

For Dec 2025

PCA 

# DIRECT TAX

# Chart Book

## Features of this Book:

- 📌 Well-structured with topic-wise categorization
- 📌 Color-coded sections for quick identification
- 📌 **Amendments** given in **Red** Color.
- 📌 Ideal for students of CA & CMA Inter, CS Executive & commerce exams.
- 📌 Use of Tables, Charts & Diagrams for better understanding

 **COVERS ENTIRE SYLLABUS IN**

**66**  **PAGES**



**CA PRANAV CHANDAK**



## Course Details

4 Months

**Rs. 2,999** **Direct Tax**

4 Months

**Rs. 2,999** **Indirect Tax**

4 Months

**Rs. 4,999** **Taxation** [DT + IIT]

**TO ENROLL**  **8888111034**

Visit our Website  [www.pranavchandak.com](http://www.pranavchandak.com)

Download 'PCA Digital' App  
from Playstore/Appstore

# TABLE OF CONTENTS - DT CHART BOOK

01	Basic Concepts of Income Tax	1 - 3
02	Residential Status	4 - 5
03	Income from Salary	6 - 12
04	Income from House Property	12 - 14
05	Profits & Gains of Business & Profession	15 - 24
06	Capital Gains	25 - 34
07	Income from Other Sources	35 - 37
08	Clubbing of Income	38
09	Set off & Carry Forward of Losses	39
10	Deductions from GTI	40 - 44
11	Exempt Incomes & Agricultural Income	45 - 47
12	TDS & TCS	48 - 55
13	Advance Tax & Interest u/s 234	56
14	Return of Income & Assessment	57 - 63
15	AMT, Default Tax Regime u/s 115BAC & Total Computation	64 - 65
16	Miscellaneous Provisions	66



**SCAN FOR FREE REVISION LECTURES  
BY CA PRANAV CHANDAK**





DEFAULT TAX RATES - Individual/HUF/AOP/BOI/AJP [Section 115BAC]							OPTIONAL RATES - Individual/HUF/AOP/BOI/AJP [FINANCE ACT]				
Income	Upto 3 Lacs	3L - 7L	7L - 10L	10L - 12L	12L - 15L	> 15 Lacs	Income	Upto 2.5 Lacs	2.5L - 5L	5L - 10L	> 10L
Rates	Nil	5%	10%	15%	20%	30%	Rates	Nil [BEL]	5%	20%	30%
<ul style="list-style-type: none"> <li>◆ No Special BEL for Resident Senior Citizen &amp; Resident Super Senior Citizen.</li> <li>◆ No AMT payable under New Tax Regime. <b>More Details in Total Computation Chapter.</b></li> </ul>							<ul style="list-style-type: none"> <li>◆ For Resident Senior Citizen (Age: 60 years - 80 years) → BEL = 3 Lacs.</li> <li>◆ For Resident Super Senior Citizen (Age: 80 years or more) → BEL = 5 Lacs.</li> </ul>				
<b>Note:</b> Special Incomes will always be taxable at special rates. Slab rate is not applicable on special incomes under both the schemes.											

RATE OF SURCHARGE - OLD SCHEME [SC is levied as % of Income Tax]						RATE OF SURCHARGE - OLD SCHEME [If Share Market Income is earned]		
Individual/HUF/AOP/BOI/AJP (If No Share Market Income)						If there is "Share Market Income" [Dividend, STCG u/s 111A, LTCG u/s 112A & 112]		
Income	≤ 50 L	50L - 1Cr	1 Cr - 2 Cr	2 Cr - 5 Cr	> 5 Cr	<ul style="list-style-type: none"> <li>◆ Surcharge Rate of 25% &amp; 37% → NA on 'Share Market Income.'</li> </ul>		
Surcharge	Nil	10%	15%	25%	37%	(a)	TI ≤ Rs. 50 Lacs	No Surcharge
RATE OF SURCHARGE - NEW SCHEME [SC is levied as % of Income Tax]						(b)	TI > Rs. 50 Lacs but ≤ Rs. 1 Cr	Rate of Surcharge = 10% of Income Tax
Individual/HUF/AOP/BOI/AJP (If No Share Market Income)						(c)	TI > Rs. 1 Cr. but ≤ Rs. 2 Cr	Rate of Surcharge = 15% of Income Tax
Income	≤ 50 L	50L - 1Cr	1 Cr - 2 Cr	> 2 Cr	No 37% SC rate u/s 115BAC	(d)	TI > 2 Cr [Locha hai]	
Surcharge	Nil	10%	15%	25%			Share Market Income	Rate of Surcharge = 15% of Income Tax
Surcharge for other Assessee ↓			TI > 1 Cr but ≤ 10 Cr		TI > 10 Cr		Other Incomes -	
1. Firms/LLP/LA			12%		12%		≤ Rs. 2 Cr.	Rate of Surcharge = 15% of Income Tax
2. Domestic Company & Co-op Society			7%		12%		> 2 Cr. but ≤ Rs. 5 Cr.	Rate of Surcharge = 25% of Income Tax
3. Foreign Companies			2%		5%		> 5 Cr	Rate of Surcharge = 37% of Income Tax
Health & Education Cess = 4% of Tax + SC - Rebate u/s 87A. [Always Levied @ Last]						<b>Note:</b> No SC @ 37% is levied in default (new) tax regime. So, if income > 2 Cr, SC will be levied @ 25% in default (new) scheme.		

Firms/LLP/LA → Whole Income is taxable @ Flat 30% without any BEL.					MARGINAL RELIEF: If SC is levied, Marginal relief is available to ALL	
Co-operative Societies	Income	Upto 10,000	₹ 10,001 - ₹ 20,000	> 20,000	1. Calculate Tax (including surcharge) on Total Income of the assessee.	
	Tax Rate	10%	20%	30%	2. Tax payable on Rs. 50 L/1 Cr/2 Cr/5 Cr. as the case may be. [Depends on levy of SC]	
Company	Domestic Company		TO in PY 22-23 ≤ 400 Cr	25%	3. Calculate "Extra Tax Payable" because of Income above 50 Lacs/1 Cr/2 Cr/5 Cr	
			In other case	30%	4. Marginal Relief = Extra Tax Payable - Income above Rs. 50 Lacs/ 1 Cr/2 Cr/5 Cr.	
	Foreign Company			35%	PC Note: If Extra Tax > Extra Income, Marginal Relief = Extra Tax - Extra Income.	

Rebate u/s 87A [OLD Regime]		Rebate u/s 87A [New Regime]	
<b>Assessee</b>	Resident Individual whose Total Income ≤ Rs. 5 Lacs	<b>Assessee</b>	Resident Individual whose <b>Total Income ≤ Rs. 7 Lacs</b>
<b>Rebate</b>	Lower of (i) Income Tax payable <b>OR</b> (ii) <b>Rs. 12,500</b>	<b>Rebate</b>	Lower of (i) Income Tax payable <b>OR</b> (ii) <b>Rs. 25,000</b>
☞ Rebate u/s 87A shall be before adding 4% of HEC.		<b>If TI &gt; Rs. 7 Lacs (thoda sa), then rebate shall be [Same as Marginal Relief]</b>	
☞ Rebate u/s 87A is not available in respect of tax payable on LTCG u/s 112A.		(1) Compute Tax on TI (2) Compute Extra Income (i.e Income over Rs. 7 Lacs)	
☞ <b>FMM:</b> Rebate u/s 87A is available from Casual Incomes.		<b>PC Note: If Tax on TI &gt; Extra Income, Rebate = Tax on TI - Extra Income.</b>	

COMPONENTS OF INCOME TAX LAWS	DEFINITION OF PERSON							
1 <b>Income Tax Act, 1961</b>	<b>1. Individual:</b> A Natural Human Being (Male/Female/Minor/Unsound Mind). <b>2. HUF:</b> Status in HUF is received <b>by birth</b> & not by operation of law. <ul style="list-style-type: none"> <li>▪ Right to Partition - Only Co-parceners.</li> <li>▪ Members: All males lineally descended from common ancestor including their wives &amp; unmarried daughters. [Note: Single male member can have HUF].</li> <li>▪ <b>All Co-parceners are Members but all members need not be co-parceners.</b></li> <li>▪ Coparceners → HUF may contain many members, but only members within 4 degrees including KARTA are called co-parceners (including daughters).  <b>PC Note:</b> wife/daughter-in-law cannot be co-parceners; but they can be members.</li> </ul> <b>3. Company:</b> <ul style="list-style-type: none"> <li>▪ Any Indian Company defined in section 2(26);</li> <li>▪ Any Body Corporate incorporated under the foreign laws [Foreign company];</li> <li>▪ Association, Institution or <b>Body</b> declared by CBDT to be a company. <b>[AIB]</b></li> </ul> <b>4. Firm (Reg/unregistered) (including LLP):</b> Same Tax Treatment ( <b>Except 44AD</b> ) <b>5. AOP/BOI</b> <b>6. Local Authority</b> <b>7. Every Other AJP</b> (not in above categories)							
<ul style="list-style-type: none"> <li>▪ <b>Proviso:</b> It gives <b>exceptions</b> to the provision contained in respective section.</li> <li>▪ <b>Explanation:</b> It gives <b>clarification</b> to the provision contained in that section.</li> </ul>								
2 Annual Finance Act								
3 Income Tax Rules								
4 <b>Notifications:</b> Binding on everyone. [Assessee + Income Tax department]								
5 <b>Circulars:</b> Binding on department but not on assessee (but can take benefits).								
6 Case Laws (Judicial Decisions)								
Assessee: It includes –								
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #e6e6ff;"><b>Tax Payable</b></td> <td style="background-color: #e6e6ff;">Every Person by whom any <b>tax</b> or <b>any other sum</b> of money <b>is payable</b> under this Act (with/without any proceeding).</td> </tr> <tr> <td style="background-color: #e6e6ff;"><b>Proceeding started</b></td> <td style="background-color: #e6e6ff;">Any Person against whom any <b>proceeding</b> has started (whether or not any tax, interest or penalty is payable by him).</td> </tr> <tr> <td style="background-color: #e6e6ff;"><b>Deemed</b></td> <td style="background-color: #e6e6ff;">A person assessable for income of some other persons.</td> </tr> <tr> <td style="background-color: #e6e6ff;"><b>Assessee in default</b></td> <td style="background-color: #e6e6ff;">Person who does not (i) deduct tax or (ii) after deducting tax, fails to pay tax deducted to government or (iii) pay advance tax.</td> </tr> </table>	<b>Tax Payable</b>	Every Person by whom any <b>tax</b> or <b>any other sum</b> of money <b>is payable</b> under this Act (with/without any proceeding).	<b>Proceeding started</b>	Any Person against whom any <b>proceeding</b> has started (whether or not any tax, interest or penalty is payable by him).	<b>Deemed</b>	A person assessable for income of some other persons.	<b>Assessee in default</b>	Person who does not (i) deduct tax or (ii) after deducting tax, fails to pay tax deducted to government or (iii) pay advance tax.
<b>Tax Payable</b>	Every Person by whom any <b>tax</b> or <b>any other sum</b> of money <b>is payable</b> under this Act (with/without any proceeding).							
<b>Proceeding started</b>	Any Person against whom any <b>proceeding</b> has started (whether or not any tax, interest or penalty is payable by him).							
<b>Deemed</b>	A person assessable for income of some other persons.							
<b>Assessee in default</b>	Person who does not (i) deduct tax or (ii) after deducting tax, fails to pay tax deducted to government or (iii) pay advance tax.							

Application of Income	Diversion of Income
<ul style="list-style-type: none"> <li>▪ If assessee applies (uses) his income to discharge his obligation, after the income reaches assessee, it is application of income</li> <li>▪ Such Income is <b>taxable to</b> assessee.</li> </ul>	<ul style="list-style-type: none"> <li>▪ If there is <b>overriding charge on source</b> of such income which <b>diverts</b> the income before it reaches assessee, it is diversion of Income.</li> <li>▪ <b>Such Income cannot be treated as income &amp; thus Not Taxable.</b></li> </ul>

CONCEPT OF PREVIOUS YEAR & ASSESSMENT YEAR		First PY for Newly Set-up Business/Profession during FY [Section 3]
Previous Year	FY in which the income is earned.	→ From date of setting up of business & ending on last day of that FY (31 <sup>st</sup> March of PY).
Assessment Year	FY in which income is assessed to tax.	→ <b>PC Note:</b> 1 <sup>st</sup> PY of newly set-up business/profession will be ≤ 12 Months. It cannot exceed 12 Months.

CASES WHERE INCOME OF PY IS ASSESSED IN PY ITSELF	INCOME & ITS CONSTITUENTS [SECTION 2(24)]
1. Shipping business of Non-Residents [Sec 172]	Illegal/tainted income → Illegal Income is also taxed.
2. Person Leaving India [Sec 174]	Disputed Income → Taxable to <b>recipient</b> till the dispute is settled.
3. AOP/BOI/AJP formed for a particular event/purpose [Sec 174A]	Contingent Income → <b>not an income &amp; thus not taxed.</b>
4. Persons likely to transfer property to avoid tax [Sec 175]	Pin Money → <b>Income</b> ☒; Any property acquired using such money → <b>CA.</b>
5. Discontinued Business [Sec 176]	Income must come from Outside: A person cannot earn income from himself.
<b>PC Note:</b> Sec. 176 is a Discretionary power. AO may choose to assess income in AY.	

PREVIOUS YEAR FOR UNDISCLOSED SOURCES OF INCOME	RELEVANCE OF METHOD OF A/CING FOLLOWED BY ASSESSEE	
1. Cash Credits [Section 68]	(i) Salary; (ii) HP; (iii) CG	Method of Accounting is <b>irrelevant.</b>
2. Unexplained Investments [Section 69]	(i) PGBP; (ii) IFOS	Method of Accounting is <b>relevant.</b>
3. Unexplained Money/Bullion/Jewellery [Section 69A]	<b>Space for PC Class Note:</b>	
4. Amount of Investments not fully disclosed in books [Section 69B]		
5. Unexplained Expenditure [Section 69C]		
6. Amount borrowed or repaid on Hundi [Section 69D]		
<b>PC Note:</b> But if any amount <b>borrowed</b> on hundi has been taxed as income of the person, he will not be taxed again on repayment of such amount.		
<b>Rate of Tax u/s 68 &amp; 69 [Sec 115BBE] = 60% + SC @ 25% + HEC @ 4% = 78%.</b>		
<b>PC Note:</b> Neither BEL nor set off of any loss shall be allowable against such income.		
<b>CAPITAL RECEIPT VS REVENUE RECEIPT</b>		
<b>Capital Receipts</b>	Not Taxable unless expressly provided.	
<b>Revenue Receipts</b>	Always Taxable unless expressly exempt.	
<b>Space for PC Class Note:</b>		

<b>Average Rate of Tax</b> = $\frac{\text{Tax on Total Income}}{\text{Total Income}}$	<b>MMR</b> → Highest Slab Rate of Tax (including SC) applicable to <b>Individual.</b> For PY 24-25, MMR = 42.744%
---	---

**Person having SUBSTANTIAL INTEREST in the company** → Any beneficial owner of shares carrying at least 20% of voting power or share in the profit.

INDIVIDUAL		HINDU UNDIVIDED FAMILY	
<b>Basic Conditions</b> [Any 1 Basic Condition is satisfied → Resident]		If Control & Management of HUF is situated <b>wholly/partly</b> in India	<b>Resident</b>
(a)	Total stay in India during PY ≥ 182 days;	If Control & Management of HUF is situated <b>wholly outside</b> India	<b>NR</b>
(b)	(i) Total stay in India during PY ≥ 60 days & (ii) Total stay in India during last 4 PYs ≥ 365 days.	<b>PC Note:</b> C&M is situated at a place where the head & brain is situated.	
<b>Exceptions to 2<sup>nd</sup> Basic Condition: [Residents only if he satisfy 1<sup>st</sup> Basic Condition]</b>		<b>Status of ROR/RNOR for HUF</b> [Check Additional Conditions on Karta]	
(i)	Indian Citizens who leave India during PY as a member of crew of Indian ship	▪ If KARTA satisfy <b>Both</b> Additional Conditions → HUF is ROR &	
(ii)	Indian Citizens who leave India for employment outside India	▪ If KARTA satisfy <b>One/Zero</b> Additional Conditions → HUF is RNOR.	
(iii)	Indian Citizen or Person of Indian Origin who comes on visit to India in PY.	<b>COMPANY</b> - A Company shall be Resident in India if:	
<b>Amendment Inserted by FA, 2020</b>		▪ It is an Indian company ( <b>PC Note:</b> Indian Company is always Resident in India)	
<b>Indian Citizen or Person of Indian Origin</b> having taxable income > <b>Rs. 15 lacs</b> during PY (other than income from foreign sources) will be treated as resident in India if – - Period of his stay in India during relevant PY ≥ 182 days <b>OR</b> - Stay in India <b>(i)</b> during Last 4 PYs for ≥ 365 days & <b>(ii)</b> for ≥ 120 days in PY.		▪ POEM of the company is in India in that PY.	
<b>Meaning of 'Income from Foreign Sources'</b> → Income which accrues/arises outside India & which is not deemed to accrue or arise in India <b>except</b> (i) Income from a business controlled from India or (ii) Profession set up in India.		<b>POEM:</b> A Place where key management & commercial decisions necessary for the conduct of the business of an entity as a whole are substantially made.	
<b>Deemed Resident [Section 6(1A)]</b> [Inserted by FA, 2020]		<b>FIRMS/AOP/LA/AJP</b>	
▪ Individual (being an Indian citizen) having <b>taxable income &gt; Rs. 15 lacs</b> during PY (other than income from foreign sources) &		If Control & Management of HUF is situated <b>wholly/partly</b> in India	<b>Resident</b>
▪ he is <b>not liable to pay tax in any other country</b> by reason of his domicile or residence or any other criteria, he shall be <u>deemed to be resident</u> in India in that PY.		If Control & Management of HUF is situated <b>wholly outside</b> India	<b>NR</b>
⇒ Deemed Resident u/s 6(1A) are always considered as RNOR.		<b>Circular: NR Seafarer receiving Remuneration (salary) in NRE (Non-Resident External) A/c</b> maintained with Indian Bank for services rendered <b>outside India</b> on a foreign going ship (with Indian flag or foreign flag) → Not taxable in India. <b>[Read once]</b>	
<b>Additional Conditions</b> [Satisfy Both → ROR]		<b>Rule 126:</b> Individual who is Indian Citizen & Member of Crew of Foreign going ship	
(i)	Total stay in India in last 7 years ≥ 730 days &	Period of Stay in India shall <b>not</b> include the following period:	
(ii)	Resident in Any 2 PY out of last 10 PYs.	<b>Stay in India Not Include Period from</b>	<b>Ending on</b>
<b>Note: Indian citizen/Person of Indian Origin</b> who comes on a <b>visit to India</b> during PY & having <b>taxable income &gt; Rs. 15 lacs</b> during PY (other than income from foreign sources) & stay in India during PY is ≥ <b>120 days but &lt; 182 days</b> → <b>Always RNOR.</b>		<b>Date entered into CDC for joining ship</b>	<b>Date entered into CDC for signing off</b>
		<b>Important Note:</b>	
		▪ Continuous Stay in India → Not Necessary [Total Period to be considered].	
		▪ Date of Arrival & Departure → Considered in India for counting no. of days in India.	
		▪ Individual can be resident in more than 1 country, but citizen in only 1 Country.	
		▪ <b>Person of Indian Origin:</b> If the person or his parents or his grandparents were born in UNDIVIDED INDIA. Grandparents include both maternal & paternal grandparents.	

SCOPE OF TOTAL INCOME

Indian Income	1. Income Received/Deemed to be received in India OR 2. Income Accrued/Deemed to be accrued in India.	Income Indian	Resident Taxable	Non-Resident Taxable
Foreign Income	Income which is Neither Received nor Accrued in India.	Foreign	Taxable	Not Taxable
<b>** Following 2 Foreign Incomes are taxable to RNOR even if it accrues o/s India:</b>		Income	<b>Tax Treatment for INDIVIDUAL &amp; HUF</b>	
(i) Income from Business (o/s India) which is controlled wholly/partly from India.			ROR	RNOR
(ii) Income from profession set up in India.		Indian	Taxable	Taxable
<b>No other foreign Income (Salary, Rent, Interest etc.) is taxable in India to RNOR.</b>		Foreign	Taxable	** [Given on Left Side] Not Taxable

INCOMES DEEMED TO ACCRUE OR ARISE IN INDIA [SECTION 9]

<b>1</b>	<b>Income (of a NR) from Business Connection in India</b>	<b>2</b>	Income from Property or Asset situated in India → Always Taxable											
<p>Business connection includes <b>any business activity</b> carried out <b>through a person acting on behalf of NR</b>. Ex: Branch office, Agent, factory of NR in India.</p> <ul style="list-style-type: none"> <li>Person Acting on behalf of NR (Agent) must satisfy following conditions:                             <ul style="list-style-type: none"> <li>Agent of NR must have <b>authority to conclude contracts on behalf of NR</b>.</li> <li>he maintains stock of goods from which he regularly delivers goods in India</li> <li>Where he habitually secures orders in India for NR.</li> </ul> </li> <li>[2 NR → 1 Agent]: Business connection for other NR is established if:                             <ul style="list-style-type: none"> <li>→ 2<sup>nd</sup> NR controls 1<sup>st</sup> NR; → 1<sup>st</sup> NR controls 2<sup>nd</sup> NR; → 1 &amp; 2<sup>nd</sup> NR is controlled by 3<sup>rd</sup> NR.</li> </ul> </li> <li>No Business Connection → Independent Agent/or authority of agent is limited for purchase of goods in India.</li> </ul> <p><b>SIGNIFICANT ECONOMIC PRESENCE</b> of NR in India = Business connection in India</p> <p><b>Significant economic presence means-</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">(a) Transaction i.r.o. any goods, services or property carried out by NR with any person in India including provision of download of data or software in India</td> <td>Aggregate payments from such transaction(s) during PY should <b>exceed Rs. 2 crores</b>.</td> </tr> <tr> <td>(b) systematic &amp; continuous soliciting of business or engaging in interaction with users in India</td> <td>Number of users should be at least <b>3 lakhs</b>.</td> </tr> </table> <p>Further, above transactions or activities shall constitute SEP in India, whether or not,</p> <ol style="list-style-type: none"> <li>Agreement for such transactions or activities is entered in India;</li> <li>NR has a residence or place of business in India; or</li> <li>NR renders services in India.</li> </ol>		(a) Transaction i.r.o. any goods, services or property carried out by NR with any person in India including provision of download of data or software in India	Aggregate payments from such transaction(s) during PY should <b>exceed Rs. 2 crores</b> .	(b) systematic & continuous soliciting of business or engaging in interaction with users in India	Number of users should be at least <b>3 lakhs</b> .	<b>3</b>	Capital Gain from Capital Asset in India → Always Taxable to Everyone.							
		(a) Transaction i.r.o. any goods, services or property carried out by NR with any person in India including provision of download of data or software in India	Aggregate payments from such transaction(s) during PY should <b>exceed Rs. 2 crores</b> .											
		(b) systematic & continuous soliciting of business or engaging in interaction with users in India	Number of users should be at least <b>3 lakhs</b> .											
		<b>4</b>	Dividend paid by Indian company outside India → Always Taxable.											
		<b>5</b>	Money Paid by <b>Resident to NR/Foreign Company/RNOR</b> if Total Sum received by NR/FC in a FY > Rs. 50,000 (without consideration).											
		<b>6</b>	<b>Salary → Deemed to accrue at the place where services are rendered.</b> <ul style="list-style-type: none"> <li><b>Exception:</b> Salary payable by Govt. to Indian Citizen for services rendered outside India → Deemed to accrue in India &amp; thus taxable to everyone.</li> <li><b>But Allowances &amp; perquisites paid o/s India by Govt. → Exempt u/s 10(7).</b></li> </ul>											
		<b>7</b>	<b>Interest, Royalty, FTS → Deemed to accrue in India &amp; taxable to NR</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">SN</td> <td style="width: 40%;">Taxable if paid by ↓</td> <td style="width: 50%;"><b>Tax Treatment [BM = Borrowed Money]</b></td> </tr> <tr> <td>(a)</td> <td>Government → NR</td> <td>Always Taxable to NR if paid by GoI.</td> </tr> <tr> <td>(b)</td> <td>Resident → NR</td> <td> <ul style="list-style-type: none"> <li>Taxable if BM is used for Business in India.</li> <li><b>Not taxable if:</b> <ul style="list-style-type: none"> <li>(i) BM is used for business/profession o/s India</li> <li>(ii) Royalty/FTS are for business/profession o/s India.</li> </ul> </li> </ul> </td> </tr> <tr> <td>(c)</td> <td>NR → NR</td> <td> <ul style="list-style-type: none"> <li>Taxable if BM are used for business/profession in India.</li> <li><b>Not Taxable:</b> BM is used by NR for other than Business.</li> </ul> </td> </tr> </table>		SN	Taxable if paid by ↓	<b>Tax Treatment [BM = Borrowed Money]</b>	(a)	Government → NR	Always Taxable to NR if paid by GoI.	(b)	Resident → NR	<ul style="list-style-type: none"> <li>Taxable if BM is used for Business in India.</li> <li><b>Not taxable if:</b> <ul style="list-style-type: none"> <li>(i) BM is used for business/profession o/s India</li> <li>(ii) Royalty/FTS are for business/profession o/s India.</li> </ul> </li> </ul>	(c)
SN	Taxable if paid by ↓	<b>Tax Treatment [BM = Borrowed Money]</b>												
(a)	Government → NR	Always Taxable to NR if paid by GoI.												
(b)	Resident → NR	<ul style="list-style-type: none"> <li>Taxable if BM is used for Business in India.</li> <li><b>Not taxable if:</b> <ul style="list-style-type: none"> <li>(i) BM is used for business/profession o/s India</li> <li>(ii) Royalty/FTS are for business/profession o/s India.</li> </ul> </li> </ul>												
(c)	NR → NR	<ul style="list-style-type: none"> <li>Taxable if BM are used for business/profession in India.</li> <li><b>Not Taxable:</b> BM is used by NR for other than Business.</li> </ul>												
		<b>PC Note:</b> Consideration for sale, distribution or exhibition of films = Royalty.												

**Receipt** → First time when recipient of Income gets money under his control. No Tax on **Remittance** to another place/person ≠ 'Receipt' in the hands of subsequent recipient.



**Meaning:** Payment by employer to employee for **service rendered** is taxable as income from salaries. [Employee → Full-time or Part-time; Employer → In India or Abroad]

**PC Note:** Any Payment is taxable u/h "Salaries" only if **relationship b/w payer & payee is of Employer & Employee or Master & Servant or Principal & Agent.**

Basis of Charge [Section 15]	Foregoing of Salary
1. Salary is taxable on Earlier of (i) Due or (ii) Receipt Basis 2. Advance Salary → Taxable on Receipt Basis 3. Salary in Arrears → Taxable on Due Basis	<ul style="list-style-type: none"> <li>Salary is taxable on earlier of due or receipt basis. If employee foregoes his salary, it does not mean that salary so foregone is not taxable. Such waiver is <b>only an application</b> of income &amp; hence, is <b>taxable</b>.</li> <li><b>Surrender of salary to CG u/s 2 of Voluntary Surrender of Salaries Act → Exempt.</b></li> </ul>

Salary Paid Tax-Free → [Tax lagta hai but employer bharta hai]	Loan or Advance against Salary → Not Taxed as Salary
<ul style="list-style-type: none"> <li>Employer bears the burden of tax on salary of the employee.</li> <li>Income = Salary income + Tax paid by the employer on his salary.</li> <li><b>Tax paid</b> by Employer on <b>Non-Monetary Perquisites</b> → <b>Exempt</b> to <b>employee</b> u/s 10(10CC) &amp; hence not deductible to employer.</li> </ul>	<ul style="list-style-type: none"> <li><b>Loan is different from salary. It cannot be taxed as Salary in the hands of employee.</b></li> <li>Advance against salary is an advance taken by the employee from his employer to be adjusted in future.</li> <li>This advance is generally <b>adjusted with his salary</b> over a specified time period.</li> </ul>

PLACE OF ACCRUAL OF SALARY [Sec 9(1)] → Place where services are rendered				MEANING OF "SALARY" FOR CALCULATING EXEMPTIONS:	
Place of Service	Place of Payment	Accrue in India?	Tax	Allowance/Perquisites	Definition of Salary for such purpose
India	India	Yes	Yes	Gratuity for Covered Employees	BS + DA (whenever DA is paid)
India	Abroad	Yes	Yes	→ NPS, HRA, VRS, Leave Salary, Gratuity	Basic Salary + DA (part of retirement benefits) + Commission (Paid as % of TO)
India	Pension is paid Abroad	Yes	Yes	→ Employer's Contribution to RPF	
Leaves in India	Leave salary is paid abroad	Yes	Yes	<b>Rent-Free Accommodation</b> = BS + DA (part of retirement benefits) + Any Commission + Bonus + Any Other Monetary Payment by whatever name called <b>but Excludes:</b>	
<b>PC Note:</b> Salary paid by GOI to Citizen of India (R/NR) for services rendered o/s India → deemed to accrue in India. <b>Allowance &amp; Perquisites to them</b> → <b>Exempt u/s 10(7).</b>				(a) Exempt Allowances (b) Taxable Perquisites (c) Employer's contribution to PF (d) Payment for Allotment of shares/Debentures/Warrants under ESOP	
<b>Note: Available under both the tax regime.</b>					

COMPONENTS OF SALARY & THEIR TAXABILITY										
Basic Salary & DA Salary in lieu of Notice Fees & Commission Annuity from Employer Profits in lieu of Salary <b>Pension received under NPS</b>	<b>Always Taxable</b>	<table border="1"> <tr> <td style="background-color: #fff2cc;">Annual Accretion in RPF (<b>Taxable Amount</b>)</td> <td style="background-color: #fff2cc;"> <ul style="list-style-type: none"> <li>Employer's contribution → Above 12% of salary</li> <li>Interest on Employer's contribution → Above 9.5%.</li> </ul> </td> </tr> <tr> <td style="background-color: #fff2cc;">Salary to Partner</td> <td style="background-color: #fff2cc;"><b>Not taxable u/h "Salaries", but taxable u/h "PGBP"</b></td> </tr> <tr> <td style="background-color: #fff2cc;">Bonus</td> <td style="background-color: #fff2cc;">Taxable on Receipt Basis [if not taxed earlier on due basis]</td> </tr> <tr> <td style="background-color: #fff2cc;">Salary/Pension from UNO</td> <td style="background-color: #fff2cc;"><b>Exempt</b></td> </tr> </table>	Annual Accretion in RPF ( <b>Taxable Amount</b> )	<ul style="list-style-type: none"> <li>Employer's contribution → Above 12% of salary</li> <li>Interest on Employer's contribution → Above 9.5%.</li> </ul>	Salary to Partner	<b>Not taxable u/h "Salaries", but taxable u/h "PGBP"</b>	Bonus	Taxable on Receipt Basis [if not taxed earlier on due basis]	Salary/Pension from UNO	<b>Exempt</b>
Annual Accretion in RPF ( <b>Taxable Amount</b> )	<ul style="list-style-type: none"> <li>Employer's contribution → Above 12% of salary</li> <li>Interest on Employer's contribution → Above 9.5%.</li> </ul>									
Salary to Partner	<b>Not taxable u/h "Salaries", but taxable u/h "PGBP"</b>									
Bonus	Taxable on Receipt Basis [if not taxed earlier on due basis]									
Salary/Pension from UNO	<b>Exempt</b>									

**Note:** CG Contribution to Agniveer Corpus Fund A/c of an individual is first treated as salary & then deduction is allowed u/s 80CCH(2) in both tax regime.

DIFFERENT FORMS OF ALLOWANCES & ITS TAXABILITY

Fully Taxable in both schemes	Fully Exempt in old schemes	House Rent Allowance [Taxable HRA = HRA Received – Exempt HRA]
<ul style="list-style-type: none"> <li>▪ Dearness Allowance</li> <li>▪ Overtime Allowance</li> <li>▪ City Compensatory Allowance</li> <li>▪ <b>Fixed Medical Allowance</b></li> <li>▪ Tiffin/Lunch Allowance</li> <li>▪ Interim Allowance</li> <li>▪ Project Allowance</li> <li>▪ Servant Allowance</li> <li>▪ <b>Warden Allowance</b></li> <li>▪ <b>Transport Allowance</b> (Except Handicapped Employee)</li> <li>▪ <b>Non-Practicing Allowance</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Sumptuary allowance granted to HC/SC Judges.</li> <li>▪ Compensatory Allowance received by judge</li> <li>▪ Allowance paid by UNO.</li> <li>▪ Allowances paid by Government to its employees outside India – [Sec 10(7)]</li> </ul>	<p><b>Exempt HRA = Least of the following:</b> <span style="float: right;"><b>[Exempt in Old Scheme Only]</b></span></p> <div style="border: 1px solid #FF8C00; padding: 5px;"> <ol style="list-style-type: none"> <li>1. Amount of <b>HRA received</b> for occupied Period</li> <li>2. <b>Rent paid - 10% of Salary</b> for occupied Period</li> <li>3. <b>City of Residence:</b> <ul style="list-style-type: none"> <li>(a) Mumbai, Delhi, Kolkata, Madras (Chennai): <b>50% of Salary</b> for occupied Period</li> <li>(b) Other cities: <b>40% of Salary</b> for occupied Period.</li> </ul> </li> </ol> </div> <p><b>Other Conditions:</b></p> <ul style="list-style-type: none"> <li>▪ Salary for Occupied Period shall only be considered.</li> <li>▪ <b>Advance Salary/Arrears → Not considered for calculating HRA Exemption.</b></li> <li>▪ No Exemption if employee lives in his own house/house where he does not pay rent.</li> </ul>

SPECIAL ALLOWANCES EXEMPT u/s 10(14)							Exempt Allowances to Chairman/Member of UPSC [10(45)]	
<b>1</b>	<b>Exemption depends on Actual Expenditure incurred by employee (CD-HURT)</b>						<p><b>A. Exempt Allowance - Serving Chairman &amp; Members of UPSC</b></p> <ul style="list-style-type: none"> <li>▪ Value of Rent-Free official Residence &amp; Value of LTC.</li> <li>▪ Value of Conveyance facilities including Transport Allowance.</li> <li>▪ Sumptuary Allowance.</li> </ul> <p><b>B. Exempt Allowances - Retired Chairman &amp; Members of UPSC</b></p> <ul style="list-style-type: none"> <li>▪ Value of Residential telephone free of cost &amp; number of free calls upto Rs. 1,500 p.m (over &amp; above free calls per month allowed by telephone authorities).</li> </ul>	
<b>Allowance →</b>	<b>Conveyance</b>	<b>Daily</b>	<b>Helper</b>	<b>Uniform</b>	<b>Research</b>	<b>Travelling/Transfer</b>		
<p><b>Exempt Allowance = Lower of (a) Allowance Received or (b) Amount utilized for specific purpose.</b></p> <p><b>Note: Conveyance, Daily, Travelling/Transfer allowances are exempt in both tax regime.</b></p>								
<b>2</b>	<b>Exemption does not depend on Actual Expenditure incurred by employee</b>							
<b>Allowance</b>		<b>Exemption [Rule 2BB]</b>						
Children Education Allowance		Rs. 100 p.m per child [Max. 2 children]						
Hostel Expenditure Allowance		Rs. 300 p.m per child [Max. 2 children]						
Transport Allowance		Rs. 3,200 p.m only for handicapped/disabled employees						
Allowance for Transport employee		Lower of (a) Rs. 10,000 p.m OR (b) 70% of Allowance received						
Tribal/Scheduled areas Allowance		Rs. 200 p.m						
Underground Allowance		Rs. 800 p.m						
<p><b>Exempt Allowance = Lower of (a) Allowance Received or (b) Amount Specified in Rule 2BB.</b></p> <p><b>Note: Transport allowance for handicapped employees is exempt in both schemes.</b></p>								

**PERQUISITES & THEIR TAXABILITY**

- Reimbursement of expenses incurred in official discharge of duties → No Perquisite.
- Perquisite will become taxable only if it has a legal origin.
- Tax paid by employer on salary of employee = Perquisite for employee.
- Member of Household = (a) Spouse + (b) Children & their spouses + (c) Parents.
- Children includes Step child & Adopted Child.
- Children born out of multiple birth after 1<sup>st</sup> Child will be treated as “One child only” & Exemption will be available for both such child.

RENT - FREE UNFURNISHED ACCOMODATION			“Use of Moveable Assets”		
Type of Employee	Value of Perquisite ↓		Asset given	Value of Perquisite	
1	CG/SG Employees	License fee	(a) Laptops & computers	Nil	
2	Other than Government Employee		(b) Other Movable assets	10% p.a. of Actual Cost (Rent Charges)	
	<b>House is owned by Employer</b>	<b>Population</b>	<b>PC Note:</b> Completed years of use is not required. Even use of asset for part of the year will be perquisite (calculated proportionally).		
		Less than 15 lacs			<b>5% of salary</b>
		15 lacs – 40 lacs			<b>7.5% of salary</b>
		More than 40 lacs	<b>10% of salary</b>		
	House is leased/Rent by employer	<b>Lower of: (i) 10% of salary or (ii) Lease Rent</b>			
3	<b>Hotel Accommodation (G/NG)]</b>	<b>Lower of (i) 24% of salary or (ii) Hotel charges</b>			
<b>PC Note:</b> If Stay in Hotel ≤ 15 days on his transfer from one place to another → No Perquisite.					
<b>House is given @ 2 Places on transfer</b>					
<ul style="list-style-type: none"> <li>▪ Upto 90 Days (3 Months) → Only 1 of House having lower perquisite value shall be taxable;</li> <li>▪ After 90 days → Value of Both Houses shall be taxable as perquisite.</li> </ul>					
<b>VALUATION OF FURNISHED ACCOMODATION</b>					
Taxable Value of Perquisite in <b>unfurnished accommodation</b>					
+ <b>10% p.a</b> of original cost of furniture (if furniture is owned by employer).					
+ <b>Lease charges/Rent paid</b> for hiring furniture (If furniture is hired by employer).					
❖ Rent-free official residence provided to a Judge of HC/SC → Not taxable.					
❖ Rent-free furnished house provided to an Officer of Parliament → Not taxable.					
<b>Perquisite Value restricted to CII: Same Accommodation to same employee for Multiple Years</b>					
⇒ <b>Taxable Perquisite value</b> cannot be more than first year's amount, adjusted for <b>CII changes</b> .					
⇒ <b>Max Perquisite Value</b> = First Year's Perquisite Value × $\frac{\text{CII for Current Year}}{\text{CII for Initial Year}}$					
⇒ First PY = PY 23-24 or PY in which accommodation was provided (whichever is later).					
<b>TRANSFER OF MOVEABLE ASSETS AT DISCOUNTED/ NOMINAL PRICE</b>					
<ul style="list-style-type: none"> <li>▪ <b>Perquisite = WDV [Actual Cost – Depreciation] – Amount paid</b></li> <li>▪ <b>Rate of Depreciation ↓ [Deduct for Completed Years of Use only]</b></li> </ul>					
1. Computer & Electronics items			50% on WDV		
2. Motor Car			20% on WDV		
3. Any Other Asset			10% on SLM		
<b>GIFT, VOUCHER OR TOKEN</b> → Perquisite = Actual cost to the employer.					
<ul style="list-style-type: none"> <li>▪ However, Aggregate <b>Exemption of 5,000</b> if Gift is Received <b>“IN KIND”</b>.</li> <li>▪ Cash gifts are fully taxable without any exemption.</li> </ul>					
Payment/Reimbursement of Telephone/Mobile Bills → No Perquisite.					
<b>Credit Card</b> = Expenses by Employer – Expenses for official purpose.					
<b>Free Domestic Servant</b> → <b>Perquisite</b> = Cost to Employer					
❖ Salary of Gardener & Expenses on Maintenance of garden → <b>Perquisite</b> ☒.					
<b>Gas, Electricity or Water Supply</b> → <b>Perquisite</b> = Cost to Employer					
<b>Interest-Free or Concessional Loan to Employees</b>					
❖ [SBI Rate – Concessional Rate] × Outstanding monthly Balance of Loan.					
❖ <b>No Perquisite:</b>					
(a) Loan amount ≤ 20,000.					
(b) Loan for Treatment of Specified Diseases [Adjusted for Claim]					

MOTOR CAR [Month means Completed Month]					MEDICAL FACILITIES				
Owned/Hired by	Expenses	Use	Taxable Perquisite		A. Medical Facilities in India				
1	Employer	Employer	Fully Official	<b>No Perquisite</b>		<b>Medical Treatment in</b>	<b>Perquisite</b>		
2	Employer	Employer	Fully Personal	(a) Actual Expenditure on Car + Salary of Driver (b) Depreciation @ 10% p.a on Actual Cost/Rent		1. Employer Hospital      2. Government Hospital; 3. Private Hospital (on recommendation) 4. Hospital approved by PCC/CCIT    5. COVID-19 Treatment	No Perquisite		
<b>Expenses recovered from Employee are Deductible. No limit of Rs. 900 for driver's Salary.</b>									
3	Employer	Employer	Partly Official & Partly Personal	<b>Engine</b>	<b>Taxable Perquisite</b>		<b>Any Other facility in India (Ex: Family doctor)</b>	Taxable	
				≤ 1600 CC	1800 + 900 (driver) = 2,700 p.m				
				> 1600 CC	2400 + 900 (driver) = 3,300 p.m				
<b>Expenses recovered from employee → Not deductible. For Driver → Rs 900 p.m.</b>					<b>B. Medical Facility outside India</b>				
					<b>Expenditure</b>	<b>Perquisite</b>			
					1. Treatment	Exempt upto permitted by the RBI.			
					2. Cost of Stay	Perquisite = Amount > Permitted by RBI			
					3. Cost on Travel	Exempt if GTI of employee before this expenditure ≤ 2L.			
					<b>PC Note:</b>				
					<ul style="list-style-type: none"> <li>▪ <b>Fixed Medical Allowance → Fully Taxable.</b></li> <li>▪ Health Insurance Premium paid by employer in approved scheme of CG/IRDA → NO Perquisite &amp; thus No Tax.</li> <li>▪ Life Insurance Premium of employee paid by employer → Taxable Perquisite ☑.</li> <li>▪ Family → Spouse + Children (Max. 2) + [Dependent Parents + Brothers + Sisters].</li> </ul>				
4	Employer	Employee	Partly Official & Partly Personal	<b>Engine</b>	<b>Taxable Perquisite</b>		<b>PC Note:</b>		
				≤ 1600 CC	600 + 900 (driver) = 1,500 p.m				
				> 1600 CC	900 + 900 (driver) = 1,800 p.m				
5	Employee	Employer	Partly Official & Partly Personal	<b>Actual Expenditure Incurred Less ↓</b>		<b>PC Note:</b>			
				<b>Engine</b>	<b>Reduce ↓</b>				
				≤ 1600 CC	1800 + 900 (driver) = 2,700 p.m				
				> 1600 CC	2400 + 900 (driver) = 3,300 p.m				
6	<b>Employer</b>	<b>Employee</b>	<b>Personal</b>	<b>10% p.a on Actual cost of Car/Hire charges</b>					
7	<b>Employee Bike</b>	Employer	Partial Use	Expenditure by Employer - Rs. 900 p.m					
<b>PC Note:</b>					<b>FREE EDUCATION</b>				
<ul style="list-style-type: none"> <li>▪ <b>If 2 cars are given for "Partly Official &amp; Partly Personal" purpose</b> → Only 1 car is valued as "Partly Official &amp; Partly Personal" Car; 2<sup>nd</sup> car → Valued as used for personal purpose.</li> <li>▪ Facility for HC/SC Judges/Chairman/members of UPSC: Not taxable.</li> <li>▪ Transport allowance provided to serving chairman/members of UPSC: Not Taxable.</li> </ul>					<b>Training of Employees</b>		Not Taxable		
					Education to Family Members;		Fully Taxable. No Exemption.		
					<b>Education to Children of Employee</b>		Reasonable cost of education is taxable. Exemption → Rs 1000 p.m per child.		
					<b>PC Note:</b> Scholarship given to children of the employee → No Perquisite.				

Free/Concessional Food & Non-Alcoholic Beverages	Perquisite in case of Sweat Equity Shares/ESOP
<ul style="list-style-type: none"> <li>❖ <b>Meal in office</b> → Perquisite = Cost to employer (in excess of Rs. 50) – Amount recovered.</li> <li>❖ Tea or snacks provided during working hours → No Perquisite.</li> </ul> <p style="background-color: #d9ead3; color: #0056b3; margin: 0;"><b>Note: Exemption i.r.o. free food (Upto Rs. 50) is not available in new tax regime.</b></p>	<ul style="list-style-type: none"> <li>❖ Perquisite = FMV on Exercise Date – Amount Paid by Employee.</li> <li>❖ Taxable in year of Allotment of Shares.</li> </ul> <p style="background-color: #d9ead3; color: #0056b3; margin: 0;"><b>PC Note:</b> Sale of shares ⇒ COA = FMV on Exercise Date [Sec 49(2AA)].</p>
<ul style="list-style-type: none"> <li>▪ Employee is on official tour &amp; he takes his family member with him → Perquisite = Expenditure incurred for such family member</li> <li>▪ Any official tour is extended as a vacation → Perquisite = Expenditure incurred for Extended period.</li> </ul>	

## VALUATION OF LEAVE TRAVEL CONCESSION IN INDIA [Section 10(5)]

- **Exemption is available in OLD REGIME ONLY.**
- Journey in **India only along with Family.** [Same as Medical Facility]
- **Only 2 journeys in a block of 4 years are Exempt.**
- Exemption is based on **Actual Expenditure.**
- Exemption is available only on **Bus fare, Rail fare, Air fare.**
- **Carry Forward: 1 Exemption** can be carried forward in 1<sup>st</sup> calendar year of next block.
- **Exemption =**
  - (i) Journey by Air → Lower of (a) **Economy class** Fare (b) Amount spent.
  - (ii) Journey by Train → Lower of (a) **1<sup>st</sup> class** Fare (b) Amount spent.
  - (iii) Journey by Road when train is available → Exemption is same as (ii).
  - (iv) If No Rail but Public transport Exists → Lower of (a) Deluxe fare (b) Amount spent.

## CLUB EXPENDITURE

- ❖ Perquisite = Expenditure incurred (including annual fees) - Expenditure for official purposes - Amount recovered from employee.
- ❖ Expenditure pertaining to **health club, sports facilities** etc. → **Not a perquisite.**
- ❖ Initial fee paid for acquiring corporate membership by employer → **Not a perquisite.**

## Free/Concessional Tickets by employer engaged in G/P transport business

- ❖ Taxable Perquisite = Value of Tickets offered to the Public by Employer
- ❖ **Free Tickets given to Employees of Airline or Railways → No Perquisite.**

## Perquisites Taxable only to Specified Employees [Section 17(2)(iii)]

- Provision of sweeper, gardener, watchman or personal attendant
- Facility of use of gas, electricity or water supplied by employer, Use of motor car
- Free or concessional tickets, Free or concessional educational facilities.

## Specified Employees ⇒ [Director + Substantial Interest + Salary > 50K]

**Note: While calculating limit of Rs. 50,000, following payment shall be ignored**

- (a) All Non-Monetary benefits; (b) Exempt Monetary Benefits (c) Deductions u/s 16

## DEDUCTION FROM SALARY INCOME [Section 16]

1. **Standard Deduction [Sec 16(ia)]** → Lower of (i) Rs. **50,000** or (ii) Salary  
**New Scheme: → Lower of (i) Rs. 75,000 or (ii) Salary**
2. **Entertainment Allowance [16(ii)]** → **[Only for Government Employees]**
  - First included in salary income & then deduction is allowed u/s 16.
  - **Least is Exempt for Government Employees only**
    - (a) Entertainment Allowance actually received during PY.
    - (b) Rs. 5,000
    - (c) 20% of basic salary
  - **Actual Expenditure** towards entertainment is **NOT RELEVANT**
3. **Professional Tax [Sec 16(iii)]** → **Deductible on Payment Basis during PY**
  - If Employer pays PT of Employee → First included in salary Income as perquisite & then Deduction is allowed as deduction/s 16(iii).
  - **MCQs Point:** SG cannot impose profession tax > 2,500 p.a.

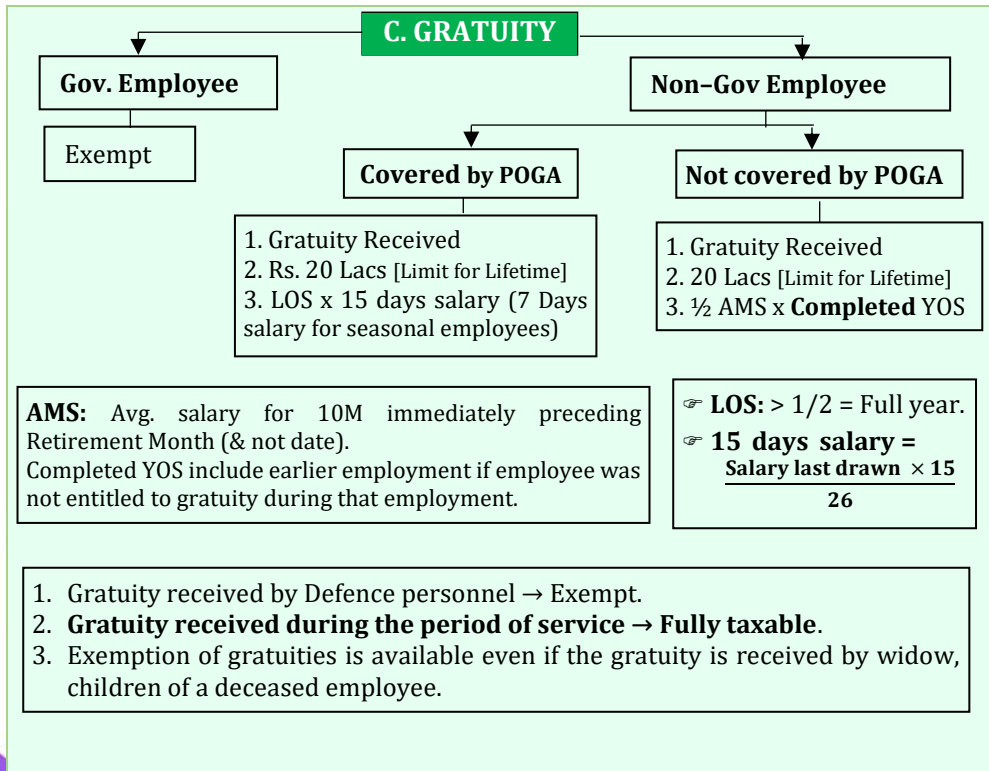
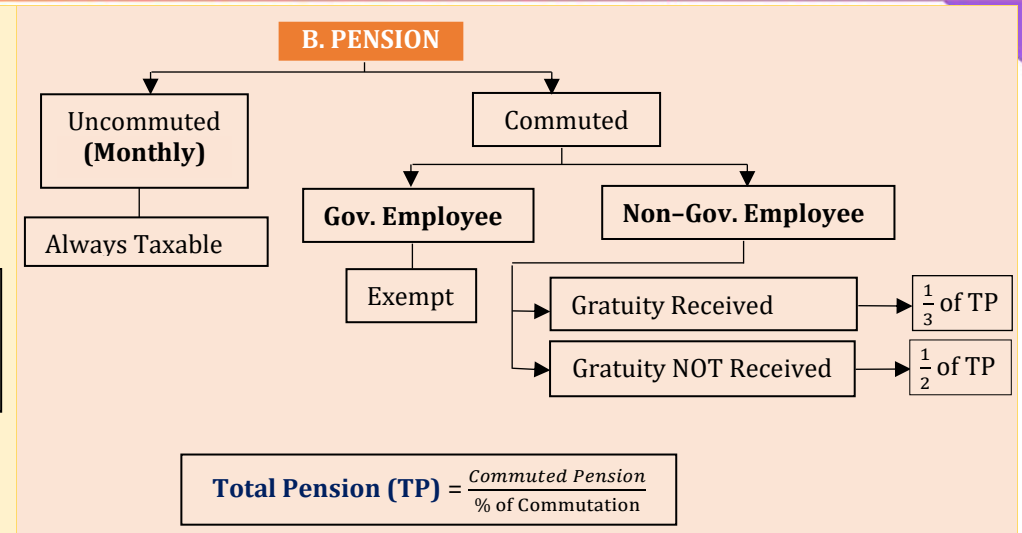
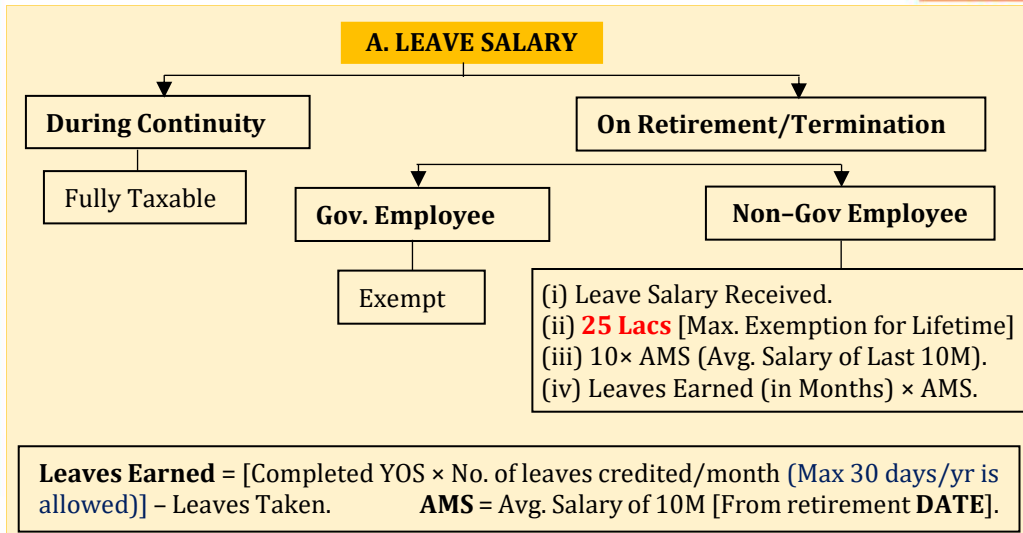
**Note: Deduction for Entertainment Allowance & Professional Tax is available only in Old Scheme. Standard deduction is allowed in both tax regime.**

## RELIEF [SECTION 89] (Only for INDIVIDUALS)

- ❖ If any individual receives Advance Salary, Salary in Arrears, profits in lieu of salary etc. during PY & because of such receipt, his Income is taxed @ Higher Rate. In such cases, Relief u/s 89 is available. Procedure for computing relief is as follows:
  1. Calculate **Tax payable of PY** of Receipt of Arrears/Advance salary on
    - (a) Total Income **including** of advance salary/ salary in arrears.
    - (b) Total Income **excluding** of advance salary/ salary in arrears**Tax on additional salary included in TI = (a) - (b)**
  2. Calculate Tax payable of PY to which Arrears/Advance salary relates.
    - (a) Total Income including of advance salary/ salary in arrears
    - (b) Total Income excluding of advance salary/ salary in arrears.**(a) - (b) for All PY to which Arrears/ Advance salary relates.**
  3. **Relief u/s 89 = Excess Tax on Additional Salary as calculated in 1 & 2**

Determination of FMV of specified security or sweat equity share, being an equity share		TAX FREE PERQUISITES IN CASE OF ALL EMPLOYEES	
1	<b>Shares are listed on RSE</b> → FMV = Average of Opening price & Closing price on exercise date.		1. Telephone provided by employer at employees' residence.
2	<b>If shares are listed on more than 1 RSE</b> → FMV = Average of Opening price & Closing price on exercise date on such RSE which records the highest volume of trading in the share.		2. Transport Facility by employer engaged in the business of carrying of passengers/goods to his employees (except airlines/railways employees)
3	<b>If NO Trading in share on RSE:</b> Closing price on any RSE on closest date to exercise date.		3. Employer's contribution to staff group insurance scheme
4	<b>If shares are not listed</b> → FMV = Value determined by merchant banker on specified date.		4. Premium on personal accident policy of employee
	❖ Closing price = Price of last settlement. If both 'buy' & 'sell' prices, 'Sell' price shall be taken.		5. Subsidized lunch <b>provided the value of such meal is upto Rs. 50.</b>
	❖ Opening price = Price of first settlement. If both 'buy' & 'sell' prices, 'Sell' price shall be taken.		6. Recreational facilities extended to employees <b>in general to all employees</b>

COMPUTATION OF TAXABLE PERQUISITE U/S 17(2)(VIIA) [Rule 3B] [NN 11/ 2021]		TAXABLE PERQUISITE IN CASE OF EMPLOYER CONTRIBUTION	
$\text{Taxable Perquisite} = \frac{PC}{2} \times R + (PC1 + TP1) \times R$		<ul style="list-style-type: none"> <li>Employer's contribution &gt; Rs. 7,50,000 in RPF, NPS, Approved SAF.</li> <li>Interest credited in RPF/NPS/SAF during the PY on employer's contribution exceeding Rs. 7,50,000 [Sec 17(2)(viiia)].</li> </ul>	
TP	Taxable perquisite u/s 17(2)(viiia) for current PY (i.e PY 23-24)	<p style="color: blue; margin: 0;"><b>Interest credited on Employee's contribution to RPF/SPF</b></p> <ul style="list-style-type: none"> <li>As per section 10(11), any payment from PF or PPF would be exempt.</li> <li>Accumulated balance payable to an employee in RPF - Exempt u/s 10(12).</li> </ul>	
TP1	Aggregate of taxable perquisite u/s 17(2)(viiia) for the previous year or years commencing on/after 1.4.2020 <b>other than the current previous year</b> (See Note). <span style="color: blue;">PC Note: पुराने PYs ka Taxable Perquisite u/s 17(2)(viiia).</span>	<ul style="list-style-type: none"> <li><b>Interest accrued during PY on employee's contribution to SPF/RPF exceeding Rs. 2,50,000 – Not Exempt.</b></li> </ul>	
PC	Aggregate amount of employer's contribution in excess of Rs. 7.5 lacs to specified fund/scheme during the current PY (i.e. PY 23-24). <span style="color: blue;">PC Note: Employer's contribution in excess of Rs. 7,50,000.</span>	<ul style="list-style-type: none"> <li>If there is no employer's contribution in the fund, then, <b>higher limit of Rs. 5 Lacs</b> would be applicable for such contribution, and interest accrued in any previous year in that fund on/after 1<sup>st</sup> April, 2021 would be exempt upto that limit.</li> </ul>	
PC1	Aggregate amount of employer's contribution in excess of Rs. 7.5 lacs to specified fund or scheme for PYs commencing on/after 1 <sup>st</sup> April 2020 other than current PY (See Note). <span style="color: blue;">PC Note: पुराने PYs ka excess contribution above Rs. 7,50,000.</span>	<p><b>PC Note:</b> Interest accrued to such funds upto 31<sup>st</sup> March, 2021 would be exempt without any limit, even if the accrual of income is after that date.</p>	
R	$R = \frac{\text{Aggrgate Interest accrued for current PY}}{\frac{\text{Opening Balance of Fund} + \text{Closing Balance of Fund}}{2}}$		
I	Aggregate amount of <b>income accrued during current PY</b> in specified fund or scheme.		
F <sub>avg</sub>	<b>Opening Balance of Fund + Closing Balance of Fund/2</b>		



**D. RETRENCHMENT COMPENSATION [Sec 10(10B)]**

**Exemption** → (a) Rs. 5 Lacs (b) Amount received; (b) 15 days Average pay × LOS  
**PC Note:** Compensation to workman under CG scheme → FULLY EXEMPT u/s 10(10B).

**E. COMPENSATION RECEIVED ON VRS - [Sec 10(10C)]**

Exemption **upto Rs 5 Lacs** is available if following condition is satisfied:  
**Condition:** Amount received for VRS should not exceed [Higher of (a) or (b)]  
 (a) **3 Month Salary** for each completed year of service.  
 (b) Salary on retirement × Balance months of service left before retirement

**NATIONAL PENSION SCHEME**

<b>Scheme</b>	Employee Contribution = 10% of Salary (Matching contribution by employer)						
<b>Tax</b>	<ol style="list-style-type: none"> <li><b>Employee's Contribution:</b> Deduction = 10% of salary u/s 80CCD(1).</li> <li><b>Employer's contribution:</b> First included in salary of employee &amp; then deduction is given u/s 80CCD(2). <b>Available in Both Tax Regimes.</b></li> </ol>						
	<table border="1"> <thead> <tr> <th>Employer</th> <th>Deduction</th> </tr> </thead> <tbody> <tr> <td>CG/SG</td> <td>Upto 14% of salary</td> </tr> <tr> <td><b>Other Employer</b></td> <td><b>Old Regime:</b> Upto 10% of salary <b>New Regime:</b> Upto 14% of salary</td> </tr> </tbody> </table> <p>Table from Deduction Chapter</p>	Employer	Deduction	CG/SG	Upto 14% of salary	<b>Other Employer</b>	<b>Old Regime:</b> Upto 10% of salary <b>New Regime:</b> Upto 14% of salary
Employer	Deduction						
CG/SG	Upto 14% of salary						
<b>Other Employer</b>	<b>Old Regime:</b> Upto 10% of salary <b>New Regime:</b> Upto 14% of salary						
<b>Maturity</b>	Pension received out of the aforesaid amount → Taxable to Recipient.						

**BASIS OF CHARGE [Section 22]**

Building + Land attached	Ownership of HP in PY	Not used for Business
<ul style="list-style-type: none"> <li>Rent of Vacant Land → IFOS</li> <li>Subletting of HP → IFOS</li> </ul>	<ul style="list-style-type: none"> <li>+ Deemed Ownership</li> <li>Registered/Beneficial</li> </ul>	<ul style="list-style-type: none"> <li>If used for Business → No Tax u/h PGBP</li> </ul>

HP with Disputed Title → Owner of HP = As Decided by IT Dep. till the court order.  
**Income from Sale of House Property → Taxable u/h "Capital Gains".**

**Rental Income from HP held as SIT [Taxed u/h HP]**

- NAV of HP held as SIT = Nil for 2 years from the end of the FY in which completion certificate is issued if not Let Out for such period.

**COMPOSITE LETTING [HP + Other Assets/Services]**

Tax Treatment	Two lettings are separable	Two lettings are not separable
Rent from HP	Taxable u/h HP	Taxable u/h PGBP or IFOS.
Rent from others	Taxable u/h PGBP or IFOS	<b>Ex:</b> Hotel Business/PG.

PC Note: Expenses for other facilities → Deductible in computing PGBP/IFOS income.

**INCOME FROM FOREIGN HOUSE PROPERTY**

<b>1. ROR (Note)</b>	Taxable, whether or not such income is brought into India
<b>2. RNOR/NR</b>	Taxable only if it is received in India.

PC Note: Municipal Taxes Paid o/s India – Deductible if TDS done.

**HOW TO COMPUTE INCOME FROM HOUSE PROPERTY**

<b>A.</b> Gross Annual Value (GAV)	xxx
<b>B. Less:</b> Municipal tax paid by owner during PY	(xxx)
<b>C.</b> Net Annual Value (NAV) [A – B]	xxx
<b>D. Less:</b> Deduction u/s 24	(xxx)
<b>24(a):</b> Standard deduction (30% of NAV)	(xxx)
<b>24(b):</b> Interest on borrowed Capital	(xxx)

**NAV = GAV – Municipal Taxes paid by owner during PY.**

**A. DETERMINATION OF GROSS ANNUAL VALUE [SECTION 23]**

- Expected Rent (ER)** → Higher of (a) MV or (b) FR subject to Max. of SR.
- Calculate **Actual Rent Received (ARR)** → Rent receivable - Unrealized Rent
- GAV = **Higher of (1) ER or (2) ARR**

PC Note: Vacancy Loss (Rent for Vacant Period) → Not Included in ARR.

**LOP – With Vacancy (Imp)**

- Calculate ER for whole year even if HP was vacant.
- ARR → Rent for Let out period shall only be taken.
- If ARR > ER → GAV = ARR.
- If ARR < ER due to vacancy → GAV = ARR.
- If ARR < ER due to other reason → GAV = ER.

**SOP/Unoccupied HP**

- GAV = Nil for 2 houses (Only for Individual/HUF)
- MT Paid → No Deduction
- Thus NAV = Nil.

**LOP for Part Year & SOP for Part Year**

- ER → for whole year.
- ARR → for Let out period only.
- GAV = Higher of (i) ER (whole year) or (ii) ARR (Let out Period)

**Deemed LOP**

- >2 Houses & All are SOP
- 2 HP = SOP & Other HP = DLOP
- GAV of DLOP → ER [No ARR]
- GAV of SOP = Nil

**Single House – One portion is Let & other portion is SOP [Imp case]**

- SOP → GAV = Nil; No deduction of Municipal taxes paid;
- Limit on Interest u/s 24(b) = Rs. 30,000/2,00,000 [Keep in Mind]
- For LOP → ER shall be computed on proportionate basis.

**B. MUNICIPAL TAXES** → Deducted from GAV if paid by Owner during PY

- Deductible in PY of Payment even if they relate to past years.
- Foreign MT paid → Deductible if TDS Done.
- Refund of Municipal Tax Paid → Not Taxable.

Assessee is engaged in the business of letting (renting) out of properties:

**Residential Property → Taxed u/s HP**

**Commercial property → Taxed u/s PGBP**

D. DEDUCTIONS U/S 24

Sec 24(a): Standard Deduction = 30% of NAV [Flat Deduction] [No other deduction]

Sec 24(b): Interest on Borrowed Capital [Deductible on Accrual Basis]

❖ **Current Year Interest** → [Interest of PY of completion of construction & afterwards]  
Interest = Amount of Loan × ROI p.a (Without any limit)

❖ **Pre-Construction Interest** → Deductible in 5 successive PYs from PY of completion.  
▪ **Start:** From Date of Borrowing &  
▪ **End:** (a) Repayment date or (b) 31<sup>st</sup> March before completion of construction [W.I.E]

**PC Note:** Interest will be aggregated from date of borrowing till the end of PY prior to PY of completion of construction & NOT till the date of completion of construction.

**PC Note:**

- Interest on fresh loan taken to repay original loan → Deductible.
- Brokerage/commission for Arrangement of loan → Not Deductible.
- Interest on unpaid interest → Not Deductible.
- If loan is taken from o/s India → Interest is deductible if TDS Done.

**LIMIT ON DEDUCTIONS OF INTEREST FOR SOP [No Limit for LOP/DLOP]**

Case	Max. Deduction
Loan for <b>repair/renovation</b> of HP on/after 1.4.1999	Max, 30,000
Loan for <b>acquisition/construction</b> of HP on/after 1.4.1999 & such acquisition or construction is completed within 5 year	Max. 2 Lacs

**PC Note:** Limit is applicable combined for 2 SOPs & not for each SOP.

**Note:** No Deduction of Interest u/s 24(b) for SOP/UOP under section 115BAC.

**Note:** Interest u/s 24(b) for LOP/DLOP is allowed in both the regimes (New & Old).

**TREATMENT OF INCOME FROM CO-OWNED PROPERTY [Section 26]**

Co-owned HP is SOP	Co-owned HP is LOP
<p><b>For Each Co-owner:</b></p> <ul style="list-style-type: none"> <li>▪ Annual Value → Nil</li> <li>▪ Deduction of 30K/2 L u/s 24(b) separately for each co-owner.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compute HP Income as if there is <b>one owner</b></li> <li>▪ Income so computed shall be <b>apportioned</b> amongst each co-owner <b>as per their share.</b></li> </ul>

**Note:** If Shares of co-owners are not definite: Income from HP → Taxed as Income of AOP.

**HP OWNED BY P'SHIP FIRM** → Income is assessed in hands of firm & not to partners.

DEEMED OWNERSHIP [SEC 27]

1. **Transfer of HP to spouse for inadequate consideration** → Transferor deemed as owner of HP transferred. [Except: Transferred under agreement to live apart].
2. **Transfer of HP to Minor Child for inadequate consideration** → Transferor is deemed as owner of HP. [Except: HP is transferred to a minor married daughter]
3. **Holder of Impartible Estate** → Deemed as owner of all properties in the estate.
4. **Member of Co-operative Society** to whom building is allotted under House Building Scheme → Deemed as owner of building allotted to him although co-operative society is legal owner of that building.
5. **Person in possession of HP under part-performance of a contract [Sec 53 of TOPA]** Buyer will be deemed as owner of HP although not registered in his name.
6. **Person having right in a property by way of Lease for 12 years or more:** A person who acquires any building by way of lease for a period of 12 years or more shall be deemed to be the owner of that building.

**Exception:** Lease is acquired from **month-to-month basis or for < 1 year.**

**EXEMPT INCOME FROM HOUSE PROPERTY**

1. Income from Farmhouse [If building is in immediate vicinity of Agri. Land]
2. Property held for charitable or religious purposes.
3. House property used for own business/profession.
4. Income from House property of Registered Trade union/Local Authority.
5. Annual value of 1 Palace of Ex-ruler.

**Unrealised Rent & Arrears of Rent received Subsequently [Sec 25A]**

- Taxable @ 70 % of Amount Received in PY of Receipt.
- Amount taxed earlier will not be taxable again.

**Q. When unrealized rent shall be deducted from actual rent receivable?**

**Answer:** If all the following conditions are satisfied:

- (a) Tenancy is **bonafide**;
- (b) Defaulting tenant has **vacated**, or steps have been taken to vacate the property;
- (c) Defaulting tenant is **NOT in occupation** of any other property of the assessee;
- (d) Assessee has taken **all reasonable steps to institute legal proceedings** for recovery of unpaid rent or **satisfies AO that legal proceedings would be useless.**

BASIS OF CHARGE [SECTION 28]		GENERAL DEDUCTIONS [SECTION 37]	
1	<b>Profits &amp; Gains</b> of any business or profession carried on at any time during the PY. ▪ Capital Receipt → Not Taxable; ▪ Capital Loss → Not Deductible. Assessee is engaged in the business of letting (renting) out of properties: ▪ Commercial property → Taxed u/s PGBP ▪ Residential Property → Taxed u/s HP	1	Not covered in Sec 30 to 36.
2	<b>Compensation for Loss of Office</b> ▪ Termination or Modification of contract relating to Agency in India. ▪ Termination/Modification of T&C of any business/professional contract.	2	<b>Not a capital expenditure</b> [Only revenue expenditure is deductible u/s 37]
3	<b>Export Incentives</b> [Sale of Import entitlements/Duty Drawback/DEPS/DFRC]	3	Incurred during PY.
4	<b>Non-Compete Fees</b> [Taxable u/h PGBP even if they are capital receipts] ▪ For not carrying out any activity in relation to any business or profession ▪ Not to share any know-how, patent, copyright, TM	4	It must have been <b>incurred after the business was set up.</b>
5	<b>FMV of Inventory (SIT) on its conversion into Capital Asset</b> ▪ <b>Income = FMV</b> of Inventory on date of conversion – Purchase Price.	5	Only Business Expenditure [Personal Expenditure → NOT deductible]
6	<b>Benefit arising from Business/Profession (Gift)</b> [Nexus Hona b/w Gift & Business]	6	<b>Legal Purpose only (in &amp; outside India)</b> [Any Penalty → Not Deductible]
7	<b>Remuneration received by Partners</b> is taxable in his hands. ▪ only to the extent it is deductible to the firm [Refer Section 40(b)]	▶	<b>Note:</b> AO cannot question necessity of expenditure in allowing deduction.
8	Income of <b>Trade/Professional Association</b> from <b>Specific Activities for its Members.</b>	<b>Important Circulars related to Section 37</b>	
9	<b>Maturity Amount of KIP (+ Bonus)</b> → <b>Taxable to Employer</b> if Received by him.	☞	Premium paid on KIP by Employer → <b>Business Expenditure</b> & Deductible.
10	Sum received/receivable on demolition, destruction or transfer of any Capital Asset whole cost of which was allowed as deduction u/s 35AD.	☞	<b>Expenditure on CSR</b> → <b>Not Business Expenditure &amp; Not Deductible</b>
		☞	Expenses on providing freebies to medical practitioner → Not Deductible.
		<b>FREQUENTLY ASKED ADJUSTMENTS IN EXAMS</b>	
		☞	<b>Income Tax &amp; Related Payment, Surcharge</b> → <b>Not Deductible.</b>
		☞	Indirect Tax & Related Payment → Deductible
		☞	Demurrage paid to authorities for releasing confiscated goods → Deductible
		☞	Penalty paid by assessee for non-completion of contract within time → Deductible as it is not a fine paid for infraction of law. [Infraction of contract]
		☞	Expenditure on Advertisement in souvenir/brochure/pamphlet published by Political Party → Not deductible u/h PGBP but deductible u/s 80GGB & 80GGC

SPECULATION BUSINESS		SPECIFIC DEDUCTIONS [SECTION 30 - 36]			
❖ <b>Meaning:</b> Contract for purchase/sale of any commodity (including stocks & shares) is settled <b>otherwise than by Actual delivery or transfer of the commodity/Scripts.</b>	❖ <b>Transactions NOT deemed to be speculative transactions:</b> ▪ Hedging Contract i.r.o Raw Materials or Merchandise or Stocks & Shares ▪ Forward Contract ▪ Trading in Derivatives or Commodity Derivatives	<b>1 Rent, Rates, Taxes, Repairs &amp; Insurance for BUILDING (Section 30)</b>			
❖ <b>Speculation Profits/Losses</b> → Treated Separately from other business or profession since <b>Speculation Business Loss can be set off against Speculative Business Profit only.</b>		<b>Rent</b>	<b>Taxes</b>	<b>Revenue Repairs</b>	<b>Insurance</b>
		Tenant	Check 43B	Done by owner or Tenant	Owner
		☞ Subletting of Rented premises → Deduction = Rent paid – Rent recovered.			
		☞ <b>Capital Repairs</b> → Added to COA of building & eligible for depreciation.			
		<b>2 Revenue Repairs &amp; Insurance of Plant, Machinery &amp; Furniture [Sec 31]</b>			
		<b>PC Note:</b> Deduction of Rent of P&M → Allowed u/s 37 & not u/s 31.			
		☞ <b>Capital Repairs</b> → Added to COA of P&M & eligible for depreciation.			

**DEPRECIATION (Section 32)**

[on **BLOCK OF ASSETS & Not on Individual Asset**] + Mandatory

**Conditions for claiming depreciation**

- OWNERSHIP** → Part/Full; Registered/Beneficial owner.  
**PC Note:** If Tenant incurs Capital Expenditure on leased/rented building, he will get depreciation on such capital expenditure.
  - USED BY THE ASSESSEE FOR HIS BUSINESS/PROFESSION DURING PY**
    - Active or Passive use. [Ex: Trial run/Generators].
    - 2<sup>nd</sup> PY onwards: Asset used for 1 day in PY → 100% Depreciation (as per ROD)
    - 1<sup>st</sup> PY: If used for < 180 days → Only 50 % of the Allowable Depreciation.
- PC Note:** Asset acquired in PY but not put to use, 180 days condition is NA for 2<sup>nd</sup> PY; Thus 100% depreciation will be allowed in Next PY when it is put to use.

- Building** includes Roads, bridges & tubewells attached to it or forming part of it.
- Machinery** → Asset which is directly connected with Production or Manufacture.
- Furniture** → Asset used for Convenience & Decoration.
- Plant** → Any other Asset Essential to carry out the business.

**PC Note**

- No Depreciation on **Land & Personal assets** & thus not included in any block.
- While calculating Depreciation on Building, **Cost of Land is to be Excluded.**
- No Depreciation is allowed on Goodwill from FY 2020-21.

**"BLOCK OF ASSETS" [Same Class & having Same ROD]**

- Classify assets into (i) Intangible Assets & (ii) Tangible Assets **Except Goodwill.**
- Group the classified assets in each category separately on the basis of ROD.
- Assets having same rate of depreciation should be grouped together.

**B. STEPS TO CALCULATE DEPRECIATION [V. IMP]**

- Find Closing WDV of each block for PY.**  
 Opening WDV as on 1<sup>st</sup> April of current PY  
**Add:** Cost of Assets purchased during PY (Not GW of business/profession)  
**Less:** Sale Value of assets sold, discarded, demolished or destroyed during PY  
**Less:** Actual cost of the goodwill - amount of depreciation that would have been allowable to the assessee for such goodwill (upto PY 2019-20) as if goodwill was the only asset in the block. **However, such amount of reduction cannot exceed WDV.**
- Bifurcate Closing WDV of each block into two categories:**
  - WDV of the assets used for less than 180 days during PY
  - Balance WDV. [It is **not always equal** to WDV of Assets used for > 180 days]
- Apply Rate of depreciation** on (i) Assets used for < 180 days. [50% of ROD]  
 (ii) Balance WDV. [100% of ROD].

**PC Note: Letting out of assets is:**

- Business of Assessee → Depreciation is allowed u/s 32.
- Not a business → Depreciation is allowed u/s 57(ii).

**ADDITIONAL DEPRECIATION [Sec 32(1)(iia)] → [On New P&M in Factory]**

<b>Assessee</b>	(a) Engaged in <b>Manufacturing</b> or <b>Production</b> or (b) Generation, transmission or Distribution of <b>Power</b>
<b>Ineligible Investment</b>	1. Ships & Aircrafts 2. Second-hand P&M (in/out of India) 3. P&M installed in office premises, residential/guest house. 4. Office appliances or Road Transport Vehicles. 5. P&M whose <b>whole</b> of Actual <b>cost</b> has been allowed as deduction.
<b>Rate</b>	<b>20% of Actual cost</b>

**Use < 180 days in first PY: 1<sup>st</sup> PY = Restricted to 50% & Next PY = Remaining 50%.**

- ☞ Addition depreciation will be over & above normal depreciation allowed.
- ☞ It should be reduced from WDV of the asset.
- ☞ Printing &/ Publishing = Manufacture & eligible for Additional Depreciation.
- ☞ **No Additional Depreciation on L&B or Old P&M.**

**Allowed only in old Tax Regime. Not Allowed in Default (New) Tax Regime.**

Space for PC Analysis:

## DEPRECIATION ON SLM BASIS [Sec 32(1)(i)]

<b>Assessee</b>	Engaged in Generation, transmission, Distribution of <b>Power</b> .
<b>Time to Exercise</b>	Before DD of Filing ROI u/s 139(1) of PY in which they begin to generate power. The option once exercised shall be Final.
<b>New Assets used for &lt; 180 days</b>	Depreciation is allowable at <b>50% of ROD</b> ; <b>Remaining 50% will be allowed in next Year.</b>
<b>Sale in 1<sup>st</sup> Year</b>	Profit/Loss arising shall be treated as <b>STCG/STCL</b> .
Option of SLM → For Tangible Assets only; Intangible Assets → only WDV is applicable. Depreciation can be charged on tangible assets <b>individually</b> ; i.e SLM/WDV (more beneficial)	

## TRANSFER OF DEPRECIABLE ASSETS BY POWER SECTOR UNITS

Conditions	Treatment
1. NSC < WDV	Terminal Depreciation (Loss) = WDV - NSC. Deductible u/s 32.
2. COA > NSC > WDV	Balancing Charge (Profit) = NSC - WDV. Taxable u/s 41(2).
3. NSC > COA	<ul style="list-style-type: none"> <li>▪ Balancing Charge (Profit) = Original COA - WDV. Taxable u/s 41(2).</li> <li>▪ Capital Gain = NSC - Original COA.</li> </ul>

**Class Note:**

## DETERMINATION OF ACTUAL COST FOR DEPRECIATION [Sec 43(1)]

<b>Cost of Acquisition/Construction of Asset</b>		<b>XXX</b>
<b>Less:</b>		
(i) <b>GST</b> on which ITC is Allowed	(xx)	
(ii) Subsidy/Grant received (Directly/Indirectly)	(xx)	(xx)
<b>Add:</b>		
(i) Interest <b>upto the date on which asset is put to use</b>	xxx	
(ii) Expenses incurred for acquiring Asset	xxx	
(iii) Expenses incurred for Installation of Asset.	xxx	
(iv) FOREX Fluctuations (if asset is imported) [Sec 43A]	xxx	Xxx
<b>ACTUAL COST for computing Depreciation</b>		<b>XXX</b>

**PC Note:** Any Expenditure for Acquisition of Asset for which aggregate payments made to A Person in A Day, **otherwise than** by A/c Payee Cheque/Draft or ECS > **Rs. 10,000**, such expenditure shall **not be included in COA of such asset**.

**Space for PC Note:**

**Prescribed Electronic modes:**

- Credit card, Debit card, Net banking
- RTGS/IMPS/NEFT
- UPI (Unified Payment Interface) & BHIM (Bharat Interface for Money).

## SET OFF & CARRY FORWARD OF DEPRECIATION [SECTION 32(2)]

- Can be Carried Forward for Infinite PYs even if business is discontinued.
- Priority for Set-off in subsequent PYs: **(i) PY Depreciation (ii) B/f Business Loss (iii) Unabsorbed Depreciation.**

**“ACTUAL COST” IN SPECIAL CASES [Explanation to Section 43(1)]**

Cases	Actual Cost
Scientific Asset/ 35AD Asset brought into business.	Nil
Conversion of CA into SIT	FMV of CA on <b>date of conversion into SIT</b>
Conversion of SIT into CA & used into Business	FMV of SIT on <b>date of conversion</b> into CA
Acquired by Gift/Will/ Inheritance	WDV to <b>Previous owner</b> .
Second hand asset	If <b>AO</b> is satisfied that main purpose was to reduce Tax Liability by claiming depreciation on enhanced cost, he may, with <b>previous approval</b> of JCIT, <b>determine Actual Cost</b> .
Re-acquisition of Asset used for Business/profession earlier.	(a) WDV at the time of <b>original transfer</b> or (b) <b>Cost of re-acquisition</b> whichever is <b>Lower</b>
Sale & Leaseback	<b>Cost of asset in the hands of Transferee = WDV</b> of asset in the hands of Lessee.
<b>Building</b> which was used for <b>non-business purpose earlier</b> . <b>Note: Applicable for Building only</b>	<b>Actual cost of building – Deemed Depreciation</b> as if building was used for Business. ▶ <b>Other assets → Recorded @ original COA.</b>
<b>Foreign Asset brought to India by NR</b> & used for his business or profession.	<b>Actual cost – Deemed Depreciation</b> as if asset has been used in India since acquisition.

**EXPENDITURE ON SCIENTIFIC RESEARCH [SECTION 35]**

**1. SCIENTIFIC RESEARCH CARRIED ON BY ASSESSEE [Related to business]**

Revenue Expenditure [Sec 35(1)(i)]		[100 % Deduction]
<b>1 Pre-commencement</b> [Last 3 years only]	(i) Payment of <b>Salary</b> (excluding perquisites) (ii) Purchase of <b>Materials</b> used in research.	
<b>2 Post-commencement</b>	<b>Any Revenue Expenditure</b>	
Capital Expenditure [Sec 35(1)(iv) & 35(2)]		[100 % Deduction]
<b>1 Pre-commencement</b> [Last 3 years]	<b>Any Capital Expenditure</b> (Except Cost of Land).	
<b>2 Post-commencement</b>	<b>Any Capital Expenditure</b> (Except Cost of Land).	

**2. CONTRIBUTION TO OUSIDER [Related to Business/Not]**

Research	Sec	Contribution to whom	Deduction
<b>Scientific</b>	35 (2AA)	National laboratory, National university, IITs, IIMs	<b>100%</b>
	35 (1)(ii)	Approved Research Association or Approved University/College etc.	<b>100%</b>
	35 (1)(iia)	Indian Company having scientific research as its main business objective.	<b>100%</b>
<b>Social or Statistical</b>	35 (1)(iii)	Approved Research Association or Approved University/College etc.	<b>100%</b>

➡ Deduction cannot be denied just because approval granted was withdrawn.

**PC Note:**

- Deduction specified in (1) above is available in both new & old scheme.
- However, deductions specified in (2) is available only in old scheme.

**CASES WHEN NO DEPRECIATION IS ALLOWED & STCG/STCL Arises**

- ☞ WDV is Zero but Block is not Empty → No Depreciation & STCG u/s 50(1).
- ☞ Block is empty but WDV is not Zero → No Depreciation & STCL u/s 50(2).

**Space for PC Class Note:**

**INVESTMENT IN SPECIFIED BUSINESS [SEC 35AD] → Old Scheme Only**

**Specified Business ↓**

Cold Chain Facility	Warehouse for Agro. Produce	Warehouse for Sugar
<b>Hotel (2 Star +)</b>	<b>Hospitals (100 Beds)</b>	Production of Fertilizer
Slurry Pipeline	Cross country pipeline	<b>Setting up ICD/CFS</b>
Affordable Housing Project & Slum Redevelopment Project		
Bee-keeping & Production of Honey & Bee wax		
Setting semiconductor Wafer Fabrication Manufacture unit		
Developing/Maintaining/Operating new infrastructure facility.		

**Deduction = 100% of Capital Expenditure** [Except Land, GW & Fin. Instrument]

**Note:** Prior Period Expenses → Deductible if CAPITALIZED in books of A/c.

**Conditions to claim Deduction u/s 35AD:**

- ☞ Business Not Formed by Splitting/Reconstruction of Existing Business.
- ☞ Not Formed by Transfer of **Used P&M**. [Used P&M → Allowed upto 20%]  
**Note: Imported P&M → Treated as New for Sec 35AD.**
- ☞ **Use Asset 'Only for Specified Business' for 8 Years:**  
Otherwise **PGBP Income** = Total Deduction Claimed – Deemed Depreciation.

**PC Note:** Any Expenditure for Acquisition of any Asset for which aggregate payment made to **A Person in A Day**, **otherwise than by A/c Payee Cheque/Draft** or Electronic Medium > **Rs. 10,000** → Not Eligible for Deduction u/s 35AD.

☑ **Loss from one specified business u/s 35AD can be set-off against profit of another specified business only u/s 73A even if second specified business is not eligible for deduction u/s 35AD.**

☑ **Deductions u/s 35AD is available only in old scheme.**

**AMORTIZATION OF PRELIMINARY EXPENDITURE [SEC 35D]**

<b>Assessee</b>	(a) Indian Company or (b) Other Residents in India.
<b>Eligible Expenditure</b>	(a) In case of New companies → Expenses for setting up any business. (b) In case of Existing companies → Expenses for Expansion of Business. <ul style="list-style-type: none"> <li>▪ Expenditure on Preparation of feasibility report, Project report, conducting market survey or engineering services.</li> <li>▪ Legal charges for drafting any agreement related to business.</li> <li>▪ Legal charges for drafting MOA &amp; AOA of the company.</li> <li>▪ Printing charges of MOA &amp; AOA of the company.</li> <li>▪ Registration fees of the company.</li> <li>▪ Expenditure on public issue of shares/debenture, underwriting commission, brokerage &amp; drafting &amp; advertising prospectus.</li> </ul>
<b>Maximum Limit</b>	1. <b>Indian Company:</b> Higher of 5% of [Project Cost or Capital]. 2. <b>Other Assessee:</b> 5% of Cost of Project.
<b>Qualifying Expenditure</b>	<b>Lower of (i) Eligible Expenditure or (ii) Maximum Limit</b>
<b>Deduction</b>	<b>1/5<sup>th</sup> of the Qualifying expenditure</b> in 5 successive PYs.
<b>Audit</b>	COMPULSORY AUDIT for PYs in which expenditure is incurred.

- Cost of Project → Actual cost of Fixed assets [L & B, P & M, F & F etc];
- Capital Employed → Issued share capital + Debentures + Long-term borrowings;

**AMORTIZATION OF COMPENSATION PAID UNDER VRS (SECTION 35DDA)**

<b>Assessee</b>	<b>Any Assessee</b>
<b>Deduction</b>	> <b>1/5<sup>th</sup> of Expenditure</b> shall be deductible for <b>5 succeeding PYs</b> . <b>If Paid in Instalments:</b> <ul style="list-style-type: none"> <li>&gt; <b>Each Part Payment of VRS is deductible in 5 Instalments.</b></li> <li>&gt; 1<sup>st</sup> Instalment is deductible in the PY in which VRS is Paid.</li> </ul>

**PC Note:** In case of any Business Re-organization → Deduction shall be allowed to resulting company (organisation) for Remaining years.

MISCELLANEOUS DEDUCTIONS [SECTION 36(1)]

**INSURANCE PREMIUM PAID ON:**

**(i) Stocks or stores**

**(ia) Lives of Cattles** owned by members of primary milk co-operative society.

**(ib) Health of Employees** → Paid by **Employer** [Any mode other than Cash].

**(ii) BONUS OR COMMISSION [Sec 43B will Apply]**

- Bonus/commission **PAID** to the Employees [if not payable as dividend]

**(iii) Interest on Capital Borrowed for Business**

- Interest for the period **after asset is put to use** → Deductible u/s 36(1)(iii).
- Interest for the period before asset is put to use → Added to COA of Asset.

**PC Note:**

- Interest on money borrowed for payment of dividends → Deductible.
- Interest on money borrowed for payment of Tax → Not Deductible.
- Interest paid by a firm to partners → Deductible.
- Interest paid by AOP to its members → Not Deductible.

**(iii)(a) Amortization of Discount on ZCBs by Issuing Company**

- Discount on ZCB – Deductible **over the life of such bond.**

**EMPLOYER'S CONTRIBUTION** towards

**(iv) RPF or Approved SF**, if paid as per section 43B [subject to the Limits]

**(v) Approved Gratuity Fund** if paid as per section 43B.

**(iva) Pension scheme** to the extent of **14% of salary** of the employee in PY.

**EMPLOYEE'S CONTRIBUTION**

**(va)** Employee's contribution towards RPF/SF, if deposited by employer before DD under the respective Act & not DD u/s 139(1).

**PC Note:** Employee's contribution is **first included** in **total income** of the employer. **Deduction** is given under this section if sum received is **deposited before due date.**

**(vii) BAD DEBTS (EXCLUDING PROVISIONS FOR BAD DEBT)**

**Conditions:**

- Debt must be **charged as income** in computing the income of assessee of any PY
- **Must be written off in books of A/c.**
- Debt may be money lent in ordinary course of banking or money lending business

**Second Proviso inserted by FA, 2015:**

If whole or part of Debt has been included in the income of PY in which it becomes irrevocable or earlier PYs without recording the same in the books of accounts; such Debt amount shall be allowed in PY in which, it becomes irrevocable and it shall be deemed that such amount has been written off in the accounts.

**Other points:**

1. In case of succession → Successor can claim deduction of Bad debt when a debt originally due to predecessor is written off as bad debt by successor in his books.
2. **Recovery of Bad debts is taxable u/h PGBP in PY of recovery. [Sec 41(4)]**

**(ix) Expenditure on Family Planning → Only for Company.**

- **Revenue Expenditure:** Fully allowed in the PY in which it is incurred.
- **Capital Expenditure:** **1/5<sup>th</sup> of the expenditure allowed in 5 PY's.**

**Note: Treatment of Unabsorbed Expenditure** is same as unabsorbed depreciation.

**(xv) Securities Transaction Tax [STT] paid**

**(xvi) Commodity Transaction Tax [CTT] paid**

**SPECIFIC DISALLOWANCES**

**ANY PAYMENT TO NON-RESIDENT [SECTION 40(a)(I)]**

**INCOME TAX → NOT DEDUCTIBLE [Sec 40(a)(ii)]**

**SALARY PAID TO NR [SECTION 40(a)(iii)]**

- on which tax has been neither deducted before the end of PY nor paid before DD of filing ROI u/s 139(1) → Not allowed as deduction.

**TAX PAID BY EMPLOYER ON NON-MONETARY PERQUISITES [Sec 40(a)(v)]**

- Not Deductible to Employer.
- Exempt in the hands of employee – [Sec 10(10CC)]

**DISALLOWANCE FOR PARTNERSHIP FIRM/LLP [SECTION 40(b)]**

**A. Remuneration to Partners [Salary or by any name]**

Following payments to partners are disallowed to Partnership firm:

1. Remuneration to Non- Working Partner.
2. Remuneration to Working Partner if:
  - (a) Not Authorized by Partnership deed.
  - (b) Not in Accordance with T&C of partnership deed.
  - (c) For the **period prior** to the date of agreement.
  - (d) Exceeding the limit given below ↓

Book Profit	Amount of Remuneration
Upto <b>Rs. 6 Lacs</b> of Book Profit <b>or</b> Book Loss	<b>(i) Rs 3 Lacs OR</b> <b>(ii) 90%</b> of Book Profit [Higher]
Balance of Book Profit [ <b>Above 6L</b> ]	<b>60%</b> of Book Profit

**B. Interest paid to Partners:** Disallowed in following cases:

- (a) Not Authorized by Partnership deed;
- (b) Rate **Exceeding 12% p.a.**
- (c) For the period prior to the date of Partnership Deed.

**From 1.4.2025: Sec 194T** requires firms to deduct TDS @ 10% on any sum paid to partners (i.e salary/interest). No TDS if aggregate of such sum ≤ Rs. 20,000 during FY. **Please note that TDS provision u/s 194T would be effective from 1.4.2025.**

Conditions for Disallowance	(i) Tax is <b>not deducted</b> before the end of PY <b>OR</b> (ii) Tax is deducted but <b>not paid</b> before DD of filing ROI u/s 139(1).
Consequences	<b>100 %</b> of such amount paid/payable is <b>disallowed in that PY.</b>
Deduction or Payment in Subsequent PY	(i) Where tax has been deducted in any subsequent PY <b>OR</b> (ii) has been deducted during PY but paid after DD; then <b>100%</b> of such sum shall be <b>allowed as deduction</b> in <b>PY in which such tax has been paid.</b>
Payment of Tax by Payee of such sum [Section 201]	<ul style="list-style-type: none"> <li>▪ If Tax on such income has been <b>paid by the payee</b> of such income by showing such sum as his income in his ROI, then it shall be deemed that Assessee has deducted &amp; paid tax &amp; <b>No disallowance</b> shall be attracted under this section.</li> <li>▪ <b>Deemed Date of TDS &amp; Payment of tax</b> by the payer → Date of filing ROI by the payee.</li> </ul>

**PC Note:** Since date of filing ROI by the payee is deemed to be date on which payer has deducted & paid tax → **30% shall be disallowed u/s 40(a)(i) in the year in which said expenditure is incurred. However, such 30% will be allowed as deduction in subsequent year in which ROI is filed by the payee.**

**PC Note:** (1) Deduct Tax in PY & (2) Pay before DD; Otherwise disallowed.

**PAYMENTS TO RESIDENT [SECTION 40(a)(ia)]**

Conditions for Disallowance	(i) Tax is <b>not deducted</b> before the end of PY. <b>OR</b> (ii) Tax is deducted but <b>not paid</b> before DD of filing ROI u/s 139(1).
Consequences	<b>30%</b> of such amount paid/payable is <b>disallowed in that PY.</b>
Deduction or Payment in Subsequent PY	(i) Where tax has been deducted in any subsequent PY <b>OR</b> (ii) has been deducted during PY but paid after DD; then <b>30%</b> of such sum shall be <b>allowed as deduction</b> in the <b>PY in which such tax has been paid.</b>

**Payment of Tax by the Payee of such sum [Sec 201] – Same as Sec 40(a)(i)**

**Section 40A(2): Excessive Payments to Relatives → Excess Payment is not Allowed as deduction.**

## PAYMENT IN CASH [OTHER THAN A/C PAYEE CHEQUE ETC] [SEC 40A (3)]

1. A Payment or Aggregate of Payments made to **A Person** in **A Day** for **An Expenditure exceeds Rs. 10,000** [35,000 for Transport/Goods Carriage Business]
2. Payment is made **otherwise than by A/c payee cheque/draft/Electronic Medium**. **NO DEDUCTION** shall be allowed for such whole expenditure.

**Exceptions: [In following cases, NO Disallowance even if amount paid > Rs. 10,000]**

Payment made to <b>Banks, LIC</b> etc.	Payment made to <b>Government</b>
Payment through <b>Banking System</b> .	Payment by <b>Book Adjustments</b> .
Payments made to <b>Cultivator, Grower or producer of agricultural &amp; related product</b>	Payments made to producer of goods of cottage industry without the aid of power.
Payment @ <b>place not served by bank</b> .	<b>Any Terminal benefits ≤ Rs. 50,000</b> .
Payment on a day when <b>banks are closed</b>	Payment to Employees on <b>temporary posting for more than continuous period of 15 days</b> if such payment is made after TDS & employee does not have bank A/c at such place.
Payments made by any person to his <b>commission agent</b>	
Payment by <b>Authorized Dealer or Money changer</b>	

### PC Note:

- If Expenditure has been allowed as deduction in any earlier PY on accrual basis (if assessee is following accrual basis) & payment for such expenditure has been made in any subsequent PY exceeding Rs. 10,000/35,000 in cash to a person in a day, then such payment shall be deemed to be the income of PY in which payment is made.
- Section 40A(3) does not apply for Repayment of Loans. But it applies to interest payments since interest is a deductible expenditure.
- **Payment made by commission agents** for goods received by them for sale on commission basis (such payment is not a deductible expenditure in computing taxable income of commission agent).

➔ **Provision for payment of unapproved gratuity 'Not yet due'** → Not Deductible [Section 40A(7)]

➔ **Contribution by Employer to URPF** → Not Deductible [Sec 40A(9)]

## EXPENDITURES DEDUCTIBLE ON PAYMENT BASIS ONLY [SEC 43B]

Following Expenses (which are deductible in normal circumstances) are **deductible in relevant PY only** if they are **paid before due date of filing ROI** of such PY u/s 139(1).

1. **Tax, Duty, Cess or Fee** (by whatever name called) levied under any law.
2. **Employer's Contribution to any PF/SF/Gratuity Fund** or any recognized fund.
3. **Bonus/Commission to employees**.
4. **Interest** on any Loan or borrowing from any PFI/SFC/SIIC/Bank.
5. Interest on any Loan or borrowing from notified class of NBFCs.
6. Leave Salary
7. Any Sum Payable to Indian Railways for use of Railways Assets.
8. **Sum payable to a MICRO or SMALL Enterprise beyond time-limit specified in section 15 of MSME Development Act, 2006.**

### Sec 15 of MSME Development Act, 2006: Due Date of Payment

- If there is a written agreement: Date agreed upon (Max. 45 Days)
- If no written agreement: Within 15 days of acceptance of goods.

### PC Analysis:

- If paid as per section 15 → Deduction on accrual basis.
- If not paid as per section 15 → Deduction in PY of payment.

**PC Note: Conversion of unpaid interest into Fresh Loan by Bank /FI** → Not deemed to be paid & thus **no deduction shall be allowed**.

❖ **Issue of debentures for unpaid interest** → Not deemed as paid & thus no deduction.

## ADJUSTMENT IN COA OF ASSET DUE TO CHANGE IN FOREX RATE [SEC 43A]

- If any business asset is acquired or loan is taken in **Foreign Currency**;
- At the time of payment, there is a change in foreign exchange rates;
- Such Difference [**Increase/decrease in liability**] shall be adjusted in COA of Asset

**PC Note: Consider Profit/loss only on amount actually paid during PY & Ignore loss/profit on outstanding amount.**

**FVC IN CASE OF TRANSFER OF L&B HELD AS SIT [Section 43CA]** → To be Studied with Section 50C u/h 'Capital Gains'.

## COMPULSORY MAINTENANCE OF BOOKS OF A/C [Section 44AA]

### A. Specified professions

GR > 1,50,000 in <b>All</b> of Last 3 PY	Books prescribed u/r 6F
GR ≤ 1,50,000 in <b>Any</b> of last 3 PY	Books of A/c which will enable AO to compute taxable income.

**Specified Professionals:** Legal, Medical, Engineering, Architectural, Accountancy, Technical consultancy or Interior Decoration etc.

### B. Following person will be required to maintain such books of A/c which will enable AO to compute their taxable income

1. **Individual/HUF** carrying Non-Specified Business or Profession:
  - Income > 2.5 Lac **OR** Sale, T/O or GR > 25 Lac in ANY ONE of last 3 PY.
2. **Other than Ind/HUF** carrying Non-Specified Business or Profession:
  - Income > 1.2 Lac **OR** Sales, T/O or GR > 10 Lac in ANY ONE of last 3 PY.
3. Person showing **lower Income** than computed on Presumptive basis u/s 44AE.

- ➔ Minimum period of Maintenance of books of A/Cs = **6 years** from the end of AY.
- ➔ **Penalty for failure to maintain books of A/c [Section 271A] = Rs. 25,000.**

## DEEMED PROFIT & THEIR TREATMENT [Section 41]

1. Refund/Recovery against any Deduction or Remission/Cessation of Trading Liability.
2. Balancing Charge – Refer Depreciation in Case of “Power-Generating Undertakings”.
3. **Sale of Scientific Research Asset**
  - Taxable Amount = **Lower of**  
 (a) Sale Price + Deduction u/s 35 – Capital Expenditure (b) Deduction Allowed
  - Year of Taxability: PY of Transfer/Sale.
4. **Recovery of Bad Debt Allowed as deduction** → Taxable in PY of **Recovery**.
5. **Adjustment of Loss of Discontinued Business incurred in PY of Discontinuance**
  - Generally, loss from business cannot be c/f after **8 years**.
  - If loss of discontinued business cannot be set off against any other income in the year of discontinuation; **AND**
  - After discontinuation of business, there is a receipt which is deemed as business income u/s 41(1)/(3)/(4);
  - **Unabsorbed loss of PY of Discontinuance** only (not earlier years) **can be set off against any deemed income u/s 41(1), (3), (4), (4A);**
  - Even if no ROL is filed within time u/s 139(1).

## AUDIT OF BOOKS OF ACCOUNTS [SECTION 44AB]

**[Penalty = Lower of (a) 0.5% of Turnover in PY or (b) Rs. 1,50,000]**

Taxpayer	Circumstances when audit is compulsory before specified date [i.e 1 month prior to the due date for filing ROI u/s 139(1)]
(a) Business Person	<ul style="list-style-type: none"> <li>▪ <b>If TO, GR for PY &gt; Rs. 1 Crore.</b> [<b>** Section 44AB does not apply to a person who declared profit u/s 44AD on presumptive basis</b>]</li> <li>▪ <b>Limit of Audit increased from Rs. 1 Cr to 10 Cr</b> subject to following conditions:                             <ul style="list-style-type: none"> <li>- <b>Total Cash receipts in PY &lt; 5% of total receipts</b> (including receipt for sales, turnover, gross receipts); &amp;</li> <li>- <b>Total Cash payments in PY &lt; 5% of total payments</b> (including amount incurred for expenditure).</li> </ul> </li> <li>▪ If Turnover for the PY &lt; <b>Rs. 1 crore</b> but such resident assessee claims that his income is LOWER than income computed on Presumptive basis u/s 44AD &amp; <b>his Income &gt; BEL in PY</b> → <b>Audit is compulsory.</b></li> <li>▪ If Total turnover ≤ Rs. 2 crores &amp; assessee has opted for section 44AD in any earlier PY (say, PY 2022-23) or <b>Assessee whose Total Cash Receipts in relevant PY ≤ 5% of Total turnover &amp; Turnover ≤ Rs. 3 Crores &amp; who has opted for section 44AD in any earlier PY (say, PY 2022-23)</b> →                              If he declares profit for any of 5 successive PYs not in accordance with section 44AD (i.e., he declares profits lower than 8% or 6%), then, he cannot opt for section 44AD for 5 successive PYs after the year of such default (i.e., from PY 2024-25 to PY 2028-29).   <b>For the year of default (i.e., PY 2023-24) &amp; next 5 PYs (i.e., PY 2024-25 to PY 2028-29), he has to maintain books of account u/s 44AA and get them audited u/s 44AB, if his income &gt; BEL.</b> </li> </ul>

(b)	Professionals	<p><b>If Gross Receipt for PY &gt; Rs. 50 Lacs.</b></p> <p><b>PC Note:</b> If Gross Receipts for the PY &lt; Rs. 50 Lacs OR Assessee whose Total Cash receipts in relevant PY &lt; 5% of Total receipts &amp; whole Gross Receipts &lt; Rs. 75 Lacs but such resident assessee claims that his income is LOWER than income computed on Presumptive basis u/s 44ADA &amp; his Income &gt; BEL in PY → Audit is compulsory.</p>
(c)	44AE Assessee	If such person claims that his income is LOWER than income computed on Presumptive basis u/s 44AE.

**PRESUMPTIVE SCHEME OF TAXATION**

Particulars	Sec 44 AD → Business	Sec 44ADA → Profession	Sec 44AE → Transport Business
<b>Eligible Assessee</b>	<ul style="list-style-type: none"> <li>Resident Individual/HUF/Partnership Firm (No LLP) &amp; Engaged in Any Business (other than Negative Listed).</li> <li>Turnover ≤ Rs. 2 Crores in PY.</li> <li>Limit = 3 Crores if Total Cash Receipts in PY ≤ 5% of total turnover.</li> </ul>	<ul style="list-style-type: none"> <li>Resident Individual/HUF/ Firm (No LLP)</li> <li>Specified Professional u/s 44AA.</li> <li>Gross Receipt ≤ Rs. 50 Lacs.</li> <li>Limit = 75 Lacs if Total Cash receipts in PY ≤ 5% of total turnover.</li> </ul>	<ul style="list-style-type: none"> <li>Persons carrying on business of plying, hiring, &amp; leasing goods carriages &amp; not owning more than 10 Goods Carriages at any time during the PY.</li> </ul>
<b>Income</b>	<p>Income = 8% of Turnover.</p> <p>However, Income = 6% of Turnover or Gross Receipt for amount received by A/c Payee cheque/draft/Electronic Medium during PY or before DD of Filing ROI u/s 139(1).</p>	<p>Income = 50% of Gross Receipt</p>	<ol style="list-style-type: none"> <li>Heavy Vehicle (&gt; 12,000 Kgs) → Rs. 1,000 per ton per month or part of it.</li> <li>Other than Heavy Vehicle → Rs. 7,500 per month or part of it.</li> </ol> <p>only for the period during which vehicle is owned by Assessee in PY.</p>
<b>Deduction</b>	No Deduction u/s 30 - 38 shall be available. However, Salary & Interest paid by Firm to Partner → Deductible u/s 44AE only.		
<b>Audit &amp; Books of A/c</b>	Not required.		
<b>VI-A Deductions</b>	Deduction u/s 80C to 80U shall be available to the Assessee.		
<b>Advance Tax</b>	Pay 100% Advance Tax in 1 instalment on/before 15th March. (Except 44AE) [Section 44AE walo ko 4 instalments me hi bharna padega]		
<b>Depreciation</b>	For subsequent PY (after becoming ineligible for presumptive scheme) → WDV shall be computed, as if Depreciation had been allowed in earlier year.		
<b>Option to Pay Higher</b>	Yes. Available in all cases.		
<b>Option to Pay Less</b>	Yes. But (i) He will have to maintain books of accounts & (ii) If declared income > BEL, he will have to get his books of accounts Audited.		

**Section 44AD(4):** If assessee declares profit for any PY as per 44AD & he does not declare profit as per section 44AD(1) for any of the next 5 consecutive PY, he becomes ineligible to claim the benefit of presumptive income as per AD(1) for next 5 AYs subsequent to PY in which profit has not been declared as per 44 AD.



**Definition of Capital Asset [Section 2(14)]**

- ☞ **Any Property** (Movable/immovable), connected with business/profession or not.
  - ☞ Any Securities held by **FIIs** (as per SEBI regulations) **[Always CA → Even if SIT]**
  - ☞ ULIP issued on/after 1.2.2021 which is not exempt u/s 10(10D) on account of –
    - (a) premium payable > Rs. 2,50,000 for any of the PYs during term of such policy; or
    - (b) Aggregate premium > Rs. 2,50,000 in any of PYs during term of any such ULIP(s) [If premium is payable by person for more than 1 ULIP issued on/after 1.2.2021].
- Taxable amount shall be calculated in prescribed manner [Section 45(1B)]**

**EXCEPTIONS: [Following are NOT CAPITAL ASSETS]**

1. **SIT/RM/Consumables stores** (Except Securities held by FIIs as SIT).  
**Note:** Securities held by FIIs → Always Capital Asset even if held as SIT.
2. **Movable Personal effects** (including wearing apparel & furniture) **but excludes** ↓
  - Jewellery,
  - Archaeological collections; Drawings; Paints; Sculptures; Any other work of Art.

**PC Note:** If Precious stones/metals are sewn/worked/set into Wearing Apparel/ furniture, it is classified into the category of jewellery & thus it is a Capital Asset.  
**Ex: Madhuri ka Ghagra**, Throne of Gold/Diamonds; Shirt with diamond buttons.

3. **Rural Agricultural Land in INDIA** [Note: Urban Agricultural land → Capital Asset]
  - **Rural Land** means land outside the following Specified limits:

Population	Distance from Municipality
≤ 10 K	0 Kms
> 10 K & ≤ 1 L	2 Kms
> 1 L & ≤ 10 L	6 Kms
Above 10 L	8 Kms

- **Agricultural Land:** Land used for agricultural purposes for 2 yrs prior to transfer.

**What about Urban Land?** Capital Gain on Transfer of Urban Agricultural Land → Not treated as Agricultural Income & thus it is **not exempt** u/s 10(1).

4. **Gold Deposit bonds/Certificates**

**Definition of Transfer of Capital Asset [Sec 2(47)]**

1. Sale, exchange or relinquishment of the asset.
2. Extinguishment of any rights in the asset.
3. Compulsory Acquisition of any Capital Asset under any law.
4. Conversion of Capital Asset into Stock in trade.
5. Maturity/Redemption of ZCB.
6. Giving possession of **IMMOVABLE PROPERTY** under Part performance of a contract.
7. Other transactions which have the effect of transferring enjoyment of immovable property

**TYPES OF CAPITAL ASSET [SECTION 2(42A)]**

- ▶ **STCA: If POH of Asset ≤ 36 months** ▶ **LTCA: If POH of Asset > 36 months**
- From 23.7.2024: Capital asset will be a STCA if it is held for ≤ 24 months.**

**Exceptions: Following assets become LTCA if POH > 12/24 Months**

1 TRANSFER TAKES PLACE BEFORE 23.7.2024 – NO CHANGE IN THIS POINT			
	Nature of Capital Asset	STCA - POH	LTCA - POH
	▪ Listed Security (other than unit)	≤ 12 months	> 12 months
	▪ Unit of equity-oriented fund/unit of UTI		
	▪ Zero Coupon bond		
	▪ Unlisted shares	≤ 24 months	> 24 months
	▪ Land or building or both		
	▪ Unlisted securities (other than shares)	≤ 36 months	> 36 months
	▪ Other capital assets		
2 TRANSFER TAKES PLACE ON OR AFTER 23.7.2024 – NEW POINT			
	Nature of Capital Asset	STCA - POH	LTCA - POH
	▪ Listed Security (other than unit)	≤ 12 months	> 12 months
	▪ Unit of equity-oriented fund/unit of UTI		
	▪ Zero Coupon bond		
	▪ Other capital assets	≤ 24 months	> 24 months

**Note:** Capital gains on transfer of **market linked debentures & units of a specified MF & unlisted bond/debenture transferred or redeemed or matures on/after 23.7.2024 = Always STCG** irrespective of POH [Sec 50AA]

**COMPUTATION OF CAPITAL GAINS [SECTION 48]**

Full Value of Consideration <b>(Check Sec 50C for L&amp;B)</b>	XXX	If consideration is received in kind, then FVC = FMV; Adequacy & Receipt of Consideration → IRRELEVANT
<b>Less: Expenses of Transfer</b>	(xxx)	<b>Ex:</b> Brokerage, stamp fees, litigation expenditure etc; <b>[Note: STT paid is NOT DEDUCTIBLE]</b>
<b>Net Sale Consideration</b>	<b>XXX</b>	<b>FVC – Expenses of Transfer</b>
<b>Less: Cost of Acquisition</b> (Indexation if CA is LTCA)	(xxx)	Any Revenue Expenditure → will not form part of COA; Amount Paid to discharge mortgage → Included.
<b>Less: Cost of Improvement</b> (Indexation if CA is LTCA)	(xxx)	<ul style="list-style-type: none"> <li>Capital Expenditures only; Revenue Expenditure will not be included in COI.</li> <li>Year in which Improvement is done → <b>Not Relevant.</b> [If CA is LTCA → Indexation Milega]</li> </ul>
<b>SHORT/LONG TERM CAPITAL GAIN</b>	XXX	Check for Section 54 Series Exemption to Arrive @ Taxable Capital Gain.

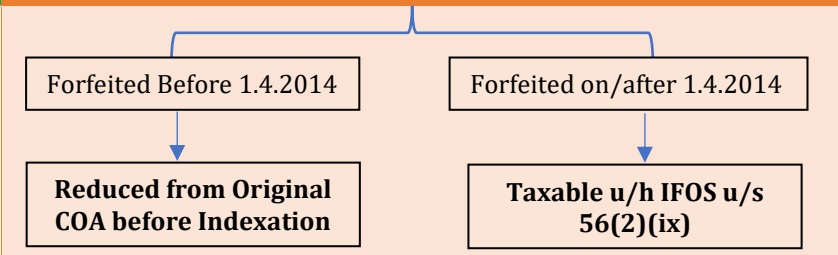
**Note: COA or COI would not include the deductions claimed on interest u/s 24(b) or u/s 80EE or u/s 80EEA under the provisions of Chapter VI-A.**

INDEXED COST OF ACQUISITION [CII for FY 2024-25 = 363]	OPTION TO TAKE FMV ON 1.4.2001 AS COA of CAPITAL ASSET	COST OF IMPROVEMENT
<p style="text-align: center;">COA</p> <p><math>\frac{\text{CII of PY in which asset was first held by Assessee} \times \text{CII of PY of Transfer}}{\text{OR CII of 2001-2002 (whichever is Later)}}</math></p> <p>* CII of PY of acquisition of asset by Previous owner [Transfer u/s 49(1)]</p> <p><b>PC Note: Indexation is available from FY 2001-02.</b></p> <p><b>PC Note: What if Asset is acquired before PY 2001-02?</b> Since Indexation is available from PY 2001-02, we will have a GAP left for the earlier period &amp; thus we will lose Indexation for such period..... WHAT TO DO ????? →</p>	<p>⇒ If Cap. Asset is acquired before 1.4.2001 → Assessee have <b>option</b> to take FMV on 1.4.2001 as COA.</p> <p>⇒ <b>For L&amp;B → If FMV &gt; SDV on 1.4.2001, SDV on 1.4.2001 shall be taken as FMV.</b></p> <p>⇒ <b>Option not available</b></p> <ul style="list-style-type: none"> <li>Depreciable Assets/Goodwill</li> </ul> <p style="text-align: center; background-color: #f4a460; color: white;"><b>This will Fill Time GAP</b></p>	<ul style="list-style-type: none"> <li>COI → Considered if incurred on/after 1.4.2001</li> <li>COI by Previous Owner → Considered (Check 1)</li> <li>In case of Goodwill/any other Intangible asset → COI = Nil.</li> </ul> <p><b>Indexed Cost of Improvement</b></p> <p style="text-align: center;"><math>= \frac{\text{COI}}{\text{CII of PY of Improvement}} \times \text{CII of PY of Transfer}</math></p>

**NO INDEXATION IS AVAILABLE IN FOLLOWING CASES [EVEN IF ASSETS ARE LTCA]**

- Zero Coupon Bonds
- Debentures/ Bonds** [Except Capital Indexed Bonds/ Sovereign Gold Bonds]
- Slump Sale [Section 50B]
- Depreciable Assets** [Since capital gain arising on depreciable asset is always STCG]
- Share/Debentures acquired by NR in foreign currency in Indian company. (1<sup>st</sup> Proviso to sec 48)
- Long term capital assets specified u/s 112A.**
- Market linked debentures, units of specified MF & unlisted bonds/debentures transferred or redeemed or matures on/after 23.7.2024.**

**TREATMENT OF ADVANCE MONEY FORFEITED [Section 51]**



**PC Note: Amount Forfeited by Previous owner → Ignored.**

FVC IN CASE OF TRANSFER OF L&B HELD AS CAP. ASSET [Section 50C]		FVC ON TRANSFER OF UNLISTED SHARES [Sec 50CA]
1. Actual SC > SDV	FVC = Actual SC	▶ If Actual SC < FMV of such share → <b>FVC = FMV</b>
2. Actual SC < SDV	FVC = SDV	<b>FMV → Deemed to be FVC [Sec 50D]</b>
<b>PC Note: If SDV ≤ 110% of Actual SC → FVC = Actual SC.</b>		▶ If Consideration is not determinable → <b>FVC = FMV on date of transfer</b>

VALUE BY VALUATION OFFICER [PC @ बिच का बन्दर]	SDV When Date of Agreement (DoA) & Date of Registration (DoR) are DIFFERENT								
Value by VO > SDV	FVC = SDV		<b>Whether Payment (Full/part) received on/before DOA by A/c Payee Cheque ↓</b>		<b>FVC ↓</b>				
Value by VO > Actual SC but < SDV	FVC = Value by VO		Yes		SDV on DOA				
<b>Class Note:</b>			No		SDV on DOR				
			<b>Examples:</b>						
<b>Examples:</b>				<b>DOA</b>	<b>DOR</b>	<b>Sale Consideration &amp; Receipts</b>	<b>SDV on DOA</b>	<b>SDV on DOR</b>	<b>FVC</b>
<b>Actual SC</b>	<b>SDV</b>	<b>Value by VO</b>	<b>FVC</b>	1.9.2022	1.5.2023	100L (10L received by cheque on 1.9.2022)	120 (1.9.2022)	210 (1.5.2023)	<b>120</b>
50	45	-	50	1.9.2022	1.5.2023	100 L (10 L received by cash on 1.9.2022)	120 (1.9.2022)	210 (1.5.2023)	<b>210</b>
50	75	-	75	1.5.2013	31.3.2034	100 L (Full amount received on DOR)	120 (1.5.2023)	210 (31.3.2024)	<b>210</b>
50	75	85	75						
50	75	55	55						
50	75	45	50						

CAPITAL GAINS IN CASE OF DEEMED SALE [SEC 45] → [Not Actual Sale & thus Section 50C is NOT Applicable]				
Particulars	Sec 45(1A)	Sec 45(2)	Sec 45(3)	Sec 45(4)
<b>Cap. Gain on</b>	Destruction of CA	Conversion of CA into SIT	Capital Contribution [Partners → Firm]	Dissolution/Retirement of Partners [Firm → Partners]
<b>Sale Consideration</b>	Insurance Compensation	FMV of CA on Date of Conversion	Value of Asset recorded in books of Firm	FMV of CA on date of transfer
<b>Taxable in PY →</b>	PY of Receipt of Money	PY in which SIT is sold/transferred & not in PY of Conversion into SIT	PY in which CA is given to firm	PY in which CA is given to partners
<b>Indexation till</b>	Till Date of Destruction	Till Date of conversion of CA into SIT	Till PY of Capital Contribution	Till PY of Distribution of CA to partners

COMPULSORY ACQUISITION OF CAPITAL ASSET [SEC 45(5)]		CAPITAL GAINS IN CASE OF SPECIFIED AGREEMENT [SEC 45(5A)]	
<b>INITIAL COMPENSATION</b>		<b>Applicability</b>	Individual & HUF
<b>SC</b>	Amount of Initial Compensation	<b>Transaction</b>	Cap. Gain on Transfer of L&B or Both under Specified Agreement.
<b>Taxed in</b>	<ul style="list-style-type: none"> <li>▪ PY of Receipt of Initial Compensation (either Whole/Part).</li> </ul> <p><b>Compensation in Instalments:</b> If compensation is received in Instalments, Entire Capital Gain on Total Compensation is taxable in PY of receipt of 1<sup>st</sup> Instalment.</p>	<b>Taxable in</b>	PY in which Certificate of Completion for whole/part of project is issued.
<b>POH</b>	Till: Date of Compulsory Acquisition	<b>SC</b>	<b>Stamp Duty Value</b> of his share in project ( <b>being L&amp;B or both</b> ) on date of issue of Completion Certificate + Cash Received.
<b>Indexation</b>	Upto PY of Compulsory Acquisition of Asset	<b>Meaning of Specified Agreement</b>	Registered agreement in which a person owing L/B or both agrees to allow another person to develop a real estate project on such L/B. Developer will give such person share in the project with/without payment of part of the consideration in cash.
<b>ENHANCED COMPENSATION</b>		<b>Consequences of Transfer before Date of Issue of Completion Certificate:</b>	
<b>SC</b>	Enhanced Compensation	<ul style="list-style-type: none"> <li>▪ Benefit u/s 45(5A) is not available if assessee transfers his share in project on/before issue of completion certificate to any person.</li> <li>▪ In such case, CG shall arise in the year of such transfer.</li> <li>▪ In such case, section 45(5A) will not apply for determining full value of consideration.</li> <li>▪ Thus, FVC = Higher of (i) SDV on date of transfer of his share or (ii) Actual consideration.</li> </ul>	
<b>Taxed in</b>	<p><b>Taxable in PY of Receipt.</b></p> <p>Enhanced Compensation is received in Instalments → only Proportionate Cap. Gain shall be taxable in that PY.</p> <p><b>Note:</b> Enhanced compensation received under interim order will be taxable in PY in which final order of court is passed.</p>		
<b>COA/COI</b>	Nil. Litigation expenses → Allowed as deduction.		

CAPITAL GAINS ON BUYBACK OF LISTED SHARES [Section 46A]			REFERENCE TO VALUATION OFFICER [SEC 55A]
☞ Sale Consideration = Buy-back price given by the company to Shareholder			
Taxability in hands of	Tax Treatment on Buyback of Shares by		Specified Securities by
	Domestic Company (Upto 30.09.2024)	Other than DC	Any company
<b>Company</b>	Taxable @ 23.296%	Not taxable	Not taxable
<b>Shareholder</b>	Exempt u/s 10(34A)	Taxable u/s 46A	Taxable as CG u/s 46A.
<p>⇒ <b>Buyback by Domestic Co. on/after 1.10.2024 → Deemed dividend u/s 2(22)(f) u/h IFOS.</b></p> <p>⇒ <b>No deduction for expenses would be available against such dividend income [Sec 57]</b></p> <p>⇒ <b>Section 46A: Consideration received by shareholder on buy back of shares = Nil</b></p> <p>⇒ <b>Capital loss = Consideration (i.e Nil) - COA. It can be set off &amp; carry forward.</b></p>			
<p>(i) Where value of asset claimed by assessee is in accordance with valuation made by registered Valuer, but AO is of the opinion that value so claimed is less than FMV of the Asset.</p> <ul style="list-style-type: none"> <li>▪ AO can refer VO in cases where FMV is taken as sale consideration.</li> <li>▪ If FMV on 1.4.2001 is taken as COA, AO can make a reference to VO if he thinks that there is any variation b/w FMV on 1.4.2001 claimed by assessee &amp; FMV on that date.</li> </ul> <p>(ii) Where AO thinks that FMV of the asset exceeds value claimed by</p> <ul style="list-style-type: none"> <li>▪ <b>More than 15% of the value claimed</b> by the assessee or</li> <li>▪ <b>Rs. 25,000 (whichever is less).</b></li> </ul> <p>(iii) Where AO thinks that it is necessary to do so having regards to nature of the asset &amp; relevant circumstances.</p>			

## COST OF ACQUISITION IN SPECIAL CASES

GW/TM/BN/Right to manufacture or any other Intangible Asset [Sec 55(2)(A)]	RIGHT SHARES/BONUS SHARES [Sec 55(2)(aa)]																		
<b>Cost</b> <ol style="list-style-type: none"> <li>1. Self-Generated Assets: Nil</li> <li>2. Purchased: Actual COA (purchase price)</li> <li>3. Modes u/s 49(1): Cost to Previous Owner</li> </ol> <div style="border: 1px solid black; padding: 5px; margin: 5px auto; width: fit-content;"> <b>Option to take FMV on 1.4.2001 → Not Available</b> </div> <p><b>COA of GW</b> i.r.o. which depreciation u/s 32(1) has been obtained in any PY (upto PY 2019-20), <b>COA of such goodwill = Purchase price - total depreciation</b> (upto PY 2019-20).</p> <p><b>Sweat Equity Shares/ESOP [Sec 49(2AA)] → COA = FMV on Exercise date.</b></p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">1</th> <th style="width: 75%;">Bonus Shares</th> <th style="width: 20%;">COA</th> </tr> </thead> <tbody> <tr> <td></td> <td>Acquired <b>before 1.4.2001</b></td> <td><b>FMV as on 1.4.2001</b></td> </tr> <tr> <td></td> <td>Acquired <b>on/after 1.4.2001</b></td> <td><b>Nil</b> [No option is available]</td> </tr> <tr> <td>2</td> <td><b>Right Shares</b> purchased by Original Shareholder</td> <td><b>Issue Price</b></td> </tr> <tr> <td></td> <td><b>Right Shares</b> purchased by Purchaser of Right</td> <td><b>Issue price + Cost of Right</b></td> </tr> <tr> <td>3</td> <td><b>CoA of 'Right'</b></td> <td>Always Nil &amp; always STCG</td> </tr> </tbody> </table>	1	Bonus Shares	COA		Acquired <b>before 1.4.2001</b>	<b>FMV as on 1.4.2001</b>		Acquired <b>on/after 1.4.2001</b>	<b>Nil</b> [No option is available]	2	<b>Right Shares</b> purchased by Original Shareholder	<b>Issue Price</b>		<b>Right Shares</b> purchased by Purchaser of Right	<b>Issue price + Cost of Right</b>	3	<b>CoA of 'Right'</b>	Always Nil & always STCG
1	Bonus Shares	COA																	
	Acquired <b>before 1.4.2001</b>	<b>FMV as on 1.4.2001</b>																	
	Acquired <b>on/after 1.4.2001</b>	<b>Nil</b> [No option is available]																	
2	<b>Right Shares</b> purchased by Original Shareholder	<b>Issue Price</b>																	
	<b>Right Shares</b> purchased by Purchaser of Right	<b>Issue price + Cost of Right</b>																	
3	<b>CoA of 'Right'</b>	Always Nil & always STCG																	

## MISCELLANEOUS CASES OF COMPUTING CAPITAL GAINS

CAPITAL GAIN IN CASE OF SLUMP SALE [Sec 50B]	SHARES/DEBENTURES ACQUIRED IN FOREIGN CURRENCY BY NR [1 <sup>st</sup> Proviso to Sec 48]																
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">COA &amp; COI</td> <td> <ul style="list-style-type: none"> <li>▪ COA &amp; COI = <b>Net worth</b> of the undertaking/division.</li> <li>▪ <b>Net worth</b> = Total value of All Assets - Total Liability</li> <li>▪ Change due to REVALUATION → <b>IGNORED</b>.</li> </ul> </td> </tr> <tr> <td>FVC</td> <td>▪ <b>Higher of (i) FMV on date of transfer (ii) ASC</b></td> </tr> <tr> <td>FMV</td> <td> <ul style="list-style-type: none"> <li>▪ <b>Higher of</b></li> <li>(a) FMV of capital assets transferred by way of slump sale (determined on date of slump sale)</li> <li>(b) FMV of consideration received (monetary &amp; non-monetary) or accruing.</li> </ul> </td> </tr> <tr> <td>Indexation</td> <td><b>No Indexation</b></td> </tr> <tr> <td>Cap. Gain</td> <td> <ul style="list-style-type: none"> <li>▪ If POH of undertaking/division ≤ 36 Months → STCG.</li> <li>▪ If POH of undertaking/division &gt; 36 Months → LTCG.</li> </ul> </td> </tr> </table> <p>❖ <b>Total value of All Assets</b> shall be calculated as:</p> <ul style="list-style-type: none"> <li>- Sec 35AD Assets: Nil</li> <li>- Depreciable Assets: WDV of block</li> <li>- <b>All other Assets: Book value</b></li> </ul>	COA & COI	<ul style="list-style-type: none"> <li>▪ COA &amp; COI = <b>Net worth</b> of the undertaking/division.</li> <li>▪ <b>Net worth</b> = Total value of All Assets - Total Liability</li> <li>▪ Change due to REVALUATION → <b>IGNORED</b>.</li> </ul>	FVC	▪ <b>Higher of (i) FMV on date of transfer (ii) ASC</b>	FMV	<ul style="list-style-type: none"> <li>▪ <b>Higher of</b></li> <li>(a) FMV of capital assets transferred by way of slump sale (determined on date of slump sale)</li> <li>(b) FMV of consideration received (monetary &amp; non-monetary) or accruing.</li> </ul>	Indexation	<b>No Indexation</b>	Cap. Gain	<ul style="list-style-type: none"> <li>▪ If POH of undertaking/division ≤ 36 Months → STCG.</li> <li>▪ If POH of undertaking/division &gt; 36 Months → LTCG.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cap. Gain shall be computed in the foreign currency in which NR acquires shares/debentures.</li> <li>▪ After calculating capital gains in foreign currency, it will be converted into Indian Currency.</li> <li>▪ <b>Indexation</b> is <b>NOT AVAILABLE</b>.</li> <li>▪ <b>Steps to compute CAPITAL GAIN</b></li> </ul> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="width: 30%;"><b>SC &amp; Expenses of Transfer</b></td> <td>Convert into FC by using <b>Average Rate</b> on date of transfer.</td> </tr> <tr> <td><b>Cost of Acquisition</b></td> <td>Convert into FC by using <b>Average Rate</b> on date of acquisition.</td> </tr> <tr> <td><b>Capital Gain</b></td> <td>Capital Gain in Foreign Currency shall be <b>Re-converted</b> into INDIAN CURRENCY by applying <b>BUYING Rate</b> on date of transfer.</td> </tr> </table>	<b>SC &amp; Expenses of Transfer</b>	Convert into FC by using <b>Average Rate</b> on date of transfer.	<b>Cost of Acquisition</b>	Convert into FC by using <b>Average Rate</b> on date of acquisition.	<b>Capital Gain</b>	Capital Gain in Foreign Currency shall be <b>Re-converted</b> into INDIAN CURRENCY by applying <b>BUYING Rate</b> on date of transfer.
COA & COI	<ul style="list-style-type: none"> <li>▪ COA &amp; COI = <b>Net worth</b> of the undertaking/division.</li> <li>▪ <b>Net worth</b> = Total value of All Assets - Total Liability</li> <li>▪ Change due to REVALUATION → <b>IGNORED</b>.</li> </ul>																
FVC	▪ <b>Higher of (i) FMV on date of transfer (ii) ASC</b>																
FMV	<ul style="list-style-type: none"> <li>▪ <b>Higher of</b></li> <li>(a) FMV of capital assets transferred by way of slump sale (determined on date of slump sale)</li> <li>(b) FMV of consideration received (monetary &amp; non-monetary) or accruing.</li> </ul>																
Indexation	<b>No Indexation</b>																
Cap. Gain	<ul style="list-style-type: none"> <li>▪ If POH of undertaking/division ≤ 36 Months → STCG.</li> <li>▪ If POH of undertaking/division &gt; 36 Months → LTCG.</li> </ul>																
<b>SC &amp; Expenses of Transfer</b>	Convert into FC by using <b>Average Rate</b> on date of transfer.																
<b>Cost of Acquisition</b>	Convert into FC by using <b>Average Rate</b> on date of acquisition.																
<b>Capital Gain</b>	Capital Gain in Foreign Currency shall be <b>Re-converted</b> into INDIAN CURRENCY by applying <b>BUYING Rate</b> on date of transfer.																
<b>CAPITAL GAINS ON TRANSFER OF DEPRECIABLE ASSET [SECTION 50]</b>																	
<ul style="list-style-type: none"> <li>❖ <b>Always be STCG</b> irrespective of POH.</li> <li>❖ <b>Capital Gain on Depreciable Assets will arise only in following two cases:</b> <ul style="list-style-type: none"> <li>▪ WDV is Zero but Block is not Empty → No Depreciation &amp; STCG u/s 50(1).</li> <li>▪ Block is empty but WDV is not Zero → No Depreciation &amp; STCL u/s 50(2).</li> </ul> </li> <li>❖ <b>PC Note:</b> If SC of All Assets in Block &lt; WDV of Block → STCL = SC - WDV of block</li> </ul>																	

**CAPITAL GAIN ON MARKET LINKED DEBENTURES [SECTION 50AA]**

Section 50AA provides for computation of capital gains in case of transfer of units of (a) Specified Mutual Fund acquired on/after 1.4.2023 or (b) Market Linked Debenture (c) **unlisted bonds/debentures transferred or redeemed or matures on/after 23.7.2024**

**Note:** Always STCG & chargeable to tax at normal rate of tax.

**Market Linked Debenture:** Security which has an underlying principal component in the form of debt security; and where the returns are linked to market returns on other underlying securities or indices. It includes any security classified or regulated as a market linked debenture by the SEBI.

**Specified Mutual Fund:** MF where not more than 35% of its total proceeds is invested in equity shares of domestic companies.

However, the percentage of equity shareholding held in respect of the Specified Mutual Fund shall be computed with reference to the annual average of the daily closing figures.

**ASCERTAINMENT OF COA IN SPECIFIED CIRCUMSTANCES [SEC 49(1)]**

In following cases, Cost of Acquisition = Cost of Acquisition to Previous Owner.

If Capital Asset became the property of the assessee on/by way of/under:

- (a) Distribution of assets on Partition of a HUF;
- (b) Gift or will or irrevocable trust **by Individual/HUF**
- (c) Succession/Inheritance or Devolution;
- (d) Distribution of Assets on Liquidation of Company;
- (e) Transfer of CA under a Trust (revocable or irrevocable);
- (f) Transfer of CA by HC to WOS (Indian) Company or by SC to its 100% HC (Indian).
- (g) Transfer of CA by Amalgamating company to Amalgamated Indian company in a scheme of amalgamation referred to in section 47(vi).
- (h) Transfer of CA by Demerged company to Resulting Indian company in demerger.
- (i) Conversion of his separate property into HUF property by Individual ref. in 64(2).

**Case Law: CIT vs. Manjula J. Shah [Bombay High Court]** → In case of mode of acquisition of asset specified u/s 49(1), POH of Previous Owner shall also be considered. **Indexation shall be available from Date of Acquisition of the Asset by Previous Owner.**

**CAPITAL GAIN ON “DISTRIBUTION OF ASSETS IN KIND BY COMPANY TO ITS SHAREHOLDERS ON LIQUIDATION” [Section 46]**

**FOR COMPANY IN LIQUIDATION**

- Asset distributed in kind by company to its shareholders on liquidation → No Transfer
- **No Capital Gain** shall arise to the company on distribution of such Assets.

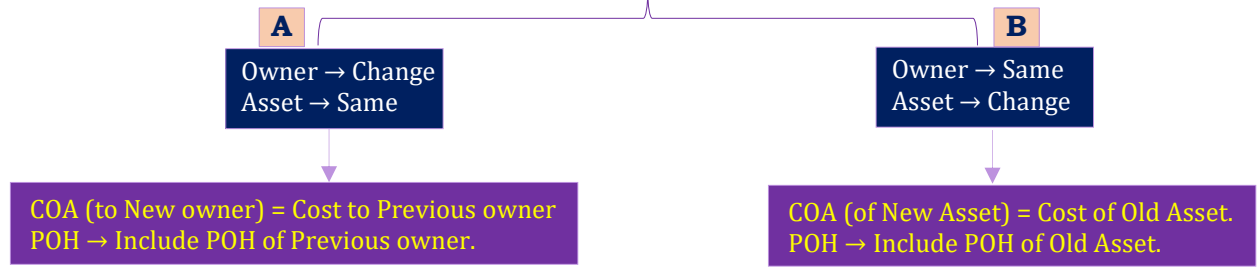
**FOR SHAREHOLDERS**

- Cap. Gain  & SC = FMV of Assets received in Kind – Deemed Dividend u/s 2(22)(c).

**Cap. Gain on Transfer of Assets received in Kind by Shareholders**

- When asset received in kind by the shareholder is transferred later, CG will arise.
- **COA** of such asset = **FMV** of such asset **on date of distribution** by the company.
- **POH** shall be reckoned from the **date of receipt** of asset on liquidation.

**TRANSACTIONS NOT REGARDED AS TRANSFER [SECTION 47]**



**SOME OTHER EXEMPT TRANSFERS:**

- ☞ **Redemption of Sovereign Gold Bonds by Individual** [Sec 47(viic)].
- ☞ Conversion of Gold into Electronic Gold Receipt or vice versa [Section 47(viid)].
- ☞ Transfer of capital asset being **Any Work of Art to Government or University or National Museum or National Art Gallery** etc.

**Category A**

1. Distribution on "Partition of HUF"
2. Transfer by way of "Gift/Will/Irrevocable Trust" by Individual/HUF
3. Transfer by "HC to its Indian WOS Company"
4. Transfer by "WOS Company to Indian HC"
5. Transfer by Amalgamating Co. to Indian Amalgamated Co. in scheme of Amalgamation
6. Transfer by "Demerged Co. to Indian Resulting Co." in scheme of Demerger.

**Category B:**

1. Transfer by way of 'Conversion of Bonds/Debentures into Shares'
2. Allotment of Shares to shareholders by Amalgamated Co. in lieu of Shares held in Amalgamating Co.
3. Transfer of units of MF 'held in Consolidating Scheme' in Consideration of 'Allotment of Units in Consolidated Scheme of MF'.
4. Transfer of 'Share from shareholder of company' in consideration of 'Share in LLP'.
5. Conversion of Preference shares into Equity shares.

**ALLOTMENT OF SHARES BY RESULTING CO. TO SHAREHOLDERS OF DEMERGED CO.**

Assets	Cost of Acquisition
Shares in Resulting Company	COA of shares in demerged Co. × $\frac{\text{Net BV of Asset after demerger in demerged co.}}{\text{Net BV of Asset before demerger in demerged co.}}$
Shares in Demerged Company	COA of share in demerged Company - Cost apportioned to shares of Resulting Co.

**CQ.** Mr A. acquired 1000 shares in XY Ltd of Rs. 20,000. XY Ltd. was demerged on 25.09.2023 & Net book value of the asset transferred to Y Ltd (resulting company) was 30 Lacs. Compute the cost of acquisition of shares of Mr. A in demerged company as well as resulting company assuming the paid-up capital & general reserve of XY Ltd before demerger were 1 crore.

**Solution:**

- **COA of Shares in Resulting Co.** =  $20,000 \times \frac{30 \text{ Lacs}}{1 \text{ crore}} = \text{Rs. } 6,000$ .
- **COA Shares in Demerged Co.** = Rs. 20,000 – Rs. 6,000 = Rs. 14,000.

**PC Note:** For determining POH of Shares in Resulting Co. → Includes POH of Shares in Demerged Co.

**CONVERSION OF GOLD INTO ELECTRONIC GOLD RECEIPT OR VICE VERSA [SECTION 47(viid)]**

❖ **Cost of Acquisition [Section 49(10)]**

- (1) **Electronic Gold Receipt is received by transferring gold:** COA of E-Gold Receipt = Cost of gold in the hands of the person in whose name E-Gold Receipt is issued.
- (2) **Where gold is released against an E-Gold Receipt, which became the property of the person as a consideration for transfer of E-Gold Receipt:** COA of Gold = Cost of E-Gold Receipt in the hands of such person.

❖ **Period of Holding:**

- **Where E-Gold Receipt is issued by Vault Manager i.r.o. gold deposited:** Period for which such gold was held by assessee prior to conversion into E-Gold Receipt.
- **Where gold is released in respect of an Electronic Gold Receipt:** Period for which such E-Gold Receipt was held by the assessee prior to its conversion into gold.

**REVERSE MORTGAGE SCHEME**

<b>Meaning</b>	▪ Senior citizens can mortgage their house property with scheduled bank etc. for lumpsum amount or regular monthly/quarterly/annual income.
<b>Taxation</b>	☞ Transfer of capital asset in a transaction of reverse mortgage under a scheme made & notified by CG <b>would not amount to a transfer - Section 47(xvi).</b> ☞ Amount received by senior citizen as a <b>Loan</b> (Lump sum/Instalments) in a transaction of reverse mortgage would be <b>Exempt [Sec 10(43)]</b> ☞ <b>Capital gains</b> would arise in the hands of senior citizen only when the mortgaged property is sold by the bank/housing finance company for recovering the loan.

## EXEMPTIONS FROM CAPITAL GAINS [SECTION 54]

Section	Section 54		Section 54B	Section 54D	Section 54EC ***	Section 54F
Assessee	Individual/HUF		Individual/HUF	Any Assessee	Any Assessee	Individual/HUF
Transferred Asset	LTCA - House		Urban Agricultural Land (LT/ST).	Industrial L&B or Both (STCA/LTCA)	L & B or Both (LTCA)	Any LTCA Except House
Acquired Asset (in India)	CG > 2 Cr 1 House	CG ≤ 2 Cr 2 Houses	Agricultural Land (Rural/Urban)	Land or Building for Industrial purpose	NHAI; REC; PFC; IRFC redeemable after 5 yrs	1 Residential House in India
Time limit for Acquiring new asset	Purchase → Within 1 Year before DOT or w/i 2 Yrs after DOT. Construct → Within 3 years from DOT.		W/i 2 years from DOT	Within 3 years from Date of Receipt of compensation	Within 6 months from DOT	Same as 54
Exemption ⇒	Lower of (i) Investment in New Asset or (ii) Capital Gain <b>Note: Max. Exemption u/s 54 = 10 crores.</b>				Same as 54. <b>But Max. Limit of Rs. 50 Lacs in PY of Transfer &amp; Next (Subsequent) PY.</b>	<b>Proportionate</b> [Refer Note Below]
Transfer of Newly acquired asset within lock-in period	<ul style="list-style-type: none"> <li>Exemption granted will be taken back. [Lock-in period of 3 years]</li> <li>For computing STCG on transfer of New Asset: <i>Cost of New Asset = (COA - CG Exempted earlier).</i></li> <li>Sec 54B: If New Asset is Rural Agricultural Land → CA ☒ ; No Cap Gain.</li> </ul>				Exemption granted will be taken back. <b>Lock-in Period = 5 Years</b>	
CGAS	Applicable			Not Applicable		Applicable

Section 54	Section 54F
<ul style="list-style-type: none"> <li>A person may <b>Sell 2 Houses &amp; Purchase 1 House</b></li> <li>Date of completion of construction is relevant.</li> <li>Holding of Legal Title → Not Necessary.</li> </ul>	<ul style="list-style-type: none"> <li>To get exemption of Whole Capital Gain, you need to Invest Whole Net Sale Consideration.</li> <li><b>Proportionate Exemption = LTCG x <math>\frac{\text{Amount Invested}}{\text{Net Sale Consideration}}</math></b></li> </ul>
<p><b>Section 54EC</b></p> <p>Assessee should not transfer or convert or avail loan on the security of such bonds in Lock-in-Period.</p>	<p><b>Withdrawal of Exemption</b></p> <ul style="list-style-type: none"> <li>If <b>new house is transferred within 3 years</b> from the date of acquisition.</li> <li>If assessee <b>purchases another house within 2 years</b> from DOT of original asset. <b>[DOT = Date of Transfer]</b></li> <li>If assessee completes <b>construction of another house</b> in or o/s India <b>within 3 years</b> from DOT of original asset.</li> </ul>

SN	LTCG	Cost of New House	Exempt u/s 54	Space for PC Analysis:
1	Rs. 07 Crores	Rs. 12 Crores	Rs. 07 Crores	
2	Rs. 12 Crores	Rs. 14 Crores	Rs. 10 Crores	
3	Rs. 11 Crores	Rs. 09 Crores	Rs. 09 Crores	
4	Rs. 15 Crores	Rs. 13 Crores	Rs. 10 Crores	

❖ **Amount utilized by the assessee for purchase or construction of new asset & amount so deposited shall be deemed to be the cost of new asset. Deemed cost of new asset would be restricted to Rs. 10 crores for the purpose of exemption u/s 54.**

**Ex 1:** If LTCG is Rs. 8 crore & assessee has incurred Rs. 5 crores in construction of new house upto DD of filing ROI u/s 139(1), then he can deposit the amount of Rs. 3 crores upto DD of filing ROI in CGAS for claiming exemption u/s 54. If he deposits Rs. 2 crores, in CGAS on or before due date u/s 139(1), deemed cost of the new residential house would be Rs. 7 crores (Rs. 5 crores + Rs. 2 crores). Exemption u/s 54 = Rs. 7 crores.

**Ex 2:** If LTCG is Rs. 14 crore & assessee has already incurred Rs. 7 crores in construction of new house upto DD of filing ROI u/s 139(1), then he can deposit the difference of Rs. 3 crores (Rs. 10 crores - Rs. 7 crores) in CGAS for claiming exemption u/s 54. If he deposits, say, Rs. 2 crores in CGAS on or before the due date u/s 139(1), deemed cost of new house = Rs. 9 crores (Rs. 7 crores + Rs. 2 crores). Exemption u/s 54 = Rs. 9 crores.

**Section 54F:**

**1. Max Investment eligible for deduction u/s 54F = Rs. 10 Crores.**

SN	NSC	LTCG	Cost of New House	Investment eligible for deduction u/s 54F	Deduction u/s 54F	Space for Calculations
1	15 Cr	7.5 Cr	12 Cr	10 Cr	5 Cr	
2	20 Cr	12 Cr	15 Cr	10 Cr	6 Cr	
3	16 Cr	12 Cr	08 Cr	8 Cr	6 Cr	
4	10 Cr	6 Cr	10 Cr	10 Cr	6 Cr	
5	12 Cr	6 Cr	12 Cr	10 Cr	5 Cr	

2. If investment in new house is not made before DD of filing ROI u/s 139(1), then NSC has to be deposited in CGAS. However, NSC in excess of Rs. 10 crores is ignored in CGAS.

**3. Amount utilized for purchase/construction of new asset + amount deposited in CGAS ⇒ Deemed as cost of New Asset [restricted to Rs. 10 crores for section 54F]**

**Ex 1:** If NSC = Rs. 9 crores; CG = Rs. 4.50 crores & amount incurred for construction of new house upto DD of filing ROI = Rs. 5 crores, then assessee can deposit Rs. 4 crores (Rs. 9 crore – Rs. 5 crore) not appropriated towards construction upto DD of filing ROI in CGAS for claiming exemption u/s 54F. If assessee has deposited Rs. 3 crore on/before DD of filing ROI, deemed cost of new house = Rs. 8 crore (Rs. 5 crore + Rs. 3 crore). Exemption u/s 54F = Rs. 4 crore [i.e., Rs. 4.50 crore x Rs. 8 crore/Rs. 9 crore].

**Ex 2:** If NSC = Rs. 15 crores; CG = Rs. 7.50 crores & amount incurred for construction of new house upto DD of filing ROI = Rs. 6 crores, then assessee can deposit Rs. 4 crores (Rs. 10 crores – Rs. 6 crore) upto DD of filing ROI in CGAS for claiming exemption u/s 54F. If assessee has deposited Rs. 3 crore on/before DD of filing ROI, deemed cost of new house = Rs. 9 crore (Rs. 6 crore + Rs. 3 crore). Exemption u/s 54F = Rs. 4.50 crore [i.e., Rs. 7.50 crore x Rs. 9 crore/Rs. 15 crore].

**CAPITAL GAINS A/C SCHEME (CGAS)** If **Investment is not made** before DD of filing of ROI, Capital Gain/NSC (for 54F) has to be deposited in CGAS to get exemption.

- Such deposit in CGAS should be made before filing ROI or before DD of filing ROI, whichever is earlier.
- In such cases, amount already utilized for purchase or construction of new asset plus the amount deposited in CGAS on/before DD of filing ROI u/s 139(1) would be deemed to be the cost of new asset. However, for sections 54 and 54F, amount so deemed to be cost of the new asset cannot exceed Rs. 10 crores.
- **Max. Limit:**
  - ⇒ **Section 54: Capital gain in excess of Rs. 10 crores would not be taken into account for the purpose of deposit in CGAS.**
  - ⇒ **Section 54F: NSC in excess of Rs. 10 crores would not be taken into account for the purpose of deposit in CGAS.**
- If amount deposited is not utilized for specified purpose within stipulated period, then unutilized amount shall be taxed as capital gain of PY in which specified period expires.
- If **Individual dies** before stipulated period, **unutilized amount is not** taxable in the hands of **legal heirs** of deceased individual.

**RATE OF TAX ON CAPITAL GAINS**

A. SHORT- TERM CAPITAL GAINS [STCG]		B. LONG - TERM CAPITAL GAINS [LTCG]	
1	STCG on Equity shares/EOMF/ULIP u/s 111A [STT paid]	1	LTCG on Equity shares/EOMF/ULIP u/s 112A [STT paid]
	<ul style="list-style-type: none"> <li>▪ If transferred before 23.07.2024: 15%</li> <li>▪ If transferred on/after 23.07.2024: 20%</li> <li>▪ Benefit of unexhausted BEL → Available for Resident Individual/HUF</li> <li>▪ No deduction under Chapter VI-A.</li> </ul>		<ul style="list-style-type: none"> <li>▪ If transferred before 23.07.2024: 10% on LTCG exceeding Rs. 1,25,000</li> <li>▪ Transferred on/after 23.7.2024: 12.5% on LTCG exceeding Rs. 1,25,000</li> <li>▪ No Chapter VI-A Deduction.</li> <li>▪ Rebate u/s 87A → Not Available against LTCG taxable u/s 112A.</li> </ul>
Equity share → STT is to be paid on acquisition & transfer.		Units of EOMF → STT is to be paid on transfer of such capital asset.	

**TAX RATES - LONG-TERM CAPITAL GAINS u/s 112**

A Where transfer takes place before 23.7.2024 [No Change]	
LTCA	Rate of tax
Unlisted securities or shares of private com.	<ul style="list-style-type: none"> <li>▪ NR/FC: 10% without indexation &amp; foreign currency fluctuation</li> <li>▪ Other Assessee: 20% with indexation benefit</li> </ul>
Listed securities (other than a unit) or ZCB	<ul style="list-style-type: none"> <li>▪ 10% without indexation or</li> <li>▪ 20% with indexation benefit (whichever is beneficial to the assessee)</li> </ul>
Other Assets	<ul style="list-style-type: none"> <li>▪ 20% with indexation benefit</li> </ul>
B Where transfer takes place on/after 23.7.2024 [Change in this Point]	
L&B if acquired before 23.7.2024: <b>Resident Individual/HUF: 12.5%</b> without indexation or 20% with indexation & <b>Other Assessee: 12.5%</b> without indexation	
(i) L&B if acquired on/after 23.7.2024 OR (ii) Other Assets (than L&B): 12.5% without indexation	

Benefit of UNEXHAUSTED BEL from All LTCGs & STCG u/s 111A	STCG Other than STCG u/s 111A
<ul style="list-style-type: none"> <li>▪ Resident Individual/HUF → Benefit of Unexhausted BEL is available.</li> <li>▪ Unexhausted BEL means Taxable Income (excluding LTCG/STCG) &lt; BEL</li> <li>▪ Shortfall* shall be deducted from LTCG/STCG u/s 111A &amp; balance Cap. Gains shall be taxable.</li> <li>▪ Shortfall = BEL - (Taxable income - LTCG/STCG u/s 111A)</li> </ul>	STCG (other than section 111A) are treated as <b>Normal Income</b> . Taxed @ Normal Rate along with other incomes.

**COA of LTCA u/s 112A acquired before 1<sup>st</sup> Feb 2018 = Higher of (a) Actual COA or (b) Lower of (i) FMV on 31.01.2018 or (ii) Sale consideration**

Ex: Actual CoA = Rs. 100; FMV on 31<sup>st</sup> Jan 2018 = Rs. 200; ASC = Rs. 250. FMV of Rs. 200 will be taken as CoA & LTCG = Rs. 50 (Rs. 250 - Rs. 200).

Ex: Actual CoA = Rs. 100; FMV on 31<sup>st</sup> Jan 2018 = Rs. 200; ASC = Rs. 150. Actual CoA < FMV. ASC is also < FMV. ASC of Rs. 150 will be taken as CoA & LTCG = NIL (Rs.150 - Rs.150).

Ex: Actual CoA = Rs. 100; FMV on 31<sup>st</sup> Jan 2018 = Rs. 50; ASC = Rs. 150. Actual CoA < FMV. ASC is also < FMV. FMV < Actual CoA & thus Actual cost of Rs. 100 will be taken as CoA & LTCG will be Rs. 50 (Rs. 150 - Rs. 100).

**FOLLOWING INCOMES ARE GENERALLY TAXABLE U/H "IFOS"**

Rent from Vacant Land (Ground Rent)	Interest on Income Tax Refunds	Casual & Non-Recurring Income	Net Winning from Online Games.
Director's Sitting Fee	Dividends including deemed dividend u/s 2(22)(f)	Examination Fees received by Teacher from Non-Employer	
Income from Undisclosed Sources [78%]	Director's Commission from bank for Guarantee	Director's Commission for Underwriting shares.	
Remuneration received by MPs/MLAs	Interest on Employees Contribution from URPF	Family Pension received by family of deceased person [Check deduction u/s 57]	
Agricultural Income OUTSIDE India	Interest received on Compensation for Compulsory Acquisition by Government of India.		
Compensation or any other payment received in connection with termination of his employment or modification of the terms and conditions of the employment [Section 56(2)(xi)]			
Advance Forfeited on Transfer of Cap. Asset on/after 1.4.2014 → Taxable u/h 'IFOS' u/s 56(2)(ix)			
Sum received under a LIP (other than ULIP/KIP) not exempt u/s 10(10D) [section 56(2)(xii)]			

**FOLLOWING INCOMES ARE TAXABLE u/h 'IFOS' IF NOT TAXABLE u/h 'PGBP'**

Employee Contribution to PF/SAF etc. received by Employer [If not remitted before Due Date]	Interest on securities etc	Royalty Income	Insurance Commission
Income from letting out → When letting of buildings is inseparable from letting of P&M/furniture.	Income from letting out P&M, Furniture on hire.		
Maturity amount of KIP (+ Bonus) if received by any person <b>other than employer &amp; employee</b> [Received by Employer → PGBP; Received by Employee → Salary]			

**TAXATION OF DIVIDEND [SECTION 56(2)(i)]**

(Always Taxable u/h IFOS)

**Types of Dividend & their Taxability for Shareholders**

Dividend by Indian Co.	<b>Taxable to shareholders @ Slab Rate from AY 21-22</b>
Dividend by Foreign Co.	Taxable [if (i) Recipient is ROR; (ii) Anyone if Received in India]
Dividend by MF/UTI	<b>Exempt</b> u/s 10(35). [Taxable to unitholders from AY 21-22]

**Income received i.r.o** (a) units from administrator of specified undertaking, (b) specified company, or (c) MF specified u/s 10(23D) **shall be taxable to unitholders.**

**PC Note: Dividend declared by Indian company outside India → Deemed to accrue/arise in India.**

**BUYBACK OF SHARES (WHETHER LISTED OR UNLISTED) ON/AFTER 1.10.2024 BY A DOMESTIC COMPANY**, any sum paid by the domestic company for purchase of its own shares would be deemed as dividend in the hands of shareholders and shall be charged to income tax at applicable tax rates. **No deduction for expenses would be available against such dividend income while determining the income from other sources.**

Deemed Dividend [Sec 2(22)] – To the Extent of Accumulated Profit only	Meaning of Accumulated profits [Read Once]
(a) <b>Distribution of Accumulated Profit by Company to Shareholder which Releases Company's Asset</b> Note: Issue of Bonus Shares to equity shareholders → No Assets are released & thus No DD.	Accumulated profit includes capital profits (Bonus shares issued) only for clause [a-d] & not for clause 'e'. Thus, Capitalized profit is not considered for Section 2(22)(e).
(b) Any distribution by a company of : ↓ <span style="float: right;"><b>[PC Note: Release of asset is not necessary]</b></span> <ul style="list-style-type: none"> <li>▪ <b>Bonus Debentures/Debenture Stock</b> → to any shareholders.</li> <li>▪ <b>Bonus shares</b> → to Preference shareholders. <span style="float: right;">[No Dividend if given to Equity Shareholders]</span></li> </ul>	
(c) <b>Distribution of Accumulated Profit at the time of Liquidation.</b> Note: Distribution of Profits AFTER Liquidation → NOT Dividend. It is repayment of capital.	
(d) <b>Distribution by the company on Reduction of Share Capital.</b>	
(e) <b>Distribution of Accumulated Profits by Closely Held company by way of ADVANCE/LOAN to</b> 1. <b>Shareholders</b> beneficially holding at least 10% equity shares in the company; 2. <b>Any person on behalf</b> of such shareholders/for benefit of such shareholder; 3. Any <b>CONCERN</b> in which such shareholder has <b>substantial interest</b> ; 4. Any <b>CONCERN</b> in which such shareholder is <b>member/partner</b> . <b>Exception:</b> Money lending is substantial business of company & loan is given in ordinary course.	
<b>(f) Amount received on Buyback of shares by domestic company on/after 1.10.2024</b>	
<b>Following payments not treated as Deemed Dividend:</b> Trade Advances in nature of commercial transactions	

CASUAL INCOME [Section 56(2)(ib)]	Interest received on Securities [Section 56 (2)(id)]	
<ul style="list-style-type: none"> <li>❖ <b>Winning from lotteries, crossword puzzles, horse races, card games &amp; other games of any sort, gambling, betting etc.</b></li> <li>❖ <b>Net Winning from Online games [Section 115BBJ]</b> <ul style="list-style-type: none"> <li>▪ Taxable @ 30% + SC (if any) + 4% HEC on tax u/s 115BB &amp; 115BBJ.</li> <li>▪ <b>No deduction for any Expenditure</b> [Not even expenses for buying ticket]</li> <li>▪ Chapter VI-A Deduction → NOT ALLOWED against casual Income.</li> <li>▪ Adjustment of <b>unexhausted BEL</b> → NOT ALLOWED against casual Income.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Securities held as Investment → IFOS</li> <li>▪ Securities held as SIT → PGBP.</li> </ul>	<p style="color: #0056b3; margin: 0;"><b>Exempt Interest u/s 10(15) - [IMP]</b></p> <ol style="list-style-type: none"> <li>1. Interest on <b>Post Office Savings Bank A/c</b> <ul style="list-style-type: none"> <li>▪ <b>Individual A/c</b> → Upto Rs. 3,500</li> <li>▪ <b>Joint A/c</b> → Upto Rs. 7,000</li> </ul> </li> <li>2. <b>Interest on bonds of IRFCL, NHAI, RECL, PFCL.</b></li> <li>3. Interest on Gold Deposit Bonds issued u/s Gold Monetization Scheme, 2015.</li> </ol>

### GROSSING UP of Winning from Lottery/Interest on securities

- If Net Amount is given, it shall be grossed up. Tax will be levied on Gross Income.
- $Gross\ Amount = \frac{Net\ Amount}{[1 - Tax\ Rate]\%}$  [Note: If Gross Amount is given, No grossing again]

**TAXABILITY OF GIFT → Receipt of Money or Property for Inadequate Consideration/Without Consideration [Sec 56(2)(x)]**

SN	Nature of Gift	Taxability in the hands of Recipient
1	<b>Money/Cheque (All Transactions)</b>	If <b>Total Amount of Money received</b> from one or more person during PY > 50,000 → <b>Whole</b> Amount of Money received is <b>Taxable</b> .
2	<b>Receipt of Movable Property (Limit for All Transactions)</b>	
	(a) Free (Without Consideration)	If <b>Aggregate FMV</b> of all Movable properties received > 50,000 → <b>Whole amount of FMV</b> of Movable Properties received is <b>Taxable</b>
	(b) Concessional (Inadequate)	If <b>Aggregate Discount</b> on all Movable properties received > 50,000 → <b>Aggregate Discount received</b> is <b>Taxable</b> .
3	<b>Receipt of Immovable Property (Limit for Single Transaction)</b>	<b>[All the immovable Properties shall be Checked Individually]</b>
	<b>Free</b> (Without Consideration)	If SDV > Rs. 50,000 → Whole SDV is taxable.
	<b>Concessional</b> (Inadequate)	If Discount > Higher of (i) Rs. 50,000 or (ii) <b>10%</b> of Actual Sale Consideration → Discount is taxable

**Applicability of Sec 56(2)(x):** Only if Asset is a Capital Asset for recipient. It would not apply if property received is Personal Effect/SIT/RM/CS of recipient.

**Note:** If Virtual Digital Asset is received, it will also be taxable in the hands of recipient u/s 56(2)(x).

**Following Gifts are NOT TAXABLE irrespective of their Amount: While calculating the above limit of Rs 50,000, following amount shall not be considered.**

Gifts from Relatives	Gift received on Marriage	Gift received in Contemplation of Death of payee/donor	Gift received under Will/Inheritance	From Local Authority
From Registered Charitable trust ref. u/s 10(23C)	Gift received by a trust from Individual. (Trust must be created for benefit of relative of individual)			
Money received by Individual for expenses incurred related to COVID-19 treatment of himself or his family member.				
Money received by family member of deceased person (i) from employer of deceased person [No limit]; (ii) from any other person/s [Upto 10 Lacs] within 12 months of death				
<b>RELATIVES</b>	Spouse/Brother/sister of Individual	Brother/sister of Spouse of Individual	Brother/sister of either of the Parents of Individual	
	Lineal Ascendant/Descendant of Individual	Lineal Ascendant/Descendant of Spouse of Individual	Spouse of any of the persons referred earlier	

**Interest on Compensation for Compulsory Acquisition of L&B [Sec 56(viii)]**

▪ Taxable in PY of Receipt; ▪ 50% of Receipt → Deductible u/s 57; Only 50% is taxable

**Issue of Shares @ PREMIUM by Closely Held Co. to Resident [Sec 56(2)(viib)]**

**Taxable Amount:** (in hands of closely held Co.) = Issue Price of Share – FMV of share

**Permissible Deductions u/h IFOS [Sec 57]**

**1. Interest on Loan** taken to purchase shares: Deduction = Lower of (i) Amount of Interest or (b) 20% of Gross Dividend. [Also for income i.r.o. units of MF specified u/s 10(23D)]

**Note: Deduction is not available from dividend referred u/s 2(22)(f).**

**3. Family Pension** → Lower of (a) 15,000 or (b) 1/3<sup>rd</sup> of Pension [Old Regime]

**Deduction = Lower of (a) Rs. 25,000 or (b) 1/3<sup>rd</sup> of Family Pension [New Regime]**

2. Commission & Remuneration paid to realise Dividend & Interest

3. Employee's Contribution if remitted before DD by Employer (will be deemed as income of employer earlier)

4. Income from letting of P&M/furniture on hire: (a) Current repairs/Insurance premium of P&M/F&F; (b) Normal depreciation allowance for P&M/ F&F.

**INADMISSIBLE DEDUCTIONS FROM IFOS [Section 58]**

Personal Expenses	Excessive Payment to Relative	Cash Payment > Rs. 10,000 [Same as 40A(3)]	Disallowance studied in PGBP for 'TDS Default' will also apply in IFOS.
-------------------	-------------------------------	--	---



Transfer of Income without Transfer of Asset [Sec 60] → Clubbed in hands of Transferor

Income from 'Revocable Transfer' of Asset [Sec 61] → Clubbed in hands of Transferor

**Meaning of Revocable Transfer:**

- It contains any provision for Re-transfer of Asset/Income to the transferor during lifetime of Beneficiary/Transferee. OR
- It gives right to transferor to re-assume power over the Asset/Income during the lifetime of Beneficiary/transferee.

**Exceptions (Sec 62)**

- **Transfer not revocable during the lifetime of beneficiary/transferee → No Clubbing.**

**PC Note:** Income arising from revocable transfer of Asset is clubbed when power to revoke transfer arises even if power to revoke has not been exercised by transferor.

**CLUBBING OF INCOME TO SPOUSE [Sec. 64(1)(ii)]**

**A. Remuneration to Spouse:** from concern in which other Spouse has Substantial Income

- Clubbed in the hands of the spouse who has Substantial Interest.
- Both Husband & Wife has SI & both gets remuneration without qualification from same concern → Clubbed in TI of Husband/Wife whose TI (excluding remuneration) is higher.
- **NO CLUBBING** → If Remuneration is received by Spouse due to his/her **Qualifications**.
  - ⇒ **Substantial Interest:** Individual along with his relatives beneficially holds **20% or more equity shares** at any time during PY.
  - ⇒ **Relative:** Spouse brother, sister or Lineal Ascendant/Descendant of Individual.

**B. Income from Assets transferred to Spouse/Son's Wife [Sec 64(1)(iv)/(vi)]**

- Individual transfer any Asset (other than House) to his/her spouse/Son's Wife for Inadequate Consideration → Income from such Asset shall be clubbed in TI of Transferor.

**PC Note:**

1. HP transferred for Inadequate consideration → Deemed Owner u/s 27 & thus No Clubbing.  
**CAPITAL GAIN** on Transfer of such House Property → **Clubbed** in hands of Transferor.
2. **Transfer before Marriage & After Divorce → No Clubbing.**
3. **Transfer for Agreement to Live Apart** → Adequate Consideration & thus, **No Clubbing.**
4. If Any **Property** is acquired by the Wife out of the **Pin Money** → **No Clubbing.**

**Assets transferred to any Person for benefit of Spouse/Son's Wife**

- Clubbed in the hands of transferor (upto benefit accruing to spouse/son's wife)

**CLUBBING OF INCOME OF A MINOR CHILD [Sec 64(1A)]**

- All Incomes of Minor Child → Clubbed in hands of either of his Parents whose TI (excluding Minor's Income) is greater.
- **Parents got divorced** → Clubbed to parent who maintain minor child in the PY.
- **Both Parents are Dead:** Income of Minor **cannot** be assessed in hands of his grandparents.
- **Exemption to Minor's Parent u/s 10(32) = Rs. 1500 [Only Old Scheme]**
- **Income arising to minor married daughter → Clubbing** ☑
- If Minor attains Majority during PY → Income till date of attaining majority is clubbed.

**NO CLUBBING:**

1. Income has been earned by the Minor due to his **own Skills**.
2. **Minor is suffering from disabilities** referred in **Section 80U**.

**Income from self-acquired Property converted to HUF property for Inadequate Consideration [Sec 64(2)]**

- Income derived by HUF from such property → Clubbed in hands of transferor.
- **CLUBBING AFTER PARTITION:**  
Share of Individual + Spouse + Minor Child → Clubbed in hands of transferor.

**Important Point related to Clubbing of Income**

- No Clubbing on Accretion of Income (Income on Income).
- Change in Identity of Transferred Asset: Income from such changed asset shall be Clubbed.
- Clubbing of Losses: Income includes loss. Losses are also clubbed.
- Relevant Head of Clubbing → Under Same Head.

**1. Intra Head/Inter Source Adjustments [ Section 70]**

☞ Loss from one source can be set off against Income from another source under same head.

**Exceptions to Intra Head Adjustment:**

Speculation Loss	<ul style="list-style-type: none"> <li>Set off against <b>Income of Any other speculation business only</b>;</li> <li>Cannot be set off against Non-Speculative (Normal) Income]</li> </ul>
Specified Business Loss	<ul style="list-style-type: none"> <li>Can be set off against <b>ANY Specified Business Income [Old Scheme only]</b></li> <li>Cannot be set off against Non-Specified (Normal) Business Income.</li> </ul> <p><b>Note:</b> Normal business loss can be set off against Specified Business income</p>
Loss from Activity of O&M Race Horses	<ul style="list-style-type: none"> <li>Can be set-off only against Income from Activity of O&amp;M Race Horses.</li> </ul>
Loss from Casual Sources of Income	<ul style="list-style-type: none"> <li><b>NO SET OFF @ ALL against any Income.</b></li> <li><b>Note: Taxed @ 30%.</b> [Expenses of buying lottery → Not deductible]</li> </ul>
LTCL	<ul style="list-style-type: none"> <li>Can be set off against <b>LTCG only &amp; NOT STCG</b>;</li> <li><b>Note:</b> STCL can be set off against both STCG &amp; LTCG</li> </ul>

**2. Inter Head Adjustment [Section 71]**

☞ Loss from one head of income can be set off against another head.

**Exceptions to Inter Head Adjustment:**

Capital Loss	<ul style="list-style-type: none"> <li>only against Income u/h 'Capital Gains'.</li> </ul>
PGBP Loss	<ul style="list-style-type: none"> <li>Cannot be set off against Income u/h Salaries.</li> </ul>
HP Loss	<ul style="list-style-type: none"> <li>Set off against <b>any head upto 2 lac (Old Scheme)</b></li> </ul> <p><b>Note:</b> HP Loss is neither allowed to be set off against income from any head in default (new) scheme nor carried forward.</p>

Since in the following cases, intra-head adjustment is not permitted & hence Inter-Head Adjustment will also be NOT PERMITTED:

1. Speculation Business Loss;
2. Specified Business Loss;
3. Loss from Activity of owning & maintaining race horses;
4. Loss from Casual Source of Income [Ex: Lottery]

**PC Note:**

1. Loss from **exempt source** can **neither be set off** against profits from taxable source **nor carried forward** [Note: LTCG u/s 112A not considered as exempt upto Rs. 1 Lac]
2. Assessee can Set off Losses in the **most beneficial manner to him**;
3. Set off of losses (if eligible profit is there) is **Mandatory**.
4. **Specified Business:** We know that New (Default) Scheme does not allow deduction u/s 35AD. Thus, if assessee is paying tax under new scheme, he will neither be allowed any deduction u/s 35AD nor be allowed to set off any loss from such specified business. So, to get deduction or to set off any loss, he will have to opt out of new scheme.

**CARRY FORWARD OF LOSSES**

☞ If Loss cannot be set off either under (i) Same head (Intra Head) or (ii) Different heads of Income (Inter Head) due to **Absence of Eligible Income in same year**, it is carried forward to next year & **SET OFF AGAINST INCOME FROM SAME HEAD** subject to certain restrictions in following AYs subject to prescribed time limit.

**PC Note:** Brought Forward Loss can be set off only against INCOME FROM SAME HEAD only (Unabsorbed Depreciation → Against ANY HEAD except Salary).

**TIME LIMIT FOR CARRY FORWARD OF LOSSES**

House Property	Normal Business Loss	Specified Business Loss	Speculation Business Loss	Capital Loss	Loss from Activity of O&M Race Horses
8 AYs	8 AYs	Indefinite Period	4 AYs	8 AYs	4 AYs

**ORDER OF SET OFF OF LOSSES**

1. Current year Depreciation;
2. Brought forward Loss from business/profession [Sec 72(1)];
3. Unabsorbed depreciation [Sec 32(2)].

▪ Deduction is allowed from GTI. If NO GTI → NO DEDUCTION.

Chapter VI-A Deductions are not allowed from (i) Capital Gains (ii) Casual Incomes.

Only 3 deductions are allowed in New Scheme → (1) Section 80CCD(2); (1) Section 80CCH(2); (1) Section 80JJAA. Other deductions are allowed only in Old Regime.

**Section 80C** → Individual/HUF (R/NR); ▪ Payment Basis; ▪ Taxable/Exempt Income

Payment made in name of Individual, Spouse, Any Children [Parent → ☒]

**Contribution/ Subscription/Payment towards**

- SPF/PPF/RPF/SAF; ▪ **Sukanya Samridhi Scheme**; ▪ **ULIP of UTI/LIC MF**
- **NSC/NABARD** Bonds; Notified units of MF/UTI.
- Tuition Fees for FULL TIME EDUCATION in India [Max. 2 Children] [Donation paid ×]
- Repayment of Housing Loan + Stamp Duty, Registration Fee (Principal only).
- Senior Citizens Saving A/c; 5 yrs time deposit with Post Office
- Term deposit for fixed period of **not less than 5 years** with scheduled bank.
- **NON-COMMUTABLE DEFERRED ANNUITY**
- National Housing Bank (Tax Saving) Term Deposit Scheme, 2008.
- **Approved Annuity Plan of LIC** or any other insurer.
- **Premium paid on Life Insurance Policy** [Refer Note Below]

Premium paid on Insurance Policy ↓	Deduction u/s 80D
1. Issued before 1.4.2003	Upto <b>20%</b> of SA
2. Issued b/w 1.4.2003 & 31.3.2012	Upto <b>20%</b> of SA.
3. Issued on/after 1.4.2012 but before 1.4.2013	Upto <b>10%</b> of SA.
4. Issued on/after 1.4.2013 on life of a person (a) with <b>Disability</b> referred u/s 80U or (b) <b>Suffering from Specified Disease u/s 80DDB</b>	Upto <b>15%</b> of SA.

- Contribution to Additional A/c under NPS by CG employees referred in sec. 80CCD for a fixed period of not less than 3 years.

Tier I - Deduction u/s 80CCD	Tier II - Deduction u/s 80C
------------------------------	-----------------------------

**PC Note:**

- ☞ Interest Accrued on NSC → Deemed to be Reinvested & Deductible u/s 80C.
- ☞ Maturity Amount received (+ Bonus) under Life Insurance Policy is **NOT Exempt** if **Premium paid for any year Exceeds SPECIFIED %** given in Sec 80C.
- ☞ Maturity Amount of Policy issued before 1.4.2003 → Always Exempt.

**Deduction = Lower of (i) Eligible Investment (ii) Rs. 1.5 Lacs.**

**Contribution to Pension Funds (Annuity Plan of LIC) [Section 80CCC]**

- Only Individuals (R/NR); ▪ Deduction = Same as 80C; ▪ Either 80CCC or 80C.

**CONTRIBUTION TO PENSION SCHEME (ATAL PENSION SCHEME) [Section 80CCD]**

Deduction	Employee Contribution [80CCD(1)]	Upto 10% of Salary	
	Employer's Contribution [80CCD(2)]	Employer	Deduction
	<b>[Allowed in Both New &amp; Old Scheme]</b>	CG/SG	<b>14% of salary</b>
		Others	<b>Old Regime: 10% of salary</b> <b>New Regime: 14% of salary</b>
	For Self-employed Individual	Upto 20% of GTI	

**Note:** Employer's Contribution is firstly taxable as salary Income in hands of Employee.

**Section 80CCD(1B): Additional Deduction upto 50,000 of Payment under NPS is allowed u/s 80CCD(1B) over and above deduction u/s 80CCD (1).**

**PC Note:** Deduction u/s 80CCD(1) is subject to overall limit of Rs. 1.50 lacs u/s 80CCE. But deduction u/s 80CCD(1B) is in addition to overall limit of Rs. 1.50 lacs u/s 80CCE.

**Additional Deduction of Rs. 50,000 u/s 80CCD(1B) → Allowed in Old Scheme Only.**

**MAXIMUM COMBINED CEILING u/s 80C, 80CCC & 80CCD(1) [Section 80CCE]**

Section	Max. Deduction	Max deduction (80CCE)
Section 80C	<b>Rs. 1,50,000</b>	} Rs 1,50,000
Section 80CCC	<b>Rs. 1,50,000</b>	
Employee's Contribution u/s 80CCD(1)	<b>10% of Salary</b>	} Not Applicable
Additional Deductions u/s 80CCD(1B)	<b>Rs. 50,000</b>	
Employer's contribution u/s 80CCD(2)	<b>10% of Salary</b>	} Not Applicable

**Class Note:**

**CONTRIBUTION TO AGNIPATH SCHEME [SECTION 80CCH] – NEW SECTION**

<b>Meaning</b>	<ul style="list-style-type: none"> <li>▪ <b>Scheme (2022):</b> It is a CG scheme for enrolment of Indian youth in Indian Armed Forces.</li> <li>▪ <b>Agniveer Corpus Fund:</b> It means a fund in which consolidated contributions of all Agniveers &amp; matching contributions of CG along with interest on both these contributions are held.</li> </ul>	
<b>Scheme</b>	<ul style="list-style-type: none"> <li>▪ Each Agniveer will contribute 30% of his monthly customized Agniveer Package to the individual's Agniveer Corpus Fund.</li> <li>▪ Further, CG will also contribute a matching amount to 'Agniveer Corpus Fund'.</li> <li>▪ CG will also pay to the subscriber interest as approved from time to time on the contributions standing in his account.</li> </ul>	
<b>Deduction</b>	<b>Self Contribution [Sec 80CCH(1)]</b>	<b>Amount deposited (Only Old Scheme)</b>
	<b>CG's Contribution [Sec 80CCH(2)]</b>	Amount deposited by CG [Both Old & New Scheme]

▪ CG's contribution would be included in the salary of the assessee. However, deduction u/s 80CCH(2) would be available for the same.

**DEDUCTION IN RESPECT OF MEDICAL INSURANCE PREMIUM [Section 80D]**

- Only Individual/HUF [R/NR]; ▪ Any Mode except Cash [Prev. health Checkup → Cash ✓]

Maximum Deduction				
Particulars		INDIVIDUAL		HUF
For whose benefit payment shall be made →		Family	Parents	Member
1.	(a) Medical Insurance Premium	✓	✓	✓
	(b) Contribution to CG Health Scheme	✓	×	×
	(c) Preventive Health Check-up	✓	✓	×
❖	<b>Maximum Deduction for (a), (b), (c)</b>	Rs. 25000	Rs. 25000	Rs. 25000
❖	Additional Deduction on (a) when Medi-claim policy is taken on Life of <b>Senior Citizen</b>	Rs. 25,000	Rs. 25,000	Rs. 25,000
2.	Medical Expenditure on <b>Senior citizen</b> if <b>NO Medical Insurance</b> is paid for him.	✓	✓	✓
	Maximum Deduction for (2)	Rs. 50,000	Rs. 50,000	Rs. 50,000
3.	<b>Maximum Combined Deduction for 1 &amp; 2</b>	<b>Rs. 50,000</b>	<b>Rs. 50,000</b>	<b>Rs. 50,000</b>

- ❖ Maximum Deduction for **Preventive Health-Check up of Family + Parents → Rs. 5,000.**
- ❖ Family = Individual + Spouse + Dependent Children.
- ❖ Parents = Father + Mother (Dependent/Independent); Father/Mother-in-Law → ☒.

**Note:** Lumpsum Premium Paid for > 1 Year → Deduction for each PY on Proportionate basis.

**DEDUCTION IN RESPECT OF MEDICAL TREATMENT [Section 80DDB]**

<b>Assessee</b>	<b>Resident Individual/HUF</b>
<b>Payment</b>	<b>Expenditure on Treatment of Specified Disease in Rule 11DD:</b> For: Individual → Himself or Dependant; HUF → Member of HUF
<b>Deduction</b>	<ul style="list-style-type: none"> <li>➤ Amount Actually Paid or <b>Rs. 40,000</b> (Lower)</li> <li>➤ <b>Senior Citizen:</b> Amount Actually Paid or <b>Rs. 1,00,000</b> (Lower)</li> </ul>

**PC Note:** If any amount is received under insurance or reimbursed by employer for medical treatment, received amount shall be **reduced** from allowable deduction

**DEDUCTION FOR MAINTENANCE OF DEPENDANT DISABLED [Sec 80DD]**

<b>Assessee</b>	Resident Individual/HUF
<b>Deduction</b>	<ul style="list-style-type: none"> <li>➤ <b>75,000;</b> [Irrespective of Actual Expenditure]</li> <li>➤ <b>1,25,000</b> for dependant person with <b>severe disability.</b></li> </ul>

- ❖ **Meaning of 'Dependant'**
  - (a) For Individual → Spouse, Children, Parents, Brothers & Sisters
  - (b) For HUF: Any member of HUF who has not claimed any deduction u/s 80U during PY.
- ❖ **Disability < 40% → No Deduction.**
- ❖ Person with **severe disability = 80%** Disabilities.

**INTEREST PAID ON LOAN TAKEN FOR HIGHER EDUCATION [SEC 80E]**

<b>Assessee</b>	Individuals only
<b>Source</b>	Loan taken from Bank, FI [Relative → ☒ ]
<b>Purpose</b>	Higher education of Assessee; His Relatives (Spouse/Children) <ul style="list-style-type: none"> <li>▪ Courses after Class XII/Equivalent → Qualify for deduction.</li> <li>▪ Study in India/Outside; ▪ Full-time or Part-time.</li> </ul>
<b>Deduction</b>	<b>Interest paid during PY.</b>
<b>Period</b>	<b>8 AYs</b> starting from AY of payment of interest for 1 <sup>st</sup> time.

**INTEREST ON LOAN FOR ACQUISITION OF RESIDENTIAL HOUSE [80EE]**

<b>Assessee</b>	Individuals only [R/NR]
<b>Source</b>	(a) Bank; (b) FI [Relatives → ☒ ]
<b>Purpose</b>	Acquisition of Residential House Property.
<b>Conditions</b>	<ul style="list-style-type: none"> <li>▪ Sanctioned in FY 2016-17</li> <li>▪ Loan Sanctioned ≤ Rs. 35 Lacs.</li> <li>▪ Value of House ≤ Rs. 50 Lacs.</li> <li>▪ Assessee does not own any House on Date of Sanction of Loan.</li> </ul>
<b>Deduction</b>	Lower of (a) Interest paid or <b>(b) 50,000.</b> ▶ Over & above 24(b).
<b>Period</b>	<b>Till Repayment of loan.</b>

**INTEREST ON LOAN FOR ACQUISITION OF RESIDENTIAL HOUSE [80EEA]**

<b>Assessee</b>	Individuals only [R/NR]
<b>Source</b>	(a) Bank; (b) FI [Relatives → ☒ ]
<b>Purpose</b>	Acquisition of Residential House Property.
<b>Conditions</b>	<ul style="list-style-type: none"> <li>▪ <b>Loan is sanctioned b/w 1.4.2019 – 31.03.2022.</b></li> <li>▪ SDV of House ≤ Rs. 45 Lacs.</li> <li>▪ Assessee does not own any House on Date of Sanction of Loan.</li> <li>▪ Not eligible to claim deduction u/s 80EE.</li> </ul>
<b>Deduction</b>	Lower of (a) Interest paid or <b>(b) 1,50,000.</b> ▶ Over & above 24(b).
<b>Period</b>	<b>Till Repayment of loan.</b>

**INTEREST ON LOAN FOR PURCHASE OF ELECTRIC VEHICLE [80EEB]**

<b>Assessee</b>	Individuals only [R/NR]
<b>Source</b>	(a) Bank; (b) Any deposit taking NBFC; [Relatives → ☒ ] (c) Systemically important non-deposit taking NBFC.
<b>Purpose</b>	For Purchase of Electric Vehicle.
<b>Conditions</b>	➤ Loan must be sanctioned b/w <b>1.4.2019 &amp; 31.3.2023.</b>
<b>Deduction</b>	Lower of (a) Interest paid on Loan during FY or (b) Rs. 1,50,000.
<b>Period</b>	Deduction is available Till Repayment of loan continues.



**DONATION TO SPECIFIED APPROVED FUNDS [SECTION 80G]**

- ▶ Assessee → Any Assessee (R/NR); ▶ Mode → Any Mode **other than Cash**. [Cash Donations ≤ 2000✓]
- ▶ Adjusted GTI = GTI - LTCG u/s 112/112A - STCG u/s 111A - Deductions u/s 80C - 80U except u/s 80G.
- ▶ Deduction u/s 80G = Total of Deductions permissible under A, B, C & D.

**How to calculate Deduction u/s 80G**

1. Calculate Qualifying Limit [= 10 % of Adjusted GTI]
2. Donation in A & B shall be available @ prescribed rate [100% or 50%]
3. Eligible donations in C & D (which are subject to Qualifying Limit) should be Aggregated.
4. Qualifying Limit gives us "Total Amount of Donations" eligible for Deduction. **[It is mistaken that Qualifying Limit gives us Maximum Possible Deduction]**
5. Firstly, Donations eligible for 100% Deduction (C) should be adjusted against Qualifying Limit.
6. Balance Qualifying Limit shall be adjusted against Donations Eligible for 50% Deduction & then deduction of 50% shall be calculated.
7. Total Deduction under (C) & (D) should be limited to Qualifying Limit (10% of Adjusted GTI)
8. Donations made under (A) & (B) are fully allowed as deduction without QUALIFYING LIMIT.

**AMOUNT OF DEDUCTION [Refer "How to calculate Deduction" Above]**

<b>A</b>	<b>Donations Eligible for 100% Deduction WITHOUT QUALIFYING LIMIT</b> <ul style="list-style-type: none"> <li>▪ National Defence Fund/ National Foundation for Communal Harmony;</li> <li>▪ PM's National Relief Fund/ [(Maharashtra CM's/PM's Armenia) Earthquake Relief Fund]</li> <li>▪ Zila Saksharta Samiti/State or Andhra Pradesh CM's Cyclone Relief Fund, 1996;</li> <li>▪ CM's Relief Fund/Lieutenant Governor's Relief Fund in any State/UT.</li> <li>▪ National Fund for control of Drug Abuse</li> <li>▪ Swachh Bharat Kosh; Clean Ganga Fund; National Children's Fund</li> <li>▪ PM Citizen assistance &amp; relief in emergency situations fund [PM Cares fund]</li> </ul>
<b>B</b>	<b>Donations Eligible for 50% Deduction WITHOUT QUALIFYING LIMIT</b> <ul style="list-style-type: none"> <li>▪ Jawaharlal Nehru Memorial Fund/Prime Minister's Drought Relief Fund.</li> <li>▪ Indira Gandhi Memorial Trust/ Rajiv Gandhi Foundation.</li> </ul>
<b>C</b>	<b>Donations Eligible for 100% Deduction SUBJECT TO QUALIFYING LIMIT</b> <ul style="list-style-type: none"> <li>▪ Donation to Government/Approved LA/Institution for Promoting Family Planning;</li> </ul>
<b>D</b>	<b>Donations Eligible for 50% Deduction SUBJECT TO QUALIFYING LIMIT</b> <ul style="list-style-type: none"> <li>▪ Donation to Government/Approved LA/Institution for Any Charitable Purpose other than Promoting Family Planning.</li> <li>▪ Notified Temple, Mosque, Gurdwara, Church for Renovation/Repair of such Place.</li> </ul>

**DEDUCTION FOR EMPLOYMENT OF NEW EMPLOYEES [Sec. 80JJAA]**

- ❖ Deduction is available under both new & old scheme.
- ❖ Applicability → Assessee to whom Section 44AB (Tax Audit) Apply.
- ❖ Deduction → 30% of Additional Employee Cost (AEC).
- Note: Business should Not be formed by Splitting up or Reconstruction of Existing Business.
- ❖ AEC → Emolument paid to additional employees employed during PY

<b>A</b>	<b>In case of Existing Business → AEC = Nil if</b> <ul style="list-style-type: none"> <li>▪ No Increase in total no. of employees [Even if new employees are employed] &amp;</li> <li>▪ Payment is made otherwise than by A/c Payee Cheque/Draft.</li> </ul>
<b>B</b>	<b>In case of New Business</b> AEC = Emoluments paid to employees employed during PY

- ❖ Calculation of No. of Additional Employee  
Employee who has been Employed during PY but does **not Include:**
  - (a) Employee whose Total Emoluments > Rs. 25,000 p.m;
  - (b) Employee for whom Entire Contribution is paid by Govt.
  - (c) Employee Employed for < 240 days during PY.  
[If Assessee engaged in Business of Manufacturing of Apparel, Footwear, Leather Products → Employee employed for < 150 days during PY]
  - (d) Employee who does Not Participate in RPF.
- ❖ Meaning of Emoluments:  
Any Sum Paid/Payable to Employee **but does Not Include:**
  - (a) Employer Contribution to Pension fund/PF/other welfare Fund
  - (b) Terminal Benefits @ Termination or Superannuation/VRS.

**Section 14A r/w Rule 8D:** Expenditure incurred to earn Exempt Income → Not allowed as deduction whether or not assessee has earned any exempt income in such PY.

Section 10	Particulars of Exemptions	
10(2)	Share received by member from income of HUF → Exempt to Member even if such income is also exempt to HUF.	
10(2A)	Share of profit received by partner from income of firm → Exempt to partner even if such income is also exempt to Partnership Firm. [Interest from Firm → Taxable]	
10(4)(ii)	<b>Interest received</b> on moneys in <b>Non-Resident (External) A/c</b> in any bank in India → <b>Exempt to NRI</b> (If he is permitted by RBI to maintain such A/c)	
10(6)	<b>Sec</b>	<b>Remuneration to certain Individuals who are not Citizens of India &amp; It's conditions</b>
	(ii)	<b>Remuneration of Foreign Diplomats in India:</b> Remuneration received by Indian official in such foreign countries should be Exempt [No business in India]
	(vi)	<b>Remuneration of Employees of a Foreign Enterprise</b> (Employer is not engaged in any other business/profession in India) 1. Employees' Stay in India ≤ 90 days in PY; 2. Remuneration paid to such employee → <b>should Not Deductible</b> to Employer.
	(viii)	<b>Salary received by Member of crew of Foreign Ship:</b> If His stay in India ≤ 90 days in a PY.
	(xi)	<b>Remuneration received by Foreign Government Employees from foreign government for specified training in India.</b>
10(6D)	Royalty/FTS received from National Technical Research Organisation (NTRO) → for services rendered in or outside India to NTRO.	
10(7)	Allowances/Perquisites paid by Government of India o/s India to <b>Indian Citizen</b> for services rendered o/s India.	
10(10BB)	Payment under Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985. [If such amount has not been allowed as deduction]	
10(10BC)	Compensation received or receivable on account of any disaster [If such amount has not been allowed as deduction]	
10(10CC)	Tax on Non-Monetary Perquisites paid by Employer → Exempt to employee: [ Not deductible to employer]	
10(10D)	<b>Taxable Maturity Amount from LIP:</b> (i) Sum received from a policy u/s 80DD(3); (ii) Sum received under KIP; (iii) Sum received on death of a person.	
	<b>Any other policy (not received on death of Person)</b>	
	(i) Issued before 1.4.2003	<b>Fully Exempt</b> (irrespective of Amount of Premium Paid)
	(ii) Issued on/after 1.4.2003 but before 1.4.2012	Exempt if Premium paid ≤ 20% of sum assured.
	(iii) Issued on/after 1.4.2012 <b>[Other than (iv)]</b>	Exempt if Premium paid ≤ 10% of sum assured.
	(iv) Issued on/after 1.4.2013 (for Disabled Person)	Exempt if Premium ≤ 15% of sum assured
	<b>(vi) Policies issued on/after 1.4.2023</b>	<ul style="list-style-type: none"> <li>▪ <b>Normal Person:</b> Exempt if Premium ≤ 10% of sum assured</li> <li>▪ <b>Disabled Person:</b> Exempt if Premium ≤ 15% of sum assured</li> </ul>
	⇒ <b>Exemption will not be available if premium payable &gt; Rs. 5 Lacs for any of PYs during policy's term.</b>	
	⇒ <b>If premium is payable for more than 1 LIP (other than ULIP) &amp; aggregate premium payable on such policies &gt; Rs. 5 Lacs during any policy's term, exemption would be available i.r.o. any of those LIPs (other than ULIP), at the option of the assessee, whose aggregate premium payable &lt; Rs. 5,00,000 for any of PYs.</b>	

## DIRECT TAX CHART BOOK - CA PRANAV CHANDAK

10(11)	Withdrawal of Accumulated balance from PF/PPF set up by CG	<b>Sec 10(11A)</b>	Interest & Withdrawals from Sukanya Samriddhi A/c *
10(12)	Payment from Accumulated Balance of RPF	<b>Sec 10(13)</b>	Payment from Accumulated Balance of Approved SAF to the employee.
10(12A)	Payment from NPS trust to <b>assessee</b> on <b>closure/ opting out of NPS u/s 80CCD</b> → <b>Exempt to the extent it does not exceed 60% of total amount</b> payable to him.		
10(12B)	Payment from NPS trust to <b>employee</b> on <b>partial withdrawal from NPS u/s 80CCD</b> → <b>Exempt upto 25%</b> of Contributions made by him. (Taxable if above 25%)		
<b>10(12C)</b>	<b>Payment from Agnipath Corpus Fund to the enrolled person enrolled or to his nominee.</b>		
10(15)	(i) Interest on <b>Gold Deposit Bonds</b> & (ii) Interest on bonds by LA	<b>Sec 10(16)</b>	Scholarships granted to meet the Cost of Education
10(17)	<b>Daily &amp; Constituency allowance</b> received by <b>MPs &amp; MLAs [Only Old]</b>	<b>Sec 10(17A)</b>	<b>Awards or Rewards given by CG/SG [in cash/kind]</b>
10(18)	Pension received by CG/SG Employee awarded by Param Vir Chakra/Maha Vir Chakra/Vir Chakra → Exempt. [After his Death → Family Pension is Exempt]		
10(19)	<b>Family Pension</b> received by <b>Family Members of Armed Forces</b> who died on duty.		
10(23C)	Income of certain funds: (i) Swachh Bharat Kosh; (ii) Clean Ganga Fund; (iii) NPO University/Educational institution; (iv) NPO Hospital/medical institution.		
10(26)	Income of a member of Scheduled Tribe in <b>Specified Area</b> = Manipur, Mizoram, Tripura, Nagaland, Arunachal Pradesh & Ladakh in J&K. <b>Exempt Incomes = (i) Income from any source in specified areas (ii) Dividend/Interest.</b>		
10(26AAA)	Sikkimese Individual (i) Income from any source in Sikkim (ii) Dividend/Interest → Exempt; Note: If Sikkimese <b>woman</b> marry Non-sikkimese on/after 1.4.2008 → Not Exempt.		
10(32)	Income of <b>Minor Child clubbed</b> in the hands of Parents → <b>Exempt upto Rs. 1500. [Only Old Scheme]</b>		
10(34A)	Cap. Gains to Shareholder on buyback of shares of Domestic Company → Exempt <b>upto 30.09.2024</b>		
10(37)	<b>Individual &amp; HUF:</b> Cap. Gains on compulsory acquisition of Urban Agricultural Land.	<b>[PC Note: Rural Agricultural land → Not CA &amp; thus NO CG]</b>	
10(43)	Amount received as loan under Reverse Mortgage		
10(44)	Income of NPS Trust		
10(45)	Notified Allowance/Perquisite paid to Chairman/Member of UPSC.		

### TAX HOLIDAY FOR SEZ UNITS [SECTION 10AA] → **Deduction available for OLD Scheme only**

Exempt Profit	Export Profits derived from articles/things or providing any <b>services from SEZ unit</b>		Section 10AA(2) → Utilization of SRR A/c
<b>Deduction</b>	<b>Profits from unit in SEZ</b> × $\frac{\text{Export Turnover of SEZ units}}{\text{Total turnover of SEZ units}}$		❖ <b>Utilized for</b> (i) <b>Acquiring P&amp;M</b> (must be put to use w/i 3 years from end of PY of creation of SRR); & (ii) <b>For Business:</b> Till Acquisition of aforesaid P&M  ❖ <b>Do Not Utilize for:</b> (i) Paying Dividend; (ii) Creation of Asset o/s India;
<b>Period of Deduction</b>	First 5 AY	<b>100%</b> of Export Profit	
	Next 5 AY	<b>50%</b> of Export Profit	
	Next 5 AY	<b>50%</b> of Export Profits debited to P&L A/c & credited to SEZ Reinvestment Reserve (SRR) A/c & utilized as per section 10AA(2).	

**AGRICULTURAL INCOME [SECTION 10(1)]**

Agricultural Income → [Income of Cultivators + Land holders who rented out lands]	Apportionment of Income b/w Business & Agriculture			
1. Rent/Revenue derived from letting of land situated in India & used for agriculture 2. Income derived from Agriculture or other related activities. 3. Income from saplings/seeds grown in Nursery. <b>PC Note: Foreign Agricultural land → Agricultural Income is taxable u/h IFOS.</b>  <b>Q. Profit on Transfer of Urban Agricultural Land. Whether Agricultural Income?</b> <b>Ans: No</b> , it is not treated as agricultural income u/s 10 but will be taxable u/s 45.	<b>Rule</b>	<b>Apportionment of income in certain cases</b>	<b>Agriculture</b>	<b>Business</b>
	<b>7A</b>	Growing & Manufacturing of <b>Rubber</b>	65%	35%
	<b>7B</b>	<b>Growing &amp; Manufacturing of Coffee</b>		
		(i) Sale of coffee grown & cured	75%	25%
		(ii) Sale of coffee grown, cured, roasted & grounded	60%	40%
	<b>8</b>	Growing & Manufacturing of <b>Tea</b>	60%	40%

Income from Growing & Manufacturing of any Product [Rule 7]		Partial Integration of Agricultural Income with Non-Agricultural Income [IMP]	
<b>Business Income</b>	Sale Value of final product manufactured from Agricultural Produce – MV of agricultural produce used in manufacturing of such product – Manufacturing Expenses.	<b>Applicability</b>	Individuals, HUF, AOP/BOI [Company & Firms – Not Applicable]
<b>Agri. Income</b>	Market Value of Agricultural Produce – Cost of Cultivation.	<b>Conditions</b>	Net Agricultural Income > 5,000 & Non-Agricultural Income > BEL
<b>Dividend received from agricultural company</b> → Dividend received by any shareholder from a company having agricultural income shall not be considered to be agricultural income. It shall be treated as 'Dividend Income' in the hands of shareholder.		<b>PC Note: BEL depends on the tax regime in which assessee is paying tax.</b>	
		<b>Steps to Calculate Tax when Agricultural Income is given in Question</b>	
		1. Tax on Total Income [Net Agricultural income + Non - Agricultural Income]	
		2. Tax on [Net Agricultural income + BEL]	
		3. Tax Payable = (Tax in 1 – Tax in 2) + SC (if any) - Rebate u/s 87A + HEC @ 4%	

**CQ.** Mr. X, a resident, has provided the following particulars of his income:

Income from salary (computed)	Rs. 4,80,000
Income from house property (computed)	Rs. 2,50,000
Agricultural income from a land in Nagpur	Rs. 4,80,000
Expenses incurred for earning agricultural income	Rs. 1,70,000

Compute tax liability of Mr. Shubham for AY 25-26 assuming his age is (a) 45 years (b) 70 years.



Sec	Eligible Payment	Rate	Exemption	No TDS in following cases even if payment > Exemption Limit
192	Taxable Salary	Average Rate	BEL	NA
192A	RPF Premature withdrawal	<b>10%</b> (No PAN → MMR)	< 50K	If continuous service ≥ 5 years, Withdrawal from RPF → Exempt & thus No TDS.
193	Interest on Securities	10%	NA	(a) 7 Years NSC; (b) National Development/Defence Bond; (c) 54EC Bonds; (d) CG/SG Securities (e) Payable to LIC/GIC/Insurance co. (f) DEMAT Securities; (g) Interest on Debentures of Public Co. to Resident Ind/HUF by A/c payee cheque in FY ≤ 5K ◆ 8% saving (taxable) bonds, 2003/7.75% Savings (Taxable) Bonds, 2018 > 10K → TDS ☑ <b>From 1.10.2024:</b> TDS is required i.r.o. interest on Floating Rate saving bonds, 2020 (taxable) or any other notified securities of CG/SG if Interest during FY > Rs. 10,000.
194	Dividend	10%	≤ 5K in FY (Cash x)	Payable to LIC/GIC/Insurance co.
194A	Other Interests	10%	<b>Interest paid by Bank/Co-op Society /PO</b> ≤ 50K (Resident Senior) ≤ 40K (others) <b>Other Interest</b> ≤ 5K	<ul style="list-style-type: none"> <li>Interest credited/paid by Bank/Co-op. society/PO on Time deposits (+ RD) ≤ Rs. 40K in FY. [40K Limit → Branch wise; But if CBS is adopted, 40K limit is for Whole bank (All Branches)]</li> <li>Interest on loan given to Banks/FIs/LIC/UTI/Insurance co. Interest on ZCB.</li> <li>Interest paid by Firm to Partners; Interest on tax refund by Government.</li> <li>Interest paid by co-op. society to its member/other co-op. society; [However, Co-op. Banks → Members; TDS ☑ if Interest credited/paid is &gt; 40,000].</li> <li>Interest paid by primary agricultural credit society on deposits made with them.</li> <li>Interest on compensation awarded under Motor Accidents Claims Tribunal → No TDS on Credit of Any Amount of Interest &amp; No TDS on payment ≤ 50,000 in a FY.</li> </ul> <b>Notified: Senior Citizens Saving Scheme 2019 &amp; Mahila Samman Savings Certificate 2023</b>
194B	Lottery etc.	30%	≤ 10K	NA
194BA	<b>Winning - Online games</b>	<b>30%</b>	<b>Nil</b>	
194BB	Horse Race etc.	30%	≤ 10K	NA
194C	Contractors/Sub-Contractors	<b>Depends on Payee</b>		(a) Contract of Personal nature for Individual/HUF. (b) Single Payment ≤ 30K & Total Payment ≤ 1 Lac. (c) Payment to contractor in transport business owning ≤ 10 trucks during FY & gives PAN.
		Ind/HUF	1%	
		Others	2%	
194D	Insurance Commission	5% or <b>2%</b>	≤ Rs. 15 K	<b>Note: Rate of TDS = 10% if payee is domestic company.</b>
194DA	Maturity Amt of LIC Policy	5% of Income	< Rs. 1 Lac	(a) Amount Exempt u/s 10(10D); (b) Keyman insurance policy.
194E	Payment to NR Sportsman	<del>20.8%</del>	Nil	NA
194G	Sale of lottery Commission	5% or <b>2%</b>	≤ Rs. 15K	NA [194G is not applicable in case of purchase of lottery in bulk & then sale @ own price]
194H	Commission/Brokerage	5% or <b>2%</b>	≤ Rs. 15K	(a) Paid to stock broker (b) Commission by BSNL/MTNL to Public Call Office franchisee.

**For sections having TDS Rate as 5%, TDS Rate will be 2% from 1.10.2024.**

194I	Rent of L&B, P&M, F&F [Excluding GST]	P&M	2%	≤ Rs. 2.4 Lacs	(a) Rent paid to GOVERNMENT/REIT.
		L&B; F&F	10%		
194IA	Transfer of Immovable Property (Except Agricultural land)	1% of ASC or SDV [Higher] (No PAN → 20%)		If ASC & SDV < 50L	From 01.10.2024, Where there is more than one transferor or transferee i.r.o any immovable property, then consideration shall be aggregate of amount paid/payable by all the transferees to transferor or all transferors for transfer of such immovable property.
194IC	Specified Agreement [Sec 45(5A)]	10%		Nil	NA
194LA	Compulsory Acquisition of Immovable Property	10%		≤ Rs. 2.5 Lacs	NA [Note: Capital Gains on compulsory acquisition of Urban Agri. Land → Exempt].
194J	1. FTS 2. Professional Fees 3. Royalty (including royalty for films) 4. Non-Compete Fees. 5. Director Remuneration	<ul style="list-style-type: none"> <li>▪ FTS &amp; Royalty for Films - 2%</li> <li>▪ Others - 10%</li> <li>▪ 2% → If Payee is engaged in operation of operation of call centers.</li> </ul>			(a) Services for Personal Purposes to Individual/HUF. (b) Limit ≤ 30K (Separate limit for each category) <b>PC Note: Limit of Rs. 30K - Not Available to Directors Remuneration.</b>
194M	1. Commission 2. Professional Fees 3. Works Contract	5% or 2%		≤ Rs. 50 Lacs	<b>PC Note:</b> 1. Applicable only to Resident Individual/HUF (NO AUDIT u/s 44AB(a)/(b) in Last PY) 2. Sec. 194M is applicable if sec. 194C/194H/194J is <b>NOT Applicable</b> to Resident Ind/HUF.
194K	Income i.r.o. units of MF	10%		≤ 5K	(a) Income from units is of the nature of capital gains.

**PC Note: For Section 194A, 194C, 194H, 194I, 194J → Deductor = (a) All person (other than Individual/HUF); (b) Individual/HUF [if Last Year Tax Audit**

## CLARIFICATION REGARDING SECTION 194BA – WINNING FROM ONLINE GAMES

**Q1.** There are a large number of gamers who play with very insignificant amount and withdraw also very small amount. Deducting tax at source u/s 194BA for each insignificant withdrawal would increase compliance for tax deductor. Can there be relaxation to ease compliance?

**Answer:** Tax may not be deducted on withdrawal if all of the following conditions are satisfied:

- (a) Net winnings in withdrawal do not exceed ₹100 in a month &
- (b) **TDS is deducted later** when net winnings exceed ₹100 in the same or subsequent month, or at the **end of the financial year** if no further withdrawal occurs &
- (c) **Deductor ensures tax payment** if the user's account balance is insufficient at the time of TDS deduction.

### **Q2. When the net winnings is in kind how will tax deduction u/s 194BA operate?**

- ⇒ If money in user account is used to buy an item in kind & given to user, it is considered net winnings in cash, and TDS must be deducted accordingly.
- ⇒ If winnings are wholly or partly in kind (where the cash portion is insufficient for TDS), then:
  - (a) Deductor must ensure tax is paid before releasing the prize & (b) Deductee must provide proof of tax payment (e.g., Challan details)
- ⇒ **Alternative Option:** To simplify compliance, the deductor may deduct TDS under Section 194BA and directly pay it to the government.

**Q3. How will the valuation of winnings in kind required to be carried out?**

**Answer:** Valuation would be based on FMV of the winnings in kind **except in following cases:**

- (i) Online game intermediary has purchased the winnings before providing it to the user: Value = Purchase price.
- (ii) Intermediary manufactures such items given as winnings: Value = Price charged to its customers for such items.

**GST will not be included for the purposes of valuation of winnings for TDS u/s 194BA.**

<b>Payment of Rent of L/&amp;B by Individual/HUF who were not liable to Tax audit u/s 44AB(a)/(b) in last PY [Sec 194 IB]</b>	
Deductor	Individual/HUF (Last year tax audit was not done u/s 44AB (a)/(b));
Rate of TDS	Upto 30.09.2024: <b>5%</b> or <b>From 01.10.2024: 2%</b> [If Rent per month or part of month > Rs. 50,000 during PY] <span style="float: right;">(20% if PAN is not given)</span>
Time of TDS	Earlier of (i) Time of credit of such rent [for Last month of PY or Last month of tenancy (if property is vacated during the year)] or (ii) Time of payment.
<b>PC Note:</b> TDS u/s 194 IB ≤ Rent for last month of PY/Tenancy <b>even if NO PAN is provided.</b>	

❖ **Section 196:** No TDS on Interest, Dividend, other sums payable to **GOVERNMENT/RBI/CORPORATIONS** established under central act.

❖ **Rate of Tax if NO PAN is provided** → Higher of (a) Rate prescribed in the Act; (b) Rate in force (Rate mentioned in Finance Act); (c) 20%

<b>TDS ON CASH WITHDRAWALS [SECTION 194N]</b>		<b>CQ.</b> Persons in (i) to (vi) in Column (2) have always been filing their ROI on/before due date u/s 139(1). Persons mentioned in (vii) to (x) in Column (2) have not filed their ROI for last 5 years. Determine the liability of TDS u/s 194N by bank/co-operative bank referred to in column (3) of the table below in each of the following individual cases, assuming that this is the only withdrawal in PY 23-24.					
<b>Deductor</b>	(a) Bank; (b) Co-operative bank; (c) Post office						
<b>Payments</b>	Total Cash Payment during PY > Rs. 1 crore to any person from one or more accounts maintained with the Deductor.	(1)	(2)	(3)	(4)	(5)	(6)
<b>TDS Rate</b>	<b>2% of sum exceeding Rs. 1 crore.</b>		Person	Bank	Date	Amount	TDS u/s 194N
<b>If recipient is co-op society, TDS on any sum exceeding Rs. 3 crores.</b>		(i)	Mr. Harshit	SBI	1.7.2023	1,10,00,000	10 Lacs x 2% = Rs. 20,000
<b>No TDS</b>	Government; Bank; Co-op. banks; Post-office; BC of bank; White label ATM operator of Bank or Co-op. banks.	(ii)	Mr. Pranav	SBI	1.8.2023	90,00,000	Nil (since withdrawals < Rs. 1 cr)
<b>Rate of TDS for Recipients who has not furnished ROI for last 3 PY for which time limit of filing ROI u/s 139(1) has expired</b>		(iii)	ABC Co-op Society	SBI	1.9.2023	2,70,00,000	Nil (since withdrawals < Rs. 3 cr)
- 2% [If Total amount being paid in cash > 20 Lacs but ≤ Rs. 1 Cr]		(iv)	XYZ Co-op Society	MNO Co-op bank	1.9.2023	3,10,00,000	10 Lacs x 2% = Rs. 20,000
- 5% [If Total amount being paid in cash > Rs. 1 Cr]		(v)	Mr. Vaibhav	MNO Co-op bank	1.9.2023	2,10,00,000	1.10 Cr x 2% = Rs. 2,20,000
<b>Non-applicability of TDS u/s 194N [Second Proviso to section 194N]</b>		(vi)	A Ltd.	MNO Co-op bank	1.10.2023	1,05,00,000	5,00,000 x 2% = Rs. 10,000
- Government; Banks; Business correspondents of Banks; ATM operator		(vii)	M/s. DEF & Co (firm)	MNO Co-op bank	1.2.2024	90,00,000	70,00,000 x 2% = Rs. 1,40,000
- Cash Replenishment Agencies & Franchise Agents of White Label ATM Operators;		(viii)	Mr. Varun	BOI	1.2.2024	1,20,00,000	80L x 2% + 20L x 5% = 2,60,000
- Commission Agent/Trader operating under APMC;		(ix)	Mr. Rakesh	BOI	1.2.2024	45,00,000	25,00,000 x 2% = Rs. 50,000
- Authorized Dealer & its Franchise Agents; Full-Fledged Money Changer		(x)	PQR Co-op Society	BOI	1.2.2024	3,30,00,000	2.80 Cr x 2% + 30L x 5% = 7,10,000



**TDS ON BENEFITS/PERQUISITE I.R.O. BUSINESS OR PROFESSION [SECTION 194R]**

<b>Deductor</b>	Person paying/providing any benefit or perquisite to a resident arising out of Business or Profession.
<b>Rate of TDS</b>	<b>10% of value of such benefit.</b> Deduction is to be made before providing such benefit or perquisite
<b>No TDS</b>	(a) Aggregate value of such benefit or perquisite < Rs. 20,000 during FY. (b) Business Turnover of payee (Ind/HUF) during last FY < Rs. 1 Crore;      (c) Turnover of profession of payee (Ind/HUF) during last FY < Rs. 50 Lacs
<b>PC Note:</b> If benefit is wholly in kind or partly in kind & partly in cash, but cash Part < Rs. 20K, person providing benefit has to ensure that TDS i.r.o. such benefit has been paid.	

**MANDATORY REQUIREMENT OF FURNISHING PAN [SECTION 206AA]**

- Both deductor & deductee have to compulsorily quote PAN of the deductee in all correspondence, bills, vouchers & other documents exchanged between them.
- In case of failure to provide PAN, **RATE OF TDS shall be higher** of the following rates:  
**(a) Rate prescribed in the Act;      (b) Rate in force (i.e. rate mentioned in Finance Act) or      (c) 20% [5% for TDS u/s 194-O & 194-Q]**
- This provision is also applicable if taxpayer files declaration in Form 15G/15H but does not provide PAN. **No certificate u/s 197 will be granted by AO if PAN is not furnished.**
- If PAN provided is invalid or it does not belong to the deductee, it shall be deemed that the deductee has not furnished his PAN to the deductor.

**HIGHER RATE OF TDS FOR SPECIFIED NON-FILERS OF ROI [SECTION 206AB]**

- (a) Twice the rate prescribed in the relevant provisions of the Act      (b) Twice the rate in force i.e., the rate mentioned in the Finance Act; or      (c) 5%**
- However, section 206AB is not applicable to 192, 192A, 194B, 194BA, 194BB or 194N, 194IA, 194IB, 194M.
  - If both section 206AA (No PAN) & section 206AB are applicable to specified person, then TDS @ higher of rates provided in section 206AA & section 206AB.
  - Meaning of Specified person:** A person who has not furnished ROI for AY relevant to the PY immediately preceding the financial year in which tax is required to be collected, for which time limit for furnishing ROI u/s 139(1) has expired, & aggregate of TDS & TCS in his case is Rs. 50,000 or more in the said PY.
- Note:** Specified person does not include a NR who does not have a permanent establishment in India & **RBI**.

**CONSEQUENCES OF FAILURE TO DEDUCT OR PAY TDS TO CG [SEC 201]**

<b>Assessee in Default</b>	Any person who is required to deduct tax at source does not <b>deduct or pay whole/part</b> of tax to CG.
Not 'Assessee in Default'	If Payee is Resident in India & has furnished ROI u/s 139 & has included such Amt. in ROI & has paid tax on such sum.

**INTEREST FOR DELAY IN DEDUCTION OR PAYMENT [SEC 201(1A)]: If no TDS is deducted or deducted but not paid then,**

1	SI @ 1% per month/part thereof of Late Deduction	from the date on which tax was deductible to the date on which such tax was actually deducted
2	SI @ 1.5% per month/part thereof of Late Payment	from the date on which tax was deducted to the date on which such tax is actually paid.

TABLE A: DUE DATE FOR DEPOSIT OF TDS AMOUNT - Rule 30				DD FOR FILLING QUARTERLY STATEMENT		
	Deductor	Cases	Due Date		Quarter ending on	Due date
1	Government	Tax paid without production of Income Tax challan	Same Day of TDS	1	30 <sup>th</sup> June	31 <sup>st</sup> July
2		Tax paid accompanied by an income Tax challan	7days from end of month of TDS	2	30 <sup>th</sup> September	31 Oct
3	Any other Person	Deduction made in the month of April to Feb	7 days from end of month of TDS	3	31 <sup>st</sup> December	31 Jan
4		If income is credited or paid in the month of March	30 <sup>th</sup> April	4	31 <sup>st</sup> March	31 <sup>st</sup> May of next FY of deduction.

### NO DEDUCTION TO BE MADE IN CERTAIN CASES [SEC 197A] → A declaration in writing that tax on his estimated total income of PY will be NIL.

Payee	Section	Form No.	Non-Applicability [197A(1B)]
Resident Individual	194 & 194EE	15G (15H by person ≥ 60 years of age)	Aggregate Income credited/paid during PY > BEL
Person (not a Company/Firm)	192A, 193, 194A, 194D & 194DA, 194I		

**Deductor** shall deliver to PCC/CC/PC, one copy of the declaration on/before 7<sup>th</sup> day the month next following the month in which the declaration is furnished to him.

### TIME LIMIT, FORM & MANNER OF DEPOSITING TDS U/S 194M PRESCRIBED [NN 98/2019]

Rule 30(2C)	Any sum deducted u/s 194IA, 194IB & 194M shall be paid to the credit of the Central Government within <b>30 days from the end of the month in which deduction is made</b> & shall be accompanied by a challan-cum statement in <b>Form 26QB, 26QC, 26QD</b> .
Rule 30(6C)	Where tax deducted is to be deposited accompanied by a challan-cum-statement in <b>Form 26QB, 26QC, 26QD</b> , tax so deducted shall be deposited to the credit of CG by remitting it electronically <b>within 30 days from the end of the month in which the deduction is made into RBI or SBI or any authorised bank</b> .
31(3C)	Deductor u/s 194IA, 194IB & 194M shall furnish TDS certificate in <b>Form 16B, 16C, 16D</b> to payee within <b>15 days from DD of furnishing challan-cum- statement</b> .
Rule 31A(4C)	Deductor u/s 194IA, 194IB & 194M shall furnish to PDGIT (Systems) or Director General of Income-tax (System) or person authorised by them, a <b>challan-cum statement in Form 26QB, 26QC, 26QD</b> electronically in accordance with Rule 31A(5) <b>within 30 days from the end of the month in which deduction is made</b> .

### TIME FOR DEDUCTION OF TAX AT SOURCE

For Sections	Time when Tax should be deducted
193, 194A, 194C, 194D, 194G, 194H, 194I, 194IA, 194IB, 194IC, 194J, <b>1940, 194Q</b>	(a) At the time of <b>Credit</b> of A/c of the payee or (b) Date of <b>Payment</b> whichever is <b>earlier</b>
192, 192A, 194, 194B/BA/BB/DA/EE/LA	On the Date of <b>Payment</b>

**BASIC CONCEPTS & RATES OF TCS [SECTION 206C]**

Nature of Goods/Services		Rate of TCS
<b>A</b>	<b>Sale of Certain Goods</b>	
	1. Alcoholic liquor for human consumption	1%
	2. Tendu Leaves	5%
	3. Timber obtained under forest Lease; by any mode other than a forest lease; Any other forest produce (not timber/tendu leaves)	2.5%
	4. Scrap	1%
	5. Minerals (Being Coal, Lignite or Iron Ore)	1%
<b>B</b>	<b>Grant of Leasing/Licensing Services [Parking lot/Toll Plaza or Mining/Quarry except Mineral oil, Petroleum, Natural Gas]</b>	2%
	Seller → Any person; Given to → Any person other than Public Sector Company	
<b>C</b>	<b>Sale of Motor Vehicle of Value &gt; Rs. 10 lacs [for Retail Sale; No TCS on sale of Vehicle by manufacturers to dealers/ distributors] [Section 206C(1F)]</b>	1%
	<ul style="list-style-type: none"> <li>▪ Limit of Rs. 10 Lacs is applicable to Single sale &amp; not to Aggregate value of sale made during FY.</li> <li>▪ Mode of Payment is irrelevant to attract TCS in case of Sale of Motor Vehicle</li> <li>▪ This provision is applicable for ANY Motor Vehicles including Luxury Cars.</li> <li>▪ No TCS on sale to Government, institutions notified under UN Act 1947 &amp; Embassies, consulates, High Commission, Legation, Commission &amp; representation of foreign state.</li> <li>▪ <b>From 01.01.2025:</b> Scope of section 206C(1F) expanded to include every person, being a seller, who receives any amount as consideration for sale of any other notified goods exceeding Rs. 10 lakhs, to, at the time of receipt of such amount, collect tax from the buyer @ 1% of the sale consideration.</li> </ul>	
<b>D</b>	<b>TCS on Sale of Goods (Except Exported Goods) of Aggregate Value &gt; Rs. 50 lacs [Section 206C(1H)]</b>	0.1%
	<ul style="list-style-type: none"> <li>▪ Rate of TCS = 0.1% of sale consideration exceeding Rs. 50 lacs; Time of TCS → At the time of receipt of consideration.</li> <li>▪ Non-furnishing of PAN or Aadhar by buyer to seller → Rate of TCS = Higher of (a) Twice the rate specified in this sub-section; &amp; (b) 1%.</li> </ul>	
<b>E</b>	<b>Overseas remittance or overseas tour package (including travel/stay/boarding/lodging [Section 206C(1G)]</b>	5%
	<ul style="list-style-type: none"> <li>▪ Authorized dealer who receives amount for overseas remittance from a buyer (being a person remitting such amount out of India);</li> <li>▪ Seller of an overseas tour program package who receives any amount from the buyer who purchases the package.</li> </ul>	
<b>TCS RATE BY AUTHORIZED DEALER/SELLER OF OVERSEAS TOUR PROGRAMME PACKAGE</b>		
	<b>Amount and purpose of remittance</b>	<b>TCS Rate</b>
1	Purchase of an overseas tour programme package	Amount upto 7 Lacs ⇒ TCS @ 5%   Amount > 7 Lacs ⇒ TCS @ 20%
2	<b>Where the amount is remitted outside India -</b>	<b>No TCS upto Rs. 7 Lacs</b>
(a)	Amount is remitted for education or medical treatment	<b>5% of the amount above 7 Lacs</b>
	If amount remitted is out of a loan obtained from any financial institution for education	<b>0.5% of the amount above 7 Lacs</b>
(b)	Where the amount is remitted for the purpose other than mentioned in (a) above	<b>20% of the amount above 7 Lacs</b>

## CASES WHERE NO TAX IS TO BE COLLECTED u/s 206C(1G)

1. No TCS by authorized dealer on an amount i.r.o which the sum has been collected by the seller.
2. No TCS, if buyer is liable to deduct tax at source under any other provision of the Act & has deducted such tax.
3. No TCS, if buyer is CG/SG/Embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority or NR visiting India.

### TIME OF TCS [SECTION 206C(1)/(1C)/(1F)]

Earlier of (a) At the time of Debit (b) At the time of Receipt.  
**Note:** Sale of Motor Vehicle > Rs. 10 Lacs & Goods > Rs. 50 Lacs → Receipt of consideration.

### NON-APPLICABILITY OF TCS PROVISIONS [SECTION 206C(1A)]

- Goods are to be utilized for Manufacturing or processing or producing articles or for generation of power & **not for trading purposes.**

### MEANING OF "BUYER"

- |  |  |                           |
|--|--|---------------------------|
| <b>1</b>   | <b>For 'Sale of goods' of value &gt; Rs. 50 Lacs</b> | <b>[Section 206C(1H)]</b> |
| A person who purchases any goods <b>but does not include</b> –   |  |                           |
| (a) CG/SG, Embassy, High Commission, trade representation of foreign state etc.<br>(b) Local authority<br>(c) Person importing goods into India.   |  |                           |
| <b>2</b>   | <b>For 'Sale of motor vehicle &gt; Rs. 10 Lacs'</b>  | <b>[Section 206C(1F)]</b> |
| A person who obtains in any sale, goods of specified nature <b>but does not include</b>  |  |                           |
| (a) CG, SG, & Embassy, High Commission, legation, commission, consulate & trade representation of a foreign State; or Local authority; or<br>(b) Public sector company engaged in the business of carrying passengers. |  |                           |

### MEANING OF "SELLER"

- |   |   |   |
|---|---|---|
| <b>1</b>  | <b>For 'Sale of goods' of value &gt; Rs. 50 Lacs</b>    | <b>[Section 206C(1H)]</b>               |
| Person whose sales/GR/TO from business > <b>Rs. 10 Cr</b> during last FY.   |   |   |
| <b>2</b>  | <b>For 'Sale of Certain Goods &amp; Motor Vehicles'</b> | <b>[Section 206C(1) &amp; 206C(1F)]</b> |
| <ul style="list-style-type: none"> <li>▪ Individual/HUF whose turnover from business during Last FY &gt; Rs. 1 Cr</li> <li>▪ Individual/HUF whose turnover from profession during Last FY &gt; Rs. 50 Lacs.</li> <li>▪ CG/SG/LA or corporation; Any Company or a Firm or Co-operative society</li> <li>▪ Authority established by or under a Central, State or Provincial Act;</li> </ul> |   |   |
- SCRAP** → Waste & scrap from manufacture or mechanical working of materials which is definitely not usable as such due to breakage, cutting up, wear & tear.

## HIGHER RATE OF TCS FOR NON-FILERS OF ROI [SECTION 206CCA] & NON- FURNISHERS OF PAN [SECTION 206CC]

- ❖ **RATE OF TCS FOR NON-FILERS OF ROI [Sec. 206CCA]** → Higher of (a) Twice the rate specified in the relevant provision of the Act;      **(b) 5%**
- ❖ **RATE OF TCS FOR NON-FURNISHER OF PAN [Sec. 206CC]** → Higher of (a) Twice the rate specified in the relevant provision of the Act;      **(b) 5% (1% for 206C(1H))**  
**Note: Section 206CC does not apply to NR who does not have a permanent establishment in India.**
- ❖ If both section 206CC & 206CCA are applicable to specified person, then TCS @ higher of the two rates provided in section 206CC & 206CCA.
- ❖ **Meaning of Specified person:** A person who has not furnished ROI for AY relevant to the PY immediately preceding the financial year in which tax is required to be collected, for which time limit for furnishing ROI u/s 139(1) has expired, & aggregate of TDS & TCS in his case is Rs. 50,000 or more in the said PY.



Liability to pay Advance Tax	
▪ Person whose ATL > Rs. 10,000 in FY on Estimated Income.	
▪ ATL = (Tax on Estimated Total Income - Rebate/Relief) + HEC – TDS/TCS	
▪ <b>Exception:</b> Resident Senior Individual (Age > 60 Yrs) + No PGBP Income.	

**INSTALMENTS OF ADVANCE TAX & DUE DATES**

<b>1</b>	<b>Assessee computing profits on Presumptive Basis u/s 44AD/ADA</b>	
	☞ Pay <b>100%</b> of ATL in <b>1 Instalment</b> on/before <b>15<sup>th</sup> March</b> of PY.	
<b>2</b>	<b>Assessee other than 44AD/44ADA</b>	
	<b>Date of Payment</b>	<b>Cumulative % of Advance Tax</b>
	15 June	15% of Advance Tax
	15 Sep	45% of Advance Tax
	15 Dec	75% of Advance Tax
	15 March	100% of Advance Tax

**Some Important Points**

- Estimated Income shall be Revised @ every date of Payment.
- Submission of Statement of Estimated Income to AO → Not Required.
- Tax deductible but not so deducted cannot be reduced for computing ATL.
- Estimated Net Agricultural Income → Considered for Rate purposes.
- Advance tax paid on/before 31<sup>st</sup> March → Treated as Advance Tax paid during PY but Interest u/s 234 will be applicable.
- Banks Closed on Payment Date → Pay on Next Working Day; Interest ☒.

**Shortfall in advance tax due to Capital Gains / Casual Incomes**

- If any unexpected income arises after DD of any instalment. In such cases, Advance Tax payable on such Income, shall be paid in Remaining Instalments or by 31<sup>st</sup> March of PY (if No Instalment is remaining).  
Ex: Capital Gains; & Lottery, New PGBP Income; Dividend > Rs.10 lacs].
- If Entire Tax payable on such Income is paid, NO INTERET u/s 234B/234C.

Q. Can AO issue order to assessee to pay Advance Tax? **Yes** if assessed before.

INTEREST FOR DEFAULT IN FURNISHING ROI [Sec 234A]	
Circumstances	► If No ROI is filed; ► ROI is filed after the Due Date u/s 139(1).
Consequences	<b>SI @ 1% p.m (or part) → on Tax on Assessed Income - TDS/TCS – Advance Tax</b>
Time for Levy of Interest	<ul style="list-style-type: none"> <li>▪ From: Next day of DD of filing ROI.</li> <li>▪ Upto: (i) If ROI is filed after DD → Date of filing ROI (ii) If NO ROI is filed → Date of Completion of Assessment u/s 144.</li> </ul>

**PC Note:** No Interest u/s 234A on SAT Paid on/before DD of filing ROI.

**INTEREST FOR NON-PAYMENT OR SHORT PAYMENT OF ADVANCE TAX [Sec 234B]**

Circumstances	► No Advance Tax Paid <b>OR</b> ► Advance Tax paid is < 90% of Assessed Tax
Consequences	<b>SI @ 1% p.m (or part)</b> is payable <b>on</b> Assessed Tax – Advance Tax Paid
Time for Levy of Interest	From → 1 <sup>st</sup> April of the relevant AY Upto → Date of determination of total income u/s 143(1).

**INTEREST FOR DEFERMENT OF ADVANCE TAX [Sec 234C]**

<b>1</b>	<b>Assessee opting for Presumptive Scheme</b>		
	☞ <b>Interest u/s 234C = [Advance Tax Payable – Advance Tax paid] × 1%.</b>		
<b>2</b>	<b>Assessee OTHER THAN (1)</b>		
	<b>DD</b>	<b>Advance Tax</b>	<b>INTEREST PAYABLE u/s 234C</b>
	15 June	15%	S.I @ 1% p.m for 3 months on shortfall from 15%. <b>(No Interest if Advance Tax paid ≥ 12%)</b>
	15 Sep	45%	S.I @ 1% p.m for 3 months on shortfall from 45%. <b>(No Interest if Advance Tax paid ≥ 36%)</b>
	15 Dec	75%	S.I @ 1% p.m for 3 months on shortfall from 75%.
	15 March	100%	S.I @ 1% p.m for 1 month on shortfall from 100%.

**Shortfall = [Advance Tax Payable – Advance Tax paid]**

<b>Fee for default in filing ROI [Sec 234F]</b>	<b>Default in Link Aadhar with PAN [234H]</b>	
ROI is filed on/before 31 <sup>st</sup> Dec of AY → <b>5,000</b>	<b>Link b/w 1.4.2022 – 30.06.22</b>	<b>Rs. 500</b>
<b>Note:</b> If TI ≤ Rs. 5 lacs, fees = Rs. 1,000.	<b>Link after 1.7.2022</b>	<b>Rs. 1,000</b>
	<b>Note: Last Date was 31/03/2022</b>	



**PROVISION FOR FILING ROI [SECTION 139]**

Company & Firms	Compulsory (even in Loss).
Other Person	If TI > BEL.
<b>TI for filing ROI</b> ⇒ Income before claiming Chapter VI-A Deductions & Sec. 54/54B/D/EC/F.	
<b>Any person not required to furnish ROI u/s 139(1), is required to file ROI if such person:</b>	
<b>Deposit in bank</b>	Aggregate amounts > <b>Rs. 1 Cr</b> in one or more current A/c.
<b>Foreign Travel</b>	Aggregate expenditure > <b>Rs. 2 Lacs</b> for foreign travel;
<b>Electricity Bill</b>	Aggregate expenditure on electricity bill > <b>Rs. 1 Lacs.</b>
Turnover from business > 60 Lacs during PY	
Gross Receipt > 10 Lacs during PY	
Aggregate TDS + TCS ≥ Rs. 25,000 during PY [Rs. 50,000 for Senior Resident Individual]	
Aggregate Deposit in Saving Bank A/cs ≥ Rs. 50 Lacs during PY	
<b>R/ROR holding Foreign Assets</b>	If ROR (a) holds any asset located o/s India or (b) has signing authority in any A/c outside India or (c) beneficiary of asset o/s India during PY.
<b>5<sup>th</sup> Proviso</b>	Beneficiary of Asset located o/s India → <b>Not required to file ROI</b> , if such income is includible in the income of beneficial owner.

**DUE DATE OF FILING ROI [SECTION 139(1)]**

<b>1</b>	Assessee required to furnish TPR u/s 92E in form 3CEB.	<b>30<sup>th</sup> Nov of Relevant AY</b>
	▪ Any Company (other than 1)	<b>30<sup>th</sup> Oct of Relevant AY</b>
<b>2</b>	▪ <b>Person whose books of A/c are required to be AUDITED;</b> ▪ <b>Working Partner</b> of Audited FIRM	
<b>3</b>	OTHER than (1) & (2) Above	<b>31<sup>st</sup> July of Relevant AY</b>

**DEFECTIVE RETURN [SECTION 139(9)]** ROI shall be defective in following cases:

- Annexure, statements & columns in ROI under each head, GTI & TI are **NOT** duly filled in.
- ROI is NOT accompanied by -  
(a) Statement of Computation; (b) Audit Report; (c) Proof of TDS/TCS/Advance Tax paid/ SAT paid.
- Copies of Audited P&L A/c, Balance sheet & Auditor's Report etc.

Intimation of Defect by AO	Opportunity to rectify defect w/i 15 days.
No Rectification w/i 15 days	Treated as invalid & deemed that NO ROI is filed.
Condonation of Delay	Possible if valid reason is given by assessee.

**RETURN OF LOSS [SECTION 139(3)]**

- Required to be filed if a **person wants to carry forward** his losses.
- Filed in same manner as of ROI** within the **time allowed u/s 139(1)**.
- Not compulsory (Except Company/Firm)** but it should be filed to c/f loss.

**Section 80:** File ROL on/before DD u/s 139(1) to c/f following Losses:  
 (i) Business Loss u/s 72(1)      (ii) Speculation Business Loss u/s 73(2);  
 (iii) Capital Loss u/s 74(1)      (iv) Specified business Loss u/s 73A(2);  
 (v) Loss from Activity of O&M Race Horses u/s 74 A(3).

**PC Note: Losses which can be c/f even if ROL is filed after DD u/s 139(1):**  
 (i) House Property Loss u/s 71B; (ii) Unabsorbed Depreciation u/s 32.

- Intra-head & Inter-head Set off is possible even if ROL is filed after DD.
- B/f Losses can be carried forward (If ROL was filed w/i DD in that year).

**BELATED RETURN [SECTION 139(4)]**

- If ROI is NOT filed within time u/s 139(1), assessee may file Belated ROI.
- Time Limit:** Earlier of (i) or (ii)  
**(i) Before 3 months prior to the end of AY (ii) Before BJA u/s 144.**  
**PC Note:** Even Belated Return filed u/s 139(4) be revised.

**REVISED RETURN [SECTION 139(5)]**

- If Assessee discover any **omission/wrong statement in ROI filed u/s** (i) Sec. 139(1) [Original] (ii) Sec. 139(4) [Belated], he may file revised ROI.
- Time Limit:** Earlier of (i) or (ii)  
**(i) Before 3 months prior to the end of relevant AY (31<sup>st</sup> Dec of AY) or**  
**(ii) Before Assessment u/s 143(3) or u/s 144 (whichever is earlier).**
- ROI can be revised any No. of times but within Time limit u/s 139(5).**
- Can a ROL be revised? Yes.** ROL u/s 139(3) is deemed as if it was a return u/s 139(1). Thus, ROL can be revised u/s 139(5).
- If original ROL is filed u/s 139(3) & then it is revised u/s 139(5), such Revised ROL substitutes original ROL & shall be deemed to be filed within time limit u/s 139(1) & loss claimed in revised ROL can be carried forward.

**PERMANENT ACCOUNT NUMBER [SECTION 139A]**

**APPLICATION FOR PAN [Section 139A(1)]**

<b>1</b>	<b>LEGAL REQUIREMENT:</b> Every person who has not been allotted a PAN shall (within such time as may be prescribed) apply to AO for the allotment of PAN in the following cases:	
<b>SN</b>	<b>Persons required to apply for PAN</b>	<b>Time limit for application</b>
<b>1</b>	Person whose TI (or TI of any other person i.r.o which he is assessable) > BEL	On/before 31 <sup>st</sup> May of AY for which such income is assessable
<b>2</b>	Person carrying on any business/profession whose Sales; TO; GR > (likely to be) Rs. 5 lacs in any PY	Before the end of that PY
<b>3</b>	Resident (other than individual) which enters into financial transaction ≥ Rs. 2.5L in a FY	On/before 31 <sup>st</sup> May of the immediately following FY
<b>4</b>	Every person who is MD, director, partner, trustee, author, founder, Karta, CEO, PO or office bearer of any person referred in (3) above or agent of such person referred in (3) above	On/before 31 <sup>st</sup> May of immediately following FY in which the person referred in (iii) enters into specified financial transaction.
<b>2</b>	<b>POWER OF CG:</b> CG is empowered to specify any person for allotment of PAN by notification in OG. Such persons shall apply within time mentioned in OG.	
<b>3</b>	<b>POWER OF AO:</b> AO having regard to nature of transactions may allot PAN to any other person in the prescribed manner.	
<b>4</b>	<b>SUO MOTO APPLICATION BY THE ASSESSEE:</b> Any person (other than mentioned above) may apply to AO for allotment of PAN.	

**QUOTING OF PAN**

<b>(A) SALE/PURCHASE OF SECURITIES</b>			<b>(C) TRANSACTIONS WITH BANKS/CO-OPERATIVE BANKS/POST OFFICE</b>		
Nature of Transaction		Value	Nature of Transaction		Value of transaction
Contract for Sale/Purchase of securities		> Rs. 1 lac	Opening Bank A/c other than time deposit		All Transactions.
Sale/Purchase of unlisted shares from open market.		> Rs. 1 lac	Application for issue of <b>Credit/Debit card</b>		All Transactions.
Payment to a mutual fund for purchase of its units.		> Rs. 50,000	Opening Demat account.		All Transactions.
Payment for acquiring debentures/bonds/RBI bonds		> Rs. 50,000	Cash Deposit with a bank		≥ 50,000 in a day.
<b>(B) SALE/PURCHASE OF OTHER ASSETS</b>			Purchase of bank draft/Cheque from bank		> 50,000 in a day.
Nature of Transaction		Value of Transaction	<b>Time deposit with</b> (i) Bank/Co-operative bank/PO (ii) Nidhi Co. (iii) Registered NBFC		> 50,000 OR > 5 Lacs in FY.
Sale/Purchase of Immovable property.		If SC/SDV > Rs. 10 lacs	Total Payment for prepaid payment instruments to a bank/co-operative bank.		> 50,000 in a FY in cash/draft/pay order
Sale/Purchase of other Goods/Services		> Rs. 2 lacs	❖ <b>MINOR:</b> He shall quote PAN of parent or guardian. ❖ <b>PERSON NOT HAVING PAN:</b> Give Declaration in Form No. 60.		
Sale/Purchase of Motor Vehicle		All Transactions			
Hotel/Restaurant bill	Purchase of foreign currency	Life Insurance Premium			
> 50,000 in cash	> 50,000 in cash	> 50,000 in FY			

**Rule 114BA** ⇒ Every person who has not been allotted a PAN & intends to enter into following transaction is also required to apply for PAN to AO.

	Person required to apply for PAN [Rule 114BA]	Time limit for making application [Rule 114]
(i)	Cash deposit or deposits aggregating to Rs. 20 lakhs or more in FY	At least 7 days before he intends to deposit cash over Rs. 20 lacs or more.
(ii)	Cash withdrawal or withdrawals aggregating to Rs. 20 lakhs or more in FY	At least 7 days before he intends to withdraw cash over Rs. 20 lakh or more.
(iii)	Opening of a current A/c or CC A/c by a person with a bank or a co-operative bank or PO	At least 7 days before the date on which he intends to open such account.

**However, a person is not required to apply for PAN or quote PAN:**

- (a) If **person making deposit/withdrawal** of amount (i.e Rs. 20 Lacs) **otherwise than by cash** as per (i) or (ii) above, **or opening a current A/c** (not being cash credit A/c) as per (iii) above **is a NR/Foreign company**
- (b) Transaction is entered into with an **IFSC banking unit** & (c) Such NR/FC does not have any income chargeable to tax in India.

**Rule 114BB** has been inserted to prescribe that every person has to, at the time of entering into a transaction specified in column (2), quote his PAN or Aadhaar number in documents pertaining to such transaction, and every person specified in (3), who receives such document, has to ensure that the said number has been duly quoted and authenticated:

(1)	(2)	(3)
SN	Nature of transaction	Person
1	Cash deposit or deposits aggregating to Rs. 20 lakhs or more in FY	Bank or co-operative bank or Post Master General of PO.
2	Cash withdrawal or withdrawals aggregating to Rs. 20 lakhs or more in FY	Bank or co-operative bank or Post Master General of PO.
3	Opening of a current account or cash credit account by a person with a bank or a co-operative bank or PO	Nank or co-operative bank or Post Master General of PO.

### INTER-CHANGEABILITY OF PAN WITH AADHAAR

Every person who is required to furnish/intimate/quote his PAN may furnish/intimate/quote his Aadhar No. in lieu of PAN w.e.f. 1.9.2019 if he:

- has not been allotted a PAN but possesses Aadhar Number
- has been allotted a PAN & has intimated his Aadhar no. to prescribed authority in accordance with the requirement contained in section 139AA(2).

*PAN would be allotted to a person who has not been allotted a PAN but possesses Aadhar no. in prescribed manner.*

**Rule 114(4)** requires submission of application for allotment of PAN by applicant accompanied by documents as proof of identity, address & DOB of such applicant.

- ❖ **Sub-rule (1A) to Rule 114 (w.e.f. 1.9.2019):** Any person who has furnished/intimated or quoted his Aadhaar no. in lieu of PAN in accordance with section 139A(5E), **shall be deemed to have applied for allotment of PAN & shall not be required to apply or submit any documents u/r 114.**
- ❖ **Sub-rule (1B) to Rule 114 (w.e.f. 1.9.2019):** Any person who has not been allotted PAN but possess Aadhaar no. may apply for allotment of PAN u/s 139A(1)/(1A)/(3) by intimating his Aadhaar no. & he shall not be required to apply or submit any documents u/r 114.

**PENALTY FOR FAILURE TO COMPLY WITH SECTION 139A [SECTION 272B]**

Section	Default	Penalty
272B(1)	Failure to comply with the provisions of section 139A	Rs. 10,000
272B(2)	Failure to quote PAN/Aadhaar in any document referred in section 139A(5)(c)	Rs. 10,000 for each default
	Failure to intimate PAN/Aadhaar as required by section 139A(5A)/(5C)	
	Knowingly quoting or intimating a number which is false	
272B(2A)	Failure to quote PAN/Aadhaar in documents referred in section 139A(6A) or authenticate such no. in accordance with the provisions.	Rs. 10,000 for each default
272B(2B)	(i) Failure to ensure that PAN/Aadhaar is duly quoted in documents relating to transactions referred in sec. 139A(5)(c) or 139A(6A)	Rs. 10,000 for each default
	(ii) Failure to ensure that PAN/Aadhaar has been duly authenticated in respect of transactions referred to u/s 139A(6A)	

**QUOTING OF AADHAR NUMBER [SECTION 139AA]**

Mandatory Quoting of Aadhar	Every person eligible to obtain Aadhar No. <b>must mandatorily quote</b> Aadhar Number in: (a) Application form for Allotment of PAN; (b) ROI.
No Aadhar → Quote Enrolment Id	If a person does not have Aadhar Number, he is required to quote <b>Enrolment ID of Aadhar application form</b> . <b>Enrolment ID:</b> 28 Digit Enrolment Identification Number issued to a resident at the time of enrolment for Aadhar.
<b>From 1<sup>st</sup> October 2024:</b> Option of quoting Enrolment ID of Aadhaar application for allotment of PAN or in ROI is discontinued. Further, a person who has been allotted PAN on the basis of Enrolment ID of Aadhaar application form filed before 1 <sup>st</sup> October, 2024 has to intimate his Aadhaar Number, on/before a notified date [Section 139AA(2A)].	
Update Aadhar No. to Authorities	Every person who has been allotted PAN & is eligible to obtain Aadhar shall <b>intimate his Aadhar No. to prescribed authority</b> before 31.03.2022.
Consequences of Failure	If a person fails to intimate Aadhar Number, <b>PAN allotted</b> to such person shall be <b>deemed to be invalid</b> & Provisions of the Act shall apply, as if the person had not applied for allotment of PAN.
<b>Exceptions: Provisions of Sec 139AA would not apply to Individual who does not possess Aadhar number or Enrolment ID &amp; is:</b> <b>(a) Residing in States of Assam, J&amp;K; Meghalaya; (b) Non-Resident; (c) Super Senior Citizen [Age ≥ 80 years at any time during PY; (d) Not a Citizen of India.</b>	

**Accordingly, Rule 114AAA specifies the manner of making permanent account number inoperative.**

	Provision
(1)	If a person, who has been allotted PAN & is required to intimate his Aadhaar number u/s 139AA(2), has failed to intimate the same on/before 31 <sup>st</sup> March, 2022, PAN of such person would become inoperative and he would be liable for payment of fee in accordance with section 234H read with Rule 114(5A) i.e., Rs. 1,000.
(2)	Where such person who has not intimated his Aadhaar number on/before 31 <sup>st</sup> March, 2022, has intimated his Aadhaar number u/s 139AA(2) after 31 <sup>st</sup> March, 2022, after payment of fee specified in section 234H r/w rule 114(5A), his <b>PAN would become operative within 30 days from the date of intimation of Aadhaar no.</b>
(3)	If PAN of a person has become inoperative, he will not be able to furnish, intimate or quote his PAN & would be liable to all the consequences under the Act for such failure. (a) Person would not be able to file ROI; (b) Pending returns will not be processed (c) Pending refunds cannot be issued (d) No interest on such refunds. (d) Pending proceedings as in case of defective returns cannot be completed (e) TDS & TCS at higher rate as PAN becomes inoperative.
(4)	The consequences in (3) above would be effective from the date specified by the Board i.e., 1.7.2023 [Circular No. 3/2023 dated 28th March, 2023]

**SCHEME FOR SUBMISSION OF ROI THROUGH TRPs [SECTION 139B]**

WHO CAN BE A TRP?	<b>Any Individual OTHER THAN</b> (a) Officer of Bank in which assessee has Current A/c (b) Legal practitioner (c) CA (d) Employee of 'Specified class of Persons' Specified class of persons → Any Person other than <b>(a) Company; (b) Person</b> whose A/cs are required to be audited u/s 44AB & who is required to file ROI. <b>Thus, Employees of Companies &amp; Persons whose accounts are required to be Audited u/s 44AB CAN BE TRP.</b>
ROI through TRP not allowed	(a) Any Person other than Individual & HUF. <b>[Only Individual &amp; HUF are eligible person]</b> (b) Individual/HUF carrying Business/Profession during PY & their A/cs are required to be <b>audited u/s 44AB</b> or under any other law; or (c) Individual/HUF who is a <b>Non-Resident in India</b> during the previous year.

**UPDATED RETURN [SECTION 139(8A)]**

**[It is Optional]**

<b>Time Limit</b>	<b>Within 24 months from the end of the relevant AY</b> [Ex: Updated return for AY 24-25 can be filed till 31.3.2027]
<b>Not Applicable</b>	If updated return for that AY is (i) Loss return; or (ii) Results in refund or increases refund due u/s 139(1)/(4)/(5); (iii) has the effect of decreasing the total tax liability determined on the basis of return furnished u/s 139(1) or 139(4) or 139(5).
<b>Only Once</b>	Updated Return can be filed only once for the relevant AY.
<b>Not Allowed</b>	cannot be filed if any <b>proceeding for assessment</b> or reassessment or re-computation or revision of income is <b>pending or has been completed</b> for relevant AY.

- Updated return can be filed if original return is a loss return & updated return is a return of income. 🚫
- Updated return to be furnished for subsequent PY also: If loss is carried forward or unabsorbed depreciation carried forward u/s 32(2) or tax credit carried forward u/s 115JD is to be reduced for any subsequent PY as a result of furnishing of updated ROI for a PY, an updated return is required to be furnished for each such subsequent PY/PYs.

**TAX ON UPDATED RETURN [SECTION 140B]**

1	<p><b>Payment of tax, additional tax, interest and fee before furnishing updated return of income</b></p> <p><b>(a) If No Return is furnished earlier [Section 140B(1)]</b></p> <ul style="list-style-type: none"> <li>Tax Payable = Tax + Interest &amp; fee payable for any delay in furnishing ROI + Additional Tax computed u/s 140B(3)</li> <li>Tax payable is to be computed after taking into account (i) Tax, if any, already paid, as advance tax; (ii) TDS/TC; (iii) Marginal Relief; (iv) Tax credit u/s 115JD.</li> </ul> <p><b>(b) If Return is furnished earlier u/s 139(1) or 139(4) or 139(5) [Section 140B(2)]</b></p> <ul style="list-style-type: none"> <li>Tax Payable = Tax + Interest payable for delay in payment of advance tax + Additional tax computed u/s 140B(3) - Interest paid in earlier return + <b>Refund (if any)</b></li> <li>Tax payable is to be computed after taking into account the following -                     <ul style="list-style-type: none"> <li>- Amount of relief or tax referred in section 140A(1), credit for which has been taken in earlier return.</li> <li>- TDS/TCS on any income &amp; which is taken into account in computing TI &amp; which has not been included in the earlier return.</li> <li>- Tax credit claimed to set-off as per section 115JD, which has not been claimed in earlier return.</li> </ul> </li> </ul>
2	<p><b>Additional Income Tax payable at the time of updated return [Section 140B(3)]</b></p> <ul style="list-style-type: none"> <li>If Updated ROI is furnished after expiry of time limit u/s 139(4)/139(5) &amp; before completion of 12 months from the end of AY: <b>25%</b> of Aggregate of tax &amp; interest payable.</li> <li>If such return is furnished after 12 months from the end of relevant AY but before completion of 24 months from the end of relevant AY: <b>50%</b> of Aggregate of tax &amp; interest.</li> </ul>

3	<b>Interest u/s 234B where earlier return has been furnished [Section 140B(4)]</b>
	<ul style="list-style-type: none"> <li>▪ If earlier return has been furnished, interest u/s 234B has to be computed on assessed tax or on amount by which advance tax paid falls short of the assessed tax.</li> <li>▪ “Assessed tax” means the tax on TI as declared in updated return to be furnished u/s 139(8A), after considering: <ul style="list-style-type: none"> <li>- Amount of relief or tax referred in section 140A(1), credit for which has been taken in the earlier return.</li> <li>- TDS/TCS on any income which is subject to such deduction or collection and which is taken into account in computing TI &amp; which has not been included in earlier return.</li> <li>- Tax credit claimed to set-off as per section 115JD, which has not been claimed in earlier return.</li> </ul> </li> <li>▪ Aforesaid tax would be increased by the amount of refund, if any, issued i.r.o. such earlier return.</li> </ul>
4	<b>Computation of Additional Income Tax</b> → Tax would include surcharge & cess on such tax.
	▪ Interest = Interest on income as per updated ROI - Interest paid in earlier return. [Note: Interest paid in earlier return = Nil (if no earlier return has been furnished)]
5	<b>Interest u/s 234A if no earlier return has been furnished</b> → If no earlier return has been furnished, interest payable u/s 234A has to be computed on tax on TI as declared in the updated return u/s 139(8A), in accordance with the provisions of sub-section (1A) of section 140A.
6	<b>Interest u/s 234 if earlier return has been furnished</b> → Interest payable u/s 234C, where an earlier return has been furnished, has to be computed after taking into account the income furnished in the return u/s 139(8A) as the returned income.

**PERSONS AUTHORISED TO VERIFY RETURN OF INCOME [SECTION 140]**

Assessee	Verified by
<b>1 INDIVIDUAL</b>	<b>HIMSELF</b>
If Individual is Absent from India →	Agent holding a valid power of attorney from such individual. (POA should be attached to ROI).
If Individual is Mentally Incapacitated →	His guardian; or Any other person competent to act on his behalf
Individual cannot verify ROI for other reasons →	Agent holding a valid power of attorney from such individual. (PoA should be attached to ROI).
<b>2 HUF</b>	<b>KARTA OF HUF or Any other Adult Member of HUF (If Karta is Absent or mentally incapacitated)</b>
<b>3 COMPANY</b>	<b>MANAGING DIRECTOR</b>
There is no MD/MD is unable to verify ROI →	By any Director
<b>Non-Resident Company</b> →	<b>Any person holding valid power of attorney. Such PoA should be attached to ROI.</b>
When the company is in liquidation →	The Liquidator.
When company’s management is taken over by CG/SG →	The Principal Officer.
Application for corporate Insolvency Resolution Process has been admitted by Adjudicating Authority →	<b>Insolvency Professional appointed by such Adjudicating Authority (NCLT)</b>
<b>4 FIRM/LLP</b>	<b>MANAGING PARTNER/ DESIGNATED PARTNER</b>
There is <b>NO</b> Managing Partner/Designated Partner or Managing Partner/Designated Partner is not able to verify ROI →	<b>Firm:</b> Partner of the firm not being a minor. <b>LLP:</b> Any Partner <b>[other person means person appointed by Adjudicating Authority (NCLT)]</b>
5 Local authority	Principal officer.
6 Political party	CEO of such party (whether known as Secretary or by any other designation).
7 Any other association	Any Member of Association or Principal Officer.

**SELF-ASSESSMENT TAX [SECTION 140A]**

Payment of Tax, Interest & Fee before filing ROI	If Tax is payable after considering (i) Tax already paid (ii) TDS/TCS; assessee shall be liable to pay such tax with interest & fees for any default/delay in the payment of Advance Tax before filing ROI. ROI shall be accompanied by proof of payment.
Order of Adjustment of Amount paid by Assessee	If SAT paid < Tax + Interest + Fees payable, amount so paid shall first be adjusted towards (i) fees payable; (ii) Interest; (iii) Balance (if any) shall be adjusted towards the tax payable.
Assessee in Default	If any assessee fails to pay whole/any part of such of tax or interest or fees, he shall be deemed to be an 'assessee in default'.

**BEST JUDGMENT ASSESSMENT [SECTION 144] – Theory Question [2M]**

AO shall himself make assessment of Total Income/Loss to the best of his judgment & determine the tax payable by the assessee, if assessee fails to:

- (a) File ROI u/s 139;
- (b) Comply with notice u/s 142 to file ROI/produce books/furnish information required by AO;
- (c) Get his A/c audited if directed by AO;
- (d) Comply with all T&C of notice u/s 143(2).



**INCOME TO BE CONSIDERED WHILE COMPUTING TOTAL INCOME OF INDIVIDUALS**

SN	Capacity	Treatment of income earned in each capacity	
1	In his personal capacity	Income from 5 heads of Income.	
2	As a partner of a firm	<ul style="list-style-type: none"> <li>Salary, bonus etc. received by a partner from firm is taxable as his business income.</li> <li>Interest on capital &amp; loans to the firm is taxable as business income of the partner.</li> <li>Share of profit in the firm is exempt in the hands of the partner.</li> </ul>	
3	As a member of HUF	<ul style="list-style-type: none"> <li>Share of income of HUF = Exempt in the hands of the member.</li> <li>Income from impartible estate of HUF → Taxable to holder of estate who is eldest member of HUF.</li> <li>Income from self-acquired property converted into HUF property.</li> </ul>	
4	Income of other persons included in the income of the individual	Transferee's income if income is transferred w/o transfer of assets.	Income arising to transferee from a revocable transfer of an asset.
		Income of spouse as mentioned in section 64(1).	Income of minor child as mentioned in section 64(1A).
		Income from assets transferred otherwise than for adequate consideration to son's wife or to any person for benefit of son's wife.	

taxable to the extent they are allowed as deduction to firm

**ALTERNATE MINIMUM TAX [Section 115JC]**

<b>Scheme of AMT</b>	If Regular tax payable by a person for a PY < AMT payable for such PY, ATI shall be deemed to be TI of the person & he shall pay tax on <b>ATI @ 18.5%</b> .
<b>Applicability of AMT [Section 115 JEE (1)] [Company → MAT]</b>	Any person (except company) who has claimed Profit-Linked deductions under Chapter VI-A (except Sec 80P) i.r.o certain incomes/sec 10AA/sec 35AD. <b>PC Note:</b> Profit-linked deductions provided u/s 80- IA to 80-IE, Sec 80JJA, 80LA, 80P and 80PA are relevant for Final/Professional Level Exams. <b>For Inter students:</b> Discussion of AMT is limited w.r.t deduction u/s <b>10AA, Sec 35AD</b> & deduction u/s <b>80JJAA, 80QQB &amp; 80RRB</b> only.
<b>Exceptions</b>	<b>No AMT</b> ⇒ Individual, HUF, AOP/BOIs (whether incorporated or not), AJP; if <b>Adjusted TI &lt; Rs. 20 lacs [Section 115JEE(2)]</b>
<b>Adjusted TI (ATI) =</b>	Total Income (as computed normally) + Deduction u/s (i) 10AA + [35AD – deemed depreciation u/s 32] + Profit-linked deductions under Chapter VI-A
<b>Tax Credit for AMT [Section 115JD]</b>	<ul style="list-style-type: none"> <li>Tax credit = <b>Excess of AMT paid over regular tax payable.</b></li> <li>Such tax credit shall be c/f &amp; set-off against tax payable in later year to the extent regular tax payable exceeds AMT payable in that year.</li> <li>Balance tax credit (if any) shall be c/f to the next year for set-off in that year in a similar manner.</li> <li>Maximum Period for c/f of AMT: 15 AYs succeeding the AY in which the credit becomes allowable.</li> </ul>

**PC Note: Tax Credit allowable even if Adjusted TI ≤ Rs. 20 lacs in the year of set-off [Sec 115JEE (3)]:** If assessee has not claimed deduction u/s 10AA/35AD/80JJAA or 80QQB/RRB] in any PY & ATI of that year ≤ Rs. 20 lacs, such assessee would still be entitled to set-off his b/f AMT credit in that year.

**PC Note: Individual/HUF/AOP/BOI/AJP paying tax under default tax regime u/s 115BAC are not liable to pay AMT.**

**PC Note: AMT credit not allowable to the assessee paying tax under the default tax regime.**

DEFAULT (NEW) TAX REGIME [SECTION 115BAC]

<b>1 Concessional Slab Rates</b>						
<ul style="list-style-type: none"> <li>Individual/HUF/AOP/BOI/AJP have to pay tax i.r.o. their total income at concessional rate</li> <li>other than income taxable at special rates u/s 111A, 112, 112A, 115BB etc.</li> </ul>						
<b>Income</b>	Upto 3L	<b>3L - 7L</b>	<b>7L - 10L</b>	<b>10L - 12L</b>	12L - 15L	Above 15L
<b>Tax Rate</b>	Nil	<b>5%</b>	<b>10%</b>	<b>15%</b>	20%	30%

<b>3 Time limit for exercise of option</b>	
<b>(a) Ind/HUF/AOP/BOI/AJP not having business/profession income [Changeable]</b>	<p>Option has to be exercised along with ROI to be furnished u/s 139(1) for the PY.</p> <p><b>PC Note:</b> They can choose whether or not to exercise the option in each PY. He may choose to exercise the option in one year &amp; not to exercise the option in another year.</p>
<b>(b) Ind/HUF/AOP/BOI/AJP having business/profession income [Non-changeable]</b>	<p>Option to opt out has to be exercised on/before DD u/s 139(1) for furnishing ROI for such PY &amp; <b>once such option is exercised, it would apply to subsequent AYs.</b></p> <p>Such person who has exercised the above option of shifting out of the default tax regime for any PY shall be able to withdraw such option only once &amp; pay tax u/s 115BAC for a PY other than the year in which it was exercised. Thereafter, such person shall never be eligible to exercise option u/s 115BAC, except where such person ceases to have any business income in which case, option under (i) above would be available.</p>

<b>4 Consequences for failure to satisfy conditions mentioned in section 115BAC(2)</b>	
<b>(a) Individual/HUF not having income from business or profession:</b>	Option exercised would be <b>invalid</b> i.r.o. AY relevant to that PY.
<b>(b) Individual/HUF having income from business or profession:</b>	Option exercised would be <b>invalid</b> i.r.o. AY relevant to that PY & subsequent AYs.
<p><b>PC Note:</b> Ind/HUF/AOP/BOI/AJP paying tax u/s 115BAC are not liable to AMT u/s 115JC.</p> <p><b>Class Note:</b></p>	

<b>2. Conditions to be satisfied for availing concessional rates of tax</b>	
<b>(a) Certain deductions/exemptions not allowable</b>	
10(5)	Leave travel concession
10(13A)	House rent allowance
10(14)	Special allowances (other than prescribed)
10(17)	Daily or constituency allowance of MPs & MLAs
10(32)	Exemption i.r.o. income of minor child of Rs. 1500.
10AA	Tax holiday for units established in SEZ
16	(ii) Entertainment allowance; (iii) Professional tax
24(b)	Interest on loan i.r.o. 'self-occupied property'
32(1)(iia)	Additional depreciation
35(1)(ii)/(iii)	Notified research association/university/college for scientific/social/statistical research
35(1)(iia)	Approved Indian company for scientific research
35(2AA)	National laboratory/university/IIT/IIMs
35AD	Investment linked incentives for specified businesses
80C to 80U	Chapter VI-A Deductions. <b>However, following deductions will be available:</b> <ul style="list-style-type: none"> <li>Employers contribution to NPS u/s 80CCD(2) &amp;</li> <li>CG's contribution to agnipath scheme u/s 80CCH(2)</li> <li>Deduction u/s 80JJAA.</li> </ul>
<b>(b) Certain losses not allowed to be set-off</b>	
	<ul style="list-style-type: none"> <li>Loss c/f or depreciation from any earlier AY if they are attributable to any of the deductions referred to in (a) above;</li> <li>u/h house property with any other head of income.</li> </ul>
<b>(c) Depreciation [Max. ROD allowed is 40%]</b>	
	If ROD i.r.o. any block > 40%, depreciation restricted to <b>40%</b> .

**CHAPTER 16. MISCELLANEOUS CONCEPTS**

**A. TREATMENT OF PROVIDENT FUND**

Particulars	SPF	RPF	PPF	URPF
<b>1. Employee's contribution</b>		Deductible u/s 80C		No Deduction
<b>2. Employer's contribution</b>	Exempt	<input checked="" type="checkbox"/> Exempt upto 12% of Salary. <input checked="" type="checkbox"/> Any excess over 12% of Salary → Taxable	NA	Refer Note Given Below
<b>3. Interest</b>	Exempt	<input checked="" type="checkbox"/> Exempt upto 9.5% p.a. <input checked="" type="checkbox"/> Any excess over 9.5% p.a. → Taxable	Exempt	
<b>4. Withdrawal Amount</b>	Exempt u/s 10(11)	Exempt u/s 10(12) subject to certain conditions.	Exempt u/s 10(11)	

**PC Note: For URPF**

- (a) **Employee's contribution** → NO DEDUCTION @ the time of Contribution (Payment) & NO TAX on Withdrawal.
- (b) **Interest on Employee's contribution** → Taxable u/h IFOS.
- (c) **Employer's Contribution** → NO DEDUCTION to Employer @ Contribution (Payment) but taxed to employee as 'profit in lieu of salary' on withdrawal of accumulated balance.
- (d) **Interest on Employer's Contribution** → Taxable as profit in lieu of salary.

**B. BOND WASHING TRANSACTION (INTEREST STRIPPING) [SECTION 94(1)] [For CS/CMA Only - Deleted from CA Inter Module]**

<b>Circumstances</b>	<ul style="list-style-type: none"> <li>▪ If owner of any securities (say Mr. X) <b>sells</b> them before due date of interest to another person (Mr. Y);</li> <li>▪ Such other person (Mr. Y) receives interest on such securities on due date; &amp;</li> <li>▪ Owner <b>buyback</b> such securities after due date of Interest &amp;</li> <li>▪ Interest on such securities received by other person to whom such securities were sold is not taxed/taxed at lower rate.</li> </ul>
<b>Consequences</b>	<p><b>Interest received</b> by other person on such securities shall be <b>included in Total Income of original owner.</b></p> <p><b>PC Note:</b> If any person has had beneficial interest in securities at any time during PY &amp; result of transaction relating to securities (sale) is that → No income is received or less income is received than what would have been receivable on day-to-day basis, then such proportionate income shall be clubbed in his hands.</p> <p><b>Ex:</b> A security has been held for 7 months &amp; then sold; then 7 months interest shall be clubbed in his hands.</p>
<b>Exception</b>	If AO is satisfied that <b>no tax has been avoided or avoidance was exceptional</b> & not systematic & there has been no such avoidance for any 3 preceding years.

**C. BONUS STRIPPING [3 → 3/9] [For CS/CMA Only - Deleted from CA Inter Module]**

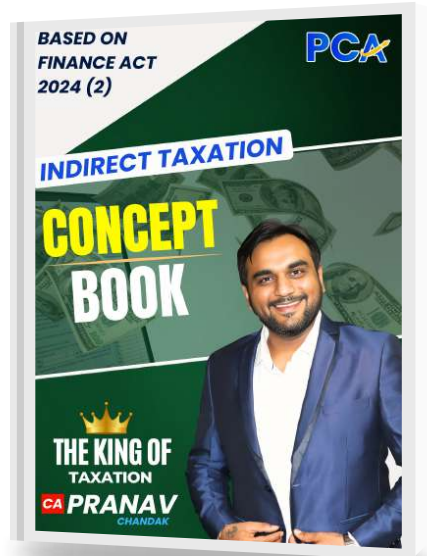
<b>Applicability</b>	Units ONLY
<b>Circumstances</b>	<p><b>Buy</b> → 3 Months before Record Date &amp; <b>Receive bonus units</b> on such units &amp;</p> <p><b>Sell</b> → All/Any of original Units w/i 9 months of Record Date &amp; continue to hold bonus units.</p>
<b>Consequences</b>	Loss arising on account of sale of original units shall be ignored for his income computation & shall be deemed to be <b>Cost of bonus units.</b>

2025 Edition

# DIRECT TAX

# Chart Book

Our other Publications



PCA



CONTACT US



[www.pranavchandak.com](http://www.pranavchandak.com)



8888111034 / 8888111134

Head Office :

Pranav Chandak Academy

Office no : 155, Third floor,

Kumar Prestige Point,

Shukrawar Peth, Pune 411002

THE KING OF TAXATION