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1. Introduction of Taxation & Tax Rates

There are 2 types of taxes

1. Direct Tax
2. Indirect Tax

Direct Tax	Indirect Tax
<ul style="list-style-type: none"> • Incidence and impact fall on the same person. • Levied on income such as income tax. • Progressive in nature, higher tax are levied on person earning higher income and vice versa. 	<ul style="list-style-type: none"> • Incidence & impact fall on two different person • Levied on goods & services, thus tax leads to inflation & has wider base. such as GST & Custom. • Regressive in nature, person will bear tax on goods or service consumed by them irrespective of their ability. • Useful tool to promote social welfare by checking consumption of harmful goods & sin goods through higher tax.

Constitutional Validity of Tax

- 1 Preamble
- 22 Parts
- 444 Articles
- 12 Schedule

Article 265: states that no tax shall be levied/collected except by the authority of law.

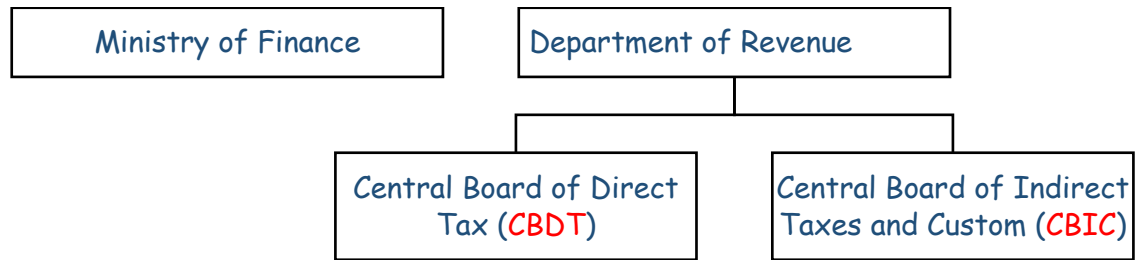
Article 246: read with schedule VII: union List, only CG has power of legislation on subject matter covered.

Entry 82: Taxes on income other than agricultural income i.e. Income tax.

State list, only state govt

Entry 46: Taxes on Agricultural income

Note: If there is contradiction between central and state law, central will prevail

Administration of Tax Laws**Sources of Income Tax in Law in India**

Income Tax Act, 1961: The act effective from 1/4/1962, divided into 23 chapters covering 296 sec. and 14 Schedules, contains provisions for:

- Determination of Taxable Income
- Determination of Tax Liability
- Procedure of Assessment, Appeals, penalties, & prosecutions
- Powers and Duties of Income Tax Authorities

Income Tax Rules, 1962

- Board may subject to the control of Central Govt
- Rules are made applicable by notification in the Gazette of India.

Finance Act

Finance Bill is approved by both houses of parliament & receives assent of President, becomes Finance Act. Provision of such Finance Act thereafter incorporated in IT Act

Circulars and Clarification by CBDT

- Board may issue circular & clarification which have to followed & applied by IT Authorities
- Circular & clarification is binding on Income Tax Authorities, but same is not binding on assessee. However assessee can claim benefit under such circulars.
- These are not binding on IT Appellate Tribunal or on the court.

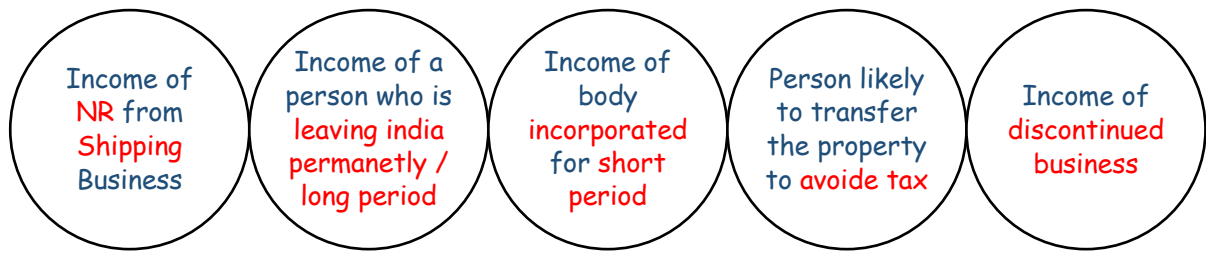
Judicial Decision

- Any Decision of supreme court shall be applicable as law till there is any law by parliament.
- Contradiction in 2 or more decisions of court, decision of larger bench, whether earlier or Later, shall always prevail. But in case of same number of judges- recent case decision shall be applicable.

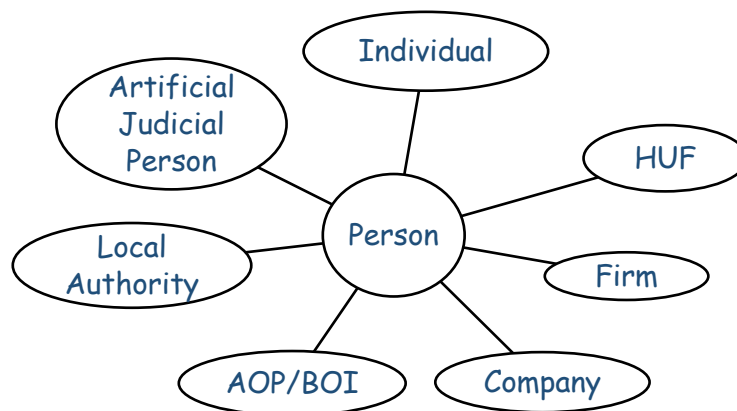
Assessment Year and Previous Year

- General Rule Income of PY will be assessed in immediate following Ay
- Previous Year/Financial Year 2024-25
- Assessment Year 2025-26

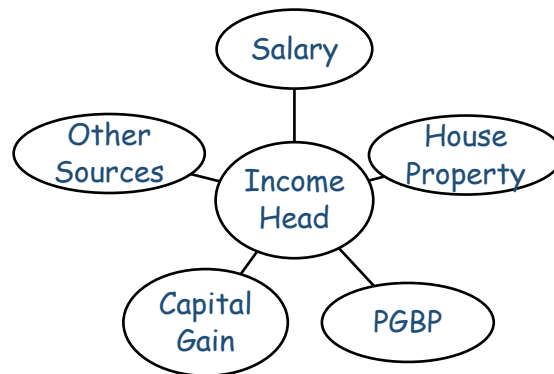
But in the following cases income of previous year is assessed in the same year



Person



Heads of Income



Gross Total Income: Total of all 5 above heads is GTI

Computation of Income

Particulars	Amount
Salaries	XXX
Income From House Property	XXX
Profit and gains of Business and Profession	XXX
Capital Gain	XXX
Income from Other Sources	XXX
Gross Total Income	XXX
Deduction u/s 80C to 80U	(XXX)
Total Income	XXX

Tax Rates for Assessment Year 2024-25 (General Tax Rates as per FA-23)**In case of Individual, HUF, AOP, BOI, Artificial Juridical Person Rates**

For Individual, HUF, AOP, BOI, AJP (Resident or Non-resident).

Total Income (NTI) upto 2,50,000 (Basic Exemption limit)	NIL
above 2,50,000 upto ₹ 5,00,000	5%
above 5,00,000 upto 10,00,000	20%
above 10,00,000	30%

For Senior Citizen (Resident Individual age 60 years or more in Py but less than 80 years)

Total Income (NTI) upto 3,00,000 (Basic Exemption limit)	NIL
above 3,00,000 upto 5,00,000	5%
above 5,00,000 upto ₹ 10,00,000	20%
above 10,00,000	30%

For Super Senior Citizen (Resident Individual age 80 years or more in PY)

Total Income (NTI) upto ₹ 5,00,000 (Basic Exemption limit)	NIL
above 5,00,000 upto 10,00,000	20%
above 10,00,000	30%

Circular No 28/2016 dt 27.07.2016: Any Resident Individual whose 60th/80th birthday falls on 1 April,24 shall be treated as completed age of 60/80 years on 31 March,24 i.e. PY 2023-24 (AY 24-25) & hence would be eligible for higher basic exemption limits

Surcharge for Assessee being Individual, HUF, AOP, BOI & AJP:

SN	Conditions	Surcharge %
1	Total Income upto 50 lakhs	No Surcharge
2	Total Income more than 50 lakhs upto 1 crore	10% on tax
3	Total Income more than 1 crore upto 2 crores	15% on tax
4	Total Income more than 2 crores & it includes Dividend, Capital gain u/s 111A, 112A & 112 (Special income)	15% on tax on special income
➤	Remaining Total Income (Total Income excluding Special Income) is upto 2 crores	15% on tax on remaining income
➤	Remaining Total Income (Total Income excluding Special Income) more than 2 crores upto 5 crores	25% on tax on remaining income
➤	Remaining Total Income (Total Income excluding Special Income) more than 5 crores.	37% on tax on remaining income

Eg:

"Rs. In Lakhs"

SN	Total income excluding special income	Special Income (CG & Dividend)	Total Income	Surcharge applicability on tax calculated on	
				Special Income	Other Income
1	22	26	48	NIL	NIL
2	46	51	97	10%	10%
3	45	71	116	15%	15%
4	45	305	350	15%	15%
5	65	700	765	15%	15%
6	195	250	445	15%	15%
7	150	500	650	15%	15%
8	300	100	400	15%	25%
9	300	250	550	15%	25%
10	600	100	700	15%	37%

In case of Company:**A. Domestic Company****Tax Rate**

Total Turnover or Gross Receipt of P.Y. 2022-23B Upto Rs.400 Crore

25%

Otherwise

30%

B. Foreign Company

35%

Surcharge	Domestic Company	Foreign Company
Total Income > Rs. 1 Crore but upto ₹ 10 Crores	7%	2%
Total Income > ₹ 10 Crores	12%	5%

In case of Firm, LLP, Local Authority:**Tax Rate: 30%**

- Surcharge @ 12% if Total Income more than ₹ 1 Crore.

In case of Co, operative society:**Tax Rate**

- Total Income upto ₹ 10,000 10%
- Total Income > ₹ 10,000 but upto ₹ 20,000 20%
- Total Income > ₹ 20,000 30%

Surcharge: Same as domestic company (7% & 12%)

In all above cases Health & Education cess applicable @4% on tax (including SC if any).

Sec 288A/288B: amt. of Total Income & Tax rounded off to nearest ₹ 10

Marginal Relief: If there is little bit increase in income over 50 Lakhs/1 Crore/2 Crore/5 Crore (in case of Ind/HUF/AOP/BOI/AJP) or 1 Crore (in case of Company/Firm/Local Authority/Co. op. society) or 10 Crore (in case of Company/ Co. op Society), surcharge is applicable on entire amt. of tax & as a result increase in tax is more than increase in income. In order to remove this defect, assessee shall be allowed relief to extent increase in tax is more than increase in income.

Example-1 Total income of Indian Company 1,01,00,000. T/o of PY 21-22 is 450 crores, Assessee not opted sec. 115BAA. Calculate tax liability.

Solution:

Particular	₹	
Tax on Total Income (1,01,00,000 × 30%)	30,30,000	
Add: Surcharge @ 7%	2,12,100	
	32,42,100	
Above amt. is restricted to Tax on 1 crore + (NTI-1 crore) (30,00,000 + 1,00,000)	31,00,000	
	31,00,000	
Add: HEC @ 4%	1,24,000	
Net Tax Liability	32,24,000	

Marginal Relief
₹ 1,42,100

Sec. 87A: Rebate from Tax to Certain Individuals

For Resident Individual having Total Income up to ₹ 5,00,000

- 100% of tax payable, or
 - ₹ 12,500
- Whichever is Lower

Notes:

1. This rebate shall be reduced before adding health & education cess
2. Rebate u/s 87A available against all types of Income except LTCG u/s 112A
3. Marginal relief concept not applicable on rebate except when assessee opted 115BAC
4. Rebate in case of 115BAC discussed with concept of 115BAC in later part of this topic.

Example: Calculate tax liability of Ms. Sneha resident Individual (Age 24 years).

	Case - 1	Case - 2
Total Income	4,00,000	5,07,000
Tax Liability	7,500	13,900
Less: Rebate 87A		
a) Tax Amt 7,500		
b) 12,500		
Whichever is lower	7,500	Not available
	NIL	13,900
Add: HEC @ 4%	NIL	556
Net Tax Liability	NIL	14,456

Default Taxation Regime**Sec. 115BAC: Tax on Income of Ind, HUF, AOP, BOI, AJP [Amended w.e.f. AY 25-26]**

Assessee	Individual, HUF, AOP/BOI (other than Co. op Soc.), AJP	
Tax Rate	Total Income	Tax Rate
	Upto 3,00,000	NIL
	3,00,001 to 7,00,000	5%
	7,00,001 to 10,00,000	10%
	10,00,001 to 12,00,000	15%
	12,00,000 to ₹ 15,00,000	20%
	Above 15,00,000	30%
	Special Income (u/s 111A, 112, 112A etc.) shall be taxable @ Special rates.	
S.C.	Surcharge will be 10%/15%/25% depends on Total Income of assessee. In this case 37% surcharge not applicable even Total Income > 5 crore. Health & Education cess shall be @4% always.	
AMT	Assessee paid tax as per sec. 115BAC is not required to pay AMT. B/F AMT credit cannot be set off against income u/s 115BAC. Therefore, if assessee has b/f AMT credit, it should first exhaust AMT credit & thereafter opt for 115BAC	
Conditions	1. Assessee does not claim following deductions/exemptions:	
HP	1. Interest u/s 24(b) for Self-occupied property. 2. Set-off of HP loss (Let out/Deemed to be let-out property) against other head (HP loss shall be allowed to be carried forward as per law)	
Salary	1. Entertainment allowance & Professional tax u/s 16(ii)& (ii)	
	2. Leave travel concession u/s 10(5)	
	3. HRA u/s 10(13A)	
	4. Allowance u/s 10(14) (except: DTDC) D. Travel allowance to a Divyang employee for commuting between place of residence & place of duty. T. Travelling/tour allowance: to meet cost of travel on tour/on transfer. D. Daily allowance: to meet ordinary daily charges incurred by an employee due to absence from his normal place of duty. C. Conveyance allowance: to meet expenditure on conveyance in performance of duties of an office.	
PGBP	Sec. 10AA, 32(1)(ia), 35(1)(ii), (ii), (ii), 35(2AA), 35AD.	
IFOS	Allowance for income of minor u/s 10(32)	
	Allowance to MP/MLA u/s 10(17)	
Deduction	Deduction under Chapter VI-A Except: deduction u/s 80JJAA, 80CCD(2), 80CCH(2).	
	2. Assessee cannot set-off any b/f loss or unabsorbed depreciation attributable to deduction referred above.	
	3. HP loss cannot be set off against other head.	
	4. No deduction or exemption for allowance or perquisite provided under any other law for the time being in force.	
Option not to opt	115BAC is default tax regime. However assessee can avail benefit of regular tax regime by exercising option.	

115BAC [115BAC(6)]	<p>➤ Assessee does not have PGBP: Option of regular tax regime must be exercise along with return u/s 139(1) for every PY.</p> <p>➤ Assessee having PGBP: Option of regular tax regime must be exercise along with return u/s 139(1). Such option once exercised shall apply for subsequent AY also. However option once exercise for regular regime can be withdraw only once for PY & there after person shall never be eligible for benefit of regular regime till time having income under PGBP.</p>
Rebate u/s 87A If assessee	<p>For Resident Individual having Total Income up to ₹7,00,000.</p> <p>a.) 100% of tax payable, or b.) ₹25,000 Whichever is Lower.</p> <p>Marginal Relief: If Total Income >7,00,000 but doesn't exceed 7,22,220, tax on such income can not exceed amt. by which Total Income exceeds 7,00,000. However marginal Relief not available in case of regular tax.</p>

Example: Mr. Chandler is a Resident Individual. His total income for AY 24-25 is 7,00,000 or ₹7,27,000 or ₹7,30,000 or ₹7,30,000, Assessee not opted regular tax regime.

Total Income	7,00,000	7,20,000	7,27,000	7,30,000	7,50,000
Tax as per 115BAC	20,000	22,000	22,700	23,000	25,000
Less: Rebate u/s 87A a.) 100% of tax payable, or b.) ₹25,000	20,000	NIL	NIL	NIL	NIL
<u>Restricted to</u> <u>Tax on 7 lakhs + (NTI-7</u> <u>lakhs)</u>	NIL NIL	22,000 20,000	22,700 27,000	23,000 30,000	25,000 50,000
Add: HEC @ 4%	NIL NIL	20,000 800	22,700 908	23,000 920	25,000 1,000
Net Tax Liability	NIL	20,800	23,608	23,920	26,000
Marginal Relief	-	2,000	-	-	-

Some other Special Tax Rated

Sec.115BB: Tax on winnings from lotteries, crossword puzzles, races card games etc.

- Tax Rate @ 30%

Sec. 115BBJ: Income from Online Games (Added by FA 23 w.e.f AV 24-25)

- Tax Rate: @30% on winning from online games computed to the prescribed.
- "Online Game meant a game that is offered on internet & is accessible by a user through a computer resource including any telecommunication device.

Sec. 115BBE Deemed Income u/s 68 to 69D

- Tax Rate: 60% (surcharge @ 25%, & HEC 4%) effective rate 78%.
- No set off of any loss shall be allowable against deemed income.

Notes for all above sections:

1. Deduction u/s 28 to 44C or 57 not allowed against above gross income taxable.
2. Deduction u/c VI-A not available.
3. Basic Exemption Benefit NOT Available against above income (Except 112 (LTCG), 112A & 111A in case of resident Individual & HUF).

Deemed Income [Sec 68 to 69D]**Sec 68. Cash Credit**

Where any sum is found credited in books of assessee & assessee offers no explanation about nature & source or explanation is unsatisfactory in opinion of AO, sum credited may be treated as income of that PY.

However, where sum so credited consists of loan/borrowing or any such amount, by whatever name called, any explanation offered by assessee shall not be deemed to be satisfactory, if, person in whose name such credit is recorded also offers no explanation about nature & source or explanation not satisfactory.

Further, any explanation offered by closely held company in respect of any sum credited as share application money, share capital, share prem. or any such amount, in a/c's of such company shall be deemed to be unsatisfactory, if, resident person, in whose name such credit is recorded in books of such company also not explains about nature & source/explanation not satisfactory.

Sec 69: Unexplained Investments

Assessee has made investments which are not recorded in BOA & assessee has no explanation about nature & source of investments/explanation unsatisfactory to AO, value of investments are taxed as deemed income of assessee of that PY.

Sec 69A: Unexplained Money, Assets etc.

Where in any PY, assessee is found to be owner of any money, bullion, jewellery or other valuable article & not recorded in BOA & has no explanation about nature & source of acquisition of such money, bullion etc. or explanation unsatisfactory in opinion of AO, money & value of bullion etc may be deemed income of assessee of that PY.

Sec 69B: amt.of investments etc., not fully disclosed in books of account

Where in any PY, assessee has made investments or is found to be owner of any bullion, jewellery or other valuable article & AO finds that amt. spent on making such investments or in acquiring such articles exceeds amt. recorded in BOA by assessee & he offers no explanation for difference/explanation is unsatisfactory in opinion of AO, such excess may be deemed income of assessee of that PY.

Sec 69C: Unexplained Expenditure

Where in any PY, an assessee has incurred any expenditure & he offers no explanation about source of such expenditure or explanation is unsatisfactory in opinion of AO, AO can treat such unexplained expenditure as income for such PY. Such unexplained expenditure which is deemed to be income of assessee shall not be allowed as deduction under any head of income.

Sec 69D: Amt. borrowed or repaid on hundi

Where any amt. is borrowed on a hundi or any amt. due thereon is repaid other than through an account payee cheque drawn on a bank, amt. so borrowed or repaid shall be deemed to be income of person borrowing or repaying for PY in which amt. was borrowed or repaid, as case may be.

However, where any amt. borrowed on a hundi has been deemed to be income of any person, he will not be again liable to be assessed in respect of such amt. on repayment of such amount. The amt. repaid shall include interest paid on the amt. borrowed.

Note: Income mentioned u/s 68 to 69D taxed @60% (+25% Surcharge+4% HEC i.e.78%)

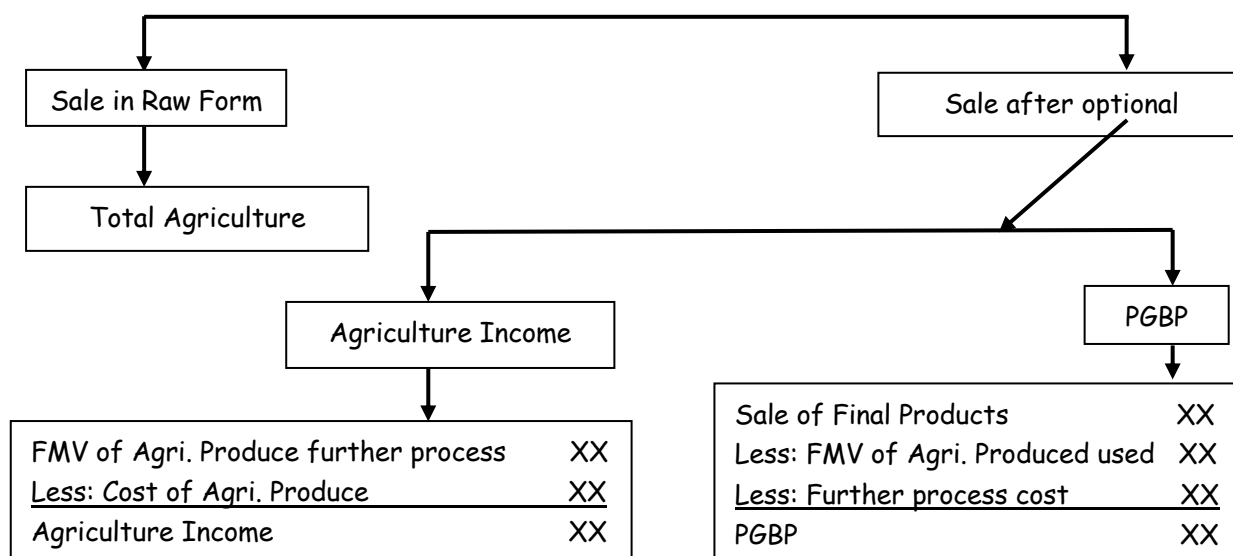
2. Agricultural Income

It is exempt from Tax if it's from agriculture land in India.

As per sec. 2(14), Agriculture income means -

- Rent from agriculture land (used for agriculture purpose).
- Income from sale of agriculture produce. (Note 1)
- Rent from house (use as dwelling house, store house).
- Income from nursery.

Note 1: Rule 7- Sale of agriculture produce



Special Rules for Tea, Coffee & Rubber:

Rules	Activity	Agri. Income	PGBP
8	Growing & Manufacturing of Tea	60%	40%
7B	Growing & Manufacturing of Coffee		
	a) Grown & cured	75%	25%
	b) Grown, Cured, Roasted & Grounded	60%	40%
7A	Growing & Manufacturing of Rubber	65%	35%

Note: Remember-Higher% represents income from Agriculture

Partial Integration in case of Agricultural Income

Agriculture income is exempt from tax but for computation of tax it shall be considered if follow conditions are satisfied.

- Assessee is Individual, HUF, AOP, BOI, AJP.
- Agriculture income more than 5,000.
- Non-agriculture income more than Basic exemption.

Computation of Tax Liability

Particular		₹
Non-Agriculture Income (Total Income)	[A]	XX
Agriculture Income	[B]	XX
Total	[C]	XX
Tax Payable on "C"	[D]	XX
Aggregation of "B" & Basic Exemption	[E]	XX
Tax Payable on "E"	[F]	XX
Net Tax Payable "D-F"	[G]	XX

3. Residential Status

If any person become Resident then his whole world income is taxable in India but if person become Non Resident, then only Indian income is taxable for that person. Residential status shall be **determined for every person for each PY independently.**

Residential Status of Individual

Basic Conditions as per sec. 6(1)	No. of days stay in India	Satisfied or Not satisfied
1. Stay in India for 182 days/more in P.Y. (Current PY) OR 2. Stay in India for 60 days/more in P.Y. & 365 days or more in Last 4 P.Y.'s		
Additional Conditions sec. 6(6)		
1. Resident for 2 P.Y. or more in Last 10 P.Y.'s & 2. Stay in India for 730 days or more in Last 7 P.Y.'s		

If any individual satisfies any **Basic condition** (at least one) then he is treated as Resident in India otherwise Non-Resident in India. If any individual become Resident in India, then we will check that such person in **Resident & ordinarily resident (ROR)** in India or **Resident but Not ordinarily (R but NOR)** Resident in India. If assessee satisfy **both additional conditions** then he will be R & OR otherwise R but NOR.

Notes:

1. The day on which he enters India, & the day on which he leaves India, shall be taken into account as **stay of Individual in India.**

2. In following cases only Basic condition no. 1 is applicable for Determination of residential status (2nd Basic condition should be ignored).

- Indian Citizen, Leave India during the P.Y. for an employment outside India.
- Indian Citizen being a crew member of Indian Ship, leave India during the PY.
- Indian Citizen or Person of Indian origin engaged outside India in any employment or a Business or Profession, & Visiting India during PY & his total income (excluding income from foreign source) is upto 15 Lakhs in PY

Note: Person of Indian Origin means, he/either of his parents/either of his grandparents were born in undivided India.

In case of Indian citizen/person of Indian origin having total income (other than foreign source income) of **more than ₹ 15 lakhs** then **2nd basic condition** applicable & instead of 60 days in 120 days are considered, if stay in India 120 days/more but less than 182 days in current PY & stay in India for 365 days or more in last 4 PY's then he will be treated as resident but not ordinary resident. (In this case no need to check additional conditions)

Note: Income from foreign sources (FSI) means income which accrues/arises outside India, except income derived from a business controlled in/a profession set up in India.

Summary - How many days an Indian Citizen or a Person of Indian origin visits in India during P.Y

Less than 120 days	120 days or more but upto 181 days	182 days or more irrespective of Total Income
NR in India	If he satisfied both conditions then R but NOR otherwise NR (i) Stay in India for 365 days/more in last 4 P.Y and (ii) His Total Income (other than foreign income) more than ₹15 Lakhs.	If he satisfied both conditions then R&OR otherwise R but NOR (i) Resident in India for 2 P.Y or more in last 10 P.Y's, and (ii) Stay in India for 730 days or more in last 7 P.Y's.

In case of Indian citizen, crew member of a foreign bound ship (originated from India & destination outside India/vice versa) leaving India, followings days shall be treated as stay outside India; -"From date entered into continuous discharge certificate (CDC) is respect of joining ship & ending on date entered into CDC in respect of signing of ship."

Sec. 6(1A): Deemed Resident:

In case of Indian citizen, having total income (other than foreign source income), exceeding ₹15 lakhs during PY shall be deemed to be resident in India in that PY, if he is not liable to tax in any other country/territory by reason of his domicile/residence or any other criteria of similar nature & he is **always treated as R but NOR**. However, this provision will not apply in case individual resident in PY as per sec. 6(1),

***Liable to tax means** that there is an income-tax liability on such person under foreign country tax law. It also includes a person who has subsequently been exempted from such liability under law of that country.

Sec. 6(2): Residential Status of Hindu Undivided Family (HUF):

If Control & Management of its affairs is

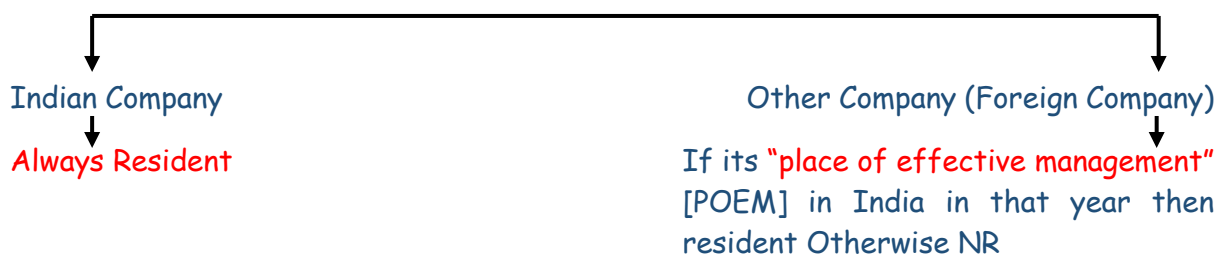


Note: If Karta of HUF is satisfying both additional Conditions u/s 6(6) HUF is **treated as R & OR** otherwise **R but NOR**.

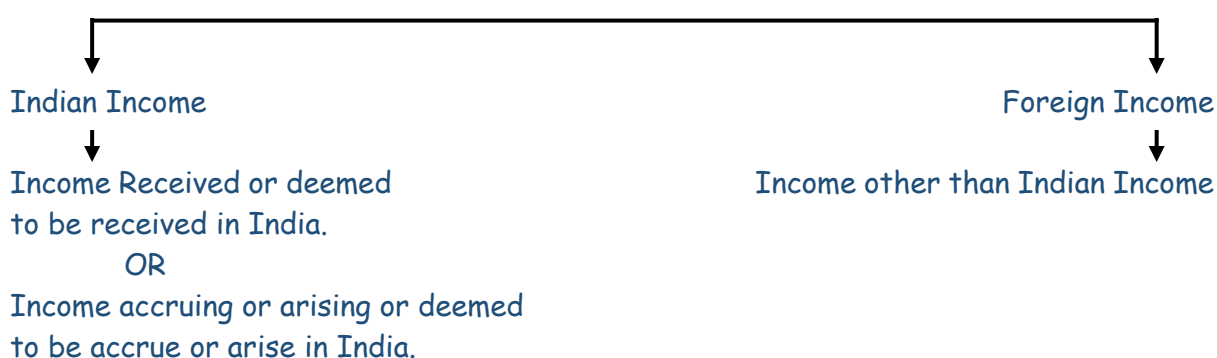
Sec. 6(2): Residential Status of FIRM/AOP/BOI/Local Authority/AJP:

If Control & Management of its affairs is



Sec. 6(3): Residential Status of Company:

***POEM** means a "place where key management & commercial decisions that are necessary for the conduct of the business of an entity as a whole are in substance made"

Sec. 5: Scope of Total Income:**Total Income****Taxability of Income for Individual & HUF:**

SN	Income	R & OR	R but NOR	NR
1.	Indian Income	Taxable	Taxable	Taxable
2.	Foreign Income -Income from Business or Profession Controlled / setup from India	Taxable	Taxable	Not-Taxable
	- Other foreign Income	Taxable	Not-Taxable	Not-Taxable

Taxability of Income for Other Assessee:

SN	Income	Resident	NR
1.	Indian Income	Taxable	Taxable
2.	Foreign Income	Taxable	Not-Taxable

Notes:

- Income received means, **received** for **first time**. After receiving income outside India, subsequently if it is remitted into India, it **cannot be treated as Receipt of Income**.
- Income may be in **Cash or in Kind**.
- Any income already taxed on an accrual basis, consequently remitted to India, is not chargeable to tax at time of remittance irrespective of residential status.
- Income accrual in India means, income generated in India or source of Income situated in India.

Sec. 7: Income deemed to be received in India:

- i. Contribution in excess of 12% of salary to Recognised provident fund or interest credited in excess of 9.5% p.a (Annual accretion to the credit of RPF).
- ii. Contribution by employer under a pension scheme referred u/s 80CCD (NPS).
- iii. Amount transferred from URPF to RPF (being the employer's contribution & interest thereon).

Sec. 9. Income deemed to accrue or arise in India:

Sec 9(1)(i): Through or from any Business Connection in India or any property in India or any asset or source of income in India or transfer of a capital asset situated in India.

Following shall not be treated as Business Connection in India

- A. Purchase of goods in India for export.
- B. Collection of news & views in India for transmission out of India.
- C. Shooting of cinematograph films in India if such NR is Individual, who is not a citizen of India or a firm which does not have any partner who is a citizen of India or who is resident in India or a company which does not have any shareholder who is a citizen of India or who is resident in India.
- D. In case of a foreign co. engaged in business of mining of diamonds, from activities which are confined to display of uncut & unassorted diamonds in any special zone notified by the CG.
 - Income from property, Asset or source of Income is situated in India, then it is treated as deemed to be accrued or arise in India.
 - Income through transfer of Capital asset situated in India whether registration of documents of transfer in India or outside India or consideration received in India or outside India.

Sec 9(1)(ii): Salary Income for service rendered in India, whether such Income before or after service rendered like Gratuity, Pension, Profit in lieu of Salary.

Sec 9(1)(iii): Salary received by Indian Citizen from Govt. for service rendered outside India: As per sec. 10(7) perquisite & allowances are Exempt.

Sec 9(1)(iv): Dividend paid by Indian Company Outside India.

Sec 9(1)(viii): Deemed accrual of gift made to a person outside India.

Gift of any money made by resident to:-

- NR or foreign company on or after 5th July 2019 or
- R but NOR on or after 1st April 2023

shall be deemed to be accrued or arise in India.

Sec 9(1)(v): If interest is payable by: -

- a) Government, or
- b) Resident person [Exception: where money borrowed & used, for purposes of a business or profession carried on by him outside India or for purposes of earning any income from any source outside India], or
- c) NR when money borrowed used for purpose of business or profession carried in India by him, then such interest is treated as deemed to be accrued or arise in India.

E.g.: If a NR 'Chandler' borrows money from a NR 'Rachel' & invests the same in shares of an Indian company, interest payable by 'Chandler' to 'Rachel' will not be deemed to accrue or arise in India.

Sec 9(1)(vi): If royalty payable by: -

- a) Government, or
- b) Resident person [Exception: Where it is payable for transfer of any right or use of any property or information or for utilization of services for purposes of a business or profession carried on by such person outside India or for purposes of earning any income from any source outside India.]
- c) NR in respect of transfer of any right, use of any property or information or utilization of service for purpose of business or profession carried in India or earning any Income from any source in India then such Royalty is treated as deemed to be accrued or arise in India.

Notes:

1. Lumpsum Royalty by resident to NR for supply of computer software along with computer hardware under scheme of CG shall not be treated as deemed to be accrued or arise in India.
2. If transfer of property is already taxable "Capital gain" then it is not covered under "Royalty".
3. "Royalty" means consideration (including any lump sum consideration) for-
 - i. Transfer of all/any rights (including granting of a licence) in respect of a patent, invention, model, design, secret formula/process/trade mark or similar property.
 - ii. Imparting of any information concerning working of, or use of a patent, invention, model, design, secret formula or process or trade mark or similar property.
 - iii. Use of any patent, invention, model, design, secret formula or process or trade mark or similar property:
 - iv. Imparting of any information concerning technical, industrial, commercial or scientific knowledge, experience or skill.
 - v. Use or right to use any industrial, commercial or scientific equipment.
 - vi. Transfer of all/any rights (including granting of a licence) in respect of any copyright, literary, artistic/scientific work including films/Video tapes for use in connection with television or tapes for use in connection with radio broadcasting:
 - vii. Rendering of any services in connection with activities referred in above clauses.
4. Consideration for use or right to use of computer software is covered under Royalty

Sec 9(1)(vii): If Fees for Technical Service (FTS) payable by:

- a) Government, or
- b) Resident person [Exception: Where the fees is payable in respect of technical services utilised in a business or profession carried on by such person outside India or for the purpose of earning any income from any source outside India.]
- c) NR in respect of Technical service utilised in business or profession carried on by such person in India or such service utilised for earning any income from any source in India, then such FTS is treated as deemed to be accrued or arise in India.

FTS means: any consideration (including any lumpsum consideration) for the rendering of any managerial, technical or consultancy services (including providing the services of technical other personnel). However, it does not include consideration for any construction, assembly, mining or like project undertaken by the recipient or consideration which would be income of the recipient chargeable under the head 'Salaries'.

4. House Property

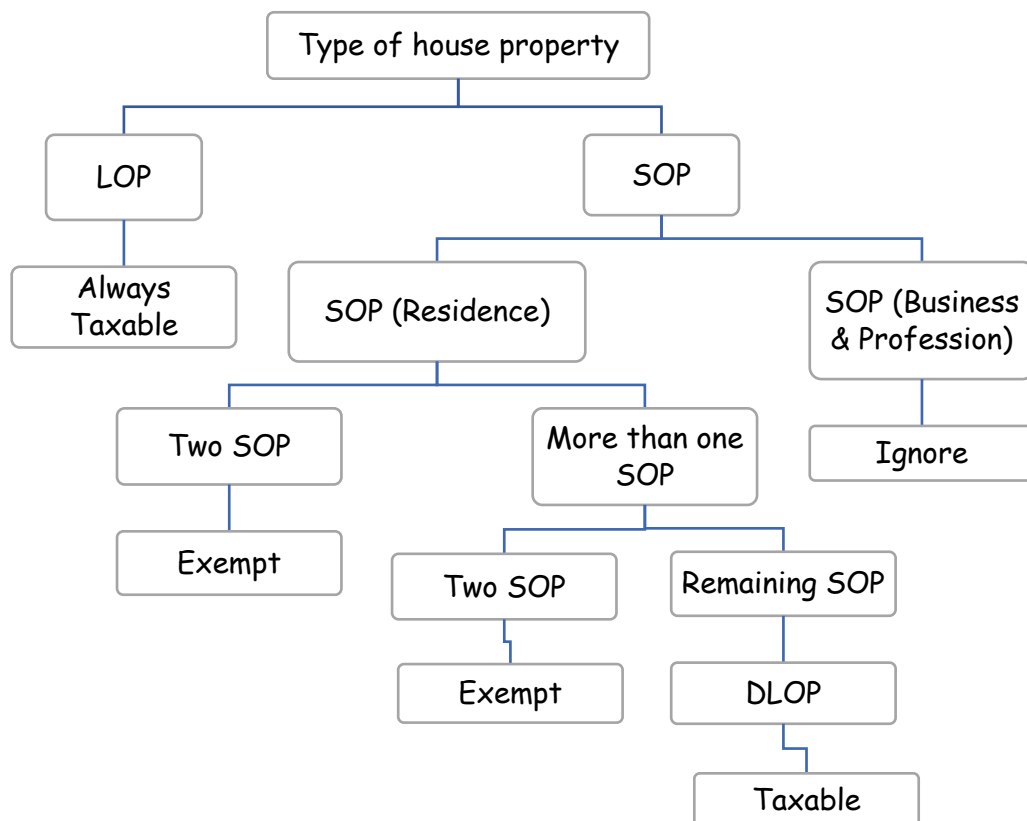
Sec.22: Charging Section:

Rental income (Annual value) is taxable under head income from house property if following **two** conditions are satisfied:

1. There should be **House property****
2. Assessee should be **owner** of that house property.

**House property means building/land appurtenant thereto

Type of house property:



LOP: Let Out Property

SOP: Self Occupied Property

DLOP: Deemed to be Let Out Property

Amendment by F.A. 2019

Where house property is held as stock-in-trade & property or any part of property is not let during whole or any part of PY, annual value of such property or part of property, for period upto 2 Years from end of FY in which certificate of completion of construction of property is obtained from competent authority, shall be taken to be NIL.

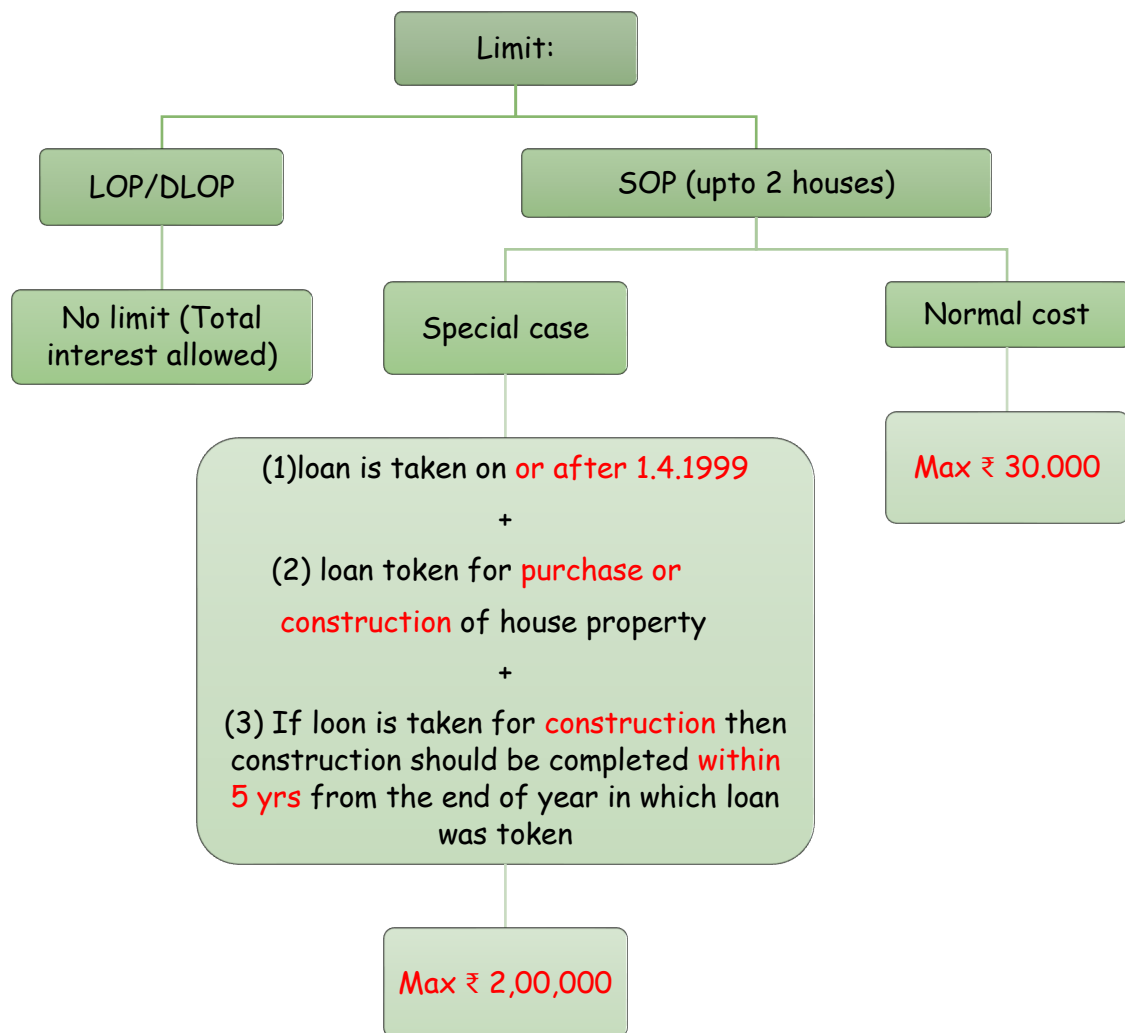
Following benefits NOT Available when assessee paid taxes as per default tax regime 115BAC

1. Interest u/s 24(b) in case of self-occupied property, so SOP income will be always NIL.
2. Losses of HP head cannot be set-off against any other head of income.

Computation of income from House property

	SOP (Res)	LOP	DLOP
↑ Municipal Value	-	XX	XX
↑ Fair Rent	-	XX	XX
↓ Whichever is Higher	-	XX	XX
↓ Standard Rent	-	XX	XX
↑ Expected Rent	-	XX	XX
↑ Actual Rent	-	XX	-
Gross Annual Value (GAV)	-	XX	XX
Less: Municipal Tax (Paid)	-	(XX)	(XX)
Net Annual Value (NAV)	-	XX	XX
Less: Deduction u/s 24			
(i) Standard Deduction @ 30% of NAV	-	(XX)	(XX)
(ii) Interest on Loan	(XX)	(XX)	(XX)
Income From House Property	(XX)	XX	XX

- Municipal value:** It means value of property as per municipality record
- Fair Rent:** It means rent of similar property in same locality It is also known as reasonable rent/reasonable letting value
- Standard Rent:** It means rent as per rent control Act. It is the maximum amt. of rent that can be legally recovered by **Owner from tenant**
- Actual Rent:** Actual Rent= Rent received (+) Rent receivable (-) unrealized rent
- Municipal Taxes.**
 - It means tax which is recovered by Municipality local Authority gram panchayat
 - Is also known as house Tax property tax, local taxes
 - It is allowed on payment basis [**paid-Allowed: as-Not allowed**]
 - It is allowed only if it is **paid by owner**.
 - If municipal taxes are given on % basis then it should be calculated on municipal value.
- Interest on Loan:**
 - Interest on loan is allowed as deduction if loan is taken for the purpose of house property purpose, construction repair, renovation.
 - Loan may be taken from banks, financial institutions trusts, friends, family etc
 - Interest is allowed on due basis [paid- Allowed o/s-Allowed]
 - Interest on Interest (Penal interest) is not allowed as deduction
 - Limit:



7. Any fresh loan is taken for repayment of earlier loan & earlier loan was taken for the purpose of house property then interest of fresh loan shall be allowed as deduction.
8. Interest paid **outside India** shall **not be allowed** as deduction if **TDS not deducted** on such interest.
9. **Pre-construction/Acquisition interest:** It means interest paid before the year in which construction was completed. It is allowed in **Five equal installments** from the year in which construction was completed.

Un-realized Rent & recovery of un-realized Rent:

$\text{Actual Rent} = \text{Rent received} + \text{Receivable} - \text{unrealized rent.}$

Unrealized rent: It means rent which is not recovered by owner from tenant. It is like **Bad debts** of rent, it is deductible while calculating actual rent if following **four conditions** of Rule 4 are satisfied

1. Tenancy should be **bonafide**.
2. Tenant should have **vacated the house property**.
3. Such tenant should **not occupy any other house property of some assessee**.
4. Reasonable step should have been taken for recovery of unrealized rent.

Note: As per ITR Form unrealized rent can be reduced from Gross Annual Value.

Arrears of rent: It means rent under dispute.

Sec 25A: Recovery of un-realised & Arrears of rent:

Recovery is taxable in year in which it is recovered, under head house property, whether assessee is OWNER of property or not is that financial year. Any expenditure incurred for such recovery shall be ignored.

$$\text{Taxable Amt} = \text{Recovery} \times 70\% \text{ [30\% Std. deduction]}$$

Other Expenses:

Repair & Maintenance
Society charges
Parking charges
Insurance charges
Electricity & water charges
Lift charges etc

Not allowed because 30%
Standard deduction on NAV
is allowed

Consent of Vacancy:

$$ER \leq AR + VR$$

GAV

$$ER > AR + VR$$

GAV

Concept of Partly Let out property (Area wise):

If some area of House property is let out & remaining is self-occupied then let out portion is treated as LOP & self-occupied portion is treated as SOP. In this case Municipal value, fair rent, standard rent, municipal taxes, interest on loan should be divided between SOP & LOP on area basis

Actual rent should never divided because it is always for LOP.

Concept of Partly Let out property (Time wise):

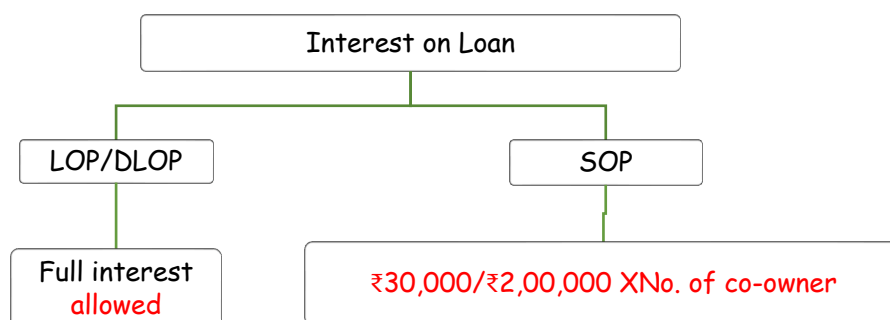
If property is let out for some period of time & self-occupied for remaining time then such property is treated LOP only. If property is let out for even 1 day then, also that property is treated as LOP.

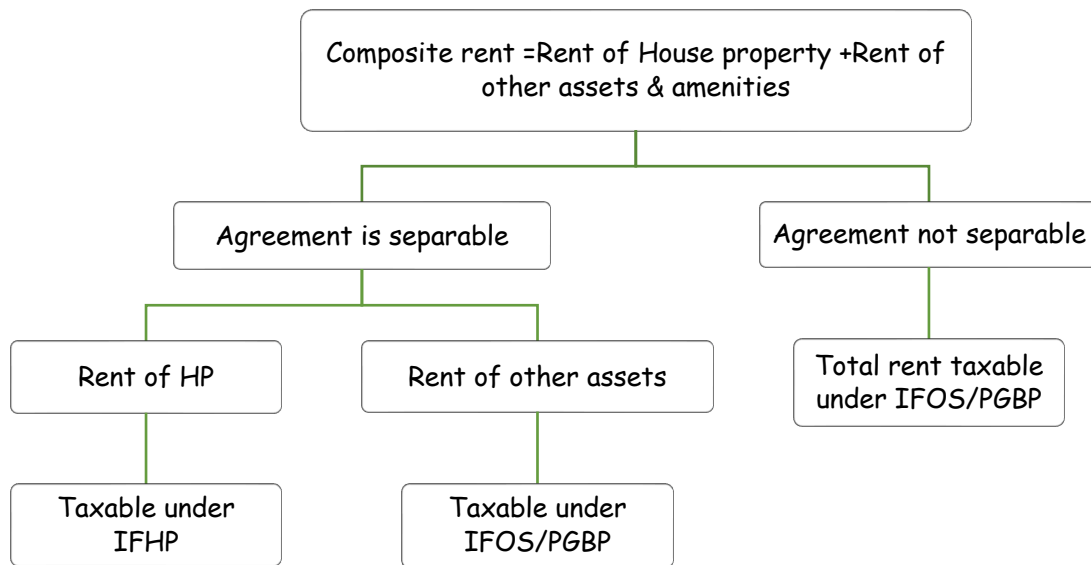
Assessee owns more than one SOP:

Two of such house property (at the option of Assessee) treated as SOP & remaining be treated as DLOP.

Concept of Joint ownership:

Joint ownership (co-ownership) means property is owned by more than one owner in this case, income from house property is calculated normally & therefore it should be divided between co-owners in their ownership ratio.



Concept of composite rent:

Note: If let out of property not feasible without other asset then total rent is taxable under head Income from Business / Profession or income from other sources whether agreement is separable or not. Eg. Hotel.

Section 27: Deemed owner:

1. If Individual transfers any house property to their spouse for without or inadequate consideration then such individual is treated as Deemed owner of such property.
Exception: Transfer in connection of live apart.
2. If any individual transfers any house property to a minor child (other than minor married daughter) for without consideration or inadequate consideration then such individual is treated as deemed owner
3. In case of a co-operative society, shareholder is treated as deemed owner of such property.
4. Holder of an impartible estate.

Amendment by FA 2019:

Sec. 23 to provide that if assessee owns 2 houses or more than he can claim annual value of any of two house properties as NIL.

Thus, if assessee has more than two house properties, he can claim that the annual value of any two house properties shall be nil which:

- (a) are in occupation of the owner for purpose of his own residence; or
- (b) cannot actually be occupied by owner owing to his employment, business or profession carried on at any other place & he has to reside at that other place in a building not belonging to him.

Hence, with effect from AY 20-21, a person will be able to take annual value as nil in respect of 2 house properties instead of one if aforesaid conditions are satisfied.

Consequential amendment has also been made u/s 24 (b) that aggregate amt. of deduction of interest on loan taken in respect of 2 residential house properties, whose annual value is treated as nil as per sec. 23(2), shall not exceed ₹ 30000/200000, as the case may be.

5. Salary

Section 15:-Charging Section:

- Income is taxable under the head salary if there is **Employee - Employer relationship** (master servant relation).
- Salary is taxable even in case of part time job like employee work with 2 employers simultaneously.
- Salary is taxable on the basis of due or received whichever is earlier.
- Salary received by partner from partnership firm shall be taxable under the head PGBP.
- Salary received by MP, MLA, MLC shall be taxable under the head IFOS.
 - o Contract of service salary.
 - o Contract for service PGBP.
- Salary forgone is always taxable since it is merely application of income. Salary surrendered to central Govt, shall not to be treated as salary.

Any amt. received before joining employment or after cessation of employment with that person is treated as **Profit in lieu** of salary & it is taxable.

Statement of salary.

Name of the Assessee _____ P.Y. 2023-24 A.Y. 24-25

Computation of salary

Particulars	₹
Basic Salary (Note-1)	XXX
Dearness Allowance (D.A.) (Note-2)	XXX
Commission (Note-3)	XXX
Bonus (Note-4)	XXX
Advance Salary/Arrears salary (Note-5)	XXX
Gratuity (Note-6)	XXX
Pension (Note-7)	XXX
Leave salary (Note-8)	XXX
Allowances (Note-9)	XXX
Provident Fund (Note-10)	XXX
Voluntary Retirement Compensation (VRS) (Note-11)	XXX
Super Annuation fund (Note-12)	XXX
Retrenchment Compensation (Note-13)	XXX
Perquisite (Note-14)	XXX
Gross Salary	XXX
Less: Deduction u/s 16:	
Professional Tax (Note-15)	(XXX)
Entertainment Allowance (Note-16)	(XXX)
Standard deduction (Note-17)	(XXX)
Net Salary	XXX

Note 1 Basic salary: It is fully taxable.

Note 2 Dearness Allowance (DA):

-DA is fully taxable whether it is in terms or not in terms.

-DA in terms means DA which is forming part of retirement benefit calculation. In all formulas DA is considered only if it is in terms. If nothing is given about DA then assume it is not in terms.

Note 3 Commission: Commission is fully taxable whether it is Turnover commission or any other commission.

Note 4 Bonus: It is taxable on receipt basis. If only declared is given then it should be ignored.

Note 5 Advance & Arrears Salary

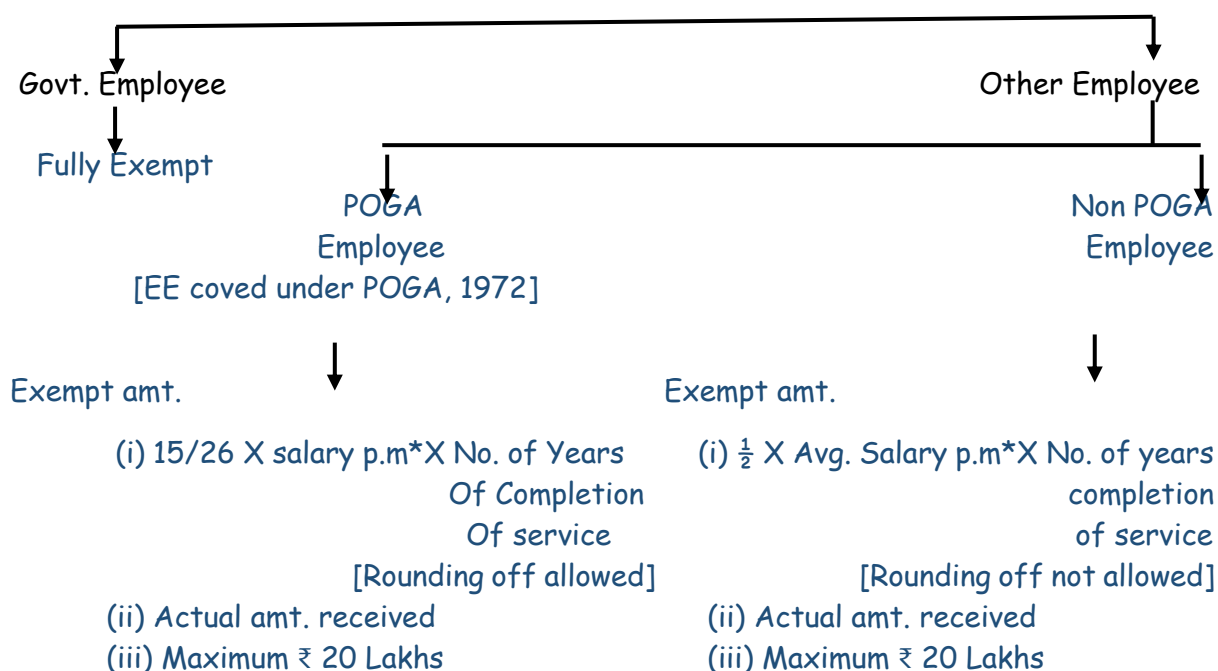
(A) Advance Salary: Advance salary is taxable on receipt basis. If advance against salary is given or only advance is given then it should be ignored because it is treated as loan.

(B) Arrears Salary: It means salary under dispute or increase of salary retrospectively. It is taxable in the year in which it is received.

Note 6 Gratuity

(A) Gratuity received during employment - fully taxable for all employees (Govt as well as non-govt employees).

(B) Gratuity received at time of retirement-

Exempt u/s 10(10)

Salary p.m*		Average Salary p.m *	
		(Don't include month of retirement)	
Latest Basic salary p.m	XX	Avg Basic salary of last 10 months	XXX
(+) Latest D.A (both)	XX	(+) Avg DA(T) of last 10 months	XXX
	XX	(+) Avg T/O comm of last 10 months	XXX
			XXX

Notes:

1. In case of POGA employee if fraction is more than 6 months, it should be rounded off.

E.g. 30 years 4 months = 30 years

30 years 6 months = 30 years

30 years 9 months = 31 years

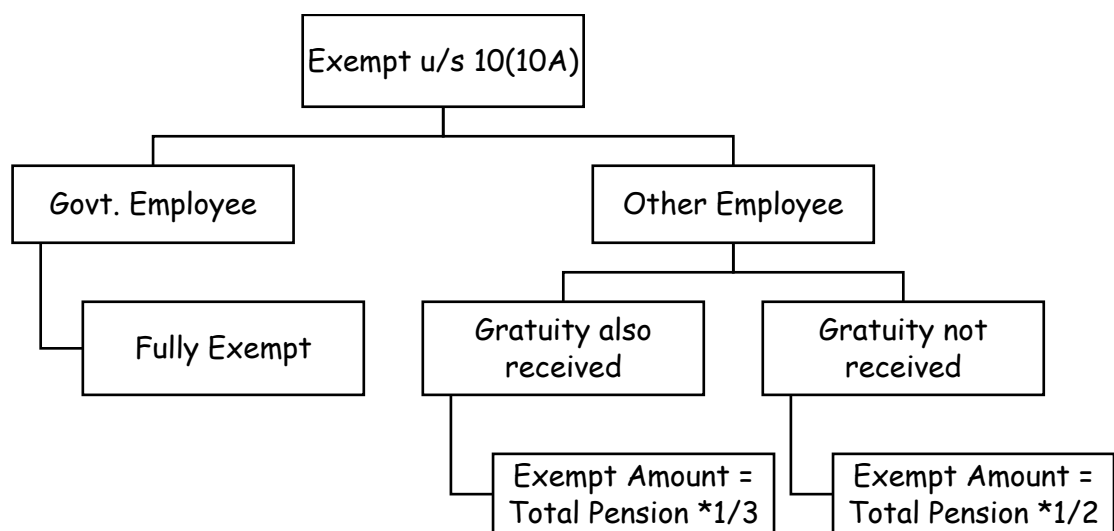
2. In case of Non-POGA employee fraction should be ignored.

Eg: 30 years 3 months = 30 years

30 years 11 months = 30 years

Note 7: Pension:

- Uncommuted Pension (monthly pension) - Taxable for all employees
- Commuted Pension (lumpsum pension)

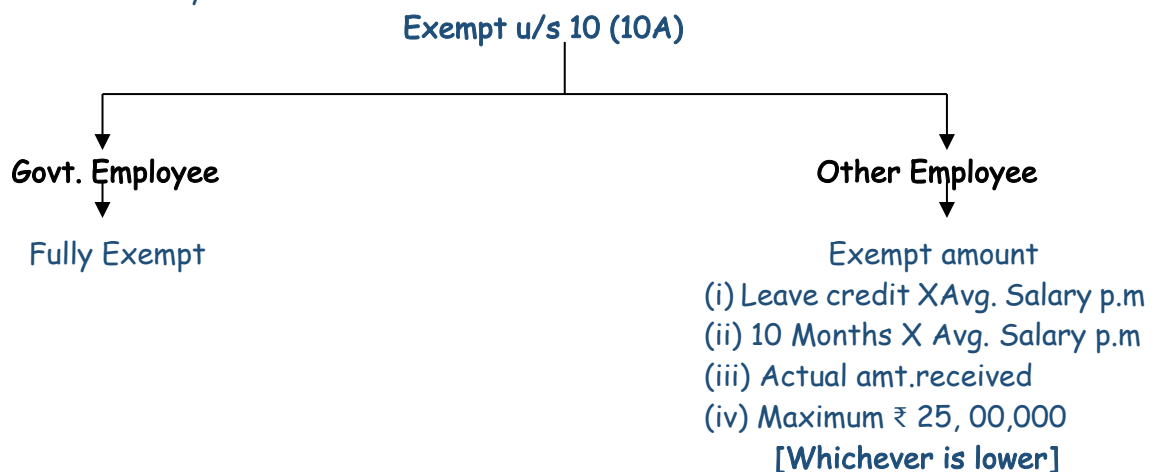


Total Pension = Full value of pension.

Note 8: Leave Salary

It means encashment of unutilised leave

- Leave salary during employment = Fully taxable for all employees
- Leave salary at the time of retirement.



[Avg of last 10 months upto date of Retirement]

# Average salary p.m	xxx
Avg. Basic salary of last 10 months	xxx
Avg. DA (in terms) of last 10 months	xxx
Avg. Turnover Commission of last 10 months	xxx

Leave Credit

Leave credit = Leave allowed - Leave taken

[Max. 30 days for every completed year]

Note 11: VRS - Exempt u/s 10(10C)

(i) Salary p.m. x 3 months x No. Of years of completion Service.

(Fraction IGNORED)

(ii) Salary p.m. x No. Of remaining months of service;

(iii) Actual amt. received.

(iv) Maximum Rs. 5,00,000

Salary p.m. = Basic + DA (T) + T/O Commission

Note 13: Retrenchment Compensation.

Exempt u/s 10 (10B)

(i) *Compensation as per Industrial Disputes Act.

(ii) Maximum Rs 5,00,000

* $15/26 \times$ Avg salary of last 3 months \times No. of years of completion of service (if fraction is more than 6 months, then round off)
(Basic + DA (T) + T/O Commission)

Note - 9: Allowances

SN	Allowance	Exempt u/s 10 (14)
1.	Commutation / Transport allowance (office ↔ Ghar) (Ghar ↔ office)	Max ₹ 3200 p.m. (in case of blind/deaf & dumb or handicapped)
2.	Children Education Allowance	Max ₹ 100 p.m. per child (Max 2 child.)
3.	Children Hostel Allowance	Max ₹ 300 p.m. per child (Max 2 child.)
4.	Underground Allowance (Mines)	Max ₹ 800 p.m.
5.	Tribal area Allowance	Max ₹ 200 p.m.
6.	Allowance to employees of Transport undertaking	amt. received x 70% OR 10000 P.m
7.	Traveling or Tour allowance	Exempt amt.= amt. spent
8.	Conveyance allowance	
9.	Uniform allowance	
10.	Daily allowance	
11.	Helper allowance (for office Purpose)	
12.	Research allowance/ Academy allowance	

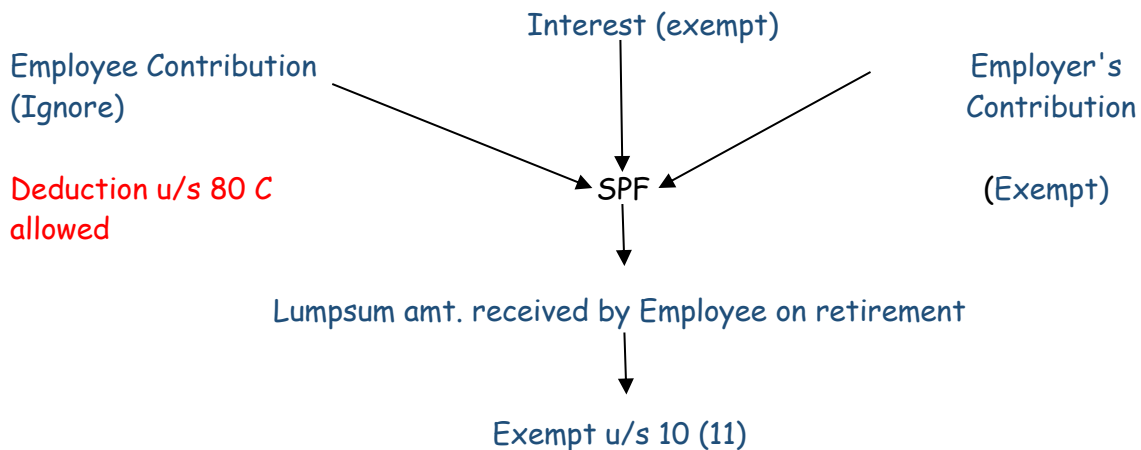
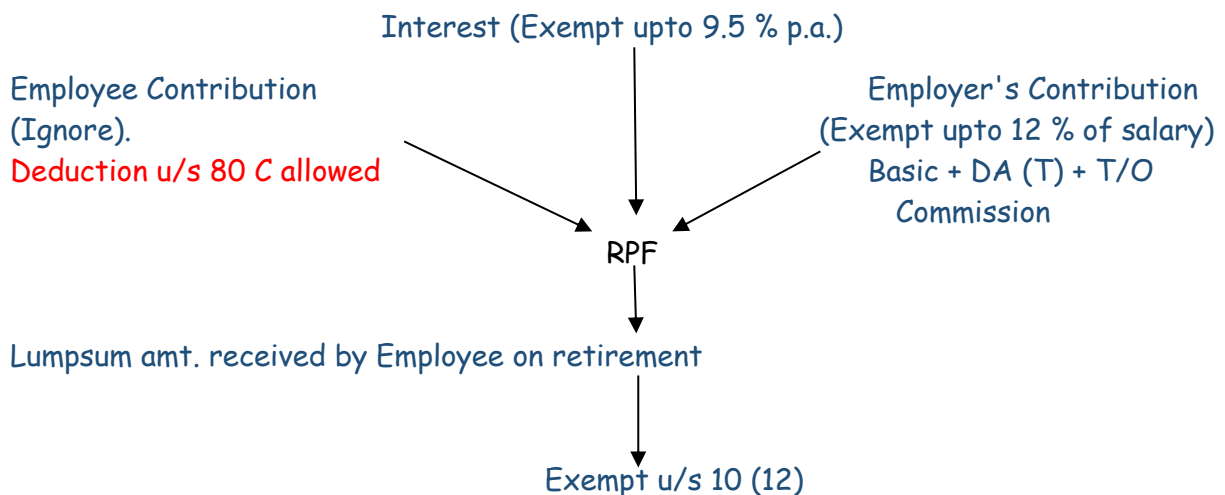
13. HRA - House Rent Allowance Exempt u/s 10(13A)

- ↓ (i) 40% / 50%* of salary [BS + DA (T) + T/O Commission]
- ↓ (ii) Actual amt. received
- ↓ (iii) Rent paid -10% of salary [BS + DA (T) + T/O Commission]

*50% if metro cities (Mumbai/Delhi/Chennai/Kolkata), 40% for other cities.

14. All other allowances are **fully taxable**.

*[Entertainment allowance explained separately in Note-16]

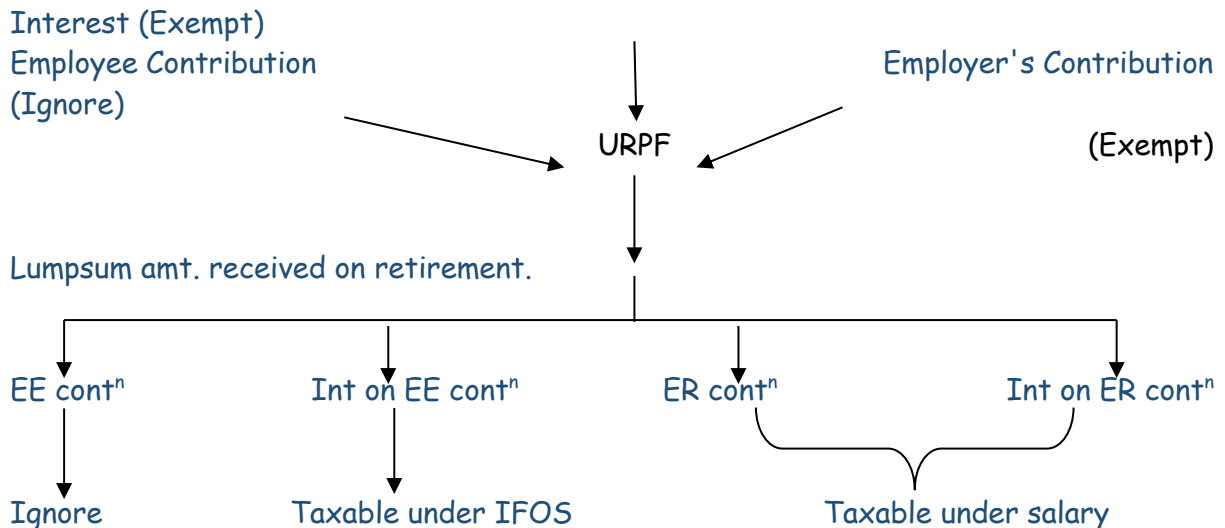
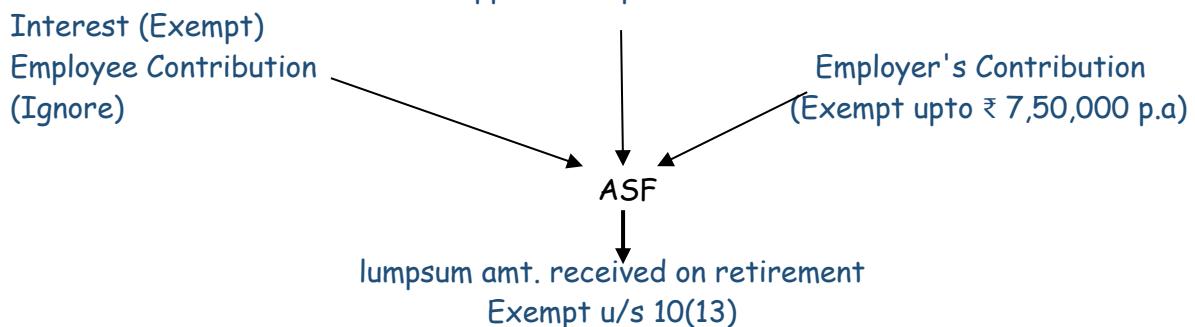
Note 10: Provident Fund**a) Statutory Provident Fund (SPF):****b) Recognised provident Fund (RPF):**

Note: Lumpsum amt. received from RPF is exempt u/s 10(12) if employee has rendered service of 5 yrs/more, If employee rendered service less than 5 years then exemption allowed in respect of employer's contribution & int. shall be withdrawn. However in following 3 cases exemption shall not be withdrawn even service is less than 5 yrs:

1. Employee retired due to ill health
2. Employee retired due to shut down of employer's business.
3. Employee has retired with instruction that his balance in RPF should be transferred to new employer, or to NPS A/C referred u/s 80CCD.

Amendment by FA-21: Interest on EE's Contribution towards SPF/RPF:

- Exemption u/s 10(11)/10(12) not available for interest accrued during PY to extent it relates to contribution made by that person/employee exceeding ₹ 2,50,000 in any PY in that fund, on or after 01/04/21.
- If in that fund employer not made any contribution, then, a higher limit of ₹ 5,00,000 would be applicable.
- Interest accrued on contribution to such funds upto 31/03/21 would be exempt without any limit, even if accrual of income is after that date.

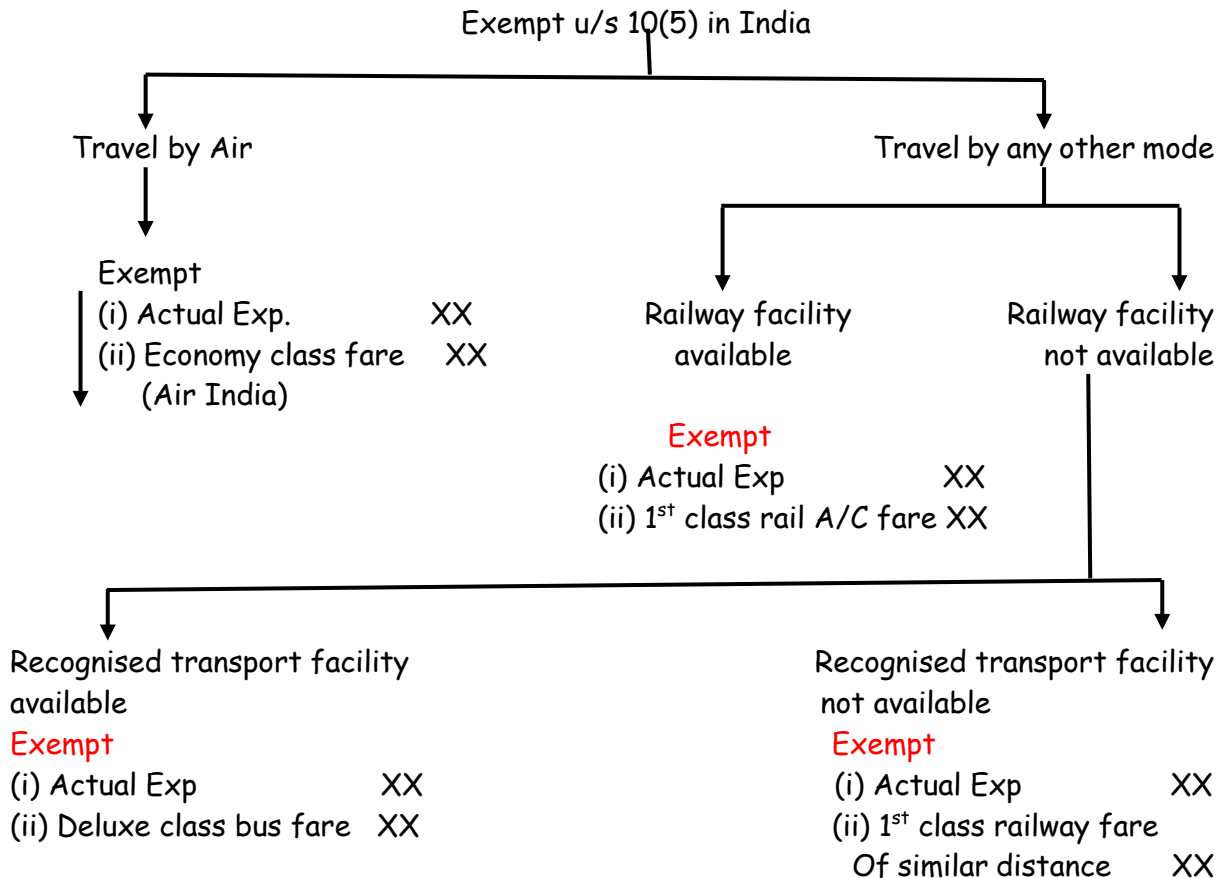
c) Unrecognised Provident Fund (URPF):**Note 12: Superannuation Fund:****a. Approved superannuation fund****b. Unapproved superannuation fund - Treatment same as URPF.****Note 14: Perquisites sec 17(2):**

Extra benefit offered by employer to employee. It may be monetary or non- monetary.

Difference between allowance & perquisites

- Allowance - Monthly fixed amt. received by employee from employer whether actual expenditure is incurred/not. It is part of salary, e.g. HRA.
- Perquisites - It means benefits or facility provided by employer. It is received when actual expenditure is incurred e.g. Medical facility, car facility etc.

1. Leave Travel Concession (LTC)



Note:

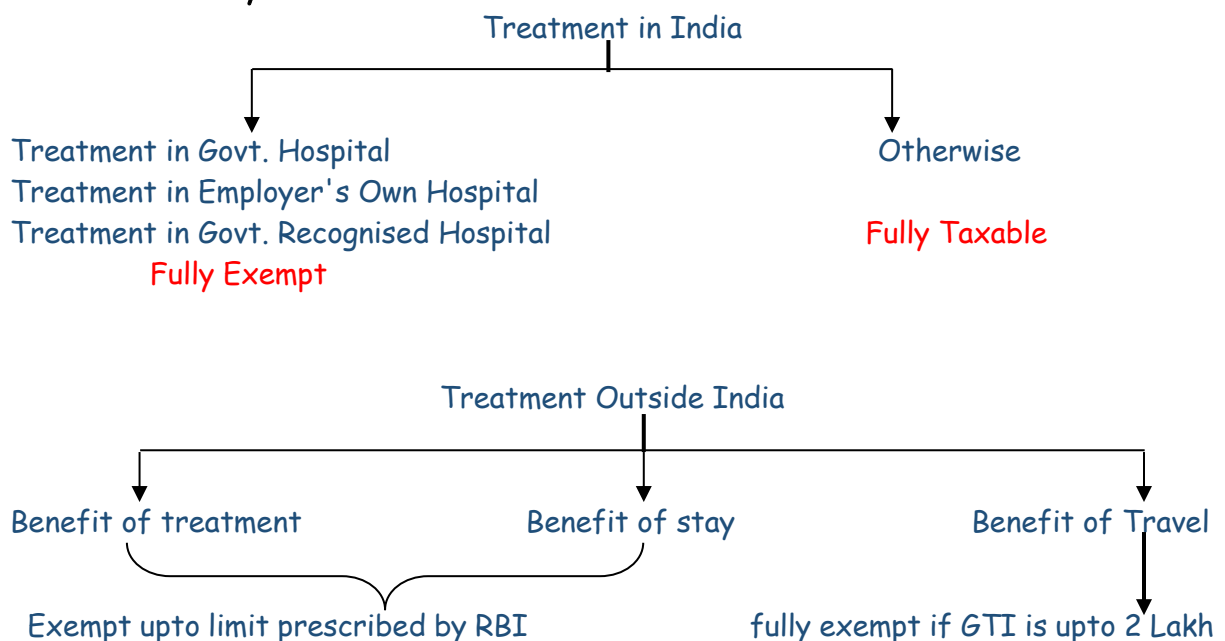
1. LTC exemption is available for travel of employee, spouse, children(2 children born on or after 1/10/1998) & dependent relative - (Mother, Father, Brother, Sister).

1) 1st time = 1 child 2nd time = Twins = Total 3 children = Allowed to all 3 children.

2) 1st time = Twins 2nd time = 1 child = Total 3 children = Allowed to only 2 children.

2. LTC exemption is available for 2 yrs during block of 4 yrs (current block is 22-25)

2. Medical Facility



Notes:

- i. Medical insurance premium is **fully exempt**.
- ii. Exemption for treatment is allowed for employee, spouse, children & dependent relative (Mother, Father, Brother, Sister)
- iii. Exemption of stay & travel is allowed only for **one patient & one attendant**.
- iv. Exemption allowed in respect of any illness relating to COVID-19 subject to such conditions as CG may notify.

The employee shall submit following documents to the employer, -

- i. The COVID-19 positive report of employee or family member
- ii. all necessary documents of medical treatment of the employee or his family member for COVID-19 or illness related to COVID-19 suffered within 6 months from the date of being determined as COVID-19 positive; &
- iii. a certification in respect of all expenditure incurred on the treatment.

3. "Loan" given by Employer to Employee at concessional interest or without interest.

Taxable amt. = Loan amt. \times (SBI Interest rate - Actual Interest rate)

Notes:-

- i. Loan amt. is upto ₹ 20,000 then **interest** benefit is **not taxable**.
- ii. If loan is for treatment of **specified disease** then interest benefit is not taxable even loan amt is more than ₹ 20,000.

4. Gift

a. Gift in cash = Taxable

b. Gift in kind = if FMV of Gift < 5,000 p.a. then it is fully exempt otherwise fully taxable.

5. ESOP: Employee stock option plan

It means Company offers shares to employee at concessional rates.

Taxable amount: - FMV of shares - Issue price

FMV should be taken on the date on which option is exercised by employee.

6. Use of Moveable asset

a. Computer / Laptop - Fully exempt

b. Other asset (TV, AC, etc)

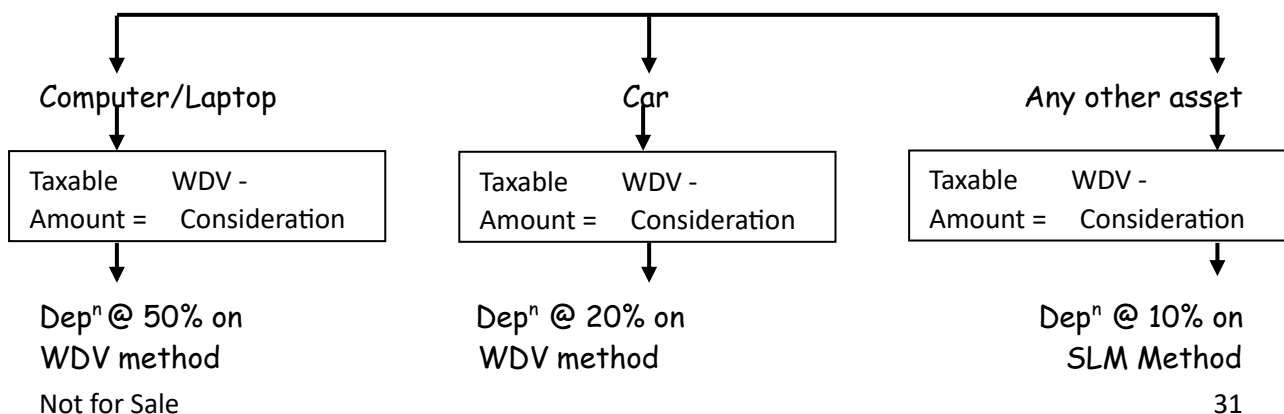
Owned by Employer

Taxable amt. = 10% of cost

Hired by Employer

Taxable amt. = Hire charges paid by Employer

7. Transfer of Movable Assets



Note: Depⁿ should be computed for every completed for year.

8. Lunch Facility: Exempt upto 50 per meal, if lunch is provided in office premises/by Paid voucher.

Notes:

- i. Tea, coffee, or breakfast provided in office - Not taxable.
- ii. Lunch is provided in remote area is Not taxable.

9. Sec 17(2) (vii):

Employer contribution towards RPF, NPS referred u/s 80CCD, Approved Superannuation Fund (ASF) in excess of 7.5 lakh is treated as perquisite & Taxable.

10. Sec 17(2) (viii):

Annual Accretion by way of Interest/dividend/similar amt. on contribution of more than 7.5 lakh by ER also treated as perquisite & Taxable. (Added by FA-20 w.e.f. AY 21-22)

Calculation of Annual Accretion of Interest, dividend etc in PY

$$TP = (PC/2)*R + (PC1 + TP1)*R$$

TP: Taxable perquisite u/s 17(2)(viii) for current PY.

PC: amt. or aggregate of amounts of ER's contribution in excess of ₹ 7.5 lakh to RPF, NPS & ASF during the PY.

PC1: amt./aggregate of amts of ER's contribution in excess of ₹ 7.5 lakh to RPF, NPS & ASF for PY/yrs commencing on/after 1/4/20 other than current PY.

TP1: Aggregate of taxable perquisite u/s 17(2)(viii) for PY/yrs commencing on or after 01/04/20 other than current PY.

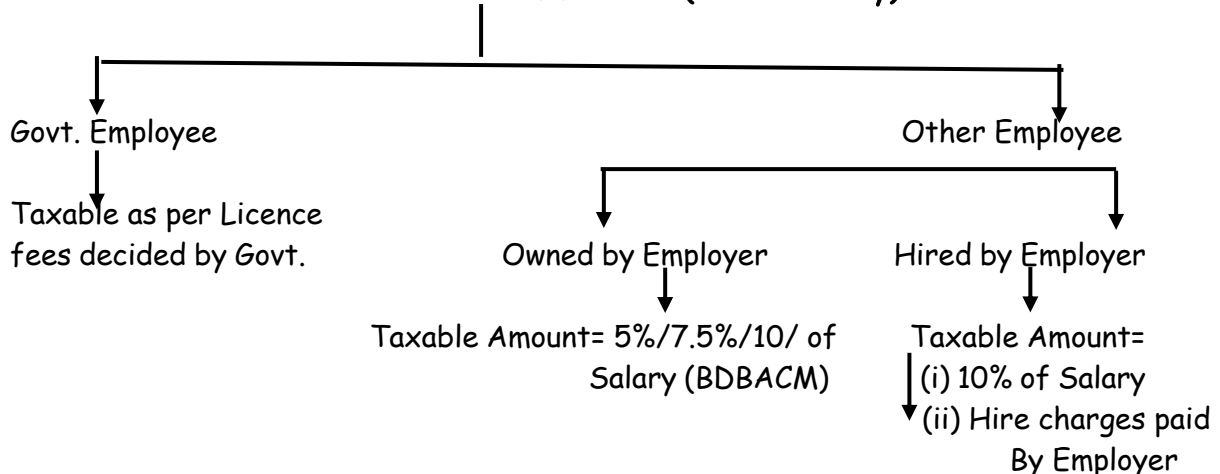
R: I/ Favg

I: amt./aggregate of amts of income accrued during current PY in RPF, NPS & ASF.

Favg : (Amount or aggregate of amounts of balance to credit of RPF, NPS & ASF on 01/04/22 + amt. or aggregate of amts of balance to credit of RPF, NPS & ASF on 31/03/23)/2

Note: Where amt. or aggregate of amts of TP1 & PC1 exceeds amt./Aggregate of amts of balance to credit of specified fund/scheme on 01/04/22, then amt. in excess of amt./aggregate of amt. or aggregate of amts of said balance shall be ignored for purpose of computing amt. or aggregate of amts of TP1 & PC1.

Rent Free Accommodation (House Facility):



Furniture also provided

Owned by Employer
10% of cost

Hired
Hire charges paid by employer

Notes:

Taxable amt.= *5%/7.5%/10% of Salary [BDBACM]

- Population as per 2011 census upto 15 lakhs = 5%
- Population > 15 lakhs upto 40 lakhs = 7.5%
- Population > 40 lakhs = 10%

1. Meaning of Salary - BDBACM

B - Basic Salary

A - Taxable Allowances

D - Dearness Allowance (T)

C - commission (All)

B - Bonus

M - Other monetary income excluding perks.

2. For computing BDBACM perks should not be considered.
3. BDBACM should be calculated on due basis, means salary of **current** period should be **considered**. Advance salary, arrears salary should be ignored.
4. For computing BDBACM, retirement benefit shouldn't be considered i.e. gratuity, Pension, leave salary, VRS, Retrenchment compensation, lump sum amt P.F. etc.
5. BDBACM should be considered for time for which assessee had occupied such house.
6. Employer contribution towards PF & interest on PF should also be not considered.

Notes:

1. If accommodation is provided at transfer, for new place while retaining accommodation at previous place, taxable amt. shall be determined only for one accommodation which has lower perquisite value, upto 90 day & thereafter, both accommodations will be taxed.
2. Where accommodation is provided to same employee for more than one PY, value of perquisite shall not exceed amt. so calculated for first PY, as multiplied by amt. which is a ratio of CII (cost inflation index) for PY for which value is calculated & CII for py in which accommodation was initially provided to employee. "First PY" means P.Y. 2023-24 or PY in which accommodation was provided to employee, whichever is later.

11. Hotel Benefit

Taxable amt.= (i) 24% of salary (BDBACM)

(ii) Hire (Rent) charges **paid by Employer**.

Whichever is **lower**.

Notes:

1. If hotel facility is provided at time of transfer upto 15 days, then it is not taxable.
2. In house facility & hotel facility if employer recover any rent from employee then such rent should be deducted from above taxable amount.

12. Car facility

- a. Car is used for fully office purpose - **Fully Exempt.**

If Employer maintains record of each journey & Employer issue a certificate that car is used exclusively for office purpose.

- b. Car is used for fully personal purpose.

Car is owned by Employer = 10% of cost

OR

Hired by Employer = Hire charges paid by employer

+

Driver's salary (If paid by employer) = XXXX

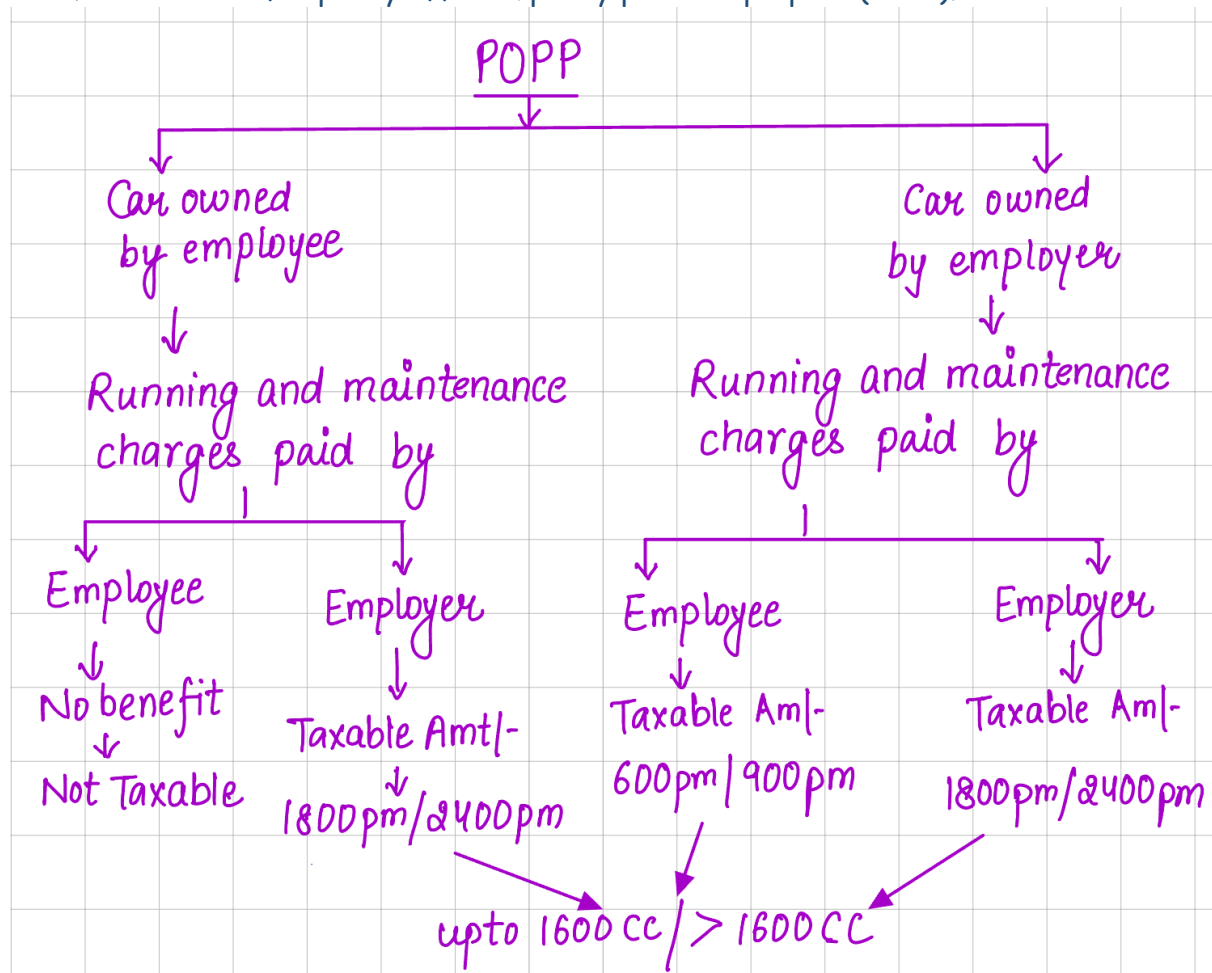
+

Running & maintenance charges = XXXX

(If paid by employer)

XXXX

- c. Car is used for partly office & partly personal purpose (POPP).

**Notes:**

1. If employer also provide driver, then ₹900 p.m, added to taxable amount.
2. If more than one car is provided for POPP then one car is taxable according to above standard amt. & other car shall be treated as personal purpose.

13. Transport facility for Transport Employee (Free tickets)

- i. For airlines & railway employee - Airlines & railway facility is fully exempt fully.
- ii. For other employees - It is fully taxable.

14. Education Facility

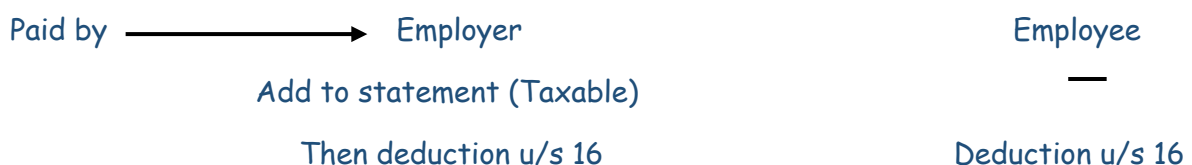
- (i) For employee - Fully exempt
- (ii) For children - It is exempt if value of education is upto ₹1000 p.m per child & education is provided in employer's own institution or institution where employer have tie-ups, otherwise fully taxable.
- (iii) For other relatives - Fully taxable.

15. Gas, electricity & Water supply - Fully taxable**16. Free Servant - Fully Taxable****17. Any other perquisite - Fully Taxable****# Following perquisites are Fully Exempt:**

- Telephone/ mobile bill paid or re-imbursed by Employer.
- Scholarship to employee's children.
- Goods sold by employer to employee at reasonable price.
- Tax on Non - monetary perquisite paid by employer.

Note 15: Professional tax.

If it is paid by employer on behalf of employee, then first it should be taxable & there after deduction allowed u/s 16. If it is paid by employee then only deduction is allowed.

**Note 16: Entertainment allowance**

It is fully taxable for all employees. But dedn' allowed to govt employees u/s 16 as follows:

- i. 20% of Basic Salary
- ii. Actual amt. received
- iii. Maximum 5000 Whichever is lower

Note: 17: A standard deduction of ₹50,000 or the amt. of salary, whichever is lower.

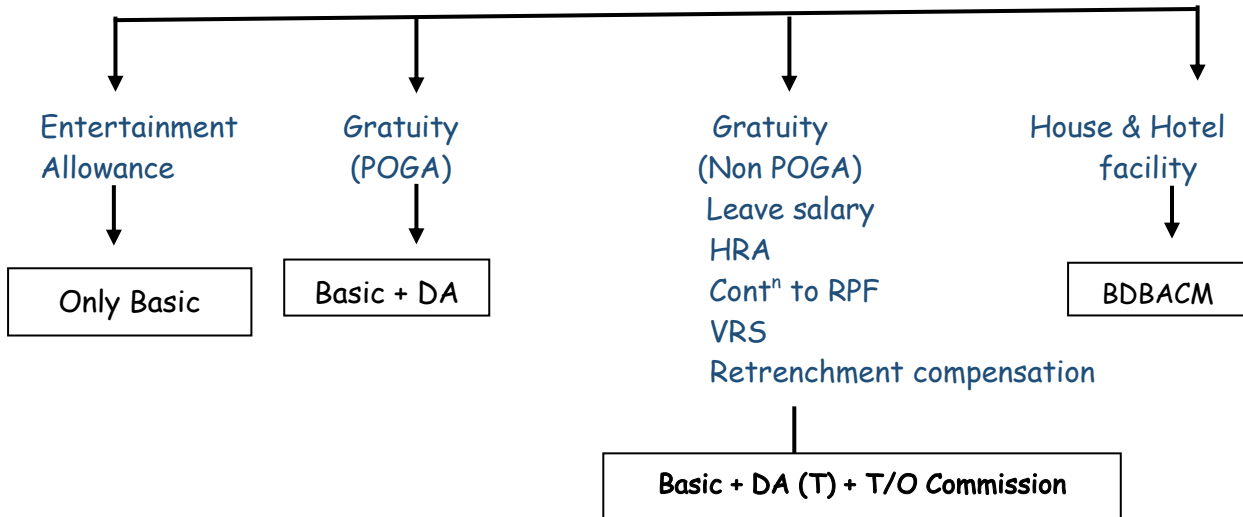
Concept of Pay Scale*

Eg:-Shreya joined Railways as on 1/7/2019 on a pay scale of 10000-1000-13000 -1500-16000-2000-20000-3000, Compute basic salary for A.Y. 2024-25.

1/7/19	————→	30/6/20	10000
1/7/20	————→	30/6/21	11000
1/7/21	————→	30/6/22	12000
1/7/22	————→	30/6/23	13000
1/7/23	————→	30/6/24	14500

1/4/23 → 31/3/24
Salary for P.Y 2022-23 = $(13000 \times 3m) + (14500 \times 9m)$
= $39000 + 130500$
= 169500

Salary Definition:



Rebate u/s 89 for Arrears of salary: To calculate relief, following steps should be taken:

- 1: Calculate tax due in current year by including arrears in your total income.
- 2: Now calculate tax due in current year by excluding arrears from total income.
- 3: Compute difference of two figures of Step 1 & 2 & let's call it as 'X'.
- 4: Now Calculate your tax due in year for which arrears have been received by excluding arrears in your total income.
- 5: Then Calculate your tax due in year for which arrears have been received by excluding arrears from your total income.
- 6: Now compute difference of two figures of Step 4 & 5 & let's call difference as 'Y'.
- Step 7: Lastly subtract X (Step 3) from Y (Step 6) & you will get the relief amount.

Perquisite Taxable:

As per sec. 17(2) ESOPs or sweat equity shares are taxable as perquisite in hands of employee in the year in which shares allotted to employee.

Taxable amt.= FMV of shares on the date on which option Exercised - amt. paid by employee for ESOP's

Calculation of FMV as per Rule 3(8):

(i) In a case where, on date of exercising of option, share in company is listed on a recognized stock exchange, FMV shall be average of opening & closing price share of on that date on said stock exchange.

Provided that where, on date of exercising of option, share is listed on more than one recognized stock exchanges, FMV shall be avg. of opening price & closing price of share on recognised stock exchange which records highest volume of trading in share.

Provided further that where, on date of exercising of option, there is no trading in share on any recognized stock exchange, fair market value shall be -

- (a) **closing price** of share on any recognised stock exchange on a date closest to date of exercising of option & immediately preceding such date or
- (b) **closing price** of share on a recognised stock exchange, which records highest volume of trading in such share, if closing price, as on date closest to date of exercising of option & immediately preceding such date, is recorded on more than one recognized stock exchange.
- (ii) In a case where, on date of exercising of option, share in company is **not listed** on a recognised stock exchange, FMV shall be such value of share in company as determined by a **merchant banker** on specified date.

Sale of Shares by Employee:

At time of sale of shares capital gain applicable in hands of employee as follows

Computation of Capital Gain:

Full Value of Consideration	Sale Value
Less: Cost of Acquisition	FMV of shares as per rule 3(8)
LTCG/STCG	XXXX

In this case POH shall be consider from date of Allotment of ESOPS till date of Transfer of shares by Employee.

Taxability of ESOPS in case of Start-ups referred u/s 80-IAC

Amendment in sec. 192: TDS on Salary (w.e.f. AY 21-22)

Eligible Start-up require to deduct TDS in case of ESOPS within 14 days from:

- after expiry of 48 months from end of relevant AY; or
- from date of sale of such specified security/sweat eq. sh. by assessee; or
- from date of assessee ceasing to be employee of start-up. whichever is earliest, on basis of rates in force for financial year in which said specified security or sweat equity share is allotted to employee.

Similar amendments also made in following sections:

191: Assessee paid tax directly (If TDS not deducted)

156: Demand Notice by Department

140A: Reduction of Tax paid u/s 191 for calculation of self-assessment tax

In simple words we can say that in case of ESOPS of eligible start-up perquisite is Taxable in year in which shares allotted to employee but Tax on such perquisite shall be paid to govt within 14 days of:

- after expiry of 48 months from end of relevant AY; or
- from date of sale of such specified security or sweat equity share by assessee, or
- from date of assessee ceasing to be employee of start-up, whichever is earlier.

Following benefits not Available when assessee paid taxes as per 115BAC

- Exemption u/s 10(5) for leave travel concession.
- Exemption u/s 10(13A) for HRA.
- Exemption of allowances u/s 10(14) Except DTDC.
- Deduction u/s 16(ii) for entertainment allowance; 16 (iii) professional taxes.
- Exemption of perquisite for foods upto 50 per meal during office hours or through paid voucher.

6. Capital Gain

Section 45(1): Charging Section:

Any Profit & gain arising from **Transfer** of a **Capital Asset** shall be chargeable under head capital gain in the **P.Y. in which transfer took place.**

Section 2(14): Definition of Capital Asset:

Capital Asset means -

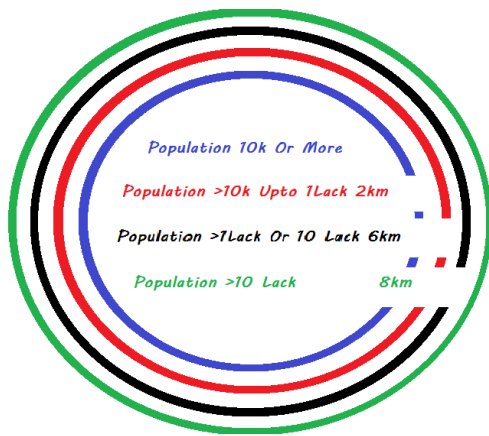
- A) Property of any kind held by assessee, whether/not connected with business/profession.
- B) Any Securities held by a Foreign Institutional Investor (FII) but Capital Asset **does not include (exclude)**
 - I. **Stock** in trade (RM/ WIP/ FG)
 - II. Movable **personal** property (used by assessee/his dependent for personal purpose) But **Excludes:** jewellery, Drawings, Painting, Sculpture, Archaeological Collection or any other work of art,
 - III. **Rural Agricultural** Land in India
 - IV. Gold Deposit Bonds, 1999 or Deposit Certificate issued under monetisation scheme, 2015.

Interest on Instrument also exempt u/s 10(15)

Notes:

1. Assets used for personal purpose of assessee:-
 - T.V., Car, Mobile etc - **Not a capital Asset -CG not Applicable**
 - Jewellery, Drawings, Paintings - **Capital Asset -CG Applicable**
2. Gold Utensils, Silver Bars, Silver Coins were held not to be considered as Personal Effect - **Capital Gain Applicable** (Maharaja Rana Hemant Singh)
3. Silver Utensils held to be personal effect- **No Capital Gain** (Benarshilal Kataruka)
4. Car used in **Business** is treated as **capital asset**.
5. Jewellery means:
 - a) Ornaments made of gold, silver, platinum/any other precious metal/any alloy containing such metals.
 - b) Precious stones whether/not set in any utensil/other article.
6. Definition of urban Area:-
 - a) Any area (municipality, cantonment board etc.) which has a population of **10000/more**
 - b) In following area within the distance, measured aerially

Shortest distance from area referred in point (a)	Population according to last census
Upto 2 kms	>10,000 upto 1,00,000
Upto 6 kms	>1,00,000 upto 10,00,000
Upto 8 kms	>10,00,000



Rural area means area which is not a urban area.

7."Property also includes any rights in relation to an Indian Company including right of management or control or any other right whatsoever.

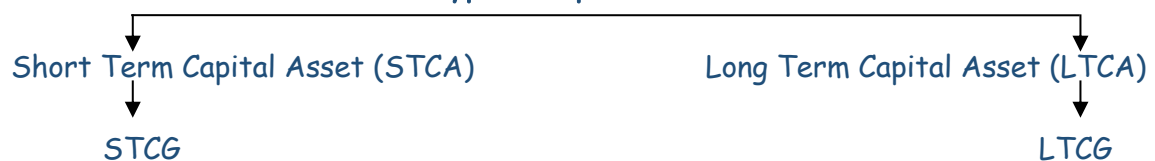
Section 2(47): Definition of Transfer:

'Transfer' includes

1. The **Sale, exchange or relinquishment** of the asset, or
2. The **extinguishment of any right** there in, or
3. **Compulsory acquisition** thereof under any law, or
4. **Conversion of capital asset into stock in trade**, or
5. Allowing **possession of any immovable property** to be taken/retained in part performance of a contract.
6. Any **Transaction** (becoming member of, or acquiring shares in a Co-op. society) which has effect of transferring or **enabling enjoyment of immovable property**.
7. The **redemption of zero coupon Bonds (ZCB)**

Note: "Transfer" also includes disposing of/parting with as asset/internet therein or creating any interest in any asset in any manner whatsoever either directly/indirectly, absolutely/conditionally voluntarily or involuntarily by way of an agreement or otherwise.

Type of capital Assets:



If any asset held for more than below limit than it will be treated LTCA.

Capital Asset	Upto 22/07/24	From 23/07/24
<ul style="list-style-type: none"> Security (other than units) listed in recognised stock exchange in India. Unit of UTI Unit of Equity oriented Mutual Fund Zero Coupon Bond 	1 Year	1 Year
<ul style="list-style-type: none"> Unlisted shares (not covered above) Immovable Property 	2 years	2 years
<ul style="list-style-type: none"> Any other Assets 	3 Years	2 Years

Notes:

1. Other than units omitted w.e.f. 23rd July 2024. So now in case of listed units POH 1 year applicable from 23rd July 2024. (eg. Listed Business trust units.)

Section 48: Computation of capital gain:

Particulars	₹
Full value of Consideration(FVOC)	XXX
(-) Expenses incurred in connection	(XXX)
Net Consideration	XXX
(-) Cost of Acquisition (COA)	(XXX)
(-) Cost of Improvement (COI)	(XXX)
Capital Gain	XXX

Proviso added by FA - 23: **Provided that COA/COI shall not include deductions claimed in respect of interest u/s 24(b) or under provisions of Chapter VI-A.**

Second Provision (exception) to sec. 48: Indexation:

In case of LTCA (long term capital asset), COA & COI should be indexed:

a) ICOA:

COA X $\frac{\text{CII for year of transfer}}{\text{CII for first year in which asset was held by assessee or for year 2001-02, whichever is later}}$

b) ICOI:

COI X $\frac{\text{CII for year of transfer}}{\text{CII for year in which improvement to asset took place}}$

Cost Inflation Index (CII)					
FY	C.I.I	FY	C.I.I	FY	C.I.I
2001-02	100	2009-10	148	2017-18	272
2002-03	105	2010-11	167	2018-19	280
2003-04	109	2011-12	184	2019-20	289
2004-05	113	2012-13	200	2020-21	301
2005-06	117	2013-14	220	2021-22	317
2006-07	122	2014-15	240	2022-23	331
2008-09	129	2015-16	254	2023-24	348
2009-10	137	2016-17	264	2024-25	363

Note: From 23 July 2024, indexation benefits are not available on the transfer of long term Cap asset.

c) Asset acquired before 01/04/2001:

COA = Actual cost or FMV as on 1/4/01, whichever is higher.

Note: In case of immovable properties if Stamp Duty Value (SDV) as on 01.04.2001 available. Then **FMV** as on 01.04.2001 **should not be more than SDV** as on 01.04.2001.

COA =	a) Actual Cost of Asset	XX
	b) (i) FMV as on 01/04/2001	XX
	(ii) SDV as on 01/04/2001	<u>XX</u> <u>XX</u>

d) Improvement done before 1/4/2001 - **Should be ignored.**

First proviso to sec. to sec. 48: Capital gain in case of Non-Resident:

- **NR Assessee** (include foreign company)
- Asset being **Shares & Debenture** of Indian Company
- Such asset acquired in **foreign currency** by way of purchase or reinvestment
- Then CG shall be calculated in foreign currency & after that it shall be reconverted into Indian Company.

Rule 115A: Method of Conversion	
COA	Avg. of TTBR & TTSR on date of Acquisition
FVOC & Transfer Expenses	Avg. of TTBR & TTSR on date of Transfer
CG into Indian currency	TTBR on date of Transfer

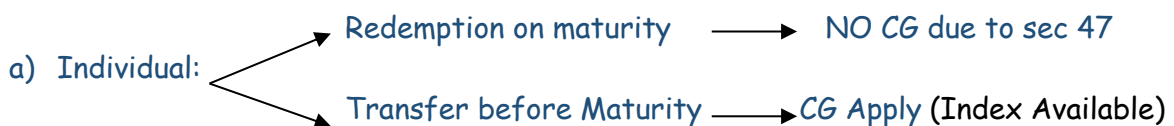
- Notes:** 1. Assessee should be NR in year of sale
 2. **Index benefit not available** where first proviso applies.

Third Provision to sec. 48: First & second proviso **not applicable** for of LTCG u/s 112A.

Fourth provision to sec. 48: No indexation in case of Debentures & Bonds

Index benefit if not allowed in case of bonds / debentures except Capital Indexation Bonds & Sovereign Gold Bonds issued by RBI

As per sec. 47, NO capital gain in case of Individual on Redemption of SGB issued by RBI.



b) Other Assessee: CG applicable on transfer or maturity & index benefit available

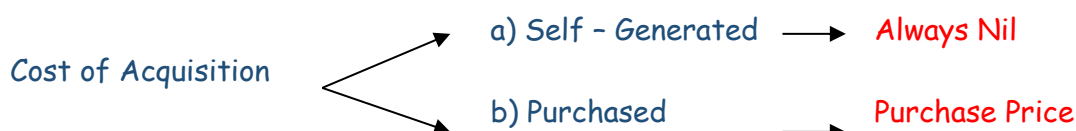
Seventh Provision to sec. 48: Security transaction tax (STT) not Allowed

- STT paid on sale/ purchase of shares/ unit **shall not be allowed** under capital gain.
- If it is paid at time of sale - **Not treated as transfer expense**
- If it is paid at time of purchase - **Not added to the cost of acquisition**

Section 55: Cost of Acquisition & improvement

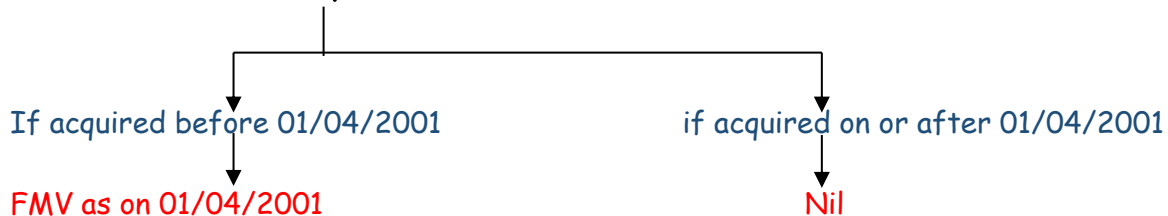
Cost of Acquisition (COA)

- a) Goodwill or any other intangible asset of Business/Profession.
- b) Trademark or Brand name associates with a business/profession.
- c) Right to manufacture, produce, process any article or things (patent & copyright).
- d) Right to carry on any Business/Profession.
- e) Tenancy right, Loom hours, Route permits or any other right.



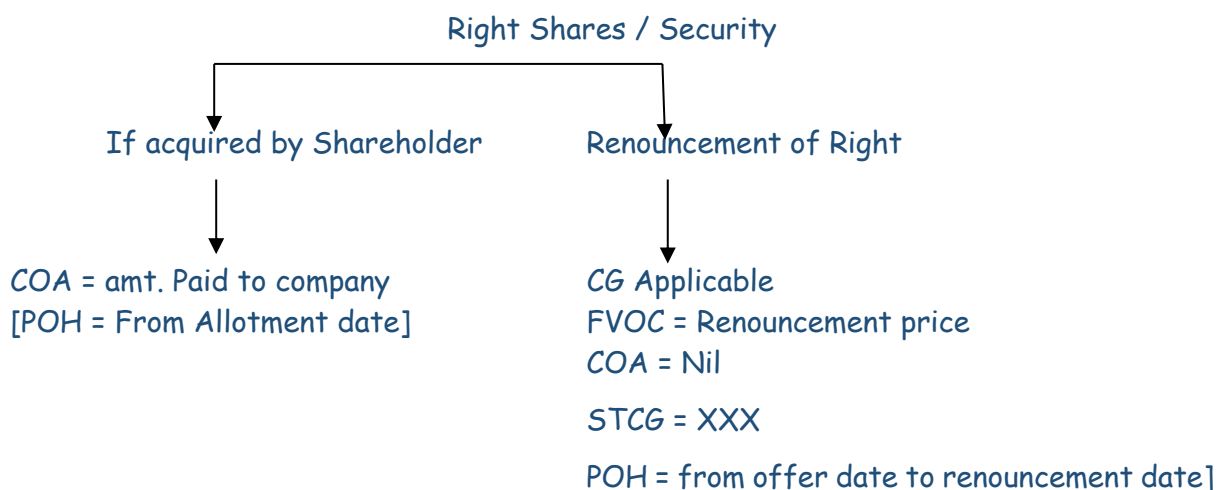
Notes

1. Benefit of FMW as on 01/04/2001 NOT available in case of above assets.
2. CG on transfer of self-generated goodwill of profession/self-generated trade mark/brand name associated with profession, is not chargeable to tax upto AY 20-21
3. In case of Goodwill, in respect on which depreciation has been claimed upto PY 19-20, COA would be purchase price as reduced by depreciation claimed by assessee.

Bonus Shares / Security

POH Case of Shares / Securities - from allotment date to transfer date

Note: If sec. 112A apply & Bonus shares allotted before 01/02/2018 then COA is FMV as on 31/01/2018.



In hands of purchaser of right

- COA = amt. paid to company for shares + amt. paid for a purchase of right
- POH = from date of allotment of shares

Cost of improvement (COI)

1. Goodwill of business, patent, copyright, right to carry an business/profession always NIL.
2. In case of other assets: capital expenses incurred on improvement on/after 01/04/2001.

Exception of sec. 45(1) U/s 45(1) CG is chargeable to tax in yr of transfer but in following 4 cases CG is not taxable in year of transfer.

Section 45(2): Conversion of capital Asset into Stock in Trade (SIT)

Conversion of cap. asset into SIT is treated as transfer; CG shall arise where an assessee converts capital asset into SIT. CG shall be taxable in yr in which such SIT is sold.

Capital Gain	Rs	PGBP	Rs
FVOC (FMV on date Of conversion)	xx	Sale Price of stock in trade	xx
(-) COA/ICOA	(x)	(-) FMV of Asset on date of conversion	(x)
STCG/LTCG	xx	PGBP	xx

Amount recorded in books of accounts- **Not Relevant**

FMV as on date of conversion- **Relevant**

Notes:

1. If any **part of stock** in trade is sold then **only part capital gain** shall arise in the year in which **part stock-in-trade is sold**.
2. In case of conversion of capital asset into stock & subsequent sale of stock, the period of 6 months shall calculate from date of sale of stock in trade for the purpose exemption u/s 54EC (CBDT Circular)

Conversion of stock in Trade into Capital Assets (Added by FA 2018)

Section 28(via): PGBP

FMV of Inventory as on the date on which it is converted into, or treated as, a capital asset shall be Taxable under PGBP.

Section 49(9): Cost of Acquisition

For purpose of computing capital gain COA of such asset shall be FMV Referred in 28(via)

Section 2(42A): Period of Holding

POH Shall be reckoned from date of conversion or treatment into Capital Asset.

Note: PGBP taxable in yr of conversion of SIT into Capital asset & capital gain taxable in yr in which capital asset transferred but in sec. 45(2) conversion of capital asset into stock in trade, CG & PGBP both taxable in year in which stock sold.

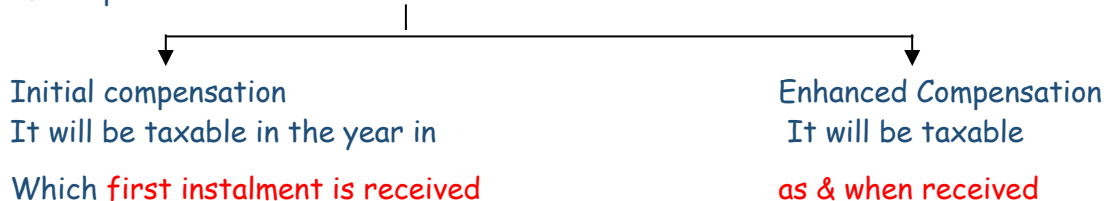
Section 45(5): Compensation on compulsory Acquisition under any law

Capital Gain will be taxable in yr in which **compensation received**.

For Initial Compensation	Rs	For Enhanced Compensation	Rs
FVOC (Initial compensation)	xx	FVOC (Enhanced compensation)	xx
(-) COA/ICOA	(x)	(-) Litigation Expenses	(x)
(-) COI/ICOI	(x)		
STCG/LTCG	XX	STCG/LTCG	XX

CBDT clarified-compensation received of award/agreement which has been exempted from levy of income-tax u/s 96 of Right to Fair Compensation & Transparency in Land Acquisition, Rehabilitation & Resettlement Act, 2013 (RFCTLARR) shall not be taxable under IT Act, 1961

If compensation received in instalment



- If any **enhanced compensation** is received due to **interim order** of any court, then such compensation shall not be taxable in **yr of receipt** but shall be taxable in yr in which **final order is passed** by such court or other authority
- Any int. received on late compensation shall be taxable under IFOS in **yr of receipt** & 50% deduct will be allowed u/s 57.
- **Nature of CG** of Enhanced compensation will be **same as that of Initial** compensation.
- If due to death of transferor, enhanced compensation is received by any other person in that case, enhanced compensation will be taxable under **CG** of such other person.
- **CGs** arising to an **Individual or HUF** on **compulsory acquisition** of **urban agricultural** land shall be exempt from tax provided such land has been used for agricultural purpose during preceding 2 yrs by Individual/his parents/by HUF [Sec 10(37)]

Section 45(1A): Insurance Claims for Damages or Destruction of Capital Asset

In case of **destruction** of capital asset, **CG** will be taxable in **yr in which insurance claim is received**. Where capital asset is destroyed due to fire, flood, earthquake, tsunami, riot, civil disturbance, enemy action/any other natural calamity & **insurance claim is Received** then **CG** is applicable. If no claim received, no **CG** shall arise

Computation of capital gain

Particular	Rs
FVOC [insurance claim (Money/FMV of asset received as claim)]	xx
(-) COA/ICOA	(x)
(-) COI/ICOI	(x)
STCG/LTCG	xx

Summary				
Sec.	Yr of Trfr	Year of Tax	POH	FVOC
45(1A) Destruction of CA	Yr of Destruction	Ins. Claim Recd.	Till date of destruction	Ins. Claim recd.
45(2) Conversion of CA into SIT	Yr of Conversion	Yr in which SIT sold	Till date of conversion	FMV on date of conversion
45(5) Compulsory Acq. Of CA	Yr of compulsory	Compensation Recd	Till date of compulsory acq.	Compensation Recd

Sec 50AA: Capital Gain in case of Debt. MF & Market linked Debentures (Added by FA-23 w.e.f. AY 24-25)

In Case of unit of a Specified Mutual Fund acquired on/after 01/04/23 or a Market Linked Debenture (MLD), capital gain shall be calculated as follows & it is always **STCG**.

Computation of Capital Gain	Rs
FVOC on transfer, redemption or maturity	xx
Less: Transfer Expenses	(x)
Net Consideration	xx
Less: Cost of Acquisition	(x)
STCG	XX

Notes:

1. STT **not allowed** while calculating CG.
2. In this case capital asset deemed to be STCA & CG STCG so index not allowed.
3. "MLD" means a security which has an underlying principal component in form of a debt security & where **returns are linked to market returns** on other underlying securities/indices & include any security classified/regulated as Market Linked Debenture by SEBI;
4. "Specified Mutual Fund" means a MF where **not more than 35%** of its total proceeds is invested in **eq. sh. of domestic companies**.

Percentage of equity shareholding shall be computed with reference to annual average of daily closing figures.

Section 50B: Slump sale

Slump sale means assessee transfers entire undertaking/ division for lumpsum consideration without assigning value/ selling price of individual asset.

Computation of capital gain	Rs
FVOC [FMV as per rule 11 UAE] (Given in Question)	xx
Less: Transfer Expenses	(x)
Net Consideration	xx
Less: COA (Net worth of Undertaking)(Note-1)[Index not allowed on COA]	(x)
STCG/LTCG	xx

Notes:

1. Computation of Net worth = Assets minus liabilities

Asset	Rs
Depreciable Asset	WDV as per income Tax
Other Asset	Book Value
Less: Liabilities	(Book Value)
Net worth	xxx

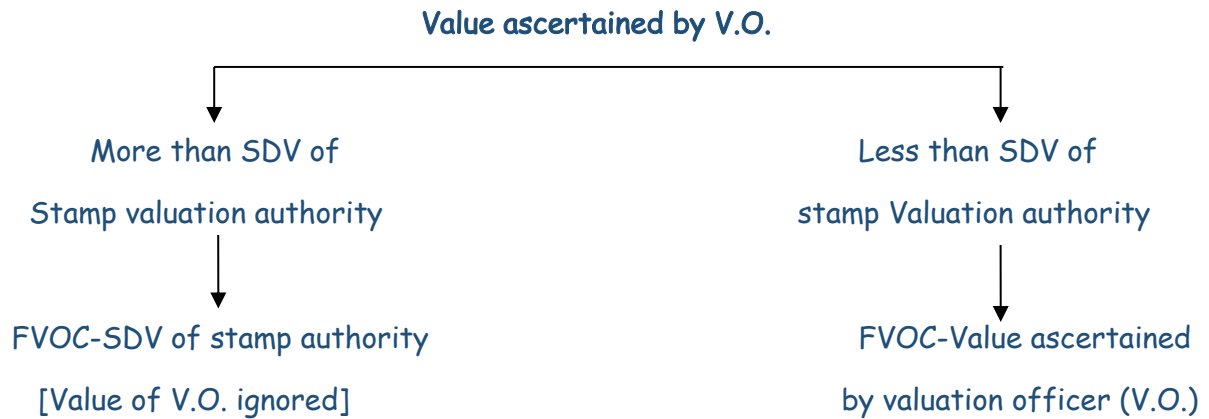
2. Revaluation of asset shall be **ignored**
3. If Net-worth comes negative then, COA = Nil
4. For computing net worth,
 - If asset (on which deduction u/s 35 AD was claimed) - Value taken as **Nil**
 - Value of self-generated goodwill - Value taken as **Nil**
5. No Profit under PGBP shall arise even if stock is transferred in slump sale.
6. Nature of capital gain
 - If undertaking held for more than 3 years - LTCG
 - If undertaking held for 3 year or Less - STCG
7. Assessee shall furnish CA report upto date of Audit u/s 44AB indicating computation of net worth, & certifying that net worth, has been correctly arrived.
8. Rule 11UAE: FMV on date of transfer (Slump sale) shall be higher of FMV - 1 or FMV -2
 - FMV-1: FMV of Undertaking transferred
 - FMV-2: FMV of Consideration Received

Sec 50C: Stamp Duty value shall be treated as FVOC

Not for Sale

If immovable property held as capital asset, if SDV (assessed/assessable by stamp valuation authority) is more than 110% of consideration such SDV shall be FVOC.

Where assessee claims that SDV is more than FMV of property & such SDV has not been disputed in any appeal then the A.O. may refer valuation to valuation officer (VO).



Normally SDV considered on date of **registration** is considered but u/s 50C if date of agreement & registration are not same, then assessee can take **SDV on date of agreement** if he received **consideration/part thereof** upto **date of agreement** in A/c payee cheque /DD, use of electronic clearing system (ECS) through bank account/any other electronic modes as may be prescribed.

Notification 8/2020 - Other electronic modes

- a) Credit Card, Debit Card;
- b) Net Banking;
- c) IMPS (Immediate Payment Service);
- d) UPI (Unified Payment Interface)
- e) RTGS (Real Time Gross Settlement)
- f) NEFT (National Electronic Funds Transfer)
- g) BHIM (Bharat Interface for Money) Aadhar Pay.

Note: Above notification also applicable for sec. 35AD, 40A, 44AD, 56, 80JJAA.

Section 50CA: FMV of Unquoted Shares shall be treated as FVOC

Where Unquoted Shares (i.e. shares other than Quoted Shares), being a Capital Asset I transferred for consideration lower than FMV, then such FMV shall be deemed to be FVOC.

Section 50D: where sales consideration is not ascertainable or cannot be determined Then FMV of such asset as on the date of transfer shall be FVOC

Section 51: Advance money forfeited (Token money)

If any advance money/token money/ earnest money if forfeited by the assessee [present owner] before 01/04/2014, then it shall be reduced from "cost of acquisition" (before indexing)

Note: Above provisions are applicable only in case of forfeitures done by present owner
- A forfeiture done by **previous owner shall not be considered**.

Sec. 56(2)(ix): Any advance money forfeiture on or after 01/04/14 shall be charged to tax in t year of forfeiture under the head "**Income from Other Sources**".

Sec 47: Following transactions are not transfer. Therefore, no Capital Gain will arise

1. Distribution of capital asset on partial or total **partition of HUF**- [Sec. 47(i)]
2. Transfer of capital asset under **gift, will, irrevocable trust** - [Sec. 47(ii)]

Notes:

- this clause shall not apply to gift/an irrevocable trust of share, debenture or warrants allotted by company to employee under ESOPs.
- VI proviso to sec. 48- FMV on the date of transfer (date of GIFT or irrevocable trust) shall be treated as FVOC of such shares, debentures or warrants.

3. & 4.

Transfer of capital asset by holding Co. to its subsidiary Co. or subsidiary Co, to its holding provided following conditions are satisfied - [Sec. 47(iv)/ Sec.47(v)]

- a) Holding Co. holds 100% shareholding of subsidiary Co.
- b) Transferee Co. should be Indian Co.

In Above cases

- a) Cost of Acquisition Sec. 49 (1): Cost to the **Previous Owner**.
- b) Cost of Improvement: Incurred by **previous & present owner** shall be considered.
- c) Period of Holding: POH of previous owner shall also be considered.
- d) Indexed Cost of Acquisition: Manjula J. Shah (Bombay H.C)
COA of Previous owner X CII of the year of Transfer
CII of the year in which asset first held by Previous Owner
- e) Benefit of FMV as on 01/04/2001-Available

5. Transfer under Amalgamation

Transfer of Any Capital asset by Amalgamating Co. to amalgamated Co.	If Amalgamated Co. is an Indian Co. [Sec.47(vi)]
--	--

6. Transfer under Demerger

Transfer of Any Capital asset by Demerged Co. to Resulting company	If Resulting Co. a is Indian Co. [Sec.47(vib)]
--	--

7. Conversion of securities

Conversion of Bond, debenture, debenture stock, deposit certificate of a company into Share/debenture of same Co. [Sec. 47(x)]	COA of share/debenture received on conversion = cost of that part of Bond, debenture, Deposit certificates which is so converted. Sec. 49(2A) POH of share/debenture shall also include period for which Bond, debenture, Deposit certificates held by assessee.
Conversion of Preference share of a Co. into Equity share of same co. [Sec. 47(xb)]	COA of eq. sh. received on conversion = cost of that part of preference shares which is so converted. -Sec. 49(2AE). POH of eq. sh. shall also include period for which pref. sh. held by assessee. Sec. 2(42A)

Conversion of Gold into Electronic Gold Receipt (EGR) issued by a Vault Manager, or vice versa [Sec. 47(viid)] (Added by FA, 23 w.e.f. AY 24-25)	COA of current asset (EGR/gold) received on conversion = cost of earlier asset (gold/EGR) which is so converted. -Sec. 49(10) POH of earlier asset (gold/EGR) shall also include period for which current asset (EGR/gold) held by the assessee. Sec. 2(424)
--	--

8. Transfer of SGB issued by RBI under **Sovereign Gold Bond Scheme 2015**, by way of redemption by assessee being an **Individual**. [Sec. 47(viic)]

9. Transfer of Work of Art, scientific, archaeological, manuscript, books, photograph or print to Govt./University/National Museum/art gallery/archives, public notified museum. [Sec. 47(ix)]

10. Transfer of capital asset under **reversed mortgage** under scheme made & notified by CG. [Sec. 47(xvi)]. Amt of **loan (either in instalment/lumpsum) received** by senior citizen under transaction of reverse mortgage would be **exempt from income tax u/s 10(43)**.

Exemption under Capital Gain

Sec.54: Exemption for Residential House Property

1. Assessee	Individual I HUF
2. Transferred asset	Residential house property (RHP) being building & land appurtenant there to.
3. CG on Transferred Asset	LTCG
4. Asset to be acquired	One Residential HP in India But If LTCG is upto ₹ 2 crore then assessee can acquire Two Residential HP in prescribed time limit. This benefit of 2 HP is available only once in life time .
5. Time limit of purchased/construction	<ul style="list-style-type: none"> Purchase: 1 yr before/2 yrs after date of transfer Construction: complete construction within 3 yrs after date of transfer
6. Deposit scheme	CGAS Applicable
7. Amount of exemption	i. Capital Gain XXX ii. Cost of New Asset/Deposit amt. XXX Whichever is lower Note: If cost of new asset exceeds ₹10 crores, then amt. exceeding ₹10 crores shall not be consider for exemption.
8. Locking period on transfer of New Asset	3 yrs from purchase/construction. If transferred before then exemption claimed shall be withdrawn & COA of new asset reduced by exempted CG while calculating CG on new asset.

Sec.54B: Exemption for Urban Agriculture Land:

1. Assessee	Individual or HUF
2. Transferred asset	Urban Agricultural land use by Individual/his Parents for Agricultural Purpose during 2 yrs before transfer.
3. CG on Transferred Asset	STCG/LTCG
4. Asset to be acquired	Urban or Rural Agricultural Land
5. Time limit of purchased	Purchase: Within 2 yrs from receipt of transfer: (=2)
6. Deposit scheme	CGAS Applicable
7. Amount of exemption	(1) Capital gain XXX (2) Cost of new asset/deposit amt. XXX Whichever is lower
8. Locking period	Same as sec. 54
9. Notes	1. If acquired Rural Agriculture land & transfer that land within 3 yrs then exemption not be withdrawn as Rural agriculture land is not capital asset. 2. Dedn u/s 54B can be for STCG if land was used by assessee/his parents for 2 yrs prior to transfer.

Sec.54D: Exemption for Industrial Land & Building:

1. Assessee	Any person
2 Transferred Assets	Compulsory acquisition of land/building, used by assessee in business of industrial undertaking during 2 yrs prior to date of transfer.
3. CG on Transferred Asset	STCG/LTCG
4. Asset to be acquired	New land/building for industrial undertaking.
5. Time limit for purchase or construction	Purchase in 3 yrs from date of receipt of compensation
6. Deposit Scheme (note.1)	CGAS applicable
7. Amount of Exemption	i. Capital Gain XXX ii. Cost of New Asset/Deposit amt. XXX Whichever is lower
8. Locking period	Same as sec. 54

Sec.54EC: Exemption for Immovable Property:

1. Assessee	Any person
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2. Transferred Assets	Land, building or Both
3. CG on Transferred Asset	LTCG
4. Asset to be acquired	Bonds redeemable after 5 years issued, by (a) National Highway Authority of India (NHAI) (b) Rural Electrification Corp. Ltd (RECL) (c) Power Finance Corp. Ltd. (PFCL) (d) Indian Railway Fin. Corp. Ltd (IRFCL)
5. Time limit for Purchase or construction	Purchase: Within 6 months from date of transfer of original asset. Max exemption limit being ₹ 50 lakhs.
6. Deposit Scheme	CGAS NOT applicable
7. Amount of Exemption	(i) Capital Gain (ii) Cost of New Asset Whichever is lower [Max. can be ₹ 50 lakhs]
8. Locking period	5 yrs from acquisition if redeemed before then exempt LTCG will be taxable in yr of transfer/conversion. Note: If assessee takes any loan/advance on bonds, It will assumed Bonds converted into money & CG exempted shall be taxable.

Sec.54F: Exemption for any LTCA other than Residential House Property:

1. Assessee	Individual or HUF
2. Transferred Assets	Any LTCA other than Residential House Property
3. CG on Transferred Asset	LTCG
4. Asset to be acquired	One Residential HP in India
5. Time limit for purchase/construction	Purchase: Within 1 yr before or 2 yrs after date of transfer; & (-1+2) Construction: Complete construction within 3 yrs after date of transfer. (+3)
6. Deposit Scheme	CGAS applicable (Note)
7. Amount of Exemption	LTCG x <u>Cost of New Asset/Deposit Amt</u> Net Consideration Note: If cost of new asset exceeds ₹10 crores, then amt. exceeding ₹10 crore shall not be taken into account for purposes of exemption. [Added by FA 2023 w.e.f AY 24-25.]

8. Locking period on transfer of New Asset	New Asset transferred within 3 yrs from date of purchase/construction then exemption claimed earlier shall be withdrawn & treated as LTCG.
9. Additional Conditions	<ul style="list-style-type: none"> - On date of transfer of LTCA, assessee should not own more than 1 residential HP, & - Should not purchase any other house within 2 years or construct within 3 years after date of transfer. <p>If above conditions not satisfied then exempt CG, taxable in PY in which such other residential house is purchased/constructed.</p>

Notes:1. Capital Gain Account Scheme:

- a) Amt: If investment u/s 54, 54B, 54D, 54F, 54G, 54GA is not made before date of filing of return, then amt. of net consideration (in case of Sec. 54F)/CG has to be deposited under CGAS. amt. so deposited shall be deemed to be cost of new asset.
- b) Time Limit: Such deposit in CGAS should be made before due date/actual date of filing return, whichever is earlier.
- c) Unutilized amount: If amt. deposited is not utilized for specified purpose within stipulated period expires. However, in u/s 54F, proportionate amt. will be taxable.

Note: CBDT clarifies that in event of death of an individual before stipulated period, unutilized amt. is not chargeable to tax in hands of legal heirs of deceased individual.

2. U/S 54H: Extension of time for acquiring new asset: Where transfer of capital asset is by compulsory acquisition, then time limit for acquiring new assets & for depositing in CGAS shall be taken from receipt of compensation & not acquisition.

Tax Rates for Capital Gain
Sec.112A: Tax on LTCG of certain Asset [Added by FA18 - Applicable from AY 19-20]

1. LTCG on transfer of eq. shares or equity-oriented units or units of Business Trust, **in excess of 1,25,000 shall be taxable**
 - a. **@ 10%** for any transfer which takes place before 23rd July, 2024; and
 - b. **@ 12.5%** for any transfer which takes place on or after 23rd July 2024

if following conditions are satisfied;

- STT paid on **acquisition & transfer** of Equity shares.
 - STT paid on **transfer** of equity-oriented units & units of business trust.
2. **LTCG** arising from transaction in recognized stock exchange located in an International Financial Service Centre (IFSC) would be **taxable @ 10%** where consideration in foreign currency, even though **STT not paid** in such transaction.
 3. Deduction u/c VI-A & Rebate u/s 87A **Not Allowed** against CG referred u/s 112A.

Sec.55: Cost of Acquisition:

In case of equity shares or unit of equity-oriented fund or unit of Business Trust acquired before **1/2/2018** & transferred on or after 1/4/2018,

COA shall be:

Higher of step 1 & 2:

Step 1: (i) Cost of acquisition XXX

Step 2: (ii) Lower of

(a) FMV as on 31/01/2018	XXX	
(b) Sale value FVOC	<u>XXX</u>	<u>XXX</u>
COA		<u>XXX</u>

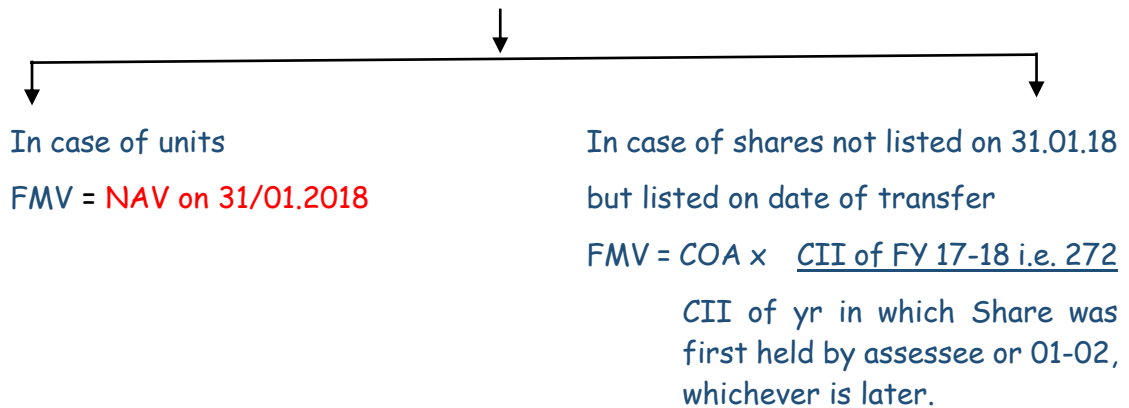
Note: Indexation not available for computation of capital gain u/s 112A**Computation of FMV on 31/01/2018:**

- i. Listed shares/units on RSE on 31/01/2018:

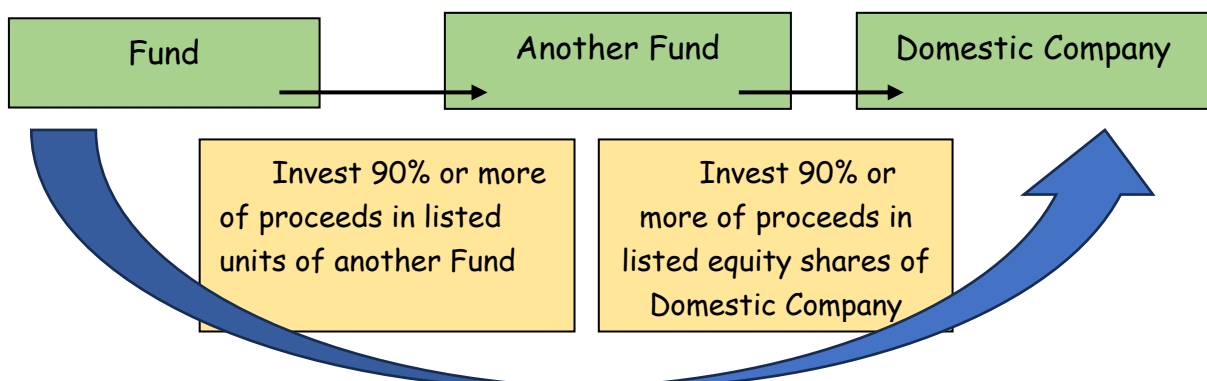
FMV = Highest price quoted on 31/01/2018

Note: If no trading on 31/01/2018 then highest price of last trading session before 31/01/2018.

- ii. Unit/shares not listed on 31/01/2018

**Equity Oriented Fund meaning:** Funds under scheme of MF/ULIP to which exemption u/s 10(10D) does not apply;

- In a case where fund invests in units of another fund which is traded on a RSE
 - A **min of 90%** of total proceeds of such fund is invested in units of such other fund; and
 - Such other fund also invests a **minimum of 90%** of its total proceeds in equity shares of domestic companies listed on a RSE.; and
- In any other case, a minimum of 65% of total proceeds of such fund is invested in equity shares of domestic companies listed on a RSE.



Invest 65% or more of proceeds in
listed equity shares of Domestic Company

Sec 111A: Tax on STCG of certain Asset

- STCG on transfer of equity shares/unit of equity-oriented fund/unit of business trust shall be taxable
 - @15% if asset transferred before 23rd July 2024.
 - @20% for asset transferred on or after 23rd July 2024.

If STT paid on transfer of such assets

- Concessional rate of 15%/20% available on transaction in foreign currency on RSE located in IFSC even though STT not paid in respect of such translation.
- Deduction u/s VI-A **not available** against STCG taxable u/s 111A.

Other Capital Gain Tax (other than referred in 112A & 111A above)

Before 23rd July 2024

LTCG-20% u/s 112

STCG-Normal Tax Rate

On/After

LTCG- 12.5%

STCG-Normal Tax Rate

Note: If a resident Individual or HUF transfers any immovable asset acquired before 23rd July 2024 and the tax calculated on LTCG at new rate (12.5% without indexation) is higher than the tax calculated at the old Rate (20% with indexation) then the excess tax is ignored. Assessee has the option to pay whichever is lower tax between both rates

Proviso to Sec. 112 Not Applicable wef 23rd July 2024

In case of LTCG on listed securities (other than units) & ZCB, assessee can pay tax,

- i. 10% (without indexation)
 - ii. 20% (with indexation)
- whichever is lower

In case of NR or Foreign Company - 10% Tax on LTCG from Unlisted securities or shares without First & Second Proviso to sec. 48. If transfer took place before 23rd July 2024 & 12.5 % if on and after 23rd July 2024

Benefit of Basic Exemption against LTCG/STCG 111A/LTCG 112A

In case of Resident Individual/HUF, if balance total income (other than LTCG 112, LTCG 112A & STCG 111A) is less than basic exemption then unexhausted (unutilised) basic exemption can be used against LTCG 112, LTCG 112A & STCG 111A.

Sec 55A: Reference to Valuation officer (V.O.)

A.O May Refer Case to VO in following circumstances

- i. FMV Claimed by assessee as per registered valuer :- A.O. is of Opinion that Value so Claimed is at variance with its FMV.
- ii. In any other Case:-

- a) FMV as per A.O. Opinion more than value claimed by assessee by
 - i. 15% of value claimed by assessee, OR
 - ii. 25000/-
 whichever is lower
- b) Having regard to nature of asset & other relevant circumstances, it is necessary so to do.

Sec. 2(18). Definition of Amalgamation

Merger of one/more companies with another company or merger of 2/more companies to form one company, in such a manner that -

- i. All asset & liabilities of amalgamating company becomes asset & liabilities of amalgamated company.
- ii. Shareholders holding minimum 75% in value of shares in amalgamating company become shareholder of amalgamated company.

Taxation of Shareholder

- (a) U/s 47, there will be **no transfer & hence no CG** when shareholder allotted shares of amalgamated Company in exchange of share of amalgamating Co.
- (b) COA of shares in Amalgamated Company = **COA of shares in Amalgamating Company (Sec. 49(2))**.
- (c) POH = Period for which shares held in Amalgamating Company Period in Amalgamated Company.

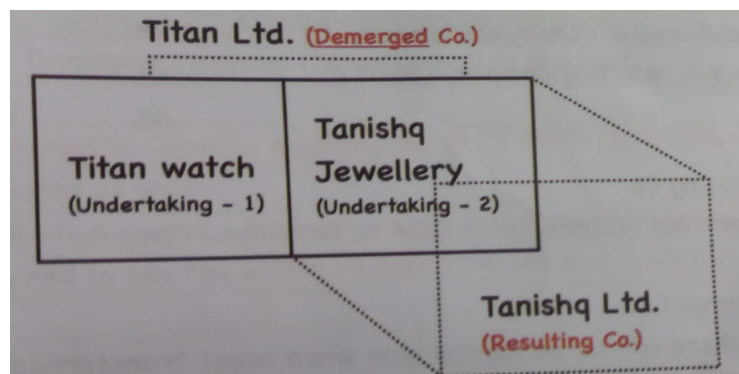
Taxation of Amalgamating company

U/s 47, there will be **no CG** on transfer of capital asset by amalgamating company to amalgamated company.

Taxation of Amalgamated Company

- a) U/s 49(1) COA of asset becomes property of Amalgamated Company = COA of Amalgamating Company [Cost of Previous Owner).
- b) POH of asset = Period of Amalgamating Company as well as Amalgamated Company.

Meaning of Demerger



Sec. 2(19AA): Demerger means transfer by demerged Co, of its one/more undertaking to resulting Company, all following conditions are fulfilled:

- (a) **All assets & liabilities** of undertaking-2 (tanishq) transferred by demerged comp become asset & liabilities of resulting company (tanishq Ltd)
- (b) All **assets & liabilities** should be transferred at **Book value** [Revaluation ignore]
- (c) Resulting company (tanishq Ltd) issues, its shares to shareholder of demerged company (titan Ltd.) on proportionate basis except when resulting company itself shareholder of demerged Company.
- (d) Shareholders holding **minimum 75% value of shares** in demerged Company becomes shareholder of resulting Company.
- (e) Transfer of undertaking on a going concern basis.

Taxation of Shareholder

- (a) Sec. 47: There will be **no capital gain** in hands of shareholders of demerged Company when receive share of resulting Company.
- (b) POH of shares of resulting company: Period for which shares were held in **demerged Co also be considered [Sec. 2(424)]**
- (c) Sec. 49(2C): COA of shares of **Resulting Company**

COA of shares held in demerged Company \times Net Book value of assets transferred in demerger
 **Net worth of demerged Company before demerger

**Net worth = Paid up share capital + General reserve

- (d) Sec. 49(2D): COA of shares in the Demerged Company

COA of originals shares in demerged Company	xx
COA of shares in resulting Company (paint c).	<u>xx</u>
	Xx

Taxation of Resulting Co.

COA of Asset received in Demerger = COA to Demerged Company

Taxation of Demerged Co.

U/s 47 there will be no CG when asset transferred by Demerged Company to Resulting Company.

In Case of Liquidation

In hands of Company

In case of Liquidation

- (a) Distribution shall be treated as Deemed dividend u/s 2(22)(c).
- (b) U/s 46(1) Where asset of Co, is distributed on its liquidation, such distribution shall not be treated as transfer. Hence, CG shall not apply in hands of company.

In hands of Shareholder

Where shareholder, on liquidation, receives any money/other assets from company then CG is applicable in hands of shareholder,

Computation of Capital Gain

Particulars	₹
Money received	xx
(+) FMV of asset reed, on date of Distribution	xx
	xx
(-) Amount assessed as deemed dividend u/s 2(22)(c)	(x)
Full Value of Consideration (FVOC)	xx
(-) COA/ICOA of shares	xx
STCG/LTCG	xx

Notes:

- POH of shares: Date of Acquisition to date of Liquidation.
- CG is applicable in hands of SH in yr in which he received assets under Liquidation.
- COA of assets received under Liquidation is FMV of such asset on date of distribution (Sec-55)

Taxation in Case of Buy Back

- In case of shares of Domestic Company (listed as well as unlisted)

In hands of Company: U/s 115QA Domestic Company shall pay tax @ 23.296% (20%+12%+4%) on distributed income which shall be calculated as under:

Distributed income = Buyback price - Issue price (including premium)

Note: Company required to pay tax within 14 days from date of Distribution.

In hands of Shareholder: The amt. received by shareholders on Buyback of shares shall be exempt u/s 10(344). No tax treatment in hands of shareholders.

7. PGBP (Profits & Gain from Business or Profession)

Sec 28: Charging Section:

Following income shall be taxable under the head PGBP.

1. Any **profit or gain** of any Business/Profession.
2. Profit on sale of **import entitlement licence**.
3. Cash compensatory support or **duty drawback**
4. Any amt. received under **Key-Man insurance policy**.
5. Any **gift/benefit/perquisite** arising due to business or profession, **whether convertible into money or not or in cash or in kind or partly in cash & partly in kind**.
6. Any **interest, salary, bonus, commission** received by **partner from partnership firm** [to the extent allowed u/s 40(b) to firm).
7. **Non-compete Fees** [not carrying out any activity in relation to any business/profession/not sharing any know-how/patent/copyright/trade-mark)
8. Income derived by a trade, professional/similar association from specific service perform for its member.
9. **FMV of inventory** as on date on which it is **converted into Capital asset**.
10. Any compensation in connection with termination/modification of terms & conditions, of any contract relating to business. Accordingly, any compensation, whether revenue/capital, in connection with termination/modification of terms & conditions of any business contract shall be taxable under PGBP.
11. Any income from letting out of a residential house or a part of the house by the owner shall not be taxable under PGBP and shall be taxable under Income from House Property.

Speculation Business: It means a transaction in which a contract for purchase or sales of any commodity including stocks & shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scrips.

❖ Transaction not deemed to be speculative transaction:

- a) **Hedging contract** in respect of raw materials or merchandise or stocks & shares.
- b) **Forward contract**.
- c) Trading in derivatives through recognised stock exchange.
- d) Trading in **Commodity derivatives** through RSE on which CTT paid. However, the requirement of charge ability of CTT not applicable in respect of trading in agricultural commodity derivatives from A.Y. 19-20.

Notes: Speculative business shall be treated as separate & distinct business.

Sec 29. How to compute PGBP:

PGBP are to be computed in accordance with provisions contained in sections 30 to 43D.

Sec 30: Rent, Rates, Taxes, Repairs & Insurance of Building:

	<u>Rent</u>	<u>Rates & Taxes</u>	<u>Insurance</u>	<u>Revenue Repairs</u>	<u>Capital Repairs</u>
Owner	Not allowed	Allowed	Allowed	Allowed	Not allowed
Tenant	Allowed	Allowed	Allowed	Allowed	Not allowed

Sec 31: Insurance & Repair of Plant & Machinery & Furniture:

	<u>Rent</u>	<u>Insurance</u>	<u>Revenue Repairs</u>	<u>Capital Repairs</u>
Owner	Not allowed	Allowed	Allowed	Not allowed
Tenant	Allowed	Allowed	Allowed	Not allowed

[Sec. 37]

Notes:

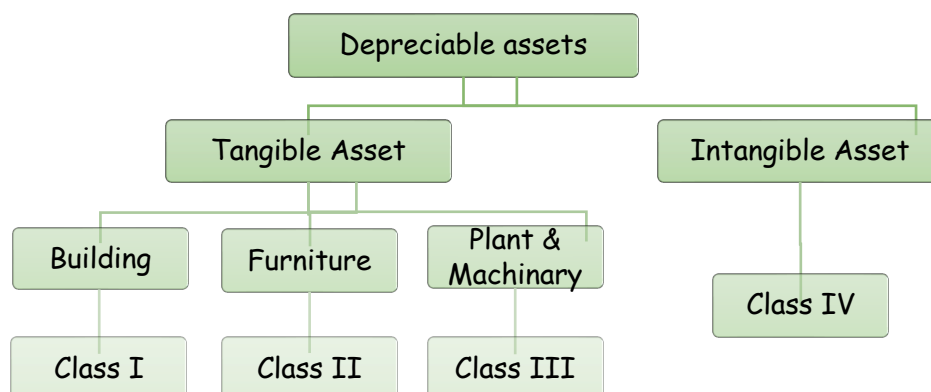
1. Expenses u/s 30 & 31 allowed only if asset **used for business or profession**.
2. Capital repair **not allowed** as deduction as it will **added to cost of asset**. Capital repair incurred by tenant is treated as **Deemed Building** & depreciation is allowed to Tenant.

Sec 32: Depreciation:**A. Conditions to claim depreciation:**

- i. Asset should be **used for business/profession** purposes (active or passive).
- ii. Assessee should be **Owner** of such asset (wholly or partly).

Notes:

1. Deprecation is allowed if assessee is **beneficial owner**.
2. In case of **Lease**, Depreciation is always claimed by lessor whether it is financial lease Operating lease [CBDT circular].
3. In case of **Hire Purchase**, assessee gets the **ownership only after payment** of last instalment he can claim depreciation from beginning, assuming assessee is the owner from beginning.
4. Depreciation on asset partially owned by the assessee shall be allowed to him of his share in asset.
5. In case of stand by machinery & emergency spares, the depreciation shall be allowed even they are ready for use & not put to use.

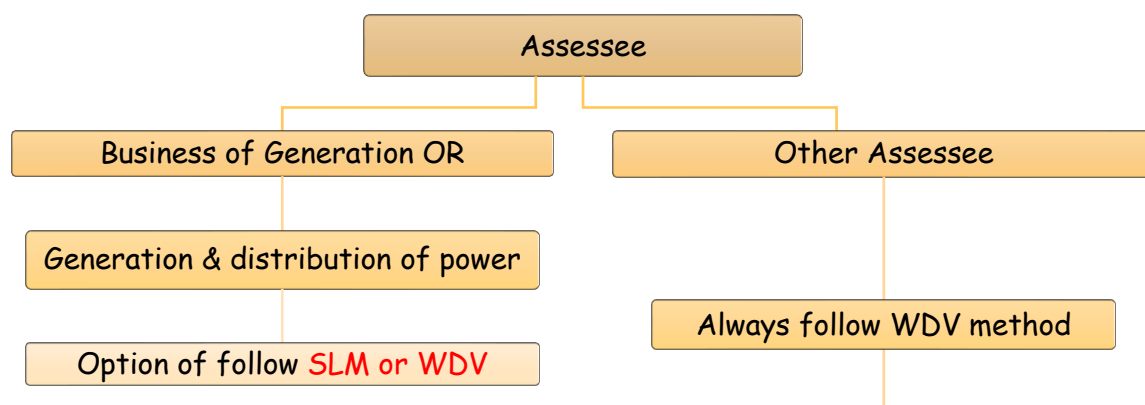
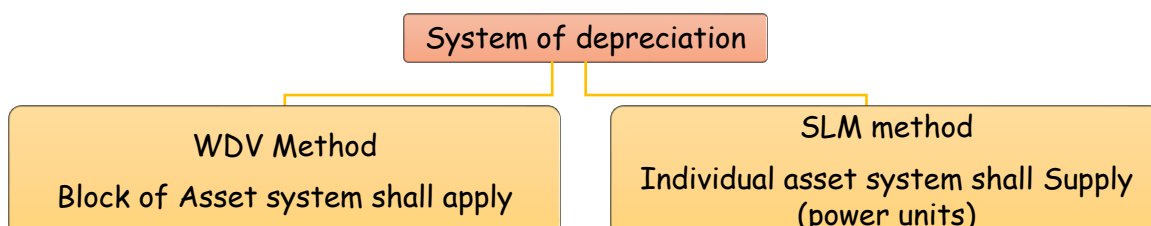
B. Classification of Depreciable assets:**C. Rates of Depreciation (WDV Method) (Block of assets system):**

SN	Assets	Rate
1.	Building (includes roads, bridges, wells & tube wells)	
	(i) Residential use (except hotels)	5%
	(ii) Other use	10%
	(iii) Temporary or Wooden Structure	40%
2.	Furniture & Fittings (include electrical fittings eg. fans, wires, switch)	10%

3.	Plant & Machinery	
	(i) Motor vehicles	15%
	- Acquired & put to use between 23.08.19 to 31.03.20	30%
	(ii) Motor vehicles (Lorries, buses) used in Hire Business	30%
	- Acquired & put to use between 23.08.19 to 31.03.20	45%
	(iii) Ships, Vessels, Speed Boats	20%
	(iv) Aero planes, Aero engines	40%
	(v) Computer & computer software	40%
	(vi) Books (include annual publications or used in libraries)	40%
	(vii) Pollution control equipments	40%
	(viii) Windmills & its equipment installed before 01.04.14	15%
	- Windmills & its equipment installed on or after 01.04.14	40%
	(ix) Renewable Energy Devices (include E-Vehicles)	40%
	(x) Oil wells	15%
	(xi) Other P&M	15%
4.	Intangible Assets	25%

Notes:

1. **Mandatory** to claim depreciation for all assessee.
2. Mobile phone are **not computers**, hence depreciation @ 40% is not eligible.
3. Intangible assets include know-how, patents, copyrights, trademark, licenses, franchises or any other business or commercial rights of similar nature but **other than goodwill** of business & profession.
4. Depreciation rate for computers accessories is 40% eg. UPS, printer, scanners.
5. Depreciation allowed when asset **actually put to use & not ready to use**.
6. U/s.43(3) plant includes ships, vehicles, books, scientific apparatus & surgical equipment used for business/profession but does not include Tea bushes, live-stock, building, furniture.

D. Method of Depreciation:**E. System of Depreciation:**

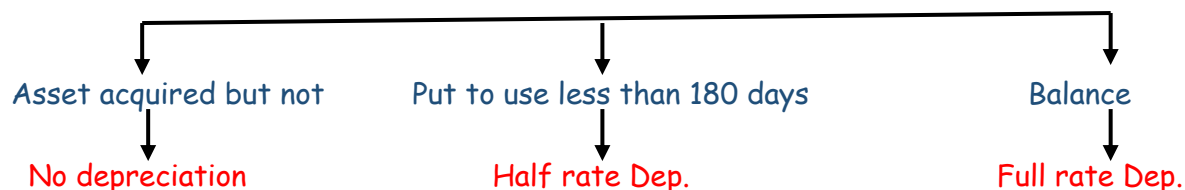
Block of asset means "Group of assets having same rate of dep. Within same class of assets" Block of Asset = Same Rate + Same Class

Individual assets system: Depreciation calculated on Individual asset - Same as Accounts.

F. Calculation of depreciation (Block of asset/WDV method)

Particulars	₹
Opening WDV of block	XX
Add: Actual cost of asset acquired during PY	
➤ Put to use 180 days or more (upto 4 th Oct)	XX
➤ Put to use less than 180 days (on or after 5 th Oct)	XX
➤ Acquired but not put to use	XX
	XX
Less: Money payable [selling price of asset]	(X)
Less: WDV of assets transferred in Slump sale (Compute WDV of asset assuming this is only asset in block)	(X)
**WDV of Block for the purpose of Depreciation	XX
Less: Depreciation Actually allowed	(X)
Closing WDV of Block	XX

**WDV of Block of assets



Notes:

1. If asset acquired during current PY & not put to use then depreciation shall not be allowed for such asset should be added to Block of asset.
2. Actual sale price of asset shall be reduced & not FMV of asset sold.
3. If assessee transferred Building then actual sale price shall be reduce & not SDV. However, if Sec.50 attract then SDV shall be considered for computation of CG.
4. Money payable means sale price or insurance compensation in respect of asset sold, discarded, demolished or destroyed during the PY & the amt. of scrap value.

Proviso to Sec.32(1): Depreciation restricted of 50% in case less than 180 days in year of acquisition, applies only in year of acquisition.

Year of Acquisition	Year of put to use Less than 180 days	Depreciation allowed	Rate
P.Y. 23-24	P.Y. 23-24	P.Y. 23-24	Half Rate
P.Y. 23-24	P.Y. 24-25	P.Y. 24-25	Half Rate

G. Sale of Asset/Capital Gain in case of depreciable assets [Block of asset]:

Part-A: Where a Block of assets ceases to exist [All Asset Transfer]				
Particular	₹	No.	₹	No.
Sale Price of asset	5,20,000	7	9,30,000	7
Opening WDV of block	6,00,000	5	6,00,000	5
(+) Actual cost of asset acquired	2,00,000	2	2,00,000	2
	8,00,000	7	8,00,000	7
(-) Sale value of assets	(5,20,000)	7	*(8,00,000)	7
Capital Loss	2,80,000	-	-	-
	Asset →	No	Asset →	No
	WDV →	Yes	WDV →	No
	Depn. →	No	Depn. →	No
	CG →	Yes	CG →	Yes
Computation of Capital Gain				
Full Value of Consideration	5,20,000		9,30,000	
Less: COA (Op WDV + Actual Cost)	(8,00,000)		(8,00,000)	
	(2,80,000)	STCL	1,30,000	STCG

*Block can be Nil but Never Negative.

Note: In case of depreciable assets there is always STCG/STCL.

Part-B Where some assets of Block of assets transferred				
Sale Price of asset	9,10,000	4	6,20,000	4
Particular	₹	No.	₹	No.
Opening WDV of block	6,00,000	5	6,00,000	5
(+) Actual cost of asset acquired	2,00,000	2	2,00,000	2
	8,00,000	7	8,00,000	7
*Sale value of assets	*(8,00,000)	4	(6,20,000)	4
Capital loss	-	3	1,80,000	3
	Asset →	Yes	Asset →	Yes
	WDV →	No	WDV →	Yes
	Depn. →	No	Depn. →	Yes
	CG →	Yes	CG →	No
Computation of Capital Gain			Normal	
Full Value of Consideration	9,10,000		Dep.	
Less: COA (Op WDV + Actual Cost)	*(8,00,000)		Allowed	
	1,10,000	STCG		

*Block can be Nil but Never Negative.

H. Sec. 32(1)(ia) Additional Depreciation:

- Eligible Assessee - engaged in business of manufacture of any article or generation transmission or distribution of power.
- Additional depreciation @ 20% allowed on Plant & Machinery, excluding:
 - Second hand P&M
 - Any P&M installed in office premises or residential accommodation.
 - Ships, aircraft & transports vehicles.
 - P&M on which 100% deduction allowed.

- (c) Additional depreciation is allowed only in **First year in which it is put to use**. If put to use for less than 180 days then 10% depreciation shall be allowed in current year & remaining 10% in next year.
- (d) **Printing or printing & publishing** treated as **Manufacturing Business** eligible for Additional depreciation [CBDT].
- (e) **Additional depreciation** is allowed only if assessee opt **WDV Method**. It is not allowed to Power units if they opt SLM method.
- (f) Forklift Trucks used in factory is not treated as transport vehicle so it is eligible for Additional depreciation.

I. Sec.43(1) Actual Cost

Particular	₹
Cost of asset (purchase price)	XX
Add: Installation charges	X
Transportation expenses for asset	X
Trial run/test run expenses	X
Taxes & duties (if ITC not available)	X
Interest on loan taken for acquisition of asset (upto the date of asset put to use)	X
	XX
Less: Amount received on sale of trial run product	(X)
Subsidy/Govt. Grants received for acquisition of assets	(X)
Actual Cost	XX

Note: If assessee incurs any expenses for acquisition of any asset & payment made to single person in single day, otherwise than by an a/c payee cheque/DD/ECS exceeds ₹10,000, such expenditure shall not form part of cost of such asset.

Explanation to Sec. 43(1): Actual cost in Special Cases-

SN	Cost	Actual Cost
1.	Asset previously used for Scientific Research brought into regular business	Actual cost = NIL (because deduction already claimed u/s 35)
2.	Stock converted into Capital asset & used for Business/Profession	FMV on date of conversion
3.	Asset acquired by way of gift/will/Inheritance	Actual cost to previous owner less depreciation already allowed to him
4.	Asset acquired with an intention to claim higher depreciation	Amt. determined by A.O. with approval of Joint Commissioner (JC) (Normally A.O take FMV of such asset)
5.	Re-acquisition of asset sold	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">↓</div> <div> <div>(i) WDV at time of Sale XX</div> <div>(ii) Reacquisition cost XX</div> </div> </div>
6.	Asset purchased & leased back to same person	WDV of previous owner (Lessee)
7.	Building was used for other purpose now brought into business	<div style="display: flex; justify-content: space-between;"> <div>Original Cost</div> <div>XX</div> </div> <div style="display: flex; justify-content: space-between;"> <div>(-) Notional Dep. till at</div> <div></div> </div> <div style="display: flex; justify-content: space-between;"> <div>Current dep. rate</div> <div><u>XX</u></div> </div>

		Actual Cost	XX
8.	Asset brought into India by NR for use in his Business or Profession	Actual cost (-)Dep. calculation at rate in force as if asset used in India from date of acquisition	XX XX
9.	Actual cost allowed as deduction u/s 35AD & capital asset transferred to non-specified business after 8 years from year of acquisition or transfer by way of transaction referred in Sec.47.	Actual cost for transferee shall be	NIL

Explan 7 of Sec.43(6): In cases where **partly income from Business & Partly from Agriculture** (Tea, coffee & Rubber Growing & Manufacturing), for purpose of computing WDV, depreciation shall be computed as if entire income of assessee is "PGBP". Depreciation so computed shall be deemed to have been **"actually allowed"** to assessee.

J. Depreciation for Power Units/Sale of Assets/SLM method/Individual asset system

If power units follows SLM method then they are subject to individual asset system profit & loss is calculated on every sale.

For better understanding let's take an example:

Actual cost of asset = ₹ 100

Rate of depreciation = 10% SLM

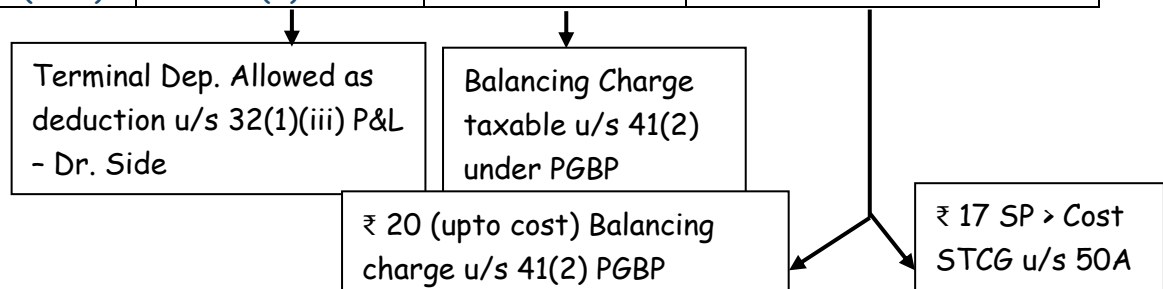
In 3rd year suppose asset sold for a) ₹ 72 b) ₹ 89 c) ₹ 117

Calculation of depreciation for 2 years

Actual Cost	100
- Depreciation 1 st Year	<u>(10)</u>
	90
- Depreciation 2 nd Year	<u>(10)</u>
WDV	80

Tax treatment in the year of sale (3rd Year):

	A	B	C
Sale Value	72	89	117
Less: WDV	80	80	80
Profits/(Loss)	(8)	9	37



K. If asset is not exclusively used for purpose of Business/Profession then deduction u/s 30, 31, 32 shall be restricted to a proportionate part as determined by A.O.

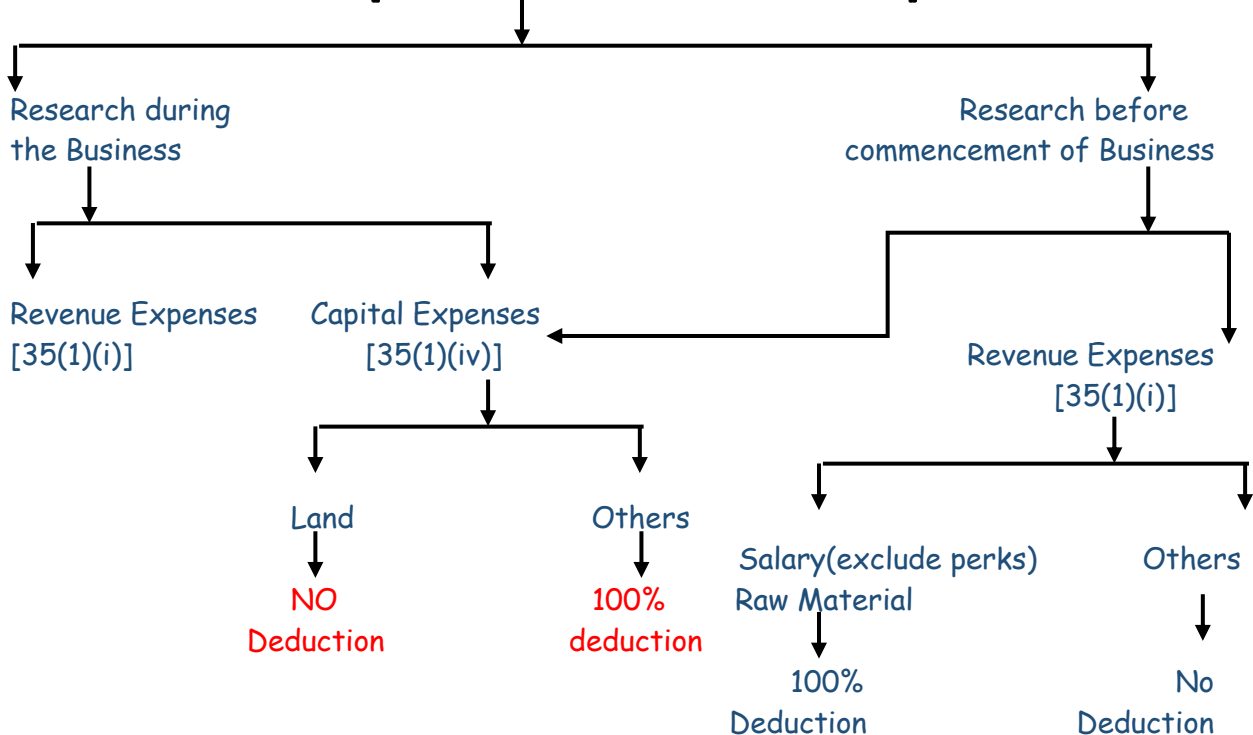
L. Sec.32(2) Unabsorbed Depreciation

Where, in any PY PGBP is not sufficient to give full effect to depreciation unabsorbed depreciation shall be added to depreciation allowance for next P.Y & shall be deemed to be part of that allowance. Thus, unabsorbed depreciation shall be carried forward indefinite no. of years till it is set off.

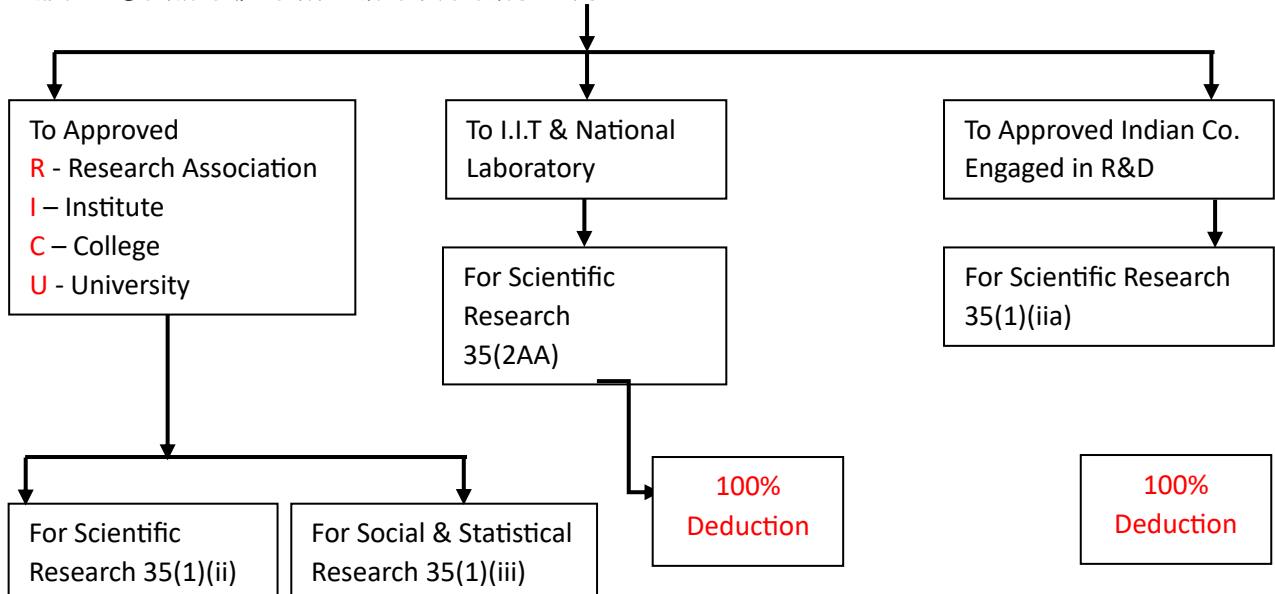
- ❖ It can be **set-off against** the income of any other head **except "Salaries"**.
- ❖ It can be set off even if business to which it relates does **not exists**.
- ❖ Order of set off will be: C.Y dep → B/F business loss → unabsorbed dep

Sec.35 Scientific Research:

Part A: Inhouse Research [Research related to assesses Business]



Part B: Donation/Contribution to outsiders



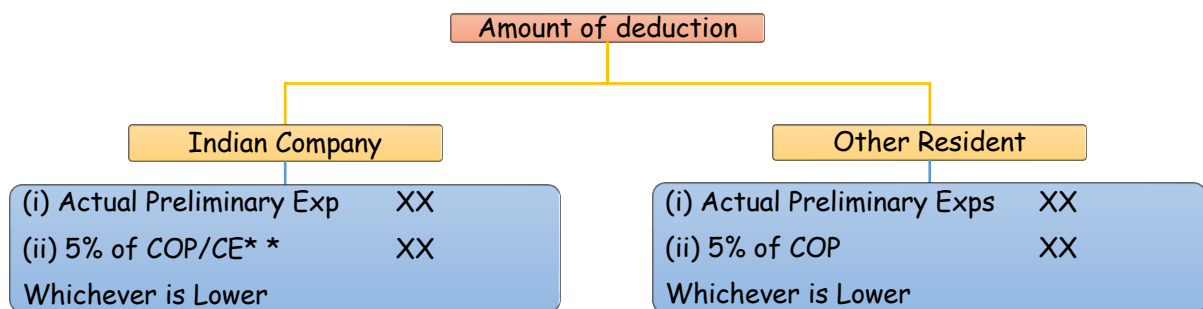
Notes:

1. Deduction u/s 35(1) (ii)/ (iii)/35(2AA) shall not be denied if approval of such institution has been withdrawn after payment of sum by assessee.
2. No depreciation allowed on assets if deduction u/s 35 claimed.
3. If L&B purchased through a composite agreement then the cost of L&B shall be bifurcated on the basis of FMV because cost of land is not allowed as deduction
4. Unabsorbed research capital expenditure can be set off & carried forward same as un-absorbed depreciation

Section 35D: Preliminary expenses

- 1. Meaning:**
- a. Preparation of feasibility study / project report
 - b. Market survey
 - c. Engineering services
 - d. Drafting Printing of MOA/AOA
 - e. Legal fees
 - f. Expenses related to public issue of shares & Debenture
 - g. other expenses may be notified by CBDT

Dedn' allowed to resident assessee who incurs preliminary exps before commencement of business/after commencement for extension/for setting up new



**COP or CE, whichever is higher

Notes

1. Above deduction is allowed in 5 equal instalments
2. COP Cost of project [Amount invested in fixed asset of new project or extensive or setup new unit]
3. CE = Capital employed [share capital debentures long term borrowing for new project or extension or setup new unit]
4. Reserve & surplus (including security premium) shall not be part of CE.
5. Audit is mandatory for year in which such expenses incurred except company & co-operative society & audit report should be submit upto date given u/s 44 AB.

Sec. 35DDA Expenditure on Voluntary Retirement Scheme

Assessee: All Assesses

Deduction allowed in 5 equal instalments

Note 35D & 35DDA: If there is Amalgamation / Demerger then remaining Deduction shall be allowed to Amalgamated Company/Resulting Company

Sec 35 AD: Specified Business

No.	Business	Commencement on/after
100% allowed for Capital Expenses & this sec. is optional for assessee.		
1.	Setting up operating a cold chain facility	01.04.2009
2.	Setting up & operating a warehousing facility for agricultural produce	01.04.2009
3.	Laying Operating cross country pipeline for distribution of petroleum oil, natural gas	01.04.2009
4.	Building & operating a Hotel of 2 star or above	01.04.2010
5.	Building Operating a Hospital with minimum 100 patient beds	01.04.2010
6.	Developing Building a Housing project under Slum development scheme	01.04.2010
7.	Developing & building a housing project under affordable housing scheme	01.04.2011
8.	Production of Fertilizers in India	01.04.2011
9.	Setting up operating inland container depot or container freight station	01.04.2012
10.	Bee keeping & production of bee's honey wax	01.04.2012
11.	Setting up operating a warehousing facility for sugar	01.04.2012
12.	Laying Operating a slurry pipeline for transportation of Iron ore.	01.04.2014
13.	Setting up operating a Semi-conductor wafer fabrication manufacturing unit.	01.04.2014
14.	developing or maintaining & operating or developing, maintaining & operating a new infrastructure facility	01.04.2017

Conditions / Notes

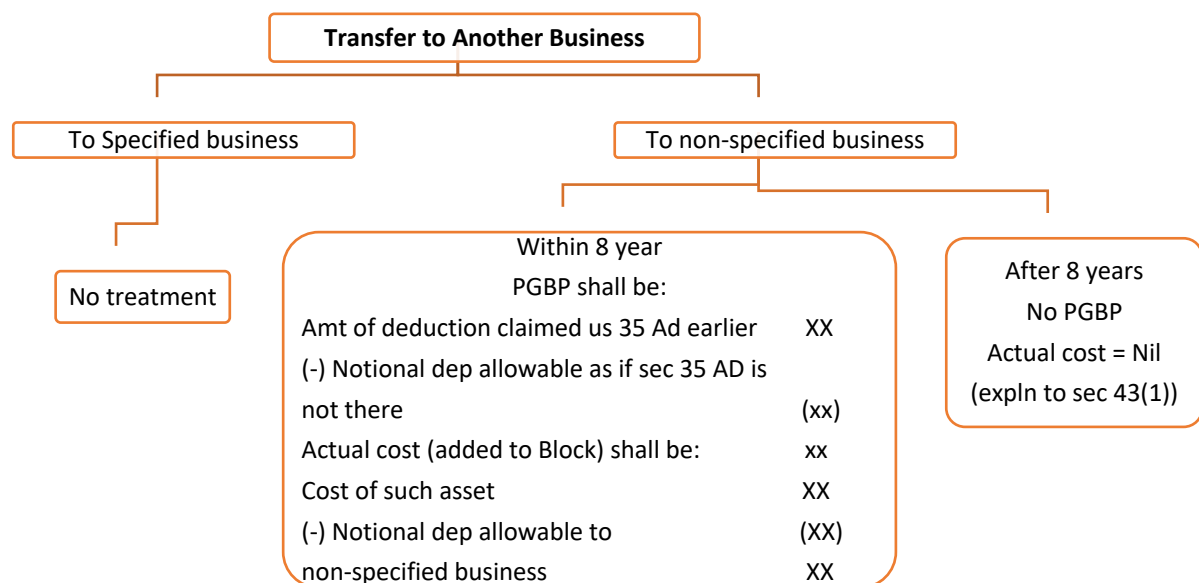
- Not formed by splitting/reconstruction of existing business, business should be new
- P&M should be New
Exception
 - Imported old P&M (P&M on which dep, not claimed under IT Act)
 - 20% of total P&M can be old (Second Hand)
- Deduction allowed on all Capital expenses except (a) Land (b) Goodwill (c) Finance instruments. Further, any expenditure in respect of which payment or aggregate of payments made to a person of an amt. exceeding 10,000 in a day otherwise than by a/c payee cheque or an a/c payee DD or ECS would not be eligible for deduction.
- Depreciation not allowed if deduction claimed u/s 35AD
- Loss of specified business can be carried forward indefinitely.
- If asset (on which deduction claimed u/s 35AD is allowed) sold then entire sales price shall be taxable as PGBP [Section 28]
- Loss of specified business can be set off only against specified business income irrespective of whether latter is eligible for deduction u/s 35AD.
Eg: Assessee can therefore, set-off losses of a hospital/hotel which begins to operate after 1/04/2010 & which is eligible for deduction u/s 35AD against profits of existing business of operating a hospital (with atleast 100 beds for patients) or a hotel (of two-star or above category) started before 1/04/2010 even if latter is not eligible for deduction u/s 35AD
- In case of Hotel (2* or more) if assessee transfer operation to another person, then assessee shall be deemed to be carrying on specified business.
- Infrastructure Facility means
 - Road including toll road a bridge or a rail system.

- b. Highway project including housing/other activities being an integral part of highway project
- c. Water supply project, water treatment system, irrigation project. Sanitation & sewage system or solid waste management system
- d. A port, airport, inland waterway inland port or navigational channel in the sea.
10. Business of cross-country pipeline & new infrastructure facility should be owned by Indian Company/consortium of such companies/by an authority/a board or corporation or any other body established or constituted under any Central or State Act
11. Business of cross-country pipeline should be approved by the Petroleum & Natural Gas Regulatory Board & notified by the Central Government under New infrastructure facility entity should have entered into an agreement with the CG/SG/Local Authority or any other Govt body.
12. Asset (on which deduction claimed u/s 35AD) should be exclusively used for specified business for minimum 8 years from the year of acquisition.
If it is used for non-specified business within 8 years the following shall be taxable under PGBP

Particulars	Rs.
Amount of deduction claimed u/s 35AD earlier	XX
(-) Depreciation that would have been allowable if Sec. 35 AD not there	(xx)
PGBP	XX

13. If asset is transferred from specified business to non-specified business within 8 years then Actual cost for non-specified business shall be

Particular	Rs
Cost of such asset	xx
(-) depreciation allowable if such asset used for non-specified business from acquisition	(xx)
Actual Cost	xx



Sale	PGBP = Sale price No CG even SP > Actual Cost
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Section 36 Certain deduction u/s36

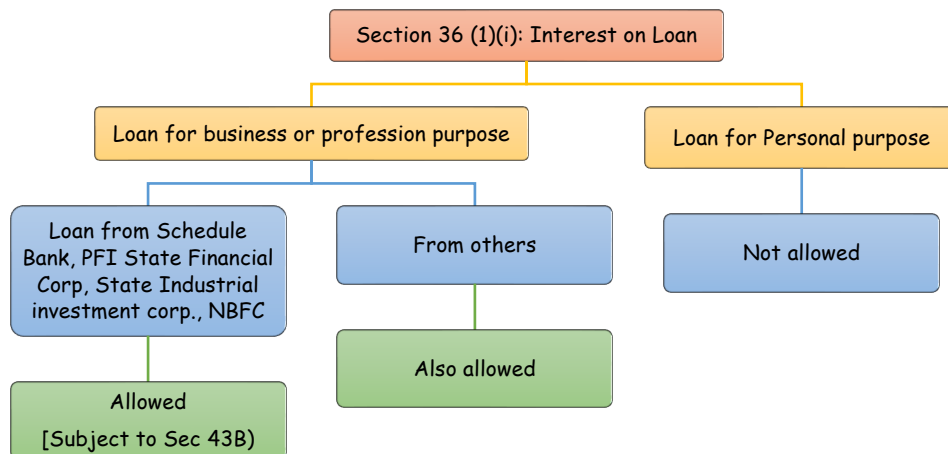
Section 36(1)(i) Premium for insurance of stock-in-trade - It is allowed as deduction.

Section 36(1)(ib): Health insurance premium for employees

It is allowed as deduction if premium paid in any mode other than cash

Section 36(1)(ii): Bonus or commission to employees

It is allowed as deduction subject to Sec 43B. There is no restriction on amt. of bonus & it may exceed the bonus payable under Payment of Bonus Act, 1965.

Section 36(1)(i): Interest on Loan**Section 36(1)(iia): Discount on Zero Coupon Bonds (ZCB)**

Pro-rata amt. of discount shall be amortized over life (calendar months) of ZCB

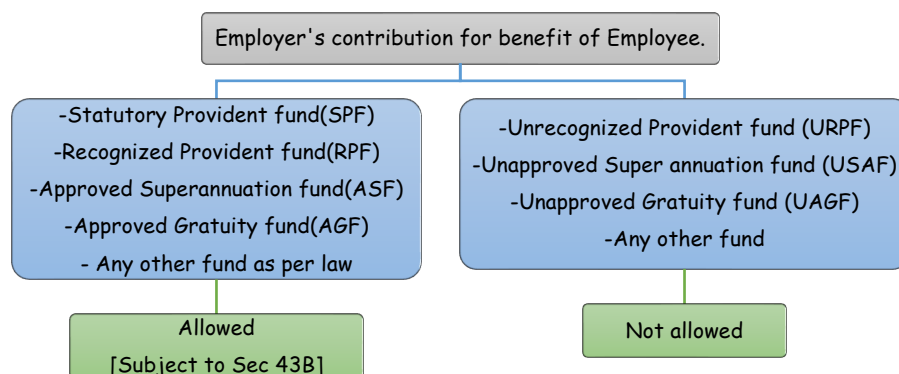
Eg. R Ltd issued 1,00,000 ZCB on 06/12/23 @ 80. Face value of bond is 100. ZCB redeemable after 10 months Compute deduction allowed for A.Y 2023-24

Solution: Total Discount = $1,00,000 \times 20 = 20,00,000$

Monthly Discount = $20,00,000 / 10 \text{ months} = 2,00,000 \text{ pm}$

Discount for Ay. 2023-24 = $200000 \times 4 \text{ months (Dec-23 to Mar-24)} = 8,00,000$

Note: If any calendar month part is 15 days or more, it shall be increased to 1 calendar month & if such part is less than 15 days it shall be ignored.

Sec 36(1)(iv)/(v) Employer's contribution for benefit of Employee.

Sec. 36(1)(iva): Employer contribution towards Pension scheme referred u s 80CCD
Deduction allowed to employer (subject to sec 43B]

- i. Actual contribution
- ii. 10% of salary [Basic DA (Terms)
 ↓
 whichever is lower
 Sec 36(1)(va): Employees contribution towards welfare fund

Any sum received by Employer from Employees as contribution to PF superannuation fund ESI etc. is deemed to be PGBP if such sum is not deposited in respective fund up to due date to such fund.

Notes:

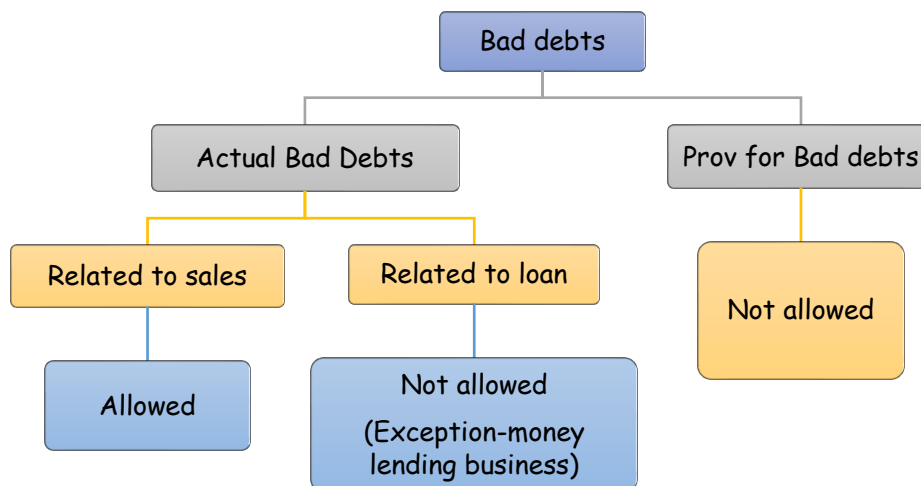
1. PF due date is 15th of next month.
2. If any amt. deposited after due date of fund, then it will be treated as PGBP income of employer & never be allowed to employer.
3. As clarified by FA 21, here due date means due date of Fund & not a due date of ROI as per sec. 43B.

Sec. 36(1) (vi): Animals used in Business (other than SIT)

Deduction is allowed in the year in which such animal become permanently useless or died.
 Deduction = Cost of animal - scrap value

Note: Depreciation u/s 32 not allowed on animals

Sec 36(1) (vii)

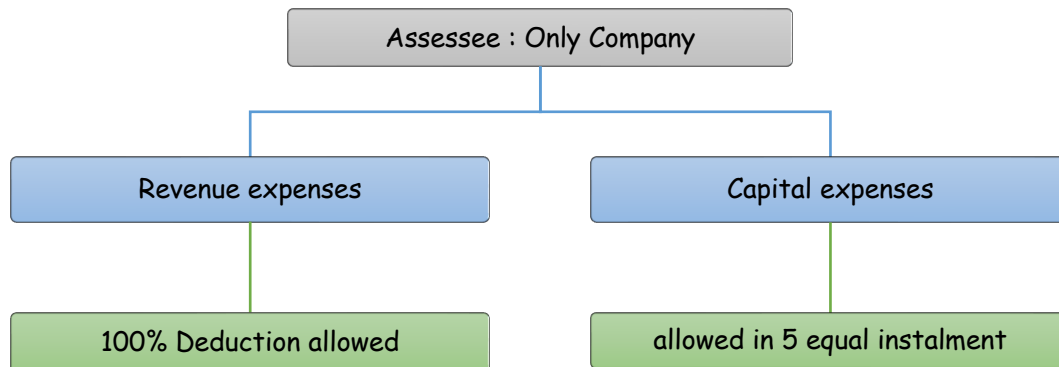


Notes

1. Bad debts should be written off in BOA of Assessee in PY in which deduction is claimed.
2. The debt have been taken into account for computing income for P.Y or earlier P.Y
3. No need to prove that the debts have become bad.
4. Where amt. of such debt has been taken into account in computing income for PY or earlier PY (on basis of ICDSs without recording same in accounts) Such debt shall be allowed in py in which such debt becomes bad & It shall be deemed that such debt has been written off as irrecoverable in accounts.

Sec. 41(4) Bad-Debts Recovery: Where deduction has been allowed in respect of bad debts, recovery shall be taxable as PGBP in year of recovery. This shall apply even if business or profession is not in existence in year in which recovery has been made.

Sec 36 (1) (ix) Expenses on Promotion of Family Planning of employees



Sec 36(1)(xv)/(xvi) Securities Transaction Tax STT/Commodities Transaction Tax CTT

It is allowed as deduction if assessee held shares /Units/Commodities as stock in-trade.

Sec. 37 General Deduction: Any expenditure (other than covered u/s 30 to 36] shall be allowed as deduction if following conditions are satisfied:

1. Expenses should be incurred wholly/exclusively for purpose of Business/Profession.
2. Expenses should be revenue in nature.
3. Expenses should be Legal (It should not be illegal like Hafta, Bribe secret commission)

Explanation -Following expenses treated as illegal & not allowed as deduction,

- (i) For any purpose which is an offence under, or which is prohibited by, any law for the time being in force, in India or outside India; or
- (ii) To provide any benefit or perquisite, in whatever form, to a person, whether/not carrying on a business/exercising a profession, & acceptance of such benefit or perquisite by such person is in violation of any law/rule/regulation/guideline, as the case may be, for time being in force, governing conduct of such person; or
- (iii) To compound an offence under any law for time being in force, in India/ outside.
- (iv) To settle proceedings initiated in relation to contravention under such law as may be notified by the central govt.

Corporate social Responsibility (CSR) expenses

It is not treated as Business expense, so not allowed.

Allowability of some expenses-

- a) Advertisement in brochure souvenir newspaper pamphlet published by political party - Not allowed
- b) Gift to employees - Allowed
- c) Customary expenses (Puja at the time of new year Diwali)- Allowed
- d) Expenses incurred by CA's for attending CPE seminars-Allowed

- e) Dividend & DOT - Not Allowed
- f) Taxes, Interest & Penalties

	Tax	Interest	Penalty
Direct taxes (Income tax, etc)	Not allowed	Not allowed	Not allowed
Indirect taxes (GST etc)	Allowed	Allowed	Not allowed

[Subject to sec. 43B]

Penalty - Breach of law - Not Allowed

Breach of contract (contract of Revenue Nature) - Allowed

g) Freebies (gifts, cash, travel facility) provided by pharmaceutical company to doctors
- illegal expenses - Not allowed

h) Interest on loan taken for payment of income tax - Not allowed

i) Premium paid by the firm on the keyman Insurance policy of a partner - Allowed

Sec. 40: Amt. specifically not deductible

Sec. 40(a) (i): Payment made to Non-Resident

Amount paid or credited to Non-resident foreign co. & if:

- a. TDS has not been deducted in P.Y. or,
- b. TDS deducted but not paid to Govt. up to due date of return filing,
- then such sum (100%) shall not be allowed as deduction in current P.Y.

Sec. 40(a) (ia): Payment made to resident.

Any amt. paid or credited to resident & if:-

- a. TDS has not been deducted in P.Y. or,
- b. TDS deducted but not paid to Govt. upto due date of return filing,
- then 30% of such sum shall not be allowed as deduction in current P.Y.

Notes:

1. If TDS deducted in subsequent year or deducted in P.Y. but paid to Govt. after due date of return filing then such sum (100% NR) / (30% Resident) shall be allowed as a deduction in the P.Y. in which such TDS has been paid to Govt.
2. Exception to Sec. 40(a)(ia) & 40 (a)(i)

If any amt. paid / credited to Resident payee without deduction of TDS but such payee

- Furnishes his ROI.
- Takes into account such amt. in total income.
- Has paid the tax due on such income
- Payer furnishes certificate from CA to this effect then it shall be deemed that the payer has deducted TDS paid to Govt on date of furnishing of return by payee & deduction of such expenditure shall be allowed accordingly. (30% disallowed in current year & will be allowed in the year in which payee file his ROI)

Sec. 40(a) (iii) TDS on salary payable outside India or NR

Any salary payable outside India or to NR in India & if:

- a. TDS not deducted or
- b. TDS deducted but not paid to Govt upto due date of TDS payment.
 - then such sum shall not be allowed as deduction

Note: If TDS deposited late even by one day, the salary shall not be allowed as deduction.

Sec 40(a) (v) Tax on Non-Monetary Perquisite

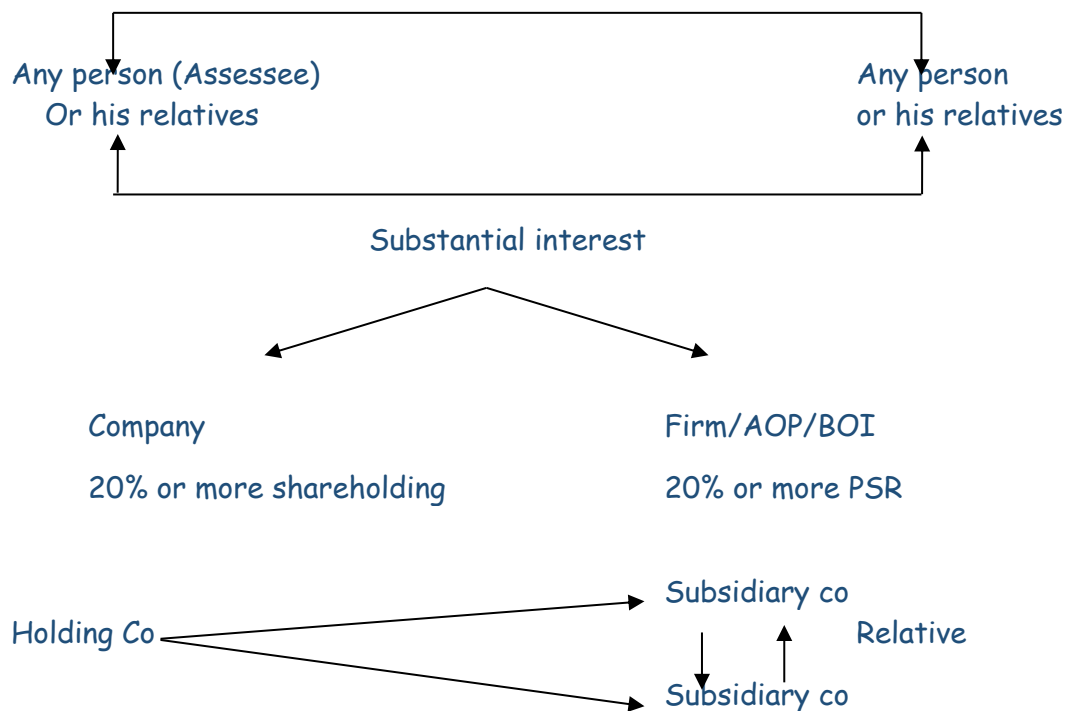
If employer offers some Non-Monetary perquisite to employee, then tax on such Non-Monetary perquisite is responsibility of employee. But instead of employee, if employer decides to pay tax on such Non-Monetary perquisite from his pocket, then that Tax is Not Allowed as deduction because it's Exempt in hand of Employee u/s 10(10CC).

Sec. 40A(2) Payments to specified Persons (Relatives)

If payment is made to relative then AO can disallow excessive/unreasonable amt.

Specified Person (Relative) for Sec 40A(2)

Assessee	Relative Individual
1. Individual	S,M,F,B,S,LA,LD
2. HUF	Member & their relatives
3. Firm/LLP	Partner & their relatives
4. Company	Director & their relatives
5. AOP/BOI	Member & their relatives
6. Substantial interest	

**Sec. 40A(3) Cash payment 10,000 to single person in a single Day**

If assessee makes payment for any expenditure to any person other than A/C Payee Cheque/Demand Draft/use of electronic clearing system through a bank account is more than ₹10,000 in a single day then such expenditure shall be disallowed.

Note:

1. If payment made to transporter then limit is ₹35,000
2. If expenditure is claimed as deduction in earlier year on due basis) & if such expenses is subsequently paid in cash/bearer cheque then deduction allowed earlier shall be withdrawn taxable as PGBP.
3. If expenditure paid by Cross cheque then also deduction not allowed.

Exceptions of Sec 40A (3) [Rule 6DD]

1. Payment made to RBI/LIC/Banks/Govt.
2. Payment made through NEFT/RTGS/Debit card/ECS/credit card.
3. Payments by book entry (adjustment)
4. Payment of producers of agriculture product, forest products, poultry product, fish product, live-stock etc

5. Payment required to be made on a day when banks are closed
6. Payment of Retirement benefits, provided such payment is up to 50000
7. Payment of salary to an employee who is posted to any other place for 15 days/more other than his normal place of duty
8. Payment made where Banking facility not available payment is made by any person to his agent who is required to make payment in cash for goods/services on behalf of such person
9. Payment is made by an authorised dealer or a money changer against purchase of foreign currency or travellers cheques in the normal course of his business.
10. Payment for purchase of product manufactured or processed without aid of power in a cottage industry, to producer of such product.

Sec. 40A(7) Provision of Gratuity - Not Allowed

Only payment to Approved Gratuity Fund or provision for gratuity actually become payable during P.Y. (due basis is allowed as Deduction.

Sec. 43B Expenses allowed on Payment Basis

Following expenses are allowed only if they are PAID up to due date of return filing as per Sec 139(1)

- a) Any tax Duty, Cess
- b) Employer's contribution towards SPF, RPF Approved Gratuity Fund, Approved Super Annuation Fund, New pension scheme, any funds as per Law
- c) Bonus/Commission to Employees
- d) Int. on loan to any PFI, State Financial corp, state industrial Investment Corp scheduled Banks (scheduled banks include co-operative bank other than a primary agricultural credit society/a primary co-operative agricultural & rural development bank]
- e) Leave encashment (Leave salary) to employees
- f) Any sum payable to Indian railways for use of railway assets
- g) Interest on any loan or borrowing from such class of NBFC as may be notified by CG.
- h) Any sum payable by the assessee to a micro or small enterprise beyond the time specified in sec. 15 of the Micro, Small & Medium Enterprises Development Act, 2006.

Note: if payment made after due date of return filing then such expenses shall be allowed in the year of actual payment.

Notes:

- (i) Where interest payable on loans has been converted into a loan or borrowing, it shall not be deemed that interest is paid off. Interest shall only be allowed as deduction in PY in which such instalments are paid.
- (ii) If interest payable on loan is converted into debenture/any other instrument by which liability to pay is deferred to a future date shall not be treated as actual payment.
- (iii) Any payment made to Micro & small enterprise allowed as deduction in current yr if payment made within time allowed u/s 15 of MSMED Act otherwise allowed in year of Actual Payment.
- (iv) Time Limit u/s 15 of MSMED Act: Where any person purchases goods/services, from a micro/small enterprise, payment shall be made before date agreed upon between him & shall more than 45 days. If, however, there is no such agreement, payment shall be made within 15 days of acceptance/deemed acceptance of goods/services.

Particulars	Micro Ent.	Small Ent.
Investment in P&M or equipment's,	Upto Rs 1 crore	Upto Rs 10 crore
And Turnover	Upto Rs 5 crore	Upto Rs 50 crore

Sec 43A: Asset acquired from foreign country:

If asset acquired from **foreign country** by loan in **foreign currency/foreign suppliers credit**, any loss/gain arising at time of payment shall be adjusted within Block of asset.

Notes:

1. Adjustment is made only at time of actual payment of foreign loan/supplier's credit.
2. If there is gain then reduce from block of asset & if there is loss then added to block.

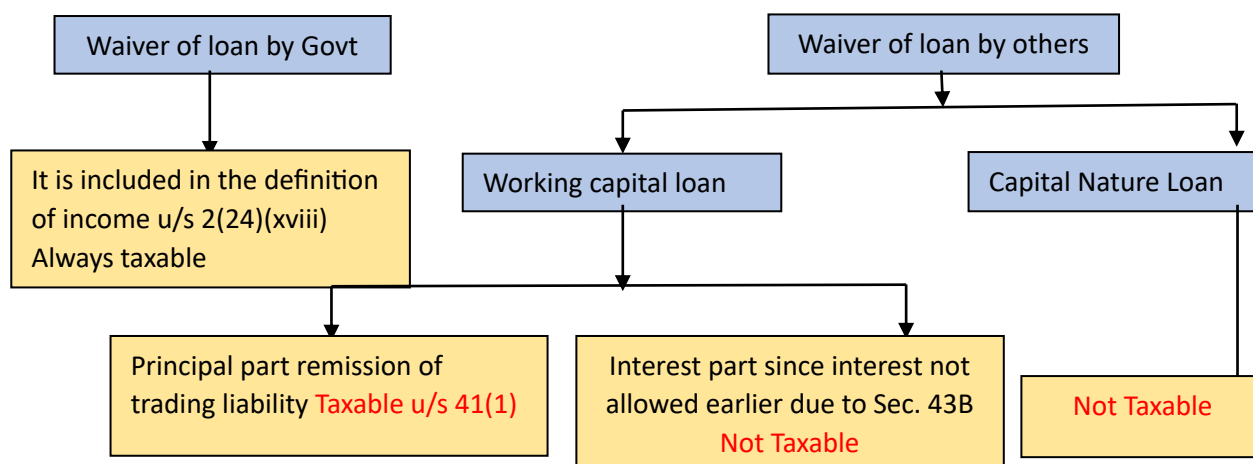
Sec 41: Deemed PGBP

Sec.41(1) Recovery against any deductions already claimed

If Assessee was allowed a deduction in earlier PY by way of expenditure, loss, trading liability & now during current P.Y assessee has obtained a refund of such liability or there is remission/cessation of such trading liability, then such refund/remission shall be taxable under PGBP.

Example:

- a) Sales Tax/GST Refund
- b) Stock in trade is destroyed by fire & allowed as trading loss & later on insurance compensation is received by assessee.

Waiver of Loan**Sec. 41(3): Sale of Scientific Research Assets:**

Sale without use in Business	Sale after use in Business
(i) Sale Price	(a) Add to Block of asset Actual cost = Nil Explan 1 of Sec.43(1)
(ii) Deduction already claimed u/s 35(1)(iv)	(b) at time of sale Sec.50 will apply [full back/part block sold]
↓ Whichever is Lower	
Taxable as PGBP	
If SP > Cost then Capital Gain also arise	

Sec.41(2): Balancing charge:

Already discussed with power units depreciation.

Sec.41(4): Recovery of Bad debts:

Recovery amt. shall be taxable in year in which it is recovered.

Sec. 44AA: Compulsory maintenance of books of accounts:

A. Specified Profession: In case of specified profession, if **Gross Receipt is more than ₹ 1,50,000** in all 3 years preceding PY or likely to exceed if profession is newly setup then, assessee is required to maintain BOA as per **Rule-6F**, otherwise he is required to maintain such books of accounts/documents from which A.O is able to complete assessment.

Specified Profession:

1. Medical
2. Engineering
3. Technical consultant
4. IT professional
5. Accountancy
6. Company secretary
7. Legal
8. Authorised representative
9. Architect
10. Interior decorator
11. Film artists

Prescribed books as per Rule 6F:

1. Cash Book
2. Journal (in case of mercantile system)
3. Ledgers
4. Carbon copies of bills issued by assessee serially numbered for an amt. > ₹ 25.
5. Original bills issued to assessee for expenditure > ₹ 50.
6. Medical profession needs to maintain like daily case register & inventory register.

B. Other Assessee (Business): In case of other assessee, if **PGBP is more than ₹ 1,20,000/-** or Total **Sales/Gross receipt is more than ₹ 10,00,000/-** in any of 3 years preceding PY/likely to exceeding in case of newly setup business/profession, then assessee is required to maintain **any books of accounts/documents** from which A.O is able to complete assessment otherwise assessee is not required to maintain any BOA.

However, in case of Individual & HUF, limit will be ₹ 2,50,000 for PGBP & ₹ 25,00,000 for Turnover or Gross Receipts.

C. Special Cases:

- Assessee declared **lower income u/s 44AD & NTI > Basic exemption**
- Assessee claiming **lower income u/s 44AE**

Notes:

- Period: Prescribed BOA shall be kept & maintained for a period of **6 years from end of A.Y**
- Penalty u/s 271A: Failure to maintain BOA shall attract a **penalty of ₹ 25,000**

Sec. 44AB: Compulsory Audit of books of accounts:

Following persons are required to furnish audit report by 1 month before due date of filing ROI u/s 139(1) in a prescribed form (3CA/3CB/3CD):

A**Specified Profession**

- Gross Receipt > ₹ 50 Lac

B**Business**

- Turnover/Gross Receipt > ₹ 1 crore
- In case of business, t/o limit shall be ₹ 10 crores instead of ₹ 1 crore, if:
 - i) *Cash receipts out of total receipts is upto 5% during PY and
 - ii) * Cash payment out of total payments is upto 5% during PY

C**Special Cases**

*Cheque/DD, which is not account payee, shall be treated as Cash.

➤ **Non-applicability of Sec.44AB:** Person declaring income u/s 44AD or 44ADA.

➤ **Penalty u/s 271B:** If assessee fails to get accounts audited:

- (i) 0.5% of Turnover or Gross Receipt OR
 (ii) ₹ 1,50,000



Whichever is lower

Sec.44AD: Profit & Gain of Business on Presumptive Basis:

- Eligible Assessee: Resident Individual/Resident HUF/Resident Firm (excluding LLP) who has not claimed deduction u/s 10AA or 80IA to 80RRB.
- This sec. is applicable for **any Business except**
 - Sec.44AE Business
 - Agency Business
 - Commission & Brokerage business;

And Turnover/Gross Receipt is **upto ₹ 2 crore**

Note: Where amounts received during PY in *cash **does not exceed 5%** of total turnover or gross receipts of such PY then limit of **turnover ₹ 3 crore apply instead of ₹2 crore.**

[Amended by FA 2023 w.e.f AY 24-25]

*Cheque/DD, which is not account payee, shall be treated as Cash.

c) Presumptive PGBP income = Turnover/Gross receipt x 8%

"If Turnover/Gross receipt **realized by Account Payee Cheque/DD/ECS up to due date of Return Filing** then PGBP = Turnover x 6%

d) If assessee declares income u/s. 44AD or higher income & whose T/O is up to 2Cr/3Cr then assessee is not required to maintain BOA & get it audited.

e) If assessee declares income for any P.Y u/s 44AD & he doesn't declare income u/s 44AD in any of five consecutive P.Y.s, then he shall not eligible to claim benefit of sec. 44AD for 5 years subsequent to year in which assessee did not declare income u/s 44AD.

f) If point (e) is applicable & NTI of assessee is more than basic exemption then assessee is required to maintain books of accounts & get it audited.

Sec 44ADA: Profit & Gains of profession on Presumptive Basis

a) Eligible Assessee: Resident Individual/resident firm (excluding LLP) engaged in profession as referred in Sec.44AA.

b) This sec. is applicable if Gross Receipt is up to 50 lakhs.

c) PGBP Income = Gross receipt × 50%.

Note: Where amounts received during PY in *cash does not exceed 5% of gross receipts of such PY then limit of GR 75 lakhs apply instead of 50 lakhs.

*cheque/DD, which is not account payee, shall be treated as Cash

d) If assessee declares income u/s 44ADA or higher then, he is not required to maintain BOA & get it audited.

e) If assessee declares income lower than 50% & his NTI is more than basic exemption he is require to maintain books of A/cs & get it audited.

Common notes for 44AD & 44ADA

1. Deduction u/s 30-38 shall not be allowed. (Assume its deemed to be already allowed).
2. WDV is to be calculated considering notional dep every P.Y.
3. Partners' remuneration & interest are not allowed from deemed PGBP.
4. 100% Advance Tax can be paid by 15th march of P.Y.

Sec 44AE: Profit & Gains of Transporter on Presumptive Basis

If assessee engaged in business of **plying, hiring, leasing such goods carriage** then PGBP will be-

- Heavy goods Vehicle: ₹ 1,000 per ton of gross vehicle weight or unladen weight, as case may be, for every month or part of a month
- Other Vehicle: Rs 7,500 for every month or part of a month

Notes:

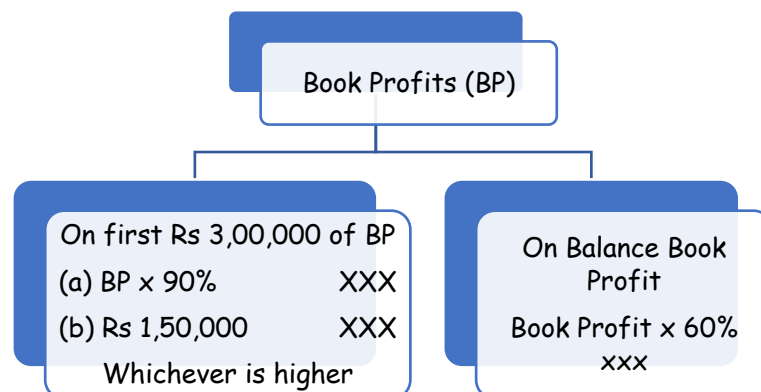
1. Assessee can also declare a higher amt.in his return of income. In such case, the latter will be considered to be his income.
2. This sec. is applicable if assessee **owns Max 10 vehicles**. If assessee owns more than 10 vehicles at any time during the P.Y. then this sec. shall not apply.
3. Income **calculated even vehicle not put to use but own** by assessee.
4. **Partners remuneration**, salary, int. etc as per 40(b) **shall be deductible** while computing income u/s 44AE

5. Heavy goods vehicle means any goods carriage, the Gross Vehicle Weight of which exceeds 12 kilograms (12 tons)
6. As per CBDT clarification we have to consider Gross Vehicle Weight (GVW) for calculating income however if GVW not available then we have to consider unladen weight.
7. Assessee opting for presumptive taxation are not required to maintain books of account as Sec 44AA or get them audited u/s 44AB. However, where an Assessee wishes to declare income lesser than as computed u/s 44AE, he is required to mandatorily maintain books of account get the same audited.
8. Deduction u/s 30-38 shall not be deemed. (Assume its deemed to be already allowed).
9. WDV is to be calculated considering notional dep every PY.

Sec 40(b) Payment of Interest, Bonus, Commission or Remuneration

Interest & Remuneration Paid by Firm/LLP is allowed as deduction if following conditions are satisfied:

1. **Remuneration** paid to only **Working Partner**.
2. Remuneration & Interest should be **authorised** by **Partnership deed**.
3. Remuneration & Interest should relate to **period falling after date of Partnership deed**. That means it **should not be retrospective**.
4. Interest on **partner's capital & loan** allowed **max@ 12% p.a.** simple interest.
5. Remuneration allowed on **Book profit basis***



Meaning of Book Profit	Rs
Net Profit under PGBP	XX
(-) Current year + b/f depreciation	XX
	XX
(-) Remuneration (if it is debited to P&L A/c)	XX
Book Profits	XX

In Simple terms: Book Profit means **PGBP before Remuneration**.

Explanation to sec 40(b)

- 1) If any individual is a partner in a Firm on **Individual capacity** & receiving interest on **Representative's capacity**, then sec 40(b) not applicable on such interest.
- 2) If any individual is a partner in a Firm on **Representative's capacity** & receiving interest on **Individual capacity**, then sec 40(b) not applicable on such interest.

Summary

Partner on	Interest Recd, on	Treatment
Individual Capacity	Individual Capacity	Max. 12% interest allowed u/s 40(b)
Representative Capacity	Representative Capacity	Max. 12% interest allowed u/s 40(b)
Individual Capacity	Representative Capacity	Limit of u/s 40(b) Not applicable so even interest more than 12% allowed
Representative Capacity	Individual Capacity	Limit of u/s 40(b) Not applicable so even interest more than 12% allowed

Note: Above explanation is applicable **only for Interest**. If any individual is partner on representative capacity/individual capacity & received any remuneration then on such remuneration limit of u/s 40(b) shall apply.

Sec 145(1) Method of Accounting

For PGBP & IFOS assessee can follow mercantile or cash system.

Following benefits NOT Available when assessee paid taxes in default tax regime 115BAC

1. Additional Depreciation u/s 32(1)(iia).
2. Scientific Research Donation related deduction u/s 35(1)(ii)/(iia)/(iii) & 35(2AA)
Capital Expenditure on Specified Business deduction u/s 35 AD.

8. Income From Other Source

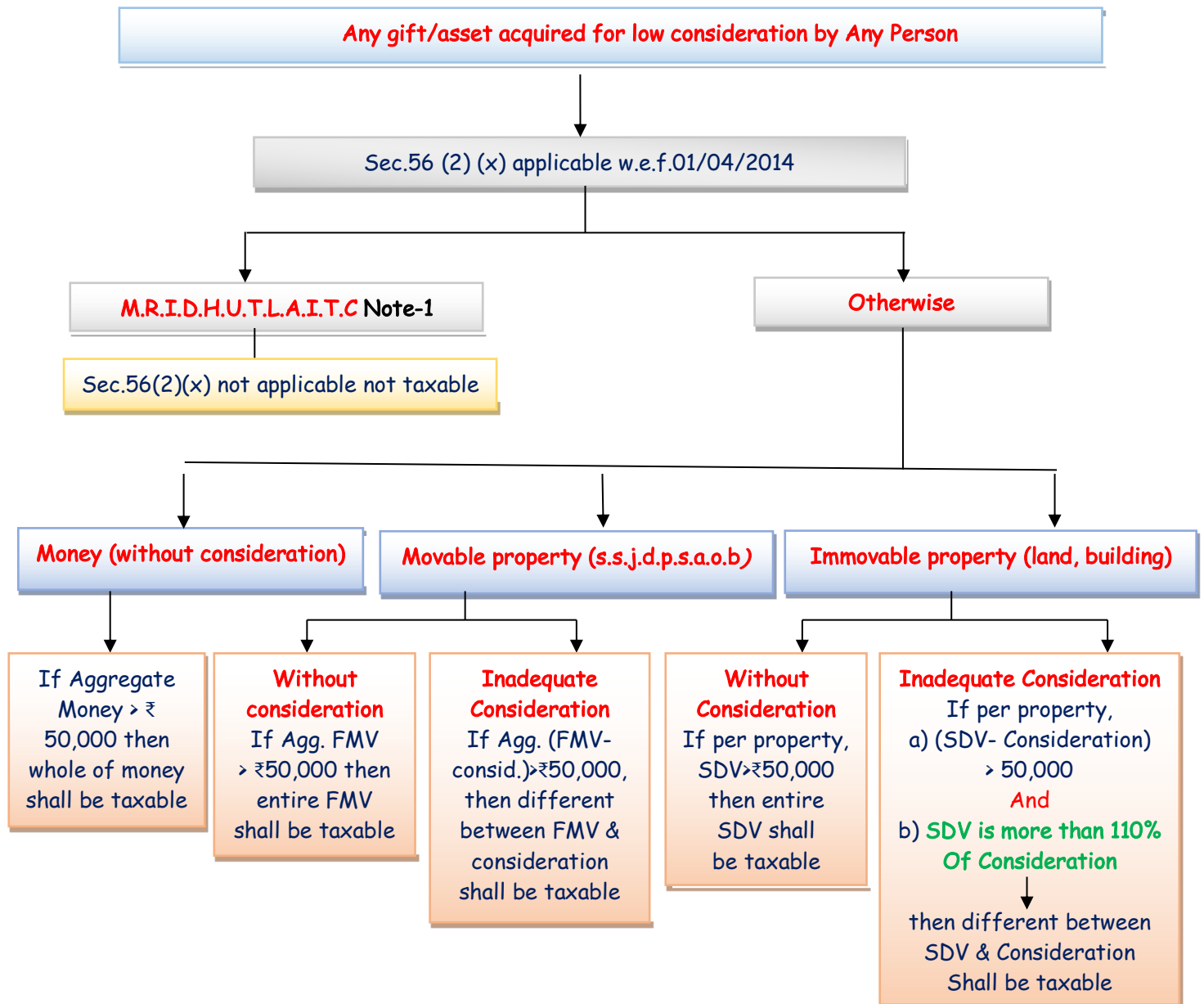
Sec. 56(1): Any income which is not taxable under Salary, IFHP, PGBP, CG, shall be taxable under IFOS.

Sec. 56(2) Items taxable under head" IFOS"

1. Dividend
2. Winning from lotteries, puzzles, card games, etc.
3. Interest on securities (if securities held as stock-in-trade, then interest taxable under PGBP)
4. Rent from letting out of plant, machinery, furniture with or without building, if not chargeable under PGBP
5. Any sum received under keymen insurance policy if not chargeable under PGBP or Salaries
6. Interest received on compensation of compulsory acquisition of capital asset
7. Gift
8. Other income taxable under IFOS:
 - Directors sitting fees.
 - Agricultural income
 - Income from sub-letting of house property.
 - Salary off MP/MLA/MLC.
 - Interest on income tax refund.
 - Amount received under family pension
 - Royalty income.
 - Interest on bank deposit & loan given.

Taxation of Gift

1. Any gift received by employee from the employer due to employee-employer relationship -**always taxable (even if received on marriage) under the head of income from salary.**
2. Any benefit/gift/perquisite arising due to business/profession - **always taxable under Profit & Gains from Business & Profession.**
3. Other Gift: Lets discuss sec. 56(2)(x)



Amendment by FA-22 w.e.f. AY 20-21

Sec. 56(2) (x) not applicable in the following cases, Money recd.:-

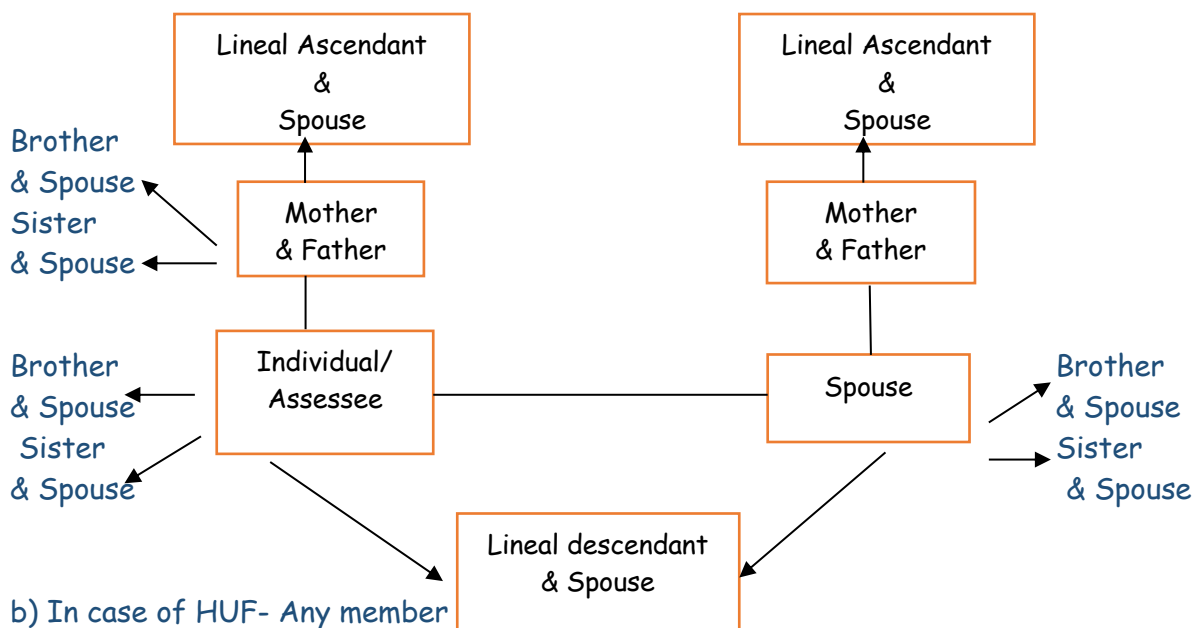
- i. By **Individual**, from any person, for exps. Actually incurred on treatment of Covid-19 related illness of him or any family member.
- ii. By family member of **deceased** person, within 12 months of death due to Covid-19
 - (a) from the employer of the deceased person (without any limit); or
 - (b) from any other person or person upto Rs **10 lakhs**.

Notes:

1. Family means spouse, children & dependent relative (parents, brother, sister).
Death should be within 6 months from the date of testing covid positive.
2. Property (movable & immovable)
 - **Shares & securities**
 - **Jewellery**
 - **Drawing**
 - **Painting**
 - **Archaeological collection**
 - **Sculptures**
 - **Any other work of art**
 - **Bullion**
 - **Immovable property**
 - **Virtual Digital Assets**

Any property received as gift or acquired for low consideration **other than above**,
Sec.56(2)(x) Not applicable-Not Taxable.

Car, Iphone, T.V., Furniture, Wrist Watch, etc. received then not taxable even value is more than ₹50,000/-

3. Meaning of Relative**a) In case of individual**

4. Assessee is **not satisfied with SDV** then his case may be transfer to valuation Officer (same as sec 50C)

5. Sec. 56(2) (x) **applicable** only if property is in the nature of capital asset of the recipient, if it is Stock-in-trade then Sec.56 (2) (x) Not applicable (CBDT circular)
6. Sec.49 (4): If any person receiving any asset as gift or acquires for inadequate consideration & **he already assessed u/s 56(2) (x) on FMW/SDV** then COA of such asset shall be **FMW/SDV which was considered under IFOS u/s Sec.56 (2) (x)**. When COA is computed as per sec. 49(4), the period of holding of the previous owner shall not be included in the period of holding.

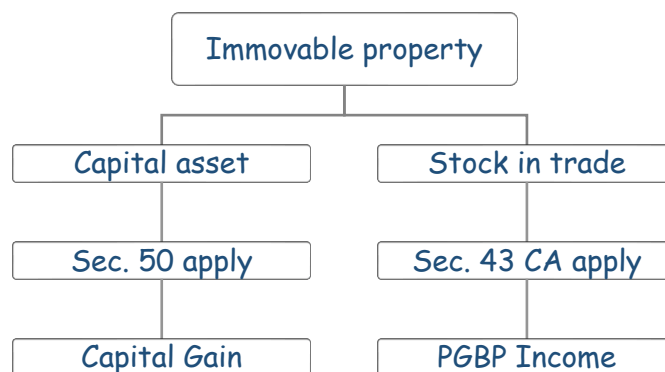
If date of agreement & registration is not same, SDV on the date of agreement can be considered u/s 56 (2) (x), if full or part consideration paid by A/c Payee cheque, A/c Payee DD or any ECS through bank A/c upto date of agreement.

Sec 43 CA: SDV shall be treated as sales consideration

In case of **immovable property held stock-in trade**, if SDV is more than 110% of consideration then such SDV shall be deemed to be sales consideration for computing PGBP.

If assesses not satisfied with SDV then his case may be transferred to a valuation officer (same as Sec. 50C).

If date of agreement & registration is not same, SDV on the date of agreement can be considered u/s 43CA, if full or part consideration received by A/c Payee cheque, A/c Payee DD or any ECS through bank A/c upto date of agreement.



Section 56(2) (viib): Shares issued on Premium

If any **closely held company (Unlisted Company)** issues shares to any share holder on **premium** then-

[Issue price of share - FMV of such shares]
Shall be **taxable** in hands of **company** under **IFOS**.

Section: 56(2)(xi): Compensation on termination of Employment

Any compensation received by any person in due to termination of his employment (or modification of terms of employment) is treated as income.

This sec. is applicable only if compensation is received from a person other than employer. However, if it is received from employer, then it is taxable u/s 17(3) (i) under the head "Salaries".

Sec. 57: Allowable Deduction

- a) Dividend or income on units of MF/UTI: Only interest expenses is allowed as deduction subject to maximum 20% of such dividend or income from MF/UTI.
- b) Income under family pension: deduction shall be lower of 1/3rd of family pension or 15,000 p.a.

Certain exemption in respect of family pension:

- Received by widow/children/nominated heirs, of a member of armed forces (including para-military forces), where death has occurred in course of operational duties shall be exempt u/s 10(19).
- Received by any family member of individual who had been in the service of CG or SG & had been awarded "Param Vir Chakra" or "Vir Chakra" or Mahavir Chakra" or other notified gallantry awards shall be exempt u/s 10(18)(ii).
- c) Interest on compensation of compulsory acquisition - 50% of such Interest.
- d) Any other expenditure (not being in the nature of capital expenditure) - Allowed if it's wholly exclusively for purpose of making or earning such income.

Sec. 58: Expenses not allowed as deductions under IFOS

- Any personal expenses of the assessee.
- Any interest or salary payable outside India on which TDS has not been paid or deducted.
- Cash Expenditure exceeding 10,000. Provisions of sec. 40A(3) shall apply
- 30% of any sum payable to a resident on which TDS has not been paid or deducted at source Provision of sec. 40(a) (ia) shall apply.
- Any expenditure incurred in connection with casual income

Exempt Incomes	
Sec.	Provisions
10(4)(ii)	Income by way of interest on moneys standing to his credit in a Non-resident (External) Account (NRE A/c), is exempt in hands of an individual, being a person resident outside India as per FEMA, 1999 or in hands of an individual who has been permitted by RBI to maintain such account.
10(10BC)	Compensation received/receivable from CG, SG or local authority by an individual or his legal heir on account of any disaster is exempt except to extent of loss or damage allowed as deduction under Act.
10(16)	Value of scholarship granted to meet cost of education would be exempt from tax in hands of recipient irrespective of amount/source of scholarship.
10(17)	Daily allowance & Constituency allowance received by MP/State Legislatures is exempt.
10(17A)	Payment, whether in cash/kind, in pursuance of an award instituted in public interest by Govt or reward by Govt. for approved purposes is exempt.
10(15)	Interest on Post Office Savings Bank Account (1) Rs 3,500 in case of an individual account. (2) Rs 7,000 in case of a joint account.

Taxability of Dividend

- Indian Company: Company formed & registered under Companies Act, 2013 or any law of state.

- Domestic Company: Indian Company/any other company (foreign company) who made prescribed arrangement for declaration & a payment of dividend within India. Thus all Indian Co are treated as domestic companies but all Dom. Co. not treated as Indian Co. If a Foreign Co. makes prescribed arrangements for payment of dividends in India it shall be treated as Dom. Co.
- Foreign Company: Company which is not a Domestic Company.

Sec 8: Taxability of Dividend

Dividend Income from Domestic Co. or Foreign Co, taxable in hands of Shareholder at Normal Tax rate.

- Final Dividend: It is taxable in year in which it is **declared at the AGM** by company.
- Deemed Dividend: It is taxable in year in which it is **distributed/paid** by company.
- Interim Dividend: It is taxable in year in which it is **received** by shareholder.

Deemed Dividend

In reality these payments are not dividend but for purpose of income tax they are treated as dividends. The objective is to plug loopholes in tax provision & to check avoidance.

Sec. 2(22) (a): Any distribution of assets

Any distribution of **Assets** by a company to its shareholders to the extent the company possesses **accumulated profits (capitalised or not)**.

Notes:

- In case of **Bonus shares**, there is **no release of assets** hence, issue of bonus shares is not deemed as dividend.
- When assets are distributed u/s 2(22)(a)/(c)/(d), the **FMV of the asset** on the date of distribution has to be taken for computing the dividend.

Sec. 2(22)(b): Any distribution of Debentures, deposit certificate etc.

(a) Any **distribution** to its shareholders by Co. of **debentures, debentures stock or deposit certificates**, &

(b) Any distribution to its preference shareholders of shares by way of Bonus,

*To the extent to which Co. possesses accumulated profit (capitalised or not).

Sec 2(22) (c): Distribution of assets on liquidation

Any **distribution of assets** by company on liquidation to the extent to which company possesses **accumulated profit (capitalised or not)**.

Sec 2(22) (d) = Reduction of share Capital

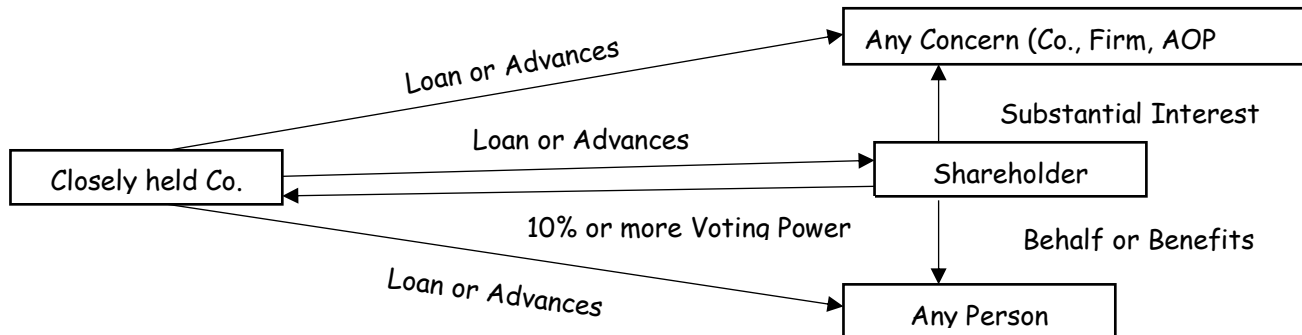
Any **distribution** to its shareholder by company on **reduction** of its capital to the extent to which company has **accumulated profit (Capitalised or not)**.

Some differences between 2(22) (a)/(b)/(c)/(d) & 2(22)(e)

SN	2(22)(a)/(b)/(c)/(d)	2(22)(e)
1.	Treated as deemed dividend to the extent accumulated Profit. (Capitalised* or not).	Treated as deemed dividend to the extent accumulated Profit.
2.	Applicable to all Companies.	Applicable to only closely held Company.

Notes	Distr. treated as DD "to the extent of accum. Profit ". In case accum loss , above prov. shall not apply . Accum, profit means profit/reserve created through P&L A/c.
	*Capitalised means issue of bonus shares, transfers to capital reserves etc. shall also be included in accum. Profit.

Sec 2(22) (e): Loans or advances by closely held Co.



Notes:

1. Loan or advances is treated as deemed dividend & taxable in hands of shareholder to the extent to which **company possesses accumulated profit**.
2. Concern means HUF, Firm, Company, AOP/BOI.
3. Substantial interest means **20% or more voting power/PSR** at any time during the P.Y.
4. Loan is repaid or Company charges market rate of interest then also loan is treated as deemed dividend.
5. Accum. Profit means profit as per Companies Act (means accounting profit) not assessable profit.
6. sec. 2(22) (e) is **not applicable in case of trade advances** means advance which is in the nature of commercial transaction. [CBDT Circular 19/2017]
Example: Advance made by company to sister concern for job work, Advance was made by a company to its shareholder to install P&M at the shareholder's premises to enable him to do job work for the company so that the company could fulfil an export order etc.
7. If loan & advance given to concern then it is treated as deemed dividend in hands of concern but as per some court judgments its taxable in hands of shareholder.

Dividend **shall not include** -

- (a) Any Advance or Loans given by Company in the **ordinary course of its business of money lending**. where money lending is "**substantial** part of the business (SPOB)" SPOB has to be understood on case to case basis. The relevant factors can be T/o, profits, manpower, capital employed etc.
- (b) Any dividend paid by a company, which is **set off against the loan** which has been deemed as dividend u/s 2(22)(e).
- (c) **Buy back** of shares.
- (d) Shares allotted to shareholder of demerged Company by resulting Company under Demerger
- (e) Any distribution made u/s **2(22) (c)/2(22)(d)** is respect of **preference shares**.

Following benefits NOT Available when assessee paid taxes as per default tax 115BAC

1. Exemption u/s 10(32) for income of minor included in income of parent.
2. Exemption u/s 10(17) for allowances of MP/MLA.

Amendments:**Sec 10(10D): Exemption on maturity of Life Insurance Policy**

Any sum received under a LIP, including the bonus is Exempt from Tax.

Following sums are **taxable**.

- i. Received under a **Keyman insurance policy**.
- ii. Received where premium paid is **more than prescribed limit (20%,10%,15%)** given u/s 80C (If it is received on death then its exempt).
- iii. Received where any LIP, other than ULIP, issued on or after 1st April, 2023, if amt. of premium payable for any of Py during term of policy exceeds 5,00,000. Provided, if premium is payable for more than one LIP, other than ULIP, issued on or after 1st April, 2023, exemption u/s 10(10D) shall apply only with respect to those LIP's, where aggregate amt. of premium does not exceed 5,00,000, in any of Py during term of any of those policies. [6th & 7th provisos of sec 10(10D)- added by FA, 23 w.e.f. AY 24-25]

Note: **Exemption is available** if sum received in point (iii) on the **death of person**.

Example:

LIP	A
Date of issue	1.4.2023
Annual premium	6,00,000
Sum assured	60,00,000
Consideration received as on 01.11.2023 on maturity	70,00,000
Note - The assessee did not receive any consideration under any other eligible LIPs in earlier P.Y. preceding the P.Y. 2023-24.	

Eligibility for exemption u/s 10(10D) - Consideration received under LIP "A" would be exempt u/s 10(10D) in A.Y. 2024-25 since annual premium does not exceed 10% of actual capital sum assured. Moreover, as policy has been issued before 1.4.2023, limit of ₹ 5,00,000 of amt. of premium payable is not applicable.

Eligibility for exemption u/s 10(10D) - In this case, the aggregate of annual premium payable for LIP "A" & LIP "B" does not exceed 5,00,000 during term of these policies. Further, annual premium payable in respect of LIP "A" & LIP "B" does not exceed 10% of actual capital sum assured. Therefore, consideration received under LIP "A" & "B" would be exempt u/s 10(10D) in A.Y. 2034-35

Example:

LIP	A	B
Date of issue	1.4.2023	1.4.2023
Annual premium	4,50,000	5,50,000
Sum assured	45,00,000	55,00,000
Consideration received as on 01.11.2033 on maturity	52,00,000	60,00,000
Note - The assessee did not receive any consideration under any other eligible LIPs in earlier P.Y. preceding the P.Y. 2033-34.		

Eligibility for exemption u/s 10(10D) - In this case, aggregate of annual premium payable for LIP "A" & LIP "B" exceeds 5,00,000 during term of these policies. However, consideration received under LIP "A" would be exempt u/s 10(10D) in A.Y. 2034-35, since its annual premium payable does not exceed 5,00,000 for any py during term of policy & also does not exceed 10% of actual capital sum assured. Consequently, consideration received under LIP "B" alone would not be exempt u/s 10(10D) in A.Y. 2034-35.

Example:

LIP	A	B	C
Date of issue	1.4.2023	1.4.2023	1.4.2023
Annual premium	1,00,000	3,50,000	6,00,000
Sum assured	10,00,000	35,00,000	60,00,000
Consideration received as on 01.11.2033 on maturity	12,00,000	40,00,000	70,00,000
Note - The assessee did not receive any consideration under any other eligible LIPs in earlier P.Y. preceding P.Y.2033-34.			

Eligibility for exemption u/s 10(10D) - The aggregate of annual premium payable for LIP "A", LIP "B" & LIP "C" exceeds Rs 5,00,000 during term of these policies. However, consideration received under LIPs "A" & "B" would be exempt u/s 10(10D) in A.Y. 2034-35, since aggregate of annual premium payable for these two policies does not exceed 5,00,000 for any py during term of these two policies & annual premium payable in respect of these policies does not exceed 10% of actual capital sum assured.

Consequently, consideration received under LIP "C" alone would not be exempt u/s 10(10D) in A.Y. 2034-35.

Eligibility for exemption u/s 10(10D) - Consideration under LIP "X" would be exempt u/s 10(10D) in P.Y. 2033-34, since the annual premium does not exceed 5,00,000 & also does not exceed 10% of actual capital sum assured.

In this case, aggregate of annual premium payable for LIP "A", LIP "B" & LIP "C" along with premium for LIP "X" exceeds 5,00,000 during term of these policies.

The aggregate of annual premium payable for LIP "A" & premium for LIP "X" also exceeds 5,00,000 during term of these policies.

Consequently, consideration received under LIP "A", LIP "B" & LIP "C" would not be exempt u/s 10(10D) in A.Y. 2035-36.

Example: 9

LIP	X	A	B	C
Date of Issue	01.04.2023	01.04.2024	01.04.2024	01.04.2024
Annual Premium	2,50,000	2,00,000	2,50,000	6,00,000
Sum assured	25,00,000	20,00,000	25,00,000	60,00,000
Consideration received as on 01.11.2033 on maturity	30,00,000			
Consideration received as on 01.11.2034 on maturity		24,00,000	38,00,000	70,00,000

Note - Assessee did not receive any consideration under any other eligible LIPs in earlier P.Y. preceding PY 2034-35, except LIP X in PY 2033-34.

Eligibility for exemption u/s 10(10D) - Consideration under LIP "X" would be exempt u/s 10(10D) in P.Y. 2033-34, since annual premium does not exceed ₹ 5,00,000 & also does not exceed 10% of actual capital sum assured.

In this case, aggregate of annual prem. payable for LIP "A". LIP "B" & LIP "C" along with premium for LIP "X" exceeds ₹ 5,00,000 during term of these policies. However, consideration received under LIPs "A" or "B" (any one) can be claimed as exempt w/s 10(10D) in A.Y. 2035-36.

If consideration received under LIP "A" is claimed to be exempt as aggregate of annual premium payable for LIP "X" & "A" did not exceed ₹ 5,00,000 for any of the PYs., consideration received under LIP "B" would not be exempt.

If consideration received under LIP "B" is claimed to be exempt as aggregate of the annual premium payable for LIP "X" & "B" did not exceed ₹ 5,00,000 for any of the PYs., the consideration received under LIP "A" would not be exempt. Exemption for consideration received under LIP "B" is preferred as it is more beneficial to the assessee.

Alternative treatment: If the consideration under LIP "X" was not claimed to be exempt u/s 10(10D) in A.Y. 2034-35 by the assessee, then, the consideration received under LIP "A" & LIP "B" would be exempt u/s 10(10D) in A.Y. 2035-36 since the aggregate of the annual premium payable for the LIPS "A" & "B" together did not exceed ₹ 5,00,000 for any of the PYs during the term of these two policies. However, the most beneficial treatment is to claim LIP "X" & "B" as exempt. It may be noted that in every case, the consideration received for LIP "C" would not be exempt u/s 10(10D).

Eligibility for exemption u/s 10(10D) - The consideration under LIP "X" would be exempt u/s 10(10D) in A.Y. 2034-35, since the annual premium does not exceed ₹ 5,00,000 & also does not exceed 10% of actual capital sum assured.

The consideration received under LIP "Y" would be exempt u/s 10(10D) in A.Y. 2035-36, since aggregate of annual prem payable for LIP "X" & "Y" does not exceed ₹ 5,00,000 & annual premium payable for LIP "Y" does not exceed 10% of actual capital sum assured.

The consideration received under LIPs "A", ULIP "B" & ULIP "C" would not be exempt u/s 10(10D) in A.Y. 2036-37, since aggregate of annual premium payable for these three policies & LIP "X" & "Y" exceeds ₹ 5,00,000.

Alternative treatment: If consideration on surrender under LIP "X" was not claimed to be exempt u/s 10(10D) in AY 2034-35 by assessee, then consideration received under LIP "Y" would be exempt & consideration received under LIP "A" or LIP "B" (any one) can be exempt u/s 10(10D) in AY 2036-37. If consideration received under LIP "A" is claimed to be exempt, as aggregate of annual premium payable for LIP "Y" & "A" did not exceed ₹ 5,00,000 for any of the PVs, consideration received under LIP "B" would not be exempt. If consideration received under LIP "B" is claimed to be exempt as aggregate of annual premium payable for LIP "Y" & "B" did not exceed ₹ 5,00,000 for any of the PVs, consideration received under LIP "A" would not be exempt. Exemption for consideration received under LIP "B" is preferred as it is more beneficial to the assessee.

If consideration on surrender of LIP "X" & on maturity of LIP "Y" were not claimed to be exempt u/s 10(10D) in A.Y. 2034-35 & A.Y. 2035-36, respectively, then consideration received under both LIP "A" & LIP "B" would be exempt in A.Y. 2036-37 (being LIPs issued on or after 1.4.2023, whose aggregate consideration does not exceed ₹ 5,00,000).

It may be noted that, in every case, consideration received under LIP "C" would not be exempt u/s 10(10D).

Clarification on GST Component: It is also clarified by the CBDT that the premium payable aggregate premium payable for a life insurance policy/policies, other than a ULIP, issued on or after 1.4.2023, for any PY, would be exclusive of the amt.of GST payable on such premium.

Clarification on premium of Term life insurance policy: It is further clarified by the CBDT the the limit of ₹ 5,00,000 of amt.of premium payable would not be applicable in case of a term life insurance policy i.e. where sum under a life insurance policy is only paid to the nominee in cast of the death of the person insured during the term of the policy & no amt.is paid to anyone if the insured person survives the policy tenure.

Sec 56 (2) (xiii): Income from Life Insurance Policy (Added by FA-23 w.e.f AY 24-25)

Any sum is received, including bonus, at any time during a PY, under a life insurance policy, other than KIP & ULIP, which is not exempted u/s 10(10D), the sum received as exceeds the aggregate of the premium paid, during the term of such life insurance policy, & not claimed as deduction under any other provision of this Act, computed in such manner as may be prescribed.

Example: Hari, Ram & Kavi take life insurance policy on 10/07/23. They do not have any other policy & do not intend to take any other insurance policy in future. Discuss tax treatment.

Particular	Ram	Rahim	Rustam
Sum Assured	45,00,000	60,00,000	60,00,000
Annual Insurance Premium	4,00,000	5,20,000	6,50,000
Term of Policy	10 years	10 years	10 years
Deduction claimed u/s 80C every year	60,000	1,50,000	1,20,000
Maturity Amount	52,00,000	77,00,000	77,00,000

Solution:

- **Mr. Ram**-As annual premium within the limit of 10% of sum assured & annual premium doesn't more than 5,00,000 so exemption u/s 10(10D) available. Nothing will be taxable u/s 56(2)(xiii).
- **Mr. Rahim** - Annual premium withing the limit of 10% of sum assured but premium on policy taken on or after 01/04/23 is more than 5,00,000 so exemption u/s 10(10D) not available & it is taxable u/s 56(2)(xiii) under IFOS
- **Mr. Rustam** - Annual premium exceed the limit of 10% of sum assured & premium on policy taken on or after 01/04/23 is more than 5,00,000 so exemption u/s 10(10D) not available & it is taxable u/s 56(2)(xiii) under IFOS.

Computation of Taxable amt.from LIP under IFOS PY 33-34 AY 34-35

Particular	Mr. Rahim	Mr. Rustam
Maturity amt.(A)	77,00,000	80,00,000
Annual Premium Paid	5,20,000	6,50,000
Less: Deduction claimed u/c 80C	1,50,000	1,20,000
Total premium paid net deduction u/s 80C (B)	37,00,000	53,00,000
Taxable Income	40,00,000	27,00,000

9. Deduction

1. Deduction u/c VI-A is **restricted** to Gross Total income & deduction **cannot be carry forward**.
2. Deduction u/c VI-A is Not Allowed against LTCG, LTCG 112A, STCG 111A & special rates of tax income.

Payment Related Deductions

Sec 80C: Specified Investments

- Eligible Assessee: Individual & HUF
 - Amount of Deduction: Max 1,50,000
 - Eligible Investments
1. Life Insurance Premium (LIP)

For Individual: **Self, Spouse, Children**

For HUF: **Any Member**

Policy issued before 1/4/12	Policy issued on or after 1/4/12	Policy issued on/after 1/4/13 for person with disability (u/s 80U) or person suffering from specified disease (u/s BODDB)
(i) Premium Paid xx (ii) 20% of Policy Value xx	(i) Premium Paid xx (ii) 10% of Policy Value xx	(i) Premium Paid xx (ii) 15% of Policy Value xx

2. Amount deposited in **Public Provident Fund (PPF)**
(For Individual: **Self, Spouse, Children**)
(For HUF: **Any Member**)
3. Employee's contribution to **Statutory provident fund, Recognised Provident fund or Approved Superannuation Fund (SPF, RPF & ASF)**.
4. Amount invested in **NSC** as well as **interest accrued on NSC**.
5. **Repayment** of Loan taken from banks or financial institution for purchase or construction of House.
6. **Fixed Deposit** in a scheduled Bank or Post office for **5 years or more**.
7. **Tuition fees** paid for education of children. [Max 2 children for full time education in India]
8. Deposit in Notified **bonds of NABARD**.
9. Deposit in **Senior citizen Saving Scheme**.
10. Contribution towards **Unit Linked Insurance Plan (ULIP)**.
11. Notified **units of Mutual Funds or UTI**.
12. Notified **Pension scheme of UTI or MF**.
13. Deposit in **Sukanya Samridhi scheme A/c** [For any girl child of individual or girl child for whom such individual is a legal guardian].
14. **Stamp duty, Registration fee** for acquisition of house property.

15. By employee of **CG** as a contribution to a specified account of pension scheme referred to in Sec. 80CCD for a fix period of **3 years/more (NPS Tier-II)**.

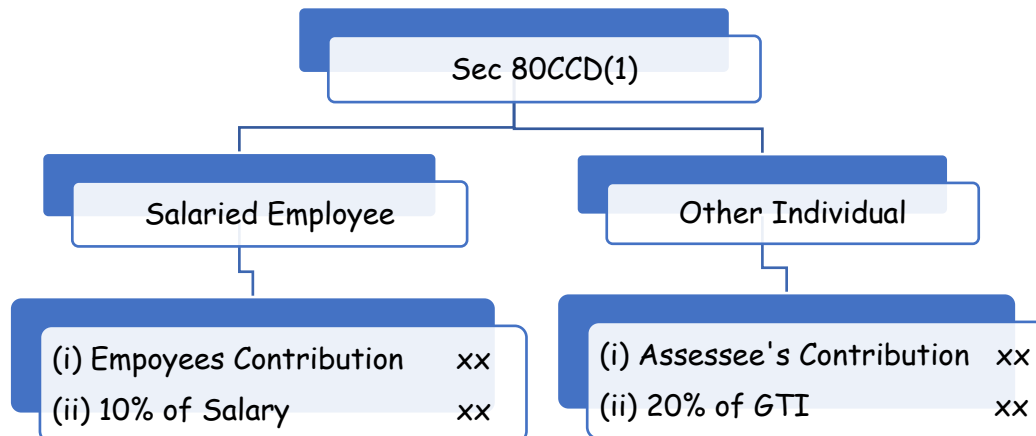
16. Contribution to **National Housing Bank** (Tax Saving) Term Deposit Scheme, 2008.

Sec 80CCC: Contribution to Pension Fund of LIC or other Insurance company

- Eligible Assessee: Individual
- Amount of Deduction: Max ₹ 1,50,000

Sec 80CCD: Contribution to Pension scheme of Central Govt. / National Pension scheme

- Eligible Assessee: Individual
- Amount of Deduction:



Sec 80CCD(18): Additional deduction up to 50,000 shall be allowed other than contribution covered u/s 80CCD(1)

Eg: Assessee's contribution - 1,40,000 towards NPS & GTI is ₹ 5,50,000, in this assessee can claim 1,10,000 (20% of GTI) u/s 80CCD(1) & remaining 30,000 u/s 80CCD (He can first claim u/s 80CCD (1B) of ₹ 50,000 & remaining 90,000 u/s 80CCD(1).

Sec 80CCD(2): Employer's contribution to NPS for the benefit of Employee

Employer's contribution is first taxable under salary in hands of Employee & gets deduction u/s 80CCD(2)

- | | | |
|-----|-------------------------|----|
| i. | Employer's Contribution | xx |
| ii. | 10%/14% of Salary | xx |

14% where such contribution made by C.G or S.G.

- For purpose of Sec 80CCD(1) & (2), Salary means = **Basic salary + DA (In terms)**
- U/s 10(12A) any payment received by assessee on closure of his account is exempt to extent of 60% (40% is taxable) of total amt. payable to him at time of closure. In case of employee or Non-employee, any amt. received from NPS by nominee legal heir on death of an assessee is Fully Exempt.
- Subscribers from RPF & Super-annuation Funds would be able to transfer their corpus from these funds to NPS without any implication.
- In partial withdrawal NPS by employee, payment exempt till 25% contributions made by him (Fully taxable for non-salaried employee) [Sec 10(128)].
- **80CCE:** Aggregate dedn u/s 80C + 80CCC + 80CCD(1) is **restricted ₹1,50,000**.

Sec 80CCH: Contribution to Agnipath Scheme (Added by FA 23 w.e.f. AV 24-25)

- Eligible Assessee: Individual enrolled in Agnipath scheme subscribing to Agniveer Corpus Fund on/after 1.11.2022.
- Sec 80CCH(1): 100% of his contribution to Agnipath Corpus Fund.
- Sec 80CCH(2): 100% of CG contribution to Agnipath Corpus Fund (first it is taxable under salary & then EE can claim deduction here).
- Sec 10(120): Any amt received by assessee or his nominee from Agnipath Fund is exempt from tax.

Note: In Agnipath scheme 30% of monthly package should contributed to Agnipath fund by assessee & CG will also contribute matching amount.

Sec 80D: Medical Ins. Premium, CG Health Scheme, Preventive Health check-up & Medical Treatment

- Eligible Assessee: Individual & HUF
- For Whom: Individual - Self, spouse, Parents & dependent children.
HUF - Any member of HUF
- Mode of payment: Any mode other than Cash, but payment of preventive health check-up can be made in Cash.
- Amount of Deduction

A	Particulars	Individual		HUF
		Self, spouse, Dependent children	Parents	Members
	(i) Medical insurance claim	Yes	Yes	Yes
	(ii) CG Health scheme	Yes	No	No
	(iii) Preventive Health Check-up	Yes	No	No
	General Deduction (i) + (ii) + (iii)	Max. 25,000	Max. 25,000	Max. 25,000
	+			
	Additional Deduction (when Medclaim premium taken for Senior Citizen - Age 60 or more)	Max. 25,000	Max. 25,000	Max. 25,000
B.	Medical Exps. of Senior citizen (Age 60 or more) & Medclaim premium not paid for such person	Max. 50,000	Max. 50,000	Max. 50,000
	Maximum Deduction (A+ B)	Max. 50,000	Max. 50,000	Max. 50,000

Notes: Aggregate payment for preventive health checkup of self, spouse, dependent children & parents cannot exceed Max ₹ 5,000/-

Where medical insurance premium is paid in lumpsum for more than 1 year, deduction for each year shall be: Lumpsum premium/PY's in which Insurance in force.

Sec. 80DD Medical treatment & Maintenance of Handicapped dependant relative

- Eligible Assessee: Resident Individual & HUF
- Amount of Deduction: (i) Normal disability: 75,000
(ii) Severe disability (80% or more disability) = 1,25,000

Notes

1. Assessee should incur **expenses on medical treatment** or deposit any amt. for **maintenance such handicapped dependant relative**.
2. Relative Individual - Spouse, Brother, Sister, Children, Mother, Father.
HUF - Any dependant member of HUF.
3. Deduction will be reversed if dependent handicapped relative received annuity before the death of assessee or before attaining age of 60 years of assessee.

Sec 80DDB: Deduction in respect of Medical treatment of specified Disease

- Eligible Assessee: Resident Individual & HUF
- Amount of Deduction:

(i) Actual Expenses on treatment	xx
(ii) Maximum 40,000/₹ 1,00,000	xx
Whichever is Lower	xx
Less: Insurance Claim Recd.	xx
Amount of Deduction	xx

Normal case-40,000

Senior citizen patient-1,00,000

- Assessee should incur expenditure on treatment of specified diseases
 - For:- Individual Self or dependant relative (Spouse, Brother, Sister, Children, Mother, Father),
 - HUF-Any dependant member of HUF

80U: Deduction for Handicapped Assessee

- Eligible Assessee: Resident Individual
- Amount of deduction: (i) Normal disability: ₹ 75000

(ii) Severe disability(80% or more disability) = ₹ 125000

Section 80 E: Int. on loan for higher education in India/abroad [course after XII Class]

- Eligible Assessee: Individual
- Amount of deduction: Interest amt. for a **period of 8 consecutive years** starting from year in which assessee starts paying interest.
- Deduction is allowed if loan taken for the education of self, spouse, children, & any student from whom assessee is a legal guardian.

Section 80EE: Deduction in respect on housing loan

- Eligible Assessee: Individual
- Amount of deduction: max ₹ 50000
- Condition:
 - Loan should be taken from **bank/financial institution** for acquisition of residential property.
 - Purchase price of **house upto ₹ 50 lakh**.
 - Loan should be **sanctioned between 1/4/2016 to 31/3/2017**.
 - Loan amt. upto **₹ 35 lakh**
 - Assessee does **not own any residential house** on date of sanction of loan
 - First deduction should be claimed u/s 24(b) of house property (upto ₹200000) & remaining interest deduction u/s 80EE.

Sec 80EEA: Deduction in respect of interest on housing loan

- Eligible Assessee: Individual (other than covered u/s 80EE)
- Amount of Deduction: Max. ₹1,50,000
- Conditions
 - Loan should be taken from banks/financial institution for acquisition of residential property.
 - Stamp Duty Value of house property should be upto 45 lakhs.
 - Loan should be sanctioned between 1/4/2019 to 31/3/2022.
 - Assessee doesn't own any residential house property on date of loan sanction.
 - If deduction allowed for any interest here then deduction shall not be allowed in respect of such interest under any other provision.
 - First deduction should be claimed u/s 24(b) of house property & remaining interest deduction u/s 80EEA.

Sec 80EEB: Deduction in respect of interest on Electric Vehicle (EV) Loan

- Eligible Assessee: Individual
- Amount of Deduction: Max. ₹1,50,000
- Conditions
 - Loan should be taken from banks or financial institutions including NBFC.
 - Loan should be sanctioned between 1/4/2019 to 31/3/2023.
 - If deduction allowed for any interest here then deduction shall not be allowed in respect of such interest under any other provision.

Section 80G: Donations

- a. Eligible Assessee: All Assessee
- b. Eligible Conditions:

Part A: Unlimited Category

1. National Defence Fund
2. P.M. national Relief Fund
3. P.M. Armenia Earthquake Relief Fund
4. C.M. Relief Fund
5. Zilla Sakshatra Samiti
6. National sports Fund
7. National children Fund
8. National cultural Fund
9. Swachh Bharat Kosh
10. Clean Ganga Fund
11. The National Fund For Control Of Drug Abuse
12. Fund for Army, etc

100%
Unlimited

P.M Drought Relief fund - 50% Unlimited

Part B: limited Category

- | | | |
|---|---|--------------|
| 1. Donation to Government or Local Authority or approved Institution for promoting Family Planning (F) | } | 100% Limited |
| 2. Donations by company to Indian Olympics Association (O) or any other institution for development of infrastructure for sports in India. | | |
| 3. Donation to Housing (H) development authority | } | 50% Limited |
| 4. Donation for renovation on repair of temple (T) gurudwara, mosque or church, etc. | | |
| 5. Donation to any public Charitable (C) Trust | | |
| 6. Donation for promoting minority (M) Community in India | | |

Under Limited category, there is limit of Eligible donation

F.O.	XXX
H.T.C.M	<u>XXX</u>
Total Donation	XXX
10% of ATI	<u>XXX</u>
Eligible Donation	XXX
* ATI - Adjusted Total Income	
GTI (exclude Income taxable at special rate)	XXX
(-) All deductions (except 80G)	(XX)
ATI	XXX

Note:

1. Deduction is not allowed if donation made in **cash is more than ₹ 2000.**
2. If donor made donation to any Trust/Institution then deduction shall be allowed only if such trust/institution is **registered u/s 80G(5).** Time limit & procedure of registration is similar to whatever we have discussed in trust topic u/s 12A& 12AB.
3. Donor shall be entitled to **deduction u/s 80G only** if:
 - Donee Trust prepares a statement in Form No.10BD & submitted to PDGIT (System) upto 31st May of next FY, and
 - Donee Trust furnishes a certificate to donor in Form No. 10BE upto 31st May of next FY.
4. Donations paid in kind are not eligible for deduction u/s 80G.
5. Employees make donations to PM National Relief Fund, the CM Relief Fund or LG Relief Fund through their employers, EE's shall be eligible for deduction u/s 80G even certificate issued to ER. ER will issue certificate to EE's about donation.

Section 80GG: Rent paid of House Property (HRA not recd)

- a. Eligible Assessee: Individual.
- b. Amount of Deduction:
 - I. ₹ 5000 p.m.
 - II. 25% of Adj. GTI
 - III. Rent Paid - 10% of Adj. GTI

The Assessee or his spouse or minor child or HUF should not own any house at the place of his duty.

Adjusted GTI = GTI - Incomes taxable at special rate - All deductions u/c VI A (Except u/s 80 GG)

Section 80GGA: Donation for scientific research or rural development

- a. Eligible Assessee: All Assessee (except assessee having income under the head PGBP.)
- b. Amount of deduction: 100% of donation.
- c. If donation amt. is more than 2,000 then should be made other than Cash.

Section 80GGB: Donation to Political Parties or Electoral Trust

- a. Eligible Assessee: Indian Company
- b. Amount of deduction: 100% of donation.

Section 80GGC: Donation to Political Parties or Electoral Trust

- a. Eligible Assessee: Any Person (Other than Indian Company)
 - b. Amount of deduction: 100% of donation.
- Note: No deduction u/s 80GGB / 80GGC, if donation made in CASH.

Section 80 JJAA: Deduction in respect of employment of new employees

- a. Eligible Assessee: Any Assessee engaged in business & to whom Sec 44AB applies
- b. Amount of deduction: 30% Additional employee cost (deduction allowed for 3 consecutive years.)
- c. Additional Employee Cost: Total employment paid or payable to Additional employees employed during P.Y.
 1. In case of existing business, Additional employee cost shall be NIL, if
 - There is no increase in the Total number of Employees.
 - Emoluments paid otherwise than by A/c payee cheque / draft / NEFT / RTGS

Eg: Suppose total employees as on 31/3/2017 were 100 & during PY 2017-18, 15 employees left job & 15 new employees joined, then there will be no deduction under this section, suppose in above example 20 new employees joined then deduction will be allowed on emolument paid to 5 employees,

2. In case of New business - Additional cost shall be emoluments paid / payable to employees employed during P.Y.
- d. Additional employees do not include -
 - Employee whose emoluments > ₹ 25,000 p.m.
 - Employee employed for less than 240 days in PY (in case of manufacture of apparel or footwear or leather products then 150 days)
 - Employee does not participate in RPF
 - Employee for whom entire contribution is paid by govt under Employees Pension Scheme notified in accordance with prov. of Employees Prov. Funds & Miscellaneous Provision, 1952.

Note -

1. If an employee is employed during py for less than 240 days/150 days, as case may be, but is employed for period of 240 days or 150 days, as case may be, in immediately succeeding year, employer would be entitled to deduction of 30% of additional employee cost of such employees in the succeeding year.

2. Deduction under this sec. allowed only if BOA is audited of assessee & audit report should be submit upto date given u/s 44AB.

Section 80QQB: Royalty from Books of literacy, artistic, scientific nature.

a. Eligible Assessee: Resident Individual

b. Amount of Deduction:

↓ I.	Royalty received	XX
↓ II.	Max. ₹ 3,00,000	<u>XX</u>
	(Whichever is lower)	XX

c. Eligible Royalty: In case of lumpsum royalty - amt. received as Royalty
Otherwise - Max. 15% of the value of Book sold.

Section 80RRB: Royalty from Patents.

a. Eligible Assessee: Resident Individual

b. Amount of Deduction:

↓ I.	Royalty received	XX
↓ II.	Max ₹ 3,00,000	<u>XX</u>
	(Whichever is lower)	XX

Note: If Royalty is earned outside India, then deduction is allowed only if such royalty amt is brought in India in convertible foreign exchange within 6 months from end of PY or time allowed by RBI.

Section 80TTA: Interest on Savings Account

a. Eligible Assessee: Individual & HUF

b. Amount of Deduction:

↓ I.	Interest amount	XX
↓ II.	Max. ₹ 10,000	<u>XX</u>
	Whichever is lower	XX

c. Savings account with Banking Company, Co-op Banks or Post office.

Note: Deduction under this sec not be available to a resident senior citizen eligible for deduction u/s 80TTB

Section 80TTB: Interest on deposits from Bank, Co. op Bank & Post office

a. Eligible Assessee: Resident Senior

b. Amount of deduction;

↓ I.	Interest amount	XX
↓ II.	Max. ₹ 50,000	<u>XX</u>
	Whichever is lower	XX

Note: Where int. income is derived from any saving account or deposit held by, or on behalf of, firm/AOP/BOI, partner of firm/member of AOP/BOI-not be allowed dedn'.

Sec 10AA: Special Provisions for newly establish units SEZ

Total income of an undertaking, which begins to **manufacturing/produce article/things or computer software** in any SEZ. Dedn'. under this sec. is available only if SEZ unit has

received necessary approval upto 31.3.2020 & begins manufacture/production of articles/things/providing services upto 31.03.2021.

Amount of Deduction	
For First 5 AY's	100% of Export Profit
For Next 5 AY's	50% of Export Profit
For Next 5 AY's	Amount debited to P&L A/c & credited to SEZ Reinvestment Allowance Reserve A/c OR 50% of Export Profit Whichever is lower

2. Export Profit

PGBP of unit located in SEZ \times $\frac{\text{Export Turnover}^{**}}{\text{Total Turnover}}$

**Export Turnover means the consideration in respect of export brought into India in convertible foreign currency within 6 months from end of PY or time permitted by RBI.

Notes:

1. Sales proceeds deemed to have been received in India if such amt. is credited to a separate A/c maintained by assessee outside India with approval of RBI.
2. amt. credited to SEZ Re-invest allowance reserve A/c should be utilized for acquiring new P&M & put to use within 3 years from the end of P.Y. in which reserve was created. If amt. mis-utilised or un-utilised then deduction claimed earlier shall be taxable as PGBP.

Deemed Income

- If Reserve has been utilized for non-specified purpose: of the year in which wrongly utilized.
 - If Reserve has not been utilized till the expiry of time limit: of yr immediately following period of 3 yrs.
3. Export T/O does not include freight, telecommunication charges. Insurance or expenses for providing service outside India. Further export T/O shall not include cash compensatory support, Duty drawback & profit on sale of import entitlement licenses.
 4. Total T/O shall not include freight, telecommunication charges, insurance or expenses for providing service outside India. Further it shall not include CCS, DD & profit on sale of import entitlement licenses. Total T/O includes Export T/O & Domestic T/O & it further includes even that portion of export T/O which is not received in convertible foreign exchange.
 5. Deduction u/s 10AA available after claiming all deduction u/c VI-A from GTI
 6. Income from cash Compensatory support, duty drawback & sale of import entitlement licenses are taxable under the head PGBP but not eligible for deduction calculation as these are ancillary profit & hence do not constitute profit "derived from" business.
 7. Assessee shall obtain a report from a CA & furnish it before the due date specified u/s 44AB.
 8. P&M used in business should be New:-

Exceptions:

- a) 20% of total value of P&M used in undertaking can be second hand.
- b) P&M Imported from outside India for the first time shall be treated as New P&M

Following benefits NOT Available when assessee paid taxes as per default tax regime 115BAC

- 1. Deduction u/s 80C to 80U except 80JJAA, 80CCD(2) & 80CCH(2).
- 2. Deduction u/s 10AA

10. Alternate Minimum Tax (AMT)

AMT is applicable to **All assessee** except Company.

Sec 115JC: Income tax payable by any person, higher of

- | | |
|---|-----|
| (i) Income Tax payable as per Normal Provision of Income Tax | XXX |
| (ii) 18.5% of Adjusted Total income (ATI) | XXX |

[Surcharge (if applicable) + 4%]

Notes:

1. Calculation of ATI

Total Income (NTI) as per Normal provision of Income Tax	XXX
Add: (i) Deduction u/s 10AA (SEZ)	XXX
(ii) Deduction u/s 35AD (14 Business)	XXX
(iii) Deduction u/c VI-A (80JJAA, 80QQB & 80RRB)	XXX
	XXX

Less: Depreciation allowable as per Sec. 32 assuming that deduction u/s 35AD was not allowed on the assets on which deduction u/s 35AD is claimed

	<u>XXX</u>
ATI	XXX

2. AMT shall not be applicable if **ATI** (Adjusted Total income) is up to 20 lakhs in case of Individual HUF/AOP/BOI/Artificial Judicial Person.

The provision of AMT apply only if assessee is claiming deduction **u/s 10AA, 35AD, 80JJAA 80QQB or 80RRB.**

3. AMT not applicable if assessee follow sec. 115BAC

Sec 115JD: AMT Credit

- If **AMT > Normal Income tax** then excess shall be treated as AMT credit.
- AMT credit can be C/F & set off **for 15 years.**
- Credit can be set-off in the year in which **regular tax is more than AMT.**
- The credit allowed to be set off will be restricted to the difference between the regular Income tax computed under normal provision of IT & the AMT.
- Assessee can claim **AMT credit in such subsequent P.Y.** even if AMT is not applicable subsequent P.Y.

11. Set Off & Carry Forward

Section: 70 Intra head adjustment

It means loss from one source of income can be set off against income from another source of income but in the **same head of income**.

Exceptions

1. Speculative business loss can be set off against any speculative business income
2. Specified business loss (sec 35AD) can be set off against specified business income
3. Long term capital loss (LTCL) can be set off against long term capital gains.
4. Loss from owning & maintaining race horses can be set off against income from owning & maintaining race horses.

Section 71: Inter-head adjustment

It means loss under one head of income can be set off against income from one head of income but in the **same PY**

Exceptions -

1. Speculative business loss can be set off against only speculative business income
2. Specified business loss (sec 35AD) can be set off against specified business income
3. Long term capital loss (LTCL) can be set off against long term capital gain.
4. Loss from owning & maintaining race horses can be set off against owing & maintaining race horses income.
5. short term capital loss (STCL) can be set off only against STCG & LTCG.
6. Loss from Business cannot be set off against salary.
 - **For carry forward losses Inter-head adjustment Not Allowed**

Summary

1. Income From Salary
Loss not possible
2. Income From House Property \longrightarrow Loss from HP.
 - i) Intra head adjustment
 - ii) Inter head adjustment (**Max 200 000**)
 - iii) Carry Forward for next 8 AY's
3. Profit & Gain from Business or Profession
 - i) Loss from speculative business
 - a) Set off against speculation business income
 - b) Carry Forward
 - ii) Loss from specified business
 - a) Set off against specified business income
 - b) Carry Forward for Unlimited Period
 - iii) Any other business loss
 - a) Intra head adjustment.
 - b) Inter head adjustment **except salary**
 - c) Carry Forward for next 8 AY's

4. Capital Gain

i) STCL

- a) Set off against STCG & LTCG
- b) Carry Forward for next 8 AY's

ii) LTCL

- a) Set off against LTCG
- b) Carry Forward for next 8 AY's

5. Income from other sources

i) Loss from Owning & Maintaining race-horses

- a) Set off against Owning & Maintaining race-horses income
- b) Carry Forward for next 4 AY's

ii) Other losses under IFOS

- a) Intra-head adjustment
- b) Inter-head adjustment
- c) Carry Forward Not allowed

Notes:

1. Loss from house property which can be set-off against income from any other head is ₹2 lakhs.
2. It is to be remembered that once a particular loss is carried forward. It can be set off only against the income from the same head in the forthcoming assessment yrs.

Carry Forward & Set - Off of Losses.

Section	Losses to be Carried Forward	Brought Forward losses set off against	Time Limit	ROI on time
71B	Loss from HP	Income from House Property	8 years	No
72	Normal Business Loss	Any Business Income	8 years	Yes
73	Speculative business loss	Speculative business income	4 years	Yes
73A	Specified business loss	Specified business income	Unlimited	Yes
74	Short term capital loss Long Term capital loss	STCG & LTCG LTCG	8 years 8 years	Yes
74A	Owning & Maintaining race-horses	Income from Owning & Maintaining race-horses	4 years	Yes
32(2)	Unabsorbed depreciation	Any head of Income except salary	Unlimited	No

Notes

1. whenever incomes is exempt then losses does not have any tax treatment means it should be ignored.

2. Loss from any lottery, card games, races, etc are **Not Eligible** for set off & Carried Forward & Losses cannot be set off against the income referred u/s 115BB i.e. lottery income, crossword puzzles, income in TV show, etc
3. Brought Forward losses from a business can be set off even if such business is **Not continued**.
4. Order for set off of losses.
 - a) Current year depreciation
 - b) Brought Forward losses from Business or profession
 - c) Unabsorbed depreciation
5. If there is income under any head & eligible losses under any other head, such loss shall be first set off against income before set off & Carried Forward of losses (CBDT circular).
6. Set off of losses not permissible against unexplained income, investment money etc chargeable u/s 68 to 69D [sec 115BBE).

Stock & Commodity Market

- I. Transactions in shares where delivery effected
 - ✓ **PGBP if shares held as Stock in trade**
 - ✓ **Capital Gain if shares held as Capital Asset**
- II. Transactions in shares where delivery not effected i.e., Intraday
Always Speculative Business Income
- III. Transactions in Derivative i.e. futures, options etc. & currency futures at recognised stock exchange
Always Normal Business Income

12. Clubbing of Income

Section 64(1A). Income of a minor child

Income of a minor child is taxable in hands of parent whose income is more before clubbing minor income

Exception:- In following 3 cases minor's income is taxable in hands of minor only

1. income is due to manual work
2. Income is due to skill & talent
3. Minor child suffering from disability

Notes:-

- I. If minor child's income is clubbed in hands of parent then exemption u/s 10 (32) of ₹ 1500 p.a. per child is allowed to parent
- II. Once minor's income is clubbed with one parent, it will continue to be clubbed with that parent only, in subsequent years. AO, may, club minor's income with other parent after giving an opportunity to be heard.
- III. Where the marriage of the parents does not subsist, income of the minor will be includible in the income of that parent who maintains the minor child in the relevant PY.
- IV. Clubbing provisions are attracted even in respect of income of minor married daughter.
- V. Child in relation to an individual includes a step-child & an adopted child of that individual.

Section 64(1) (iv): Asset transferred to spouse.

If individual transfers any asset to their spouse without consideration/inadequate consideration then income from asset received by spouse but tax paid by transferor.

Notes:-

- I. Above provision is applicable only if relationship of husband & wife should exist at time of transfer of asset as well as at time of generating income.
- II. This provision is not applicable if asset is transferred in connection with agreement to live apart.
- III. If a House property is transferred by an individual to his spouse or minor child (Not being a minor married daughter) for without adequate consideration then such individual is treated as **Deemed owner** as per sec 27 & sec 64 **shall not apply**

Section 64(1X): Asset transferred to son's wife.

If any individual transfers any asset to his/her son's wife **without consideration** or for inadequate consideration, then **income from such asset** is received **by son's wife** but tax on such asset **is paid by transferor**.

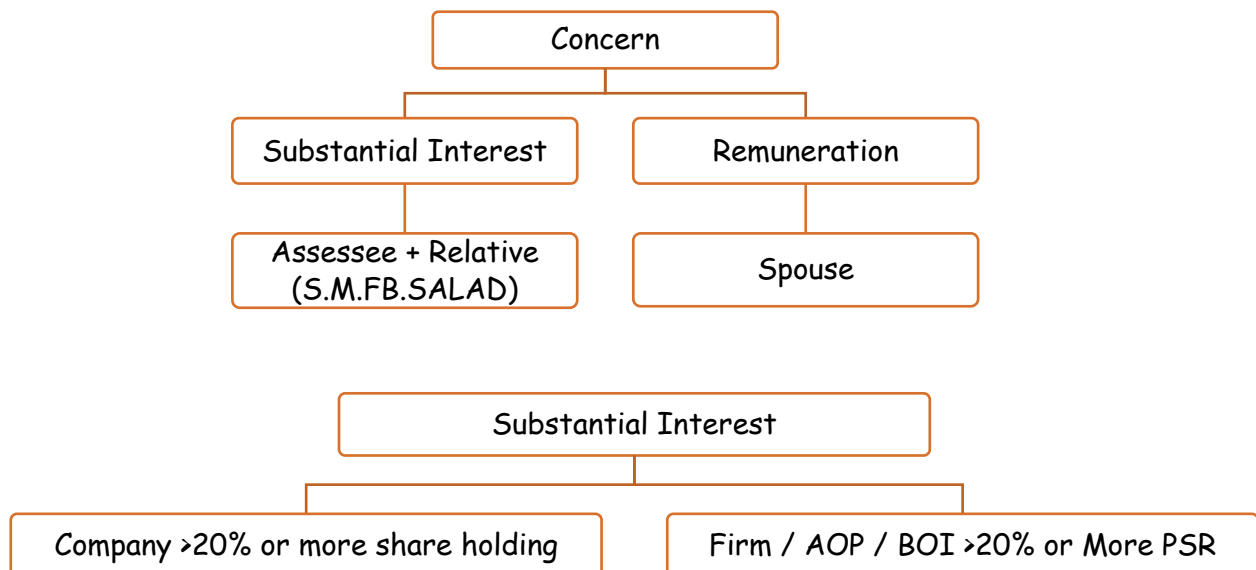
Note:- The above provision is applicable only if the relationship of mother/ father-in law & daughter-in-law exists at the time of transfer of asset as well as at the time of **generating the income**.

Sec 64(1) (Vii/Viii) : Asset transferred to any person for benefit of spouse/ son's wife (indirect transfer)

Individual transfers any asset to any person without consideration/inadequate consideration for benefit of son's wife / spouse then income from such asset is received by transferee but tax on such income is paid by transferor.

Sec 64(1) (ii): Income of spouse from a concern where assessee has substantial interest.
Income of spouse is taxable in hands of assessee if following conditions are satisfied.

1. Income should be in nature of salary, commission, bonus (remuneration).
2. Such remuneration should be received from a concern where assessee has **substantial interest**



Exceptions:

If remuneration received by spouse due to technical & professional qualification & such remuneration is attributed to such qualification then above prov. is not applicable.

Note:

Where both husband & wife have substantial interest in a concern & both are getting remuneration, such income will be includible in hands of that spouse, whose total income, excluding this income is higher. Once included in total income of either spouse, income arising in succeeding yr shall be included in total income of same spouse unless AO wants, after giving opportunity of being heard.

Section 60: Income transfer without transfer of asset

If an **individual** transfers any income without **transfer of asset** then such income is taxable in hands of **transferor**

Section 61: Revocable transfer of asset

In case of revocable transfer, income is received by Transferee but tax is paid by **transferor**.

Exception: If transfer is revoked after death of beneficiary/transferee then above provision is **not applicable**.

Section 64(2) Asset transfer to HUF

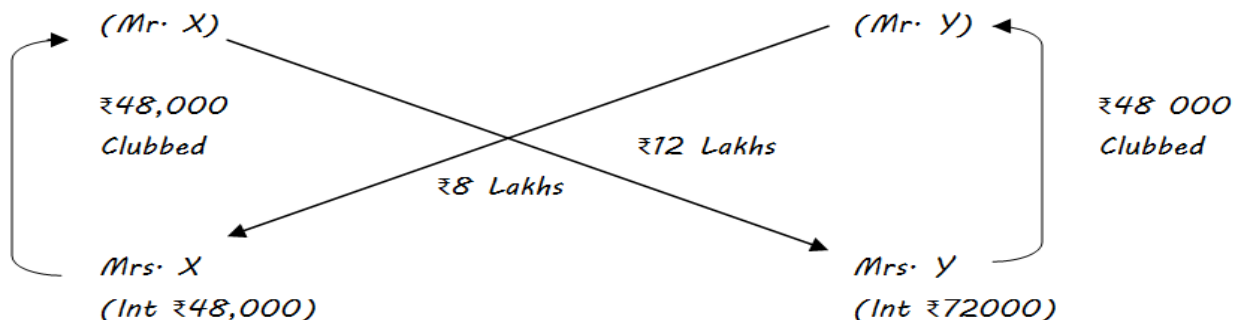
If any individual transfers any asset to his HUF without/for inadequate consideration, then income from such asset is received by HUF but taxable in hands of member.

After partition of HUF, Income from such asset recd, by spouse shall be clubbed in hands of transferor.

Note:

1. Income includes loss, Therefore, if there is losses then also clubbing prov. are applicable.
2. Where an asset transferred is converted into other form, income derived from a converted asset shall be clubbed.
3. Natural love & affection may be a good consideration but it is not adequate consideration.
4. If asset transferred is sold by transferee then capital gain is treated as income & shall be clubbed.
5. If there are 2 transactions & they are inter-connected & part of some transaction, it shall be considered to be a device for evasion of tax & therefore clubbing provision shall apply (**Cross Gifts**).

Eg:- Mr. X gifted 12 Lakhs to his brother's wife (Mrs. Y) & his brother (Mr. Y) gifted 8 Lakhs to Mrs. X (Mr. X's wife). Gifted amt. deposited in Banks @ 9% on 1/8/2023.



Clubbing provisions will be applicable only to the extent of income on the matching amt. of cross gifts, in the above example, ₹ 8 Lakhs is matching amount.

6. Where any asset is transferred by individual to his spouse or son's wife such amt. is invested in Business by transferee then proportionate profit of such business shall be clubbed as per following formula:

$$\text{Income from business} \times \frac{\text{Gifted by Assessee}}{\text{Capital of Business on first day of P.Y. (Opening Capital)}}$$

Clubbing shall be applicable only if gifted money is included in opening capital. All clubbing provisions are **not applicable** to **second generation income** i.e. income from accretion of transferred asset.

13. Advance Tax

1. Advance tax means tax paid in financial year immediately preceding AY (i.e. PY)
2. Advance shall be calculated by estimating current year income then applying tax rates. TDS, TCS, AMT Credit, Relief credit shall be deducted to arrive at Advance tax liability.
3. Assessee is required to pay Advance tax if his liability for tax ₹ 10000/more.

Exceptions: Resident Senior Citizen not having income of PGBP, not required to pay advanced tax.

4. Due dates of Advance Tax for all Assessee

Due Date	Amount of Advance Tax	Important
Upto 15 th June of PY	Upto 15% of advance tax liability	If Assessee opts for Sec.44AD/ADA, due date is 15 th March of PY (100% of Advance tax in 1 instalment)
Upto 15 th Sep of PY	Upto 45% of advance tax liability	
Upto 15 th Dec of PY	Upto 75% of advance tax liability	
Upto 15 th Mar of PY	Upto 100% of advance tax liability	

Note: Tax paid upto 31st March of PY is treated as advance tax.

INTEREST u/s 234A, 234B & 234C

- Sec. 234A: Interest for delay in Return filing:

➤ Tax as per ROI x Rate x Period

[After adjustment of TDS/TCS/Advance tax/AMT credit/Relief]

i.e. Tax remaining unpaid on 1st April of A.Y

[1% per month or part of a month]

[From the date after due date of ROI till the date of actual filing of Return]

Note:1 However as per SC decision in Dr. Prannoy Roy, credit will be given of self-assessment tax, if it is paid upto due date of return filing.

- Sec.234B: Interest for non/short payment of advance tax

This int. is not applicable if assessee paid 90% or more of advance tax payable.

Advance Tax Short x Rate x Period

Paid as per ROI

[1% per month or part of a month]

[From 1st April of A.Y. till the date of actual payment of Tax]

- **Sec. 234C:** Interest for deferment of Advance tax instalments
- | | |
|---------------------------------|----------------------------------|
| Deferred amt. x 1% per month or | x 3 months for all instalments e |
| part of month | last instalment |
- [For last instalment, Int. is
Applicable always for 1 month]
[16/3 to 31/3]

Notes:

1. Interest u/s 234C **always** calculated on **tax as per ROI**.
2. Interest u/s 234C shall **not be levied** for 1/2nd instalment deferment, if Assessee has paid Advance tax upto 12% in 1st instalment, upto 36% in 2nd instalment.
3. Advance tax in case of Capital gain, Winnings, Dividend, & PGBP first time Assessee is not able to estimate **capital gains/winnings/PGBP accrues first time or Dividend** so advance tax on such income shall be paid in remaining instalment by assessee after receipt of such income. If no instalment is due [income received during 16/3 to 31/3) then Advance tax shall be paid upto 31/3 of P.Y.

In case of above income interest **u/s 234C applicable only from quarter in which income is received.**

Sec 234E: Fee for default in furnishing TDS/TCS Statements (Return)

For delayed filing quarterly statement, assessee shall be liable to a mandatory **fees of ₹ 200 per day** during which default continues. The fees cannot exceed the amt. of TDS deductible. The fees shall be paid before filing of quarterly statement.

Sec 234F: Fee for default in furnishing return of income

Where a person, who is **required to furnish a ROI u/s 139**, fails to do so within the prescribed time limit u/s 139(1), he shall pay, by way of fee, **a sum of ₹ 5000**.

However, if total income of the person does not exceeds **₹ 5 lakhs**, the fees payable **shall not exceed ₹1,000**.

Sec 234H: Fees for default in Linking Aadhar with PAN

If assessee link Aadhar with PAN on or after 01/04/2022 then he is required to pay following fees-

- Link between 01/04/22 till 30/06/22 ₹500
- Link on or after 01/07/22- ₹1,000

14. TDS/TCS

1. TDS requirement arise:

- i. at time of payment, OR
- ii. at time crediting the A/C of payee, whichever is **earlier**

But in following cases TDS deducted only at **time of payments**:

- i. Salary - Sec 192
 - ii. EPF Payment - Sec 192A
 - iii. Dividend - Sec 194
 - iv. Winnings - Sec 194B, 194BB, 194BA
 - v. Maturity of Life insurance policy - Sec 194DA
 - vi. Compensation on compulsory acquisition of property - Sec 194LA
 - vii. Cash withdraw from bank - Sec 194N
2. All TDS rates are Fixed rates i.e. 1%, 2%, 5%, 10% etc. but if payment made to NR/Foreign Company or payment of salary then surcharge & HEC shall be considered.
 3. Sec 206AA: If payee **does not furnish his PAN** to payer, TDS rate shall be:-
 - i. Rate as per respective section, OR
 - ii. Rate @ 20%

Whichever is higher

 - For sec 194-Q rate is **5%** instead of **20%**

If payment is made by payer without TDS, then payee shall be responsible to make payment of tax directly. However, if tax has been deducted by payer, but not deposited with Govt, then payee cannot be called upon to pay that much tax.

Section	Nature of Payment	Payer	Payee	Rate
192	Salary	Any Person	Employee (R/NR)	Slab Rate

Additional Points:

1. Employer required to deduct TDS only **at the time of Payment**.
2. If employee **intend to opt out from default taxation u/s 115BAC** & submitted declaration to employer then employer shall deduct TDS as per normal rates, otherwise as per Sec 115BAC.
3. Employer shall **consider details of other income & deduction of employee** if furnished by Employee. Employee has to submit evidences of such deductions, exemptions & losses.
4. Employer shall **not consider losses** of employee except loss under house property.
5. If employer bear the **tax on non-monetary perquisites**, then this need not be deducted from the salary of the employee. amt.borne shall not be allowed to employer u/s 40(a)(v) & the same will be exempted in the hands of employee u/s 10(10CC). Also, **the tax so borne will be treated as TDS in the hands of employee & credit of the same can be availed by employee.**

6. Where the employee has worked **with more than 1 employer** during the year or employee changed the job during year, he may furnish the details of his salary & TDS deducted by one employer to other/current employer.

7. Where firm pays salary to partner, sec. 192 is **not attracted** as it is taxable in hands of partner under PGBP.

Section	Nature of Payment	Payer	Payee	Rate
192A	Accumulated balance of PF	Any person	Employee (R/NR)	10%

Additional Points

1. TDS required to be deducted only at the **time of Payment**.
2. No need to deduct TDS if aggregate amt. of payment is **less than 50,000**.

Section	Nature of Payment	Payer	Payee	Rate
193	Interest on Securities	Any person	Resident Person	10%

Additional Points

No TDS if interest is paid:

- For **Debenture** issued by **a public company to Individual/HUF** if interest does not exceed 5,000 during the PY & the same is paid by a/c payee cheque.
- To LIC, GIC or other insurers.
- Sec 54EC CG Bonds issued by Power Finance Corp. Ltd./Indian Railway Finance Corp. Ltd.
- On Govt. Security [**Exception** - interest on 8% Savings (Taxable) Bonds, 2003 or 7.75% Savings (Taxable) Bonds, 2018, if interest is more than 10,000 during the PY then TDS applicable]

Section	Nature of Payment	Payer	Payee	Rate
194	Dividend	Domestic Company	Resident Person	10%

Additional Points

1. TDS required to be deducted only at the **time of Payment**.
2. No TDS if payment made to **Individual** by any mode other than cash & payment is **upto 5,000 in a PY**.
3. No TDS if **dividend to LIC, GIC or any other insurer** provided shares are owned by them, or they have full beneficial interest in such shares.

Sec	Nature of Payment	Payer	Payee	Rate
194A	Interest other than Security interest	Any person other than Individual & HUF [Ind./HUF required to deduct TDS, if last year turnover > Rs.1 Cr. In case of business or gross receipt > Rs. 50 Lakhs in case of profession]	Resident Person	10%

Additional Points:**No TDS in following cases:**

1. Interest by Bank/Co. Op. Bank/Post office on **time deposit upto ₹ 40,000** (₹ 50,000 for Resident senior citizen).
 2. Interest by any other person **upto ₹ 5,000**.
 3. Interest on **Saving Bank Account**.
 4. Interest by **Firm to Partners**.
 5. Interest on **Income Tax Refund**.
 6. Interest **to Banks, Co-op. banks, Financial Corporations, LIC, Insurance Co., UTI, National Skill Development Fund, Housing & Urban Development Corporation** [Remember - NBFC not covered].
 7. Interest **by** a Co-operative Society (other than Co. op. Bank) to another Co-operative Society or to any of its Members.
 8. Interest by a Co-operative Society being bank to another co-op, society.
 9. Interest on deposits with a primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank
- Note:** In case of point 8 to 10 TDS required to be deducted if **T/O or G/R. of Co-op. Society in last year more than ₹ 50 Crores** & interest paid/credited is more than ₹ 40,000 or in case of senior citizen ₹ 50,000.
10. Interest Credited on the compensation amt. awarded by the Motor Accidents Claims Tribunal (MACT).
 11. Interest on the compensation amt. awarded by the MACT paid during the FY does not exceed ₹ 50,000.
 12. In case of banks following **CBS Software**, NO TDS should be made on Interest which is credited to a provision account on a daily or monthly basis only for purpose of macro monitoring by CBS software since no amt. is actually credited to depositor's a/c. Thus, TDS is to be made at time of actual credit given to depositor's a/c & further, **limit of ₹ 40,000 shall be check bank wise not branch-wise**.

Section	Nature of Payment	Payer	Payee	Rate
194B	Winnings from lotteries, crossword puzzles etc.	Any Person	Any Person	30%
194BB	Winnings from Horse Races	Any Person	Any Person	30%

Additional Points:

1. TDS required to be deducted only at the **time of Payment**.
2. No TDS if winning is **upto 10,000 during the F.Y.**
3. If winning is wholly in **kind or it is partly in kind** & partly in cash & cash balance is not sufficient enough to meet TDS liabilities, then Payer shall **release prize only after ensuring that tax on such winning is paid to Govt.**
4. In cases where book-maker paying winnings, credits such winnings & debits losses to punter, tax has to be **deducted @30% on winnings before set-off of losses**. Thereafter net amount, after deduction of tax & losses, has to be paid to the winner.

Section	Nature of Payment	Payer	Payee	Rate
194BA	Winnings from Online Games	Any Person	Any Person	30%

Additional Points:

1. TDS required to be deducted at time of withdrawal during PY from user account as well as at end of Financial Year.

2. Computation of Net Winning for purpose of Sec 115BBJ: $(A+D) - (B+C)$

A	Aggregate amt. withdrawn from user account during the FY
D	Closing balance of user account at end of FY
B	Aggregate amt. of non-taxable deposit made in user account by assessee during FY
C	Opening balance of user account at the beginning of the FY

Sec	Nature of Payment	Payer	Payee	Rate
194C	Contracts & sub-contracts [carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract]	Any person other than Individual, HUF, AOP, BOI [Ind./HUF/AOP/BOI required to deduct TDS, if last year turnover > ₹ 1 Cr. In case of business or Gross receipt > ₹ 50 lakhs in case of profession]	Resident Person	Payee:- Individual/HUF- 1% Others:- 2%

Additional Points:

1. No TDS if :-

- Single contract is **upto ₹ 30,000** or
- Aggregate of contract in PY is **upto ₹ 1,00,000**

2. No TDS if contract is for personal purpose of Individual/HUF

3. Work includes:

- Advertising, Broadcasting, Telecasting (including production of programmes).
- Carriage of goods or passengers by any mode other than by railways.
- Catering,
- Manufacturing or supplying a product as per **specification of customer** using material supply/sale by such customer or its associate of customer covered u/s 40A(2) (Job Work).

4. No TDS if payment made **to transporter owning not more than 10 vehicles** at any time in the PY & who furnishes a declaration to this effect along with his PAN.

5. In case of **Job Work**, TDS shall be applied on the **invoice value excluding the value of material** purchased from the customer/associate, provided bifurcation is given in the invoice. If no bifurcation is given, then TDS shall be applied on the entire amount.

6. Payments by client to Advt. agency - It is treated as work & TDS applicable u/s 1940.

Client TDS u/s 194C apply	Advt. Agency No TDS u/s 194C No TDS u/s 194H	TV Channel
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7. **Cold Storage charges**, which involves providing of **refrigeration facility** as well as storage facility. shall also be **subject to TDS u/s 194C** as a contract charge only & not u/s 194-I (Rent).

Sec	Nature of Payment	Payer	Payee	Rate
194D	Insurance Commission	Any Person	Resident Person	5% (10% if Payee Dom. Co.)
194G	Commission on sale of lottery tickets	Any Person	Any Person	5%
194H	Commission & Brokerage	Any Person other than Individual & HUF [Ind/HUF required to deduct TDS, if last year T/O > Rs 1 Cr in case of business of G/R > Rs 50 Lakhs in case of profession]	Resident Person	5%

Additional Points:

1. No TDS in above sections if Commission or Brokerage is up to ₹ 15,000.
2. No TDS u/s 194H on Payments by BSNL or MTNL to their public call office franchises
3. No TDS u/s 194H if commission or brokerage related to security like commission to underwrite brokerage on public issue etc.

Section	Nature of Payment	Payer	Payee	Rate
194DA	Maturity of Life Insurance Policy	Any Person	Resident Person	5%

Additional Points:

1. TDS required to be deducted only at **time of Payment**
2. No TDS if maturity amt. is less than **Rs 1,00,000**
3. No TDS if maturity amt. **exempted u/s 10(10D)**. (In case of LIP maturity amt. taxable in case of Keyman Ins. Policy or ULIP taken on or after 1.2.21 & premium paid (2,50,000 in a year or LIP taken on or after 1.4.23 & premium paid > ₹5,00,000 in a year or Premium more than limit of 10%, 15%, 20% of policy value prescribed u/s 80C)
4. In this sec TDS applicable on **income component** i.e. maturity amt. minus premium paid.

Sec	Nature of Payment	Payer	Payee	Rate
194-I	Rent of P&M, Equipment's, Building, Furniture & Land	Any Person other than Individual & HUF [Ind/HUF required to deduct TDS, if last year T/O > ₹ 1 Cr in case of business or G/R > ₹ 50 Lakhs in case of profession]	Resident Person	P&M Equipment's-23 Land, Building & Furniture- 10%

Additional Points:

1. **No TDS** if rent is upto ₹ 2,40,000 to a person in F.Y.
2. **No TDS on Refundable Deposits**. However, Non-Refundable Deposits shall attract TDS under this section.
3. Arrears of Rent received during the current year shall also be considered for the purpose of deducting TDS u/s 194I.
4. Even **Advance Rent** shall also be subject to TDS in the year of payment.
5. **Warehousing charges** shall also be **subjected to TDS** under this section.
6. It is not necessary that the Payee must be the owner of any of the above-mentioned assets.
6. **It is not necessary that the payee must be the owner** of any of the above-mentioned assets.
7. CBDT circular-Lumpsum lease premium or onetime upfront lease charges which are not adjustable against periodic rent & which are paid for acquisition of long term lease rights - are not in the nature of rent within the meaning of Sec.194-I, therefore NO TDS.
8. **Passenger Service Fees (PSF)** paid by Airline's Company to Airport Operator is **not treated as rent** so TDS not applicable u/s 194-I [Circular no. 21/2017].

Sec	Nature of Payment	Payer	Payee	Rate
194-IA	Transfer of Immovable property (other than rural agriculture land)	Any Person (Buyer)	Resident Person (Seller)	1% of Consideration or SDV, whichever is higher

Additional Points:

1. TDS is applicable only if **Consideration or SDV is ₹ 50,00,000 or more**.
2. Consideration for transfer of immovable property includes club membership fees, car parking fees, electricity or water facility fees, maintenance fees, advance fees or any other similar charges incidental to transfer of immovable property.

Sec	Nature of Payment	Payer	Payee	Rate
194-IB	Rent of Immovable property	Individual/HUF (Not covered u/s 194-I)	Resident Person	5%

Additional Points:

1. **No TDS** if rent is upto ₹ 50,000 per month or part of the month.
2. **TDS required** to be deducted only at time of credit or actual payment of **last month rent**, whichever is earlier. [Here last month of year or tenancy as the case may be]

3. Where payee fails to furnish his PAN, TDS shall be deducted at rate of 20%. However, in any case, such deduction cannot exceed the rent of the last month.

Sec	Nature of Payment	Payer	Payee	Rate
194J	a) Fees for professional Service b) Fees for Technical Services c) Remuneration to directors d) Royalty e) Non-compete fees (NCF)	Any Person other than Individual & HUF [Ind/HUF required to deduct TDS, if last yr T/O > ₹1 Cr in case of business or G/R ₹ 50 Lakhs in case of profession]	Resident Person	10%

1. In following cases TDS rate is **2% instead of 10%-**

- Payment to any call centre.
- Fees for Technical service (not being professional service).
- Royalty paid for sale distribution or exhibition of cinematographic film

2. No TDS if amt. is **upto 30,000 p.a.** limit of 30,000 p.a. is applicable separately for d nature of payment (i.e. ₹ 30,000 each for FPS, FTS, Royalty, Non-compete). No limit for director fees (TDS to be deducted mandatorily).

3. No TDS on FPS by **Individual/HUF** if made exclusively for **personal purposes**

4. **Individual/HUF**, if last year T/O > 1 Cr or GR 50 Lakhs, are required to deduct TDS of from **FPS & FTS**. No need to deduct TDS on royalty or NCF even last year TO/GR more than prescribed limit.

5. CBDT Notification: Payments made to Sportsperson, Sports Columnist, Umpire, Comment Referee, Physiotherapist, Team Physician, Anchor, Event Manager will also be regarded as FPS & accordingly be liable to TDS u/s 194J.

6. Consideration paid for **acquisition of software** falls within definition of royalty & hence would be liable for TDS u/s 194J. However, **no TDS** would be attracted in cases of subsequent transfers if transfer is made **without any modification** & TDS has already been deducted u/s 194J in earlier transfers & transferor submit declaration along with PAN for same

7. CBDT Circular: Third Party Administrators (TPA) making payments on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. are liable to deduct TDS u/s 194J.

Sec	Nature of Payment	Payer	Payee	Rate
194K	Income from UTI or Mutual Fund Units	Any Person (UTI/MF)	Resident Person	10%

No TDS if payment is **upto ₹ 5,000 in a P.Y**

Sec	Nature of Payment	Payer	Payee	Rate
194LA	Compensation on compulsory acquisition of Immovable Property	Any Person	Resident Person	10%

Additional Point:

1. TDS required to deduct only at the **time of payment**.
2. No TDS if payment is **upto ₹ 250000 in a PY**.
3. No TDS if the Immovable Property is an 'Urban or Rural Agricultural Land in India.

Sec	Nature of Payment	Payer	Payee	Rate
194M	Work pursuance contract, commission/brokerage, Fees for professional service	Individual/HUF (other than required to deduct TDS u/s 194C, 194H, 194J)	Resident Person	5%

Additional Point:

1. **No TDS** if amt. is upto ₹ 50,00,000.
2. TDS u/s 194C, 194H & 194J in case of individual/HUF payer applicable only if last year turnover/Gross receipt more than prescribed limit & u/s 194C & 194J TDS not applicable in case of personal nature contract or FPS so in those cases TDS required to be deducted u/s 194M if amt. more than ₹ 50 lakhs.
3. **Note for Sec 194-IA, 194-18, 194M:** In these sections payer not required to opt TAN numbers & TDS required to deposit online to Govt, along with TDS return in Form 26QB, 26QC & 26QD within 30 days from end of month in which TDS was deducted.

Sec	Nature of Payment	Payer	Payee	Rate
194N	Cash withdraw from bank, Co-op. bank, Post office	Bank, Co-op Bank, Post office	Any Person	2% (refer point 3)

Additional Point:

1. TDS is required to be deducted only at **time of payment**.
2. No TDS if cash withdraw is upto ₹ 1 Crore in a PY. If cash withdraw more than ₹ 1 crore then TDS applicable **only on excess amt. over ₹ 1 crore**. **Where the recipient is a co-operative society, limit of 3 crores is applicable for cash withdrawals.**
3. If payee has not filed return **for all 3 preceding PY's** for which due date u/s 139(1) already expired then TDS shall be deducted as follows:
 - **2%** on cash withdraw in excess of ₹ 20 lakhs upto ₹ 1 crore and
 - **5%** on cash withdraw in excess of ₹ 1 crore

Note: We will check return of PY 19-20, PY 20-21 & PY 21-22 for TDS liability in 23-24.

4. **No TDS** if cash withdrawal by:
 - Government (SG/CG).

Banks, Co-op. Bank, Post office & their business correspondent.

White label ATM operator of Banks or Co-op. Bank.

Sec.	Nature of Payment	Payer	Payee	Rate
194P	TDS by Bank in case of senior citizen	Specified Bank	Resident Individual age 75 Years or more in PY.	Slab Rate

Additional Points

1. This sec. apply only if individual having income in the nature of pension & no other income **except the income in the nature of interest** from any account maintained in the same specified bank in which he is receiving his pension & has furnished a declaration to the specified bank containing such particulars, in paper FORM 12BBA & duly verified.
2. Once the declaration is furnished by senior citizen, the bank would be required to compute the income of such senior citizen. For computing total income deduction u/s 80C to 80U should be given (if assessee opted out from 115BAC) along with rebate u/s 87A. The bank shall deduct tax on such total income on the basis of slab rate after considering any TDS deducted on pension

3. "Specified bank" means a schedule bank which has been appointed as agent of RBI u/s 45 of RBI Act, 1934.

Sec	Nature of Payment	Payer	Payee	Rate
194-Q	Purchase of Goods more than Rs 50 Lakhs in a PY	Any Person (Buyer) whose last year T/O more than 10 Crore	Resident Person (Seller)	0.1% of sum in excess of Rs 50 Lakhs

Additional Points

1. In this sec. TDS required to deduct only on **excess amt. over 50 lakhs**.
2. TDS is **not required to be deducted** under this section, if -
 - TDS is deductible under any other section;
 - TCS is collectible u/s 206C [other than sec. 206C (1H)].
3. In case of a transaction to which **both sec. 206C (1H) & 194Q applies**, TDS deducted u/s 194Q
4. In case of a transaction to which **both sec. 206C (1)/(1F)/(16) & 194Q applies**, TCS to be collected **u/s 206C(1)/(1F)/(16)**.
5. If **PAN of payee is not available**, tax will be deducted u/s 194Q at rate of 5%.
6. CBDT Clarifications:
 - **GST/VAT/Sales tax/CST/Excise Duty (IDT)**: TDS u/s 194Q NOT applicable on IDT amt. if it is separately indicated in invoice but if **advance payment is made** then **TDS should be deducted on total advance payment** as we are not aware that what will be IDT amt. in invoice.
 - **Purchase Return**: TDS deducted at the time of crediting the party or payment, whichever is earlier, so at the time of purchase TDS already deducted by Buyer. In case of purchase return there is no need to return TDS amt. & it can be adjusted against future purchase from same seller. In case of replacement of Goods, no adjustment required.
 - **First year of Incorporation**: TDS required to be deducted only if buyer's last year T/O more than ₹ 10 Crores. Since in case of first year of incorporation last year T/O is nil so **this sec. NOT applicable in first year of Incorporation**.
 - **Last Year T/O**: While checking last year T/O of buyer it should include only Business T/O or G/R & it should be more than ₹ 10 Crores. Non-Business T/O not to be counted.

Sec	Nature of Payment	Payer	Payee	Rate
194R	Any benefit or perquisite, whether converted into money or not, arising from business or profession	Any person other than Individual & HUF [Ind/HUF required to deduct TDS, if last year T/O > ₹ 1 Cr in case of business or G/R > ₹ 50 Lakhs in case of profession]	Resident Person	10%

Additional Points:

1. No TDS if amt. of benefit or perquisite provided to a person is **upto ₹ 20,000 in PY**
2. If benefit or perquisite is wholly in kind or it is partly in kind & partly in cash & cash balance is not sufficient enough to meet TDS liabilities, then Payer **shall release benefit or perquisite** only after ensuring that tax is paid on such benefit or perquisite by way of

(a) He has **collected** the amt. equivalent to **TDS amt.** from the Payee, or

(b) He paid **TDS from his own pocket**, or

(c) He insists the Payee to make the payment of TDS on his own by way of **advance tax** & submit the proof to the Payer.

Miscellaneous Provisions

- Sec 196: TDS not applicable if payee is Government, RBI, Statutory Corporation, Mutual Fund, New Pension Trust.
- CBDT Circular: TDS **NOT applicable in case of "GST on services"** separately indicated in Invoice.
- Sec 197-Lower Deduction Certificate: Where assessee's Total Income or receipts of income is not liable to tax or taxable at lower rate in current year (it may be due to b/f losses) then assessee can apply to AO for issue of certificate for No Deduction or Low deduction of TDS. If AO satisfied with application of assessee then he may issue such certificate. In this case assessee's TDS will be deducted as per rate given in certificate.

197A: Declaration in Form 156/15H: Where total income of Resident (other than company & firm) is below basic exemption limit during year, no TDS shall be deducted u/s 192A, 193, 194 194A, 194D, 194DA, 194-I, 194K if Assessee furnishes a self-declaration to payer in Form 156.

Exception: Benefit will not be available, if incomes referred to in above sections itself is beyond basic exemption limit.

However, in case of Resident Senior Citizen, he may furnish Form-15H requesting for non-deduction as long the tax payable during year is NIL (even by way of rebate u/s 87A).

Example: Rent received by Mr Kunal is 3,60,000 & he has invested 1,20,000 u/s 80C. Now his NTI is less than basic exemption then also Kunal can't furnish 156 but suppose he is Senior Citizen then he can furnish 15H.

Sec 198: TDS shall also be deemed to be income of the Payee, except TDS paid by Employer on Non-monetary perquisite or TDS deducted u/s 194N.

Sec 199: TDS credit available to a person from whose income deduction is made except:-

- In case of clubbing credit available to a person in **whose hands the income is ultimately taxable**
- In case of tax paid by employer from own pocket on **Non-monetary perquisite employee can take credit.**

Due date of payment of TDS & TCS

TDS deducted/ TCS collected month	TDS Due date	TCS Due date
During April to February month	7th of Next month	7th of Next month
March month	30th April of next FY	7th April of next FY
Note: If TDS deducted u/s 194-IA, 194-IB or 194M then it should be deposited to Govt. within 30 days from end of month in which deducted along with return in Form 26QB, 26QC, 26QD.		

Due date of TDS/TCS Returns/Statements

Quarter Ended	TDS Return	TCS Return
30th June	31st July	15th July
30th September	31st October	15th October
31st December	31st January	15th January
31st March	31st May	31st May

Notes: Fees of 200 per day of default u/s 234E applicable if TDS/TCS return after due dates.

Sec 200A/206CB: Processing of TDS/TCS Returns (Intimation by CPC)

1. TDS/TCS returns filed shall be processed electronically & the following adjustment can be made:

- (a) Rectification of any **Arithmetical errors**;
- (b) **Incorrect claim** apparent on record.

2. An Intimation will be prepared specifying amt of demand/refund along with interest, fees (if any) & sent to deduction/collector **within 1 yr from end of FY** in which return was filed.

Sec 201-Assessee in default: If payer not deducted TDS or after deduction not paid to Govt. then such person is treated as assessee in default & required to pay penalty u/s 221 & that can be maximum 100% of TDS amount.

Exception: Payer shall not be treated as assessee in default if payments made / credited to Payee without TDS, if such Payee fulfils all the following 4 conditions:

1. He has furnished his ROI u/s 139
2. Such sum has been taken into account by him, in such ROI;
3. He has paid the tax due on income declared by him in his ROI; and
4. Payer has furnished a Certificate in this regard from a CA in Form 26A

Sec 201(1A): Interest on Late deduction or Late payment of TDS

- Late Deduction: Interest @1% per month or part of the month on amt.of TDS from the date on which TDS was deductible till the date on which TDS actually deducted.
- Late Payment: Interest @1.5% per month or part of the month on amt.of TDS from the date on which TDS actually deducted till the date on which such tax actually paid.

Sec 206AB/206CCA: TDS/TCS rate in case of Non-Filers

In case of TDS/TCS if payee/collectee has **not filed return** of income for **last year for which due date u/s 139(1) already expired** before the current PY & TDS deducted & TCS collected in that year was ₹ 50,000 or more, then TDS/TCS in current year shall be applicable at following rates:-

- (a) Twice the TDS/TCS rate, or
 - (b) 5%
- Whichever is higher.

Notes:

1. This sec. not applicable in case of TDS deductible u/s 192, 192A, 194B, 194BA, 194BB, 194 - IA, 194-IB 194M & 194N.
2. If payee/collectee has not furnished PAN/ Aadhar also then TDS/TCS shall be deducted/collected at rates higher of this sec. & sec. 206AA in case of TDS & 206CC in case of TCS.
3. For applicability of this sec. in current year we have to check that return was filed for PY 21-22 or not.
4. From 1/7/2023 for TCS maximum rate under this sec. can be 20%

Tax Collection at Sources (TCS)

Sec	Nature of Transaction	Rate	Collector (Seller)	Collectee (Buyer)
206C(1)	Sale of Goods -Tendu Leaves -Timber & other forest products -Alcoholic liquor for human consumption -Scrap - Minerals being Coal, Lignite, Iron ore	5% 2.5% 1% 1% 1%	Any Person other than Individual & HUF [Ind/HUF required to collect TCS, if last year T/O1 Cr in case of business or G/R > ₹ 50 Lakhs in profession]	Any person other than: 1. Buyer who buys such goods for his personal consumption; 2. Public sector Co; 3. CG, SG, Embassy. High comm., legation, consulate, trade representation & clubs.

Additional Points

1. **No TCS if resident buyer** furnishes a declaration to seller that "goods" are to be utilized in **manufacturing/production** of any article or for the purpose of **generation of power**.
2. If buyer T/o of last year more than 10 crores then Buyer required to deduct TDS u/s 194Q.
3. Scrap means waste from the manufacture or mechanical working of materials & which is definitely not usable as such because of breakage, cutting up, wear & other reasons.

Section	Nature of Transaction	Rate	Collector (Licensor)	Collectee (Licensee)
206C(1C)	Leasing or licensing or transferring any right or interest in any- ✓ Parking lot or ✓ Toll plaza or ✓ Mine or quarry for the purpose of business	2%	Same as sec. 206C(1)	Any person other than public sector company

Note: For the purpose of this sec. "mining & quarrying" shall not include mining & quarrying of "mineral oil" includes petroleum & natural gas.

Section	Nature of Transaction	Rate	Collector (Seller)	Collectee (Buyer)
206C(1F)	Sale of a motor vehicle of the value exceeding 10 lakhs	1%	Same as sec. 206C(1)	Any person other than mentioned in Note-1

Notes:

- Public Sector Co engaged in the business of carrying passengers, CG, SG, Embassy, High comm, legation, consulate, trade representation, & Local authority.
- TCS will apply only in case of **sale of motor vehicle at retail level**. No TCS under this sec. on sale by manufacturers to dealers/distributors.
- Threshold limit of **Rs. 10 lakhs has to be looked at on each individual purchase** & not on aggregate purchases made during the year.

Section	Nature of Transaction	Purpose	Rate	Collector (Seller)
206C(1G)	Remittance of money more than 7 lakhs under Liberalised Remittance Scheme (LRS) of RBI	Education or Medical	5% of amt.in excess of Rs 7 lakhs (Note: 2)	Authorized dealer
		Other Purpose	5% of amt.in excess of Rs 7 lakhs (upto 30/9/23) 20% Rate w.e.f. 1/10/23	
	Sale of overseas tour program package (OTPP)	5% of sale value (upto 30/9/23) w.e.f. 1/10/23 5% upto 7 lakhs & 20% above 7 lakhs		Seller of OTPP

Additional Points

- No TCS** if buyer is:
 - Deducted TDS under any section;
 - CG, SG, Embassy, High comm., legation, consulate & trade representation, Local authority;
 - Non Resident Visiting India.
- In case of LRS if remitted amt.is out of **Educational Loan (referred u/s 80E) taken from Financial Institution** then TCS rate shall **be 0.5% instead of 5%**.
- "OTPP" means any tour package which offers visit to a country or countries or territory or territories outside India & includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.

Examples

- Mr. AB wants to transfer 10 lakhs on 15/9/23 & 12 lakhs on 14/2/24 to USA for buying property through AB Ltd. (an authorized dealer) under LRS scheme of RBI.

Sol. In this case AB Ltd require to collect TCS from Mr. AB @ 5% of 3 lakhs i.e. ₹ 15,000 on 15/9/23 & @20% of 12 lakhs i.e. 2.4 lakhs on 14/2/24.

2. Suppose in Q 1, Mr. AB wants to transfer only 5 lakhs instead of 22 lakhs. Sol. In this case TCS NOT applicable as it applies only if amt.is more than 7 lakhs.

3. Suppose in Q 1, Mr. AB wants to transfer for the purpose of Education or Medical treatment Sol. In this case AB Ltd require to collect TCS from Mr. AB @ 5% of 3 lakhs i.e. 15,000 on 15/9/23 & @ 5% of 12 lakhs i.e. ₹ 60,000 on 14/2/24.

4. Suppose in Q 1, Mr. AB wants to transfer for the purpose of Education & this amt.is out of educational loan taken from IDFC First Bank

Sol- In this case AB Ltd require to collect TCS from Mr. AB @ 0.5% of ₹ 3 lakhs i.e. ₹ 1500 on 15/9/23 & @ 0.5% of ₹ 12 lakhs i.e. ₹ 6000 on 14/2/24.

5. Suppose in Q1. Mr. AB remitted ₹ 10 lakhs through AB Ltd. (dealer) & ₹ 12 lakhs through JJ Ltd (dealer).

Sol- As per CBDT clarification limit of ₹ 7,00,000 applicable on total LRS remittance made by any person in a PY. In this case TCS applicable as per answer given in point 1. In this case JJ Ltd. will take self-declaration from Mr. AB about his earlier remittance through AB Ltd.

6. Mr. Devam purchased Singapore tour package from Thomas Cook for ₹ 2,50,000 on 16/6/23.

Sol- In this case Thomas cook required to collect TCS@ 5% of ₹ 2,50,000 i.e. ₹ 12,500.

7. Suppose in above example Devam deducted TDS of Thomas Cook u/s 194C.

Sol- If TDS deducted under any provisions of IT then TCS not apply u/s 206C(1G).

8. Mr. SS purchased Thailand tour package from MMT for ₹ 15,00,000 on 10/12/23.

Sol- In this case MMT required to collect TCS@ 5% of ₹ 7,00,000 i.e. ₹ 35,000 & 20% of ₹ 8,00,000 i.e. ₹ 1,60,000. Total TCS amt.is ₹ 1,95,000

Section	Nature of Transaction	Rate	Collector (Seller)	Collectee (Buyer)
206C (1H)	Sale of Good [other than export & covered u/s 206C(1)/(1F)/(1G)]	0.1% of consideration in excess of ₹ 50 lakhs.	Any person whose last year T/O is more than ₹ 10 Crore	Any person other than mentioned in Note-1

Additional Points:

1. CG, SG, an embassy, High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority or a person importing goods into India or any other notified person.

2. If buyer deducted TDS under any sec. then TCS not applicable under this section. 3. If buyer not submit PAN or Aadhar then TCS rate is 1% instead of 0.1% in this section.

4. Under this sec. TCS collected only at the time of receiving consideration in excess of ₹ 50 lakhs in PY.

5. CBDT Clarifications:

In case of Motor vehicle if sec. 206C(1F) not applicable (like manufacturer to distributor) then sec. 206C(1H) applicable if other condition of this sec. satisfied.

No need of any adjustment for GST or sale return as TCS under this sec. applicable on receipt of consideration.

6. Example: Navneet Motors, Mumbai is an authorized dealer of BMW & KIA Motors. T/O of last year is 25 Crores.

Case-A: Sale of a car Kia Seltos to Mr Ravi (a salaried employee) for ₹ 9,60,000 (including GST)

-In this case TCS u/s 206C(1H) & (1F) not applicable.

Case-B: Sale of 7 cars Kia Seltos to Mr Ravi for ₹ 9,60,000 each (including GST) & received ₹ 67,20,000 by dealer - In this case TCS u/s 206C(1F) not applicable but TCS u/s 206C(1H) is applicable dealer will collect TCS@ 0.1% of amt.in excess of ₹ 50,00,000 i.e. ₹ 17,20,000.

Case-C: Sale of a car BMW GT to Mr Kavi for ₹ 92,00,000 (including GST) - In this case TCS u/s 206C(1F) applicable & dealer will collect TCS@ 1% of ₹ 92,00,000.

Case-D: BMW India Ltd. sold 200 cars to Navneet Motors in PY 23-24 & total consideration received is ₹ 150 Crores. In this case Navneet motors will deduct TDS of BMW India Ltd @ 0.1% in excess of ₹ 50 lakhs u/s 194Q.

Case-E: Navneet Motors sold a Kia Carnival to MR Devam & consideration is as follows:

Base Price:	23,00,000
Add: Luxury Tax	4,60,000
Add: GST 28%	<u>6,44,000</u>
Total	<u>34,04,000</u>

In this case Navneet motors will collect TCS u/s 206C(1F) on ₹ 34,04,000.

Miscellaneous Provisions

- Time of Collection TCS: TCS has to be collect at the time of debiting the party or receiving the consideration, whichever is earlier but in case of sec. 206C(1F) & (1H) it has to collected only at the time of receive the consideration.
- Sec 206C(7) Interest on late collection/deposit TCS: In case of any delay, interest shall be calculated @ 1% per month or part thereof from date on which TCS was collectible to date on which TCS is actually paid.
- Sec 206CC: If the collectee has not provided PAN or Aadhaar to the collector, then TCS rate shall be
 - (a) Twice of the rate or
 - (b) 5% [1 % in case of sub-section (1H)]
 Whichever is higher

Note: From 1.7.23, the higher rate of TCS leviable for non-furnishing of PAN should not exceed 20%

Amendments: TDS & TCS

1. Sec. 194A: TDS not applicable in case of interest on "Mahila Samman Savings 2023" Certificate,

2. Clarification on sec. 194BA

- In order to remove difficulty in deducting TDS for insignificant withdrawal, it is clarified that tax may not be deducted on withdrawal on satisfaction of all of the following conditions: -
 - (i) Net winnings comprised in the amt. withdrawn does not exceed ₹100 in a month;
 - (ii) tax not deducted on account of this concession is deducted at a time when the net winnings comprised in withdrawal exceeds 100 in the same month or subsequent month or if there is no such withdrawal, at the end of the FY; and
 - (iii) the deductor undertakes responsibility of paying the difference if the balance in the user account at the time of tax deduction u/s 194BA is not sufficient to discharge the tax deduction liability calculated.
- Payment in cash or kind: Whenever there is payment to the user in kind or in cash, or partly in kind & partly in cash, which is not from the user account, the provisions shall apply to calculate net winnings by deeming that the money equivalent to such payment has been deposited as taxable deposit in the user account & the equivalent amt. has been withdrawn from the user account at the same time & shall accordingly be included in amt. A.

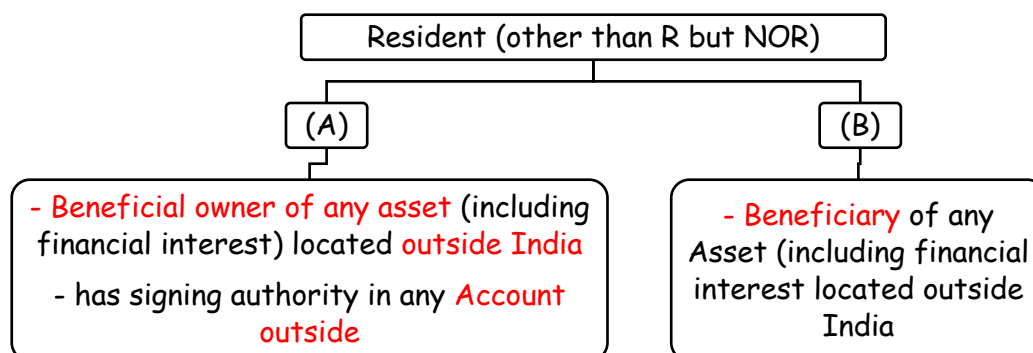
Mr. Chetan won Mahindra Thar on My11circle. FMV Gr of car is 12,00,000. In this case 12 lakhs treated as taxable deposit in user account & same time it is treated as withdrawal, TDS @30% applicable on 12,00,000 u/s 194BA.

In this case My11circle will release the car only after ensuring that tax on such winning is paid to Govt.

15. Return of Income

Sec 139(1): Filing of return of income (ROI)

- a. For **company Partnership Firm (including LLP)** - Return filing is **compulsory**.
 - b. Other- if **GTI (before claiming exemption, u/s 54/54B/54D/54EC/54F/54G/54GA)** more than Basic exemption, **then return filing is compulsory**.
 - c. Compulsory required to file return.
1. Resident Individual Resident (other than R but NOR)



Note: If income already included in income of person "A" then B" not need to file ROI.

- Beneficially owner - Individual providing consideration for asset directly or indirectly for immediate or future benefit for himself or any other person.
- Beneficiary- Individual deriving benefit from asset, consideration for which has been provided by any other person.

2. Person (other than Company & Firm) not covered above required to file ROI, if

(i) Assessee has **deposited** aggregate amt **exceeding Rs. 1 crore** in one/more **current account** with bank/co-operative bank and **50 lakhs** in case of **savings account**.

(ii) has incurred **foreign travel expenditure** of an aggregate amount **exceeding Rs. 2 lakhs** for himself/any other person.

(iii) has aggregate more than **Rs.1 lakh** towards consumption of **electricity**.

(iv) total sales, **turnover**/gross receipts, as case may be, in **business exceeds 60 lakhs** during PY or **total gross receipts in profession exceeds 10 lakhs** during PY.

(v) Aggregate **TDS & TCS**, is **Rs 25,000** (in case of senior citizen **Rs 50,000**).

Due dates of Return filing

Assessee	Due Dates
1. Person require to furnish Transfer Pricing Audit report u/s 92E including partners of firm.	30th Nov. of AY
2. Every other company, other than above	31st Oct
3. Every person whose BOAs are required to be audited under law	
4. Person who is partner in firm, where BOA are required to be audited	
5. For every other person other than above	31st July

Or spouse of such partner if provision of section 5A applies to such spouse.

Note: As per section 5A if individual govern by Portuguese civil code of 1860 in Goa, Dadra and Nagar haveli and daman and Diu then Income shall be equally distributed between husband and wife except salary.

Sec 139(1C): Central Govt may exempt class of person to file ROI

Central Government may by notification specify such class or classes of person who will be **exempted** from the requirement of **filing of return**.

Sec 139(3): Loss return

AS per Sec 80, assessee required to file the **return upto due date u/s 139(1)** for carry forward of following losses:

- **Business loss** u/s 72(1)
- Speculative business loss u/s 73(2)
- Loss from specified business u/s 73A (2)
- Loss under the Head "**Capital Gain**" u/s 74 (1)
- **Loss** from the activity of **owning and maintaining races horses** u/s 74A(3)

Notes:

1. Loss can be **set off** even if return filed after due date
2. House property losses & unabsorbed depreciation can be C/F even if return late filed.
3. The condition stipulated/ enumerated in sec 80 applies only for the year in which the loss was Sustained/ incurred. It does not apply to the ROI of the year in which carry forward is claimed.

Sec 139(4): Belated Return

If Assessee fails to file return within due date then he can file belated return within following time limit:

- a. Before the **three months prior** to end the of the relevant AY (31st dec.23 for AY.23-24) Or
- b. Before completion of Assessment
Whichever is earlier;

Note: Consequence of belated return

- **No carry forward** of specified loss as per Sec 80
- **No deduction of certain Income** u/s VI- A (80JJAA, 80QQB & 80RRB) and u/s 10AA.
- **Interest u/s 234A** i.e. 1% pm or part of the month
- **Late filing fees** u/s 234F i.e. Rs. 5000/1000

Sec 139(5) Revised Return

Any person Filed returns u/s **139(1) or 139(3) or 139(4)**, if discover any omission or a wrong statement in such ROI Filed earlier, than such person can file revised return within Following time limit

- a) Before **3 months prior** to end of relevant AY (31st dec.24 for AY.24-25) OR
- b) Before completion of Assessment

Notes:

1. Belated return filed u/s 139(4) can be revised u/s 139(5).
2. The revised return substitutes original return from date original return was filed.
3. Assessee can revise return any no. of times within time limit.

Sec 139(9): Defective Return

Return shall be considered as defective, if -

- a. Return not Filed in **prescribed form**
- b. **Proofs of tax** not attached with return
- c. Report u/s **44AB** not submitted

If return treated as defective, A.O. shall intimate defect to assessee & give him opportunity to rectify **within 15 days/extended time** if assessee doesn't rectify defect then return shall be treated as **invalid return** (void-ab-initio)

Sec 139 A Permanent Account Number (PAN)

SN	Person required to apply for PAN	Time limit for application
1.	Every person, if his total income or the total income any other person in respect of which he is assessable AY exceeds the Basic exemption	upto 31st May of the AY
2.	Every person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed 5 lakhs in any PY	Upto end of previous year
3.	Trust required u/s 139 (4A)	Upto end of previous year
4.	Resident , other than an individual, which enters into a financial transaction of an amount aggregating to 2,50,000 or more in a FY	upto 31st May of the AY
5.	MD, director, partner, trustee, author, founder, karta, chief executive officer. principal officer or office bearer of any person referred in (4)	upto 31st May of the AY
6.	Person intends to enter into following transactions <ol style="list-style-type: none"> a. Cash deposits aggregating 20 lakhs/more in FY, in one/more a/c with Bank or co-op. bank b. Cash withdrawals aggregating 20 lakhs or more in FY, in one/more account with Bank or co-op. bank c. Opening of a current a/c or cash credit a/c with Bank/co-op. bank 	At least seven days before the date on which he intends to enter into said transaction

Cases where PAN to be quoted in Transactions

SN	Nature of transaction	Value of transaction
1.	Sale/purchase of motor vehicle, other than Two-wheeler.	All such transactions
2	Opening an account (other than time-deposit referred to at SN. 12 & Basic Savings Bank Deposit Account] with banking company or co-operative bank.	All such transactions

3	Making an application to any banking company or a co-operative bank to any other company or institution, for issue of a credit or debit card	All such transactions
4	Opening of a D-MAT account .	All such transactions
5	Payment to a hotel/restaurant against a bill or bills at any one time.	Payment in cash of > ₹ 50000
6	Payment in connection with travel to any foreign country or payment for purchase of any foreign currency at any one time.	Payment in cash of > ₹ 50000
7	Payment to Mutual Fund for purchase of its units.	Amount > ₹ 50,000
8	Payment to a company or an institution for acquiring debentures or bonds issued by it.	Amount > ₹ 50,000
9	Payment to RBI, for acquiring bonds issued by it	Amount > ₹ 50,000
10	Deposit with a banking company or a Co- operative bank or post office	Deposits in cash > ₹ 50,000 during any one day
11	Purchase of bank draft or pay orders or banker's cheques from a banking company or a Co-operative bank	Payment in cash > ₹ 50000 during any one day
12	FD with Bank or Co-Op. Bank or post office or Nidhi or NBFC	Amount > ₹ 50,000 or aggregating to more than 500000 during a FY
13	Payment for one or more pre-paid payment instruments , bank or Co-Op. Bank or to any other company or institution.	Amount > ₹ 50,000
14	Payment as life insurance premium to an insurer	Amount > ₹ 50 000 in a FY
15	A contract for sale/purchase of securities (other than shares)	Amount > ₹ 100000 per transaction
16	Sale or purchase of Unlisted shares of a company	Amount > ₹100000 per transaction
17	Sale or purchase of any immovable property	Amount or SDV > ₹ 10 Lakhs
18	Sale or purchase of any goods/services (other than covered above)	Amount > ₹2 lakhs per transaction

Person not required to obtain PAN: Minor not having any income taxable in his own hands, can enter into the above transactions by quoting the PAN of his parents or guardian.

PAN & Aadhar Interchangeable

- Every person who is required to intimate/quote his PAN **may quote his Aadhaar** if he:
 - has **not been allotted a PAN** but possesses the Aadhaar (PAN will be allotted automatically by dept. without any documents & Fees), or
 - has been **allotted a PAN** and has already linked Aadhaar & PAN.
- Every person entering into prescribed transaction (point 6 of sec. 139A) shall be required to authenticate the PAN or Aadhaar quoted. Also, every person receiving such document should ensure that PAN or Aadhaar is quoted on the documents and authenticated.

Ex.: Suppose Mr. AB deposited cash of 25 lakhs with HDFC Bank and AB submitted PAN/Aadhar then AB require to authenticate that PAN/Aadhar belongs to him. In case HDFC Bank also require to authenticate that PAN/Aadhaar belongs to AB only.

Note: Provided that the provision of above point 2 shall not apply where the person, depositing or withdrawing money or opening a current a/c or cash credit a/c, is the CG, SG, or the consular office.

Section 272B: Penalty for failure to comply with section 139A

SN	Failure	Penalty Amount Rs.
1.	Fails to comply with provisions of sec 139A	10,000
2.	If a person requires to quote his PAN or aadhar, in any document referred u/s 139A, quotes a false number	10,000 for each defaults
3.	Person entering into prescribed transaction fails to authentic PAN or aadhar in documents	10,000 for each defaults
4.	Person receiving such documents fails to ensure that PAN or aadhar quotes and fails to authentic	10,000 for each defaults

Sec 139 AA: Aadhar Number

- A. Every person who is **eligible to obtain Aadhaar number** shall, on or after the 1st, July 2017, quote Aadhaar number
- in the application form for allotment of permanent account number
 - in the return of income

If Aadhar is not available then that person should quote application-id of Aadhar.

- B. Every person already holding PAN on 1st, July 2017, shall link Aadhar with PAN till 31/03/2022 otherwise PAN shall be made inoperative.

Note: As per CG Notification, provision of section 139AA **not apply** to an individual who **does not possess the Aadhar number** or Enrolment ID and is:

- residing in states of J&K, Meghalaya and Assam
- a non-resident as per income tax act, 1961
- of age of 80 years or more at any time during the P.Y
- Not a citizen of India.

Where a person fails to link his Aadhaar No. with PAN upto 31" March, 22, the PAN of such person shall become inoperative w.e.f. 1st April, 22 till same is linked and until such date it shall be deemed that person has not quoted his PAN in any transaction, thus becoming liable for penalty u/s 272B. Pan No. will be operative from date on which its linked with aadhar.

If assessee link Aadhar with PAN on/after 01/04/2022 then he is required to pay fees u/s 234H (given in interest topic)

If fails to link till 31/03/22 then PAN will be inoperative but as per CBDT **negative consequences** of not quoting/not furnishing PAN shall be **applicable from 01/07/23**.

Sec 139B: Tax Return Preparer (TRP)

- CBDT to frame a scheme whereby a **specified class** of persons can file their ROI through TRPs
- A TRP means an **individual** who is authorised to act as TRP by CBDT other than following persons:

- a. Chartered Accountant
 - b. A Legal Practitioner
 - c. An Officer Of Scheduled Bank with which assessee maintains an account
 - d. Employee of specified class of person
3. Specified class of persons means any persons **who is required to file ROI**, other than the following persons
- a. A Company
 - b. Any other person whose, Books of Accounts are required to be audited under Sec. 44AB or under any other law.
4. As per CBDT, scheme only Individual and HUF can file their return through TRP.
5. Individual holding bachelor degree from recognized Indian university or passed inter exam of ICAI/ICSI/ICAI (CMA) can become TRP.

Sec 140: Verification of Return

S.No.	In case of	Verified by
1.	Individual Individual not present in India or Mentally incapacitated	Himself Competent to verify on behalf of Individual
2.	HUF Karta not present in India or karta mentally incapacitated	Karta Any adult member HUF
3.	Partnership Firm If there is no managing partner	Managing Partner Any adult Partner
4.	LLP If there is no designated partner	Designated Partner Any Partner or *any other person may be prescribed
5.	Company No MD Co. under liquidation Application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under the IBC, 2016	MD Any other Director or * any other person may be prescribed Liquidator Insolvency professional appointed by such adjudicating Authority
6.	Political Party	CEO
7.	Local Authority	Principal officer
8.	Any other person	Person competent to verify
*Person, appointed by the Adjudicating Authority for discharging the duties and functions of an interim resolution professional, a resolution professional, or a liquidator, as the case may be, under the IBC, 2016 Note: If return not verified then it is treated as return void-ab-initio (invalid return).		

Sec 140A: Self-Assessment Tax (SAT)

Assessee is required to **pay taxes** before Filing of return (after considering advance tax, TDS, TCS, MAT, AMT credit, relief) along with interest & Fees.

If there is short payment then the amount so paid is **first adjusted towards Fees, there after towards interest & balance towards taxes.**

Section 139(8A): Updated Return (Added by FA 2022 w.e.f.01/04/2022)

- Updated return: Any person may furnish an updated return of his income (or the income of any other person in respect of which he is assessable). The provisions of this section are applicable from 1st April, 2022.
- Time-limit: Updated return u/s 139(8A) can be submitted at any time within 24 from the end of the relevant AY. For instance, updated return for the AY 22-23 submitted on or before 31st March, 2027.
- Who can submit updated return: Updated return can be submitted by any person whether (or not) he has furnished a return u/s 139(1)/(4)/(5) for an AY.
- Other points: The following points should be noted:-
 1. If a person has sustained a loss for any PY and he has **already submitted return of loss** for that year within due date u/s 139(1), he can furnish an updated return for that year, u/s 139(8A) **where such return is a return of income**.
 2. If as a result of submitting updated return u/s 139(8A), the quantum of carried fore loss (or unabsorbed depreciation or MAT/AMT credit) is to be reduced for any subsequent year, then an updated return shall be furnished for each such subsequent year.

When updated return cannot be submitted:

1. If updated return is a **return of a loss**.
 2. Updated return has been already furnished by him u/s 139(8A) for the RAY
 3. If updated return has effect of decreasing the total tax liability determined on the basis of return furnished u/s 139(1)/(4)/(5) or results in refund or increases the refund due on the basis of return furnished u/s 139(1)/(4)/(5), of such person for the RAY.
- Updated return to be accompanied by proof of payment of tax & additional Income-to
 - Updated return cannot be submitted unless it is accompanied by proof of payment tax u/s 140B (ie, tax and additional income-tax).

Computation of Additional Tax -

If updated return is furnished after expiry of time available u/s 139(4)/(5) but before completion of 12 months from the end of the RAY	25% of aggregate of tax (+SC+ HEC) and interest as computed above
If updated return is furnished after expiry of 12 months but before completion of 24 months from the end of the RAY	50% of aggregate of tax (+SC+ HEC) and interest as computed above