

CMA INTER
GROUP – 1
PAPER – 7
FAST TRACK BOOK
(NEW SYLLABUS)

“WINNERS ARE NOT THOSE WHO NEVER FAIL BUT THOSE WHO NEVER QUIT.”

- DR. APJ ABDUL KALAM

TARGET
Academy

BOOSTER BOOK

(GROUP – 01)

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CMA INTER

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DIRECT TAX

BASICS (AY 2024- 25)

What is Tax

Tax is a fee charged by a Government on a product, income or activity. There are two types of taxes - direct taxes and indirect taxes

Basis of Taxation in India

Progressive Taxation

The more we earn the more we pay taxes.

Tax rates should go up as Income rises.

HISTORY OF TAXATION

- *Income Tax Act, 1922.*
- *Income Tax Act, 1961.*
- *Income Tax Rule, 1962.*

DIFFERENCE BETWEEN ACT & RULES

- *Act :- Contain provision of law.*
- *Rule :- Contains Implementation of Provision.*

HOW TO READ LAW

- *1st find the meaning in Act.*
- *2nd judicial pronouncements ----(HC/SC)*
- *3rd follow custom*

CONTENTS OF ACT

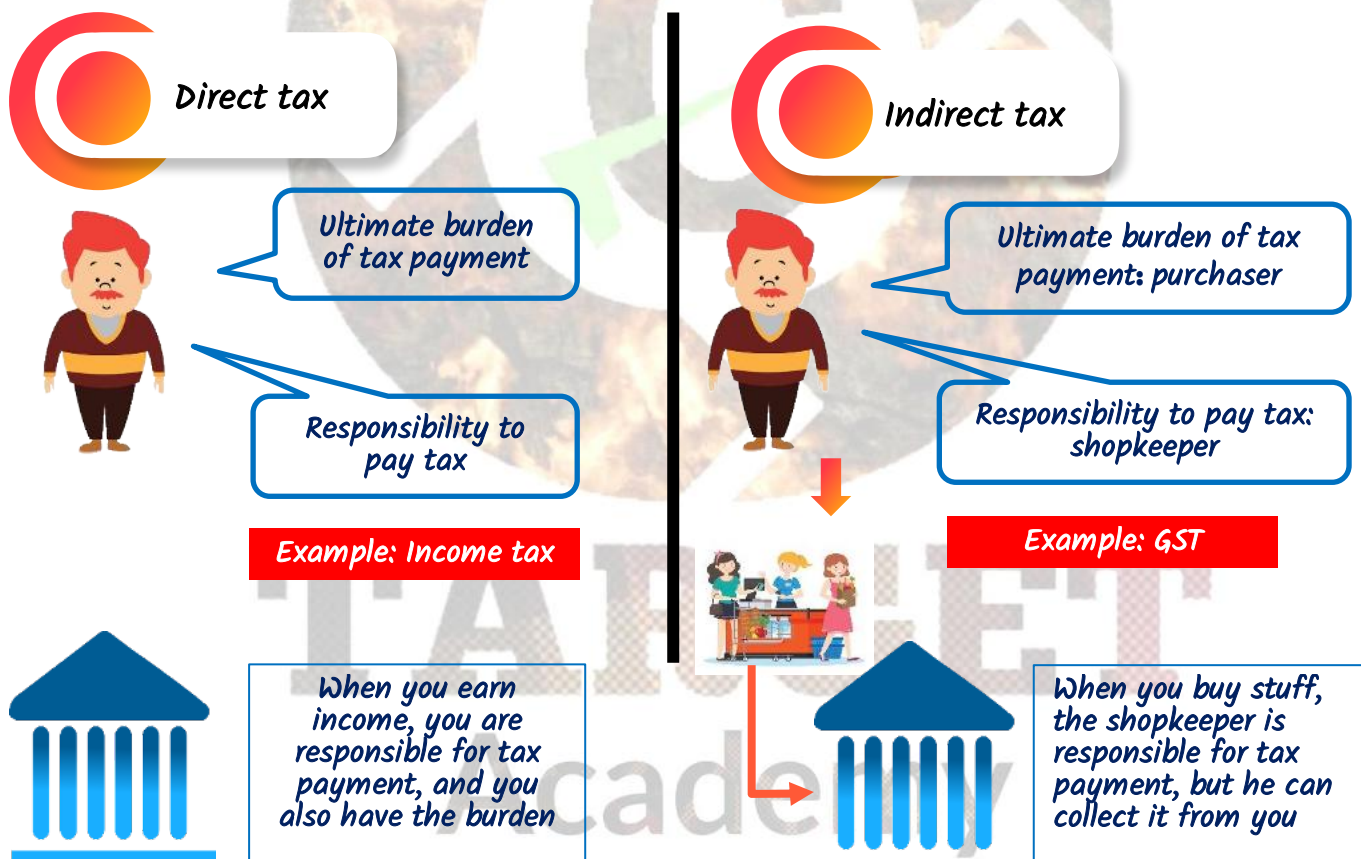
- *Act contains chapters which are divided into various sections.*
- *Act also contains Schedules (Formats).*
- *Followed by Annexure.*

CONSTITUTIONAL VALIDITY OF INCOME TAX ACT

- Article 265 of India Constitution.
- No Tax can be levied or collected except by authority of law (Negative words).
- Article 245 of Indian constitution – Subject to provision in Constitution Parliament may make for whole India.

LIST GIVEN BY CONSTITUTION (ARTICLE 246) – VII SCHEDULE

List	Particulars	Entry No.	Particulars
List-I	Union List	Entry No. - 82	Taxes on Income other than Agriculture Income
List-II	State List	Entry No. - 46	Taxes on Agriculture Income
List-III	Concurrent List		GST



Direct Tax

Directly incurred and paid by the person concerned.

on the income / wealth

no shifting of tax burden.

collected after the income for a year is earned

Indirect Tax

Paid by one person (Assessee / Dealer), but the same is recovered from another person (Consumer).

on Purchase / Sale / Manufacture of goods and Provision of Services.

burden is shifted to the subsequent user.

collected at the time of sale or purchase or Rendering of services.

Body

CBDT

CBIC

Direct Taxes

Indirect Taxes

Sec-1

This Act may be called the Income tax Act, 1961

Extent to whole India

It shall come in to force on 1st day of April, 1962

Sec-2(25A) India (Includes)

Land Mass

Water ways up to 12nm 200nm

Sea bed

Soil & sub soil

Air space

Continental Shelf

**Sec-4- Charging
Section**

Total Income

Of every person

During the previous year

Shall be taxed at the rates applicable in Assessment Year

Total Income

The total amount of income mention in sec-5

INCOME

How many source of income ?

Unlimited

For the purpose of Income Tax Act, 1961, those unlimited sources of income is classified in to 5 Heads

Sec-14

Particulars	Section
Income from salary	15-17
Income from HP	22-27
PGBP	28-44D
Capital gain	45-55
Other Source	56-59

RULES RELATED TO INCOME

1. *Income Tax has nothing to do with legal or illegal. In fact illegal income is also taxable (SC, TA Quershi).*
2. *It can be regular or irregular e.g.:- Capital gain.*
3. *It can be earned in India or outside India.*
4. *It is irrelevant who receive it.*

SECTION 2(31) PERSON INCLUDES

1. Individual
2. HUF
3. Company
4. Firm
5. AOP/BOI
6. Local Authority
7. Artificial juridical person

Profit Motive Not Required

Previous Year

The FY immediately Preceding the AY

Provided that

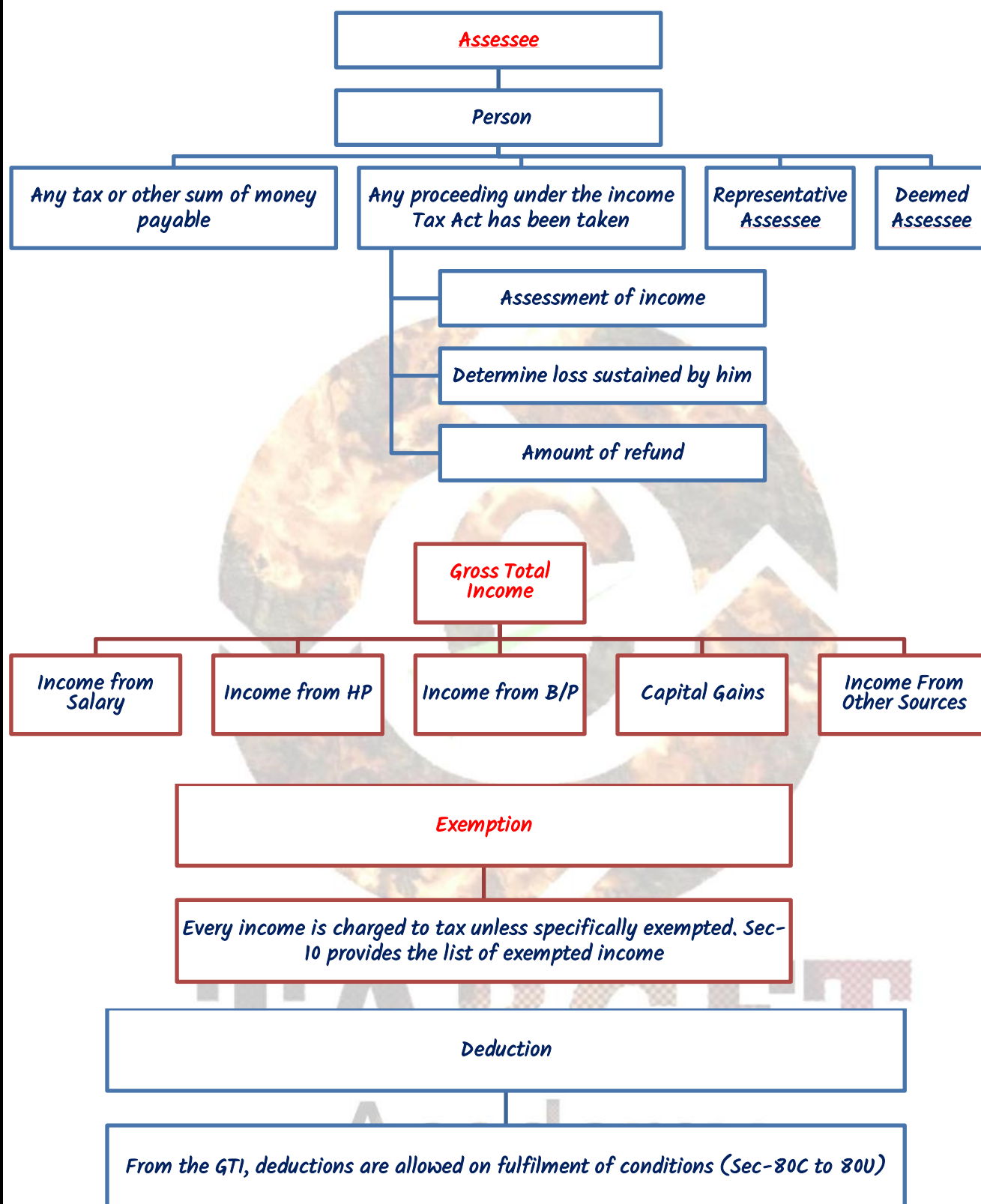
In case of newly set up business/profession

PY = Beginning date to Ending date(31/3)

Assessment Year

The Period of 12m starting from 1st April

P.Y	A.Y
<i>It is a F.Y immediately preceding A.Y</i>	<i>A period of 12m commencing from 1st Apr</i>
<i>It is the year in which Income is earned</i>	<i>It is the year in which tax is paid</i>



Exemption	Deductions
Exemptions means 100% exempt i.e. not chargeable to Tax	Deduction means partial exemption i.e. only certain % of Income is exempt.

Certain Income as specified u/s 10 of income tax is exempt from tax

Deduction from GTI is available from 80C to 80U

If income is exempt it is not considered for the purpose of taxation.

Deduction are available in 2 ways, 1st from Individual heads & 2nd from GTI

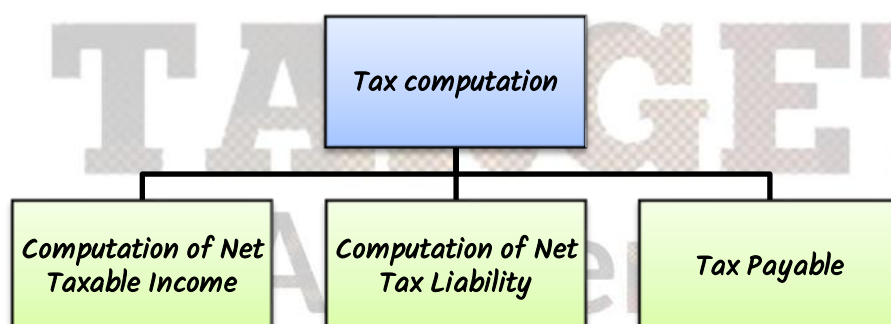
Total Income

Total income is the Income after reducing the deductions under chapter-VI from GTI. This income is also called as Taxable Income on which Tax has to be computed

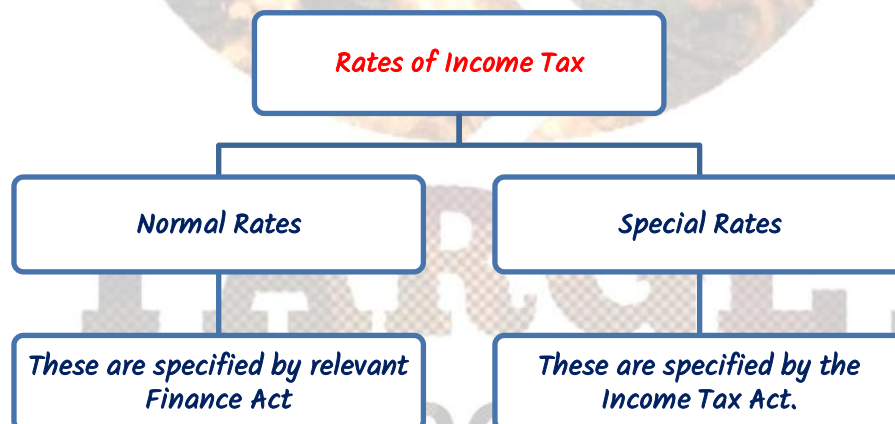
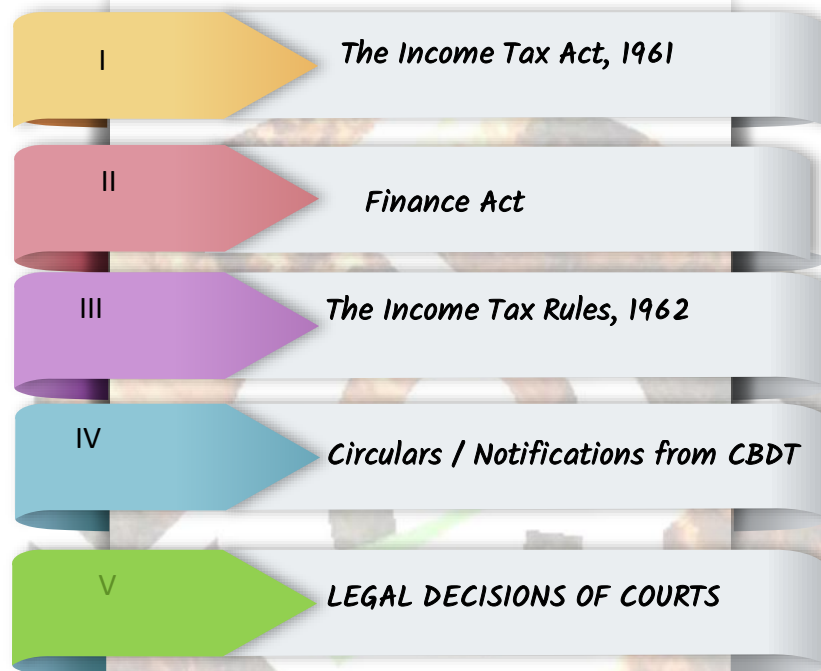
Particulars	Amount(Rs)
GTI	Xxx
(-) Deductions u/s 80C to 80U	(xxx)
Total Income	Xxx

Relief

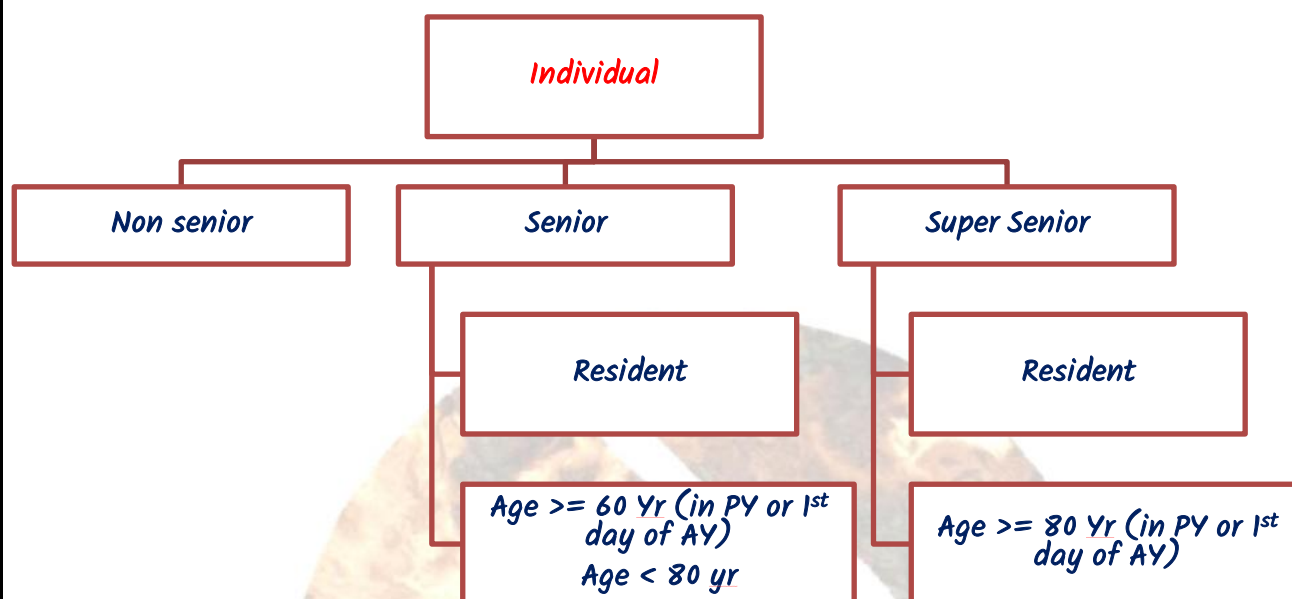
Relief is reduced from Tax liability on fulfilment of conditions as prescribed in Sec- 86,89 ect.



ELEMENTS OF INCOME TAX LAW



TAX RATES - INDIVIDUAL



TAX RATES FOR ASSESSMENT YEAR 2024-2025

FOR INDIVIDUALS (Resident age less than 60), HUF, AOP, BOI, AJP [Resident/Non-resident]

Total Income	Rate (%)
Upto 2,50,000	Nil
2,50,001—5,00,000	5%
5,00,001—10,00,000	20%
Above 10,00,000	30%



RESIDENT SENIOR CITIZENS OF THE AGE 60-80 YEARS

Total Income	Rate (%)
Upto 3,00,000	Nil
3,00,001—5,00,000	5%
5,00,001—10,00,000	20%
Above 10,00,000	30%



RESIDENT VERY SENIOR CITIZENS OF THE AGE 80 YEARS OR MORE



Total Income	Rate (%)
Up to 5,00,000	Nil
5,00,001—10,00,000	20%
Above 10,00,000	30%



EXAMPLE-1:

Mr. Single age 36 is an Individual having a Total Income.

- (i) 2,40,000;
- (ii) 2,80,000
- (iii) 5,90,000;
- (iv) 18,00,000;
- (v) 1,50,00,000.

Solution:

General Rule :- Income of P.Y is taxable in A.Y.

- **Exception:-**Income of P.Y is taxable in P.Y itself (P.Y = A.Y)
- OP/BOI formed for short duration.
- NR shipping Business.
- Transfer of property to avoid tax.
- Closure of business.
- Person leaving India permanently.

REBATE U/S 87A – (DISCOUNT OF TAX)

APPLICABILITY:

- ✓ Individual (Resident)
- ✓ Total Income (All heads after deductions) (NI+SI) ≤ 5 Lakhs (Excluding Agricultural Income & Exempted Income).

CONDITIONS

- ✓ TI Not Exceeding 5,00,000.
- ✓ Rebate is not available to

➤ LTCG on sale of securities (LTCG u/s 112A)

REBATE (LEAST OF):

- ✓ 100% of Tax (or)
- ✓ 12,500.

EXAMPLE-4:

Calculate tax (Tax + Rebate) of Mr. Committed

- Individual(R)
- 4,90,000; 5,30,000,

Solution:

CESS

- ✓ It is the additional levy
- ✓ Mandatory.
- ✓ 4% (2% EC+1% SHEC+1% Health Cess)
- ✓ For specific purpose.
- ✓ Levied after all adjustments

EXAMPLE-5:

Calculate tax (Tax + Rebate, Cess) of Mr. Happy

- Individual(R)
- TI = 5,20,000
- Solution

Rounding Off

- Sec-288A Income Round off.
- Sec- 288B Tax Round off.
- In multiples of nearest 10.
- Rule of 5 applies.

Rounding Off

- TI = 283622; 283625; 283629.

3. SURCHARGE

Total Income	Surcharge
Up to 50 lacks	Nil
50 lacs - 1 Cr	10%
1 Cr - 2 Cr	15%
2 Cr - 5 Cr	25%
Above 5 Cr	37%

NOTE:

Enhanced surcharge is not applicable to Dividend, STCG U/s 111A & LTCG U/s 112A, LTCG u/s 112

S No.	Situation	Surcharge
1	Up to 50L	-
2	50L to 1Cr	10%
3	1 Cr to 2 Cr	15%
4	If TI is above 2 CR	
	LTCG(112A), STCG(111A), Dividend, LTCG 112	15%
	Other Income <= 2 Cr	15%
	Other Income 2 Cr to 5 Cr	25%
	Other Income above 5 Cr	37%

LTCG u/s 112A, LTCG u/s 112, STCG u/s 111A, Dividend	Remaining Total Income	Total Income	Surcharge Rate for LTCG u/s 112A, LTCG u/s 112, STCG u/s 111A, Dividend	Surcharge Rate for Remaining Total Income
20,00,000	15,00,000			
25,00,000	30,00,000			
55,00,000	65,00,000			
50,00,000	2,45,00,000			
50,00,000	1,45,00,000			
2,01,00,000	1,05,00,000			
2,10,00,000	40,00,000			
40,00,000	1,75,00,000			
2,11,00,000	2,05,00,000			
3,12,00,000	4,50,00,000			

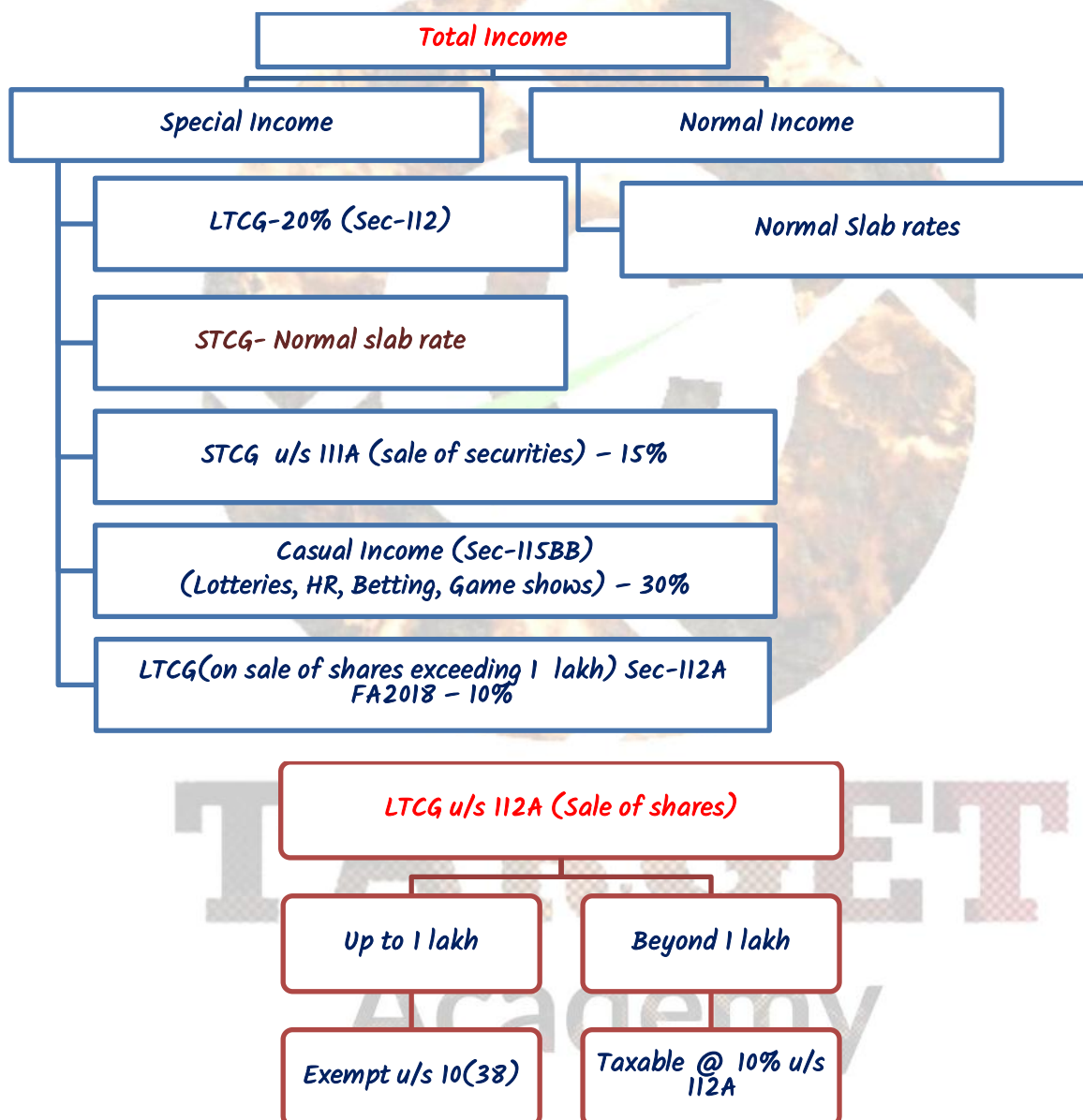
EXAMPLE-6:

Calculate Tax liability

Individual (R)

- Total Income 60,00,000
- Solution:

SPECIAL RATE OF TAX



LTCG U/s 112A(10% beyond IL)

- Equity Shares
- STT paid on both on Purchase & sale
- EOU(MF)
- STT Paid on Sale
- Units (BT)
- STT paid on Sale

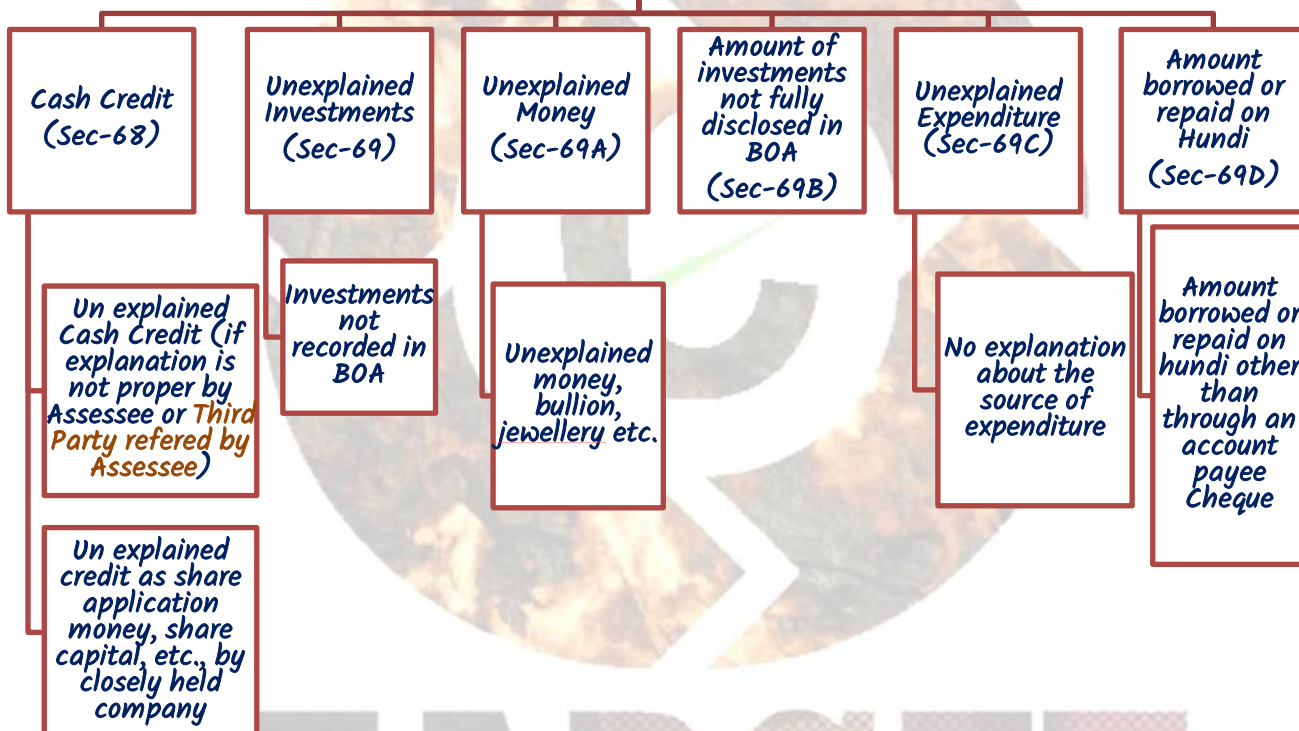
STCG U/s 111A(15%)

- Equity Shares
- STT paid on sale
- EOU(MF)
- STT Paid on Sale
- Units (BT)
- STT paid on Sale

CG(S-115AD(1)(b))

- FII/FPI
- Invested in Securities

Deemed Income (Sec- 68 to 69D)



SPECIAL INCOME

Deemed Income

- U/s 68/69/69A/69B/69C/69D - 60%
- Surcharge 25%

EXAMPLE-7:

Calculate Tax Liability (Normal income+Special Income+ Rebate+Surcharge+ Round Off) of Mr. Extrovert

- Individual (R).

- $PGBP = 5,00,000$
- $IFOS = 2,00,000.$
- $LTCG = 10,00,000.$

EXAMPLE-8:

Calculate Tax Liability (Normal income+Special Income+ Rebate+Surcharge+ Round Off) of Mr. Extrovert

- Individual (R).
- Salary = 2,00,000
- HP = 2,00,000
- PGBP = 2,00,000
- IFOS = 2,00,000
- LTCG = 2,00,000.
- LTCG u/s 112A = 2,00,000.
- STCG = 2,00,000.
- STCG u/s 111A = 2,00,000
- Lottery = 2,00,000
- Horse race = 2,00,000

NOTE:

- ✓ Rebate u/s 87A is **not available** from the income u/s LTCG 112A.
- ✓ If Assessee can't absorb BEL & has special income (LTCG/STCG not casual income), then such special income shall be 1st adjusted towards BEL (balance) & Balance special income if any shall be taxable @ special rates.

EXAMPLE-10:

Calculate Tax Liability (Normal income+Special Income+ Rebate+Surcharge+ Round Off) of Mr. Extrovert

- Individual (R).
 - LTCG u/s 112A = 12,00,000
- Sollution:

MARGINAL RELIEF SEC-89

- Tax payable exceeds income earned.
- Marginal relief is available to all Assesseees.

Step-1	· Calculate Tax (including surcharge) on total income of the Assessee.
Step-2	· Calculate tax payable on 50 lakhs/1crore/2crores/5crores as the case may be.
Step-3	· Extra tax payable = step 1 – Step -2
Step-4	· <u>Marginal Relief</u> = Extra charge payable(step-3) – Income above 50 lakhs/1 crore/ 2 crores/5crores as the case may be.
Step-5	· Tax Payable = Step-1 – Step-4
Step-6	· Tax liability = Step-5 + Cess @ 4%

EXAMPLE-12:

Calculate Tax Liability (Normal income+Special Income+ Rebate+Surcharge+ Round Off)

- Individual (R).
- TI = 51,00,000.

NOTE:

- If a person becomes senior citizen on 1st day of A.Y (1st April) then he will be eligible for higher Basic exemption limit (i.e. 3lakh/5 lakh as the case may be).
- Casual income is also eligible for rebate u/s 87A

Particulars	Rebate U/s 87A	Balance Basic Exemption Limit
LTCG u/s 112A	Not allowed	Allowed
Casual Income	Allowed	Not Allowed

TAX RATES of Firm/LLP/Local Authority

Nature	Total Income	Tax Rate
Firm/LLP/Local Authority	Up to 1 crore	TI*30%+4%
	Above 1 crore	TI*30%+12%+4%

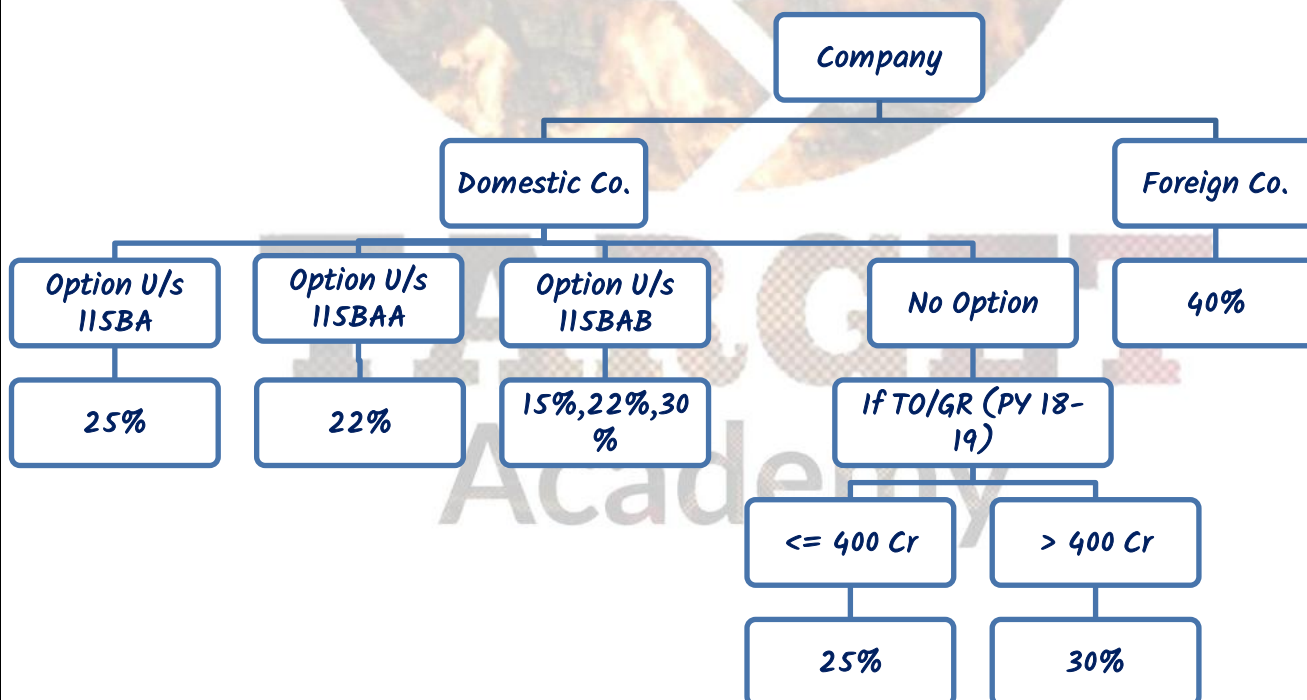
No benefit of slab rates

Tax Rates of DOMESTIC COMPANY

Domestic Company	Total Income	Tax Rate
TT/GR in F.Y 2021-22 does not exceed 400 cr	Up to 1 crore	$TI \times 25\% + 4\%$
	Above 1 crore to 10 crores	$TI \times 25\% + 7\% + 4\%$
		$TI \times 25\% + 12\% + 4\%$
	Above 10 cr	
TT/GR in F.Y 2021-22 exceed 400 cr	Up to 1 crore	$TI \times 30\% + 4\%$
	Above 1 crore to 10 crores	$TI \times 30\% + 7\% + 4\%$
	Above 10 cr	$TI \times 30\% + 12\% + 4\%$

Tax Rates for FOREIGN COMPANY

Foreign Company	Total Income	Tax Rate
Foreign Company	Up to 1 crore	$TI \times 40\% + 4\%$
	Above 1 crore to 10 crores	$TI \times 40\% + 2\% + 4\%$
		$TI \times 40\% + 5\% + 4\%$
	Above 10 cr	



TAX RATES FOR HUF, AOP, BOI, AJP

- Normal Slab rates applicable to individual age less than 60 years will apply

CO-OPERATIVE SOCIETY

Co- Operative Society	Total Income	Tax Rate
Co- Operative Society	First 10,000	10%
	For Next 10,000	20%
	For Balance	30%

Surcharge @ 7 % (If TI exceeding 1cr up to 10cr); 12% (If TI exceeds 10cr)

Cess @ 4%

ALTERNATIVE TAX REGIME (SEC-11SBAC)



Total Income (NTI)	Rate of Tax
Up to 3,00,000	Nil
From 3,00,001 to 6,00,000	5%
From 6,00,001 to 9,00,000	10%
From 9,00,001 to 12,00,000	15%
From 12,00,001 to 15,00,000	20%
Above 15,00,000	30%

Same for senior and super senior citizen

REBATE U/S 87A IF ASSESSE OPT FOR NEW TAX REGIME

For Resident Individual having Total Income upto 7,00,000.

a.) 100% of tax payable, or

b.) 25,000

Whichever is lower

Marginal Relief: If Total Income more than ₹ 7,00,000 but does not exceed 7,27,770, tax on such income cannot exceed the amount by which the Total Income exceeds ₹7,00,000. However marginal Relief not available in case of regular tax regime.

Example - 13:- Calculate Tax under old Tax regime and new Tax Regime

TI = 5,00,000; 5,10,000; 5,60,000 7,00,000; 7,27,000; 7,50,000

Solution:

Conditions (Assessee should not claim)

	Leave Travel Concession (S- 10(5))
	House Rent Allowance (S-10(13A))
	Allowance U/s 10(14) (other than transport, conveyance, allowance to meet cost of travel or daily allowance at place of duty)
	Allowance for income of minor U/s 10(32)
	Deduction for SEZ unit u/s 10(32)
	Standard Deduction-50,000, Deduction for entertainment allowance, Professional Tax
	IOBC w.r.t Self occupied Property or vacant Property. No carry forward or set off of loss under HP
	Additional Depreciation (u/s 32
	Deduction u/s 32AD, 33AB, 33 ABA
	Deduction on Scientific research u/s 35
	Deduction u/s 35AD, 35CCC
	Deduction from family pension
	Any deduction from Chapter-VIA)- However Deduction u/s 80 CCD(2) and 80JJAA can be claimed.
	No set off of loss or depreciation attributable to above points

NOTES:

If subsequently, the individual or HUF not satisfied any of foregoing conditions, the option of concessional rate shall become invalid and other provision of the Act shall apply

An individual or HUF who does not have any business income would have an option to choose either of the two tax regimes each year depending upon their liability under each one of them

In respect of an individuals or HUFs having business income, the option once exercised cannot be withdrawn. In such a case, an option once exercised would be applicable for all subsequent assessment years and can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise opinion under this section, except where such individual or HUF ceases to have any business income

Rebate u/s 87A is available even if assessee opt section 115BAC

Tax on special Rate Income (like 112, 112A) Taxable at special rates only

Surcharge : Surcharge applicability is depends on Total income of assessee. Surcharge @ 10%, 15%, 25%, 37% may apply depends on total income.

Health and Education Cess @ 4% always apply

If assessee opt section 115BAC so if a assessee hasb/f AMT credit, it can first exhaust the AMT credit, and thereafter opt for section 115BAC in a subsequesnt PY

If an employee intending to opt for the concessional rate u/s 115BAC may intimate to his employer for each PY and upon such intimation, the employer shall deduct TDS as per section 115BAC. If such intimation is not made by employee, the employer shall deduct TDS as per Normal Tax rates. It is also clarified that the intimation so made to the deductor shall be only for the purpose of TDS during the PY and cannot be modified during that year. However, at the time of filing of return, employee may take different option. Further, I case of a EE who has income under the head PGBP the intimation to the employer in his case for subsequent previous years must not deviate from the option u/s 115BAC of the Act once exercised in a PY

If Assessee opted Section 115BAC or & if any unabsorbed additional depreciation of earlier years then it will not be allowed to be set-off but shall be added to opening WDV of the block in the year in which assessee opted such section

If assessee opted section 115BAC then maximum depreciation allowed @ 40%

THE END

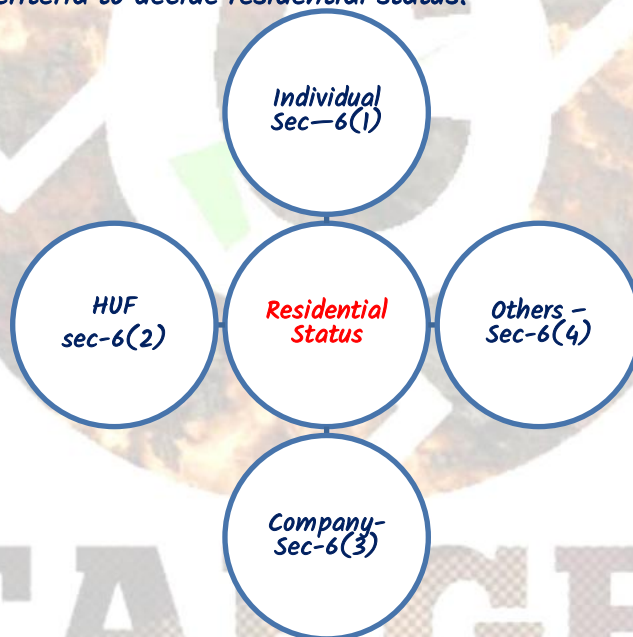
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RESIDENTIAL STATUS

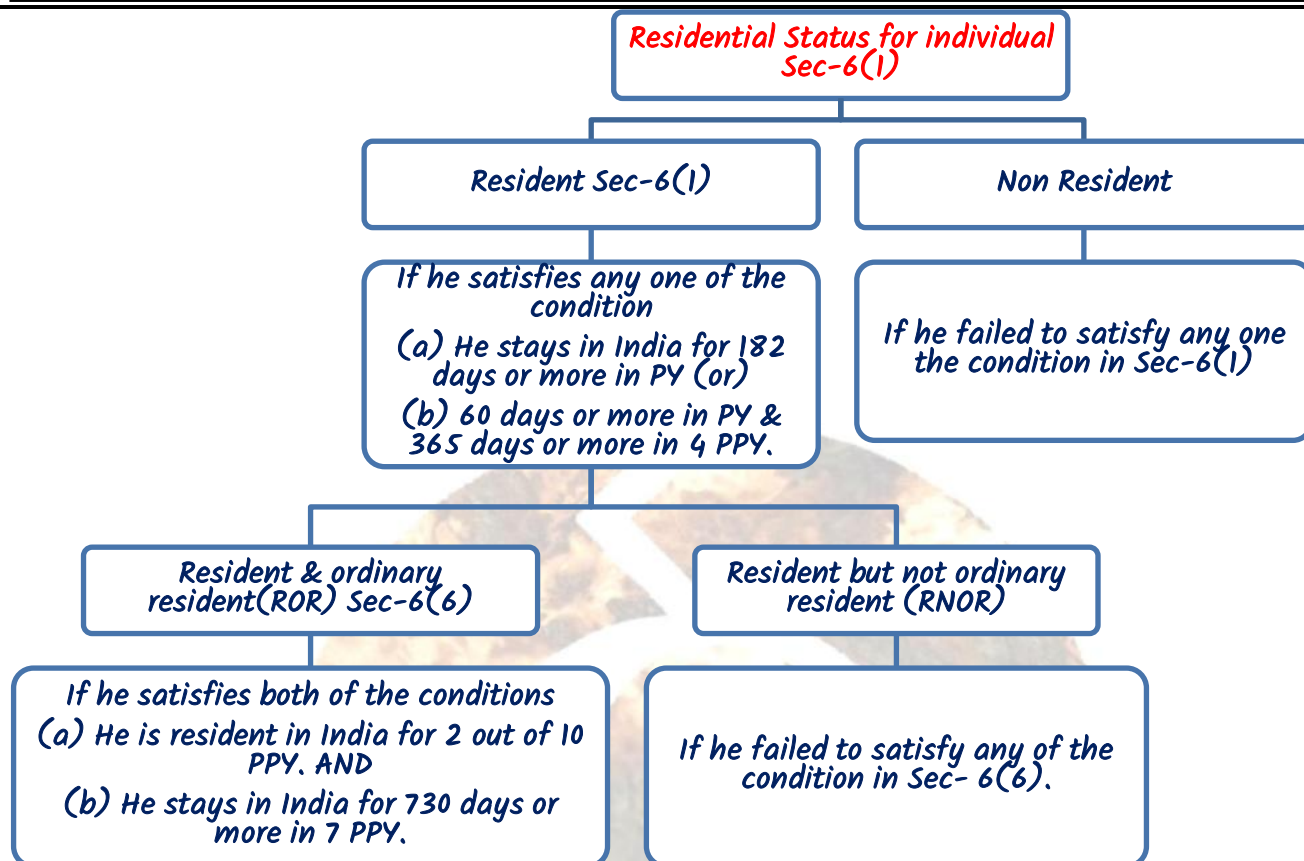
<i>Citizen</i>	<i>Resident</i>
<i>Where person is born</i>	<i>If a person stays for certain period</i>
<i>All fundamental rights are available</i>	<i>Rights are not available</i>
<i>Used for the purpose of nationality</i>	<i>Used for tax purpose</i>

NOTE:

- In the Income Tax Act the word citizen is not used bc2, in that case we could collect tax only from persons born in India.
- The use of word non-resident enable the department to collect tax from NR.
- Residential status is not equal to citizenship.
- Citizenship is not the criteria to decide residential status.



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NOTE:

- RS is determined for every year.
- Continuous stay at one place is not important. Stay in India should be seen.
- Continuous stay in one country is also not important.
- One day = 24 hours.
- The day he leaves India (or) the day he comes to India both are counted.

Year	Days
2023-24	59
2022-23	365
2021-22	365
2020-21	365
2019-20	365

Year	Days
2023-24	72
2022-23	180
2021-22	190
2020-21	220
2019-20	365

Year	Days
2023-24	100
2022-23	0
2021-22	90
2020-21	100
2019-20	0

Year	Days
2023-24	100
2014-15	365
2010-11	365
2007-08	365
2003-04	0

NOTE:

- 4 PPY should be continues 4 PPY.
- 3 person shall be resident only if they stays in India for 182 days (or) more (i.e the 2 nd condition of 60 days will not applicable).
 - ✓ Person leaving India for employment.
 - ✓ Person of Indian origin (PIO= either Assessee/ his parents/his great grand parents born in undivided India)
 - ✓ Ship crew Member.
- Notification for counting No. of days for Ship Crew Member, while counting no. of days stay in India for a ship crew member period stated in CDC9 Continuous discharge certificate) should be excluded.

EXAMPLE 1:

- A ship crew member, who was citizen of India has followed details prescribed in CDC 1 st Dec to 31st Dec. determine residential status.
- $365-31 = 334$
- R

Year	Days
2023-24	62
2022-23	100
2021-22	120
2020-21	130
2019-20	140
2018-19	150
2017-18	100
2016-17	120
2015-16	160
2014-15	170
2013-14	180

Year	Days
2023-24	59
2022-23	265
2021-22	200
2020-21	180
2019-20	170
2018-19	150
2017-18	140
2016-17	130
2015-16	170
2014-15	180
2013-14	180

Year	Days
2023-24	100
2022-23	100
2021-22	100
2020-21	100
2019-20	100
2018-19	100
2017-18	100
2016-17	100
2015-16	100
2014-15	100
2013-14	100

EXAMPLE 2:

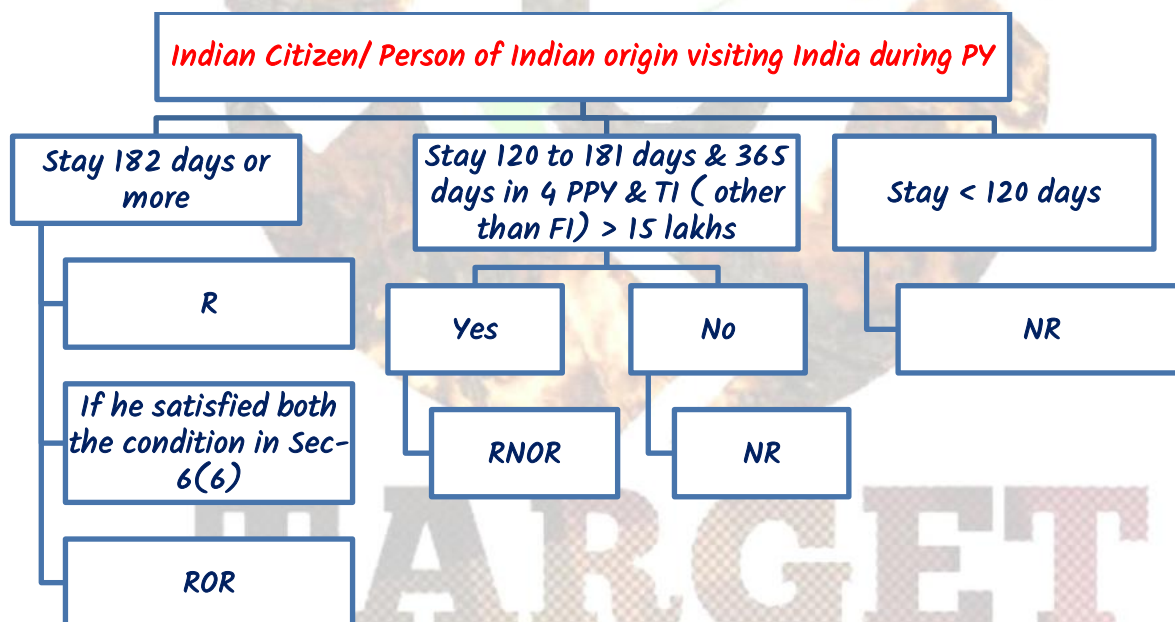
- Mr. K leaves India for the first time on 6th Aug 2023. Determine his residential Status.
- Ans:

EXAMPLE 3:

- Mr. L Comes India for the first time on 7th July 2023. Determine his residential Status.
- Ans:

3 person shall be resident only if they stays in India for 182 days (or) more (i.e the 2 nd condition of 60 days will not applicable).

- Person leaving India for employment.
- Person of Indian origin (PIO= either Assessee/ his parents/his great grand parents born in undivided India)
- Ship crew Member.



EXAMPLE 4:

Mr. K is a Indian Citizen, and his grand parents born in India on 1943, visits to India for 165 days during PY 2022-23 and 370 days in 4 PPY.

- Income from land situated in US but received in India Rs. 5,00,000
- Income from Business in UK received in UK but set up in India Rs. 6,00,000
- Income from Business in India received in UK Rs. 7,00,000
- Income from Property situated in India Rs. 8,00,000

Ans:

EXAMPLE 5:

Mr. R is a Indian Citizen, and his grand parents born in India on 1943, visits to India for 165 days during PY 2022-23.

- Income from land situated in US but received in India Rs. 5,00,000
- Income from Business in UK received in UK but set up in India Rs. 6,00,000
- Income from Business in India received in UK Rs. 7,00,000
- Income from Property situated in UK received in UK Rs. 8,00,000

Ans:

EXAMPLE 6:

Mr. H is a UK Citizen, and his grand parents born in India on 1943, visits to India for 165 days during PY 2022-23.

- Income from land situated in US but received in India Rs. 5,00,000
- Income from Business in UK received in UK but set up in India Rs. 6,00,000
- Income from Business in India received in UK Rs. 7,00,000
- Income from Property situated in India received in UK Rs. 8,00,000

Ans:

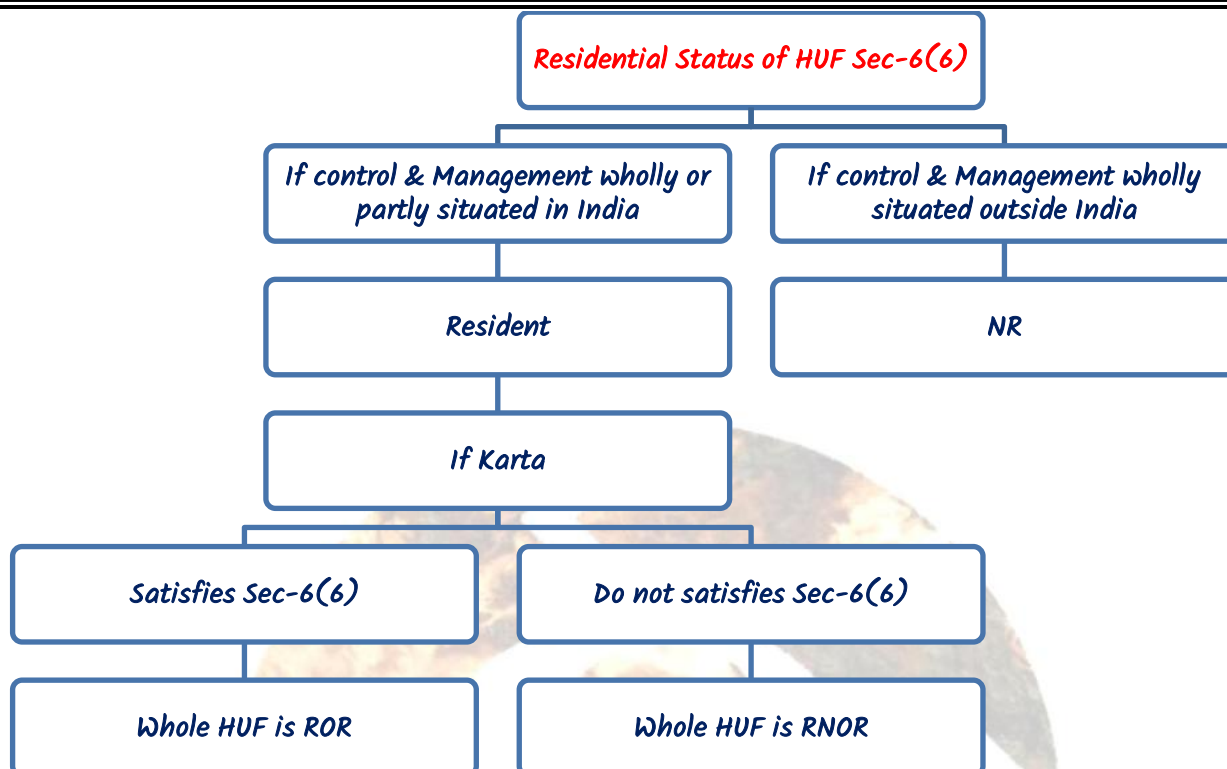
Sec-6(1A)

Indian Citizen

Not Residence in any country (Not liable to tax in any Country) & TI (Other than FI) > 15 Lakhs

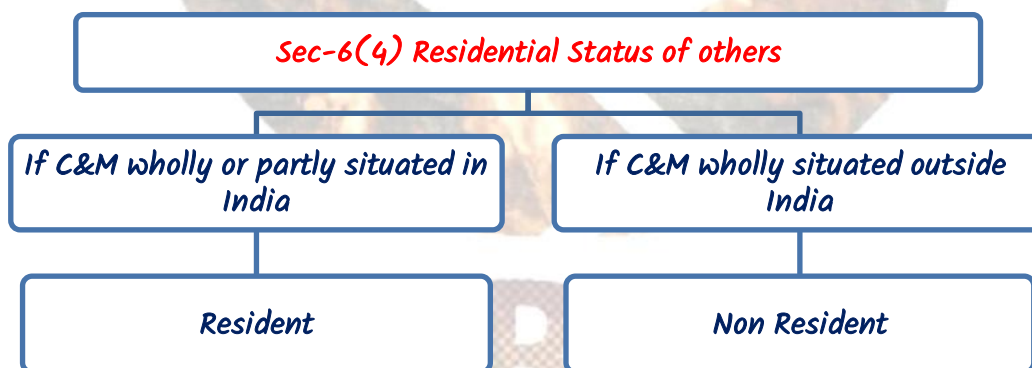
RNOR

TARGET
Academy



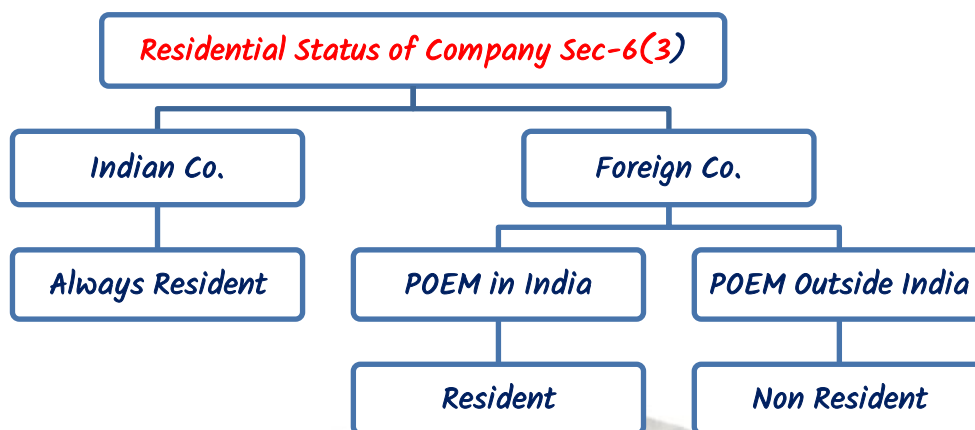
NOTE:

- **Control & Management :-** Decision making power or in other words head & brain HUF is situated.
- HUF itself declare the decision maker & place of decision.



NOTE:

Only Individual & HUF could be ROR/RNOR other wise all other are R/NR.



NOTE:

POEM = Place of effective management = The place where Key management decisions & commercial decisions that are necessary for conduct of business of an entity as a whole are in substance made.

SCOPE OF INCOME (SEC-5) - FOR INDIVIDUAL & HUF

Particulars	ROR	RNOR	NR
Indian Income	T	T	T
Foreign Income	T	Only 2 incomes are Taxable – From Business/ profession setup/controlled in India	NT

NOTE:

Global income of ROR is taxable but he also got DTAA (double Taxation Avoidance agreement) benefits.

INDIAN INCOME

- Received in India.
- Deemed to received in India.(sec-7&8)
- Accrued in India.
- Deemed to be accrued in India.(sec-9)

Sec-7-Deemed to receive in India

Employer Contribution to RPF beyond 12 % of salary

Interest on PF beyond 9.5%

Contribution to pension Fund

Employer contribution towards RPF, New Pension Scheme, Approved Superannuation fund in excess of 7,50,000 treated as perquisite and taxable in hands of employee. Further annual accretion interest/dividend/similar amount on contribution of more than 7,50,000 is also treated as perquisite and taxable in hands of employee. (Added by FA 20 w.e.f AY 21-22)

Sec-8 Deemed to be received in India

Dividend (final/interim) paid by Indian Co.

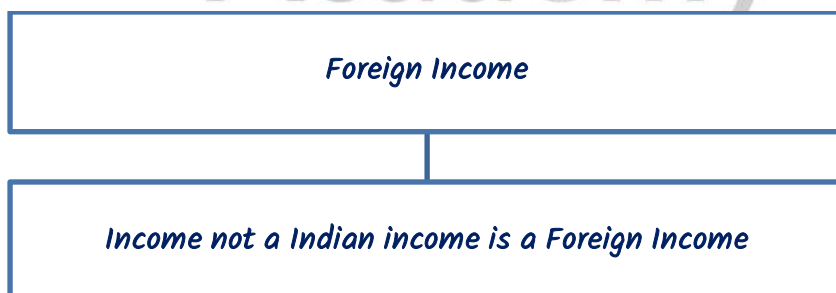
SEC-9 DEEMED TO BE ACCRUED IN INDIA

- Income arising from a business connection
- Salary earned from services rendered in India.(including salary for preceeding/succeeding period in India)
- Salary payable by GOI to Indian citizen for services rendered outside India (allowances & perquisites are exempted u/s 10).
- Dividend paid by Indian Co.
- Interest payable, Royalty, Fees for technical services in India.
- Income from property in India.
- Income from any asset or source of income in India.
- Income from transfer of capital asset situated in India(Vodafone case)

Particulars	Interest- 9(1)(v)	Royalty- 9(1)(vi)	Technical Services- 9(1)(vii)
Received from Government	T	T	T
Payer is a resident (exception- no deeming provision if loan amount applied outside India for B/P)	T	T	T
Payer is a NR (Exception – Deeming provision applies if loan amount applied in India for B/P)	NT	NT	NT

WHAT IS BUSINESS CONNECTION

- BC includes any business activity carried out through a person acting on behalf of NR (agent of NR).
- Conditions:-
 - ✓ He must have authority which is habitually exercised in India to conclude contract on behalf of NR.
 - Such contract should be in the name of NR.
 - Ownership is transferred to NR.
 - Provision of services by NR.
 - ✓ (Or) He maintain/delivery stock on behalf of NR
 - ✓ Secure order for NR.
- What is not a business connection.
 - ✓ 1. Only purchase from India no other business transaction.
 - ✓ 2. Collection of news.
 - ✓ 3. Shooting of films.
 - ✓ 4. Display of rough diamonds.



SCOPE OF OTHERS

Particulars	R	NR
Indian Income	Taxable	Taxable
Foreign Income	Taxable	Not Taxable

EXAMPLE 10:

- Mr. B provided the following information.
- Income from profession in Bali, amount received there (business is set up from India) Rs. 10 lakhs.
- Profit from business in Guntur, Amount received in Iraq Rs. 5 lakh.
- Profits from business in USA, Amount received there Rs. 6 lakh (not set up from India)
- Income from property in London amount received in Pakistan Rs. 8 Lakhs
- Income from technical services rendered in India Rs. 10 lakhs out of which 5 lakhs is received in Afghanistan
- Compute total Income assuming he is (i) ROR; (ii) RNOR; (iii) NR.

FOLLOWING INCOMES ARE EXEMPT

Sec-10(1)

- Agriculture Income from land situated in India

Sec-10(2A)

- Share received to partner from Firm

Sec-10(2)

- Income from HUF received by Co- Parcener

Remittance in India

Through approved means

Other means

Not taxable exempt all to
ROR/RNOR/NR

Taxable

EXAMPLE 13:

- Mr. M provided the following information.
- Property income (computed from Dubai, rent received in Dubai Rs. 9 lakhs.
- Agriculture income from Malaysia, received there Rs. 7lakhs
- Agriculture income from Land situated in Guntur, received there Rs. 12 lakhs
- Profit from business in Canada, amount received there Rs. 9 lakhs (set up India)
- Interest on Australian development bonds Rs. 7lakhs , 60 % received in India
- Dividend from Japanes Co. Rs. 8 lakh
- Dividend from Indian Co. Rs. 1 lakh
- Amount remitted in India Rs. 3 lakh from approved source
- Fee for technical services rendered in India Rs. 8 lahks
- Compute total Income assuming he is (i) ROR; (ii) RNOR; (iii) NR.

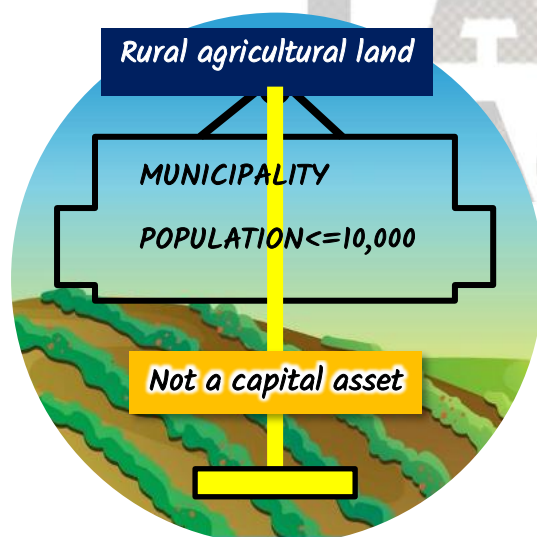
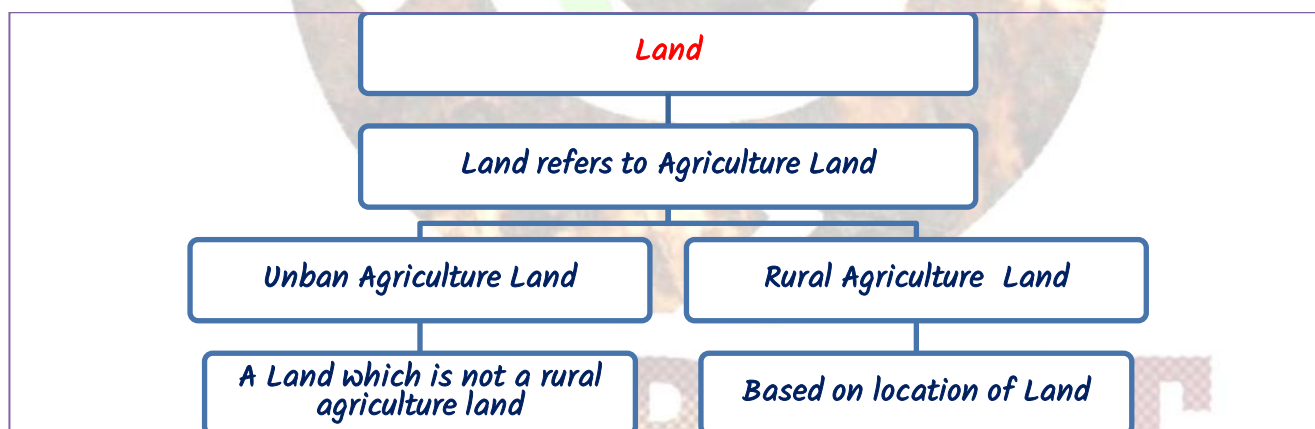
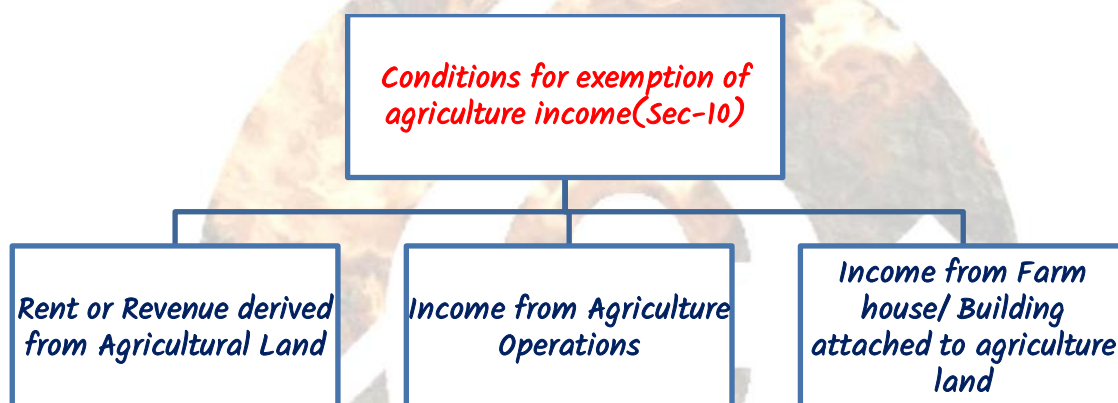
TARGET
Academy

THE END

AGRICULTURE INCOME

BASICS:

1. The power to levy tax on agriculture income is with state Govt through entry No. 46 under State List.
2. Agriculture is defined under Sec-2(1).
3. Agriculture Income is exempt U/s 10(1) of Income Tax Act, 1961. If conditions are satisfied.
4. It is irrelevant whether that agriculture land is situated in urban area or rural area. Income out of agriculture is exempt.



Should be atleast 2 Kms away from any municipality

Population : > 10,000 ≤ 1,00,000

Should be atleast 6 Kms away from any municipality

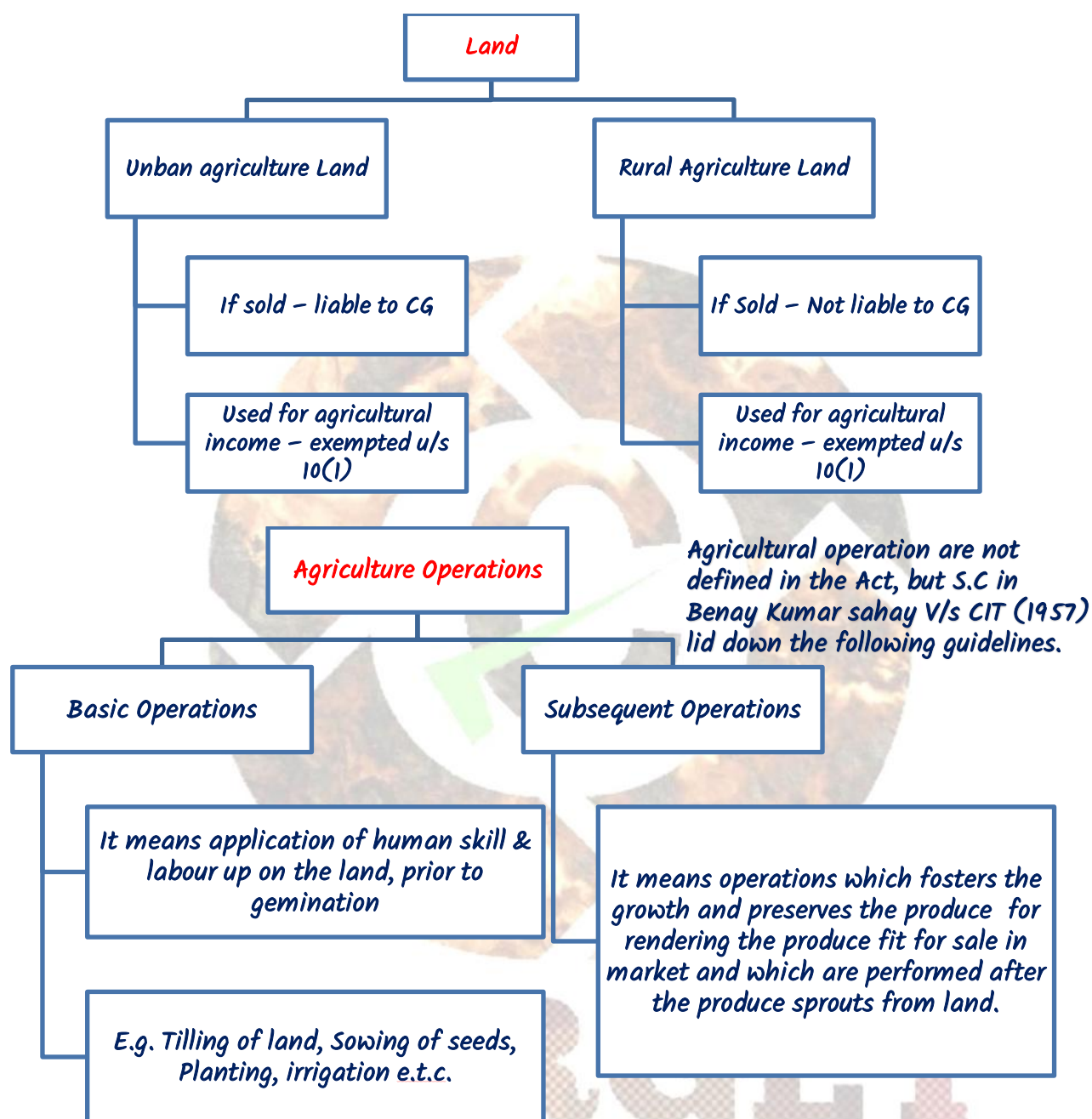
Population : > 1,00,000 ≤ 10,00,000

Should be atleast 8 Kms away from any municipality

Population : > 10,00,000

NOTE:

Distance is measured on aerial basis



Assessee engaged in	Income
Only basic operations	Agriculture Income
Basic + Subsequent	Agriculture Income
Only subsequent operations	Non agriculture

*Income derived from Shooting or
filming on agriculture land*

Milking Cow, selling eggs

Income from Fishing

Income from Poultry

*Selling of water for agriculture
purpose*

Any share of Agriculture land

Selling of spontaneous growing tree

*Dividend received from a Company
engaged in agricultural activity*

*Income from Nursery
(selling of pots)*

*If remuneration is given by Firm to
Partner*

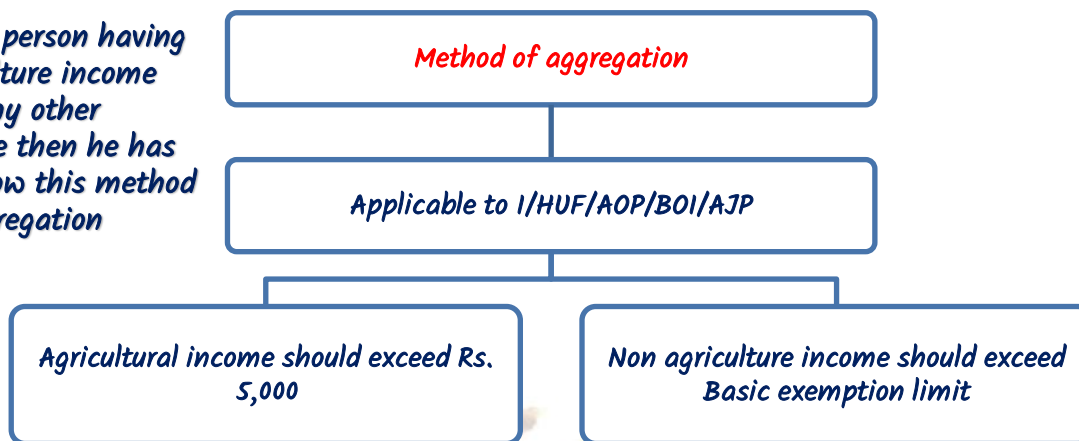
*Any rent from renting Agricultural
land*

Income from Farm house

Income from making bricks

Income from Coal mine

If any person having agriculture income and any other income then he has to follow this method of aggregation



Step-1	• Agriculture + Non agricultural income
Step-2	• Tax on Step-1
Step-3	• Agriculture Income + Basic exemption limit(applicable)
Step-4	• Tax on step-3
Step-5	• Difference of Tax (Step-2- step-4)
Step-6	• Rebate(if any)/Surcharge(if any)/ Cess
Step-7	• Final Tax liability = After all adjustments above step-6

NOTE:

Rebate u/s 87A is given based on TI (TI income does not include exempted income). NAI is only considered for rebate u/s 87A

EXAMPLE 1:

Mr. Pen is Resident individual age 50 years having income from agriculture Rs.4,00,000 and Other Income Rs.6,00,000 . Specify whether the concept of partial Integration will apply.

SOLUTION:

Miss Pencil is Resident individual age 35 years having income from agriculture Rs.4,00,000 and Other Income Rs. 6,00,000 . Specify whether the concept of partial Integration will apply. If yes then calculate the Tax Payable.

Composite Income – Rule- 7&8

Grow & manufacture

Manufacture process

PGBP

Particulars	AI	NAI
Rubber	65%	35%
Coffee grown & Cured	75%	25%
Coffee grown, cured & roasted	60%	40%
Tea	60%	40%

EXAMPLE 8:

Mr. V engaged in following.

- Growing & manufacturing rubber = 6 lakhs.
- Growing & manufacturing coffee grown, cured = 8 lakhs.
- Growing & manufacturing coffee grown, cured & Roasted = 10 Lakhs.
- Growing & manufacturing Tea = 8 lakhs.
- Income from nursery (pot selling) = 11 Lakhs.

Compute AI & NAI

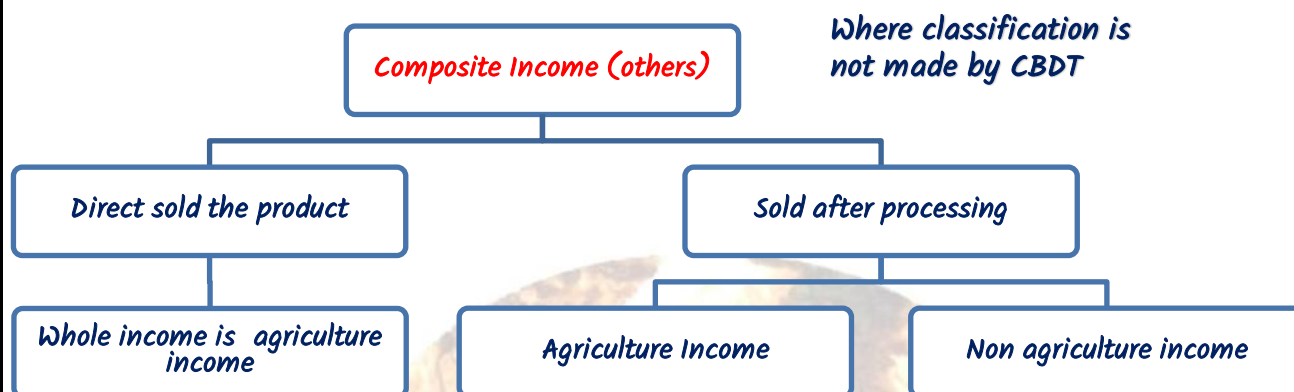
NOTE:

- Income from nursery is always an agriculture income it is irrelevant. Whether activity on land is carried out or not.
- Agricultural income from land situated in India is exempted, hence income received out of agricultural activity from outside India is taxable in India.

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Particulars	Amount
Sale Value	xxx
(-) Cost of cultivation	(xxx)
AI	xxx

Particulars	Amount
FMV of product used	xxx
(-) Cost of cultivation	(xxx)
AI	xxx

Particulars	Amount
Sale value	xxx
(-) FMV of product used	(xxx)
(-) Other expenditure incurred for sale	(xxx)
PGBP	xxx

EXAMPLE 10:

Mr. A grows, roses in his garden and also uses same in his factory. Roses (30%) is sold for Rs. 15 lakhs & the cost of cultivation was 10 lakhs for that. The cost of cultivation for balance flowers (70%) is 14 lakhs, while the M.V of the same is 22 lakhs. After incurring Rs. 1.5 lakhs in manufacturing process on the balance roses, the Gulab gel were sold for 25 lakhs. Composite B.I & A.I.

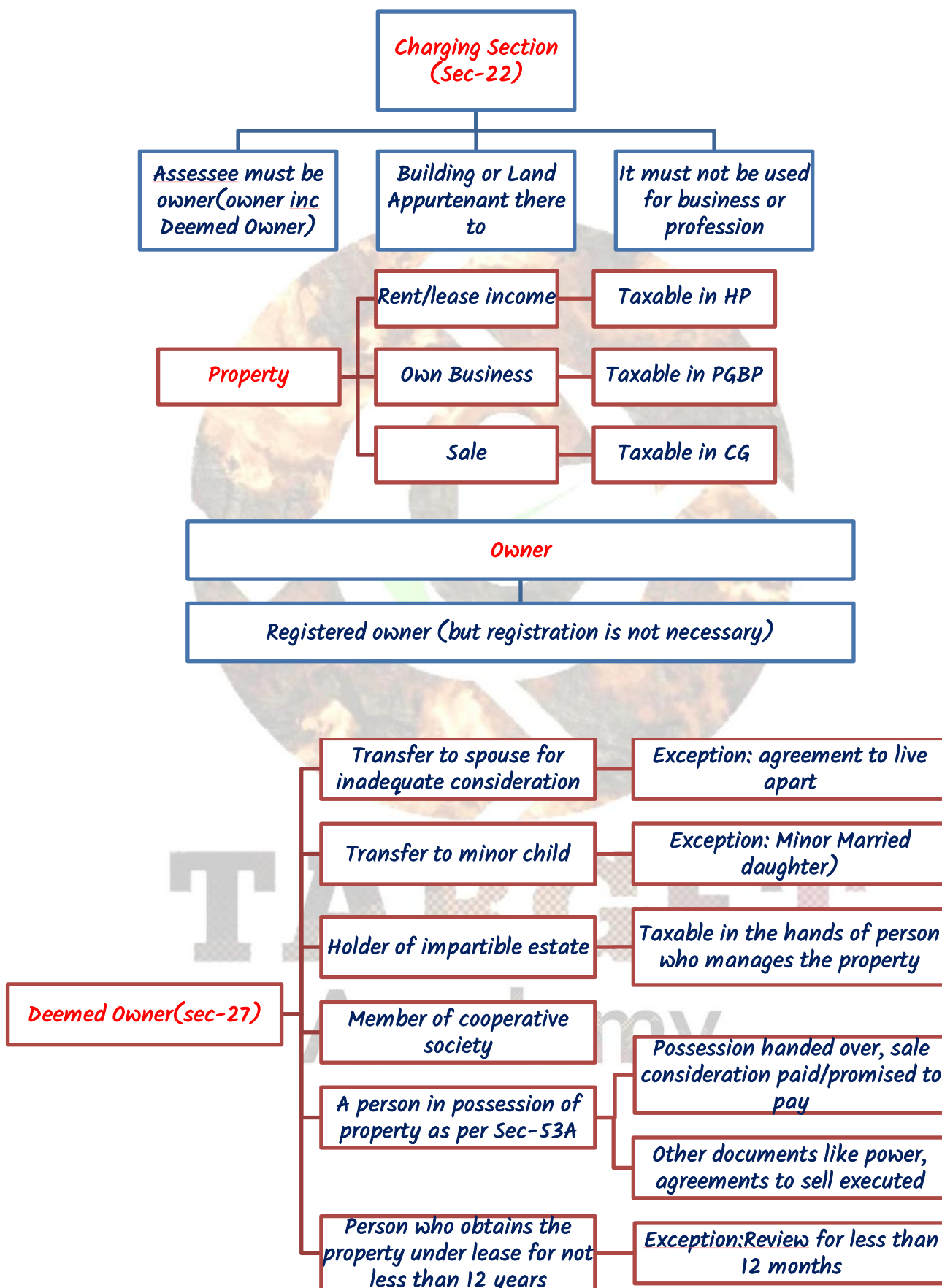
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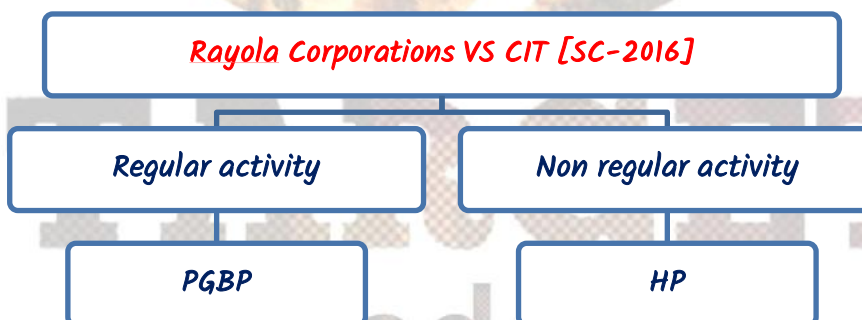
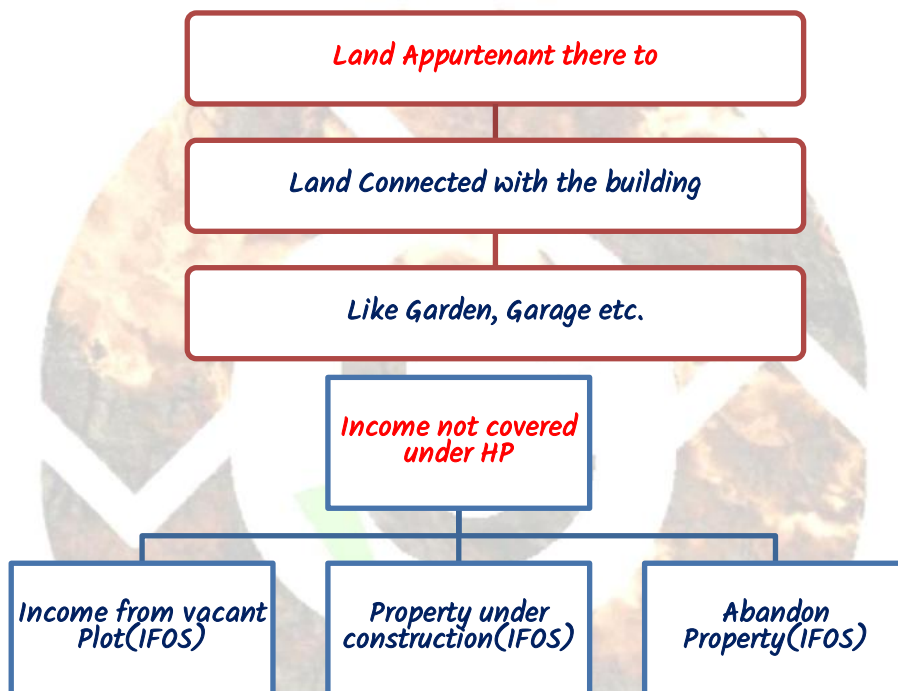
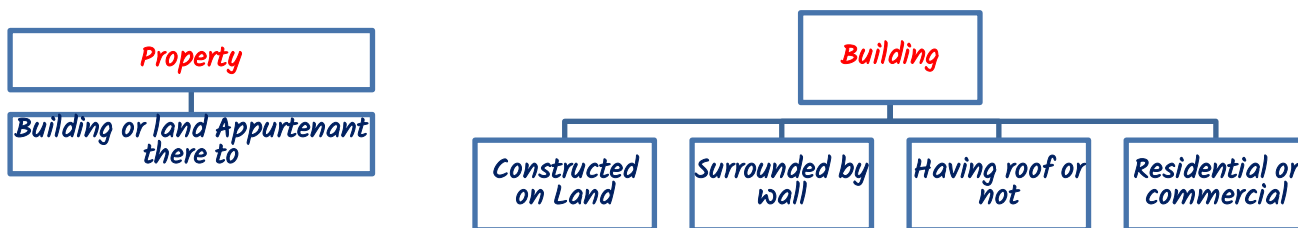
Minor's agricultural income – Clubbing of Income.

Loss from agricultural income can be set off against agriculture income only. Carry forward for 8 AY.

THE END

INCOME FROM HOUSE PROPERTY





FORMAT TO SOLVE HP

PARTICULARS

GAV

(-)Municipal tax actually paid by the owner

NAV

(-) deductions u/s 24

(a) standard deduction @ 30% of NAV

(b) interest on borrowed capital

Income from HP

RS.

XXX

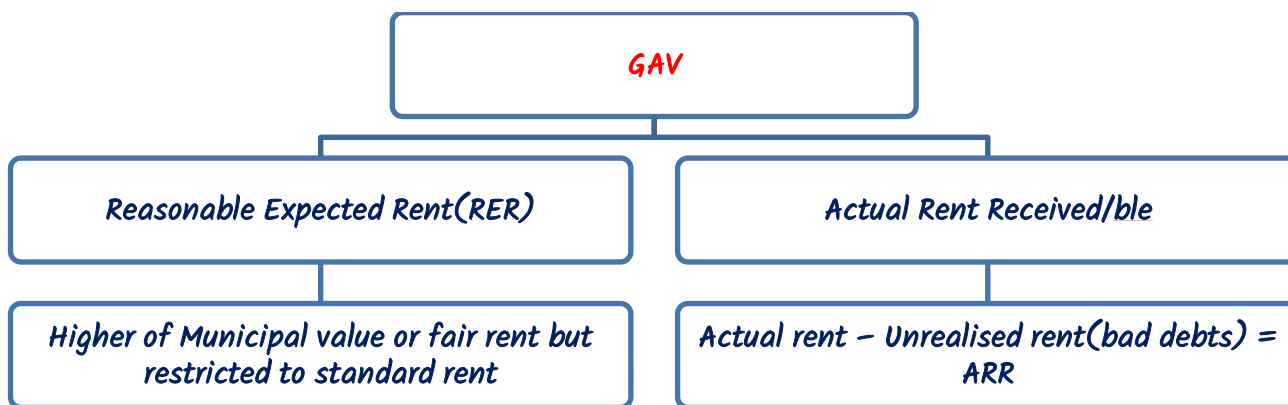
(XXX)

xxx

(XXX)

(XXX)

(XXX)



REASONABLE EXPECTED RENT:

1. MUNICIPAL VALUE	XXX
2. FAIR RENT	XXX
3. EXPECTED RENT(HIGHER OF 1 OR 2)	XXX
4. STANDARD RENT	XXX
RER (LOWER OF 3 OR 4)	XXX

CALCULATE RER

Particulars	Rs.	RS.	Rs.	Rs.	Rs.	Rs.
MV	50	40	50	57	NA	NA
FR	56	51	56	NA	59	NA
ER						
SR	55	63	NA	55	NA	60
RER						

CALCULATION OF ARR

Particulars	Rs.	Rs.	Rs.
Actual Rent	105	112	113
Unrealised Rent	3	2	0
ARR			

NOTES:

- If Standard rent is not given then Expected rent will be RER.
- If Fair Rent or MV is not given then the other detail will be Expected Rent.

Municipal Value

• Value of the Property for the purpose of Municipal Tax

Fair Rent

• Rent of Similar Property with similar facility in similar location

Standard Rent

• Highest rent that could be recovered as per the Standard rent Control Act.

Conditions to claim Unrealised rent

Tenancy is Bonafide

Vacated or steps to taken have been vacate

Defaulting tenant is not in occupation of any other property

Municipal tax/Property Tax/corporation Tax

Allowed

Not allowed

Paid by assessee

Paid By tenant

Actually paid during the year (arrears also)

Sewerage tax & Water Tax

Paid outside India

Deduction u/s 24

Standard Deduction @ 30% on NAV

Interest on Borrowed capital

Standard Deduction @ 30% on NAV

Take only when NAV is +ve

Irrespective of expenditure

No other expenditure is allowed

EMI

Principal

Interest

Deduction U/s 80C

Deduction U/s 24

AS-16

Before Put to use

After Put to use

Capital Interest (Cap Exp)

Revenue Exp

IOBC

Pre construction Interest (1/5) + Post Construction Interest (100%) (only up to 31.3.2020)

Pre construction Period

Repayment Precedes Construction

Construction Precedes Repayment

Date of acquisition to the date of repayment

Date of acquisition to 31st march prior to date of completion of construction

NOTES:

- ✓ Loan may be taken from any one (not only from Bank/FI).
- ✓ If new loan is taken to repay the original loan it shall be treated as continuation of Original Loan and deduction will be allowed for interest paid on new loan(cir 29/69)
- ✓ Penal interest is not allowed as deduction
- ✓ Sec-25: If interest is paid outside India and TDS is not deducted then deduction is not allowed.
- ✓ No deduction is allowed for any Brokerage or commission for arraigning the loan.
- ✓ Interest on unpaid Interest is not deductible (Shew Kissen Bhattar)

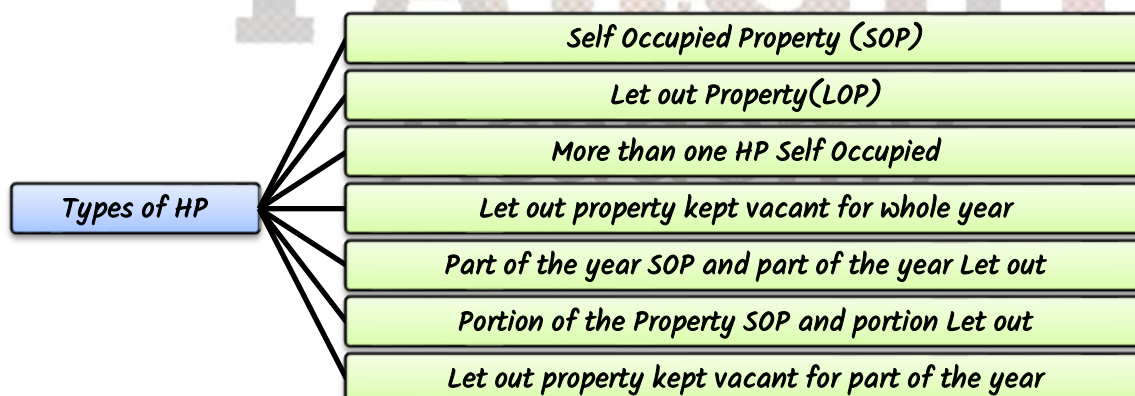
EXAMPLE-1

Property acquired	1/7/2023
Loan taken on	1/4/2021
Interest	
Period prior to 1/4/2023	Rs. 49200
1/4/2021 to 30/06/2023	Rs. 50800
1/7/2023 to 31/3/2024	Rs. 131300

EXAMPLE-7

Calculate Income from HP

Particulars	Rs.
Municipal Rent	20000 pm
Fair Rent	18000 pm
Standard Rent	20000 pm
Actual Rent	22000 pm
Unrealised Rent	-
Municipal Tax	10%
IOBC	
Pre - 10000	
Post 2000	

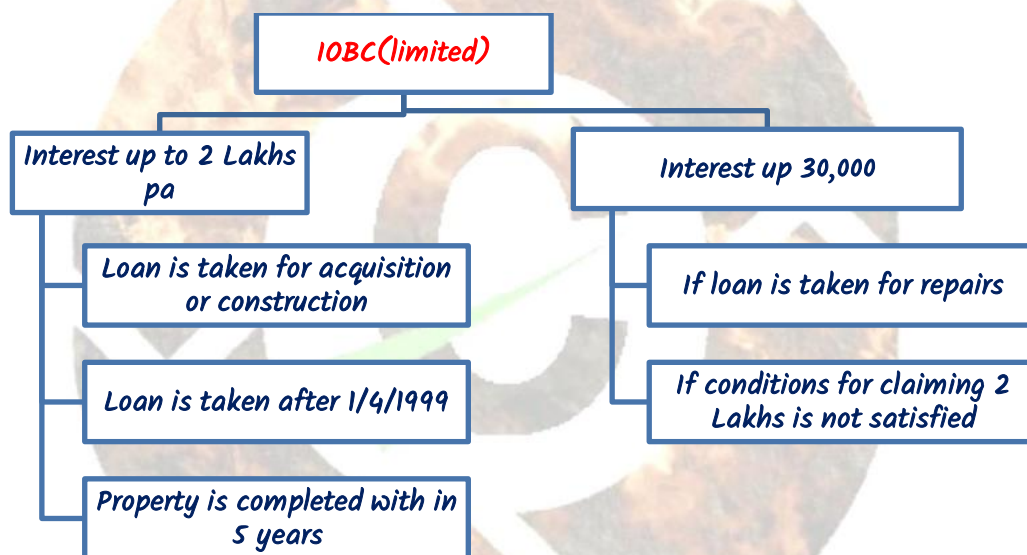


• **Conditions**

- The property was not let out for any part of the year.

- No other benefits has been derived from the property.

Particulars	Amount(Rs.)
Gross Annual Value (GAV)	-
(-) Municipal Tax actually paid by the owner	-
NAV	-
Less : Deduction u/s 24	
(a) Standard Deduction @ 30 % on NAV	-
(b) Interest on Borrowed Capital (limited)	(xxx)
Loss From HP	(xxx)



NOTE:

In case of two HP self occupied, 2,00,000/ 30,000 should be taken in aggregate.

EXAMPLE-8:

Calculate Income From HP (self occupied)

Particulars	Rs.
Municipal Rent	24000 pm
Fair Rent	19000 pm
Standard Rent	25000 pm
Actual Rent	-
Unrealised Rent	-
Municipal Tax	12000 pa
IOBC (Post – taken for construction)	180000 pa

LET PROPERTY

Particulars	Amount(Rs.)
Gross Annual Value (GAV)	xxx
(-) Municipal Tax actually paid by the owner	(xxx)
NAV	xxx
Less : Deduction u/s 24	
(a) Standard Deduction @ 30 % on NAV	(xxx)
(b) Interest on Borrowed Capital (unlimited) (whether for construction or for repairs)	(xxx)
Income/Loss From HP	xxx

EXAMPLE-10:

Calculate Income From HP (Let out)

Particulars	Rs.
Municipal Rent	20000 pm
Fair Rent	22000 pm
Standard Rent	24000 pm
Actual Rent	26000
Unrealised Rent	-
Municipal Tax	12000 pa
IOBC	
For construction - 2.5 lakhs	
For Repairs - 50000	

MORE THAN TWO HP SELF OCCUPIED SEC-23(4)

- ✓ Consider more than 2 HP self occupied as deemed let out.
- ✓ Choose the option which has lower taxable income or higher loss
- ✓ This option can be changed yearly in a manner beneficial to the Assessee.
- ✓ In case of deemed let out property reasonable expected rent shall be taken as GAV. However if Actual rent is higher then take GAV= Actual Rent.
- ✓ The entire IOBC w.r.t SOP should not exceed 2,00,000

Particulars	Option-1			Option-2			Option-3		
	HPI(SO)	HP2(SO)	HP3(LO)	HPI(SO)	HP2(LO)	HP3(SO)	HPI(LO)	HP2(SO)	HP3(SO)
GAV	Nil	Nil	xxx	Nil	xxx	Nil	xxx	Nil	Nil
Less: Municipal Tax actually paid	Nil	Nil	(xxx)	Nil	(xxx)	Nil	(xxx)	Nil	Nil
NAV	Nil	Nil	xxx	Nil	xxx	Nil	xxx	Nil	Nil
Less : Deduction U/s 24									
(a) Standard Deduction	Nil	Nil	(xxx)	Nil	(xxx)	Nil	(xxx)	Nil	Nil
(b) IOBC	(xxx) Limited	(xxx) Limited	(xxx) unlimited	(xxx) Limited	(xxx) unlimited	(xxx) Limited	(xxx) unlimited	(xxx) Limited	(xxx) Limited

EXAMPLE-II:

Mr. G has 3 HP all are self occupied (AY-2023-24)

Particulars	HPI	HP2	HP3
Municipal Value (pa)	3,00,000	3,60,000	3,30,000
Fair Rent (pa)	3,75,000	2,75,000	3,80,000
Standard Rent pa	3,50,000	3,70,000	3,75,000
Date of Completion/purchase	31.3.1999	31.3.2001	1.4.2014
Municipal taxes paid	12%	8%	6%
Interest on money borrowed for repair of property during the current year		55,000	
Interest for current year on money borrowed in July 2015 for purchase of property			1,75,000

Suggest better option for Mr. G to be assessed as self occupied, so that his tax liability is minimum

LET OUT PROPERTY KEPT VACANT FOR WHOLE YEAR:

Particulars	Amount (Rs.)
Gross Annual Value	Nil
Less: Municipal Tax actually paid by the owner	(xxx)
NAV	(xxx)

Less: Deduction U/s 24	
(a) Standard Deduction @ 30 % of NAV	Nil
(b) IOBC (unlimited)	(xxx)
Loss from House Property	(xxx)

As per Sachin Tendulkhar V/s ITAT, if Assessee has given the proof that he has used all the means to let out the property and still he can't let out the property then he can take GAV as Nil.

PORTION OF PROPERTY SELF OCCUPIED & PORTION IS LET OUT

There is no need to treat the whole property as a single unit for computation of income from house property. Hence calculation shall be different for each unit assuming them as a separate unit.

Particulars	Let out (%)	Self Occupied (%)
GAV	xxx	Nil
Less : M.T actually paid by the owner	(xxx)	Nil
NAV	xxx	Nil
Less: Deductions u/s 24		
(a) Standard Deduction @ 30%	(xxx)	Nil
(b) IOBC	(xxx) unlimited	(xxx) Limited
IFHP	xxx	(xxx)

EXAMPLE-12:

Mr. D Provides that he has House property 60% Self occupied & 40% Let Out

Particulars	Amount(Rs.)
Municipal Value	4,00,000
Fair Rent	6,00,000
Standard Rent	8,00,000
Municipal Tax	10,000
IOBC	1,00,000

LET OUT FOR PART OF THE YEAR AND SELF OCCUPIED FOR PART OF THE YEAR

Income is calculated as deemed let out property for whole year

Particulars	Amount (Rs.)
Gross Annual Value	xxx
Less : Municipal Tax actually paid by the owner	(xxx)
NAV	xxx

Less : Deductions u/s 24	
a) Standard Deduction @ 30 % of NAV	(xxx)
b) IOBC	(xxx)
IFHP	

EXAMPLE-13:

Mr. M Specifies that his property was self occupied for 10 months & let out for 2 Months

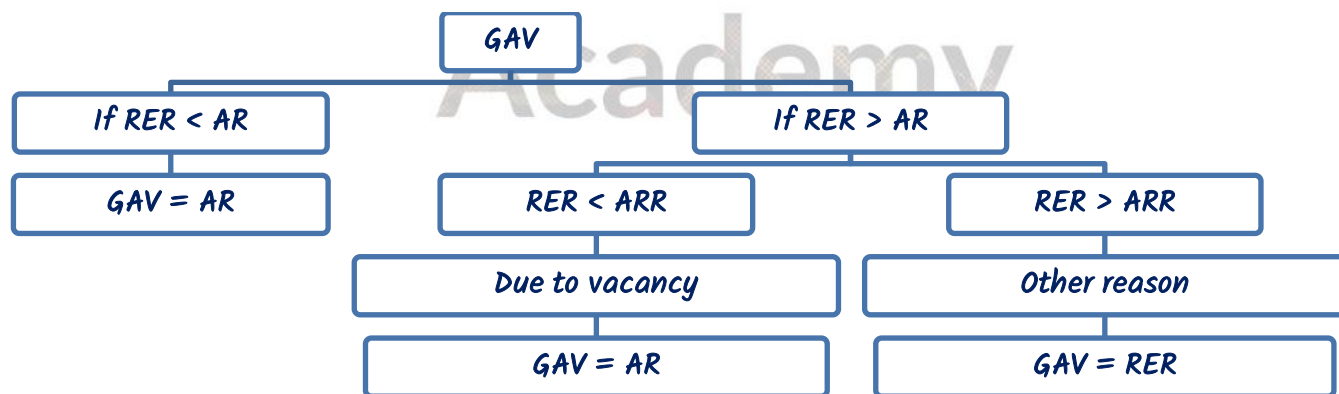
Particulars	Rs.
Municipal Rent	4,00,000 pa
Fair Rent	6,00,000 pa
Standard Rent	
Actual Rent	30,000 pm
Unrealised Rent	-
Municipal Tax	20,000 pa
IOBC	
Pre construction - 10,000	
Post Construction - 5,000	

LET OUT FOR PART OF THE YEAR & PART OF THE YEAR VACANT

Particulars	Amount
GAV (different Calculation)	xxx
Less Municipal Tax actually paid by the owner	(xxx)
NAV	xxx
Less : Deductions u/s 24	
(a) Standard Deduction @ 30 % of NAV	(xxx)
(b) IOBC	(xxx)
IFHP	xxx

STEP WISE CALCULATION:

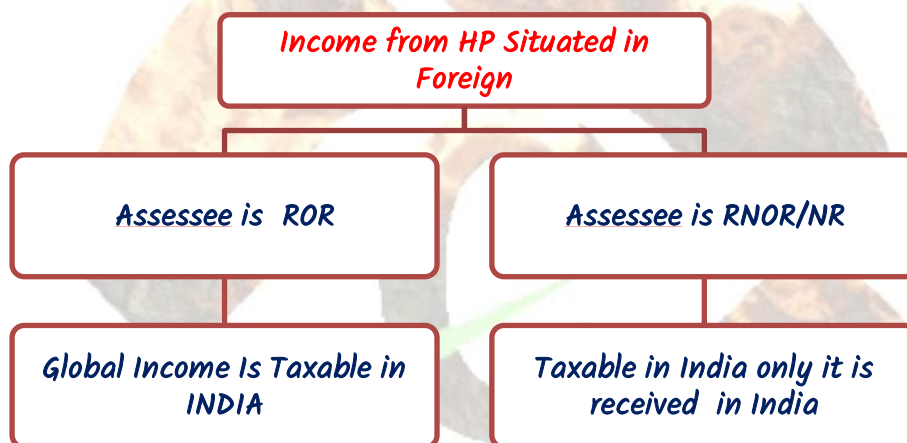
- ✓ Step-1 : Calculate RER
- ✓ Step-2: Calculate ARR as if there is no vacancy for the whole year.
- ✓ Step-3: Calculate actual rent for let out period.



EXAMPLE-14:

Calculate GAV

Particulars	Amount(Rs.)
Municipal Value	1,10,000
Fair rent	90,000
Standard Rent	1,00,000
Actual Rent	10,000 pm
Vacant	4 months



RECOVERY OF UNREALISED RENT (OR) ARREARS OF RENT SEC- 25AA & 25B

- Arrears of rent – due but not received
- Unrealised rent – Bad debts – Steps taken to recover but not recovered.
- If Both Arrears of rent & unrealised rent recovered then it is taxable in the year of receipt.
- It is irrespective whether assessee is owner or not in that year when it was recovered, it is taxable under HP head
- 30% deduction is allowed.

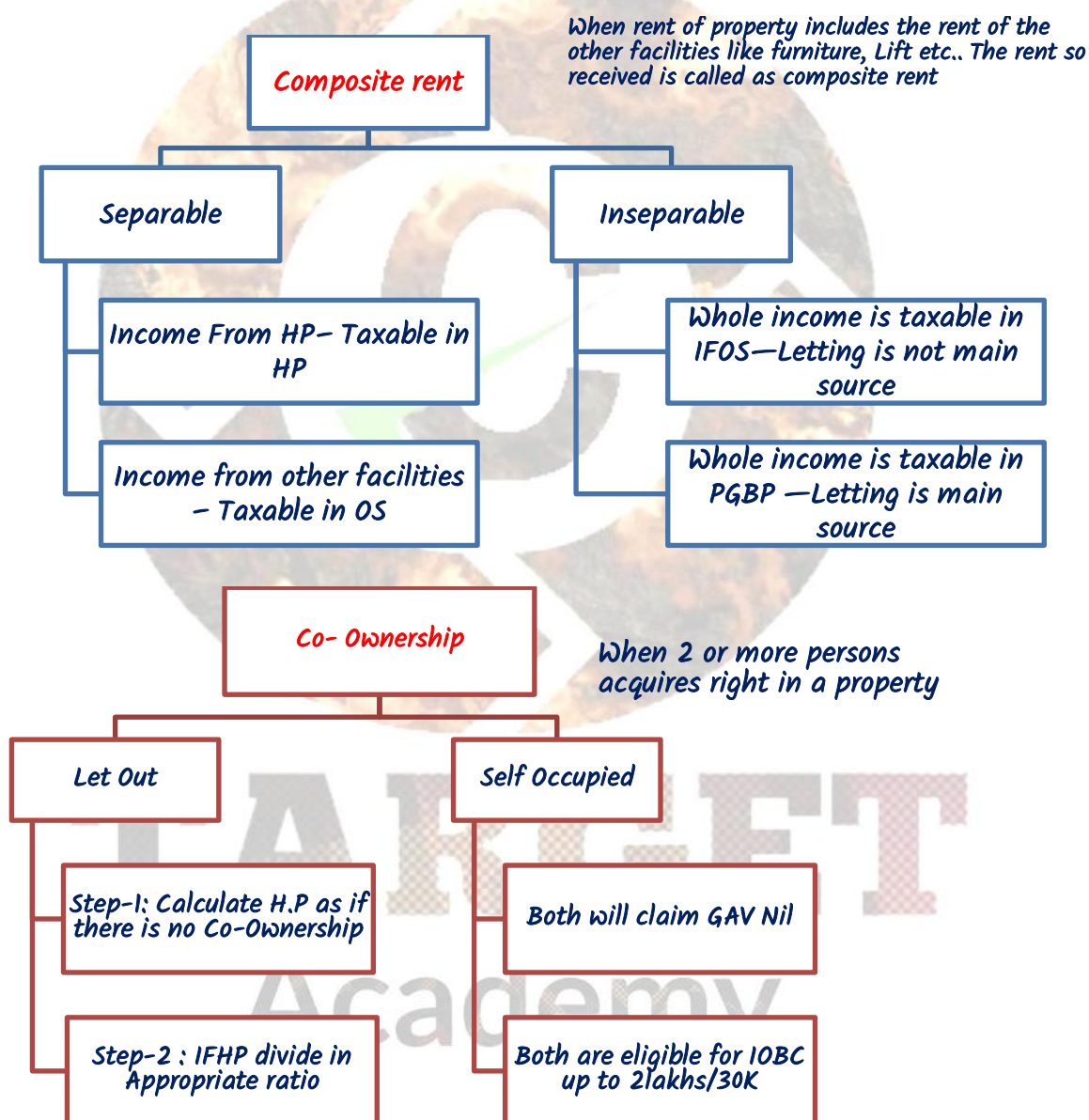
Particulars	Amount(Rs.)
IFHP	xxx
Unrealised rent or Arrears of rent recovered xxx	
Less Deduction @ 30 % <u>(xxx)</u>	xxx
IFHP	xxx

EXAMPLE-21:

Mr. A Purchased the Property on 01/04/2020. He let out that property for F.Y 2021-22 , F.Y 2020-21. He sold that property on 1/04/2023.

Particulars	Unrealised Rent	Recovered in F.Y 20122-23
F.Y 2020-21	2,00,000	1,50,000
F.Y 2021-22	1,80,000	1,00,000

Calculate IFHP for A.Y 2024-25



EXAMPLE-22:

Mr.A & Mr. B Co- Owners. Let out the property. Calculate IFHP for both A & B for A.Y 2024-25

Particulars	Amount(Rs.)
Municipal Value	1,60,000 pa

Fair Rent	1,50,000 pa
Standard Rent	1,70,000 pa
Rent received	15,000 pm
Loan jointly taken, Interest charged is 25K but paid only 21K, Interest on Interest 450.	
To repay the loan taken fresh loan, Interest paid is 5,000	
Municipal Tax (paid by tenant)	5,100

Note : If property is used for agriculture purpose Income there from is exempt U/s 10(1)

Disputed property

IT Dept will decide deemed owner

Sec-10(1)	· Income from any farm house forming part of agriculture
Sec-10(19A)	· Annual Value of any one palace in the occupation of an Ex-ruler
Sec-10(20)	· Income from HP of a Local Authority
Sec-10(21)	· Income from HP of an Approved scientific research organisation.
Sec-10(23C)	· Property income of university & education institutions.
Sec-10(24)	· Property income of any registered Trade union
Sec-11	· Income from HP held for charitable or religious purpose
Sec-13A	· Property income from any political property.

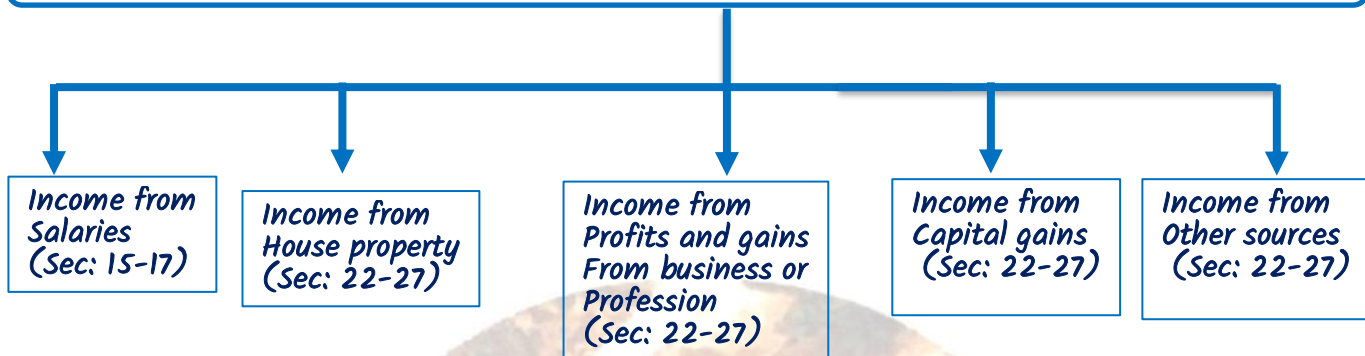
- Property used for Self occupied business.
- Two self occupied property of an Individual/ HUF.

HP held as stock in trade

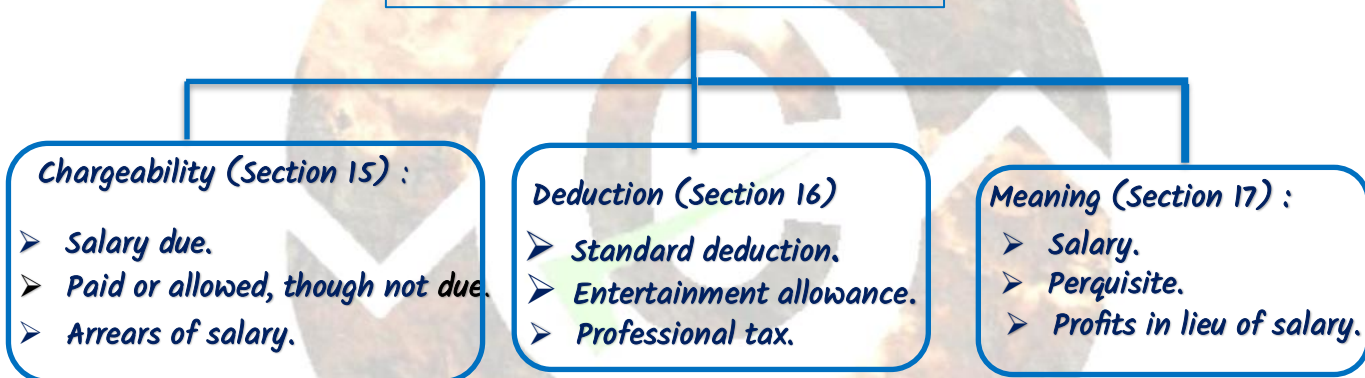
The GAV can be taken as Nil for 2 years from the end of the year of certificate of completion

THE END

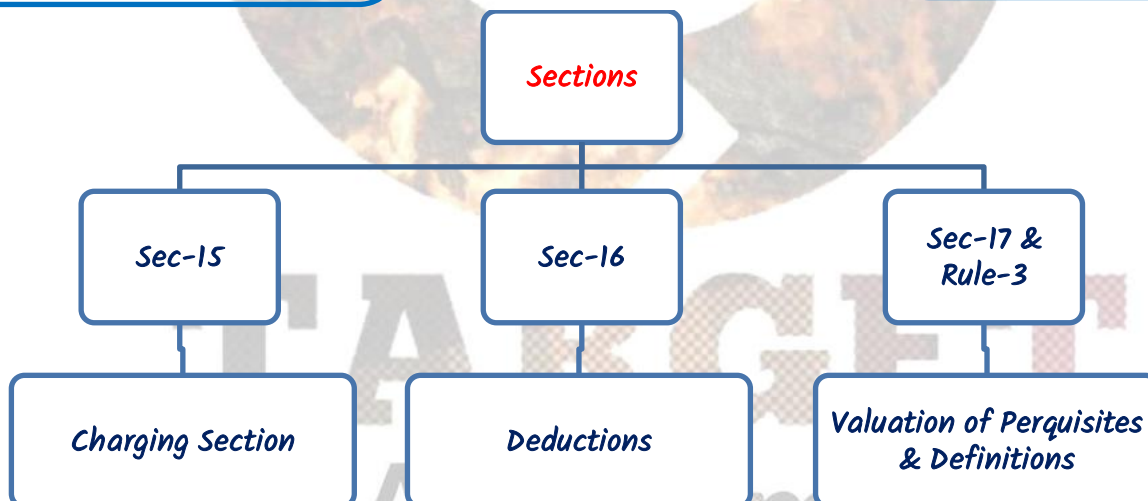
HEADS OF INCOME



Income under the head "Salaries"

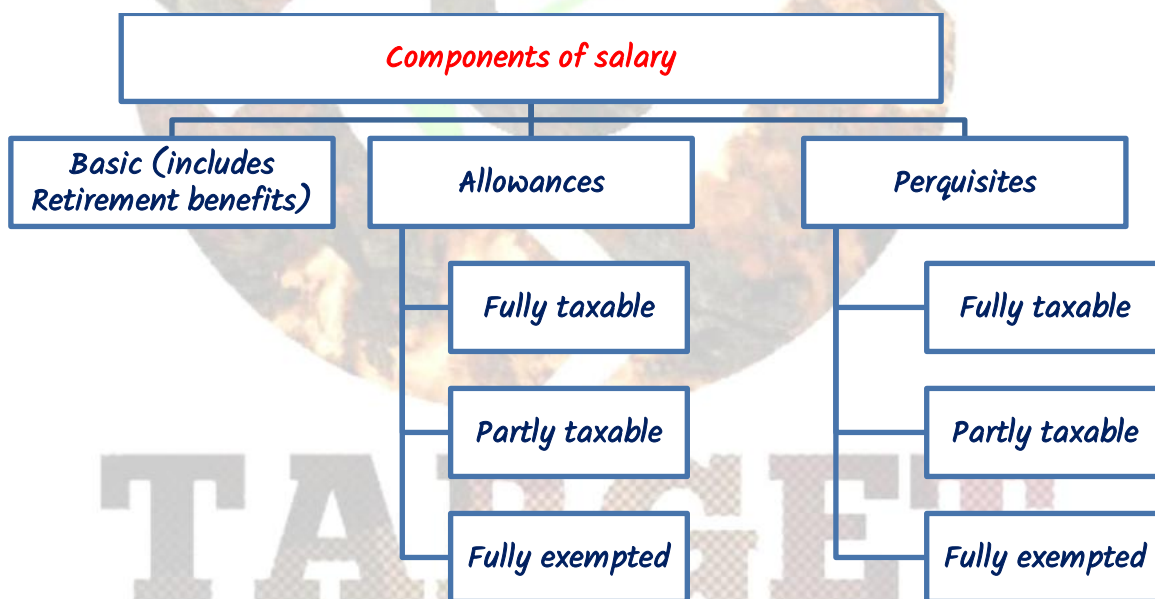
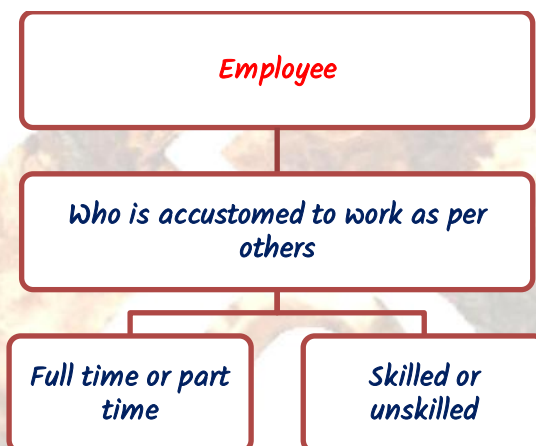
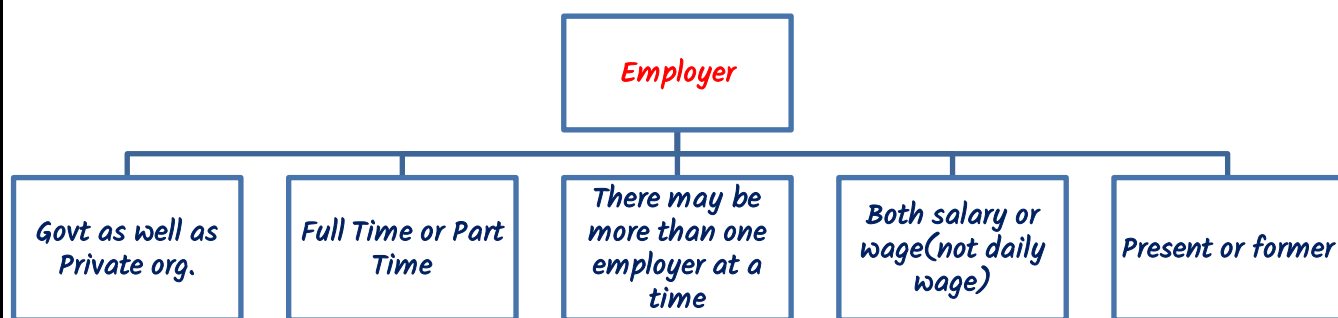


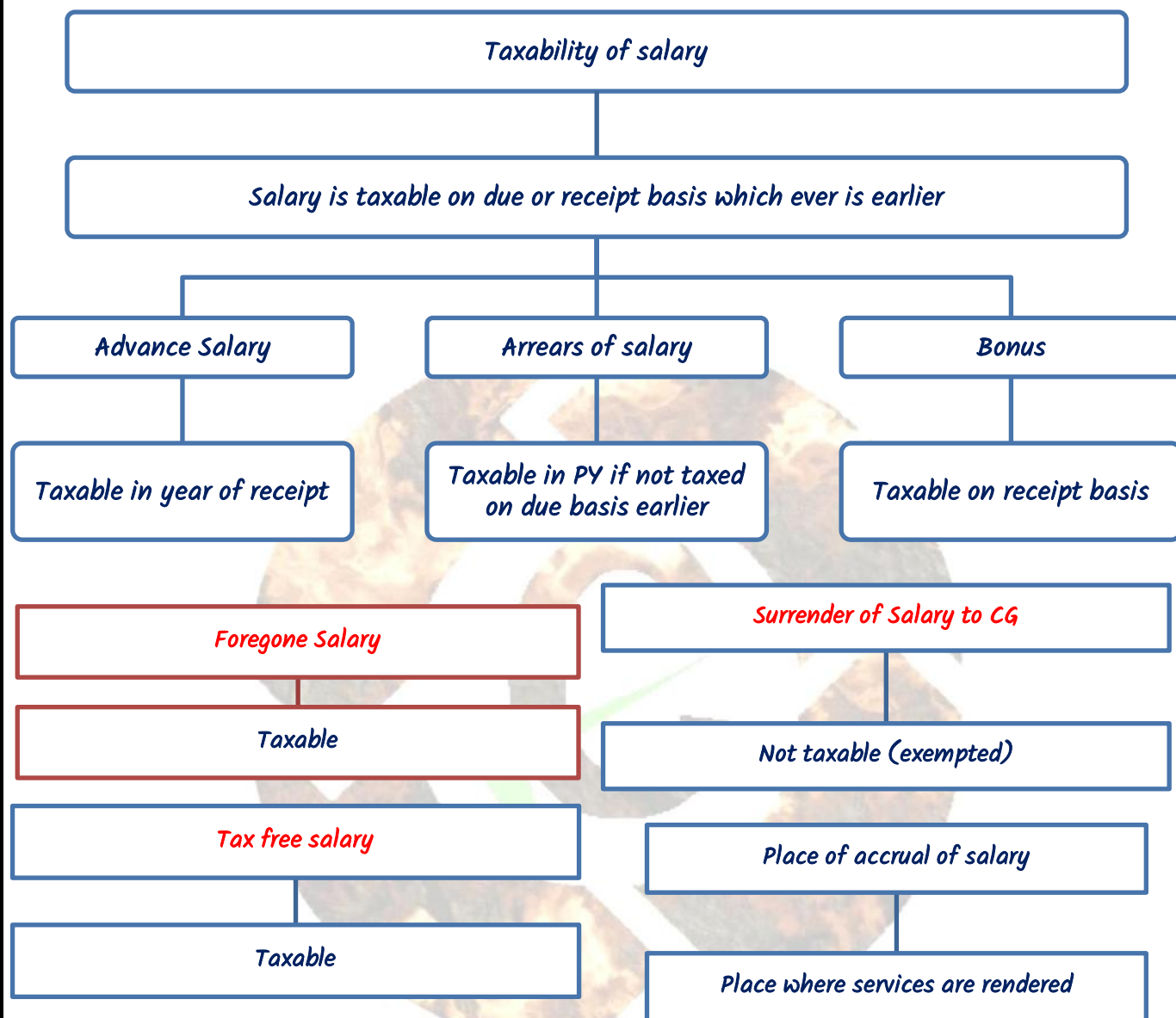
Sections



Sec - 15 Basic of Charge(Charging Section)

There must be a employer & employee relationship Between payer & payee





Particulars	ROR	RNOR	NR
Salary received in India services rendered outside India	T	T	T
Salary Received outside India services rendered outside India	T	NT	NT
Salary received outside India, Services rendered in India	T	T	T
Salary received in India, Services rendered in India	T	T	T
Govt giving salary outside India for services rendered outside India on behalf of Indian Govt Sec - 9	T	T	T
Indian govt giving allowance & perk outside India Sec-10(7)	NT	NT	NT

Note

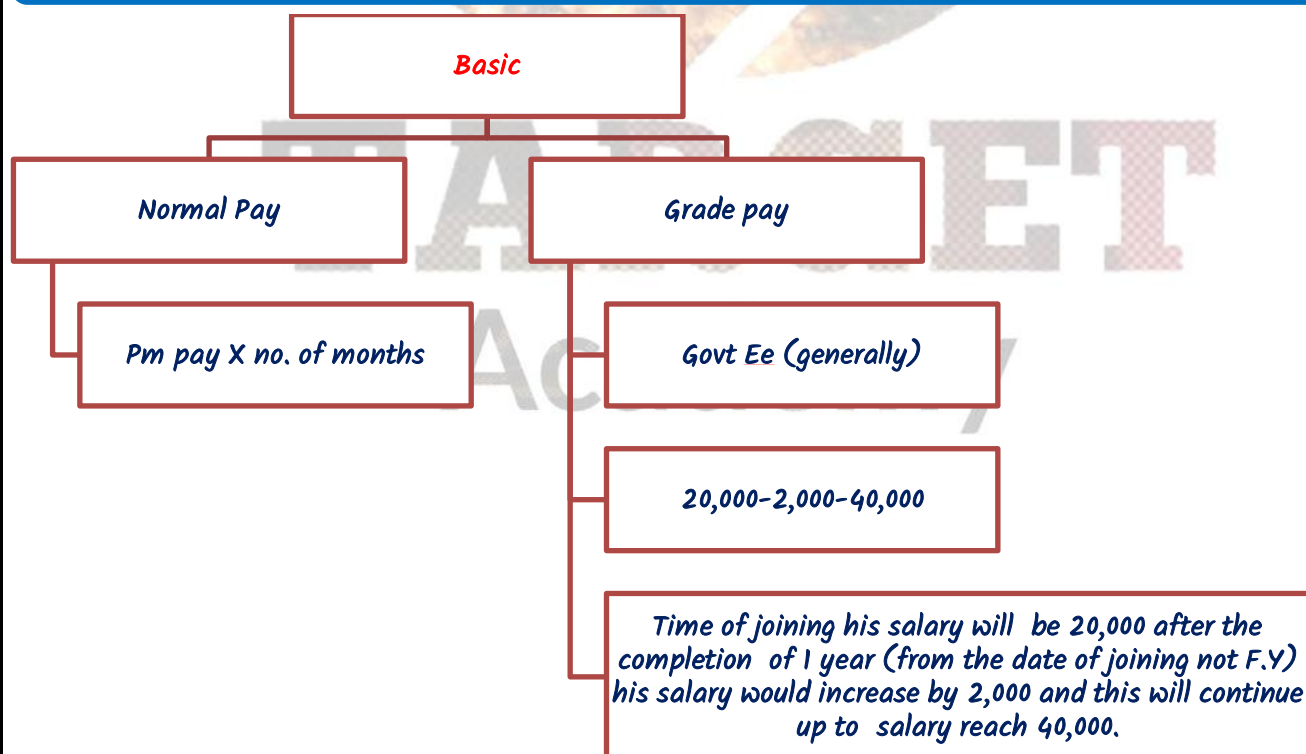
- Person getting Pension outside India w.r.t services rendered in India is taxable in India, because deemed to accrued or arised in India.
- Exception: - Person who is permanently residing outside India getting Pension outside India w.r.t services rendered in India is not taxable in India

FORMAT TO CALCULATE INCOME FROM SALARY

Particulars	Amount(Rs.)
Basic, Bonus , Comission	xxx
Allowances (Taxable)	xxx
Perk (Taxable)	xxx
Retirement Benefits	xxx
Gross salary	xxx
Less : Deductions U/s 16	
(i) Standard Deduction (50,000)	(xxx)
(ii) Entertainment allowance	(xxx)
(iii) Professional Tax	(xxx)
Taxable Salary	xxx

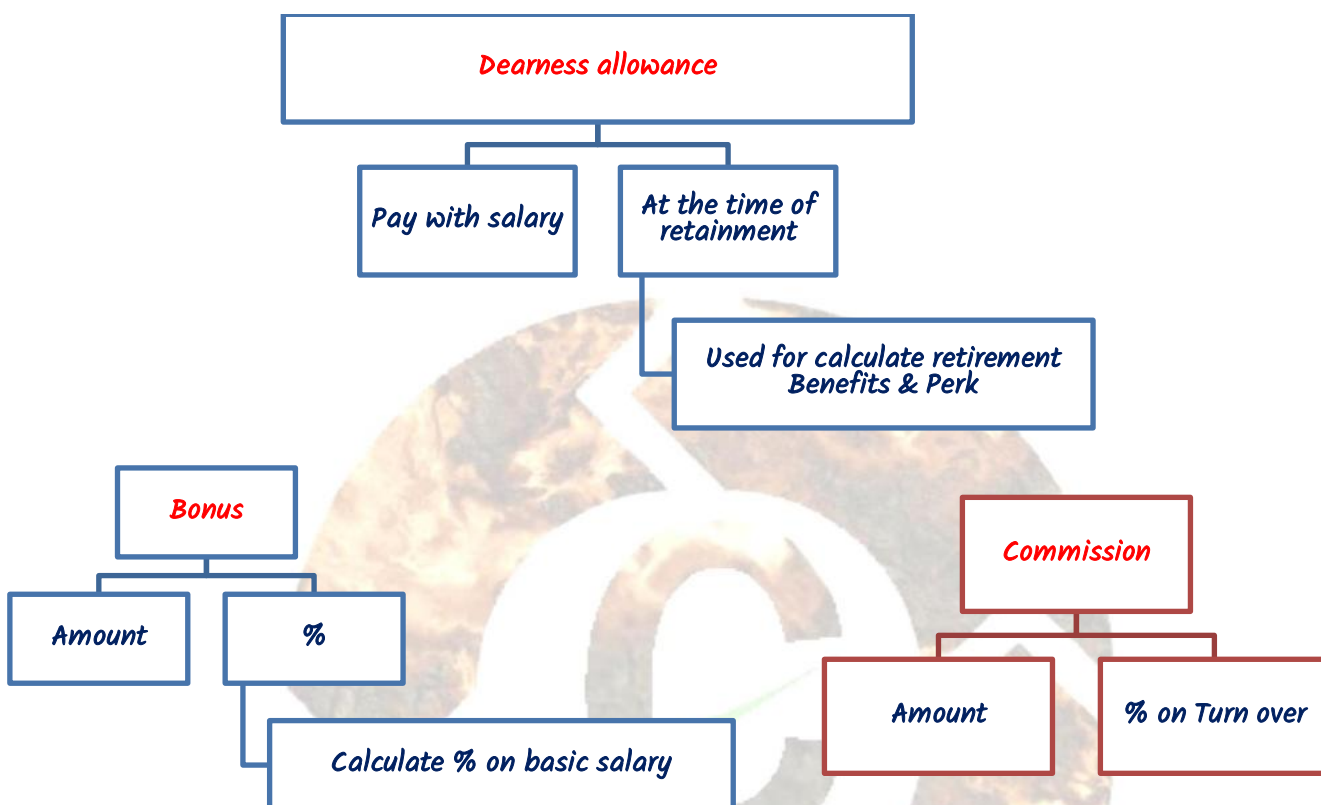
- There can't be loss in salary.
- Calculate Annually.

Fully Taxable component of Basic & allowance

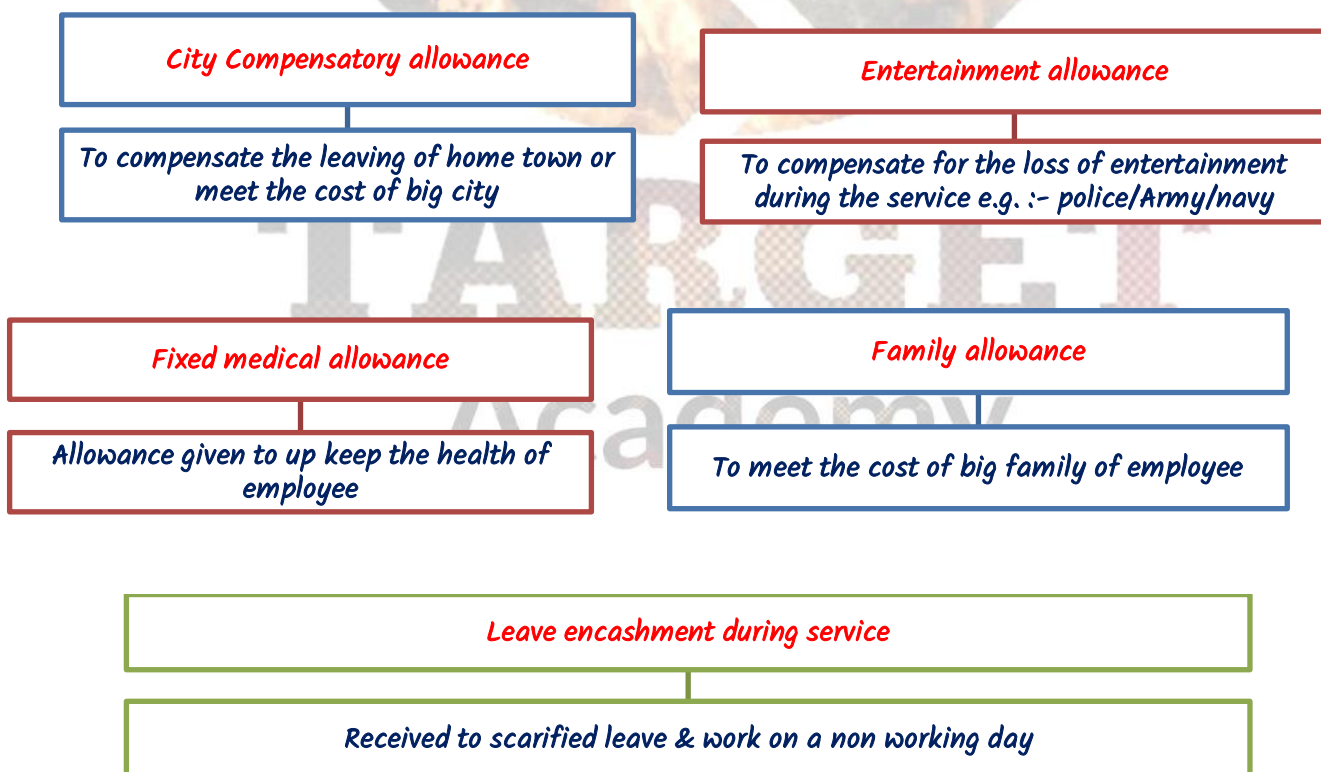


Problem no:1

Mr. G joined S ltd on 1/1/22 @ grade pay of 30,000 – 3000- 60000. Calculate salary for F.Y 2023-24?

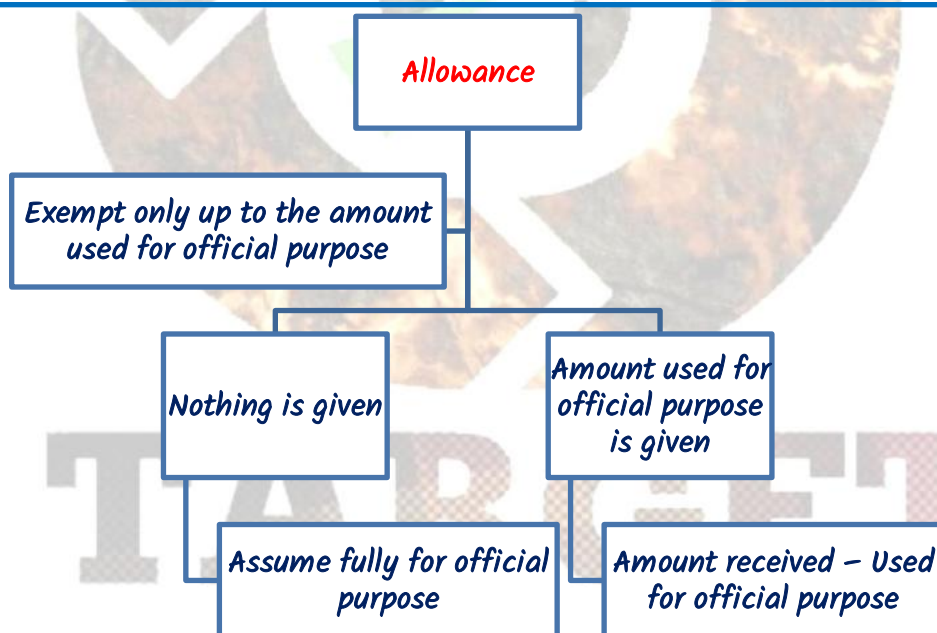


- Advance Salary – Taxable in PY
- Arrears of Salary – Taxable in PY only if it not taxable in due basis earlier



- Overtime allowance
- Servant allowance.
- Warden allowance : - Keeping security.
- Interim allowance :- Received in between multiple months.
- Project allowance
- Telephone allowance
- Non practicing allowance
- Lunch/Tiffin allowance.
- Fees
- Any other cash allowance

Fully Exempted component of salary



Particulars	Amount(Rs.)
Amount Received	xxx
Less : Used for official purpose	(xxx)
Taxable	xxx

Fully Exempted (Sec-10(14) & Rule 2BB)

Travelling allowance

Allowance received to travel to a different city

Daily Allowance

To meet day to day cost on travelling

Conveyance allowance

To Travel with in the city for official purpose

Helper allowance

To meet cost of the helper

Academic allowance

For degree or a course

Uniform allowance

To buy & upkeep the uniform

Amount received from UNO

Allowance received by HC or SC judge

Particulars	Amount(Rs.)
Basic	25000 pm
DA(Retirement)	2000 pm
Commission	1% of Turn Over, TO = 4,00,000
Uniform allowance	300 pm
City Compensatory allowance	400 pm
Interim allowance	100 pm
Project allowance	1500 pm
Daily allowance	400 pm
Conveyance allowance	700 pm
Over time allowance	100 pm
Entertainment allowance	1500 pm
Fixed Medical allowance	600 pm

Partly taxable component

CHILDREN EDUCATION ALLOWANCE:

Particular	Amount(Rs.)
Amount Received	xxx
Less : Exempt U/s 10(14) (Rs. 100 per child/month subject to 2 child)	(xxx)
Taxable	xxx

CHILDREN HOSTEL ALLOWANCE:

Particular	Amount(Rs.)
Amount Received	xxx
Less : (Rs. 300 per child/month subject to 2 child)	(xxx)
Taxable	xxx

Transport allowance (Cab Service)

Normal employee

Handicap
employee

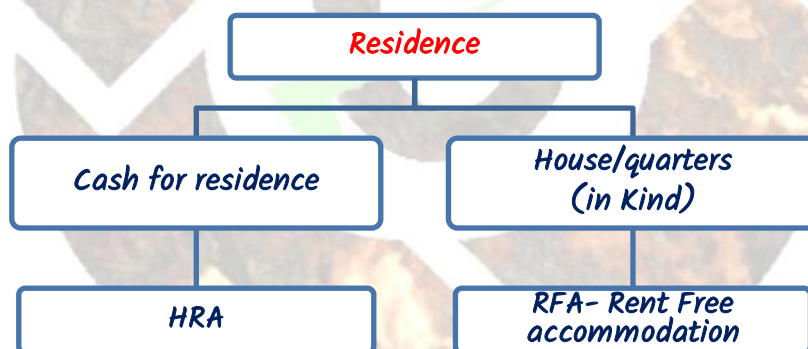
Fully Taxable

TRANSPORT ALLOWANCE (CAB SERVICES):

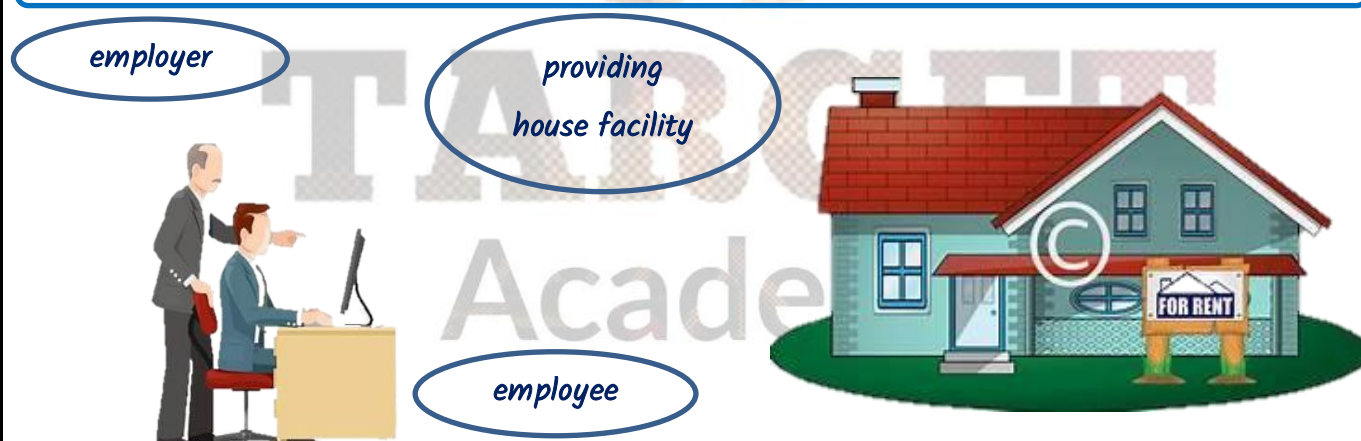
HANDICAP EMPLOYEE:

Particular	Amount(Rs.)
Amount Received	xxx
Less : (Rs. 3200 per month)	(xxx)
Taxable	xxx

Particulars	Amount(Rs.)
Basic	4500 pm
DA(Retirement)	1000 pm
Children education allowance for 2 children	600 pm
Uniform allowance	150 pm
Non practicing allowance (started receiving from august)	300 pm
Children hostel allowance for 2 children each	500 pm
Tribal allowance	2300 pm
Daily allowance	300 pm
Running allowance	1200 pm
Conveyance allowance (received up to December)	100 pm
Transport allowance	2500 pm
Fee	750 pm



Section 10(13A) : House Rent Allowance



House Rent Allowance(HRA)- Sec-10(13A) & Rule 2A

Particular	Amount(Rs.)
Amount Received	xxx

Less : Exempt Lower of
(a) Actual Amount
(b) 50%/40% of Salary
(c) Rent paid – 10 % of salary

xxx
xxx
xxx

(xxx)

Taxable

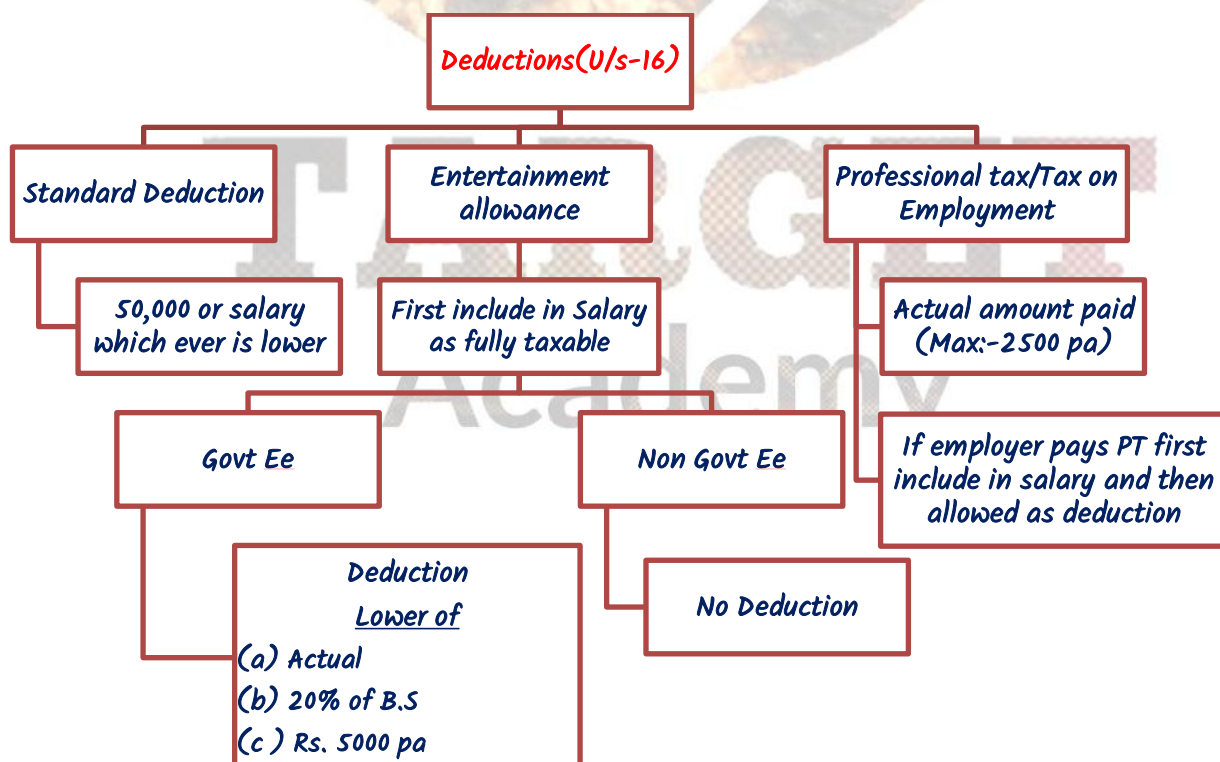
xxx

Conditions for HRA

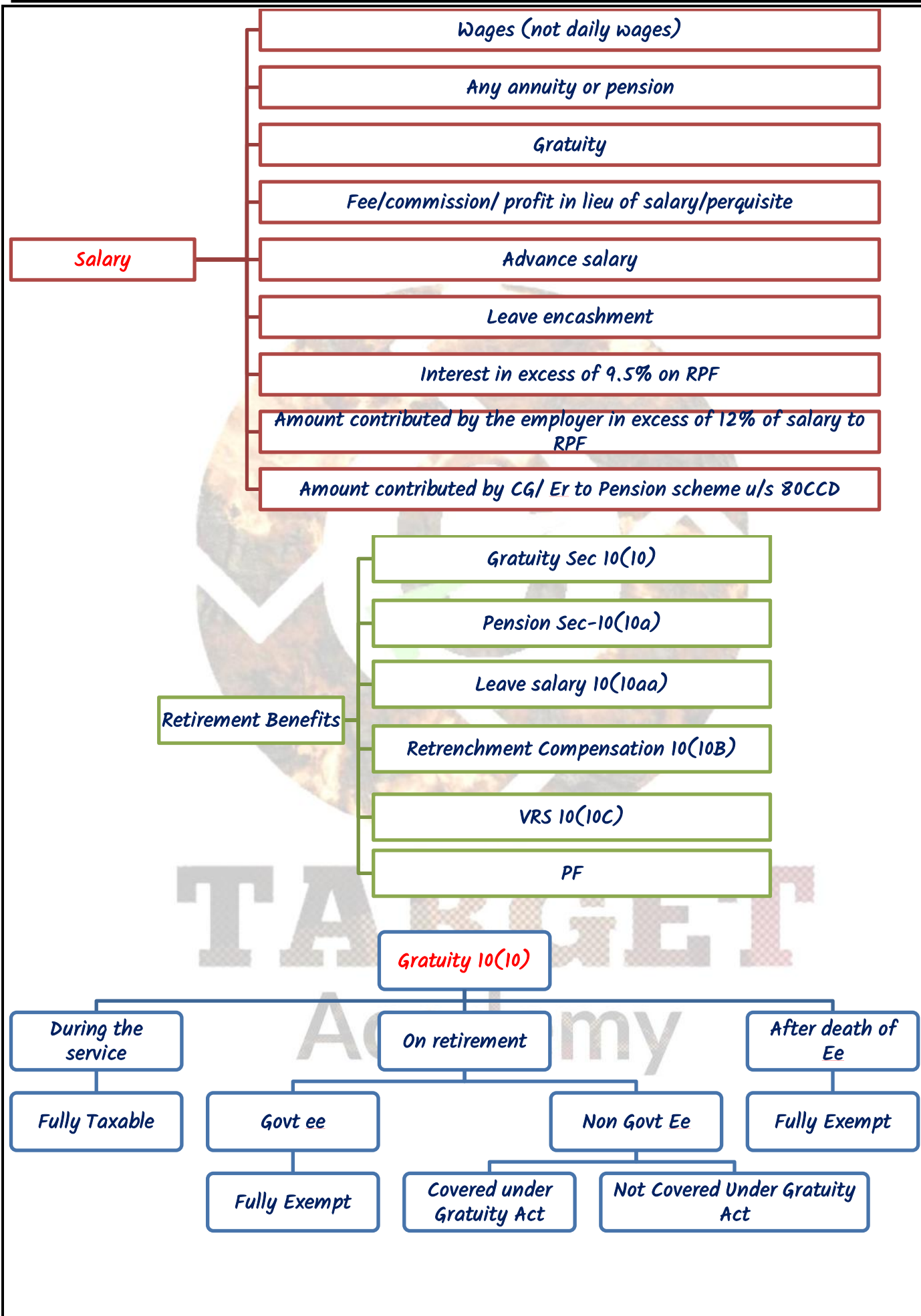
1. Mumbai/Delhi/Kolkata/Chennai – 50%, rest of India – 40%
2. Place of residence is importance not place of office.
3. Salary = Basic + DA(R) + Commission. (take salary relevant to period of stay only)
Unless DA is not specified for the purpose of retirement don't take it
4. Generally Calculate Annually (If period of stay is given calculate only for the stay period)
He does not own any house at the place of employment.
If any of the factor changes e.g. HRA, Place, Rent, . HRA should be calculated separately with respective to that changes.

HRA IS NOT ALLOWED

1. Employee stays in his own house.
2. Employee does not pays/incurs any rent.
3. When rent paid is less than 10 % of salary.



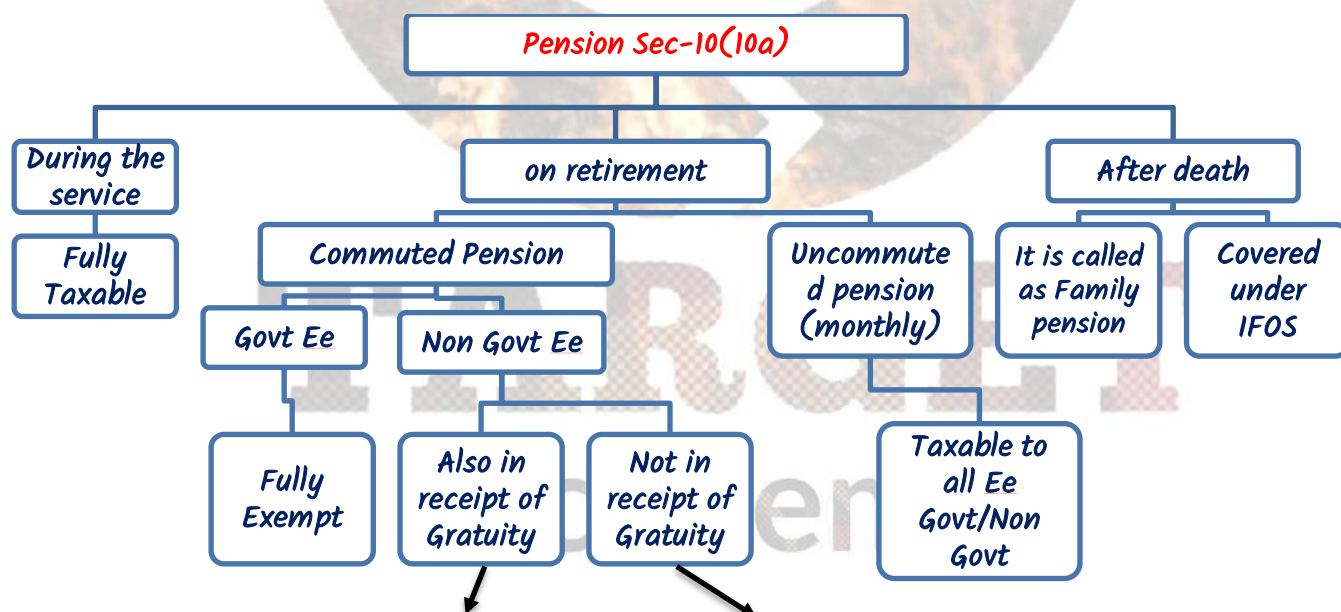
Salary	Fully Taxable		Basic
			DA(R)
			Bonus
			Commission
			City Compensatory
			Entertainment
			Fixed Medical
			Family
			Leave encashment
			Over Time
			Servant
			Warden
			Interim
			Project
			Non practicing
			Telephone
			Lunch/Tiffin
	Fully Exempt		Travelling allowance
			Daily allowance
			Conveyance allowance
			Helper allowance
			Academic allowance
			Uniform allowance
			Amount received from UNO
			Allowance received by HC/SC judge.
			Children education allowance-100/child/month
			Children hostel allowance-300/child/month
	Partly Taxable		Tribal Allowance-200
			Underground allowance-800
			Transport allowance-3200
			Running allowance-70%/10,000
			HRA



Particulars	Amt(Rs.)
Actual	xxx
Less:- Exempt- Least of	
(a) Actual	
(b) $15/26 \times \text{Last Drawn salary} \times \text{No. of years of completed service or part there of in excess of 6m}$	
(c) Max Limit 20 lakhs	(xxx)

Particulars	Amt(Rs.)
Actual	xxx
Less:- Exempt- Least of	
(a) Actual	
(b) $1/2 \times \text{Avg salary of 10 m preceding the month of retirement} \times \text{No. of years of completed service}$	
(c) Max Limit 20 lakhs	(xxx)

- ✓ If employee is a seasonal employee then take $7/26$ in case of covered under gratuity Act, take $1/2$ in case of not covered under Gratuity Act.
- ✓ Salary = Basic + DA – in case of covered under Gratuity Act.
- ✓ Salary = Basic + DA(Forming part of Retirement) + Commission (On Turn Over) take avg 10 months Salary. – in case of not covered under Gratuity Act.
- ✓ Even if gratuity received from more than 1 employer then also the max limit is 20 lakhs only.

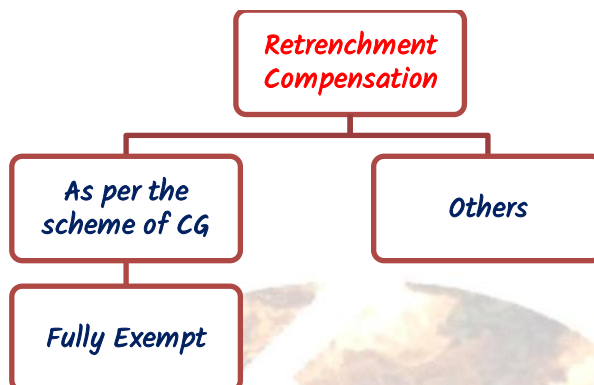


Particulars	Rs.
Actual	xxx
Less:- $1/3^{\text{rd}}$ of full value of pension	(xxx)
Taxable	xxx

Particulars	Rs.
Actual	xxx
Less:- $1/2^{\text{rd}}$ of full value of pension	(xxx)
Taxable	xxx

- Note-1- If nothing is mentioned in problem assume gratuity is not received

- 2) Full Value of pension = Amount received / % of commutation.
- 3) Always prepare W.No for full value of pension.



Particulars	Amt(Rs.)
Actual	xxx
Less: Lower of	
(a) Actual	
(b) Max Limit 5,00,000	
(c) Amount determined by industrial dispute Act	(xxx)
Taxable	xxx

- Note-1: Amount determined by Industrial Dispute Act

$$= 15/26 \times \text{Avg salary of last 3 months} \times \text{No. of years of completed service or part thereof in excess of 6 months.}$$
- Salary = Basic + DA ----monthly
- Relief u/s 89(1) is available.

VRS SEC-10(10C)

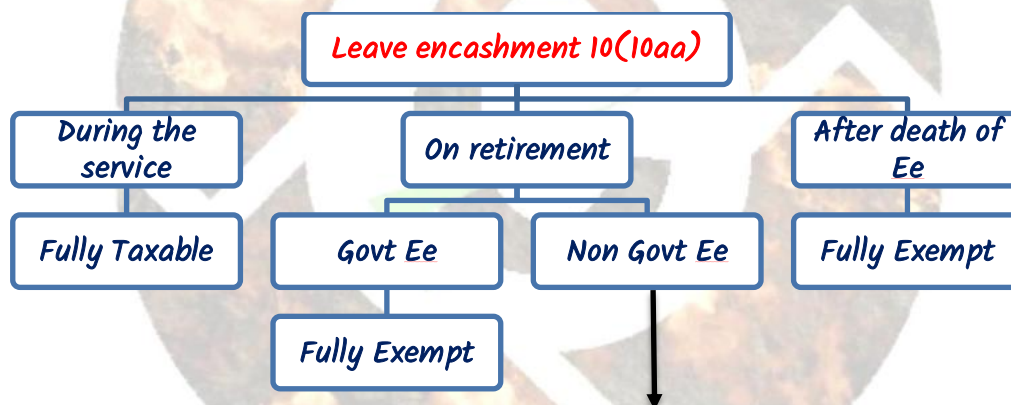
Particulars	Amount(Rs.)
Actual	xxx
Less:- Least of the following	
(a) Actual	
(b) Max Limit 5,00,000	
(c) Amount higher of	
(i) Last drawn salary x 3 x No. of years of completed service.	(xxx)
(ii) LDS x balance no. of months left for service.	
Taxable	xxx

Notes:

- $\text{Salary} = \text{Basic} + \text{DA (R)} + \text{Commission (T)}$ ----- monthly.
- Balance no. of months

Particulars	
Co. age of retirement	xx
Less:- Age of employee at time of retirement	(xx)
	xx years
Multiply : No. months per year	12
Balance no. of months	xx

- No exemption under VRS if Employee claims relief u/s 89
- VRS exemption only once in life and only w.r.t single employee.
- VRS exemption is applicable even VRS given on instalments (but only to single employer).



Particulars	Amount(Rs.)
Actual	xxx
Less: Lower of	
(a) Actual	
(b) Max Limit 3,00,000	
(c) Avg salary x 10	
(d) Leave Credit	(xxx)
Taxable	xxx

Notes:

- $\text{Leave Credit} = \text{Balance leave(in days)} \times \text{Avg salary}$
- Balance Leave

Particulars	Days
-------------	------

Leave allowed by the employer(sub to conditions)	xx(days)
Less : Leave taken by employee during the service	xx(days)
Less: Leave encashed during service	xx(days)
Balance Leave	xx (days)

- Leave allowed by employer
 - If below 30 days pa = take actual days allowed (Ex:- if 25 days pa take 25 days)
 - If 30 days pa or above 30 days = take 30 days pa (Ex:- if 35 days pa take only 30 days pa)
- Average Salary = 10 months average salary before the date of retirement
- Salary = Basic + DA(R) + Commission (T).

Particulars	SPF(Statutory Provident Fund)	RPF(Recognised Provident Fund)	URPF(Unrecognised Provident Fund)	PPF(Public Provident Fund)
Employers Contribution	Exempt	Exempt up to 12% of Salary	Not Taxable (at the time of contribution)	-
Employee Contribution	Deduction U/s 80C	Deduction U/s 80C	No Deduction U/s 80C	Deduction U/s 80C
Interest	Exempt	Exempt up to 9.5%	Not Taxable (at the time of contribution)	Exempt
Final Amount	Exempt	Exempt	Er Contri- Taxable in salary Ee contribution - Not taxable. Interest on Er contri - Taxable in salary. Interest on Ee Ccontri - Taxable in IFOS	Exempt

Note :

- 1) Salary = Basic + DA(R) + C(T). ---- yearly
- 2) Ee's contribution should be allowed as deduction u/s 80C and need not be included in salary.

PROBLEM:

Particulars	Amount(Rs.)
Basic Salary Up to 31.08.2023 --- 20,000pm From 01.09.2023 ----- 25,000pm	
Transport allowance	2000 pm
Contribution to recognized PF	15% of Basic salary
Children education allowance (total)	500 pm for 2 children
City compensatory allowance	300 pm
Hostel expenses allowed(Total)	380 pm for two children
Tiffin Allowance(actual expenses Rs. 3,700)	5,000 pa
Tax Paid on employment	2,500

Compute taxable salary of Mr. M for the AY 2024-25

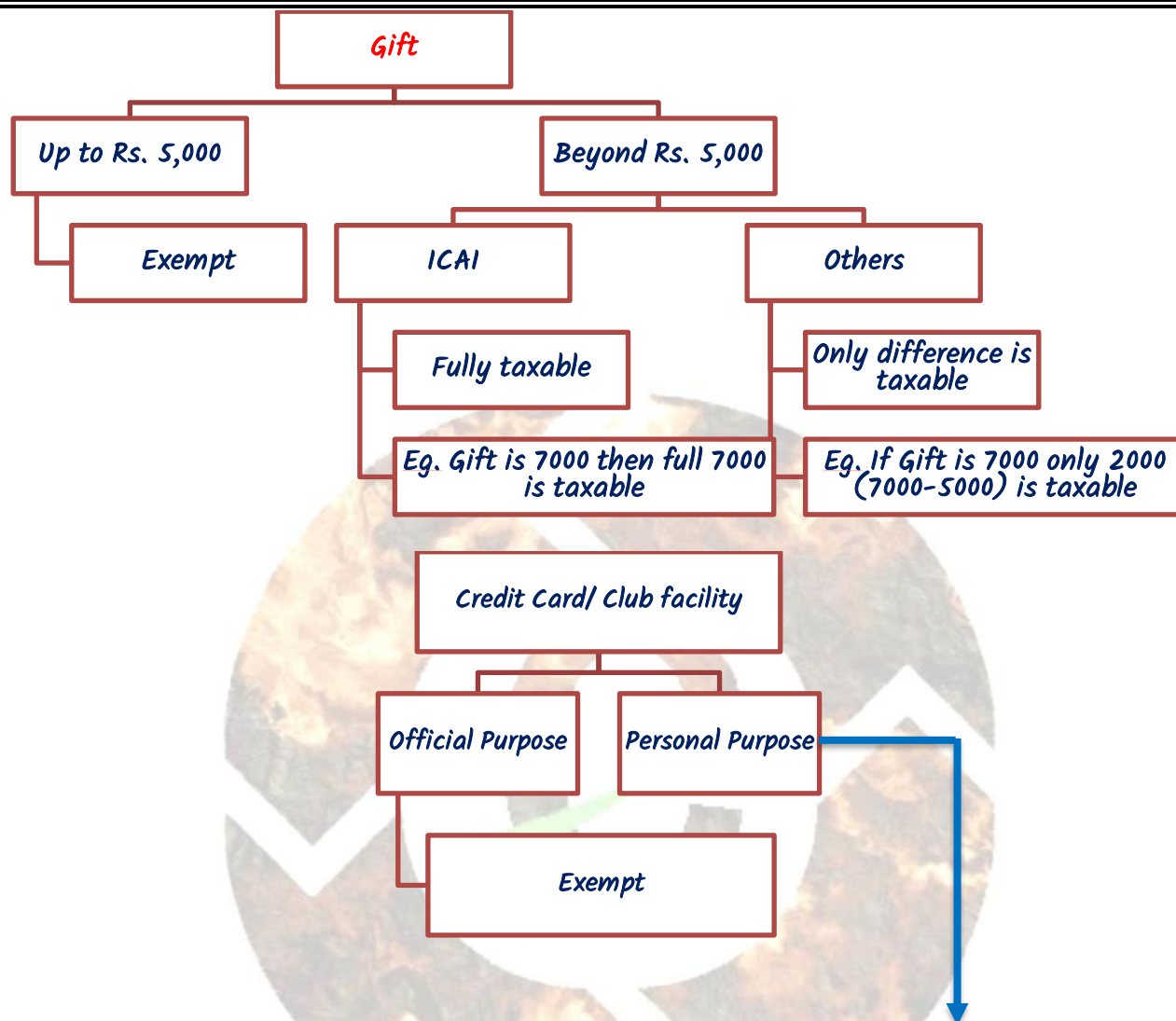
What is perquisite

Any benefit/Amenity provided at free of cost or at concession

FULLY EXEMPTED PERQUISITES

1. Tea & Coffee during office hours.
2. Laptop/Computer given for official or personal purpose.
3. Free food in remote areas or off shore installation.
4. Interest free/concessional loan up to Rs. 20,000
5. Interest free/concessional loan for specified diseases.
6. Periodicals/ Journals.
7. Travelling facility to railway or airline workers.
8. Education facility where cost does not exceed Rs. 1000 pm.
9. Insurance Group/ personnel insurance.
10. Transfer of movable asset after the use of 10 years.
11. Accommodation in Hotel up to 15 days.
12. Gift up to Rs. 5,000 pa.
13. Perquisite paid outside India by Indian Govt.

TAXABLE / PARTLY TAXABLE PERQUISITES



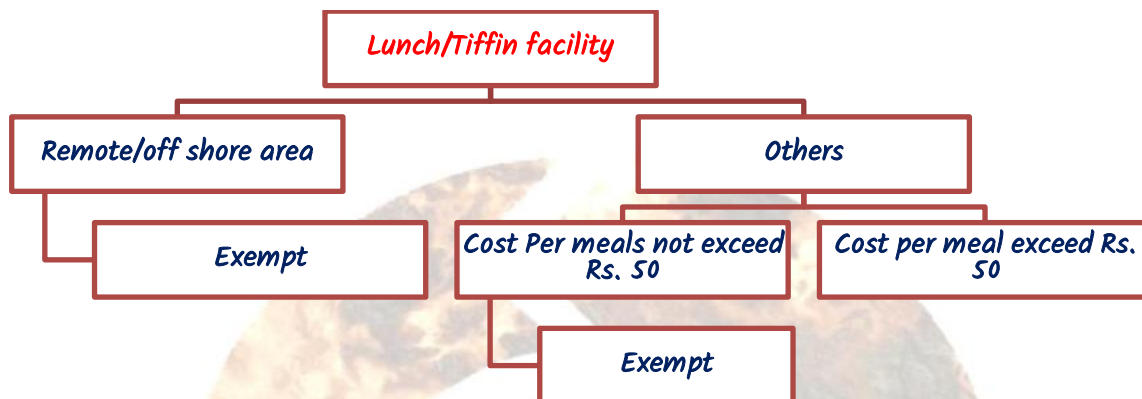
Particulars	Amount(Rs.)
Actual Cost to Er	xxx
(-) Amount recovered from Ee	(xxx)
Taxable	xxx

PROBLEM:

Particulars	
Basic	34000 pm
DA (40% Forming part of retirement)	30% of Basic
Overtime allowance	5000pm
Commission as a % on turnover	60000
HRA Rent paid 17000 pm up to June 30 2023. After that he shifted to his own house but HRA received through the year	15000 pm
Er contribution to recognised PF	54000 pm

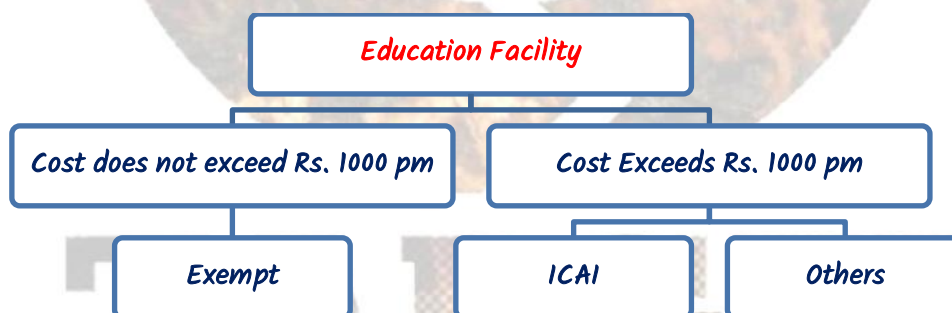
Interest on Er contribution to RPF @ 11%	56000 pa
Health Club facility (personal purpose)	7000pm
Tea & coffee facility	1000 pm

Calculate total salary of Mr. X for A.Y 2024-25 ?



Particulars	Amount(Rs.)
Actual cost to Er	xxx
Less: 50 Per Meal	(xxx)
	xxx
No. of Meals pa	xx
<u>Taxable Perk</u>	xxx

Note : If no. of meals are not given , then assume 300 days in a year.

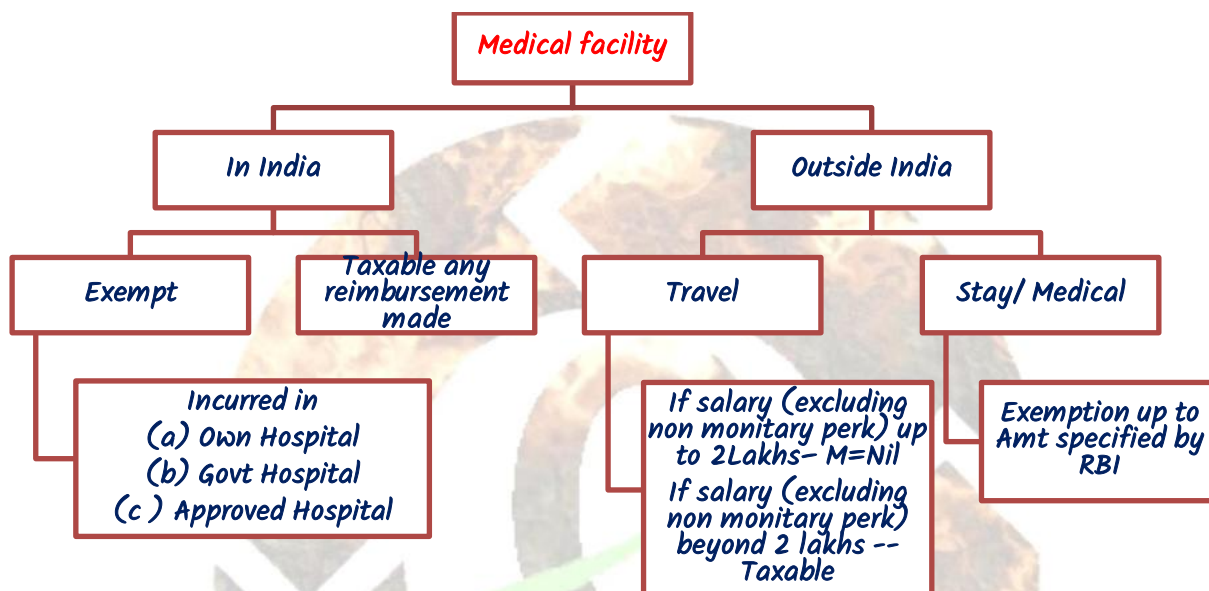


Particulars	Amt (Rs.)
Beyond Rs. 1000 it is fully taxable	xxx
Less : Recovered	(xxx)
<u>Taxable</u>	xxx

Particulars	Amt(Rs.)
Actual cost to Er	xxx
Less : Rs. 1000	(1000)
Less : Recovered from Ee	(xxx)
<u>Taxable Perk</u>	xxx

EDUCATION FACILITY

Benefit to	Category of education institutions		
	Own	Tied up	Other
Employee	Not a perk	Not a perk	Not a perk
Children of Ee	FMV (exempted up to 1000 pm)	FMV (exempted up to 1000 pm)	Cost to the Er
Any other member of house hold	FMV	FMV	Cost to the Er



Note : In case of Out Side India exemption is for 2 people(Ee, attendant).

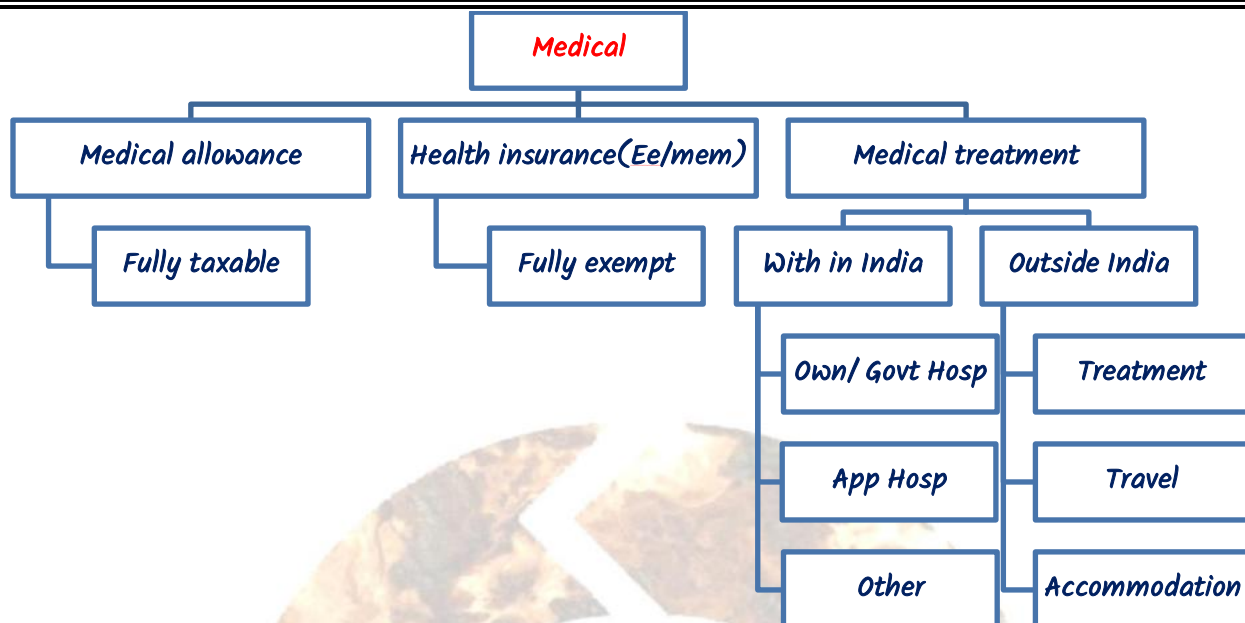
MEDICAL EXPENDITURE IN INDIA (PROVIDED/REIMBURSED BY ER)

Type of disease	Own hosp/Govt Hospt	Approved Hosp	Other Hosp
Specified disease	Not Taxable	Not taxable	Taxable
Other disease	Not taxable	Taxable	Taxable

For COVID related treatment – exempted in all cases

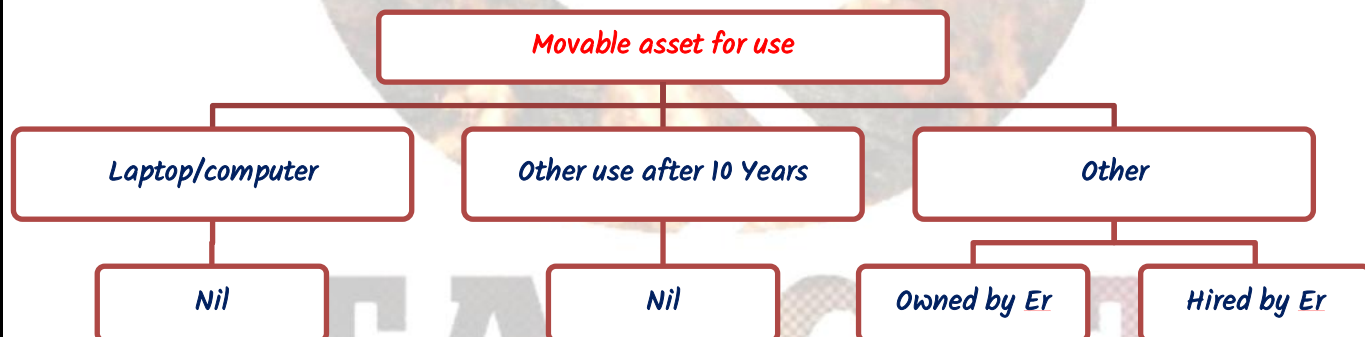
MEDICAL TREATMENT OUTSIDE INDIA (REIMBURSED BY THE EMPLOYER)

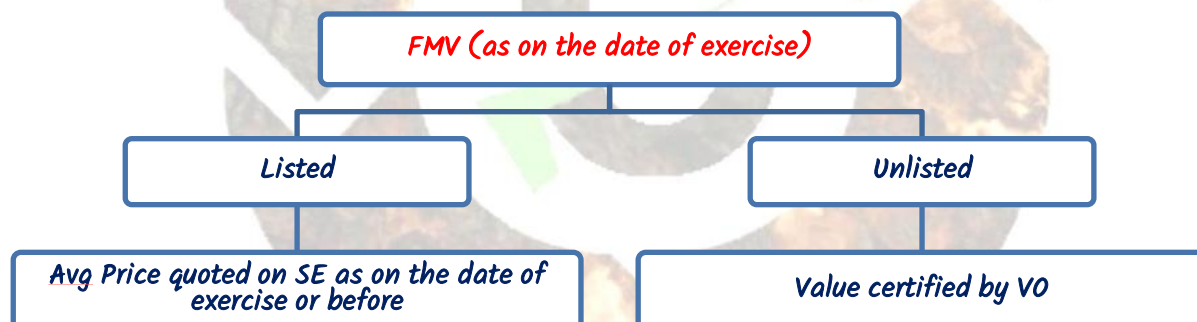
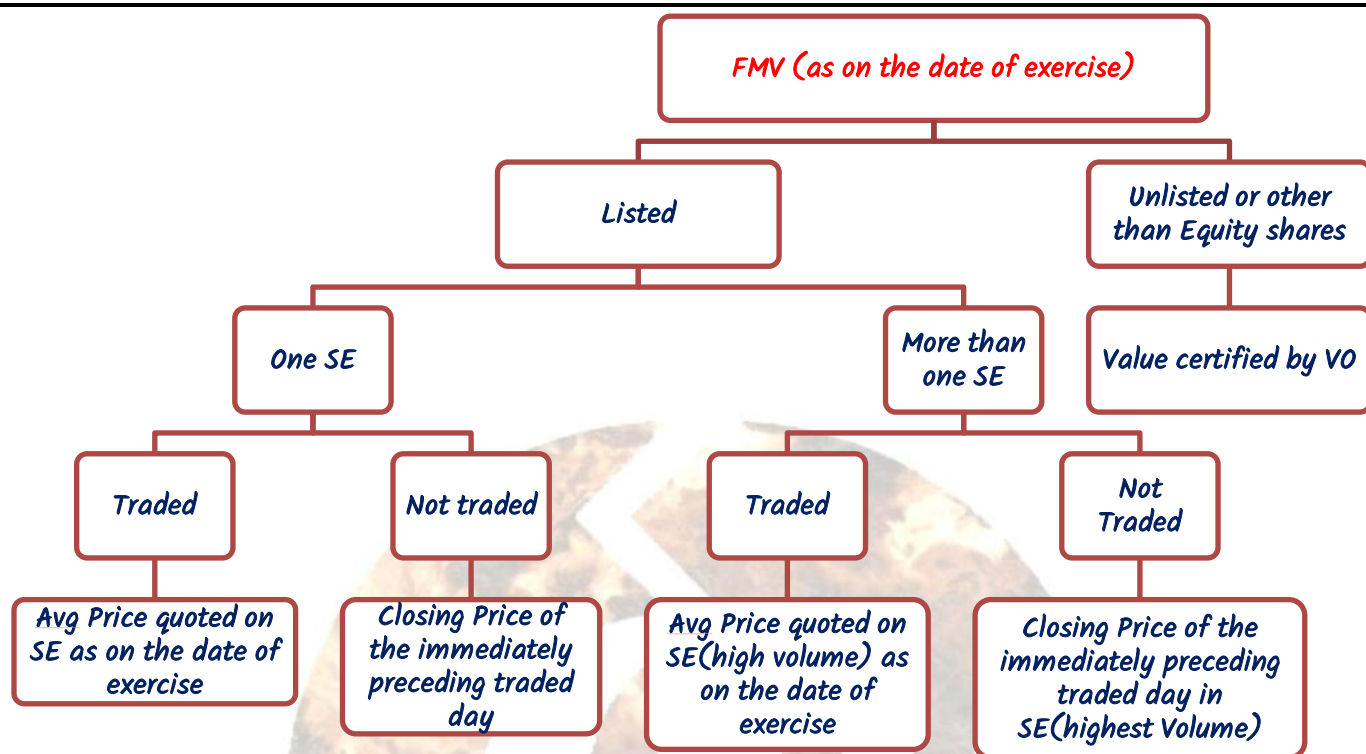
Type of cost	Tax treatment
Medical treatment cost	Exempt up to amount specified by RBI
Accommodation cost(patient+ 1 attendant)	Exempt up to amount specified by RBI
Travel Cost (Patent + 1 attendant)	If salary(excluding non monetary perk) <= 2 L – Not a perk. If Salary(excluding non monetary perk) > 2 L – Fully taxable Perk



Particulars	Amt(Rs.)
10% of cost of asset	xxx
Less: Recovered	(xxx)
Perk	xxx

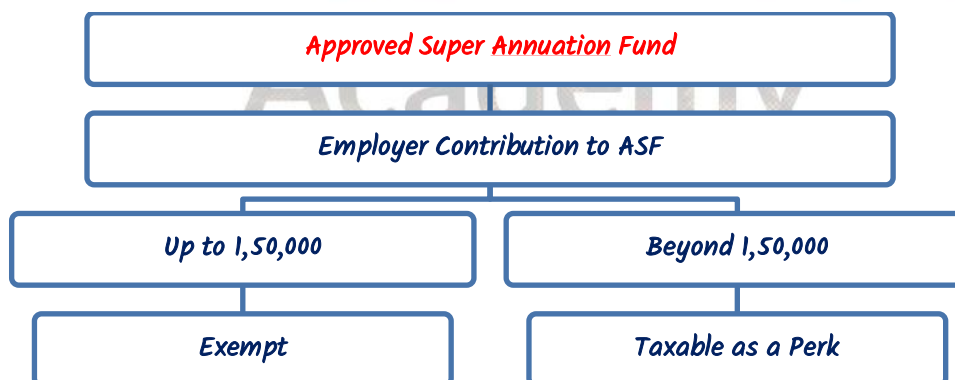
Particulars	Amt(Rs.)
Actual Cost to Er	xxx
Less: Recovered	(xxx)
Perk	xxx

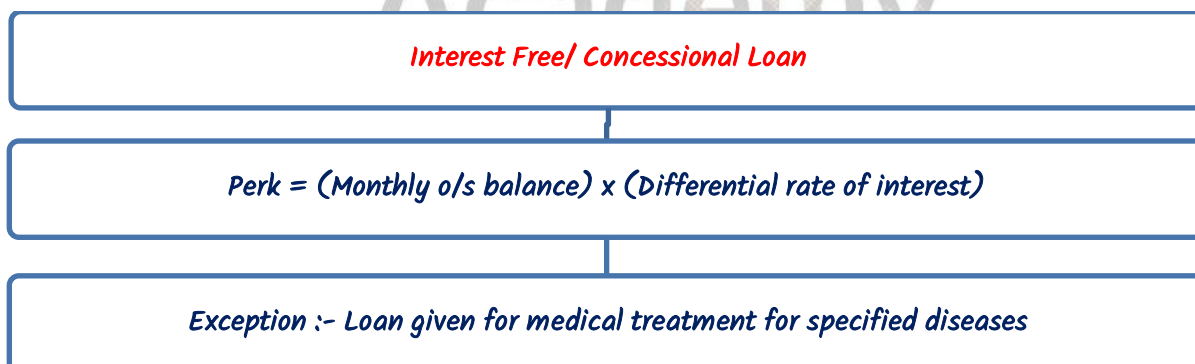
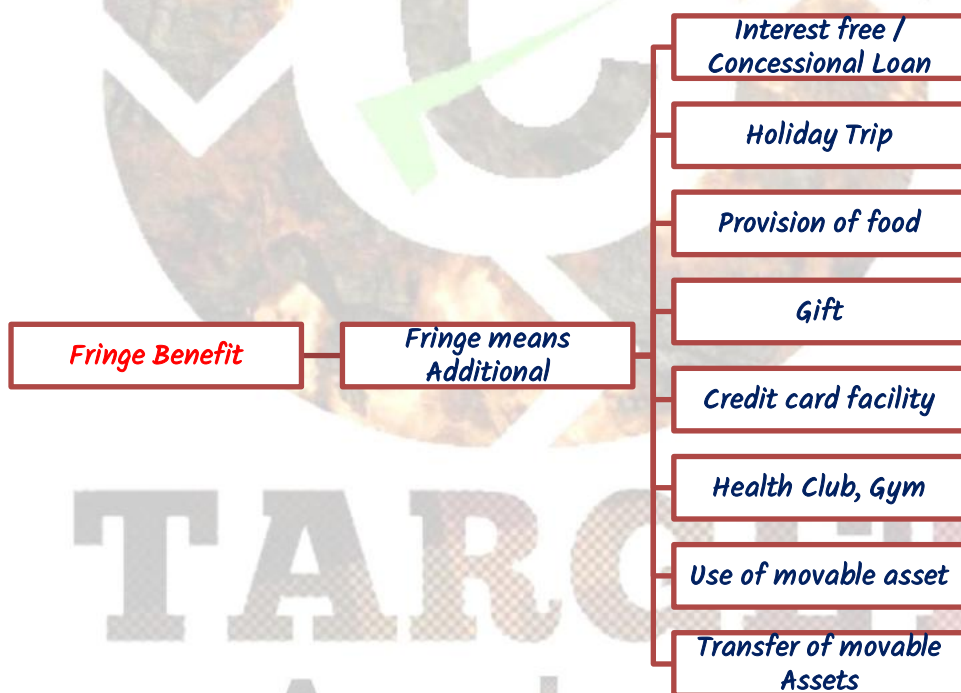
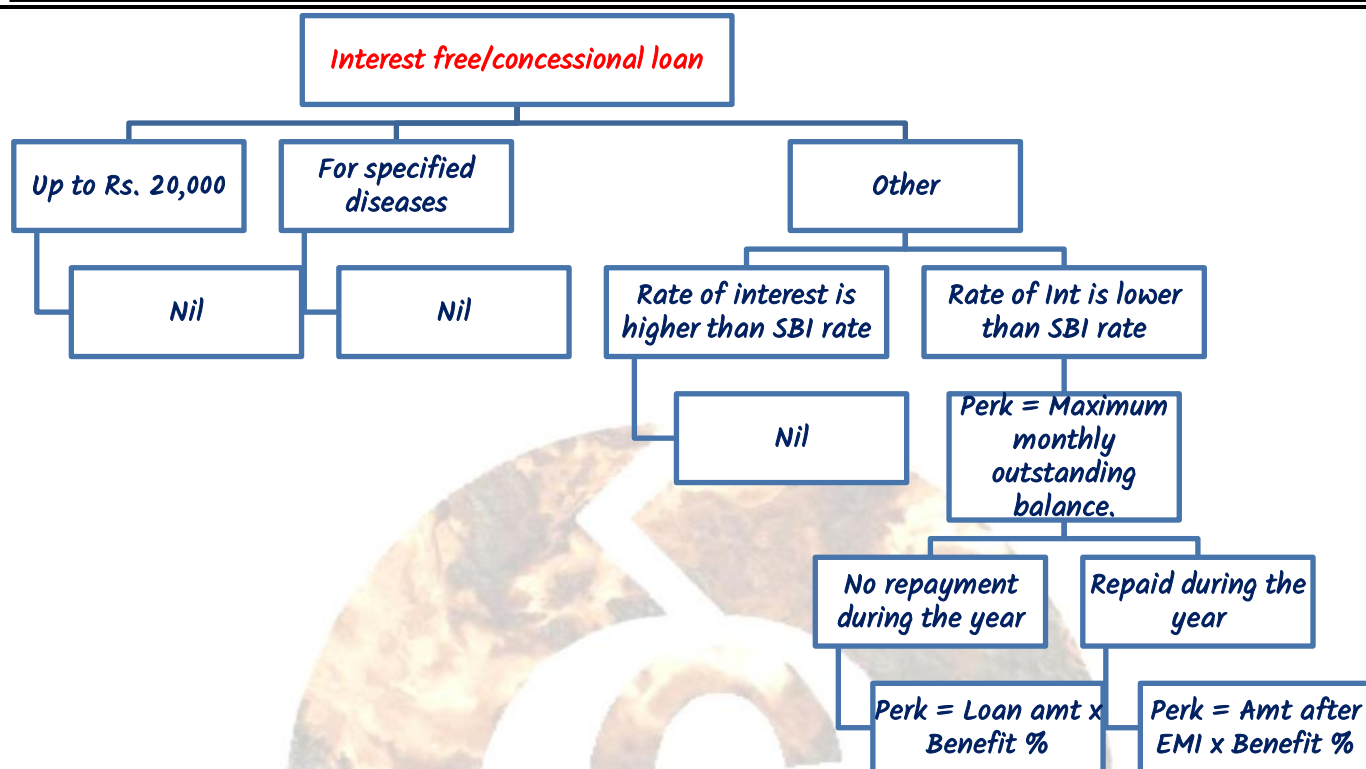




SWEAT EQUITY SHARES

- Taxable Perk = $(FMV - \text{Option Price/ Exercise Price/Purchase price}) \times \text{No. of share.}$
- Note : When these shares would be sold FMV shall be treated as COA to avoid doubt taxable Sec-49[CG].





FORMAT

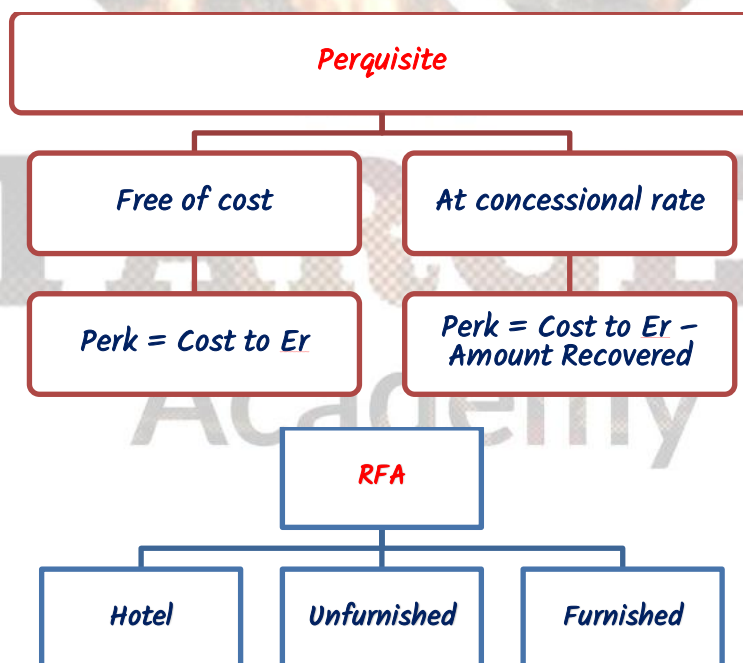
Month	Monthly O/S Balance	Differential rate of interest (monthly rate)	Perk

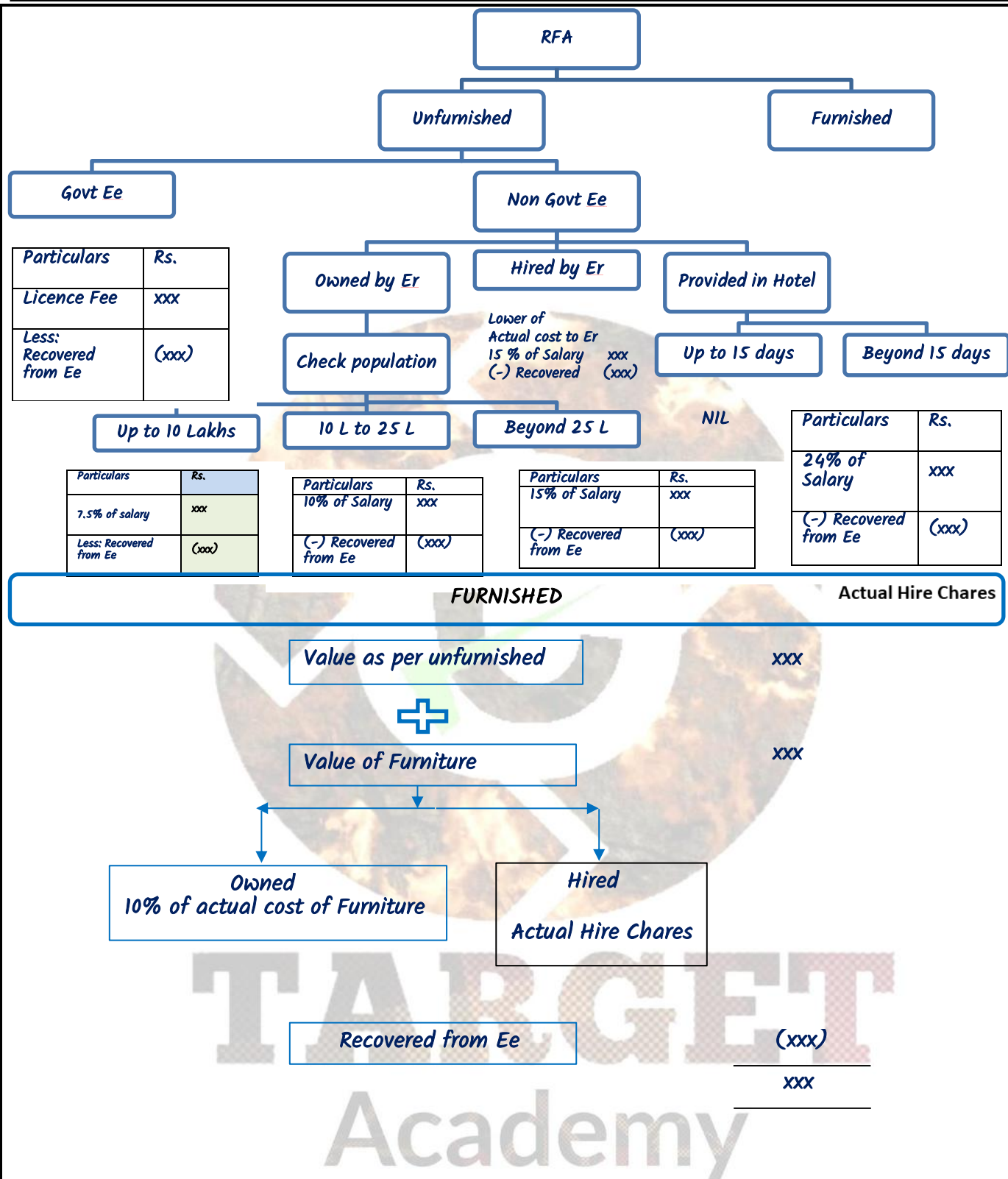
NOTE:

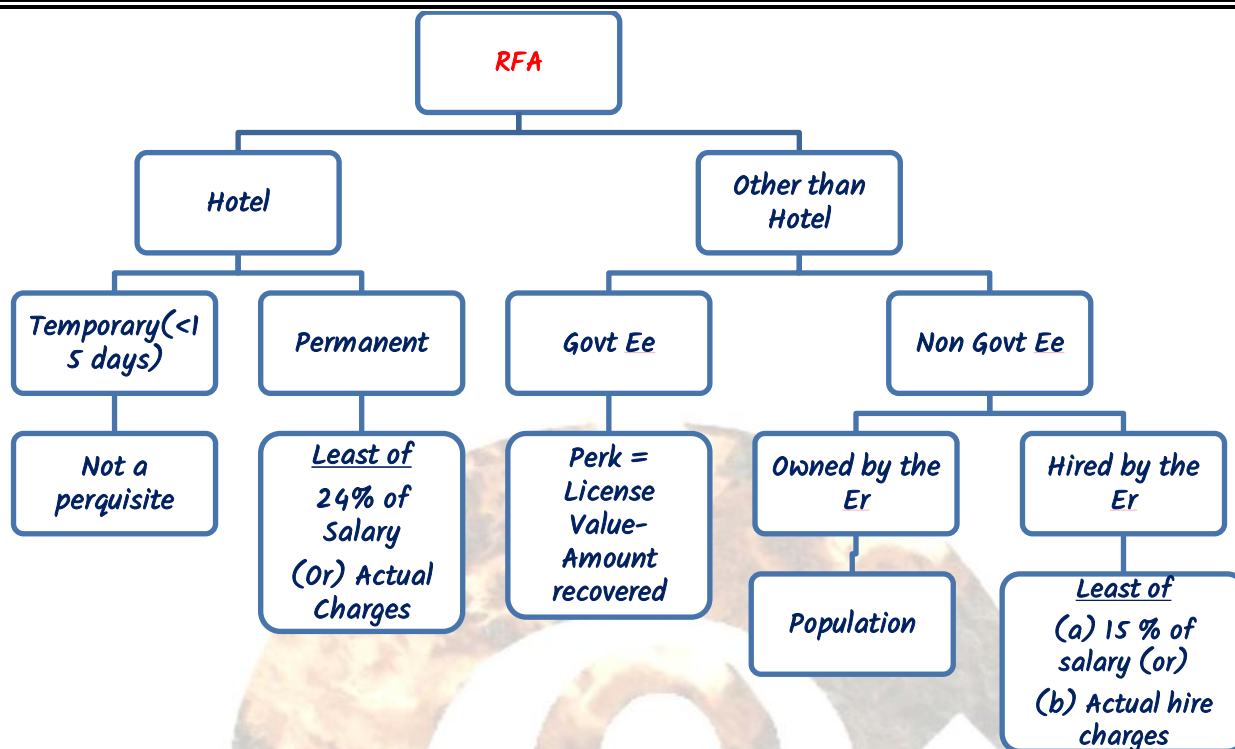
- Differential rate = SBI Rate – Er rate of interest.
- SBI rate = Rate as on the first date of PY.
- Exception
- If Interest free/concessional loan given for medical treatment of specified diseases the is exempted.
 - Condition:- If Ee receives any insurance claim on such medial treatment then he should return that amount to Er,, otherwise it is considered as personal loan form the date of receipt of insurance claim.
- If the amount of loan is petty amount (< 20,000)

NOTE:

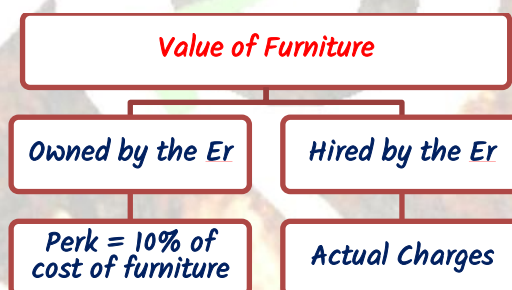
- Benefit % = SBI Rate- Er rate.
- SBI rate = Rate of interest as on first day of PY(i.e. 1/4/2022).







IN CASE OF FURNISHED ACCOMMODATION



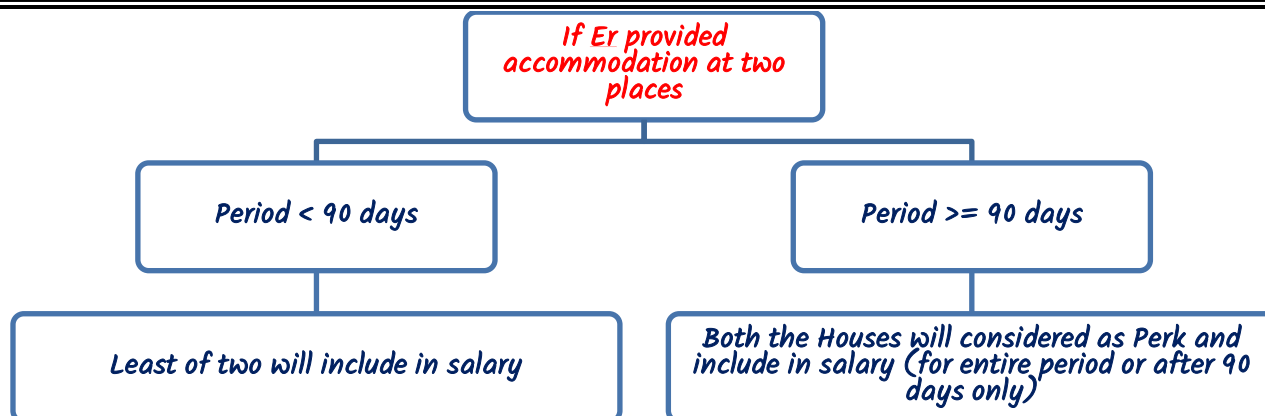
In case of Concessional Rent

Value of Perk – Amount recovered

Note:

- ✓ Salary = B.S + All taxable allowances + other monetary payments + DA (forming part of retirement benefits).
- ✓ Salary does not includes
 - DA not forming part of retirement benefits.
 - Any perquisites.
 - Employer contribution to PF.:

Employer Might Give Accommodation In Two Places:



Other Points:

- If accommodation provided at remote areas
 - Not a perk
- If temporary accommodation provided at rural areas.
 - Not a Perk (bcz is necessary)



Note:

- Salary = Basic + DA(R) + Bonus + Commission + All taxable allowances----yearly
- If population is not given take appropriate assumption.

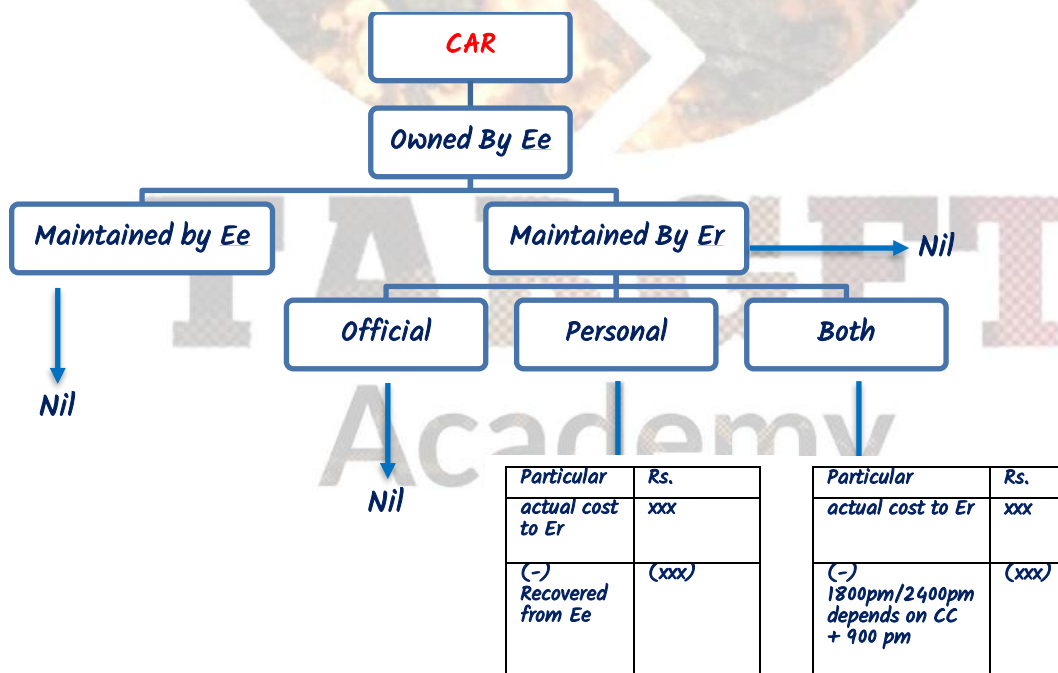
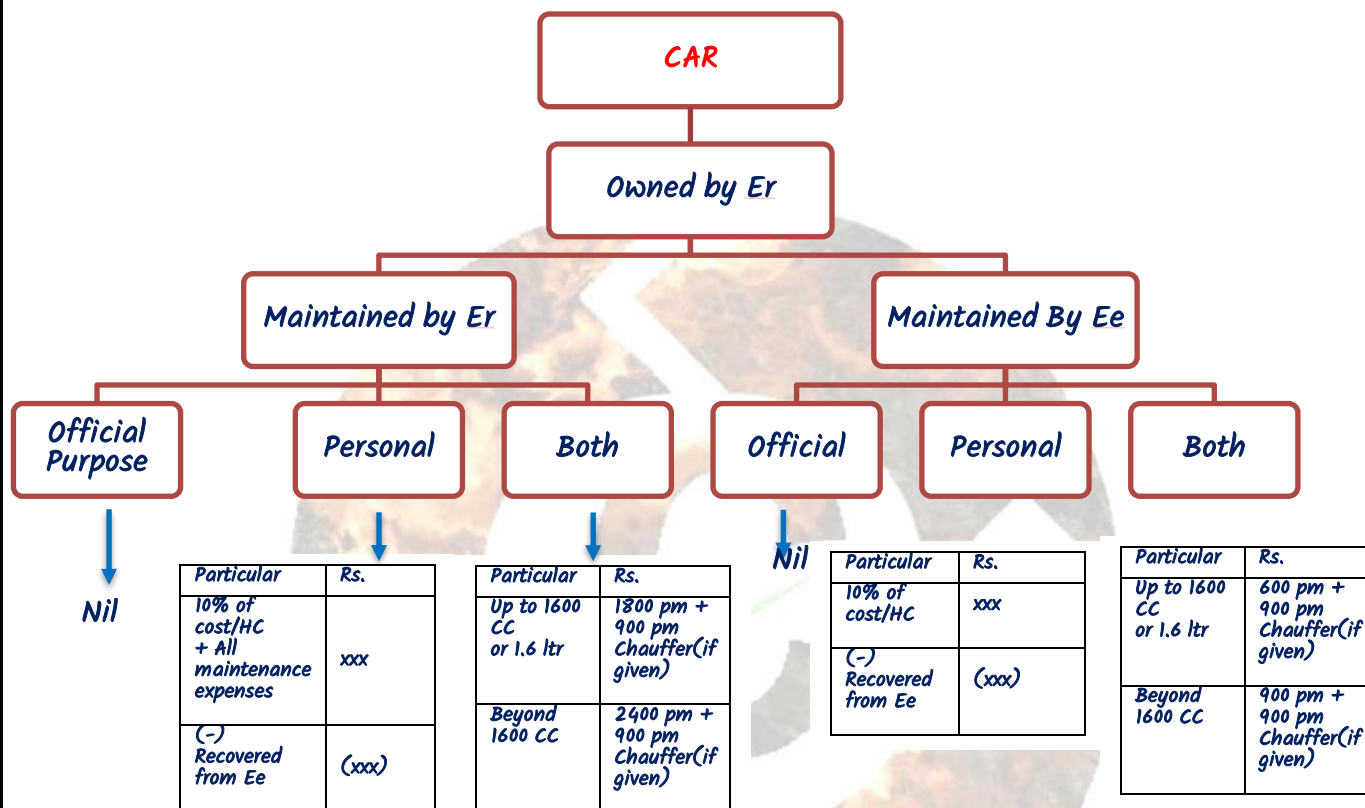
SANKAR KRISHNAN(BOMBAY) CASE LAW

- AO added the notional interest on security deposit to the lease rent
- Held that notional interest on security deposit should not be included

PERQUISITES IN THE HANDS OF SPECIFIED EMPLOYEES:

Rule -3(2)	Motor car facility
Rule -3(3)	Gardner, Sweeper, Watchman, personal attendant
Rule-3(4)	Electricity, Gas & Water connection
Rule -3(5)	Concessional Education facility
Rule -3(6)	Tickets/passes given to transport employees

Owned by	Maintained by
Employer	Employer
Employer	Employee
Employee	Employer
Employee	Employee (Not a perquisite)


Note:

- If Employer given more than one vehicle.

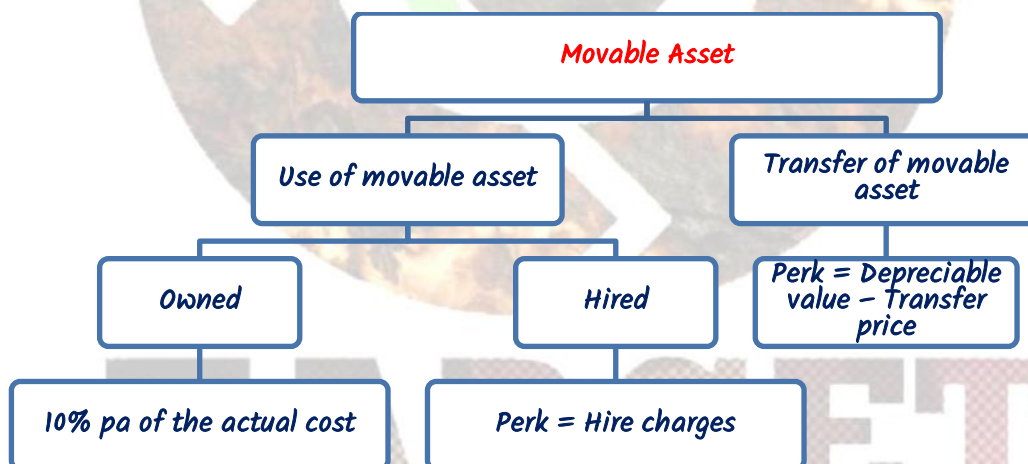
- Assume one car for both purpose.
- & all other car for personal purpose

Car	Option-1	Option -2	Amount (least)
Car -1	Both	Personal	xxx
Car - 2	Personal	Both	xxx

Note:

- 1) If CC is not given assume below 1600 CC.
- 2) If Purpose is not given assume both.
- 3) Don't take Chauffer if not given.
- 4) Irrespective of actual expenditure.
- 5) Month denotes complete month. Any part of the month shall be ignored.
- 6) If two cars are provided by Er. Consider one car for both and second car for private purpose (if not given)
- 7) If car is hired by the Er then take Actual hire charges in place of 10% of cost of CAR.

MOTOR CAR PROVIDED BY THE ER



Asset	Computer & Electronic	Car	Other Asset
Depreciation Rate	50%	20%	10%
Depreciation Method	WDV	WDV	SLM
Purchase Cost	xxx	xxx	xxx
(-) Depreciation for each completed yr from the date of acquisition to the date of transfer	(xxx)	(xxx)	(xxx)
WDV	xxx	xxx	xxx
Less: Sale vale	(xxx)	(xxx)	(xxx)

Perk	xxx	xxx	xxx
------	-----	-----	-----

Note:

- Electronic means electronic related to computer e.g:- Mouse, scanner, Printer etc.
- Other electronics like AC etc. will be covered under other assets.
- Perquisite will arise only if sale value is less than WDV.

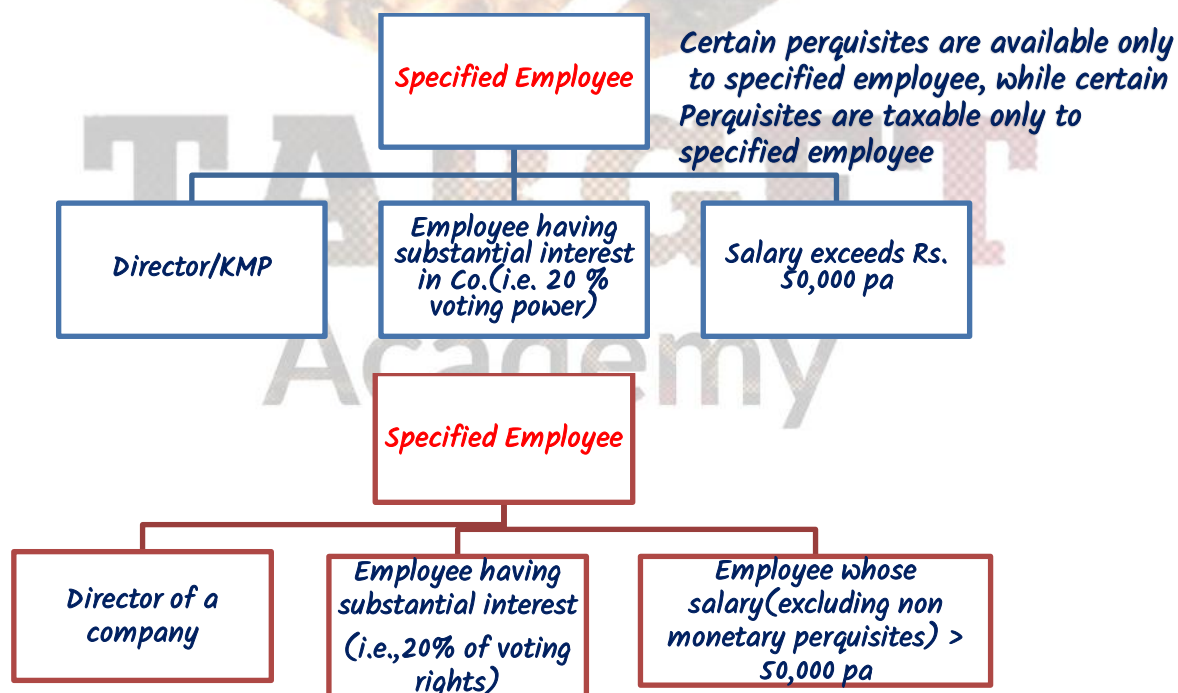
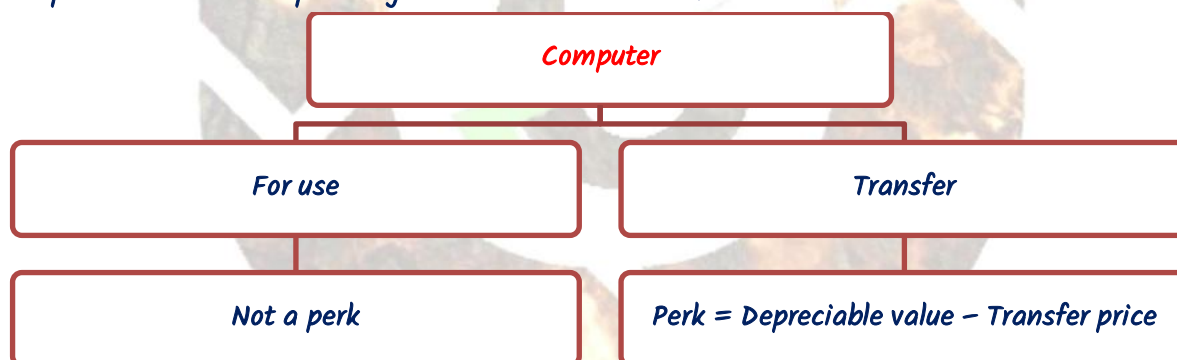
Example :-

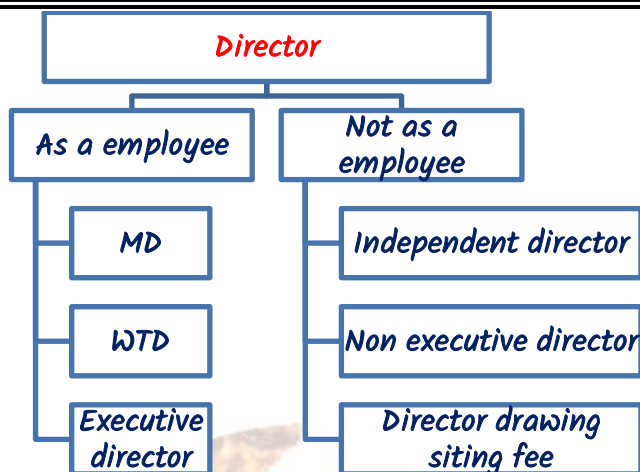
Cost of Computer = 1 lakh.

Transfer = 10,000.

Example :-

- Cost of Asset = 10 lakhs.
- DOA = 1/11/18
- DOT = 15/12/23
- Depreciation for completed years from DOA to DOT.





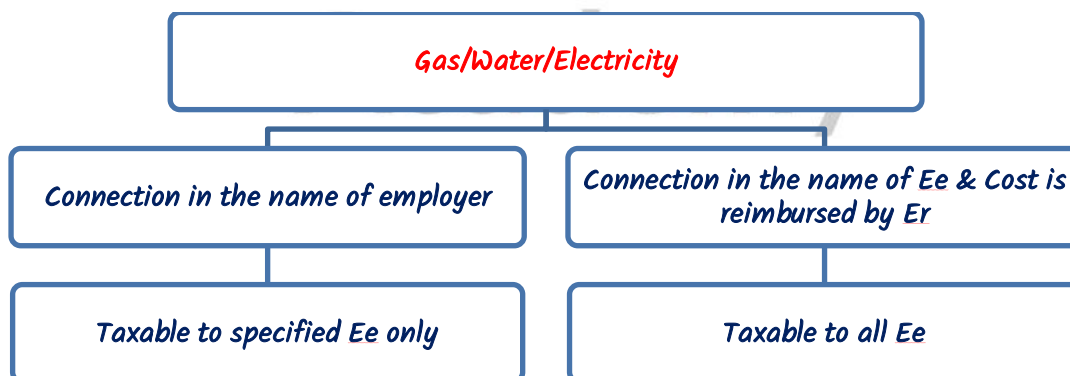
Member of house hold means any member at that house (even not only family)

Perk = Actual cost to employee



Perk = Purchase cost – Amount recovered

Perk = cost of manufacturing – Amount recovered



Gas/Water/Electricity
Manufactured by Er
Hired by Er

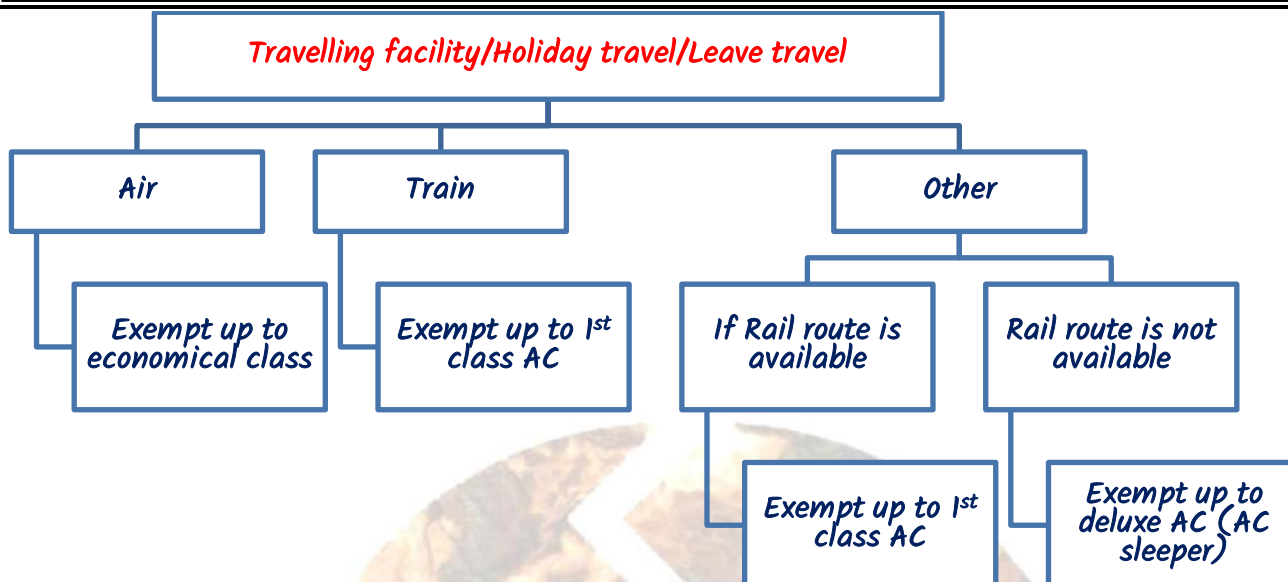
Particulars	Rs.
Manufacturing Cost	xxx
(-) Recovered	(xxx)
Balance	xxx
No. of products/units	xx
Taxable perk	xxx

Particulars	RS.
Actual cost to Er	xxx
(-) Recovered	(xxx)
Taxable	

Sweeper/Gardener/personal attendant
Employed by Er
Employed by Ee & reimbursed by Co.
Taxable only to specified Ee
Taxable to all Ee

Particulars	xxx
Actual cost to Er	xxx
(-) Recovered	
Taxable	

Travelling, Touring, accommodation
Official Purpose
Personal Purpose
Both
Not a Perk
Perk
**Perk =
Incremental
Cost**



Note:

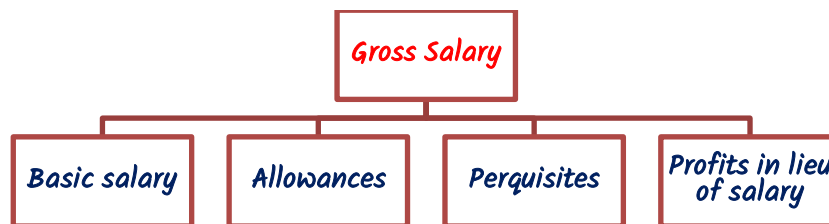
- Family = 1) Spouse & Children,
2) Parents, Brother & Sister wholly or mainly dependent on the individual.
- Exemption available to Ee, spouse & any 2 children born after Oct 1998 (for children born before 1998 exemption is available for any of children.)
- Multiple birth after single birth is considered as one for the purpose of exemption. But single birth after multiple birth is not treated as one.
- This exemption is available twice in a Block of 4 years.
- Block = 2018,2019,2020,2021.; 2022, 2023, 2024, 2025
- Carried forward : only one travel during 1st FY of next subsequent block(4 years).
- Exemption available to Ee, spouse & any 2 children born after Oct 1998 (for children born before 1998 exemption is available for any of children.)
- Multiple birth after single birth is considered as one for the purpose of exemption. But single birth after multiple birth is not treated as one.
- This exemption is available twice in a span of 4 years.
- Carried forward: only one travel during 1st FY of next subsequent block (4 years).

EDUCATION FACILITY

Benefit to	Category of education institutions		
	Own	Tied up	Other
Employee	Not a perk	Not a perk	Not a perk
Children of Ee	FMV	FMV	Cost to the Er
Any other member of house hold	FMV	FMV	Cost to the Er

Note:

- FMV= Cost at similar school
- In case of Children Exempt if cost is less than 1000 per month.

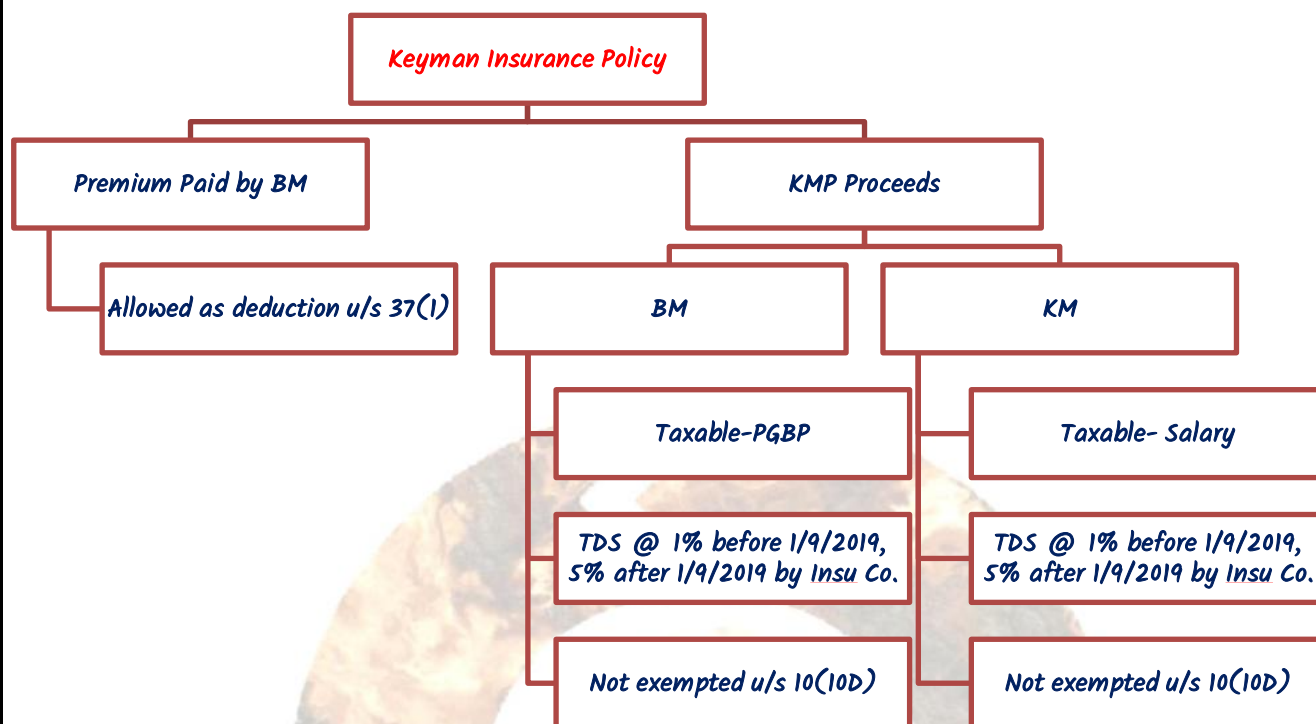


RELIEF U/S 89(1)

- It is the relief out of increase in slab rate due to receipt of arrears of salary/advance salary/retirement benefits, which in normal course it does not exceed.

Step -1	· Compute total income including arrears
Step-2	· Tax on step-1 (after surcharge and Cess)
Step-3	· Compute total income excluding arrears
Step-4	· Tax on Step-3 (after surcharge & Cess)
Step-5 (A)	· Difference on tax (step-2 – step4)
Step-6	· Total income of that year to which it pertains including arrears
Step-7	· Tax on step6 @ rate of that year(after surcharge & cess)
Step-8	· Total income of that year excluding arrears
Step-9	· Tax on step-8 @ rate of that year (after SC & Cess)
Step-10(B)	· Difference of tax step7- step9
Relief = A-B	

Academy



TIPS TO EMPLOYEES (ITC GURGAON)

- Tips distributed by Hotel to Servers is not taxable under salary it taxable under IFOS
- It not salary because employee has no enforceable right over that tips
- Hotel has no obligation to deduct TDS

TARGET
Academy

THE END

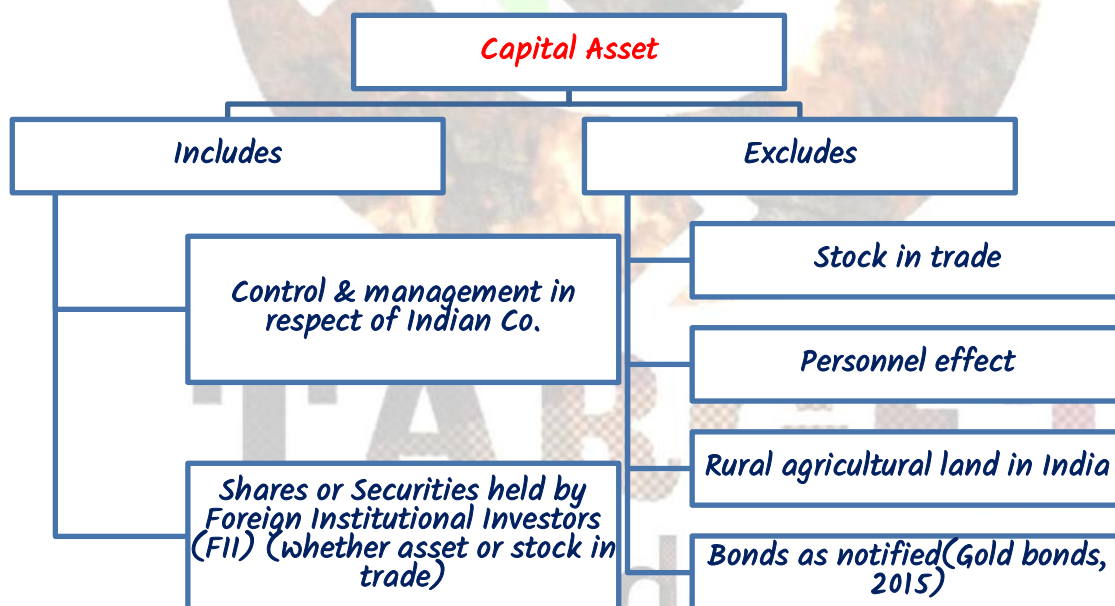
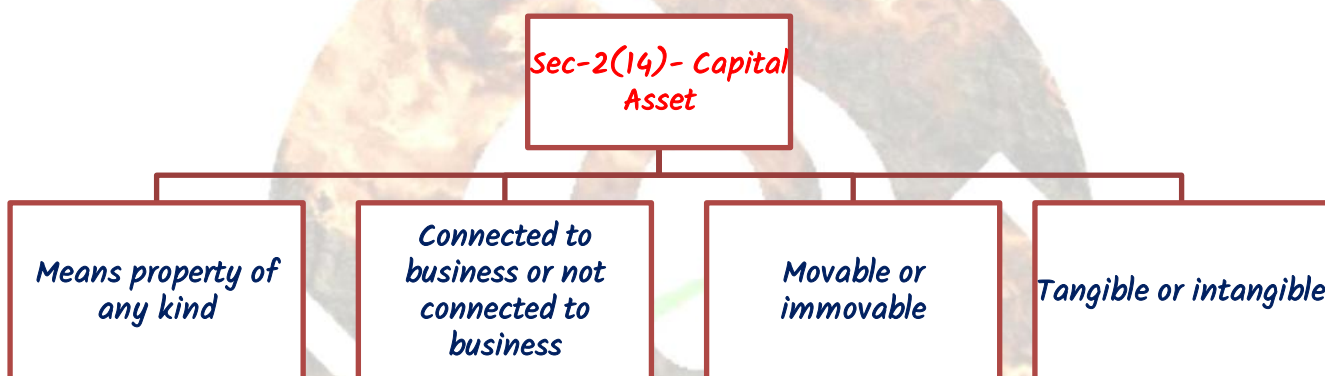
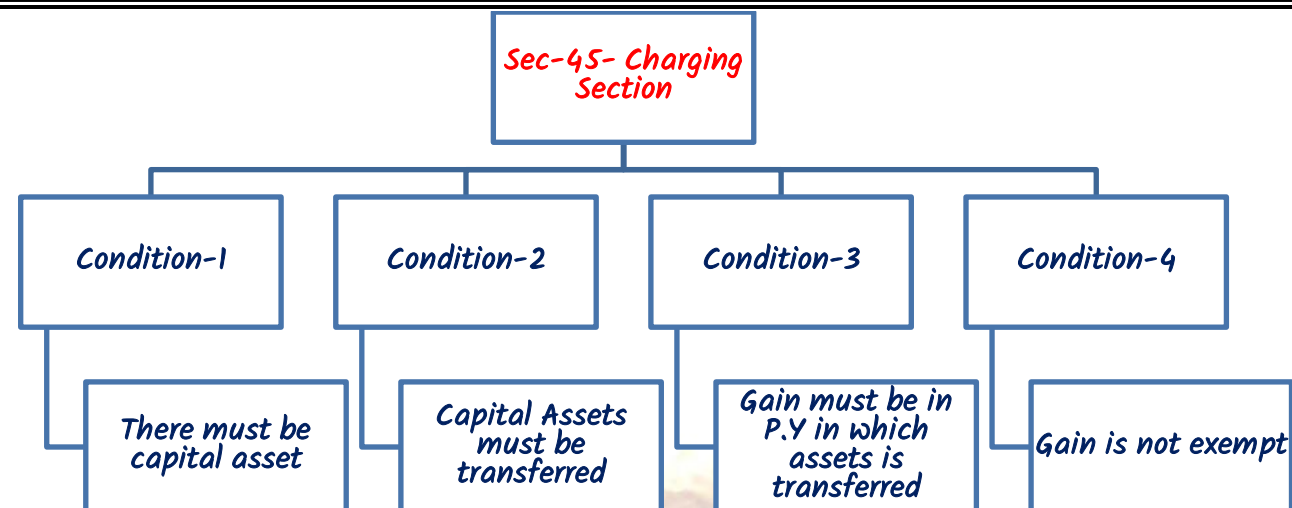
CAPITAL GAIN

Transfer of every capital asset is not subject to capital gain tax

Sec.45
Charging section of capital gain

- *Transfer of a capital asset*
- *During the P.Y*
- *Gains arising from such transfer shall be Subject to capital gains tax*

Sec-45	• <i>Charging Section</i>
Sec-46	• <i>Transaction not regarded as transfer</i>
Sec-47	• <i>Transaction not regarded as transfer</i>
Sec-48	• <i>Capital gain computation</i>
Sec-49	• <i>Cost of acquisition</i>
Sec-50	• <i>Special cases in capital gain</i>
Sec-51	• <i>Forfeiture of advance</i>
Sec-54	• <i>Exemption</i>



section 2(14),
But does not include

- ✓ stock-in-trade
- ✓ Goods used for personal use
- ✓ Rural agricultural land
- ✓ 6½% Gold Bonds issued by the Central Government
- ✓ Special Bearer Bonds, 1991 issued by the Central Government
- ✓ Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999
- ✓ Deposit certificates issued under the Gold Monetisation Scheme, 2015



Stock in trade ?
Or
Fixed asset?

Stock in trade

- Sell at profit
- Develop and sell in piece
- Build flats on it

or

Fixed asset

- Hold for long term
- investment
- Build a office on it

Based on intension we have to decide

intention at the time of acquiring

Stock in trade:
Not a capital asset

Not Stock in trade:
capital asset

Personnel effects means assets held for personal use but excludes

- Jewelry
- Archlogical collection
- Drawings
- Painting
- Any work of any art
- Sculpture.
- Immovable property

These assets even if used for personal purpose up on transfer they are liable to CG.

Business Man

Ali

Share: Capital Assets

He has a jewellery shop

Share: Not Capital Assets

Raja

Rural agricultural land

Municipality
population $\leq 10,000$

Not a capital asset

Should be atleast 2 Kms away from
any municipality

Population : $> 10,000 \leq 1,00,000$

Should be atleast 6 Kms away from
any municipality

Population : $> 1,00,000 \leq 10,00,000$

Should be atleast 8 Kms away from
any municipality

Population : $> 10,00,000$

Note

- Immovable property even if for personal use liable to CG.
- Urban agriculture property liable to CG

Land : Rural Area

No capital gain

Sale land for
Rs. 10 crores



Pap

Land: within the city limits

capital gain tax!!

Sale land for
Rs. 10 crores



sambar

SALE PRICE $\geq$ Purchase price

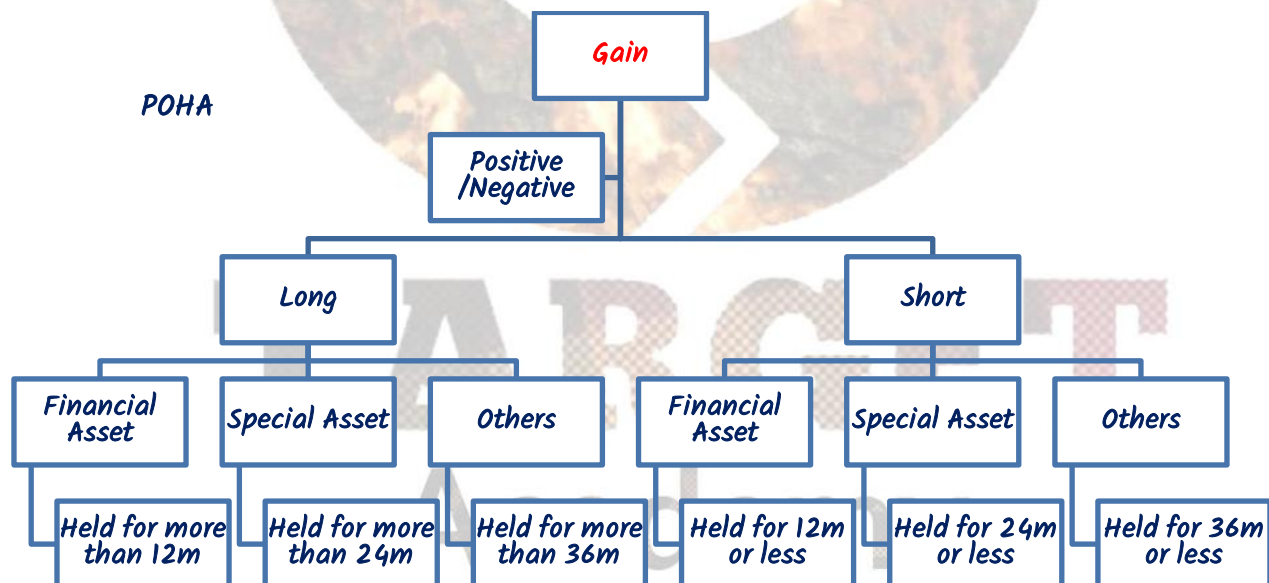
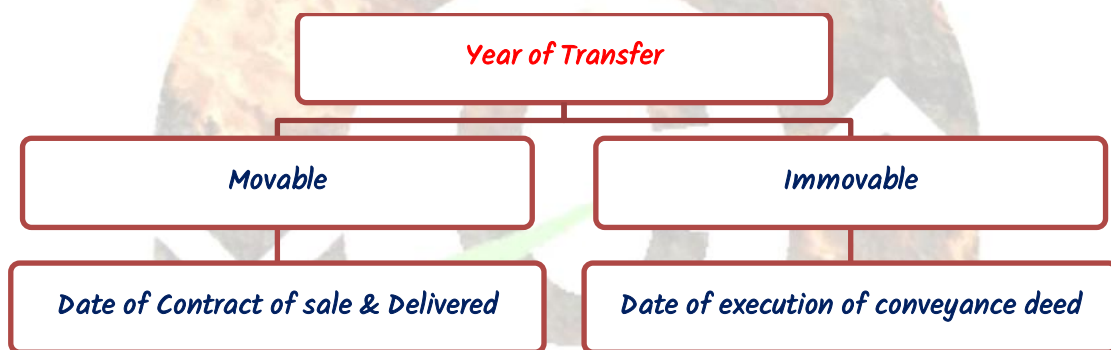
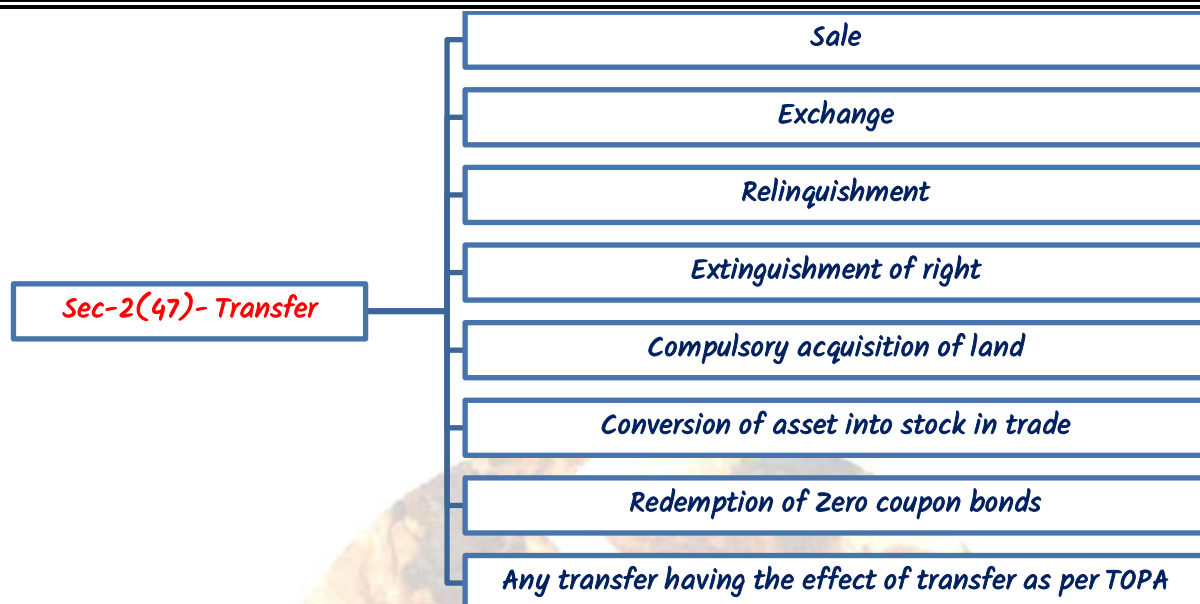
Is the above profit subject to
Capital gains tax ??

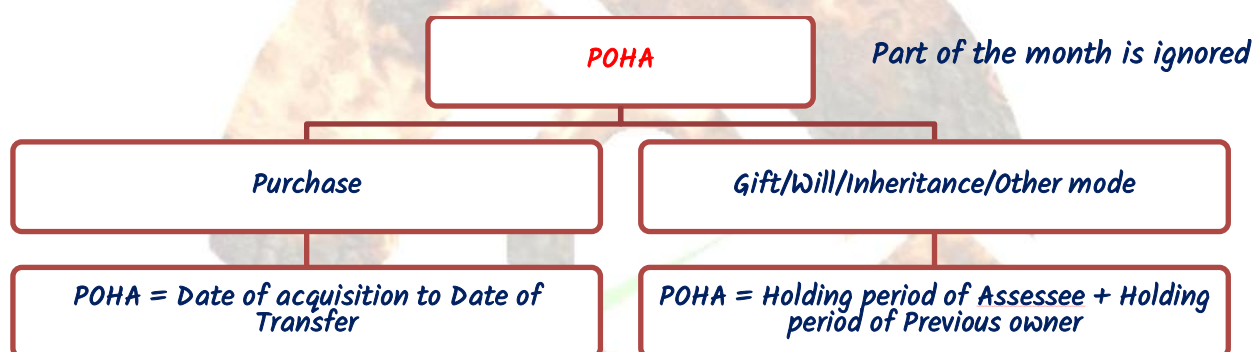
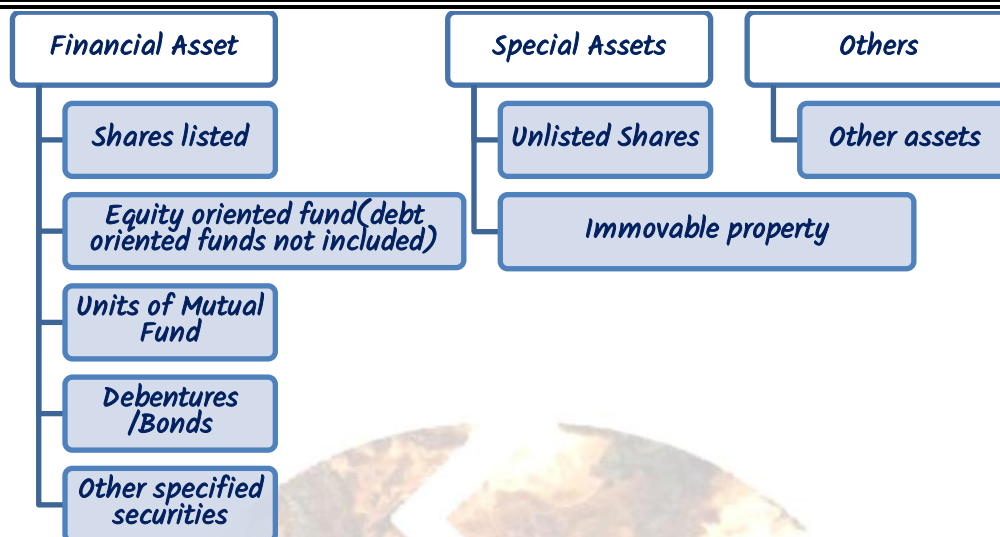


Explanation 1:

For this purpose of this sub-clause , “jewellery” includes:

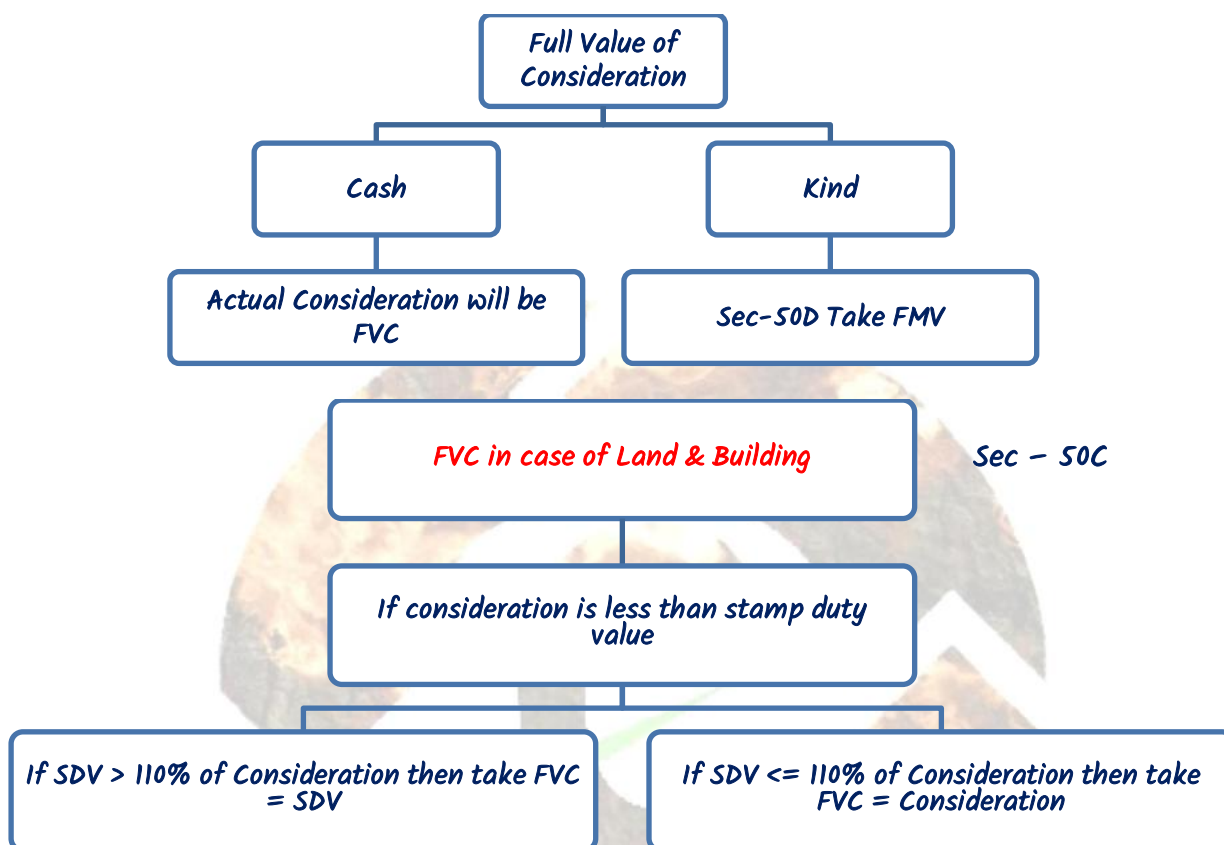
- Ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stones and whether or not worked or sewn into any wearing apparel
- Precious or semi-precious stones, whether or not set in any furniture, utensil or other article or worked or sewn into any wearing apparel.





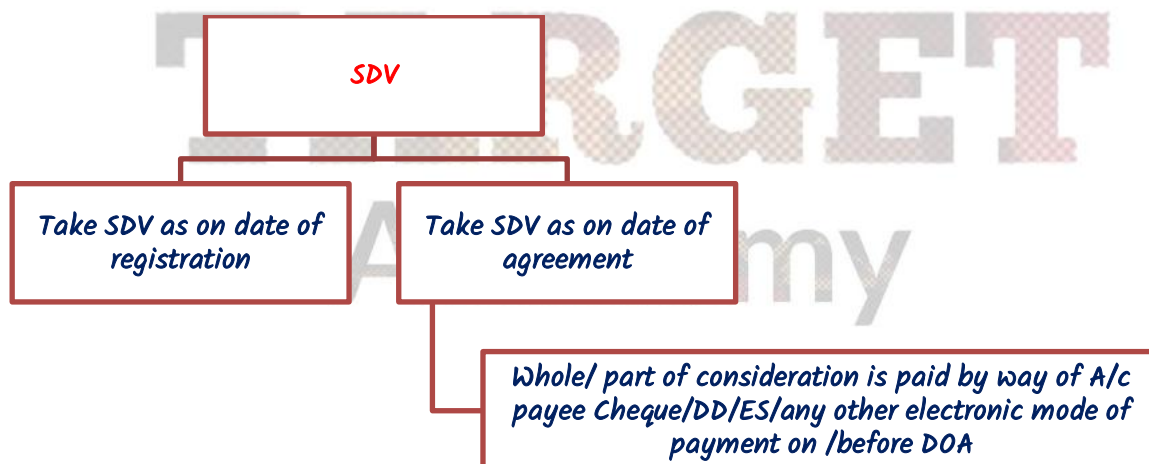
SEC-48 FORMAT TO COMPUTE CAPITAL GAIN

Long Term CG	Rs.	Short Term CG	Rs.
Full Value of Consideration	xxx	Full Value of Consideration	xxx
(-) Expenses on Transfer	(xxx)	(-) Expenses on Transfer	(xxx)
Net Consideration	xxx	Net Consideration	xxx
(-) Indexed Cost of Acquisition	(xxx)	(-) Cost of Acquisition	(xxx)
(-) Indexed Cost of Improvement	(xxx)	(-) Cost of Improvement	(xxx)
LTCG	xxx	STCG	xxx
(-) Exemptions u/s 54 to 54 GB	(xxx)	(-) Exemptions u/s 54 B/D/G/GA	(xxx)
LTCG	xxx	STCG	xxx

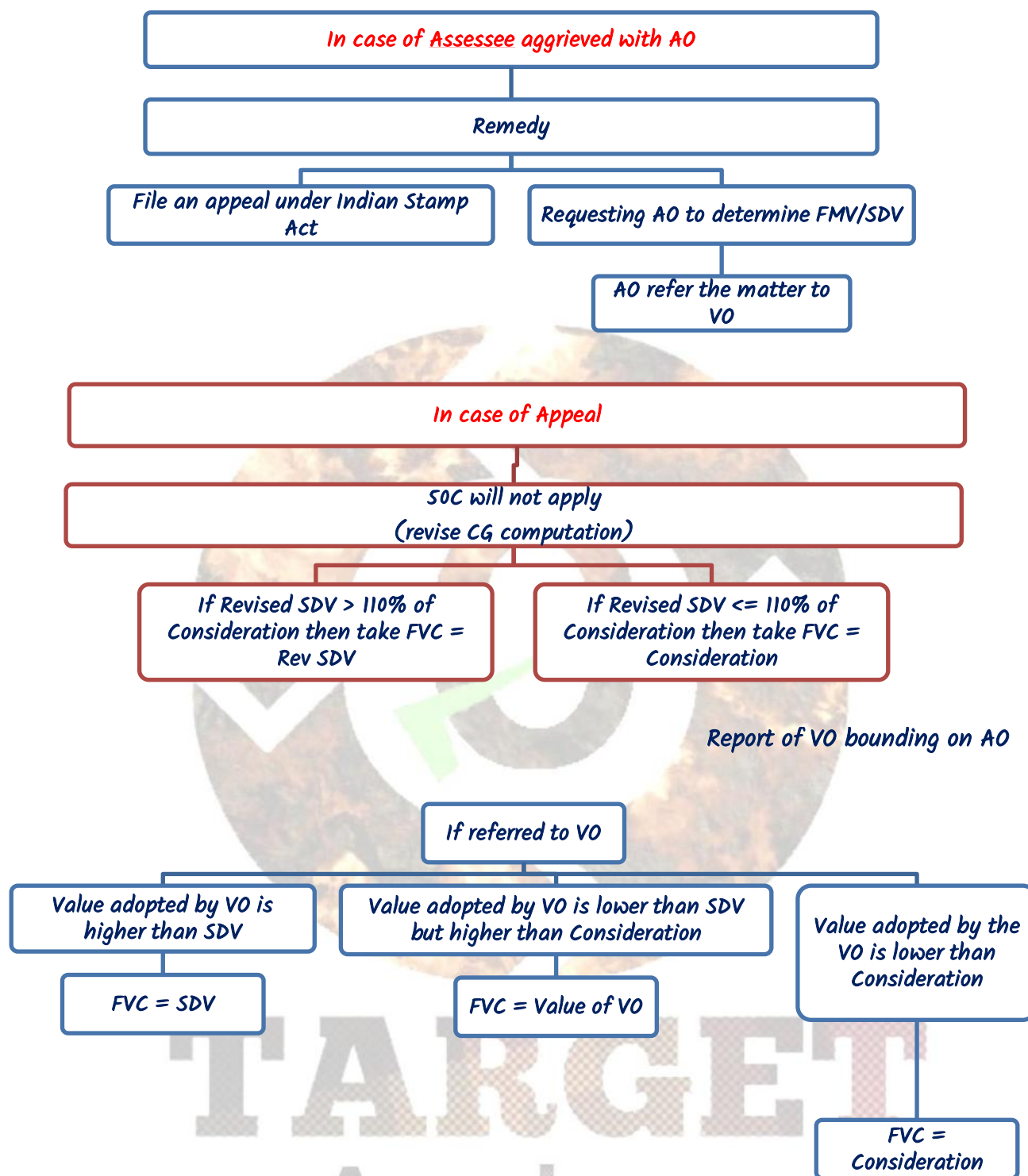


Particulars	Rs.
SDV	65 l
Consideration	55 l
FVC	

Particulars	Rs.
SDV	60 l
Consideration	50 l
FVC	



- Most of the times Assessee dispute the stamp duty value in that case Assessee can refer to Valuation Officer



Note

- In case of transfer of immovable property if Total Consideration ≥ 50 lakhs then TDS(1941A) @ 1% is to be deducted by Transferee

Particulars	Rs.
Consideration	55 l
SDV	59 l
VO	62 l
FVC	

Particulars	Rs.
Consideration	60 l
SDV	68 l
VO	67 l
FVC	

FVC in case of unlisted securities Sec- 50CA

If FMV of unlisted securities is greater than Consideration

Then FVC = FMV (This Provision is not applicable to Certain class of persons as specified by CG)

Particulars	Rs.
Consideration	4 l
FMV	6 l
FVC	

Particulars	Rs.
Consideration	4.9 l
FMV	5 l
FVC	

If referred to VO

Value adopted by VO is higher than FMV

FVC = FMV

Value adopted by VO is lower than FMV but higher than Consideration

FVC = Value adopted by VO

Value adopted by the VO is lower than Consideration

FVC = Consideration

2. Expenses on Transfer

Expenses on Transfer

Cash

Actual Expenses

Percentage(%)

Take % on sale consideration but not on FVC

- STT (security transaction Tax) is not allowed as deduction.
- All other expenses incurred by seller are allowed as deduction

Example

Mr. R Sold a house property in PY for Rs. 98 Lakhs stamp value of the said property if Rs. 99 lakhs. Expenses on transfer is 4 lakhs this property was acquired 1 year before for 82 lakhs. Compute Capital gain.

Hint:

Example

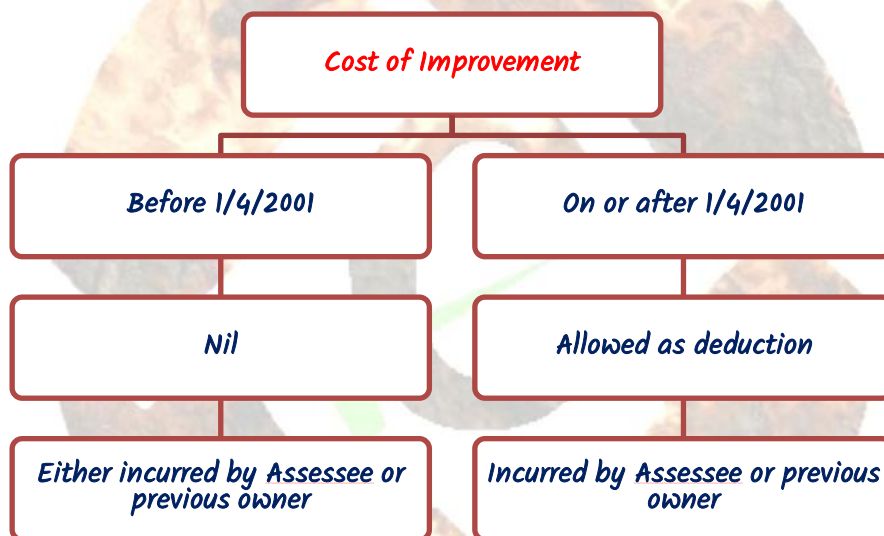
Mr. S Sold a house property in PY for Rs. 50 Lakhs stamp value of the said property if Rs. 70 lakhs. Value adopted by VO is 60 lakhs. Expenses on transfer is 12%. The indexed COA is Rs. 43 Lakhs and Indexed COI is Rs. 3 lakhs Compute Capital gain.

Hint:

COST OF ACQUISITION (SEC – 49 & 55)

Situation	Nature		COA
Purchase	Before 1/4/2001		COA or FMV as on 1/4/2001 w.e.h
	On or after 1/4/2001		COA
Gift/Will/Inheritance	Before 1/4/2001		Cost to previous owner/ FMV as on 1/4/2001 w.e.h
	On or after 1/4/2001		Cost to previous owner.
Shares	Original shares		Actual COA
	Right Shares		Actual COA
	Bonus Shares	Before 2001	FMV
		After 2001	Nil
	Right Shares Purchased under renouncement		Actual Cost + Price paid to renouncer
	Sweat Equity Shares		Actual COA
	Conversion of P.S in to E.S		Actual Cost of P.S

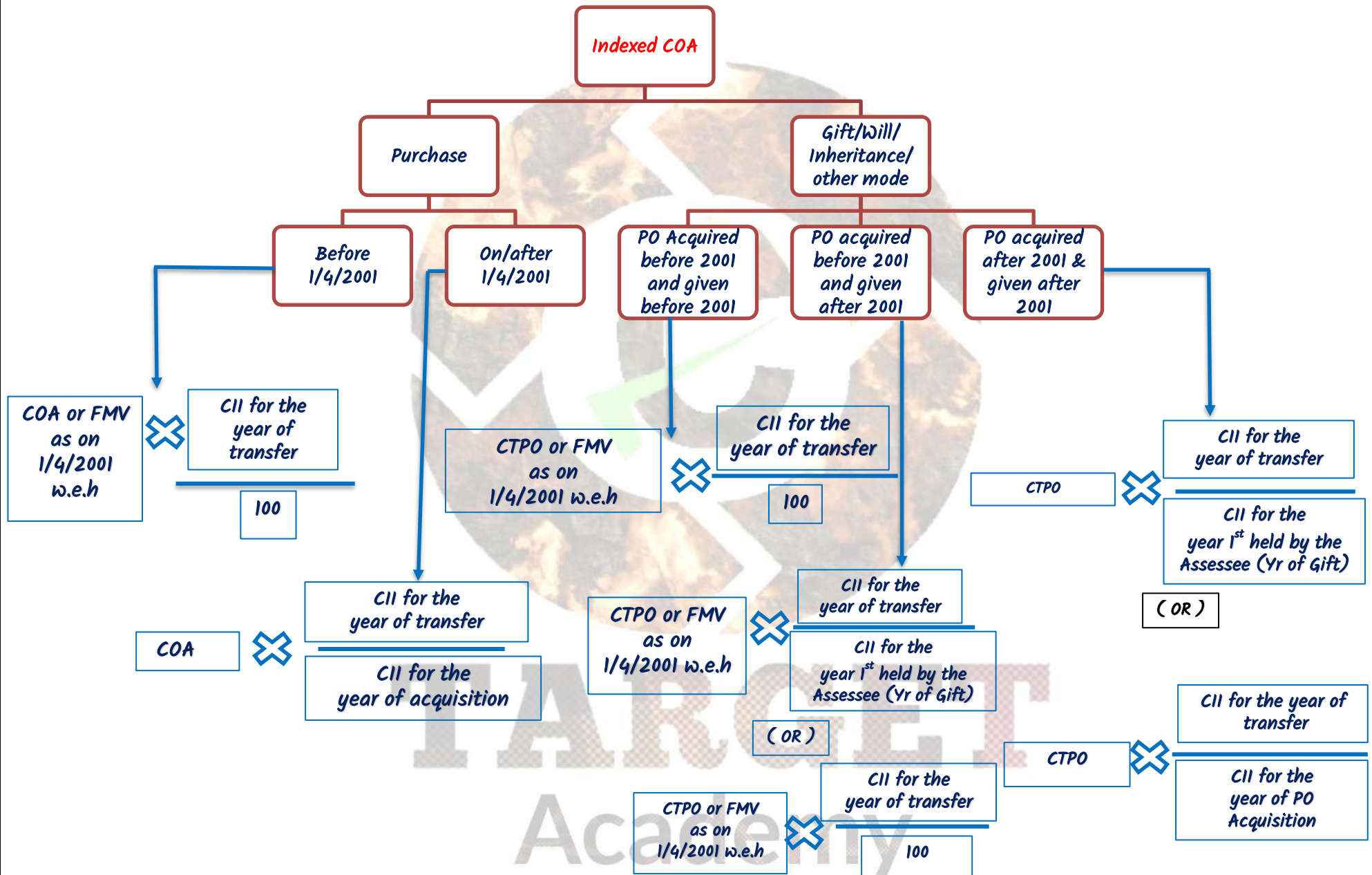
<i>Intangible</i>	<i>Self Generated</i>	<i>Nil (B.C Srinivasa Shetty)</i>
	<i>Purchased/ Acquired</i>	<i>Actual COA</i>
<i>LTCG(FA, 2018) Sec - 112A</i>	<i>Equity Shares (or) Units of Equity oriented Fund (or) Units of Business Trust</i>	<i>If Acquired Before 1/2/2018 then COA shall be higher of (A) COA. (B) Lower of (a) FMV of such Asset. (b) FVC of Consideration received as a result of transfer.</i>



INDEXATION

- We do indexation because if the cost were shown at historical cost it will be a calculation mismatch and the realised gain will not be the actual gain, hence in order to make a proper calculation the indexation is done

TARGET
Academy



PO ACQUIRED BEFORE 2001 AND GIVEN AFTER 2001

CTPO or
FMV w.e.h



CII for the
year of transfer

CII for the
year 1st held by the
Assessee (Yr of Gift)

or

Manjula Shah VS CIT(HC)

CTPO or
FMV w.e.h



CII for the
year of transfer

100

When Cost means cost to PO Holding period means HP to PO, So indexation should also be available from the date of PO

PO ACQUIRED AFTER 2001 & GIVEN AFTER 2001

CTPO



CII for the yr of transfer

CII for yr of 1st held by Assessee (i.e. yr of gift)

or

Manjula Shah VS CIT(HC)

CTPO



CII for the
year of transfer

CII for the
year of PO
Acquisition

When Cost means cost to PO Holding period means HP to PO, So indexation should also be available from the date of PO.

Example: COA = 5 L; FMV = 6 L; Sale Year FY-2022-23; Acquired Year = 1999. Calculate ICOA (CII for 2023-24 = 348)

Hint:

Example: COA = 7 L; FMV = 9 L; Sale Year = 2023-24; Acquired Year = 2003-04; CII = 109. Calculate ICOA

Hint:

Example: Mr. B sold a House property in PY 2023-24 for Rs. 90 Lakhs SDV = 95 lakhs. Expenses on transfer is Rs. 60,000. STT paid Rs. 1 lakh. This Property was acquired in 1990 for Rs. 3 Lakhs. ICOI is Rs. 2 Lakhs. Compute Capital Gain.

Hint:

Example: Mr. B sold a House property in PY 2023-24 for Rs. 95 Lakhs SDV = 95 lakhs. Expenses on transfer is Rs. 60,000. STT paid Rs. 1 lakh. This Property was acquired in 2002-03 for Rs. 4 Lakhs. ICOI is Rs. 2 Lakhs. Compute Capital Gain. (CII for 2002-03 is 105).

Hint:

Example: Mr. J sold a House property in PY 2023-24 for Rs. 95 Lakhs SDV = 98 lakhs. Expenses on transfer is Rs. 1,60,000. This Property was acquired in 1995 for Rs. 4 Lakhs by his Dad Mr. B. FMV as on the 1/4/2001 is 5 lakhs. ICOI is Rs. 2 Lakhs. This property was gifted to Mr. J in 1998. Compute Capital Gain.

Hint:

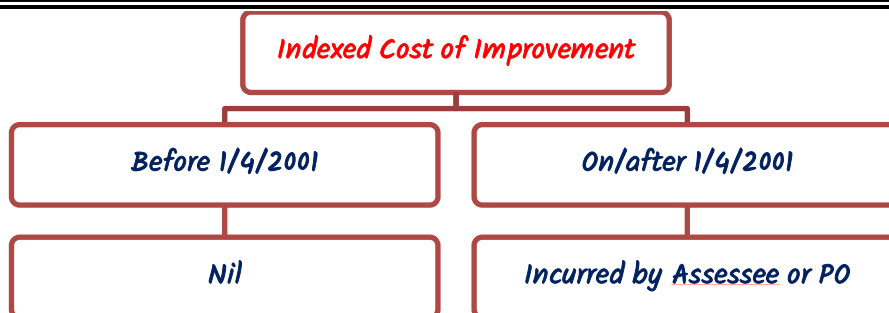
Mr. B sold a House property in PY 2023-24 for Rs. 90 Lakhs SDV = 95 lakhs. Valuation by VO 99 lakh Expenses on transfer is Rs. 6,00,000. This Property was acquired in 1995 for Rs. 3 Lakhs by his Dad Mr. K. FMV as on the 1/4/2001 is 5 lakhs. ICOI is Rs. 6 Lakhs. This property was gifted to Mr. B in 2002. Compute Capital Gain. (CII for 2002 105)

Hint:

Mr. S sold a House property in PY 2023-24 for Rs. 80 Lakhs. Expenses on transfer is Rs. 2,00,000. This Property was acquired in 2005-06 for Rs. 4 Lakhs by his Dad Mr. B. FMV as on the 1/4/2001 is 3 lakhs. ICOI is Rs. 3 Lakhs. This property was gifted to Mr. S on 6/1/2008. Compute Capital Gain. CII 2000-01 = 110; 2005-06 = 117; 2007-08 = 129.

Hint:

TARGET
Academy



$$COI \times \frac{CII \text{ for the yr of transfer}}{CII \text{ for the yr of improvement}}$$

Example: Mr. M sold a House property in PY 2023-24 for Rs. 99 Lakhs SDV = 1.5 Crore. Valuation by VO 99 lakh. Expenses on transfer is 5%. This Property was acquired in 2007-08 for Rs. 3 Lakhs. COI is Rs. 6 Lakhs in year 2010-2011. Compute Capital Gain. (CII for 2007-08 = 189; 2010-11 = 167).

Hint:

Example: Mr. B sold his vacant site on 21.9.2023 for 7,00,000. It was acquired by him on 1.10.2005 for 1,50,000. The state stamp valuation authority fixed the value of the site at the time of transfer @ 13,00,000. Compute CG in the hands of Mr. B (CII FY 2005-06 = 117)

Hint:

Benefit of indexation is not available in the following cases

- Depreciable Assets (always STCG)
- Slump Sale.
- Shares/Debentures acquired using Foreign currency.
- No deductions u/s 80C to 80U are allowed while computing CG.

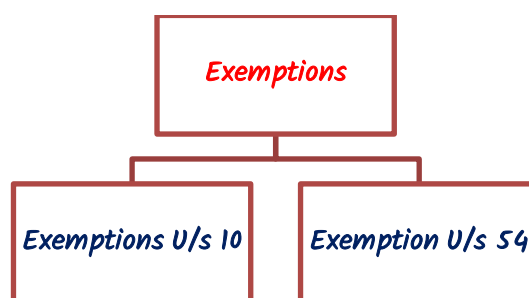
Setoff of losses

- LTCL can be set off only against LTCG.
- STCL can be set off against any CG.
- Loss of any head can be set off against CG, but loss of CG can't be set off against other head.
- Loss can be carried forward up to 8 years.
- In the question, if values for land and Building are given separately, then ICOA should be calculated separately.

CR SUBRAMMANAM CASE

- Here the question was, whether the gain is long term or short term because the land is denoting long term and the building is denoting short term.

- It was held by the court that the calculation has to be made separately and the consideration shall be the FMV.



Exemptions u/s 54 to 54GB

Particulars	Sec-54	Sec-54EC	Sec-54EE
Assets transferred	Residential house property(i.e. building or land appurtenant thereto) whose income is taxable under the head "house property"	Any long term Capital Asset.	Any Long term Capital Asset
Whose can claim exemption	Individual/HUF	Any Assessee	Any Assessee
Period of use/ Possession of asset how long	The asset so transferred should be a LT capital Asset	Any Long term capital asset.	Any Long term capital asset.
Nature of CG eligible for exemption	Long term	Long term	Long term
Eligible New Asset	One residential HP (whether Constructed/Acquired);(If CG ≤ 2 Cr-- 2 residential HP in India can be claimed- only once in life)	Bonds of NHAI/ REC/PFC/IRFC, or Any bond notified by CG(redeemable after 3 yr) issued on or after 1.4.2007 but before 1.4.2018 form 1.4.2018 redeemable in 5 yr	1 year for listed Shares, listed securities, Units of UTI/ Mutual Fund specified U/s 10(23D), Zero-coupon bonds, 2 years for unlisted shares, 3 years for other capital assets.

Maximum period allowed for investment	If Purchased – 1 year before or 2 years after the DOT. If constructed – 3 years the DOT	Within 6 months from the date of such transfer.(FA 2018 Max Rs. 50 Lac during any FY	Within 6 months from the date of such transfer.(FA 2018 Max Rs. 50 Lac during any FY
---------------------------------------	--	--	--

Particulars	Sec-54	Sec-54EC	Sec-54EE
Amount of exemption	Amount invested or capital gain which ever is lower	Amount invested or capital gain which ever is lower	Amount invested or capital gain which ever is lower
Treatment of unutilised amount	Up to the date of furnishing of ITR the unutilised amount of such CG should be deposited in to Capital deposit account scheme.	NA	NA
Where such new asset is transferred – Tax treatment	Where such new asset is transfer with in the period 3 years from the date of acquisition/ construction the COA of such Asset will be reduced by the amt of exemption with drawn.	Amount of Capital gain exempted earlier will now be taxable as LTCG in the year of such transfer. Note: transfer includes conversion into money	Amount of Capital gain exempted earlier will now be taxable as LTCG in the year of such transfer. Note: transfer includes conversion into money

Note

- The new investment can be in the name of different assessee also.
- Amount if any unutilized shall be taxable.
- Sec-54+ 54 EC+54EE. Can be claimed together.
- Flat with common entrance would be regarded as single flat.
- As per Sec-56(2)(x) gift received on the occasion of marriage is exempted. However as per Sec-45 if capital Asset is transferred the assessee shall be liable to C.G.
- As per sec-2(4) jewelry is a Capital Assets.
- As per above provision sale of jewelry will be liable to CG.

Example:

- Mr. V sold a residential building at Guntur for 15 lakhs on 1.7.2023. The building was acquired for 1,50,000 on 1.6.2007. He paid brokerage @ 2 % at the time of sale of the building. She invested 7 lakhs in purchase of a residential building in Dec 2018 and deposited 2 lakhs in NHA capital Gains Bonds in March, 2024. Compute CG. (CII 2007-08 = 129).

Hint:

Example

Mr. A who transfers land and building on 2.1.2024, furnishes the following information.

- (i) Net consideration received 25 lakhs.
- (ii) Value adopted by stamp valuation authority, which was not contested by Mr. A 28 lakhs.
- (iii) Value ascertained by VO on reference by the AO 30 lakhs.
- (iv) This land was distributed to Mr. A on the partial of his HUF on 1.4.2001. FMV of the land as on 1.4.2001 was 1,10,000.
- (v) A residential building was constructed on the above land by Mr. A at a cost of 3,00,000 (construction completed on 1.12.2010) during the FY 2011-12.
- (vi) Brought forward unabsorbed STCL (incurred on sale of shares during the FY 2013-14) 165000.

Mr. A seeks your advise as to the amount to be invested in NHA/RECL bonds so as to exempt from CG.

Hint:

Particulars	Sec-54B	Sec-54D	Sec-54F
Assets transferred	Urban agriculture land (because rural agriculture land is not a capital asset)	Land or building of industrial undertaking which is transferred in compulsory acquisition under any law	Any Long term capital Asset other than residential house
Whose can claim exemption	Individual/HUF	Any assessee	Individual/HUF
Period of use/ Profession of asset how long	The agriculture land should be used by him/parents for agriculture purpose for at least 2 years before such transfer.	Such land or building should be used by the assessee for the purpose of industrial undertaking for at least 2 years before such transfer	Any long term capital asset
Nature of CG eligible for exemption	Long term/short term	Long term/short term	Long Term
Eligible New Asset	Agriculture land (whether in rural area or in urban area)	Land or building for industrial purpose	One residential house property (whether acquired or constructed) Note: But on the date of transfer, the assessee should not own more than one residential HP (other than this new house)

Maximum period allowed for investment	Within 2 years from the date of such transfer	Within 3 years from the date of receipts of amounts of compensation in respect of such transfer	If Purchased – 1 year before or 2 years after the DOT. If acquired – 3 years the DOT
---------------------------------------	---	---	---

Particulars	Sec-54B	Sec-54D	Sec-54F
Amount of exemption	Amount invested or capital gain which ever is lower	Amount invested or capital gain which ever is lower	
Treatment of unutilised amount	Up to the date of furnishing of ITR the unutilised amount of such CG should be deposited in to Capital deposit account scheme.	Up to the date of furnishing of ITR the unutilised amount of such CG should be deposited in to Capital deposit account scheme.	Up to the date of furnishing of ITR the unutilised amount of proportionate CG should be deposited in to Capital deposit account scheme.
Where such new asset is transferred – Tax treatment	Where such new asset is transfer with in the period 3 years from the date of acquisition/ construction the COA of such Asset will be reduced by the amt of exemption with drawn.	Where such new asset is transfer with in the period 3 years from the date of acquisition/ construction the COA of such Asset will be reduced by the amt of exemption with drawn.	Where such new asset is transfer with in the period 3 years (i) capital gain on such transfer will be STCG. (ii) CG exempted under this section will be taxable as LTCG

- With 2 houses in hand assessee purchases constructs another house with in 2/3 years as the case may be. CG exempted taxable under this section will be taxable as LTCG.

SECTION 54G, 54GA, 54GB FINAL SYLLABUS

Particulars	Sec-54	Sec-54GB
Assets transferred	Residential house property(i.e. building or land appurtenant thereto) whose income is taxable under the head “house property”	Residential house property(i.e. building or land appurtenant thereto) whose income is taxable under the head “house property”.
Whose can claim exemption	Individual/HUF	Any Assessee
Period of use/ Profession of asset how long	The asset so transferred should be a LT capital Asset	Long term capital asset.
Nature of CG eligible for exemption	Long term	Long term
Eligible New Asset	One residential HP (whether Constructed/Acquired);(If CG ≤ 2 Cr-- 2 residential HP in India can be claimed– only once in life)	Equity Shares of eligible Co. Eligible = Indian CO.; MSME; Manufacturing; Min =25% holding
Maximum period allowed for investment	If Purchased – 1 year before or 2 years after the DOT.	Before the Due date of ITR

	If acquired – 3 years the DOT	
Particulars	Sec-54	Sec-54GB
Amount of exemption	Amount invested or capital gain which ever is lower	
Treatment of unutilised amount	Up to the date of furnishing of ITR the unutilised amount of such CG should be deposited in to Capital deposit account scheme.	Extended this provision up to 1/4/2021
Where such new asset is transferred – Tax treatment	Where such new asset is transfer with in the period 3 years from the date of acquisition/ construction the COA of such Asset will be reduced by the amt of exemption with drawn.	Company Should invest such amount in P&M or S/w and should hold such assets for at least 3 years

SECTION 54G, 54GA, 54GB FINAL SYLLABUS

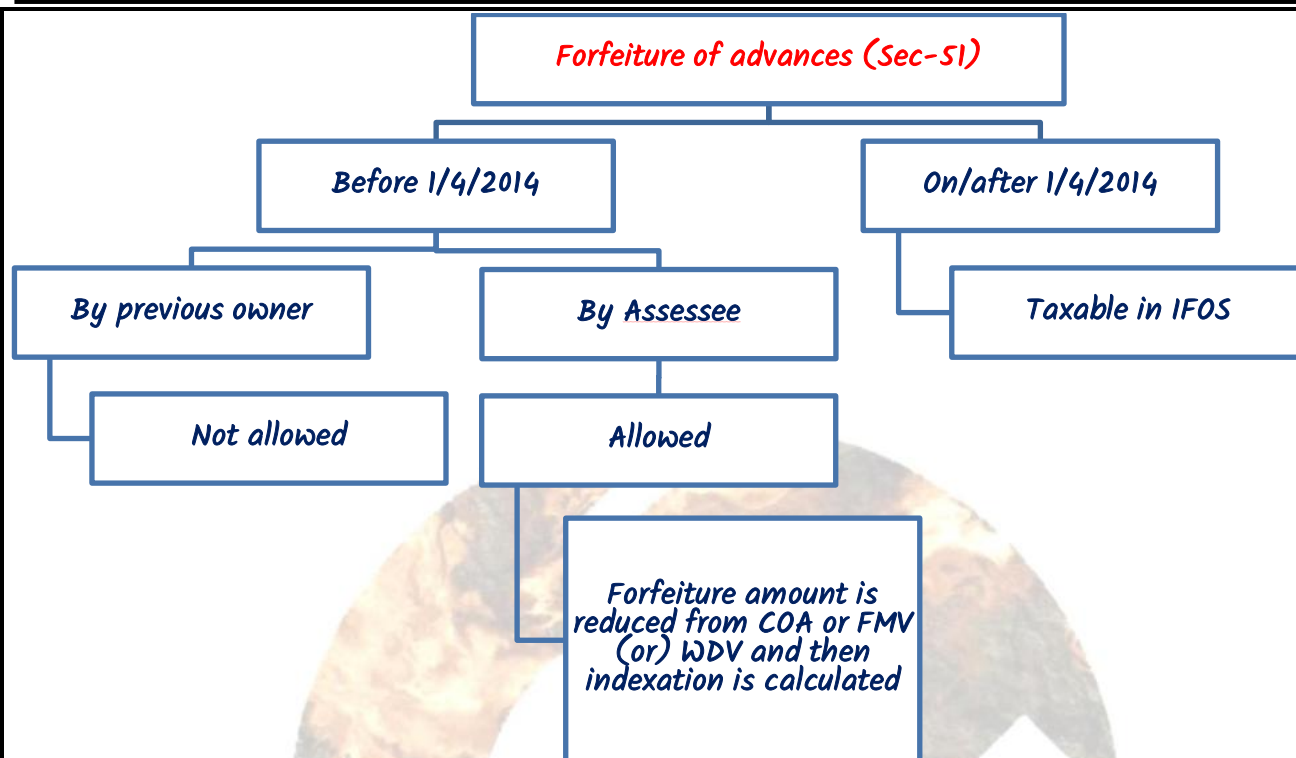
- Sec- 10(37) :- compulsory acquisition of urban agriculture land provided (conditions).
 - ✓ Land must be used for agriculture purpose at least for 2 years before the date of transfer either by him or parents.
 - ✓ Compensation is received after 1/4/2004.
 - ✓ Assessee is Individual/HUF
- Sec-10(37A) :- Transfer of land/ Building on after 2/6/2014 under Andhra Pradesh Capital City land pooling Scheme provided.
 - ✓ Assessee is Individual/ HUF.
 - ✓ He owns ownership certificate.
 - ✓ Transfer is under APLPS
- Sec-10(43) :- Any transfer or amount received under reverse mortgage scheme (refer sec-42).
- Sec-(38) :- LTCG on which STT is paid exempt upto Rs. 1,00,000 (sec-112A).
- As per Sec- 10(37) :- compulsory acquisition of urban agriculture land provided (conditions).
 - ✓ Land must be used for agriculture purpose at least for 2 years before the date of transfer either by him or parents.
 - ✓ Compensation is received after 1/4/2004.

✓ *Assessee is Individual/HUF.*

- *Since all the above conditions are satisfied whole amount is exempt u/s 10(37). Since whole amount is exempt. It is irrelevant whether investment is made or not.*
- *If BEL is not exhausted then special income shall be first utilised towards BEL & balance if any shall be chargeable at special rate.*

TRANSACTION NOT REGARDED AS TRANSFER SEC-47

1. *Any transfer of capital asset under gift/will other than ESOP.*
 2. *Any distribution of capital assets on the total or partial partition of a HUF.*
 3. *Any transfer of a capital asset by a holding company to its 100% subsidiary company, provided that such transferee company is an Indian company.*
 4. *Any transfer of a capital asset by a subsidiary company to its 100% Holding company, provided that such Transferee company is an Indian company.*
 5. *Any transfer, in a scheme of amalgamation, provided that such Amalgamated company is an Indian company.*
 6. *Shares received by S.H in case of amalgamation is not subjected to C.G*
 7. *Any transfer, in a demerger.*
 8. *Transfer of Rupee denominated bonds outside India by NRI to another.*
 9. *Conversion of debentures/bonds into Equity.*
 10. *Conversion of PS into Equity.*
 11. *Any transfer under notified reverse mortgage scheme(Sec 47 (xvi)).*
 12. *Such other securities as may be prescribed by CG*
 13. *Transfer by are foreign Co. to another foreign Co. However if control is transferred then it shall be liable to C.G.*
 14. *Consolidation of mutual fund scheme.(i.e. units of MF2 given instead of MF1)*
 15. *Conversion of proprietor to co.*
- **Conditions**
 - ✓ *All assets & liabilities are transferred.*
 - ✓ *In consideration only receive shares.*
 - ✓ *Share holding min 50%.*
 - 17. *Transfer of capital assets being the work of Art book, drawing to Govt, Museum, National Art Gallery.*



Example:

- Compute the net taxable capital gains of Mr. M on the basis of the followed information- A house was purchased on 1.5.2001 for 2,00,000 and was used as a residence by the owner. The owner had contracted to sell this property in June, 2023 for 8 lakhs and had received an advance of 50,000 towards sale. The intending purchaser did not proceed with the transaction and the advances was forfeited by the owner. The property was sold in Jan, 2024 for 10,00,000. The owner, from out of sale proceeds, invested 3 lakhs in a new residential house in January, 2023. [CII 2001-02 = 100].

**Conversion of capital asset in to stock in trade
Sec-45(2)**

CG

PGBP

Particulars	Amount(Rs.)
FVC =FMV as on the date of conversion	xxx
Less : EOT	(xxx)
Net consideration	xxx
Less : COA/ICOA	(xxx)
Less: COI/ICOI	(xxx)

C.G	xxx	Particulars	Amount(Rs.)
Less : Exemption	(xxx)		
C.G	xxx	Sale Value	xxx
		Less: FMV as on the date of conversion	(xxx)
		PGBP	xxx

Note

- Both C.G & PGBP will arise in the year when converted stock is sold if only part of the stock is sold C.G will be taxable proportionately.
- Indexation will be available up to the year of conversion.

$$\text{COA/CTPO/FMV} \times \frac{\text{CII for yr of conversion}}{100/\text{CII for acq/CII for 1st held by assessee}}$$

- As per FA 2018 if stock in trade is converted in to Capital Asset then only PGBP will arise (whenever these type of problems are given, solve first PGBP then solve CG.)

Compulsory acquisition Sec-45(5)

Initial compensation

Enhanced compensation

Interest compensation & enhanced compensation

Taxable in IFOS & 50% is allowed as deduction Amt(Rs.)

Particulars	Amt(Rs.)
FVC = Amt decided by authority	xxx
Less : EOT	(xxx)
Net consideration	xxx
Less : COA/ICOA	(xxx)
Less: COI/ICOI	(xxx)
C.G	xxx
Less : Exemption	(xxx)
C.G	xxx

Particulars	Amt(Rs.)
FVC = Amt received	xxx
Less : EOT	(xxx)
Net consideration	xxx
Less : COA/ICOA	Nil
Less: COI/ICOI	Nil
C.G	xxx
Less : Exemption	(xxx)

C.G

xxx

Note

- Even if part consideration is received whole consideration is taxable. CG arise in the year when whole/part consideration is 1st received.

$$\frac{\text{COA/CTPO/FMV} \times \text{CII for yr of conversion}}{100/\text{CII for acq}/\text{CII for 1st held by assessee}}$$

- If compensation is reduced in future C.G is recomputed.

Particulars	Amt(Rs.)
FVC = Compensation	xxx
Less : EOT	(xxx)
Net consideration	xxx
Less : COA/ICOA	(xxx)
Less: COI/ICOI	(xxx)
C.G	xxx
Less : Exemption	(xxx)
C.G	xxx

Insurance Compensation Sec-45(IA)

Insurance Compensation

Floods, typhoons, War, Action of enemy, Fire

Taxable in the year of receipt

Other Assets

Depreciable assets

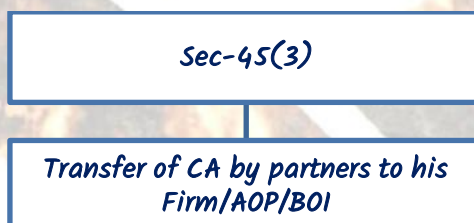
Particulars	Amt (Rs.)
Compensation	xxx
Less:- WDV	(xxx)
STCG	xxx

Note

- Indexation is available only up to the year of distribution

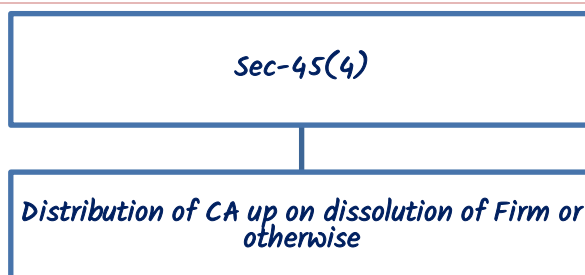
$$\frac{\text{COA/CTPO/FMV}}{\text{CII for yr of compulsory distribution}} \times \frac{100}{\text{CII for acq/CII for 1st held by assessee}}$$

- Stock is not a capital assets hence compensation received if any would be taxable in PGBP.
- As per Sec-45(1A), Insurance compensation against capital Asset on account of flood, typhoons, War etc. shall be taxable under CG as under.
- (i) Compensation against stock :- Taxable in PGBP, bcz stock is not a capital Asset u/s 2(14).
- (ii) Compensation against Machinery :- Since machine is a capital Assets compensation would be liable to CG but is reduced from the compensation.
- (iii) Compensation against chain :- Gold chain is also a capital Assets as per Sec-2(14). Hence compensation is taxable in C.G.



CG will arise bcz it is relinquishment of right

Particulars	Amt(Rs.)
FVC = Amount recorded in Books of Firm	xxx
Less : EOT	(xxx)
Net consideration	xxx
Less : COA/ICOA	(xxx)



Less: COI/ICOI	(xxx)
C.G	xxx
Less : Exemption	(xxx)
C.G	xxx

Particulars	Amt(Rs.)
FVC = FMV as on the date of distribution	xxx
Less : EOT	(xxx)
Net consideration	xxx
Less : COA/ICOA	(xxx)
Less: COI/ICOI	(xxx)
C.G	xxx
Less : Exemption	(xxx)
C.G	xxx

SLUMP SALE SEC-50B

- When the whole unit is transferred under a single consideration it is called as slump sale i.e. without individually valuing the Asset.

Particulars	Amount(Rs.)
Net consideration	xxx
Less:- Net worth	(xxx)
C.G	xxx

NOTE

- Net consideration --- Sale consideration(FMV1 or FMV2 whichever is higher) - EOT.
- Net Worth - Total Assets- current liabilities.
- Assets
 - Depreciable assets @ WDV.
 - Non depreciable assets @ Book Value.

- Ignore revaluation of Assets.
- Assets on which Depreciation allowed but not taken---- Take after depreciation.
- Depreciation Rates.
 - ✓ Building = 10%
 - ✓ P&M = 15%
 - ✓ Intangible = 25%
 - ✓ Furniture = 10%
 - ✓ Computer = 40%

NOTE

Gain Long/Short term shall be decided upon whether the unit is holding the asset for more than 36 months or less than 36 months.

Sec-45(SA)

Registered Developer agreement

Particulars	Amt(Rs.)
FVC = SDV as on the date of issue of certificate of completion of his share + other consideration received if any	xxx
Less : EOT	(xxx)
Net consideration	xxx
Less : COA/ICOA	(xxx)
Less: COI/ICOI	(xxx)
C.G	xxx
Less : Exemption	(xxx)
C.G	xxx

NOTE

- Indexation is available only up to the year of RDA

$$\text{COA/CTPO/FMV} \times \frac{\text{CII for yr of RDA}}{100/\text{CII for acq/CII for 1st held by assessee}}$$

- Exemption u/s 54 is available in this case also.
- If rights are transferred before certificate of completion then CG will arise in the year when rights are sold.
- In future if these Asset are sold the FVC as per 45(SA) shall be the COA.

NOTE

- The maximum exemption u/s 54EC is restricted to 50 lakhs.

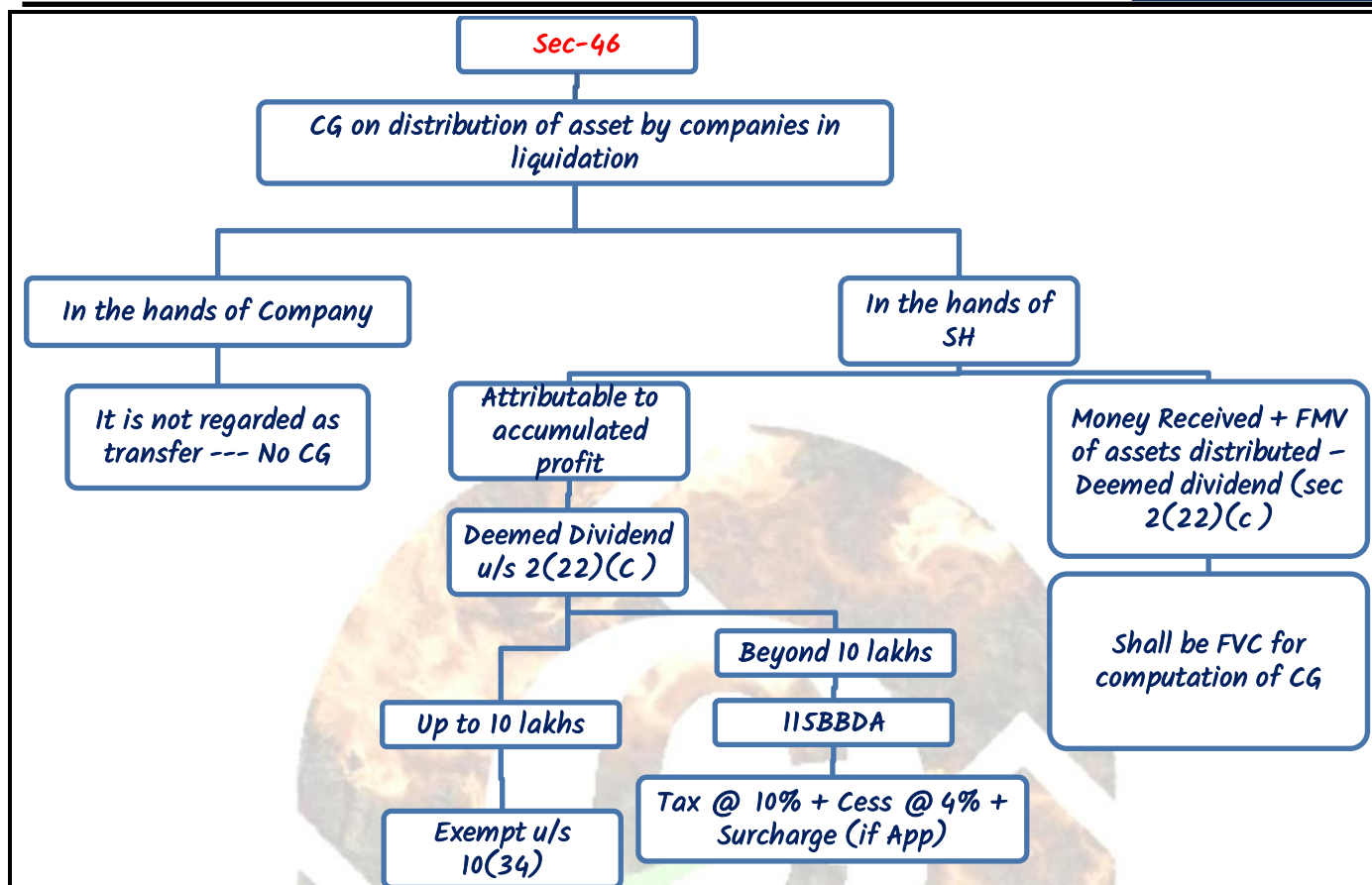
NOTE

- As per C.R Subramanayam case, if consideration for land and building given separately the calculation of CG shall be made separately.
- LTCL can be set off against LTCG

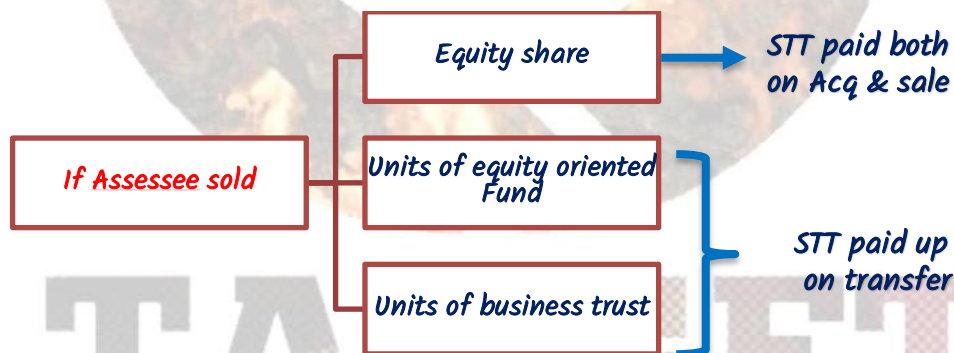
NOTE

- STCL can be set off against STCG, further loss under the head CG can't be set off against other head.
- POHA for an unlisted shares is 24 months.

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SEC-112A LTCG ON CERTAIN ASSETS



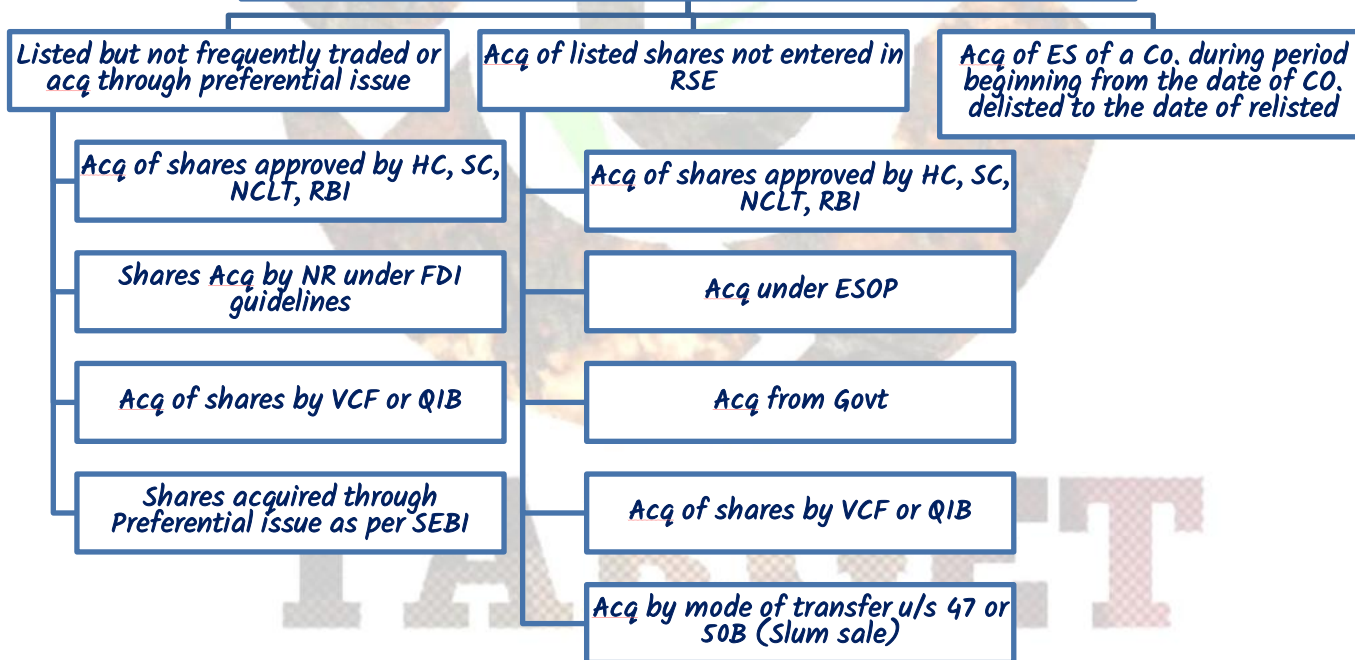
Any gain being LTCG beyond 1 lakh would be taxable @ 10%

SPECIAL POINTS

- This gain can't be adjusted against unexhausted Basic Exemption Limit up to 1 lakh but beyond 1 lakh can be adjusted against BEL – But not available to NR.
- No deduction u/s 80 C to 80U.

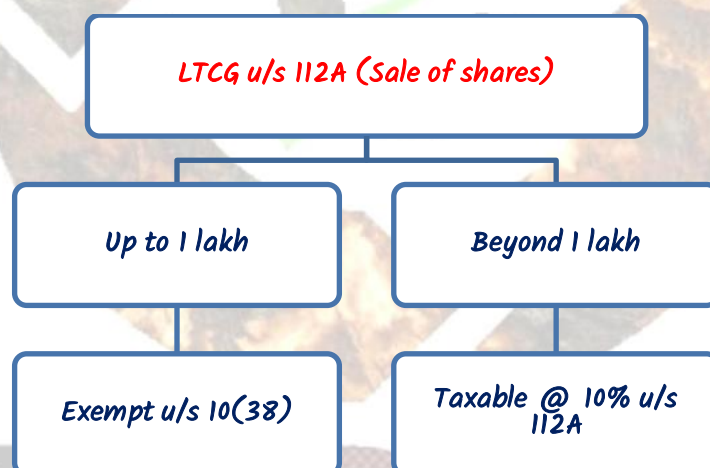
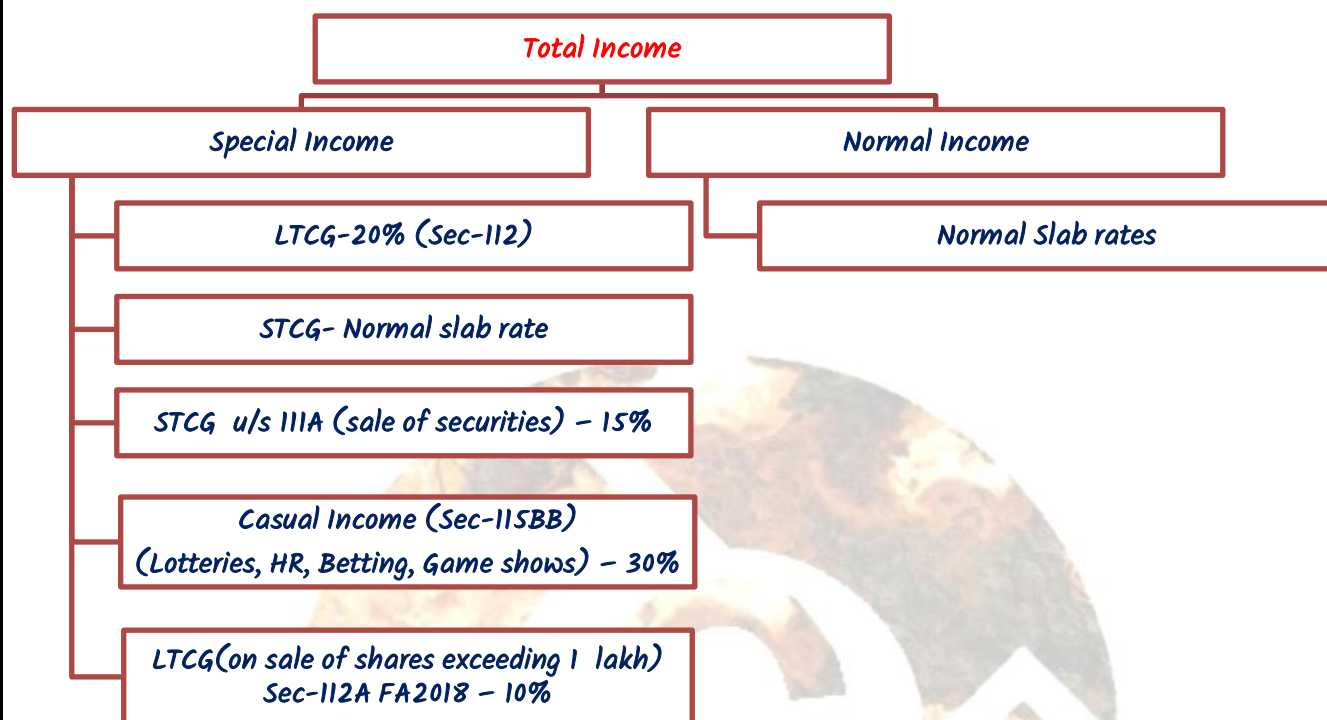
- No rebate u/s 87A available.
- Tax is applicable only if LTCG is transferred after 1/4/2018.
- Benefits of Indexation is not available.
- No CG if transfer up to 31st Jan 2018.
- No TDS is required to be deducted.
- If Bonus shares is received before 31st Jan 2018, FMV will be taken, However if transfer is made before 31st Jan 2018 whole Gain is exempt.
- Set off (or) any carry forward normal provision applies.
- Not applicable to PS/Debentures/Bonds/Deb oriented fund.
- If on E.S STT paid only on Acq – Sec NA -- Tax rate 20%.

If Shares acquired after 1/10/2004, then also Sec- 112A will apply even STT not paid(only in the following situations)



HOW TO COMPUTE TAX ON CG

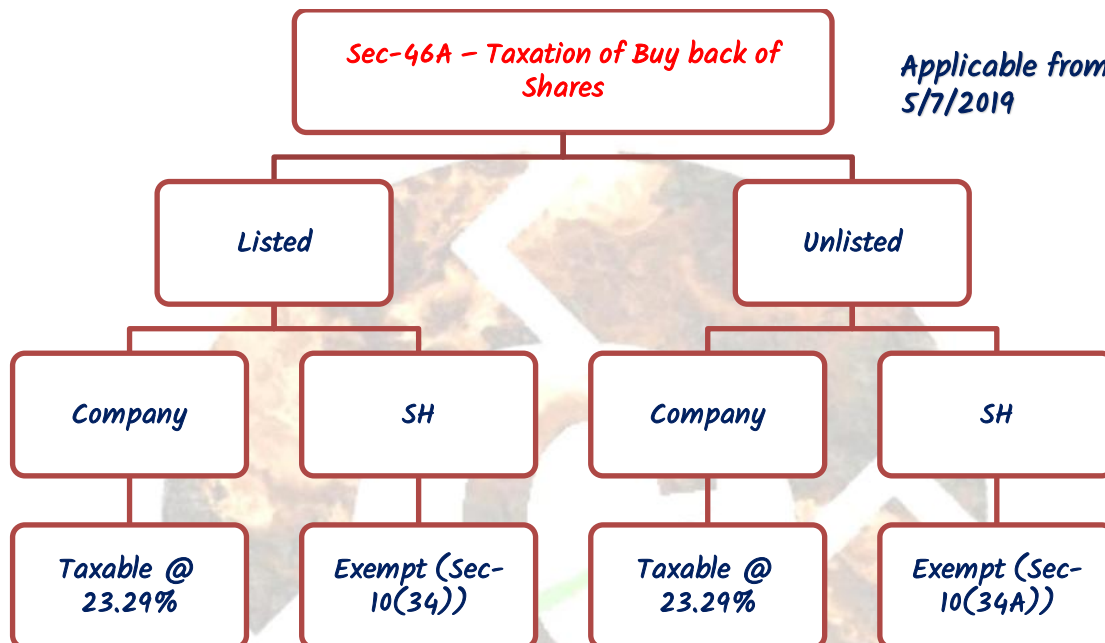
SPECIAL RATE OF TAX



REBATE U/S 87A

- **Applicability**
 - ✓ Individual (Resident)
 - ✓ Total Income (All heads after deductions) (NI+SI) (Excluding Agricultural Income & Exempted Income).
- **Conditions**
 - ✓ TI Not Exceeding 5,00,000.
 - ✓ Rebate is not available to
 - LTCG on sale of securities (LTCG u/s 112A)

- Rebate(least of)
 - ✓ 100% of Tax (or)
 - ✓ 12,500.

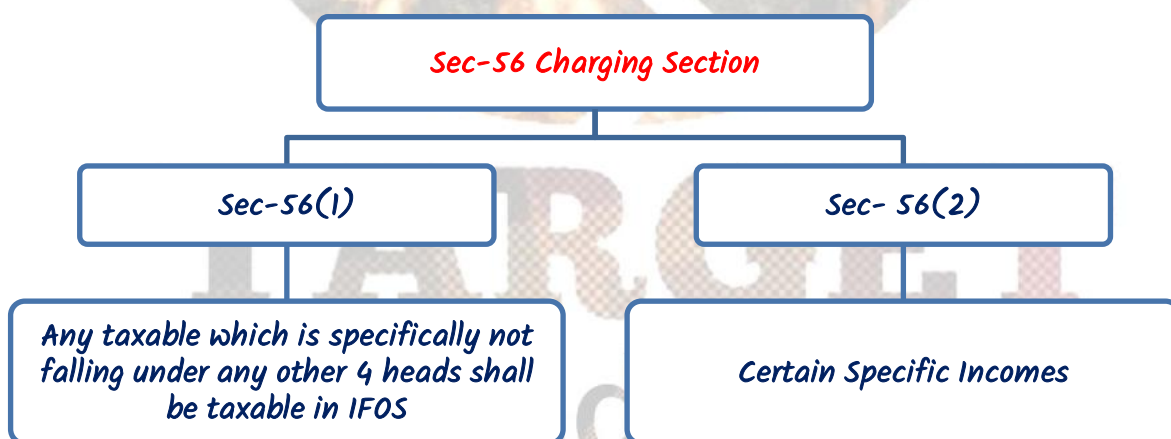


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THE END

INCOME FROM OTHER SOURCES

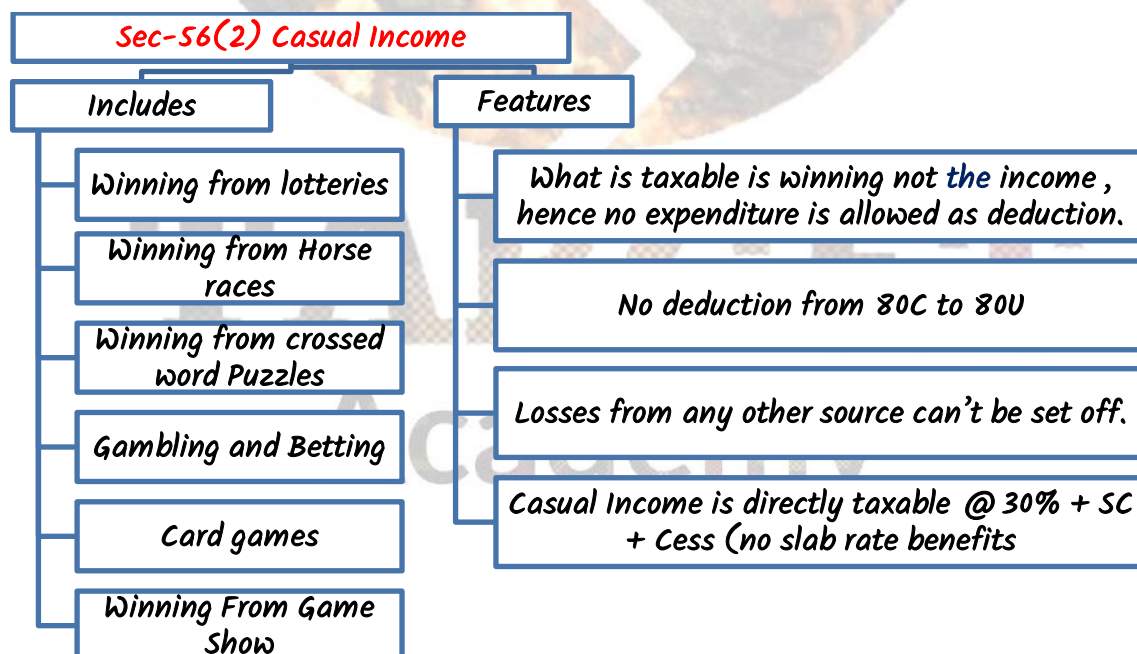
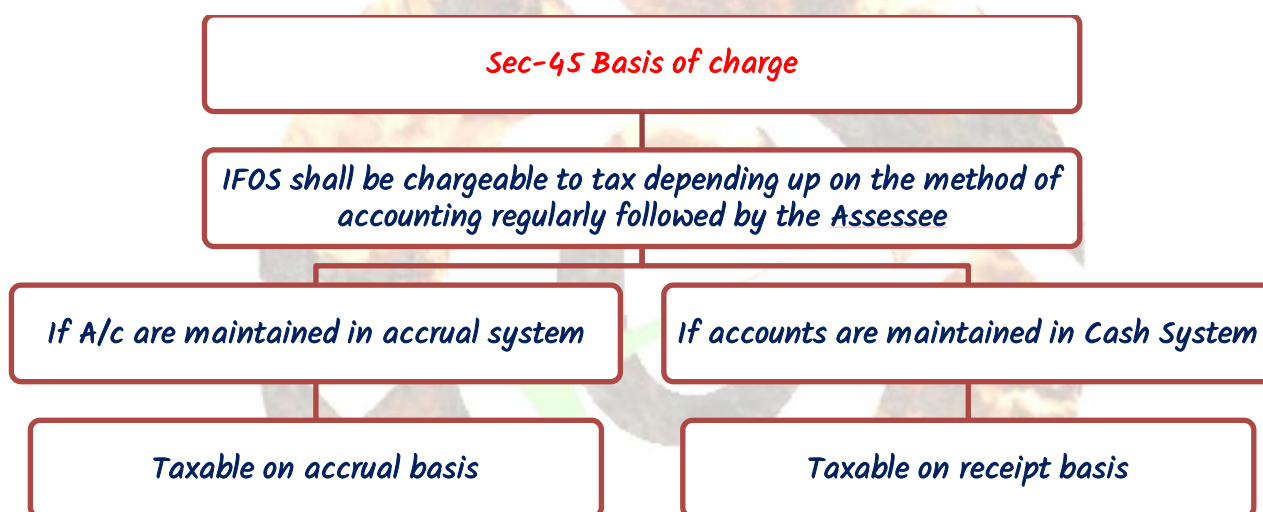
Sec No.	Particulars
Sec-56	Charging Section
Sec-57	Deduction allowed from other sources
Sec-58	Deduction not allowed



CERTAIN SPECIFIC INCOMES WHICH ARE TAXABLE IN IFOS

1. Dividend
2. Casual Income
3. Gift
4. Interest on securities if not taxable as PGBP.

5. Composite rent if inseparable.
6. Income from letting out of P&M if not taxable as PGBP.
7. Amount received from KIP if not taxable in salary or PGBP.
8. Sum received by Assessee from employee if not taxable in PGBP.
9. Interest on enhanced compensation.
10. Rent from vacant plot.
11. Any compensation or other payment received by any person in connection with termination of his employment or modification of terms related there to (FA 2018)





Note:

1. Winning from Lottery ticket held as stock in trade is taxable under PGBP. (Directory of state Lottery v/s CIT).
2. Income of Jockey is taxable in PGBP.
3. TDS on casual income --- Sec-194B --- Lottery /Horse Race - exceed Rs. 10,000 TDS @ 30% + cess.
 - Take gross amount while calculating TI.
 - If net amount (i.e after deducting TDS) is given then make it as Gross by using this formula.
 - $Gross = \text{Amount received} / (100 - \text{TDS rate})$
 - (If not given any thing in question assume it as gross)

Problem no : 1

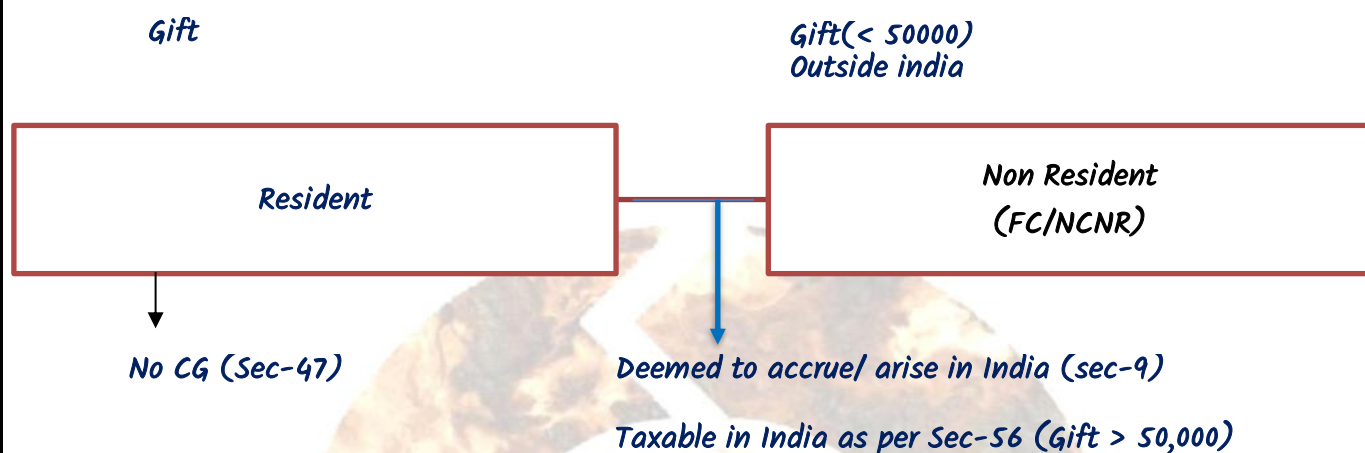
Mr. Y has received net lottery income Rs. 35,000. What is the income included in his TI.

Ans

50,000

Gift							
Cash			Immovable Property(CA)		Movable property(CA)		
Received from person/ persons in aggregate exceeds Rs.50,000 in a P.Y	The whole of such Sum is taxable	Cash includes Bank, cheque, ECS	With out consideration	Inadequate consideration	With out consideration	Inadequate consideration	
			If SDV exceeds Rs.50,000 (each) the value of such SDV is taxable	If consideration is less than SDV& the difference b/w SDV & consideration is more than higher of (a) 50,000 (b) 10% of actual consideration.	If aggregate FMV exceeds Rs. 50,000	If the diff b/w aggregate FMV & consideration exceeds Rs. 50,000	
					The whole FMV is taxable	The whole difference is taxable	

SCOPE OF THE INCOME(SEC-9)



IN CASE OF IMMOVABLE PROPERTY

- SDV as on the DOR is to be taken generally
- SDV as on the DOA is to be taken on if following conditions is satisfied
 - Whole/ part of consideration is paid by way of A/c payee Cheque/DD/ES/any other electronic mode of payment on /before DOA

Movable Property (AA PS DJ SI)

- A= Arche logical collection.
- A= Any work of art.
- P= Painting.
- S = Shares & securities.
- D= Drawings.
- J= Jewellery or bullion.
- S= Sculpture.
- I = Immovable property being Land, Building or both.

Cash

- Cash aggregate of Rs. 60K
- Ans
- 60K taxable.
- Cash Aggregate of Rs. 50K
- Ans
- NT
- Cash aggregate of Rs. 51K
- Ans
- 51K is taxable

Immovable property (with out consideration)

- SDV = 40K
- Ans
- NT
- SDV = 50K
- Ans
- NT
- SDV = 59K
- Ans
- 59K is taxable

Immovable property (Inadequate consideration)

- SDV = 23 | C = 20 |
- Ans
- Taxable = 3 |
- SDV = 25 | ; C = 20 |
- Ans
- Taxable = 5 |
- SDV = 30 | ; C = 29 |
- Ans
- Not taxable

Movable property (with out consideration)

- FMV = 49K
- Ans
- NT
- FMV = 50K
- Ans
- NT
- FMV = 59K
- Ans
- 59K is taxable

Movable property (Inadequate consideration)

- FMV = 49K; C = 47K
- Ans
- NT
- FMV = 1,40,000 ; C = 1,20,000
- Ans
- NT
- FMV = 1,70,000; C = 1,10,000.
- Ans
- 60K taxable
- FMV = 1,50,000; C = 1,00,000
- Ans

Note:

If date of agreement & date of registration is different then, SDV is to be taken as on the date of agreement

Q No. 1: Mr. A dealer in shares received cash gift from friend of Rs. 75,000 on his anniversary on 15.4.2023 is that amount taxable.

Ans: As per Sec-56(2) (x) if cash gift from person (or) person exceeds Rs. 50,000, the whole amount is taxable. (taxable =75,000).

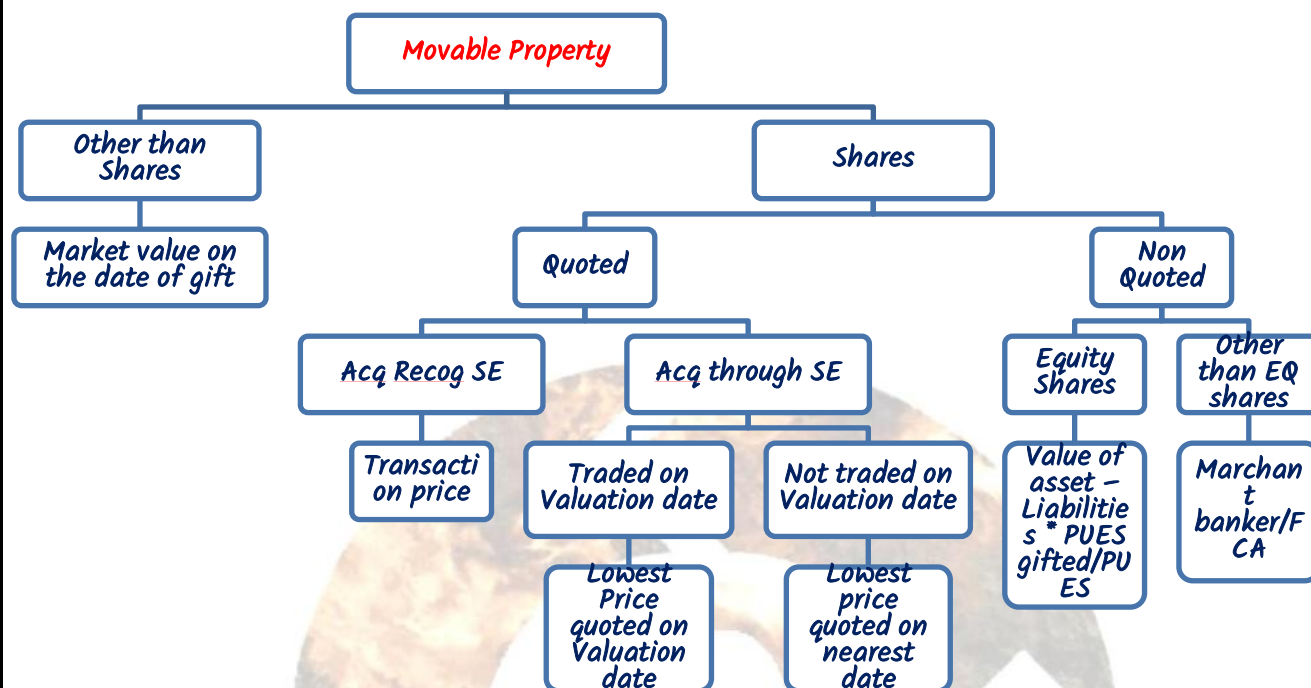
Q No.2: Mr. S a cricketer received Ferrari car as gift from friend FMV of car is Rs. 72 l on 15th May 2023 is the amount taxable?

Ans: Since car is not covered under the definition of property it is not taxable as gift.

EXCEPTION TO GIFT SEC-56(2)(X) (FOLLOWING RECEIPTS ARE NOT TAXABLE AS GIFT)

1. Gift received from relative (on occasion or not).
 2. Gift received on the occasion of marriage (own marriage) (from relative or not).
 3. Under a will/ inheritance
 4. Inheritance or in contemplation of death.
 5. Gift from a trust or institute registered u/s 12AA or 10(23)(c).
 6. Gift from Local Authority.
 7. Transaction of money/ Property b/w wholly owned Subsidiary & its Holding or from Holding to 100 % Subsidiary not treated as Gift (FA 2018)
- Gift from class of person/es as may be prescribed by CG.
 - Gift to Trust for the benefit of relative.

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IN CASE OF NON QUOTED SHARES

- Bullion, Jewellery, Sculpture, Drawings, Paintainings = FMV
- Shares = FMV
- Imm prop = SDV
- Other Assets = Book Value

Board shall prescribe transactions undertaken by class of persons such that provisions of Sec-56(2)(x) & Sec- 50CA shall not apply w.r.t determination of FMV on shares.

Relative

1. Spouse of individual
2. Brother or sister of individual.
3. Brother or sister of spouse.
4. Brother or sister of either of the parents.
5. Linear ascendant or descendent of individual.
6. Linear ascendant or descendent of Spouse.
7. Spouse of persons referred from 1 to 6
8. In case of HUF == Any Member.

Not a relative

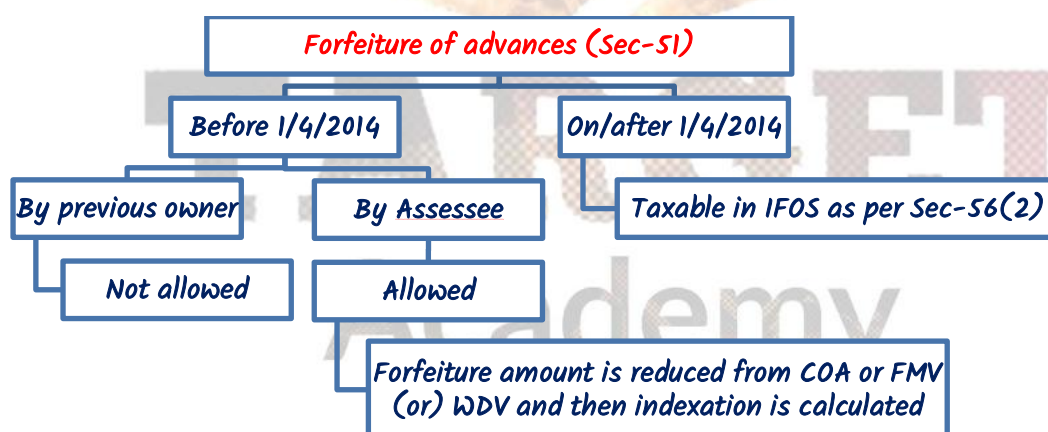
1. Friend
2. Cousins.
3. Mother's cousin
4. Father's Cousin
5. Brother of Father in law.
6. Brothers & sisters of grand parents
7. Linear descendent of brothers/sister & their spouse (son or daughter of brothers)

Note:

Marriage is different marriage anniversary is different

Cash Gift	51,000	Only gift on occasion of marriage is exempted
Gift from sister	-	Gift received from relative is exempted
FD	51,000	If the value of cash exceeds 50,000 is taxable.
IFOS	102000	

Section	Dividend Includes	Notes
2(22)(a)	Any distribution of Assets of Co. to its SH (only up to the extent of accumulated profits)	Dividend = MV of property
2(22)(b)	Any distribution of Debentures to its SH/Bonus to its PS of Co. (only up to the extent of accumulated profits)	Bonus shares to ES not amounts to dividend
2(22)(c)	Any distribution of Co. to its SH (only up to the extent of accumulated profits)	Refer Capital gain chapter
2(22)(d)	Any distribution of Co. to its Shon account of reduction of capital (only up to the extent of accumulated profits)	
2(22)(e)	Loans & Advances ; Applicable only to Private Co./closely held co./ Co. in which public are not interested to its SH having significant interest(10%) and to the concern on which such SH is a partner having 20% share.	Such Loan or advance is treated as dividend



Compulsory acquisition Sec-45(5)
Initial compensation
Enhanced compensation
Interest compensation & enhanced compensation

Particulars	Amt(Rs.)
FVC = Amt decided by authority	xxx
Less : EOT	(xxx)
Net consideration	xxx
Less : COA/ICOA	(xxx)
Less: COI/ICOI	(xxx)
C.G	xxx
Less : Exemption	(xxx)
C.G	xxx

Particulars	Amt(Rs.)
FVC = Amt received	xxx
Less : EOT	(xxx)
Net consideration	xxx
Less : COA/ICOA	Nil
Less: COI/ICOI	Nil
C.G	xxx
Less : Exemption	(xxx)
C.G	xxx

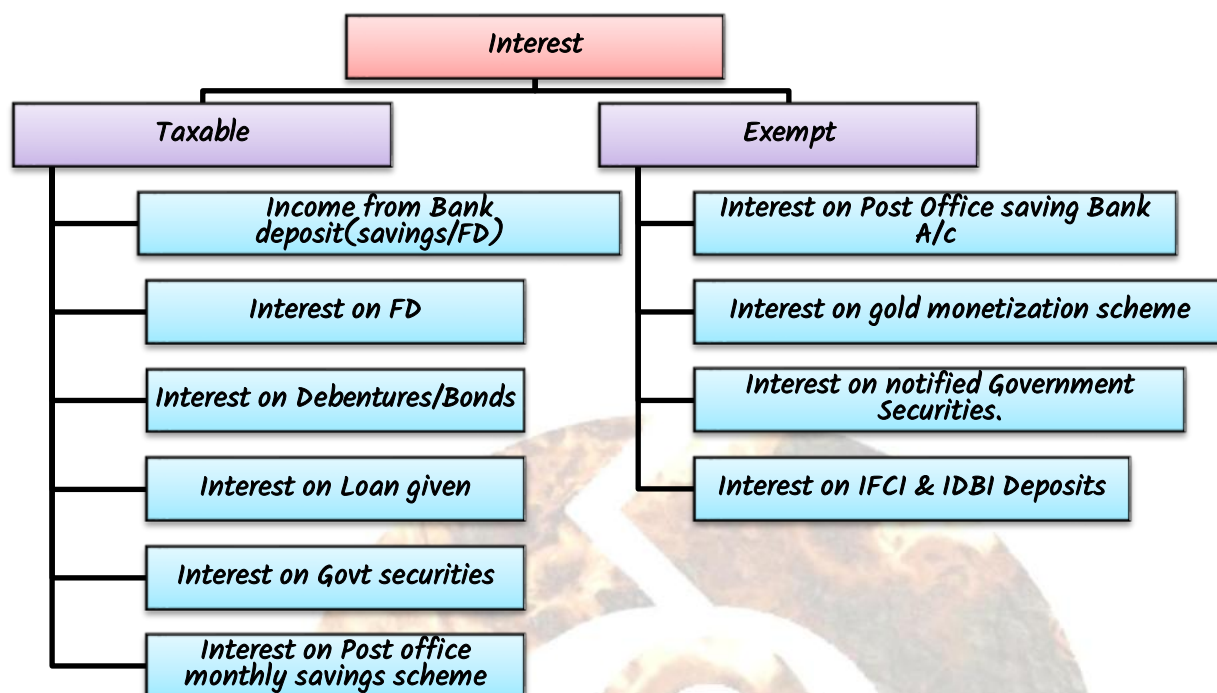
Taxable in IFOS & 50% is allowed as deduction

As per Sec-57 only 50 % of such interest shall be allowed as deduction, irrespective of PY it pertains, If 50 % is allowed as deduction no other expenses related to above is allowed.

Issue of shares at premium
Applicable only to private Co.

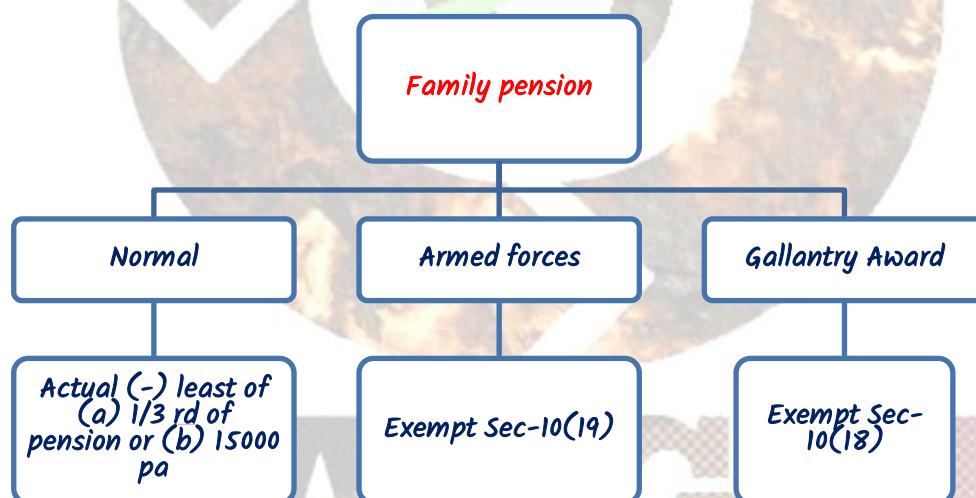
$$IFOS = (\text{Issue price} - \text{FMV}) \times \text{No of shares}$$

FV	FMV	IP	App of Sec	IFOS
100	120	130		
100	120	110		
100	90	110		
100	90	98		



Note:

As per Sec-193 if interest payment on Debenture exceeds Rs. 5000 TDS @ 10%



SEC-56(2)(VIIB)

Issue of shares at premium

By a Pvt Co./ unlisted Co. (closed held company)

Such premium is taxable

$\text{Taxable premium} = (\text{Consideration} - \text{FMV}) \times \text{No. of Shares}$

Exception:

Premium received by Venture Capital Fund

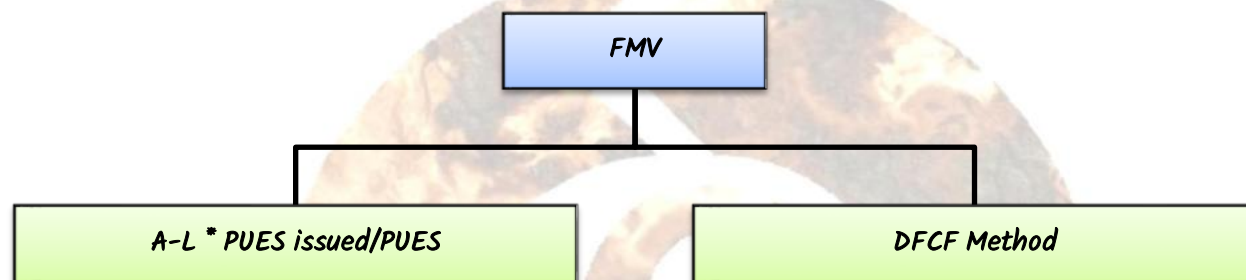
Persons specified by CG

(i) Cat -I AIF

(ii) Cat -II AIF

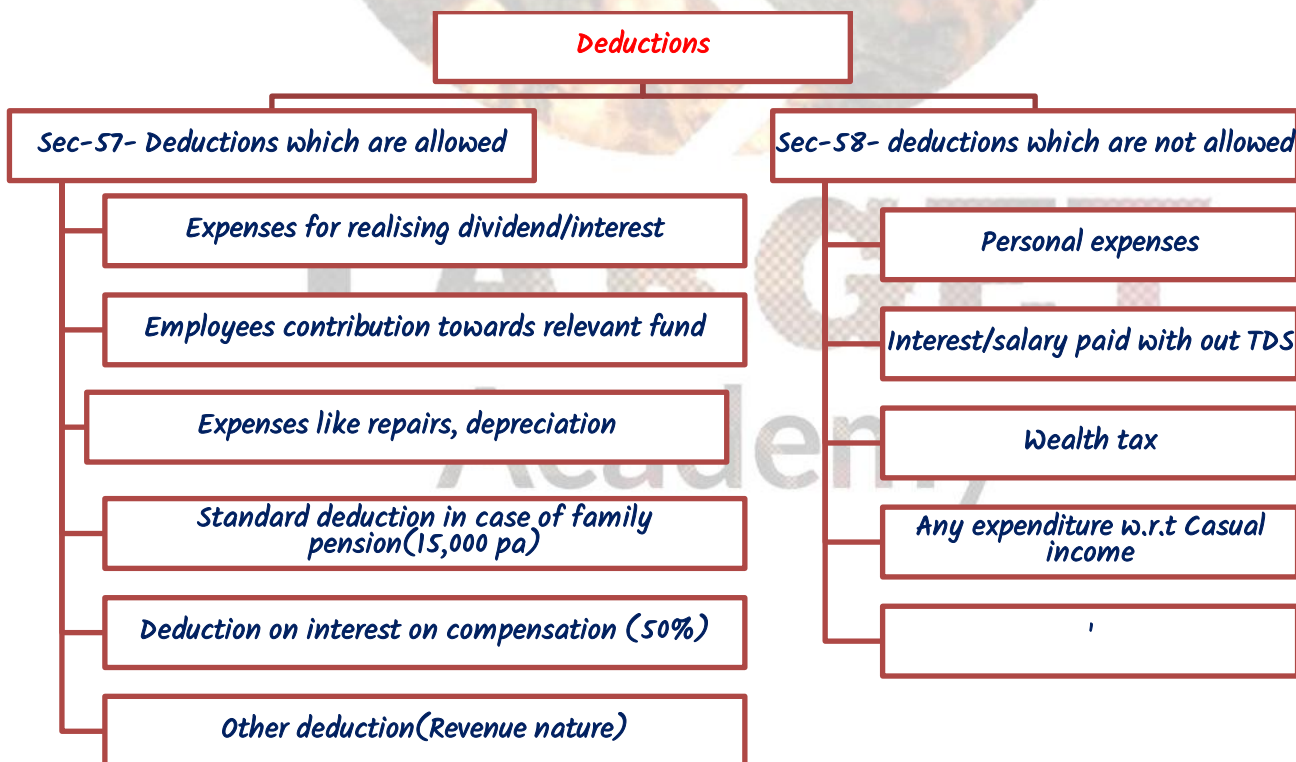
(iii) Start Up Co. – closed held co., Employment creation, TO>/ 100 Cr, SC>/ 25 cr, not inv in sp assets

Persons prescribed by CG/CBDT



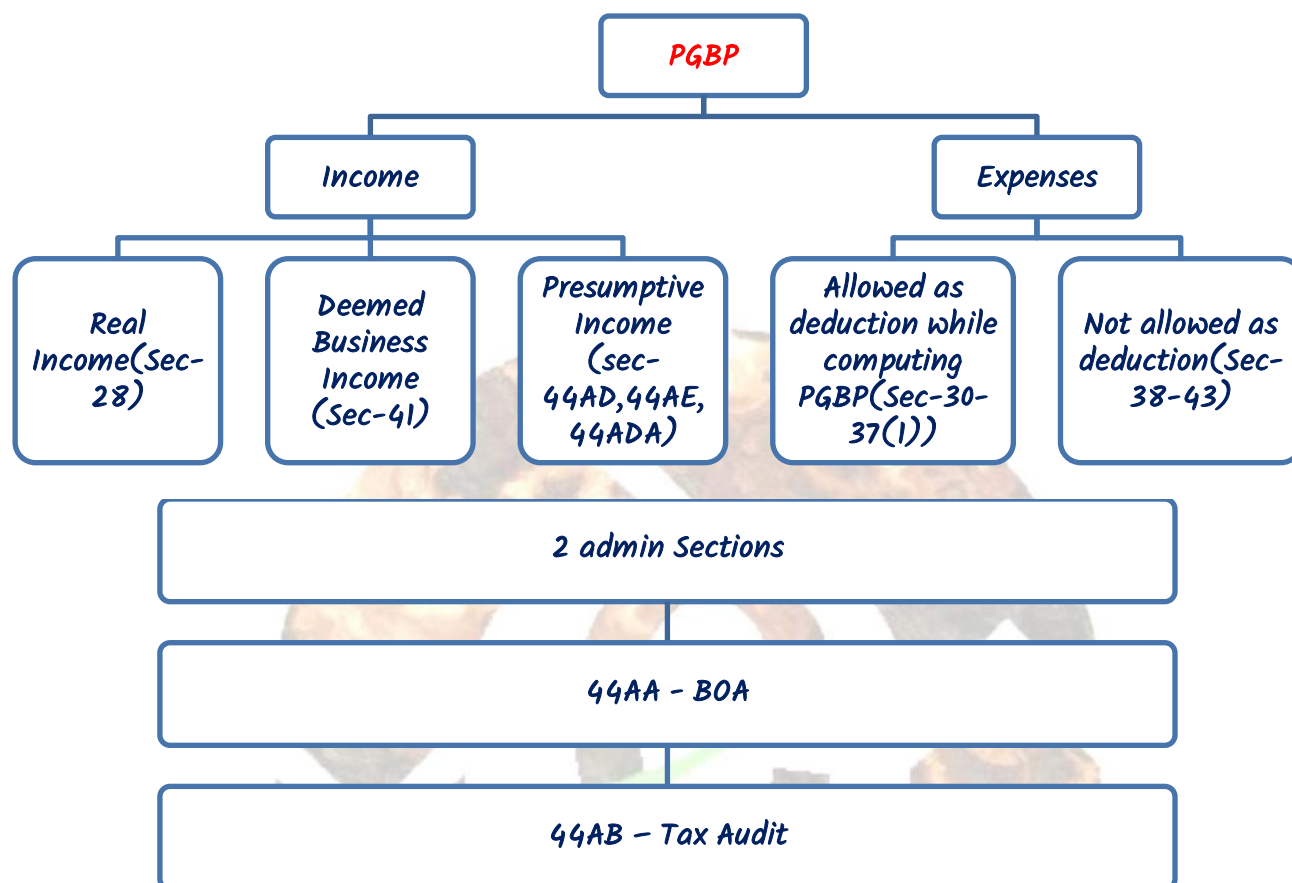
TAXABLE UNDER IFOS:

- Income from undisclosed income
- Remuneration received by member of parliament.
- Agriculture income of land situated outside India.
- Interest on Income Tax Refund.



THE END

PGBP



HOW TO COMPUTE PGBP (SEC-29)

Direct Method		Indirect method	
A/c are maintained in cash basis (generally)		A/c are maintained in accrual basis (generally)	
Gross receipt/ Turn over	xxx	Net profit	xxx
(-) All expenses which are allowed	(xxx)	(+) Expenses not allowed as deduction	xxx
PGBP	xxx	(-) Income from different head	(xxx)
		(-) Expenses allowed but not claimed/ weighted deduction	(xxx)
		PGBP	xxx

- In A/c all incomes are credited, all expenses are debited.

Calculation of PGBP of Mr. – for AY -2023-24

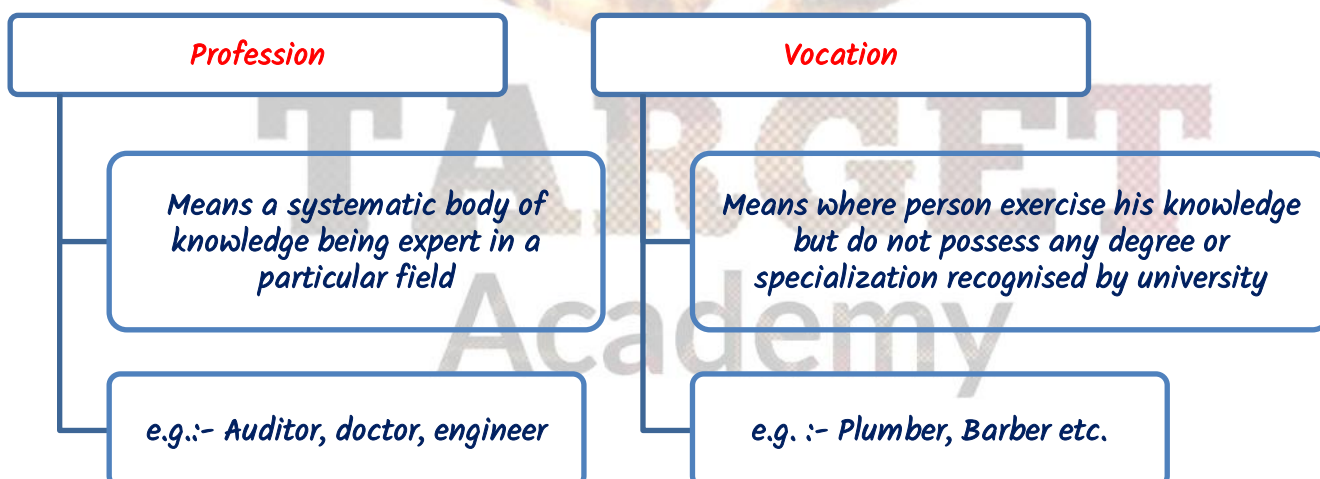
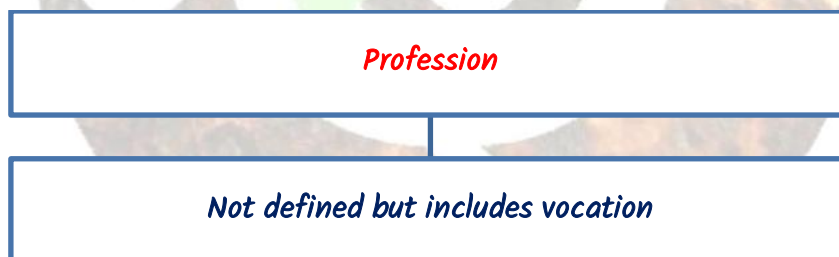
Particulars	Amount (Rs.)	Amount (Rs.)
Net Profit as per P & I a/c		xxxx
<u>Add:- Expenses disallowed</u>		
1. Not a business expense (like personal expenses) S-37		
2. Illegal Expenses		
3. Penalty S- 37		
4. Capital Expenditure (subjected to conditions) S- 37		
5. Provisions S- 37		
6. Excess payment to relative 40A(2)		
7. Cash payments in excess of 10k (or) 35k of GTA 40A (3)		
8. Gratuity – unapproved gratuity		
9. Un recognized PF		
10. Depreciation as per accounts S- 32		
11. VRS -4/5th disallow (only 1/5 th allowed per year remaining disallowed)		
12. Payables (like tax, gratuity, Interest, 43B, Banes, Commission, payment to Railways) – Allowed only payment basis.		
13. Payment without TDS (Resident – 30 % Disallowed, NR – 100% Disallowed) – Sec- 40a(i), 40a(ii)		
14. Ruminant to sleeping partner		
15. Interest to partner in excess of 12% P.A		
16. Remuneration to working partners in excess of Max / limited (refer notes).		
<u>Add: Income not taken in to accounts</u>		
1. Sale of Scrap		
2. Incomes come in PGBP, but not taken in P&L		
<u>Less: Income Belongs to other head</u>		
1. Incomes belongs to other head (like Lottery, Gain on Sale of Land, Interest e.t.c)		
<u>Less: Business Expenses (not Taken in to account)</u>		
1. Depreciation as per (Sec 32 of I.T Act, 1961)		
2. Additional depreciation		

3. Capital expenditure (except land) in can of scientific research (in accounts it is not expenses)
4. Donation to approved scientific research
5. Agriculture extension project.
6. Capital expenditure (except land, G.W; F.I) W.R.T. Specified Business U/S 35 AD.



Note:

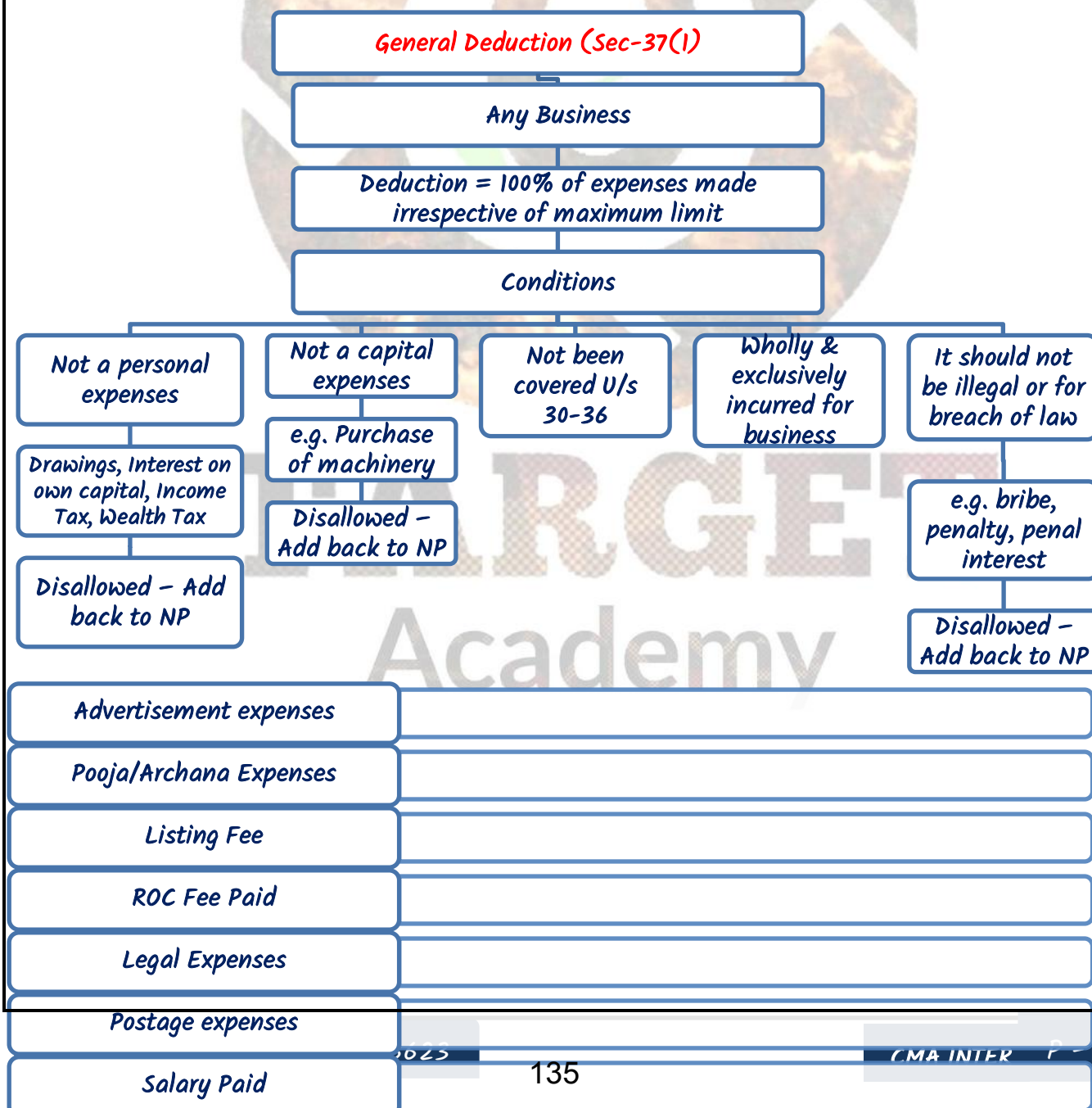
- Regular or irregular.
- Legal or illegal income (not expenses).
- Any business.



SEC-28 :- CHARGING SECTION

- Income from business or profession.
- Any benefit arising out of business whether convertible in to money or not.

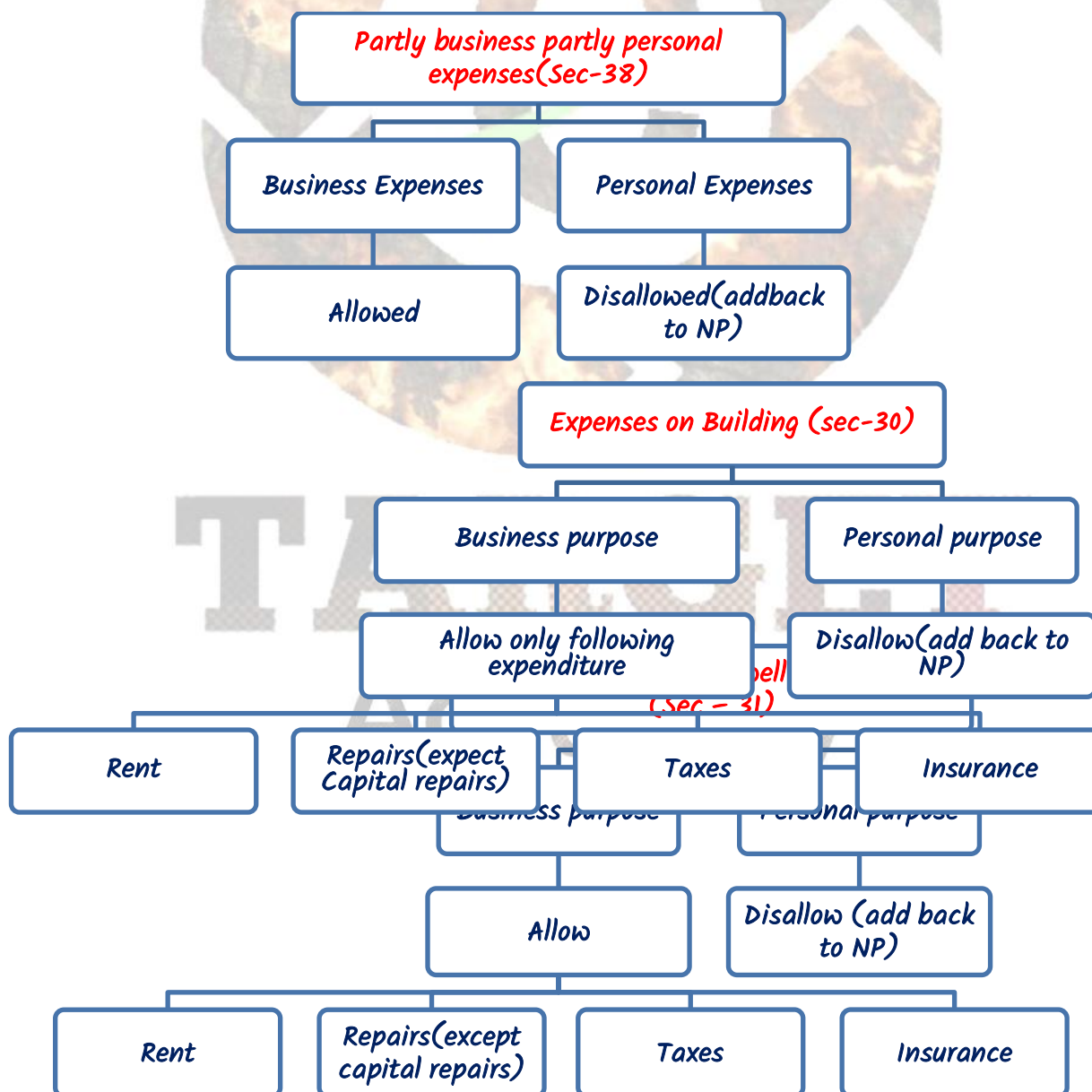
- E.g. :- USA tour on achieving target.
- Any subsidy, duty draw back benefit provided to business, however subsidy against assets is reduced from actual cost.
 - E.g. :- in case of export- pay duty first- later give refund of duty.
- Remuneration, interest, commission, received by partner of the Firm.
- Compensation received by Manager or Director of the Company.
- Sale of Assets on which whole deduction was allowed U/s 35 or 35 AD.
- FA, 2018. If business assets are converted in to capital assets, the fair market value shall be treated as PGBP.
- Amount received being non compensatory fee of business or profession.
- Sale of License/Duty entitlement pass book scheme.

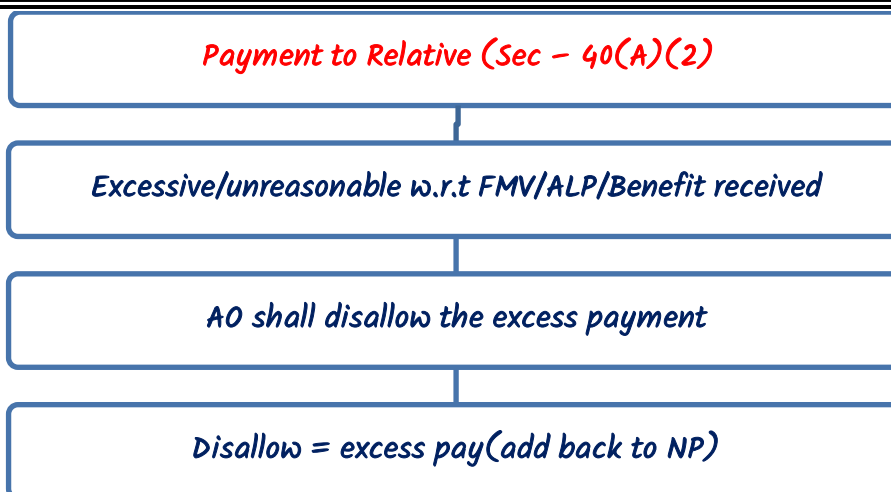


Bribe Paid	
Protection money paid	
Donation/ Donation to political party	
Expenses on Heart surgery	(I.T v/s Santhi bhusan)

EXAMPLE 1:

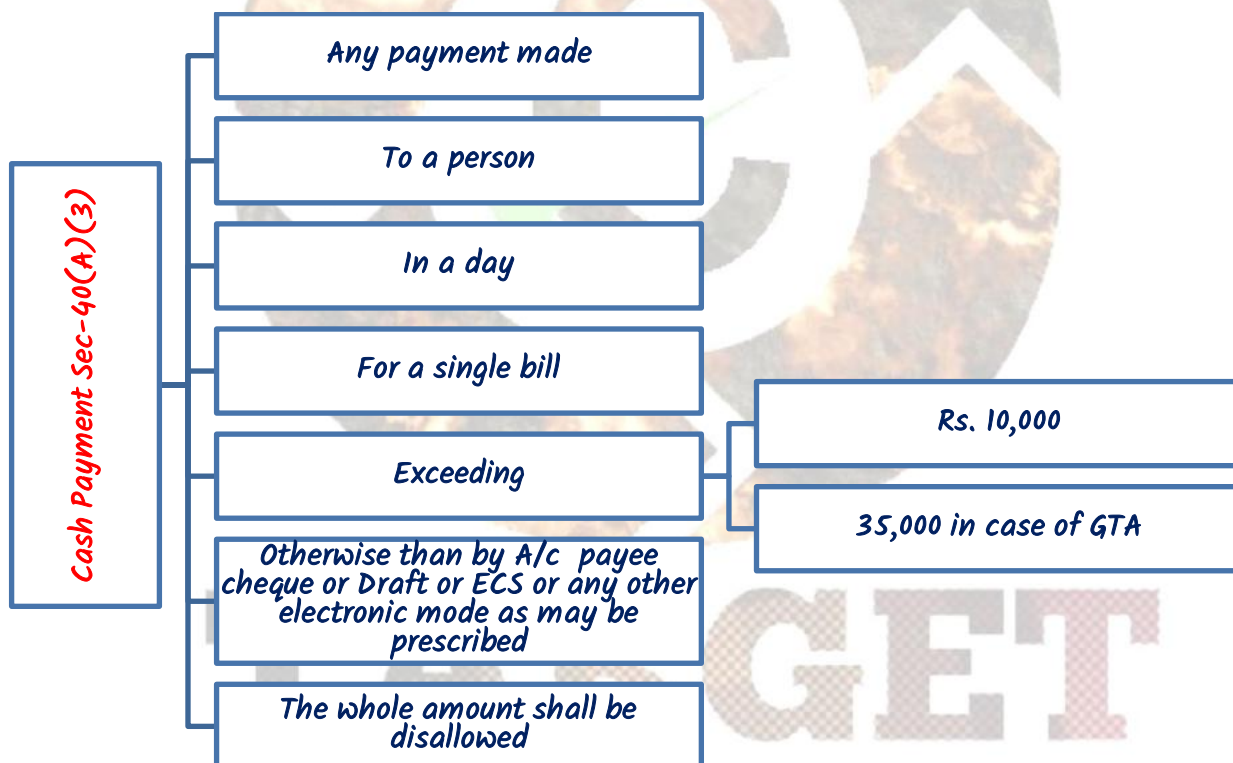
Specify the following Expenses allowed or not u/s 37 while computing PGBP





EXAMPLE 2:

Sec.40(a)(2) Mr. A paid salary to his relative Mr.B Rs.4,00,000 p.a. which is in excess of Rs.60,000 as per AO specify the amount to be disallowed u/s 40(a)(2)?



1. Mr. A paid to Mr. B Rs. 13,000 in cash in a day.

• Ans:

2. Mr. A paid Rs. 9,000 to Mr. B in cash; Rs. 19,000 to Mr. C in cash; Rs. 23,000 to Mr. D in cheque; Rs. 32,000 to Mr. E(who is GTA) in cash.

• Ans:

3. Mr. A settled Mr. B (Bill amount Rs. 18,000) as follows (a) Paid Rs. 9,000 on 3rd Apr in cash & (b) Rs. 9,000 on 4th Apr in cash.

• Ans

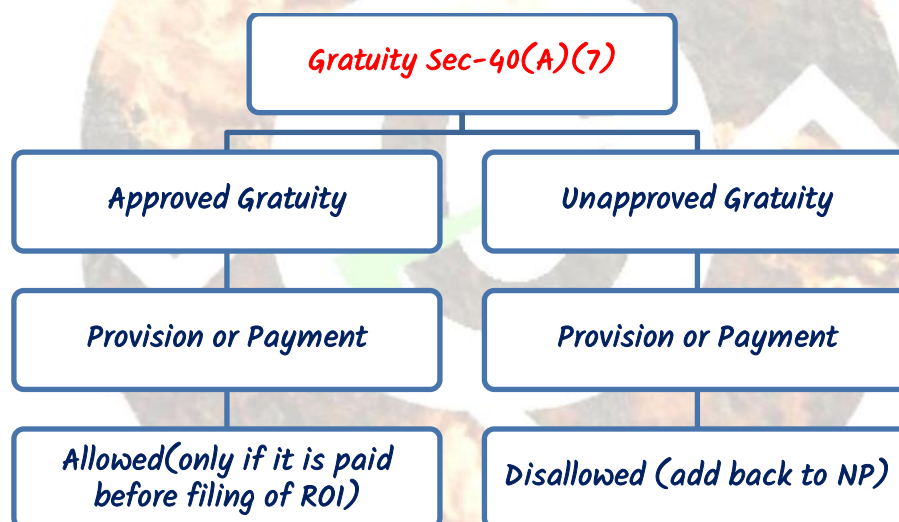
EXCEPTION TO SEC-40A(3) – RULE 6DD

(following expenses even if made in cash is allowed as deduction)

1. Payment to Bank, RBI, Government.
2. Payment made on a day when bank is closed.
3. Payment made at a place not served by Bank.
4. Payment of retirement benefits up to Rs. 50,000.
5. Payment made via Debit card/Credit card/ Cheque/ECS.
6. Payment made to farmers for agriculture produce.

EXAMPLE 3:

Sec.40(a)(3): Mr. V paid an amount of Rs.60,000 in cash to Mr. D with respect to Services provided specify the Amount Disallowed if any?

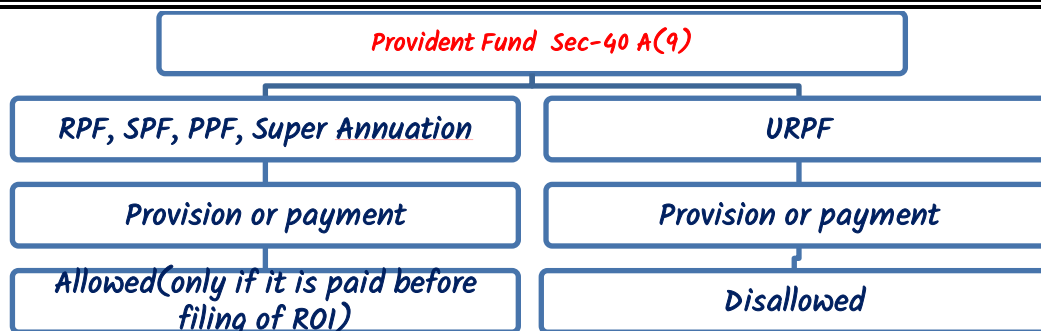


If problem do not specify the nature of gratuity always write both the angles.

EXAMPLE 6:

D Limited having a Turnover of 500 crore made the following

Particulars	Allowed / Not	Amount Disallowed
Provision for Approved Gratuity Rs.10,00,000		
Payment for Approved Gratuity Rs.50,00,000		
Provision for Unapproved Gratuity Rs.40,00,000		



Note:

If paid after ROI --- allowed in next year allowed.

If details of PF is not given we have to write both the angles.

EXAMPLE 7:

P Ltd engaged in Manufacturing of chocolate contributes to various fund specify the amount allowed / disallowed

Particulars	Allowed / Not	Amount Disallowed
Provision for Recognize Provident Fund Rs.60,000		
Payment for SPF Rs.5,00,000		
Provision & Payment for PPF Rs.90,000		
Provision for URPF RS.10,0000		

Notes:

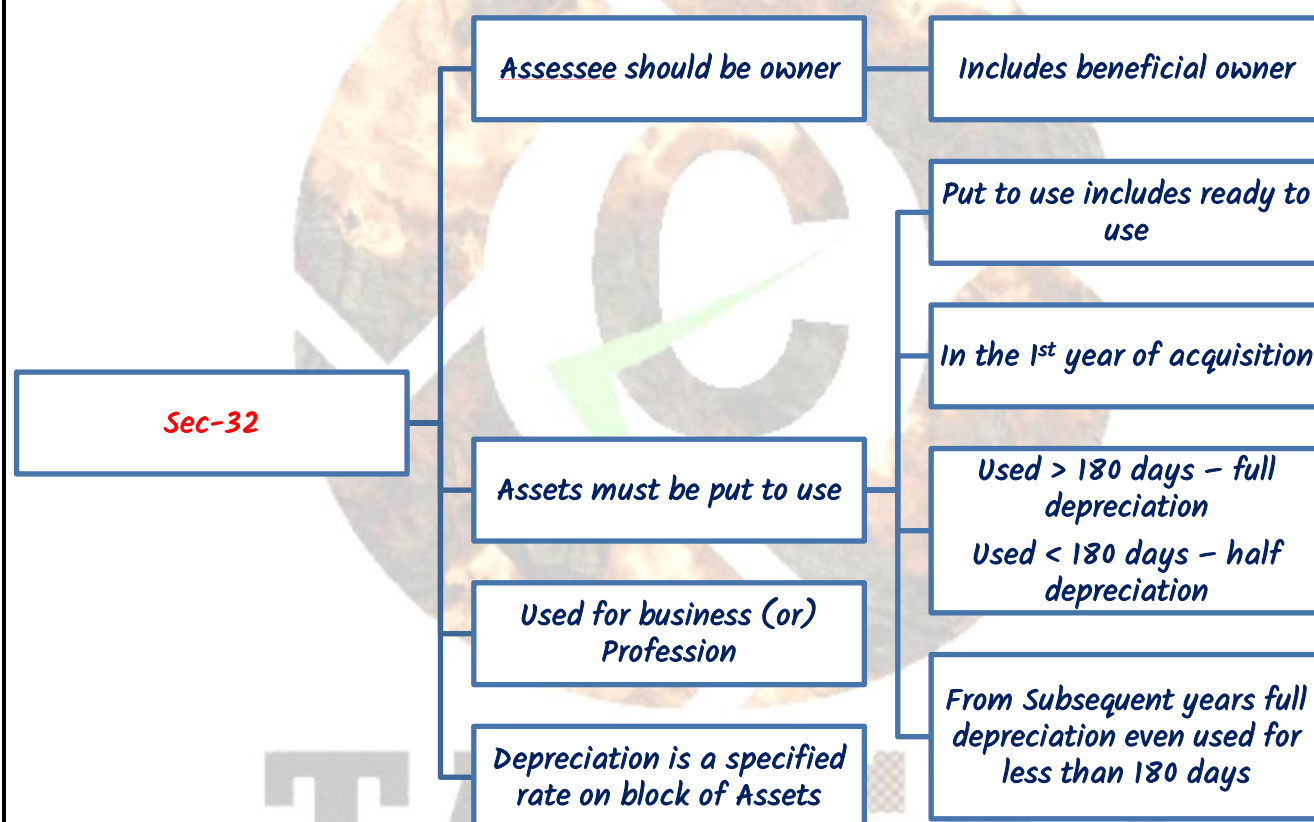
- Printing and Stationery Expenses are Paid in cash
- Salaries include salary paid to relative Rs.20,000, excess amount of Rs.5,000.
- Other Expenses include Payment for URPF Rs.40,000 and Payment to RPF Rs.60,000.
- Other Expenses also Include Rs.10,000 as Donation to Various Funds and Political Party

Calculate the Income From PGBP?

DEPRECIATION SEC-32

Accounts	Tax
1. Depreciation Rate are not fixed	1. Depreciation rates are fixed
2. Depreciation are many	2. Depreciation method SLM- Power generation unit (optional) WDV - all other Assessee
3. Depreciation on day wise	3. Depreciation is not on day wise (> 180 days; < 180 days)
4. Depreciation is on individual assets	4. Depreciation is on block of Assets
5. Revaluation is considered	5. Revaluation is not considered, hence no depreciation on revaluation assets.

6. Actual Cost of asset not defined	6. Actual cost defined
7. No additional depreciation	7. Additional depreciation exists
8. Depreciation up to the date of sale is considered	8. Depreciation for the year of sale is not allowed
9. Depreciation is not mandatory	9. Depreciation is mandatory
10. Depreciation start from the date of acquisition	10. Depreciation is available from the date it is put to use.
11. AS-10 is followed	11. Depreciation is as per Sec-32, no AS complied.



Note:

Depreciation shall be available from the date it is put to use & in fact depreciation is available from the date of trial run itself.

RATE OF DEPRECIATION

SEC- 32 – DEPRECIATION RATES:

Block	Particulars	Rate of Depreciation
Block-I	Building	
	Residential building other than hotels	5%
	Other like hotels, godown, office	10%

	Temporary structure, Water supply projects, Infrastructure facilities	40%
Block	Particulars	Rate of Depreciation
Block-2	Furniture & Fixtures (electronical fittings)	10%
Block-3	Intangible	25%
Block-4	P&M	
	(a) Normal	15%
	(b) Book	
	Normal	40%
	Annual Publications	40%
	(c) Computer & Software	40%
	(d) Wind Mill (before 1.4.2014= 15%)	40%
	(e) Life saving equipment, Renewable energy	40%
	(f) Energy saving device	40%
	(g) Oil Well	15%
	(h) Ships, Boats	20%
	(i) Motor Car	15%
	Motor Car used in business purchased from 23.8.2019 to 31.3.2020	30%
	Motor buses, lorries, taxies running them on hire	30%
	Motor buses, lorries, taxies running them on hire purchased from 23.8.2019 to 31.3.2020	45%
	Aeroplane & Aeroengines	40%
	Moulds used in rubber and plastic factories, P&M in semiconductor industry	

Particulars	Amount
Opening WDV of the Block	xxx
(+) actual cost of assets acquired	xxx
(-) Sale/discarded/demolished/subsidy received against asset	(xxx)
WDV	xxx
Depreciation on WDV	(xxx)

Closing WDV

xxx

Same kind of assets on which same rate of depreciation is applicable falls on the block of Asset

Note:

If assets are sold actual sale value is reduced from block of assets.

EXAMPLE 9:

M Ltd provides you following calculate Depreciation u/s 32

- Building
 - ✓ Opening WDV = 10 lakhs
 - ✓ Purchase 6/6/23 = 8 lakhs
- P&M
 - ✓ Opening WDV = 12 lakhs
 - ✓ Purchase 6/6/23 = 6 lakhs
 - ✓ Purchase 9/12/23 = 5 lakhs
 - ✓ Sale 1/2/24 = 1 lakh
- Furniture
 - ✓ Opening WDV – Nil
 - ✓ Purchases on 1/1/24 = 2 lakhs
- Computer
 - ✓ Opening WDV = 6 lakhs
 - ✓ Purchases 4/4/23 = 6 lakhs
 - ✓ Sale = Nil

ADDITIONAL DEPRECIATION -- SEC-32(1)

- Assessee must be engaged in (a) Manufacturing or (b) Power generation/ Distribution/ Transmission (c) Printing & Publication.
- Acquire new P&M, but new P&M does not include.
 - (a) Second hand P&M.
 - (b) P&M installed in office / Guest house.
 - (c) P&M being office appliance/ Transport vehicle.
 - (d) Whose whole cost is allowed as deduction.
 - (e) Any Ship or air craft

- Such P&M acquired on/ after 31/3/2005.
- Additional depreciation rate.
 - If unit is started in backward area of AP, Bihar, WB, Telangana = 35%
 - Other = 20%.

If used for less than 180 days then take half additional depreciation and balance addition depreciation is allowed in subsequent year.

EXAMPLE 10:

M/s. Dollar Ltd., a manufacturing concern, furnishes the following particulars:

- Opening writing down value of plant and machinery (15% block) - 5,00,000
- Purchase of plant and machinery (put to use before 01.10.2023) 2,00,000
- Sale proceeds of plant and machinery which became obsolete- the plant 5,000 and machinery was purchased on 01-04-2021 for Rs.5,00,000.
- Further, out of purchase of plant and machinery:
- Plant and machinery of Rs.20,000 has been installed in office.
- Plant and machinery of Rs.20,000 was used previously for the purpose of business by the seller.
- Compute depreciation and additional depreciation as per Income- tax Act, 1961 for the Assessment Year 2024-25.

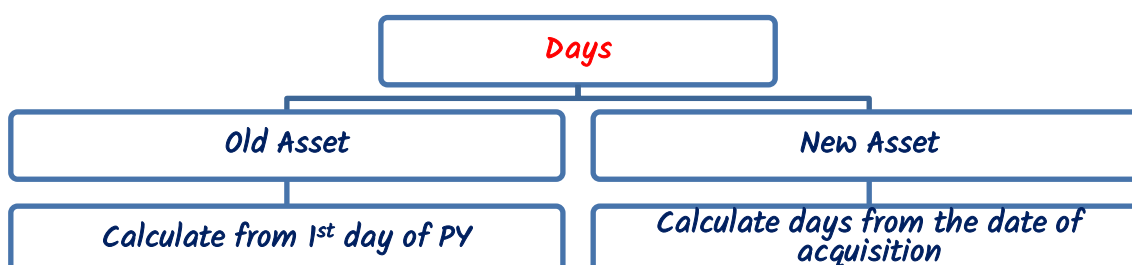
Note:

1. Additional depreciation is not available in case of P&M which is installed in office of the assessee or P&M which is previously used by the assessee (Second hand). However depreciation is available on the above given asset but no additional depreciation is available to the assessee.
2. While computing the depreciation deduct actual sale value.

DEPRECIATION IN CASE OF AMALGAMATION/DEMERGER/BUSINESS

Step-1 :- Calculate the total depreciation as if no amalgamation take place.

Step-2 :- Divide the total depreciation in to no. of days used by the each entity.



Step-3 :- Allocate Depreciation between two entities based on no. of days.

EXAMPLE 11:

Sai Ltd. has a block of assets carrying 15% rate of depreciation, whose written down value on 01.04.2023 was Rs.40 lacs. It purchased another asset (second-hand plant and machinery) of the same block on 01.11.2023 for Rs.14.40 lacs and put to use on the same day. Sai Ltd. Was amalgamated with Shirdi Ltd. with effect from 01.01.2024. You are required to compute the depreciation allowable to Sai Ltd. & Shirdi Ltd. For the previous year ended on 31.03.2024 assuming that the assets were transferred to Shirdi Ltd. at 60 lacs.

ACTUAL COST SEC-43(1)

Purchase	
Purchase price	xxx
(+) Expenses	xxx
(-) Benefit against asset	(xxx)
Actual Cost	xxx

Purchase	
Opening WDV	xxx
(+) Purchases	xxx
(-) Sale/discard/subsidy	(xxx)
Actual Cost	xxx

Gift/will/Inheritance

• Actual Cost = Cost to Previous owner

Personal assets converted in to business assets

- Building = Actual cost – Notional depreciation
- Other Assets = Actual cost

If whole cost of asset is allowed as deduction

• Actual cost = Nil

EXAMPLE 12:

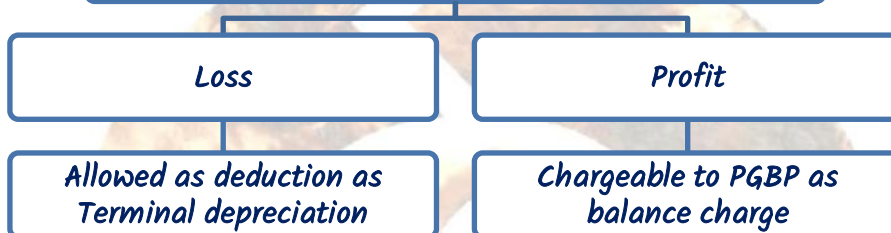
A car purchased by Dr. Soman on 10.08.2022 for Rs.5,25,000 for personal use is brought into professional use on 1.07.2023 by him, when its market value was Rs.2,50,000. Compute the actual cost of the car and the amount of depreciation for the assessment Year 2024-25 assuming the rate of depreciation to be 15%.

Depreciation in case of power generation unit Sec-32(1)(i)



Depreciation calculation remain the same

Sale of Assets used by power generating Co.

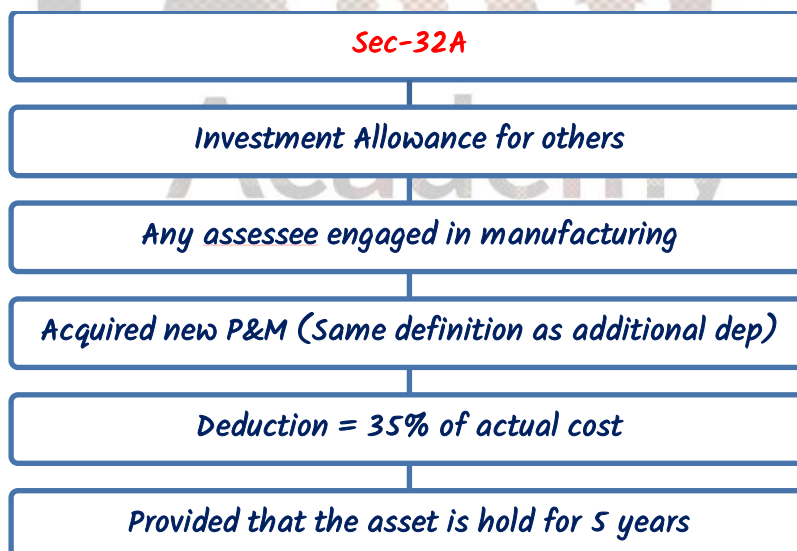


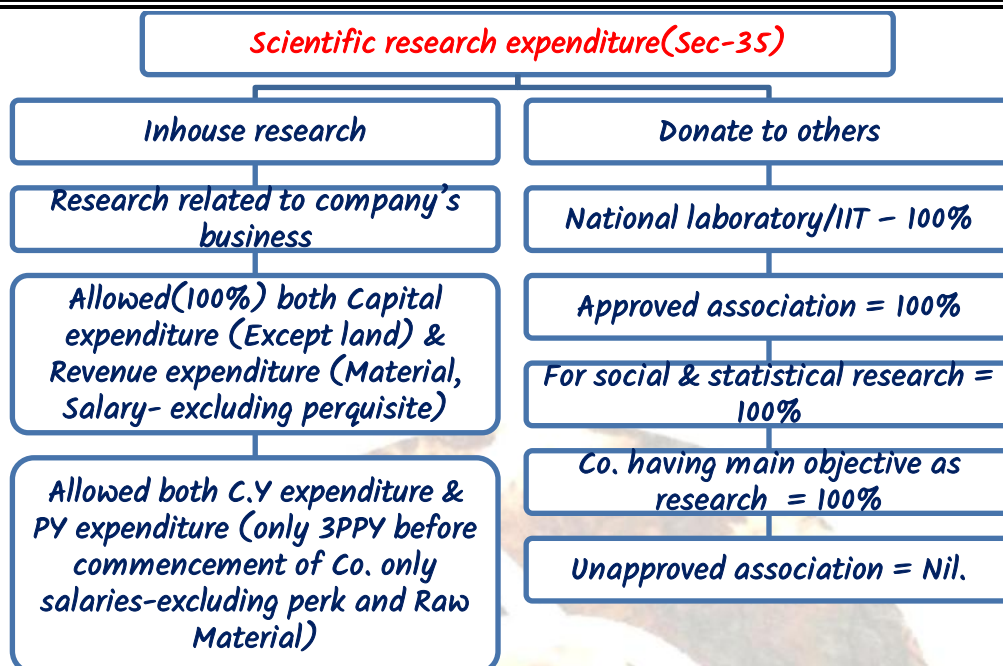
EXAMPLE 13:

R Ltd started a new unit in notified area of AP and acquired new P&M worth Rs. 28 lakhs out of which 2 lakhs worth of P&M were second hand. Compute over all benefit under Income Tax Act, 1961. Assets were acquired on June 2023, but put to used from Dec-2023. He is engaged in manufacturing of registers.

Note:

1. Depreciation is available from the date of put to use.
2. Additional depreciation is not allowed on second hand P&M.
3. If asset is put to use for less than 180 days only half of additional depreciation is allowed.
4. The balance additional depreciation will be available in the next year.
5. Sec-32 AD is available irrespective of the date assets is put to use.





Note:

✓ Inhouse Research

- Building – allowed
- Lab making expenses – allowed.
- Making approach road – allowed.
- Bus purchases for travelling of scientists – allowed.
- Land – Disallowed.

Format

Particulars	Amount	%	Deduction
-------------	--------	---	-----------

EXAMPLE 14:

Mr. PK has furnished the following particulars relating to payments made towards scientific research for the year ended 31.03.2024:

S.N	Particulars	Rs.In Lacs
i)	Payments made to K Research Ltd.	20
ii)	Payment made to LMN College	15
iii)	Payment made to OPQ College	10
iv)	Payment made to National Laboratory	8
v)	Machinery purchased for in-house scientific research	25
vi)	Salaries to research staff engaged in in-house scientific research	12

Note: K Research Ltd. and LMN College are approved research institutions and these payments are to be used for the purposes of scientific research. Compute the amount of deduction available under section 35 of the Income- tax Act, 1961 while arriving at the business income of the assessee. [May11]

Note:

1. If TDS made but paid after the due date of filing ROI, then deduction will be allowed in the next year when actual payment is made
2. If Assessee fails to deduct TDS but is not deemed to be an assessee in default u/s 201(1), then it shall be deemed that assessee has deducted that sum and paid

SEC- 35(2AB) – INHOUSE RESEARCH EXPENSES IN CASE OF SPECIAL BUSINESS

Assessee	• Company
Engaged in	• Manufacturing (any articles/ things except) or • Bio technology business
Inhouse research expenses	• Has an agreement with prescribed authorities for research & development
Deduction	• Land = Nil, Building - Nil (but allowed as per 35(1)(iv) • Previous year expenditure = 100% • Previous preliminary expenditure = 100% (no limit in no. of PY's)

Agriculture extension project Sec-35CCC

Any assessee incur agriculture extension project as notified by the Board (CBDT)

Deduction = 100% of actual cost

Note:

- The word agriculture extension project is not defined.

Skill development expenses (Sec - 35 CCD)

If Company incurs expenditure on skill development other than expenditure on land & building as notified the Board.

Deduction = 100% of actual expenditure

Note:

Expenditure incurred on ITI (Industrial Training Institute) is also eligible for deduction under this section.

Sec-35CCA

If any assessee incurs expenses or donate for

Rural Development or Poverty eradication Fund

Deduction = 100%

Note:

1. If already debited to P&L – do nothing.
2. If not debited tom P&L – Reduce from P&L

Eligible Projects Sec- 35AC

Any Assessee incurs any expenses or donate to any

Any eligible project notified by Board

Deduction = 100%

Note:

Eligible projects e.g. :- Clean Ganga, Clean Narmada e.tc.

VRS Expenditure- Sec-35DDA

If any assessee

Incurs /Paid VRS payment

Deduction is allowed on 1/5th basis, over 5 years starting from the year of expenses (4/5th is dis allowed and allowed in subsequent years)

Sec-43B – Deduction on Actual Payment

If certain payments actually paid before filing ROI then only deduction is allowed

Interest on borrowed capital form Banks, FI, NBFC

Approved Gratuity, leave encasement

Bonus

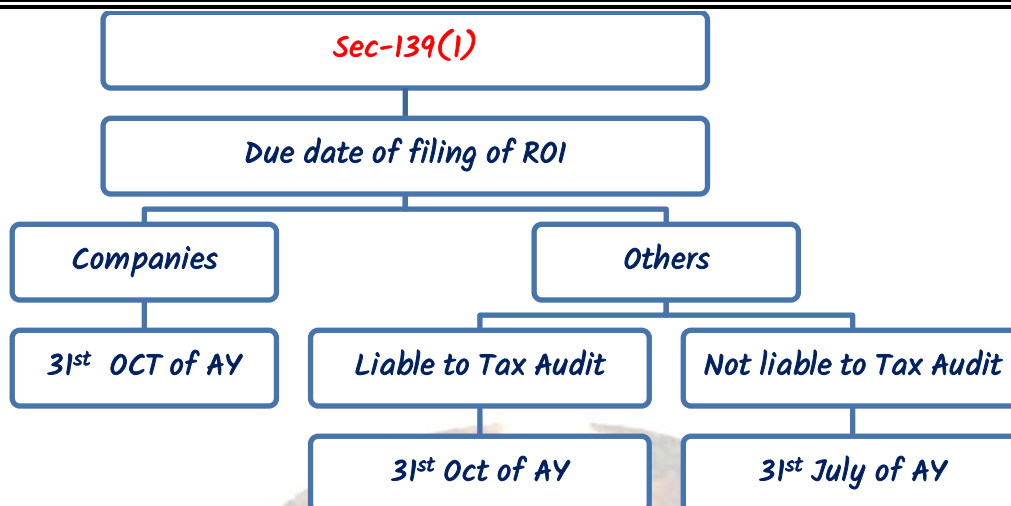
Commission, contribution to SPF, RPF

Duties & Taxes

Payment to Indian railways for use of assets

Amount payable to Micro or Small

- Interest on Loan form NBFC (either Deposits taking NBFC or not)

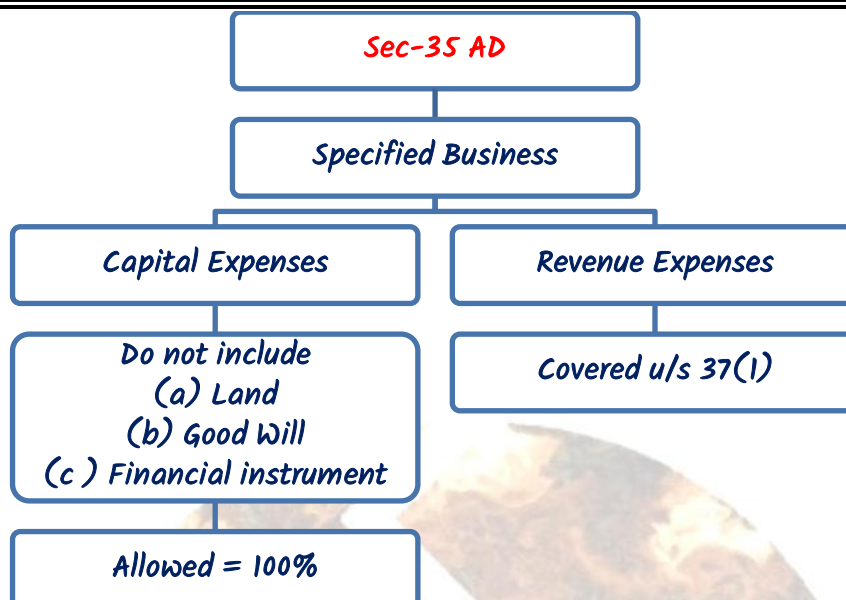


OTHER DEDUCTIONS SEC-36

Insurance premium (on Stock/Employees/Cattle)
Bonus
IOBC (only revenue, after TDS, not notional)
Er Contribution to RPF, Superannuation Fund)
Er Contribution to New pension scheme (restricted to 8.33% of salary of Ee)
Dead animals (net)
Er contribution to Gratuity
Bad debts (related to loan NA except lending bus)
Provision for BD (only to Banks) - 8.5% of GTI + 10% avg advances of rular branch; Foreign branch 5% of GTI
Family planning exp (only to Companies)
BCTT
STT, CDT
Marked to Market Loss

Note:

- Bad debts allowed only they were write off in BOA
- Bad debts is not allowed if books were maintained in cash basis.
- Bad debts are not allowed for disc bus.
- Bad debts allowed to successor of business.
- Recovery of BD is treated as PGBP in the year of recovery. (whether business existed or not)



Specified Business	Commencement	Deduction
Laying and operating a cross – country natural gas / crude / petroleum pipeline	On or after 1.4.2007	100%
Setting up and operating a cold chain facility	On or after 1.4.2009	100%
Setting up and operating a warehousing facility for storage of agriculture produce	On or after 1.4.2009	100%
The business of building and operating a new hotel of 2 star or above category anywhere in India	On or after 1.4.2010	100%
The business of building and operating of a new hospital anywhere in India with at least 100 beds for patients	On or after 1.4.2010	100%
The business of developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the Central Government of a State Government	On or after 1.4.2011	100%
Business in the nature of developing and building a housing project under a scheme for affordable housing framed by the Central / State Government and notified by the CBDT.	On or after 1.4.2011	100%
Capital expenditure for a new plant or newly installed capacity in any existing plant for production of fertilizers	On or after 1.4.2012	100%
Setting up and operating an Inland Container depot or container freight Station notified or approved under the Custom Act	On or after 1.4.2012	100%
Bee-keeping and production of Honey and Beewax	On or after 1.4.2012	100%
Setting up and operating warehouse facility for Storage of Sugar	On or after 1.4.2012	100%
Laying and operating a slurry pipeline for the transportation iron ore	On or after 1.4.2015	100%

Setting up and operating Semi-conductor water fabrication manufacturing unit notified by CBDT	On or after 1.4.2015	100%
Developing or maintaining and operating or developing maintaining and operating new infrastructure facility	On or after 1.4.2017	100%

Note:

1. Losses of these business can be set off only against income of these business, and balance loss shall be carried forward for indefinite period.
2. No deduction u/s 80C to 80U allowed out of these business.
3. No deduction is allowed if capital expenditure is acquired for cash more than 10,000.
4. If assets are claimed as deduction u/s 35 AD its actual cost would be nil- Hence no depreciation is allowed on these assets. Further if these assets are sold it shall be PGBP.
5. P.Y means any number of PY for the purpose of this section.

EXAMPLE 16:

Win Limited commenced the business of operating a three star hotel in Tirupati on 1-4-2023.

It furnishes you the following information:

i) Cost of land (acquired in June 2021)	60
i) Cost of construction of hotel building	
Financial year 2022-23	30
Financial year 2023-24	150
Plant and Machineries (all new) acquired during financial year 2023-24	30
i) [All the above expenditures were capitalized in the books of the company]	
Net profit before depreciation for the financial year 2023-24	80

Determine the amount eligible for deduction under section 35AD of the Income-tax Act, 1961,

for the assessment year 2024-25. [May-11]

Loss = 1,30,00,000

SOLUTION:

Note:

1. The above loss is eligible to set off with the specified income only.

2. Land is not eligible for deduction.

Note:

1. Income from UTI is exempt & taxable under the head of other sources.
2. Advice:- Since Sivam is individual and T.O does not exceed 2 cr. He can offer presumptive income

SEC-44AD – PRESUMPTIVE INCOME

Assessee

- Individual
- HUF
- Firm (not LLP)

Any Business

- Except
- Commission
- GTA
- Agency
- Profession

Turnover

- Not exceeding 2 crores (3 crores in case of cash receipts not exceeds 5% of total Receipts)

PRESUMPTIVE INCOME

8% of TO or Actual profit (w.e.h)

- Payments not received out of cheque/Draft/ECS

6% of TO or actual Profit (w.e.h)

- Payments received out of Cheque/Draft/ECS

Lower profit (conditions)

- Maintain Accounts &
- Tax Audit

Note:

- No deductions U/s 30-37(1) are allowed.
- Deductions U/s 80C to 80U are allowed.
- Set off of losses = allowed.
- Partners remuneration u/s 40(b) = not allowed.
- Advance Tax = Mandatory = 15th March of PY = 100%.

- If benefit of this section is taken, it shall be continuous for 5 years, if chain broke, then the benefit is not available for 5 years.
- If not given any thing regarding mode of receipt then give answer in both the angles.
- If TO received in both the modes (i.e. cheque and cash) then PI should be calculated on proportionate basis.

SEC-44ADA – PRESUMPTIVE INCOME FOR PROFESSION

Assessee

- Individual/HUF(R) or Firm (not LLP)

Engaged in profession

- Specified u/s 44AA

Gross Receipts

- Not exceeding 50 Lakhs (75 Lakhs in case of cash receipts not exceeds 5% of total Receipts)

Presumptive income

- 50% of Gross receipts or
- Actual Profit (w.e.h)

If lower profit shown
(conditions)

- Maintenance of BOA
- Tax Audit

Note:

1. Advance Tax = Mandatory = 15th March = 100%.
2. 5 years condition NA.
3. Deduction u/s 80C to 80U = allowed.
4. Set off of losses = allowed.

Mr. D profession has a TO of 40 lakhs. Compute Presumption.

Ans

PI=

SEC-44AE – PRESUMPTIVE INCOME IN CASE OF GTA

Assessee

• Any Assessee

Engaged in

• GTA owns not more than 10 goods carriage

PRESUMPTIVE INCOME

Heavy goods vehicle

- Rs. 1000 per ton of Gross vehicle weight per month during the period for which assets was owned ($1000 \times p.t \times p.m \times \text{No. of vehicle}$)

Other vehicle

- Rs. 7,500 p.m per vehicle during the period for which assets is owned ($7,500 \times p.m \times \text{no. of vehicle}$)

Lower Profit (conditions)

- Maintain BOA &
- Tax Audit

Note:

- Advance tax = only if estimated tax liability exceeds Rs. 10,000.
- Deductions u/s 80C to 80U = allowed.
- Losses setoff = Allowed.
- Heavy goods vehicle means where the net weight exceeds 12,000 kg (12 ton).
- Presumptive income will start from the day asset is owned and not from the day it is put to used.

K transport have 4 heavy goods vehicle (Gross weight of vehicle = 15,000 kg), 3 light goods vehicle. Compute presumptive income.

- Ans
- PI=

EXAMPLE 19:

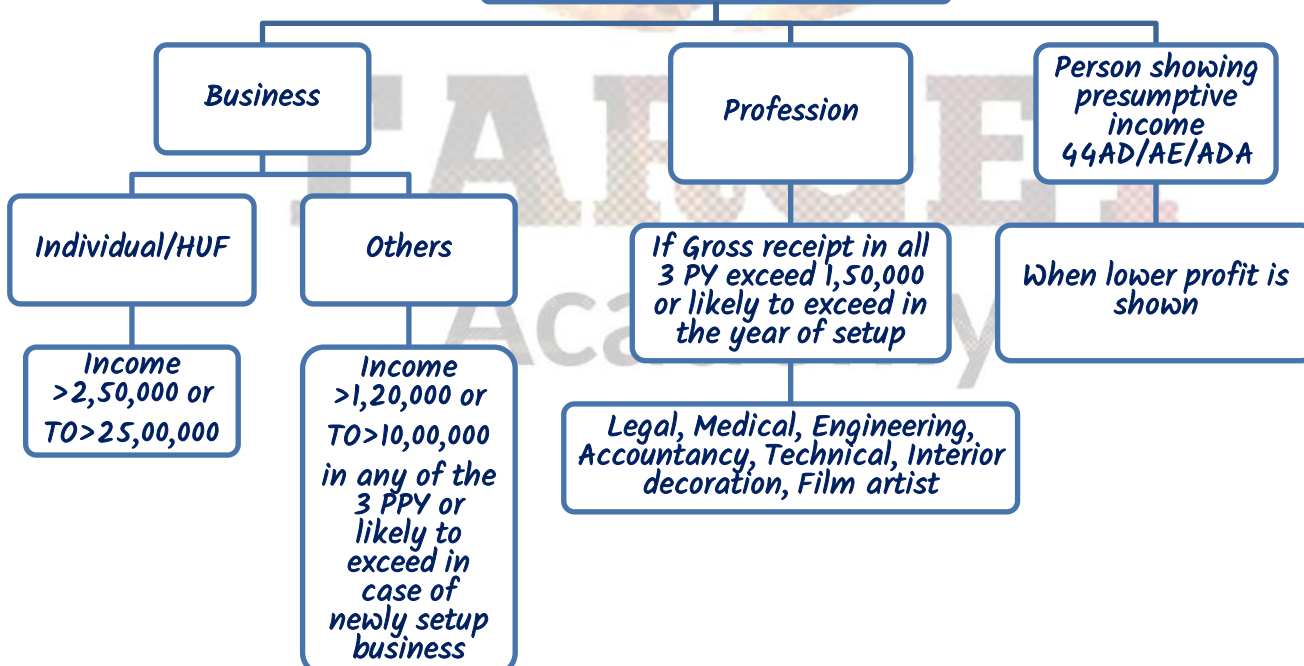
X started GTA business on 1/4/22. compute income u/s 44AE.

Gross weight of vehicle	Number	Date of purchase
7,000	2	10.4.22
6,500	1	15.3.23
10,000	3	16.7.22
11,000	1	2.1.23
15,000	2	29.8.22
15,000	1	23.2.23

Sec-41 :- Certain Income to be treated as PGBP



Sec-44AA - Accounts (BOA)



Books

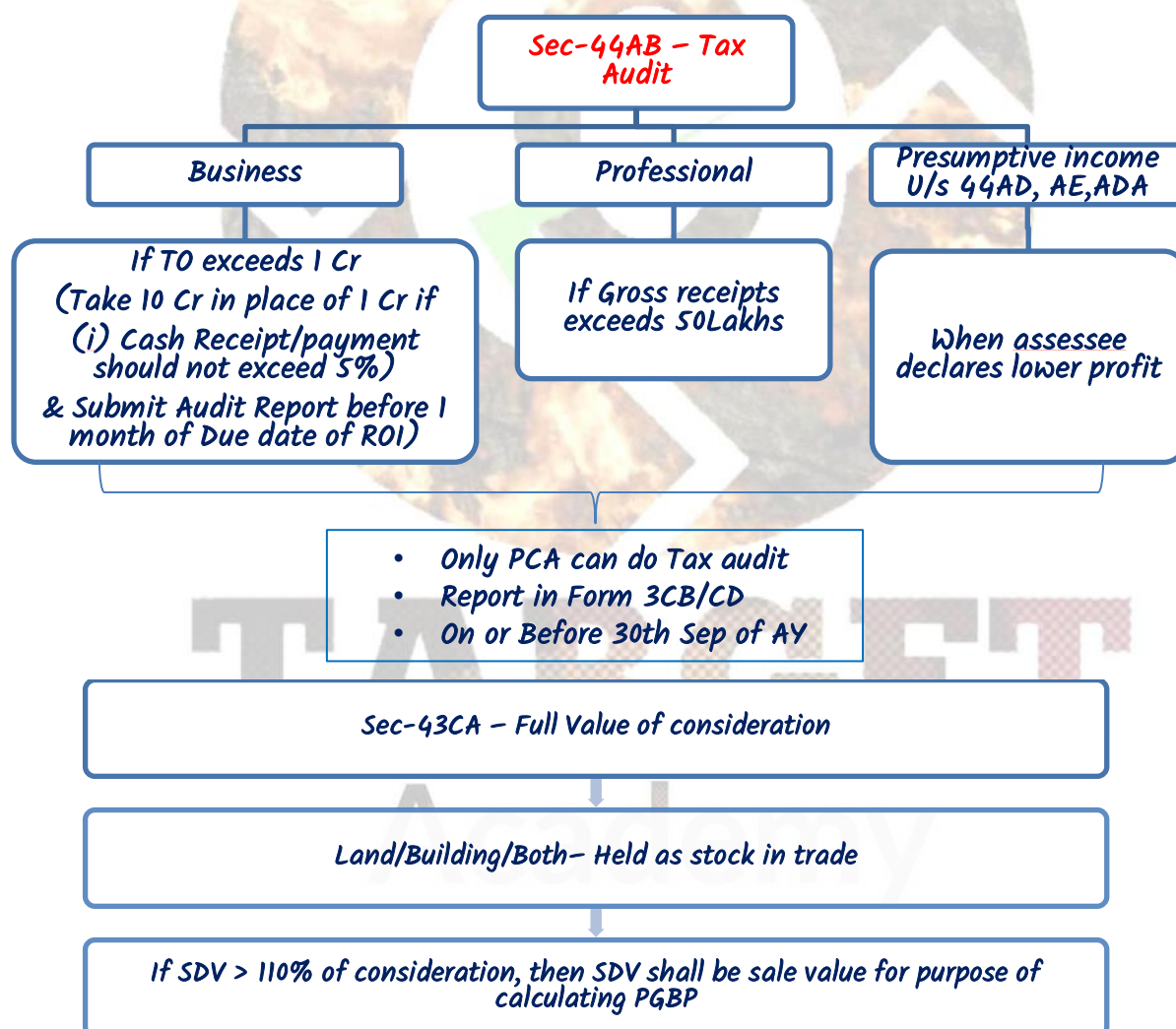
- Cash books
- Journals, ledgers
- Details of assets & liabilities
- Details of Income & Expenditure
- All original bills for an expenditure exceeding Rs. 25/-

Note:

As per section – 271 A if assessee do not maintain BOA penalty up to Rs. 25,000.

Penalty = 0.5 % of TO or 1,50,000 (w.e.l)

Maintain 6 years from the end of the AY



Consideration = 50 Lakhs; SDV = 60 lakhs.

- Ans
- PGBP = 60 lakhs.

Sec-43AA

Foreign Currency Loan taken and loan has not been settled till year end

Foreign exchange gain/Loss

Allowed

Sec-35AB – Tea, Coffee, Rubber Development expenses

Assessee engaged in growing & manufacturing Tea, Coffee, rubber will get deduction while computing PGBP

(a) Amount deposited in NABAD
(b) 40% of PGBP

AGGREGATION

Particulars	Agriculture Income	Business Income
Rubbers	65%	35%
Coffee grown, cured	75%	25%
Coffee grown, cured, Roasted	60%	40%
Tea	60%	40%

SEC-35D :- PRELIMINARY EXPENDITURE

Deduction

- $\frac{1}{5}^{\text{th}}$ of lower of
- (a) Actual expenditure
- (b) Maximum Limit

Maximum Limit

- Co. = 5% of cost of project or 5% of Capital employed (w.e.h)
- Other = 5% Cost of Project

Cost of Project

- Cost of fixed Assets

Capital employed

- Share Capital + Debenture + Long term borrowings

Preliminary Expenses

- Project Expenses
- Legal Expenses
- Feasibility report
- Engineering services
- Fee for registration Co.
- Expenditure connected with public issue

Partners Remuneration, Interest
Sec-40(b)

Remuneration or commission

Allowed only to working partner

Must be specified in deed

Allowed = Lease of
(a) Actual Remuneration
(b) Maximum limit

Interest

Maximum allowed = 12% pa

It can be paid on fixed as well
as floating capital

Paid to sleeping as well as
working partner

MAXIMUM LIMIT

Book Profit	Max Limit
Up to 3 lakhs book profit	90% of Book Profit or 1,50,000 (w.e.h)
Balance Book Profit	60% of Book Profit

MAXIMUM LIMIT

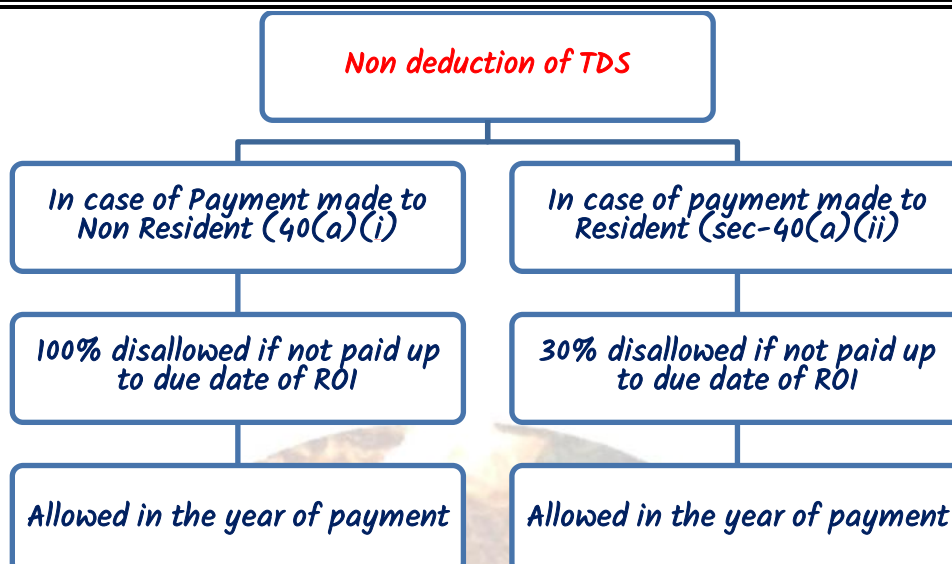
Particulars	Amount
Profit as computed under PGBP	xxx
(+) Interest (if any debited to P&L)	xxx
(+) Remuneration (if any) Dr to P&L	xxx
(-) Interest actually allowed	(xxx)
Book Profit	xxx

Note:

We have not add back interest on salary bcz they had not been debited to P&L.

Note:

- Family planning expenditure is available to Co.
- No TDS is required on repayment of bank loan.
- Employee contribution not paid also forms part of income



Note:

No disallowance if Payee

- (i) Furnishes ROI
- (ii) Takes into account such income in total income
- (iii) Paid tax
- (iv) Form 26A from CA

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THE END

CLUBBING

RULE:

1. It is done before computation of GTI.
2. It is done in the same head of Income.
3. It is done when assessment is open.
4. This is mandatory.

**Transfer of income with out transfer of asset
(Sec-60)**

If any person transfer of income(rent) with out transfer of Asset to any person then such income will be clubbed in the hands of transferor

EXAMPLE NO: 1

Mr. Watson has transferred, through a duly registered document, the income arising from a godown to his son, without transferring the godown. In whose hands will the rental income from godown be charged?[M 08]

SOLUTION:

Provision of law :- As per sec-60 if any person transfer income with out transfer of assets, such income would be clubbed in the hands of transferor.

Facts :- Watson transferred the income without transfer of assets.

Conclusion :- Income is taxed in the hands of Watson.

NOTE:

1. Minor is a person who has not completed the age of 18 years.
2. If minor income is clubbed exemption of Rs. 1500 per minor child clubbed u/s 10(32).
3. There is no restriction on No. of child.
4. Minor includes step child & adopted child.
5. If minor do not have parents or they cease to exist clubbing in the hands of legal guardian.
6. In case of minor married daughter clubbing will be made in the hands of own parents.
7. Losses is also clubbed.

FORMAT

Particulars	Father	Mother
Income	xxx	xxx
Income before clubbing	xxx	xxx
Clubbing(to parent to highest income)		

Income after clubbing

xxx

xxx

NOTE:

1. If minor is handicap income can't be clubbed.
2. If minor receives the income from talent income can't be clubbed.
3. Since gift does not exceed 50,000 it is not taxable.

NOTE:

1. Income from special talent can't be clubbed
2. Since gift does not exceed 50,000 it is not taxable.

NOTE:

1. Income from skill & talent are not clubbed.
2. No exemption from casual income.
3. It is assumed that salary is computed.

EXAMPLE NO: 6

State True or False, with reasons:

Mr. Y, who is a physically handicapped minor (suffering from a disability of the nature specified in section 80U), earns bank interest of 50,000 and 60,000 from marking bags manually by himself. The total income of Mr. Y shall be computed in his hands separately.[RTP]

SOLUTION:

- Provision of law:- If minor generates income from
 - (a) Skill and talent
 - (b) manual work done.
 - (c) Handicap.
- Then such income will be taxable in his own hands.
- Facts:- Y is handicap & generates income.
- Conclusion :- Income will be clubbed in his hands. Hence statement is true.

NOTE:

- Income from special talent can't be clubbed.

Revocable transfer of asset(Sec-61)

If a person transfer property under revocable transfer it shall be clubbed in the hands of transferor.

Transfer to Spouse for inadequate consideration Sec-64(1)

If a person transfer to spouse for inadequate consideration income will be clubbed in the hands of Transferor.

If a person transfer to Son's Wife for inadequate consideration income will be clubbed in the hands of Transferor.

If a person transfer to Third Party for the benefit of Spouse/Son's Wife for inadequate consideration income will be clubbed in the hands of Transferor.

However this section is not applicable when transfer is out of adequate consideration or gift.

EXAMPLE NO: 8

Mrs. Kasturi transferred her immovable property to ABC Co. Ltd. subject to a condition that out of the rental income, a sum of 36,000 per annum shall be utilized for the benefit of her son's wife. Mrs. Kasturi claims that the amount of 36,000 (utilized by her son's wife) should not be included in her total income as she no longer owned the property. State with reasons whether the contention of Mrs. Kasturi is valid in law.[N10]

SOLUTION:

Provision :- As per Sec-64(1) if any person transferred to third party for benefit of wife or son's wife income shall be clubbed in the hands of transferor.

Facts :- Kasturi transferred property for the benefit of son's wife.

Conclusion :- The Kasturi contention is not correct in law.

Business out of gifted money to spouse

The profit attributable to gifted money is clubbed in the hands of transferor

Clubbing = Profit x (Gifted Amount/Total capital employed)

Eg.1:

Profit = 50,000

Gift = 2,00,000.

Own capital = 4,00,000.

Ans

16,667.

NOTE:

Profit is not transferred to transferor only it is clubbed for taxation purpose. Actually that profit is with transferee business only.

In the subsequent years while allocation of profit only the amount actually gifted is taken in to account not along with clubbed profit bcz, the profit was not actually transferred it is invested in business of transferee by transferee.

If the amount is given as loan instead of gift this provision is not applicable.

Remuneration to spouse of person having significant interest without any professional or technical qualification

Remuneration should be clubbed in the hands of person

NOTE:

1. This provision is not applicable if remuneration/ commission is received out of Professional/ technical qualification.
2. The word professional or technical qualification is not defined.
3. If relations is not wife and husband this section is not applicable.
4. If the holding is along with relative this provision will applicable.
5. Relative = spouse, brother, sister.
6. If both husband and wife having SI & both are getting remuneration with of having technical and professional qualification then clubbing will be in the hands of person having greater income before this clubbing.

NOTE: Exemption is Rs. 1500 per child, hence in case of twin daughter it was Rs. 3000 (so we have taken 2000 as exemption)

NOTE:

- Income out of skill & talent will not be clubbed.

Crossed transfers

Clubbing should be made in the hands of person who has started the cross transfer, if specific section not applicable

EXAMPLE NO: 12

Mr. Ramesh gifted a sum of Rs. 500000 to his brother's minor son on 16.04.2023. On 18.04.2023, his brother gifted debentures worth Rs. 600000 to Mrs. Ramesh. Son of Mr. Ramesh's Brother invested the amount in FD with Bank of India @) 9% p.a. Interest and Mrs. Ramesh received Interest of Rs. 45000 on debentures received by her. Discuss the implications under the provisions of Income Tax Act 1961. [MIS]

SOLUTION:

Provision :- The above case fall under cross transfer, hence the income would be assessed in the hands of deemed transferor who has initiated the transaction except where specific section is applicable.

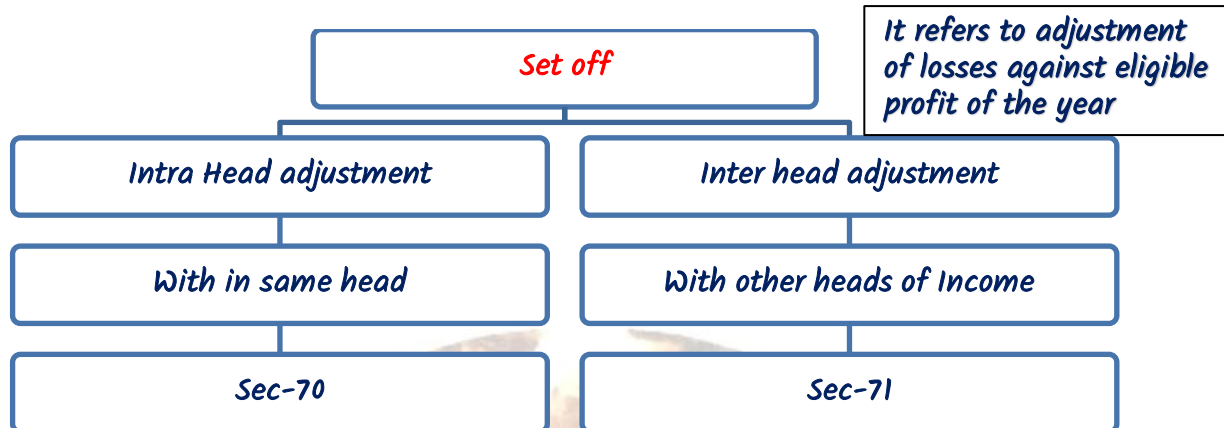
Conclusion :- In this case

1. Minor income would be clubbed as per Sec-64(1) (i.e. in the hands of Suresh)
2. Income from debentures would be clubbed in the hands of Mr. Ramesh (transferor initiated the cross transfer).

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SET OFF AND CARRY FORWARD



SET OFF

Head	Sec-70	Sec-71
Salary	There can't be any loss under salary	Any loss can be set off against salary except PGBP, CG, Casual Income & Horse races
House Property	Loss of HP can be set off against income of another House.	Loss of any head can be set off against HP but max set off is restricted to 2 lakhs.
PGBP	Normal business	Can be set off against any bus income
	Speculative business	Can be set off against only speculative income
	Specified business u/s 35 AD	Can be set off only against Specified income
CG	LTCL	Can be set off only against LTCG
	STCL	Can be set off only against any capital gain
Other sources	Horse Races	Can be set off only against income from HR
	Others	Can be set off against OS. However no set off against casual income

NOTE:

- No loss can be set off against exempted Income.(CIT v/s Tyagarajan)
- 1. Normal Business Loss = (4 lakhs)

✓ Normal Business Gain = 6 lakhs

✓ Ans

✓ Set off allowed.

2. Speculative Loss = (4 lakhs)

✓ Speculative Gain = 6 Lakhs.

✓ Ans

✓ Set off allowed.

3. Specified Business Loss = (5Lakhs)

✓ Specified Business Gain = 7 lakhs

✓ Ans

✓ Set off Allowed

4. Specified Business Loss = (5 lakhs)

✓ Normal Business Gain = 7 lakhs.

✓ Ans

✓ NA

5. Normal Business Loss = (7 lakhs)

✓ Specified Business Gain = 9 lakhs

✓ Ans

✓ Set off Allowed.

6. Specified Business Loss = (5 Lakhs)

✓ Speculative Gain = 6 lakhs.

✓ Ans

✓ NA.

7. LTCL = (8 lakhs)

✓ STCG = 9 lakhs.

✓ Ans

✓ NA

8. STCL = (9lakhs)

✓ LTCG = 11 lakhs

✓ Ans

✓ Set Off allowed.

9. Salary = 5 lakhs

✓ HP Loss = (3 lakhs)

✓ Ans

✓ Set off allowed.

10. Salary = 5 lakhs

✓ PGBP loss = (4 lakhs).

✓ Ans

✓ NA.

11. Salary = 5 lakhs.

✓ LTCL = (3 lakhs)

✓ Ans

✓ NA

12. HP Gain = 5 lakhs

✓ PGBP loss = (1 lakhs)

✓ Set off allowed.

13. HP Gain = 5 lakhs

✓ STCL = (1 lakh)

✓ Ans

✓ NA

14. LTCG = 8 lakhs

✓ HP loss = (1 lakh)

✓ Ans

✓ Set off allowed.

15. HP gain = 8 lakhs

✓ LTCG = (3 lakhs)

✓ Ans

✓ NA

16. PGBP loss = (8 lakhs)

✓ AI = 10 lakhs

✓ Ans

✓ NA

17. Agri Loss = (10 lakhs)

✓ PGBP = 12 lakhs

✓ Ans

✓ NA

ORDER OF SET OFF IN CASE OF PGBP

CY Depreciation/CY Capital expenditure on scientific research/CY family planning expenditure (to the extent allowed)



Brought forward losses of PGBP



Unabsorbed depreciation



Unabsorbed Capital expenditure on scientific research



Unabsorbed Family planning expenditure

• NOTE:

• Unabsorbed depreciation can be set off against any head including salary

STEPS TO SOLVE THE PROBLEM

Step-1

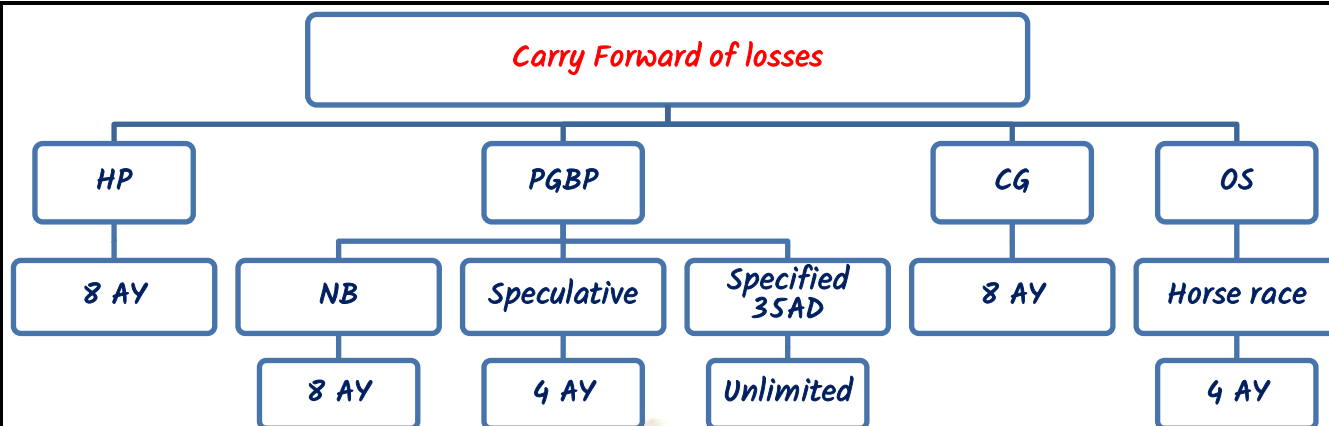
• First find out the Head of income given and write down all incomes and leave some space below

Step-2

• Apply the rule of set off as per Sec-70&71 and net off the balance & try to find out any other head where loss could be set off

Step-3

• Losses that can't be set off shall be carried forward and a note to that effect must be given.



NOTE:

Once loss is carry forward it can be set off against same head only.

Loss on Horse Race = Stake money – maintenance expenses of horses

NOTE:

1. Income from share of Firm is exempt U/s 10(2A). Hence loss from an exempted source can't be set off (CIT v/s Tyagarajan).

2. HR loss can be set off only against HR income. Hence it shall be C/F

NOTE:

1. Loss of HR can be set off only against income from HR. Hence it shall be carry forward.

2. Loss from gambling can't be set off nor can be carry forward.

3. Loss from speculative business can be set off only against income of speculative business. Hence it shall be carried forward.

4. It is assumed that salary is computed.

NOTE:

1. Loss from HR can be set off only against income from HR. Hence the loss shall be carried forward.

2. Loss from gambling can't be set off nor carried forward.

3. The balance speculative loss can be carried forward.

4. It is assumed that salary is computed.

NOTE:

1. POHA for immovable property shall be 24 months.

2. Unabsorbed depreciation can be set off against any head.

3. Dividend whether hold as stock or otherwise shall be exempted u/s 10(34).

THE END

RULES

- These deductions are available from GTI.
- Deductions Can't exceed GTI (Sec- 80A).
- Deduction is not available from (Sec-80B)
 - CG (LT&ST)
 - Casual Income
 - Specified business u/s 35 AD
- Deductions are covered U/s 80C to 80 U.

Sections	Income Tax Deduction for FY 2019-20 (AY 2020-21)	Who can Invest?	Limit for FY 2019-20 (AY 2020-21)
Sec 80C	Specified Investments (Refer material) (not necessary form taxable income) (Deduction on payment basis)	Individual(R/NR) Or HUF(R/NR)	Upto Rs 1,50,000 (Sec-80CCE)
Sec 80CCC	Investment in Pension Funds	Individuals	
Sec 80CCD (1)	Atal Pension Yojana and National Pension Scheme Contribution by employee(restricted to 10% of salary or 20% of GTI)	Individuals	
Sec 80CCD(1B)	Atal Pension Yojana and National Pension Scheme Contribution by employee(outside the limit of 1,50,000)	Individuals	Upto Rs 50,000
Sec 80CCD(2)	National Pension Scheme Contribution by Employer	Individuals	Amount Contributed or 14% of Salary (in case the employer is CG) 10% of Salary(in case of any other employer) 20% of GTI (in case of other Individual) - Whichever is lower Salary = BS+DA

80CCH	Individual	Contribution to Agniveer Corpus Fund An individual enrolled in the Agnipath Scheme and subscribing to the Agniveer Corpus Fund on or after 1.11.2022, who has paid or deposited any amount in his account in the Agniveer Corpus Fund	Individual' Contribution Whole of the amount paid or deposited [Deduction would be available only if the individual exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)]
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Central Government's Contribution

The entire Central Government's contribution to the Agniveer Corpus Fund would be included in the salary of the assessee. Thereafter, deduction u/s 80CCH(2) would be available for the same. [Deduction u/s 80CCH(2) would be available irrespective of the regime under which he pays tax]

Sec 80D	Medical Insurance Premium and Medical Expenditure on super senior citizen. CG health scheme or approved health Scheme, Health scheme of department of atomic energy, Preventive health check up	Individual Or HUF (R/NR)	• Paid cheque/ Draft • <u>Limit</u> • Assessee + Spouse + Dependent children = 25,000 or actual (w.e.l). • Parents = Actual or 25,000 (w.e.l) • (If Senior citizen parents = actual or 50,000 (w.e.l)) • <u>Preventive Health Check up</u> • Max limit = 5,000 covered in over all limit • May be paid in cash
Sec 80DD	Medical Treatment of a Dependent with Disability (Medical treatment or Deposit in approved scheme)	Individual(R) – Parents, Brother, sister, spouse, Children. Or HUF (R) - Any member	Normal Disability: Rs 75000/- Severe Disability(>80%): Rs 125000/- (Irrespective of expenditure)
Sec 80ddb	Specified Diseases	Individual(R) – Parents, Brother, sister, spouse, Children. Or HUF (R) - Any member	Senior Citizens & Super Senior: Upto Rs 1,00,000 Normal: Upto Rs 40,000

Sec 80E	Interest paid on Loan taken for Higher Education(after SSC). (Paid out of income chargeable to tax)	Individual (R/NR) (Assessee, Spouse, Children(any no.), to whom Assessee is legal gradian)	100% of the interest paid upto 8 assessment years Loan form approved FI only
Sec 80EE	Interest paid on Housing Loan (SOP)	Individual	Upto Rs 50,000 <u>Conditions</u> (a) <u>Loan <= 35 lakhs</u> (b) <u>Property <= 50 lakhs</u> (c) <u>No other house</u> (d) <u>Loan sanctioned from 1.4.16 to 31.3.2017</u>
Sec 80EEA	Interest paid on Housing Loan (certain Property-SOP) (Loan From Bank/HFC) Loan does not exceed 35 Lakhs Stamp Duty of House does not exceed 45 L	Individual	Up to Rs 1,50,000/- (in addition to Sec-24B) (loan sanctioned period 1.4.19 to 31.3.2023)
Sec 80EEB	Interest paid on Electric Vehicle Loan (Loan from Banks/FI/NBFC/Other specified Ins)	Individual	Up to Rs 1,50,000 (loan sanctioned period 1.4.19 to 31.3.2023)

Sec 80G	Donation to Charitable Institutions(Refer Material)	All Assessee (Individual, HUF, Company etc)	(a) Covered in qualified limit = (Least of Actual or Max Limit)* 100/50% - Max limit = 10% of ATI - ATI= GTI-LTCG-STCG u/s 111A-Deductions U/s 80C to 80U except 80 G or 80 GG (b) Not covered under Qualified limit = Actual * 100/50% (c)Allowed donation in cash up to Rs.2000/- (d) In kind = Nil
Sec 80GG	House Rent Paid (Not in receipt of HRA) (Not having own house at place of employment) (Have not claimed SOP) (Declaration in 10B)	Individual (R/NR)	(a) Rs. 5,000 pm (Rs.60,000/-) (b) 25% of ATI. (c) Rent paid - 10% of Total Income - whichever is lower. (ATI= GTI-LTCG-STCG u/s 111A-Deductions U/s 80C to 80U except 80 G or 80 GG)
Sec 80GGA	Donation to Scientific Research & Rural Development, Approved association.	All assessee except those who have an income (or loss) from a business and/or a profession	100% of the amount donated. Allowed donation in cash upto Rs.10,000/-
Sec 80GGB	Contribution to Political Parties(Expenses on behalf of party, Advertisement in soviner)	Companies(Indian)	100% of the amount contributed(not in cash)
Sec 80GGC	Contribution to Political Parties/Electoral trust	All Assessee (except Indian Co.)	100% of the amount contributed. No deduction available for contribution made in cash
Sec 80JJAA	Employment of New Employees	Employer who was subject to tax audit u/s 44AB	30% of additional employee cost for 3 years including the year in which employment is provided
Sec 80RRB	Royalty on Patents	Individuals (Indian citizen or foreign citizen being resident in India)	Rs.3,00,000/- Or Specified Income - whichever is lower
Sec 80QQB	Royalty Income of Authors	Individuals (Indian citizen or foreign citizen being resident in India)	Rs.3,00,000/- Or Specified Income - whichever is lower
Sec 80TTA	Interest earned on Savings Accounts(Not FD) form Bank, Post office, Co operative society.	Individual Or HUF (except senior citizen)	Actual or Rs 10,000/- (w.e.l) First add in IFOS and then take deduction. Limit is for all account
Sec 80TTB	Interest Income earned on deposits(Savings/FDs)	Individual (60 yrs or above)	Upto Rs 50,000/-
Sec 80U	Disabled Individuals	Individuals (R) Being Handicap	Normal Disability: Rs. 75,000/- Severe Disability(80% or more): Rs. 1,25,000/- (irrespective of expenses)

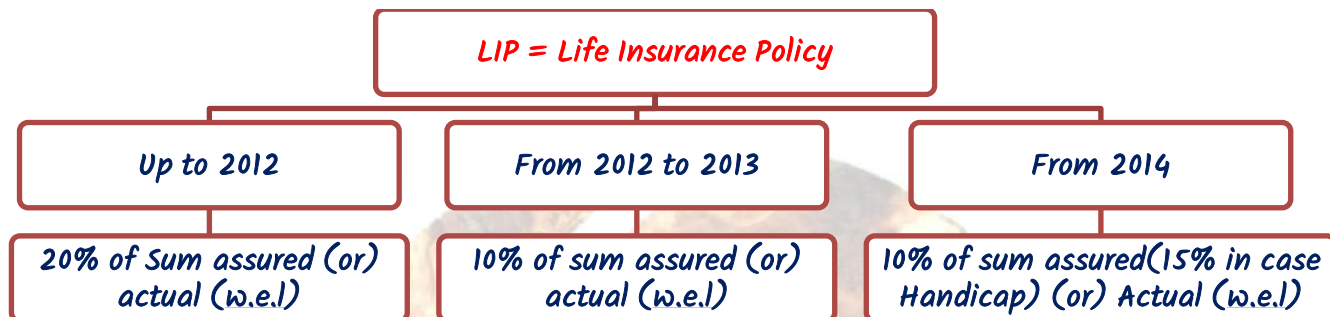
Sec 80IBA	Income from Housing projects (builders). -Approved by Authority (if approved 1/9/19, then no units allowed to I/Spouse/His minor Children) -Completed within 5 Y -Carpet area does not exceed 3% of Total space. -Plots size in specified limits	Assessee	Total Income is exempted
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1	Sec- 80CCD(2) NPS – Employee contribution – Deduction 14% of Salary (CG Ee)
2	Sec- 80EEA – Interest paid on Housing Loan – Limit 1,50,000
3	Sec- 80EEB – Interest paid on Electric vehicle loan – Limit 1,50,000
4	Sec- 80IBA – Income from Housing projects – not taxable

80C INVESTMENTS

- Public Provident Fund
- National Savings Certificate
- National Pension Scheme
- Employees' Provident Fund
- Tuition fees (full time course) in India
- Equity Linked Saving Schemes
- Principal repayment of home loan
- Sukanya Samriddhi Account Deposit Scheme
- Post Office Senior Citizens Savings Scheme

- Stamp Duty paid for house
- (No deduction is available for tax saver deposit scheme)
- Approved Mutual Fund/FD for 5 years in bank/Post office/NABARD.
- LIC Premium.



Problems on 80TTA

1. Interest from savings bank account Rs. 9,000. Find the amount of deduction.

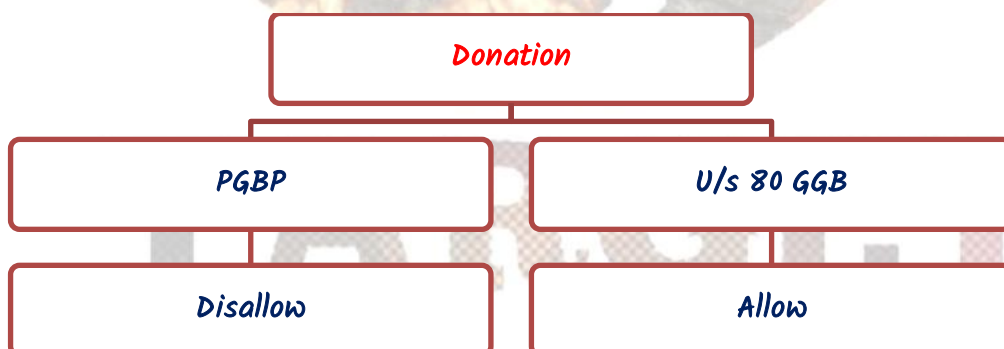
Ans

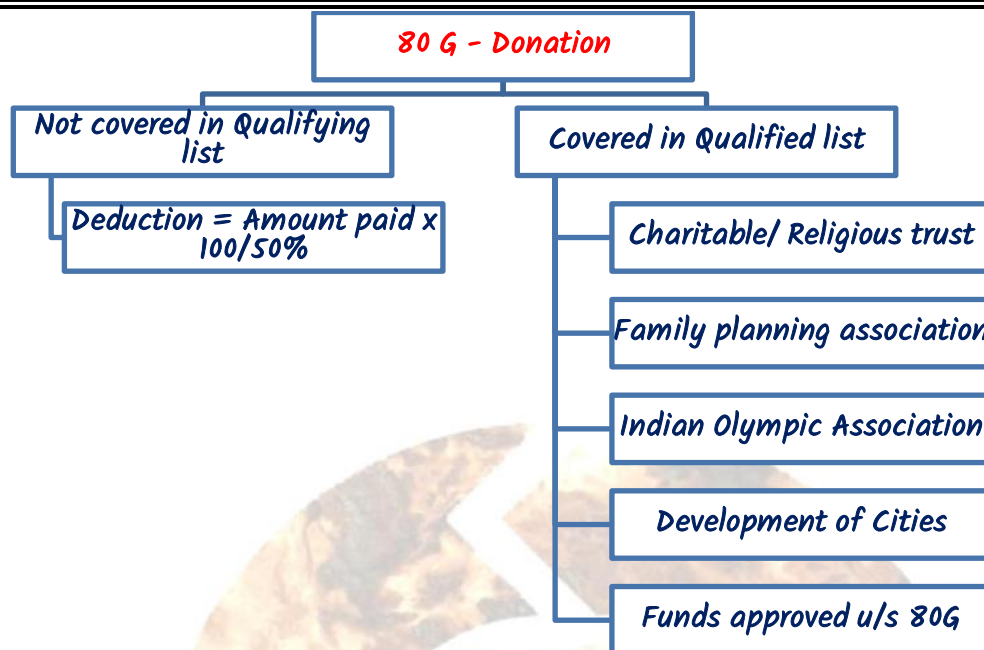
- 9000

2. Interest from savings bank account Rs. 12,000. Find the amount of deduction.

Ans

- 10,000.



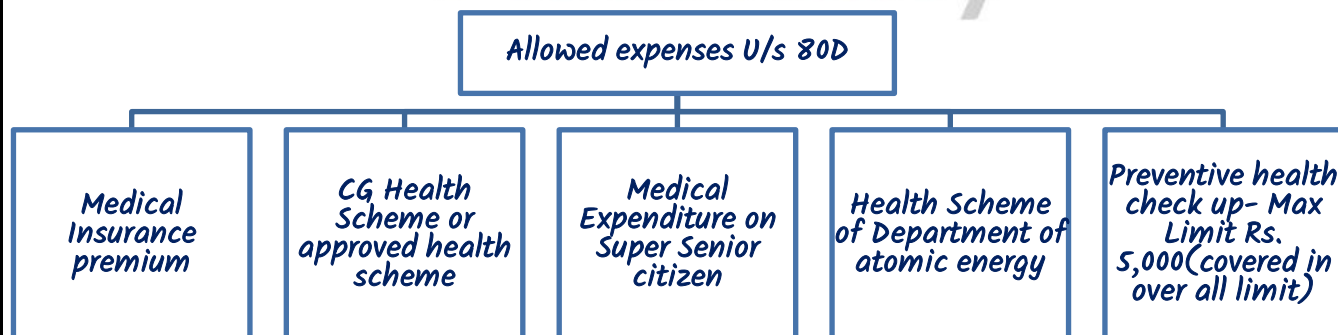


IN CASE OF QUALIFYING LIST - 80G:

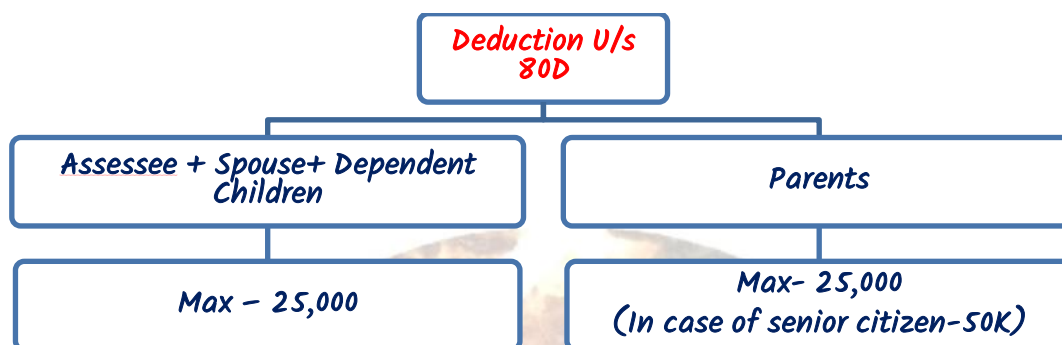
- Step -1 :- Actual donation.
- Step-2 :- Maximum Limit (10% of ATI).
- Step-3 :- Deduction = Least of following x 100/50%
 - (a) Actual
 - (b) Max

ABSTRACT OF LIST- 80G:

- National/ International/PM/State/University/CG/SG = 100%.
- Gandhi/ Nehru = 50%.
- Trust = 50%.
- National Drug Control = 100%.
- Swatch Bharat kosh = 100%.
- Clean Ganga Project = 100 %



Paid through Cheque/Draft



PROBLEMS ON 80D

1. Following are the expense with respect to medical insurance premium and Medical check up. Calculate the amount of deduction u/s 80D.

- Him self = 18,000
- Spouse + Child = 9,000.
- Preventive check up = 6,000.

2. Following are the expense with respect to medical insurance premium and Medical check up. Calculate the amount of deduction u/s 80D.

- Him self + Spouse + Children = 27,000
- Parents (senior citizen) = 26,000
- Preventive check up = 6,000.

PROBLEM ON 80EE:

Mr. X has taken self occupied property of loan of Rs. 20 lakhs interest @ 13% p.a. What is the overall benefit under Income Tax Act for Interest paid?

Ans.

- Total Interest = 2,60,000 (13% of 20 lakhs)
- U/s 24(b) = 2,00,000.
- U/s 80EE = 50,000.
- Maximum deduction = 2,50,000.
- Excess Rs. 10,000 is not allowed.

EXAMPLE NO: 5

Discuss the allowability of the following:

- Rajan has to pay to a hospital for treatment 42,000 and spent nothing for life insurance or for maintenance of handicapped dependent.
- Raja, a resident Indian, has spent nothing for treatment in the previous year and deposited 25,000 with LIC for maintenance of handicapped dependant.
- Rajan has incurred 20,000 for treatment and 25,000 was deposited with LIC for maintenance of handicapped dependant.
- Payment of 50,000 by cheque to an electoral trust by an Indian company. [N-02]

SOLUTION:

(a) As per Sec-80DD, If assessee expend on handicap relative then deduction

- Rs. 75,000 for non severe disabilities.
- Rs. 1,25,000 for severe disabilities.
- In this case expenses is incurred, the deduction would be Rs. 75,000.

(b) As per Sec-80DD, If assessee expend on handicap relative then deduction

- Rs. 75,000 for non severe disabilities.
- Rs. 1,25,000 for severe disabilities.
- In this case expenses is incurred, the deduction would be Rs. 75,000.

(c) As per Sec-80DD, If assessee expend on handicap relative then deduction

- Rs. 75,000 for non severe disabilities.
- Rs. 1,25,000 for severe disabilities.
- In this case expenses is incurred, the deduction would be Rs. 75,000.

(d) As per Sec-80GGB, if an Indian company incurred expenses on behalf of political party or donate to political party or electoral trust deduction would be 100% of amount expended.

- Deduction = 50,000

EXAMPLE NO: 8

State with proper reasons whether the following statements are True/False with regard to the provisions of the Income-tax Act, 1961:

During the financial year 2023-24, Mr. Amit paid interest on loan availed by him for his son's higher education. His son is already employed in a firm. Mr. Amit will get the deduction under section 80E.

Subscription to notified bonds of NABARD would qualify for deduction under section 80C.

In order to be eligible to claim deduction under section 80C, investment / contribution / subscription etc. in eligible or approved modes, should be made from out of income chargeable to tax.

Where an individual repays a sum of 30,000 towards principal and 14,000 as interest in respect of loan taken from a bank for pursuing eligible higher studies, the deduction allowable under section 80E is 44,000.[RTP]

SOLUTION:

(a) This statement is True

- As per Sec-80E interest on educational loan shall be allowed as deduction. It is irrelevant whether he is employed or not.

(b) This statement is true.

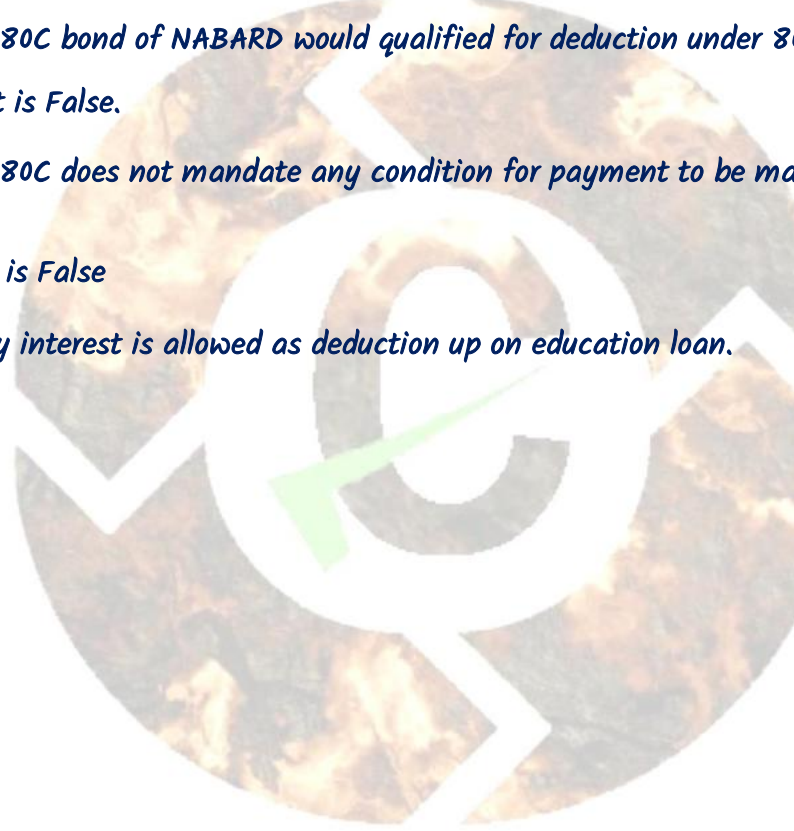
- As per Sec-80C bond of NABARD would qualified for deduction under 80C.

(c) This statement is False.

- As per Sec-80C does not mandate any condition for payment to be made income chargeable to tax.

(d) This statement is False

- Sec-80E only interest is allowed as deduction up on education loan.



TARGET
Academy

THE END

I. Tax deduction at source

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
192	Salary	Basic exemption limit This is taken care of in computation of the average rate of income-tax.	Any person Responsible for paying any income chargeable under the head Salaries	Individual (Employee)	Average rate of income-tax	At the time of payment
192A	Premature withdrawal from	Payment or aggregate payment $\geq 50,000$	Trustees of the EPF Scheme or any Authorized person under the Scheme	Individual (Employee)	10% on premature taxable withdrawal	At the time of payment
193	Interest on Securities	> 10,000 in a F.Y., in case of interest On 8% Savings (Taxable) Bonds, 2003/7.75% Savings (Taxable) Bonds, 2018. 5,000 in a F.Y., in case of interest on debentures issued by a Co. in which the public are substantially interested, paid or credited to a resident individual or HUF by an A/c payee cheque No threshold specified in any other case.	Any person Responsible for paying any income by way of interest on securities	Any resident	10%	At the time of credit of such income to the account of the payee Or at the time of payment, whichever is earlier.

194	Dividend (including dividends on preference shares)	Amount or aggregate amount > 5,000 in a F.Y., in case of dividend paid or credited to an individual shareholder by any mode other than cash > No threshold in other cases	The Principal Officer of a domestic company	Resident shareholder	10%	Before making any payment by any mode in respect of any dividend or before making any Distribution or payment of dividend.
194A	Interest other than interest on securities	Amount or aggregate amount > 40,000 in a F.Y., in case of interest credited or paid by – 1. A banking company; 2. A cooperative society engaged in banking business; and 3. a post office on any deposit under a notified Scheme. In all the above cases, if payee is a resident senior citizen, tax deduction limit is > 50,000. > 5,000 in a F.Y., in other cases.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover from business or profession do not exceed 1 crore in case of business or 50 lakhs in case of profession during the immediately preceding F.Y.) Responsible for paying interest other than interest on securities.	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

194B	Winnings from any lottery, crossword puzzle or card game or other game of any sort or from gambling or betting of any form or nature	Amount or the aggregate of Amounts >10,000 in a F.Y.	The person Responsible for paying income by way of such winnings	Any Person	30%	At the time of payment
194BA	Winnings from online games	On the net winnings in a person's user Account as computed in prescribed manner.	Any person Responsible for paying income by way of such winnings from any online game.	Any person	30%	At the end of the F.Y. In case there is withdrawal from user account during the F.Y., tax would be deducted at the time of such withdrawal on net winnings comprised in such withdrawal. In addition, tax would also be deducted on the remaining amount of net winnings in the user account as computed in prescribed manner at the end of the F.Y.
194BB	Winnings from horse race	Amount or the aggregate of Amounts > 10,000 in a F.Y.	Book Maker or a person holding license for horse racing or for Arranging for wagering or betting in any race course.	Any Person	30%	At the time of payment

194C	Payments to Contractors	Single sum credited or paid >30,000 (or) The aggregate of sums credited or paid to a contractor during the F.Y. > 1,00,000 Individual/HUF need not deduct tax where sum is credited or paid exclusively for personal purposes	Central/State Govt., Local authority, Central/State/Provincial Corpn., company, firm, trust, registered society, co-operative society, university established under Central/State/Provincial Act, declared university under the UGC Act, Govt. of Foreign State or a foreign enterprise, individual/HUF whose total sales, gross receipts or turnover from business or profession exceeds 1 crore in case of business or 50 lakhs in case of profession during the immediately preceding F.Y.	Any Resident contractor for carrying out any work (including supply of labour)	1% of sum paid or credited if the payee is an Individual or HUF 2% of sum paid or credited, if the payee is any other person.	At the time of credit of such sum to the account of the contractor or at the time of payment, whichever is earlier.
194D	Insurance Commission	Amount or aggregate amount > 15,000 in a F.Y.	Any person Responsible for paying any income by way of remuneration or reward for Soliciting or procuring insurance business	Any Resident	5%, if the payee is a non-corporate resident 10%, if the payee is a domestic company	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194DA	Any sum under a Insurance Policy not fulfilling the conditions specified u/s 10(10D)	Amount or aggregate $\geq$ 1,00,000 in a financial year	Any person Responsible for paying any sum under a LIP, the sum allocated way of bonus	Any resident	5% of amount of income comprised	At the time of payment

194G	Commission on sale of lottery tickets	> 15,000 in a financial year	A person Responsible for paying any income way of remuneration or (by whatever called) on lottery tickets	Any person stocking, distributing, purchasing selling lottery tickets	5%	At the time of credit such income to account of the or at the time payment, whichever earlier.
194H	Commission or brokerage	> 15,000 in a financial year	Any person than an Individual HUF whose total sales, gross or turnover from business or profession do exceed 1 crore case of business & 50 lakhs in case of profession during the immediately preceding F.Y.) Responsible for paying commission or brokerage.	Any resident	5%	At the time of credit such income to account of the or at the time payment, whichever earlier.
194-I	Rent	> 2,40,000 in a financial year	Any (other than an individual HUF) whose total sales, gross receipts or turnover from business or profession carried on by him do not 1 crore in case of business or 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying rent.	Any resident	For P&M equipment- 2% For land building, land appurtenant to a Furniture or fittings - 10%.	At the time of credit such income to account of the or at the time payment, whichever earlier.

194-1A	Payment on transfer of certain immovable property Other than agricultural land	≥ 50 lakh (Consideration for transfer or stamp duty value)	Any person, being a transferee (other than a person referred to in section 194LA Responsible for paying compensation For compulsory Acquisition of Immovable property Other than rural Agricultural land)	Resident transfer or	1% of consideration for transfer or stamp duty value, whichever is higher	At the time of credit of such sum to the Account of the Transferor or at the Time of payment, Whichever is earlier.
194-1B	Payment of Rent by certain individuals or HUF	>50,000 for a month or part of a month	Individual/ HUF (other than Individual/HUF whose total sales, gross receipts or turnover From business or profession carried on by him exceeds 1 crore in case of Business or 50 lakhs in case of profession during the Immediately preceding F.Y.) Responsible for paying rent.	Any Resident	5%	At the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, to the account of the payee or at the Time of payment, whichever is earlier

194J	Fees for professional or technical services/ Royalty/ Non-compete fees/ Director's remuneration	> ₹ 30,000 in a financial year, for each category of income. (However, this limit does not apply in case of payment made to director of a company).	Any person, other than an individual or HUF; However, in case of fees for professional or technical services paid or credited, individual/HUF, whose total sales, gross receipts or turnover from Business or Profession exceeds ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the immediately preceding F.Y., is liable to deduct tax u/s 194J, except where fees for professional services is credited or paid exclusively for his personal purposes.	Any Resident	2% - Payee engaged only in the business of operation of call centre 2% - In case of fees for technical services or royalty, where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films 10% - Other payments	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.
194K	Income on units other than in the nature of capital gains	Amount or aggregate amount > ₹ 5,000 in a F.Y.	Any person responsible for paying any income in respect of units of a mutual fund/Administrator of the specified undertaking/ specified company	Any resident	10%	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.
194LA	Compensation on acquisition of certain immovable property other than agricultural land situated in India	Amount or aggregate amount > ₹ 2,50,000 in a F.Y.	Any person Responsible for paying any sum in the nature of Compensation or enhanced compensation on compulsory acquisition of immovable property	Any Resident	10%	At the time of payment

194M	Payments to Contractors - Commission or brokerage Fees for professional services	> ₹ 50,00,000 in a financial year	Individual or HUF other than those who are required to deduct tax at source under section 194C or 194H or 194J	Any Resident	5%	At the time of credit of such sum or at the time of payment, whichever is earlier.
194N	Cash withdrawals	> 3 crore if the recipient is a co-operative society > 1 crore in case of others	A banking company or any bank or banking institution A co-operative society engaged in carrying on the business of banking or a post office who is responsible for paying any sum, being the amount or the aggregate of amounts, as the case may be, in cash exceeding 1 crore/ 3 crore in case the recipient is a cooperative society, during the previous year, to any person from one or more accounts maintained by the recipient	Any person	@ 2% of such sum In case the recipient has not filed ROI for all the 3 immediately preceding P.Y.s, for which time Limit u/s 139(1) has expired, such sum shall be the amt or agg. of amts, in cash > ₹ 20 lakh during the P.Y. TDS - @ 2% of the sum, where cash withdrawal > 20 lakhs but ≤ ₹ 1 crore/ 3 crore in case the recipient is a co-operative society - @ 5% of the sum, where cash withdrawal > 1 crore/ 3 crore in case the recipient is a cooperative society	At the time of payment of such sum

194P	Pension (along with Interest on bank account)	Basic exemption limit [3,00,000 (in case specified senior citizen pays tax under default tax regime u/s 115BAC), 3,00,000/ 5,00,000, as the case may be, if specified senior citizen has exercised the option of shifting out of the default tax regime providing u/s 115BAC] [i.e., total income after giving effect to the deduction allowable under Chapter VI-A, if any allowable should exceed the basic exemption limit. Further, in case the individual is entitled to rebate u/s 87A from tax payable, then the same should be given effect to]	Notified specified bank	Specified senior citizen i.e., An individual, being a resident in India, who is of the age of 75 years or more at any time during the PY; is having pension income and no other income except interest income received or receivable from any account maintained by such individual in the same specified bank in which he is receiving his pension income; and has furnished a declaration to the specified bank.	Rates in force, where the individual has exercised the option of shifting out of the default tax regime. Rates specified in section 115BAC, Where the individual pays tax Under the Default tax regime.
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194Q	Purchase of goods	> 50 lakhs in a previous year	Buyer, who is responsible for paying any sum to any resident for purchase of goods. Buyer means a person whose total sales, gross receipts or turnover from Business exceeds 10 crores during the FY immediately preceding the FY in which the purchase of goods is carried out.	Any resident	0.1% of sum exceeding 50 lakhs	At the time of credit of such sum to the account of the seller or at the time of payment, whichever is earlier.
194R	Any benefit or perquisite, whether convertible into money Or not, arising from business or the exercise of a profession The provisions would apply to any benefit or perquisite, Whether in cash or in kind or partly in cash and partly in kind.	Value or aggregate of value of benefit or perquisite >20,000 in a financial year	Any person (other than an individual or HUF whose total sales, gross receipts or turnover do not exceed 1 crore in case of business or 50 lakhs in case of profession during the immediately preceding F.Y.) Responsible for providing to a resident, any benefit or perquisite. In case of a company, person responsible for paying” means The company itself including the Principal Officer thereof.	Any resident	10% of value or aggre. of value of such benefit or perquisite	Before providing such benefit or perquisite

Notes –

1. Section 206AA requires furnishing of PAN by the deductee to the deductor, failing which the deductor has to deduct tax at the higher of the following rates, namely, -
 - I. at the rate specified in the relevant provision of the Income-tax Act, 1961; or
 - II. at the rate or rates in force; or
 - III. at the rate of 20% and in case of section 194-Q, 5%
2. Section 206AB requires tax to be deducted at source under the provisions of this Chapter on any sum or income or amount paid, or payable or credited, by a person to a specified person, at higher of the following rates -
 - I. at twice the rate prescribed in the relevant provision of the Act;
 - II. at twice the rate or rates in force i.e., the rate mentioned in the Finance Act; or
 - III. at 5%

However, section 206AB is not applicable in case of tax deductible at source under sections 192, 192A, 194B, 194BA, 194BB, 194-1A, 194-1B, 194M^{II} or 194N

Meaning of “specified person” – A person who has not furnished the return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which the time limit for furnishing the return of income under section 139(1) has expired, and the aggregate of tax deducted at source and tax collected at source in his case is ` 50,000 or more in the said previous year.

However, the specified person would not include -

- a non-resident who does not have a permanent establishment in India; or
 - a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and is notified by the Central Government in this behalf.
3. In case the provisions of section 206AA are also applicable to the specified person, in addition to the provisions of this section, then, tax is required to be deducted at higher of the two rates provided in section 206AA and section 206AB.
 4. The threshold limit given in column (3) of the table is with respect to each payee

Tax Collection at source [Section 206C]

- | | |
|----|--|
| 1. | Sale of certain goods [Section 206C(1)] – Sellers of certain goods are required to collect tax from the buyers at the specified rates. The specified percentage for collection of tax at source is as follows |
|----|--|

	Nature of Goods	Percentage
I.	Alcoholic liquor for human consumption	1%
II.	Tendu leaves	5%
III.	Timber obtained under a forest lease	2.5%
IV.	Timber obtained by any mode other than (iii)	2.5%
V.	Any other forest produce not being timber or tendu leaves	2.5%
VI.	Scrap	1%
VII.	Minerals, being coal or lignite or iron ore	1%

The tax should be collected at the time of debiting of the amount payable by the buyer to his account or at the time of receipt of such amount from the buyer, whichever is earlier. However, no collection of tax shall be made in the case of a resident buyer, if such buyer furnishes a declaration in writing in duplicate to the effect that goods are to be utilised for the purpose of manufacturing, processing or producing articles or things or for the purposes of generation of power and not for trading purposes [Section 206C(1A)].

2. **Lease or a licence of parking lot, toll plaza or mine or a quarry [Section 206C(1C)]** - Every person who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest in any

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

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

3. **Sale of motor vehicle of value exceeding ` 10 lakhs [Section 206C(1F)]** - Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ` 10 lakhs, shall, at the time of receipt of such amount, collect tax from the buyer @ 1% of the sale consideration

4. **Remittance under LRS of RBI or purchase of an overseas tour package [Section 206C(1G)]**
- Every person,
 - being an authorized dealer, who receives amount under the Liberalised Remittance Scheme (LRS) of the RBI for remittance from a buyer, being a person remitting such amount,
 - being seller of an overseas tour programme package who receives any amount from the buyer who purchases the package
- has to collect tax at the time of debiting of the amount payable by the buyer or at the time of receipt of such amount from the said buyer by any mode, whichever is earlier.
- Rate of TCS in case of collection by an authorized dealer/ seller of an overseas tour programme package**

S. No	Amount and purpose of remittance	Rate of TCS upto 30.9.2023	Rate of TCS on or after 1.10.2023
I.	Where the amount is for purchase of an overseas tour programme package	5% of such amount (without any threshold limit)	5% till ` 7 lakhs, 20% thereafter
II.	a) Where the amount is remitted for the purpose of education or medical treatment; and b) the amount or aggregate of the amounts being remitted by a buyer is less than ` 7 lakhs in a financial year	Nil (No tax to be collected at source)	Nil (No tax to be collected at source)
III.	a) Where the amount is remitted for the purpose other than mentioned in (ii) above; and b) the amount or aggregate of the amounts being remitted by a buyer is less than ` 7 lakhs in a financial year	Nil (No tax to be collected at source)	Nil (No tax to be collected at source)
IV.	a) where the amount is remitted for the purpose of education or medical treatment; and b) the amount or aggregate of the amounts in excess of ` 7 lakhs is remitted by the buyer in a financial year	5% of the amt or agg. of amts in excess of ` 7 lakh	5% of the amt or agg. of amts in excess of ` 7 lakh
V.	a) where the amount is remitted for the purpose other than mentioned in (iv) above; and b) the amount or aggregate of the amounts in excess of ` 7 lakhs is remitted by the buyer in a financial year	5% of the amt or agg. Of amts in excess of 7 lakh	20% of the amt or agg. Of amts in excess of 7 lakh
VI.	a) where the amount being remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education; and	0.5% of the amt or agg. Of amts in excess of 7 lakh	0.5% of the amt or agg. of amts in excess of 7 lakh

b) the amount or aggregate of the amounts in excess of ` 7 lakhs is remitted by the buyer in a financial year

Cases where no tax is to be collected

I.	No TCS by the authorized dealer on an amount in respect of which the sum has been collected by the seller
II.	No TCS, if the buyer is liable to deduct tax at source under any other provision of the Act and has deducted such tax
III.	No TCS, if the buyer is the Central Government, a State Government, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority or any other person notified by the Central Government, subject to fulfillment of conditions stipulated thereunder. Accordingly, the CBDT has, vide notification no. 99/2022 dated 17.8.2022, notified that the provisions of section 206C(1G) would not apply to a person (being a buyer) who is a non-resident in terms of section 6 and does not have a permanent establishment in India

5. **Sale of goods of value exceeding ` 50 lakh [Section 206C(1H)]** - Every person, being a seller, who receives any amount as consideration for sale of goods of the value exceeding ` 50 lakhs in a previous year, other than exported goods or goods covered in (a)/(c)/(d)], is required to collect tax at source, at the time of receipt of such amount, @ 0.1% of the sale consideration exceeding ` 50 lakhs

However, tax is not required to be collected if the buyer is liable to deduct tax at source under any other provision of the Act on the goods purchased by him from the seller and has deducted such tax

6. In case of non-furnishing of PAN [PAN or Aadhaar number in case of section 206C(1H)] by the collectee to the collector, tax is required to be collected at the higher of -

- twice the rate specified in the relevant provisions of the Act; or
- at 5% [1%, in case tax is required to be collected at source u/s 206C(1H)]. [Section 206CC]

However, the maximum the rate of TCS under this section shall not exceed 20%. The provisions of section 206CC do not apply to a non-resident who does not have a permanent establishment in India.

7. Section 206CCA requires tax to be collected at source on any sum or amount received by a person from a specified person, at higher of the following rates –
- at twice the rate specified in the relevant provision of the Act;
 - at 5%
- However, the maximum the rate of TCS under this section shall not exceed 20%.
- In case the provisions of section 206CC are also applicable to the specified person, in addition to the provisions of section 206CCA, then, tax is required to be collected at higher of the two rates provided in section 206CC and section 206CCA.
- Meaning of “specified person”** – A person who has not furnished the return of income for assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be collected, for which the time limit for furnishing the return of income under section 139(1) has expired, and the aggregate of tax deducted at source and tax collected at source in his case is ` 50,000 or more in the said previous year.
- However, the specified person would not include
- a non-resident who does not have a permanent establishment in India ; or
 - a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and is notified by the Central Government in this behalf

Month of Deduction	Quarter ending	Due date for TDS Payment through Challan		Due Date for filing of Return for All Deductors
		*For Govt. Deductor	For Other Deductor	
April	30 th June	7 th May		31 st July
May		7 th June		
June		7 th July		
July	30 th September	7 th August		31 st October
August		7 th September		
September		7 th October		
October	31 st December	7 th November		31 st Jan
November		7 th December		
December		7 th January		
January	31 st March	7 th February		31 st May
February		7 th March		
March		7 th April	30 th April	

THE END

ADVANCE TAX

Who is liable to pay advance tax

Advance tax is payable where estimated tax liability is Rs. 10,000 or more

Assessee showing presumptive income u/s 44AD; 44ADA

Advance tax is paid in PY itself

Who is not liable to advance tax

Whose estimated tax liability not exceed Rs. 10,000

Senior citizen not having PGBP

Due dates of advance tax

Normal

15th June -15%

15th Sep-45%

15th Dec-75%

15th Mar-100%

Presumptive income

15th Mar-100%

Note:

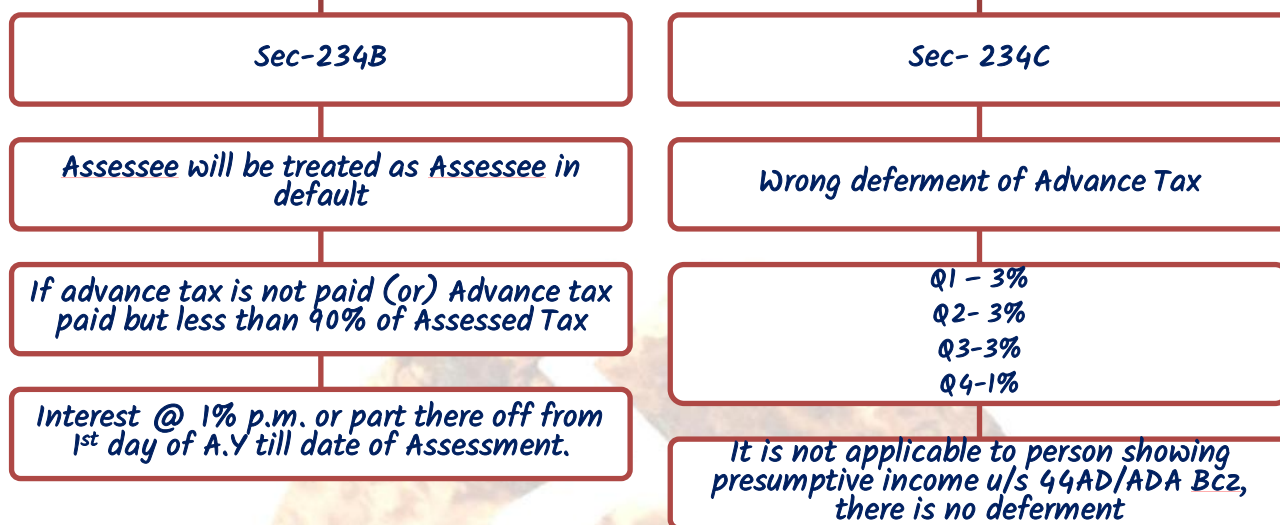
- Any tax paid b/w 15th mar to 31st Mar will also be treated as advance tax.
- Agriculture income is also counted.
- It is paid in challan no. 280
- If on any date bank is closed on due date Advance tax is paid on next working day.
- As per Sec-219, Advance tax paid shall be treated as Income tax paid on behalf of assessee.

HOW TO COMPUTE ESTIMATED TAX LIABILITY:

Particulars	Amount
Normal Tax liability	xxx
Less :- Relief U/s 89/9/91 (if any)	(xxx)
Advance Tax paid (if any)	(xxx)
TDS/ITCS(if any)	(xxx)
MAT/AMT(if any)	(xxx)
Estimated Tax liability	xxx

If such estimated tax liability exceeds Rs.10,000 or more then Assessee is liable to pay Advance tax

Consequence of not paying Advance Tax



Interest u/s 234C is applicable on 44AD/ADA, If they fail to pay AT on 15th March & such interest will be 1% of 1 month.

No 234C interest in following cases



Advance Tax in case of capital Gain and casual Income

AT is payable on all type of income including CG & casual Income

But, These income can't be estimated, hence AT is paid on next due date after there income actually arise

If no due date is pending then on or before 31st March

THE END

SEC- 139:- COMPULSORY ROI

Applicable

- I/HUF/AOP/BOI/AJP
- If GTI (before Ded u/s Ch-VIA & exception U/s 54)) exceeds BEL

**Applicable
(irrespective of GTI)**

Individuals/HUF/AOP/BOI/AJP

- ROR having Financial Assets, Signing authority outside India
 - Deposit aggregate of the amt exceeding Rs. 1 Cr in one or more accounts.
 - Expenditure on foreign travel exceeds 2 lakhs
 - Expenditure on electricity consumption exceeds 1 lakhs
- CO.; Firm/LLP;

Sec- 139(IC) :- CG to exempt class of persons to file ROI

NR(Not a Co.)

Foreign CO.

Income from
Investment fund setup
in IFSC located in India

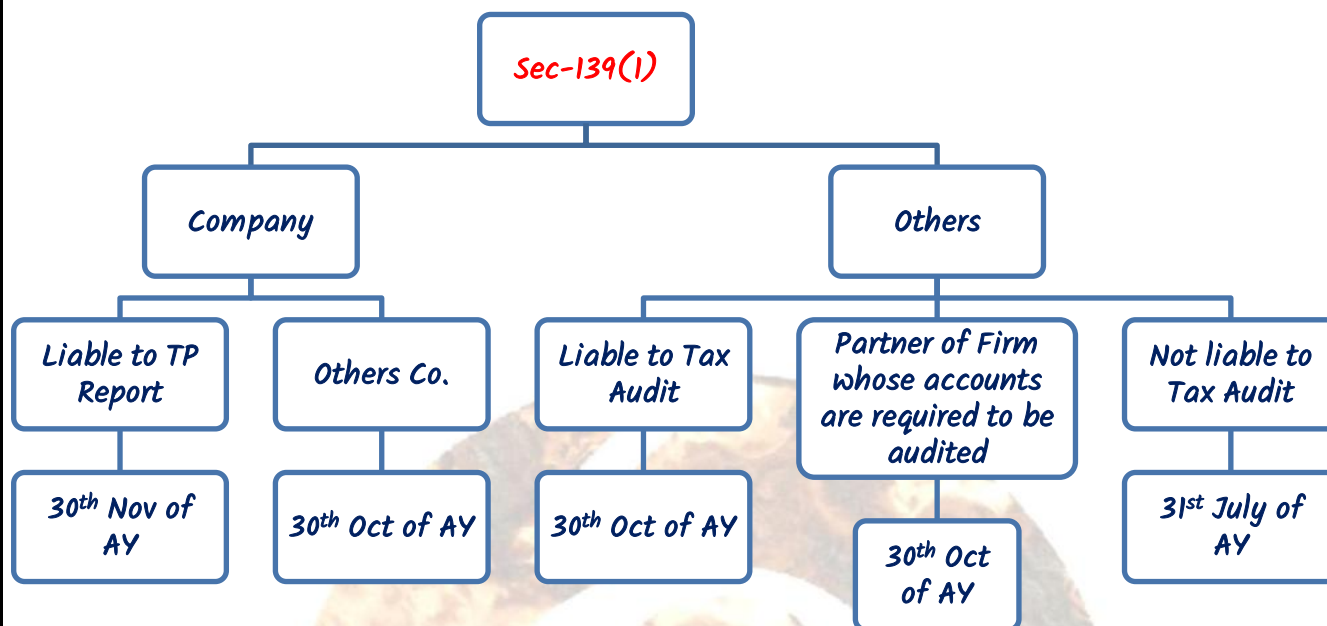
CONDITIONS:

(a) TDS has been deducted

(b) No other tax liability

(c) No Assessment notice

- $GTI = 3,00,000$
- $Deductions = (1,00,000)$
- $TI = 2,00,000.$
- Ans
- ROI =
- Tax =



SEC-139(3) LOSS RETURN

- If Assessee wants to C/F the loss, Assessee should file loss return u/s 139(1).
- If loss return is not filed then loss can't be C/f.
- Two losses can be c/f even ROI is not filed on time.
 - (a) HP
 - (b) Unabsorbed depreciation.
- 2019-20 → Bus Loss = (Slakhs) → ROI = filed on time.
- 2020-21 → Loss can't set off → ROI = Not Filed.
- 2021-22 → ?

SEC-139(4) BELATED RETURN

- If a person fails to file ROI u/s 139(1) he can file a belated return.
 - (a) By the 31st DEC of AY. (or)
 - (b) Before completion of Assessment.
- Which ever of earlier }

Mr. M for PY 23-24 could not file ROI by 31st July 2024. Specify the maximum time up to which he can file ROI.

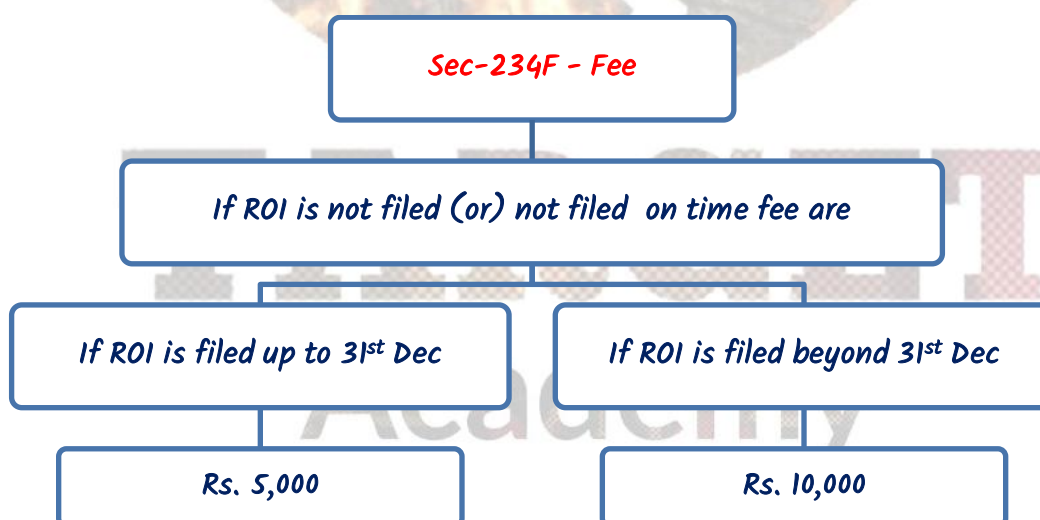
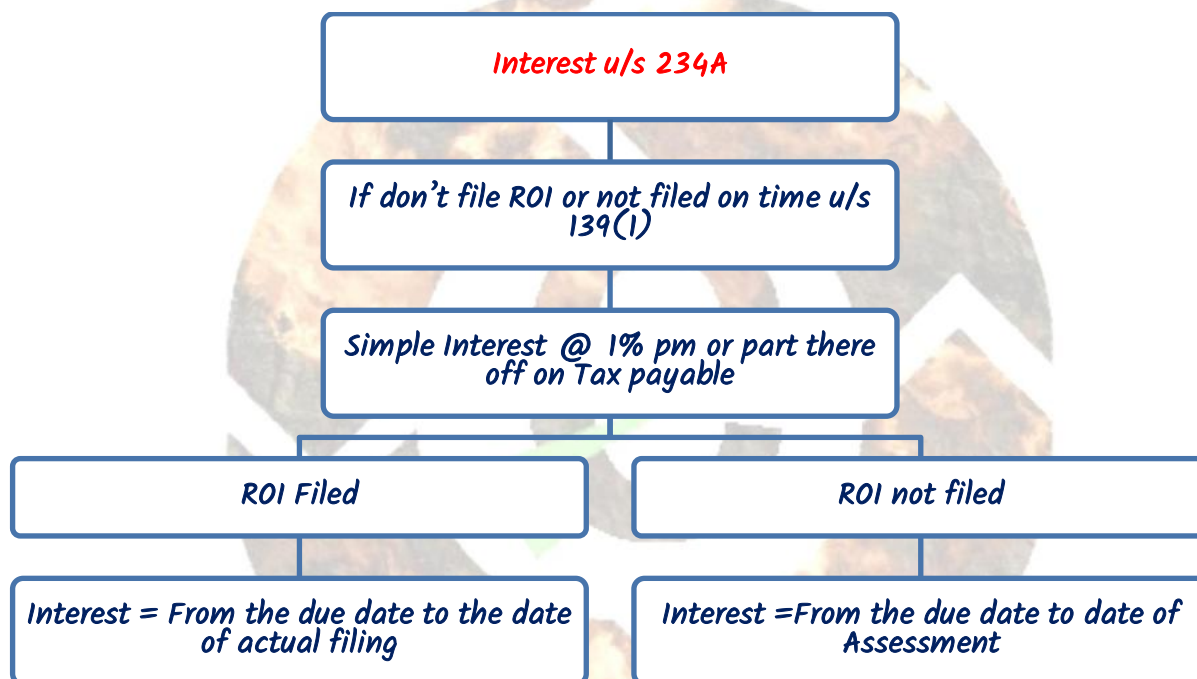
Ans

2. Suppose in above example if assessment is completed on 30/11/2024. What will be your answer.

Ans

CONSEQUENT OF NOT FILING ROI OR LATE FILING OF ROI

- Interest u/s 234A.
- Fees u/s 234F.
- Penalty u/s 234F.
- But judgement assessment u/s 144.
- Loss can't be C/F.



However, If IT does not exceed 5 lakhs then fee is Rs. 1,000 only

SEC-139(5) REVISED RETURN

- ✓ If Assessee find error or omission in return filed u/s 139(1) or 139(4) he can file revise return

- (a) By the 31st DEC of A.Y
- (b) Before completion of Assessment.
- ✓ Original return → Can be revised.
- ✓ Belated Return → Can be revised.
- ✓ Loss Return → Can be revised.
- ✓ Revised Return → Can be revised. (unlimited times)
- ✓ A return can be revised for any no. of time with in time limit.

SEC-139(9) DEFECTIVE RETURN

- ✓ If AO finds the return as defective he will communicate the defect to assessee.
- ✓ Assessee needs to rectify the defect with in 15 days AO can also extend the time limit.
 - Rectified → ROI Valid
 - Not rectified → ROI not valid.

Sec- 89 :- Relief

Income after Assessment V/s Income of self Assessment

Relief u/s is allowed w.r.t additional Income taxable after assessment

SEC-139AA - AADHAAR

- ✓ From 1st July 2017 Aadhaar no. shall be provided at the time of
 - Apply for PAN
 - Filing ROI.
- ✓ If Aadhaar not available then assessee can provide enrolment ID of Aadhaar.
- ✓ If Aadhaar is not submitted PAN would deemed to be invalid and all consequences of not having PAN shall apply.
- ✓ Aadhaar is not required by
 - (a) NR
 - (b) Non citizen of Indian.
 - (c) Person whose age → 80 year or more.

- (d) Person resident of Assam, Meghalaya, J&K.

Sec-139AA :- Furnishing Aadhaar

If Aadhaar is not linked with PAN then PAN will be invalid

Due Date:- 31.3.2020.(Extended)

SEC-139A :- PAN

- ✓ Application for PAN be made to AO in form 49A.
- ✓ (a) If income > BEL.
- ✓ (b) Turn over / Gross receipt > 5 lakhs.
- ✓ (c) Every person being resident other than individual which enters a financial transaction of 2,50,000 or more in FY.
- ✓ (d) Every person being
 - 1) Director 5) Partner
 - 2) Trustee 6) Karta
 - 3) CEO 7) Founder
 - 4) MD 8) Principal Officer.
- ✓ (of 'c' above)

PAN IS REQUIRED TO BE QUOTED

- All filing of return.
 - ✓ Challan payment.
 - ✓ Sale/purchase of vehicle.
 - ✓ Opening Bank/Demat a/c.
 - ✓ Hotel bill > 50,000 in cash
 - ✓ Foreign travel > 2,00,000 in cash.
 - ✓ Mutual Fund/ Debentures/ Bond > 50,000.
 - ✓ Deposit in bank/FD > 50,000.
 - ✓ Deposits in current accounts > 1 cr
 - ✓ Credit Card application.
 - ✓ Purchased of securities exceeding 1,00,000.

- ✓ Life insurance > 50,000 as premium
- ✓ Immovable property transaction SDV > 10 lakhs.
- ✓ Electricity consumption > 1 lakhs
- ✓ Every person who GTI exceeds BEL.
- ✓ TO > 5 lakhs.
- ✓ Person financial transaction > 2,50,000.
- ✓ Every person who is partner, Director, Trustee, Author, Founder, Kartha, CEO, Principal, officer

139A	<u>Permanent Account Number (PAN)</u> Quoting of PAN is mandatory in all documents pertaining to the following prescribed transactions : - in all returns to, or correspondence with, any income-tax authority; - in all challans for the payment of any sum due under the Act; - in all documents pertaining to such transactions entered into by him, as may be prescribed by the CBDT in the interests of revenue. For example, sale or purchase of a motor vehicle, payment in cash of an amount exceeding ` 50,000 to a hotel against a bill or bills at any one time, etc. <u>Inter-changeability of PAN with the Aadhaar number</u> Every person who is required to furnish or intimate or quote his PAN may furnish or intimate or quote his Aadhaar Number in lieu of the PAN if he - has not been allotted a PAN but possesses the Aadhaar number - has been allotted a PAN and has intimated his Aadhaar number to prescribed authority in accordance with the requirement contained in section 139AA(2).
139AA	<u>Quoting of Aadhaar Number</u> To be quoted by every person on or after 1.7.2017 in the application for allotment of PAN and in return of income. If a person does not have Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted. Every person who has been allotted PAN as on 1.7.2017 and who is eligible to obtain Aadhaar Number, has to intimate his Aadhaar Number to the prescribed authority on or before 31.3.2022. If such person has failed to intimate the same on or before 31st March, 2022, the 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., ` 1,000. Where such person who has not intimated his Aadhaar number on or before 31st March, 2022, has intimated his Aadhaar number under section 139AA(2) after 31st March, 2022, after payment of fee specified in section 234H read with Rule 114(5A), his PAN would become operative within 30 days from the date of intimation of Aadhaar number.

The consequences of inoperative PAN would be effective from the date specified by the Board i.e., 1.7.2023 [Circular No. 3/2023 dated 28th March, 2023]



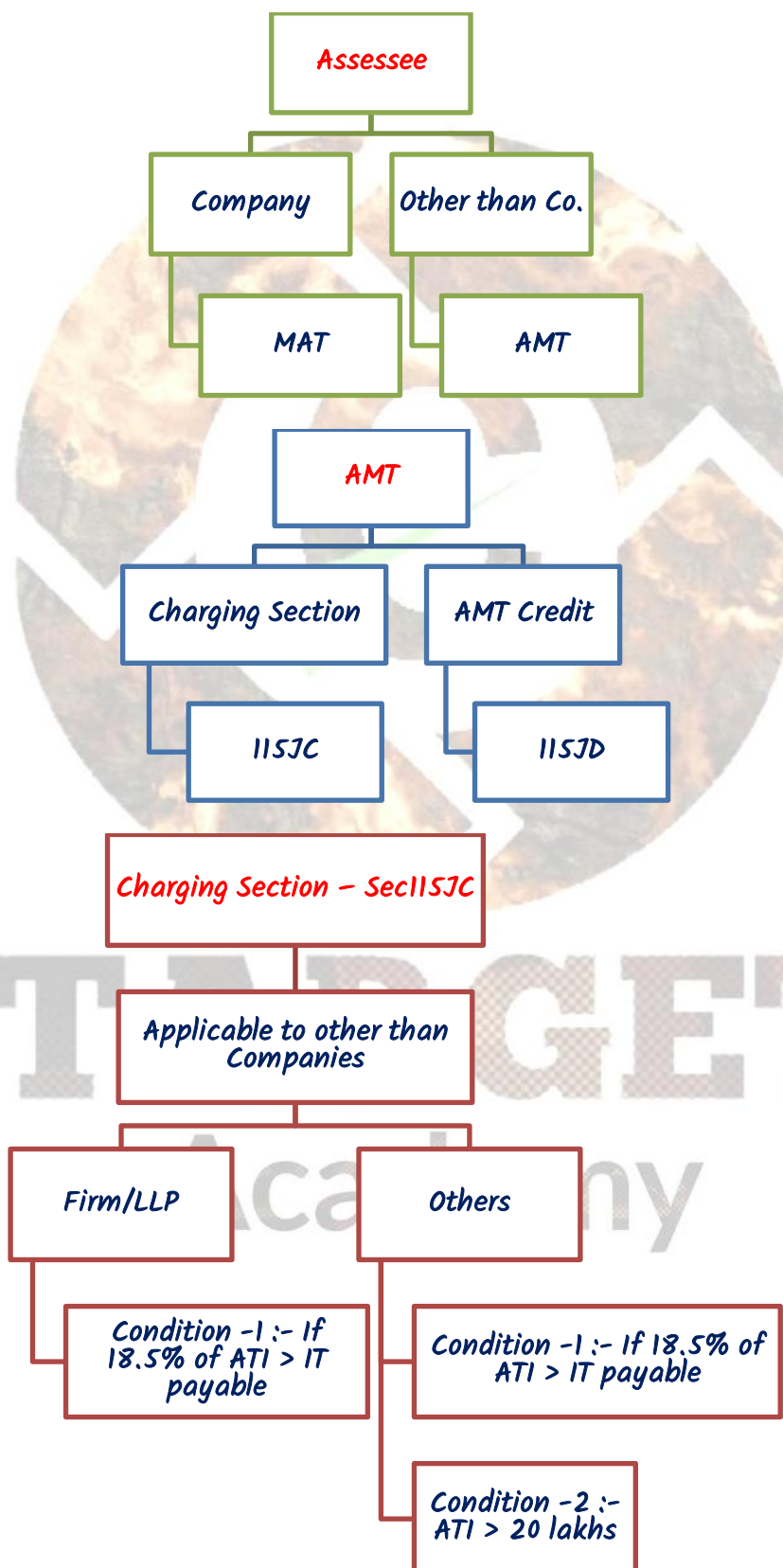
TARGET
Academy

THE END

ALTERNATIVE MINIMUM TAX

MAT – COMPANIES

AMT – OTHERS



Note

- Take 9% in case of IFSC

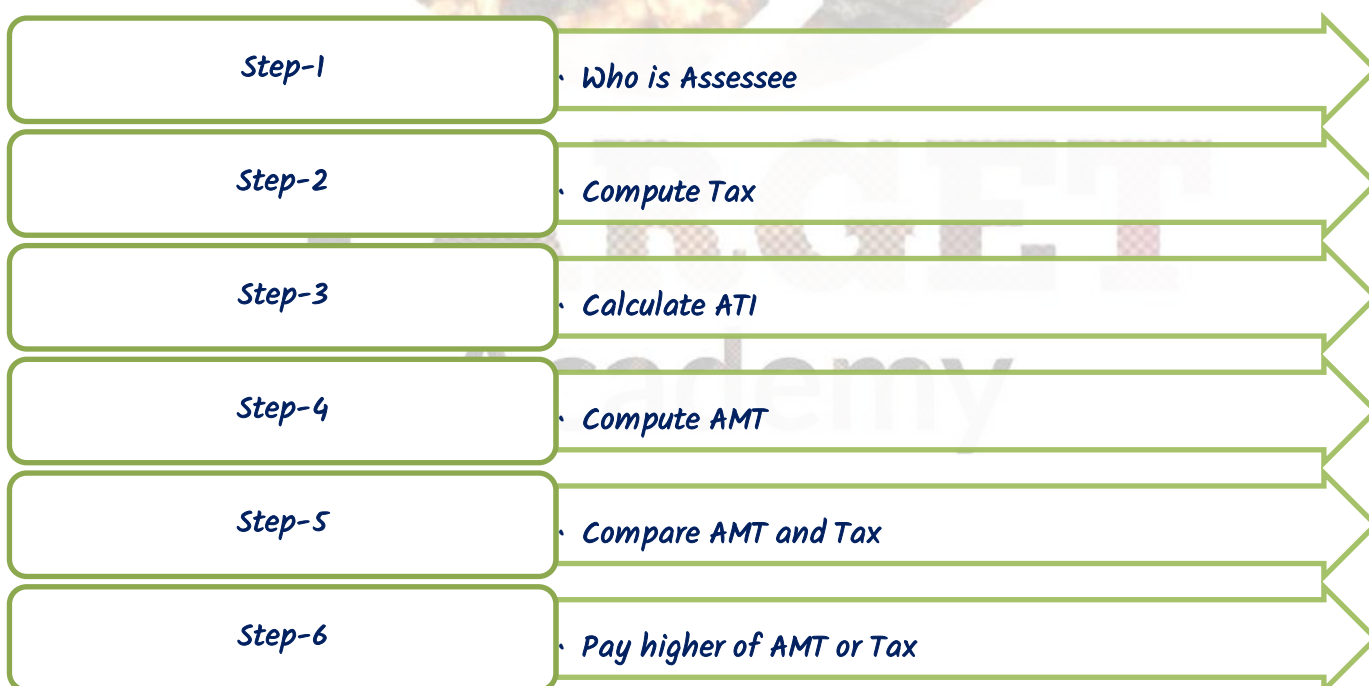
AMT Format

Particulars	Amount (Rs.)
18.5% of ATI	XXX
Add : SC (if any – based on ATI amount) (10%/15%/25%/37% as the case may be)	XXX
Total	XXX
Cess @ 4%	XXX
AMT Payable	XXX

How to calculate ATI

Particulars	Amount (Rs.)
Total Income	XXX
Add :- Deductions under Ch.-VIA (80 H to 80 RRB other than 80P)	XXX
Add:- Deduction U/s 35AD	XXX
Add :- Deduction U/s 10AA (SEZ)	XXX
Less :- Depreciation w.r.t to Assets on which deduction U/s 35 AD is claimed (Notional Depreciation)	(XXX)
ATI	XXX

Procedure to compute AMT



Note

- Assessee for whom AMT is applicable then obtain report from CA in Form 29C on or before filing the date of filing of return.

Procedure to adjust AMT Credit

Year	AMT	IT	Pay	AMT Credit
Y-1	43L	40L	43L	3L
Y-2	45L	41L	45L	3L+4L = 7L
Y-3	35L	37L	37L-2L = 35L	7L-2L = 5L
Y-4	32L	40L	40L-5L = 35L	0

Note

- AMT credit = $AMT > IT \Rightarrow AMT - IT$
- AMT Credit shall be carried forward to 15 AY.
- AMT Credit shall be utilised when IT is more than AMT

Note

- If Company is converted into LLP then MAT credit cannot be C/F to LLP.
- Relief u/s 90/91 should be adjusted to AMT credit also

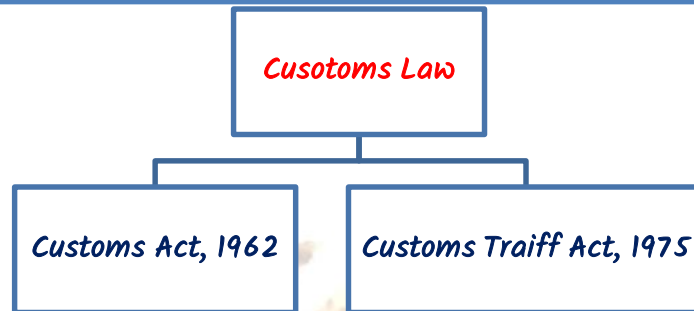
Problem

- Total Income = 45,00,000
- Deduction 80 C 1,00,000
- Deduction U/s 80B = 20,00,000.
- Ans

THE END

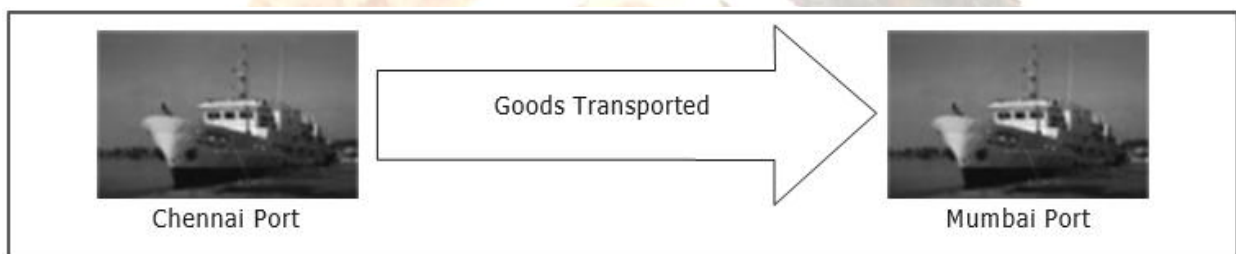
CUSTOMS

CUSTOMS LAW



Some Important Terms in Customs Act 1962:

1. Cost goods



2. Cost goods

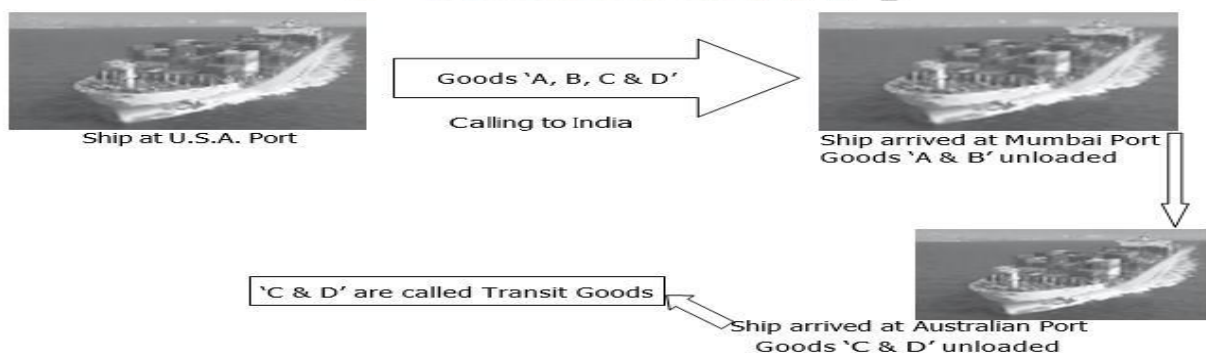


3. Goods

4. Import Report/ Import General Manifest

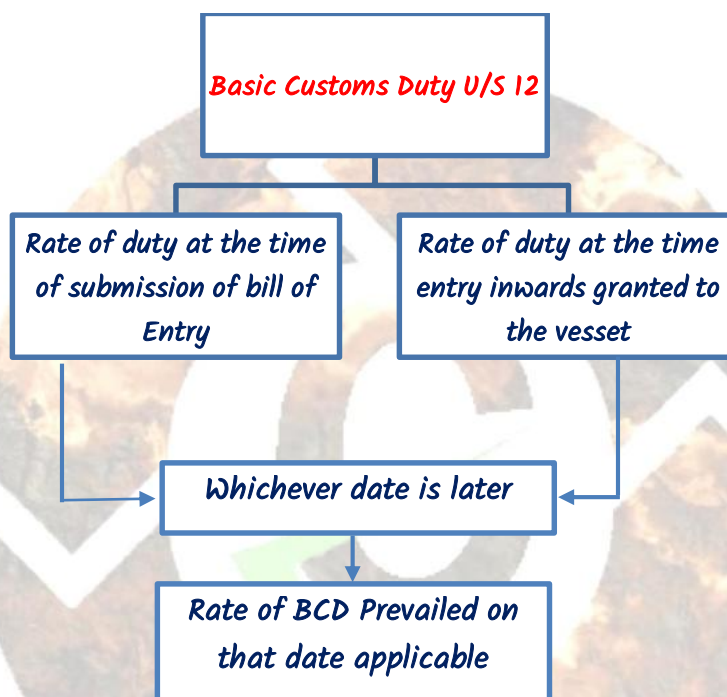
5. India

6. Tran risk & Transshipment of Goods

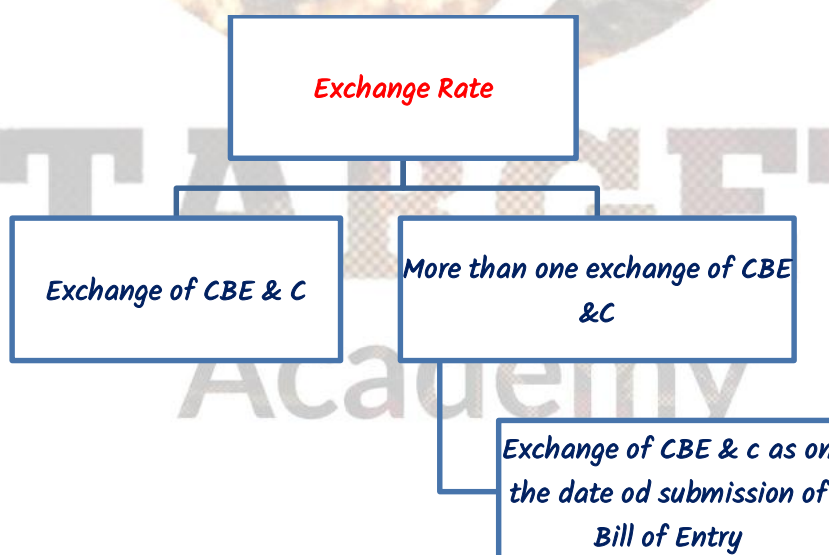


7. Stores
8. High seas
9. E - E - Z (INM = 1.853 kms)
10. Determination of Tax rate of Currency rate

Basic Customs Duty (BCD) on imported goods



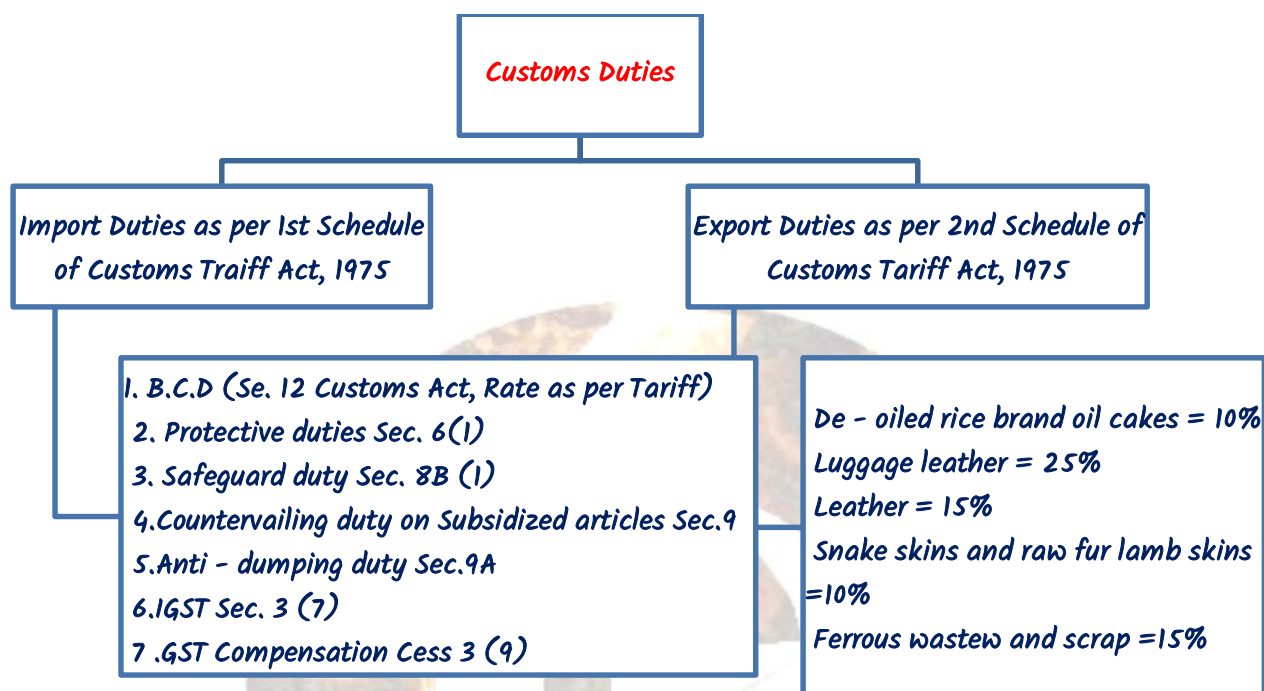
Exchange rate for imported goods



11. Derelict, Jetsam, Flotsam, Wreck

THE END

TYPES OF DUTIES



Example: 5

Determine the safeguard duty payable by X Ltd., Y Ltd., Z Ltd. and A Ltd. under section 8B of the Customs Tariff Act, 1975 from the following:

Import of Sodium Nitrite from developing and developed countries from 26th February, 2015 to 25th February, 2016 (both days inclusive) are as follows:

Importer	Country of Import	Rs.in Crores
X Ltd.	Developing Country	70
Y Ltd.	Developing Country	72
Z Ltd.	Developing Country	52
A Ltd.	Developing Country	50
Others	Developed Country	2,256
	Total	2,500

Note: Safeguard duty 30%.

Example: 5

A commodity is imported into India from a country covered by a notification issued by the Central

Government under section 9A of the Customs Tariff Act, 1975. Following particulars are made available:

CIF value of the consignment: US\$25,000

Quantity imported: 500 kgs.

Exchange rate applicable: Rs.60=US\$1 Basic customs duty: 12%

Social Welfare Surcharge applicable as per the Finance Act, 2018.

As per the notification, the anti-dumping duty will be equal to the difference between the cost of commodity calculated @ US\$70 per kg. and the landed value of the commodity as imported. Appraise the liability on account of normal duties, cess and the anti-dumping duty.

Assume that only 'basic customs duty' (BCD) and Social Welfare Surcharge are payable. IGST @ 12% is also be applicable.



TARGET
Academy

THE END

VALUATION UNDER CUSTOMS

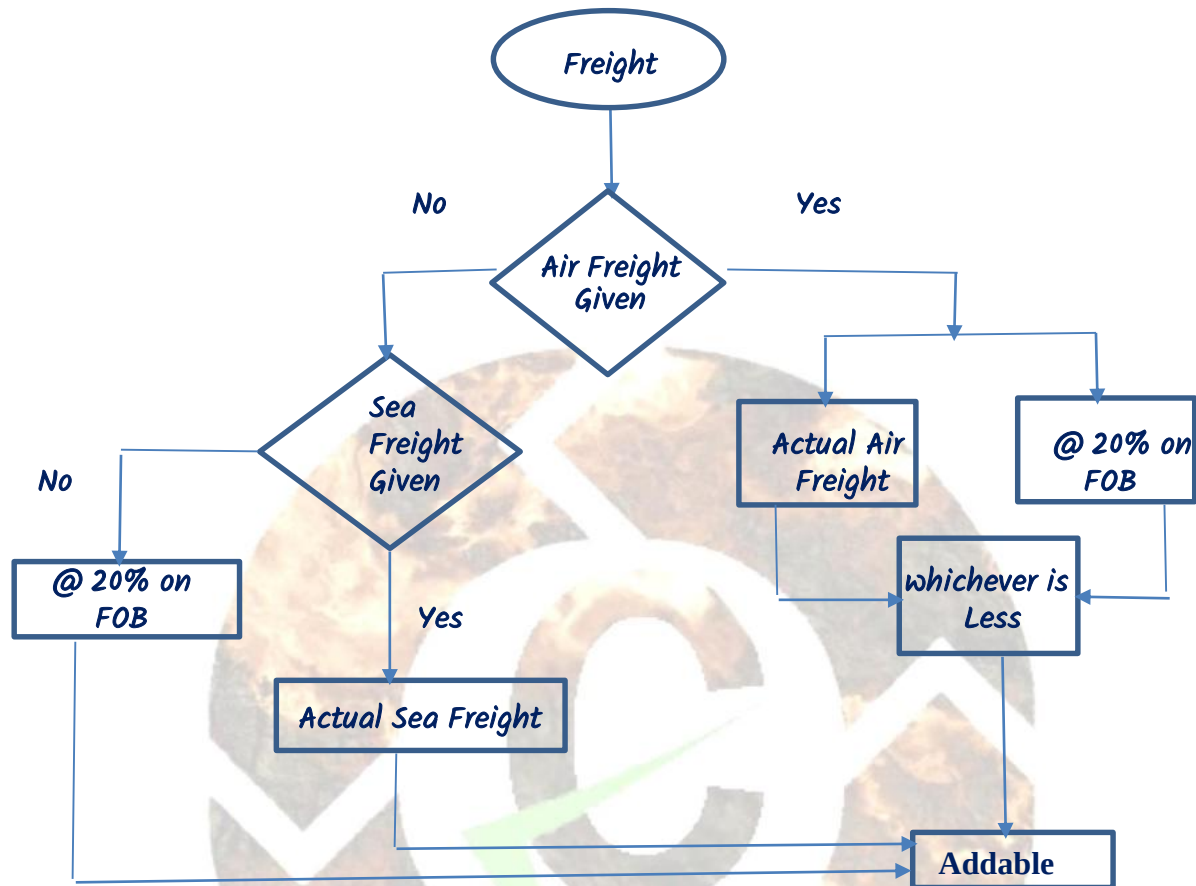
Customs Valuation Rules, 2007

Rule 3 Format

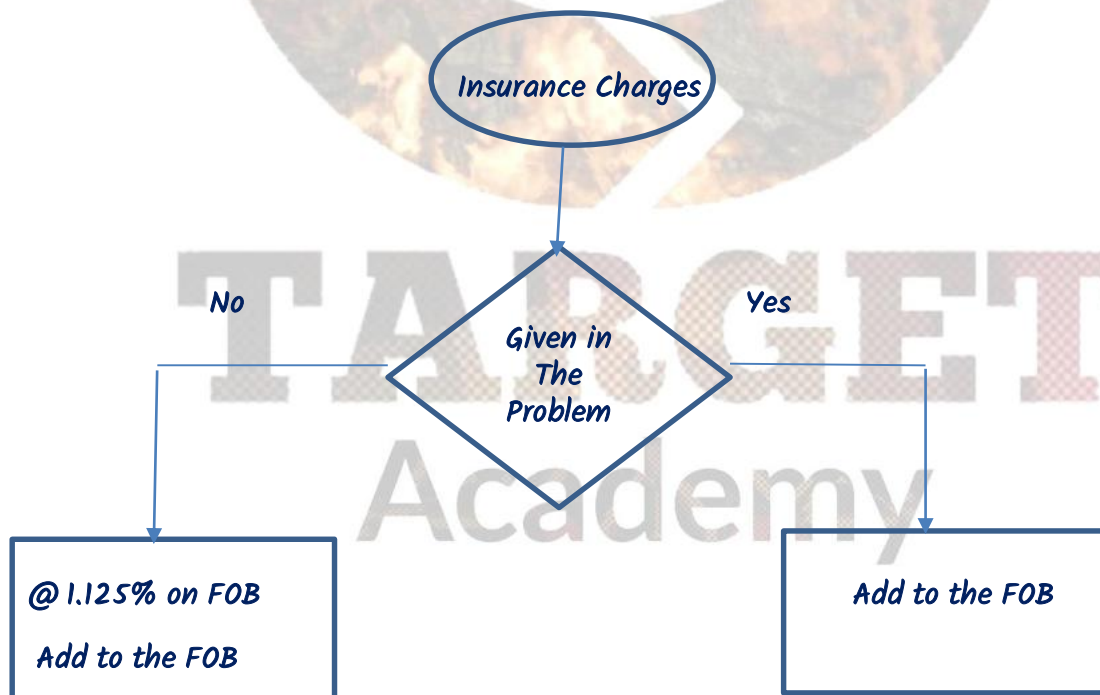
Statement Showing Computation of Assessable value for Imported Goods

	Rs.
Value of Material (at ex-factory price)	xxxx
Carriage/freight/insurance up to the port (sea/air) of shipment in the exporter's country	xxxx
Charges for loading on to the ship at the shipping port in the exporter's country	xxxx
Free on Board (FOB)	xxxx
FOB	xxxx
Add: If not included in the above [Rule 10(1)]	xxxx
Commission and brokerage (except buying commissions)	xxxx
Packing cost (except cost of durable and returnable packing)	xxxx
Cost of engineering, development and plan or sketches (Undertaken outside India)	xxxx
Royalties and license fee	xxxx
Value of subsequent re-sale if payable to foreign supplier	xxxx
Value of material supplied by the buyer free of cost	xxxx
FOB value as per the Customs	xxxx
Cost of freight if not specified @ 20% of FOB value as per Customs [Rule 10(2)]	xxxx
Ship demurrage charges on chartered vessels [Rule 10(2)]	xxxx
Ligherage or barge charges [Rule 10(2)]	xxxx
Insurance if not specified @ 1.125% of FOB value as per Customs [Rule 10(2)]	xxxx
Cost, Insurance and Freight (CIF)/Assessable Value	xxxx

Freight charges:



Insurance charges:



Example 7:

Compute the assessable value and total customs duty payable under the Customs Act, 1962 for an imported machine, based on the following information:

	US \$
(i) Cost of the machine at the factory of the exporter	20,000
(ii) Transport charges from the factory of exporter to the port for shipment	800
(iii) Handling charges paid for loading the machine in the ship	50
(iv) Buying commission paid by the importer	100
(v) Lighter age charges paid by the importer	200
(vi) Freight incurred from port of entry to Inland Container depot	1,000
(vii) Ship demurrage charges	400
(viii) Freight charges from exporting country to India	5,000

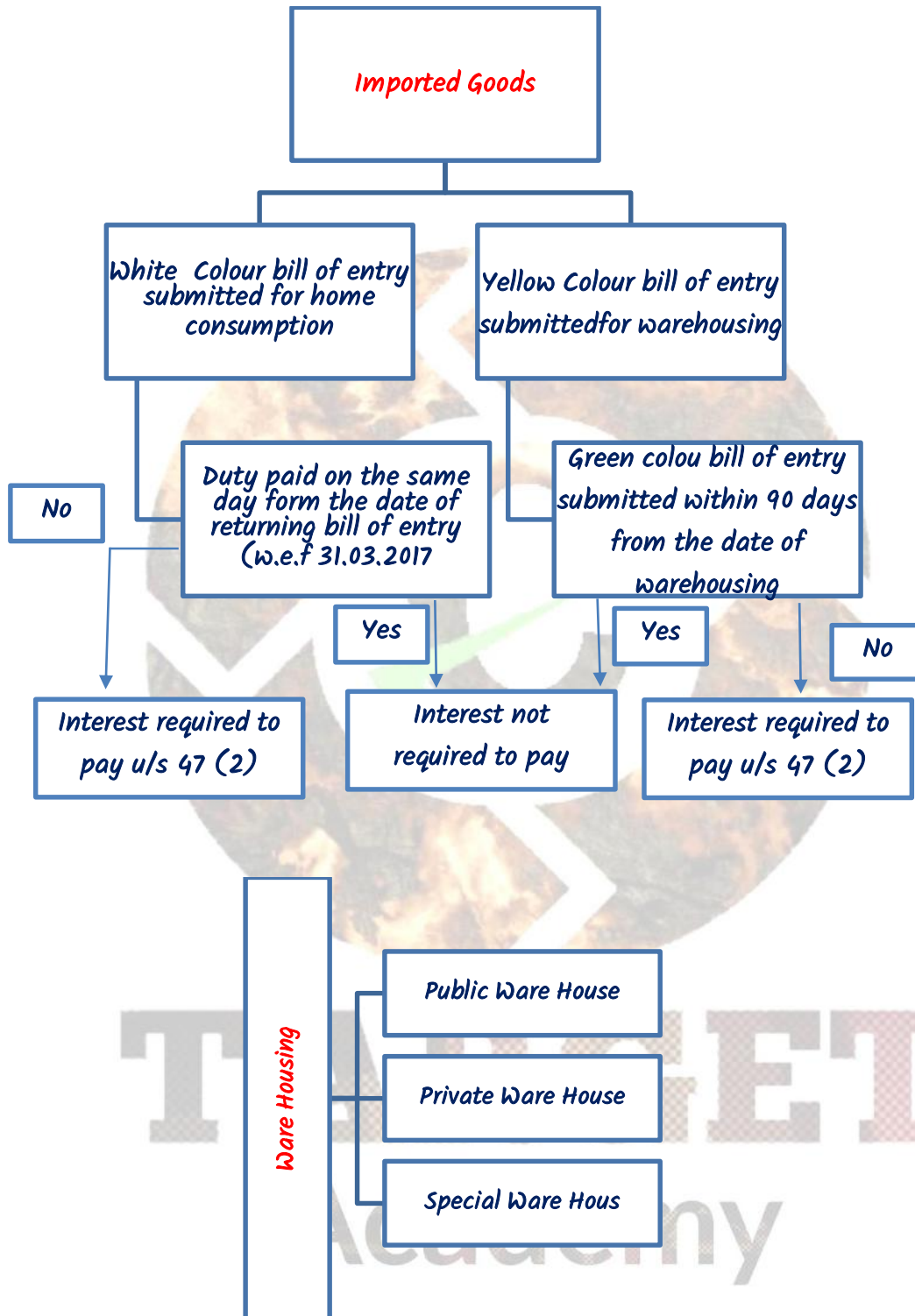
Date of bill of entry	20.02.2018 (Rate BCD 20%; Exchange rate as notified by CBIC Rs. 60 per US \$)
Date of entry inward	25.01.2018 (Rate of BCD 12%; Exchange rate as notified by CBIC Rs.65 per US \$)
IGST payable under section 3(7) of the Customs Tariff Act, 1975	12%

Also find the eligible input tax credit to the importer.

Note to students: Pls cover rule -4 & 5 also (valuation under identical & similar good)

THE END

IMPORT PROCEDURES



Features of Ware Housing

1. *Importer can defer payment of import duties by storing the goods in a safe place*
2. *Importer allowed doing manufacturing in bonded warehouse and then re-exporting from it.*
3. *The importer can be allowed to keep the goods up to One year without payment of duty from the date he deposited the goods into warehouse.*
4. *This time period is extended to Three years for Export Oriented Units and the time period still be extended to Five years if the goods are capital goods.*
5. *The importer minimizes the charges by keeping in a warehouse, otherwise the demurrage charges at port is heavy.*
6. *Assistant Commissioner of Customs or Deputy Commissioner of Customs are competent to appoint a warehouse as public bonded warehouse.*
7. *The Assistant Commissioner of Customs or Deputy Commissioner of Customs may license private warehouse. The license to private warehouse can be cancelled by giving ONE month notice.*
8. *Only dutiable goods can be deposited in the warehouse.*
9. *Green Bill of Entry has to be submitted by the importer to clear goods from warehouse for home consumption.*
10. *Rate of duty is applicable as on the date of presentation of Bill of Entry (i.e. sub-bill of entry or ex-bond bill of entry) for home consumption.*
11. *If the goods which are not removed from warehouse within the permissible period, then subsequent removal called as improper removal. The rate of BCD which is applicable as on the last date on which the goods should have been removed but not removed is applicable, [Kesoram Rayon v Commissioner of Customs (1996)].*

Example: S

An importer imported some goods on 1st January, 2019 and the goods were cleared from Mumbai port for warehousing on 8th January, 2019 by submitting Bill of Entry, exchange rate was Rs.50 per US \$. FOB value US \$10,000. The rate of duty on 8th January, 2019 was 20%. The goods were warehoused at Pune and were cleared from Pune warehouse on 31st May, 2019, when rate of basic customs duty was 12% and exchange rate was Rs.68.75 per 100 US \$. IGST @ 12% is applicable.

You are required to find:

- The total Customs duty payable.
- The interest if any payable.

Example: 6

Vipul imported certain goods in December, 2018. An 'into Bond' bill of entry was presented on 14th December, 2018 and goods were cleared from the port for warehousing. Assessable value on that date was US \$1,00,000. The order permitting the deposit of goods in warehouse for four months was issued on 21st December, 2018. Vipul deposited the goods in warehouse on the same day but did not clear the imported goods even after the warehousing period got over on 20th April, 2019.

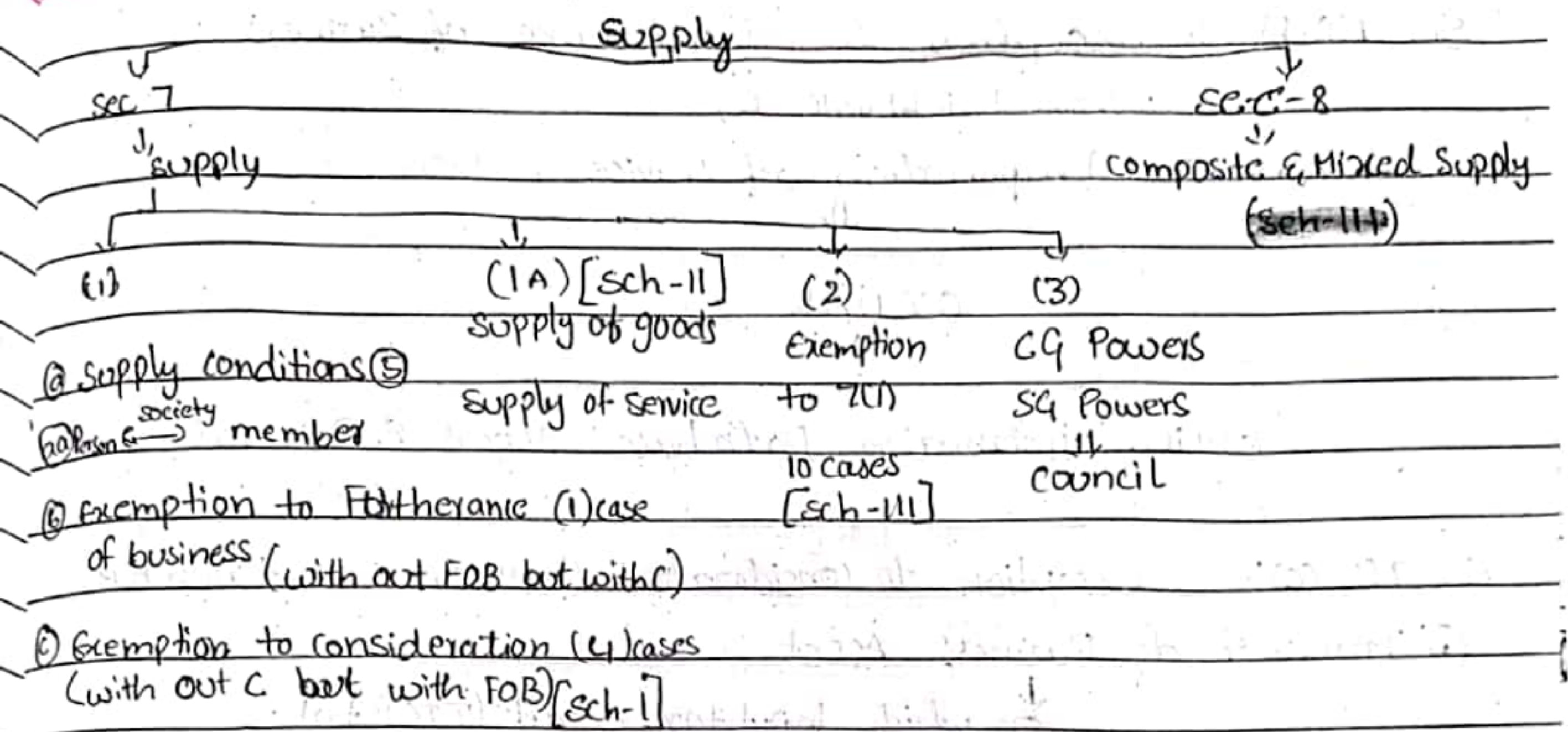
A notice was issued under section 72 of the Customs Act, 1962, demanding duty, interest and other charges. Vipul cleared the goods on 14th May 2019. Compute the amount of duty and interest payable by Vipul while removing the goods on the basis of following information:

Particulars	14-12-2018	20-4-2019	14-5-2019
Rate of exchange per US \$ (as notified by Central Board of Excise & Customs)	Rs.65.20	Rs.65.40	Rs.65.50
Basic Customs Duty	15%	10%	12%
No other customs duty is payable except basic customs duty.			

TARGET
Academy

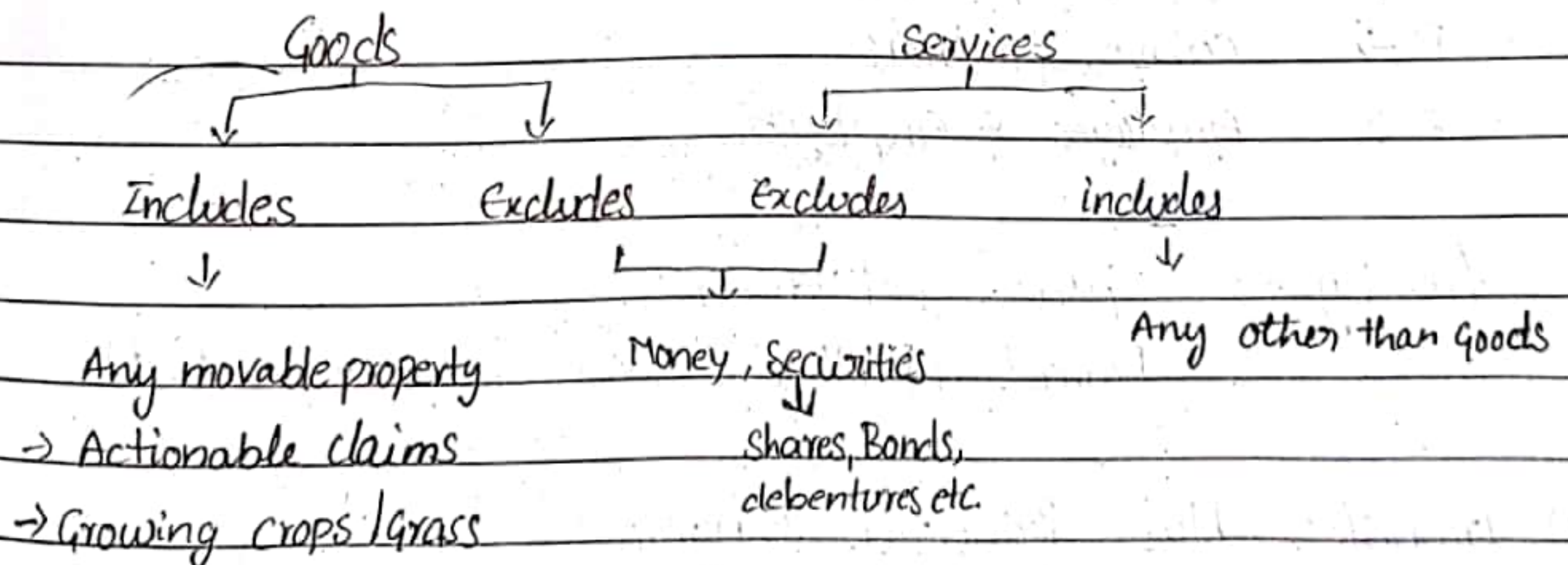
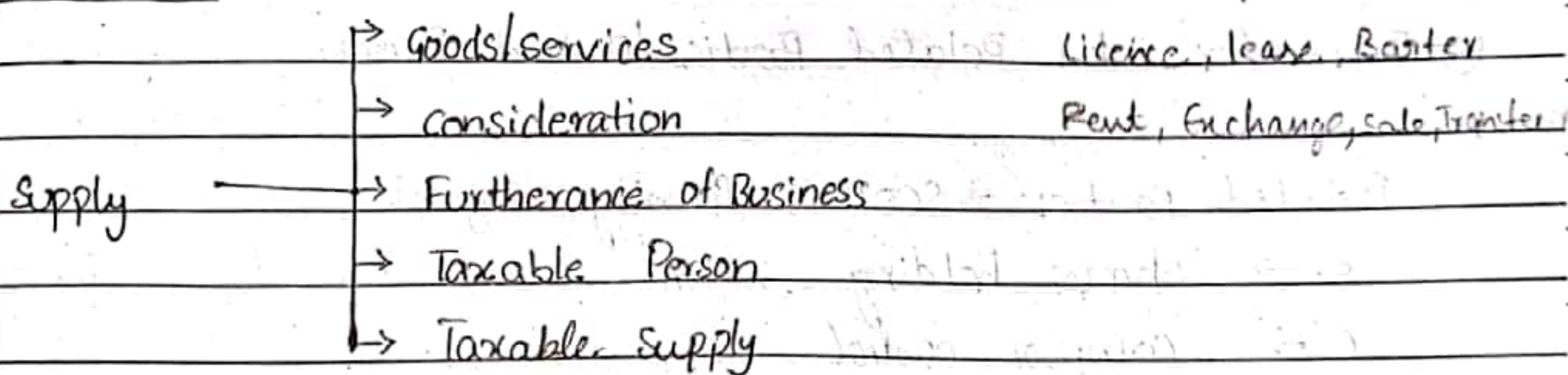
THE END

Supply Under GST

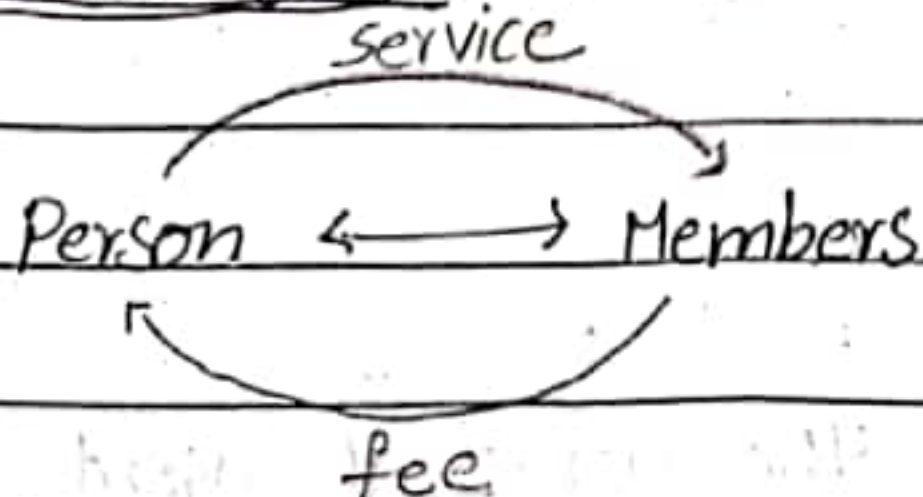


Sec-7(1) (a)

Modes of Supply LLB REST



Sec-7(1) (aa)



Sec 7(1)(b) :- Exception to furtherance of Business
(without FOB but with C)

1 case :- Importation of service (Individual persons)
⇓

O I D A R

⇓

Online information Database Access & Retrieval

[BADR]

Sec 7(1)(c) :- Exception to consideration (with out C but with FOB)

① Transfer of Business Asset

↓
on which Input tax Credit (ITC) taken

↓
Reversal of ITC given

② Transfer blw Related Parties / Distint Person
↳ PAN

Related parties ⇒ SCOPE + family + Agent

S → share holding > 25%

C → common control (directors)

O → common operations

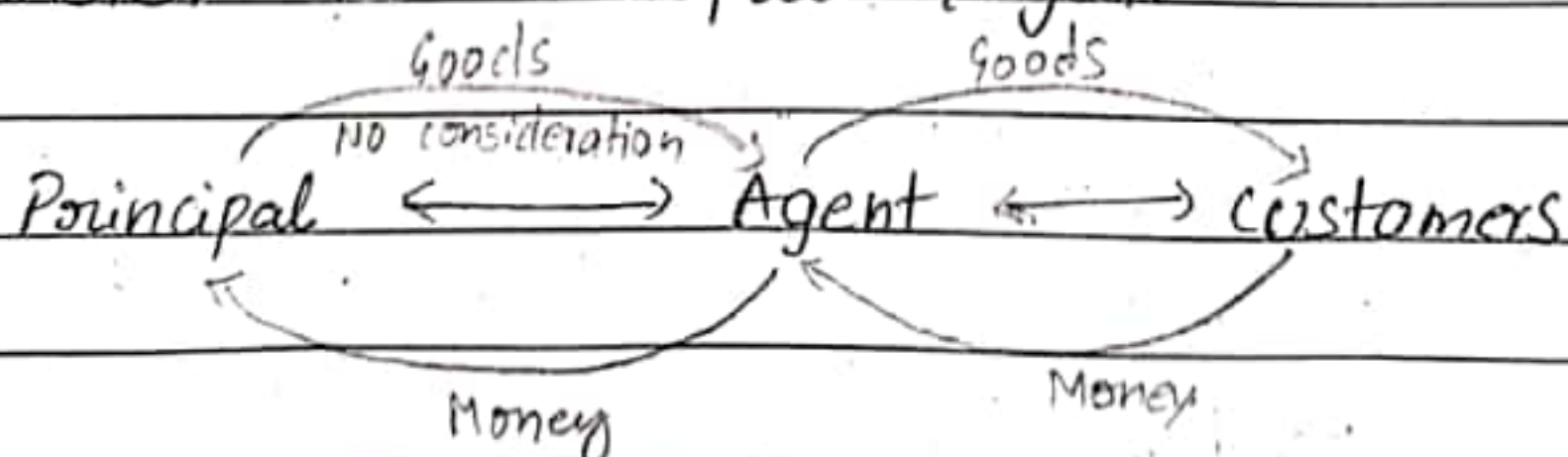
P → common partners

E → Employee & Employer

family ⇒ Spouse + children

Parents + Brothers + sisters (only dependent)

③ Transfer blw Principal & Agent



GST { Yes → Invoice is on the name of Agent
No → Invoice is on the name of Principal

- ④ Importation of service from Related Party
[without consideration but with FOB → GST will apply]
(Personal Purpose → NO GST)
→ only with Related parties

Sec-7(1A)

Supply of Goods

- Sale of goods
- Sale of Card board (with/without logo)

late fee → GST

Rules as per Act → NO GST

Liquidatory damages → NO GST

forfeiture of salary deposit → NO GST

Supply of service

- Sale of right to use of goods (like Rent)
- Sale of land & building (Exempted)
- Sale of construction services
- Restaurants
- Apply of work on other goods
- Printing
- Work Contract
- Agreeing the obligation (RTA) to do Act
Refrain Tolerate

Sec-7(2) a, b 10 cases Exemptions [MEGHANA CCL]

1. Employment services (as per the contract of employment)
Gift up to 50000 → Exemption
2. Sale of land & Building
3. Services by Govt. officials [MP, MLA, officers → Directors in Govt. Board]
4. Services of Court/Tribunal
5. Services of Mortuary/Burial/Funeral
6. Actionable claims (except :- Betting, Lottery, Gambling)
7. Sale from NTT to NTT (outside India)
NTT → Not Tax Territory
8. Sale from High Seas/Bond to Bond

9. CG/SG/Panchayat Services (243G, 243W)

10. Grant of Alcoholic Licence

Section-7(3)

CG/SG has a power to exempt any SOG & SOS

Sec-8

Composite Supply :- Naturally bundled (Goods+services)

GST Rate = Rate applicable to Principal Supply

Mixed Supply :- Artificially bundled

GST Rate = highest Rate

NOS → Nature of Supply

Intra state supply

→ within state/UT

↓

CGST

SGST/UTGST

Inter state supply

→ b/w 2 states/UT

→ outside india sales

(export)

↓

IGST

→ Zero rated supply
→ Foreign currency

CGI:

1) LOS → AP

POS → TS → IGST

2) LOS → AP

POS → AP → CGST, SGST

3) LOS → TN

POS → TS → IGST

4) LOS → AP

POS → D&D → IGST

5) LOS → D&D

POS → D&D → CGST, UTGST

6) LOS → D&D

POS → A&N → IGST

7) LOS → AP

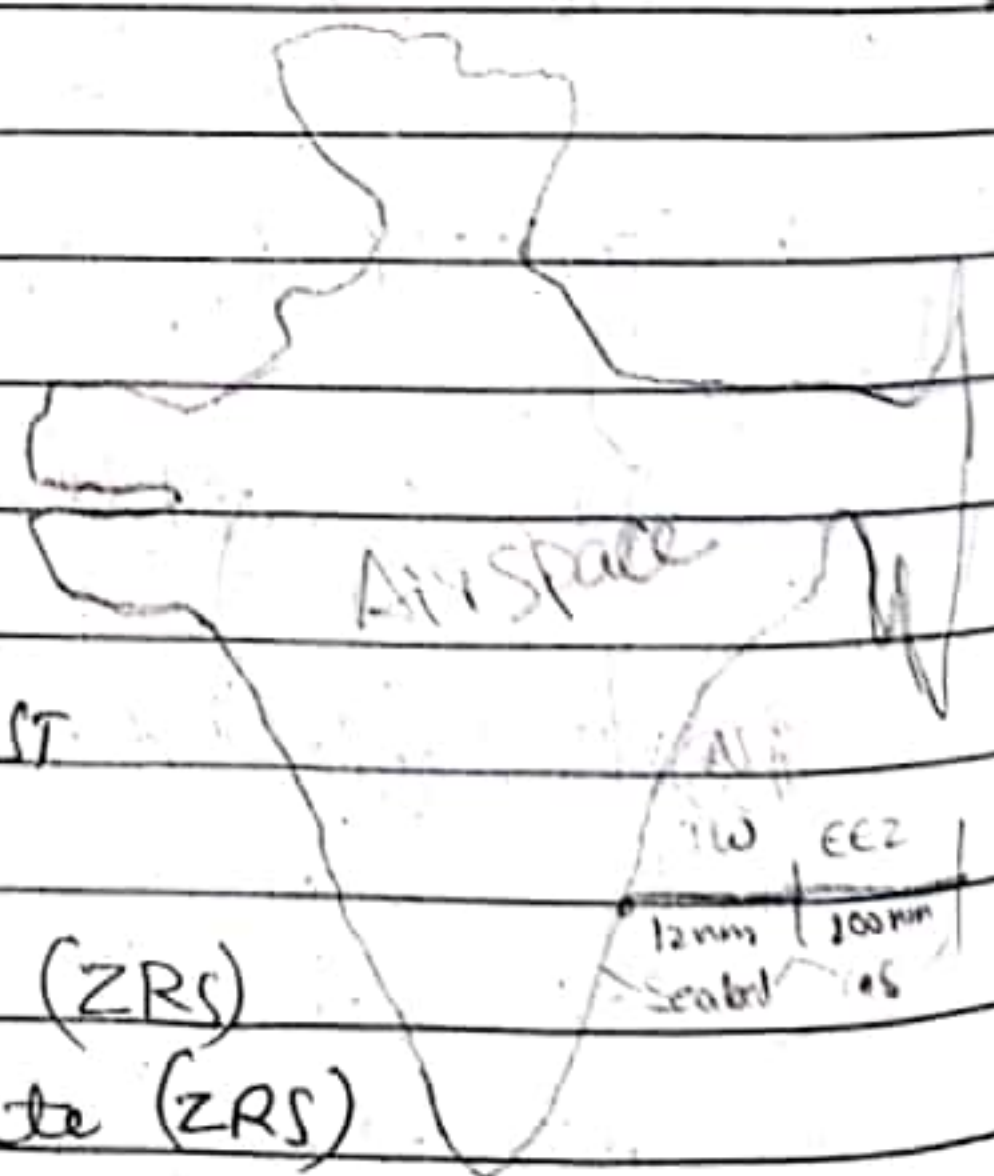
POS → USA → Interstate (ZRS)

8) LOS → AP

POS → AP(SFZ) Interstate (ZRS)

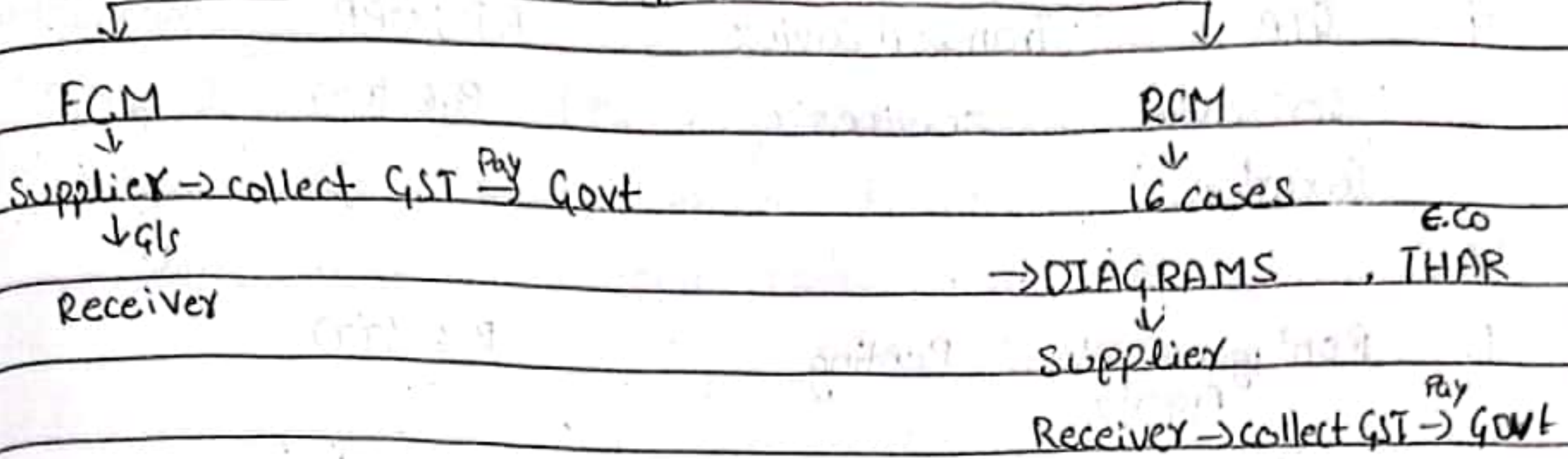
9) LOS → AP

POS → EEZ/TW (take nearest coastal area)

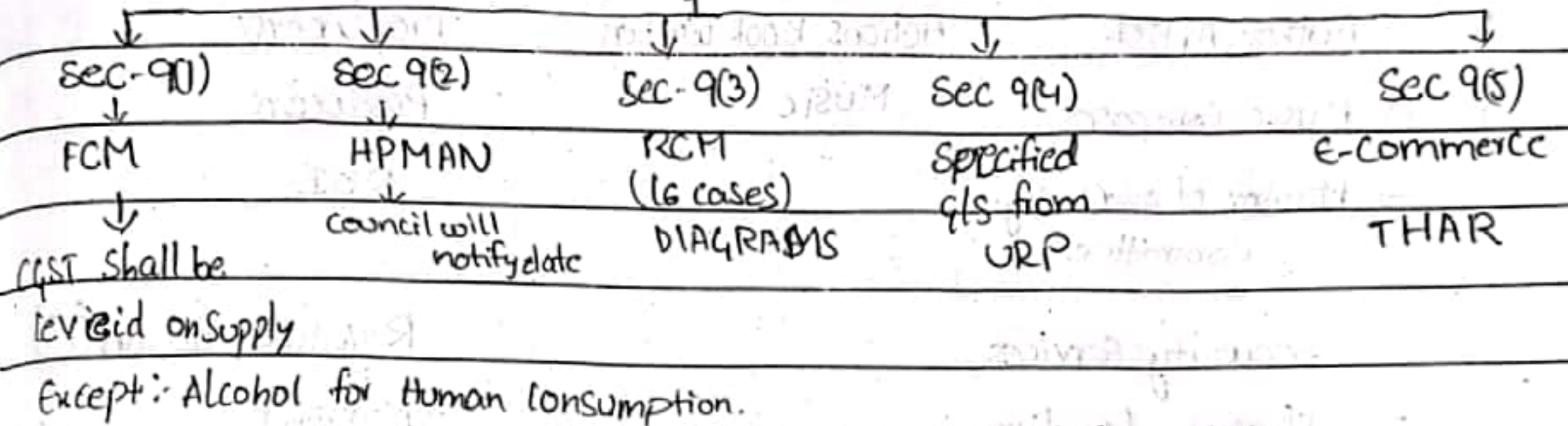


Charge of GST

COS → Charge of GST



Charge of GST



Maximum rate = 20%.

5(1) IGST → Max Rate → 40%.

Sec-9(2)

HPMAN

(High Speed diesel, Petroleum Crude, Motor Spirit, Aviation turbine fuel, Natural Gas)

Council will notify date

Sec-9(3) → RCM IG cases (DIAGRAMS)

Code	Supplier	Services	Receiver
D	→ Director	Directorship	Body Corporate (TT)
	→ Land owner	Development Rights	Promoters (TT)
	→ Direct selling Agent	Agency Services	Bank/NBFC (TT)
I	→ Insurance Agent	Agency Services	Insurance Company (TT)

A → Advocate	legal services	Business Entity (TT)
Q → GTA	Transport Services	RP; URP
→ Govt service	services	B.G (TT)
(except PAIT)		
R → Renting immovable Property	Renting	B.G (IT)
→ Recovery Agent	Agency	Bank / NBFC
A → Author, Artist	Actions, Book writers	Producers
M → Music Composes	Music	Producers
→ Member of overseeing Committee		RBI
S → Security Services		Registered Person (IT)
→ Shares lending		Borrower
→ Sponsorship Services		B.G (IT)

Sec-94 :- Specified Goods / Services from URP

URP	Specified G/S	RP (Promoter)
Specified G/S ⇒ cement		G/S Taken
Capital goods		80% RP
↓		20% URP
If exceeds 20%		
then RCM will apply		

Sec-95 - E-Commerce

T → Transportation of Passengers (eg:- ola, Rapido, Red bus)	
Supplier ↔ Receiver	
R/UR	ola Rapido

H → House Keeping (eg:- urban claps)

If Service provider is registered → NO RCM

A → Accomodation (eg :- Oia, Agoda)

Service Provides even Registered lun registered

R → Restaurant (eg! - Zomato, Swiggy)

service provides even R/UR

Exception - If hotel room rent > 7500 per day
then hotel will collect GST

COMPOSITION SCHEME [Sec-10]

Sec-10 → Composition scheme

Applicable

Not Applicable

75 L { Manipur
Mizoram
Meghalaya
Arunachal Pradesh
Nagaland
Tripura
Uttarakhand
Sikkim

150 L { Others
Himachal Pradesh
Jammu & Kashmir
Assam

- 1) Inter State Sale
- 2) Supplier of Non Taxable g/s
- 3) NRTP / GTP
Non resident casual taxable Person
Taxable Person
- 4) G/s through (E Co) (liable to Tax)

5) Service Providers
(Except Restaurants)
↓
Concessional Rate → 6%
Limit :- 50L Turnover

Manufacturing → Pan masala,
Aerated water, icecreams & other
edible oil, Bricks, flyash, block
fossils / similar products, roofing tile

Composite Scheme only goods & Restaurant
Manufacture H. 0.5 on TO
0.5%

Normal Scheme

Rates:- 5%, 12%, 18%, 28%

Trader → 1% 0.5% on TO (TS)
0.5% Taxable supply

Restaurants → 5% 25% on TO
2.5%

→ Quarterly returns

monthly returns

service part upto 10% (or) 5L ↑ is allowed

Turnover → Aggregate Turnover → limit
(Exclude interest)
based on PAN (overall India)

→ Turnover state wise → GST
(Exclude interest)

last year	Current year
75L / 150L	50L

CS Normal supply
750L

Opting Composition

Normal Scheme $\rightarrow$ Composition

GST CMP 02 (Intimation)

Reversed of ITC on Stock / CG

$\downarrow$
GST ITC 03

Withdrawal of Composition

Composition to Normal Scheme

GST CMP 04 (Intimation)

Claiming of ITC on Stock / Capital Goods

$\downarrow$
GST ITC 01

Composition Scheme

Rate 1%, 5%, 6%

Quarterly
GSTR 4

GSTR 9A

Bill of Supply
Not allowed

Rate

Returns

Annual Return $\rightarrow$ GSTR 9

Invoice
ITC

Normal Scheme

5%, 12%, 18%, 28%

Monthly $\leftarrow$ GSTR 1 $\rightarrow$ 11th
GSTR 3B $\rightarrow$ 20th

Tax invoice / GST invoice
allowed

Circulars

① In case of multiple states business having 75L/150L as limit then take least limit.

② Buy one get one $\rightarrow$ Full ITC is allowed

③ Donation $\rightarrow$ GST

Consideration

$\downarrow$

Return Service

$\downarrow$

GST

Not Consideration

$\downarrow$

No Return Service

$\downarrow$

NO GST

Registration

→ Section 22 Persons liable for Registration

①

②

③

Annual Turnover → 10 lakhs

20 lakhs

20 lakhs / 40 lakhs

G/S

G/S

S | G

M → Manipur

T → Telangana

J → Jammu & Kashmir

M → Mizoram

S → Sikkim

A → Assam

N → Nagaland

U → Uttarakhand

A → All other States

T → Tripura

P → Pondicherry

H → Himachal Pradesh

M → Meghalaya

A → Andhra Pradesh

(Is UPMA)

→ Sec - 23: Persons not liable for Registration

1) wholly exempted goods & services

2) Agriculture

3) Specified Category

→ Reverse charge Suppliers

→ Services [Interstate upto 20 lakhs]

→ Handicraft goods [upto 20 lakhs]

→ CTP casual taxable person → Handicraft goods (upto 20 Lakhs)

→ Sec 24: Compulsory Registration [CREATIONS]

1) Interstate Supply (only goods except handicraft goods)

(In case Interstate Supply of services 10L / 20L)

2) CTP (exception: CTP supplying handicraft goods, no registration upto 10 L / 20L)

3) RCM < Receiver
DIAGRAMS

4) E Commerce [G/S] - THAR

5) NRTP

6) TDS

7) Agent (if principal is registered)

8) ISD → Input Service Distributor

9) Eco → [only if your supplier is exceeding ATO → 10L / 20L]

10. Eco (Small Supplier, but Eco commission is exceeding 101/2012)

11) OTDAR

12) Such other Persons

=> Sec 25, 26, 27 → Procedure of Registration

i) within 30 days from liability date

→ In case of CTP → within 5 days

(or) NRTP

Revised Income

☐ CST
Sale

Territorial water (TW) → Reg in nearest Coastal state

ii, Distinct Person

"same PAN (either registered (or) Unregistered)

iii, Voluntary Registration

iv, Distinct Person

v, PAN

vi, UIN

vii, Suo moto officer

viii, Procedure

=> Sec-28:- Amendment of Registration

core field

Non-core field

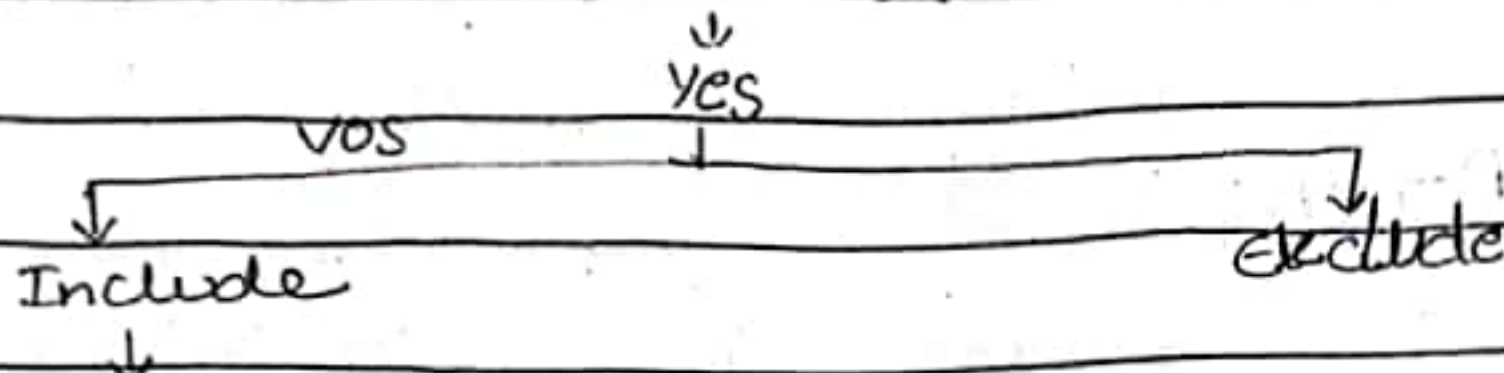
↳ with 15 days

=> Sec-29:- Cancellation of Registration

Value of Supply

Sec-15

Sec 15(1) → If value is ascertainable → NO [Rules]



→ Price paid/Payable (Sole consideration)
(Non Related Partner)

Include TOPICS

- 1) Taxes, Duties (other than TCS, GST)
- 2) Obligation of seller met by seller/buyer
- 3) Packing
- 4) Interest, Penalty, late fee
(Only if seller given finance)
- 5) Commission/Brokerage (incidental charges)
- 6) Subsidies directly linked
(except CG/SG subsidies)

1) GST

2) Buyer obligation

2) CG/SG subsidies

$$\text{Value (including GST)} \Rightarrow \text{VOS} = \frac{\text{Value (In GST)}}{100 + \text{GST\%}}$$

Sec-15(4) Rules:

Rule 27:- VOS :- Money is not whole consideration.

1) Open market value of such supply → Yes → VOS

↓ NO

Money given + FMV of non monetary thing → Yes → VOS

↓ NO

like kind & quality of supply → Yes = VOS

↓ NO

VOS → Rule 30

Cost of Product × 110%

↓ NO

Rule 31 → Residual
Best Judgement

Rule-28:- If Supply is from
Related Party / Distinct Person

(i) OMV
↓ NO

Rule 30
↓ NO

Rule 31

Rule 29:- If Supply made
through Agent

(i) OMV
(or)

option

90% of price charged
for soq (or) like kind / quality
goods

Rule 32(1):- Optional Valuation Method

Rule 32(2):- Money exchanges

Currency-1 & Currency-2 (only one is INR)

$VOS = \text{Selling rate} - \text{RBI Rate} / \text{RBI} - \text{Buying Rate}$

Currency-1 & Currency-2 (No INR)

$VOS = \text{Currency-1} \times \text{Exchange rate} = \text{INR}_1$
(or)

$\text{Currency-2} \times \text{Exchange rate} = \text{INR}_2$

Optional

VOS

up to 1L $\rightarrow$ 2.50 / 1% (w.e.h)

1L to 10L $\rightarrow$ 0.5%

above $\rightarrow$ 0.1% (Max 60k)

Rule 32(3):- Air travel Agent

$VOS = \text{Fare} \times 5\%$ (Domestic)

$= \text{Fare} \times 10\%$ (International)

↓
Don't include Amt collect as Pure agent

Rule 32(4):- Life insurance business

1) Saving Policy $\rightarrow VOS = \text{Gross premium} - \text{Amt invested}$

2) Single Annuity Policy $\rightarrow VOS = 10\%$ of Premium

3) All other cases $\Rightarrow$ 25% of Premium $\rightarrow$ 1st year

12.5% of Premium $\rightarrow$ remaining

4) Only Risk $\Rightarrow$ Entire Premium.

Rule 39(5) :- Buying & selling of second hand goods

If ITC taken

Yes

No

VOS = Sale value

VOS = Margin

Rule 32(6) :- Voucher Redemption

VOS = Money value of GLS redeemed

Rule 39(7) :- value of SOS to Distinct Person

↓ Not notified

Rule 33 :- Pure agent

↓ cost as pure agent → Exclude from VOS

Rule 34 :- Money Exchange

↕ Exchange rate = given by RBI → GAAP

Rule 35 :- value already inclusive of Taxes

$$VOS = \frac{\text{value (inclusive of Taxes)}}{100 + \text{GST Rate}} \times 100$$

Circulars

D. Discount **

given

Before supply

After supply

↕ Exclude

↕ Don't Exclude → Exception :- Exclude if

(A) Agreement

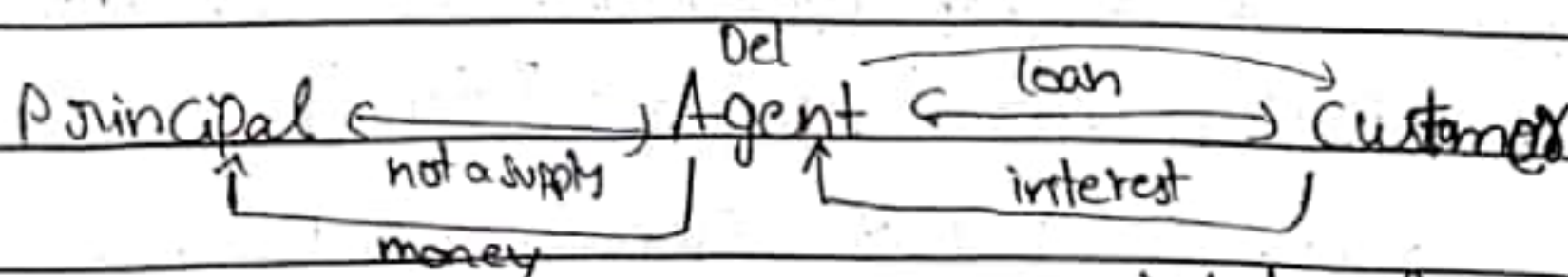
(B) Linked with invoice wise

(C) ITC reversal

→ Straggled discount → Exclude → bcz if given before supply

→ Secondary discount → After supply → if conditions satisfied (ALI) → then exclude

2) Agent / Del. Credary Agent



Interest { include → if Invoice is issued by agent

Exclude → if invoice is issued by Principal

3) Work Contract

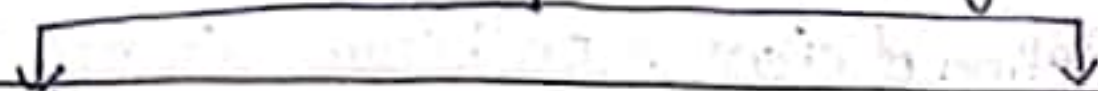
Supply Land & building (before completion)

(-) Land Value = $\frac{1}{3}$ rd of Price

TAX INVOICE, DEBIT NOTE, CREDIT NOTE

Sec-31(1) Tax invoice in case of goods

Details in Tax Invoice



① Description

Movement

other

Quantity

↓
Before/at the time
of removal of goods

↓
Before/at the
time of
delivery/make available
to customer

Value

Tax

Such other Particulars

Triplicate → 3 Invoice
← Recipient
Transporter
Supplier

Sec 31(2) :- Tax invoice in case of service



Before/after (but within 30/45 day)
↓
Bank, NBFC

2 Invoice $\begin{matrix} R \\ S \end{matrix}$

Sec - 31(3)

1) Revised Invoice :- For newly reg persons (within 30 days)

→ Unregistered Person → Intra → consolidated Revised invoice

→ URP → Inter → No consolidation Revised invoice (upto 2,50,000 allowed)

→ RP → Inter/Intra → No Consolidation Revised invoice

2) Not to issue Tax invoice (except multiplex)

→ If $VOS < 200 + URP$

RP → raise Tax invoice

→ Composition deleted

3) Advance → Receipt voucher

4) Refund → Refund Voucher

5) RCM → Self Invoice

Sec 31(4) :- Continuous Supply Goods

Invoice before/at the time of

→ cash statement (or)
→ Payment } whichever is earlier

Sec-31(5) :- Continuous Supply of Services

Due date of payment is ascertainable → on before Due date

Due date is not ascertainable → on before payment

If payment is linked to completion of event → on before completion of event

Sec-31(6) :- Supply of service ceases before completion
at the time of cessation

Sec-31(7) :- supply of goods on sale / approval basis

a) Date of approval
b) 6 months from supply } which ever is earlier

Sec 32 :- Prohibition of unauthorised collection of Tax

Sec 33 :- Invoice shall be issued separately

& GST details shall be shown separately

Sec 34(1) :- Credit Note :-

when more GST charged to recipient (when sales returns)
↳ to decrease GST → issue credit note

Sec 34(2) :- Last date 30th Nov of next f.Y. (or) Annual return w.e.e.

Time limit for credit note :-

Sec 34(3) :- Debit Note :-

when last GST charged to Recipient (when to increase value of supply)
↓
to increase / to collect more GST
↓
Issue Debit note

Sec 34(4) :- Time limit for Debit note → No time limit.

E-Invoice:

$$RP + ATO > 10 \text{ cr}$$

Except: Govt, Local Authority, Govt body, SEZ (Special Economic Zone)
Bank, NBFC, FI, Insurance, GTA, Passenger Transport, multiplex.

Dynamic QR Code:-

$$RP + ATO > 500 \text{ cr}$$

Except:- Bank, NBFC, FI, GTA, Passenger Transport, multiplex, Export

When payment holder / Payment is from outside India

Circular

1) Expired medicine:-

- If returned within time limit → Issue credit note
- If time limit is completed
↳ resale

2) Good sent for exhibition

At the sending to exhibition → Delivery challan
If sold in exhibition → raise Tax Invoice

Delivery Challan (3 copies)

- 1) Supply of liquefied gas
- 2) Transportation of goods for Job work / Repair
- 3) Transportation of goods for Exhibition
- 4) When Tax Invoice can't be issued
- 5) Sale / approved basis

Exception:- Jewellery → no way bill
only Delivery challan

Tax invoice cum bill

If supply of both Taxable supply & Exempted supply

Time of supply

Sec-12 → TOS of goods

Sec-12(1) :- Liability to pay GST

↓
TOS

Sec-12(2) :- FCM of good

(a) Date of issue of Invoice
(or)

(b) Last date of issue of Invoice

} w.e.e

Movement → Date of Removal

No movement → Date Delivery / make available

Continuous supply → Statement of DOP w.e.e

Sec-12(3) :- RCM of goods :-

a) Date of Receipt goods
(or)

b) DOP (Book entry (or) Bank credit w.e.e.)
(or)

c) Date after 30 days from DOI

} w.e.e.

Sec-12(4) :- Voucher

Supply is identifiable at ^{time} issue of issue

Yes

Date of issue of voucher

No

Date of Redemption

Sec-12(5) :- Residuary cases :-

RP → Date of Return

URP → Date of payment of Tax

Sec-12(6) :- Interest, Penalty, late fee

↓
Date of Receipt

Sec-13 TOS of Services

Sec-13(1) :- Liability to pay GST → TOS of service

Sec-13(2) :- FCM

If invoice issued within time limit

Yes

No

Before/after 30/45 days

Continuous service

Due Date

DOP

Date of event

a) DOI

a) DOP Provision of service

b) DOP

} w.e.e

b) DOP } w.e.e

Sec 13(3) :- RCM of service.

① DOP

② Date after 60 days from DOI } w.ee.

Sec 13(4) :- Voucher

supply identifiable at the time of issue

Yes

No

Date of issue

Date of redemption

Sec 13(5) :- Residual Case:-

RP → Date of return

URP → Date of payment of Tax

Sec 13(6) :- Interest, Penalty, late fee

Date of receipt

Circulars

1) Old rates; New Rates [Sec-14]

If supply is before change of Rate

Particulars

Applicable Rate

① DOP → Before

old

DOI → After

② DOP → After

old

DOI → Before

③ DOP → After

New

DOI → After

④ DOP → Before

old

DOI → Before

2) If supply is after change of Rate

Applicable rate

① DOP → Before

New

DOI → After

② DOP → After

New

DOI → Before

③ DOP → Before

old

⇒ DOP → BE (or) BC (w.ee)
(if credit is within 4 days)

DOI → Before

④ DOP → After

New

DOI → After

Yes
↓
BE/BC (w.ee)

NO
↓
BC

E-WAY BILL

Eway bill

↓
To trace the movement of goods.

who will raise:- supplier $\xrightarrow{\text{if URP}}$ Recipient $\xrightarrow{\text{if URP}}$ Transporter

when:- Before starting the movement (Except Railway can generate after movement)

when compulsory:- when Consignment Value $> 50,000$

↓
VAT + GST

Exception:- Interstate movement, if consignment value $< 50,000$ issue Eway bill is compulsory
Hand goods

Format of Eway bill:- Part A $\rightarrow$ details of goods

Part B $\rightarrow$ Transportation details

Documents to be carried:- Invoice / DC + Eway bill

In case of failure:- penalty:- GST on 10,000 (w.eh)

Seizure:- goods & conveyance.

Validity:- 1) Normal $\rightarrow$ 1 day $\rightarrow$ 200kms

2) Ship $\rightarrow$ 1 day $\rightarrow$ 20km

when not necessary:-

1) Jewellery, Precious metals / goods / stones, currency.

2) LPG, kerosine, Port

3) non motorized conveyance

4) Exempted goods (except:- Alcohol; HPMAN)

5) movement to notified areas

6) goods is not supply (Sec-III)

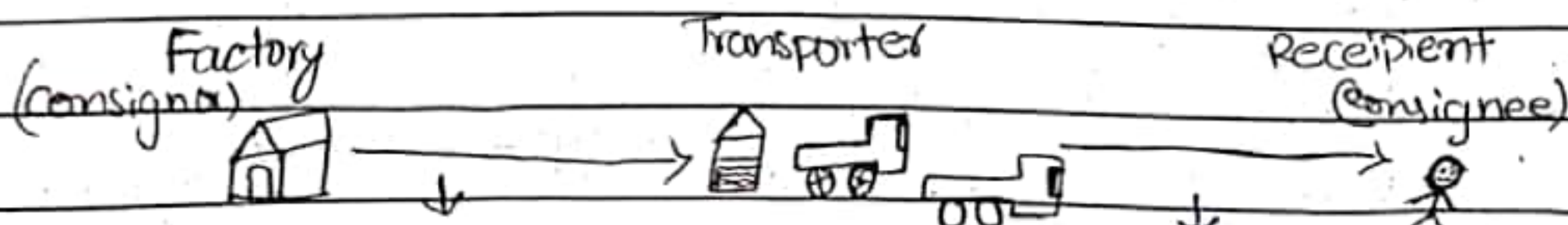
7) CSD (military canteen)

8) movement of goods by defence

9) Empty Cylinder / Empty Cargo

10) Transport from customers office

11) Cargo to / from Nepal / Bhutan



If upto 20km $\rightarrow$ only Part A

If upto 50km $\rightarrow$ Only Part A

If > 20 km $\rightarrow$ Part A & B

If > 50 km $\rightarrow$ Part A & Part B.

Restriction of E-way Bill

when 1) Composition dealer $\rightarrow$ If not filed, Return for 2 composition period

2) Normal dealer $\rightarrow$ If not filed Return

GST RJ for 2 months quarter.

Place of supply (POS)

To identify supply is Intra/Inter

LOS $\rightarrow$ location of Supplier LOR $\rightarrow$ Location of Recipient

LOS & LOR $\rightarrow$ location of Supply

IGST Act 2017 :- Sec 10, 11, 12, 13

Service
↑
goods LOS/LOR is in outside India

Sec -10 :- POS of goods

① Supply involves movement $\rightarrow$ POS $\rightarrow$ where the movement terminates for delivery to recipient

② Bill to ship $\rightarrow$ POS $\rightarrow$ location of 3rd party (i.e. not recipient)
↓
ordered person

③ Supply doesn't involve movement $\rightarrow$ POS $\rightarrow$ location of goods at delivery time

4. Supply doesn't on board $\rightarrow$ POS $\rightarrow$ location taken on board

5. Assembled / Installed at site $\rightarrow$ POS $\rightarrow$ location of installation

Sec 11 :- Goods (imports/exports)

1) Imports $\rightarrow$ POS $\rightarrow$ Location of imports

2) Exports $\rightarrow$ POS $\rightarrow$ Location of outside India

Sec -12 :- Service

1) LOS & LOR both in India.

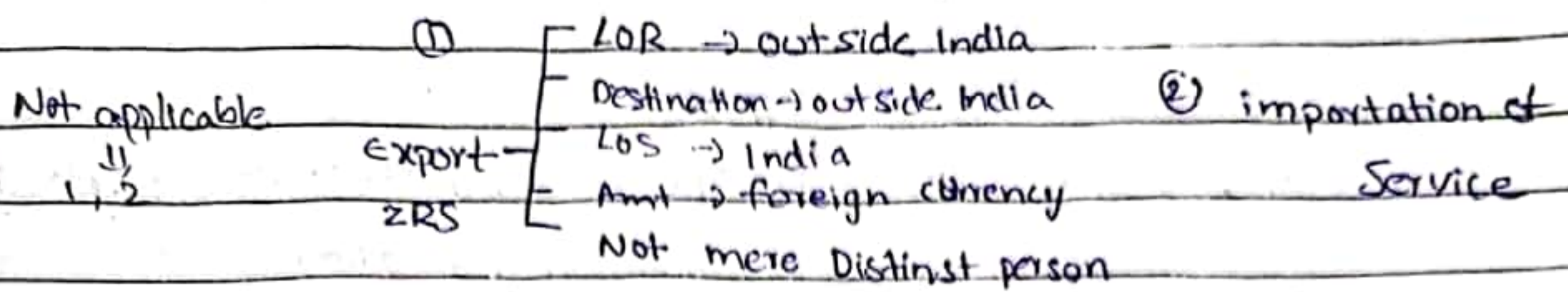
2) Normal case $\rightarrow$ POS $\leftarrow$ RP $\rightarrow$ LORP
URP $\rightarrow$ Address of recipient

yes
↓
LOR

NO
↓
LOS

- 3) Services in relation to immovable Property $\rightarrow$ POS $\rightarrow$ Location of immovable Property
 $\rightarrow$ If immovable property is outside India
 $\downarrow$
 POS $\rightarrow$ LOR
- $\rightarrow$ If immovable property is more than 1 State / UT
 $\downarrow$
 POS $\rightarrow$ location of immovable property
 (Proportionate)
- 4) Performance based Service $\rightarrow$ POS $\rightarrow$ Location of ~~person~~ performance
- 5) Training & performance appraisal $\rightarrow$ POS $\leftarrow$ RP $\rightarrow$ LORP
 URP $\rightarrow$ LO Performance
- 6) Admission to event / Park $\rightarrow$ POS $\rightarrow$ location of event
- 7) Organisation of event $\rightarrow$ POS $\leftarrow$ RP $\rightarrow$ LORP
 URP $\rightarrow$ LOE
- 8) Transportation of goods $\rightarrow$ POS $\leftarrow$ RP $\rightarrow$ LORP
 URP $\rightarrow$ location of goods hand over (pickup)
 $\downarrow$ exception
 if transportation outside India
 $\downarrow$
 POS $\rightarrow$ Destination
- 9) Passenger of goods $\rightarrow$ POS $\leftarrow$ RP $\rightarrow$ LORP
 URP $\rightarrow$ location on board
- 10) On Board Services $\rightarrow$ POS $\rightarrow$ Location first schedule departure
- 11) Telecom services $\rightarrow$ POS $\leftarrow$ Post paid $\rightarrow$ Billing address
 Dish $\rightarrow$ LO Dish
 Prepaid $\rightarrow$ agent $\rightarrow$ location of agent
 By any person $\rightarrow$ AOR
 $\swarrow \searrow$
 Yes NO
 LOR LOS
- 12) Financial & Stock Broking $\rightarrow$ POS $\rightarrow$ AOR $\leftarrow$ Yes $\rightarrow$ AOR
 No $\rightarrow$ LOS
- 13) Insurance Service $\rightarrow$ POS $\leftarrow$ RP $\rightarrow$ LORP
 URP $\rightarrow$ AOR $\leftarrow$ Yes $\rightarrow$ LOR
 No $\rightarrow$ LOS
- 14) Advertisement service to CG / SE / UT $\rightarrow$ POS $\rightarrow$ Proportionation $\rightarrow$ Basis
 eg:- TV ads $\rightarrow$ TRP

Sec-13:- Services (If LOS/LOR is outside India) (always interstate)

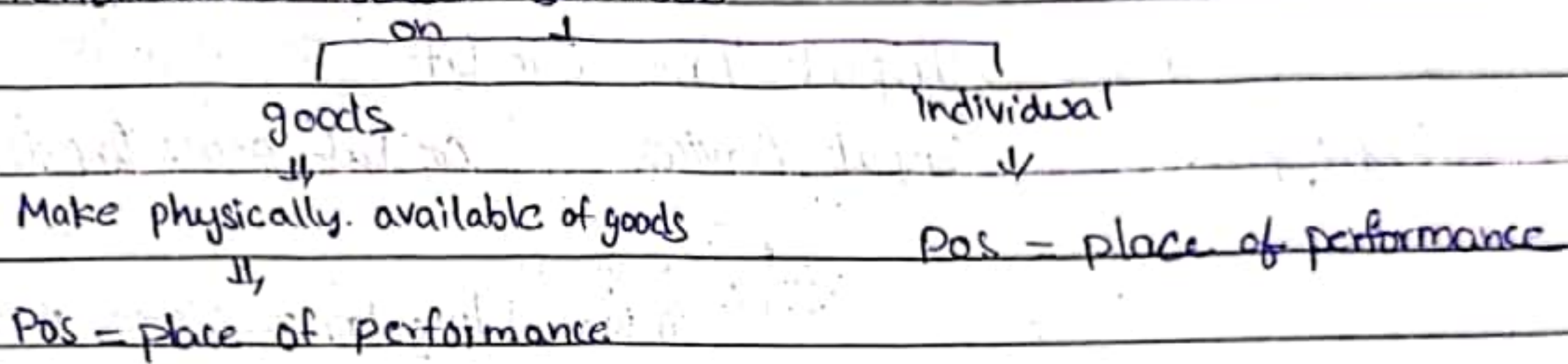


1) LOS/LOR → outside India

2) Normal case → POS → LOR

Yes → LOR
No → LOS

3) Performance based Services



exception:- 1) Goods imported temporarily

(not used in India)

2) Performance Remotely / electronically

3) Service on Unpolished diamonds

4) Software development (exception used to test)

5) RGD (same exception)

6) supply w.r.t Aircraft / ship

POS → LOR

Satellite launch Service

if international → LOR → ZRS
If Domestic → Exempted

4) Service in relation to immovable property → POS → Location of property

5) Admission to / Organisation of event → POS → place of event

6) Services in multiple state / UTs & outside India → POS → Proportionate

7) Services by Bank / NBFC / FI

8) Services like ^{Inter}mediary services

9) Hiring of transport vehicle (except aircraft / vessel)
(within 1 month)

POS → LOS

10) Transportation of goods except:- (Mails / courier) → POS → Destination of goods

11) Transportation of passengers → POS = location of Boarding

12) Services on Board → POS = location of first Schedule Point

13) AIDAR → POS → LOR

online information database Access & Retrieval.

14). To prevent double Taxation → CG has a power to determine PAs

Basis for apportion

- 1) TV advertisement TRP (if TRP not given Statewise Divide TRP on basis of population)
- 2) Rail advertisement length of the track
- 3) Internet Internet subscription
- 4) Railway Tickets No. of Railways stations.

I.T.C ⇒ Input Tax credit Sec-16, 17, 18

Input goods Input Services Capital goods (input)

- I.T.C only to
- 1) Normal / Regular registered person (Not compex)
 - 2) only on GLS used for business purpose.

Conditions Sec-16

- 1) T → Tax Invoice / Debit note / Bill of Entry / Input service distribution (ISD)
- 2) F → Fraud, misstatement → NO ITC
- 3) F → Furnish Return
 Supplier → Sale → GSTR-1
 Recipient → GSTR2B
 → Hth every month
- 4) R → Received GLS [Exception Bill to ship]
- 5) R → Not been Restricted → NO ITC
- 6) R → Return filed by recipient → (limit to claim ITC → Nov 30th of next yr)
- 7) P → payment of Bill amount by recipient → Max time limit → 180 days
 after than reversed of ITC
- 8) I → Installment → last installment → ITC can take
- 9) P → Payment of Tax by Supplier GSTR3B → 20th
 Bill amount by recipient
 sep 30th of next fy → after sep 30th → Reversal of ITC
- 10) M → Maximum time limit to claim ITC → Nov 30th

Sec-17 Apportionment & Block Credit

Apportionment

- 1) TS & ES
- 2) BP & NBP

No apportionment

- exclusively ES & NBP → NO ITC
- exclusively TS & BP → full ITC allowed

TS → Taxable supply
ES → Excepted supply

BP → Business purpose
NBP → Non-Business purpose

Rule - 42:- Input Goods/Services

$T = \text{Total ITC}$

(1) $T_1 = \text{Exclusive for NBP}$

(2) $T_2 = \text{Exclusive for ES}$

(3) $T_3 = \text{Block Credit}$

C_1

(4) $T_4 = \text{Exclusive for TS} \rightarrow \left(\frac{\text{full ITC}}{1} \right)$

C_2

(5) $D_1 = 5\% \text{ on } C_2 \text{ (NBP)}$

(6) $D_2 = C_2 \times \frac{\text{ETO}}{\text{TTO}} \text{ (ES)}$

$\text{ITC}_2 \rightarrow \text{Available (TS)}$

Rule 43 (CG)

TS $\rightarrow$ ITC allowed

TS + ES $\rightarrow$ ITC $\rightarrow$ TC $\rightarrow$ Apportionment

ES $\rightarrow$ ITC not allowed

ES $\xrightarrow[\text{Tie}]{\text{Period}}$ TS + ES $\rightarrow$ TC $\rightarrow$ apportionment

TS $\xrightarrow[\text{Tie}]{\text{Period}}$ TS + ES $\rightarrow$ TC $\rightarrow$ apportionment

$T_c = \text{Total common credit}$

$T_m = T_c / 60 \text{ months}$

$T_e = T_m \times \frac{\text{ETO}}{\text{TTO}} \rightarrow \text{Add to output Tax}$

Tie $\rightarrow$ 5% per quarter $\rightarrow$ Add to output tax

Exempted Supply

Includes

Excludes

Nil rate

Interest Except Bank / NBFC

wholly Exempted

non Taxable

RCM

1% on Sale value of Securities

Supply L&B (Completed)

Block credit

1) Motor Vehicle (for Transportation of Persons + seating capacity ≤ 13)
(including driver)

exception:- F $\rightarrow$ further sales

T $\rightarrow$ Transport of Passenger

T $\rightarrow$ Training

2) Vessels & Aircraft (for Transport of Person)

Exception:- FTT

3) Servicing, repairs, Maintenance w.r.t MVA

allowed $\rightarrow$ If MVA is allowed

blocked $\rightarrow$ If MVA is blocked

4) i) Food & Beverage, outdoor catering

ii) Beauty treatment

iii) Leasing of M.V.A

iv) Health services

v) Cosmetic & Plastic Surgery

vi) Life & health insurance

Blocked $\rightarrow$ If supplier as a Composite/mixed
(or) Sub contract (or) further supply
2 If it is to be provided as per
Statutory obligation

5) Club membership to ee
 Health & fitness to ee
 Travel Benefit to ee } Blocked → If Supplier as a composite/mixed supply (or) subcontract (or) further supply
 → If it is to be provided as per statutory obligation allowed

6) works contract → Immovable Property { L&B → Blocked
 P&M → Allowed

7) Composition dealer → Blocked

8) NRTP → Blocked

9) Personal Consumption → Blocked

10) Goods lost / destroyed / stolen → Blocked

11) Tax paid on Delivery / evasion / confiscation → Blocked
 (ITC)

Sec-18 → Credit in Special Circumstances

Un registered

Relevant date

18(1)(a) → New registration → Date from which he is liable } ITC on Input goods held in stock (No ITC on CG)
 (applied within 30 days)

18(1)(b) → Voluntary reg ⇒ Date of grant of GST } Day preceding the relevant date
 I, ITC 01

18(2) ⇒ If new registration applied after 30 days from liable date → No ITC

Registered

18(1)(c) → Composition → Normal → Date of liable } ITC on Input goods held in stock

18(1)(d) → ES → TS → Date from which it becomes taxable supply } (ITC 01) Day preceding the relevant date
 ITC on CG (reduce 5% per quarter)
 (ITC 01)

18(3) → In case of change in constitution (like Amalgamation, Demerger, Merger)

Transferor → Transferee

RP

RP

ITC Transfer }
 allowed

↓
 apportionment

Basic: Value of Assets

18(4) :- Normal Person $\xrightarrow{\text{to}}$ Composition } Reversal ITC
 TS $\xrightarrow{\text{to}}$ ES $\xrightarrow{\text{stock}}$ ITC on Input goods held in stock
 CQ $\rightarrow$ 60 months - used months
 Balance months $\rightarrow$ Reverse ITC. 03

18(5) $\rightarrow$ Reversed $\rightarrow$ Rule 40 / Rule 41

18(6) $\rightarrow$ In case of Sale of CQ
 Reversal of ITC

$\downarrow$
 ITC (reduce 5% per quarter)
 (or)
 GST on sale value } w.e.h

Except :- If sale of scrap

Circulars

1) free samples Buy one get one $\rightarrow$ ITC allowed

2) Moulds $\left\{ \begin{array}{l} \text{obligation of Supplier} \rightarrow \text{add to VOS} ; \text{ITC on Mould Purchased by} \\ \text{Recipient but obligation of seller} \\ \text{Obligation of Recipient} \downarrow \text{Blocked} \\ \text{No addition to VOS} \rightarrow \text{ITC is allowed.} \end{array} \right.$

Payment of Tax

1) E-credit ledger

2) E-liability ledger

3) E-cash ledger

Dr	1. E-credit ledger	Cr
Amount used for making payment of ITC (Transfer to E-liability ledger)	ITC	

Dr	2. E-credit liability ledger	Cr
→ Amount payable → GST, Interest, Penalty late fee, other	E-credit ledger	
	Balance → through E-cash ledger	

Dr	E-cash ledger	Cr
E-liability ledger (balance) → TDS, TCS, RCM, I, P, L, O	Bank A/c → Deposit	

→ Manner of utilisation of E-credit (ITC)

→ ITC should not be restricted / Blocked
order of utilization of ITC

	IGST	CGST	SGST
Input	10000	12000	6000
IGST 13000	(10000)	3000	
CGST 9000		(9000)	
SGT 6000			(6000)
	0	0	0

1) IGST → IGST → CGST → SGST → Balance IGST can be utilised to CGST, SGST in any

2) CGST → CGST → IGST either & in any proportion

3) SGST → SGST → IGST
→ 2. Start using CGST, SGST credit only after IGST credit is exhausted totally.

IGST	CGST	SGST
10000	12000	12000
IGST 12000 (10000)	CGST 2000 (12000)	SGST 2000 (12000)
CGST 10000	(10000)	
SGST 10000		(10000)

IGST	CGST	SGST
10000	6000	6000
IGST 8000 (10000)	CGST 2000 (6000)	SGST 2000 (6000)
CGST 8000		
SGST 8000		

IGST	CGST	SGST
10000	6000	6000
IGST 18000 (10000)	CGST 4000 (6000)	SGST 4000 (6000)
CGST 18000		
SGST 18000		

→ The balance in e-credit ledger can't be utilised for
TDS, TCS, RCM, I, P, L, D
always pay through e-cash ledger

Notes to e liability ledger

→ Manner of discharge of liability

- 1) Self assessed Tax & due related to Previous Period
- 2) Self assessed Tax & due related to current Period.
- 3) Any other

Notes w.r.t. e-cash ledger

Major heads:- IGST, CGST, SGST

Minor heads:- S, T, Z, P, L, D
T = Tax (TDS, TCS)

Transfer from one head to other head allowed (GST PM 109)
Transfer to Distinct Person (DP) allowed

Conditions of use of Amount in E-credit ledger

→ RP + vat (excluding ESGZRS) in a month > 50 L ; he shall not use E-credit ledger in excess of 99%.

Not applicable to (above condition)

1. Karta / MD / 2 partners / WTD have paid Tax > 1L in each of the last
2. Rent > 1L in PFY
3. Discharge OTL through E-cash > 1% of OTL commutatively upto this month.

4) Local Authority, Govt Bodies / PSCs

5) Taken permission from commissioner / officer

Interest

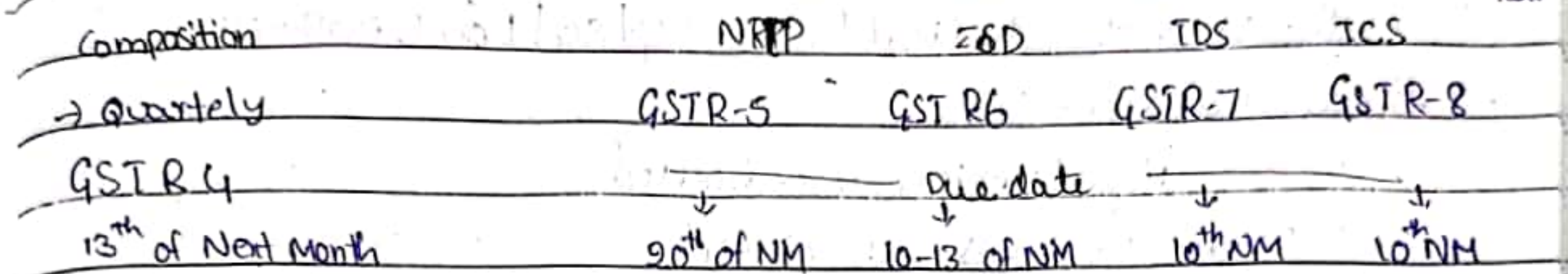
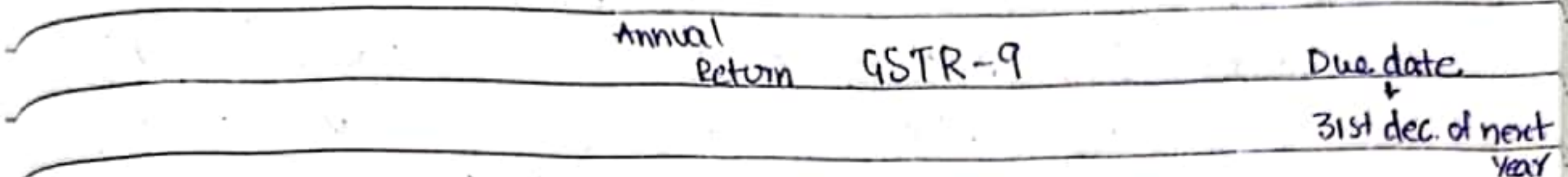
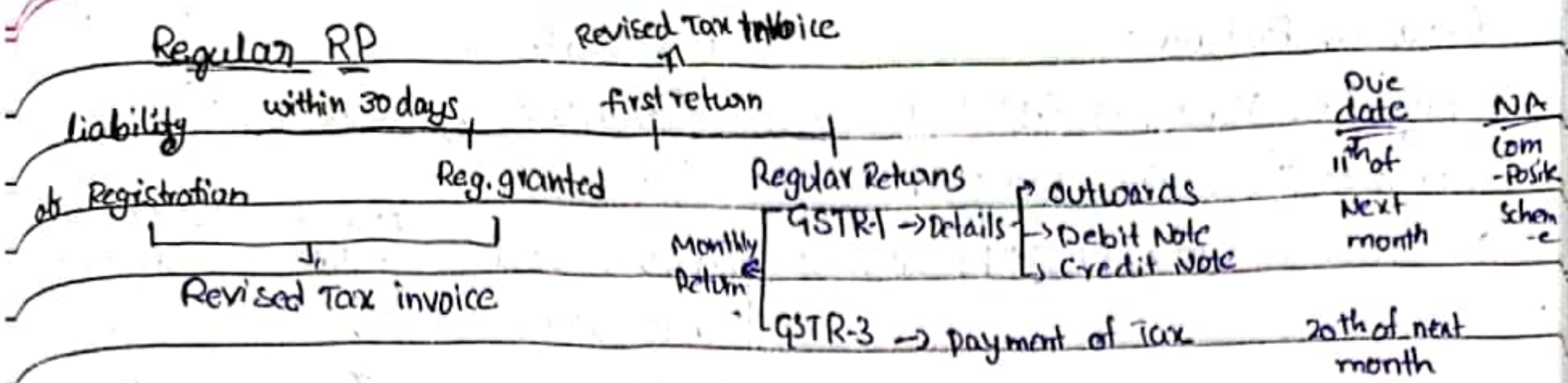
→ Paid only through E-cash ledger

→ 18% on wrong utilization of ITC

Wec { From the date of wrong utilization to Date of reversal
Due date

Supply	Declared in	Proceeding	Interest on	Period.
1. Supply made during a period	Return for Same period (But not filed)	NO	Net Tax	Period of delay beyond due date
2. Supply made during a period	Return for next period	NO	Gross Tax liability	from the date on which tax was due till the date of payment
3. Supplies made during period	not declared / declared but Tax short paid	Yes	Gross Tax	11
4. Suppliers made during period	Not declared	NO (Voluntary)	Gross Tax liability	11

Returns



Annual return → GSTR-9A

QRMP → Quarterly Returns but monthly Payment Scheme

Monthly → ZEE → Invoices Furnishing facility

eligible → ATD < 5cr in PEY

OEDAR is not eligible irrespective ATD

outward supplies

RP → B₂B

URP → B₂C

Returns - Quarterly → Due date → 22/24 of next month of quarter end

Payment - Monthly

South North India

Base -

Preceding Tax period

Quarter 35% of PQ

Monthly 100% of PM

GSTR-1

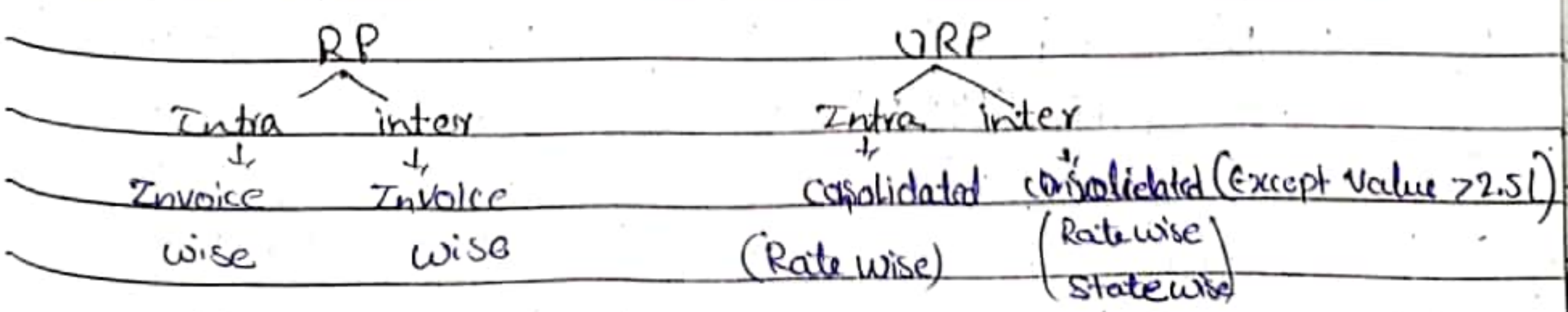
Monthly due date - 11th of next month

Details → outward supplies, Debit note, Credit note

Not applicable → Composition, NRTP, CTP, OEDAR

B₂B → Business to Business → RP

B₂C → Business to Customer → URP



Annual Return:

Due date

Regular Person $\rightarrow$ GSTR 9 } 31st December of next FY

Composition $\rightarrow$ GSTR 9A

for 2017-18, 2018-19, 2019-20, 2020-2021, 2021-2022

Annual
Return

Self Certified
reconciliation

ATO > 2 Cr

✓

✗

ATO ≤ 2 Cr

✗

✗

After - If ATO ≤ 5 Cr

✓

✗

If ATO > 5 Cr

✓

✓

$\rightarrow$ AR is not applicable to CG/SG/Local Authorities.

$\rightarrow$ Final Return

when Registration is cancelled

when business is closed

[GSTR 10]

(within 3 months from date of cancellation)

If Previous return is not filed then subsequent Return is not allowed to file

Late fee

Person	Type of Return	Per day	Max
Normal RP	Nil Return $\rightarrow$ GSTR-1/3B	25	250
	other than Nil $\rightarrow$ GSTR-1/3B		
	ATO ≤ 1.5 Cr PFY	25	1000
	ATO 1.5 Cr - 5 Cr PFY	25	2500
	ATO > 5 Cr	25	5000
Composition	Nil $\rightarrow$ GSTR-4	10	250
	Other than Nil $\rightarrow$ GSTR-4	25	1000
NRTP	Nil $\rightarrow$ GSTR-5	10	5000
	Other than Nil $\rightarrow$ GSTR-5	25	5000
ISD	GSTR-6	25	5000
TDS	GSTR-7	25	1000
TCS	GSTR-8	100	5000

late fee for Annual Return $\rightarrow$ CSTR-9/9A

	per day	Max
ATO upto 5 Cr	25	0.02% of TO
5 Cr - 20 Cr	50	0.02% of TO
> 20 Cr	100	0.25% of TO

$\Rightarrow$ No Revised Returns, Rectification in next returns is allowed

w.e.e. $\left\{ \begin{array}{l} \text{last date - 30th Nov of Next FY} \\ \text{(or)} \end{array} \right.$

Due of Annual Return
(31st dec)

Exemptions

Sec 11(1) → General Power to Govt to grant exemption

Sec 11(2) → Special Power to Govt to grant exemption

Sec 11(3) → Power to insert explanation w.r.t section Notification
Retrospective (should be)

1. Charitable & Religious activities

Entity → Register u/s 12AA/12BB of Income tax Act, 1961

1. Charitable activities

P → Public health → care / counselling / public awareness

A → Advancement of spirituality & yoga

P → Prevention of environment, forest, wild life watered.

E → Education / skill development related to

→ Homeless children

→ Physically / mentally abused

→ Prisoners

→ Person > 65% in rural areas.

2. Running old age home → for Resident > 60y

& consideration upto 25k per month

3. Renting of Premises of religious places

Room rent → upto 999 per day

Kalyan mandapam → upto 9999 per day

Shops → upto 9999 per month

4. Training / coaching in sports.

→ Religious ceremony → Exempted

→ Training / coaching relating to art / culture (like Kuchipudi)

→ Religious Pilgrimage → Haj, K.M.V.N.I.

→ Rehabilitation

→ Camp → religion / spirituality

2. Services by CG / SG / LA

→ Continuous supply of services → value ≤ 5000 → Exempted

(other PAYT)

P → Postal dept
 { Post card, Inland letter, Book Post, ordinary post (letter < 10g) }
 { other services like speed post, parcel etc. } (T)

A → Aircraft / vessel → ①

I → Renting of Immovable Property ①

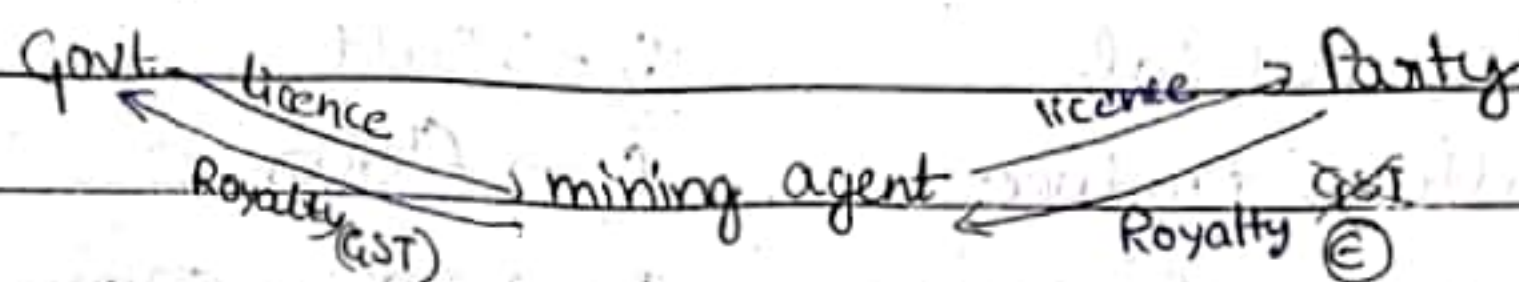
- RP → RCM
- URP → FCM

T → Transportation services → ① (Refer transportation chart)

All other services to

- Business Entity
 - Small business (E)
 - Others → VOS > 5000 ①
- Others (E)

Royalty on mining



Services by way of

- 1) Granting loan to PSU
 - 2) Allowing BG to operate Telecom services
 - 3) Registration services (not renewal)
 - 4) Passport / visa services
 - 5) Merchant overtime fee
 - 6) Tolerating fee
 - 7) Assignment of Right use of natural resources (eg - royalty)
 - 8) Fair Price shops
 - 9) Govt share of Profit Petroleum
 - 10) Training Programme → (75% expenditure spent by Govt)
 - 11) Insurance
 - 12) Pure service (Goods value < 25%) → CG / SALLA
 - 13) Sanitation services → CG / SALLA / Army
- } 243G

Passenger

③ Transportation services

Air	Road	Rail	Vessel
upto to Economy class (E)	Stage carriage	Railway	Public transport
only to Bagdogra (WB)	If it is $\leq$ ① Contract carriage	Non AC (E) AC ①	India (E)
Arunachal Pradesh, Assam,	Non AC (E) AC ①	Metro / Mono Rail (E)	outside India ①
Manipur, Meghalaya, Mizoram,	Meter cab, Auto, E-rickshas (E)		tourism ①
Nagaland, Sikkim)			

Eco-RCM

Goods

Air	Road	Rail	Vessel
Domestic (T)	Carrier (T)	Taxable	Domestic - Taxable
International	others (E) → (except:- RANDOMSEPR)		International
From outside to India (E)	GTA (T)		From outside to India
India to outside (T)	RP (T) ↓ LA/CQ/SG ↓ (E)		India to outside (T)
	URP ↓ FBSloop (E)		
	others (E)		

RANDOMSEPR

R → Relief Material

S → Salt

A → Agriculture Produce

F → flour

N → Newspaper, Magazines

F → food grain

D → Defence material

P → Pulses

O → Organic manure

R → Rice

M → Milk

→ Cargo to Nepal / Bhutan → (E)

→ Individual goods carriage → having material permit → (E)

→ Giving on hire M/V vehicle to State undertaking (E)
→ 12 Persons

EV to LA (E)

vehicle to GTA (E)

4. Admission to event (entry ticket)

→ Museum, National Park, wild life Sanctuary, Tiger reserve, zoo (E)

→ Protected movements (E)

→ Circus, concerts, Functions → upto 500 (E)

→ FIFU - world cup (E)

→ Asian foot ball (E)

→ Performance by Artist (Folk, classical) upto 150 (E)

Taxable

Other (like IPL, cinema hall, water park, Amusement Park, filmcity etc.)

5. Agriculture Produce

- 1) Cultivation of Plants / rearing of Animals (for food, fuel, Fibre)
↳ (except: Horse)
- 2) Agricultural operations in relation to cultivation, Testing
- 3) Services on agriculture Produce (which don't change exempted)
- 4) Warehousing of agriculture Produce
- 5) Marking Board
- 6) Loading, unloading of agriculture produce
- 7) Transport (only through Road, Rail, vessel) ~~✗~~
- 8) Training Farmers wrt. Agriculture
- 9) Artificial insemination
- 10) Electricity distribution to Agriculture

Health Care Services

By clinical establishment; By Authorised medical Practitioner ^P
Services of Diagnosis, treatment (care of illness, Pregnancy, injury, abnormality)
in recognised system of medicines

Ayurveda
Homeopathy, Allopathy
Naturopathy, Yoga
Siddha, Unani

- Transportation of Patients (€)
- Veterinary (€)
- Food to inpatient (€) [if out patient] (Taxable)
- In vitro Fertilization; Doctor to Hospital

Taxable:

- Unrecognised (€)
- Room rent upto 5000 per day (€)
- Renting of shops / advertisement (€)

Legal Services

Artificial Tribunal, Examination of Advocate / individual, senior citizen
Service: Advice ^{name} Consulting Assistance wrt. any law

to :- BE $\rightarrow$ ATO $\rightarrow$ Reg. limit - (T)

to :- others $\rightarrow$ (E)

Education Services

Education Institutions $\xrightarrow{\text{to}}$ Students (E)

- School $\rightarrow$ Pre school & upto 12th

- College $\rightarrow$ Education as a per of curriculum for ordinary reg. Qualification

- Vocation institutions

Other $\xrightarrow{\text{to}}$
(giving servicing)

School College Vocation

1. Transportation

E

T

T

2. Catering

E

T

T

3. Security, cleaning, house keeping

E

T

T

4. Admission / conduction of Exen

E

E

E

5. online education / members / periods

T

E

T

$\rightarrow$ Maritime institution (E)

$\rightarrow$ supply of food by EI (E) by other (T)

$\rightarrow$ Entrance fee test (E)

$\rightarrow$ Angan wadi (E)

$\rightarrow$ I.T.M (E) (except :- short term courses)

$\rightarrow$ Central, State ~~govt~~ education board to EI wr. to Exen (E)
(except: granting recognition)

$\rightarrow$ Skill development (E)