

CA - IPCC COURSE MATERIAL

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FAST TRACK MATERIAL INCOME TAX_ 38e

(NEW EDITION THOROUGHLY REVISED & UPDATED WITH FINANCE ACT 2017.
APPLICABLE FOR MAY 2018 IPCC EXAMINATIONS. THIS MATERIAL IS SYNCHRONISED
WITH JULY 2017 EDITION OF ICAI SM)



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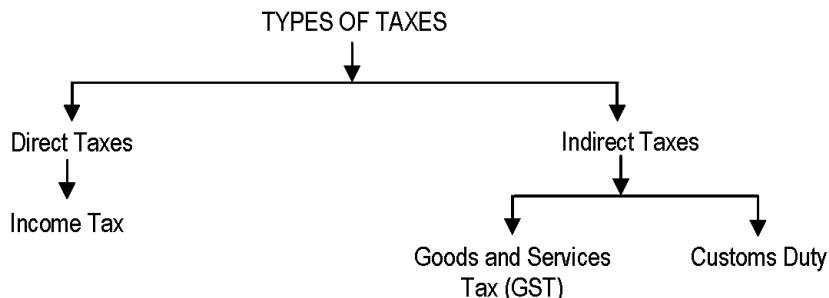
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Note: All latest amendments, Notifications / Circulars up to 31/10/17, applicable for May - 2018 were included in this material and those were indicated in grey background.

Students are advised to pay special attention on all such areas.

1. INTRODUCTION TO INCOME TAX



WHAT IS INCOME TAX? - Tax on income

COMPONENTS:

- | | |
|--|-----------------------|
| a) The Income Tax Act, 1961. | d) Judgments. |
| b) The Income Tax Rules, 1962. | e) Annual Finance Act |
| c) Notifications / Circulars – C.G / CBDT. | |

CHARGING SECTION (SEC.4): Every person whose total income of the previous year exceeds the maximum income not chargeable to tax is an assessee and chargeable to income tax at the rates prescribed in the finance Act for the relevant assessment year.

PERSON - SEC.2(31)	ASSESSEE-SEC. 2(7)
Person includes - a) Individuals - natural born persons (Male/Female/Major/Minor). b) Companies - Indian and Foreign companies (artificial person). c) Partnership firm including LLP (only for income tax separate legal entity). d) Hindu undivided family (HUF), (including Jain & Sikh families). e) AOP / BOI. f) Local authorities. g) Any other artificial juridical persons.	"Assessee means any person by whom any tax or any other sum of money is payable under this Act and includes; a. Every person in respect of whom any proceedings under this Act has been taken; • For the assessment of his income or of the income of any other person in respect of which he is assessable or; • To determine the loss sustained by him or by such other person or; • The amount of refund due to him or to such other person. b. Every person who is deemed to be an assessee under any provision of this Act. c. Assessee in Default: Every person who is deemed to be an assessee in default under any provision of this Act.

TOTAL INCOME: The aggregate of the following 5 heads of income

PARTICULARS	Rs.
Income from Salaries (Sec. 15 to Sec.17)	XXX
Income from HP (Sec.22 to 27)	XXX
Income from PGBP (Sec.28 to 44DB)	XXX
Income from CG's (Sec. 45 to 55A)	XXX
Income from Other Sources (Sec. 56 to 59)	XXX
Total of 5 heads	XXX
Less/Add: Clubbing provisions (Sec.60-65)	XXX
Deemed income (Sec. 66-69D)	XXX
Set off & c/f of losses (Sec.70-79)	XXX
Gross total income	XXX
Less: Chapter VIA deductions (80A to 80U)	XXX
Taxable income / Net total income	XXX

FY	PY	AY
As per Income Tax Act Financial year means: F.Y commences on 1 st day of April and ends with last day of March and it consists 12 months. Is a common name for both Previous year and Assessment year.	The financial year in which you earn the income is called previous year. Current previous year: 2017-18.	The financial year in which you pay the tax is called assessment year. Current assessment year: 2018-19.
General rule: Income earned in the P.Y is taxable in the next F.Y. Exceptions: But in the following cases income of the P.Y taxable in the P.Y itself instead of A.Y. Non- Resident shipping business (Sec. 172). Assessment of persons leaving India (Sec. 174). Association of person /Body of Individuals or artificial judicial person formed for a particular event or purpose (Sec. 174A). Assessment of person trying to dispose assets with a view to avoid tax (Sec. 175). Discontinued business (Sec. 176).		

INCOME TAX RATES APPLICABLE FOR THE A.Y. 2018-19

A. Individual / Hindu undivided Family/ AOP /BOI

TAXABLE INCOME (Rs.)	MALE / FEMALE <60 YRS. (Non – resident)	HUF / AOP / BOI	RESIDENT SENIOR CITIZEN ≥ 60 & < 80 YRS.	RESIDENT VERY SR.CITIZEN ≥ 80 YRS.
UP TO 2,50,000	Nil	Nil	Nil	Nil
2,50,001 to 3,00,000	5%	5%	Nil	Nil
3,00,001 to 5,00,000	5%	5%	5%	Nil
5,00,001 to 10,00,000	20%	20%	20%	20%
Above 10,00,000	30%	30%	30%	30%

Note: All non- resident individuals are covered in first category (No Age Limit).

W.e.f. AY 2018-19, Rebate u/s 87A is applicable for a resident individual whose total income does not exceed Rs.3,50,000.

Rebate = Rs. 2,500 or 100% of tax payable, whichever is lower.

Primary & Secondary Education Cess: 3% cess on (tax + surcharge) in all cases.

B. Firm / LLP / Local Authority / Company (Domestic or Foreign)

The rate of tax for A.Y.2018-19 is

- Firm / LLP / Local Authority / Domestic Company @ 30%

Note: If domestic Co. having turnover, or gross receipts in the P.Y. 2015-16 ≤ 50 Crores then @ 25%.

- Foreign Company @ 40%

C. SPECIAL TAX RATES:

i) Sec.112 (LTCG) - 20% flat rate.	ii) Sec. 115BB (Lottery) - 30% flat rate.
iii) Sec. 111A (STCG) - 15% flat rate.	iv) Sec.68 to 69D (Deemed Income) – 60% flat rate (plus 25% surcharge).
v) Sec.115BBDE (Dividend income from domestic company) – 10%	

Note: In all the above cases, rates are same for all the Assessors.

SURCHARGE: It is a tax on tax.

Assessee	Applicable Surcharge		
	TI > Rs.50 lakhs, But ≤ Rs.1 Crore	TI > Rs. 1 Crore, but TI ≤ Rs. 10 Crores	TI > Rs. 10 Crores
1. Individual / HUF / AOP / BOI / AJP	10%	15%	15%
2. Other (i.e., firms / LLP, local Authorities, Co-operative societies)	-	12%	12%
3. Domestic Companies	-	7%	12%
4. Foreign Companies	-	2%	5%

CESS:

- i) Education cess is 2% on (tax + Surcharge).
- ii) Secondary and higher education cess is 1% (tax + Surcharge)

Computation of Marginal Relief:

Marginal Relief = Tax on total income including surcharge
Less: (Total Income – Rs.50 lakh ^{***} / Rs.1 Crore) + (Tax on Rs.50 lakh ^{***} / Rs.1 Crore excluding surcharge)
Tax payable = Tax on total income including surcharges
Less: Marginal Relief as computed above

^{***}Marginal relief limits has been modified in the case of individuals **only**.

ROUNDING OFF OF INCOME – SEC 288A: The total income shall be rounded off to the nearest **multiple of ten rupees**.

ROUNDING OFF OF TAX – SEC 288B: It may be noted that, the aggregate of tax, surcharge and education cess payable shall be rounded off to nearest **multiples of ten rupees**.

2. RESIDENTIAL STATUS**DETERMINATION OF RESIDENTIAL STATUS FOR INDIVIDUALS - SEC.6**

Basic Conditions Sec. 6(1)	Additional Conditions Sec. 6(6)
He is in India in the PY for ≥ 182 days (B1) Or	Resident for at least 2 out of 10 years preceding the PY and (A 1)
He is in India in the PY for ≥ 60 days & ≥ 365 days during 4 years preceding the PY (B2)	He has been in India for ≥ 730 days during 7 years preceding the PY. (A 2)

Explanations / Exceptions:

- a) For an Indian citizen leaving India during the previous year for the purpose of job (or)
- b) For an Indian citizen leaving India during the P.Y. as a crew of an Indian ship (or)
- c) For an Indian citizen or a person of Indian origin who comes to India on a visit.

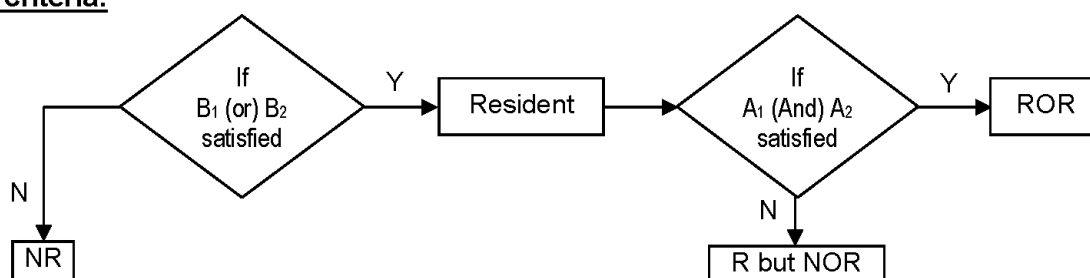
In all the above 3 cases, apply "B1" only (i.e. "B2" is not applicable).

Points to be noted:

- For counting no. of days we should take **both** day of entry and departure.
- The stay need not be continuous, and also place and purpose of stay is immaterial.

The tables given below summarize the rule of residence for the assessment year 2017-18:

Resident and ordinarily resident (1)	Resident but not ordinarily resident (2)	Non-Resident (3)
Must satisfy at least one of the basic conditions and both of the additional conditions.	Must satisfy at least one of the basic conditions and one or none of the additional conditions.	Must satisfy none of the basic conditions.

Decision criteria:


Determination of Residential Status of Crew Member of a ship: W.e.f. 01.04.2016 in the case of an individual, being an Indian citizen and a Member of the Crew of a Foreign-bound Ship leaving India, the period(s) of stay in India shall, in respect of such voyage, be determined in the manner and subject to such prescribed conditions. For determining the period of Stay in India, the following period shall not be included

Period beginning From	Period ending to
Date entered into the Continuous Discharge Certificate in respect of joining the ship by the said individual for the eligible voyage	Date entered into Continuous Discharge Certificate in respect of signing off by that individual from the ship in respect of such voyage .

SCOPE OF TOTAL INCOME - SEC.5

The scope of total income of a person depends upon the residential status of that person for the relevant assessment year.

Particulars	R & OR	R & NOR	NR
1. Income Received/deemed to be received in India	T	T	T
2. Income Accruing/deemed to accrue in India	T	T	T
3. Income Accruing or arising outside India from:			
a. Business controlled in India or profession set up in India	T	T	NT
b. Any other source	T	NT	NT

RESIDENTIAL STATUS OF OTHER PERSONS

Status	HUF	Company	AOP / Firm	Other Person
Resident	Control & Management of its affairs is wholly / partly in India.	i) Indian company is always resident. ii) Other companies- if POEM in India.	Same as in HUF	Same as in HUF.
ROR	If the Karta satisfies both the additional conditions	If it is a 'R' it will become ROR.	Same as in Co.	Same as in Co.
R but NOR	If the Karta does not satisfy any of the additional conditions.	---	---	---
NR	If the C & M is wholly outside India.	Other companies- if POEM is outside India	Same as in HUF	Same as in HUF

Note: Place of Effective Management (POEM): It means a place where key management and commercial decision that are necessary for the conduct of the business of an Entity as a whole are, in substance made.

INCOME DEEMED TO ACCRUE OR ARISE IN INDIA - SEC.9
Following are such incomes:

- Income through or from any property, any asset or source of income in India.
- Income through the transfer of a capital asset situated in India.

- c) Income chargeable under the head "Salaries" if such income is payable for:
- Service rendered in India &
 - The rest period or leave period which is preceded and succeeded by services rendered in India and forms part of the service contract of employment.
- d) Salary paid by the Government to a citizen of India for services outside India. However, allowances and perquisites paid outside India by the Government is exempt U/s. 10 (7).
- e) Dividend paid by an Indian Company outside India. (Of course it is now exempted)
- f) Any income through or from any business connection in India
- g) Interest, Royalty and fees for technical services as indicated below:

Payable by → Nature of Income ↓	Government	Resident	Non Resident
Interest on money borrowed	Deemed to accrue or arise in India	Deemed to accrue or arise in India except when used for a business / profession carried on outside India or for any source of income outside India.	Deemed to accrue or arise in India only when used for the purposes of business or profession carried on in India.
Royalty in respect of any rights etc.	-Do-	-Do-	-Do- or for any source of income in India
Fees for technical services	-Do-	-Do-	-Do-

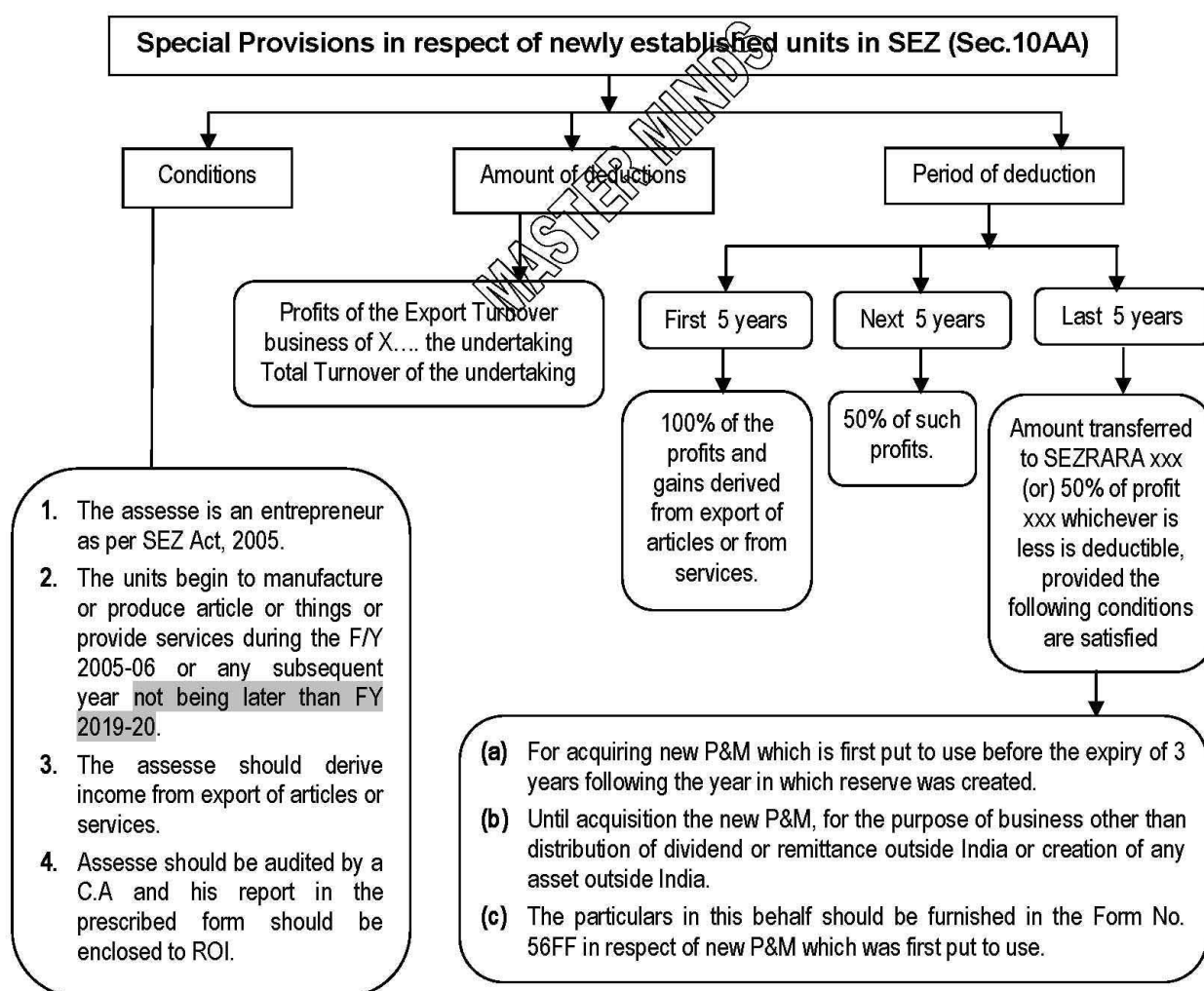
3. EXEMPTED INCOMES

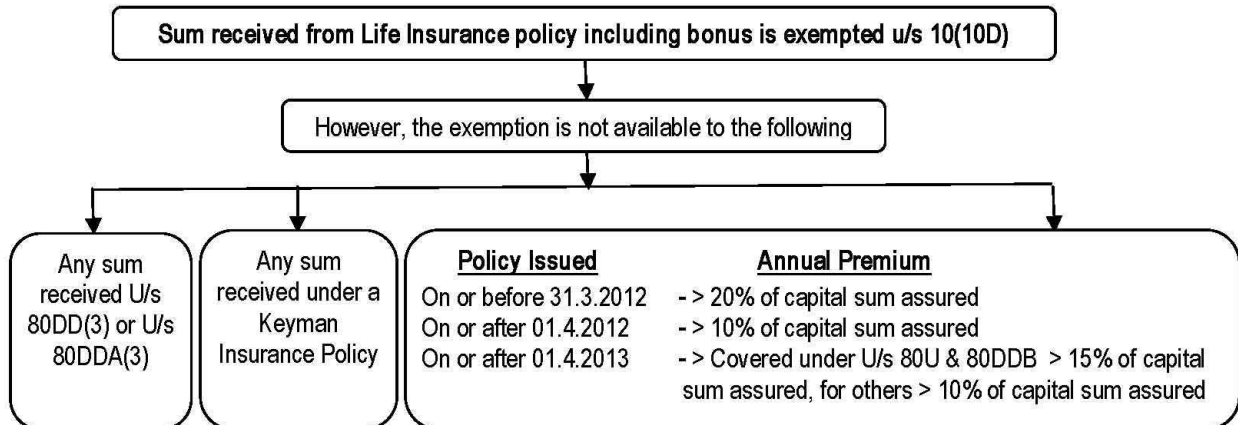
THE FOLLOWING SECTIONS EXEMPT THE INCOMES IN TOTAL OR IN PART

Section	Assessee	Nature of Exempt Income
10(1)	All Assessee	Agriculture Income in India
10(2)	Members of HUF	Share income from HUF. Exception: A married daughter/widow receiving Income from Father's HUF is not exempt from tax.
10(2A)	Partner of a firm	Share in Total Income of the Partnership Firm to the extent allowed u/s 40(b), when Firm is assessed as such.
10(10BB)	Individuals	Amount received under Bhopal Gas Disaster Claim / Scheme.
10(10BC)	Individuals (Including the legal heirs)	Compensation received / receivable from the Central Govt./ State Govt. / a local authority on account of any disaster except to the extent of loss or damage allowed as deduction under the Act.
10(10CC)	Individuals	Tax actually paid by employer on non-monetary perquisites - not taxable to employee.
10(11A)	Individuals	Any payment from an account, opened as per the Sukanya Samridhi Account Rules, 2014 made under the Government Savings Bank Act, 1873.
10(12A)	All Assesses	Payment from the National Pension System Trust to an Employee on closure of his account or on his opting out of the Pension Scheme referred u/s 80CCD is exempt upto 40% of the total amount payable. However, the whole amount received by the nominee, on death of the assessee shall be exempt from tax.

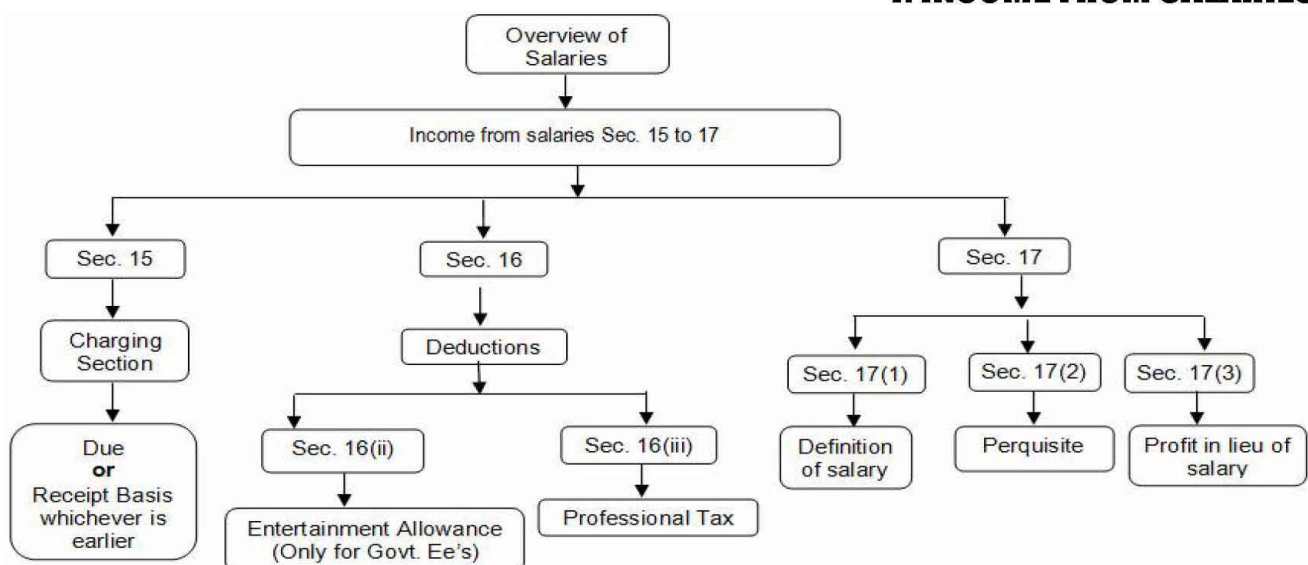
10(15)	All Assesses	Income from Notified Bonds / Deposits & Securities.
10(16)	All Assessee	Scholarship granted to meet Cost of Education.
10(17)	MLAs and MPs	Daily Allowance, Constituency Allowance.
10(17A)	All Assesses	Reward or Award either in cash or in kind instituted and approved by Govt.
10(18)	Armed Personnel	Pension/Family Pension received by winner of Gallantry Award or his family members.
10(19)	Widow or Children of member of Armed Forces	Family Pension received by family member of Armed Force died in duty.
10(26AAA)	Individual being a Sikkimese	Income from any source in Sikkim or by way of Dividend or Interest on Securities. Exemption not applicable for a Sikkimese Women who marries an Individual who is not a Sikkimese, on or after 01.04.2008.
10(34)	All Assesses	Dividend referred u/s 115-O by a domestic company except the dividend as referred u/s 115BBDA (Refer IFOS Chapter).
10(35)	All Assesses	Income from units of Mutual Funds
10(35A)	All Assesses	Income by way of Distributed Income referred in Sec. 115TA received from a Securitisation Trust, by any person being an Investor of the said Trust is exempt.

NEW UNDERTAKINGS IN SPECIAL ECONOMIC ZONE (SEZ) - SEC.10AA



SEC.10(10D)

EXEMPTION TO POLITICAL PARTY - SEC.13A	EXEMPTION TO ELECTORAL TRUST - SEC.13B
<p>Exempted Incomes: The following Incomes are exempt from tax:</p> <p>a) Voluntary Contribution received</p> <p>b) Income chargeable u/s.22, 45, & 56.</p> <p>Conditions: The following conditions should be fulfilled:</p> <ol style="list-style-type: none"> 1. Proper books of accounts and documents must be maintained. 2. Details of Names and Addresses of Contributors in excess of Rs. 20,000 should be maintained. 3. The accounts should have audited by a Chartered Accountant. 4. The Treasurer of the Political Party of any other Authorised person, shall submit the prescribed Report u/s 29C(3) of the Representation of people Act, 1951. 5. The exemption shall not be applicable to the contributions made in cash in excess of Rs.2,000. <p>Return of Income: Political parties are under obligation to file ROI u/s 139(4B).</p>	<p>Electoral Trusts are the Trusts constituted for funding the political parties in an organized manner.</p> <p>Any voluntary contribution received shall be exempt from tax u/s 13B provided:</p> <ol style="list-style-type: none"> a) Shall distribute a minimum of 95% of the aggregate donations received + b/f from earlier year; b) The political party shall be registered under sec 29A of Representation of People Act, 1951 c) Shall function in accordance with the rules made by the CG. <p>Where trust fails to distribute a minimum of 95%, entire contribution shall be subject to tax.</p>

4. INCOME FROM SALARIES

CHARGING SECTION – SEC .15

BASIS OF CHARGE- SEC. 15	Salary is taxable on due or receipt basis whichever is earlier . Exception: Following salaries charged to tax only on receipt basis : (i) advanced salary (ii) bonus (iii) salary in lieu of notice period (iv) arrears of salary
<u>POINTS TO BE NOTED:</u> i) Amount includes both monetary payments as well as non-monetary payments ii) To be chargeable as an income under this head, there must be employer and employee relationship , between the payer and payee. iii) Employer can be present or past or future employer . There could be more than one employer. Further the employment could be full time or part time .	

CONCEPT OF EMPLOYEE - EMPLOYER RELATIONSHIP:

Particulars	Salary	other heads of income
Managing Director	✓	
Retainer Fee/ Remuneration paid to Advocate by Govt.		✓ (PGBP)
Remuneration received by Judge	✓	
Salary received by Partner from Firm		✓(PGBP)
Salary by MP/MLA		✓(IFOS)
Chartered Accountant in Service/Employment	✓	
Chartered Accountant in Practice/Retainer Fee		✓(PGBP)

FOREGOING & SURRENDER OF SALARY

Foregoing is taxable. It is only application of income.	Surrender of salary to C.G. is not chargeable to tax.
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VARIOUS COMPONENTS TO BE INCLUDED IN GROSS SALARY

Salaries	Allowances	Perquisites	Retirement benefits	Contribution to Provident funds
i) Wages ii) Advance Salary iii) Annuity iv) Fee & Commission v) Bonus vi) Contribution made by employer under a pension scheme referred to Sec. 80CCD	i) Fully Taxable Allowances ii) Exempted Allowances in case of certain persons iii) Partial Exempted Allowances	i) Taxable in the hands of all employees ii) Taxable only in the hands of Specified employees iii) Tax free Perquisites in case of all employees	i) Gratuity-10(10) ii) Pension-10(10A) iii) Leave encashment-10(10AA) iv) Retrenchment Compensation-10(10B) v) VRS-10(10C)	i) SPF ii) RPF iii) URPF iv) PPF v) Approved Superannuation fund

COMPUTATION OF TAXABLE SALARY - FORMAT

Particulars	Rs.	Rs.
Salary or wages (including advance salary)		XXX
Allowances		XXX
Perquisites		XXX
Gross salary		XXX
Less: Deduction u/s.16:		
1. Entertainment allowance [16(ii)] Note: Entertainment allowance is allowed only for govt. employees. This allowance is first included in gross salary then Deduction is allowed least of following: <ul style="list-style-type: none"> Actual Entertainment Allowance received 1/5th of Basic Salary (20% of Salary) 	XXX	

<ul style="list-style-type: none"> Rs. 5,000 		
2. Profession tax [16(iii)] Note: Professional Tax is deductible on "payment basis". If it is paid by the employer on behalf of the employee, it is first included in gross salary as perquisite and then deduction is allowed u/s 16(iii), if it is paid by employee then directly deduction is allowed u/s 16(iii)	XXX	XXX
Taxable salary		XXXX

ALLOWANCES

Fully Taxable Allowances	Exempted Allowances in case of certain persons	Partial Exempted Allowances
<ul style="list-style-type: none"> D.A City compensatory allowance Medical Allowance Lunch allowance / Tiffin allowance Overtime allowance Servant allowance Warden allowance Non- practicing allowance Family allowance 	<ul style="list-style-type: none"> Citizen of India who is Govt. employee rendering service outside India u/s 10(7) Allowances to high court judges Compensatory allowance received by judge Sumptuary allowance given to high court & supreme court Judges (nature of entertainment allowance) Allowance received by employees of UNO from his employer 	i) 10(13A)- HRA ii) 10(14)- ALLOWANCE WHICH ARE EXEMPT TO CERTAIN EXTENT

HRA - Sec.10 (13A)

HRA granted by an employer is exempt to the extent of the least of the following:

Metro Cities (i.e. Delhi, Kolkata, Mumbai, Chennai)	Other Cities
1. HRA actually received.	1. HRA actually received
2. Rent paid-10% of salary for the relevant period	2. Rent paid - 10% of salary for the relevant period
3. 50% of salary for the relevant period	3. 40% of salary for the relevant period
<u>SALARY = BASIC + D.A. (FORMING PART OF RETIREMENT BENEFITS) + COMMISSION (PAID AS A % OF TURNOVER).</u>	
Note: This exemption is not available to assessee who lives in his own House, or in a house for which he does not pay any rent or if he pays rent which does not exceed 10% of salary.	

PRESCRIBED ALLOWANCE WHICH ARE EXEMPT TO A CERTAIN EXTENT U/S10(14)

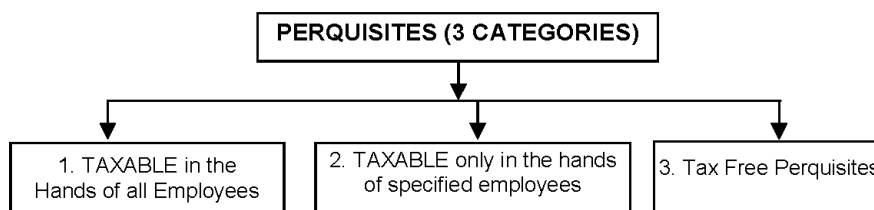
SPECIAL ALLOWANCES	ALLOWANCES TO MEET PERSONAL EXPENSES	
	NATURE OF ALLOWANCE	AMOUNT OF EXEMPTION
a) Daily allowances	a) Children Education	100 P.M per child for 2 children
b) Travelling allowances	b) Hostel Expenditure	300 P.M per child for 2 children
c) Conveyance allowances	c) Tribal Area	200 P.M
d) Academic allowances	d) Compensatory Field Area	2600 P.M
e) Helper allowances	e) Transport Allowance	1600 P.M/(It is 3200 P.M for blind / Deaf and Dumb / handicapped persons)
f) Uniform allowances	f) Allowances to transport employees	70% of allowance OR 10,000 P.M WHICHEVER IS HIGHER
↓ ACTUAL ALLOWANCE RECEIVED OR AMOUNT SPENT FOR OFFICE PURPOSE	g) Underground Allowance	800 P.M
	} WHICHEVER IS LOWER	

	h) Special Compensatory Hill Area Allowance	300 P.M TO 1300 P.M
	i) Compensatory Modified Field	1000P.M

PERQUISITES AND VALUATION OF PERQUISITES

Perquisites?

Means benefits / amenities in cash in kind, provided by the employer to the employee whether free of cost or at a concessional rate.



1. Taxable in the hands of all employees:

- a) RFA provides to employees (furnished or unfurnished)
- b) Any concession in rent.
- c) Any sum paid by the "employer" in discharging monetary obligation of "employee"
- d) Any sum payable by the employer whether directly or through fund to effect an assurance on the life of the assessee.
- e) The value of any other fringe benefits.
- f) Specified security of sweat equity
- g) Contribution to superannuation fund in excess of Rs. 1,00,000

2. Taxable only in the hands of specified employees: Any benefit / amenity in the form of facility provided by employer which is not tax free shall be taxable only in hands of specified employees

- a) Services of sweeper, gardeners, watchman or personal attendant.
- b) Free or concessional use of gas, electric energy & water for household.
- c) Free or concessional educational facilities.
- d) Use of motor car.
- e) Personal or Pvt. Journey provided free of cost or at concessional rate to "employee" or member of his household.
- f) The value of any benefit or amenity provided by "employer"

Note: if above items are paid in "money" then perquisite to *all employees.

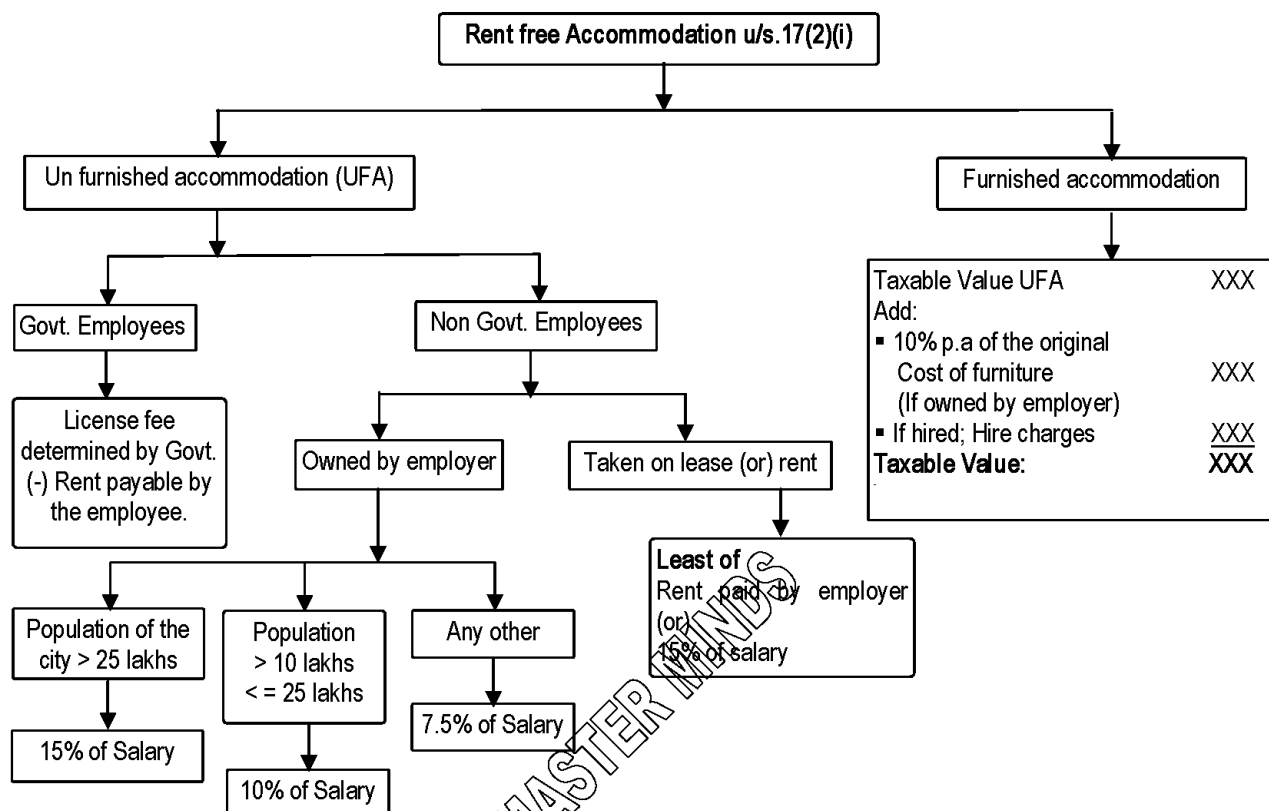
Who is a specified employee u/s 17(2)(iii)?

- a) He is employee + director of a company
- b) He is employee + He holds 20% or more Equity shares of the company i.e substantial interest.
- c) His Income under the head "Salaries" from one or more employers excluding Non-Monetary payments, if it exceeds 50,000 P.a. for this purpose salary should be calculated after making deductions (a) Entertainment Allowance & (b) Professional Tax.

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To **MASTER MINDS**, Guntur

VALUE OF CONCESSIONAL ACCOMMODATION - SEC.17(2)(II)

Value of accommodation (AS RENT FREE ACCOMMODATION)	XXX
Less: Rent paid/payable by the employee	XXX
Value of perquisite	XXX

RENT FREE ACCOMMODATION U/S.17(2)(I)

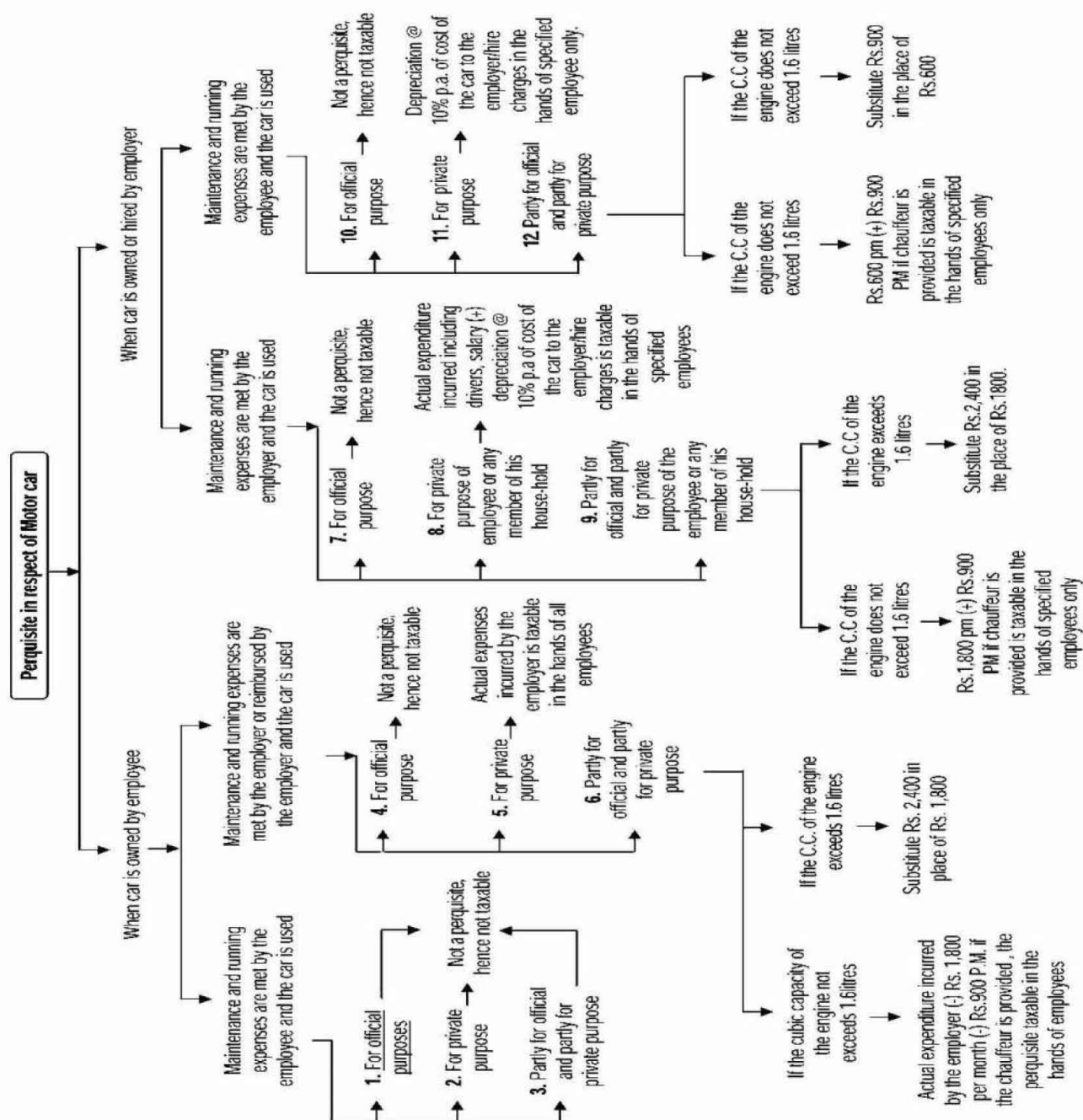
- In case of hotel accommodation least of 24% of salary (or) actual charges paid
- Not taxable if accommodation is provided ≤ 15 days on the transfer of employee
- **Salary means:** Basic salary + D.A (terms of employment) + Bonus + Commission + Fees + Taxable Allowances + monetary payment from employer.
- **Not Include:** D.A (not part of terms) + Employer PF + exempted allowance + perquisite U/s 17(2)

TREATMENT OF OTHER PERQUISITES

Rule	Nature of Perquisite	Taxable Value of Perquisite (TVP)
3(3)	Service of Sweeper, Gardener or Watchman or Personal Attendant	Actual Cost to the Employer Less: Amount paid by the Employee
3(4)	Supply of Gas, Electricity or Water for household consumption	Procured from outside Agency: Amount paid to outside agency. Resources owned by employer himself: Manufacturing cost per unit. Less: Amount paid by the Employee
3(5)	a) Free Education to children in the school maintained by the Employer or the school sponsored by the Employer	The cost of education in a similar institution in the near locality. Any amount collected from the employee shall be reduced. If the Cost of Education per Child does not exceed 1,000 p.m. then Not Taxable, otherwise fully taxable.

	b) Where educational facility is provided to any other member of his household in an education institution owned by the employer or in other institution.	Cost of such education in a similar institution in the near locality (-) amount collected from the employee. Note: The benefit of Rs.1000/- is not available	
3(7)(i)	Housing Loan / Vehicle Loan — For acquiring Capital Assets and not for repairs SBI Rate = SBI Rate prevailing on the First Day of the Previous Year	<ul style="list-style-type: none">Interest Charged by Employer \geq SBI Rates: NOT Taxable (Not a Perquisite).Interest charged is lower than SBI rates (It is treated as perquisite): Interest at SBI rates on maximum outstanding balance Less Interest paid by the Employee on that loan.	
	Other Loans	<ul style="list-style-type: none">Interest Charged by Employer \geq SBI Rates: NOT Taxable. (Not a Perquisite)Interest charged is lower than SBI rates (It is treated as perquisite): Interest at SBI Rate on maximum outstanding balance Less Interest paid by the Employee on that Loan Exceptions: <ul style="list-style-type: none">a) Medical Loan for treatment of diseases specified in Rule 3A except Loan reimbursed by Medical Insuranceb) Loan not exceeding 20,000 in aggregate.	
3(7)(iii)	Free Meals during office hours	Actual Cost to the Employer (upto 50 per Meal / Tea / Snacks) NOT taxable) Less: Amount recovered from the Employee	
	Free Meal in remote area or offshore installation area Tea or Non - Alcoholic Beverages Snacks during working hours	Not taxable.	
3(7)(iv)	Value of any gift or voucher or token other than gifts made in cash or convertible into money (e.g. gift cheques) on Ceremonies.	<ul style="list-style-type: none">Value of Gift.In case the aggregate value of gift during the previous year Less than 5,000, then it is not a taxable perquisite.	
3(7)(v)	Expenditure incurred on credit card or add on card including membership fee and annual fee.	<ul style="list-style-type: none">Actual expenditure to Employer Less: Amount recovered from Employee.If it is incurred for official purpose and supported by necessary documents then it is not taxable.	
3(7)(vi)	Expenditure on Club other than Health Club or Sports Club or similar facilities provided uniformly to all Employees.	<ul style="list-style-type: none">Actual Expenditure incurred by the Employer Less: Amount recovered from Employee.If the expenditure is incurred exclusively for official purposes and supported by necessary documents, then it is not taxable.Initial Fee of Corporate Membership of a Club is not a taxable perquisite.	
3(7)(vii)	Use of any Movable Asset other than Computer or Laptops or other assets already mentioned	10% of Actual Cost if owned by the Employer, or Actual Rental Charge Paid / Payable by Employer Less: Amount recovered from Employee	
3(7)(viii)	Transfer of Movable Asset to Employees:		
	Computers & Electronic Items	<table><tr><td>Motor Car</td><td>Other Assets</td></tr></table>	Motor Car
Motor Car	Other Assets		

	Actual Cost Less: Depreciation @ 50% for every completed year under WDV method. Less: Amount recovered from the employee	Actual Cost Less: Depreciation @ 20% every completed year under WDV method. Less: Amount recovered from the employee	Actual Cost Less: Depreciation @ 10% for every completed year under SLM Method. Less: Amount recovered from the employee
	Value of the perquisite	Value of the perquisite	Value of the perquisite
	Electronic gadgets include Computer, Digital Diaries and Printers, but exclude washing machines, Microwave ovens, Mixers, Hot plates, Ovens etc.		
3(7) (ix)	Any other benefit or amenities or service right or privilege provided by the employer other than telephone or mobile phone	Cost to the employer Less: Amount recovered from employee	



PERQUISITE IN RESPECT OF MEDICAL FACILITY

- a) Family refers an Individual, Spouse, any children, dependent parents of an Individual, dependent brothers and sisters of an Individual.

1. Hospital maintained by employer	NIL
2. Government hospital expenditure	NIL
3. Approved by Chief Commissioner for prescribed diseases	NIL
4. Premium paid on health of employee	NIL
5. Medical treatment expenses actually incurred up to Rs.15,000	NIL

- b) Medical treatment expenses incurred by employer outside India exempt to the extent of the following.

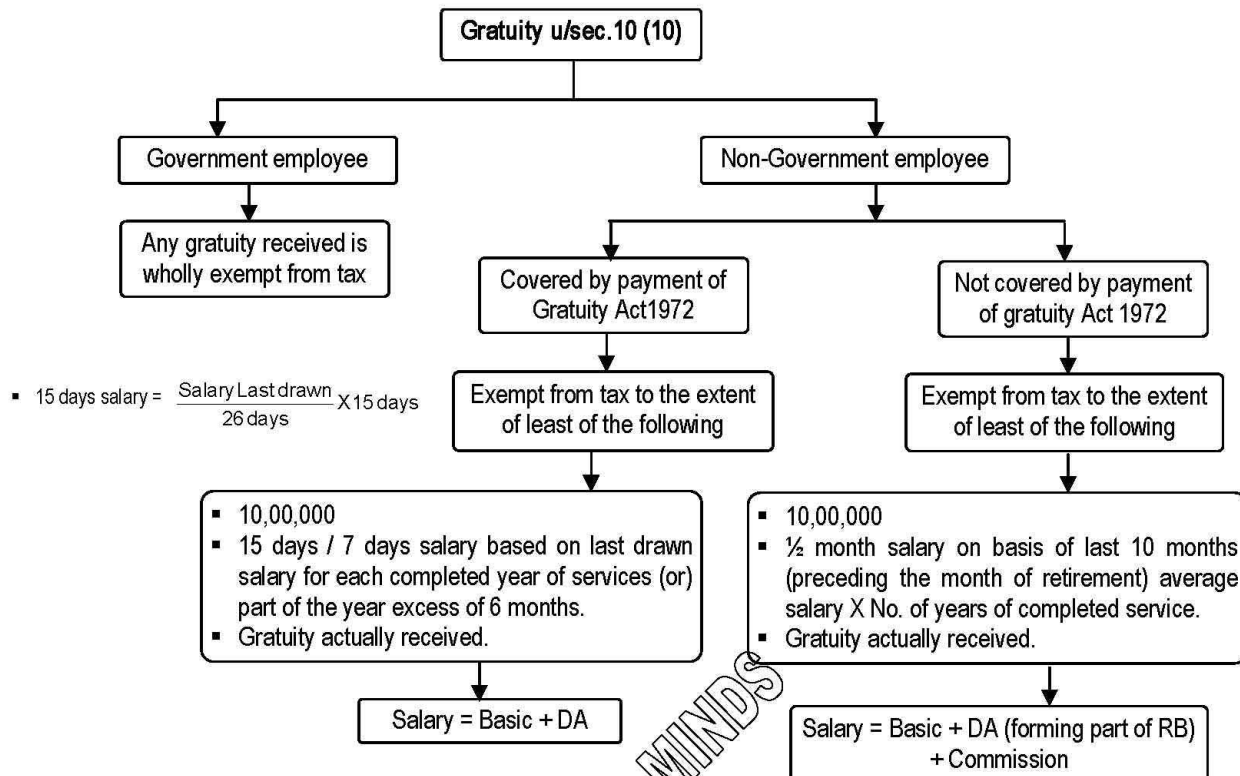
	Medical	Travel	Stay
Treatment of member / family	As permitted by RBI	Exemption available only if Gross Total Income(before including this travel expenditure) does not exceed Rs.2,00,000	As permitted by RBI
One attendant			

Medical allowance: Any medical allowance given by the employer is **fully taxable** irrespective of the actual expenses incurred by the employee on medical treatment.

3. Tax Free perquisites (For all employees)

S.No	Nature of perquisites	S.No.	Nature of perquisites
1.	Medical Facility: Hospital is maintained by the employer shall be tax free	9	Perquisite provided outside India u/s10(7)*
2.	Medical reimbursement: Subject to Rs. 15000 Exempted	10	Rent free house / Facility to Judge of supreme / high court is not taxable
3.	Recreational Facilities: Provided to group of employee not taxable	11.	Residence to officials of Parliament: M.P / M.L.A / Union Ministers, Leader of Opposition in Parliament.
4.	Training of employees	12.	Accommodation in a Remote area / Mining Site / On shore oil Exportation.
5.	use of health club, sports uniformly to all employees	13.	Educational Facility for children of the employee (not member of household) < 1000 P.M per child
6.	Exp on telephone	14.	Use of laptops and Computers
7.	Premium paid by employer on personal accident policy taken out not taxable.	15.	tax paid by employer on non-Monetary Perquisites of the employee shall be exempt in the hands of the employee u/s10(10cc)
8.	Amount given by employer of assessee to assessee child as scholarship u/s10(16)		

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RETIREMENT BENEFITS**GRATUITY - SEC.10 (10)**

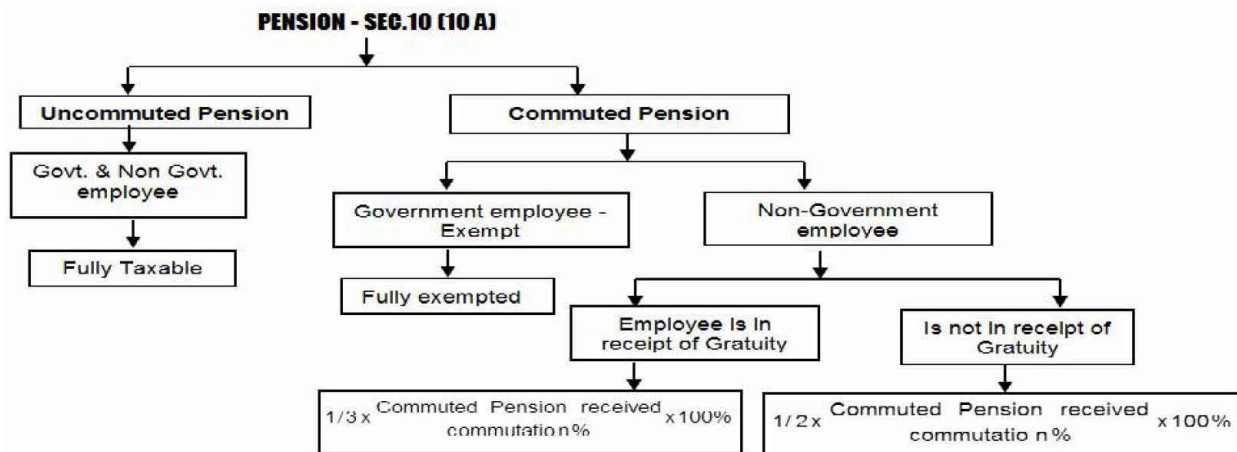
Note: Gratuity received during the period of service always taxable.

- For the purpose of Gratuity Act, month = 26 days only & for the purpose of employees not covered by Gratuity Act, month means a full month.
- In case where the employee has received gratuity in any earlier year from his former employer & also receives gratuity from another employer in a later year, the limit of Rs.10,00,000 shall be reduced by the amount of gratuity exempt in any earlier year.
- Gratuity received by legal heirs of a government employee is exempt from tax.

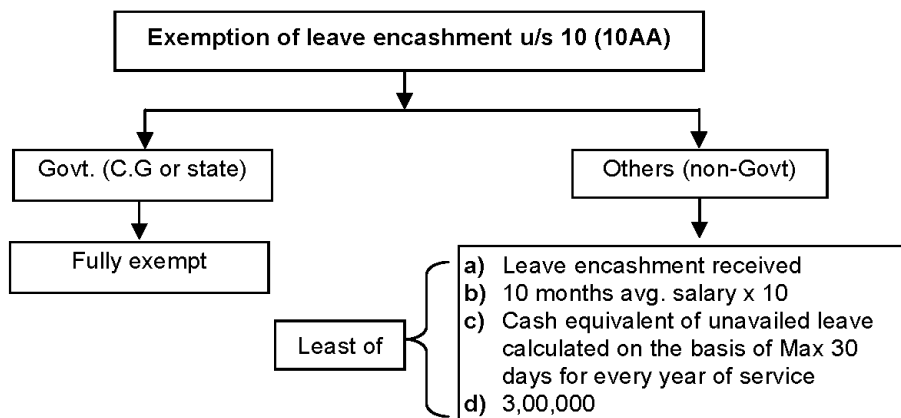
PENSION - SEC.10(10 A)

Uncommuted Pension: Uncommuted refers to pension received periodically. So, taxable as salary.

Commuted Pension: It means lump sum amount taken by commuting the pension or part of the pension. Where an employee commutes, under pension rules, part of the pension, the remaining portion will be periodically received, which is chargeable u/s 15.



LEAVE SALARY-Sec 10(10AA)



Note: a) Salary = Basic + D.A (forming part of R.B) + % of commission

b) Average Salary of Last 10 months immediately preceding the date of retirement.

c) Leave salary received **during service** fully taxable (For Govt. and Non – Govt. Employees).

RETRENCHMENT COMPENSATION – SEC.10(10B)

Such compensation is exempt to the extent of the lower of the following:

a) Amount calculated under the Industrial disputes Act

b) (i.e., $\frac{15}{26} \times$ Average salary of last 3 months x completed years of service and part thereof in excess of 6 months) Or

c) 5,00,000 Or

d) Amount actually received by the employee.

Note: Compensation in excess of the aforesaid limits is taxable as profit in lieu of salary.

VOLUNTARY RETIREMENT SCHEME (VRS)- SECTION 10 (10C)

Least of the following is exempt:

1. Compensation actually received.

2. Rs.5,00,000.

3. Last drawn salary x 3 months x completed years of service.

4. Last drawn salary x remaining months of service

Which ever is higher

Salary = Basic + D.A. (forming part of R.B) + Commission (as a % of turnover)

CONTRIBUTION TO PROVIDENT FUND'S

TAX TREATMENT RELATING TO PROVIDENT FUNDS

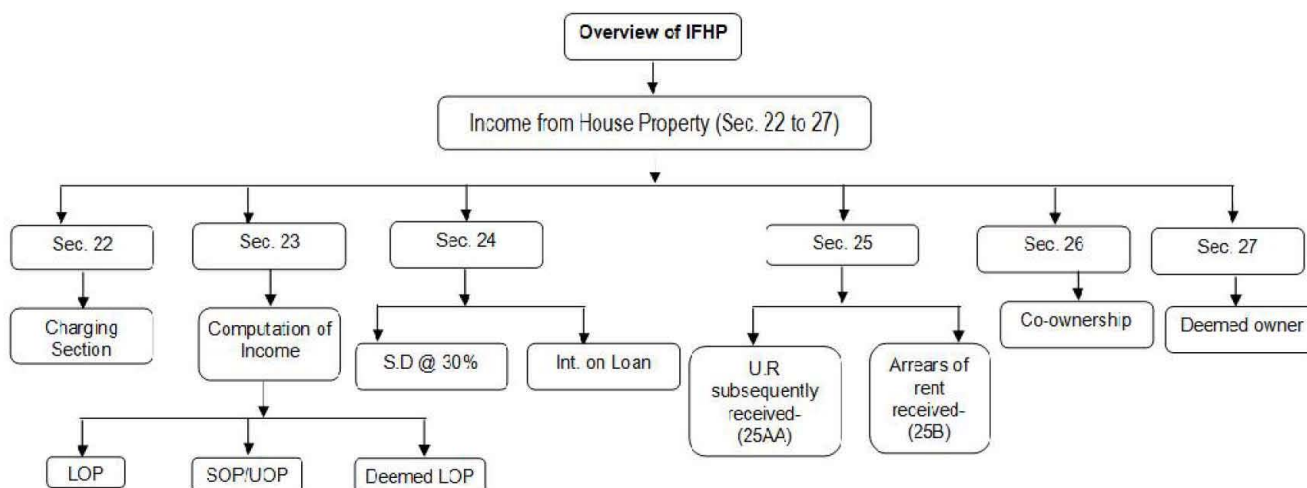
Particulars	Statutory (SPF)	Recognised (RPF)	Unrecognised	Public (PPF)
Constituted	Provident Fund Act, 1925.	EPF Act, 1952 & recognised by commissioner of PF & I.Tax.	Not recognized by the commissioner of Income Tax	Public Provident Fund Act, 1968
Contribution by	Employer (E' er) + Employee (E' ee)	E' er + E' ee	E' er + E' ee	Individuals independently
Assessee's contribution	Eligible for Ded. u/s. 80C.	Eligible for Ded. u/s. 80C.	Not eligible for Deduction	Eligible for Ded. u/s. 80C.

Employer's contribution	Not Taxable (N.T.)	Amount exceeding 12% of Salary is taxable	Not taxable	N.A.
Interest on contributions	Fully exempt.	Exempt upto 9.5% (E'er + E'ee)	On employee cont. - taxable under income from other sources. On employer cont. - not taxable.	Fully exempt.
Amount received on retirement	Not taxable Sec.10 (11)	Not taxable Sec.10(12)	Employee's cont. is N.T. (But Int is Taxable Under IFOS) Employer's cont. + interest thereon is taxable as Salaries.	Not Taxable Sec.10 (11)

SALARY DEFINITION IN DIFFERENT SITUATIONS

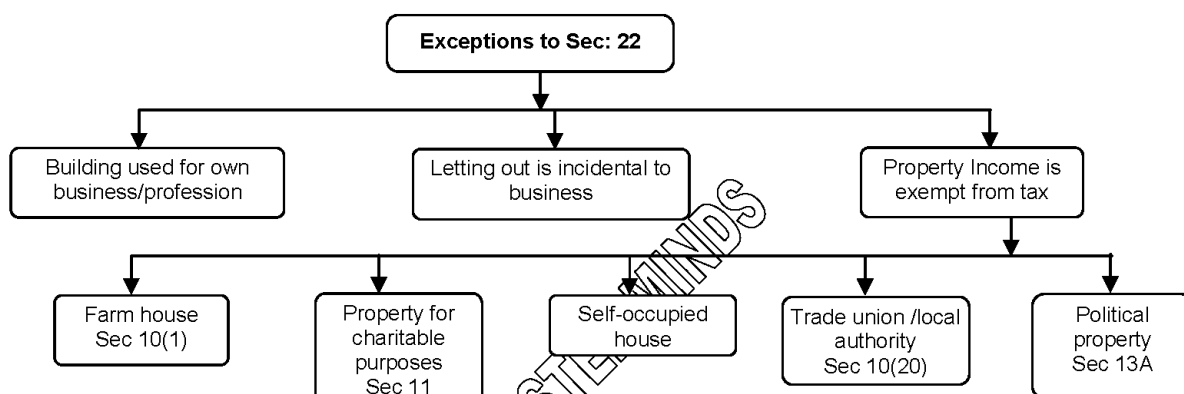
	Different Situations	Meaning of salary
1.	Rent Free accommodation and concessional accommodation	Salary = basic Salary + D.A (terms of employment) + Bonus + Commission + Fees + all taxable allowance + Monetary Payment from Employer Not include: D.A (not part of terms) + Employer's contribution to P.F's + Exempted allowance + Perquisites U/S 17(2)
2.	a) Gratuity (in case of non-government employees covered by the payment of Gratuity Act, 1972) b) Retrenchment Compensation u/s 10(10B)	Basic Salary + dearness allowance
3.	a) Gratuity (in case of non-Government employee not covered by Payment of Gratuity Act, 1972) b) Leave Salary c) House Rent Allowance d) Recognized Provident Fund e) Voluntary Retirement Compensation	Basic salary + dearness allowance, if provided in terms of employment, + commission calculated as a fixed percentage of turnover.
4.	Entertainment allowance u/s 16(ii)	Salary = Basic Salary

5. INCOME FROM HOUSE PROPERTY



Section 22. Charge		
Law: The Annual Value of building or land attached thereto of which assessee is the owner not occupying the building for his own business or Profession.		
Annual Value	It represents the earning capacity of building. Section 23.	
Building. (Construction should be completed)	Residential	Four walls with roof.
	Commercial	Four walls optional roof.
Land attached with building	Land attached with building	Charged under the head House Property.
	Independent Land	Charged under the head other Sources.
Owner	Registered Owner	Registered maintained with Stamp Valuation Authority
	Deemed Owner	6 cases of deemed owner specified in Section 27.
Owner not occupying the building for his own business or profession.	Let out of employees	Charged under the head business.
	Let out to others	Charged under the head house property.

EXCEPTIONS TO SEC.22



DISCUSSION ON "OWNERSHIP"

Includes a legal owner & deemed owner. Person who owns the building need not be the owner of land.

Exceptions to the above rule:

- A. Need not be the owner in A.Y. (if the title of the ownership is under dispute in a court of law, the decision about who is owner rests with the income tax Dept)
- B. **Deemed Owner (Sec.27):** Chargeable to tax even if not the owner.

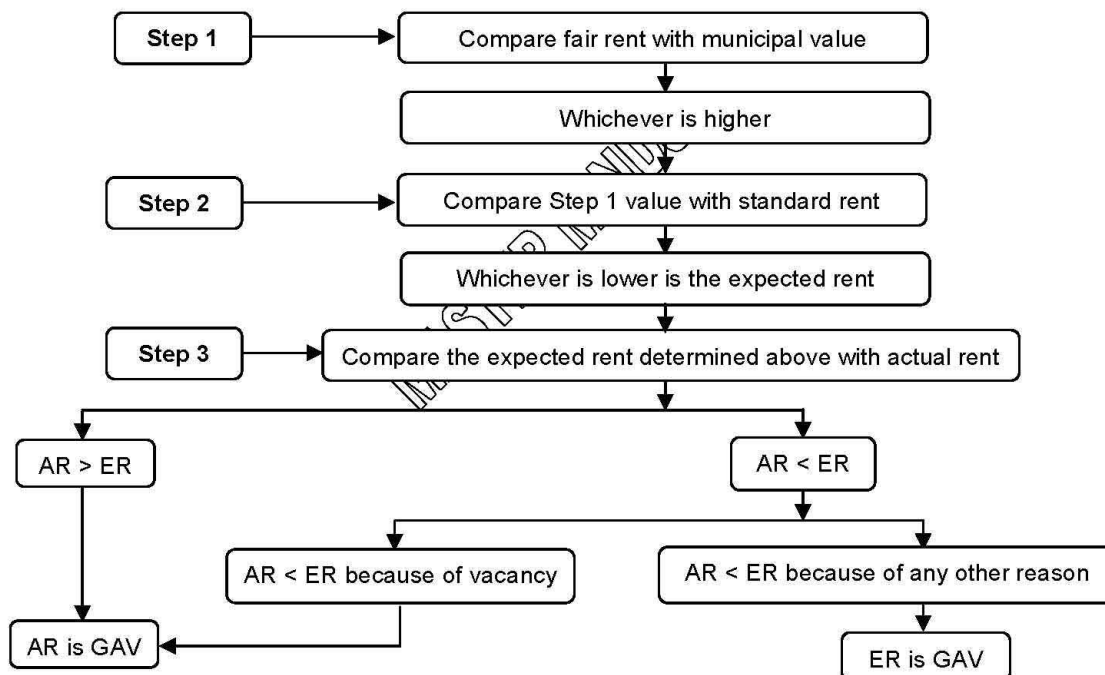
Situation	Consequences
Transfer to spouse / minor child	Applicable: <ul style="list-style-type: none"> Individual Transfer house property To his or her spouse /minor child Without consideration / inadequate consideration Transferor is deemed owner Not applicable For adequate consideration or Agreement to live a part/ Minor married daughter
Part performance of a contract (u/s 53A of Transfer of Property Act)	Transferee is deemed owner if the following conditions are satisfied: <ul style="list-style-type: none"> Agreement between purchaser and seller Paid or ready to pay consideration Taken possession of property
Member of a co-operative Society Co,	<ul style="list-style-type: none"> A member (deemed owner) To whom building allotted

AOP,	<ul style="list-style-type: none"> Under house building scheme
Holder of an impartible estate	<ul style="list-style-type: none"> An individual (deemed owner) Of all the properties Comprised in the estate
Right in a building	<ul style="list-style-type: none"> A person (deemed owner) Who acquires right in a building By way of lease For a period of 12 years or more (continuously)

COMPUTATION OF INCOME FROM HOUSE PROPERTY

Income from let out house property is computed as under:	Rs.
Gross annual value	XXXX
Less: Municipal taxes	XXXX
Net Annual value	XXXX
Less: Deduction under section 24	
- Standard deduction	XXXX
- Interest on borrowed capital	XXXX
Income from house property	XXXX

COMPUTATION OF GROSS ANNUAL VALUE



However, In the case of any building or land appurtenant thereto held as stock in trade, was let out for a year/ part of a year, the annual value shall be taken as **NIL** up to a period of one year from the date of issuance of completion certificate of construction by competent authority.

DEDUCTION FOR MUNICIPALITY TAXES

- a) Deduction is given subject to 2 conditions:
 - i) Should be borne by the assessee &
 - ii) Should be actually paid during the P.Y. (i.e. allowed on cash basis).
- b) If paid in a later year-then deduction is given for that later year.
- c) Properties situated outside the country deductible.
- d) If municipal taxes paid > GAV, NAV could be negative.

DEDUCTIONS U/S 24

Only 2 deductions.

1. Repairs & Collection Charges:

- a) 30% of NAV, irrespective of actual expenditure.
- b) Allowed even if no expenditure incurred.
- c) Assessee can avail even if tenant pays.

2. Interest on Loans:

- a) Allowed on "accrual" basis.
- b) Given in two parts - Current year interest & Pre - Construction period (PCP) interest.
- c) **Purpose of borrowing:** Purchase, Construction, Renovation, Repairing and Reconstruction.
- d) **PCP interest:** In 5 equal installments - 1st installment is from the year in which construction of property is completed.
- e) PCP = From the date of borrowing to (31st March immediately prior to the date of completion of construction or Date of repayment of loan, whichever is earlier).
- f) Interest relating to the year of completion of construction- fully claimed irrespective of date of completion.

Limits applicable in respect of deduction - Self occupied / unoccupied properties:

Up to 2,00,000: 3 conditions are to be satisfied.

- a) Borrowed on or after 1.4.99 for acquiring or construction &
- b) Should be completed within 5 years from the end of financial year in which the capital was borrowed &
- c) The lender should certify that loan was taken for specified purpose only.

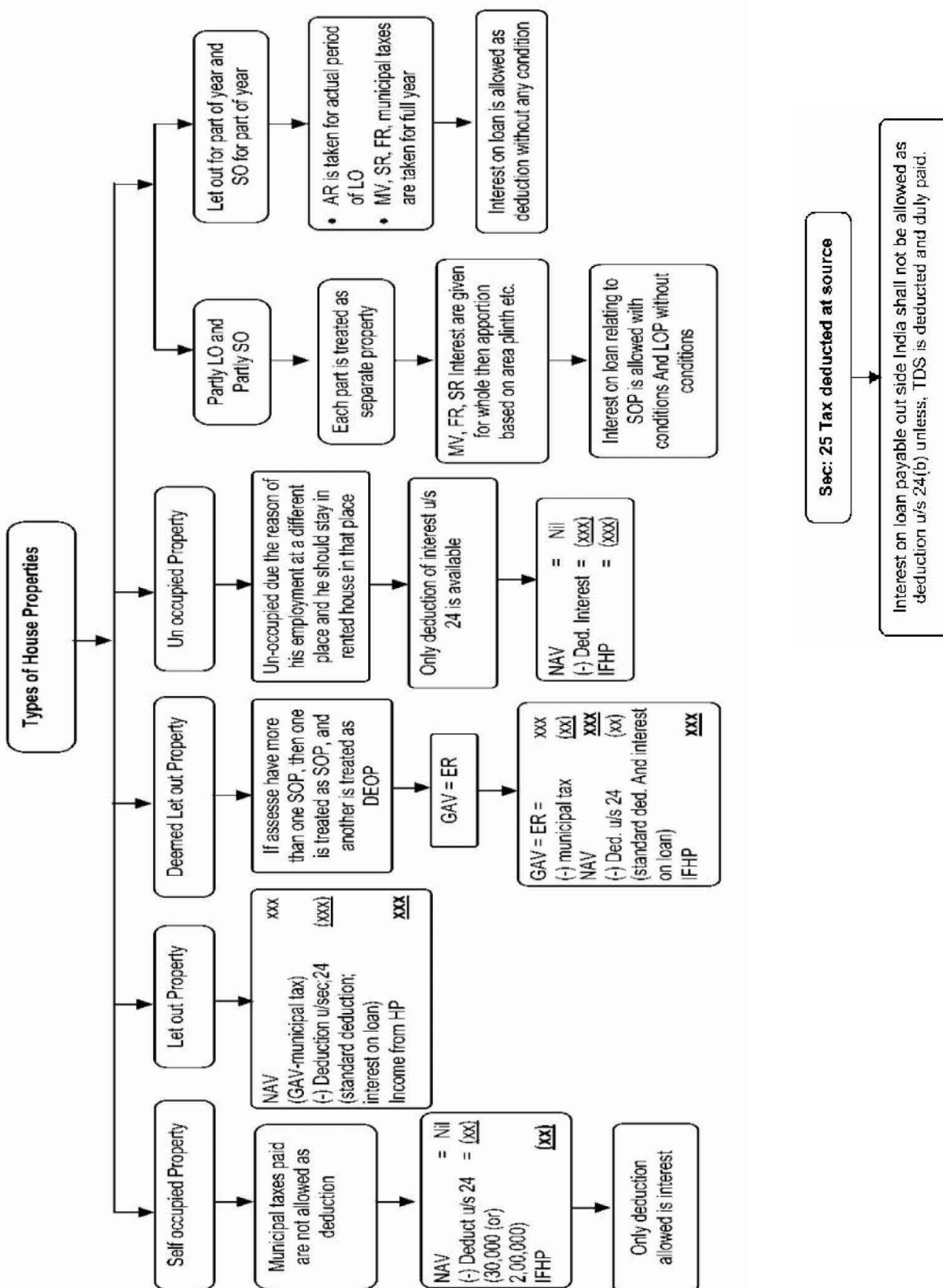
Up to 30,000: If any of the above three conditions [(a) or (b) or (c)] are not satisfied

Points to be noted:

- i) Limits NOT applicable for Let out property / DLOP
- ii) If a fresh loan raised to repay the original loan- interest on fresh loan admissible
- iii) Interest on interest is not deductible.
- iv) No deduction is allowed for any brokerage or commission for arranging the loan.

Note: If we convert due amount into loan with respect to purchase of property-it qualifies for deduction.

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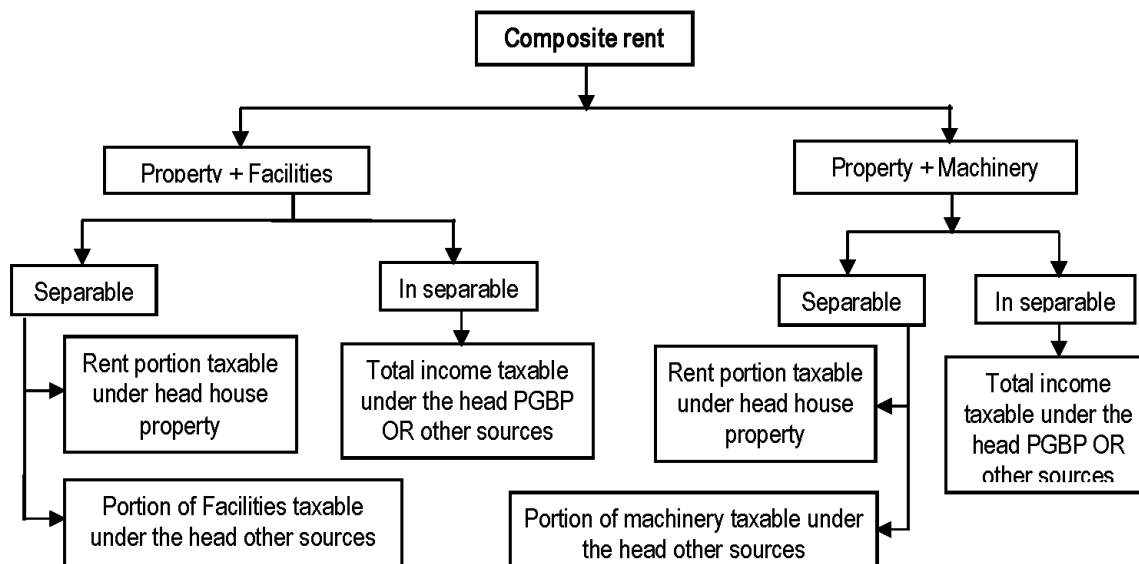


RECOVERY OF UNREALISED RENT & ARREARS OF RENT- SEC. 25A

New Section 25A	
Arrears of Rent / Unrealised Rent	
i)	Taxable in the year of receipt / realisation
ii)	Deduction @ 30% of rent received/realised
iii)	Taxable even if assessee is not the owner of the property in the financial year of receipt / realisation.

CO-OWNERSHIP - SEC.26

- a) If SOP- annual value for each of such co-owner shall be nil and each shall be entitled to the deduction of Rs. 30,000 / 2,00,000.
- b) If LOP- shall be first computed as if this property/part is owned by **one owner** and then **apportion** among each co- owner as his share.

COMPOSITE RENT

HOUSE PROPERTY IN A FOREIGN COUNTRY

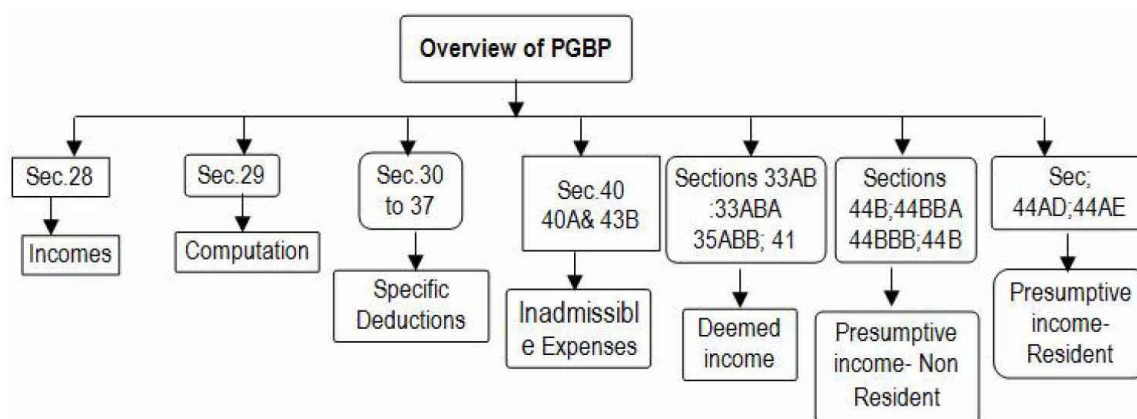
A resident assessee is taxable U/S 22 even if property is situated outside India, then the annual value computed as if the property is situated in India.

Note: Municipal taxes paid outside the country are also deductible.

The following points should be remembered while solving practical questions in House Property

1.	Fair Rent should be given the question. If it is not given then actual rent is treated as fair rent.
2.	Expected rent is always computed for 12 months. It can be less than 12 months only if the property comes into existence in same PY of computation.
3.	Interest is limited only in case of SOP- R. In remaining cases (LOP) actual amount of interest is allowed as deduction.
4.	MT is allowed as deduction on paid basis. SD on uniform basis.

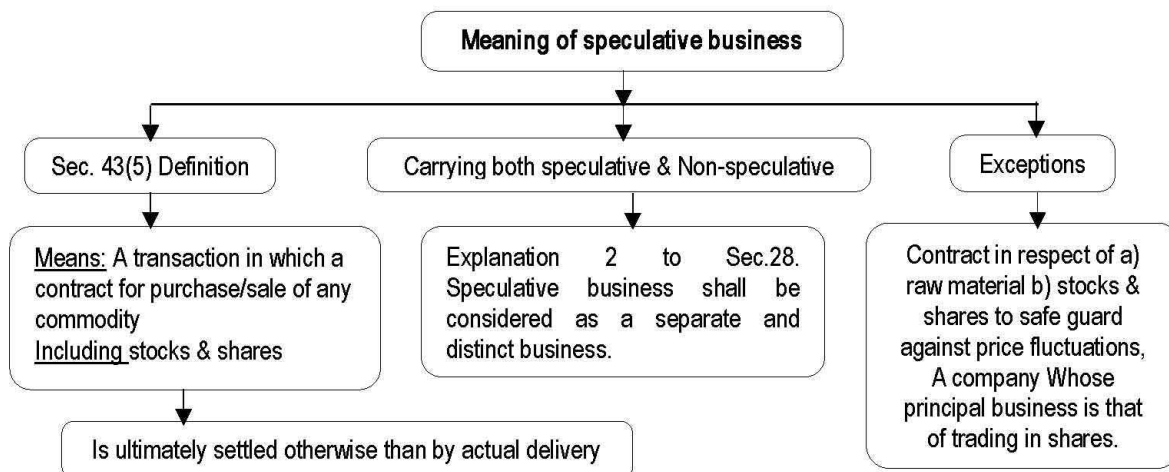
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CHARGING SECTION- 28

Charging Section – 28	Following incomes shall be chargeable under the head PGBP:
	1. Profits and gains of any business or profession.
	2. Profit on sale of Import Entitlement License.
	3. Cash Compensatory Support and Duty Drawback.
	4. Any profit on the transfer of the Duty Entitlement Pass Book Scheme/ Duty Free Replenishment Certificate.
	5. Value of any benefit or perquisite arising from any business or profession.
	6. Sum received under a key man insurance policy.
	7. Income derived by a trade, professional or similar association from specific services performed for its members.
	8. Any interest, salary, bonus, commission or remuneration, by whatever name called, due to or received by, a partner of a firm from such firm to the extent allowed under section 40(b).
	9. Any sum received under an agreement for- <div style="margin-left: 20px;"> a) Not carrying out any activity in relation to any business or profession provided it is not taxable as capital gains. E.g. Non- compete fees; or b) Not sharing any know- how, patent, copyright, trademark, license, etc. </div>
	10. Any sum received from the transfer/destruction/demolition of asset whose cost has been allowed as deduction 35AD.

SPECULATION BUSINESS



Note: Trading in commodity derivative not a speculative transaction. Which is chargeable to commodities Transaction Tax (CTT) @ 0.01%

METHOD OF ACCOUNTING - SEC.145

Either Cash basis or mercantile basis regularly followed by the assessee. Except Sec 32, Sec 43B, Sec35D, DD, DDA Etc.

Under section 145(2), Central Government has notified ten new ICDSs to be applicable from A.Y. 2017-18. The new ICDSs have to be followed by all assessees (other than an individual or a HUF who is not required to get his accounts of the previous year audited in accordance with the provisions of section 44AB) following the mercantile system of accounting, for the purposes of computation of income chargeable to income-tax under the head "Profits and gains of business of profession" or "Income from other sources", from A.Y. 2017-18.

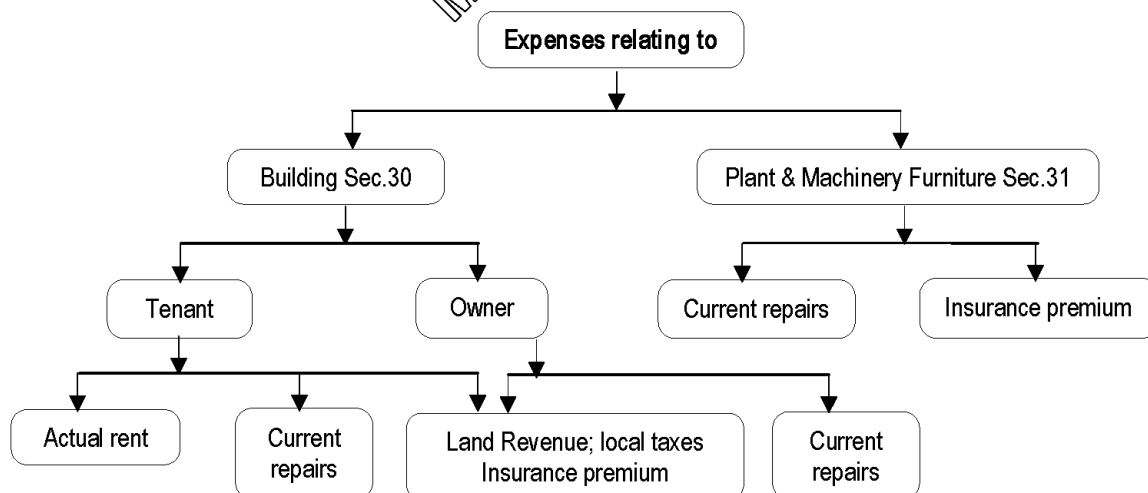
The ten notified ICDSs are:

ICDS No	ICDS Title	Equivalent Accounting standard issued by ICAI	AS title
ICDS I	Accounting Policies	1	Disclosure of accounting policies
ICDS II	Valuation of Inventories	2	Valuation of inventories
ICDS III	Construction Contracts	7	Construction contracts
ICDS IV	Revenue Recognition	9	Revenue recognition
ICDS V	Tangible Fixed Assets	10	Accounting for fixed assets
ICDS VI	The Effects of Change s in Foreign Exchange Rates	11	The Effects of Change s in Foreign Exchange Rates
ICDS VII	Government Grants	12	Accounting for Government Grants
ICDS VIII	Securities	13	Accounting for investments
ICDS IX	Borrowing Costs	16	Borrowing costs
ICDS X	Provisions, Contingent Liabilities & Contingent Assets	29	Provisions, Contingent Liabilities and Contingent Assets

MODE OF INCOME COMPUTATION - SEC.29

Computed in accordance with Sec.30 to Sec.43D

Sec. 30 & 31



Note: Rent paid/ payable on plant & machinery and Furniture Shall be allowed as deduction u/s 37(1)

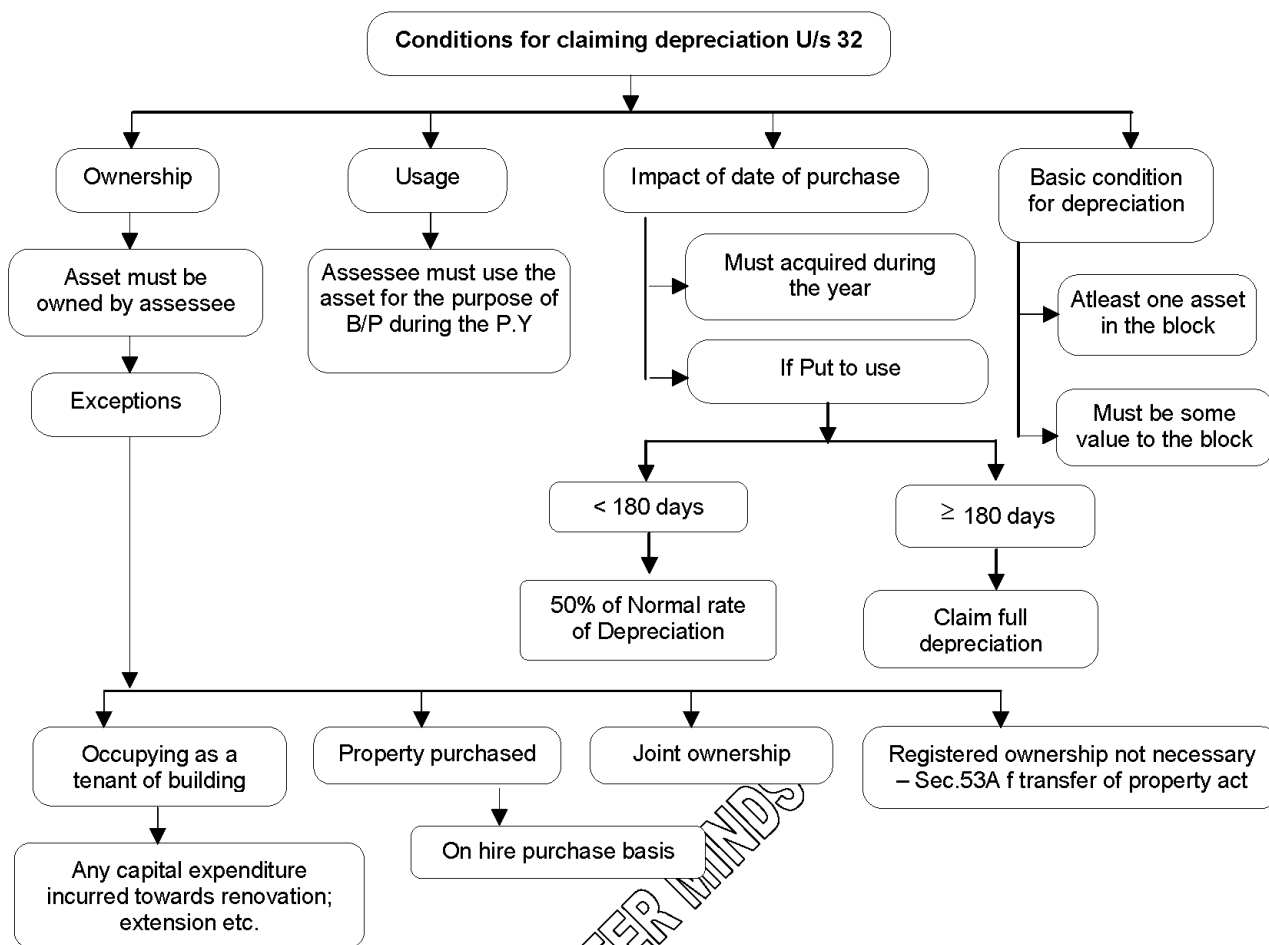
DEPRECIATION - SEC.32

Depreciation shall be allowed on following assets

Tangible Assets	Buildings, Plant & Machinery, Furniture
Intangible assets	Know-how, patents , trademarks etc.

Is it compulsory to claim depreciation?: Yes,

Types: Usual depreciation, reduced depreciation & Additional dep.



Note:

- The restriction of 180 days-only for year of acquisition.
- Passive usage is sufficient (ready for use).
- When the asset is neither used nor kept ready for use-no depreciation is available.

Block of assets: Each such group of assets falling under same classification and having same rate of depreciation will be identified as a block of assets.

How to compute WDV of the Block of Assets -Sec.43(6):

Opening WDV of the block	XXX
Add: Actual cost of additions - Sec.43(1)	XXX
Less: Money receivable in respect of assets sold, demolished, discarded & destroyed	XXX
Amount on which dep. can be claimed	XXX
Less: Current year depreciation	XXX
Closing WDV	XXX

Remember that assets which do not qualify for depreciation such as land, personal assets etc., will not form part of any block.

ACTUAL COST - SEC.43(1): (Applicable for 'individual' assets)

Total cost of the asset	XXX
Less: Amount of subsidy or grant received	XXX
Add: Interest on capital borrowed for purchase of an asset, (paid from the date on which the capital was borrowed up to the date such asset was first put to use shall not be allowed as deduction. (F-ACT:2015))	XXX

Expenses incurred for acquiring the asset (E.g. Freight)	XXX
Expenses incurred in connection with the installation	XXX
Actual cost of the Asset	XXX

Explanations to Sec.43 (1):

Expl.	Mode of acquisition	Actual cost
1	Asset acquired for scientific research subsequently brought into business use.	Actual cost less deduction availed u/s.35 (i.e. Nil).
2	Acquired by way of gift or inheritance	WDV to the previous owner.
3	Asset acquired from other person, using the Asset for his Business or Profession with a view to claim enhanced depreciation.	Determined by the A.O. with prior approval of Deputy Commissioner.
4	Asset transferred and reacquired by him.	The WDV at the time of original transfer or the price paid for reacquiring the asset, whichever is less.
5	Building used for private purpose subsequently brought into business use.	Cost less notional depreciation
6	Asset transferred by a holding Co. to its subsidiary co. or vice versa if the following 2 conditions are satisfied: a) 100% subsidiary co. b) Transferee co. is Indian company.	Actual cost to the transferee company = WDV to the transferor company
7	Transfer of asset by amalgamating co. to amalgamated Indian co.	Actual cost to the amalgamated company = WDV to the amalgamating co.
7A	Asset transferred by a Demerged Co. to the resulting Indian company	Actual cost to Resulting Co. = WDV to the Demerged Co.
8	Asset acquired out of borrowed funds	Interest up to the date of commencing the commercial production shall be added.
9	Asset acquired subject to levy of Excise duty or customs duty.	To the extent of CENVAT credit taken shall not form part of the actual cost.
10	Subsidy or grant or reimbursement received from govt.	Reduced from cost.
11	Actual cost of Sec.35AD asset acquired by way of: a) Gift or will of Irrevocable trust b) On any distribution on liquidation of the company c) Transfer through any specified business reorganization as referred in Sec.47. (including conversion to LLP)	Nil

Note: A proviso to Sec.43(1) has been inserted which provides that a payment or aggregate of payments made to a person in a day, otherwise than by an APC/ APD/ use of electronic clearing system through a bank account, exceeds Rs.10,000, then the expenditure so incurred shall not form part of actual cost of such asset.

GENERAL CONSIDERATIONS ON COST / DEPRECIATION:
1. Depreciation in the case of Amalgamation, demerger, succession of Partnership firm, proprietary concern by a company:

In all the above cases, depreciation shall be **apportioned** between the predecessor and the successor, or the amalgamating company and the amalgamated company, or the demerged company and the resulting company, **in the ratio of number of days** for which the assets were **used** by them.

2. Composite Subsidy: Proportionate amount shall be excluded.

3. Allowed to lessor not to lessee (Against to AS 19).
4. If depreciable assets are sold -Sec.50 becomes applicable.
5. While claiming dep. for building- cost of the land should be excluded.

If an asset was partly used for business and partly for personnel purposes, only proportionate expenses and depreciation can be claimed - Sec.38.

BUILDINGS:	
• Buildings which are used mainly for residential purposes	5%
• Building which are not used mainly for residential purpose	10%
• Purely temporary erections such as wooden structures	40%
FURNITURE AND FITTINGS:	
Furniture and fittings including electrical fittings	10%
PLANT & MACHINERY:	
• Motor cars, other than those used in a business of running them on hire.	15%
• Motor buses, Motor lorries and Motor taxis used in a business of running them on hire.	30%
• Computers including computer software.(Including Laptops)	40%
• Air & Water pollution control equipment.	40%
• Energy saving devices	40%
• Books owned by assessee carrying on a profession being annual publications (or) a business in lending libraries	40%
• Books other than those mentioned above.	40%
• Other plant and machinery	15%
• Ships	20%
• Wind mills installed on or after 01.04.2014	40%
INTANGIBLE ASSETS	25%

ADDITIONAL DEPRECIATION

An assessee which is an industrial undertaking engaged in

- The business of manufacture or production of any article or thing or
- Generation **or transmission** or distribution of power

Claim Additional Depreciation.

- a) **Additional depreciation @ 20%:** An assessee who is engaged in manufacturing activity or engaged in power sector or printing or printing and publishing is eligible to claim an additional depreciation @ 20% of actual cost (**50% of 20%** in case of the asset put to use **for less than 180 days**). in respect of "ELIGIBLE PLANT AND MACHINERY"
- b) **Additional depreciation @ 35%:** In order to encourage acquisition and installation plant and machinery for setting up of manufacturing units (including an assessee being engaged in the business of printing or printing and publishing) in the notified backward areas of the **states of Andhra Pradesh, Bihar, Telangana and West Bengal**, a proviso has been inserted to section 32(1)(ia) to allow higher additional depreciation @ 35% (instead of 20%)(**50% of 35%** in case of the asset put to use **for less than 180 days**) in respect of the actual cost of new machinery or plant (other than a ship and aircraft) acquired and installed during **the period between 1st April, 2015 and 31st March, 2020** by a manufacturing undertaking or enterprise which is set up in the notified backward areas of these specified States **on or after 1st April, 2015**.
- c) **Balance 50% of additional depreciation to be allowed in the subsequent year (applicable to both (a) & (b) points):** Balance 50% of the additional depreciation on new plant and machinery acquired and used for less than 180 days which has not been allowed in the year of acquisition and installation of such plant & machinery, shall be allowed in the immediately succeeding previous year.

Note: However a Power Generating Unit which claims depreciation on SLM basis can't claim additional depreciation.

UNABSORBED DEPRECIATION - SEC.32 (2)

Where in any year, depreciation can't be absorbed in full, because of:

- a) There being no profits or gains chargeable for that previous year Or
- b) The profits or gains chargeable being less than the depreciation allowance.

It is deductible from income chargeable under other heads of income (Except Income from salaries) for the same assessment year.

Carry forward: Unabsorbed Depreciation can be carry forward to the subsequent years by the same assessee for **indefinite period**. Even though the business or profession is not in Existence.

Order of priority:

- Current Year Depreciation
- Brought forward Business loss
- Unabsorbed Depreciation

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INVESTMENT IN NEW PLANT & MACHINERY - SEC. 32AD

Section	Eligible Assessee	Investment In	Investment Period	Amount of Investment	Deduction
32AD	All Assesses (Company & Non corporates)	New Plant and Machinery in Backward areas i.e. AP, BIHAR, TELANGANA, WEST BENGAL	Acquired and installed between 1.04.2015 to 31.03.2020 PY's (15-16 to 19-20)	No limit (Any Amount)	15% of cost of New Plant & Machinery

a) Sale of new asset:

- i) In case of transfer of new asset within 5 years from the date of its installation, the amount claimed as deduction shall be chargeable to tax in the previous year of transfer.
- ii) In case of sale / transfer under amalgamation / demerger within 5 years from date of installation, the above provision shall apply to the amalgamated company / resulting company, in the same way as it would have applied to the amalgamating company / demerged company.

b) "New Asset" means any new Plant or Machinery (other than Ship or Aircraft), but does not include –

- i) Any Plant or Machinery which before its installation by the assessee was used whether within or outside India by any other person.
- ii) Any Plant or Machinery installed in any office premises or any residential accommodation including accommodation in the nature of a Guest house
- iii) Any office appliances including computers or computer software.
- iv) Any vehicle, or
- v) Any plant or machinery the whole of the actual cost of which is allowed as deduction (whether by way of depreciation or otherwise) in computing the income chargeable under the head "Profits and Gains from Business or Profession" of any previous year.

POINTS TO BE NOTED:

- i) It may be noted that deduction u/s. 32AD in respect of new plant & machinery acquired and installed shall be allowed as a deduction in addition to the normal depreciation u/s. 32 and additional depreciation u/s. 32(1)(ia), irrespective of number of days for which the asset is put to use.
- ii) The Eligible plant & machinery discussed under sec 32AD, 32(1)(ia) (Excludes computers and computer software) are one and the same.

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SEC.35 SERIES
EXPENDITURE ON SCIENTIFIC RESEARCH - Sec.35

A) In-House Research	<ul style="list-style-type: none">Revenue (or) Capital Expenditure, and Prior Period Expenditure of 3 years fully allowed as deduction in year of commencement of business (100%).Any revenue (or) capital (excluding land) expenditure incurred during the previous year shall be fully allowed.	
B) Weighted Deduction on In- House Research by Company engaged in Bio-Technology or of Manufacture or Production of any article or thing (not specified in XI Schedule)	<ul style="list-style-type: none">150%*** of Revenue or Capital Expenditure incurred (except Land & Building) is allowed. Building 100% allowed, Prior Period Expenditure 100% allowed.The prescribed authority shall submit its report in relation to the approval of the said facility to PCCIT/CCIT/PDGIT/DGIT.	
C) Weighted Deduction for Contributions	Payment made to	Deduction %
	Any Research Association (or) University / College, etc. for Scientific Research	150%
	Company approved by Prescribed Authority for Any R & D	100%
	Any Research Association (or) University/ College, etc. for Social Science or Statistical Research	100%
	National Laboratory University/ IIT/ Specified Person	150%***

***Deduction shall be restricted to 100% from the FY 2020-21 onwards.

POINTS TO BE NOTED:

- Deduction is available, even if Contribution not related to the assessee's business.
- Unabsorbed capital expenditure:** Treatment shall be same as of unabsorbed depreciation.
- For approval, should make an application to the C.G.
- Application shall be disposed of within 12 months.
- Institution, association, University/College approved u/s. 35 are required to file ROI - Sec.139(4D).

SOME OTHER SECTIONS

35CCA	Payment to Associations and Institutions for Rural Development Programs	<ul style="list-style-type: none"> 100% Contribution shall be allowed as deduction. If approval is withdrawn subsequent to payment, then deduction cannot be denied.
35CCC	Expenditure on Agriculture Extension Project notified by CBDT.	<ul style="list-style-type: none"> 150% of the expenditure incurred (other than cost of Land & Building) <p>Note: Deduction shall be restricted to 100% from the FY 2020-21 onwards.</p>
35CCD	Expenditure on Skill Development Project notified by CBDT	<ul style="list-style-type: none"> 150% of the expenditure incurred (other than cost of Land & Building) <p>Note: Deduction shall be restricted to 100% from the FY 2020-21 onwards.</p>
35D	Amortization of preliminary expenses incurred for setting up or extension undertaking or Business Unit	<ul style="list-style-type: none"> For Indian Companies: 5% of Cost of Project, or 5% of Capital Employed (which ever is higher). Resident Non- Corporates: 5% of Cost of Project Time Period: Amortized in 5 equal installments.
35DDA	Amortization of Expenditure incurred under VRS	<ul style="list-style-type: none"> Allowed in 5 installments after the payment was made. Deduction to Resulting Entity in case of Business Re-organization.

SECTION 35AD

(Deduction of capital expenditure incurred by specified businesses)

Conditions to be fulfilled

- The Assessee should be engaged in the following specified business –
- setting and operating "cold-chain" facilities for specified products
 - warehousing facilities for storing agricultural produce
 - Laying and operating a cross country natural gas pipeline network for distribution
 - building and operating anywhere in India, a hotel of two-star or above category as specified by the Central Government
 - building and operating a hospital with at least 100 beds for patients
 - slum redevelopment or rehabilitation housing projects
 - affordable housing projects
 - production of fertilizer in a new plant or in a newly installed capacity in an existing plant
 - setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962,
 - bee-keeping and production of honey and beeswax and
 - setting up and operating a warehousing facility for storage of sugar
 - laying and operating a slurry pipeline for the transportation of iron ore
 - setting up and operating a semi-conductor wafer fabrication manufacturing unit
 - Developing or operating and maintaining or developing, operating and maintaining, any **infrastructure facility** (Only companies or Consortium of Companies registered under the Companies Act)

Note: where an assessee builds a two star (or above category) hotel and subsequently while continuing to own the hotel, transfers the operation thereof to another person, the specified business shall be deemed to be continuing its operations (applicable from the AY 2011-12)

Amount of deduction = 100% of expenditure incurred

- The specified business should not be set up by splitting up / the reconstruction, of a business already in existence.
- The specified business should not be set up by the transfer to the specified business of machinery or plant previously used for any purpose. Further the exemptions shall not be denied if the total value of the old plant or machinery transferred to the new business should not exceed 20% of the value of the total plant or machinery used in the new business.

The eligible assessee shall get his books of accounts audited.

The payment for such expenditure shall be made in accordance with Sec.40A(3)

Other Points

- The expenditure shall be incurred **wholly and exclusively** for the purpose of specified business.
 - the expenditure incurred, wholly and exclusively, for the purpose of specified business **prior to commencement** of operation shall be capitalised and the same would be allowed as deduction during the previous year in which the assessee commences operation of his specified business
 - The assessee shall **not be allowed** any deductions in respect of specified business under the provisions of chapter VI-A Deductions in respect of heading – C "Deductions based on income" or Sec.10AA.
 - If any asset on which a deduction under section 35AD has been claimed and allowed, is demolished, destroyed, discarded or transferred, the sum received or receivable for the same is chargeable to tax under the head PGBP under Sec.28(vii).
 - Any asset in respect of which a deduction allowed **shall be used only for the specified business, for a period of 8 years** beginning with the previous year in which such asset is acquired or constructed. Sec 35AD(7A)
Exception: The restriction of the holding period of 8 years does not apply:
 - Where the assets are destroyed, discarded or transferred or
 - The company is declared a sick company.
- Consequences if asset is not used for 8 years:** In case the asset is used for a purpose other than the specified business within the period of 8 years, the amount of deduction allowed earlier **shall be deemed as income under the head "profits and gains from business or profession"** of the previous year in which the asset is so used. However, the **assessee shall be entitled to reduce the amount of eligible depreciation u/s.32, while computing such deemed income (Sec.35AD(7B)).**

CERTAIN DEDUCTIONS – SEC .36(1)

Section	Kind of expenditure	Conditions
36(1)(i)	Insurance premium	Paid in respect of stocks, stores, etc.
36(1)(ib)	Insurance premium	Paid (other than cash) for insuring the health of employees under an approved insurance scheme.
36(1)(ii)	Bonus or commission	Paid to employees, for services rendered. (Subject To 43B)
36(1)(iii)	Interest	Paid in respect of capital borrowed for the purpose of business or profession. (Subject To 43B) Note: Any interest paid for acquisition of Asset, Upto the asset was first put to use, Shall not be allowed as deduction.
36(1)(iiia)	Discount on <u>Zero coupon bonds</u>	Allowed as deduction on pro rata basis
36(1)(iv)	Contribution to fund: RPF, Super annuity fund, Gratuity fund	Allowed as deduction subject to 43B(cash basis)
36(1)(iva)	Contribution towards Pension Scheme u/s 80CCD	Contribution should not exceed 10% of the salary Salary includes DA if the terms of employment so provide, but excludes all other Allowances and Perquisites.
36(1)(v)	Employer's Contribution to an Approved Gratuity Fund	Allowed when paid before due date of filing Return[Sec. 43B]
36(1)(vii)	Bad debts	a) Incidental to the business or profession. b) The business / profession must be in continuation. c) Mere provision is not sufficient but actual write off of account is required. However, actual written off in the books of accounts is not necessary, if a debt which has not been recognized in the books of accounts as per the accounting Standards but has been taken into Account in the computation of Income as per noticed ICDS has become irrecoverable, still it can be claimed as bad debts. Note: The successor of a business / profession is entitled to claim deduction in respect of debt created by the predecessor.
36(1)(vi)	Purchase of <u>animals</u> (other than SIT)	allowed as deduction in the year in which such animals die or become permanently useless deduction = sale proceeds - capital expenditure
36(1)(ix)	Family planning expenditure: (only for companies)	a) Any revenue expenditure . b) Any capital expenditure - 5 equal annual installments. c) Unabsorbed: Same as of unabsorbed depreciation.
36(1)(xiv)	Contribution to Credit Guarantee Fund Trust	For small industries
36(1)(xv)	CTT, STT	Any amount paid.

Sec: 36(1)(viia)

In respect of any **provision for bad and doubtful debts** made by:

- A **scheduled / Non-scheduled bank/a co-operative bank other than a primary agricultural co-operative society or a primary co-operative agricultural and rural development bank** - An amount not exceeding **8.5%** of GTI & 10% of the aggregate advances made by the rural branches of such bank.
- A **public financial institution** or a state financial institution, or a state industrial investment corporation, an amount not exceeding 5% of the gross total income.
- For a **foreign bank** - Not exceeding 5% of the Gross total income.
- For **NBFC** - Not exceeding 5% of the Gross total income

Clarification for amount to be eligible for deduction as bad debts in case of banks [Section 36(1)(vii) & (viiia)]:

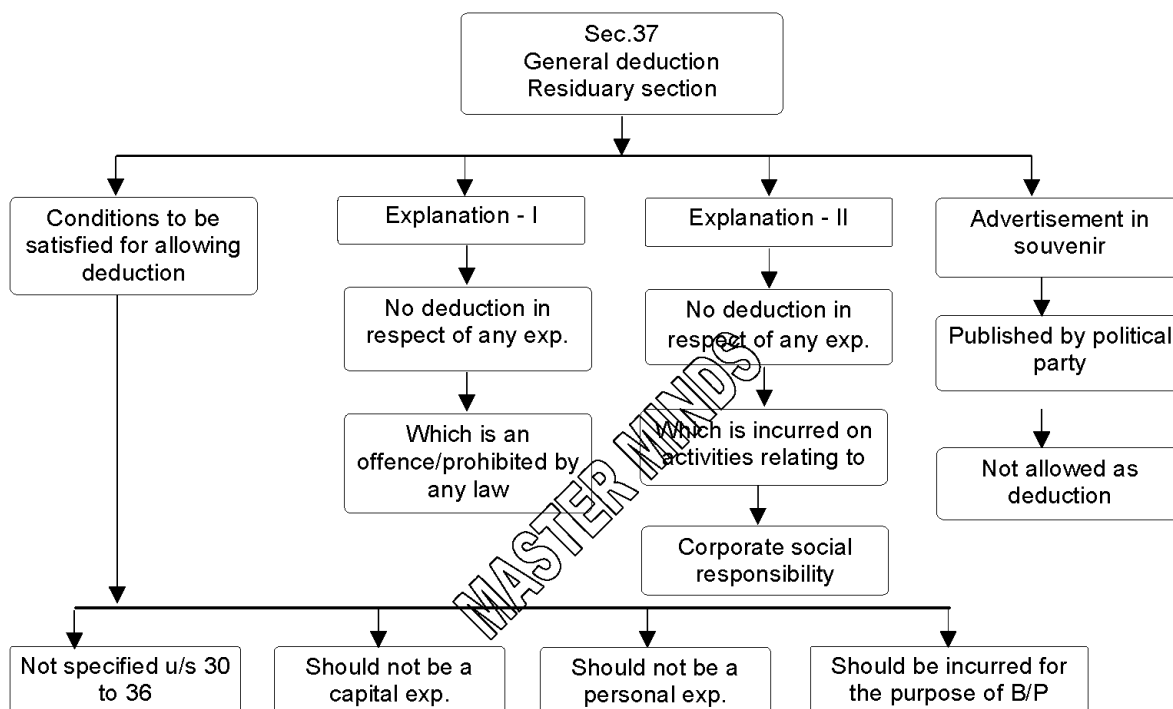
Deduction under section 36(1)(vii) in respect of bad debts written off to be allowed to the extent the same is in excess of the credit balance in the provision for bad and doubtful debts made under section 36(1)(viiia), irrespective of whether the same relates to rural advances or urban advances

Sec: 36(1)(viii)

Special reserve A/c.: In the case of:

- Deduction:** Up to a maximum of 20 % of the profits carried to a special reserve a/c.
- Twice:** Where the aggregate of the amount carried to such reserve a/c exceeds twice the amount of paid up capital and general reserve (excluding bonus share capital), no deduction shall be allowed in respect of such excess.

SEC.37 - RESIDUARY SECTION



DISALLOWANCES IN THE CASE OF ALL THE ASSESSEE'S - SEC.40(a)

Particulars	40(a)(i)	40(a)(ia)
1. The amount paid or payable is	Interest, Royalty, fee for technical service or any other sum chargeable under IT Act.	Any payments covered in TDS chapter
2. The sum is paid or payable to	Non-resident/ foreign company	Resident
3. TDS obligation	i. TDS has been deducted ii. The TDS amount paid during the pre-year or in the subsequent year before the expiry of the time prescribed u/s 139(1)	i. TDS has been deducted ii. The TDS amount paid during the pre-year or in the subsequent year before the expiry of the time prescribed u/s 139(1)
4. Assessee made any default in TDS obligation then amount of disallowance is	100% of such amount	30% of such amount

SOME OTHER DISALLOWANCES U/S 40a

40(a)(ii)/(iia)	Income tax, Wealth tax, DDT paid is not deductible
40(a)(iib)	Disallowance of royalty, license fee, service fee etc. levied exclusively on State Government Undertakings by the State Government
40(a)(iii)	Any salary payable outside India or to a non-resident shall be disallowed if tax has not been deducted or paid
40(a)(iv)	Contribution to Welfare Fund of Employees if no arrangements for TDS- NOT ALLOWED
40(a)(v)	Tax actually paid by any employer on behalf of the employee in respect of non-monetary perquisites provided to such employee, is DISALLOWED. Which is exempt U/s 10(10CC) in the hands of Employee.

SEC.40A SERIES

Section	Kind of expenditure	Conditions
40A(2)	Payments to Relatives as specified	Payment considered as excessive or unreasonable shall not be allowed. No disallowance, if transaction is at Arm's Length Price as per Sec. 92F.
40A (3)	Single or Aggregate payments in respect of allowable expenditure in excess of Rs. 10,000, (Rs. 35,000 if Payment is made for Plying, Hiring, or Leasing Goods Carriages) other than by way of A/c Payee Cheque or A/c Payee DD to a single person on a single day.	<ul style="list-style-type: none"> Whole of the payment shall be disallowed. Expenditure allowed on due basis but aggregate payments made in subsequent P.Y.s in excess of Rs. 10,000/35,000 shall be disallowed. Exceptions given in Rule 6DD
40A(7)	Provision of Gratuity	Disallowed, except in case of provision for contribution to Recognised Gratuity Fund or actual liability incurred.
40A(9)	Contribution to Non- Recognised Funds	<ul style="list-style-type: none"> Payment to any Unrecognised/Non-Statutory Employer Welfare Fund is disallowed. Contribution u/s 36(1)(iv)/(v) or under any law, is allowable.

DEEMED PROFITS - SEC.41**REFUND OF EXPENDITURE - SEC.41(1)**

Where previously allowed loss/expenditure/trading liability subsequently received by assessee or successor of the business by way of remission or cessation- shall be deemed to be income.

Expl.1 - Recovery or remission can be by the same assessee or by any other assessee also.

Expl.2 - Sec.41 (1) is applicable even if remission / cessation arises because of a unilateral act.

SALE OF ASSETS USED FOR SCIENTIFIC RESEARCH - SEC.41(3)

Where any capital asset used for scientific research is sold -Income to the extent of deduction allowed u/s.35 is taxable as PGBP. If the sale proceeds exceeds the COA then- capital gains.

BAD DEBTS - SEC.41 (4)

Bad debts recovered shall be taxable if it was allowed earlier irrespective of continuance of business. However, such amount cannot be taxed in the hands of the successor.

SPECIAL RESERVE - SEC.41 (4A)

Any amount withdrawn will be charged to tax irrespective of continuance of business.

SEC.41(5) – SET OFF

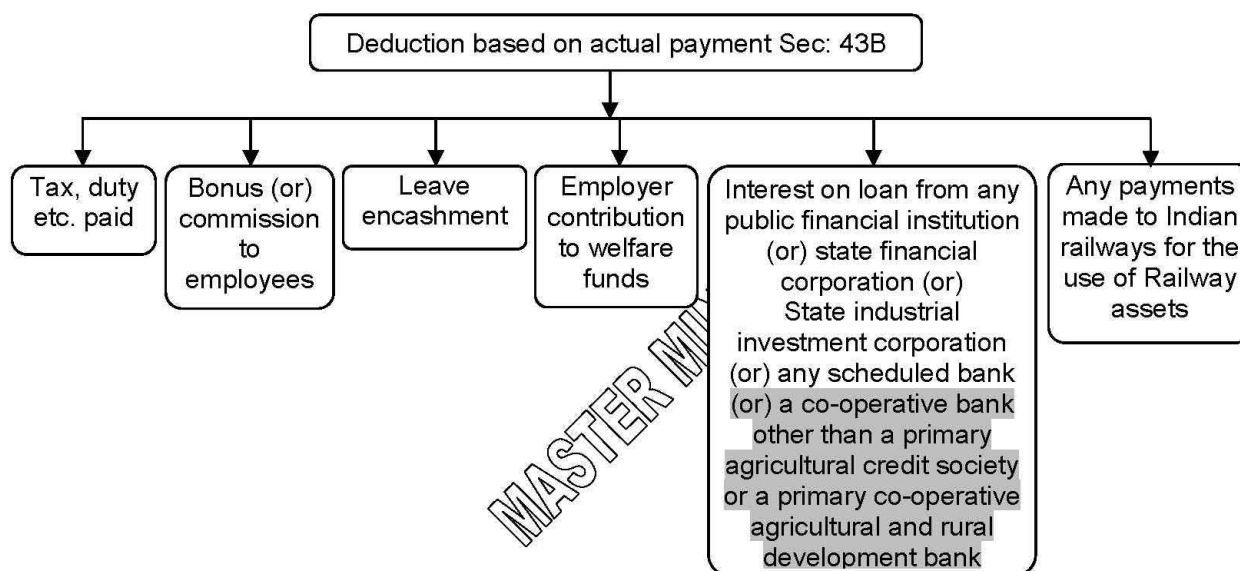
Any loss incurred in the year in which the business was discontinued by the assessee shall be allowed to be set off against the deemed profits & only the balance if any shall be taxed.

SEC.43CA

Full value of consideration = value adopted by stamp valuation authority, for transfer of land / building other than capital assets:

- a) **Situation:** Any consideration received or accruing as a result of the transfer of land or building or both.
- b) **Value of consideration:** Value adopted / assessed / assessable by the stamp valuation authority of a State Government in respect of such transfer, shall be deemed to be full value of the consideration.
- c) **Sec.50C:** Provisions u/s 50C (2), 50C (3) shall apply in relation to determination of the value adopted or assessed or assessable u/s 43 CA (1)
- d) **Relevant date:** The date of agreement but not date of registration if amount received other than in cash on or before the date of agreement.

DEDUCTION BASED ON ACTUAL PAYMENT - SEC.43B



MAINTENANCE OF ACCOUNTS- SEC.44AA

1. **Notified Professionals:** Gross Receipts or Income exceeds Rs.1,50,000 in all three Prior Previous Years.

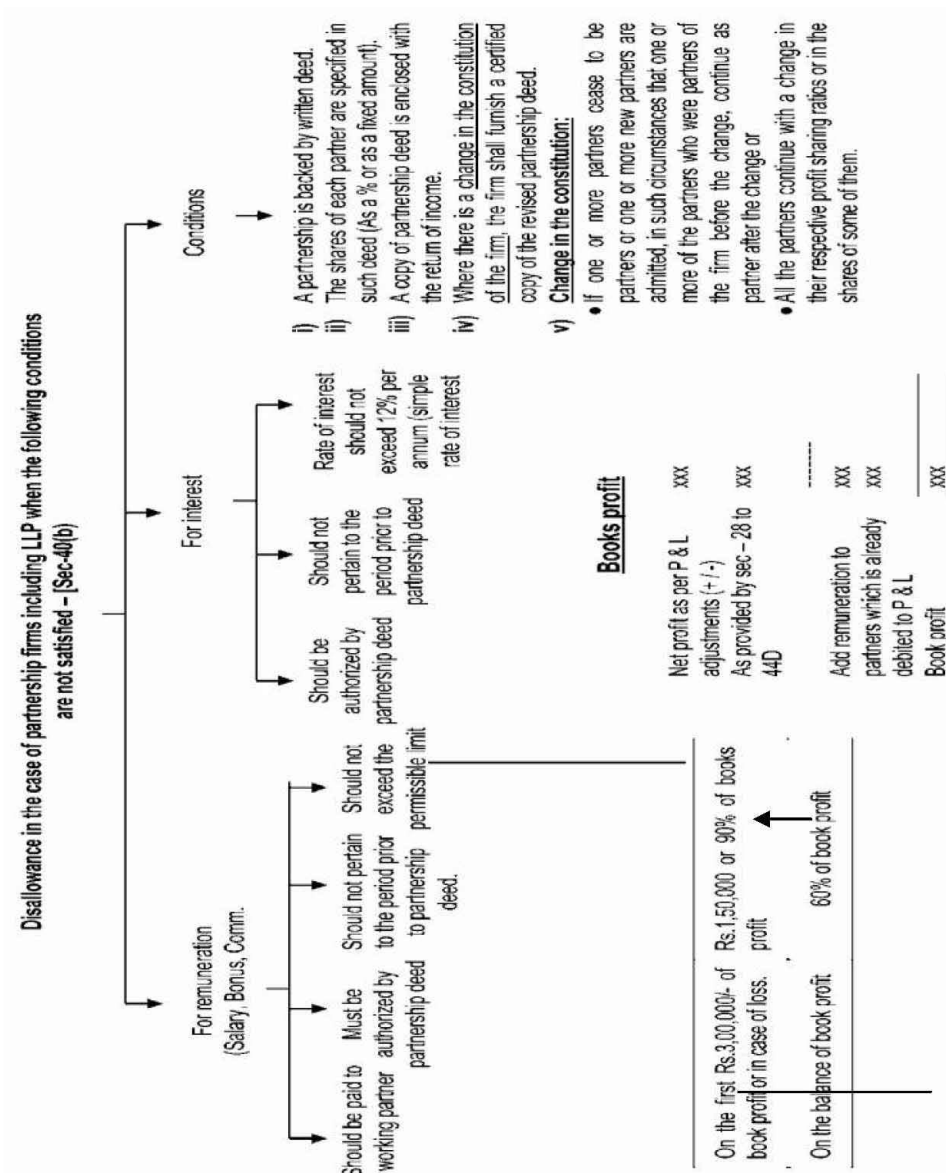
	Non- Specified Professionals and Individuals / HUF	Non- Specified Professionals and Business assessees
Income from business/ profession	Exceeds Rs.2,50,000 either during the current P.Y in which business commences or any one of three Prior Previous Years.	Exceeds Rs.1,20,000 either during the current P.Y in which business commences or any one of three Prior Previous Years
Gross Turnover or Receipts	Exceeds Rs.25 lakhs either during the current P.Y in which business commences or any one of three Prior Previous Years	Exceeds Rs.10 lakhs either during the current P.Y in which business commences or any one of three Prior Previous Years
Other conditions	Declares lesser income than as prescribed u/s 44AD/44AE/44BB/44BBB	

TAX AUDIT - SEC.44AB

Compulsory audit of Books of Accounts [Sec. 44AB]	Different taxpayers	When they are covered by the provisions of compulsory audit section 44AB (audit report should be obtained on or before the due date of submission of return of income)
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A person carrying on business	If the total sales, turnover or gross receipt in business for the previous year(s) relevant to the assessment year exceed or exceeds Rs.1 crore (But if a person opts for presumptive taxation then the limit is Rs.2 Crores).
A person carrying on profession	If his gross receipts in profession for the previous year(s) relevant to the assessment year exceeds Rs.50 Lakhs .
A person covered under section 44AE, 44BB or 44BBB.	If such person claims that the profits and gains from the business are lower than the profits and gains computed under these sections (irrespective of his turnover).
A person covered under section 44AD, 44ADA or 44AD(4).	If such person claims that the profits and gains from the business/profession are lower than the profits and gains computed in accordance with the provisions of section 44AD(1)/ 44ADA and if his income exceeds the maximum amount which is not chargeable to tax.

ASSESSMENT OF FIRMS

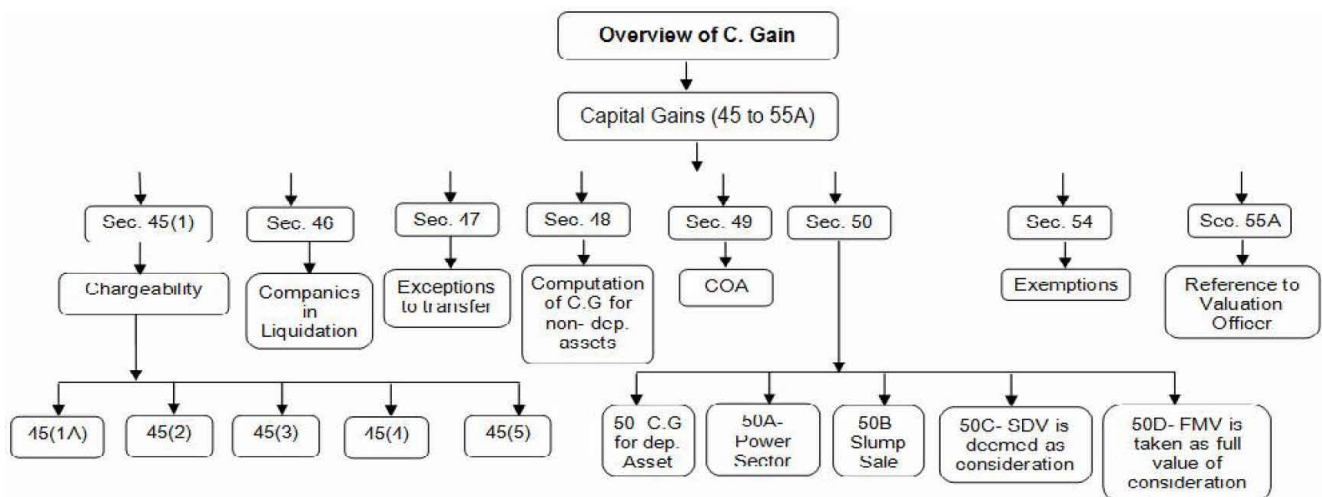


PRESUMPTIVE TAX
ASSESSEE ENGAGED IN ELIGIBLE BUSINESS - SEC.44AD

The presumptive rate of 6% (8% if this condition is not satisfied) of total turnover or gross receipts will be applicable in respect of amount which is received by an account payee cheque or by an account payee bank draft or by use of electronic clearing system through a bank account during the previous year or before the due date of filing of return under section 139(1) in respect of that previous year.

	Section 44AD	Section 44ADA	Section 44AE
Eligible assessee	a) Resident individual b) a HUF c) Firm (other than a LLP)	Any resident	Any assessee
Eligible Business / Profession	a) Any business/ profession other than – covered under Sec.44AE. b) The profession as referred to in Sec.44AA(1). c) Person carrying on business earning income in the nature of commission or brokerage income. d) Person carrying on any agency business.	Notified profession under Sec.44AA(1)**	Plying, hiring or leasing goods carriers
Turnover / Gross receipts in the previous year	Turnover / Gross receipts shall not exceed Rs.2 crores	Gross receipts does not exceed Rs.50,00,000.	N.A.
Conditions	The eligible person carrying on the eligible business/ profession shall – a) Not claimed any exemption u/s. 10AA or under any provision in chapter VI-A (i.e. income based deductions) b) Not claimed any deductions (including depreciation) under sections 30 to 38. c) Not claimed any deduction in respect of Salary, interest, remuneration paid to partner as per section 40(b). d) Pay Advance Tax on or before 15th March of the financial Year	The eligible person carrying on the profession shall – a) Not claimed any deductions (including depreciation) under sections 30 to 38. b) Pay Advance Tax on or before 15th March of the financial Year.	The eligible person carrying on the profession shall not own more than 10 vehicles at any time during the previous year. Note: For this purpose an assessee, who is in possession of a goods carrier, whether taken on hire purchase or on installments & for which the whole or part of the amount payable is still due, shall be deemed to be the owner of such vehicles.
Presumptive tax rate or taxable income	8 % of the gross turnover or gross receipts	50% of the gross Receipts , or higher sum declared by the assessee	Higher of - a) For each goods vehicle , whether heavy goods vehicle or other than heavy goods vehicle, Rs. 7,500 per month or part of a month during which such vehicle is owned by the assessee (OR) b) An amount claimed to have been actually earned from such vehicle.

7. CAPITAL GAINS



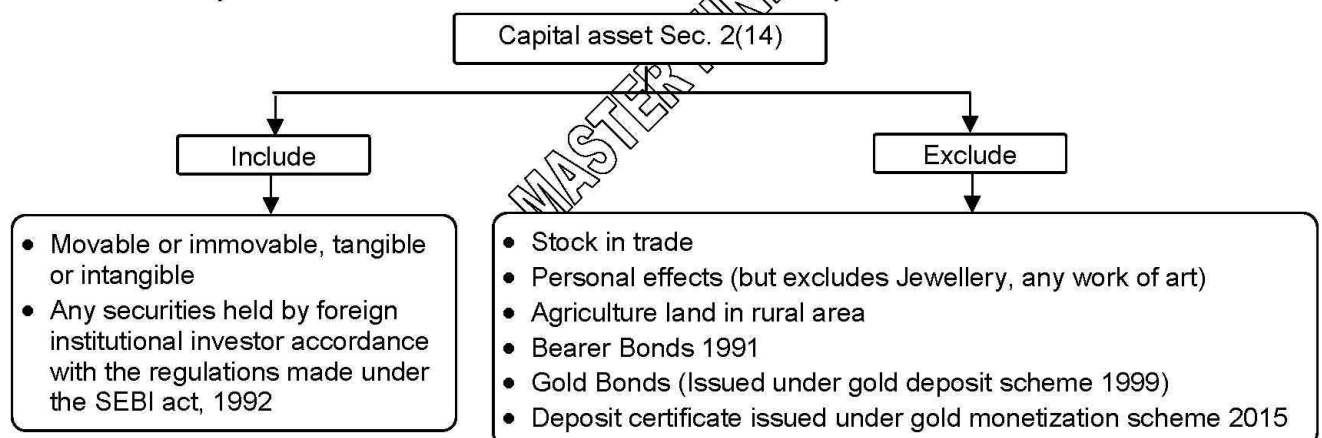
CHARGING SEC.45 (1)

Any profits arising on the Transfer of any Capital Asset shall be chargeable to tax under this head in the year of transfer.

YEAR OF CHARGEABILITY: Capital gains shall be chargeable to income tax in the PY in which the transfer took place (on accrual basis).

Exceptions: Sec 45(1A), 45(2), 45(5)

It is not necessary that the consideration should be received in the year of transfer itself.



- 1. Meaning of short term capital asset section 2(42A):** A capital asset held by an assessee for less than 12 or 24 or 36 months immediately preceding the date of its transfer resulted gain or loss treated as short-term capital.

Shares or any other securities listing in recognized stock exchange in India, units of UTI, unit of equity oriented fund zero coupon bonds	Less than 12 months
Unlisted shares, an immovable property, being land/ building/ both	Less than 24 months
Unlisted securities, units of debt oriented funds	Less than 36 months

- 2. Meaning of long term capital asset section 2(29A):** It means other than STCA.

Note:

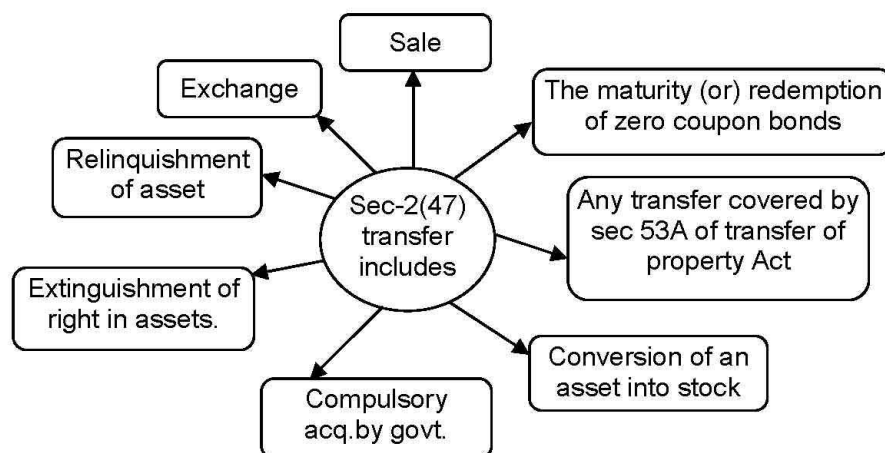
Tax Rates:

- In case of Specified Securities:** Indexation + 20 % flat rate Or Without Indexation + 10 % flat rate, Whichever is more beneficial to the Assessee can be opted i.e. the alternative which results in less tax liability can be adopted.

Specified Securities are Listed Shares & Zero coupon bonds. (Includes bonus shares also)

- In case of any other capital asset:** At 20 % flat rate.

WHAT IS A TRANSFER? {Sec.2 (47)}



Sec.47 - EXCEPTIONS TO TRANSFER

COST OF ACQUISITION (COA)

DIRECT OWNERSHIP: Cost incurred to purchase a capital asset.

INDIRECT OWNERSHIP - PREVIOUS OWNER: Acquired in any of the modes mentioned in Sec.49 (1)

Exception to transfer u/s 47	Treatment of cost of acquisition
<ol style="list-style-type: none"> 1. Gift or inheritance. 2. On partition of H.U.F. 3. Amalgamation 4. Demerger. 5. Amalgamation of banking co.'s 6. Transfer from a holding Co. to its 100 % subsidiary Co., & vice-Versa. Both the Companies must be Indian companies. 7. Business reorganization of cooperative banks 8. Property of the Private company or Listed public company, Acquired by the LLP On conversion 9. Transfer of capital asset / intangible asset as a result of conversion of firm in to company. 10. Transfer of capital asset / intangible asset as a result of conversion of proprietary concern in to company. 11. Conversion of debentures and deposit certificates into shares. 12. Amalgamation – Shares 13. Demerger – Shares 14. Conversion of FCEBs into shares or debentures of any company. 15. Any transfer of a capital asset, being share of a special purpose vehicle to a business trust in exchange of units allotted by that trust to the transferor shall not be treated as a transfer. 16. Transfer of sovereign gold bonds scheme by way of redemption. 17. Any transfer, made outside India, of a capital asset being rupee denominated bond of an Indian company issued outside India, by a non-resident to another nonresident. 18. Any transfer by way of conversion of preference shares of a company into equity shares of that company. 	<ol style="list-style-type: none"> a) Section 49(1): Cost of acquisition = cost to the previous owner. (For points 1 to 11 of Sec.47) b) Section 2 (42A): In determining the nature of capital asset in the hands of transferee Period of holding = Previous owner holding period + assessee holding period (For points 1 to 11 of Sec.47)

CONCEPT OF REVERSE MORTGAGE - SEC.47 (xvi)**Applicability:**

- Senior Citizens who own a residential house property.
- They can mortgage their house with a scheduled bank/housing finance co. for a lump sum amount / regular income.

Concept:

- Use the amount for any purpose other than for speculative / trading purpose.
- Bank will recover the (loan + accumulated interest) by selling the house after the death & excess amount will be given to the legal heirs.
- Before resorting to the sale of the house, preference will be given to the legal heirs.

Tax implication:

- Not a transfer for capital gain purposes.
- The Amount received by the senior citizen as loan is exempt from tax u/s 10(43).

PERIOD OF HOLDING & COST OF ACQUISITION UNDER DIFFERENT CASES

Special Cases	Period of Holding	Cost of Acquisition
Amalgamation – shares	Period of holding of the asset of the transferor shall also be considered.	Amalg. - Shares: The cost of acquisition of the shares in the amalgamated company shall be the cost of acquisition of the shares of the amalgamating company.
Demerger-shares	Period of holding of the asset of the transferor shall also be considered.	Demerger - Shares: 1. Cost of acquisition of the shares in the resulting company: $\frac{\text{Cost of acquisition of shares held by the assessee in the Demerged company} \times \text{Networth transferred in a Demerger}}{\text{Networth of a demerged co. immediately before demerger}}$ 2. Net Worth = Paid up share capital + General Reserves. 3. Cost of acquisition of the shares in demerged co. (Post demerger): Cost of acquisition of the original shares (in demerged co.) <u>minus</u> cost of shares as obtained in 'a' above (resulting co.).
Conversion of debentures and deposit certificates into shares.	Period of holding of debentures period is to be taken into account	COA of shares = COA of debentures or COA of FCEB'S
Conversion of FCEB's into shares or debentures of any company.	Period of holding of FCEB's period is not to be taken into account	
A Unit of a business trust allotted pursuant to transfer of share or shares of special purpose vehicle	Shall be included the period for which the share or shares were held by the assessee in special purpose vehicle. (domestic company)	1. A Unit of a business trust allotted pursuant to transfer of share: The cost of acquisition of units so received on exchange shall be cost of the share of the special purpose vehicle which wants exchange for such unit.
Right Renouncement	If the right to subscribe to shares is renounced to any other person the period of holding of the asset (Right	1. Shares (Original & Rights) (i.e. Financial Assets): a) The cost of acquisition (C.O.A.) of original shares - Amount actually paid. b) The C.O.A. of the right shares - Amount actually paid. c) Right Renouncements - While computing capital gains C.O.A. to be taken as NIL.

	Renouncement) shall be calculated from the date of the offer of such right by the company up to the date of renouncement.	Cost to the purchaser of right shares: Amount paid to the company for acquiring the shares + the amount paid to the owner towards rights renouncement.
Specified Security/Sweat equity shares	The period of holding for any specified security or sweat equity shares allotted or transferred, by the employer free of cost or at concessional rate to his employees shall be reckoned from the date of allotment or transfer of such specified security or sweat equity shares.	1. ESOP / Sweat Equity Shares - Sec.49(2AA): <ol style="list-style-type: none"> While computing salary, value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer or former employer free of cost or at concessional rate to an employee shall be considered as taxable perquisite. In a case where such specified security or sweat equity shares are subsequently transferred, for the purpose of computation of capital gains, the cost of acquisition of such specified security or sweat equity shall be the fair market value which was adopted for the purpose of calculation of perquisite u/s 17 under the head 'Salaries'
Bonus Shares	Assessee first held	Original Shares (O.S.) & Bonus Shares (B.S.) <ol style="list-style-type: none"> If O.S. & B.S. are allotted before 1-4-1981 In case of Original Shares - FMV as on 1-4-1981 or C.O.A, ↑ In case of Bonus Shares - FMV as on 01-04-1981. If O.S. are acquired before 1-4-1981 & B.S. are allotted on or After 1-4-1981 In case of Original Shares - FMV as on 1-4-1981 or C.O.A, ↑. In case of Bonus Shares - NIL. If O.S. & B.S. are acquired on or after 1-4-1981 In case of Original Shares - Cost incurred. In case of Bonus Shares - NIL.
Acquisition of property in transfer of unit/s in the consolidated scheme of the mutual fund or consolidated plan	Period of holding of Unit(s) is to be taken into account	Cost of acquisition of original unit(s) before the transfer made
Conversion of preference shares	Period of holding of preference shares is to be taken into account	Cost of acquisition of original convertible preference share(s)

SEC.45 SERIES

Sec	Event	Year of chargeability	Consideration	Indexation
<u>45(1A)</u>	Damage or Destruction of any Capital Asset	Year in which compensation or the asset is received.	Value of money received or FMV of the asset received	only up to the year of destruction
<u>45(2)</u>	Conversion of a capital asset into stock in trade.	The year in which such stock was sold.	FMV as on the date of conversion	Indexation available only up to the year of conversion.
<u>45(3)</u>	Transfer of a Capital	Year of transfer.	Value of such asset	Available

	Asset by way of capital contribution.		was recorded in partnership firm books.	
45(4)	Transfer of a Capital Asset by way of distribution on dissolution.	Year in which transfer takes place	FMV as on date of transfer. Cost of acquisition - Value recorded in the books.	Not available
45(5) (SEE NOTE)	Transfer of a Capital Asset by way of Compulsory Acquisition.	P.Y in which compensation is received (Full / Part).	Compensation.	Up to the year of transfer.
45(5A)	Transfer of share in the project which was entered by a an Individual / HUF into a specified agreement	After the date of issue of the completion certificate by competent authority	Sum of SDV of his transferred share and Consideration received in cash	Up to the year of transfer.
		On or before the date of issue of the completion certificate by competent authority	Higher of Actual consideration and SDV on the date of handing over his share	

Note: If Compensation is received by the legal representative – taxable.

a) **Enhanced compensation / consideration:** In the year of receipt.

b) C.G.'s shall be revised if such compensation or enhanced compensation is reduced by court.

c) In case of interim order compensation shall be chargeable **only** in the P.Y. in which final order is made by the court.

d) Interest on enhanced compensation-chargeable under other sources, subject to 50% Deduction u/s 57.

e) Expenses incurred for getting the enhanced compensation is allowable as expenditure.

DISTRIBUTION OF ASSETS BY COMPANY IN LIQUIDATION (Sec. 46)

1. Tax treatment in company's hands:

In case of	Sale by liquidator and distribution of sale proceeds to shareholders	Distribution of capital assets in specie (as it is)
Tax effect	Taxable in the company's hands as capital gains	Not a transfer. Hence not taxable [Sec 46 (1)]

2. Tax treatment in shareholder's hands:

a) Computation of capital gains on receipt of assets/cash from company

Step 1	Total value received = FMV of asset received on date of liquidation and amount received in cash
Step 2	Determine the shareholders interest in accumulated profits on the date of liquidation, i.e., deemed dividend u/s 2 (22) (c)
Step 3	Consideration for transfer for determining capital gain = Step 1 - Step 2
Step 4	Capital gain = consideration for transfer for determining capital gain (Step 3) Less: Cost of acquisition of shares (indexed cost, in suitable cases)

b) Capital gain on subsequent sale of asset receivable by shareholders on liquidation

Capital gain = net consideration less fair market value u/s 46 (2) and cost of improvement.

BUY BACK OF SHARES [SEC.46A]

Sec.46A - buyback of shares & capital gains

- Where a company purchases its own shares the difference between the cost of acquisition & consideration received by the shareholder shall be taken as C.G.'s.

2. Indexation: If the shares are long term capital asset indexation facility is available.

3. Year of chargeability: In the year in which such shares are purchased by the Co.

However, in case of buyback of unlisted shares by domestic companies, additional income tax @ 20% leviable in the hands of the company. Consequently, the income arising to the shareholders in respect of such buyback of unlisted shares by the domestic company would be exempt under section 10(34A), where the company is liable to pay additional income tax on the buyback of shares

(1)	(2)	(3)
Taxability in the hands of the -	Buyback of unlisted shares by domestic companies	Buyback of shares other than shares referred to in column (2)
i) Company	Subject to additional income tax @ 20%	Not subject to tax in the hands of the company.
ii) Shareholders	Income arising to shareholders exempt under section 10(34A)	Income arising to shareholders taxable as capital gains under section 46A

COMPUTATION OF CAPITAL GAINS [Sec.48]

STCG: Capital gains arising on transfer of a short term capital asset are called STCG.

Manner of Computation - Sec.48 (For Non-depreciable assets)

Full value of Consideration		XXX
<u>Less:</u> Transfer Expenses		XXX
Net Consideration		XXX
<u>Less:</u>		
Cost of Acquisition	XXX	
Cost of Improvement	XXX	XXX
Gross Capital Gains/Loss		XXX
<u>Less:</u> Exemption U/s. 54B, 54D.		XXX
Net STCG/L		XXX

LTCG: Capital gains arising on transfer of a Long term capital asset are called LTCG.

Manner of computation of LTCG: Replace Indexed Cost of acquisition and Indexed Cost of Improvement for Cost of Acquisition and Cost of Improvement and available all exemptions Sec. 54 to 54F.

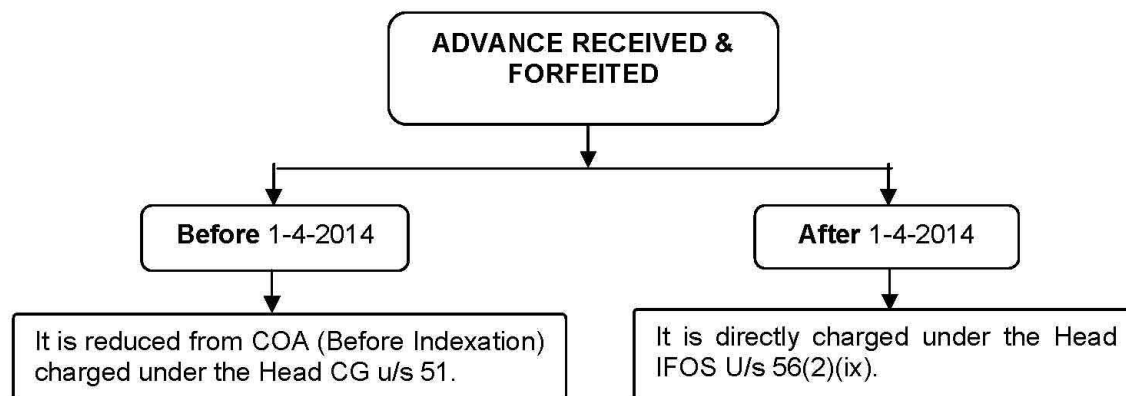
Proviso 5 to sec.48: Any gains arising on account of rupee appreciation against foreign currency at the redemption of rupee denominated bond of an Indian company held by a Non-resident shall not be included in the consideration.

COA IN CASE OF SPECIAL CATEGORY

ASSETS - SEC.55

COST OF ACQUISITION & COST OF IMPROVEMENT		
Nature of Asset	Cost of Acquisition	Cost of Improvement
Self- Generated Goodwill of Business, Right to manufacture / produce/ process any article/right to carry on business	NIL	NIL
Self- Generated Tenancy rights, Route permits, Loom Hours, Trade Marks, Brand name related to business	NIL	Actual Cost Incurred
Any other self Generated Asset	Not ascertainable (C.G. is not chargeable)	Not ascertainable (C.G. is not chargeable)

C.B.D.T. Circular: Transfer of Goodwill by professional firms & notional transfer of goodwill will not attract capital gains

FORFEITURE OF ADVANCE - SEC.51**INDEXATION****Current Year (FY: 2017-18): CII No. 272**

Available from the year of acquisition or from the year 2001-02 whichever is later.

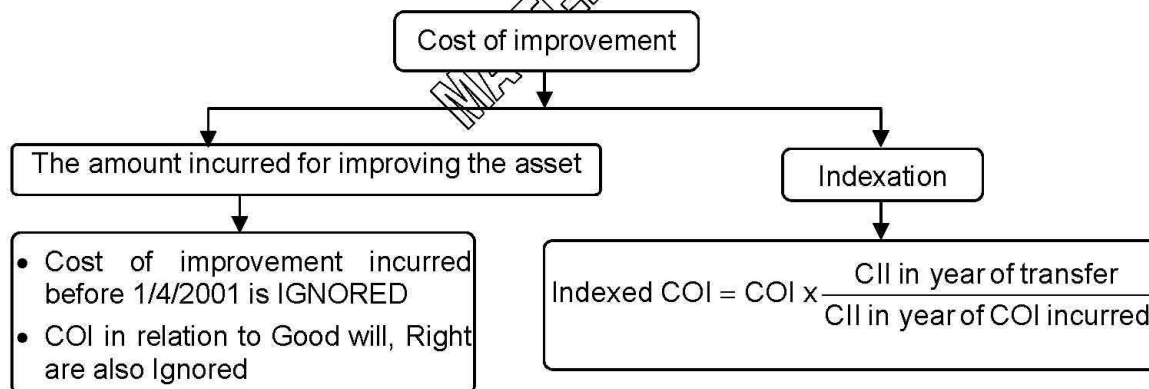
$$\text{INDEXED COST OF ACQUISITION} = \frac{1}{2} \times 3,$$

1 = Cost of Acquisition [or] FMV as on 1/4/2001 as the case may be.

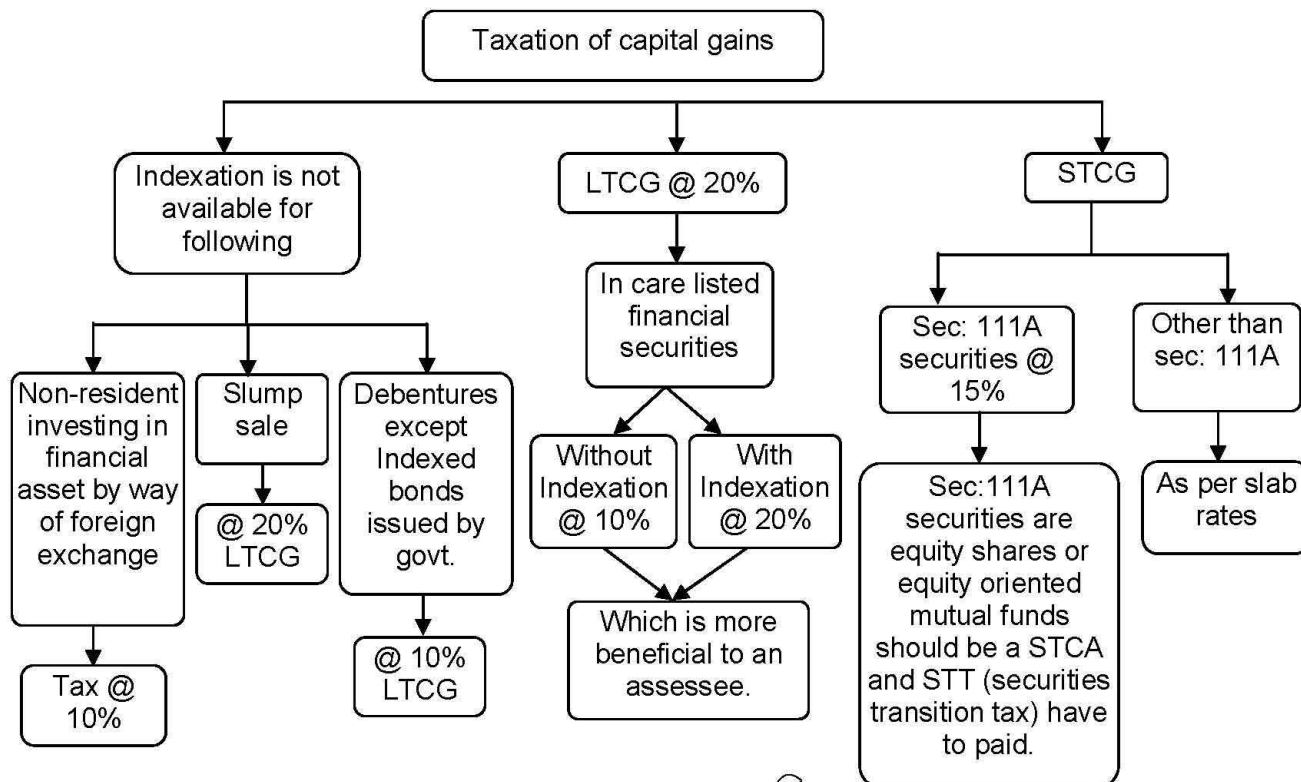
2 = Indexed factor for 2001-02 or for the first year of acquisition by the assessee, whichever is later.*

3 = Indexation factor for the year of transfer.

* The previous owner holding period is to be ignored as per Act, But as per Manjula. J. Shah case law (Mumbai High court) the previous owner holding period is taken for indexation

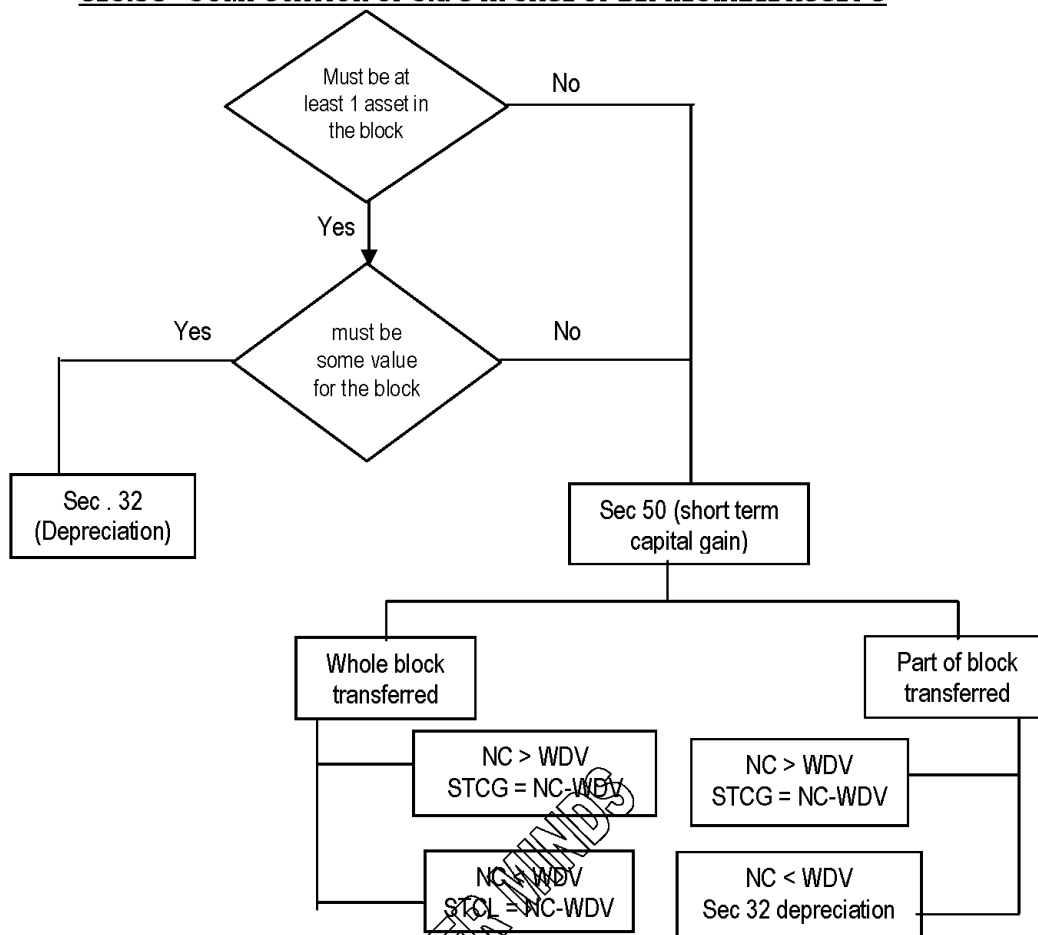
COST OF IMPROVEMENT

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RATES OF TAXES ON CAPITAL GAINS


Section	Particulars
10(33)	Any income arising from the transfer of a capital asset being a unit of Unit Scheme 1964 of UTI.
10(37)	Individual/HUF + Transfer of UAL + compulsory acquired by CG/RBI + Used for agriculture purpose + 2 years before transfer by individual/HUF or his parents.
10(38)	Any income arising from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund shall be exempt, if such transaction is chargeable to securities transaction tax. Note: The income arising from transaction undertaken in foreign currency on a recognized stock exchange located in an International Financial Services Centre shall be exempted U/S 10(38) even though STT is not paid in respect of such transactions.

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SEC.50 - COMPUTATION OF C.G.'S IN CASE OF DEPRECIABLE ASSET'S**SEC.50B - SLUMP SALE**

- Transfer of whole business for Lumpsum consideration (Without valuing individual assets & liabilities)
- Any profits arising from such sale shall be chargeable as capital gains.
- > 36 Months: If business was held for more than 36 Months**, Then the capital gains shall be treated as **LTCG**.
- Cost of Acquisition + Cost of Improvement = Net worth** of the business.
- Net worth** = Total value of total assets-value of outside liabilities. The total value of total assets shall be:
 - In the case of depreciable assets - WDV as per I. Tax act.
 - In the case of other assets -Book values (Other than Revaluation Figures)
 - Sec.35AD assets- Nil.
- A **C.A. report** certifying the computation of Net worth to be enclosed.

SEC.50C - SPECIAL PROVISIONS FOR COMPUTATION OF CONSIDERATION

- What it says:** Where the consideration for the transfer, of land or building or both whether registered or through agreement to sell or by power of attorney, is < stamp duty value, then the value so adopted shall be taken as consideration. (i.e. Stamp duty value = Consideration)
- Refer to V.O.:** When the assessee claims that the stamp duty value > FMV.
- Such reference shall not be made, if the stamp duty value has been disputed in any appeal.
- Action can be taken on report:**
 - Value determined by V.O >Stamp duty- A.O. shall take stamp duty value = Consideration.

- ii) Value determined by V.O. < Stamp duty-A.O. may take determined value = Consideration.
- iii) Value determined by V.O. < Sale consideration-A.O. shall take Actual consideration = Consideration.
- e) **C.G.'s** = Consideration - Cost/Indexed Cost.
- f) Subsequent to the making of assessment, if such value is revised in any appeal, the A.O. shall amend the assessment order to recompute the capital gain.

Differences between sec 43CA and Sec 50C:

Sec 43CA	Sec 50C
Transfer of an asset, being land or building or both, held as stock-in-trade	Transfer of capital asset , being land or building or both
Stamp duty value on the date of agreement may be adopted as consideration	Stamp duty value on the date of agreement may be adopted as consideration
Whole or part of consideration should be paid by any mode other than cash on or before the date of agreement	Whole or part of consideration should be paid by A/c payee Cheque /bank draft or ECS through a bank A/c on or before the date of agreement

SEC.50CA – FMV TO BE FULL VALUE OF CONSIDERATION IN RESPECT OF UNQUOTED SHARES

an assessee being a transferor of the **unlisted shares**, transfers such asset for a **consideration received or to be received** as a result of such transfer which is **less than** the FMV of such share determined in the prescribed manner, then the FMV shall be the deemed value of consideration.

SEC.50D – FMV TO BE FULL VALUE OF CONSIDERATION IN CERTAIN CASES

Where the consideration received or accruing as a result of the transfer of a capital asset by an assessee is not ascertainable then the value of such asset shall be deemed to be valued at the fair market value of said asset on the date of transfer.

SEC.55 A - REFERENCE TO VALUATIONER

For ascertaining FMV, the A.O. may refer the valuation of a Capital Asset to a V.O. (V.O.)

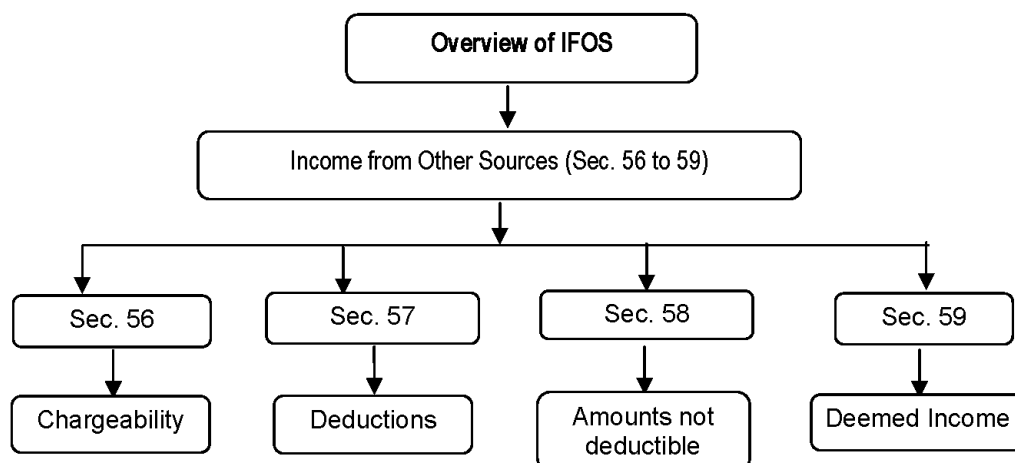
- a) **Already valued:** Even if the A.O. is of the opinion that the value so claimed is less than its FMV.
- b) **If not so**, if the A.O. is of the opinion:
 - i) That the FMV of the asset > 15 % of the value Or by RS 25,000 Or
 - ii) That having regard to the nature of the Asset, it is necessary to make the reference.

The valuation report of the V.O. shall be binding on the A.O.

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Sec.No	Applicable assessee	Asset to be transferred	Asset to be purchased	Time limit	Quantum of exemption	Applicability of CG. A/c scheme	Sale of New asset or Investment	Other conditions
54	Individual, HUF	Residential House property (RHP)	One Residential house	Purchase within 1 year or 2 years	Least of investment made or capital gains	Applicable	If the New asset was transferred within 3 years, STCG shall be computed and reduced from the COA	-
54B	Individual, HUF	Urban agricultural land	Agricultural Land (Capital asset or Not)	Within 2 years from the DOT	Same as Sec.54	Applicable	Same as Sec.54	2 years in use before the DOT (Assessee/ partner/ any member of HUF)
54D	Any assessee	Compulsory acquisition of L & B forming part of industrial undertaking	L & B for Industrial purpose	3 years from the DOT	Same as Sec.54	Applicable	Same as Sec.54	2 years in use before the DOT
54F	Individual, HUF	Any LTCA other than RHP	One Residential house	Purchase within 1 year or 2 years after construction Within 3 years from the date of transfer	If the cost of new asset < Net sale consideration, then proportionate LTCG X amount invested Net consideration Otherwise the total CG is exempt from tax	Applicable	If the new asset was transferred within 3 years, CG exempted earlier shall be taxable in the PY of transfer of New asset	Not holding more than one RHP as on the date of transfer of new asset
54EC	Any assessee	Any LTCA	Purchased NHAI/ RECL bonds/ any other notified bonds redeemable after 3 years	Purchase within 6 months from the date of transfer	Same as Sec.54 but amount was restricted Rs.50 lakh in any FY	N.A.	If investment transferred /converted within 3 years, CG exempted shall be taxed as LTCG in the PY of transfer/ conversion	-
54EE	Any assessee	Any LTCA transferred on or after 01.04.2016	Purchased notified units issued before 01.04.2019 of specified fund	Purchase within 6 months from the date of transfer	Same as Sec.54 but amount was restricted Rs.50 lakh in any FY	N.A.	Same as Sec.54EC	-

8. INCOME FROM OTHER SOURCES



CHARGING SECTION - SEC.56(1)

Basis of Charge	Income from other sources is the last and residual head of income. It covers any income, which does not fall under any other head of income. In other words, the following conditions should be satisfied-				
	a) There must be an income.				
	b) Such income is not exempt under the provisions of this Act.				
	c) Such income is not chargeable to tax under any of the previous heads of income.				
	If the above three conditions are satisfied, income is taxable under section 56(1) under the head "IFOS".				
	Examples:				
	Director's Sitting Fee, MP's, MLA 's	Rent from vacant land	Income from sub letting	Interest	Royalty

METHOD OF ACCOUNTING - SEC.145

Cash basis or mercantile basis whichever is opted by assessee.

Exceptions: The following are taxable only on actual receipt basis

- a) Deemed dividend income covered u/s. 2(22)e;
- b) Interest on compensation or enhanced compensation -Sec 145A.

INCOME CHARGEABLE UNDER THIS HEAD - SEC.56(2)

INCOME CHARGEABLE ONLY UNDER THIS HEAD

<ol style="list-style-type: none"> 1. Dividend (u/s 2(22e), Foreign dividend) 2. Winning from lotteries, etc. 3. Employees' contribution towards staff welfare scheme. 4. Interest on securities (debentures, Government securities/bonds) 5. Rental income of machinery, plant or furniture let on hire. 6. Rental income of plant, machinery or furniture along with letting out of building and they are not separable. 	<ol style="list-style-type: none"> 7. Sum received under Keyman insurance policy including bonus by legal representatives 8. Gift 9. Interest on compensation/ Enhanced compensation 10. Any sum received during the previous year 2014-15 (or any subsequent year) as an advance or otherwise in the course of the negotiations for transfer of a capital asset (if it is forfeited and the negotiations do not result in transfer of such capital asset).
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Note: Income mentioned at point numbers 3, 4, 5, 6, and 7 are taxable under the head "IFOS" only if the same is not taxable under section 28 as business income.

DIVIDEND

DIVIDEND	Final dividend & Deemed dividend u/s 2(22)(a), 2(22)(b), 2(22)(c), 2(22)(d) from Indian Co. is exempted u/s 10(34) in the hands of SH upto 10 lakhs . (because co. will have to pay D.D.T u/s 115-O) (Refer sec. 115BBDA)
	Deemed dividend u/s 2(22)(e) from Indian Co. (or) any dividend from Foreign Co. is taxable in the hands of SH under the head IFOS

TAX ON CERTAIN DIVIDENDS RECEIVED FROM DOMESTIC COMPANIES (SEC. 115BBDA) (W.E.F. A.Y. 2017 – 18)

- Applicability:** Assessee being an Individual, HUF or a firm, Resident in India.
- Nature of Income:** Any income in aggregate exceeding Rs.10 Lakhs, by way of Dividends declared, distributed or paid by a Domestic Company.
- Rate of tax:** Tax = 10% on the Income in aggregate by way of such Dividends. (Note: this is in addition to the Tax payable on Other Total Income).
- No Deduction:** No deduction in respect of any expenditure or allowance or set off of loss shall be allowed to the Assessee under any provision of the Act in computing the income by way of dividends u/s.115BBDA (1)(a).
- Meaning:** Dividend shall have the same meaning as per Sec. 2(22) (a), (b), (c), (d) but Excludes sub – clause (e) thereof.

CONCEPT OF GIFT**Gifts received by Individuals and HUF [Sec. 56(2)(x)]**

- Applicability:** Any person being the recipient.
- Taxability:** Any sum of money or value of property received without consideration or for inadequate consideration to be subject to tax in the hands of any person being the recipient of such sum of money or value of property, under the head Income from Other Sources

Movable and immovable property	Tax treatment	Single/ all transactions
Cash Gift	If aggregate amount > Rs. 50,000, then whole amount will be taxable	All transactions
Immovable property without consideration	If SDV > Rs. 50,000, SDV is taxable.	Single transaction
Immovable property for inadequate consideration	If (consideration-SDV) > Rs.50,000, then the difference is chargeable to tax. Note: SDV may be taken on the date of agreement.	Single transaction.
Movable property without consideration	If aggregate FMV > Rs. 50,000, then it is taxable	All transactions
Movable property for inadequate consideration	If (consideration-FMV) > Rs.50,000, then the difference is chargeable to tax	All transactions

Exceptions - Any sum of money/property which is received

- From any relative.
- On the occasion of marriage of an individual.
- Under a will or by way of inheritance.
- In contemplation of death of payer.
- From a local authority.
- From any fund, university, other educational institution, hospital/medical institution, any trust.
- From registered charitable institutions.

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FIRM OR CLOSELY HELD COMPANY RECEIVES SHARES OF ANOTHER CLOSELY HELD COMPANY Sec.56(2) (viiia).

Nature of Receipt	Sum Taxable
The shares are received without consideration	If aggregate FMV > Rs. 50,000, then it is taxable
The shares are received for an inadequate consideration.	If (consideration-FMV) > Rs.50,000, then the difference is chargeable to tax.

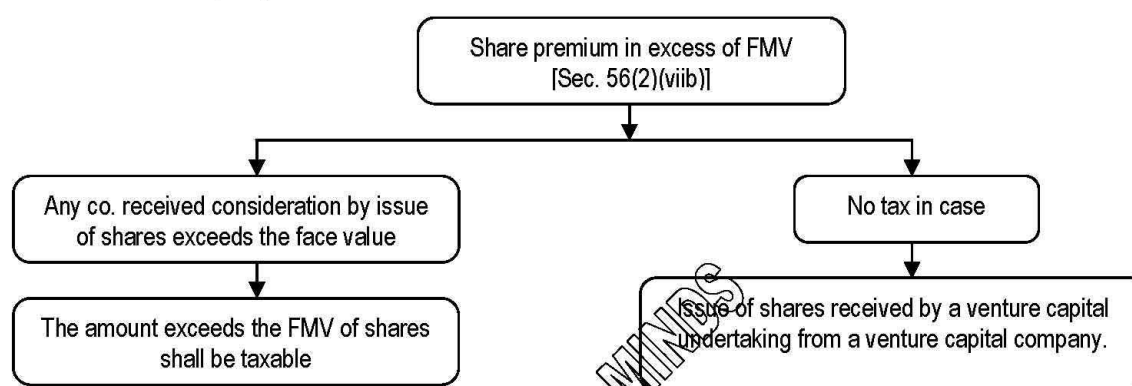
Note: Any shares received by an individual or HUF as a consequence of demerger or amalgamation of a company or business reorganization of a co-operative bank shall not be subject to tax by virtue of the provisions contained in section 56(2)(vii).

SHARE PREMIUM IN EXCESS OF THE FAIR MARKET VALUE TO BE TREATED AS INCOME [Sec.56(2)(viib)]

Applicability : Closely held company

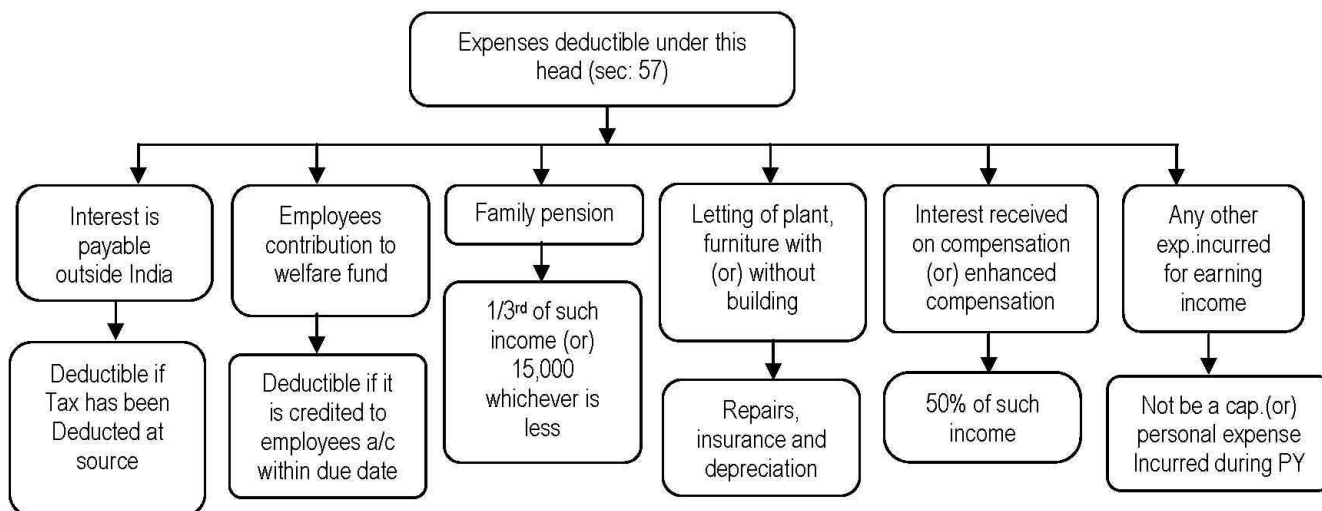
Event : **Issue of shares to a resident at a premium i.e.** In excess of face value.

Consideration : If aggregate amount received in excess of fair market value is taxable in the hands of company under the head other sources


TREATMENT OF SOME INCOMES

Winnings from lotteries, crossword puzzles, horse races and card games, etc.	Gross winnings from lotteries, crossword puzzles and races including horse races (other than income from the activity of owning and maintaining race horses), card games and other games of any sort or from gambling or betting (of any nature whatsoever) are chargeable to income-tax. These incomes are taxable at a flat rate of 30 percent (+SC+EC+SHEC) on the gross winnings (without claiming any allowance or expenditure)
Interest on securities Grossing up of interest	Taxable on "receipt" basis, if the assessee maintains books of account on "cash basis". It is taxable on "due" basis when books of accounts are maintained on mercantile system. Interest becomes due on due dates specified on securities irrespective of the holding period of the Assessee.
Income from composite letting of building, machinery, plant or furniture	If there is letting of machinery, plant and furniture and also letting of the building and the two lettings form part and parcel of the same transaction or the two lettings are inseparable (in the sense that letting of one is not acceptable to the other party without letting of the other; for instance, letting of cinema house along with letting of furniture) then such income is taxable under the head "IFOS" (if it is not taxable as business income). This rule is applicable even if sum receivable for the two lettings is fixed separately.
Interest received on compensation/ enhanced compensation	Interest received on compensation/ enhanced compensation shall be taxable in the year in which is received. However, 50 percent of such interest is deductible under section 57. in other words, 50 percent of interest received on compensation/ enhanced compensation is effectively chargeable to tax.

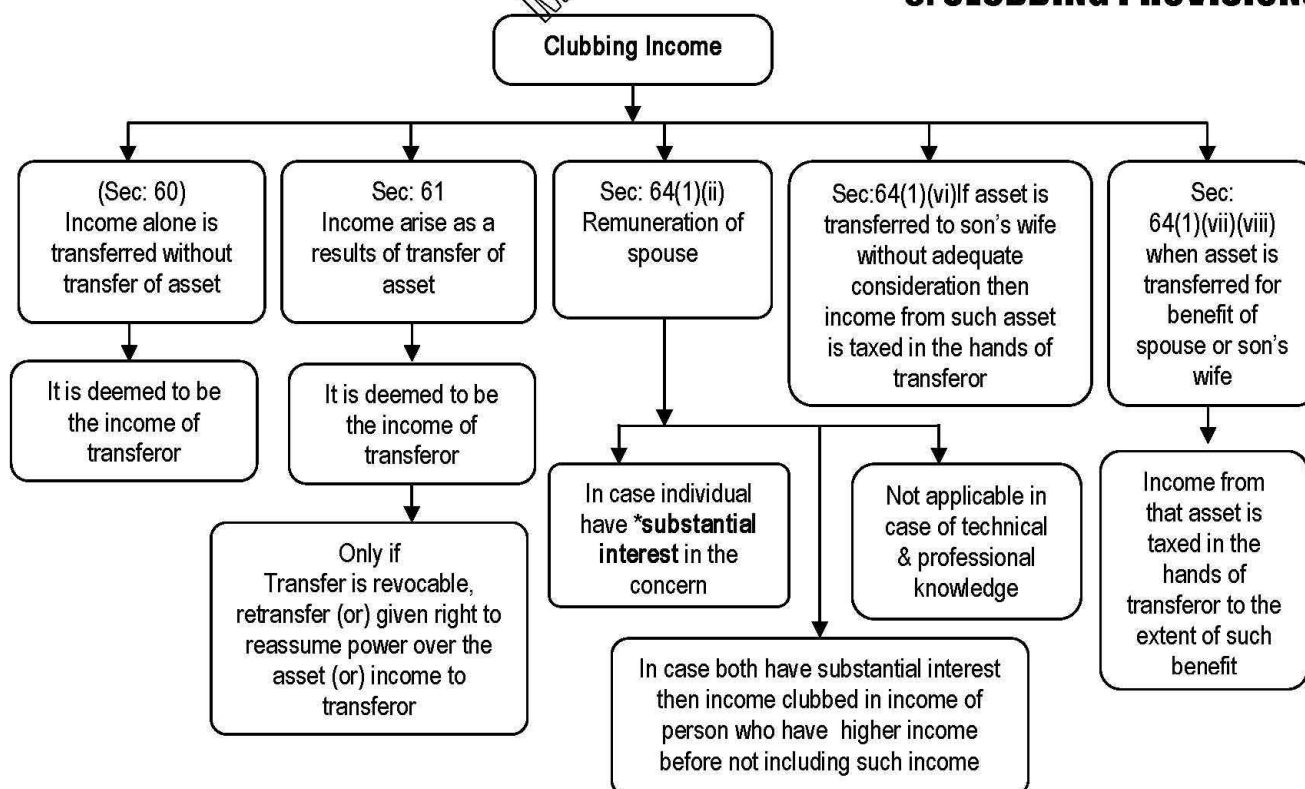
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EXPENSES DEDUCTIBLE UNDER THIS HEAD (SEC.57)**INADMISSIBLE EXPENDITURE - SEC58**

- Income tax.
- Interest or salary payable outside India, if tax has not been paid or deducted at source.
- Expenses in respect of royalty and technical fees received by a foreign company.
- No deduction in respect of winnings from lotteries, crossword puzzles, races including horse races etc.
- No payment made to a relative/ associate concern in excess of Rs. 10,000 in cash, shall be allowed.
- 30% disallowance will be attracted if a sum subjected to TDS, but such TDS was not made or deducted but not credited to the CG account within the due date specified in Sec.139(1).

DEEMED INCOME CHARGEABLE TO TAX SEC. 59

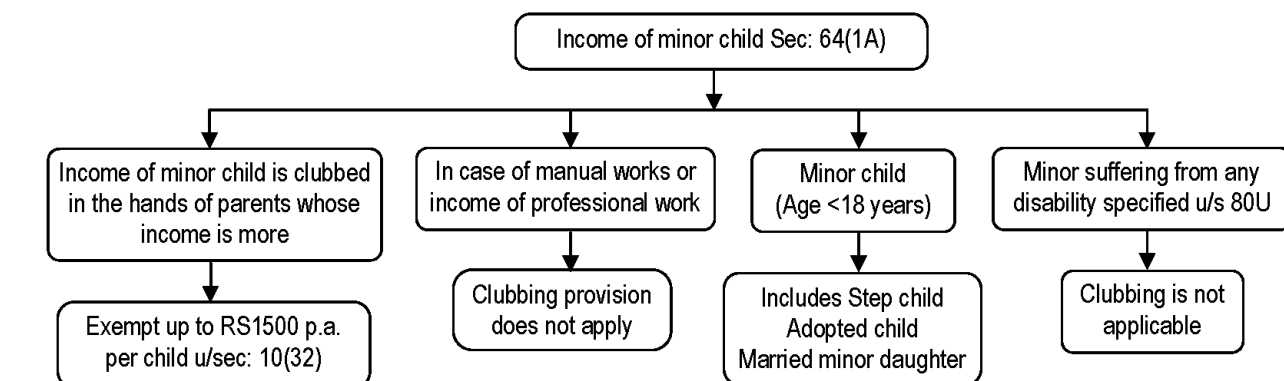
Loss or Expenditure already allowed in computation of Income from Other sources and subsequently recovered shall be treated as the income of the previous year in which it is **Recovered**.

9. CLUBBING PROVISIONS

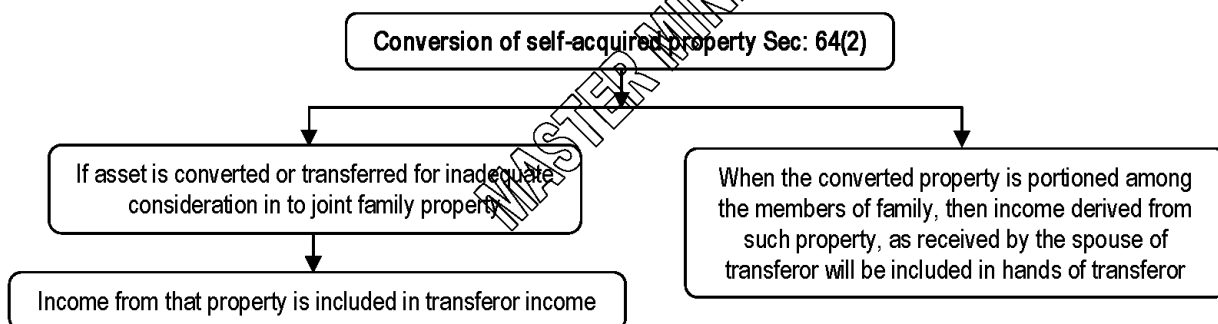
***Substantial interest** for this purpose means the interest of individual together with the interest of relatives. Relative includes brother, sister, spouse, any lineal ascendant or descendant (Sec.2(41)).

GIFT TO SPOUSE - SEC.64(1)(iv)

Where an asset (other than house property) is transferred by an individual to his or her, spouse <u>directly</u> or <u>indirectly</u> , otherwise than for adequate consideration or <u>in connection with an agreement to live apart</u> , any income from such asset will be deemed to be the income of the transferor.	Exceptions to Sec.64(1) (IV): a) If the assets are transferred before marriage. b) If the assets are transferred in connection with an agreement to live apart. c) If on the date of accrual of income, transferee is not spouse of the transferor. d) If the assets are transferred for adequate consideration e) If the property is acquired by the spouse out of pin money.
Other than H.P.: H.P. was excluded because it is covered u/s 27(1).	



Note: Income from accretion property is not clubbed in the income of transferor



OTHER POINTS TO BE REMEMBERED

		Spouse / Son's Wife	Minor Child
1.	Income from transferred asset is to be clubbed.	Correct	Correct
2.	Income from income cannot be clubbed.	Correct	Wrong
3.	Income from accretion of asset cannot be clubbed.	Correct	Wrong
4.	All income is clubbed.	No only income from the transferred asset is clubbed	Yes all income is clubbed

10. SET OFF AND CARRY FORWARD OF LOSSES

Sec.	Nature of Loss	Details of set-off	Conditions / Exceptions
70	Current Year Loss within the same Source	Set-off within the same source	Exceptions: Loss from – 1) Activity of owning and maintaining of race horses. 2) Speculation Business. 3) Short Term Capital Loss (set-off against STCG / LTCG.)

			4) Long Term Capital Loss-(set-off only against LTCG.)
71	Current Year Loss under any head	Set-off against income under any other head.	Exceptions: 1) Loss from – a) Activity of owning and maintaining of race horses. b) Speculation business. c) Capital Gains. 2) Loss under the head PGBP cannot be set-off against Income from Salaries . 3) Loss from specified business u/s 35AD can be set-off only against Income from any other specified business [S.73A]. 4) the maximum loss from house property which can be set-off against income from any other head is Rs. 2 lakhs
71B	Brought forward Unabsorbed Loss from House Property	Set-off only against Income from House Property.	Firstly, the loss under the head house properties to the extent of Rs.2,00,000 in the same year and the balance shall be set off against Permissible for 8 Assessment years immediately succeeding the Assessment Year in which the loss first arose.
72	Brought Forward Unabsorbed Business Loss other than Speculation Loss	Set-off only against income under the head Profits and Gains of Business Or Profession	1) Carry forward and set-off is permissible for 8 assessment years immediately succeeding the assessment year in which the loss first arose. 2) Loss can be carried forward, only if the return is filed u/s 139 (1) and determined and communicated u/s 157.
32(2)	Brought forward Unabsorbed	Set-off against any head of Income	Unabsorbed Depreciation Loss can be carried forward for any number of years until it is fully set-off.
73	Brought forward Unabsorbed Speculation Business Loss	Set-off only against income under Speculation business	1) Carry forward and set-off is permissible for 4 assessment years immediately succeeding the assessment year in which the loss first arose. 2) Loss can be carried forward, only if the return is filled u/s 139(1) and determined and communicated u/s 157
73A	Brought forward loss of Specified Business u/s 35AD	Set-off only against Income from any other Specified Business	1) Loss can be carried forward for any number of years until it is fully set-off. 2) Loss can be carried forward, only if the return is filed u/s 139 (3) and determined and communicated u/s 157
74	Brought forward Unabsorbed Loss under the head Capital Gains.	Set-off only against Income under the head Capital Gain.	1) Carry forward and set-off is permissible for 8 assessment years immediately succeeding the assessment year for which the loss was computed. 2) Loss can be carried forward, only if the return is filed u/s 139(1) and is determined and communicated u/s 157 3) STCL can be set-off against any Capital Gain. However, LTCL can be set-off only against LTCG.
74A	Brought forward Unabsorbed Loss from activity of owning & maintaining	Set-off only against Income from owning and maintaining Race Horses	1) Carry forward and set-off is permissible for 4 assessment years immediately succeeding the assessment year for which the loss was computed.

Race Horses	2) Loss can be carried forward, only if the return is filled u/s 139(1) and determined and communicated u/s. 157.
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Note: Set-off of losses not permissible against unexplained income, investments, money etc. chargeable under sections 68/69/69A/69B/69C/69D [Section 115BBE] Effective from: A.Y.2017-18

SUMMARISED TABLE

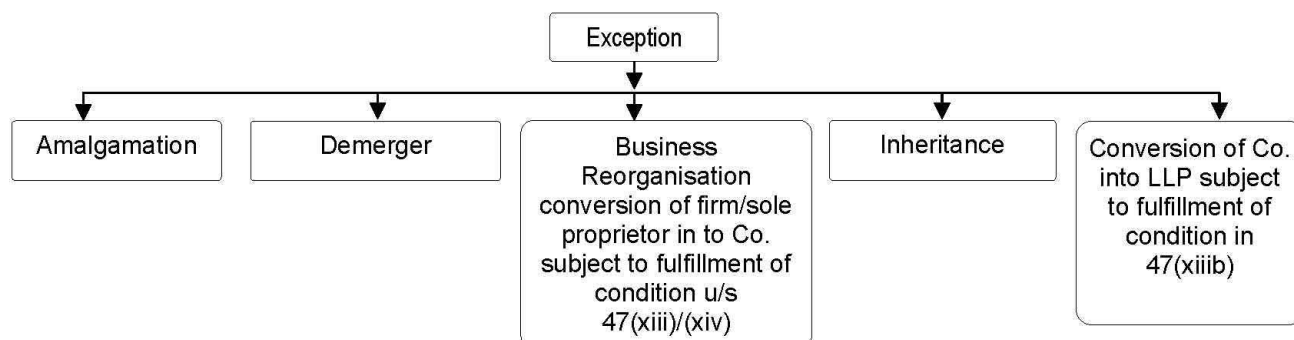
Head of income under which loss is incurred	Set off in the year of loss		Carry forward & set off in the subsequent previous years		Time limit for c/fwd, and set off of losses	Return u/s 139(1) Apply (sec 80)
	Under same head (S.70)	Under other head (S.71)	Under same head	Under other head		
Income from house property (71 B)	Yes	Yes up to Rs.2 lakh	Yes	No	8 A.Y.	No
Profits and gains from business or profession:						
• Non-speculation business (72)	Yes	Yes (except salaries)	Yes	No	8 A.Y.	Yes
• Speculation business(73)	Yes	No	Yes	No	4 A.Y.	Yes
• Specified business(73A)	Yes	No	Yes	No	No limit	Yes
• Unabsorbed depreciation	Yes	Yes	Yes	Yes	No limit	No
Capital gains: (74)						
• Short term	Yes	No	Yes	No	8 A.Y.	Yes
• Long term (NOTE)	No	No	Yes	No	8 A.Y.	Yes
Income from other sources						
• Lotteries, crossword puzzles, card games, gambling etc.	Profit from similar activities	No	No	No	N.A	Yes
• Loss from activity of owing and maintaining race horses (74A)	Yes	No	Yes	No	4 A.Y.	Yes
• Other income	Yes	Yes	No	No	N.A	No

Note: LTCL will be set-off only against LTCG

Loss from Speculation business & Specified Business can be Set-off only against similar business

Loss can be carried forward only by the person who has incurred the loss

As per Sec. 78(2), where any person carrying on business or profession has been succeeded in such capacity by another person otherwise than by inheritance, then the successor cannot have the loss of the predecessor being carried forward and set off against his income. However, there are certain exceptions, which are briefed here under:



LOSS RETURNS - SEC.80

Assessee claiming the benefit of carry forward of losses u/s 72, 73, 74, 74A (71B is not given) must file the income tax return within the due date specified u/s 139(1).

11. DEDUCTIONS UNDER CHAPTER -VI A

The aggregate amount of deductions under this chapter shall not exceed GTI.

Sec.80A(4): Where any assessee claims deduction U/s 10A, 10AA or 10BA, 80IA, 80IB etc.- no Chapter VI-A deductions are available.

To grant deduction under Sections 80 JJA, JJAA, LA, P, QQB and RRB, the assessee should have made a claim in ROI. Such failure makes assessee ineligible to avail the deduction.

SEC.80B

GTI = Aggregate of five heads income-adjustment of losses for set off and carry forward (but before chapter VI A)

SEC.80AB

Deductions in respect of certain incomes shall be allowed only to the extent they are included in GTI.

Section	Eligible Assessee	Particulars of the section	Permissible Deduction
80C	Individual & HUF	<ol style="list-style-type: none"> Contribution to Life Insurance Premium/Annuity Contribution to Welfare Funds (PPF, SPF, RPF & superannuation fund) Contribution to Central Government / post office/other notified schemes Repayment of housing loan Payment of tuition fees of children 	1,50,000
80CCC	Individual	Contribution to certain Pension Funds <ul style="list-style-type: none"> Contribution made to annuity plan of the LIC or any other insurance company approved by IRDA for receiving pension from a fund If the Assessee or his nominee surrenders the annuity before its maturity the surrender value will be taxable in the year in the hands of assessee or nominee. 	1,50,000
80CCD (1)/(2)	Applicable to those individual who are employed by the C.G or any other self-employed individuals	Contribution to Atal Pension Yojana or Notified Pension Scheme of Government: In case of a salaried individual, deductions of own contribution U/s 80CCD(1) is restricted to 10 % of his salary, in any other case restricted to 20% of G.T.I. Note 1: The entire employers' contribution would be included in the salary of the employee. Employers contribution U/s 80CCD(2) is restricted to 10% of salary. Note 2: Lump sum amount received by the nominee on account of closure or opting out of pension scheme referred in sec 80CCD(1) or (1B), on the death of the assessee to be exempt (Sec 80CCD)	10% of salary or 20% of GTI , as the case may be (However, the limit of 1.5 lakh u/s 80CCE does not apply to employer's contribution u/s 80CCD(2))
80CCD (1B)	Applicable to those individual who are employed by the C.G or any other self-employed individuals	Contribution to Notified Pension Scheme of Government:	Contribution made by employee / then he can avail further deduction of Rs. 50,000 in addition to the overall ceiling limit of Rs1,50,000.
80CCE		Maximum amount deductible U/s 80C+80CCC+80CCD can't exceed 1.5 lakh	
80CCG	Resident Individual, being a new retail investor	Deduction in respect of Investment made under any equity savings scheme Conditions <ol style="list-style-type: none"> His gross total income does not exceed Rs. 12 Lakhs. He has acquired listed equity shares or listed units of equity oriented - fund in accordance with a notified scheme. The assessee is a new retail investors as specified in the above notified scheme. 	50% of amount invested Or 25,000 Whichever is lower

		<p>4. The investment is locked - in for a period of 3 years from the date of acquisition in accordance with the above scheme.</p> <p>Note: Deduction shall be allowed for 3 consequent A/Y's beginning with A/Y relevant to the P/Y in which listed equity shares or listed units of EOF were acquired.</p> <p>No deduction shall be allowed from the AY 2018-19 onwards except he was not claimed the deduction in the AY 2017-18 or earlier AY.</p>	
80D	Individual/HUF	<p>Medical Insurance Premium</p> <ol style="list-style-type: none"> 1. GIC or any other insurance company (approved by IRDA) and approved by the Central government on health of assessee, spouse, dependent children is deductible upto Rs.25,000 (in case of senior citizens the limit is Rs.30,000) 2. Payment should be made by any other mode other than cash. However, payment on account preventive health check-up (upto Rs.5,000 with in the ceiling limit) can be made by any mode (including cash). 3. In case of very senior citizens (≥ 80 yrs.), the medical expenditure incurred is allowed as deduction upto Rs.30,000 even if no insurance premium is paid. 	<p>Maximum Rs.25,000(30,000 in case the individual /his or her spouse is a senior citizen)</p> <p>(+) Maximum Rs.25,000 (30,000 in case either or both of the parents are senior citizen)</p>
80DD	Resident Individual/HUF	<p>Maintenance including Medical treatment of a dependent disabled</p> <ol style="list-style-type: none"> 1. The assessee should have incurred any expenditure for the medical treatment (including nursing), training and rehabilitation of dependent person with disability. 2. The assessee shall have to furnish a copy of the certificate issued by the medical authority in the prescribed form and manner, along with ROI. 3. If the dependent, being a person with disability, predeceases the individual or the member of HUF in whose name the amount was invested, then an amount equal to the amount deposited under the scheme shall be deemed to be the income of the assessee of the P/Y in which such amount is received by the assessee and shall accordingly be taxable as the income of that P/Y 	<p>Flat deduction Rs.75,000 (irrespective of expenditure incurred).</p> <p>Note: In case of severe disability (80%) flat deduction shall be Rs. 1,25,000</p>
80DDB	Resident Individual/HUF	<p>Deduction for medical treatment of specified diseases</p> <ol style="list-style-type: none"> 1. For claiming deductions the assessee shall have to submit a certificate obtained from prescribed authority in prescribed form. 2. For this purpose dependent means 3. In case of the assessee is Individual – For himself or his dependent spouse, children, parents, brother or sister In case of the assessee is HUF –For any member of his family 	<p>Actual expenditure or 40,000 (60,000/80,000 in case of senior citizen/very senior citizen) whichever is lower XXX</p> <p>Less: The amount reimbursed from the Insurance company or the employer. XXX</p> <p>Permissible deduction XXX</p>
80U	Resident Individual	<p>Deduction in case of a person with disability Any person, who is certified by the medical authority to be a person with disability.</p>	<p>Rs.75,000, in case of a person with disability. Rs.1,25,000, in case of a person with severe disability (80% or more disability).</p>
80E	Individual	<p>Interest on loan taken for higher education</p> <ol style="list-style-type: none"> 1. Interest on loan should be taken from any financial institution or approved charitable institution. 2. Such loan is taken for pursuing his higher education of his or her relative (i.e., spouse or children of the individual) 	<p>The deduction is available for interest payments in the Initial A/Y and 7 A/Y's immediately succeeding the Initial A/Y. Or Until the interest is paid in full by the assessee. Whichever is earlier</p>
80EE	Individual	<p>Additional deduction of Rs.50,000 for interest on loan borrowed for acquisition of self occupied house property from any financial institution.</p> <p>Subject to following conditions:</p> <ol style="list-style-type: none"> 1. Loan taken period 01-04-2016 to 31-03-2017 2. Amount of loan \leq 35 lakhs 	<p>Deduction upto Rs.50,000 (This amount is in addition to 2 lakhs u/s 24(b))</p>

		3. Value of house property \leq 50 lakhs 4. The assessee does not own any residential house property on the date of sanctioned loan.	
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80G	All assessee	<p style="text-align: center;">Donations to certain funds, charitable institutions etc</p> <p>Notes:</p> <ol style="list-style-type: none"> *Adjusted GTI = Gross Total Income – Deductions U/s 80C to 80U except 80G-Long term Capital gain – STCG taxable U/s 111A. Category III & IV put together should not exceed 10% of Adjusted GTI Donations in kind, Donations to Individuals and Donations given for the benefit of a particular religious community are not qualified for deduction. 	<p>Mode of Payment- Donations can be given in cash or by cheque or draft. However, no deduction shall be allowed under section 80G in respect if cash of an amount exceeding Rs. 2,000 from the assessment year 2018-19.</p>
Section	Eligible Assessee	Particulars of the section	Permissible Deduction
80GG	Individual	<p style="text-align: center;">Rent Paid</p> <ol style="list-style-type: none"> Assessee should be a self-employed or a salaried employee who is not in receipt of HRA. The assessee, his spouse, minor child or the HUF of which he is a member should not own any residential accommodation at that place. Where he resides or performs the duties of his office or employment. 	<p>If all the conditions are satisfied rent paid is allowed as deduction to the extent of least of the following :</p> <ul style="list-style-type: none"> - Rs.5,000 per month

			<ul style="list-style-type: none"> - Excess of rent paid over 10% of total income. - 25% of total income. <p>Note: Here total income means GTI-Deductions U/s 80C to 80U except 80GG-LTCG-STCG taxable U/s 111A.</p>
80GGA	All assessee not having any income chargeable under PGBP	<p><u>Donations scientific research or rural development</u></p> <ul style="list-style-type: none"> - Donations to approved scientific research association, University, College or institution for scientific research, Statistical research, Research in social or to the National Fund for rural development. Similarly, and contribution to the National Urban Poverty Eradication Fund setup by the Govt. is also eligible for deduction. - Donations can be given in cash or by cheque or draft. 	Actual contribution
80GGB	Indian Company	<p><u>Contribution to political parties and electoral trust</u></p> <p>Any amount contributed to a political party or electoral trust is deductible while calculating the total income of an Indian Company.</p>	Actual contribution (otherwise than by way of cash)
80GGC	All assessee (other than Local authority and every Artificial judicial funded by Govt.)	<p><u>Contribution to political parties and electoral trust</u></p> <p>Any amount contributed to a political party or electoral trust is deductible while calculating the total income of the assessee</p>	Actual contribution (otherwise than by way of cash)
80JJAA	Any assessee	<p>Where the gross total income of an assessee to whom section 44AB applies, includes any profits and gains derived from business, deduction u/s 80JJAA would be allowed for three assessment years including the assessment year relevant to the previous year in which such employment is provided.</p> <p><u>Note:</u></p> <p>Additional employee cost: Total emoluments paid or payable to additional employees employed during the previous year.</p> <p>Emoluments: any sum paid or payable to an employee in lieu of his employment by whatever name called</p> <p>Additional employee: An employee who has been employed during the previous year and whose employment has the effect of increasing the total number of employees employed by the employer as on the last day of the preceding year.</p> <p>Exclusions from the definition:</p> <ol style="list-style-type: none"> an employee whose total emoluments are more than Rs.25,000 per month; or an employee for whom the entire contribution is paid by the Government under the Employees' Pension Scheme notified in accordance with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; or an employee employed for a period of less than 240 days during the previous year; or an employee who does not participate in the recognised provident fund. 	a deduction of an amount equal to 30% of additional employee cost incurred in the course of such business in the previous year

Deductions in respect of Certain Incomes:

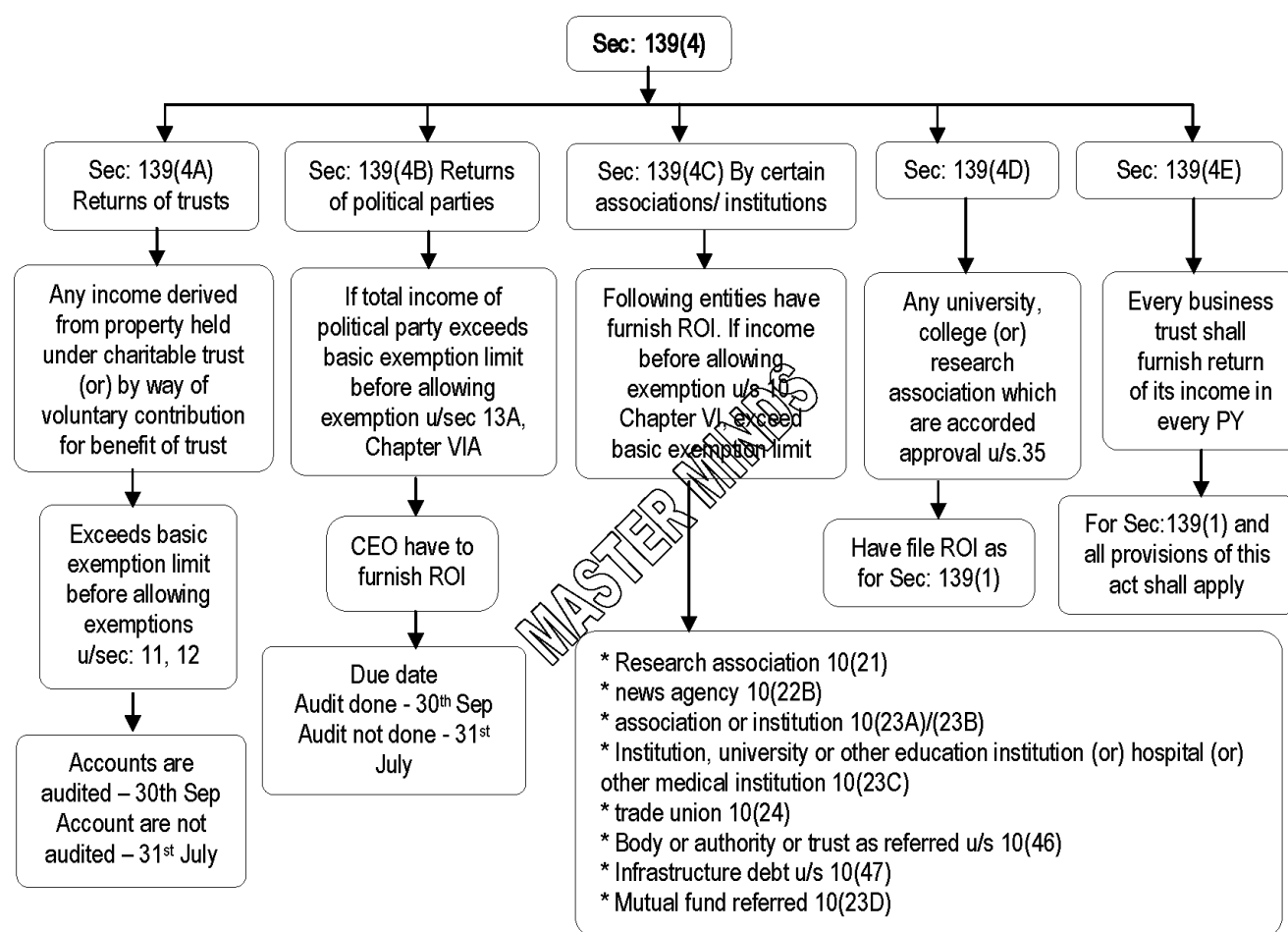
Section	Eligible Assessee	Eligible Income	Permissible Deduction
80QQB	Resident individual	<p><u>Royalty income, etc., of authors of certain books other than text books:</u> Lump sum consideration for assignment or grant of any of his interests in the copyright of any book, being a work of literary, artistic or scientific nature or of royalty or copyright fees Royalty or copyright fee received otherwise than by way of lump sum</p>	Amount received or receivable or Rs.3,00,000, whichever is less. Maximum 15% of value of books sold

80RRB	Resident individual, being a patentee	Royalty on patents: Any income by way of royalty on patents	Whole of such income or Rs.3,00,000, whichever is less.
80TTA	Individual or a HUF	Interest on deposits in savings account: Any income by way of interest on deposits in a savings account with a bank, a co-operative society or a post office (not being time deposits, which are repayable on expiry of fixed periods)	Actual interest subject to a maximum of Rs.10,000.

12. RETURN OF INCOME

Section	Particulars	Time Limit
139(1)- Voluntary Return	<p>(i) Every Company and Firm should file Return of Income or Loss</p> <p>(ii) Individual/HUF/AOP/BOI/AJP to file Return if Total income before 10(38), Chapter VIA is > Basic Exemption Limit.</p> <p>(iii) W.e.f AY 2016-17 Person, being a Resident other than Not Ordinarily Resident in India as per Sec. 6(6), who is not required to furnish a Return u/s 139(1) and who at any time during the previous year-</p> <ul style="list-style-type: none"> Holds, as a Beneficial Owner or otherwise, any Asset (including any Financial Interest in any entity) located outside India or has Signing Authority in any Account located outside India, or Is an Beneficiary of any asset including any Financial Interest in any Entity) located outside India. 	<p>1. Co. have any international transactions u/s 92E- NOV 30th</p> <p>2. Company- SEP 30th</p> <p>3. Person other than company-</p> <p>(a) Where Tax Audit required u/s 44AB- SEP 30th</p> <p>(b) Any other Case- July 31st</p> <p>4. Person who is required to furnish the return fails to do so, then he shall be liable to pay a sum of Rs.5,000 (if he files the return on/ before 31.12.18) or Rs.10,000. But the fee shall not exceed Rs.1,000 if the assessee's GTI ≤ Rs.5 lakhs (Sec.234F).</p>
139(3)- Loss Return	<p>1) Assessee has incurred loss and wants to carry forward u/s 72, 73, 73A, 74 and 74A</p> <p>2) This Return mandatory only for c/fd of current year loss, and not for prior year losses. Not applicable for carry of losses u/s 71B, 32(2), 35(4), 36(1)(ix).</p>	Due date u/s 139(1)
139(4)- Belated Return	<p>Assessee fails to furnish the return on or before the due date u/s 139(1)</p> <p>POINTS TO BE NOTED:</p> <ul style="list-style-type: none"> Loss cannot be c/fd. It can be revised. Liable for interest u/s 234A. Return filed after the end of RAY, liable for 271F penalty Rs. 5,000. 	<p>Before the completion of assessment or before the end of RAY, whichever falls Earlier.</p> <p>Thus, belated return can be filed only in case a person has not furnished his return within the time allowed under section 139(1). Also, the belated return cannot be furnished after the end of the relevant assessment year.</p>
139(5)- Revised Return	<p>Filed Return within the date u/s 139(1) or belated return u/s 139(4), and in that return discover any error omission / wrong statement</p> <p>POINTS TO BE NOTED:</p> <ul style="list-style-type: none"> Loss return can be revised. Belated Return can be revised. 	<p>Before completion of assessment or within 1 year from end of RAY, whichever falls Earlier.</p>

139(9)- Defective Return	<ol style="list-style-type: none"> All Annexures/ Statements / Columns not filled in. General/Specific /Other details not enclosed. <p>POINTS TO BE NOTED:</p> <ul style="list-style-type: none"> The Assessing Officer shall intimate to the Assessee, the defect in the Return, and give him an opportunity to rectify the defect. If not rectified, the Return is to be treated as Invalid Return. If Rectification is done before completion of assessment, AO can condone the delay. 	Within 15 days of receipt of notice from AO, or such time as extended by him.
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PERMANENT ACCOUNT NUMBER (PAN) SECTION- 139A

What is PAN?	It is permanent account number allotted by assessing officer for the purpose of Identification. Its number contains 10 digit both numeral and alphabet.			
Who should apply?	Every person who is required to file return of income. Apply in Form No. 49A.			
No PAN for whom?	1. Non Resident	2. Charitable Trusts	3. Person earning only agriculture Income	
Compulsory quotation of PAN?	i. On all returns	iii. Shares	v. Deposit in Bank account exceeds Rs. 50,000	vii. Land & Building exceeds

	ii. Motor Vehicle	iv. Jewellery > Rs.5,00,000	vi. Hotel Bill payment exceeds Rs.50,000	Rs.10,00,000
What if PAN not quoted	Section 272B: Penalty Rs. 10,000		Higher deduction of tax at source	

RETURN TO BE SIGNED BY WHOM - SEC.140

No	Assessee	Signatory /verified by
1.	Political party	Chief Executive Officer
2.	Local Authority	Principal officer.
3.	a. Individual b. When absent from India, mentally incapacitated, for any other reason he is not able to sign.	a. Individual himself. b. His guardian or any other person duly authorised by him.
4.	a. HUF b. When the Kartha is absent from India or is mentally incapacitated.	a. Kartha b. Any other adult member of family.
5.	a. Company b. No MD or MD is unable to sign. c. When Co. is not resident in India. d. Where Co. is in liquidation. e. When the Co. managed by Govt.	a. Managing Director b. Any other director. c. A person who holds a Power of attorney from the company. d. Liquidator. e. The principal officer.
6.	Partnership firm	Managing partner (or) any other partner other than minor.
7.	Limited Liability Partnership (LLP) When the Designated partner is unable to sign and verify the return or when there is a no designated partner	Designated Partner. Any partner.
8.	Association of Persons (AOP)	Any member or principal officer.
9.	Any other person.	That person/other competent person.

Note: A return of income U/s 139, which are not signed, is not regarded as return. w.e.f. 01-10-2014, the word signed is substituted with "verified" and similarly for all its grammatical variations.

13. ADVANCE TAX AND INTEREST**1. Liability of pay Advance Tax:**

Who is liable to pay Advance Tax (Sec. 208)	If Tax payable by any person for the Assessment year immediately following the Financial Year, is Rs.10,000 or more.
Advance Tax Not applicable (Sec. 207)	The provisions of Advance Tax shall not apply to a Resident Senior Citizen who is of the age of 60 years or more, and does not have any income chargeable under the head Profits and Gains of Business or Profession.

2. Amount of Advance Tax payable (Sec. 209):

Compute tax on estimate total income	xxx
Less: Rebate and Relief	(xxx)
Add: Surcharge and Cess	xxx
Less: Tax deducted at source and tax collected at source	(xxx)

Note: The amount of TDS / TCS shall not be reduced from Total income, if the Deductor has paid the amount without deduction of tax or the collector has received the amount without the collection of tax (Sec.209)

3. Due Dates:

- a) Common advance tax payment schedule for both corporates and non-corporates (other than an eligible assessee in respect of eligible business referred to in section 44AD/ 44ADA) from 1st June 2016.

Due date of installment	[Amount payable w.e.f. 1-6-2016 for corporate and non-corporate assessee (i.e., all assessee)] other than eligible assessee u/s 44AD/ 44ADA
On or before 15th June	Not less than 15% of advance tax liability
On or before 15th September	Not less than 45% of advance tax liability, as reduced by the amount, if any, paid in the earlier installment.
On or before 15th December	Not less than 75% of advance tax liability, as reduced by the amount or amounts, if any, paid in the earlier installment or installments.
On or before 15th March	The whole amount of advance tax liability as reduced by the amount or amounts, if any, paid in the earlier installment or installments.

- b) **Assessee covered u/s 44AD/ 44ADA:** w.e.f. 1-06-2016, an eligible assessee opting profit on presumptive basis u/s 44AD/ 44ADA, shall be required to pay advance tax of the whole amount in one installment on or before 15th March of the financial year.

However, any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during each financial year on or before 15th March.

4. **Sec.234B – Payment of Interest for Default in payment of Advance tax:**

When interest is payable	Amount on which interest is payable	Rate of interest	Period for which interest is payable
An assessee who is liable to pay advance tax, has failed to pay such tax. Or	Interest is payable on assessed tax	Simple interest @ 1 per cent for every month or part of month	From April 1st of the assessment year to the date of determination of income u/s 143 (1) or if regular assessment is made to the date of regular assessment.
An assessee who has paid advance tax but the amount of advance tax paid by him is less than 90% of assessed tax.	Assessed tax minus advance tax	Simple interest @ 1 per cent for every month or part of month	- do -

5. **Sec.234C – Payment of Interest for Deferment in payment of Advance tax:**

- a) Manner of computation of interest under section 234C for deferment of advance tax by corporate and non-corporate assessee other than an eligible assessee u/s 44AD/ 44ADA.

Specified date	Specified %	Shortfall in advance tax	Period
(1)	(2)	(3)	(4)
15th June	15%	15% of tax due on returned income (-) advance tax paid up to 15th June	3 months
15th September	45%	45% of tax due on returned income (-) advance tax paid up to 15th September	3 months
15th December	75%	75% of tax due on returned income (-) advance tax paid up to 15th December	3 months
15th March	100%	100% of tax due on returned income (-) advance tax paid up to 15th March	1 month

Note: However, if the advance tax paid by the assessee on the current income, on or before 15th June or 15th September, is not less than 12% or, as the case may be, 36% of the tax due on the returned income, then, the assessee shall not be liable to pay any interest on the amount of the shortfall on those dates.

- b) **Computation of interest under section 234C in case of an eligible assessee in respect of eligible business or profession referred to in section 44AD/ 44ADA:** Assessee has failed to pay the advance tax which is actually payable on its current income on or before 15th March, then, the assessee shall be liable to **pay simple interest at the rate of 1% on the amount of the shortfall from the tax due on the returned income.**
- c) **Non-applicability of interest under section 234C in case of Capital gains and casual income:** Interest under section 234C shall not be leviable in respect of any shortfall in payment of tax due on returned income, where such shortfall is on account of under-estimate or failure to estimate –
- The amount of capital gains;
 - Income of nature referred to in section 2(24)(ix) i.e., winnings from lotteries, crossword puzzles etc.
 - Income under the head "Profits and gains of business or profession" in cases where the income accrues or arises under the said head for the first time.
 - Income of the nature referred to in section 115BBDA i.e., dividend in aggregate exceeding of Rs.10 lakhs received during the previous year.

However, the assessee should have paid the whole of the amount of tax payable in respect of such income referred to in (i), (ii) and (iii), (iv) as the case may be, had such income been a part of the total income, as part of the remaining installments of advance tax which are due or where no such installments are due, by 31st March of the financial year.

14. TAX DEDUCTED AT SOURCE

TAX DEDUCTED AT SOURCE – SEC.192 TO 206

- a) There is always a time gap between deriving of income and payment of tax thereon. The objective of the provisions of tax deduction at source is to avoid this time gap in collection and also to ensure regular flow of tax revenue to the Government.
- b) The payer, being the person who is deducting tax at source, is responsible for interest, penalty and prosecution in respect to defaults committed.
- c) Different rates of TDS are provided under respective sections for various payments made. Only in the case of salary payment, the employer shall apply the income-tax rates applicable for individual assesses.

Section	Payment	Threshold Limit	Payer	Payee	Rate of TDS	Time of deduction	Payments / Income exempted from TDS
192	Salary	Basic exemption limit (Rs. 2,50,000 / Rs. 3,00,000, as the case may be)	Any person	Individual	Average rate of Income tax computed on the basis of the rates in force	At the time of payment	Allowances, to the extent exempt under section 10, and exempted perquisites would be excluded
192A	premature withdrawal from RPF	50,000	trustees of EPFS or any authorised person	individual	10% (if PAN is furnished, otherwise MMR)	At the time of payment	-
193	Interest on Securities	8% Savings (Taxable) Bonds, 2003 – Rs.10,000 Interest on Debentures issued by a company in which the public are substantially interested, paid or credited to a resident individual or HUF - Rs. 5,000	Any person	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.	Some exempted interest payments are interest – ➤ On any security of the Central Government or a State Government. ➤ Payable to LIC, GIC or any of the four public sector insurance companies formed by GIC in respect of any securities owned by it or in which it has full beneficial interest. ➤ Payable to any other insurer in respect of any securities owned by it or in which it has full beneficial interest.

							<ul style="list-style-type: none"> ➤ Payable on any security issued by a company, where such security is in dematerialized form and is listed on a recognized stock exchange in India
194	Dividend	2,500 in a financial year	The Principal Officer of a domestic company	Resident Individual	10%	At the time of payment	<ul style="list-style-type: none"> ➤ Dividend credited or paid to LIC, GIC or any of the four public sector insurance companies formed by GIC, or any other insurer, in respect of shares owned by it or in which it has full beneficial interest. ➤ Dividend referred to in section 115-O, since the domestic company distributing dividend has paid dividend distribution tax on such dividend.
194A	Interest other than interest on securities	<p>10,000 in a financial year, in case of interest paid by –</p> <p>(i) a banking company;</p> <p>(ii) a cooperative Society engaged in Banking business; and</p> <p>(iii) Deposits with post office.</p> <p>5,000 in a financial year, in other cases.</p>	Any person, other than an individual or HUF not liable to tax audit u/s 44AB in the immediately preceding financial year	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.	<p>Interest credited or paid to:</p> <ul style="list-style-type: none"> ➤ any banking company, or a cooperative society engaged in the business banking ➤ any financial corporation established or under a Central, State or Provincial Act ➤ The Life Insurance Corporation of India. ➤ the Unit Trust of India; ➤ Any company and cooperative society carrying on the business of insurance. ➤ Notified institution, association, body, class of institutions, associations bodies <p>Interest credited or paid by a firm to a partner, Interest credited or paid by a co-operate society to its member or to any other cooperative society, etc.</p>
194B	Winnings from any lottery, crossword puzzle or card game or other game of any sort	Payment of an Amount exceeding 10,000	Any Person	Any Person	30%	At the time of payment	Nil
194BB	Winnings from horse race	Payment of an amount exceeding Rs.10,000	Book Maker or a person holding license for horse racing, wagering or betting in any race course	Any Person	30%	At the time of Payment	Nil
194C	Payments To Contractors	Single sum credited or paid exceeding 30,000 or The aggregate of sums credited or paid during the financial year exceeding 1,00,000	Central / State Govt., Local authority, Central/ State, company, firm, trust, cooperative society, individuals/ HUFs liable to tax audit in the immediately preceding financial year.	Any Resident contractor for carrying out any work (including supply of labour)	1% of sum paid or credited, if the payee is an Individual or HUF 2% of sum paid or credited, if the payee is any other person	At the time of credit of such sum to the account of the contractor or at the time of payment, whichever is Earlier	<p>Any sum credited or paid to a contractor in transport business, if the contractor furnishes his PAN to the person paying or crediting such sum.</p> <p>Any sum credited or paid by an individual or HUF exclusively for personal purposes of such individual or HUF.</p>

194D	Insurance Commission	15,000 in a financial year	Any person	Any Resident	5% (Domestic companies -10%)	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.	Nil
194DA	Any sum under a Life Insurance Policy	Less than 1,00,000 (aggregate amount of payment to a payee in a financial year)	Any person	Any Resident	1%	At the time of Payment	Sums which are exempt under section 10(10D)
194H	Commission or brokerage	15,000 in a financial year	Any person, other than an individual or HUF not liable to tax audit u/s 44AB in the immediately preceding financial year.	Any Resident	5%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.	Commission or brokerage payable by BSNL or MTNL to their PCO franchisees
194-I	Rent	1,80,000 in a financial year	Any person, other than an individual or HUF not liable to tax audit u/s 44AB in the immediately preceding financial year.	Any Resident	For P & M Or equipment- 2% For land, building, furniture or fixtures - 10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.	Nil
194-IA	Payment on transfer of certain immovable property (other than compulsory acquisition)	Rs. 50 lakh (Consideration for transfer)	Any person, being a transferee	Resident Transferor	1%	At the time of credit of such sum to the account of the transferor or at the time of payment, whichever is earlier	Payment for transfer of agricultural land
194-IB	Payment of rent by certain individual or HUF	Rs.50,000 for a month or part of a month	Any person, other than an individual or HUF not liable to tax audit u/s 44AB in the immediately preceding financial year.	Any Resident	5%	At the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, to the account of the payee or at the time of payment, whichever is earlier	Nil

194IC	Payment under specified agreement u/s 45(5A)	Nil	Any person	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is Earlier.	Nil
194J	Fees for professional or technical services/ Royalty/ Non-compete fees/ Director's remuneration	30,000 in a financial year, for each category of income. (However, this limit does not apply in case of payment made to director of a company).	Any person, other than an individual or HUF not liable to tax audit u/s 44AB in the immediately preceding financial year.	Any Resident	Payee engaged only in the business of operation of call centre - 2% [w.e.f. 1st June, 2017] Others - 10%	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier	Any sum by way of fees for professional services credited or paid by an individual or HUF exclusively for personal purposes of such individual or any member of HUF.
194LA	Compensation on acquisition of certain immovable property	Rs. 2,50,000 in a financial year	Any person	Any Resident	10%	At the time of Payment	Compensation on acquisition of agricultural land.
194LB	Interest on Infrastructure debt fund	nil	Any person responsible for paying income by way of interest by an Infrastructure debt fund u/s 10(47)	Non-resident (or) Foreign Company	5%	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier	Nil
194 LC	Interest to Non-resident/foreign citizen	nil	Indian company (or) business trust	Non-resident (or) Foreign Company	5%	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier	Nil
194LD	Interest on a rupee denominated bond of an Indian company (or) Interest on Govt. Securities payable after 31.05.13 but before 01.07.17	nil	Any person	Foreign institutional investor (FII) (or) Qualified foreign investors	5%	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier	Nil
195	Any payment to Non-resident (other than salary)	nil	Any person (Resident or non-resident)	Non-resident	As specified by Finance Act or under an agreement u/s 90 or 90A	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier	Nil

Note: TDS –when deductible?

Section	Time of Deduction
192, 194, 194B, 194BB, 194DA, 194EE, 194F, 194LA	Only at the time of payment
193, 194A, 194C, 194D, 194E, 194G, 194H, 194-I, 194-IA, 194J, 194LB, 194LC, 194LD, 195	Time of Credit Or Time of Payment } whichever is earlier

Note: No education cess on the above rates except payment to non-residents, No surcharge except payment to foreign company (2%) u/s 195 and u/s.192(1A) where the payment exceeds Rs.1 crore.

Applicability of Surcharge and Education Cess over and above the rates of TDS prescribed under respective sections are summarized hereunder:

Payee	Applicability of Surcharge & Education cess
Resident	i) Surcharge and Education Cess as applicable to individuals shall be applied on the amount of TDS computed on Salaries. ii) No Surcharge and cess shall be applied in other cases of deduction of tax at source.
Non Resident, other than company	Surcharge @ 15% is applicable where the aggregate payment or credit subject to TDS exceeds Rs. 1 crore. Education cess @ 3% is applicable.
Foreign Company	Surcharge % 2% is applicable where the aggregate payment or credit subject to TDs exceeds Rs. 1 crore and @ 5% where such income exceeds Rs. 10 crores. Education cess @3% is applicable.

TIME OF REMITTANCE TO THE GOVERNMENT –Sec.200 / Rule 30

Tax deducted by or on behalf of the Government:

Situation	Time of deposit of TDS
Payment of tax without production of Income Tax Challan	On the same day when tax is deducted.
Payment of tax accompanied by an Income Tax Challan	On or before 7 days from the end of the month in which the deduction is made or income tax is due u/s 192 (1A)

Tax deducted by other persons:

Situation	Time of deposit of TDS
Income or amount is credited or paid in the month of March	On or before the 30 th of April
In any other case	On or before 7 days from the end of the month in which the deduction is made or income tax is due u/s 192 (1A)

The AO may in special cases, with the approval of JCIT, permit the payment of TDS on **quarterly basis** as under –

Applicable Sections	192, 194A, 194D, 194H
Payment Date	July 7 th , Oct. 7 th , January 7 th , April 30 th

CONSEQUENCES OF FAILURE TO DEDUCT OR PAY – SEC.201

1. According to Sec.201 (1), a person shall be deemed to be an 'assessee in default' in case he commits any of the following violation:

Responsibility	Violation
To deduct tax in respect of all types of payments covered under TDS provisions.	Fails to deduct or after deduction fails to pay the whole or any part of the tax as per law.
Employer to pay tax on the non-monetary perquisites provided to the employee.	Employer fails to pay, whole or any part of Tax on such non-monetary benefit.

Where an assessee is deemed to be in default, the assessing officer may levy penalty to the extent of tax and interest in arrears. However, in a case where the assessing officer is satisfied that there exist good and sufficient reason which force the assessee to commit such breach of law, penalty shall not be levied.

2. **Interest:** Once the assessee is deemed to be in default, interest shall be leviable u/s 201(1A) at the rate of

- From the date from which tax was deductible to the date of deduction – **1% p.m.** or part thereof (delay in deduction).
- For the date of deduction of tax to the date of actual payment **1.5% p.m.** or part thereof (delay in payment).
- Such interest shall be paid before furnishing the statement u/s 200(3).

FORMS OF TDS CERTIFICATES – Sec. 203

- 1) **Form 16** for Salary Sec.192 & **Form 16A** for all other Sections except Sec. 194-IA. Form 16B for TDS u/s 194-IA.
- 2) To be issued from TRACES Websites, by using Manual / Digital Signatures.
- 3) **Time for Issue of TDS Certificates**

Form No.	Periodicity	Time Limit
16	Annual	By 31 st May of the Financial Year immediately following the financial year in which the income was paid and tax deducted.
16A	Quarterly	Within 15 days from the due date for furnishing Challan cum Statement of TDS u/r 31A, i.e. 30 th July, 30 th October, 30 th January and 30 th May.
16B	Within 15 days from the due date for furnishing Challan cum Statement in Form 26QB u/s 31A, i.e., within 7 days from date of deduction of Tax. [Notification No. 39/2013, dated 31.05.2013]	

SELF DECLARATION BY PAYEE FOR NON – DEDUCTION – Sec.197A

Self-Declaration for Non – Deduction of tax by a person other than Companies / Firms- the Deductor shall forward a copy of the declaration to PCCIT / CCIT / PCIT / CIT within 7 days from the end of the month in which such declarations are furnished	<ul style="list-style-type: none"> • For All Assesses u/s 193, 194, 194A, 194EE, - Form 15G (in duplicate) • For Senior Citizens (Resident in India) – Form 15H (in duplicate) only.
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LOWER RATE OF DEDUCTION / NO DEDUCTION CERTIFICATE FROM AO – Sec. 197

For lower rate of deduction or no deduction of tax, the Payee shall file an application and get a Certificate from AO and submit to the Payer. Certificate is valid only for the AY specified therein.	<ul style="list-style-type: none"> • Sec.192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194I, 194J, 194LA: Application in Form 13, Certificate in Plain Paper • Sec.195 – Application in Form 15C or 15D, Certificate in Plain Paper
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QUARTERLY STATEMENT / RETURN AND DUE DATE

Sec.	192	193 to 196D		194-IA
Form No.	24Q	27Q For Non – Resident, not being a Company or Foreign Company, or RNOR	26Q For all other Deductees	26QB For Resident Transferor (other than the person referred in Sec.194LA)
Due Date, if the Deductor is an office of Govt.	31 st July, 31 st October, 31 st January in respect of first three quarters of the financial year and on or before 15 th May for the last quarter of the financial year.			Challan cum Statement in Form 26QB shall be furnished within 7 days from the date of deduction of TDS. [Notification 39/2013, dtd 31.05.2013]
Due Date, for other persons	15 th July, 15 th October, 15 th January in respect of first three quarters of the financial year and on or before 15 th May for the last quarter of the financial year.			
Form 27A	The above forms shall be accompanied by declaration in Form 27A			

Note: On rectification of field TDS Returns, Correction Statement or Rectification shall also be furnished.

Difference between TDS and TCS:

TDS	TCS
TDS is tax deduction at source	TCS is tax collection at source.
Person responsible for paying is required to	Seller of certain goods is responsible for collecting tax

deduct tax at source at the prescribed rate	at source at the prescribed rate from the buyer. Person who grants license or lease (in respect of any parking lot, toll plaza, mine or quarry) is responsible for collecting tax at source at the prescribed rate from the licensee or lessee, as the case may be.
Generally, tax is required to be deducted at the time of credit to the account of the payee or at the time of payment, whichever is earlier. However, in case of these sections i.e., 192, 194, 194B, 194BB, 194DA, 194EE, 194F, 194LA tax is required to be deducted at the time of payment	Generally, tax is required to be collected at source at the time of debiting of the amount payable by the buyer of certain goods to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier. However, in case of sale of jewellery or bullion, tax collection at source is required at the time of receipt of sale consideration in cash.

15. MISCELLANEOUS TOPICS

AGRICULTURE INCOME

POINTS TO BE REMEMBERED	
Agriculture Income [Sec. 2(1A)]:	
<ul style="list-style-type: none"> Rent or Revenue derived from Agricultural Land in India. Income derived from Agricultural Land through Agriculture Income derived by sale of agricultural produce, or by the process ordinarily employed to render the produce fit for the market and sale, by a Cultivator or Receiver of rent in kind. Income from a Farm House subject to conditions. 	
Tax Computation Steps:	
Step	Description
1	Compute Agricultural Income + Total Income
2	Compute Tax on Step 1
3	Compute Agricultural Income + Maximum Amount not chargeable to tax (Basic Exemption)
4	Rebate for Agricultural Income = Tax on Step 3
5	Compute Net Tax Payable (Step 2 - Step 4)
6	Compute Education Cess at 2% on Total Tax Payable as per Step 5
7	Compute Secondary and Higher Education Cess (SHEC) at 1% on Total Tax Payable as per Step 5
8	Compute Net Tax Payable (Step 5 + Step 6 + Step 7)
Growing and Manufacturing of Rubber/Coffee/Tea: Computation of Agricultural and Non- Agricultural Income is done on the basis of percentage of profits of business (POB).	

Rule	Description	Agricultural Income	Business Income
7A	Income from growing and manufacture of Rubber	65% of POB	35% of POB
7B	Income from grown and cured Coffee	75% of POB	25% of POB
7B	Income from grown and cured, roasted and grounded Coffee	60% of POB	40% of POB
8	Income from growing and manufacture of Tea	60% of POB	40% of POB

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THE END