

CHAPTER 2: RESIDENTIAL STATUS

- Total income of an assessee can be computed only after ascertaining the residential status of the assessee during the previous year, as many provisions under income tax act are different for resident and for non resident assessee.
- Citizenship and residential status are both different concept. A person may be a citizen of India but may be Non resident for income tax purposes.
- Residential status is determined for every previous year, it is possible that person is resident in one year and non resident in another year.

Residential status of individuals Section 6(1) / 6(6)(a)

Section 6(1), an individual is said to be resident, if he satisfies any one of the following two basic conditions:

- (i) He stays in India for 182 days or more during the relevant previous year (RPY).
- (ii) He stays in India for 60 days or more in RPY and also for 365 days or more during 4 years preceeding the RPY.

Note:

1. Period of stay may not be continuous.
2. Date of departure and arrival both shall be considered for stay in india.

Additional Condition

Section 6(6), An individual is said to be a resident and ordinarily resident if he satisfies both the following conditions:

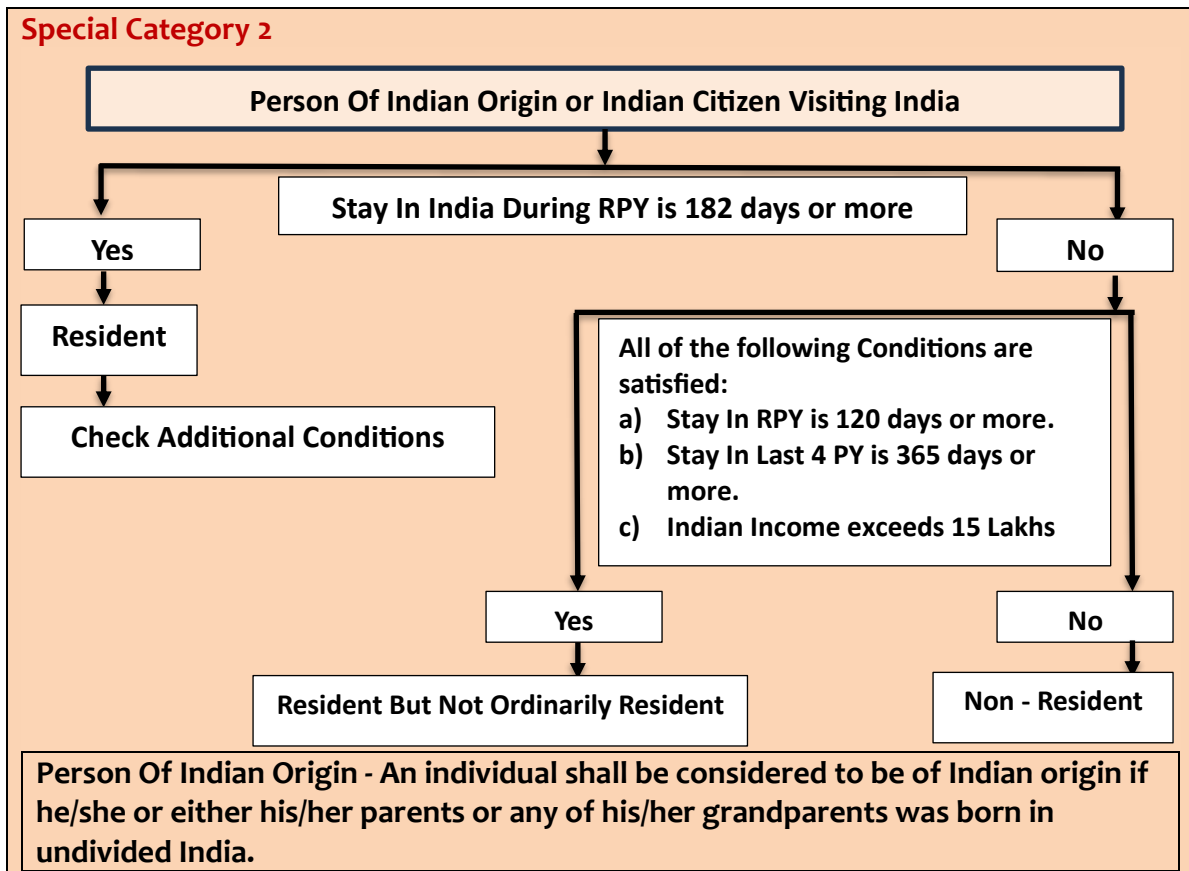
- (i) He is a resident in any 2 out of last 10 previous year, and
- (ii) His total stay in India in the last 7 years is 730 days or more.

Special Category 1

In Following Cases only 1st basic condition is available:

1. If an Indian Citizen leaves India for the purpose of employment
2. If an Indian Citizen leaves India as a crew member of Indian Ship.

Note: Date of Joining and Date of Signing Off As per continuous discharge certificate shall be considered as outside India in the case of crew member of foreign going Ship.



* Indian Income includes foreign business income whose control is in India or foreign professional income whose setup is in India.

Deemed Resident Section 6(1A)

Individual Shall be NOR if all of the following conditions are satisfied:-

- a) Individual is Indian Citizen
- b) Indian Income* exceeds 15 Lakh.
- c) Such person is not paying Tax In any Country due to his domicile, residence or similar nature

*Indian Income includes foreign business income whose control is in India or foreign professional income whose setup is in India.

Residential status of HUF Section 6(2)/6(6)(b).

Section 6(2), an HUF would be resident in India if C&M of its affairs is situated wholly or partly in India. Otherwise, Non- resident.

Section 6(6)(b), An HUF is said to be ROR if Karta satisfies both additional conditions, Otherwise NOR

Residential status of partnership firm or BOI or AOP Section 6(2)

Resident if Control & Management is wholly or partially in India, otherwise Non Resident.

Residential Status Of Company Section 6(3)

Indian Company shall Always be a Resident.

Foreign company shall be a Resident if POEM (Place of effective management) is in India

Scope of Total Income or Tax Incidence [Section 5]

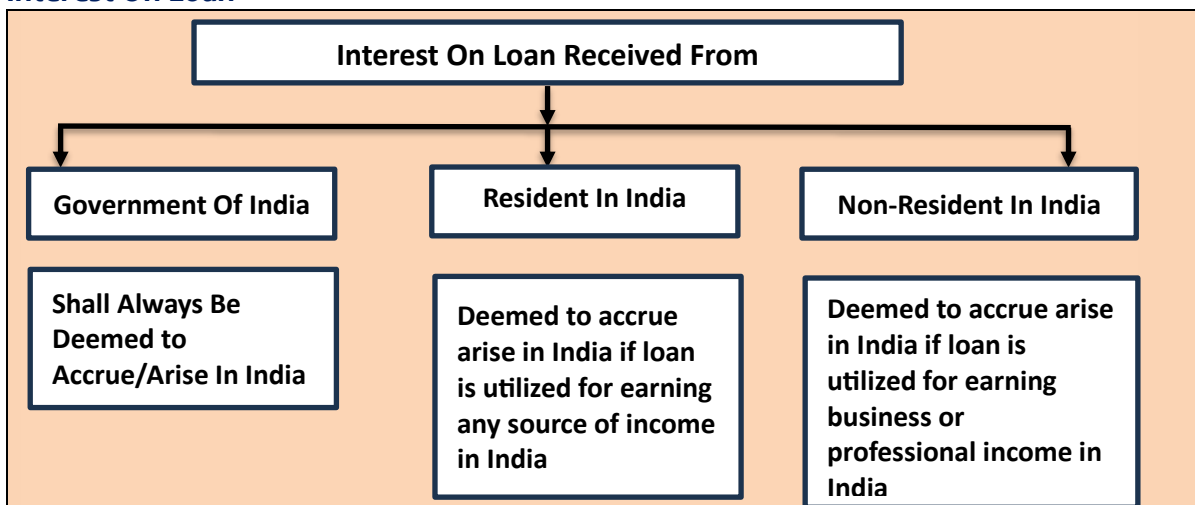
Income Accrue or Arise / Deemed To Accrue or Arise	Income Received / Deemed To Be Received	Income
India	India	Indian
India	Outside India	Indian
Outside India	India	Indian
Outside India	Outside India	Foreign

Income	ROR	NOR	NR
Indian	Taxable	Taxable	Taxable
Foreign	Taxable	Non – Taxable Exception : Following Foreign Incomes are Taxable. 1. Business Income – Business Controlled From India. 2. Professional Income – Profession Set Up in india	Non - Taxable

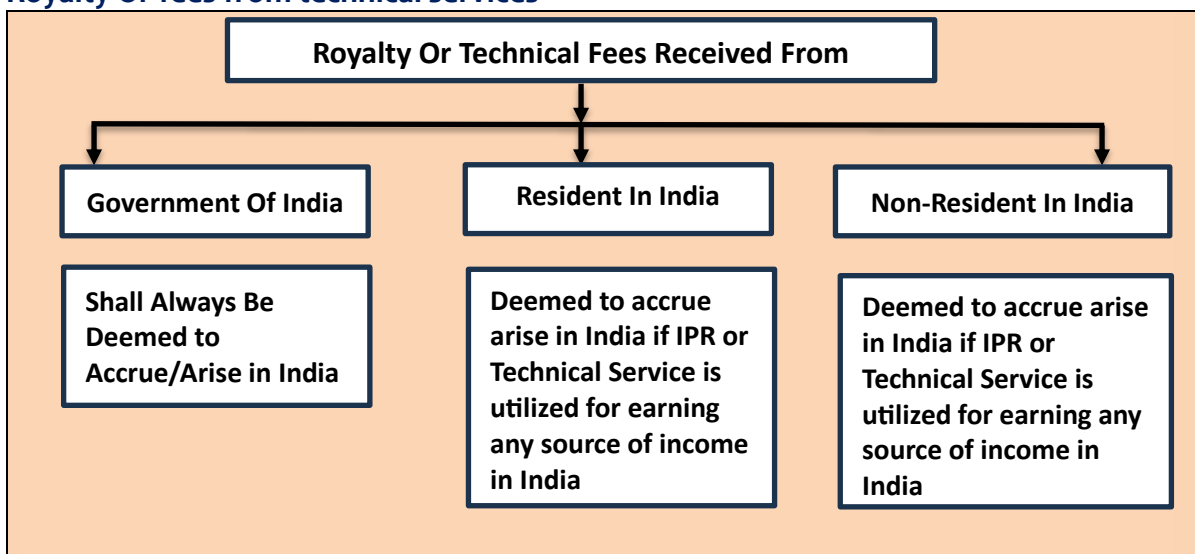
Income deemed to accrue or arise in India Section 9

1. Any income accruing or arising to an assessee in any place outside India whether directly or indirectly
 - (a) Through or from any business connection in India.
However, Following shall not be considered as business connection in India:
 - Purchase for export.
 - Collection of news in India for transmission outside India.
 - Shooting of film in India by foreign citizen or by a firm who doesn't have any partner who is Indian citizen/resident in India or by a company who doesn't have any shareholder who is a Indian citizen/resident in India.
 - In case of foreign company engaged in the business of mining of diamonds from the activities which are confined to display of uncut and unassorted diamonds in any special zone notified by CG.
 - (b) Through or from any property, any asset or source of income in India or

- (c) Through the transfer of a capital asset situated in India would be deemed to accrue or arise in India.
2. Income, which falls under the head “Salaries”, deemed to accrue or arise in India, if it is earned in India. Salary payable for service rendered in India would be treated as earned in India.
 3. Income from ‘Salaries’ which is payable by the Government to a citizen of India for services rendered outside India would be deemed to accrue or arise in India. However, allowances and perquisites paid or allowed outside India by the Government to an Indian citizen for services rendered outside India is exempt, by virtue of section 10(7).
 4. Dividend paid by Indian company outside india
 5. Interest On Loan



6. Royalty Or fees from technical services



CHAPTER 3A: INCOME UNDER HEAD SALARIES

Important Concepts Relating To Salaries

- (1) **Employer-employee relationship:** Every payment made by an employer to his employee for service rendered would be chargeable to tax as salaries.
- (2) **Full-time or part-time employment:** It does not matter whether the employee is a full-time employee or a part time one.
- (3) **Foregoing of salary:** Once salary accrues, the subsequent waiver by the employee does not absolve him from liability to income-tax. Such waiver is only an application and hence, chargeable to tax.
- (4) **Surrender of salary:** Exempt while computing his taxable income.
- (5) **Salary paid tax-free:** This, in other words, means that the employer bears the burden of the tax on the salary of the employee. In such a case, the income from salaries in the hands of the employee will consist of his salary income and also the tax on this salary paid by the employer.
- (6) **Place of accrual of salary:** salary earned in India is deemed to accrue or arise in India even if it is paid outside India or it is paid or payable after the contract of employment in India comes to an end.

BASIS OF CHARGE (SECTION 15)

- (i) Section 15 deals with the basis of charge. Salary is chargeable to tax either on 'due' basis or on 'receipt' basis, whichever is earlier.
- (ii) However, where any salary, paid in advance, is assessed in the year of payment, it cannot be subsequently brought to tax in the year in which it due.
- (iii) If the salary paid in arrears has already been assessed on due basis, the same cannot be taxed again when it is paid.

ALLOWANCES

1. Fully Taxable Allowances

Servant Allowance	Fixed Medical Allowance	Meal Allowance
Dearness allowance.	City Compensatory Allowance	Overseas allowance
Entertainment allowance	Telephone Allowance	Overtime allowance
Rural allowance	Project allowance (personal research)	High Cost of living Allowance
Holiday Home Allowance	Non-Practising Allowance	Marriage / Family Allowance

2. Fully exempted allowances

Following allowances are fully exempted from tax:

- A. Allowances paid to Supreme Court and High Court Judges.
- B. Any salary or allowance or perquisites paid to the employees of United Nation Organisation.
- C. Section 10(7). Any allowances or perquisites paid or allowed by Government of India to Indian citizen for rendering services outside India.

3. Official Allowances

For The Following Allowances, amount received or actually spent by Employee, whichever is lower shall be exempt from tax under Old Regime

Transfer Allowance	Helper Allowance
Daily Allowance	Conveyance Allowance
Academic Allowance	Research & Development Allowance(R & D)
Uniform Allowance	Travelling Allowance

Note: Under Default Regime exemption is allowed only for Travelling Allowance/Daily Allowance/ Conveyance Allowance. Other official allowances are fully taxable.

4. Allowances For Personal Nature

Following Exemption is allowed only under old regime (under default regime no exemption is allowed for personal nature allowances)

- A. **Children Education Allowance:** exempt upto ₹100 p.m. per child upto two child.
- B. **Hostel Allowance:** exempt upto ₹300 p.m. per child upto two children.
- C. **Transport Allowance:** Fully Taxable. However, if granted to an employee, who is blind or orthopaedically handicapped with disability of lower extremities is exempt upto ₹3,200 p.m.
- D. **Outstation Allowance:** Granted to an employee working in any transport system to meet his personal expenditure. It is exempt to the extent of least of the following:
 - (i) 70% of the allowance received
 - (ii) ₹10,000 p.m.
- E. **Underground Allowance:** Allowance to the employees who are working in the mines. It is exempt upto ₹800 p.m.
- F. **Tribal Area Allowance:** exempt upto ₹200 p.m.
- G. **Other notified allowances:**
 - (i) Compensatory modified field area allowance. upto ₹ 1,000 p.m. is exempt.
 - (ii) Composite field area allowance. upto ₹ 2,600 p.m. is exempt.
 - (iii) Compensatory field area allowance. upto ₹ 2,600 p.m. is exempt.
 - (iv) Island Duty allowance. upto ₹ 3,250 p.m. is exempt.
 - (v) Counter insurgency allowance. upto ₹ 3,900 p.m. is exempt.

- (vi) Special Compensatory highly active field area allowance. upto ₹4,200 p.m. is exempt.

5. Section 10(13A) & Rule 2a. House Rent Allowance

- Exemption is allowed only under old regime (under default regime no exemption is allowed for HRA)
- House rent allowance is exempt to the extent of the least of the following:
 - (i) (Rent Paid – 10% of salary)
 - (ii) 50% of retirement benefit salary in case of Mumbai, Kolkata, Chennai or Delhi.
Or
40% of retirement benefit salary in case of any other place.
 - (iii) House rent allowance received

Meaning of Salary for HRA (also known as Retirement Benefit salary)

Basic Salary + DA (RB) + Commission (% of TO)

Note: If There Is Change In HRA, Salary, Rent Paid and Location of Accommodation, then Exemption shall be computed separately for each such Change.

DEDUCTION U/S 16

A. Standard Deduction [Section 16(ia)] - Allowed under Both Regimes

A deduction of 50,000 or the amount of the gross salary, whichever is less is allowed in case of old regime.

However, Deduction of 75,000 or the amount of gross salary, whichever is less is allowed in case of default regime

B. Entertainment Allowance [Section 16(ii)] - Allowed only under Old Regime

Deduction shall be allowed only in case of government employees to the extent of the least of the following:

- (i) 20% of basic salary
- (ii) ₹ 5,000
- (iii) The actual allowance received by the employee

C. Professional Tax [Section 16(iii)] - Allowed only under Old Regime

- Employee will be allowed to claim deduction Of professional tax paid by him
- If the amount has been paid by the employer on behalf of the employee, it will be first included in gross salary and subsequently deduction is allowed
- If the amount is due but not paid, deduction is not allowed.

RETIREMENT BENEFITS

1. Gratuity

- Gratuity Received During Employment Is Fully Taxable
- Gratuity Received at the time of retirement is to be treated as follows:

Employee	Exemption u/s 10(10) [Allowed under Both Regime]
Government	Fully Exempt
Other EE covered under POGA	Least Of Following is Exempt: <ol style="list-style-type: none"> ₹ 20 Lakh Gratuity Received $15/26 \times \text{Last Drawn Salary} \times \text{CY}$ Note: <ol style="list-style-type: none"> CY = Completed year or part thereof in excess of 6m Last Drawn Salary = Basic + DA
Other EE Not covered under POGA	Least Of Following is Exempt: <ol style="list-style-type: none"> ₹ 20 Lakh Gratuity Received $1/2 \times \text{Avg Salary} \times \text{CY}$ Note: <ol style="list-style-type: none"> CY = Completed year Salary = Basic + DA(RS) + Comm(%) Avg Salary = 10m Avg Salary Immediately Preceding "month" of Retirement

2. Pension

- Uncommuted Pension – Fully Taxable
- Commuted Pension

Received By	Exemption u/s 10(10A) [Allowed under Both Regime]
Govt. EE	Fully Exempt
Non Govt. EE	<u>Gratuity Received</u> : $1/3$ of Total Pension Is Exempt <u>Gratuity Not Received</u> : $1/2$ of Total Pension Is Exempt

$$\text{Total Pension} = [\text{Commuted Pension} \div \text{Commutation \%}]$$

3. Leave Encashment (Exemption u/s 10(10AA)) - [Allowed under Both Regime]

Least Of Following Is Exempt:

- Leave Encashment Received
- ₹ 25,00,000
- $10\text{m} \times \text{Average Salary}$
- Leave @ credit (in months) \times Average Salary

Note:

(i) Leave @ Credit (In Months)

Leaves Available For Completed Year (Max= 30 leaves per Year)	xx
(-) Leaves Availed During Employment	xx
(-) Leaves Encashed During Employment	xx
Leaves @ credit (in days)	Xx
	÷ 30 days
Leaves @ credit (in months)	xx

(ii) Salary = Basic + DA(RB) + Commission (% of TO)

(iii) Avg Salary= 10m Avg Salary Immediately Preceding "Day" of Retirement.

(iv) Leave Encashed During Employment Is Fully Taxable.

(v) Leave Encashment received by Govt EE at the time of retirement is Fully Exempt.

4. Retrenchment Compensation S. 10(10B) - [Allowed under Both Regime]

Least of the following is exempt :

- Compensation actually received
- ₹ 5,00,000
- $15/26 \times \text{Avg RBS of Last 3 Months} \times \text{CY}$ (Part Thereof In excess Of 6 months)

5. Voluntary Retirement Compensation S. 10(10C) - [Allowed under Both Regime]

Least of the following is exempt :

- Compensation received
- ₹ 5,00,000
- 3 months x RBS p.m. x completed years of service
- Last drawn salary x remaining months of services left

6. Provident Fund - [Allowed under Both Regime]

Particulars	SPF	RPF	URPF	PPF
ER Contribution	EXEMPT	Exempt Upto 12% of RBS	Taxable at the time of withdrawal	Not Applicable
EE Contribution	Deduction u/s 80C	Deduction u/s 80C	No Deduction allowed u/s 80C	Deduction u/s 80C
Interest Credited	EXEMPT (See Note 3)	Exempt Upto 9.5% (See Note 3)	Taxable at the time of withdrawal	EXEMPT
Withdrawal	EXEMPT	EXEMPT (See Note 1)	See Note 2	EXEMPT

Note

1. Exempt, If any of the following condition satisfied:
 - a) 5 years of continuous service with same employer
 - b) retires before rendering 5 years of service because of ill health, contraction or discontinuance of employer's business or reason beyond the control of the employee
 - c) on cessation of employment with existing ER, accumulated balance in RPF is transferred to new employer or transferred to his NPS account referred to in section 80CCD

2. Withdrawal from URPF shall be treated as follows:

ER Contribution	EE Contribution	Int On EE Cont.	Int On ER Cont.
Taxable u/h salary	Exempt	Taxable u/h Other Source	Taxable u/h Salary

3. Int on EE's Contribution towards SPF/RPF
 - a) Exemption u/s 10(11) and 10(12) not available for interest accrued during the PY to the extent it relates to the contribution made by EE exceeding ₹ 2,50,000 in any PY on or after 1/4/2021.
 - b) However if ER do not contribute in that fund then exemption in respect of interest is allowed upto ₹ 5,00,000 instead of ₹ 2,50,000.

TAXABILITY OF PERQUISITES

1. **Rent Free or Concessional accommodation Section 17(2)(i) Rule 3(1)**

	Particulars	Amount
Step 1	Value Of Accommodation	
	Case 1: Accommodation Is owned by Employer	
	Specified % of Salary (See Note 1)	xx
	Case 2: Accommodation Is Taken on Rent by Employer	
	Rent Paid by the ER or 10% of Salary – whichever is lower.	xx
	Case 3: Government Employees (Central or State Government)	
	Licence Fee determined by the Government	xx
Step 2	Add: 10% p.a of Cost Of Asset (If Asset is owned by ER)	xx
Step 3	Add: Hire Charges paid by the ER (Asset taken on rent by ER)	xx
Step 4	Less: Amount Recovered From EE	xx

Note 1

Population	% Of Salary
Exceeds 40 Lakhs	10%
Exceeds 15 Lakhs but upto 40 Lakhs	7.5%
Upto 15 Lakhs	5%

- a) Meaning of Salary Rent free accommodation salary shall include:
- (i) Basic pay
 - (ii) Dearness Allowance/Dearness Pay. If it forms part of salary for retirement benefits as per service agreement.
 - (iii) Taxable portion of all allowances.
 - (iv) Bonus /Commission /Fees etc.
 - (v) Leave salary (when the employee is in employment)

It will not include

- (i) Taxable portion of perquisites whether monetary or non-monetary
- (ii) Taxable portion of provident fund
- (iii) Any payment after retirement like gratuity/ commuted pension or provident fund etc.
- (iv) Arrear of salary or advance salary

Note: Salary only for the period for which rent free accommodation is provided shall be taken into consideration

Accommodation provided at two places

If any employee has been transferred and employer has provided him accommodation at the new place also, in such cases only one of the accommodation shall be taxable having lower perquisite value but only for a period of 90 days (three months) and thereafter both of the accommodations shall be taxable

Accommodation provided in a hotel

Perquisite value shall be 24% of salary or actual expenditure incurred whichever is less.

However, Perquisite shall not be taxable if both of the following conditions are satisfied:

1. Hotel accommodation is for a period not exceeding in aggregate 15 days
2. Employee has been transferred from one place to another

FRINGE BENEFITS UNDER SECTION 17(2)(viii)

1. Interest free or concessional loans Rule 3(7)(i)

Perquisite = Sum of Monthly Outstanding balance x (SBI Rate – ER Rate) x 1/12

Exception: No perquisite shall be computed in following cases:

- a) where aggregate amount of all such loan during a particular year is upto ₹20,000
- b) If employer has given loan for treatment of specified disease given under rule 3A, there is no perquisite value

2. Free food or refreshment Rule 3(7)(iii)

- a) Free refreshments Tea or Non-Alcoholic Beverages / Snacks during working hours are Exempt.

b) Free meals taxable as follows:

Perquisite = (Cost of Meal – Amount Recovered).

However, perquisite upto ₹ 50 per meal is exempt [If Assessee Opts Out From Default Regime].

3. Facility of travelling, touring, accommodation (holiday home) etc. Rule 3(7)(ii)
 - a) Perquisite value shall be actual expenditure incurred by the employer, reduced by the amount recovered from the employee
 - b) If the employee is on official tour and any member of his household has accompanied him, perquisite value is amount spent on Family Member
 - c) If official tour was extended for personal purpose, expenditure for the extended part of the tour shall be taxable.
4. Gifts to the employees Rule 3(7)(iv)
 - a) Cash Gift = Fully Taxable
 - b) Kind Gift = Exempt Upto Rs 5000 p.a.
5. Credit card facility Rule 3(7)(v)

Perquisite Value = Amount spent for personal use of employee.
6. Club facilities Rule 3(7)(vi)

Perquisite Value = Amount spent for personal use of employee.
7. Use of employer's assets by the employees Rule 3(7)(vii)

Asset	Perquisite
Laptop / Computer	NIL
Other	10% p.a. of actual cost of such asset (or hire charges paid by ER) Less: amount recovered from EE

8. Sale Of Movable Asset

Particulars	Amount	Asset	Depreciation
Cost of Asset	-	Computer & Peripherals	50 % WDV
(-) Depreciation	-	Motor Vehicle	20% WDV
(-) Amount Recovered From EE	-	Other Asset	10% SLM
Taxable Value	-		

Note: Depreciation in all cases is charged For Complete Year.

9. Amount or the aggregate of amounts of any contribution made to the account of the assessee by employer in a recognised provident fund/NPS/approved superannuation fund [Section 17(2)(vii)]

The amount or aggregate of amounts of any contribution made

- a) in a recognised provident fund
- b) in NPS referred to in section 80CCD(1)

c) in an approved superannuation fund
by the employer to the account of the assessee, to the extent it exceeds ₹ 7,50,000 shall be considered as perquisites

10. Annual accretion to the balance at the credit of the recognised provident fund/NPS/approved superannuation fund which relates to the employer's contribution and included in total income

$$TP = (PC/2)*R + (PC_1 + TP_1)*R$$

Where,

TP = Taxable Perquisite

PC = Amt or agg. of amt of ER's contribution in excess of ₹ 7.5 lakh

PC₁ = Amt or agg. of amt of ER's contribution in excess of ₹ 7.5 lakh for earlier years

TP₁ = Agg. of taxable perquisite under section 17(2)(viiia) for earlier years

R = I / Fav.

11. Any other benefit Rule 3(7)(ix)

Perquisite = Cost to the employer – Amount Recovered

Note: If the employer has provided telephone facility including the mobile phone, it will be exempt. However if any telephone allowance has been received, then it shall be fully taxable.

12. Medical Facility

A. In India

Expenses Incurred/ Facility Provided By ER	Treatment
In ER Hospital	Exempt
In Govt. Hospital	Exempt
In Approved hospital For Specified Disease	Exempt
Health Insurance Premium of EE & Family Member	Exempt
Any other	Taxable

B. Outside India

Expenses Incurred by ER	Treatment
Stay Abroad	Exempt upto Permitted By RBI
Treatment Abroad	Exempt upto Permitted By RBI
Travel Abroad	Fully Taxable Fully Exempt
a) GTI > 2L	
b) GTI ≤ 2L	

Note:

- Exemption is allowed for medical treatment of EE, Spouse, Children, Dependent family member (Parents, Brother & Sister)
- Exemption of stay and travel abroad is for patient and one attendant only.

- c) Exemption is allowed for COVID-19 treatment subject to conditions notified by CG.

13. Leave Travel Concession [Section 10(5) Rule 2B] - [Allowed Only under OLD Regime]

Journey Performed By	Maximum Exemption
Air	Economy Fare
Other Than Air	1st Class AC Fare Of Railway
Places Not connected By Rail	
a) Recognised Transport System (RTS) Exist	Deluxe or First Class Fare of RTS
b) No Recognised Transport System (RTS) Exist	1st Class AC Fare Of Railways on the basis of KM Travelled

Notes:

- Ceiling on number of journeys: The exemption shall be available to an individual two times in each block of four calendar year (current block is 2022-25)
- Family", shall include—
 - the spouse and children however exemption shall be allowed maximum 2 children but in case of multiple birth after the birth of one child, exemption is allowed for all the children
 - wholly or mainly dependent parents, brothers and sisters

PERQUISITES ARE TAXABLE ONLY IN THE HANDS OF SPECIFIED EMPLOYEES

- Gardener/watchman/ sweeper or any other servant
 Perquisite = Amount Spent By ER less Amount Recovered from EE
- Transport Facilities
 - ER business is carriage of goods or passengers
 - Perq. Shall be Fair Market Value as reduced by Amount Recovered From EE
- Education facility

Nature Of Expenditure	Perquisite
Training of Employees	Not Taxable
Education to Family Member	Fully Taxable
Education to Children of Employees	
a) school maintained by the ER or the school sponsored by the ER	Cost of education IN similar locality / institution as reduced by amount recovered from EE
b) Other Schools	Cost to the Employer as reduced by amount recovered from EE

Note: If the Cost of Education per Child does not exceed ₹ 1,000 p.m. then such benefit is Not Taxable, otherwise fully taxable.

4. Service of Sweeper, Gardener or Watchman or Personal Attendant

Perquisite = Amount Spent By ER less Amount Recovered from EE

5. Gas/Electricity or Water Facility

Particulars	Perquisite
ER has his own business	Manufacturing cost to the employer
Sourced From Third Party	Amount Paid To Third Party

Amount recovered from EE Shall be Deducted

6. Sweat Equity Share/ESOP

a) Perquisite = FMV on Exercise Date – Amount Paid by Employee

b) FMV should be taken on the date on which option is exercised by the EE.

7. Payments Of Life Insurance Premium By The Employer

Premium so paid shall be taxable. However premium paid for personal accident policy or for staff group insurance scheme shall be exempt.

8. Motor car facility

Valuation of Motor Car facility				
Car Owned By ER And Used By EE				
Purpose	Expenses Met By	Perquisite Value		
Partly Official And Partly Personal (Amount Recovered From Ee Is Ignored)	Employer	Small Car- 1800 Pm	For Driver - 900 Pm	
		Big Car- 2400 Pm		
Partly Official And Partly Personal (Amount Recovered From Ee Is Ignored)	Employee	Small Car- 600 Pm	For Driver - 900 Pm	
		Big Car- 900 Pm		
Personal	Employer	Expenses Incurred By ER		-
		+ Driver Salary		-
		+ 10% P.A Of Cost Of Car		-
		+ Hire Charges Of Car		-
		(-) Amount Recovered From EE		-
		Perquisite Value		-
Car Owned By EE & Used By EE				
Purpose	Expenses Met By	Perquisite Value		
Partly Official And Partly Personal	Employer	Expenses Incurred By ER		-
		+ Driver Salary		-
		(-) Fixed Personal Expense		

		Small Car	(1,800)
		Big Car	(2,400)
		Driver	(900)
		Perquisite Value	-
Personal	Employer	Expenses Incurred By ER	-
		+ Driver Salary	-
		(-) Amount Recovered From EE	(-)
		Perquisite Value	-
Other Vehicle			
Purpose	Expenses Met By	Perquisite Value	
Partly Official And Partly Personal	Employer	Expenditure By Employer - ₹ 900 P.M	

Note 1: More than one motor car is provided to the employee for official/personal use – Any 1 car shall be treated as used for partly official and partly personal purpose and other car(s) shall be treated as used for personal.

Note 2: If car is used for 100% official use then it shall not be considered as perquisite.

CHAPTER 3B: INCOME U/H HOUSE PROPERTY

Basis Of Charge (Section 22)

1. Property should consist of any building or land appurtenant thereto
2. Assessee must be the owner or Deemed Owner
3. HP Must be used for any purpose except business or profession of Assessee

Note: Annual value of HP held as SIT will also be taxable under this head. However, As per Section 23(5) NAV of HP held as SIT shall be Nil for 2 years from the end of FY in which completion certificate is issued, if Not Let Out for such period.

Computation of Income Under House Property

Particulars	Rs.
Gross Annual Value (GAV)	-
Less: Municipal Tax (MT) Paid by Owner	-
Net Annual Value (NAV)	-
Less: Standard Deduction u/s 24(a)	-
Less: Interest On Capital Borrowed u/s 24(b) – Due Basis	-
Income U/H House Property	-

Note: Municipal Taxes

1. Deducted from GAV if paid by Owner during previous year.
2. Deductible in PY of Payment even if they relate to past years.

Calculation Of GAV (Section 23)

1. Fair Rent	-
2. Municipal Value	-
3. Standard Rent	-
4. Expected Rent (Higher of 1 or 2 but restricted to 3)	-
5. Actual rent Received or Receivable	-
6. GAV (Higher of 4 or 5)	-

CASE A. Income of House Lying Vacant for Some Period

1. Calculate Expected Rent (ER) for whole year
2. Calculate Actual Rent (AR) for Let out period
3. Compare Expected Rent and AR

Situation 1: If $AR > ER$, then $GAV = AR$.

Example : Calculate GAV

Expected Rent (12m) = ₹ 2,40,000; Actual Rent = 35,000 p.m.; Vacancy = 3 month

$$AR = 35,000 \times 9m = ₹ 3,15,000$$

$$ER = ₹ 2,40,000$$

As $AR > ER$, therefore GAV shall be AR i.e. ₹ 3,15,000

Situation 2: If $AR < ER$ due to vacancy i.e. $AR + VR \geq ER$, then $GAV = AR$.

Example : Calculate GAV

Expected Rent = 2,40,000; Actual Rent = 25,000 p.m.; Vacancy = 3 Month

$$AR = 25,000 \times 9m = ₹ 2,25,000$$

$$ER = ₹ 2,40,000$$

If there would have been no vacancy, then AR would have been (25,000 x 12)

i.e. ₹ 3,00,000. Therefore, $AR < ER$ due to vacancy. Hence GAV shall be AR i.e. ₹ 2,25,000

Situation 3: If $AR < ER$ due to other reason i.e. $AR + VR < ER$, then $GAV = ER$

Example : Calculate GAV

Expected Rent = 2,40,000; Actual Rent = 18,000 p.m.; Vacancy = 3 Months

$$AR = 18,000 \times 9m = ₹ 1,62,000$$

$$ER = ₹ 2,40,000$$

If there would have been no vacancy, then AR would have been (18,000 x 12)

i.e. ₹ 2,16,000. Therefore, $AR < ER$ not due to vacancy. Hence GAV shall be ER ₹ 2,40,000.

CASE B. Income of House Let out For Part of the Year & Self Occupied for part of the year

1. Calculate Expected Rent (ER) for whole year
2. Calculate Actual Rent (AR) for Let out period
3. $GAV = \text{Higher of ER Or AR}$.

Example : Calculate GAV

Expected Rent = 2,40,000; Actual Rent = 26,000 p.m.; Self Occupied = 3 Months

$$AR = 26,000 \times 9m = ₹ 2,34,000$$

$$ER = ₹ 2,40,000$$

GAV shall be higher of ER or AR i.e. ₹ 2,40,000

Example : Calculate GAV

Expected Rent = 2,40,000; Actual Rent = 28,000 p.m.; Let out = 7 months;

Self Occupied = 3 months; Vacant = 2 months

$$\begin{array}{lcl} \text{AR} & = & 28,000 \times 7\text{m} \\ \text{ER} & = & \end{array}$$

₹ 1,96,000

₹ 2,40,000

If there would have been no vacancy, then AR would have been $(28,000 \times 9)$ i.e. ₹ 2,52,000. Therefore, $\text{AR} < \text{ER}$ due to vacancy. Hence GAV shall be AR i.e. ₹ 1,96,000

CASE C. Self-Occupied/Unoccupied House Property (For Maximum 2 House Property)

1. GAV = Nil for 2 houses
2. Deduction of MT Paid shall not be allowed
3. Thus NAV = Nil
4. Interest on capital borrowed allowed subject to maximum 2,00,000 or 30,000 as the case may be. (Only in case of Old regime)

Note: Under default regime, no deduction is allowed for interest on capital borrowed of Self occupied property. Hence, income of Self occupied property shall always be nil under default regime.

CASE D. More Than 2 House Self Occupied

1. Any 2 Houses Shall be considered as Self occupied and dealt with accordingly.
2. Remaining house(s) shall be Deemed to be Let Out and its GAV Shall be Expected Rent.

Step 1: Consider all houses to be Deemed to be let out

Step 2: Consider all houses to be self-occupied (S.O.)

Step 3: Create Combinations keeping 2 houses to be S.O. and other to be Deemed let out.

Step 4: Chose the combination with lower income or higher loss.

CASE E. Part (Portion) of the house if Let Out And Other Part (Portion) Is Self Occupied

Let Out (LO) Portion	Self-Occupied Portion
<p>Compute income of let out portion normally considering Following:</p> <ol style="list-style-type: none"> a) ER shall be Computed for the part of property LO. b) MT Allowed for the part of property LO. c) ICB shall be Allowed for the part of property LO. <p>(Suppose 60% portion is LO and 40% Is Self Occupied, then above 3 points shall be calculated for 60% only)</p>	<ol style="list-style-type: none"> 1. GAV = Nil. 2. Deduction of MT Paid shall not be allowed. 3. Thus NAV = Nil. 4. ICB Shall be allowed for the part of property Self Occupied only under old regime. (Subject To Maximum 30,000/2,00,000)

Treatment Of Unrealised Rent

Actual rent received/receivable should not include unrealised rent if all the conditions are satisfied:

- a) Tenancy is bona fide;
- b) defaulting tenant has vacated HP;
- c) defaulting tenant is not in occupation of another HP Of Assessee;
- d) Assessee initiated legal steps to recover unrealized rent or satisfy AO that such will be useless.

Tax liability in respect of arrears of rent / Recovery of Un-realized Rent (Section 25A)

Recovery of unrealized rent or arrears of rent received shall be taxable in the year of receipt after standard deduction of 30%.

Note: unrealized rent recovered or arrears of rent shall be taxable in the year of receipt under the head house property irrespective of the fact whether HP exist or not.

Statutory Deduction (Section 24(a))

Section 24(a), assessee shall be allowed a notional expenditure equals to 30% of NAV

Interest On Capital Borrowed (Section 24(b))

1) Pre- Construction Period Interest

It is the interest paid before the year in which construction is completed. Pre period interest is accumulated and allowed in 5 installments from the year in which construction is completed.

Eg. Loan is taken on 15/7/2021; construction is completed on 25/4/2024.

In this case interest for the period 15/7/2021 to 31/4/2024 shall be accumulated and allowed in 5 installments from 2024-25 till 2028-29.

2) Current Year interest (Relevant PY) – Allowed in same previous year on due basis.

Note:

1. Interest on loan is allowed as deduction if it is taken for the purpose of construction, repair, renovation, reconstruction etc of house property.
2. Loan can be raised from banks, FI, NBFC, friends, family etc.
3. Interest is allowed on due basis.
4. Interest on fresh loan taken to repay original loan taken for house property shall be allowed as deduction.
5. Brokerage/commission for Arrangement of loan is Not allowed.
6. Interest on unpaid interest is Not allowed.
7. If loan is taken from o/s India, Interest is deductible only if TDS is deducted.

Restriction of deduction in case of Self Occupied House property

Situation	Max. Deduction
Loan for acquisition or construction of HP taken on/after 1.4.99 & such acquisition or construction is completed within 5 year from end of FY In Which loan is taken.	Rs. 2 Lakh
Other Cases	Rs. 30,000

Note: ICB in respect of SO property is allowed only under New regime.

Co-owned House Property

Co-owned Property Is Let Out	Co-owned Property is Self Occupied
<ol style="list-style-type: none"> 1. Calculate income of let out property normally as a single owner. 2. Income so calculated shall be divided between each co-owner on the basis of ownership right. 	<ol style="list-style-type: none"> 1. Calculated for each co-owner separately. 2. NAV= Nil 3. Each co-owner is entitled for deduction of ICB of Rs.30,000 or Rs.2 lakh respectively (only in case of old regime)

Deemed Owner (Section 27)

a) Transfer of HP to Spouse for Inadequate consideration	Transferor Spouse is deemed to be owner of HP transferred. However, if Transferred under an agreement to live apart, then transferee spouse shall be considered as owner
b) Transfer of HP to Minor Child for inadequate consideration	Transferor is deemed as owner of HP. However, HP is transferred to a minor married daughter, then deemed ownership not applied.
c) Member of a Co-operative Society	Member to whom a building or part thereof is allotted or leased under a House Building Scheme of a society/company/association, shall be deemed to be owner of that building
d) Person in possession of a property	If possession is received for part performance of the contract, then person having the possession is deemed owner for income tax purpose
e) Holder Of Impartible Estate	Deemed as owner of all properties in the estate
f) Lease for 12 years or more	A person who acquires any building by way of lease for a period of 12 years or more shall be deemed to be the owner of that building.

INCOME UNDER THE HEAD OTHER SOURCES

Basis OF Charge [Section 56]

1. Any income which is not charged under any other head is charged under this head.
2. Following incomes are always charged under this head.
 - a) Gifts;
 - b) Dividend;
 - c) Lottery, Betting, Gambling or any other casual income.;
 - d) Rent of Plant & machinery;
 - e) Income from owning and maintaining race horses.
 - f) Family pension less (1/3rd or ₹ 15,000/25,000 - whichever is lower).
 - g) Maturity proceeds of keyman insurance policy Received by Legal Hier.
 - h) Interest On Securities / Bank Deposits

Security Held As SIT	Income Under The head PGBP
Security Held As Investment	Income Under The head Other Sources

Interest on Post Office Savings Bank A/c up to Rs. 3,500 in case of Individual A/c; & Up to Rs. 7,000 in case of Joint A/c is exempt as per section 10(15).

- i) Director's Fee
- j) MP's/MLA's salary
- k) Rent from vacant land
- l) Income from sub letting
- m) Income from letting of building along with P&M or Furniture, if such letting is inseparable.
- n) Royalty
- o) Examinership remuneration
- p) Insurance commission
- q) Agricultural income from agricultural land situated outside India
- r) Interest on delayed refund of income tax

Casual Incomes [Section 115BB]

- Taxable @ 30% + SC (if any) + 4% HEC on tax u/s 115BB
- No deduction for any Expenditure incurred shall be allowed.
- No Deduction under chapter VI-A Shall be allowed and also no loss is allowed to be adjusted with this income.
- Rebate u/s 87A is allowed from Tax on casual Income
- Adjustment of unexhausted Basic Exemption Limit is also NOT ALLOWED
- GROSSING UP of Winning from Lottery/Interest on securities:
If Net Amount is given, it shall be grossed up. Tax will be levied on Gross Income.
Gross Amount = Net Amount ÷ [1 – Tax Rate]

Interest On Enhanced Compensation

- Taxable in PY of Receipt;
- 50% of Receipt is Deductible u/s 57.
- Hence only 50% amount shall be chargeable to tax.

Taxability Of Gift

- Any gift or benefit arising from business or profession shall be taxable under head PGBP
- Any gift received by EE from ER shall be taxable under head Salaries.
- Other Gifts are taxable as follows:

A. Money Gift

Aggregate Money Gift Received Exceeds Rs. 50,000	
Yes	No
Entire Gift Is Taxable	Not Taxable

B. Gift Of Movable Property

i. Without Consideration

Aggregate FMV Exceeds Rs. 50,000	
Yes	No
Entire Gift Is Taxable	Not Taxable

ii. Inadequate Consideration

Aggregate of (FMV – Consideration Paid) Exceeds Rs. 50,000	
Yes	No
Aggregate (FMV – Consideration Paid) is taxable	Not Taxable

Movable Property Includes

- | | |
|--------------------------------|--------------------------|
| a) Shares & Securities | e) Painting |
| b) Jewellery including Bullion | f) Drawing |
| c) Archaeological collection | g) Any Work Of Art |
| d) Sculptures | h) Virtual Digital Asset |

Note: If asset gifted is not a capital asset, then it shall not be taxable in the hands of recipient.

Example: Gift of Rural agricultural land shall not be taxable as it is not a capital asset.

C. Gift Of Immovable Property**i. Without Consideration**

SDV Exceeds Rs. 50,000	
Yes	No
Entire Gift Is Taxable	Not Taxable

ii. Inadequate Consideration

SDV Exceeds 110% Of Consideration Paid & (SDV – Consideration Paid) Exceeds Rs. 50,000	
Yes	No
(SDV – Consideration Paid) is taxable	Not Taxable

Note: amount of gift taxable is included in COA of asset received in Gift.

Exceptions

1. Received under a will or inheritance.
2. Received on the marriage of individual.
3. Received from any relative
4. Received in contemplation of death of the payer.
5. Received from registered charitable institute reg u/s 12ab, hospital, medical institutions, university or educational institution reg u/s 10(23c).
6. Received from any local authority u/s 10(20).

Meaning Of Relatives**A. For Individual**

- i. Spouse of the Individual
- ii. Brother/sister of the Individual
- iii. Brother/sister of Spouse of Individual
- iv. Brother/sister of either of Parents of the Individual
- v. Lineal Ascendant/Descendant of the Individual.
- vi. Lineal Ascendant/Descendant of Spouse of the Individual
- vii. Spouse of any of the persons referred earlier

B. For HUF – Members of HUF are Relatives.**Family Pension**

After the death of employee, employer may pay some pension to family member of the employee which is called 'Family Pension'.

It is taxable under the head other sources but as per section 57 deduction is allowed equal to $\frac{1}{3}^{\text{rd}}$ of such pension but maximum ₹15,000 [25,000 in default regime]

Exemption in Respect of Family Pension

1. Family Pension received by widow or children or nominated heirs, of a member of armed forces (including para-military forces) of the union, where death of such member has occurred in the course of operational duties is exempt
2. Family pension received by any member of family or individual who have been in the service of central or state govt. and have been awarded any notified gallantry awards is exempt.

Dividend

1. Received from domestic company – Fully Taxable
2. Received from Foreign Company – Fully Taxable.
3. Dividend Includes Deemed dividend u/s 2(22) (a) to (e)
Note: Expenses Incurred for earning dividend shall not be allowed except Interest on loan subject to maximum 20% of dividend Income.

Section 2(22)(a)

Distribution by Company to Shareholder which Releases Company's Asset shall be deemed dividend to the extent of accumulated profits including capitalized Profits.

Example

A Ltd. Distributed silver coins Gift of 15,00,000 on occasion of Diwali
Compute deemed dividend if Accumulated profits (a) 25,00,000 (b) 12,00,000

Section 2(22)(b)

If any company has distributed Debentures / Deposit certificates to shareholders or bonus shares to preference shareholders it will be considered to be dividend but only to the extent of accumulated profits including capitalized profits

Section 2(22)(c)

If any company has distributed any amount to its shareholders in connection with its liquidation, it will be considered to be dividend but only to the extent of accumulated profits and any excess over it shall be considered to be full value of consideration as per section 46 and capital gains shall be computed accordingly.

Example

A Ltd went into liquidation on 15/7/24 on which Accumulated Profits was ₹ 15,00,000 and Capitalized profits was ₹ 5,00,000.

Mr. J Hold 5000 shares in A Ltd which is equivalent to 10% ownership in A Ltd.

Mr. J purchased 5000 share on 15/9/23 for ₹ 50/share.

On 12/12/24 After paying off all the liabilities, A Ltd. distributed ₹ 5,00,000 to Mr. J

Show tax implication.

Section 2(22)(d)

Any distribution to its shareholders by a company on the reduction of its capital, to the extent to which the company possesses accumulated profits

Section 2(22)(e)

Distribution of Accumulated Profits by Closely Held company by way of ADVANCE/LOAN to

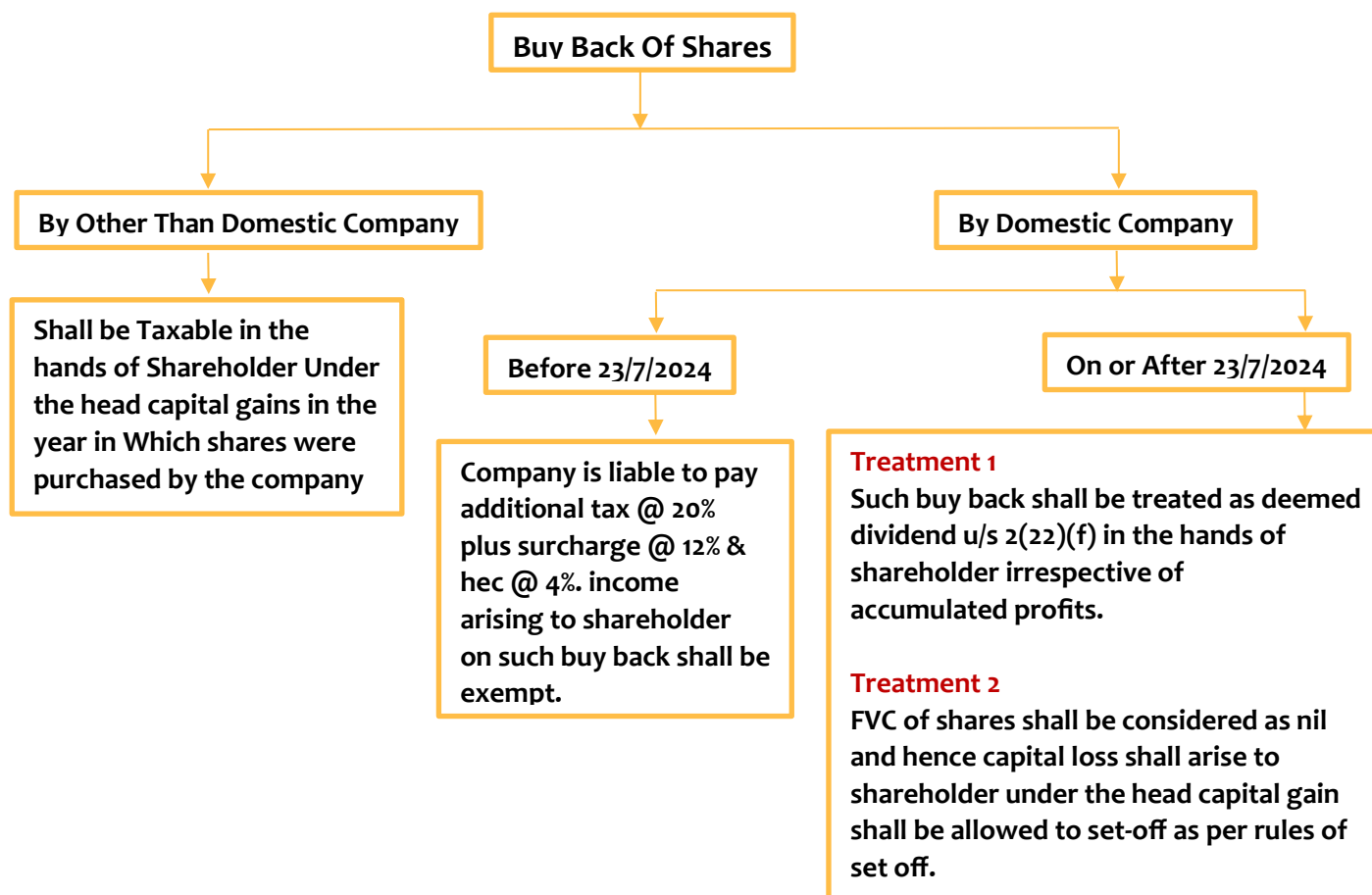
- (i) Shareholders beneficially holding at least 10% equity shares in the company;
- (ii) Any person on behalf of such shareholders/for benefit of such shareholder;
- (iii) Any CONCERN in which such shareholder has substantial interest;
- (iv) Any CONCERN in which such shareholder is member/partner.

Exception:

Money lending is substantial business of company & loan is given in ordinary course

Section 2(22)(f)

Any amount received by shareholder on buyback will be treated as Deemed Dividend regardless of quantum of accumulated profits of the company [w.e.f. 01/10/2024]



Particulars	
No of shares of A Ltd bought in 2020 By Mr B @ ₹ 40 per share	100
Total cost of acquisition (100 x ₹ 40)	₹ 4,000
No of shares bought back in November 2024 by A Ltd @ ₹ 60 per share	20 shares
Income taxable as deemed dividend u/s 2(22)(f) [₹ 60 per share x 20 shares]	₹ 1,200
Long-Term Capital Loss on such buyback as per Section 46A (Value of consideration - COA) {Nil – (₹ 40 x 20 shares)}. Such LTCL can be set-off against other LTCG or it can be carried forward to the next year for set-off against other LTCG.	₹ 800
No of shares sold in December 2025 by Mr B @ ₹ 70 per share	50 Shares
Chargeable LTCG in PY 2025-26 after set-off of Long-Term Capital Loss (₹ 1,500 – ₹ 800)	₹ 700

Life Insurance Policies Maturity Proceeds (Sec. 10(10D))

a) Maturity Amount Received at the time of Death

Fully exempt in the hands of recipient as per Section 10(10D)

b) Otherwise

i. For Policies issued before 1/4/2023

Maturity amount received by assessee shall be exempt u/s 10(10D) if premium paid is up to 10% / 15% / 20% (as the case may be) of the capital sum assured

ii. For Policies issued on or after 1/4/2023

Maturity amount received by assessee shall be exempt if both of following conditions are satisfied:

a) Premium paid is up to 10%/15% of the capital sum assured and

b) aggregate premium for all the policies taken after 1/4/2023 for the year is upto ₹5,00,000.

However, if aggregate premium exceeds ₹5,00,000, then assessee can claim the exemption for those policies whose aggregate premium is upto ₹5,00,000.

Example

Following Policies issued on 1/7/24

Show Tax treatment

Policy	C.S.A.	Premium paid (p.a.)
Policy 1	15,00,000	1,20,000
Policy 2	10,00,000	90,000
Policy 3	25,00,000	2,60,000
Policy 4	15,00,000	1,50,000

Transfer of Unlisted Shares for Inadequate Consideration [Section 50 CA]

If unlisted shares transfer at a price lower than FMV, then FVC shall be considered as FMV of shares in hands of transferor in accordance with section 50CA. Also, provisions of gift are applicable in the hands of transferee.

Example:

- Mr. X sold share of A Ltd. (1,000 shares @ ₹50/share) on 01/10/2024
- Mr. X purchased share @ ₹26/share on 01/01/2023
- Mr. X sold shares to Mr. Y
- FMV of share on 01/10/2024 was ₹120/share.

Show tax implication in the hands of Mr. X and Mr. Y

Inadmissible Deductions [Section 58]

- a) Personal Expenses
- b) Excessive Payment to Relative
- c) Cash Payment > Rs. 10,000 others than through specified mode.
- d) Payment on which TDS provisions applicable but TDS not deducted on time or deducted but not deposited on time.

CHAPTER 3C: PROFITS & GAINS FROM BUSINESS & PROFESSION

Section 28 Basis Of Charge

1. The profit of any business or profession carried at any time during the relevant PY.
2. Export incentives.(Cash assistance/ sale of import licence/ duty drawback)
3. Profit on sale of Duty Entitlement Pass Book.
4. The value of any benefit or perquisite arising from business or Profession (Gift received from customers/client)
5. Any interest, salary, bonus, commission or remuneration, received by a partner of a firm from such firm.
6. Non - competing fees
 - a) for not carrying out any activity in relation to any Business
 - b) not sharing any know-how, patent, copyright, trademark, licence, franchise or any other business or commercial right
7. Any sum received by ER under a Keyman insurance policy
8. Income from speculative transaction
9. Amount received in connection with termination or modification of terms and conditions of any Business contracts.
10. If any person has converted any inventory or stock in trade in to a capital asset.(
Business Income = FMV on Date of Conversion
11. Any income from letting out of residential house or part thereof by the owner shall be chargeable under the head “Income from house property” rather than PGBP

Note:

Meaning of Speculative Transaction

It means a transaction in which a contract for the purchase or sale of any commodity including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or securities.

Transactions not deemed to be speculative transactions

The following forms of transactions shall not be deemed to be speculative transaction:

- a) Hedging contract in respect of raw materials or merchandise or stocks and shares
- b) Forward contract
- c) Trading in derivatives carried out electronically through SEBI registered stockbroker or sub broker or intermediary in a recognized stock exchange.
- d) Trading in commodity derivatives carried out electronically through a registered member or intermediary in a recognised stock exchange, which is chargeable to commodities transaction tax.

However, the requirement of chargeability of commodities transaction tax is not applicable in respect of trading in agricultural commodity derivatives.

Section 29 How to Compute PGBP

The income referred to in section 28 shall be computed in accordance with the provisions contained in sections 30 to 43D.

Rent, Rates, Taxes, Repairs and Insurance for Buildings [Section 30]

Building Used As	Expenses Allowed
Tenant	Rent, Current Repairs, Municipal Taxes & Insurance
Owner	Current Repairs, Taxes, Insurance and also Dep (u/s 32)

Note:

1. Capital repairs incurred by the owner are not allowed as a deduction but instead, assessee can claim depreciation on such repairs.
2. Capital repairs incurred by tenant is treated as deemed building and depreciation is allowed to tenant.
3. If assessee is owner of building then assessee cannot claim notional rent.

Section 31 Deduction relating to plant, machinery & furniture

- Current Repairs and Insurance related to P/M & Furniture used in business is allowed u/s 31.
- Rent Paid for P/M & Furniture if taken on hire, shall also be allowed but in u/s 37.

Section 32 Depreciation

1. Conditions for claiming Depreciation

- a) Asset must be owned by the assessee, wholly or partly.
- b) Asset must be used for the purpose of business or profession.
- c) Asset must be used during the previous year.

If any of the above condition is not satisfied, depreciation shall not be allowed.

Note:

- a) It is mandatory for Assessee to claim depreciation.
- b) Depreciation is allowed when asset is put to use and not when it is ready to use.

2. Methods Of Depreciation

- (a) Normal Depreciation For Block Of Assets on WDV basis
- (b) Additional Depreciation For Eligible Asset
- (c) Asset Wise Depreciation For An Undertaking Engaged In Generation or Generation & Distribution Of Power

3. Section 2(11): Block of Assets

It means a group of assets falling within a class of assets comprising:

- a) Tangible assets, being building, plant and machinery or furniture
- b) Intangible assets, being know how, patents, copyrights, trademarks etc. in respect of which same rate of depreciation is charged.

4. Rate Of Depreciation

Building	
• Residential Purpose Building other than Hotel	5%
• Non Residential Purpose Building including Hotel	10%
• Temporary erections	40%
Furniture and Fittings	10%
Machinery and Plant	
Machinery and Plant (General)	15%
• Motor cars	
• Used in a business of running them on hire	
Generally	30%
Acquired and Put To Use between 23/8/19 – 31/3/20	45%
• Other than Used in a business of running them on hire	
Generally	15%
Acquired and Put To Use between 23/8/19 – 31/3/20	30%
• Ships	20%
• Aeroplanes	40%
• Computers including computer software and computer peripherals (Excluding Mobile)	40%
• Books	40%
Intangible Assets other than Goodwill	25%

5. WDV For Charging Depreciation

Particulars	Amount
Opening WDV of Block	xxx
Add: Assets acquired During the previous year	
Put To Use for 180 days or more	xxx
Put To Use for Less than 180 days	xxx
Not Put To Use	xxx
Less: Money Payable (Selling Price Of Asset)	(xxx)
Closing WDV Before Depreciation	xxx
Less: Depreciation actually Allowed	xxx

Note: If asset is acquired but not put to use, then depreciation on such asset shall not be allowed.

6. Depreciation allowed at Half Rate

Depreciation will be restricted to 50% of the normal depreciation, if the following conditions are satisfied:

1. Asset is purchased and put to use in the same Year.
2. Period of put to use for less than 180 days.

Note:

1. Half rate of depreciation is charged on value of asset, not on Block value.
2. No depreciation is charged when assets purchased is not put to use.
3. Charge Full rate of depreciation on balance value of asset remaining after charging half rate of depreciation

7. When No Depreciation Shall Be Allowed**a) All the assets of the block are transferred (Block Ceases To Exist)**

In case all the assets in any block are transferred during the previous year then the block shall cease to exist and no depreciation will be allowed. It can happen in the following two cases:

- i. Sale price exceeds (Op. WDV + Assets purchased during the year)

$$\text{STCG u/s 50} = \text{Sale Price} - (\text{Op. WDV} + \text{Assets purchased during the year})$$
- ii. Sale price < (Op. WDV + Assets purchased during the year then)

$$\text{STCL u/s 50} = \text{Sale Price} - (\text{Op. WDV} + \text{Assets purchased during the year})$$

b) Part of block is sold and the sale consideration of assets exceeds block Value

- i. Sale price > (Op. WDV + Assets purchased during the year)
- ii. Although certain assets exist in block, but the WDV of the block shall be reduced to NIL and no Depreciation shall be allowed.
- iii. Excess shall be treated as short-term capital gain.

8. Additional depreciation on new machinery or plant [Section 32(1)(iia)] – Only For Old Regime

A. Allowed to assessee engaged in manufacture of any article or generation or generation and distribution of power.

B Assets for which additional depreciation is allowed:

Any new machinery or plant which has been acquired and installed. However, additional depreciation shall not be allowed for:

- (i) Ships and aircraft;
- (ii) Second Hand Plant/Machinery; or
- (iii) Any machinery or plant installed office or residential accommodation or office appliances or road transport vehicles;
- (iv) Any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise)

C. Additional depreciation shall be allowed @ 20% in the first year in which it is put to use.

- D. If the asset is put to use for less than 180 days, then additional depreciation is allowed @ 10% in the first year, and balance of 10% shall be allowed in next year.
- E. Notes:
- Printing or printing and publishing is treated as manufacturing business – eligible for additional dep.
 - Forklift used in factory is not treated as transport vehicle hence eligible for add. Dep.
 - Add. Dep. Shall not be allowed to power units if they opted SLM method.

9. Actual cost

It means,

- Actual cost of the asset to the assessee, and
- It should not include any portion of the cost which has been incurred directly or indirectly by any other person or authority.

Note:

- If the assessee makes a payment or aggregate of payment more than Rs.10,000 to a person in a day, by mode other than an A/c payee cheque, A/c payee bank draft, or electronic clearing system through a bank account, such payment shall be ignored for the purpose of determination of actual cost.
- Interest paid before commencement of production on amounts borrowed for acquisition and installation of machinery forms the part of actual cost.

Actual cost in certain special situations [Explanations to section 43(1)]

Situation	Actual Cost
Acquisition of Asset: Where assessee himself acquires the asset.	Purchase Price Add: (a) Interest on Loan for the period upto the date of usage of the asset (b) Freight and Insurance (c) Loading, Unloading Charges (d) Installation and Erection Charges Less: (a) Any amount met by any Authority or any other person by way of Subsidy or Grant, (b) GST ITC Credit availed
Assets used in Scientific Research subsequently put into use for business.	Nil. As Asset Cost wholly deductible u/s 35
Conversion of Stock into Capital Asset	FMV which has been taken into account for the purpose of Sec.28(via)
Asset received under Gift, Will or Inheritance.	WDV to the Previous Owner.
Acquisition of Second Hand asset to claim	Cost as determined by the AO, having

depreciation on enhanced cost to reduce tax liability, in the opinion of A.O.	regard to circumstances of the case, with the prior approval of Joint Commissioner of Income Tax.
Transfer and Re-acquisition: Transfer of an asset and re-acquisition of the same.	WDV at the time of Original Transfer or repurchase price, whichever is less.
Sale and Lease Back: Sale of an asset to the Lessor and taking them back on lease.	WDV to the Transferor.
Building used for private purpose and subsequently put into use in business	Cost of Acquisition or Construction Less: Notional / Deemed Depreciation for the period of personal use.
Assets brought into India by a Non-Resident.	Actual Cost of Acquisition Less: Notional Depreciation for the period held outside India
Receipt of Subsidy / Grant / Reimbursement for the acquisition of asset from Central Government or State Government	Actual Cost shall be reduced by cost as related with such Subsidy/ Grant / Reimbursement

Note: For any other asset which was earlier used for personal purpose but now put to use in business, then actual cost shall be actual cost to assess i.e. Notional depreciation shall not be deducted.

Ex: Computer purchased on 01/04/2022 for Rs. 1,00,000 and used for personal purpose. On 01/04/2024, Computer was put to use in business. In this case, actual cost shall be Actual cost to assessee i.e. Rs. 1,00,000.

10. Depreciation On SLM Basis

Assessee	Engaged in Generation, transmission, Distribution of Power
Time to Exercise	Before RFD u/s 139(1) of PY in which they begin to generate power. The option once exercised shall not be reversed.

Note: Option of SLM is For Tangible Assets only; For Intangible Assets only WDV is applicable. Depreciation can be charged on tangible assets individually; i.e SLM/WDV whichever is more beneficial.

Sale of Asset By Assessee Engaged In Power Generation

- **Case 1: Sale Value < Book Value**
Terminal Depreciation (Dr. to P/L) = Book Value – Sale Value
- **Case 2: Sale Value > Book Value But ≤ Actual Cost**
Balancing Charge (Cr. To P/L) = Sale Value – Book Value
- **Case 3: Sale Value > Actual Cost**
 - Balancing Charge (Cr. To P/L) = Actual Cost – Book Value
 - LTCG/STCG Depending on Period of Holding = Sale Value – Actual Cost

11. Unabsorbed Depreciation

- Where in any previous year profit before depreciation is not sufficient to absorb full depreciation expense, then depreciation is allowed to the extent of profit and balance depreciation shall be termed as unabsorbed depreciation.
- Such unabsorbed depreciation shall be carried forward to next year for adjustment.
- Unabsorbed dep shall be carried forward for indefinite years till it gets fully set off.

For example:

Profit before depreciation = 1,50,000

Depreciation = 2,10,000

In this case depreciation allowed shall be 1,50,000 (to the extent of profit) and balance 60,000 shall be treated as unabsorbed depreciation.

12. Carry forward and set off of unabsorbed depreciation

If Depreciation claim is more than profits before depreciation, then excess depreciation shall be deducted to the extent profits available and excess shall be c/f as unabsorbed depreciation.

After C/F Following shall be the order of setoff

- PY Depreciation
- B/f Business Loss
- C/F Unabsorbed Depreciation

Section 35 Scientific Research

1. In-house Research (Research – Related To Business)

Assessee	All Assesseees
Research During PY	100% of revenue as well as capital expenditure incurred during the previous year shall be allowed as deduction except capital expenditure on purchase of LAND.
Research before commencement of business	<ul style="list-style-type: none"> • Exp Incurred upto 3 years before the commencement of business shall be allowed in the year of commencement of business. • Revenue Expenditure – Only Salary (Excluding Perq) + Material Note: Other Revenue Exp Not Allowed • Capital Expenditure – Allowed Except LAND

2. Sale of assets used for scientific research Section 41(3)

- Asset Sold Without Being Put to use for business purpose:
 - a) Sale Value \leq Actual Cost, then sale value is Business Income
 - b) Sale Value $>$ Actual Cost, then actual value is business income and difference between sale value and actual cost shall be STCG/LTCG depending upon period of holding

- **Asset Sold After Being Put to use for business purpose:**
Asset will be added to the respective block with NIL value and deducted from the block with sale value

Example 10. Calculate income under head PGBP

1. Profit before depreciation for PY 2024-25 = 5,00,000
 2. Opening WDV of block of machine = 6,00,000
 3. Scientific research machine was purchased in year 2021-22 for 5,00,000 and put to use in business on 01/04/24
 4. Machine is sold for 1,50,000 on 31/12/2024
3. **Carried forward of unadjusted capital expenditure of scientific research**
- If profit before deducting capital expenditure on scientific research is less than capital expenditure on scientific research, then excess capital expenditure is carried forward.
 - Revenue expenditure on Scientific Research is always allowed irrespective of availability of profits.
4. **Contribution To Outside Agency (Research – Business Relation not compulsory) – Old Regime**

Donation given to an Approved scientific research association	100%
Donation is given to an Indian company approved for the purpose of scientific research or to any approved institution social science or statistical research.	100%
Donation is given to IIT/National Laboratory for scientific research	100%

Note:

Deduction shall not be denied if after making donation by the assessee, approval of such institution has been withdrawn.

Section 35AD Deduction in case of Specified Businesses – Only For Old Regime

1. Specified business means

Specified Business	Commencement
(a) Laying & operating a cross-country Natural Gas or Crude or Petroleum Oil Pipeline Network for distribution, including Storage Facilities being an integral part of such network.	on or after 01.04.2007
(b) Setting up and operating a Cold Chain Facility,	on or after 01.04.2009
(c) Setting up and operating a Warehousing Facility for storage of Agricultural Produce.	on or after 01.04.2009
(d) Building and operating a Hotel of two star or above category as classified by the Central Government.	on or after 01.04.2010
(e) Building and operating a Hospital with atleast 100 beds for	on or after

patients.	01.04.2010
(f) Developing and building a Housing Project under a scheme for Affordable Housing Slum Redevelopment or Rehabilitation Scheme framed by Central or State Government and notified by CBDT.	on or after 01.04.2010
(g) Developing and building a Housing Project under a scheme for Affordable Housing framed by the Central Government or State Government and notified by CBDT	on or after 01.04.2010
(h) New Plant or in newly installed capacity in an existing Plant, for production of Fertilizer.	on or after 01.04.2010
(i) Setting up and operating an Inland Container Depot or Container Freight Station notified or approved under the Customs Act.	on or after 01.04.2012
(j) Bee-keeping and production of Honey and Beeswax.	on or after 01.04.2012
(k) Setting up and operating a Warehousing Facility for storage of Sugar.	on or after 01.04.2012
(l) Laying and operating a Slurry Pipeline for the transportation of Iron Ore.	on or after 01.04.2014
(m) Setting up and operating Semi-Conductor Wafer Fabrication Manufacturing Unit notified by CBDT.	on or after 01.04.2014
(n) Business of developing or maintaining and operating or developing, maintaining and operating a New Infrastructure Facility	On or after 01.04.2017

2. **Deduction:** 100% of capital expenditure except (Land, Goodwill and financial instrument). Also expenses incurred before commencement of business shall be allowed if capitalized in books of accounts.
3. However, Any Expenditure for Acquisition of any Asset for which aggregate payment made to A Person in A Day, otherwise than by A/c Payee Cheque/Draft or Electronic clearing system is more than Rs. 10,000 , then such payment Not Eligible for Deduction u/s 35AD
4. **Conditions and Notes:**
 - a) Business Not Formed by Splitting/Reconstruction of Existing Business
 - b) Not Formed by Transfer of Used P&M (However, Used P&M is Allowed upto 20%)
 - c) Depreciation shall not be allowed if deduction is allowed u/s 35AD.
 - d) Loss of specified business can be adjusted only against specified business income.
 - e) Loss of Specified business can be carried forward for indefinite period.
 - f) Asset must be used in business for 8 AY for which deduction Is claimed u/s 35AD otherwise, in the year of sale or put to use in other business shall be business income which is equals to:
PGBP Income = Total Deduction Claimed (i.e. Cost of Asset)– Deemed Depreciation.

- g) If asset is sold after 8 years then entire sales consideration shall be treated as business income as per section 28.

Section 35D Preliminary Expenditure

1. **Meaning:** Preliminary expenses are expenses incurred before setting up of the business; or the expenses are incurred in connection with extension (same line of business) of an undertaking or in connection with setting up a new business. (Setting up new factory, opening a new branch)
2. **Assessee:** The Assessee should be an -Indian Company, or Non-Corporate Resident Assessee.
3. **Eligible Expenses:**
 - (i) Preparation of feasibility report
 - (ii) Conducting market survey or any other survey necessary for the business.
 - (iii) Preparation of project report.
 - (iv) Engineering services relating to the business.
 - (v) Legal charges for drafting any agreement relating to the setting up or conduct of the business.
 - (vi) Legal charges for drafting and printing of Memorandum of Association (MOA) and Articles of Association (AOA).
 - (vii) Registration fees of a company paid to Registrar of Companies.
 - (viii) Expenses and legal charges incurred in drafting, printing and advertising of prospectus.
 - (ix) Expenditure incurred on issue of shares or debentures like underwriting commission, brokerage, advertisement etc.

Note: Salary to employees, rent of premises, interest on borrowed capital are not treated as preliminary expenses hence deduction never allowed. These are treated as dead expenses.

4. **Deduction**
 - (i) An Indian company
Lower of following shall be allowed as deduction in 5 equal installments
 - (a) Aggregate Amount of eligible expenditure or
 - (b) 5% of the cost of project or 5% of the capital employed-whichever is higher
 - (ii) a resident non-corporate assessee.
 - (a) Aggregate Amount of eligible expenditure or
 - (b) 5% of the cost of project
whichever is lower is allowed as deduction in 5 equal installments
5. **Note:**
 - a) Cost of project includes actual cost of the fixed assets, being land, buildings, leaseholds, plant, machinery, furniture, fittings and railway sidings (including

- expenditure on development of land and buildings).
- b) Capital employed is the aggregate of the issued share capital, debentures and long-term borrowings
 - c) Reserve and Surplus including security premium shall not be part of Capital Employed.

Section 35DDA Amortisation of expenditure incurred under Voluntary Retirement Scheme

If any employer has given voluntary retirement to the employees and has paid any Amount in connection with such voluntary retirement, such payment shall be allowed to assessee in 5 annual equal installments commencing from the year in which payment is made.

Section 36 Other Deductions

The following expenses are allowed to be debited in the profit & Loss Account

1. Insurance Premium
 - a) Stock (including livestock)
 - b) Medical Insurance of EE (provided not paid in cash)
2. Bonus Or Commission Paid to the EEs [not payable as dividend], subject to section 43B.
Note: there is no restriction on the amount of the bonus, it may exceed the bonus payable under the Payment Of Bonus Act, 1965
3. Interest On Loan taken for business or profession. However, if a loan is taken from a scheduled bank or financial institution including NBFC, deduction is allowed subject to section 43B.
Note: loan taken for asset – Interest prior to the date the asset is put to use is capitalized and depreciation is allowed.
4. Discount on Zero coupon bonds is allowed on a pro-rata basis over the life of ZCB.
5. ER contribution to

<ol style="list-style-type: none"> 1. Statutory Provident Fund 2. Recognized Provident Fund 3. Approved superannuation fund 4. Approved gratuity fund 5. Any other Approved Fund 	<p>Allowed subject to the provisions of Section 43B i.e. if paid upto RFD</p>
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6. ER Contribution to NPS referred u/s 80CCD, lower of following shall be allowed as deduction:
 - i) Amount contributed
 - ii) 10% of RBS

However, in case of Default tax regime, lower of following shall be allowed as deduction :

- i) Amount contributed
- ii) 14% of RBS

7. EE contribution deducted by the ER from his salary will be allowed if ER Deposited the amount in the relevant account upto the due date in the relevant Act (i.e. 15th of Next Month)

Note: if the amount is deposited after the due date of the Fund, then such amount shall be considered as PGBP income of ER and never be allowed as deduction to ER.

8. Bad Debts

Bad debts written off from the books of accounts – allowed as a deduction

Note: Such debts have been taken into account for computing income of PY or any earlier PY.

Provision for bad debts is not allowed as a deduction.

Bad Debts recovered – Income of recovery year, whether or not business or profession is in existence.

9. Family planning Expenditure is allowed to company assessee as follows

Revenue Expenditure	Full
Capital Expenditure	In 5 Installments

If Sufficient profit is not available then expenditure (R/C) shall be deducted to the extent of profit available.

10. STT/CTT paid is allowed as deduction if securities/commodities are held as stock in trade.

SECTION 37(1) GENERAL DEDUCTIONS

If any expenditure is not covered under section 30 to 36, then such expense shall be allowed under this section subject to following conditions:

- (a) Expenditure is of revenue nature
- (b) Expenditure is incurred for the purpose of business and profession.

Various expenditure which may be allowed under section 37(1) are as given below:

1. Expenditure in connection with advertisement. If the expenditure incurred is capital nature, depreciation is allowed.
2. Expenditure on travelling including the expenses of boarding and lodging in connection with business/profession.
3. Salary paid to the employees.
4. Expenditure in connection with entertainment of the employees or the customer

5. Expenditure in connection with opening ceremony (Mahurat) of the business/profession.
6. Expenditure on the occasion of various festivals like Diwali etc. for employees or customer
7. Interest on late payment of GST.
8. Expenditure in connection with legal proceedings.
9. Professional tax paid by a person carrying on business or profession.
10. Expenditure on the filing of return of income, filing of appeal or audit fee etc. is allowed.
11. Expenditure incurred on Keyman insurance policy
12. Any other expenditure which is revenue in nature and it is related to business or profession.

Following expenses are not allowed as deduction:

- a) CSR expenses incurred by company.
- b) Advertisement in any souvenir, brochure, tract, pamphlet or the like published by a political party.
- c) Penalty for breach of law.
Note: Penalty for breach of contract – Allowed as deduction.
- d) Interest on loan taken for payment of income tax
- e) Illegal expenses like, hafta, bribe etc.
- f) Expenditure incurred to settle proceedings related to legal contraventions as notified by the Central Government

SECTION 38 EXPENDITURE WHICH ARE PARTLY IN BUSINESS USE AND PARTLY IN PERSONAL USE

If any person has any asset in business or profession as well as in personal use, expenditure is allowed only to the extent the asset is in the use of the business or profession

Expenses Not Allowed As Deduction

Payments on Which TDS Provisions Apply

Disallowance will be attracted if any of the following conditions are satisfied:

- a) TDS not Deducted upto last day of Relevant PY
- b) TDS Not deposited with govt. upto return filing date u/s 139(1).
Return filing due date as per section 139(1)

Audit	-	31/10/AY
No Audit	-	31/7/AY

Disallowance shall be:

Section	Payment To	Disallowance
40(a)(i)	Payment to any person O/S India or in India to Non-resident	100%
40(a)(ia)	Payment In India To Resident	30%

Disallowed amount shall be allowed in the year in which TDS is deposited with GOVT.

Note:

However no disallowance shall be attracted if payee has furnished the return of income taking into account such amount in total income and has paid tax on such amount.

Section 40(a)(iii)

Any sum which is chargeable under the head 'Salaries' if it is payable outside India or to a non-resident and if the tax has not been paid thereon nor deducted.

Section 40(a)(v)

Tax paid on perquisites on behalf of employees is not deductible- In case of an employee, deriving income in the nature of perquisites (other than monetary payments), the amount of tax on such income paid by his employer is exempt from tax in the hands of that employee. Correspondingly, such payment is not allowed as deduction from the income of the employer.

Illustration 23: Mr. Ram has paid 20 lakhs as interest outside India in the P.Y. 2024-25. Determine whether deduction is allowed or not in the following cases:

TDS Deduction date	TDS Deposit date	Analysis
3/1/2025	10/03/2025	
1/4/2025	10/04/2025	
31/1/2025	10/12/2025	

Illustration 24: Mr. Ram has paid 20 lakhs as interest to Mr. Shawn in India in the P.Y. 2024-25. Determine whether deduction is allowed or not in the following cases:

TDS Deduction date	TDS Deposit date	Analysis
3/1/2025	10/03/2025	
1/4/2025	10/04/2025	
31/1/2025	40% on 10/07/2025 50% on 10/10/2025 Balance on 10/04/2026	

SECTION 40(b) PAYMENT OF SALARY OR INTEREST TO THE PARTNERS

- (a) Interest to the partner is allowed if mentioned in the partnership deed but maximum @ 12% p.a.
- (b) Payment of salary, bonus, commission or any other remuneration is allowed to the working partner subject to the following limits:

Book Profit(BP)	Max. Remuneration
Upto Rs. 6,00,000	90% of BP or Rs. 3 Lakh, whichever is higher

Beyond Rs. 6,00,000	60% of BP
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Meaning Of BP

Particulars	Amount
Profit as per Income Tax	-
Add: Remuneration to Partner (if debited to P/L)	-
Less: Brought forward Depreciation (Unabsorbed Dep)	(-)
Book Profit	-

Note: Brought forward losses shall not be adjusted for calculation of Book Profit.

Section 40A(2) Payment Made To Relatives

If A.O is of the opinion that having regard to FMV, payment is excessive or unreasonable, then such excessive or unreasonable payment shall be disallowed.

Meaning of Related Person

1. **For An individual** → An individual who is relative of the assessee.
Relative, in relation to an “individual”, means the spouse, brother or sister or any lineal ascendant or descendant of that individual [Section 2(41)].
2. **For A Company** → Director of the company or any relative of a director
3. **For A Firm** → Partner of the firm or relative of a partner
4. **For An AOP** → Member of the AOP or relative of a member
5. **For An HUF** → Member of the family or relative of such person

Section 40A(3) Payment by Non Specified Mode

- A Payment or Aggregate of Payments made to A Person in A Day for An Expenditure exceeds Rs. 10,000 (Rs. 35,000 to Transporter for Goods Carriages],
- Entire payment shall be disallowed
- If it is made through any mode other than A/C payee cheque/Draft or an Electronic clearing system through bank A/C, Debit/Credit Card, IMPS, NEFT, RTGS, Net Banking, UPI etc.

Rule 6DD (exception to S.40A(3)) no disallowance for following payments:

1. Payments made to Cultivator, Grower or Producer of agricultural produce & related products etc
2. Payment made to Government, Banks, RBI, LIC
3. Payment to person residing @ place which is not served by bank.
4. Where the payment is made by any person to his agent who is required to make payment in cash for goods or services on behalf of such person;
5. Payment to employee for retirement benefit not exceeding Rs.50,000.
6. Payment of salary to EE who is posted to any other place or ship (not a normal place of duty) for a period of 15 days or more.

7. Where the payment is made for the purchase of the products manufactured in a cottage industry without the aid of power., to the producer of such products.
8. Where the payment is made by transferring funds from one bank account to the other or payment is being made by any credit card/ a debit card/ letter of credit etc., payment is allowed.
9. Payment by book entry i.e. adjustment entry passed in books.

Note:

1. If Expenditure has been allowed as deduction in any earlier PY on accrual basis (if assessee is following accrual basis) & payment for such expenditure has been made in any subsequent PY exceeding Rs. 10,000/35,000 in cash to a person in a day, then such payment shall be deemed to be the income of PY in which payment is made [Section 40A(3A)]
2. Sec 40A(3) does not Apply for Repayment of Loans (Capital Expenditure). But it applies to interest payments since interest is a Revenue expenditure.

Section 40A(7) Deductibility in respect of provision for Gratuity Fund

If provision (contribution) is made towards approved gratuity fund, then such provision is allowed as per Section 36(1)(v) subject to section 43B. However If provision (contribution) is made towards unapproved gratuity fund, then such provision is disallowed under Section 40A(7).

Section 43B Certain Payments Allowed On Payment Basis

Following expenditures are allowed if paid on or before the due date mentioned u/s 139(1):

- a) Tax, Duty, Cess or Fee (by whatever name called) levied under any law.
- b) Employer's Contribution to any SPF, RPF, Approved Superannuation Fund, Approved Gratuity Fund, Notified Pension Scheme or any recognized fund
- c) Leave Salary, Bonus/Commission to employees.
- d) Interest on any Loan or borrowing from any Bank, Financial Institution including NBFC.
- e) Any Sum Payable to Indian Railways for the use of Railways Assets.

Note:

1. If the payment is made after due date of filing of return of income, expenditure is allowed in the year in which the assessee has made the payment.
2. If outstanding interest on any loan or borrowing or advance, is converted into a new loan or borrowing or advance, shall not be considered as paid and hence not eligible for deduction. However, deduction shall be allowed for installments actually paid in respect of new loan.
3. Similarly if outstanding interest is converted into debentures, such conversion is not to be considered as actual payment.

Amendment By FA 2023

Any sum payable by the assessee to micro and small enterprise beyond the time limit specified in section 15 of the MSME Development Act, 2006 would be allowed as deduction only in that previous year in which such sum is actually paid.

As per section 15 of the MSME Development Act, 2006, payment is to be made to the supplier as follows:

- (a) in case of written agreement- as per agreement subject to maximum 45 days from the date of acceptance of goods and service
- (b) in case of no written agreement- maximum 15 days.

Meaning of Micro and Small enterprise

S. No.	Meaning		
Manufacturing enterprises and enterprises rendering services			
(1)	Micro Enterprise		
	Investment in Plant and Machinery or Equipment \leq ₹ 1 crore	AND	Turnover \leq ₹ 5 crore
(2)	Small Enterprise		
	Investment in Plant and Machinery or Equipment \leq ₹ 10 crore	AND	Turnover \leq ₹ 50 crore

Section 44AA Compulsory Maintenance Of Books Of Accounts**1. Assessee engaged in Specified Professions**

Gross receipts exceeds INR 1.5 Lakh in each of the last three PY	Gross receipts doesn't exceeds INR 1.5 Lakh in each of the last three PY
Prescribed Books as per Rule 6f	Necessary books to enable AO to assess the income.

Specified Profession

- | | |
|------------------------------|-------------------------------|
| 1. Legal profession | 7. Interior decoration |
| 2. Medical profession | 8. Authorised representatives |
| 3. Engineering profession | 9. Film artists |
| 4. Architectural profession | 10. Company Secretary |
| 5. Profession of accountancy | 11. Information Technology |
| 6. Technical consultancy | |

2. Assessee engaged in other Profession or Business

Required to maintain such books of a/c which will enable ao to compute their taxable income if any of the following conditions are satisfied in ANY ONE of the last 3 PY:

	Individual / HUF	Other Assessee
1. Income exceeds	INR 2.5 Lakh	INR 1.20 Lakh
2. Turnover or Gross Receipts exceeds	INR 25 Lakh	INR 10 Lakh

3. If a person fails to maintain books of account as required by section 44AA → penalty of Rs. 25,000 would be attracted u/s 271A.
4. Prescribe books as per Rule 6F
 - (i) a cash book;
 - (ii) a journal
 - (iii) a ledger;
 - (iv) Carbon copies of bills and receipts in relation to sums exceeding Rs. 25;
 - (v) Original bills and receipts of expenditure.
5. Preservation of the books of accounts The books of accounts are to be kept and maintained for the period of atleast 6 years from the end of the relevant assessment year.

Section 41 Deemed PGBP Income

1. Refund/Recovery of Deduction/Remission/Cessation of Trading Liability
E.g. Discount received while making payment to creditors; stock in trade is destroyed and allowed as trading loss and subsequently insurance claim is received.
2. Recovery of Bad Debt Allowed as deduction
3. Sale of Scientific Research Asset
4. Balancing Charge (In case of assessee engaged in Power Generation)

Section 44AB Compulsory Audit Of Books Of Accounts

Assessee Engaged In	Audit Requirement
Business	Turnover exceeds 1 Crore Proviso to Section 44AB(a) Inserted : NO AUDIT Upto 10 Crore Turnover if : <ol style="list-style-type: none"> a) If Turnover of assessee is more than 1 crore but upto 10 crore b) Aggregate of all Amounts received in cash is not more than 5% of total Receipts during the PY, and c) Aggregate of all Amounts paid in cash is not more than 5 % of total payments during the year.
Profession	Gross Receipts exceeds 50 Lakh
Persons covered under S. 44AD, 44ADA, 44AE	If such person claims that his income is LOWER than Income computed on Presumptive basis & his Income Exceeds Basic exemption limit.

Penalty for failure to get books of account audited u/s 271B:

- a) 0.5% of Total Sales, Turnover Or Gross Receipts
- b) Rs. 1,50,000

Analysis

Turnover	Total Receipts	Cash Receipts	Total Payments	Cash Payments	Audit Requirement
85,00,000	90,00,000	45,00,000	70,00,000	55,00,000	
1,50,00,000	1,20,00,000	3,60,000	1,00,00,000	4,00,000	
5,00,00,000	4,50,00,000	31,50,000	4,00,00,000	20,00,000	
8,00,00,000	7,50,00,000	30,00,000	7,00,00,000	56,00,000	
10,00,00,000	9,00,00,000	45,00,000	8,00,00,000	32,00,000	
10,00,00,000	9,00,00,000	46,00,000	8,00,00,000	40,00,000	
11,00,00,000	10,00,00,000	50,00,000	9,00,00,000	45,00,000	

Presumptive Taxation

Section 44AD PROFITS AND GAINS OF BUSINESS ON PRESUMPTIVE BASIS

- Eligible Assessee:** Resident Individual/ HUF / Firm except LLP
- Section 44AD is applicable only to business and not to specified profession and also it is not applicable for the persons having earning as commission or brokerage or Agency Business.
- Turnover of eligible assessee doesn't Exceed 2 crore
(3 crore, if aggregate cash receipts in relevant P.Y. is up to 5% of T.O. or G.R.)
- Presumptive Income** = 8% of Turnover or Gross Receipts. No further deduction is allowed under section 30 to 38.
Rate of 6% shall be applied instead of 8% if the Amount of total turnover or gross receipts which is received through specified mode up to RFD as per section 139(1).
- Brought forward business loss is allowed to be adjusted from such income but brought forward depreciation is not allowed to be adjusted from such income.
- If Assessee opts Section 44AD, then assessee shall be exempt from maintaining books of accounts as well as from audit requirement.
- Such assessee shall be required to pay advance tax to the extent of 100% of tax liability on or before 15th March of the relevant previous year
- If an assessee has opted for presumptive income under section 44AD and in the subsequent 5 years he has rejected presumptive income, in that case he will not be allowed to opt for presumptive income for next 5 year If assessee has rejected the presumptive income, he will be required to maintain any books of accounts and also audit is required.

SECTION 44ADA PRESUMPTIVE SCHEME FOR SPECIFIED PROFESSION

1. **Eligible Assessee:** Resident Individual or Partnership excluding LLP having specified profession
2. Section 44ADA shall be available if G.R. of PY is upto Rs. 50 Lakhs (75 akhs if aggregate cash receipts in relevant P.Y. \leq 5% of total gross receipts)
3. **Presumptive Income** = 50% of Gross Receipts. No further deduction is allowed under section 30 to 38.
4. Brought forward business loss is allowed to be adjusted from such income but brought forward depreciation is not allowed to be adjusted from such income.
5. If Assessee opts Section 44ADA, then assessee shall be exempt from maintaining books of accounts as well as from audit requirement.
6. Such assessee shall be required to pay advance tax to the extent of 100% of tax liability on or before 15th March of the relevant previous year.
7. Assessee can change the option on a year-to-year basis.

Section 44AE BUSINESS OF PLYING, HIRING OR LEASING GOODS

1. If any person is engaged in the business of plying, hiring or leasing goods carriages, he will have the option to compute PGBP on presumptive basis:
 - a) Heavy goods Vehicle (Gross Weight > 12,000 Kgs or 12 Tons) \rightarrow Rs. 1,000 per ton per month or part thereof.
 - b) Other vehicle: Rs. 7,500 per month or part thereof.

Note: income is calculated on the basis of ownership of vehicle. It is irrelevant whether assessee actually runs the vehicle or not.
2. Assessee should not own more than 10 vehicles at anytime during the year.
3. No further deduction is allowed under section 30 to 38 but in case of a firm interest and salary to partners is allowed as per section 40(b).
4. The assessee shall be exempt from maintaining books of accounts or audit.
5. The assessee has the option to reject presumptive income but in that case assessee should maintain any books of accounts and also audit is required.
6. An assessee, who is in possession of a goods carriage, whether taken on hire purchase or on instalments, shall be deemed to be the owner of such goods carriage.
7. Assessee can change the option on year-to-year basis.
8. Brought forward depreciation shall not be allowed to be adjusted but brought forward business loss shall be allowed to be adjusted.

CHAPTER 3D: INCOME UNDER THE HEAD CAPITAL GAINS

Chargeability of capital Gains [Section 45(1)]

Any profits or gains arising from the transfer of a capital asset effected in the previous year shall be deemed to be the income of the previous year in which the transfer took place.

Ex: Land is transferred on 31/03/2024 i.e. during PY 2023-24 but consideration is received on 01/04/2024 i.e. during the PY 2024-25, then in such case Capital Gain implication shall arise in PY 2023-24.

Capital assets Section 2(14)

“Capital asset” includes all assets Except

- i) any stock-in-trade
- ii) Personal movable assets. However, following personal movable assets shall be capital asset—
 - (a) jewellery;
 - (b) archaeological collections;
 - (c) drawings;
 - (d) paintings;
 - (e) sculptures; or
 - (f) any work of art.

iii) Rural Agriculture Land.

Meaning of Urban Area

- a) Any area (municipality, cantonment board etc.) which has a population of 10,000 or more.
- b) Following area within the distance measured aerially

Population according to latest census	Shortest Distance
More than 10,000 but upto 1,00,000	Up to 2 Km
More than 1,00,000 but upto 10,00,000	Up to 6 Km
More than 10,00,000	Up to 8 Km

- iv) Gold Deposit Bonds, 1999 or deposit certificate issued under the gold monetization scheme, 2015.

Types Of Capital Assets (On or after 23/07/2024)

1. Short Term Capital Asset

Particulars	Upto 22/7/2024	W.E.F 23/7/2024
Listed Securities	12 Month	12 Month
Units Of Equity Oriented MF	12 Month	12 Month

Zero Coupon Bond	12 Month	12 Month
Unlisted Shares	24 Month	24 Month
Land & Building	24 Month	24 Month
Unlisted Debentures	36 Month	24 Month
Other Capital Assets	36 Month	24 Month

2. Long Term Capital Asset → Other than Short Term Capital Asset

Computation of Short term Capital Gains & Long Term Capital Gains [Section 48]

A. Upto 23/7/2024

Short Term Capital Gain	Amount	Long Term Capital Gain	Amount
Full Value Of Consideration	-	Full Value Of Consideration	-
Less: Transfer Expenses	-	Less: Transfer Expenses	-
Net Consideration	-	Net Consideration	-
Less: Cost Of Acquisition (COA)	-	Less: Indexed COA	-
Less: Cost of Improvement (COI)	-	Less: Indexed COI	-
Gain Before Exemption	-	Gain Before Exemption	-
Less Exemption Claimed	-	Less Exemption Claimed	-
STCG Taxable	-	LTCG Taxable	-

- Expenditure incurred on transfer of asset is allowed as deduction. For example Brokerage on transfer of asset etc. However STT paid at the time of purchase as well as at the time of transfer of share shall be ignored.
- Land & Building are separate assets under capital gain. If land is purchased before 2 years and building has been constructed within 2 years then while calculating capital gain, we have to calculate separate capital gain for both assets. Being land is held for more than 24 months there shall be LTCG, whereas building is held for upto 24 months there shall be STCG.

B. On or After 23/7/2024

Short Term Capital Gain	Amount	Long Term Capital Gain	Amount
Full Value of Consideration (FVC)	-	FVC	-
Less: Transfer Expenses	-	Less: Transfer Expenses	-
Net Consideration	-	Net Consideration	-
Less: Cost Of Acquisition (COA)	-	Less: COA	-
Less: Cost of Improvement (COI)	-	Less: COI	-
Gain Before Exemption	-	Gain Before Exemption	-
Less Exemption Claimed	-	Less Exemption Claimed	-
STCG Taxable	-	LTCG Taxable	-

Notes:

- a) If Long term capital asset transferred on or after 23/07/2024, then Indexation facility shall not be available
- b) However, if Long term capital asset is Land or building or both, then option for the indexation facility is given only for the purpose of “Calculation of Tax” to resident individual or HUF to opt lower of the following:
 1. Tax on LTCG of land or building without Indexation @12.5%
 2. Tax on LTCG of land or building after Indexation @20%
- c) Above option is only for the purpose of tax calculation i.e. income under the head Capital Gain shall be calculated without indexation in respect of Land or Building transfer on or after 23/07/2024.

Asset purchased before 01.04.2001

If any capital asset has been purchased or constructed before 01.04.2001, in that case cost of acquisition shall be:

- A. In case of capital asset other than Land & Building, COA shall be higher of:
 - a) Actual Cost of Acquisition.
 - b) FMV as on 1/4/2001.
- B. In case of capital asset being Land & Building, COA shall be higher of:
 - a) Actual Cost of Acquisition.
 - b) Lower of:
 - (i) FMV as on 1/4/2001.
 - (ii) SDV as on 1/4/2001

- COI Shall be Considered only if incurred on/after 1/4/2001
- COI by Previous Owner shall also be Considered If incurred after 1/4/2001

Indexation Factor

Year	C.I.I	Year	C.I.I	Year	C.I.I
2001-02	100	2009-10	148	2017-18	272
2002-03	105	2010-11	167	2018-19	280
2003-04	109	2011-12	184	2019-20	289
2004-05	113	2012-13	200	2020-21	301
2005-06	117	2013-14	220	2021-22	317
2006-07	122	2014-15	240	2022-23	331
2007-08	129	2015-16	254	2023-24	348
2008-09	137	2016-17	264	2024-25	363

Section 2(47) Meaning of Transfer

1. The sale, exchange or relinquishment of the asset.
2. The extinguishment of any rights therein. Extinguishment covers destruction of the assets. E.g. Termination of a lease; redemption of preference shares/debentures.
3. The compulsory acquisition of the asset by the govt.
4. Conversion of asset into stock-in-trade.
5. Possession of any immovable property in part performance of a contract.
6. Any transaction which has the effect of transferring, or enabling the enjoyment of, any immovable property. [it is by becoming a member in a co-operative society, company or other association of persons]
7. Maturity or redemption of zero coupon bond.

Section 47 (What is not transfer)

- (i) Gift, will or inheritance of property
- (ii) Distribution of capital assets on the partition of a Hindu Undivided Family.
- (iii) Conversion of bonds/debentures into shares of that company. Notes:
 - a) COA of shares shall be COA of that part of debentures which is so converted.
 - b) POH of shares shall include POH of debentures.
- (iv) Conversion of preference shares into equity shares of that company. Notes:
 - a) COA of equity shares shall be COA of that part of preference shares which is so converted.
 - b) POH of equity shares shall include POH of preference shares.
- (v) Transfer of capital asset in a transaction of reverse mortgage.
Note: any amount received by senior citizen under this scheme is fully exempt.

Reverse Mortgage

- It is the facility where senior citizen mortgage House property to Bank and receive loan amount either in Lump sum or installments.
- Senior citizen is not under the obligation to repay this loan.
- Bank will recover principal amount and Interest on such loan by selling House property after the death of senior citizen.
- Bank will also give option to legal heir to repay loan amount and take over the mortgaged property.

Section 49(1). Deemed cost of acquisition

In case the asset is acquired through a mode given in section 47 (Gift to relative or will) then cost of acquisition is cost to the previous owner. Previous owner is the person who acquires the asset by paying the price. Period of holding shall be computed from the date

the previous owner acquires the asset.

Note 1: Cost of improvement incurred by previous owner shall also be taken if such improvement is done on or after 01/04/2001.

Note 2: However, if amount of GIFT is taxable in the hands of recipient, then such amount of GIFT shall be included in the COA and POH shall be determined from the date of receiving the GIFT.

Conversion of Asset into Stock-in-trade [Section 45(2)]

1. Conversion of capital asset into stock shall be deemed to be transfer and capital gain shall be arise in the year of such conversion.
2. For this purpose FMV on date of conversion shall be considered as full value of consideration.
3. Capital gain shall be taxable in the year in which such SIT is sold.

Capital Gain	Amount	PGBP	Amount
FMV on conversion Date	-	Sale Value	-
Less: COA / ICOA	-	FMV on conversion date	-
Less: COI/ICOI	-		
STCG/LTCG	-	PGBP	-

Treatment of Insurance claim received

If any capital asset is destroyed due to fire, flood, earthquake, riot, civil disturbance etc. and insurance claim is received, then capital gain is applicable and shall be calculated as follows

Particulars	Destruction of CA [Section 45(1A)]
Sale Consideration	Insurance Compensation
Deemed Transfer	In The PY of Destruction
Taxability	PY of Receipt of Money

Note: If claim is received in Kind, then FMV of such kind claim shall become Full Value of consideration.

Treatment Of Advance Money Forfeited

Forfeited Before 1.4.2014	Reduced from Original COA before Indexation
Forfeited on/after 1.4.2014	Taxable u/h IFOS u/s 56(2)(ix)

Transfer of capital asset to Firm

If any partner transfers capital asset to the firm as a capital contribution or otherwise, then capital gain shall be arisen in the hands of such partner and shall be dealt as follows:

Particulars	Capital Contribution By Partner [Section 45(3)]
Sale Consideration	Value of CA recorded in Firm books.
Deemed Transfer	Year of contribution
Taxability	PY in which CA is given to firm

Compulsory Acquisition of Capital Asset [Section 45(5)]

Full value Of Consideration	Compensation Fixed
Taxability	Year in which initial compensation is received. If compensation is received in installments, then also Entire Capital Gain on Total Compensation is taxable in PY of receipt of 1st Instalment
Transfer	Year In which asset is compulsorily acquired.
Indexation	Shall be done up to the year of transfer
Enhanced compensation	Taxable in the year of receipt after deducting litigation expenses.

FVC In Case Of Transfer Of Land or building or Both [Section 50C / 43CA]

In case of land or building or both, If SDV exceeds 110% of sales consideration then SDV shall be considered as FVC.

If SDV exceeds 110% Of Sales Consideration	
Yes	NO
FVC = SDV	FVC = Actual Sales Consideration

Example 13

Calculate Full Value of consideration (FVC) as per Section 50C

1. Sale value = ₹95,00,000 and SDV = ₹1,05,00,000
2. Sale value = ₹74,00,000 and SDV = ₹80,00,000
3. Sale value = ₹82,00,000 and SDV = ₹90,20,000

If the Date of agreement and date of registration is different and advance has been received by specified mode at the time of agreement

Yes	NO
SDV as on the 'agreement date' shall be considered	SDV as on the 'registration date' shall be Considered

Where assessee claims that SDV is more than the FMV of immovable property and such SDV is not disputed in any appeal then A.O may refer the case to valuation officer and FVC shall be determined as follows:

Value adopted by Valuation officer	FVC
Exceeds SDV	SDV i.e. Valuation Officer value is ignored.
Doesn't exceed SDV But Exceed Actual Sale Value	Value adopted by Valuation officer
Is less than Actual Sale Value	Actual Sales Consideration

COA Of Self-Generated Assets

	COA	COI
Brand name & Trademark associated with the business or profession	Nil	NA
Tenancy rights	Nil	NA
Goodwill of a business or profession	Nil	Nil
Right to manufacture, produce or process any article or thing, for a consideration (Patent)	Nil	Nil
Right to carry on any business or profession	Nil	Nil

Note:

- i. If the asset is purchased then purchase price is the COA.
- ii. In case of goodwill of a business or profession on which depreciation is claimed upto PY 2019-20, the COA of such goodwill would be purchase price as reduced by the total amount of depreciation (up to P.Y.19-20)
- iii. FMV as on 1-4-2001 is ignored.

Capital Gain In Case Of Slump Sale [Section 50B]

When whole unit is sold at lumpsum without valuing each asset individually is termed as slump Sale.

FVC	Higher of: Sales Consideration Received OR FMV of capital Asset transferred
COA	Net worth of unit. However, if any asset has been revalued, then such revaluation shall be ignored

Notes:

1. Net Worth = Total Assets – outside Liabilities
2. If any upward revaluation of asset has been done, then such revaluation shall be ignored.
3. If Net worth is negative then consider it as zero.
4. If stock is transferred in slump sale, then PGBP income shall be arise.
5. If unit is sold after holding for more than 24 months, then capital gain shall be long term capital gain otherwise short-term capital gain. However, no indexation benefit shall be available even in the case of long-term capital gain.
6. Assets for which 100% deduction is allowed under PGBP → Book value Shall be NIL.

Capital Gain In Case Of Depreciable Asset

1. All the assets of the block are transferred:
In case all the assets in any block are transferred during the previous year then the block shall cease to exist and no depreciation will be allowed. It can happen in the following two cases:
 - STCG u/s 50 When Sale price > Block Value
 - STCL u/s 50 When Sale price < Block Value
2. Part of block is sold and the sale consideration of assets exceed block Value STCG u/s 50 When Sale price > Block Value

Capital Gain In Case Of Sale Of Share

- A. In case of **original shares**, cost of acquisition shall be the actual cost but if it was purchased before 1/4/2001, cost of acquisition shall be the actual cost or FMV as on 01.04.2001, whichever is higher.
- B. In case of **bonus shares**, cost of acquisition shall be nil but if bonus shares are issued before 01.04.2001, COA = FMV on 1/4/2001
- C. In case of **right shares**, cost of acquisition shall be the amount for which such shares have been purchased.
- D. If right to purchase right shares has been **renounced**, amount received shall be considered to be short term capital gains.
- E. **Cost of acquisition for the right renouncee** shall be the amount paid to the person renouncing the right and amount paid to the company.

Transfer of Equity Shares or Equity oriented units or units of business trust

LTCG u/s 112A

1. LTCG on transfer of equity shares or equity oriented units or units of business trust, in excess of ₹ 1,25,000 shall be taxable at the rates specified below if following conditions are satisfied:
 - a) STT is paid at the time of acquisition and transfer of equity shares
 - b) STT is paid at the time of transfer of equity oriented units or units of business trust.

Transfer date	Rate
Upto 22/7/2024	10%
W.e.f 23/7/2024	12.5%

2. Cost of Acquisition in case of Capital Gains u/s 112A

As per section 55(2) (ac), In case of equity shares or units of equity oriented mutual funds or units of business trust which have been sold w.e.f. 01.04.2018 onwards, cost of acquisition shall be higher of:

- a. Cost of acquisition

- b. Lower of
 - i. Fair market value of such asset on 31.01.2018 (Highest Quoted Price)
 - ii. Actual sale value.
 3. Deduction u/s 80C to 80U and Rebate u/s 87A shall not be allowed in respect of CG u/s 112A.

STCG u/s 111A

1. STCG on transfer of equity shares or equity oriented units or units of business trust shall be taxable at the rates specified below if STT is paid at the time of transfer of such assets:

Transfer date	Rate
Up to 22/7/2024	15%
W.e.f. 23/7/2024	20%

2. Deduction u/s 80C to 80U and Rebate u/s 87A shall not be allowed in respect of CG u/s 112A.

Conversion of Debentures

If debenture is converted into equity shares then such conversion shall not be considered as transfer and hence no capital gain shall arise. However, when such equity share received at the time of conversion is transferred then capital gain shall arise.

For this purpose, COA of equity share shall be taken as cost of debenture and also period of holding of debenture shall be considered in period of holding of Equity shares.

Capital Gain on Redemption of Zero Coupon Bonds

- Redemption of zero-coupon bond shall be treated as transfer.
- Amount received at the time of redemption shall be considered as FVC.
- No indexation benefit is available even if ZCB transferred are Long term.

No Indexation In Following Cases

1. Zero Coupon Bonds
2. Debentures/ Bonds
3. Slump Sale [Section 50B]
4. Depreciable Assets
5. Long term capital assets specified u/s 112A. [AY 2019-20].

Exemptions

	S. 54	S.54B	S.54D
Asset Transferred	LT – Residential House Property	Agriculture land (Urban)	L/B – Industrial Undertaking Compulsory Acquired
Assessee	Individual / HUF	Individual / HUF	Any Assessee
Investment	New Residential House Property (Note 1)	New Agriculture Land (Urban/Rural)	New Land /Building for Industrial Undertaking
Time Limit for Invest.	Purchase – within 1 yr before or within 2 years from transfer date Construct – within 3 years from Transfer Date	Within 2 years from Transfer Date	Within 3 years from Date of Receipt of compensation
Quantum Of Exemption	Lower of: Amount Invested Capital Gain Rs. 10 Crore	Lower of Amount Invested Capital Gain	Lower of Amount Invested Capital Gain
Lock in period of new asset	3 Years. Otherwise, LTCG exempted earlier shall be reduced from COA of New Asset	Same as Sec. 54	Same as Sec. 54
CGAS	Available	Available	Available

Note: Exemption u/s 54B shall be allowed only if Urban Agricultural land is used for agricultural purpose for atleast 2 years before the date of transfer.

Other Exemptions

	S.54 EC	S.54F
Asset Transferred	LT – Land/Building	Any LT Capital Asset Except Residential House Property
Assessee	Any Assessee	Individual / HUF
Investment	Specified Bonds	New RHP
Time Limit for Invest.	Within 6 months from the transfer date	Same as S.54
Quantum Of Exemption	Lower of: <ul style="list-style-type: none"> Amount Invested Capital Gain Subject to Max = 50 Lacs 	Lower of: <ul style="list-style-type: none"> $\frac{LTCG \times \text{Amount Invested (Max 10 Crore)}}{\text{Net Consideration}}$ LTCG



Additional Condition	Not Applicable	1. Assessee should not own more than one RHP on the date of Transfer Of LTCA
		2. Should not purchase any other house within 2 years or construct within 3 years after date of transfer of original Asset.
Lock in period of new asset	5 Years. Otherwise, LTCG exempted earlier shall be Taxable in the year in which the asset is sold or converted into money	3 Years. Otherwise, LTCG exempted earlier shall be Taxable in the year in which the asset is sold
CGAS	Not Available	Available

Note: If LTCG is up to 2 crore, then assessee can claim exemption u/s 54 for 2 house property. In other cases he can only purchase one house for claiming exemption under this section.

Note: No Capital Gain shall arise on transfer of Urban agricultural land if following conditions are satisfied:-

- a) Assessee is individual or HUF
- b) Urban agricultural land is compulsorily acquired by Government.

CAPITAL GAINS A/C SCHEME (CGAS):

- If Investment is not made before Due Date of filing of ROI, then to claim exemption assessee can deposit the amount in CGAS if not invested for the specified purpose.
- Such deposit in CGAS should be made before filing ROI or before Due Date of filing ROI, whichever is earlier.
- If amount deposited is not utilized for specified purpose within stipulated period, then unutilized amount shall be taxed as capital gain of PY in which specified period expires.
- If Individual dies before stipulated period, unutilized amount is not taxable in the hands of legal heirs of deceased individual