CA / CMA INTER

NEW SYLLABUS

Applicable For		
	CA	May 26 / Sept 26 / Jan 27
	CMA	June 26 / Dec 26

50 Marks **in just** **35** Pages

- As Amended By Finance Act 2025
- Covers All Provisions in Its Simplest Form
- Simplified And Easy To Understand Through Charts
- Clear Concept Clarity

DT-CHART BOOK

BY: CA. CS. VIJAY SARDA

Dear Students

It gives us immense pleasure to present before you a Comprehensive book on Direct Taxes. This book would not have been a reality if not from the Tremendous support of Pallavi Sarda. Special Thanks to my Notes team, who has been involved "day & night literally" to fulfill this dream book without whom this would not have been the light of the day.

I have been blessed to have an extraordinary support terms of colleagues, friends & family who have helped me in every sphere of my journey called this life. All these people deserve much more than a deep thank and love. I express all my gratitude to each and everyone of them for assisting me in all my endeavors. Thanks to the student community for inviting me into your academics & making me your teacher. I am grateful for the opportunity to be of service to you. The love & affection you have shown is immense & invaluable. "Padho toh Hadh kardo warna Program radh kardo"

I express my respect, love and gratitude to My Parents & My Family for not only giving me life but giving your entire life to me. I am indebted to all of you a lot, indeed more than my life & to my wife to bear with me in all times I spent on making notes. And last to all my CRITICS because your criticism continuously keep me grounded and gave me power to do even better. Every care has been taken to make the presentation in this book from blemish.

Let us remind you two important things :
1. This book is not a substitute for study material issued by ICAI/ICMAI, it's only an aid.
2. There is no short cut to success, it is resolute hard work that pays.

"Quality is what I serve, & my Passion drives it"

INDEX

THINGS TO NOTICE

- General Concept
- Important
- Amendments
- Headings

WEIGHTAGE AS PER ICAI

No.	Contents	Section	Weightage
1.	Basic Concepts	I	10%-20%
2.	Residential status & scope of total income		
3.	**Heads of income and the provisions governing computation of income under different heads :**	II	25%-30%
	i) Salaries		
	ii) Income from house property		
	iii) Profits and gains of business or profession		
	iv) Capital gains		
	v) Income from other sources		
4.	Clubbing of income, set-off & carry forward, Deductions	III	15%-20%
5.	Advance tax, Tax deduction at source & tax collection at source	IV	15%-20%
6.	Provisions for filing return of income and self-assessment		
7.	Computation of total income and income-tax payable by an individual under the alternative tax regimes under the Income-tax Act, 1961 to optimise tax liability.	V	20%-25%

WEIGHTAGE AS PER ICMAI

No.	Contents	Weightage
1.	Basics of Income Tax	10%
2.	Heads of Income	25%
3.	Total Income and Tax liability of individuals & HUF	15%

A / B / C - ANALYSIS

	Topics	Done in class	Done by me
A	Basics of Income Tax		
	Income from salary		
	Capital Gains		
	Profits & Gains from Business/Profession		
	Set-off & Carry Forward		
	Tax Deducted & Collected at Source		
	Computation of Total Income		
B	Income from House Property		
	Income from Other Sources		
	Deduction		
	Return of Income		
C	Residential Status		
	Agriculture Income		
	Clubbing of Income		
	Exemptions		
	Alternate Minimum Tax		
	Advance Tax		

1 BASICS & TAX CALCULATION

BASICS OF INCOME TAX

1. Income tax is covered in Entry No 82 to the Union List. Taxes on income other than agriculture income.
2. **Sources of law :**
   a) IT Act ; b) IT Rules; c) Notification
   d) Circular; e) Case law

SEC 4 CHARGE OF INCOME TAX

1. **Income Tax** is Payable for any **Assessment Year.**
2. At the **rate specified** in **Annual Finance Act.**
3. In respect of **total income.**
4. Of **any Person** in the **previous year.**

SEC 2(31) PERSON

1. An Individual
2. A Hindu Undivided Family **[HUF] [Dayabhaga or Mitakshara]**
3. A Firm Including LLP **[Except for Sec 44AD/44ADA]**
4. A Company **[Domestic & Foreign]**
5. Association of Person/Body of Individuals. **[AOP/BOI]**
6. A Local Authority
7. Every Artificial juridical person not falling within any of the above. **[AJP]**

SEC 2(7) ASSESSEE

1. "Assessee" means a person by whom any tax; or
2. **Any other sum of** money is payable under this Act, & includes every person in respect of whom any proceeding under this Act has been taken for the assessment of his income; or
3. In respect of other person if he is assessable for his income/loss/refund (Clubbing).

Every person who is **deemed to be** an assessee under any provision of this Act.
For Eg : Director for Company

Every person who is deemed to be an **assessee in default** under any provision of this Act.
For Eg : If a person failed to deduct TDS

IMP Hai!

 # Every Assessee is a person but every person is not assessee

ASSESSMENT & PREVIOUS YEAR

Sec 3 Previous Year	Sec 2(9) Assessment Year
PY is a year in which income is **earned.** It is same as FY. This uniform PY has to be Followed for all source of income.	AY is a year in which income is **charged to tax** or year in which IT is payable. It is a Period of 12 months commencing on 1st April every year.

#General Rule : Income of previous year is taxable in Assessment year.

 # Exception to above rule :

IMP Hai!

1. Shipping Business of Non-Resident **[Sec 172]**
2. Persons leaving India **[Sec 174]**
3. AOP or BOI or AJP formed for a particular event or purpose **[Sec 174A]**
4. Persons likely to transfer property to avoid tax **[Sec 175]**
5. Discontinued business **[Sec 176]**

TAX RATES FOR I/HUF/AOP/BOI/AJP - OLD SCHEME

Other :
1. Resident Individual below 60
2. NR irrespective of Age
3. HUF, AOP/BOI, AJP

Total Income	Rates %	Shortcut
Upto ₹ 2,50,000	Nil	-
₹ 2,50,001 to 5,00,000	5%	₹ 12,500
₹ 5,00,001 to 10,00,000	20%	₹ 1,12,500
Above ₹ 10L	30%	-

Senior citizens : Individual (Resident) 60 yrs or more but not more than 80 years

Total Income	Rates %	Shortcut
Upto ₹3,00,000	Nil	-
₹3,00,001 to 5,00,000	5%	₹ 10,000
₹5,00,001 to 10,00,000	20%	₹ 1,10,000
Above ₹ 10L	30%	-

Super Senior citizens : Individual (Resident) 80 years/more

Total Income	Rates %	Shortcut
Upto ₹ 5,00,000	Nil	-
₹ 5,00,001 to 10,00,000	20%	₹ 1,00,000
Above ₹ 10L	30%	-

Notes :

1. Individual/HUF/AOP BOI/AJP have to pay tax as per default scheme u/s 115BAC. However they can opt for old regime.
2. **HEC** is applicable @4% [after surcharge or Rebate].
3. **Rebate u/s 87A :**
   a) Assessee is Individual.
   b) He is Resident in India.
   c) Whose TI (From All Heads after Deduction) does not exceed ₹5L. Rebate = ₹12,500 or 100% of tax payable, whichever is lower.
   d) Rebate not available for tax computed u/s LTCG 112A.
4. **Rounding Off :**

Sec 288A	Round off of Total Income	R/o to nearest multiple of ₹10
Sec 288B	Round off of Total Tax	R/o to nearest multiple of ₹10

5. Any **Resident Individual** whose 60th/80th birthday falls on 1st April 2026 shall be treated as having completed the age of 60/80 years on 31st Mar 26 i.e PY 25-26 (AY 26-27) & hence would be eligible for the higher basic exemption limit of ₹3,00,000 & ₹5,00,000.
6. **Special Adjustment :** If assessee (Resident) has special income (111A/ 112A/112) & cannot absorb BEL, then he can adjust special income & balance special income shall be liable to tax at special rates.

SPECIAL RATES

Income	Rates
STCG referred to in sec 111A (Securities)	20%
LTCG referred to in sec 112	12.5%
LTCG u/s 112A beyond ₹1.25 Lakh	12.5%
Casual income (e.g Lottery, Horse winnings, etc.) (Sec 115BB)	30%
Online gaming sec 115BBJ	30%
Unexplained Cash/Expenses/Investment sec 115BBE	Effective rate 60% + 25% + 4% = 78%
Maximum Marginal Rate [MMR] (In old scheme)	42.744% [30% + 37% + 4%]
V.D.A (Virtual Digital Taxation u/s 115BBH)	30%
STCG not covered u/s 111A	Normal slab rate

SURCHARGE

Surcharge : I / HUF / AOP / BOI / AJP as :

	Income	u/s 111A,112,112A Dividend Income	Other
1.	TI [including income u/s 111A, 112, 112A & dividend income does not Exceed ₹50L]	Nil	Nil
2.	TI [including income u/s 111A, 112, 112A & dividend income exceed ₹50L but does not exceed ₹1cr]	10%	10%
3.	TI [including income u/s 111A, 112, 112A & dividend income exceed 1cr but does not exceed ₹2cr]	15%	15%
4.	TI [**excluding** income u/s 111A, 112, 112A & dividend income exceed 2cr but does not exceed ₹5cr]	15%	25%
5.	TI [**excluding** income u/s 111A, 112, 112A & dividend income exceed ₹5cr]	15%	**37%**
6.	TI [including income u/s 111A, 112, 112A & dividend income exceed ₹2cr but not covered by situation 4 & 5]	15%	15%

 # In case of AOP (consisting of only companies as its member), the maximum of rate of surcharge is 15%.

MARGINAL RELIEF

1. In case of an Local Authority & Firm, where TI < ₹1cr, aggregate of income tax & surcharge shall be restricted to :
   (Tax on ₹1cr) + (Total Income - ₹1cr)
2. In case of an Individual & HUF :

Total Income	Income tax & Surcharge restricted to
₹50L </= ₹1cr	(Tax on ₹50 lakhs) + (TI - ₹50 lakhs)
₹1cr </= ₹2cr	(Tax on ₹1 crore + surch @ 10%) + (TI - ₹1 crore)
₹2cr </= ₹5cr	(Tax on ₹2 crore + surch @ 15%) + (TI - ₹2 crore)
Exceeds ₹5cr	(Tax on ₹5 crore + surch @ 25%) + (TI - ₹5 crore)

3. In case of a Domestic/Foreign Company, where TI ₹1cr </= ₹10cr, aggregate of income tax & surcharge shall be restricted to :
   (Tax on ₹1cr) + (Total Income - ₹1cr)
4. In case of a Domestic Company, where TI > ₹10cr, aggregate of income tax & surcharge shall be restricted to :
   (Tax on ₹10cr with surch of 7%) + (TI - ₹10cr)
5. In case of a Foreign company, where TI > ₹10cr, aggregate of income tax & surcharge shall be restricted to :
   (Tax on ₹10cr with surch of 2%) + (TI - ₹10cr)

TAX RATE FOR COMPANIES

General Rates for Companies

Domestic

T/O in P.Y. 23-24 [FA 2025] does not exceed ₹400cr

Income	Tax rate
Upto ₹1cr	TI x 25% + 4% HEC
₹ 1cr - 10cr	TI x 25% + 7% Surcharge + 4% HEC
Above ₹ 10cr	TI x 25% + 12% Surcharge + 4% HEC

Other Co

Income	Tax rate
Upto ₹1cr	TI x 30% + 4% HEC
₹ 1cr - 10cr	TI x 30% + 7% Surcharge + 4% HEC
Above ₹ 10cr	TI x 30% + 12% Surcharge + 4% HEC

Foreign Company

Income	Tax rate
Upto ₹1cr	TI x 35% + 4% HEC
₹ 1cr - 10cr	TI x 35% + 2% Surcharge + 4% HEC
Above ₹ 10cr	TI x 35% + 5% Surcharge + 4% HEC

OPTIONAL TAX SCHEME

Particulars	Sec
1. Individual/HUF/AOP/BOI/AJP	115 BAC
2. a) Domestic company	115 BAA
b) Domestic company Engaged in MNF	115 BAB
3. a) Co-op Society Engaged in MNF	115 BAE
b) Others	115 BAD

" These sections require you to have knowledge of certain other sections as well & hence, it will be discussed later in detail."

SELF NOTES

DEFAULT TAX SCHEME

SEC 115BAC TAX INCENTIVE FOR INDIVIDUAL & HUF

IMP Hai!

1. **Applicable to :** Individual/HUF/AOP/BOI/AJP. **(Resident/Non Resident)**

2. **Tax Rate :** sec 115BAC(1A) [FA 2025]

Total Income	Rate (%)	Shortcut(₹)
Upto ₹ 4,00,000	Nil	-
₹ 4L to 8L	5%	20,000
₹ 8L to 12L	10%	60,000
₹ 12L to 16L	15%	1,20,000
₹ 16L to 20L	20%	2,00,000
₹ 20L to 24L	25%	3,00,000
Above ₹ 24L	30%	-

3. **Rebate u/s 87A :**
   a) Assessee is Individual.
   b) He is Resident in India.
   c) Whose total income (From All Heads after Deduction) (Normal + Special excluding Agriculture Income and Exempt Income) does not exceed ₹12 lakh **Rebate = ₹60,000 or 100% of tax payable, whichever is lower.**
   # From AY 2026-27, Rebate u/s 87A is not available on tax on incomes chargeable at special rates under any provision (e.g Tax on capital gains u/s 111A, 112, 112A, tax on lottery winnings u/s 115BB etc.) [FA 2025]

4. **Marginal relief incase of income slightly exceed ₹ 12L :** Rebate u/s 87A is subject to marginal relief, if net income exceed ₹ 12 Lakhs, Income tax on such income cannot exceed the amount by which net income exceed ₹ 12 lakhs.

5. **Further Points : Income Chargeable at Special rate**

Income	Rates
STCG referred to in Sec 111A (Securities)	20%
LTCG referred to in Sec 112	12.5%
LTCG u/s 112A ₹1.25 Lakh w.e.f. 23/7/24	12.5%
Casual income (e.g. Lottery, Horse winnings, etc.) (Sec 115BB)	30%
MMR	39% [30% + 25% + 4%]

6. **Surcharge : I/ HUF/ AOP/ BOI/ AJP as :**

	Income	u/s 111A, 112, 112A, Dividend Income	Other
1.	TI [including Income u/s 111A, 112, 112A & dividend income does not Exceed ₹50L]	Nil	Nil
2.	TI [including Income u/s 111A, 112, 112A & dividend income exceed ₹50L but does not exceed ₹1cr.]	10%	10%
3.	TI [including Income u/s 111A, 112, 112A & dividend income exceed ₹1cr but does not exceed ₹2cr.]	15%	15%
4.	TI [excluding Income u/s 111A, 112, 112A & dividend income exceed ₹2cr but does not exceed ₹5cr.]	15%	25%
5.	TI [excluding Income u/s 111A, 112, 112A & dividend Income exceed ₹5cr]	15%	25%
6.	TI [including Income u/s 111A, 112, 112A & dividend income exceed ₹2cr but not covered by situation 4 & 5]	15%	15%

7. **Rounding Off :**

Sec 288A	Round off of Total Income	R/o to nearest multiple of ₹10
Sec 288B	Round off of Total Tax	R/o to nearest multiple of ₹10

SEC 115BAC DEDUCTION & EXEMPTIONS NOT ALLOWED

Condition 1 : Restriction on claiming deduction or exemption

Following Deduction can't be Taken :

Salary :
1. Leave travel concession sec 10(5)
2. House rent allowance sec 10(13A)
3. Entertainment allowance & employment/professional tax u/s 16
4. Free food & beverage through vouchers provided to EE
5. Some of the allowance mentioned in sec 10(14).

HP :
Interest u/s 24 in respect of SOP or vacant property u/s 23(2). (Loss from house property for rented house not be allowed to set off under any other head & would be allowed to be c/f as per extant law).

PGBP :
1. Additional deprecation u/s 32(1)(iia);
2. Deductions u/s 32AD, 33AB, 33ABA
3. Deduction u/s 35/35(2AA)/35(2AB) (In respect of donation made to other approved institution).
4. Deduction u/s 35AD or 35CCC;

Deduction :
1. Any deduction under chapter VIA **(Except Specified).**

Exemptions :
1. Allowances to MPs/MLAs sec 10(17)
2. Allowance for income of minor sec 10(32)
3. Exemption for SEZ unit contained in sec 10AA.

Following Deduction can be Taken :

Salary :
1. Transport Allowance granted to divyang employee
2. Conveyance Allowance
3. Any Allowance granted to meet the cost of travel on tour or on transfer
4. Daily Allowance to meet ordinary daily charges incurred by an employee on absence from his normal place of duty
5. Standard deduction u/s 16(ia)
6. Deduction from family pension u/s 57(iia).

Deduction :
1. Deductions Sec 80CCD(2) (employer contribution on account of employee in notified pension scheme) & Sec 80JJAA (new employment), 80CCH(2) (CG contribution towards Agnipath scheme & 80LA(1A)

PGBP :
1. Depreciation is allowed.

IMP Hai!

Condition 2 :
a) B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or c/f.
b) HP cannot be setoff with any other Income.

Condition 3 :
a) If a person has PGBP income and want to switch out of default scheme then he shall file form 10IEA (to be filed electronically).
b) Form 10IEA not required for salaried employee.
c) If the following declaration is not given it will be assumed that he want to follow default tax system.

SEC 115BAA ALTERNATE TAX SCHEME FOR COMPANIES (DOMESTIC COMPANY)

1. Applicable to **Domestic Company.**
2. Applicable only if it does not claim deduction specified in this section.
3. **Tax Rates :**

Normal Income
Tax rate : 22% + Surcharge : 10% (mandatory) + HEC : 4% (mandatory)
→ Effective Rate : 25.168%

Special Income
Special rate : Special rate + Surcharge : 10% (mandatory) + HEC : 4% (mandatory)

If AO during Assessment find close connection with other person & extra ordinary profits are generated (In case of transfer pricing)
→ Effective Rate : 34.32% (i.e., tax @30% + surcharge @10% + HEC@4%)

DEDUCTION & EXEMPTIONS NOT ALLOWED

Following Deduction can't be taken :

PGBP :
1. Additional deprecation u/s 32(1)(iia);
2. Deductions u/s 32AD, 33AB, 33ABA
3. Deduction u/s 35/35(2AA)/35(2AB). (In respect of donation made to other approved institution).
4. Deduction u/s 35AD, 35CCC or 35CCD.

Deduction :
1. Any deduction under chapter VIA **(Except Specified).**

Exemptions :
1. Exemption for SEZ unit contained in sec 10AA.

Following Deduction can be taken :

Deduction :
1. Deductions in sec 80JJAA (new employment);
2. Deduction u/s 80LA(1A) & 80M.

PGBP :
1. Depreciation is allowed.

Condition 2 :
1. B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or carried forward.
2. B/f MAT credit could not be setoff.

SEC 115BAB DOMESTIC MANUFACTURING COMPANY OPTING ALTERNATE SCHEME

1. Applicable to **Domestic manufacturing Company** engaged in production of any article or thing (Except notified).
2. **Tax rate :**

Income from manufacturing activity
Tax Rate : 15% + Surcharge Mandatory : 10%+ HEC : 4%
→ Effective Rate : 17.16%

STCG from transfer of Asset on which no depreciation is allowable is taxable at effective rate of 25.168% [Eg Land]

Special Income
Tax Rate : Special Rate + Surcharge Mandatory : 10% + HEC : 4%

If AO during Assessment find close connection with other person & extra ordinary profits are generated (In case of transfer pricing)
→ Effective Rate : 34.32% (i.e., tax @30%+ surcharge @10% + HEC@4%).

Other Income
Tax Rate : 22% + Surcharge Mandatory : 10% + HEC : 4%
→ Effective Rate : 25.168%

CONDITIONS FOR CLAIMING 115BAB

Condition 1 : Deductions not allowed :

Following Deduction can't be taken :

PGBP :
1. Additional deprecation u/s 32(1)(iia);
2. Deductions u/s 32AD, 33AB, 33ABA
3. Deduction u/s 35/35(2AA)/35(2AB) (In respect of donation made to other approved institution).
4. Deduction u/s 35AD, 35CCC or 35CCD

Deduction :
1. Any deduction under chapter VIA (Except Specified).

Exemptions :
1. Exemption for SEZ unit contained in sec 10AA.

Following Deduction can be taken :

Deduction :
1. Deductions u/s 80JJAA (new employment);
2. Deduction u/s 80LA(1A) & 80M.

PGBP :
1. Depreciation is allowed.

Condition 2 :
1. B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or carried Forward.
2. B/f MAT credit could not be setoff.

Condition 3 :
1. The company should be set-up and registered on or after 1.10.2019.
2. It should commence manufacturing or production of an article or thing on or before 31.3.2024.
3. It should not be formed by splitting up or the reconstruction of a business except given in sec 33B.
4. It does not use second hand P&M [Refer Note at the end].
5. It does not use any building previously used as a hotel or a convention centre.
6. It should not be engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it.

Note :
Business of manufacture or production of any article or thing does not include business of :
1. Development of computer software in any form or in any media;
2. Mining;
3. Conversion of marble blocks or similar items into slabs;
4. Bottling of gas into cylinder;
5. Printing of books or production of cinematography films;
6. Any other business as may be notified by the Central Govt. in this behalf.

Note :
A P&M shall not be regarded as second hand if :
1. It is imported into India.
2. No depreciation is claimed in India.
3. Value of Second hand P&M does not exceed 20% of the total value of P&M.

TAX RATES FOR CO-OP SOCIETY

Tax rates for Co.op Society

Other Co.op Society

Tax :

Income upto ₹10,000	10%
Next ₹10,000	20%
Balance	30%

Surcharge :

Income upto 1cr	Nil
₹1cr - 10cr	7%
Above ₹10cr	12%

HEC : 4%

Co.op Society opting 115BAD

Tax rate	22%
Surcharge	10%
HEC	4%

Effective rate : 25.168%

To opt for sec 115BAD fill Form 10 IF before ROI.

Co.op Society engaged in MNF u/s 115BAE

From manufacturing activity

Tax rate	15%
Surcharge	10%
HEC	4%

Effective rate 17.16%

From other Activity

Tax rate	22%
Surcharge	10%
HEC	4%

Effective rate 25.168%

DEDUCTION AND EXEMPTIONS NOT ALLOWED U/S 115BAD

Following Deduction can't be taken :

PGBP :

1. Additional depreciation u/s 32(1)(iia);
2. Deductions u/s 32AD, 33AB, 33ABA
3. Deduction u/s 35/35(2AA)/35(2AB) (In respect of donation made to other approved institution).
4. Deduction u/s 35AD or 35CCC.

Deduction :

1. Any deduction under chapter VIA (Except Specified).

Exemptions :

1. Exemption for SEZ unit contained in sec 10AA.

Following Deduction can be Taken :

Deduction :

1. Deductions in Sec 80JJAA (new employment) & 80LA(1A)

PGBP :

1. Depreciation is allowed.

IMP Hai!

Condition 2 :

1. B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or carried Forward.
2. B/f AMT credit could not be setoff.

Condition 3 :

1. Option once exercised cannot be withdrawn.
2. This section apply if the option is exercised in the form 10 if upto due date of ROI u/s 139(1) for AY 2021-22 or Subsequent AY.

SEC 115BAE TAX SCHEME FOR RESIDENT MANUFACTURING CO-OP SOCIETY

1. Assessee : A Resident co-operative society engaged in manufacturing shall at his option can opt for this section.

2. Tax Rate :

Income from manufacturing activity + STCG on transfer of Depreciable asset

Tax Rate : 15% + Surcharge Mandatory : 10% + HEC : 4%

Effective Rate : 17.16%

STCG from transfer of Asset on which no depreciation is allowable is taxable at effective rate of 25.168%. [Eg Land]

Special Income

Tax Rate : Special Rate + Surcharge Mandatory : 10% + HEC : 4%

Other Income

Tax Rate : 22% + Surcharge Mandatory : 10% + HEC : 4%

Effective Rate : 25.168%

If AO during Assessment find close connection with other person & extra ordinary profits are generated (In case of transfer pricing)

Effective Rate : 34.32% (i.e., tax@30% + surcharge @10% + HEC@4%).

CONDITIONS FOR CLAIMING 115BAE

Condition 1 : Deductions not allowed

Following Deduction can't be taken :

PGBP :

1. Additional depreciation u/s 32(1)(iia);
2. Deductions u/s 32AD, 33AB, 33ABA
3. Deduction u/s 35/35(2AA)/35(2AB) (In respect of donation made to other approved institution).
4. Deduction u/s 35AD, 35CCC.

Deduction :

1. Any deduction under chapter VIA (Except Specified).

Exemptions :

1. Exemption for SEZ unit contained in sec 10AA.

Following Deduction can be Taken :

Deduction:

1. Deductions in sec 80JJAA (new employment);

PGBP :

1. Depreciation is allowed

Condition 2 :

1. B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or carried Forward.
2. B/f MAT credit could not be setoff.

Condition 3 :

1. The company should be set-up after 1.4.2023 and start manufacture on or before 31.3.2024.
2. It should not be formed by splitting up or the reconstruction of a business except given in sec 33B.
3. It does not use second hand P&M [Refer Note at the end].
4. It should not be engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of such article or thing manufactured or produced by it.

Note :

Business of manufacture or production of any article or thing does not include business of :

1. Development of computer software in any form or in any media
2. Mining;
3. Conversion of marble blocks or similar items into slabs;
4. Bottling of gas into cylinder;
5. Printing of books or production of cinematography films;
6. Any other business as may be notified by the Central Govt. in this behalf.

Note : A P&M shall not be regarded as Second hand if :

1. It is imported into India.
2. No depreciation is claimed in India.
3. Value of Second hand P&M does not exceed 20% of the total value of P&M.

Note :

1. Option must be exercised before the due date for furnishing the first of the returns of income for any previous year.
2. Option once exercised shall apply to subsequent assessment years.

TAX RATE FOR AOP/BOI

Old scheme

Particulars	Rate of Income Tax A.Y. 2025-26
Up to ₹2,50,000	-
₹2,50,001 - ₹5,00,000	5%
₹5,00,001 - ₹10,00,000	20%
Above ₹ 10,00,000	30%

Default Scheme 115BAC [FA 2025]

Net Income Range	Tax rate
Upto ₹4,00,000	Nil
From ₹4,00,001 to ₹8,00,000	5%
From ₹8,00,001 to ₹12,00,000	10%
From ₹12,00,001 to ₹16,00,000	15%
From ₹16,00,001 to ₹20,00,000	20%
From ₹20,00,000 to 24,00,000	25%
Above ₹ 24,00,000	30%

Surcharge

If AOP consist only company as member

1. Income upto ₹50L : No Surcharge
2. ₹50L - 1cr : 10%
3. Above ₹1cr : 15%

Other Company

As applicable to Individual

SEC 68 CASH CREDITS

Where any sum is found credited in the books of an assessee & the assessee offers no explanation about the nature & source or the explanation offered is not satisfactory in the opinion of the Assessing Officer the sum so credited may be charged as income of the assessee of that PY.

SEC 69 UNEXPLAINED INVESTMENTS

If Assessee has made investments which are not recorded in the books of account & the assessee offers no explanation about the nature and source or the explanation offered is not satisfactory in the opinion of the Assessing Officer the value of the investments are taxed as deemed income of the assessee of such financial year.

SEC 69A UNEXPLAINED MONEY, ETC

If the assessee is found to be the owner of any money, bullion, jewellery or other valuable article & the same is not recorded in the books of account & the assessee offers no explanation about the nature and source or the explanation offered is not satisfactory in the opinion of the Assessing Officer the money FMV of bullion may be deemed as income of the assessee of such FY.

SEC 69B AMOUNT OF INVESTMENTS ETC NOT FULLY DISCLOSED IN BOA

If the assessee is found to be the owner of any money, bullion, jewellery or other valuable article & the same is not recorded in the books of account & the assessee offers no explanation about the nature & source or the explanation offered is not satisfactory in the opinion of the Assessing Officer the money FMV of bullion may be deemed as income of the assessee of such financial year.

SEC 69C UNEXPLAINED EXPENDITURE, ETC

Where in any financial year an assessee has incurred any expenditure & the assessee offers no explanation about the nature & source or the explanation offered is not satisfactory in the opinion of the AO such unexplained expenditure which is deemed to be the income of the assessee & shall not be allowed as deduction under any head of income.

SEC 69D AMOUNT BORROWED OR REPAID ON HUNDI

1. Where any amount is borrowed/Repaid on a hundi otherwise than through an account-payee cheque drawn on a bank, the amount so borrowed or repaid shall be deemed to be the income of the person borrowing or repaying for the PY in which the amount was borrowed or repaid.
2. If Amount is deemed Income at the time of Borrowing it shall not be treated as Income at the time of repayment again.
3. The amount repaid shall include interest paid on the amount borrowed.

SEC 115BBE TAX ON UNDISCLOSED INCOME

Where the total income includes any undisclosed income & reflected in the ROI furnished u/s 139 or determined by the AO, the income-tax payable shall be the aggregate of :

i) Tax shall be **@ 60% on Undisclosed Income;** and

ii) Tax @ normal rate on other Income.

Therefore the Effective tax rate is **@78% (60%+ 25% + 4%)** Further no deduction in respect of any expenditure or set off of any loss shall be allowed to the assessee from undisclosed Income.

2 RESIDENTIAL STATUS

BASICS OF RESIDENTIAL STATUS

1. RS is determined for each category of person separately.
2. RS always determined for PY because we have to determine the total income of the PY only.
3. A person can be resident of more than one country for any PY.

A person can either be

- **Resident**
  - They would be treated as Resident if satisfy any of following condition :
    a) If they stay in India for 182 days or more in PY; or
    b) Stays in India for 60 days in PY & 365 days in 4 previous preceding years
    - **Sec 6(6) ROR (Resident ordinary resident)**
      - If he satisfy both the following conditions given u/s 6(1) :
        a) He is a resident in atleast any 2/10 PPY;
        b) He stays in India for 730 days or more during the 7 PPYs
    - **RNOR (Resident not ordinary resident)**
      - If does not satisfy any of the basic conditions u/s 6(6).
- **Non resident**
  - If an individual does not satisfy any of the above basic condition in sec 6(1)

 # Exception to 6(1) : The person shall be treated an resident if stays in for 182 days or more or else remains non resident :

1. Person leaving India for Employment.
2. Ship crew member.
3. Person of Indian origin.

 # Person of Indian Origin : A person is deemed to be of Indian origin if he, or either of his parents or any of his grandparents, was born in Undivided India. It may be noted that grandparents include both maternal and paternal grand parents.

 # No of days for ship crew members :

Period of stay in India
(-) No of days mentioned in Continous discharge certificate (CDC)
Balance No of days

This shall be taken for calculating days for RS

RESIDENTIAL STATUS FOR INDIAN CITIZEN

Indian citizen / Person of Indian Origin who being outside India comes on a visit to India in PY

- **Income upto ₹ 15 lakhs**
  - He would be treated as Resident if they stay in India for 182 days or more in PY.
- **Beyond ₹ 15 lakhs**
  - He would be treated as Resident if satisfy any of following condition :
    a) If they stay in India for 182 days or more in PY;
    b) 120 days in PY & 365 days in 4PPY

SEC 6(1A) DEEMED RESIDENT

An individual, being citizen of India, having total income, other than the income from foreign sources, exceeding ₹15,00,000 during the PY shall be deemed to be resident in India in that PY if he is not liable to tax in any other country territory by reason of his domicile/residence/any other criteria of similar nature. As per sec 6(6) if a person is deemed Resident as per sec 6(1A) he shall deemed to be RNOR.

SEC 6(2) RESIDENTIAL STATUS OF HUF

- **Resident Sec 6[2]**
  - If Control & Management Wholly or partly situated in India
    - If Karta Satisfies Section 6[6] → Whole HUF ROR
    - If Karta do Not Satisfies Sec 6[6] → Whole HUF RNOR
- **Non-Resident**
  - If Control & Management Wholly Situated Outside India

Only Individual & HUF can be ROR/RNOR, other person can be R/NR

A HUF firm or other association of persons is said to be resident in India in any PY in every case except where during that year the control & management of its affairs is situated wholly outside India.

SEC 6(3) RESIDENTIAL STATUS OF COMPANIES

- **Indian Company** → Always Resident
- **Foreign Company**
  - POEM in India Then Resident
  - POEM outside India Then NR

A company is said to be a resident in India in any PY if :

> It is an Indian company; or
> Its place of effective management in that year is in India.

SEC 6(4) RESIDENTIAL STATUS FOR OTHER ASSESSEE

- **Resident Sec 6[4]** → If Control & Management situated in India Wholly or partly
- **Non-Resident** → If Control & Management Wholly Situated Outside India

SEC 5 SCOPE OF TOTAL INCOME & TAX INCIDENCE

 # Indian Income :

1. Received in India
2. Deemed to be Received in India [Sec 7 & 8]
3. Accrued in India
4. Deemed to be accrued or arise in India [Sec 9]

 # Foreign Income : Income is not received or not deemed to be received in India. Income which does not accrue or arise in India.

 # Remittance of Income :

Approved mode - Exempt in India
Unapproved Mode - Taxable In India

IMP Hai!

 # Incidence of Tax for Individual & HUF :

Income	ROR	RNOR	NR
Indian	Taxable in India	Taxable in India	Taxable in India
Foreign	Taxable in India	Only two type of Foreign income is taxable in India.[Refer Notes]	Not Taxable in India

Note : Foreign Income from business/profession which is set up in India

 # Incidence of Tax for others :

Income	Resident	NR
Indian	Taxable in India	Taxable in India
Foreign	Taxable in India	Not Taxable in India

DEEMED TO RECEIVE OR ACCRUE

Deemed to be received in India [Sec 7]

1. Contribution to RPF beyond 12% of the salary
2. Interest on RPF beyond 9.5% p.a.
3. Transfer from URPF to RPF
4. Contribution to pension fund u/s 80CCD

 # Business Connection :
a) Business Connection
b) Deemed Business connection
c) Not a Business Connection

Accrued In India [Sec 9]

1. Income out of business connection
2. Salary earned in India
3. Salary from government to an Indian citizen for services Rendered outside India
4. Dividend from Indian company
5. Income from Interest payable by specified person
6. Income from Royalty
7. Income from Technical services
8. Income from Property/Assets situated In India
9. Income from transfer of capital assets situated In India
10. Gift by R to NR.

SEC 9(1)(i) INCOME FROM BUSINESS CONNECTION

Business Connection	Deemed Business Connection	Not a Business Connection
> Assessee Contract on behalf of NR/ plays significant role > Maintain stock on behalf of NR. > Secure order on behalf of NR. IMP Hai! 	> Significant economic presence is deemed Business Connection > Download of Data/ Software/Purchase/ Sale. > Amount exceed 2cr in PY; or > Interactions with no of users exceeds 3L	> Purchase in India for the purpose of export outside India. > Collection of news & views in India for transmission out of India > Shooting of any cinematograph Film in India. > Display of uncut and unassorted diamond in any special zone notified by CG.

Sec 9(1)(v) Interest payable by : If interest is payable to Non-Resident by :

1. Government
2. Resident (For activities in India)
3. Non-Resident (For carrying out business profession in India)

Notes :

1. If NR pays interest for activities other than business or profession in India such interest is not taxable to NR in India.
2. If a Resident pays interest to NR outside India for carrying out business or profession outside India then such interest is not taxable to NR in India.

Sec 9(1)(vi) Royalty :

1. Government; or
2. Resident person [Exception : Where it is payable for transfer of any right / use of Property / Information / utilization for the purpose of business or profession carried on by such person outside India or for earning any Income outside India]
3. NR, where moneys borrowed and used, for the purposes of a business or profession carried on by such person in India. Then royalty is treated as deemed to accrued or arise in India.

Refer meaning of royalty from regular notes.

Sec 9(1)(vii) Fees for technical services payable by :

1. Government; or
2. **Resident Person :** Except where the fees are payable for services are utilised in a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India.
3. NR in respect of FTS payable in respect of services utilized for the purpose of business or profession carried by such person in India.

Refer meaning of FTS from regular notes.

SELF NOTES

3 AGRICULTURE INCOME

BASICS OF AGRICULTURE INCOME

1. Agriculture income is defined u/s 2(1A).
2. Agricultural Income is **exempt u/s 10(1)**, but the income tax act indirectly collects tax on agricultural income.
3. Agriculture Income fall within the state List Entry no 46, hence shall be levied & collected by SG.
4. Sec 14A where any expenditure is incurred in relation to exempt income the same shall not be allowed as deduction.

AGRICULTURAL LAND

There are 2 type of agricultural land :
1. Urban
2. Rural

The urban land is not defined but rural Land is defined.

Municipal Area or Cantonment Board

Distance is measured aerially

- Upto 2km if population does not exceed 10,000
- Upto 6km if population does not exceed 1L
- Upto 8km if population does not exceed 10,00,000

Expl 4 : Population means according to the last census published before the first day of PY.

No.	Particulars	Population	Result
1.	Distance 0-2km	Less than 10,000	Rural
2.	Distance 0-2km	More than 10,000	Urban
3.	Distance 2-6km	Less than 1,00,000	Rural
4.	Distance 2-6km	More than 1,00,000	Urban
5.	Distance 6-8km	Less than 10,00,000	Rural
6.	Distance 6-8km	More than 10,00,000	Urban

MINORS AGRICULTURE INCOME

Minor Earning Income from Agriculture shall be chargeable as per section 64(1A) (Refer Clubbing chapter).

TREATMENT OF AGRICULTURE LAND

Rural
- Agriculture Income → Exempt u/s 10(1)
- Sale → No Capital Gain
- Compulsory Acquisition → No Capital Gain

(No Capital Gain) As there is no Capital Assets

Urban
- Agriculture Income → Exempt u/s 10(1)
- Sale → Liable to CG
- Compulsory Acquisition → Exempt u/s 10(37)

IMP Hai!

COMPOSITE INCOME

Assessee may have composite Income which is partially agriculture & Non agricultural, in this case company earns Composite Income which needs to be disintegrated. Further no deduction is permissible in respect for any expenditure incured by Assessee.

RULE [7 & 8] COMPOSITE INCOME IN CASE OF TEA, COFFEE, RUBBER

Rule	Content	Agriculture	Non-Agriculture
7A	Growing and manufacturing rubber	65%	35%
7B	Growing and manufacturing coffee grown & Cured	75%	25%
7B	Growing and manufacturing coffee grown, cured, roasted and grounded	60%	40%
8	Growing and manufacturing Tea	60%	40%
	Income from Nursery	100%	-

COMPOSITE INCOME FOR OTHERS PRODUCTS

Directly Sold

Directly Sold	
Sale Value	xxx
(-) Cost of Cultivation	[xxx]
AI	xxx

Sold after processing

Agriculture Income	
FMV	xxx
(-) Cost of Cultivation	[xxx]
AI	xxx

PGBP	
Sale Value	xxx
(-) FMV of Produce	xxx
(-) Exp on sales	xxx
PGBP	xxx

METHOD OF AGGREGATION/ METHOD OF PARTIAL INTEGRATION

Applicability : Applicable only to individuals, HUF, AOP and BOI, AJP and not applicable to firms and companies.
Minimum agricultural income : Should exceed ₹5000
Other income : Should exceed ₹2,50,000/3,00,000/5,00,000 as the case may be

Step 1 : Agricultural Income + Non Agricultural Income	xxx
Step 2 : Tax on Step 1	xxx
Step 3 : Agricultural Income + Basic Exemption Limit	xxx
Step 4 : Tax on Step 3	xxx
Step 5 : Difference of tax [Step 2- Step 4]	xxx
Step 6 : Add Surcharge/ Less Rebate, Add HEC	xxx
Step 7 : Final Tax Liability	xxx

If an Individual opts to be taxed u/s 115BAC, the exemption shall be limited to ₹4,00,000 [FA 2025] whether such individual is less than or more than 60 years old.

LOSS FROM AGRICULTURAL INCOME

1. Loss from agricultural shall be set off against agriculture income only.
2. If such loss could not be set off in that PY, it shall be c/f & set-off in following AY for not more than 8 years against agri income only.

4 HOUSE PROPERTY

SEC 22 CHARGING SECTION

- Assessee must be owner → Owner include demeed owner Sec 27
- Annual Value of Land, Building appartenant thereto
- Property must not be used for own business & profession

Income under this head may be charged irrespective of income actually received or not.

COMPOSITE RENT

If letting of such property is separable	Letting is the main business	a) **Income from property : "HP"** b) **Income from other asset : "PGBP"**
	Letting is not the main business	a) **Income from property : "HP"** b) **Income from other asset : "Other sources"**
If letting of such property is not separable	Letting is the main business	Entire income will be taxable under "PGBP".
	Letting is not the main business	Entire income will be taxable under "Other sources".

Except the case where letting out is for the purpose of carrying on the business in the efficient manner & letting is not the main business.

INCOME FROM HP OUTSIDE INDIA

Assessee is ROR	Assessee is RNOR/NR
Taxable in India whether property is in India or Outside India.	Taxable in India only if rent is received in India.

GROSS ANNUAL VALUE

GAV shall be higher of RER or ARR

Reasonable Expected Rent	
Step 1 : Municipal Value	xxx
Step 2 : Fair Rent	xxx
Step 3 : Expected Rent (Higher of Step 1 / 2)	xxx
Step 4 : Standard Rent	xxx
Step 5 : RER (lower of Step 3 / 4)	xxx

Actual rent received or receivable	
Actual rent for let out period	xxx
Less : Unrealized Rent subject to conditions of Rule 4	(xxx)
ARR	xxx

Municipal Value	This is value as determined by the municipal authorities for levying municipal taxes on house property
Fair Rent	Fair rent is the rent which a similar property can fetch in the same or similar locality
Standard Rent	The standard rent is the maximum rent which can be collected by landlord. This is fixed under Rent control act
Unrealized Rent	Rent due from tenant but not received. Deduction is allowed is condition is satisfied if nothing is mentioned assume that condition is satisfied.

RER cannot exceed Expected Rent : (SC) & Amolak Ram Khosla vs. CIT [1981]

MUNICIPAL/ PROPERTY/ CORPORATION TAX

Conditions for Benefit	a) It should be Borne by Assessee (Not Tenant). b) It should be actually paid during the year.
Deductions	**Paid for PY in the current year :** Allowed **Paid for Current Year :** Allowed **Advance Paid :** Not allowed because it is not Due.
Other Benefit	Benefit for Sewerage Tax and Water Tax also Available
Paid outside India	Allowed as per CIT v. R. Venugopala Reddiar (Mad.)
Adjustments	**Given in Cash :** Take Actual Amount % is given Take % of Municipal Value and Not of GAV

SEC 24 DEDUCTIONS FROM ANNUAL VALUE

Standard Deduction	a) 30% of NAV b) Available only if NAV is Positive. c) If standard deduction is available deduction for other expenses are not available eg : Repairs, Insurance.
Interest on Borrowed Capital IMP Hai!	a) Deduction is available on Accrual Basis. b) Interest on unpaid interest is not allowed as deduction under this sec. c) Any brokerage or commission paid for raising such loan is not allowed. d) Interest on new loan taken to repay original loan is considered as loan taken for such acquisition, construction, etc. (Refer CBDT Circular No. 28 dated 20-8-1969). e) Sec 80EE Provides additional benefit out of Gross Total Income. f) Deduction = 1/5th of Pre construction + 100% of Post Construction. **Post Construction Interest :** 100% allowed deduction **Pre Construction Interest :** 1/5th of Total Interest Paid during pre construction.

Pre Construction Period	
a) Repayment Precedes Construction	Date of Borrowing to date of Repayment
b) Construction Precedes Repayments	Date of Borrowing to 31st Mar Prior to date of Completion.

SEC 25 DEDUCTION OF INTEREST NOT ALLOWED IN CERTAIN CASES

If Interest is payable outside India then no deduction allowed unless :
a) TDS is Deducted on such Interest.
b) There is no person in India who may be treated as an agent u/s 163.

SEC 23(2) COMPUTATION - SOP

Conditions :
1. The property was not let out for any part of the year
2. No other benefits has been derived from the property
3. Number of self occupied property shall not exceed 2.
4. There would be no deduction for interest paid u/s 24(b) if Assessee opted sec 115BAC. In old scheme deduction is available.
5. Assessee can treat any 2 Houses a SOP & Annual value of such two Houses shall be taken as Nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason. [FA 2025]

\# **Arrears of rent / unrealized rent :** Taxable in the year of receipt & 30% is allowed as deduction.

Particulars	₹
Annual value u/s 23(2)	Nil
Less : Municipal tax actually paid	Nil
NAV	Nil
Less : Deduction u/s 24	
a) Standard Deduction	Nil
b) Interest on borrowed capital	(xxx)
Conditions :	
1. Upto Max of ₹2,00,000 [Aggregate Amount of Deduction]	
a) Loan is taken for acquisition or construction	
b) After 1.4.1999	
c) Acquisition or construction is complete within 5 yrs from the end of F.Y. in which capital is borrowed.	
2. Upto maximum of ₹30,000 [Aggregate Amount of Deduction]	
a) If condition given in 1 is not satisfied	
b) Loan is taken for repairs and maintenance	
Loss from House Property	(xxx)

SEC 23(4) MORE THAN 2 SOP

Particulars	Option 1			Option 2		
	F1 SOP	F2 SOP	F3 DLOP	F1 SOP	F2 DLOP	F3 SOP
GAV	Nil	Nil	xxx	Nil	xxx	Nil
Less : Municipal tax actually paid	Nil	Nil	(xxx)	Nil	(xxx)	Nil
NAV	Nil	Nil	Xxx	Nil	Xxx	Nil
Less : Deduction Standard deduction	Nil	Nil	(xxx)	Nil	(xxx)	Nil
Interest on borrowed capital	(xxx) [limited]	(xxx) [limited]	(xxx) [un-limited]	(xxx) [limited]	(xxx) [un-limited]	(xxx) [limited]

Particulars	Option 3		
	F1 DLOP	F2 SOP	F3 SOP
GAV	xxx	Nil	Nil
Less : Municipal tax actually paid	(xxx)	Nil	Nil
NAV	xxx	Nil	Nil
Less : Deduction			
Standard deduction	(xxx)	Nil	Nil
Interest on borrowed capital	(xxx) [unlimited]	(xxx) [limited]	(xxx) [limited]

Choose the option which has lower taxable income or higher loss.

Notes :

1. This option can be changed year after year in a manner beneficial to the assessee.
2. In case of deemed let-out property, the Annual value (i.e reasonable expected rent) shall be taken as the GAV.
3. The maximum Interest of both SOP cannot exceed ₹2L/30,000.

SEC 23(1)(c) LET OUT PROPERTY VACANT FOR WHOLE YEAR

Particulars	₹
GAV	Nil
Less : Municipal tax actually paid by the owner	(xxx)
NAV	(xxx)
Less : Deduction	
Standard deduction	Nil
Interest on borrowed capital	(xxx)
Income from House Property	xxx

Where the property consisting of any building or land Appurtenant thereto is held as stock-in-trade & property or any part of the property is not let during the whole or any part of the PY the annual value of such property or part of the property, for period up to 2 year from end of FY in which the certificate of completion of construction of property is obtained from competent authority shall be taken to nil.

SEC 23(3) PROPERTY LET OUT FOR PART & SELF OCCUPIED FOR PART YEAR

Income shall be calculated for the whole year as deemed let out property.

Particulars	₹
GAV	xxx
Less : Municipal tax actually paid by the owner for PY	(xxx)
NAV	xxx
Less : Deduction	
a) Standard deduction	(xxx)
b) Interest on borrowed capital (Unlimited)	(xxx)
Income from House Property	xxx

PROPERTY A PORTION OF WHICH IS LET OUT & PORTION SELF OCCUPIED

There is no need to treat the whole property as a single unit for computation of income from house property.

Particulars	LOP	SOP
GAV	xxx	Nil
Less : Municipal tax actually paid by the owner for the whole year	(xxx)	Nil
NAV	xxx	Nil
Less : Deduction		
Standard deduction	xxx	Nil
Interest on borrowed capital	(xx) (unltd)	xxx(ltd)
Income from House Property	xxx	xxx

IMP Hai!

SEC 23(1)(c) LET OUT PROPERTY KEPT VACANT FOR PART OF YEAR

Particulars	₹
Step 1 : RER	
Step 2 : ARR (Excluding unrealized Rent) Higher shall be GAV	
Step 3 : AR	xxx
Less : Municipal tax actually paid	(xxx)
NAV	Xxx
Deduction u/s 24	
1. Standard deduction @30%	(xxx)
2. Interest on borrowed capital	(xxx)
Income from house property	xxx

IMP Hai!

AR > RER → AR = GAV

RER > AR
- Only due to vacancy → AR = GAV
- Other reason → RER = GAV

SEC 26 TREATMENT OF INCOME FROM CO-OWNED PROPERTY

Co-owned Property

- Used as SOP → Both can claim SOP benefits & both are allowed deduction of IOBC upto ₹ 30,000/2L
- Used as LOP → Step 1 : Calculate HP as if no co-ownership
  Step 2 : Divide the final income in Appropriate ratio

IMP Hai!

5 SALARY

SEC 15 CHARGING SECTION

Chargeable Income : Where there exists a relationship of employer and employee. Where an individual is bound to follow the instructions of other it is said that there exists a relationship of ER and EE.

When is Salary Charged to Tax : Salaries charged to tax either on due or Receipt whichever matures earlier

Exception : Following salaries charged to tax only on receipt basis :

a) Advance Salary
b) Bonus
c) Salary in lieu of notice period
d) Arrears of Salary

Computation : Basic + Taxable allowance + Taxable Perquisite

Salary includes the contribution made by the CG in the PY, to the Agniveer Corpus Fund account of an individual enrolled in the agnipath scheme referred to in sec 80CCH.

FULLY TAXABLE PART OF SALARY

1. Basic
2. Bonus
3. Fees
4. Advance/Arrears
5. Commission
6. Leave Encashment
7. Uncommuted Pension

SEC 10(14) PARTLY EXEMPT ALLOWANCES

Nature of allowance	Exemption
Special Compensatory (Hilly Areas) Allowance/High Altitude/Uncongenial Climate/Snow Bound Area/Avalanche Allowance	₹800 or ₹300 p.m depending upon the specified locations ₹7,000 p.m in Siachen area of Jammu and Kashmir.
Border area allowance or remote locality allowance or difficult area allowance or disturbed area allowance	₹1,300, ₹1,100 or ₹1,050 or ₹750 or ₹300 or ₹ 200 p.m depending upon the specified locations
Special Compensatory (Tribal Areas/ Schedule Areas/Agency Areas) Allowance [Specified States]	₹200 p.m
Allowance for employee working in any transport system	**Lower of :** 70% of such allowance or ₹10,000 p.m
Children Education Allowance	₹100 p.m per child upto a max 2 children
Hostel expenditure Allowance on his child	₹300 p.m per child max upto 2 children
Compensatory Field Area Allowance	₹2,600 p.m
Compensatory Modified Field Area Allowance	₹1,000 p.m
Any special allowance in the nature of counter insurgency allowance granted to the members of the armed forces operating in areas away from their permanent locations	₹3,900 p.m
Underground Allowance	₹800 p.m
Any special allowance in the nature of high Altitude allowance : > For altitude of 9,000 to 15,000 feet > For above 15,000 feet	₹1,060 p.m ₹1,600 p.m
Special compensatory highly active field area allowance	₹4,200 p.m

Island (duty) allowance (member of the armed forces in Andaman & Nicobar and Lakshadweep Group of Islands)	₹3,250 p.m
Transport allowance this would be available in both regimes	In case EE is blind/handicapped, ₹3,200 p.m. [Still Available]
Tribal Area (Tribal areas of MP, Tamil Nadu, UP, Karnataka, Tripura, Assam, West Bengal, Bihar & Orissa)	₹200 p.m

All above taxable in sec 115BAC

ALLOWANCES

Fully taxable under both regimes	Fully taxable u/s 115BAC(1A) Partly exempt under the optional tax regime	Fully exempt only under the optional tax regime
1. Entertainment allowance 2. Dearness allowance 3. Overtime allowance 4. Fixed Medical Allowance 5. City compensatory allowance (to meet increased cost of living in cities) 6. Interim allowance 7. Servant allowance 8. Project allowance 9. Tiffin/Lunch/Dinner allowance 10. Any other cash allowance 11. Warden allowance 12. Non-practicing Allowance 13. Transport allowance to employee other than blind/deaf & dumb/ orthopedically handicapped	1. House aren't Allowance [u/s 10(13A)] **2. Special Allowance [u/s 10(14)] Except :** a) Travelling allowance b) Daily allowance c) Conveyance allowance d) Transport allowance to blind/ deaf and dumb/ orthopedically handicapped employee **Note :** the exceptions in (a) to (d) above are partly exempt under both scheme **Fully exempt under both tax regimes** Allowances granted to Government employees outside India [Sec 10(7)] IMP Hai!	1. Allowances to High Court Judges 2. Salary & allowances paid by the United Nations organization 3. Sumptuary allowance granted to High Court or Supreme Court Judges **Note :** In case (1) & (3) above the respective Acts provide for such exemption, notwithstanding anything contained in the Act. In case (2) exemption is provided under the respective Act, notwithstanding anything to the contrary contained in any other law

SEC 10(13A) HOUSE RENT ALLOWANCE

Exemption is not available if :

a) Accommodation is owned by him.
b) If he has not paid the rent for accommodation.

IMP Hai!

Exemption is lower of :

i) Actual amount
ii) Rent Paid (-) 10% of salary
iii) 50% of salary in respect of the relevant period, if such accommodation is situated in Mumbai, Calcutta, Delhi or Chennai [40% of salary if it is situated at any other place].

Notes :

1. Salary = Basic + DA(R) + Commission (T).
2. If there is change in any factor namely Salary, HRA, Period place of business etc HRA needs to be calculated separately.

3. Any Advance Salary shall be excluded for purpose of this calculation.
4. Exemption is also not available if Rent paid is less than 10% of salary.
5. The basis for calculation is location of accommodation & not of Service.
6. **This is fully taxable under default tax Regime.**

SEC 16 DEDUCTIONS

Sec 16(i)	Standard Deduction	Lower of : 1. ₹50,000 2. Salary For Salary and Pension [Not Family Pension]
Sec 16(ia)	Standard Deduction u/s 115BAC	Lower of : a) Amount of salary b) ₹75,000
Sec 16(ii)	Entertainment Allowance # Not available in 115BAC	Non Govt EE: Not Available Govt EE: Lower of : a) Actual b) 20% of Basic Salary c) ₹5,000 p.a. 1. First Add Entertainment allowance in gross salary and then take deduction. 2. Deduction shall be irrespective of actual expense incurred, whether for office or for personal purposes.
Sec 16(iii)	Professional Tax # Not available in 115BAC	Deduction = Actual Amount Paid If Employer has paid the amount, 1st Add in salary and then take the deduction.

SEC 10(10) GRATUITY

- During his Employment → Totally Taxable to all Employee however relief can be claimed u/s 89.
- At the Time of Retirement
  - Government Employees → Fully exempt
  - Non Government Employees
    - Employees covered under the Payment of Gratuity Act, 1972 → Minimum of :
      1) Actual received
      2) $\frac{15}{26}$ x Last drawn Salary x No. of yrs of completed service/part in excess of 6 M
      3) Maximum ₹20L
    - Employees not covered under the Payment of Gratuity Act, 1972 → Minimum of :
      1) Actual received
      2) $\frac{1}{2}$ x Avg Salary x No. of yrs of of 10 m completed service
      3) Maximum ₹20L [Not. 16/2019]
      No difference if seasonal Employee
- After the death of Employee → Payment to Widow/legal heir is not taxable

Meaning of Salary	Covered in Gratuity Act	Basic + DA
	Not covered in Gratuity Act	Basic salary + D.A. (R) + commission based on fixed % of turnover.
	Average Salary	Avg. monthly salary calculated on basis of avg. salary for 10 M immediately preceding month in which employee has retired. For instance if employee retires on Dec, avg. salary will be calculated till November.
Received from more than 1 employer	While claiming the statutory deduction of ₹20L any amount earlier claimed as deduction shall be reduced from ₹20L	
Relief u/s 89(1)	Available	

Notes :

1. In case of seasonal employment period of 15 days shall be replaced by 7 days. **IMP Hai!**
2. **Complete year of service :** For calculating complete year of service any period of more than 6 M shall be taken to be full year.

Notes :

1. **If amount determined as per industrial dispute act is not given :**

$\frac{15}{26}$ x Avg salary of Last 3M x No of year of completed service/part thereof in excess of 6 M.

2. Salary for this purpose : Basic + DA(R) + C(T)
3. If retrenchment compensation is received in scheme framed by CG then whole retrenchment compensation is Exempt.
4. Any compensation in excess of above limit will be taxable as salary.

SEC 10(10A) PENSION

- During his Employment → Totally Taxable to all Employee
- At the Time of Retirement
  - Uncommuted Pension [Monthly] → Taxable to all including Govt EE
  - Commuted Pension [lumpsum]
    - Govt EE (Whether gratuity is received or not) → Exempt u/s 10(10A)(i)
    - Non Govt EE
      - Non-Govt EE who have received Gratuity → Sec 10(10A)(ii)
      - Non-Govt EE who have not received gratuity → Sec 10(10A)(ii)
- After the death of Employee → Taxable under IFOS [Family pension]

Actual Amount Recd	XX
(-) 1/3rd of Full Value of Pension	(XX)
Taxable	XX

Actual Amount Recd	XX
(-) 1/2 of Full Value of Pension	(XX)
Taxable	XX

Notes :

> Pension received from UNO is not taxable.
> Relief u/s 89(1) available for commuted pension.
> Full Value of Pension = $\frac{\text{Amount Received}}{\text{\% of Commutation}}$

SEC 10(10B) RETRENCHMENT COMPENSATION

- As per Scheme of Central Gov → Nil
- Other

Actual Amount Recd	XX
(-) Lower of : a) Actual received b) Amount calculated as per Industrial Dispute Act, 1947 c) Maximum ₹5L	(XX)
Taxable (eligible for relief u/s 89)	XX

SEC 10(10C) VOLUNTARY RETIREMENT

Exemption	Actual Amount Recd	XX
	(-) Lower of : a) Actual Amount b) ₹5,00,000 c) Amount higher of : i) Last drawn salary x 3 x No of years Completed Service. ii) Last Drawn Salary x Balance no of M left for service	(XX)
	Taxable	XX

Notes :
Deduction under this sec is available only once in lifetime. Salary = Basic + DA (R) + Commission (T). If assessee claims relief u/s 89(1) for VRC then he cannot claim exemption u/s 10(10C) in that year or any other AY.

SEC 10(10AA) LEAVE SALARY

- During his Employment → Totally Taxable to all Employee
- At the Time of Retirement
  - Govt EE → Fully Exempt
  - Non Govt EE → Minimum of :
    1. Actual received
    2. Avg. salary x 10 months
    3. Maximum ₹25,00,000
    4. Leave Credit for 30 days
- After the death of Employee → Not Taxable in hands of legal heir

1. Employees are entitled to various types of leave while in service. The leave may either be availed by them or in case not availed of, these may either lapse/are allowed to be encashed every year or these are accumulated & encashed after Retirement or death.
2. Salary Means Basic + DA(R) + C(T).
3. Relief u/s 89(1) available.
4. **How to Find out leave Credit :**
   a) **Find out duration of service without any fraction :** 12 years & 7 months = 12 years.
   b) **Find out leave allowed :** (Max allowed as per rule 30 days per yr) If period of leave credited is more than 30 days then take 30 days for calculation & it is less than 30 days then same can be taken.
   c) Period of leave earned = (Leave credit x Avg salary) /30.

SPECIFIED & NON SPECIFIED EMPLOYEE

1. Director
2. EE having Substantial Interest [20% of voting right]
3. EE earning aggregate salary of ₹50,000 in a FY (or w.e.f AY 26-27 a higher limit will be proposed [FA 2025]

RULE 3(1) PERK : VALUATION OF RESIDENTIAL ACCOMODATION

IMP Hai!

- Unfurnished
  - Govt EE
  - Non Govt EE
    - Owned
    - Hired
    - Hotel
- Furnished

Max time puchte hai

Where accommodation is provided by Union/ State Govt to their employees	License Fees xxx Less : Anything Recovered (xxx) Perk xxx
Accommodation owned by him	Population of the city (as per 2001 census) where accommodation is provided Population / Perk: Beyond 40 Lakh — 10% Above 15 Lakh - 40 Lakh — 7.5% Below 15 Lakh — 5% **Deduction for any amount paid by the employee :** The amount so calculated shall be reduced by rent, if any, actually paid by EE
Accommodation is hired /leased	Lower of : a) 10% of Salary b) Actual amount paid. **Deduction for any amount paid by EE :** The amount so calculated shall be reduced by rent, if any, actually paid by the employee. **Salary for such period only :** Salary for this purpose should be taken only for the period during which accommodation is occupied by EE.
Provided in Hotel	Upto 15 days: Nil Beyond 15 days: 24% of salary xxx Less : Recovered (xxx) Perk xxx

Particulars	₹
Value as Per Unfurnished	xxx
Add : Value of Furniture	xxx
If Owned : 10% of actual Cost	xxx
Hired : Actual Hire Charges	xxx
Less : Anything Recovered	(xxx)
Perk	xxx

Notes :

a) **Salary :** Basic+ DA(R)+ Bonus + Commission + All taxable Allowance
b) "Accommodation" incl. House, flat, farm House, hotel accommodation motel, service apartment guest house, caravan, mobile home, ship etc.
c) **Transfer from one place to another :**

- And he hold both the premises
  - First 90 days → Value of only one house having lower perk value shall be taken
  - Beyond 90 days → Value of both houses should be taken as perk

d) Value perquisite to be restricted to CII :

Where accommodation is owned/lease
↓
Provided to employee for more than one P.Y.
↓
Value of perk incase of non government employee shall not exceed amount so calculated for Ist P.Y

$$\text{Value of perk} \times \frac{\text{CII for P.Y.}}{\text{CII for the first year}}$$

Note :
First P.Y. means 23-24 or the P.Y. in which accommodation was provided to employee whichever is later.

RULE 3(2) PERK : VALUATION OF MOTOR/ OTHER VEHICLE

Situation	Use	Tax Treatment
Car owned & maintained by Employer	Official use	Exempt
	Private use	10% of cost or Actual hire charges (+) Running & Maintenance exp. (-) Amount recoverable
	Partly official partly private	Taxable amount = For/below 1.6 ltr. CC = 1,800 pm; Above 1.6 ltr. CC = 2,400 pm (Nothing deductible when amount recovered)
Car owned by Employer & maintained by Employee	Official use	Exempt
	Private use	10% of cost or Actual hire charges (-) Amount recoverable
	Partly official partly private	Taxable amount = For/below 1.6 ltr. CC = 600 pm; Above 1.6 ltr. CC = 900 pm; If Chauffer provided = 900 pm (Nothing deductible when amount recovered)
Car owned & maintained by Employee	Nothing is Taxable	
Car owned by Employee & maintained by Employer	Official use	Nil
	Private use	Amount of Expenditure
	Partly official partly private	Actual Expenditure xxx; (-) ₹1800 pm/2400 pm (Depending on CC) (xxx); (-) ₹900 pm if chauffer is provided; Taxable xxx
Any other automotive owned by Employer	Official use	Nil
	Private use	Amount of Expenditure
	Partly official partly private	Actual Expenditure; Less : ₹900 p.m. (Greater deduction can be allowed if as per official records it is established that expense was for official use)

1. Month denotes completed month. Any part of M shall be ignored
2. Chauffer is added only if provided.
3. When more than 1 car is provided to EE, otherwise than wholly & exclusively for such car than value of perquisite.
4. 1 car shall be taken as used for partly official & partly for personal.

GIFT FROM EMPLOYER

Cost Doesn't Exceed ₹5000 pa	Nil
Cost Exceed ₹5,000 pa	**Alternative 1 :** Followed BY ICAI & our class amount exceeding ₹5,000 fully taxable **Alternative 2 :** ICAI Provides an alternative that if it exceed ₹5,000 only excess portion is taxable

PERK : CREDIT CARD FACILITY

Official Purpose	Nil
Other Purpose	Actual Cost to Employer xxx; Less : Recovered (xxx); Perk xxx

Conditions :
a) Complete details in respect of such expense are maintained by the employer which may, inter-alia, include date & nature of expense; and
b) The employer gives a certificate for such expense to the effect that same was incurred wholly & exclusively for the performance of official duty.

PERK : CLUB FACILITY

Official Purpose	Nil [It should be certified by ER]	
Given Uniformly to all Employee	Nil	
Corporate Membership for all Employee	Initial Fees	Nil
	Other	Actual Cost xxx; Less : Recovered (xxx); Perk xxx

PERK : ESOP

FMV on the date of Exercise [-] Amount Recovered.

APPROVED SUPER ANNUATION FUND

1. EE's Contribution is eligible for deduction u/s 80C

2. **ER's Contribution :**
   > **Less than ₹1,50,000 :** Exempt from Taxable
   > **More than ₹1,50,000 :** Chargeable to tax to the extent it exceeds Interest on accumulated balance is exempt from tax.

3. **Overall Cap Limit Introducted By Finance Act 20**
   > **The amount or the aggregate of amounts of any contribution made to account of the assessee by the employer :**
   a) In a recognised provident fund;
   b) In the scheme referred to in sec 80CCD(1);
   c) In an approved superannuation fund to the extent it exceeds ₹7,50,000 in a PY;
   > Annual accretion by way of interest, dividend or any other amount shall be computed in such manner as may be prescribed.

PERK : USE OF MOVABLE ASSETS

Owned by ER	10% of actual Cost xxx; Less : recovered (xxx); Perk xxx
Hired by ER	Actual Cost to ER xxx; Less : recovered (xxx); Perk xxx
Comp & Laptop	Nil

SALE OF MOVABLE ASSETS

Particulars	Electronics/ computer	Car	Other Assets
Depreciation Rate	50%	20%	10%
Depreciation Method	WDV	WDV	SLM
Actual Cost	xxx	xxx	xxx
Less : Depreciation for each completed year from date of acquisition	(xxx)	(xxx)	(xxx)
WDV	xxx	xxx	xxx
Less : Sale Value	(xxx)	(xxx)	(xxx)
Perk	xxx	xxx	xxx

PERK : INTEREST FREE OR CONCESSIONAL LOAN

For Specified Diseases & Loan upto ₹20,000 Perk : NIL	Loan Beyond ₹20,000	
	=/> than SBI rate as on 1st day of PY	Nil
	Lower than SBI rate as on 1st day of PY	Maximum Outstanding Monthly Bal (i.e. the aggregate outstanding bal for each loan as on last day of each month after EMI) Less : Recovered

FREE FOOD FACILITY

Tea & Coffee During Office Hours | Provided in Remote Area or Offshore Installation → NIL

Other → Actual Cost to Employer xxx; (-) ₹50 per Meal/day (xxx); Perk xxx

This exemption is available only if the employee exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A)

RULE 3(3) SWEEPER, GARDNER, PERSONAL ATTENDANT

Appointed by ER

Cost to the ER (-) Recovered from EE | Cost to the ER (-) Recovered from EE

For Employee or "member of household" shall include :
a) Spouse(s);
b) Children and their spouses;
c) Parents;
d) Servants & Dependants

PERK : TAXABLE ONLY IN CASE OF SPECIFIED EE

Gas/ Electricity / Water Facility Connection in the name of :

Employer : Taxable only to specified EE	
Manufacturing cost Per Unit	xxx
Less : Recovered	(xxx)
Taxable	xxx

Employee : Taxable to all employee	
Actual Cost to ER	xxx
Less : Recovered	(xxx)
Taxable	xxx

PROVIDENT FUND

Particulars	RPF	URPF	SPF	PPF
ER Contri.	Contribution in excess of 12% of salary is taxable	Not taxable at the time of contribution	Fully exempt	N.A.(as there is only assessee's own contribution)
EE Contri.	Deduction u/s 80C, [No Deduction if opted for 115BAC(1A)]	Not eligible for deduction	Deduction u/s 80C, [No Deduction if opted for 115BAC(1A)]	Deduction u/s 80C, [No Deduction if opted for 115BAC(1A)]
Interest on ER Contri.	Amount in excess of 9.5% p.a. is taxable	Not taxable at the time of credit of interest	Fully exempt	N.A.
Interest on EE Contri.	Amount in excess of 9.5% p.a. is taxable	Not taxable at the time of credit of interest	Exempt upto certain limit of contri. as prescribed	Fully exempt
Amount withdrawn on retirement/ termination	Exempt u/s 10(12) subject to certain conditions Prescribed	> Employee's contribution is not taxable. > Interest on Employee's contribution is taxable under 'IFOS' > Employer's contribution & interest thereon is salary	Exempt u/s 10(11)	Fully exempt u/s 10(11)

EDUCATION FACILITY

Where educational facility is provided to employees children:
- Cost of education or value does not exceed ₹1,000 pm per child → Nil
- Amount exceeds ₹1,000 pm per child → Cost of Education xxx; (-) ₹1,000 pm per child (xxx); (-)Amount paid or recovered from the EE (xxx)

Where educational facility is provided to a member of his household (other than children) → Cost of Education xxx; (-) Amount paid or recovered from the EE (xxx)

Overall Cap Limit Introducted By Finance Act 20 :

1. **The amount or the aggregate of amounts of any contribution made to account of the assessee by the employer :**
   a) In a recognised provident fund;
   b) In the scheme referred to in sec 80CCD(1); and
   c) In an approved superannuation fund to the extent it exceeds ₹7,50,000 in a PY.

2. Annual accretion by way of interest, dividend or any other amount shall be computed in such manner as may be prescribed.

TRANSPORT FACILITY

Cases	Tax	
If employer is engaged in transportation business	Rail/Air	Nil
	Other	Amount charged from public for such facility is taxable in the hands of specified employee (-) Recovered.
In any other case	Actual cost of employer for such facility is taxable in the hands of all employees (-) Recovered.	

MEDICAL FACILITY

IMP Hai!

The perquisite in respect of medical facility is generally taxable only in case of 'Specified Employees'. Where however bills are issued in the name of the employee & the employer makes payment thereof then it is a perquisite taxable in the hands of all employees.

In India	Exempt	1. Treatment in Hospital Maintained by Employer 2. Government Hospital 3. Approved Hospital 4. Any health Insurance/ Group Insurance
	Taxable	Reimbursement in Private Hospital is Fully Taxable
Outside India	Medical Treatment	Exempt upto an amount specified by RBI
	Stay Abroad	Exempt upto an amount specified by RBI
	Travel	Gross total Income upto ₹2L: Nil Gross total Income beyond ₹2L: Total taxable

 # Aforesaid limit of ₹ 2 Lakh will be revised by CBDT (Wait for the Notification). [FA 2025]

SWEAT EQUITY SHARE

FMV : Option Price x No of Shares = Perk

LEAVE TRAVEL CONCESSION

Different situations	Amount of exemption if journey is performed on or after October 1, 1997
When journey is performed by air : Amount of air economy class fare of the National Carrier by the shortest route or the amount spent, whichever is less. **When journey is performed by rail :** Amount of AC first class rail fare by the shortest route or the amount spent whichever is less	
When the places of origin of journey & destination are connected by rail & journey is performed by any other mode of transport	Amount of airconditioner first class rail fare by the shortest route or the amount spent, whichever is less
Where the places of origin of journey and destination (or part thereof) are not connected by rail :	
a) Where a recognised public transport system exists	First class or deluxe class fare by the shortest route or the amount spent, whichever is less
b) Where no recognised public transport system exists	Air-conditioner first class rail fare by the shortest route (as if the journey has been performed by rail) or the amount actually spent, whichever is less

1. **Meaning of "family" :** The aforesaid exemption is available in respect of fare for going anywhere in India along with "Family". "Family" includes spouse, children, parents, brothers & sisters of the employee, who are wholly or mainly dependent upon employee. However, family does not include more than two surviving children of individual born on or after Oct 1, 1998 (In reckoning this limit of two children born out of multiple births after the first child will be treated as 'one child only')

2. **Only 2 journey in a block of 4 years is exempt :** Exemption on the aforesaid basis is available in respect of 2 journey performed in a block of 4 calendar years commencing from 1986

3. **"Carry-over" concession :** If an assessee has not availed travel concession or assistance during any of the specified 4 block periods on one of the two permitted occasions (or on both occasions), exemption can be claimed in the first calendar year of the next block (But in respect of only one journey). This is known as "Carry-over concession". In such case, the exemption so availed will not be counted for the purposes of claiming the future exemptions allowable in respect of 2 journeys in the subsequent block.

4. **Exemption is based upon actual expenditure :** The quantum of exemption is limited to the actual expenses incurred on the journey. In other words without performing any journey and incurring expenses thereon, no exemption can be claimed.

5. **Exemption is available in respect of fare :** The exemption is strictly limited to expense on air fare, rail fare, bus fare only. No other expenses like scooter or taxi charges at both ends, porterage expenses during the Journey and lodging/boarding expenses will qualify for exemption.

If the assessee exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A).

FULLY EXEMPTED PERKS

The following are not included for TDS u/s 192 :

1. Tea or snacks provided during working hours.
2. Free meals provided during working hours in a remote area or an offshore installation.
3. Perquisites allowed outside India by Govt to citizen of India for rendering service outside India.
4. Employer's contribution to staff group insurance scheme.
5. Free educational facility provided in an institute owned/ maintained by employer to children of ee provided cost/ value doesn't exceed ₹1,000 pm per child (no limit on no. of children)
6. Interest-free/concessional loan of an amount not exceeding ₹20,000.
7. Computer/laptop given (not transferred) to EE for official/personal use.
8. Transfer without consideration to an employee of a movable asset (other than computer, electronic items or car) by employer after using it for a period of 10 yrs or more.
9. Traveling facility to employees of railways or airlines.
10. Rent-free official residence & conveyance to a HC/SC Judge.
11. Conveyance facility provided to an EE between office & residence.
12. Accommodation provided on transfer of an employee in a hotel for not exceeding 15 days in aggregate.
13. Interest free loan for medical treatment of nature given in Rule 3A.
14. Periodicals and journals required for discharge of work.

INTEREST CREDITED ON CONTRIBUTION BY SUCH PERSON/EMPLOYEE

Rule 3B : Notified the following manner to compute the annual accretion by way of interest, dividend or any other amount of similar nature during the previous year :

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

Where,

TP	Taxable perquisite u/s 17(2)(viia)for the current PY.
PC	Amount or aggregate of amounts of employer's contribution in excess of 7.5 lakh to recognized PF, national pension scheme u/s 80CCD & approved superannuation fund during the PY.
PC1	Amount or aggregate of amounts of employer's contribution in excess of 7.5 lakh to recognized PF, national pension scheme u/s 80CCD & approved superannuation fund for the PY years commencing on or after 1st April, 2020 other than the current PY.
TP1	Aggregate of taxable perquisite u/s 17(2)(viia) for the PY or years commencing on or after 1st April, 2020 other than the current PY.
R	I/ Favg
I	Amount or aggregate of amounts of income accrued during the current previous year in recognized PF, 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 & approved super-annuation fund on 1st April, 2021 + Amount or aggregate of amounts of balance to the credit.

COMPUTATION OF RELIEF

Step	Particulars	₹
1	TI for this year (including arrears of salaries)	xxx
2	Tax on Step 1 including cess	xxx
3	TI for this year excluding arrears of salaries	xxx
4	Tax on Step 3 including cess	xxx
5	Difference between Step 2 & Step 4 (A)	xxx
6	TI for that year (including arrears of salaries)	xxx
7	Tax on Step 6 @ of that year	xxx
8	TI for that year (excluding arrears of salaries)	xxx
9	Tax on Step 8 @ of that year	xxx
10	Difference between Step 7 & Step 9 (B)	xxx
11	Relief u/s 89(1) = (A) - (B)	xxx

SUMMARY CHART FOR SALARY

Particulars		Salary
Gratuity	Covered in Act	Basic + DA
	Not Covered in Act	Basic + DA(R) + C(T)
House Rent Allowance		
Retrenchment Compensation		
Leave Salary		
Voluntary Retirement compensation		
Recognized Provident Fund		
Rent Free Accommodation		Basic + DA(R) + Comm. + All taxable allowance

NOTES RELATED TO RETRENCHMENT COMPENSATION

1. The above limits will not be applicable to cases where the compensation is paid under any scheme approved by the Central Government for giving special protection to workmen under certain circumstances.

2. **Average pay means average of the wages payable to a workman :**
   > In the case of monthly paid workman, in the three complete calendar months,
   > In the case of weekly paid workman, in the four calendar weeks,
   > In the case of daily paid workman, in the twelve full working weeks, preceding the date on which the average pay becomes payable if the workman had worked for three complete calendar months or four complete weeks or twelve full working days, as the case may be, & where such calculation cannot be made, the average pay shall be calculated as the average of the wages payable to a workman during the period he actually worked.

3. Wages for this purpose means all remuneration capable of being expressed in terms of money, which would, if the terms of employment, expressed or implied, were fulfilled be payable to a workman in respect of his employment or of work done in such employment, & includes :
   > Such allowances including DA as the workman is for the time being entitled to;
   > The value of any house accommodation, or of supply of light, water, medical attendance or other amenity or of any other service or of any concessional supply of food grains or other articles;
   > Any travel concession; and
   > Any commission payable on the promotion of sales or business or both However, it does not include any bonus;
   > Contribution to a retirement benefit scheme;
   > Any gratuity payable on the termination of his service.

4. Exemption u/s 10(10B) would be available to an assessee irrespective of the regime under which he pays tax.

6 INCOME FROM OTHER SOURCE

SEC 56

Sec 56(1) : Income of every kind which is not exempt shall be chargeable to tax under IFOS if it is not taxable in any other head.

1. Casual income.
2. Interest on compensation & enhance compensation.
3. Income from subletting of HP.
4. Rent from a vacant plot.
5. Composite Rent Non-separable.
6. Advance money forfeited on or after 1.4.2014.
7. Director sitting fees
8. Agriculture Income from foreign.
9. Gift
10. Dividend
11. Interest on income tax refund (Income tax refund is not an Income)
12. Family Pension
13. Income of MP, MLA

Following income shall be taxable if not taxable in PGBP :

14. Interest on Loan/ securities.
15. Income from Letting of P&M & Furniture
16. Sum received under keyman Insurance policy including sum by way of Bonus.
17. Royalty
18. Any compensation or other payment received by any person in connection with the termination of his employment or the modification of the terms and conditions relating thereto.
19. Income from Undisclosed Sources.
20. Issue of share @ premium.

ADVANCE MONEY FORFEITED

Forfeited on or after 01.04.2014 is taxable under IFOS

INTEREST ON COMPENSATION & ENHANCE COMPENSATION

Such interest is taxable in IFOS in the year of receipt & 50% of such interest is allowed as deduction (Sec 57), irrespective of the year to which it pertains.

SEC 56(2)(x) TAXATION OF GIFTS

FMV = Rule 11UA

- **Money**
  - Cash, Bank, ECS received from person/ persons in excess of ₹50,000 " The Whole Amount is Taxable".
- **Immovable property**
  - Without consideration: If SDV exceed ₹50,000 "The Whole SDV is Taxable".
  - Inadequate consideration : SDV the consideration of property exceeds higher of :
    1) ₹50,000
    2) Amount equal to 10% of consideration
    The Whole Difference is Taxable
- **Movable property**
  - Without consideration : If FMV exceed ₹50,000 " The Whole FMV is Taxable".
  - Inadequate consideration: If FMV consideration exceed ₹50,000 "The Whole difference is Taxable".

IMP Hai!

1. Date of agreement = Date of Registration SDV of date of agreement will be considered if conditions are satisfied :
   a) Consideration or part thereoff is paid as on the date of agreement
   b) Such consideration is paid by way of account payee cheque, draft, ECS, Other electronic Mode (Rule 6ABBA).
2. Where the stamp duty value is disputed then provision of sec 50C is applicable with respect to FVOC.

GIFT RECEIVED FROM FOLLOWING IS EXEMPT

1. From any relative (Whether having any occasion or not).
2. On the occasion of the marriage of the individual (from relative or not).
3. Under a will or by way of inheritance.
4. In contemplation of death of the payer or donor.
5. From any local authority.
6. From any fund or foundation, university, other educational institution or hospital or other medical institution or any trust or institution u/s 10(23C).
7. From or by any trust or institution registered u/s 12A/ 12AA/12AB.
8. By any fund or trust or institution or any university or other educational institution or any hospital or other medical institution u/s 10(23C)(iv)/(v)/(vi)/(via) or if sum or property is received by any person u/s 13(3) from any fund registered u/s 10(23C) or trust registered u/s 12AA/12AB then such sum shall be Taxable.
9. By way of transaction not regarded as transfer u/s 47(i)/(iv)/(v)/(vi)/(via)/(viaa)/(vib)/(vic)/(vica)/ (vicb)/(vid)/(vii),(viiac) or (viiad) or (viiae) or (viiaf).
10. From an individual by a trust created or established solely for the benefit of relative of the individual.
11. From such class of persons & subject to such conditions, as may be prescribed.
12. Received by an Individual, from any person, for medical treatment related to COVID-19 subject to such conditions as CG may Notify.

IMP Hai!

Accordingly CG has vide Noti No. 91/2022 : The individual has to keep a record of the following documents, namely :

a) The COVID-19 positive report of the individual or his family member;
b) All necessary documents of medical diagnosis or treatment of the individual or family member due to Covid-19 suffered within 6 months from determined as Covid-19 positive, the details of amount received must be furnished to the Income-tax department within 9 months.

13. **Received By a member of the family of a deceased person :**
    i) From the employer of the deceased person (without any limit); or
    ii) From any other person or persons where such sums does not exceed ₹10 lakh rupees,

Where the cause of death is due to COVID-19 and the payment is :

i) Received within 12 months from the date of death of such person; and
ii) Subject to such other conditions, CG may notify.

Accordingly, the Central Government has, vide Notification No. 92/2022 specified the following conditions :

1. (i) The death of the individual should be within 6 months from the date of testing positive;
   (ii) The family member of the individual has to keep a record of the following documents :
   a) The COVID-19 positive report of the individual;
   b) A medical report or death certificate issued by a medical practitioner or government civil registration office, in which it is stated that death of the person is related to corona virus disease (COVID-19)
2. The details of such amount received must be furnished to AO within 9 months

> **"Family" (For clause 12 & 13), in relation to an individual means :**
i) The spouse and children of the individual; and
ii) The parents, brothers & sisters of the individual or any of them, wholly or mainly dependent on the individual

DEFINITIONS

Property meaning	Relative
1. Immovable property 2. Shares & securities 3. Jewellery & Bullion 4. Archaeological collections 5. Drawing 6. Paintings 7. Any work of art 8. Sculptures 9. Virtual Digital Assets	i) Spouse of the Individual ii) Brother/Sister of the Individual/Spouse of the Individual iii) Brother/Sister of either of the Parents of the Individual iv) Any lineal ascendant/descendant of the Individual v) Any lineal ascendant/descendant of the spouse of the Individual vi) Spouse of the person referred to in clause (ii) to (vi) vii) In case of HUF any member # **Relative does not Include :** Friends, Cousin, Parents Cousin

RESIDUAL INCOME

Salary received by an MPs/MLAs will not be chargeable to income-tax under the head Salary but will be chargeable as "Income from other sources" u/s 56. However, the following incomes of MP/ MLA will be exempt u/s 10(17) :

1. **Daily Allowance :** Daily allowance received by any member of Parliament or of any State Legislatures or any Committee thereof.
2. **Constituency Allowance of MPs :** In the case of a Member of Parliament, any allowance received under Members of Parliament (Constituency Allowance) Rules, 1986; and
3. **Constituency allowance of MLAs :** Any constituency allowance received by any person by reason of his membership of any State Legislature under any Act or rules made by that State Legislature.

 # Exemption is Not available if assessee opted 115BAC.

SEC 115BB CASUAL INCOME

Income by way of :
> Lottery
> Horse races
> Betting
> Card Game
> Crossword puzzle
> Games of any sort

Notes :

1. Sec 58(4), no deduction is allowed from such Income.
2. U/s 115BB it is taxable @30%.
3. Deduction u/s 80C-80U is not available.
4. Generally casual Income is received after TDS (Net of TDS) hence we need to gross up :
   $$\text{Grossing up} = \frac{\text{Amount received}}{100 - \text{TDS Rate}}$$
   > If Problem gives Net amount gross it
   > If nothing is given assume it is Gross up
5. Lottery held as stock in trade taxable in PGBP

SEC 115BBJ WINNING FROM ONLINE GAMES

1. Where assessee earns by way of winnings from any online game, Income-tax shall be @30%.
2. **"Online game"** means a game that is offered on the internet and is accessible by a user through a computer resource including any telecommunication device.
3. **Other points :**
   > No expenditure/allowance can be allowed.
   > Deduction under Chapter VI-A is not allowable.
   > Adjustment of unexhausted basic exemption limit is also not permitted against such income.
   > Set-off of losses is not permissible against such income.
4. The Payer of such winning shall deduct TDS u/s 194BA.

SEC 8 DIVIDEND INCOME

Interim Dividend shall deemed to be income of PY in which such dividend is made available by Co. to member.
. Dividend includes deemed dividend u/s 2(22)(a) to (f).

TAXABILITY OF DIVIDEND IN THE HANDS OF SHAREHOLDER

1. From 01.04.20, dividend income is taxable in the hands of shareholder

2. **The PY in which dividend is taxable :**

Type of Dividend	PY in which it is taxable
Interim Dividend	Taxable in the year in which it is received
Final Dividend	Taxable in the year in which it is declared at AGM
Deemed Dividend sec 2(22)(a)-(f)	Taxable in the year in which it is distributed or paid

3. **Surcharge on Dividend :**
For Individual & HUF : The surcharge on dividends & capital gains u/s 111A/112A shall not exceed 15%

a) Upto ₹ 50 lakhs	No surcharge
b) Exceeds ₹ 50L upto 1cr	10%
c) Exceeds ₹ 1cr upto 2cr	15%
d) Beyond ₹ 2cr	15% only

4. **Allowability of Expenses from dividend Income :**
   i) **Expense is allowed lower of :**
      a) Actual interest
      b) 20% of dividend income before such deduction
   ii) No expenses except above shall be allowed as deduction.

5. **When Dividend is received by NR & Foreign Co.**
   i) Dividend income is taxable (as per sec 115A the tax rates will be 20%)
   ii) The Payer Co. shall deduct the TDS u/s 195 @20%.

SEC 80M DEDUCTION IN RESPECT OF CERTAIN INTER-CORPORATE DIVIDEND

Domestic Co. can take deduction lower of :
i) Dividend received; or
ii) Dividend paid on or before the due date of filing ROI. "Due Date" means the date one month prior to the date for furnishing the return of income u/s 139(1).

LIABILITY OF COMPANY

The Payer company now not liable to deduct Tax u/s 115-O
The Payer company is liable to deduct TDS u/s 194 in case of Resident whereas Sec 195 in case of Non Resident.

DEEMED DIVIDEND

Sec	Particulars	Relevant point
2(22)(a)	Any distribution by a Co, to the extent of accumulated profits (capitalised or not), resulting release of its assets to its shareholders > Issue of bonus shares is not deemed dividend. > When assets are distributed, FMV of asset as on date of distribution has to be taken.	Amount of dividend = FMV of assets as on the date of distribution has to be taken for calculation of dividend
2(22)(b)	**Any distribution to its shareholders by a company :** > Of debentures/debenture-stock/deposit certificates > Of bonus to its preference shareholders > To the extent of accumulated profits (capitalised or not).	If bonus shares are issued to equity shareholders, it does not amount to distribution of dividend
2(22)(c)	Any distribution to the shareholders of a Co on its liquidation, to the extent of its accumulated profits (capitalized or not).	In such case, there will be no CG in the hands of the CO u/s 46(1), however the shareholder will be subject to CG.
2(22)(d)	Any distribution to its shareholders by a Co. on the reduction of its capital, to the extent of accumulated profits capitalised or not.	
2(22)(e)	1. The **Amount of Loan and Advances shall be treated as Deemed Dividends** & taxable in the hands of shareholder to the extent to which company possess accumulated profits. 2. **Substantial Interest in any Other Concern means 20% or more of Voting Power/PSR** at any time during the PY. 3. Accumulated Profit means profit as per Companies act, 2013 (Accounting Profit) and not Assessable Profit. 4. **Tarulata Shyam v. CIT (SC)** : Section is applicable at the time when loan is given hence even if loan is repaid during the year then also section applies. 5. It is not applicable in case of trade advances. [Cir 19/2017] 6. Accumulated profits means all profit which is available for distribution or payment of dividend & u/s 2[22](c) all profits up to the date of liquidation. 7. In case of an amalgamated Co. The accumulated profits, whether capitalized or not or loss as the case may be shall be increased by accumulated profits whether capitalized or not of amalgamating company on the date of amalgamation. 8. **Dividend Does not Include :** a) Loan, Advances given in the ordinary course of Business. b) Buy back of shares c) Any Dividend which is setoff by company against loan which has been deemed as dividend u/s 2[22](e) d) Share alloted to shareholder of demerged company by resulting Co. **[Under the scheme of demerger]** e) Any distribution made u/s 2[22](c)/2[22](d) in respect of preference share **f) If loan & advance is received from an Entity where :** > 1 of the group entity is a finance Co. or a finance unit operating in IFSC setup as global or regional corporate treasury centre for undertaking treasury activities or treasury services. > The parent entity or principal entity of such a group is listed on stock exchange in a foreign country (other than a country/ territory outside India as may specified by CBDT) [FA 2025]	
2(22)(f)	**Amount Received on Buy Back w.e.f. 1/10/2024 :** # Buy back of shares would be treated as deemed dividend in the hands of shareholder. [W.e.f. 1/10/2024] # No Deduction shall be allowed from deemed income u/s 2(22)(f).	

IMP Note

FAMILY PENSION

Pension received to family member of Deceased

Normal	Deceased was recipient of Gallantry award	Deceased was working in armed forces
(see computation below)	Exempt u/s 10(18)	Exempt u/s 10(19)

Actual received	xx
[-] Lower of 1/3rd of pension or ₹15,000 pa	(xx)
Taxable	xx

If assessee opts for sec 115BAC, Deduction of ₹25,000 instead of ₹ 15,000.

DEDUCTION NOT ALLOWED U/S 58

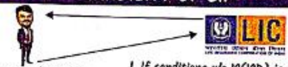
1. Any personal expenses of the assessee.
2. Any interest or salary payable outside India on which tax has not been.
3. Any sum paid on account of Wealth-Tax.
4. The provisions of sec 40A shall apply mutatis-mutandis.
5. Expenditure related to casual Income.

DEDUCTION ALLOWED U/S 57

Following Deduction allowed from IFOS :
1. **Dividends or Income from Units of MF/UTI :** Only Interest on Borrowed Capital shall be allowed as deduction being, Lower of following :
   a) 20% of Dividend income
   b) Actual Interest Paid.
2. Any amount paid as **Employee contribution to PF**, SAF, ESI or any other fund setup for welfare of employee.
3. In the case of Rental income of P&M and Furniture, deductions, for **Rent Revenue repairs & Depreciation shall be allowed)** as per sec 31 and sec 32(1) & (2) & subject to sec 38
4. In the case of income in the nature of **family pension**, a deduction of a sum equal to 1/3rd of such income or ₹15,000, whichever is less.
   # If assessee opts for sec 115BAC, Deduction of ₹25,000 in respect of family pension is available.
5. Any other expenditure (not capital expenditure) laid out or expended wholly and exclusively for earning IFOS income
6. In the case of **interest on compensation or enhanced compensation**, a deduction of 50% of such income & no other deduction shall be allowed under any other clause of this sec.
7. In the case of dividends or interest on securities, any reasonable sum paid by way of commission or remuneration to a banker or any other person for the purpose of realizing such dividend or interest on behalf of the assessee.

 # No Deduction shall be allowed from Dividend Income u/s 2(22)(f).

TAXABILITY OF LIP



1. Payers pays Insurance Premium **Deduction u/s 80C** (If not opted for 115BAC)

2. **Condition for Exemption u/s 10(10D)** provides the premium shall not exceed the prescribe limit as mention in Table Below]

1. **If conditions u/s 10(10D) is satisfied :** Final Amount Paid by Insurance Co. Including Bonus is Exempt

2. **If the Conditions u/s 10(10D) is not satisfied :** The said amount shall be taxable to payer under the head IFOS @ Normal Slab rate + the payer Insurance Co. shall deduct **TDS u/s 194DA**, If premium amount exceed 1 Lakh.

In respect of policies issued before 1.4.2003	Any sum received under a LIP including the sum allocated by way of bonus is exempt	
In respect of policies issued between 1.4.2003 and 31.3.12	Premium paid to the extent of 20% of "Actual Capital Sum assured"	
In respect of policies issued on or after 1.4.2012 but before 1.4.2013	Premium paid to the extent of 10% of "Actual Capital Sum assured"	
In respect of policies issued on or after 1.4.2013	a)	Where the insurance is on the life of a person with disability or severe disability as referred to in sec 80U or a person suffering from disease or ailment as specified u/s 80DDB. Premium paid to the extent of 15% of "Actual Capital Sum assured"
	b)	Where the insurance is on the life of any person, other than mentioned in (a) above Premium paid to the extent of 10% of "Actual Capital Sum assured"
In respect of policies issued on or after 1.4.2023	1. Exemption would not be available if the premium payable for any of the years during the term of the policy exceeds 10% or 15%, as the case may be, of "Actual capital sum Assured. 2. Further, exemption would also not be available if premium payable exceeds ₹5,00,000 for any of the previous years during the term of such policy. 3. In a case where premium is payable by a person for more than one LIP (other than ULIP) & the aggregate of premium payable on such policies exceed ₹5,00,000 for any of PY during the term of any such policy(ies), exemption would be available in respect of any of those LIPs, at the option of the assessee, whose aggregate premium payable does not exceed ₹5,00,000 for any of the previous years during their term.	
Any sum is received on the death is exempt (Irrespective of the annual premium payable).		

 # Exemption u/s 10(10D) is not available in following cases :
1. Keyman Insurance Policy.
2. Insurance policy taken for disabled person u/s 80DD.
3. Sum received under ULIP.

Exemption u/s 10(10D) - Available/ Not

Circumstance	Eligibility for exemption u/s 10(10D)
Single policy : If premium payable does not exceed SL for any of PYs & the annual premium ≤ 10% of sum assured	Exemption u/s 10(10D) available
Single Policy : Premium payable > 5,00,000	Exemption u/s 10(10D) not available.
Multiple policy : If premium payable does not exceed SL for any of PYs & the annual premium ≤ 10% of sum assured	Exemption u/s 10(10D) available.
Multiple policy : If premium payable exceed SL for any of PYs & the annual premium > 10% of sum assured	Exemption u/s 10(10D) not available.
If aggregate premium payable on LIP and EEE (Earlier exempted Policy) does not exceed SL & annual premium does not exceed 10% of actual capital sum assured	Exemption u/s 10(10D) available.
If aggregate premium payable on LIP and EEE (Earlier exempted Policy) does exceed SL & annual premium does exceed 10% of actual capital sum assured.	Exemption u/s 10(10D) not available.

SEC 194 TDS ON DIVIDEND IN CASE OF RESIDENT

Payer (Deductor)	Principal officer of any Indian Co/a company which has made the declaration & payment of dividends (including dividends on preference shares) within India
Payee (Deductee)	Shareholder being Resident
Limit	Paid by any mode & dividend exceed ₹10,000
Rate	10%
Time of Deduction	Before making any payment by any mode
Special points	This sec shall not apply to such income credited or paid to : a) LIC b) General insurance c) Any other insurer

SEC 195 TAXATION IN CASE OF NR

TDS shall be deducted @ 20%

7 CAPITAL GAINS

THERE MUST BE CAPITAL ASSETS

Capital Assets sec 2(14) means :

1. Capital Asset means property of any kind held by an Assessee, whether or not connected with his business or profession & include & shall be deemed to have always included any right in or in relation to an Indian company including rights of management or control or any others right whatsoever.

2. Any security held by Foreign Institutional Investor (whether as CA or SIT).

3. **Any unit linked insurance Policy (From AY 26-27) :**
   > Single Policy Premium Exceed ₹ 2.5L p.a.
   > Where aggregate premium for more then 1 ULIP exceed ₹ 2.5L p.a.
   > Where Premium exceed 10% of Sum Assured.

ASSETS NOT TO BE TREATED AS CAPITAL ASSET

> Stock in trade > Consumable stores > Raw Material for b/p	**Personal Effects (incl wearing apparels & furniture) but does not include :** > Jewellery > Archaeological collections > Drawings > Paintings > Sculptures > Any work of art	Rural Agriculture Land in India	> 6 1/2% Gold Bonds 77 or 7% Gold bonds, 80 or National Defence Gold Bonds, 1980, Special Bearer Bonds 1991 > Gold Deposit Bonds issued under Gold Deposit Scheme 99/ Gold Monetization Scheme 2015

SEC 2(47) TRANSFER OF CAPITAL ASSET

Transfer in relation to capital assets includes the following :

1. The sale, exchange/Relinquishment of the asset
2. The extinguishment of any rights therein
3. The compulsory Acquisition
4. Conversion of asset into stock- in-trade
5. The maturity or redemption of a zero coupon bond
6. Any transaction in part performance of contract of immovable property u/s 53A of TOPA, 1882
7. Any transaction of becoming a member of society or Co. etc having house building scheme for its members.

TYPES OF CAPITAL ASSETS

STCA

- **Financial Assets**
  - > Securities (i.e Shares, debentures & bonds) listed on RSE
  - > Units of UTI, whether listed or not,
  - > Units of equity-oriented mutual fund, whether listed or unlisted
  - > Units of debt-oriented mutual fund listed on RSE
  - > Zero coupon bonds, whether listed or unlisted
  - Holded for 12m or less
- **Other Assets**
  - > Unlisted Shares
  - > Immovable Property
  - Holded for 24m or less

LTCA

- **Financial Assets**
  - > Securities (i.e Shares, debentures & bonds) listed on RSE.
  - > Units of UTI, whether listed or not.
  - > Units of equity-oriented mutual fund, whether listed or unlisted.
  - > Units of debt-oriented mutual fund listed on RSE.
  - > Zero coupon bonds, whether listed or unlisted.
  - Holded for more than 12m
- **Other Assets**
  - > Unlisted Shares
  - > Immovable Property
  - Holded for more than 24m

DETERMINING PERIOD OF HOLDING

Situations of 49(1)	Holding Period of Assessee + previous Owner
Conversion of inventory into Capital Assets	From the date of its conversion
Share Received in amalgamation	It shall be counted from the date of acquisition of shares in Amalgamating company
Share Received in Resulting company	It shall be counted from the date of acquisition of shares Demerged company.
Right Shares	Counted from the date of allotment Share
Bonus Shares	Counted from the date of allotment Share
Sweat equity share	Counted from the date of allotment or transfer of such equity Share
Conversion of Pref. Shares into Equity	The period of holding shall be considered from the date of Acquisition of preference shares
Conversion of Debenture/ Bond into shares	The period of holding shall be considered from the date of Acquisition of Bond/Debenture
Units of Business Trust [pursuant to sec 47(xvii)]	The period of holding shall include the period for which shares where held by Assessee
Units which become property of assessee in consideration of transfer u/s 47(xviii)	The period of holding shall include the period for which the unit or units in consolidation of mutual fund were held by the Assessee
Assets acquired by Assessee	From the date of Acquisition
Depreciable Assets	Always ST irrespective of holding period
Conversion of SIT into CA	From the date SIT was acquired

SEC 48 HOW TO COMPUTE?

Short Term Capital Gain	
Full Value of Consideration	xxx
Less : Exp on Transfer	(xxx)
Net Consideration	xxx
Less : Cost of Acquisition	(xxx)
Less : Cost of Improvement	(xxx)
STCG	xxx
Less : Exemption u/s 54B/ 54D/54G/54GA	(xxx)
STCG	xxx

Long Term Capital Gain	
Full Value of Consideration	xxx
Less : Exp on Transfer	(xxx)
Net Consideration	xxx
Less : Indexed Cost of Acquisition	(xxx)
Less : Indexed Cost of Improvement	(xxx)
LTCG	xxx
Less : Exempt u/s 54 to 54GB	(xxx)
LTCG	xxx

Long term capital Gains w.e.f 23/7/24	
Long term Capital Gains	₹
Full Value of Consideration	xxx
Less : Exp on Transfer	(xxx)
Net Consideration	xxx
Less : Cost of Acquisition	(xxx)
Less : Cost of Improvement	(xxx)
LTCG	xxx
Less : Exemption u/s 54 to 54GB	(xxx)
LTCG	xxx

Note :
1. The COA or COI shall not include the deductions claimed in respect of interest u/s 24(b) or under the provision of chapter VI-A
2. Indexation has been removed from 23/7/24.

FULL VALUE OF CONSIDERATION

Full value of consideration is amount of consideration received or receivable by transferor without making any deduction therefrom

<u>If in Cash</u> : Take Actual Amount

<u>If in Kind</u> : As per <u>Sec 50D</u> take FMV wherever consideration is not ascertainable or cannot be determined

SEC 50C FULL VALUE OF CONSIDERATION OF LAND & BUILDING

If Value adopted by stamp Value Authority exceed 110% of consideration received or accruing, then only stamp Value is adopted as FVC otherwise consideration received shall be FVC.

Different Situation in reference to VO	Value by VO is higher than SVA	C = SVA
	Value by VO is lower than SVA but more than Assessee	C = VO Value
	Value by VO is lower than value by Assessee	C = Assessee Value

Generally, SDV as on the date of registration is considered but, if the date of agreement and registration are not the same then Assessee can take SDV as on the date of agreement if he has received consideration or part thereof upto the date of agreement by way of A/c payee cheque, DD, ECS, any other electronic mode

SEC 50CA UNLISTED SHARES

1. FMV shall be deemed to be the FVOC if consideration < FMV (Rule 11UAA)
2. Sec applies to all Assessee including NR.
3. Sec applies only if the shares are held as Capital Asset not stock in trade.
4. Sec applies to all kinds of shares-equity or preference. However, it does not apply to Debentures.

SEC 50AA COMPUTATION OF CAPITAL GAINS IN CASE OF MARKET LINKED DEBENTURE

a) Where a unit of a Specified Mutual Fund acquired on or after 1/4/2023 or a Market Linked Debenture; or

b) Is an unlisted bond or an unlisted debenture which is transferred/ redeemed/ matures on or after 23/7/24.

Computation of Capital gains

Particulars	Amount
FVOC = The full value of consideration received on Redemption/maturity of such Debenture	xxx
(-) Expenses on Transfer	(xxx)
Net Consideration	xxx
(-) COA of Debenture or Unit	(xxx)
STCG (Always)	xxx

Notes :

1. No deduction shall be allowed for STT paid.
2. No indexation will be available.
3. Sec 50AA shall apply if **debenture** are Sold/Redeem after 1.4.23 (Irrespective of date of issue of such debenture)
4. It must be noted that 50AA shall apply only if units of **specified mutual funds** are acquired on or after 1.4.23 & sold after 1.4.2023.
5. "**Market Linked Debenture**" means a security which has an underlying debt security and where the returns are linked to market returns on other underlying securities or indices and include any security classified or regulated as a market linked debenture by SEBI.
6. **W.e.f. 1/4/2026 Specified Mutual Funds Means :**
   a) A Mutual Fund which invests more than 65% of its total proceeds in debt and money market instruments;
   b) A fund which invests 65% or more of its total proceeds in units of a fund referred to in sub-clause(a)

\# Provided that the % of investment shall be computed with reference to the annual average of the daily closing Figure.

\# For the purposes of this clause, "Debt and Money Market Instruments" shall include any securities classified or regulated as debt and money market instruments by the SEBI

EXPENSES OF TRANSFER

1. Expenses on transfer is allowed as deduction (not exp on acquisition because it is added to cost)
   Given in Cash : Take Actual Amount
   Given in % : Take % of sale consideration not of FVOC
2. Expenses on transfer include brokerage & other legal expenses for sale of such assets
3. STT is not allowed as Deduction [7th Proviso to Sec 48]

SEC 49 COST OF ACQUISITION (COA)

	Particulars	COA
Sec 49	Assets acquired before 01.04.2001	Cost of acquisition/FMV as on 01.04.2001 whichever is higher
	Assets Acquired on or after 01.04.2001	Cost of acquisition
Sec 49(1)	Gift will Inheritance	Cost to the Previous Owner (If the asset is acquired prior to 1.4.2001 then COA will be CTPO or FMV whichever is higher).
Shares	Original Shares	Amount paid for acquiring these shares
	Right shares subscribed by the assessee	Actual Amount paid
	Right shares subscribed by the other person	Purchase price paid to person renouncing such right + amount paid to company allotting such shares
	Right renouncement : If rights are renounced in favor of other person	Nil
	Bonus shares allotted before 1.4.2001	FMV on 1.4.2001
	Bonus shares allotted after 1.4.2001	Nil
	Bonus shares is taxable u/s 112A & allotted before 1.02.2018	FMV on 31.01.2018 or Sale price, whichever is lower
	Sweat Equity shares	FMV for calculation of Perquisite
	Property covered by sec 56(2)(x) [Received under Gift]	**The Value considered for sec 56(2)(x) [See 49(4)] For eg :** Mr. A $\xrightarrow{\text{Gift to}}$ Mr. B $\rightarrow$ Mr. B sold in future, now 70L will be COA of Mr.B; Mr. A ↓ C - 50L, SDV - 70L, FVOC - 70L; Mr. B ↓ Taxed u/s 56(2)(x) ↓ 70L-50L = 20L Taxed as Gift
	Property covered by sec 56(2)(x) [Received under Gift]	The Value considered for sec 56(2)(x) [Sec 49(4)]
	Land & building acquired Prior to 01.04.2001	FMV as on 01.04.2001 cannot exceed SDV as on 01.04.2001
	Conversion of business assets into CA	COA = FMV as on date of Conversion
	Assets received on liquidation	FMV of such Assets as on the date of liquidation
	Conversion of Deb/Bond into shares	Cost of Deb/Bond
	Conversion of Pref. share into shares	Cost of Pref. shares
	Units held in consolidation plan of MF	Cost of acquisition of units in consolidation plan of MF
COA of self-generated Intangible assets		Note : If the asset is purchased then purchase price is the COA. Note : FMV as on 1-4-2001 is ignored.
Depreciable Assets		Opening WDV as on the first day of PY + Actual cost of asset acquired during the year falling within same block sec 50
For LTCG u/s 112A		Higher of : a) Cost of Acquisition; b) Lower of : i) Sale Consideration; or ii) FMV as on 31.1.2018
Unit Transfered under slump sale sec 50B		Net worth of such undertaking

SEC 55(2) COST OF ACQUISITION

Cost of acquisition is value which assessee has paid, or amount which he has incurred for acquisition of asset. It includes amount for completing/acquiring title (Interest on Borrowed capital).

SEC 55(1)(B) COST OF IMPROVEMENT

1. Any improvement expenditure incurred before 01.04.2001 to be ignored while computing capital gain.
2. IT can be incurred either by Assessee or previous owner.
3. **COI shall be Nil for the following :**
   i) Goodwill of Business
   ii) Right of Manufacture, Produce or Process any article/ thing.
   iii) Right to carry on a business or profession.

2ND PROVISO TO SEC 48 INDEXED COST OF ACQUISITION & IMPROVEMENT

Provisions of indexation will apply in case of long term CG on transfer of a long-term capital asset, other than capital gain arising to a non-resident from the transfer of shares in or debentures of an Indian Co. referred to in first proviso

1. Index cost of acquisition :

a) Before 1/04/2001 FMV on 1/4/2001/COA to Assessee/ Previous Owner, whichever is higher $\times \dfrac{\text{CII of the yr of transfer}}{100}$

b) After 01/04/2001 COA to Assessee $\times \dfrac{\text{CII of the year of transfer}}{\text{CII of year of acquisition}}$

c) Asset acquired prior to 01/04/2001 by previous owner & received by Assessee prior to 01/04/2001

FMV on 1/4/2001/COA to Assessee/Previous Owner, whichever is higher $\times \dfrac{\text{CII of the year of transfer}}{100}$

d) Asset acquired prior to 01/04/2001 by previous owner & received by Assessee after 01/04/2001

FMV on 1/4/2001/COA to Previous Owner, whichever is higher $\times \dfrac{\text{CII of the year of transfer}}{\text{CII of year in which first held by Assessee}}$

e) Asset acquired after to 01/04/2001 by previous owner & received by Assessee 01/04/2001

COA to Previous Owner $\times \dfrac{\text{CII of the year of transfer}}{\text{CII of year in which first held by Assessee}}$

Manjula shah vs CIT : If assessee acquire CA by way of gift & transferred such assets, then ICA would be with reference to year in which previous owner held the assets & not in which Assessee becomes the owner. Therefore CII should be based on the year in which previous owner acquired the assets & not in which assessee becomes the owner.

2. Index cost of Improvement :

COI of the asset $\times \dfrac{\text{CII of the year of transfer}}{\text{CII of the year in which improvement made by assessee/previous owner}}$

Cost inflation Index :

IMP Hai!

FY	CII	FY	CII	FY	CII
2001-2002	100	2010-2011	167	2019-2020	289
2002-2003	105	2011-2012	184	2020-2021	301
2003-2004	109	2012-2013	200	2021-2022	317
2004-2005	113	2013-2014	220	2022-2023	331
2005-2006	117	2014-2015	240	2023-2024	348
2006-2007	122	2015-2016	254	2024-2025	363
2007-2008	129	2016-2017	264	**2025-2026**	**376**
2008-2009	137	2017-2018	272		
2009-2010	148	2018-2019	280		

An assessee has an option to take the benefit of indexation arising on land & building or both u/s 112, if :

1. Transferor is Resident I/HUF.
2. LTCG arises on transfer of Land & Building or both (may be residential/commercial/property used for any other purpose).
3. The above asset was acquired prior to 23/7/2024
4. The above asset is transferred on or after 23/7/2024.

If above conditions are satisfied, the assessee has an option to pay tax under old or new regime **(WHICHEVER IS MORE BENEFICIAL TO HIM)** as follows :

OPTION 1 : Pay tax @ 12.5% (Without Indexation).

OPTION 2 : Pay Tax @ 20% (With Indexation).

Note : The above benefit to resident I/HUF is to be given only while computing Tax on LTCG u/s 112 [Not while computing Capital gain]

Simply,

1. While calculating **Capital Gains** solve all problems without giving indexation and write a note that while paying tax option is available,
2. Now While calculating **Tax liability** on such LTCG assessee has an option to pay tax :
   a) @ 20% (with indexation) or;
   b) @ 12.5% (without indexation)

BENEFIT OF INDEXATION NOT AVAILABLE TO

Nature of Long Term Capital Gain Transferred	Assessee not Eligible
Bond/debenture except capital Indexed Bond Issued by Govt/ Sovereign gold Bond	All Assessee
Shares/debenture of Indian company acquired by using convertible Forex	Non Resident
Depreciable Assets	All Assessee
Slum Sale	All Assessee
Securities covered u/s 112A	All Assessee
Units purchased in Foreign Currency u/s 115AB [Refer NR Taxation]	Offshore Fund
GDR purchased in Foreign Currency u/s 115AC/ 115ACA [Refer NR Taxation] Securities given u/s 115AD [Refer NR Taxation]	Non Resident/ Resident Individual

SUMMARY CHART

- Transfer Before 23/07/2024
  - Indexation available to all Assessee & LTCG shall be taxable @20%.
- Transfer is on or after 23/07/2024
  - Resident I/HUF
    - Transfer of Land/Building or Both (Residential/ Commercial /Other Use)
      - > Where Acquired is before 23/07/2024;
      - > Transfer is after 23/07/2024
    - Transfer of Other Assets → No Indexation & LTCG shall be taxable @ 12.50%.
  - Other Assessee
    - No Indexation & LTCG shall be taxable @ 12.50%.

FIRST PROVISO TO SEC 48 CG IN CASE OF NR

In case of :

1. Assessee who is a NR (Includes foreign company)
2. Assets should be shares or debentures of Indian Co.
3. Asset was acquired in foreign currency by way of purchase of reinvestment then CG shall be calculated in foreign currency & after that it shall be reconverted into Indian Currency.

RULE 115A : METHOD OF CONVERSION

Sale Consideration	Avg of TTBR & TTSR	On date of Transfer
COA	Avg of TTBR & TTSR	On date of Acquisition
Transfer Expense	Avg of TTBR & TTSR	On date of Transfer
CG into INR	TTBR	On date of Transfer

THIRD PROVISO TO SEC 48

First & Second proviso not Applicable for computation LTCG in case of Equity shares, Equity oriented units, units of Business Trust Referred u/s 112A.

FOURTH PROVISO TO SEC 48

Index benefit not allowed in case of bonds/debentures except Capital Indexation Bonds & Sovereign Gold Bonds issued by RBI.

Individual
- Redemption on Maturity — No CG due to Sec 47
- Transfer before Maturity — CG Apply (Index available)

Other Assessee : CG on transfer on maturity & index benefit available.

FIFTH PROVISO TO SEC 48 FOREIGN EXCHANGE FLUCTUATION GAIN ON RUPEE DENOMINATION BOND

In case of an assessee being a non-resident, any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company held by him shall be ignored for the purposes of computation of FVOC under this section.

SIXTH PROVISO TO SEC 48 DEEMED CONSIDERATION

Where shares, debentures or warrants referred to in the proviso to sec 47(iii) are transferred under a gift or an irrevocable trust, the market value on the date of such transfer shall be deemed to be the FVOC received or accruing as a result of transfer for the purposes of this sec.

SEC 112A TAX ON LONG TERM CAPITAL GAIN [SEC 10(38) ABOLISHED]

LTCG on transfer of :

> Equity Shares; or
> Equity Oriented Units; or
> ULIP to which exemption u/s 10(10D) by virtue of 4th & 5th Provisio thereof
> Units of business trust in excess of 1L shall be taxable @10% (+ HEC @ 4%)

If following conditions are satisfied :

i) STT paid on Acquisition & transfer of Equity Shares
ii) STT paid on transfer of Equity oriented units & units of Business Trust. If the above conditions are not satisfied.

Sec 112 is still applicable :

Particulars	Amount
FVC = Amount received	xxx
(-) Expenses on Transfer	(xxx)
Net Consideration	xxx
(-) COA	(xxx)
Higher of : a) COA	
b) Lower of :	
i) Sale Consideration	
ii) FMV as on 31.1.18	
Capital Gain	xxx

FMV :

> **Listed & Traded on 31.1.18 :** Highest Price on that Day
> **Listed but not traded :** Highest Price on any previous Traded Day
> **Units :** NAV as on 31.1.18
> **Unlisted Shares :** Indexed Cost (17-18)

Sec 112A(2) Conditions Given Above

- **Satisfied** → LTCG shall be taxable 12.50% beyond ₹1,25,000 u/s 112A
- **Not Satisfied** → LTCG shall be taxable 12.50% u/s 112

 # For Unlisted Shares : w.r.e.f 1/4/2018. In a case where the capital asset is an equity share in a Co which is :

A) Not listed on RSE as on 31/1/2018 but listed on such exchange on the date of transfer;
AA) Not listed on RSE as on 31/1/2018 or which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31/1/2018 by way of transaction not regarded as transfer u/s 47 but listed on such exchange subsequent to the date of transfer (where such transfer is in respect of sale of unlisted equity shares under an offer for sale to the public included in an IPO).
B) Listed on RSE on the date of transfer & which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31.01.2018 by way of transaction not regarded as transfer u/s 47.

NOTIFICATION 60/2018 EXCEPTION TO STT PAYMENT

1. Shares acquired prior to 1st oct 2004.
2. Acquisition of shares approved by HC/SC/NCLT/SEBI/ RBI.
3. Shares acquired by NR under FDI guideline.
4. Acquisition of shares by Investment Fund u/s 115UB
5. Shares acquired through preferential issue as per SEBI.
6. Acquisition through an issue of shares by company.
7. Acquisition by schedule bank reconstruction or securitisation Co. or PFI during the ordinary course of business.
8. Acquisition under ESOP.
9. Acquisition under ESOP.
10. Acquisition from Government.
11. Acquisition by any mode of transfer sec 45(3)/(4)/ 47/50B if the previous owner has acquired shares by any mode. Enhanced surcharge is not applicable to LTCG u/s 112A, STCG u/s 111A.

CG EXPRESSLY EXEMPT U/S 10

1. **Sec 10(34A) Buyback :** Any income arising to shareholder, on account of buy back of shares by the Co. as per 115QA w.e.f 1/10/24 SH shall be liable to tax.

2. **Sec 10(43) Notified reverse Mortgage Scheme :** Any amount received by an individual as a loan, either in lump sum or in installment, in a transaction of reverse mortgage referred to in sec 47(xvi).

3. **Sec 10(37) Compulsory acquisition of urban agriculture land : In case of an individual or a HUF, any income from the transfer of urban agricultural land, where :**
   i) Such land is situate in any area referred to in item (a) or item (b) of sec 2(14)(iii);
   ii) Such land, during the period of 2 yrs immediately preceding the date of transfer, was being used for agricultural purposes by such HUF or individual or a parent of his;
   iii) Such transfer is by way of compulsory acquisition under any law, or a transfer the consideration for which is determined or approved by the CG or the Reserve Bank of India;
   iv) Such income has arisen from the compensation or consideration for such transfer received by such assessee on / after the 1st day of April, 2004.

4. **Sec 10(37A) :** Any income to an individual or a HUF who was the owner as on 2nd day of June, 2014 & transfers that specified capital asset under the Andhra Pradesh capital City land Pooling Scheme (Formulation and Implementation) Rules, 2015.

EXEMPTION U/S 54

Particulars	Sec 54	Sec 54B
Eligible Assessee	Individual/ HUF	Individual/ HUF
Asset transferred	Residential House (LTCA)	Urban Agricultural Land
Other Conditions	Income from such house should be chargeable under the head "Income from house property".	Land should be used for agricultural purposes by assessee or his parents or HUF for 2 years immediately preceding the date of trf.
Qualifying asset i.e, asset in which CG has to be invested	One Residential house situated in India/Two residential houses in India, at the option of the assessee, where CG does not exceed ₹2cr	Land for being used for agricultural purpose (Urban/ Rural)
Time limit for purchase/ construction	Purchase within 1 yr before or 2 years after the date of transfer or construct within 3 years after the date of trf	Purchase within a period of 2 years after the date of transfer
Amount of Exemption	Cost of new Residential House or two houses as the case may be or CG whichever is lower, is exempt. However if the cost of new residential house exceeds ₹10 cr, the amount exceeding ₹10 cr would not be taken into account for exemption. The maximum exemption that can be claimed by the assessee is 10 cr	Cost of new Agricultural Land or Capital Gain, whichever is lower, is exempt

Sec 54D	Sec 54EC	Sec 54F
Any assessee	Any assessee	Individual/ HUF
Land & building forming part of an industrial undertaking	Land or building or both (LTCA)	Any LTCA other than Residential House
Land & building have been used for business of undertaking for at least 2 yrs immediately preceding the date of transfer. The transfer should be by way of compulsory acquisition of the industrial undertaking	-	Assessee should not own more than one residential house on the date of transfer, he should not purchase within 2 yrs or construct within 3 yrs after the date of transfer, another residential house
Land or Building or right in land or building	Bonds of NHAI or RECL any other bond notified by CG (Redeemable after 5 years)	One Residential House situated in India
Purchase/construct within 3 years after the date of transfer, for shifting or re-establishing the existing undertaking or setting up a new industrial undertaking.	Purchase within a period of 6 months after the date of transfer.	Purchase within 1 year before or 2 years after the date of transfer (or) Construct within 3 years after the date of transfer

Cost of new asset or Capital Gain, whichever is lower	Capital Gain or amount invested in specified bonds, whichever is lower. Maximum permissible investment out of capital gains arising in any FY is ₹50 lakhs, whether such investment is made in the current FY or subsequent FY or both.	Cost of new Residential House ≥ Net sale consideration of original asset, entire capital gain is exempt. Cost of new Residential House < Net sale consideration of original asset, proportionate capital gain is exempt. However if the cost of new residential house exceeds ₹10 cr the amount exceeding ₹10 cr would not be taken into account for exemption.

SPECIAL POINTS

Sec 54F : Additional conditions for availing exemption is Assessee should not purchase any Residential House within prescribed limit, other than the New Asset.

Sec 54H : Extension of time limit for acquiring new asset where transfer of CA is by compulsory acquisition under any law, then Time limits for acquiring new asset & for depositing in CGAS shall be computed from date of receipt of compensation & not compulsory acquisition.

SPECIAL CASE IN CAPITAL GAIN

SEC 45 (1A) INSURANCE CG BE TAXABLE IN YEAR OF RECEIPT(MONEY/OTHER ASSETS) FROM INSURANCE CO

Full Value of Consideration	xxx
Amount received from insurance company	
Less : Exp on Transfer	(xxx)
Net Consideration	xxx
Less : COA/ICOA (allowed upto year of destruction)	(xxx)
Less : COI/ICOI	(xxx)
Gross Capital Gain	xxx
Less : Exemption	(xxx)
Taxable Capital Gain	xxx

In case of depreciable assets sale consideration - WDV

It is Taxable in the year of receipt of compensation and Indexation is allowed only upto the year of destruction. If compensation is not received then it is pure dead loss

SEC 45(2) PERSONAL ASSETS CONVERTED INTO STOCK IN TRADE

Capital Gain

Full Value of Consideration (FMV on date of conversion)	xxx
Less : Exp on Transfer	(xxx)
Net Consideration	xxx
Less : COA/ICOA (allowed upto year of conversion)	(xxx)
Less : COI/ICOI	(xxx)
Gross Capital Gain	xxx
Less : Exemption	(xxx)
Taxable Capital Gain	xxx

PGBP

Sale Value
Less : FMV as on date of conversion
PGBP

IMP Hai!

Both Amount is taxable in the year when converted stock is sold or partly Sold. Indexation is available upto the year of conversion. [If Stock is converted into CA then PGBP would arise]

1. If any part of stock is sold then only part CG shall arise in year of sale.

2. In case of converted stock sale, period of 6M shall calculate from date of sale for claiming deduction exemption u/s 54EC.

SEC 45(5) COMPULSORY ACQUISITION

Initial Compensation & enhanced compensation taxable in year of receipt & exp are allowed as dedn Interest on Enhanced compensation is taxable in IFOS & u/s 57 and 50% of interest shall be allowed as deduction.

 # Initial Compensation :

FVOC	xxx
Amount given by appropriate authority	
Less : Exp on transfer	(xxx)
Net Consideration	xxx
Less : COA / ICOA (allowed upto year of Compulsory acq)	(xxx)
Less : COI / ICOI	(xxx)
Gross Capital Gain	xxx
Less : Exemptions	(xxx)
Taxable Capital Gain	xxx

If compensation is reduced in future then capital gain shall be recomputed If compensation is received under Right to fair compensation & Transparency in Land Acquisition rehabilitation & resettlement act 2013 then it is not taxable.

 # Enhance Compensation :

FVOC	xxx
Amount given by appropriate authority	
Less : Exp on transfer	(xxx)
Net Consideration	xxx
Less : COA / ICOA (allowed upto year of Compulsory acq)	Nil
Less : COI / ICOI	Nil
Gross Capital Gain	xxx
Less : Exemptions	(xxx)
Taxable Capital Gain	xxx

SEC 50B SLUMP SALE

1. **Sec 2(42C) :** Meaning of slump sale means transfer of one or more undertakings by any means for a lumpsum consideration without values being assigned to the individual assets and liabilities in such sales.

2. **Deemed cost of acquisition :** Net worth of the undertaking.

3. **Full value of consideration :** FMV as on date of transfer.

 # Simplified analysis :

FVOC : FMV of assets as on the date of transfer, calculated in the prescribed manner	xxx
Less : Net Worth [Deemed cost of acquisition]	(xxx)
CG	xxx

 # Meaning of certain terms :

Net Worth	Total Assets (-) Current Liability Note : If net worth is negative, it is taken = zero & sale consideration will become CG Zuari Inds. Ltd. v. CIT(Mum)	
Aggregate value of total assets	**Depreciable Assets :** WDV **Other Assets :** Book Value **100% deduction claimed assets :** Nil	Revaluation of Assets are totally Ignored

Rule 11UAE : The FMV shall be the FMV1 or FMV2, Whichever is higher.

FMV1 = The FMV of capital assets transferred by way of slump sale determined at the date of slum sale

FMV2 = The FMV of the consideration received or accruing as a result of transfer by way of slump sale.

Note :
However, if the undertakings owned and held by an assessee for not more than 36M immediately preceding the date of its transfer, then such slump sale will result into STCG

SEC 51 ADVANCE MONEY RECEIVED

Advance Money received/retained upto 31-03-2014
- **Previous Owner** → Ignore
- **Assessee** → Reduce from cost/WDV/FMV & then calculate Indexation

Advance Money received/ retained after 31-03-2014 → Taxable in "IFOS"

SEC 46 CAPITAL GAIN ON LIQUIDATION

Sec 46(1) : Distribution of assets to its shareholders on Liquidation is not regarded as transfer.

Sec 46(2) : Money or assets received by shareholders will be taxed under the head CG. The money so received or the market value of the other assets on the date of distribution as reduced by the amount assessed as dividend within the meaning of sec 2(22)(c) and the sum so arrived at shall be deemed to be the FVOC for the purposes of sec 48.

SEC 46A CAPITAL GAINS ON DISTRIBUTION OF ASSETS BY COMPANIES IN LIQUIDATION

(1)	(2)	(3)	(4)
Taxability in hands of	Buyback of shares by domestic Co.	Buy back of shares by a Co.	Buyback of specified securities by any company
Company	Subject to additional Income Tax @ 23.296%	Not Subject to tax in the hands of the company	Not Subject to tax in the hands of the company
Shareholder/ Holder of specified securities	Income arising to shareholder exempt u/s 10(34A)	Income arising to shareholder taxable as Capital gains u/s 46A	Income arising to holder of specified securities taxable as CG u/s 46A.

SEC 47 TRANSACTION NOT REGARDED AS TRANSFER

Sec	Provision
47(i)	Distribution of capital asset on total or partial partition of HUF
47(iii)	Any transfer of capital asset by individual or HUF under a gift or will or irrevocable trust. Provided that this clause shall not apply to capital asset being shares, debentures or warrants allotted by a company to its employees under ESOP. **CIT vs Manjula J Shah : [As Indexation benefit is removed, this case law is irrelevant for transfer on/ after 23rd July] :** Indexed COA in case of gifted asset has to be computed w.r.t. year in which the previous owner first held the asset & not the year in which Assessee become owner of the asset.
47(iv)	**Transfer of a capital asset by a company to its subsidiary if :** a) Parent Co. hold the whole of share capital of the subsidiary Co.; b) Subsidiary is an Indian company. Not applicable if holding company transfers capital asset to subsidiary as a SIT (because, in essence, such transaction is conversion of capital asset into SIT).
47(v)	**Transfer of a capital asset by a subsidiary Co to its holding Co if :** a) Holding Co. hold the whole of share capital of the subsidiary Co.; b) Holding is an Indian company. Not applicable if subsidiary company transfers capital asset to holding company as a SIT. Refer sec 47A - Withdrawal of exemption.
47(vi)	Transfer by amalgamation company to amalgamated Co. in a scheme of amalgamation where amalgamated company is Indian company.
47(vii)	**Any transfer by SH, in scheme of amalgamation, of shares held in amalgamating co., if :** a) Transfer is made in consideration of allotment of shares in amalgamated Co. except where SH itself is the amalgamated Co. b) Amalgamated company is Indian company. **Note :** 1. If consideration for such transfer consists of something more than shares of amalgamated company, exemption u/s 47 shall not apply. 2. COA of shares in amalgamated company = COA of shares of amalgamating co. (Sec 49)
47(vib)	In case of demerger any transfer of capital asset by demerged Co. to resulting company, provided resulting Co. is Indian company.
47(vid)	In a scheme of demerger any transfer or issue of shares by resulting Co. to the SH of demerged Co. is transfer is made in consideration of demerger of the undertaking.

COA of shares (post demerger) [sec 49]	Calculation
Of resulting company	A x B/C A = COA of shares in demerged Co. B = Net Book value of asset transferred C = Net worth (PUSC + General Reserve) of demerged company before demerger
Of Demerged company	Deemed reduced by above amount

Sec	Provision
47(viib)	Transfer of Government security made outside India by a NR to another NR.
47(viic)	Transfer by Individual of SGB issued by RBI under scheme 2015 by way of redemption
47(viid)	Transfer being conversion of gold into Electronic Gold receipt (EGR) issued by vault manager or conversion of EGR into Gold **Other relevant sections : Sec 49(10) :** Cost of acquisition

Scenario	COA	Period of holding
EGR is sold	COA of EGR/Gold = COA of physical gold when purchased	Include period for which gold was held prior to conversion
EGR converted to Gold, then gold is sold		

47(x)	Conversion of bonds or debentures, debenture stock or deposit certificates into shares or debentures of that company. **Sec 49 :** COA of such shares/ debentures = Cost of bonds, debentures Stocks, etc.
47(xb)	1. Conversion of preference shares into equity shares of that company 2. COA of such equity shares = Cost of such preference shares (Sec 49).
47(xvi)	Transfer of capital asset in a transaction of reverse mortgage under scheme made by CG. **Sec 10(43) :** Amount received by an individual as a loan, either in lump sum or in installment, in a transaction of a reverse mortgage u/s 47(xvi) is exempt from tax. Payment of outstanding loan of predecessor by successor for obtaining clear title of property shall be COA of successor u/s 48 read with Sec 55(2). [RM. Arunachalam vs CIT (SC)] **Note :** This benefit is not for all reverse mortgages. It is only for notified scheme of reverse mortgage.
47(ix)	Transfer of any capital asset being work of art, archaeological, scientific or art collection, book, manuscript, drawings, paintings, photograph or print, to government or university or national museum, art gallery, etc.

SEC 111A STCG ON SALE OF SECURITIES

Sale of Following Assets :

1. An equity share in a company.
2. A Unit of Business trust.
3. A unit of Equity oriented Fund.

Conditions :

1. Securities must be sold after 01.10.2004 and

2. Such transaction should be chargeable to STT :

> However the STCG arising from transaction undertaken in foreign currency on RSE-IFSC would be taxable at Concessional rate of 20% even though STT is not paid on such transaction.

> STCG arising on transfer of listed equity shares, units of equity-oriented fund and unit of business trust 20% if STT has been paid on such sale.

Special Adjustment : If Assessee (resident) cannot absorb basic exemption limit and has special Income viz LTCG u/s 112/112A or STCG u/s 111A such special income shall be first adjusted towards Basic exemption limit and balance income if any shall be Taxable at special rate.

No Deduction under Chapter VIA : No deduction under Chapter VIA is applicable in case of STCG u/s 111A.

Tax rate if Conditions are satisfied : If all the above are satisfied then Normal Income-Normal Slab Rate STCG u/s 111A - 20%.

Note :

STCG arising on transfer of other Short-term Capital Assets would be chargeable at normal rates of tax.

SEC 112 LTCG ON SALE OF CAPITAL ASSETS

For I/ HUF (Resident)	Tax rate	12.50%
	Also applicable to Special cases (Note 6)	
For Domestic Co	Same as Above	
For NR/FC	Same as Above	
For Other Resident	Same as Above	
LTCA Being Unlisted securities & Shares of Private Co transferred before 23/7/2024	10% Without providing for 1st & 2nd Proviso to sec 48 [No Indexation]	
LTCA Being listed securities (Other than Units) or Zero Coupon Bond transferred before 23/7/2024	Where the tax payable on LTCA before 23/7/2024 exceeds 10% of the amount of capital gains before giving effect to Indexation then, such excess shall be ignored for the purpose of computing the tax payable by the assessee : Step 1 : Compute CG without Indexation Step 2 : 10% of above CG Step 3 : Compare Tax payable Step 4 : Excess is ignored	

Special Adjustment : If Assessee (resident) cannot absorb basic exemption limit and has special Income viz LTCG u/s 112/112A or STCG u/s 111A such special income shall be first adjusted towards Basic exemption limit and balance income if any shall be Taxable at special rate.

No Deduction under Chapter VIA : No deduction under Chapter VIA is applicable in case of LTCG u/s 112.

CAPITAL GAINS TAX RATE SUMMARY CHART

Particulars	Section 111A	Section 112	Section 112A
Nature of CG	Short term	Long term	Long term
Capital Asset	STCA being : > Equity shares > Units of EOF > Units of BT	Any LTCA other than sec 112A	(Listed) LTCA being : > Eq. shares > Units of EOF > Units of BT
STT	STT is charged on acquisition transfer thereof	-	STT is paid : > Eq. shares : On acquisition & transfer > Units of EOF/ BT : Only on transfer
Tax Rate	20%	1. Resident(I/HUF) : > L & B: 12.5% without Indexation / 20% with indexation > Other than L&B : 12.5% 2. Other Assessee : 12.5%	12.5% beyond ₹1.25 lakhs
Indexation	Not Applicable	Not available w.e.f. 23.07.24	Not available (Refer Sec 48)
Benefit of BEl	Available only to Resident Individual/HUF		
Chapter VI-A	Deduction Not allowed		
Section 87A	Old Scheme	Allowed	Allowed / Not allowed
	New Scheme (i.e 115BAC)	Rebate u/s 87A Not allowed [FA 2025]	

8 PROFIT GAINS FROM BUSINESS OR PROFESSION

SEC 28 CHARGING SECTION

Following Income shall be taxable under the head PGBP :

1. **Any profit/gain of any Business/Profession.**
2. Profit on sale of Import Entitlement License.
3. Cash Compensatory support or duty drawback.
4. Profit on sale of DEPB (Duty entitlement pass book scheme)/Duty free Replenishment Certification (DFRC).
5. Any Amount received under Key-Man Insurance Policy.
6. **Any gift/benefit/perquisite arising due to Business/ Profession.**
7. **Any Interest, salary, bonus, commission received by partner from Partnership firm [to extent allowed u/s 40(b) to firm].**
8. Non-compete Fees (not carrying out any activity in relation to any business or profession or not sharing any know-how, patent, copyright, trade-mark etc).
9. Income derived by a trade, professional or similar association from specific service perform for its member.
10. FMV of inventory as on date on which it is converted into CA.
11. Any Compensation or other payment due to/received by, any person, at or in connection with termination/ modification of terms & conditions of any contract relating to his business.
12. Sale of Asset whose whole cost is allowed as deduction.
13. **The value of any benefit or perquisite arising from business or the exercise of any profession, whether :**
    > Convertible into money or not; or
    > In cash or in kind or partly in cash & partly in kind

 # Income from letting out of Residential House Property (not commercial) or part of the house shall be taxable in HP not PGBP.

SEC 41 DEEMED PGBP

1. If assessee was allowed deduction in earlier years by way of expenses or loss, Trading Liability & now during the current PY, assessee has obtained a refund of such Liability or there is remission or cessation of such trading liability, then such refund or remission or cessation shall deemed to be PGBP.
2. **Balancing charge where any asset of power generating unit is :**
    a) Owned by assessee
    b) On which depreciation is claimed on SLM basis
    c) For the purpose of business is sold, discarded, demolished or destroyed and amount received for such asset together with the amount of scrap value so much of depreciation already claimed.
    d) Shall deemed to be PGBP.
3. **Sale of assets used for scientific research PGBP income will be lower of :**
    a) Net sale price of the asset
    b) Deduction claimed u/s 35
4. Recovery of bad Debts in the CY.

SEC 44AD PRESUMPTIVE INCOME FOR OTHER

1. **Sec 44AD(1) Eligible Assessee :**
    i) An I / HUF / Firm, who is a resident, but not a LLP.
    ii) Who has not claimed deduction u/s 10A, 10AA, 10B, 10BA or Chapter VIA Part-C.
2. **"Eligible business" means :** Any business whose turnover does not exceed ₹2 crore except
    a) Commission b) Agency
    c) Profession d) GTA (Goods Transport Agency)
    T/o Limit will be ₹3 cr if cash receipts does not exceed 5% of Total Receipts. Further Bearer cheque is considered as cash.
3. **PGBP (Presumptive Income) : Higher of :**
    a) Income Declared in P&L; or
    b) Deemed Income 6% of Turnover or 8% of Turnover. 6% only if Payment is received in prescribed mode Rule-6ABBA [UPI, BHIM Debit card, credit card, NEFT, RTGS, IMPS] else 8% of Turnover [If received in cash or Bearer Cheque].
4. **Other Points :**
    a) All deduction u/s 30 to 38 be deemed to have been allowed. [No Further Deduction]
    b) Since all deduction are deemed to be allowed no Dep or Unabsorbed Dep shall be allowed. However WDV shall be calculated as if depreciation is allowed.
    c) Assessee has to declare Income u/s 44AD for continues 5 AYs, If Assessee has not declared income as per sec 44AD then he will not be eligible to claim PGBP as per 44AD for the next 5 years starting from the year of default and further he shall be liable to mandatory maintain A/cs and do tax Audit, If Income Exceed BEL.
    d) Other Deduction under Chapter-VIA (Other than part C) can be claimed.
    e) Losses can be setoff against these PGBP Income.
    f) **Assessee can Declare a lower Income & If Income Exceed BEL then :**
        (i) Accounts are mandatory to be maintained; &
        (ii) Audit must be conducted from CA.
    g) Partners remuneration u/s 40(b) is not allowed as Deduction.
    h) Advance tax is mandatory for Assessee opting sec 44AD 100% by 15th March of FY.

SEC 44AE PRESUMPTIVE INCOME FOR GTA

1. **Assessee :** Any Assessee engaged in GTA who owns not more than 10 goods carriages at any time during the PY.

2. **PGBP = Higher of :**
   a) **Declared Profit in P&L**
   b) **Maximum Limit :**
      i) **Heavy Goods vehicle :** ₹1,000 x per ton x per month (or Part thereoff) x per vehicle during the Period for which Assets is owned
      ii) **Other than heavy goods vehicle :** ₹7,500 x per month (Part thereoff) x Per Vehicle during the Period for which Assets is owned.

3. **Other Points :**
   a) All deduction u/s 30 to 38 be deemed to have been allowed. [No Further Deduction]
   b) Since all deduction are deemed to be allowed no Dep or Unabsorbed Dep shall be allowed. However WDV shall be calculated as if depreciation is allowed.
   c) Other deduction under chapter-VIA (Other than part C) can be claimed.
   d) Losses can be setoff against these PGBP income.

4. **Assessee can Declare a lower Income if :**
   a) Accounts are maintained; &
   b) Audit is conducted from CA.

5. Partners remuneration u/s 40(b) is allowed as Deduction.

6. Advance tax is not mandatory for Assessee unless Condition of sec 207-211 is satisfied.

7. **Meaning of heavy Goods Vehicle :** Means any goods carriage, the gross vehicle weight or unladen weight of which exceeds 12000 kilograms.

8. **Meaning of unladen weight :** Unladen weight means the weight of vehicle or trailer including all equipment ordinarily used with the vehicle or trailer when working, but exclude the weight of a driver or attendant, & where alternative parts or bodies are used the unladen weight of vehicle means the weight of vehicle with the heaviest such alternative part or body.

SEC 44ADA PRESUMPTIVE INCOME FOR PROFESSIONAL

1. **Assessee : (Individual/Firm) not LLP, being a resident in India, who is engaged in a profession & whose total gross receipts do not exceed ₹50,00,000 in a PY :**
   a) T/o Limit will be ₹75L if the cash receipt does not exceed 5% in Total Receipt.
   b) Payment through bearer cheque shall be treated as cash

2. **Presumptive Income : Higher of :**
   a) Profit Declared in P&L
   b) 50% of the total gross receipts.

3. **Other Points :**
   a) All deduction u/s 30 to 38 be deemed to have been allowed. [No Further Deduction]
   b) Since all deduction are deemed to be allowed no Dep or Unabsorbed Dep shall be allowed. However WDV shall be calculated as if depreciation is allowed.
   c) Other Deduction under Chapter-VIA (Other than part C) can be claimed.
   d) Losses can be setoff against these PGBP Income.
   e) **Assessee can Declare a lower Income & If Income Exceed BEL then :**
      i) Accounts are mandatory to be maintained; &
      ii) Audit must be conducted from CA.
   f) Partners remuneration u/s 40(b) is not allowed as Deduction.
   g) Advance tax is mandatory for Assessee opting sec 44AD - 100% by 15th March of FY.

SEC 30 & SEC 31

Sec 30 Rent, rates and taxes of premises	Sec 31 Insurance, repairs of plant, machinery & furniture (PMF)
Rent of the premises paid to others/Firm is allowed as deduction	Rent of the PMF paid to others/ Firm is allowed as deduction u/s 37
Insurance of premises is allowed as deduction	Insurance of PMF is allowed as deduction
Municipal tax, land revenue subject to sec 43B is allowed as deduction.	
Current repairs is allowed as deduction. On capital repairs depreciation can be claimed.	Current repairs is allowed as deduction. On capital repairs depreciation can be claimed.

SEC 32 DEPRECIATION [MANDATORY]

1. Assets must be used for the purpose of business & profession
2. Assets should be owned by the Assessee
3. Depreciation should be on block of assets @ prescribed
4. Assets must be put to use
5. No Dep on Goodwill even if Purchased/ otherwise.

SEC 32(1)(IIA) ADDITIONAL DEPRECIATION

1. **Assessee engaged in**
   - Manufacture or production
   - Power Generation, distribution or transmission
   - Printing & Publication
2. Acquire New Plant & Machinery.
3. **However new Plant & machinery does not Include :**
   a) Second hand P&M (used within India or outside India)
   b) P&M installed in Office or Guest House.
   c) P&M being transport vehicle, ship or aircraft.
   d) P&M whose whole cost is allowed as deduction
4. Such P&M acquired after 31.03.2005

5. **Rate of Additional Depreciation**
   - If used for > 180 days - 20%
   - If used for < 180 days - 10% (Bal 10% shall be allowed in Subsequent Year).

 # The deduction of additional depreciation is not available is assessee opted 115BAC.

Proviso 3 to Sec 32 : Additional depreciation is allowed only if assessee follow WDV method. It is not allowed to power units if they follow SLM method.

SEC 43(1) ACTUAL COST

Sr. No	Particulars	Actual Cost	
1	Purchased	Purchase Price (+) Other costs incurred on assets put to use (-) Sale value, Insurance, Subsidy Assets acqd in cash Exceeding ₹10,000	xxx xxx (xxx)
Expl 1	Acquired for scientific research subsequently brought into business use	Actual Cost (-) Deduction availed u/s 35 [It will be NIL]	
Expl 1A	Stock in trade is converted into capital asset	Fair Market value on the date of transfer	
Expl 2	Acquired by way of gift or inheritance	WDV in the hands of previous owner at the of Transfer	
Expl 3	Asset acquired at higher price from any other person using the asset for his business/ profession with a view to claim depreciation on enhanced cost & reduce tax liability	Actual cost to be determined by AO with prior approval of Joint Commissioner.	
Expl 4	Asset once belonged to the assessee which was used by him for business & transferred & reacquired by him	The WDV at the time of original transfer or the price paid for reacquiring the asset, whichever is less.	
Expl 4A	Asset acquired by an assessee from another person who had claimed depreciation on such asset is leased back to such other person.	The WDV of the asset to the transferor at the time of transfer to the assessee.	
Expl 5	Building used for private purpose subsequently brought into business use. Applicable only to building	The cost of purchase or construction of the building as reduced by the notional depre calculated up to the year of bringing the asset to business use at the depreciation rate applicable to that year.	
Expl 6 to Expl 2 to sec 43(6)	**Asset transferred by a holding Co. to its subsidiary Co. or by a Subsidiary Co. to holding Co. If the following two conditions are satisfied :** i) Shares of the subsidiary Co. should be wholly owned the holding co. or its nominees. ii) The transferee co. should be an Indian company. **Note :** If transferor co. was not claiming depreciation since it was not used for its business, then the actual cost to the transferee Co. shall be the actual cost to the transferor company	WDV to the transferor company will be adopted as the actual cost to the transferee company.	
Expl 7	Transfer of asset in a scheme of amalgamation by amalgamating company to amalgamated Indian company **Note :** If amalgamating Co was not claiming depreciation since it was not used for its business, then actual cost to the amalgamated company shall be the actual cost to amalgamating company	WDV to the amalgamating Co. will be adopted as the actual cost to the amalgamated company.	
Expl 7A	Asset transferred by a demerged company to the resulting Indian company	Actual cost shall be the WDV in the hands of the demerged Co.	
Expl 8	Asset acquired out of borrowed funds	Interest on loan borrowed relating to the period after the asset is first put to use shall never form part of actual cost.	
Expl 9	Asset acquired subject to levy of excise duty or customs duty in respect of which CENVAT credit is availed.	So much of the duty in respect in respect of which a claim of credit has been made & allowed under Central Excise Rules, 1944 shall not form part of the actual cost.	
Expl 10	A portion of the cost of an asset acquired is met directly or indirectly by Government or any statutory authority or any other person in the form of a Subsidy or grant or reimbursement.	So much of the cost as is relatable to such subsidy or grant or reimbursement shall not form part of the actual cost. If subsidy is not directly relatable to the asset acquired, but subsidy is with reference to the assets then the subsidy shall be proportionately reduced from the actual cost of the assets with reference to which subsidy has been granted.	
Expl 11	Asset brought into India by NR/ foreign company for use in his business or profession.	Actual cost as reduced by depre calculated @in force as if asset was used in India since date of acquisition.	
Expl 12	Any capital asset acquired under scheme of corporation of RSE in India approved by SEBI	The amount which would have been regarded as actual cost, had been no such corporation shall be deemed to be the actual cost.	
Expl 13	Actual cost of capital asset has been allowed as deduction u/s 35AD & capital asset is transferred by way of transaction referred to in sec 47	The actual cost of such asset to the transferee shall be NIL	

SEC 32(2) SET OFF & CARRY FORWARD OF UNABSORBED DEPRECIATION

1. Where PGBP is not sufficient to absorb then such depreciation shall be added to depreciation for next year the following year and deemed to be part of Depreciation for that year and so on for the succeeding PYs.
2. The unabsorbed depreciation can be c/f for unlimited period, even if ROI is not filed.
3. It can be setoff against any income except salary & winning from lotteries, crossword puzzles etc.
4. It can be setoff even if the business to which it relates, does not exist.

5. Order of Setoff should be followed :
   i) Current year depreciation.
   ii) B/f business loss.
   iii) Unabsorbed depreciation.
6. UAD can be cf even if ROI is filed after the due date or ROI not filed.

PROVISO 6 TO SEC 32 - DEPRECIATION IN CASE OF BUSINESS RE-ORGANISATION

 # In case of Business organization in the nature of :
> Amalgamation, Demerger, Succession, Conversion of Proprietary or firm into company, Conversion of Unlisted Co. or private company into LLP etc.
> Depreciation shall be apportioned between the predecessor & the successor in the ratio of the number of days the assets were used by them.

 # How to Calculate Days :
> **Old Assets :** From the first day of PY.
> **New Assets acquired during PY of Reorganization days :** From the day Assets are put to use.

RATE OF DEPRECIATION

Block	Nature of Assets	Rate
Building	Residential Building other than hotels & boarding [Employee Quarter]	5%
	Non-Residential building, God own, Office, Factory etc Including Hotels & Boarding	10%
	Temporary Construction	40%
Furniture	Any Furniture including electrical fittings	10%
P & M Sec 43(3)	In general (if nothing is mentioned) Oil well & motor cars other than hire Business	15%
	Motor Car including lorries, Buses, used for hiring purposes A.C	30%
	Motor Cars other than issue hire business acq on or after 23rd Aug 19 but before 01st April 20 & put to use before 01st April 20	30%
	> Computer including computer software > Books owned by professional [Whether annual publication or not] > Energy Saving Device > Annual Publication of Books > Life saving equipment & pollution control equip > Windmill [Before 01.04.2014-15%] > Commercial Vehicles	40%
	Motor Car for hire business acq on or after 23rd Aug 19 but 1st April 20 & put to use before 1st April 20	45%
Intangible	Acquired after 31.3.1998	25%
Other	Ship/Vessel/Speed Boats	20%
	Aeroplanes	40%
	Motor bus/Lorries on running them on hire	30%
	Renewable energy device installed after 31/03/2014	40%
	Renewable energy device installed before 31/03/2014	40%

SEC 50 CAPITAL GAINS IN SALE OF DEPRECIABLE ASSETS

Depreciable Asset is not eligible for indexation. Hence, the gain will always be STCG. If asset is stolen or damaged & no insurance compensation is received.

1. There are other assets in block : No seperate tax treatment is required. Loss shall be contained in WDV & depre will be allowed over the number of period.

2. No other assets in the block : The block shall become NIL & sec 50C shall not be attracted. Hence, it is a dead loss. Reduction of Goodwill from block of assets to be consider as transfer w.e.f 1/4/2021.

CIT v. Rajiv Shukla (Delhi) : The assessee can claim exemption u/s 54F, if the assets are held for more than 36m even though in case of depreciable asset the gain is short term

SEC 35 EXPENDITURE ON SCIENTIFIC RESEARCH

Inhouse Scientific Research Exp [Related to Business]
↓
Available in Old/Default Tax Scheme
↓

Current Year Expenditure
↓
Deduction =
1. 100% of any revenue or cap Exp Incured.
2. Cap Exp on Land is not allowed as deduction.

Research before Commencement of Business
↓
Deduction =
1. 100% of any Revenue or Cap Exp Incured.
2. Cap Exp does not include exp on Land. [Max for 3PY prior to commencement]

Donation to Other for Scientific research
↓
Not Available in Default Tax Scheme
↓

Deduction		
Sec	**Particulars**	**Dedn**
35(1)(ii)	To Approved : > Research association > Institute > College/University	100%
35(1)(iii)	To Approved : > Research association > Institute > College/University for social/statistical Research	100%
35 (2AA)	To National Laboratory / IIT	100%
35(1)(iia)	To approved Indian Co. Engaged in R&D	100%

Notes :
1. This Section is applicable to all Assessee.
2. Scientific research is defined in sec 43(4). [Students advised to Module]
3. The deduction claimed by the donor with respect to donation given to any Research Association shall be disallowed unless such Research Association files the statement of Donation.
4. If deduction u/s 35 is claimed then depreciation u/s 32 is not allowed as deduction.
5. Unabsorbed scientific research expenditure can be c/f for unlimited period & be allowed to be setoff against any head except salary.

6. Sec 35(1A) New compliance required for claiming Exemption : The Donor/payer shall not be entitled to deduction u/s 35(1)(ii)/(iii)/(iia)/(iii) unless the following condition is satisfied :
   a) The done research Institute or company prepares & files a statement or Correction Statement in electronic form in form 10DB.
   b) The done research Institute or company Furnish a certificate to the Donor in form 10BE.
7. If L&B purchased through a composite agreement then the cost of L&B shall be bifurcated on the basis of FMV because cost of land is not allowed as deduction.
8. In case of amalgamation benefit is also available to amalgamated company.

SALE OF SCIENTIFIC RESEARCH ASSETS

Sold without being used for other Purpose sec 41(3) Deemed PGBP, Lower of :
1. Net sale price of the asset
2. Deduction claimed u/s 35.
↓
> This shall apply even if business is not in existence in that PY
> **Artex Manufacturing co [SC] :** Capital Gain would arise only if sale price exceed the cost of acquisition of such assets

Sold after being used for other Business :
1. Actual cost of such asset shall be included in block of asset (i.e NIL because deduction is already allowed u/s 35).
2. If this asset is later on sold then provisions of sec 50 shall apply.

Notes :
1. Unabsorbed capital expenditure on scientific research shall be treated same as unabsorbed depreciation.
2. If deduction u/s 35 is claimed then depreciation u/s 32 is not allowed as deduction.

SEC 35(2AA) DONATION TO NATIONAL LABORATORY /IIT

100% Deduction allowed for any sum paid to a National Laboratory, University or Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research approved in this behalf by the prescribed authority. Deduction shall not be withdrawn even after approval is withdrawn.

SEC 35(2AB) ASSESSEE ENGAGED IN MANUFACTURING/BIOTECHNOLOGY

Assessee : Assessee engaged in manufacture or biotechnology
Condition : Incur inhouse expenditure
Deduction : 100% of Actual cost of new assets
 # The deduction of this section is not available is assessee opted 115BAA/BAB.

SEC 38 PERSONAL EXPENSES NOT ALLOWED

If expense is partly business or partly personal, then business expense will be allowed

SEC 35DD AMALGAMATION & DEMERGER EXPENSES

Assessee an **Indian company** can take the deduction on 1/5th basics over 5 years starting from year of expenses.

SEC 35CCC	SEC 35CCD
Any Assessee incur any expense on agriculture extension project as notified by board	**Any company** incur expense on skill development project notified by Board
Deduction = 100% Exp on land or building are not allowed	**Deduction = 100%** Of actual expenses on land or building are not allowed

SEC 35D PRELIMINARY EXPENSES

Allowed : Only allowed to Resident

Preliminary Expenses →
- Engineering services
- Market survey
- Legal fees
- Drafting & Printing of MOA/AOA
- Expenses of Public issue of Shares & Debentures
- Preparation of feasibility Study or Project Report

Amount of Deduction : 1/5th

Indian Co.
i) Actual Expenses
ii) 5% of :
   a) Cost of project
   b) Capital Employed
   Whichever is higher
(i) or (ii) w.e.f is lower

Other Assessee
i) Actual Expenses
ii) 5% of Cost of Project
Whichever is lower

> **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)

 # The preliminary expenditure is not allowed if assessee opted alternative tax scheme

SEC 35CCA EXPENSE FOR RURAL DEVELOPMENT PROGRAMMES

Assessee contribute for :
i) National Fund for Rural Development;
ii) National Urban poverty Eradication Fund
The assessee shall be allowed a deduction of the amount of such expenditure incurred during the PY.
Deduction Allowed : 100%

SEC 35DDA EXPENDITURE RELATED TO VRS

Any Assessee incurring the expenditure on VRS deduction on 1/5th basics over 5 years starting from year of expenses.

SEC 32(1)(i) DEPRECIATION FOR POWER GENERATING UNDERTAKINGS

1. An assessee engaged in the business of generation and distribution of power can claim depreciation at the prescribed rates on actual cost of each asset on straight line method of depreciation.
2. Assessee also has an option to claim depreciation on WDV of Block of assets. However such an option has to be exercised before the due date of furnishing ROI for the PY in which it begin to generate power. Such option once exercised shall be final, if option is not opted then Depreciation shall be allowed on SLM basis only.

Notes :

> Where any asset is put to use for less than 180 days, the depreciation shall be restricted to 50% of the amount calculated at the prescribed percentage.

> The depreciation shall not exceed the actual cost of the asset.

SALE OF ASSETS BY POWER GENERATING UNIT

1. If Charged Depreciation on WDV basis :

Treatment shall be as per sec 50.

2. If Charged Depreciation on SLM Basis :

A) Where Loss arise (Terminal Depreciation) :

Sale Value is Less then WDV	
OP WDV	xxx
(-) Money received Including Scrap Value	(xxx)
Terminal Depreciation allowed as Deduction	xxx

B) Where Profit arise :

Sale Value is Less then WDV	
OP WDV	xxx
(-) Money received Including Scrap Value	(xxx)

1. Amount upto Dep already claimed is taxable as balancing charge [Sec 41(2)]
2. Balance surplus is Taxable as CG depends upon POHA [Sec 50A]

SEC 36 OTHER DEDUCTIONS

Sec	Particulars
36(1)(i),(ia),(ib)	1. **Any premium paid of stocks in trade.** 2. **Any premium paid by federal milk co-op** society for insurance **on the life of the cattle.** 3. **Any premium paid for Health of Employee** is allowed only if it is paid by any mode other than cash.
36(1)(ii)	**Any bonus or commission** paid to employee **(Subject to sec 43B).** Bonus paid is allowed as deduction even if it exceed the limit given by Bonus Act.
36(1)(iii)	**Interest on borrowed capital :** 1. **Interest on Borrowed capital is allowed as deduction if :** **a) Paid for Personal Purpose :** No deduction. **b) Paid for Business Purpose :** Deduction allowed. 2. Interest on Borrowed capital **after the date assets is put to use is allowed** as deduction. **[CIT v Alembic Glass Ind]** 3. Interest **on own capital is not allowed** under this sec. 4. Interest on money borrowed to pay income tax is not allowed. **[East India Pharma Works Ltd (SC)]** 5. Interest on loan advanced to sister concern for commercial expediency is allowed as dedn. 6. Interest on loan taken from Bank/FI/Relative all are allowed as deduction provided loan is used for business purpose.
36(1)(iiia)	**Any Discount on Issue of Zero Coupon Bond shall be amortized** over the life of ZCB. (Calculation shall be made in calender months, If part of the month is 15 days or more then it shall be taken as 1m)
36(1)(iv)	**Any sum paid by employer for contribution towards a RPF or an approved superannuation fund of approved gratuity Fund.** (Subject to 43B)
36(1)(iva)	**Any sum paid by Employer towards a pension scheme** u/s 80CCD, for employee will be allowed as deduction = **Lower of :** a) Actual Contribution; or b) 14% of salary (Basic + DA(R))
36(1)(va)	**Employees contribution** towards ESI, PF or super annuation fund or other notified fund, if it is actually paid on or before the **due date mentioned in respective act.** 1. Due date is 15th of next Month. 2. If amount is deposited after the due date then it is treated as Income of Employer.
36(1)(vi)	In respect of **animals** (other than as stock-in-trade) **have died or become permanently useless Deduction** = Cost of Animal - Scrap Value of Animal.
36(1)(vii)	**Bad Debts** — **Actual Bad Debts**: Related to sales ✓ Except Lending Business; × Related to loan. **Provision for Bad Debts**: Not Allowed Except to Banks. **Provision for Bad Debts** — **Indian Bank**: 8.5% of GTI (Before this Deduction) + 10% of Aggregate Avg Advance made by Rural Branches. **Foreign Bank or NBFC Public Financial Inst State Financial Cor Investment corp, NBFC**: 5% of GTI [Before this deduction] **Conditions :** 1. It must have been written off in the accounts of the assessee. [Hence Provision for bad debt is not allowed as deduction]. 2. Business must be carried on during the PY of any part of the PY. [Bad debt of a discontinued business is not allowed as deduction even though assessee has any other business continued] 3. If assessee follow cash basis of A/c Bad Debts not Allowed 4. Bad debts are also allowed in the hands of successor of the business. **[Veerbhodra Rao]** **Sec 41(4) Recovery of Bad debts :** It shall be deemed to be the income PGBP of PY in which such recovery is made whether business/profession in respect of which the deduction has been allowed is in existence or not.
36(1)(ix)	Any expenditure incurred by a Co. for promoting family planning amongst its employees. **Capital Expenditure 100% Deduction allowed on 1/5th basis over 5 years starting from the year of expenses** / **Revenue Expenditure would be covered by section 37(1)** # Unabsorbed family planning expenses shall have same treatment as Unabsorbed Depreciation.
36(1)(xiii)	Any banking cash transaction tax **(BCTT)** paid by the assessee allowed as deduction.
36(1)(xvi)	An amount paid as Security transaction tax **(STT)** or commodities transaction tax **(CTT)** paid by the assessee is allowed as deduction
36(1)(xviii)	Marked to market loss or other expected loss as computed in accordance with ICDS.
36(1)(xvii)	The amount of expenditure incurred by co-operative society engaged in the business of manufacture of **sugar for purchase** of sugarcane at a price which is equal to or less then the price fixed or approved by the government.

SEC 40 AMOUNTS SPECIFICALLY NOT DEDUCTIBLE

Sec 40(a)(i) : Payment made to NR or Foreign Co. and → Royalty, Int, FTS etc

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

TDS not Deducted / TDS Deducted but not paid to Govt. Upto Due Date of 139(1) → 30% Disallowed

Note : For 40(a)(ia) & 40(a)(ia) :

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

Sec 201(1) : If any amount paid to Resident/NR without deduction of TDS & such Payee (R/NR) :

Has Furnished ROI u/s 139(1) / Takes into Account such income / Paid Tax on 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.

Sec 40(a)(ii) :

Any tax paid outside India → Which is eligible for Relief under DTAA → Is not allowed as deduction under PGBP

Note : Tax always includes Tax, Cess & Surcharge

Sec 40(a)(ib) : Same as 40(a)(i), but refers to Equalization Levy, which is discussed in that chapter.

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

And Salary payable — Outside India or to NR in India / 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

↓

This will never be allowed again on payment after due date

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

↓

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)

SEC 40A(2) UNREASONABLE PAYMENT TO RELATIVE/SUBSTANTIAL INTEREST

Unreasonable payment to relative as determined by AO not allowed as deduction. Parket Price determined as per Arm length Price.

SEC 40A(3) CASH EXPENDITURE

Applicability	Non Applicability - Rule 6DD
Expenses in cash exceeding 10,000 in a single day to same person shall not be allowed as deduction **Note :** For GTA take 35,000	1. Payment made when bank is closed 2. Payment to Banks, FI, Govt, Co-op bank. 3. Payment to farmer for its produce 4. Payment made at a place not served by Bank 5. Payment is made by Dr./cr. card, NEFT, Net banking, IMPS, BHIM.

RULE 6ABBA OTHER ELECTRONIC MODE

1. Credit card, Debit card.
2. Net Banking, RTGS, NEFT, IMPS.
3. UPI (Unified Payment Interface).
4. BHIM (Bharat Interface for Money) aadhar pay.

RULE 6DD EXCEPTION TO SEC 40A(3) & (3A)

No disallowance u/s 40A(3)/ 40A(3A) shall be made in following cases :

1. Where the payment is made to :
 i) RBI or any Banking company
 ii) SBI or any subsidiary bank
 iii) Any co operative Bank or Land Mortgage Bank
 iv) Any Primary agriculture credit society or any primary credit society
 v) LIC

2. Where the payment is made to the government. (Taxes etc)

3. Where the payment is made by :
 i) Any letter of credit.
 ii) A book adjustment from any account in a bank to any other account in that or any other bank;
 iii) A bill of exchange made payable only to a bank;

4. Where the payment is made by way of adjustment against the amount of any liability incurred by the payee for any goods supplied/services rendered by the assessee to such payee;

5. Where the payment is made for the purchase of :
 i) Agricultural or forest produce; or
 ii) The produce of animal husbandry (including livestock, meat, hides and skins) or dairy or poultry farming; or
 iii) Fish or fish products; or
 iv) The products of horticulture or agriculture, to the cultivator, grower or producer of such articles, produce or products;

6. Payment for purchase of goods manufactured without the aid of power.
7. Where the payment is made in any place not served by any bank.
8. Where any payment to employee of retirement benefit upto ₹50,000.

9. Where the payment is made to employee after deducting TDS and when such employee :
 i) Is temporarily posted for a continuous period of 15 days or more in a place other than his normal place of duty or on a ship; &
 ii) Does not maintain any account in any bank at such place or ship.

10. Where the payment is made to his agent who is required to make payment in cash for goods.
11. Where the payment is made by money changer for purchase of foreign currency in the normal course of his business.

SEC 40A(4) PAYMENT BY PRESCRIBED MODE IN VIOLATION OF CONTRACT

Notwithstanding anything contained in any other law or in any contract, if payment is made as per prescribe mode u/s 40A(3) no person shall be allowed to raise, any suit or a plea on the grounds that the payment was not made in cash or other manner.

SEC 40A(7)

No deduction for any gratuity or its provision except approved gratuity.

SEC 40A(9)

No deduction for any PF or its provision except SPF, RPF, PPF.

SEC 40(A)(IB) EQUALIZATION LEVY

Not deducted then 100% disallowance will be attracted

SEC 44AA MAINTENANCE OF BOOKS

Income from Business/profession exceeds ₹2,50,000 or total sales/ gross receipts exceeds ₹25,00,000 in any 3 preceeding PY or likely to exceed in case of individual & HUF Other than Individual & HUF ₹1.2 Lakhs & ₹10 Lakhs	Gross receipts exceeds ₹1,50,000 (in all 3 years immediately preceeding the PY or likely to exceed if the profession is newly setup) If assessee declare lower income u/s 44AD
1. Books are maintained for 6 years from end of relevant AY	
2. Penalty for Non compliance = 25,000 [Sec 271A]	

SEC 43B DEDUCTION ALLOWED ON ACTUAL PAYMENT BASIS

Following Expenses are allowed as Deduction only if they are paid before the due date of filing ROI u/s 139(1) (Except clause 9) otherwise it will be allowed in the year of payment :

1. Any tax, duty, cess/fee, by whatever name called, under any law; or
2. Employers contribution to any fund for the welfare of employees, or
3. Any sum payable to employee as Bonus or Commission.
4. Interest on any loan or borrowing, or
5. Interest on loan payable to such class of NBFC, or
6. Interest payable on any loan or advances, or
7. Any sum payable by employer for any leave credit of employee, or
8. Any sum payable to the Indian Railways for the use of railway assets
9. Any sum payable to a MSME within the time limit specified in sec 15 of MSME Act

 # Time Limit as per sec 15 of MSME Act :

> **There is an Agreement :** Payment must be made as per the date mentioned in agreement but in no case it must exceed 45 days.

> **There is no Agreement :** Within 15 days of acceptance of goods/Services

 # Meaning of MSME :

Particulars	Micro Ent.	Small Ent.
If Investment in P&M or equipment	Upto 1 cr	Upto 10 cr
Turnover	Upto 5 cr	Upto 50 cr

SEC 44AB AUDIT OF ACCOUNTS

Business

Tax audit is required if turnover of business in PY exceed 1cr

No Tax audit upto Turnover of 10 crore if below conditions are satisfied :
1. If cash received does not exceed 5% of total receipt &
2. Cash Payment does not exceed 5% of total payment.

Profession

If his gross receipts in profession exceed ₹50,00,000 in PY

IMP Hai!

Other

1. Assessee covered u/s 44AE/ 44BB/44BBB & has claimed his income to be lower than deemed PGBP in any PY
2. Assessee covered in sec 44AD/44ADA & he has declared lower Income as against required to be shown in sec 44AD/44ADA & his income exceeds basic exemption limit in PY
3. If Person fail to declare Income for continuous 5 years as per sec 44AD(4) & Income exceed basic exemption Limit
4. No Tax Audit in case of sec 44AD if the Turnover does not exceed 2 crore and declaring the Income as per sec 44AD.

Notes :

1. Audit shall be conducted by Chartered Accountant & furnish Tax Audit report atleast 1 month prior to the date of filing ROI u/s 139(1) in the prescribed form. [3CA-3CB/3CB]
2. **Penalty for non furnishing of Tax Audit report : Lower of :**
 a) ₹1,50,000;
 b) 0.5% of Turnover or gross receipt.
3. This sec shall not apply to a person who declares PGBP as per sec 44AD(1) or 44ADA(1)

Requirement of Tax Audit : It is obligatory for the persons mentioned in column (2) of the table below, carrying on business or profession, to get his accounts audited before the "Specified date" by a Chartered Accountant, if the conditions mentioned in the corresponding row of column(3) are satisfied

SEC 35AD DEDUCTION OF CERTAIN SPECIFIED BUSINESS

1. Assessee : Any assessee not opting sec 115BAC/BAA/ BAB/BAE/BAD & opting for specified business.

2. Deduction : 100% of capital Exp (Excluding land, goodwill, financial instrument) whether incurred in current year or prior to commencement of business.

3. Other Condition :
 a) Business should be new business i.e should not be formed by Splitting / Reconstruction of old business.
 b) Business should not be set up by transfer of old P&M, Old P&M do not include :
  i) P&M whose cost does not exceed 20% of total P&M used in Business
  ii) Imported P&M
 c) Actual cost of the asset for which deduction has been allowed u/s 35AD shall be taken as Nil.
 d) Deduction under Chapter VI-A shall not be allowed in respect of such business for any AY.
 e) Further, receipts on account of sale of those assets be taxable in PGBP only.
 f) Expenditure exceeding ₹10,000 shall be made by A/c payee Cheque / Draft / ECS / Other Electronic mode, else no deduction allowed.
 g) Loss from Specified Business can be setoff only against Income of any other specified Business else it shall be c/f for unlimited period.
 h) If assessee owns the hotel while transfer the operation thereoff still deduction is allowed.
 i) Assets Acquired u/s 35AD should be used for 8 years from the date of acquisition. If such assets is used for non specified Business within 8 years then following shall be Taxable as **PGBP = Deduction claimed - Notional depreciation.**
  # Above Provision is not applicable if Co. is a sick Co.
 j) If assessee opted for sec 35AD then other deductions like sec 10AA or chapter VI-A part C is not allowed **for the same year** or any other year and **vice versa.**
 k) If assessee incurred capital Exp exceeding Rs 10,000 otherwise than by mode prescribed in sec 40A(3) shall not be allowed as deduction.

4. Specified Business :

Specified Business	Commence	Deduction
Laying and operating a cross-country natural gas/ Crude/petroleum pipeline	1.4.2009	100%
Setting up and operating a cold chain facility	1.4.2009	100%
Setting up & operating a warehousing facility for storage of agriculture produce	1.4.2009	100%
The business of building and operating a new hotel of 2 star or above category anywhere in India.	1.4.2010	100%
The business of building & operating of a new hospital anywhere in India with at least 100 beds for patients.	1.4.2010	100%
A housing project under a scheme for slum redevelopment or rehabilitation	1.4.2011	100%
Developing and building a housing project under a scheme for affordable housing	1.4.2011	100%
Capital expense for a new plant or newly installed capacity in any existing plant for production of fertilizers	1.4.2012	100%
Setting up & operating an Inland Container depot or container freight Station notified or approved under Custom Act	1.4.2012	100%

Bee-keeping & production-Honey & Beewax	1.4.2012	100%
Setting up & operating warehouse facility for Storage of Sugar	1.4.2012	100%
Laying & operating a slurry pipeline for the transportation of iron ore	1.4.2014	100%
Setting up & operating Semi-conductor wafer fabrication manufacturing unit notified by CBDT	1.4.2014	100%
Developing or maintaining & operating/developing, maintaining & operating new infrastructure facility	1.4.2017	100%

SEC 43CA FVOC FOR LAND & BUILDING HELD AS STOCK IN TRADE

1. If SDV exceed 110% of consideration SDV = FVOC
2. All other provisions of sec 50C applies
3. Sec applies when Land & Building held as SIT.

SEC 37 GENERAL DEDUCTIONS

> CSR exp. not allowed
> Contri/donation to Political party / Electoral Trust

1. Any expenditure is allowed as deduction = 100%, if fulfills following conditions :

a) Expenditure is not covered u/s 30 to 36.
b) Expenditure is incurred wholly & exclusively for the purpose of business.
c) Expenditure is not of capital in nature.
d) Expenditure is not personal nature
e) Expenditure should not be in nature of offence or prohibited by Law.

2. Sec 37(2B) Following Expenses are not allowed as Deduction :

a) Donation/advertisement in any souvenir, brochure, tract, pamphlet published by a political party. However deduction shall be allowed u/s 80GGB/ 80GGC.
b) Expenses related to CSR referred u/s 135 of the companies Act, 2013 shall not be allowed. But deduction shall be allowed in 80G.

3. Following Expenses are not allowed Deduction :

a) Expenditure which is an offence or which is prohibited by law in India or Outside India.
b) Expenditure for Compounding an offence under any law in India or outside India.
c) To provide any benefit or perquisite, (in cash/Kind), to a person, & acceptance of such benefit by such person is in violation of any law or rule or regulation or guideline, governing the conduct of such person.

4. Settlement of proceedings initiated in relation to contravention under any law as may be notified by the CG.

SEC 40(B) : MAXIMUM LIMIT ON INTEREST/ REMUNERATION

Interest & Remuneration paid by the firm/LLP is allowed as deduction subject to the limit of sec 40b.

Explanation 1 : Where Individual is a partner in a firm on Individual capacity & receive interest in representative capacity then limit of sec 40b is not applicable to such interest.

Explanation 2 : Where Individual is a partner in a firm on representative capacity & receive Interest in Individual capacity then limit of sec 40b is not applicable to such interest.

1. Remuneration :

a) Condition for remuneration :

> Remuneration should be paid only to a working partner
> Remuneration must be authorized by the partnership deed
> Remuneration should not pertain to period prior to partnership deed
> Remuneration should not exceed the permissible limit

b) Maximum Permissible Remuneration = Lower of Actual Remuneration & maximum Limit (Based on book Profit)

Book Profit	Limit
On the First ₹6,00,000 of the Book Profit or in case of a loss.	₹3,00,000 or at the rate of 90% of Book Profits, whichever is higher.
On the balance of book profits	At the rate of 60% of book profits.

Note : While making adjustments in Step 2 above, following are to be noted

Explanation : Book profit =

Income from PGBP as per Normal Provision after making all adjustment u/s 28-44 [(-) Current year (+) b/f depreciation]	xxx
Add : Int/remuneration paid or payable to partners [if debited]	xxx
Less : Interest allowable u/s 40(b)	(xxx)
Books profit	XXX

> Income chargeable under 'HP', 'CG' & 'IFOS' will not form part of 'Book Profits'.
> Remuneration include commission for the purpose of Sec 40[b]
> B/f business loss will not be deducted from profits.
> Permissible deductions from gross total income shall be ignored
> As per ACIT vs great city manufacturing co it was held that once sec 40(b) is allied sec 40(A)(2) cannot be applied.
> Any payment made beyond limit be disallowed while computing PGBP of firm

2. Interest :

Conditions for claiming the Interest :

a) Payment of interest should be authorised by Partnership Deed.
b) Payment of interest should pertain to the period after the Partnership Deed.
c) Rate of interest should not exceed 12% p.a. simple interest :

> Interest paid to working as well sleeping both are allowed as deduction.
> Act does not make difference between capital/loan. Interest on both is @ 12%. Capital covers both capital fixed as well as circulating.
> If Firm pays int to partner & partner pays int to firm on drawing, it shall not be net off.

Deduction is lower of :

A) 12% of capital
B) Actual Interest
C) Amount given in deed

SELF NOTES

9 CLUBBING OF INCOME

BASICS OF CLUBBING

The income, shall be first computed in the hands of recipient and all expenditure related to such income shall be allowed as provisions of the Act and thereafter the net income shall be clubbed :

> Negative Income is also Clubbed.
> Clubbing Provisions are mandatory.

SEC 60 TRANSFER OF INCOME WHERE THERE IS NO TRANSFER OF ASSETS

If any person transfer any Income without transfer of Assets then such income is taxable in the hands of transferor.

SEC 61 REVOCABLE TRANSFER OF ASSETS

Income arising from transfer of asset

Revocable transfer → Income taxable in hands of transferor [Clubbed]

Irrevocable transfer → Income is not taxable in hands of transferor [Not Clubbed]

SEC 64[1A] MINOR'S INCOME

All other Income except specified shall be Taxable

- **Parent Marriage Subsist** → Clubbed in the hands of parent
- **Parent Marriage Do not Subsist** → Clubbed in the hands of parent

Following shall not be clubbed & be Taxable in the hands of minor himself :

1. Earned out of skill & Talent
2. Earned out of manual work done
3. Income earned by a minor Handicap covered u/s 80U

Notes :

1. Once Income of minor is clubbed then exemption of ₹1500 per child shall be available [irrespective of no. of child] sec 10(32) is not available in sec 115BAC.

2. If the asset transferred to minor child (not being minor married daughter) without consideration or inadequate consideration is house property, then, u/s 27(i), the transferor parent will be deemed owner and amount will be taxable to him.

SEC 64(1)(IV) TRANSFER TO SPOUSE FOR INADEQUATE/ WITHOUT CONSIDERATION

Income from HP	Other Income
Taxable in HP in the hands of transferor u/s 27 as deemed owner	Taxable in Hands of Transferor u/s 64

Note : Where the assets transferred has changed its shape and identification then, income from such changed assets is to be clubbed.

SEC 64(1)(VI) TRANSFER TO SON'S WIFE

If Assets are transfered to son's wife for inadequate or without consideration & income is earned then such income is clubbed in the hands of transferor [Father in Law]

SEC 64(1)(VII),(VIII) ASSETS TRANSFERED TO 3RD PERSON FOR BENEFIT OF WIFE / SONS WIFE

If the Assets is transfered for the benefit of wife/son's wife then income from such property shall be clubbed in hands of transferor

Exception : The asset is transferred otherwise than for adequate Consideration

SEC 64(1)(II) SALARY, COMMISSION EARNED BY SPOUSE

If the spouse has earned remuneration from a concern where Individual has substantial interest & spouse does not posses any professional & technical Qualification then such remuneration shall be clubbed in hands of transferor.

Meaning of substantial Interest :

i) **For a company :** 20% of Voting Right.

ii) **In any other case :** 20% of Profit

Notes :

1. Whether both husband & wife has substantial interest the income shall be clubbed in the hands of person having greater income before this clubbing.
2. Holding of relative shall also be counted while considering the substantial Interest.
3. 'Relative' in relation to individual means the husband, wife, brother or sister or any lineal ascendant or descendant.

BUSINESS OUT OF GIFTED MONEY

The profit earned in the business shall be clubbed in the following manner :

$$\text{Profit} \times \frac{\text{Gifted Amount}}{\text{Total Capital Employed}}$$

SEC 64(2) TRANSFER OF ASSET TO HUF

If any Individual transfers any asset to his HUF without/for inadequate consideration then Income from such asset is received by HUF but taxable in the hands of the Transferor (Member). After Partition of HUF, Income from such asset received, by spouse shall be clubbed in hands of Transferor.

CROSS TRANSFERS

Two transactions are inter-connected & are parts of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted.

10 SET OFF AND CARRY FORWARD

SEC 70 INTRA HEAD ADJUSTMENT

Particulars	Provisions	
Salary	There cannot be any loss in the Head Salary	
House Property	Loss from House property can be setoff against income from house property (Unlimited within the Same head)	
PGBP	Normal Business	Normal Business loss can be setoff against any Business Income
	Speculative Business	Speculative loss can be setoff only against Speculative Income
	Specified Business	Specified Business loss can be setoff only against specified business Income
Capital Gains	LTCL	LTCL can be setoff only against LTCG
	STCL	STCL can be setoff against any capital gains
Other Sources	Normal Loss IFOS loss can be setoff against IFOS Income	
	Loss from O & M Horse race	Horse race loss can be setoff only against Horse Races Income
	Loss from an Exempt Source	Loss from an exempt source can't be setoff CIT Vs. Tyagrojan

SEC 71 INTER HEAD ADJUSTMENT

Particulars	Provisions	
Salary	Loss from any head can be setoff against salary except PGBP	
House Property	Under the Old Scheme	The maximum loss from HP which can be set-off against any other head is ₹2 lakhs. (Balance Loss shall be c/f, if any)
	Under Default Scheme 115BAC	Loss from HP would not be allowed to be set-off against other head if the assessee pays tax u/s 115BAC.
PGBP	Normal Business	Normal Business loss can be setoff against any income except salary
	Speculative Business	Speculative loss can be setoff only against Speculative Income
	Specified Business	Specified Business loss can be S/O only against specified business Income sec 35AD
Capital Gains	General Rule	Loss from other head can be setoff against CG but loss from CG cant be setoff against other Head
	LTCL	LTCL can be setoff only against LTCG
	STCL	STCL can be setoff against any CG
Other Sources	Normal Loss	IFOS loss can be setoff against IFOS Income
	Loss from O & M Horse race	Horse race loss can be setoff only against Horse Race Income
	Loss from an Exempt Source	Loss from an expemt source cant be setoff (CIT Vs. Tyagrajan)

<u>**Losses from Specified business u/s 35AD :**</u> In case of an assessee shifts out of sec 115BAC(1A), loss from specified business u/s 35AD can be set off only against income from any other specified business. Such loss cannot be set off against income under any other head.

Note : Following brought forward losses/depreciation is not allowed to be set off while computing total income under default tax regime u/s 115BAC :

1. Brought forward loss from self-occupied house property
2. Brought forward business loss of specified business u/s 35AD
3. Brought forward business loss on account of deduction u/s 35(1)(ii)/(iia)/(iii) or u/s 35(2AA)
4. Unabsorbed depreciation attributable to additional depreciation u/s 32(1)(iia).

<u>Order of Setoff from PGBP Income :</u>

A) Current year depreciation [Sec 32(1)];

B) Current year capital expenditure on scientific research & family planning to the extent allowed;

C) B/f business or profession losses [Sec 72(1)];

D) Unabsorbed depreciation [Sec 32(2)];

E) Unabsorbed capital expenditure on scientific research [Sec 35(4)] & family planning [Sec 36(1)(ix)].

EXCEPTIONS TO THE RULE THAT ASSESSEE WHO HAS INCURRED THE LOSS CAN ONLY BE SET OFF THAT LOSS [APPLICABLE TO SEC 72 & 32(2)]

> Sec 72A : Amalgamation

> Sec 72A : Demerger

> Sec 72A : Conversion of firm to company

> Sec 78(2) : Inheritance

SUMMARY CHART

Particulars	Sec 71B to 74A Rules to carry forward & set off past year losses
House property Loss	**Section 71B :** **Under the Old Scheme :** The maximum loss from HP which can be set-off against any other head is ₹2 lakhs. (Balance Loss shall be c/f, if any) **Under Default Scheme :** Loss from HP would not be allowed to be set-off against other head if the assessee pays tax u/s 115BAC (Balance Loss shall be c/f, if any) > It can be carried forward for 8 AY's. > If return of loss is not filed or filed late loss can be carried forward & set off
Business Loss	**Section 72 :** > Set off with both business income & speculation income > Carry forward for 8AY. > Sec 80 applicable. It means if return of loss is not filed or filed late business loss cannot be carried forward > Assessee who has incurred the loss can only set off that loss [6 exception] > Even if business is discontinued & loss can be set off
Speculation Loss (Same day sale & purchase i.e without taking delivery) Sec 43(5)	**Section 73 :** > Past year speculation loss can be set off only with speculation income > Carry forward for 4 AY > If return of loss is not filed or filed late speculation loss cannot be carried forward. > Assessee who has incurred the loss can only set off that loss [exception not applicable] > Even if business is discontinued & loss can be set off
Loss under capital gain head	**Section 74 :** > LT can be set off only with LT. ST can be set off with both LT & ST > Carry forward for 8 AY > Sec 80 applicable. It means if return of loss is not filed or filed late capital gain (loss) cannot be carried forward
Loss from activity of owning & maintaining race horses	**Section 74A :** > Past year horse loss can be setoff only with horse income > Carry forward for 4 AY. > Sec 80 applicable. It means if return of loss is not filed or filed late business loss cannot be carried forward. > Assessee who has incurred the loss can only set off that loss [exception not applicable] > Even if business is discontinued & loss can be setoff
Loss from Latteries	No
Other lossess	Yes

11 DEDUCTIONS

SEC 80A/80AC GENERAL RULES OF DEDUCTION

Sec 80B(5) : Gross total income means total income computed in accordance with the provisions of act without deduction u/c VIA which implies that- deduction under respective chapter has been taken Clubbing provisions is effected setoff has been made, Unabsorbed losses & depreciation has been effected.

Sec 80A(2) : Aggregate of deductions shall not, in any case, exceed GTI of the assessee, i.e. an assessee cannot have a loss after taking the deduction.
No Deduction is available if income (GTI) only contains :

- **> LTCG :** u/s 112
- **> Specified Business Income :** u/s 35AD
- **> STCG :** u/s 111A
- > Casual Income
- > NR Presumptive Income u/s 115A to 115AD
- > Income of NR under chapter XIIA

Sec 80AC : No deduction would be allowed u/s 80IA to 80RRB to a taxpayer if ITR is not filed on or before the due date u/s 139(1).

 # Deduction u/s 80CCD(2), 80LA, 80JJAA, 80CCH(2)are avaialble if opted for default tax scheme [115BAC/ 115BAB/ 115BAA/ 115BAE/ 115BAD]

SEC 80TTA DEDUCTION FOR INTEREST ON SAVINGS ACCOUNT

Assessee	Individual or HUF [Other than Senior citizen][R/NR]
Qualifying Income	**Interest on savings account (not time deposits) earned on savings account with :** a) Banking company b) Co-operative society doing banking business c) Post office
Amount of Deduction	**Minimum of the following :** a) Interest on such deposits in saving account b) ₹10,000

SEC 80TTB INTEREST ON DEPOSITS

Assessee	Individual being Resident [Being Senior Citizen]
Qualifying Income	**Interest on deposit earned from :** a) Banking company b) Co-operative society doing banking business c) Post office
Deduction	**Minimum of the following :** a) Interest on deposits b) ₹50,000

SEC 80GGB/GGC CONTRIBUTION TO POLITICAL PARTY

Assessee	**1. Sec 80GGB :** Indian Company **2. Sec 80GGC :** Any Assessee except Local Authority & AJP wholly or partly funded by Government
Contribution to	Political Party or Electoral Trust [Within the meaning of sec 182 of the Companies Act, 2013]
Amount of Deduction	Any Amount [100%]
Restriction	Amount should not be paid in Cash

SEC 80U DEDUCTION FOR PERSON WITH DISABILITY

Assessee	Individual being Resident
Condition	The assessee, at any time during the PY, is certified by the medical authority to be a person with disability
Amount of Deduction	(see table below) Deduction is allowed irrespective of expense incurred by the assessee

Disability of the assessee	Amount of deduction
Other than severe disability	₹75,000
Severe disability [80%]	₹1,25,000

SEC 80DD MAINTENANCE/MEDICAL TREATMENT OF DISABLED DEPENDANT

Assessee	Individual/HUF being Resident
Condition IMP Hai!	1. Medical treatment (incl nursing), training & rehabilitation of a dependant, being a person with disability 2. Deposited any amount under scheme (framed by LIC/any other approved insurer), which would provide for payment of annuity/ lump sum amount for benefit of such dependent, in the event of the death of the assessee. **3. It should provide for payment of annuity or lumpsum :** a) In the event of death; or b) Attending the age of 60 years or more by such individual or member of HUF.
Amount of Deduction	(see table below) 1. Deduction is allowed on Actual Payment Basis. 2. Relative includes Parents, spouse, brother, sister & any member of HUF. 3. Expenditure on maintenance including medical treatment of persons suffering from autism, celebral palsy & multiple disabilities.

Disability of the assessee	Amount of deduction
Other than severe disability	₹75,000
Severe disability[80%]	₹1,25,000

SEC 80D MEDICAL TREATMENT

Assessee	Individual /HUF
Mode of investment	**Medical Insurance :** Pay by any mode other than cash **CG health scheme :** Pay by any mode other than cash **Approved scheme :** Pay by any mode other than cash **Preventive health checkup : Cash/other mode allowed** **Exp on super senior citizen :** Any mode other than cash
Deduction	**Assessee + Spouse + Dependent child :** Actual or ₹25,000 WIL **Parents :** Actual or ₹25,000 whichever is lower **If any person is senior citizen :** Actual or ₹50,000 WIL

Amount paid on account of medical expenditure for self/ spouse/ parents + Senior Citizen + Resident in India + no payment has been made to keep in force on insurance on the health of such person, then Deduction is available upto ₹ 50,000.

Other Points :

Individual	In name of Individual/Spouse/Parents & dependent Children
HUF	In the name of any member

Notes :

1. Expense for preventive health checkup of assessee + his family is included in the total deduction, subject to a max of ₹5,000.
2. Payment shall be made out of income chargeable to tax.
3. Medical Exp of very senior citizen is restricted to ₹50,000.
4. In case of single premium health insurance policies which covers more than 1 year, deduction shall be allowed on proportionate basis for all those years for which cover provided, subject specified monetary limit.

SEC 80CCH CONTRIBUTION TO AGNIPATH SCHEME

Sec 80CCH(1) : Where an Individual enrolled in :
1. Agnipath Scheme;
2. Agniveer Corpus Fund on or after the 01.11.2022

Deduction = **100%** of amount so paid **[If opted out of Default Scheme]**

Sec 80CCH(2) : Where CG makes any contribution to in Agniveer Corpus Fund deduction = **100% [Deduction allowed even if opted for Default Scheme u/s 115BAC]**

CG contribution is First taxable under salary & then allowed as deduction.

SEC 80E INTEREST ON EDUCATION LOAN

Assessee	Individual (R/NR)
Payment for	Paid Interest on education loan [out of income chargeable to Tax] taken for Own/Relative's Education
Amount of Deduction	Any Amount of interest paid [100%] only interest is allowed & not the principal amount d eduction is available from the year from which assessee start paying interest & 7 immediately succeeding A.Y. (or until above interest is paid in full, whichever earlier)
Meaning & Condition	> Relative, Spouse, Children for whom assessee is guardian > Loan should be taken from any financial institution/approved financial institute > The loan is taken for graduate & post graduate studies > Actual amount of interest paid is available > Higher education" means any course of study pursued after passing the Senior Secondary Examination or its equivalent from any school, board or university recognized by CG or SG or local authority or by any other authority authorized by the above to do so

SEC 80GGA SCIENTIFIC RESEARCH & RURAL DEVELOPMENT

Assessee	Any Assessee not having Income from PGBP
Contribution to	1. A Scientific/Approved Research Association in Social Science or Statistical Research. 2. An Association focused on rural development or training for such programs approved u/s 35CCA & Rural Development fund u/s 35CCA. 3. Public sector company, Local Authorities, or associations or institutions approved by the national committee. 4. National Urban Poverty Eradication fund.
Deduction	Any Amount 100%, however if sum exceed ₹2,000 then amount should be paid via cheque or approved mode. (i.e Maximum Donation in cash - ₹2,000)

SEC 80GG DEDUCTION FOR RENT PAID

Assessee	Individual [R/NR]
Contribution to	> Assessee who is **not in receipt of HRA** & who pays rent for accommodation occupied by him for residential purpose. > Assessee/his spouse/ his minor child/ HUF (of which he is member) should not own house at place of employment > A declaration in Form 10BA should be filed > The assessee has not claimed concession in respect of self-occupied property
Deduction	Lower of : > ₹5,000 pm (₹60,000 pa) > 25% of Adjusted Total Income > Rent paid (-) 10% of ATI
Calculation of ATI	**ATI = GTI - (LTCG + STCG u/s 111A + Deduction in Chapter VIA except 80GG)**

SEC 80EEA INTEREST ON SELF OCCUPIED PROPERTY

Assessee	Individual **(Other than covered in 80EE)** (R/NR)
Payment for	Paid Interest on Loan borrowed for SOP
Amount of Deduction	Additional Benefit upto ₹1,50,000 apart from available in sec 24(b). Benefit will be available till the date of Repayment.
Condition	> The Stamp Value of the House does not exceed ₹45L > Loan should be sanctioned from financial Institution between **01.04.2019 - 31.03.2022** > Actual amount of interest paid is available > **Should not own any HP as on date of sanction** > If deduction is taken under this sec, deduction under other sec is not allowed.

SEC 80EEB TAX INCENTIVE FOR ELECTRIC VEHICLES

Assessee	Individual
Condition	1. Loan should be taken for Purchase of an Electric Vehicle & should be sanctioned by a Financial Institution or Specified NBFC's. 2. Loan should be sanctioned between **1.04.2019** to **31.3.2023.** 3. Assessee does not own any other Electric Vehicle on the date of sanction.
Deduction	Interest Paid or ₹1,50,000 whichever is lower

Note : "Electric Vehicle" means Pure EV [No Hybrid allowed]

SEC 80EE INTEREST ON HOUSING LOAN

Assessee	Individual (R/NR)
Payment for	Paid Interest on housing loan
Amount of Deduction	Amount of Interest Paid or ₹50,000 whichever is lower only Interest is allowed and not principal amount first deduction is to be claimed u/s 24(b) of House Property (upto 2L) & remaining interest deduction u/s 80EE
Condition	> Loan should be taken from bank or financial institute for acquisition of Residential property > Purchase Price of House upto ₹50 lakhs > Loan should be sanctioned between 01.04.16 to 31.03.17 > Loan amount upto ₹35 Lakhs > Assessee does not own any Residential house on the date of sanction of loan

Note : The benefit of deduction under this section would be available till the repayment of loan continues.

SEC 80C DEDUCTION W.R.T VARIOUS INVESTMENTS

Assessee	Individual/HUF irrespective of Residential Status
Investment	See list below
Maximum Deduction	Maximum deduction along with sec 80CCC and 80CCD or independently u/s 80C is restricted to ₹1,50,000. [80CCE]
Condition	> Investment is made in approved scheme > Payment need not necessarily made out of income chargeable to tax > Deduction shall be made only on payment basis not on accrual basis

 # Qualifying savings/investments :

Any sums paid or deposited in PY by assessee	**Individual**	**HUF**
To effect or to keep in force a Life insurance on life of following persons : 1. The children may male/female, married/ unmarried, dependent/ independent. 2. The premium exceeding 10% of sum assured is not eligible for deduction [If policy is issued before 31.03.12 then it shall be 20%] 3. 15% of SA for person covered u/s 80U/80DDB	Self/ Spouse/ Child	Any Member
To effect or to keep in force a non-commutable deferred annuity other than annuity plan of LIC/ other insurer on the life of the individual the wife or husband & any child of such individual.	Self/ Spouse/ Child	NA
By way of deduction from the salary of Govt. EE being a sum deducted, for the purpose of securing to him a deferred annuity/making provision for his spouse or children, max upto 1/5th of the salary.	Self	NA
As a contribution by an individual to any statutory PF or RPF.	Self	NA
As a contribution by an employee to an approved superannuation fund.	Self	NA
As a contribution by an individual/HUF to any PPF, Min-500 Max - ₹1,50,000	Self/ Spouse/ Child	Any Member
As subscription to NSS - 1992.	Self	NA
As subscription to NSC-VIII issue. **Note :** Int accrued on these certificates which is deemed to be reinvested also qualifies for deduction.	Self	NA
As subscription to any units of any Mutual Fund referred to in sec 10(23D), under any notified plan.	Self	NA
As a contribution by an individual to Retirement Benefit Pension Fund of UTI	Self	NA
As subscription to the Home Loan A/c Scheme of National Housing Bank	Self	NA
As subscription to notified deposit scheme	Self	NA
As tuition fees paid by individual, whether at the time of admission or thereafter, including Stamp duty and registration fees. > To any university, college, school/other educational institution situated in India; > For the purpose of full-time education of any two children of such individual	Maximum 2 children	NA
Re-Payment of Housing Loans : Except interest on borrowed capital provided house is taken for residential purpose & assessee should not transfer the house property for 5 years. Including Stamp Duty.	Self	NA
As subscription to equity shares/debentures forming part of any eligible issue of capital approved by the Board of a public co engaged in infrastructure including power sector or public financial institution	Self	NA
As term deposit : a) For a fixed period of not less than 5 years with a scheduled bank; & b) Which is in accordance with a scheme framed & notified, by CG	Self	NA
As subscription to bonds of NABARD	Self	NA
In an account under the senior Citizen Saving Scheme Rules, 2004.	Self	NA
As 5 year time deposit in an a/c under the Post Office Time Deposit Rules, 1981.	Self	NA
Sukanya Samriddhi Account [Noti 5/2015]	Self/Spouse/ Child	Any Member
Deposit by CG Employee as a contribution to his Tier-II A/c of Pension Scheme	Self	NA

SEC 80CCC LIC PENSION FUND

Condition 1	The assessee is an Individual. [Irrespective of status]
Condition 2	The assessee has paid or deposited any amount for any annuity plan of LIC of India (or any other insurer) for receiving pension from fund referred to in sec 10(23AAB)
Deduction	**Independently :** ₹1,50,000 **Overall :** ₹1,50,000 or actual, whichever is lower

SEC 80DDB DEDUCTION W.R.T MEDICAL TREATMENT

Assessee	Individual/HUF being Resident
Condition	Expenditure incurred on the medical treatment of relative [Specified Diseases in Rule 11D Neurological disease, Cancer, Chronic Renal failure, Thalassaemia].
Amount of Deduction	see table below
Meaning of Various Terms	see table below

Dependent	**Amount of deduction**
1. Other than senior citizen	Actual or ₹40,000, whichever is less
2. Senior citizen 3. Very senior citizen	Actual or ₹1,00,000, whichever is less

Dependent	Person Covered
Individual	Individual, Spouse, children, parents, brothers & sisters of the individual.
HUF	Any Member

SEC 80CCD CONTRIBUTION TO PENSION SCHEME OF CG OR OTHER EMPLOYER

Sec 80CCD(1) Employee Contribution	**The assessee is an Individual, who is :** a) Employed by CG/SG or any other employer; or b) Any self employed person. **The assessee has, during the PY, paid or deposited any amount in his account under a pension scheme notified :** > Central Government or State Govt/Employer/Assessee > Atal Pension Yojna is also Eligible. **Deduction :** > **CG/SG/Employer/Employee :** 10% of salary > **Any other individual :** 20% of Gross Total Income
Sec 80CCD(1B) Employee Contribution	Additional deduction for amount deposited in Notified pension scheme upto ₹50,000 shall be allowed other than contribution covered u/s 80CCD(1). **NPS Vatsalya Account : W.e.f AY 2026-27 [W.e.f 1/4/26] the** aforesaid deduction shall also be allowed to Parent/ Guardian's income in respect of amount paid or deposited in the account of any minor under the NPS Vatsalya account. [But subject to a maximum of ₹50,000 overall as mandated under this sec] [FA 2025] **Eg :** Assessee contribution ₹1,40,000 towards NPS & GTI is ₹5,60,000 in this case deduction shall be 20% of GTI = ₹1,12,000 u/s 80CCD(1) Balance deduction = ₹28,000 u/s 80CCD(1B)
Sec 80CCD(2) ER's contribution [Allowed even if opted for default scheme u/s 115BAC]	see table below

Contribution by the CG/SG to NPS A/c of its employees	14% of salary
Contribution by any other employer to NPS a/c of its employees : > If assessee is paying tax as per old tax regime	10% of salary
> If assessee is paying tax as per **default regime u/s 115BAC(1A)**	**14% of salary**

Notes :

1. Salary for the purpose of this section - Basic + DA(R).
2. **Treatment of ER's contribution to NPS :**
   > Taxable in the hands of employee under the head 'Salary'.
   > Employer claims deduction u/s 36(1)(iva).
   > Employee claims deduction of the same u/s 80CCD(2).

SEC 80M DEDUCTION IN RESPECT OF CERTAIN INTER-CORPORATE DIVIDENDS

 # Where a domestic Co. in any PY receives dividends from :

1. Any other domestic company; or
2. Foreign company; or
3. Business trust

 # Deduction shall be :

a) 100% of amount of Dividend Received; or
b) 100% of amount of Dividend Paid 1 month prior to the due date of filing ROI.

SEC 80G DONATIONS

Assessee	All Assessee being I/HUF/AOP (except co-op society)/BOI/AJP
Expense on	Any donation in form of sum of money. Donation in kind is not qualified for deduction. [Rama Vora 187 ITR 308] The donation be made only to specified funds/institutions (List).
Payment Mode	If the Donation Exceed ₹2000 then only through Cheque
Deduction	% Specified in the List **Some items :** With Qualifying Limit [10% of Adjusted Total Income] **Rest :** Without Qualifying Limit
Calculation of Qualifying Limit	see table below

Particulars	**₹**
Gross Total Income	xxx
Less :	
LTCG	(xxx)
STCG u/s 111A(only)	(xxx)
Deduction u/s 80C to 80U Except 80G	(xxx)
Adjusted Gross Total Income	xxx
10% of ATI	xxx
Deduction = 50% or 100% of (10% of ATI)	xxx

While calculating Adjusted GTI, casual income like winning from lotteries etc. shall be included.

donations is :

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. IMP Hai!
(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)	The Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996
(15)	The National Illness Assistance Fund
(16)	The Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund in respect of any State or Union Territory
(17)	The National Sports Development Fund set up by CG.
(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 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 u/s 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)
II.	**Donation qualifying for 50% deduction, without any qualifying limit**
(1)	Prime Minister's Drought Relief Fund
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
IV.	**Donation qualifying for 50% deduction subject to qualifying limit**
(1)	Any institution or Fund established in India for charitable purposes fulfilling prescribed conditions u/s 80G(5).
(2)	The Government or any local authority for utilisation for any charitable purpose other than 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 & satisfying the need for housing accommodation > 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.

The institution or fund furnishes to the donor, a certificate specifying the amount of donation in such manner, containing such particulars and within such time from the date of receipt of donation, as may be prescribed.

SEC 80JJA BIO-DEGRADABLE WASTE

Assessee	Any Assessee
Eligible Business	Profits & gains from business of collecting & processing or treating of bio-degradable waste. > Generating power; or > Producing bio-fertilizers, bio-pesticides or other biological agents; or > Producing bio-gas or making pellets or briquettes for fuel or organic manure, he is entitled to a deduction in computing total income.
Deduction	Ist 5 years = 100% of the profit

SEC 80QQB ROYALTY INCOME OF AUTHORS

Assessee	**Individual Being :** > Resident > An Author (Including Joint Author of Book) being a work of literary, artistic or scientific nature
Deduction	**Lumsump Royalty :** Actual or ₹3L, whichever is lower **Other than above :** Upto 15% of value of book sold
Condition	1. The assessee must furnish a certificate in prescribed form (Form No. 10CCD), duly verified by the person responsible for making such payment to the assessee 2. If the income is earned outside India, the assessee must furnish a certificate, in the prescribed Form No.10H from the prescribed authority (i.e. RBI, see rule 29A) 3. If royalty is earned outside India the deduction is allowed only if such royalty is brought to India in convertible Forex within 6m from the end of PY or time allowed by RBI

SEC 80PA FARM PRODUCER COMPANIES

Assessee	**Farm producer companies Generating Income out of :** 1. Marketing of agricultural produce grown by its members 2. Purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members 3. Processing of agricultural produce of its members.
Deduction	100% deductions of profits for a period of 5 years
Conditions	1. There should be farm producer company. 2. Total turnover of up to ₹100 crores during the FY 3. Engaged in Specified Activities 4. To be eligible, profits & gains attributable to such business for the PY relevant to an AY commencing on or after the 1/04/2019, but before the 1/04/2025

SEC 80JJAA EMPLOYMENT OF NEW WORKMEN

Assessee	Assessee to whom section 44AB applies
Deduction	30% of "additional wages" paid to the "new regular workmen" employed by the assessee in the PY. The deduction shall be allowed for 3 AYs, including the AY relevant to the PY in which such employment is provided
Meaning of Terms	**New Regular workmen do not include :** > Employee Whose Total Remuneration exceed ₹25000pm > Whose entire contribution is paid by Government under Pension Scheme > Employee worked for Less than 240 days/150 days in case of apparel Business/Footwear & leather Industry > Employee who does not participate in RPF
Restriction	1. **Additional Employee Cost :** Total Employment paid/ payable to Additional Employees employed during year. > **In case of existing business :** Cost will be NIL if no increase in total no of employees & emoulments paid otherwise than by A/c payee Cheque / Draft / NEFT / RTGS / Other electronic mode prescribed. 2. The assessee furnishes along with ROI report of accountant, as defined in the Explanation to sec 288 before the specified date referred to in sec 44AB giving such particulars in report as may be prescribed. [Form 10DA]
Deduction Allowed even if Opted for Default Scheme u/s 115BAC.	

Notes :

1. Non-monetary perquisites and terminal benefits not to be included in employee cost.
2. Contractual employees are not eligible for deduction as they generally don't participate in PF.
3. Contribution by ER to PF is not considered as emolument.

SEC 80RRB ROYALTY ON PATENT

Assessee	**Individual Being :** > Resident > **Patentee :** Person who is true & first inventor of the patent & whose name is entered on the patent which is registered on or after 1.4.2003 under the Indian Patents Act, 1970.
Deduction	**Earned in India:** **Minimum of the following :** > 100% of such income; or > ₹3,00,000 **Earned outside India:** **Minimum of the following :** > Income in respect of money brought into India in convertible foreign exchange within prescribed time limit; or > ₹3,00,000
Conditions	1. The assessee must furnish a certificate in the prescribed form (Form No. 10CCE), duly verified by the person responsible for making such payment to the assessee 2. Deduction should not exceed royalty as per licence 3. **Double deduction not permissible :** Where deduction under this section is claimed and allowed for any AY no deduction shall be allowed in respect of such income under any other provisions of the Act for the same or in any other AY 4. If royalty is earned outside India the deduction is allowed only if such royalty is brought to India in convertible Forex within 6m from the end of PY or time allowed by RBI.

12 EXEMPTION

Section	Particulars	Who are Entitled to	Condition
10(1)	Agricultural Income	Any Assessee	7,7A,7B,8
10(2)	Amount received out of family income, or in case of impartible estate, amt received out of income of family estate	Individual as member of HUF	
10(2A)	Partner's share in total income of firm (which includes LLPs)	Partner of a firm	
10(4)(ii)	Interest received on NR (External) A/c	Individual NR	
10(10D)	At present any sum received under a life insurance policy including bonus on such policy but excluding sums received u/s 80DDA(3) and under a Keyman Insurance policy is exempt provided the premium does not exceed 10% of actual capital Sum assured in any year [15% for person with disability]	Any Assessee	Ref Deduction
10(6)(ii)	The remuneration received	Official of : a) Embassy b) High comm. c) Legation d) Commission e) Consulate f) Trade rep. of foreign st. g) Member of staff of above	1. Rem. by our official should be exempt 2. Such officers not be engaged in any other biz/prof in india
10(6)(vi)	Remuneration received for services rendered in India to foreign enterprise	Employee of a foreign enterprise	1. Foreign Ent. not engaged in any biz/ trade 2. EE stay in Ind doesn't exceed 90 days in PY 3. Rem. not liable to be deducted from the ers income chargeable to tax under the Act
10(6)(viii)	Salary received for services rendered on foreign ship	Non Citizen NR employee	Total stay in India does not exceed 90 days during the PY

10(6)(ix)	Remuneration received from Foreign Govt (ER) during stay in India for specified training	EE	**Remuneration received in connection with their training in any establishment or office or in any undertaking owned by :** a) Govt b) Co wholly owned by CG & SG or jointly by CG & 1/more SG c) Any co which is subsidiary of a co ref above d) Any stat corp e) Any society registered which is wholly owned by CG & SG or jointly by CG & 1/more SG
10(6D)	Royalty income or fees for technical services received from National Technical Research Org. (NTRO)	Non-Corporate NR & Foreign Co	Service can be rendered in or outside India
10 (10BC)	Compensation received on account of disaster	Individual / legal heir	Received/receivable from CG/SG/local authority on account of any disaster. No exemption if already allowed as deduction under this Act
10(11A)	Any contribution in Sukanya Samriddhi Account, Rules	Any Assessee	
10(16)	Educational scholarship	Individual	Granted to meet cost of education
10(17)	Payments to MPs & MLAs > Daily allowance > Constituency Allowance of MPs > Constituency allowance of MLAs	MP / MLA	Reason of membership of Parliament or state legislature under any Act or rules
10(17A)	Awards for literary, scientific & artistic works & other awards by Govt	Any Person	Approved by CG in public interest
10(18)	Pension received by recipient of gallantry awards	Individual who is an employee of CG/SG/family Member	Awarded "Param Vir Chakra" or "Maha Vir Chakra" or Vir Chakra or such other gallantry award notified by the CG in this behalf
10(26AAA)	Specified income of a Sikkimese Individual. Exemption will not be available to a Sikkimese woman who, on or after 1st April, 2008, marries non-Sikkimese individual.	Sikkimese Individual	**Following income will be exempt :** a) Income from any source in State of Sikkim; b) Income by way of dividend/interest on securities
10(30)	Tea board subsidy	Any assessee engaged in business of growing & manufacturing tea	> Subsidy should have been recd under any scheme for replantation/replacement of the bushes/for rejuvenation or consolidation of areas used for cultivation of tea, as notified by CG > Assessee should furnish a certificate from the Tea Board, as to the subsidy received by him during PY, to AO along with his return of the relevant AY/ within the time extended by AO for this purpose.
10(31)	Other subsidies	Any assessee engaged in business of growing & manufacturing rubber, coffee, cardamom/ specified commodity	> Subsidies should have been received from or through Rubber, Coffee, Spices/any other Board in respect of any other commodity under any scheme for replantation or replacement of rubber, coffee, cardamom or other plants for rejuvenation or consolidation of areas used for cultivation of all such commodities > Assessee should furnish a certificate from the Board, as to the subsidy received by him during PY, to the AO along with his return of relevant AY/within the time extended by AO for this purpose
10(35)	Income from units from the Administrator of specified undertaking/ specified company/ Mutual Fund	Any assessee	Any income except income from transfer of such units

SEC 10AA TAX HOLIDAY FOR UNITS ESTABLISHED IN SEZ

Assessee who are eligible for exemption : All assessee engaged in manufacturing or production and export them through SEZ.

Essential conditions to claim exemption :
The exemption shall apply to an undertaking which fulfills the following conditions :
1. It has begun or begins to manufacture before A.Y. 2020-21.
2. It should not be formed by splitting up or reconstruction of a business already in existence except given in sec 33B.
3. **P&M used should be New P&M. However following also treated as New P&M :**
   i) If total value second hand P&M does not exceed 20% of the total value of P&M used in business.
   ii) Imported P&M (on which no depreciation is allowed in India)
4. The assessee should furnish report of CA certifying that the deduction has been correctly claimed.
5. Exemption is available, if sale proceeds of goods/services is received in or brought into, India in convertible foreign exchange, within 6m from the end of PY or, within such further period as the competent authority (RBI).
6. Sale of goods/services shall be deemed to have been received in India where such export turnover is credited to a separate account maintained with any bank outside India with the approval of RBI.
7. Assessee has not opted for sec 115BAC/115BAB/115BAA/115BAD/115BAE.

Period for which deduction is available Deduction shall be :
1. Deduction u/s 10AA shall not exceed such total income of the assessee.
2. **No such deduction if Assessee fails to file ROI within due date u/s 139(1) :**
   i) 100% of Computed Profit for 1st 5 years starting from year of manufacturing.
   ii) 50% of Computed Profit for further 5 AYs.
   iii) 50% of Computed Profit for further 5 AY if Assessee deposit in Re-investment Reserve Account.

Computed Profit :

$$\text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit SEZ}}{\text{Total turnover of Unit SEZ}}$$

Sec 10AA(2) Conditions to be satisfied for claiming deduction for further 5 yrs (after 10 yrs) :
The amount credited to the SEZ Re-investment Reserve A/c is utilized :
a) For Acquiring P&M which is first put to use before the expiry of a period of 3 years following PY in which the reserve was created; &
b) **Until the acquisition of P&M funds shall not be used for :**
   i) Distribution by way of dividends or profits; or
   ii) For remittance outside India as profits; or
   iii) For the creation of any asset outside India.

Sec 10AA(3) Consequences of mis-utilisation/ non-utilisation of reserve :
Where any amount credited to the SEZ Re-investment Reserve A/c :
i) **Has been utilised for any purpose other than prescribed :** Income Taxable as PGBP
ii) **Has not been utilised before the expiry of the prescribe Period (3 Years) :** Income Taxable as PGBP.

Clarification on issues relating to export of computer software : The profits & gains derived from on site development of computer software (including services for development of software) outside India shall be deemed to be the profits and gains derived from the export of computer software outside India.

Meaning of Export turnover :
Does not include :
1. Freight
2. Telecommunication charges
3. Insurance

Attributable to the delivery of the articles or things outside India or expenses incurred in foreign exchange in rendering of services (including computer software) outside India.

Restriction on other tax benefits :
i) The business loss or CG Loss or unabsorbed depreciation shall be allowed to be carried forward or set off.
ii) Depreciation is deemed to be allowed (No further Dep can be claimed from PGBP).
iii) No deduction u/c VI-A from these Income.

Deduction allowable in case of amalgamation & demerger : Yes benefit shall be applicable to amalgamated or resulting Unit, as they would have applied to the amalgamating or the demerged Unit had the amalgamation or demerger had not taken place.

13 TAX DEDUCTED & COLLECTED AT SOURCE

SUMMARY CHART FOR TDS

Relevant Section	Particulars	Limit	TDS rate
Sec 194B	Winnings from lottery	10,000 (For a single transaction) [FA 25]	30%
Sec 194BB	Winnings from horse races		
Sec 194D	Insurance Commission	20,000 pa [FA 25]	2% (w.e.f 1/4/25)
Sec 194G	Lottery selling Commission	20,000 pa [FA 25]	2%(w.e.f 1/10/24)
Sec 194	Dividend includes deemed dividend u/s 2(22) (a-f) w.e.f 1/10/2024	10,000 pa	10%
Sec 194K	Dividend by mutual funds	10,000 pa [FA 25]	10%
Sec 194LA	Compulsory land Acquisition	2,50,000 pa	10%
Sec 194IB	Rent (Personal) not covered u/s 194I	50,000 pm or part thereoff	2%(w.e.f 1/10/24) [FA 25]
Sec 194P	Senior Citizen earning pension & Int	-	TDS @Specified rate
Sec 194DA	Maturity of LIP not exempt u/s 10(10D)	1,00,000 or more	2%(w.e.f 1/10/24)
Sec 193	Interest received on securities	CO > 10,000 L.A > 10,000	10%
Sec 194I	TDS on rent	50,000 pm or part thereoff [FA 25]	2% plant & missionary or 10% Other Asset
Sec 194H	Commission/ brokerage	20,000 pa [FA 25]	2%(w.e.f 1/10/24)
Sec 194J	Payment of Professional Fees etc.	50,000 pa [FA 25]	10% / 2%
Sec 194C	Payment to contractor	30,000 / 1,00,000	1% / 2%
Sec 194A	Interest on other than securities	10,000 / 50,000 / 1,00,000	10%
Sec 194R	Benefit & Perquisite in Business	20,000 p.a	10%
Sec 194M	Personal Payment	50,00,000	2%(w.e.f 1/10/24)
Sec 194T	Remuneration to partner	20,000 p.a	10%
Sec 194Q	Purchase of goods IMP Hai!	50L	0.1%
Sec 194IA	Purchase of imm. Property	SDV & consideration exceed 50L	TDS @1% of SDV or consideration whichever is higher
Sec 194N	Cash withdrawal	Exceed 1cr	2%
Sec 192A	EPF withdrawal	50,000	10%
Sec 192	TDS on Salary	Salary > B.E.L	Avg rate of Tax
Sec 194BA	TDS on winning in Online Games	Any amount	30%

SUMMARY CHART FOR TCS

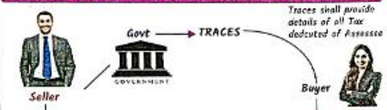
Relevant Sec	Particulars	TCS rate
Sec 206C(1)	Alcoholic liquor for human Consumption	1%
Sec 206C(1)	Tendu leaves	5%
Sec 206C(1)	Timber obtained under forest lease	2%
Sec 206C(1)	Timber obtained by any mode other than a forest lease	2%
Sec 206C(1)	Any other forest produce not being timber or tendu leaves	2%
Sec 206C(1)	Scrap	1%
Sec 206C(1)	Minerals, being coal or lignite or iron ore	1%
Sec 206C(1C)	TCS on parking/toll/mining rights	2%
Sec 206C(1F)	TCS on Motor Car	1%
Sec 206C(1G)	Foreign remittance	Refer further
Sec 206C(1G)	Overseas tour Program	5% / 20%

THE WHOLE SCHEME OF TDS

Responsibilities (Payer/deductor)
1. Have TAN (sec. 203A).
2. **Deduct TDS at higher rate :**
   a) If PAN is not provided (sec. 206AA).
   b) If ROI not filed (sec 206AB).
3. Pay TDS deducted to Govt (sec. 200).
4. File Return (Statement) of TDS (sec. 200).
5. Issue TDS certificate (sec. 203).

Responsibilities (Payee/deductee)
1. Provide PAN to deductor.
2. Consider TDS deducted as Income (Sec. 198).
3. Claim TDS/ TCS deducted from Tax liability.
4. Provide no deduction/ low deduction certificate, if any.

THE WHOLE SCHEME OF TCS



Responsibilities (Seller)
1. Have TAN (sec. 203A).
2. **Collect TCS at higher rate :**
   a) If PAN is not provided (sec. 206CC).
   b) If ROI not filed (sec. 206CCA).
3. Pay TCS collected to Govt.
4. File Return (Statement) of TCS.
5. Issue TCS certificate.

Responsibilities (Buyer)
1. Provide PAN to Collector.
2. Consider TCS paid as Credit.
3. Claim TDS/ TCS deducted/ collected from Tax liability.
4. Provide no deduction/ low deduction certificate, if any.

BASICS

Who shall deduct	Payer/Deductor
On what & when	On Specified payments at the time of Payment or credit
Benefit to Assessee	If Tax is deducted at the time of payment or credit it will be allowed as deduction otherwise it will be disallowed u/s 40(a)(i/ia)
Credit of Tax Deducted (Sec. 199)	1. Tax deducted & paid to CG by Deductor shall be treated as payment of tax on behalf of Assessee & assessee can claim credit of such tax paid from there tax liability. 2. **Rule 37BA :** a) **How Credit is given :** Credits shall be given to deductee on the basis of information furnished by deductor to ITA. b) **Clubbing & TDS :** Where the income is assessable is assessable (partly/fully) in the hands of a person other than the deductee (ex : minor income) credit of TDS shall be given to such other person & not to deductee c) **Proportionate TDS credit :** TDS credit shall be given for the AY for which such income is assessable. If the income is assessable over the no. of years then credit shall be allowed proportionately d) **Sec. 205 Bar against direct demand :** Where TDS is deductible the assessee shall not be called upon to pay the tax himself to the extent to which tax has been deducted from that income.

 # BDR finwest Pvt Ltd vs DCIT (2024)(SC) :
Is the assessee entitled to claim TDS credit which is not reflected in form 26AS because deductor as not deposited it with the Govt ?
It was held that : Credit should be given even though TDS is not reflected in 26AS & no recovery of TDS could be made from assessee of such tax.

IMPORTANT FORMS & DATES

Due Date for payment of TDS (Sec-200)

For Govt

Without challan	Same day
With challan	On or before 7th of next month

For Other Assessee

For March	30th April
April to Feb	On or before 7th of next month

1. TDS u/s 194IA, 194IB, 194M & 194S : Pay to CG within 30 days from end of the month in which deduction is made along with the TDS return in form 26QB, 26QC, 26QD, 26QE.
2. In special cases u/s 192, 194A, 194D, 194H : AO may with prior approval of JC permit quarterly payment of TDS

For 1st 3 quarters	7th of next month from end of quarter
For last quarter	Pay by 30th April

TDS Return Sec-200(3)

TDS Returns - Forms

For Salary u/s 192/194P	24Q
Other than Salary	26Q
NR	27Q
For resident Transferor (Land)	26QB furnish within 7 days of deduction
TDS u/s 194S	26QF

Filing a revised TDS/TCS return :
A TDS return can be revised for :
a) Rectification of any mistake; or
b) To add, delete or update info in return already filed
W.e.F 1.4.2025, TDS return can be revised within 6yrs from the end of FY in which the original return was filed

TDS Returns – Filing Dates

Quarter Ending	Due date
30th June	31st July
30th Sept	31st Oct
30th Dec	31st Jan
31st March	31st May

Penalty u/s 271H : For Non Furnishing TDS/TCS return shall be between ₹10,000 - ₹1,00,000 as levied by ~~JCIT~~ AO no penalty shall be Levied u/s 271H if return is furnished within 1m (prior to 1/4/25 it was 1 yr) of the prescribed due date after payment of tax + Int + Fees. (after 1yr both Int + Fees Apply).

TDS certificate to be issued to deductee Sec 203

TDS deducted	Form no	Periodicity	Due date
U/s 192/194P	16	Annual	15th June of following yr
Any sec except 192	16A	Quarterly	Within 15 days of due date of filing TDS return (Due date : 15 Aug/ 15 Nov/ 15 Feb/ 15 June)
For sec 194IA, 194IB, 194M, 194S	16B, C, D, E	Within 15 days	Within 15 days from due date of TDS return

 # Penalty for Failure to Issue TDS certificate sec. 272A : ₹500 per day per certificate (upto the amount of TDS)

FAILURE TO DEDUCT TDS OR FURNISH RETURN ON TIME

Interest :

Condition	Rate	Period of Interest	Interest payable on
Tax is not deducted by any other person (except assessee in default)	1% pm	From date on which such tax had to be deducted to the date of actual deduction	Amount of such tax not deducted
Tax deducted but not paid	1.5% pm	From the date of deduction of such tax to the actual date of payment of such tax	Amount of such tax not paid

Sec	Nature of default	Penalty	Levy by
271C	Failure to deduct TDS	Sum equal to the amount of TDS	JCIT
271H	Failure to file Return of TDS	₹10,000 to ₹1,00,000	AO
272A	Failure to issue TDS certificate	₹100 for every day of default max default = tax deductible	JCIT

SURCHARGE & CESS ON RATES OF TDS

1. In Case of Resident Payee / Deductee :

Payee/ Deductee (i.e to whom payment is made)

- Companies → No surcharge or health & education cess be added
- Any other assessee → Only in case of salary, surcharge and education cess is applicable.

2. In Case of Non-Resident Payee / Deductee : Surcharge is mandatory at applicable rate.

TDS and GST

- GST Shown Separately → TDS on amount excl. GST
- GST not shown Separately → TDS on whole amount

GST for this purpose shall include CGST,SGST,IGST & UTGST

SEC 203A TAX DEDUCTION & COLLECTION A/C NO

1. Every person, deducting tax/collecting tax must have TAN number
2. **Quote TAN No :**
   > In all challans, in all certificates furnished, in all periodic statements, in all returns
3. **TDS can be deducted in following section even if there is no TAN :**
   a) 194I b) 194IB c) 194Q d) 194M e)194S

SEC 206AA FURNISH OF PAN

Sec 206AA(1) : If PAN not provided TDS at higher rate of :
i) At the rate specified in Act; or
ii) At the rate or rates in force; or iii) At the rate of 20%
For sec 194O/194Q TDS shall be 5%.

Sec 206AA(6) : Where the PAN provided to the deductor is invalid or does not belong to the deductee, it shall be deemed that the deductee has not furnished.

SEC 198 TAX DEDUCTED IS INCOME RECEIVED

1. All sums deducted shall be deemed to be income received by Assessee.

 # W.e.f 1/4/2025 : New definition
All sum deducted in India and TDS Deducted outside India in respect of which an assessee is allowed a credit against the tax payable shall be deemed to be income.

2. However TDS deducted u/s 192(1A) & 194N, shall not be deemed to be income received.

SEC 197 CERTIFICATE FOR LOWER DEDUCTION

1. Where TDS is required to be deducted & the AO is satisfied that the total income of the recipient justifies TDS deduction at any lower rates or no deduction AO shall on an application made by the assessee, give to him such certificate (Form 15G & 15H).
2. TDS to be deducted at lower rate/ nil rate until such certificate is canceled by the AO.
3. **Application cannot be made for following sec :** TDS u/s 192A, 194B, 194BA, 194BB, 194DA, 194E, 194EE, 194IA, 194IB, 194IC, 194N, 194P, 194R, 194S.

SEC 203 TDS CERTIFICATE

1. Deductor shall within 15 days from due date of submission of TDS Return shall furnish to payee TDS Certificate **(Due Dates :** 15 Aug/ 15 Nov/ 15 Feb/ 15 June).
2. Employer shall furnish TDS certificate annually to employee

SEC 200A PROCESSING OF TDS STATEMENTS

TDS return shall be processed to include :
a) The sums deductible shall be computed after making the following adjustments, namely :
   i) Any arithmetical error in the quarterly return; or
   ii) An incorrect claim, apparent from any information in the quarterly return
b) The interest/fee, if any.
c) The sum payable or amount of refund due to the deductor shall be determined
d) The Board may make a scheme for processing of statements made by any other person, not being a deductor. [w.e.f. 1/4/2025].

An intimation shall be prepared/generated & sent to deductor specifying the sum determined to be payable by amount of refund due to him under clause (d).

SEC 234E FEES FOR NON FILING OF TDS/ TCS RETURN (STATEMENT)

Fails to file TDS return in sec 200 or 206C he shall be liable to pay, a sum of ₹200 for every day.

SEC 200 / 201 CONSEQUENCES OF NON DEDUCTION OF TDS

1. **Disallowance of Exp u/s 40a(i)/(ia) :**
   i) **In case of NR :** 100% disallowed (sec. 40a(i)).
   ii) **In case of R :** 30% disallowed (sec. 40a(ia)).

IMP Hai!

2. **Interest sec 201(1A) :**

Condition	Rate	Period of Interest	Interest payable on
Tax is not deducted by any other person (except assessee in default)	1% pm	From date on which such tax had to be deducted to the date of actual deduction	Amount of such tax not deducted
Tax deducted but not paid	1.5% pm	From the date of deduction to the actual date of payment of such tax	Amount of such tax not paid

In case of payer who is not deemed to be assessee in default, calculate the interest from the date on which tax is deductible to the date of furnishing ROI by payee
Such interest shall be paid before furnishing TDS return u/s 200

3. **Assessee is treated as assessee in default sec 201 :** Where any person does not deduct TDS or after Deduction fails to pay such sum to the CG then assessee shall be treated as deemed to be an assessee in default he shall be liable to pay interest u/s 220 & penalty u/s 221. **However Deductor shall not be treated as assessee as default if following conditions are satisfied :**
   > Deductee has furnished his ROI u/s 139;
   > Deductee has taken into account such sum as income in such ROI
   > Deductee has paid the tax due in such ROI; and
   > Furnishes a certificate from CA certifying the above. (In form 26A).

AO can pass the order treating assessee as AID within 6Y from the end of relevant FY or 2Y from the end of FY in which rectified TDS return is delivered whichever is later.

4. **Creation of charge on all assets :** Where the TDS + Interest has not been paid after it is deducted, the amount of the tax together with the amount of interest thereon shall be a charge upon all the assets of the person.
5. **Penalty u/s 271C :** To be levied by ~~JCIT~~ AO (AO shall take prior approval of JC before passing penalty order where penalty amount exceed 10,000)

SEC 194B/BB TDS ON CASUAL INCOME & HORSE RACE WINNING

Payer[Deductor]	Any person
Payee[Deductee]	Any person [R/NR]
Limit	Amount exceeding ₹10,000 p.a. in a single transaction [FA 2025]
Rate	30% (On whole amount) (Similar to the tax rate u/s 115BB)
Time of Ded	At the time of payment
Special points	1. Online gaming is not covered here, it is covered in 194BA. 2. <u>Winning in Kind</u> : **[CIT v. Hindustan lever limited 2014]** Where the winning isn't kind or partly in kind & cash is not sufficient such person shall before release of such winning ensure that tax has been collected or paid. 3. Filing ROI will be mandatory even if TDS is deducted.

SEC 194BA TDS ON WINNING IN ONLINE GAMES

Payer[Deductor]	Any person [R/NR]
Payee[Deductee]	Any person [R/NR]
Limit	On any amount paid (Net winning)as computed below
Rate	@30% of net winning (Similar to the tax rate u/s 115BBJ) [Add Sur + HEC for NR]
Time of Deduction	**If there is Withdrawal :** Deduct at the time of withdrawal. **No Withdrawal :** At the end of FY.
Special points	1. <u>Winning in Kind</u> : **[CIT v. Hindustan lever limited 2014]** Where the winning isn't kind or partly in kind & cash is not sufficient such person shall before release of such winning ensure that tax has been collected or paid. <u>Cir 5/2023</u> : In case of winning in kind FMV shall be considered for valuation of winning. However in 2 cases actual cost is considered : **a) If platform has purchased the product :** Consider Purchase price. **b) If product is manufactured by platform :** Considered price charged to customer. 2. <u>Multiple user account</u> : In case of multiple user a/c of the same user each user a/c shall be considered for calculating net winning and deposit, withdrawal or balance in the user account shall mean aggregate of deposit, withdrawal or balance in all user a/c. **Eg :** VJ has 2 a/c aggregate of both shall be considered while calculating net winning. 3. <u>Transfer from one user a/c to another</u> : If there is a transfer from one a/c to another, <u>maintained with the same entity</u>, then it shall **not** be considered as withdrawal or deposit. **Eg :** If VJ has 2 a/c with Dream 11 transfer from one to another a/c shall not be considered as withdrawal [however law is silent about transfer to diff platform] 4. <u>Deposit in the form of bonus</u> : **[Bonus include incentive, promotional money, discount by whatever name called :** **a) Bonus eligible for withdrawal :** Treated as taxable deposit. **b) Bonus not eligible for withdrawal :** Not treated as taxable deposit. **5. Will GST be included for valuation-no[Cir 5/2023]**
	6. When TDS under this sec is not required : a) When net withdrawal does not exceed ₹100 in a month. b) The deductor takes the responsibility to pay the difference if the balance is not sufficient to discharged the liability.

<u>Net Winning</u> : (A+D) - (B+C) A = Actual Amount withdrawal D = Closing Balance at the end of FY B = Aggregate Amount of Deposit in User a/c C = Opening Balance of User A/c at the beginning of the Year.	**<u>1st Withdrawal</u> Net Winning :** A-(B+C) A = Actual Amount withdrawal B = Aggregate amount of Deposit in User a/c C = Opening Balance of User A/c at the beginning of the year.
<u>Subsequent withdrawal</u> net Winning : A-(B+C+E) A = Actual Amount withdrawal B = Aggregate Amount of Deposit in User a/c C = Opening Balance of User A/c at the beginning of the Year. E = Net Winning on which TDS already Deducted at the time of earlier withdrawal.	**Net Winning <u>at the End of FY</u> :** (A+D)-(B+C+E) A = Actual Amount withdrawal. D = Closing Balance of user a/c at end of the FY. B = Aggregate amount of Deposit in User a/c. C = Opening Balance of User A/c at the beginning of the Year. E = Net Winning on which TDS already Deducted at the time of earlier withdrawal.

SEC 194D TDS ON INSURANCE COMMISSION

Payer [Deductor]	Any person
Payee [Deductee]	Any Agent (Resident)
Limit	Amount exceeding ₹20,000 [FA 25] in a year
Rate	2% w.e.f 1/4/25 (10% if paid to domestic Co.)
Time of Deduction	At time of payment or credit whichever is earlier

SEC 194G TDS ON COMMISSION ON SALE OF LOTTERY TICKETS ETC

Payer [Deductor]	Stockist, distributor, etc of lottery tickets
Payee[Deductee]	Any Person (R/NR)
Limit	Amount exceeding ₹20,000 [FA 25] in a year
Rate	2% (after 1/10/2024)
Time of Deduction	At the time of payment or credit whichever is earlier

SEC 194 DIVIDENDS

Payer[Deductor]	Principal officer of any Indian Co/ FC who made arrangements for payment of dividends (including dividends on preference shares) within India
Payee[Deductee]	Shareholder being Resident
Limit	If dividend (Including Deemed Dividend u/s 2(22)(f)) paid exceed ₹10,000 p.a. (1/4/25)
Rate	10% at the time of payment
Special Points	**No TDS if Dividend paid to :** a) LIC b) General Insurance corporation or other Insurance Co. c) Business trust d) Any other person notified by the CG e) If Dividend is made by any mode other than cash.

SEC 194K TDS BY MUTUAL FUND

Payer[Deductor]	Income from UTI or Mutual Fund units
Payee[Deductee]	Shareholder being Resident
Time of Dedn	If dividend paid during FY exceed ₹10,000 p.a. [FA 25]
Rate of TDS	10%

SEC 194LA TDS ON COMPULSORY ACQUISITION OF BUILDING/ NON AGRICULTURE LAND

Payer[Deductor]	Any Person
Payee[Deductee]	Resident
Limit	Exceeds ₹2,50,000 in aggregate in FY
Rate	10%
Time of Deduction	At the time of payment [State of Kerela Vs. Marioama]
Other Condition	No TDS to be deducted if compulsory acquisition of Rural Agriculture land

SEC 194C TDS ON PAYMENTS TO CONTRACTORS

Payer (Deductor)	Specified person
Payee (Deductee)	Any person resident in India.
Limit	Single pay exceed ₹30,000 or aggregate amount exceed ₹1,00,000 during PY. Once the total payment exceed ₹1 lakh TDS is to deducted at whole amount
Rate	**Payee is Individual or HUF : 1%** **Payee is Other : 2%**
Time of Deduction	At the time of payment or credit whichever is earlier

Special points

Exemptions :

1. No TDS is required in case of contracts of personal in Nature
2. W.e.f. 1.6.15 no TDS is required in goods transport business which owns less than 10 goods vehicle.
3. Contract for sale of goods

Works :

> Advertisement > Broadcasting
> Catering
> Carriage of goods or passenger by any mode other than railway.

Manufacturing of Product according to requirement/ specification of a customer by using material purchased from such customer or his relative u/s 40(A)(2)

The sec also provides that in above case TDS to be deducted :

On invoice value excluding value of material, if such value is mentioned separately in the invoice	On whole of invoice value, if value of material is not mentioned separately in the invoice

W.e.f 1/10/2024 : New definition of Works

a) Advertising; b) Broadcasting and telecasting
c) Carriage of goods or passengers by any mode other than by railways;
d) Catering;
e) Manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee under the provisions contained in clause (b) of sub-sec(2) of sec 40A.

 # But does not include :

a) Manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer or associate of such customer;
b) Any sum covered u/s 194J.

SEC 194M TDS ON PAYMENT BY INDIVIDUALS / HUF (PERSONAL PAYMENTS)

Payer (Deductor)	Individual or a HUF (other than payments covered in sec 194C, sec 194H, sec 194J)
Payee[Deductee]	Any person [Resident]
Limit	Exceed ₹50L during a FY
Rate	2% (after 1/10/24) [FA 2025]
Special Points	TDS is deductible even if assessee does not have TAN u/s 203A

SEC 194J TDS ON FEES FOR PROFESSIONAL/ TECHNICAL SERVICES

Payer[Deductor]	Specified Person Responsible for payment	
Payee[Deductee]	Any person resident in India	
Limit	Exceeds ₹50,000 p.a. [FA 2025] except Director fees	
Rate	Technical services Royalty on Sale, distribution or exhibition of cinematographic films Operation of call Centre	2%
	Other Cases Other Royalty/ Director fees	10%
Time of Dedn	At the time of payment or credit whichever is earlier	

Special point

1. **Specified Person :**

Individual or HUF	Two Conditions must be satisfied : 1. Turnover in case of business exceed ₹1 cr or Gross Receipt in case of Profession exceed ₹50L in PPY. 2. In the PY payment exceed prescribe limit
For other Payee	In the PY payment exceed prescribe Limit.

2. CBDT Notifies following services also covered in sec 194J Noti. No 88/2008
   > Sports Person, > Coaches & Trainers,
   > Team physicians & physiotherapist
   > Event Managers, > Anchors, > Sports Columnists
3. No TDS on any sum paid for personal purposes.
4. **"Professional services"** means services rendered by a person in the course of carrying on legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or advertising or such other profession as is notified by the Board u/s 44AA or of this section.
5. **CBDT notification :** CBDT has notified following services in relation to sport activities as professional services - Sports person, umpire and referee, coaches, team doctors, event managers, anchors.
   Note : Only sports activities covered nothing else (such as debate competition).
6. **Third party Administrator :** CBDT clarified that TPAs making payment to hospitals on behalf of insurance companies is liable for TDS u/s 194J because hospital is providing medical services.
7. **Computer Software :** Explanation 4 to sec 9(1)(vi) - Consideration for use or right to use a computer software is royalty. Hence, sec 194J & 195 is attracted as the case may be CG has exempted certain software payments from TDS u/s 194J.

   Where payment is made by transferee for acquisition of software from resident 194J would not apply if all the below conditions are satisfied :
   > Software is acquired in subsequent trf. w/o modification by transferor.
   > TDS deducted u/s 194J at 195 on previous payment;
   > Declaration from transferor that TDS is so deducted along with his PAN
8. **Manipal Health Systems :**
   __Question :__ Remuneration to doctors which is variable based on no. of patients & treatment given to them. Will TDS be deducted u/s 192 or 194J?
   __Held :__ There is no employer-employee relationship, therefore, 194J applies.

SEC 194A TDS ON INTEREST OTHER THAN ON SECURITIES

Payer	Specified Person Responsible for payment
Deductee	Any person being Resident
Limit	**Others :** If payment exceeds ₹10,000 **Bank/ PO/ co-operative society :** If payment exceeds ₹50,000 however for senior citizen if payment exceed ₹1,00,000 [FA 2025]
Rate	10%
Time of Dedn	At the time of credit or payment (cash or other mode) whichever is earlier

Special Points

1. **Specified Person :**

Individual or HUF	Two conditions must be satisfied : 1. Turnover in case of Business exceed ₹ 1 cr or Gross receipt in case of Profession exceed ₹50L in PPY; & 2. In the PY payment exceed prescribe Limit.
For Other Payee	In the PY payment exceed prescribe Limit.

2. **No TDS if Interest is paid to :**
   a) Any banking company/co-op. society engaged in banking biz. (incl. co-op. land mortgage bank)
   b) Any financial corp. established by/under a Central, State or Provincial Act; or
   c) The LIC/UTI or
   d) Any company/co-op. society carrying on the business of insurance; or
   e) Such other inst./class of AOP/BOI as may be notified
   f) Payable to infrastructure capital company/capital fund/debt fund or in relation to Zero coupon Bond.
   g) Interest paid by a firm to a partner of the firm.
   h) Interest paid by a co-op society (other than a co-op bank) to a member or another Co-op society.
   i) Interest paid on deposits under any scheme framed by the Central Government
   j) Interest on the compensation amount awarded by Motor Accidents claims Tribunal where such amount does not exceed ₹50000.
   k) Interest u/s 10(23FC).
   l) Payment of interest on time deposits (FD) by banks following Core-Branch Banking Solutions (CBS) software.
3. **Core-Banking solutions (CBS) software bank & Co-op. Bank :**

Where CBS not adopted	No TDS shall be deducted if interest payment by each branch does not exceed ₹40,000/₹50,000
Where CBS is adopted	TDS shall be deducted on aggregate of interest paid by all the branches of the bank, exceed ₹40,000/₹50,000

4. __Cir 23/2015 :__ Interest on FDR made in the name of registrar general of court or depositor of fund will not be subject to TDS till the matter is decided by court, however TDS is required when the court decides ownership of the money lying with FD.
5. __Noti. 110/2021 :__ No TDS on payment to member of schedule tribe u/s 10(26) by schedule bank provided aggregate payment does not exceed ₹20L.
6. __Noti. 8/2013 :__ In case of deposit under CGAS where depositor has deceased
   a) **TDS on Interest accrued upto the date of death :** Credit is given to depositor
   b) **After death :** Credit is given to legal heir

SEC 192A TDS ON BALANCE ON EPF

Payer (Deductor)	Trustee of EPF
Payee (Deductee)	Employee [R/NR] participating in RPF
Limit	If Amount exceed ₹50,000
Rate	10%
Time of Deduction	At the time of payment

SEC 194H TDS ON COMMISSION OR BROKERAGE

Payer (Deductor)	**Specified Person** Responsible for payment
Payee[Deductee]	Any person being resident
Limit	Sum exceeding ₹20,000 p.a. [FA 2025]
Rate	2% (after 1/10/24) [FA 2025]
Time of Ded	At the time of payment or credit whichever is earlier
Special Points	Commission or Brokerage other than those referred to in sec 194D & sec 194G
Circular & Decision	The transactions relating to Securities are not covered by sec 194H. However, TDS shall be deducted on brokerage/commission paid for commodities transactions Where the content is produced as per specifications provided by the broadcaster/telecaster — TDS u/s 194C

SEC 194IB TDS ON RENT PAYABLE OTHER THAN U/S 194I

Payer (Deductor)	Individual/HUF
Payee[Deductee]	Any person Resident
Limit	Exceed ₹50,000 per month
Rate	2% (after 1/10/24) [FA 2025]
Time of Deduction	At the time of payment or credit whichever is earlier
Other Points	In case TDS is required to be deducted u/s 206AA Deduction should not exceed rent for last month.

SEC 194I TDS ON RENT

Payer [Deductor]	**Specified Person** responsible for payment
Payee [Deductee]	Any person resident in India
Limit	Exceeds ₹50,000 pm or part thereoff [FA 2025] per co-owner (including Advance & Arrears of Rent)
Rate	**For use of P & M : 2%** **For use of other asset : 10%**
Special points	1. No TDS on Rent credited or paid to a business Trust. 2. TDS is also required to be deducted on advance rent. Circular No, 5/2001 3. Where the share of each co-owner in the property is definite & ascertainable, the limit of 1.8L will be applicable to each co-owner separately. 4. Japan Airlines Co, Ltd, V, Commissioner of Income-Tax [SC] **Case :** Landing & parking charges Airlines would attract TDS u/s 194C & not u/s 194-I 5. No requirement to deduct tax at Source u/s 194-I on payment in the nature of lease rent or supplemental lease rent, made by a 'LESSEE' to a lessor, being a unit located in IFSC for lease of an Aircraft.

SEC 194IA TDS ON ACQ OF PROPERTY

Payer [Deductor]	Any assessee
Payee [Deductee]	Resident Assessee
Limit	Consideration and SDV exceeds ₹50,00,000
Rate	1% of consideration or SDV whichever is higher
Time of Deduction	1. The Deductor shall remit the TDS to CG in form 26QB and issue form 16B as certificate to payee. 2. Therefore, if the immovable property is purchased from a NR TDS u/s 195 3. If sellers jointly own a property and sells for a total consideration of 50L or more, then sec 194-IA is attracted even if each co-owner's consideration is less than 50L. 4. In case sec 194-IA is attracted then purchaser isn't required to obtain TAN, i.e Tax Deduction Account Number i.e sec 203A is not applicable. 5. Consideration shall incl. all charges of the nature of club membership fee, car parking fee, water or electricity facility fee, maintenance, advance fee/ similar which are incidental to the property. **# No TDS shall be made if Consideration & SDV is less than 50L.** However where there is more than one transferor or transferee in respect of any immovable property, then the consideration shall be the aggregate of the amounts paid or payable by all the transferee to the transferor or all the transferors for transfer of such immovable property. w.e.f 1/10/2024

SEC 194DA TDS ON LIP

Payer [Deductor]	Any person
Payee [Deductee]	Any person resident in India
Limit	₹1,00,000 or more in a year
Rate	2% (after 1/10/2024) [FA 2025] [Amount received Premium Paid]
Time of Deduction	At the time of payment
Special points	Conditions amount should not be exempt u/s 10(10D)

SEC 193 TDS ON INTEREST ON SECURITIES

Payer [Deductor]	Any person
Payee [Deductee]	Any person being Resident
Limit	1. **Company :** If payment exceeds ₹10,000 2. **Local Authority :** If payment exceeds ₹10,000 on 8% Savings (Taxable) Bonds, 2003 / 7.75% savings (Taxable) Bonds'18 or Floating Rate Savings Bonds, 2020 (Taxable) or any other security of CG or SG may by notification specify.
Rate	10%
Time of Deduction	At the time of credit or payment whichever is earlier
Special points	**No TDS of Following :** > Interest payable to LIC/GIC or other insurer > Interest on Provident Fund > Interest payable on any security of the Central or State Govt, however TDS shall be deducted on 7.75% Savings (Taxable) Bonds, 2018. > Interest payable under "Indian Railway Finance Corporation Ltd & "Power Finance Corporation Ltd, Bonds" [Not. 27/2018] > **Not. 05/2017 :** Interest Income accrued to minor child where both parents have deceased shall be deducted & reported against the PAN of minor > Interest payable to business trust

 # TDS would be deducted on Interest payable on securities even if it is dematerialized form.

SEC 194P DEDUCTION OF TAX IN CASE OF SPECIFIED SENIOR CITIZEN

Payer	"Specified bank" means a banking company as the Central Government may, by notification in Official Gazette, specify
Payee	**"Specified senior citizen" means an individual, being a resident in India :** i) Who is 75 years or more at any time during the PY; ii) Who is having income of the nature of pension; iii) Has furnished a declaration to the specified bank containing such particulars in such form and verified in such manner, as may be prescribed.
Responsibility of Payer	TDS would be deducted by the specified bank after giving effect to the deduction allowable under chapter VI-A & rebate allowable u/s 87A, compute the total income of such specified senior citizen for the relevant AY & deduct income-tax on such total income on the basis of the rates in force & a declaration shall be submitted by bank
Benefit to Senior citizen	The senior citizen is not required to file an income tax return

SEC 194N TDS ON CASH WITHDRAW

Payer[Deductor]	**Every person, being :** i) A banking company ii) A co-operative society engaged in carrying on the business of banking; or iii) A post office.
Payee[Deductee]	Any Assessee
Limit	**CG may provide relaxation from application of this section if conditions are satisfied :** 1. Withdrawal exceeding ₹1cr during PY from one or more accounts maintained by the recipient shall at the time of payment deduct TDS @2% of such sum. However, if the recipient is a co-op society, tax is required to be deducted on any sum exceeding ₹3cr. 2. In case of a recipient who has not filed the returns of income for all of the 3 AYs relevant to the 3 PY, for which the time limit of filing ROI u/s 139(1) has expired, then TDS shall be deducted as under 3. Where the recipient is a co-operative society, the limit would be ₹3 crore.
Special Points	**No TDS shall be made if Payee is :** 1. Government 2. Bank, Co-op Bank or Post Office. 3. Business correspondent of Bank or co-op Bank 4. White label ATM operator **5. Any other Notified Person :** a) Authorisied dealer & franchise agent & Sub agent for purchase of foreign currency from foreign tourist or non Resident visiting India or from Resident Indians on their return to India, in cash as per the directions or Guidelines issued by RBI. b) Full fledge money changer licensed by RBI & its franchise agent maintaining a separate bank account from which Withdrawal is made for Disbursement of inward remittance to the recipient beneficiaries in India in cash under Money Transfer services scheme (MTSS) of RBI. c) Commission agent or trade, operating under Agriculture produce market committee (APMC) & Registered under any law relating to agriculture produce market of the concerned state. d) Cash Replenishment agency (CRA's) & franchise agent of white label ATM operators (WLATMO's).

Amount or aggregate	Rate of TDS
Exceed ₹20L - 1cr	2% on sum exceeding ₹20L
Exceeding ₹1 crore	5% on sum exceeding ₹1 cr

SEC 194R TDS ON BENEFIT & PERQUISITE IN RESPECT OF BUSINESS OR PROFESSION

Payer[Deductor]	**Specified Person** responsible for paying any sum
Payee[Deductee]	Any person being Resident
Limit	Amount exceeding ₹20,000 p.a. (In cash or Kind)
Rate	10% of the value or aggregate of value of such benefit or perquisite
Time of Dedn	Before providing such benefit or perquisite

Special points

IMP Hai!

1. **Specified Person :**

Individual or HUF	**Two Conditions must be satisfied :** 1. Turnover in case of Business exceed ₹1 cr or Gross Receipt in case of Profession exceed ₹50L in PPY 2. In the PY payment exceed prescribe limit.
For Other Payee	In the PY payment exceed prescribe Limit.

2. In case where the benefit or perquisite in kind deductor shall before releasing the benefit or perquisite, ensure that TDS required to be deducted has been paid

3. If out of pocket expenses (reimbursement) are already part of the consideration & TDS deducted u/s 194C/ 194J on total consideration then TDS not applicable u/s 194R on such out-of-pocket expenses reimbursed by client.
Eg : AB & Associates (Kolkata), Auditor of VJ Ltd. (Mumbai) goes to client's place for audit (12/11/2025). Traveling expenses (not invoiced in Client's name) invoicing 32,000 are paid by the client. In this case VJ Ltd required to be deducted TDS u/s 194R on the Traveling Expenses borne i.e TDS = ₹32,000 x 10% = ₹3,200.

 # There would have been no requirement to deduct TDS if :
i) The client had not borne this expenditure or;
ii) Invoice was in the name of the client & expense was paid directly or re-imbursed by it.

4. **The Exp pertaining to dealer/business conference would not be considered as benefit/perquisite, in case conference is for :**
a) New product being launched
b) Discussion as to how the product is better than others
c) Obtaining orders from dealers/customers
d) Teaching sales techniques to dealers/customers
e) Addressing queries of the dealers/customers
f) Reconciliation of accounts with dealers/customers.

5. An embassy, a High Commission, legation, commission, consulate & the trade representation of a foreign state not required to deduct TDS under this section.

6. TDS u/s 194R not required in case of Bonus shares issued by any company to all the shareholders and in case of Right shares by widely held company to all shareholders also out of scope from this section.

7. One time loan settlement with borrowers or waiver of loan granted on reaching settlement with the borrowers by banks or PFI shall not be subjected to TDS u/s 194R Although it is taxable in the hands of borrower under the head PGBP by virtue of sec 28(iv).

8. Sec 194R shall not apply on sales discount, cash discount & rebates to customers.

9. Where social media influencers receives products, is it benefit or perquisites - Yes. If such products are not returned, TDS u/s 194R applies.

10. Such gifts, perks or benefits provided on some special occasions like festivals, marriage occasions, etc. may not liable for TDS as section cover only those benefits which arise out of business or profession.
Eg : Mr. Aakash is a businessman engaged in trading of electronic items, Mr. Aakash requests samsung Ltd for giving a discount in his purchases. But instead of giving a discount Co. sponsors the 5-star hotel accommodation & conveyance of Aakash & also gift him a Rolex watch, in order to develop friendly business relations worth ₹2 Lakh. Now TDS will be deducted by company @10% on ₹2L i.e. value of benefit or Perquisite.

11. **CBDT clarifications :**
a) Payer is not required to check that the benefit or perquisite is taxable in the hands of recipient or not. Thus, the deductor is required to deduct tax u/s 194R of the Act in all cases where benefit or perquisite (of whatever nature) is provided so even if capital nature benefit is provided like car or land etc. then also TDS is applicable.
b) TDS u/s 194R shall not apply if the benefit / perquisite is being provided to Govt entity, like Govt hospital, not carrying on business/profession.

12. **Calculation of value of benefit/perquisite :**
i) **Provider has purchased the benefit/perquisite before providing it to the recipient :** Purchase price
ii) **Provider manufactures such items :** Price that it charges to its customers for such items.
iii) **In any other case :** FMV of benefit/perquisite.
Note : GST will not be included for the purposes of valuation for TDS purpose.

SEC 194Q TDS FOR PURCHASE OF GOODS

Payer	Any person being **Buyer**
Payee	Resident Seller
Nature of payment	For purchase of any goods value or aggregate of such value exceeding ₹50 lakhs in PY
Rate of TDS	TDS @0.1% such sum exceeding ₹50 Lakhs
Time of Deduction	a) At the time of credit b) At the time of payment by any mode, whichever is earlier
Special Points	**1. Meaning of various Term : "Buyer"** means a person whose total sales, gross receipts or turnover from the business carried on by him exceed ₹10 cr during PPY in which the purchase of goods is carried out. **2. The provisions of this section shall not apply to a transaction on which :** TDS is made under any of the provisions of this Act **3. Other Points :** a) Sec 194Q applies to purchase of all goods whether on capital or on revenue account. b) Sec is applicable when paid to resident if paid to NR then use sec 195. **c) Can Buyer be NR for the purpose of sec 194Q :** It has been clarified that 194Q shall not apply to NR whose purchase is not connected with PE in India. d) Advance for payment of goods will also attract TDS. **e) The provision of sec 194Q shall not apply to :** i) Transaction of securities & commodity traded through recognize stock exchange including RSE in IFSC. ii) Transaction of electricity renewable energy certificate & energy saving Certificate traded through registered power exchanges. **f) Purchase return & GST Adjustment :** If purchase return happens TDS must have been done, if that is the case & against this purchase return happens & money is refunded by seller, then TDS be adjusted against next purchase form same seller. However no adjustment required if purchase return is replaced by the seller. **g) Whether 194Q applies to Seller whose Income is exempt?** It has been clarified that 194Q would not apply on purchase of goods from a seller whose Income is exempt same for sec 206C(1H). But this provision would not apply if only part of the Income is Exempt. **h) [W.e.f. 1/4/2025 Tax will be deducted u/s 194Q :** TCS u/s 206(1H) will not be required regardless of whether the tax is actually deducted by the buyer] [FA 2025] 4. In case of a transaction to which both sec 206(1H) & 194Q applies. TDS deducted u/s 194Q. 5. In case of a transaction to which both sec 194O & 194Q applies. TDS deducted u/s 194O 6. If PAN of payee is not available tax will be deducted u/s 194O & 194Q at the rate of 5% **7. GST / VAT / Sales tax / CST / Excise Duty (IDT) :** TDS u/s 194Q not applicable on IDT amount if is separately indicated in invoice but if advance payment is made then TDS should be deducted on total advance payment as we are not aware that what will be IDT amount in invoice. 8. CG or SG shall not be considered as 'seller' & no tax is to be deducted by the buyer, in cases where any Dept of Government are seller of goods. Any other person, such as a PSU or corp. established under act or any other such body, authority or entity, shall be required to comply with the provisions of 194Q & TDS applicable.

SEC 192 TDS ON SALARY

Payer[Deductor]	Employer
Payee[Deductee]	Employee [R/NR]
Limit	If Annual Salary [after dedn & exemption] exceed Basic Limit
Rate	Normal slab rate (At the avg rate of income tax)
Time of Dedn	At the time of payment
Special points	> Salary Includes Basic + Allowance + Perk > EE shall provide all information & proof of payments > Loss from HP can be reduced while determining TDS Liability. Sec 192(2B) : Assessee shall provide details of Other Income & loss if any under house property to employer. The Employer upon receipt of such Income (or Loss) compute the TDS deductible. **W.e.f 1/10/2024 :** **Where an assessee who receives "Salaries" has, in addition :** i) Any other Head of income (not being a loss other than HP loss) **ii) Any TDS/TCS tax deducted or collected he may send to Payer the particulars of :** Such other income or TDS/TCS or Loss from HP & thereupon the payer shall take into account the particulars for the purposes of making TDS. The above adjustment shall not be done if it has effect of reducing TDS (except HP Loss) below the amount that would be so deductible had other provisions had not been taken into account.

SEC 194T PAYMENTS TO PARTNERS OF FIRM

Payer	Firm
TDS on	Salary, remuneration, commission, bonus or interest to a partner of the firm
Time	At the time of credit of such sum to the account of the partner (including the capital account) or at the time of payment thereof, whichever is earlier
TDS Rate	10%
Exception	No TDS if amount (in Aggregate) does not exceed ₹20,000 p.a

Note : The provision of sec 197/197A are not applicable.

TCS

SEC 206CA TAX COLLECTION ACCOUNT NO

1. Every person collecting tax shall apply to the AO for the allotment of a tax collection account number
2. Assessee shall quote TAN no: in all challans, certificates, returns and other documents

SEC 206CC REQUIREMENT TO FURNISH PAN BY COLLECTEE

Collectee shall furnish his PAN to the collector, if he fail to furnish such PAN, TCS shall be at higher of :

a) At twice the rate specified in the Act; b) @5%

W.e.f. 01.07.2023 The Rate of TCS under this sec shall not exceed 20%.

SEC 206CCA TCS FROM NON FILERS OF ITR

This section is deleted from [FA 2025]

SEC 206C TCS PROVISIONS

Sec 206C(1) TCS on Alcohol/Timber/Scrap/Minerals :

> Alcoholic liquor (human consumption)	1%
> Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	2%
> Timber obtained by any mode other than under a forest lease	2%
> Tendu leaves	5%
> Scrap	1%
> Mineral	1%

Explanation :

1. Forest Produce includes :

a) The following whether found in, or brought from a forest or not that is to say timber, charcoal, caoutchouc, catechu, wood-oil, resin, natural varnish, bark, lac, mahua flowers, mahua seeds, [kuth] & myrabolams,

b) The following when found in, or brought from a forest that is to say :

i) Trees and leaves, flowers & fruits & all other parts or produce not herein before mentioned, of trees;

ii) Plants not being trees (including grass, creepers, reeds & moss) & all parts or produce of such plants;

iii) Wild animals and skin, tusks, horns, bones, silk, cocoons, honey & wax, & all other parts or produce of animals; and

iv) Peat, surface soil, raw, rock and minerals (including limestone, laterite, mineral oils and all products of mine or quarries).

2. Forest produce traders : To provide relief to traders of forest produce, only such other forest produce (not being timber or tendu leaves) which is obtained under a forest lease, will be covered under TCS, Traders of other forest produce will not be subject to TCS.

CBDT clarification :

1. No TCS if resident buyer furnishes a declaration to the seller that "goods" are to be utilized in manufacturing/ production of any article or for the purpose of generation of power.

2. **Priya Blue Industries (P) Ltd (2016) (Guj) :** In case of an assessee engaged in ship breaking activity, certain items/products are finished products obtained from such activity which are usable as such & hence, are not 'waste and scrap' though commercially known as scrap. Hence no TCS u/s 206C.

Sec 206C(1F) TCS on Motor vehicle or any notified goods > 10 Lakhs : Rate of TCS is 1%

Sec 206C(1C) TCS on Parking / Toll / Mining Rights : Rate of Tax is 2%.

Sec 206C(1G) TCS on Foreign remittance & Foreign tour package [FA 2025] :

- **Foreign Remittance**
  - **Education Purpose or Medical treatment** → Beyond 10L : 5%
  - **Loan for Education** → TCS : Nil (earlier 0.5% beyond 7L)
  - **Other Purpose** → Beyond 10L : 20% [Non PAN cases TCS 20%, Threshold limit 10L]
- **Overseas Tour Program Package** → 5% upto 10 lakhs & 20% above 10 lakhs [Non PAN cases TCS 10% upto 10L & 20% Thereafter]

Notes :

1. No TCS if buyer is :

> Deducted TDS under any section;

> CG, SG, Embassy, High commission, legation, consulate & trade representation, Local authority

> Non Resident Visiting India.

2. CBDT is empowered to issue guidelines with the approval of CG for the purpose of removing the difficulty.

3. CBDT clarification :

a) Payment through overseas credit card not counted in LRS. No TCS applicable on expenditure through international credit card while being overseas till further order.

b) Threshold of 7 lakh, for LRS is combined threshold for applicability of the TCS on LRS irrespective of the purpose of the remittance. (like education, medical or others)

c) Medical treatment shall include remittance for purchase of tickets of patient & his attendant, his medical expense and other day to day expenses required for such purpose.

d) Education purpose shall include remittance for purchase of tickets, tuition & other fees to be paid to educational institute & other day to day expenses required for undertaking such study.

e) Only overseas flight ticket is booked or only hotel booked not covered in "OTPP".

 # Sec 206C(1H) TCS on Sale of Goods - Deleted from Finance Act [FA 2025].

Sec 206C(3) Due date of payment of TCS (Rule 37CA) :

Where Dept Deducted TCS	On the same day
Where other Person Deducted TCS : A) April to Feb B) March	 7th of Next Month 7th April of Next FY

Rule 37(CA) Submission in Digital Form :

Due Date for TCS Return	Recall Due Date for TDS Return
Q1 – 15th July	Q1 – 31st July
Q2 – 15th Oct	Q2 – 31st Oct
Q3 – 15th Jan	Q3 – 31st Jan
Q4 – 15th May	Q4 – 31st May

SEC 234F FEE FOR DEFAULT IN FURNISHING STATEMENTS

Where a person fails to submit TCS Return a penalty of **sum of ₹200 for every day**

SEC 271CA PENALTY FOR FAILURE TO COLLECT TCS

Penalty = 100% of the sum which he failed to collect shall be levied by ~~JCIT~~ AO [FA 2025].

14 ALTERNATE MINIMUM TAX

CONCEPT

> Is applicable to all assessee except company.

> **AMT is not payable by :** Individual/HUF/AOP/BOI/AJP If Adjusted Total Income of such person does not exceed ₹20 Lakhs.

SEC 115JC APPLICABILITY OF AMT

1. If 18.5% of ATI exceeds Income tax payable then such ATI shall be deemed to be total income & Tax Payable shall be 18.5% of ATI.
   > In case unit is in IFSC 9%.
   > In case of Co-operative society, 15%.
2. **AMT not applicable, where :**
   i) Such person has exercised the option 115BAC, 115BAD or 115BAE.
   ii) Not applicable to Specified Fund u/s 10(4D).
3. **Sec 115JC(2) : Adjusted total income shall be :**

Particulars	₹
Taxable income of the taxpayer	xxx
Add : Deduction u/c VIA (Part C) – (80IA to 80RRB)	xxx
Add : Deduction u/s 35AD	xxx
Add : Deduction u/s 10AA [SEZ]	xxx
Less : Depreciation u/s 32 assuming that dedn u/s 35AD (For Cap Exp) is not allowed	(xxx)
Adjusted total income	xxx

4. Every person who Pays AMT shall obtain a report from CA certifying that the adjusted total income atleast 1m prior to the date of filing ROI.

SEC 115JE APPLICATION OF OTHER PROVISIONS OF THIS ACT

All other provisions of this Act (For Eg Advance Tax, Interest, Penalty etc) shall apply.

SEC 115JD TAX CREDIT FOR AMT

1. AMT credit Arise when AMT payable Exceed Tax payable of that year & shall be utilised when IT payable exceed AMT payable only to the extent it exceed AMT Payable.
2. No interest shall be payable on AMT Credit **[115JD(3)]**.
3. AMT Credit shall be c/f & set off upto 15th AY.
4. If the amount of regular income-tax or the AMT is reduced or increased as a result of any order passed under this Act, the amount of tax AMT credit shall also be adjusted.
5. AMT credit not available if a person has exercised the option 115BAC, 115BAD or 115BAE.
6. **AMT credit will be reduced by :** Foreign tax Credit allowed against AMT – FTC allowed against Normal tax.

15 ADVANCE TAX

SEC 208 CONDITIONS OF LIABILITY TO PAY ADVANCE TAX

- Advance tax shall be payable during a financial year in every case where the amount of tax payable by the assessee is ₹10,000 or more.
- Assessee Declaring Income u/s 44AD/44ADA.

SEC 207 LIABILITY FOR PAYMENT OF ADVANCE TAX

1. Where estimated tax liability is below ₹10,000 as computed.
2. Individual resident being senior citizen who does not have "PGBP" Income.

SEC 210 PAYMENT OF ADV TAX BY ASSESSEE OF HIS OWN ACCORD OR IN PURSUANCE OF ORDER OF AO

If assessee has not paid or short paid the advance tax AO may make order & ask assessee to pay advance tax in the installments due. AO can pass order upto last day of Feb of PY.

The AO shall compute advance tax by taking :
i) The total assessed income of the latest PY or
ii) The total income declared in the return of income of any subsequent PY, whichever is higher.

SEC 211 DUE DATES FOR PAYMENT OF ADVANCE TAX OTHER THAN PERSONS COVERED U/S 44AD/ADA

Due date of installments	On or before Companies & Other assessee
15th June	Not less than 15% of Advance Tax liability
15th Sept	Not less than 45% of Advance Tax
15th Dec	Not less than 75% of Advance Tax
15th March	The whole amt. of Advance Tax

Note :
1. Person covered u/s 44AD/ADA to pay Advance Tax by 15th March (100%).
2. Any amount paid by way of advance tax on or before the 31st March shall also be treated as advance tax.
3. If due date for payment of any installment is banking holiday, and payment is made on the next working days, No interest shall be leviable.
4. If any assessee does not pay any installment within due date he shall be deemed to be an assessee in default in respect of such installment.

PROVISO SEC 234 PAYMENT OF ADVANCE TAX IN CASE OF CAPITAL GAIN & CASUAL INCOME

1. Advance tax is payable on all types of income.
2. **Estimating income which are generally unexpected :** Advance Tax should be paid in remaining installments after it is received or where no such installment is due, by 31st March of the relevant Financial Year.
3. If the entire amount of tax payable is so paid, then no interest on late payment will be leviable.

SEC 234B INTEREST FOR DEFAULTS IN PAYMENT OF ADVANCE TAX

Interest is payable if :
a) Advance tax paid during PY < 90% of Assessed tax; or
b) No advance tax paid during the year.

Assessed Tax means :
1. Where No Assessment is made : 143(1)
2. Where Regular Assessment is made : 143(3)/144/147

As Reduced By : Relief u/s 89,90,91(DTAA), TDS/TCS credit, MAT or AMT Credits u/s 115JD, in case the assessee exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Interest Payable :

Advance Tax not or Short Paid	X	1% per month or part of a month	X	From 1st April of AY till the actual Date of Payment.

Common in sec 234A & 234B :
Where as a result of Rectification order or Order of Appeal or Revision the amount of tax on which interest was payable has been modified, the interest shall be altered accordingly :
1. If interest is increased the AO shall serve on the assessee a notice of demand.
2. **If interest is reduced, excess interest paid, shall be refunded :**
   a) Tax on total income as determined u/s 143(1) shall not include the additional income-tax, and
   b) Tax on the total income determined under regular assessment shall not include the additional income-tax payable u/s 140B.

SEC 234C INTEREST FOR DEFERMENT OF ADVANCE TAX

1. Interest Payable = Amount Deferred x Rate x Period.

a)	Deferred Amount	Tax as per ROI (-) by Relief u/s 89/90/91 (DTAA), MAT/AMT credit, TDS & TCS. In case the assessee exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A) [Refer Point D]
b)	Rate	1% for every month or part of a month
c)	Period	**Q1/Q2/Q3 :** Interest for 3 months for all Installment. In case of last Quarter, Q4 Interest for 1m shall be applicable

2. Other Points :

a) No Interest shall be levied if assessee paid advance tax upto 12% in Q1 & 36% in Q2.

b) An assessee who declares PGBP as per sec 44AD(1)/44ADA(1), then, the assessee shall be liable to pay simple interest @ 1% for 1 month if Advance tax is not paid by 15th March.

c) No Interest u/s 234C if short fall is due to :

i) Failure to estimate capital gains; or

ii) Failure to Estimate Casual Income; or

iii) Income under the head "PGBP" accrues or arises for the first time; or

iv) The amount of dividend income & the assessee has paid the whole of the amount of tax payable had such income been a part of the total income.

d) CBDT clarified advance tax paid if any till 15th march shall also be reduced for calculating Interest u/s 234C.

SEC 209 COMPUTATION OF ADVANCE TAX

Particulars	Amt.
Income under the 5 heads of income	xxx
Adjustment in respect of B/F loss and allowance	xxx
Gross Total Income	xxx
Less : Deduction admissible under Chapter VI-A	(xxx)
Taxable Income	xxx
Tax on Taxable Income	xxx
Less : Rebate u/s 87A	(xxx)
Tax Payable	xxx
Add : Surcharge	xxx
Net Tax Payable	xxx
Less : Relief u/s 89, 90, 90A, 91	(xxx)
Tax liability	xxx
Less : TDS/TCS	(xxx)
Less : MAT/AMT Credit u/s 115JAA	(xxx)
Advance Tax	XXX

SEC 218 WHEN ASSESSEE DEEMED TO BE IN DEFAULT

If any assessee does not pay on the date specified in sec 211 or as per order of the AO u/s 210 he shall be deemed to be an assessee in default in respect of such installment(s).

ADVANCE TAX IN CASE OF CAPITAL GAINS/ CASUAL INCOME PROVISO TO SEC 234

1. Advance tax is payable on all types of income, including capital gains & winnings of lotteries, crossword puzzles, etc.

2. However, it is not normally possible for an assessee to estimate his capital gains or winnings from lotteries, etc. which are generally unexpected. Therefore if any such income arises after the due date then, the entire amount of tax payable (after deduction of tax at source, if any) should be paid in remaining installments or where no such installment is due, by 31st March of the relevant FY. If the entire amount of tax payable is so paid, then no interest on late payment will be leviable.

16 RETURN OF INCOME

SEC 139 MANDATORY FILING OF ROI

Every person :

1. Being a company or a firm; or

2. Being a person other than a Co. or a firm, if his total income or the total income of any other person in respect of which he is assessable under this Act during the PY exceeds basic exemption limit

3. A person being resident other than not ordinarily resident in India who is :

a) A beneficiary of any asset (incl Financial asset) or signing authority outside India;

b) Who is a beneficial owner of any asset (incl Financial asset) or signing authority outside India;

4. Being an individual / HUF or AOP / BOI / AJP :

> If his total income or total income of any other person in respect of which he is assessable under this act during PY.

> Without claiming deduction of sec 10(38)/10A/10B/10BA/54/54B/54D/54EC/54F/54G/54GA/54GB/80C to 80U

> Exceeded max amount which is not chargeable to IT.

5. Any person (other than a company or a firm) :

a) Has Deposited in one or more current Account exceeding Rs. 1cr (In Aggregate) in a bank/co-operative year.

b) Has Incurred expenditure on Foreign travel exceeding ₹2 Lakh (In Aggregate) for himself (or any other person);

c) Has Incurred expenditure on consumption of electricity exceeding ₹1 Lakh (In Aggregate);

d) Fulfils such other condition a may be prescribed.

6. Following Person are also required to file return :

Case	Transactions	Limits
1. A person carrying on business	His total sales, or turnover or as the case may be, in the business	> ₹60 lakhs during the relevant P.Y.
2. A person carrying on business	His total gross receipts in profession	> ₹10 lakhs during the relevant P.Y.
a) A resident individual who is aged ≥ 60 yrs at any time during the relevant P.Y.	The aggregate of TDS and TCS in his case	> ₹50,000 during the relevant P.Y.
b) Any other person	The aggregate of TDS and TCS in his case	> ₹25,000 during the relevant P.Y.
3. A person having savings bank account	The deposit in one or more savings bank account of the person, in aggregate	> ₹50 lakhs during the relevant P.Y.

Shall furnish a return of his income on or before the due date in such form and verified in such manner and setting forth such other particulars, as may be prescribed.

DUE DATE OF FILING ROI U/S 139(1)

Due date of Filing Return

- **Company**
  - Liable to TP report → 30th Nov of AY
  - Not liable to TP report → 31st Oct of AY
- **Other than Co.**
  - Liable to Tax Audit → 31st Oct of AY
  - Not liable to Tax Audit → 31st July of AY

FEE FOR DEFAULT IN FURNISHING ROI U/S 234F

A fees of ₹5,000 shall be payable if ROI furnished after the due date. However, if Total income does not exceed ₹5 lakhs, Fees shall not exceed ₹1,000

SEC 139(4A) CHARITABLE/RELIGIOUS TRUST/INSTITUTION

If total income without giving effect to provisions of sec 11 and 12 exceeds the basic exemption limit, then trust is required to file ROI.

> Audit is also mandatory is Income >BEL.

> Due date of Filing ROI - 31st Oct

> Sec 272A penalty for Non Compliance ₹100 for every day

> Fees is also applicable in Addition to Sec 272A

SEC 139(4B) POLITICAL PARTY

If the total income without giving effect to the provisions of sec 13A exceeds the basic exemption limit, then PP is required to file ROI.

> Audit is also mandatory.

> Due date of Filing ROI - 31st Oct

SEC 139(4C) SPECIFIC ENTITIES

> Specified Entity like Hospital,Medical/Institution

> If the total income without giving effect to the provisions of sec 10, exceeds the basic exemption limit, then these entities are required to file ROI.

> Due date can either be 31st July/31st Oct

> Sec 272A penalty for Non compliance ₹ 100 for every day.

> Fees is also applicable in Addition to sec 272A

SEC 139(4D) UNIVERSITY, COLLEGE, OTHER INSTITUTION

All of the above which are approved u/s 35 ROI is Mandatory

SEC 139(4E) BUSINESS TRUST

REIT/INVIT - ROI is MANDATORY

SEC 139(3) LOSS RETURN

Loss under the head PGBP/Capital Gains/ O&M Horse Races is allowed to be c/f only if ROI is filed u/s 139(1). However 2 losses can be c/f even if ROI not filed :

a) Unabsorbed depreciation; &
b) HP Loss.

SEC 139(4) BELATED RETURN

Any person who has not furnished a return within the time allowed to him u/s 139(1) or 142(1) may furnish this belated Return as under :

a) By 31st Dec of relevant AY (3M Prior to end of AY);
b) Before the completion of assessment (u/s 144).
Whichever is Earlier.

SEC 139(5) REVISED RETURN

After furnishing ROI, noticed any omission or any wrong statement therein, file revised return as under :

a) By 31st Dec of relevant AY (3M Prior to end of AY); or
b) Before the completion of assessment (u/s 144).
Whichever is Earlier.

SEC 139(9) DEFECTIVE RETURN

The Assessing officer may intimate the defect to assessee & give him an opportunity to rectify the defect within 15 days else return is invalid

Where ROI is submitted as per order u/s 119(2) this return shall be deemed to be ROI u/s 139.

BULK RETURN SEC 139(1A)/ OPTION TO FURNISH ROI TO EMPLOYER

The Scheme is optional & provides an additional mode of furnishing return of income of eligible employee may furnish his return of income in the prescribed form.

SEC 139A PERMANENT ACCOUNT NUMBER

Persons required to apply for PAN	Time limit for Application of PAN
Every person, if his total income exceeds Basic Exemption Limit	On or before the 31st May of the AY for which such income is assessable
Every person carrying business or profession whose total sales, t/o or gross receipts exceed Rs. 5 lakhs in any PY	Before the end of that FY (PY)
Every person who is required to furnish a ROI u/s 139(4A)	Before the end of that FY (PY)
Every person being a resident, enters into a financial transaction of Rs. 2,50,000 or more in a FY	On or before 31st May of the immediately following FY
Every person who is a MD, partner, trustee, author, founder, karta, CEO principal officer or office bearer or any person competent to act on behalf of person referred in above	On or before 31st May of the immediately following FY in which the person referred above enters into
Every person if deposit cash in one or more a/c with a bank coop bank or post office, is ₹20 lakh or more	Atleast 7 days before the date on which he intends to deposit cash over ₹20 lakh or more.
Every person, who intends to withdraw cash from his one or more accounts during a FY is ₹20 lakh or more	Atleast 7 days before the date on which he intends to withdraw cash over ₹20 lakh or more.
Any person, who intends to open a current account or cash credit account with a banking co or a co-operative bank, or a Post Office	Atleast 7 days before the date on which he intends to open such account.

Expl : CBDT can specify class or classes of person for whom return cannot be considered as defective - Expl 139(9)

> Non-Compliance of Sec 139A or quoting wrong PAN, Penalty of ₹10,000 for each default is leviable u/s 272B

SEC 139AA AADHAR NUMBER

Required Upon	**Every person who is eligible to obtain Aadhar number shall on or after the 1st day of July, 2017, quote Aadhar number :** a) Pan Application b) Filing ROI
Non Compliance	In case of failure to intimate the Aadhar number, PAN allotted shall be deemed to be inoperative (without declaring it invalid) (ruling confirmed by Binoy Viswam vs. UI, 2017 (SC)) & other provisions shall apply as if not applied for PAN
When PAN become Inoperative	1. PAN must be linked to Aadhar maximum by 31.3.22 but if not linked it shall become inoperative. 2. **If PAN become inoperative then he shall be liable for fees u/s 234H :** Not exceeding ₹1,000 at the time of making intimation. 3, After Payment of Fees PAN would become operative within 30 days from the date of Intimation.
Sec not applicable to	1. NR; 2. Person is not a citizen of India; 3. Person residing in Assam, Meghalaya, J&K; 4. Person whose age is 80 or above.

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

Sub-Rule	Provision
(1)	If a person, who has been allotted PAN as on 1st July, 2017 and is required to intimate his Aadhar number u/s 139AA(2), has failed to intimate the same on or before 31st March, 2022, the PAN of such person would become inoperative and he would be liable for payment of fee in accordance with section 234H read with Rule 114(5A) i.e., ₹ 1,000.
(2)	Where such person who has not intimated his Aadhaar number on or before 31st March, 2022, has intimated his Aadhaar number u/s 139AA(2) after 31st March, 2022, after payment of fee specified in section 234H read with Rule 114(5A), his PAN would become operative within 30 days from the date of intimation of Aadhaar number.
(3)	A person, whose PAN has become inoperative, would be liable for following further consequences for the period commencing 1/07/2023 [Circular No. 3/2023 dated 28th March, 2023] i) No refund of any amount of tax or part thereof, due under the provisions of the Act; ii) Interest would not be payable on such refund for the period, beginning with the date specified under (4) below and ending with the date on which it becomes operative; iii) Where tax is deductible at source in case of such person, such tax shall be deducted at higher rate, in accordance with provisions of section 206AA; iv) Where tax is collectible at source in case of such person, such tax shall be collected at higher rate, in accordance with provisions of section 206CC

SEC 139B RETURN THROUGH TAX RETURN PREPARES [TRP]

1. **Who can be TRP :** Any Individual
2. **Person not eligible :**
   > Chartered Accountant.
   > Any legal practitioner who is entitled to Practice in any civil court in India.
   > An employee of the specified class or classes of person.
3. **Return which cannot be filed by TRP :**
   > Person covered under Tax Audit
   > Revised return if original return is not made by TRP
   > Person not resident in India

SEC 139(8A) UPDATED RETURN

1. **Who can submit updated return :** Any person whether (or not) he has furnished a return u/s 139(1)/(4(BR))/(5(RR)) for an AY.
2. **Time-limit : W.e.f 1/04/2025** Updated return can be submitted at any time within ~~24~~ 48 months from the end of the relevant AY [FA 2025].
3. **When updated return cannot be submitted in the following cases updated return cannot be submitted :**
   > If updated return is a return of a loss.
   > If updated return has the effect of decreasing the total tax liability determined on the basis of return furnished or results in refund or increases the refund due on the basis of return.
   > If Search has been initiated u/s 132 or books other documents or any assets are requisitioned u/s 132A or a survey has been conducted u/s 133A other than sec 133A(2)/133A(5).
   > A notice has been issued to the effect that any money, bullion, jewelery or valuable article or thing or Books or Documents, seized or requisitioned u/s 132 or sec 132A in the case of any other person belongs to Assessee, or
   > Where an updated return has already been furnished for the relevant AY
   > Any proceeding for assessment/reassessment/ re-computation/revision of income is pending or has been completed for that AY
   > **The AO has information in respect of such person for the relevant AY in his possession under :**
      a) The prevention of money Laundering Act 2002; or
      b) The Black Money (undisclosed foreign income & Assets) and imposition of Tax Act; or
      c) The prohibition of Benami property transaction Act 1988;
      d) The Smugglers and Foreign Exchange Manipulators (Forfeiture of property) Act, 1976 and the same has been communicated to him, prior to the date of his filling updated return;
   > Information has been received under DTAA (sec 90 or 90A) & the same has been communicated to him, prior to the date of filing updated return; or
   > Any prosecution proceedings have been initiated for the relevant AY in respect of such person
   > Other person as may be noti by the board in this regard

SEC 140B HOW TO CALCULATE TAX ON UPDATED RETURN

Where assessee has not furnished return earlier the tax payable shall be computed after reducing :
a) Advance Tax already paid
b) Any TDS/TCS credit;
c) Any relief of tax claimed u/s 89/90/90A/91;
d) Any AMT credit/MAT credit u/s 115JAA/115JD.

Where assessee has furnished return earlier the tax payable should be computed after reducing :
a) Amount of Tax paid Earlier
b) TDS/TCS
c) Any MAT/AMT credit
d) Any relief of DTAA u/s 90/90A/91 is not claimed earlier
The above tax shall be increased refund, if any, issued in earlier return.

 # Computation of additional Tax - The additional tax payable shall be calculated as follows :

If updated return is furnished before completion of 12 m from the end of the relevant AY.	25% of aggregate of tax (+SC + HEC) and interest as computed.
If updated return is furnished after the expiry of 12 m but before completion of 24 m from the end of the relevant AY	50% of aggregate of tax (+SC + HEC) & interest as computed.
W.e.f 1/04/2025 : If updated return is furnished after the expiry of 24m but before completion of 36m from the end of Relevant AY. [FA 2025]	60% [FA 2025] of aggregate of tax (+SC + HEC) and interest as computed.
W.e.f 1/04/2025 : If updated return is furnished after the expiry of 36m but before completion of 48m from the end of Relevant AY. [FA 2025]	70% [FA 2025] of aggregate of tax (+SC+HEC) and interest as computed

 # Other Points :

Owing to change in Income Interest u/s 234A / 234B/ 234C shall be calculated accordingly :

a) **Interest u/s 234A :** If no earlier return is furnished, Interest u/s 234A shall be calculated on the basis of Income declared in updated return.
b) **Interest u/s 234B :** Interest u/s 234B will be calculated where earlier return is furnished Interest payable shall be calculated on "Assessed tax" & for this purpose assessed tax means

Total Income Declared in Updated return	xxx
Less :	
> Relief on tax referred u/s 140A(1), the credit for which has been taken in earlier return	(xxx)
> TDS/TCS on Income declared in Updated return & not claimed in earlier return	(xxx)
> Any relief u/s 90/90A/91 which has not been claimed in earlier return	(xxx)
> Any AMT/MAT credit which has not been claimed in earlier return	(xxx)

The Aforesaid return shall be increased by the amount of Refund issued if any, Issued in respect of such earlier return.

c) **Interest u/s 234C :** If Earlier return is furnished, Interest payable shall be computed after considering the Total Income furnished in the updated return as the returned Income.