(a)</u> An employee whose total emoluments are more than 25,000 p.m. or<br>
<u>(b)</u> Employee for whom entire contribution is paid by Government under Employee Pension scheme;<br>
<u>(c)</u> Employee employed for a period of less than 240 days during PY;<br>
<u>(d)</u> An Employee who does not participate in the recognized Provident Fund<br>
5. <u>Emoluments</u>: Any sum paid or payable to an employee in lieu of his employment by whatever name called <u>Except</u>: (a) Any contribution paid or payable by employer to any pension fund or provident fund or any other fund; (b) Any lump sum payment paid or payable to an employee at the time of termination or superannuation or voluntary retirement such as gratuity, leave encashment, commutation of pension, etc.
</td>
</tr>
<tr>
<td>MISC TOPICS</td>
<td>
1. Transfer of units by unit holders on consolidation of plans within a mutual fund scheme not be regarded as Transfer.<br>
2. Period of holding of unlisted shares to qualify as a long term capital asset to be reduced from More than 36 months to More than 24 months.
</td>
</tr>
</table>

| | |
|---|---|
| | 3. Redemption of an individual of Sovereign gold bonds issued by RBI not to constitute transfer for the purpose of levy of Capital gains Tax.<br>4. Long term capital gains on shares of private companies to be subject to concessional rate of tax @ 10% in the hands of non-corporate non-residents and foreign companies. |

## AMENDMENTS BY FINANCE ACT. 2017

<table>
<tr><td>Rebate u/s 87A</td><td><u>Eligible</u>: Resident Individual whose total taxable income does not exceed Rs. 3,50,000.<br><br><u>Quantum</u>: Amount of tax payable or Rs. 2,500; whichever is Less</td></tr>
<tr><td>Surcharge</td><td><table><tr><th>Income</th><th>Rate</th></tr><tr><td>Income Upto Rs. 50 Lakhs</td><td>NIL</td></tr><tr><td>Income Exceeding Rs. 50 Lakhs but does not exceed Rs. 1 Crore</td><td>10%</td></tr><tr><td>Income Exceeding Rs. 1 Crore</td><td>15%</td></tr></table></td></tr>
<tr><td>Books of Accounts u/s 44AA</td><td><u>In case of Individual & HUF:</u><br>Turnover exceeds Rs. 25,00,000 or<br>Net Profit exceeds Rs. 2,50,000<br><br><u>Other Assessee:</u><br>Turnover exceeds Rs. 10,00,000 or<br>Net Profit exceeds Rs. 1,20,000</td></tr>
<tr><td>Presumptive Scheme u/s 44AD</td><td><u>Rate of Presumptive Income:</u><br>If total turnover or gross receipts which is received by an Account Payee Cheque or Account Payee Bank Draft or Electronic Clearing System through a bank account: 6%<br><br><u>In other case</u>:<br>8% of Turnover or Gross Receipts<br><br><u>Turnover Limit:</u><br>2 Crores</td></tr>
<tr><td>Section 50CA inserted</td><td>Where the consideration received or accruing as a result of the transfer<br>by an assessee of a capital asset, being share of a company other than a quoted share, is less than the fair market value of such share determined in such manner as may be prescribed, the value so determined shall, for the purposes of section 48, be deemed to be the full value of consideration received or accruing as a result of such transfer.<br><br>Explanation.—For the purposes of this section, “quoted share” means the<br>share quoted on any recognised stock exchange with regularity from time to time, where the quotation of such share is based on current transaction made in the ordinary course of business.’</td></tr>
<tr><td>Limit on Set off of Loss under the head House Property u/s 71(3A)</td><td>Notwithstanding anything contained in sub-section (1) or sub-section (2),<br>where in respect of any assessment year, the net result of the computation under the head “Income from house property” is a loss and the assessee has income assessable under any other head of income, the assessee shall not be entitled to set off such loss, to the extent the amount of the loss exceeds two lakh rupees, against</td></tr>
</table>

| | |
|---|---|
| | income under the<br>other head. |
| **Contribution to NPS u/s 80CCD** | Under this section, maximum deduction allowed is:<br>▪ up to 20% of salary for salaried employee<br>▪ and 20% of gross income for other taxpayer who is not under salaried employment |
| **80CCG Scheme discontinued** | New Investments on or after 01.04.2017 are not eligible for deduction under this Section.<br><br>Provided that an assessee, who has acquired listed equity shares or listed units of an equity oriented fund in accordance with the scheme referred to in sub-section (*1*) and claimed deduction under this section for any assessment year commencing on or before the 1st day of April, 2017, shall be allowed deduction under this section **till the assessment year commencing on the 1st day of April, 2019**, if he is otherwise eligible to claim the deduction in accordance with the other provisions of this section. |
| **80G amended** | No deduction shall be allowed in respect of donation of any sum **exceeding Rs 2,000**, unless such sum is paid by **any mode other than cash.** |
| **Section 115BBDA** | **Assessee**: "specified assessee" means a person other than,—<br>(*i*) a domestic company; or<br>(*ii*) a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (*iv*) or sub-clause (*v*) or sub-clause (*vi*) or sub-clause (*via*) of clause (*23C*) of section 10; or<br>(*iii*) a trust or institution registered under section 12A or section 12AA.'. |
| **Tax on Income from Transfer of Carbon Credits u/s 115BBG** | (*1*) Where the total income of an assessee includes any income by way<br>of transfer of carbon credits, the income-tax payable shall be the aggregate of—<br>(*a*) the amount of income-tax calculated on the income by way of transfer<br>of carbon credits, at the rate of **ten per cent**.; and<br>(*b*) the amount of income-tax with which the assessee would have been<br>chargeable had his total income been reduced by the amount of income referred to in clause (*a*).<br>(*2*) Notwithstanding anything contained in this Act, no deduction in respect of any expenditure or allowance shall be allowed to the assessee under any provision of this Act in computing his income referred to in clause (*a*) of sub-section (*1*).<br><br>*Explanation*.—For the purposes of this section, "carbon credit" in respect of one unit shall mean reduction of **one tonne** of carbon dioxide emissions or emissions of its equivalent gases which is |

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|---|---|
| | validated by the United Nations Framework on Climate Change and which can be traded in market at its prevailing market price. |
| **Due Date of Filing Revised Return u/s 139(5)** | If any person, having furnished a return under section 139(1) **or belated return under section 139(4)**, discovers any omission or any wrong statement therein, he may furnish a revised return at any time **before the end of the relevant assessment year** or before the completion of the assessment, whichever is earlier. |
| **Quoting of Aadhaar Number become mandatory u/s 139AA** | (*1*) Every person who is eligible to obtain Aadhaar number shall, on or<br>after the 1st day of July, 2017, quote Aadhaar number—<br>(*i*) in the application form for allotment of permanent account number;<br>(*ii*) in the return of income:<br><br>Provided that where the person does not possess the Aadhaar number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted in the application for permanent account number or, as the case may be, in the return of income furnished by him.<br><br>"Enrolment ID" means a 28 digit Enrolment Identification Number issued to a resident at the time of enrolment.'. |
| **NEW SECTION 269ST INSERTED: MODE OF UNDERTAKING TRANSACTIONS:** | No person shall receive an amount of two lakh rupees or more—<br>(*a*) in aggregate from a person in a day; or<br>(*b*) in respect of a single transaction; or<br>(*c*) in respect of transactions relating to one event or occasion from a person,<br>otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account:<br><br>Provided that the provisions of this section shall not apply to—<br>(*i*) any receipt by—<br>(*a*) Government;<br>(*b*) any banking company, post office savings bank or co-operative bank;<br>(*ii*) transactions of the nature referred to in section 269SS;<br>(*iii*) such other persons or class of persons or receipts, which the Central Government may, by notification in the Official Gazette, specify. |
| **PENALTY FOR CONTRAVENTION WITH SECTION 269ST (Section 271DA)** | (*1*) If a person receives any sum in contravention of the provisions of section 269ST, he shall be liable to pay, by way of penalty, a **sum equal to the amount of such receipt**:<br>Provided that no penalty shall be imposable if such person proves that there were good and sufficient reasons for the contravention.<br>(*2*) Any penalty imposable under sub-section (*1*) shall be imposed by the **Joint Commissioner** |
| **Section 234F: Penalty for late filing of Return** | c) ROI filed after Due Date u/s 139 (1) but before 31st December of AY: Rs. 5000 |

<table>
<tr>
<td>of Income u/s 139</td>
<td>d) Rs. 10,000 in any other case (that is filed on or after 1st January of AY)<br>If total income of the person does not exceed Rs. 5 Lakhs then fee payable shall not exceed Rs. 1000.<br><br>Penalty u/s 271F discontinued.</td>
</tr>
<tr>
<td>BASE YEAR SHIFTED FROM 1981-1982 TO 2001-2002</td>
<td>Base year for the purpose for calculation of Indexed cost of acquisition or improvement has been shifted from 1981-1982 to 2001-2002. Accordingly, if any Assessee/Previous Owner has acquired capital asset prior to 01.04.2001 then he will have the option to choose actual cost of acquisition or FMV as on 01.04.2001 as his cost of acquisition. Cost of improvement incurred by Assessee or previous owner prior to 01.04.2001 shall be taken as NIL. (Amendment by Finance Act 2017)</td>
</tr>
<tr>
<td></td>
<td>The Cost inflation Index as notified by the central government is as under:
<table>
<tr><th>FY</th><th>CII</th><th>FY</th><th>CII</th></tr>
<tr><td>2001-02</td><td>100</td><td>2013-14</td><td>220</td></tr>
<tr><td>2002-03</td><td>105</td><td>2014-15</td><td>240</td></tr>
<tr><td>2003-04</td><td>109</td><td>2015-16</td><td>254</td></tr>
<tr><td>2004-05</td><td>113</td><td>2016-17</td><td>264</td></tr>
<tr><td>2005-06</td><td>117</td><td>2017-18</td><td>272</td></tr>
<tr><td>2006-07</td><td>122</td><td></td><td></td></tr>
<tr><td>2007-08</td><td>129</td><td></td><td></td></tr>
<tr><td>2008-09</td><td>137</td><td></td><td></td></tr>
<tr><td>2009-10</td><td>148</td><td></td><td></td></tr>
<tr><td>2010-11</td><td>167</td><td></td><td></td></tr>
<tr><td>2011-12</td><td>184</td><td></td><td></td></tr>
<tr><td>2012-13</td><td>200</td><td></td><td></td></tr>
</table>
</td>
</tr>
</table>

## GOODS & SERVICE TAX

1) Today GST is one of the widely accepted indirect taxation system prevalent in more than **160 countries** across the globe.
2) Today, **Malaysia** is the most recent country to join the bandwagon of GST.
3) GST is a **broad-based** tax
4) GST is a **destination** based tax
5) GST is technically paid by suppliers but it is **actually funded by consumers**
6) GST is a tax on the consumption of products from business sources, and **not on personal or hobby activities**
7) India has the highest tax slab in the world i. e. 28%, next highest is Argentina at 27%.
8) **Except Brazil and Canada**, no other country could venture into dual GST System.
9) In **Canada**, though GST scheme closely resembles that of India, it failed to achieve consensus among States.
10) In the GST Council, a decision will be taken by a **three-fourth majority** with the Centre having a **one-third vote** and the States the **remaining two-third.**
11) The following are kept out of GST. As such these are taxes under the existing laws of centre and States as the case may be.
    a. Alcohol for human consumption.
    b. Petroleum Products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel & **(These shall be are brought under GST at a later date to be recommended by the GST Council).**
    c. Electricity.
    d. Property taxes, such as stamp duty.
    e. Motor vehicles tax
    f. Entertainment tax collected by local bodies
12) **In 1954, France was the first country to introduce GST**.
13) The **Kelkar Task Force** on Indirect Tax has suggested a comprehensive Goods and Services Tax (GST) based on VAT principle.
14) To bring out GST laws governing goods and services, **Article 246A** has been inserted to enable levy of tax on goods and services simultaneously both by Centre and States/union territories.
15) Article 279A of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods & Services Tax Council
16) The provisions relating to GST Council came into force on 12th September, 2016. President constituted the GST Council on 15th September, 2016.
17) GSTN is the Common GST Portal, a single interface for all taxpayers from any part of the country.
18) The Government of India and State Governments came together to create the Goods and Services Tax Network (GSTN), a **Special Purpose Vehicle** as non-government, not-for-profit Company where Centre holds 24.5 per cent shares and all States collectively hold 24.5 per cent. The remaining shares are held by five private financial institutions. This structure brings flexibility of private sector while ensuring that strategic control remains with the government.
19) State of Jammu & Kashmir is also covered under GST
20) GST is applicable on "supply" of goods or services as against the earlier concept of manufacture or sale of goods or on provision of services.

21) There are four tax slabs namely 5 per cent, 12 per cent, 18 per cent and 28 per cent for all goods or services. Precious metals would be subject to tax @ 3 per cent whereas rough precious stones attract tax @ 0.25 per cent. Some specified goods or services have been exempted.

22) Import of goods is treated as inter-State supplies and would be subject to IGST in addition to the applicable basic customs duties.

23) Import of services is treated as inter-State supplies and would be subject to IGST on reverse charge basis.

24) Exports and supplies to SEZ are zero-rated.

25) Goods and services supplied under GST are classified under a code number. Such a code number is called classification number or tariff number.

26) For all assesses having a turnover of ₹ 5 crores and above it is mandatory to mention the HSN/SAC code of the product or the service on the tax invoice.

27) The Union Government presented the Central Goods and Service Tax Bill, 2017 in Lok Sabha on 27th March, 2017 and the same was passed by Lok Sabha on 29th March, 2017. The Rajya Sabha passed the bill on 6th April, 2017 and was assented by the President on 13th April, 2017.

28) "**goods**" means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

29) "**services**" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

30) "**input**" means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.

31) "**input service**" means any service used or intended to be used by a supplier in the course or furtherance of business.

32) "**Input Service Distributor**" means an office of the supplier of goods or services or both which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of Central tax, State tax, Integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office.

33) "Supply" under GST can be divided into following parts;
   a. Supply in the form of sale, transfer, barter, exchange, licence, rental, lease or disposal made for a consideration by a person in the course or furtherance of business;
   b. Import of services for a consideration (whether or not in the course or furtherance of business);
   c. The activities specified in Schedule I, (made or agreed to be made without a consideration); and
   d. The activities specified in Schedule II (to be treated as supply of goods or supply of services)

34) Gifts from an employer to an employee not exceeding ₹ 50,000 will not be considered as supply.

35) Section 2(30) of the CGST Act, 2017 defines "**composite supply**" as a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

36) Section 2(74) of the CGST Act, 2017 defies "**mixed supply**" as two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

37) **Section 8** of the CGST Act, 2017 states that, the tax liability on a composite or a mixed supply shall be determined in the following manner, namely:-
   a. A composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and
   b. A mixed supply comprising two or more supplied shall be treated as s supply of that particular supply which attracts the highest rate of tax.

38) There shall be levied a tax called the **central goods and services** tax on all intra-State supplies of goods or services or both, **except** on the supply of alcoholic liquor for human consumption, on the value determined under section 15 and at such rates, **not exceeding twenty per cent.**

39) A registered person, whose aggregate turnover in the preceding financial year did not exceed **One Crore rupees**, may opt for Composition Scheme. A reduced limit of **75 lakhs rupees** have been kept for special category states (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Sikkim and Himachal Pradesh).

40) Under the GST regime, liability to pay tax arises when a person crosses the turnover threshold of ₹ 20 lakhs (₹ 10 lakhs for North Eastern & Special Category States)

41) North Eastern and Special Category States are Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Sikkim and Himachal Pradesh

42) **Job Work**: Inputs and capital goods can be sent to a job worker and the principal can avail ITC on them.
   a. The goods can be sent directly from the job worker place even without bringing them to the premises of the principal.
   b. Inputs should be brought back within one year and capital goods within 3 years. If the goods are not brought back within the stipulated time, it is treated as supply and tax is payable by the principal.
   c. Moulds and dies, jigs and fixtures, or tools sent out to a job worker for job work need not be brought within 3 years time (Capital Goods excludes moulds and dies, jigs and fixtures, or tools.)
   d. The responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal.

43) The time duration for retention of accounts and records under GST is until expiry of **seventy-two months** from the due date of furnishing of annual return for the year pertaining to such accounts and records.

44) A registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period

of one year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above, whichever is later.

45) The following persons have been specifically kept out of the purview of registration under GST:
   a. Person supplying exempted goods or services or goods or services which are not liable for tax under GST.
   b. An agriculturist, to the extent of supply of produce out of cultivation of land.

46) Application for registration must be made **within thirty days** from the date on which he becomes liable to registration, in every such State or Union territory in which he is so liable.

47) A **casual taxable person** or **a non-resident taxable** person shall apply for registration at least **five days** prior to the commencement of business.

48) For small and medium business with annual aggregate turnover **upto ₹ 1.5 Crore**, filing of return GSTR 1, 2 and 3 will be quarterly and payment of tax will also be deposited on quarterly basis

49) TDS Provision mandates TDS @ **1%** to be deducted by Government/Local Authorities from the payment made or credited to the supplier (hereafter in his section referred to as "the deductee") of taxable goods or services or both, where the total value of such supply, under a contract, exceeds **two lakh and fifty thousand rupees**.

50) Electronic commerce operator to collect tax not exceeding 1% of the net value and to deposit within 10 days of the expiry of the month in which he collected the tax.

51) Total deduction in each case will be **2%** (CGST 1% + SGST/UTGST 1%)

52) Under GST regime, all the taxpayers will get three electronic ledgers namely E-cash Ledger, E-credit Ledger & E-liability Ledger through their GST profile.

53) Over the Counter Payment can be made in branches of Banks Authorized (for deposits up to **ten thousand rupees** per challan per tax period, by cash, cheque or demand draft) to accept deposit of GST.

54) If a person liable to pay tax, fails to pay such tax or any part thereof shall for the period for which the tax or any part thereof remains unpaid, is liable to pay, on his own, interest not exceeding **18%**.

55) Whereas if a taxable person who makes an undue or excess claim of input tax credit or undue or excess reduction in output tax liability, shall pay interest at such rate not exceeding **24%**.

56) According to section 54 of the CGST Act, 2017, any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application **before the expiry of two years from the relevant date.**

57) A specialized agency of the United Nations Organization or any Multilateral Financial Institution and Organization notified under the United Nations (Privileges and Immunities) Act, 1947, Consulate or Embassy of foreign countries or any other person or class of persons, as notified under section 55, entitled to a refund of tax paid by it on inward supplies of goods or services or both, may make an application for such refund, in such form and manner as may be prescribed, before the expiry of **six months** from the last day of the quarter in which such supply was received.

58) After receipt of the application or declaration as the case may be, the proper officer is satisfied that the whole or part of the amount claimed as refund is refundable, he may make an order within **sixty days** from the date of receipt of application and the amount so determined shall be credited to the **Consumer Welfare Fund**.

59) Section 56 of the CGST Act, 2017 states that if any tax ordered to be refunded under section 54 is not refunded within sixty days from the date of receipt of application interest at such rate not exceeding **six per cent**. (Where refund arises from an order passed by an adjudicating authority or Appellate Authority or Appellate Tribunal or Court, Rate of Interest shall be 9%)

60) A **provisional assessment** is done when the taxable person is unable to determine the value of goods or services or both or determine the rate of tax applicable thereto, and request the proper officer in writing giving reasons for payment of tax on a provisional basis and the proper officer shall pass an order, within a period **not later than 90 days** from the date of receipt of such request, allowing payment of tax on provisional basis at such rate or on such value as may be specified by him.

61) The proper officer is required to pass final assessment order **within 6 months** from the date of the communication of order. The period specified may, on sufficient cause being shown and for reasons to be recorded in writing, be **extended by the Joint Commissioner or Additional Commissioner for a further period not exceeding six months and by the Commissioner for such further period not exceeding four years**.

62) **Best judgment assessment** may be made by the proper officer if the registered person fails to file general return under section 39 or final return under section 45 even after notice given under section 46. Such an assessment may be made **within 5 years** from the due date of annual return of the period to which the tax not paid relates.

63) **General Audit**: (3 Months = 6 Months)
   a. A prior notice of not less than **fifteen working days** will be sent to the registered person before the audit is conducted
   b. The audit needs to be completed within a period of **three months** from the date of commencement of the audit, but a further extension for a period of **six months** may be provided by the Commissioner for the reasons recorded in writing.
   c. On conclusion of audit, the proper officer shall, within **thirty days**, inform the registered person, whose records are audited, about the findings, his rights and obligations and the reasons for such findings.

64) **Special Audit**: (90 Days = 90 Days)
   a. Can be ordered by any officer not below the rank of Assistant Commissioner with the prior approval of the Commissioner
   b. A report of audit signed and certified by the appointed **Chartered Accountant** or **Cost Accountant** is required to be submitted within **90 days** although this period can be **further extended to 90 days**.

65) Every Registered person causing a movement of goods with aggregate value of goods exceeding **Rs. 50,000** shall general E Way bill on Common Portal.

66) When an e-way bill is generated a unique e-way bill number (EBN) is allocated and is available to the supplier, recipient, and the transporter.

67) Where an e-way bill has been generated under this rule, but goods are either not transported or are not transported as per the details furnished in the e-way bill, the e-way bill may be cancelled electronically on the common portal, either directly or through a Facilitation Centre notified by the Commissioner, **within 24 hours** of generation of the e-way bill.

68) The details of e-way bill generated under sub-rule (1) shall be made available to the recipient, if registered, on the common portal, who shall communicate his acceptance or rejection of the consignment covered by the e-way bill. Where the recipient referred to in sub-rule (11) does not communicate his acceptance or rejection **within seventy two hours** of the details being made available to him on the common portal, it shall be deemed that he has accepted the said details.

69) Validity Period of E Way Bill is One Day if movement is upto 100 Kms, for Every 100 Kms or part thereof thereafter if movement exceeds 100 Kms: one more additional day.

70) The **Delhi** and the **Puducherry** are the other two union territories but this Act will not be applicable there as they have their own State Legislature and Government. State GST would be applicable in their case.

71) For the purpose of calculating the compensation amount payable to States in any financial year during the transition period, the financial year ending **31st March, 2016**, shall be taken as the base year.

72) The projected nominal growth rate of revenue subsumed for a State during the transition period shall be **fourteen per cent (14%) per annum**.

73) The Compensation Act provides for the manner of ascertaining the amount of compensation payable to States during the transition period of **five years** by the Centre on account of revenue loss attributable to levy of goods and services tax.

74) The compensation shall be released **bi-monthly** on provisional basis and final adjustment shall be made after getting audited accounts of the year from the Comptroller and Auditor General of India.

75) No Compensation Cess shall be leviable on supplies made by a taxable person who has decided to opt for **composition levy** under section 10 of the Central Goods and Services Tax Act.

76) To generate revenue to compensate states for five year for loss suffered by the states on account of implementation of goods and service tax, is by levy of a Compensation cess on such goods as recommended by the GST Council over and above the GST rate on that item.

77) 50% of the amount remaining unutilized in the GST Compensation Fund at the end of the transition period shall be transferred to the Consolidated Fund of India as the share of Centre, and the balance 50% shall be distributed amongst the States in the ratio of their total revenues from the State tax or the Union territory goods and services tax, as the case may be, in the last year of the transition period.

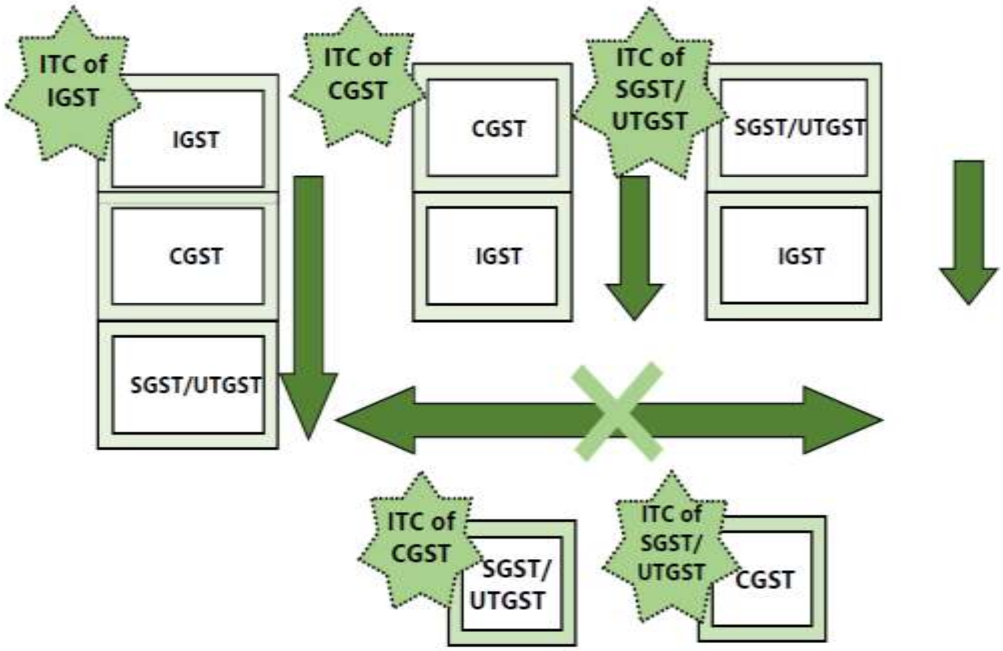
78) "**consideration**" in relation to the supply of goods or services or both includes –

a. any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;
b. the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

# RETURNS TO BE FILED UNDER GST

| FORM IF THE RETURN | DETAILS TO BE PROVIDED IN THE RETURN | WHO SHOULD FILE? | BY WHAT DATE? |
|---|---|---|---|
| **GSTR-1** | Details of outward supplies of taxable goods and/or services effected/provided | Registered Taxable Supplier | 10th of the next month |
| **GSTR-2** | Details of inward supplies of taxable goods and/or services effected claiming input tax credit. | Registered Taxable Recipient | 15th of the next month |
| **GSTR-3** | Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax. | Registered Taxable Person | 20th of the next month |
| **GSTR-4** | Quarterly return for compounding taxable person. | Composition Supplier | 18th of the month succeeding quarter |
| **GSTR-5** | Return for Non-Resident foreign taxable person | Non-Resident Taxable Person | 20th of the next month |
| **GSTR-6** | Return for Input Service | Input Service Distributor | 13th of the next month |
| **GSTR-7** | Return for authorities deducting tax at source. | Tax Deductor | 10th of the next month |
| **GSTR-8** | Details of supplies effected through e-commerce operator and the amount of tax collected | E-commerce Operator/Tax Collector | 10th of the next month |
| **GSTR-9** | Annual Return | Registered Taxable Person | 31st December following the financial year |
| **GSTR-10** | Final Return | Taxable person whose registration has been surrendered or cancelled. | Within three months of the date of cancellation or date of cancellation order, whichever is later. |
| **GSTR-11** | Details of inward supplies to be furnished by a person having UIN | Person having UIN and claiming refund | 28th of the month following the month for which statement is filed |

## SET OFF MECHANISM




| | |
|---|---|
| **SCHEDULE I** | **Schedule I** lists activities that are to be treated as supply even if they are without a consideration. The important point to note here is that though the following activities will be considered as supply even if there is no consideration involved, it is required that the activity is done either in the course or furtherance of business. The forms of Supply listed in Schedule I are as follows:<br><br>• **Permanent transfer or disposal of business assets where input tax credit (ITC) has been availed on such assets:** When ITC is availed on a particular asset and the asset is disposed off or transferred permanently without a consideration, it will be considered as supply and attract GST. Example: Suppose, if for office purpose, XYZ Ltd. purchases 10 laptops worth ₹ 500000 + GST ₹ 25000 and further avails ITC of ₹ 25000 on GST paid, and after few years XYZ Ltd. gives away these laptops to office staff, it will be deemed as supply without consideration.<br><br>• **Branch transfer:** Supply of goods or services between related parties and between distinct persons (as in section 25) will attract tax. Thus, even if goods or services are transferred from head office to branch office, GST liability will arise. Although gifts from an employer to an employee not exceeding ₹ 50,000 will not be considered as supply.<br><br>• **Principal – Agent Transaction:** In the previous indirect tax regime, supply of goods between principal to his agent or agent to its principle was not taxable but under GST, such a supply will be taxable.<br><br>• **Import of services:** Any services imported by a taxable person from a related person or from any of his other establishments, will attract GST. Thus, for example if a head office which is located out of India provides interior designing services to its branch office in India, the |

<table>
<tr><td></td><td>service will be a taxable service under GST.</td></tr>
<tr><td>SCHEDULE II</td><td>Schedule II of the CGST Act, 2017 specifies activities to be treated as supply of goods or supply of services
<table>
<tr><th>FORM OF SUPPLY</th><th>DESCRIPTION</th><th>SUPPLY OF</th></tr>
<tr><td rowspan="3">TRANSFER</td><td>Transfer of title in goods</td><td>Goods</td></tr>
<tr><td>Any transfer of right or undivided share in goods without transfer of title</td><td>Service</td></tr>
<tr><td>Transfer of title in goods under an agreement where property in goods passes at a future date on payment of full consideration</td><td>Goods</td></tr>
<tr><td rowspan="2">LAND AND BUILDING</td><td>Any lease, tenancy, easement, licence to occupy land</td><td>Service</td></tr>
<tr><td>Any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly</td><td>Service</td></tr>
<tr><td>TREATMENT OR PROCESS</td><td>Any treatment or process which is applied to another person’s goods</td><td>Service</td></tr>
<tr><td rowspan="3">TRANSFER OF BUSINESS ASSETS</td><td>Permanent transfer or disposal of goods forming part of business assets by or under the directions of the person carrying on the business whether or not for consideration</td><td>Goods</td></tr>
<tr><td>Where, by or under the direction of a person carrying on a business, goods held or used for purpose of business are put for any private use or made available to a person for any use other than for the purpose of business, at the direction of the person carrying on the business, whether or not for a consideration.</td><td>Service</td></tr>
<tr><td>Any goods forming a part of business assets will be deemed to be transferred in furtherance of business, before any person ceases to be a taxable person<br><br>Exception<br>• The business is transferred as a going concern<br>• The business is carried on by a personal representative who is deemed to be a taxable person</td><td>Goods</td></tr>
<tr><td>IMMOVABLE</td><td>Renting of immovable property</td><td>Service</td></tr>
</table></td></tr>
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| | | |
|---|---|---|
| **PROPERTY** | | |
| **CONSTRUCTION OR SALE** | Construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier | Service |
| **INTELLECTUAL PROPERTY RIGHTS** | Temporary transfer or permitting the use or enjoyment of any intellectual property right | Service |
| **INFORMATION TECHNOLOGY SOFTWARE** | Development, design, programming, customization, adaptation, upgradation, enhancement, implementation of information technology software | Service |
| **ACTION** | Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act | Service |
| **RIGHTS TO USE GOODS** | Transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration | Service |
| **COMPOSITE SUPPLIES** | Works Contract as defined under Section 2(119)<br><br>Supply of goods, as a part of any service or in any manner, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration | Service<br><br>Service |
| **SUPPLY BY UNINCORPORATED ASSOCIATION** | Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration. | Goods |

| | |
|---|---|
| **SCHEDULE III** | **Activities which are neither supply of goods nor supply of services**<br>Section 7(2) states that notwithstanding anything contained in sub-section 7(1) of the CGST Act:<br>1. Schedule III activities or<br><br>Schedule III activities include<br>1. Services by employee to employer<br>2. Services by any court or tribunal |

| | |
|---|---|
| | 3. Functions performed by the Members of Parliament etc.<br>4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.<br>5. Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.<br>6. Actionable claims, other than lottery, betting and gambling<br><br>2. Activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall neither be treated as supply of goods nor as supply of services (Notification No. 14/2017 CT (R) dated 28.06.2017 has notified the services by way of any activity in relation to a function entrusted to a Panchayat under article 243G of the Constitution for the said purpose.)<br> |



## Time of Supply of Goods

| TYPE | GOODS (SECTION 12) |
|---|---|
| General provision (sub section 2) | (Earliest of the three)<br>• date of issue of invoice<br>• last date when invoice is required to be issued (section 31(1))<br>• receipt of payment. However, a supplier of goods having annual aggregate turnover upto ₹ 1.5 Crore need not pay tax on advance payment received. Consequently tax become tables for him when the supply of good is made. |
| Excess amount received is up to ₹ 1000 in excess to the amount indicated in tax invoice | (at the option of supplies) date of issue of invoice (with respect to such excess amount) |
| Here "supply" shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment and "the date of receipt of payment" shall be the earliest of the following: date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account | |
| Reverse Charge Basis (sub section 3) | (Earliest of the three)<br>• the date of the receipt of goods |

<table>
<tr><td></td><td><ul><li>the date of payment as entered in the books of account or payment is debited in his bank account, whichever is earlier</li><li>the date immediately following thirty days from the date of issue of invoice or any other document</li></ul></td></tr>
<tr><td colspan="2">Where it is not possible to determine the time of supply, the date of entry in the books of account of the recipient of supply</td></tr>
</table>

### Time of Supply of Services

<table>
<tr><th>TYPE</th><th>SERVICES (SECTION 13)</th></tr>
<tr><td>General provision (sub section 2)</td><td>Earliest of:<ul><li>date of issue of invoice, if issued within time prescribed under Section 31(2) or date of receipt of payment, whichever is earlier</li><li>date of provision of service, if invoice not issued within time prescribed Under Section 31(2) or date of receipt of payment, whichever is earlier</li><li>date of receipt as entered in the books of account, in other cases</li></ul></td></tr>
<tr><td>Excess amount received is up to ₹ 1000 in excess to the amount indicated in tax invoice</td><td>(at the option of supplier)<br>date of issue of invoice (with respect to such excess amount)</td></tr>
<tr><td colspan="2">Here “supply” shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment and “the date of receipt of payment” shall be the earliest of the following:<ul><li>date on which the payment is entered in the books of account of the supplier or</li><li>the date on which the payment is credited to his bank account</li></ul></td></tr>
<tr><td>Reverse Charge Basis<br>(sub section 3)</td><td>(Earliest of the following)<ul><li>the date of payment as entered in the books of account or payment is debited in his bank account, whichever is earlier</li><li>the date immediately following sixty days from the date of issue of invoice or any other document</li></ul></td></tr>
<tr><td colspan="2">Supply of services by associated enterprises<br>Where the supplier of service is located outside India, (earlier of the two)<ul><li>the date of entry in the books of account of the recipient</li><li>the date of payment</li></ul></td></tr>
</table>

### Time of Supply in case of change in rate of tax

Section 14 of the CGST Act, 2017 states that the time of supply, where there is a change in the rate of tax in respect of goods or services or both.

A. In case the goods or services or both have been supplied before the change in rate of tax, the time of supply can be determined as follows:

(1) Where the invoice for the same has been issued and the payment is also received after the change in rate of tax, the time of supply shall be the date of receipt of payment or the date of issue of invoice, whichever is earlier; or

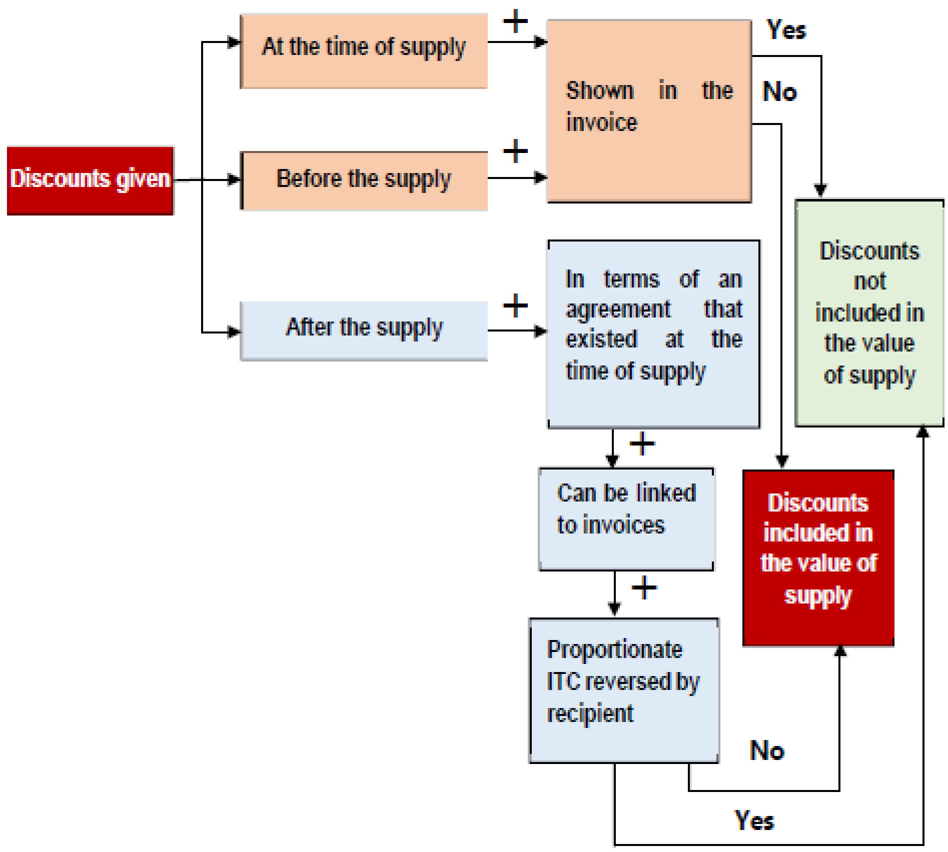
(2) Where the invoice has been issued prior to the change in rate of tax but payment is received after the change in rate of tax, the time of supply shall be the date of issue of invoice; or

(3) Where the payment has been received before the change in rate of tax, but the invoice for the same is issued after the change in rate of tax, the time of supply shall be the date of receipt of payment

B. In case the goods or services or both have been supplied after the change in rate of tax, the time of supply can be determined as follows:
(1) Where the payment is received after the change in rate of tax but the invoice has been issued prior to the change in rate of tax, the time of supply shall be the date of receipt of payment; or
(2) Where the invoice has been issued and payment is received before the change in rate of tax, the time of supply shall be the date of receipt of payment or date of issue of invoice, whichever is earlier; or
(3) Where the invoice has been issued after the change in rate of tax but the payment is received before the change in rate of tax, the time of supply shall be the date of issue of invoice:

Provided that the date of receipt of payment shall be the date of credit in the bank account if such credit in the bank account is after four working days from the date of change in the rate of tax.

| **Value of Supply** | | |
|---|---|---|
| **Includes** | **Excludes Discount** | |
| Any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than GST Act | Before or at the time of supply: if discount has been duly recorded in invoice | After the supply:<br>• established in terms of an agreement and specifically linked to relevant invoices.<br>• input tax credit, attributable to discount have been reversed by recipient |
| Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both; | | |
| Incidental expenses included commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; | | |
| Interest or late fee or penalty for delayed payment of any consideration for any supply | | |
| Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Government | | |




Person shall be deemed to be "**related persons**" if –

(i) Such persons are officers or directors of one another's businesses;
(ii) Such persons are legally recognized partners in business;
(iii) Such person are employer and employee;
(iv) Any person directly or indirectly owns, controls or holds twenty-five per cent, or more of the outstanding voting stock or shares of both of them;
(v) One of them directly or indirectly control the other;
(vi) Both of them are directly or indirectly controlled by a third person;
(vii) Together they directly or indirectly control a third person; or
(viii) They are members of the same family

## INPUT TAX CREDIT RESTRICTIONS:

**(a) motor vehicles and other conveyances except when they are used –**

(i) for making the following taxable supplies, namely:-
(A) further supply of such vehicles or conveyances; or
(B) transportation of passengers; or
(C) imparting training on driving, flying, navigating such vehicles or conveyances;
(ii) for transportation of goods;

**(b) the following supply of goods or services or both –**

(i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;
(ii) membership of a club, health and fitness centre;

(iii) rent-a-cab, life insurance and health insurance except where –

(A) the Government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force; or

(B) such inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as part of a taxable composite or mixed supply; and

(iv) travel benefits extended to employees on vacation such as leave or home travel concession;

**(c) works contract services** when supplies for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;

**(d) goods or services or both received by a taxable person for construction** of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

**(e) goods or services or both on which tax has been paid under section 10;** (Composition Supply Scheme)

**(f) goods or services or both received by a non-resident taxable person** except on goods imported by him;

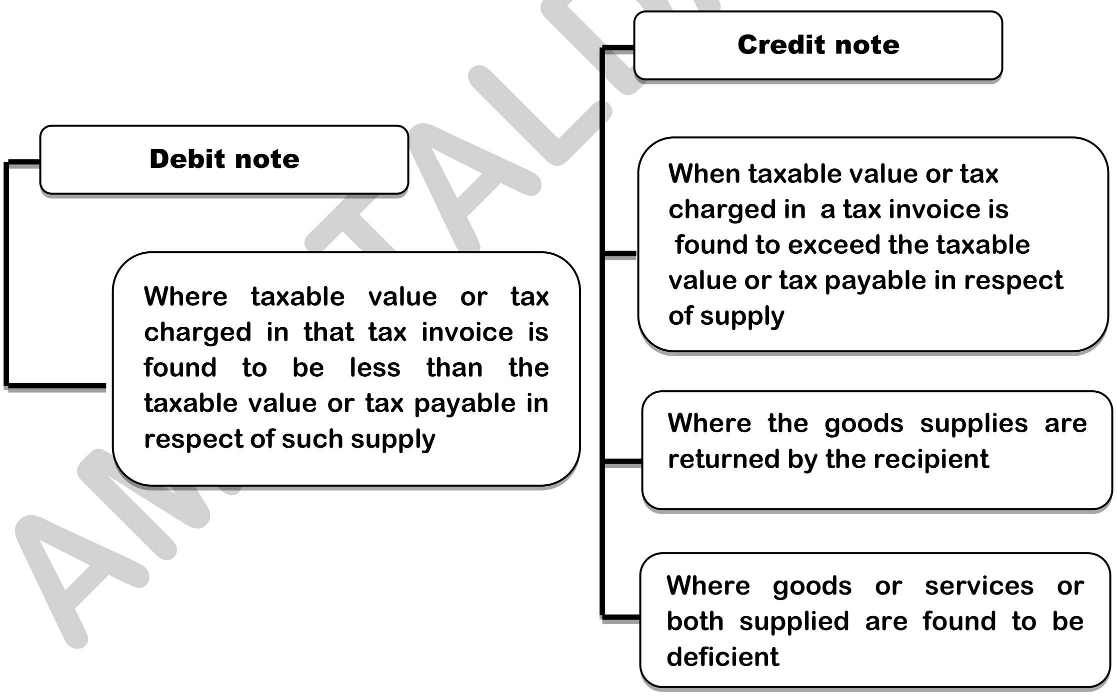
**(g) goods or services or both used for personal consumption;**

**(h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples**; and

**(i) any tax paid in accordance with the provisions of section 74, 129 and 130. (Recovery Sections)**

## CREDIT NOTE AND DEBIT NOTE

A registered person is required to issue credit note or debit note under certain circumstances. Following table summarizes such situations:



## REVERSE CHARGE MECHANISM

| SI NO. | CATEGORY OF SUPPLY OF SERVICES | SUPPLIER OF SERVICE | RECIPIENT OF SERVICE |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| 1. | Supply of Services by a goods transport agency (GTA) in respect of transportation of goods by road to – (a) any factory registered under or governed by the Factories Act, 1948 (63 of 1948); or (b) any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other law for the time being in force in any part of India; or (c) any co –operative society established by or under any law; or (d) any person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act; or (e) any body corporate established, by or under any law; or (f) any partnership firm whether registered or not under any law including association of persons; or (g) any casual taxable person. | Goods Transport Agency (GTA) | (a) Any factory registered under or governed by the Factories Act, 1948 (63 of 1948); or (b) any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other law for the time being in force in any part of India; or (c) any co-operative society established by or under any law; or (d) any person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act; or (e) any body corporate established, by or under any law, or (f) any partnership firm whether registered or not under any law including association of person; or (g) any casual taxable person; located in the taxable territory. |
| 2. | Services supplied by an individual advocate including a senior advocate by way of representational services before any court, tribunal or authority, directly or indirectly, to any business entity located in the taxable territory, including where contract for provision of such service has been entered through another advocate or a firm of advocates, by way of legal | An individual advocate including a senior advocate or firm of advocates. | Any business entity located in the taxable territory. |

| | | | |
|---|---|---|---|
| | services to a business entity. | | |
| **3.** | Services supplied by an arbitral tribunal to a business entity. | An arbitral tribunal. | Any business entity located in the taxable territory. |
| **4.** | Services provided by way of sponsorship to any body corporate or partnership firm. | Any person | Any body corporate or partnership firm located in the taxable territory. |
| **5.** | Services supplied by the Central Government, State Government, Union territory or local authority to a business entity excluding, -<br>(1) renting of immovable property, and<br>(2) services specified below-<br>(i) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority;<br>(ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;<br>(iii) transport of goods or passengers. | Central Government, State Government, Union territory or local authority | Any business entity located in the taxable territory. |
| **6.** | Services supplied by a director of a company or a body corporate to the said company or the body corporate. | A director of a company or a body corporate | The company or a body corporate located in the taxable territory. |
| **7.** | Service supplied by an insurance agent to any person carrying on insurance business. | An insurance agent | Any person carrying on insurance business, located in the taxable territory. |
| **8.** | Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company. | A recovery agent | A banking company or a financial institution or a non-banking financial company, located in the taxable territory. |
| **9.** | Supply of services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of | Author or music composer, photographer, artist, or the like | Publisher, music company, producer or the like, located in the taxable territory. |

| | | | |
|---|---|---|---|
| | sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literacy dramatic, musical or artistic works to a publisher, music company, producer or the like. | | |

## INPUT SERVICE DISTRIBUTOR

**Concept**: A company may have a number of units and the GST paid by it on input services received can be distributed to the beneficiary units on the basis of their previous year turnover. The office of the company which distributes the credit is called input service distributor.

### Manner of distribution of credit by Input Service Distributor [Section 20]

(1) The Input Service Distributor shall distribute the credit of central tax as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed.

(2) The Input Service Distributor may distribute the credit subject to the following conditions, namely:-

(a) the credit can be distributed to the recipients of credit against a document containing such details as may be prescribed;

(b) the amount of the credit distributed shall not exceed the amount of credit available for distribution;

(c) the credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient;

(d) the credit of tax paid on input services attributable to more than one recipient of credit shall be distributed amongst such recipients to whom the input service is attributable and such distribution shall be pro rate on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all such recipients to whom such input service is attributable and which are operational in the current year, during the said relevant period;

(e) the credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period.

## PERSONS LIABLE TO REGISTER [SECTION 22 & SECTION 24]

1. **Supplies**: Supplier of taxable goods or services or both exceeding the specified threshold limit of ₹ 10 lakhs for special category States and ₹ 20 lakhs for other states and Union Territories

2. **Licensee**: Every person who is a registered licensee or holds a license under an existing law, on the day immediately preceding the appointed day i.e. 1st July

3. **Transferee**: Where a business, which is carried by a taxable person is transferred as a going concern shall be liable to be registered with effect from the date of such transfer or succession

4. **Transferee under a scheme**: Transfer pursuant to sanction of a scheme or an arrangement for amalgamation or, as the case may be, demerger of two or more companies pursuant to an order of a High Court, Tribunal or otherwise, the transferee shall be liable to be registered, with effect from the date on which the Registrar of Companies issues a certificate of incorporation giving effect to such order of the High Court or Tribunal

5. **Inter-state supplier**: An interstate supplier of goods is compulsorily required to get registered under GST. Further an inter-State supplier of services required registration only if turnover crosses 20 lakhs.

6. **Casual Taxable person**: A person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business is termed as a casual taxable person. Such persons if making taxable supply of goods or services or both comes under the ambit of taxable persons

7. **Payer of Reverse charge**: Persons who are required to pay tax under reverse charge shall get registered under GST

8. **Person under Section 9(5) of CGST Act, 2017**: As stated in section 9(5) of CGST Act, 2017, the Government may, on the recommendations of the Council, by notification, specify categories of services, the tax on intra-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services

9. **Non-resident**: A non-resident taxable person making taxable supply

10. **Deductor of tax at source**: Persons who are required to deduct tax under section 51, whether or not separately registered under this Act

11. **Supplier on behalf of another person**: Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise

12. **Input Service Distributor**: Whether or not separately registered under this Act

13. **Supplier through Electronic Commerce Operator**: Persons who supply goods or services or both (other than supplier specified under sub-section (5) of section 9), through such electronic commerce operator who is required to collect tax at source under section 52

14. **Electronic Commerce Operator**: Every Electronic Commerce Operator

15. **Supplier of online information**: Every person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered person

# INVOICE RULES

An invoice indicates what must be paid by the buyer to the seller. On every sale/purchase an invoice is issued by the supplier i.e., person making the sale. An invoice provides a detailed account of the products or service along with details of supplier, purchaser, tax charged and other particulars such as discounts, terms of sale etc.

Section 31 of the CGST Act, 2017 specifies the time limit for raising invoice for goods as follows –

- At the time of removal of goods for supply to the recipient, where the supply involves movement of goods; or
- At the time of delivery of goods or making available thereof to the recipient, in any other case

The tax invoice should contain the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed.

A registered taxable supplier of services is required to raise invoice at the following timeline:

| General provision | In case of taxable supply of services, invoice shall be issued within a prescribed period from the date of supply of service |
|---|---|
| Continuous Supply of service where successive statements of accounts or successive payments are involved | Before or at the time each such statement is issued or, as the case may be, each such payment is received |
| Continuous supply having ascertainable due date | On or before the due date of payment |
| Continuous supply having unascertainable due date | Before or at the time when the supplier of service receives the payment |
| Continuous Supply where the payment is linked to the completion of an event | On or before the date of completion of that event |
| When contract ceases before completion of supply | At the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation |