AIR1CA CAREER INSTITUTE

CA INTER

INCOME TAX

FOR MAY/SEP 2026 & JAN 2027 EXAMS



Concept Book

This Concept Book is prepared in Multicolor:	
☐ Headings in TEAL BLUE	☐ Keywords in RED
☐ Sub-headings in BLUE	☐ Examples in RED
☐ Main Content in BLUE	

Best Wishes... Radhe Radhe!!

Income Tax

Edition: March 2026

© Author

All right reserved. No part of this book should be copied, reproduced, stored in retrieval system, or transmitted, in any form, or by any means, electronic mechanical, photocopying, recording, or otherwise, without obtaining prior permission in writing from the author.

All disputes are subject to Jaipur Jurisdiction only.

AIR1CA CAREER INSTITUTE

CA INTER

INCOME TAX

About the Book

नमस्कार दोस्तों, राधे राधे !!

This Concept Book is prepared by ***CA Atul Agarwal (AIR 1)***. He is also a **Gold Medalist** in Direct Tax.

This Concept Book contains all concepts of CA Inter Income Tax in **130 pages**. It also contains approx **40+ examples** for better understanding of concepts.

This book is fully prepared as per **ICAI Syllabus**. All special adjustments relating to ICAI Questions are also covered in this book.

This book has been prepared for those **learning the subject for the first time as well as for last day revision before the exam.** On first time reading, refer this book along with lectures or revision videos. On last day before exam, you can refer only keywords marked in RED in this book.

Best wishes

CA Atul Agarwal

Reach out to us at following for Classes, Test Series, Notes, Question Banks and Guidance

Telegram Channel – AIR1CA Guidance & Notes

Instagram – air1caatul, air1caajay

Call or Whatsapp – 7742554277, 9887554277

Youtube – Atul Agarwal

Website – air1ca.com

Email – air1icai@gmail.com

INDEX

Income Tax		
Chapter No.	Chapter	Page No.
1	Basic Concepts and Tax Rates	1.1 – 1.13
2	Residence and Scope of Total Income	2.1 – 2.5
3	Income from Salary	3.1 – 3.14
4	Income from House Property	4.1 – 4.6
5	Profits and Gains of Business or Profession	5.1 – 5.25
6	Capital Gains	6.1 – 6.14
7	Income from Other Sources	7.1 – 7.9
8	Clubbing of Income	8.1 – 8.3
9	Set-off and Carry forward of Losses	9.1 – 9.3
10	Deductions under Chapter VI-A and Section 10AA	10.1 – 10.11
11	TDS, TCS and Advance Tax	11.1 – 11.15
12	Return Filing and Self Assessment	12.1 – 12.6
13	Computation of Total Income and Tax Liability	13.1 – 13.6

Scan this QR code to Join Our Telegram Channel for Free Notes, Question Bank, Doubts and Updates

AIR1CA Career Institute

BASIC CONCEPTS AND TAX RATES



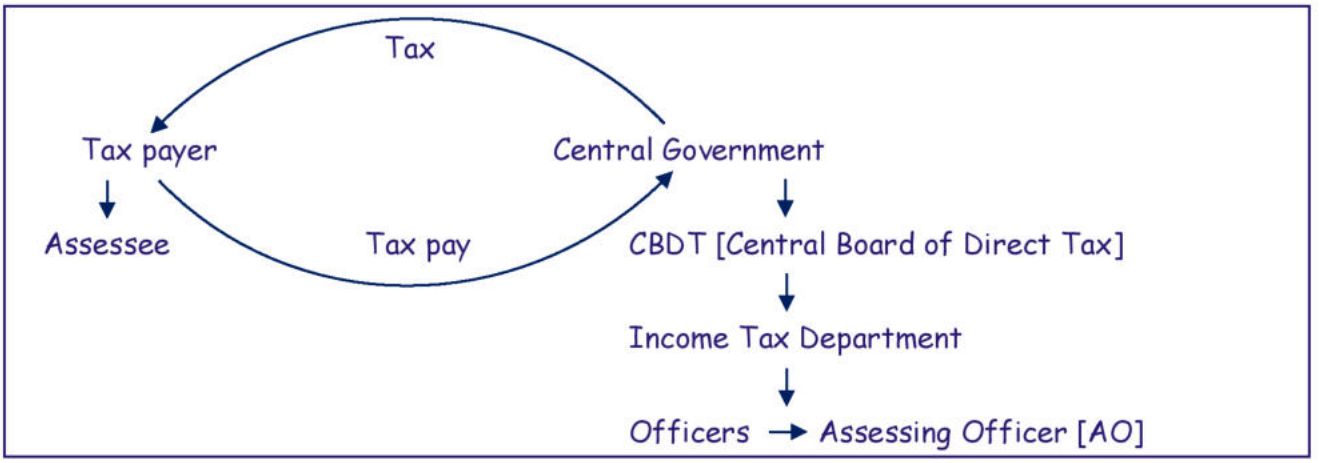
Overview of Tax

(1) Meaning of Tax

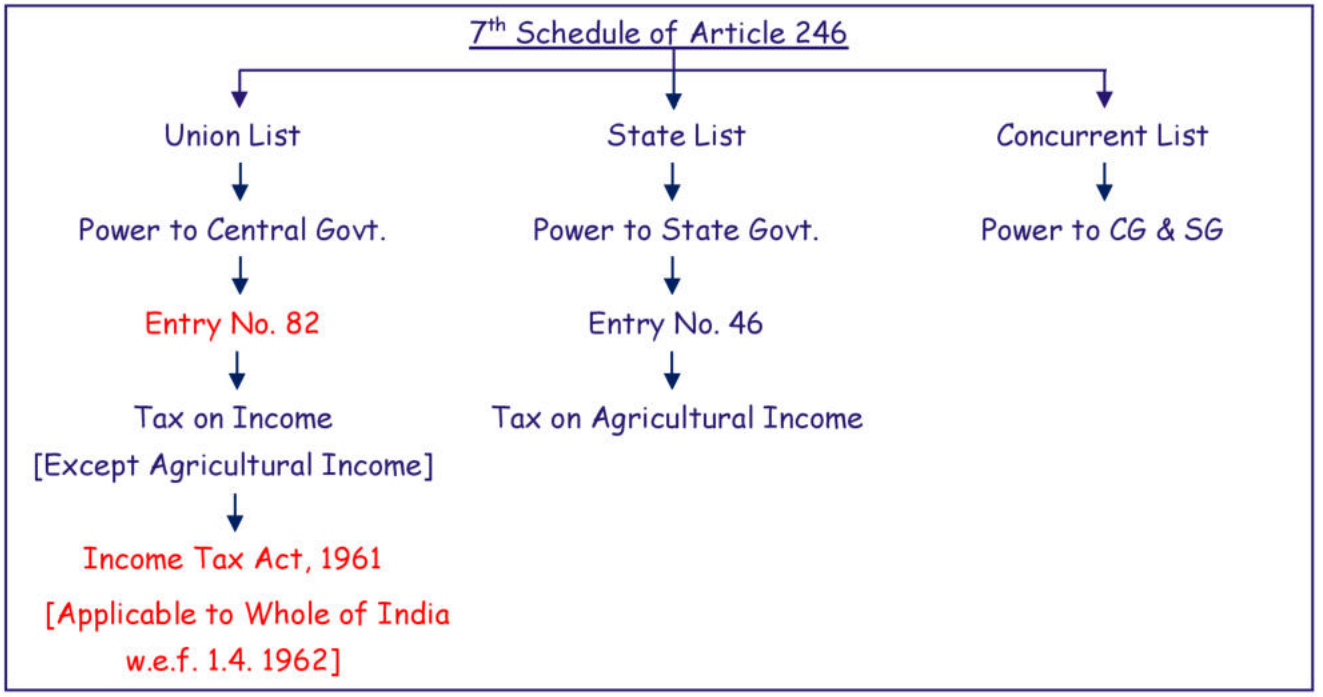
Tax is a compulsory financial charge imposed by government.

Direct Tax	Indirect Tax
▪ Income Tax	▪ GST
▪ Black Money Tax	▪ Customs Duty

(2) Why Income Tax is Direct Tax



(3) Indian Constitution



(4) Source of Income Tax Law

- Income Tax Act, 1961
- Income Tax Rules, 1962
- Annual Finance Act
- Circulars issued by CBDT → Binding on Department
  → Not on Assessee
- Notifications issued by Central Government or CBDT
- Juridical Decisions

Basic Definitions

Person

Includes:

- Individual: Natural Person such as Man, Woman
- Hindu Undivided Family [HUF]: Family Entity (Karta & Other Members)

  HUF consists of all males lineally descended from a common ancestor and includes their wives and daughters. Some members of HUF are called co-parceners.

There are 2 schools of Hindu law as follows:	
Dayabaga school of Hindu law	Mitakshara school of Hindu law
Prevalent in West Bengal and Assam	Prevalent in rest of India
Nobody acquires right/share in property by birth as long as head of family is living. Children do not acquire any right as long as his father is alive. Hence, father and his brothers are co-parceners of HUF.	One acquires right to family property by his birth. Hence, all members of HUF are co-parceners.

- Firm: Partnership Firm and LLP
- Company
- AOP/BOI [Association of Persons: Joint Venture,
  Body of Individuals: Unregistered Trust created by Individuals]

  In AOP/BOI, persons join together for some purpose without forming firm or company. In case of BOI, only individuals can be members. In case of AOP, any person can be its member.
- Local Authority: Nagar Nigam, Municipality
- Artificial Juridical Person: Courts, Temples, Universities etc.

Assessee

Means any person who is liable to tax, interest or penalty under Income Tax Act.

Assessment Year (A.Y.)	▪ Tax payment year or return filing year ▪ 12 months period [From 1st April ..... to 31st March .....
Previous Year (P.Y.)	▪ Income earning year ▪ Previous Year is just preceding Assessment Year ▪ Generally 12 months period [From 1st April ..... to 31st March .....] ▪ However, in case of new business/new source of income, P.Y. will be from date of new business/new source to 31st March.

As per Finance Act, 2025

Relevant P.Y. = 2025-26 [Income Earning Year] and Relevant A.Y. = 2026-27 [Tax Payment Year]

General Rule

General Rule: Income of Previous Year (P.Y.) is Taxable/Assessable in Assessment Year (A.Y.)

Exception to General Rule

Cases where Income of P.Y. is Taxable/Assessable in P.Y. itself

- Income of casual shipping business of Non-Resident.
- Income of person leaving India permanently or for long duration.
- Income of discontinued business.
- Income of person trying to transfer his assets for avoiding tax.
- AOP/BOI/AJP formed for particular purpose with short duration.

Charging Section [Section 4]

Income Tax shall be levied on Total Income of every person at the rate specified in:

- Finance Act [Schedule I] → General Tax Rates
- Income Tax Act, 1961 → Special and Concessional Tax Rates

Steps for Calculation of Total Income	₹	₹
▪ Determine Residential Status (Resident or Non-Resident) Resident: Global (Indian + Foreign) Income is Taxable Non-Resident: Only Indian Income is Taxable ▪ Determine Income under each head:		

➢ Income from Salary	XX	
➢ Income from House Property	XX	
➢ Income from Business & Profession	XX	
➢ Income from Capital Gains	XX	
➢ Income from Other Source	XX	
▪ Clubbing of Income		
▪ Setoff & Carry Forward of Loss		
Gross Total Income (GTI)	XX	
(-) Deduction under Chapter VI-A	(XX)	
Total Income/Taxable Income (TI)	**XX**	
Tax on Total Income		
General Rate Income x General Tax Rates or Concessional Tax Rates		XX
Special Rate Income x Special Tax Rates [Compulsory]		XX
Tax		XX
(+) Surcharge (if any) [If Total Income exceed limit]		XX
(+) Cess (Compulsory) [4% of Tax & SC]		XX
Total Tax Liability/Total Tax Payable		**XX**
(-) TDS/TCS/Advance Tax		(XX)
Net Tax Payable/(Refundable)		**XX**

Rounding Off [Section 288A & 288B]

Total Income
And
Tax Payable
→ Rounded off to nearest ₹ 10

Example

Total Income = ₹ 10,80,514 → ₹ 10,80,510
= ₹ 10,80,515 → ₹ 10,80,520

Tax Payable = ₹ 7,186 → ₹ 7,190

General Tax Rates

(1) Individual/HUF/AOP/BOI/Artificial Juridical Person

SLAB Rate	
If Total Income	Tax Rate
Upto ₹ 2,50,000 [Basic Exemption Limit]	NIL
Above ₹ 2,50,000 but upto ₹ 5,00,000	5%
Above ₹ 5,00,000 but upto ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Resident Individual plus age of 60 years or more but less than 80 years in P.Y. or 1st day of A.Y. [Resident Senior Citizen]

SLAB Rate	
If Total Income	Tax Rate
Upto ₹ 3,00,000 [Basic Exemption Limit]	NIL
Above ₹ 3,00,000 but upto ₹ 5,00,000	5%
Above ₹ 5,00,000 but upto ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Resident Individual plus age of 80 years or more in P.Y. or 1st day of A.Y. [Resident Super Senior Citizen]

SLAB Rate	
If Total Income	Tax Rate
Upto ₹ 5,00,000 [Basic Exemption Limit]	NIL
Above ₹ 5,00,000 but upto ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Rebate to Resident Individual [Section 87A]

If Total Income does not exceed ₹ 5,00,000, Rebate will be:

₹ 12,500
or
Tax Amount
— Lower

Note: Rebate is to be given before adding health & education cess.

Example

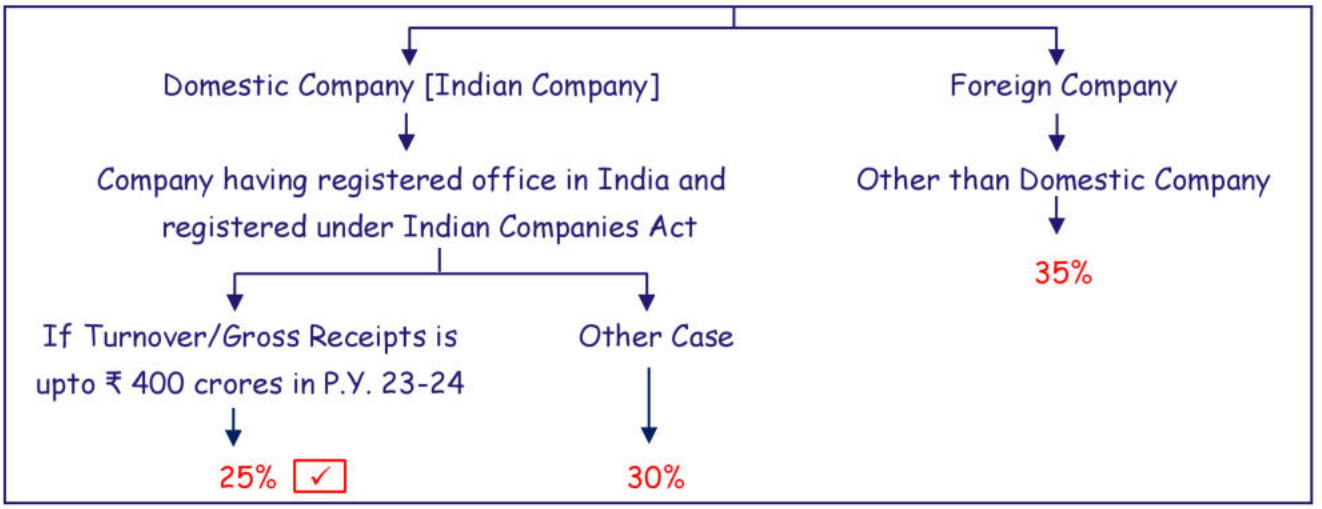
Mr A [Resident]	Case I	Case II	Case III
Total Income	₹ 5,00,000	₹ 4,10,000	₹ 5,10,000

Tax	12,500	8,000	14,500
(-) Rebate u/s 87A	(12,500)	(8,000)	-
Tax after Rebate	-	-	14,500 + 4% cess

(2) Firm/Local Authority

Flat Rate = 30%

(3) Company

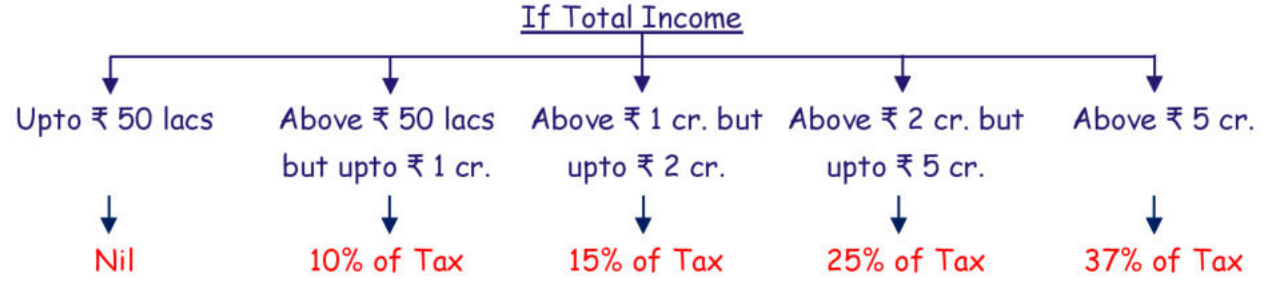


(4) Co-operative Society

SLAB Rate	
If Total Income	Tax Rate
Upto ₹ 10,000	10%
Above ₹ 10,000 but upto ₹ 20,000	20%
Above ₹ 20,000	30%

Surcharge [Tax on Tax]

(1) Individual/HUF/AOP/BOI/Artificial Juridical Person



Example

Mr A, Total Income = ₹ 60,00,000

	Tax (₹)
Upto ₹ 2,50,000	Nil
2,50,000 - 5,00,000 (2,50,000 x 5%)	12,500
5,00,000 - 10,00,000 (5,00,000 x 20%)	1,00,000
Above 10,00,000 (50,00,000 x 30%)	15,00,000
Tax	16,12,500
(+) SC @ 10% of Tax	1,61,250
Tax + SC	17,73,750

Note:

(i) Surcharge Rate of 25% & 37% is not applicable on:

- Capital Gains u/s 111A, 112 and 112A
- Dividend Income

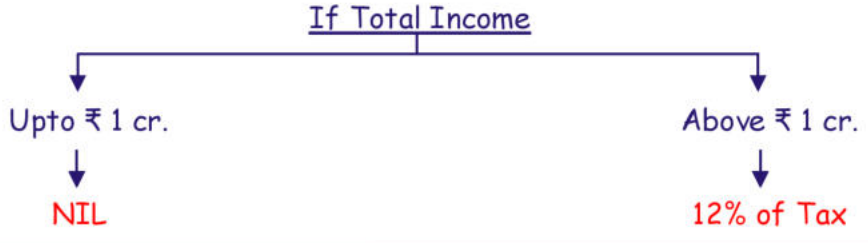
(ii) If Total Income exceed ₹ 2 cr. or 5 cr. is due to CG and Dividend Income, then Surcharge Rate on Tax on other Income will be:

- If Total Income exceed ₹ 2 cr. but upto ₹ 5 cr. = 15%
- If Total Income exceed ₹ 5 cr. = 25%

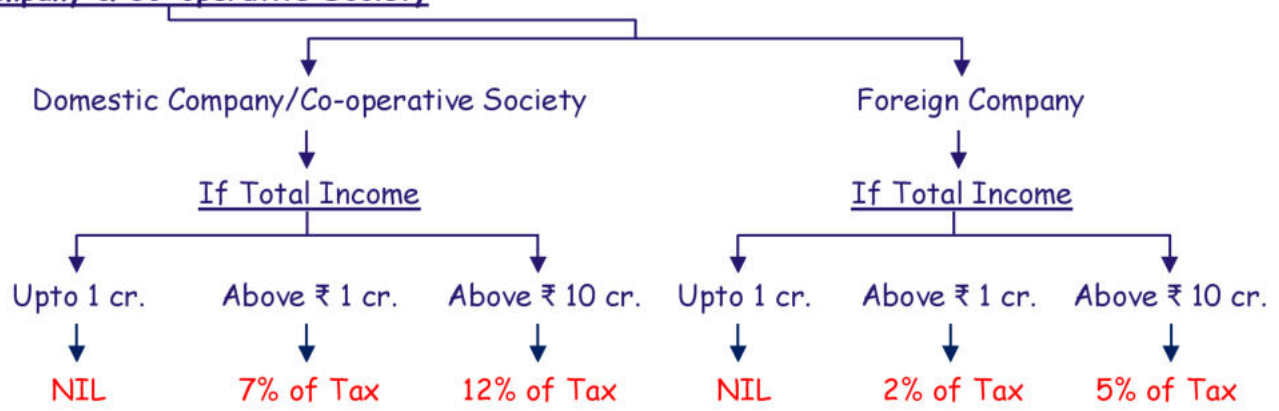
Example

Mr Rohit					
Case	CG & Dividend Income	Other Income	Total Income	Surcharge Rate on Tax on CG & Dividend	Surcharge Rate on Tax on other Income
I	15 lacs	30 lacs	45 lacs	-	-
II	50 lacs	40 lacs	90 lacs	10%	10%
III	80 lacs	90 lacs	1.70 cr.	15%	15%
IV	2.20 cr.	40 lacs	2.60 cr.	15%	15%
V	1 cr.	2.5 cr.	3.5 cr.	15%	25%
VI	3 cr.	4 cr.	7 cr.	15%	25%
VII	3 cr.	6 cr.	9 cr.	15%	37%

(2) Firm/Local Authority



(3) Company & Co-operative Society



Health & Education Cess

On [Tax & SC (if any)] @ 4% in All Cases in the end.

Special and Concessional Tax Rates

Special Tax Rates [Compulsory]	
Sections	**Covered in**
Sec 111A: STCG on Certain Assets = 20%	Capital Gains
Sec 112A: LTCG on Certain Assets = upto ₹ 1.25 lacs exempt, excess Taxable = 12.5%	
Sec 112: LTCG on Other Assets = 12.5%	
Sec 115BB: Winnings from Lotteries etc. = 30%	Other Source
Sec 115BBJ: Winnings from Online Games = 30%	
Sec 115BBE: Undisclosed Income [Indian Black Money] = 60%	
Concessional Tax Rates [Optional]	
Sec 115BAA: Income of Domestic Company	
Sec 115BAB: Income of New Manufacturing Domestic Company/Electricity Generation Company	
Sec 115BAC: Income of Individual/HUF/AOP/BOI/AJP	
Sec 115BAD: Income of Resident Co-operative Society	
Sec 115BAE: Income of New Manufacturing Resident Co-operative Society	

(1) Income of Company and Co-operative Society

Section	Applicable on	Tax Rate	
115BAA	Domestic Company	Tax Rate	22%
		SC [Compulsory]	10%
		Cess	4%
			25.168%

115BAB	New Manufacturing Domestic Company/Electricity Generation Company [Set up on or after 1.10.19 **and** start manufacturing business on or before 31.3.24 **and** not formed by splitting up or reconstruction of existing business]	Tax Rate	15%
		SC [Compulsory]	10%
		Cess	4%
			17.16%
115BAD	Resident Co-operative Society	Tax Rate	22%
		SC [Compulsory]	10%
		Cess	4%
			25.168%
115BAE	New Manufacturing Resident Co-operative Society [Set up on or after 1.04.23 **and** start manufacturing business on or before 31.3.24 **and** not formed by splitting up or reconstruction of existing business]	Tax Rate	15%
		SC [Compulsory]	10%
		Cess	4%
			17.16%
Note: Some Deductions will not be available under above sections.			

(2) Income of Any Individual/HUF/AOP/BOI/AJP [Section 115BAC]

If Total Income	Tax Rate
Upto 4,00,000 [Basic Exemption Limit]	NIL
4,00,000 - 8,00,000	5%
8,00,000 - 12,00,000	10%
12,00,000 - 16,00,000	15%
16,00,000 - 20,00,000	20%
20,00,000 - 24,00,000	25%
Above 24,00,000	30%

Note:

(i) Following Benefits/Deductions will not be available u/s 115BAC

- Salary Allowance Exemption [Except Travelling, Daily, Conveyance, Transport]
- Leave Travel Concession
- ₹ 50 per meal Exemption
- Salary Deduction u/s 16 [Professional Tax and Entertainment Allowance] (However, Standard Deduction of ₹ 75,000 is allowed from salary)
- Interest Deduction on Self Occupied House Property
- Section 10AA: SEZ
- Additional Depreciation

- Section 35: Scientific Research [Outside Contribution]
- Section 35AD: Specified Business
- Exemption u/s 10(32) of maximum ₹ 1500 p.a. per child [Clubbing exemption]
- Deduction under Chapter VI-A [Except Section 80CCD(2): Employer Contribution to New Pension Scheme, 80CCH(2): Central Government Contribution to Agnipath Scheme and 80JJAA: Employment of New Employees]

(ii) Section 115BAC is a default tax regime for Individual/HUF/AOP/BOI/AJP. If they exercise option to shift out of default tax regime, then General Slab will be applicable.

(iii) Rebate to Resident Individual in case of 115BAC [Section 87A]

- If Total Income does not exceed ₹ 12,00,000, Rebate will be:

₹ 60,000
or
Tax Amount
← Lower

- Marginal Relief Concept is also applicable on rebate if total income exceeds ₹ 12,00,000 (in case of Section 115BAC). In that case, Rebate will be:

Tax on Total Income (before cess) – Extra Income above ₹ 12,00,000

Example

Mr A [Resident]	Case I	Case II	Case III
Total Income	₹ 12,00,000	₹ 11,00,000	₹ 12,40,000
Tax as per 115BAC	60,000	50,000	66,000
(-) Rebate u/s 87A	(60,000)	(50,000)	(26,000) (66,000 – 40,000)
Tax after Rebate	-	-	40,000 + 4% cess

(iv) Surcharge

If Total Income

Upto ₹ 50 lacs	Above ₹ 50 lacs but upto ₹ 1 cr.	Above ₹ 1 cr. but upto ₹ 2 cr.	Above ₹ 2 cr.
↓	↓	↓	↓
Nil	10% of Tax	15% of Tax	25% of Tax

Surcharge Rate of 25% is not applicable on Capital Gains u/s 111A, 112, 112A and Dividend Income.

Marginal Relief

When Tax exceed Income due to Surcharge.

Example 1

ABC Ltd. [Domestic Company], Total Income = ₹ 1,01,00,000, Turnover in P.Y. 23-24 = ₹ 402 cr.

Solution

Calculation of Marginal Relief	₹
Tax on ₹ 1,01,00,000 @ 30%	30,30,000
(+) SC @ 7% of Tax	2,12,100
	32,42,100
Assume if Total Income is ₹ 1,00,00,000	
Tax on ₹ 1,00,00,000 @ 30%	30,00,000
(+) SC	NIL
	30,00,000
Tax to be paid = Tax on ₹ 1 cr. + Extra Income above ₹ 1 cr.	
[30,00,000 + 1,00,000]	31,00,000
Marginal Relief = Tax on Original Income – Tax to be paid	
[32,42,100 – 31,00,000]	1,42,100
Total Tax Payable	31,00,000 + 4% cess

Steps for Calculation of Marginal Relief

Step 1: Calculate Tax on Original Total Income [without cess]

Step 2: Calculate Tax on

- ₹ 50 lacs/1 cr./2 cr./5 cr. [Individual etc.]
- ₹ 1 cr. [Firm etc.]
- ₹ 1 cr./10 cr. [Company]

→ as per case [without cess]

Step 3: Tax to be paid = Step 2 + Extra Income

Step 4: Marginal Relief = Step 1 – Step 3 [Original Tax - Tax to be paid]

Example 2

Mr. Rohit, Total Income = ₹ 51,00,000

Solution

Calculation of Marginal Relief	₹
Step 1: Tax on ₹ 51,00,000	
[1,12,500 + 41 lacs x 30%]	13,42,500

(+) SC @ 10% of Tax	1,34,250
	14,76,750
Step 2: Tax on ₹ 50,00,000	
[1,12,500 + 40 lacs x 30%]	13,12,500
(+) SC	NIL
	13,12,500
Step 3: Tax to be paid = Step 2 + Extra Income [13,12,500 + 1,00,000]	14,12,500
Step 4: Marginal relief = Step 1 – Step 3 [14,76,750 - 14,12,500]	64,250

Example 3

XYZ Ltd. [Domestic Company], Turnover in P.Y. 23-24 = ₹ 450 cr., Total Income = ₹ 10,01,00,000

Solution

Calculation of Marginal Relief	₹
Step 1: Tax on ₹ 10,01,00,000	
[30% * 10,01,00,000]	3,00,30,000
(+) SC @ 12% of Tax	36,03,600
	3,36,33,600
Step 2: Tax on ₹ 10,00,00,000	
[30% * 10,00,00,000]	3,00,00,000
(+) SC @ 7% of Tax	21,00,000
	3,21,00,000
Step 3: Tax to be paid = Step 2 + Extra Income [3,21,00,000 + 1,00,000]	3,22,00,000
Step 4: Marginal Relief = Step 1 – Step 3 [3,36,33,600 – 3,22,00,000]	14,33,600

Certain Incomes which are Fully Exempt & will not be Included for Computing Total Income [Section 10]

- Agricultural Income in India
- Amount received by member from Income of HUF
- Share Income received by partner from Firm/LLP
- Compensation received from government/local authority by individual/legal heirs on Disaster
- Interest on Public Provident Fund [PPF]
- Interest on Non Resident External [NRE] A/c from any Bank in India [If individual is Non Resident as per FEMA, or he is permitted by RBI to maintain such A/c]

Agricultural Income in India

- Agricultural Income earned in India is fully exempt under section 10. However, agricultural income from outside India is fully taxable.
- **Agricultural Income**
  - Income from sale of agricultural produce.
  - Rent from agricultural land/farm building use for agricultural purpose.
  - Income from saplings & seedling grown in a nursery.
- **Partial Integration of Agricultural Income in India with Non-Agricultural Income**
  - Applicable to Individual, HUF, AOP/BOI, Artificial Juridical Person
  - Apply only if → Net Agricultural Income exceed ₹ 5,000
    and
    → Non-Agricultural Income exceed Basic Exemption Limit

    Net Agricultural Income = Agricultural Income – Expenses incurred for earning such income

    Non-Agricultural Income = Taxable Income
  - Calculation of Tax in such case

    Step 1: Calculate Tax on [Net Agricultural Income + Non-Agricultural Income] without rebate, surcharge & cess

    Step 2: Calculate Tax on [Net Agricultural Income + Basic Exemption Limit] without rebate, surcharge & cess

    Step 3: Tax Amount = Step 1 - Step 2

    Step 4: Total Tax Liability

Tax Amount as per Step 3	XX
(-) Rebate u/s 87A (if any)	XX
(+) Surcharge (if any)	XX
(+) Cess @ 4%	XX
Tax Liability	XX

Example

Mr Aman has Taxable Income = ₹ 6,00,000 and Agricultural Income = ₹ 4,50,000. Expenses incurred for earning agricultural income = ₹ 50,000. Compute his tax liability assuming that Mr Aman has exercised the option to shift out of the default tax regime.

Tax on [4 Lacs + 6 Lacs]	1,12,500
Tax on [4 Lacs + 2.5 Lacs]	42,500
Tax Amount [1,12,500 - 42,500]	70,000
(+) Cess @ 4%	2,800
Tax Liability	72,800

RESIDENCE AND SCOPE OF TOTAL INCOME



Residential Status [Section 6]

Residential Status of Individual

Individual

- **Resident** → If satisfy any 1 basic condition
- **Non Resident** → If does not satisfy any basic condition

Basic Condition

1) He must stay in India for atleast 182 days during relevant P.Y.

OR

2) He must stay in India for atleast 60 days during relevant P.Y. and 365 days or more during 4 preceding P.Y.

In following cases only 1st Basic Condition is Applicable:

- Crew member of Indian ship
- Indian citizen leaves India for employment outside India.
- Indian citizen or person of Indian origin comes India for visit.

*Person of Indian Origin = If he or his parents or grandparents were born in undivided India.

Resident Individual

- **Resident and Ordinarily Resident [ROR]** → If satisfy both additional conditions
- **Resident but not Ordinarily Resident [RNOR]** → If does not satisfy both additional conditions

Additional Conditions

1) He must be Resident of India for atleast 2 years during 10 preceding P.Y.

AND

2) He must stay in India for atleast 730 days during 7 preceding P.Y.

Special Provision

- In case of Indian citizen or person of Indian origin who comes India for visit having income from Indian sources [other than income earned & received outside India] exceeds ₹ 15 lacs in P.Y. shall also become RNOR if:

He stays in India for atleast 120 days during relevant P.Y. and 365 days or more during 4 preceding P.Y.

- In case of Indian citizen having income from Indian sources exceeds ₹ 15 lacs in P.Y. shall be treated as Deemed RNOR if:

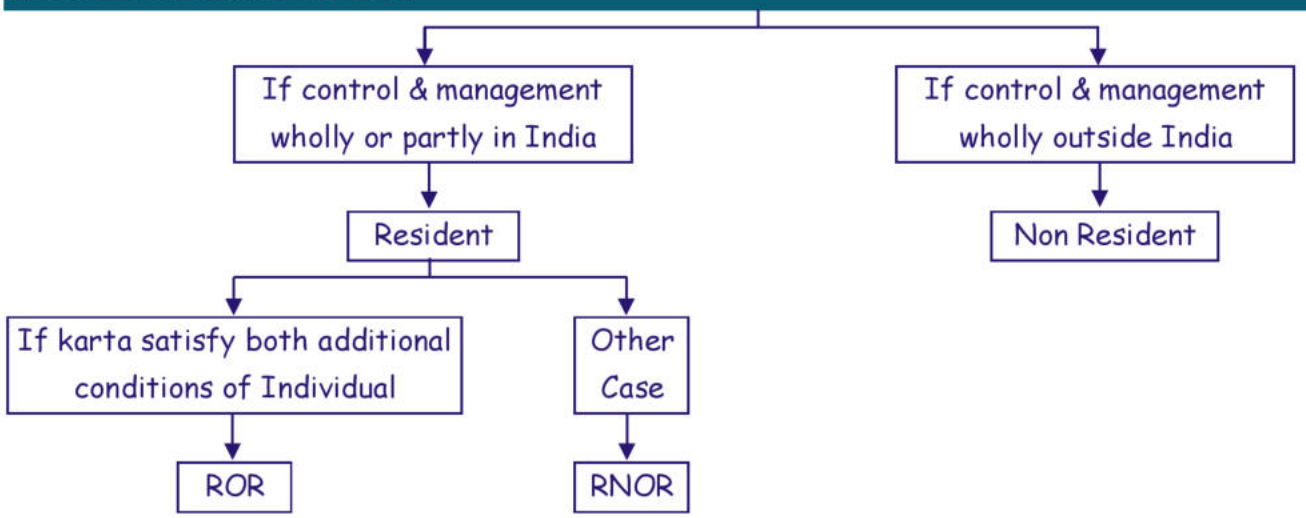
  He is not liable to pay tax in other country.

Other Points

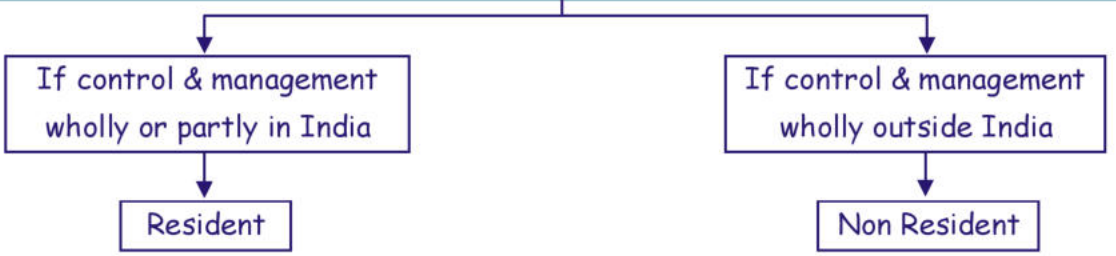
- Residential status is to be determined on year to year basis.
- Stay in India includes stay in Territorial Waters of India [TWI] [upto 12 nautical miles from baseline].
- For considering stay in India, both date of departure and date of arrival are considered to be in India.
- In case of Residential Status of Crew Member of Indian Ship, following period shall be taken outside India:

From date entered into continuous discharge certificate at the time of joining the ship	To date entered into continuous discharge certificate at the time of sign off

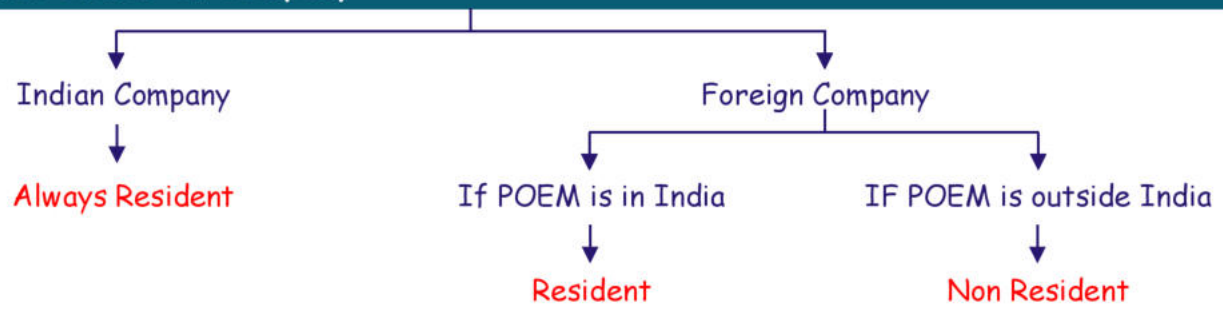
Residential Status of HUF



Residential Status of Firm / AOP / BOI / Local Authority / Artificial Juridical Person



Residential Status of Company



Place of Effective Management [POEM]

POEM means a place where key management & commercial decisions which are necessary to conduct business are made.

Scope of Total Income [Section 5]

Scope & Taxability				
		ROR	RNOR	NR
Income earned/deemed to be earned in India [Received anywhere]	Indian Income	T	T	T
Income received/deemed to be received in India [Earned anywhere] [Received means first receive in India [not remittance/transfer]		T	T	T
Income earned & received outside India but business & profession controlled or setup in India	Foreign Income	T	T	X
Income earned, received & controlled outside India		T	X	X

Note: Past foreign income brought to India is not taxable.

Income Deemed to be Earned [Accrue or Arise] in India [Section 9]

Section 9(1)(i)

Any income accrue/arise outside India to any assessee through or from:

(1) Any business connection in India.

(2) Any property, asset or source of income in India.

(3) Transfer of capital asset situated in India.

shall be deemed to be earned/arise in India.

(1) Business Connection in India

Business Income earned by NR from business in India

Note:

In following cases, no business connection is established and income shall not be treated as deemed to be earned in India:

- Purchase of goods in India for export.
- Collection of news in India for transmission outside India.
- Shooting of films in India by NR non citizen.
- Activities relating to display of uncut & unassorted diamonds in SNZ by foreign company.

(2) Income from any property, asset or source of income in India

Example: Rent outside India from any building located in India.

(3) Income through transfer of capital asset situated in India

Example: Mr. Sam (NR) sold his land situated in India to Mr. Ricky (NR) outside India. In that case capital gain arising to Mr. Sam shall be deemed to be earned in India.

Section 9(1)(ii)

Salary Income from services rendered in India shall be deemed to be earned in India.

Section 9(1)(iii)

Salary payable by Indian Government to Indian Citizen for services rendered outside India shall be deemed to be earned in India.

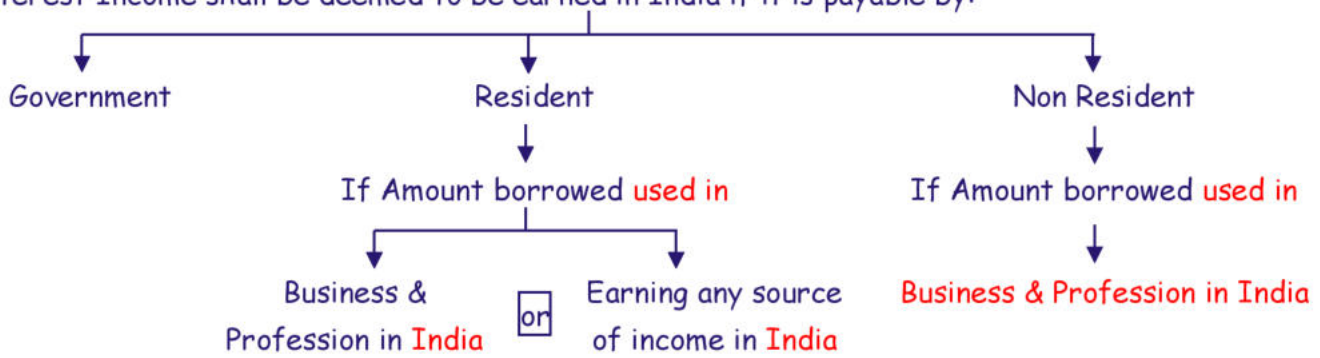
Note: Allowances & Perquisites paid outside India is Exempt u/s 10(7).

Section 9(1)(iv)

Dividend paid by Indian company outside India shall be deemed to be earned in India.

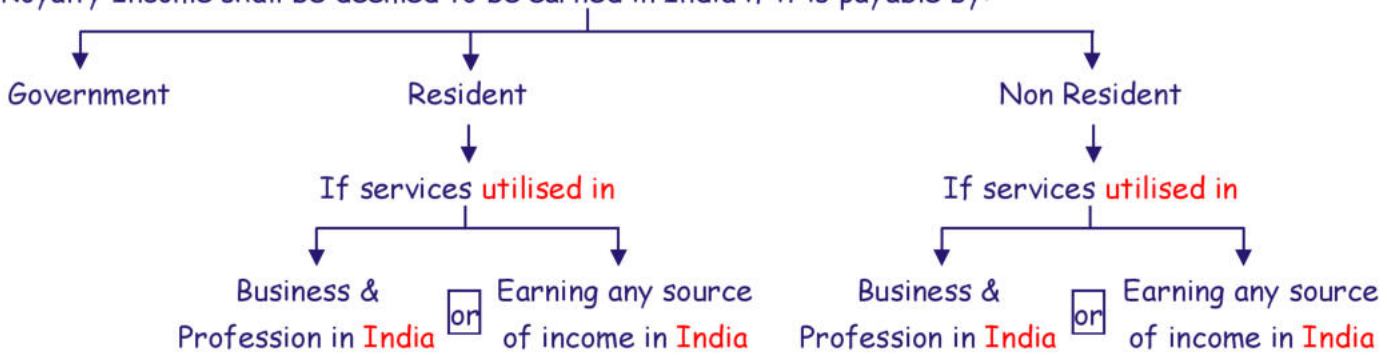
Section 9(1)(v)

Interest Income shall be deemed to be earned in India if it is payable by:



Section 9(1)(vi)

Royalty Income shall be deemed to be earned in India if it is payable by:



Note:

Royalty means any consideration for:

- Use of assets or information
- Transfer of any right

Section 9(1)(vii)

Fees for Technical Service [FTS] shall be deemed to be earned in India if it is payable by:



Note: FTS means rendering of any managerial, technical and consultancy service.

Section 9(1)(viii)

Gift in Money paid by Resident to Non Resident shall be deemed to be earned in India if aggregate amount exceed ₹ 50,000.

Note: Movable and Immovable property not covered.

INCOME FROM SALARY



Charging Section

- Income is taxable under head "Salary" if there is Employer and Employee relationship between payer and receiver.
- Salary is taxable on basis of due or receipt [whichever is earlier]
- Special Points regarding taxability of Salary

Income from part time job	Taxable under Salary
Amount received from employer before joining job (joining bonus)	Taxable under Salary
Amount received from employer after leaving job (pension)	Taxable under Salary
Salary received by partner from partnership firm	Taxable under PGBP
Salary received by MP/MLA	Taxable under IFOS
Surrender/Forgoing of Salary	
Surrender to Central Government	Not Taxable
Surrender to Others	Taxable under Salary

- **Computation of Taxable Income from Salary**

Particulars	₹
Basic Salary	XX
Bonus and Commission	XX
Advance Salary and Arrears of Salary	XX
Allowances	XX
Gratuity	XX
Pension	XX
Leave Salary	XX
Compensation	XX
Provident Fund	XX
Perquisites	XX
Gross Salary	**XX**
Less: Deductions u/s 16	
➢ Entertainment Allowance	(XX)
➢ Professional Tax	(XX)
➢ Standard Deduction	(XX)
Taxable Income from Salary	**XX**

Basic Salary

- Basic Salary (Base Salary/Basic Pay) is fixed amount of money that an employee earns.
- Basic Salary is Fully Taxable.

Bonus and Commission

Bonus	Fully Taxable
Commission	
Commission on Turnover/Sales [CT]	Fully Taxable
Other Commission	Fully Taxable

Advance Salary and Arrears of Salary

Arrears of Salary received [Increase of salary retrospectively]	Fully Taxable
Advance Salary received	
If word "advance salary" is given	Fully Taxable
If word "advance" or "advance against salary" is given [Nature of loan]	Not Taxable

Allowances

Allowances are fixed amount received on monthly basis for particular expense.

Allowances with Exemption

	Allowance	Maximum Amount of Exemption
Spending based Exemption	▪ Travelling Allowance ▪ Daily Allowance ▪ Conveyance Allowance ▪ Helper Allowance (for office) ▪ Academic/Research Allowance ▪ Uniform Allowance	Amount Spent
Limit based Exemption	▪ Children Education Allowance ▪ Children Hostel Allowance ▪ Tribal Area Allowance ▪ Underground Allowance ▪ Transport allowance ▪ Transport business employee Allowance	100 p.m. per child (maximum 2 children) 300 p.m. per child (maximum 2 children) 200 p.m. 800 p.m. 3200 p.m. (only for handicap employee) 70% of such allowance but upto ₹ 10,000
Formula based	House Rent Allowance (HRA)	Lower of following: ➢ Actual Amount received

Exemption		➢ Rent paid – 10% of Salary ➢ 40%/50%* of Salary Note: (i) 50% for rent in Delhi, Mumbai, Kolkata, Chennai. 40% for other cities (ii) Salary = Basic + DA (if) + CT

Allowance with Deduction

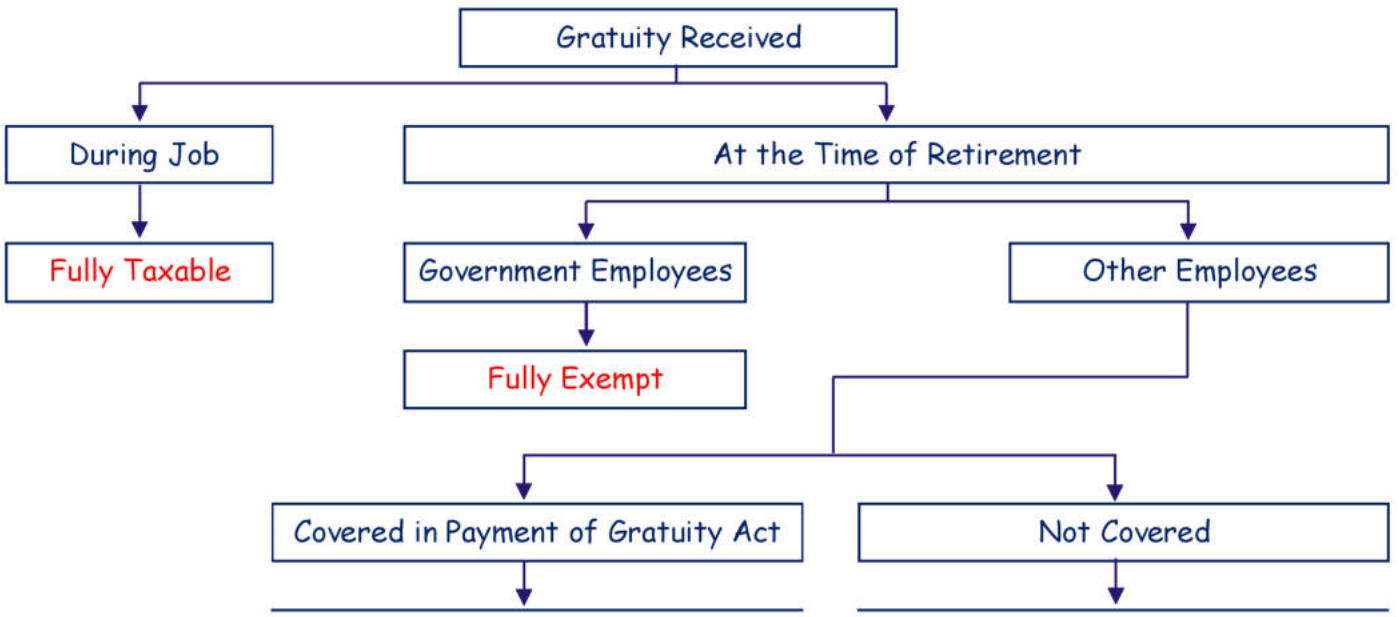
Allowance	Maximum Amount of Deduction
Entertainment Allowance [Deduction is available only to Government Employees]	Lower of following: ➢ Actual Amount Received ➢ 1/5 × Basic Salary ➢ ₹ 5,000

Fully Taxable Allowances

Allowance	Taxability
Dearness Allowance (DA) DA (if): DA which forms part of pay for retirement benefit calculation Normal DA: Balance	 Fully Taxable Fully Taxable
Any Other Allowance [Medical Allowance, Telephone Allowance, or Allowance by any other name]	Fully Taxable

Gratuity

Gratuity means payment made by employer for appreciation of services.



Exemption will be lower of following:

- Actual Amount received
- 15/26 × Salary p.m. x No. of service completion years
- ₹ 20,00,000

Note:

(i) Salary = Latest Basic + DA (both)

(ii) For no. of years, fraction will be rounded off if it is more than 6 months. Example: 26 years & 9 months = 27 years

Exemption will be lower of following:

- Actual Amount received
- 1/2 × Salary p.m. x No. of service completion years
- ₹ 20,00,000

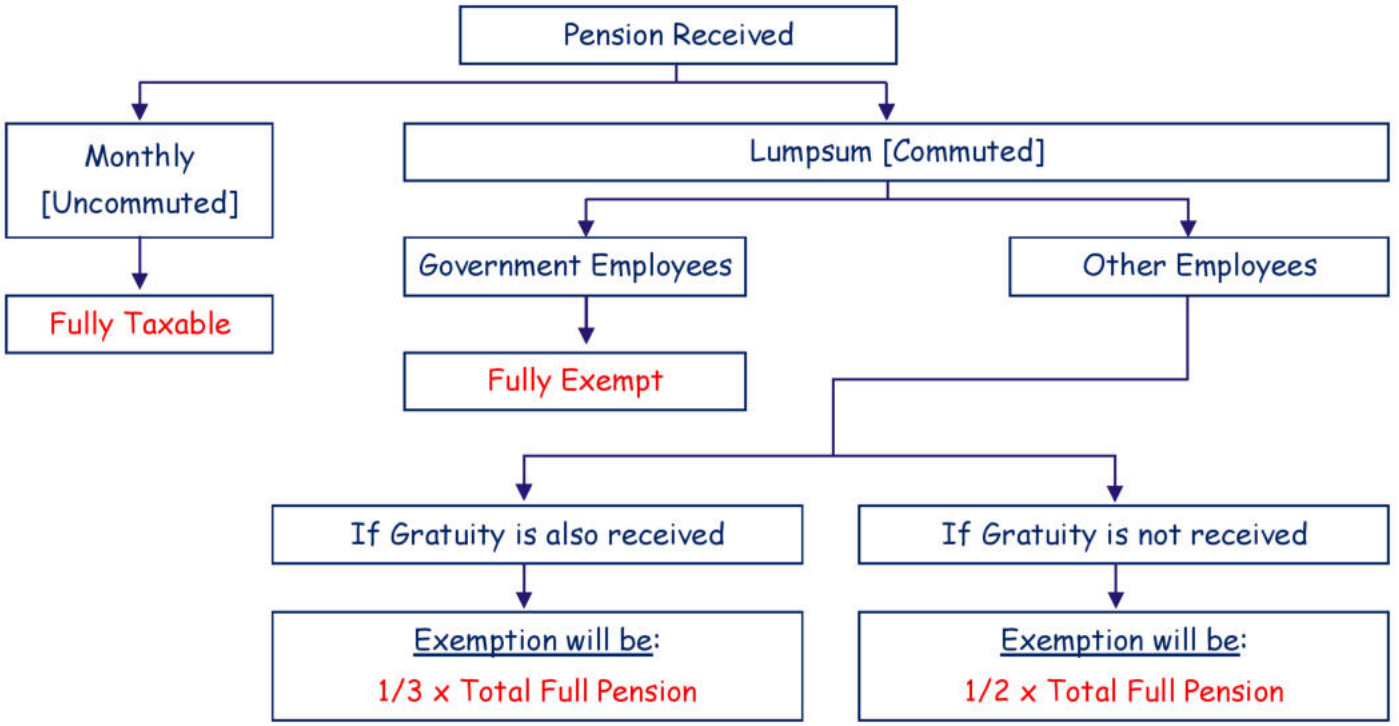
Note:

(i) Salary = Basic + DA (if) + CT [Average of preceding 10 months from retire month]

(ii) For no. of years, fraction will be ignored. Example: 26 years & 9 months = 26 years

Pension

Pension is a monthly amount received after retirement. On retirement, the employee has the option to convert his monthly pension in to a lumpsum amount.



Leave Salary

Leave salary means encashment of unused/unutilised leaves. For example: if employer allows 25 days leave every year and if employee has taken only 5 days leave in a particular year, then unused leave of 20 days can be encashed immediately or carried forward and encashed at the time of retirement.

Leave Salary Received/Encashed

- During Job → Fully Taxable
- At the Time of Retirement
  - Government Employees → Fully Exempt
  - Other Employees

Exemption will be lower of following:

- Actual Amount received
- Average salary p.m. x Leave credit in months
- Average salary p.m. x 10 months
- ₹ 25,00,000

Note:

(i) Salary = Basic + DA (if) + CT
[Average of preceding 10 months from retire date]

(ii) Leave Credit

Leave Allowed (Max. 30 days x No. of Service Completion Years ignoring fraction)	XX
Less: Leave taken	(XX)
	XX

Compensation

Compensation means payment made to employee on termination of job.

Voluntary Retirement Compensation

Exemption will be lower of following:

- Actual Amount received
- Salary p.m. × 3 months × No. of service completion years
- Salary p.m. × No. of remaining service month
- ₹ 5,00,000

Note: Salary = Basic + DA (if) + CT

Retrenchment Compensation

Exemption will be lower of following:

- Actual Amount received
- Amount calculated as per Industrial Disputes Act (Given in Question)
- ₹ 5,00,000

Provident Fund

During Job				
Funds	**Employee Contribution**	**Employer Contribution**	**Interest Employee Contribution**	**Interest Employer Contribution**
Statutory PF (SPF)	Ignore	Exempt	Exempt	Exempt
Recognised PF (RPF)	Ignore	Exempt upto 12% of Salary [Basic + DA (if) + CT]	Exempt upto 9.5% p.a.	Exempt upto 9.5% p.a.
Unrecognised PF (URPF)	Ignore	Exempt	Exempt	Exempt
Superannuation Fund (Approved)	Ignore	Exempt upto ₹7,50,000 p.a.	Exempt	Exempt

Note:

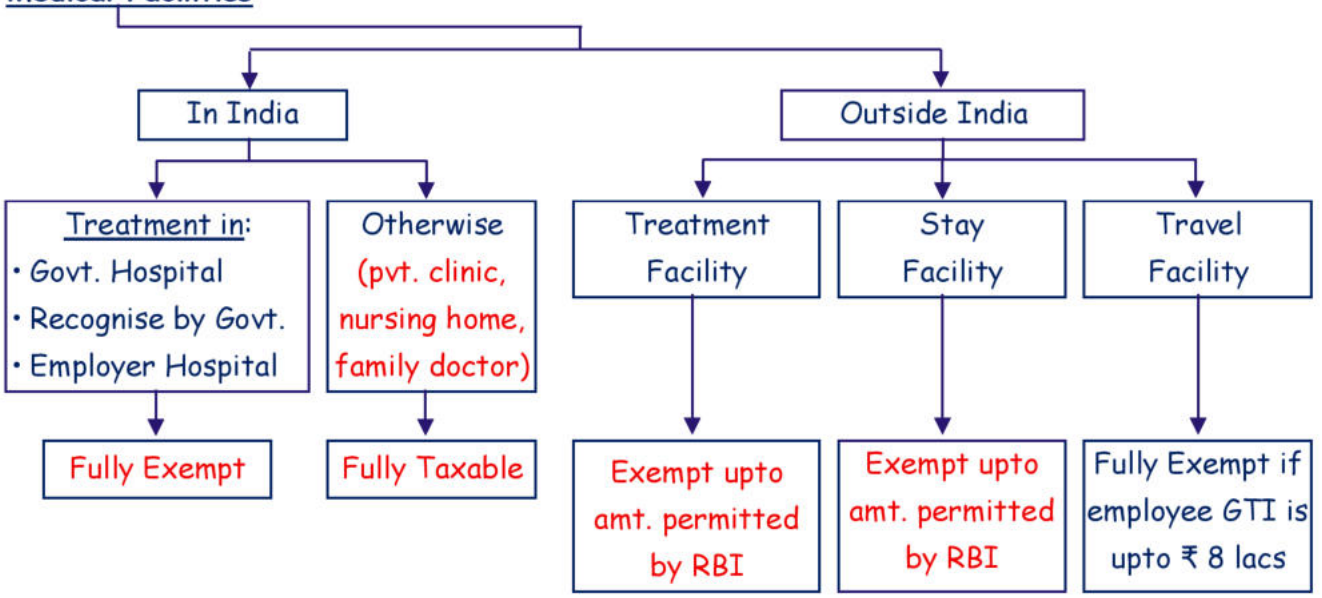
(i) In above cases, interest on employee contribution is exempt on such contribution upto ₹ 2,50,000 p.a. (₹ 5,00,000 p.a., if no employer contribution). Interest on excess contribution is fully taxable.

At the Time of Retirement				
Funds	**Employee Contribution**	**Employer Contribution**	**Interest Employee Contribution**	**Interest Employer Contribution**
Statutory PF (SPF)	Lumpsum amount received from SPF is Fully Exempt			
Recognised PF (RPF)	Lumpsum amount received from RPF is Fully Exempt in following cases: ▪ If employee has rendered service for at least 5 years. ▪ If employee has rendered service for less than 5 years, but: ➢ Employee has retired due to uncontrollable reasons. [Death etc.] ➢ Employer's business is discontinued. ➢ Employee has joined new employer and his balance in RPF is transferred to new employer.			
Unrecognised PF (URPF)	Ignore	Taxable under Salary	Taxable under IFOS	Taxable under Salary
Superannuation Fund (Approved)	Lumpsum amount received from such fund is Fully Exempt			

Perquisites

Perquisites are additional benefits/facilities provided to employee for personal expenses over and above monthly salary.	
Allowance	**Perquisites**
Allowances are fixed amount paid to employee on monthly basis [whether expense is incurred or not]. For Example: medical allowance.	Perquisites are benefits/facilities provided to employee. For Example: medical facility provided or medical bills paid/reimbursed by employer

(1) Medical Facilities



Note:

(i) If only "medical expenses reimbursed" is given in question, then it is fully taxable.

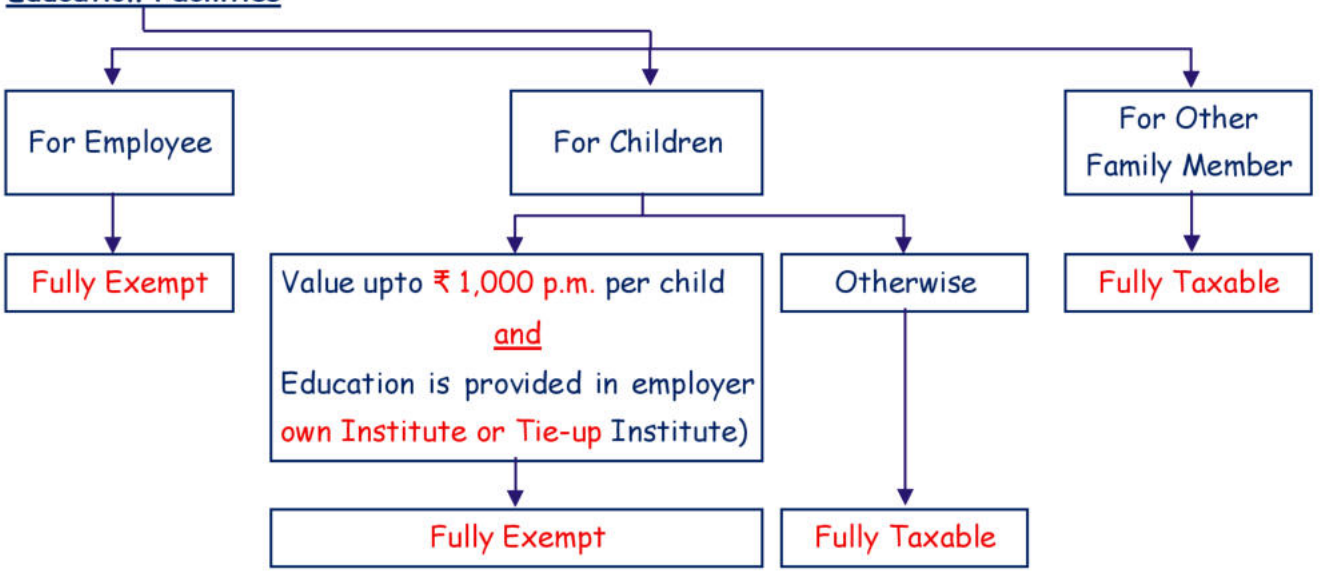
(ii) Outside India Stay and Travel facility benefit is exempt only for patient and one attendant.

(iii) Medical facilities (inside or outside India) is exempt only if patient is employee, spouse, children and dependent parent/brother/sister.

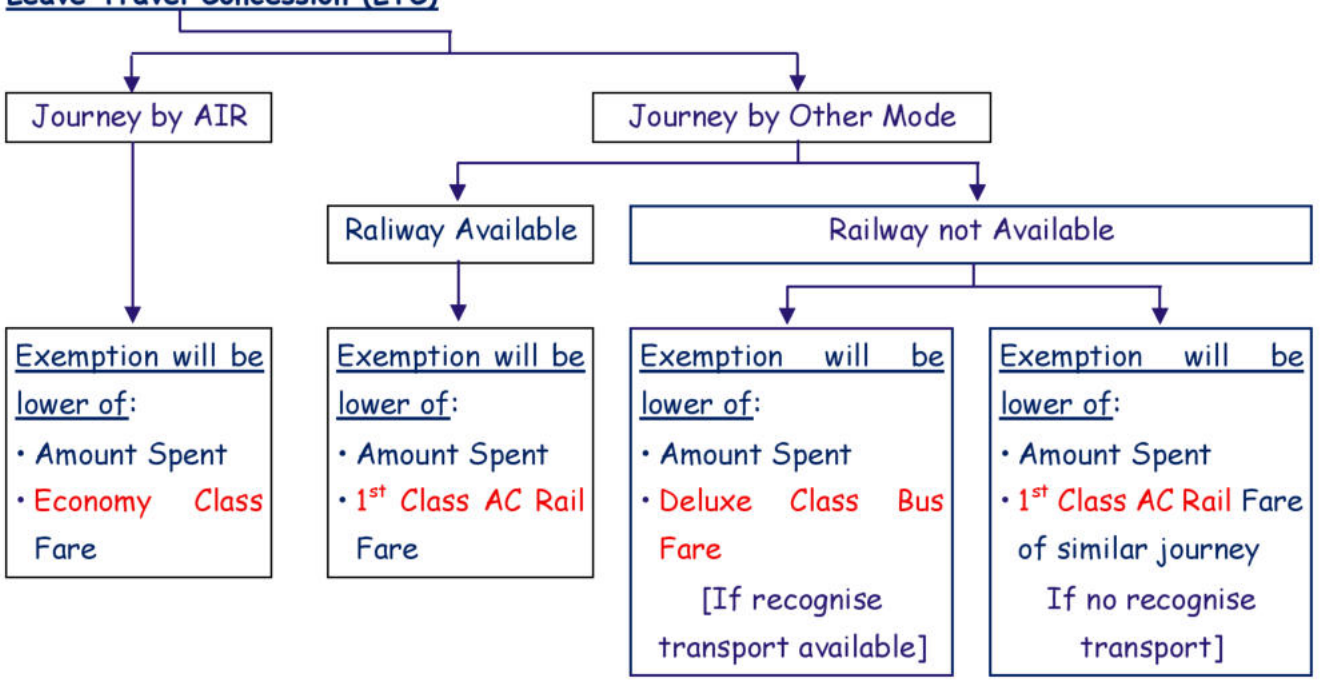
(iv) Insurance Premium paid/reimbursed by employer

Mediclaim/Medical/Health Insurance Premium	Fully Exempt
Personal Accident Policy Premium	Fully Exempt
Life Insurance Premium	Fully Taxable

(2) Education Facilities



(3) Leave Travel Concession (LTC)



Note:

(i) LTC is exempt only for journey of employee, spouse, children and dependent parent/brother/sister.

(ii) LTC is exempt for maximum 2 children of employee, if children are born on or after 1.10.1998 (no limit on children born before 1.10.1998).

(4) Food/Lunch Facility

Tea/Coffee/Breakfast provided in Office	Fully Exempt
Lunch provided in office located in remote area	Fully Exempt
Lunch provided in office located in normal area	Exempt upto ₹ 50 per meal

(5) Gift From Employer

Gift in Cash/Money	Fully Taxable
Gift in Kind or Gift Voucher	Fully Exempt if less than ₹ 5,000 p.a. [Otherwise Fully Taxable]

(6) Interest Free/Concessional Interest Loan Facility

Loan upto ₹ 20,000	Interest Fully Exempt
Loan taken for treatment of specified disease	Interest Fully Exempt
Other case	Interest Fully Taxable*
*Taxable Value = Loan outstanding at end of month × (SBI Rate on 1st April – Actual Rate)	

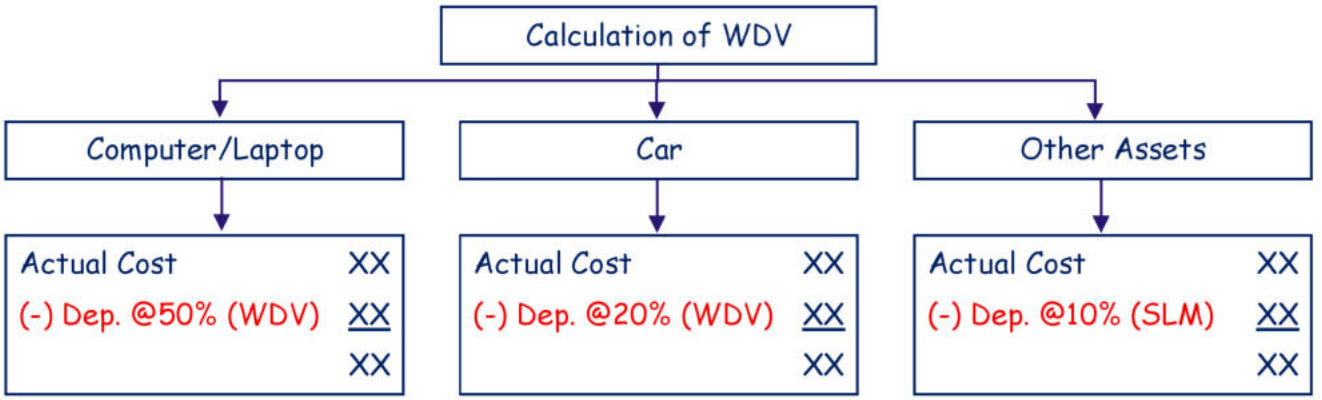
(7) Employees Stock Option Plan [ESOP] or Sweat Equity Shares

Employer offers company shares to employee at concessional rate.

Taxable Value = FMV on the date of exercising the option by employee – Issue Price.

(8) Transfer of Movable Assets

Taxable Value = WDV of Asset – Consideration paid by employee



Note: For WDV calculation, depreciation shall be deducted for every completed year starting from date of purchase by employer till date of transfer to employee (part of year is ignored).

(9) Use of Movable Assets [Personal Use]

Asset	Taxable Value
Computer/Laptop	Fully Exempt
Other Assets (TV, AC, Furniture etc.)	➢ If owned by employer 10% p.a. of actual cost ➢ If hired by employer Hire charges paid by employer

(10) Rent Free Accommodation/House Facility

Cases	Taxable Value
Government Employee	License Fees decided by Government
Employer Own House	➢ 5% of Salary (If population upto 15 lacs) ➢ 7.5% of Salary (If population > 15 lacs upto 40 lacs) ➢ 10% of Salary (If population > 40 lacs)
House Rented by Employer	Lower of: ➢ 10% of Salary ➢ Rent paid by employer
Hotel Accommodation	Lower of: ➢ 24% of Salary ➢ Hotel rent paid by employer Note: If employee is transferred to other place, then stay in hotel upto 15 days at such place is fully exempt.

Note:

(i) If furniture is also provided along with house (furnished house), then value of furniture is to be added in above value. Value of Furniture = 10% p.a. of actual cost (if employer own furniture) or hire charges paid by employer (if rented furniture).

(ii) If employer charges rent from employee, then such rent is to be deducted from above taxable value.

(iii) "Salary" for above calculation includes All Taxable Salary except:

- Arrears/Advance
- Normal DA
- Retirement Benefit (gratuity/pension/leave salary/compensation at time of retirement)
- Provident Fund
- Perquisites

Salary should be taken for the period during which house is occupied by employee.

(iv) If accommodation is provided for more than 1 P.Y., Maximum Taxable Value for current P.Y. = Taxable value for first P.Y. x $\frac{\text{Cost Inflation Index for Current P.Y.}}{\text{Cost Inflation Index for First P.Y}}$

(11) Use of Motor Car/Car Facility

Car used for	Taxable Value	
Office Purpose	Fully Exempt	
Personal Purpose	Depreciation @ 10% p.a. of actual cost/hire charges	XX
	(+) Running & Maintenance Exp. (if paid by employer)	XX
	(+) Driver Salary (if paid by employer)	XX
	Taxable Value	XX

Car used for Partly Office & Partly Personal Purpose			
Car Owner	Running & Maintenance Exp.	Taxable Value	
Employer	Employer	₹ 1800 p.m. (upto 1600cc) / ₹ 2,400 p.m. (>1600cc)	
	Employee	₹ 600 p.m. (upto 1600cc) / ₹ 900 p.m. (>1600cc)	
Employee	Employer	Running & Maintenance Exp. paid by employer	XX
		(-) ₹ 1800 p.m. (upto 1600cc) / ₹ 2,400 p.m. (>1600cc)	XX
		Taxable Value	XX
	Employee	Not a Perquisite	

Note:

(i) If driver is also provided by employer, then add ₹ 900 p.m. in above taxable value.

(ii) 1600cc means 1.6 litre engine.

(12) Other Perquisites

Perquisites	Taxable Value
▪ Telephone/Mobile Bill ▪ Scholarship to Employee Children	Fully Exempt
▪ Housekeeper/Servant Facility ▪ Gas, Electricity and Water Bills/Supply ▪ Credit Card Fees/Expenses for Personal Use ▪ Any Other Perquisite	Fully Taxable [Amount paid/reimbursed by employer]

(13) Excess Employer Contribution towards RPF, NPS, Superannuation Fund (Approved)

Employer contribution in excess of ₹ 7,50,000 is treated as perquisite and taxable in hands of employee.

Annual accretion (Interest) on such excess employer contribution is also treated as perquisite and taxable in hands of employee.

Calculation of such accretion (interest) TP = (PC/2) x R + (PC1 + TP1) x R	
TP	Taxable Value of accretion (interest)
PC	Contribution in excess of ₹ 7,50,000 during current year
R	Interest Rate = Total interest of current year*/Average balance of fund** *Total interest = Closing balance of fund – opening balance of fund – employer and employee contribution of current year **Average balance of fund = opening balance of fund + closing balance of fund/2
PC1	Contribution in excess of ₹ 7,50,000 during preceding years
TP1	Taxable Value of accretion (interest) during preceding years

Example

Mr. X is appointed as a CFO of ABC Ltd. in Mumbai from 1.4.2024. He contributes ₹ 7,77,600 towards RPF and the company contributes the same amount every year. Accumulated balance in RPF as on 1.4.2024, 31.3.2025 and 31.3.2026 is ₹ 9,81,137, ₹ 27,43,048 and ₹ 46,48,555, respectively. Compute the perquisite value chargeable to tax in hands of Mr. X for P.Y. 2024-25 and P.Y. 2025-26.

Solution

Taxable Contribution as a Perquisite	
P.Y. 2024-25	₹ 7,77,600 - ₹ 7,50,000 = ₹ 27,600
P.Y. 2025-26	₹ 7,77,600 - ₹ 7,50,000 = ₹ 27,600
Taxable Accretion (Interest) as a Perquisite	
P.Y. 2024-25	TP = (PC/2) x R + (PC1 + TP1) x R TP = 27,600/2 x 0.111* + Nil (since no contribution in preceding years) TP = ₹ 1,532 *R = Total Interest/Average Balance = 2,06,711/18,62,093 = 0.111 Total Interest = 27,43,048 - 9,81,137 - 7,77,600 - 7,77,600 = 2,06,711 Average Balance = (9,81,137 + 27,43,048)/2 = 18,62,093
P.Y. 2025-26	TP = (PC/2) x R + (PC1 + TP1) x R TP = 27,600/2 x 0.09479* + (27,600 + 1,532) x 0.09479* TP = ₹ 4,069 *R = Total Interest/Average Balance = 3,50,307/36,95,802 = 0.09479 Total Interest = 46,48,555 - 27,43,048 - 7,77,600 - 7,77,600 = 3,50,307 Average Balance = (27,43,048 + 46,48,555)/2 = 36,95,802

Deductions u/s 16

Entertainment Allowance	▪ Government Employee First include in gross salary, then deduction is available as per limit ▪ Other Employee Fully Taxable, no deduction
Professional Tax	▪ Paid by employer First include in gross salary, then deduction is available ▪ Paid by employee Deduction is to be given directly
Standard Deduction	Maximum upto ₹ 50,000

Special Point for New/Default Tax Regime (Section 115BAC)

No exemptions/deductions of following, if assessee follows section 115BAC:	
Allowance Exemption	House Rent Allowance (HRA) or Any Other Allowance Exemptions [However, Travelling, Daily, Conveyance and Transport Allowance Exemption is Allowed]
Perquisite Exemption	Leave Travel Concession (LTC) Exemption ₹ 50 per meal Exemption
Deductions u/s 16	Entertainment Allowance Professional Tax [However, Standard Deduction of ₹ 75,000 is allowed]

Meaning of Salary for Various Calculations

HRA	Basic + DA (if) + CT
Entertainment Allowance	Basic Salary
Gratuity POGA	Latest Basic + DA (both) [1 month]
Gratuity Non-POGA	Basic + DA (if) + CT [Average of preceding 10 months from retire month]
Leave Salary	Basic + DA (if) + CT [Average of preceding 10 months from retire date]
VRS Compensation	Basic + DA (if) + CT
Employer Contribution in RPF	Basic + DA (if) + CT
Rent Free Accommodation/ House Facility	Salary includes All Taxable Salary except Arrears/Advance, Normal DA, Retirement Benefit, Provident Fund and Perquisites

Basic Salary Calculation from Pay Scale

Pay scale is the structured salary range set for employee. It shows minimum salary, maximum salary and annual increments in between.

Example

Mr. Aman was joined as an employee in a company on 1.2.2020 in the scale of 30,000-1,000-32,000-3,000-50,000. Compute his basic salary for P.Y. 2025-26.

Solution

Given pay scale means basic salary starts at ₹ 30,000 p.m., increases by ₹ 1,000 annually upto ₹ 32,000, and after that increases by ₹ 3,000 annually until it reaches the maximum of ₹ 50,000 p.m.

1.2.20 – 31.1.21	₹ 30,000 p.m.
1.2.21 – 31.1.22	₹ 31,000 p.m.
1.2.22 – 31.1.23	₹ 32,000 p.m.
1.2.23 – 31.1.24	₹ 35,000 p.m.
1.2.24 – 31.1.25	₹ 38,000 p.m.
1.2.25 – 31.1.26	₹ 41,000 p.m.
1.2.26 – 31.1.27	₹ 44,000 p.m.
1.2.27 – 31.1.28	₹ 47,000 p.m.
1.2.28 and onwards	₹ 50,000 p.m.

Basic Salary for P.Y. 2025-26 (1.4.25 to 31.3.26)

= 41,000 p.m. (1.4.25 to 31.1.26) + 44,000 p.m (1.2.26 to 31.3.26)

= 41,000 x 10 + 44,000 x 2

= ₹ 4,98,000

Tax Relief in Case of Arrears of Salary Received [Section 89]

Step 1	Calculate tax liability of current year on total income including arrears
Step 2	Calculate tax liability of current year on total income excluding arrears
Step 3	Step 1 - Step 2
Step 4	Calculate tax liability of year to which arrears relate on total income including arrears
Step 5	Calculate tax liability of year to which arrears relate on total income excluding arrears
Step 6	Step 4 - Step 5
Step 7	Relief Amount = Step 3 – Step 6
Final Tax Payable of current year = Total Tax Liability (Step 1) – Relief Amount	

INCOME FROM HOUSE PROPERTY

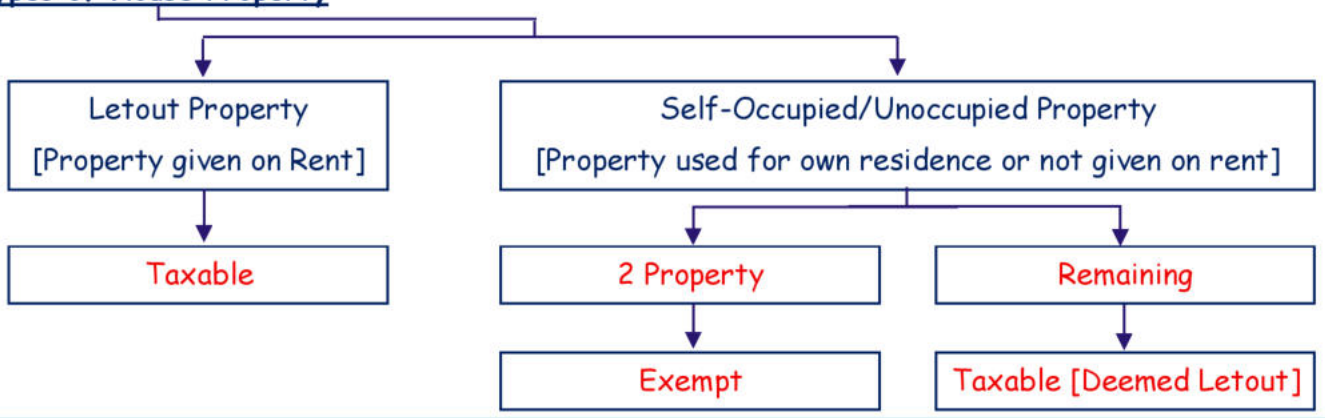


Charging Section [Section 22]

- Rental income from house property is taxable under head "House Property" (HP) if following two conditions are satisfied:
  - There is a House Property [Any building or land attached to such building (garden/garage etc)].
  - Assessee is the Owner of such property.
- Special Points regarding taxability

Rental Income from Residential Building	Taxable under HP
Rental Income from Commercial Building (office/shop/godown etc.)	Taxable under HP
Rental Income from Vacant Land	Taxable under IFOS
Assessee engaged in business of renting of HP	
▪ Residential HP	Taxable under HP
▪ Commercial HP	Taxable under PGBP
HP held as stock in trade [Real Estate Business]	
▪ If HP letout (given on rent)	Taxable under HP
▪ If HP is not letout:	
➢ Upto 2 years from end of year of completion	Not Taxable
➢ After 2 years (treated as deemed letout)	Taxable under HP
Composite Rent [Rent of HP + Other Amenities]	
▪ If separable:	
➢ HP Rent	Taxable under HP
➢ Other Amenities Rent	Taxable under IFOS
▪ If not separable: then whole rent	Taxable under IFOS
HP used in assessee business	Not Taxable

- **Types of House Property**



Note:

(i) If house is letout for some part of year & self-occupied for some part of year, then it is treated as Letout Property.

(ii) SOP concept is only for Individual/HUF and not for other assessees.

(iii) If assessee has more than 2 self-occupied properties, he has the option to choose any 2 from such properties as self-occupied (exempt) and remaining as deemed letout (taxable).

- **Computation of Taxable Income from House Property**

Particulars	Letout/Deemed Letout	Self-Occupied/Unoccupied [Maximum 2 Property]
Gross Annual Value (GAV)	XX	Nil
Less: Municipal Tax	(XX)	Nil
Net Annual Value (NAV)	XX	Nil
Less: Deduction u/s 24		
➢ Standard deduction [30% of NAV]	(XX)	Nil
➢ Interest on Loan	(XX)	(XX)
Taxable Income from HP	XX	(XX)

Gross Annual Value (GAV) of Letout/Deemed Letout House Property [Section 23]

Step 1	Compute Expected Rent Municipal Value p.a. or Fair Rent p.a. → Higher Higher or Standard Rent p.a. → Lower	XX
Step 2	Compute Actual Rent Actual Rent for letout period – Unrealised Rent (if any)	XX
Step 3	GAV Higher of Step 1 and Step 2	XX

Note:

(i) Municipal Value means rent as per records of local authority.

(ii) Fair Rent means rent of similar property in same locality.

(iii) Standard Rent means maximum rent which can be legally recovered as per Rent Control Act.

(iv) MV/FR/SR is to be taken for full year (12 months). Actual rent is to be taken for the period actually letout (whether received or receivable).

(v) Unrealised rent means rent which could not be recovered (bad debts).

Some Special Cases

(i) GAV of deemed letout property

Since Actual Rent (Step 2) is 0, so GAV = Expected Rent (Step 1)

(ii) GAV of Letout property which is SELF-OCCUPIED for some part of the year

Same calculation as given in above table

(iii) GAV of Letout property which is VACANT for some part of the year

If Actual Rent (Step 2) + Vacancy Rent is ≥ Expected Rent, then GAV = Actual Rent (Step 2)

If Actual Rent (Step 2) + Vacancy Rent is < Expected Rent, then GAV = Expected Rent (Step 1)

Example

Mr. Ganesh let out his house property for a rent of ₹ 20,000 p.m. However, the tenant vacated the property on 31.1.26. Unrealised rent was ₹ 10,000.

Case 1: Expected Rent (Step 1) = ₹ 2,10,000

Case 2: Expected Rent (Step 1) = ₹ 2,30,000

Case 3: Expected Rent (Step 1) = ₹ 2,50,000

Compute GAV.

Solution

Step 2: Actual Rent for letout period – Unrealised Rent = 20,000 x 10 – 10,000 = ₹ 1,90,000 Vacancy Rent (1.2.26 to 31.3.26) = 20,000 x 2 = ₹ 40,000 Step 2 + Vacancy Rent = 1,90,000 + 40,000 = ₹ 2,30,000	
GAV	Case 1: Since ₹ 2,30,000 is higher than Expected Rent, so GAV = ₹ 1,90,000 (Step 2) Case 2: Since ₹ 2,30,000 is equals to Expected Rent, so GAV = ₹ 1,90,000 (Step 2) Case 3: Since ₹ 2,30,000 is lower than Expected Rent, so GAV = ₹ 2,50,000 (Step 1)

(iv) If portion of HP is letout and portion is self-occupied

- Treat both portions as 2 separate properties (1 letout and 1 self-occupied).
- Divide all amounts (municipal value, fair rent, standard rent, municipal tax, interest on loan) in portion/area ratio. Do not divide actual rent because it is only for letout portion.
- Calculate income separately for letout and self-occupied portion.

Municipal Tax

- Municipal Tax means any tax paid to Municipality/Local Authority such as water tax, local tax, property tax, corporation tax, sewerage tax etc.
- Deduction is allowed only on payment basis (whether paid for current year or past years).
- Deduction is allowed only if it is paid by owner/landlord. If paid by tenant, then no deduction.
- If it is given in %, then apply such % on municipal value, to convert it in amount.

Standard Deduction [Section 24(a)]

- Standard Deduction is allowed @30% of NAV in case of letout/deemed letout property.
- No deduction of any other expenses (insurance, electricity, water, repair & maintenance etc.)

Interest on Loan [Section 24(b)]

- Interest Deduction is allowed if loan is taken for house property for any purpose (purchase, construction, repairs, renovation etc.).
- Loan can be taken from any person.
- Deduction is allowed on accrual/due basis.
- If fresh loan is taken for repayment of earlier loan, then interest on fresh loan is also allowed as deduction.
- Penalty on interest (penal interest/interest on unpaid interest) is not allowed as deduction.
- If loan is taken from outside India, then deduction of interest is allowed only if TDS has been deducted on such interest.
- **Pre-Acquisition/Construction Period Interest**

Pre-Acquisition/ Construction Period Interest	Interest on loan before the year in which acquisition/construction is completed. In other words, Interest FROM date of Loan TO 31 March of preceding PY from year in which property is acquired/constructed.
Deduction Allowability of such Interest	Deduction is allowed in 5 equal installments starting from year in which acquisition/construction is completed.

Example

Aman took a loan of ₹ 1,00,000 on 1.7.2018 for construction of building. Construction of house began in June, 2018 and was completed on 31.5.2021. He paid interest on loan @ 12% p.a. Compute Pre-construction period interest and allowability of such interest.

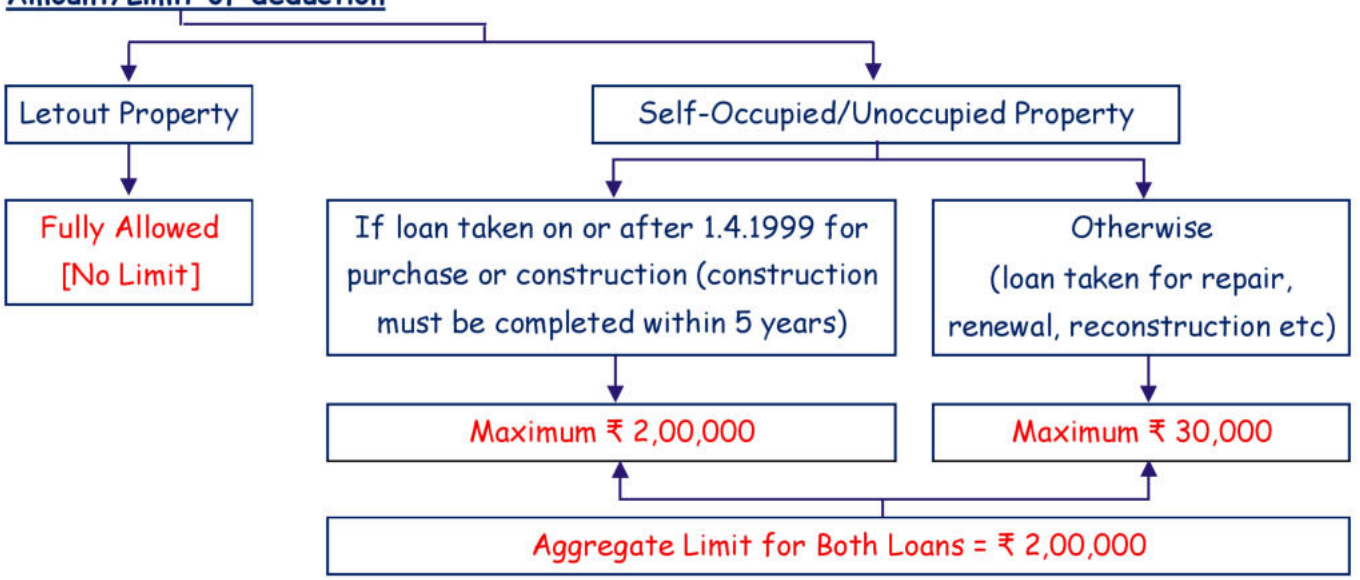
Solution

Pre-construction period interest for 33 months (from 1.7.2018 to 31.3.2021)
= 0.12 x ₹ 1,00,000 x 33/12
= ₹ 33,000
Pre-construction period interest deduction is allowed in 5 equal installments of ₹ 6,600 (33,000/5) from year in which construction is completed (from P.Y. 2021-22).

Year	Deduction
P.Y. 2021-22	Interest in P.Y. 2021-22 + ₹ 6,600
P.Y. 2022-23	Interest in P.Y. 2022-23 + ₹ 6,600

P.Y. 2023-24	Interest in P.Y. 2023-24 + ₹ 6,600
P.Y. 2024-25	Interest in P.Y. 2024-25 + ₹ 6,600
P.Y. 2025-26	Interest in P.Y. 2025-26 + ₹ 6,600

- **Amount/Limit of deduction**



Note:

(i) Above limit is aggregate for 2 self-occupied properties and including pre-acquisition/construction interest installment.

(ii) No deduction of interest in case of self-occupied/unoccupied property, if assessee follows section 115BAC. In that case, income from self-occupied/unoccupied property will always be Nil.

Recovery of Unrealised Rent and Arrears of Rent Received [Section 25A]

- Taxable in the year in which amount is recovered/received.
- Taxable even if the assessee is not the owner of house property in the year of recovery/receipt.
- Taxable Amount = Unrealised Rent Recovered/Arrears Received – 30% Standard Deduction

Joint Ownership/Co-Ownership [Section 26]

Joint ownership means property is owned by more than 1 owner.	
If such property is letout	Compute income from house property normally, then divide such income between co-owners in ownership ratio.
If such property is self-occupied	Interest deduction limit of ₹ 30,000/₹ 2,00,000 is available to per co-owner independently.

Deemed Owner [Section 27]

Following persons are treated as deemed owners of house property:

- Individual who transfers his HP to spouse or minor children for without/inadequate consideration.
- Holder of impartible estate
- Member of co-operative society for HP allotted to him
- Person in possession of HP in part performance of contract
- Lessee having lease right in HP for 12 years or more

PROFITS AND GAINS OF BUSINESS OR PROFESSION (PGBP)



Charging Section [Section 28]

Following Incomes are Taxable under this head:

(i) Profits or gains of any business or profession carried by assessee during P.Y.

(ii) Assistance, grant or subsidy received from Central/State Government relating to B&P.

(iii) Export Incentive such as Cash Assistance, Duty Drawback, Import Entitlements etc.

(iv) Value of any gift, benefit or perquisite arising from B&P whether in cash or in kind.

(v) Amount received for:

- Not carrying out any activity relating to B&P
- Not sharing intangible asset

→ Non-compete Fees

(vi) Amount received under Keyman Insurance Policy.

(vii) FMV of stock on conversion into capital asset.

(viii) Interest, salary, bonus, commission or any remuneration received by partner from Firm/LLP [upto deduction allowed to Firm/LLP].

Speculative Business

- Part of business consist of purchase/sale of shares & commodities other than by actual delivery.
- Profit/Loss of Speculative Business is to be calculated separately.
- Following are not Speculative Transactions:
  - Hedging Contract
  - Forward Contract
  - Trading in Derivatives/Commodity Derivatives

Income of PGBP Computed as per Section 30 to 43D [Section 29]

Calculation of PGBP Income

Profit/Loss as per P&L A/c	XX
Add:	
Depreciation debited to P&L A/c	XX
Expenses debited to P&L A/c but not allowed as deduction under this head [Disallowed]	XX
Income not credited to P&L A/c but taxable under this head	XX
	XX
Less:	

Depreciation as per Income Tax Act	(XX)
Expenses not debited to P&L A/c but allowed as deduction under this head	(XX)
Income credited to P&L A/c but not taxable under this head [Example - Capital Gain, IFOS, Agricultural Income etc.]	(XX)
Income from Business & Profession [PGBP]	**XX**

Rent, Rates, Repairs & Insurance for Building used in B&P [Section 30]

Expenses		Deduction
Rent	=	Allowed
Rates [Municipal Tax]	=	Allowed
Repairs		
➢ Revenue Nature	=	Allowed
➢ Capital Nature	=	Not Allowed [Added to cost of building]
Insurance	=	Allowed

Repairs and Insurance of Plant & Machinery, Furniture [Section 31]

Expenses		Deduction
Repairs		
➢ Revenue Nature	=	Allowed
➢ Capital Nature	=	Not Allowed [Added to cost of P&M, furniture]
Insurance	=	Allowed

Depreciation as per Income Tax Act [Section 32]

(1) Conditions to Claim Depreciation

- Asset must be used in B&P [Active or Passive].

and

- Assessee must be owner of such asset [Wholly or Partly].

Note:

(i) Depreciation allowed only when asset is put to use.

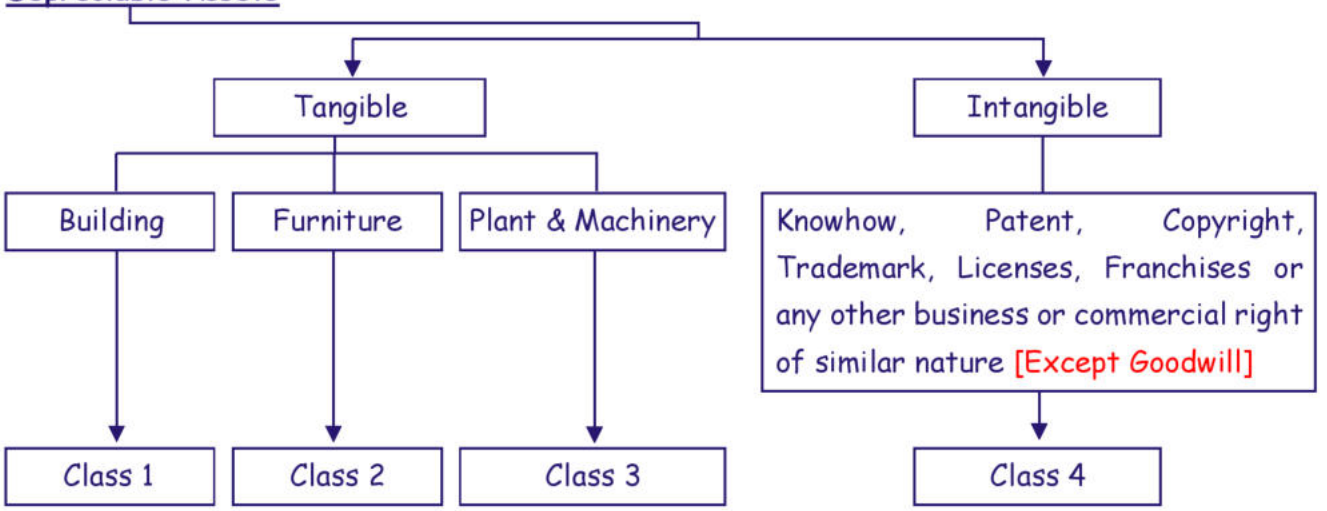
(ii) However, in case of Standby Equipment, Fire Extinguisher, Machinery Spares → Depreciation allowed even if they are kept ready for use

(iii) In case of lease asset, lessor is entitled for depreciation.

(iv) No depreciation on Land & Goodwill.

(v) It is mandatory to claim depreciation.

(2) Depreciable Assets



(3) Depreciation Rates

Building				
Block 1	→	Residential Building	→	5%
Block 2	→	Commercial Building	→	10% ✓
Block 3	→	Temporary Structures	→	40%
Furniture				
Block 1	→	All Furnitures	→	10%
Plant & Machinery				
Block 1	→	Aeroplanes, Pollution Control Equipments, Medical Equipments, Windmills, Energy Saving Devices, Books & Annual Publications, Computer including Computer Software and Accessories	→	40%
Block 2	→	Ships	→	20%
Block 3	→	Motor Car [Taxis, Buses etc.] used in business of running on hire	→	30%
Block 4	→	Other Motor Car, Oil Wells, Office Equipments/ Appliances, EPABX & Mobile Phones, Other Plant & Machinery	→	15%
Intangible Assets				
Block 1	→	All Intangible Assets	→	25%

(4) Block of Asset

- Same class of asset AND same rate of depreciation.
- Depreciation shall be allowed on WDV of Block of Asset at Prescribed Percentage.

(5) Calculation of WDV of Block & Depreciation

Opening WDV of block as on 1st day of P.Y.	XX
(+) Actual cost of asset purchase during P.Y. ➢ Put to use for 180 days or more ➢ Put to use for less than 180 days ➢ Purchase but not put to use during P.Y.	XX
(-) Amount received on asset sale/destroyed/demolished/discarded during P.Y.	(XX)
WDV of Block for Depreciation	XX
(-) Depreciation	(XX)
Closing WDV as on last day of P.Y.	XX

Depreciation on WDV of Block

On cost of asset purchase but not put to use during P.Y.	On cost of asset put to use for less than 180 days [Put to use after 3rd October]	Balance WDV
No Depreciation	Half Rate Depreciation	Full Rate Depreciation

[Half Rate Restriction applies only when Purchase & Put to use year is same]

Example

Purchase	Put to Use	
2025-26	10.12.25 [25-26]	Half Rate
2024-25	10.12.25 [25-26]	Full Rate

Example

Opening WDV of P&M (15%) as on 1.4.25	5,00,000
Opening WDV of computer (40%) as on 1.4.25	1,00,000
Purchase & put to use car as on 31.7.25	2,00,000
Purchase computer on 10.10.25	50,000
Purchase & put to use P&M on 1.11.25	3,00,000
Purchase P&M on 10.12.25 but not put to use upto 31.3.26	1,00,000
Sale of 1 P&M (15%) on 25.12.25	4,00,000

Calculate Depreciation for P.Y. 25-26

Solution

P&M [15%]				
Opening WDV of Block				5,00,000
(+) Actual cost of purchase	→ Put to use upto 3rd Oct			2,00,000
	→ Put to use after 3rd Oct			3,00,000
	→ Purchase but not put to use			1,00,000
(-) Amount received on sale				(4,00,000)
WDV of Block for Depreciation				7,00,000
(-) Depreciation				
	Not put to use	Put to use after 3rd Oct	Balance WDV	
	[1,00,000]	[3,00,000]	[3,00,000]	
	↓	↓	↓	
	No Depreciation	[3,00,000 x 7.5%]	[3,00,000 x 15%]	(67,500)
Closing WDV as on 31.3.26/Opening WDV as on 1.4.26				6,32,500

P&M (40%)			
Opening WDV of Block			1,00,000
(+) Purchase (After 3rd Oct)			50,000
WDV of Block for Depreciation			1,50,000
(-) Depreciation			
	After 4th Oct	Balance WDV	
	[50,000 x 20%]	[1,00,000 x 40%]	(50,000)
Closing WDV as on 31.3.26/Opening WDV as on 1.4.26			1,00,000

(6) Capital Gain/Loss on Depreciable Asset

- If WDV of block for depreciation is negative → Short Term Capital Gain → [No depreciation]
- If all assets of block is sold
  - If WDV of block for depreciation is positive → Short Term Capital Loss → [No depreciation] [Dead Loss]
  - If WDV of block for depreciation is negative → Short Term Capital Gain → [No depreciation]

Example

Building [10%]	
Op. WDV [2 Buildings]	10,00,000
(+) Purchase (1 Building)	2,00,000
(-) Sale (1 Building)	(15,00,000)
STCG ← No depreciation	(3,00,000)

P&M (15%)				
Op. WDV [5 P&M]	6,00,000		Op. WDV [5 P&M]	6,00,000
(+) Purchase [3 P&M]	3,00,000		(+) Purchase [3 P&M]	3,00,000
(-) Sale all P&M [8 P&M]	(4,00,000)		(-) Sale all P&M [8 P&M]	(10,00,000)
STCL	5,00,000		STCG	(1,00,000)
	↓			↓
	No depreciation			No depreciation

(7) Additional Depreciation

- Assessee engaged in business of Manufacturing/Production of any article [Factory/Industry] or generation/transmission/distribution of power

↓

Purchase New Plant & Machinery during P.Y.

↓

Additional Depreciation → 20% of actual cost [If put to use upto 3rd Oct]
Additional Depreciation → 10% of actual cost [If put to use after 3rd Oct]
→ Allowed as deduction

↓

[Balance 10% in next year]

Note: Business of printing & publishing also eligible.

- **No Additional Depreciation in following P&M**
  - Second hand plant & machinery
  - Plant & machinery installed in office premises or residential accommodation
  - Office appliances/equipments
  - Ships, aircrafts, road transport vehicles [truck use in factory is eligible]
  - Any P&M on which 100% deduction is allowed under other section

Example

A Ltd. engaged in Manufacturing Business	
P&M (15%)	
Opening WDV	20,00,000
Purchase new plant & machinery	
Put to use on 1.6.25	8,00,000
Put to Use on 30.12.25	5,00,000
Sale value received on sale of 1 machine	(3,00,000)
WDV of block for depreciation	30,00,000
(-) Normal Depreciation	
5,00,000 x 7.5% ; 25,00,000 x 15%	(4,12,500)
(-) Additional Depreciation	
8,00,000 x 20% ; 5,00,000 x 10% [Balance 10% allowed in next year]	(2,10,000)
Closing WDV	23,77,500

(8) Actual Cost of Asset

Normal Case

Purchase Price	XX
(+) Installation, Transportation, Trial Run and Other Expenses [upto put to use]	XX
(+) Taxes & Duties [If ITC not available]	XX
(+) Interest on loan taken for purchase of asset [upto put to use]	XX
(-) Subsidy/Government Grant received for purchase of asset	(XX)
Actual Cost of Asset Purchase	**XX**

Note: If payment/expenditure for asset to a single person in a single day exceeds ₹ 10,000 by Cash/Bearer Cheque/Cross Cheque, then such payment/expenditure shall not form part of actual cost of asset [Ignore such amount].

Special Case

	Cases	Actual Cost of Asset
(i)	Asset used in scientific research	Nil
(ii)	Section 35AD asset	Nil
(iii)	Stock converted into capital asset and used in B&P	FMV on date of conversion
(iv)	Asset acquired by gift/will	WDV of previous owner
(v)	Reacquisition of asset sold	Reacquisition price or WDV at the time of sale → Lower
(vi)	Asset use for personal purpose brought into business	Building = Original cost - Depreciation upto yet Other Asset = Original cost

(9) Other Points Relating to Depreciation

(i) Asset use for Partly Business & Partly Personal Purpose

Depreciation allowed only for business use.

Example

Assessee uses the Car (15% rate) for both business and personal purpose in ratio of 60% and 40% respectively, WDV of Car = ₹ 10,00,000

- Total Depreciation = 10,00,000 x 15% = ₹ 1,50,000
- Depreciation Allowed (60% Business use) = ₹ 90,000
- Depreciation not Allowed (40% Personal use) = ₹ 60,000
- Closing WDV = 10,00,000 - 90,000 = ₹ 9,10,000

(ii) Asset Purchase in Foreign Currency in Credit [Section 43A]

Profit/loss due to foreign exchange fluctuations at the time of payment shall be adjusted from cost of asset.

If Profit ↓ Reduce from Cost of Asset

If Loss ↓ Added to Cost of Asset

(iii) **Depreciation for Undertaking engaged in Generation of Power**

- WDV of Block
- SLM for each Asset Separately [No Additional Depreciation]
  - In case of sale of asset
    - If WDV > Sale Price → Loss = Terminal Depreciation → Deduction Allowed
    - If Sale Price > WDV → Profit = Balancing Charge → Taxable under PGBP

(iv) **Unabsorbed Depreciation [Section 32(2)]**

Profit before charging depreciation as per Income Tax Act	XX
(-) Depreciation as per Income Tax Act	(XX)
Unabsorbed depreciation	(XX)

It can be set-off from any head of income [except salary] AND can be carry forward indefinitely.

Scientific Research Expenditure [Section 35]

- Inhouse
  - within 3 years before Commencement of Business
    - Revenue [Material & Salary]
    - Capital [Except Land]
    - → 100% Deduction in Commencement year
  - After Commencement of Business
    - Revenue
    - Capital [Except Land]
    - → 100% Deduction in year of Expense
- Outside Contribution
  - To Indian Company engaged in R&D → 100% for Scientific Research
  - To Approved
    - Association
    - Institute
    - College
    - University
    - → 100% for:
      - Scientific
      - Social & Statistical Research
  - To IIT/IIS/ National Laboratory → 100% for Scientific Research

Other Points

(i) Unabsorbed capital expenditure on scientific research can be carry forward and setoff same as unabsorbed depreciation.

(ii) If scientific research asset is sold, then Sale Amount or Deduction Allowed [whichever is lower] is Taxable under PGBP.

(iii) No deduction for outside contribution, if assessee follows section 115BAC.

Expenditure on Specified Business [Section 35AD]

- **Eligibility and Amount of Deduction**

Deduction allowed on all capital expenses except land/goodwill/financial instrument.

If capital expenditure incurred before commencement of business	If capital expenditure incurred after commencement of business
100% deduction in year of commencement	100% deduction in year of expense

- **Specified Business**

1) Cold chain facility
2) Hotel of 2 star or above category
3) Hospital with at least 100 beds for patients
4) Housing projects under slum development scheme
5) Housing projects under affordable housing scheme
6) Production of fertilizers in India
7) Inland container depot
8) Honey production
9) Warehousing facility for storage of sugar
10) Warehousing facility for storage of agricultural produce
11) Cross country pipeline of natural gas/oil
12) Slurry pipeline for transportation of iron ore
13) Semi-conductor wafer fabrication manufacturing unit
14) Developing, maintaining & operating new infrastructure facility

- **Other Points**

(i) Business should be new [not formed by splitting up or reconstruction of existing business].

(ii) P&M should be new except:

- Imported Old P&M
- 20% of Total P&M can be old

(iii) If payment/expenditure for capital asset to a person in a single day exceeds ₹ 10,000 by cash/bearer cheque/cross cheque, then no deduction allowed for such payment/expenditure [Ignore such amount].

(iv) Profit/Loss of specified business is to be calculated separately.

(v) Loss from specified business is set-off only from profit of any other specified business and such loss can be carry forward indefinitely.

(vi) If specified business capital asset is sold, then amount received will be taxable under PGBP.

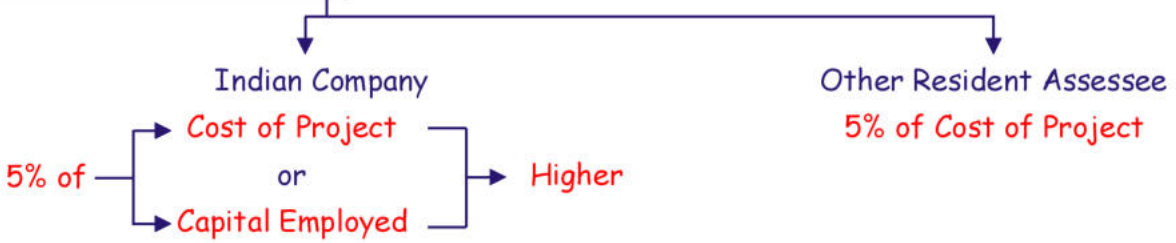
(vii) If specified business asset converted/transferred to non-specified business within 8 years:

PGBP Income	
Deduction allowed [cost of asset]	XX
(-) Depreciation upto P.Y. preceding transfer year	(XX)
Taxable under PGBP	XX
Actual Cost of Asset for Non-Specified Business	
Cost of such asset	XX
(-) Depreciation upto P.Y. preceding transfer year	(XX)
Actual Cost of Asset	XX

(viii) No deduction u/s 35AD, if assessee follows section 115BAC. In that case, depreciation is allowed on section 35AD capital assets.

Preliminary Expenses [Section 35D]

- Deduction allowed only to resident assessee who incurs preliminary expenses at the time of Commencement of Business/Extension of Business/Setting up New Unit.
- **Maximum Limit of Deduction**



Cost of Project: Amount invested in fixed asset of new business/extension/ new unit

Capital Employed: Share capital [Except R&S, Share Premium] + debentures + long term borrowing of new business/extension/new unit

- **Deduction Amount**

Actual Preliminary Expenses or Limit → Lower → Deduction allowed in 5 equal installments in 5 years

Expenses incurred under Voluntary Retirement Scheme (VRS) [Section 35DDA]

- Deduction allowed to all assessee.
- Deduction allowed in 5 equal installments in 5 years of Amount Paid.
- Deduction for P.Y.= $\frac{1}{5}$ x Amount Paid for VRS

Other Deduction [Section 36]

(1) Stock Insurance [Sec. 36(1)(i)]

Insurance premium of stock is allowed as deduction.

(2) Health/Medical Insurance [Sec. 36(1)(ib)]

Health/medical insurance premium of employee other than cash is allowed as deduction.

(3) Bonus or Commission [Sec. 36(1)(ii)]

Bonus or commission to employee is allowed as deduction but subject to Section 43B.

(4) Interest on Loan for Business Purpose [Sec. 36(1)(iii)]

- For Depreciable Assets
  - Interest upto put to use → Added to Cost of Asset
  - Interest after put to use → Allowed u/s 36 [Subject to Section 43B]
- Other Case → Allowed u/s 36 [Subject to Section 43B]

(5) Discount on Zero Coupon Bond [Sec. 36(i)(iiia)]

Amortised over life of zero coupon bond.

(6) Employer Contribution for benefit of Employees [Sec. 36(1)(iv)]

- Statutory Provident Fund
- Recognised Provident Fund
- Approved Super Annuation Fund
- Approved Gratuity Fund
- Any Other Fund as Per Law [ESI]

→ Deduction u/s 36 [Subject to Section 43B]

- Unrecognised Provident Fund
- Unapproved Super Annuation Fund
- Unapproved Gratuity Fund
- Any Other Fund [Employee Welfare Fund]

→ No Deduction

(7) Employer contribution in Pension Scheme u/s 80CCD [Sec. 36(1)(iva)]

Actual Contribution
or
14% of Salary [Basic salary + DA (if)]
→ Lower
↓
Deduction u/s 36 [Subject to Section 43B]

(8) Employee Contribution towards PF/ESI/Super Annuation Fund [Sec. 36(1)(va)]

- Deduction allowed if amount deposited on or before due date of that fund.
- If not deposited by employer upto due date of that fund, then amount will be deemed to be income under PGBP.
- Due date of deposition in PF/ESI/Super Annuation Fund: 15th of next month

(9) Bad debt [Sec. 36(1)(vii)]

- Actual bad debts
  - Sales → Allowed
  - Loan → Not Allowed [Except Money Lending Business]
- Provision for bad debts → Not Allowed [Except Banks]

Other Points

- Bad debts should be written off in the books in the P.Y. in which deduction is claimed.
- Debt should be taken into account for computing income for P.Y. or earlier years.
- Recovery of Bad debts
  - Taxable under PGBP in the year of recovery.
  - Amount Taxable = Bad debts recovered in excess of not written off

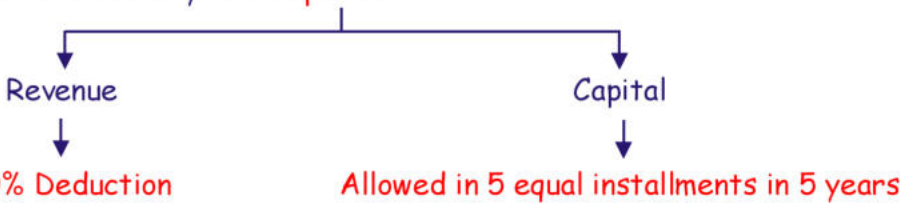
Example

1,00,000 [Bad Debts]
- 60,000 - Written off → Deduction u/s 36
- 40,000 - Not written off

	Bad debts Recovery	Taxable Amount
Case I	35,000	Nil
Case II	45,000	5,000

(10) Expenses on Promotion of Family Planning of Employees [Sec. 36(1)(ix)]

- Deduction allowed only to Companies



- Unabsorbed expenditure on family planning can be carry forward & setoff same as unabsorbed depreciation.

(11) Securities Transaction Tax [STT]/Commodities Transaction Tax [CTT] [Sec. 36(1)(xv)/(xvi)]

STT/CTT is allowed as deduction if Shares/Units/Commodities held as Stock in Trade.

General Deductions [Section 37]

Any expenditure [other than covered u/s 30 to 36] is allowed as deduction, if following conditions are satisfied:



Allowability of Some Expenses

1.	Personal Expenses, Personal Investments, Drawings, Donations [may be eligible for deduction under Chapter VI-A]		Not Allowed
2.	Corporate social responsibility [CSR] expenditure		Not Allowed
3.	Dividend & DDT		Not Allowed
4.	Expenditure for advertisement in souvenir, brochure, pamphlet etc. published by political party		Not Allowed
5.	Provision for loss of subsidiary, provision for deferred tax/income tax, provision for diminution in value of assets, provision for unascertained liability		Not Allowed
6.	Provision for gratuity [Even based on actuarial valuation] [Sec. 40A(7)] [only gratuity paid is allowed]		Not Allowed
7.	Freebies [Gift etc.] provided by pharmaceutical company to doctors		Not Allowed
8.	Tax on non monetary perquisites of employees paid by employer [Sec. 40(a)(v)]		Not Allowed
9.	Expenditure incurred [premium paid] on keyman insurance policy		Allowed
10.	Non-compete fees		Allowed
11.	Purchase/Expense omitted to be recorded in books (erroneous omission)		Allowed
12.	Tax, interest and penalties of direct and indirect tax	Direct Tax	Indirect Tax

	Tax [including Cess & SC], Advance Tax, TDS	Not Allowed	Allowed
	Interest [Including Interest on TDS & Advance Tax]	Not Allowed	Allowed
	Penalty	Not Allowed	Not Allowed
	Note: ▪ Refund of Direct/Indirect Tax ➢ Income Tax Refund: Not Taxable ➢ GST etc. Refund: Taxable [Net of Amount Refunded to Customers]		
13.	Other Penalties		
	▪ For infraction/violation/breach of law:		Not Allowed
	▪ Amount incurred to settle proceedings initiated for contravention of law:		Not Allowed
	▪ For breach of contract:		Allowed

Amount Not Deductible [Section 40]

Non Deduction / Deposition of TDS [Section 40(a)(i)/40(a)(ia)]

Section 40(a)(i)

- Any amount paid or credited to NR or Foreign Company on which TDS is deductible
  - ➢ But TDS has not deducted during P.Y.

    or
  - ➢ TDS deducted but not paid to Government upto due date of ROI

  Then such amount/payment = 100% disallowed in current P.Y.
- Allowed in P.Y. of deposit to Government [If TDS deducted in subsequent year or TDS deposited after due date of ROI]

Section 40(a)(ia)

- Any amount paid or credited to Resident on which TDS is deductible
  - ➢ But TDS has not deducted during P.Y.

    or
  - ➢ TDS deducted but not paid to government upto due date of ROI

  Then such amount/payment = 30% disallowed in current P.Y.
- Allowed in P.Y. of deposit to Government [If TDS deducted in subsequent year or TDS deposited after due date of ROI]

Note:

If any amount paid/credited to payee without deduction of TDS and such payee:

➢ Furnished his ROI, considers such amount in total income and paid tax due on such amount

Then amount disallowed will be allowed in year in which payee files his ROI.

Payment to Specified Person [Section 40A(2)]

- If payment of expenditure made to specified persons [relatives], then AO can disallow excessive or unreasonable amount.
- Payment in excess of FMV, then excess disallowed.
- Specified Persons [Relatives]

Assessee	Specified Person [Relative]
Individual	Spouse, Brother, Sister or any Lineal Ascendent or Descendent of Individual
HUF	Member of HUF & relatives of member
Firm	Partner of firm & relatives of partner
AOP/ BOI	Member of AOP/ BOI & relatives of member
Company	Director of company & relatives of director
For All Assessee	Any person having substantial interest in business of assessee/relative of assessee [Substantial Interest means 20% or more voting power/profit share]

Cash Payments [Section 40A(3)]

- If aggregate payment for expenditure to a single person in a day exceeds ₹ 10,000 by cash/bearer cheque/cross cheque, then such payment = 100% disallowed.
- If payment made to transporter, then limit will be ₹ 35,000.
- If expenditure claimed as deduction in earlier years on due basis and if such expenditure is subsequently paid in cash/bearer cheque/cross cheque in excess of ₹ 10,000 in a day, then deduction allowed earlier is taxable under PGBP [Section 40A(3A)].
- Non Applicability
  - (i) If payment made by A/c Payee Cheque/DD/ ECS/Any Other Electronic Mode such as NEFT, RTGS, Debit Card, Credit Card etc.
  - (ii) Payment made to Banks/ LIC/Government.
  - (iii) Payment by book entry.
  - (iv) Payment made in a Village/Town where no banking facility.
  - (v) Payment of retirement benefits to employees/their family upto ₹ 50,000.
  - (vi) Payment of salary to an employee who is posted to a place other than his normal place of duty for 15 days or more.
  - (vii) Payment to producers/cultivators of agricultural product, forest product, poultry/dairy product, fish product, livestock etc. [Not middleman/trader].

Payment of Interest and Remuneration [Salary/Bonus/Commission/Royalty] to Partners by Firm / LLP [Section 40(b)]

(1) Interest paid to partner on Loan/Capital/Current A/c

- If not authorised by deed → No Deduction [100% disallowed]
- If authorised by deed → Maximum interest upto 12% p.a. is allowed as deduction

Note: Interest on loan [Special Point]

- If individual is a partner in firm in representative capacity, then above limit is not applicable on interest received in personal capacity i.e., such interest is fully allowed as deduction.

Firm → Partner → Ram, Shyam, Mohan HUF

Mohan HUF is represented by Mr. Mohan (Karta). Therefore, Mohan is a partner in representative capacity. Firm has taken loan from Mr. Mohan.

Interest paid by firm to Mr. Mohan in personal capacity is fully allowed.

- If individual is a partner in firm in personal capacity, then above limit is not applicable on interest received on behalf of or for benefit of others i.e., such interest is fully allowed as deduction.

Firm → Partner → Mr. A, Mr. B, Mr. C

Firm has taken loan from Mrs. C [Wife of Mr. C].

Interest paid by firm to Mr. C on loan taken from his wife Mrs. C is fully allowed.

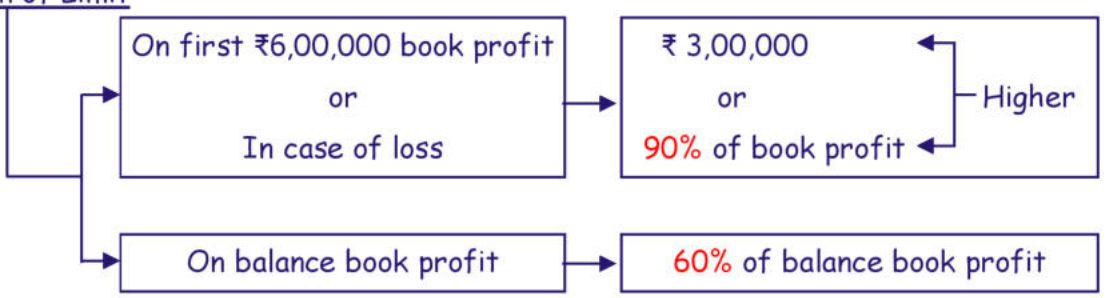
(2) Remuneration [Salary/Bonus/Commission/Royalty] paid to partners

- If not authorised by deed → No Deduction [100% disallowed]
- If authorised by deed
  - Paid to non working partner → No Deduction [100% disallowed]
  - Paid to working partner → Lower of Limit

or
Total Payment to All Working Partners
↓
Allowed as Deduction

Note:

(i) Calculation of Limit



(ii) Book Profit

Book Profit means PGBP before Remuneration.

Profit as per Income Tax Act [PGBP]	XX
(+) Remuneration to Partners [Salary/ Bonus/ Commission/ Royalty] [If debited to P&L]	XX
(-) Unabsorbed Depreciation [if any]	(XX)
Book Profit	**XX**

Example

Book Profit	9,00,000
Payment of Salary to All Working Partners	7,50,000
Limit = [(Higher of 6,00,000 x 90% or 3,00,000) + (3,00,000 x 60%)] = 5,40,000 + 1,80,000	7,20,000
Deduction = Lower of 7,50,000 or 7,20,000	7,20,000

(3) Other Points

- Section 40A(2) shall not attract in case of interest & remuneration paid to partners which is covered u/s 40(b).
- Rent is not covered u/s 40(b), so section 40A(2) shall attract in case of rent paid to partners.
- Share income [profit] received by partner from Firm/LLP is exempt u/s 10.
- Interest and remuneration received by partner from Firm/LLP is taxable under PGBP [upto deduction allowed to Firm/LLP].

Deemed PGBP Income [Section 41]

Remission or Cessation of Trading Liability [Section 41(1)]

If assessee has taken deduction of expenditure or trading liability in earlier years

and

During current P.Y., assessee has obtained refund of such expenditure or there is remission or cessation of such liability

Then such Remission/Refund shall be taxable under PGBP.

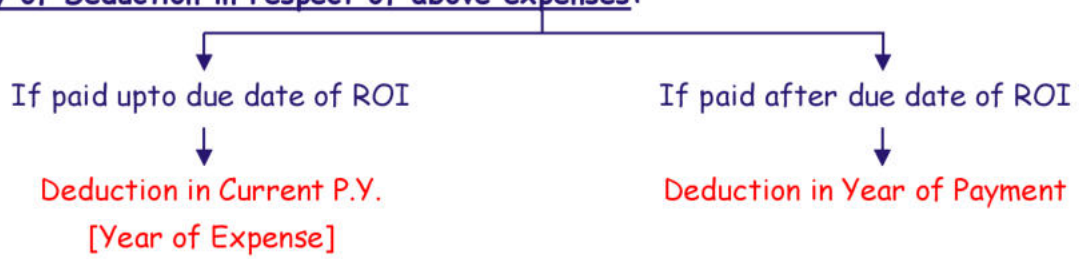
Example

GST/Sales Tax Refund, Creditors W/o, Less payment to creditors

Section 41(2)	:	Balancing Charge	Already Discussed Earlier
Section 41(3)	:	Sale of Scientific Research Asset	
Section 41(4)	:	Recovery of bad debts	

Expenses Allowed on Actual Payment Basis [Section 43B]

- **Following expenses are allowed only if they are paid upto due date of ROI:**
  - (i) Any Tax, Duty, Cess [Includes interest on tax]
  - (ii) Employer contribution towards, SPF, RPF, Approved super annuation fund, Approved gratuity fund, Pension scheme u/s 80CCD, Any other fund as per law
  - (iii) Bonus or commission to employees
  - (iv) Interest on loan to Scheduled Bank, Co-Operative Bank, Public Financial Institution, State Financial Corporation, State Industrial Investment Corporation and NBFC
  - (v) Leave encashment (leave salary) to employees
  - (vi) Amount payable to railways for use of railways assets
- **Allowability of Deduction in respect of above expenses:**



- **Amount payable to micro or small enterprise**
  - Amount payable by assessee to a micro or small enterprise beyond time-limit specified in MSMED Act is allowed as deduction only in P.Y. of payment.
  - MSMED Act mandates payment of goods or services to supplier (micro or small enterprises) upto date as per written agreement which can be maximum 45 days. If there is no such written agreement, payment shall be made within 15 days.

- If amount is paid within said period, deduction is allowed in year of accrual. If not, then deduction is allowed only in year of payment, even if it is paid upto due date of ROI.

Example

ABC Ltd. purchased goods of ₹ 10,000 from A & Co., a micro enterprise on 1.3.2026. As per written agreement between them, payment has to be made by 5.4.2026.

(i) If ABC Ltd. paid the sum on 2.4.2026

Since payment is made on or before 5.4.2026, deduction is allowed in P.Y. 25-26.

(ii) If ABC Ltd. paid the sum on 20.4.2026

Since payment is made beyond time limit, deduction is allowed in year of payment i.e., P.Y. 26-27.

- **Other Point**

If interest converted into loan, borrowing or debentures, then such conversion cannot be treated as payment. However, when installment of such converted interest is paid, deduction allowed.

Sale Consideration of Land & Building [If held as Stock in Trade] [Section 43CA]

Sale Consideration = Stamp Duty value / or / Sale Price → Higher

Note:

If stamp duty value is upto 110% of sale price, then sale consideration = Sale Price

If date of agreement and date of registration is not same

- If part/whole consideration is received by A/c payee cheque, DD, ECS or any other electronic mode on or before date of agreement → Take SDV on date of agreement
- Other case → Take SDV on date of registration

Compulsory Maintenance of Books of Accounts [Section 44AA]

(1) Maintenance of Books of Accounts by Notified Profession

Notified Profession:

Legal, Medical, Engineering, Architect, Accounting, Technical Consultancy, Interior Decoration, Film Artist, Company Secretary, IT Professionals.

Books to be maintained

- If gross receipts exceed ₹ 1,50,000 in all 3 preceding P.Y.
  or
  Likely to exceed in current P.Y. [if new Business]
  - Maintain prescribed books
    - Cash Book
    - Journal
    - Ledger
    - Carbon copies of bills exceeding ₹ 25
    - Daily case register and stock register [only in medical]
- Other Case
  - Maintain such books which would enable AO to compute total income

(2) Maintenance of Books of Accounts by Other Business and Profession

- Individual/HUF
  - Required to Maintain
    - Turnover exceed ₹ 25 lacs
      or
      PGBP exceed ₹ 2.5 lacs
      In any 1 of 3 preceding P.Y.
  - Not Required to Maintain
    - Other Cases
- Other Persons
  - Required to Maintain
    - Turnover exceed ₹ 10 lacs
      or
      PGBP exceed ₹ 1.2 lacs
      In any 1 of 3 preceding P.Y.
  - Not Required to Maintain
    - Other Cases

(3) Period for which Books of Accounts are required to be kept & maintained

Minimum 6 years from end of A.Y.

Tax Audit of Books of Accounts [Section 44AB]

Tax audit is compulsory in following cases:

(i) In case of business

If turnover exceeds ₹ 1 crore in P.Y.

However, limit will be ₹ 10 crores, if:

- Aggregate amount received for sales during P.Y. in cash/bearer cheque/cross cheque does not exceed 5% of total amount received.

and

- Aggregate payment made for expenses during P.Y. in cash/bearer cheque/cross cheque does not exceed 5% of total payment made.

(ii) In case of profession

If gross receipts exceed ₹ 50 lacs during P.Y.

(iii) If assessee covered by section 44AD or 44ADA and assessee claims income less than 8%/6% or 50% of turnover/gross receipts and his total income is more than basic exemption limit.

(iv) If assessee covered by section 44AE and assessee claims income less than profit deemed under these sections.

Note:

- Audit must be done by CA.
- Tax audit report shall be furnished in Form 3CA/3CB/3CD.
- Due date of furnishing tax audit report: 1 month prior to due date of furnishing ROI u/s 139(1).

	ROI Filing Due Date	Due Date of Furnishing Tax Audit Report
Normal Tax Audit	31st October of A.Y.	30th September of A.Y.
Transfer Pricing	30th November of A.Y,	31st October of A.Y.
Other Case	31st July of A.Y.	-

Presumptive Taxation

Particulars	Section 44AD	Section 44ADA	Section 44AE
Eligible Assessee	Resident Individual, HUF, Firm [not LLP] engaged in Any Business other than: ▪ Notified Profession ▪ Section 44AE Business ▪ Commission Business ▪ Agency Business	Resident Individual, Firm [not LLP] engaged in Notified Profession	Any assessee engaged in business of plying, hiring, leasing goods carriage [Goods Transportation Business]
Eligible Business/ Profession	Any business whose Total Turnover/Gross Receipts is upto ₹ 2 crores in P.Y. Note If aggregate receipts in cash /bearer /cross cheque is upto 5% of total turnover in P.Y., then limit will be ₹ 3 crores.	Notified Profession whose Gross Receipts is upto ₹ 50 lacs in P.Y. Note If aggregate receipts in cash /bearer /cross cheque is upto 5% of gross receipt in P.Y, then limit will be ₹ 75 lacs.	If assessee owns not more than 10 goods carriage at any time during P.Y.

Presumptive PGBP Income	PGBP Income		PGBP Income		PGBP Income	
	If Turnover received by A/c payee cheque/ DD/ECS/ Electronic mode upto due date of ROI ↓ 6% of such turnover/GR	Other ↓ 8% of such turnover/GR	50% of Gross Receipts		Heavy Goods Vehicle [Gross Weight exceed 12 ton /12000 Kg] ↓ ₹ 1000 x weight in tons x ownership months/part of month [Per Vehicle]	Other Vehicle ↓ ₹ 7500 x ownership months/ part of month [Per Vehicle]
Expense Deduction	No deduction of any expenditure u/s 30 to 38 and Section 40(b)		No deduction of any expenditure u/s 30 to 38 and Section 40(b)		No deduction of any expenditure u/s 30 to 38	
Maintenance of Books of A/c & Audit	If Assessee opts If Assessee not opt and his TI exceeds basic exemption limit	Not required Required	If Assessee opts If Assessee not opt and his TI exceed basic limit	Not required Required	If Assessee opts If Assessee not opt	Not required Required
Other Points	▪ Advance Tax Payment only in 1 Installment: 15th March ▪ ROI filing due date: 31st July ▪ If assessee declares income for any P.Y. as per section 44AD & he does not declare income for next 5 Consecutive P.Y. as per 44AD ↓ he will not eligible for 44AD for 5 years subsequent to year in which he does not declare income as per 44AD.		▪ Advance Tax Payment only in 1 Installment: 15th March of F.Y. ▪ ROI filing due date: 31st July		▪ Advance Tax Payment in 4 Installment ▪ ROI filing due date: 31st July	

Method of Accounting for PGBP [Section 145]

- **Income from PGBP shall be computed as per**: Cash System OR Mercantile/Accrual System

PGBP Income in Cash System of Accounting	
Gross Receipts from Business [Received Basis: If not received during P.Y., then ignore]	XX
(-) Business Expenses (Deduction same as per PGBP provisions) [Paid Basis: If not paid during P.Y., then ignore]	(XX)
Income from Business & Profession [PGBP]	**XX**

- **Section 145B**
  - Subsidy/grant from government is deemed to be income of P.Y. in which it is received (whether assessee follows cash system or accrual system.
- **Income Computation and Disclosure Standards [ICDS]**
  - Central government notified 10 ICDS.
  - ICDS are applicable for computation of Income under PGBP [Accrual System].
  - ICDS applies to all assessee [except Individual and HUF who are not liable for tax audit u/s 44AB].

Composite Business

- Composite business means growing agricultural produce in India and then manufacturing from such produce. In that case, income will be apportioned between business income and agricultural income. Agricultural income portion will be exempt.
- **Apportionment of Income between Business & Agricultural Income**

In case of Growing & Manufacturing of Tea/Coffee/Rubber		
	Business Income	**Agricultural Income**
Tea	40%	60%
Rubber [Latex]	35%	65%
Coffee [Grown & Cured]	25%	75%
Coffee [Grown, Cured, Grounded, Roasted]	40%	60%

In Case of Growing & Manufacturing of Any other Product	
Business Income	
Sale Value of Product	XX
(-) Market Value of Agricultural Produce consumed in manufacturing the product	(XX)

(-) Manufacturing Expenses	(XX)
Business Income	XX
Agricultural Income	
Market Value of Agricultural Produce consumed in manufacturing the product	XX
(-) Cost of Cultivation	(XX)
Agricultural Income	XX

CAPITAL GAINS

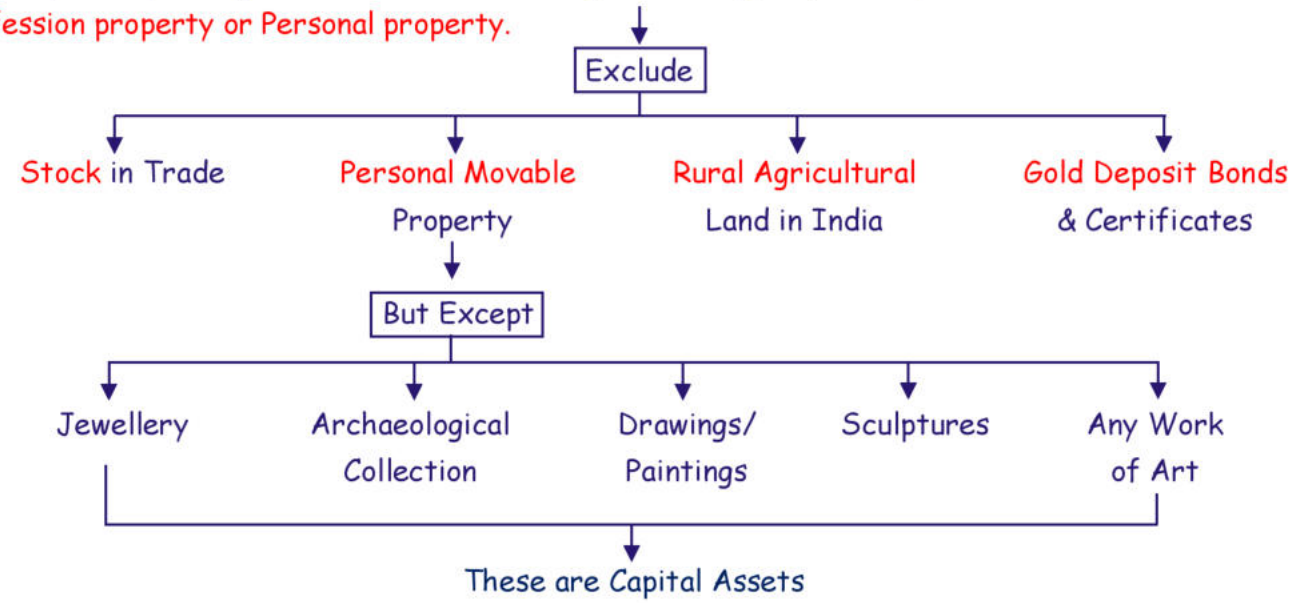


Charging Section [Section 45]

- If there is a Capital Asset
  and
- Transfer of such Capital Asset during P.Y.
- Then any gain arising from such transfer is taxable under head capital gains
- In the P.Y. in which transfer took place.

Capital Asset

Property of any kind [Movable/Immovable/Tangible/Intangible] held by assessee whether Business/ Profession property or Personal property.



Note:

(i) Following assets are also treated as Capital Asset

- Any securities held by Foreign Institutional Investor [FII] and Investment Fund.
- Unit Linked Insurance Policy [ULIP]

(ii) Rural Agricultural Land in India

- Agricultural land situated in area having population of less than 10,000.
- Agricultural land situated more than 2 km outside from area having population above 10,000 but upto 1,00,000.
- Agricultural land situated more than 6 km outside from area having population above 1,00,000 but upto 10,00,000.
- Agricultural land situated more than 8 km outside from area having population above 10 lacs.

Types of Capital Assets

Short Term Capital Asset | Long Term Capital Asset

Capital Asset	Short Term [Period of Holding]	Long Term [Period of Holding]
▪ Listed Shares & Securities ▪ Unit of Equity Oriented Funds ▪ Unit of Business Trust ▪ Zero Coupon Bonds	If held for upto 1 Year	If held for more than 1 Year
▪ Slump Sale of Undertaking	If held for upto 3 Years	If held for more than 3 Years
▪ Other Capital Assets	If held for upto 2 Years	If held for more than 2 Years

Note:

Meaning of Equity Oriented Fund	➢ A Mutual Fund where minimum 65% of its total proceeds is invested in listed equity shares of domestic companies. ➢ Units of UTI ➢ ULIP

Transfer

- Sale/Exchange of capital asset
- Possession of immovable property in part performance of contract
- Redemption of zero coupon bond
- Capital asset destroyed and amount/other asset received from insurance company [45(1A)]
- Capital asset converted into stock in trade [45(2)]
- Compulsory acquisition of capital asset [45(5)]
- Distribution on liquidation of company to shareholders [46]
- Buyback of shares [46A]
- Redemption/Transfer of Market Linked Debentures, Specified Mutual Fund units and Unlisted Bonds/Debentures [50AA]
- Slump Sales [50B]

Transactions Not Regarded as Transfer [Section 47]

(1) Transfer under gift/will by an individual or HUF

(2) Distribution on total/partial partition of HUF

(3) Transfer under Amalgamation/Demerger of Companies

(i) Transfer of capital asset by amalgamating company to amalgamated Indian company

(ii) Transfer of capital asset by demerged company to resulting Indian company

(iii) Issue of shares by amalgamated company to shareholders of amalgamating company

(iv) Issue of shares by resulting company to shareholders of demerged company

(4) Transfer of capital asset between wholly owned subsidiary company [100%] and holding company

Conditions:

(i) Transferee company must be Indian.

(ii) Holding company must hold 100% share capital for atleast 8 years from date of transfer.

(5) Conversion of bonds/debentures into shares

(6) Conversion of preference shares into equity shares

(7) Conversion of gold into electronic gold receipt or vice versa.

(8) Transfer of capital asset under reverse mortgage (Senior citizen mortgage his property to bank against lumpsum/periodic loan, if loan is not repaid then property is transferred to bank)

Period of Holding

Normal Case: Date of purchase to date of sale/transfer

Special Case

(i) When capital asset becomes property by way of transaction not regarded as transfer	Include period of previous owner/previous asset

Example 1

Mr. Shyam —Gift on 5.7.2015→ Mr. Mohan [Son] —Sale on 30.4.26, ₹ 2 cr.→ Mr. Rohit

Mr. Shyam: Building Purchase on 10.8.2011 for ₹ 50 Lacs

POH = 10.8.2011 – 30.4.2026

Example 2

Mr. A purchased debentures on 10.10.2018 for ₹ 20 Lacs —Convert in Shares on 1.7.2025→ Shares —Sale on 30.4.26, ₹ 30 lacs→ Mr. B

POH = 10.10.2018 – 30.4.2026

(ii) Asset destroyed case	Date of purchase to Date of destruction
(iii) Conversion of capital asset into stock in trade	Date of purchase to Date of conversion
(iv) Compulsory acquisition of capital asset	Date of purchase to Date of compulsory acquire
(v) Shares in a company in liquidation	Date of purchase to Date of liquidation

Calculation of Capital Gains [Section 48]

Short Term Capital Gain

Full Value of Consideration/Sale Consideration	XX
(-) Transfer Expenses	(XX)
Net Sale Consideration	XX
(-) Cost of Acquisition	(XX)
(-) Cost of Improvement	(XX)
Short Term Capital Gain/(Loss)	**XX/(XX)**

Long Term Capital Gain

Full Value of Consideration/Sale Consideration	XX
(-) Transfer Expenses	(XX)
Net Sale Consideration	XX
(-) Cost of Acquisition	(XX)
(-) Cost of Improvement	(XX)
Long Term Capital Gain/(Loss)	**XX/(XX)**

Note: Capital Gain will always be treated as Short Term irrespective of period of holding in following:

- Market Linked Debentures, Specified Mutual Fund units and Unlisted Bonds/Debentures u/s 50AA
- Depreciable Asset

Full Value of Consideration / Sale Consideration

(1) FVOC/SC

Amount received or accruing from transfer of capital asset = Sale Price

(2) FVOC/SC of Land and Building [Section 50C]

Stamp Duty value
or
Sale Price
→ Higher

Note:

If stamp duty value is upto 110% of sale price, then sale consideration = Sale Price

Example

	Case 1	Case 2	Case 3
Sale Price	1,00,000	1,00,000	1,00,000
SDV	1,08,000	1,12,000	1,10,000

SC/FVOC	Sale Price ↓ 1,00,000	SDV or Sale Price ↓ 1,12,000 [Higher]	Sale Price ↓ 1,00,000

If date of agreement and date of registration is not same

- If part/whole consideration is received by A/c payee cheque, DD, ECS or any other electronic mode on or before date of agreement → Take SDV on date of agreement
- Other case → Take SDV on date of registration

(3) Reference to Valuation Officer

- If assessee not agree with stamp duty value and not disputed that SDV in court.
- Assessee can request AO to refer case to departmental valuation officer.
- AO may refer that case to valuation officer.
- FVOC/SC after value determined by valuation officer:

If Valuation Amount > SDV = Stamp Duty Value [SDV]

If Valuation Amount < SDV = Valuation Amount / or / Sale price → Higher

Example

Sale price = ₹ 50 lacs

SDV = ₹ 80 lacs

Value Determined by Valuation Officer [Valuation Amount]

	Case 1	Case 2	Case 3
Valuation Amount	85 lacs	60 lacs	48 lacs
SC/FVOC	SDV ↓ ₹ 80 Lacs	VA ↓ 60 lacs or Sale Price ↓ 50 lacs → Higher ↓ ₹ 60 lacs	VA ↓ 48 lacs or Sale Price ↓ 50 lacs → Higher ↓ ₹ 50 lacs

(4) Sale Consideration of Unlisted Shares [Section 50CA]

FVOC/SC = FMV / or / Sale Price → Higher

(5) Sale Consideration when Sale Price is not ascertainable or not be determined [Section 50D]

FVOC/SC = FMV on date of transfer

Transfer Expenses

Expenses incurred by assessee at the time of transfer of capital asset.

Note: No deduction of Securities Transaction Tax [STT]

Cost of Acquisition [COA]

Normal Case

Purchase Price [Including all expenses related to purchase except STT]

Special Case

(i) **When asset becomes property by way of transaction not regarded as transfer**

Purchase price of previous owner/previous asset

(ii) **Goodwill of business or profession, brand name, trade mark, right to manufacture any article or thing, stage permit, loom hours or any other intangible asset/right**

- If self generated → Nil
- If purchase → Purchase Price

(iii) **Bonus Shares**

- If allotted before 1.4.2001 → FMV as on 1.4.2001
- If allotted on or after 1.4.2001 → Nil

Note:

If section 112A apply, then COA of bonus shares if allotted before 31.1.2018 is FMV as on 31.1.18.

(iv) **Sweat Equity Shares**

FMV on date on which option is exercised

(v) **Right Shares**

If right shares purchased by assessee → Purchase Price

If right offer sold/renounced to other person → Nil

[STCG = Renouncement Price — Nil]

COA for other person = Amt. paid to company + Renouncement Price

(vi) **Depreciable Asset**

WDV [Written Down Value]

(vii) **If asset acquired before 1.4.2001**

FMV as on 1.4.2001 or Purchase Price of Assessee/Previous Owner → Higher

Note: In case of land and building, FMV as on 1.4.2001 shall not exceed SDV as on 1.4.2001. If FMV is higher than SDV, then COA = Purchase Price or SDV as on 1.4.2001 → Higher

(viii) **Shares issued by resulting company to shareholders of demerged company in demerger**

$$\text{COA of shares held in Demerged Co.} \times \frac{\text{Net Book Value of Asset transferred to Resulting Co.}}{\text{Net Worth of Demerged Co.}}$$

Example

Mr. Ronak → ₹ 10 lacs shares purchase → Hero Ltd. [Demerged Co.]

Net Worth = ₹ 50 cr.

Hero Ltd. —Demerger (₹ 10 cr. Asset Transfer)→ Heroine Ltd. [Resulting Co.]

FMV = ₹ 8 Lacs

Shares Issue

Shares of Heroine Ltd. sold by Mr. Ronak → To Mr. Pawan for ₹ 12 lacs

Calculation of Cost of Acquisition of shares sold by Mr. Ronak

$$\text{COA} = \left[10 \text{ lacs} \times \frac{10 \text{ cr.}}{50 \text{ cr.}}\right] = ₹ 2 \text{ lacs}$$

Cost of Improvement

All expenditure of capital nature incurred on improvement of capital asset by assessee/previous owner on or after 1.4.2001 [If incurred before 1.4.2001, then ignore]

Capital Gains in Special Cases

(1) Capital asset destroyed and amount/other asset received from insurance company [45(1A)]

(2) Capital asset converted into stock in trade [45(2)]

(3) Compulsory acquisition of capital asset [45(5)]

(4) Distribution on liquidation of company to shareholders [46]

(5) Buyback of shares [46A]

(6) Redemption/Transfer of Market Linked Debenture, Specified Mutual Fund units and Unlisted Bonds/Debentures [50AA]

(7) Slump Sales [50B]

Capital Asset Destroyed and Amount/Other Asset received from Insurance Company [Section 45(1A)]

- Sale consideration = Amount received/FMV of asset received from insurance company
- Transfer year = year of destruction but capital gain will be taxable in year when claim is received
- If no claim is received, then no capital gain and loss will be treated as dead loss

Capital Asset Converted into Stock in Trade [Section 45(2)]

- Sale consideration = FMV of capital asset on date of conversion
- Transfer year = year of conversion but capital gain will taxable in year when converted stock is sold
- Business income = Sale amount of stock - FMV of capital asset on date of conversion
- If proportionate stock is sold, then proportionate amount is taxable

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

Normal Compensation

- Sale consideration = Normal compensation amount
- Transfer year = year of compulsory acquisition but capital gain will be taxable in year when compensation is received

Enhanced Compensation

- Sale consideration = Enhanced compensation amount
- Cost of acquisition = Litigation expenses

- Taxable in year in which it is received
- Taxable only if received on basis of final order of court and not interim order
- Nature [LTCG/STCG] of enhanced compensation is same as normal compensation

Note:

(i) Interest on compensation/enhanced compensation = Taxable under IFOS

(ii) Exemption on compulsory acquisition of urban agricultural land [Section 10(37)]

In case of Individual & HUF, capital gain on compulsory acquisition of urban agricultural land is Fully Exempt, if such land is used for agriculture preceding 2 years before compulsory acquired.

Capital Asset Distributed on Liquidation of Company to Shareholders [Section 46]

In hands of Company	Not Taxable
In hands of Shareholder	▪ Sale Consideration FMV of asset received + amount received — Nil (-) Shareholder interest in accumulated profits of company [as per 2(22)(c)] — (XX) (XX) ▪ Cost of Acquisition Purchase price of shares

Buyback of Shares [Section 46A]

Taxability of Buyback of Shares by Domestic Company	
In hands of Company	Not Taxable
In hands of Shareholder	▪ Buyback Price paid by company is deemed dividend u/s 2(22)(f) & taxable under IFOS. No deduction is available against such dividend income. ▪ Capital Loss Sale Consideration [taken as Nil] — Nil (-) Cost of Acquisition of such shares — (XX) Short Term/Long Term Capital Loss — (XX)
Taxability of Buyback of Shares by Foreign Company	
In hands of Company	Not Taxable
In hands of Shareholder	Capital Gain Arise [Sale – Cost]

Example

Mr. Aman purchased 1000 shares of Tata Ltd. in 2020 @ ₹ 40 per share (Issue Price)	₹ 40,000
Tata Ltd. buyback all these shares from Mr. Aman @ ₹ 60 per share (Buyback Price)	₹ 60,000
Taxability of buyback of shares done by Tata Ltd.	
In hands of Tata Ltd.	Not Taxable
In hands of Aman	▪ Deemed Dividend taxable under IFOS = Buyback Price = ₹ 60,000 ▪ Long Term Capital Loss = Nil – ₹ 40,000 = (₹ 40,000)

Capital Gain in case of Market Linked Debentures, Specified Mutual Fund Units and Unlisted Bonds/Debentures [Section 50AA]

Meaning of Certain Terms	▪ Market Linked Debenture: A security which has principal component in form of debt security & where returns are linked to market returns on other securities. ▪ Specified Mutual Fund: A Mutual Fund where more than 65% of its total proceeds is invested in debt instruments.
Short Term Capital Gain	Capital Gain arising from Transfer of following assets is always treated as Short Term Capital Gain [irrespective of period of holding]: ▪ Market Linked Debentures ▪ Specified Mutual Fund units [which are acquired on or after 1.4.2023] ▪ Unlisted Bonds or Debentures

Slump Sale [Section 50B]

- **Slump Sale**: It means sale of business unit/undertaking/division
- **Calculation of Capital Gain**

Sale Consideration	XX	→ FMV of unit transferred
(-) Transfer Expenses	(XX)	
Net Sale Consideration	XX	
(-) Cost of Acquisition	(XX)	→ Net worth of unit transferred
STCG/LTCG	XX	

- **FMV of Unit Transferred [Sale Consideration]**

Higher of FMV 1 or FMV 2 on Date of Slump Sale
FMV 1 = Market Value of unit transferred
FMV 2 = Consideration for unit transferred

- **Net Worth of Unit Transferred [Cost of Acquisition]**

Value of Total Assets of Unit Transferred	XX
Depreciable Assets → WDV as per IT Act; Section 35AD Assets → Nil; Self Generated Goodwill → Nil; Other Assets → Book Value	
*Ignore/Remove Revaluation of Assets	
(-) Book Value of Liabilities of Unit Transferred, Except:	(XX)
➢ Capital/Paid up Share Capital	
➢ Reserves & Surplus	
Net Worth of Unit	**XX**

Advance Money Forfeited [Section 51]

If forfeited before 1.4.2014 → Deduct from cost of acquisition [When such asset is sold]

If forfeited on or after 1.4.2014 → Taxable under IFOS

Note: If forfeited by previous owner, then Ignore.

Exemption from Capital Gains

Particulars	Section 54	Section 54B	Section 54D
Eligible Assessee	Individual/HUF	Individual/HUF	Any Person
Asset Transferred	Residential House Property [LTCG]	Urban Agricultural Land [STCG/LTCG]	Compulsory acquisition of L&B of industrial unit [STCG/LTCG]
Asset in which Capital Gain is Invested	One Residential House in India [If CG is upto ₹ 2 cr. then 2 Houses allowed]	Agricultural Land	Land & Building of industrial area
Time Limit of Investment	▪ Purchase with 1 year before or 2 years after date of transfer, or ▪ Construct with 3 years from date of transfer	Within 2 years from date of transfer	Within 3 years from date of transfer

Exemption Limit	Capital Gain / or / Amt. Invested / or / ₹ 10 crores → Lower	Capital Gain / or / Amt. Invested → Lower	Capital Gain / or / Amt. Invested → Lower
Withdrawal of Exemption	If new asset transfer within 3 years, Amount exempt earlier deducted from COA of new asset	If new asset transfer within 3 years, Amount exempt earlier deducted from COA of new asset	If new asset transfer within 3 years, Amount exempt earlier deducted from COA of new asset
Other Points	Residential house can be self-occupied or let out.	Asset transferred shall be used for agriculture for 2 years.	Asset transferred shall be used for Industrial unit for 2 years.

Particulars	Section 54EC	Section 54F
Eligible Assessee	Any Person	Individual/HUF
Asset Transferred	Land or Building [LTCG]	Any capital asset other than residential house property [LTCG]
Asset in which Gain is Invested	Bonds of NHAI/RECI/PFC/IRFC/ HUDCO/IREDA redeemable after 5 yrs.	One residential house property in India
Time Limit of Investment	Within 6 months from date of transfer	Purchase within 1 year before or 2 year after date of transfer / or / Construct within 3 year from date of transfer
Exemption Limit	Capital Gain / or / Amt. Invested / or / ₹ 50 lacs → Lower	$\frac{\text{Amount Invested}}{\text{Net Sale Consideration}} \times \text{LTCG}$ [Amount Invested in excess of ₹ 10 crores shall be ignored]
Withdrawal of Exemption	If new asset transfer within 5 years, Amt. exempt earlier taxable as LTCG	If new asset transfer with 3 years, Amt. exempt earlier taxable as LTCG
Other Points	-	Assessee does not own more than 1 residential house at time of transfer.

Note: Capital Gain Account Scheme [CGAS]: If investment not made before due date of ROI under above sections, then amount has to be deposited under CGAS on or before filing of ROI for claiming exemption.

Tax Rates on Capital Gain

(1) Tax on Short Term Capital Gain on Certain Assets [Section 111A]

STCG on STT Paid [Listed]:	
▪ Equity Shares ▪ Unit of Equity Oriented Fund ▪ Unit of Business Trust	Taxable @ 20%

(2) Other STCG → Taxable at General Rate or Concessional Rate

(3) Tax on Long Term Capital Gain on Certain Assets [Section 112A]

LTCG exceeding ₹ 1,25,000 on STT Paid [Listed]:	
▪ Equity Shares ▪ Unit of Equity Oriented Fund ▪ Unit of Business Trust	Taxable @ 12.5%

Note:

(i) Such LTCG upto aggregate ₹1,25,000 is exempt. This exemption is available while computing tax on such LTCG but Income under head "Capital Gains" will be shown without exemption.

(ii) Equity Shares shall be listed both at the time of purchase and sale.

(iii) Cost of Acquisition [If purchase on or before 31.1.2018]

COA = Sale Consideration or FMV as on 31.1.18 → Lower or Purchase Price → Higher

(iv) FMV as on 31.1.18

- Equity Shares → Highest Trading Price as on 31.1.18
- Unit of Equity Oriented Fund/Business Trust
  - If listed on 31.1.18 → Highest Trading Price as on 31.1.18
  - If not listed on 31.1.18 → Net Asset Value as on 31.1.18

(4) Other Long Term Capital Gain [Section 112]

→ Taxable @ 12.5%

Note:

"Resident Individual/HUF" can pay tax on LTCG arising on "land and building [acquired before 23.7.2024]", by any of the following option:

- 12.5% without indexation
- 20% with indexation benefit

*Above benefit is only for computing tax on such LTCG but Income under head "Capital Gains" will be shown normally i.e. without indexation.

$$\frac{\text{Cost of Acquistion}}{\text{Index for Asset Purchase year}} \times \text{Index for Asset Transfer year}$$

Index Cost of Acquisition

Cost Inflation Index

P.Y. 2001-02 = 100

P.Y. 2025-26 = 376

If asset purchased before 1.4.2001, Index for purchase year is of year 2001-02 = 100

$$\frac{\text{Cost of Improvement}}{\text{Index for Improvement year}} \times \text{Index for Transfer year}$$

Index Cost of Improvement

(5) Other Points relating to Section 111A/112A/112

(i) No deduction under chapter VI-A from above section income.

(ii) Benefit of basic exemption limit: Available only to Resident Individual/HUF

- First from Other Income.
- Then, from Section 111A/112A/112 Income.

Special Provision for Non Resident for Capital Gain Computation [First Proviso to Sec 48]

- Applicable on Transfer of shares or debentures of an Indian Company by NR.
- Applicable if NR invest foreign exchange to acquire such capital asset [Only if TTBR* and TTSR* is given in question]

  *TTBR/TTSR = Telegraphic Transfer Buying/Selling Rate of State Bank of India.

- **Calculation of Capital Gain in Foreign Currency**

Sale Consideration in Foreign Currency [By Avg. of TTBR & TTSR on transfer date]	XX
(-) Transfer Expense in Foreign Currency [By Avg. of TTBR & TTSR on transfer date]	(XX)
Net Sale Consideration	XX
(-) Cost of Acquisition in Foreign Currency [By Avg. of TTBR & TTSR on purchase date]	(XX)
STCG/LTCG in Foreign Currency	XX
Now, reconvert STCG/LTCG into Indian Rupees by TTBR on date of Transfer	

- This provision shall not apply if section 112A is applicable [LTCG on listed equity shares].

INCOME FROM OTHER SOURCES



Charging Section [Section 56]

- **Income is taxable under this head if**
  - It is not taxable under other heads.

    and
  - Income is not exempt under Income Tax Act, 1961.
- **Following Incomes are taxable under this head**

(i)	Dividend income
(ii)	Income from units of UTI/Mutual Funds
(iii)	Interest income
(iv)	Interest received on compensation/enhanced compensation
(v)	Advance money forfeit on or after 1.4.2014
(vi)	Income from letting/renting of plant & machinery, furniture [if not taxable under PGBP]
(vii)	Salary income of MP/MLA
(viii)	Family pension
(ix)	Amount received under life insurance policy other than keyman insurance policy
(x)	Money or property received without consideration or for inadequate consideration in excess of ₹ 50,000 [Section 56(2)(x)]
(xi)	Casual income
(xii)	Winnings from Online Games
(xiii)	Undisclosed Income u/s 68, 69, 69A, 69B, 69C and 69D
(xiv)	Other income not taxable under other heads and not exempt

Dividend Income

(1) Taxability of Dividend Income

Dividend income from any company → Actual Dividend
Dividend income from any company → Deemed Dividend

- In the hands of shareholders → Taxable
- In the hands of payer company → Exempt [No DDT]

(2) Deduction of Expenses from Dividend Income

Only Interest expense, maximum 20% of such income

(3) Deemed Dividend

(i) Distribution of company assets to shareholders to the extent of Accumulated Profits [2(22)(a)]

(ii) Distribution of debentures, deposit certificates to shareholders and bonus shares to preference shareholders to the extent of Accumulated Profits [2(22)(b)]

(iii) Distribution on liquidation to shareholders to the extent of Accumulated Profits [2(22)(c)]

(iv) Distribution on reduction of capital to shareholders to the extent of Accumulated Profits [2(22)(d)]

(v) Loan or Advance by a closely held company to its shareholders to the extent of Accumulated Profits [2(22)(e)]

(vi) Payment by company on buyback of shares to its shareholders [2(22)(f)]

(4) Loan or Advance by Closely Held Company [2(22)(e)]

Any payment by a company in which public is not substantially interested [Private/Unlisted Public Company], by way of loan or advance to:

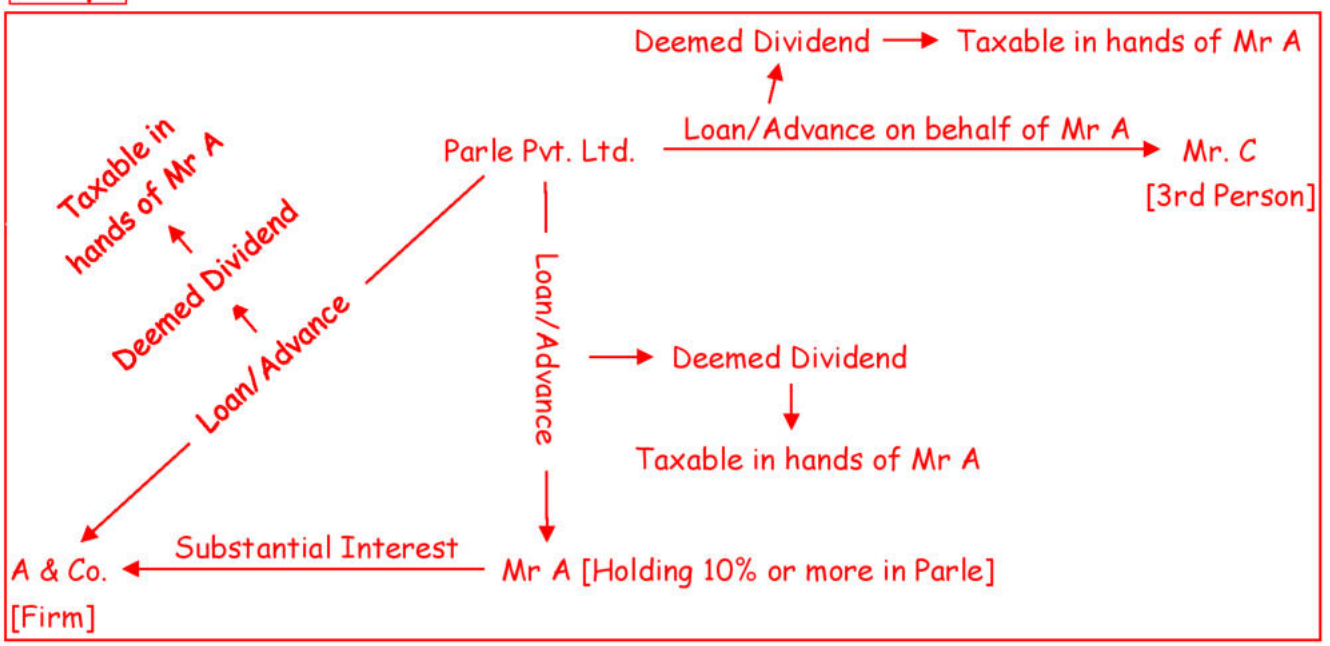
- Shareholder holding 10% or more voting power [Equity Share Capital]

OR

- Any concern/entity in which such shareholder has substantial interest [20% or more share in concern/entity]

To the extent of Accumulated Profits of the company shall be treated as deemed dividend in the hands of shareholder.

Example



Note:

(i) Any payment by a company on behalf of or for individual benefit of such shareholder is also

deemed dividend.

(ii) Repayment of loan/advance is irrelevant.

(iii) Shareholder can be any person.

(iv) If loan is given in ordinary course of business, then it is not treated as deemed dividend.

Income from Units of UTI / Mutual Funds

- Taxable in the hands of unitholders
- Deduction of expenses: Only Interest expense, maximum 20% of such income

Interest Income

Taxable Interest Income	▪ Interest on Securities/Deposits/Loans ➢ If not taxable under PGBP, then taxable under Other Source ➢ Deduction of expenses: Interest/brokerage/any expense [same as PGBP provision] ▪ Interest on Bank Deposits [Interest on Savings A/c and Fixed Deposit (FD)] ▪ Interest on Tax Refund [Taxable in year in which it is received]
Exempt Interest Income	▪ Interest on Public Provident Fund [PPF] ▪ Interest on Non Resident External [NRE] A/c from any Bank in India [If individual is Non Resident as per FEMA, or he is permitted by RBI to maintain such A/c] ▪ Interest on Post Office Saving Bank A/c → If Individual A/c = upto ₹ 3500 Exempt → If Joint A/c = upto ₹ 7000 Exempt

Interest on Compensation / Enhanced Compensation

- Taxable in year in which it is received.
- **Computation of Income**

Interest on compensation/enhanced compensation received	XX
(-) 50% deduction	(XX)
Income from Other Source	XX

Note: No other deduction

Advance Money Forfeited

If forfeit on or after 1.4.2014 = Taxable under Other Source

Income from Renting of Plant & Machinery / Furniture

- If not taxable under PGBP, then taxable under Other Source.

- **Computation of Income**

Rent Amount	XX
(-) Deduction of Expenses [same as PGBP provisions]	(XX)
Income from Other Source	XX

Salary Income of MP / MLA

- Daily Allowance and Constituency Allowance is Exempt
- Other Salary Income [Pay & Allowance from Parliament/Assembly] = Taxable under Other Source

Family Pension

- Monthly pension received by employee family from employer after death of employee.
- Deduction Limit

  1/3 of family pension received
  or
  ₹ 15,000 p.a. [₹ 25,000 p.a. in case of 115BAC] → Lower

- Family pension received by widow/children of member of armed/para military force is fully exempt.

Amount received under Life Insurance Policy other than ULIP & Keyman Insurance Policy

(1) Amount received under life insurance policy (LIP) other than ULIP and keyman insurance policy is Taxable under Other Source if it is not exempt u/s 10(10D).

(2) **Exemption on Maturity of Life Insurance Policy [Section 10(10D)]**

- Maturity amount received under LIP is exempt.
- However, in following cases, it is taxable:

(i) If annual premium paid is more than	→ 20% of sum assured [If policy taken before 1.4.12 → 10% of sum assured [If policy taken between 1.4.12 to 31.3.13 → 10% for normal person and 15% for disable [If policy taken on or after 1.4.13]
(ii) If LIP issued on or after 1.4.2023 and premium payable exceeds ₹ 5,00,000 in any P.Y. If more than 1 LIP, then exemption is available only for those LIP for which aggregate premium in any P.Y. does not exceed ₹ 5,00,000.	

Note: Point (i) and (ii) shall not apply in case of death [i.e. fully exempt in case of death].

(3) **Computation of Income**

Amount Received under LIP	XX
(-) Premium paid till date of receipt of amount under LIP	(XX)
Income from Other Source	XX

Example

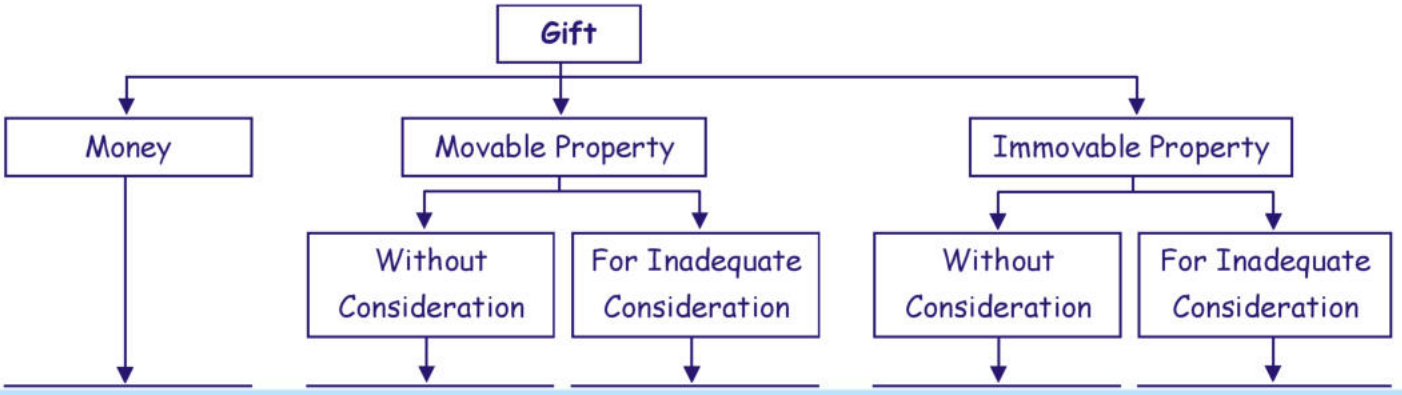
Mr Aman invested in following LIP's

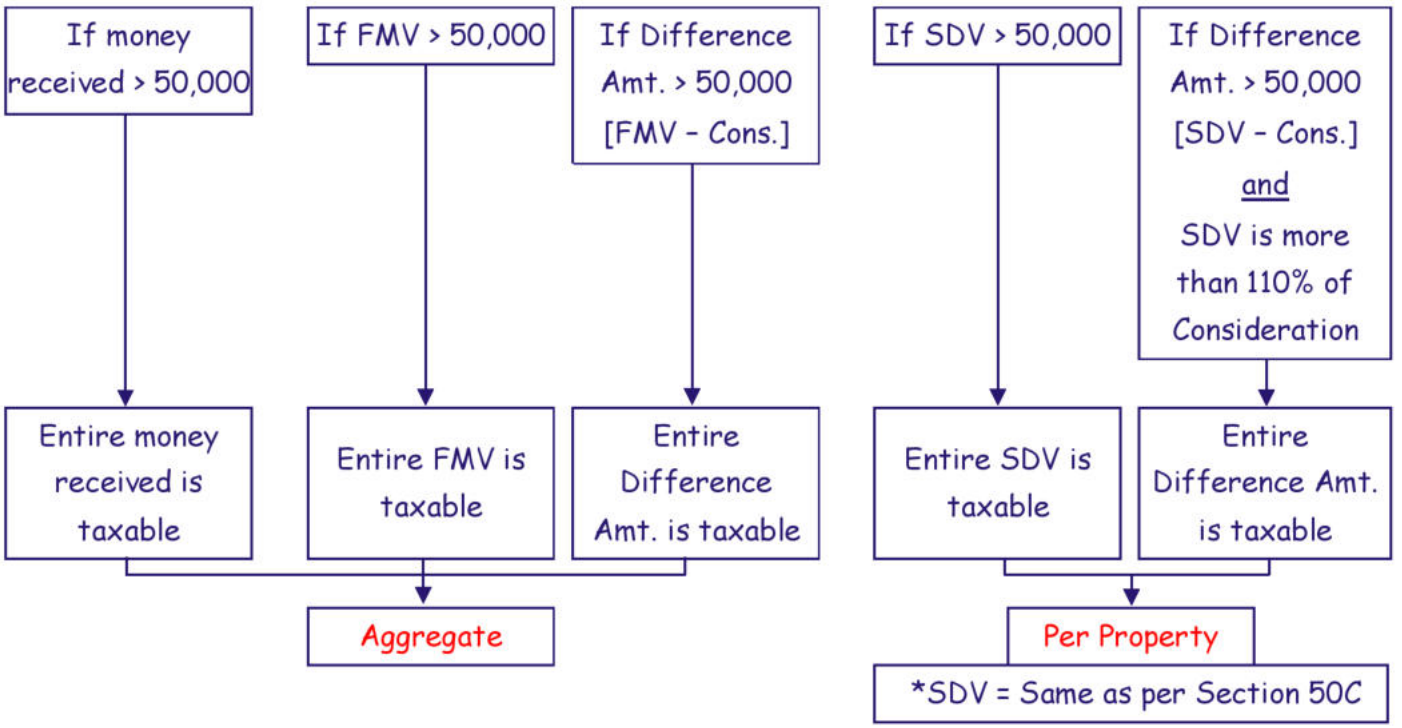
	LIP A	LIP B	LIP C	LIP D	LIP E
Date of Issue	1.1.2023	1.6.2023	1.3.2024	1.4.2024	1.5.2023
Maturity Date	31.12.2031	31.5.2032	28.2.2033	31.3.2033	30.4.2032
Policy Period	9 years	9 years	9 years	9 years	9 years
Annual Premium	6,00,000	2,00,000	2,80,000	5,00,000	6,00,000
Sum Assured	60 lacs	20 lacs	30 lacs	50 lacs	60 lacs
Amt. received on maturity	64 lacs	22 lacs	34 lacs	57 lacs	65 lacs
Total premium paid till date of receipt	54 lacs [6 x 9]	18 lacs [2 x 9]	25.20 lacs [2.80 x 9]	45 lacs [5 x 9]	54 lacs [6 x 9]
	10 lacs	4 lacs	8.80 lacs	12 lacs	11 lacs
	Exempt u/s 10(10D)	• B & C Exempt, D Taxable as IFOS • D Exempt, B & C Taxable as IFOS → At the option of assessee Beneficial = B & C Exempt, D Taxable			Taxable as IFOS

Money or Property received Without Consideration or for Inadequate Consideration in Excess of ₹ 50,000 / Taxability of Gifts [Section 56(2)(x)]

(1) **Applicability**: Applicable to All Persons

(2) **Meaning of Gift**





(3) Property: Capital Asset for recipient [not stock in trade]

Movable Property	(i) Share & Securities (ii) Jewellery (iii) Archaeological Collections (iv) Drawings/Paintings (v) Sculptures (vi) Any work of art (vii) Bullion
Immovable Property	Land and Building [Except Rural Agricultural Land]

(4) Non-Applicability of Section 56(2)(x) [Exempted Gifts]

Gift Received:

- From Relative
- By individual on own Marriage
- Under will or inheritance
- In contemplation of death of donor/payer
- From Local Authority
- From/By Institution/Trust registered/referred in Income Tax Act
- From individual by a Trust created for the benefit of relative of individual
- By individual for medical treatment of COVID of himself and his family
- By family of deceased person [death due to COVID] – from employer of deceased
  – from any other person upto ₹ 10 lacs

(5) Meaning of Relative

For Individual	(i) Spouse of Individual (ii) Brother or Sister of Individual or Spouse of Individual (iii) Brother or Sister of either of Parents of Individual (iv) Lineal Ascendant or Descendant of Individual or Spouse of Individual (v) Spouse of Person referred in Point (ii) to (iv) above Note: Niece, Nephew, Friends, Fiancee are not Relatives
For HUF	Any member of HUF

(6) Other Points

(i) If Property [Gift] is taxable u/s 56(2)(x), then its Cost of Acquisition will be FMV/SDV Taxed u/s 56(2)(x). [Ignore cost of previous owner and period of holding of previous owner]

Example

Mr Shyam → Gift → Mr Rohit [Friend]

Mr Shyam: Building purchase in year 2005 for ₹ 20 lacs

Gift: On 10.8.2024, SDV = ₹ 50 lacs → ₹ 50 lacs is Taxable u/s 56(2)(x) in hands of Rohit

Mr Rohit [Friend] → Sale ₹ 80 lacs → Mr C

COA and POH for Mr Rohit: COA = ₹ 50 lacs, POH = Date of Gift to Date of Sale

(ii) Gift received by employee from employer is taxable under Salary.

Casual Income Other Than Winnings from Any Online Game [Section 115BB]

Meaning	Casual Income includes: ➢ Winning from lotteries ➢ Crossword puzzles ➢ Races including horse race ➢ Card games ➢ Betting/Gambling ➢ Any other games (other than online games)
Taxability	Taxable @ 30% u/s 115BB
Other Points	(i) No deduction of any expenditure from such income. (ii) No deduction under Chapter VI-A from such income. (iii) No benefit of basic exemption limit from such income. (iv) No set-off of any loss from such income. (v) No set-off of loss from above activity against any income [Dead Loss].

Winnings from Online Games [Section 115BBJ]

Meaning of Online Games	A game that is offered on internet and is accessible by a user through computer resource including any telecommunication device.
Taxability	Taxable @ 30% u/s 115BBJ on Net Winnings
Other Points	(i) No deduction of any expenditure from such income. (ii) No deduction under Chapter VI-A from such income. (iii) No benefit of basic exemption limit from such income. (iv) No set-off of any loss from such income. (v) No set-off of loss from online games against any income.

Undisclosed Income

Indian Black Money [Undisclosed Income]

Section 68	Section 69, 69A	Section 69B	Section 69C
Cash Credit	Unexplained Investment, Money etc.	Investment, Money etc. Not Fully Disclosed	Unexplained Expenditure
Any sum is found credited in books of assessee	Assessee made investment or found to be owner of any asset, money, jewellery etc. not recorded in books	Assessee made investment or found to be owner of any asset, money, jewellery etc. not fully disclosed in books	Assessee incurred any expenditure (No deduction under any head)

AND

(i) Assessee has no explanation of source, or
(ii) Explanation offered by assessee is unsatisfactory as per AO.

Amount borrowed or repaid on hundi [Section 69D]

- Other than A/c payee cheque shall be deemed to be income of person borrowing or repaying.
- However, if borrowed amount deemed to be income earlier, same cannot be treated as income at the time of repayment.

Other points regarding Section 68, 69, 69A, 69B, 69C, 69D

(i) Undisclosed Income is taxable in the year in which it comes to the notice of Assessing Officer.

(ii) Taxable at Special Rate i.e. 78% [60% Tax, 25% Surcharge, 4% Cess] u/s 115BBE.

(iii) No deduction of any expenditure from such income.

(iv) No deduction under Chapter VI-A from such income.

(v) No benefit of basic exemption limit from such income.

(vi) No set-off of any loss from such income.

Other Income Not Taxable under Other Heads and Not Exempt

- Agricultural income from outside India
- Tuition income
- Honorarium received from institutions for valuation of answer papers
- Rent income from vacant land

CLUBBING OF INCOME



Clubbing of Income

General Provision

- Section 60 — Transfer of income without transfer of asset → Income taxable in hands of transferor [Clubbed]
- Section 61 — Income arising from transfer of asset
  - Revocable Transfer → Income taxable in hands of transferor [Clubbed]
  - Irrevocable Transfer → Income taxable in hands of transferee [Not Clubbed]

Clubbing of Spouse Income [Section 64]

(1) Remuneration to spouse from a concern in which individual has substantial interest → Taxable in hands of individual [Clubbed]

Exception

If spouse has technical or professional qualification

(2) Income arising to spouse from asset transferred without or for inadequate consideration → Taxable in hands of transferor [Clubbed]

Other Points

- Income earned by investing such income is not clubbed
- Income from accretion of transferred asset is not clubbed
- If transferred asset is invested by spouse in business/firm, then income/interest on capital to be clubbed ↓

$$\text{Profit of Business/Interest on Capital} \times \frac{\text{Amt. of Transferred Asset Invested by spouse on 1st day of P.Y.}}{\text{Total Investment/Capital on 1st day of P.Y.}}$$

(3) Income from asset transferred to other person without consideration or for inadequate consideration for spouse benefit → Taxable in hands of transferor [Clubbed]

Clubbing of Son's Wife Income

Same as above [point (2) & (3)]

Clubbing of Minor Child Income [Section 64(1A)]

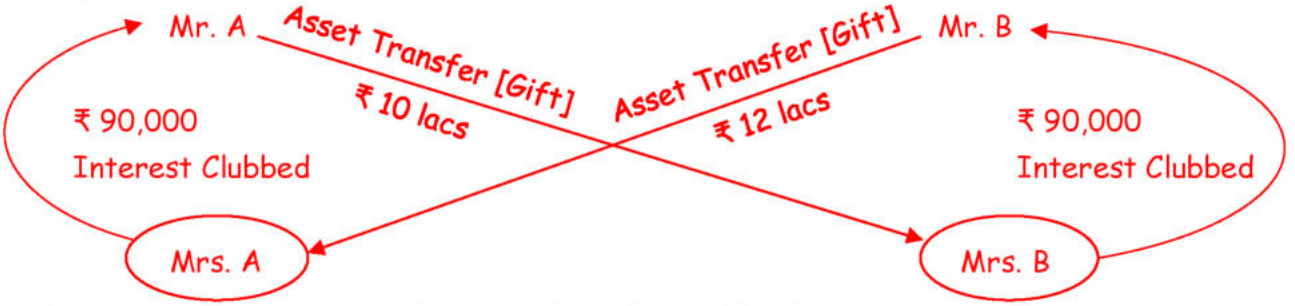
- Income of minor child is taxable/clubbed in hands of parent whose income is more.
- **Exception**: In following cases, minor income is taxable in hands of minor only:
  - Income is due to manual work.
  - Income is due to skill & talent.
  - Minor child is suffering from disability u/s 80U.
- **Other Points**
  - Income earned by investing income due to manual work, skill & talent is also taxable/clubbed in hands of parent.
  - If minor child income is clubbed in hands of parent, then exemption u/s 10(32) of maximum ₹ 1500 p.a. per child is allowed to parent. This exemption is not available in case of section 115BAC.
  - If marriage of parents does not subsist, income of minor child shall be clubbed in hands of parent who maintains the minor child in relevant P.Y.
  - Clubbing provisions are attracted even in respect of minor married daughter.

Cross Transfer

- If there are two transactions and they are inter-connected and part of same transaction, it will be considered to be device for evasion of tax and clubbing provisions shall apply.
- Clubbing provisions will be applicable only to the extent of income on matching amount of cross transfer/cross gift.

Example

Mr. A & Mr. B are Brothers. Mr. A gifted ₹ 10 lacs to his brother's wife [Mrs. B] and his Brother Mr. B gifted ₹ 12 lacs to Mr. A wife [Mrs. A]. Gifted Amt. deposited in Bank by Mrs. A & Mrs. B @ 9% p.a. on 1st April.



Matching amount of cross transfer = ₹ 10 lacs [lower of 10 lacs or 12 lacs]

Interest income on matching amount to be clubbed = ₹ 10 lacs x 9% = ₹ 90,000

Asset Transfer to HUF [Section 64(2)]

- If any member transfers his personal asset to HUF without consideration or for inadequate consideration,
- Then income from such asset is clubbed/taxable in hands of transferor/member.

Other Points relating to Clubbing

- Losses are also clubbed.

SET-OFF AND CARRY FORWARD OF LOSSES



Set-off of Losses

- **Inter Source Set-off** → Set-off from same head of Income
  - **Example**
    - Business loss from other Business Income
    - House Property loss from other HP Income
- **Inter Head Set-off** → Set-off from different head of Income
  - **Example**
    - Business loss from House Property Income
    - House Property loss from Salary Income

Set-off of Current Year losses

- First Inter Source
- Then Inter Head
- Balance Carried Forward

Set-off of Earlier Years brought forward losses

- Only Inter Source Set-off is allowed [same head set-off]

Exceptions in Inter Source [Same Head] Set-off

Long Term Capital Loss	Speculative Business Loss	Sec. 35AD Business Loss	Loss from Activity of owning & maintaining Race Horses
Set-off only from Long Term Capital Gains	Set-off only from Speculative Business Profit	Set-off only from Sec. 35AD Business Profit	Set-off only from Profit from Activity of owning & maintaining Race Horses

Exceptions in Inter Head [Different Head] Set-off

Loss from Business & Profession cannot be set-off from Salary	Speculative Business loss, Sec. 35AD Business Loss, Loss from Activity of owning & maintaining Race Horses cannot be set-off from any other head of Income	Short Term/Long Term Capital loss cannot be set-off from any other head of Income [STCL from STCG/LTCG] [LTCL only from LTCG]	Loss from House Property can be set-off from other head of Income only upto ₹ 2 lacs

Other Points

(i) Loss from House Property cannot be set-off from other head of income and cannot be carried forward in case of Section 115BAC.

(ii) **Any loss under any head or unabsorbed depreciation cannot be set-off from:**

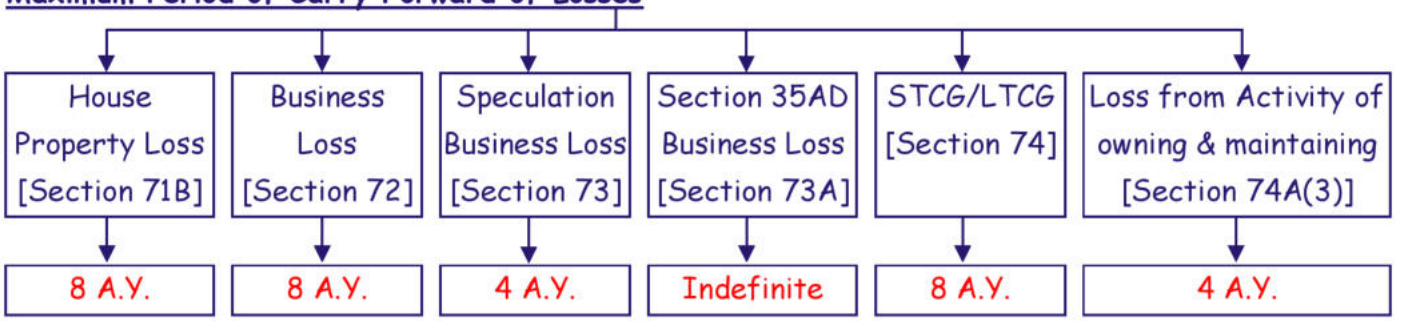
- Casual Income u/s 115BB
- Winnings from Online Games u/s 115BBJ
- Undisclosed Income u/s 115BBE

(iii) **Losses which cannot be set-off & carried forward:**

- Section 115BB & 115BBJ [Lottery, Online Games etc. losses]
- Loss from Exempt Source [Agricultural loss]

Carry Forward of Losses

Maximum Period of Carry Forward of Losses



[Immediately succeeding A.Y. in which loss is computed]

Order of Set-off [In case of Business]

If profit is not sufficient in case of business, then set-off from PGBP income can be done in following order:

- Current year depreciation
- Brought forward business loss
- Unabsorbed depreciation
- Unabsorbed capital expenditure on scientific research
- Unabsorbed family planning expenditure

Submission of Return of Losses [Section 80]

Assessee must file loss return u/s 139(3) upto due date of ROI given u/s 139(1) to carry forward following losses of current year:

- Business loss
- Speculative business loss
- Section 35AD business loss
- Loss from activity of owning & maintaining race horses
- Capital loss

Non-Applicability [Can be carry forward even if ROI is filed after due date]

(i) House Property loss

(ii) Unabsorbed depreciation

DEDUCTIONS UNDER CHAPTER VI-A AND SECTION 10AA



Basics

- Deduction under Chapter VI-A cannot exceed Gross Total Income.
- Deduction under Chapter VI-A is not available from Incomes which are chargeable at Special Rates.
- **Types of Deductions**

Payment/Investment Based Deductions → Section 80C to 80GGC

Income Based Deductions → Section 80TTA & 80TTB

Income Based Deductions → Section 80IA to 80RRB [Heading C] → [Only if ROI is filed upto due date u/s 139(1)]

Payment / Investment Based Deductions

Section 80C: Specified Investments

- Eligible Assessee: Individual/HUF
- Maximum Limit of Deduction: ₹ 1,50,000
- **Eligible Investments**

(i) Life Insurance Premium paid to Any Insurance Company → Individual: Self, Spouse, Children; HUF: Any member of HUF

Limit of premium allowed		
Policy taken before 1.4.2012	Policy taken between 1.4.2012 to 31.3.2013	Policy taken on or after 1.4.2013
Lower of		
Premium Paid	Premium Paid	Premium Paid
or	or	or
20% of Policy Amount (Sum Assured)	10% of Policy Amount (Sum Assured)	10% of Policy Amount (Normal Person) 15% of Policy Amount (Disable Person)

(ii) Investment in Public Provident Fund [PPF] → Individual: Self, Spouse, Children; HUF: Any member of HUF

(iii) Employee contribution in SPF & RPF

(iv) Investment in NSC & interest thereon

(v) Repayment of housing loan

Conditions:

- Loan taken for purchase or construction of house property.
- Construction/purchase shall be completed during P.Y.
- Loan taken from government, banks, financial institutions, employer or company.

(vi) Fixed Deposit [FD] in scheduled bank or post office for 5 years or more

(vii) Tuition fees paid for maximum 2 children for education in India [Not include donation/ development/coaching fees]

(viii) Deposit in NABARD bonds

(ix) Deposit in Senior Citizen Saving Scheme

(x) Deposit in Sukanya Samridhi Scheme

(xi) Stamp duty, registration fees paid for purchase of house property

(xii) Investment in units of UTI/Mutual Fund

(xiii) Investment in pension fund of UTI/Mutual Fund

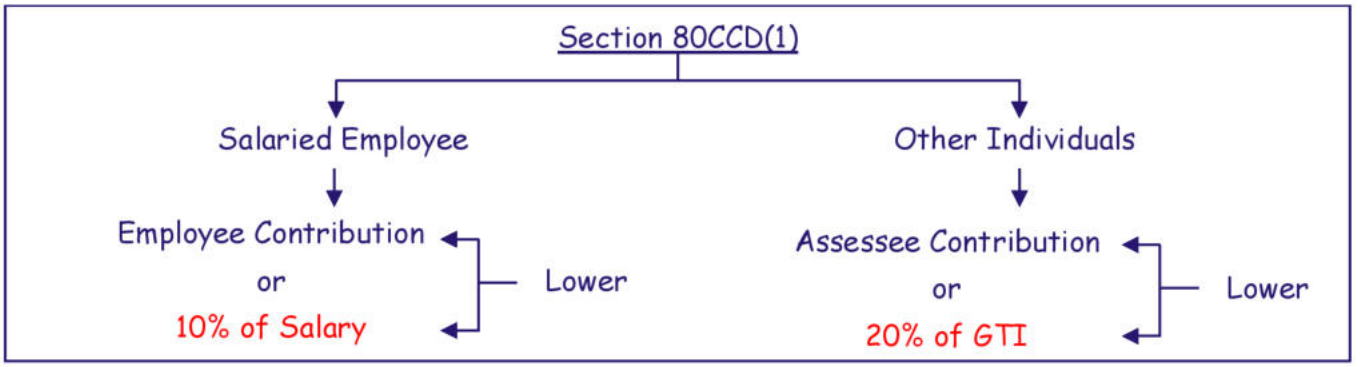
(xiv) Contribution by Central Government employee to Tier II A/c of pension scheme u/s 80CCD

Section 80CCC: Contribution to Pension Fund / Annuity Plan of LIC or Other Insurance Company

- Eligible Assessee: Individual
- Maximum Limit of Deduction: ₹ 1,50,000

Section 80CCD: Contribution to Pension Scheme of Central Government / New Pension Scheme / Atal Pension Yojna

- Eligible Assessee: Individual
- **Amount of Deduction**



Section 80CCD(1B)

Balance contribution u/s 80CCD(1) can be claimed u/s 80CCD(1B) upto ₹ 50,000

Section 80CCD(2): Employer contribution for benefit of employee

Employer contribution is first taxable under head salary in hands of employee, then he gets deduction u/s 80CCD(2)

Employer Contribution / or / 10% of Salary → Lower

[14% if Govt. Employee or If employee opts Section 115BAC]

*Salary = Basic Salary + Dearness Allowance (if)

- Taxability of amount received from above scheme on closure of account

In case of death	Fully Exempt
Other case	60% Exempt

Section 80CCE: Aggregate Deduction u/s 80C + 80CCC + 80CCD(1)

- Aggregate deduction u/s 80C + 80CCC + 80CCD(1) shall be restricted to ₹ 1,50,000.

Section 80CCH: Deduction in respect of Contribution to Agnipath Scheme

- Eligible Assessee: Individual
- **Amount of Deduction**

  Section 80CCH(1): Amount deposited by individual enrolled in Agnipath Scheme in his account in Agniveer Corpus Fund.

  Section 80CCH(2): Contribution made by Central Government to the said account of assessee.

  Central Government contribution is first taxable under head salary in hands of individual, then he gets deduction u/s 80CCH(2)

- Any payment from Agnipath Corpus Fund to a person enrolled under Agnipath Scheme or his nominee is exempt from tax.

Section 80D: Deduction in respect of Medical / Health Insurance Premium, CGHS, Preventive Health Checkup

- Eligible Assessee: Individual/HUF
- For whom:
  - Individual: Self, Spouse, Dependent Children & Parents [Whether dependent or not]
  - HUF: Any member of HUF

- **Amount of Deduction**

Amount Paid for	Nature of Payment	Amount of Deduction
Self, Spouse & Dependent Children	▪ Health/Medical Insurance Premium paid other than cash ▪ Contribution to Central Govt. Health Scheme [CGHS] other than cash ▪ Preventive Health Checkup by any mode	₹ 25,000 or Total Payment ← Lower
		If any person is 60 years or more plus resident ₹ 50,000 or Total Payment ← Lower
Parents [Whether Dependent or Not]	▪ Health/Medical Insurance Premium paid other than cash ▪ Preventive Health Checkup by any mode	₹ 25,000 or Total Payment ← Lower
		If any person is 60 years or more plus resident ₹ 50,000 or Total Payment ← Lower

- **Other Points**
  - Aggregate payment for preventive health checkup for all cannot exceed ₹ 5,000.
  - If person is 60 years or more plus resident, then medical expenditure is also eligible.
  - If premium is paid for more than 1 year, deduction for each year:

$$= \frac{\text{Total premium paid}}{\text{No. of years for which payment is made}}$$

Section 80DD: Deduction in respect of Maintenance and Medical Treatment of Disabled Dependent Relative

- Eligible Assessee: Resident Individual/HUF
- For whom:
  - Individual: Spouse, Children, Brother, Sister & Parents who are dependent on Individual
  - HUF: Any dependent member of HUF
- Assessee should incur expenses on medical treatment or maintenance of such disabled dependent.
- **Amount of Deduction**
  - Normal Disability = ₹ 75,000
  - Severe Disability [80% or more] = ₹ 1,25,000

[Flat Deduction]

Section 80U: Deduction for Disabled Assessee

- Eligible Assessee: Resident Individual
- **Amount of Deduction**
  - Normal Disability = ₹ 75,000
  - Severe Disability [80% or more] = ₹ 1,25,000

  [Flat Deduction]

Section 80DDB: Deduction in respect of Medical Treatment of Specified Disease

- Eligible Assessee: Resident Individual/HUF
- For whom:
  - Individual: Self, Spouse, Children, Brother, Sister & Parents who are dependent on Individual
  - HUF: Any dependent member of HUF
- **Amount of Deduction**

Lower of Actual Expenses on Treatment or ₹ 40,000 / ₹ 1,00,000 [for Senior Citizen]	XX
(-) Insurance Claim Received	(XX)
Deduction Amount	XX

Section 80E: Deduction in respect of Interest Paid on Loan taken for Higher Education in India or Abroad

- Eligible Assessee: Individual
- For whom: Self, Spouse, Children and Any student for whom assessee is legal guardian
- **Amount of Deduction**: Interest Paid [Maximum for 8 Years]

Section 80EEA: Deduction in respect of Interest on Loan taken for Purchase of Residential House Property

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

  [First deduction should be claimed under House Property head upto ₹ 2,00,000 u/s 24(b)]
- Conditions:
  - Loan should be taken from Bank, Financial Institution or Housing Finance Company [Not NBFC].
  - SDV of house does not exceed ₹ 45 lacs.
  - Individual does not own any residential house on date of sanction of loan.
  - Loan should be sanctioned between 1.4.2019 to 31.3.2022.

Section 80EEB: Deduction in respect of Interest on Loan taken for Purchase of Electric Vehicle

- Eligible Assessee: Individual
- Limit of Deduction: ₹ 1,50,000
- Conditions:
  - Loan should be taken from Bank, Financial Institution, Housing Finance Company or NBFC.
  - Loan should be sanctioned between 1.4.2019 to 31.3.2023.

Section 80G: Donations

- Eligible Assessee: All Persons
- **Eligible Donations**

Category A

- PM Drought Relief Fund — 50% Deduction without any Limit

Category B

- Other PM Fund
- CM Fund
- National Fund
- Swachh Bharat Kosh
- Clean Ganga Fund

→ 100% Deduction without any Limit

Category C

- Charitable Trust/Institutions
- Donation for Renovation/Repair of Temple, Church etc.
- Donation for Promoting Interest of Minority Community
- Donation to Housing Development Authority

→ 50% Deduction with Limit

Category D

- Donation for Promoting Family Planning
- Donation by Company to Indian Olympics Association

→ 100% Deduction with Limit

- **Calculation of Limit & Donation under Category C & D**

Step 1: Calculate Adjusted Total Income

Gross Total Income [Exclude Income Taxable at Special Rates]	XX
(-) Deductions under Chapter VI-A [Except Section 80G]	(XX)
Adjusted Total Income	XX

Step 2: Total Donation under Category C & D
or
10% of Adjusted Total Income
→ Lower = Maximum limit of Donation
- First Category D [100% with limit] → Full Deduction
- Then, Category C [50% with limit] → Half Deduction

Example

Adjusted Total Income = ₹ 6,00,000

Donation: Trust [Category C 50%] = ₹ 30,000, Family Planning [Category D 100%] = ₹ 50,000

Maximum limit of Donation = Lower of (30,000 + 50,000) or (10% × 6,00,000)
= Lower of 80,000 or 60,000 = ₹ 60,000

Out of ₹ 60,000, first claim deduction of Category D Donation (100%) i.e., ₹ 50,000

Remaining balance of limit = (60,000 - 50,000) = ₹ 10,000

Deduction of Category C Donation (50%) = (10,000 X 50%) = ₹ 5,000

- No deduction allowed in any category for donation paid in cash exceeding ₹ 2000.

Section 80GG: Deduction in respect of Rent Paid for House Property

- Eligible Assessee: Individual [who does not receive HRA]
- **Amount of Deduction**

₹ 5,000 p.m.
or
25% of Adjusted Total Income
or
Rent Paid - 10% of Adjusted Total Income
→ Lower

Section 80GGA: Deduction in respect of Donation for Scientific Research or Rural Development

- Eligible Assessee: All Persons who do not have PGBP Income
- Amount of Deduction: 100% of Donation
- No deduction allowed for donation paid in cash exceeding ₹ 2,000.

Section 80GGB: Donation given by Indian Company to Political Parties or Electoral Trust

- Eligible Assessee: Indian Company

- **Amount of Deduction**: 100% of Donation
- **Other Points**
  - No deduction allowed if donation paid in cash.
  - Expenditure incurred by Indian Company for advertisement in souvenir, brochure, pamphlet, newspaper etc. published by political party is also eligible for deduction.

Section 80GGC: Donation given by Any Other Person to Political Parties or Electoral Trust

- Eligible Assessee: Any Person [other than Indian Company]
- **Amount of Deduction**: 100% of Donation
- **Other Points**
  - No deduction allowed if donation paid in cash.
  - Expenditure incurred by Other Assessee for advertisement in souvenir, brochure, pamphlet, newspaper etc. published by political party is not eligible for deduction.

Income Based Deductions

Section 80TTA: Deduction in respect of Interest on deposits in Savings Account

- Eligible Assessee: Individual/HUF
- **Amount of Deduction**

Total Interest on Savings A/c
or
₹ 10,000
→ Lower

- **Other Points**
  - Savings A/c with Banking Company, Co-operative Banks or Post Office.
  - Deduction not available to Resident Senior Citizen eligible for deduction u/s 80TTB.

Section 80TTB: Deduction in respect of Interest on Deposits in Savings and FD Account in case of Resident Senior Citizens

- Eligible Assessee: Resident Senior Citizen [60 years or more + Resident]
- **Amount of Deduction**

Total Interest on Savings/FD Account
or
₹ 50,000
→ Lower

- **Other Points**

Savings and FD A/c with Banking Company, Co-operative Banks or Post Office.

Income Based Deductions under Heading C

Section 80JJAA: Deduction in respect of Employment of New Employees

- Eligible Assessee: Any Assessee engaged in Business and to whom Section 44AB Applies
- **Amount of Deduction**

  30% of Additional Employee Cost [Deduction allowed for 3 consecutive years]
- Additional Employee Cost = Total Salary Paid/Payable to Additional Employees employed during P.Y.
- **Other Points**

  (i) In case of existing business, deduction is allowed only if:
  - There is an increase in total number of employees.
  - Salary paid by A/c payee cheque/DD/ECS/Electronic mode.

  (ii) Additional Employees do not include:
  - Employee whose total salary is more than ₹ 25,000 p.m.
  - Employee who does not participate in RPF.
  - Employee for whom entire contribution paid by government under employee pension scheme.
  - Employee employed for less than 240 days in P.Y. [150 days in case of business of manufacturing of apparel, footwear or leather products].

Section 80QQB: Deduction in respect of Royalty Income from Books of Literary, Artistic, Scientific Nature

- Eligible Assessee: Resident Individual
- **Amount of Deduction**

  Net Royalty Income
  or
  ₹ 3,00,000
  — Lower
- This deduction is not available in respect of royalty income from textbook, commentaries, brochures, diaries, magazines, newspapers, journals and pamphlets.
- If Royalty is earned outside India, then deduction is allowed only if such royalty amount is brought to India in convertible foreign exchange within 6 months from end of P.Y. or time allowed by RBI.

Section 80RRB: Deduction in respect of Royalty Income from Patents

- Eligible Assessee: Resident Individual
- **Amount of Deduction**

Net Royalty Income
or
₹ 3,00,000
→ Lower

- If Royalty is earned outside India, then deduction is allowed only if such royalty amount is brought to India in convertible foreign exchange within 6 months from end of P.Y. or time allowed by RBI.

Tax Holiday for Units Established in SEZ [Section 10AA]

(1) Eligible Assessee

Deduction is available to all assessee engaged in manufacturing or production of any article or thing or computer software in Special Economic Zone [SEZ].

(2) Period & Amount of Deduction

For First 5 A.Y. → 100% of Export Profit from SEZ Unit

For Next 5 A.Y. → 50% of Export Profit from SEZ Unit

For Next 5 A.Y. → Amt. Credited to SEZ Reinvestment Reserve A/c
or
50% of Export Profit from SEZ Unit
→ Lower

(3) Export Profit from SEZ Unit

$$\text{PGBP of unit located in SEZ [as per Income Tax]} \times \frac{\text{Export Turnover [Proceeds] of SEZ Unit}}{\text{Total Turnover of SEZ Unit}}$$

(4) Other Points

(i) Export Turnover means export proceeds received/realised/brought into India in convertible foreign exchange within 6 months from end of P.Y. or time permitted by RBI. Amount which become irrecoverable shall be excluded from Export Turnover.

(ii) For computing deduction u/s 10AA, following amount shall be excluded from Export Turnover & Total Turnover:

- Freight
- Telecommunication Charges
- Insurance or any other Expenses

(iii) For computing deduction u/s 10AA, following amount shall be excluded from PGBP of unit located in SEZ:

- Cash Compensatory Support
- Duty Drawback
- Profit on Sale of Import Entitlement

(iv) Onsite development of computer software outside India at client place is also eligible for deduction.

(v) In case of Amalgamation/Demerger, remaining deduction shall be available to amalgamated /resulting unit [If conditions fulfilled].

(vi) Deduction u/s 10AA is allowed only if ROI is filed upto due date u/s 139(1).

(vii) Deduction u/s 10AA is allowed only to SEZ unit who received approval upto 31.3.20 and begins manufacturing or production on or before 31.3.21.

Example

ABC Ltd. has two units. Unit I is located in SEZ and Unit II is located in Domestic Tariff Area. Details regarding Unit I which is located in SEZ are given below:

Particulars	₹
Net Profit (As per Income Tax)	70 lacs
Duty Drawback	6 lacs
Profit on Sale of Import Entitlement	4 lacs
Export Turnover	3 crores
Domestic Turnover	5 crores
Export proceeds received/realised in India	2.80 crores
Export Turnover includes Insurance & Freight charges of ₹ 50 lacs Export proceeds received/realised in India includes Insurance & Freight charges of ₹ 30 lacs	

Compute Export Profit from SEZ unit for computing deduction u/s 10AA.

Solution

For computing deduction u/s 10AA

PGBP Income of SEZ unit = [70 lacs – 6 lacs – 4 lacs] = ₹ 60 lacs

Export Turnover (Proceeds realised) of SEZ unit = [2.80 crores – 30 lacs] = ₹ 2.50 crores

Total Turnover of SEZ unit = [3 crores + 5 crores – 50 lacs] = ₹ 7.50 crores

Export Profit from SEZ unit = [60 lacs x 2.50 crores/7.50 crores] = ₹ 20 lacs

Special Point for New/Default Tax Regime (Section 115BAC)

Only following deductions are available, if assessee follows section 115BAC:
80CCD(2): Employer Contribution to NPS 80CCH(2): Central Government Contribution to Agnipath Scheme 80JJAA: Employment of New Employees

TDS, TCS AND ADVANCE TAX



Part I – Tax Deduction at Source [TDS]

TDS Basics

- TDS is deducted by the payer.
- TDS is deducted if amount is taxable in hands of payee/receiver.
- TDS is deducted at the time of:
  - Payment
    or
  - Crediting the A/c of Payee

  → Earlier
- However in following cases, TDS is deducted only at the time of payment:

Salary [192]	Compensation on Compulsory Acquisition [194LA]
EPF [192A]	Cash Withdrawal [194N]
Casual Income [194B & BB]	Benefits or Perquisite of B&P [194R]
Maturity of Policy [194DA]	

- TDS is deducted both from payment for commercial purpose or personal purpose [Except in Section 194C & 194J, where no TDS on payment made for personal purpose by Individual & HUF].
- No TDS, if payee is Central Government, State Government, RBI, Statutory Corporation, Mutual Fund.
- If GST on goods/service is indicated separately on bill, then no TDS on GST component. However, in case of advance payment, TDS is to be deducted on whole advance including GST.

TDS Sections

Section 192: Salary			
Payer	**Payee**	**Rate**	**Exemption**
Any Employer	Any Employee	Slab Rate	If Total Income of employee is upto basic exemption limit

Additional Points

- Slab rate means Total Tax of employee as per Section 115BAC or General Slab.
- If employee does not want to opt default tax regime u/s 115BAC, he has to Intimate to employer.
- Employer shall consider following in calculating tax liability, if provided by employee:
  - Other income & deductions of employee
  - HP loss [Ignore other loss]
  - TDS/TCS deducted/collected in other sections
- Employer shall obtain evidence of following claims made by employee [If not provided, then ignore]:

HRA: Name, Address, PAN of landlord, if aggregate rent exceeds ₹ 1 lac

LTC: Evidence of expense

HP Interest: Name, Address, PAN

VI-A Deduction: Evidence of expense/investment

Section 192A: Accumulated Balance of RPF			
Payer	**Payee**	**Rate**	**Exemption**
Any Person	Any Person [Employee]	10%	If aggregate payment less than ₹ 50,000 for year

Additional Points

- TDS only if amount taxable in hands of employee [Employee renders less than 5 years of service].

Section 193: Interest on Securities			
Payer	**Payee**	**Rate**	**Exemption**
Any Person	Any Resident Person	10%	₹ 10,000 for year

Additional Points

- No TDS, If Interest:
  - Paid to any Insurance Company
  - Paid on Government Securities [TDS is applicable on Interest on 8% Saving Bonds 2003 or 7.75% Saving Bonds 2018 or Floating Rate Saving Bond 2020, if interest is more than ₹ 10,000 p.a.]

Section 194: Dividend [including Deemed Dividend]			
Payer	**Payee**	**Rate**	**Exemption**
Domestic Company	Resident Shareholders	10%	—

Additional Points

- No TDS, If Dividend:
  - Paid to any Insurance Company
  - Paid to individual other than cash [If amount not exceed ₹ 10,000 p.a.]

Section 194A: Interest [other than Interest on Securities]			
Payer	**Payee**	**Rate**	**Exemption**
Any Person [other than Individual/HUF whose turnover/gross receipts in business/profession upto ₹ 1 cr./50 lacs in preceding F.Y.] [Example: Mohanlal - Last Year Business Turnover ₹ 98 lacs/No Business/Doing Job]	Any Resident Person	10%	Interest Paid by Bank/Co-operative Bank/Post Office: ₹ 50,000 for year [₹ 1,00,000 if senior citizen] Other Person: ₹ 10,000 for year

Additional Points

- If bank opting Core Bank Solutions [CBS], then limit will not be per branch but per bank.
- No TDS if:
  - Interest on savings bank A/c.
  - Interest paid by firm to partners [covered u/s 194T].
  - Interest on Tax refund.
  - Interest paid to any Bank or Insurance Company.
  - Interest paid by co-operative society to its members or to any other co-operative society. [If co-operative society turnover exceeds ₹ 50 crores in preceding F.Y., then TDS is applicable]
  - Interest on compensation amount awarded by motor accidents claim tribunal.
  - Interest is credited by bank to provisioning A/c on daily/monthly basis for macro monitoring only by use of CBS software.

Section 194B: Casual Income [other than Horse Race and Online Games]			
Payer	**Payee**	**Rate**	**Exemption**
Any Person	Any Person	30%	₹ 10,000 for single transaction

Additional Points

- If winning in kind, then organiser shall release winning only after ensuring that tax on winning has been paid to government.

Section 194BA: Winnings from Online Games			
Payer	**Payee**	**Rate**	**Exemption**
Any Online Gaming Platform	Any Person	30%	-

Additional Points

- TDS will be deducted at the time of withdrawal from user account [on net winnings withdrawal] and at the end of F.Y. [on remaining amount of net winnings].
- No TDS at the time of withdrawal, if net winnings withdrawal is upto ₹ 100 in a month.
- If winning in kind, then organiser shall release winning only after ensuring that tax on net winnings has been paid to government.

Section 194BB: Horse Race			
Payer	**Payee**	**Rate**	**Exemption**
Any Person	Any Person	30%	₹ 10,000 for single transaction

Additional Points

- If winning in kind, then organiser shall release winning only after ensuring that tax on winning has been paid to government.

Section 194C: Contract			
Payer	**Payee**	**Rate**	**Exemption**
Any Person [other than Individual/HUF whose turnover/gross receipts in business/profession upto ₹ 1 cr./50 lacs in preceding F.Y.]	Any Resident Person	If Contactor Individual/HUF: 1% Other: 2%	₹ 30,000 for single payment and Aggregate ₹ 1 lac for year

Additional Points

- For purpose of contract, work includes:
  - Advertisement, Broadcast, Telecast
  - Catering
  - Transport of goods/passengers [other than railway]
  - Manufacturing/supplying product as per customer specification out of material supplied by such customer or its associate [Relative u/s 40A(2)] [Job Work]
- If payment made for personal purpose by Individual/HUF: No TDS

- If payment made to transporter & he does not own more than 10 vehicles at any time during P.Y. & furnish declaration with PAN: No TDS
- In case of Job Work:

If material value separately mentioned in invoice	TDS deducted on invoice value excluding material
If not separately mentioned	TDS deducted on full invoice value

- Payment by TV channel/broadcasters to production house for production of program:

If program as per specification	TDS
If already produced program acquired by TV channel	No TDS

- Services of event manager [other than sports activity]: TDS u/s 194C
- Contract also includes sub-contract.

Section 194D: Insurance Commission			
Payer	**Payee**	**Rate**	**Exemption**
Any Person [Insurance Co.]	Any Resident Person [Agent]	2% [10%, if payee is domestic company]	₹ 20,000 for year

Section 194G: Commission on Sale of Lottery Tickets			
Payer	**Payee**	**Rate**	**Exemption**
Any Person	Any Person	2%	₹ 20,000 for year

Section 194H: Commission or Brokerage			
Payer	**Payee**	**Rate**	**Exemption**
Any Person [other than individual/ HUF whose turnover/gross receipts in business/profession upto ₹ 1 cr./50 lacs in preceding F.Y.]	Any Resident Person	2%	₹ 20,000 for year

Additional Points

- No TDS [since there is no principal-agent relationship] If:
  - Commission/brokerage is related to securities [commission to underwriters].
  - Payment by BSNL/MTNL to their PCO franchisees.

Section 194DA: Life Insurance Policy Maturity Amount			
Payer	**Payee**	**Rate**	**Exemption**
Any Person [Insurance Co.]	Any Resident Person	2% of [Maturity Amount (-) Total premium]	If maturity amount is less than ₹ 1 lac for year

Additional Points

- TDS if maturity amount is Taxable [Taxable if premium paid exceeds limit given in section 10(10D)]

Section 194I: Rent			
Payer	**Payee**	**Rate**	**Exemption**
Any Person [other than Individual/ HUF whose turnover/gross receipts in business/profession upto ₹ 1cr./50 lacs in preceding F.Y.]	Any Resident Person	P&M, Equipment: 2% Land & Building, Furniture: 10%	₹ 50,000 per month

Additional Points

- No TDS u/s 194I If:
  - Payment of cooling charges to cold storage owners.
  - Payment of passenger service fees by airline to airport operator.
  - Lump sum lease premium paid for acquisition of long-term lease.

Section 194IA: Purchase of Immovable Property [Other than Rural Agriculture Land]			
Payer	**Payee**	**Rate**	**Exemption**
Any Person (Buyer)	Any Resident Person (Seller)	1% of Actual Consideration or SDV [whichever is higher]	If Consideration and SDV for property is less than ₹ 50 lacs [per property]

Additional Points

- Consideration includes all charges such as maintenance fees, car parking fees, club membership fees, electricity/water fees etc.
- If there is more than one buyer/seller for any immovable property, then consideration shall be aggregate amount paid/payable for such property.

Section 194IB: Rent of Immovable Property			
Payer	**Payee**	**Rate**	**Exemption**
Individual & HUF [other than covered u/s 194I]	Any Resident Person	2%	₹ 50,000 per month

Additional Points

- TDS is deducted at the time of:
  - Payment or credit of last month rent of P.Y.
  - Payment or credit of last month rent of tenancy [If property is vacated during P.Y.]
- If PAN not furnished by payee, TDS will be 20%. But maximum TDS is upto last month rent/vacancy month rent.

Sec. 194J: Professional Fees/Technical Fees/Royalty/Non-Compete Fees/Director Remuneration			
Payer	**Payee**	**Rate**	**Exemption**
Any Person [other than Individual/HUF whose turnover/gross receipts in business/profession upto ₹ 1cr./50 lacs in preceding F.Y.]	Any Resident Person	Technical Fees (FTS), Royalty for Cinematographic Films, Payment to Call Centres: 2% Other Case: 10%	Professional Fees = 50,000 for year Technical Fees = 50,000 for year Royalty = 50,000 for year Non-Compete Fees = 50,000 for year Director Remuneration: No limit

Additional Points

- If payment made for personal purpose by Individual/HUF: No TDS
- Professional Services
  - Services covered in 44AA
  - Services in relation to sports activities rendered by following persons - sports person, umpire, referee, coach, trainer, team physician, event manager, commentator anchor and sports columnist
- Fees for Technical Services

  Any consideration for rendering of managerial, technical, consultancy services.
- Director remuneration includes any remuneration/fees/commission paid to director which is not in nature of salary.
- Payment made by Third Party Administrators (TPA) on behalf of Insurance co. to hospitals: TDS

Section 194K: Income from UTI/Mutual Fund Units			
Payer	**Payee**	**Rate**	**Exemption**
Any Person [UTI/Mutual Fund]	Any Resident Person	10%	₹ 10,000 for year

Section 194LA: Compensation on Compulsory Acquisition of Immovable Property			
Payer	**Payee**	**Rate**	**Exemption**
Any Person	Any Resident Person	10%	₹ 5,00,000 for year

Additional Points

- No TDS on compensation on compulsory acquisition of any agricultural land.

Section 194M: Contract, Commission/Brokerage, Professional Fees			
Payer	**Payee**	**Rate**	**Exemption**
Individual or HUF [other than covered u/s 194C, 194H, 194J]	Any Resident Person	2%	Aggregate ₹ 50,00,000 for year

Additional Points

- Payer covered u/s 194M
  - Individual/HUF not covered u/s 194C/H/J [Example: Mohanlal]
  - Personal payment of contract & professional fee by Individual/HUF [Irrespective of turnover]

Section 194N: Cash Withdrawal			
Payer	**Payee**	**Rate**	**Exemption**
Bank, Co-Operative Banks, Post Office	Any Person	2%	Cash Withdrawal upto ₹ 1 crore for year

Additional Points

- TDS applicable only on excess of amount over ₹ 1 crore.
- If payee has not furnished ROI for preceding 3 P.Y. [and ROI filing time expires]:
  - On withdrawal amount more than ₹ 20 lacs upto ₹ 1 crore = 2%
  - On withdrawal amount more than ₹ 1 crore = 5%
- If payee is a co-operative society, then ₹ 3 crores will be taken in place of ₹ 1 crore.
- This section is not applicable if payee is government, banks, co-operative banks, post office, ATM operator or any person notified by RBI.

Section 194P: Income of Specified Senior Citizen			
Payer	**Payee**	**Rate**	**Exemption**
Specified Bank [Scheduled Bank]	Specified Senior Citizen	Rate in Force	—

Additional Points

- **Specified Senior Citizen**
  - Resident Individual [age of 75 years or more]
  - Having pension income
  - No other income except interest from same specified bank in which he is receiving pension income

- Rate in Force means Total Tax of specified senior citizen as per Section 115BAC or General Slab.
- Specified Senior Citizen is not required to file ROI.

Section 194Q: Purchase of Goods			
Payer	**Payee**	**Rate**	**Exemption**
Buyer [If turnover from business exceeds ₹ 10 crores in preceding F.Y.]	Resident Seller	0.1% of Consideration	₹ 50,00,000 for year

Additional Points

- TDS is applicable only on excess amount over ₹ 50,00,000
- If PAN not furnished by seller, TDS rate = 5%

Section 194R: Benefits or Perquisite in respect of Business & Profession			
Payer	**Payee**	**Rate**	**Exemption**
Any Person [other than Individual/HUF whose turnover/gross receipts in business/profession upto ₹ 1cr./50 lacs in preceding F.Y.]	Any Resident Person	10%	₹ 20,000 for year

Additional Points

- Examples of benefit or perquisite liable for TDS u/s 194R: Incentives to distributors/dealers/retailers, free samples, free tickets, sponsoring a trip etc.
- If benefit/perquisite in kind, then payer shall release benefit/perquisite only after ensuring that tax on such benefit/perquisite has been paid to government.

Section 194T: Payments by Firm to Partners			
Payer	**Payee**	**Rate**	**Exemption**
Firm	Partner	10%	Aggregate ₹ 20,000 for year

Additional Points

- Nature of Payment: Interest and Remuneration [Salary/Bonus/Commission etc.]

Other Points regarding TDS

(1) Certificate for Lower Deduction/No Deduction of TDS

- Payee can apply to AO to issue a certificate for no deduction/lower deduction of TDS.
- If income of Payee is upto Basic Exemption Limit, he can give self-declaration in form 15G/15H [Senior Citizen] for non deduction of TDS [for section 192A, 193, 194A, 194DA, 194I, 194K].

(2) Assessee in Default [Section 201]

If assessee fails to deduct TDS or after deduction fails to pay TDS to Government, assessee shall be deemed to be an assessee in default.

(3) Mandatory Requirement of Furnishing PAN [Section 206AA]

If payee does not furnish his PAN to the payer, TDS rate shall be rate given in respective section or 20% [whichever is higher]. However, for section 194Q, TDS rate shall be rate given in respective section or 5% [whichever is higher].

(4) Due dates of Payment of TDS

TDS deducted during April to February	By 7th of Next Month
TDS deducted in March	By 30th April
For Section 194IA, 194IB, 194M	By 30th of Next Month

(5) Due Dates of TDS Return/TDS Statement

Quarter Ended

June = 31st July

September = 31st October

December = 31st January

March = 31st May

(6) Interest on Late Deduction/Late Payment of TDS [Section 201(1A)]

In Case of Late Deduction

Interest @ 1% per month or part of month on amount of TDS not deducted from date on which tax was deductible till date on which tax is actually deducted.

In Case of Late Payment

Interest @ 1.5% per month or part of month on amount of TDS not paid from date on which tax was deducted till date on which tax is actually paid.

(7) TDS Rates Summary

Sections	TDS Rate
194Q	0.1%
194IA	1%
194C, 194D, 194DA, 194G, 194H, 194IB, 194M, 194N	2% (1% also in 194C)
192A, 193, 194, 194A, 194IC, 194K, 194LA, 194R, 194T	10%
194I, 194J	2% or 10%
194B, 194BB, 194BA	30%
192, 194P	Rate in Force

Part II – Tax Collection at Source [TCS]

TCS Basics

- TCS is collected by the seller from the buyer.
- TCS is collected at the time of:
  - Receipt of Amount
    or
  - Debiting the A/c of Buyer

  → Earlier
- No TCS, if seller is Individual/HUF and whose total turnover/gross receipts from business/profession in preceding F.Y. is upto ₹ 1 crore/50 lacs.
- No TCS, if buyer is Government, Embassies, Consulates, High Commission.
- TCS is to be collected on value including GST.

TCS Applicability and Rates [Section 206C]

(a)	**Specified Goods [Section 206C(1)]**	
	▪ Alcoholic Liquor for Human Consumption	1%
	▪ Scrap [Not usable as such]	1%
	▪ Minerals being Coal, lignite or Iron ore	1%
	▪ Timber and any other Forest Produce	2%
	▪ Tendu leaves	5%
	Note: No TCS on Specified Goods: ➢ If goods purchased for personal consumption ➢ If goods used in manufacturing of any article	
(b)	**Motor Vehicle and Luxury Goods [Section 206C(1F)]**	
	▪ Any Motor Vehicle of value exceeding ₹ 10 lacs ▪ Any Other Goods of value exceeding ₹ 10 lacs [Luxury Goods] Note: (i) In case of Motor Vehicle, sale consideration will be Ex-Showroom Price (ii) No TCS on Motor Vehicle/Luxury Goods: ➢ If consideration per vehicle/per item is upto ₹ 10 lacs ➢ Sale of vehicle/luxury goods by manufacturer to dealer/distributor	1% of sale consideration

	(iii) Luxury Goods ➢ Wrist watch ➢ Art piece such as antiques, painting, sculpture ➢ Collectibles such as coin, stamp ➢ Yacht, rowing boat, canoe, helicopter ➢ Sunglasses ➢ Bag such as handbag, purse ➢ Shoes ➢ Sportswear and equipment such as golf kit, ski-wear ➢ Home theatre system ➢ Horse for horse racing and polo	
(c)	**Lease or License [Section 206C(1C)]**	
	▪ Lease or License of Parking Lot, Toll Plaza, Mines & Quarry	2%
(d)	**Remittance under LRS of RBI and Overseas Tour Package [Section 206C(1G)]**	
	▪ Remittance under Liberalised Remittance Scheme of RBI through Authorised Dealer ➢ If remittance is for education or medical treatment ➢ Other remittance Note: (i) TCS will apply only on remittance in excess of ₹ 10 lacs. No TCS, if aggregate remittance is upto ₹ 10 lacs in a year. (ii) No TCS, if remittance is for education out of loan taken from banks & financial institution in India (if loan taken from employer/relatives etc., then TCS is applicable)	 5% 20%
	▪ Overseas Tour Package	5% upto ₹ 10 lacs and 20% above ₹ 10 lacs

Other Points regarding TCS

(1) Mandatory Requirement of Furnishing PAN [Section 206CC]

- If collectee does not furnish his PAN to the collector, TCS rate shall be Twice of rate given in respective section or 5% [whichever is higher].
- Rate of TCS under this section shall not exceed 20%.

(2) Due Dates of Payment of TCS

By 7th of Next Month

(3) Due Dates of TCS Return/TCS Statement

Quarter Ended

June	=	15th July
September	=	15th October
December	=	15th January
March	=	15th May

(4) Interest on Late Collection/Late Payment of TCS [Section 206(7)]

Same as TDS Late Deduction/Late Payment.

(5) Fees for Default in Furnishing TDS/TCS Statements [Section 234E]

Fees is payable @ ₹ 200 per day after due date till actual date of furnishing.

[Note: Total amount of fees shall not exceed TDS/TCS amount]

*Above fees is not treated as penalty, so deduction is allowed under PGBP.

Types of TDS/TCS Questions

Examine/Discuss	Calculate/Compute/Determine/Work Out
▪ TDS/TCS Liability ▪ TDS/TCS Implications ▪ TDS/TCS Provisions ▪ TDS/TCS Applicability ▪ TDS/TCS Obligations ▪ TDS/TCS Attract	▪ TDS/TCS ▪ TDS/TCS Liability ▪ Amount Payable to Payee/Seller
➢ Provision with Section No. Rate, Limit, Specific Point (If any) ➢ Conclusion	➢ Provision with Section No. Rate, Limit, Specific Point (If any) ➢ If applicable, then calculate

Part III – Advance Tax and Interest

Advance Tax

- Advance Tax means tax paid in P.Y. on estimated total income of P.Y.
- **Calculation of Estimated Advance Tax Liability**

Tax on Estimated Total Income	XX
(-) Estimated TDS/TCS	(XX)
Estimated Advance Tax Liability	XX

- **No requirement to pay Advance Tax**
  - If advance tax liability is less than ₹ 10,000.
  - Resident senior citizen not having income under PGBP.
- **Due date of payment of Advance Tax**

Due Date	Amount of Advance Tax to be paid
upto 15th June of P.Y.	upto 15% of Advance Tax Liability
upto 15th September of P.Y.	upto 45% of Advance Tax Liability
upto 15th December of P.Y.	upto 75% of Advance Tax Liability
upto 15th March of P.Y.	upto 100% of Advance Tax Liability

Note:

(i) If assessee opts for section 44AD/44ADA, then due date of payment of Advance Tax is 15th March of P.Y. [1 Installment].

(ii) Tax paid upto 31st March of P.Y. is treated as Advance Tax.

Interest u/s 234A/234B/234C

Section 234A: Interest for delay in Filing of ROI

Tax Payable on Self Assessment × Rate × Period

Tax Payable on TI as per ROI	XX
(-) TDS/TCS	(XX)
(-) Advance Tax Paid	(XX)
	XX

Rate: 1% p.m. or part of month

Period: From Next day after due date of ROI till Actual date of filing of ROI

Section 234B: Interest for Short Payment of Advance Tax

Advance Tax Short Paid × Rate × Period

Actual Advance Tax Liability*	XX
(-) Advance Tax Paid	(XX)
	XX

*Actual Advance Tax Liability

Tax Payable on TI as per ROI	XX
(-) TDS/TCS	(XX)
	XX

Rate: 1% p.m. or part of month

Period: From 1st April of A.Y. till Actual date of Payment

Note:

Section 234B is not applicable if advance tax paid by assessee is 90% or more of actual advance tax liability.

Section 234C: Interest for Deferment of Advance Tax Installments

Ist	[15% of Actual Advance Tax Liability — Advance Tax Paid upto 15th June]	x	3%
IInd	[45% of Actual Advance Tax Liability — Advance Tax Paid upto 15th September]	x	3%
IIIrd	[75% of Actual Advance Tax Liability — Advance Tax Paid upto 15th December]	x	3%
IVth	[100% of Actual Advance Tax Liability — Advance Tax Paid upto 15th March]	x	1%
			XX

Note:

(i) In case of Ist & IInd Installment, no interest if assessee paid upto 12% in Ist and 36% in IInd Installment.

(ii) If assessee opts for Section 44AD/44ADA, then interest u/s 234C will be:
[100% of Actual Advance Tax Liability - Advance Tax Paid upto 15th March] x 1%

(iii) Non-Applicability of Interest u/s 234C on:

- Capital Gains
- Casual Income
- First Time PGBP Income
- Dividend Income u/s 2(22)(a)/(b)/(c)/(d)

RETURN FILING AND SELF ASSESSMENT



Filing of Return of Income [ROI] [Section 139(1)]

Following persons are compulsory required to file ROI:

(1) Company, Partnership Firm (including LLP)

(2) Other Assessee: If GTI [before claiming exemption under any section of series 54] exceeds basic exemption limit

(3) Resident Individual (ROR)

- Beneficial owner of any asset (including financial interest) located outside India
- Has signing authority in any bank account outside India

Beneficiary of any asset (including financial interest) located outside India

[Note: if beneficial owner already includes income from such asset in his ROI, then beneficiary shall not require to file ROI]

(4) Person

(i) Deposited aggregate more than ₹ 1 cr. in current A/c's of bank/co-operative bank.

(ii) Incurred foreign travel expenditure of more than ₹ 2 lacs for himself/any other person.

(iii) Incurred electricity expenditure of more than ₹ 1 lac.

(iv) Total sales/turnover in business more than ₹ 60 lacs.

(v) Total gross receipts in profession more than ₹ 10 lacs.

(vi) Aggregate TDS/TCS is ₹ 25,000 or more [₹ 50,000 or more if resident senior citizen].

(vii) Deposited aggregate ₹ 50 lacs or more in saving bank A/c's.

Due date of filing of ROI

Assessee who is required to furnish transfer pricing report u/s 92E	• Company • Audit requirement under income tax act or any law • Partner of firm whose accounts are to be audited	Others
30th Nov of A.Y.	31st Oct of A.Y.	31st July of A.Y.

Fees for Default in Filing ROI [Section 234F]

- If any person who is required to file ROI, fails to do so within time given u/s 139(1), Fees = ₹ 5,000.
- If Total Income of person is upto ₹ 5 lacs, then fees shall not exceed ₹ 1,000.

Loss Return [Section 139(3)]

ROI is required to be filed upto due date given u/s 139(1) to carry forward following losses of current year
- Any Business loss
- Capital loss
- Loss from activity of owning & maintaining race horses

Note: House property loss & unabsorbed depreciation can be carry forward even if ROI is filed after due date.

Belated Return [Section 139(4)]

- If ROI is not filed upto due date, assessee has the option to file belated return.
- Time limit of filing belated return → 3 months prior to end of relevant A.Y. [31st December of A.Y.] or Before completion of assessment → Earlier

Revised Return [Section 139(5)]

- If there is any omission or wrong statement in ROI filed u/s 139(1), 139(3) or 139(4), assessee has the option to file revised return.
- Time limit of filing revised return → 3 months prior to end of relevant A.Y. [31st December of A.Y.] or Before completion of assessment → Earlier

Note: Assessee can revise ROI any number of times.

Defective Return [Section 139(9)]

- Return can be considered defective if:
  - ROI not filed in prescribed form.
  - Proof of tax payment not attached with ROI.
  - Report u/s 44AB not submitted.
- AO shall intimate defect to assessee and give opportunity to rectify the defect within 15 days or extended time.
- If assessee does not rectify the defect, then ROI shall be treated as invalid [void ab initio].

Self-Assessment [Section 140A]

- Assessee is required to pay due tax before filing of ROI along with interest and fees.

- If there is short payment, then amount paid is first adjusted towards fees, then interest and balance towards tax.

Updated Return of Income [Section 139(8A)]

- **Furnishing of Updated Return**
  - Any person may furnish updated return at any time within 48 months from end of relevant A.Y.
  - It can be submitted by any person whether or not he has furnished ROI u/s 139(1)/(4)/(5).
- **In following cases, Updated Return cannot be submitted:**
  - (i) If updated return is a return of loss.
  - (ii) If updated return results in refund, decreasing tax or increasing refund for relevant A.Y.
  - (iii) If updated return is already furnished for relevant A.Y.
  - (iv) Any proceeding is initiated, pending or completed for relevant A.Y.
- **Tax on Updated Return [Section 140B]**

Calculation of Tax on Updated Return

If assessee has not furnished ROI earlier

Total tax on income as per updated ROI	XX
(+) Interest [234A/B/C]	XX
	XX
(-) TDS/TCS/Advance tax	(XX)
Tax + Interest Payable	XX

If assessee has furnished ROI earlier

Total tax on income as per updated ROI	XX
(+) Interest [234A/B/C]	XX
	XX
(-) Tax & Interest paid in earlier return	(XX)
(-) TDS/TCS/Advance Tax	(XX)
Tax + Interest Payable	XX

Additional Tax on Updated Return

If updated return is furnished after expiry of time u/s 139(4)/(5) but before completion of 12 months from end of relevant A.Y.	25% of amount [tax + interest] payable as per updated return
If updated return is furnished after expiry of 12 months but before completion of 24 months from end of relevant A.Y.	50% of amount [tax + interest] payable as per updated return
If updated return is furnished after expiry of 24 months but before completion of 36 months from end of relevant A.Y.	60% of amount [tax + interest] payable as per updated return
If updated return is furnished after expiry of 36 months but before completion of 48 months from end of relevant A.Y.	70% of amount [tax + interest] payable as per updated return

Permanent Account Number [PAN] [Section 139A]

- **Following persons are required to apply for allotment of PAN**
  - (i) Every person who is assessable to tax [required to file ROI]
  - (ii) Every person carrying on business & profession and whose total turnover/gross receipts exceeds/likely to exceed ₹ 5 lacs in any P.Y.
  - (iii) Resident person (other than individual) who enters into financial transactions of aggregate ₹ 2,50,000 or more and director/partner/principal officer of such person

  Note: Assessing Officer may also allot PAN to any person, whether tax is payable by him or not.
- **Quoting of PAN is Mandatory**
  - In all returns.
  - In all challans for payment of tax.
  - In all documents relating to specified transactions.
- **Specified Transactions**
  - (i) Sale/purchase of motor vehicle other than two wheeler.
  - (ii) Opening a current account or cash credit account with bank/co-operative bank/post office.
  - (iii) Application for issue of credit/debit card.
  - (iv) Opening a demat account.
  - (v) Payment to hotel or restaurant in cash exceeding ₹ 50,000.
  - (vi) Payment for foreign travel or purchase of foreign currency in cash exceeding ₹ 50,000.
  - (vii) Payment to mutual fund for purchase of units exceeding ₹ 50,000.
  - (viii) Payment to company/institution/RBI for acquiring debentures or bonds exceeding ₹ 50,000.
  - (ix) Cash deposit with bank/co-operative bank/post office exceeding ₹ 50,000 in a day.
  - (x) Purchase of bank drafts from bank/co-operative bank in cash exceeding ₹ 50,000 in a day.
  - (xi) Payment of life insurance premium exceeding ₹ 50,000 in F.Y.
  - (xii) Sale or purchase of unlisted shares exceeding ₹ 1 lac per transaction.
  - (xiii) Sale or purchase of any immovable property exceeding ₹ 10 lacs.
  - (xiv) Sale or purchase of any goods/services exceeding ₹ 2 lacs per transaction.
  - (xv) Time deposit with bank/co-operative bank/post office/Nidhi company/NBFC exceeding ₹ 50,000 or aggregate more than ₹ 5,00,000 in F.Y.
  - (xvi) Aggregate cash deposit of ₹ 20 lacs or more in a F.Y.
  - (xvii) Aggregate cash withdrawal of ₹ 20 lacs or more in a F.Y.
- **Penalty for failure to comply with provisions of section 139A**

Fails to quote PAN or quoting false PAN as per Section 139A	₹ 10,000 for each such default
Fails to intimate PAN to person deducting/collecting TDS/TCS	₹ 10,000 for each such default

Aadhaar Number [Section 139AA]

- Every person is required to quote Aadhaar number in application form for PAN allotment & in ROI.
- Every person shall link Aadhaar number with PAN. If person fails to link Aadhaar number with PAN, PAN of such person would become inoperative.
- Every person who is required to furnish/intimate/quote his PAN, may furnish/intimate/quote his Aadhaar number in place of PAN if he has linked/intimated his Aadhaar number to IT Authority.
- **Provision of section 139AA shall not apply to following persons:**
  - Residing in Assam, Jammu & Kashmir and Meghalaya
  - Non resident
  - Age of 80 years or more at any time during P.Y.
  - Not a citizen of India

Tax Return Preparer [Section 139B]

- Specified class of person can file their ROI through TRP.
- Specified class of person means any person other than → Company; Audit requirement under any law
- TRP means an individual who is authorised to act as TRP by CBDT other than following:
  - Chartered Accountant
  - Legal practitioner
  - Officer of scheduled bank
  - Employee of specified class of persons

Verification of Return [Section 140]

ROI is to be verified in all cases by following:

	In case of	Verified by
1.	**Individual**	Himself
	If individual not present in India or mentally incapacitated	Person competent to verify on his behalf
2.	**HUF**	Karta
	If karta not present in India or mentally incapacitated	Any adult member of HUF (male or female)
3.	**Partnership Firm**	Managing partner
	If no managing partner or he is not able to verify due to unavoidable reason	Any adult partner

4.	**LLP**	Designated partner
	If no designated partner or he is not able to verify due to unavoidable reason	Any partner
5.	**Company**	Managing director
	If no managing director or he is not able to verify due to unavoidable reason	Any other director
	Company under liquidation	Liquidator
	If corporate insolvency resolution process application admitted	Insolvency professional
6.	**Political Party**	CEO
7.	**Local Authority**	Principal officer
8.	**Any other person**	Person competent to verify

COMPUTATION OF TOTAL INCOME AND TAX LIABILITY



Steps for Calculation of Total Income of Individual

	₹	₹
▪ Determine Residential Status (Resident or Non-Resident) Resident: Global (Indian + Foreign) Income is Taxable Non-Resident: Only Indian Income is Taxable		
▪ Determine Income under each head:		
➢ Income from Salary	XX	
➢ Income from House Property	XX	
➢ Income from Business & Profession	XX	
➢ Income from Capital Gains	XX	
➢ Income from Other Source	XX	
▪ Clubbing of Income		
▪ Setoff & Carry Forward of Loss		
Gross Total Income (GTI)	XX	
(-) Deduction under Chapter VI-A	(XX)	
Total Income/Taxable Income (TI)	**XX**	
Tax on Total Income		
General Rate Income x 115BAC SLAB or Finance Act SLAB		XX
Special Rate Income x Special Tax Rates [Compulsory]		XX
Tax		XX
(+) Surcharge (if any) [If Total Income exceed limit]		XX
(+) Cess (Compulsory) [4% of Tax & SC]		XX
Total Tax Liability/Total Tax Payable		**XX**
(-) TDS/TCS/Advance Tax		(XX)
Net Tax Payable/(Refundable)		**XX**

115BAC SLAB [New Tax Regime] v/s Finance Act SLAB [Old Tax Regime]

115BAC SLAB [New Tax Regime]	Finance Act SLAB [Old Tax Regime]
Default Tax Regime/Concessional Tax Regime	Optional Tax Regime/Regular Provisions/Normal Provisions/General Slab
Salary Standard Deduction = ₹ 75,000	Salary Standard Deduction = ₹ 50,000

Following Benefits will NOT be available: Salary Allowance Exemption [Except Travelling/Daily/ Conveyance/Transport] Leave Travel Concession Exemption ₹ 50 per meal Exemption Professional Tax and Entertainment Allowance HP Interest Deduction on Self Occupied HP PGBP Additional Depreciation Section 35 Research [Outside Contribution] Section 35AD Specified Business Section 10AA SEZ Clubbing 10(32) Clubbing Exemption Setoff HP Loss setoff from other head	All Eligible
Eligible Chapter VI-A Deductions: 80CCD(2): Employer Contribution to NPS 80CCH(2): CG Contribution to Agnipath Scheme 80JJAA: Employment of New Employees	All Eligible
Only Single Slab for All Individuals	3 Slabs depending upon age of Assessee
Basic Exemption Limit: ₹ 4 lacs	Basic Exemption Limit: ₹ 2.5 lacs/3 lacs/5 lacs
87A Rebate: If Total Income is upto ₹ 12 lacs Maximum Rebate Amount = ₹ 60,000	87A Rebate: If Total Income is upto ₹ 5 lacs Maximum Rebate Amount = ₹ 12,500
Surcharge Rate: upto 25%	Surcharge Rate: upto 37%
Cess: 4%	Cess: 4%

Special Tax Rates [Compulsory]

Special Tax Rates [Compulsory] for Special Incomes in Both Regimes	
Sections	**Covered in**
Sec 111A: STCG on Certain Assets = 20%	Capital Gains
Sec 112A: LTCG on Certain Assets = upto ₹ 1.25 lacs exempt, excess Taxable = 12.5%	
Sec 112: LTCG on Other Assets = 12.5%	

Sec 115BB: Winnings from Lotteries etc. = 30%	Other Source
Sec 115BBJ: Winnings from Online Games = 30%	
Sec 115BBE: Undisclosed Income [Indian Black Money] = 60%	

Certain Incomes which are Fully Exempt & will not be Included for Computing Total Income [Section 10]

- Agricultural Income in India
- Amount received by member from Income of HUF
- Share Income received by partner from Firm/LLP
- Compensation received from government/local authority by individual/legal heirs on Disaster
- Interest on Public Provident Fund [PPF]
- Interest on Non Resident External [NRE] A/c from any Bank in India [If individual is Non Resident as per FEMA, or he is permitted by RBI to maintain such A/c]

Alternate Minimum Tax [AMT] [Section 115JC] [Only for Old Regime]

(1) AMT Basics

- AMT is applicable to All Assessee except Company.
- Income Tax Payable by Any Assessee (except Company):

  Total Tax Payable as per Normal Provisions of Income Tax Act
  or
  18.5% of Adjusted Total Income [Plus Surcharge [if any] & Cess]

  → Higher

(2) Calculation of Adjusted Total Income:

Total Income as per Normal Provisions of Income Tax Act	XX
Add	
Deduction u/s 10AA [SEZ]	XX
Deduction u/s 35AD [Specified Business Capital Expenditure]	XX
Deduction u/s 80IA to 80RRB [Heading C Deductions: 80JJAA/80QQB/80RRB]	XX
Less	
Depreciation u/s 32 on Specified Business Capital Asset [35AD Asset]	(XX)
Adjusted Total Income	XX

(3) Non Applicability of AMT in following cases:

(i) If assessee does not claim deduction u/s 10AA, 35AD, 80IA to 80RRB.

(ii) If ATI is upto ₹ 20 lacs in case of Individual/HUF/AOP/BOI/AJP.

(iii) If assessee has exercised the option u/s 115BAC.

(4) AMT Credit [Section 115JD]

- If AMT > Normal Income Tax, then excess shall be treated as AMT Credit.
- AMT Credit can be set-off and c/f for 15 years.
- AMT Credit can be set-off in the year in which Normal Tax is more than AMT upto the extent of difference between Normal Tax and AMT in that year.

Example

Previous Year	Normal Tax	AMT	Tax Payable	AMT Credit Balance	AMT Credit Set-off	Net Tax Payable
23-24	80,000	1,00,000	1,00,000	20,000	-	1,00,000
24-25	70,000	1,10,000	1,10,000	60,000 [20,000 + 40,000]	-	1,10,000
25-26	1,50,000	1,20,000	1,50,000	30,000 [60,000 - 30,000]	30,000	1,20,000

Total Income and Tax Liability Questions of Individual [115BAC or Old Regime]

Regime to be Followed

Opt Section 115BAC/ Nothing Mentioned	Opt Out or Shift Out from 115BAC	Most Beneficial Manner/ Optimum Tax Liability/ Maximum Tax Saving
Calculate Total Income and Tax as per Section 115BAC. AMT Not Applicable.	Calculate Total Income and Tax as per Old Regime. Also Calculate AMT, if applicable i.e. if assessee is claiming deduction u/s 10AA, 35AD, 80IA to 80RRB.	Step 1: Calculate Total Income and Tax as per Section 115BAC. Step 2: Calculate Total Income and Tax as per Old Regime. Also Calculate AMT, if applicable. Step 3: Final Tax Liability = Lower of Tax as per Step 1 or 2

Calculation of Total Income as per Old Regime (if Total Income as per Section 115BAC is already computed)	
Gross Total Income as per Section 115BAC	**XX**
ADD: (if any)	XX

Excess Salary Standard Deduction of ₹ 25,000 (₹ 75,000 – ₹ 50,000) Section 35AD Specified Business Capital Asset Depreciation	
LESS: (if any) Salary Allowances Exemption [Which are not allowed in 115BAC] Leave Travel Concession Exemption ₹ 50 per meal Exemption Salary Deduction [Professional Tax and Entertainment Allowance] Interest Deduction on Self Occupied House Property Additional Depreciation Section 35 Scientific Research [Outside Contribution] Section 35AD Specified Business Capital Asset 100% Deduction Section 10AA SEZ Deduction Exemption u/s 10(32) of maximum ₹ 1500 p.a. per child [Clubbing Exemption]	(XX)
Gross Total Income as per Old Regime	**XX**
LESS: Deduction under Chapter VI-A [All available under Old Regime]	XX
Total Income as per Old Regime	**XX**

Gross up of Income

(1) If 'Income' word / 'Gross' word / 'Earned' word given [Example: Dividend Income, Lottery Income, Dividend Received (Gross), Interest Received (Gross), Interest earned, Dividend from, etc]	→	**No Grossing**
(2) If only 'Received' word given [Example: Dividend Received, Interest Received, etc.]	→	**No Grossing**
(3) If 'Received (net of TDS)' word / 'Received after TDS' word given [Example: Dividend Received (net of TDS), Interest Received after TDS, etc.]	→	**Grossing will be done** **Income = (Amt. Received + TDS)**

If Calculation of Tax Payable is required in Question and Grossing done as per Point (3) above, then deduct TDS amount from Total Tax Liability/Total Tax Payable.

Total Tax Liability/Total Tax Payable	XX
(-) TDS	(XX)
Net Tax Payable	XX

Salary and House Property Common Doubts

(1) Salary Standard Deduction	→	▪ Old Regime = ₹ 50,000 ▪ New Regime (115BAC) = ₹ 75,000
(2) House Property Deduction [Muncipal Tax paid by owner 30% Standard Deduction Intereset on Letout]	→	Allowed in Both Regimes
[Interest on Self-occupied of ₹ 30,000/₹ 2 lacs]	→	Allowed only in Old Regime
(3) In Case of Salary and House Property Income From Salary/HP or Income from Salary/HP [Computed]	→	No Deduction [Final Income]
Basic Salary/Gross Salary/Pension/ Rent/Rental Income/Gross Rent	→	Income from Salary/HP is to be calculated after giving exemptions/deductions
(4) House Property Loss Setoff from Other Head	→	▪ In 115BAC = Not Allowed ▪ In Old Regime = upto ₹ 2 lacs

Rounding Off [Section 288A & 288B]

Total Income
And
Tax Payable
→ Rounded off to nearest ₹ 10

Example

Total Income = ₹ 10,80,514 → ₹ 10,80,510
= ₹ 10,80,515 → ₹ 10,80,520
Tax Payable = ₹ 7,186 → ₹ 7,190