

INDEX for Vol 1

Section A: Income Tax Law

1.	Basics & Tax Rates	1.1-1.16
2.	Residence & Scope of Total Income	2.1-2.12
3.	House Property	3.1-3.10
4.	PGBP	4.1-4.32
5.	Capital Gain	5.1-5.23
6.	Income from Other Sources	6.1-6.7
	Total Pages	100

Daro Mat, Ye Volume 1 hai, Baaki Chapters Volume 2 me Hai.

INDEX

Section A: Income Tax Law

Volume II

<i>S No.</i>	<i>Chapter</i>	<i>Page No.</i>
7	<i>Income from Salary</i>	<i>7.1 – 7.21</i>
8	<i>TDS, TCS and Advance Tax</i>	<i>8.1 – 8.27</i>
9	<i>Clubbing of Total Income</i>	<i>9.1 – 9.9</i>
10	<i>Set off and Carry Forward</i>	<i>10.1 – 10.5</i>
11	<i>Deductions from GTI</i>	<i>11.1 – 11.13</i>
12	<i>AMT</i>	<i>12.1 – 12.2</i>
13	<i>Return Filing</i>	<i>13.1 – 13.16</i>
14	<i>Section 115BAC</i>	<i>14.1 – 14.2</i>
15	<i>Agricultural & Other Exempt Income</i>	<i>15.1 – 15.4</i>

*Suno,
Tum Sab Kar Loge*

What is Tax?

Tax is considered to be "cost of living" in the society. Taxes are levied (charged) by the Government to meet the common welfare expenditure of the society.

There are 2 types of Taxes:

Direct Tax

Indirect Tax

It is levied on the **Income** or **wealth** of a person

It is levied on the price of a **good** or **service**.

The Burden of Direct Tax **can not be shifted** to another person

The person who is paying the tax to the Government **passes on the incidence** to another person.

Jo paise Kamayega
Usko Tax dena padega.

Sabko Tax dena Padega jab
bhi Vo Koi bhi Goods ya
services kharidenge

Power to Levy Taxes

The Constitution of India in Article 265 lays down that " **No Tax shall be levied or collected except by Authority of law**"

The Constitution of India gives the power to levy and collect Taxes



Direct Tax + Indirect Tax

The Parliament and State Legislatures are empowered to make laws on matters given in seventh schedule by virtue of **Article 246** of Constitution of India

Seventh schedule to **Article 246** contains three lists which enumerate/describes the matters under which Parliament and State legislatures have the authority to make laws

For the purpose of any of Taxes

Union list	State list	Concurrent list
Parliament has the exclusive power to make laws given in Union list in matters	The State legislatures have exclusive power to make laws given in this list.	Both Parliament and state legislatures have power to make laws on the matters given in this list.

Entry no 82 of the Union list ie. list I in the Seventh Schedule to Article 246 has given the power to make laws on Taxes on Income other than Agricultural Income

We are studying Income Tax Law, So what is difference between Law & Act?

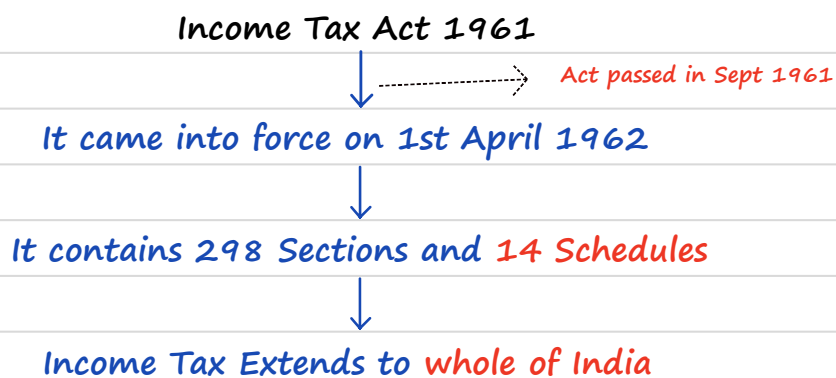
Income Tax law	Income Tax Act
It has a Wider Scope	It has a Narrower Scope
Law contains Finance Act, Rules, Notifications, circulars, Annual Finance Act, legal Decision of courts.	Income Tax Act is a part of Income Tax law.

Income Tax Act	Income Tax Rules
Kya Karna hai ? Kaunsi Income Tax hoti hai Income Tax Return File Karna padta hai → 31st July + in prescribe Form.	Kaise Karna hai? Kis Rate pe Tax lagga Kis form me IT Return file Karna hai - Ye rules mein likha hota hai. Income Tax Rules came into effect from 1.4.1962, hence they are called Income Tax Rates 1962.

Notifications	Circulars
<p>Notify / Add</p> <p>It is issued by Central Government to give effect to the provisions of the Act</p>	<p>Circulars are issued by CBDT from time to time to deal with certain specific problems and to clarify doubts regarding the scope and meaning of certain provisions of the Act.</p>
<p>The CBDT is also empowered to make and amend Rules for the purpose of the Act.</p>	<p>It is for the guidance of officers and / or assesseees</p>
<p>It is binding on both department and the Assessee</p>	<p>Circulars are binding on the department only.</p> <p>But Assesseees can take advantage of beneficial circulars</p>

Legal Decisions of Courts & Case Laws

Case Laws refers to the **decisions given by the Court of Law**. It is not possible for the parliament to make laws on every issue, thats why judiciary will hear the disputes between the parties (being the Assessee & the Department) and will give decision on various issues.



SLAB RATES UNDER OPTIONAL SCHEME

(1) Individual/ HUF/AOP/BOI/AJP (Resident/Non-Resident)

Total Income upto 2,50,000	Nil
Total Income > 2,50,000 upto 5,00,000	5%
Total Income > 5,00,000 upto 10,00,000	20%
Total Income > 10,00,000	30%

(2) Senior Citizen (Resident Individual of Age 60 or more)

Total Income upto 3,00,000	Nil
Total Income > 3,00,000 upto 5,00,000	5%
Total Income > 5,00,000 upto 10,00,000	20%
Total Income > 10,00,000	30%

(3) Super Senior Citizen (Resident Individual of Age 80 or more)

Total Income upto 5,00,000	Nil
Total Income > 5,00,000 upto 10,00,000	20%
Total Income > 10,00,000	30%

Note: A Resident Individual whose 60th/80th birthday falls on 1st April, 2025, would be treated as 60/80 years in the PY 2024-25, and would be eligible for higher basic exemption limit of 3 lakh/5 lakh in computing his tax liability for AY 2025-26

SLAB RATES under DEFAULT TAX REGIME u/s 115BAC(1A)

Total Income	0 - 3,00,000	Nil
	3,00,001 - 7,00,000	5%
	7,00,001 - 10,00,000	10%
	10,00,001 - 12,00,000	15%
	12,00,001 - 15,00,000	20%
	15,00,001 & Above	30%

Note: For Individual above 60/80 yrs of age, same slab rate shall be applicable.

↳ Benefit of 3L/5L Not available.

(4) FIRM / LLP / LOCAL AUTHORITY
ON THE WHOLE OF TOTAL INCOME - 30%

(5) CO-OPERATIVE SOCIETY

Total Income upto 10,000	10%
Total Income > 10,000 upto 20,000	20%
Total Income > 20,000	30%

(6) COMPANY - DOMESTIC

(i) If TOTAL T/O or Gross Receipt in PY 2022-23 is upto Rs. 400 cr	25%
(ii) In any other case	30%

(7) COMPANY - FOREIGN (General Rate) 35%

SURCHARGE

(1) Individual/HUF/AOP/BOI/AJP under Default Scheme i.e. 115BAC(1A)

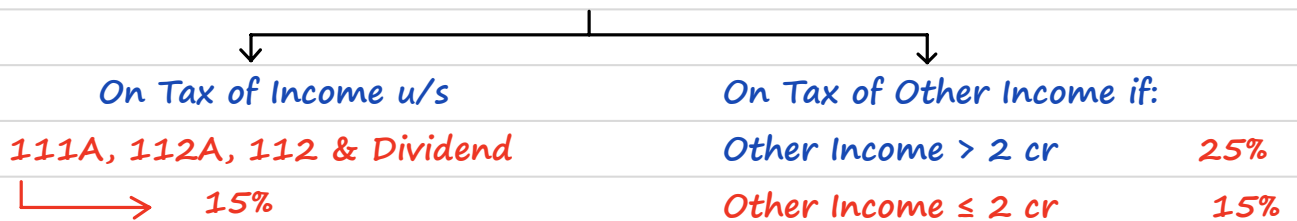
→ When Total Income (TI) does NOT include Income u/s 111A, 112A, 112 & Dividend

Total Income > 50 lakh upto 1 crore	10%
Total Income > 1 cr upto 2 cr	15%
Total Income > 2 cr	25%

→ When Total Income (TI) INCLUDES income u/s 111A, 112A, 112 & Dividend

Total Income > 50 lakh upto 1 crore	10%
Total Income > 1 cr upto 2 cr	15%

If Total Income > 2 cr:



Note: Other Income means → (Total Income - 111A, 112A, 112 & Dividend)

Imp Note: Under 115BAC(1A) (New Default Scheme) Max Surcharge Applicable is 25%.

(2) Individual/HUF/AOP/BOI/AJP under Optional Scheme i.e. Old Tax Regime

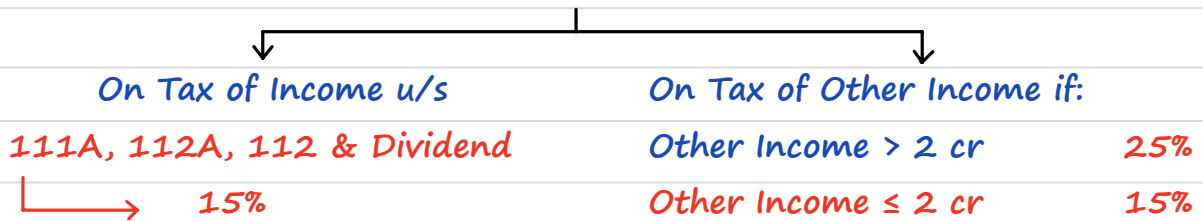
→ When Total Income (TI) **does NOT include** Income u/s 111A, 112A, 112 & Dividend

Total Income > 50 lakh upto 1 crore	10%
Total Income > 1 cr upto 2 cr	15%
Total Income > 2 cr upto 5 cr	25%
Total Income > 5 cr	37%

→ When Total Income (TI) **INCLUDES** income u/s 111A, 112A, 112 & Dividend

Total Income > 50 lakh upto 1 crore	10%
Total Income > 1 cr upto 2 cr	15%

If Total Income > 2 cr:



Note: Other Income means → (Total Income - 111A, 112A, 112 & Dividend)

If Total Income > 5 cr:



Note: Other Income means → (Total Income - 111A, 112A, 112 & Dividend)

(3) FIRM/LLP/LOCAL AUTHORITY

→ When the TOTAL INCOME > Rs. 1cr 12%

(4) CO-OPERATIVE SOCIETY:

If Total Income > 1 cr upto 10 cr	7%
If Total Income > 10 cr	12%

(5) COMPANY

TOTAL INCOME	Foreign Co.	Domestic Co.
If Total Income > 1 cr upto 10 cr	2%	7%
If Total Income > 10 cr	5%	12%

SPECIAL RATES OF TAX

(1) Sec 115BB

30%

Tax on Winnings, lotteries, Card game, Horse Race

(2) Sec 115BBE

UNEXPLAINED money, investment, exp etc. (Sec 68 - 69D)

Tax 60%

- No basic Exemption, No expenditure allowed.

+ Surcharge 25%

- No set off of loss allowed against such income

+ cess 4%

Effective Rate 78%

(3) Sec 115BBF

10%

Royalty Income from Patent developed & registered in India

• Developed in India - 75% Exp incurred in India

• No expense allowed.

(4) Sec 115BBG

10%

Income from transfer of Carbon Credits

• No Exp Allowed

(5) Sec 115BBJ

Net Winnings from Online Games

30%

RATES OF CAPITAL GAINS TAX

Section	Nature of Asset	Rate Applicable up to 22/07/2024	Rate Applicable from 23/07/2024
111A STCG	Equity Share in a Company Unit of Equity Oriented Fund Unit of Business Trust	15%	20%
Other STCG	All transfers other than mentioned in Section 111A	Normal Slab / Flat Rate applicable	Normal Slab / Flat Rate applicable
112A LTCG	Equity Share in a Company / Unit of Equity Oriented Fund Unit of Business Trust	10% on LTCG exceeding Rs. 1,25,000	12.5% on LTCG exceeding Rs. 1,25,000
112(1) (a) & (b)	Listed Securities (other than a Unit) / Zero Coupon Bonds	<u>Lower of</u> 20% with Indexation 10% without Indexation	12.5%
112	All long term transfers other than mentioned above	20%	12.5% 12.5%

Note for Resident Individuals and HUF

Tax Rate on Capital Gain Arising from transfer of Land or Building or Both acquired **BEFORE 23/07/2024** shall be LOWER of :

(1) 12.5% without Indexation

(2) 20% after Indexation



Note: This Option is only used at the time of Tax Payment. For Computing Total Income, you have to calculate **Capital Gain without Indexation**.

REBATE u/s 87A

Under Old Optional Tax Regime

When **Net** Total Income does not exceed Rs. 5,00,000

Rs. 12,500 or Tax

w.e. is lower

↳ After VI-A Dedn

Under Default Tax Regime u/s 115BAC

When **Net** Total Income does not exceed Rs. 7,00,000

Rs. 25,000 or Tax

w.e. is lower

↳ After VI-A Dedn

When Net Total Income > Rs. 7,00,000

&

Income Tax payable > (NTI-7,00,000), the rebate would be as follows:

Step 1 - Calculate (A). (A) = Total income - 7 lakhs

Step 2 - Calculate (B). (B) = Compute Income-tax liability on total income

Step 3 - If $B > A$, Rebate under section 87A would be $B - A$.Conclusion: Rebate u/s 87A will be $(B-A)$ or Tax w.e. is Lower

Author's Personal Note:

This is Just like Marginal Relief, think it in that way.

Rebate not available against Tax on LTCG u/s 112A

Health & Education cess

Rate of Health and Education Cess

4%

Notes:

→ Deduction u/s VI-A **not available** against above special Income→ Basic Exemption not available against above Income **except 112,112A,111A** in case of resident Individual & HUF.

Concept of Marginal Relief

- Applicable to all Assesseees
- Applicable Where **Surcharge** is Applicable
- This Concept is applicable when Income is Slightly higher than the threshold for Surcharge.
- For Eg:

For Ind/HUF/AOP/BOI/AJP
> 50L, 1Cr, 2Cr, 5Cr

Firm/Local Auth
> 1Cr

Company/Co-op Society
> 1Cr/10Cr

Conclusion of Difference Between Old & New Tax Regime

Old Tax Regime	New Tax Regime(115BAC)
→ Before FA 2023, It was Default, Now Its Optional.	→ From FA 2023, Sec 115BAC is Default Tax Regime
→ Above 60/80 Years, Benefit of 3L/5L is available.	→ No Extra Benefit above 60/80 Years. Tax Rates are same for All.
→ Max Surcharge applicable is 37% above 5 Cr.	→ Max Surcharge applicable is 25% above 2 Cr.
→ Rebate Limit: 5,00,000 Max Amount: 12,500	→ Rebate Limit: 7,00,000 Amount: 25,000

Some Important Definitions

Meaning of Provision:

In any law, Provision refers to a specific clause, Section or part of legal document that lays down a Rule, requirement or condition. In simple terms., a provision is a Rule written in law that must be followed.

Sub - Sections

When all parts of the section are related to each other such that when all sub sections are taken together, they complete the concept written in that section.

Ex: Section 5 has 2 sub-sections

Defines Scope of
Total Income

Sub Section

(1)

Scope of TI of
a Resident

Sub Section

(2)

Scope of TI of a
Non - Resident

Clause

When each part of the section is independent to each other such part is called a Clause
Section 10 contains exemption of Certain Incomes

Clause (1) - Exemption of Agriculture Income

Clause (2) - Exemption of Share Income of Member of HUF

Proviso

The Proviso to any Section / Sub - Section / Clause tells us the **Exceptions / Conditions to the Provisions** contained in that Section

Basically, proviso tells us where the provision contained in that Section / Sub Section

- Would Apply
- Would **NOT** apply

Ex: 80GGB and 80GGC provides for deduction from GTI if we donate any Amount to Political Parties.

Provided that such donation shall be made in any other mode than Cash

Thus, the proviso tells us the circumstances where deduction would not be available.

Explanation

Explanation to a section /sub-section/clause gives a clarification relating to the provision contained in respective section/ sub-section/cause

Explanation to sec. 80GGB/80GGC provides that "Political Party" means a political party registered under section 29A of Representation of People Act.

Assessment Year

This means a period of 12 months commencing on 1st April every year. The year in which Income is earned is Previous Year and such Income is taxable in immediately following year which is called Assessment year

Ex: Income earned in Previous Year 2024-25 is taxable in Assessment Year 2025 - 26

Note: Assessment Year always Starts from 1st April and it is a period of 12 months.

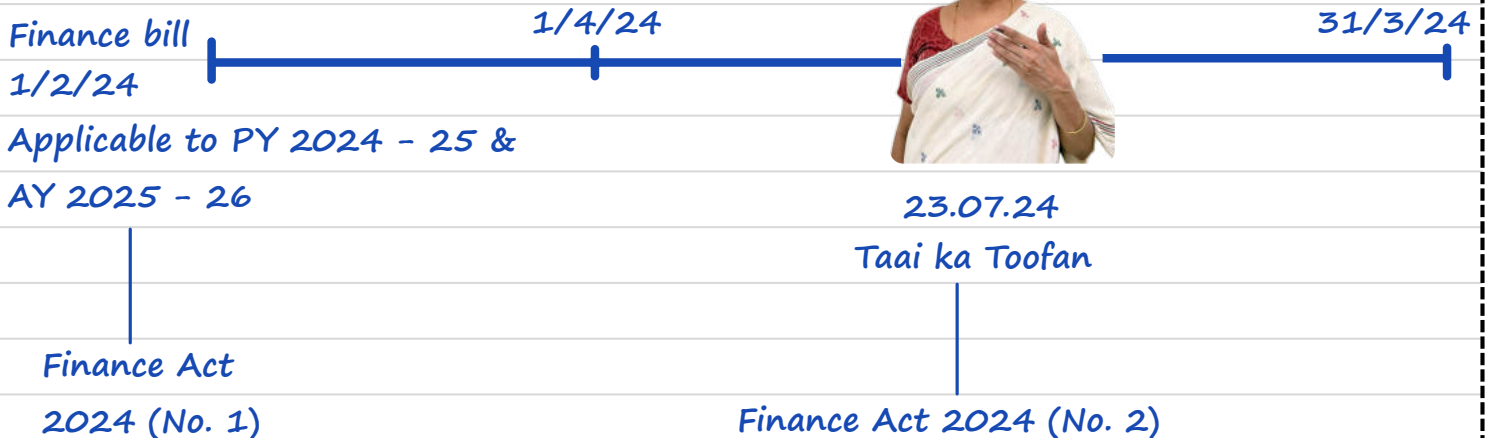
Previous Year

It means the financial year immediately preceding the Assessment year

Ex: A new Business set up on 1st August 2024

Previous year = 1.8.2024 - 31.3.25

Assessment year = 1.4.24 - 31.3.26



Some Important Definitions

Assessee

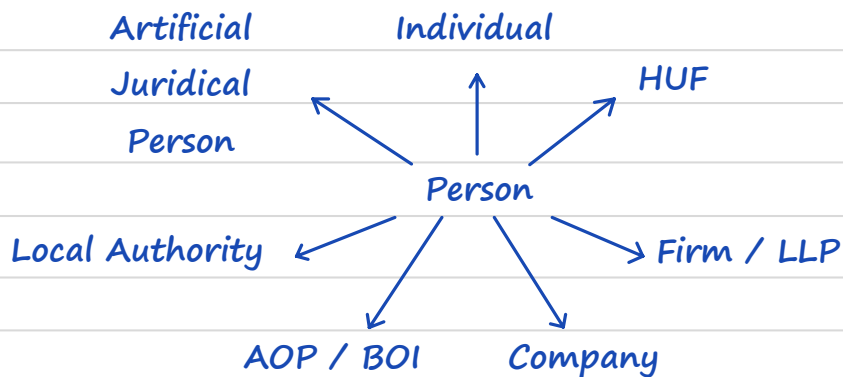
Assessee means a person by whom any tax or any other sum of money is payable under this Act.

Assessment

The procedure by which Income of an assessee is determined

Person

Every Assessee is a Person, but every person is not an assessee



Individual

- The term 'Individual' means only Natural Person i. e. a human being
- It includes both male and female
- It also includes minor or a person of Unsound Mind (Assessment unke Guardian / Manager ka hoga)
- Deceased person ke case mein Assessment Legal Representative pe hoga

HUF

Under the Income-Tax Act, a HUF is treated as a separate Entity.
for the purpose of Assessment



Definition of Person includes HUF



Levy of Income Tax is an "Every Person"



therefore Income Tax is payable by HUF.

HUF → not defined in Income Tax Act it is Defined Under Hindu law.

Karta - Head of the Family

Co-Parceners

Members of the Family

All males lineally descended
from a common ancestor and
includes their wives and daughters
HUF may contain many members.
but members within 4 degrees
are called co-parceners.

Co-parceness includes those
person who acquires right
in property of Joint. Family by Birth.

Firm / LLP

Firm means a partnership firm as defined by Indian Partnership will be available

AOP

When persons combine together for promotion of their joint enterprise, and if they do not constitute a partnership in law, they are called as AOP. For an Aop to be formed. persons must join for a **common purpose** or action and their object must be to produce Invset is not enough. if they receive only Income jointly

Company

For the purpose of Income tax Act, Company has a much wider meaning than given under Companies Act 2013.

Under this Act Company means:

1. An Indian Company defined under section 2(26) or
2. Any Body corporate incorporated by or under the laws of Country outside India i. e. Any Foreign Company
3. Any association, institution or Body which was assessed as a company under Income Tax Act, 1922 or under the present Act on or before 1.4.1970.
4. Any institution, association or Body wheather incorporated or not, whether Indian or non- Indian

which is declared as a company by CBDT by a General or special Order for such AYS. as they may specify.

Body of Individuals

When persons combine together for promotion of their joint enterprise, and if they do not constitute a partnership in law, they are called as AOP.

For an AOP to be formed. persons must join for a common purpose or action and their object must be to produce Income.

Association of Persons

When persons combine together for promotion of

- their joint enterprise, and if they do not constitute a partnership in law, they are called as AOP.
- For an AOP to be formed. persons must join for a common purpose or action and their object must be to produce Income

Local Authority

The term. "local Authority" means a municipal committee, district Board, Body of port commissioners or other authority legally entitled to or entrusted by the v Government with the Control or management of a municipal or local Fund.

For Local Authority

- Only Business Income is Taxable
- Income from Supply of Water, Electricity or any other service is **NOT TAXABLE**

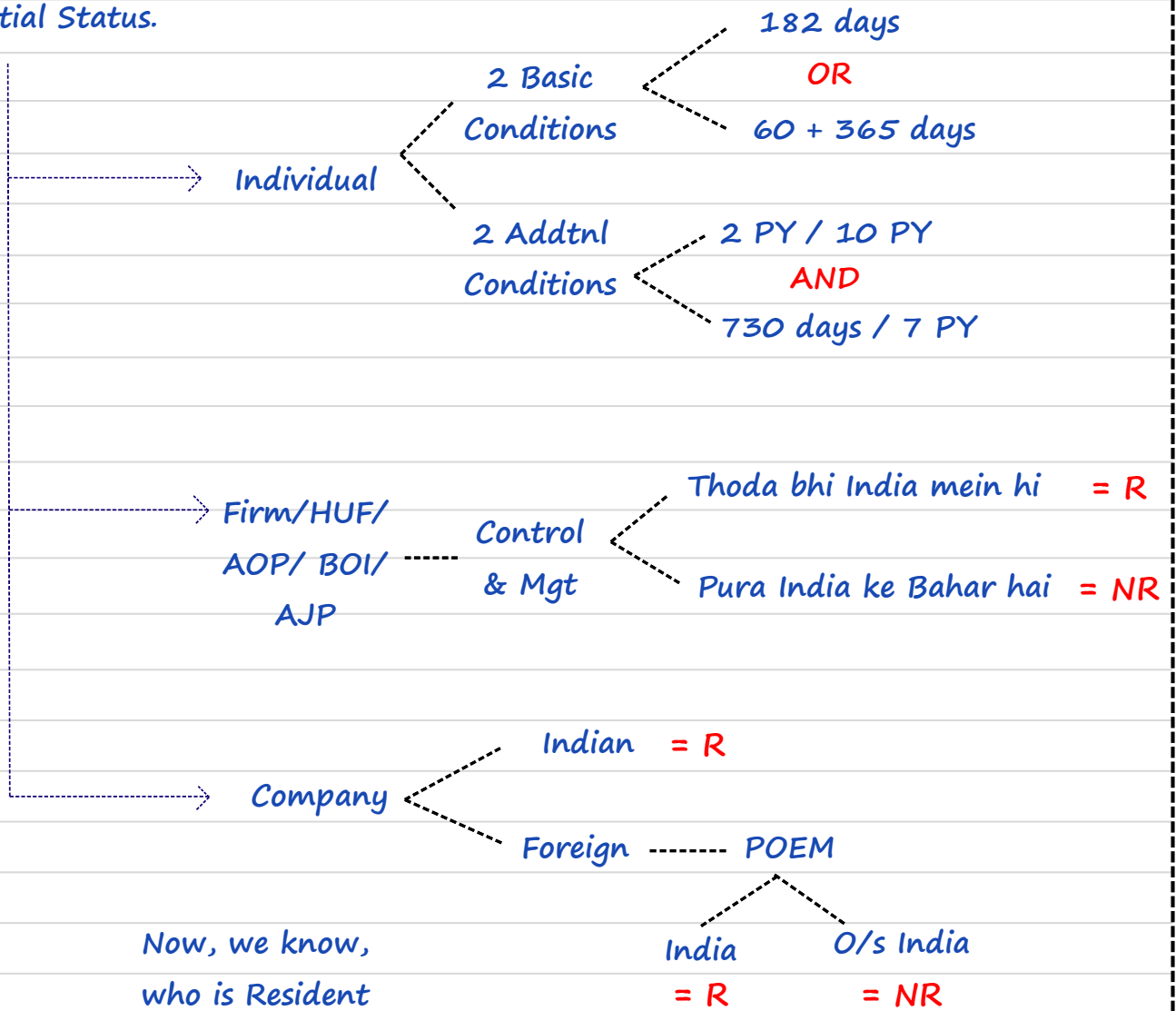
Artificial Juridical Person

AJPs , are not natural persons but are separate entities in the eyes of law. This is a residual category which can cover all artificial persons with a juristic personality not falling under any other category of persons

Eg:. Deities (Bhagwaan Ji) , Bar Council, Universities, College.

First, we will find out who is Resident and who is non- Resident

we will find out through Residential Status.



Now, we know, who is Resident and who is Non- Resident



Then we have to find out, which Income of Resident & Non- Resident is taxable in India

Residential Status

2 Basic Conditions → Resident, even if 1 Basic Condition Satisfied

2 Additional Conditions → Both Conditions Satisfied?

Yes- ROR

No - R-NOR

Basic Conditions:

Stay in India 182 days or more in a P. Y.

OR

Stay in India for 60 days or more in a P.Y. And 365 days or more in last 4 P.Y.s.

Eg: PY 24-25 - 60 Days

PY 23-24

PY 22-23

PY 21-22

PY 20-21

365 Days

or more

Additional Conditions:

Resident for 2 P.Ys in last 10 P. Ys

&

Stay in India for 730 days or more in last 7 P. Ys

Note: Day of entering India & Day of leaving India - is added while calculating Stay in India.

→ 3 Cases where only Basic Condition No.1 is applicable:

↳ Basic condition no. 2 not applicable

Indian citizen leaving India during the P.Y. for Employment outside India

Indian, Citizen being a crew member of Indian Ship, leave India during the P. Y.
* (note)

Indian citizen or Person of Indian origin

whose employment & Business is set up outside India & visit India during P. Y. and his total Income (other than Foreign Source) is upto Rs. 15 lakhs.

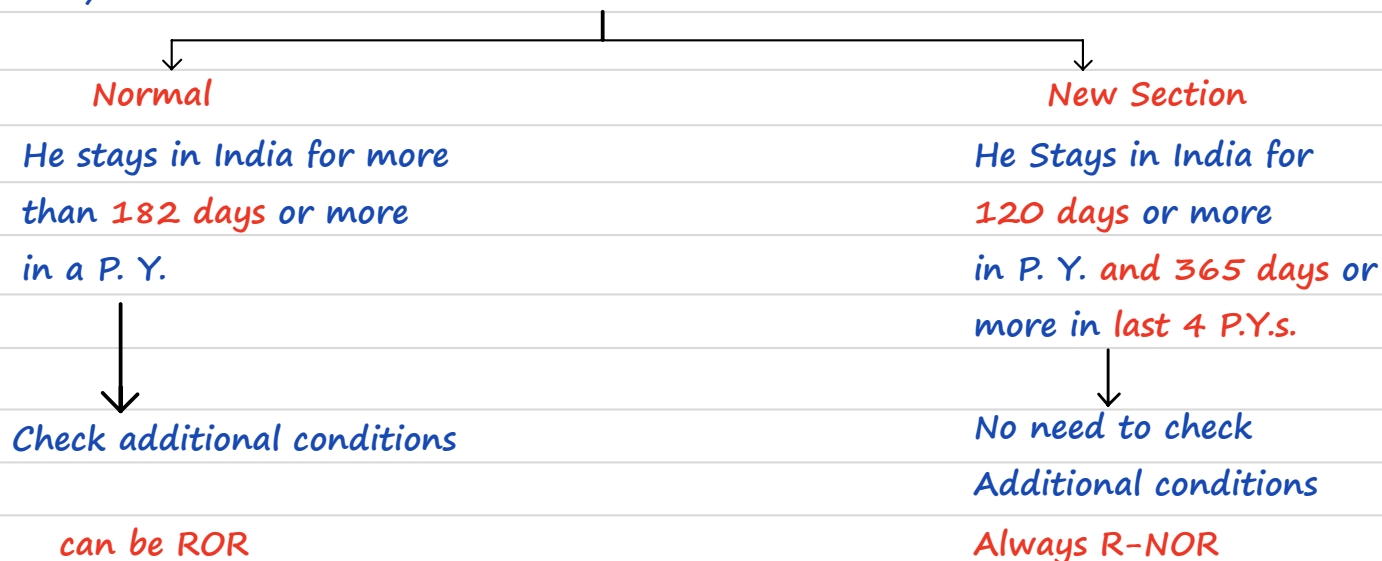
He can be ROR

*Note: In this case, stay in India is calculated by excluding:

Date on which Continuous Discharge Certificate is signed on Joining Ship To Date on which Continuous Discharge Certificate is signed on Leaving ship.

2nd Basic Condition with a Twist

An Indian citizen or Person of Indian origin having total Income (other than foreign source) more than 15 lakh can be resident in India in 2 Cases:



Note: Income from foreign Source means:

Income which accrue or arise outside India but shall not include:

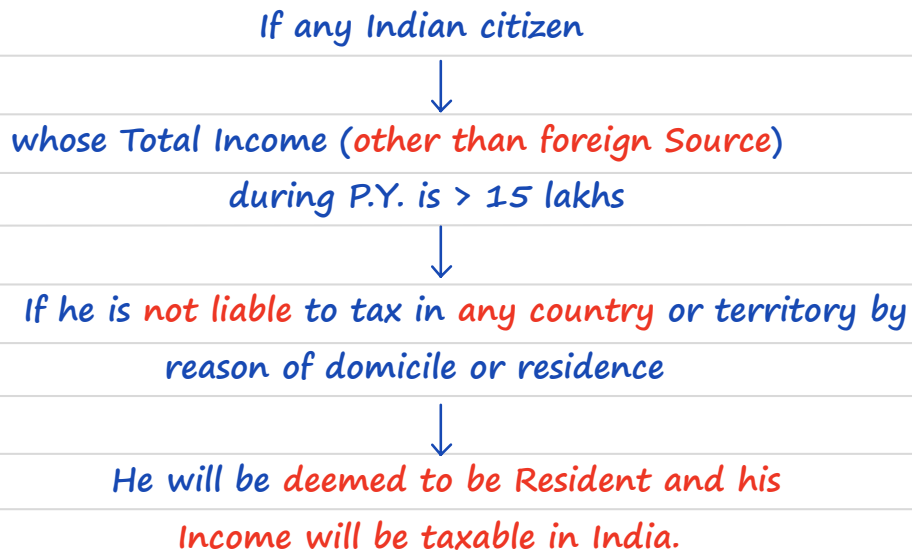
Income which are deemed to accrue or arise in India (Sec 9)

Income derived abroad from Business Controlled from India

Income derived abroad from a profession set up in India

Space for Notes:

Section 6(1A) Deemed Resident

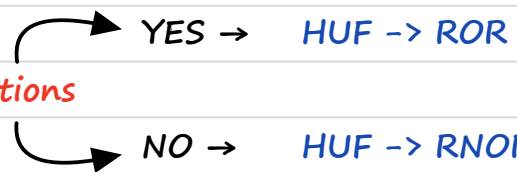


He will always be R-NOR

Residential Status of HUF



Note: If Karta Satisfies both the additional conditions



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



Notes:

- (1) Control & Mgt = Central Control & Management & not the carrying of day to day business by servants, employees or agents.
- (2) Control & Mgt = de facto control and management and not merely having the right to control or manage
- (3) The business may be done from outside India and Yet its control and management may be wholly in India.
- (4) Merely having House in India does not mean that its control and management is in India.
- (5) If Important decisions concerning the affairs of the HUF are taken in India, it can be said that control and mgmt is in India.

RESIDENTIAL STATUS OF COMPANY

Indian Co. → Always Resident

Other Co. → If its Place of Effective management:

Is in India → Resident

If not → Non-Resident

Section 5 - Scope of Total Income

Scope of Total Income in case of Individual & HUF

ROR → World Income is Taxable in India

RNOR → Indian Income & Foreign Income

NR → Only Indian Income. ↪ From Business & profession controlled/set-up

Scope of Total Income in case of Other Assessee

from India

Resident → World Income taxable in India.

Non-Resident → Only Indian Income taxable in India.

Space for Notes

Resident and ordinarily resident

Income received in India or deemed to be Received in India during the PY.

Income which accrues or arise OR is deemed to accrue or arise in India

Income which accrues or arises outside India even if it is not received or brought into India

Indian Income

Foreign Income

Resident but not ordinarily resident

Income received in India or deemed to be Received in India during the PY.

Income which accrues or arise OR is deemed to accrue or arise in India

Income derived from Business controlled in or profession setup in India, even though it accrues on arises outside India

Indian Income

PGBP from Foreign Business controlled from India

Non Resident

Income received in India or deemed to be Received in India during the PY.

Income which accrues or arise OR is deemed to accrue or arise in India

Income Received or Deemed to be Received in India Means:

The Income is taxable in the hands of the Assessee on its Actual or deemed Receipt

Receipt of Income Means → Only the first Occasion when the assessee gets the money under his control

↓
Remission or Transmission of that amount from one person to another is not called as Receipt of Income

Eg: Received out of India, **Remitted later**, received there, then brought to India is not receipt of Income, not taxable in India.

Income Accruing or due

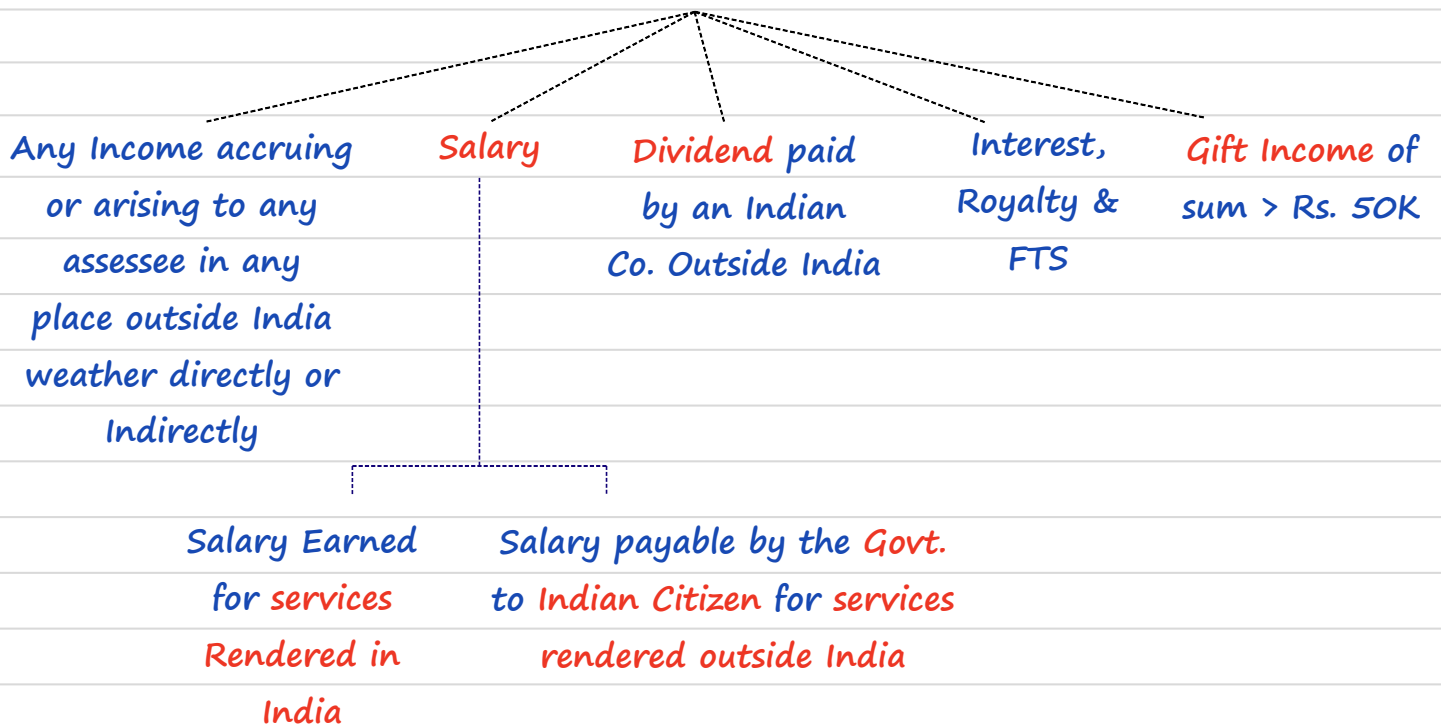
Accrue: When right to receive Income is **vested** in the Assessee, it is said to accrue or arise.

Due: "Due" refers to the Right to enforce payment of the same.

Eg: Salary for work done in December accrue throughout the month, day to day, but will become due on 31st December or 1st January.

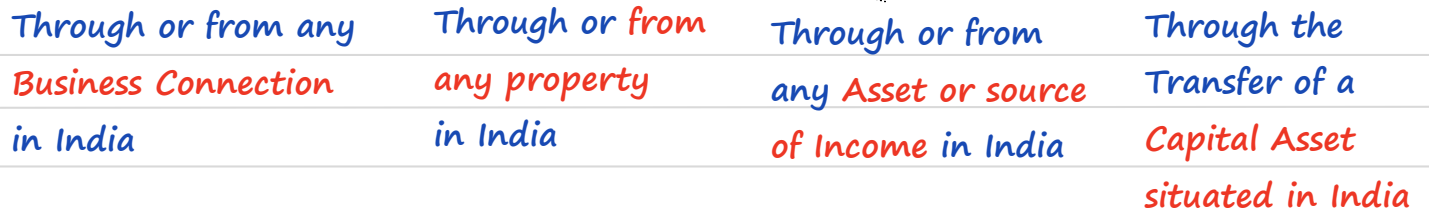
Income deemed to Accrue or Arise in India

Certain types of Income are **deemed to accrue or arise in India** even though they may actually **accrue or arise outside India**



Lets discuss each of these in detail:

(1) Any Income accruing or arising to any assessee in any place outside India weather directly or Indirectly



(2) Income from Salaries

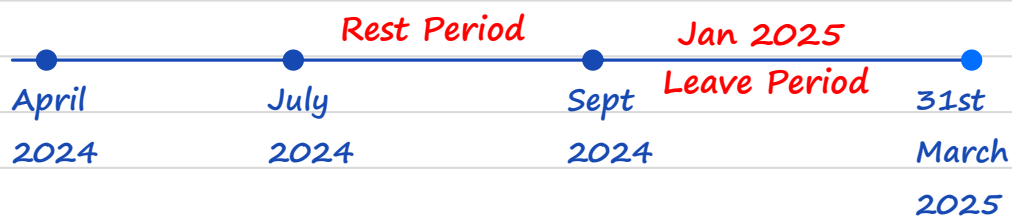
NR ki salary
Income jisne
India me aake
Kaam Kiya

Govt. Jo Indian citizen Ko pay
Kar rahi hai Salary for services
rendered outside India
(Indian Embassy in Russia)

Income from salaries Earned in India - Section 9(1)(ii)
Following salary will be deemed to Accrue or arise in India

Salary payable
to NR for services
rendered in India

Salary payable
for Rest period/ leave period
before or after the stay in India



Ye Rest period our leave period ki salary bhi India me taxable hogi

Income From Salaries payable by Govt of India to Indian citizen for services rendered outside India

Salary Paid
↓
Taxable

However, Allowances or
perquisites paid by Govt. to them
outside India is Exempt [u/s 10(7)]

(3) Dividend paid by Indian Company to any person outside India would always be deemed to accrue or arise in India [Sec 9(1)(iv)]

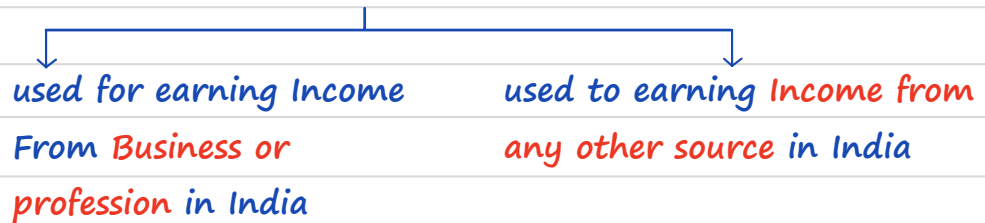
Indian Co. Ne Dividend diya matlab HAMESHA India mein hi Taxable hoga

(4) Interest [Sec 9(1)(v)] [paid / payable to NR]

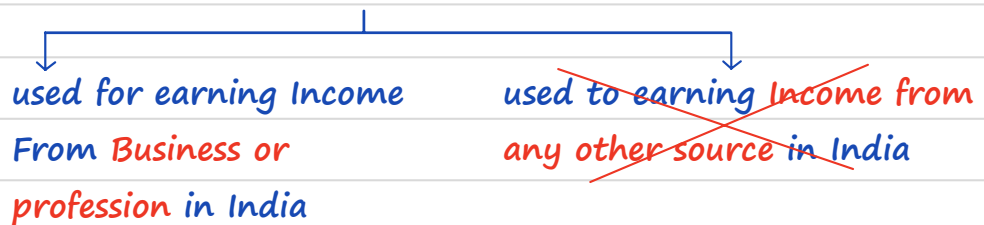
Interest will be deemed to accrue or arise in India if paid/ payable by:

(1) Govt of India

(2) Paid by Resident for Loan taken and used



(3) Paid by Non-Resident for Loan taken and used



(5) Royalty [Sec 9(1)(vi)] & Fees for Technical Services [Sec 9(1)(vii)]

Royalty & FTS will be deemed to accrue or arise in India. if paid/ payable by:

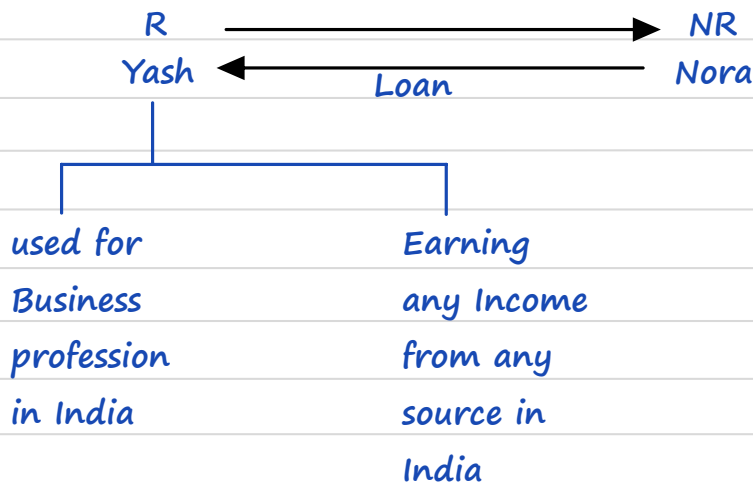
(1) Govt of India

(2) Paid by Resident or Non Resident for for using any copyright, patent (Royalty) or taking any service (FTS)

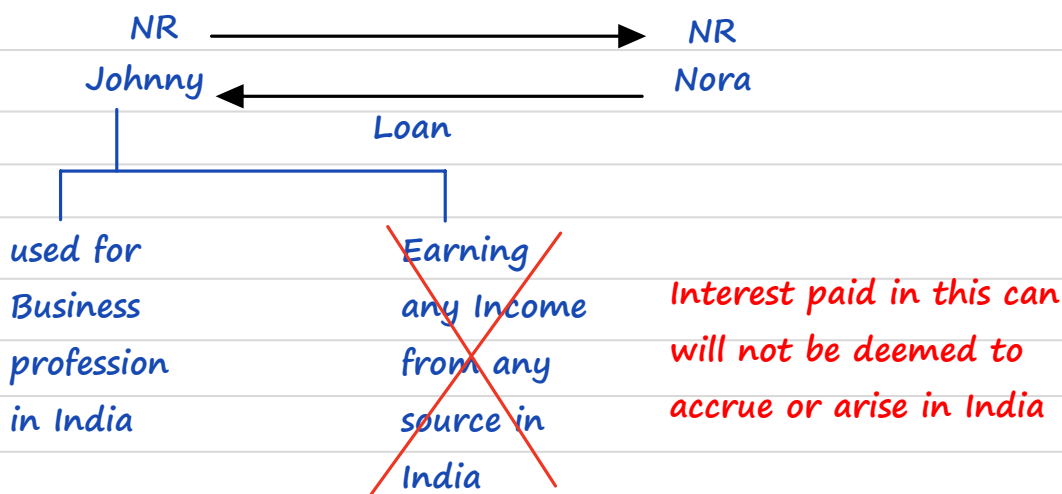


Examples : INTEREST

Interest → will be deemed to accrue or arise in the hands of Nora

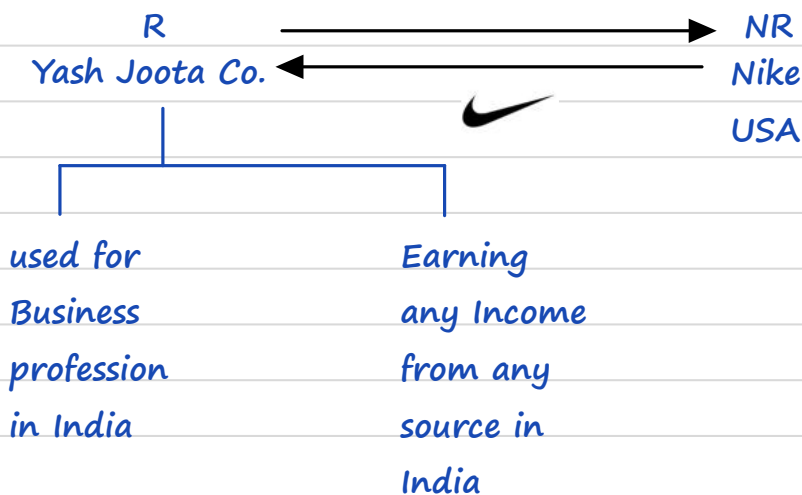


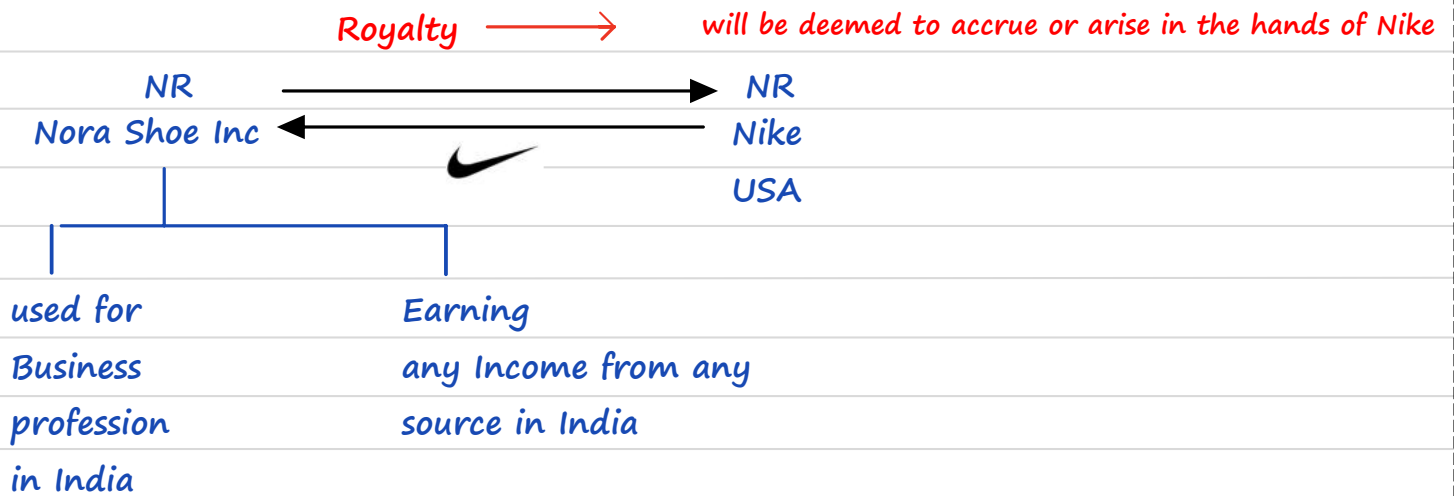
Interest → will be deemed to accrue or arise in the hands of Nora



Examples : ROYALTY

Royalty → will be deemed to accrue or arise in the hands of Nike





Examples : FTS



DEFINITIONS

ROYALTY

means: Consideration paid/ payable for

- **Transfer of all or any rights** (including granting of a license, in respect of patent, invention, model, design, secret formula, a PROCESS or trademark or similar property
- the **use** of patent, invention. Model, design, secret formula etc.
- The **use or right to use** any industrial, commercial or scientific Equipment.

FEEES FOR TECHNICAL SERVICES

Consideration paid for rendering of any managerial, technical, or consultancy services. (including providing the services of technical or other personnel)

NOTE:

If the Technical service is utilized in India, It will be deemed to accrue or arise in India and will be taxable in India

- whether or not such services were rendered in India and
- whether or not such non resident has place of Business or business connections in India

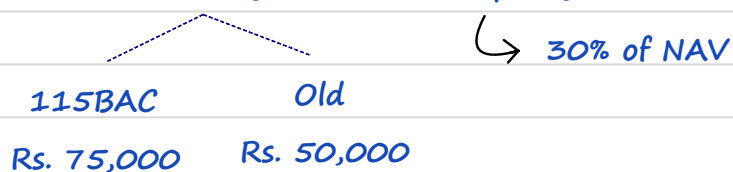
The same is applicable to Royalty and Interest

(6) Any sum of money (Gift) paid to NR or foreign company or RNOR outside India

If any Indian person (Resident) pays sum of money > Rs. 50,000 to NR/ FC/ RNOR outside India, it would be deemed to accrue or arise in India if the same is chargeable to tax u/s 56(2)(x)

TRICKY POINTS

Whenever Salary and House Property Income are given, we have to give Standard Deduction.



But, if it is written as salary (computed) or house property (computed) then, we don't have to give standard deduction separately because the figures are computed after giving the effect of standard deduction

Calculation of stay OUTSIDE India

- Mr. X leaves India on 25th August, 2024 and Returns to India on 10th Nov, 2024.
= 76 Days [in this, day of leaving India and day of arriving in India is included]
- Mr. X's stay out of India - 25th August 2024 TO 10th Nov 2024.
= 78 Days [In such cases, we assume that this period is totally outside India]

Conditions for chargeability of HP Income

Owner (Assessee)



Tenant



Condition 1: **Income from building and land appurtenant thereto**

Building includes **not only residential building, but also factory buildings, offices, shops, godown, and other commercial premises**

Land appurtenant means land connected with the building
Ex: garden parking, garage

Note: Income from vacant land is taxable under income from other sources or PGBP as the case may be.

(+)

Condition 2: **Assessee must be the owner of the property**

Note:

- Assessee must be the owner in the PY.
- It does not matter if he is the owner in the assessment year or not the person who owns the building need not also be the owner of the land on which the building stands.
- The requirement of registration of sale deed is not required.
- Income from house Property will be taxable in the hands of beneficial owner .

There are three types of properties

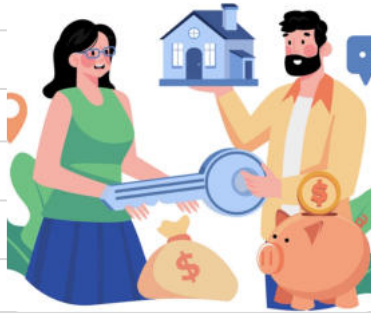
(1)



Self occupied property
(SOP)

Assessee can claim **two** house properties as SOP. SOP means the property which assessee has kept for **his self use or own use**

(2)



Let out property
(LOP)

Let Out property (LOP) means the house property which the assessee has given out on rent to some other person

The assessee can choose two properties as SOP.

(3)



Deemed Let out property
(DLOP)

Where the assessee owns more than two properties

The other SOPs, except those two will be treated as Deemed let out properties (DLOP)

Property held as stock in trade

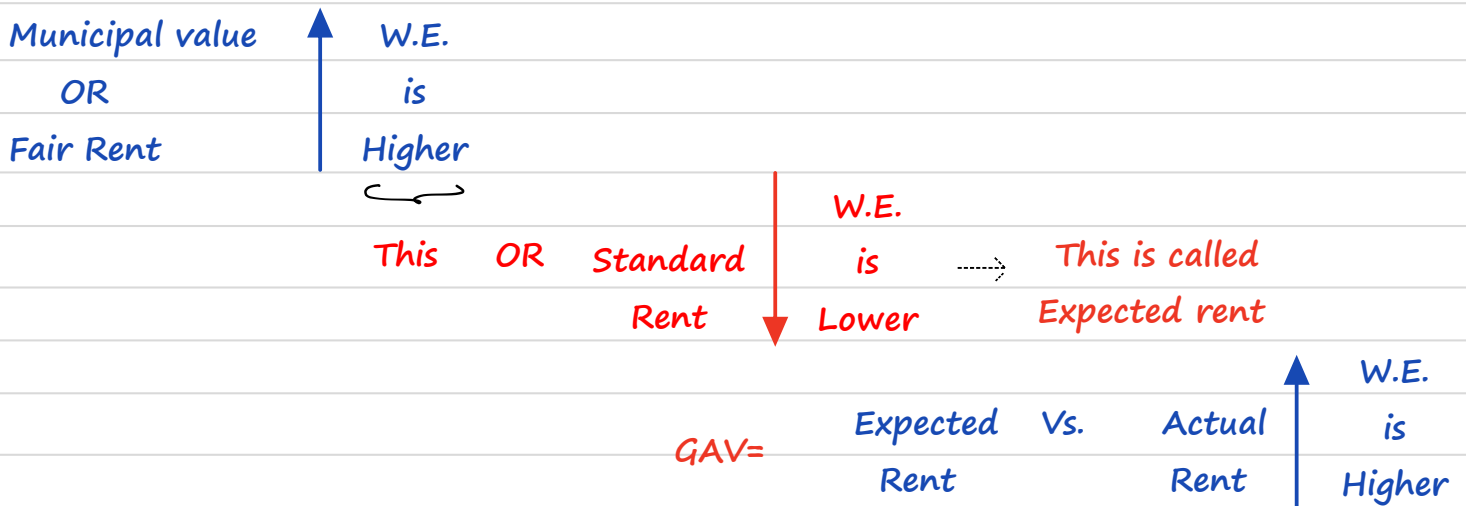
- Value of the house property will be **taxable under income from house property**, even if it is held as stock and trade of a business.
- However, the **Annual value** of property being held as stock trade would be treated as **NIL**
 - ↳ for **2 years** from the end of financial year in which **Certificate of Completion of property** is obtained from the **competent authority**, if such property is not let out during that period

Section 23 - Determination of annual value

$$\begin{array}{rclcl} \text{Gross Annual Value} & (-) & \text{Municipal taxes} & = & \text{Net annual value} \\ & & \text{Paid by the owner during the PY} & & \end{array}$$

How to calculate GAV?

First, we compare municipal value with fair rent



Calculation of HP Income

	LOP	DLOP	SOP
Gross annual value	xxx	xxx	NIL
(-) Municipal taxes	(xxx)	(xxx)	-
Net annual value	xxx	xxx	NIL
Deductions u/s 24:			
(-) Standard deduction [30% of NAV]	(xxx)	(xxx)	-
(-) Interest on borrowed capital	(xxx)	(xxx)	(xxx)
Income from house property	xxx	xxx	(xxx)
			Loss from house property

Composite Rent

Composite Rent means rent received in respect of Building as well as

Other Assets like Furniture, Plant & Machinery
For Different services like -
Lifts, Security, Power Backups

Tax Treatment of Composite Rent : Manner of Splitting Up

If the let out Building & Other Assets are **Inseparable**

If the let out Building & Other Assets are **Separable**

Where building and other assets are let out & the Party **does not accept** the letting out of building **without other assets**

Where Building & Other Assets are **Separable** i.e. the Party **accepts** the letting out of building without other assets.

In that Case,

Rent shall be taxable as PGBP Income / IFOS Income

Income from Let out of Property = **House Property**

Income from Let out of Other Assets = PGBP / IFOS as the case may be

Applicable even when the rent for this is separately fixed

Where Let Out property is vacant for part of the year

When LET OUT PROPERTY is **Vacant** for Part of the Year

And because of that

Actual Rent < Expected Rent

In that Case

Actual Rent Received or Receivable will be GAV of the Property

Treatment of Unrealised Rent

The Actual Rent received / receivable should not include any amount which is not capable of being realised.

i.e. $\text{Rent} = \text{Rent Received / Receivable} - \text{Unrealised Rent}$

For Reducing Unrealised Rent from the Rent Recd / receivable, the Conditions given in Rule 4 should be satisfied:

1. Tenancy is **Bona Fide** (Genuine & Real)
2. The Tenant must have **vacated** the property / Usko bhaagne ke liye majboor kar diya hamne
3. The defaulting tenant is not in occupation of any **other property** of the assessee
4. The Assessee has taken all reasonable steps to impose legal proceedings or satisfies the AO that Legal Proceedings would be useless.

Treatment of Property taxes

Only allowed to be reduced from GAV if Municipal Taxes are **PAID** by the **OWNER** during the PY → **Municipal Taxes are allowed on PAID BASIS**

This means, if we have **paid** └─ Arrears of Past Municipal Tax/
└─ Advance Municipal Tax for Future Years



It will be allowed in the year of **ACTUAL** payment

- We **cannot** deduct Municipal Taxes from **SOP**
- If HP is situated o/s India - Taxes levied by that country are deductible

Space for Notes:

Where Property is Let out for Part of the Year and SOP for the part of the Year

In Such Case, The Expected Rent of the Whole Year shall be taken into Account for determining the GAV.

OR Actual Rent for the let out period
Expected Rent for the whole Year w.e. Is higher = GAV

Municipal Taxes for the whole year shall be allowed if paid by the owner during the PY

LOP SOP

Deductions from Annual Value

There are TWO deductions allowed from the Annual Value

Section 24(a)

Section 24(b)

30% of NAV
(Standard Deduction)

Flat deduction
irrespective of Expense
incurred

Interest on Borrowed Capital

Interest on Loan taken for
Construction, Acquisition, Repair,
Renewal or reconstruction can be
claimed as deduction.

This is not allowed in 2 Cases

- Property is SOP
- SIT held for 2 Years after Year of Completion

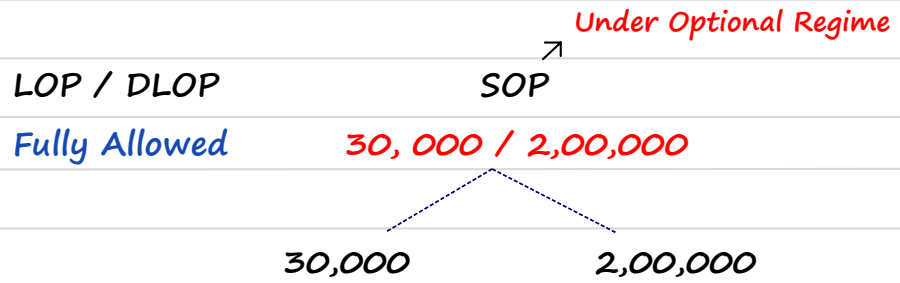
Because, in both these cases GAV is NIL.

Even Interest payable on New Loan
Taken for the payment of Original
Loan is allowed as Deduction.

Interest payable for year of
Completion of Construction / Acq
can be fully claimed in that Year

This means that, Interest u/s 24(b)
Can be Claimed only for the Property of
which Construction/ Acq is completed

Section 24(b) Interest



Under Default Regime -

Interest Allowed is NIL

Under Optional Regime -

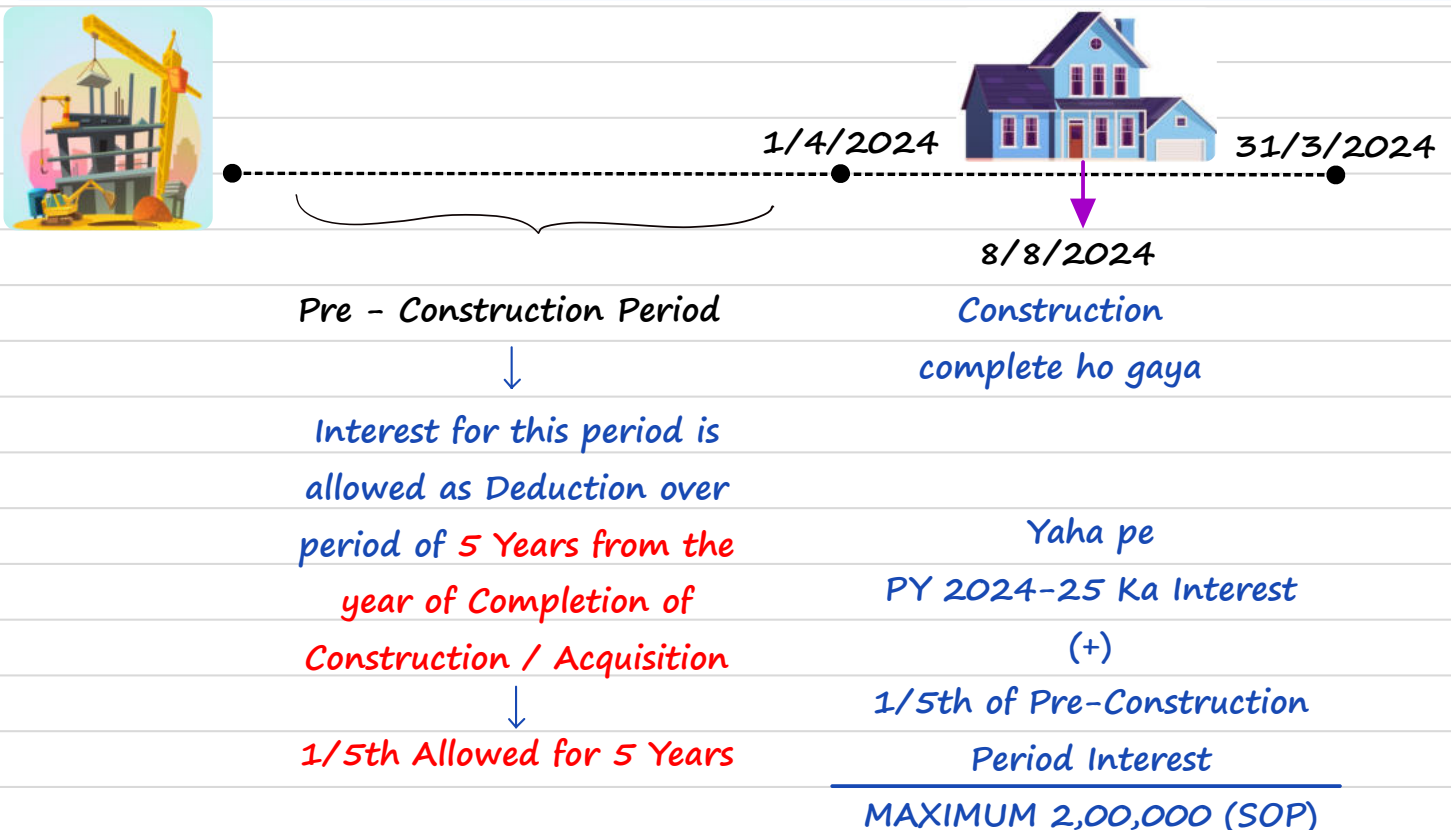
Interest allowed as \longrightarrow

Where Loan is Taken for Repair, renewal, Renovation or Reconstruction of Property

Property is acquired / Constructed on / after 1.04.1999 (+) Construction is completed within 5 Years from the end of F.Y in which loan was taken

NOTE - Interest is allowed on Accrual Basis

Pre Construction Period Interest



NOTE:

- Loan can be taken from Bank / any Financial Institute / any Other Person.
- For the Purpose of Taking Interest Deduction, we have to furnish a Certificate of Interest from the person to whom we have paid the Interest.
- Interest on Unpaid Interest (Penal Interest) is NOT ALLOWD as Deduction

Treatment of Vacancy

Where Normally
 Actual Rent > Expected Rent
 But Because of Vacancy,
 [Actual Rent (-) Vacancy Period Rent] < Expected Rent

In such Cases, This will be the GAV

Where Normally
 Expected Rent > Actual Rent

This will be GAV

In such Case, Vacant Period benefit will not apply

Treatment of Unrealised Rent

As per Provisions

As per IT Returns

Actual Rent = Rent Received / Receivable (-) Unrealised Rent

Unrealised Rent is allowed to be deducted from GAV

GAV = Actual Rent [Rent Recd / Receivable (-) UR] OR Expected Rent

GAV	xxx
(-) Municipal Taxes	(xxx)
(-) Unrealised Rent	(xxx)
<hr/>	
NAV	xxx

If a House Property is Partly SOP and Partly LOP

We will consider Both Parts
as Separate Properties



Self
Occupied
Property

Let Out
Property

	LOP	SOP
Expected Rent	MV/FR/SR ka Proportionate lenge	NIL
Actual Rent	Whole Rent for LOP to be taken here	NIL
(-) Municipal Taxes	Yeh bhi Proportionate mein hi allow karenge	NIL
NAV	XXX	NIL
(-) 30% of NAV	(XXX)	(0)
(-) Interest	Interest ka bhi Proportionate lenge	Interest ka bhi Proportionate lenge
	XXX	(XXX)

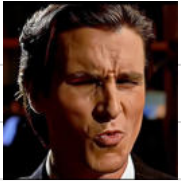
House Property Income in Case of Joint Owners

In Case of Joint Owners, the Income of House property is Calculated and Divided in the Proportion of the Joint Owners

In case, if the Property is SOP, Interest will be allowed separately to the Joint Owners That Means, Limit of 30,000 / . 2,00,000 is given to each Joint Owner Provided they have PAID the Interest

Space for Examples

A large rectangular area with horizontal lines, intended for writing examples. The area is bounded by a solid black line on the left and bottom, and a dashed black line on the right. The top boundary is shared with the header area.



Over/Smart view of the Chapter

Sections 28-44

Charging Section -

Sec 28 - Kaunsa Kaunsa Items/Amount Aapki Income ka Part Banenge



Sec 29 - Computation of PGBP → Income - Expense

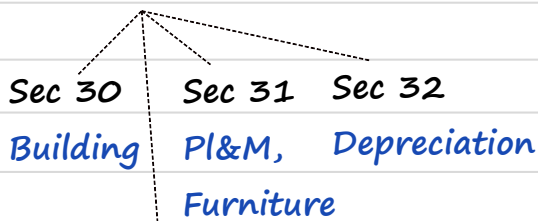


Expenses are Given in Sec 30-37

Sec 30-35 - Specific Expenses

Sec 36- List of Expenses

Sec 37- General Expenses



Baaki Jo Expenses Yaad aaye, Vo is Section me Daal Diye e.g. Insurance, employee exp, Bad Debts, Interest Cost etc.

Saare Exp. Specify Karna Possible nahi hai, Isliye Gen. Section Bana ke Conditions Daal di

Thode Atrangi Expenses



Now, We have to Identify Which Expense is not Allowed → Sec 40(a) & 40A Disallowances

Sec 41 → Deemed Income - Jo Exp. Allow Kiya tha, Vo Paisa Wapas Aa gaya.

PGBP Income = Sec 28 + Sec 41

(-) Exp. Sec 30-37

(+) Dis. 40(a) & 40A

Profit - xxx

Iske Liye BOA maintain Karna Padega u/s 44AA

BOA ka Audit Hoga u/s 44AB

Agar BOA Maintain nahi karna, to Presumptive Income Dikhao u/s 44AD/ADA/AE

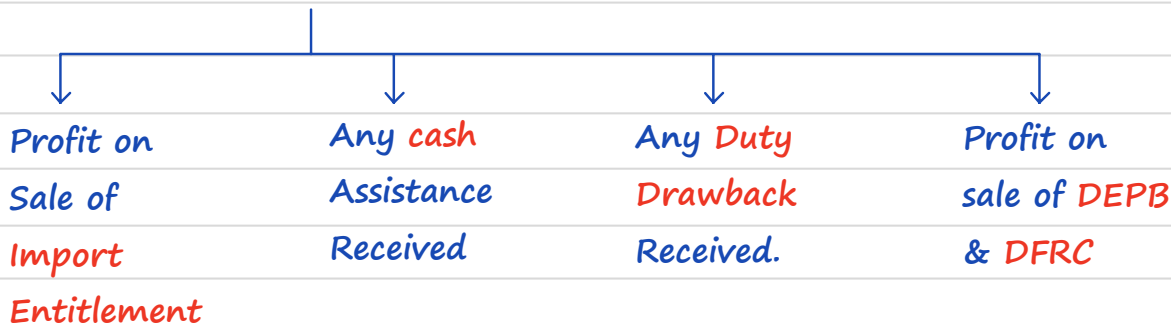
Sec 28 - Charging Section

All the following Incomes shall be taxable under the head **PGBP**:

- (i) Any profits or gains of **Business, Profession or vocation**
- (ii) Any amount received by employer (being assessee), under **Keyman Insurance Policy**.
- (iii) Any gift or benefit or perquisite received due to **Business or profession**.

↳ • in cash or in kind or partly in cash/kind
• convertible into money or not

(iv) Some Import Incentives:.



*DEPB= Duty Entitlement Passbook Scheme
DFRC= Duty Free Replenishment Certificate

(v) Any Non-compete Fees received:



(vi) **FMV** of stock in trade on the date it is converted into capital Asset.

(vii) Any compensation received or receivable:

↓
for **termination or modification** of any terms & conditions of **contract** relating to its business → **Always PGBP** Income whether Revenue or Capital.

(viii) Any Interest, salary, bonus commission received by Partner from partnership firm which is allowed to firm u/s 40(b)

(ix) Income derived by a trade, professional or similar association from specific services performed for its members.

Explanation added vide FA 2024 - Income from **Business of Renting of House Property** shall be taxable under the head of "House Property" and **NOT "PGBP"**

Speculative Business:

Transaction in which a contract for → Purchase or sale of any commodity including Stock & Shares. → & is settled otherwise than by actual delivery or transfer of commodity or scrips.

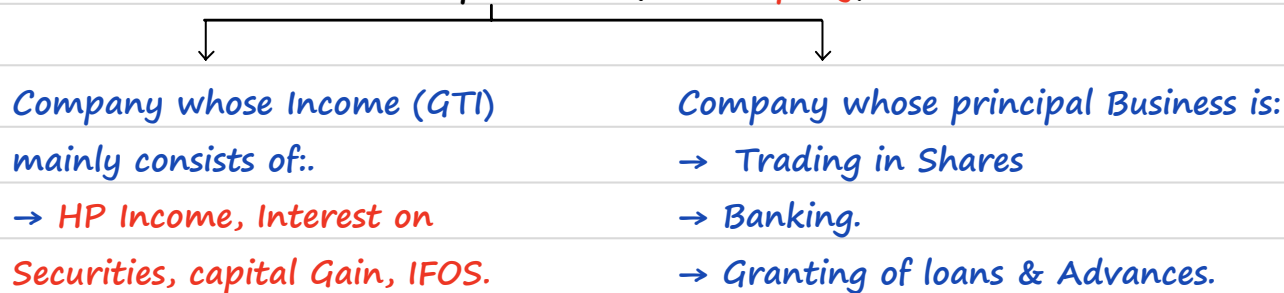
Transactions not deemed to be speculative:



Speculative business for a company:

If Company's part of Business consists of → Purchase & Sale of Shares of Other companies → that PART of the Business is speculative Business.

Business not deemed to be Speculative (for Company):



Note:

→ Receipt
 Revenue Receipt → Taxable in PGBP
 Capital Receipt → Not Taxable → This is generally not taxable unless it is taxable under specific provisions of Act.

Space for Notes:

Section 30 - Rent, Rates, Taxes, Repairs & Insurance of Building

& 31 - Insurance & Repair of Plant & Machinery & Furniture

	<u>Sec 30</u>	<u>Sec 31</u>
	<u>Building</u>	<u>Plant & Furniture</u>
• Rent	Allowed	Allowed
• Insurance	Allowed	Allowed
• Revenue Repairs	Allowed	Allowed
• Rates & Taxes	Allowed	x x x
• Capital Repairs	Not Allowed	Not Allowed

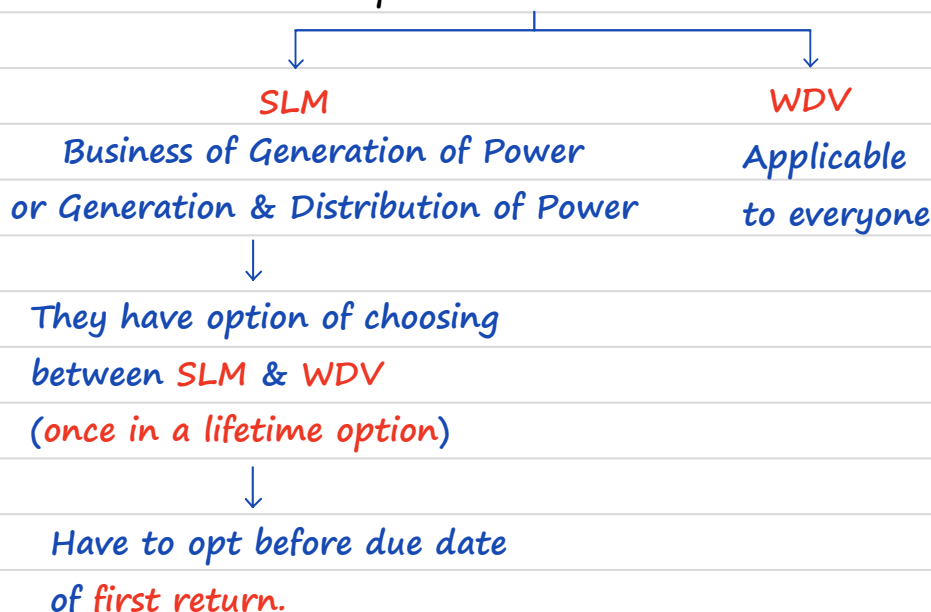
↳ Added to ↳
Cost of Asset

Notes:

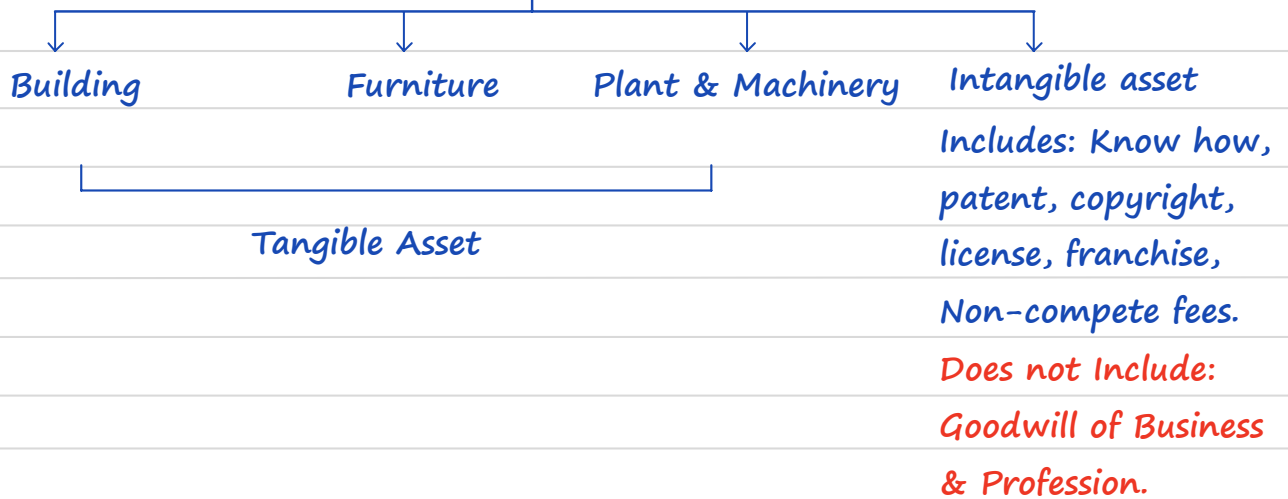
- Rent: Only allowed to Tenant → Not allowed to Owner on notional Basis
- Other Expenses: Same for owner/tenant (Allowed to Both)
- Capital Repairs by Tenant → Deemed Building → Depreciation is allowed to tenant.
- If as per the rent agreement, tenant is not under any obligation to incur Revenue repairs but he incurs such expenditure for carrying on his Business efficiently, then that expense will be allowed u/s Sec 37.
- Firm pays Rent to Partner → Allowed if Reasonable, Excessive rent will be disallowed.

Sec 32- Depreciation

Depreciation Method



CLASSIFICATION OF BLOCK OF ASSET



Conditions to Claim Depreciation:

- Claim of Depreciation is **mandatory**.
- Asset must be **USED** for the purpose of Business & Profession (active or passive.)

↳ Put to Use → Allowed

Ready to Use → **Not allowed generally.**

(Allowed in Special Circumstances

Eg. Stand by machine, Emergency spars, fire extinguisher etc.)

- Assessee should be **Owner** of Such Asset → Wholly or partly.

Registered ownership is **not mandatory**,
Beneficial owner can also claim depreciation.

If partial ownership, proportionate depreciation allowed.

- Lease and Hire Purchase

In case of **LEASE**

LESSOR Always claims Depreciation.

In Case of **Hire Purchase**

Ownership: Transferred after **last payment** of Installment.

Depreciation: can be **claimed** by Hire purchaser from **beginning** of Hire Purchase.

Rates of Depreciation

10%	15%	20%	25%	30%	40%
					Electric Vehicle
Building	Plant & Machinery				Computer/Laptop
Furniture	Motor Vehicle(Normal)	SHIPS	Intangible	Motor	Aircraft
	Oil wells		Assets	Vehicle	Books-any
	Windmills installed			used for	Pollution control
	before 1- 4. 14.			Hire	equipments
					Temporary Building
					Windmills inst.
					on or after 1.4.14.

Notes:

(i) Motor Vehicles:

- Business of running them on hire → 30%
Acquired & put to use between 23/08/19- 31.3.20 → 45%.
- Other Vehicles → 15 %
Acquired & put to use between 23/08/19- 31.3.20 → 30%.

- (ii) Buildings: Residential → 5%
General → 10%
Temporary → 40%.

(iii) Mobile/ EPABx → Not computer - 15%

(iv) UPS/ Printer/Scanner & other Accessories (Computers) - 40%

(v) Plant & machinery

Includes

Ships, Vehicles, Books, Scientific
Appliances and surgical equipments.

Does not include

Tea Bushes, livestock,
Building, Furniture.

(vi) If Asset is used for less than 180 days → Half Rate depreciation is allowable
→ cut off date:- 3rd October → Asset purchased on or after 4th Oct , half rate
of depreciation will be allowable.

→ This proviso is applicable for First Year only.

Eg. If Asset is Acquired in P.Y. 23-24,
and Put to Use in P.Y. 24-25

Even if asset is used for less than
180 days in P.Y. 24-25,

Full Rate Depreciation will be allowed.

(vii) Where any asset is not exclusively used for business or profession, deduction shall be restricted to the **proportionate** part thereof, which was **used for the purposes** of the business or profession.

(vii) Unabsorbed Depreciation can be set off against any head of Income **except salary** and can be **c/f Indefinitely**.

(viii) Order of Set-Off : **Current Year Depn** → **B/f Loss** → **Unabsorbed Depn**

Additional Depreciation

- Only Allowed on **Plant & Machinery**.
- Applicable to: Assessee engaged in the business of
 - Manufacture or production of article or things
 - Generation or Distribution or transmission of power
- Rate of Additional Depreciation: **20%**.

Notes:

(i) Additional Depreciation is allowed only in the **FIRST YEAR**.

(ii) If used less than 180 days, **Half rate** applicable.

- 10% Allowed → Current Year
- Balance 10% → Allowed in Next Year

(iii) Not allowed on **SLM method**.

(iv) Additional Depreciation is allowed on → Printing or Printing and Publishing of Books (**Considered as mfg. or production**)

(v) Additional Depreciation **not allowed on:**



(v) Forklifts truck used in Factory → **Not a transport vehicle** → Additional Depreciation Allowed

Special cases of Depreciation

Depreciation in case of:

- Amalgamation/Demerger
- Conversion of Company into LLP
- Succession of firm/Proprietorship by company

→ Depreciation is calculated for the **whole year** as if nothing has happened

↳ Then, that depreciation is distributed between **predecessor** and **successor** in the ratio of **no. of days** assets were used.

Sec 43(1) - ACTUAL COST

Actual Cost of the Asset is calculated as follows:-

Purchase price	xxx
(+) Installation, Transportation & Trial Run Expense	xxx
(+) Interest on loan upto put to use	xxx
(+) Taxes & duties (If ITC not available)	xxx
(-) Subsidy/Govt. grant received	(xxx)
(-) Amount Earned by selling trial run production	(xxx)
Actual cost of the Asset	xxx

→ If payment for purchase/Exp of Asset to a single person in a single day

> Rs. 10000 by cash/Bearer Cheque/
Crossed Cheque etc.



then such payment/Expenditure shall not form part of Actual Cost of Asset.

Special cases and their Actual Cost:

Cases

Actual Cost

- | | |
|---|---------------------------------|
| <ul style="list-style-type: none">• Asset used in Scientific Research• Sec 35 AD Asset | } NIL |
| <ul style="list-style-type: none">• Asset acquired by Gift/will | WDV of Previous/Preceding owner |

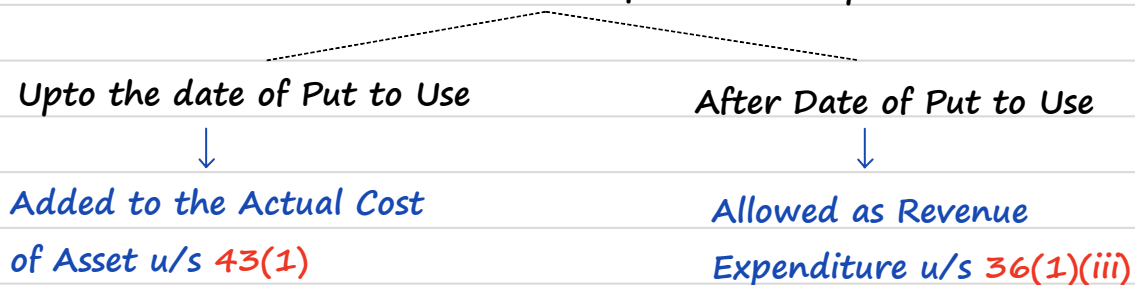
- Stock converted into Capital Asset and used in Business → FMV on the date of Conversion
- Building used for personal purpose then Brought into Business → Original cost xxx
(-) Notional Depreciation till date xxx
(at current depreciation rate)
(Note: Only Applicable for Building, Other Assets → original Cost)
- Re-purchase of Asset Sold → (i) WDV at the time of sale xxx
(ii) Re-purchase price xxx
w.e. lower
- Asset purchased & leased Back to the same person → WDV of previous owner (lessee)

Section 43A - Asset purchased in Foreign Currency

Profit/loss due to Foreign Exchange Fluctuations At the time of PAYMENT Shall be adjusted to the cost of Asset



Interest on Loan Taken for Acquisition of Capital Asset



Space for Notes:

SECTION 35 - Scientific Expenditure

In-House Research

Contribution to others

→ In-House Research:

(1) Expenditure before commencement → Allowed for Max 3 preceding Years before date of commencement

Capital Expenditure

Revenue Expenditure

Land

Other Expenditure

• Salary (Except perqs)

Other

xxx

✓✓✓

• Material

Expenses

Not Allowed

Allowed

✓✓✓

xxx

Allowed

Not allowed

(2) Expenditure after commencement of business

All Assesseees

Sec 35(1)(i)

Sec 35(1)(iv)

Revenue

Capital

100% Allowed

100% Allowed

(except land)

→ Scientific Contribution to others(100% allowed):

IIT or National laboratory

Approved Indian Co. engaged in R&D

Approved: College, Institute, University Research Association.

Sec 35(2AA)

[Sec 35(1)(ii)(a)]

Scientific Research

Social & Statistical

[Sec 35(1)(ii)]

Research [Sec 35(1)(iii)]



Notes:

- Deduction u/s 35 allowed → Depreciation will not be allowed.
- If L&B is purchased in a composite Agreement
 ↳ Cost will be bifurcated on the basis of FMV.

Sec 35DDA - Expenditure in Voluntary Retirement Scheme

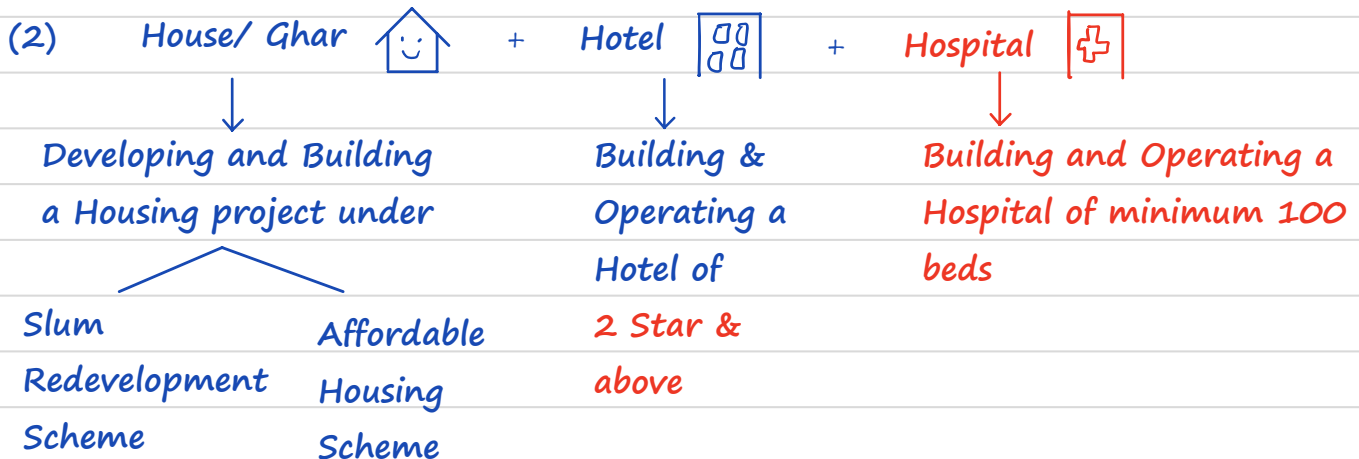
- Allowed to All Assesseees.
- Allowed in 5 equal installments.
- If there is amalgamation/demerger in the period of 5 years.

Remaining deduction will be allowed to New Formed Company → For Balance period.
 [In the balance period → the Year of Amalgamation and demerger is also included.]

Sec 35AD- Specified Business

Deduction u/s 35AD(100%) is allowed on all Capital Expenditure in following Businesses:
 [Except Land, Goodwill, Financial Instrument]

(1) **Agriculture**



(3)	Iron	+	Wafer	+	Infrastructure	+	Honey
	↓		↓		↓		↓
	Laying and Operating a Slurry pipeline of Iron Ore.		Setting up & operating a Semi- Conductor wafer fabrication unit		Developing, maintaining & operating a new Infrastructure facility. (Notes)		Bee keeping and production of Bee Honey and Wax.

Notes

- Business should be new, it should not be formed by splitting up or re-construction of Business.

- Pl & M should be new



- Deduction is allowed on all Capital expenses except Land, Goodwill & Financial Instrument.

- Depreciation is not allowed if deduction u/s 35 AD is taken.

- Deduction u/s 10AA & 80IA - 8ORRB also not allowed.

- Pre-Comencement Expense: Cap. Exp incurred before commencement of Business & Capitalized in Books in the year of Commencement is Allowed as deduction u/s 35AD in the year of commencement of Business.

- Unabsorbed loss of specified Business can be carried forward indefinitely.

- Loss of specified Business can be only set off against specified Business Income.

↳ No matter even if the Other specified Business has taken deduction u/s 35AD or not.

- Sec 40A(3) is applicable for all capital expenditure done u/s 35 AD

↳ i.e. All Capital expenses above 10,000 shall be through any mode of ECS or A/c payee cheque only.

- Infra facility means:

Road including Toll, Bridge or Rail system.	Highway Project	Water supply project, Treatment project	Airport, Inland waterways etc
---	--------------------	--	-------------------------------------

- Asset bought under this section should be exclusively used for specified business for 8 years from the date of acquisition.

If used for non-specified Business before expiry of 8 years

If Sold before expiry of 8 Years

Amount of Deduction Claimed xxx
(-) Depreciation that would be xxx allowable if 35AD not taken

Whole Amount of Sale consideration will be taxable as PGBP Income

This will be added in PGBP xxx

↳ Even if Sale consideration is more than deduction claimed

Also, this amount will be actual cost for non-specified business

If used for Non-Specified Business After Expiry of 8 Years

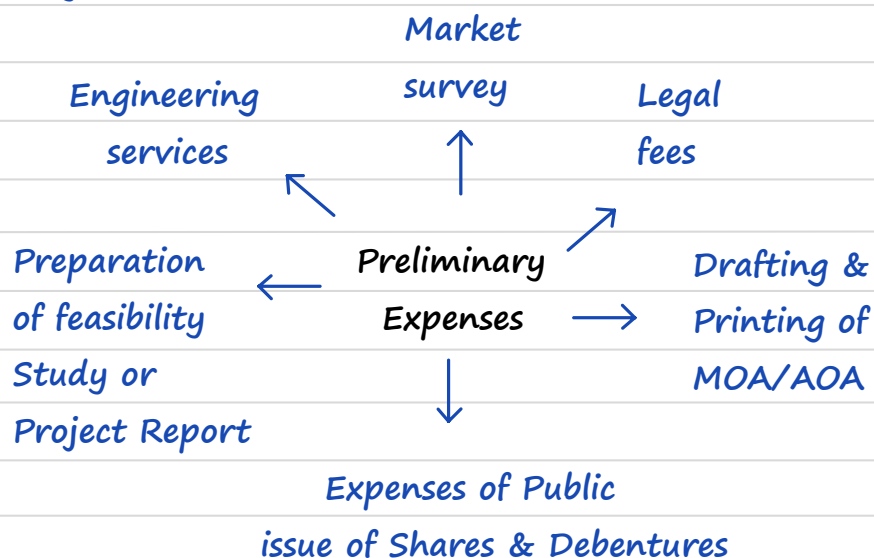
If Sold after Expiry of 8 Years

No PGBP Income,
Actual Cost=Nil

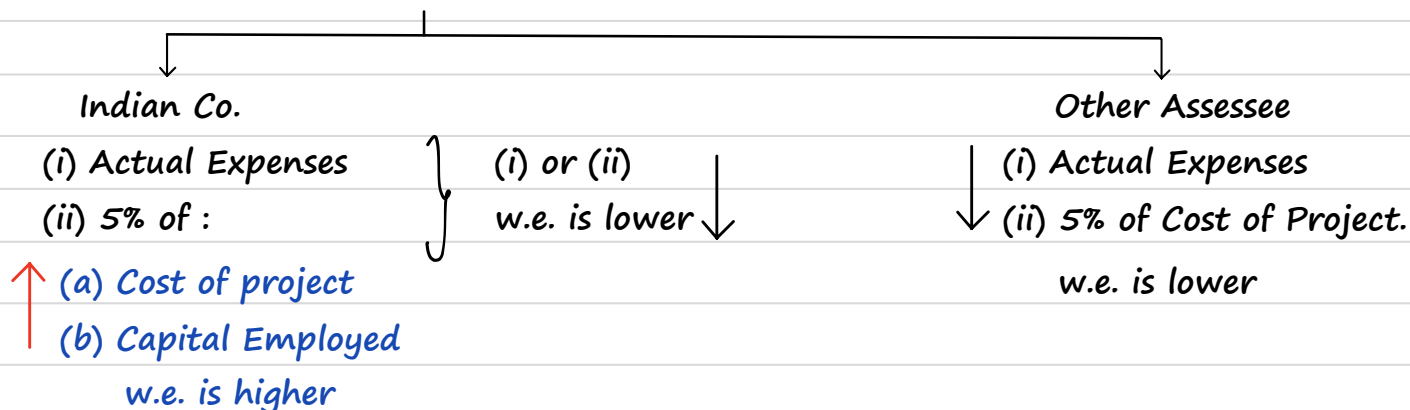
PGBP Income

Sec 35D - Preliminary Expenses

Allowed:- Only allowed to Resident.



→ Amount of Deduction:



→ This deduction is allowed in 5 equal installments.

→ Cost of project: Amount invested in the **Fixed Asset** for new project.

→ Capital Employed = Shares + Debentures + long term borrowings for new project
(Reserves & Surplus not included)

→ For Assessee other than Company or Co-op Society → Deduction under this section is only allowed if Tax Audit u/s 44AB is done for that Year.

Section 36: Other Deductions

(1)

Insurance Premium

Sec 36(1)(i)
Premium for
Insurance of
stock in Trade

Sec 36(1)(ib)
Premium for
Insurance of
Employees

(2)

Employees Welfare Payment

Sec 36(1)(ii)

Bonus/
Commission

Sec 36(1)(iva)

Pension
Scheme
NPS 80CCD

Sec 36(1)(iv/v)

SPF
RPF
AGF

Sec 36(1)(va)

EMPLOYEES
contribution
towards welfare
Fund

Sec 43B Applicable

~~Sec 43B~~

(3) Sec 36 (1)(ii)

Not Applicable

→ Bonus or commission paid to Employees is allowed.

→ It should not be paid as profit or dividend

Due date of that

Act shall be applicable

e.g. PF Act due date

15th of Next month

(4) Sec 36 (1)(iva)

Clarified by

Employer Contribution towards National Pension Scheme

F.A. 2021

u/s 80 CCD is allowed as Deduction upto:-

(i) Actual contribution

(ii) 14% of Salary (Basic + DA (Terms)]

↓ w.e. is lower

Any Excess Contribution is disallowed u/s 40A(9).

(5) Sec 36(1)(iv)/(v)

→ Deduction allowed for EMPLOYER'S Contribution in

Statutory Provident Fund (SPF)

Recognized Provident Fund (RPF)

Approved Gratuity Fund (AGF)

Any Provident Fund

Note:- Deduction under any Unrecognized or Unapproved Fund not allowed.

(6) Sec 36(1)(va)

EMPLOYEES Contribution towards welfare Fund

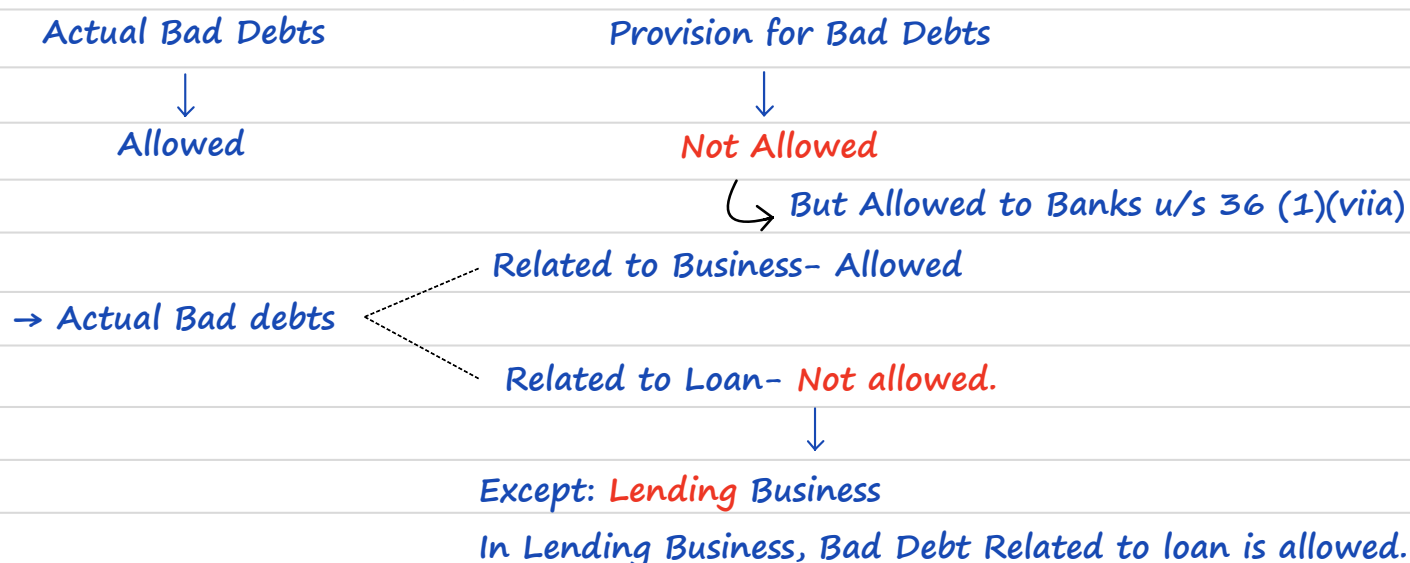
→ Any amount received by EMPLOYER from EMPLOYEES as contribution to provident fund, superannuation fund etc. is allowed only if it is paid to the Govt. before due date of the respective Act. → Clarified by F.A. 21

→ If paid **after due date** of the respective act → it will **not be allowed as deduction** & will be included in Income.

Eg: The due date of PF Act is 15th of Next month of the month in which PF is recd. Employees PF contri. for the month of July should be paid by the Employer to the govt/govt A/c **till 15th August.**

Note: If deposit **on or before 15th August** → **Allowed**
If **deposited after 15th August** → **Added to Income.**

(7) Sec 36(1)(vii) - BAD DEBTS



Notes

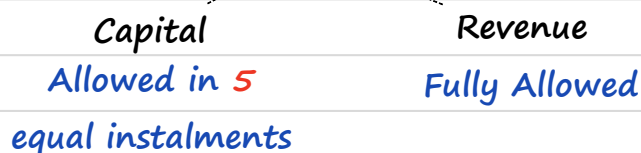
- Bad Debts must be written off in BOA in the year in which it is decided. There is no need to prove it.

(8) Sec 36(1)(iiia) - Discount on Zero Coupon Bonds (ZCBs)

The deduction is allowed for the **discount on ZCB on pro rata basis** having regard to the **period of life of the bond** to be calculated in the manner prescribed.

(9) Expenses on promotion of Family Planning Sec 36(1)(ix)

→ Allowed to only companies : Amount of Deduction



(10) Sec 36(1)(xv) → STT
Sec 36(1)(xvi) → CTT

Allowed as deduction if Assessee has held Shares, Securities & Commodities as Stock in Trade.

Sec 37 - General Deduction/ Residuary Expenses

Conditions:

Revenue Expense Allowed (✓)

Capital Expense Not allowed (X)

→ Must be incurred wholly or Exclusively for

→ PERSONAL EXPENSES - NOT ALLOWED

→ Expenses must be LEGAL.

- Business
- profession
- vocation

It should not be 'prohibited by law' [ILLEGAL]

→ BREACH Breach of Contract - Allowed

Breach of LAW → Not allowed (Any expense incurred by an assessee to settle proceedings initiated for a breach of any law is also disallowed.)

→ It must be incurred in the Accounting Year

→ Only Post-Commencement Expense allowed. → PRE- Commencement not allowed.

→ The expenditure should not be of the nature specified in Sec 30-36

→ Only Business Expenses allowed (✓)

Business losses not allowed. (x)

Notes:

Few Expenses specifically Allowed	Few Expenses Specifically Disallowed
(1) Expenses incurred on Buy Back of Shares, Bonus shares issue, Debenture issue → Allowed	(1) Expenses incurred on IPO, FPO, Right Shares, Increasing Authorized Sh. Cap. of Company → Not Allowed
(2) Indirect Taxes (GST)	(2) Direct Tax
Tax Interest Penalty Allowed Allowed Not Allowed	Tax Interest Penalty Not Allowed
	→ Interest on loan taken for payment of Income Tax- Not Allowed
(3) Legal Expenses- Allowed	(3) Illegal Expenses → Not Allowed
(4) Breach of Contract- Allowed	(4) Breach of laws → Not Allowed
(5) Gift to Employees - Allowed	(5) Advertisement in Brochure, Souvenir, newspaper, pamphlet published by political party - Not Allowed
(6) Customary expenses - Allowed ↳ Diwali pooja exp.	

(7) Tax audit fees or litigation exp- Allowed

(8) Premium paid on keyman Insurance Policy

paid by co. for insurance of its keyman

Allowed

Paid by firm for insurance of its partner

Allowed

(9) Cash Embezzlement, Theft, Decoy, if incidental to Business- Allowed.

(6) Donation to any political party/ electoral trust

- Not Allowed

Deduction allowed to:

- 80GGB: Companies
 - Donation
 - Advertisement
- 80GGC: Other Assesseees --- Only Donation

(7) CSR Expenditure- Not allowed

Donation to PM cares fund or PM relief fund.

Donation made to Clean ganga Fund or Swachh Bharat Kosh.

(8) Dividend - Not allowed

(9) Provision

For loss of Subsidiary Tax For deferred Tax For diminution in value of Asset For Un-ascertained liability

Not Allowed

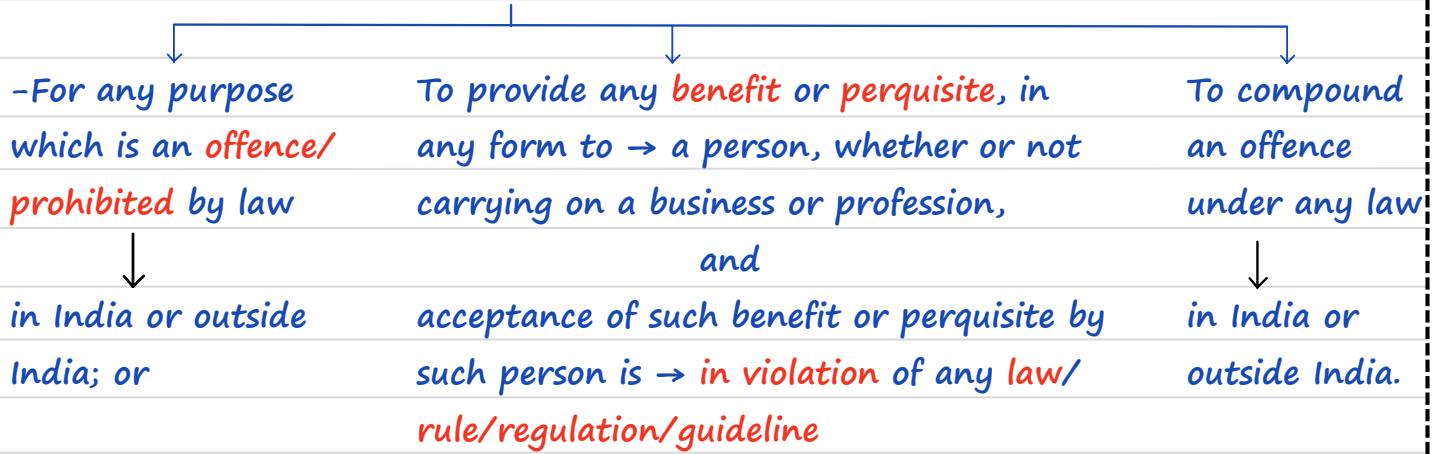
(10) Freebies, gifts given by Pharma companies to Doctor - Not allowed

(11) Referral commission paid to doctors - Not allowed.

(12) Payment/Bribes to police and Bhai-log- Not allowed

Explanation Added by Finance Act 22

These Expenses shall be treated as illegal and thus shall not allowed as deduction,



Stock Adjustment

Op Stock xxx	
	Cl Stock xxx

Undervaluation of Op. Stock - Less

Overvaluation of Op. Stock - Add

Undervaluation of Cl. Stock - Add

Overvaluation of Cl. Stock - Less

Space for Notes

write examples of sec 40 here

Sec 40- Amounts Specifically Not Deductible

Royalty,
Int, FTS etc.

→ Sec 40(a)(i): Payment made to NR or Foreign Co. and

TDS not Deducted

TDS Deducted but not paid
to Govt. upto Due date of 139(1)

100% Disallowed

Note: Such amount should be taxable in the hands of NR or Foreign co. under the act.

→ Sec 40(a)(ia): Any payment made to Resident and

TDS not Deducted

TDS Deducted but not paid to Govt.
upto Due date of 139(1)

30% Disallowed

Notes for 40(a)(i) & 40(a)(ia):

→ In the subsequent year, if TDS is deducted & paid to Govt. or paid to Govt. (if deducted earlier), then 100%/30% disallowed earlier shall be allowed in the subsequent year.

Sec 201(1) - Bachne Ka Tarika

→ If any amount paid to Resident/NR without deduction of TDS & Such PAYEE (RINR):-

Has furnished Takes into A/c paid Tax on
ROI u/s 139(1) such Income Such Income

→ And the payer furnishes a certificate in this regard from a CA to the AO. → that tax has been paid on such Income

→ The amount will be allowed in the subsequent year & will remain disallowed in current year because it is assumed that TDS has been deducted on the date of Return filed by such payee.



→ Payer has to pay interest on late deduction of TDS from :

- the date on which TDS was deductible TO
- the date on which return has been filed by payee.

Interest applicable u/s 201(1A) @ 1% per month or part of the month.

→ Sec 40(a)(ii): • Any Tax paid is **not allowed as deduction** from PGBP Income

Note: Tax always includes Tax, Cess & Surcharge

→ Sec 40(a)(iii): TDS on Salary payable outside India,

→ And Salary payable { Outside India
} OR To NR in India

TDS must be deducted.

If **not** deducted

OR

Deducted but not

paid to Govt A/c upto ↗
due date of TDS payment.

7th of Next month.

→ Such Salary will not be allowed as **Deduction**.

Sec 40(a)(iv): Any contribution to Provident fund or any other fund made for employees

↓
And if any payment is made from the fund to employees which is taxable under the head Salaries in hands of employees

↓
If assessee does not deducts tax, the amount **paid will be disallowed.**

Sec 40(a)(v): Tax on Non-monetary perquisite

If employer pays Non-monetary perquisites → To Employees

↳ such non-monetary perquisites are taxable in the hands of EMPLOYEE

↳ But if EMPLOYER pays such tax on non-monetary perqs On behalf of Employee

Then such tax paid is not allowed as Deduction to EMPLOYER

→ As it is exempt in the hands of Employee u/s 10(10CC)

Space for Notes:

Note related to 40(a)(ia) & 44AE

When payment is made to → Transporter

↓
who has opted for Sec 44AE & has furnished declaration in this regard.
+ He has declared PAN also.

In that case, we're not required to deduct TDS

COMPOSITE INCOME

	Business Income	Agri Income
• Tea	40%	60%
• Coffee(Grown & Cured)	25%	75%
• Coffee (Grown, Cured, Roasted & Grounded)	40%	60%
• Rubber	35%	65%

Sec 40(b) & Provisions related to Firm/LLP

Sec 40(b): While Calculating the Business Income of Firm/LLP, following amounts shall not be deducted:

- i) Remuneration to a non-working partner
- ii) Remuneration to a working partner not authorized by deed.
- iii) Remuneration to a working partner or interest to a partner authorized by deed but relates to an earlier period.
- iv) Interest to any partner in excess of 12% p.a.
- v) Remuneration to a working partner in excess of prescribed limits

Prescribed Limits for Book Profit:

Book Profits	Quantum of deduction
On the first Rs. 6 lakh of book profit or in case of loss	3,00,000 or 90% of book profit, whichever is higher
on the balance of book profit	60% of book profit

Notes:

1) Book Profit: PGBP Income before allowing Remuneration

Calculation:

Net Profit under PGBP	xxx
(+) Remuneration (if debited to P&L A/c)	xxx
(+) Disallowances under PGBP	xxx
(-) Current Year + b/f Depreciation	(xxx)
Book Profit	xxx

2) Interest over and above 12% shall be added back to calculate Book Profit.

Explanation Sec 40(b):

Interest will only be considered for sec 40(b) when a partner receives it in the same capacity in which he is a partner.

Note: This Explanation is only applicable on Interest and not on Remuneration.

Sec 40A(2) - Payment to specified Persons (Relative) in excess of Reasonable amount

If payment of expenditure is made to Relatives, in excess of Reasonable payment

Then AO can disallow

Unreasonable or Excessive payment.

Relatives:

- Individual - Spouse, Mother, Father, Brother, Sister, lineal Ascendent, lineal Descendent.
- HUF/AOP/BOI - Member & their Relatives
- Firm/LLP - Partner & their Relatives
- Company - Director & their Relatives
- Substantial Interest: a person shall be deemed to have substantial Interest in Business or profession if:

If a person has

- 20% or more shareholding in → Company
- 20% or more PSR in → Firm/AOP/BOI

Sec 40A(3):

→ If Payment or Aggregate payment made to a person > Rs. 10,000 by the Assessee in a Day.

→ It should always be done by: A/c payee Cheque, Demand Draft, Use of Electronic Clearing System, UPI/NEFT/RTGS/ Debit card/ credit card
(Cash/ crossed/Bearer cheque not Allowed)

Sec 40A(3A)

→ If expenditure is allowed in earlier year on accrual Basis

& If such expenditure is subsequently paid in cash/ crossed/Bearer cheque > Rs. 10,000 in a day

Then deduction allowed earlier will be disallowed.

(Note: When Payment is made to transporter, limit of 10,000 will become 35,000.)

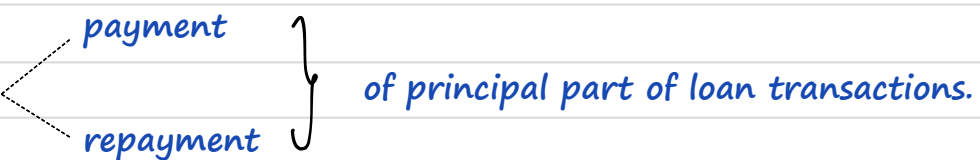
Exceptions to sec 40A(3)[Rule 6DD]:

→ Payment made to 

→ Payment done by adjustment in Book entries.

→ Payment made in village/town - where **there is no Bank**

→ Payment of Retirement benefits to employees or their family **upto Rs. 50,000**

→ Not applicable to 

However, it is applicable for **interest payments** exceeding Rs.10,000.

*does not have a
Bank A/c there*

→ Payment to employee who is posted to a different place **Other than his normal place of duty for 15 days or more** → TDS must be deducted while payment.

→ Payment made for the purchase of

agri or forest produce

livestock/meat/dairy/poultry farming

fish or fish products

horticulture, apiculture products

↓
To the cultivator/ producer/ grower
of such product

[If payment is made to Trader/Broker/Middleman - Not allowed]

→ Payment made to **money changer/authorized dealer** for purchasing currency.

Sec 40A(7) - Disallowance of provision of Gratuity

Provision for Gratuity → **Disallowed**

Actual gratuity paid - **Allowed**

Gratuity provision made as per actuarial valuation → **Disallowed**

Section 41- Deemed PGBP Income

Sec 41(1) - Remission or Cessation of Trading liability

If assessee has taken expenditure/deduction of any expenditure in earlier P.Y.

During Current year, if:

- Assessee gets refund or
- Creditor waives off/gives discount
- There is remission or cessation of such liability.

Then Such Remission/Cessation/refund/discount/waiver

is deemed as PGBP Income u/s 41

Eg:- we recorded purchase Rs. 12000, creditor took only 8000 - 4000 shall be PGBP Income.

→ In case of succession of Business - The successor will be liable to tax when he receives any benefit during subsequent previous year.

Section

41(3)

Sale of Scientific research Asset

41(2)

Balancing charge

41(4)

Recovery of Bad debts

Deduction u/s 35(1)(iv)

OR

Sale Proceeds

w.e. is lower

whatever is recovery in Excess of Unallowed Portion, That Excess will be Income u/s 41(4).

Eg: Debtor= 30

Recovery= 23

Bad Debt Allowed= 12 Unallowed Portion= 18

23

(-) 18

5

This Excess will be Taxable u/s 41(4)

Sec 41(5)- If there is any recovery in case of defunct Business which is chargeable to tax, then B/f losses will be allowed to set off even after expiry of 8 years.

Section 43B- Certain Expenses allowed on Actual payment Basis

Deduction in case of following payments is allowed only if paid before due date of ROI:-

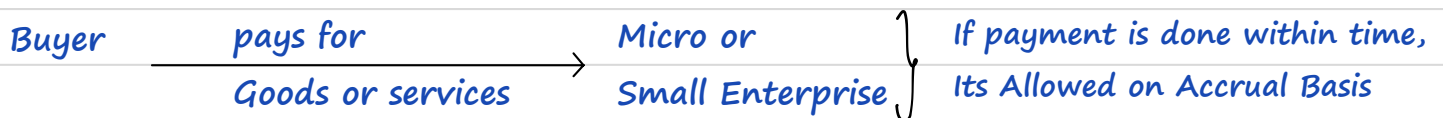
- Any tax, duty, cess, Interest on tax
- Employer's contribution towards RPF SPF ASF AGF NPS u/s 80CCD, Any other fund
- Bonus or Commission to Employees
- Leave Salary Encashment to Employees
- Interest on loan to any Bank/notified NBFC/ Financial Institution
- Amount payable to railways for use of Railways assets

Notes:

- Interest includes pre-payment premium.
- lump sum payment of interest if paid in a year is also allowed as deduction
- Furnishing of Bank guarantee- Not actual payment
- If Interest payable on loan is converted into Debenture or any other Instrument → Due to which, Liability is delayed or deferred to future date
↓
Then, It will not be treated as Actual Payment

Section 43B(h):

Any sum payable to Micro or Small Enterprise beyond the time-limit given in Sec 15 of MSME Development Act:



Till When Payment must be Done ? → It depends on the Agreement

The Buyer has to pay within:

If there is an Agreement



Time given in Agreement (Can be Max 45 Days from date of acceptance of Agreement)

If there is No Agreement



Payment must be made within 15 Days i.e. before appointed day

Allowance:

If Payment is done within above Time Limit → Expense Allowed on Accrual Basis

If Payment is Not done within above Time Limit → Expense is Allowed on Payment Basis
i.e. in the P.Y in which it is paid

Definition: Micro & Small Enterprise

Enterprise	Investment in Pl&M or Equipment	Turnover
1) Micro Enterprise:	upto Rs. 1 Cr	upto Rs. 5 Cr
2) Small Enterprise:	upto Rs. 10 Cr	upto Rs. 10 Cr

Section 43CA - Sale Consideration of Land & Building held as Stock in Trade

Sale Consideration → Sale price
OR
Stamp Duty value

↑
w.e. is higher

→ If Stamp duty value < 110% of Sale Price.

↳ then SC = Sale price.

Sale price 1,00,000

SDV 1,09,000

Then SC - 1,00,000

(as it is up to 110%)

→ If date of registration and date of agreement are not same,

THEN



SDV on Date of agreement
will be considered

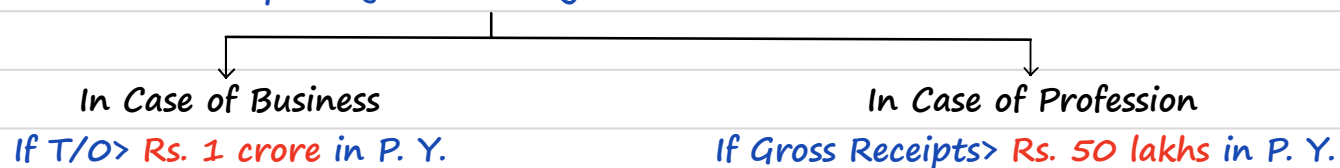


only If any amount is received on or before the
date of agreement by A/c payee cheque/DD/Any
mode of ECS/UPI/BHIM/Debit card/Credit Card/
NEFT/RTGS

In Other Case - SDV on the date of registration will be considered

Sec 44AB- Tax Audit of Books of A/cs

→ Tax Audit is compulsory in following cases:



But limit of sec 44AB is Rs. 10 crore if:

- Total cash receipts in the P.Y. must be $\leq 5\%$ of total Receipts
AND \hookrightarrow (incl. sales, turnover, and gross receipts).
- Total cash payments in the P.Y. must be $\leq 5\%$ of total Payments (including expenses).

Notes

- Cash includes cash, bearer cheque & crossed cheque.
- Receipts can be more than T/O

Due date of furnishing Tax Audit Report → 1 month prior to due date of return filing
Due date of ROI - 31st Oct Due date of Tax Audit report - 30th Sept

In case of Transfer pricing: Due date of Tax Audit report - 31st Oct
Due date of ROI - 30th Nov

→ if Assessee is covered by 44AD/44ADA & assessee claims

Income $< 6\%/8\%$ of Turnover

Income $< 50\%$ of Gross Receipts

and his Total Income $>$ Basic Exemption limit
then he has to maintain BOA & get his accounts audited.

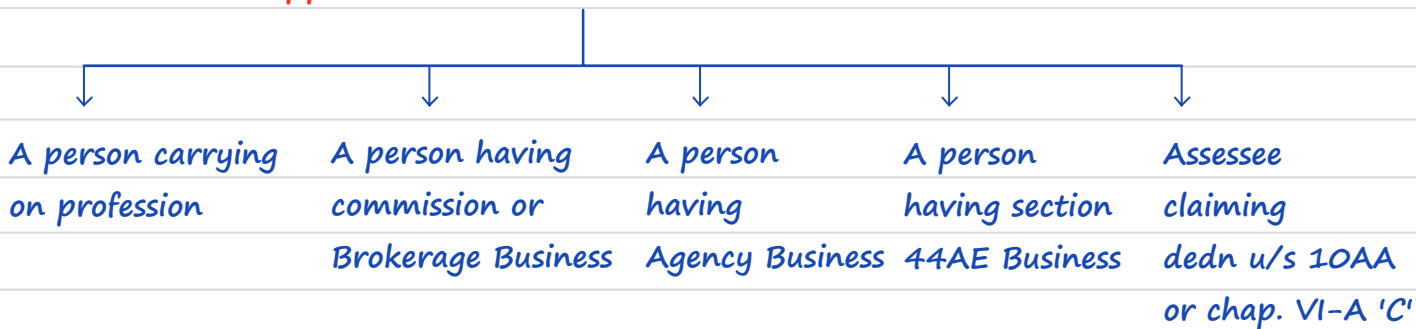
PRESUMPTIVE TAXATION - 44AD/44ADA /44AE

Sec 44AD

Eligible Assessee- Resident Individual/HUF or partnership Firm (not LLP)

Having T/O upto Rs. 2 crores/ 3 Crores*

Sec 44AD not applicable to:



Presumptive : 6% of Total T/O received through A/c payee cheque/Bhim UPI/any Income other mode of ECS

received before Due date of 139(1)

8% of Total T/O received through cash/bearer cheque/crossed cheque.

- If any amount is received after due date of 139(1), then 8% of total T/O will be taken even if it is received through A/c payee cheque, any other mode of ECS etc.
- No deduction of Expenses From Section 30-38 will be allowable
- Assessee does not need to maintain books of Accounts as per section 44AA
- Advance Tax payment → shall be done in 1 instalment before 15th March of P.Y.
- Due date of ROI → 31st July.
- If Assessee opts for section 44AD for any Previous Year → then he has to opt 44AD for next 5 consecutive P.Ys.

Then he will not be eligible for Sec 44AD for 5 years subsequent to year in which he does not declare income as per sec 44AD. ← If in any of those 5 P.Ys, he opts out of 44AD.

Also, He has to maintain BOA as per 44AA & get his BOA audited if his Income > BEL

*Limit for 44AD/44ADA will be 3 Cr/75 lacs if: If Amount Recd. by Cash/Bearer/Crossed Cheque < 5% of Total Turnover/ Gross Receipts

Sec 44ADA

Eligible Assessee- Resident Individual/HUF or partnership Firm(not LLP)

↳ Engaged in Notified profession(44AA)

Legal, Medical, Engineering, Film Artist, CS, Architect, Accountancy, Technical Consultancy, IT professionals.

Profession whose gross Receipt is upto Rs. 50 lacs/75 lacs* in P. Y.

Presumptive Income 50% of Gross Receipts

- No deduction of Expenses From Section 30-38 will be allowable
- Assessee does not need to maintain books of Accounts as per section 44AA
- Advance Tax payment → shall be done in 1 instalment before 15th March of P.Y.
- Due date of ROI → 31st July.

Section 44AE

Eligible Assessee: Any assessee Engaged in Transportation Business

↓
Plying, Hiring,
Leasing goods carriage

Ownership will be counted from when vehicle was purchased, not when it was put to use

↓
who owns not more than 10 goods carriages at any time during the PY.

Presumptive Income

Heavy goods vehicle: Rs. 1000 per ton x No. of months* x no. of vehicles per month vehicle is owned

Other Vehicle: Rs. 7500 x No. of months* x No. of vehicles per month Vehicle is owned

(Heavy Goods Vehicle: Vehicle having Gross Weight > 12000 Kgs)

- No deduction of Expenses From Section 30-38 will be allowable
- Assessee does not need to maintain books of Accounts as per section 44AA
- Due date of ROI → 31st July.
- Advance Tax Payment - 4 Instalments

→ In case of firm: Salary & Interest } paid to partners is deductible subject to sec 40(b)

↓

different than 44AD/44ADA

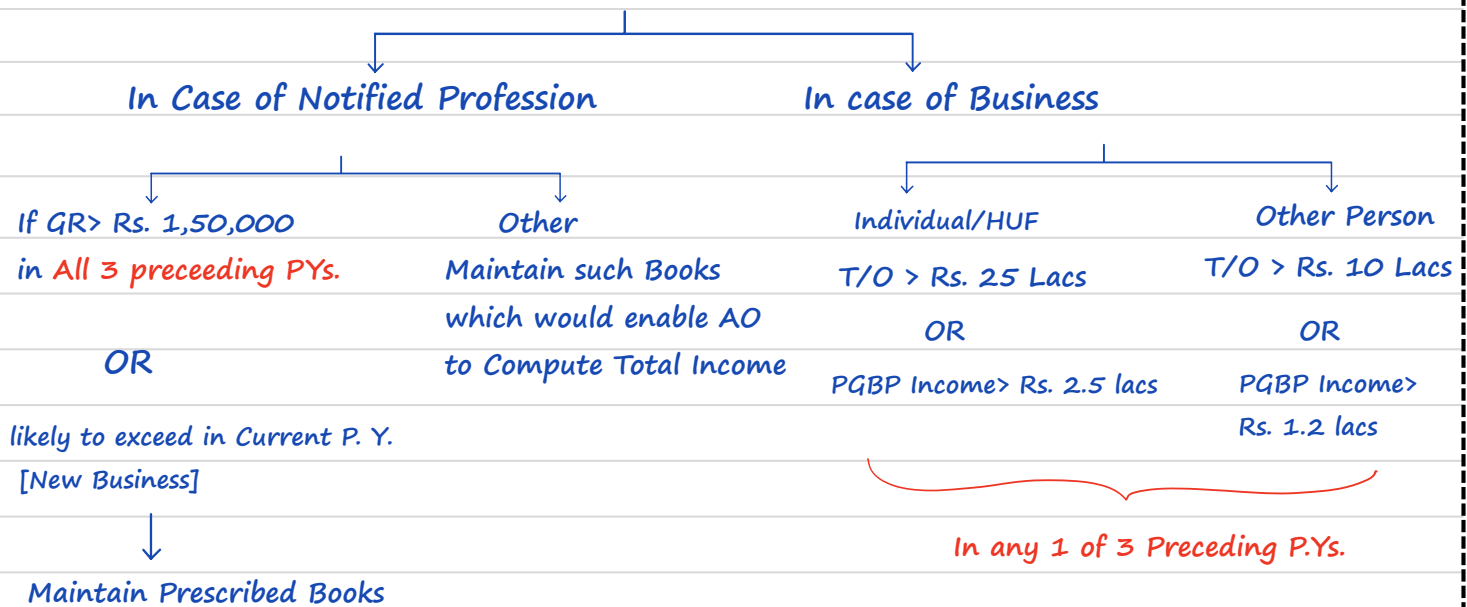
↳ very Important

Refer Page 2.24

Section 44AA

→ Following person shall maintain prescribed Book of Accounts

Maintenance of Books of Accounts



Prescribed Books → Cash Book, Journal, Ledger, Carbon Copies of Bills > Rs. 25, Daily Cash & Stock Register (Medical) kept in written, digital or electronic form

Notified profession → Legal, Medical, Engineering, Film Artist, CS, Architect, Accountancy, Technical consultancy, IT professionals.



Capital Gain Sec 45-54

Over/Smart View of the Chapter

Charging Section - Sec 45

Transfer of Capital Asset

We will study
Transfer Definition

And We will Study
Capital Asset Definition

Taxable in the Year of Transfer

↳ 3 Exceptions

- ↳ Conversion of CA → SIT
- ↳ Compulsory Acquisition
- ↳ Damage or Destruction

Decide on the Basis of POH

LTCG

STCG

→ If LT, find out CII

only if sold
upto 22.7.24

Now for Calculating Capital Gain

You will Need 2 Things

FVOC

COA

- Sec 50C - Deemed FVOC for L&B
- Sec 50CA - FVOC of Unlisted Sec.
- Sec 50D - When FVOC is Unascertainable

- Depreciable Asset
- Gift - Sec 47
- Right/Bonus Shares

After Calculating CG, Apply CG Tax Rates - 112, 111A & 112A

Apart From This, We Will Study One **Special Case** of Transfer

Slump Sale

And After This, We will Study 2
Cases Where Cap Gain is Not Taxable

- ↳ Sec 54 Exemption Series
- ↳ Sec 47 Not A Transfer

Charging Section [Section 45]

→ If there is a **Transfer of Capital Asset** during the Previous Year,

then **Gains/Profit** on such transfer is taxable under the head capital Gains.

in the Previous year in which Transfer took place. Short term Long term

What is a Transfer?
section 2(47)

What is a Capital Asset?
Section 2 (14)

Is capital Gains Taxable in any Year other than the year of transfer?

4 Cases

Capital Asset Includes:

Property of any kind held by an assessee, whether or not connected with his business or profession

Any securities held by a FII invested as per SEBI Regulations

ULIP issued on or after 1.2.2021:
• If premium payable > 2,50,000 for any of PY
• Premium payable for more than 1 ULIPs & the aggregate premium payable > 2,50,000 for any PY

↳ EXCLUSIONS

Stock-in-trade, consumable stores, raw materials held for business or profession

Personal Effects [i.e. movable property incl. wearing apparel & furniture held for personal use by assessee or his family]

Rural Agricultural Land

6½ Gold Bonds, 1977, 7% Gold Bonds, 1980, National Defence Gold Bonds, 1980, Special Bearer Bonds, 1991 issued by CG

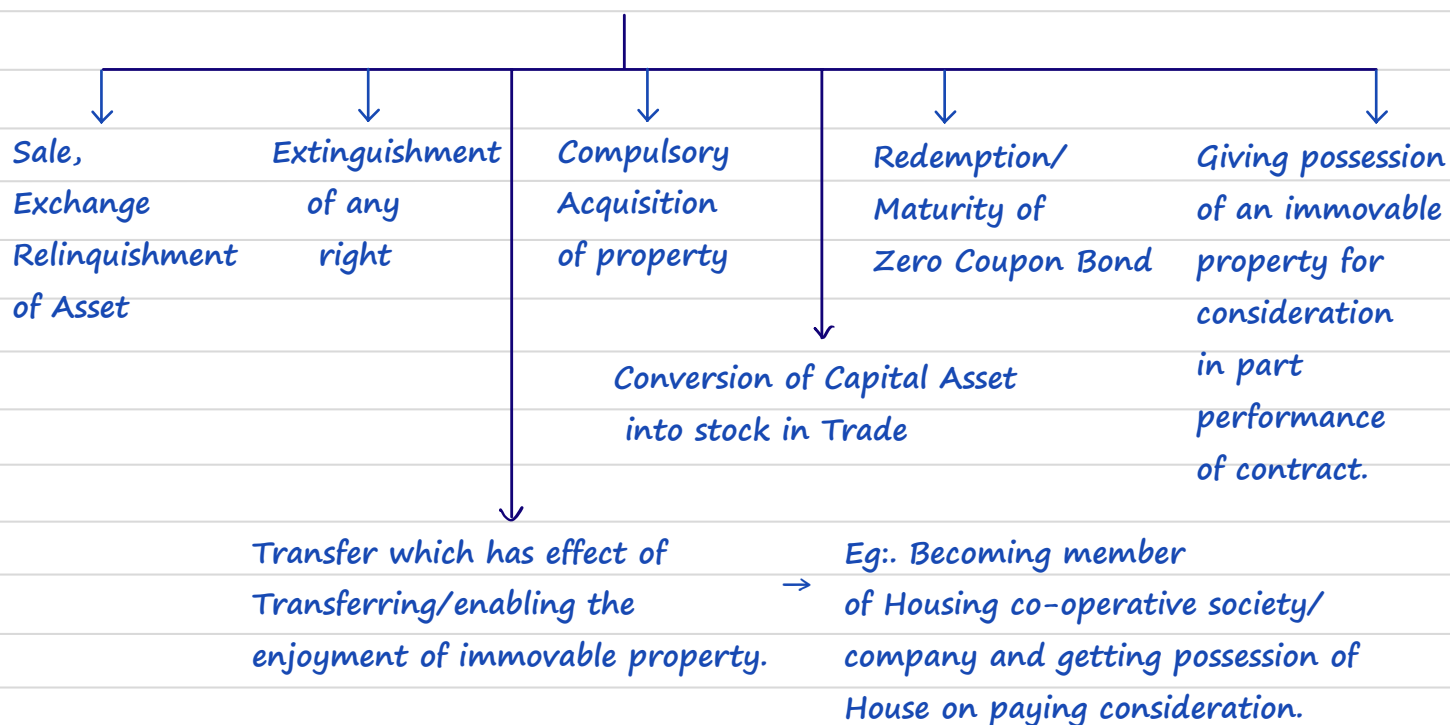
Gold Deposit Bonds issued under Gold Deposit Scheme, 1999/ Deposit Certificates issued under the Gold Monetisation Scheme, 2015/ 2018 notified by CG

Exclusions From Personal Effects

Jewellery Archaeological Collections Drawings Paintings & Sculptures Any Work of Art

Definition of Transfer - Sec 2(47)

TRANSFER INCLUDES:



Year of Chargeability of Capital Gains

Generally, Capital Gains is chargeable in the year in Which Transfer Takes place,

But in these 4 cases, Year of Chargeability is different from Year of Transfer

Exceptions to sec 45(1)

	Conversion of capital Asset into stock in Trade	Compulsory Acquisition of asset	Insurance claims for Damage or Destruction of capital Asset
Taxability:	Year in which stock is sold	Year in which compensation is received	Year in which Insurance claim is received

Urban Area: • Any Area of municipality or Cantonment Board which has population of 10,000 or more
• Any Area within such distance measured aeri ally, wrt to range of Population as given:

Shortest Aerial Distance from Local Limts	Population
Upto 2KMS	> 10,000
> 2kms Upto 6Kms	> 1,00,000
>6kms Upto 8kms	> 10,00,000

Exceptions to Sec 45(1)

→ Conversion of capital Asset into stock in Trade [Sec 45(2)]

Capital Asset $\xrightarrow{\text{into}}$ Stock in Trade

Year of Calculating Capital Gain & applying Indexation

= Year of conversion

Year of Taxability

= Year in which Stock in Trade is sold.

Capital Gain

FVOC = FMV on conversion date

- CoA/ICOA = cost of Acquisition

Capital Gain = xxx



By applying Indexation of year of conversion

PGBP Income

Sale Value = Sale Price

- Cost = FMV

PGBP Income

Conclusion: In the year when stock in Trade is Sold, 2 Incomes will be taxable..

PGBP Capital Gain

→ Compulsory Acquisition of Capital Asset [Sec 45(5)]

Year of Calculating Capital Gains and applying Indexation

= Year of compulsory Acquisition

Year of Taxability

= Year in which Compensation is received

Initial Compensation Compensation Amount

Enhanced Compensation Compensation Amount

FVOC

(-) COA/ICOA

xxx

-

(-) COI/ICOI

xxx

-

(-) Litigation Expenses

-

xxx

STCG/ LTCG

xxx

xxx

	Initial Compensation	Enhanced Compensation
If Compensation is received in Instalments	Full Amount is taxable when first Installment was received.	Taxable in the respective years when different Installments are received.

Enhanced Compensation received due to interim order of Court → Taxable in the year when **Final Order is Passed**

→ Interest received on delay of compensation - Taxable under **IFOS & 50% deduction** is allowed u/s 57

→ If Initial Compensation

- ↳ LTCG → Enhanced - LTCG
- ↳ STCG → Enhanced - STCG

→ For Ind/HUF, Compulsory Acq. of **urban Agriculture land** → Fully Exempt u/s 10(37)

↓

If such land is used by him/ his parents/HUF for Agri. purpose in preceeding 2 years before Transfer.

Insurance Claims for Damage or Destruction of Capital Assets [Sec 45(1A)]

Year of Calculating Capital Gains and applying Indexation → Year of **Destruction**

Year of Taxability → Year in which **Claim is received.**

When Cap. Asset is : **Fire, Flood, Earthquake, Tsunami, Riot, Civil Disturbance.**

Damaged due to

FVOC = **Stamp Duty value** of share in Project on the date of issue of CC
 + any amt received in **Cash/Cheque/Draft** or any other mode

Types of Capital Assets

Short Term Capital Asset

Long Term Capital Asset

Holding Period for STCA/LTCA

Asset Type	Holding Period	Holding Period
	(Upto 22.07.2024)	(On or After 23.07.2024)
Listed Securities(excl. units)		
Units of Equity-Oriented Funds	12 months	12 months
Zero Coupon Bond		
Unlisted Shares	24 months	24 months
Land, Building, or Both		
Listed Units of Business	36 months	12 months
Trust		
All Other Assets	36 months	24 months

→ If Asset is held upto 12/24/36 months as per above table for respective Assets, It is a **Short Term Capital Asset**.

→ If Asset is held for more than 12/24/36 Months, It is a **Long Term Capital Asset**

Section 48 - Computation of Capital Gain

STCG/LTCG		LTCG upto 22.7.24	
Full Value of Consideration	xxx	Full Value of Consideration	xxx
(-) Transfer Expenses	(xxx)	(-) Transfer Expenses	xxx
Net Sale Consideration	xxx	Net Sale Consideration	xxx
(-) Cost of Acquisition	(xxx)	(-) Indexed Cost of Acquisition	(xxx)
(-) Cost of Improvement	(xxx)	(-) Indexed Cost of Improvement	(xxx)
Short Term Capital Gain/(loss)	xxx	Long Term Capital Gain/(loss)	xxx
(STT not allowed in Transfer Expenses)		(STT not allowed in Transfer Expenses)	

Valid on all LTCA upto 22.7.24

2nd Proviso to Section 48 :

INDEXATION

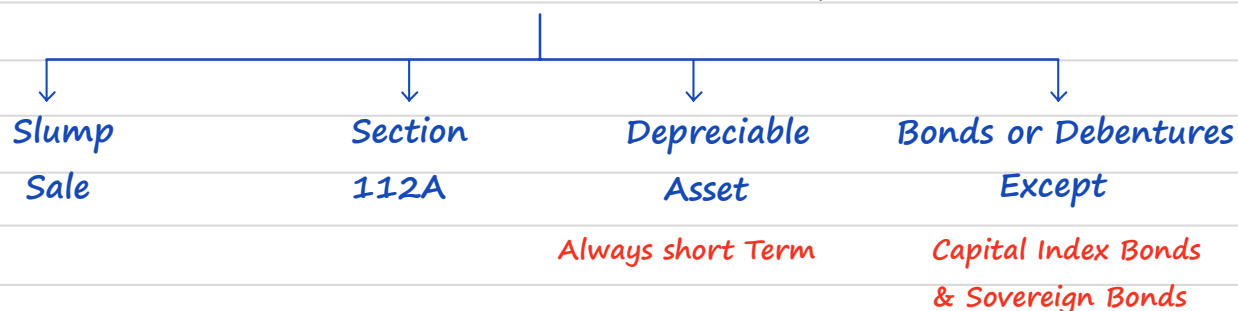
Only Appl. to Ind/HUF on sale of L&B(LTCA) on or after 23.7.24

CII For F.Y. 01-02 - 100

For F.Y. 24-25 - 363

If Asset is purchased before 1.4.2001. CII will be 100.

Indexation is not available in following Cases(upto 22.7.24)



1st Proviso to Section 48 : Capital Gain in Case of Non-Resident

Method of Conversion(Rule 115A):

FVOC	Avg of TTBR & TTSR	date of Trf.
Trf Exp	Avg of TTBR & TTSR	date of Trf.
COA	Avg of TTBR & TTSR	date of acq.
Capital Gain	TTBR for Re-conversion	date of Trf.

Assessee: NR/Foreign Co.

Asset : Share Debenture of Indian Co. Acq in Foreign Currency

3rd Proviso to Sec 48: 1st & 2nd Proviso not available on Sec 112A

Rate of Tax for Capital Gains for Residents

Section	Nature of Asset	Rate Applicable up to 22/07/2024	Rate Applicable from 23/07/2024
111A STCG	Equity Share in a Company Unit of Equity Oriented Fund Unit of Business Trust	15%	20%
Other STCG	All transfers other than mentioned in Section 111A	Normal Slab / Flat Rate applicable	Normal Slab / Flat Rate applicable
112A LTCG	Equity Share in a Company / Unit of Equity Oriented Fund Unit of Business Trust	10% on LTCG exceeding Rs. 1,25,000	12.5% on LTCG exceeding Rs. 1,25,000
112	All long term transfers other than mentioned above	20%	12.5%
112(1) (a) & (b)	Listed Securities (other than a Unit) / Zero Coupon Bonds	<u>Lower of</u> 20% with Indexation 10% without Indexation	12.5%

Note for Resident Individuals and HUF

Tax Rate on Capital Gain Arising from transfer of Land or Building or Both acquired **BEFORE 23/07/2024** shall be LOWER of :

(1) 12.5% without Indexation

(2) 20% after Indexation



Note: While Calculating Total Income, we have to take Capital without Indexation only. This Option is only exercised at the time of paying Tax

Tax Rates on Capital Gains:

- Equity shares
- Units of Equity Oriented Fund
- Units of Business Trust

Short Term Cap. Gain
Taxable u/s sec 111A

Long term Cap. Gain
Taxable u/s 112A

Taxable @ 20%

Taxable @12.5% in excess of 1,25,000

Other STCG → Normal Tax Rates

Other LTCG (Other than 112A)

↳ Taxable u/s 112 - Taxable@12.5%

Section 112A - LTCG on Long Term Capital Assets

LTCG on → Equity shares

- Units of Equity oriented fund
- Units of Business Trust

1st & 2nd proviso not available(3rd proviso)

STT -

Equity shares

Others

STT shall be paid at the time of purchase & sale both.

STT shall be paid at the time of Transfer

Taxable at → 12.5% in excess of Rs.1,25,000

↳ No Indexation

Cost of Acquisition → If purchased before 31.1.18

(i) Purchase price

(i) or (ii)

w. e. is higher

↑ (ii) (a) Sale Consideration

(a) or (b)

↳ (b) FMV as on 31.1.18

w. e. lower

How to find FMV as on 31.1.18?

Shares

Units

Highest Trading Price on RSE on 31.1.18

Listed on 31.1.18

Highest Trading Price on RSE on 31.1.18

Unlisted on 31.1.18

Net Asset Value on 31.1.18

Full value of Consideration

→ Amount Received or Accruing as a result of Transfer of Capital Asset

Sec 50C- Deemed full Value of consideration in case of Land & Building

When Land or Building or Both is transferred then:

FVOC → Sale price
OR
Stamp Duty value

w.e. is higher shall be deemed to be Full Value of Consideration

→ If Stamp duty value \leq 110% of Sale Price.
↳ then FVOC = Sale price.

Eg: Sale price 1,00,000 } Deemed FVOC 1,15,000
SDV 1,15,000 } (w.e. higher)

Sale price 1,00,000 } Deemed FVOC - 1,00,000
SDV 1,09,000 } (as it is up to 110%)

→ If date of registration and date of agreement are not same,

THEN

SDV on Date of agreement will be considered → only If any amount is received on or before the date of agreement by A/c payee cheque/DD/Any mode of ECS/UPI/BHIM/Debit card/Credit Card/NEFT/RTGS

whole/part

Section 55A Reference to Valuation Officer

If Assessee does not agree with the SDV, then Assessee can give application to A.O. for reference to Valuation Officer.

A. O. can refer the case to the valuation for

If Value by V.O. < SDV

If value by VO > SDV

then Valuation officer value
OR
Sale price

w.e. higher

Then SDV will be Taken

Silly doubt note: After value by V.O. is considered, 110% will not be checked for value by valuation officer.

2 more Special Cases of FVOC



Cost of Acquisition (Sec 55)

Purchase price + all exp. incurred on purchase

↳ STT will not be added.

→ Any amount paid for obtaining clear title of property shall be included in cost of Acquisition.

For Intangible Assets:

[Goodwill of Business, Profession, Brand Name, Trademark, Copyright or any other Intangible Asset]

Self Generated → COA=Nil

If purchased → Purchase price

→ COA of Asset obtained by way of Transactions which are Not regarded as transfer

→ COA = Cost to the Previous owner

COI= Cost of Improvement of previous + present owner is considered

There are 2 views with regards to indexation in this case.

As per provisions: CII will be taken for the year in which assessee (present owner) first held the asset.

As per CIT vs Manjula J Shah: CII will be taken for the year in which previous owner bought the asset.

COA of Assets Acquired before 1.4.2001

Cost of Acquisition
or
F.M.V. As on 1.4.2001

w.e. is higher

Imp Note: For land and Building, FMV as on 1.4.2001 can not exceed SDV as an 1.4.2001. → CoA: FMV

or
SDV
w.e. is lower

BONUS SHARES

Date of Allotment

BEFORE 1.4.2001

FMV as on 1.4.2001

AFTER 1.4.2001

NIL

RIGHT SHARES

If Right Shares are purchased
Purchase price of Right Share

If Right Shares Renounced

Nil

If Right shares are sold to other person, then

In the hands of purchaser

CoA = Cost of share
+ Price of Rights

In the hands of seller

Proceeds from sale of Rights
will be taxable as Short Term
capital Gains (POH < 2 yrs)

Sweat Equity shares

FMV on the date on which
option is exercised.

Depreciable Asset

WDV

Note: COA & COI shall not include Interest claimed u/s 24(b)[HP] or under VI-A Deductions.

Meaning of Fair Market Value

Case

Capital asset is listed on any RSE as on 31.01.2018

- If there is trading in such asset on such RSE on 31.01.2018 → Highest price of capital asset quoted on such RSE on 31.01.2018.
- If there is no trading in such asset on such RSE on 31.01.2018 → Highest price of such asset on such RSE on date immediately preceding 31.1.2018 when such asset was traded on such RSE.

Capital asset is not listed on any RSE on 31.01.2018

Net Asset Value of such unit as on 31.01.2018.

Capital asset is equity share in company which is -

- not listed on a RSE on 31.01.2018 but listed on such exchange on the date of transfer
- listed on a RSE on date of transfer & which became property of assessee in consideration of share which is not listed on such exchange as on 31.01.2018 by way of transaction not regarded as transfer u/s 47.

An amount which bears to COA the same proportion as CII for FY 2017-18 bears to the CII for the first year in which the asset was held by the assessee or on 01.04.2001, whichever is later.

COST OF IMPROVEMENT

- Capital expenditure incurred in making any additions/ improvements of capital asset.
- Routine expenditure on repairs or maintenance will NOT be included in Cost of improvement.

NOTE

1. In case of Goodwill of Business/ any other Intangible asset, the COI is Nil.
2. COI shall be Considered only if incurred on after 1.4.2001.
3. COI incurred by Previous Owner shall be Considered if incurred on/after 1.4.2001.

Indexed Cost of ACQUISITION/ IMPROVEMENT

$$\text{COA} \times \frac{\text{CII for the year of Transfer}}{\text{CII for the year in which assessee first held the asset}}$$

$$\text{COI} \times \frac{\text{CII for the year of Transfer}}{\text{CII for the year of Improvement.}}$$

From 23.7.24, Indexation is no Longer available on Long Term Capital Assets except Land & Building sold by Ind/HUF.

So Now, Indexation will be done in Only 2 Cases:

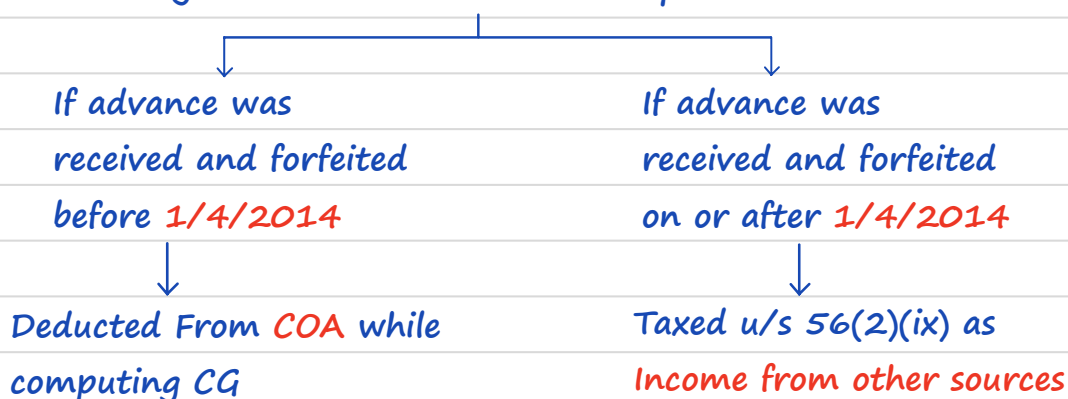
- If asset is sold before 23.7.24 & is a long term Cap Asset.
 - If Land or building is acquired on or before 22.7.24 by Ind/HUF & is a Long term Cap asset
- Cost incurred on Improvement before 1.4.2001 Shall be ignored.
- If COA is indexed, COI will also be indexed.
- CII will always be given in the question, you only have to remember 2 CIIs.

CII for P.Y. 01-02 - 100

CII for P.Y. 24-25 - 363

Sec 51 - Advance Money Forfeited

Tax treatment of advance money forfeited on failure of negotiations for transfer of a Capital asset



Note: Advance forfeited by previous owner will not be deducted while computing COA.

Sec 50AA: Capital Gains in case of Market Linked Debenture or Specified Mutual Fund Acquired on or after 1.4.23

Capital Asset: Market Linked Debenture or Specified Mutual Fund acq. after on or after 1.04.23
an unlisted bond or unlisted debentures which is transferred or redeemed or matures on or after 23.7.2024.

Nature of Capital Gains: Always STCG (irrespective of POH)

STCG = Full value of Consideration - (COA + Expenditure on transfer)

FVOC = Consideration received on transfer or redemption or maturity of such market linked debenture/Specified Mutual Fund

Exp. on transfer = Exp. incurred wholly & exclusively in connection with the transfer / redemption/maturity of such securities

STT: While computing STCG, STT is not Allowed as Deduction

Definitions:

1) Market Linked Debenture:

(a) Means a security, which has an underlying principal component in the form of Debt security and the returns are linked to market returns on other underlying securities or indices

(b) Includes any security classified or regulated as market linked debenture by SEBI.

2) Specified Mutual Fund :

Means a Mutual Fund , where not more than 35% of its total proceeds is invested in the Equity Shares of Domestic Companies.

Note: Percentage of equity shareholding held in respect of the Specified Mutual Fund shall be computed w.r.t. the annual average of the daily closing figures.

Capital Gains in case of Depreciable Assets

Capital gain arising on depreciable asset will always be Short Term Capital Gain irrespective of the period of Holding.

Conditions for Claiming Depreciation u/s 32

1. There must be at least one asset in the block.
2. There must be some WDV for the block on which prescribed rate of Depreciation can be applied.

If any of the above conditions are not satisfied, Sec 32 ceases to apply & Sec 50 becomes applicable.

Section 50: Capital Gain on Depreciable Assets will arise only in the following two cases:

STCG

- If Sale Consideration received on transfer of one or more capital asset > WDV of Block, WDV of the block will be Zero & therefore no Depreciation can be claimed.
- In such case, $STCG = \text{Sale consideration} - \text{WDV of the block}$.

STCL

- If all assets in the block are sold, block is empty & thus no depreciation can be claimed even if there is WDV left in the block.
- In such case, short term capital loss will arise to the extent of remaining WDV.

If SC of all assets in Block < WDV of the Block,

$STCL = \text{SC of all the assets} - \text{WDV of the block}$.

SLUMP SALE [Sec. 50B]

Slump Sale means Sale of Undertaking/Unit/division for Lump Sum Consideration.

If unit/ undertaking is held for more than 3 years



Long term capital Gain will arise

↳ Otherwise short term

→ Indexation not allowed in Slump sale

Full Value of Consideration

FMV(given in ques)

Cost of Acquisition

Net worth of Unit Transferred

Cost of Acquisition = Net worth of the Undertaking (as per Income Tax Act)

Total Value of Assets Transferred

(-) Book Value of liabilities

Net worth of Unit

Depreciable Assets = WDV

Sec 35 AD Assets = Nil

Self generated goodwill= Nil

Other Assets = Book value

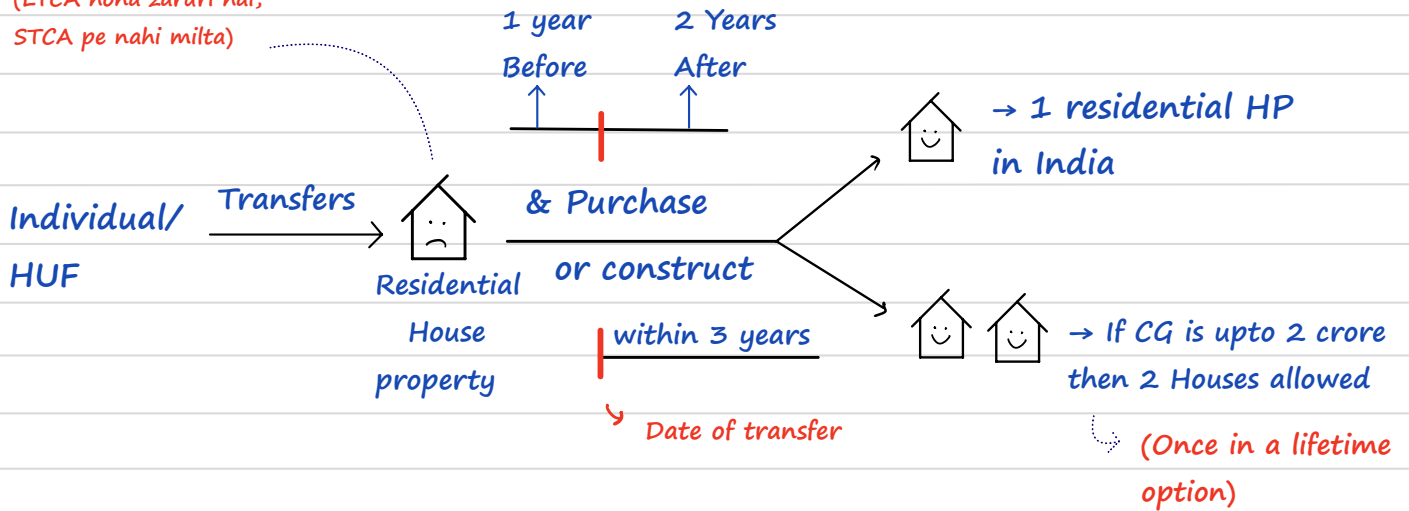
Note: For Revalued Assets, Remove the effect of Revaluation i.e. take the original value without revaluation.

→ For slump sale, the assessee must submit a CA's report by 30th September of AY, certifying accurate computation of the undertaking's net worth as per provisions.

EXEMPTIONS FROM CAPITAL GAINS

Sec 54:

(LTCA hona zaruri hai,
STCA pe nahi milta)



Exemption : Capital Gains
Amount OR Amount Invested

W.e. is lower

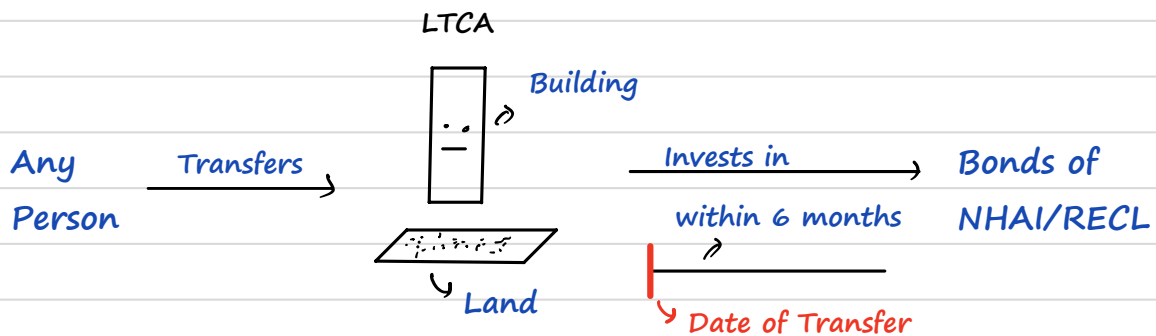
Lock in period- 3 Years

↳ If transferred within 3 years

Exemption will be withdrawn → COA of New Asset - Exemption Amount

Note: Construction Cost includes cost of land and Building

Sec 54EC



Exemption : Amt invested OR Capital Gains

w.e. is lower

MAX - 50 Lacs

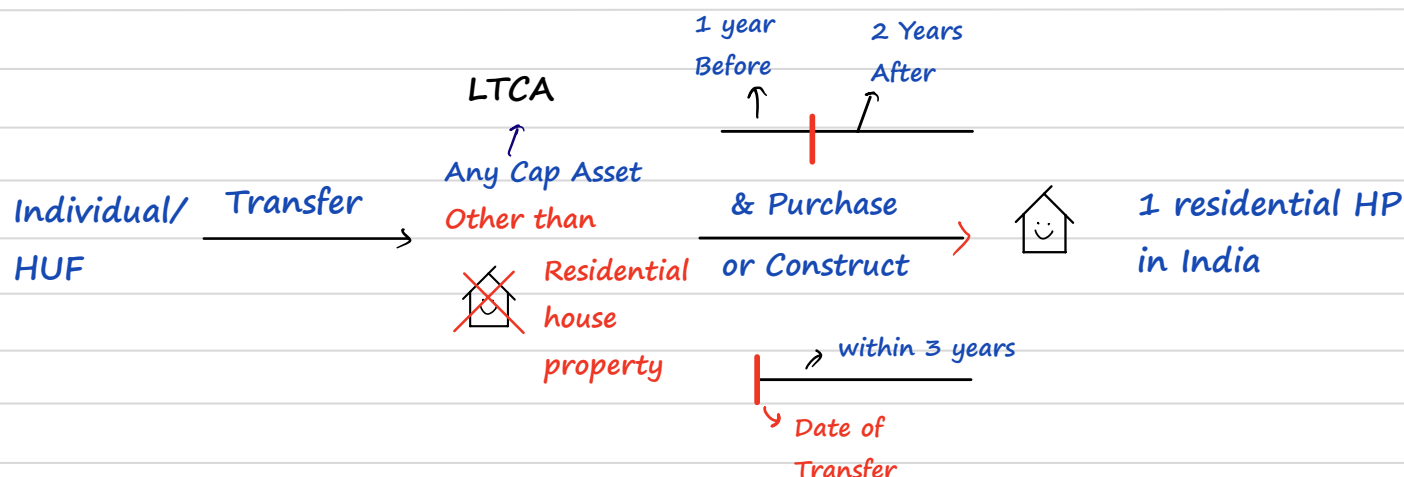
Lock in period: 5 years → If transferred within 5 years

↳ Amt Exempted earlier → will be Taxable

Note: When Cap Asset $\xrightarrow{\text{converted into}}$ Stock in Trade

Time limit of 6 months for 54EC will be considered from the date of sale of stock in Trade.

Sec 54F



Exemption: Amount $LTCG \times \frac{\text{Amount Invested}}{\text{Net Sale Consideration}}$

Lock in period. - 3 Years

↳ If transferred within 3 years

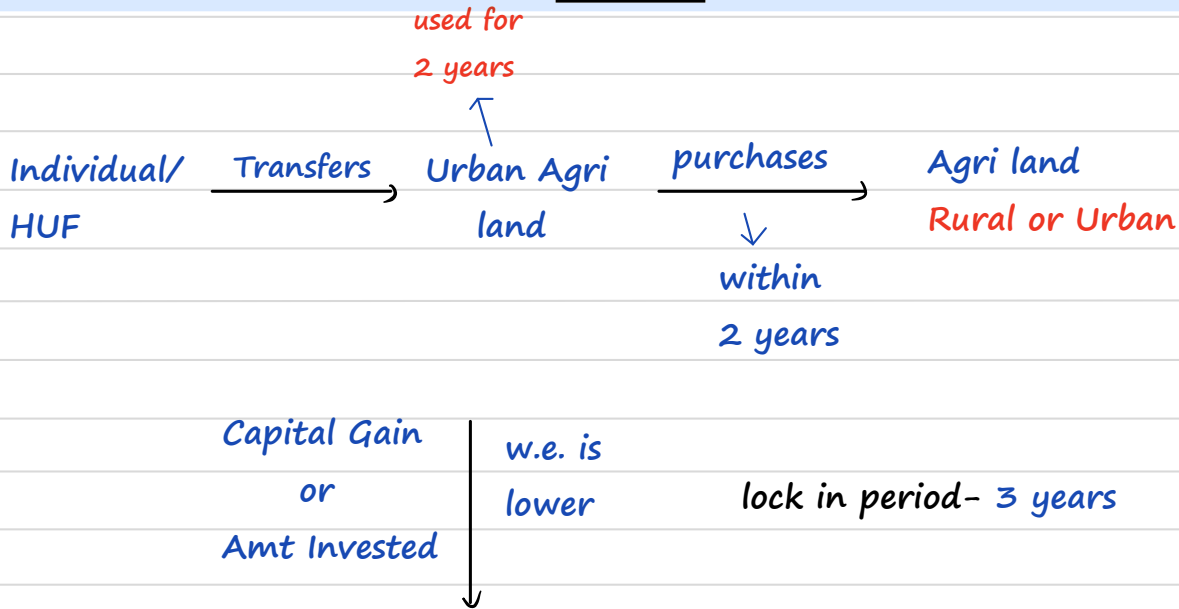
↓
Amt Exempted earlier \rightarrow will be Taxable

Note: Assessee should not own more than 1 residential property at the time of transfer

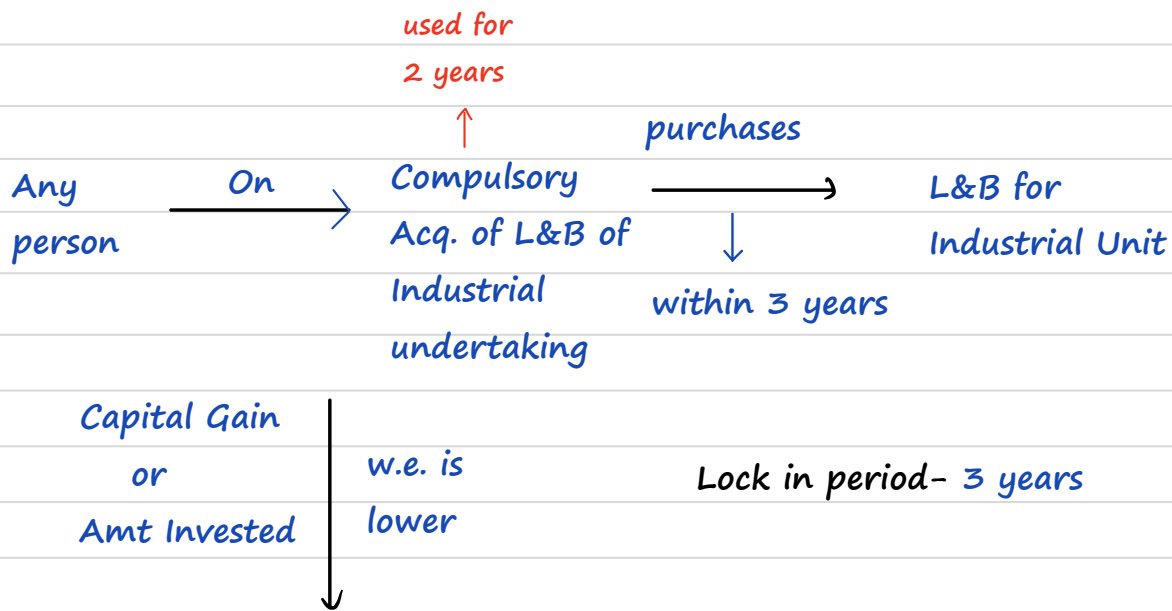
Amendment to Sec 54 & 54F:

1. New Asset to be acquired: Residential House Property
2. Amount of Exemption: If the Cost of new asset $>$ Rs. 10 Crore, such excess amount shall not be taken into account for Exemption u/s 54 & 54F. Only 10 cr will be taken.
3. Unutilised Amount deposited in CG A/c Scheme: Capital Gains / Net Consideration in excess of Rs. 10 Crore shall not be taken into account for Exemption u/s 54 & 54F.

Sec 54B



Sec 54D



CGAS: Capital Gains Account Scheme

For all the above sections except 54EC

→ If Investment is not made before due date of ROI

↓
Then amount shall be deposited in CGAS before due date of 139(1) for claiming exemption.

Section 54H - EXTENSION OF TIME FOR ACQUIRING NEW ASSET OR MAKING DEPOSIT IN CAPITAL GAIN ACCOUNT SCHEME

- In case of compulsory acquisition of original asset, time limit for acquiring new asset/ making deposit in CGAS is considered from date of receipt of compensation & not from date of transfer.
- For Determination of Year of Chargeability of Capital Gain: Whole Capital gain is taxable in the PY in which first Instalment of Compensation is received.
- But for Determining Time Limit for Acquiring the Asset, Dates of Receipt of different Instalments shall be considered.

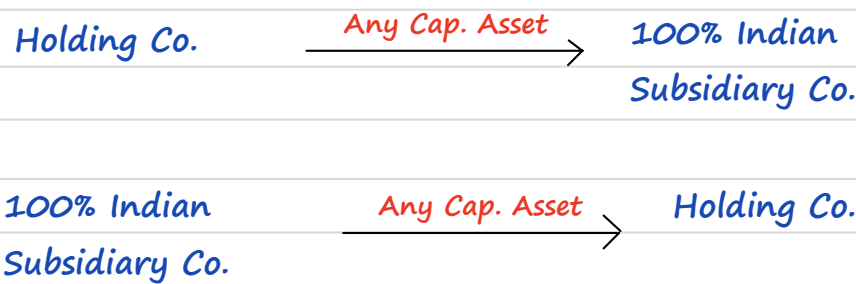
Section 10

1. Cap. Gains arising to Individual/ HUF on compulsory acquisition of urban agricultural land [10(37)]
 - Exemption is available only if compensation is received on/after 1.4.2004.
2. Capital Gain arising on Buy-back of shares (listed/unlisted) by Domestic Company [10(34A)]

Amalgamation & Demerger

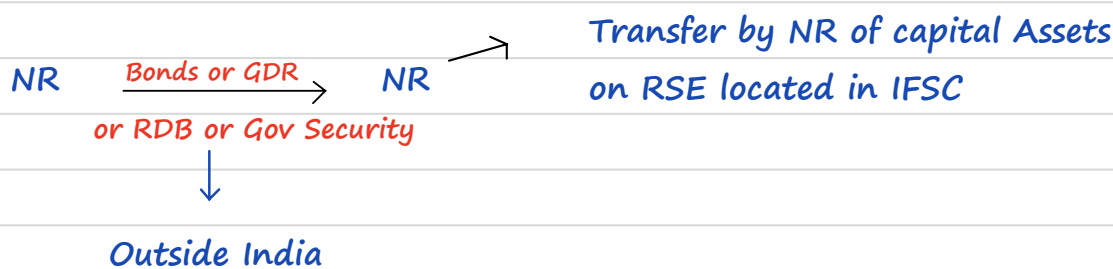


Holding & Subsidiary



Note - The above exemption shall not be applicable if the capital asset transferred is SIT

Conversion & Succession



- Redemption of Sovereign Gold Bonds by an Individual



Government $\xrightarrow{\text{work of Art, book, print}}$ National Art Museum
manuscript, drawing, painting, photo, archeological collection

CONVERSION OF:

Bonds(115AC), debentures \longrightarrow shares or debentures of that Co.
debenture stock

Preference Shares \longrightarrow Equity Share

- Any Distribution on Total or Partial Partition of HUF.
- Any Transfer by an Individual or HUF under a gift or will or irrevocable trust.
- Any Transfer of Capital Asset under Reverse Mortgage.

Any Income which is not includible under any other source of Income i.e. Salary, HP, Capital Gain or PGBP is taxable under the head Income from Other Sources.

Sec 56: Income chargeable under the head Income From Other Sources

- (i) Dividend Income (incl. Deemed Dividend)
- (ii) Royalty Income
- (iii) Interest Income
- (iv) Income on Any Investment
- (v) Gift Income

Taxable @ 30% Flat with no deduction of Expenses or Allowances

Casual Income: Winning from lotteries, crossword puzzles, races incl. horse races, card games and other games of any sort, gambling, betting except Online Games Winnings

Following Income are taxable under IFOS only if **not taxable under PGBP:**

- (i) Interest on Securities
- (ii) Letting out of Pl&M or Furniture
- (iii) Letting out of Building → which is inseparable from Pl&M or Furniture.
- (iv) Any sum received by Employer → From his Employees → As contribution to Employee Welfare fund like PF.

Basic Exemption limit not exhausted against this income.

Conditions

- (i) Casual Income
- (ii) Net Winnings From Online Games (Eg: Dream11, MPL)

- (i) Interest received on **Compulsory Acquisition Compensation.**
- (ii) **Advance Forfeited** on Transfer of Capital Asset
- (iii) Any Sum received under Keyman Insurance Policy → If not chargeable under PGBP or Salaries.
- (iv) Salary Received by **MPs/MLAs**
- (v) Compensation or any other payment received during **termination of employment** → If not taxable under salary
- (vi) Directors Sitting fees - (If Not Chargeable under Salary)
- (vii) Any sum received under Life Insurance Policy including bonus allocated [Sec 56(2)(xiii)]

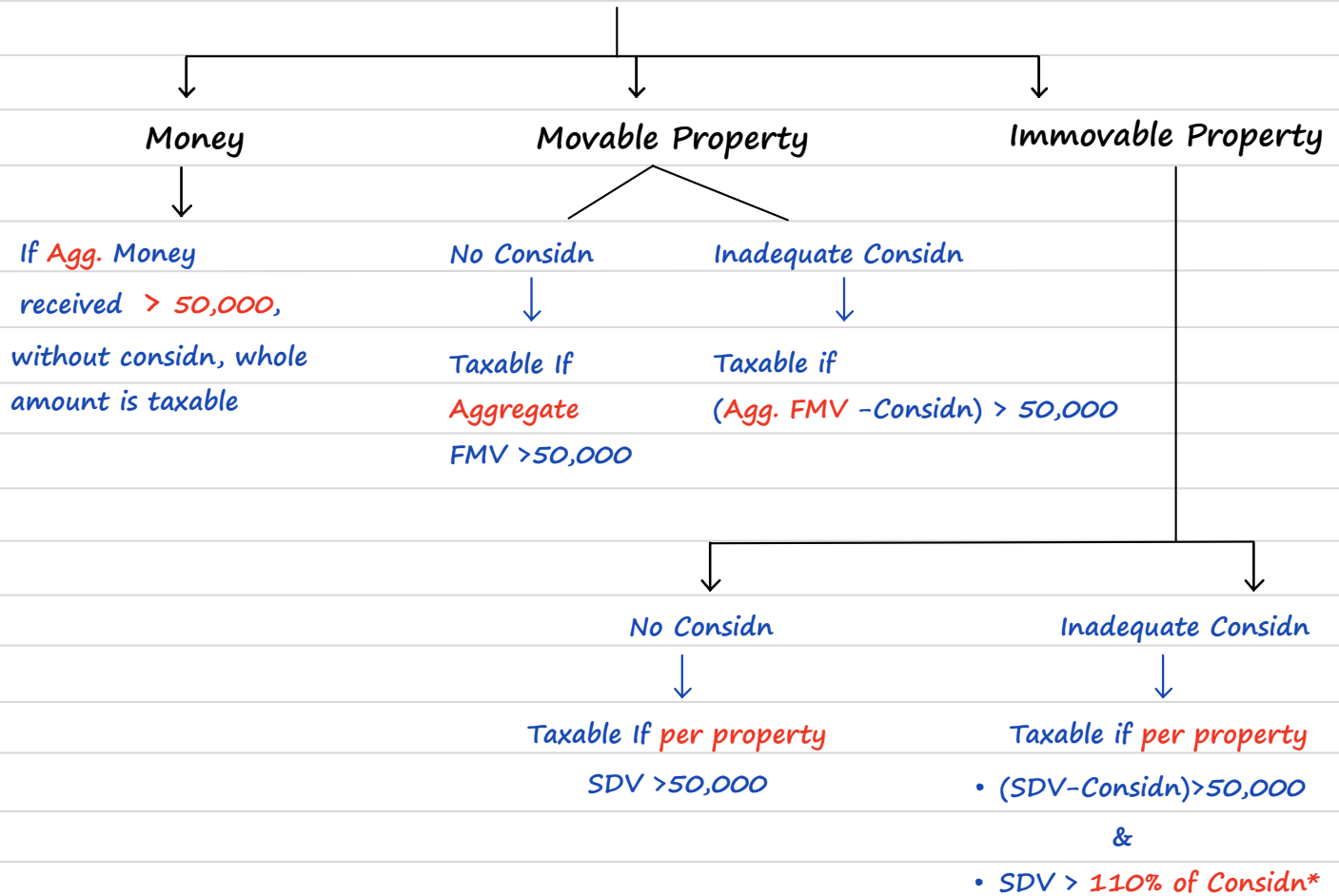
- (i) Income from Sub-letting of HP
- (ii) Agri. Income from Foreign Land
- (iii) Family pension

Subject to some conditions under both the sections

Considn = Consideration
 Agg. = Aggregate

SabkarLenge

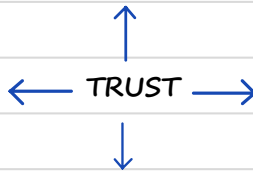
Section 56(2)(x) Taxation of Gift



Non-applicability of 56(2)(x)

Sec 56(2)(x) not applicable if sum of money or property is received from following:

- From any Relative
- In Contemplation of death of the payer
- from any local authority
- On Occasion of Marriage of Individual
- under a will or by way of inheritance
- By way of Trans. not regarded as Transfer u/s 47
- From an individual by a trust created solely for the benefit of relative of the individual
- From any University or hospital or any trust or inst. regd. u/s 10(23C)
- From or By any trust or inst. regd. u/s 12A/12AA/12AB
- From any University or hospital or any trust or inst. regd. u/s 10(23C)(iv)/(v)/(vi)/(via)



Definitions

Property

Relative

A capital asset of the assessee, namely,-

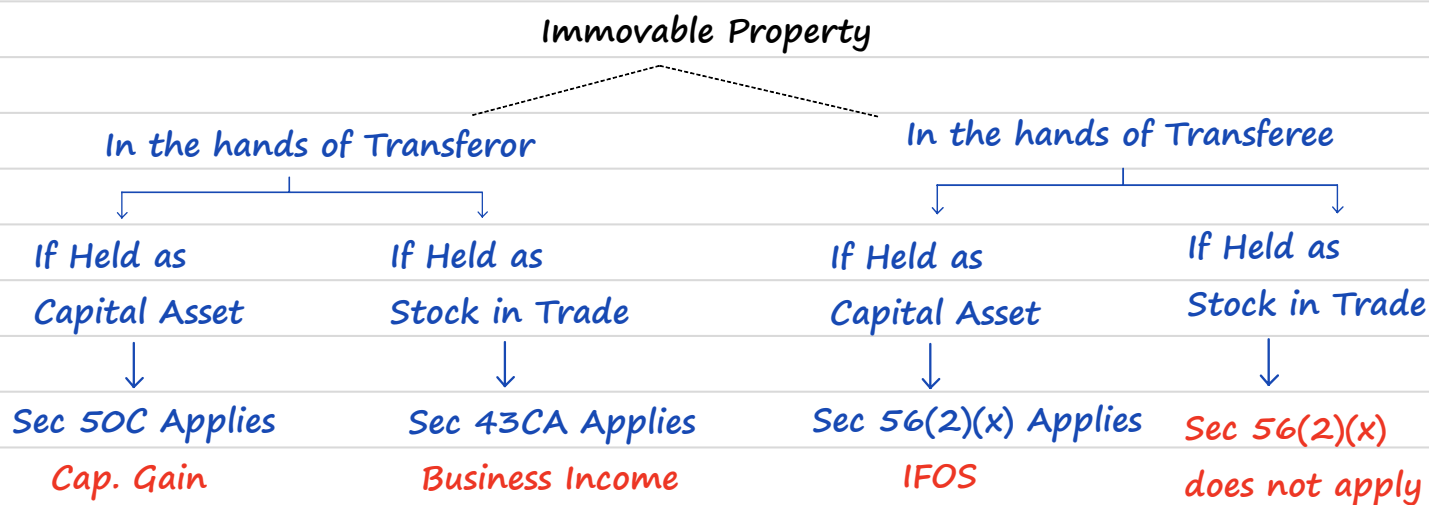
- (a) immovable property being land or building or both,
- (b) shares and securities,
- (c) jewellery,
- (d) archaeological collections,
- (e) drawings,
- (f) paintings,
- (g) sculptures,
- (h) any work of art or bullion
- (i) Virtual Digital Asset

(a) In case of an individual -

- (i) spouse of the individual;
- (ii) brother or sister of the individual
- (iii) brother or sister of the spouse of the individual;
- (iv) brother or sister of either of the parents of the individual;
- (v) any lineal ascendant or descendant of the individual;
- (vi) any lineal ascendant or descendant of the spouse of the individual;
- (vii) spouse of any of the persons referred to above.

(b) In case of HUF, any member thereof.

Space for Chart:
(Write in class)



56(2)(x) Not Applicable in Following Cases

COVID-19 Treatment Reimbursement Guidelines

Reimbursement for Treatment Expenses

If an individual receives money for expenses incurred on treatment of self or family for COVID-19, the following conditions apply:

Maintain records of:

- (a) COVID-19 positive report or medical report confirming the diagnosis.
 - (b) Docs related to medical diagnosis or treatment within 6 months from testing +ve
- Report details in Form No. 1 to the IT Department within 9 months from the end of the financial year or by 31st December 2022, whichever is later.

Reimbursement for Death Due to COVID-19

If a family member of a deceased receives money:

From employer: No limit.

From others: Up to ₹10 lakhs (aggregate).

Conditions:

- (a) Payment must be received within 12 months of death.
- (b) Death must occur within 6 months of testing positive for COVID-19.

Maintain records of:

- COVID-19 positive report or medical confirmation.
- Medical report or death certificate confirming COVID-19 as the cause of death.

Report details in Form A to the Assessing Officer within 9 months from the end of the financial year or by 31st December 2022, whichever is later.

Note:

Meaning of "Family" -

Family, in relation to an individual,

- (i) the spouse and children of the individual; and
- (ii) the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

Life Insurance Policy

Maturity of Life Insurance Policy is Exempt in following cases u/s 10(10D):

For policy issued ::

Before 31.3.12: If premium paid for a year is upto 20% of sum Assured

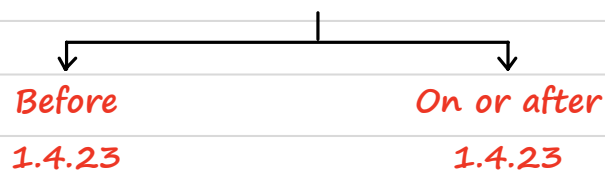
1.4.12-31.3.13: If premium paid for a year is upto 10% of sum Assured

From 1.4.13: Normal - If premium paid for a year is upto 10% of sum Assured

Divyang - If premium paid for a year is upto 15% of sum Assured

Any sum received under Life Insurance Policy including bonus allocated [Sec 56(2)(xiii)]

↳ Other than ULIPs



Conditions to check for Exemption:	Premium → upto 10% / 15%/20% of sum assured	Premium → upto 5,00,000 & Premium → upto 10%/15% of sum assured
------------------------------------	---	---

In Case of Single LIP issued on or after 1.4.23:

If Premium Paid on such policy is upto 5,00,000, then the maturity is exempt u/s 10(10D).

If Premium Paid on such policy is > 5,00,000, then the maturity is taxable.

In Case if Multiple LIPs issued on or after 1.4.23:

The LIPs in respect of which aggregate Premium is upto 5,00,000, those LIPs' Maturity will be exempt u/s 10(10D).

Other LIPs maturity will be taxable.

only that premium will be deducted which is not allowed u/s 80C

(A-B) = Maturity Amt (-) Premium paid till Now

(C-D) = Maturity Amt recd. later (-) Premium paid in that period

(A-B) & (C-D) is taxable under IFOS.

Note:

Any Amt Recd. under term Insurance Policy, i.e. On death of Insured is Exempt.

Premium Amt to be checked will be Amt excluding GST

SEC 57 - DEDUCTIONS ALLOWABLE FROM IFOS INCOME

(1) Dividend or Income on units of a mutual fund u/s 10(23D) : (Except Deemed Dividend on account of Buy Back of Shares)	Actual Interest Exp. or 20% of Dividend w.e. is lower
(2) Interest on securities:	Commission or remuneration paid to a banker or any other person for realising such interest.
(3) Employees Contribution to any provident fund etc. (If It becomes Income)	Contribution remitted before due date of that Act will be allowed as deduction.
(4) Income from letting out of PL&M and furniture, with or without building:	Deductions allowed: <ul style="list-style-type: none"> • Current Repairs of PL&M and furniture. • Insurance premium paid for PL&M and furniture • Normal depreciation on PL&M and furniture, due thereon.
(5) Family Pension:	1/3rd of such income or 15000/25000 w.e. is lower <div style="display: flex; justify-content: space-around; margin-top: 10px;"> (Old Regime) (115BAC) </div>
(6) Income by way of interest on compensation/ enhanced compensation	Deduction of 50% of such income only.
(7) General Deduction	Any other Revenue Expenses incurred wholly and exclusively for the purpose of making or earning such income.

Note: No Deduction allowed from Deemed Dividend arising on Buy Back of Share.

Sec 58 - Deductions not allowed from IFOS Income

- (i) Any **personal expense** of the assessee;
- (ii) Any **interest** chargeable to tax under the Act which is payable outside India on which **TDS has not been paid/deducted**.
- (iii) Any payment taxable in India as **salaries**, if it is payable outside India on which **TDS has not been paid/deducted**.
- (iv) Any **Expense > 10,000** by Cash, Bearer or Crossed Cheque[40A(3)]
- (v) **30% of Expense** on which TDS not deducted/paid[40(a)(ia)]
- (vi) No deduction against **Casual Income/Winnings From Online Games**
→ If a person owns racehorses, they can claim expenses for owning and maintaining the horses, even if they don't earn any stake money. The loss from this activity can also be carried forward to future years, as allowed under Section 74A.

SEC 59 - DEEMED INCOME CHARGEABLE TO TAX

If you claimed a deduction for any expense, loss, or liability in an earlier year and later **recover that amount** or get any benefit from it, **the recovered amount** or benefit will be treated as **income** in the year you receive it. [Just Like Sec 41(1)]

SALARY CALCULATION FORMAT

Particulars	Amt(Rs.)
Basic Salary	xxx
(+) Dearness Allowance (Terms + Not in Terms)	xxx
(+) Advance Salary, Arrears of Salary, Bonus etc.	xxx
(+) Other Allowances	xxx
(+) Perquisites	xxx
(+) Gratuity	xxx
(+) Pension	xxx
(+) Provident Fund	xxx
(+) Leave Salary	xxx
(+) Voluntary Retirement Compensation	xxx
(+) Retrenchment Compensation	xxx
GROSS SALARY	xxx
Less: Deductions u/s 16:	
(-) Standard deduction [50,000/75000]	xxx
(-) Entertainment Allowance <small>(115BAC)</small>	xxx
(-) Profession Tax	xxx
INCOME UNDER THE HEAD "SALARIES"	xxx

Section 15- Charging Section

- Salary is chargeable to Tax on **Due** or **Receipt** Basis whichever is earlier
- Salary recd in **Advance** is assessed in year of receipt and hence shall not be doubly taxed in any subsequent year when it becomes due
- Salary in **Arrears** → Taxed on Due Basis if Possible.

If Not Possible to tax on Due Basis, Then Taxable on Receipt Basis

Advance Salary	Advance against Salary	Arrears of Salary
• Taxable when received	• Advance taken against salary is not salary	If Possible - Due Basis
• Relief u/s 89 is applicable	• It can be adjusted with the salary over a period of time	If Not Possible - Receipt Basis.
	• It cannot, however, be taxed as salary	When its not Possible - When Arrears Salary is received retrospectively in future years

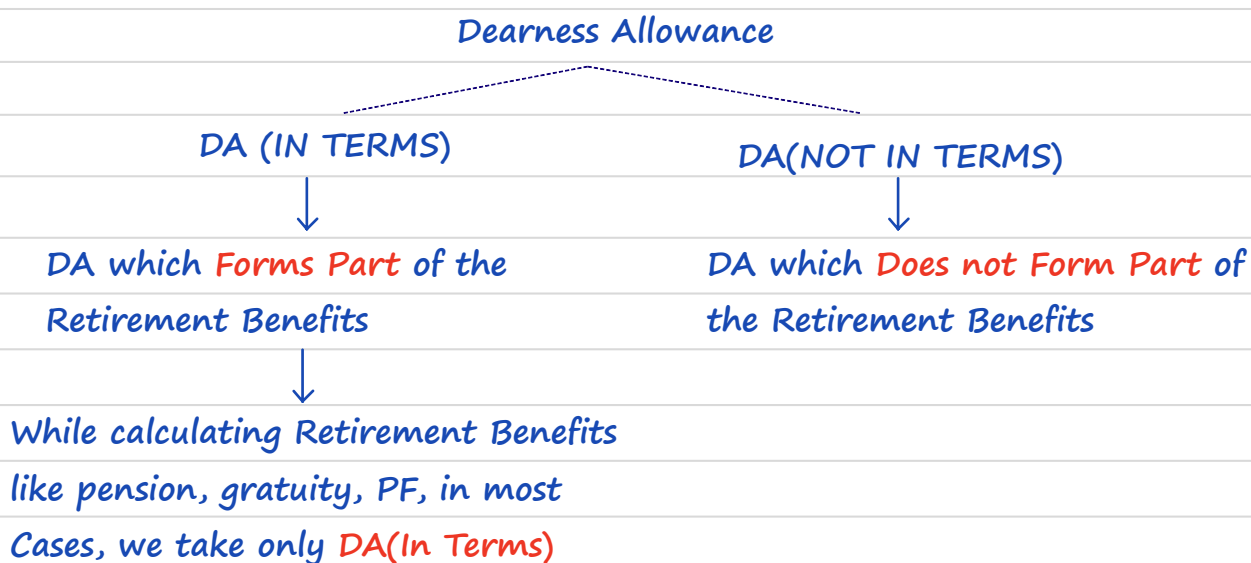
Now we will study all the additions made while calculating salary given in above Format One by One in Detail:

(1) Basic Salary

- Basic Salary is always Taxable on **Gross Basis**.
- It will always be given in Question. Always Check number of Months for which Salary is received while solving Question.

(2) Dearness Allowance

- Dearness Allowance (DA) is a cost of living adjustment paid to employees → to offset the impact of **inflation**.
- Dearness Allowance is Always **Fully Taxable**.
- Dearness Allowance can be of Two Types:



Space For Notes:

(3) Allowances

Exempt Allowances

↓
Amount Spent
= Amount Exempt

1. Conveyance Allowance
2. Travelling Allowance
3. (Travel on Tour Allowance)
4. Daily Allowance
5. Uniform Allowance
6. Helper Allowance
7. Research Allowance

↓
Office me Kaam
Karne ka kharcha

Taxable Amt=

Amt Received - Amt Spent
(Exempt)

(Jitna Spend Kiya,
Utna Exempt Hoga)

Partly Exempt
Partly Taxable

- 1) Children Education Allowance
(Max 100 p.m. per child for 2 Child)
- 2) Children Hostel Allowance
(Max 300 p.m. per child for 2 Child)
- 3) Tribal Area Allowance
(Max 200 p.m.)
- 4) Transport / Commutation Allowance
(Max 3200 p.m.) - Handicapped Employee
- 5) Underground Allowance.
(Max 800 pm)
- 6) Allowance for Transport Employees
70% of Amt received
or 10,000 p.m.
w.e. is lower

7) House Rent Allowance

- i) 50%/40%* of Salary*
 - ii) Actual Amt received
 - iii) Rent paid - 10% of Salary*
- w.e. is lower

*50%- Mumbai, Delhi, Chennai, Kolkata
40%- All Other Cities

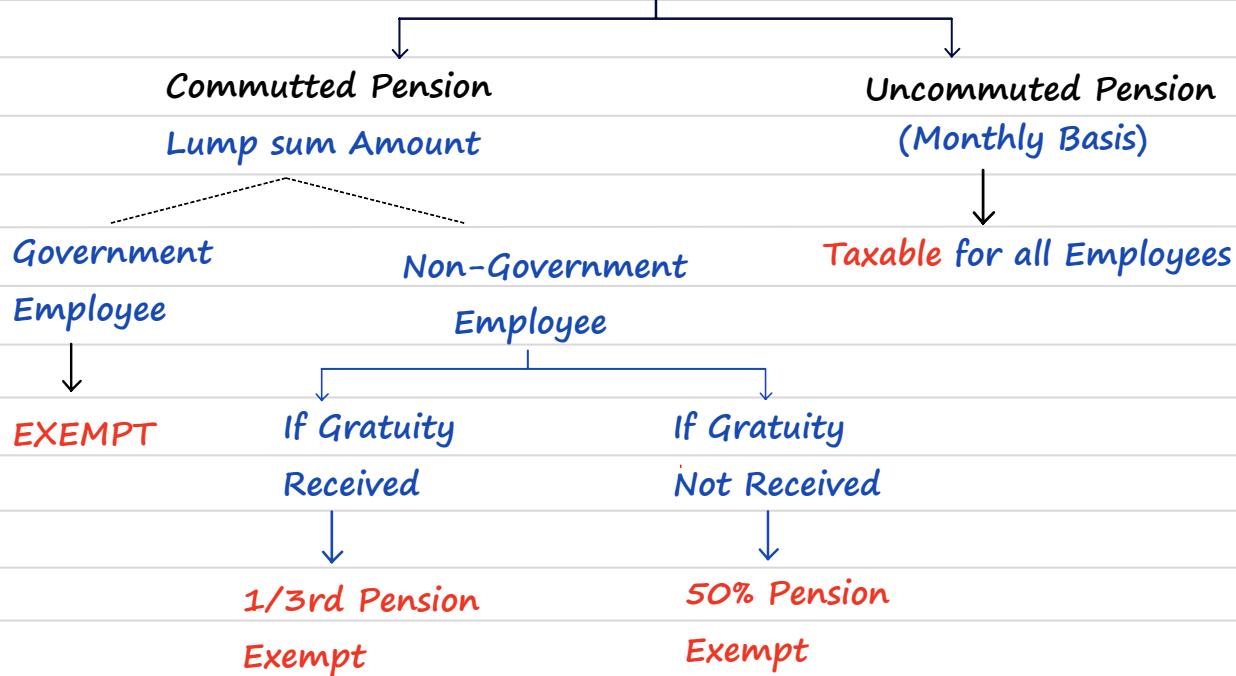
Salary = Basic + DA (in terms) + T/O commission

BDA TC

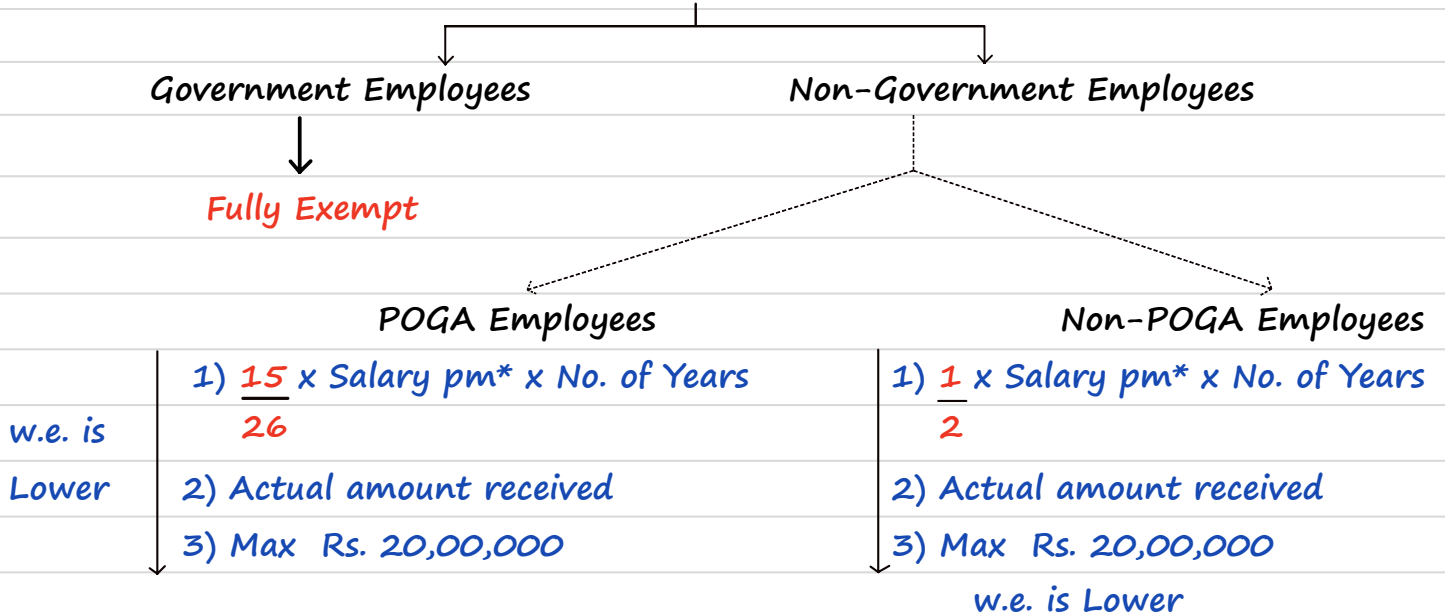
All Other Allowances

↓
All Other Allowances are Taxable.

(4) Pension



(5) Gratuity



Notes:

Salary* = Last Drawn Salary

Salary = Basic + DA (terms & not in terms both)

Salary = Average of last 10 months Salary

Salary = Basic + DA (in terms) + T/O commission

BDA TC

No. of Years of Service=

Fraction should be rounded off

If more than 6 months - Upper round off

If 6 months or less - lower round off

Eg: 20 yrs 9m = 21 year

20 yrs 3m = 20 years

20 yrs 6m = 20 years

No. of Years of Service=

Fraction should always be lower rounded off

↳ i.e. fraction has to be ignored.

Eg: 20 yrs 9m = 20 years

(6) Entertainment allowance

only allowed to Govt. Employees

First include in salary

Then deduction:

1) $\frac{1}{5} \times$ Basic Salary

2) Actual Amt Received

3) Rs. 5000

w.e. is lower

(7) Provident Fund

Government Job

Private Job

Statutory Provident Fund (SPF)

Maintains PF

Does not Maintain PF

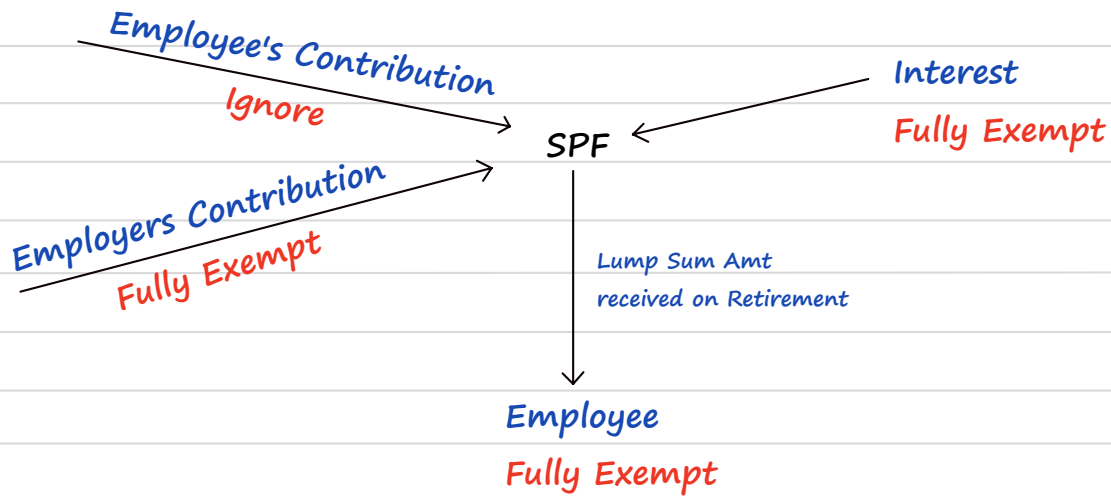
RPF

Recognised provident Fund

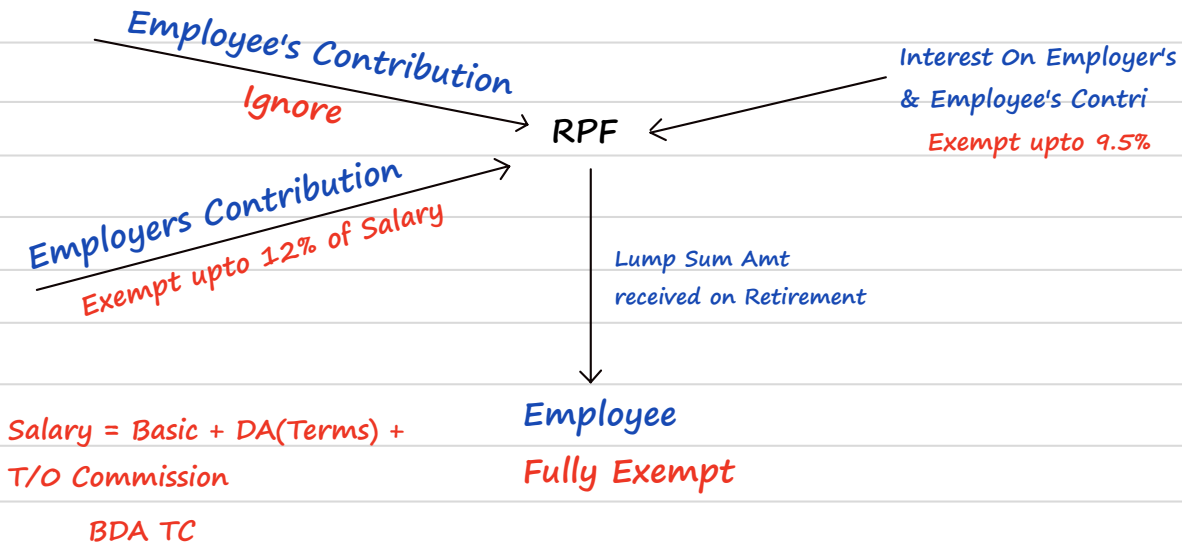
URPF

Unrecognised provident Fund

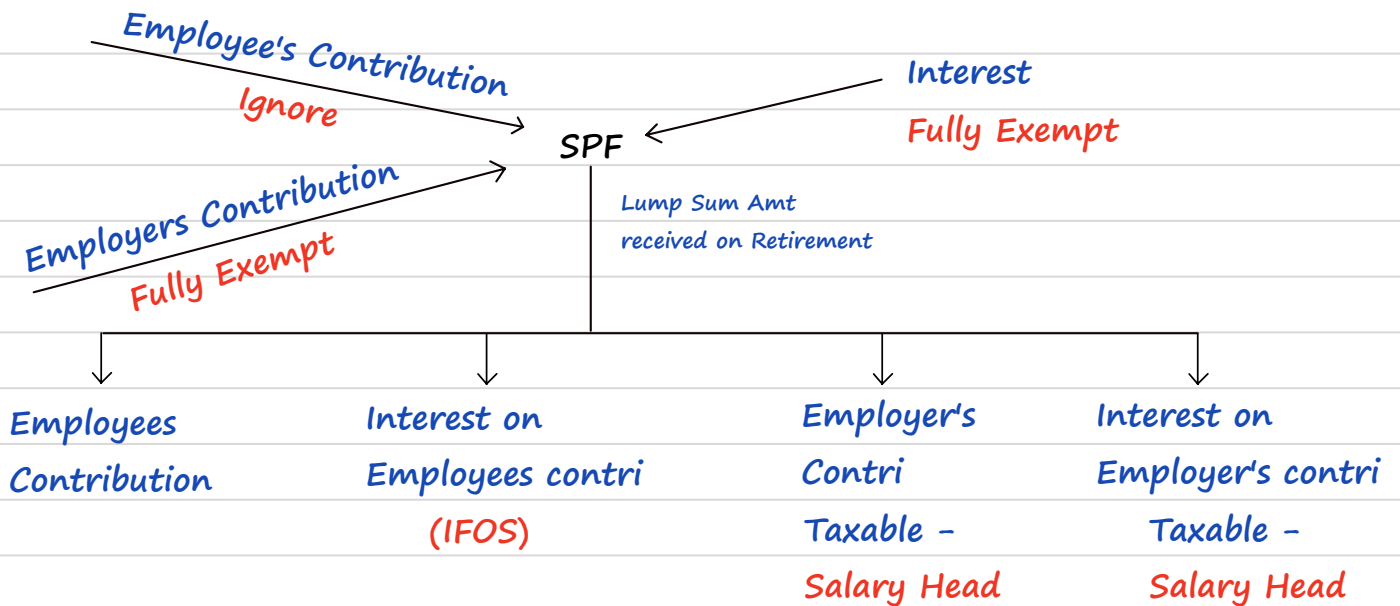
Statutory Provident fund



Recognized Provident fund



Unrecognized Provident fund



(8) Voluntary Retirement Compensation

It is exempt u/s 10(10C) if the voluntary retirement scheme is as per the guidelines. (Rule 2BA)

→ Amount of Exemption:

- i) Salary p.m. x 3 months x No. of years of Service Completed
 - ii) Salary p.m. x No. of months of service remaining.
 - iii) Actual Amount Received
 - iv) Rs. 5,00,000
- w.e. is Lower

$$\text{Salary} = \text{Basic} + \text{DA(Terms)} + \text{T/O Commission}$$

BDA TC

(9) Leave salary

Encashed during the service

Fully Taxable

Encashed on Retirement

Exempt u/s 10(10AA)

Govt Employees

Fully Exempt

Other Employees

Exempt upto

Leave credit =	
Leaves allowed as per Govt. rules (Max 30 days x No. of yrs of service ignoring Fraction)	xxx
Less: Leaves Taken	xxx
Leave Credit	xxx

- i) Leave credit x Avg. Salary p.m.
 - ii) 10 months x Avg. Salary p.m.
 - iii) Actual Amount Received
 - iv) Rs. 25,00,000
- w.e. is lower

$$\text{Average Salary p.m.} = \text{Avg. Basic p.m.} + \text{Avg. DA (in terms)} + \text{Avg T/O Commission p.m.}$$

Average = Avg. of last 10 months upto the date of retirement

Note: In Case of Gratuity, Month of retirement should be ignored while selecting 10 months.

(10) Retrenchment Compensation

Exempt u/s 10(10C)

Amount of Exemption:

- i) Amt. calculated as per Industrial Disputes Act(given in Ques)
 - ii) Actual Amt. Received
 - iii) **Rs. 5,00,000**
- w.e. is Lower

(11) PERQUISITES

Perquisites are **additional benefits** over and above the monthly salary. Here the employer provides money or facility for personal Expenses of Employees

If Employer provides **money** → Monetary perquisites

If Employer provides **benefits** → Non-monetary perquisites.

Allowances

Allowances are fixed amount which is part of monthly salary received on Monthly Basis (whether the Expense is incurred or not)

Example:

Medical Allowance

Perquisites

Perquisites are provided over and above monthly salary (When the Expenses are actually incurred)

Example:

Medical bills paid/reimbursed by Employer (monetary)
Free medical facility (non- monetary)

List of Perquisites:

- | | |
|-------------------------|-----------------------------|
| Medical Facilities | Gift From Employer |
| Leave Travel Concession | House |
| Lunch Facility | Transfer of Movable Assets. |
| Interest Benefit | Car Facility |
| Education Facility | Use of Movable Assets |
| ESOPS | |

→ Medical Facility

In India

Outside India

GRE-C Hospital

Otherwise

Treatment

Stay

Travel

Fully Exempt

Taxable

Exempt

Exempt

Exempt

G- Govt. Hospital

R- Recognized Hospital

E- Employer's Own Hospital

C- For Covid-19

(upto RBI
limit)

(upto RBI
limit)

Patient +
1 Attendent

Patient +
1 Attendent

Note: Medical Insurance Premium paid or
reimbursed by employer is Fully Exempt

Only if GTI is
upto Rs. 2 Lacs

Exempt only if:

Patient = Employee/ Spouse /Children/
Parents /Brother/ Sister

Dependent

→ Lunch Facility

In office or
paid vouchers

Otherwise

Fully Taxable

Exempt upto
Rs. 50 per meal

(Only if opted
out of 115BAC)

Free Refreshment - Fully Exempt

→ Gift From Employer

Gift in kind or Gift voucher is Exempt upto Rs. 5000

Cash Gift is fully Taxable

→ Education Facility

For Employee
Fully Exempt

For Children
Exempt upto
Rs. 1000 pm per child

For Other
Family Members
↓
Fully Taxable

If it is in Employer's own school
or other school where Employer
has tie up.

→ Interest Benefit

Loan upto Rs. 20,000
Interest Benefit
is fully Exempt

Loan > Rs. 20,000
Interest Benefit
is fully Taxable

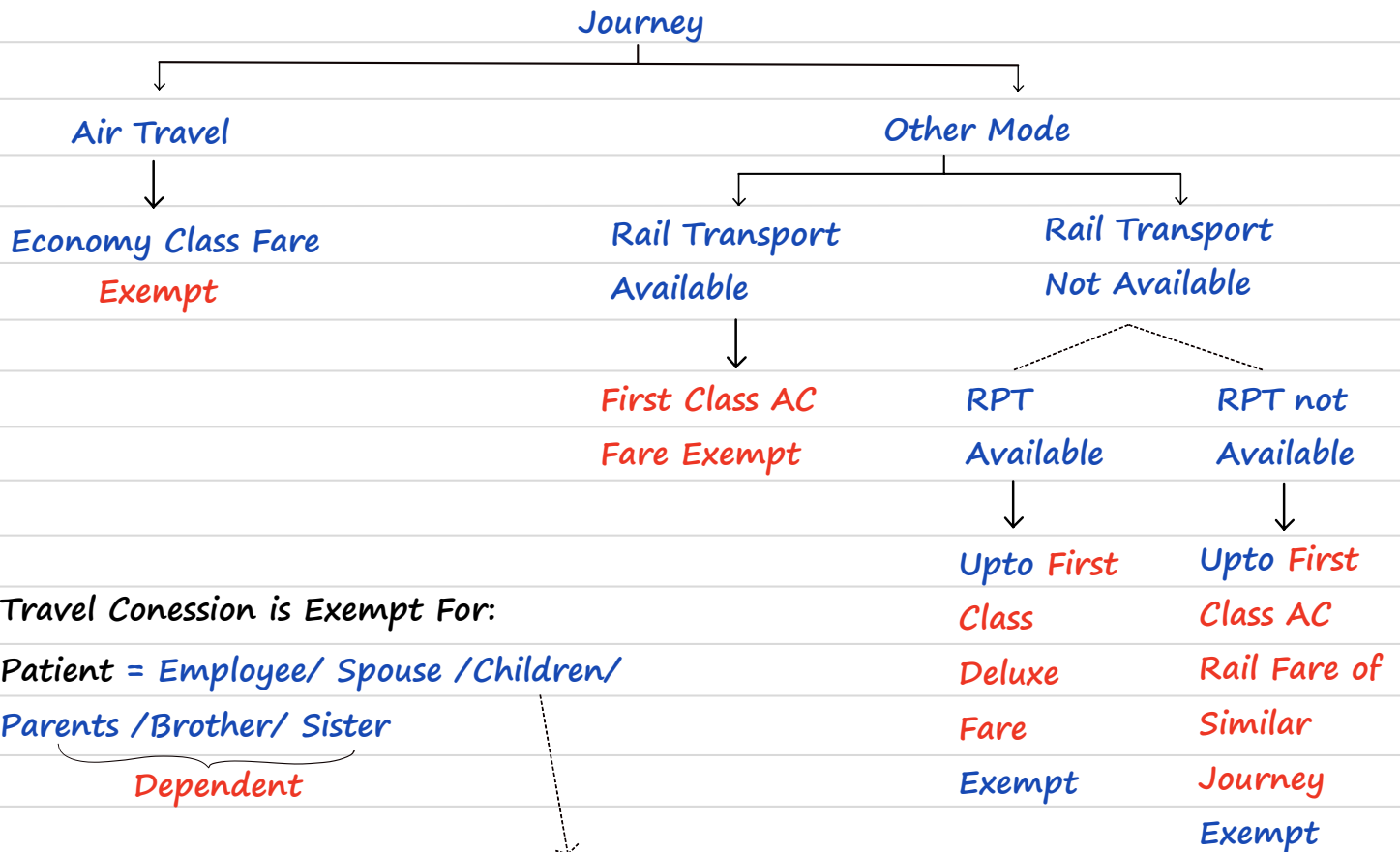
$$\text{Taxable Amount} = \text{Loan Amt.} \times (\text{SBI Rate} - \text{Actual Rate})$$

Note: Interest Benefit is Fully Exempt if loan is for treatment of specified Disease.
(even if loan > Rs. 20,000)

→ Employee Stock Option Plan [ESOPs]

Taxable Amount = FMV on the date of exercising the Option - Issue Price

→ Leave Travel Concession



Travel Concession is Exempt For:

Patient = Employee/ Spouse /Children/
 Parents /Brother/ Sister
 Dependent

Max 2 children, if the children are born on or after 1/10/1998

↳ No Limit if children are born before that

→ Use of Movable Assets

Computer/Laptop
 Fully Exempt

Other Assets
 Taxable Amt=
 10% p.a. of Cost
 [If Asset Owned by Employer]
 OR
 Hire Charges paid by Employer
 [If Asset is Hired by Employer]

→ Motor Car Facility

1. Car is Owned/Hired by Employer:

Use	Up to 1.6L engine	Above 1.6L engine
Wholly Official	Not a perquisite, if all the prescribed documents are maintained	
Wholly Personal	Actual expenses incurred by employer including a chauffeur	
Aadha - Aadha & expenses met by employer	₹1,800 + ₹900 (if chauffeur) per month	₹2,400 + ₹900 (if chauffeur) per month
Aadha - Aadha & expenses met by employee	₹600 + ₹900 (if chauffeur) per month	₹900 + ₹900 (if chauffeur) per month

2. Car Owned by Employee, but Expenses Reimbursed by Employer:

Use	Up to 1.6L engine	Above 1.6L engine
Wholly Official	Not a perquisite, if all the prescribed documents are maintained	
Aadha - Aadha	Amt Received from Employer (-) ₹1,800 + ₹900 (if chauffeur) per month	Amt Received from Employer (-) ₹2,400 + ₹900 (if chauffeur) per month

3. Any Other Automotive Conveyance Owned by Employee:

Use	Up to 1.6L engine	Above 1.6L engine
Wholly Official	Not a perquisite, if all the prescribed documents are maintained	Not Applicable
Aadha - Aadha	Employer expense (-) ₹900	Not Applicable

Important Notes:

- >1 cars provided, one is treated partly official/personal; others - fully personal.
- For Full exemption, maintain journey records and employer's certificate of official use.
- Normal wear & tear = 10% p.a. of car cost if valuation is based on actual usage.

→ Transfer of Movable Assets

Computer/Laptop	Car	Other Assets
Taxable Amt.= WDV- Selling Price	Taxable Amt.= WDV- Selling Price	Taxable Amt.= WDV- Selling Price
↓	↓	↓
Cost (-) Depreciation @50% [WDV Method]	Cost (-) Depreciation @20% [WDV Method]	Cost (-) Depreciation @10% [WDV Method]

Note: Depreciation should be calculated for **Completed Years** from the date of Purchase till the date of Transfer to Employee. **[Part of the Year - Ignored]**

→ Rent Free Accommodation

Sr. No	Circumstance	Unfurnished Accommodation	Furnished Accommodation
(1)	Provided by CG/ SG [Govt. Employees]	Rent as per Govt rules (-) Rent paid by Employee	Add: 10% p.a. of cost of furniture (if owned) or actual hire charges (if rented) (-) Amt Recovered
(2)	By Other Employer - Owned by Employer	Based on population of city: • 10% of salary (Popn > 40L) • 7.5% (15-40 L) • 5% (others) (-) Rent paid by employee	Add: 10% p.a. of cost of furniture (if owned) or actual hire charges (if rented) (-) Amt Recovered
(3)	By Other Employer - Taken on Rent/ Lease by Employer	Lower of: • Lease rent paid by employer • 10% of salary (-) Rent paid by employee	Add: 10% p.a. of cost of furniture (if owned) or actual hire charges (if rented) (-) Amt Recovered

(4) Hotel Accommodation (Max 15 days)	Lower of: <ul style="list-style-type: none"> • 24% of salary, or • Actual hotel charges (-) Rent paid by employee 	No separate addition. hotel accommodation already includes furnishing
---------------------------------------	--	---

Note

1. Transfer Case (2 houses occupied):

- No perquisite for first 15 days of both accommodations.
- For next 90 days, lower of the two perquisite values is taxable.

2. Govt Deputation Housing:

If accommodation is allotted by Govt during deputation, value is calculated as if employer owns it (apply 2(a)).

3. Salary for RFA includes: Basic + Bonus + Commission + Taxable Allowances + DA (only if part of retirement benefits)

Excludes: Employer PF, Gratuity, Exempt Allowances, Perquisites under 17(2), VRS, Leave encashment, etc.

Only **Current Year's Salary** is considered. i.e. ignore arrears of Salary, Advance Salary and Past Bonus

4. Same Accommodation in Future Years: If in Subsequent Years, Salary of the Employee has **increased** but **Rent and Accomodation is same**, then the Value of Perquisite is calculated as follows:

- Value as computed above or
- Indexed Value of the House

$$\text{Indexed Value of House} = \text{Perquisite Value of the House for the Years when house was first allotted to the employee} \times \frac{\text{CII (PY 24-25)}}{\text{CII (Year When House was First allotted to Employee)}}$$

→ Annual Accretion on Excess Contribution [Section 17(2)(viiia)]

Taxable = Annual interest/dividend/accretion on the excess employer contribution (above ₹7.5L). The Formula for the computation shall be as follows :

$$TP = (PC/2 \times R) + (PC1 + TP1) \times R$$

Where:

- **TP** = Taxable perquisite under section 17(2)(viiia) for the current P.Y.
- **PC** = Amount or aggregate of amounts of employer's contribution in excess of Rs. 7.5 lakh to recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund **during the P.Y.**
- **PC1** = Amount or aggregate of amounts of employer's contribution in excess of Rs. 7.5 lakh to recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund for the **previous year** or years commencing on or after 1st April, 2020 other than the current P.Y.
- **TP1** = Aggregate of taxable perquisite under section 17(2)(viiia) for PY or years commencing on or after 1st April, 2020 other than the current P.Y.
- **R** = $I / Favg$
- **I** = Amount or aggregate of amounts of income accrued during the current P.Y. in recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund
- **Favg** = (Amount or aggregate of amounts of balance to the credit of recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund on first day of the current P.Y. + Amount or aggregate of amounts of balance to the credit of recognized provident fund, national pension scheme u/s 80CCD and approved superannuation fund on last day of the current P.Y.)/2

Note

Where Amt or aggregate of TP1 and PC1 > Amt or aggregate of credit balance of the specified fund or scheme on the first day of current PY, then, **Excess** shall be **ignored** for computing TP1 and PC1.

Section 10(13) - Exemption for Payment from Superannuation Fund

The following payments from an approved superannuation fund are **fully exempt** :

1. On death of the employee/beneficiary - **fully exempt**.
2. Commuted annuity or retirement benefit - **exempt** if received on:
 - Retirement at or after a specified age, or
 - Incapacity before retirement.
3. Refund of contribution - **exempt if paid on death** of the beneficiary.
4. On leaving service (not due to retirement) - exemption only to the **extent of Contributions made before 1-4-1962** and interest thereon.
5. Transferred to NPS (u/s 80CCD) - **exempt if transferred to a notified pension scheme**.

PERQUISITE TAX FREE IN CASE OF ALL EMPLOYEES

The following perquisites are exempt from tax in the hands of all employees.

(1)	Telephone	Telephone at residence provided by employer is fully exempt.
(2)	Transport Facility	Free/concessional transport by employer (airline/railways) for goods/passengers is exempt.
(3)	Perquisites o/s India	Exempt if provided by Government to Indian citizens for services rendered outside India.
(4)	Staff group insurance	Employer's contri to group insurance scheme is exempt.
(5)	Personal Accident Policy Premium	Premium paid by employer on employee's personal accident policy is exempt.
(6)	Refreshment	Provided during working hours in office premises is exempt.
(7)	Subsidized Lunch	Up to Rs. 50 per meal during office hours is exempt (only if opted out of default regime u/s 115BAC(1A)).

(8)	Recreational Facilities	Club and similar facilities are exempt if extended to all employees (not selective).
(9)	Training Expenses	Expenses on employee training (boarding, lodging) are exempt.
(10)	RPF/Superannuation Fund Contributions	Exempt up to prescribed limits under relevant Acts.
(11)	Leave Travel Concession *	Exempt if employee opts out of default regime u/s 115BAC(1A) and meets Sec. 10 conditions.
(12)	Medical Facilities	Exempt subject to prescribed limits (refer Sec. 17(2)).
(13)	Rent-free official residence	Provided to High Court Judges or Supreme Court Judges is exempt, if they also opt out of the default regime under 115BAC(1A).
(14)	Conveyance facility	

Valuation of specified security, not being an equity share in a company for the purpose of section 17(2)(vi)

Case	Valuation	Note
Specified securities (not equity shares)	Value determined by Merchant Banker	On date of exercise OR any date \leq 180 days before
Specified Date for valuation	(i) Date of exercise, OR (ii) Any date \leq 180 days earlier	Must be chosen by employer
Perquisite Value	= FMV (-) Amount recovered from employee	Taxable as perquisite under Sec. 17(2)(vi)
Year of Taxability		
(A) Normal	In the year of exercise of option	
(B) Startups	Tax deferred to earlier of: 1. 48 months from end of relevant A.Y. 2. Year of sale 3. Year of job exit	Start-up must be covered u/s 80-IAC

Valuation of specified security or sweat equity share for the purpose of section 17(2)(vi)

Case	Valuation	Note
Listed on RSE	Average of Opening Price + Closing Price on date of exercise	Take from exchange with highest trading volume
No trading on date of exercise	Closing Price on nearest earlier date	From exchange with highest volume, if listed on multiple exchanges
Not listed on any stock exchange	Value determined by Merchant Banker	On date of exercise or a date \leq 180 days before
Perquisite Value	= FMV – Amount paid or recovered from employee	Taxable in year of exercise of option
Capital Gains Cost of Acquisition	FMV considered for perquisite under Sec. 17(2)(vi)	As per Sec. 49(2AA)
Eligible Start-up (Sec. 80-IAC)	Tax deferred to earlier of: 1. 48 months from end of relevant A.Y. 2. Year of sale 3. Year of job exit	

Deductions From Gross Salary

1) Entertainment Allowance

Govt. Employees
First **Include in Salary**
Then **Allow Deduction:**

Other Employees
No Deduction.
Will Only Include in Salary

- ↓
- i) $1/5 \times \text{Basic Salary}$
 - ii) Actual Amt. Received
 - iii) Rs. 5000
- w.e. is Lower

(Only if It Opts Out of Default Tax Regime)

2) Standard Deduction

Only Standard Deduction is allowed from Salary.
No Other Expenses are allowed.
Amount of Standard Deduction

Default Regime u/s 115BAC
Rs. 75000

Optional Regime
Rs. 50,000

3) Professional Tax

If Paid by Employee : Allowed as Deduction From Salary
If Paid by Employer: First Include in Income then
Allowed as Deduction From Salary

} Deduction only allowed
if Assessee has **Opted out**
of **Default Tax Regime**

Space For Notes

Lined writing area with a dashed border on the right side.

Section 190 - Deduction of Tax at Source and Advance Payment

Income of a previous year is taxed in the next (assessment) year. But the government collects tax during the previous year itself through:

1. TDS
2. TCS
3. Advance tax

These taxes paid are deductible from total tax due, further while filing the return, the assessee must pay self-assessment tax (u/s 140A) if tax is still due after adjusting TDS, TCS, tax reliefs, credits, etc.

Section 191 - Direct Payment

In the following cases, tax is **payable by the assessee directly**

- (i) in the case of income in respect of which tax is not required to be deducted at source;
- (ii) income in respect of which tax is liable to be deducted but is not actually deducted.

Due to this provision, the proceedings had to be taken only against the assessee who defaulted. To avoid this difficulty, the EXPLANATION to the section provides that if any person, including the Principal Officer of a Company -

- (a) who is required to deduct tax at source
- (b) employer paying tax on non-monetary perquisites u/s 192(1A)

Does **not deduct** OR

After deducting, **fails to pay** the tax

= **deemed Assessee-in-default**

TDS

SECTION	RATES	LIMITS/ CONDITIONS
Sec 192	Slab Rates	TDS deducted at the time of payment
Salary		The amount of TDS/TCS already deducted/collected shall be reduced from salary while deducting TDS.
192A	10%	Service < 5 yrs & Amt ≥ 50K - TDS Applicable
PF Accumulated Balance	NO PAN - 20%	Service ≥ 5 yrs - NO TDS
194I	P&M - 2%	NO TDS If Aggregate Rent is upto Rs. 2,40,000
Rent	BUILDING - 10%	TDS is applicable on Non-refundable Deposits
Rent kaun deta hai? - Main		
194C	Ind/HUF - 1%	NO TDS if:
C- Contractor	Others - 2%	<ul style="list-style-type: none"> Single Payment is upto Rs. 30,000 Aggregate amt. during F. Y. is upto 1lac Contract is for Personal Purpose of Ind/HUF <p>Note- If PAN furnished NO TDS for contractor / sub-contractor in transport business.</p>
194J - JANHIT	Operation of	• NO TDS if
Professional Fees	Call Centre - 2%	<div style="display: flex; align-items: center;"> <div style="text-align: center;"> <p>↓</p> <p>Fees for professional services</p> </div> <div style="text-align: center;"> <p>↓</p> <p>FTS</p> </div> <div style="text-align: center;"> <p>↓</p> <p>Royalty</p> </div> <div style="text-align: center;"> <p>↓</p> <p>Non compete Fees</p> </div> <div style="margin-left: 20px;"> <p>≤ 30,000</p> </div> </div>
	Others - 10%	The Limit of 30,000 is for each payment
	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Being a Professional service</p> <p>10%</p> </div> <div style="text-align: center;"> <p>Others 2%</p> </div> </div>	• Commission/sitting Fees Paid to Non-Executive/Independent Directors.
	<div style="text-align: center;"> <p>ROYALTY</p> </div> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>↓</p> <p>Sale, Distribution of films</p> <p>2%</p> </div> <div style="text-align: center;"> <p>↓</p> <p>Others</p> <p>10%</p> </div> </div>	<p>↳ No Threshold limit</p> <p>• No TDS on personal payments by Ind/HUF for FPS</p>
194H- Hafta.	5% (5 takka)	NO TDS if Amt is upto Rs. 15000.
Commission/ Brokerage	2%	NO TDS on Underwriting Commission or brokerage on Public issue
	(From 1/10/2024)	

194M- Man Se	5%	KAUN KAATEGA - Individual/HUF
Payment of	2%	not covered in 194C, 194J, 194H
• Contract	(From	KISKA KATEGA - Any Resident Person
• Professional fees	1/10/2024)	LIMIT- Agg. Amt. > Rs. 50 lakh
• Commission/Brokerage		Paid in the PY
Sec 194G- Gamble	5%	NO TDS if Amt is upto Rs. 15,000.
Lottery sale	2%	If Lottery seller wins lottery on unsold tickets,
Commission	(From 1/10/2024)	it will be taxable@30%
194D	5%	NO TDS if Amt is upto Rs. 15000.
Insurance Commission		
194B- Lottery, Puzzles	30%	• NO TDS if Amt/Aggregate Amt is upto RS. 10,000
↳ Badi lottery		• Deducted at the time of payment only
194BB - Horse Race		• If winning is in kind, the payer shall release
↳ Bhag Bhag		winnings only after ensuring that TDS is paid to Govt
194	10%	Deducted at the time of payment only
TDS on Dividend	Kaun kaatega- Domestic Company	Payment made by
	Kiska Katega - Any Resident Person	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> ↓ Cash No limit </div> <div style="text-align: center;"> ↓ Any other Mode No TDS upto Rs. 5000 </div> </div>
193	10%	No TDS:
Interest on Securities		Int payable on CG or SG Securities
		Int paid to LIC, GIC
		Int Payable by SPV to Business Trust

194A- Alag wala Interest Interest other than Int. on securities	10%	LIMIT for Int paid by: -Banks/co-op bank/ Post off. - Rs. 40,000 -Others 5,000 ↓ 50,000 for senior citizens
194DA Maturity Proceeds of LIP DA- DAULAT	5% (After 1/9/2019) 2% (From 1/10/2024)	On Income Component (Maturity less premium paid) NO TDS if:- • If amount less than Rs. 1,00,000 • If Sum is Recd. on death of Insured. • If Maturity exempt u/s 10(10D)
194IA Sale of Immovable Property If there are more than one transferor/transferee, Amt shall be aggregated for TDS	1% of Sale Price Or SDV w.e. is higher	• No TDS on Rural Agri land • Consideration or SDV < SOL → NO TDS ↳ TDS on 50 lacs or more • Consideration includes maintenance fees, parking fees & all other similar charges
194IB TDS on Rent of Immovable Property	5% 2% (From 1/10/2024) NO PAN - 20%	• NO TDS IF RENT per month is upto Rs. 50,000 • Deducted at the time of payment/credit of rent of last month w.e. earlier • Deduction not to exceed Rent for Last month
194 LA Compulsory Acq of Immovable Property	10% of Sale Price	Amount upto Rs. 2,50,000 → NO TDS Rural or Urban Agri land-NO TDS
194K TDS on Income in respect of units.	10% KAUN KAATEGA - UTI/MF KISKA KATEGA- Resident	NO TDS if payment is upto Rs. 5000 in a PY

194N- Nahi Denge TDS on Cash withdrawals in excess of Rs. 1 crore When Recipient is a Co-operative Society, Limit of Rs. 3 Crores is applicable.	When limit is 1cr/3cr: Rate- 2% When limit is 20 lacs: 20 lakhs to 1cr/3cr - 2% Above 1cr/3cr -5%	→ TDS only applicable on excess amount over and above limit. Eg- withdrawal 1.20 cr/3.2 cr TDS applicable on 0.20 Cr only. Limit will be checked separately for different banks → If assessee has not filed ROI for all 3 preceding PYs for which Due Date u/s 139(1) is expired, Limit will be Rs. 20 lakhs
194P ↓ Pairi Pauna TDS by Bank in case of Senior Citizen	TDS rate - Slab Rate Payer-Specified Bank Payee- Individual Resident aged 75 yrs or more	Section only applicable if Senior citizen has ONLY: Pension Interest in any Income Account in which he receives pension That A/c should be with the same Bank only. The payee is not reqd to file ROI.
194Q Purchase of Goods of more than Rs. 50 lakhs during P.Y.	Rate- 0.1% NO PAN- 5% Kaun Kaatega: Any Buyer whose last year T/O > Rs. 10 crore Kiska Katega: Seller	→ Only applicable on excess amount over 50 lakhs, not whole amount. → TDS under this section not applicable if: TDS already deducted under any other section eg. 1940 TCS already collected u/s 206C(1H)

Notes:

- Where both 194Q & 206C (1H) applies, TDS has to be deducted u/s 194Q
- Where TDS u/s 194Q & TCS u/s 206C(1)/(1F)/(1G) applies, TCS has to be collected under above sections.
- TDS u/s 194Q, 1940, 206C(1H) not applicable on securities transactions through RSE.
- If Whole Income of Buyer is Exempt - 206C(1H) not applicable

Sec 194R	Rate- 10%	Payer - HIJACR Assessee
Added by F.A. 22 w.e.f. 1/7/22		Payee- Any Resident Person
Any Benefit or Perquisite, whether converted into money or not, arising from Business or Profession		<p>NO TDS IF:</p> <p>Amt of benefit/perq provided to a person is upto Rs. 20,000 in a P.Y.</p> <p>If Gift is in kind, payer has to ensure that TDS has been deducted & paid to the govt. in respect of such benefit.</p>

Notes:

CBDT Guidelines for Sec 194R

1) Should Gift/benefit be always in kind for TDS u/s 194R?

NO. It Can be:

In Kind

In Cash

Partly in kind partly in Cash

2) If Benefit is partly in Kind Partly in Cash, How to Ensure deduction & Payment of Tax?

- Ask payEE to pay advance tax & give declaration
- Pay himself

Sec 194BA	Rate- 30%	At the time of:
Added by F.A. 23		- Withdrawal
Net Winnings from Online Gaming		- Amt. Remaining in A/c at end of F.Y.
		If winnings is in kind or partly kind, the payer shall release winnings only after deducting tax

IMPORTANT TERMS

NOTES:

- (i) Online Gaming Intermediary - An intermediary that offers One or more Online Games
- (ii) User - Any person who accesses or avails any computer resource of an online gaming intermediary
- (iii) User Account - Account of a user registered with an online gaming intermediary

CBDT Guidelines for 194BA

No TDS is required to be deducted on withdrawal if all the following conditions are satisfied:

- (i) Net winnings comprised in the amount withdrawn is $\leq ₹ 100$ in a month (+)
- (ii) Tax not deducted on account of this concession is deducted at a time when net winnings comprised in withdrawal $> ₹ 100$ in same month/ subsequent month or if in case there is no such withdrawal \rightarrow at the end of the FY (+)
- (iii) Deductor undertakes responsibility of paying the difference of Tax Liability if Balance in user account at the time of tax deduction is not sufficient to discharge tax deduction liability calculated in accordance with Rule 133.

Valuation.

- = If winnings is in kind \rightarrow FMV of such winnings
- = If purchased by Intermediary \rightarrow Purchase price
- = If mfg by Intermediary \rightarrow Price charged to Customers (Excl. GST)



To whom HIJACR are applicable?

HIJACR → (1) Assessee other than Individual/HUF



(2) Ind/HUF whose last year T/O > 1 crore in case of Business

G/R > 50 lacs in case of profession.

Master Chart for Remembering all limits

→ NO TDS if amount is upto Limit

↳ No TDS If Amounts ≤ Threshold limit

Which means TDS is only applicable if Amount paid is more than the threshold Limit



All Other sections

→ TDS is applicable starting from this Amt.

Sec 194IA → TDS applicable if

Amt is 50 lakhs or more

→ NO TDS till Rs. 49,99,999

Sec 194DA → TDS applicable if

Amt is 1,00,000 or more

→ No TDS till Rs. 99,999

Sec 192A → TDS applicable if

Amt is Rs. 50,000 or more

→ No TDS till Rs. 49,999.

Summary of Amendments in Rates of TDS

Section	Before	After (w.e.f 1/10/24)
194DA - Maturity Proceeds of LIP	5%	2%
194G - Lottery Sale Commission	5%	2%
194H - Commission/ Brokerage	5%	2%
194-IB - Rent of Immovable Property	5%	2%
194M - Payment of Contract, Prof Fees/ Commission & Brokerage	5%	2%

TCS

Sec 206C(1)

(a) Alcoholic liquor for human consumption	1%
(b) Tendu leaves	5%
(c) Timber obtained under a forest lease	2.5%
(d) Timber obtained by any mode other than (c)	2.5%
(e) Any other forest produce not being timber or tendu leaves.	2.5%
(f) Scrap	1%
(g) Minerals, being coal or lignite or iron ore	1%

Note : No TCS shall be collected if Resident Buyer gives declaration that above goods are to be utilised for the purpose of → manufacturing, processing or producing articles or things or for generation of power and **not for trading purposes**,
But Still Buyer have to deduct TDS u/s 194Q if conditions apply.

Sec 206C(1C) : Lease or a licence of parking lot, toll plaza or mine or a quarry

TCS Rate - 2%.

TCS shall be collected by 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.

Note - Mining and quarrying **excludes mining and quarrying of mineral oil i.e. mining and quarrying of petroleum and natural gas.**

Sec 206C(1F): Sale of motor vehicle **or other notified goods** of value exceeding **10 lakhs** TCS shall be collected by seller, on sale of a motor vehicle **or other notified goods (luxury goods w.e.f 01.01.2025)** of the value > **Rs. 10 lakhs**, from the buyer @**1%** of the sale consideration. (**No Adjustment for GST is required, take sale consideration only**)

Note: TCS under this section is not applicable when Manufacturer sells cars to the dealers. Only applicable on Retail Sale

→ Limit of Rs. 10 Lacs has to be checked at **each purchase**, not on aggregate sale made during the P.Y.

↪ If individual sale is less than 10 lacs, Applicability of 206C(1H) has to be checked.

Sec 206C(1G) - TCS on Remittance outside India OR Sale of Tour Package

As per section 206C(1G), every person,

- being an **authorized dealer**, who receives amount, under the LRS of the RBI, for remittance from a buyer, being a person remitting such amount;
- being a **seller of an overseas tour programme package**, who receives any amount from the buyer who purchases the package.

is required to **collect TCS on such amount received from the buyer.**

TCS Rates

Remittance for the Purpose of:

(i) Education or Medical Purpose

Upto 7 Lacs - **No TCS**

Amt or Agg. Amt > 7 Lakhs - **5%**

(ii) For Education Purpose, if remitted
amt is Obtained by Loan from FI

Upto 7 Lacs - **No TCS**

Amt or Agg. Amt > 7 Lakhs - **0.5%**

Remittances affected by Amendment

(iii) Remittances for purposes
other than mentioned in (i) & (ii)

Upto 7 Lacs - **No TCS**

Amt or Agg. Amt > 7 Lakhs: **20%**

[i.e. Other than Medical or Educational]

(iv) For Overseas Tour Program Package

Upto 7 Lacs - **5%**

Above 7 Lacs - **20%**

Note: But TCS u/s 206C(1G) is not applicable to a Non-Resident who has visited India during the P.Y.

So Basically:

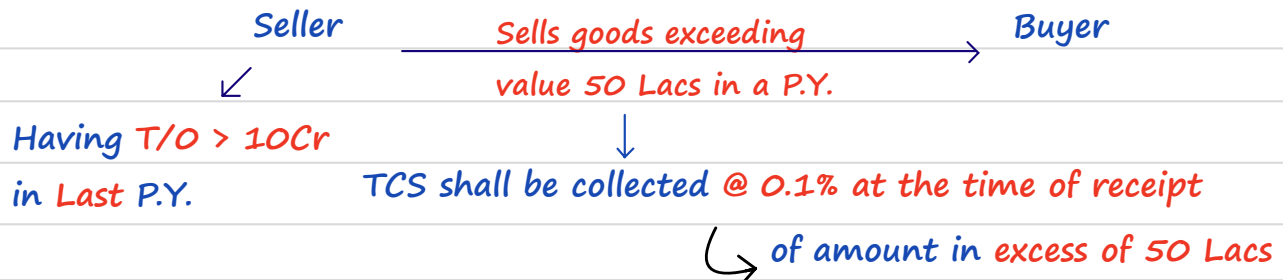
	Education or Medical	Education Loan	Other Purpose	Overseas Tour
Upto 7 Lacs	0%	0%	0%	5%
Amt > 7 Lacs	5%	0.5%	20%	20%

Education Purpose Means	Medical Purpose Means
<ul style="list-style-type: none"> • Travelling Fees • Tuition Fees • Day to Day Expenses 	<ul style="list-style-type: none"> • Travelling Expenses - Patient + Attendant • Treatment Expenses • Day to Day Expenses

To qualify as 'overseas tour program package', the package should include at least Two of the followings:

- (i) international travel ticket,
- (ii) hotel accommodation (with or without food)/ boarding /lodging,
- (iii) any other expenditure of similar nature or in relation thereto.

Sec 206C(1H) Sale of goods of value exceeding 50 lakh



→ TCS is not required to be collected under this section if already collected u/s 206C(1)/(1F)/(1G) or if Goods are exported.

→ Where both 194Q & 206C (1H) applies, TDS has to be deducted u/s 194Q

→ TCS u/s 206C(1H) shall be calculated on whole amount including GST.

→ If Collectee did not provide PAN, TCS shall be collected @ 1%

MISCELLANEOUS PROVISIONS

Section 196 - Interest or dividend or other sum payable to Government, Reserve Bank, or certain corporations

No Deduction of tax shall be made by any person from any sums payable to

- Government
- RBI
- Corporation established by or under a central act, exempt from income tax
- A mutual fund

This provision for non-deduction is applicable when such sum is payable to the above entities by way of

- Interest or dividend in respect of securities or shares owned by the above entities in which they have full beneficial interest or
- Any income, accruing or arising to them

Section 197 - Certificate for deduction of tax at a lower rate

- Applicable in case of sections 192, 193, 190, 194A, 194C, 194D, 194G, 194H, 194I, 194J, 194K, 194LA, 194M, 194Q.
- Assessee can make application to AO
- If the AO is satisfied, he may give the assessee, a certificate as appropriate
- Thereafter the person responsible for deduction shall deduct tax at the rate specified or deduct no tax, as the case may be, until the cancellation of the certificate
- CBDT may make rules for prescribing rules in this regard.

Section 197A - No Deduction in certain cases

1. Declaration for No TDS (Form 15G)

A resident individual whose estimated total income for the previous year is below the basic exemption limit can submit Form 15G (in duplicate) to avoid deduction of tax at source on certain incomes such as dividend. The declaration must state that the total tax liability on such income is nil.

2. Declaration by Persons Other Than Companies/Firms

Any person who is not a company or firm can also submit Form 15G to avoid TDS under specific sections such as 192A, 193, 194, 194A, 194DA, 194-I, 194K, if the tax on the estimated income is nil.

3. Situations Where Declaration Cannot Be Submitted

Form 15G cannot be furnished if the aggregate of incomes like dividend, premature EPF withdrawal, interest on securities or units, insurance commission, life insurance payouts, or income from units exceeds the basic exemption limit.

4. Declaration by Senior Citizens

A resident individual aged 60 years or above can submit Form 15H (instead of 15G) if tax on their estimated income is nil. This is applicable even if their income exceeds the basic exemption limit. Sub-section (1B) restrictions do not apply to senior citizens.

5. No TDS on Payments to Notified Entities - Sub-section (1F)

No TDS is required on payments made to notified institutions, associations, bodies, or classes of persons, as notified by the Central Government, where a lower or zero rate of deduction is applicable.

6. Time Limit for Submission of Declaration - Sub-section (2)

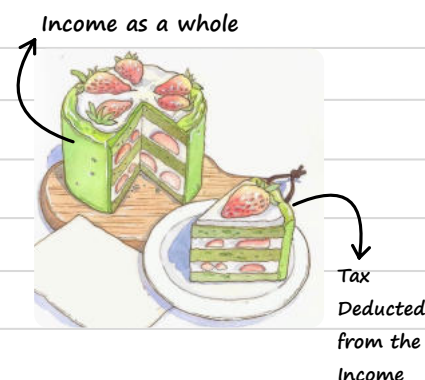
The person responsible for paying the income must submit one copy of the declaration (Form 15G/15H) to the Principal Chief Commissioner/Commissioner on or before the 7th of the month following the month in which the declaration is received.

Section 198 - Tax Deducted is Income Received

Tax Deducted is first considered as Income received.

Except in certain cases,

1. Tax paid by Employer u/s 192(1A) on **non-monetary perquisites** given to employees
2. Tax deducted u/s 194N on **cash withdrawals**



Section 199 - Credit for TDS

Tax deducted as per the provisions and paid to the credit of CG shall be treated as tax paid on behalf of

- Person - from whose income deduction was made
- Owner - of Security or Property
- Depositor
- Unit holder / Shareholder

And such persons shall received the credit for the tax deducted. CBDT is empowered to frame rules for this purpose and it has the power for giving credit to any other person in an AY that the CBDT may specify.

Section 200 - Duty of a Person deducting Tax

To deposit the Tax deducted to the **credit of CG (+)** within **Prescribed Time**

- Rule 30 - **Prescribed Time & Mode** of payment to the CG
- Rule 31A - Submission of **Quarterly Statements** by every person responsible for TDS
Person responsible u/s 194IA + 194IB + 194M → furnish to DGIT(+P)
a **Challan-cum-Statement** in Form 26QB, 26QC or 26QD
in **30 days** from **end of the month** of deduction of tax
- Rule 31 - Furnish **Certificate** to Payee within **15 days** From the above due date

[Sec 203]

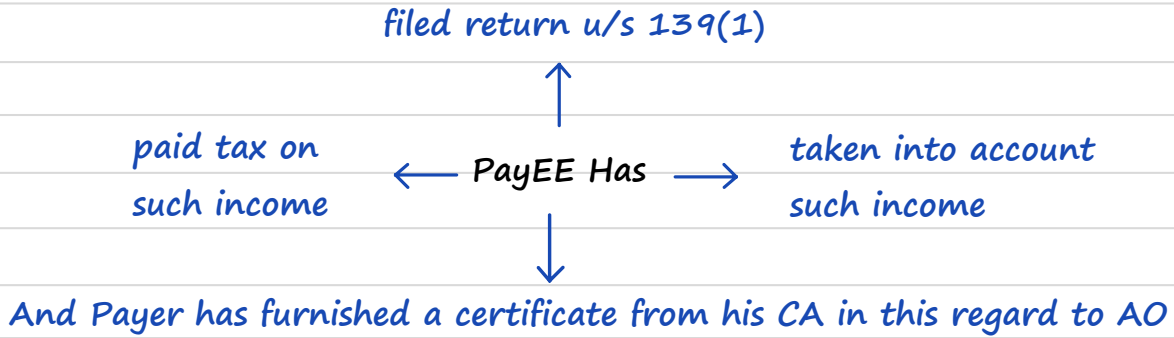
Section 200A - Correction of Mistakes and Adjustment of Incorrect Claims in TDS Statements

1. **Computerized Processing:** All TDS statements are filed electronically and processed under section 200A like income tax returns.
2. **Allowable Adjustments:** Adjustments can be made for
 - (i) arithmetical errors and
 - (ii) incorrect claims apparent from the statement.
3. **"Incorrect Claim apparent from any info in the statement":** Refers to
 - entries inconsistent with other entries or
 - incorrect TDS rates as per the Act.
4. **Interest Calculation:** Interest is computed based on the deductible sums in the statement.
5. **Late Fee (Section 234E):** ₹200 per day is levied for late filing of TDS statements, subject to a maximum of the TDS amount, and must be paid before filing.
6. **Net Payable/Refund:** Amount payable or refundable is determined after adjusting interest and fees against taxes already paid.
7. **Intimation:** A notice showing tax liability or refund will be sent within one year from the end of the financial year of statement filing.
8. **CBDT** is empowered to notify a scheme for centralised processing of TDS statements.

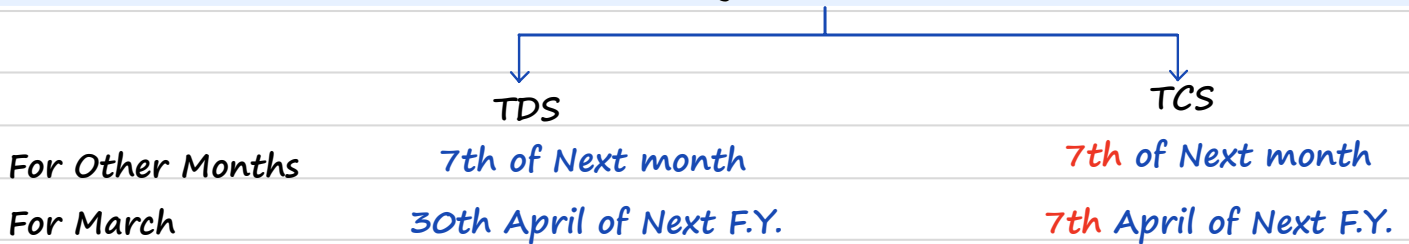
Sec 201: Assessee in Default

If TDS is not deducted
OR deducted but not paid to Govt. } then, Assessee is treated as assessee in default.
Penalty u/s 221 is attracted → which can be upto 100% of TDS Amount

Payer is not treated as Assessee in Default if :



Due Date of Payment of TDS/TCS



For Sec 194M, 194IA, 194IB:

→ TAN not required as TDS under these sections are deducted occasionally

Due Date of Return :	194 IA - Form 26QB	}	30 Days from the end of month in which deducted
& Payment	194 IB - Form 26QC		
	194 M - Form 26QD		

Due Date of Return of TDS/TCS

	↓		
Quarter Ended	TCS Return		TDS
30th June	15th July		31st July
30th September	15th October		31st October
31st December	15th January		31st January
31st March	15th May		31st May

Interest for Late Deduction/Collection of TDS/TCS

	TDS	TCS
Late Deduction/Collection	1% per month or part	1% per month or part
Period	Date on which TDS was deductible to date on which it is deducted	Date on which TCS was collectible to date on which it is actually paid
Late Payment	1.5 % per month or part
Period	Date on which TDS was deducted to date on which it is actually paid

Time of Collecting TCS

(a) at the time of debiting the party or
 (b) receipt of consideration
 w.e. is earlier

} But for Sec 206C(1F) & 1(H), TCS is collected only at the time of receipt of consideration.

Section 206CC

If Collectee has not provided PAN or Aadhar, TCS Rate shall be:

Twice the TCS Rate

OR

5%

w.e. is higher



In case of Sec 206C(1H), It is 1%

Note: w.e.f 1.7.23, the higher rate of TCS for 206CC/CCA shall not exceed 20%

Section 203 - Certificate for TDS

1. Declarations for Nil/Lower TDS (Section 197A)

- Certain individuals (like resident individuals with nil taxable income) can submit self-declarations in Form 15G or 15H to avoid TDS deduction.
- Form 15G: Applicable for non-senior citizens.
- Form 15H: Applicable for senior citizens (age \geq 60 years).
- Conditions include:
 - (1) Tax on total income should be nil.
 - (2) For Form 15G, total interest income should not exceed the basic exemption limit.

2. Who to Submit the Declaration To

- Declarations are submitted to the deductor (payer).
- Deductor must deliver a copy of this declaration to CCIT (+P) or CIT (+P)

3. Time Limit for Deductor to Submit

- On or before the 7th of the month following the month in which the declaration is received.

4. Tax Deducted is Treated as Income (Section 198)

Any tax deducted at source shall be deemed as income received by the deductee for income tax purposes.

5. Certificate for Tax Deducted (Section 203): Every person deducting tax must issue a certificate stating:

- Amount of tax deducted,
- Rate at which it was deducted,
- Other prescribed details.

Employers under section 192(1A) must furnish such certificate to employees within prescribed time.

Time limits for forms under Rule 31

- Form 16 - TDS on Salary - Annually by 15th June
- Form 16A - TDS on Non-Salary Payments - Quarterly (in 15d of DD of Form 26Q)
- Form 16B/C/D - TDS on Property - In 15 days of DD for Challan-cum-Statement

Smart Summary TDS RATES

On Sections other than specifically mentioned below Rate applied on whole amount & NO PAN Rate 20%

0.1%	1%	2%	5%
194Q No PAN 5% On excess over limit	194C [Ind /HUF] 194-IA	194-I [P&M] 194N On excess over limit	194H 194D 194G 194M
206C(1H) No PAN 1% On excess over limit		194C [Others] 194J [FTS, Non Prof, Call Centre, Royalty on Films] 194DA, 194G, 194H, 194-IB, 194M *	194-IB 194DA 194N [> 1 Cr, Limit 20L]
10%	30%	Slab Rate	
192A No PAN MMR%	194B 194BB	192 194P	
194-1			
194J			
193, 194			
194A, 194K			
194LA			
194R			

TDS Deductible Starting from the Limits

- 192A - ₹ 50,000 or more
- 194DA - ₹ 1,00,000 or more
- 194-IA - ₹ 50,00,000 or more

Section 10AA Other Chapter Linkings

Sec 143(1) - If Section 10AA liya hai, due date of ROI ke baad Return file kiya

115BAC - Section 10AA deduction not Allowed

Sec 35AD - If Ded u/s 35AD is availed then Ded u/s 10AA and Ch VI-A is not available

Section 208: Obligation to pay Advance Tax arises → in every case where the advance tax payable is 10,000 or more.

Note - An assessee who is liable to pay advance tax < Rs. 10,000 → will not be liable u/s 234B and 234C. However, Interest u/s 234A - Interest for belated filing of return would be attracted.

Exemption from payment of Advance Tax

Senior citizens(Resident) of age 60 or more → who have passive income like interest, rent, etc., & does not have PQBP Income is exempt from payment of advance tax

How to calculate :

Estimated Total Income	xxx
Tax Calculation	xx
Less: TDS/TCS**	(xx)
Relief u/s 89	(xx)
MAT/AMT	(xx)
Relief u/s 90/90A/91	(xx)
Advance Tax Liability	xx

** TDS/TCS can be reduced while calculating advance tax liability only if it has been actually deducted/collected.

TDS/TCS deductible/collectible but not actually deducted/collected can not be reduced while calculating such liability.

Due Dates for payment of Advance Tax

Due date of instalment	Amount payable
On or before 15th June	≥ 15% of advance tax liability
On or before 15th September	≥ 45% of advance tax liability
On or before 15th December	≥ 75% of advance tax liability
On or before 15th March	≥ 100% of advance tax liability

Note: Any Amount paid on or before 31st march, shall be consider as Advance Tax paid during financial year.

Sec 44AD & 44ADA Assessee: Whole amount payable in 1 installment on or before 15th March of Financial year

234A	234B	234C
Interest for delayed filing of Return	Interest for non/short payment of advance tax	Interest on delay in Installments
Tax as per ROI [after adj. of TDS, TCS, adv tax etc]	Adv. Tax Short paid/not paid	Deferred Amount
x	x	x
1% per month or part	1% per month or part	1% per month or part
x	x	x
		month
From due date u/s 139(1) to actual date of filing return	From 1st April of A.Y to Date of Assessment u/s 143(1)/143(3)	15/06 15% 3M 15/09 45% 3M 15/12 75% 3M 15/03 100% 1M

Note: 1) No Interest u/s 234C if Assessee paid 12% & 36% in 1st & 2nd Installments Respectively.
2) No Interest u/s 234B if Assessee paid upto 90% or more of Advance Tax.

234H - FEE FOR DEFAULT RELATING TO INTIMATION OF AADHAR No. u/s 139AA(2)
Penalty Amount shall be Rs. 1000

Sec 234H - FEES FOR DEFAULT IN LINKING AADHAR WITH PAN

As per section 234H, where a person, who is reqd. to intimate his Aadhar Number u/s 139AA(2), fails to do so on or before 31st March, 2022, he shall be liable to pay such fee, as may be prescribed, at the time of making intimation :

within 3 months, i.e.
till 30.06.22
Rs. 500

After 30.06.22
↓
Rs. 1000

Note: However, if a person fails to link Aadhaar with PAN on or before 31.3.2022, his PAN shall become inoperative.

→ TDS is required to be deducted
 {
 at the time of payment
 OR
 at the time of crediting Account of payee
 w.e. is earlier

But in the following cases TDS deducted only at the time of payment:

- ↓
Salary
- ↓
EPF payment
- ↓
winnings
- ↓
Maturity
of LIP
- ↓
compensation
on compulsory
acq. of property
- ↓
Dividend

→ Cess, Surcharge
 {
 Resident- Not added
 NR/Foreign Co - Added

Sec 206AA

If Payee does not furnish PAN, TDS Rate Shall be:

- (i) 20%
 - (ii) Rate as per section
- ↑
w.e. is HIGHER

Exceptions: In case of 194Q, Rate is 5%.

Sec 192

- Employer shall not consider losses **except House property loss.**
- Salary paid to partner by firm - **TDS not deductible**
- When employee claims any investment, deduction.
 - ↳ Employer shall **obtain proof** from the employees,
If Assessee has not obtained proof, it will be considered as assessee in default.
- Where the Employee is employed under **more than one employer** or takes a job with another employer, the subsequent employer should take into consideration the salary due / recd and the tax deducted thereon and then deduct **the tax remaining from both employers put together.**

Eg: → payments 28000 27000 25000 29000

→ Total- 109000

TDS Will be deducted at 1% on 109000 from last payment of 29,000

→ No TDS while payment to Transporter IF

- He owns not more than 10 vehicles at any time during P.Y.
- He has furnished PAN & Declaration in this regard
- Business of plying, hiring or leasing goods carriage

→ Warehousing charges: TDS applicable u/s 194I not 194C

→ Cold Storage → TDS applicable u/s 194C

↳ for refrigeration & Storage

→ Client pays to ^{194C} → Adv Agency ^{~~194C~~X} → Newspaper/TV Media

Payment by client to Adv Agency - TDS u/s 194C applicable.

Payment by Adv Agency to Newspaper/ TV Channel - No TDS

works : Mfg. or supplying a product according to the requirement or
Contract specification of a customer by using R/M purchased from such
customer or associate of such customer



If R/M is purchased from person other than above, it shall not be considered as work.

→ Sec 194C applies only in relation to 'works contracts'

→ Labour Contracts will not cover contracts for sale of goods.

→ Sec 194C Does not include contracts of personal nature

→ 194M is applicable when aggregate amt paid > 50 lakhs

50 lakhs limit is checked payee wise.

→ u/s 194C, Definition of Work includes Catering.

Sec 194J

Service of Event managers in relation to **sports Activities** - notified by CBDT, as professional service for **194J**. TDS deducted u/s 194J.

Service of Event Managers in relation to **Other Events** - **194C** Applicable

→ Bookmaker pays to punter winnings from Horse Race

→ TDS u/s 194BB will be deducted on **full amount**, **Losses** will not be set off before deducting TDS.

→ Third Party Administrators Pay to the Hospital - TDS will be deductible u/s **194J**

→ Individuals & HUF are not required to deduct TDS u/s **194J** on **royalty & Non compete fees**

→ FTS Paid - 27000
FPS Paid - 28000

TDS u/s 194J not applicable as **limit of 30,000** is to be checked **Separately**

→ TDS not attracted on acquisition of software from resident transferor if

(1) Software acquired in a subsequent transfer without any modification

(2) TDS has been deducted on previous transfer

(3) transfer obtain a declaration from transferring that tax has also been deducted along with PAN

Section 194A

→ While deducting TDS on fixed deposits, the aggregate interest of **all branches** of the Bank shall be considered if Bank has adopted **Core Banking Solutions**.

→ Where the **service fee** is paid to a banking co., No TDS is applicable u/s 194A even though service fee is included in the definition of **"Interest"**

→ When Bank credits interest for macro-monitoring purpose by use of **Core-Banking Software** - TDS u/s 194A not applicable

→ TDS u/s 194A is deducted if Interest is paid on **Motor Accidents Claims Tribunal** by Transport Company if Interest paid > Rs. 50,000.

Misc Points from all sections

If Tax on **Non-monetary perquisites** is paid by Employer, It is deducted while calculating TDS on Salary of Employee.

Eg: Total Tax on Salary = 89000
 Tax Paid on Non-monetary Perqs by Employer = (12500)
 TDS to be Deducted from Salary. = 76,500

Sec 194IB is applicable when Rent > 50,000 and Payer is Non-HIJACR Assessee

- Assessee not having PGBP Income
- Assessee having PGBP Income but T/O < 1Cr / GR < 50 Lacs

Rate of TDS depends on when property is Vacated.

If Property is Vacated on or Before 30/9/24
5% on whole Rent

If Property is Vacated on or after 1/10/24
2% on Whole Rent

194M applies when Payer is Non-HICAR Assessee

194M also applies where, Assessee is **HIJACR**, but Payment is done by payer for **Personal Purposes** u/s 194C and 194J(FPS) if Amt > 50 Lakhs.

For 194DA, TDS is applicable if Maturity is not Exempt u/s 10(10D). For 10(10D), 10%/15% is to be checked.

	194Q	206C(1H)
Rate	0.1%	0.1%
No PAN	5%	1%
TDS Deducted on	Amt excl. GST	Amt incl. GST
	Amt incl. GST if Advance Payment is done	

Some More Additional Points

Section 193

With effect from 1.10.2024, TDS is to be deducted on interest payable on **Floating Rate Savings Bonds, 2020 (Taxable)**, or any other notified security of CG/SG
↳ if such interest payable exceeds Rs. 10,000 during the financial year;

For Sec 194R

How is Value of Gift/Benefit Determined?

→ If Payer has purchased it : Purchase Price

→ If Payer Manufactures. : The Normal Price it Charges from Others

Note: GST not included for valuation of benefit/perq. for Sec 194R

Is 194R applicable When Social Media Influencer is given Products?

If Influencer returns product: NO

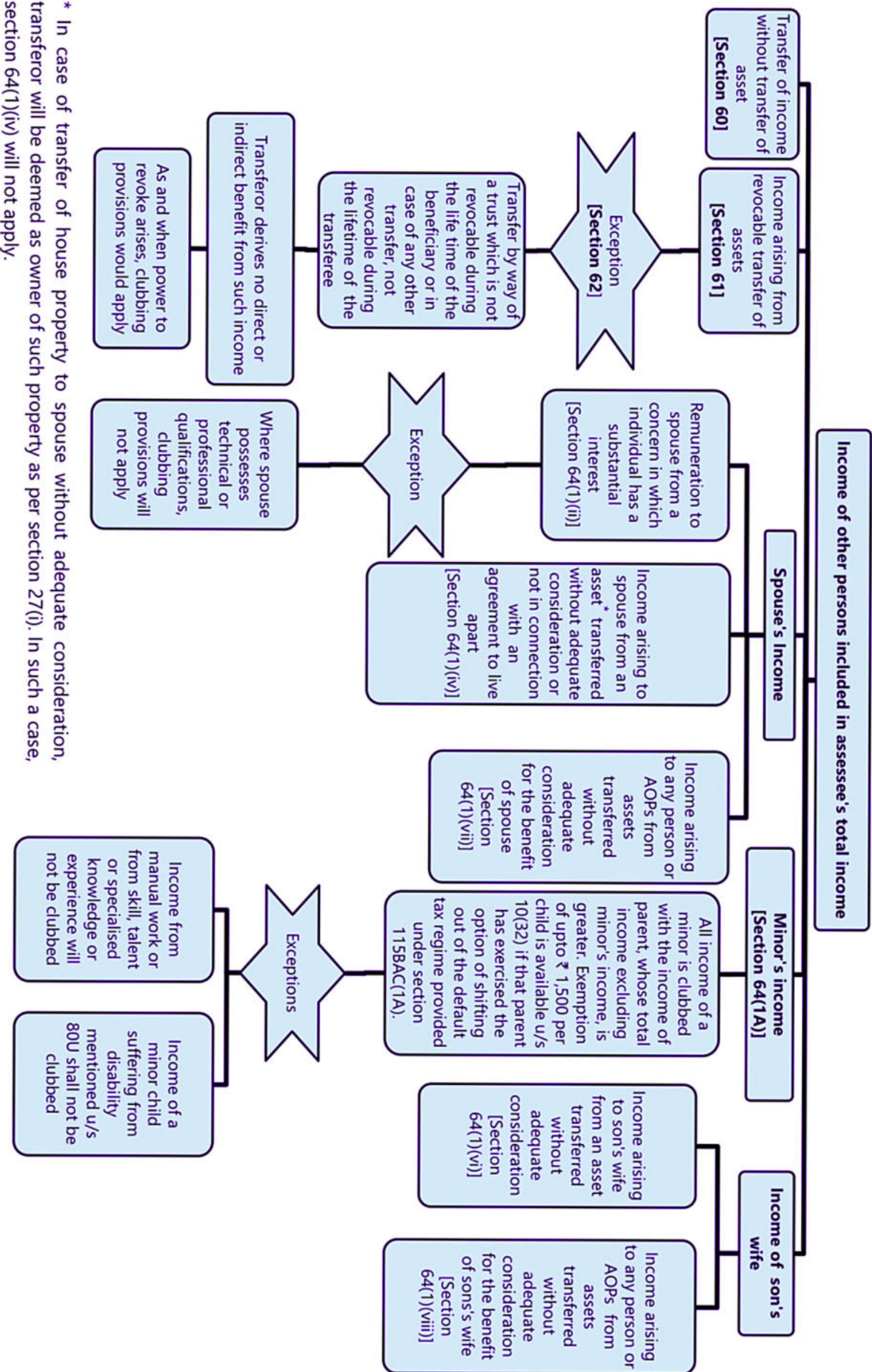
If Influencer Retains product: YES

U/s 206C(1G), If we Buy an Overseas package of 15 Lakhs from the Tour Operator, TCS will be collected as follows:

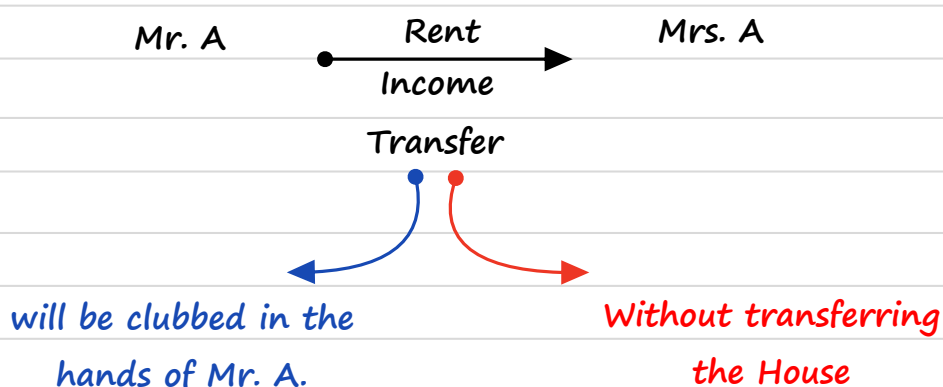
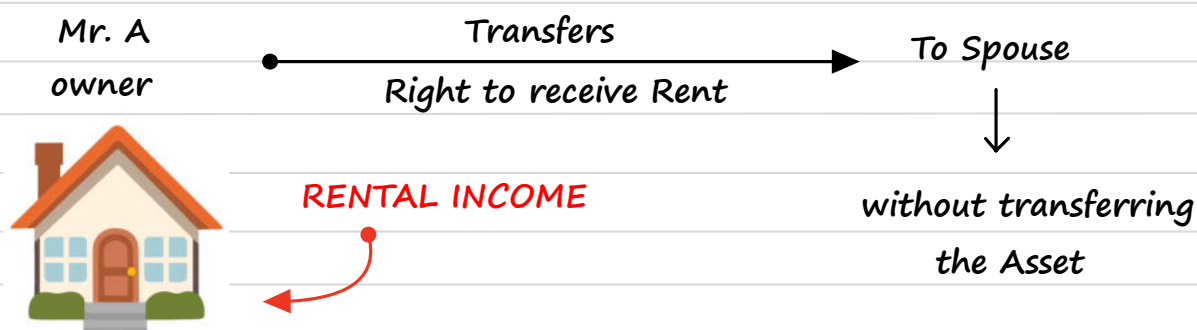
7 Lakhs x 5%

+ 8 Lakhs x 20%

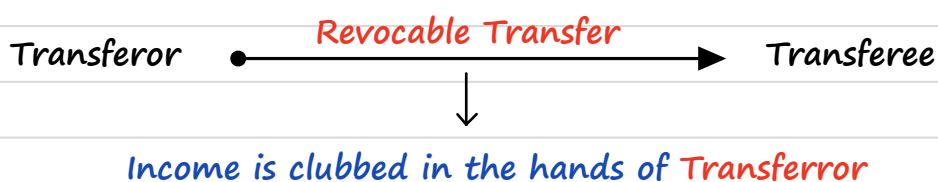
CHAPTER OVERVIEW



Section 60 - Transfer of Income without Transfer of Asset



Section 61 - Income arising from revocable transfer of Assets

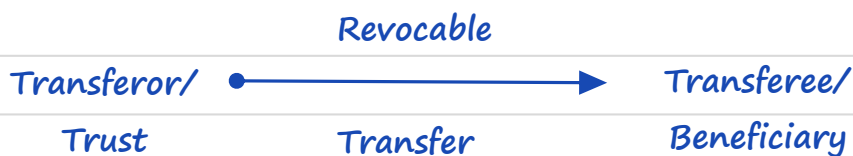


Examples of Revocable Transfer:

- Ye Asset ko mai kabhi bhi wapas le sakta hu → Revocable transfer
↳ Clubbed in hands of transferror
- Iski Income mujhe milti rahegi - Whole/Part → Revocable Transfer
↳ Even if Part Income is received by Transferror, Whole Income is clubbed in the hands of Transferror

Section 62 - Exception where clubbing provisions are not attracted even in case of revocable Transfer

Exception



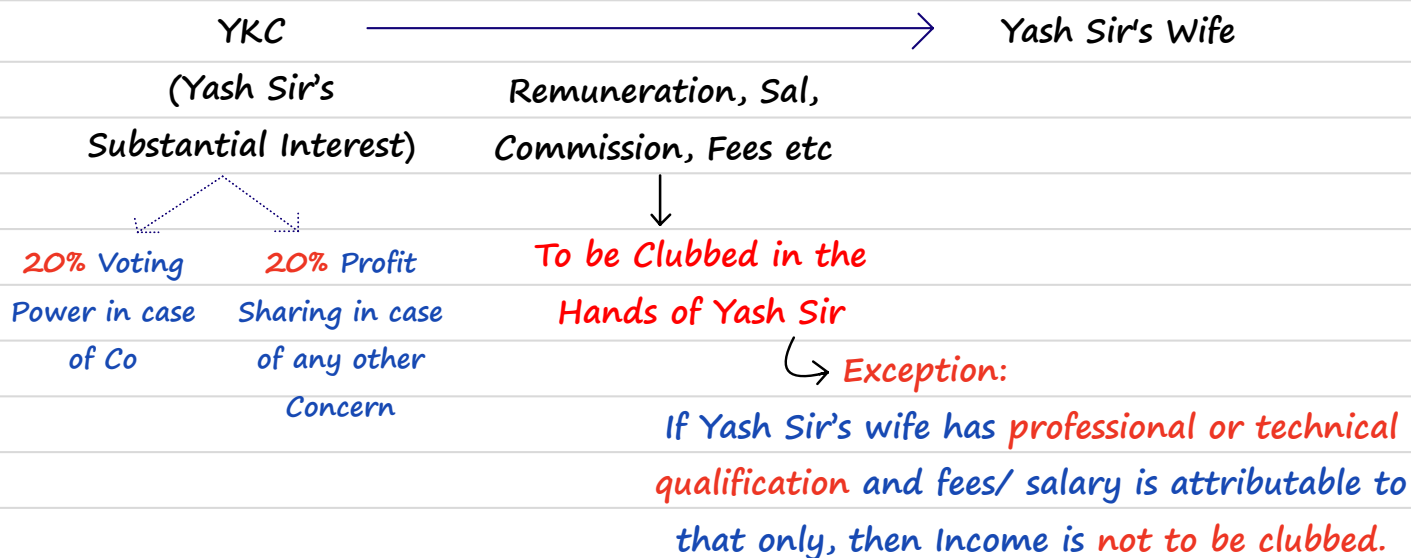
But It is **not revocable during the lifetime** of the transferee/beneficiary

In this Case,

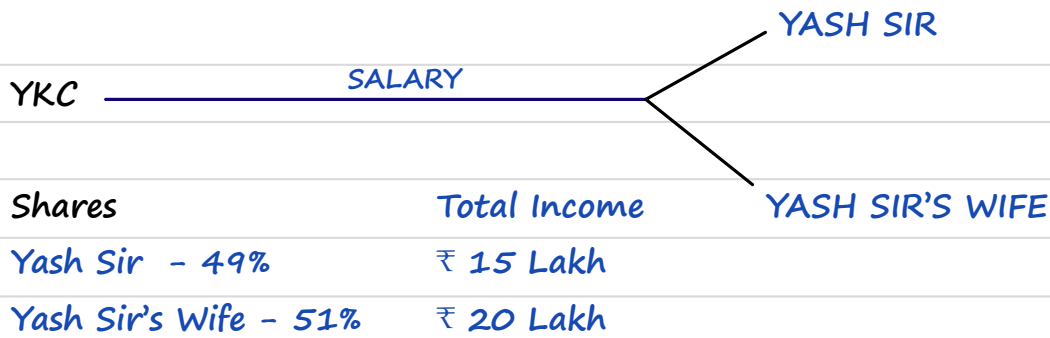
Clubbing Provisions **will not be attracted.**

Provided that the transferor derives **no Direct/ Indirect Benefit** from such Income

Section 64(1)(ii) - income by way of remuneration from a concern in which the individual has substantial interest



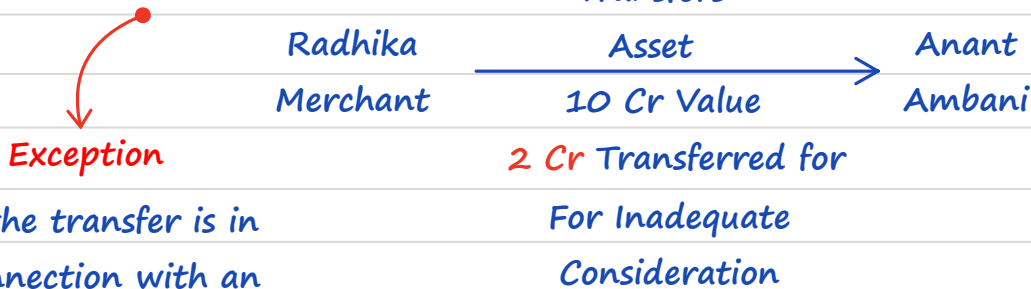
Note: Where **Both Husband & Wife** has **Substantial Interest** in a concern & both receives **Salary, Fees etc.** from such concern, Income will be Clubbed in the the Hands of that spouse whose Total Income (excluding such Income) is Higher.



Here the Income will be Clubbed in the hands of Yash Sir's Wife.

Sec 64(1)(iv) - Income arising to the spouse from an asset transferred without adequate consideration

Income of this Asset to be Clubbed in the Hands of Radhika Merchant



Exception

If the transfer is in connection with an agreement to live apart - CLUBBING Provisions shall not apply

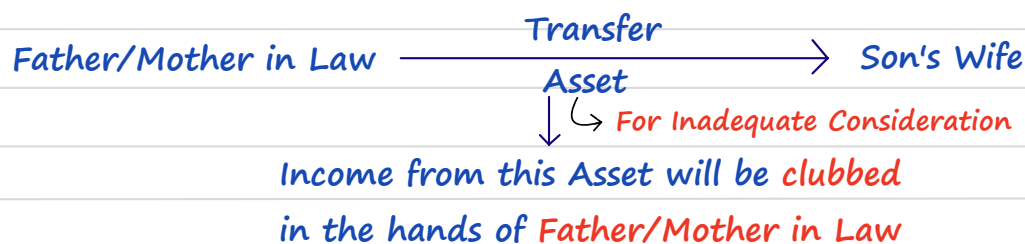
Section 27 - Deemed Owner



Anant Ambani will be deemed to be the Owner of the House and Annual Value of the House is Taxable in the Hands of Anant

Section 64(1)(viii) - Transfer of assets for the benefit of son's wife

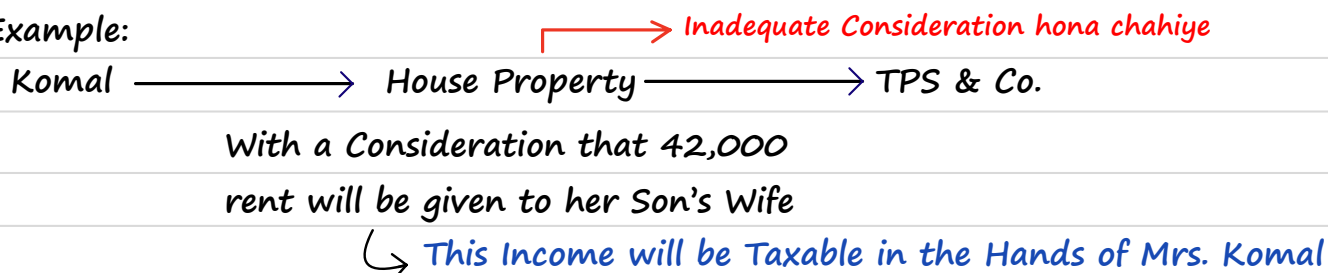
Following Incomes will be clubbed in the hands of Transferror:



If Transferred Asset is Invested in Business, The Proportionate Income arising from such Investment will be clubbed in the hands of Transferror.

→ Transfer of Asset to Other Person/ Concern for Benefit of Son's Wife:

Example:



Note - For this Section Inadequate Consideration hona chahiye — Tab hi Clubbing hoga

↓
Sec 64(1)(viii) will apply
Sec 56(2)(x) will apply

Agar Consideration Adequate hai — Clubbing Provisions will not apply

Clubbing of Minor Child's Income

↳ Child includes Step Child & Adopted Child

General Rule - Income of a Minor Child is to be clubbed in the Income of the Parent

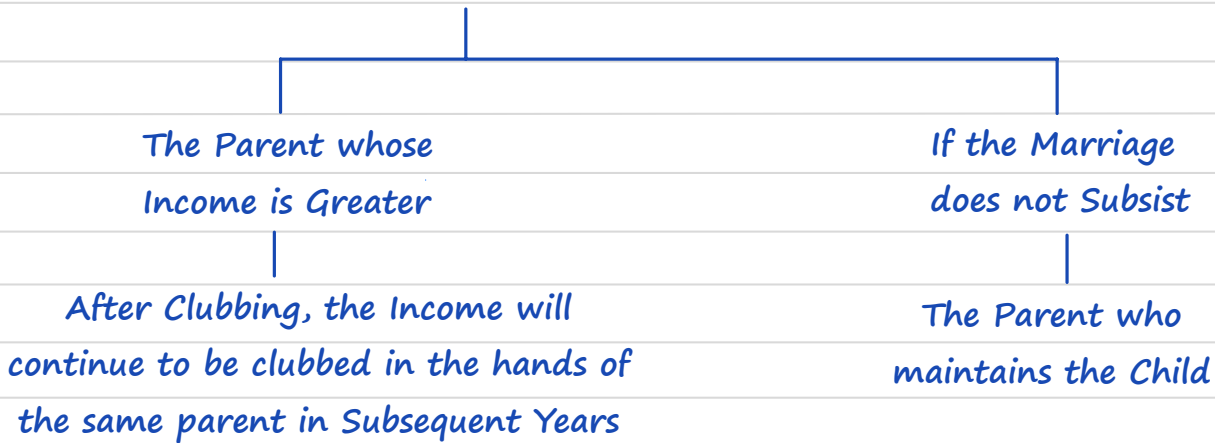
Exceptions

1. Minor has Talent or Skill or earns from Manual Work
2. Minor has Disability as mentioned u/s 80U

Exemption - Rs. 1,500 per minor Child is available to the Parent ONLY IF opted OUT of Sec 115BAC (that is, this exemption is not available under default Regime)

NOTES

- Minor Married Daughter ki Income bhi Club hoti hai
- Kis Parent ke hath mein Club hogi?



BUT Assessing Officer can club the Income in the Hands of Other Parent if he deems fit after giving an Opportunity of Being Heard (OOBH)

Asset transferred to Minor Child



House Property transferred to Minor Child

Without Consideration OR For Inadequate Consideration

Minor Child →

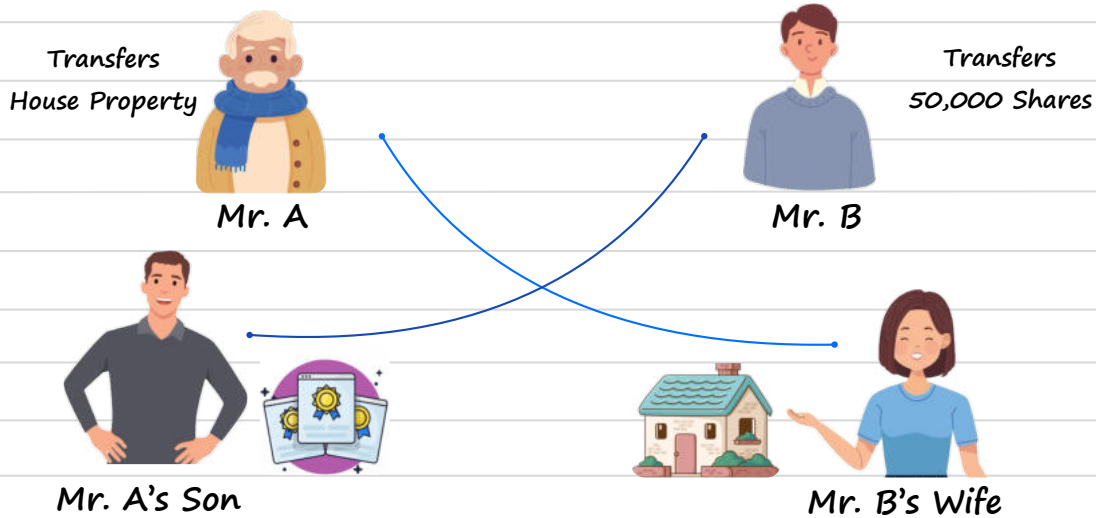
Other than MMD

MMD

Section 27	Applicable	Not Applicable
Clubbing Provisions	Not Applicable	APPLICABLE
₹1,500 Exemption	Not Available	Applicable if opted out of 115BAC
Deemed Owner	Transferor Parent	-
Income from Asset	Taxable in the hands of Transferor Parent	Clubbed in the Hands of Parent whose Income is HIGHER

MMD = Minor Married

CROSS TRANSFERS

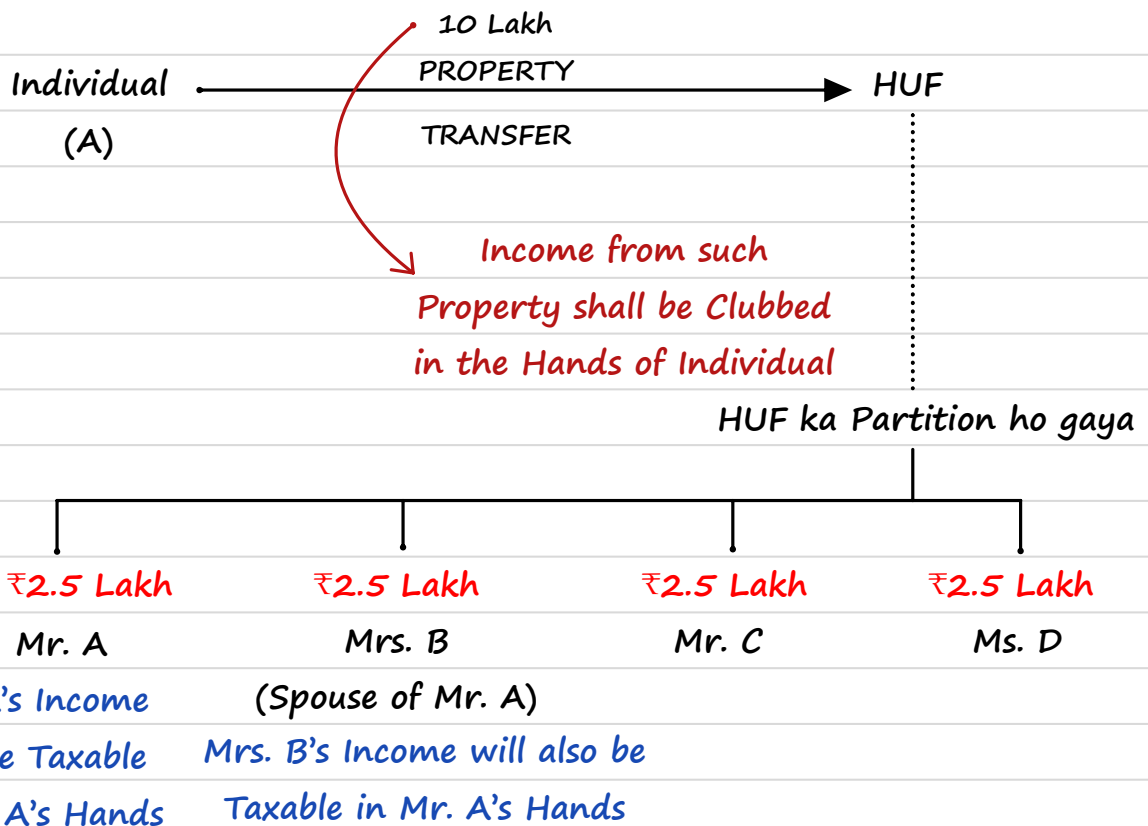


Income from the transferred Asset will be clubbed in the hands of Deemed Transferors to the extent of Cross Transfer.

Income of Mr. A's Son from Shares will be Clubbed in the Hands of Mr. A

Income of Mr. B's wife from House Property will be included in the Hands of Mr. B's Hands

TRANSFER TO HUF



Mrs. B ki Income jab Mr. A ke haath mein taxable ho jaegi toh Mrs. B & Family ke hath mein exempt rahegi

Difference between Section 61 and Section 64

Section 61	Section 64
<ul style="list-style-type: none">• Applies to all Assesseees• Applies only on Revocable Transfers	<ul style="list-style-type: none">• Applies only to Individuals• Applies on both Revocable as well as Irrevocable Transfers

NOTE

INCOME on Income shall NOT be Clubbed

EXCEPTIONS: Accretion of Income i.e. Income earned on Income shall be clubbed in case of a Minor Child

Set off and Carry Forward of Losses

Intra Head Adjustment

Apno se Madad Lena



Inter Head Adjustment

Dusro se Madad Lena



Flow of Set Off and Carry Forward

Loss Incurred in the Previous Year

Intra Head Adjustment

Inter Head Adjustment

Carry Fwd to Next PY

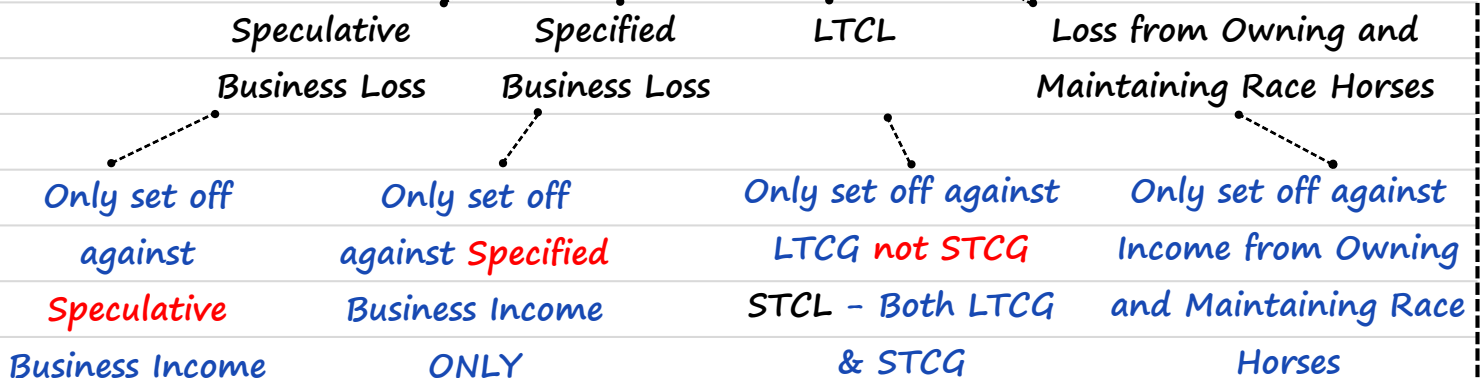
In next PY, only Intra Head Set off is allowed

This means INTER head Adjustment is allowed only in Current Year i.e. Year of Loss

INTRA HEAD SET OFF of LOSSES

Losses under any head of Income can be set off against same head.

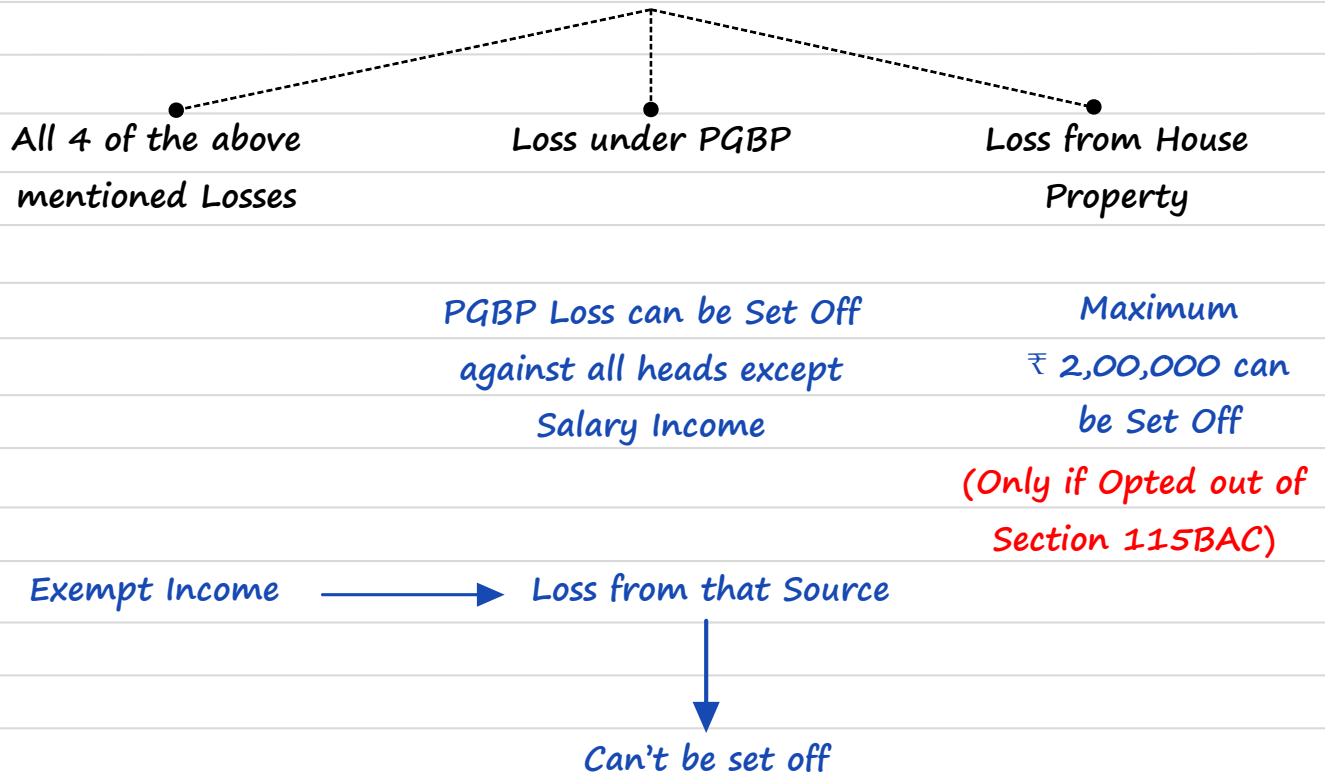
Exceptions



INTER HEAD SET OFF of LOSSES

If Income under same head is not sufficient to Set Off the Losses, then those Losses can be set off with the Income under Other Heads

EXCEPTIONS



IMPORTANT NOTE

Category of Loss = Loss from	Loss to be Set off Against
Specified Business	Specified Business ONLY
Speculative Business	Speculative Business ONLY
Normal Business	Specified / Speculative Business Income :)

ORDER OF SET OFF

1. Current Year Depreciation
2. Current Year Capital Expenditure on Scientific Research and Current Year Expenditure on Family Planning, to the Extent Allowed
3. Brought Forward Loss from Business / Profession
4. Unabsorbed Depreciation
5. Unabsorbed Capital Expenditure on Scientific Research
6. Unabsorbed Expenditure on Family Planning

SHARE TRADING ACTIVITY

Category	Activity	Classification
Intra Day	Without taking Delivery	Speculative Business
Futures & Options [F&O]	Held as Stock-in-Trade	Normal Business
Trading of Shares	Buying & Selling	Normal Business
Shares Held as Capital Assets	Taking Delivery & Selling or Shares Held as Stock-in-Trade	Capital Gain / Loss • LTCG / LTCL • STCG / STCL

LOSS FROM HOUSE PROPERTY

Type of Adjustment	If Ind/HUF/AOP/ BOI/AJP <i>opts out of 115BAC</i>	If Ind/HUF/ AOP/BOI/AJP <i>opts 115BAC</i>	In Case of Company / Firm LLP / Co-op Society <i>Irrespective of Regime</i>
INTRA HEAD	Allowed	Allowed	Allowed
INTER HEAD	Allowed <i>upto ₹ 2 Lakh</i>	NOT Allowed	Allowed <i>upto ₹ 2 Lakh</i>

LOSSES FROM PQBP

Loss from One Business
can be set off from Income
of another Business

Jisne Loss Incur kiya, Woh
hi Carry forward kar
sakta hai

**Successor cannot
Set Off or Carry Forward
Loss of PREDECESSOR**

Exception - A Successor by INHERITANCE
can Set Off and Carry Forward the Loss of
Predecessor

Period of Carry Forward for Various Losses

Nature of Loss to be Carried Forward	Income against which such Brought forward Loss can be Set off	Maximum Period
Unabsorbed Depreciation	Any Head of Income except Salaries	∞ Indefinite Period
Specified Business Loss	Profit of ANY Specified Business (Irrespective whether taken deduction u/s 35AD or not)	∞ Indefinite Period
House Property Loss	Any Income under the Head HP	8 Years
Normal Business Loss	Any Income under PGBP including Specified / Speculative Business	8 Years
Long Term Capital Loss	Long Term Capital Gain [LTCG]	8 Years
Short Term Capital Loss	STCG / LTCG	8 Years
Speculative Business Loss	Speculative Business Income	4 Years
Loss from Owning & Maintaining Race Horses	Income from Owning & Maintaining Race Horses	4 Years

NOTES

- No Set off of Losses & Unabsorbed Dep is allowed against **Undisclosed Income**
- Casual Incomes - Winnings from Lotteries and Games / Horse Races. It is TAXABLE at Flat Rate 30% and **No Set Off of any Loss is allowed against such Income**
- For Carrying forward and setting off of Following Losses, the ROI must have been filed before the due date u/s 139(1).
- Loss Return u/s 139(3) is also Return filed before Due Date of 139(1).

Losses that can be c/f even if Return is **NOT** filed before due date u/s 139(1)

- HP Loss
- Unabsorbed Depreciation

Certain Cases

(1) Loss Incurred — PY 2023-24 $\xrightarrow{\text{C/f}}$ PY 2024-25
Return Filed — Before Due date u/s 139(1)

We have b/f
loss of PY
2023-24

IF this year
(i.e. PY 2024-25)
we filed the Return after
the due date u/s 139(1)

This Loss of PY 2023-24 can still be
carried forward further in the next
PY as the Return in the Year of Loss
was filed within the Due Date.

(2) PY 2023-24

Loss Incurred

Return filed **After**

Due Date u/s 139(1)

\longrightarrow C/f of Loss **NOT**

allowed as Return

is filed late

\longrightarrow But it can still

be Set off in

the Current Yr

(3) In case of Private Co. (i.e. Co in which public are not substantially interested)
B/f Loss **cannot** be Set off if 51% Shares — **not** held by the same person — as in
the Year of C/f of Loss.

(4) Business Loss — PY 2024-25

\downarrow
We can C/f it for 8 Yrs which is to be counted from the
next PY i.e. in this case, PY 2025-26 to PY 2032-33.

- Deduction under chapter VI-A can be maximum upto **Gross Total Income** and can't be Carried forward
- Deduction under chapter VI-A **not allowed** against

STCG u/s 111A
 Special rates of Income
 LTCG
 LTCG u/s 112A

We will study this Chapter in 3 parts - Part A "Mostly Asked in Exam": Part B "Deductions not generally asked and Part C "Income based Deductions" for ease of study, not to be construed as being per Law. See Note at the end of this Chapter!

PART A- Mostly Asked in Questions

Section 80C

Amount of Deduction- 1,50,000

i) Life Insurance Premium →

Premium paid
 ↓
 10% of Policy value
 w.e. is lower

} If policy issued
 after 1.4.2012

20% if policy is issued on
 or before 31/03/12

15% for Divyang People if policy
 is issued on or after 1/4/13

ii) Amount deposited in PPF - Self, Spouse, Children

Any member of HUF

iii) Employees contribution to RPF/SPF

iv) Repayment of loan for purchase or construction of House

↳ Stamp duty or regn. fees for acq. of HP

v) Tuition fees paid for children's education [Max 2 children]

Other Deductions

- vi) Any sum paid or deposited in Sukanya Samridhi Account
- vii) Subscription to National Savings Certificates
- vii) Contribution to approved annuity plan of LIC
- viii) Subscription towards notified units of mutual fund or UTI
- ix) Contribution to notified pension fund set up by mutual fund or UTI
- x) Contribution to National Housing Bank (Tax Saving) Term Deposit Scheme, 2008
- xi) Investment in five year Term Deposit in a scheduled Bank
- x) Subscription to certain units of mutual fund u/s 10(23D)
- xi) Subscription to notified bonds issued by NABARD
- xii) Investment in five year Post Office time deposit

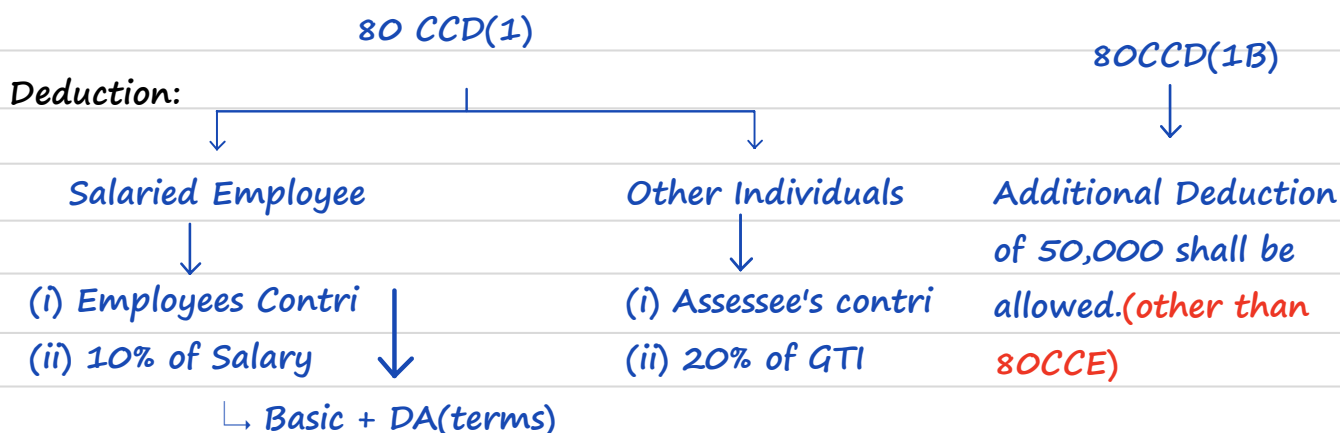
Section 80CCC - Contribution to Pension Fund of LIC or Other Insurance Company

Amount of Deduction - 1,50,000

If Lumpsum amount is paid for 5 years, then deduction will be allowed proportionately over 5 Years.

80CCD - Contribution to Pension scheme of Central Gov. New Pension Scheme/Atal Pension Yojna.

Eligible Assessee: Individual



80 CCD(2)

Employer's Contri to NPS for benefit of Employees

- (i) Employer's contri
- (ii) 10%/14% of Salary

↳ Basic + DA(terms)

10% in case of Old Regime

14% in case of CG/SG.

14% if Employee is paying tax u/s 115BAC

→ On Account closure, Amount received

In case of Death
fully Exempt

Other Cases
60% Exempt

→ In case of Partial Withdrawal, Payment to Employee Out of NPS is exempt upto 25% of amount of Contributions made by him.

$$80CCE = 80C + 80CCC + 80CCD(1) - \text{Max } 1,50,000$$

Summary of Limits

80C	Investment in LIP, Deposit in PPF/SPF/RPF etc.	1,50,000
80CCC	Contribution to Certain pension funds	1,50,000
80CCD(1)	Contribution to NPS of Government	10% of salary/20% of GTI
80CCE	80C + 80CCC + 80CCD(1)	1,50,000
80CCD(1B)	Contribution to NPS notified by the CG	50,000

Royalty

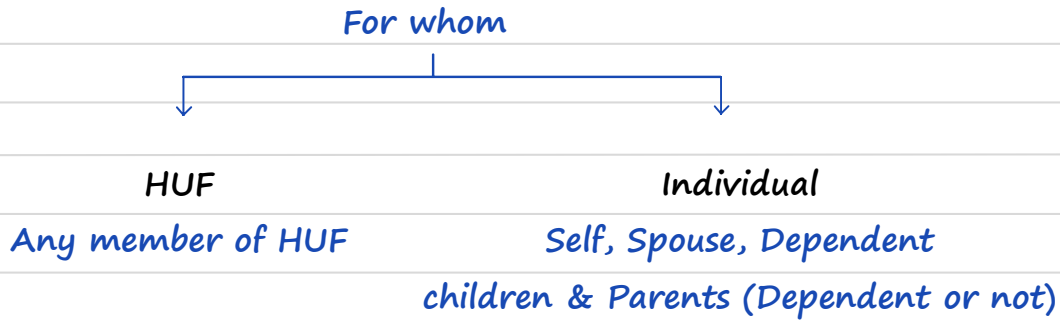
	80QQB	80RRB
Royalty on	Books of Literary, artistic or scientific nature(not Text Books)	Use of Patent or Transfer of Rights
Eligible Assessee:	Resident Individual	Resident Individual
Deduction:	Royalty Received or 3,00,000 ↓ Restricted to 15% of Value of Books Sold	Royalty Received or 3,00,000 ↓
Deduction Not Available on:	brochures, commentaries, diaries, guides, journals, magazines, newspapers, pamphlets, textbook for schools	sale of product manufactured with the use of the patented process or patented article for commercial use

Section 80TTA/80TTB

	80TTA	80TTB
	Deduction on Saving Bank Interest	Deduction on Interest on saving Bank/Deposits
Applicable on:	Individual/HUF	Resident Senior citizen
Deduction Amount	Interest Amount or Rs. 10,000 w.e. is lower	Interest Amount or Rs. 50,000 w.e. is lower

Section 80D - Deduction in respect of Medical Insurance Premium, CGHS, Preventive Health checkup & Medical Treatment

Eligible Assessee: Individual / HUF



Amount paid for:
Self, Spouse

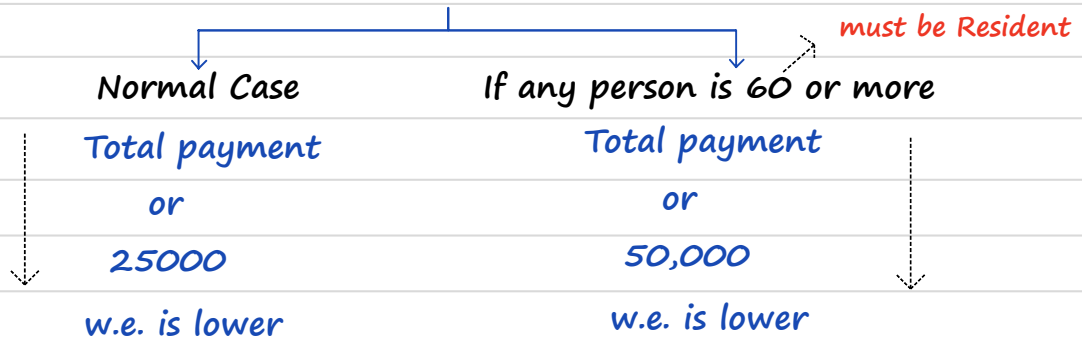
& Dependent children

- Health/Medical Ins prem. paid other than cash
- Contri to CGHS
- Preventive health Checkup

Cash not allowed

Individual Limit= 5000 by any mode incl. cash

Amount of Deduction

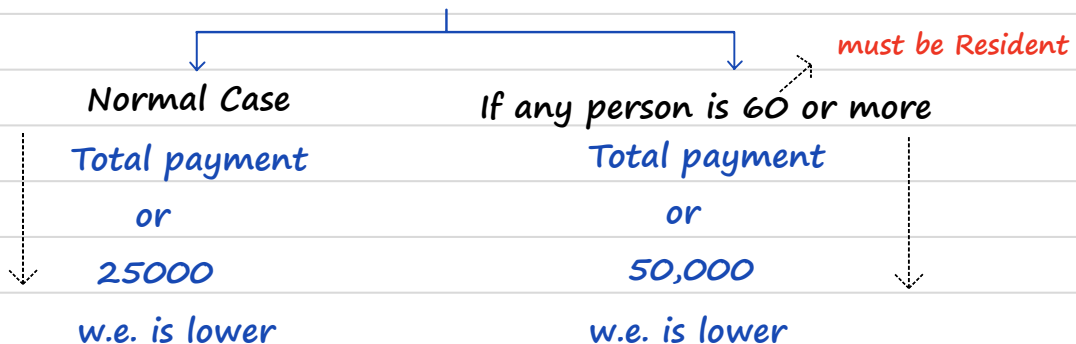


Parents dependent or not

- Health, Medical Insurance Plan
- Preventive health checkup

Cash not allowed

Amount of Deduction



Note: For Self/Spouse or Parents, (Resident, Age 60 or More) Medical Expenditure of 50,000 is allowed if health insurance is not taken.

Sec 80E- Deduction in respect of Interest on loan for higher education in India

Eligible Assessee = Individual who has taken loan for his own or his Relative's education

Amount paid = Amt of Interest paid.

Period = Allowed for 8 consecutive year starting from the year in which Assessee starts paying interest or till interest is paid, w.e. is earlier

Relative: Spouse and children or the student for whom the individual is the legal guardian

80EEA: Deduction in respect of Interest on housing loan

Eligible Assessee: Individual

Deduction : Max 1,50,000

Conditions:

- SDV of house property should be Rs. 45 lakhs
- Loans sanctioned between 1.4.19 - 31.3.22
- Assessee does not own any other residential HP on the date of sanction of loan.
- Deduction will be claimed first us 24(b) of House property & Remaining Interest deduction will be given u/s 80EEA.

80 EEB : Deduction in respect of Electric Vehicle Loan

Eligible Assesses: Individual

Amt of Deduction - Interest payable, subject to Max 1,50,000

- Loan should be taken between 1.4.19 - 31.3.23
- loan should be taken from Banks or Financial Institution or NBFC.

80GGB & 80GGC

Particulars	80GGB	80GGC
Eligible Assessee	Indian Company	All Other Assessee except Co.
Donation to	Political Party or Electoral Trust	Political Party or Electoral Trust
Mode	Any mode other than Cash	Any mode other than Cash

80JJAA - Deduction in respect of New Employees

- Eligible Assessee: Any assessee to whom 44AB applies.
- Amt of Deduction : 30% of Additional Employee cost for 3 Years starting from the year of Employment

Additional employees do not cover:

- Employees whose pay > 25000 pm.
- Employees employed for less than 240 days in a year.

↓
150 days in case of mfg.
of apparel or footwear or leather.

- Employees who do not participate in RPF.
- Employees for whom entire contribution is paid by Government under Employees pension Scheme

Additional Employee Cost Shall be Nil if:

There is no increase in No. of employees employed on the last day of preceeding year

Salary is paid by Bearer Cheque/
Crossed Cheque or Cash

Note: If an Employee is Employed for Less Than 240/150 Days in Current P.Y. But He is employed for 240/150 Days in Immediate Next Year

Then he shall be deemed to be employed in the immediate next year & Deduction of 30% will be allowed to the assessee for 3 years starting from that year.(i.e. next year)

→ Salary Paid to Employees Does not include:

Any Employer's contribution to employee welfare fund like EPF

Any lump-sum amount paid at the time of termination.

Note:

- The business should not be formed by **splitting up**, or the **reconstruction**, of an existing business
- The business is not acquired by the assessee by way of transfer from any other person or as a result of any **business reorganisation**.
- Report of CA has to be furnished before **Due Date of Tax Audit u/s 44AB**.

Sec 80CCH: Deduction in respect of contribution to Agnipath Scheme

(i) Meaning of Agnipath scheme: Agnipath scheme is a CG scheme launched in 2022 for enrolment of Indian youth in the Indian Armed Forces.

(ii) Meaning of Agniveer Corpus Fund:

The Agniveer Corpus Fund means a fund in which:

Consolidated contributions + Matching contributions
of all the Agniveers of the Cen. Gov.

along with interest on both these contributions are held.

(iii) Features of the Agnipath Scheme:

Each Agniveer is to contribute **30% of his** → Further, the Gov. will also contribute
monthly customized Agniveer Package to a **matching amount** to the "Agniveer
the individual's Agniveer Corpus Fund. Corpus Fund.

↓
The Gov. will also pay to the subscriber
interest from time to time on the
contributions standing in his account.

(iv) Quantum of deduction:

Deduction is available to: Individual assessee enrolled in the Agnipath Scheme and subscribing to the Agniveer Corpus Fund on or after 1.11.2022

80CCH		
	80CCH(1)	80CCH(2)
Amt. of Dedn	Amt paid/deposited by the assessee in his Account in the Agniveer Corpus Fund	Contri. made by the Cen. Govt. to the said account of an assessee in the Agniveer Corpus Fund
115BAC:	only available if assessee has shifted out of the default tax regime u/s 115BAC(1A).	Available to individual irrespective of the regime under which he pays tax.
		↓ Contribution made by CG is included in Salary of Assessee, then Dedn u/s 80CCH(2) is available for the same

Note : Any payment from the Agnipath Corpus Fund to a person enrolled under the Agnipath Scheme or to his nominee would be exempt from tax. [Section 10(12C)]

Note: Income Tax Act, 1961 bifurcates the Deductions under Chapter VI-A as follows:

Part A - General Deductions

Part B - Expense Based Deductions [80C to 80GGC]

Part C - Income Based Deductions [80H to 80TT]

Part D - Deduction for Other Income [80TTA & 80TTB]

Part E - Other Deductions [80U]

In this Chapter we have segregated all these sections into 3 parts for ease of understanding and revision from exam point of view :)

Author's Note: These deductions are less important compared to Part A as these are not frequently asked. But By saying this, The Author is no where encouraging you to leave these deductions. You have study all the deductions to prepare for Exam.

Sec 80DD: Deduction in respect of maintenance/medical treatment of a **Dependant Disabled**

Eligible Assessee: Resident Individual/HUF

Deduction Amount: Normally = 75000
Severe Disability (80% or More) = 125000

Deduction is available in respect of:

- Expenses on **Medical treatment** (including nursing), **training and rehabilitation** of a dependant person
- Expense on medical treatment of persons suffering from **autism, cerebral palsy and multiple disabilities.**
- Contribution to **scheme framed by LIC** in this behalf.

Conditions:

- For Claiming Deduction, the assessee shall have to furnish a copy of the certificate issued by the medical authority.
- If Disability requires fresh Assessment, Certificate shall be obtained by Medical Authority from time to time.
- If the dependent person dies, the amount received by Assessee is taxable in the year of receipt.

Note:

Dependent can be :

For Individual : Spouse, children, parents, brother or sister

For HUF : Any Member of HUF

} who have not taken their own deduction u/s 80U

Sec 80U: Deduction in the case of a person with disability

Eligible Assessee: Resident Disabled Individual

Deduction Amount: Normally = 75000
Severe Disability (80% or More) = 125000

Conditions:

- For Claiming Deduction, the assessee shall have to furnish a copy of the **certificate** issued by the medical authority.
- If Disability requires fresh Assessment, Certificate shall be obtained by Medical Authority from time to time.

Sec 80DDB : Deduction in respect of medical treatment etc.

Eligible assessee: Resident Individual/HUF

Deduction : Medical expenditure incurred on **himself or a dependant or Memeber of HUF**

↓
This amount can be reduced by Amount Received by
Insurance Company or reimbursed by employer

Max Deduction:

Resident Senior Citizen = 1,00,000

Others = 40,000

Condition: Deduction shall **not be allowed** unless the assessee obtains the prescription for such medical treatment from a neurologist, an oncologist, a urologist, a hematologist, an immunologist or such other specialist, as may be prescribed.

Sec 80GG: Deduction in respect of Rent paid

Eligible assessee: Assessee, not receiving HRA exempt u/s 10(13A) from employer and who pays rent for residential purposes.

Amount of deduction:

The deduction admissible will be the **least** of the following:

- (a) Actual rent paid - **10%** of the **Total Income** before allowing 80GG, or
- (b) **25%** of such **Total Income** (After All VI-A deductions except 80GG), or
- (c) Amount calculated at **5,000 p.m.**

Note: The assessee or his spouse or his minor child or his HUF should not own any house at the place of his employment.

Sec 80GGA: Deduction in respect of donations for scientific research or rural development

Eligible assessee: Assessee not having PGBP Income

Deduction Amount: Amount paid for scientific Research or Rural Development

Approved u/s 35(1)(ii) & 35CCA

Note: Any sum > 2000, must be paid by any mode other than Cash

Sec 80G: Deduction in respect of donations to certain funds, charitable institutions etc.

Eligible assessee: When Assessee pays donation to eligible funds or institutions

Amount of Deduction

Part I Donation qualifying for 100% deduction, without any qualifying limit

- (1) The National Defence Fund set up by the Central Government
- (2) Prime Minister's National Relief Fund.
- (3) Prime Minister's Armenia Earthquake Relief Fund
- (4) The Africa (Public Contributions-India) Fund
- (5) The National Children's Fund
- (6) The National Foundation for Communal Harmony
- (7) Approved University or educational institution of national eminence
- (8) Chief Minister's Earthquake Relief Fund, Maharashtra
- (9) Any fund set up by the State Government of Gujarat exclusively for providing relief to the victims of the Gujarat earthquake
- (10) Any Zila Saksharta Samiti for primary education in villages and towns and for literacy and post-literacy activities
- (11) National Blood Transfusion Council or any State Blood Transfusion Council whose sole objective is the control, supervision, regulation or encouragement of operation and requirements of blood banks
- (12) Any State Government Fund set up to provide medical relief to the poor
- (13) The Army Central Welfare Fund or Indian Naval Benevolent Fund or Air Force Central Welfare Fund established by the armed forces of the Union for the welfare of past and present members of such forces or their dependants.
- (14) Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996
- (15) National Illness Assistance Fund

- (16) Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund in respect of any State or Union Territory
- (17) National Sports Development Fund Set up by Government
- (18) The National Cultural Fund set up by the Central Government
- (19) The Fund for Technology Development and Application set up by the Central Government
- (20) National Trust for welfare of persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities
- (21) The Swachh Bharat Kosh, set up by the Central Government, other than the sum spent by the assessee in pursuance of CSR u/s 135(5) of the Companies Act, 2013
- (22) The Clean Ganga Fund, set up by the Central Government, where such assessee is a resident, other than the sum spent in pursuance of CSR u/s 135(5) of the Companies Act, 2013
- (23) The National Fund for Control of Drug Abuse constituted under section 7A of the Narcotic Drugs and Psychotropic Substances Act, 1985
- (24) Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund)

Part II Donation qualifying for 50% deduction, without any qualifying limit

- ~~(1) The Jawaharlal Nehru Memorial Fund [Omitted]~~
- (2) Prime Minister's Drought Relief Fund
- ~~(3) Indira Gandhi Memorial Trust [Omitted]~~
- ~~(4) Rajiv Gandhi Foundation [Omitted]~~

Part III Donation qualifying for 100% deduction, subject to qualifying limit

- (1) The Government or to any approved local authority, institution or association as may be approved for promotion of family planning
- (2) Sum paid by a company as donation to the Indian Olympic Association or any other association/institution established in India, as may be notified by the Government established
 - for the development of infrastructure for sports or games, or
 - the sponsorship of sports and games in India

Part IV Donation qualifying for 50% deduction, subject to qualifying limit

- (1) Any Institution or Fund established in India for charitable purposes fulfilling prescribed conditions under section 80G(5).
- (2) The Government or any local authority for utilisation for any charitable purpose other than the purpose of promoting family planning.
- (3) An authority constituted in India by or under any other law enacted either for the purpose
 - of dealing with and satisfying the need for housing accommodation or
 - of planning, development or improvement of cities, towns and villages, or both.
- (4) Any Corporation established by the Central Government or any State Government for promoting the interests of the members of a minority community as referred in Sec 10(26BB).
- (5) for renovation or repair of any such temple, mosque, gurdwara, church or other place as notified by the Central Government to be of historic, archaeological or artistic importance or to be a place of public worship of renown throughout any State or States.

Conditions:

- Donations in kind shall not qualify for deduction.
- No deduction shall be allowed in respect of donation of any sum exceeding 2000 unless such sum is paid by any mode other than cash.

Qualifying limit: The eligible donations referred to in III and IV should be aggregated and the sum total should be limited to **10% of the adjusted GTI**. This would be the maximum permissible deduction. The donations qualifying for 100% deduction would be first adjusted from the maximum permissible deduction and thereafter 50% deduction of the balance would be allowed.

Step 1: Compute adjusted total income i.e., the GTI as reduced by the following:

- (i) Deductions under Chapter VI-A, except under section 80G
- (ii) Short-term capital gain taxable under section 111A
- (iii) Long-term capital gains taxable under sections 112 & 112A
- (iv) Any income on which income-tax is not payable
- (v) Income referred to in section 115A(1)(a), 115AB, 115AC, 115AD and 115D

Step 2: Calculate 10% of adjusted total income

Step 3: Calculate the actual donation, which is subject to qualifying limit (Total of Category III and IV donations, shown in the table above)

Step 4: Lower of Step 2 or Step 3 is the maximum permissible deduction.

Step 5: The said deduction is adjusted first against donations qualifying for 100% deduction (i.e., Category III donations). Thereafter, 50% of balance qualifies for deduction u/s 80G

Assessee who are eligible for Deduction	Assessee who derive any profits or gains from an undertaking, being a unit, engaged in the manufacturing or production of articles or things or provision any service in a Special Economic Zone(SEZ)	
Conditions to claim DEDUCTION	(i) It has begun to manufacture or produce articles or things or provide any service in any SEZ during P.Y 05-06 or any subsequent P.Y. but not later than 31.3.21. (Approval must be taken before 31.3.20) (ii) It has furnished report of CA at least 1 month prior to due date of ROI u/s 139(1) (iii) It has furnished ROI on or before the due date of 139(1).	
Period	For First 5 A.Y. 100% of export Profit For Next 5 A.Y. 50% of Export Profit For Next 5 A.Y. LOWER OF ↓ -Amount debited to P/L & credited to SEZ reinvestment Allowance reserve a/c OR ↓ - 50% of export profit.	
Export Profit	$\text{PGBP of unit located in SEZ} \times \frac{\text{Export Turnover}}{\text{Total Turnover}}$	
Export Turnover	Consideration in respect of export brought into India in convertible foreign currency within 6 months from the end of P.Y. or within such further period as permitted by Competent Authority. Note - Sales proceeds deemed to have been received in India if such amount is credited to a separate A /c maintained by assessee outside India with approval of RBI.	
EXCLUSIONS	(1)	(2)
Export Turnover & Total Turnover does not include(1)	Freight, Telecommunication charges, Insurance or Expenses for providing service outside India.	Cash Compensatory Support, Duty drawback and profit on sale of import entitlement licenses.
Export Profit Does not Include(2)		

Utilization of SEZ Investment Reserve A/c	<p>-Should be utilized for acquiring new Pl & M put to use within 3 yrs from the end of P.Y. in which reserve was created.</p> <p>-If amount mis-utilized / Non-utilized then deduction claimed earlier shall be taxable as PGBP.</p> <ul style="list-style-type: none">• Imported - New• 20% Old Chalega
SEZ Investment Reserve A/c should not be utilized for	<p>(i) distribution by way of dividends or profits</p> <p>(ii) for remittance outside India as profits</p> <p>(iii) for the creation of any asset outside India</p>
Deemed Income	<p>If Reserve has not been utilized till the expiry of time limit: of the year immediately following the period of 3 years.</p>
Restriction on other tax benefits	<p>-During the period of deduction, depreciation is deemed to have been allowed on assets. WDV shall accordingly be reduced.</p> <p>-No deduction u/s 80IA/IB shall be allowed to the profits/gains of undertaking.</p> <p>- Any unabsorbed Dep u/s 32(2) or Business Loss u/s 72(1) or loss under "capital Gain" u/s 74 of Undertaking, shall be allowed to carry forward and set off in subsequent years.</p>

Sec 115JC - ALTERNATE MINIMUM TAX

- AMT is applicable to all Assessee except Companies
- AMT shall not be applicable if Adjusted Total Income is upto 20 lakhs
↳ Individual/HUF/AOP/BOI/AJP

Income Tax payable

- Income Tax payable as per Normal provisions or
 - 18.5% of Adjusted Total Income
- ↓
whichever is Higher

Calculation of Adjusted Total Income

Total Income as per Normal provisions	xxx
(+) Dedn u/s 10AA	xxx
(+) Dedn u/s VI-A 'C'	xxx
(+) Dedn u/s 35AD	xxx
(-) Depreciation allowable on 35AD Assets if deduction u/s 35AD was not allowed	(xxx)
Adjusted Total Income (ATI)	<u>xxx</u>

Note:

- The provisions of AMT apply only if assessee is claiming deduction u/s 10AA, chapter VIA-'C' or 35 AD.
- If unit is located in IFSC, AMT is applicable at 9% → Instead of 18.5%
- All provisions of Income Tax Act like Advance Tax, Int u/s 234A/B/C shall apply to the assessee.
- AMT is not applicable to Assessee opting 115BAC, AMT credit unutilized on the day of opting above sections will LAPSE.
- In Case of Co-operative Society, AMT Applicable @ 15% instead of 18.5%

AMT Credit

When $AMT\ payable > Tax\ as\ per\ normal\ provision$



AMT credit arises when → $AMT\ Credit = AMT\ payable - Tax\ as\ per\ Normal\ provisions$

It can be carried forward for 15 years.

AMT credit can be utilized in the year in which

$Tax\ as\ per\ Normal\ provisions > AMT\ payable$

} Allowed to the extent

Normal Tax exceeds AMT

Eg. P.Y.-23-24

AMT = 1,00,000

Normal Tax = 80,000

AMT credit- 20,000

P.Y. 24-25

AMT = 1,10,000

Normal Tax = 1,20,000

Tax payable = 1,10,000

} AMT credit of

10,000 will be

utilised.

Sec 139(1) - Filing of ROI

For Company & Partnership Firm (incl. LLP)

Return Filing Compulsory

Other Assesseees

If Gross Total Income* > Basic Exemption Limit

Return Filing Compulsory

[* GTI → Income before claiming VI-A deduction & before claiming exemption u/s 54,54B,54D,54EC, 54F,54G,54GA,54GB.]

↳ Capital Gain exemptions

3,00,000 u/s 115BAC

→ Other than these assesses, few other assesseees are required to file ROI:.

1) Resident and Ordinarily Resident CROR)

- Beneficial Owner of any asset (incl. financial asset) located outside India.
- Has signing authority in any Account outside India.

OR

Beneficiary of Any Asset (incl. financial interest) located outside India

Note: If Beneficial Owner has filed Return, then Beneficiary is not required to file the return.

2) If Any Assessee other than Company or Firm → who is not required to file ROI u/s 139(1) → will be required to file ROI if :

(a) has deposited an amount or aggregate > 1 cr in one or more current accounts maintained with a banking company or a co-operative bank

(b) has incurred expense of an amount or aggregate > 2 lakh for himself or any other person for travel to a foreign country

(c) has incurred expense of an amount or aggregate > 1 lakh towards electricity bill.

→ Due-Dates for Return filing:-

	Assesses required to furnish Transfer Pricing Report u/s 92E	Other Assessee
• Company		
• Assessee who gets their Accounts Audited		
• Partner of firm which gets its Accounts Audited		
	30th Nov of A.Y.	31st July of A.Y.
	31st Oct of A.Y.	

Sec 139(3) - Loss Return

Sec 80:

If you want to Carry Forward these Losses → PGBP loss, Capital Gains(Loss), Loss from owning & maintaining race Horses

Then you have to file Return of Income Before due date of 139(1)

Notes:

- These Losses Can't be carried forward, but can they be set-off in the current year? → Yes
- Sec 35AD Loss Can't be Carried forward if Return is filed beyond due date of 139(1)
- Sec 35AD Loss, Sec 10AA Deduction, Chapter VI-A 'C' Deductions can't be availed if Return is filed beyond due date.
- But House property & Unabsorbed Depreciation
↳ can be carried forward even after filing Belated Return.
- Sec 80 conditions are applicable for the year in which loss is incurred. For Next year(2nd year), that Loss can be carried forward even after filing Belated Return.

Sec 139(4) - Belated Return

If any Assessee has not filed Return of Income before due date u/s 139(1), he may furnish return of P.Y. any time:

Before **3 Months** prior to end of Relevant A.Y.

OR

Before **Completion** of Assessment

whichever is earlier

If you have filed Belated Return:

- Late Fees of Rs. **5000** u/s 234F will be levied.
- Certain losses can't be carried forward.
- Certain Deductions can't be claimed.
- Dedn u/s 10AA will not be available if ROI is filed beyond due date

Sec 139(5) - Revised Return

Any return filed u/s 139(1), 139(3) or 139(4) **can be revised** if → Assessee finds any omission or wrong statement.

Time Limit:

Before **3 Months** prior to end of Relevant A.Y.

OR

Before **Completion** of Assessment

whichever is earlier

Notes:

- Revised Return changes everything except **date** of the Original return. Changes made in the Revised Return shall be deemed to be made on Original date of return only.
- Return can be revised for any number of times.
- Assessee can claim anything **before A.O.** only by **filing Revised return.**

Sec 139(9) - Defective Return

Return can become defective in these 3 cases:

Return not filed
in **prescribed form**

Tax Audit report
not submitted

Proof of Tax payment
not attached with return

Notes:

→ If Return has become defective, A.O. will intimate the assessee & will give time of 15 days to rectify the defect.

→ If Assessee does not rectify the defect within 15 days, the return will be deemed to be invalid → as if Return has not been filed.

Return of Various Entities:

All the provisions of Income Tax Act shall apply to these returns as if these returns are filed u/s 139(1).

These entities will be required to file their ROI if:

Sec 139(4A)

Return of Trust

If Income before giving exemption

u/s 11 & 12 > Basic exemption

Sec 139(4B)

Return of Political Party

If Income before giving exemption

u/s 13A > Basic exemption



Return of Various Entities

139(4C)

Return of Hospitals

Institutions regd. u/s 10 etc.

If Income before giving exemption

u/s 10 > Basic exemption



Sec 139(4D)

Sec 35 University, Edu.

Institution, College etc.

Return Filing is mandatory

139(4E)

Business Trust

Return filing is

mandatory

139(4F)

Investment Fund

Return filing is

mandatory

Rule 12AB: Following Persons shall also be required to file their Return of Income u/s 139(1)

CASE	Prescribed Transactions	Prescribed Monetary Limit
A person carrying on Business	His Total Sales, turnover, Gross Receipts, as the case, may be in the business	> ₹60 lakhs during the relevant PY
A person carrying on Profession	His total Gross receipts in profession	> ₹10 lakhs during the relevant PY
A resident individual who is aged ≥ 60 years at any time during the relevant PY	The aggregate of TDS and TCS in his case	≥ ₹50,000 during the relevant PY
Any other person	The aggregate of TDS and TCS in his case	≥ ₹25,000 during the relevant PY
A person having Savings Bank Account	The deposit in one or more savings bank accounts of the person, in aggregate	≥ ₹50 Lakhs during the relevant PY

SECTION 139(8A) - UPDATED RETURN OF INCOME

(1) Option to furnish updated return:

Any person may furnish an updated return, for any P.Y. at any time within 24 months from the end of the relevant A.Y.

↳ Irrespective of whether ROI u/s 139(1)/(4)/(5) has been filed or not.

e.g. an updated return for A.Y. 2023-24 can be filed till 31.3.2026.

(2) Non-applicability of updated return:

The provisions of Updated Return would not apply in following cases:

If Updated return is a Loss Return

If Updated Return is decreasing Total Tax Liability

If Updated Return results in refund or increases the refund

(3) If Original Return is a **loss Return** → And Updated Return is **Return of Income**



Updated Return Can be Filed

(4) If any B/f Loss or unabsorbed depreciation or MAT credit **is to be reduced** for any **subsequent P.Y.** as a result of furnishing of **updated return** of income for a P.Y., an updated return is required to be furnished for each such subsequent P.Y..

(5) Circumstances in which Updated Return Can't be furnished:

Where a person has **already furnished** an updated return for the **relevant A.Y.**

Where any **proceeding** for assessment or revision, etc is **pending** or has been **completed** for the relevant A.Y..

SEC 140B - TAX ON UPDATED RETURN

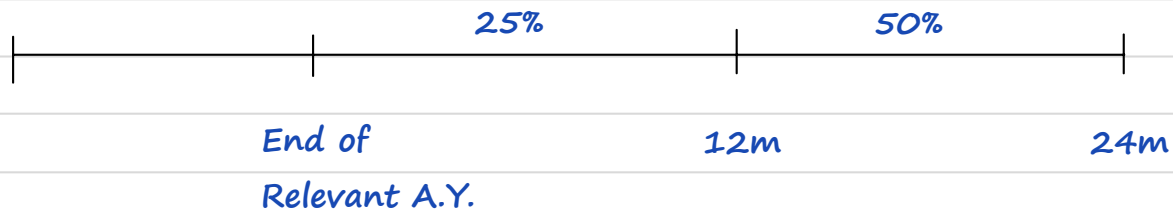
The Assessee has to pay **additional income-tax** at the time of furnishing the updated return under section 139(8A):

Time of furnishing Updated return	Additional Income-tax Payable
If return is Filed after expiry of the time limit but before the period of 12 months from the end of the relevant A.Y.;	25% of Aggregate tax [i.e. Tax + surcharge + cess + Interest]
If return is Filed after the expiry of 12 months from the end of the relevant A.Y. but before completion of 24 months from the end of the relevant A.Y.	50% of Aggregate tax [i.e. Tax + surcharge + cess + Interest]

Note: Fees is not added while calculating 25%/50%

Note: Any Interest paid in **earlier return** will be **reduced** from interest calculated in Updated Return u/s 139(8A).

However, the interest paid in the earlier return would be considered to **be nil**, if **no earlier return** has been furnished.



Part A: In Case where **No** Return is Filed [Sec 140B(1)]

Tax to be paid along with interest and fee before furnishing of updated return:

→ Where ROI has not been filed by Assessee u/s 139(1) or 139(4) & tax is payable as per Updated Return[139(8A)],



Note: The updated return shall be accompanied by proof of payment of such tax, additional income-tax, interest and fee.

Computation of Tax Payable

The tax payable is to be computed after reducing the following -

- (i) Advance tax;
- (ii) TDS/TCS
- (iii) any relief u/s 89(Salary Arrears)
- (iv) Any AMT Credit(only if opted out of 115BAC)

Calculation of Interest u/s 234A

Where no earlier Return is filed, Interest u/s 234A has to be calculated on Tax payable as per Updated Return

Part B: In case where return is furnished earlier [Sec 140B(2)]

Tax to be paid along with interest before furnishing updated return:

→ Where, ROI u/s 139(1) or 139(4) or 139(5) has been filed by an assessee & tax is payable, on the basis of Updated return[139(8A)]

↳ Such Tax has to be paid

along with interest for → Delay/Default in paying Advance
Tax (234B, 234C)

↓
reduced by any Interest paid in
earlier return

Computation of Tax Payable

The tax payable is to be computed after reducing the following -

- (i) the amount of relief or tax referred to in section 140A(1), the credit for which has been taken in the earlier return[Self-Assessment Tax]
 - (ii) TDS/TCS on any Income
 - (iii) any relief u/s 89(Salary Arrears)
 - (iv) Any AMT Credit(if opted out of 115BAC)
- These 3 Deductions will only be allowed on such Income which has not been included in Earlier Return

Note: Any refund issued for such earlier return will be added to aforesaid Tax.

Calculation of Interest u/s 234B: The Interest u/s 234B is calculated on the Tax Computed Above (i.e. after reducing items given above).

Calculation of Interest u/s 234C if earlier return has been furnished:

Interest payable u/s 234C, where ROI has been filed earlier, has to be computed after taking Total Income taken in Updated Return as returned income.

Note: An Updated Return would be regarded as Defective Return if Proof of Payment is not submitted with the Return.

Sec 139A - Permanent Account Number

Persons mandatorily required to apply for allotment of PAN:

Persons required to apply for PAN	Time limit for making such application
(i) Every person, if his total income > Basic Exemption Limit during the P.Y.	On or before 31st May of such relevant A.Y.
(ii) Every person having PGBP Income , if T/O or Gross receipts are or is likely to exceed ₹ 5 lakhs in any P.Y.	Before the end of that F.Y. (P.Y.).
(iii) Every person who is required to file ROI u/s 139(4A)	Before the end of the F.Y.
(iv) Resident Person, other than individual, which enters into a financial transaction aggregating to ₹ 2,50,000 or more in a F.Y.	On or before 31st May of the immediately following F.Y.
(v) Every person who is a M.D., director, partner, trustee, author, founder, karta, CEO, principal officer or office bearer of any person referred in (iv) above or any person competent to act on behalf of such person referred in (iv) above	On or before 31st May of the immediately following F.Y. in which this person enters into financial transaction specified therein.

Space For Notes:

→ Quoting of PAN is mandatory for transactions prescribed under Rule 114B:

As per section 139(5) quoting of PAN is mandatory in the following documents/ prescribed transactions:

- (a) in all returns to, or correspondence with, any income-tax authority;
- (b) in all challans for the payment of any sum due under the Act;
- (c) in all documents relating to transactions entered into by him, as may be prescribed by the CBDT.

In this connection, CBDT has prescribed the following transactions vide Rule 114B, namely:

Nature of transaction	Value of transaction
1) Sale or purchase of a motor vehicle (Other than 2 Wheeler)	All Such Transactions
2) Opening an Account [other than a time- deposit and a Basic Savings Bank A/c] with a banking company or a co-operative bank	All Such Transactions
3) Making an application to any banking company or a co-operative bank, any other company or institution, for issue of a credit or debit card .	All Such Transactions
4) Opening of a demat account	All Such Transactions
5) Payment to a hotel or restaurant against a bill or bills at any one time.	Payment in cash > ₹ 50,000
6) Payment in connection with travel to any foreign country or payment for purchase of any foreign currency at any one time.	Payment in cash > ₹ 50,000
7) Payment to a Mutual Fund for purchase of its units	Amount > ₹ 50,000
8) Payment to a Co. or an inst. for acquiring debentures or bonds issued by it.	Amount > ₹ 50,000
9) Payment to the RBI for acquiring bonds issued by it.	Amount > ₹ 50,000
10) Deposit with <ul style="list-style-type: none"> • a banking company or a co- operative bank; or • post office 	Cash deposits > ₹ 50,000 during any one day

11) Purchase of bank drafts or pay orders or banker's cheques from a banking company or a co-operative bank	Payment in cash > ₹ 50,000
12) A time deposit with, - (i) a banking company or a co-operative bank (ii) a Post Office; (iii) a Nidhi Co.; or (iv) a NBFC	Amount > ₹ 50,000 or aggregating to > ₹ 5 lakh during a F.Y..
13) Payment for one or more pre-paid payment instruments, to a banking company or a co-operative bank or to any other Co. or Inst.	Payment in cash or by bank draft or pay order/banker's cheque aggregating to > ₹ 50,000 in a F.Y.
14) Payment as life insurance premium to an insurer	Amount aggregating to more than ₹ 50,000 in a F.Y.
15) A contract for sale or purchase of securities	Amount > ₹ 1 lakh per transaction
16) Sale or purchase, by any person, of shares of a Unlisted company	Amount > ₹ 1 lakh per transaction
17) Sale or purchase of any immovable property.	Considn or SDV > ₹ 10 lakhs
18) Sale or purchase, by any person, of goods or services of any nature other than those specified at Sl. No. 1 to 17 of this Table, if any.	Amount > ₹ 2 lakh per transaction

→ Where a minor is entering the Transaction who does not have any taxable income, he shall quote the PAN of his father or mother or guardian, in the document relating to the said transaction

→ Declaration by a person not having PAN

Further, any person who does not have a PAN and who enters into any transaction specified in the Table above, shall make a declaration in Form No.60 giving therein the particulars of such transaction either in paper form or electronically by EVC.

→ Non-applicability of Rule 114B

Also, the provisions of Rule 114B shall not apply to the following class or classes of persons, namely:-

- (i) the CG, the SG and the Consular Offices;
- (ii) the NR referred to in section 2(30) in respect of the transactions other than a transaction referred to at Sl. No. 1 or 2 or 4 or 7 or 8 or 10 or 12 or 14 or 15 or 16 or 17 of the Table.

→ Any person receiving income subjected to TDS or TCS must provide their PAN to the deductor or collector of the tax.

→ Inter-changeability of PAN with the Aadhaar number

A person required to quote or intimate their PAN can quote their Aadhaar instead (effective from 1.9.2019), provided:

- They do not have a PAN but possess an Aadhaar.
- They have a PAN and have linked it with Aadhaar as per Section 139AA(2).
- PAN is automatically allotted in the prescribed manner for those who do not already have one but possess Aadhaar.

Penalty for failure to comply with the provisions of section 139A [Section 272B]

272B(1)	Failure to comply with the provisions of section 139A	₹ 10,000
272B(2)	Failure to quote PAN/Aadhaar number in any document referred to in sec 139A(5)(c)	
	Failure to intimate PAN/Aadhaar number as required by section 139A(5A)/(5C)	₹ 10,000 for each default
	Knowingly quoting or intimating a number which is false	
272B(2A)	Failure to quote PAN/Aadhaar Number in documents referred to in section 139A(6A) or authenticate such number in accordance with the provisions contained therein	₹ 10,000 for each default
272B(2B)	Failure to ensure that PAN/Aadhaar Number	₹ 10,000 for each such default
	(i) is duly quoted in the documents relating to transactions Ref to in section 139A(5)(c) or section 139A(6A)	
	(ii) duly authenticated in respect of transactions ref to u/s 139A(6A)	

Sec 139AA - Quoting of Aadhaar Number

Mandatory Requirement:

From 1st July 2017, Aadhaar must be quoted in:

- PAN applications.
- Return of Income (ROI) filings.

When Aadhaar is Unavailable:

- Quote the Enrolment ID of Aadhaar.

This provision ends on 1st October 2024. PAN holders using Enrolment IDs must link Aadhaar by a notified date.

Aadhaar-PAN Linking:

- PAN holders as of 1st July 2017 **must link Aadhaar** by 31st March 2022.
- Linking is mandatory for ROI filing unless exempted.

Consequences of Failure to Intimate Aadhaar Number (Section 139AA(2)):

PAN Becomes Inoperative: If Aadhaar is not linked to PAN by **31st March 2022**, the PAN will become inoperative. An inoperative PAN cannot be used for furnishing, quoting, or intimating under the Income Tax Act, 1961.

Implications of an Inoperative PAN:

From **1st April 2023**, an inoperative PAN will be treated as if the PAN was not furnished, quoted, or intimated. This will attract all penalties and consequences under the Income Tax Act for non-compliance.

Reactivation of PAN:

An inoperative PAN can be made operative again if:

- The Aadhaar is linked after **31st March 2022**.
- The applicable fee is paid under Section 234H and Rule 114(5A).

PAN becomes operative from the date of intimation of Aadhaar.

Fee for Late Linking (Section 234H):

If Aadhaar is linked **after 31st March 2022**:

- **Rs. 500** if linked by 30th June 2022.
- **Rs. 1000** if linked after 30th June 2022.

Rule 114AAA provides that if PAN of a person has become inoperative, he will not be able to furnish, intimate or quote his PAN anywhere. This will have a number of implications such as:-

- (i) The person would not be able to file return using the inoperative PAN
- (ii) Pending returns will not be processed
- (iii) Pending refunds cannot be issued to inoperative PANs
- (iv) Pending proceedings as in the case of defective returns cannot be completed
- (v) Tax will be required to be deducted at a higher rate as PAN becomes inoperative

Additional Impacts:

PAN being a critical KYC criterion, taxpayers may face difficulties in financial transactions, including dealings with banks and financial portals.

CBDT Circular:

The specified consequences of an inoperative PAN are **effective from 1st July 2023**. For transactions up to **31st May 2024**, deductors/collectors are not required to apply **higher TDS/TCS rates**.

Provision not to apply to certain person or class of persons:

- (i) Person residing in Assam, Jammu & Kashmir and Meghalaya;
- (ii) a non-resident as per Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India

SECTION 139B - SUBMISSION OF RETURNS THROUGH TAX RETURN PREPARERS

→ The Tax Return Preparer shall assist the persons furnishing the return in a manner that will be specified in the Scheme and shall also affix his signature on such return.

A Tax Return Preparer can be an individual, **other than**

- (i) any officer of a scheduled bank with which the assessee maintains a current account or has other regular dealings.

- (ii) any legal practitioner who is entitled to practice in any civil court in India.
- (iii) an accountant (being a chartered accountant).
- (iv) an employee of the 'specified class or classes of persons' who has been authorised to act as a Tax Return Preparer under the Scheme.

The following eligible person (an individual or a HUF) cannot furnish a return of income for an assessment year through a Tax Return Preparer:

- (i) Assessee who is required to do Tax Audit u/s 44AB
- (ii) who is not a resident in India during the previous year.

Declaration by a Person not having PAN

1. Individuals Without PAN: Must file Form No. 60 for specified transactions if they are not a company or firm.
2. Foreign Companies Without PAN: Must file Form No. 60 for transactions under Sl. No. 2 or 12 in an IFSC banking unit if they have no taxable income in India.
3. IFSC Banking Unit: Defined under Section 3(1)(c) of the IFSC Authority Act, 2019 and authorized by IFSC regulations.

As per CBDT Notification

Certain persons are not required to apply for or quote a PAN.

Applicable Cases:

- Non-residents (excluding companies) or foreign companies making deposits or withdrawals (other than in cash).
- Opening a current account (not a cash credit account).

Conditions:

- The transaction is with an IFSC banking unit.
- The non-resident or foreign company has no income chargeable to tax in India.

Section 139A read with Rule 114BA and 114BB

Every person who has not been allotted a PAN shall apply for PAN if he intends to enter into such a transaction.

Rules 114BA and 114BB provide such transactions

CBDT has amended Rules 114BA and 114BB to include the following:

Application for PAN to be made prior to

- (1) Withdrawing/ Depositing Cash in his Account with a Banking Co/ Co-op Bank/ PO Exceeding ₹ 20 Lakhs in aggregate during an FY
- (2) Opening a Current A/c or Cash Credit (CC) A/c with a Banking Co/ Co-op Bank/PO

No requirement to Apply for or Quote PAN

- (1) Where person making Deposit/ Withdrawal / Opening Current is NR or Foreign Co. (NR-FC)
- (2) Transaction is entered with an IFSC Banking Unit
- (3) Such NR-FC does not have any Income chargeable to Tax in India

Sec 115BAC(1A) - Default Tax Regime

APPLICABLE TO- Individual /HUF (R, NR-Both)

NORMAL SLAB RATES (Optional)	SLAB RATES u/s 115BAC(1A) (Default Tax Scheme)
0 - 2,50,000 - Nil	0 - 3,00,000 Nil
2,50,000 - 5,00,000 - 5%	3,00,001 - 7,00,000 5%
5,00,000 - 10,00,000 - 20%	7,00,001 - 10,00,000 10%
Above 10,00,000 - 30%	10,00,001 - 12,00,000 15%
	12,00,001 - 15,00,000 20%
	15,00,001 & Above 30%
	Note: For Individual above 60/80 yrs of age, same slab rate is applicable.
	Benefit of 3L/5L Not available.

Some Notes for Sec 115BAC

Opt Out Option:

- Assessee not having PQBP Income:

→ Every year, before filing Return, you can choose an option, between Default Tax Regime u/s 115BAC(1A) or Old Slab Rates.

- Assessee having PQBP Income:

If You opt out of 115 BAC , then in subsequent years also,



↳ You have to pay tax at Old Slab Rates

If in any future year, if you opt for 115BAC, then you can not opt out of 115BAC for lifetime.

Other Notes:

→ How will Employer deduct TDS of Employees?

Employee will give declaration to Employer in the beginning of the year.

Declaration given - 115BAC & Return filed- Normal Slab Rates

↳ Is It Possible? → YES

→ Standard Deduction of 75,000 from Salary is allowed u/s 115BAC(1A)

(old regime std dedn is 50K only)

CONDITIONS BENEFITS / EXEMPTIONS / DEDUCTIONS NOT AVAILABLE u/s 115BAC(1A)

SALARY

Sec 10(15) - LTC

Sec 10(13A) - HRA

Sec 10(17) - Allowance to MP/ MLA

Sec 10(32) - Parents

Minor's Income

1,500 p.a.

Sec 16 - Profession Tax

Entertainment allowance

Sec 10(14) - Allowances

HOUSE PROPERTY

Sec 24 - Interest on SOP

(30,000 / 2,00,000)

Exceptions - LOP / DLOP

Interest is Allowed

HP Losses (LOP/ DLOP)

Set Off against Other

Head is NOT Allowed

PGBP

Sec 32(i)(iia) - Additional Dep

Sec 35AB, 35ABA - Tea, Coffee, Rubber

Donation to Scientific Research

Sec

35(1)(ii) - Institute/

Research Assoc

Scientific

Research

35(1)(iia) - College, Uni

35(ii) - Indian Co. Engaged in R&D

35(2AA) - IIT/ National Lab

10AA - SEZ

35AD - Specified Business

35CCC - Agri Extension Project

Others

Any Deduction u/Chapter VI-A

Exceptions -

(i) Sec 80JAA

(ii) Sec 80CCD(2)

(iii) 80CCH(2)

Exceptions -

- Daily Allowance
- Transport Allowance
- Conveyance Allowance
- Travel on Tour Allowance

AGRICULTURAL INCOME

As per Section 10(1), Agricultural income in India is **exempt**

Agricultural income includes following incomes also:

- **Rent** or Revenue Derived from agricultural land
- Income from farm building
- Income from agricultural operations

Hence, The Above three incomes are **also exempt**.

Notes:

Income from Agricultural Land will be **Exempt** only if the Land is **situated in India**.
If the Land is Outside India, Income will be Taxable.

Income from farm building:

Income from farm building **will be exempt** if all the following conditions are satisfied:

- i) It should be **situated** on the **agricultural land** or in the immediate vicinity of agricultural land;
- ii) It should be used either as a **dwelling house** or a **store house**;
- iii) The agricultural land should be subject to **land revenue in India** or any local rate or it should **not be situated in urban area**.

Urban Area:

- Any Area of municipality or Cantonment Board which has population of 10,000 or more
- Any Area within such distance measured aerially, wrt to range of Population as given:

Shortest Aerial Distance from Local Limits	Population
Upto 2KMS	> 10,000
> 2kms Upto 6Kms	> 1,00,000
>6kms Upto 8kms	> 10,00,000

Income from agricultural operations:

This includes 2 types of incomes as follows:

- 1) Income from sale of **products** [produced from **pure agricultural operations** without any further processing]: Such income is **fully exempt**
- 2) Income from sale of products [produced from agricultural operations with **further processing** involving non- agricultural operations]:

Such income is **partly exempt – partly taxable** as follows:

COMPOSITE INCOME

	Business Income	Agri Income
• Tea	40%	60%
• Coffee(Grown & Cured)	25%	75%
• Coffee (Grown, Cured, Roasted & Grounded)	40%	60%
• Rubber	35%	65%

Partial Integration of Agricultural Income with Non-Agricultural Income

Agricultural Income is **Exempt**. However a Method has been laid down to Tax Agricultural Income Indirectly. This Concept is called **partial integration of agricultural income with non-agricultural income**

Conditions for applicability of Partial Integration:

- 1) Applicable to Only Individual/HUF/AOP/BOI/AJPs
- 2) Net Agri Income > Rs. 5000 p.a
- 3) Non-Agri Income > Basic Exemption Limit

Tax Calculation:

Step 1: Non-agricultural income + Net agricultural income.
Compute tax on the aggregate amount.

Step 2: Net agricultural income + Basic exemption limit.
Compute tax on the aggregate amount.

Step 3: Step 1 - Step 2

Step 4: Add Surcharge and Allow Rebate if available u/s 87A
Then Add Cess

OTHER EXEMPT INCOME

Sec 14A: Restriction on Allowability of Expenditure incurred for earning exempt Income

Any expenditure incurred to earn Exempt Income shall not be allowed as deduction while computing income under any head since the exempt income is not taxable.

Sec 10(2) : Share of HUF income received by a member from HUF

Any sum received by an Individual as a member of HUF

- either out of the family income or
- out of the impartible estate belonging to the family shall be exempt in the hands of the member even if such income is exempt in the hands of HUF.

Sec 10(2A): Share of Profit of a Partner from a firm

Share of the Partner in total income of the firm shall be exempt in the hands of partner even if taxable income becomes nil in the hands of firm due to any exemptions or deductions.

Section 10(4)(ii) Interest on NRE A/c

Interest Income of an NR Individual*, on money standing to the credit in his NRE A/c (Non-Resident (External) Account) shall be exempt. Provided that

Such Individual is → "Person Resident outside India" as per FEMA, 1999 OR
Person permitted, to maintain NRE A/c, by RBI"

*Benefit is available to Joint A/c holders, subject to fulfilment of conditions prescribed

Sec 10(10BB) Payment to victims of Bhopal gas disaster

Any payment made to a victim of Bhopal Gas Leak Disaster → Fully exempt.

No Exemption: If the amount of Loss has been allowed as deduction.

Sec 10(10BC) : Compensation received on account of any disaster

Compensation received for any disaster from CG/SG/LA by an Individual/his legal heir → Exempt.

No Exemption: If the amount of Loss has been allowed as deduction.

Section 10(6) Remuneration received by Individual who are not Citizens of India

Income from Services rendered by
Individuals Not Citizen of India being

Officials of Embassies of Foreign State 10(6)(ii)	Foreign National employed by Foreign Enterprise in India 10(6)(vi)	Non - Citizen employed on a foreign Ship 10(6)(viii)	Foreign Government Employees 10(6)(xi)
Conditions: Remn of our corresponding officials is exempt in such country (+) they are not engaged in any B/P or in India	Conditions = Foreign Enterprise not engaged in B/P in India (+) Stay in India does not exceed 90 days (+) Remn not liable to be deducted from Employer's Income Taxable in India.	Condition: Employee's Stay in India does not exceed 90 days	For training in establishment owned by CG / Co owned by CG/SG/ partly, Stat Corp/ Society financed by CG/SG/Partly

SEC 10(18): PENSION RECEIVED BY RECIPIENT OF GALLANTRY AWARDS

→ Pension received by Individual who was CG/SG employee & who has been awarded Param Vir Chakra/Maha Vir Chakra/Vir Chakra → Exempt.

→ In case of Death of Awardee: Family pension received by the member of his family is exempt.

→ Disability pension granted to disabled personnel of armed forces (naval, military or air) who have been invalided on account of disability attributable to or aggravated by such service would be exempt from tax.

Note: Exemption will not be available to personnel who have been retired on superannuation or otherwise.

INCOME OF A SIKKIMESE INDIVIDUAL (SECTION 10(26AAA))

Exempt Incomes:

- Income from any source in the State of Sikkim;
- or Income by way of Dividend or Interest on securities.

Exemption is not available → Sikkimese woman who marry Non-Sikkimese man on/after 1.4.08.

Post Office Savings Account Interest (SB Account)

Tax-exempt interest:

Up to ₹3,500/year for single accounts

Up to ₹7,000/year for joint accounts

Interest beyond these limits is taxable as "Income from Other Sources."

Space for Notes