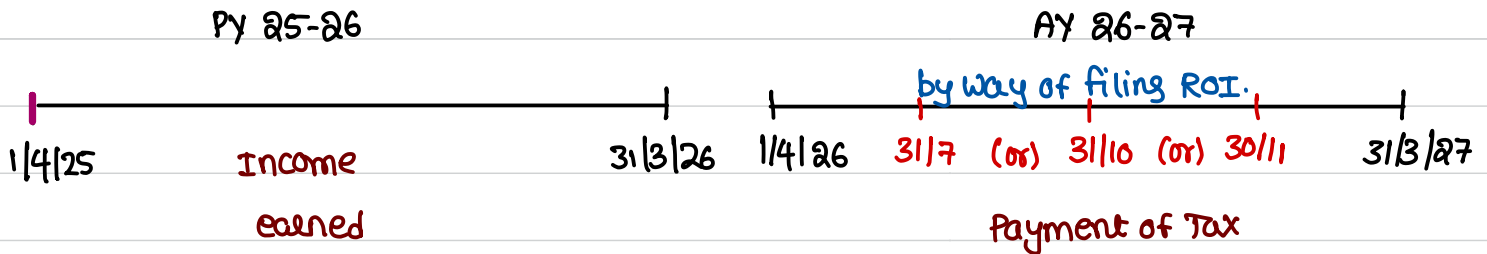




# Advance Tax & Interest

## Advance Tax

Finance Act, 25



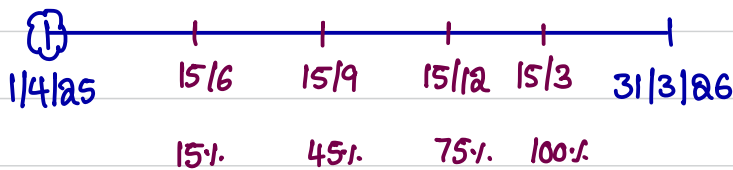
→ There is time gap b/w income earned & payment tax (In terms of time value of money → loss to Dept)

→ In order to Remove Time gap, Dept introduced two concepts

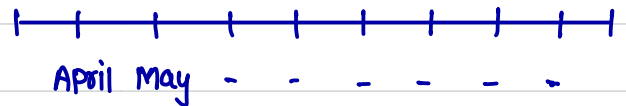
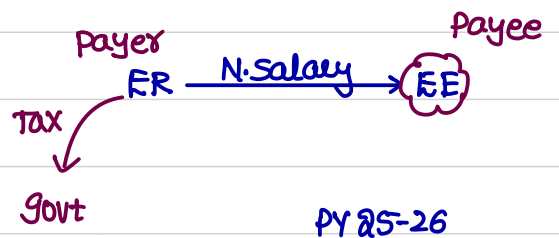


### Advance Tax

PY 25-26



### TDS



Advance tax



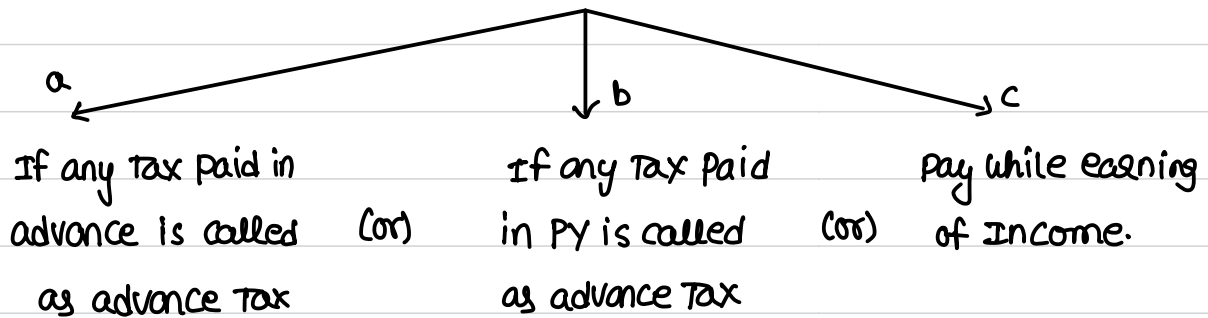
Interest



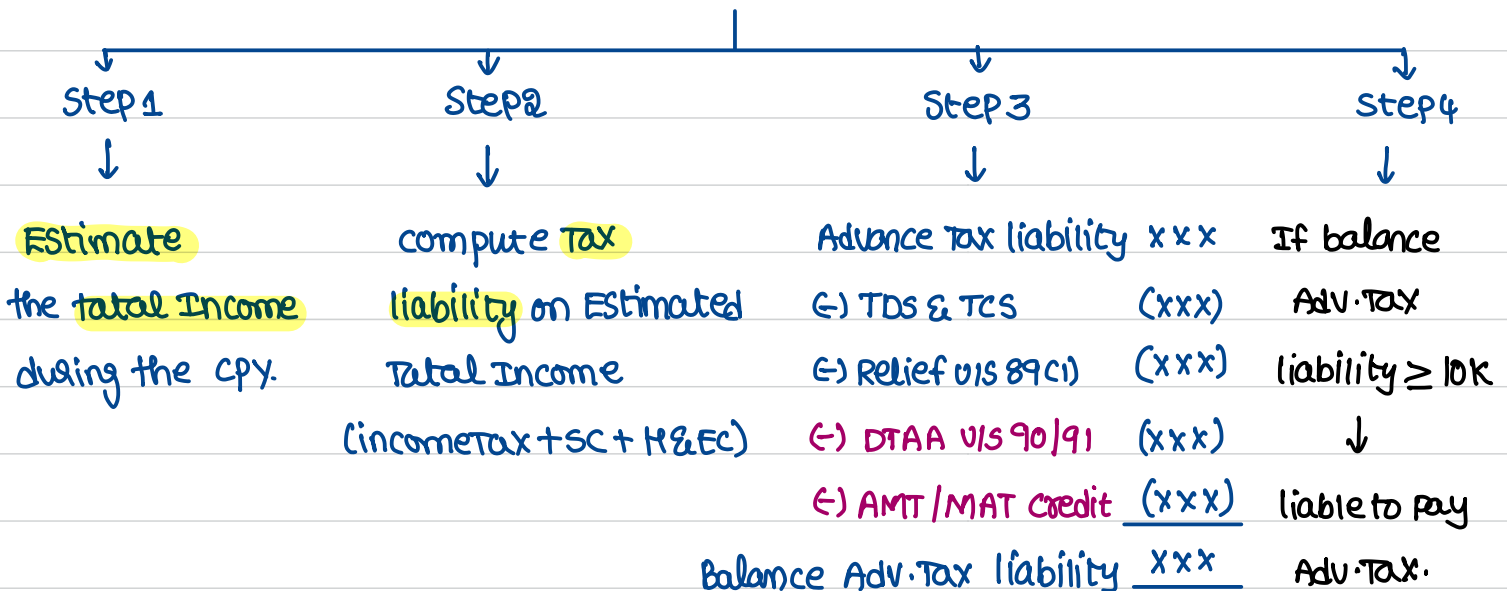
Fees



1) Sec 207: Meaning of Advance Tax



2) Sec 209: calculation of Advance Tax liability



### 3. Sec 80B: Exception / Relaxation

Resident senior citizen ( $\geq 60$ y) + Not having PGBP Income



No Need to pay Advance Tax, even if balance Advance tax liability  $\geq 10$ k.

Mr A (65y - Resident)

→ Advance Tax liability = 12,000

→ having PGBP

Advance Tax provisions will apply

Mr B (75y - Resident)

→ Advance Tax liability = 13,000

→ Not having PGBP

Advance Tax provisions **not** apply

(Relaxation)



Advance Tax Related Interest

Provisions will **not** apply

(Sec 234B & Sec 234C)

Sec 234A → It will be applicable.

(ROI)

### 4) Sec 210:

Advance Tax is payable in **installment** wise as mentioned in Sec 211.

### 5. sec 211:

a) Assessee who opted presumptive Taxation vis 44AD/ADA:

Due date: 15/3/PY (single installment)

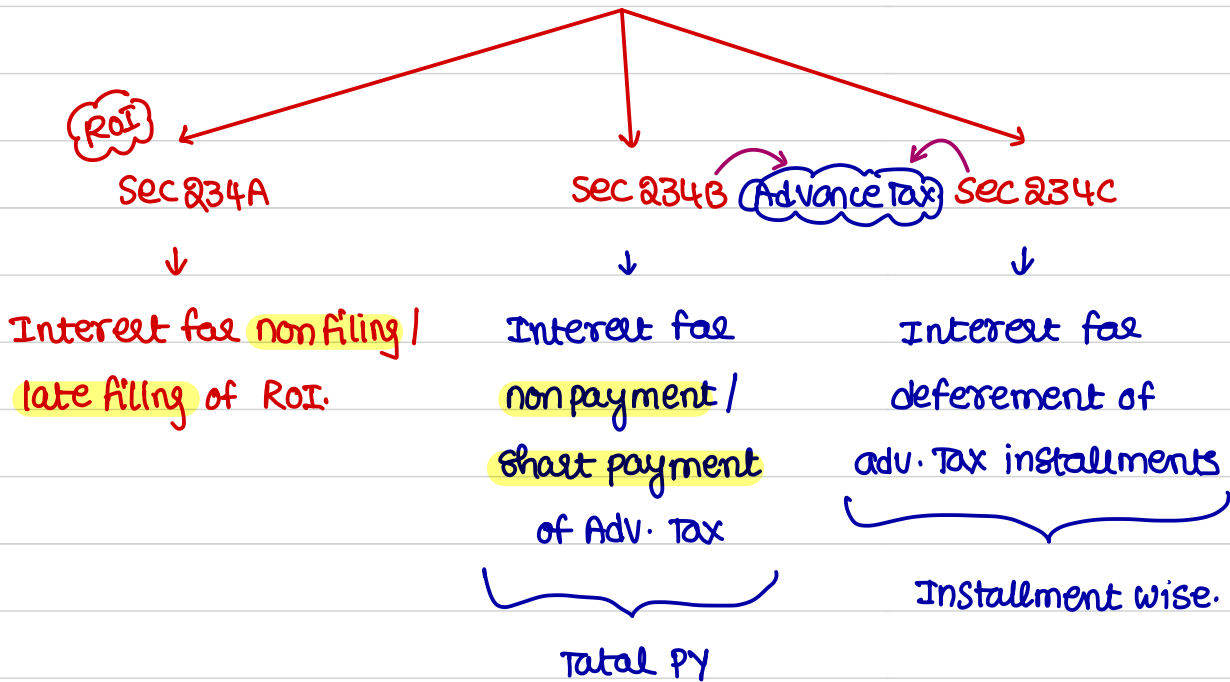
b) Other than Assessee who opted presumptive Taxation vis 44AD/ADA

<u>Installments</u>	balance Adv. Tax liability = 1,00,000	<u>Amount (commulative)</u>
15/6/PY	15K	At least 15% of Adv. Tax liability
15/9/PY	45K - 15K = 30K	At least 45% of Adv. Tax liability
15/12/PY	75K - 15K - 30K = 30K	At least 75% of Adv. Tax liability
15/3/PY	1L - 15K - 30K - 30K = 25K.	Full Amount

### 6. sec 219: Advance Tax Credit

If Any Advance Tax paid during PY i.e allowed as credit while computing tax payable in AY.

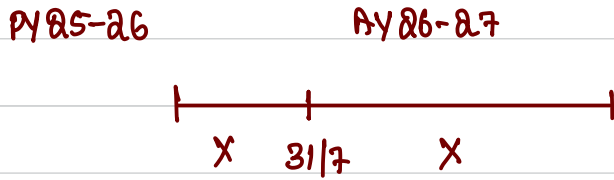
# Interest



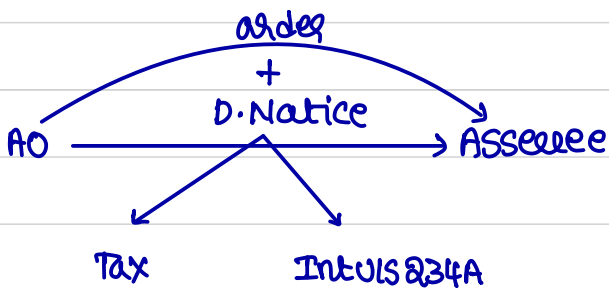
## 1. sec 234A : Interest fee non filing / late filing of ROI $(A \times \% \times \text{Period})$

Amount		Rate	Period
Assessed Tax	xxxx	1.1. Pm / Part of month	Non filing
(-) TDS & TCS	(xxxx)		
(-) Advance Tax	(xxxx)		late filing
(-) Reliefs 89C(i)	(xxxx)		
(-) DTAA 90/91	(xxxx)	From: date after due date u/s 139(i)	Interest computed by AO
(-) AMT / MAT credits	(xxxx)	To : date of completion of Assessment u/s 144.	
Short fall	xxxx		
			From: Date after due date u/s 139(i)
			To: Date of filing of ROI.
			Interest computed by Assessee & AO

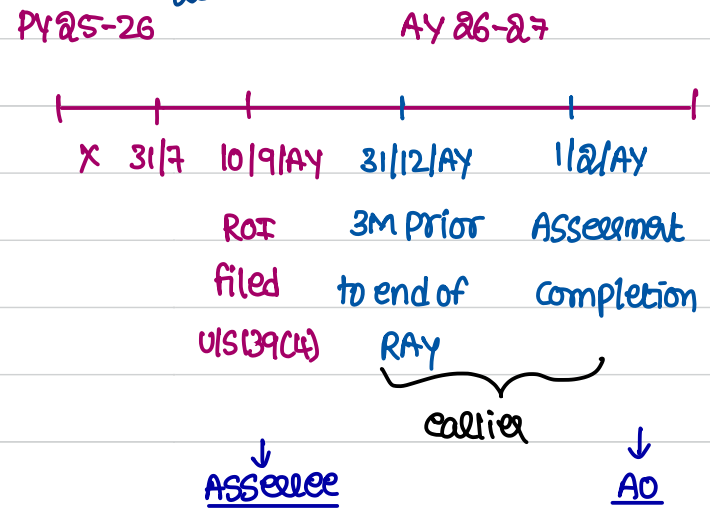
Non filing  
Int U/S 234A  
calculated by Ao



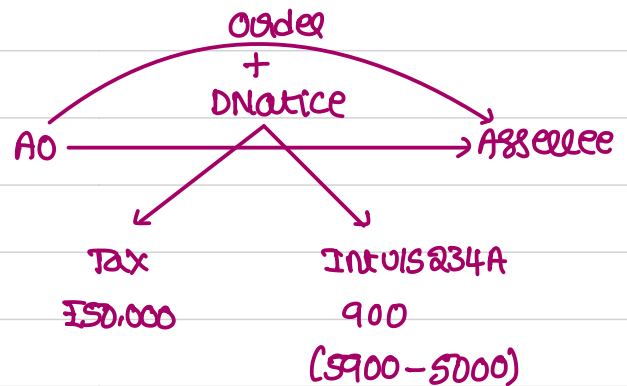
Best Judgement Assessment U/S 144



late filing  
First, Assessee  
Required to  
calculate Int U/S  
234A  
then, Final Int  
calculated by Ao



	10/9/AY	31/12/AY	11/2/AY
	ROI filed U/S 139(1)	3M prior to end of completion	Assessment
		RAY earlier	
	↓		↓
	Assessee		Ao
Income	12L		15L
Tax	3L		3.5L
Int U/S 234A	5000		5900



Incase of late filing of ROI

\* Interest liability U/S 234A is different, incase of Assessment by Assessee himself (self Assessment)

and

Assessment by Ao (Sec 143(1)/143(3)/147), Int paid U/S 234A at the time of self Assessment shall be reduced from final Interest computed by Ao.

$(5900 - 5000 = 900)$

Notes:

Total short fall	5,00,000
(-) SAT Paid on 12/12/AY	<u>(2,00,000)</u>
Balance short fall	<u>3,00,000</u>

date after  
due date 01/12/AY

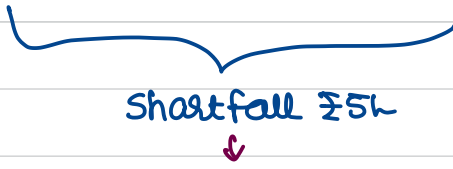
a) date of completion  
of Assessment

1/8/AY

SAT paid ₹2L

12/12/AY

b) date of filing  
of ROI



Int calculated on ₹5L



Int calculated on ₹3L

⊛

Total short fall	95,000
(-) SAT Paid along with ROI	<u>(60,000)</u>
Balance short fall	<u>35,000</u>

SAT Paid  
₹60,000

Date after due date

1/8/AY

⊛  
date of  
filing of ROI  
12/12/AY



Int calculated on ₹95,000

2) Sec 234B: Interest for Non payment / Short payment of Advance Tax (A x % x Period)

Consequences	Amount	Rate of Interest	Period
1. Non payment of Adv. Tax.	<p><b>Assessed Tax</b> XXXX</p> <p>(-) TDS &amp; TCS (XXX)</p> <p>(-) Adv Tax (XXX)</p>	@ 1% p.m / part of month	↓
2. Advance Tax Paid is less than 90% of Assessed Tax.	<p>(-) Relief (1599C1) (XXX)</p> <p>(-) DTAA Relief (XXX)</p> <p>(-) MAT / AMT credits (XXX)</p> <p>Short fall <u>XXX</u></p>	<p>From: 1<sup>st</sup> April Ay</p> <p>To : date of completion of Assessment.</p>	

check:

Advance Tax Paid < 90% of Assessed Tax

85,000      90% (1,00,000)

90,000

Short payment

non payment

ROI    SEC 234B-2300    AO 2900

setoff →

Interest 600 payable

Short payment

SEC 234B    ROI 1500    AO 1900

setoff →

Interest 400 payable.

\* Interest liability vis 834B is different, incase of Assesment by Assessee himself (self Assesment) and Assesment by Ao (sec 143(1)/143(3)/147), Int Paid vis 834B at the time of self Assesment shall be reduced from final Interest computed by Ao.

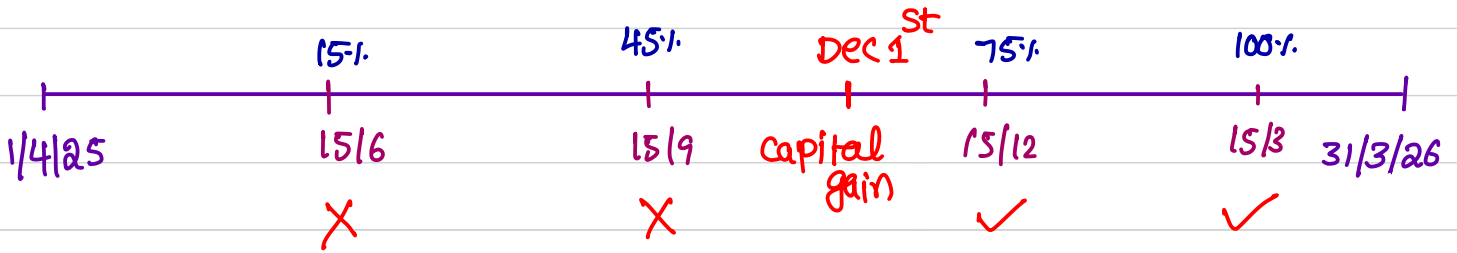
3) sec 834c: Interest for deferement of Advance Tax Installments

Returned Income	xxxx
Returned Tax	xxxx
<u>Less</u> TDS/TCS	(xxx)
<u>Less</u> Relief vis 89(1)	(xxx)
<u>Less</u> DTA Relief vis 90/91	(xxx)
<u>Less</u> AMT/MAT credit	(xxx)
	<u>xxx</u>

Installment	(Actual) Amount due (a)	(Estimations) Amount paid (b)	(a > b) Shortfall (a - b)	Interest
15/6/14	15% of Returned Tax	xxxx	xxxx	1% @ 3M
15/9/14	36% of Returned Tax	xxxx	xxx	1% @ 3M
15/12/14	75% of Returned Tax	xxxx	xxx	1% @ 3M
15/3/15	100% of Returned Tax	xxx	xxx	1% @ 1M

Note:

PyQs-26



- a) capital gain
- b) PubP- first time
- c) casual Income
- d) dividend Income (deemed dividend)

No Int u/s 234C, if failure to estimate / underestimation of these incomes.

(b) Surya Limited, Bhopal has a final tax liability of ₹ 15,60,000 for the financial year 2024-2025. It has paid advance tax in the following manner during the financial year 2024-2025:

15th June, 2024	₹ 3,00,000
15th September, 2024	₹ 2,00,000
15th December, 2024	₹ 4,00,000
15th March, 2025	₹ 4,00,000

} 13L

Compute the shortfall in each instalment of advance tax and calculate interest liability under sections 234B and 234C. Assume that the company would file its return of income on 31.10.2025.

a) computation of Interest u/s 234B: (Assessee)

check: Advance Tax paid < 90% of Assessed Tax  
 13,00,000 < 90% (15,60,000)  
 13,00,000 < 14,04,000

short payment of Advance Tax, Now Assessee Required to calculate sec 234B.

Particulars	Adv Tax	Amount
A) Amount	15,60,000 - 13,00,000 =	2,60,000
B) Rate of Int		1% Pm / part of month
C) period		1/4/26 TO 31/10/26 (7M)
D) Int u/s 234B		18,200
	(2,60,000 x 1% x 7M)	

b) Computation of Int u/s 234C:

Installment	Amount due actual (a)	Returned Tax = 15,60,000 Amount Paid Estimation (b)	(a > b) Shortfall (a-b)	Interest
15/6/25	15,60,000 x 15% 2,34,000	3,00,000	-	-
15/9/25	15,60,000 x 45% 7,02,000	5,00,000 (3L+2L)	2,02,000	6060 (2,02,000 x 1% x 3M)
	15,60,000 x 36% 5,61,600			



15/12/25	15,60,000 × 75%	9,00,000	2,70,000	8100
	11,70,000	(3L+2L+4L)		(2,70,000 × 1% × 3M)

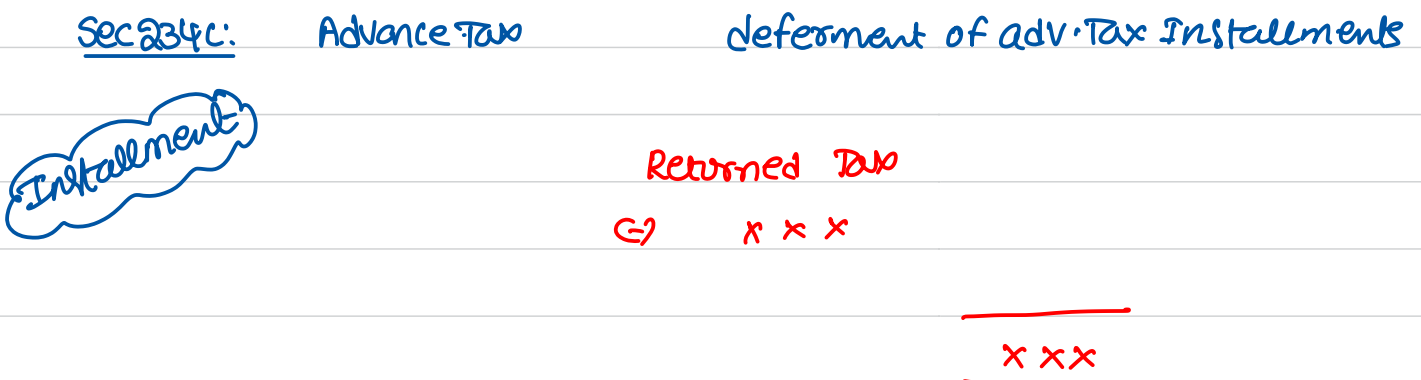
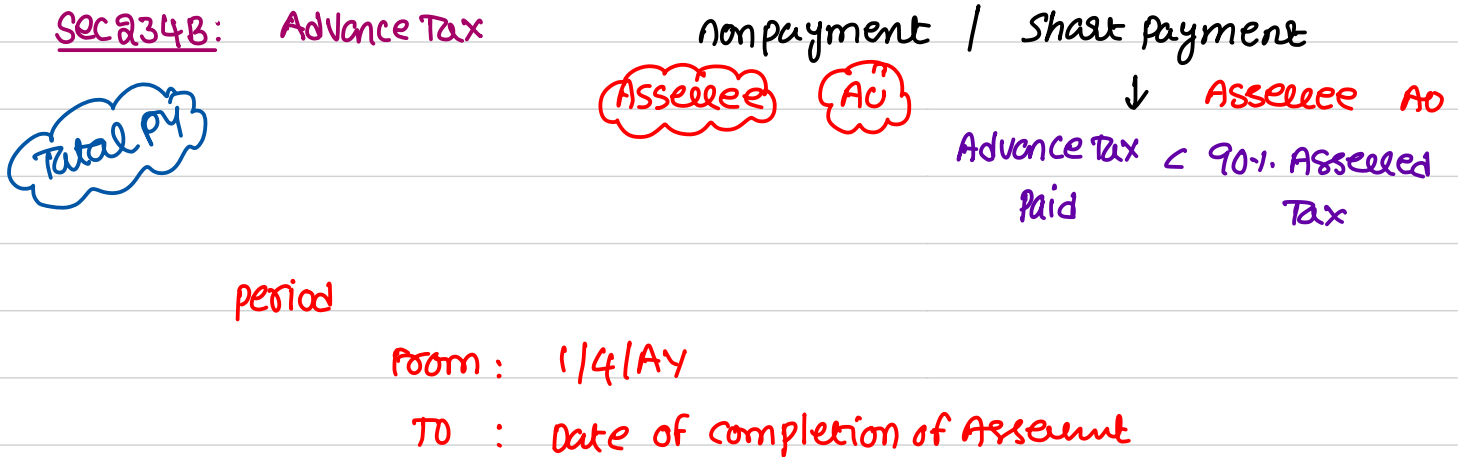
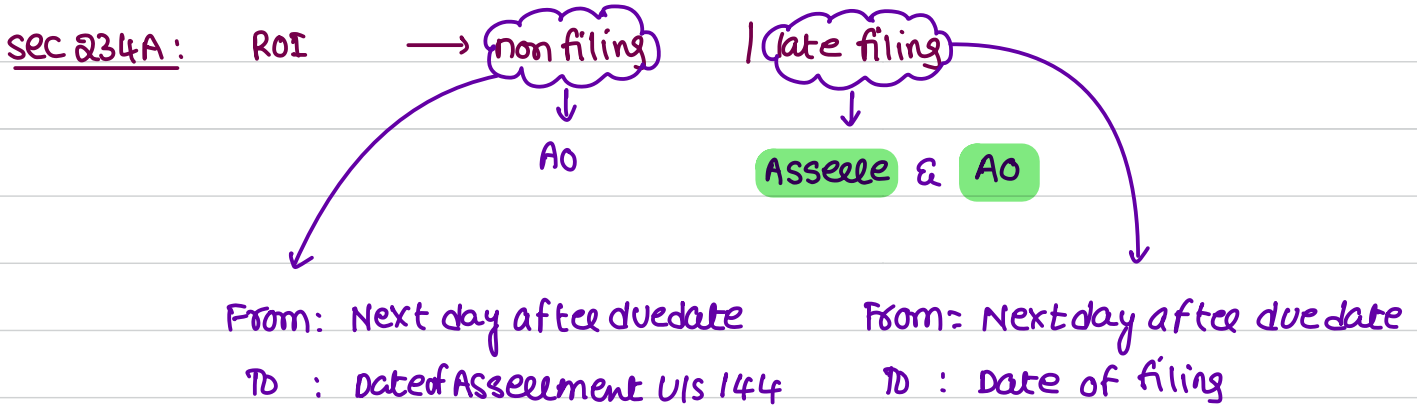
15/3/26	15,60,000	13,00,000	2,60,000	2600
		(3L+2L+4L+4L)		(2,60,000 × 1% × 1M)

Int vis 234C

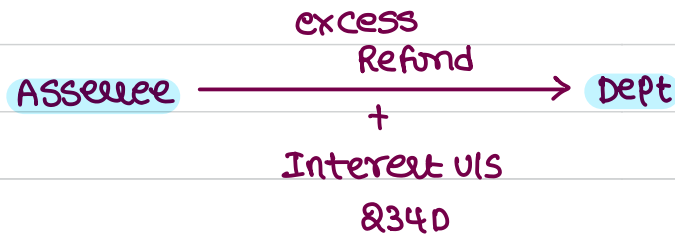
16760

Advance Tax  
(sec 207 - 219)

Interest  
sec 234A 234B 234C



4) sec 234D: Interest on excess Refund granted



Example

m&A, RoI U/S 139(1)

143(1) Intimation

Refund 2,50,000

15/8/27

143(3) Assessment order

Refund 1,26,000

12/12/27



Amount x % x period

Amount

Excess amount of Refund

Rate of Interest

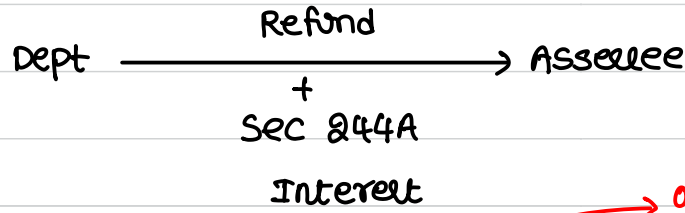
0.5% PM / part of month

Period

From: date of grant of Refund

To : date of completion of Assessment

5) Sec 244A: Interest on Refund



0.5% p.m / part of month

$\text{Amount} \times \% \times \text{Period}$

Amount of Refund

Refund out of TDS / TCS / Advance Tax

Refund out of Self Assessed

Tax payable	1,20,000
G) TDS	<u>(1,35,000)</u>
Refund	<u>15,000</u>

Tax U/S 140A	
Tax payable	15,00,000
G) SAT	<u>(17,00,000)</u>
Refund	<u>2,00,000</u>

ROI filed within  
due date U/S 139C1)

ROI not filed  
within due date

From: a. Date of filing of  
ROI (31/7/AY)

From: 1/4/AY

From: date of filing ROI

TO : date of grant  
of Refund

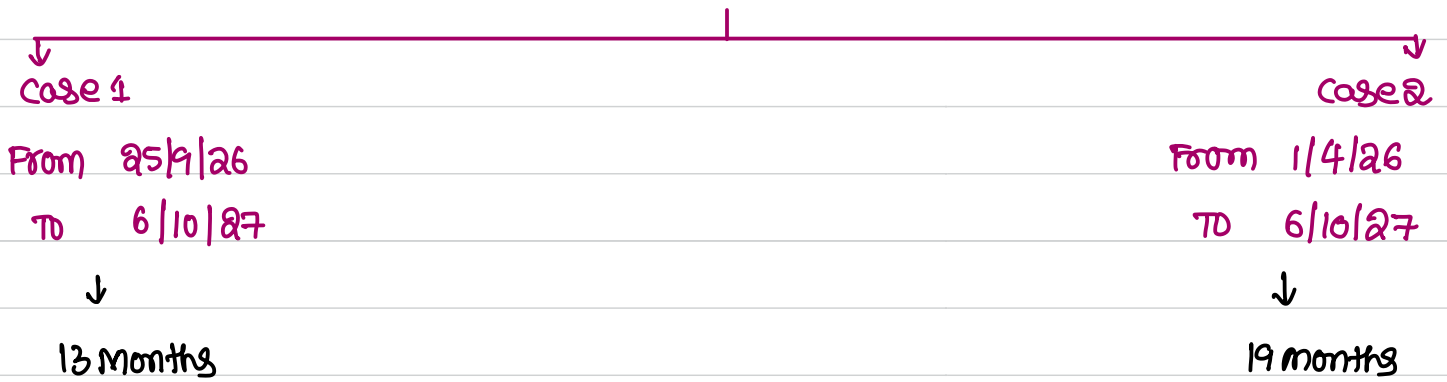
TO : date of grant  
of Refund.

b. Date of payment  
of Tax (25/7/AY)

Which ever is later

TO: date of grant of  
Refund

No. of months calculation

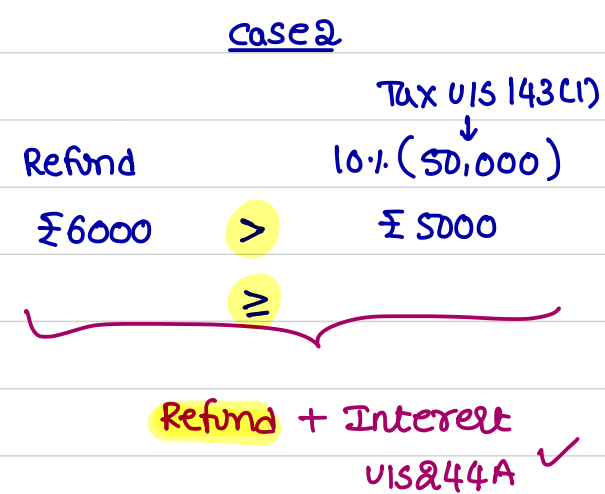
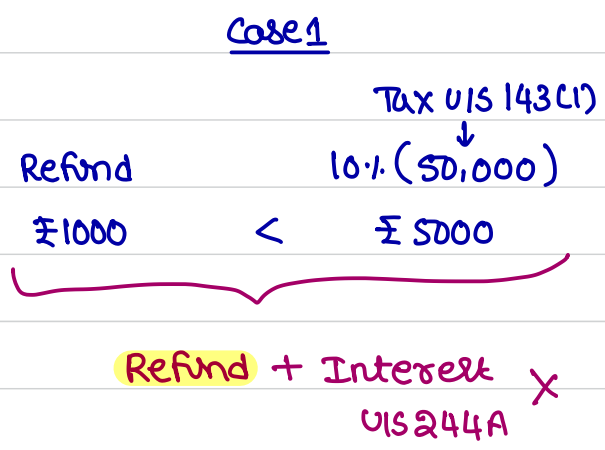


Interest calculated on Amount



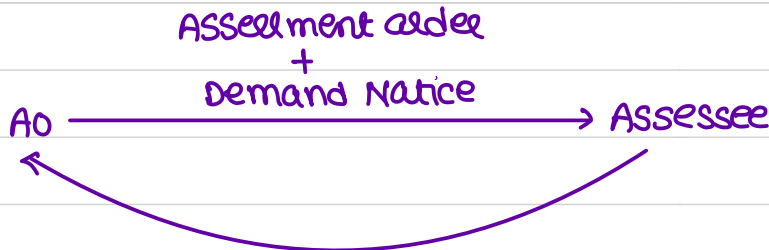
Rounded off to lowest multiple of £100 i.e ignore fraction

**Note:** No Interest u/s 244A, if Refund is less than 10% of tax determined u/s 143(1) on Assessment.



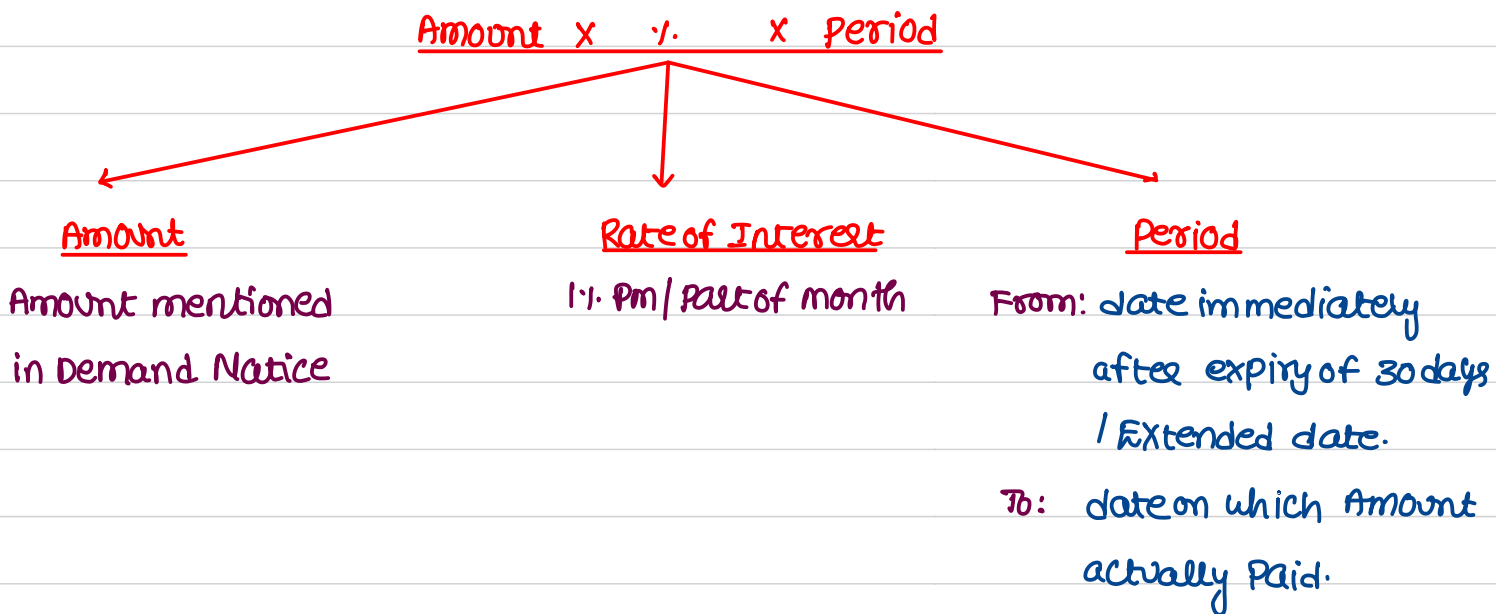
6) Sec 220(2): Interest for failure to pay tax in accordance with Demand Notice u/s 156

u/s 156	+	u/s 220(2)
D. Notice		Interest

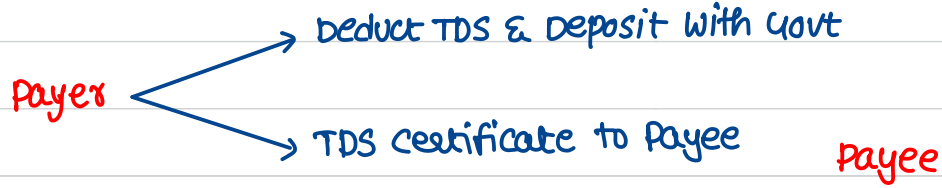


30 days / Time can be extended by AO with Jc approval

If not paid with above mentioned, then **Sec 220(2)** will apply



7) Sec 201(1A): Interest for failure to deduct & deposit TDS [Payer- Point of view]



Dream 11  $\xrightarrow{\text{Gross winning 10L}}$  Mr X

Gross Winnings 10L  
 (-) TDS @ 30% (3L)  $\rightarrow$  Govt  
 Net Winnings  $\rightarrow$  7L  $\rightarrow$  Mr X



"TDS credit"  
 +  
 "TDS certificate"

TDS  $\leftarrow$   $\frac{\text{Amount} \times \% \times \text{period}}$

Fails to deduct TDS

Fails to deposit with cy [after deduction]

Rate  $\downarrow$  Period  $\downarrow$

Rate  $\downarrow$  Period  $\downarrow$

@ 1% pm/  
 Part of month

From: Date on which such TDS was deductible

@ 1.5% pm/  
 Part of month

From: Date on which TDS deducted

To: date on which TDS is deducted

To: Date on which TDS Paid to Govt.

8) sec 206C(7): Interest for failure to collect & pay TCS

Responsible for  
Collection of Tax &  
Pay to Govt seller

Consideration + TCS

collected on consideration

Motor vehicles

Buyer

$$\text{Amount} \times \% \times \text{Period}$$

Amount  
TCS

Rate of Interest  
1% pm / part of month

Period  
From: date on which Tax  
was collectible.

To: date on which actually  
paid.

## Fees

### 1. sec 234E: Fees for defaulting in furnishing of TDS/TCS statements/Returns

	<u>TDS</u>	<u>Deposit</u>	<u>TDS Return/Statement</u>
Q <sub>1</sub>	April May <b>June</b>	7 <sup>th</sup> May 7 <sup>th</sup> June 7 <sup>th</sup> July	31 <sup>st</sup> July
Q <sub>2</sub>	July Aug <b>Sep</b>	7 <sup>th</sup> Aug 7 <sup>th</sup> Sep 7 <sup>th</sup> Oct	31 <sup>st</sup> Oct
Q <sub>3</sub>	Oct Nov <b>Dec</b>	7 <sup>th</sup> Nov 7 <sup>th</sup> Dec 7 <sup>th</sup> Jan	31 <sup>st</sup> Jan
Q <sub>4</sub>	Jan Feb <b>March</b>	7 <sup>th</sup> Feb 7 <sup>th</sup> March 30 <sup>th</sup> April <sup>*</sup>	31 <sup>st</sup> May <sup>*</sup>

Assessee shall liable to pay  
₹100 per day which default  
continues.

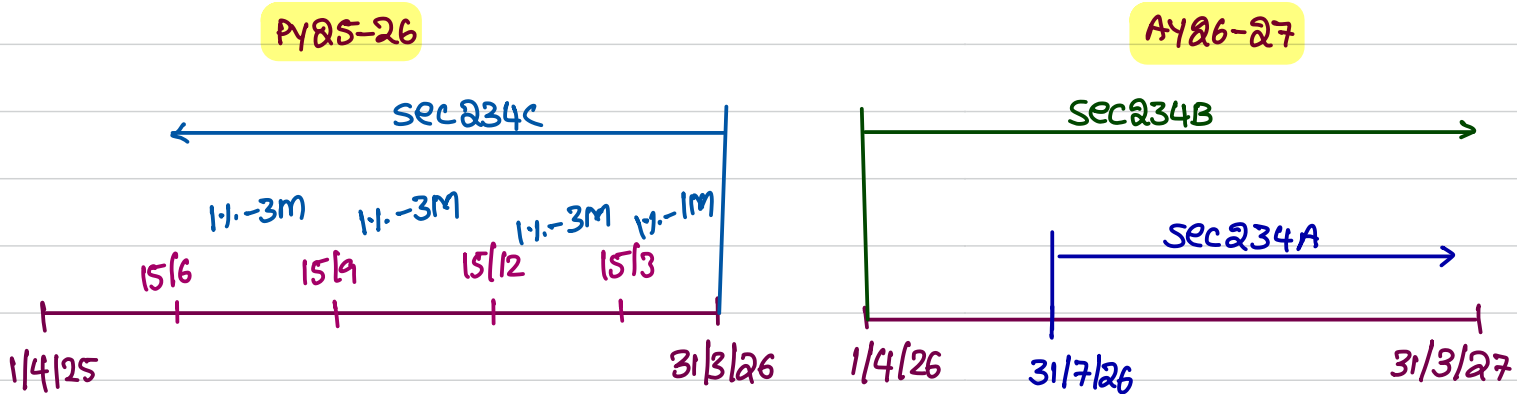
Fees can not exceed  
the Amount TDS/TCS

Q. sec 234C: Fees for defaulting in filing of statements  
[SFT - Statement of Financial Transactions]



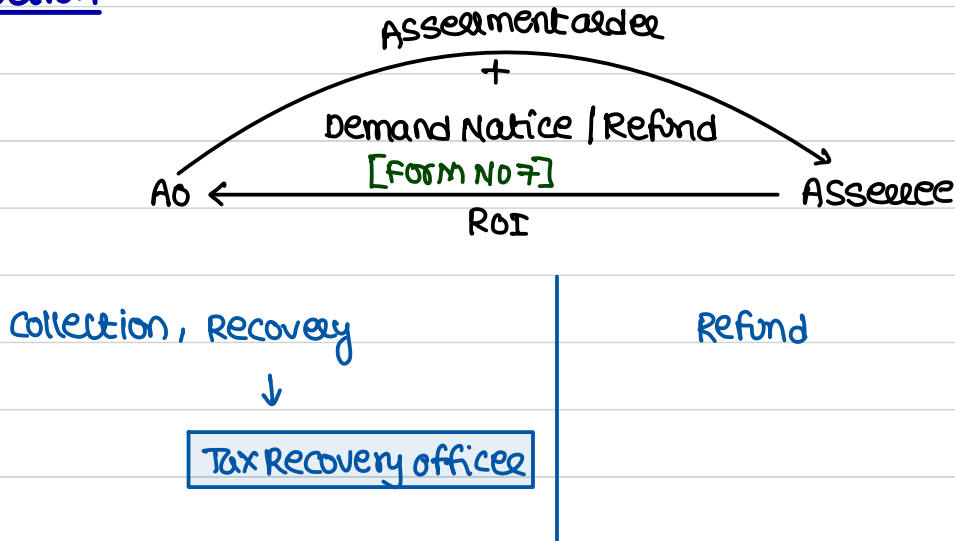
Fees: ₹ 200 per day during default continues.

Summary of Int vis 234A/B/C

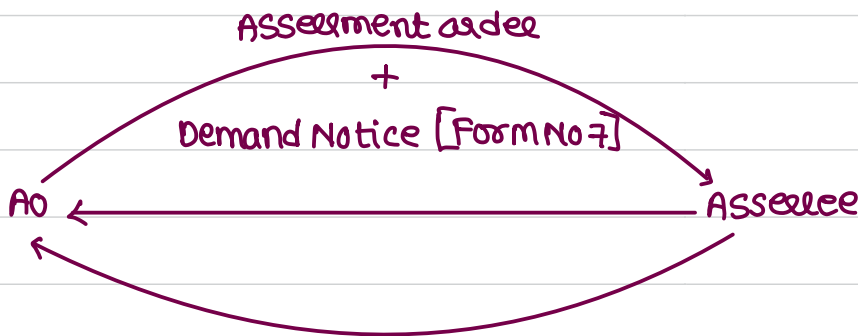


# Collection, Recovery & Refund

## 1) Introduction



## 2) sec 156: Demand Notice & Interest vis 220(a)



Amount demanded  
Within 30 days of  
Service of Notice  
(sec 220(a))

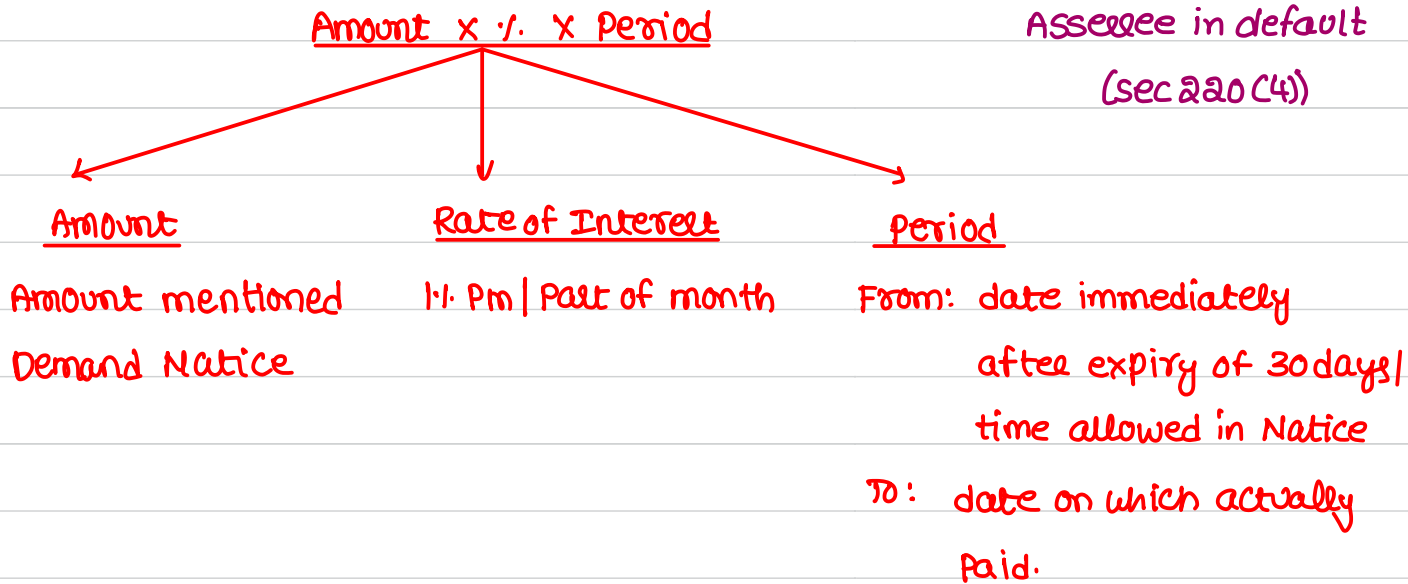
With approval JC  
Reduce the period of  
30 days  
(if detrimental to  
Revenue)

Application made by Assessee

Extend time  
for payment (or) Allowing  
installments  
&  
imposing  
conditions

## Interest on delay in payment (Sec 220(2))

[If payment is not made with 30 days] time allowed in Notice]

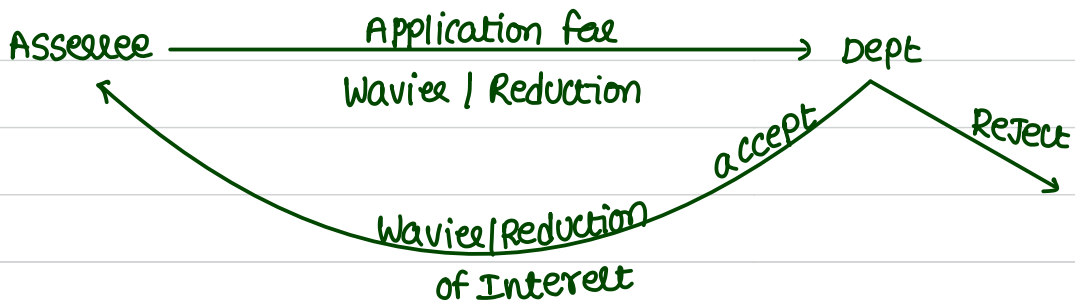


## Waiver (or) Reduction of Interest vis 220(2A)

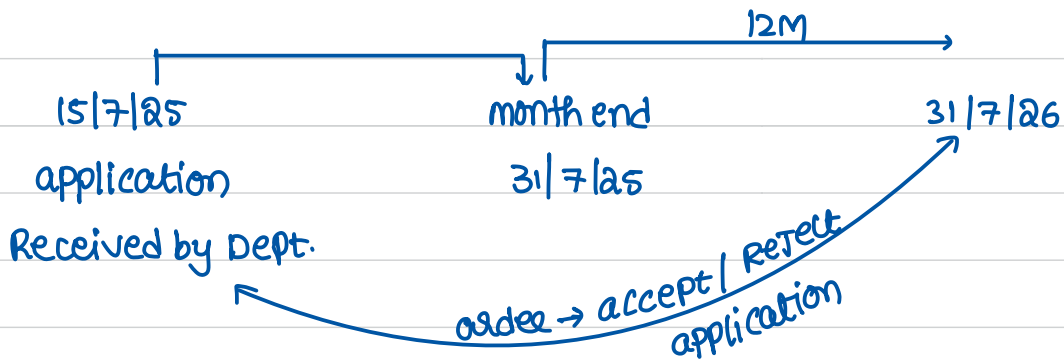
PCCIT / CCIT / PCIT / CIT

Waiver (or) Reduction of Interest, if  
following conditions are satisfied:

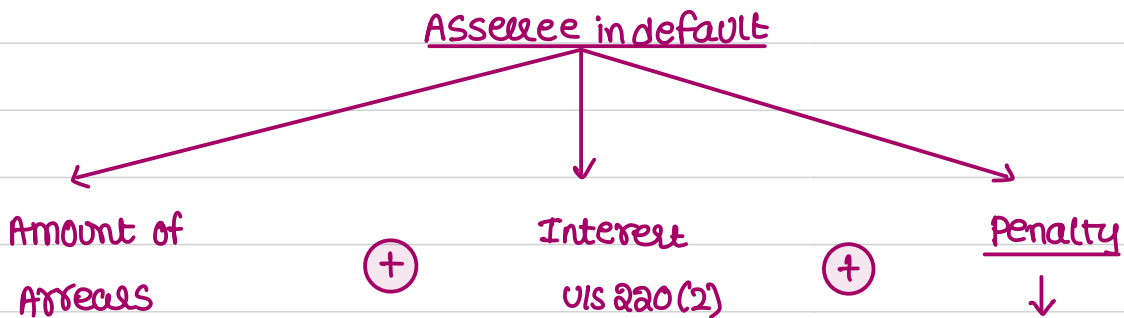
- a) Delay due to genuine hardship to Assessee.
- b) Due to beyond control of Assessee.
- c) Assessee cooperated in any inquiry related to Assessment for Recovery of any amount due from him.



Within a period of 12 months from end of month in which application is received.

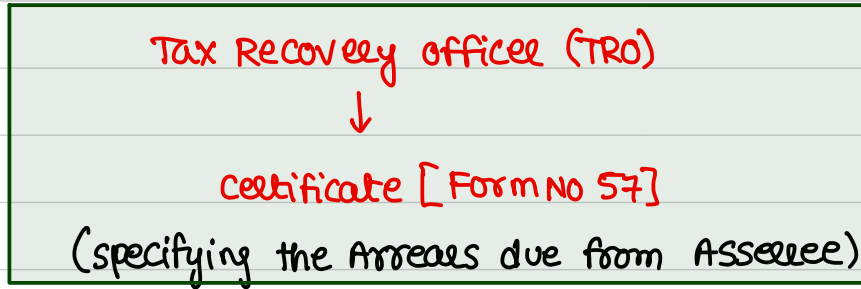
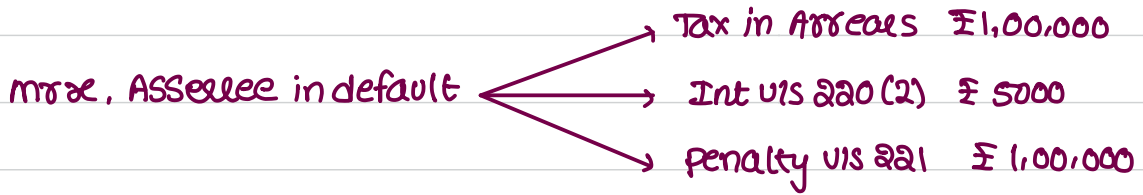


3) sec 221: penalty payable when tax in default wrt Demand Notice

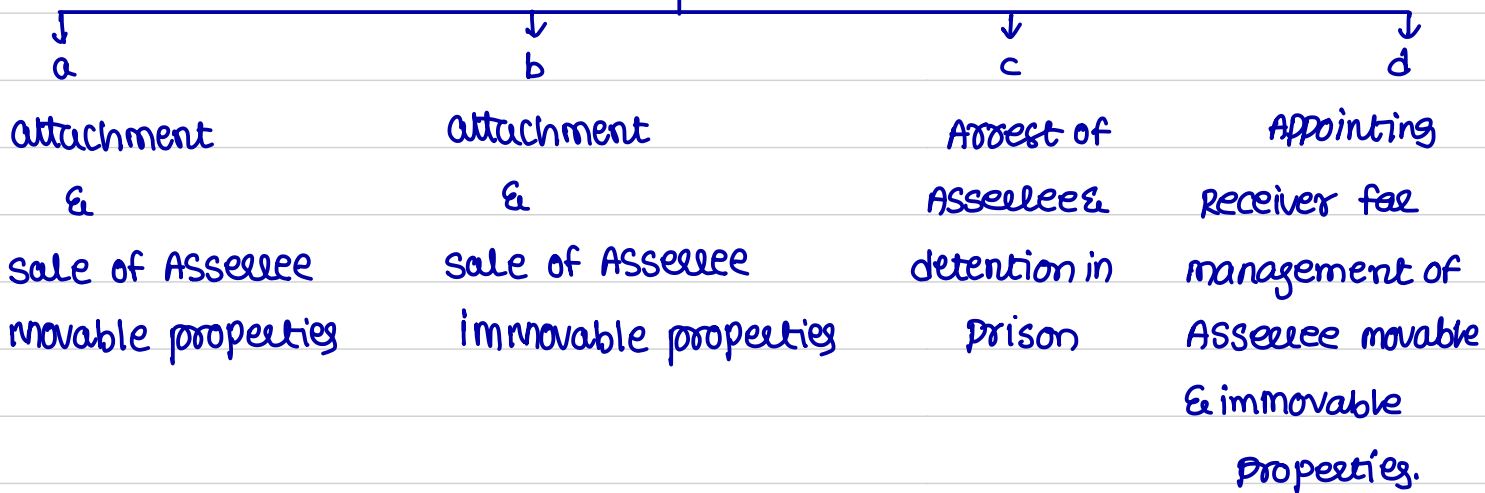


Total Amount of penalty does not exceed Amount of Tax in Arrears.

4) sec 222: Certificate to Tax Recovery officer (TRO)

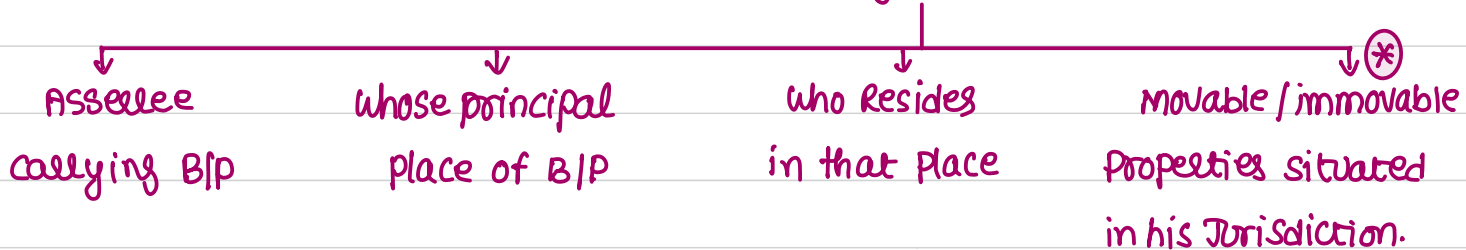


Recovery of Amount specified in certificate by one/more following modes

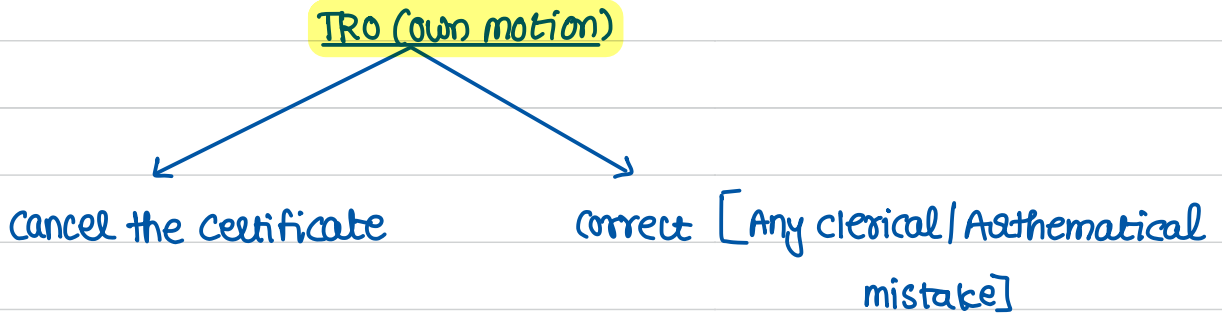


5) sec 223: Tax Recovery officer by whom Recovery is to be effected

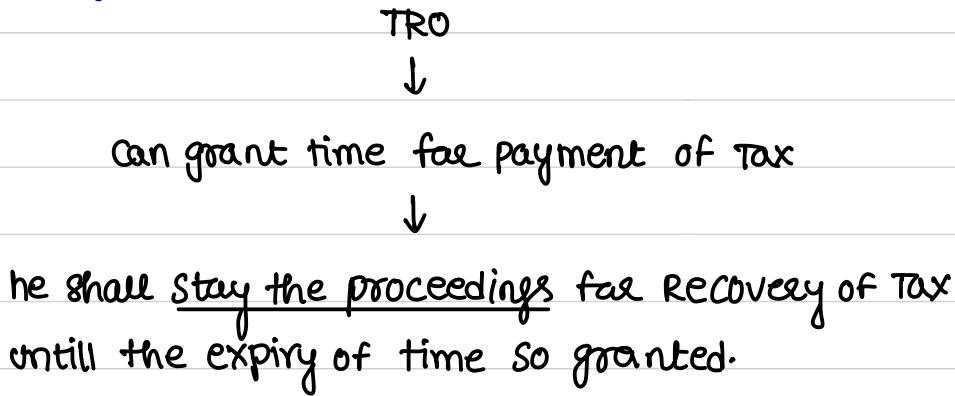
TRO → competent to take action on any person in his Jurisdiction



6) sec 224: validity of certificate & cancel / Amendments  
 [Certificate shall not open to Assessee]

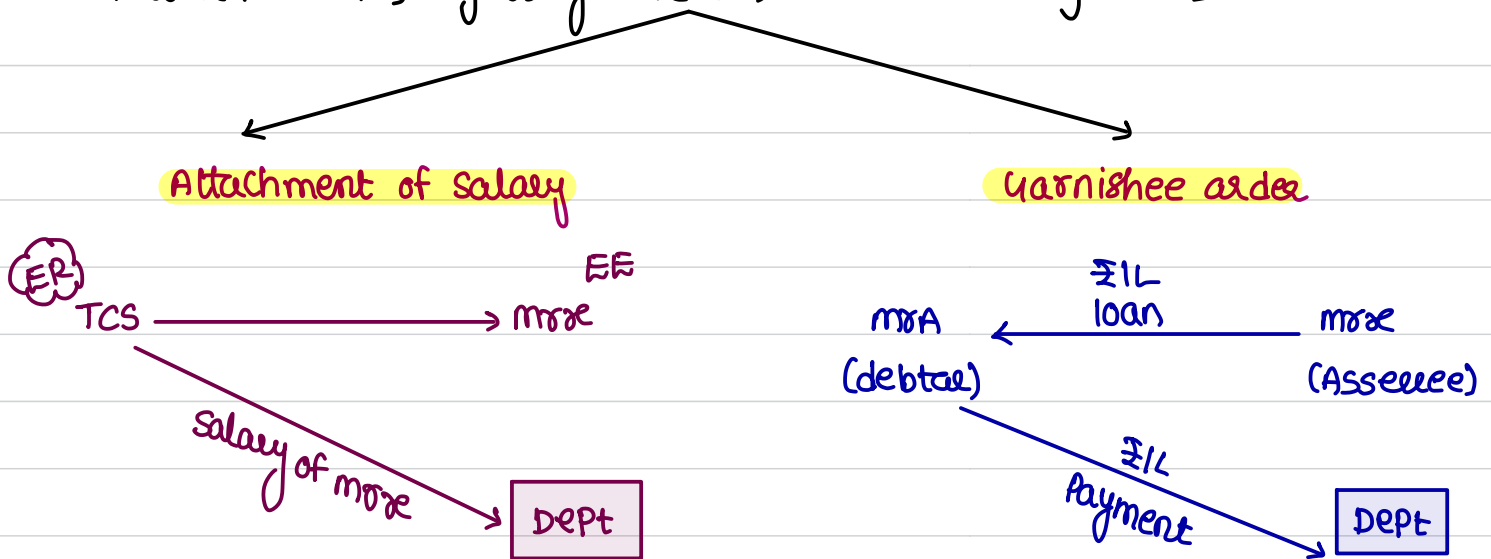


7) sec 225: stay of proceedings



8) sec 226: other modes of Recovery

Whether (or) not certificate has been drawn up u/s 222, Ao may Recover the taxes by using one (or) more following modes



## 9) sec 227: Recovery through State govt

Recovery of Tax in Any Area  
 ↓  
 has been entrusted to Sy  
 ↓  
 State govt Recover any Arrears of Tax in the same manner as  
 municipal tax (or) local taxes is Recovered.

## 10) sec 229: Recovery of Penalties, Fine & Interest & other sums

TRD  
 ↓  
 Recovery of Tax in arrears } in manner { Any sum imposed by way of  
 Interest, fine, penalty (or) other sum  
 Recovery

## 11) sec 230: Tax clearance certificate

Person not domiciled In India

Person domiciled In India

Person not domiciled In India:

Who is not domiciled India

+

Who has come to India in connection  
 with business / profession / employment

shall leave territory of India by land/air/sea, he must  
 submit "Tax clearance certificate" to prescribed Authorities

- ✓ obtained from his employer in prescribed form [Form 30A]
- ✓ Through who such person receiving the Income.

prescribed Authorities  $\xrightarrow[\text{[Form NO 30B]}]{\text{No objection certificate}}$  person not domiciled In India.

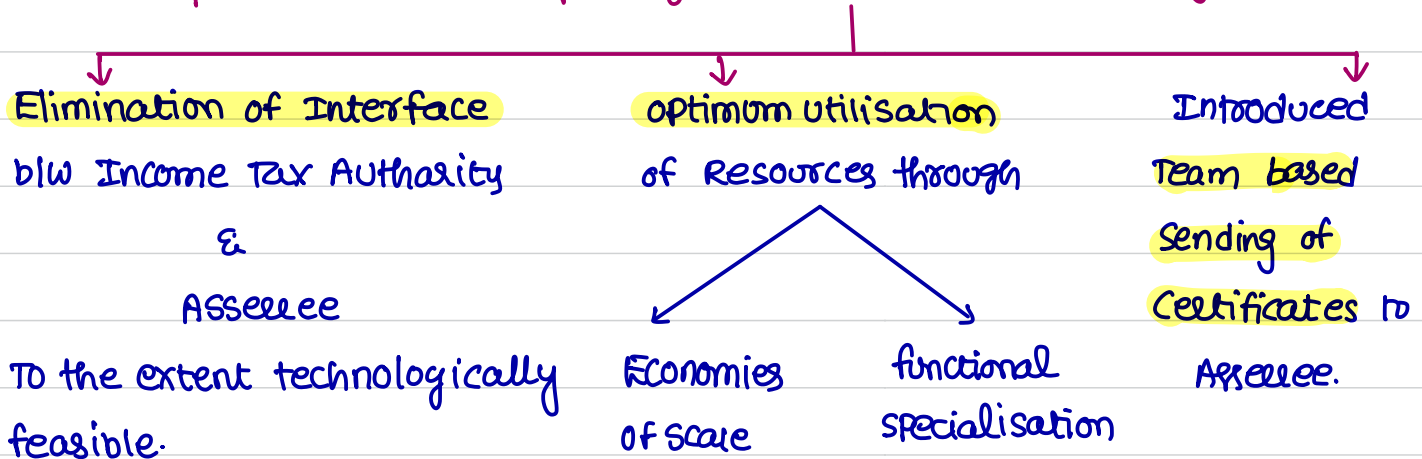
person domiciled In India:

Every person [who domiciled In India]  $\xrightarrow[\text{[Form No 30c]}]{\text{at the time of departure}}$  Income Tax Authorities

## 12) sec 231: Faceless Collection & Recovery of Tax

→ Schem Introduced by central govt

→ To impart greater transparency, efficient & accountability by



### 13) sec 281: Certain transfers to be void

→ During the pendency of any proceeding under this Act,  
(or)

→ After completion of proceedings but before service of Demand Notice by dept.

If assessee (transfer) possession  
of his (assets) to Any other person

↓  
that transfer shall be void.

→ sale

mortgage

gift

Exchange

Any other mode.

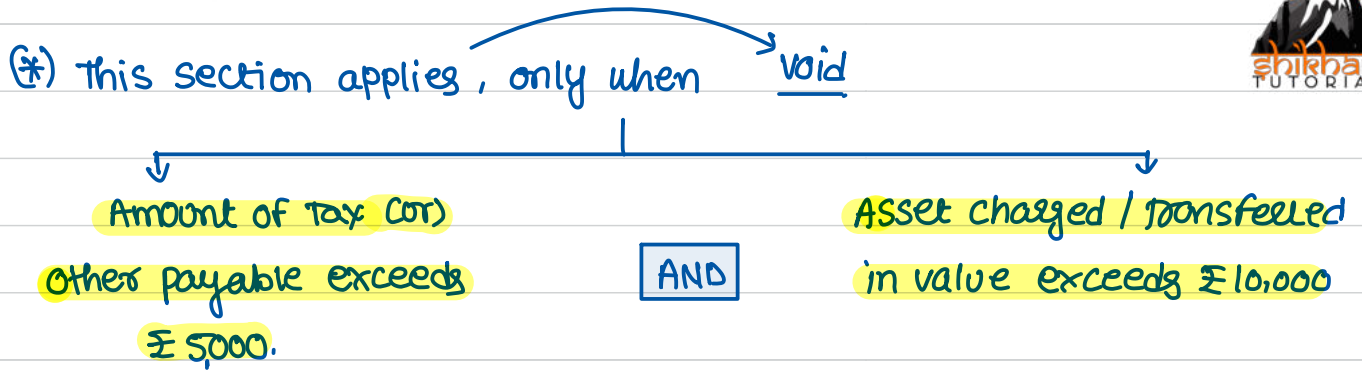
ASSETS means Building/land, P&M, shares, securities, fixed deposits  
but not include stock in trade of business of an Assessee.

(\*). charge / transfer shall not be void if it is made: valid

↓  
transfer for  
adequate consideration (or) such transfer is done  
with prior approval of AO.

⊕

Without Notice pendency of  
Assessment / without Notice of  
Tax.



#### 14) sec 281B: provisional attachment to protect Revenue in certain cases

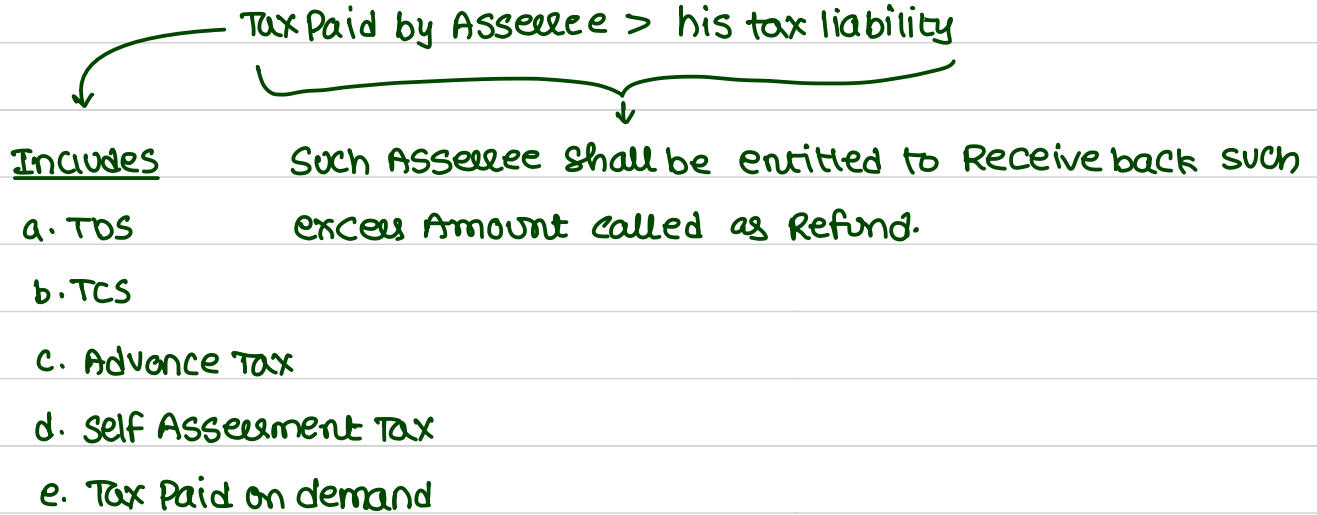
during pendency of Any proceeding for Assessment / Reassessment /  
penalty vis 271AAD > 2cr



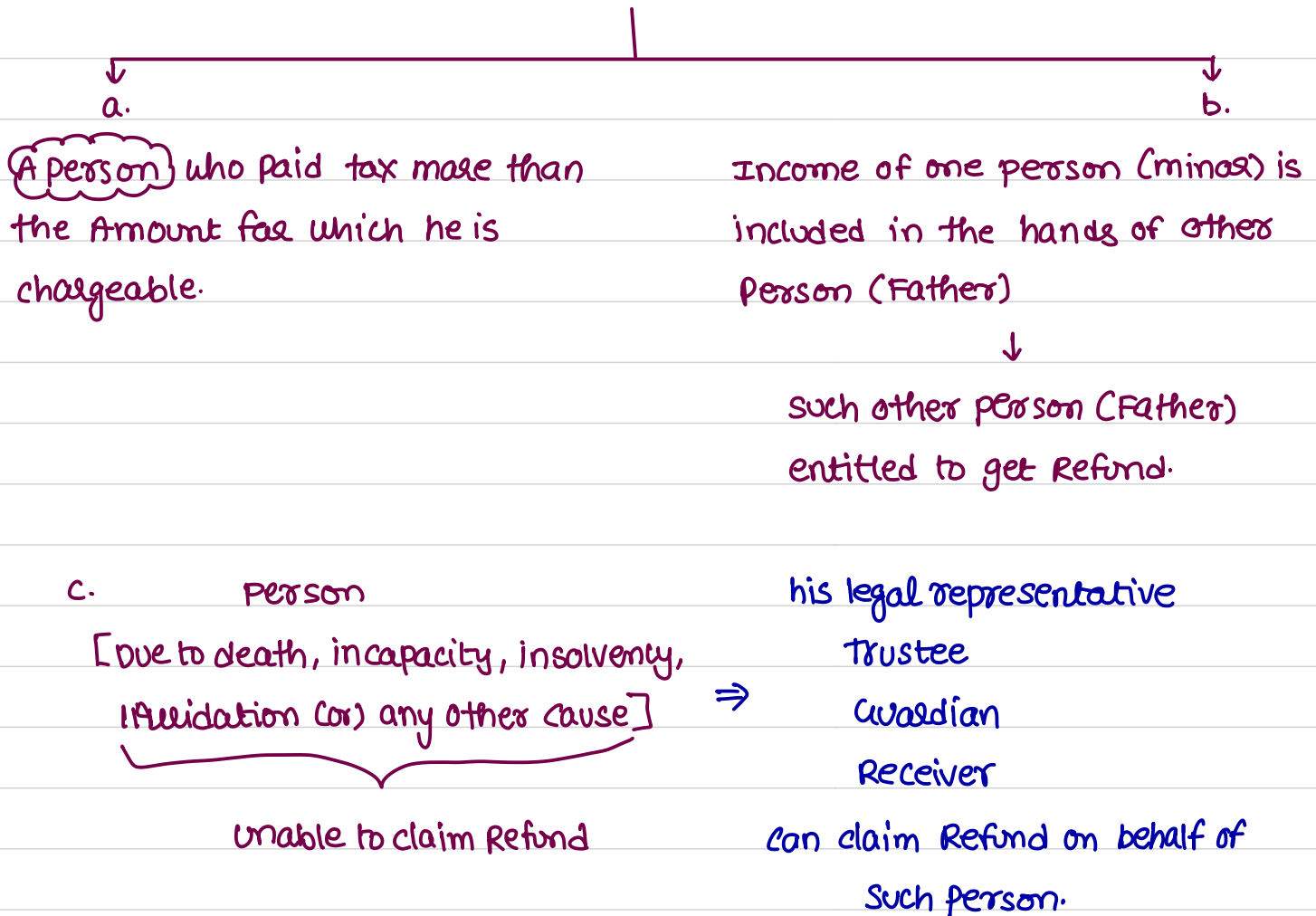
In order to protect the Revenue of Dept  
Ao can do provisional attachment with prior approval CIT/CCIT/  
DIT/DUIT in waiting.

## Refund

### 1) sec 237: meaning of Refund



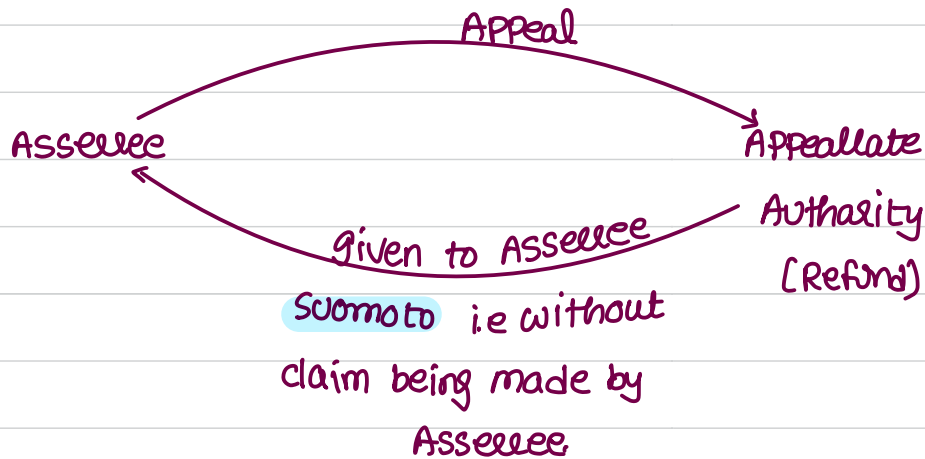
### 2) Who can claim Refund



### 3) Form & Time limit for claiming Refund

Every claim of Refund shall be made by furnishing RfI in accordance with sec 139.

### 4) Refund on Appeal



#### Case

1. where an assessment is set aside / cancelled & directs fresh Assessment.



order of fresh Assessment is given

2. where the Assessment is Annulled.

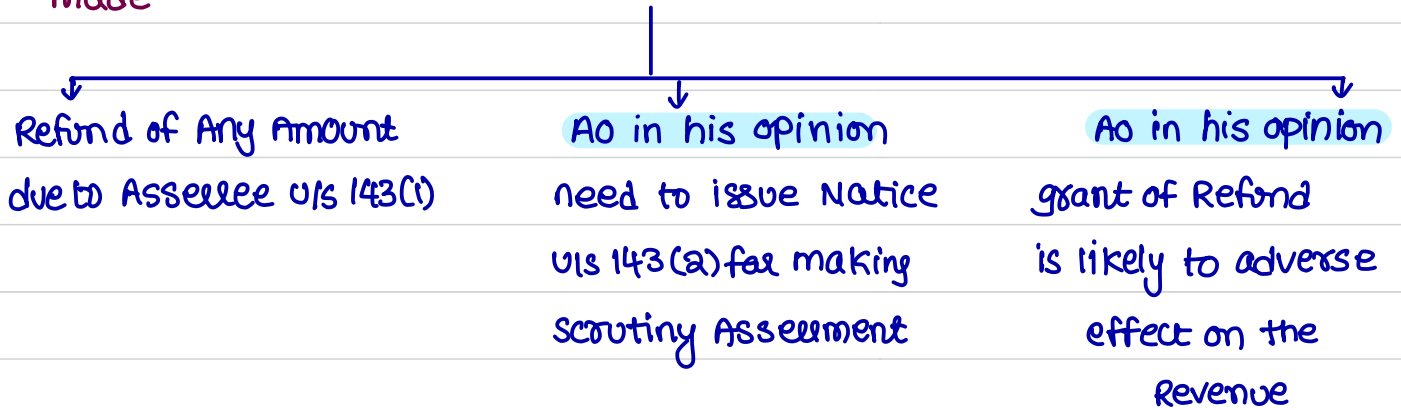
#### When Refund becomes due

on the completion of such fresh Assessment

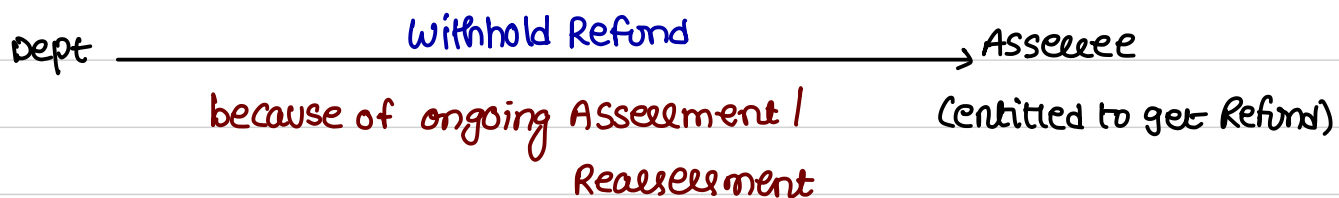
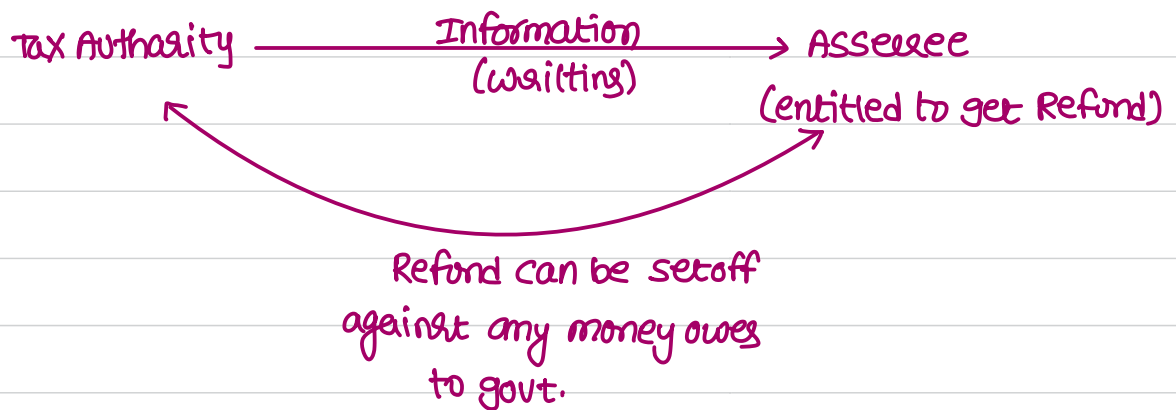
Refund shall become due when such assessments are Annulled.

### 5) sec 241A: withholding of Refund in certain cases

If the following conditions are satisfied, Ao with previous approval of CIT/PCIT (Reasons to Record in writing), Withhold Refund due to Assessee u/s 143(1) upto the date on which Assessment u/s 143(3) is made



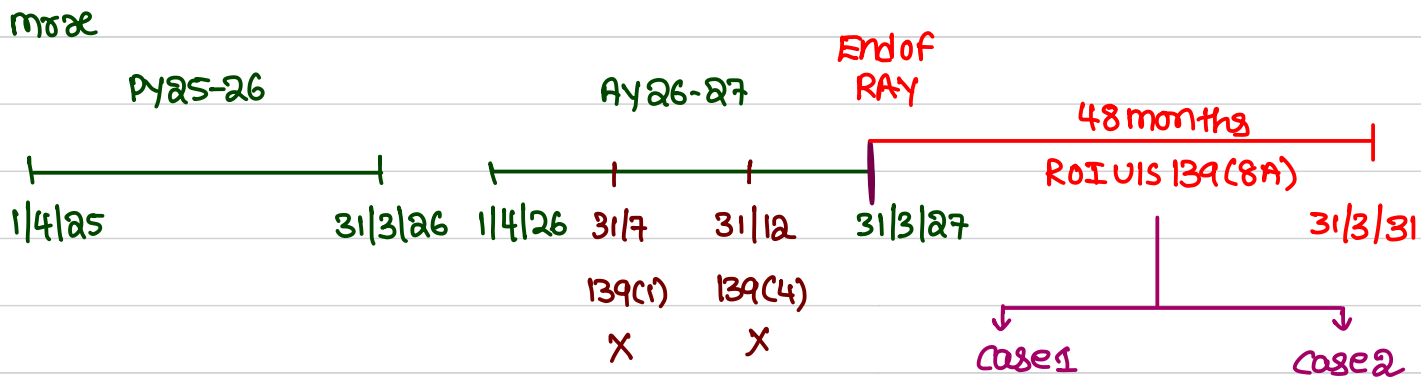
### 6) sec 245: setoff of Refunds against tax Remaining Payable / withholding of Refund



wef 1/10/24, the period of withholding of Refund upto "60 days" from the date on which assessment / Reassessment completion".

# Updated Return

## 1) Sec 139(8A): updated Return [ITR-U]



Case 1: ROI - not filed during RAY  
(or)

Case 2: 139C/139C)      139C5)  
filed                      not filed  
ROI - filed during RAY.

### a) updated Return cannot be filed

1. If updated Return is Return of loss.
2. A person cannot reduce his total Income/tax liability by filing updated Return.
3. A person cannot file updated Return, if Results in Refund (or) increases Refund.

b) following persons shall not eligible to furnish an updated Return

1. search initiated u/s 132 (or) Books of A/c & other documents are Requisitioned u/s 132A.

2. survey has been conducted u/s 133A. (Other than sec 133A(2A))  
TDS&TCS Survey

3. Notice has been issued

↓

Any money, bullion, Jewellery (or) valuable Article (or) things seized / Requisitioned u/s 132 / 132A in case of any other person, belongs to such person.

c) No updated Return shall be filed by person for relevant AY:

1. An updated Return has already filed by him for RAY.

2. Any proceedings for Assessment / Reassessment / Recomputation / Revision is pending (or) has been completed for RAY.

3. The Ao has information in respect of such persons for RAY in his possession

→ Smugglers & Foreign Exchange manipulators Act, 1976

→ prohibition of Benami property transaction Act, 1988

→ PMLA, 2008

→ The black money Act, 2015

The same has been communicated to him, prior to the date of

## furnishing of updated Return.

4. Information for RAY has been received under agreement u/s 90/90A in respect of such person



The same has been communicated to him, prior to the date of furnishing updated Return.

d) Tax on updated Return u/s 140B → If tax u/s 140B not paid, then updated Return shall be treated as "defective Return."



### 1. ROI - not filed during RAY

Tax calculated on Income	xxxx
<u>Less:</u> Advance Tax	(xxx)
TDS/TCS	(xxx)
Relief u/s 89C(1)	(xxx)
DTAA u/s 90/90A	(xxx)
DTAA u/s 91	(xxx)
AMT credit - sec 115JD	(xxx)
MAT credit - sec 115JAA	(xxx)
	<hr/>
Tax payable →	xxx

⇒ Tax payable

(+)

⇒ Interest & Fees for delay in filing of ROI

Sec 234A      Sec 234F

(+)

⇒ Interest for short payment / Non payment of adv. tax

Sec 234B

(+)

⇒ Interest for deferment of Advance Tax installments

Sec 234c

(+)

⇒ **Additional Income Tax**

2. ROI - filed during RAY

Tax calculated on Income	xxx	
<u>Less:</u> Self Assessment Tax u/s 140A	(xxx)	
Advance Tax	(xxx)	} which has not claimed in earlier Returns
TDS/TCS	(xxx)	
Relief u/s 89C1)	(xxx)	
DTAA u/s 90/90A	(xxx)	
DTAA u/s 91	(xxx)	
AMT Credit - SEC 115TD	(xxx)	
MAT Credit - SEC 115JAA	(xxx)	
Tax payable →	<u>xxx</u>	

⇒ Tax payable

⊕

⇒ Interest for short payment / Non payment of Advance Tax  
Sec 234B

⊕

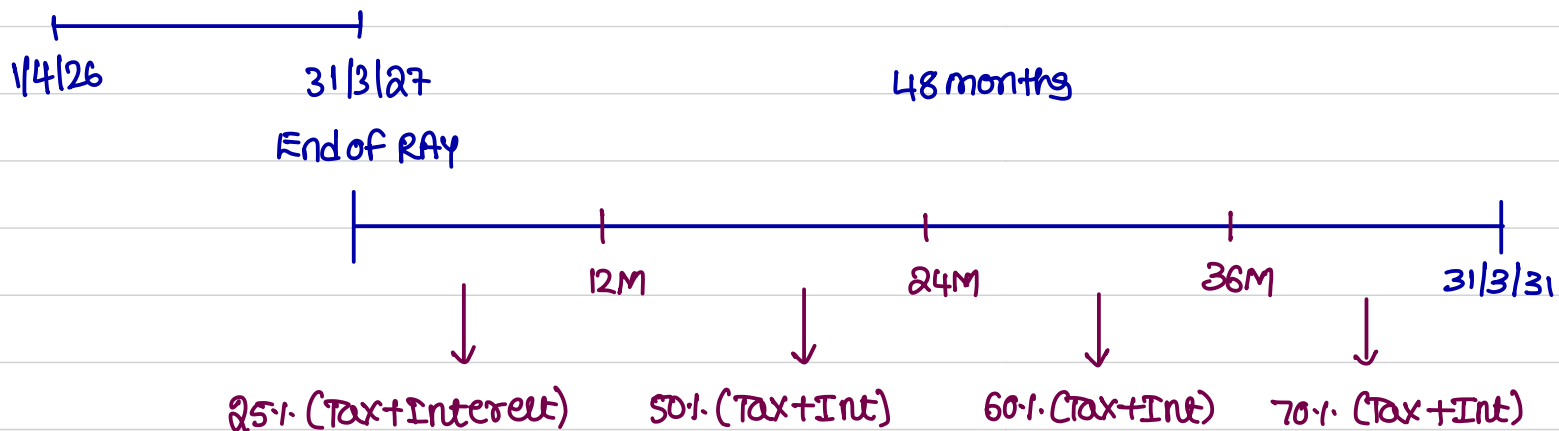
⇒ Interest for deferement of Advance Tax installments  
Sec 234C

⊕

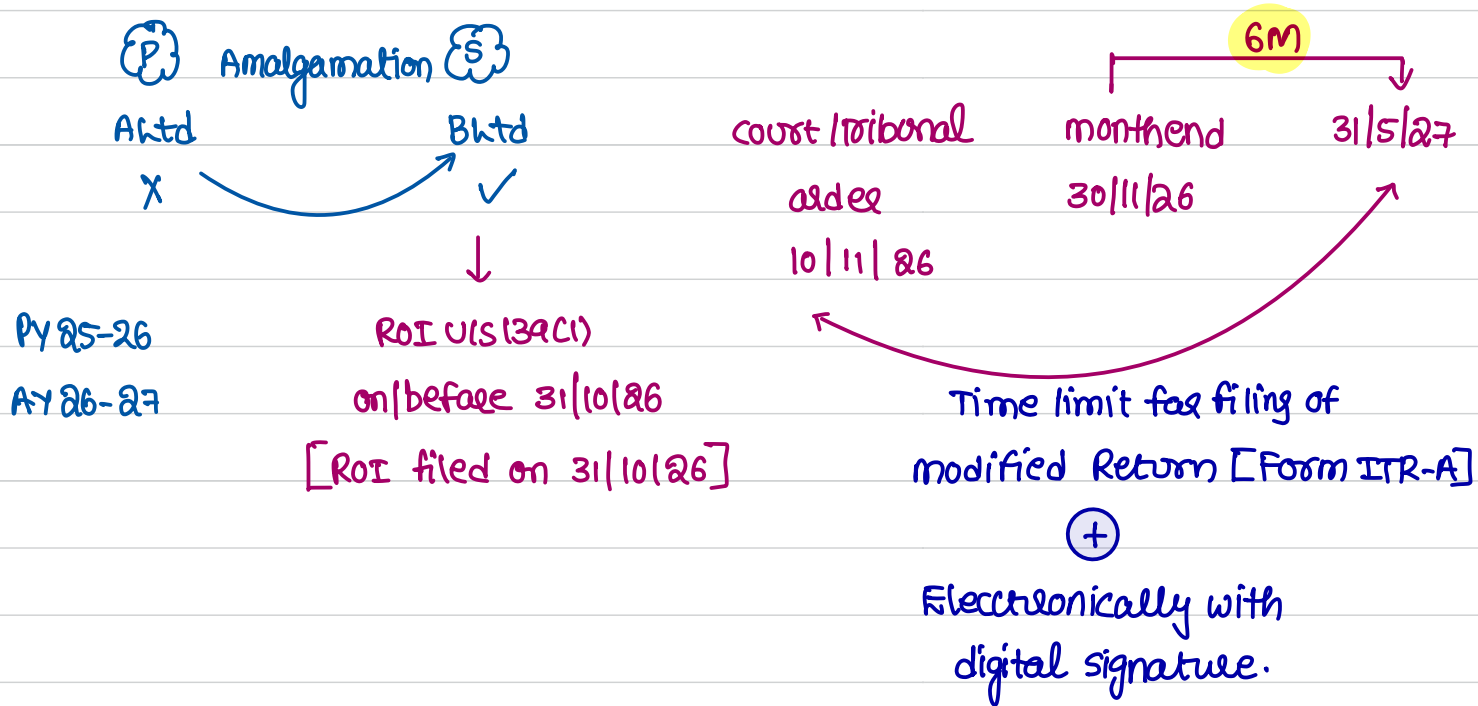
⇒ Additional Income Tax

### e) Computation of additional Income Tax

AY 26-27



\* Sec 170A: Effect of order of Tribunal/Court in respect of Business Reorganizations [ ITR-A ]



# Chapter VIIA deductions

Income from salaries	xxxx	
Income from HP	xxxx	
PGBP	xxxx	
capital gains	xxxx	
Income from other source	xxxx	
	<hr/>	
Gross total Income	xxxx	
Less: Chapter VIIA deductions	(xxxx)	
	<hr/>	
Net total Income	xxxx	
	<hr/>	

"zero" (00)  
" +ve "

Tax liability?

a) Aggregate amount of deductions shall not exceed gross total income.

b) PY 25-26

Gross Total Income	1,50,000	
Less Chapter VIIA deductions	(1,50,000)	
Net total Income	<hr/>	
	-	
<u>Available Chapter VIIA deductions</u>		
Sec 80C -	1,50,000	
Sec 80D -	50,000	

50,000  
shall not C/F

Next year  
PY 26-27

No carry forward of unutilized Chapter VIIA deductions to Next year

c) Chapter VIIA deductions can not claimed on casual incomes, STC u/s 111A, LTC u/s 112A, LTC u/s 112.

- d) SEC 80-IA, IAB, IAC, IB, IBA, IF
- SEC 80 JJA
- SEC 80 JJAA
- SEC 80 LA
- SEC 80 M
- SEC 80 P
- SEC 80 QOB / RRB

under heading c

Deduction in respect of certain incomes

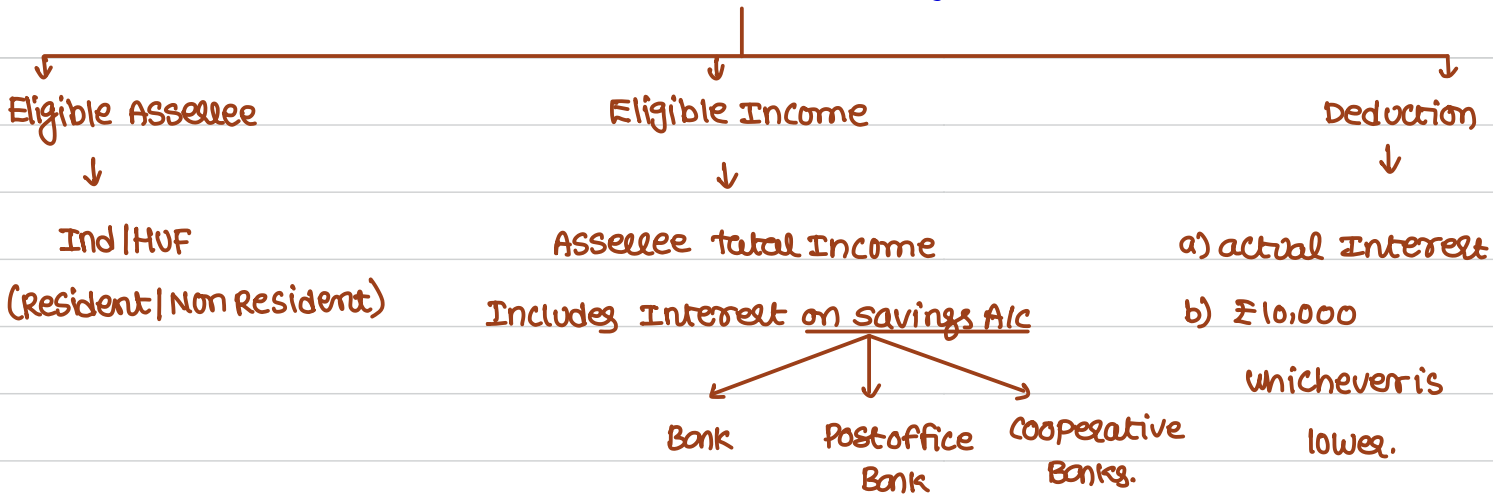


Return of Income should be filed

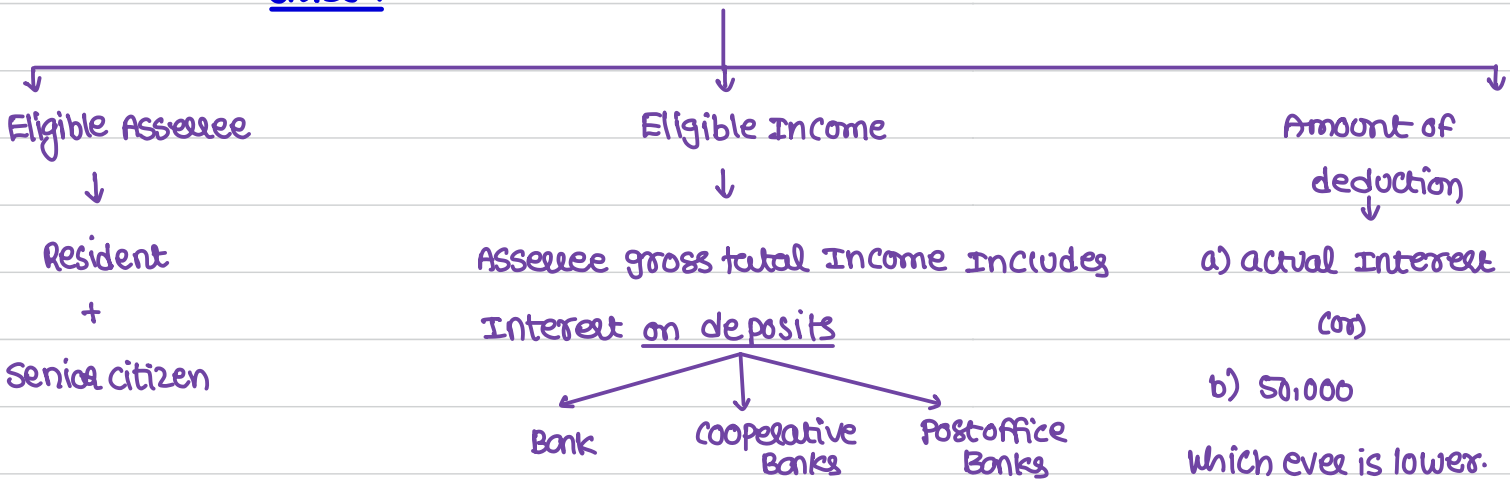
on/before due date u/s 139(1).

[Sec 80AC]

1) SEC 80TTA: Deduction wrt Interest on savings A/c

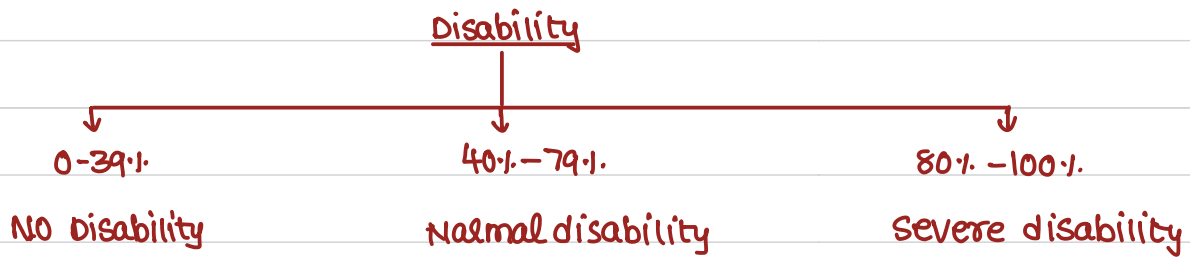
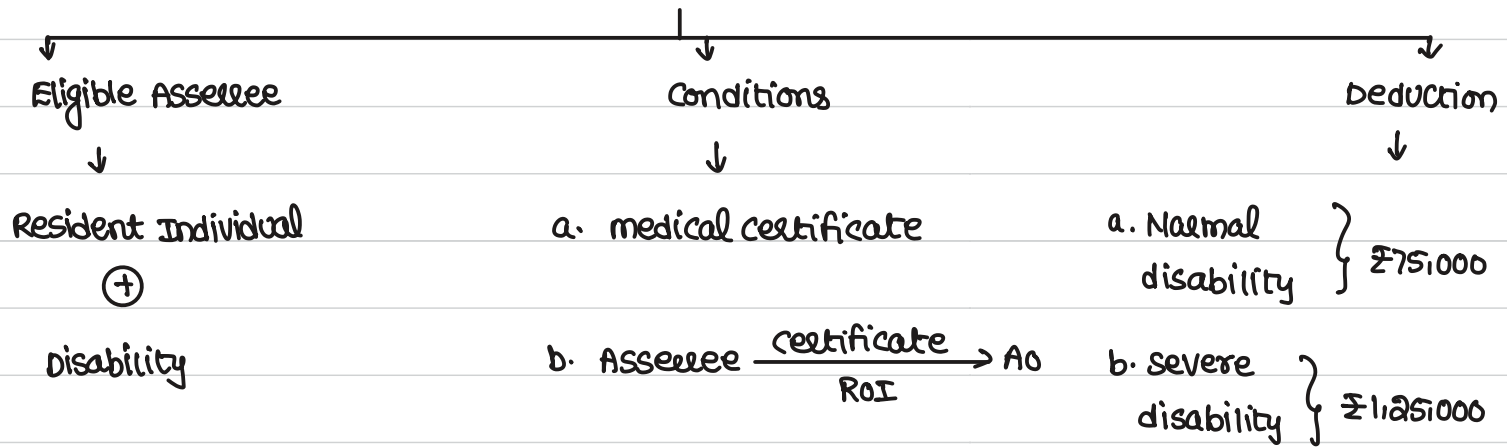


2) SEC 80TTB: Deduction wrt Interest on deposits incase of Resident senior citizen

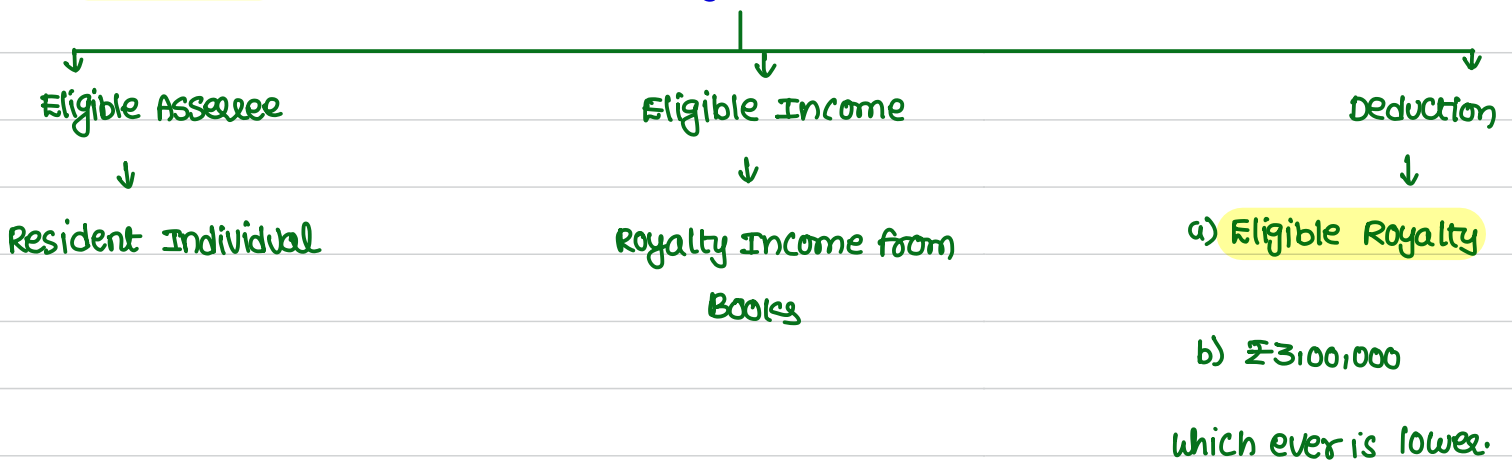


If deduction u/s 80TTB availed, then automatically sec 80TTA will not be available to such Assessee.

3) sec 80U: deduction in case of a person with disability



4) sec 80QQB: Deduction wrt Royalty Income from certain books

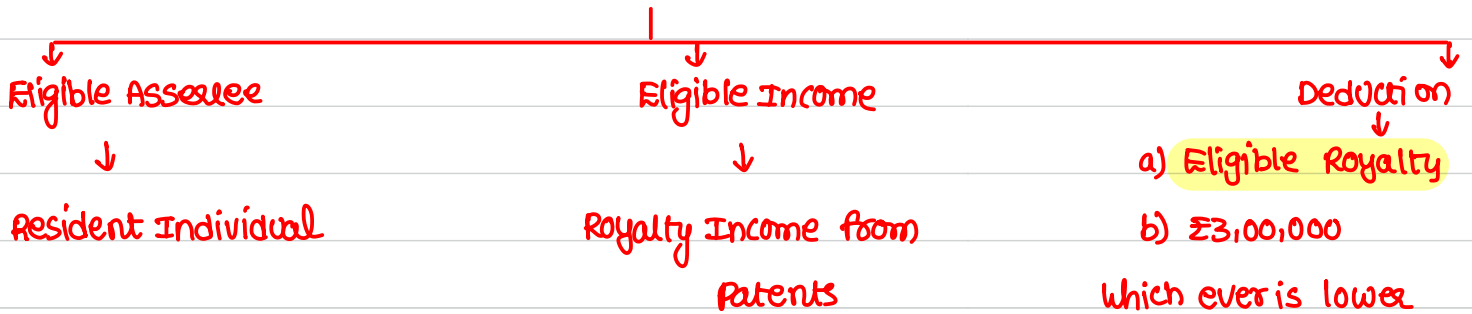


a) The book must be literary, artistic or scientific nature excluding publications like brochures, magazines, text books & Author books.

b) If the Royalty is not received as lumpsum, it must not exceed 15% of value of books sold during RPY.

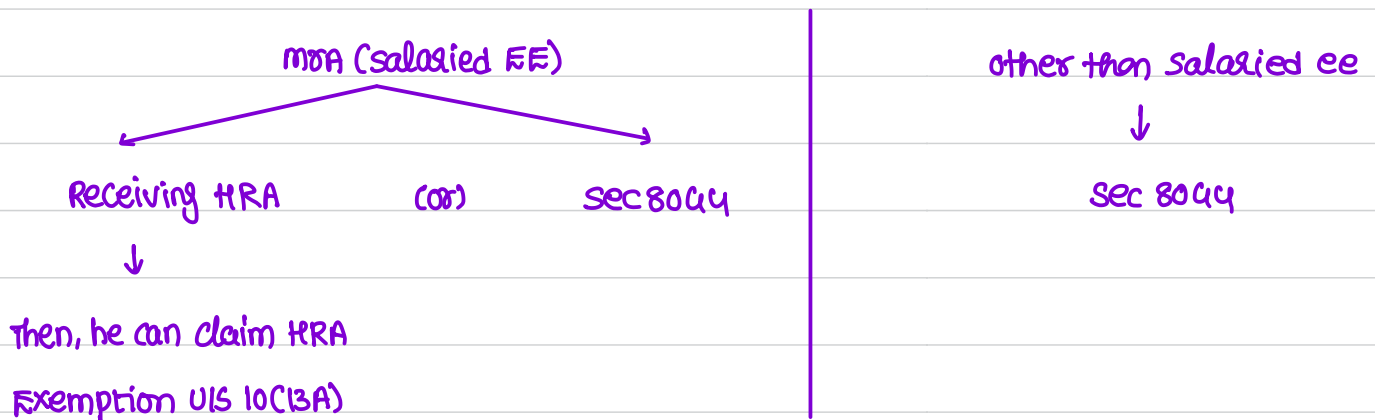
c) If Royalty earned o/s India, must be repatriated to India in convertible foreign Exchange with in 6 months from end of PY in which such income earned. (or Extended by competent Authority).

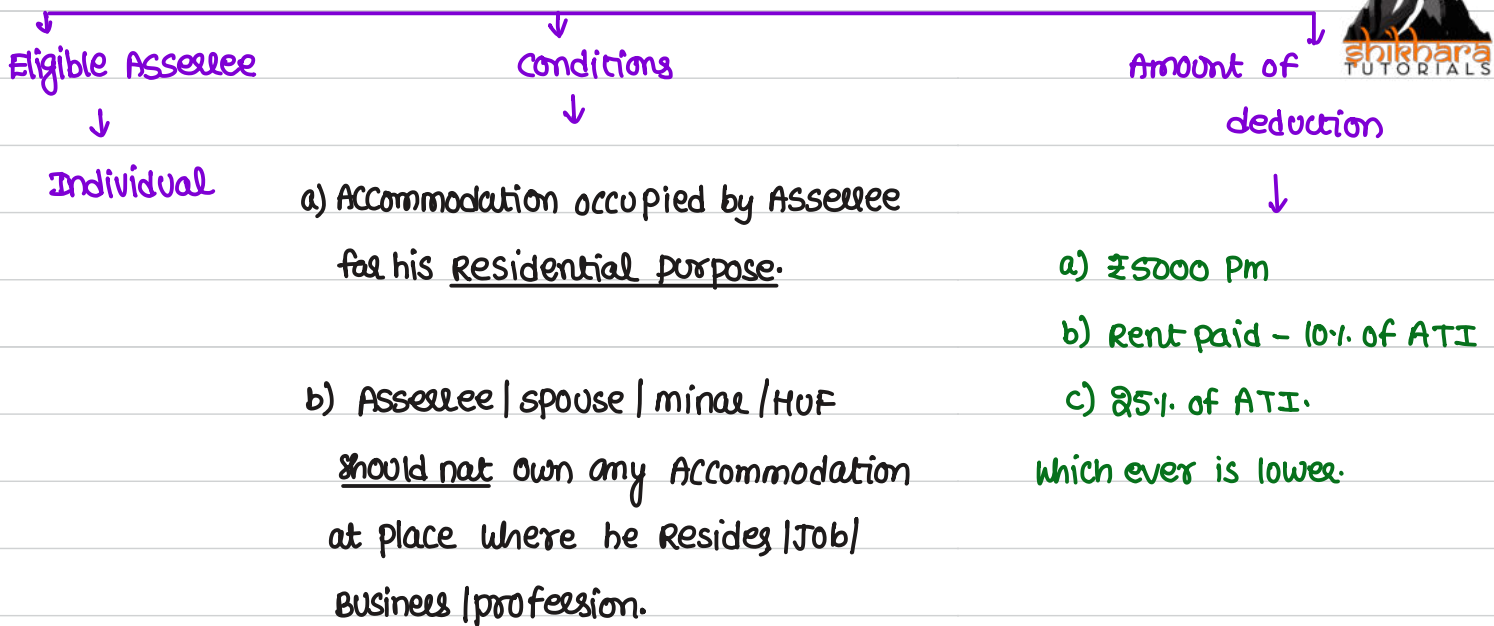
5) SEC 80RRB: Deduction wrt Royalty Income on patents



If Royalty earned o/s India, must be repatriated to India in convertible foreign Exchange with in 6 months from end of PY in which such income earned. (or Extended by competent Authority).

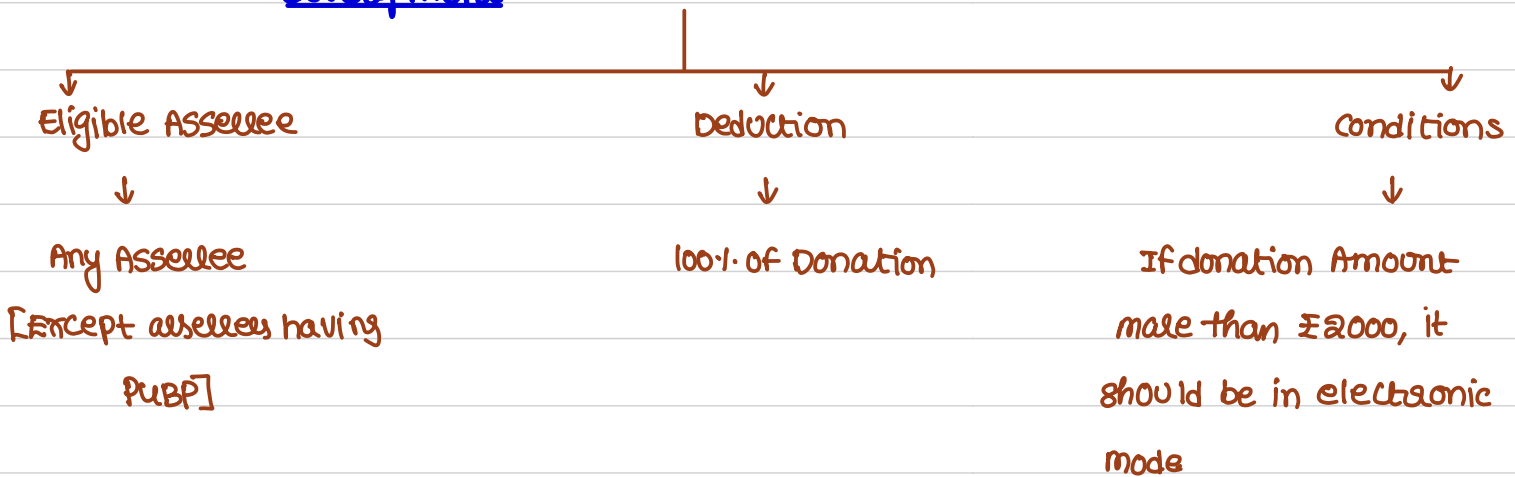
6) sec 80C4: Deduction wrt Rent Paid





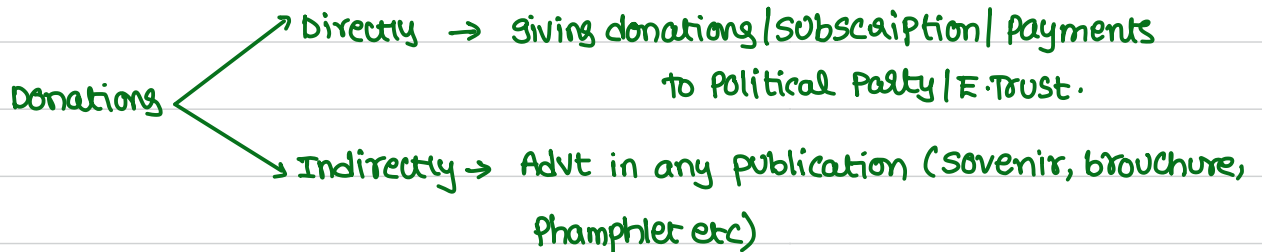
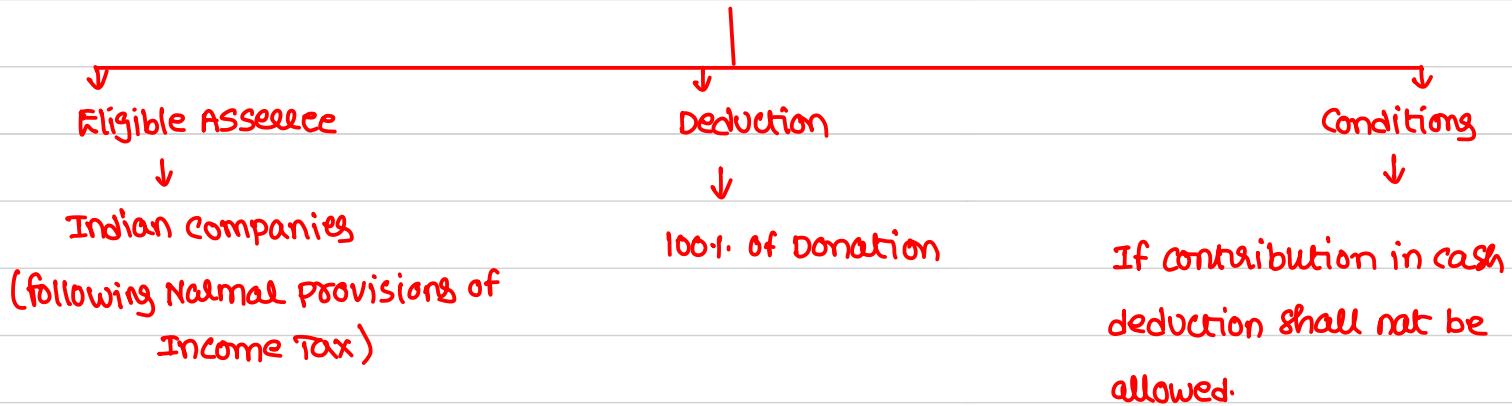
Adjusted Total Income (ATI) = Gross Total Income - All Chapter VIA deductions (Except sec 80C)

7) Sec 80C4A: Deduction w.r.t Donations for Scientific Research / Rural development

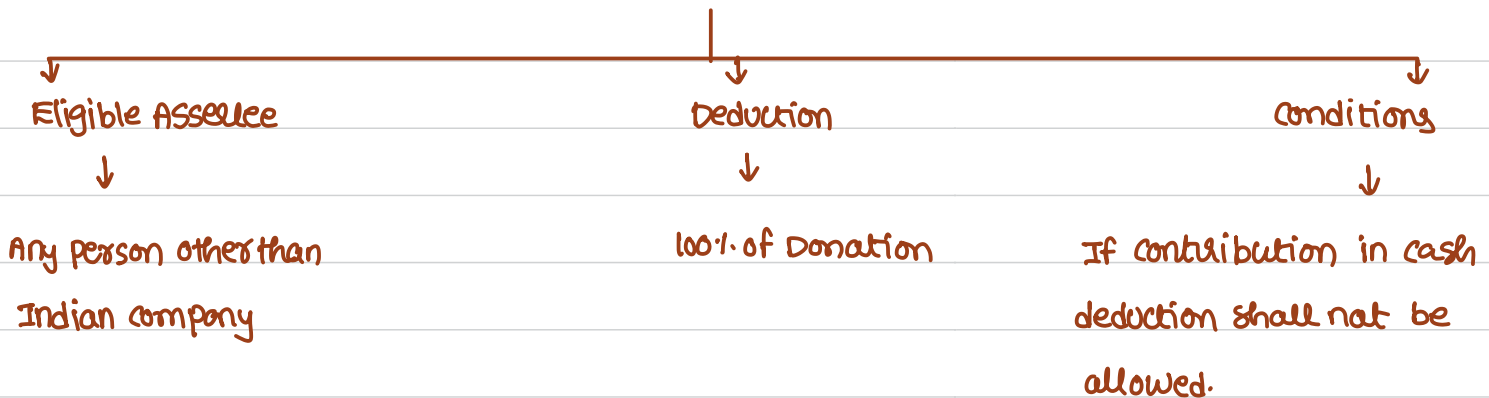


### 8) sec 80CUB: Deduction w.r.t contribution by companies to political party /

#### Electoral Trust

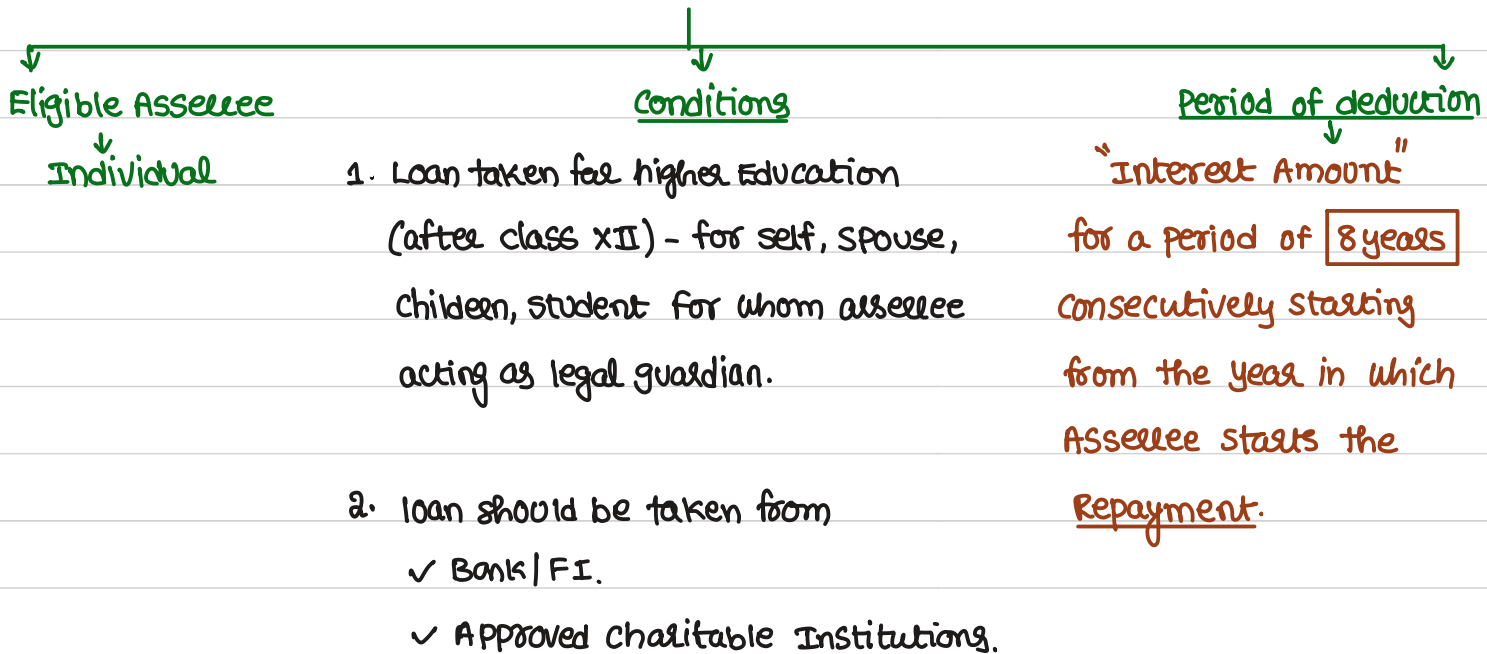


### 9) sec 80CUC: Deduction w.r.t contribution by Any person to political parties / Electoral Trust



\* This deduction **not available** to Local Authorities / ASP, wholly (or) partly funded by government.

10) Sec 80E: Deduction w.r.t Interest on loan taken for Educational purpose (In India / abroad)



11) Sec 80EE

12) Sec 80EEA

13) Sec 80EEB



Interest on housing loan  
(Purchase)

Interest on housing loan  
(Purchase)

Interest on Electrical  
vehicle loan

a) Eligible  
Assessee

Individual

Individual

Individual

b) Amount of  
deduction  
(Maximum)

₹ 50,000

₹ 1,50,000

₹ 1,50,000

c) Conditions

i) Loan - Banks / FI

i) Loan - Banks / FI

i) Loan - Banks / FI

ii) Purchase price ≤ 50L

ii) SDV of HP ≤ 45L

ii) loan sanctioned b/w  
1/4/19 to 31/3/23

iii) loan sanction ≤ 35L

iii) loan sanctioned b/w (FY 19-20 to FY 22-23)  
1/4/19 to 31/3/22

iv) loan sanctioned b/w  
1/4/16 to 31/3/17 (FY 16-17)

(FY 19-20 to FY 21-22)

iv) Assessee does not own Any  
RHP on the date of sanction  
of loan

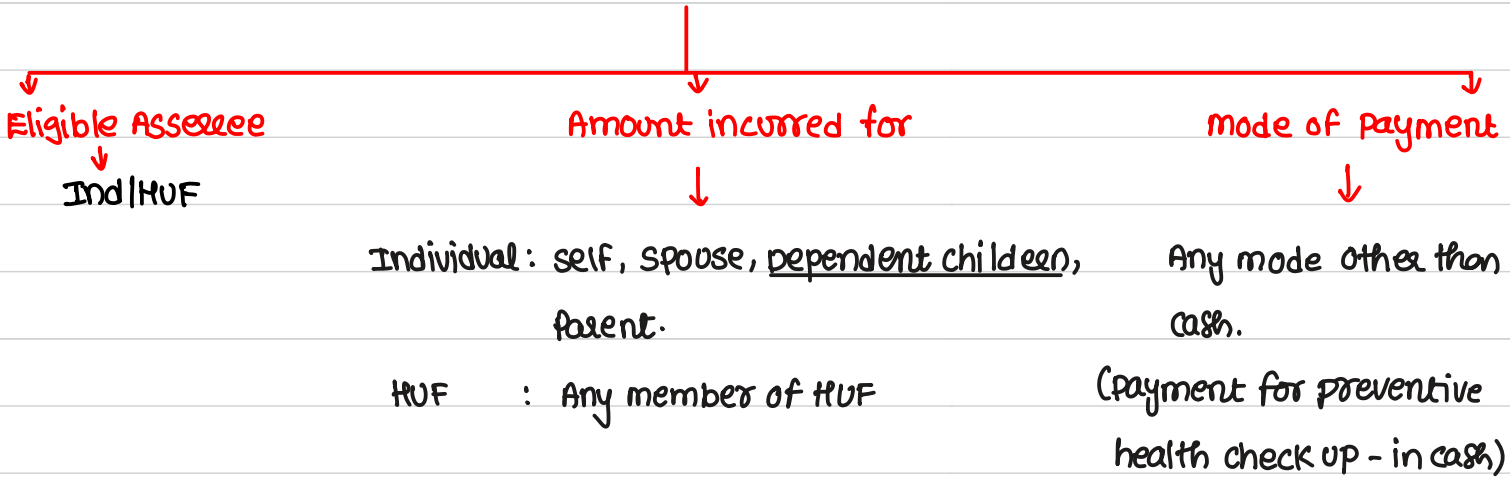
v) Assessee does not own Any  
RHP on the date of sanction  
of loan

v) Interest → deduction

vi) Interest → deduction  
First, claimed  
u/s 84(b) u/H IHTP  
balance u/s  
80EE

First, claimed  
u/s 84(b) u/H IHTP  
balance u/s  
80EEA.

- 14) sec 80D: Deduction w/t
1. medical Insurance premium
  2. contribution to central govt health scheme
  3. Preventive health check up
  4. **medical treatment Expenditure.**



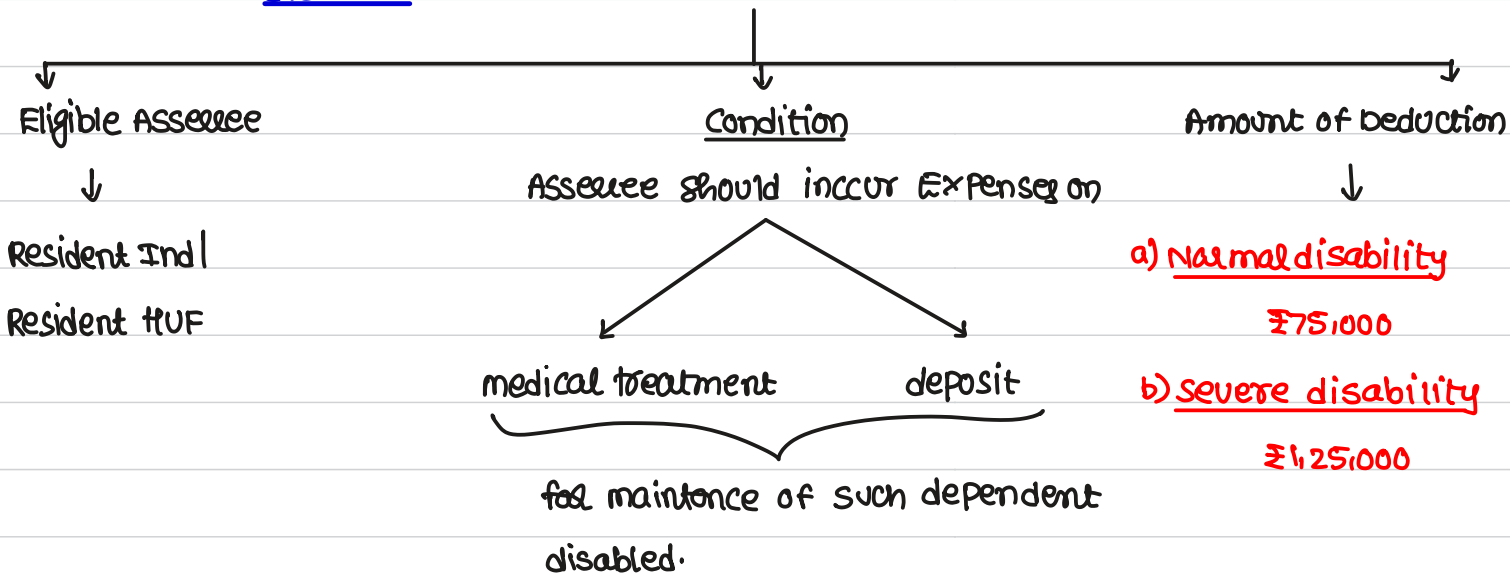
Amount of Deduction:

	<u>Individual</u>		<u>HUF</u>
	<u>self, spouse, dependent children</u>	<u>Parents</u>	<u>Any member</u>
A) medical Insurance premium	✓	✓	✓
central govt health scheme	✓	X	X
preventive health checkup	✓	✓	X
Total Deduction (Maximum)	₹ 25,000	₹ 25,000	₹ 25,000
⊕			
additional deduction (maximum) (any person is senior citizen)	₹ 25,000	₹ 25,000	₹ 25,000
B) medical Expenditure of <u>Resident</u> <u>senior citizen</u> & medical insurance premium not paid for such person (maximum)	₹ 50,000	₹ 50,000	₹ 50,000
Maximum deduction (A+B)	₹ 50,000	₹ 50,000	₹ 50,000

Note:

1. Medical Expenditure of Non Resident senior citizen & medical insurance premium not paid on such person is Restricted with ₹25,000.
2. Aggregate deduction w.r.t preventive health checkup self, spouse, dependent child, parent for each year can not exceed ₹5000.
3. If medical Insurance premium is paid in lumpsum for more than 1 year, deduction for each year shall be = 
$$\frac{\text{Lumpsum Premium}}{\text{Total No. of PY's for Insurance Policy taken}}$$

15) sec 80DD: Deduction w.r.t medical treatment & maintenance of dependent disabled.

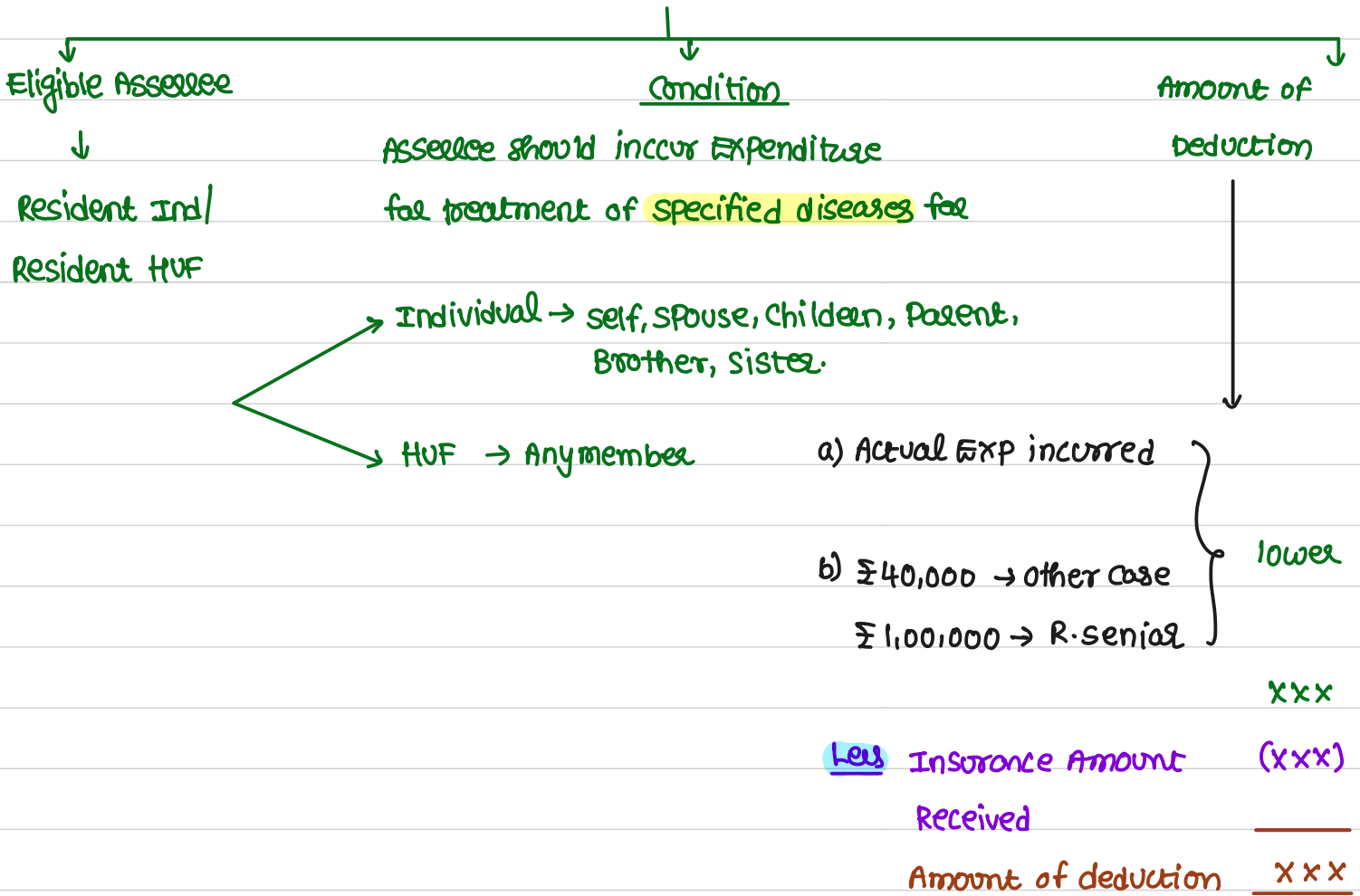


1. Relative
  - Individual: spouse, children, parents, Brother, Sister (dependents)
  - HUF: Any member (dependents)

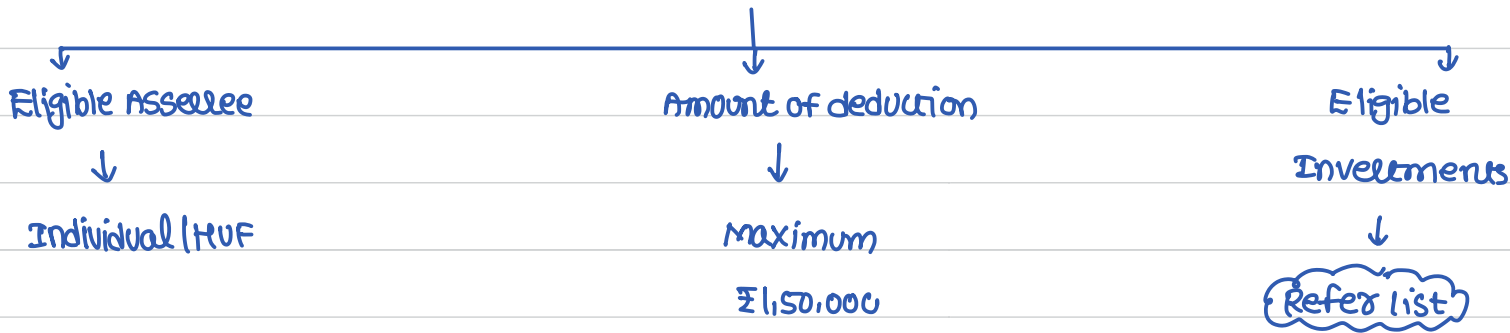
2. If dependent with disability dies before Assessee, the Amount Received in the scheme treated as deemed Income & taxable in the year of Receipt in the hands of Assessee.

3. If dependent with disability Receives Annuity / Lumpsum before death, then Assessee (attained age of 60/more), then deemed Income provisions shall not apply.

16) Sec 80DDB: Deduction w.r.t medical treatment of specified diseases

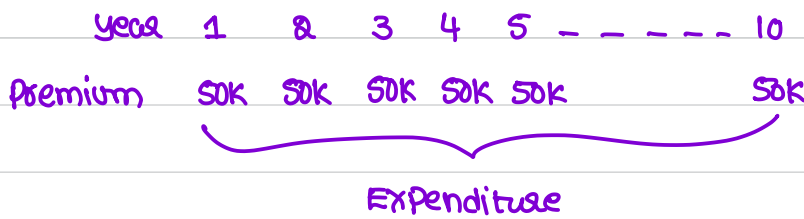


7) Sec 80c: Deduction wrt Specified Investments

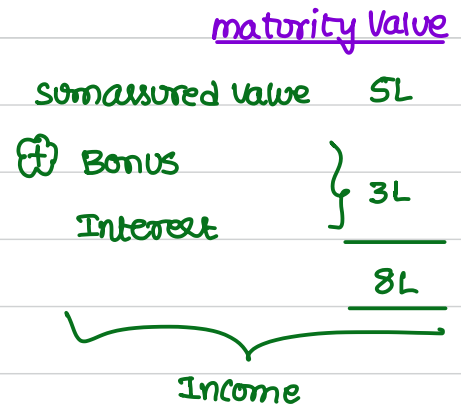


Eligible Investment:

1. Life insurance premium



Chapter VIIA deduction u/s 80c  
[limit]



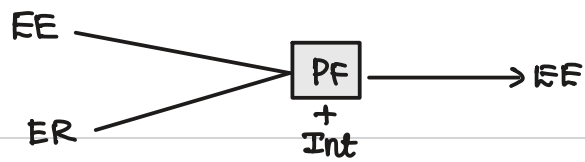
Individual: self, spouse, children (Any)

~~Parents~~

HUF : Any member of HUF

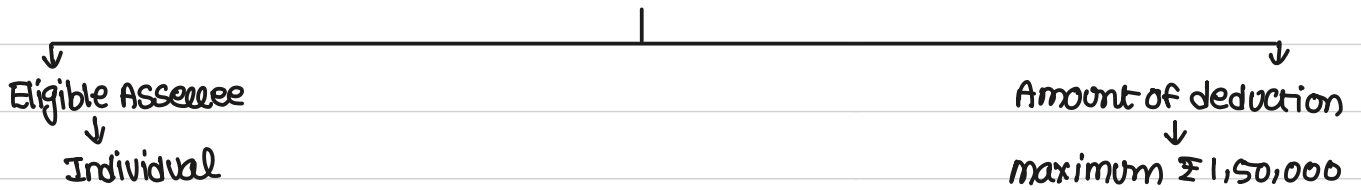
Exempt u/s 10(10D)  
(conditions)

→ If policy issued before 1/4/12	a) Premium Paid (or) b) 20% of Sum assured value
→ If policy issued on/after 1/4/12	a) Premium Paid (or) b) 10% of Sum assured value
→ If policy issued on/after 1/4/13 for persons with disability (or) person suffering from specified diseases	a) Premium Paid (or) b) 15% of Sum assured value

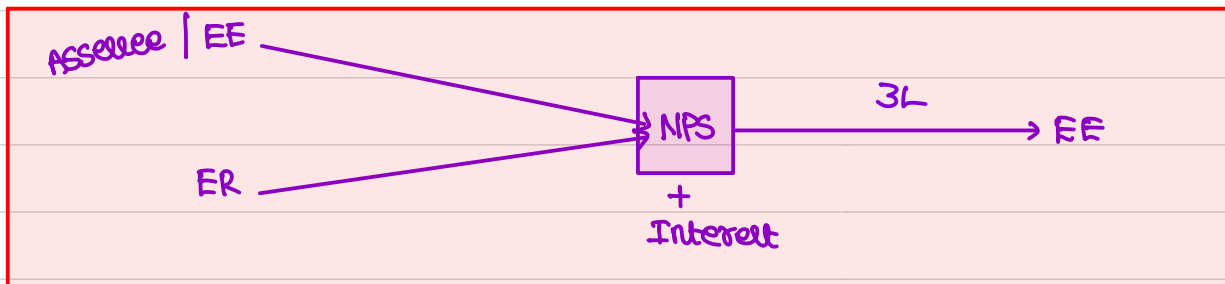
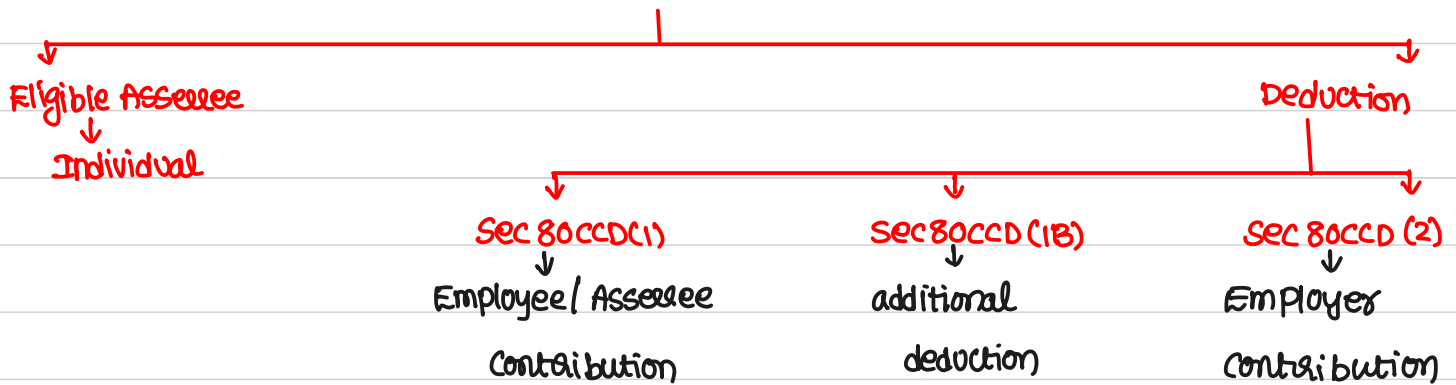


2. Amount deposited in **PPF**  
(in the Name of self, spouse, children / Any member of HUF)
3. Employee contributions to SPF, RPF ~~URPF~~
4. Repayment of Housing loan (Banks/FI) including stamp duty, registration fee etc.,
5. Deposit in Notified Bonds of "NABARD".
6. deposit in "senior citizen savings scheme"
7. Fixed deposit with scheduled bank for "syecals"
8. Tuition Fees paid for Education of children.  
(max 2 children + full time Education in India)
9. Contribution ULIP (unit linked Insurance policy)
10. deposit in "Sukanya samridhi scheme"
11. Deposit in Notified units of MF (or) UTI.
12. Contribution to Super Annuation fund.
13. Subscription to certain equity shares / debentures
14. Investment in Syecal post office time deposit
15. Contribution to National Housing bank (Tax saving) Term deposit.

18) Sec 80CC: Deduction w.r.t contribution to Pension fund of LIC



19) Sec 80CCD: Deduction w.r.t contribution to pension scheme of C/ National pension scheme (NPS)



Sec 80CCD(1)

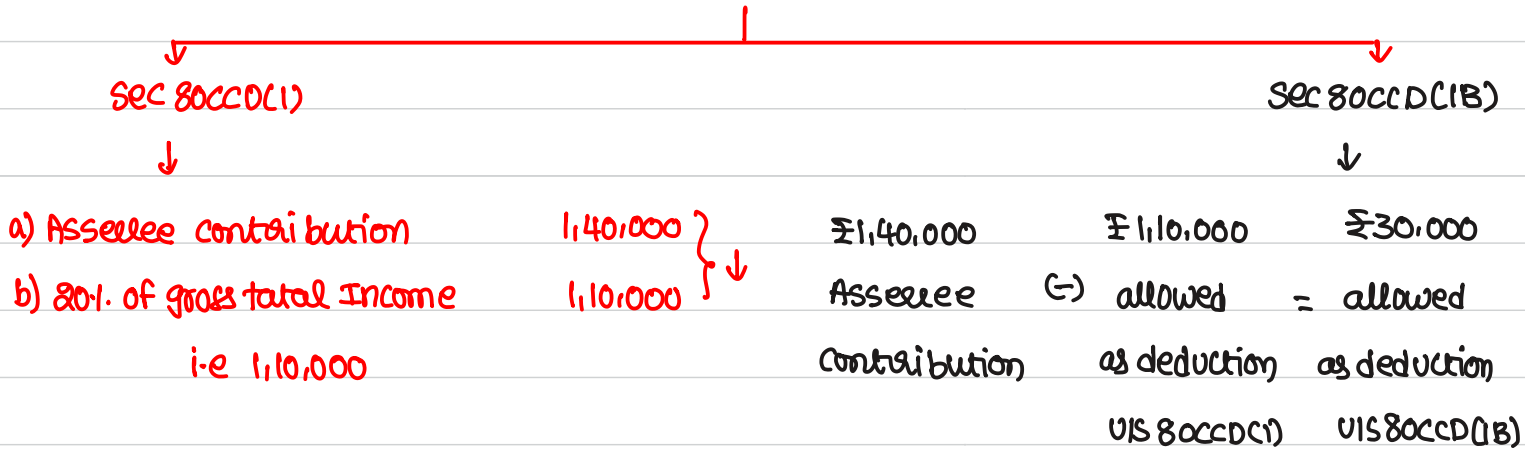


Salary = Basic Salary + DA (Terms of employment) (FPRB)

Example

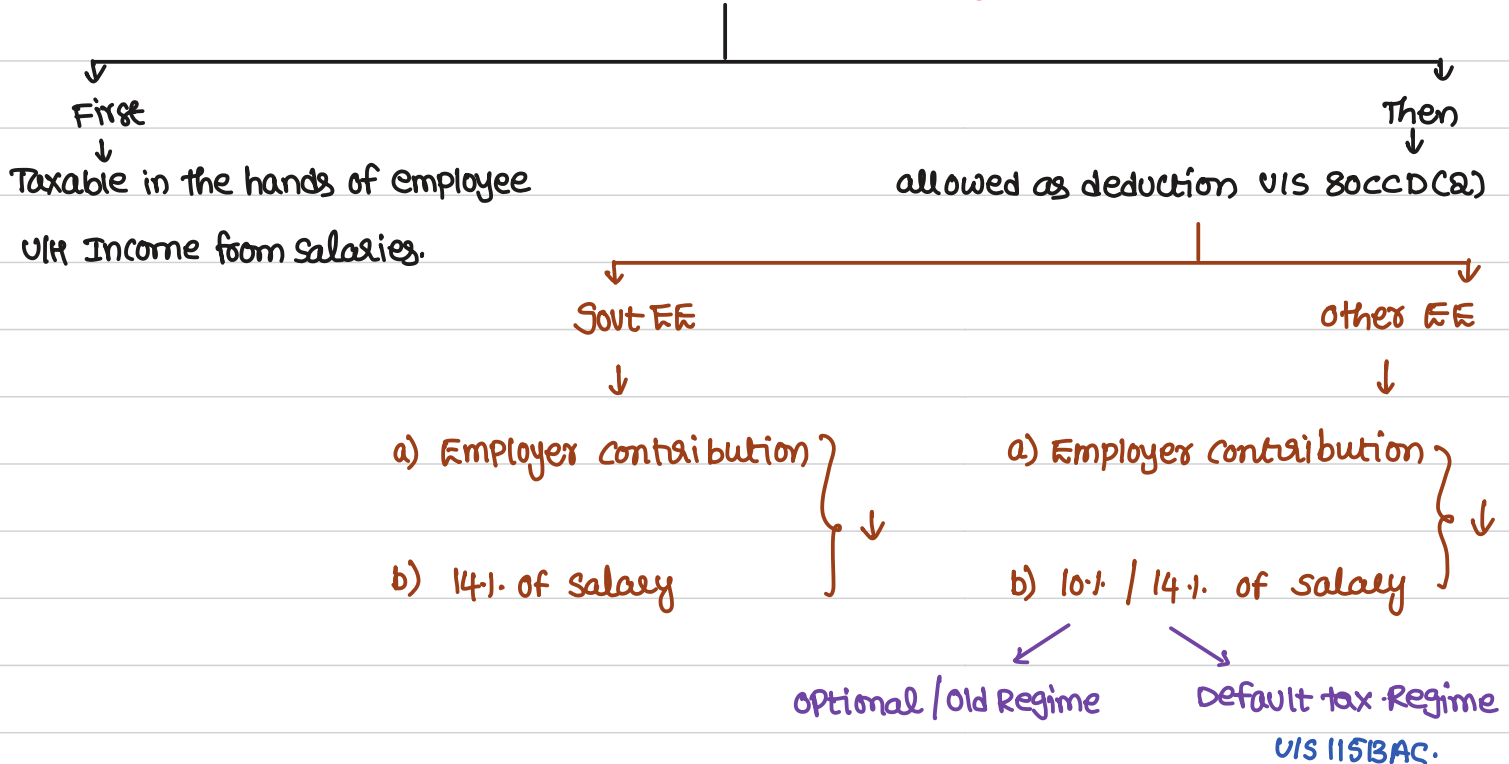
Assessee contribution = ₹1,40,000 to NPS

Gross total Income = ₹5,50,000



\* Additional contribution upto ₹50,000 shall be allowed as deduction other than covered VIS 80CCD(1).

**Sec 80CCD(2) [Employer Contribution]**



### Deduction for contribution Made to NPS Vatsalya scheme :

- i) NPS vatsalya scheme designed for minor Indian citizen upto the Age of 18y.
- ii) The Account will be opened & operated by Parent / Guardian on behalf the minor.
- iii) Deduction vis 80CCD(1B) is allowed for Any Amount deposited in the NPS vatsalya A/c of minor by Assessee (parent / guardian).
- iv) However Aggregate deduction vis 80CCD(1B) shall not exceed ₹ 50,000.
- v) When minor attaining the age of 18 years, the account will continue to be operational & will be shifted into a NPS Tier - I Account.

### Exemption on payment from NPS to an Assessee (parent / guardian) - partial withdrawal (Sec 10(12BA))

payments made to an parent / guardian under NPS for partial withdrawal are exempt from tax to the extent of 25% of contributions made by them.

Note:

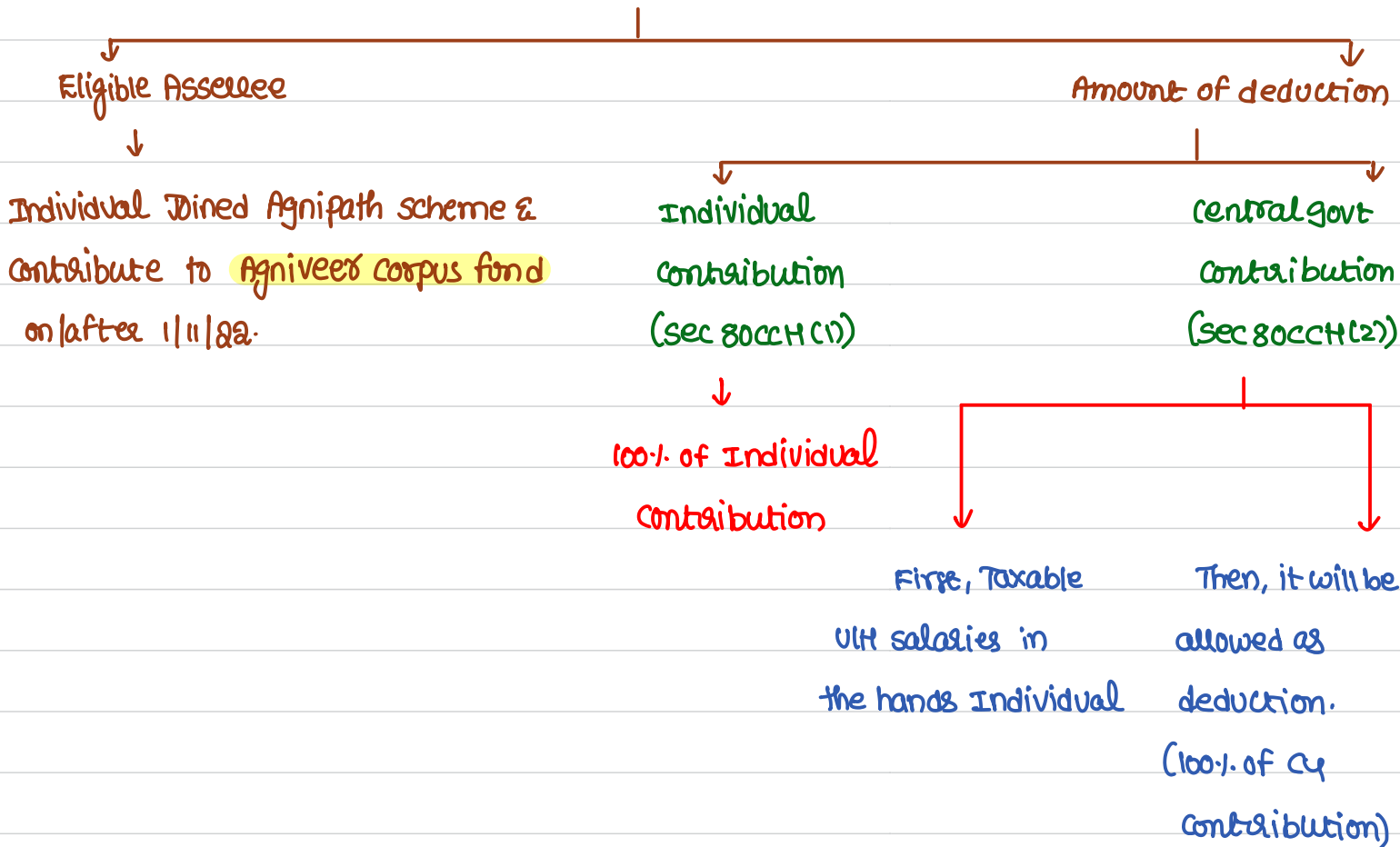
1. Exemption on closure / opting out from NPS [sec 10(12A)]

60% of total Amount payable to him at the time of closure shall be exempt from tax.

2. Exemption on partial withdrawal from NPS [sec 10(12B)]

payments made to an employee under NPS for partial withdrawal are exempt from tax to the extent of 25% of employees contribution made.

20) sec 80CCH: Contribution to Agnipath scheme



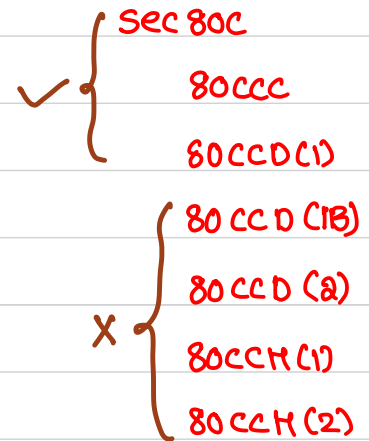
Note:

1. Any Amount Received by Assessee / nominee from Agniveer corpus fund is exempt from tax.

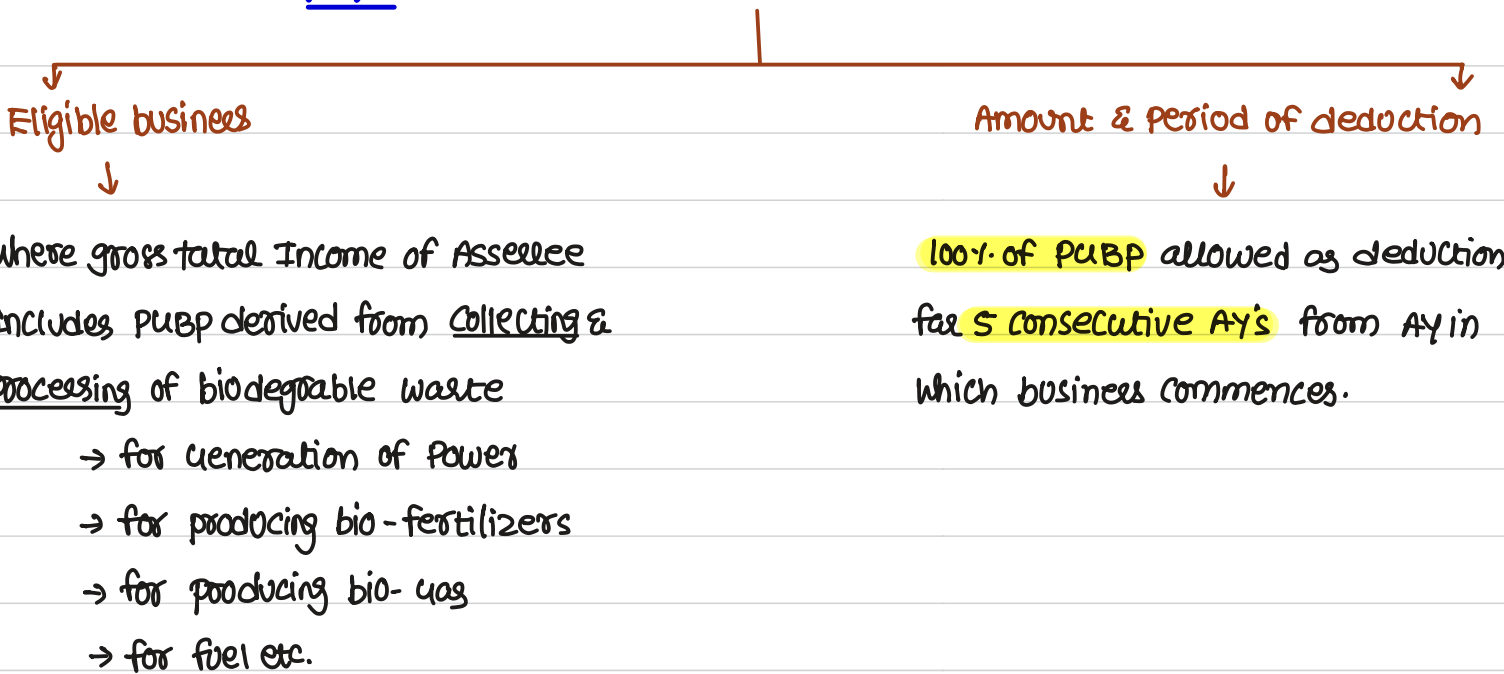
2. As per Agniveer scheme, 30% of monthly package should be contributed to Agniveer corpus fund by Assessee and central govt will also contribute same amount.

a1) SEC 80CCE: Overall amount of deduction

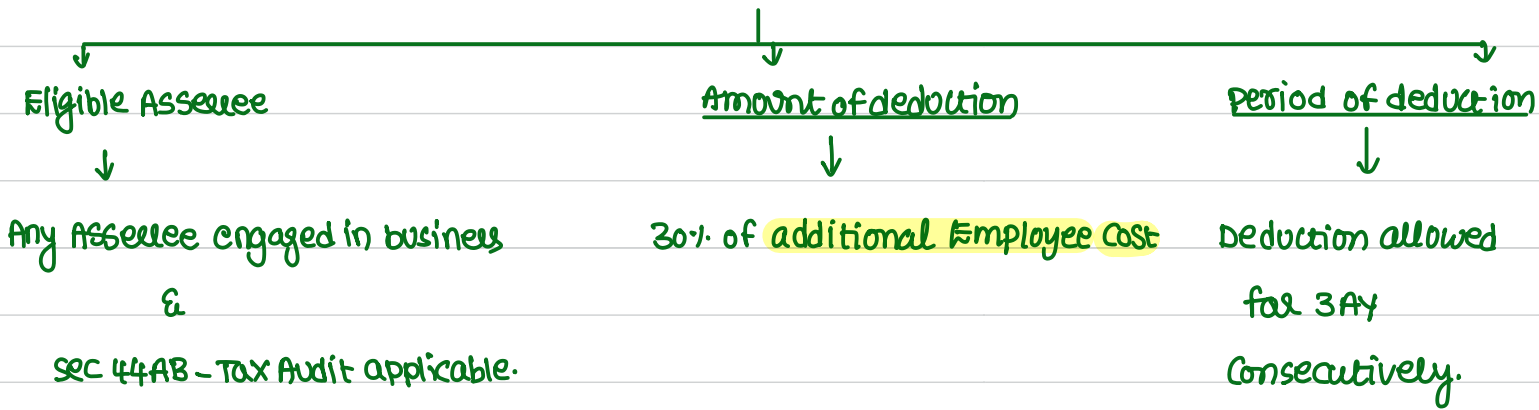
$$\text{SEC 80C} + \text{SEC 80CCC} + \text{SEC 80CCDC(1)} = ₹1,50,000$$



a2) SEC 80JJA: deduction wrt PGBP of collecting & processing of bio-degradable waste

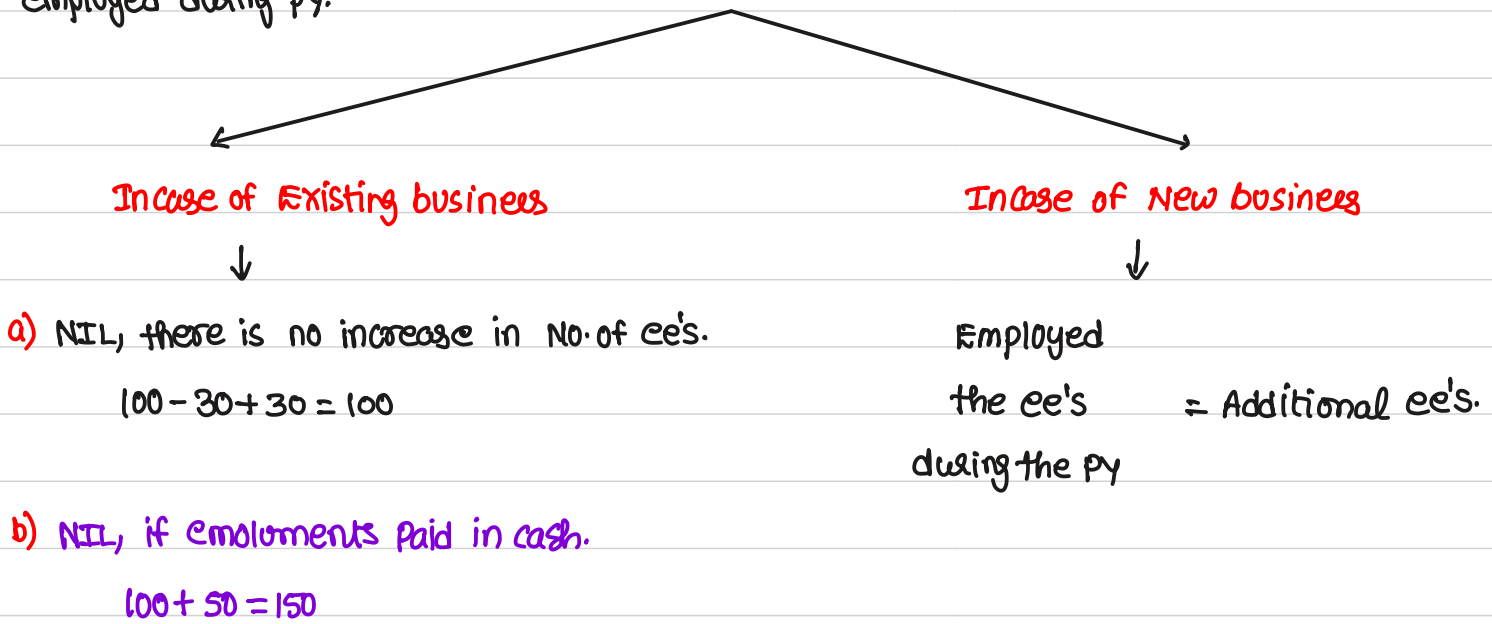


Q3) Sec 80TTAA: Deduction wrt employment of additional employees

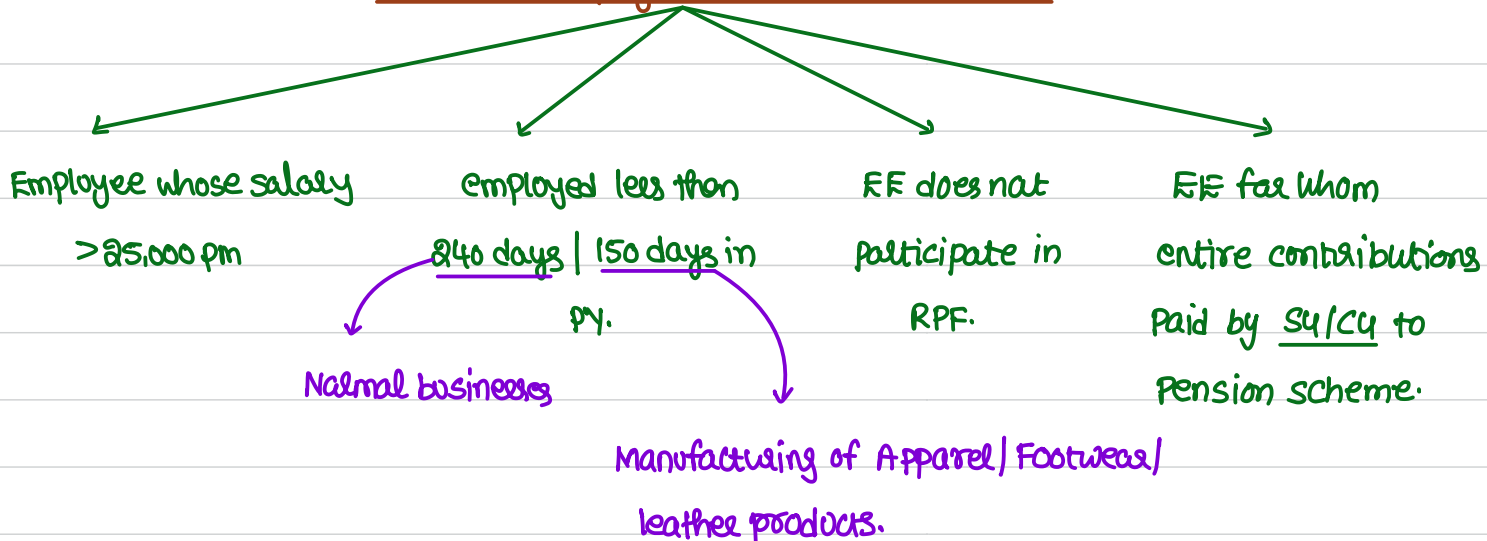


Additional employee cost

means Total emoulements paid / payable to additional ee's employed during py.



Additional employee cost does not include



PY 25-26

If Any EF is employed  
less than 240/150 days



not treated as additional ee  
for PY 25-26

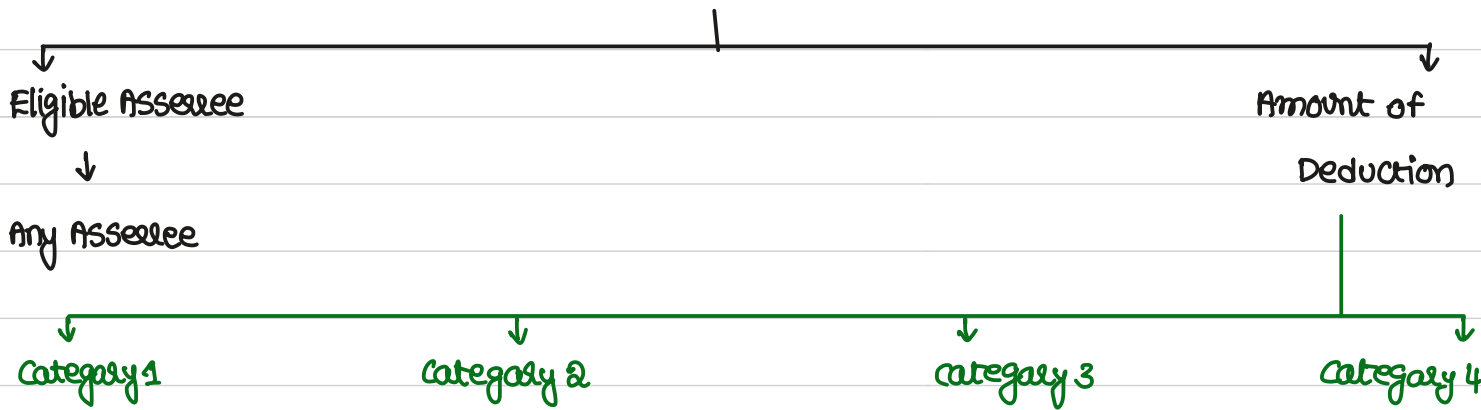
PY 26-27

treated as additional ee  
(Deemed provision)



we can get deduction  
U/S 80JAA.

24) Sec 80C: Deduction w.r.t Donation



EX:

- |  |   |   |   |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>→ prime minister National Relief fund</li> <li>→ National children fund</li> <li>→ Swatch bharath kosh</li> <li>→ National defence fund</li> <li>→ PM coles fund (etc)</li> </ul> <p>[Refer CMA Inter - SM]</p> <p>100% of donation allowed as deduction. (without any limit)</p> | <p>→ prime minister drought Relief fund</p> <p>50% of donation allowed as deduction (without any limit)</p> | <ul style="list-style-type: none"> <li>→ tax promotion of family planning</li> <li>→ Donation by co tax part (or) Indian olympic Association</li> </ul> <p>100% of Qualifying Amount.</p> | <ul style="list-style-type: none"> <li>→ tax charitable Purpose</li> <li>→ tax minority community</li> <li>→ tax housing accommodation</li> </ul> <p>50% of Qualifying Amount</p> |
|--|---|---|---|

### Qualifying Amount:

- a) Amount of Donation  
(or)  
b) 10% of Adjusted total Income (ATI)
- } ↓

### Adjusted Total Income (ATI)

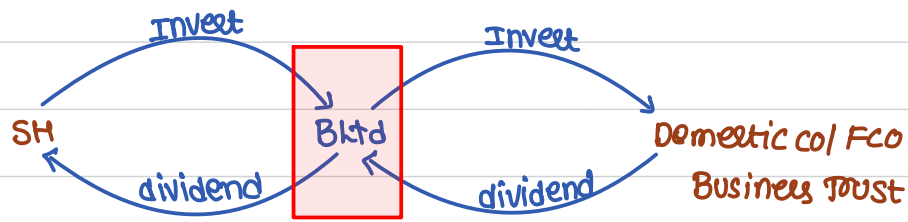
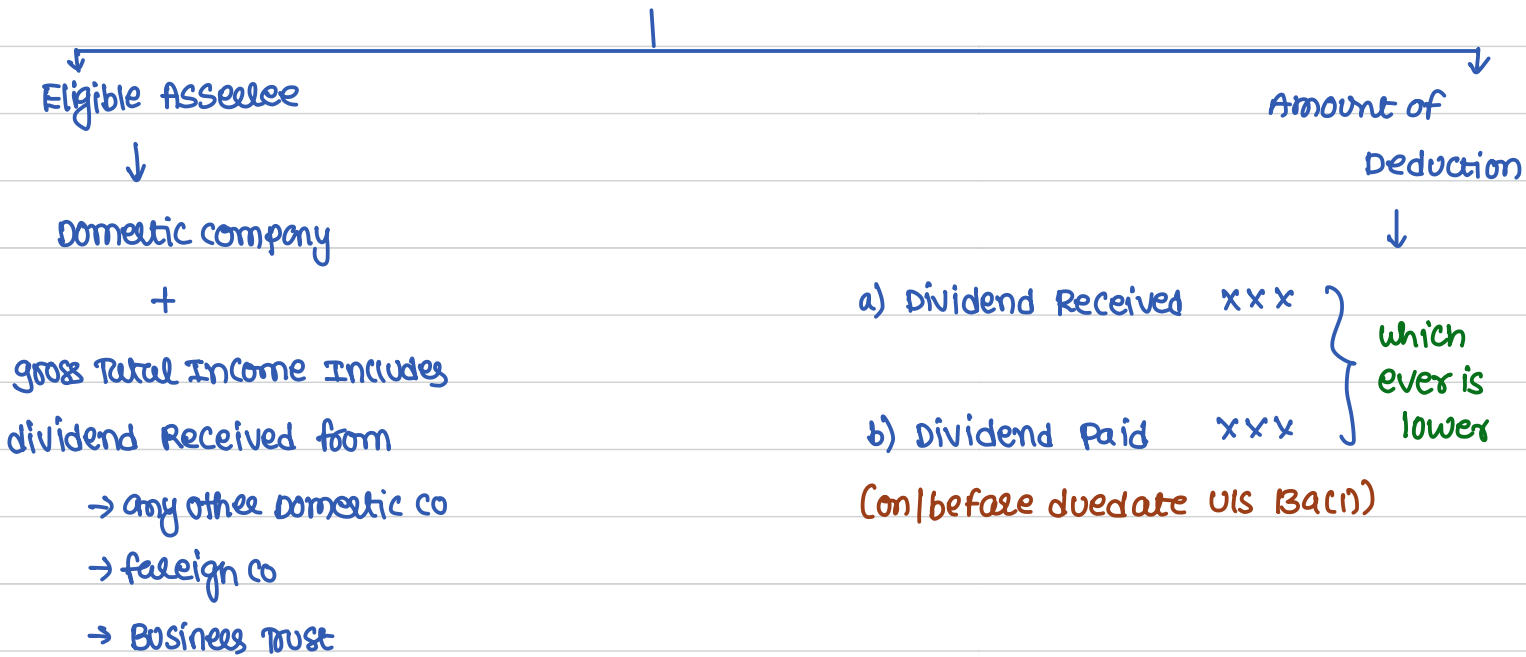
Gross Total Income	xxx
<u>Less</u> Chapter VIIA deductions (Except sec 80G)	(xxx)
<u>Less</u> Capital gains u/s IIIA	} (xxx)
IIA	
IIIA	
ATI →	<u>xxx</u>

While allocating limit of 10% of ATI, first preference should be given to category 3.

### Notes

1. Donation in kind is not eligible for deduction
2. Cash donation upto ₹8000 shall be considered for deduction.

25) sec 80M: Deduction wrt Inter corporate dividends



26) sec 80P: Deduction wrt Income of cooperative Societies



87) Sec 80IA: Deduction wrt PGBP Income of undertaking / Enterprise Engaged in Infrastructure development

↳ Road, bridge, post, Airport (etc)

Deduction

1) a Road including toll Road, bridge (or) Rail systems

For All other infrastructural developments

2) a highway projects

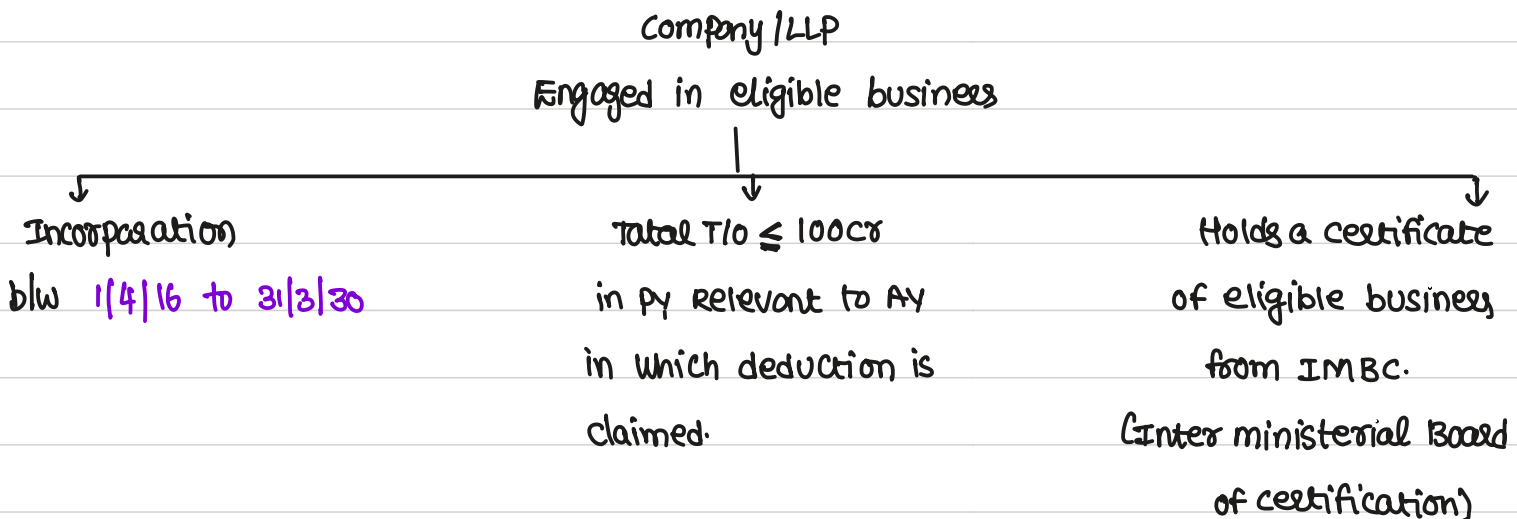
Deduction @ 100% of PGBP for 10 consecutive AY's out of 15 years beginning from starting of business

3) a water supply project

Deduction @ 100% of PGBP for 10 consecutive AY's out of 80 years beginning from starting of business

88) Sec 80IAC: Deduction wrt PGBP of an eligible startup from eligible business

\* Meaning of eligible start up:



Amount of deduction:

100% of PUBP allowed for 3 consecutive AY out of 10 years beginning from the year in which the eligible startup is incorporated.

## 29) sec 80IF: Deduction wrt undertakings in North Eastern States



## 30) sec 80LA: Deduction wrt certain incomes of offshore banking unit and IFSC

### a) Eligible Assessee:

- a scheduled bank having an offshore banking unit in SEZ.
- Any bank, incorporated in India & having an offshore banking unit in SEZ
- a unit of IFSC.

b) Quantum & period of deductionEligible Assessee

- 1) A scheduled bank having offshore Banking unit in SEZ.
- 2) A bank incorporated in India, having offshore banking unit in SEZ
- 3) A unit of IFSC.

Quantum & period of deduction

100% of such income for 5 consecutive AY. There after, 50% of such income for next 5 consecutive years.

Wef AY 23-24, 100% of such income for next 5 consecutive years  
(Enhanced from 50% to 100%)

→ 100% of such income for any 10 consecutive AY out of 15 AY's.

## Comparative Analysis

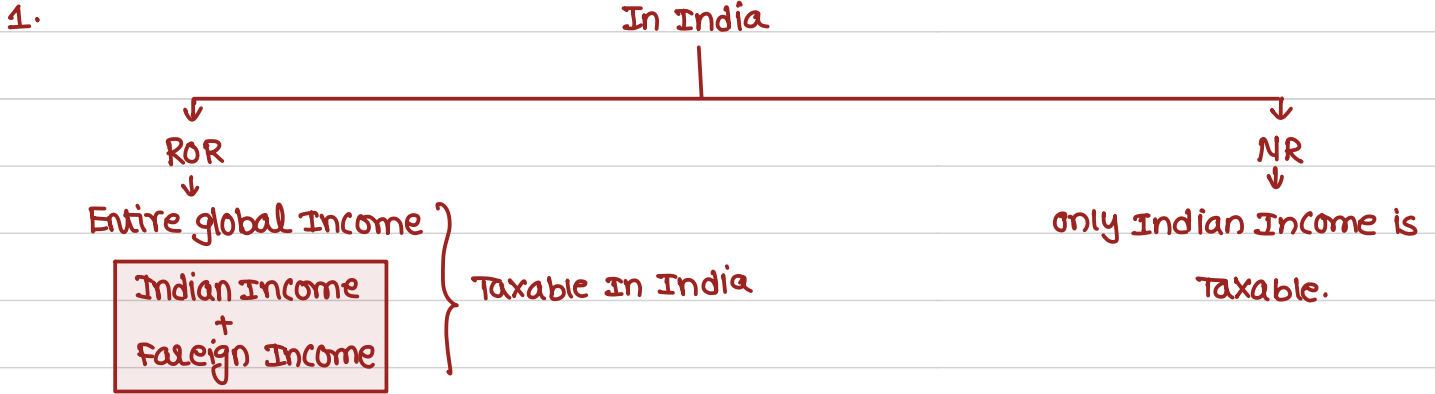
Section NO	Normal Tax / optional old tax Regime	Sec 115BAC Sec 115BA/BAA/BAB <u>Sec 115BAD/BAE</u>
1. Sec 80C	✓	X
2. Sec 80CCC	✓	X
3. Sec 80CCD		
+ Sec 80CCD(1)	✓	X
+ Sec 80CCD(1B)	✓	X
+ Sec 80CCD(2)	✓	✓
	additional deduction & Nps Vatsalya A/c	
4. Sec 80CCH		
+ Sec 80CCH(1) - Individual contribution	✓	X
+ Sec 80CCH(2) - C4 govt contribution	✓	✓
5. Sec 80D	✓	X
6. Sec 80DD	✓	X
7. Sec 80DDB	✓	X
8. Sec 80E	✓	X
9. Sec 80EE	✓	X
10. Sec 80EEA	✓	X
11. Sec 80EEB	✓	X
12. Sec 80U	✓	X
13. Sec 80U4	✓	X
14. Sec 80U4A	✓	X
15. Sec 80U4B	✓	X
16. Sec 80U4C	✓	X

17. SEC 80JTA	✓	✗
18. SEC 80JTA A	✓	✓
19. SEC 80QRB	✓	✗
20. SEC 80RRB	✓	✗
21. SEC 80TTA	✓	✗
22. SEC 80TTB	✓	✗
23. SEC 80U	✓	✗
24. SEC 80IA to 80IF	✓	✗
25. SEC 80M	✓	✓
26. SEC 80LA	✓	✓
27. SEC 80P	✓	✗



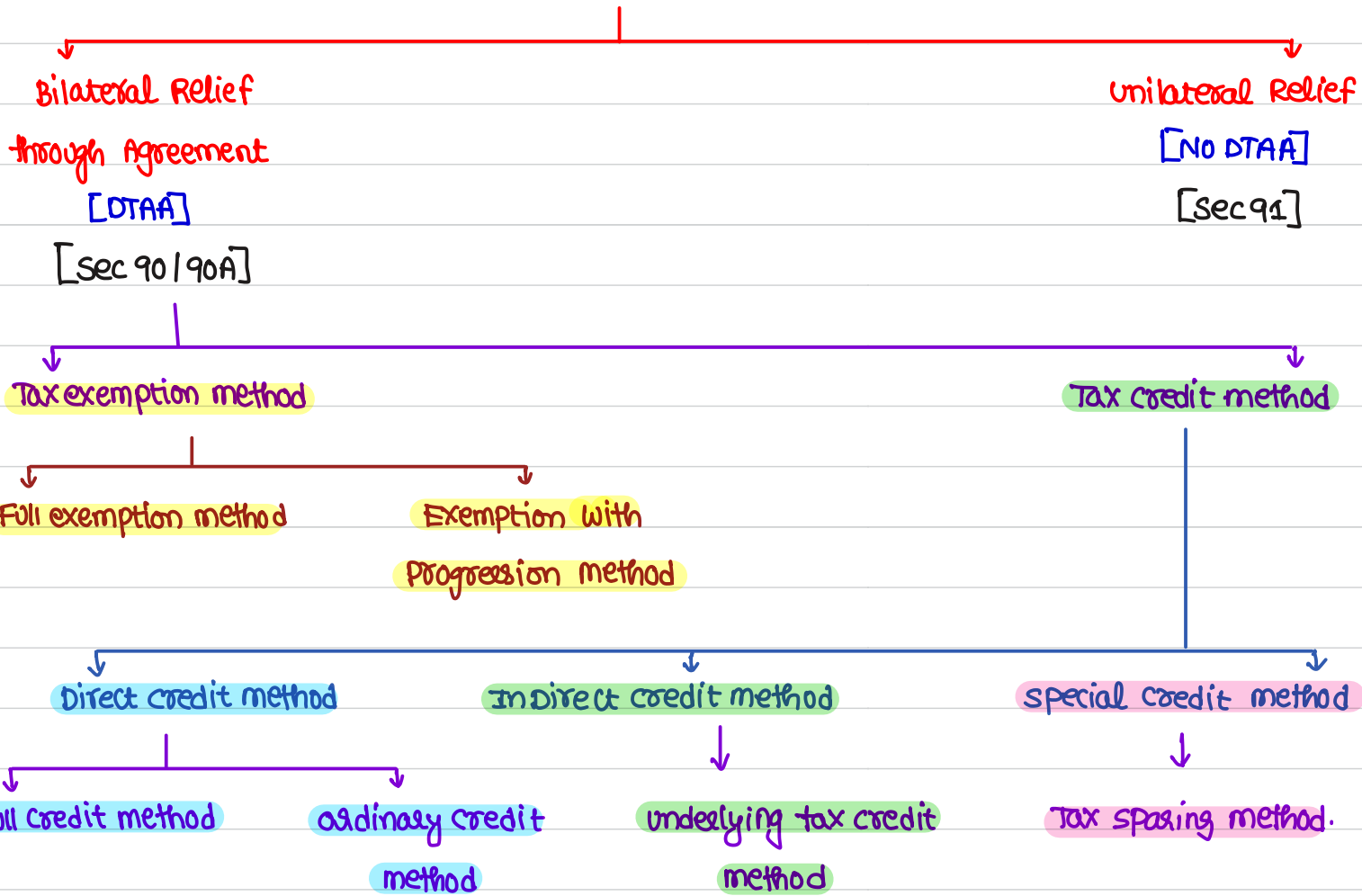
# DTAA

[Double Taxation Avoidance Agreement]



Here double taxed Income will be ₹2cr

Relief



Sec 90



Sec 90A



\*) Tax exemption method:

## Full exemption method



→ Resident country give up it's Right to collect tax on F.Income.

→ source country have an exclusive Right to collect tax on such Income.

## Exemption with progression



Here, income from source country considered by Resident Country only for Rate purpose.

Example 1

Mrs. P, a Resident has earned the following Incomes for the year 25-26

i) Income from HP in India but Received in UK ₹7,00,000 I.I

ii) Royalty on patents outside India ₹5,00,000 FI

iii) Past untaxed Income brought into India ₹2,00,000 NT

Tax paid on i, ii, iii above incomes ₹90,000, ₹75,000 & ₹20,000 respectively.

calculate Tax liability & Relief under tax exemption method (Full)?

[Normal/old/optional Tax Rates]

Ans calculation of Tax liability under tax exemption method (Full)

<u>Particulars</u>	<u>Amount</u>
Income from HP	7,00,000
IFOS	-
	<hr/>
Total Income	7,00,000
Tax liability	54,600
$[2.5L \times 5.1. + 2L \times 20.1.] + 4.1.$	

Example 2

ABC Ltd, Indian Company

Income from Indian Sources = 75L

Income from foreign Sources = 35L

✓ Relief - available as per Exemption with progression method

✓ Tax liability after Relief?

<u>Particulars</u>	<u>Amount</u>
Income from India	75,00,000
Income from F. Country	<u>35,00,000</u>
Total Income	1,10,00,000

Tax liability

Income Tax @ 30%	33,00,000	
<u>add: surcharge @ 7%</u>	<u>2,31,000</u>	
	35,31,000	
<u>add: H&amp;EC @ 4%</u>	<u>1,41,240</u>	
		36,72,240
less: Relief [35,00,000 x 33.384%]		<u>(11,68,440)</u>
Tax liability after Relief		25,03,800

Average Tax Rate	$\left[ \frac{36,72,240}{1,10,00,000} \times 100 \right]$	33.384%
------------------	---	---------

Shortcut  $\longrightarrow$  effectively

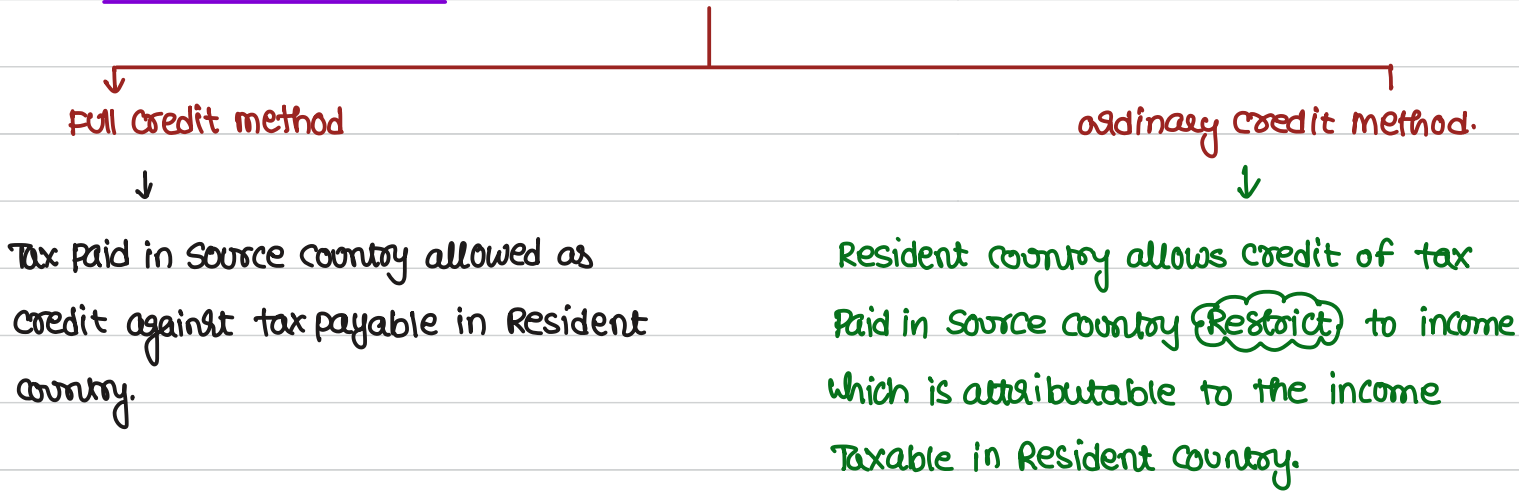
$$75L \times [30\% + 7\% + 4\%]$$

$$75L \times 33.384\%$$

$$= 25,03,800$$

\* Tax Credit Method:

a) Direct Credit method:



Example 3

- Mr Ramesh, Resident of India & employee of X Ltd.
- he went on 3 months assignment to Country Y.
- his total salary for the year ₹ 18 Lakhs, which includes salary in Country Y ₹ 6 lakhs, which was taxed @ 25% without BEL

Compute tax liability of Mr Ramesh under full credit method & ordinary credit method? Assume, he opted sec 115BAC.

ANS computation of tax liability of Mr Ramesh for AY 26-27

<u>Particulars</u>	<u>Amount</u>	
	<u>India</u>	<u>Country Y</u>
Total Income	18,00,000	6,00,000
Tax Rates	115BAC	@ 25%

Tax liability before relief

0 - 4L	NIL	NIL
4L - 8L	5%	20,000
8L - 12L	10%	40,000
12L - 16L	15%	60,000
16L - 18L	20%	<u>40,000</u>
		1,60,000
(+) H&EC @ 4%		<u>6400</u>

1,66,400

1,50,000

(a) Full credit method

Tax payable in India	1,66,400
<u>Less Tax paid in Country Y</u>	<u>(1,50,000)</u>
	<u>16,400</u>

(b) Ordinary credit method

Tax payable in India 1,66,400

Less lower of the following

1) 1,50,000

2)  $\frac{1,66,400}{18,00,000} \times 6,00,000$  } ↓ (55,467)

9.24% i.e 55,467

---

1,10,933

$$\text{Average Tax Rate} = \frac{1,66,400}{18,00,000} \times 100 = 9.24\%$$

## Example 3.1

Mr. P, a Resident has earned the following Incomes for the year 25-26

- i) Income from HP in India but Received in UK ₹7,00,000 I.I
- ii) Royalty on Patents outside India ₹5,00,000 FI
- iii) Past untaxed Income brought into India ₹2,00,000 NT

Tax paid on i, ii, iii above incomes ₹90,000, ₹75,000 & ₹20,000 respectively.

calculate Tax liability & Relief under tax credit method?

[Normal/old/optional Tax Rates]

Ans computation of Tax liability of Mr P for AY 26-27

<u>Particulars</u>	<u>Amount</u>
Income from House property	7,00,000
Income from other sources	<u>5,00,000</u>
Total Income	12,00,000

Tax liability before Relief

0-25%	-	-	
25%-50%	5%	12,500	
50%-100%	20%	1,00,000	
2L	30%	<u>60,000</u>	
		1,72,500	
(+) R&EC @4%		<u>6900</u>	1,79,400

a) full credit method

Tax payable in India before Relief	1,79,400
<u>Less</u> Credit under full credit method.	<u>(75,000)</u>
	<u>1,04,400</u>

b) ordinary credit method

Tax payable in India before Relief

1,79,400

Less credit as per ordinary credit method

lower of

a) 75,000

(or)

b)  $\frac{1,79,400}{12,00,000} \times 5,00,000$  i.e 74,750

} ↓

(74,750)

---

 1,04,650

b) special credit method:

Tax sparing method

Residence country allows credit for deemed tax paid on income earned in source country. (That income is not taxable in source country)

Example 4

- AKtd, the parent company being located in "country x" has a branch in "country y".
- Branch earned the profit ₹10,00,000
- "Country x" taxes resident on global incomes @30%.
- Tax Rate in "country y" is 25%. However, a measure to provide promote economic development there in (like SEZ) "country y" is not levying any tax.
- DTAA B/w Country x & y has "Tax sparing method"

Compute tax sparing if branch operating in a SEZ Area and is not tax in country y?

Ans Computation of Tax liability of AKtd

<u>Particulars</u>	<u>Parent</u> <u>Country X</u> Tax @ 30%	<u>Branch</u> <u>Country Y</u> Tax @ 25%
Total Income	10,00,000	10,00,000
Tax liability before Relief	3,00,000	0

<u>Less:</u> Relief as per tax sparing method.	(2,50,000)
[10,00,000 X 25%]	_____
Tax Payable	<u>50,000</u>

C) Indirect Tax Credit method

Underlying Tax Credit method

Credit Allowed to Resident <sup>15K</sup> (not only) for taxes withheld against dividend income <sup>2.5L</sup> but also for taxes paid on <sup>10L</sup> underlying profits out of which dividend is paid by company in the overseas jurisdiction.

Economic double Taxation

vs

Judicial double Taxation

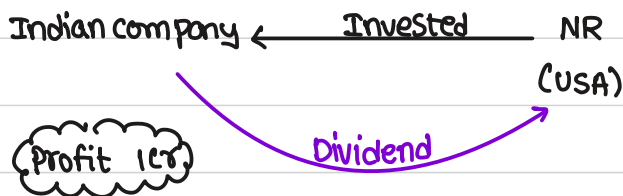


Same income taxed in two (or) more countries but in the hands of different tax payers.



Two (or) more countries levy taxes on same income in the hands of same person.

Ex



In India - Taxable  
1cr

In USA - Taxable  
1cr

Business profits & dividend is taxed in different countries.



by using Mutual Agreement procedure (MAP) only we can provide relief to Economic double taxation.

Example 5

Aktd parent co being located in "Country X" has subsidiary Bktd in "Country Y"

- Bktd out of its profits of ₹10,00,000 paid dividend to Aktđ ₹1,00,000
- other Income of Aktđ ₹11,00,000
- Dividend withholding tax Rates in Country Y is - 15%
- Tax Rate in Country Y is 25% & in Country X it is 30%

OTAA b/w Country X & Y has an underlying tax credit method?

Ans

Computation of Tax liability

<u>particulars</u>	<u>Aktđ</u>		<u>Bktđ</u>	
	<u>Country X</u>		<u>Country Y</u>	
	<u>@30%</u>		<u>@25%</u>	
Total Income	(11L+1L)	12,00,000		10,00,000
Tax liability before Relief		3,60,000		2,50,000
<u>Less</u>				
a) Tax credit for withholding Tax		(15,000)		
b) Relief as per underlying tax credit method		(2,50,000)		
Tax payable after Relief		<u>95,000</u>		<u>2,50,000</u>

## Unilateral Relief

### Sec 91

[NO DTAA]

#### Conditions:

1. Assessee must be Resident In India.
2. Income derived from foreign country
3. Tax also paid / deducted in foreign country
4. There is No DTAA.

#### How to calculate Relief vis 91:

Step 1: compute Net total Income

[I. Income + F. Income - chapter VI A deductions]

Step 2: find out gross tax [before claiming TDS/TCS, MAT/AMT credit, self Assessment Tax, Advance Tax etc but after adding surcharge & H & EC]

Step 3: Findout Average Tax Rate on NTI

$$ATR = \frac{\text{Gross Tax}}{\text{NTI}} \times 100$$

Step 4: Tax Rate applied in foreign country

$$\text{Rate} = \frac{\text{Tax in Fcountry}}{\text{F. Income}} \times 100$$

Step 5: lower of S<sub>3</sub> (or) S<sub>4</sub>

Step 6: Double taxed F-Income X Rate in step 5. } Relief is 91.

### Example 6

Amal, an individual, resident of India receives the following payments after TDS during the PY 25-26.

- |                                  |            |
|----------------------------------|------------|
| 1. professional Fees on 17/8/25  | ₹ 2,40,000 |
| 2. professional Fees on 04/03/26 | ₹ 1,60,000 |

Both the above services are rendered in Country X on which TDS of ₹ 50,000 and ₹ 30,000 respectively. He had an expenditure of ₹ 2,40,000 for earning both these receipts. His income from other sources in India is ₹ 5,00,000 and he made a payment of ₹ 70,000 towards LIC.

Compute the tax liability of Amal and also Relief vis 91. Assume Mr. Amal following Normal tax Rates i.e he opted out from default tax Regime vis 115BAC.

Ans Computation of Total Income & Tax liability of Mr. Amal for AY 26-27

<u>Particulars</u>	<u>Amount</u>
a) <u>PuBP</u>	
Income from profession in foreign (gross)	4,80,000
<u>Less: Expenses</u>	<u>(2,40,000)</u>
	2,40,000
b) <u>IFOS</u>	<u>5,00,000</u>
	7,40,000
<u>Less</u> chapter VI A deductions	

sec 80c

(70,000)

Total Income	→	6,70,000
Tax liability $[2.5L \times 5\% + 1.7L \times 20\%] + 4\%$	→	48,360
Less: Relief vis 91 $(8,40,000 \times 7.22\%)$		<u>(17,328)</u>
Tax payable		31,032
Tax payable (Rounded off)		31,030

$$a) \text{ Indian Average Tax Rate} = \frac{48,360}{6,70,000} \times 100 = 7.22\%$$

$$b) \text{ Foreign Average Tax Rate} = \frac{80,000}{480,000} \times 100 = 16.67\%$$

lower ↓

### Exchange Rates for conversion of foreign currency into Indian Rupees

[Rule 115]

a) salary income	TTBR	last day of the month immediately preceding to salary is due / paid.
b) IFHP	TTBR	last day of PY.
c) PGBP (other than NR - Shipping business)	TTBR	last day of PY.
d) NR - shipping business	TTBR	last day of month immediately preceding to income deemed to Accrue in India.

e) Capital gain	TTBR	last day of month immediately preceding to asset transferred.
f) IFOS (other than dividend / Interest on securities)	TTBR	last day of PY.
g) Dividend	TTBR	last day of month immediately preceding to dividend is declared, distributed / paid.
h) Interest on securities	TTBR	last day of month immediately preceding to interest due.
*i) Tax paid in Foreign countries	TTBR	last day of month immediately preceding to tax paid

Note: Relief u/s 91 is to be calculated on **country-wise** and not on the basis of aggregation (or) Amalgamation of income of all foreign countries.

## Permanent Establishment [PE]

### a) definition

a fixed place of business through which the business of enterprise is wholly (or) partly carried on.

#### DTAA

NR → Business Income

Taxable in India, if there is an PE.

#### Income tax Act, 1961

NR → Business Income

Taxable in India, if there is an Business connection with India.  
(sec9)

### b) PE Includes

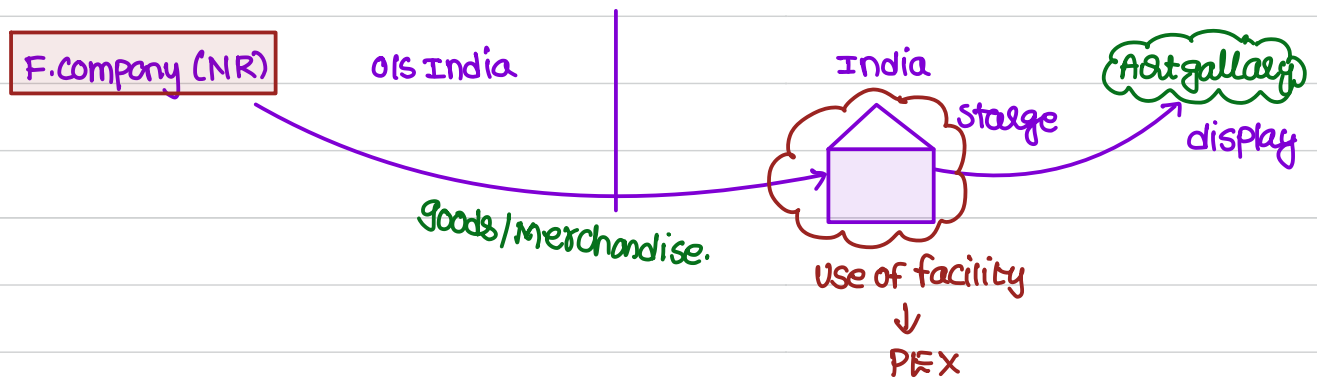
1. A branch
2. An office
3. A factory
4. A workshop
5. A sales outlet
6. A ware house
7. A mine or oil (or) gas well, a quarry (or) any other place of extraction of Natural Resources.
8. A place of management. etc.,

c) Business Income of NR will not be taxed in India, unless such NR has a PE in India.

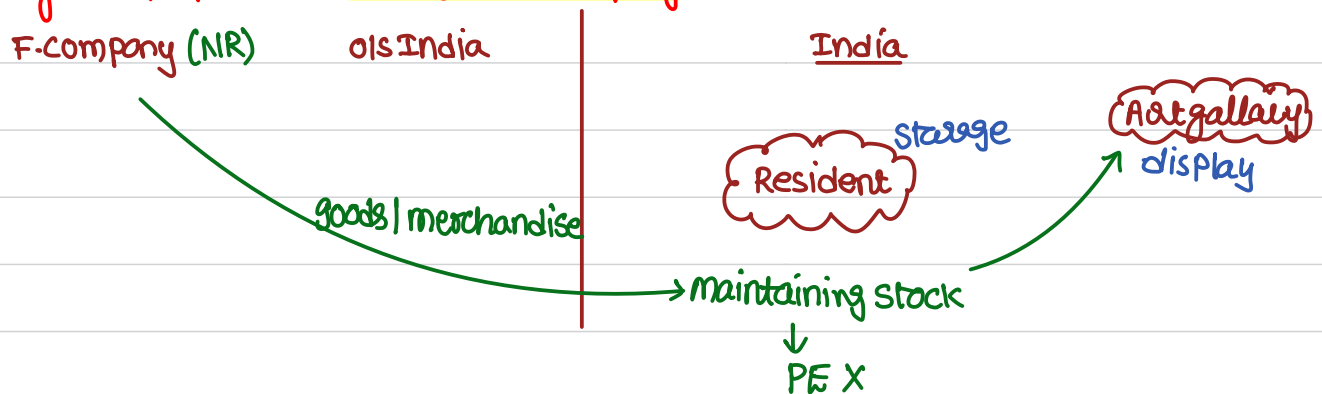
d) definition related to PE, not defined in Income Tax Act, 1961 but in Every DTAA has specific clause related to definition of PE.

e) PE Excludes:

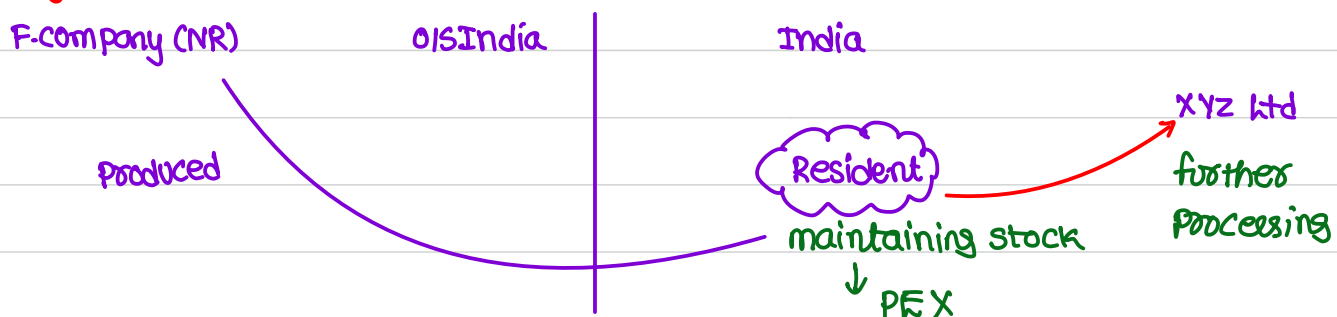
1. The use of facilities solely for the purpose of storage (or) display of goods (or) merchandise belonging to enterprise.



2. The maintenance of a stock of goods / merchandise belonging to enterprise solely for purpose of storage (or) display



3. The maintenance of stock of goods / merchandise belonging to enterprise solely for the purpose of processing by other enterprise.



4. The maintenance of fixed place of business solely for the purpose of purchasing goods (or) merchandise (or) Collection of info for enterprise
5. The maintenance of fixed place of business solely for purpose of Advertising, for the purpose of supply of info, for scientific Research, similar activities which have a preparatory (or) auxiliary nature for enterprise.  
[Liasioning office activities → PEX]

### Types of DTAA

Limited DTAA



Those are limited to certain types of incomes only

Ex: India & Pakistan related DTAA are limited to shipping & Aircraft profits only.

Comprehensive DTAA



In this DTAA, which covers almost all types of incomes.

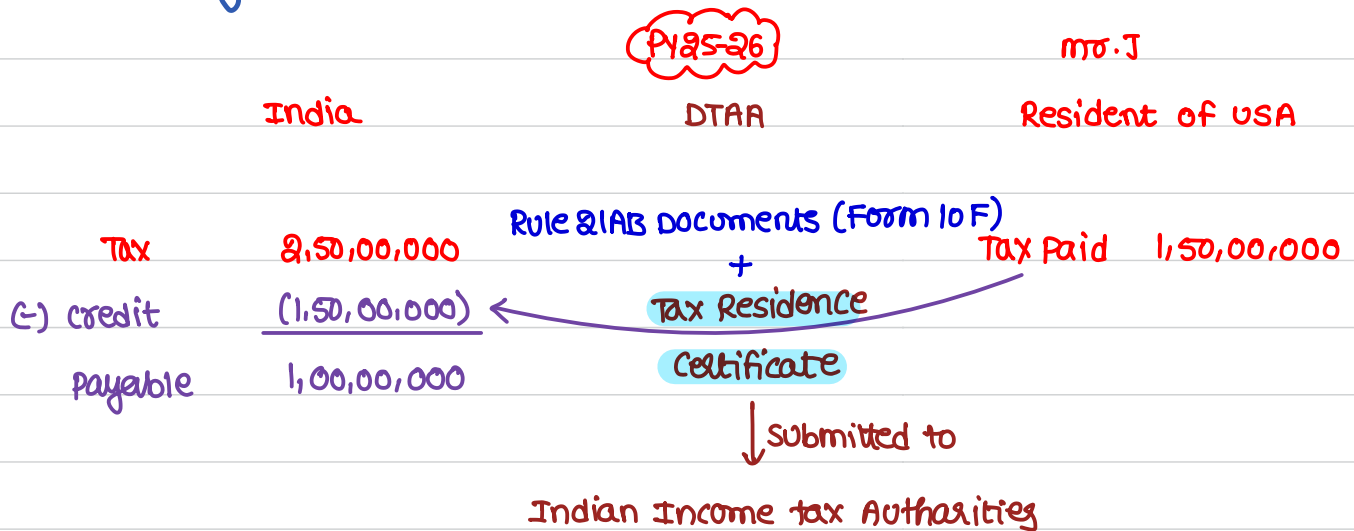
\* sec 90/90A: Agreement with foreign countries [Bilateral Relief]

sec 90 of Income tax Act, 1961 allows the Indian govt to enter into agreement foreign countries / specified territories to provide Relief / prevent double taxation

- a. Relief from double taxation.
  - b. Prevention / Avoidance of double taxation.
  - c. EXchange of Information.
  - d. Recovery of Taxes
- } Benefits of DTAA

sec 90A of Income tax Act, 1961, Any specified Association in India may enter into agreement with any specified Association of foreign country / specified territory. [Notified by central govt in official gazette].

\* Tax Residency certificate (TRC)

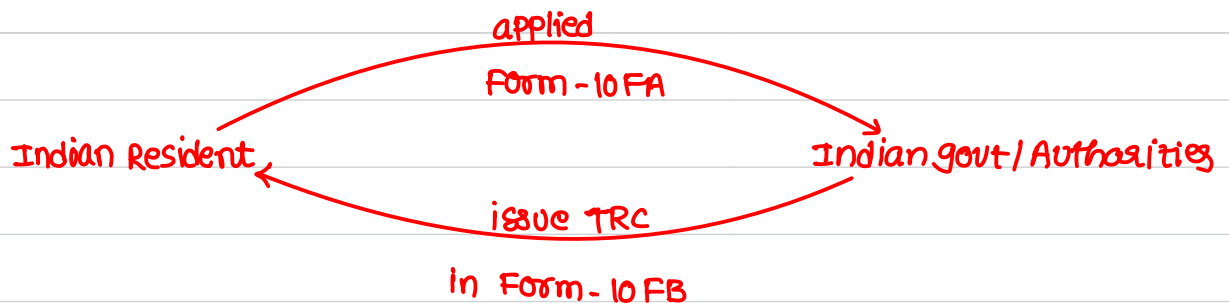


The Tax Residency Certificate (TRC) requires, Assessee who is not a Resident of India, but wishes to claim relief under double taxation Agreement must obtain certificate from the government of foreign country, where they are Resident.

Additionally, Tax payer required to submit other documents are prescribed by Income tax Authorities (prescribed in Rule 81 AB + Form No 10F)

- a) status
- b) Nationality (or) country of Incorporation
- c) Tax identification Number (TIN)
- d) period of Residential status
- e) Address.

Application for Tax Residency Certificate by Indian Residents



### Important Notes

1. provisions of DTAA (or) Income Tax Act, whichever is beneficial to Assessee shall apply.

Example: as per DTAA with foreign country, Fees for Technical services to be taxed @ 5%. where as per sec 115A of income tax Act, 1961 taxable @ 10%, then DTAA will be beneficial to Assessee.

2. In case of conflict b/w provisions of agreement & the Act, the provisions of Agreement will prevail over Act. If any matter / Income is not covered in Agreement, Income tax Act shall be applicable.

3. When **tax Rate** is determined under DTAA, we have to follow strictly without any additional taxes in the form of surcharge & H&EC etc.

4. Domestic company Foreign company

Tax Rates : 25% / 30%

Tax Rates : 35%

Surcharge Rates : 7% / 12%

Surcharge Rate : 2% / 5%

Charge of tax in respect of foreign company at a rate higher than the rate at which domestic company is taxable, shall not be regarded as less favorable charge / levy of tax in respect of foreign company.

5. If **no tax liability** is imposed under this Act, the question of **Relief** does not arise.

## Foreign Tax Credit

[Rule 128]

### Example

MRA

PY 25-26

USA

Resident of India

Indian Income = 10cr

Income = 2cr

→ Tax 36L

PY 25-26

Taxable Income	10cr + 1cr
Tax	125L
(-) FTC	<u>(18L)</u> (36L x 50%)
Payable	<u>107L</u>

PY 26-27

Taxable Income	15cr + 1cr
Tax	145L
(-) FTC	<u>(18L)</u> (36L x 50%)
Payable	<u>127L</u>

Foreign Tax Credit (FTC) allows to Indian Residents to claim credit for taxes paid in foreign country on income that has been taxed in both in India & abroad.

- a) Eligible Assessee - Indian Resident
- b) year of credit - in the year in which foreign income offered to tax in India.
- c) If foreign income taxed in india in multiple years, then FTC is required to apportion in those years in the same proportion as the income offered to tax in India.

d) No Foreign Tax Credit for Interest, Fees (or) penalty (only available w.r.t to income tax, surcharge, H&EC)

e) No credit for disputed taxes, if dispute resolved & credit can be claimed for the year in which dispute was settled.

### Documents required for getting FTC: (Form No 67)

#### 1. Income Statement

a. Statement detailing the Income from foreign country / specified territory

b. The statement should also include amount of Tax paid / deducted on such income

c. This document must be verified as per the manner specified in form 67.

#### 2. Certificate (or) Statement from Relevant Authorities

a. Certificate from tax Authority of foreign country stating that nature of income & tax paid (or) deducted.

b. Alternatively, Statement from a person responsible for deducting tax.

c. If the above documents are not available, Assessee can provide self-signed statement.

d. Supporting proof of payment i.e online payment Acknowledgment (or) Bank Challans (or) proof of deduction should be attached.

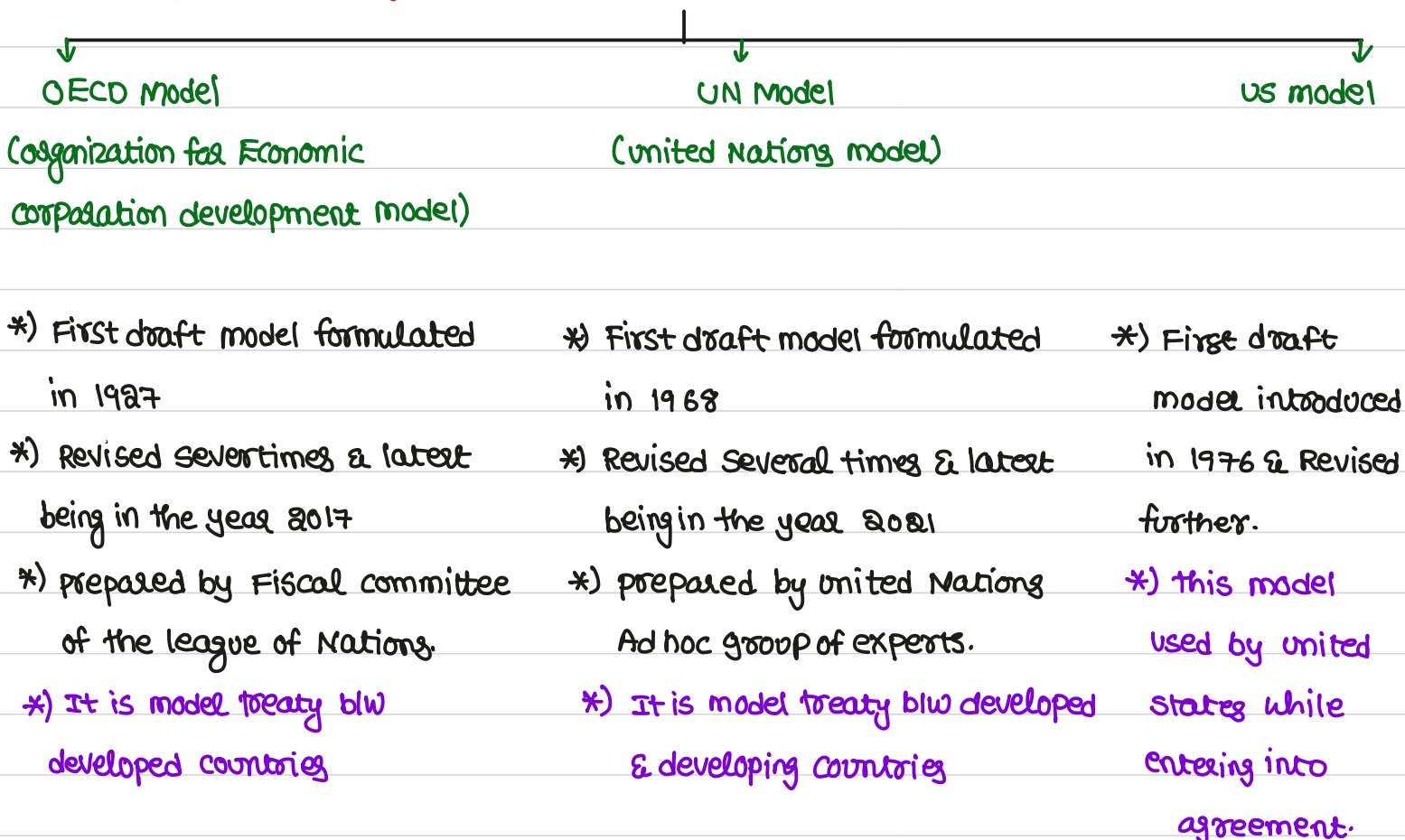
Note: Form NO 67 shall also be furnished in a case where the carry backword of losses of current year results in Refund of FTC tax which credit has been claimed in any earlier previous year/years.

## Models of DTAA

In the absence of any agreement for avoidance of Double taxation, the global business environment will be affected. Therefore, a need was felt that there must be formulated a conventions which would enable avoidance of double taxation. This led to series of model Tax Conventions by various bodies in different years.

Model tax conventions serve as starting point (standard format) for negotiation b/w two countries. Although model tax treaties are not legally binding, their language often is incorporated with only minor alterations in text of bilateral treaties.

presently, the following are model tax conventions are:



\* ) Giving importance to the  
Residence principle.

\* ) Giving importance to the  
Source principles

Resident country - Tax the foreign Income  
Source country - Gives Exemption

Resident country - Gives Exemption  
Source country - Taxable.

\* ) Most of Indian tax treaties are  
based on the UN model.

\* ) Which contains VII Chapters &  
32 Articles

\* ) Which contains VII Chapters &  
31 Articles.

Question No 11

Computation of total Income & tax liability of Mrs. Amin for AY 26-27

<u>particulars</u>	<u>Amount</u>	<u>Amount</u>
a) <u>PGBP</u>		
Income from business in India	11,00,000	
<u>Less</u> Business loss in country Y	<u>(2,50,000)</u>	8,50,000
b) <u>IFOS</u>		
Dividend Income from country X	2,00,000	
Royalty Income from country Y	6,00,000	
<u>Less</u> : Expenditure incurred for earning such Royalty Income	<u>(50,000)</u>	7,50,000
		<hr/>
	Gross Total Income	16,00,000
<u>less</u> Chapter VIA deductions		
Sec 80D- Medical Insurance premium paid on Father		<u>(30,000)</u>
	Net total Income	15,70,000
Tax liability before Relief		2,94,840
(2.5L x 5% + 5L x 20% + 5.7L x 30%) + 4%		
<u>Less</u> Relief u/s 91 (working Note)		<u>(76,340)</u>
	Tax liability	<u>2,18,500</u>

Working Note:ParticularsAmounta) Country X

Indian average Tax Rate  $\frac{2,94,840}{15,70,000} \times 100$  i.e 18.78% }  
 Country X Average Tax Rate i.e 10% }  $\downarrow$  10%

Relief u/s 91 w.r.t Country X ( $2,00,000 \times 10\%$ )20,000b) Country Y

Indian average Tax Rate  $\frac{2,94,840}{15,70,000} \times 100$  i.e 18.78% }  
 Country Y Average Tax Rate i.e 25% }  $\downarrow$  18.78%

Relief u/s 91 w.r.t Country Y ( $3,00,000 \times 18.78\%$ )56,34076,340

RPY Q5-Q6

B<sub>1</sub> 162 days (or) more (or)  
RPY

$$30 + 31 + 31 + 30 + 31 + 30 + 31 + 31 + 28 + 31$$

304

Satisfied

B<sub>2</sub>  
304  
60 days (or) more  
+  
365 days (or) more  
4 IPRPY

py 24-25 -  
23-24 -  
22-23 -  
21-22 365

not satisfied.

A<sub>1</sub>

2 Resident

10 IPRPY

Satisfied.

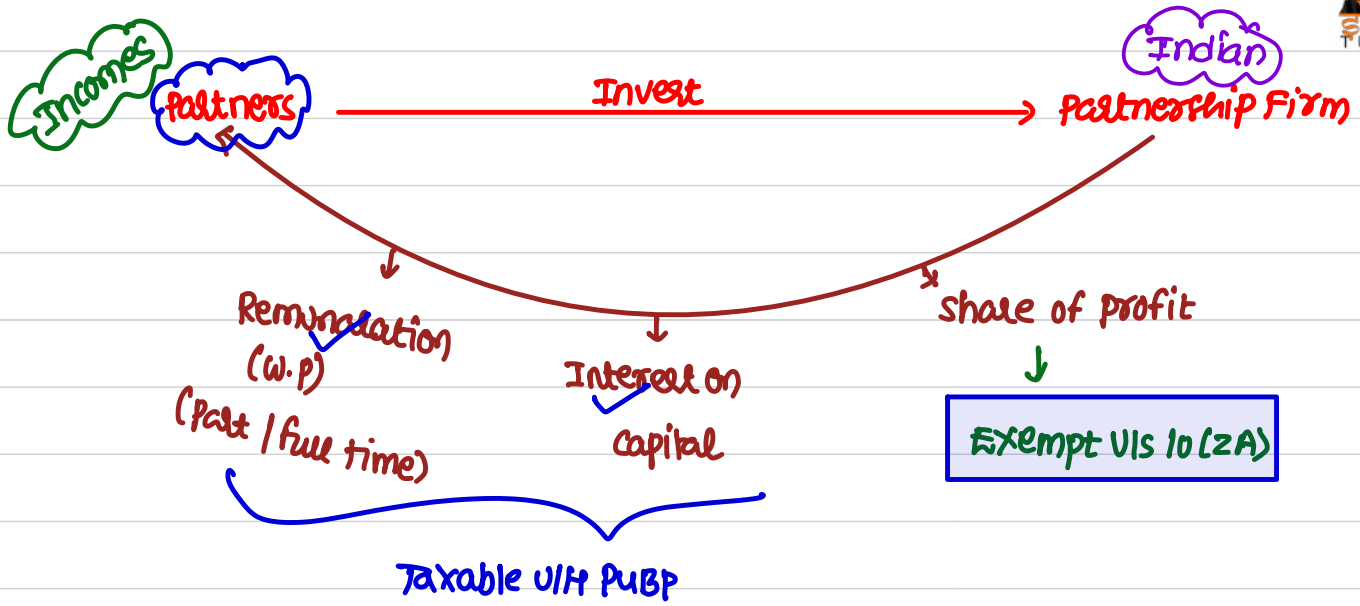
Q

A<sub>2</sub>

730 Stay

7 IPRPY

Satisfied.



IFHP

→ Tax planning

Normal Tax Rates

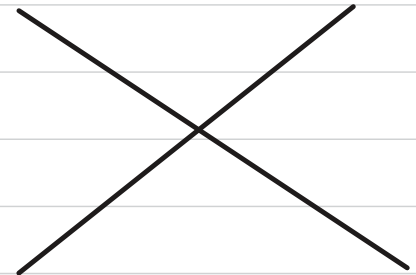
U/s 115BAC

With in Head ✓

✓

Blw heads ✓  
(Max ₹2,00,000)

Balance CIF to Next AY



## Question No 24

Computation of total Income & Tax liability of Mr. Sohan Lal for AY 26-27

<u>Particulars</u>	<u>Amount</u>	<u>Amount</u>
<b>a) Income from House property</b>		
Income from HP in India	4,30,00,000	
Less: Loss from HP in Country X	<u>(1,30,00,000)</u>	3,00,00,000
<b>b) PGBP</b>		
<u>In India</u>		
→ Business Income	12,40,00,000	
→ From acting in Movies	9,41,50,000	
<u>Country X</u>		
→ Own Business Income	7,20,00,000	
→ Share of P.Firm (Exemption u/s 10(2A) not available to Foreign P.Firm)	4,80,00,000	
<u>Country Y</u>		
→ own Business Income	<u>2,90,00,000</u>	36,71,50,000
<b>c) IFOs</b>		
Country Y - Agricultural Income		1,20,00,000
<b>Gross Total Income</b>		<u>40,91,50,000</u>
<u>Less</u> Chapter VIA deductions (not available)		<u>-</u>
<b>Net total Income.</b>		<u>40,91,50,000</u>

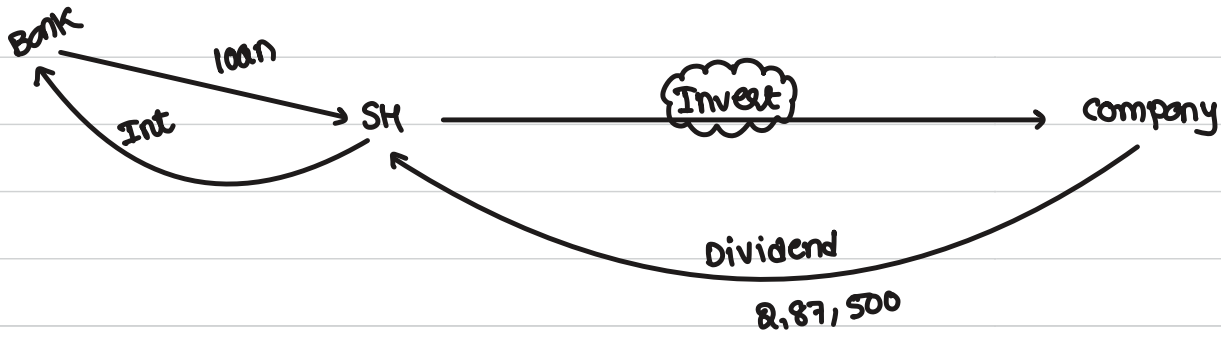
Tax liability before Relief

0-4L	-	-
4L-8L	5%	20,000
8L-12L	10%	40,000

12L - 16L	15%	60,000	
16L - 20L	20%	80,000	
20L - 24L	25%	1,00,000	
above 24L	30%	<u>12,20,25,000</u>	12,23,25,000
<b>(40,67,50,000 x 30%)</b>			
<u>add: surcharge @ 25%</u>			3,05,81,250
			<u>15,29,06,250</u>
<u>add: H&amp;EC @ 4%</u>			61,16,250
			<u>15,90,22,500</u>
<u>less Relief vis 91 (walking Note)</u>			<u>(2,72,60,000)</u>
<b>Tax liability after Relief</b>			<u>13,17,62,500</u>

Walking Note

<u>Particulars</u>	<u>Amount</u>
<u>Country X</u>	
Indian Average Tax Rate $\frac{15,90,22,500}{40,91,50,000} \times 100 = 38.87\%$	} ↓
Average Tax Rate in Country X = $\frac{2,16,00,000}{12,00,00,000} \times 100 = 18\%$	
Double taxed foreign Income (10,70,00,000 x 18%)	1,92,60,000
<u>Country Y</u>	
Indian Average Tax Rate 38.87%	} ↓
Average Tax Rate in Country Y = $\frac{80,00,000}{4,10,00,000} \times 100 = 19.512\%$	
Double taxed foreign Income (4,10,00,000 x 19.512%)	<u>80,00,000</u>
	<u>2,72,60,000</u>



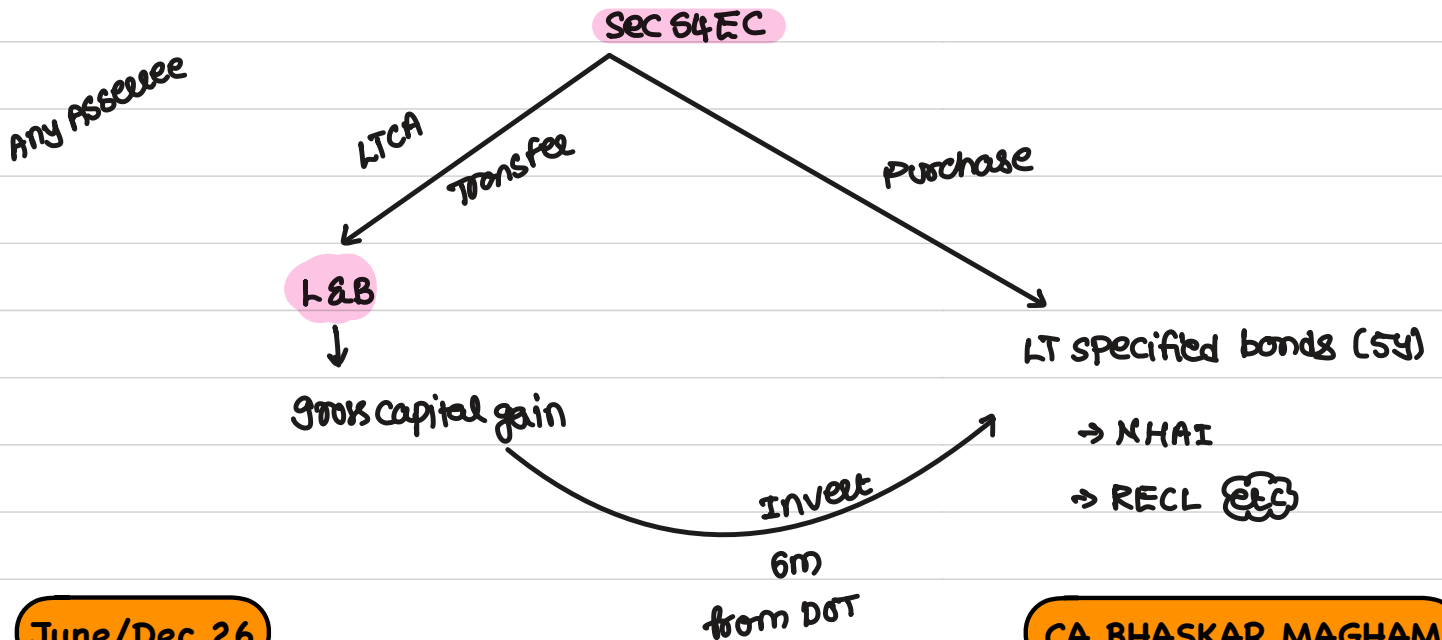
Dividend Amount 2,87,500

Less:

a. Interest Amount	90,000	} ↓	(57,500)
b. Div. (Dividend)	57,500		
			<hr/> <u>2,30,000</u>

**LTCY U/S 112A**

- |                         |        |                      |
|-------------------------|--------|----------------------|
| a. Listed Equity Shares | } LTCA | Taxable @ 12.5%      |
| b. units of EOMF        |        | BEL 1,25,000         |
| c. units of BT          |        | (without Indexation) |



PUBP	5,40,000
CY	26,00,000
IFOS	<u>2,30,000</u>
	33,70,000

↓	LTCY vis 112A	26,00,000	Balance	7,70,000
		<u>(1,25,000)</u>		(2.5L x 5% + 2,70,000 x 20%)
		24,75,000 x 12.5%		
		<u>3,09,375</u>		<u>66,500</u>

3,75,875

(+) 4% 15,035

Tax liability before Relief 3,90,910

(-) Relief vis 91 (5,40,000 x 11.60%) (62,640)

3,28,270