• DIRECT TAX (CA FINAL) •
LAST DAY REVISION NOTES : 40 Pages = 100 Marks

About Notes:

1. This note is made for **revision purpose** which contains **important points** (crux).
2. DT is vast subject & manage DT syllabus one day before exam is horrible therefore summary required.
3. Target to read this note **once in week** (40 Pages / 7 days = 6 Pages per day)
4. Solve maximum practical question from question bank / mock test paper / revision test paper
5. If you found any correction kindly text to 9765974365 / Telegram @sanjayzanwar / Telegram Channel @DT_LDR

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ABC Analysis

Category A

1. PGBP + CG + IFOS
2. Taxation of Various Entities
3. Chapter VI-A
4. MAT & AMT
5. TDS, TCS
6. Assessment and Appeals
7. DTAA
8. Transfer Pricing

Category B

1. Setoff
2. Clubbing of Income
3. Settlement Commission
4. Advance Ruling
5. Penalties
6. Offences

Category C

1. House Property
2. Residential Status
3. Salary
4. Other Misc.

1 Tax Rates, Surcharge and Rebate

Tax Rates

Partnership Firm / LLP

- Tax Rate - **30%**
- Surcharge - If NTI > 1 Cr then **12%**

Domestic Company

Turnover / GR < 400 Crore in PY 17-18

- Tax Rate - **25%**
- Surcharge If NTI >1Cr <10Cr= **7%** > 10 Cr = **12%**

Other Domestic Company

- Tax Rate - **30%**
- Surcharge If NTI >1Cr <10Cr= **7%** > 10 Cr = **12%**

Foreign Company

- Tax Rate - **40%**
- Surcharge If NTI >1Cr <10Cr = **2%** >10 Cr = **5%**

Individual / HUF

- Tax - As per Slab
- Surcharge If NTI < 50 L = **NIL** >50L <1Cr= **10%** >1Cr <2Cr= **15%** >2Cr <5Cr= **25%** > 5 Cr =**37%**

Maximum Surcharge is = 15% on Income under section 111A & 112A

Income (including 111A and 112A) exceeds 1 cr but not 2 cr - Surcharge on remaining will be 15%

Income (including 111A and 112A) exceeds 2 cr - Surcharge on remaining will be 15%

Income (excluding 111A and 112A) exceeds 2 cr - Surcharge on remaining will be 25%

{Surcharge Details}

Type of Income	Income up to Rs. 50 Lakh	More than 50 lakh but up to 1 cr	More than Rs. 1 crore but up to Rs. 2 crore	More than 2 cr but up to 5 cr	More than Rs. 5 crore
STCG u/s 111A	Nil	10%	15%	15%	15%
LTCG u/s 112A	Nil	10%	15%	15%	15%
Unexplained Income u/s 115BBE	25%	25%	25%	25%	25%
Any other Income	Nil	10%	15%	25%	37%

Other Income	Capital Gain	Total Income	Surch. On O. Income	Surch. on C. Gain
60	30	90	10%	10%
45	70	115	15%	15%
60	70	130	15%	15%
150	45	195	15%	15%
45	300	345	15%	15%
60	700	760	15%	15%
150	250	400	15%	15%
150	500	650	15%	15%
300	100	400	25%	15%
300	250	550	25%	15%
600	100	700	37%	15%

Sec 87A - Rebate to Resident Individual If total income does not exceeds Rs. 5 Lakh

Rs. 12500 or Income Tax Payable Whichever is less

2 Special Tax Rates (Sec 115 Series)

Nature of Income			Rate	TDS
Sec 115A				
Type of Income	**Payable to**	**From**		
A. Interest	NR / F. Company	Infrastructure Debt Fund [Sec 10(47)] (Asked in Nov 19 - New Syllabus)	@5%	194LB 5%
B. Interest on Loan	NR / F. Company	Indian Company / Business Trust - Foreign Currency Loan, RDB, LT Bond	@5%	194LC 5%
C. Interest on Investment	FII / QFI*	Investment made in RDB of Indian Company or Government Securities	@5%	194LD 5%
D. Interest on Unit	NR Unit holder	Business Trust (REIT / InVIT)	@5%	194LBA 5%
E. Interest on Foreign Currency Loan	NR / F. Company	Government or Indian Concern (Nov 18 Q7) (Other than A,B,C,D)	@20%	Sec 195
*FII - Foreign Institutional Investor, QFI - Qualified Foreign Investor, RDB- Rupee D. Bond				
Dividend --> received by NR / FC -->		Taxable @ 20%		
Income --> received by UTI / MF -->		Taxable @ 20%		
Royalty / Fee for technical service (FTS)				
a. If there is <u>no PE</u> in India --> Sec 115A			@10%	Sec 195
b. If there is PE in India --> Sec 44DA			Normal	
Sec 115AB -->	LTCG on units by Overseas Financial Institutions		@10%	Sec 196B
Sec 115AC, Acquired in foreign currency				
Interest	on Foreign Currency Convertible Bond (FCCB), GDR		@10%	Sec 196C
Long Term Cap Gain	on Foreign Currency Convertible Bond (FCCB), GDR		@10%	Sec 196C
Sec 115AD - C. Gain & Interest on Security of FII (Max Surcharge is 15% on CG)				
LTCG - Sale of Security by FIII			@10%	Sec 195
STCG - Sale of Security by FIII (111A)			@15%	Sec 195
STCG - Other (Preference share etc.)			@30%	Sec 195
Other Income i.e. Interest			@20%	194LD 5%
Sec 115BB- Winning from lotteries, puzzles, Horse races			@30%	194B, BB
Sec 115BBA - Non Resident Sportsman, Entertainer *Umpire, NR Commentator and Referee are not sport persons*			@20%	194E
Sec 115 BBC - Anonymous Donations			@30%	
Sec 115 BBD - Dividend from Specified Foreign Company Income of an Indian company by way of dividend declared, distributed or paid by specified foreign company (in which the Indian company holds 26 percent or more of equity share capital)			@15%	
Sec 115 BBDA - Dividend Income Aggregate dividend from a domestic companies in excess of Rs.10 Lacs [excluding deemed dividend u/s 2(22)(e)]			@10%	
Sec 115 BBE - Income referred to in sections 68, 69, 69A, 69B, 69C and 69D			@60%	
Sec 115 BBF - Tax on Income by way of royalty in respect of patent developed Developed means at least 75% of the expenses incurred in India			@10%	
Sec 115 BBG - Tax on Income from transfer of Carbon Credit No expenditure deduction			@10%	

Sec 115E - NRI LTCG on Investment in F. Exchange Asset (Exp less karna) Investment Income / LTCG Other	@10% @20%	Sec 195 Sec 195
Sec 115JB - Minimum Alternate Tax (MAT)	15% / 9%	
Sec 115JC - Alternate Minimum Tax (AMT)	@ 18.5%	

Sec 115F — Similar to Sec 54F, LTCG on F. Exchange asset will be exempt if net proceeds re-invested

44AD applies --> — Maintain books of account as per Sec 44A, Conduct u/s 44AB, Submit return u/s 139(1)

Particulars	Section 115BA	Section 115BAA	Section 115BAB
Applicability	Domestic Manufacturing Company	Any Domestic Company	Domestic Manufacturing Company
Rate of Tax	25%	22% (22+10+4) --> 25.168%	15% (15+10+4) --> 17.16%
Surcharge	7% / 12%	10%	10%
MAT	Applicable (15%)	Not Applicable	Not Applicable
LTCG & STCG		Rate mentioned in Chpt XII	Rate mentioned in Chpt XII
HP, IFOS		22% (22+10+4) --> 25.168%	22% (22+10+4) --> 25.168%
Condition 1	Company has been setup & registered on / after 01/03/16	No time limit specified	The Company should be setup and registered on or after 01.10.19
Condition 2	Company engaged in the business of manufacture / production of any article or things	Need not to be manufacturing company	It should commence manufacturing on or before the 31.03.2023.
Condition 3	Once the option exercised, company cannot opt out for life time but where the person exercises option u/s 115BAA, the option under this section may be withdrawn.	[Blank]	It does not use any P&M previously used for any purpose, exception: a. 20% of Total PM can be second-hand. b. Imported PM shall be treated as new only for this section
Condition 4	[Blank]	[Blank]	It should not be engaged in any business other than business of manufacturing or production of any article or things
Condition 5	[Blank]	[Blank]	It does not use any building previously used as a hotel or a convention centre.
Condition 6	[Blank]	[Blank]	It should not formed by splitting up or reconstruction of business already in existence
• **Common Condition** for Sec 115BA, Sec 115BAA and Sec 115BAB			
Conditions 7	Company should not have claimed benefit of section 10AA (SEZ), 32(1)(iia) addn Depn, 32AD,35(1) Sci. Research, 33AB, 33ABA, 35AD (Specified Busi), 35CCC, 35CCD and any dedn. in respect of Income u/c VI-A other than Sec 80JJAA and 80LA (IFSC)		
Conditions 8	Option has to be exercised up to due date of return filing of relevant PY		
Conditions 9	Company cant setoff any loss c/f from any earlier AY if such loss is attributed to any dedn referred above.		

3	Capital Gain
Sec 45	Levies a tax on capital gain arising out of transfer of capital asset

Sec 2(14) **Capital asset means**

1. Property of any kind held by assessee, whether or not with B/P
2. any securities held by FII which has invested as per SEBI regulations (even if held as Stock in trade)

But **does not include**

1. Any stock-in-trade
2. Personal effects i.e. movable property (including wearing apparel and furniture) held for personal use (jewellery, archaeological collections, drawings, paintings, sculptures or any work of art is capital asset)
3. Rural agricultural land in India i.e. agricultural land in India situated beyond

Population of Municipality or Cantonment Board	Distance from Local Limits
10,000 to 1,00,000	2 kms
1,00,000 to 10,00,000	6 kms
More than 10,00,000	8 kms

4. Deposit certificates issued under the Gold Monetisation Scheme, 2015

Sec 2(42A) **Period of Holding**

Particular	Long Term	Short Term
Listed Securities, ZCB, Unit of UTI	Held for > 1 year	Held for < 1 year
Unlisted Share, Immovable Property	Held for > 2 year	Held for < 2 year
Unlisted securities, Other capital asset	Held for > 3 year	Held for < 3 year

Exception of Section 45(1)

As per sec 45 (1) capital gain is chargeable to tax in the year of transfer but in the following 4 cases capital gain **not** taxable in the year of transfer

1. Conversion of Capital Asset in to stock in trade
2. Compensation on compulsory acquisition under any law
3. Insurance claims for Damage / Destruction of Capital Asset
4. Capital gain in case of Joint Development Agreement (JDA)

Sec 55 - Cost of Acquisition

Bonus Share	Allotted before 01.04.01 - FMV as on 1.4.2001	Allotted after 01.04.01 - NIL

Sec 112A *Higher of* a) Actual Cost & Lower of a. Fair Market Value of such asset
b. Sale value (FVOC)

Sec 47 - Certain Transaction not regarded as Transfer (Exempt Transfer)

1. Distribution of capital asset on the partial or total partition of HUF
2. Transfer of capital asset under gift, will, irrevocable trust
3. Transfer under amalgamation by amalgamating co to amalgamated co. provided amalgamated co. is Indian co.
4. Transfer of capital asset by holding co. to its subsidiary co. (Holds 100% Share)
5. Transfer of capital asset by subsidiary co. to its holding co. (Holds 100% Share)

Transferee Co - Indian company, Lock-8 years

Reverse Mortgage Sec 47(xvi) - No Transfer, No CG Sec 10(43) - Senior Citizen, It will be exempt

• Condition in case of Conversion

Particular	Sole Proprietor to Company	Partnership Firm to Company	Company to LLP
Section	47(xiv)	47(xiii)	47(xiiib)
1. Asset & Liabilities	All asset & liabilities of the xxx becomes the assets & liabilities yyy		
2. Consideration	No consideration/benefit other than share in profit and capital contribution		
3. Lock in Period	Hold not less than 50% of the total voting power for a period of 5 year		
4. Position		Immediately shareholder / partner in LLP / Company	

Additional Condition in case of **Company to LLP**

a) **Total sales, turnover or gross receipts** in the business of the company in any of the **3 years preceding the year of conversion does not exceed ₹60 Lakhs.**
b) **Total value of the assets** as appearing in the books of account of company in any of the **3 previous years preceding the year of conversion takes place does not exceed Rs. 5 crores.**
c) **No amount is paid, either directly or indirectly,** to any partner out of **balance of accumulated profit** standing in the accounts of the company on the date of conversion **for a period of 3 years** from the date of conversion.

Sec 55A **Ref to Valuation Officer**
- FMV of asset exceeds value of asset as claimed by assesse is more than 15% of the value of the asset or
- by more than 25,000, Whichever is lower

• Certain Deduction

Section	Type of CG	New Asset (Invest)	Condition
Sec 54 - I/HUF	LTCG from Res. HP	Only 1 Res. HP IF LTCG <2cr - 2HP	Purchase -1 year +2year, Const +3
Sec 54F - I/HUF	LTCG- any C. Asset (No Res. HP LTCG)	Only 1 Res. HP Lock 3 years	Purchase -1 year +2year, Const +3
Sec 54B - I/HUF	Trf Urban Agri. Land	U/R Agri Land	Buy U/R Agri land within 2 years
Sec 54D - Anybody	Comp Acq - L/ Bldg.	Land / Building	Buy land/bldg. within 3 years
Sec 54EC - Anybody	LTCG Land / Building / Both	NHAI/ RECL / PFCL / IRFCL Bonds Lock 5 Years	Within 6 month, Maximum exemption is 50 lakh
Sec 54EE - Anybody	LTCG from any Capital Asset	Units of Funds	Within 6 month, maximum 50 lakh
Sec 54G - Anybody	Urban to rural Shift	PM/ Bldg. / Land	-1 / +3 saal me invest karo
Sec 54GA - Anybody	Urban to SEZ Shift	PM/ Bldg. / Land	Invest within 3 years
Sec 54GB - I/HUF	LTCG from transfer of Res property	Incorporation of Company (start-up)	>25% share, T<25 cr, IMBC cert. Purchase asset within 1 year, L-5yr

ROI filed after the due date of Sec. 139(1) --> Can we claim benfit of Sec 54 series --> Yes

Tax rates for Capital Gain

Type	Particular	Rate
Short Term	Listed Eq. Share, if STT Paid (Sec 111A)	15%
Short Term	Other STCG	Normal Tax Rate
Long Term	Sec 112A, Income > 1 Lakh	10% without indexation, No VI-A, No 87A
Long Term	Unlisted Share	20% with Indexation benefit
Long Term	Listed Share (other than unit)	10% without indexation/ 20% with indexation ↓
Long Term	Other LTCG	20%

4 Income from Other Sources

Scheme of taxability of Gifts [Section 56(2)(x)]

Money	Movable Property	Immovable property
The whole amount, if the aggregate value exceeds Rs. 50,000	**(i) <u>Received without consideration:</u>** The aggregate fair market value of the property, if it exceeds Rs. 50,000. **(ii) <u>Recd for inadequate consideration:</u>** The diff. between the aggregate FMV & consideration, if such diff. exceeds Rs. 50,000.	**(i) <u>Received without consideration:</u>** SDV of the property, if it exceeds Rs. 50,000 **(ii) <u>Received for inadequate consideration:</u>** The difference between SDV & consideration, if such difference is more than the higher of Rs. 50,000 and 105% of consideration.

56(2)(x) - Includes

Immovable Property	Movable Property [SAB DJ ke PAS aao]		
Land	Shares n Securities	Drawing	Painting
Building or	Any work of Art	Jewellery	Archaeological colln
Both	Bullion		Sculpture

Non-applicability of Section 56(2)(x)

(i) from any **relative**; or

(ii) on the **occasion of the marriage** of the individual; or

(iii) **under a will** or by way of inheritance;

(iv) in contemplation of death of the payer/ donor, as the case may be;

(v) from any local authority as defined in the Explanation to section 10(20); or

(vi) from any fund or foundation or university or other **educational institution or hospital** or other medical institution or any trust or institution referred to in section 10(23C); or

(vii) from or by any trust or **institution registered under section 12A** or section 12AA; or

(viii) by any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in Section 10(23C)(iv)/(v)/(vi)/(via).

(ix) by way of transaction not regarded as transfer under section 47(i)/ (iv)/ (v)/ (vi)/ (via)/ (viaa)/ (vib)/ (vic)/ (vica)/ (vicb)/ (vid)/ (vii).

(x) from an individual by a trust created or **established solely for the benefit of relative of the individual.**

Meaning of Relatives

Individual Assessee	Spouse
Lineal Ascendant & Spouse	Lineal Ascendant & Spouse
Mother & Father <u>(Bro+Spouse, Sis+Spouse)</u>	Mother and Father Only
Brother + Spouse, Sister + Spouse	Brother + Spouse, Sister + Spouse
Lineal Descendant & Spouse	Lineal Descendant & Spouse

• Dividend and Bonus Stripping

Type	Applies to	Condition
Dividend Stripping **Sec 94(7)**	**Security & Unit**	**Buy security / Unit 3 months** prior to record date **Sells Security - 3 month** / **Unit 9 month** after record date
Bonus Stripping **Sec 94(8)**	**Unit only**	**Buy Unit 3 months** prior to record date **Sells Unit 9 month** after record date

Sec 115BBD - Dividend received by Indian company from Foreign company Rate ---> 15% + Sur + 4%

Meaning --> Foreign company in which Indian co. holds **26% or more in nominal value of equity share capital**

No other expenses allowed against dividend, means gross dividend is taxable

Sec 115-O(1A) - Reduction in DDT

Dividend received by the domestic company during the financial year if such dividend is received from **its subsidiary** and

a) where such **subsidiary** is a **domestic company**, the **subsidiary has paid the tax** which is payable under this section on such dividend or

b) where such **subsidiary** is a **foreign company**, the **tax is payable by the domestic company** u/s **115BBD** on such dividend

A company shall be a subsidiary of another company, if such other company, **holds more than half in nominal value of the equity share capital** of the company.

Sec 115-O - Dividend Taxation

Particular	2(22)a to d	2(22)e
Company -->	115-O, **15% +12+4** <u>*Gross up*</u>	115-O, **30% + 12+4** <u>*No gross up*</u>
Share holders -->	Sec 115BBDA, up to 10 lac exempt, then taxable @ 10%	Exempt u/s 10(34)
Applicable to	--> All companies	--> Closely held company
Amount of Dividend	--> To the extent of accumulated profit (Capitalised or not)	--> To the extent of accumulated profit

• Deemed Dividend

2(22)a	Any distribution of Asset by Company to its Shareholders	(To the extent of accumulated profit, capitalised or not)
2(22)b	Pref. shareholder ko Bonus, Kisi bhi shareholders ko Debn diya	
2(22)c	Closedown ho gaya (Asset distribution in case of Liquidation)	
2(22)d	Decrease in capital	
2(22)e	Loans and advance by closely held company (to the extent accumulated profit)	

Sec 115BBDA - Tax on dividend recd by specified resident assessee in aggregate exceeding Rs. 10 Lakh

Aggregate Dividend > 10 Lak, Taxable 10%, No expenditure allowed

Not applies to	Domestic Company	Trust 12AA	Institute 10(23C)	NR

Sec 115QA - Buy back shares

<u>*No Gross up*</u>

Pay tax within 14 days

In the hand of	Shares of Domestic Company (Listed - from 05.07.19 / Unlisted)	Shares or Specified Securities (Other than Domestic Company)
Company	Tax @ **20%+12%+4%**	No Tax Treatement
Shareholders	Exempt u/s 10(34A)	CG u/s 46A

Sec 115R - Income distributed by UTI/MF

<u>*Gross up karna*</u>

Fund Type	To	Rate	Surcharge
a. Infrastructure Debt fund	To NR / FC	5%	12+4
b. Equity Oriented Mutual Fund	Any Person	10%	12+4
c. Money Market Mutual Fund	Ind + HUF	25%	12+4
	Any Person	30%	12+4

Sec 115R not apply in respect on any amount of income distributed by 'Specified Mutual Fund'.

Income received by unit holder from UTI / MF shall be **exempt u/s 10(35).** Capital gain **shall not be exempt**

Interest Income from Share application money is taxable under the 'IFOS' or can the same be set-off against public issue expenses ? --> Set off against Public issue expenses, Not an IFOS

Case - SC CIT vs Sree Rama Multi Tech Pvt Ltd

ESOP - (Date of exercise lena)

- Company listed on recognised stock exchange	FMV shall be avg of Op + Closing of share on that date on said stock exchange
- Company listed on more than one stock exchange	Higher volume of trading in the share

5	PGBP

Computation of Income from Business or Profession (Sec 29)

Profit Before Deductions		xxx
Less : Admissible deductions (Sec 30 to 37)	xxx	
Add : Inadmissible deductions (Sec 40)	xxx	
Add : Expenses or payment not deductible in certain circumstances (Sec 40A)	xxx	
Profit Chargeable to Tax		xxx

Sec 32 - Depreciation

On Motor vehicle used in business of running them on hire.	On other Motor vehicles
Rate - 30% but if Acquired & Put to use between 23.08.19 to 31.03.20 - 45%	Rate - 15% but if Acq & Put to use between 23.08.19 to 31.03.20 - 30%

EPABX & Mobile Phones are not computers, hence depreciation @ 40% is NOT allowed

Sec 33AB - Tea/Coffee/Rubber Development Account Deduction - Amt deposited or 40% ↓, Lock 8 yrs

Withdrawal Condition : Utilisation for following purpose will be taxable

a. Any PM installed in any office premises or residential accommodation including guest house

b. Any office appliances (other than computer)

c. 100% Dep allowable aise assets

Sec 33ABA - Deduction for petroleum & N. Gas business Deduction - Amt deposited or 20% ↓, Lock 8 yrs

Sec 35 Expenditure on Scientific Research

• Expenditure on research carried by the assessee

Section 35(1)(i)	Pre commencement - Revenue Exp	100%	Material & Salary only	Max 3 years
Section 35(1)(iv)	Pre commencement - Capital Exp	100%	Not on land	Max 3 years
Section 35(2AB)	In-house research activity - Revenue	150%		
	In-house research activity - Rev & Cap	100%	not on land	

• Contribution to Outsiders

Section 35(1)(iia)	Domestic Company	for Scientific research	100%
Section 35(1)(ii)	To University, College, Research Asson.	for Scientific research	150%
Section 35(1)(iii)	To University, College, Research Asson.	for Social science research	100%
Section 35(2AA)	National Laboratory, IIT	for Scientific research	150%

Section	Sec 35CCC	Sec 35CCD
Project	Expenditure on agriculture extension project	Expenditure on skill development project
Applicable to	All assessee	Company only
Deduction	150% (100% from AY 21-22)	150% (100% from AY 21-22)
Not applies to	Land and Building expenses	Land and Building expenses

Sec 35D **Amortisation of Preliminary Expenses** **Allowed in 5 instalments**

Indian Company	Other Resident	
Actual Preliminary Expenses or	Actual Preliminary Expenses or	COP - Cost of Project
5 % of COP / CE [Whichever is higher]	5 % of Cost of Project	CE - Capital Employed
Whichever is lower	**Whichever is lower**	

Capital employed = Issued Share capital + Debenture + Long term borrowing on 31st March of commencement

Sec 35AD **Specified Business (14 business)**

Deduction allowed on all capital expenses except --> Land Goodwill Financial Instruments

Depreciation not allowed if deduction claimed u/s 35AD

If deduction u/s 35AD is claimed then deduction u/s 80IA to 80RRB & 10AA (SEZ) shall not be allowed

Lock in period for asset used in specified business - 8 years

Sec 36(1)(viia) **Provision for bad and doubtful debts in relation to bank**

Indian Bank — **8.5% of Total Income** computed under this section and before chpt VI-A
+ **10%** of Average aggregate **advance made by rural branches**

F. Bank, PFI, NBFC — **5%** of the total income computed before making any dedn. Under this clause & Chpt VI-A

Illustration:

(i) Provision for bad and doubtful debts under section 36(1)(viia) up to A.Y.2019-20	100 Lakh	
(ii) Gross Total Income of A.Y.2020-21 [before deduction under section 36(1)(viia)	800 Lakh	[8.5%]
(iii) Aggregate average advances made by rural branches of the bank	300 Lakh	[10%]
(iv) Bad debts written off (for the first time) in the books of account (in respect of urban advances only) during the previous year 2019-20	210 Lakh	

Solution :

Bad debts w/off (for the first time) in the books of account				210 Lakh
Less : Credit Balance in the Provision for bad and doubtful debt u/s 36(1)(viia)				
(i) Provision for bad and doubtful debts under section 36(1)(viia) up to A.Y.2019-20			100 Lakh	
(ii) Current year provision	800 Lakh x 8.5%	+ 300 Lakh x 10%	98 Lakh	198 Lakh
Deduction u/s 36(1)(viia)				12 Lakh

Sec 36(1)(viii) **Special deduction to Specified Entities engaged in eligible business**

a. Actual amount transferred to special reserve
b. 20% of the profit derived from eligible business computed under the head 'PGBP'
c. [200% of paid up share capital and general reserve] - Opening balance in special reserve.

Whichever is lower

Sec 36(1)(xviii) **Marked to Market Losses or other expected losses**

AS per ICDS — Allowed | Other — Not Allowed

Bonus, Buyback share issue expenses	Revenue expenditure	Case. General Insurance Corp
Right share issue expenses	Capital expenditure	Case. Brooke Bond India Ltd.

Category	Tax	Interest	Penalty
Direct Tax	Not allowed	Not allowed	Not allowed
Indirect Tax	Allowed (Subject to 43B)		Not allowed

Disallowance of expenditure (Non-deduction / Non-payment of tax)

Sec 40(a)(i)	Payment made to Non resident	100% disallowance
Sec 40(a)(ia)	Payment made to Resident	30% disallowance
Sec 40(a)(ib)	Equalisation Levy	100% disallowance
Sec 40(a)(iii)	TDS on Salary payable to outside India or NR	100% disallowance
40A(2)	Excess expenses (paid to specified persons)	
40A(3)	Cash expenditure / Payment in excess of Rs. 10,000	

Sec 43CB - Income from construction and service contract

Method	Condition
Project Completion Method	If the duration of the contract is not more than 90 days
Straight Line Method	If the contract involves interminate no. of acts over a specific period of time

Rule 7

Rule	Nature	Business Income	Agriculture
7A	Rubber	35%	65%
7B	Coffee	25%	75%
	Coffee	40%	60%
7C	Tea	40%	60%

Sec 44AB - Audit of Accounts of certain persons carrying on business or profession

Applicable to	For business:	Total sales, turnover or gross receipts in business exceed or exceeds ₹ 1 crores
	Profession:	Gross receipts exceed ₹ 50 Lakhs
	Lower profit :	Declared u/s 44AE / 44BB / 44BBB / 44ADA / 44AD(4)
Penalty	u/s 271B :	0.5% of the total sales, turnover or gross receipts in such previous year/s or ₹1,50,000/- whichever is less

Presumptive Schemes

Sec 44ADA		
Applicable to	Any R. assessee :	Who is engaged in specified professions as per section 44AA. Total gross receipts do not exceed ₹ 50 lakhs in a previous year
Income will be	50% of the	Total gross receipts or sum higher claimed to have been earned
Sec 44AD		
Applicable to :	An individual or HUF or a partnership firm, who is a resident, but not a LLP	
Should not :	Claimed deduction u/s 10AA, Carrying business u/s 44AE, Turnover should exceeds 2 Cr	
Income will be:	8% / 6% (ECS) of the total turnover or gross receipts or a sum higher amount	
Sec 44AE		
Applicable to :	Any assessee in the business of plying, hiring, leasing goods carriages owning not more than 10 goods vehicles any time during the year	
Heavy G. vehicle ?	means any goods carriage, thegross vehicle weight of which exceeds 12000 kilograms	
Income will be:	Heavy G. vehicles	Rs. 1000 per ton of gross weight per month
	Other vehicles	Rs. 7500 pm or part of the month
Sec 44B - Shipping Business (NR)		Income - 7.5% of Total freight +demurrage + handling charges
Sec 44BB - Exploitation of m.oil (NR)		Income - 10% of Service charges received
Sec 44BBA - Aircraft Business (NR)		Income - 5% of Total freight
		Note : 28 to 43A not applicable in above section

Sec 44A	Maintain books of Accounts	Penalty u/s 271A	Rs. 25,000

Sec 44C **Taxation of Branches of Foreign Company - Head Office Expenses**

5% of Adjusted Total Income (ATI)		or	Actual expenses	Whichever is lower
ATI means :-	Total Income before giving effect to:			
	B/f Depreciation	B/f Losses	Deduction under chapter VI-A	

If ATI is loss, then last 3 average ATI shall be considered.

Proforma for computation of income under the head "Profits and gains from business or profession"

Particular	Rs.
Net profit as per statement of profit and loss	xxx
Add: Expenses debited to statement of profit and loss but not allowable	
• Depreciation as per books of accounts	xxx
• Income-tax [disallowed **u/s 40(a)(ii)**]	xxx
• **30% of sum payable** to residents on which tax is not deducted at source or after deduction has not been remitted on or before the due date **u/s 139(1)**, would be disallowed **u/s 40(a)(ia)** [The same is allowable in the year in which the tax is deducted and remitted]	xxx
• Any expenditure incurred, in respect of which payment is made for goods, services or facilities to a **related person**, to the extent the same is **excessive or unreasonable**, in the opinion of the A.O, having regard to its FMV [disallowed **u/s 40A(2)**]	xxx
• Any expenditure incurred in respect of which payment or aggregate of payments to a person **exceeding Rs 10,000** in a single day is made **otherwise than by way of A/c payee cheque/bank draft or use of ECS through bank A/c** [disallowed u/s 40A(3)]	xxx
• Certain sums payable by the assessee which have **not been paid** during the relevant P.Y. in which the liability was incurred or on or before the due date for filing return u/s 139(1) in respect of that P.Y. [disallowed **u/s 43B**]	xxx
• **Personal expenses/ capital expenditure** [not allowable as per section 37]	xxx
• **Repairs of capital nature** [not allowable as per sections 30 & 31]	xxx
• Amortisation of preliminary expenditure **u/s 35D**/ expenditure incurred under voluntary retirement scheme **u/s 35DDA** [4/5th of such expenditure to be added back]	xxx
• **Fine or penalty** paid for infringement or breach of law [However, penalty in the nature of damages for delay in completion of a contract, being compensatory in nature, is allowable]	xxx
• All expenses related to income which is not taxable under this head e.g. municipal taxes in respect of house property	xxx
• Any sum paid by the assessee as an employer by way of **contribution to pension scheme u/s 80CCD** exceeding 10% of the salary of the employee	xxx
	xxx
Less: Expenditure allowable as deduction but not debited to statement of profit and loss	
• **Depreciation** u/s 32 computed as per Rule 5 of Income-tax Rules, 1962	(xxx)
• **Additional depreciation @ 20%** of actual cost of new P & M acquired by an assessee engaged in the business of manufacture or production of any article or thing or generation, transmission or distribution of power (10% of actual cost, if put to use for less than 180 days in the year of acquisition) / **35%** of actual cost (17.5% if put to use for less than 180 days in the year of acquisition), if the manufacturing undertaking is set up in a notified backward area in the State of **A.P./Bihar/Telangana/West Bengal** on or after 1.4.2015 [Balance additional depreciation can be claimed in the next year]	(xxx)
• Deduction**@15%** of actual cost of new P&M **u/s 32AD** in case of a manufacturing undertaking/ enterprise set up in a notified backward area in the State of **A.P./Bihar/ Telangana/West Bengal** on or after 1.4.2015	(xxx)
• Weighted deduction for expenditure on/contribution for research **u/s 35(1)(ii), 35(2AA), 35(2AB)** in excess of the amount already debited to statement of profit & loss	(xxx)
• **Investment-linked tax deduction** in respect of specified businesses **u/s 35AD**	(xxx)
	xxx
Less: Income credited in statement of P & L but not taxable/ taxable under any other head	
• **Dividend income** exempt **u/s 10(34)**/ taxable **u/s 115BBDA**	(xxx)
• **Agricultural income** exempt **u/s 10(1)**	(xxx)
• **Interest on securities/savings bank account**/ FD taxable under the head "IFOS"	(xxx)
• **Profit on sale of capital asset** taxable under the head "Capital Gains"	(xxx)
• **Rent from house property** taxable under the head "Income from house property"	(xxx)
• **Winnings from lotteries, horse races, games** etc., taxable under the head "IFOS"	(xxx)
• **Gifts** exempt or taxable under the head "Income from other sources"	(xxx)
• **Income-tax refund** not taxable	(xxx)
• **Interest on income-tax refund** taxable under the head "Income from other sources"	(xxx)
	xxx
Add: Deemed Income	
• **Bad debt** allowed as deduction **u/s 36(1)(vii)** in an earlier PY, now **recovered** [deemed as income **u/s 41(4)**]	xxx
• Remission or cessation of a trading liability [deemed as income **u/s 41(1)**]	xxx
	xxx
Net Profit Taxable	xxx

6 ICDS

Applicability : ICDS are applicable to all taxpayers except Ind/HUF who are not liable to tax audit.
All notified ICDS are applicable for computation of income chargeable under the head "PGBP" or "IFOS" and **not** for the purpose of maintenance of books of account.

Conflict btwn ICDS and Income Tax - IT shall prevail
Conflict btwn ICDS and Case Laws - ICDS shall prevail

ICDS	AS	Name
I	1	Accounting Policies
II	2	Valuation of Inventories
III	7	Construction Contracts
IV	9	Revenue Recognition
V	10	Tangible Fixed Asset
VI	11	Foreign Exchange
VII	12	Government Grant
VIII	13	Securities
IX	16	Borrowing cost
X	29	Cont. Liabilities and Asset

Security Stock in Trade	Security Not listed / Listed but not quoted	Security PFI, Sch Bank
Cost / NRV ↓	Actual Cost	RBI Guidelines

Comparison categories wise karna

Contract amt = Revenue agreed + retention + variations + claims + incentive
Contact cost shall not reduced by incidental income like interest, dividend
ICDS IV is not applicable on recogn of lottery receipt

Particular	ICDS	AS 7
a. Recognition of Expected losses	Not permit	Permit
b. Revenue kam kiya due to penalty	Not permit	Permit
c. Consider retention	Yes	No

Service contract;
Duration not more than 90 days shall be determined on the basis of Project completion method

Foreign currency exchange;

Monetary Item	Cash, Debtors, etc.	Closing Date 31.03	Diff recogn karo
Non-Monetary Item	FA,Stock, Equity	Transaction Date	Mat karo

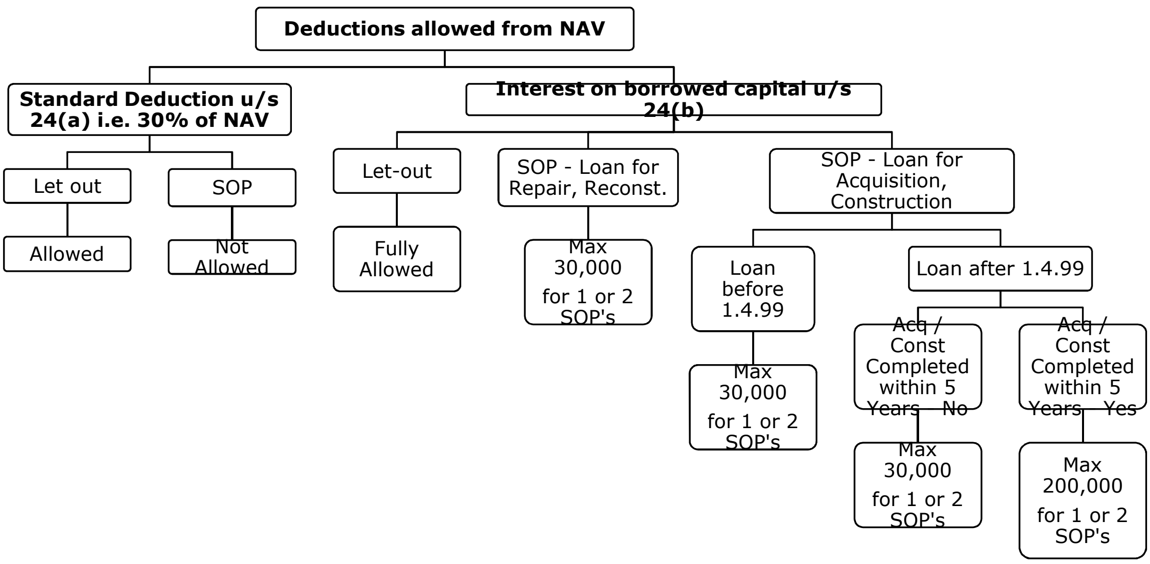
7	Income from House Property

Municipal Value / Fair Rent ↑		xxx
Standard Rent		xxx
Lower is Expected Rent		xxx
Actual		xxx
Higher = GAV (Sec 23)		**xxx**
Mu. Tax		xxx
NAV		xxx
Dedn 30% u/s 24(a)	xxx	
Interest u/s 24(b)	xxx	
Income from HP		xxx

Note : 1. Let out property vacant hai - Vacancy hai toh Actual Rent lena

2. Let out- Vacant--SOP - ER or AR ka higher

Jis sal me construction complete hua us saal me hum pura interest benefit lenge na ki 1/5 wala



Property held as stock in trade:

a. If Vacant then for year of completion + 2 more years --> Annual value not taxable.

b. If Let out then from 1st day its taxable

• Interest on housing loan (Deduction benefit) - Master chart

Section -->	24b	80C	80EE	80EEA
Deduction for	Interest on Loan	Principal Repayment	Interest on Loan	Interest on Loan
Type of House	RHP, CHP	RHP	RHP-SOP	RHP
Person to whom ded^n is available	Every assessee	Individual or HUF	Individual	Individual
Loan from	Any person	Bank, FI, NHB, LIC from certain employers	Banks / FI	Banks / FI
Due or paid basis	Due basis	Paid basis	Paid basis	Paid basis
Deduction from where	Available from House Property	Available from GTI	Available from GTI	Available from GTI
Conditions			• Amt. of loan ≤ 35 lacs • Value of HP ≤ 50 lacs • Loan must be sanctioned in 2016-17 • Not own any RHP on date of loan sanction	• SDV of HP ≤ 45 lacs • Loan must be sanctioned in 2019-20 • Not own any RHP on date of loan sanction.
Maximum Limit	Letout - No Limit SOP - 30K / 2 Lakh	1,50,000	50,000	1,50,000

8 TDS, TDS and Advance Tax

Column 1	Column 2
192A - PF Accumulated Balance Rate : 10% --> No PAN then MMR	Service < 5 Years, Amt exceeds 50000 = TDS is applicable Service > 5 Years = No TDS
Interest related	
193 - Interest on Securities	Rate : 10%
194A - Int other than Int on Securities	Rate : 10% Limit for Senior Citizen: Bank-50K, Other 5K Limit for Others: Bank-40K, Other 5K
Special Income Related	
194B - Lottery, Puzzles	Rate : 30% Limit : Rs. 10,000
194BB - Horse Race	Rate : 30% Limit : Rs. 10,000
Commission related	
194D - Insurance Commission	Rate : 5% Limit : Rs. 15,000
194H - Commission / Brokerage	Rate : 5% Limit : Rs. 15,000
194G - Lottery Sale Commission	Rate : 5% Limit : Rs. 15,000
194DA - Maturity proceed of LIP	
Before 01.09.2019	On Maturity Sum — Rate 1%
After 01.09.2019	on Income Component (Maturity Less Premium paid) — Rate 5%
No TDS if :	1. If Amount less than Rs. 100,000 and 2. If Amount exempt us 10(10D) -- > < 01.04.12: 20% ; > 01.04.12: 10% ; > 01.04.13 (Disabled): 15% 3. If sum is received on the occasion of death of the insured person.
Immovable Property related	
194-IB TDS on rent of Immovable Property Rate : 5% / No PAN : 20% Note - Deduction not to exceed rent for last month	Deductee : Ind+HUF who are not liable to audit No TDS if rent doesn't exceed Rs 50,000 pm <u>Tax shall be deducted at earliest of -</u> a) time of credit of rent for March of the previous year or b) last month of tenancy, if the property is vacated during the year or c) at the time of payment
194LA - Compulsory Acquisition of Immovable Property Rate : 10% of sale price	1. No TDS if amt up to 250,000 2. No TDS on Rural or Urban Agri Land
194IA - Sale of Immovable Property Rate : 1% of sale price	1. No TDS on Rural Agri Land 2. No TDS if consideration less than 50 Lakh (50 lakh exact TDS yes) 3. Term "consideration for immovable property" shall include all charges of the nature of club membership fee, car parking fee, electricity & water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.
Sec 194M - Payment to Contractor / Commission / Brokerage / Professional Fees - <u>w.e.f 1.9.19</u> Rate : 5%	Payer : Individual / HUF (Jo audit me nahi hai means other than 194C, 194H, 194J) Payee : Any resident person Condition : Aggregate amount paid in the year is more than 50 lakh (Up to 50 lakh no TDS)
Sec 194N - Cash withdrawal exceeding 1 Crore from <u>w.e.f 1.9.19</u> Rate : 2%	Payer : Bank / Co-op Bank / Post office Payee : Any Person Condition : In excess of 1 crore pe 2% se TDS cut hoga.
Sec 194C - Payments to contractors Rate - 1% - Individual / HUF Rate - 2% - Others	Condition : 1. if such sum does not exceed ₹30,000/- and 2. the aggregate amount during FY doesn't exceeds ₹1,00,000/-

Sec 194I - Rent	Condition :
Rate - 2% - P & M 10% - Building	1. if such sum does not exceed ₹240,000/-
Sec 194J - Professional Fees	Condition :
Rate - 10%	1. if such sum does not exceed ₹30,000/-
Rate - 2% (Operation of call centre)	

Landing & Parking charges payable by Airlines CIT v/s Japan Airlines Co. Ltd ~~194I~~ 194C

Service includes --> a. Air Traffic Services b. Meteorological Services

c. Installation & Maintenance of Navigation Aids d. Ground Safety Services

e. Aeronautical Communication Facilities

Due date for filling return :

Qtr.	Q1	Q2	Q3	Q4
TDS	31 July	31 Oct	31 Jan	31 May
TCS	15 July	15 Oct	15 Jan	15 May

Due date for Payment

Particular	Due date	Particular	Due date
Apr to Feb	7th of next month	March	30th April

Consequent of Non payment of TDS

a. Interest u/ 201 b. Penalty u/s 271C c. Disallowance of Expenditure

AO Issued Demand Notice for 15 Lakh, Later on following decision made	Can Fresh order required ? ↓
1. CIT(A) issue order u/s 250, tax demand is payable Rs. 12 Lakh	--> No Fresh Notice just give an intimation of the fact
2. ITAT issue order u/s 254, tax demand is payable Rs. 20 Lakh	--> Fresh notice for only 5 Lakhs

TCS	Rate
1%	Alcoholic Liq for Human, Waste, Scrap, Coal, Iron, Motor car (10 lakh limit)
2%	Toll Plaza, Parking Lot
2.5%	Timber / Other forest products
5%	Tendu Leaves

PAN nahi diya toh, Twice or 5% which ever is higher se collect karna

TCS - Seller will collect TCS from Buyer

Advance Tax **Caln on Lowest 100**

Advance tax shall be payable during a FY in every case where the amount of such tax payable by the assessee during that year is ₹10,000/- or more. [Sec 208]

Provisions of advance tax do not apply to :

a) an individual resident in India

b) who does not have any income chargeable under the head 'Profits and gains of business or profession'

c) is of the age of sixty years or more at any time during the previous year

Section 211 **Instalment of Advance Tax**

Instalments	15th June	15th Sept	15th Dec	15th Mar
%	15%	45%	75%	100%

Sec 234A	Sec 234B	Sec 234C
Interest for default in filing of return	Interest for default in payment of 90% advance tax	Advance Tax not paid as a 12%, 36%, 75% and 100% Qtrly
From ? - Due date to Return filing date	from 01.04 till payment date	3,3,3 and 1m respectively
Rate @ 1% pm	Rate @ 1% pm	Rate @ 1% pm

9	Taxation of Trust

Sec 115BBC - 30% Tax on Anonymous Donation **Deduction - 5% of total donation or 1 lac ↑**

Sec 11(1A) - Calculation of Capital Gain

Step 1	Calculate LTCG / STCG
Step 2	Amount deemed to have invested (Cost of New asset - Cost of Old Asset)
Step 3	Taxable Capital Gain (1-2)

Sec 11(2) - Exemption if Income accumulated for specific purpose.

Where **85% of Income is not applied** during the PY but accumulated or set apart **then such set-apart income is not included in income** if following conditions are satisfied;

1. Assessee should furnish statement to AO stating d purpose & period for income is accumulated (Max 5 years)
2. Such money should be **deposited in Sec 11(5) modes**
3. Such money should **not be donated to any other trust.**

Sec 11(5) - Trust kaha pe Invest kar sakta hai ?

1. Shares of Public Sector company 2. Shares of depository 3. Units of Mutual fund

Sec 11(7) - Exemption of section 10 is not available

Trust cannot claim any exemption under any provision of Section 10 [other than 10(1) and 10(23C)]

Sec 12A - Condition for applicability of Sec 11&12

Exemption u/s 11& 12 available if;

a. Trust should be registered u/s 12AA. Exemption available from PY in which application made.

b. If total income (before claim exemption) is > Basic exemption limit then audit report furnish karo with return

Sec 12AA - Registration Procedure

Registration grant period limit : Every order shall be passed by registering authority <u>before d expiry of 6 months from the end of the month</u> in which application was received.

Sec 13(1) - Income shall be taxable at MMR (30+37+4) i.e. benefit of 11/12 not available

a. Income for benefit of **particular religious community**

b. Income for **private religious purpose**

c. **Funds not invested** in Sec 11(5) securities / deposits.

d. Income for the benefit of **specified persons**

Sec 13(3) - Specified person 7 log

1. **Author / Founder** of trust
2. Person who made **donation of > Rs. 50000**
3. Where founder / donor is HUF, **member of HUF**
4. **Trustee / manager** of trust
5. **Relative** of any founder, donor, member, trustee, manager
6. Any Concern in which **above person's who has substantial interest**

139(4A) me return file karna hoga, mandatory

Corpus donation received shall not be considered as Income also If any **donation is given to other trust** registered u/s 12AA **as a corpus donation shall not be treated as application**

Sec 115TD - Tax on accreted Income - MMR 34.944% (30+12+4) [Exit Tax]

MMR 42.744% (30+37+4) hai baki jagah

a. **Conversion of trust** / institution into **a form not eligible for registration u/s 12AA**

b. **Merger into an entity not having similar objects** and registered u/s 12AA

c. **Non-distribution of assets** on **dissolution** to any other trust / institution reg u/s 12AA, 10(23C) within **12 months from the end of the month** in which dissolution takes place

Aggregate FMV (see Rule 17CB) of Total Asset	xxx
Less - Total Liabilities of Trust	(xxx)
Accreted Income	xxx

Following assets and liabilities in respect of that **assets shall not be considered in accreted income.**

a. Asset acquired out of **agriculture Income.**

b. Asset acquired **before registration**

Conversion / Cancellation / Merger	Event date	14 din me liability pay karna hoga
Object chng - Not applied	End of the previous year	
Object chng - Applied but rejected	253 ITAT	

Method of Valuation for the purpose of Sec 115TD

The aggregate FMV of Total Asset shall be reduced by 1) TDS, TCS, Advance Tax and 2) Deferred Expenditure

Quoted Shares	--> Avg of lowest and highest price of such shares and securities
Immovable Property	--> Higher of Open Market Value or Stamp Duty

Total Liability does not include :	a. Capital Fund, Corpus Fund	b. Reserve and Surplus
	c. Contingent Liability	d. Income Tax Liability, TDS, TCS liability

10 Taxation of Firm

Tax Rate 30% Surcharge - 12% if income exceeds 1 crore

Current year and unabsorbed depreciation less karna book profit se

Imp--> B/f losses will not be deducted

Interest - 12% p.a. simple interest

Salary Paid to		
- Resident Partner	No TDS req	
- NR Partner	TDS Required	

In the hands of partner;		
Profit from Firm	Exempt us 10(2A)	
Interest	Taxable - PGBP	*(to the extent of allowed in firm) (Allowed to Sleeping and Working Partner)*
Salary / Remun.	Taxable - PGBP	*(Allowed to Working Partner only)*

Sec 185 If firm fails to comply sec 184, No deduction allowed (Int, Salary remuneration)

Sec 44AD (6% or 8%) is not applicable to LLP

Partner as	Individual capacity	Representative capacity	Individual capacity
Receiving Interest as	Individual capacity	Individual capacity	Representative capacity
Then	Limit of Sec 40(b) i.e. **12% Interest limit is applicable**	Limit of Sec 40(b) i.e. 12% Interest limit is **not** applicable	Limit of Sec 40(b) i.e. 12% Interest limit is **not** applicable

11 Taxation of Political Parties and Electoral Trust

Certain income of political party shall be exempted if following conditions are satisfied;

a. Maintain Books of A/c & documents

b. P. Party must get its books of accounts audited

c. Keep & maintain record of each voluntary contribution / donation > 20,000

d. Donation > 2000 should be recd through only by a/c payee chq/dd or ECS or electoral bond

e. Submission of report u/s 29C(3) of the Representation of the People Act 1951 for the Financial Year.

13B - Electrical Trust 2 Condition:

1. **At least 95% or more aggregate donation** of the current year along with surplus B/f from the earlier year is **distributed to political party** referred u/s 29A of Representative of the People Act 1951
2. **Function** in accordance with the **rules made by Central government.**

• The electoral trust may receive voluntary contribution from

a. An individual who is a citizen of India

b. A company which is registered in India

c. A firm / HUF or an AOP/BOI resident in India

• The electoral trust shall not accept contribution-

a. From an Individual who is not a citizen of India or from any foreign entity whether incorporated or not.

b. From any electoral trust

c. From a government company as defined in sec 2(45) of the companies act

d. From a foreign source as defined in section 2(j) of the Foreign Contribution (Regulation) Act, 2010

12 Taxation of Business Trust

• Business Trust (REIT / InvIT)

MMR - 42.744% (30+37+4)

Income recd	to Business Trust	to Unit Holder
I - Interest	Exempt 10(23FC)	**Taxable**
D - Dividend	Exempt 10(23FC)	Exempt 10(23FD)
R - Rental Income	Exempt 10(23FCA)	**Taxable**
STCG listed shares	**Taxable @ 15%**	Exempt 10(23FD)
STCG Dev property	**Taxable @ MMR**	Exempt 10(23FD)
LTCG Dev property	**Taxable @ 20%**	Exempt 10(23FD)
Int on unlisted debn	**Taxable @ MMR**	Exempt 10(23FD)

194LBA - Interest

Resident	10%
Foreign	5%

194LBA - Rent

Resident	10%
Foreign	Rate in Force

• Investment Fund

Income recd	to Investment fund	to Unit Holder
Business Income	**Taxable (TDS yes)**	Exempt 10(23FBB)
Other Income	Exempt 10(23FBA)	**Taxable**
Unab. Losses - PGBP	No pass on	No Benefit
Unab. Losses - O.Inc	Pass on	s/off, c/f kar sakte

194LBB

Resident	10%
Foreign	Rate in Force

Taxability	I. fund is Co. LLP/F	30% / 25%	I. fund is Trust	MMR - 42.744%

Only capital loss against unit held more than 12 month --> loss can be carried forward by the unit holders
(Agar koi b loss hota hai [Other Income] me toh loss c/f ya set off kar sakte hai, therefore voh loss tabhi setoff Karne ko milega jab us unit holder ne 12 month tak unit hold ki hai.)

• Securitisation Trust

	to Trust	to Investor
Income recd -->	Exempt 10(23DA)	**Taxable**
	No TDS	TDS - 194LBC

194LBC

R. Ind HUF	25%
R. Other	30%
Foreign	Rate in Force

13 Taxation of AOP / BOI

Shares known

Situation -->	Where none of the members has taxable income excluding the share income from AOP	Where any member has taxable Income	Where any member is taxable @ higher than the MMR (Foreign Co)
In the hands of AOP	Normal Tax	MMR - 42.744% (30+37+4)	Such Income - 43.68% Bal. Income - 42.744%
In the hand of Member	Add Income in his total income, Calculate Rebate at the avg rate	Share income not taxable	Share income not taxable

Shares unknown

Situation -->	Where none of the members is taxable at a rate higher than MMR (FC-Yes)	Where any member is chargeable to tax at a rate higher than MMR (FC-No)
In the hands of AOP	MMR - 42.744%	Such higher rate
In the hand of Member	Share income not taxable	Share income not taxable

14 Clubbing of Income

64(1)(ii)	Remuneration from a concern in which the individual has substantial interest
64(1)(iv)	Income to spouse from trf of asset without consideration
64(1)(A)	Clubbing of Income from minor child (sec 10(32) - 1500)
64(2)	Conversion of self acquired property into HUF's property

15 Setoff and c/f of Losses

Head	Years	Current year Losses	B/f Losses
Sec 73 - Speculative loss	4 years	Only Spec. Loss	Only Spec. Loss
Sec 74A - Horse Race	4 years	Only Horse Race	Only Horse Race
Sec 71B - House Property	8 years	Any Head up to 2 lakh	Only HP
Sec 72 - Other business loss	8 years	Except Salary	Only Business
Sec 74 - Short Term Capital loss	8 years	STCL / LTCL	STCL / LTCL
Sec 74 - Long Term Capital loss	8 years	Only LTCL	Only LTCL
Sec 73A - Loss of Specified Business	Indefinitely		
Unabsorbed Depreciation	Indefinitely		

Note : Filing of ROI u/s 139(1) within due date is mandatory for carry forward of above losses except

HP Loss	Unabsorbed Dep

The priority to setoff 1. Current year depreciation 2. B/ forward business losses 3. B/ forward depreciation

Sec 78(1) does not permit c/f of losses pertaining to the share of retired / deceased partner

A company has two business, 1. Textile business 2. Trading of shares

1. If Trading of shares is **not** principal business --> Income / Loss will be treated as speculative
2. If Trading of shares is principal business --> Income / Loss will **not** be treated as speculative

16 Minimum Alternate Tax (MAT) - 115JB

Rate --> 15% of Book Profit / 9% (IFSC) --> 4% Cess

Applies to --> Domestic / Banking / Insurance company (Other than life insurance business) / Electricity

Not applies to --> F. Company - doesn’t req to seek registration under any law, No DTAA with country, Life insurance company and Person exercised option 115BAA, 115BAB

Book Profit (S.III) 0 **0**

Add in the book profit; (from C. Act P&L)		*Less from the book profit; (from C. Act P&L)*	
Deferred Tax Liability		Deferred Tax Asset	
Income Tax, Int, Surcharge, DDT		Lower of ↓ - B.Loss/ Unab Depn	
Depreciation		Dep excluding rev. on reserve	
Dividend Paid / Proposed			
Provn. for losses of subsidiary		Profit of Sick company	
Provn. for uncertained Liab			
Provn. for Dimulation of asset			
Expen sec 10,11,12		Income sec 10,11,12	
AOP / BOI - Expenses		AOP / BOI - Income	
Trf to general reserve		Trf from general reserve	
Amt standing in Rev. reserve (if not credited)		Withdrawn from Reserve	
Royalty Patent Expenses Sec 115 BBF		Royalty Patent Income Sec 115 BBF	
Notional loss on trf of capital asset - Dr		Notional gain on trf of capital asset - Cr	
Actual gain sec 47(xvii)		Actual loss sec 47(xvii)	
IND AS Adjustments		*IND AS Adjustments*	
Amt credited to 'OCI', not to be reclassified		Amt debited to 'OCI', not to be reclassified	
Transition Amt Profit - 1/5		Transition Amt Loss - 1/5	
Debited on dist non-cash assets to sh.		Credited on dist. of non-cash assets to sh.	
	-		-

17	Alternate Minimum Tax (AMT) -Sec 115JC

Tax Rate - 18.5% of Adj Total Income (9% IFSC)

AMT Applies to an person (Except Company) who has availed benefit of deduction under **chapter VI-A [80-IA to 80RB (other than 80P)]**, **Sec 10AA, Sec 35AD.** Note : If individual and HUF having adjusted total income is less than 20 lakh then AMT not applies

18	Deduction under Chapter VI-A

80C		₹	1,50,000
80CCC	Pension Fund	₹	1,50,000
80CCD(1)	Pension Scheme	10% Sal / 20% GTI	
80CCE		₹	1,50,000
80CCD(1B) - Deposit in NPS by Individual		₹	50,000
80CCD(2) - Deposit in NPS by Employer		10% of Salary	

80D	Individual	R. Senior
Premium	xxx	xxx
Health schen	xxx	xxx
Preventive H	₹ 5,000	₹ 5,000
Total	₹ 25,000	₹ 50,000

Medical Exp up to Rs. 50k would be allowed

Section	Condition, Amount of Deduction
80DD - Person with disability	Flat Deduction <80% - Rs. 75000 >80% - Rs. 125000
80DDB - Certain disease or ailment	Rs. 40000 / Expenses whichever is lower Rs 100,000 / Expenses whichever is lower --> For Senior / Super Senior
80EEA - Deduction in respect of Interest on housing Loan Amt of Deduction : Max 1.5 Lakhs	Eligible Assessee: Individual (other than covered in 80EE) Conditions : 1. Loan should be taken from Bank, Financial Inst. for acquisition of house property 2. Stamp duty value of HP should be ≤ 45 Lakhs 3. Loan should be sanction between 01/04/19 to 31/03/2020 i.e. PY 19-20 4. Assessee does not own any residential HP on date of sanction of loan 5. Where dedn under this sec. is allowed for any interest, deduction shall not be allowed in respect of such int. under any other provision of this act for the same or any AY 6. First deduction should be claimed u/s 24(b) of House Property and remaining interest dedn. u/s 80EEA
80EEB - Deduction in respect of Interest on Electric Vehicle Loan Amt of Deduction : Max 1.5 Lakhs	Eligible Assessee: Individual Conditions : 1. Loan should be taken from Bank, Financial Inst. including NBFC for purchase of e- vehicle 2. Loan should be sanction between 01/04/19 to 31/03/2023 3. Where dedn under this sec. is allowed for any interest, deduction shall not be allowed in respect of such int. under any other provision of this act for the same or any AY
80G - Donation	Deduction Available : 100% Without any limit 100% of the restricted amount 50% Without any limit 50% of the restricted amount **Steps for calculating Adjusted GTI** - Reduce the following; 1. Chpt VI-A deduction except 80G 2. STCG u/s 111A 3. LTCG 112 & 112A 4.Any income on which IT not Payable 5. Income referred in Section 115A,115AB, 115AC, 115AD, 115D **No deduction shall be allowed** in respect of donation of any **sum exceeding Rs. 2,000** unless such sum is **paid by any mode other than cash.**

80-IA: Profits from enterprises engaged in infrastructure development, etc.

Business	Deduction	Period
Infrastructure Facility	100% of profit	10 / 20 year
Industrial Park, SEZ, Power Generating	100% of profit	10 / 15 year
Telecom Industry	100%-5, 30%-5	10 / 15 year

<table>
<tr><td>80IAB - Profit to Developer of SEZ</td><td>Deduction : 100% Profit Period 10/15 Year</td></tr>
<tr><td>80-IAC - Specified Business -
Dedn - 100% Profit
Period - 3/7 Yr.</td><td>Specified business: Innovation / development / Improvement of product/ processes
Condition -
1. it is incorporated on /after the 1st day of April, 2016 but before the 1st day of April, 2021
2. Total turnover of its business does not exceed Rs. 25 Crore in the PY for which such deduction is claimed and
3. hold Certificate from Inter-Ministerial Board of Certification (IMBC)</td></tr>
<tr><td>80-IB - Industrial Undertaking in Jammu & Kashmir</td><td>Deduction : Initial 5 AY - 100% Next 5 AY- Company - 30% / Other 25%
Next 7 AY- Co-op Soc - 25%
Condition : Value of Old machinery should not > 20%
Not includes : Cash compensatory support (CCS), Profit-Sale-Import entitlement, Duty Drawback, Duty exemption passbook (DEPB)
Subsidy Allowed : Transport, Power, Interest, Insurance</td></tr>
<tr><td>Sec 80-IC - Undertaking - Himachal Pradesh or Uttaranchal</td><td>Deduction : First 5 year - 100% Next 5 -Company- 30%
Next 5 AY- Other - 25%
Condition : 1. Undertake expansion or Manufacture / process any article/thing
2. Commence before 31.03.12 Substantial expansion at least 50% increase in P&M</td></tr>
<tr><td>Sec 80-IE - Undertaking in North Eastern States</td><td>Deduction : First 10 year - 100%
Condition : 1. Undertake sub expan. Manufacture / process any eligible article carry eligible business except - Tobacco, Pan M., Plastic
2. Commence before 31.03.17 Substantial expansion at least 25% increase in P&M</td></tr>
<tr><td>80-IBA - Developing and Building Housing Project

D - Delhi
M - Mumbai
K - Kolkata
C - Chennai

D - Delhi (Noida, Gaziabad, Gurugram, Faridabad)
M - Mumbai (Whole)
K - Kolkata
C - Chennai
H - Hyderabad
B - Bengaluru</td><td>Amt of Deduction - 100% of Profit Project should be completed within 5 years
• Approval should be between 01-06-16 to 31-03-20
<table>
<tr><th>Technical Limit</th><th>4 Metro City (D,M,K,C)</th><th>Other Place</th></tr>
<tr><td>Minimum size of Plot of Land</td><td>1000 sq mt</td><td>2000 sq mt</td></tr>
<tr><td>Residential Unit Carpet Area</td><td>Max 30 sq. mt</td><td>Max 60 sq mt</td></tr>
<tr><td>Minimum % of permissible floor area</td><td>not less than 90%</td><td>not less than 80%</td></tr>
<tr><td>Shop, commercial establishment</td><td colspan="2">Max - Higher of 3% of aggr carpet area ya 5000 sq foot</td></tr>
</table>
• If project approved on or after 01.09.2019
<table>
<tr><th>Technical Limit</th><th>4 Metro City (D,M,K,C,H,B)</th><th>Other Place</th></tr>
<tr><td>Minimum size of Plot of Land</td><td>1000 sq mt</td><td>2000 sq mt</td></tr>
<tr><td>Residential Unit Carpet Area</td><td>Max 60 sq. mt</td><td>Max 90 sq mt</td></tr>
<tr><td>Minimum % of permissible floor area</td><td>not less than 90%</td><td>not less than 80%</td></tr>
<tr><td>Shop, commercial establishment</td><td colspan="2">Max - Higher of 3% of aggr carpet area ya 5000 sq foot</td></tr>
</table>
The stamp duty value of residential unit in the housing project does not exceed 45 lakh rupees.
• Other conditions (same for both) :
1. Not more than one residential unit in the housing project is allotted to any person not being an individual
2. It should not be a mere work contract.
3. Maintain separate Books of accounts in respect of housing project.
4. Where residential unit in the housing project is allotted to an individual, no other residential units shall be allotted to that individual / his spouse / minor children</td></tr>
<tr><td>80JJA: Business of bio-Processing of bio-degradable waste</td><td>Deduction : 100% of Profit Period : 5 Consecutive years</td></tr>
</table>

80 JJAA - 30% Additional Employee Cost	Applies to whom Sec 44AB applies Deduction : 30% of additional employee cost Additional employee **does not includes**; a. an employee whose total emoluments are more than Rs. 25,000 per month; or an employee who does not participate in the recognised provident fund; or b. an employee employed for a period of less than 240 days during the previous year (In case of apparel manufacturing business footwear or leather products – 150 days) c. emoluments are paid otherwise than by an account payee cheque or account payee bank draft or by use of electronic clearing system through a bank account d. an employee for whom the entire contribution is paid by the Govt. under the Employees' Pension Scheme notified in accordance with the provisions of the EPF Act, 1952
80-LA : Deduction in respect of certain income of	Applies to : Offshore Banking Unit (in SEZ) & International Financial Services Centre (IFSC-Ahmedabad) Deduction : SEZ --> Initial 5 year - 100%, Next 5 year - 50% IFSC --> 100% for 10 Consecutive year out of 15 year
80P - Dedn in respect of certain Income of Co-Operative Society	General Deduction : Consumer Society Rs. 100,000 Other Rs. 50,000 Allowed to : Primary Agriculture Credit Society [PACS] or Primary Co-op Agriculture & Rural Development Bank [PCA-RDB] Without aid power --> 100% With aid power --> No Deduction
80-PA Dedn in respect of certain Income of Producer Companies	Turnover less than 100 Crore in any previous year for AY 19-20 to 24-25 Deduction = 100% of the profits and gains attributable to following eligible businesses a) the marketing of agricultural produce grown by the members; or b) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to the members; or c) the processing of the agricultural produce of the members
80TTA **80TTB**	Interest on Saving a/c Ind + HUF Limit Rs. 10,000 Interest on Saving a/c + Int FD R. Senior Limit Rs. 50,000
80QQB **80RRB**	Royalty Income of Author Rs. 3 Lakhs / Actual whichever is lower Royalty Income on Patent Rs. 3 Lakhs / Actual whichever is lower

19 Assessment

Sec 139(1) Return filing

For Company, LLP Return filing is mandatory

For Other Assessee IF GTI (B4 claiming exemption u/s 54,54B,54D,54EC,54F,54G,54GA,54GB) > Basic Exemption

Return filing mandatory to followings; [Other than Company and LLP]

1. He has deposited amt > 1 crore in aggregate in one / more current account maintain with bank or co-op bank
2. He has incurred foreign travel expenditure of more than 2 lakh for himself or any other person or
3. He had incurred electricity expenditure of more than 1 lakh or
4. Fulfils other conditions as may be prescribed.

Compulsory filing for Resident and ordinarily resident - Who is not required to furnish a return and who at any time during the previous year

a) holds, as a beneficial owner or otherwise, any asset (including any financial interest in any entity) located outside India or has signing authority in any account located outside India or

b) is a beneficiary of any asset (including any financial interest in any entity) located outside India.

139(1) - Normal Return | 139(3) - Loss Return | 139(4) - Belated Return | 139(5) - Revised Return (31.03.21)

139(4A)	Trust	If income is more than 250,000 before claiming exemption u/s 10 / 11 / 12 / 13A then filing of return required
139(4B)	Political Party	
139(4C)	Certain Institutions	
139(4D)	College, Universities	Filing of ROI compulsory irrespective of Income
139(4E)	REIT	
139(4F)	Investment Fund	

Section 234F Late fees for return filing

Total Income < 5 Lakh - Rs. 1000

Total Income > 5 Lakh, filing b4 < 31.12 Rs. 5,000

Total Income > 5 Lakh, filing > 01.01 Rs. 10,000

Delay in filing loss return;

Loss up to 10 lac	CIT
> 10 lac < 50 lac	CCIT
Loss > 50 lac	CBDT

AADHAR Link not required in following cases;

Age >80 years

Non citizen

Non resident

J&K, Assam, Meghalaya Residents

60th Bday on 1.4.20 - Senior citizen for FY 19-20

80th Bday on 1.4.20 - Super Senior citizen for FY 19-20

Time limit for Issue Notice		
Sec 143(1) - Scheme of Processing of Returns (Bangalore)	**Within 1 Year** from the **end of the FY** in which return is filed --> for FY 19-20 the due date is 31.03.22 (31.3.21 + 1 Yr.)	
Sec 143(2) - Scrutiny Assessment u/s 143(3)	**Within 6 months** from the **end of the FY** in which return is filed --> for FY 19-20 the due date is 30.09.21 (31.3.21 + 6 m)	
Sec 149 - Assessment / Reassessment u/s 147	- Income escaped is 1 lakh or more	Within 6 years from the end of the relevant **AY** (Approval req)
	- If Income related to any asset located o/s India (including financial interest)	Within 16 years from the end of the relevant **AY** (Approval req)
	- Any other Case	Within 4 years from the end of the relevant **AY** (Approval JC)

Time limit to Complete Assessment		
Sec 153(1) - Scrutiny Assessment u/s 143(3)		12 months from the end of the **AY** in which income first assessable --> for AY 20-21 the due date is 31.03.22
Sec 153(1) - Best Judgement u/s 144		12 months from the end of the **AY** in which income first assessable
Sec 153 (2) - Assessment u/s 147 (AO has reason to believe)		12 month from the end of the **FY** in which notice was served
Sec 153B	Raid > 1.4.19	12 month from the end of the **FY** in which last auth. was executed
Note- TPO ko trf kia toh 12 months add karna		

Direction of Appellate Authorities / Court to give effect to any finding or direction contained in an order u/s 250, 254, 260A, 262, 263, 264 ---> - 12 months from the end of the month in which such order was passed

Sirf 2 cases me hoga 1. Income transfer from one assesse to another assesse
2. Income exclude from particular year to other year

Sec 142(2A) **Special audit by Dept.** Previous approval of PCCIT / CCIT / PCIT / CIT

Circumstances
1. Special nature of business
2. Volume of accounts
3. Doubts about correctness of transactions
4. Multiplicity of transaction
5. Nature and complexity of accounts

Who can conduct ? - CA shall be nominated by CCIT / CIT OOBH by issuing SCN milega

Total Period - Total period including extension shall not exceed 180 days

If order not followed : - BJA 144 hoga, Penalty 10k u/s 272A , Prosecution up to 1year and fine u/s 276D

Sec 143(1) - Summary assessment (Schemes of Processing) Remedy - 154/ Appeal to CIT(A) No 263/264

a. Any arithmetical error in the return.
b. An incorrect claim, if such incorrect claim is apparent from any information in the return.
c. Disallowance of loss claimed, if return is filed beyond due date u/s 139(1).
d. Disallowance of expenditure indicated in the audit report but not taken into account in computing the total income in the return.
e. Disallowance of deduction u/s 10AA, 80-IA to 80-IE, if return is filed beyond due date u/s 139(1).

Sec 144 **Best Judgement Assessment**

a. Fails to furnish ROI u/s 139(1) / 139(4) / 139(5)
b. Fails to comply with terms of notice u/s 142(2) [RIA wala], u/s 143(2) [Scrutiny], u/s 142(2A) [Special Audit]
c. Having made return, fails to produce evidence / docs. required u/s 142(2A)
d. AO is not satisfied with correctness and completeness of accounts or no method of accounting has been regularly been employed.
e. PGBP / IFOS income not computed as per 'ICDS'.

Sec 144A **Power of Joint Commissioner to issue directions**

• A Joint Commissioner may call for and examine record of any proceeding in which assessment is pending

on own motion	on reference being made to him by AO	on application by assessee

• He may issue such directions as he thinks fit for the guidance of the Assessing Officer to enable him to complete the assessment and such directions shall be binding on the AO.

Sec 144C - Reference to DRP

Eligible assesse ?

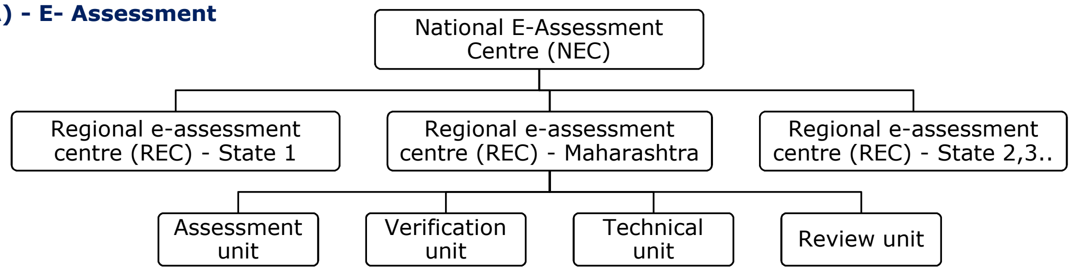
1. Any person in whose case variation arises due to Transfer prising officer 2. any Foreign Company

AO → Draft Assessment order → forward to DRP → Assessee → Shall file cross objection → Within 30 days

No Objection filed	Objection filed
AO pass order within 1 month from end of the month in which acceptance recd from DRP or cross objection filing period expired	--> Draft order forwarded to assesse --> DRP issue direction for guidance to AO within 9 month from the end of the month in which draft order forwarded --> AO shall complete assessment within 1 month from the end of the month in which direction issued

Assesse can file appeal to CIT(A) against the final order

Sec 143 (3A) - E- Assessment



20 Power of IT Authorities (Seizure)

Section -->	Sec 131	132	133A(1) / (2)	133A(2A)	133B
Particular	Summon by AO	Search & Seizure	Power of Survey	TDS Survey	Power to Collect Info-rmation
Reason to believe	Required	Required	Not Required	Not Req	Not Req
Entering Place	Any Place	Any Place	Only Busi. Premises / Book kept place	Only B.P. Ch Activity	Only Busi. premises
Time	Not specified Any time	Not specified Any time	POB - working hrs of such business, Other place/ Book kept- > Sunrise < Sunset	> Sunrise < Sunset	Working hrs of such business
Books of accounts Impounded/Retained	for 15 days	Yes	for 15 days	Can't	Can't
List of Assets making	Yes	Yes	Yes	Cant	Yes
Asset Seize ?	Can't	Yes except Stock in trade	Can't	Can't	Can't

Circumstances under which the AO can resort to provisional attachment of the property of the assessee;

As per the provisions of section 281B, there can be provisional attachment of property to protect the interest of Revenue in certain cases i.e.-

(i) The proceeding for the assessment of any income or for the assessment or reassessment of any income which has escaped assessment **should be pending.**

(ii) Such attachment should be necessary for the purpose of protecting the interest of Revenue in the opinion of the Assessing Officer.

(iii) The **previous approval** of the Principal Chief Commissioner or Chief Commissioner, Principal Commissioner or Commissioner, Principal Director General or Director General or Principal Director or Director has been obtained by the Assessing Officer.

(iv) The Assessing Officer, may, by an **order in writing** attach provisionally any property belonging to the assessee in the manner provided in the Second Schedule.

Validity of Provisional attachment ;

Such provisional attachment shall cease to have effect **after the expiry of a period of 6 months from the date of order made u/s 281 B(1).**

Extended by ? 2 Year - Order of Assessment / 60 days - Order of Re-Assessment

Search conducted on 02/01/2018

Time period for application: As per section 132B, where the person concerned makes an application to the Assessing Officer, within 30 days from the end of the month in which the asset was seized, for release of the asset *

Time period for release: Such asset or portion thereof has to be released within 120 days from the date on which the last of the authorizations for search under section 132 was executed.

*Assessing Officer may, with the prior approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, release the asset after recovering the existing liability.

Section 153A: Assessment in case of Search or Requisition

• In case of a person if search is initiated u/s 132 or books or assets are requisitioned under section 132A

- **AO shall issue notice to furnish** within such period specified in the notice, **Return of Income for each assessment year falling within 6 assessment years** and for the **relevant assessment year** / years

- **AO shall assess or reassess the total income of six assessment years immediately preceding the assessment year relevant to the previous year in which such search is conducted** or requisition is made and for the relevant assessment year or years. Tax rates and all provisions as applicable for those years.

• Notice for assessment or reassessment shall be issued by AO **for relevant assessment year / years only if**

a) AO has in his possession books of account or other documents or evidence which reveal that the income, represented in the form of asset, which has **escaped assessment** amounts to or is likely to **amount to Rs. 50 Lakhs or more in the relevant assessment year or in aggregate in the relevant assessment years**

b) the income or part thereof has escaped assessment for such year or years and

c) the search u/s132 is initiated or requisition u/s 132A is made on or after the 1st day of April, 2017.

• Relevant assessment year shall mean an assessment year preceding the assessment year relevant to the previous year in which search is conducted or requisition is made which **falls beyond 6 assessment years but not later than 10 assessment years from the end of the assessment year** relevant to the previous year in which search is conducted or requisition is made.

• Asset shall include immovable property being land or building or both, shares and securities, loans and advances, deposits in bank account.

21 Appeals and Revision

Sec	Authority	Time limit	Dept. Limit	Stay on Demand
246A	Commissioner (A)	30 days	-	Yes
253	ITAT	60 days	50 Lakh	180+185
260A	High Court	120 days	1 Crore	No
261	Supreme Court	-	2 Crore	No

Dept. can file cross objection to Tribunal within 30 days

Single Member bench - If total income of assessee is up to 50 lakhs then appeal can be heard by single member.

5 Cases me we have no right of appeal against following order :

1. Order levying interest u/s 234 A/B/C
2. Revisional order u/s 264
3. Order of Settlement commission
4. Order of Authority of Advance Ruling
4. Order of ITAT on a que. of FACT

Time Limit to Issue Judgment and Rectification

Particular	CIT(A)	ITAT
Time limit to **Dispose** / Issue judgement;	**1 years** from the **end of the FY** in such **appeal is filed** -- > agar possible hai toh	**4 years** from the **end of the FY** in such **appeal is filed** -- > agar possible hai toh
Advisory time limit hai not a mandatory		
Time limit to **Rectification**;	**4 years** from the **end of the year** in which **order passed.** (Sec 154 me)	**6 months** from the **end of the month** in which **order passed**. (Sec 254 me) (Cant review)

Appeal Fees

Income	Commissioner (A)	Appellate Tribunal
< 1 Lakh	250	500
> 1 Lakh < 2 Lakh	500	1500
> 2 Lakh	1000	1% but max 10,000
Other Case	250	500
Stay Application Fees		500

Doctrine of Merger;

Partial Merger	147 - Reassement 154 - Rectification 263 - Revision
Total Merger	264 - Revision

Sec 154	Sec 263	Sec 264
If there is mistake in the order passed by AO / Authority, then it can be rectified by the said authority u/s 154	**Revision by CIT / PCIT of Order prejudicial to interest of <u>revenue</u>**	**Revision by CIT / PCIT of Order prejudicial to interest of <u>assesse</u>**
Which order? Intimation u/s 143(1), 200A(1), 206CB(1) TCS	- Suo moto - Assessee ko OOBH milega	- Suo moto - Application by assessee
When ? Earlier of **4 years** from the end of the FY in which order sought to be amended was passed or **6 months** from the end of the month in which the application is received	Time limit to pass order ? <u>2 years from the end of the year</u> in which order sought to be revised was passed	Time limit to pass order ? <u>Within 1 year from the passing of order</u> of sought to be revised
Assesse can file appeal to CIT(A) / Revision appln to CIT against such order	Assesse can file appeal to 'ITAT' against such order	Order u/s 264 is final order and no appeal is possible against it.
	Revision u/s 263 is possible after revision u/s 264	Revision u/s 264 is not possible after revision u/s 263
	143(3) Ass 30.01.15 147 Re-ass 10.02.17 263 Revision 31.03.19 Order is invalid, > 2 years	Application cannot be made if ; a. Time limit to file appeal to CIT(A) or ITAT has not expired b. the assessee has not waived his right of appeal c. Appeal is filed to commissioner (appeal) or to ITAT

Cases where adverse judgement should be contested on merits even it tax effect is less than the specified monetary limit

a) Where the constitutional validity of the provisional of an Act or Rule is under challenge
b) Where boards order, Notification, Instruction or Circular has been held to be illegal or ultra vires
c) Where revenue audit objection in the case has been accepted by the department
d) Where addition relates to undisclosed F.Income / undisclosed Foreign Asset / undisclosed Foreign Bank A/c
e) Case when prosecution has been filed by the dept. and is pending in the court

22 Penalties

Penalty can be imposed by - Assessing Officer CIA(A) CIT ~~ITAT~~

a. Assessing Officer	AO shall levy penalty for under reporting or misreporting of income to the additions made by him in an assessment or reassessment u/s 143(3)/144/147/153A
b. CIT(A)	CIT(A) shall levy penalty for under reporting or misreporting of income to the additions made by him in an order passed u/s 250
c. CIT	CIT shall levy penalty for under reporting or misreporting of income to the additions made by him in an order passed u/s 263

Penalties
- a. Penalty with Search
- b. Cash Penalty
- c. Penalty with Transfer Pricing
- d. Penalty with TDS
- e. General / Common Penalty

a. Penalty with Search

Penalty Section	Circumstances	Penalty
Section 270A	Under Reporting of Income (Not due to misreporting)	50% Tax Payable on Such Income
Section 270A	Under Reporting of Income (Due to Misreporting)	200% Tax Payable on Such Income
Section 271AAB(1A)	In case of Search - If undisclosed income admitted before due date of return filing.	30% of undisclosed income 60% (In other cases)
Section 271AAC	In case income determined u/s 68, 69, 69A to 69D	10% (u/s 115BBE)

b. Cash Penalty

Penalty Section	Circumstances	Penalty
Section 271D	Sec 269SS - Taking / Accepting Loans > 20k	Such Amt (100%)
Section 271DA	Sec 269ST - Accepting Cash > 2 lac [Seller]	Such Amt (100%)
Section 271E	Sec 269T - Repayment of Loan in Cash > 20k	Such Amt (100%)
Section 271DB	Sec 269SU - Mode of acceptance of busi. payments	Rs. 5000 p/day

Sec 269SU **Mode of acceptance of business payments.** Applicable to every person

- The Section is applicable to business not profession
- Where the turnover > 50 crore
- All payments to be collected through electronic modes prescribed
- Penalty of 5000 per day u/s 271DB
- No transaction charges on this by the banks

c. Penalty with Transfer Pricing

Penalty Section	Circumstances	Penalty
Section 271AA	Failure to maintain documents (u/s 92D)	2% of Int. Transaction Value
Section 271G	Failure to furnish / disclose info & docs (u/s 92D)	2% of Int. Transaction Value
Section 270A	Failure to report International transactions	50% of reported Income.
Section 270A	Failure to report Int. transactions (Misreporting)	200% of reported Income.
Section 270A(9)	Failure to furnish report of Int. Group (Master File)	Rs. 5 Lakh
Section 271BA	Failure to furnish report of CA u/s 92E	Rs. 1 Lakh

d. Penalty with TDS

Penalty Section	Circumstances	Penalty
Section 234E	Late Fees - Return not filed	Rs. 200 per day subject to TDS
Penalty u/s 271H	Penalty - Return not filed	Rs. 10K to 1 Lakh, No penalty if Return filed < 1 year
Penalty u/s 272A(2)	Certificate not issued.	Rs. 100 per day
Penalty u/s 272BB	Fails to get TAN	Rs. 10,000

e. General / Common Penalty

Penalty Section	Circumstances	Penalty
Section 271A	Failure to maintain books of account as per sec. 44A	Rs. 25,000
Section 272B(2A)	Failure to quote PAN / Aadhar number in the doc	Rs. 10,000
Section 271FA	Penalty for failure to furnish statement of financial transaction. (Due Date 31st May)	
	- from 1st June till due date of filing statement as per notice	Rs. 500 per day
	- from the day immediately following the day on which the time specified in such notice	Rs. 1000 per day
Section 271FAA	Penalty for failure to furnish Iaccurate statement of financial transaction	Rs. 50,000
Section 271J	Penalty for furnish Incorrect Information - Accountant, Merchant Banker	Rs. 10,000 for each certificate
Section 271B	Failure to get account audited u/s 44AB	0.5% of Total Sales / 1.5 Lakh ↓

Section 275 Time Limit for Imposition of Penalty

<table>
<tr><th colspan="2">Where an appeal has been filed against assessment order to CIT(A) or ITAT</th><th>Where revision application has been made u/s 264</th><th>Where No appeal has been filed against order of AO & No application made for revision u/s 264</th></tr>
<tr><td rowspan="2">Order is passed by CIT(A) & No appeal is made to ITAT</td><td rowspan="2">Where order is passed by ITAT</td><td rowspan="4">6 month from the end of the month in which revision order u/s 264 is passed</td><td>End of the FY in which assessment proceeding are completed</td></tr>
<tr><td>or</td></tr>
<tr><td rowspan="2">1 year from the end of the FY in which order of CIT(A) is recd.</td><td rowspan="2">6 month from the end of the month in which order of ITAT is recd.</td><td>6 months from the end of the month in which penalty proceedings are initiated.</td></tr>
<tr><td>Whichever is later</td></tr>
</table>

• Misreporting of Income means

a. Misrepresentation or suppression of facts (STCG as LTCG, 43B override kiya etc.)
b. Failure to record investment in the books of accounts (I. Property, FD, Jewellery)
c. Claim of expenditure not substantiated by any evidence (Bogus expenditure)
d. Recording of any false entry in the books of account (Income recd shown as advances)
e. Failure to record any receipt in books of account (Sales not recorded)
f. Failure to report any international transaction

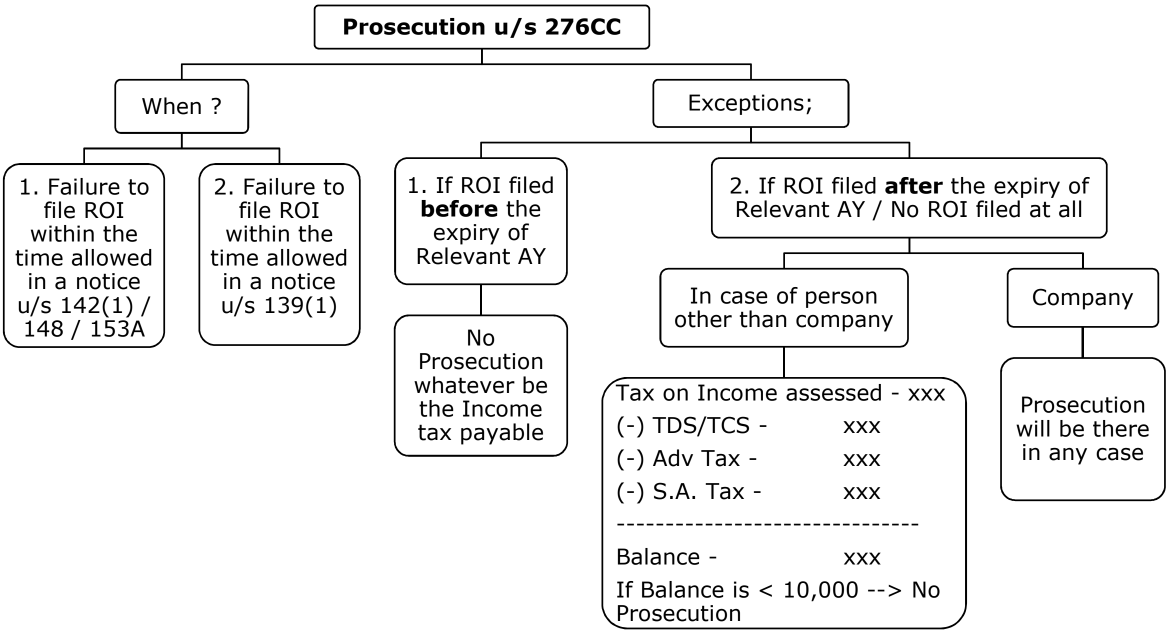
• Sec 270AA Immunity from Imposition of Penalty

The AO shall grant immunity from imposition of penalty u/s 270A and initiation of proceedings u/s 276C/276CC
Application shall be made within 1 month from the end of the month in which order passed u/s 143(3) / 147

- Assessee has paid tax and interest and
- Has not filed an appeal and
- The time period of filling the appeal has expired.

143(3) order and demand notice u/s 156 served on		02/04/2019
Assessee makes application u/s 270AA on		27/04/2019
AO Passes rejection order on 14/05/2019 and served on		15/05/2019
Time period for filing appeal to CIT(A)	21/05/2019	30 Days from 02/04/2019 + (27.04 to 15.05)

Sec 276CC - Prosecution u/s 276CC



23 Offences

Section	Offences	Tax Fraud < 25 Lakh	Tax Fraud >25 L / Other
276B	Sec 115-O, 194B Fails to pay		3 m to 7y + Fine
276BB	Sec 206C Fails to deposit TCS	MTP M19	3 m to 7y + Fine
276C(1)	Wilful attempt to evade tax (Under reporting of income)	3m to 2y + Fine	6m to 7y + Fine
276C(2)	Wilful attempt to evade tax		3 m to 2y
276CC	Failure to furnish return	3m to 2y + Fine	6m to 7y + Fine
277	False stmt in verification	3m to 2y + Fine	6m to 7y + Fine
278	Abatement of false return	3m to 2y + Fine	6m to 7y + Fine
280(1)	Public servant ne disclose kiya		up to 6m
276D	Failure to produce Documents / Ac Book (Failed to comply sec 142(1) / 142(2A)		up to 1 year and with fine
277A	Falsification of books or document		3 m to 2y

24 Settlement Commission

Who can apply ?

Type	Monetary limit of tax payable
Application by assessee who is the sub to matter of search	should exceed Rs 50 Lak
Person who related to above person	should exceed Rs 10 Lak
In any other cases	should exceed Rs 10 Lak

Rectification of order - Suo-moto
Within 6 month from the end of the month in which order was passed

25 Advance Ruling (Sec 245N)

Non Resident	Determination in relation to transaction undertaken by NR Applicant
Resident	Tax liability of NR, arising out of Transaction undertaken by Resident with NR
Resident	If his tax liability arising out of one or more transaction valuing Rs. 100 cr or more
PSU	Determination or decision in respect of an issue relating to Computation of Total Income

Sec 245-O - Composition of AAR

	Chairman	VC	Revenue Member	Law Member
Max Age	70	67	67	67
Tenure	5	5	5	5
	Judge of SC Chief Justice of HC 7 Year Judge of HC	Judge of HC	Member of CBDT, CBEC	Addn. Secretary

Fees NR,R

<100Cr	>100Cr <300Cr	>300Cr
2,00,000	5,00,000	10,00,000

Fees others PSU
10,000

Ruling by AAR within 6 months

Sec 245Q - 30 Din me withdrawn kar sakte hai
Beyond 30 days bhi withdrawn kar sakte if the circumstances of the case so justify.
(Case - M.K. Jain AAR No. 644 of 2004)

Application reject ho sakta hai;

a. Issue Pending with Income Tax Authorities, ITAT, Court (R/NR) in PSU (Court only)
b. Determination of FMV
c. Transaction designed for avoidance of Income Tax

Sec 245-S -Applicability of Advance Ruling

- On applicant who had sought
- In respect of the transaction in relation to which the ruling had been sought
- On the PC or Commissioner and the IT authority subordinate to him in respect of application said transaction

Case Pending →	IT Authority	ITAT	HC / SC
Resident / Non-Resi.	x	x	x
PSU	✓	✓	x

[x = AAR ke pass nahi ja sakte]

Case - Erricsson Telephone Corporation India AB vs CIT

26 Miscellaneous

Sec 115BBE - 60 + 25 +4 = 78%;

Sec 68	Unexplained cash credit
Sec 69	Unexplained Investment
Sec 69A	Unexplained Money
Sec 69B	Investment not fully disclosed in the books
Sec 69C	Unexplained expenditure
Sec 69D	Amt borrowed and paid other than ac payee cheq

Sec 271AAC -
Levy of penalty @10% -->
68,69,69A to 69D

Cash sale by cultivators / agriculturist to traders, If amount > 2 lac

40A(3)	Disallowance expenditure > 10 k
269ST	Receipt in cash > 2 lac
Rule 114B	Quote his PAN / Furnish form 60

Case Law - Ans writing format

- Issue Involved
- Provision applicable
- Analysis
- Conclusion

Sec 115VC **Tonnage Taxation**

1000 ton	70 for each 100 ton
1000-10000 ton	53 for each 100 ton
10000-25000 ton	42 for each 100 ton
Exceeding 25K	29 for each 100 ton

Note - kg ignore karna
Nearest to multiple of 100 tons round off karna
No Chpt VI-A, Exp Dedn

Qualifying company-	Indian Company	POEM in India	Own ship	Object same
Condition -->	Min. training req.	Maintain a/c	Audit karo	Trf 20% to Tonnage tax res a/c

Taxation of Film Producer & Film Distributor

Situation	Film Producer / Distributor **sells all rights** of exhibition of the film	He himself **exhibits the film** on a commercial basis in **some of the areas** and **sells the rights** of exhibition of the film in respect of **some of the areas**
Example	Dharma Production Produced movie and Sells all right to UFO Digital for Movie distribution	Dharma Production Produced movie and Exhibits film under own banner in Maharashtra State and Sells right to UFO Digital for Distribution in Gujarat State
Film released before 90 days of year end	Quantum of Deduction : Entire cost of Production / Acquisition	Quantum of Deduction : Entire cost of Production / Acquisition
Film released within 90 days of year-end (i.e. Between Jan to March)	Quantum of Deduction : Entire cost of Production / Acquisition	Deduction will be lower of a) Entire cost of Production / Acquisition b) Amount realized by releasing / exhibiting film / sale of exhibition rights Balance will be allowed in the next year.

Common Powers

a. Discovery and Inspection
b. Enforcing the attendance of any person and examining him on oath,
d. Compelling production of books of account under the code of civil procedure, 1908
c. Issuing commissions and

Action on legal representative

1. LR would liable to file return of income as legal representative and pay sum which died person would have been liable to pay.

2. Any sum includes tax, penalties, interest / any other sum that would have been payable by died person, the liability of LR would be limited to extent to which, the estate of the deceased is capable of meeting the liability.

3. No prosecution can be initiated on LR

Successful tax planning must confirm two test … Conformity with the current law and flexibility

Sec 10(26AAA) Any income which accrues or arises to a Sikkimese Individual
a) From any source in the state of Sikkim
b) by way of dividend or interest on securities (Whether generated in Sikkim or any other place/)
This exemption is not applicable in case a Sikkimese woman marries a non-Sikkimese on or after the 1-4-2008.

International Taxation

1 Residential Scope

Income from Capital Gains : Proviso to Explanation 5:
Following shall not be deemed to be in India

a) An asset or capital asset, which is held by a non-resident by way of investment, directly or indirectly, in a Foreign Institutional Investor as referred to in section 115AD for AY 2012-13 to AY 2014-15

b) An asset or capital asset, which is held by a non-resident by way of investment, directly or indirectly, in Category-I or Category-II Foreign Portfolio Investor under SEBI (Foreign Portfolio Investors) Regulations, 2014

Example on Explanation 5, 6 and 7 to Section 9(1)

Hutch, Hong Kong holds shares in CGP, Cayman Islands. CGP holds shares in Hutch India. Hutch Hong Kong sells shares in CGP. Capital Gains on such transfer shall be taxable in India if the share of CGP directly or indirectly, derives its value substantially from the assets located in India i.e.

a) the value of investment of CGP in Hutch India exceeds the amount of ₹ 10 crores and

b) such investment represents at least 50% of the value of all the assets owned by CGP and

c) Hutch Hong Kong holds, directly or indirectly(individually or along with associated enterprises) right of management or control or voting power or share capital exceeding 5% in CGP

If the assets of CGP are not located in India, the income of Hutch Hong Kong from transfer a share of CGP shall be only such part of the income as is reasonably attributable to assets located in India.

2 DTAA

Two type of Double taxation relief -

Bilateral relief	Unilateral relief
DTAA	No DTAA
Sec 90 & 90A	Sec 91

Sec 90 - Procedure

90(2) C.G. may enter DTAA with another country to avoid double taxation, Jo be beneficial hoga wo apply hoga

90(4) In order to claim relief, such person need to obtain TRC [Tax Residency Certificate] from that country

Also he has provide following information in Form 10F :

Status (Individual, Company)	PAN No. if allotted	Nationality (Ind)
Incorporation regn (company)	Address proof	Dedn of tax in such country
Tax Identification no allotted by country (individual)		

CIT vs P.V.A.L Kulandagan Chettiar - Conflict between DTAA & Act, DTAA will prevail

Sec 91 -Where India does not have a DTTA with foreign country, then an assessee shall be allowed relief u/s 91 provided all the following conditions are satisfied ;

1. The **assesse is a resident in India** during the relevant PY
2. The income accrues or arises to him outside India during that PY
3. Such Income should not be deemed to accrue or arise in India during the PY
4. The income is subject to Tax in such foreign country and assesse has paid tax on such income.
5. There is no agreement u/s 90 with such country

3 Transfer Pricing

Sec 92 - Charging Section

Condition 1 -	Transaction related to - [Any Income] [Allowance of any expenditure, interest] [Purchase, sale, transfer, lease or use of tangible or intangible property] [Provision of Service] and [Capital Financing]
Condition 2 -	At least 1 party to the transaction should be Non Resident
Condition 3 -	The transaction should be between Associated Enterprises (AEs)

Sec 92A - Associated Enterprises

Two enterprises shall be treated as AE's if at any time during P.Y. :

a. One enterprises holds **at least 26% shares** (voting power)

b. One enterprises **appoints more than half BOD** / **one or more Executive director**

c. One enterprises **Guarantee at least 10%** of the Total borrowing of the other enterprises

d. **90% or more raw material** req by one enterprises is supplied by other enterprises

e. The business of one ent. is **wholly dependent on knowhow, patent** etc. of other enterprises

f. A Loan given by one ent. to other enterprises, **at least 51% of the Total asset** of other enterprises.

Sec 92BA - Specified Domestic Transactions

Specified domestic transaction in case of an assessee means any of the following transactions, not being an international transaction:

1. any transaction referred to in **section 80A**
2. any transfer of goods or services referred to in **section 80-IA(8)**
3. any business transacted between the assessee and other person as referred to in **section 80-IA(10)**
4. any transaction, referred to in any other section under Chapter VI-A or section 10AA, to which provisions of section 80-IA(8) or (10) are applicable i.e. **Section 80-IAB, 80-IB, 80-IC, 80-ID, 80-IE and 10AA.**
5. any business transacted between the persons referred to in **section 115BAB(4)** (w.e.f. AY 2020-21)
6. any other transaction as may be prescribed, and where the aggregate of such transactions entered into by the assessee in the previous year **exceeds Rs. 20 crores.**

Points	Section 92: International Transfer Pricing	Sec 92BA: Specified Domestic Transfer Pricing
When will it apply?	If all 3 conditions are satisfied, then provisions will apply irrespective of the value of transactions.	Provisions will not apply if value of such transactions in a year does not exceed ₹ 20 crores. The limit is for all 6 transactions for an assessee in a year. If value is ₹ 20 crores, it won't apply as it is not exceeding ₹ 20 crores.
Maintenance of specified documentation	Not required if the aggregate value, as recorded in the books of account does not exceed ₹ 1 crore.	
Audit Report to be furnished in 3CEB	If provisions of International Transfer pricing apply, then filing of Audit Report is compulsory.	

Sec 92C - Computation of Arm's Length Price

1. Comparable Uncontrolled Price Method	Applied where there are similar trans between unconnected parties.
2. Resale Price Method (Distribution Case)	" where item obtained from AE is resold to unrelated parties.
3. Cost Plus Method (Software Industry)	" where semi furnished goods are sold to AE's.
4. Profit Split Method (Joint venture me)	" where there is trf of unique intangible or in multiple intangibles.
5. Transactional Net Margin Method	

Sec 92C(2) - More than one ALP

Example : Actual transaction price - 150		ALP as per most appropriate method - 145, 152, 157, 160
Avg of ALP is	153.5	**Allowed difference (Tolerance Band) is 3% of Actual Trans. Price**
i.e. **150x3%**	4.5	(153.5-150 = 3.5 < 4.5, ALP = 150)

In this case diff between ALP and Actual Price is up to 3% so actual trans. price i.e. 150 is treated as ALP

Rule 10CA - Range Concept (Agar 6 se jyada ALP hai toh)

Actual Price - 150

Pahle data ascending order me set karna

1	2	3	4	5	6	7
136	145	152	154	158	162	170

Total 1077

35th percentile	7 x 35% = 2.45	Since 2.45 and 4.55 not whole no. so take 3 & 5
6th percentile	7 x 65% = 4.55	

The ALP range will be beginning at 152 (3rd no.) & ending at 158 (5th no.)
Agar actual price range me aata hai toh (3-5 ke) toh Actual price is APL
Hamare problem me Range (152-158) me Actual price nahi aa raha (i.e. 150) then
Total no. of values in data set = 7x50% = 3.5, Next higher no. is 4 So, ALP is 154 (4th number)

Jab whole no. aata hai toh avg lene ka for e.g.. 7 is whole no. 7 - 119 8 - 120 --> Avg lena i.e. 119.5

Sec 92C(3) - Determination of ALP by AO

4 cases me AO khud ALP nikalega if, OOBH Milega

a. Assesse fails to compute ALP as per most appropriate method
b. Data used for computing ALP is not reliable or not correct
c. Document are not maintained by Assesse as per Sec 92D
c. Assessee fails to furnish Info & Docs required u/s 92D

- **Penalty with Transfer Pricing** Refer 'Penalty Chapter'

- **Safe Harbour Rule 10TD** **--> Not applicable for Nov 2020 examination**

Safe harbour means circumstances in which the IT authorities shall kept the TP declared by the Assessee

Eligible International Transactions	Circumstances	
System Support Service(SDS)	<100 cr - 17%	> 100 cr but < 200 cr - 18%
Data Processing Services	<100 cr - 17%	> 100 cr but < 200 cr - 18%
IT Enabled Services	<100 cr - 17%	> 100 cr but < 200 cr - 18%
Knowledge Process Outsourcing KPO	Employee cost / OE <40%- 18% <60%-21% >60%-24% <200 cr Int Tran Value chahiye	
R&D service relating to soft. Development	<200cr- OP margin should not less than 24%	
R&D Pharma Drug	<200cr- OP margin should not less than 24%	
Auto Component	OP margin should not less than 12%	
Non-Core Auto Component	OP margin should not less than 8.5%	

** Operating Profit Margin * International Transactional Value*

Advancing Intra group loan;

CRISIL Rating	Loan denominated in Indian Rs	Loan denominated in Foreign Currency
AAA to A	1.75	1.5
BBB-, BBB, BBB+	3.25	3
BB to B	4.75	4.5
C to D	6.25	6
Rating not available	4.25	4

Country is Notified Jurisdictional Area - NJA

Int on Infra Debt Fund u/s 10(47)

Tax Rate	5%
TDS Rate	30%

Explicit guarantee hai toh safe harbour lagega, at least 1% commission lena chahiye

A Company shall be said to be engaged in "Active Business Outside India" for POEM if,

Passive Income is not more than 50% of its total income. and
Less than 50% of its **total assets are situated in India.** and
Less than 50% of **Total no. of employee are situated in India or are resident in India.** And
The **payroll expenses** incurred on such employee is less than 50% of its total payroll expenditure

Passive Income of a company shall be aggregate of

a) income from the trans. where both the purchase & sale of goods is from / to its AE and
b) income by way of royalty, dividend, capital gains, interest or rental income

However, any income by way of interest shall not be considered to be passive income in case of a company which is engaged in the business of banking or is a public financial institution, and its activities are regulated as such under the applicable laws of the country of incorporation.

POEM of Company engaged in Active Business outside India : It shall be presumed to be outside India, if the majority of the board meetings are held outside India.

POEM guideline shall not apply to a company having turnover or GR of 50 cr or less in FY

Furnishing of report in respect of international group in line with BEPS Action Plan

Master File - Sec 92D/Rule 10DA :

Standardised information relevant for all multinational enterprises (MNE) group members

Who is required to keep and maintain	Every person, being a **constituent entity** of an international group shall keep and maintain the following information and documents of the international group i. if the **consolidated group revenue of the international group** for the accounting year, **exceeds Rs. 500 crores** and ii. the aggregate value of international transactions A. during the accounting year, as per the books of account, **exceeds Rs. 50 crores**, or B. in respect of **purchase, sale, transfer, lease or use of intangible property** during the accounting year, as per the books of accounts, **exceeds Rs. 10 crores**
Report of Master file	In form **3CEAA**
Kept & Maintained	**up to 8 years** from the **end of relevant AY**

Local File : Specific reference to material transactions of the local taxpayer

Country-by- Country Report - Sec 286/Rule 10DB :

Information relating to the global allocation of the MNE's income and taxes paid and indicators of the location of economic activity within the MNE group.

Who is required to keep and maintain	The provisions shall apply if the **total consolidated group revenue** as reflected in the **consolidated financial statement (CFS)** for the accounting year preceding such accounting year is **above a threshold i.e. Rs. 5,500 crore**		
Intimation	**Every constituent entity resident in India**, of an international group having parent entity that is not resident in India, shall notify to the Director General of Income-tax (Risk Assessment) in **Form No. 3CEAC at least two months prior to the due date for furnishing of report as specified under section 286.**		
Report filing	The **parent entity** of an international group / the **alternate reporting entity**, if it is resident in India shall be required to furnish the report for every reporting accounting year, **within a period of 12 months from the end of the said reporting accounting year in Form No. 3CEAD.**		
Penalty for non-furnishing the report u/s 271GB	Delay up to 1 month - 5000 per day, Beyond 1 month - 15000 per day, Thereafter - 50000 per day	Penalty for submission of inaccurate information	Rs. 5,00,000

Secondary Adjustment

Where, as a result of primary adj. to the transfer price --> there is an increase in the total income or reduction in the loss of the assesse, if Such excess money not repatriated to India shall be deemed to be an advance made by the assesse to AE · Agar nahi laya toh Interest lagega

Secondary adjustment is applicable only when;

1. The same relates to an assessment year after 2016-17
2. The quantum of primary adjustment (PA) made in each year is above Rs 1 Cr
3. The same is accepted by the assessee

• **The time limit for repatriation of excess money**

a. If Primary adjustment made by AO or Appellate Authority	Within 90 days from date of Order
b. If Primary adjustment due to APA Example; We entered in Advance Pricing Agreements APA for FY 17-18 to FY 21-22 on dated 16/02/2020 (FY19-20)	i) Within 90 days from date of return filing---> if APA is entered before due date of ROI u/s 139(1) of that PY ii) Within 90 days from end of the month in which APA was entered into after due date of ROI for relevant AY. • Due Date for 17-18, 18-19 - 90 days from End of the month i.e. 29.02 [90 days from 29.02] • Due Date for 19-20, 20-21,21-22 - 90 days from date of return filing u/s 139(1)
c. If Primary adjustment due mutual agreement procedure	Within 90 days from the date of giving effect by AO of MAP
d. If Primary adjustment due any other reason or Suo-motu	Within 90 days from Due date of return filing [u/s 139(1)] i.e. 30.11

Rule 10CB - Computation of interest income pursuant to secondary adjustments

Type	International Transactions Denominated in **Indian Rs**	International Transactions Denominated in **Foreign Currency**
Interest Rate	**SBI** as on **1st April of relevant PY** + **3.25%**	**LIBOR** as on **30th September of relevant PY** + **3%**

Sec 92CE(2A) - Additional Income Tax instead of Secondary Adjustment Added by FA2019

Assessee will have the option to pay **additional income-tax @ 20.9664% (18+12+4)** on such excess money

(Agar hum repatriated money India me nahi la sakte toh we can pay tax on such income)

Advance Pricing Agreements **Sec 92CC**

An Advance Pricing Agreement (APA) is an **agreement between a taxpayer and a taxing authority** on an **appropriate Transfer Pricing methodology** for a set of transactions over a fixed period of time in future for not exceeding 5 consecutive PYs.

APA may also provide for determination of ALP or for specifying the manner in which ALP is to be determined in relation to an International Transaction entered into by a person during the rollback year. Rollback year is the PY, falling within the period not exceeding four PYs preceding the first of the PYs for which the APA applies in respect of the International Transactions to be undertaken.

Purpose of APA	Determination of ALP or specifying the Purpose of APA he manner for determination of ALP for an International Transaction to be entered into.
Manner of dtrmn of ALP in APA	The manner for dtrmn of ALP ref. above may include methods ref. to u/s 92C(1) or any other method with necessary adjustments or variations.
Non-applicability of sec 92C & sec 92CA	Where an APA has been entered for an Int. Transactions, then, computation of ALP as per the methods specified u/s 92C and reference to TPO would not apply for such InTn.

Validity of APA	For the period specified in the agreement which shall not exceed 5 consecutive PYs. In case of rollback, the total period shall not exceed 9 PYs [4 PY + maximum 5 consecutive PY]
Binding nature of APA	APA will be binding on: • the person and in respect of the transactions in relation to which, the APA has been entered into; and • the PC or C and the ITAs subordinate to him, in respect of the said person and the said transns. The APA, however, would not be binding, if there is any change in law or facts having bearing on such APA.
Consqs. where APA is obtained by fraud:	Where APA obtained by way of fraud or misrepresentation of facts, the Board with the approval of CG can declare APA void ab initio. • All the prov of the Act shall apply to such person, as if such APA had never been entered into. • The period beginning with the date of such APA and ending on the date of order declaring the APA as void ab initio, shall be excluded for the purpose of computing any period of limitation (POL) under this Act. • In case the PoL after exclusion of the above period is less than 60 days, such remaining PoL shall be extended to 60 days.

APA Application Time Limit.

Whether the International Transaction are of a continuing nature ?

Yes --> Before 1st day of the relevant PY for which APA application is made	No --> Before undertaking the transactions

4 Sec 94B - Limitation on Interest Deduction in certain cases

Applies when Indian company incurs any **expenditure by ways of interest** in respect of any debt issued by **NR associated enterprises**

and such **interest exceeds 1 cr**

Then the interest paid or payable by such Indian company in **excess of 30% EBITDA**, s**hall not be allowed as deduction as per section 94B**

Computation of Excess Interest

a) Calculate interest paid or payable to associated enterprise for that previous year.
b) Compute EBITDA
c) Calculate 30% of EBITDA [30% of (a)].
d) Ascertain lower of (a) and (c).
e) Excess interest = [(a) – (d)].

Disallowed expenditure maximum c/f limit = 8 years

5 Equalisation Levy

Chapter VIII of Finance Act 2016, "Eq. Levy", provides for an **Eq. Levy of 6% on Specified Services.**

Conditions -->

Specified Services : Online advertisement, digital advertising space, any other notified services.
Services recd by : a non resident not having PE in India
Services provided to : - a Resident who carries out business or profession
- a non resident having PE in India.
Utilisation : for the purpose of carrying out business or profession
Consideration : should exceeds Rs. 1 Lakh
Time limit for deposit : by the 7th of the month immediately following the said calendar month
If not deducted levy : 100% disallowance of expenditure u/s 40(a)(ib)
: Interest 1% pm or part of the month
: Penalty 1000 per day, however such penalty shall not exceeds the amount of eq. levy

6	General Anti Avoidance Rule (GAAR)
a. Tax Planning	Tax planning may be defined as an arrangement of one's financial affairs in such a way that, without violating in any way the legal provisions, full advantage is taken of all tax exemptions & deductions, permitted under the Act so to minimize the burden of taxation.
Example :	1. Choosing the suitable form of assessable entity (individual, firm, company) 2. Choosing suitable forms of investment (share capital, loan capital, lease) considering deductions available in respect of interest, exemption available in respect of dividend etc. 3. Diversification of the business activities
b. Tax Evasion	Tax evasion refers to any attempt to avoid payment of taxes by using illegal means.
Example :	1. Misrepresentation or suppression of facts; 2. Failure to record investments in books of account; 3. Claim of expenditure not substantiated by any evidence; 4. Recording of any false entry in books of accounts
c. Tax Avoidance	Minimization of one's tax liability by taking advantage of legally available tax planning opportunities. Tax avoidance may be contrasted with evasion, which entails the reduction of tax liability by using illegal means. [Black's Law Dictionary] The arrangement is entered into solely or primarily for the purpose of obtaining a tax advantage & does not have any commercial substance.
Example :	1. If a person shift his existing business to a SEZ just to claim the tax benefits u/s 10AA & there is no other commercial consideration involved.