

11th April - 10 am Onwards



**14 Hrs Income Tax
Marathon**

June 2020 Exams

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Live on CSCARTINDIA Youtube Channel

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PART 1- DIRECT TAX

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BASIC CONCEPT OF TAX

MEANING AND TYPES OF TAXES			
Meaning	<ul style="list-style-type: none"> • Tax is NOT “Compulsory Extortion of Money” by the government. • It is the financial charge (fee) imposed by the Government on income, commodity or activity. • Taxes constitute the basic source of revenue to the Government which are utilized for meeting the expenses of Government like defense, provision of education, health-care, infrastructure facilities like roads, dams etc. 		
Types	Direct Taxes	<ul style="list-style-type: none"> • Those taxes where incidence and burden falls on the same person. • Example: Income Tax 	
	Indirect Taxes	<ul style="list-style-type: none"> • Those taxes where burden can be shifted to another person through a change in price. • Example: Goods and services tax 	
Difference	Point of Difference	Direct Tax	Indirect Tax
	Levied on	Income/wealth of the person	Price of Goods or Services
	Examples	Income tax, Tax on undisclosed foreign Income or Assets.	GST, Custom duty.
	Shifting of burden	There is No Shifting of burden. > Direct Taxes are directly borne by taxpayer	Tax burden is shifted to subsequent buyer/user. > Thus whole burden falls on final consumer.
	Time of Collection	Collected on yearly basis	Collected at the time of sale/purchase of goods or rendering of services.



INCOME TAX – NATURE AND SOURCES	
Nature of Income Tax	<ul style="list-style-type: none">• It is a tax on income of an individual or an entity. It is one of the major sources of revenue for the Govt.• The responsibility of collection of income tax vests with the C.G.• The tax is Leviable & collected under Income Tax Act, 1961.
Sources of Income Tax Law	<ol style="list-style-type: none">1. The Income tax Act, 1961: contains 298 Sections and XIV Schedules2. The Income Tax Rules, 1962: Framed by CBDT for proper administration of Income Tax Act.3. The Finance Act: Part of Annual Budget presented by Finance Minister in Parliament.4. Circulars And Clarifications issued by CBDT: Deals with certain specific issues for the guidance of officers and assessees. Department is bound by the circulars. Assessee is not bound by the circular though they can take benefit of beneficial circulars.5. Judicial Decisions.
Basis of Charge (Sec. 4)	<ol style="list-style-type: none">1. Income tax is an <u>annual</u> tax on <u>total income</u> of <u>every person</u> computed in accordance with the provisions of this Act as they stand on <u>first day of April in any AY</u>.2. Income of PY is taxable in the next following AY. However, there are certain exceptions to this rule.3. Tax rates are fixed by the annual Finance Act. However, Income Tax Act has prescribed specific rates, in respect of certain incomes.4. Income tax is to be deducted at the sources or paid in advance as provided under provisions of the Act.



IMPORTANT CONCEPTS

<p>Person [Section 2(31)]</p>	<p>Person includes:</p> <ul style="list-style-type: none"> (i) An Individual; (ii) A Hindu Undivided Family (HUF); (iii) A Company; (iv) A Firm; (v) An Association of Persons (AOP) or a Body of Individuals (BOI), whether incorporated or not; (vi) A local authority; (vii) Every artificial juridical person not falling within any of the preceding sub-clauses.
<p>Assessment year [Section 2(9)]</p>	<ul style="list-style-type: none"> • Assessment year means the period of 12 months commencing on the first day of April every year. • The tax is levied, in each assessment year, with respect to or on the total income earned by the assessee in the previous year.

<p>Previous year [Sections 3]</p>	<ul style="list-style-type: none"> • Previous year means the financial year immediately preceding the assessment year. • Financial year means a year which starts on 1st April and ends on 31st March. • Income-tax is payable on the income earned during the previous year and it is assessed in the immediately succeeding financial year which is called an assessment year. 	
	<p>First previous year for a business / profession newly set-up during the financial year or for a new source of income</p>	<p>In case</p> <ul style="list-style-type: none"> (i) A business or profession is newly set up, or (ii) A new source of income comes into existence during the financial year, <p>The period beginning from the date of setting up of the business or from the date the new source came into existence, and ending on the last day of that financial year i.e. 31st of March shall be the first previous year for that business or source of income.</p>



Cases Where Income of Previous Year is Assessed in the Same Year	Shipping business of non-residents [Section 172]	<ul style="list-style-type: none">• A non-resident who is carrying on a shipping business and earns income from carrying passengers, livestock/goods from a port in India, will be charged income-tax before the ship is allowed to leave the Indian port.• Therefore, before the ship leaves the Indian port, the master of the ship is under an obligation to furnish a return of the full amount earned on account of fare and freight (including the amount paid or payable by way of demurrage charge or handling charge or any other amount of similar nature) and pay the tax accordingly.• In this case 7.5% of the amount of fare/freight/charge, etc. shall be deemed to be income of such assessee on which the income-tax will be charged.• Therefore, in this case the tax is chargeable on the income in the same year in which it is earned.
	Assessment of persons leaving India [Section 174]	<ul style="list-style-type: none">• When it appears to the Assessing Officer that any individual may leave India during the current assessment year or shortly after its expiry, and such individual has no present intention of returning to India, the total income of such individual, from the expiry of previous year for that assessment year (i.e. from 1st April of the assessment year) up to the probable date of his departure from India shall be chargeable to tax in the same assessment year.
	Assessment of association of persons or body of individuals or	<ul style="list-style-type: none">• Where it appears to the Assessing Officer that any association of persons or a body of individuals or an artificial juridical person formed or established or incorporated for a particular event or purpose is likely to be dissolved in the assessment year in which



	artificial juridical person formed for a particular event or purpose [Section 174A]	such association of persons or body of individuals or artificial juridical person was formed or established or incorporated or immediately after such assessment year, the total income of such person or body or juridical person, for the period from the expiry of the previous year for that assessment year up to the date of its dissolution, shall be chargeable to tax in that assessment year.
	Assessment of persons likely to transfer property to avoid Tax [Section 175]	<ul style="list-style-type: none">• If it appears to the Assessing Officer during any current assessment year, that any person is likely to charge, sell, transfer, dispose of or otherwise part with any of his assets with a view to avoiding any payment of his tax liability, then the total income of such person for the period from the expiry of the previous year for that assessment year (i.e. from 1st April of that assessment year) till the date when the assessing officer commences proceedings shall be chargeable to tax in the same assessment year.• However, in this case also the rate of tax applicable shall be the rate given in Part III which are applicable for advance tax also.
	Discontinued business [Section 176]	<ul style="list-style-type: none">• Where any business or profession is discontinued in any assessment year, the income of the period from expiry of the previous year for that assessment year up to the date of such discontinuance may, at the discretion of the assessing officer, be charged to tax in that assessment year.• Any person discontinuing any business or profession shall give to Assessing Officer notice of such discontinue within 15 days thereof.



Assessee [Section 2(7)]	Assessee means a person by whom any tax or any other sum of money (fine, interest, and penalty) is payable under the Act and includes – A. Every person in respect of whom any proceeding has been taken under the Income Tax Act: <ul style="list-style-type: none">• for the assessment of his income or the income of any other person in respect of which he is assessable; or• to determine the loss sustained by him or by other person; or• to determine the amount of refund due to him or to other person. B. Every person who is deemed to be assessee under any provisions of the Act, e.g. representative assessee. C. Every person who is deemed to be an assessee in default under any provisions of the Act. A person is said to be an assessee in default if he fails to comply with the duties imposed upon him under Income Tax Law.
Rounding off of Total Income [Section 288A]	<ul style="list-style-type: none">• The total income, as computed above, shall be rounded off to the nearest multiple of ten rupees and for this purpose any part of a rupee consisting of paise shall be ignored.• Thereafter if such amount is not a multiple of ten, then, if the last figure is 5 or more, the amount shall be increased to the next higher multiple of 10 and if the last figure of Total Income is less than 5, the amount shall be reduced to the next lower multiple of 10.• For example, if the total income is 8,79,467, it shall be rounded off to 8,79,470 and if it is 8,79,464.90 it shall be rounded off to 8,79,460.
Rounding off of tax, etc. [Section 288B]	<ul style="list-style-type: none">• The amount of tax (including tax deductible at source or payable in advance), interest, penalty, fine or any other sum payable, and the amount of refund due, under the provisions of the Income tax Act, shall be rounded off to the nearest multiple of ten rupees.• For this purpose where such amount contains a part of ten rupees then, if such part is five rupees or more, it shall be increased to ten rupees and if such part is less than five rupees it shall be ignored.



Persons	Rate of taxes		
Individual	Total income (in `)		Rate of Tax
	(i) Upto ` 2,50,000 (below 60 years)		Nil
	(ii) Upto ` 3,00,000 (60 years or above but less than 80 years and resident in India)		
	(iii) Upto ` 5,00,000 (above 80 years and resident in India)		
	` 2,50,001/ ` 3,00,001, as the case may be, to ` 5,00,000 [incases (i) and (ii) above, respectively]		5%
	` 5,00,001 to ` 10,00,000		20%
	Above ` 10,00,000		30%
Hindu Undivided Family (HUF)/ Association of Persons (AOP)/ Body of Individuals (BOI)/ Artificial Juridical Person	Total income (in `)		Rate of Tax
	Upto ` 2,50,000		Nil
	` 2,50,001 to ` 5,00,000		5%
	` 5,00,001 to ` 10,00,000		20%
	Above ` 10,00,000		30%
Firm/LLP/local authority	30%		
Co-operative Society	Total income (in `)		Rate of Tax
	Upto ` 10,000		10%
	` 10,001 to ` 20,000		20%
	Above ` 20,000		30%
Company	Domestic Company		Foreign Company
	<i>Total turnover or gross receipts in the P.Y. 2017-18 ≤ ` 400 crore</i>	Other domestic companies	
	25%	30%	40%



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Surcharge	
Individual/ HUF/ AOP/ BOI/ Artificial juridical person	
Where the total income > ` 50 lakh but is ≤ ` 1 crore	10%
Where the total income > ` 1 crore but is ≤ ` 2 crore	15%
Where the total income > ` 2 crore but is ≤ ` 5 crore	25%
Where the total income > ` 5 crore	37%
Firm/Limited Liability Partnership/Local Authorities/Co-operative societies	
Where the total income > ` 1 crore	12%
Domestic company	
Total income > ` 1 crore but is ≤ ` 10 crore	7%
Total income is > ` 10 crore	12%
Foreign company	
Total income > ` 1 crore but is ≤ ` 10 crore	2%
Total income is > ` 10 crore	5%
<p>Rebate under section 87A: Rebate of up to ` 12,500 for resident individuals having total income of up to ` 5 lakh.</p> <p>“Health and Education cess” on Income-tax: 4% of income-tax and surcharge, if applicable</p>	

Surcharge of 25% or 37% shall be applicable only if total income excluding short term capital gain under section 111A and long term capital gain under section 112A, is exceeding ₹ 200 lakhs or ₹ 500 lakhs .

INCOME TAXABLE AT SPECIFIC RATES	
Long term capital gain	20%



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Short term capital gain on transfer of an equity share in a company or a unit of an equity oriented fund if such transaction is chargeable to securities transaction tax.	15%
Casual income: 1. any lottery; or 2. crossword puzzle; or 3. race including horse race; or 4. card game and other game of any sort; or 5. gambling or betting of any form.	30%
Unexplained money, investments	60% plus surcharge @25% of tax

MARGINAL RELIEF

Individual / HUF / AOP / BOI / Artificial juridical person / Co-operative societies / Local Authorities / Firms / LLPs	<ul style="list-style-type: none">• The additional amount of income-tax payable (together with surcharge) on the excess of income over ₹ 50 Lakh or ₹ 1 Crore should not be more than the amount of income exceeding ₹ 50 Lakh or ₹ 1 Crore.• No Marginal relief would be available in relation to cess.
Companies having a total income exceeding ₹ 1 Crore but less than 10 Crore	<ul style="list-style-type: none">• The additional amount of income-tax payable (together with surcharge) on the excess of income over ₹ 1 Crore should not be more than the amount of income exceeding ₹ 1 Crore.• No Marginal relief would be available in relation to cess.
Companies having a total income exceeding ₹ 10 Crore	<ul style="list-style-type: none">• The additional amount of income-tax payable (together with surcharge) on the excess of income over ₹ 10 Crore should not be more than the amount of income exceeding ₹ 10 Crore.• No Marginal relief would be available in relation to cess.



PROCEDURE FOR COMPUTATION OF TOTAL INCOME
Step 1 - Determination of Residential Status
Step 2 - Classification of Income under 5 different heads
Step 3 - Computation of Income under each head.
Step 4 - Clubbing of income of spouse, minor child etc.
Step 5 - Set-off or carry forward and set-off of losses.
Step 6 - Computation of Gross Total Income [Net Result of Step 1 – 5].
Step 7 - Deductions from Gross Total Income. [Payment based/Income Based deductions].
Step 8 - Total income [GTI – Deductions under Step 7].
Step 9 - Application of Rates of Tax on the total income.
Step 10 - Surcharge / Rebate u/s 87A.
Step 11 - Health & Education Cess on Income Tax.
Step 12 - Advance tax & TDS.
Step 13 - Tax Payable/Tax Refundable.

1. Parliament has the power to levy tax on incomes other than__.

- (a) Exempt Incomes
- (b) Income of poor people
- (c) Agricultural Income
- (d) All incomes are taxable

2. Notifications issued by CBDT are binding on_____.

- (a) Assessee
- (b) Income Tax Authority

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(c) Both of above (d) None of the above

3. Income Tax Act contains _____ sections

(a) XIV (b) 297

(c) 264 (d) 298

4. Previous Year can be a period of _____.

(a) > 12 months or < 12 months

(b) only 12 months

(c) 12 months or < 12 months

(d) \geq 12 months.

4. Assessment year can be a period of _____.

(a) > 12 months or < 12 months (b) only 12 months

(c) 12 months or < 12 months (d) \geq 12 months.

5. Mr. P sets up a new business on 15.7.2018 & he commenced his business from 1.2.2019. First PY shall be:

(a) 15.7.2018 to 31.3.2019 (b) PY 2018-19

(c) 1.2.2018 to 31.3.2019 (d) PY 2019-20

6. Income' includes the following types _____.

(a) Legal (b) Illegal

(c) Both (d) None

7. SC is payable by Domestic Company @ _____.

(a) 7% of Tax provided its TI > Rs. 10,00,000.

(b) 7% of Tax irrespective of its income

(c) 7% of Tax provided its TI > Rs. 1 crore & 12% of Tax if TI > Rs. 10 Crores.

(d) 7% of Tax provided its TI > Rs. 1 crore.

8. Health & Education Cess is leviable on_____.

(a) Income tax (b) Income tax + SC (if any)

(c) Only Surcharge (d) Not applicable at all

5. Maximum amount on which income tax is not chargeable for AY 2020-2021 in case of an individual who is resident in India other than senior citizen is_____.

(a) Rs. 1.9 lac (b) Rs. 2 lac

(c) Rs. 2.5 lac (d) Rs. 1.8 lac

5. The rate of tax applicable to a partnership firm for AY 2020-2021 i.e. PY 2019- 2020 is-

(a) 25% (b) 30%

(c) 35% (d) 40%

9. Surcharge applicable in case of Individual is:

(a) 10% of tax if TI > Rs. 50 lacs but ≤ Rs. 1 cr

(b) 15% of tax if TI > Rs. 1 cr upto 2 cr

(c) 25% of tax if TI > Rs. 2 cr upto 5 cr

(d) Both (a) , (b) & (c), as the case may be.

10. Mr. P is 55 years old & is a resident of India & has earned a total income of Rs. 7,12,500. Calculate his tax liability for the AY 2020-2021.

(a) Rs. 51,000 (b) Rs. 57,200

(c) Rs. 40,820 (d) None

11. Mrs. S (age 87) is a NR & has earned total income of Rs. 4,00,000. Calculate her tax liability for AY 2020-21.

(a) Rs. Nil (b) Rs. 5,200

(c) Rs. 7,800 (d) None

12. Mrs. S, 37 years of age, is a non-resident of India & has earned total income of Rs. 2,70,000. Calculate her tax liability for AY 2020-21.

(a) Rs. Nil (b) Rs. 2,080

(c) Rs. 1,040 (d) None

13. Total income of XYZ Ltd. is Rs. 1 crore 3 lacs. During PY 2017-18, XYZ has made the total turnover of Rs. 370 crores. Find the tax liability for AY 2020-21.

(a) Rs. 28,65,460 (b) Rs. 29,12,000

(c) Rs. 27,55,250. (d) None.

14. what is the maximum amount of rebate prescribed under section 87A ?

(a) 10,000 (b) 2,500

(c) 12,500 (d) None of above

15. Rebate u/s 87A is available to -

(a) Individual (b) HUF

(c) Resident Individual (d) Resident Individual + TI upto 5 lakh

16. Surcharge rate is 37% in case of Individual if -

(a) T.I more than 5 cr (b) T.I is 5 cr or less

(c) T.I more than 2 cr upto 5 cr (d) All of the above

17. Surcharge rate is 25% in case of Individual if -

- (a) T.I more than 5 cr (b) T.I is 5 cr or less
(c) T.I more than 2 cr upto 5 cr (d) All of the above



RESIDENCE AND SCOPE OF INCOME

RULES FOR DETERMINING THE RESIDENTIAL STATUS OF AN INDIVIDUAL [SECTION 6(1)]	
When an individual is said to be resident in India:	<p>Any of two Basic conditions</p> <p>(1) He is in India for a period or periods amounting in all to 182 days or more in the relevant previous year; or</p> <p>(2) He is in India for 60 days or more during the relevant previous year and has been in India for 365 days or more during 4 previous years immediately preceding the relevant previous year.</p>
	<p>Exceptions to second condition</p> <p>The period of 60 days is substituted by 182 days in following cases:</p> <ul style="list-style-type: none"> • Indian citizen, who leaves India during the PY as member of crew of an Indian ship or for purpose of employment. • Indian citizen or a person of Indian origin, who being outside India visits India during the relevant PY.
When an individual is said to be resident and ordinarily resident	<p>If he satisfy both the additional conditions</p> <p>(a) He has been resident in India for at least 2 out of 10 previous years immediately preceding the relevant previous year; and</p> <p>(b) He has been in India for 730 days or more, during seven previous years immediately preceding the relevant previous year.</p>
When an individual is said to be non- resident	An individual is said to be a non-resident, if he does not satisfy any of basic conditions.

RESIDENTIAL STATUS OF HINDU UNDIVIDED FAMILY (HUF) [SECTION 6(2)]	
When is HUF said to be a resident in India.	If control and management of its affairs is situated wholly outside India.
When is HUF said to be a Non- Resident.	If the control and management of its affairs is situated wholly outside India.



When is HUF said to be a resident and ordinarily resident in India.	The HUF shall be said to be resident and ordinarily resident in India if the karta of the HUF satisfies both the following Conditions:
When is HUF said to be resident but not ordinarily resident in India	A HUF, which is resident in India, is said to be resident but not ordinarily resident in India during the relevant previous year, if the manager of the HUF does not satisfy any one, or both.

RESIDENTIAL STATUS OF FIRM, ASSOCIATION OF PERSONS (AOP), BODY OF INDIVIDUALS (BOL) AND OF OTHER PERSONS (EXCEPT COMPANIES) [SECTIONS 6(2) AND 6(4)]

When is a Firm, AOP, BOL, etc. said to be resident in India.	<ul style="list-style-type: none"> If control and management of its affairs is situated wholly outside India.
When is a Firm, AOP, BOL, etc. said to be Non-Resident in India.	<ul style="list-style-type: none"> If the control and management of the affairs is wholly out of India.

RESIDENTIAL STATUS OF A COMPANY [SECTION 6(3)]	
When is a company said to be resident in India	A Company is said to be a resident in India in any previous year if: <ul style="list-style-type: none"> (a) It is an Indian company, or (b) During the relevant previous year, the Place of effective management is situated wholly in India.
When is a company said to be Non- resident in India.	A Company will be a non-Resident in any previous year if: <ul style="list-style-type: none"> (a) It is not an Indian company; and (b) The POEM is situated wholly or partially outside India.

INCIDENCE OF TAX/ SCOPE OF TOTAL INCOME			
Particulars of Income	Whether tax incidence arises or not?		
	Resident or ROR	RN OR	Non-resident



Income received or deemed to be received in India, whether accrued in or outside India	Yes	Yes	Yes
Income accruing or arising in India or deemed to accrue or arise in India, whether received in India or outside India.	Yes	Yes	Yes
Income received and accrued outside India from a business controlled from or a profession set up in India.	Yes	Yes	No
Income received and accrued outside India from a business controlled from outside India or a profession set up outside India.	Yes	No	No
Income (not being from a business/profession) received and accrued outside India.	Yes	No	No

HIGHLIGHTS OF PROVISIONS OF INCIDENCE OF TAX

- (a) Any income which is either earned in India or is deemed to be earned in India is taxable in India, irrespective of the residential status.
- (b) For a Resident in India (for individual & HUF, resident and ordinarily resident in India) all global income, wherever earned/received is taxable in India.
- (c) For a non-resident, an income is taxable only if it is either earned in India or it is received in India.
- (d) For not ordinarily resident, income earned and received outside India will be taxable, only when it is from a business or profession controlled or set up in India.

MCQ

- 1. Total income is based on / total income varies according to:
 - a) Residential status of assessee
 - b) citizenship of assessee
 - c) both A and B
 - d) none of the above

- 2. The condition of 182 days or more shall be checked in:
 - a) relevant previous year
 - b) relevant assessment year
 - c) relevant calendar year
 - d) relevant valuation date

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3. HUF will become Non-resident if:
 - a) control & management is wholly situated outside India
 - b) control & management is partly in India and partly outside India
 - c) control & management is wholly situated India
 - d) None of the above
 - e)
4. If the POEM of an Indian company is wholly outside India, then company will become:
 - a) Resident in India
 - b) Non-resident in India
 - c) RNOR in India
 - d) None of the above
5. An individual, resident in India, shall be resident and ordinary resident in India if he satisfies
 - a) Any one basic condition
 - b) Both additional condition
 - c) Both basic condition
 - d) Any one additional condition
6. HUF which is Resident India shall be said to ROR in India if:
 - a) any adult of HUF satisfies both additional conditions
 - b) Karta of HUF satisfies any one basic condition
 - c) Karta of HUF satisfies both additional conditions
 - d) Karta of HUF satisfies any one additional condition
7. Income accruing from agriculture activity in foreign country is taxable in case of an assessee who is:
 - a) Resident/ Resident and ordinarily resident
 - b) Resident and not ordinarily resident
 - c) Non-resident
 - d) None of the above
8. Foreign income received in India during the previous year is taxable case of which assessee:
 - a) Resident
 - b) Not-ordinarily resident
 - c) Non-resident
 - d) All the above
9. An individual born in India left for employment from India to France on 30.10.2019. He visited outside India for the first time. His residential status for the assessment year 2020-21 will be
 - a) ROR
 - b) RNOR
 - c) Non-resident
 - d) None of the above
10. Income which accrue or arise outside India from business controlled from India is taxable in case of:
 - a) ROR
 - b) Non-resident
 - c) Both ROR & RNOR
 - d) All of the above



11. Profits of ` 2,00,000 is earned from a business in USA which is controlled in India, half of the profits being received in India. How much amount is taxable in India for a Non- resident individual?
a) ` 2,00,000 b) Nil c) ` 1,00,000 d) ` 3,00,000
12. Foreign income received in India during the previous year is taxable in the case of
a) Resident b) Not ordinarily resident
c) Non-resident d) All of the above
13. The residential status of an assessee is determined for relevant....?
a) Previous year b) Assessment year
c) Calendar year d) None of the above
14. A person of Indian origin means if parents or grandparents of person were born in India
a) before 1947 b) before 1857
c) before 1950 d) after 1947
15. An Indian company is always resident in India, irrespective of fact to what extent its POEM is situated in India
a) Correct b) Incorrect c) Partly correct d) None of the above
16. Income deemed to accrue or arise in India is taxable in case of:
a) Resident only b) Both ROR & RNOR
c) Non-resident d) All the assessee
17. An income of 6,00,000 from profession which is set up in India but controlled from USA. The income neither accrues in India nor received in India. it will be taxable in India in the hands of
a) Resident and ordinarily resident b) Non ordinarily resident
c) Both of the above d) None of the above
18. Profits on sale of a building in India but received in Holland – Rs. 20,000
- Pension from former employer in India received in Holland – Rs. 14,000
- Interest on U.K. Development Bonds (1/4 being received in India) – Rs. 20,000
Compute taxable Income in hands of ROR/RNOR/NR
a) ROR – 54,000, RNOR – 39,000, NR – 39000
b) ROR – 54,000, RNOR – 49,000, NR – 39000
c) ROR – 54,000, RNOR – 54000, NR – 39000
d) ROR – 54,000, RNOR – 39,000, NR – 34000

19. Incomes accruing or arising outside India but received directly into India are taxable in case of
- a) Resident only
 - b) Both ordinarily resident and NOR
 - c) Non-resident
 - d) All of the above
20. Income accrued and received in Japan and is taxable in India in the case:
- a) ROR
 - b) ROR & RNOR
 - c) Resident & Non-resident
 - d) Non- resident



INCOMES WHICH DO NOT FORM PART OF TOTAL INCOME

AGRICULTURAL INCOME

- Agricultural income is exempt under section 10(1).
- However, agricultural income has to be aggregated with non- agricultural income for determining the rate at which non-agricultural income would be subject to tax, in case of individuals, HUF, AOP &BOIs etc., where the –
 1. The net agricultural income should exceed ₹ 5,000 p.a., and
 2. Non-agricultural income should exceed the maximum amount not chargeable to tax.
- It may be noted that aggregation provisions do not apply to company, firm assessed as such (FAS), co- operative society and local authority. The object of aggregating the net agricultural income with non- agricultural income is to tax the non-agricultural income at higher rates.

Tax Calculation	<ol style="list-style-type: none"> 1. Add non-agricultural income with net agricultural income. Compute tax on the aggregate amount. 2. Add net agricultural income and the maximum exemption limit available to the assessee(i.e. ₹ 2,50,000/ ₹ 3,00,000/ ₹ 5,00,000). Compute tax on the aggregate amount. 3. Deduct the amount of income tax calculated in step 2 from the income tax calculated in step 1 i.e. Step 1 – Step 2. 4. The sum so arrived at shall be increased by tax on LTCCG, STCG111A and casual income and health and education cess@4 %
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INCOME WHICH IS PARTIALLY AGRICULTURAL AND PARTIALLY FROM BUSINESS

Nature of Income	Amount of Agricultural Income	Non-agricultural Income i.e. business income
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1. Income from sale of tea grown and manufactured by the assessee in India [Rule 8]	60% of such Income	40% of such Income
2. Income from rubber plants grown by the seller in India [Rule 7A]	65% of such Income	35% of such Income
3. Income derived from the sale of coffee grown and cured by the seller in India [Rule 7B(1)]	75% of such Income	25% of such Income
4. Income derived from the sale of coffee grown, cured, roasted and grounded by the seller in India [Rule 7B(1A)]	60% of such Income	40% of such Income
Income from growing and manufacturing of any product other than tea [Rule 7]	<ul style="list-style-type: none">• Where income is partially agricultural income and partially income chargeable to income-tax under the head ‘_profits and gains of business’, the market value of any agricultural produce which has been raised by the assessee or received by him as rent in kind and which has been utilised as raw material in such business or the sale receipts of which are included in the accounts of the business shall be deducted.• No further deduction shall be made in respect of any expenditure incurred by the assessee as a cultivator or receiver of rent in kind.	



SALARIES

IMPORTANT POINTS	
Basis of charge	Salary is chargeable to tax either on due basis or on receipt basis whichever is earlier.
Foregoing of salary	Once salary has accrued to an employee, its subsequent waiver does not make it exempt from tax liability, it is merely an application of income and hence taxable.
Surrender of salary	To C.G. under voluntary surrender of salary (Exemption from taxation) act, 1961 is not taxable.
Salary paid tax-free	Tax paid by employer will be added in salary
Voluntary payments	Taxable
Advance salary	Taxable on receipt basis in AY relevant to the PY in which it is received.
Arrear salary	Taxable on receipt basis if not taxed earlier on due basis.
Salary to a partner	Not taxable as it is an appropriation of profits. It is an income of partner under the head-PGBP.
Bonus	Taxable in the year of receipt.

ALLOWANCES		
Partially exempted allowance	House rent allowance [Sec.10(13A) and Rule 2A]	Least of the following is exempt: (i) 50% of salary, if the house is situated at Delhi, Kolkata, Chennai or Mumbai, otherwise 40% of salary of <u>relevant period</u> (ii) Actual HRA received (iii) Excess of rent paid for <u>relevant period</u> over 10% of salary for <u>relevant period</u> .
Entertainment allowance	It is first included in Gross Salary and thereafter a deduction is given u/s 16(ii).	
Special allowance[S]	Special allowance to meet the official expenses. [Sec. 10(14)(i)]	
	Travelling allowance	ALLOWANCE RECEIVED XXX



ec. 10(14)]	Conveyance allowance	(-) EXEMPT		
	Daily allowance	(i) actual amount spent	XX	
	Helper allowance	<u>or</u>		
	Academic / Research allowance	(ii) allowance received	XX	XXX
	Uniform allowance			
Taxable allowance XXX				
Special allowance to meet the personal expenses. [Sec. 10(14)(ii)]				
	Tribal area allowance	Exempt upto actual amount received of ₹ 200 p.m., whichever is less.		
	Allowance granted to persons employed in any transport system	70% of such allowance of ₹ 10,000 p.m., whichever is less.		
	Children education allowance	Exempt up to actual amount received per child of ₹ 100 p.m. per child up to a maximum of 2 child, whichever is less.		
	Children hostel allowance	Exempt up to actual amount received per child of ₹ 300 p.m. per child up to a maximum of 2 child, whichever is less.		
	Transport allowance (for going to office and back)	₹ 3200 for blind or orthopedically handicapped. Fully taxable for other person.		
	High attitude allowance	<ul style="list-style-type: none"> • For 9000-15000 ft. - exempt up to ₹ 1060 p.m. • Above 15000 ft. - exempt up to ₹ 1600 p.m. 		
	Underground allowance	Exempt upto ₹ 800 p.m.		



Totally exempted allowance	<ul style="list-style-type: none"> • Allowances received by High Court Judge u/s 22A(2) of High Court Judge (Condition of Service) Act, 1954 • Compensatory Allowance received by a Judge under Article 222(2) of the Constitution • Sumptuary Allowance given to High Court and Supreme Court Judges • Allowances received by Employees of United Nations Organisation (UNO) are not taxable u/s 2 of United Nations (Privileges and Immunity) Act, 1974. • Allowances and Perks paid by Government to Indian Citizen outside India are fully exempt.
Taxable allowance	<ul style="list-style-type: none"> • Others

VALUATION OF PERQUISITES TAXABLE IN ALL CASES (RULE 3)			
Valuation of rent free house	Central or state govt. employees		
	<ul style="list-style-type: none"> • <u>Unfurnished house</u> – License fee determined in accordance with the rules framed by Govt. • <u>Furnished house</u> – valuation of unfurnished house + 10% of original cost of furniture (for the owned furniture), or actual hire charges (for the hired furniture) 		
	Private sector or other employee		
	Unfurnished house:		
	City	Accommodation owned by employer	Accommodation is taken on lease or rent by employer
	Having population exceeding 25 Lakhs as per 2001 census	15% of salary in respect of period during which the accommodation is occupied by the assessee	Amount of lease rent (paid or payable) or 15% of salary, whichever is less



Having population > 10 lakh but not exceeding 25 lakhs as per 2001 census	10% of salary in respect of period during which the accommodation is occupied by the assessee.	Amount of lease rent (paid or payable) or 15% of salary, whichever is less
Any other city	7.5% of salary in respect of period during which the accommodation is occupied by the assessee	Amount of lease rent (paid or payable) or 15% of salary, whichever is less
Furnished house: valuation of unfurnished house + 10% of original cost of furniture (for the owned furniture), or actual hire charges (for the hired furniture)		
Accommodation located in remote area	<ul style="list-style-type: none"> • Not taxable • Remote area: area located atleast 40 kms. Away from a town having a population not exceeding 20,000. 	
Accommodation at the time of transfer	<ul style="list-style-type: none"> • Employee is provided with new accommodation at new place of posting while remaining the accommodation at other place • Only one such accommodation, having lower value is taxable for a period not exceeding 90 days and thereafter the value of perquisite shall be charged for both such accommodations. 	
Accommodation provided in hotel	Least of two is taxable <ol style="list-style-type: none"> 1. 24% of salary paid or payable for the PY 2. Actual charges paid or payable to such hotel However, if the accommodation is provided in hotel on his transfer from one place to another and the period in aggregate does not exceed 15 days the value shall be taken as nil.	



<p>Concessional accommodation [Rule 3(1)]</p>	<ul style="list-style-type: none"> • Compute the value assuming the property as rent free. • Deduct amount paid/payable towards rent from the value arrived in step 1. 	
<p>Valuation monetary obligation employee discharged by employer</p>	<p>Actual expenditure incurred by the employer.</p>	
<p>Valuation of LIC premium paid/payable by employer</p>	<ul style="list-style-type: none"> • Sum payable is taxable. • Actual payment during the year is not necessary. • Amount becomes taxable as soon as it becomes due for payment. 	
<p>Value of sweat equity shares</p>	<ul style="list-style-type: none"> • Fair market value (-) amount recovered from employee = TAXABLE PERQUISIT. 	
<p>Valuation of fringe benefits or amenities</p>	<p>Interest free or concessional loan</p>	<p>Value of benefits shall be determined as the sum equal to the interest computed at the rate charged p.a. by SBI, as on the first day of relevant PY in respect of loans for the same purpose.</p> <ul style="list-style-type: none"> • Perquisite is not taxable in 2 cases: <ol style="list-style-type: none"> 1. Loan is taken for medical treatment in respect of specified diseases, or 2. Amount of loans does not exceed in aggregate ₹ 20000.
	<p>Use of movable assets</p>	<ul style="list-style-type: none"> • Value taxable is 10% of actual cost of asset or hire charges paid or payable as reduced by amount if any paid by employee. • Use of laptops and computers is not taxable.



Transfer of any mobile assets	<ul style="list-style-type: none">• Value taxable is actual cost of such asset to employer as reduced by cost of normal wear or tear calculated as specified rate for each completed year, as reduced by the amount if any paid by the employee.• Rate of normal wear and tear is as follows:<ul style="list-style-type: none">✓ Electronic items / equipments 50% by W.D.V. Method✓ Motor car 20% by W.D.V. Method✓ Any other 10% by SLM
Travelling, touring, accommodation	<ul style="list-style-type: none">• The value of benefits shall be taken to be the value at which such facilities are offered by other agencies to the public.• Where the employer is on official tour and the expenses are incurred in respect of any family member, the amount of expenditure incurred is taxable value.
Free meals, tea and snacks	<ul style="list-style-type: none">• Tea or snacks provided during office hours – not taxable• Free meals provided during working hours in a remote area or an offshore installation – not taxable• Free meals provided during office hours at office or business premises – exempt, up to ₹ 50 per meal.
Gift, voucher or token	<ul style="list-style-type: none">• Value taxable is the sum equal to amount of such gift, in excess of ₹ 5,000.• Alternatively, if amount exceeds ₹ 5,000, whole of the value of such gift may be taxable.
Credit card	<ul style="list-style-type: none">• Value taxable is expenses charged to credit card including membership fees and annual fees.• Where such expenses are incurred wholly and exclusively for official purposes nothing is chargeable to tax:
Club membership and expenditure	<ul style="list-style-type: none">• Value taxable is expenses incurred by employee or his family (including annual or periodical fees), but paid or reimbursed by employer.• Where such expenses are incurred wholly and exclusively for business purposes and nothing is chargeable to tax



VALUATION OF PERQUISITES TAXABLE IN SPECIFIED EMPLOYEES

MOTOR CAR [RULE 3(2)] – SPECIFIED EMPLOYEE

Owner of Car	Expenses met by	Purpose	Taxable Value of Perquisite
Employer	Employer	Fully Official use	Not a Perquisite, provided the documents specified in Rule 3(2)(B) are maintained. [See Note 2 below]
Employer	Employer	Fully Personal use	Aggregate of Actual expenditure on Car Remuneration to Chauffeur 10% p.a. of the Cost of Car (normal wear & tear) Less: Amount charged from Employee
1(c)(i)Employer	Employer	Partly for Official	Cubic Capacity of Car Engine
		partly for Personal use	upto 1.6 Litres: 1,800 p.m. + 900 p.m. for Chauffeur above 1.6 Litres: 2,400 p.m. + 900 p.m. for Chauffeur
1(c)(ii) Employer	Employee	Partly for Official	Cubic Capacity of Car Engine
		partly for Personal use	upto 1.6 Litres 600 p.m. + 900 p.m. for Chauffeur above 1.6 Litres 900 p.m. + 900 p.m. for Chauffeur



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2(i) Employee	Employer	Fully Official use	Not a Perquisite, provided the documents specified in Rule 3(2)(B) are maintained. [See Note 2 below]
2(ii) Employee	Employer	Partly for Official	Subject to Rule 3(2)(B)
		Partly for Personal use	Actual Expenditure incurred Less upto 1.6 Litres: 1,800 p.m. + 900 p.m. for Chauffeur above 1.6 Litres: 2,400 p.m. + 900 p.m. for Chauffeur
3(i) Employee owns other automotive but not Car	Employer	Fully Official use	Not a Perquisite, provided the Documents specified in Rule 3(2)(B) are maintained. [See Note 2 below]
3(ii) Employee owns other automotive but not Car	Employer	Partly for Official	Subject to Rule 3(2)(B)
		Partly for Personal use	Actual expenditure incurred by Employer Less: 900 p.m.

Notes:

1. **Pool of Cars owned or hired by Employer:** If the Employee is permitted to use any or all Cars for both official and personal use, the treatment will be as under

For official use	Valued as per 1(c)(i)
For personal use	Valued as per 1(b), as if fully used for personal purpose

2. **Documents required for claiming 'Not Taxable Perquisite' or higher deduction wherever applicable. [Rule 3(2)(B)]:**



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- (a) Employee should maintain complete details of journey undertaken for official purpose, which includes date of journey, destination, mileage and amount of expenditure incurred thereon.
- (b) Certificate of supervising authority of the Employee, wherever applicable, to the effect that the exp. was incurred for wholly and exclusively for performance of official duties, should be provided.

Valuation of perquisite of household servants	<p><u>If engaged by employer:</u> Actual cost of the employer</p> <p><u>If engaged by employee:</u> actual cost to the employer – amount recovered by employer from employee = taxable perquisite</p>
Valuation of Gas, electricity & water facilities	<p>Employer is owner of these facilities – manufacturing cost per unit incurred by employer Purchased from outside agencies – amount paid by the employer</p> <ul style="list-style-type: none"> • If connections / bills are in name of employees and expenses are borne by employer – taxable in the hands of all employees (being an obligation discharged by employer) • If connections / bills are in name of employer and expenses are also borne by him – taxable in the hands of specified employees.
Valuation in Respect of Educational facilities to any member of employee’s household	<ul style="list-style-type: none"> • If educational institution is owned and maintained by employer or facilities are provided in other educational institution by reason of his being in employment of that employer, the value taxable is reasonable cost of such education in a similar institution in excess of ₹ 1000 p.m. (Alternatively, if amount exceeds ₹ 1000 p.m., the entire amount may be taxable). • Payment of school fees of employee’s children directly to school – taxable in the hands of all employees (being an obligation discharged by employer). • Educational facilities / expenditure on education & training of employees is a tax free perquisite.



Valuation in respect of free transportation facility	<ul style="list-style-type: none"> • Provided by an undertaking engaged in the carriage of passengers or goods for personal or private journeys in any conveyance owned, leased or hired by undertaking. • Value taxable will be the value at which such benefit is offered to the public as reduced by the amount, if any, paid by employee. <p>NOTE: In the case of employee of the Railways of Airlines, these provisions are not applicable and the perquisite is not chargeable to tax.</p>
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TREATMENT OF MEDICAL BENEFITS		
Within India	In employer's Hospital	Fully exempt
	In Govt. Hospital	Fully exempt
	In private approach Hospital	Fully exempt
	Medical insurance premium	Fully exempt
	In other hospital	Fully taxable (amend)
Outside India	Medical Treatment expenses	Exempt to the extent permitted by RBI
	Expenditure on stay abroad of patient and one attendant	Exempt to the extent permitted by RBI
	Expenditure on Travel abroad of patient and one attendant	Fully exempt provided G.T.I. of employee (excluding this expenditure) does not exceeds ₹ 2,00,000.
	Reimbursement of expenses actually incurred by employee for any of purpose specified above is also exempted.	
Family: Spouse; children (dependent or independent); Parents, brothers and sisters (dependent).		

TREATMENT OF LEAVE TRAVEL CONCESSION - SEC. 10(5)

- Amount received to the extent of expenditure incurred is exempt.
- Amount received from the employer or a former employer by employee for himself and his family in connection with his proceeding to any place in India (i) on leave; or (ii) after retirement / termination of his service.



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Rule 2B	The amount exempt is subject to the following limitations:	
	By Air	Economy class fare of national carrier by shortest route or actual amount spent, whichever is less.
	Where places of origin of journey and destination are connected by rail and journey is performed by any other mode of transport other than by air.	AC first class rail fare by the shortest route or actual amount spent, whichever is less
	Where the places of origin of journey and destination or part thereof are not connected by rail and journey is performed between such places:	
	1. Where recognized public transport system exists.	1 st class or deluxe class fare on such transport by the shortest route or actual amount spent, whichever is less.
2. Where recognized public transport system exists.	Amount equivalent to air – conditioned first class rail fare for the distance of journey by the shortest route (as if the journey is performed by rail) or actual amount spent, whichever is less	

RETIREMENT BENEFITS		
Gratuity [Sec. 10(10)]	Govt. employees	Fully exempt
	Employees covered by payment of	Least of following is exempt – i) 15 days salary based on salary last drawn for every



	Gratuity act, 1972	completed years of service or part thereof in excess of six months.
		ii) Gratuity actually received iii) ₹ 20,00,000 <u>Points to remember:</u> <ul style="list-style-type: none"> Salary means salary last drawn by employee and includes DA only. For calculating 15 days salary, the member of days in a month will be taken as 26 working days.
	Employees not covered by the payment of gratuity act, 1972	Least of following is exempt – <ul style="list-style-type: none"> i) Half month’s salary for each year of completed service; ii) Gratuity actually received iii) ₹ 20,00,000 Points to remember: <ul style="list-style-type: none"> Calculation of half month’s salary will be based on average salary of last 10 months preceding the month of retirement or death, as the case may be. Salary includes basic pay, DA (if given under terms of employment) and commission payable at a fixed percentage of turnover.
	Uncommuted pension	It is taxable as salary u/s 15 in the hands of a Govt. employee as well as non-govt. employees.
	Commuted pension[Sec . 10(10A)]	<ol style="list-style-type: none"> Govt. employees: Fully exempt Non-govt. employee: <ul style="list-style-type: none"> If receives gratuity, one third of commuted value of pension is exempt In any other case, on half of commuted value of pension is exempt.



<p>Leave salary [Sec.10(10A A)]</p>	<p><u>Leave encashment during service:</u> taxable. <u>Leave encashment at the time of retirement:</u></p> <ol style="list-style-type: none"> 1. Govt. employees: fully exempt 2. Non-govt. employees: least of followings is exempt: <ol style="list-style-type: none"> i) Cash equivalent of earned leave at the credit of the employee at the time of his retirement, calculated on the basis of average salary. ii) Past 10 months salary iii) ₹ 300000 iv) Amount actually received
<p>Retrenchment compensation [Sec. 10 (10B)]</p>	<p>Least of following exempt:</p> <ol style="list-style-type: none"> a) 15 days average pay × Completed years of service and part thereof in excess of 6 months b) ₹ 5,00,000 c) Amount actually received

TREATMENT OF PROVIDENT FUND			
Particulars	Statutory PF	Recognized PF	Unrecognized PF
Employee's own contribution	Included in salary, qualified for deduction u/s 80C.	Included in salary, qualified for deduction u/s 80C.	Included in salary, qualified for deduction u/s 80C.
Employer's contribution	Fully exempted	Exempt upto 12% of salary	Not exempt but also not taxable every year
Interest credited to PF	Fully exempted	Exempt upto @ 9.5% p.a.	Not exempt but also not taxable every year
Lump-sum payment at time of retirement	Fully exempted u/s 10(11)	See Note 1*	See Note 2*



<p>*Note 1 Lump- sum payment to an employee participating in RPF</p>	<p>At the time of retirement / termination shall be exempt provided that:</p> <ul style="list-style-type: none"> • He has been continuously served with this employer for at least 5 years; • If he has not served 5 year, his service have been terminated by reason of his ill health or contraction or discontinuance of business, or other causes beyond his control; • If after retirement, the employees obtains another employment with any other employer, and balance due & payable to him is transferred to his individual account in any RPF maintained by such other employer.
<p>*Note 2 Treatment of lump-sum payment from UPF</p>	<ul style="list-style-type: none"> • Accumulated employee's contribution – not taxable • Accumulated employer's contribution & interest thereon (till date) – taxable as profit in lieu of salary. • Interest on employee's contribution (till date) – taxable as income from other sources.
<p>Meaning of salary</p>	<p>Basic salary, DA (if given under the terms of employment) & includes commission based on a fixed percentage of turnover achieved.</p>
<p>Amount transferred from UPF to RPF</p>	<ul style="list-style-type: none"> • When an UPF is recognized for the first time, the balance standing on the credit of employee's PF A/c at the time of its recognition, is called 'Transferred balance'. • <u>Transferred portion of taxable balance:</u> the amount, which would have been liable to tax if PF had been recognized from the date of the institution of the fund, is taxable in the PY in which recognition of fund takes effect.

<p>DEDUCTION ALLOWED FROM SALARIES [SEC. 16]</p>	
<p>Standard deduction</p>	<p>Upto 50,000</p>
<p>Entertainment allowance [Sec. 16(ii)]</p>	<p><u>Govt. employees:</u> least of following is deductible:</p> <ol style="list-style-type: none"> 1. ₹ 5000; 2. 20% of basic salary; 3. <u>Actual amount received</u> <p><u>Other employees:</u> nothing is deductible</p>



Tax on employment [Sec. 16(iii)]	Actual amount paid during the year <u>if paid</u> by employer first included in salary as perquisite and then allowed as deduction .
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MCQ'S

1. If salary due for March 2020 is received by P later in April 2020, it is chargeable as income of the P.Y.
.....
a) 2019-20 b) 2020-21 c) 2018-19 d) None of the above
2. Every payment by an employer to his employee for service rendered would be taxable as
a) income from salaries b) income from PGBP
c) income from house property d) income from other sources
3. Which of the following allowance is Partly Taxable
a) Allowances from UNO
b) House Rent Allowance
c) Allowance granted to Government employees outside India.
d) Fixed Medical Allowance
4. An assessee received uniform allowance of ` 1,200. However, the amount spent by him is ` 1,000. What amount of exemption can be availed by assessee?
a) ` 1,200 b) ` 1,000 c) ` 600 d) ` 500
5. Children education Allowance received by assessee is exempt upto
a) amount received
b) ` 100 p.m. per child up to a maximum of 2 children
c) Lower of a) and b)
d) None of the above
6. Transport Allowance received by assessee (Handicapped) is exempt upto
a) amount received
b) 3200 p.m. for blind/handicapped employee
c) Lower of a) and b)

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d) None of the above

7. Mr. Arvind has the following receipts from his employer:

Particulars	
(1) Basic pay	3,000 p.m.
(2) Dearness allowance (D.A.)	600 p.m.
(3) Commission	6,000 p.a.
(4) Motor car for personal use (expenditure met by the employer)	500 p.m.
(5) House rent allowance	900 p.m.

Find out the amount of HRA eligible for exemption to him assuming that he paid a rent of ` 1,000 p.m. for his accommodation at Kanpur. DA forms part of salary for retirement benefits.

a) ` 7,680 b) ` 10,800 c) ` 17,280 d) Nil

8. What is the amount of Rent free accommodation taxable when accommodation has been provided to employee by government employer?

a) 15% of salary b) 10% of salary
c) licence fees as per Government rules d) None of the above

9. When an accommodation has been provided in a hotel by a government employer, what amount shall be taxable in the hands of employee?

a) 24% of salary b) actual charges
c) least of a) and b) d) licence fees as per Government rules

10. Interest on loan granted by the employer to the employee

a) shall have no treatment in hands of employee b) shall be taxable in hands of employee
c) shall not be taxable in the hands of employee d) None of the above

11. When an asset transferred by the employer to his employee is assets other than computer and electronic items and Motor Car, what shall be taxable in the hands of the employee?

a) Purchase Price of employer – 50 % of other assets SLM for each incomplete year of usage
b) Purchase Price of employer – 50 % of other assets SLM for each completed year of usage
c) Purchase Price of employer – 20 % of other assets SLM for each completed year of usage

d) Purchase Price of employer - 10% of other assets SLM for each completed year of usage

12. If the value of gift in aggregate during the previous year is upto ` 5,000, the same shall
- a) taxable as allowance
 - b) taxable as perquisite
 - c) Not be taxable
 - d) none of the above

13. If a free meal of ` 150 is provided to the employee. What amount shall be taxable in the hands of the employee?

a) ` 150 per meal b) ` 100 per meal c) 50 per meal d) Nil

14. When the motor car is owned by the employee and used by the employee for private purpose. What amount shall be taxable in the hands of the employee?

- a) Actual expenditure incurred by employer shall be taxable
- b) Nil
- c) Discretion of Assessing Officer
- d) None of the above

15. Ravi retired on 01.10.2019 receiving ` 5,000 p.m. as pension. On 01.02.2020, he commuted 60% of his pension and received ` 3,00,000 as commuted pension and receiving gratuity of ` 5,00,000 at the time of retirement. What amount of uncommuted and commuted pension is taxable if he is a non- government employee?

- a) ` 24,000, ` 50,000
- b) ` 24,000, ` 1,33,333
- c) Nil, ` 1,33,333
- d) Nil, ` 50,000

16. Ramesh who is a government employee retired on 15.06.2017 after completion of 26 years 8 months of service and received gratuity of ` 6,00,000. At the time of retirement his salary was:

Basic Salary : ` 5,000 p.m.
Dearness Allowance : ` 3,000 p.m. (60% of which is for retirement benefits)
Commission : 1% of turnover (turnover in the last 12 months was ` 12,00,000)
Bonus : ` 12,000 p.a.

What amount of gratuity shall be taxable?

a) ` 4,75,385 b) ` 4,98,600 c) Nil d) ` 6,00,000

17. Rohit who is not a government employee retired on 01.12.2019 after 20 years 10

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months of service, receiving leave salary of ` 5,00,000. Other details of his salary income are:

Basic Salary : ` 5,000 p.m. (` 1,000 was increased w.e.f. 01.04.2019)

Dearness Allowance : ` 3,000 p.m. (60% of which is for retirement benefits)

Commission : ` 500 p.m.

Bonus : ` 1,000 p.m.

Leave availed during service : 480 days

He was entitled to 30 days leave every year. How much amount of leave salary shall be taxable?

- a) Nil b) ` 4,73,600 c) ` 5,00,000 d) None of the above

18. Deduction in respect of entertainment allowance is available to

- a) Government employees b) Non-Government employees
c) any of the above d) None of the above

19. The maximum exemption under section 10(10) in case of Gratuity is

- a) ` 20,00,000 b) ` 3,00,000 c) ` 10,50,000 d) ` 5,00,000

20. Salary of S (` 40,000 per month) becomes due on the last day of the month but is paid on 7th of next month. Also, salary of April, 2020 and May, 2020 is received in advance in March, 2020. What will be his gross income for Assessment Year 2020-21?

- a) ` 5,60,000 b) ` 4,80,000 c) ` 4,40,000 d) ` 5,20,000



INCOME FROM HOUSE PROPERTY

IMPORTANT POINTS	
Basis of Charge	The basis of charge is annual value of property.
Property	<ul style="list-style-type: none">• The property should consist of any buildings or land appurtenant thereto,• The word -building is wide enough to include residential houses (whether let out or self occupied), building let out for office use or for storage or for use as factory, music halls, dance halls and other public auditorium used for cinema and stage shows.
Ownership	<ul style="list-style-type: none">• The assessee should be the owner of the property.• Income from subletting is not taxable under the head house property but is taxable as business income u/s 28 or as income from other sources u/s 56.• The word -owner includes a legal owner as well as deemed owner.
Use of property	The property should not be used by the owner for the purpose of any business or profession .
Deemed owner	<ul style="list-style-type: none">• Transferor of property• Holder of impartible estate• Member of a co-operative society, company or other AOPs• Person in possession of a property• Persons having right in a property

APPLICABILITY OF SEC. 22 IN CERTAIN TYPICAL CASES	
House property in a foreign country	<ul style="list-style-type: none">• A resident assessee is taxable u/s 22 in respect of annual value of property situated in foreign country.• A resident but not ordinarily resident or non-resident are not required to pay tax on above income unless it is received in India.
Disputed ownership	<ul style="list-style-type: none">• If title of ownership is under dispute in a court of law, the decision about who is the legal owner rests with the I-Tax Department.• Generally, the recipient of rental income or person who is in possession of property as owner is treated as the owner.



Property held as stock-in-trade	<ul style="list-style-type: none">If any property is held by assessee as stock-in-trade of a business or if the assessee is engaged in the business of letting out of property on rent, income from such property is chargeable u/s 22.
Composite rent	<ol style="list-style-type: none">Where composite rent includes rent of building and charges for different services (lift, security etc.), the composite rent has to be split up in the following manner:<ol style="list-style-type: none">Sum attributable to use of property is to be assessed u/s 22 as income from house property.Sum attributable to use of services is to be charged to tax under the head -PGBP or under the head –Income from other sources.Where composite rent is received from letting out of building & other assets (like furniture) & the two lettings are not separate-<ol style="list-style-type: none">If the letting out of building and other assets are not separable i.e. the other party does not accept letting out of buildings without other assets, then the rent is taxable either as business income or income from other sources;This is applicable even if sum receivable for the two lettings is fixed separately.Where composite rent is received from letting out of buildings and other assets and the two lettings are separable.<ol style="list-style-type: none">Income from letting out of building is taxable under –Income from house property;Income from letting out of other assets is taxable as business income or income from other sources;This is applicable even if a composite rent is received by the assessee from his tenant for the two lettings.



ANNUAL VALUE	
Computation of gross annual value	<p>Higher of two</p> <p>(a) Expected rent or</p> <p>(b) Where the property or any part of the property is let and the actual rent received or receivable by the owner in respect thereof.</p> <p>However the above amount cannot exceed the Standard Rent</p>
House property which is let throughout the previous year	<ul style="list-style-type: none"> • Determine the gross annual value. • From the gross annual value computed in step I, deduct municipal tax paid by the owner during the previous year. • The balance shall be the net annual value which, as per Income-tax Act is the annual value.
Computation of income of a property which is self-occupied	<p>Where the property consists of a house or part of a house which:</p> <p>(a) is in the occupation of the owner for the purposes of his own residence; or</p> <p>(b) cannot actually be occupied by the owner by reason of the fact that owing to his employment, business or profession carried on at any other place, he has to reside at that other place in a building not belonging to him,</p>
Where assessee has more than one house for self occupation	<p>➤ Earlier benefit of self-occupied property was allowed for <u>one house</u> only but now <u>two house</u> can be treated as self-occupied but aggregate amount of interest shall not exceed <u>two lakh rupees</u>.</p>
Where a house property is let-out for part of the year and self-occupied for part of the year Section 23(3)	<p>(a) If a single unit of a property is self-occupied for part of the year and let-out for the remaining part of the year, then the ALV for the whole year shall be taken into account for determining the GAV.</p> <p>(b) The ALV for the whole year shall be compared with the actual rent for the let out period and whichever is higher shall be adopted as the GAV.</p> <p>(c) However, property taxes for the whole year is allowed as deduction provided it is paid by the owner during the previous year.</p>



House property which is divided into different portions/units	<ul style="list-style-type: none">• If any house property is divided into different portions, every portion shall be considered to be a separate house and income shall be computed accordingly.• There is no need to treat the whole property as a single unit for computation of income from house property.• Municipal valuation/fair rent/standard rent, if not given separately, shall be apportioned between the let-out portion and self-occupied portion either on plinth area or built-up floor space or on such other reasonable basis.• Property taxes, if given on a consolidated basis can be bifurcated as attributable to each portion or floor on a reasonable basis.
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DEDUCTIONS (SEC. 24)	
Standard deduction	30% of N.A.V.
Interest on borrowed capital	<ul style="list-style-type: none">• Allowable on accrual basis• If capital is borrowed for the purpose of purchase, construction, repair, renewal or reconstruction• Interest on unpaid interest is not deductible.• Interest on a fresh loan taken on repay the original loan raised for aforesaid purposes is however allowable as deduction.
Interest of pre-acquisition period	<ul style="list-style-type: none">• Deduction in five equal installments commencing from the PY in which the house was acquired or constructed. Interest will be aggregated from the date of borrowing till the end of PY prior to the PY in which the house is completed.
Deduction in respect of self-occupied property	<ul style="list-style-type: none">• The only deduction permissible is towards interest on borrowed capital for construction, repair, etc. of the house.• Limit of deduction is ₹ 30000.• However, where the property is acquired or constructed with capital borrowed on or after 01-04-1999 and such acquisition or construction has been completed within 5 years from the end of FY in which capital was borrowed, the above limit will be enhanced to ₹ 200000.



MISCELLANEOUS PROVISIONS	
Amount not deductible – Sec. 25	<ul style="list-style-type: none">Any interest, chargeable under this act, in the hands of recipient and payable outside India on which tax has not been paid or deducted at source or in respect of which there is no person in India who may be treated as agent of recipient is not deductible.
Subsequent recovery of unrealized rent – Sec. 25AA	<ul style="list-style-type: none">It shall be deemed to be income of PY in which recovery is made, irrespective of fact whether the assessee is the owner of that property in that year or not.Standard Deduction @ 30% is allowed.
Arrears of rent received – Sec. 25B	<ul style="list-style-type: none">If not charged to income tax for any PY is taxable as the income of that PY in which the rent is received irrespective of fact whether the assessee is the owner of that property in that year or not.Statutory Deduction @ 30% is allowed.
Tax treatment in case of co-owners – Sec. 26	<ul style="list-style-type: none">If a house property is owned by two or more persons, such persons are known as co- owners.If respective shares of co-owners are definite and ascertainable, then the share of each co-owner in the computed income of property shall be included in the total income of each such person.It may be noted that co-owners are not taxable as an AOPs.

MCQ`S

1. A large stadium or an open air swimming pool is considered as a building, hence annual value shall be taxable under the head House Property. The statement is
 - a. True
 - b. False
 - c. May be
 - d. Sometime true

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2. Annual value of the house property shall be taxable under section 22. The statement is
- True
 - False
 - May be
 - Sometime true
3. The concept of Deemed Ownership is given:
- Under section 24
 - Under section 25
 - Under section 29
 - Under section 27
4. Net Annual Value of a self-occupied property treated as such is:
- Fair rent
 - Nil
 - Reasonable Expected Rent as reduced by municipal tax paid during the previous year
 - Reasonable Expected Rent
5. Where an assessee has two house properties which are self – occupied, the benefit of Nil annual value will be available in respect of
- Both the properties
 - The property which has been acquired first
 - Any one of the property at the option of the assessee
 - The property which has been acquired last
6. Mr. A let out his house property to Mr. B. Mr. B sublet the property to Mr. C. The income from subletting in the hands of Mr. B will be:
- Exempt income
 - Taxable under the head 'Income from House property'
 - Income from Other Sources or business income, dependent on facts
 - Income under the head 'Capital Gain'
7. Which will be gross annual value of the property if:
Municipal value Rs.14,000



Fair rent Rs.14,500; standard rent Rs.14,200 Actual rent as property let out throughout the previous year Rs.16,800

Unrealized rent of the previous year Rs.7,000

a. Rs.9,800

b. Rs.14,200

c. Rs.7,200

d. Rs.7,500

Working note

Step 1 RER	
a) Fair Rent	
b) Municipal value	
c) Standard rent	
= RER	
Step 2 ARR	
Actual rent receivable (Annual Rent – U Rent)	
GAV = higher of step 1 or step 2	

8. R owns a house. The municipal value of the house is Rs.80,000. He paid Rs. 18,000 as local tax during the year. He use this house (which consists of 2 identical residential units) for his residential purposes but let out one of the 2 units of the house at Rs. 3,000 p.m. with effect from January 1, 2020. Compute the net annual value of the house.

a. Rs.31,000

b. Nil

c. Rs.62,000

d. None of the above

Working note

Particulars	UNIT 1 SO	UNIT 2 SO
GAV		
Less: M. tax		
= NAV		



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9. Interest relating to pre-construction period is allowable:
- a. In 5 equal instalments from the year in which it was incurred
 - b. In the year in which it was incurred
 - c. In the year in which house property was constructed
 - d. In 5 equal instalments from the year in which property is constructed
10. Interest on borrowed capital can be claimed as deduction on
- a. Cash basis
 - b. Accrual basis
 - c. As per method of accounting regularly followed by the assessee
 - d. Upto Rs.1,50,000 – Cash basis and thereafter accrual basis
11. Jagdish, after sale of his house property during August 2014, received arrears of rent amounting to Rs. 40,000 on 2nd February, 2020. The said income is ____ and the taxable income would be _____
- a. Chargeable to tax under the head 'income from house property', Rs.28,000
 - b. Chargeable to tax under the head 'income from house property', Rs.40,000
 - c. Not chargeable to tax; nil
 - d. Chargeable to tax under the head 'Income from other sources'; Rs.40,000



PROFIT OR GAIN FROM BUSINESS OR PROFESSION

INTRODUCTION	
Definition of Business - Sec. 2(13)	Business includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture.
	Trade Purchase of goods with a view to sell them at profit.
	Commerce Repetition of trade transactions on a large scale.
	Manufacture Process which results in an alteration or change in goods which are subjected to such manufacture.
Definition of Profession - Sec. 2(36)	<ul style="list-style-type: none"> • Profession includes vocation. • Vocation refers to any activity on which a person spends a major part of his time in order to earn his livelihood.

EXPENSES, WHICH ARE EXPRESSLY ALLOWED AS DEDUCTION [SEC. 30 TO 37]		
Section	Title	Provisions
30	Rent, Rates, Taxes, Repairs And Insurance For Building	Deductions allowed are: <ul style="list-style-type: none"> • Rent of premises, if the assessee has occupied the premises as tenant and the amount of repairs (not a capital expenditure), if he has undertaken to bear the cost of repairs; • Amount of current repairs (not being capital expenditure), if the assessee has occupied the premises otherwise than as tenant; • Any sum on account of land revenue, local rates or municipal taxes; • Amount of any premium in respect of insurance
31	Repairs and Insurance of Machinery, Plant and Furniture	<ul style="list-style-type: none"> • Deduction is allowed in respect of current repairs (not being capital expenditure) and insurance of machinery, plant and furniture provided these assets were used by the assessee during PY.



32	Depreciation	<ul style="list-style-type: none"> • Depreciation is calculated on the written down value of a block of assets at the prescribed rate of depreciation. • However, in case of assets of an undertaking involved in generation or generation & distribution of power depreciation may be calculated at the percentage of actual cost at specified rates. • Assets acquired and put to use during the PY for the purpose of business or profession for less than 180 days during that year, depreciation allowance shall be limited to 50% of normal depreciation. 	
		Conditions	<ol style="list-style-type: none"> 1. Depreciation is allowed in respect of capital assets. 2. Assets should be owned, wholly or partly by assessee. It should be used for the purpose of assessee's business or profession. The term use' embraces both active use and passive use.

➤ **Increased rate of depreciation in respect of motor vehicles acquired and put to use during the period from 23.8.2019 to 31.3.2020 [Notification 69/2019 dated 20.9.2019]**

	Particulars	Depreciation allowable as a % of WDV
(i)	<p>Motor buses, motor lorries and motor taxis used in a business of running them on hire, acquired during the period from 23.8.2019 to 31.3.2020 and put to use on or before 31.3.2020</p> <p>Note – For motor buses, motor lorries and motor taxis used in a business of running them on hire, except those covered in (i) above, the rate of depreciation would continue to be 30%.</p>	45%



(ii)	<p>Motor cars other than those used in a business of running them on hire, acquired during the period from 23.8.2019 to 31.3.2020 and put to use on or before 31.3.2020</p> <p>Note – For motor cars, other than those used in a business of running them on hire, acquired or put to use on or after 1.4.1990, except those covered in (ii) above, the rate of depreciation would continue to be 15% .</p>	30%
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32(1)(iia)	Additional depreciation	<ul style="list-style-type: none"> • Additional depreciation is allowed in addition to normal depreciation in respect of P & M acquired & installed during the PY @ 20% of actual cost of the eligible asset. • However if such asset is acquired and put to use for less than 180 days in the PY, then the rate of depreciation shall be 10%. • Allowed to an industrial undertaking which is engaged in manufacture or production of any article or thing and Assessee engaged in the business of generation or generation and distribution of power.
Proviso to 32(1)(iia)	Additional depreciation at higher rate	<ul style="list-style-type: none"> • Additional depreciation @35% to be allowed to assessee setting up manufacturing units in notified backward areas of specified States and acquiring and installing of new plant & machinery. • Such additional depreciation shall be restricted to 17.5% (i.e., 50% of 35%), if the new plant and machinery acquired is put to use for the purpose of business for less than 180 days in the year of acquisition and installation. • The balance 50% of additional depreciation (i.e., 50% of 35%) would, however, be allowed in the immediately succeeding financial year.



32AD	Investment in new plant & machinery	<ul style="list-style-type: none">• The assessee sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1st April, 2015 in any backward area notified by the Central Government in the State of Andhra Pradesh or Bihar or Telangana or West Bengal; and• the assessee acquires and installs new plant and machinery for the purposes of the said undertaking or enterprise during the period between 1st April, 2015 and 31st March, 2020 in the said backward areas.• 15% of aggregate amount of actual cost of new P& M acquired and installed during the Year shall be allowed as deduction.
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35	<p>Expenditure on Scientific Research Expenditure incurred by assessee</p> <ul style="list-style-type: none">• Any revenue and capital expenditure (other than cost of acquisition of land) on scientific research for in-house research related to its business is allowable as deduction [Section 35(1)(i) & Section 35(1)(iv) read with section 35(2)].• Deduction is also allowed in respect of payment of salary or purchase of material inputs for such scientific research during 3 years immediately preceding the year of commencement of business. Such deduction is allowed in the year in which it has commenced its business [Section 35(1)(i)/Section 35(2)].• Capital expenditure incurred prior to the commencement of the business is also allowed in the year in which business is commenced.• In case of companies engaged in the business of bio- technology or manufacture or production of article or thing, deduction of 150% of expenditure incurred on scientific research on in-house research and development facility is allowed (other than expenditure on cost of land or building) [Section 35(2AB)]. <p>Contributions to Outsiders</p> <p>Contributions made by any assessee to certain specified/ approved institutions shall be entitled to weighted deduction as follows:</p>
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	Section	Contribution made to	Deduction (as a % of contribution made)
	35(1)(ii)	Notified approved research association/university/college/ other institution for scientific research	150%
	35(1)(iia)	Approved notified Company for scientific research	100%
	35(1)(iii)	Notified approved research association/university/college/ other institution for research in social science or statistical research	100%
	35(2AA)	Approved National Laboratory/ University/ IIT/ specified person to be used for scientific research undertaken under an approved programme	150%



35AD

- Sec. 35AD allows deduction in respect of the whole of any **expenditure of capital nature** (other than land, goodwill or financial instrument) incurred, wholly and exclusively, for the purposes of any specified business carried on by him during the previous year in which such expenditure is incurred.
- Further, any expenditure in respect of which payment or aggregate of payment made to a person of an amount exceeding ₹ 10,000 in a day otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account would not be eligible for deduction.
- **Pre-commencement Expenses:** If the expenditure is incurred prior to the commencement of its operations, deduction is allowed in the PY year in which assessee commences operations of specified business, if the amount is capitalised in the books of account as on the date of commencement of its operations.

This section provides for investment-linked tax deduction in respect of the following specified businesses -

- 1) setting-up and operating 'cold chain' facilities for specified products;
- 2) setting-up and operating warehousing facilities for storing agricultural produce;
- 3) laying and 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;
- 4) building and operating a hotel of two-star or above category, anywhere in India;
- 5) building and operating a hospital, anywhere in India, with at least 100 beds for patients;
- 6) developing and building a housing project under a notified scheme for slum redevelopment or rehabilitation framed by the Central Government or a State Government;
- 7) developing and building a housing project under a notified scheme for affordable housing framed by the Central Government or State Government;



	<p>8) production of fertilizer in India;</p> <p>9) setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962;</p> <p>10) bee-keeping and production of honey and beeswax;</p> <p>11) setting up and operating a warehousing facility for storage of sugar;</p> <p>12) laying and operating a slurry pipeline for transportation of iron- ore; and</p> <p>13) setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.</p> <p>14) developing or maintaining and operating or developing, maintaining and operating a new infrastructure facility 100% of the capital expenditure incurred during the previous</p>
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35CCA	Contributions for rural development	<ul style="list-style-type: none"> 100% Contribution shall be allowed as deduction. If approval is withdrawn subsequent to payment, then deduction cannot be denied.
35CCC	Expenditure incurred on notified agricultural extension project	<ul style="list-style-type: none"> 150% of expenditure incurred on agricultural extension project as notified by Board in accordance with prescribed guidelines.
35CCD	Expenditure incurred by companies on notified skill development project	<ul style="list-style-type: none"> 150% of the expenditure (Other than cost of Land and Building) incurred on skill development project in accordance with prescribed guidelines.

35D	Amortisation of preliminary expenses	<p><u>In case of Indian Company:</u> Lower of following is eligible:</p> <ul style="list-style-type: none"> • Amount incurred or • Higher of 5% of Cost of the Project', or 5% of the capital employed. <p><u>In case of other:</u> Lower of following is eligible: Amount incurred or 5% of the Cost of the Project',</p>
36(1)(i)	Insurance Premium of Stocks	Allowed on Payment basis.
36(1)(ia)	Insurance Premium on Life of Cattle	Allowed on Payment basis – for Federal Milk Co-operative Society.
36(1)(ib)	Insurance on Health of Employees	Allowed on Payment basis. Payment in any mode other than Cash.
36(1)01)	Bonus or Commission to Employees	Allowed when paid before due date of filing Return [Sec.43B]
36(1)(iii)	Interest on Borrowed Capital	Allowed when paid before due date of filing Return in respect of Loans from Financial Institutions / Banks.
36(1)(iv)	Employer's Contribution to a RPF/ Approved Superannuation Fund	Allowed when paid before due date of filing Return [Sec.43B]
36(1)(iva)	Contribution towards Pension Scheme u/s 80CCD	Contribution should not exceed 10% of the Salary. Salary includes DA if the terms of employment so provide, but excludes all other Allowances and Perquisites.
36(1)(v)	Employer's Contribution to an Approved Gratuity Fund	Allowed when paid before due date of filing Return [Sec.43B]
36(1)(va)	Recoveries from Employees	Paid before the prescribed due date (including grace days) under the respective Act [ESI / EPF, etc.]



	towards Welfare Funds	
36(1)(vi)	Allowance in respect of dead or permanently useless animals	Cost of Animal Less Insurance Claim or any other receipt. No amortization of cost is allowed.
36(1)(vii)	Bad Debts	Revenue Bad Debts subject to write-off in the books of accounts.
36(1)(viii)	Provisions for Bad and Doubtful Debts	<ul style="list-style-type: none"> For Scheduled Banks, Non-Scheduled Banks, Co-operative Bank other than Primary Agricultural Credit Society or Primary Cooperative Agricultural & Rural Development Bank: 7.5% of GTI + 10% of Average Rural Advances. Banks incorporated outside India, Public Financial Institutions, SFCs, SIICs: 5% of GTI.
36(1)(ix)	Expenditure on promoting Family Planning amongst the Employees	<ul style="list-style-type: none"> Allowable only for Companies. Revenue Expenditure is fully allowed. Capital Expenditure is allowed in five equal installments.
36(1)(xii)	Revenue Expenditure incurred by a Corporation, etc. established by a Central, State or Provincial Act	<ul style="list-style-type: none"> Expenditure incurred towards its object and purposes authorised by Governing Act, fully allowed. No Deduction for Capital Expenditure.
36(1)(xiii)	Banking Cash Transaction Tax paid	Allowed as a deduction
36(1)(xv)	Securities Transaction Tax Paid	Fully allowed as deduction only when paid if Income from such transaction is included as PGBP.
36(1)(xvi)	Commodities Transaction Tax Paid	<ul style="list-style-type: none"> Taxable Commodities Transactions should be entered into in the course of the Assessee's business during the previous year. Income arising from such transactions is included as PGBP.
37(1)	General expenses	For availing deduction u/s 37, following conditions should be satisfied:



		<ol style="list-style-type: none"> Such expenditure should not be covered under sections 30-36; Expenditure should not be of capital or personal nature; Expenditure should have been incurred during the previous year; Expenditure should have been incurred wholly for the purpose of business or profession.
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EXPENSES, WHICH ARE EXPRESSLY ALLOWED AS DEDUCTION		
37(2B)	Advertisemen in Political Parties' Souvenir, Brochure, Pamphlet, etc.	Fully disallowed
40(a)(i)	Payments of Interest, Royalty, Fees for Technical Services or other sum	(a) Payable Outside India or (b) In India to a Non-Resident (not being a Company) or (c) to a Foreign Company without TDS, entire expenditure is not allowed.
40(a)(ia)	Any Payment made to a Resident , on which Tax is deductible, but tax has not been deducted / after deduction, tax has not been paid before the due date of furnishing Return u/s 139(1).	<ol style="list-style-type: none"> 30% of the Expense will not be allowed. Allowable in the year of remittance of TDS. <p>Note: Where an assessee fails to deduct TDS as a whole or any part on any such sum but is not deemed to be an assessee in default, then, for the purposes of this sub-clause, it shall be deemed that the assessee has deducted and paid the tax on such sum on the date of furnishing of return of income by the payee. (Earlier benefit was given to only resident but now all assessee is covered.)</p>



40(a)(iib)	Royalty, License Fee, Service Fee, Privilege Fee, Service Charge or any other Fee or Charge levied on, or appropriated either directly or indirectly from, State Government Undertakings by the State Govt	Fully disallowed	
40(a)(iii)	Salary paid outside India or to Non- Resident	Payment without TDS not allowed	
40(a)(iv)	Contribution to Welfare Fund of Employees if no arrangements for TDS	Not allowed	
40(a)(v)	Tax on Perquisites paid by Employer	Not allowed	
40(b)	For Partnership Firm Interest Allowable	Least of: 12% or as specified in Partnership Deed.	
	For Partnership Firm, Remuneration allowable Least of following or as per Partnership Deed or paid	Book Profit	Maximum Remuneration
		Upto ₹ 3 Lakhs	₹ 1,50,000 or 90% of Book Profit
		On balance	60% of Book Profit



40(ba)	Disallowances in case of AOP/BOI	Interest, Remuneration, etc. paid to Member shall not be allowed.
40A(2)	Payments to Relatives as specified	Payment considered as excessive or unreasonable shall not be allowed. No disallowance, if transaction is at Arm's Length Price as per Sec.92F.
40A(3)& Rule 6DD	Single or Aggregate Payments in respect of allowable expenditure in excess of ₹ 10,000, (₹ 35,000 if Payment is made for Plying, Hiring or Leasing Goods Carriages) other than by way of A/c Payee Cheque or A/c Payee DD/ use of electronic clearing system through a Bank Account to a single person on a single day.	<ul style="list-style-type: none"> • Whole of the payment shall be disallowed. Expenditure allowed on due basis but aggregate payments made in subsequent P.Y.s in excess of ₹ 10,000/ 35,000 shall be disallowed. • Exceptions given in Rule 6DD
40A(7)	Provision for Gratuity	<ul style="list-style-type: none"> • Disallowed, except in case of provision for contribution to Recognised Gratuity Fund or actual liability incurred.
40A(9)	Contribution to Non- Recognised Funds	<ul style="list-style-type: none"> • Payment to any Unrecognised / Non-Statutory Employer Welfare Fund is disallowed. • Contribution u/s 36(1)(iv) / (iva) / (v) or under any law, is allowable.
43B	Deductions only on actual payment.	<ul style="list-style-type: none"> • Employers' Contribution to RPF or other Employee Welfare Funds, • Tax, Duty, Cess, etc, • Bonus or Commission to Employees, • Interest payable to Public Financial Institution or Scheduled Bank,



		<ul style="list-style-type: none"> • Leave Salary. • Any sum payable by Assessee to the Indian Railways for use of Railway Assets. • Allowed if paid on or before due date of filing Return u/s 139(1). • Otherwise, it is allowed only in the year of payment.
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OTHER PROVISIONS			
Section	Title	Provisions	
44AA	Compulsory Maintenance of accounts	Persons carrying on specified professions	<ul style="list-style-type: none"> • As per Sec. 44AA(1) Persons carrying on specified professions are required to keep & maintain such books of account and other documents as prescribed if gross receipt exceeds ₹ 1,50,000 in any one of the 3 years immediately preceding the PY.
		Persons carrying on business or non-specified profession	<ul style="list-style-type: none"> • If total income from business or profession exceeds ₹ 1,20,000 or total sales or gross receipts from business or profession exceeds ₹ 10,00,000 (25,00,000 in case of Individual/HUF) in any of the 3 years immediately preceding the relevant PY, or • In case of newly set up business or profession, if income from business or profession is likely to exceed ₹ 1,20,000 or total sales or gross receipts from such business or profession are likely to exceed ₹ 10,00,000 (25,00,000 in case of Individual/HUF), during such PY, or • In case of assesses covered under section 44AD, 44AE , 44BB or 44BBB and he claims that their income is lower than the



			profits or gains so deemed to be the profits and gains of their business.
44AB	Audit of accounts of certain persons carrying on business or profession	<ul style="list-style-type: none">• If total sales, turnover or gross receipts, in business exceeds ₹ <u>One Crore</u> in any PY; or• If gross receipts in profession exceed ₹ <u>Fifty lakhs</u> in any PY, or• Where the assessee is covered u/s 44AD, 44AE, 44BB or sec. 44BBB and claims that the profits and gains from the business are lower than the profits or gains computed on a presumptive basis.	
44AD	Special provision for computing profits & gains of eligible business	<ul style="list-style-type: none">• These provisions applies to eligible assesses (individual, HUF, Firm other than LLP and not claiming deduction u/s 10AA or Under Chapter VI-A) who are engaged in the specified business (any business other than plying, leasing or hiring goods carriages).• The income will be estimated at a sum equal to 8% of the turnover or the gross receipts paid or payable to the assessee in the PY on account of such business or a higher amount as declared by the assessee in return of income. (6 %, if amount is received in banking system)• These provisions shall apply only where the turnover or the gross receipts paid or payable do not exceed ₹ Two Crore.	



<p>44ADA</p>	<p>Special provision for computing profits & gains of eligible business</p>	<p>These provisions applies to eligible assessee who is resident of India, carrying on profession and whose gross receipts do not exceed fifty 50 lakh rupees.</p> <ul style="list-style-type: none"> The income will be estimated at a sum equal to 50% of the turnover or the gross receipts paid or payable to the assessee in the PY on account of such business or a higher amount as declared by the assessee in return of income. The eligible assessee opting for presumptive taxation scheme will not be required to maintain books of account under section 44AA(1) and get the accounts audited under section 44AB in respect of such income. 								
<p>44AE</p>	<p>Special provision for computing profits & gains of business of plying, hiring & leasing goods carriage</p>	<ul style="list-style-type: none"> These provisions apply to persons owning not more than 10 trucks at any time during previous year. <table border="1" data-bbox="621 856 1521 1241"> <thead> <tr> <th data-bbox="621 856 906 911">Goods Carriage</th> <th colspan="2" data-bbox="906 856 1521 911">Presumptive Income</th> </tr> </thead> <tbody> <tr> <td data-bbox="621 911 906 1119">Heavy goods vehicle</td> <td data-bbox="906 911 1333 1119">1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for every month or part of a month</td> <td data-bbox="1333 911 1521 1241" rowspan="2">during which such vehicle is owned by the assessee for the previous year.</td> </tr> <tr> <td data-bbox="621 1119 906 1241">Other than heavy goods vehicle</td> <td data-bbox="906 1119 1333 1241">7,500 for every month or part of a month</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The assessee joining the scheme will not be required to maintain books of account under section 44AA and get the accounts audited under section 44AB in respect of such income. An assessee may claim lower profits and gains than the deemed profits and gains specified in sub-section (1) of that section subject to the condition that the books of account and other documents are kept and maintained as required under sub-section(2) of section 44AA and the assessee gets his accounts audited and furnishes a report of 	Goods Carriage	Presumptive Income		Heavy goods vehicle	1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for every month or part of a month	during which such vehicle is owned by the assessee for the previous year.	Other than heavy goods vehicle	7,500 for every month or part of a month
Goods Carriage	Presumptive Income									
Heavy goods vehicle	1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for every month or part of a month	during which such vehicle is owned by the assessee for the previous year.								
Other than heavy goods vehicle	7,500 for every month or part of a month									



		such audit as required under section 44AB.
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MCQ'S

1. Which of the following included in business according to section 2(13)
 - a. trade
 - b. commerce
 - c. manufacture
 - d. all of the above
2. Perquisite received by the assessee during the course of carrying on his business or profession is taxable under the head
 - a. Profit & Gains of business or Profession
 - b. Salaries
 - c. Income from other sources
 - d. Not taxable at all
3. Any sum received by an employer from Key-man insurance policy taken on the life of the employee shall be:
 - a) Exempt
 - b) Taxable under the head business and profession
 - c) Taxable under the head other sources
 - d) Taxable in the hands employee
4. The deduction under section 32AD in the A.Y. 2020 – 21 is available only if aggregate amount of actual cost of new assets exceeds _____ relevant previous year.
 - a. Rs.100 crores
 - b. Rs.15 crores
 - c. Rs.25 crores
 - d. There is no minimum limit
5. Expenditure incurred in carrying out illegal business is:
 - a. Not allowed as deduction in any case



- b. Allowable as deduction, if gross total income is less than Rs.5,00,000
- c. Allowable as deduction in all cases
- d. Allowable as deduction, if income from illegal business is offered to tax

6. Rate of depreciation charged on intangible assets is.

- a. 10%
- b. 15%
- c. 25%
- d. 30%

7. Opening WDV of the block of assets was Rs. 15,00,000. During the year, asset was acquired under this block on 15th January 2020 amounting to Rs. 10,00,000. One of the asset falling within the block was sold for Rs. 5,50,000 on 14th January 2020. Rate of depreciation of the block is 10%. Calculate the amount of depreciation available during the previous year for the block.

- a. Rs. 1,95,000
- b. Rs. 2,50,000
- c. Rs. 1,45,000
- d. Rs. 2,22,500

Op WDV	
(+) Purchase (15/01/20)	
(-) Sold	
Dep @ 10%	
Working Note:	
10,00,000 × 5%	
9,50,000 × 10%	

8. X Ltd a mfg company purchased P & M for 32L as on 01/11/2019. Deduction u/s 32 shall be

- a) 4.8 L
- b) 2.4 L



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c) 5.6 L

Working Note:

$$(32 L \times 7.5\% + 32 L \times 10\%)$$

9. Donation to approved and notified association for scientific research shall be allowed as deduction to the extent of:

- a. 125% of the donation so made
- b. 175% of the donation so made
- c. 100% of the donation so made
- d. 150% of the donation so made

10. If donation is made to National laboratory or a university or IIT with the specific direction that scientific research should be for an approved programme, the amount of deduction shall be:

- a) 125% of the donation so made
- b) 100% of the donation so made
- c) 150% of the donation so made
- d) 175% of the donation so made

11. Interest incurred before the commencement of the production is to be:

- a) Capitalized
- b) Treated as revenue expenditure
- c) Either capitalized or treated as revenue expenditure.

12. Where a company has incurred a capital expenditure of Rs. 1,00,000 towards promoting family planning amongst employees will be allowed as deduction in the current year and balance in succeeding.....

- a. Rs. 20,000, four
- b. Rs. 20,000, five
- c. Rs. 1,00,000, four
- d. None of the above

13. Which Statement from the following is correct-

- (a) As per section 40(b), interest to the partner is allowed but maximum @ 12%

p.a. simple interest.

(b) As per section 40(b), interest to the partner is allowed but maximum @ 18% p.a. simple interest.

(c) As per section 40(b), interest to the partner is allowed but maximum @ 12% per month simple interest.

(d) As per section 40(b), interest to the partner is allowed but maximum @ 15% p.a. simple interest.

14. No disallowance under section 40(a)(ia) shall be made in the case of a deduction in respect of expenditure incurred in the month of March, if the TDS on such expenditure has been paid before:

a. 31st December

b. 30th September

c. Due date for filing of the return

d. 30 days from the date of tax deduction

15. Interest on capital of or loan from partner of a firm is allowed as deduction to the firm to the extent of:

a. 18% p.a.

b. 12% p.a.

c. 12% p.a. or at the rate mentioned in partnership deed whichever is less

d. 18% p.a. or at the rate mentioned in partnership deed whichever is less

16. A, B and C are the partners in a firm engaged in medical profession. For the year ended on 31st March, 2020, the book profit of the firm was calculated as Rs 1,36,300. The maximum amount admissible as remuneration to partner is:

a. Rs.1,50,000

b. Rs.1,22,670

c. Rs.1,36,300

d. Rs.1,04,280

17. Deduction under section 40 (b) shall be allowed on account of salary /remuneration paid to:

a) Any partner

b) Major only



c) Working partner only

18. For person carrying on profession, tax audit is compulsory, if the gross receipts of the previous year exceeds:

a) Rs. 10 lacks

b) Rs. 1 crore

c) Rs. 50 lacks

19. Under section 44AE, presumptive taxation is applicable at a particular rate provided the assessee is the owner of a maximum of certain number of goods carriages. The rate per month or part of the month relevant for AY 2019-2020 i.e. PY 2018- 2019 and the maximum number specified under the section are —

a. Rs. 7,500 for each goods carriage in the case of an assessee owning not more than 10 goods carriages at any time during the year

b. Rs. 7,500 for each goods carriage in the case of an assessee owning less than 10 goods carriages at any time during the year

c. Rs. 1,000 per ton of gross vehicle weight for per month or part of a month for a goods carriage for an assessee owning not more than 10 goods carriages at the end of the previous year

d. Rs. 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for per month or part of a month for a heavy goods carriage and Rs. 7,500 per month or part of a month for other goods carriages in the case of an assessee owning not more than 10 goods carriages at any time during the previous year

20. Scheme of presumptive income is applicable to professional u/s 44ADA if

a) Gross receipts > 25L

b) Gross receipts > 50L

c) Gross receipts < 50L



CAPITAL GAIN

INTRODUCTION

Basis of Charge - Sec. 45(1)	Any profits or gains arising from transfer of a capital asset effected in the PY will be chargeable to tax under the head 'Capital Gains' unless such capital gain is exempt u/s 54, 54B, 54D, 54EC, 54F, 54G and 54GA. The following points emerge from the above charging section: <ol style="list-style-type: none">1. There must be a capital asset;2. The capital asset must have been transferred;3. There must be profits or gains on such transfer, which will be known as capital gain;4. Such capital gain should not be exempt u/s 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB.
Capital assets - Sec. 2(14)	Capital assets means <ol style="list-style-type: none">(a) property of any kind held by an assessee whether or not connected with his business or profession,(b) any securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the SEBI regulations. But does not include: <ol style="list-style-type: none">1. Stock in trade, consumable stores or raw materials held for the purpose of business or profession;2. Personal effects i.e. movable property such as clothes, furniture's, domestic utensils etc. (except jewellery, archeological collections, drawings, paintings, sculptures, or any work of art) held for personal use or for the use of any dependant member of his family;3. Rural agriculture lands in India;4. 6.5% Gold bonds, 1977; 7% Gold bonds, 1980 or National defence gold bonds, 1980;5. Special bearer bonds, 1991; and6. Gold deposit bonds issued under Gold deposit scheme, 1999 deposit certificates issued under the Gold Monetisation Scheme, 2015 notified by the Central Government.



Types of capital assets	Short term capital asset – Sec. 2(42A)	<ul style="list-style-type: none"> Capital asset held by assessee for not more than 36 months immediately preceding the date of its transfer. In case of shares of listed securities or units of UTI or Mutual fund specified in Sec. 10(23D) and Zero coupon bond, the period will be 12 months. In case of unlisted shares, the period will be 24 months. In case of immovable property being land and building, the period will be 24 months.
	Long term capital assets – Sec. 2(29A)	Capital asset, which is not a short-term capital asset.
Transfer – Sec. 2(47)	<p>Transfer, in relation to a capital asset includes:</p> <ol style="list-style-type: none"> Sale, Exchange or Relinquishment (to cease to hold) of the asset; or Extinguishment of any rights therein; or Compulsory acquisition thereof under any law; or Conversion of capital asset into stock-in-trade; or Maturity or Redemption of Zero coupon bonds; or Transaction in part performance of a contract of the nature referred to in section 53A of the transfer of property act, 1882; or Transaction, which has the effect of transferring, or enabling the enjoyment of any immovable property. 	

TRANSACTION NOT REGARDED AS TRANSFER: [SEC. 47]

- Distribution of capital assets on the partition of HUF;
- Transfer of a capital asset under a gift or will or an irrevocable trust;
Exception: Transfer under a Gift or an irrevocable trust of a capital asset being shares, debentures or warrants allotted under ESOP
- Transfer of capital assets by a company to its wholly owned Indian subsidiary company otherwise than as stock in trade or vice versa;



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4. Transfer of capital asset by a subsidiary company to its 100% holding company, being an Indian company
5. Transfer, in a scheme of amalgamation, of a capital asset by the amalgamating company to the amalgamated Indian company;
6. Transfer, in a demerger, of a capital asset by the demerged company to the resulting company, if the resulting company is an Indian company;
7. Transfer or issue of shares by a resulting company, in a scheme of demerger.
8. Transfer of shares by a shareholder in a scheme of amalgamation.

Computation of capital gains – Sec. 48	Short-term capital gain	Full value of consideration Less: Selling expenses Net Sale Consideration Less: Cost of acquisition Less: Cost of improvement	xxx (xx) xxx (xx) <u>(xx)</u> <u>xxx</u>
	Short term Capital Gain		
	Long-term capital gain	Full value of consideration Less: Selling expenses Net Sale Consideration Less: Indexed Cost of acquisition Less: Cost of improvement	xxx (xx) xxx (xx) <u>(xx)</u> <u>xxx</u>
Short term Capital Gain			
	Indexed cost of acquisition	Indexed Cost of Acquisition = $\frac{\text{Cost of Acquisition} \times \text{Cost Inflation Index For The Year In Which The Asset Is Transferred}}{\text{Cost Inflation Index For The Year In Which The Asset Was Held By The Assessee OR For The Year Beginning On 01.04.2001, Whichever Is Later}}$	



Indexed cost of improvement	Indexed Cost of Improvement	Cost of Improvement	Cost Inflation Index For The Year In Which The Asset Is Transferred
			$\times \frac{\text{Cost Inflation Index For The Year In Which The Improvement To The Asset Took Place}}{\text{Cost Inflation Index For The Year In Which The Asset Is Transferred}}$

Points to remember:

- The benefit of indexation will not apply to LTCG arising from the transfer of bonds or debentures other than capital indexed bonds issued by the govt.
- If assets are transferred by any of the modes specified u/s 49(1), following should be considered:
 - i) In order to find out whether capital asset is a short term or long term, the period of holding of previous owner shall be taken into consideration; and
 - ii) The benefit of indexation will be available from the year in which the asset was first held by the current owner.

COST OF ACQUISITION – SEC. 55(2)

Meaning	Price, which the assessee has paid, or the amount, which the assessee has incurred for acquisition of the asset.	
Cost of acquisition w.r.t. specific assets & cases	Cost of acquisition of goodwill or trade mark or brand name associated with business, right to manufacture or produce any article or thing, Tenancy rights, State carriage permits or Loan hours:	
	• If purchased from previous owner	- Amount of purchase price
	• In any other case	- Nil
	Cost of acquisition in case of Additional financial assets	
	Original shares	Actual amount paid
	Right to renounce	Nil
	Right shares, if subscribed	Actual amount paid
Right shares, if renounced in favour of another person	Amount paid to company plus amount paid to	



		person renouncing the right
	Bonus shares	Nil
	Bonus shares allotted before 01.04.2001	FMV as on 01.04.2001
Cost of acquisition in respect of any other capital asset		
	If assets (other than depreciable assets) acquired before 1.4.2001	Cost of acquisition to the assessee or its F.M.V. as on 1.4.2001 at the option of the assessee.
	If assets (other than depreciable assets) acquired after 1.4.2001	Actual cost
	If assets (other than depreciable assets) are acquired in any of mode specified in Sec. 49(1) and it became property of previous owner before 1.4.2001	Cost of capital asset to previous owner or the F.M.V. as on 1.4.2001 at the option of the assessee
	If assets (other than depreciable assets) are acquired in any of mode specified in Sec. 49(1) and it became property of previous owner before 1.4.2001	Cost of capital asset to previous owner
	Assets acquired on liquidation of company	F.M.V. of the asset on date of distribution



COST WITH REFERENCE TO CERTAIN MODES OF ACQUISITION [SEC. 49]		
S. No.	Mode of acquisition of capital asset	Cost of acquisition
1.	a) Distribution of assets on total or partial partition of HUF b) Gift or will c) Succession, inheritance or devolution d) Distribution of assets on liquidation of company e) Transfer to a revocable or irrevocable trust f) Transfer by holding Co. to wholly owned subsidiary co. or vice versa. g) Transfer in a scheme of amalgamation h) Conversion of self acquired property into HUF property i) Transfer of assets by sole proprietor or firm to successor company	Cost of acquisition to previous owner (if it can't be ascertained then FMV on the date on which the capital asset became the property of previous owner)
2.	Securities or sweat equity shares referred in Sec. 17(2)(vi)	FMV determined under sec. 17(2)(vi).
3.	Allotment of shares in the amalgamated co. in scheme of amalgamation.	Cost of acquisition in amalgamating co.
4.	Shares or debentures acquired on conversion of debentures or debentures stock or deposit certificate	Cost of corresponding debentures etc.
5.	Capital 56(2)(x). assets which attracts taxability u/s	Value taken for the purpose of sec. 56(2)(x).
6.	Cost of acquisition of units acquired under consolidated scheme of Mutual Fund	Actual cost
7.	Cost of acquisition of equity shares received at the time of conversion of preference shares:	Cost of corresponding preference share
8.	Cost of acquisition of shares received in the resulting company, in the scheme of demerger	Cost of acquisition in demerged co.



9.	Cost of acquisition of a capital asset which was used by the assessee as an inventory	FMV on inventory as on the date of conversion
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COST OF IMPROVEMENT [SEC. 55(1)]	
Goodwill	Nil
Right to manufacture any article	Nil
Other assets acquired before 1.4.2001 by the assessee or previous owner.	Nil
Other assets acquired after 1.4.2001 by the assessee or previous owner .	Expenditure of capital nature incurred by assessee after became his property.

COMPUTATION OF CAPITAL GAINS IN SPECIAL CASES		
Nature of Transaction	Year of Taxability	Computation of Capital Gains
General computation of Short Term and Long Term Capital Gains [Sec.45(1)]	Year of transfer	CG = Consideration for Transfer Less CA or ICA
Insurance Claim received on Loss of Assets [Sec.45(1A)]	Year of receipt	CG = Insurance Claim received Less CA or ICA
Conversion of Capital Asset into Stock-in- Trade. [Sec.45(2)] (Note: Indexation based on year of conversion, not on year of sale)	Year of Transfer of converted stock	CG = FMV of the Capital Asset on conversion Less CA or ICA, Business income = Sale Consideration Less FMV considered as above.
Sale of Shares held as Depository [Sec. 45(2A)] (FIFO method shall be adopted)	Year of transfer	CG = Consideration for transfer Less CA or ICA
Introduction of Capital Asset by a Partner into the Firm or by a Member into AOP, BOI [Sec.45(3)]	Year of Introduction	CG = Amount credited in Partner's/ Member's Capital Account in the books of the Firm/AOP/BOI Less CA or ICA
Distribution of Capital Asset to	Year of	CG = FMV on date of transfer Less CA or ICA



Partners / Members on dissolution of Firm / AOP / BOI [Sec.45(4)]	Distribution	
Compulsory Acquisition of Capital Asset by Government / Approved authority [S. 45(5)] <ul style="list-style-type: none"> • Normal Compensation (Indexation based on year of compulsory acquisition) • Enhanced Compensation 	Year of first receipt Year of actual receipt	CG = Whole of Normal Compensation Received or Receivable Less whole CA or ICA For Subsequent Receipts, CA shall be NIL. CG = Enhanced Compensation Less Expenses incurred on receipt of Enhanced Compensation
Receipt of Assets / Cash from Company on liquidation in the hands of Shareholders [Sec.46]	Year of receipt	CG = FMV of Assets received Add Amount received in Cash Less Deemed Dividend u/s 2(22)(c) Less CA /ICA of Shares
Repurchase / Buy back of Shares / Specified Securities [Sec.46A]	Year of repurchase	CG = Consideration for Transfer Less CA or ICA <i>As per section 115QA, in case of shares of a domestic company, no capital gains shall be computed in the hands of its holders rather the company has to pay additional income tax @ 20% plus surcharge 12% plus HEC 4% on the amount of distributed income.</i>
Transfer of Depreciable Assets [Sec.50]	Year of transfer	CG = Consideration for transfer Less: Expenses on Transfer Opening WDV Additions during the year
Transfer of Depreciable Assets by Power Sector Units [Sec.50A]	Year of transfer	CG = Consideration for Transfer Less Original Cost of Asset
Sale or Undertaking as a Going Concern or Slump Sale [Sec.50B]	Year of transfer	CG = Lump sum Consideration Less Net Worth (No indexation for LTCG) NET WORTH = Total Assets (-) Total Liabilities <ul style="list-style-type: none"> ➤ In case of depreciable assets, their WDV shall be taken into consideration whereas for other non-depreciable assets, their book values shall be taken into consideration. ➤ Revaluation of assets shall be completely ignored.



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		<ul style="list-style-type: none">➤ Where the full cost of an asset has been allowed as deduction u/s 35AD, its value shall be taken as NIL at the time of computation of net worth.➤ All the liabilities payable shall be taken into consideration.
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Deemed Full Value of consideration for computing capital gains Sections 50C				
	Capital Asset	Section	Circumstance	Deemed Full Value of consideration for computing Capital Gains
1.	Land or Building or both	50C	<p>(1) If Stamp Duty Value >105% of consideration received or accruing as a result of transfer</p> <p>(a) If date of agreement is different from the date of transfer and whole or part of the consideration is received by way of account payee cheque or bank draft or ECS <i>or through such other prescribed electronic mode</i> on or before the date of agreement</p> <p>(b) If date of agreement is different from the date of transfer but the whole or part of the consideration has not been received by way of account payee cheque or bank draft or ECS <i>or through such other prescribed electronic mode</i> on or before the date of agreement</p> <p>However, if the stamp duty value \leq 105% of the sale consideration received</p>	<p>Stamp Duty Value</p> <p>Stamp Duty Value on the date of agreement</p> <p>Stamp Duty Value on the date of transfer</p> <p>Consideration so received</p>



MISCELLANEOUS PROVISIONS									
Extension of Time to acquire New Asset for purpose of exemption - Sec. 54H	<ul style="list-style-type: none"> • Applicable to Sections 54, 54B, 54D, 54EC and 54F • Transfer of the original asset is by way of compulsory acquisition under any law. • Amount of compensation is not received on the date of transfer. • The period for acquiring the new asset or for depositing or investing the amount of capital gain in relation to such compensation as is not received on the date of the transfer, shall be reckoned from the date of receipt of such compensation. 								
Tax on LTCG	<table border="1"> <tr> <td>Tax on LTCG on listed securities (other than units) or zero coupon bonds</td> <td> Least of these two <ul style="list-style-type: none"> • 10% of LTCG computed without cost indexation • 20% of LTCG computed after indexing the cost of acquisition. </td> </tr> <tr> <td>Unlisted securities, or shares of a Closely held company</td> <td> <ul style="list-style-type: none"> • Non-corporate non-resident/ foreign company - 10% without the benefit of indexation and currency fluctuation • Other Assesseees - 20%, with indexation benefit </td> </tr> <tr> <td>Other Assets</td> <td> <ul style="list-style-type: none"> • 20% </td> </tr> <tr> <td colspan="2"> Tax @10% on long-term capital gains exceeding ₹ 1,00,000 on the transfer of following long term capital assets: <ul style="list-style-type: none"> • listed equity shares, if STT has been paid on acquisition and transfer of such shares • units of equity-oriented fund and unit of business trust, if STT has been paid on transfer of such units </td> </tr> </table>	Tax on LTCG on listed securities (other than units) or zero coupon bonds	Least of these two <ul style="list-style-type: none"> • 10% of LTCG computed without cost indexation • 20% of LTCG computed after indexing the cost of acquisition. 	Unlisted securities, or shares of a Closely held company	<ul style="list-style-type: none"> • Non-corporate non-resident/ foreign company - 10% without the benefit of indexation and currency fluctuation • Other Assesseees - 20%, with indexation benefit 	Other Assets	<ul style="list-style-type: none"> • 20% 	Tax @10% on long-term capital gains exceeding ₹ 1,00,000 on the transfer of following long term capital assets: <ul style="list-style-type: none"> • listed equity shares, if STT has been paid on acquisition and transfer of such shares • units of equity-oriented fund and unit of business trust, if STT has been paid on transfer of such units 	
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	Other Assets	<ul style="list-style-type: none"> • 20% 							
Tax @10% on long-term capital gains exceeding ₹ 1,00,000 on the transfer of following long term capital assets: <ul style="list-style-type: none"> • listed equity shares, if STT has been paid on acquisition and transfer of such shares • units of equity-oriented fund and unit of business trust, if STT has been paid on transfer of such units 									



<p>Tax on STCG in case of equity shares and units of equity oriented fund sec.111A</p>	<ul style="list-style-type: none">• Transaction is chargeable to Securities Transaction Tax.• Transfer should take Place through a Recognised Stock Exchange. Points to remember:<ul style="list-style-type: none">• Short-term capital gains arising from transaction undertaken in foreign currency on a recognized stock exchange located in an International Financial Services Centre (IFSC) would be taxable at a concessional rate of 15% even though STT is not paid in respect of such transaction.• Where the GTI of an assessee includes any STCG on which tax is levied u/s 111A @ 15% or LTCG, deduction u/s 80C - 80U will not be allowed from such STCG or LTCG.• When the total income of resident individual or HUF as reduced by STCG covered by Sec. 111A and LTCG is below the maximum exemption amount which is not eligible for tax, then such STCG or LTCG as the case may be, which is not eligible for tax, then such STCG or LTCG as the case may be, shall be reduced by the amount by which such total income (exclusive of such STCG and LTCG) falls short of the exemption limit and the tax on balance STCG or LTCG shall be computed at 15% or 20% as the case may be.
<p>EXEMPTION U/S 10</p>	<p>(a) Capital Gain on Compulsory Acquisition of Urban Agricultural Land received by an Individual or HUF on or after 01.04.2004 provided such land has been used for agricultural purposes during the preceding two years by the assessee or by his parents and the compensation is determined or approved by Central Government or RBI. [Sec. 10(37)]</p>



EXEMPTION OF CAPITAL GAINS			
Sec .	Assessee to whom allowed	Conditions to be satisfied	Quantum of exemption
54	Individual/HUF	<ol style="list-style-type: none"> Transfer should be of a residential house income of which is chargeable under the head 'Income from house property' It must be a long-term capital asset. Purchase of one residential house in India should be within one year before or 2 years after, or construction should be within 3 years after the date of transfer. <ul style="list-style-type: none"> ➤ Earlier only one house was allowed but now two houses are allowed provided capital gains is upto ₹2 crores. ➤ further such option is allowed only once in the life time of the assessee i.e. afterwards benefit of only one house shall be allowed. 	Cost of new Residential House or two houses, as the case may be or capital gain whichever is lower is exempt.
54B	Individual/HUF	<ol style="list-style-type: none"> Transfer (excluding compulsory acquisition) should be of agricultural land, It must have been used in the 2 years immediately preceding the date of transfer for agricultural purposes either by the assessee or his parent or by the HUF. Another agricultural land should be purchased within 2 years after the date of transfer. 	Actual amount invested in new asset or the capital gain whichever is less.



54D	Any assessee which is an industrial undertaking	<ol style="list-style-type: none">1. There must be compulsory acquisition.2. The property compulsorily acquired should be land and building forming part of an industrial undertaking.3. The asset must have been used in the 2 years immediately preceding the date of transfer of the assessee for the purpose of the business of the undertaking.4. Within a period of 3 years after the date of compulsory acquisition any other land or building should be purchased or constructed for the use of existing or newly set up industrial undertaking.	— do—
54EC	Any assessee	<ol style="list-style-type: none">1. The asset transferred should be a long- term capital asset2. Within a period of 6 months after the date of transfer, the capital gain must be invested in the specified assets i.e. bonds redeemable after 5 years issued by NHAI & RECL and any other bonds notified by board.3. In case of transfer or conversion of such bonds or availing loan or advance on security of such bonds before the expiry of 5 years, the capital gain exempted earlier shall be taxed as long-term capital gain in the year of violation of condition.	Actual amount invested subject to maximum 50 lakhs per financial year in new asset or the capital gain whichever is less.



54EE	Any assessee	<ol style="list-style-type: none">1. The asset transferred should be a long- term capital asset2. Within a period of 6 months after the date of transfer, the capital gain must be invested in the specified funds of funds for Start Up India.3. Further, if the assessee takes any loan or advance on the security of such units, he shall be deemed to have transferred such units on the date on which such loan or advance is taken.	Actual amount invested subject to maximum 50 lakhs per financial year in new asset or the capital gain whichever is less.
54F	Individual/ HUF	<ol style="list-style-type: none">1. The asset transferred should be a long- term capital asset, not being a residential house.2. Within a period of 1 year before or 2 years after the date of transfer, a residential house in India should be purchased or constructed within a period of 3 years after the date of transfer.3. The assessee should not own more than one residential house on the date of transfer.4. The assessee should not within a period of 2 years purchase or should not within a period of 3 years construct any residential house other than the new asset.	If the cost of the new residential house is not less than the net consideration then the whole of the capital gain. Otherwise, $\frac{\text{LTCG} \times \text{Amt. invested}}{\text{Net consideration price}}$



54G	Any assessee being an industrial undertaking	<ol style="list-style-type: none">1. Machinery, plant, building, or land used for the business of an industrial undertaking situated in an urban area should have been transferred,2. Transfer should be due to shifting to any area other than an urban area.3. Within a period of 1 year before or 3 years after the date of transfer purchased machinery, plant or acquired building or land	If the cost of the new assets and expenses incurred for shifting are greater than the capital gain, the whole of such capital gain. Otherwise capital gain to the extent of the cost of the new asset.
54GA	Any assessee being an industrial undertaking	<ol style="list-style-type: none">1. Machinery, plant, building, or land used for the business of an industrial undertaking situated in an urban area should have been transferred,2. Transfer should be due to shifting to any Special Economic Zone whether developed in any urban area or any other area,3. Within a period of 1 year before or 3 years after the date of transfer purchased machinery, plant or acquired building or land or constructed building and completed shifting to the new area.	If the cost of the new assets and expenses incurred for shifting are greater than the capital gain, the whole of such capital gain. Otherwise capital gain to the extent of the cost of the new asset.



MCQ'S

- 1) Capital gain arises on:
 - a. All type of asset
 - b. All type of capital asset
 - c. Land, Building and Shares only
 - d. All of the above

- 2) Period of holding for unlisted shares (STCA)
 - a. 36m
 - b. 24m
 - c. 12m

- 3) Mr. X incurred Rs. 5,000 as Brokerage on sale of a gold ring. The expense of Rs.5,000 will be considered as
 - a. Cost of acquisition
 - b. Cost of improvement
 - c. Expense on transfer
 - d. Part of sale consideration

- 4) Cost of inflation Index for 2019 – 20 is
 - a. 254
 - b. 289
 - c. 260
 - d. 100

- 5) If goodwill of a profession which is self-generated is transferred, there will:
 - a. Be capital gain
 - b. Not a capital asset
 - c. Be a short term capital gain

- 6) Capital gain on slump sale is:

- a. Always short term capital gain
- b. Always long term capital gain
- c. Depends on period which business continues
- d. Not taxable

7) M owns two machines eligible for depreciation at the rate of 15%. The WDV of these machines as on 1.4.2019 was Rs. 25,000 and Rs. 40,000 respectively. No other asset was acquired in this block during the year. One of these machines were sold during the previous year for Rs. 75,000. Compute the capital gain.

- a. Short term capital gain Rs.10,000
- b. Short term capital loss of Rs.10,000
- c. Long term capital gain of Rs.10,000
- d. No capital gain as depreciation would be allowed on one of the machine left with M.

Particulars	Rs
Op WDV	
(+) Purchase	
(-) Sold	
= STCG	

8) Conversion of capital asset into stock in trade will result into capital gain of the previous year

- a. In which such conversion took place
- b. In which such converted asset is sold or otherwise transferred
- c. The year after in which such conversion took place
- d. None of the above

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INCOME FROM OTHER SOURCES

INCOME CHARGEABLE UNDER THE HEAD INCOME FROM OTHER SOURCES		
Sec. 56(1)	Any income, which is taxable under this act but does not find place under any of the preceding four heads of income is taxable under the head -Income from other sources.	
Sec. 56(2)	Dividends [Section 56(2)(i)]	<ul style="list-style-type: none"> Dividend income other than dividend referred under section 10(34) shall be included under income from other sources.
	Keyman Insurance policy	<ul style="list-style-type: none"> Amount received under a Keyman insurance Policy, including bonus on each Policy, if it is not taxable under any other head of income shall be chargeable under Income from other sources.
	Winnings from lotteries [Section 56(2)(ib)]	<ul style="list-style-type: none"> Any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature shall be chargeable to tax @ 30% under Income from other sources.
	Income by way of interest on securities	<ul style="list-style-type: none"> If the income by way of interest on securities is not chargeable to income-tax under the head 'Profits and gains of business or profession' than such income shall be taxable under Income from other sources.
	Income from Hiring of Machinery etc. [Section 56(2)(ii)]	<ul style="list-style-type: none"> Income from machinery, plant or furniture belonging to the assessee and let on hire if the income is not chargeable to income-tax under the head -profits and gains of business or profession shall be taxable under Income from other sources.



	Hiring out of building with machinery etc. [Section 56(2)(iii)]	<ul style="list-style-type: none"> Where an assessee lets on hire machinery, plant or furniture belonging to him and also building and the letting of the building is inseparable from the letting of the said machinery, plant or furniture, the income from such letting, if it is not chargeable to income-tax under the head -Profits and gains of business or Profession shall be taxable under Income from other sources.
	Income by way of interest received on compensation	<ul style="list-style-type: none"> Income by way of interest received on compensation or on enhanced compensation referred to in clause (b) of section 145A shall be chargeable to tax under Income from other sources. [Section 56(2)(viii)].
	Advance money received	Any sum of money, received as an advance or otherwise in the course of negotiations for transfer of a capital asset is chargeable to income-tax under the head 'Income from other sources', if such sum is forfeited and the negotiations do not result in transfer of such capital asset.

TAXABILITY OF GIFT OF MONEY AND PROPERTIES [SEC. 56 (2) (VII)]

	Nature of asset	Particulars	Taxable value
1	Money	Without consideration	The whole amount, if the same exceeds ` 50,000.
2	Movable property	Without consideration	The aggregate fair market value of the property, if it exceeds ` 50,000.
3	Movable property	Inadequate consideration	The difference between the aggregate fair market value and the consideration, if such difference exceeds ` 50,000.
4	Immovable property	Without consideration	The stamp value of the property, if it exceeds ` 50,000.
5	Immovable property	Inadequate consideration	The difference between the stamp duty value and the consideration, if such difference exceeds the higher of ` 50,000 and 5% of consideration.



Receipts exempted from the applicability of section 56(2)(x)

Any sum of money or value of property received -

- (a) from any relative; or
- (b) on the occasion of the marriage of the individual; or
- (c) under a will or by way of inheritance; or
- (d) in contemplation of death of the payer or donor, as the case may be; or
- (e) from any local authority; or
- (f) from any fund or university or other educational institution or hospital or other medical institution or any trust or institution; or
- (g) from or by any registered trust or institution
- (i) by any fund or trust or institution or any university or other educational institution or any hospital or other medical institution.
- (j) by way of transaction not regarded as transfer under specified clauses of section 47
- (k) from an individual by a trust created or established solely for the benefit of relative of the individual.
- (l) *from such class of persons and subject to such conditions, as may be prescribed.*

Exceptions :

Gift is not taxable if it is received from

- (a) From any relative; or
- (b) On the occasion of the marriage of the individual; or
- (c) Under a will or by way of inheritance; or
- (d) In contemplation of death of the payer; or
- (e) From any local authority as defined in the explanation to clause (20) of section 10; or
- (f) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C)
- (g) From any charitable trust or institution registered under section 12AA.

MEANING OF RELATIVE :

- (i) Spouse of the individual;
- (ii) Brother or sister of the individual;
- (iii) Brother or sister of the spouse of the individual;

- (iv) Brother or sister of either of the parents of the individual;
- (v) Any lineal ascendant or descendant of the individual;
- (vi) Any lineal ascendant or descendant of the spouse of the individual;
- (vii) spouse of the person referred to in clauses (ii) to (vi)

DEDUCTIONS ALLOWABLE IN COMPUTING INCOME FROM OTHER SOURCES	
In case of dividends (other than dividends u/s 115-0) or interest on securities	Any reasonable sum paid by way of commission or remuneration to a banker or any other person.
Income consists of recovery from employees as contribution to any PF, superannuation fund etc.	Amount of contribution remitted before the due date under the respective Acts, in accordance with the provisions of section 36(1)(va)
Income from letting on hire of machinery, plant and furniture, with or without building	current repairs to the machinery, plant, furniture or building, insurance premium, depreciation/ unabsorbed depreciation
Family Pension	Sum equal to <ul style="list-style-type: none"> • 33 1/3% of such income or • ₹ 15,000, whichever is less
Interest on compensation/ enhanced compensation received	50% of such interest income
NATIONAL PENSION SCHEME	As per section 10(12A), withdrawal from NPS upto 60% shall be exempt from income tax (earlier it was 40%)

AMOUNTS NOT DEDUCTIBLE (SECTION 58)

- (i) Any personal expenses of the assessee.
- (ii) Any interest chargeable under the Income-tax Act which is payable outside India and from which income tax has not been paid or deducted at source.



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- (iii) Any payment which is chargeable under the head -Salaries if it is payable outside India unless tax has been paid thereon or deducted there from at source.
- (iv) Any expenditure referred to in Section 40A of Income-tax Act.
- (v) Expenses in connection with winnings from Lotteries, Crossword Puzzles, Races, Gambling or Betting.

MCQ`S

1. Tax is deducted source on winning from lottery, the rate for such deduction in case of resident individual deductee is:
 - a. 31.2%
 - b. Maximum marginal rate of tax
 - c. 30% if such winning exceeds Rs.10,000
 - d. 33.99%

2. Which of the following income is not chargeable under Income from Other Sources
 - a. Dividend Income
 - b. Lottery held as stock in trade
 - c. Interest on bank deposits
 - d. None of the above

3. While computing income from other sources, deduction is not allowed to the assessee for:
 - a. Personal expenditure
 - b. Direct tax
 - c. Interest payable outside India without TDS
 - d. All of the above

4. Which of the following is not an income taxable as income from other sources?
 - a. Family pension



- b. Casual income
- c. Director's sitting fee for attending board meetings
- d. Rent received for house property including use of plant and machinery, where rent is separable between rent for house property and rent for use of plant and machinery

5. The rate of tax applicable on casual income is

- a. 30%
- b. Slab rates
- c. Exempt
- d. 25%

6. Gift received from one or more unrelated persons during the previous year shall form part of an individual's income, if aggregate of gifts exceed:

- a. Rs.50,000
- b. Rs.1,00,000
- c. Rs.1,35,000
- d. Rs.1,65,000

7. Interest on refund of Income Tax paid in excess is a _____ receipt

- a. Taxable
- b. Not taxable
- c. Exempt
- d. None of the above

8. Where any sum of money, the aggregate value of which exceeds Rs. 50,000 is received without consideration, the whole of the aggregate value of such sum shall be taxable:

- a. In the hands of all assessee
- b. In the hands of an individual
- c. In the hands of an individual or HUF
- d. In the hands of all assessee other than a company

9. Gift received by HUF from its members shall be:



- a. Fully exempt
- b. Fully taxable
- c. Taxable to the extent it exceeds Rs. 50,000

10. GGC Pvt. Ltd. issued equity shares of Rs. 10 each at Rs. 40 per share. The fair market value of the share on the date of issue was ascertained as Rs. 25 per share. The company issued 1,00,000 equity shares. The amount liable to tax in the hands of the company would be:

- a. Rs. 15,00,000
- b. Rs. 30,00,000
- c. Nil
- d. Rs. 40,00,000

11. Mr. Kashyap has acquired a building from his friend on 10.10.2019 for 15,00,000. The stamp duty value of the building on the date of purchase is ` 15,70,000. Income chargeable to tax in the hands of Mr. Kashyap is

- a. ` 70,000
- b. ` 50,000
- c. Nil
- d. 20,000



CLUBBING OF INCOME

SECTION	PROVISION	TAXABLE PERSON
60	Transfer of income where there is no transfer of assets	Transferor
61	Revocable transfer of assets	Transferor
	Exception: (a) In the case of transfer by way of trust, the transfer is not revocable during the life time of the beneficiary; (b) In the case of any other transfer, the transfer is not revocable during the life time of the transferee	
64(1)(ii)	Remuneration of spouse from a concern in which the other spouse has substantial interest	Spouse having substantial interest
	Exception: Any income arising to the spouse (a) On account of technical or professional qualifications possessed by the spouse, and (b) The income is solely attributable to the application of his/her technical or professional knowledge or experience.	
64(1)(iv)	Income from assets transferred to the spouse	Transferor
64(1)(vi)	Income from assets transferred to son's wife	Transferor
64(1)(vii)	Income from assets transferred to any person for the benefit of the spouse of the transferor	Transferor
64(1)(viii)	Income from Assets transferred to any person for the benefit of wife of the Transferor's Son	Transferor
64(1 A)	Income of a Minor Child	Parent having higher total income



	Exception : <ul style="list-style-type: none">• Any income of a minor child suffering from any disability of the nature specified in section 80U like physically disabled, totally blind, etc.• Such income which accrues or arises to the minor child on account of any manual work done by him• Such income which accrues or arises to the minor child on account of any activity involving application of his skills, talent or specialised knowledge and experience.	
64(2)	Income from self-acquired property converted to joint family property	Individual who has converted the property
CIT v. Keshavji Morarji	Cross transfers	Transferor



SET OFF AND CARRY FORWARD OF LOSSES

STEPS OF SET OFF & CARRY FORWARD

Step 1: Inter source adjustments under the same head of income also known as intra head adjustment.

Step 2: Inter-head adjustment in the same assessment year at the time of aggregation of income of various heads .

Step 3: Carry forward of loss to the subsequent assessment years to claim it as set off if it could not be set off under Step 1 and Step 2.

INTER SOURCE ADJUSTMENT AND INTRA HEAD ADJUSTMENT		
Section	Nature of loss	Exceptions
70	Inter-source set-off of losses under the same head of income	<p>a) Loss from a speculation business shall be set off only against income of another speculation business. It cannot be set off from non-speculative business income.</p> <p>b) Loss from the activity of owning and maintaining race horses shall only be set off against the income of such activity. It cannot be set off against the income from any other source.</p> <p>c) Loss an account of lottery, etc. cannot be set off against winnings from lotteries, crossword puzzles, card games, etc.</p> <p>d) Loss from a source which is exempt cannot be set off against income from a taxable source.</p> <p>e) Short-term capital loss can be set off from any capital gain (long- term or short-term) but long-term capital loss can now be set off only against long-term capital gain.</p> <p>f) Loss arising from the purchase and sale of securities</p>



		not to be allowed in certain cases [Section 94(7)]	
		g) Bonus stripping [Section 94(8)]	
71	Inter-head adjustment	Loss under the head Capital Gains	Such capital loss, whether short-term or long-term, shall not be allowed to be set off against income under any other head. It shall however be allowed to be carried forward.
		Loss under the head business or profession	Loss under the head -Profits and gains of business or profession cannot be set off against income under the head -Salaries
		Additional Exceptions Already Discussed	(a) Loss from a speculation business; (b) loss from a specified business referred to in section 35AD; (c) Loss from the activity of owning and maintaining race horses; (d) Loss of lottery, etc. cannot be set off against winnings from lotteries, crossword puzzles, card games, etc.; (e) Loss from a source which is exempt.

CARRY FORWARD AND SET OFF OF LOSSES			
Section	Nature of loss to be carried forward	Income against which the brought forward loss can be set-off	Maximum period [from the end of the relevant assessment year] for carry forward of losses
32(2)	Unabsorbed depreciation	Income under any head other than salaries	Indefinite period
71B	Unabsorbed loss from house property	Income from house property	8 assessment years



72	Unabsorbed business loss	Profits and gains from business or profession	8 assessment years
73	Loss from speculation business	Income from any speculation business	4 assessment years
73A	Loss from specified business under section 35AD	Profit business from any specified	Indefinite period
74	Long-term loss capital	Long-term capital gains	8 assessment years
	Short-term loss capital	Short-term/Long-term capital gains	8 assessment years
74A	Loss from the activity of owning and maintaining race horses	Income from the activity of owning and maintaining racehorses.	4 assessment years

OTHER PROVISIONS

Order off of set	<ul style="list-style-type: none"> • Current year depreciation / Current year capital expenditure on scientific research and current year expenditure on family planning, to the extent allowed. • Brought forward loss from business/profession [Section 72(1)] • Unabsorbed depreciation [Section 32(2)] • Unabsorbed capital expenditure on scientific research [Section 35(4)]. • Unabsorbed expenditure on family planning [Section 36(1)(ix)]
Filing of return of loss	As per section 80, filing of loss return under section 139(3) within the due date specified under section 139(1) is mandatory for carry forward of the above losses except loss from house property and unabsorbed depreciation.



Brought forward losses must be set off in the immediately succeeding year/years	<ul style="list-style-type: none">• The losses which are eligible to be carried forward must be set off against the income/profit of the immediately succeeding year and if there is any balance still to be set off, it should be set of in the immediately next succeeding year or years within the time allowed.• Where the losses incurred are not set off against the income/profits of the immediately succeeding year/years, as the case may be, they cannot be set off at a later date.
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MCQ'S

1. Mr. A incurred short term capital loss of Rs.10,000 on sale of land. Such loss can be set off

- a. Only against Short term capital gain
- b. Against both short term capital gain and long term capital gain
- c. Against any head of income
- d. Such loss cannot be set off against any income; however, it shall be carried forward

2. Long term capital loss can be set off from which of the following

- a. Short term capital gain only
- b. Long term capital gain only
- c. Income from business or profession
- d. Income from salary

3. Loss from specified business covered under section 35AD can be adjusted against

- a. Any other business income
- b. Any income other than salary
- c. Income from other specified business covered under section 35AD
- d. Cannot be adjusted

4. Unabsorbed depreciation can be carried forward for

- a. Any number of years
- b. 4 years
- c. 8 years
- d. 10 years



5. During the previous year an assessee has incurred loss from his business amounting to Rs. 1,20,000 whereas his income from house property is Rs. 1,10,000. The assessee in this case can carry forward:

- a. Business loss of Rs. 10,000 only
- b. Business loss of Rs. 1,10,000 and claim full exemption of other income in the current previous year
- c. At his option do any of these

6. Loss from a specified business referred to in section 35AD can be set off from

- a. Any head of income other than salary
- b. Income under business or profession only
- c. Profit of any other specified business only

7. Loss from derivative trading in shares can be carried forward for:

- a. 8 years
- b. 10 years
- c. 4 years

8. During the AY 2020-2021 i.e. PY 2019- 2020 , Mr. V has following incomes and brought forward losses. Short term capital gains on sale of shares (STT not paid) Rs. 1,50,000, Long term capital loss of AY 2020-2021 (Rs. 96,000), Short term capital loss of AY 2020-2021 (Rs. 37,000). What is the capital gain taxable in the hands of Mr. V and how much loss can be carried forward to the AY 2020-2021

- a. Rs. 1,13,000, Nil
- b. Rs. 17,000, Nil
- c. Rs. 1,13,000, Rs. 96,000
- d. Rs. 54,000, Rs. 37,000

9. If an individual, having a sales turnover of Rs. 60 lakh files his return of income for

the assessment year 2020-2021 after the due date, showing unabsorbed business loss of Rs. 23,000 and unabsorbed depreciation of Rs. 45,000, he can carry forward to the subsequent assessment years—

- a. Both unabsorbed business loss of Rs. 23,000 and unabsorbed depreciation of Rs. 45,000
- b. Only unabsorbed business loss of Rs. 23,000
- c. Only unabsorbed depreciation of Rs. 45,000
- d. Neither unabsorbed business loss of Rs. 23,000 nor unabsorbed depreciation of Rs. 45,000

10. Mr. X a senior citizen has loss from house property Rs. 5,00,000 and LTCG Rs. 5,00,000, in this case his tax liability shall be

- (a) Rs. 7,500
- (b) Rs. 10,400
- (c) Nil
- (d) Rs. 7,800
- (e) none of these



DEDUCTION

BASIC RULES OF DEDUCTION – SEC. 80A, 80AB, 80AC

- **Sec. 80A (1):** In computing the total income of an assessee there shall be allowed from his GTI the deductions specified in sections 80C to 80U.
- **Sec.80A (2):** the aggregate amount of the deductions shall not, in any case, exceed the GTI (exclusive of LTCG, STCG covered u/s 111A, winnings of lotteries, crossword puzzles etc.) of the assessee.
- **Section 80A(3):** Deduction not allowed to members if allowed to AOP/BOI
- **Sec.80AB:** For the purpose of deductions in respect of certain incomes, the net income computed in accordance with the provisions of the act (before making any deduction under chapter VI) shall alone be regarded as income received by the assessee.
- **Sec.80AC:** To claim deductions u/s 801A, 801AB, 801C, 801D and 801E, filling of return is compulsory on or before due date.

Types of deductions	a) Deductions in respect of certain payments b) Deductions in respect of certain income c) Deductions in respect of other income d) Others
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DEDUCTIONS IN RESPECT OF CERTAIN PAYMENTS			
Section	Applicability	Nature of Payment	Amount of Deduction
80C	Individuals/HUF	Investment in LIP, Deposit in PPF/SPF/RPF etc.	Max. ₹ 1,50,000 including 80CCC / 80CCD(1).
80CCC	Individuals	Contribution to certain pension funds	Maximum of ₹ 1,50,000



80CCD(1)	<p>Contribution to NPS of Government</p> <p>(a) for a fixed period of not less than three years; and</p> <p>(b) which is in accordance with the scheme as may be notified by the Central Government in the Official Gazette for the purposes of this clause.</p>	<p>10% of salary <u>Or</u> 20% of GTI, as the case may be.</p> <p>In section 80CCD of the Income-tax Act, in sub-section (2), for the words “does not exceed ten per cent. Of his salary in the previous year”, the words, brackets and letters “does not exceed–</p> <p>(a) fourteen per cent., where such contribution is made by the Central Government;</p> <p>(b) ten per cent., where such contribution is made by any other employer, of his salary in the previous year” shall be substituted with effect from the 1st day of April, 2020.</p>
80CCE	Aggregate deduction under sections 80C, 80CCC & 80CCD(1)	1,50,000
80CCD(1B)	Contribution to NPS notified by the Central Government (outside the limit of ` 1,50,000 under section 80CCE)	50,000



80CCD(2)	Contribution by the Central Government to NPS A/c of its employees (outside the limit of ` 1,50,000 under section 80CCE)	14% of salary
	Contribution by any other employer to NPS A/c of its employees (outside the limit of 1,50,000 under section 80CCE)	10% of salary

80CCG	Resident Individual	Acquisition of Listed Equity Shares in accordance with a scheme notified by CG	Least of 50% of amount invested, or ₹ 25,000. GTI should not exceed ₹ 12 Lakhs.
80D	Individuals [Note: HUF are eligible to claim for Mediclaim policy and Medical Expenditure only]	Mediclaim Policy (or) Contribution to the CGHS or other notified scheme (or) Payment for Preventive Health Check-up (or) Medical Expenditure for Very Senior Citizen	<ul style="list-style-type: none"> • Self, Spouse, and Dependent Children (aggregate) – ₹ 25,000 • Parents – ₹ 25,000, Senior Citizen – ₹ 50,000 • Max. ₹ 5,000 for Preventive Health Checkup included in above limits. • Payment in any mode other than cash (except Checkup). • Medical Expenditure for Senior Citizen on whom Health Insurance not eligible or paid Maximum ₹ 50,000



80DD	Resident Individual/ HUF	Expenditure on Handicapped Dependents. Fixed Deduction irrespectively amount spend	General: ₹ 75,000 Severe Disability: 1,25,000
80ddb	Resident Individual/ HUF	Expenditure on Specified Diseases	<ul style="list-style-type: none">• ₹ 40,000 or amount actually paid, whichever is less.• For senior citizens, ₹ 1,00,000.
80E	Individuals	Interest on Repayment of loan taken for Higher Education.	<ul style="list-style-type: none">• No Limit as to amounts• Education of Self, Spouse, Children, Student for whom Assessee is a Legal Guardian.
80EE	Individuals	Interest on Loan taken for Residential House property	<ul style="list-style-type: none">• Max ₹ 50,000 from AY 2017 – 18 and subsequent AY's• Loan < ₹ 35 Lakhs,• Property < ₹ 50 Lakhs,• No other House Property of Assessee• Loan sanction period 01.04.2016 to 31.03.2017



80G	All Assesseees	Donation to Notified Funds Other Donations	Four categories <ul style="list-style-type: none">• 100% deduction of amount donated, without any qualifying limit• 50% deduction of amount donated, without any qualifying limit• 100% deduction of amount donated, subject to qualifying limit• 50% deduction of amount donated, subject to qualifying limit.
80GG	Individuals	Rental Payment in case of Non receipt of HRA	Least of (a) Rent paid less 10% of Adjusted GTI, or (b) ₹ 5,000p.m. or (c) 25% of Adjusted GTI.
80GGA	All Assesseees	Donations	Eligible Instn. / Fund u/s 35 / 35CCA / 35AC
80GGB	Indian Company	Donation to Political Party or an Electoral Trust	Actual Amount donated, in any mode other than Cash.



80GGC	Any person except Local Authority or AIP funded by Govt.	Donation to Political Party or an Electoral Trust	Actual Amount donated, in any mode other than Cash.
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DEDUCTIONS IN RESPECT OF CERTAIN INCOMES

Section	Applicability	Nature of Income	Amount of Deduction
80JJA	All Assessees	Treating Bio-Degradable Waste	100% of Profit for first 5 AYs.
80JJAA	All Assessees to whom Sec.44AB applies	Employment of New Employees	30% of Additional Employee Cost Paid for 3 AYs.
80LA	Off Shore Banking Units of Banks and Fin. Instns.	Income from Off-Shore Banking Unit	First 5 Years: 100% Next 5 Years: 50% of such income
80QQB	Resident Individual	Royalty Income from Books	Least of – Whole of such Income or ₹ 3,00,000
80RRB	Resident Individual	Income from Patent registered on or after 1.4.03	Least of – Whole of such Income or ₹ 3,00,000
80P	Co-operative Society	Income from specified activities	Whole of Such Income

DEDUCTIONS IN RESPECT OF CERTAIN INCOMES

Section	Applicability	Nature of Income	Amount of Deduction
80TTA	Individual or HUF	Interest on Deposits Savings A/c (Bank, Office, Co-Op) in a Post	Least of Interest Income or ₹ 10,000



80TTB	Assessee Citizen being Senior	Interest on Deposits Savings A/c (Bank, Office, Co-Op) in a Post	Least of Interest Income or ₹ 50,000
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DEDUCTIONS IN OTHER CASES		
Section	Applicability	Amount of Deduction
80U	resident individual permanent physical blindness) or is retardation. suffering disability subject to from a (including mental	General: ₹ 75,000 Severe Disability: ₹ 1,25,000

Section 80EEA

Eligible Assessee : Individual

Eligible Payments : Deduction in respect of interest payable on loan taken from a FI (bank or HFC) for acquisition of residential house property (In case the property is self-occupied, the deduction would be over and above the deduction of ` 2 lakhs under section 24)

Forexample, if the interest payable is, say, ` 3,80,000 on loan taken from FI for acquisition of residential house, ` 2 lakh can be claimed as deduction u/s 24(b) and ` 1.50 lakhs as deduction u/s 80EEA. Even though for let-out property, there is no limit u/s 24, by virtue of section 71(3A), set-off of loss from house property against any other head of income is restricted to ` 2 lakh. Hence, the excess interest payable can be claimed u/s 80EEA, subject to fulfillment of prescribed conditions.

Further, deduction under section 80EEA can be claimed during the pre- construction period, when deduction under section 24 is not permissible. Such interest on which deduction under section 80EEA has been claimed cannot be included in pre- construction interest for deduction under section 24 later on in instalments).

Permissible Deduction : Deduction of upto 1,50,000 would be allowed in respect of interest payable on loan taken from a FI for acquisition of house property.

Conditions:

- Loan should be sanctioned by a FI during P.Y.2019-20



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- Stamp Duty Value of house \leq ` 45 lakhs
- The individual should not own any residential house on the date of sanction of loan.

The individual should not be eligible to claim deduction u/s 80EE.

Section 80EEB

Eligible Assessee : Individual

Eligible Payments : Deduction in respect of interest payable on loan taken from a FI (bank or certain NBFCs) for purchase of electric vehicle

Permissible Deduction : Deduction of upto 1,50,000 would be allowed in respect of interest payable on loan taken for purchase of electric vehicle.

Loan should be sanctioned by a FI during the period from 1.4.2019 to 31.3.2023



ADVANCE TAX, TDS AND INTRODUCTION TO TCS

I. TAX DEDUCTION AT SOURCE						
Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
192	Salary	Basic exemption limit (₹ 2,50,000/` 3,00,000, as the case may be). This is taken care of in computation of the average rate of income-tax.	Any person responsible for paying any income chargeable under the head "Salaries	Individual (Employee)	Average rate of income- tax computed on the basis of the rates in force.	At the time of payment
192A	Premature withdrawal from Employee Provident Fund	Payment or aggregate payment ≥ ` 50,000	Trustees of the EPF Scheme or any authorised person under the Scheme	Individual (Employee)	10% [In case of failure to furnish PAN, TDS@ Maximum Marginal Rate]	At the time of payment
193	Interest on Securities	> ` 10,000 in a F.Y., in case of interest on 8% Savings (Taxable) Bonds, 2003/7.75% Savings (Taxable) Bonds, 2018. > ` 5,000 in a F.Y., in	Any person responsible for paying any income by way of interest on securities	Any resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
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		case of interest on debentures issued by a Co. in which the public are substantially interested, paid or credited to a resident individual or HUF by an A/c payee cheque. No threshold specified in any other case.				
194A	Interest other than interest on securities	> ` 40,000 in a F.Y., in case of interest credited or paid by – (i) a banking company; (ii) a co-operative society engaged in banking business; and (iii) a post office on any deposit under a notified Scheme. In all the above cases, if payee is a resident senior citizen, tax deduction limit is > ` 50,000.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover from business or profession do not exceed the monetary limits specified u/s 44AB in the immediately preceding F.Y.) responsible for paying interest	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
		> ` 5,000 in a F.Y., in other cases.	Other than Interest on securities.			



194B	Winnings from any lottery, crossword puzzle or card game or other game of any sort	> ` 10,000	The person responsible for paying income by way of such winnings	Any Person	30%	At the time of payment
194BB	Winnings From horse race	> `10,000	Book Maker or a person holding licence for horse racing or for arranging for wagering or betting in any race course.	Any Person	30%	At the time of payment
194C	Payments to Contractors	Single sum credited or paid > ` 30,000 (or) The aggregate of sums credited or paid to a contractor during the F.Y. > ` 1,00,000 Individual/HUF need not deduct tax where sum is credited or	Central/State Govt., Local authority, Central/State/ Provincial Corpn., company, firm, trust, registered society, co-operative society,	Any Resident contractor for carrying out any work (including supply of labour)	1% of sum paid or credited, if the payee is an Individual or HUF 2% of sum paid or credited, if	At the time of credit of such sum to the account of the contractor or at the time of payment, whichever is earlier.

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
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		Paid exclusively personal purposes	university established under Central/State/ Provincial Act, declared university under the UGC Act, Govt. of Foreign State or a foreign enterprise, individual/HUF liable to tax audit u/s 44AB(a)/(b) in the immediately preceding F.Y.		the payee is any other person.	
194D	Insurance Commission	> ₹ 15,000 in financial year	Any person responsible for paying any income by way of remuneration or reward for Soliciting or procuring insurance business	Any Resident	5%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194DA	Any sum under a Life Insurance Policy	≥ 1,00,000 (aggregate amount of payment to a payee in	Any person responsible for paying any sum	Any resident	1% [5% of the amount of	payment

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
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		a financial year)	under a LIP, including the sum allocated by way of bonus		<i>income comprised w.e.f. 1.9.2019]</i>	
194E	Payment to non-resident sportsmen or sports associations of income referred to in section 115BBA	-	Any person responsible for Making the payment	Non-resident sportsman (including an athlete) or entertainer who is not a citizen of India or non-resident sports association or institution	20%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194EE	Payment of deposit under NSS	≥ ₹ 2,500 in financial year	Any person responsible for paying	Individual or HUF	10%	At the time of payment
194G	Commission on sale of lottery tickets	> ₹ 15,000 in financial year	Any person responsible for Paying any income by way of commission, remuneration or prize (by whatever name called) on lottery tickets	Any person stocking, distributing, purchasing or selling lottery tickets	5%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
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194H	Commission or brokerage	> ₹ 15,000 in a financial year	Any person (other than an Individual or HUF whose total sales, gross receipts or turnover from Business or profession do not exceed the monetary limits specified u/s 44AB in the immediately preceding F.Y.) Responsible for paying commission or brokerage.	Any resident	5%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194-I	Rent	> ₹ 2,40,000 in a financial year	Any person (other than an individual or HUF whose total sales, gross receipts or turnover from Business or profession	Any resident	For P & M or equipment - 2% For land or building, land appurtenant To a building,	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
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			carried on by him do not exceed the monetary limits specified u/s 44AB in the immediately preceding F.Y.) responsible for paying rent.		Furniture or fittings - 10%	
194-IA	Payment on Transfer of certain immovable property other than agricultural land	≥ ₹ 50 lakh (Consideration for transfer)	Any person, Being a transferee (other than a person referred to in section 194LA responsible for paying compensation for compulsory acquisition of immovable property)	Resident transferor	1%	At the time of credit of such sum to the account of the transferor or at the time of payment, whichever is earlier.
194-IB	Payment of rent by certain individuals or HUF	> ₹ 50,000 for a month or part of a month	Individual/HUF (other than Individual/HUF whose total sales, gross receipts or	Any Resident	5%	At the time of credit of rent, for the last month of the previous year or the last month of

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
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			Turnover from Business or profession carried on by him exceed the limits specified u/s 44AB in the immediately preceding F.Y.) responsible for paying rent.			tenancy, if the property is vacated during the year, as the case may be, to the account of the payee or at the time of payment, whichever is earlier
194-IC	Payment under specified agreement referred to in section 45(5A)	No threshold specified.	Any person responsible for paying any sum by way of consideration, not being consideration in kind, under a registered agreement, wherein L or B or both are handed over by the owner for development of real estate project, for a	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
			consideration, being a share in L or B or both in such			



			project, with payment of part consideration in cash.			
194J	Fees for professional or technical services/ Royalty/ Non-competee fees/ Director's remuneration	> ₹ 30,000 in a financial year, for each category of income. (However, this limit does not apply in case of payment made to director of a company).	Any person, other than an individual or HUF; However, in case of fees for professional or technical services paid or credited, individual/HUF whose total sales, gross receipts or turnover from Business or profession exceed the monetary limits specified u/s 44AB in the	Any Resident	2% - Payee engaged only in the business of operation of call centre 10% - Others	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
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			immediately preceding F.Y. is liable to deduct tax u/s 194J, except where fees for professional services is credited or paid exclusively for his personal purposes.			
194LA	Compensation on acquisition of certain immovable property other than agricultural land	> ` 2,50,000 in financial year	Any person responsible for paying any sum in the nature of compensation or enhanced compensation on compulsory acquisition of immovable property	Any Resident	10%	At the time of payment
194M (w.e.f. 1st Sep, 2019)	- Payments to Contractors Commission or brokerage	> ` 50,00,000 in financial year	Individual or HUF other than those who are required to deduct tax at	Any Resident	5%	At the time of credit of such sum to the account of the payee or at the

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
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	- Fees for professional services		Source under section 194C or 194H or 194J			time of payment, whichever is earlier.
194N (w.e.f. 1 st Sep, 2019)	Cash withdrawals	> ` 1 crore	- a banking company or any bank or banking institution - a co-operative society engaged in carrying on the business of banking or - a post office	Any person	@2% of sum exceeding ` 1 crore	At the time of payment of such sum

Notes –

- (1) Section 206AA requires furnishing of PAN by the deductee to the deductor, failing which the deductor has to deduct tax at the higher of the following rates, namely, -
 - (i) at the rate specified in the relevant provision of the Income-tax Act, 1961; or
 - (ii) at the rate or rates in force; or
 - (iii) at the rate of 20%.
- (2) The threshold limit given in column (3) of the table is with respect to each payee.



II Advance Payment of Tax

Liability for payment of advance tax [Sections 207 & 208]

- Tax shall be payable in advance during any financial year in respect of the total income(TI) of the assessee which would be chargeable to tax for the A.Y. immediately following that financial year.
- Advance tax is payable during a financial year in every case where the amount of such tax payable by the assessee during the year is ` 10,000 or more.
- However, an individual resident in India of the age of 60 years or more at any time during the previous year, who does not have any income chargeable under the head “Profits and gains of business or profession” (PGBP), is not liable to pay advance tax.

Instalments of advance tax and due dates [Section 211]

Advance tax payment schedule for corporates and non-corporates (other than an assessee computing profits on presumptive basis under section 44AD or section 44ADA) – Four instalments

Due date of instalment	Amount payable
On or before 15 th June	Not less than 15% of advance tax liability.
On or before 15 th September	Not less than 45% of advance tax liability (-) amount paid in earlier instalment.
On or before 15 th December	Not less than 75% of advance tax liability (-) amount paid in earlier instalment or instalments.
On or before 15 th March	The whole amount of advance tax liability (-) amount paid in earlier instalment or instalments.

Advance tax payment by assessee computing profits on presumptive basis under section 44AD(1) or section 44ADA(1)

An eligible assessee, opting for computation of profits or gains of business or profession on presumptive basis in respect of eligible business referred to in section 44AD(1) or in respect of eligible profession referred to in section 44ADA(1), shall be required to pay advance tax of the whole amount on or before 15th March of the F.Y.

However, any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during the F.Y. ending on that day.

Interest for defaults in payment of advance tax [Section 234B]

- (1) Interest under section 234B is attracted for non-payment of advance tax or payment of advance tax of an amount less than 90% of assessed tax.
- (2) The interest liability would be 1% per month or part of the month from



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	1st April following the F.Y. upto the date of determination of total income under section 143(1) and where regular assessment is made, upto the date of such regular assessment.
(3)	Such interest is calculated on the amount of difference between the assessed tax and the advance tax paid.
(4)	“Assessed tax” means the tax on total income determined u/s 143(1)/under regular assessment, as the case may be, less TDS & TCS, any relief of tax allowed u/s 89, any tax credit allowed to be set off in accordance with the provisions of section 115JD.
(5)	Where self-assessment tax is paid by the assessee under section 140A or otherwise, interest shall be calculated upto the date of payment of such tax and reduced by the interest, if any, paid under section 140A towards the interest chargeable under this section.

Interest for deferment of advance tax [Section 234C]

(a) **Manner of computation of interest u/s 234C for deferment of advance tax by corporate and non-corporate assessees:**

In case an assessee, other than an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or section 44ADA(1), who is liable to pay advance tax u/s 208 has failed to pay such tax or the advance tax paid by such assessee on its current income on or before the dates specified in column (1) below is less than the specified percentage [given in column (2) below] of tax due on returned income, then simple interest@1% per month for the period specified in column (4) on the amount of shortfall, as per column (3) is leviable u/s 234C.

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



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	15 th March	100%	100% of tax due on returned income (-) advance tax paid up to 15 th March	1 month
<p>Note – However, if the advance tax paid by the assessee on the current income, on or before 15th June or 15th September, is not less than 12% or, as the case may be, 36% of the tax due on the returned income, then, the assessee shall not be liable to pay any interest on the amount of the shortfall on those dates.</p> <p>Tax due on returned income = Tax chargeable on total income declared in the return of income – TDS – TCS - any relief of tax allowed u/s 89 - any tax credit allowed to be set off in accordance with the provisions of section 115JD</p>				
(b)	<p><u>Computation of interest under section 234C in case of an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or section 44ADA(1):</u></p> <p>In case an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or section 44ADA(1), who is liable to pay advance tax u/s 208 has failed to pay such tax or the advance tax paid by the assessee on its current income on or before 15th March is less than the tax due on the returned income, then, the assessee shall be liable to pay simple interest at the rate of 1% on the amount of the shortfall from the tax due on the returned income.</p>			



- (c) **Non-applicability of interest under section 234C in certain cases:** Interest under section 234C shall not be leviable in respect of any shortfall in payment of tax due on returned income, where such shortfall is on account of under-estimate or failure to estimate –
- (i) the amount of capital gains;
 - (ii) income of nature referred to in section 2(24)(ix) i.e., winnings from lotteries, crossword puzzles etc.;
 - (iii) income under the head “Profits and gains of business or profession” in cases where the income accrues or arises under the said head for the first time.
 - (iv) income of the nature referred to in section 115BBDA(1) i.e., dividend in aggregate exceeding of ` 10 lakhs including in the assessee’s total income.
- However, the assessee should have paid the whole of the amount of tax payable in respect of such income referred to in (i), (ii), (iii) and (iv), as the case may be, had such income been a part of the total income, as part of

the remaining instalments of advance tax which are due or where no such instalments are due, by 31st March of the financial year.



Tax Collection at source [Section 206C]

(a) Sellers of certain goods are required to collect tax from the buyers at the specified rates. The specified percentage for collection of tax at source is as follows:

	Nature of Goods	TCS Rates
1.	Alcoholic liquor for human consumption	1%
2.	Indian made foreign liquor	1%
3.	Tendu leaves	5%
4.	Timber obtained under a forest lease	2.5%
5.	Timber obtained by any mode other than under a forest lease	2.5%
6.	Any other forest produce not being timber or tendu leaves	2.5%
7.	Scrap	1%
8.	Minerals, being coal or lignite or iron ore	1%

However, no collection of tax shall be made in the case of a resident buyer, if such buyer furnishes a declaration in writing in duplicate to the effect that goods are to be utilised for the purpose of manufacturing, processing or producing articles or things or for the purposes of generation of power and not for trading purposes

(b) Every person who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest in any

- parking lot or
- toll plaza or
- a mine or a quarry

to another person (other than a public sector company) for the use of such parking lot or toll plaza or mine or quarry for the purposes of business. The tax shall be collected as provided, from the licensee or lessee of any such licence, contract or lease of the specified nature, at the rate of 2%, at the time of debiting of the amount payable by the licensee or lessee to his account or at the time of receipt of such amount from the licensee or lessee in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier

(c) Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ` 10 lakhs, shall, at the time of receipt of such amount, collect tax from the buyer@1% of the sale consideration.



PROVISIONS FOR FILING RETURN OF INCOME

Section	Particulars
139(1)	<p><u>Assesseees required to file return of income compulsorily</u></p> <p>(i) Companies and firms (whether having profit or loss or nil income);</p> <p>(ii) a person, being a resident other than not ordinarily resident, having any asset (including any financial interest in any entity) located outside India or signing authority in any account located outside India, whether or not having income chargeable to tax;</p> <p>(iii) Individuals, HUF, AOPs or BOIs and artificial juridical persons whose total income before giving effect to the provisions of Chapter VI-A <i>and sections 54, 54B, 54B, 54EC or 54F</i> exceeds the basic exemption limit.</p> <p><i>(iv) Any person who during the previous year –</i></p> <ul style="list-style-type: none"> - <i>has deposited more than ` 1 crore in one or more current accounts maintained with a banking company or a co-operative bank</i> - <i>has incurred expenditure of more than ` 2 lakh for himself or any other person for travel to a foreign country;</i> - <i>has incurred expenditure of more than ` 1 lakh towards consumption of electricity</i> - <i>fulfils such other conditions as may be prescribed</i> <p><u>Due date of filing return of income</u></p> <p>30th September of the assessment year, in case the assessee is:</p> <p>(i) a company;</p> <p>(ii) a person (other than company) whose accounts are required to be audited; or</p> <p>(iii) a working partner of a firm whose accounts are required to be audited.</p> <p>31st July of the assessment year, in case of any other assessee (other than assesseees who are required to furnish report under section 92E, for whom the due date is 30th November of the assessment year).</p>



234A	<p><u>Interest for default in furnishing return of income</u> Interest under section 234A is payable where an assessee furnishes the return of income after the due date or does not furnish the return of income. Assessee shall be liable to pay simple interest @1% per month or part of the month for the period commencing from the date immediately following the due date and ending on the following dates –</p>		
		Circumstances	Ending on the following dates
		Where the return is furnished after due date	the date of furnishing of the return
	Where no return is furnished	The date of completion of assessment	
<p>However, where the assessee has paid taxes in full on or before the due date, interest under section 234A is not leviable.</p>			
234F	<p><u>Fee for default in furnishing return of income</u> Where a person who is required to furnish a return of income under section 139, fails to do so within the prescribed time limit under section 139(1), he shall pay, by way of fee, a sum of –</p> <p>(i) ₹ 5,000, if the return is furnished on or before the 31st December of the assessment year;</p> <p>(ii) ₹ 10,000 in any other case</p> <p>However, if the total income of the person does not exceed ₹ 5 lakhs, the fees payable shall not exceed ₹ 1,000</p>		
139(3)	<p><u>Return of loss</u> An assessee can carry forward or set off his/its losses provided he/it has filed his/its return under section 139(3), within the due date specified under section 139(1).</p> <p><u>Exceptions</u> Loss from house property and unabsorbed depreciation can be carried forward for set-off even though return has not been filed before the due date.</p>		



139(4)	<p><u>Belated Return</u></p> <p>A return of income for any previous year, which has not been furnished within the time allowed u/s 139(1), may be furnished at any time before the:</p> <ul style="list-style-type: none">(i) end of the relevant assessment year; or(ii) completion of the assessment, <p>whichever is earlier.</p>
139(5)	<p><u>Revised Return</u></p> <p>If any omission or any wrong statement is discovered in a return furnished u/s 139(1) or belated return u/s 139(4), a revised return may be furnished by the assessee at any time before the:</p> <ul style="list-style-type: none">(i) end of the relevant assessment year; or(ii) completion of assessment, <p>whichever is earlier.</p> <p>Thus, belated return can also be revised.</p>



<p>139A</p>	<p><u>Permanent Account Number (PAN)</u> Quoting of PAN is mandatory in all documents pertaining to the following prescribed transactions :</p> <ul style="list-style-type: none">(a) in all returns to, or correspondence with, any income-tax authority;(b) in all challans for the payment of any sum due under the Act;(c) in all documents pertaining to such transactions entered into by him, as may be prescribed by the CBDT in the interests of revenue. For example, sale or purchase of a motor vehicle, payment in cash of an amount exceeding ` 50,000 to a hotel against a bill or bills at any one time, etc. <p><u>Inter-changeability of PAN with the Aadhaar number</u> <i>Every person who is required to furnish or intimate or quote his PAN may furnish or intimate or quote his Aadhaar Number in lieu of the PAN w.e.f. 1.9.2019 if he</i></p> <ul style="list-style-type: none">- has not been allotted a PAN but possesses the Aadhaar number- has been allotted a PAN and has intimated his Aadhaar number to prescribed authority in accordance with the requirement contained in section 139AA(2).
<p>139AA</p>	<p><u>Quoting of Aadhar Number</u> To be quoted by every person on or after 1/7/2017 in the application for allotment of PAN and in Return of Income If a person does not have Aadhar Number, the Enrolment ID of Aadhar application form issued to him at the time of enrolment shall be quoted. Aadhar Number to be intimated to prescribed authority on or before a date notified by the Central Government</p>



<p>140A</p>	<p><u>Self-Assessment</u> Where any tax is payable on the basis of any return required to be furnished under section 139, after taking into account –</p> <ul style="list-style-type: none">(i) the amount of tax, already paid,(ii) the tax deducted or collected at source<i>(iii) any relief of tax claimed under section 89</i>(iv) any tax credit claimed to be set-off in accordance with the provisions of section 115JD.
	<p><u>the assessee shall be liable to pay such tax together with interest and fee payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax before furnishing the return.</u></p> <p><u>Where the amount paid by the assessee under section 140A(1) falls short of the aggregate of the tax, interest and fee as aforesaid, the amount so paid shall first be adjusted towards the fee payable and thereafter, towards interest and the balance shall be adjusted towards the tax payable.</u></p>



COMPUTATION OF TOTAL INCOME AND TAX LIABILITY OF VARIOUS ENTITIES

ALTERNATE MINIMUM TAX

In order to preserve the tax base vis-a-vis profit-linked deductions, the provisions for levy of AMT have been introduced **from A.Y. 2012-13**.

Applicability	All Non Corporate Assessee w.e.f. AY 2013-14 (Previously it was applicable only to LLP)	
Exceptions	However Individual, HUF, AOP, BOI or Artificial or Juridical person (AJP) are not liable to AMT if their adjusted total income does not exceed ₹ 20 lacs	
Theme	Tax payable by the assessee shall be higher of two -	
	➤ Tax payable under the normal provisions of Income Tax Act or	
	➤ 18.5% of the adjusted total income.	
	Note: This is further subject to education cess.	
	Here Adjusted total income shall be the	
	Total income as per IT Act as assessed by AO	***
	Add: Deductions claimed under any section included in Chapter the heading "C (i.e. 80HH to 80RRB etc.) but excluding 80P	***
	Add: Deduction claimed if any u/s 10AA	***
	Adjusted total income	****
	1. Here Deduction under chapter VIA shall be considered as claimed by assessee whether allowed or not by AO.	
	2. Here Deduction u/s 10AA shall be considered as claimed by assessee whether allowed or not by AO.	
Stress	Deduction u/s 80C to u/s 80GGC shall not be adjusted.	
CA report	A CA report (in Form 29C) must be attached certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter. Such report need to be furnished on or before the due date of filing of return u/s 139(1).	



Tax credit for alternate minimum	Tax credit for alternate minimum	Tax credit for alternate minimum tax = Excess of minimum tax paid over the regular income-tax payable of any year.
[Sec.115JD]	Carry forward of tax credit Adjustment of tax credit	Such tax credit can be carry forward for a maximum period of 15 years. In any assessment year in which the regular income-tax exceeds the alternate minimum tax, the tax credit shall be allowed to be set off to the extent of the excess of regular income-tax over the alternate minimum tax and the balance of the tax credit, if any, shall be carried forward.
	Interest	No interest shall be payable on tax credit.

Illustration

Mr. X, carrying on the business of operating a warehousing facility for storage of sugar, has a total income of Rs. 80 lakh. In computing the total income, he had claimed deduction under section 35AD to the tune of Rs. 70 lakh on investment in building (on 1.4.2019) for operating the warehousing facility for storage of sugar. Compute his tax liability for A.Y. 2020-21. Show the calculations of Alternate minimum Tax also.

Answer

Computation of Tax payable by Mr. X for AY 2020-21

Computation of Normal Tax

Particulars	Amount (Rs. in lakh)
Tax liability under the normal provisions of the Income-tax Act, 1961	22.125
Add: Surcharge @ 10% of Total income > 50 lacs	2.2125
Add: Health and Education Cess @ 4% of 24.3375	0.9735
Total Tax Liability	25.311



Computation of Alternate Minimum Tax

Particulars	Amount (Rs. in lakh)
Adjusted Total Income	80.00
Add : Deduction under section 35AD	70.00
Less : Depreciation under section 32	(7.00)
Adjusted Total Income	143.00
AMT @18.5%	26.46
Surcharge @ 15% (since adjusted total income > Rs. 100 lakh)	3.97
Tax	30.43
Add: Health and Education Cess @ 4%	1.217
Total tax Liability	31.647

Since the regular income tax payable is less than the AMT payable, the adjusted total income of Rs. 143 lakhs shall be deemed to be the total income of Mr. X and tax is payable @18.5% thereof plus surcharge @ 15% and cess @4%. Therefore, tax liability is 31.647 lakhs.

However, Mr. X would be eligible for credit in 15 subsequent years to the extent of difference between the AMT and Normal Tax i.e. Rs. 6.336 lakhs.

