APRIL 2020

COMPREHENSIVE NOTES FOR INTERMEDIATE – DIRECT TAXATION

JUNE 2020

C.A. SHANKESH JAIN M

JAIN ASSOCIATES AND CONSULTANT

CONTACT @ mshankeshjain@gmail.com

CITY: Coimbatore, Tamil Nadu

DEFINITIONS

S.No	Head	Section	Definition
1	**India**	**2(25A)**	The territory of India as referred to in the Constitution, its territorial waters, seabed and subsoil underlying such waters, continental shelf, exclusive economic zone or any other maritime Zone as referred to under the relevant Act and the air space above its territory and territorial waters. The territory of India as referred to in the Constitution, its territorial waters, seabed and subsoil underlying such waters, continental shelf, exclusive economic zone or any other maritime Zone as referred to under the relevant Act and the air space above its territory and territorial waters. Territoral waters Extend upto 12 Nautical Miles from the landmass of Inda, Continental Shelf and exclusive economic zone extend upto 200 Nautical Miles.
2	**Assessee**	**2(7)**	A Person by whom any tax or any other sum of money is payable under this Act. In addition, it includes – • His income; or • Assessment of fringe benefits; or • The income of any other person in respect of which he is assessable; or • The loss sustained by him or by such other person; or • The amount of refund due to him or to such other person. • Every Person who is deemed to be an assessee under any provisions of this Act. • Every Person who is deemed to be an assessee-in-default under any provisions of this Act.
3	**Person**	**2(31)**	• Individual – *(Assessment is carried over a natural person. However, in case of minor or person of unsound mind, assessment is carried on the guardian or manager of the minor or lunatic. In case of a deceased person, assessment would be made on the legal representative.)* • HUF – *(Includes Males lineally descended from a common ancestor and includes wives and daughters.)* • Company [Sec 2(17)] • Firm • AOP/BOI • Local Authority

			• Artificial Juridical Person
4	**Assessment**	**2(8)**	This is the procedure by which the income of an assessee is determined by the Assessing Officer. It may be by way of a normal assessment or by way of reassessment of an income previously assessed.
5	**Company**	**2(17)**	a. Any Indian Company as defined in section 2(26); or b. Any body corporate incorporated by or under the laws of the country outside India, i.e., any foreign company; or **c.** Any institution, association or body which is assessable or was assessed as a company for any assessment year under the Indian Income Tax Act, 1922 or for any assessment year commencing on or before 1.4.1970 under the present Act, **d.** Any Institution, association or body, whether incorporated or not and whether Indian or Non-Indian, which is declared by a general or special order of the CBDT to be a company for such assessment years as may be specified in the CBDT's order
5 a)	**Domestic Company**	**2(22A)**	It means an Indian Company or any other company which, in respect of its income liable to income-tax, has made the prescribed arrangements for the declaration and payments of dividends (including dividends on preference shares) within India, payable out of such income.
5 b)	**Indian Company**	**2(26)**	a. The Company should have been formed and registered under Companies Act, 1956 (2013) and b. The registered office or the principal office of the company should be in India.
5 c)	**Foreign Company**	**2(23A)**	A Company which is not a Domestic Company.
6	**Firm**	**2(23)**	A Firm/Partnership as assigned to in the Indian Partnership Act, 1932. It also includes limited liability partnership as defined under LLP Act,2008.
7	**Association of Persons (AOP)**		When persons combine together for promotion of joint enterprise they are assessable as an AOP, when they do not in law constitute a partnership. The persons must join for a common purpose or action and their object must be to produce income; it is not enough that the persons receive income jointly.
8	**Body of Individuals (BOI)**		It denotes the status of persons like executors or trustees who merely receive the income jointly and who may be assessable in like manner and to the same extent as the beneficiaries individually. **Example:** Co-Executors or Co-trustees are assessable as a BOI as their title and interest are indivisible.

9	**Local Authority:**		The Term means a municipal committee, district board, body of port commissioners or other authority legally entitled to or entrusted by the Government with the control or management of a municipal or local fund. **Example: A Local Authority**
10	**Artificial Juridical Persons:**		An idol or Deity would be assessable in the status of an artificial Juridical Person.
11	**Average Rate of Tax**	**2(10)**	The Rate arrived at by dividing the amount of tax calculated on the total income, by such total income.
12	**Maximum Marginal Rate**	**2(29C)**	*(In case of Trust/AOP, income is stipulated to be chargeable to tax at maximum marginal rate implying that there will not be any exemption limit or slab rate.)* Rate of Income Tax (including surcharge on income tax, if any) applicable in relation to the highest slab of income in the case of an individual, AOP or BOI as the case may be, as specified in the Finance Act of the relevant year.
13	**Previous Year**	**2(34)**	The Financial Year in which the income is earned is referred to as the previous year. Sec 3 r/2 sec 2(34) of the Income Tax Act defines previous year to mean the financial year immediately preceding the assessment year.
14	**Assessment**	**2(8)**	This is the procedure by which income of an assessee is determined by the Assessing Officer.

AGRICULTURE INCOME Sec 2(1A)

Agriculture Income means

a. Any Rent or revenue derived from Land, which is situated in India and is used for agriculture purposes
b. Any Income derived from such land by agriculture or by the process employed to render the produce fit for the market or by sale of such produce by a cultivator or receiver of rent in kind;
c. Any income derived from farm building, provided the following conditions are satisfied:-
    a. The building is on or in the immediate vicinity of the agriculture land
    b. It is occupied by the cultivator or receiver of rent or revenue
    c. It is used as a dwelling house or store-house or out-house and
    d. The land is assessed to land revenue in India or it is not situated within the Specified Area.

Important Points:-

➔ Income Derived from Saplings, seedlings grown in a nursery shall be deemed to be agriculture income

➔ Income derived from building or land appurtenant thereto arising from the use of building or land for any purpose other than agriculture shall not be regarded as agriculture income

➔ Any gain derived on transfer of agriculture land will not be regarded as agriculture income, if the same is situated outside the Specified area as defined u/s 2(14)

➔ Agriculture income derived from land situated outside India, the character of income derived cannot be considered as agriculture income exempt u/s 2(1A). The same is to be taxed either under the head PGBP (or) IFOS.

Partial Agriculture and Partial Business Income:

Segregation of Business Income and Agriculture Income shall be done for the following type of Produce

Rule	Produce	Agriculture Income	Business Income
7A	Rubber – Centrifuged latex or centex or latex based crepes	65%	35%
7B (1)	Coffee grown and cured	75%	25%
7B (1A)	Coffee grown, cured, roasted and grounded	60%	40%
8	Tea grown and manufactured	60%	40%

Question 1.1:

Mr. Ranjan Shetty has the following income. Compute his total income

S.No	Nature of Income	Rs.
1	Manufacture of Rubber	6,00,000
2	Manufacture of Coffee grown and cured	3,50,000
3	Manufacture and growing of Tea	8,00,000
4	Sale of Plants grown in nursery	2,00,000

Question 1.2:

Coimbatore Mills Ltd is engaged in the business of growing and manufacture thread. For the PY 2018-19, the company manufactured 5000 spots of thread and sold them for a value of Rs. 60,00,000/-. They used 2000 bales of cotton grown by them. Determine the total income in the following situations for AY 2019-20.

a. The Market Price of the Cotton is Rs. 1,500/- Cultivation expenses incurred for producing 2,000 bales of cotton was Rs. 38,00,000/-
b. The Market Price of the Cotton is Rs. 1,500/- Cultivation expenses incurred for producing 2,000 bales of cotton was Rs. 20,00,000/-

Question 1.3:

Mr. Avani, a resident aged 25 years, manufactures tea leaves from the tea plants grown by him in India. These are sold in the Indian Market for Rs. 40 lakhs. The cost of growing tea plants was Rs. 15 lakhs and the cost of manufacturing tea leave was Rs. 10 lakhs. Compute the tax liability for the AY 2019-20.

SEC 10AA: NEWLY ESTABLISHED UNITS IN SEZ

Eligible Assessee	All Categories of Assessees deriving profits or gains from an undertaking engaged in the export of articles or things or providing any services in SEZ
Conditions	a. Commenced production between 01.04.2005 and 31.03.2020 b. Not formed by splitting or reconstruction of existing business (However if discontinued due to natural calamities/ riots/ accidental fire/enemy attack allowed) c. Not formed by transfer of machinery (used for other purposes) which was previously for any purpose in excess of 20% of total value of plant and machinery. i. Such machinery or plant was not at any time used in India ii. Such machinery or plant was imported in India iii. No depreciation has been allowed under this Act to any person earlier
Computation	<u>Export Turnover of the SEZ</u> * Profits of the SEZ Unit Total Turnover of the SEZ
Period	(see table below)
Conditions of Special Reserve	Reserve shall be utilized only for the purpose of a. Acquiring machinery and to be put in use within 3 years from the time the reserve was first created **b.** Untill acquisition, can be used for the purpose of business other than for Dividend/ Remittance outside India the profits and creation of any asset outside India **c.** Furnish particulars of its put to use along with ROI

Period	Deduction
First 5 consecutive AY	100%
Next 5 consecutive AY	50%
Next 5 consecutive AY	Any amount transferred to "Special Economic Re-Investment Reserve Account" or 50% of the profits, whichever is lower.

Key Points:

1. For the Purpose of computation of deduction u/s 10AA, total income after set off of losses may be considered and not eligible profits and gains of the undertaking.

2. Violation of Special Reserve Norm

Violation of Condition	Tax Implication
In case of special reserve used for purpose other than specified	The amount so utilized shall be chargeable in the year of utilization
In case the reserve is not utilized before the expiry of 3 years from the end of the previous year when created	Deemed to be profits in the year immediately following the period of 3 years

RATES AND TAXATION

A) TAX Rates in case of Individuals /HUF/BOI/AJP

Total Income	< 60 Years IND (HUF/BOI/AJP)	Senior Citizens =>60 Years	Super Senior Citizens =>60 Years
Upto 2,50,000	Nil	Nil	Nil
2,50,000 – 3,00,000	5%	Nil	Nil
3,00,000 - 5,00,000	5%	5%	Nil
5,00,000 – 10,00,000	20%	20%	20%
Above 10,00,000	30%	30%	30%

SURCHARGE

Total Income	%
Upto 50 Lacs	NIL
50 Lacs – 1 Crores	10% on Income Tax
1 Crore – 2 Crores	15% on Income Tax
2 Crore - 5 Crores	25% on Income Tax
Above 5 Crores	37% on Income Tax

Key Points

- *Marginal Relief as applicable*
- *Surcharge is not slab wise taxation. The percentage of tax is absolute once threshold is crossed*
- *Total Income includes STCG u/s 111A & LTCG u/s 112A/112*

CESS

- Health & Education Cess 4% of Income Tax

Rebate u/s 87A

- Allowed only to Resident Individual
- Total Income is less than equal to Rs. 5,00,000
- Rebate – Rs. 12,500/- or tax payable whichever is less
- Rebate is not available for gains u/s 112A (LTCG on Equity shares/EOF's/UT's)

B) TAX Rates in case of Co-operative Societies

Total Income	**Upto Rs. 10,000**	**10,001 – 20,000**	**> 20,000**
Tax Rate	10%	20%	30%
SURCHARGE	Total Income > 1 Crore		12% of Income Tax
Cess	4%		

C) TAX Rates in case of Firms/Companies

Firms/LLP/LA	Tax Rate - @ 30%		
Companies	**Domestic Companies**	TO/GR PY: 17-18 =< 400 Cr	25%
		In Other Case	30%
	Foreign Companies		40%

SURCHARGE

	Total Income	**Rate**
Firms	**> 1 Crore**	12%
Domestic Companies	**> 1 Crore =< 10 Crore**	7%
	> 10 Crore	12%
Foreign Companies	**> 1 Crore =< 10 Crore**	2%
	> 10 Crore	5%
CESS	4%	

RESIDENTIAL STATUS AND INCIDENCE OF TAXATION

Chapter Outline

Section	Synopsis
6	Residential Status
7	Income deemed to be received in India
9	Deemed to accrue or arise in India

INDIVIDUAL

Residential Status Sec 6(1): Conditions

1.	He is in India in that previous year for a period or periods amounting in all to 182 days or more
2.	He is in India for a period or periods amounting in all to 60 days or more during the previous year; and 365 days or more during the 4 years preceding that previous year **Exception to this condition** a. An, individual who is a citizen of India, leaving India in any year for the purpose of employment or as a member of the crew of an Indian Ship b. A Citizen of India or a person of Indian Origin, who is residing outside India and comes to India on a visit in any previous year

Resident but not ordinary Resident. Sec 6(6)

In addition to fulfilling one of the above conditions, he fulfils any of the following additional conditions

1.	He has been a non-resident in India in 9 out of the 10 preceding previous years
2.	He has been in India for a period not exceeding 729 days during the 7 preceding previous years

HINDU UNDIVIDED FAMILY

The residential status of HUF, depends on the location of control and management and the residential status of the Manager (Karta) of HUF

Residential Status: Sec 6(2)

A HUF is said to be resident in India if the Control and Management of its affairs is situated wholly or partly in India
If the above condition is satisfied, an HUF will be said to be resident but not ordinary if the Karta of the Family a. He has been a Non-Resident in India in 9 out of 10 preceding previous years b. He has been in India for a period not exceeding 729 days during the 7 preceding previous years

COMPANY/ FIRM/ AOP & EVERY OTHER PERSON

Sec	Person	Conditions for Resident (as status)
6(3)	Company	1. It is an Indian Company and 2. In case of any other companies, POEM in that year is in India
6(4)	Firm, AOP and Every Other Person	Control and Management is situated **wholly or partly in India**
POEM – Where key managerial and commercial decisions as a whole are, in substance made.		

SCOPE OF TOTAL INCOME

Scope of Total Income	Resident and Ordinary Resident	Resident but not Ordinary Resident	Non Resident
Income received or deemed to be received in India	**Taxable**	**Taxable**	**Taxable**
Income accruing or arising in India or deemed to accrue or arise in India	**Taxable**	**Taxable**	**Taxable**
Income accruing or arising outside India – From Business controlled from or Professional setup in India	**Taxable**	**Taxable**	**Not Taxable**
Income accruing or arising outside India – From Business controlled from or Professional setup outside India	**Taxable**	**Not Taxable**	**Not Taxable**
Remittances into India	**Not Taxable**	**Not Taxable**	**Not Taxable**

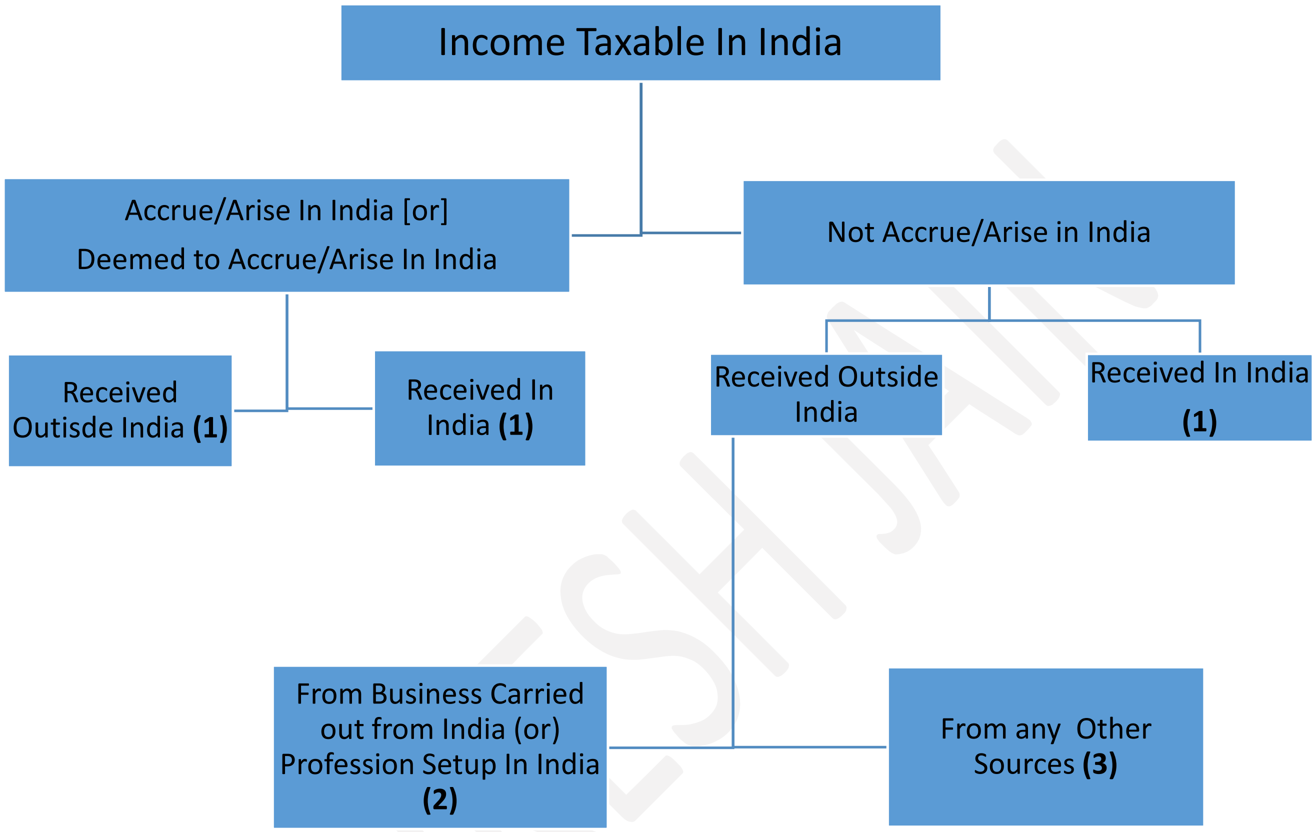
Terms	Meaning
Income received in India	The receipt of income in its first occasion if it happens in India, then the amount is taxable irrespective of its place of accrual
Income deemed to be received. Sec 7	**a.** Annual Interest > 9.5% on balance of RPF a/c of employee **b.** Amount Contributed by employer to RPF > 12% of salary of the employee **c.** Transfer of Balance in URPF to RPF **d.** TDS deducted **e.** Income under Section 69A/69B – Unexplained Income
Income accruing and arising in India	Accrual refers to the right to receive the income

Income deemed to accrue or arise in India. **Sec 9**	
Sec 9(1)(i)	Any income accruing or arising to an assessee in any place outside India whether directly or indirectly a) Though or from any business connection in India b) Through or from any property in India c) Through or from any asset or source of Income in India d) Through the transfer of Capital asset situated in India
Sec 9(1)(ii)	Any Salary Income, if it is earned in India
Sec 9(1)(iii)	Any Salary payable by the Government to an Indian Citizen for services outside India
Sec 9(1)(iv)	Dividend paid by an Indian Company outside India
Sec 9(i)(v)	Interest payable by Government
Sec 9(i)(vi)	Royalty payable by Government
Sec 9(i)(vii)	Fees for technical services payable by Government.

Business Connection:
1. Business activity carried out by a non-resident in India through an agent. *Exception is where agent works in his independent capacity*
2. Significant economic presence of non-resident in India.
Revenue test and User Test

Operations wholly not carried out in India
Reasonable attribution on basis of
1. % of turnover
2. Profits in proportion of total receipts
3. In such manner as the AO may deem suitable

INCIDENCE OF TAXATION

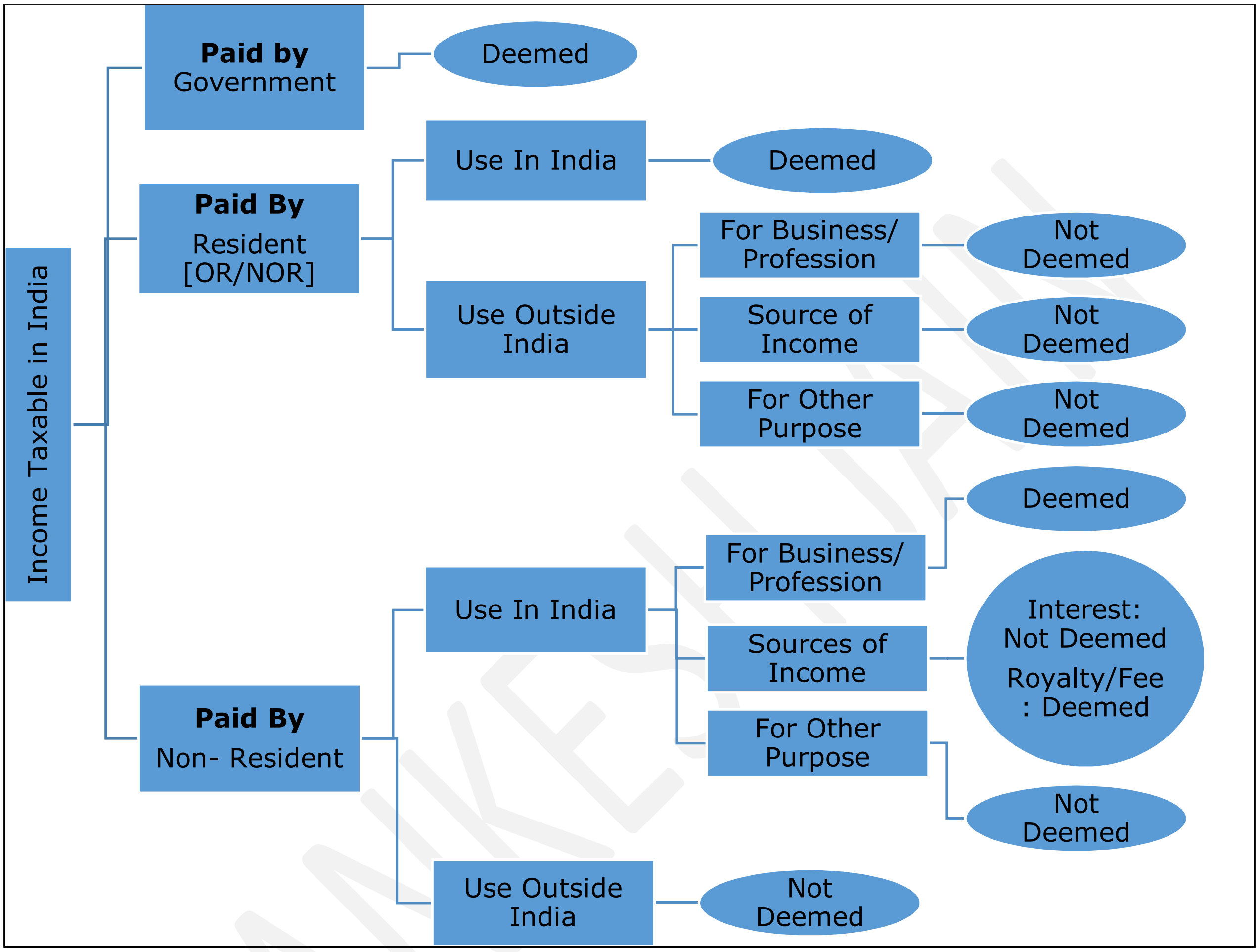


(1) : Taxable in hands of Resident Ordinary/ Resident Not Ordinary & Non-Resident

(2) : Taxable in hands of Resident Ordinary & Resident Not Ordinary

(3) : Taxable in hands of Resident Ordinary.

INCIDENCE OF TAXATION: **INTEREST/ ROYALTY AND TECHNICAL FEE**



- **Deemed:** Deemed to be accrued/arise in India
- **Not Deemed:** Not deemed to be accrued/arise in India.

May 2020 Amendment:

- **Money Paid by Resident to NR/Foreign Company**
    - **On/After 05.07.2019**
    - **If aggregate sums received by NR/FC > Rs. 50,000 in a FY (Without consideration)**
    - **Income Deemed to accrue or arise in India**

Gifts Received by NR/FC will be taxable in the hands of the Non Resident (subject to provisions of 56(x)

INCOME FROM SALARY

Chapter Outline

Section 15	Chargeability
Section 16	Deduction - Standard Deduction - Entertainment Allowance - Professional Tax
Section 17 **17(1)** **17(2)** **17(3)**	**Definitions** Salary Perquisite Profits in lieu of Salary
Section 10(5) – 10(14)	**Exemptions**
Rule 2A	HRA – Sec 10(13A)
Rule 2B	LTC/LTA – Sec 10(5)
Rule 2BA	Voluntary Retirement/Separation of Service Sec 10(10C)
Rule 2BB	Special Allowance Sec 10(14)
Section 17(2) and Rule 3	**Valuation of Perquisite** I. Value of rent free accommodation II. Value of concession in rent III. Value of benefit or amenity (only in the case of specified employee) IV. Any sum paid by the employer on behalf of employee V. Premium towards LIC policy or contract of annuity VI. Value of specified security or sweat equity shares VII. Contribution to approved superannuation fund VIII. Value of any other fringe benefit or amenity
Section 89 **Rule 21A**	Relief on arrears and advance salary

Sec 15: Chargeability

Any Amount due to or received by an employee including arrears of salary from an employer or former employer and falling within the purview of the meaning of the term "Salary" is chargeable to tax under the head "Salaries".

Key Points in regards to Salary

1. **Employer – Employee Relationship** must exist
2. **Contract of service** – Where the employer directs and controls as to what is required to be done by the employee and as to how it should be done
3. **Directorial Services** – The terms of the Service agreement will specify the nature of contract

   E.g.: Whole time director's remuneration will be charged under "Salaries. Whereas an Independent Director's remuneration may not be included
4. **Salaries of MP's and MLA's –** Income from Other Sources. (CBDT Instructions)
5. **Partners Salary –** Specifically excluded under salaries and included in Sec 28 as business income
6. **Waiver of Salary Vs Surrender of Salary:** Where an employee foregoes his salary or requests him to contribute it to charitable cause, it is treated as application of income and thus chargeable under Income from Salaries.

Only Exception to the above is surrender of salary under the relevant enactment in favor of the Central Government. (**Section 2 of Voluntary Surrender of Salaries (Exemption from Taxation) Act, 1961.**

Definition of Salary – Section 17(1)

Salary INCLUDES

i) Wages
ii) Any annuity or pension
iii) Any gratuity
iv) Any fees, commissions, perquisites or profits in lieu of or in addition to any salary or wages
v) Any advance of salary
vi) Leave encashment
vii) Annual accretion to the recognized provident fund to the extent of
   a. Employer's contribution in excess of 12% of salary
   b. Interest credited to the recognized provident fund in excess of 9.5% p.a
   c. The accumulated transfer balance from unrecognized provident fund account to the recognized provident fund account to the extent it is chargeable to tax.
   d. The contribution made by the Central Government or any other employer in the previous year to the account of an employee under a pension scheme referred to in Sec 80CCD.

Definition of Profits In lieu of Salary – Section 17(3)

Profits in lieu of Salary INCLUDES

i) Terminal Compensation - (either on Termination or modification of terms and conditions of employment)
ii) Payment from an unrecognized provident fund/unapproved superannuation fund – To the extent it does not pertain to contributions or interest on such contributions.
iii) Payment under Keyman Insurance Policy
iv) Any amount due or received, whether in lump sum or otherwise by an assessee from any person;
   a. Before his joining any employment with that person or
   b. After cessation of his employment with that person
v) Any other sum received by the employee from the employer

Section 16 - Deductions

Standard Deduction – Section 16(ia)

Condition	**Amount**
On Computation of Gross Amount of Salary	Lower of 1. Amount of Salary **2. Rs. 50,000/-**
Salary for this purpose means Gross Salary received	

Entertainment Allowance – Section 16(ii)

Condition	**Amount**
Available only in the case of Government Employee	Lower of 1. Rs. 5,000/- 2. 1/5th of Salary **3.** Actual Entertainment allowance received
Salary for this purpose means only basic salary. *Ignore – All Allowances, benefits and perks including DA*	

Professional Tax – Section 16(iii)

Condition	**Amount**
Only on Actual Payment	Amount actually paid.
Where the Employer has paid the tax, the same has to be included in Gross Salary as a perquisite and then deduction u/s 16(iii) can be claimed *State Government cannot impose Professional Tax > Rs. 2,500/- p.a (Article 276 Constitution)*	

Exemptions

Value of Travel Concession or Assistance (read with Rule 2B) – Sec 10(5)

IX. LTC received by or due to an individual from his employer or former employer for himself and his family connection with his proceeding

Key Points

1. Leave travel allowed to any place in India
2. Family includes – Spouse/ Children.
   Parents/siblings (if dependent).
3. Exemption for 2 Journeys in a block of 4 FIXED calendar years. (E.g.: 2014-2017/ 2018-2021).
4. Carry Forward of unutilized journey to the extent of one in allowed in the succeeding calendar year of the end of the block to which the unutilized block pertain to.

Quantum of Exemption

Journey Performed By	**Exemption – Amount not exceeding**
1. Air	- Air Economy Fair of National Carrier in shortest route
2. Any other mode (where rail service available)	- First Class AC Rail fare by shortest route
3. Any other mode (where rail service not available)	- **Recognized Public System exist** First Class or Deluxe Class fare of such transport by shortest route - **Recognized Public System does not exist** Equivalent First Class AC Rail fare for the distance of Journey by shortest route

Exemptions in the case of a Foreign National – Sec 10(6)

Persons	Conditions
Officials of an embassy, high commission, legation, commission, consulate, or trade representation of a foreign state or as a member of staff of any such official.	a. Similar exemption in their country to corresponding Indian Officials b. Member not engaged in B/P in India
Employee of Foreign Enterprise for Services rendered during his stay in India	a. Foreign Enterprise not engaged in any trade or business in India b. His stay in India does not exceed 90 days in aggregate in such previous year c. Such income is not deductible from the income of the employer chargeable to tax in India
Remuneration of a Non-resident in connection with his employment in a foreign ship	a. Total Stay in India does not exceed 90 days in aggregate in the previous year
Remuneration of Foreign Government employee in connection with his training in any undertaking of Government Company/Corporation/ Government funded registered Society	

Indian Citizens employed abroad by the Government of India – Section 10(7)

Any Allowance of perks – paid or allowed – by Government to a citizen of India for rendering services outside India

Exemptions in case of Chairman or Member of UPSC– Section 10(35)

Specified Allowances or Perks being

A. For Serving Chairman and Members
1. Value of rent free official residence
2. Value of conveyance facility including transport allowance
3. Sumptuary allowance
4. Value of leave travel concession (To Serving Chairman/Member/ and Family)

B. For Retired Chairman and Members

1. Max Rs. 14,000/- p.m. for defraying service of attendant and meeting expenses incurred towards secretarial assistance on contract basis,
2. Value of residential telephone free of cost and number of free calls upto Rs. 1,500 p.m. (over and above allowed by telephone authorities)

House Rent Allowance – Section 10(13A) (read with Rule 2A)

Condition	**Amount**
➔ Assessee should not reside in his own house or in a house in which he does not pay rent	Lower of 1. Actual HRA Received 2. Excess of rent paid over 10% of Salary due for the relevant period **3.** 50% of Salary (Mum/Calc/Del/Che), else 40% of Salary
Salary for this purpose means basic salary, dearness allowance if provided in terms of employment and commission as a fixed percentage of turnover achieved (Calculated on due basis for relevant period) ***Relevant Period*** *– accommodation occupied by the employee*	
Key Points: **1.** Advance Salary is not included for the purpose of HRA	

Special Allowances – Sec 10(14)

1. Allowances exempt to the extent of **a. Actual Allowance allowed or b. actual amount spent**, whichever is lower
   i. Travel on tour or on transfer.
   ii. Paid Leaves
   iii. Conveyance Allowance in performance of duties
   iv. Helper Allowance
   v. Academic, Research and Training
   vi. Purchase and maintenance of uniform

2. Allowances exempt to the extent of **a. Amount Received or b. Limit prescribed**

S.No	Allowance	Limit Prescribed
1	Allowances to employee of transporter system – personal expenses on duty	(L) 70% of such allowance or Rs. 10,000 p.m. **Provided not in receipt of daily allowance**
2	Transport Allowance	Rs. 3,200 p.m. **For blind/deaf/dumb/handicapped**
3	Children Education Allowance	Rs. 100 p.m. **Max of 2 Children**
4	Hostel Expenditure	Rs. 300 p.m. **Max of 2 Children**
5	Special Compensatory (Hilly Area) Allowance	Rs. 300 p.m./ Rs. 800 p.m. (**Notified Areas)** Rs. 7,000 p.m. (Siachen)
6	Special Compensatory (Tribal Areas/Schedule Areas) Allowance	Rs. 200 p.m. (Assam/Bihar/Karnataka/Madhya Pradesh/Orissa/Tripura/Tamil Nadu/Uttar Pradesh/West Bengal)
7	Border Area/ Remote Area/ Difficult Area/ Disturbed Area	Rs. 200/300/750/1050/1100/1300 p.m. **Not Available if claiming – 8, 12 & 13 (s.no)**
8	Counter Insurgency Allowance	Rs. 3,900 p.m.
9	Underground Allowance	Rs. 800 p.m.
10	High Altitude Allowance	9000- 15000 Ft – Rs. 1,060 p.m. '> 15,000 Ft - Rs. 1,600 p.m.
11	Special Allowance - Highly Active Field - Island Duty Allowance	 Rs. 4,200 p.m. Rs. 3,250 p.m.
12	Compensatory Field Area Allowance	Rs. 2,600 p.m.
13	Compensatory Modified Field Area Allowance	Rs. 1,000 p.m.

Key Points

1. **Allowances fully taxable include –** Dearness Allowance, City Compensatory Allowance, Warden Allowance, Fixed Medical Allowance

Retirement Benefits

1. **Gratuity – Sec 10(10)**

<table>
<tr><th colspan="2">Exemption Limits</th></tr>
<tr><td colspan="2" align="center">A. FOR GOVERNMENT EMPLOYEES</td></tr>
<tr><td colspan="2">Any Death-cum-retirement gratuity received</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2" align="center">B. Non-Government Employees</td></tr>
<tr><td>Covered under Payment of Gratuity Act</td><td>Least of the Following
1. Rs. 20,00,000
2. 15/26* Last drawn Sal * Completed years of Services (>6M – Yes)
3. Actual Receipt</td></tr>
<tr><td colspan="2">Salary for this purpose means Basic Salary and Dearness Allowance</td></tr>
<tr><td>Not Covered under Payment of Gratuity Act</td><td>Least of the Following
1. Rs. 20,00,000
2. Half Month Salary * Completed years of Services (Ignore Fraction)
3. Actual Receipt</td></tr>
<tr><td colspan="2">Salary for this purpose means Basic Salary and Dearness Allowance (if in terms of employment) and commission as fixed percentage of turnover
Salary to be computed on basis of last 10 months average salary immediately preceding the month in which such event occurs</td></tr>
<tr><td colspan="2">Key Points
1. Gratuity received during the period of service is fully taxable
2. Gratuity received from 2 or more employees is clubbed together and aggregate shall be considered for Rs. 20L/ Rs. 10L
3. Previous years gratuity received shall be reduced in the above limits of Rs. 20L</td></tr>
</table>

2. **Pension – Sec 10(10A)**

Exemption Limits	
A. UNCOMMUTED PENSION	
Taxable as salary u/s 15 in hands of both Government and Non- Government Employees	
B. COMMUTED PENSION	
Government Employees	Any Amount Received is Exempt
Non-Government Employees	- Receipt of Gratuity 1/3rd of the amount of commuted pension, which he would have received had he commuted the whole of pension - Non Receipt of Gratuity - 1/3rd of the amount of commuted pension, which he would have received had he commuted the whole of pension
Any Commuted pension received from a fund setup by LIC of India, approved by Controller of Insurance or IRDA shall be exempt	

3. **Leave Salary – Sec 10(10AA)**

Exemption Limits	
Government Employees	Any Amount Received is Exempt
Non-Government Employees	Least of the Following 1. Rs. 3,00,000 2. 10 month's salary 3. Leave encashment actually received 4. Cash equivalent of leave taking max 30 days credit for each completed years of service
Salary for this purpose means Basic Salary and Dearness Allowance (if in terms of employment) and commission as fixed percentage of turnover ***Salary to be computed on basis of last 10 months average salary immediately preceding the month in which such event occurs***	
Key Points **1.** Leave Salary received during the period of service is fully taxable **2.** Leave Salary received from 2 or more employees is clubbed together and aggregate shall be considered for Rs. 3L **3.** Previous years leave salary received shall be reduced in the above limits of Rs. 3L	

4. **Retrenchment Compensation – Sec 10(10B)**

Exemption Limits	
Any Employee	Least of the Following 1. Rs. 5,00,000 2. Calc as per 25F of Industries Disputes Act, 1947 3. Actual Receipt
25F of Industrial Disputes Act, 1947 *15/26 * Avg Pay * Completed Years of Service (>6M included)*	
Key Points **1.** Where the compensation is on account of special scheme of CG, above limits not applicable	

5. **Voluntary Retirement Scheme – Sec 10(10C)**

Exemption Limits	
Eligible Employees	Least of the Following 1. Rs. 5,00,000 2. Actual Receipt 3. Higher of a. Last drawn Salary * 3 * Compl Years of Service (or) b. Last drawn Salary * remain months of salary
Rule 2BA *1.* Only for employees of company who has completed 10 years of service (or) 40 years of age *2.* It does not apply to directors of company and Co-operative Society *3.* Vacancy is not to be filed up *4.* Retiring employee not to be employed in another company or concern belonging to the management.	
Key Points **1.** Rule 2BA does not indicate whether lower or higher of the two limits is to be considered. Courts have however held any amount can be claimed as long as the total deduction is within the limit of Rs. 5,00,000	

6. **Payments from National Pension Scheme: Sec 10(12A) and Sec 10(12B)**

Exemption Limits	
Closure of or Opting out from the NPS by any assessee	to extent of 40% of total amount payable
Partial withdrawal by an employee	To extent of 25% of contributions made by him

7. **Approved Superannuation Fund: Sec 10(13)**

Exemption Limits	
Fund approved by relevant authority	

PERQUSITIES

Perquisites includes –

i. The value of rent free accommodation provided to the assessee by his employer
ii. The value of concession in the matter of rent in respect of any accommodation provided to the assessee by his employer
iii. The value of any benefit or amenity granted or provided free of cost or at concessional rate in the case of specified employees
iv. Any sum paid by the employer in respect of any obligation on behalf of the employee;
v. Any sum payable by the employer to effect an assurance on the life of employee or to effect a contract for an annuity
vi. The value of specified securities or sweat equity shares allotted or transferred to employees by an employer or former employer free of cost or at concessional rates;
vii. Any contribution to an approved superannuation fund by the employer in respect of an employee to the extent it exceeds Rs. 1,50,00/-

Specified Employee:

1. A Director who is also an employee in the employer company; (or)
2. An employee who has substantial interest (20% voting rights) in the employer company (or)
3. An employee whose income under the head "Salaries" exceeds Rs. 50,000 which excluding/deducting; Non-Monetary Benefits, Section 16 deductions, Sec 10 monetary exempt perks
4. Where employee is paying any amount in respect of the above, the amount so paid shall be deducted from the value of perquisite calculated

Perquisite taxable in the hands of Specified Employee:

A. **Domestic Servant – Rule 3(3)**
Actual Cost paid for the benefit to the employee or any member in his household for services of domestic servants such as sweeper, gardener, watchman or a personal attendant.

B. **Perquisite in respect of Gas, Electric Energy and Water Supply for household consumption – Rule 3(4)**
i. If Employer's own source – The manufacturing cost incurred by the employer shall be the value of perquisite

ii. If Supply from Outside Agency – The amount paid by the employer to the agency for supplying the above

iii. Where employee is paying any amount in respect of the above, the amount so paid shall be deducted from the value of perquisite calculated

C. **Perquisites in respect of educational facilities – Rule 3(5)**

i. If Employer's own source – The perquisite shall be determined with reference to the reasonable cost of such education in a similar institution in or near the locality. However, in case of "children of employee", if value of such education does not exceed Rs. 1,000 per month, nothing shall be taxed as perquisite

ii. If outside, the amount of expenditure incurred by the employer

iii. Where employee is paying any amount in respect of the above, the amount so paid shall be deducted from the value of perquisite calculated

iv. Scholarship received by employee's son from the employer is a perquisite but the same is exempted u/s 10(16).

D. **Motor Car – Rule 3(2)**

i. Car Owned by Employee and expenses met by employee – No perquisite

ii. Where the Car is maintained for official purpose exclusively – No perquisite

iii. Residual Cases

Car Owned by	Expenses by	Wholly personal	Partially personal
Employee	Employer	Actual Expenses	Actual Amount reduced by a) Upto 1.6 L – Rs. 1,800 p.m. b) Above 1.6 L – Rs. 2,400 p.m. c) Driver – Rs. 900 p.m.
Employer	Employee	Wear and Tear (or) Hire Charges, Maintenance, Driver Salary	a) Upto 1.6 L – Rs. 600 p.m. b) Above 1.6 L – Rs. 900 p.m. c) Driver – Rs. 900 p.m.
Employer	Employer	Wear and Tear (or) Hire Charges, Maintenance, Driver Salary less amount charged from employee	a) Upto 1.6 L – Rs. 1,800 p.m. b) Above 1.6 L – Rs. 2,400 p.m. c) Driver – Rs. 900 p.m.

In case of any other conveyance provided by the employer the value of perks shall be

Wholly Personal Purpose – Running and Maintenance Expenses

Partly Personal Purpose – Actual expenses reduced by an amount of Rs. 900

E. **Free or Concessional Ticket – Rule 3(6)**

i. **In case of employee of an airline or railway or any other mode –** Value at such benefit or amenity if offered by such employer to the public

<u>Perquisite taxable in the hands of all Employees:</u>

A. Any sum paid by the employer in respect of any obligation of the employee – Sec 17(2)(iv)

B. Value of Accommodation provided

i. Free of Cost:

Step 1: - Determine the value of unfurnished accommodation

<table>
<tr><th>S.No</th><th>Employee</th><th>Value of perquisite</th></tr>
<tr><td>1</td><td>Central or State Government</td><td>License Fee determined by the Government</td></tr>
<tr><td>2</td><td>Other than Government Employee</td><td></td></tr>
<tr><td></td><td>i. Accommodation owned by the Employer</td><td>Accommodation is provided in place where population as per 2001 census is
a) Less than 10L- 7.5% of Salary
b) 10L- 25L - 10% of Salary
c) > 25L - 15% of Salary</td></tr>
<tr><td></td><td>ii. Accommodation is taken on lease by the Employer</td><td>Lower of
a) Actual Amount of Lease
b) 15% of Salary
For the period of Occupation</td></tr>
<tr><td>3</td><td>Accommodation provided by employer in a hotel (Except in case where such facility is provided for a period not exceeding in aggregate 15 days on his transfer from one place to another)</td><td>Lower of
a) 24% of Salary received/able
b) Actual Charges paid</td></tr>
<tr><td colspan="3">Key Points:
1. Where on account of transfer of an employee from one place to another, the employee is provided with accommodation at new place while retaining the accommodation at old place
a. For 90 days Value of perquisite shall be value computed as per above for one place whichever is lower
b. Exceeding 90 days for both places</td></tr>
<tr><td colspan="3">Salary for this purpose means basic, allowances, bonus or commission but excludes
a. DA not taken for purpose of retirement benefits
b. Allowances exempt from tax</td></tr>
</table>

c. *Value of perquisites u/s 17(2)*
d. *Payment of expenditure excluded under proviso of 17(2)*
e. *Lump sum payments at time of termination of service*

Step 2: Value of Furnished Accommodation
10% of Original Cost of furniture owned and provided by Employer
Actual Lease Charges in case of furniture taken on lease and provided to the employee

From the value of rent free accommodation so provided, any amount collected from the employee shall be reduced in order to determine the value of concessional rent of the accommodation

Sec 89: Relief

- If any Individual receives Advance Salary, Salary in Arrears, profits in lieu of Salary etc during the PY & because of such receipts his income is taxed @ higher rate. In such cases, Relief u/s 89 is available
- Procedure for computing relief given in **Rule 21A**

Step 1	**Tax Payable of PY of RECEIPT of Adv Sal/Arrears**			
	Total Income **including** arrears of adv salary/arrears	(a)		
	Total Income **excluding** arrears of adv salary/arrears	(b)		
	Tax on Additional Salary	(a – b)	**(A)**	
Step 2	**Tax Payable of PY TO WHICH Receipt of Adv Sal/Arrears Relates to**			
	Total Income **including** arrears of adv salary/arrears	(a)		
	Total Income **excluding** arrears of adv salary/arrears	(b)		
	Tax on Additional Salary	(a – b)	**(B)**	
Step 3	**RELIEF U/S 89**	**(A – B)**		**XXX**

INCOME FROM HOUSE PROPERTY

Section	Synopsis
22	Charging Section
23	Determination of Annual Value **23(1)(a)/(b)** Property is let out throughout the year **23(1)(c)** Property is vacant part of the year **23(2)** Self Occupied Property/Unoccupied Property **23(3)** Let-out for part of the year and self-occupied for part. **23(4)** Deemed to be let out property **23(5)** House Property held as Stock-in-trade
Exp to Sec 23	Treatment of unrealized rent
24	Deductions from Annual Value **24(a)** 30% of NAV is allowed as deduction **24(b)** Interest on borrowed capital is allowed as a deduction
25	Inadmissible deductions
25A	Provisions for Arrears of Rent and unrealized Rent Received Subsequently
26	Treatment of Income from Co-Owned property
27	Deemed Ownership

Chargeability Conditions

- ➔ **Property should consist of any building** (meaning not only residential building, but also, factory, office,shop or godown) or Land Appurtenant thereto
  - Land Appurtenant means land connected with the building like garden, garage etc
- ➔ **Assessee must be the owner of the Property or Deemed owner u/s 27.**

Deemed Owner u/s 27

- Transfer to a spouse

  Where the transfer by an individual to a spouse is otherwise than for adequate consideration, the transferor is deemed to be the owner of the transferred property. **Exception - Agreement to live apart**

- Transfer to a Minor Child

  Transfer by an individual to his or her minor child otherwise than for adequate consideration, the transferor is deemed to be the owner of the transferred property.
  Exception – Transfer to a minor married daughter

- Holder of an Impartible estate

  An Impartible estate is a property which is not legally divisible and whose status is assessed as that of HUF. However the holder of such estate will be deemed to the owner

- Member of Co-operative Society etc

  A Member of a co-operative society, company or other AOP to whom building is allotted or leased under House Building Scheme by such Co-op, Company or AOP holding legal ownership. Member will be deemed to be owner

- Person in possession of property

  Person who is allowed to take/retain the possession of any building or part thereof in part performance of contract ref to in section 53A of Transfer of Property Act on the following conditions

  a. Possession is handed over to buyer
  b. Sale consideration has been paid or promised to be paid to the seller
  c. Sale deed has not been executed although an agreement to sell exist.

- Person having right in a property for a period not less than 12 years (Sec 269 UA(f))

  Exception – Right by way of lease from month to month or for period less than one year

COMPUTATION OF INCOME FROM HOUSE PROPERTY

CASE - I Computation of Gross Annual Value - Property is let out throughout the previous year			
Particulars	**Annual (Rs.)**	**(Rs.)**	
(1) Municipal Value	**Xxx**		Determined by Municipal Auth.
(2) Fair Rent	**Xxx**		Similar Property's rent
(3) Higher of (1) and (2)	**Xxx**		
(4) Standard Rent	**Xxx**		Fixed under Rent Control Act
(5) Lower of (3) and (4)	**Xxx**		
(6) Actual Rent	Xxx		
(7) **Higher of (5) and (6)**	**Xxx**	**Xxx**	
Gross Annual Value		**Xxx**	

CASE - II Computation of Gross Annual Value - Property Vacant for part of the year – owing to vacancy			
Particulars	**Annual (Rs.)**	**(Rs.)**	
Actual Rent	**Xxx**	**Xxx**	
Gross Annual Value		**Xxx**	

CASE - III Computation of Gross Annual Value- Property is let out for Part of the year and Self-occupied for part of the year			
Particulars	**(Rs.)**	**(Rs.)**	
(1) Municipal Value p.a	**Xxx**		Determined by Municipal Auth.
(2) Fair Rent p.a	**Xxx**		Similar Property's rent
(3) Higher of (1) and (2)	**Xxx**		
(4) Standard Rent p.a	**Xxx**		Fixed under Rent Control Act
(5) Lower of (3) and (4)	**Xxx**		
(6) Actual Rent	Xxx		**Actual Rent for Let out Period**
(7) **Higher of (5) and (6)**	**Xxx**	**Xxx**	
Gross Annual Value		**xxx**	

CASE –IV Computation of Income from House Property – Deemed Let Out Property		
Particulars	**Amount (Rs)**	
Gross Annual Value	**Xxx**	
Less: Municipal Taxes*	Xxx	Only Paid during the previous year
Net Annual Value	**Xxx**	
Less: Deductions u/s 24		
(a) 30% of NAV^	Xxx	
(b) Interest on borrowed capital	Xxx	Actual
Income from House Property	**Xxx**	
Not Deemed to be Let Out • NAV = Nil: 2 houses (Deemed to be Self Occupied)– **Applicable only for Individual/HUF.** • NAV = Nil: Property held as Stock-in-trade and whole or part is not let out during the whole or part of previous year, upto **2 years** from the end of the financial year in which CoC is obtained		

Municipal Taxes*

- They are allowed as deduction only when it is actually paid.
- Arrears of Municipal taxes are allowed if the same is paid in the previous year
- Where the property is situated outside India, taxes levied by local authority of that country will be deductible (CIT vs. R Venugopala Reddiar)

30% of NAV

- Irrespective of the actual deduction
- The assesse will not be allowed deduction in the following two cases
  - Self-Occupied Residential Property
  - Property held as Stock-in-trade and whole or part is not let out during the whole or part of previous year, upto 2 year from the end of the financial year in which CoC is obtained

Sec 24(b): Interest on borrowed Capital

Type of Interest	**Condition/Claim**
Interest for Pre-Construction Period *From the date of borrowing to the period prior to the previous year in which property is acquired/constructed*	Claim allowable in 5 equal annual installments commencing from year of acquisition or Completion of construction
Interest during the year of Completion of Construction	Interest fully claimable in the year of completion of construction
Post Completion interest	Interest fully claimable in the year of it's due
The above interest will be clubbed together and the total limit shall meet the following criteria	

IN CASE OF PROPERTY WHICH IS LET OUT OR DEEMED TO BE LET OUT	
PARTICULARS	**Max Ceiling (Rs.)**
Loans Borrowed (Any Amount subject to Sec 25)	Actual Accrued
IN CASE OF PROPERTIES (2 Property Max) WHICH IS SELF OCCUPIED	
PARTICULARS	**Max Ceiling (Rs.)**
Loans borrowed on or after 1.4.99 Construction Completed within 5 years from end of FY of borrowing	2,00,000
Loans borrowed on or after 1.4.99 -Property is repaired, renewed or reconstructed with Capital borrowed **(or)** **Loans borrowed before 1.4.99 -**Property is acquired, constructed, repaired, renewed or reconstructed with Capital borrowed	30,000

Key Points

1. Interest is allowable on accrual basis
2. Interest on unpaid interest is not deductible
3. **Sec: 25**: Interest payable outside India will not be deductible if
   - **a.** Tax has not been deducted and paid on such interest and
   - **b.** In respect of which there is no person in India who may be treated as an agent.
4. In case of Join Ownership, each Co-Owner shall be entitled to a deduction of Rs. 30,000/ Rs. 2,00,000 as the case may be
5. The above limits is applicable combined for 2 SOP's and not for each SOP

Sec 25A: Treatment of Unrealized rent and Arrears of Rent

Computation of Income from House Property – Unrealized and Arrears		
Particulars	**Amount (Rs)**	
Arrears of Rent	**Xxx**	Received during the PY
Unrealized rent	Xxx	Received during the PY
Gross Annual Value	**Xxx**	
Less: Deductions u/s 25A(2)		
(a) 30% of NAV^	Xxx	
Income from House Property	**Xxx**	
Key Points **1.** Assessee's ownership of the property is irrelevant in case of above calculations **2.** The above is taxable in the year of receipt/realization		

Composite Rent

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

1. Other assets like say furniture, plant and machinery.
2. For different services provided in the building, for eg
   a. Lifts
   b. Security
   c. Power backup

Tax treatment of Composite Rent

If Let out Building and other assets are inseparable - Tenant does not accept letting out of building without other assets	Entire rent is taxable as "IFOS" or "PGBP" (**The same is applicable even if sum receivable is fixed separately for the two)**
If Let Out Building and other assets are separable	Income received from let out of building is taxable under House Property income and Income from letting other assets is taxable under "IFOS" or "PGBP"

Sec 26: Treatment of Income from Co-Owned Property

1. Computation of income as if the property is owned by one owner and thereafter the income so computed shall be apportioned **amongst each co-owner as per their specific share**
2. Where the property is self-occupied, each co-owner shall be entitled to a deduction of Rs. 30,000/ Rs. 2,00,000 as the case maybe, under sec 24(b)

Set off and Carry Forward in case of Loss under the Head House Property

1. Loss under the head house property can be set off against income under any other head only to the **extent of Rs. 2 lakhs**
2. Unabsorbed loss from house property can be carried forward for maximum 8 AYs for set-off against income from House Property
3. Return of Loss filing before the due date of filing of return of Income for claiming carry forward and set off of losses does not apply to a loss of house property carried forward under section 71B.

PROFITS AND GAINS FROM BUSINESS OR PROFESSION

Chapter Outline

Section	**Synopsis**
28	Chargeability
29; 30 to 43B	Computation of Business Income
44ADA to 44AE	Special Provisions (Presumptive Schemes)
30 to 37	Admissable Deductions
38,40, 40A & 43B	Inadmissable Expenditure
41	Deemed Profit
43, 43A & 43CA	Misc

Sec 28: Chargeability

i. Profits and Gains arising from Business or Profession which was **carried on by the assessee at any time during the PY**
ii. Compensation to MD/WTD/Manager of Indian Co for Loss of Office
iii. Compensation for termination of agency in India or for modification of terms & conditions
iv. Compensation for vesting in the Government or any corp of Govt of the management of any business
v. Compensation in connection with termination or modification of terms & conditions of any contract relating to business
vi. Income from trade, profession or similar association specific services performed for its members
vii. Export Incentives
viii. Value of any benefit or perquisite arising from business or profession
ix. **Any interest, salary, bonus or commission received by a partner of a firm from such firm. (Only to the extent it is allowable in the hands of the partner)**
x. Non-Compete Fee.
xi. Keyman Insurance Proceeds
xii. FMV of inventory as on date when it is converted into or treated as Capital Assets
xiii. Any sum received or receivable as compensation for any capital asset being demolished, destroyed or transferred if the whole of such expenditure has been allowed as a deduction u/s 35AD.

BOOKS OF ACCOUNTS, AUDIT AND PRESUMPTIVE TAXATION

Sec 44AA: Maintenance of Books of Accounts

Specified Professions: Includes Legal, Medicine, Engineering, Architectural, Profession of Accountancy (or) technical consultancy (or) interior decoration, film artist and Company Secretary.

Persons	Limit for Maintenance of Books
Specified Professions	**Gross Receipts does not exceed Rs. 1,50,000 IN ANY OF 3 immediately preceeding previous years** - Such Books of accounts & documents as may enable to compute taxable income. **Gross Receipts Exceeds Rs. 1,50,000 IN ALL OF 3 immediately preceeding previous year** - Maintain Books as per Rule 6F
Non Specified Profession/ Business	**Gross Receipts does not exceed Rs. 25,00,000 & Income does not exceed Rs. 2,50,000 IN ALL OF 3 immediately preceeding previous years** - Such Books of accounts & documents as may enable to compute taxable income **Gross Receipts exceeds Rs. 25,00,000 & Income exceeds Rs. 2,50,000 IN ANY OF 3 immediately preceeding previous years** - Maintain Books as per Rule 6F
Compulsory Maintenance of Books	**1.** PGBP deemed u/s 44AE/44BB/44BBB but assessee claims income lower than such deemed profits/gains in P.Y **2.** Provisions of Sec 44AD(4) – applicable & Income is greater than basic exemption limit
Period of Maintenance : 6 years from the end of relevant assessment year	

Sec 44AB: Audit of Books of Accounts

Audit of Books shall be done in the following cases

Clause	Nature of Business/Activity	Condition
I	**Nature of Activity** Business Profession *Provided where person declares PGBP in accordance with Provisions of Sec 44 AD(1) – No 44AB*	**Total Sales/Turnover/GR** **Exceeds Rs. 100 Lakhs** **Exceeds Rs. 50 Lakhs**
II	Business u/s 44AE	Any amount, if the profits are shown lesser than deemed
III	Profession covered u/s 44ADA	Amount lesser than deemed and Income is greater than basic exemption limit
IV	Business covered u/s 44AD	Provisions of Sec 44AD(4) made applicable and Income is greater than basic exemption limit

Presumptive Income:

	44AD	44ADA	44AE
Nature of Business	Any business except business ref u/s 44AE	**Specified Professions u/s 44AA**	**Plying, Leasing or Hiring of Goods Carriage**
Person	Resident Ind/ HUF or Firm (but not LLP)	Resident Assessee	Any Assessee
Limit	**Gross Receipts does not exceed Rs. 200 Lakhs**	**Gross Receipts does not exceed Rs. 50 Lakhs**	**Does not own more than 10 Goods Carriage at anytime during the PY**
Presumptive Income	8% of Gross Receipts (Normal Income) 6% of Gross Receipts (If Receipts through ECS/A/c Payee Cheque/ draft received before due date of filing of ROI)	50% of Gross Receipts **Or such higher sum**	a) Rs. 1,000 per ton of gross vehicle weight or unladen weight for heavy goods vehicles *Heavy Goods Vehicle – Gross Wt > 12 Ton*

	Or such higher sum		b) Rs. 7,500 for other than heavy goods vehicle, For Every month (or) part owned by the assessee. **Or such higher sum**
Deduction of Partner's Remuneration and Interest u/s 40(b)	Not Allowed	Not Allowed	Deductible
Declaration of Lesser Income	If 44AD(4) applies then shall maintain books u/s 44AA & Accounts to be audited by CA for PY + Next 5 A.Y's, if Total Income Exceeds Basic Exemption Limit.	Maintenance of Books of Accounts u/s 44AA & Accounts to be audited by CA if Total Income Exceeds Basic Exemption Limit.	Maintenance of Books of Accounts u/s 44AA & Accounts to be audited by CA. *Irrespective of Total Income*

Sec 44AD: Not Applicable Cases

1. Persons claiming deductions u/s 10A, 10AA, 80IA – 80RRB
2. Persons carrying on specified business
3. Persons earning commission/Brokerage
4. Persons carrying on agency business

Sec 44AD(4) :

			1) Not to Compute Income under Normal Income Computation							
1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th
No	**No**	**Claim**	**Claim**	**Opt Out**	**In.E**	**In.E**	**In.E**	**In.E**	**In.E**	**El. 44AD**
					2) Ineligible for Sec 44AD					
				3) Maintenance of Books u/s 44AA & Audit u/s 44AD, if Total Income > Basic Exemption Limit						

Eligible Assessee declares profit for any p.y in accordance with Sec. 44AD(1) and declares profit for next 5 A.Y's not in accordance with this section, shall be ineligible for claim u/s 44AD for the next 5 A.Y's subsequent to the year of such default.

ADMISSIBLE DEDUCTIONS

Sec 30: Expenses relating to building used for Business or Profession

a. If assessee is occupying the premises as a tenant, rent paid is deductible. Further cost of such repairs is also deductible
b. If assessee is owner, cost of repairs is deductible
c. Any Land revenue, local rates and municipal taxes (paid by assessee) is deductible – Paid on or before the due date of filing of ROI u/s 139(1)
d. Insurance in respect of building

Sec 31: Expenses relating to machinery, plant and furniture

a. Current repairs
b. Insurance premium paid
c. Where machinery is taken on hire, the same is not deductible u/s 30 but u/s 37(1) allowed under residuary head

SEC 32: DEPRECIATION

1. Conditions for Claiming Depreciation

a. The assessee must be the owner of the asset
Exceptions:
  i. Where assessee is a tenant, any capital expenditure incurred towards renovation, extension or improvement to such building can be treated as value of building and depreciation can be claimed under Sec 32
  ii. In case of hire purchase, depreciation can be claimed by capitalising the value equivalent to cash price of the asset. Remaining amount can be taken as hire charges
  iii. In case of Instalment purchase, amount agreed to be paid can be taken as capitalisation cost.
  iv. Assessee need not be legal owner of the asset (Mysore Minerals Ltd vs CIT)

b. The assessee must use the asset for the purpose of carrying business or profession
c. The asset must have been used during the previous year
d. The asset must fall under eligible class of asset
e. In a Lease agreement, Lessor is eligible for depreciation (Operating and Finance Lease)

2. Block of Assets

a. Under Income Tax Act, depreciation is allowed to the block of asset and not individual assets

Block of assets including depreciation rates as specified under Appendix-I to the Income Tax Rules, 1961

Block of Assets	Asset Type	Rate (%)
Building	Buildings mainly used for residential purposes except hotels & boarding houses	5
	Buildings acquired for installing machinery and plant forming part of water supply project or water treatment system and put to use for the purpose of providing infrastructure facilities	40
	Purely Temporary Erections	40
	Others	10
Furniture and Fittings	F&F including Electrical Fittings	10
Machinery and Plant	New P&M installed to Manufacture and Produce any technology or Know-How in a lab owned or financed by Government or public company, university, or institution recogonized by department of Scientific and Industrial Research	40
	P&M acquired for installing machinery and plant forming part of water supply project or water treatment system and put to use for the purpose of providing infrastructure facilities	40
	Air and water Pollution control Equipments; Solid waste control equipments; solid waste recycling and resource recovery systems	40
	Energy Saving Devices	40
	Annual Publications owned by assessee (Profession)	
	Books other than Annual Publications	40
	Books owned by assessee carrying on business in running lending libraries	40
	Life Saving Medical equipments	40
	Assets installed for purpose of windmill and specifically designed devices which run on wind mills and special devices including generators and pumps running in wind mills - **On or after 01.04.2014** - **Before 01.04.2014**	40 15
	Plants used by Mineral Oil concerns in Field	40
	Oil Wells other than used for above	15
	Mould used in rubber and plastic goods factories	30
	Plant and Machinery used in semi-conductor industry (IC's)	30
	Computers including computer software	40
	Aeroplanes, Aero engines	40

	Motor buses, lorries and taxis used in a business of running them on hire	30
	Motor Cars, other than those used for running them on hire	15
	Plant and Machinery other than above	15
Ships	Ocean-going Ships	20
	Vessels ordinarily operating in inland water (not being P&M)	20
	Speed boats	20
Intangible Assets	Know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature	25

Amendment: May2020

Increased rate of depreciation (Motor Vehicles acquired and put to use during the period 23.08.2019 to 31.3.2020)

Particulars	**Depreciation allowable as % of WDV**
Motor Cars other than on hire	**30%**
Motor Card on hire	**45%**
For Existing Motor Cars, other than on hire	15%
For Existing Motor Cars on hire	30%

Important points of amendment

- The Motor Cars has to be **acquired and put to use** in the period specified to claim higher depreciation
- This does not alter additional depreciation in any manner
- 50% of the percentage claim for less than 180 days put to use will be applicable for these assets also

Sec 32(1)(i): Depreciation for Power Generating Undertakings

Option to claim either depreciation under

a) Straight Line Method on Individual Asset or

b) Written Down Value on block of assets

Disposal of Fixed Assets – SLM METHOD OF DEPRECIATION

Situation on Sale under SLM	Treatment to be given
Sale Value < Original Cost and Sale Value < WDV	**Terminal Depreciation =** WDV- Sale Value
Sale Value < Original Cost and Sale Value > WDV	**Balancing Charge : Sec 41(2) :** Sale Value – WDV
Sale Value > Original Cost	**Balancing Charge: Sec 41(2):** Original Cost – WDV **Capital Gain: Sec 50A:** Sale Value – Original Cost
Key Points: 1. Restriction of 50% of depreciation shall apply if asset put to use for less than 180days 2. Additional depreciation not available if SLM followed 3. Optional to Go either for SLM or WDV. This option is to be exercised before the due date of Filing of ROI u/s 139(1) in which is begins to generate power. Such method will be applied for all subsequent assessment years 4. SLM has to be applied for Each Individual Asset and WDV will follow the block concept	

Sec 38: Assets used partly for business and partly for personal

Where any asset is used partly for business and partly for personal purposes, only proportionate expenses and depreciation as determined by the Assessing Officer can be claimed as deduction.

The WDV of the asset will be reduced by only that portion of depreciation allowed under section 32.

Additional Depreciation: Sec 32(iia)

Additional Depreciation @ 20%	a) **<u>New</u> Plant and Machinery acquired and installed by an assessee** b) **Engaged in Manufacture or Production of article or thing (or)** in the business of generation, transmission or distribution of power

Additional Depreciation @ 35%	a) Business after 01.04.2015 b) Undertaking in notified area in State of Andhra Pradesh, Bihar, Telangana and West Bengal c) Acquisition of P&M made between 01.04.2015 and 31.03.2020
Non Applicability	a) Ships and Aircrafts b) Machinery & Plant used earlier by any other person either within or outside India c) Machinery & Plant used in office or residence including guest house d) Office Appliances or Road Transport Vehicles e) Any P&M used as a deduction in computing income under the head 'PGBP'
Assets put to use for less than 180 days	a) Where the asset is acquired and put to use for less than 180 days b) Depreciation shall be restricted to 50% of the amount calculated c) This restriction is for Normal Registration and also for Additional Depreciation

Unabsorbed Depreciation – SET OFF AND CARRY FORWARD

a) Portion of Depreciation that could not be fully claimed in the PY due to profits being insufficient
b) It can be carried forward indefinitely
c) The same shall be allowed to be carried forward and set off against any other head except for '**Salaries**'
d) The same will be carried forward even if no ROI is filed in subsequent years
e) Continuity of business is not a pre-condition to claim its benefit

New Plant and Machinery in Notified Backward Areas in Certain States: Sec 32AD

Eligible Assessee	Any Assessee
Eligible Business	Undertaking for Manufacture of Production on or after 01.04.2015
Period of Investment	01.04.2015 to 31.03.2020
Eligible Investment	Notified Backward Areas in State of Andhra Pradesh, Bihar, Telangana or West Bengal
Quantum	15% of the actual cost of new asset acquired – in the year of its installation
Non Applicability	a) Ships and Aircrafts b) Machinery & Plant used earlier by any other person either within or outside India c) Machinery & Plant used in office or residence including guest house

	d) Office Appliances or Road Transport Vehicles e) Computer or Computer software f) Any P&M used as a deduction in computing income under the head 'PGBP'
Key Points: 1. Amount of Deduction shall not reduce the WDV calculated u/s 32 2. The asset if sold within 5 years from its date of installation, the amount allowed as a deduction shall be chargeable under PGBP in its year of transfer 3. **No Condition of put to use**	

Expenditure on Scientific Research

<table>
<tr><th>Section</th><th>Contribution</th><th>Used for</th><th>% of Deduction</th></tr>
<tr><td>35(1)(i)
35(1)(iv)</td><td>1. Revenue and Capital Expenses
2. Expenditure- Expenditure 3 years prior to commencement of business</td><td>In-house Research

Being Salary to employees, purchase of materials used for SR, capex (Except for Land)</td><td>100</td></tr>
<tr><td>35(2AB)</td><td>By Companies engaged in business of bio technology or in any business of manufacture or production of article (Except for those Specified in XIth Schedule)</td><td>Expenses on R&D Facilitation for Bio Technology or business of manufacture or production Expenses on Land and Building will not be allowed</td><td>150</td></tr>
<tr><td colspan="4">Key Point: For an entity covered u/s 35(2AB), expenditure on Land will not be allowed. However, for building 100% deduction can be availed u/s 35(1)(iv). For Pre-commencement Exp– 100%</td></tr>
<tr><td>35(1)(ii)</td><td>To Research Association</td><td>Scientific Research</td><td>150</td></tr>
<tr><td>35(1)(iia)</td><td>To Company</td><td>Scientific Research</td><td>100</td></tr>
<tr><td>35(1)(iii)</td><td>To Research Association</td><td>Social Science or Statistical Research</td><td>100</td></tr>
<tr><td>35(2AA)</td><td>To National Lab, University or IIT or Specified Person</td><td>Scientific Research under program approved by prescribed authority</td><td>150</td></tr>
<tr><td colspan="4">Key Points:
1. Companies under 35(1)(iia) must be registered in India with SR as its main objectives
2. Further no deduction will be allowed u/s 35(2AB) if the contribution is covered u/s 35(1)(iia)
3. Unabsorbed Capital Expenditure will have the same treatment as that of unabsorbed depreciation
4. No Depreciation for Capital Asset Expenditure claimed u/s 35
5. Where any such Fixed Asset (deduction claimed) is sold, the sale proceeds will be taxable as business income (Sec 28)</td></tr>
</table>

Sec 35AD: Deduction of Capital Expenditure of Specified Business

S.No	Nature of Business
1	Setting up and operating a cold chain facility
2	Setting up and operating a warehousing facility for agri produce storage
3	Building and operating a hospital with atleast 100 beds (In India)
4	Building of Affordable houses under affordable housing scheme
5	Building of housing projects under scheme of slum redevelopment or rehabilitation
6	Laying and Operating cross country – Natural Gas, Crude, Petroleum Oil pipeline network (Distribution and Storage Facility)
7	Building and operating a hotel of two star or above category – Recog by CG
8	Producing fertilizers in India
9	Setting up and Operating inland container depot or container freight station – Notified by CG
10	Setting up and Operating a warehousing Facility for storage of sugar
11	Setting up and Operating semi-conductor wafer fabrication manufacturing unit.
12	Bee Keeping and Production of honey and beeswax
13	Laying and Operating a slurry pipeline for transportation of iron ore
14	Developing, Maintaining and operating any infrastructure facility

Conditions:

a. The business is not setup by splitting up, or the reconstruction of a business already in existence

b. Business is not formed by transfer of P&M previously used for any purpose except to the extent of 20% of total value of P&M.

c. No Deduction u/s 10AA and Chapter VI-A (Part-C) – For any assessment year, irrespective of claim u/s 35AD

d. Business is not setup by transfer of assets from previous business except when such P&M was never used anytime in India prior to its date of installation and such machinery is being imported into India and no deduction on account of depreciation has been allowed in India till date.

e. Exp of asset otherwise by ECS/Cheque/Draft/E-Mode > Rs.10,000/- disallowed

Usage of Specified Asset:

a. Any asset in respect of which a deduction is allowed shall be used only for specified business, for a period of 8 years

b. Restriction shall not apply to assets that are destroyed, discarded or transferred or The Company is declared sick

Allowable Expenditure

Section	Expenditure	Conditions
35CCA	Rural Development Programmes	100%
35CCB	Agriculture Extension Project	150% (Except for Land and Building)
35CCD	Skill Development Project- **Only Companies**	150% of the Expenditure (Except for Land and Building)
35D	Amortisation of certain preliminary expenses **Preliminary Expenditure:** Legal Charges, Cost of preparation of feasibility report, market survey, cost of printing MOA (and) AOA and Registration Fees paid for the company, Expenses for issue of capital and other similar expenditure	**Eligible Assessee:** Indian Companies and Resident Non-Corporate Assessee **Purpose:** Preliminary expenditure a) Before commencement of new business b) After commencement, in connection with extension of existing undertaking or setting up of new unit **Ceiling** **Non Company Assessee:** 5% of the cost of project* **Company Assessee:** 5% of the cost of project (or) 5% of Capital Employed^{+} Qualifying Amount: **Allowed as deduction over a period of 5 years in equal instalments** **Compulsory Audit in PY's where expenditure is claimed**
**Cost of Project – Actual Cost of Fixed Assets (L&B, P&M, F&F etc)* $^{+}$*Capital Employed – Issue of Share Capital + Debentures + Long Term Borrowings*		
35DDA	Amortisation of expenditure on VRS	In Accordance with scheme of VRS Qualifying Amount : **Allowed as deduction over a period of 5 years in equal instalments.**

Sec 36: Other Deductions

36 (1)	**Insurance Premium**	**Paid** in respect of insurance against risk of damage or destruction of stocks or stores Paid by Federal Milk Co-operative Society on life of cattle Insurance Paid for insuring on the health of employees
36(1)(ii)	**Bonus or Commission**	**Paid** to employees otherwise payable as profits or dividends to such employees
36(1)(iii)	**Interest on borrowed capital**	Interest paid in respect of capital borrowed for business/ Interest on Asset after put to use
36(1)(iiia)	**Zero Coupon Bonds**	Allowed on Pro Rata basis Discount shall be divided by the number of calendar months and allowed for the months in the FY
36(1)(iv)	**Employee Welfare Funds**	Contribution to RPF or Approved Superannuation Fund as an **Employer**
36(1)(iva)		Contribution towards pension scheme ref u/s 8CCD as an **Employer (10% of Salary)**
36(1)(v)		Contribution by **Employer t**owards Gratuity Fund
36(1)(va)		**Employee** contribution to the welfare fund accounts, if such sum is remitted on or before the relevant due date
36(1)(vi)	**Allowance for animals/Live Stock**	**Expenses on acquiring animals (held otherwise as stock-in-trade)**
36(1)(vii)	**Bad Debts**	Debt to be incidental to the business Taken into computing the business income of the assessee Should have been written off in books of accounts
36(1)(ix)	**Promotion for Family Planning**	Any Expenditure can be allowed as deduction If CAPEX – over a period of 5 equal instalments
36(1)(xv)	**Security Transaction Tax**	In respect of securities transaction in course of business
36(1)(xvi)	**Commodity Transaction Tax**	In respect of commodities transaction in course of business

General Expenditure: Sec 37

Any Expenditure

1. Not covered u/s 30 to 36
2. Not being capital in nature
3. Not being in nature of personal expenditure
4. Wholly or exclusively for the purpose of PGBP
   a) Not be to expenditure incurred on any offence which is prohibited by law
   b) CSR Spends under Sec 135 of Companies Act

Inadmissable Expenditure and Disallwances

Sec 37(2B): Advertisement in publications of a political party:

Even if such expenditure is directly connected with the business of the assessee. However, donation to political party is allowed u/s 80GGB or 80GGC

40(a): Disallowances

40(a)(i)	Any sum chargeable to tax, which is payable outside India or In India, to a NR of Foreign Co	**100%** if TDS not deducted or if deducted but not remitted before due date of ROI u/s 139(1) **Allowed in the year of remittance**
40(a)(ia)	Sum Payable to Residents on which TDS is deductible	**100%** if TDS not deducted or if deducted but not remitted before due date of ROI u/s 139(1) **Allowed in the year of remittance** **Or** If the Resident Payee has furnished his ROI and he has taken the sum into his account and paid tax due thereon and also submits a certificate of the same from a CA
40(a)(ii)	Income Tax and Wealth Tax	It includes Interest on Income Tax, Interest on Late Filing and Income tax payable outside India
40(a)(iib)	In respect of any payment made to State Government	Royalty, License Fee or Service Fee, Privilege Fee, Service Charge or any other fee levied exclusively by State Government on State Undertaking
40(a)(iv)	Payment from PF or other fund for the benefit of employees	Unless the employer has made effective arrangements for deduction of tax at source, chargeable under "salary"
40(a)(v)	Expenditure in nature incurred u/s 10(10CC)	Tax on monetary perquisites borne by employer on behalf of employee
	Disallowance for Partnership/LLP/AOP	
40(b)	Interest paid to partners	a. Authorised by the deed b. Period after the date of deed c. Restricted to 12%
	Salary, Bonus, Commission or Remuneration	a. Authorised by the deed b. Period after the date of deed

<table>
<tr><td></td><td></td><td>c. Paid to Working Partner

d. Should be within the below limits
<table>
<tr><th>Book Profits</th><th>Remuneration (%)</th></tr>
<tr><td>Loss & Upto 3 Laks</td><td>Rs. 1,50,000 or 90% whichever is higher</td></tr>
<tr><td>On the balance</td><td>60%</td></tr>
<tr><td colspan="2">Book Profit: Net Profit in books as increased by aggregate amount of remuneration payable to partners (if included in expenses)</td></tr>
</table></td></tr>
<tr><td colspan="3">Disallowance in case of association of persons and body of individuals: Sec 40(ba)</td></tr>
<tr><td>40(ba)</td><td>Interest, Salary, Commission or Remuneration Paid to its members</td><td>Disallowed in Full</td></tr>
</table>

Expenses or Payments not deductible: 40(a)

<table>
<tr><td>40A(2)</td><td>Excessive and unreasonable expenditure to Specified Persons</td><td>The same shall be determined in accordance with fair market value of the goods, services or facilities for which payment is made</td></tr>
<tr><td colspan="3">Specified Persons

Individual – Any relative of the assessee, any person in whose business or profession the assessee has substantial interest
Company, HUF, Firm, AOP – Any Director, Partner, Member or relative of such person. Any business in which the above have substantial interest
All Assessees – Any Individual who has substantial interest in assessee’s business A Company, Firm, HUF or AOP having substantial interest in assessee’s business
Relatives – Spouse, Brother or Sister, Lineal Ascendant and Descendant
Substantial Interest: 20% of voting power/share of profit
</td></tr>
<tr><td>40A(3)</td><td colspan="2">Payments in excess of Rs. 10,000/- made otherwise than by way of account payee cheque or account payee draft or use of ECS through a bank account Made to a Person in a Single Day

The Limit shall be substituted with Rs. 35,000/- in case of payment for plying, hiring or leasing of goods carriage

Exceptions: Rule 6DD
a. Payment made to RBI/SBI/ Banking Co/ Co-operative Bank/ Agri Credit Society
b. Payment made to Government (required to be made in legal tender)</td></tr>
</table>

	c. Payment by LC/Credit card/debit card/ECS d. Payment by way of adjustment against any liability incurred by payee of goods for services rendered by assessee to such payee e. Payment to cultivator, grower or produce (Agri/Fish/Horticulture) f. Payment to Cottage Industries (Without aid of power) g. Payment of Retirement benefits to employee or legal heirs upto Rs. 50,000 h. Payment by person to his agent who is required to make payment in cash to such other person i. Payment made during strike or national holiday (establish the requirement to make such payment) j. Paid to AD for Foreign Exchange purchase
40A(7)	Provision for Gratuity
40A(9)	Any sum towards setting up or formation of or contribution made by the assessee to unrecognised or non-statutory welfare fund
43B	The below expenses are allowed only on actual payment before the due date of filing of return a. Any tax, due, cess or fee under any law in force b. Contribution to any PF/superannuation Fund/Gratuity Fund or any other welfare fund of the employees as employer c. Any bonus or commission to employees d. Any interest on any loan or borrowings from any public financial institution or State Finance Corporation e. Any interest payable to scheduled banks and co-operative banks f. Any amount in lieu of any leave at credit of employee g. Sum payable to Indian railways for use of railway assets

Deemed Profits: Sec 41

Sec 41(1)	Remission or cessation of trading liability *Any deduction allowed in case of loss, expenditure or trading liability for any year and subsequently during previous year recovered by the assessee or successor of the business*
Sec 41(2)	Balancing Charge – **Power Sector Undertaking**
Sec 41(3)	Sale of asset used for scientific research
Sec 41(4)	Recovery of Bad Debts
Sec 41(5)	Profits from discontinued business

Sec 43A: Exchange Rate Fluctuation:

Where any asset is acquired in foreign exchange and the actual cost is increased or decreased due to forex fluctuation has to be adjusted to the cost of the asset in the year of actual payment
Such CAPEX shall be taken into consideration for the purpose of

a. Depreciation u/s 32
b. In respect of scientific research
c. Promotion of Family Planning
d. Purpose of computation of capital gain in respect of non-depreciable asset

Sec 43CA: Consideration for transfer of Land and Building held as Stock in Trade:

Refer Capital Gain Chapter: Sec 50C

CAPITAL GAINS

Sec 45(1): Charging Section

<u>Capital Gain</u>

CAPITAL ASSET + TRANSFER

Sec 2 (14): Capital Asset

a) Property of any kind held by the assessee - whether or not connected with B/P
b) Any Securities held by a Foreign Institutional Investor (FII)

But it **excludes** the following

i) Stock in trade

ii) Personal Effect
Excluding
a) Jewellery
b) Archaeological Collections
c) Drawings
d) Paintings
e) Sculptures
f) any work of Art
} Capital Asset.

iii) Rural Agriculture Land - (Municipal, Cant Board – Population < 10,000)
Rural Area is anything that is not an Urban Area

What is an Urban Area – Municipal, Cant Board – Population < 10,000 &

Population as per last Census	**Municipality/Cantonment Board + Distance in KM measured Aerially**
➢ 10,000 upto 1,00,000	Any Municipality/Cant Board + 2 Km
➢ 1,00,000 upto 10,00,000	Any Municipality/Cant Board + 6 Km
➢ 10,00,000	Any Municipality/Cant Board + 6 Km

iv) Specified Gold Bonds, Special Bearer Bonds and Gold Deposit Bonds.

Sec 2 (47): Transfer

i) Sale, Exchange, Relinquishment of asset

Sale = Voluntary Conveyance of Property in the asset by one person to another in consideration of money.

ii) Extinguishment of Right

iii) Compulsory Acquisition

iv) Capital Assets ⟶ Stock In Trade.

v) Maturity/ Redemption of Zero Coupon Bonds

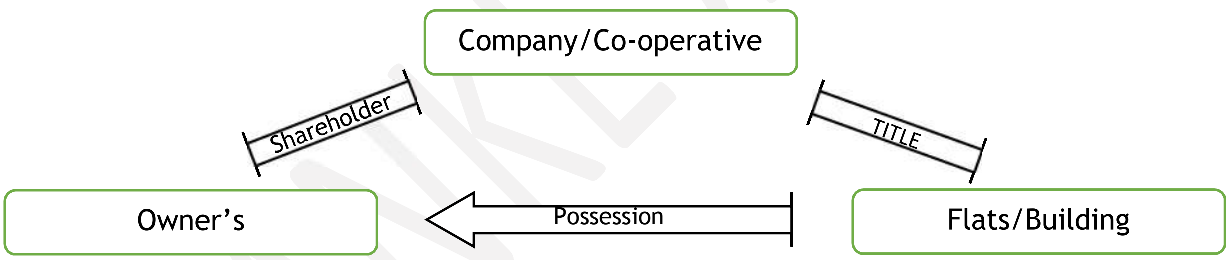
vi) Part Performance of a contract; Sometimes possession of Immovable Property is given in consideration.

The Following conditions under TOPA amounts to Transfer

- Agreement to Sell
- Consideration is paid/payable,
- Beneficial Ownership - Possession Transferred

Example: Joint Development Agreements (JDA)

vii) Transactions with effect of transfer/enabling enjoyment of Immovable Property.



Note 1: Property – includes and deemed to always include – Rights in relation to an Indian Company, including rights of management/ control/ any other rights.

-Effect of Vodafone Limited Case

Sec 2 (42A): Short Term Capital Asset

Nature of Holding	Period of Holding
Securities (other than units) listed in RSE (I). Units of EOF/UTI. Zero Coupon Bonds	=< 12 Months
Shares of Company (other than above). Immovable Property	=< 24 Months
Any Other Asset (includes unlisted securities other than shares, units of Debt Oriented Fund (Listed/unlisted)	=< 36 Months

COMPUTATION OF CAPITAL GAIN

Step 1:	Period of Holding	LTCG/STCG
Step 2:	Sale Consideration	xxx
Step 3:	Cost (Index Cost) of Acquisition	(xxx)
Step 4:	Cost (Index Cost) of Improvement	(xxx)
	Capital Gain	**xxx**
Step 5:	Exemption (Sec 54 – Sec 54F)	(xxx)
	Capital Gain (Net of Exemption)	**xxx**

Note: 1) Land and Building will be separate asset for the purpose of Capital Gain.
i.e., if site is acquired before 2 years but the period of construction of the building is less than 2 years, then Gains will be bifurcated between land and building; Gains from Land will be Long Term and from Building will be short term.
2) In Step 1 if the asset is classified as Long Term Capital Asset, the Cost of acquisition and cost of Improvement has to be indexed

STEP 1: Period of Holding

Generally From the Date of Acquisition to the Date of Transfer.

STEP 2: Sale Consideration

=Actual Sale Consideration

Special Provisions

1) **Sec 50C -** Transfer of an Immovable Property
   Sale Consideration is higher of

   Actual Sale Consideration   Stamp Duty Value

   Note: Stamp Duty Value as on Date of Agreement may be taken if any consideration is paid on/before such transfer. Otherwise date of registration will be considered

   Reference to Valuation Officer:
   Where the assessee contends that the SDV > Fair Market Value of the property
   - Where the VO's value < SDV determined = VO's Value is taken as SC
   - Where the VO's Value > SDV determined = SDV will remain the SC.

   Note: if SDV < 105% of the actual Sale Consideration received. SDV is ignored for the purpose of calculation.

2) **Sec 50CA -** Transfer of Shares other than quoted
   Sale Consideration – FMV on date of Transfer (Rule 11UAA)

3) **Sec 50D -** Consideration not ascertainable
Fair Market Value of the asset being transferred.

STEP 3: Cost of Acquisition
Sec: 55(2)

Date of Acquisition of the asset	**Cost of Acquisition**
Before 01.04.2001	FMV(1.4.2001) or Actual **- Higher**
On/after 01.04.2001	Actual Sale Consideration

STEP 4: Cost of Improvement
Sec: 55(1)

Date of Improvement	**Cost of Improvement**
Before 01.04.2001	Ignore for Calculation
After 01.04.2001	Actual Cost of Improvement

<u>**Special Provision: Cost of Acquisition of the following assets**</u>

1. Goodwill of a business.
2. Right to Manufacture, Produce or Process.
3. Right to carry on any business or profession, tenancy rights, stage carriage permits or loom hours.
4. Trade Mark.
5. Brand Name.

In Case of Acquired from
from
Previous Owner.

COA = Actual Cost

In Case of Acquired
Self-Generated.

COA = NIL

Note 1: No Capital Gain on Goodwill of Profession. (**B.C Srinivasa Shetty (SC)**
Note 2: The Cost of Improvement of the above assets will be ignored at all times.

1ST Proviso to Sec 48: Capital Gain in case of Non-Resident

In case of –

- ✓ Assessee who is a Non Resident
- ✓ Assets being Shares/Debentures of Indian Company
- ✓ Assets were acquired in Foreign Currency (Purchase of re-investment)

The Capital Gain has to be calculated in foreign currency & the gain has to be reconverted into Indian Currency.

Rule 115A: Method of Conversion

Cost of Acq	avg of TTBR & TTSR	on Dt. of Acq.
Sale Consideration	avg of TTBR & TTSR	on Dt. of Trns.
Selling Expenses	avg of TTBR & TTSR	on Dt. of Trns.
Capital Gain	TTBR	on Dt. of Trns.

7th Proviso to Sec 48: Security Transaction Tax

STT paid on sale/purchase of shares/units shall not be allowed under Capital Gain

- If it is paid at time of Sale – Not Treated as Transfer Expense
- If it is paid at time of Purchase - Not added to cost of Acquisition

2nd Proviso to Sec 48: COST INFLATION INDEX

Applicable to long term Capital Assets only.

However excludes the following

a. Bonds/Debentures (other than Capital Index Bonds/ Sovereign Gold Bonds).
b. Slump Sale u/s 50B.
c. LTCG in case of NR for sale of Shares - Gains u/s 1st Proviso to Sec 48
d. LTCG in Equity Shares, EOU/UTI Units Gains u/s 3rd Proviso to Sec 48
 Ref u/s 112A
e. LTCG u/s 115AB,115AC,115AD

Calculation of Index Cost of Acquisition

(a): ICOA

$$\text{COA} * \frac{\text{CII for the year of transfer}}{\text{CII for the 1st year asset was held/ Year 2001-02 (whichever is later)}}$$

(b): ICOI

$$\text{COI} * \frac{\text{CII for the year of transfer}}{\text{CII for the year in which improvement was made.}}$$

Cost Inflation Index Table

Financial Year	Cost Inflation Index	Financial Year	Cost Inflation Index
2001-02	100	2010-11	167
2002-03	105	2011-12	184
2003-04	109	2012-13	200
2004-05	113	2013-14	220
2005-06	117	2014-15	240
2006-07	122	2015-16	254
2007-08	129	2016-17	264
2008-09	137	2017-18	272
2009-10	148	2018-19	280
		2019-20	**289**

CHARGING PROVISIONS

CHARGING SECTION: SEC 45 (1)

- CG is chargeable to tax in the year of transfer

Exception to 45(1): 4 cases

Section	Provision	Year of Transfer	Year of Taxability
Sec 45(2)	Capital Asset →Stock in Trade	Year of Conversion	Year in which stock is sold
Sec 45(5)	Compulsory Acquisition	Year of Compulsory Acq	Year when Compensation rec.
Sec 45(1A)	Destruction of Capital Asset	Year of Destruction	Year when Claim is Received
Sec 45(5A)	Immovable Property in JDA	Year when possession is trans	Year when CC of Project is issued

Sec 45(2): Conversion of Capital Asset into Stock in Trade

- Capital Gain arises when the asset is converted into stock in trade
- Capital Gain is taxable in the year when such stock in trade is sold.

CAPITAL GAIN		PGBP	
FMV on date of Conversion	xxx	Sale Price of Stock in Trade	xxx
(-) CoA & COI	(xxx)	(-) FMV on date of Conversion	(xxx)
STCG/LTCG	xxx	STCG/LTCG	xxx

Note: If any part of Capital Asset is converted into stock in trade then only part of capital gain shall arise in the year in which part of stock in trade is sold

Conversion of Stock in Trade into Capital Assets (Added by FA2018)

Sec 28(via): PGBP: - The FMV of the Inventory as on date of conversion will be taken as Sale value taxable under sec 28 and the FMV will be the Cost of Acq of the asset when the Capital Asset is subsequently transferred.

Conversion Type	Cost of Acquisition	Period of Holding
Capital Asset → Stock in Trade	Actual Cost	Reckoned from Dt. of Acquisition to Dt. of Conversion
Stock in Trade → Capital Asset	FMV on date of Conversion	Reckoned from Dt. of Conversion to Dt. of Transfer

Sec 45(5): Compensation on Compulsory Acquisition under any law.

- Capital Gain is taxable in the year when such compensation is received.
- Enhanced Compensation will be taxable when the same is received
- Interest on Compensation will be taxable u/h IFOS when received (Adhoc 50% deduction allowed on such interest)
- Compensation in pursuance of Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act,2013 (RFCTLARR) will not be taxable.

Initial Compensation		**Enhanced Compensation**	
Initial compensation rec	xxx	Enhanced compensation rec	xxx
(-) (I) CoA & COI	(xxx)	(-) Litigation Exp	(xxx)
STCG/LTCG	xxx	STCG/LTCG	xxx
Cost of Acquisition/ Improvement		Actual Cost	
Period of Holding		Dt. of Acq – Dt of Compulsory Acq	

Sec 45(1A): Insurance Claims for Damage or Destruction of Capital Asset.

- Only under 4 cases
  - Natural Calamities
  - Riots/Civil Disturbances
  - Enemy Attack/ Combating
  - Accidental Fire/Explosion
- Capital Gain is taxable in the year the claim is received.

Insurance Claim Received (Money/FMV of asset received as claim	xxx
(-) COA/ICOA	(xxx)
(-) COI/ICOI	(xxx)
STCG/LTCG	xxx
Cost of Acquisition	Actual Cost
Period of Holding	From Dt. of Acq to the Dt. of Destruction

Sec 45(5A): Capital Gains in case of Joint Development Agreement (JDA).

- In case of an assessee being Individual or HUF.
- The Capital Gain arises on transfer of Land or Building or both
- Capital Gain will be taxed in the year in which the certificate of completion for the whole or part of the project is issued by the competent authority.
- The provisions of Sec 45(5A) will not apply if the assesse transfer his share in the project on/before the date of issue of CC.

Meaning of JDA: - It means a registered agreement in which a person owning land or building or both, agrees to allow another person to develop a real estate project on such land or building or both in such project; Part of the consideration may also be in cash

Capital Gain 1) Transfer of Initial Property (Say Land)

Fair Value of Property (say flats received – Stamp Duty Value) *		xxx
Consideration received in Money (irrespective of the year received)		xxx
Total Sale Consideration (Fair Value of Consideration) +		**XXX**
(-) COA/ICOA		(xxx)
(-) COI/ICOI		(xxx)
STCG/LTCG		**xxx**
Cost of Acquisition	Actual Cost	
Period of Holding	From Dt. of Acq to the Dt. of trans of possession of Immovable Property in JDA	
Year of Taxability	Year in which Completion Certificate is received	

Capital Gain 2) Transfer of Property received under JDA (Say Flats)

Actual Consideration Received		xxx
Total Sale Consideration		**XXX**
(-) COA/ICOA *		(xxx)
STCG/LTCG		**xxx**
Cost of Acquisition	Fair value of Properties received (Stamp Duty Value)*	
Period of Holding	From Dt. of Acq of Possession of the flats to the Dt. of Sale	
Year of Taxability	Year in which the flats are sold/trans	

Note: Sec 49(7): The Cost of Acquisition is deemed as Fair Value of Consideration as taken u/s 45(5A).
(A Strict Interpretation will mean that the COA/ICOA in Capital Gain 2) will be "+" (The total sale consideration considered in Capital Gain1). However we go by logical interpretation and take the Cost of Acquisition as * (Fair value of the property received).
Illustration 1: Mr. Vishal purchased a plot for Rs.5,00,000/- in PY 01-02. On 16/07/2018 he entered into a JDA with Mayflower builders & handed over the possession of plot to builder on 16/07/2018. FMV of the plot on such date is Rs.32,00,000/-. As per JDA, Vishal is to receive 2 flats in developed project along with Rs.40,00,000. Mr. Vishal received money of Rs.40,00,000/- in PY 2020-21. Completion Certificate of the project issued on 10/12/2021 & SDV on such date is Rs. 50,00,000 per flat. Mr.BB got possession of 2 flats on 30/06/2022. Compute Capital Gain. Also Compute the Capital Gain if Vishal transfers 1 flat for Rs.92,00,000 on 14/02/2023.

Sec 45(3) and 45(4)

Section	45(3)	45(4)
Transfer of Capital Asset	**By** Member **to** Firm/AOP/BOI	**BY** Firm/AOP/BOI **to** Members
Fair Value of Consideration	Amount Recorded in Books of the Firm	Fair Market Value of the Asset on date of transfer
Taxability	In hands of Partnr/Member	In hands of Firm/AOP

Sec 45(2A): Transfer of Securities held in D-MAT

- Capital Gain is applicable in hands of beneficial owner (i.e. shareholder).
- The Cost of acquisition and Period of Holding is on FIFO basis
- FIFO Method applies only for D-MAT accounts & not for Physical Securities
- If physical stocks transferred to D-MAT then the date of entry shall be reckoned for FIFO basis and not the actual date of purchase.

Sec 51: Advance Money Forfeiture

Advance Money/Token Money/Earnest Money

Before 01/04/2014
- Reduced from Cost Of Acquisition (Before indexing)

on/after 01/04/2014
- Chargeable u/h IFOS u/s 56(2)(ix).

Sec 50B: Slump Sale

- In a slump sale the assesse transfers the entire undertaking/division for lump sum consideration without assigning value/selling price of individual asset.

Computation of Capital Gain

Fair Value of Consideration (Lump sum Consideration)	xxx
(-) Transfer expenses	(xxx)
Net Consideration	xxx
(-) cost of acquisition – No Indexation	(xxx)
STCG/LTCG	xxx
Cost of Acquisition	Net Worth of the Undertaking (Refer Note 1)
Period of Holding	From Dt. Of Incorporation of undertaking Long Term Holding >36 Months

Note 1: Computation of Net worth of undertaking (Cost of Acquisition)

Particulars	**Value Considered**
- Depreciable Assets	WDV as per IT Act
- Other Assets	Book Value
Assets Value	**xxx**
Liabilities	**Book Value (xxx)**
Net Worth	**Xxx**

Note 2: Additional Points

- Revaluation of assets must be ignored
- If Net Worth is negative then COA= Nil
- The other assets will include stock in trade also. Therefore no PGBP on transfer of such stock

Sec 50 & 50A: Capital Gains in case of Depreciable Assets

Particulars		Amount (Rs.)
Opening WDV of the block		xxx
(+) Actual Cost of Assets acquired in the block		xxx
(+) Expenses in connection with Actual Cost (Cap)		xxx
Total Value of the Block	**(A)**	**XXX**
(-) Sale Proceeds Received	**(B)**	**(xxx)**
	(C)	**XXX/(XXX)**

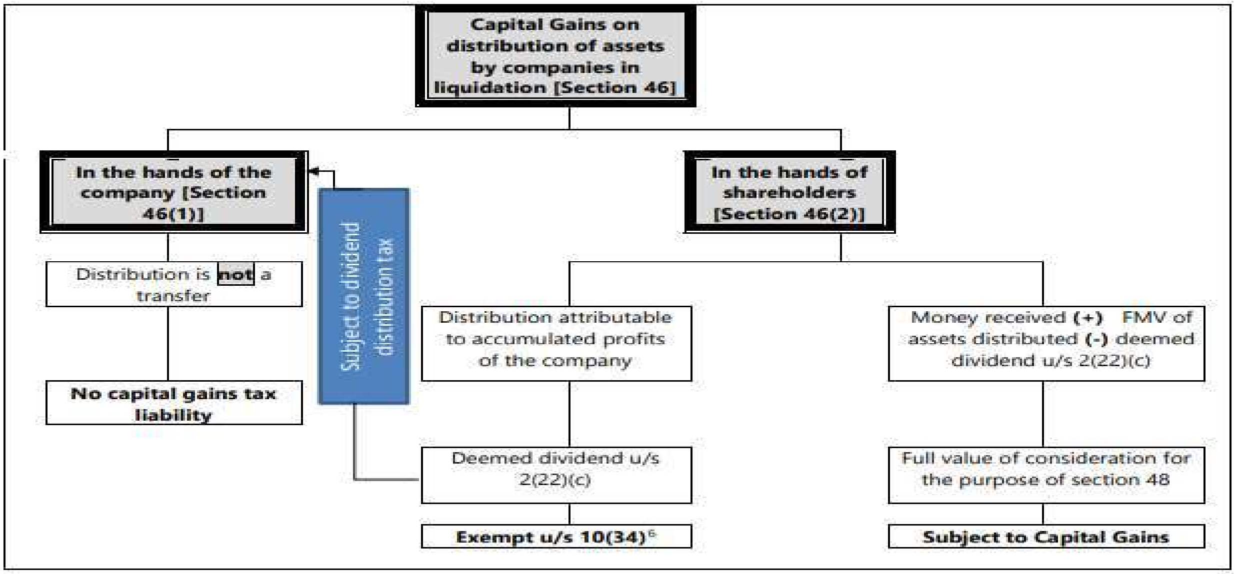
Whether the Block is still existing?

YES		**NO**	
(c) is xxx (+)	No Capital Gain	**(c) is xxx (+)**	STCL
(c) is (xxx) (-)	STCG	**(c) is xxx (+)**	STCG

Note 1: Depreciation will not be calculated for the assets that are sold in the current year, therefore it is irrelevant for the above calculation

Note 2: The above will not be applicable to assets for which SLM method of depreciation is done. The gains will be calculated under individual asset basis.

Sec 46: Capital Gains on Distribution of Assets By companies in Liquidation.



[6]Aggregate dividend of upto ₹ 10 lakh received by a specified assessees (including individuals, HUF, AOPs, BoIs, Firms, LLPs) from domestic companies would be exempt u/s 10(34). The excess would be taxable@10% under section 115BBDA.

Distribution of Assets/Money by Company

Out of Accumulated Profits – DD u/s 2(22)(c)

Balance – No Dividend Distribution Tax

Subsequent Sale by Shareholder the assets received in the above scenario

- Cost of Acquisition – FMV of assets on date of distribution
- POH - From Dt. of Distribution to Dt. of Transfer

Sec 46A: Capital Gains on Buy Back of Shares or Other Securities (Sec 46A)

(1)	(2)	(3)
Taxability in the hands of	**Buyback of Unlisted Shares by Domestic Companies**	**Buyback of shares other than (1) or Other specified Securities**
Company	Subject to additional Income Tax @ 23.296%	Not subject to tax in the hands of the Company
Shareholders	Income is exempt u/s 10(34A)	Income is taxable as Capital Gains u/s 46A

Capital Gain in Case of Financial Assets

a) In Case of Long Term Capital Gain being

i. Equity Shares in a Company in which STT is paid both at the time of purchase and transfer (or)

ii. Units of Equity Oriented Fund or units of business trust on which STT is paid at the time of transfer

Acquired before 1st February 2018

Cost of Acquisition = higher of

Actual Cost of Acquisition of the Asset

Lower of
- The Fair Market Value of such asset as on 31.01.2018
- The Full Value of Consideration Received on such transfer

Acquired on/after 1st February 2018 = Actual Cost of such asset.

Example: From the following compute Capital Gain

Case	**i**	**ii**	**iii**	**iv**	**v**
Cost of Acquisition – 16-09-2017	410	710	900	800	300
FMV on 31-03-2018	730	780	300	1000	100
Selling Price on 10-12-2018	760	650	910	825	400

Period of Holding: Long Term (> 12 Months)

Computation of Capital Gain

Sale Consideration	760	650	910	825	400
(+) Transfer Expenses	-	-	-	-	-
Net Sale Consideration	**760**	**650**	**910**	**825**	**400**
(-) Cost of Acquisition	730	710	900	825	300
LTCG u/s 112A	**30**	**(60)**	**10**	**-**	**300**

Note: Loss of Rs.60 can be set off & c/f

Long Term Capital Gain u/s112A

LTCG on transfer of

- Equity Shares - STT is paid on acq & transfer of equity shares.
- Equity Oriented Funds – STT is paid on transfer
- Units of Business Trust- STT is paid on transfer

In excess of **Rs.1,00,000** shall be taxable @ 10%

Note

1. Deduction under chapter VI-A not allowed against such gains
2. Rebate u/s 87A is not available
3. No Indexation to be done on the above cost.
4. Where Equity Shares are acquired before 01.10.2004, the requirement of STT to be paid on acquisition is not there (since no STT before).
5. The benefit of 112A is not available if the shares are held as Stock-in-trade

3rd Proviso to Sec 48: 1st and 2nd proviso to Sec 48 will not be applicable for CG computation in accordance with section 112A

b) Bonus Shares/Securities

Cost of Acquisition	
If acquired before 01/04/2001	FMV as on 01/04/2001
If acquired on/after 01/04/2001	NIL
Period of Holding	
Any Case	From Dt. of Allotment to Dt. of Transfer

c) Right Shares/Securities

Particulars	**In Hands of**		
	Rights subscribed by the holder	**Renouncement of Rights by holder**	**Purchases of Right**
Sale Consideration	-	Renouncement Price Received	-
Cost of Acquisition	Amount paid to the Company	-	Amount paid to Company for Shares + Renouncement Price Paid
POH	From Allotment Date	From offer date to renouncement date	From Allotment date

Tax Rates under Capital Gain

1) **Sec 112A (as listed above) -** 10% (without indexation)

2) **Sec 111A: Tax on STCG of certain Asset**
    - STCG on transfer of equity shares or units of equity oriented fund or units of business trust shall be taxable @ 15% if STT is paid on such assets
    - Deduction u/c VI-A is not available against STCG taxable u/s 111A
    - Sec 111A will not be applicable if the stock is held as Stock-in-trade

3) **In Case of Non Resident or Foreign Company**
    - On LTCG from Unlisted Securities or shares
    - 1^{st} proviso and 2^{nd} proviso will not be applicable
    - Tax rate will be 10%

4) **In Case of LTCG on listed securities (other than units) & Zero Coupon Bonds,** Assessee can pay tax **on lower of**
    i) 10% (without indexation)
    ii) 20% (with indexation)

5) **Capital Gain (Other than referred u/s 112A & 111A above)**

Long Term Capital Gain	**Short Term Capital Gain**
Sec 112 - 20%	**Normal Tax Rate**

Benefits of Basic Exemption against LTCG, STCG u/s 111A, LTCG u/s 112A
In case of Resident Individual/HUF, if the balance of total income (other than LTCG u/s 112 (or) STCG u/s 111A (or) LTCG u/s 112A) is less than basic exemption then the unexhausted (unutilized) basic exemption can be used against LTCG u/s 112, LTCG u/s 112A & STCG u/s 111A.

Basic Points for classification of Shares (Investments) as Stock in trade or Capital Asset
The Following points shall be considered for classification (CBDT Circular)
1. Treatment in books of assesse i.e., shown as investment in stock
2. Quantum of purchase or sales
3. Holding Period
4. If Objective is to earn dividend, then it is a capital asset
5. Whether shares have been purchased out of own funds or loan taken.

COST OF ACQUISITION AND PERIOD OF HOLDING IN SPECIFIC CASES

S.No	Situation	Cost of Acquisition	Period of Holding
1	Distribution of assets on total/part partition of HUF**(Sec 47)**	Cost of Previous Owner	Dt of acq of Previous Owner
2	Under a gift or will **(Sec 47)**	Cost of Previous Owner	Dt of acq of Previous Owner
3	By Succession, inheritance or devolution	Cost of Previous Owner	Dt of acq of Previous Owner
4 a)	On any distribution of assets on the liquidation of company**(Sec 46A)**	Cost of Previous Owner	Dt of acq of Previous Owner
4 b)	On Shares held by shareholder in Liquidating Company	General Provision	Will exclude period subsequent to the Dt. of liquidation of company
5	Under a transfer to revocable or an irrevocable trust**(Sec 47)**	Cost of Previous Owner	Dt of acq of Previous Owner
6	Holding Co -> WOS (Indian) (or) WOS (Indian) -> Holding**(Sec 47)**	Cost of Previous Owner	Dt of acq of Previous Owner
7 a)	Amalg'ing -> Amalg'ed(Indian) **(Sec 47)**	Cost of Previous Owner	Dt of acq of Previous Owner
7 b)	On Shares in the Amalg'ed Co in lieu of shares held in Amalg'ing Co. **(Sec 47)**	Cost of Shares in the Amalg'ed Co	Dt of acq of shares in the Amalg'ed Co
8	Dem'ged -> Resultant (Indian) **(Sec 47)**	Cost of Previous Owner	Dt of acq of Previous Owner
9	Conversion of Ind Property into HUF property 64(2)	Cost of Previous Owner	Dt of acq of Previous Owner
10	Property obtained subject to tax under section 56 (2) (x)	Deemed to be value taken into account for the purpose of Section 56 (2) (x)	General Provision
11 a)	Acquisition of shares received in resulting company, in demerger**(Sec 47)**	(A) Cost of acq of shares in demerged Co * (B) (Net Book Value of assets transf in demerger / (C) Net Worth of the demerged Co (A) * (B) / (C)	Dt of Acq of shares in the demerged Company
S.No	**Situation**	**Cost of Acquisition**	**Period of Holding**
11 b)	Balance Shares held in Demerged Company	Actual Cost of Acquisition - 11 a)	General Provision

12	Conversion of bond/debenture stock or deposit certificates into Shares**(Sec 47)**	That part of cost of debentures in relation to which the shares were received on conversion	From the Dt. when the convertible debentures/bonds were acquired
13	On Equity Shares received by mode of Conversion of Preference Shares. **(Sec 47)**	Actual cost of Acq of Preference shares which were converted	Include the Period for which the previous shares were held
14	Share in the project obtained referred u/s 45 (5A)	Stamp Value on the date of issue of CC + Cash Consideration (14 will not apply, if transfer of Capital Asset is before the date of CC)	From the Dt. of Acq of Possession of the Shares in the project
15	Stock-in-trade -> Capital Asset	Fair Market Value of the inventory as on date of conversion	From the Dt. of Conversion
16	Allotment of Financial asset without payment and on basis of previous holding Eg: Bonus Shares/Debentures	(Refer Bonus Provisions)	Period from the Dt. of allotment of such Financial Asset
17	Units Acquired under Consolidated Scheme/ Plan of Mutual Fund**(Sec 47)**	Cost of acquisition of the units acquired initially	Dt of Acq of Mutual Funds
18	Specified Securities or sweat equity shares are allotted or transferred, directly or indirectly by employee	FMV of the securities as on Dt. of allotment	From the Dt. of Allotment to be reckoned

Note: 1 In case of Cost of Acquisition taken as cost of previous owner the cost of improvement to the asset incurred by the previous owner or the assese must be added

Note: 2 The Indexation benefit in respect of shares acquired from previous owner shall apply from the year in which the asset was first acquired by the previous owner of the asset. (And not from the date when the asset was transferred to the Current Owner)

- CIT vs. Majula J Shah (Bombay High Court)

However as per Plain reading of the provisions of Sec 48, the index cost would be determined by taking CII for the year in which the asset is first held by the assese.

EXEMPTIONS UNDER CAPITAL GAIN

Sec 10

- Sec 10(33) : Capital Gain on transfer of units of a unit scheme
- Sec 10(37): Capital Gain on compulsory acquisition of agricultural land situated within specifed urban limits

Sec 54

- Sec 54 : LTCG on sale of Residential Property
- Sec 54B: CG on sale of Urban Agricultural Land
- Sec 54D: CG on Compulsory Acqusition of Industrial Undertaking
- Sec 54F: LTCG on sale of assets other than residential
- Sec 54EC: LTCG on sale of Land and Building
- Sec 54EE: LTCG on sale of Capital Asset

Section	54		54F	54B
Person	Individual/ HUF			
Nature of Asset Transferred	Residential House Property or Land appurtenant there to		Any asset other than Residential House	Urban Agricultural Land
Nature of Gain	LTCG		LTCG	LTCG/STCG
Asset to be Acquired. (Qualifying Asset)	1 Residential House Property in India CG > 2 Cr	2 Residential House Property in India CG =< 2 Cr	One Residential House Property in India	Agricultural Land (Rural/ Urban)
Amount to be Invested	LTCG arising on transfer		Net Sale Consideration	Capital Gain arising on transfer
Eligible Exemption Calculation of Eligible exemption	a) Amount Invested (subject to other conditions) b) Capital Gain. whichever is lower		a) Capital Gain* Amount Invested / Net Sale Consideration b) Capital Gain. whichever is lower	a) Amount Invested (subject to other conditions) b) Capital Gain. whichever is lower

Section	54	54F	54B
Additional Conditions	Income from such house should be chargeable under the head "Income from house property".	Assessee should not a)own more than one residential property other than the new asset acquired on transfer of original asset (or) b) Purchase a residential property, within 2 years (or) construction within 3 years from date of transfer	The land transferred should have been used for agricultural purposes assesse or his parents or HUF for 2 years immediately preceding the date of transfer.
Time Period	**For Purchase of Res.HP -** 1 Year before or within 2 years from date of transfer. **For Construction of Res. HP-** Completion of Construction within 3 years from date of transfer		**Purchase** within a period of 2 years from the date of transfer
Capital Gain A/c Scheme	Till the amount is spent on the above investments- to be kept separately in Capital Gain a/c Scheme. The Deposit in this account to be made before the due date of Return filing		
Lock in Period for the Investment made	New Res. HP not to be sold/transferred for 3 years from the date of acquisition/ Construction.		Agricultural Land so acquired not to be transferred before 3 years from date of original asset transfer
Withdrawal of Funds from CG a/c Scheme (Unutilized Amount)	Unutilized amount will be taxed in the year when the amount is withdrawn or expiry of the time period, whichever is earlier. In case of 54F proportionate amount will be taxable.		
Transfer of Acquired asset during the lock in period	The Cost of Acquisition of new asset will be reduced by the Capital Gain Claim made	The Capital Gain allowed will be treated as LTCG in the year of transfer and Capital Gain of new asset will be calculated separately	The Cost of Acquisition of new asset will be reduced by the Capital Gain Claim made

Section	54D	54EC	54EE
Person	Any Assessee		
Nature of Asset Transferred	Compulsory acquisition of Land & Building - Industrial Undertaking	Land or Building	Any Capital Asset
Nature of Gain	LTCG/STCG	LTCG	LTCG
Asset to be Acquired. (Qualifying Asset)	Land and Building (New/Constructed) for shifting, reestablishing said undertaking or setting up a new undertaking.	NHAI/ RECL (or) Other notified bonds (PFC/IRFC) by CG	Long term Specified Asset to finance Startup (units issued before 01.04.19)
Amount to be Invested	Capital Gain	Capital Gain	Capital Gain
Eligible Exemption Calculation of Eligible exemption	a) Amount Invested b) Capital Gain. whichever is lower	a) Amount Invested b) Capital Gain. C) Rs.50,00,000 whichever is lower	a) Amount Invested b) Capital Gain. C) Rs.50,00,000 whichever is lower
Additional Conditions	The Industrial undertaking should have been used by the assesse atleast 2 years	NA	
Time Period	Within 3 years from the date of receipt of Compensation	Within 6 months from the date of transfer	
Capital Gain A/c Scheme	Till the amount is spent on the above investments- to be kept separately in Capital Gain a/c Scheme. The Deposit in this account to be made before the due date of Return filing	NA	
Lock in Period for the Investment made	3 Years from the date of Acquisition	5 Years from the date of Acquisition	3 Years from the date of Acquisition
Withdrawal of Funds from CG a/c Scheme (Unutilized Amount)	Unutilized amount will be taxed in the year when the amount is withdrawn or expiry of the time period, whichever is earlier.	NA	
Transfer of Acquired asset during the lock in period	The Cost of Acquisition of new asset will be reduced by the Capital Gain Claim made	NA	

Note 1: The Investment can also be from a depreciable asset (Sec 54 EC & 54EE)
- CIT vs Dempo Company Ltd

Note 2: Under Sec 54EC & 54EE, even if the assesee has taken loan against the investments made, it will be treated as if the assesse has withdrawn his funds before the stipulated period of lock in.

Note 3: Sec 54H: Extension of time for acquiring new asset or depositing or investing amount of Capital Gain
- In case of compulsory acquisition of the original asset, where the compensation is not received on the date of transfer
- The period available for acquiring a new asset or making an Investment or depositing in CAGS will be reckoned from the date of receipt of compensation.

Sec 55A: REFERENCE TO VALUATION OFFICER

AO -> Refer Valuation of Capital Asset to VO

Where the AO Opines

1. Value Claimed by assesee (on basis of registered valuer claim) is in variance with its FMV
   a. This is for Valuation of Cost (for assets acquired before 01.04.2001) as well as Valuation of Sale Consideration

2. In other cases
   FMV > Assessee Value Claim by 15%
   > Rs.25,000 (Difference between FMV & Assesse's Claim

3. Having regard to the nature of asset & relevant circumstances, it is necessary to do so
   Eg: Paintings, Drawings etc.

INCOME FROM OTHER SOURCES

Chapter Synopsis

Section	Synopsis
56	Income chargeable under this head
56(2)(i)	Dividend Income
56(2)(ib)	Casual Income
56(2)(viib)	Consideration in excess of FMV of shares issued by closely held company, issued at a premium
56(2)(viii)	Interest on compensation/enhanced compensation
56(2)(ix)	Advance forfeited due to failure of negotiations for transfer of capital asset
56(2)(x)	Any sum of money or value of property received without consideration or for inadequate consideration
56(2)(xi)	Compensation of any other payment received in connection with termination of his employment
57	Deductions allowable
58	Deductions not allowable
115BB	Applicable Tax rate in respect of Casual Income
59	Deemed income chargeable to tax
145	Method of Accounting

1. Dividend Income

Dividend [Sec 2(22)(a) to (e)]

Section	Dividend
2(22)(a)	Distribution of accumulated profits, entailing release of company's assets, whether or not capitalized
2(22)(b)	Distribution of debentures, deposit certificates to shareholders and bonus shares to preference shareholders
2(22)[c]	Distribution on Liquidation
2(22)(d)	Distribution on reduction of capital
2(22)(e)	Advance or loan by a closely held company to its shareholder* or to any concern in which a shareholder having beneficial ownership (20% interest) **To person having more than 10% of equity capital* **Exceptions:** **1.** If loan is granted in ordinary course of business **2.** Where the dividend is deemed under 2 (22)(e) and the company subsequently declares dividend and sets off the same
Basis of Charge: Sec 10(34): Any Income by way of Dividend from Domestic Company excluded from total income of the shareholder Sec 115-O: Any Dividend Distribution by a Domestic Company will be chargeable at flat rate of 15%. However, for 2(22)(e) the tax will be 30% Sec 115BBDA: Dividend will be chargeable to tax in excess of Rs. 10 lakhs in case of a Specified Assessee Resident in India, at rate of 10% **Specified Assessee:** Persons other than a Domestic Company, Medical or Educational Institution or a trust or institution u/s 12A Further no deduction will be allowable on the above income	

Consideration received in excess of FMV of Shares issued by a closely held company to be treated as income of such company, where shares are issued at a premium. Sec 56(2)(viib)

i. Consideration received by a company other than in which public are substantially interested, which is in excess of the fair market value of the shares
ii. Such Excess will be considered where the consideration is in excess of Face Value of Shares
iii. FMV shall be higher of a) determination in prescribed method or b) substantiated by company to the satisfaction of AO

GIFTS: 56(2)(x)

Type of Receipt	Sum of Money	Immovable Property	Movable Property
Amount in Excess	Rs.50,000	**Without Consideration:** Rs. 50,000 **Inadequate Consideration:** Consideration is less than the stamp duty of the property and the difference between stamp duty and consideration is higher of Rs. 50,000 or 5% of consideration	**Without Consideration:** Rs. 50,000 **Inadequate Consideration:** Differences between fair market value and such consideration exceeds Rs. 50,000
Value to be considered		**Date of Agreement** Date of agreement can be taken if on that date whole or part of consideration has been paid via e-mode **Date of Registration** In all other cases	

Property: A Capital Asset of the assesse namely,

a) Immovable property
b) Shares and Securities
c) Jewellery
d) Archaeological collection
e) Drawings
f) Paintings
g) Sculptures
h) Any work of art (or)
i) Bullion

Relative:

In case of Individual: Spouse. Brother or Sister. Brother or Sister of Spouse. Brother or Sister of either of parents. Lineal Ascendant or Descendant. Lineal ascendant or Descendant of spouse. Spouse of all the above

In case of HUF: Any member thereof

Non Applicability:

1. From any relative
2. On the occasion of the marriage of the Individual
3. In Contemplation of death of the payer or donor, as the case maybe

4. From any Local Authority **5.** From any Fund or Foundation or university or other educational institution **6.** From any trust or institution registered **7.** By any fund or trust or institution or educational institution or any hospital **8.** Transaction not regarded as transfer u/s 47 (i),(iv),(v),(vi),(vib),(vid),(vii) **9.** From an individual by a trust created or established solely for the benefit of relative of the individual. **10.** As may be prescribed
May 2020 Amendment: Gift Received by NR/Foreign Company from Resident -> Deemed to accure or arise in India and hence taxable

Other Income Chargeable under Income From Other Sources

Section	Particulars	Rate of Tax
	Casual Income (winnings from lotteries, crossword puzzles, races including horse race, card games, gambling etc)	@30% of such winnings - No expenditure allowed - No deduction under chapter VI-A - No adjustment of basic exemption limit - Set-off not permissible
56(2)(viii)	Interest received on compensation/enhanced compensation deemed to be income in the year of receipt	Normal Rates
56(2)(ix)	Advance forfeited due to failure of negotiations for transfer of a capital asset	Normal Rates
56(2)(xi)	Compensation or other payment received or due to any person, in connection with termination of his employment or the modification of T&C	Normal Rates
68 and 69 to 69D	Unexplained cash credits/investments/ money bullion, jewellery etc	@60% plus surcharge of 25% of tax - No deduction allowable for any expenditure - Set off not permissable

Income chargeable under Income from Other Sources- only if not chargeable under any other head

1. Any Sum received by an employer-assessee from his employees as contributions to any provident fund, superannuation fund or any other fund for the welfare of the employees
2. Income from letting out on hire, machinery, plant or furniture
3. Where letting out of buildings is inseparable from the letting out of machinery, plant or furniture, the income from such letting
4. Interest on Securities
5. Keyman Insurance Policy
6. Residual Income

Sec 94: Bond Washing Transactions

Security Type	Before	Three Months	Record Date	Three Months	Nine Months	After
Securities		Acquisition		Transfer		
Units		Acquisition			Transfer	

1. **94(7):** Any Loss arising on the above shall be ignored for the purpose of computing income chargeable to tax
2. **94(1)**: Where the owner of security transfer the security just before the due date of interest and interest is received by the transferee, such interest income will be deemed to be the income of the transferor
3. **94(2)**: Assessee having beneficial interest in securities sells such securities in such manner that either no income is received or income received is less than the sum he would have received if such income had accrued from day to day, then income from such securities for the whole year would be deemed to be the income of the assesse.

Section 57: Deductions Allowable

A. **In case of Dividends (Other than 115-O) or interest on securities:** Any reasonable sum paid by way of commission or remuneration to a banker or any other person paid for realizing such dividend

B. **Income consist of recovery from employees as contribution to any public fund etc in terms of Sec 2(24)(x):** Deduction in accordance with Sec 36(1)(va)

C. **Income in case of letting out of hire of machinery, plant and furniture, with or without building:**
   a) The amount paid on account of any current repairs.
   b) Insurance Premium paid
   c) Normal Depreciation allowance in respect of the machinery, plant or furniture

D. **Income in the nature of Family Pension:** Deduction of a sum equal to $33^{1/3}$ % of such sum or Rs. 15,000 whichever is less

E. **Any other expenditure not being in the nature of capital expenditure:** Wholly and exclusively for earning such income

F. **Income by way of Compensation/Enhanced Compensation received u/s 56(2)(viii):** Deduction of 50% of such income. No deduction in any other clause of Sec 56.

Sec 58: Deductions not allowable

A. In the case of any assesse:

i. Any Personal Expense
ii. Interest chargeable to tax, paid outside India on which tax has not been paid or deducted at source
iii. Salary chargeable to tax, paid outside India on which tax has not been paid or deducted at source

B. Any expenditure in respect of which payment is made to a related person:

1. Payment made to a related party, to the extent considered as unreasonable by the Assessing Officer, having regard to FMV [Sec 58(2)].
2. Payments in excess of Rs. 10,000 made to a person during a day otherwise than by account payee cheque or draft or ECS or e-mode

C. Disallowance of 30% of expenditure: 30% of expenditure shall not be allowed, in respect of which is payable to a resident and on which tax is deductible at source, if no such tax has been deducted or deducted but the same has not been remitted on or before the due date of return u/s 139(1).

D. No Deduction in respect of any expenditure incurred in connection with casual income

Sec 59: Deemed Income Chargeable to Tax

Sec 41(1) are made applicable in respect of loss, expenditure or liability allowed and subsequently any amount is received or benefit is derived in respect of such expenditure incurred or loss or trading liability is received or benefit accrued.

Income of Other Persons Included in Assessee's Total Income

Chapter Synopsis

Section	Synopsis
60	Transfer of income without transfer of asset
61	Income arising from revocable transfer of assets
64(1)(ii)	Remuneration to spouse from a concern in which individual has a substantial interest
64(1)(iv)	Income arising to spouse from an asset transferred without adequate consideration or as per agreement to live apart
64(1)(vii)	Income arising to any person's or AOPs from asset transferred without adequate consideration for the benefit of spouse
64(1A)	Clubbing of Income of Minor
64(1)(vi)	Income arising to son's wife from an asset transferred without adequate consideration
64(1)(viii)	Income arising to any person or AOPs from assets transferred without adequate consideration for the benefit of sons' wife

Sec 60: Transfer of Income without transfer of Asset

The income is taxable in the hands of the transferor

Sec 61: Revocable transfer of Asset

Sec 63: Revocable Transfer – A transfer with provision of retransfer, directly or indirectly, of the whole or any part of income or assets to the transferor (or) a power conferred on the transferor to reassume power, directly or indirectly

Sec 62: Exceptions to Sec 61

1. Transfer not revocable during the life time of the beneficiary or the transferee
2. Transfer made before 01.04.1961 and not revocable for a period exceeding 12 years

CLUBBING OF INCOME OF SPOUSE

Section	Provision	Conditions and Exceptions
64(1)(ii)	Remuneration to spouse from a concern in which individual has substantial interest	**Exception:** If Remuneration is received on account of technical or professional qual. (or) Both the Husband and Wife has substantial interest in the concern.
Substantial interest: 1. Where concern is company, equity shares owned by person and relatives (spouse, siblings, lineal ascendant or descendant of individual) carry 20% or more of voting power 2. In any other concern, where the person and relatives are entitled to receive 20% or more of profits from such concern		
64(1)(iv)	Income arising from an asset transferred without adequate consideration	
	Transfer of asset (other than house property)	**Exception:** Adequate Consideration(or) Agreement to live apart.
	Transfer of House Property	Sec 27: under Income from House Property applicability
	Income from accretion of transferred asset	Income arising from investing such income shall not be clubbed
	Transferred asset invested in business	Proportionate income arising from such investment to be clubbed in the hands of transferor. If the investment is in nature of Capital Contribution, proportionate interest on capital to be clubbed *Taking value of investment as on first date of the previous year to the total investment in business*
64(1)(iv)	Transfer of asset to any person or AOP, income arising from thereon, without adequate consideration	Clubbing to the extent of such income being used by the transferee for the immediate or deferred benefit of the transferor's spouse.

CLUBBING OF INCOME OF SON'S WIFE

Section	Provision	Conditions and Exceptions
64(1)(iv)	Income arising from an asset transferred without adequate consideration	
	Transfer of any asset without adequate consideration	Income to be included in the total income of the transferor.
	Income from accretion of transferred asset	Income arising from investing such income shall not be clubbed
	Transferred asset invested in business	Proportionate income arising from such investment to be clubbed in the hands of transferor. If the investment is in nature of Capital Contribution, proportionate interest on capital to be clubbed *Taking value of investment as on first date of the previous year to the total investment in business*
64(1)(viii)	Transfer of asset to any person or AOP, income arising from thereon, without adequate consideration	Clubbing to the extent of such income being used by the transferee for the immediate or deferred benefit of the transferor's son's wife.

CLUBBING OF MINOR'S INCOME – SEC 64(1A)

All Income a minor is to be included in the income of his or her parent.
However, the income derived by the minor from manual work or from any activity involving his skill, talent or specialized knowledge or experience will not be included in the income of the parent.
The Income is to be clubbed in the income of the parent, whose total income excluding the minor's income is greater Once Clubbing is done with that of one parent, it will be continued to be clubbed with that parent only. **Exception:** 1. However A.O can allow a deviation 2. Marriage of the parents do not subsist 3. Minor Suffering from disability as specified u/s 80U – clubbing provisions itself will not attract
Sec 10(32): For Income of Minor included in Parent's income, such parents will be entitled for an exemption to the extent of Rs.1,500 in respect of each minor child

Sec 64(2): Conversion of Self-Acquired Property into the property of a HUF

1. Where an individual has transferred his property into the common stock of the family, that is transfer of such property to HUF, directly or indirectly, the income of such property shall be included in the total income of the individual
2. Where the converted property is partitioned, income derived from such converted property as is received by the spouse on partition will be deemed to be included in the hands of the individual who effected the conversion of such property.
3. The clubbed income is excluded in the hands of the HUF or Spouse as the case maybe

Cross Transfers: CIT vs Keshavji Morarji (1967)

CHAPTER VI-A DEDUCTIONS

Chapter Outline

Section	**Synopsis**
80C	Life Insurance premia, deferred annuity, contributions to PF etc
80CCC	Contributions to certain pension funds
80CCD	Contributions to pension scheme of Central Government
80CCE	Limit of deductions under 80C, 80CCC and 80CCD
80CCG	Investments made under equity savings scheme
80D	Health Insurance Premia
80DD	Medical treatment of dependent who is a person with disability
80DDB	Medical Treatment etc
80E	Interest on loan taken for higher education
80EE	Interest on loan taken for Residential House Property
80EEA	Interest on loan taken for Residential House Property
80EEB	Interest on loan taken for Purchase of Electric Vehicle
80G	Donations to certain funds, charitable institutions etc
80GG	Rent Paid
8GGA	Donations for Scientific research or rural development
80GGB	Contribution by Companies to political parties
80GGC	Contribution by any person to political parties
80JJAA	Employment of new workmen
80TTA	Interest on deposits in savings bank
80TTB	Interest on deposits in case of senior citizens
80QQB	Royalty income of authors of certain books
80RRB	Royalty on patents
80U	Case of person with disability

Exemptions u/s 10	**Deductions under Chapter VI-A**
It contains list of items which do not form part of total income, thus exempting such income fully or partly from tax liability	It provides for deductions in respect of certain specified contributions/income which are already part of one or more heads of income

Sec 80C: Deductions in respect of Life insurance premia, contributions to Provident Fund etc.

Eligible Assessee: Individual/HUF

1. Life Insurance Premia: **Policies issued** On or before 31.03.2012 - 20% of actual capital sum assured On or after 01.04.2012 - 10% of actual capital sum assured On or after 01.04.2013 - 15% of actual capital sum assured *(Sec 80U/80DDB)* a) Contribution for a deferred annuity of specified persons b) Contribution to ULIP's c) Contribution to notified annuity plan.
2. Employee Welfare Fund a) Employee to RPF b) Employee to Approved Superannuation Fund
3. CG/Post Office Savings/Other notified schemes a) Sukanya Samriddhi Account Scheme b) NSC c) Units of MF or ELSS notified by Government d) Contribution to pension fund setup by a mutual fund e) Contribution to PPF f) Contribution to any deposit scheme of pension fund setup by National Housing Bank g) Term deposit for a period of less than 5 years h) NABARD Bonds i) MF units utilized for infra companies j) 5 year term deposit under Post Office Time Deposit Rules k) Deposit in senior citizens savings scheme
4. Housing Repayment of any loan borrowed for the purchase/construction of residential house property, income which is chargeable to tax under "Income from House Property" **Note:** On transfer of House Property on which deductions has been claimed u/s 80C, before the expiry of 5 Years from the end of the financial year in which possession is obtained by him, the aggregate of deductions allowed in the past years shall be deemed to be income of the assessee in the PY when the property is transferred. Repayment of Principal on loan borrowed for purchase/construction is only allowed
5. Tuition Fees Any University, college or school or educational institution situated in India in respect of education of any 2 children of the assessee

Quantum – Rs. 1,50,000	
Eligible Investment	**Persons specified**
1. LIC/PPF/ULIP	Individual – such Individual, spouse and children whether dependent or not HUF – Member of HUF
2. Deferred Annuity Plan	Individual – such Individual, spouse and children whether dependent or not
3. Tuition Fees	Individual – 2 children of the assessee
4. Sukanya Samriddhi Account	Individual or any girl child of that Individual or any girl child for which individual is guardian

Sec 80CCC: Contribution to annuity plan for Pension

Eligible Assessee: Individual
Eligible Investment: Contribution to any annuity plan (For Pension) issued by

1. LIC of India
2. Any other insurer approved by IRDA

Note: 1. Where an assessee or his nominee surrenders the annuity before its maturity, the surrender value is taxable in the year of receipt in the hands of the assessee

Sec 80CCD: Contribution to pension scheme of CG

Eligible Assessee: Individual
Eligible Investment: Contribution made under a pension scheme notified by the CG
80CCD(1): An Individual's contribution to the above scheme subject to

Nature of Income	**Limit**
Individual deriving Salary Income	10% of Salary
Individual Self-Employed	20% of Gross Total Income
Salary includes DA (if terms of employment provide)	

80CCD(1B): Further deduction of Rs. 50,000 in respect of amount deposited by an individual assessee in a pension scheme notified by CG

80CCD(2): Contribution of employer so long it does not exceed 10% of Salary

Exemption of NPS

Sec 10(12A): Closure of or opting out of NPS by assessee, to the extent of 40% of total amount payable

Sec 10(12B): Partial Withdrawal out of NPS by employee, to the extent of 25% of contributions made by him

LIMIT OF DEDUCTION u/s 80C, 80CCC and 80CCD

Section	Max Deduction	Cumulative
80C	Rs. 1,50,000	Overall deduction is restricted to Rs. 1,50,000/- by virtue of Sec 80CCE
80CCC	Rs. 1,50,000	
80CCD(1) – by Employee	10% of Salary	
80CCD(1)- by Assessee	20% of GTI	
80CCD(1B)- Additional deduction towards notified pension	Rs. 50,000	No Limit
80CCD(2) – Employer's Contribution	10% of Salary	No Limit

Sec 80CCG: Deductions in respect of investments made under equity savings scheme

Eligible Assessee	Resident Individual
Eligible Investment	a) Listed Equity Shares b) Listed units of an EOF, in accordance with Rajiv Gandhi Equity Savings Scheme
Quantum of Deduction	To the extent of 50% of the Amount invested limited to Rs. 25,000/- Such deduction can be availed for three consecutive assessment years
Conditions	1. Gross Total Income shall not exceed Rs. 12 Lakhs 2. New Retail Investor 3. Investment in accordance with scheme 4. Lock in period of 3 years 5. Deductions shall cease from AY 2018-19

Sec 80D: Health Insurance Premium paid

Eligible Assessee	Individual or Hindu Undivided Family Family – Spouse and Dependent children Parents – Father and Mother (Dep or Indep)		
Description	**Self, Spouse and Dependent**	**Parents**	**HUF (Members)**
a) In Respect of mediclaim premium and preventive health check up			
Assessee,his family and his parents are less than 60 years	Rs. 25,000	Rs. 25,000	Rs. 25,000 **(Only for For Members)**
Assessee & Family < 60, but parents are Senior Citizens	Rs. 25,000	Rs. 50,000	Rs. 50,000 **(Only for Members)**
Assessee and Parents are Senior Citizens	Rs. 50,000	Rs. 50,000	Rs. 50,000 **(Only for Members)**
b) In Respect of medical expenditure for senior citizens			
Assessee & Family < 60, but parents are Senior Citizens	NIL	Rs. 50,000	Rs. 50,000 **(Only for Members)**
Assessee and Parents are Senior Citizens	Rs. 50,000	Rs. 50,000	Rs. 50,000 **(Only for Members)**
Max Cumulative of a) and b)	**Rs. 50,000**	**Rs. 50,000**	**Rs. 50,000**
c) Preventive health checkup is allowed upto Rs.5,000 for assessee, family and parents but not allowed for HUF d) Contribution to CG Health Scheme allowed for assessee and family only but not for Parents and HUF			

Sec 80DD: Maintenance including medical treatment of a dependent with disability

Eligible Assessee	Resident Individual or HUF *Individual – Spouse, children, parents, brothers and sisters of individual or any one of them*
Eligible Expense	Deduction in respect of 1. Any expenditure incurred for medical treatment (including nursing), training and rehabilitation of a dependent with disability (or) 2. Any amount paid or deposited by the assessee under any scheme of LIC or any other insurer or the administrator or the specified company and approved by the board for the maintenance of dependent with disability.
Quantum of Deduction	a. Flat deduction of Rs. 75,000, irrespective of quantum of expenditure incurred b. If severe disability, deduction of Rs. 1,25,000
"Disability"	Blindness, low vision, leprosy-cured, hearing impairment, locomotor disability, mental retardation, mental illness, autism, cerebral palsy and multiple disability. Disability – not less than 40% of any disability Severe Disability – 80% or more of any disability.

Sec 80DDB: Medical Treatment for certain specified diseases or ailments

Eligible Assessee	Resident Individual or HUF *Individual – Spouse, children, parents, brothers and sisters of individual or any one of them*
Eligible Expense	Deduction in respect of expenses specified in Rule 11DD: i) Neurological diseases, Malignant Cancer, AIDS, Chronic real failure, Hematological disorders, Hemophilia, Thalassaemia
Quantum of Deduction	**Lower of** Senior Citizens: Rs. 1,00,000 or actual amount paid Others: Rs. 40,000 or actual amount paid
"Disability"	Disability – not less than 40% of any disability

Sec 80U: Deduction in case of person with disability

Eligible Assessee	Resident Individual certified by a medical authority to be a person with disability at any time during the previous year	
Eligible Expense	Deduction in respect of expenses specified in Rule 11DD: i) Neurological diseases, Malignant Cancer, AIDS, Chronic real failure, Hematological disorders, Hemophilia, Thalassaemia	
Quantum of Deduction	**Disability**	75,000
	Severe Disability	1,00,000
"Disability"	Blindness, low vision, leprosy-cured, hearing impairment, locomotor disability, mental retardation, mental illness, autism, cerebral palsy and multiple disability. Disability – not less than 40% of any disability Severe Disability – 80% or more of any disability.	

Sec 80E: Interest on Loan taken for higher education

Eligible Assessee	Individual *Individual – Spouse, children or student for whom the individual is the legal guardian*
Eligible Expense	Amount paid towards interest on loan borrowed from any **financial institution** or **any approved charitable institution** for the purpose of pursuing higher education is deductible
Quantum of Deduction	Actual interest paid
Time Limit	For the Initial assessment year (assessment year relevant to the year of commencement of payment of interest) and immediately succeeding 7 assessment years or until the interest is paid by the assessee in full, whichever is earlier

Sec 80EE: Interest on Loan taken for residential house property

Eligible Assessee	Individual
Eligible Expense	Amount paid towards interest on loan borrowed from any **financial institution** for the purpose of acquiring a residential property
Quantum of Deduction	**Lower of** 1. Actual interest paid 2. Rs. 50,000
Conditions	1. Assessee does not own any residential house property on the date of sanction of loan 2. Value of the Property should be less than Rs. 50 Lakhs 3. Amount of Loan does not exceed Rs. 35 Lakhs 4. Loan sanction period: 01-04-2016 to 31-03-2017. 5. Where deduction is allowed for any interest, deduction shall not be allowed in any other provisions of Income Tax Act
Time Limit	1. The benefit of interest will be allowed till the repayment of loan
Key Points	1. Deduction is over and above that of Sec 24(b) 2. Deduction irrespective of property is vacant, let-out or self occupied

Sec 80EEA: Interest on Loan taken for residential house property

Eligible Assessee	Individuals
Eligible Expense	Amount paid towards interest on loan borrowed from any **financial institution** for the purpose of acquiring a residential property
Quantum of Deduction	**Lower of** 1. Actual interest paid 2. Rs. 50,000 **Over and above Sec 24(b)**
Conditions	1. Sanction during PY 2019-20 2. SDV of the Property should not be more than Rs. 45 Lakhs 3. Assessee does not own any other house at time of sanction 4. Deduction u/s 80EE not eligible
Time Limit	2. The benefit of interest will be allowed till the repayment of loan
Key Points	3. Deduction is over and above that of Sec 24(b) 4. Deduction irrespective of property is vacant, let-out or self occupied

Sec 80EEB: Interest on Loan taken for Purchase of Electric Vehicle

Eligible Assessee	Individuals
Eligible Expense	Amount paid towards interest on loan borrowed from any **financial institution including systematically important non-deposit taking NBFC** for the purpose of purchase of Electric Vehicle
Quantum of Deduction	**Lower of** 1. Actual Interest Paid 2. Rs. 1,50,000
Conditions	Sanction during 01.04.2019 to 31.03.2023
Time Limit	The benefit of interest will be allowed till the repayment of loan

Sec 80G: Donations to certain funds, charitable institutions etc

Eligible Assessee	Any assessee	
Eligibility	**Category**	**Eligibility**
	I	100% deduction without any limit
	II	50% deduction without any limit
	III	a) Donations eligible for 100% of restricted amount b) Donations eligible for 50% of restricted amount
Conditions	1. No deduction shall be allowed in respect of donation exceeding Rs. 2,000 unless such sum is paid by any mode other than cash 2. Institution or fund which is of religious in nature is qualified for eligibility upto 5% of its total income	
Net Qualifying Amount	**Step 1**	Compute adjusted total income Gross Total Income reduced by a. Deductions u/c VI-A, except u/s 80G b. LTCG – Sec 112& Sec 112A c. STCG – Sec 111A d. Income – Sec 115BB (lotteries,cross) e. Specified income of NR f. Income on which no tax payable
	Step 2	Compute 10% of adjusted total income
	Step 3	Compute the restricted eligible amount
	Step 4	**Qualifying Amount is Lower of 2 & 3**
Category I	1. PM & CM National Relief Fund 2. National Children Fund 3. Educational Institutions of National Eminence **4. Swach Bharat Kosh (Not a CSR spend)** **5. For Residents only – Clean Ganga Fund (not a CSR Spend)** **6.** National Fund for control of drug abuse	

Category II	1. Jawaharlal Nehru Memorial Fund 2. PM drought relief fund 3. Indira Gandhi Memorial Trust 4. Rajiv Gandhi Foundation
Category III	Deduction with 100% of restricted amount 1. Donation to IOA 2. To institutions of Family Planning Deduction with 50% of restricted amount 1. Renovation of temples, mosques, church or gurudwara 2. To Govt or institutions other than for family planning 3. Any authority for city, town or village development 4. Approved public trust or institution for charitable purposes

Sec 80GG: Deductions in respect of Rent Paid

Eligible Assessee	Individual
Eligible Expense	Rent paid for Residential Accommodation
Quantum of Deduction	**Lower of** 1. Excess of rent paid over 10% of adjusted total income 2. 25% of adjusted total income 3. Rs. 5,000 p.m
Adjusted Total Income	Gross Total Income reduced by g. Deductions u/c VI-A, except u/s 80GG, h. LTCG – Sec 112& Sec 112A i. STCG – Sec 111A j. Income – Sec 115BB (lotteries,crosswords) k. Specified income of NR. Income on which no tax payable
Conditions	a) The assessee should be self-employed person or salaried employee, who is not in receipt of house rent allowance exempt u/s 10(13A) or rent free accommodation. b) Accommodation occupied for the purpose of his own residence c) The assessee or spouse or minor child or HUF (which he is member) should not own any residential accommodation at that place where such an assessee ordinarily resides or at the place where he works or carries on business or profession. d) Where assessee owns residential property at any place other than the place of residence, such property should not be assessed as self-occupied property. e) Declaration to be filed

Sec 80GGA: Donations for scientific research or rural development

Eligible Assessee	All Assessees not having any income chargeable under the head "PGBP"
Eligible Expense	Donations to 1. Approved research institution or university with object of a. Undertaking of scientific research b. Research in social science or statistical research 2. To an association or institution engaged in any approved programme for rural development or training for rural development or notified National Urban Poverty Education Fund 3. To a PSU or LA or institution approved by National Committee for carrying out any eligible project or scheme (Sec 35AC)
Quantum of Deduction	**100%**
Conditions	a) Deduction allowed under this section, no deduction shall be allowed under any other provision b) No deduction if the donation is paid by mode of cash in excess of Rs.10,000

Sec 80GGB: Donations in respect of contributions by companies to political parties

Eligible Assessee	Indian Company
Eligible Expense	Any Contribution to any political party or an electoral trust while computing its total income *Political party means a party registered u/s 29A of Representation of the People Act, 1951*
Quantum of Deduction	**100%**
Conditions	No deduction if the donation is paid by way of cash.

Sec 80GGC: Donations in respect of contributions by any persons to political parties

Eligible Assessee	Any person except LA or aritificial juridical person (wholly or partly funded by Govt.)
Eligible Expense	Any Contribution to any political party or an electoral trust while computing its total income *Political party means a party registered u/s 29A of Representation of the People Act, 1951*
Quantum of Deduction	**100%**
Conditions	No deduction if the donation is paid by way of cash.

Sec 80JJAA: Employment of new employee

Eligible Assessee	Any assessee whose books of accounts are subject to tax audit u/s 44AB of the Income Tax Act and whose GTI includes PGBP
Eligible Expense	Additional employee cost per year for 3 consecutive years commencing from the previous year in which such employment is provided
Quantum of Deduction	**30% of additional employee cost**
Additional Employee Cost	Means total emoluments paid (amount paid excluding PF or pension fund contribution or any other fund, or any lump-sum payment paid at time of retirement/ termination or super annuation) Additional Employee cost shall be NIL, if a. No increase in number of employees from number of employees employed as last day of preceding year b. Payments are made otherwise than by account payee cheque, or account payee bank draft or ECS c. Audit report of CA to be furnished along with ROI Additional Employee does not include a. Total Emoluments payable is greater than Rs. 25,000/- b. Entire contribution is paid by Govt under notified EPS c. Employed for less than 240 days during previous year (Manufacturing of apparel or footwear – 150 days) *Employee employed for less than 240/150 days in previous year but continues to be employed for more than 240/150 days in succeeding year, 30% eligible for succeeding year.*

Sec 80QQB: Royalty Income of certain books other than text books

Eligible Assessee	Resident Individual
Eligible Income	Royalty income or copyright fee of authors of certain books other than textbooks for assignment or grant of any interest in the copyright of any book **Work of literary, artistic or scientific nature or of royalty or copy right fees**
Quantum of Deduction	**Lump sum amount -**Amount receivable or received **Otherwise -**Max of 15% of value of Books Sold (Gross receipts) **Restricted to Rs. 3,00,000**
Additional points	**1.** If allowed under this provision, no deduction under any other provisions of the Act **2.** If income received from outside India, deduction restricted to the amount brought into India in convertible foreign exchange within 6 months from end of previous year in which such income is earned

Sec 80RRB: Royalty on patents

Eligible Assessee	Resident Individual
Eligible Income	Royalty income or copyright fee of authors of certain books other than textbooks for assignment or grant of any interest in the copyright of any book **Work of literary, artistic or scientific nature or of royalty or copy right fees**
Quantum of Deduction	**Lower of** 1. Actual Income or **2.** Rs. 3,00,000 *Where a compulsory license is granted in respect of any patent under Patents Act, 1970, the deduction shall not exceed the amount of royalty under such terms of license*
Additional points	**1.** If allowed under this provision, no deduction under any other provisions of the Act **2.** If income received from outside India, deduction restricted to the amount brought into India in convertible foreign exchange within 6 months from end of previous year in which such income is earned

Sec 80TTA: Interest on deposits in savings account

Eligible Assessee	Any Individual (Other than Resident Senior Citizen) or HUF
Eligible Income	Savings account interest from a bank, co-operative society in banking business or post office
Quantum of Deduction	**Lower of** 1. Actual Interest **2.** Rs. 10,000
Sec 10(15): Savings Interest in Post Office: Exempt upto Rs. 3,500/7,000	

Sec 80TTB: Interest on deposits in case of senior citizens

Eligible Assessee	Resident Senior Citizen
Eligible Income	Interest on deposits including time deposits from a bank, co-operative society in banking business or post office
Quantum of Deduction	**Lower of** 1. Actual Interest **2.** Rs. 50,000

Tax Deduction at Source and Tax Collection at Source

Sec 191: Direct Payment

In the following cases tax is payable by the assesse directly

- Income in respect of which tax is not required to be deducted at source
- Income in respect of which tax is required to be deducted but not actually deducted

The Proceedings for recovery of tax will be against the assesse whose tax was liable to be deducted but not deducted.

However, any person who is required to deduct tax at source or an employer paying tax on non-monetary perquisites u/s 192(1A), does not deduct the whole or part of the tax, or after deducting fails to pay such tax deducted, then such person shall be deemed to be an assessee-in-default.

Section	Type of Payment	Amount and Conditions
192	Salary	At average rate of income-tax (Rates in force in FY) 1. The Employee may also furnish his other income (if any) and the employer shall consider that income also for deduction of taxes 2. However, such other income/Loss shall not have the effect of reducing the taxes except for Loss on account of Interest on House Property.
192A	Premature Withdrawal from EPF	**@ Rate of 10%** Where withdrawal is made before continuous service of five years and the amount is more than Rs. 50,000
193	Interest on Securities Applicability: On Every Person Paying to Resident Individuals	**@ Rate of 10%** Exemptions: - National Defence Loan - National Development Loan - 7 Year NSC - Debentures as notified by CG - **Debentures by any company to Resident Individual or HUF and amount exceeds Rs. 5,000** - Gold Bonds, Nominal value < 10,000 - On Securities of LIC, GIC or Subsidiaries

194A	**Interest other than interest on securities** **Non Applicability**: Ind/HUF not liable for Audit u/s 44AB during immediately preceding year	**@ Rate of 10%** **Non Applicability:** - If aggregate amount < Rs. 5,000/- - Limit is Rs. 10,000/- - Time Deposit with Bank/ Co-operative society in banking business/ Post Office Deposits (**Limit is Rs. 50,000 in case of Resident Senior Citizens)** - Savings Bond, 2003 & 2018 - Partner's Capital Interest - Income paid by a co-op to its members or any other co-op - Interest credited by primary agri credit society/ primary credit society/ co-op land mortgage bank/ co-op land development bank - Interest Paid to the following entities - Banking Companies - Co-op Societies in banking business - CG/SG Financial Corporations - LIC - UTI - National Skill Development Fund (Notified) - Interest on account of compensation in lieu of Motor Accidents Claims Tribunal - By Infra capital company or infra capital fund or PSC or scheduled bank in relation to a zero coupon bond Clarification: - **UCO Bank (writ Petition)** **FDR's with Register General of Court** (Being the beneficiary of FDR's). No tax required to be deducted. However once dispute is settled, tax would be required to be deducted at source to the credit of the recipient. - **Time of Deduction:** In case of CBS, Tax need not be deducted on provisioning of interest for the purpose of macro monitoring (internal purposes)

194B & 194BB	Winning from Lotteries, Crossword Puzzles and Horse Races **Applicability (194BB):** **-**Bookmaker -Licensee of horse racing or arranger for wagering or betting in any race course	**@ Rate of 30% if such amount exceeds Rs. 10,000** **Sec 115BB:** Income Tax is at flat rate of 30% (No Set off of losses/ Chapter VI-A Deductions/ Expenses allowed)
194C	Payment made to contractors and sub-contractors **Non Applicability**: Ind/HUF not liable for Audit u/s 44AB during immediately preceding year	**@ Rate of 1% if payee is Ind or HUF** **@ Rate of 2% in respect of other payees** **Threshold Limit: Exceeds** Rs. 30,000/- single contract or Rs. 1,00,000/- aggregate throughout the year. **Work includes:** a) Advertising b) Broadcasting and telecasting c) Carriage of Goods or passengers by any mode of transport other than railways d) Catering **e)** Specification based manufacture or supply **Non Applicability** Contractors or subcontractors in transport business if the person owns less than 10 goods carriage at any time during PY, engaged in business of plying, hiring or leasing and furnishes declaration along with his PAN to the deductor **Clarifications** 1. Gas transportation charges levied by the supplier of Gas Company is nothing but an inclusion in contract for sale and does not make it works contract 2. Payment for acquisition of broadcasting rights of content already produced by production house- No work being carried out and hence no TDS

194D	Insurance Commission	**@ Rate of 1%** **Threshold Limit:** If aggregate of such income paid to a person exceeds Rs. 15,000/- **Coverage:** any income or reward by commission or otherwise for soliciting or procuring insurance business
194DA	Payment in respect of Life Insurance Policy	**@ Rate of 1%** **Threshold Limit:** If aggregate of payment exceeds Rs. 1,00,000/- **Condition:** Sum received under LIC which does not fulfill conditions specified in Sec 10(10D)
194E	Payment to non-resident sportsmen or sports association (not being a citizen of India)	**@ Rate of 20.8%** **Threshold Limit:** If aggregate of payment exceeds Rs. 1,00,000/- **Condition:** Receipts which are covered under Sec 115BBA - Participation in any game or sport in India - Advertisement - Contribution to articles relating to any game or sport in India - Guarantee amount received by non-resident sports association - Non Resident entertainer'
194EE	Payment in respect of deposits made under National Savings Scheme	**@ Rate of 10%** **Threshold Limit:** If aggregate of payment exceeds Rs. 2,500/- **Non Applicability:** Payment made to heirs of the assesse

194F	Repayment of units by Mutual Fund or UTI	**@ Rate of 20&** **Conditions:** Covered u/s 80CCB(2)
194G	Commission etc on sale of Lottery Tickets	**@ Rate of 5%** **Threshold Limit:** If aggregate of payment exceeds Rs. 15,000/-
194H	Commission or Brokerage **Non Applicability**: Ind/HUF not liable for Audit u/s 44AB during immediately preceding year	**@ Rate of 5%** **Threshold Limit:** If aggregate of payment exceeds Rs. 15,000/- **Commission or Brokerage:** Includes any payment received by a person acting on behalf of another person for services rendered, or in course of buying goods **Clarifications:** No TDS is attracted on payments made by television channels/newspaper companies to advertising agencies for booking or canvassing for advertisements
194I	Rent **Non Applicability**: Ind/HUF not liable for Audit u/s 44AB during immediately preceding year	**@ Rate of 2% in respect of rent for plant, machinery or equipments** **@ Rate of 10% in respect of other payments** **Threshold Limit:** If aggregate of payment exceeds Rs. 1,80,000/- **Clarifications:** 1) Sec 194I will not apply in case of cooling charges paid to cold storage owners. Sec 194C will apply 2) remittance of Passenger Service Fees (PSF) by an Airline to an Airport Operator shall not attract TDS u/s 194I 3) Lump sum Lease Premiums which are non-adjustable against periodic rent are not in nature of Rent and thus no TDS needs to be deducted
194-IA	Payment on Transfer of certain Immovable properties other than agricultural land	**@ Rate of 1%** **Threshold Limit:** If the total amount of consideration for the transfer of immovable property is less than Rs. 50 lakhs.

		Non Applicability: **1.** On Compulsory Acquisition of immovable property **2.** On agricultural land **3.** Deduction applicable u/s 194-IC **Non Requirement of obtaining TAN**
194-IB	Payment of rent by certain individuals or Hindu Undivided Family **Applicability:** Ind/HUF not liable for Audit u/s 44AB during immediately preceding year	**@ Rate of 5%.** *However, deduction shall not exceed the amount of rent payable for the last month of the previous year* **Threshold Limit:** If the amount of rent exceeds Rs. 50,000 for a month or part of the month during the previous year **Time of Deduction:** To be made at the time of credit of such rent, for the last month of the previous year or the last month of tenancy (Where property vacated). **Non Requirement of obtaining TAN**
194-IC	Payment under specified agreement u/s 45(5A) **[Refer Section 45(5A)]**	**@ Rate of 10%.** **Threshold Limit:** NA **Time of Deduction:** This deduction is to be made 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 cheque or draft or by any other mode, whichever is earlier.
194J	Fees for professional or technical services or Royalty or Non-Compete Fees **Non Applicability**: Ind/HUF not liable for Audit u/s 44AB during immediately preceding year	**@ Rate of 10%.** **@ Rate of 2% (**Payee – Call Centre Operation) **Threshold Limit:** Rs. 30,000 in case of Professional Services, Technical services, Royalty and Non-Compete Fees NA – Remuneration/Fees/commission payable to director of company **Clarification:** 1. TPA's liable to deduct tax on payment to hospitals on behalf of insurance companies 2. Consideration for use or right to use of computer software – Royalty and liable for tax deduction

		(Subsequent acquisition – Relief of no deduction with certain condition)
194LA	Payment of compensation on acquisition of certain immovable property	**@ Rate of 10%.** **Threshold Limit:** Rs. 2,50,000/- in a financial year
194N	Banking Co, Co-operative Society in banking & Post Office – Payment of cash to any person	**@ Rate of 2%** **Aggregate payments from one or more accounts to one person exceeding Rs. 1 Crore in a financial year**

Clarifications w.r.t 194N

- **194N is applicable from 1.9.2019 and hence any cash withdrawal prior to it is not subject to TDS deduction**
- **However, if the total payments made in FY 1920 exceeds Rs. 1 Crore, TDS deduction is applicable for payments made on/after 1.9.2019**

Cash Withdrawal 1-4-2019 to 31-8-2019 (Rs. Lacs)	**Cash Withdrawal 1-9-2019 to 31-3-2020 (Rs. Lacs)**	**Total Withdrawal (Rs. Lacs)**	**TDS @ 2%**
90	**30**	**120**	**40,000 (Rs.20 L)**
120	**0**	**120**	**NIL**
0	**120**	**120**	**2,40,000 (Rs. 120 L)**

- **Exempted entities for 194N**
    - **Cash Replenishment Agencies (CRA's)**
    - **White Label Automated Machine Operators (WLATMO's)**
    - **Commission Agent or Trader under Agriculture Produce Market Committee**
    - **Authorised Dealer and Franchise Agent**
    - **Full Fledged Money Changer**

Miscellaneous Provisions

Sec 196: No Deductions:

1. No deduction of tax shall be made by any person from any sums payable to
   - The Government
   - The Reserve Bank of India
   - A Corporation established under the Central Act, being exempt from income tax
   - A Mutual Fund
2. This Provision for non-deduction is when such sum is payable to the above entities by way of
   - Interest or Dividend in respect of Securities or Shares (owned or beneficial interest)
   - Any income accruing or arising to them

Sec 197: Certificate for Deduction of Tax at a Lower Rate

Applicability: 192,193,194,194A,194C,194D,194G,194H,194I,194J and 194LA.

1. Application to AO for lower or no deduction
2. AO on satisfaction – issue certificate to assessee
3. Deductor to deduct tax at the appropriate rates until such certificates is cancelled by the AO

Sec 200: Duty of person deducting tax

Rule 30: Sums deducted on the same day or on or seven days from the end of the month in which such deduction is made (for Month of March the same being 30th of April)

Filing of TDS Return

S.No	Date of ending of the quarter of the FY	Due Date
1	30th June	31st July
2	30th Sep	31st Oct
3	31st Dec	31st Jan
4	31st March	31st May

Fee u/s 234E: A Fee of Rs. 200 per day is levied u/s 234E for late furnishing of TDS Statement

- From: DD of furnishing of TDS Statement To: Date of Actual Furnishing of TDS Statement
- Total Fee u/s 234E shall not exceed Total Amount of TDS/TCS

Sec 201: Consequences on failure to deduct or pay

A) Deemed assessee-in-default: Non Deduction or deduction but not depositing it.

B) Non applicability of deeming provision:

1. Furnished his return u/s 139
2. Taken into account such sum for computing income in such return of income
3. Has paid the tax due on the income declared by him in such return of income and payer furnishes a return from CA to this effect

C) Interest Liability:

1% - No deduction and No Deposit

1.5% - Deduction but not deposited

Tax Collection at Source

Sec 206C: Tax Collection at Source: Basic Concept

	Nature of Goods/ Services	**Percentage**
206C(1)	Alcoholic Liquor for human consumption	**1%**
	Tendu Leaves	**5%**
	Timber obtained under a forest lease	**2.5%**
	Timber obtained by any mode other than above	**2.5%**
	Any other forest produce not being timber or tendu leaves	**2.5%**
	Scrap	**1%**
	Minerals, being coal or lignite or iron ore	**1%**
206C(1C)	Lease or License or enters into a contract or otherwise transfers any right - Parking lot - Toll Plaza - Mine or Quarry To other person (other than PSU)	**2%**
206C(IF)	Receiving any amount as consideration for sale of a motor vehicle of value exceeding Rs. 10 Lakhs, shall collect tax from the buyer @ 1% of the sale consideration	**1%**

Advance Tax

Advance Tax: Sec 207 – 219

a) Tax Payment is more than Rs. 10,000 or more

b) Not Applicability

   a. Not Having PGBP and

   b. Age is 60 or More

Computation of Advance Tax

Particulars	Amount (Rs)
Tax Calculated on Estimated Income	Xxx
Less: Tax actually deducted/collected	(xxx)
Net Tax Payable by the assessee	**$**

Instalment with Due Date	Amount of Advance Tax Payable
On or before 15^{th} June	Not less than 15% of $
On or before 15^{th} September	Not less than 45% of $
On or before 15^{th} December	Not less than 75% of $
On or before 15^{th} March	The Whole of Tax of $

2) Assessee computing profits on presumptive basis under Sec 44AD(1) or Sec 44ADA (1) to pay Advance Tax by 15^{th} March

Interest under Sec 234B & 234C

Interest under Section 234B			
Non Payment of Advance Tax or Payment of Advance Tax of an amount less than 90% of assessed Tax		Interest @ Rate of 1% p.m From 1st April upto date of determination of Income u/s 143(1) or Self-Assessment Tax paid under section 140A	
Interest under Section 234C (Interest @ Rate of 1% p.m)			
Specified Date	**%**	**Shortfall**	**Period**
15th June	15%	15% of tax on returned income (–) advance tax paid till date (No Interest if more than 12% paid)	3 months
15th Sep	45%	45% of tax on returned income (–) advance tax paid till date (No Interest if more than 36% paid)	3 months
15th Dec	75%	75% of tax on returned income (–) advance tax paid till date	3 months
15th March	100%	100% of tax on returned income (–) advance tax paid till date	3 months
Sec 44ADA: Interest at the rate of 1% on the shortfall (–) advance tax paid till date			
Non Applicability: 1. Amount of Capital Gains 2. Winnings from lotteries, crossword puzzles etc 3. PGBP – for the First Time 4. Sec 115BBDA – aggregate exceeding of Rs. 10 Lakhs received during the previous year			

FILING OF RETURN OF INCOME

Chapter Outline

Section	**Synopsis**
139	Provision For Filing of ROI
139(1)	Due Date of Filing of ROI
139(3)	Return of Loss
139(4)	Belated Return
139(5)	Revised Return
139(9)	Defective Return
139A	Application of PAN
139AA	Quoting of AADHAR Number
139B	Scheme for submission of ROI through TRPs
140	Persons Autorised to Verify ROI
140A	Self Assessment Tax

Sec 139: Provision for Filing ROI

<table>
<tr><td>Company & Firms</td><td>Compulsory Filing</td></tr>
<tr><td>Other Persons</td><td>If Total Income > Basic Exemption Limit.</td></tr>
<tr><td colspan="2">Any person who is not required to furnish ROI u/s 139(1), is required to file ROI if such person:
• Deposit in bank A/c has deposited aggregate amounts > Rs. 1 crore in one or more current A/c.
• Foreign Travel has incurred aggregate expenditure > Rs. 2 lacs for foreign travel;
• Electricity has incurred aggregate expenditure on consumption of electricity > Rs. 1 Lacs</td></tr>
<tr><td>R/ROR holding Foreign Assets</td><td>◎ If ROR at any time during PY
(a) holds any asset located o/s India or
(b) has signing authority in any A/c o/s India or
(c) beneficiary of any asset located o/s India.</td></tr>
<tr><td>5th Proviso to Sec 139(1)</td><td>Beneficiary of Asset located o/s India - Not required to file ROI, if such income is includible in the income of Beneficial Owner</td></tr>
</table>

Total Income for filing ROI = Income before claiming Chapter VI-A Deductions & Sec. 54/54B/54D/54EC/54F

Due Date for Filing Return of Income

<table>
<tr><th>Assessee</th><th>Due Date of Filing ROI u/s 139(1)</th></tr>
<tr><td>Transfer Pricing Report u/s 92E (Form 3CEB)</td><td>30th November of Relevant AY</td></tr>
<tr><td>• Any Company other than TPR Filers
• Persons books of a/c subjected to Tax Audit
• Working Partners of Firms under Tax Audit</td><td>30th September of Relevant AY</td></tr>
<tr><td>Others</td><td>31st July of Relevant AY</td></tr>
<tr><td colspan="2" align="center">Belated Return u/s 139 (4)</td></tr>
<tr><td colspan="2">If ROI is not Filed u/s 139(1) assessee may file belated return
Earlier of
1. Before end of Relevant Assessment Year (31st March of AY)
2. Before Best Judgement Assessment u/s 144
Revision of Belated Return is possible u/s 139(5)</td></tr>
<tr><td colspan="2" align="center">Revised Return u/s 139 (5)</td></tr>
<tr><td colspan="2">If ROI filed u/s 139(1) or 139(3) has error or omission or wrong statement assessee may file revised return
Earlier of
1. Before end of Relevant Assessment Year (31st March of AY)
2. Before Best Judgement Assessment u/s 144
ROI can be revised any number of times</td></tr>
</table>

Sec 139(9): Defective Return

ROI Filed will be treated as defective in the following cases

- 1. Annexure, statements & columns in ROI relating to computation of Income under each head, computations of GTI & TI are NOT duly filled in.
- ROI is NOT accompanied by
    (a) Statement of Computation; (b) Audit Report; (c) Proof of TDS/TCS/Advance Tax paid/ SAT paid.
- Copies of Audited P&L A/c, Balance sheet & Auditor's Report etc.

Action/Suit/Intimation	
Intimation of Defect by AO	Opportunities to rectify defect within 15 days
No Rectification done in 15 Days	Treated as Invalid & deemed **No ROI Filed**
Condonation of Delay	Possible if valid reasons given

Sec 139(5): Return of Loss

Where the following losses have to be carried forward 72(1): Business Loss 74(1): Capital Loss 73(2): Speculation Business Loss. 74A(3):Loss from Op and Main, Horses 73A(2): Specified Business Loss	**ROI has to be filed before due date u/s 139(1)**
Losses that can be c/f even if ROI is filed belatedly 71B: House Property Loss	**ROI has to be filed**
Losses that can be c/f even if ROI not filed 32: Depreciation Loss	**ROI Filing not Mandatory**

Key points

1. *b/f losses (eligible under 139(5) of respective year) can be c/f*
2. *Set off of losses is possible even if filed belatedly*

Sec: 139A PERMANENT ACCOUNT NUMBER (PAN)

S.No	Application of PAN	Time Limit
1	Total Income > Basic Exemption Limit	On/before 31st May of AY for which such income is assessable
2	B/P – Gross Receipts => Rs. 2.5 Lacs in a FY	Before the end of that PY
3	Resident (other than Individual) financial transaction => Rs. 2.5 L in PY	On/before 31st May of immediate FY
4	Every authorized person or agent of (3) above	Same as that of above
5	Suo Moto Application	Any Person may apply

Quoting of PAN

A) Sale/Purchase of securities	
Contract for Sale/Purchase of securities	> Rs. 1 lac
Sale/Purchase of unlisted shares from open market.	> Rs. 1 lac
Payment to a mutual fund for purchase of its units.	> Rs. 50,000
Payment for acquiring debentures/bonds/RBI bonds	> Rs. 50,000
B) Sale/Purchase of other assets	
Sale/Purchase of Immovable property. If SC/SDV	> Rs. 10 lacs
Sale/Purchase of other Goods/Services	> Rs. 2 lacs
Sale/Purchase of Motor Vehicle All Transactions	All Transactions
C) **Transactions with Banks/Co-operative Banks/Post Office**	
Opening Bank A/c other than time deposit	All Transactions.
Application for issue of Credit/Debit card	All Transactions.
Opening Demat account.	All Transactions.
Cash Deposit with a bank	≥ 50,000 in a day.
Purchase of bank draft/Cheque from bank	≥ 50,000 in a day.
Time deposit with (i) Bank/Co-operative bank/PO (ii) Nidhi Co. (iii) Registered NBFC.	> 50,000 OR > 5 Lacs in a FY.
Total Payment for prepaid payment instruments to a bank/co-operative bank.	> 50,000 in a FY in cash/draft/pay order
Hotel/Restaurants bills (or) Purchase of foreign currency (or) Life Insurance Premium	> 50,000 in cash in PY
MINOR: He shall quote PAN of parent or guardian.	
PERSON NOT HAVING PAN: Give Declaration in Form No. 60.	

May 2020 Amendment

Interchangeability of PAN with AADHAAR

Every person who is required to furnish/intimate/quote his PAN may furnish/intimate/quote his Aadhar Number. in lieu of PAN w.e.f. 1.9.2019 if he: **> has not been allotted a PAN but possesses Aadhar no.** **> has been allotted a PAN & has intimated his Aadhar no. to prescribed authority in accordance with the requirement contained in section 139AA(2).** *PAN would be allotted to a person who has not been allotted a PAN but possesses Aadhar number in prescribed manner.*
Rule 114(4) requires submission of application for allotment of PAN by applicant in prescribed form accompanied by documents as proof of identity, address & DOB of such applicant. **> Sub-rule (1A) to Rule 114 (w.e.f. 1.9.2019):** **Any person who has furnished/intimated or quoted his Aadhaar no. in lieu of PAN in accordance with section 139A(5E), shall be deemed to have applied for allotment of PAN & shall not be required to apply or submit any documents u/r 114.** **> Sub-rule (1B) to Rule 114 (w.e.f. 1.9.2019):** **Any person who has not been allotted PAN but possess Aadhaar no. may apply for allotment of PAN u/s 139A(1)/(1A)/(3) by intimating his Aadhaar no. & he shall not be required to apply or submit any documents u/r 114.**

Sec 139AA: Quoting of AADHAR Number

Mandatory Quoting of Aadhar	Every person eligible to obtain Aadhar must mandatorily quote Aadhar in: (a) Application form for Allotment of PAN; (b) ROI.
No Aadhar → Quote Enrolment Id	If a person does not have Aadhar Number, he is required to quote Enrolment ID of Aadhar application form. Enrolment ID: 28 Digit Enrolment Identification Number issued to a resident at the time of enrolment for Aadhar.
Update Aadhar No. to Authorities	Every person who has been allotted PAN & is eligible to obtain Aadhar shall intimate his Aadhar No. to prescribed authority before notified date.
Notified Date by CG	Extended to 31st Dec 2019, then to 31st March 2020 and **Now Presently it is 30th June 2020**
Consequences of Failure	If a person fails to intimate Aadhar Number, PAN allotted to such person shall be deemed to be invalid & Provisions of the Act shall apply, as if the person had not applied for allotment of PAN.

Exceptions:	Provisions of Sec 139AA would not apply to Individual who does not possess Aadhar or Enrolment ID & is: (a) Residing in States of Assam, J&K; Meghalaya; (b) Non-Resident; (c) Super Senior Citizen [Age ≥ 80 years at any time during PY; (d) Not a Citizen of India.

Sec 139B: Scheme for Submission of ROI through TRPs

Who can be a TRP?	Any Individual OTHER THAN (a) Officer of Bank in which assessee has Current A/c (b) Legal practitioner (c) CA (d) Employee of 'Specified class of Persons' Specified class of persons → Any Person other than (a) Company; (b) Person whose A/cs are required to be audited u/s 44AB & who is required to file ROI. Thus Employees of Companies & Persons whose accounts are required to be Audited u/s 44AB Can be TRP.
ROI through TRP not allowed	(a) Any Person other than Individual & HUF. [Only Individual & HUF are eligible person] (b) Individual/HUF carrying Business/Profession during PY & their A/c are required to be audited u/s 44AB or under any other law; or (c) Individual/HUF who is a Non-Resident in India during the previous year.

Sec 140: Person Authorized to Verify Return of Income

Assessee	Verified by	Exception	
Individual	Himself	Mentally Incapacitated	His guardian; or Any other person competent to act on his behalf
		Absent from India	Agent holding a valid power of attorney from such individual. (POA should be attached to ROI).
		Cannot verify ROI for other reasons	
HUF	Karta	Mentally Incapacitated Or Absent from India	Any other Adult Member of HUF.
Company	MD	There is no MD/MD is unable to verify ROI	Any Director
		Non Resident Company	Any person holding valid power of attorney. Such PoA should be attached to ROI.
		When the company is in liquidation	The Liquidator

		When company's management is taken over by CG/SG.	The Principal Officer
		Where an application for corporate Insolvency Resolution Process has been admitted by Adjudicating Authority under the Insolvency & Bankruptcy Code, 2016.	Insolvency Professional appointed by such Adjudicating Authority
Firm/LLP	Managing Partner/ Designated Partner	No MP or unavailable	Firm: Partner other than Minor LLP: Any Partner
Local Authority	Principal Officer		
Political Party	CEO		
Any other Association	Any Member		

Sec 140A: Self-Assessment Tax

Payment of Tax, Interest & Fee before filing ROI	Where any Tax is payable on the basis of ROI, after considering (i) Tax already paid (ii)TDS/TCS; Assessee shall be liable to pay such tax with Interest & Fees for any default or delay in payment of Advance Tax before filing ROI. ROI shall be accompanied by proof of payment.
Order of Adjustment of Amount paid by Assessee	If SAT paid u/s 140A(1) is less than Tax, Interest & Fees payable, amount so paid shall first be adjusted towards the fees payable & thereafter towards Interest & the balance, if any, shall be adjusted towards the tax payable.
Failure to Pay	If any assessee fails to pay Whole/any part of such of Tax or Interest or Fees, he shall be deemed to be an assessee in default.
Sec 144: Best Judgement Assessment:	
AO shall himself make assessment of Total Income/Loss to the best of his judgment & determine the tax payable by the assessee, if assessee fails to: (a) File ROI u/s 139; (b) Comply with notice u/s 142 to file ROI/produce books/furnish information required by AO; (c) Get his A/c audited if directed by AO; (d) Comply with all T&C of notice u/s 143(2).	