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INCOME TAX

VAT

ST

AMENDMENTS For MAY 2014 ATTEMPT

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Chapter		No of classes	Sections
1	Basic Concepts	2 classes	1 to 4
2	Residential Status	4 classes	5 to 9
3	Income from Salaries	10 classes	15 to 17
4	Income from House Property	5 classes	22 to 27
5	Depreciation	2 classes	32 & 50
6	Profits & Gains from Business or Profession	6 classes	28 to 44D
7	Capital Gains	6 classes	45 to 55A
8	Income from Other Sources	1 class	56 to 59
9	Clubbing of Income	1 class	60 to 65
10	Set off & Carry forward of losses	2 class	70 to 80
11	Deductions from Gross Total Income	3 classes	80C to 80U
12	Rates of Tax	1 class	
13	Agricultural Income	1 class	2(1A) & 10(1)
14	Assessment of firm	1 class	184
15	Assessment of charitable trusts	1 class	11 to 13A
16	Tax deducted at Source	2 classes	190 to 197
17	Advance Tax	.30 minutes	207 to 211
18	Return of Income	1 class	139 to 140A
19	Interest payable by assessee	1 hour	234A, 234B & 234C
20	Exempted Income	15 minutes	10 to 13A
21	Definitions	15 minutes	2 & 3
22	Other Topics	15 minutes	
	VAT	20 minutes	
	Service Tax	50 minutes	
	AMENDEMENTS		MAY 2014 ATTEMPT

PREFACE

Dear Students,

I have pleasure in presenting new, enlarged & improved edition of Income Tax Fast Track - Quick Revision.

Any students of income tax can freely download this pdf copy for easy reference. If student are using TABLET then they can easily read, study and memorise tax while they are travelling or on the move.

Thanks

FOR YOUR MAGNIFICENT SUCCESS

Fast Track

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Basic Concepts

Revision Time : 5 minutes

Concept of Income

Revenue receipt	For every revenue receipt there exist source of income. Source of income can be a tangible asset or intangible assets.	Capital receipt	1.	Receipt for which there do not exist a source of income is a capital receipt.
			2.	Sale of source of income.
Tax treatment	Every revenue receipt is taxable, unless otherwise expressly exempted under the Act.	Tax treatment	Every capital receipt is not taxable unless otherwise expressly taxable.	
Revenue expenditure	Expenditure incurred for maintenance of source of income.	Capital expenditure	Expenditure incurred for acquisition of source of income.	

Definitions

S 2(7)	Assessment Year	means the period of 12 months commencing on the 1st day of April every year. (AY = FY in which tax is paid)		
S 3	Previous year	means the financial year immediately preceding the assessment year. (PY = FY in which income is earned)		
	Exceptions to PY Income of the PY taxable in the PY itself instead of AY	S 172	Income of a Non-Resident shipping companies.	
		S 174	Income of persons leaving India with no intention of returning to India.	
		S 174A	Assessment of AOP / BOI / AJP formed for a particular purpose likely to be dissolved in the same year of formation.	
		S 175	The assessee is likely to transfer his assets with a view to avoid payment of tax.	
S 176		Income of a discontinued business or profession.		
S 2(31)	Person	includes Individual; HUF; Company; Firm; AOP; Local Authority; AJP		
S 2(9)	Assessee	Person who pays tax, interest or penalty, Any proceeding undertaken; a deemed assessee; a person who is in default.		
S 2(24)	Income	includes salary, rent, profit, dividend, gifts, donations, capital gain.		

Assessment year

Previous year

Assessment year is the financial year in which tax is paid.	Previous year is the financial year in which income is earned.
Assessment year succeeds previous year.	Previous year precedes assessment year.
Assessment year always starts from 1st of April and ends on 31st of March.	All previous year whether first or subsequent shall always end on 31st of March. However start of first previous year shall depend upon the existence of source of income.
The period of assessment year is fixed 12 months.	The period of previous year is of maximum of 12 months. It can exist even for a day if the source of income newly coming into existence, in the said financial year, <i>i.e.</i> on 31st March.

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Residential Status

Revision Time : 15 minutes

Section 6 : Determination of Residential Status

(1)	(2)	(3)	(4)	(5)	(6)
Ind	HUF, Firm, AOP/BOI	Company	Local Auth. / AJP		Ind / HUF
Basic Condition					Additional condition
Satisfies		Do not satisfy		x	Satisfies / Do not satisfy
Resident		Non Resident			R-OR / R-NOR

S 6(1) & 6(6). Determination of residential status of Individual.

S 6(1)	Basic Condition			
(a)	182 days in India in the PY; or		}	Satisfies any one basic condition / Resident in India.
(b)	60 days & 365 days in last 4 years in India immediately preceding the PY.			Do not satisfies any basic condition / Non Resident in India.
Exceptions-check only 182 days				
(a)	Indian Citizen		Leaves India for the purpose of employment .	
(b)	Indian Citizen	Person of Indian Origin	Comes to India on a visit from outside India.	
115C	Person of Indian Origin	Ind / Parents / Grandparents borne in Undivided India		
S 6(6)	Additional Condition			
(a)	Resident for atleast 2 years in last 10 years immediately preceding the PY; and		}	Satisfies both the Add. Condt. / R-OR
(b)	Present in India for 730 days in last 7 years immediately preceding the PY.			otherwise / R-NOR

Residential Status of other person		Control & Management of the affairs of the business	
		In India	Outside India
S 6(2)	HUF / Firm / AOP / BOI	Wholly / Partially	Wholly
S 6(4)	Local authority / AJP		
		Resident	Non-Resident

6(3). Residential Status of Company		Control & Management of the affairs of the business	
		In India	Outside India
S 6(3)	Foreign Company	Wholly	Wholly / Partially
		Resident	Non-Resident

Note : Residential Status of Indian Company is always resident irrespective of control and management of affairs of the business.

S 5. Incidence of tax

		R-OR	R-NOR	NR
1.	Income which accrues or arise in India. (Indian Income)	Taxable	Taxable	Taxable

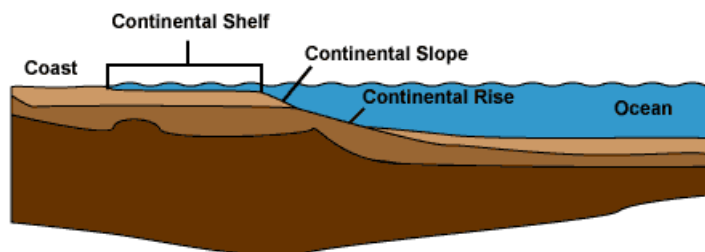
2.	Income which accrues or arise outside India. (Foreign Income)	Taxable	Not Taxable. However in case of		Not Taxable but if income is received in India then taxable.
			Business Income	Professional Income	
			Taxable if business is controlled from India	Taxable if Profession is set up in India	
			Taxable if any income is received in India.		

S 9(1). Income deemed to accrue or arise in India

(i)	• Income from Business Connection.	Exceptions to the Business Connection.	
		a.	All operation not carried out in India.
		b.	Purchase for export.
		c.	Collection of news.
		d.	Shooting of film in India by foreign citizen.
• Assets located in India.			
(ii)	Services rendered in India by any person.		
(iii)	Services rendered outside India by Indian Citizen. Employer is Govt. of India.		
(iv)	Dividend from Indian Company.		
(v)	Interest on Loan which is used in India.		If interest, royalty or FTS is payable by Govt. of India then such income deemed to accrue or arise in India.
(vi)	Royalty from knowledge which is used in India.		
(vii)	Fees from technical services where technical agreement is implemented in India.		

Section 2(27). India includes territorial waters of India, its continental shelf, air space territorial waters and exclusive economic zone.

Oil Rig



Person of Indian Origin

Fast Track

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Income from Salaries

Revision Time : 20 minutes

S 15. Charge

Which income is charged under the head Salaries	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 salaries charged to tax.	Salaries charged to tax either on DUE or RECEIPT whichever matures earlier <u>Exception</u> : Following salaries charged to tax only on receipt basis.		
	Advance salary.	Bonus.	Salary in lieu of notice period
	Arrears of salary if salary is increase with retrospective effect.		

Allowances = Cash + Particular Purpose + Fixed

Fully Exempted Allowances	S 10(7). ER : CG. EE : Indian Citizen working abroad then allowances and perquisites fully exempt.		Allowances to High Court / Supreme Court Judges is fully exempt.	Salary to UNO employees is fully exempt.	
		Basic Salary	Allowances	Perquisites	
	S 10(7). ER : CG. EE : Indian Citizen working abroad		Taxable	Exempt	Exempt
	High Court / Supreme Court Judges		Taxable	Exempt	Taxable
	UNO employees		Exempt	Exempt	Exempt

Fully Taxable Allowances (SCOPE DRAFT)	Servant	City Compensatory	Overtime	Project	Entertainment
	Dearness	Rural	Absent	Fixed Medical	Tiffin
	High cost of living		Marriage	Telephone	Holiday Home
	Physically fit allowance		Lunch	Breakfast	Dinner

Special Allowances	Part 1 exemption	Amount spend towards official or specified purpose.			Part 2 exemption	Amount as specified in Income Tax Rules.
	THAR DUCT				Transport allowance	upto ₹ 800 pm / ₹ 1600 pm is exempt.
	Transfer	Helper	Academic	R & D	Children education	upto ₹ 100 pm is exempt. Max 2 child.
	Daily	Uniform	Conveyance	Travelling	Hostel	upto ₹ 300 pm is exempt. Max 2 child.
					Outstation allowances	10,000 p.m. or 70% of allowance whichever is lower is exempt.

Partially exempted Allowances (HRA)	Maximum	50% of SAS / 40% of SAS	Least is exempt from tax.
	Actual	Actual	
	Formula	Rent paid – 10% of SAS	
	SAS = BS + DA() + Commission (if)		

Deduction u/s 16(ii) : Entertainment Allowance		Deduction u/s 16(iii) : Professional Tax	
Deduction allowed only to Govt. EE.		Professional tax / Employment tax	
Maximum	5,000	Least is deductible	Deduction allowed in the financial year of payment. Where this tax is paid by ER on behalf of EE then it is first added and then deduction is allowed.
Actual	Actual		
Formula	20% of basic Salary		

Specified Employee. If any of the 3 condition is satisfied an employee is treated as specified employee.		Non Specified Employee.
1.	Employee + Director	If none of the conditions are satisfied then employee is treated as non specified employee.
2.	Employee + Substantial Interest. S 2(32) An employee holding atleast 20% voting power in a company.	
3.	Income from Salary less salary in kind exceeds ₹ 50,000	

S 17(2). Perquisites. [Category A Perquisites : AFLO SUL GMHCC EA].
Taxable in both the case of employees : Specified EE and Non Specified EE.

A	Accommodation	Cities having a population (Census of 2001) of		
	Accommodation is	upto 10 Lakhs	more than 10 Lakhs & upto 25 Lakhs	exceeds 25 Lakhs
	Owned by employer	7.5% of AS is taxable	10% of AS is taxable	15% of AS is taxable
	Hired by employer	'Lease rent' or '15% of AS' whichever is lower is taxable		
AS shall be computed on due basis for the period accommodation is occupied by EE. AS = Accommodation Salary = BS + DA() + Commission + all taxable allowances + Fees (excluding perquisites, ER's contribution towards PF and DA not forming part of salary.				
Hotel Accommodation : 24% of AS or hire charges whichever is lower is taxable. Exempt for upto 15 days if hotel accommodation is provided to EE				

F	Furniture	Owned by Employer :	10% pa of the original cost of the asset is taxable.
		Hired by Employer :	Actual hire charges is taxable.

L	Life Insurance Premium	Paid by EE.	Deduction allowed u/s 80C.
		Paid by ER on behalf of EE.	Taxable under head Salary on due basis and deduction allowed u/s 80C on paid basis.
		Exempt.	Staff group insurance is fully exempt from tax.

O	Obligation of EE discharged by ER	Official Purpose	Fully exempt	Taxable on paid basis.
		Personal Purpose	Amount re imbursed is fully taxable.	

S	Sale of movable assets.	Purchase price of the movable asset		xxx
		Less : Depreciation for completed year		
	EXEMPT if :	a.	Computer or electronic item related to computer	50% WDV
		b.	Motor Car	20% WDV
		c.	Other Asset	10% SLM
1.	Sale of SIT by ER to EE	Cost of the asset to the employer		xxx
2.	Gift of asset upto ₹ 5,000.	Less : Sale price of asset to employee		(xxx)
		Value of sale of movable asset		xxx

U	Use of asset	Owned by Employer :	10% pa of the original cost of the asset is taxable.
		Hired by Employer :	Actual hire charges is taxable.
		Exempt	Use of computer, laptop and telephone is exempt from tax.

L	Loan Facility from ER's own account	SBI lending rate as on 1-4 x amount of each loan outstanding on the last day of each month.				
		Not taxable if	1.	If aggregate of loan amount do not exceeds ₹ 20,000.		
			2.	Loan is taken for medical treatment of specified disease.		
G	Gifts	in Kind	upto ₹ 5,000 is exempt from tax.			
		in cash	fully taxable.			
M	Meal Facility	Own canteen	Meals provided during office hours at office premises.	Taxable	Cost to the employer upto ₹ 50 per meal	
			Exempt			
		Outsourced canteen	Meals provided during office hours and eatable at eating joints.	Taxable	Amount paid	
			Exempt	upto ₹ 50 per meal		
Exempt		<ul style="list-style-type: none"> • Tea or snacks fully exempt from tax. • Meal provided in remote area or off shore installation fully exempt from tax. 				
H	Holiday Home / Facility : Tour, Travel & Accommodation	Provided uniformly to all employees		Cost to the employer is taxable.		
		Provided only to keyman / selected employees.		Market fees of similar guest house / hotel is taxable.		
		Exempt	Official purpose is exempt.			
C	Credit Card Facility	Personal Purpose	Amount paid / re imbursed is taxable			
		Official Purpose	Exempt. Proper record has to be maintained for claiming exemption.			
C	Club Facility	Personal Purpose	Amount paid / re imbursed is taxable			
		Official Purpose	Exempt. Proper record has to be maintained for claiming exemption.			
		Exempt	Corporate membership is exempt.	Health Club for all EE is exempt.		
E	ESOP	FMV on exercise date less recovery is taxable.				
A	Approved Superannuation Fund	ER's contribution in excess of ₹ 1,00,000 is taxable.				
Category B Perquisites. [GET MSc]. Taxable only in case of Specified EE on provided basis.						
If GETMSc is re-imbursed then it becomes obligation of EE discharged by ER. Any amount re-imbursed is taxable in both the cases of EE - specified EE / Non Specified EE						
G	Gas/ Electricity / Water facility	Own	Manufacturing cost per unit is taxable			
		Purchase from outside agency	Cost to the employer is taxable			
E	Education Facility	Own	Taxable	Market fees	Exempt	₹ 1,000 p.m. per child is exempt
		Hired	Cost to the employer is taxable			
		Exempt	Scholarship is exempt.		Training of employee is exempt.	
T	Transport Facility	Railways / Airline			Exempt	
M (m e d i c a l)	1.	Employer's Own Hospital	Fully exempt.		Family members : Box 1 Self, Spouse & children (dependent / not dependent) Box 2 Parents, Brother & Sister (only dependent)	
	2.	Private Hospital	Exempt upto ₹ 15,000.			
	3.	Govt. Hospital	Fully exempt.			
	4.	Treatment of prescribed disease in approved hospital	Fully exempt.			
	5.	Re imbursement	Exempt upto ₹ 15,000.			
S	Servant Facility	Cost to the employer is taxable or Salary of servant is taxable.				

C C A R f a c i l i t y	Car Facil- ity RE = Regu- lar ex- pens- es Use : 10% of origi- nal cost	Cas es	Car is owned or hired by	RE borne by	Car used wholly for personal purpose	Car is used for mixed purpose		recov ery not applic able
		A Cat B	ER	ER	Use+ regular expenses + salary of driver – recovery is taxable.	upto 1600 cc Exceeds 1600cc Driver	1,800 p.m. taxable 2,400 p.m. taxable 900 p.m. taxable	
		B Cat B	ER	EE	Use+ salary of driver – recovery is taxable.	Upto 1600cc Exceeds 1600cc Driver	600 p.m. taxable 900 p.m. taxable 900 p.m. taxable	
		C Cat A	EE	ER	regular expenses + salary of driver – recovery is taxable.	Upto 1600cc Exceeds 1600cc Driver	1,800 p.m. exempt. 2,400 p.m. exempt. 900 p.m. exempt.	
Recovery is applicable.								

Category C Perquisites : FULLY EXEMPTED PERQUISITES

1.	Staff group insurance.	11.	HHF – official purpose exempt.
2.	Use of laptop, computer & telephone is exempt.	12.	Meal upto ₹ 50 per meal is exempt.
3.	Gifts in kind upto ₹ 5,000 is exempt.	13.	Meal in remote area is exempt.
4.	Sale of SIT to its employees is exempt.	14.	Hotel accommodation – transfer and upto 15 days.
5.	The other asset which is 10 year old is exempt.	15.	Education facility upto ₹ 1,000 p.m. / child.
6.	Loan facility upto ₹ 20,000 is exempt.	16.	Training of EE's
7.	Loan given for treatment of specified disease.	17.	S 10(16). Scholarship.
8.	Credit card / club if given for official purpose.	18.	Medical facilities upto ₹ 15,000.
9.	Health club – for all employees	19.	Medical facility in Own / Govt. hospital.
10.	Corporate membership – initial fees is exempt	20.	Medical treatment of specified disease in an approved hospital

Say whether following allowances and perquisites taxable or not?

Medical allowance <i>Fully taxable</i>	Medical facilities <i>Exempt upto ₹ 15,000</i>
Car Allowance (Mixed) / Conveyance allowance <i>Official : Exempt. Personal : Taxable</i>	Car facilities (Mixed) <i>1,800 / 2,400 / 600 / 900 p.m. taxable</i>
Transport Allowance <i>Exempt upto ₹ 800 p.m.</i>	Conveyance facility (resi to office and back) <i>Fully exempt</i>
HRA <i>Least of MAF is exempt</i>	Accommodation <i>7.5% / 10% / 15% of AS is taxable</i>
Servant Allowance <i>Fully taxable</i>	Servant Facilities <i>Fully taxable</i>
Meal Allowance <i>Fully taxable</i>	Meal Facilities <i>Upto ₹ 50 per meal is exempt</i>
Children Education Allowance <i>₹ 100 p.m. + 300 p.m. Max 2 child is exempt</i>	Education Facilities <i>Collective enjoyment : Market fees is taxable. ₹ 1,000 p.m. / child is exempt. (no limit to number of child)</i>
Telephone Allowance <i>Fully taxable</i>	Telephone facilities for personal purpose <i>Fully exempt.</i>
Use of furniture <i>10% p.a. of cost of furniture is taxable</i>	Loan Facility <i>SBI lending rate is taxable</i>
Gift in kind <i>Exempt upto ₹ 5,000</i>	Gift in cash (Bonus) <i>Fully taxable</i>

PROVIDENT FUND		SPF	PPF	URPF		RPF	
1.	Employer's contribution towards PF.	Not Taxable	Does not contribute	Not Taxable		Excess of 12% of SAS is taxable	
				At the time of lump sum withdrawal	Taxable under the head SALARY		
2.	Employee's contribution towards PF. Whether deduction u/s 80C available?	Available	Available	Not Available		Available	
				At the time of lump sum withdrawal	Not Taxable since already taxed.		
3.	Interest credited to PF.	Not Taxable	Not Taxable	Not Taxable		Excess of 9.5% is taxable	
				At the time of lump sum withdrawal	Interest on		
					ER's contrib.		Taxed under the head SALARY
		EE's contrib.	Taxed under the head OS				
4.	Lump sum withdrawal from PF.	Exempted u/s 10(11)	Exempted u/s 10(11)	Taxable		Exempted u/s 10(12)	
		EEE	EEE	EET		EEE	

S 10(10). Gratuity

	Govt. employees	Employees covered under the Payment of Gratuity Act, 1972		Other Employees (as per terms of contract of employment)	
Maximum	Fully exempt from tax	10,00,000 (life time exemption)		10,00,000 (life time exemption)	
Actual		Actual		Actual	
Formula		$\frac{BS + 100\% \text{ of DA}}{26} \times 15 \times \text{CYS}_r$		Least is exempt	$\frac{\text{Avg SAS}}{30} \times 15 \times \text{CYS}_i$
Salary	NA	BS + 100% of DA at the time of retirement		SAS = BS + DA () + Commission (if) Avg SAS is computed for last 10 months immediately preceding the MONTH of retirement.	
CYS. Completed year of service		if completed year of service is more than 6 month take it as 1 year		ignore the part of month.	

S 10(10A). Pension

Uncommuted pension	Commuted pension		
Fully taxable whether Govt. EE or Private EE.	Government Employee	Private Employees	
	Fully exempt from tax	Receives gratuity	Do not receive Gratuity
		1/3 of Full Value of Pension is exempt.	1/2 of Full Value of Pension is exempt.

S 10(10AA). Leave Salary

	Govt. Employees	Private Employees	
Maximum	Fully exempt from tax.	3,00,000 (life time exemption)	
Actual		Actual Leave Salary	
Formula 1		10 x Average SAS	
Formula 2		Earned leave (in months) x Average SAS	
SAS		SAS = BS + DA () + Commission (if) Avg SAS is computed for last 10 months immediately preceding the DATE of retirement.	
		Least is exempt from tax	

Fast Track

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Income from House Property

Revision Time : 15 minutes

Section 22. Charge

LAW : The *Annual Value* of building or land attached thereto of which assessee is the owner not occupying the building for his own business or profession.

Annual Value	It represents the earning capacity of building. Section 23.	
Building. (Construction should be completed)	Residential	Four walls with roof.
	Commercial	Four walls optional roof.
Land attached with building	Land attached with building	Charged under the head House Property.
	Independent Land	Charged under the head Other Sources.
Owner	Registered Owner	Register maintained with Stamp Valuation Authority.
	Deemed Owner	6 cases of deemed owner specified in Section 27.
Owner not occupying the building for his own business or profession.	Let out to employees	Charged under the head Business.
	Let out to others	Charged under the head House Property.

Section 27. Deemed Owner (6 points)

(i)	An individual (Transferrer) who transfers House Property to spouse without consideration, then individual who transfers the property is treated as deemed owner. Exception : Property is transferred with an agreement to live apart then registered owner (transferee) is treated as owner.	Transferrer	Transferee	
		Husband - DO	Wife	
		Wife - DO	Husband	
		Husband	Wife - RO	
(ii)	An individual (Transferrer) who transfers House Property to a minor child, without consideration such individual who transfers the property is treated as deemed owner. Exception : Where the minor child is a married daughter then deemed owner concept is not applicable. Income from HP chargeable in the hands of minor married daughter itself.	Transferrer	Transferee	
		Father - DO	Minor Child	
		Mother - DO	Minor Child	
		Father / Mother	Minor married daughter - RO	
(iii)	Holder of an impartible estate.			
(iv)	A member of a Co-operative society, Company or other association of person who is allotted a building under a house building scheme of such society.	Registered Owner	Deemed Owner	
		Co-operative Society	Member	
(v)	A person who is allowed to take or retain possession of any building or part thereof in part performance of a contract where every formality of sale is completed except registration of property with Stamp Valuation Authority.	Seller (received the full price)	Buyer (has key of property)	
		Registered Owner	Deemed Owner	
(vi)	A person who acquires any right in any building by way of lease for a term of atleast 12 years.	Lease Terms	Lessor	Lessee
		12 years	RO	DO
		11 years	RO	Tenant

Section 23. Annual Value

LAW : Annual Value is value after deduction of municipal tax.

Municipal Tax. It's deduction is allowed in the financial year in which payment is made by the owner. PAID basis + Owner. Tenant pays dedn not allowed.

GAV	xxx
Less : MT	(xxx)
NAV	xxx

(1)			(2) & (3)	(4)
Let out property			SOP - Residence for whole year	DLOP (owns more than 1 SOP - R : one property whose GAV is highest treated as SOP - R remaining property as DLOP)
(a)	(b)	(c)		
ER	AR	Loss on account of vacancy		
ER = MV or FR whichever is higher or SR whichever is lower.	AR = Rent received or receivable. = Let out period + Vacant Period – unrealised rent of current financial year. (ignore SOP - R)	Property is lying vacant inspite of the best effort of the owner to let the property.		
GAV = ER or AR whichever is higher less loss on account of vacancy.			GAV = ER = Nil	GAV = ER

Section 24b. Standard Deduction

Standard Deduction allowed is 30% of NAV. It is automatic deduction i.e. even if question do not provide it this deduction must be allowed. No Standard deduction if NAV is nil or negative.

Section 24b. Interest on borrowed capital

1.	The loan should be borrowed for PCR ⁵ . Purchase, Construction, Re - construction, Repairs, Renovation, Renewal, Repayment of existing housing loan. Note : Dedn. not allowed if loan is borrowed for payment of MT, interest on interest or penal interest.	2.	The interest is allowed as deduction on accrual basis. Even if interest is not paid deduction is allowed.	3.	Interest is allowed as deduction from that PY in which construction of building is completed or building is purchased.
Pre construction period interest			Post construction period interest		
Total Interest before the FY in which building comes into existence ----- = 5		allowed from FY in which building comes into existence.	Allowed from FY in which building comes into existence. This interest keeps on decreasing with the re payment of loan.		
Let out / DLOP / Vacant	SOP - Residence				
Any amount of interest is allowed as deduction. (No Limit)	Interest both pre + post limited to				
	₹ 1,50,000 if all the following 3 conditions are satisfied.			otherwise ₹ 30,000.	
	1.	The loan is borrowed on or after 1-4-1999		The loan is borrowed before 1-4-1999	
	2.	The loan is borrowed for purchase or construction of residential house property.		The loan is borrowed for repairs, renewal.	
3.	The building comes into existence within 3 years from the FY in which loan is borrowed. [FY _{loan} + 3 years]		The building comes into existence after 3 years.		

Section 25. Restriction on deduction of interest

Where interest is payable outside India but is paid without deducting tax at source then such interest is not allowed as deduction.

Section 25AA. Recovery of unrealised Rent**Section 25B. Receipt of arrears of rent**

Timing of taxation	In the year of receipt	In the year of receipt
Head	House Property even if building is transferred	House Property even if building is transferred
Standard Dedn.	Not available	Available @ 30% of arrears of rent.

Section 26. Co-owner

1.	Co - owner not assessed as AOP.
2.	Each owner treated as individual.

3.	Each owner entitled to benefit of SOP-R whose GAV is nil.
4.	Each co owner entitled to deduction of interest to a max of ₹ 30,000 / 1,50,000.

Computation of Income from House Property (23 – 24 + 25AA + 25B)

MV	GAV	HP
FR	MT	+ 25AA (SD not allowed)
SR	NAV	+ 25B (30% of arrears of rent allowed)
ER	– SD	HP
AR	– Interest	
Loss on account of vacancy	HP	
GAV		

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Depreciation

Revision Time : 10 minutes

Section 2(11). Block of Asset

The term 'block of assets' means a group of assets falling within a class of assets in respect of which same percentage of depreciation is prescribed. (Similar assets having same rate of depreciation).

Eligible assets and its rate of depreciation

Asset	Full rate of depreciation	Half rate of depreciation
1. Building. It means superstructure only and does not include site		Asset is purchased and put to use in the same previous year for less than 180 days.
a. General	10%	
b. Residential Building	5%	
c. Hotel Building	10%	
d. Temporary Building	100%	Nil depreciation if
2. Furniture or fittings including electrical fittings	10%	1. Closing WDV is nil or negative; or
		2. BOA do not exists.
3. Plant & Machinery [S 43(3)]	"Plant" includes ships, vehicles, books, scientific apparatus and surgical equipment used for the purposes of the business or profession. It does not include tea bushes or livestock or buildings or furniture and fittings.	Section 32. Conditions for claiming depreciation
a. General	15%	1. Asset is owned wholly or partly by the assessee.
b. Motor Vehicle	15%	
c. Annual books used by professional	100%	2. Asset is put to use in the relevant previous year.
d. Other books used by professional	60%	
e. Any books used in business	15%	
f. Computer including software	60%	3. Asset is put to use for the purpose of business or profession.
g. Ships	20%	
h. Aeroplane and aero engines	40%	
i. Pollution control equipment	100%	
4. Intangible Assets	Know-how, patents, copyrights, trade marks, licences, franchises or any other business or commercial rights of similar nature (<i>Brokership rights and goodwill of business</i>) [KPCTLF b/c r]	25%
		It is mandatory to claim depreciation. In passive use depreciation is available.

Section 43(6). Computation of depreciation

Opening WDV + Purchase of assets (Actual Cost) – Sale of assets = Closing WDV – Depreciation = Opening WDV

Section 43(1). Actual Cost

Invoice Price – Subsidy + Duties and taxes if credit not claimed + Transportation Cost + Insurance of asset + Training of employees + Interest till the asset is put to use + Travelling expenses incurred by employees for making survey of asset.

Sale of asset / Destruction of asset

Money value of asset / Insurance claim received shall be deducted from opening WDV.

Section 50. Computation of Capital Gain in case sale of depreciable asset

In case when depreciation becomes nil capital gain arises. (always STCG)

Computation : Sale consideration – Opening WDV – Purchase of asset – Transfer expenses = STCG

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PGBP

Revision Time : 25 minutes

Section 28. Charge

1.	The profit of business or profession carried on by the assessee at any time during the relevant PY.	
	2(13)	Business includes trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture
	2(36)	Profession includes vocation. (<i>Hobby turns into economic activity</i>)
	Assessee	The person who carries on the business
	Commencement of business	The financial year in which trial run is completed.
2.	Export incentives	
	a.	Profit on sale of import licence
	b.	Subsidy
	c.	Duty Drawback.
3.	Professional Gifts	
4.	Any interest, salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from such firm. However share of profit from firm is exempt in the hands of partners u/s 10(2A).	
5.	Non - competing fees. Not doing any competitive business or not sharing any business secrets.	
6.	Any sum received under a Keyman insurance policy including the sum allocated by way of bonus on such policy.	
7.	Income from speculative transaction.	
	43(5)	Speculative transaction means a transaction in which a contract for the purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scrips.

Section 30. Rent, rates and taxes of premises

Section 31. Insurance, repairs of plant, machinery & furniture (PMF).

1.	Rent of the premises paid to others / Firm is allowed as deduction.	1.	Rent of the PMF paid to others / Firm is allowed as deduction u/s 37.
2.	Insurance of premises is allowed as deduction.	2.	Insurance of PMF is allowed as deduction.
3.	Municipal tax, land revenue subject to S 43B is allowed as deduction.	3.	Not applicable
4.	Current repairs is allowed as deduction. On capital repairs depreciation can be claimed.	4.	Current repairs is allowed as deduction. On capital repairs depreciation can be claimed.
Current Repairs		Capital Repairs	
1.	Replacement of part of asset.	1.	Replacement of whole of asset / Addition of asset.
2.	Renovation of that premises from where sale is made. E.g. Resturant.	2.	Renovation of administrative premises. E.g. Godown.

Section 38(2). Asset partly used for business / Profession

Above expenditure shall be apportioned to that part of asset which is used for the purpose of business.

Section 36(1). Amount expressly allowed as deduction

36(1)(i)	Insurance premium of stock in trade is allowed as deduction.	
36(1)(ib)	Insurance premium on health of employees is allowed as deduction if	
	a.	Health Insurance is taken on health of all employees; and
	b.	Health insurance premium is not paid in cash.

36(1)(ii)	Bonus or commission to employees is allowed as deduction.	43B : Bonus is allowed as deduction if actually paid.	
36(1)(iii)	Interest on borrowed capital used for the purpose of business or profession is allowed as deduction. Interest till the asset is put to use is not allowed as deduction. As per S 43B if interest to Banks / FI is actually paid then deduction is allowed.		
36(1)(iv)	Employer's contribution paid towards recognised provident fund or an approved superannuation fund is allowed as deduction.	Restriction on deduction S 40A(7) : Contribution towards unapproved gratuity fund is not allowed as deduction. S 40A(9) : Contribution towards any Non-Statutory fund or unapproved fund is not allowed as deduction. Also contribution made towards any other fund not allowed as deduction.	
36(1)(iva)	Employer's contribution towards pension scheme referred in section 80CCD is allowed as deduction.		
36(1)(v)	Employer's contribution paid towards an approved gratuity fund is allowed as deduction. As per S 43B if ER's contribution to above funds is actually paid in respective funds then deduction is allowed.		
36(1)(vii)	Bad Debts is allowed as deduction if debt was treated as income in the earlier PY. Recovery of bad debt is taxable under the head business if earlier it was allowed as deduction. Such recovery always taxed under the head business even if business is closed down.		
36(1)(ix)	Applicable to Company who incurs expenditure on promotion of family planning amongst employees.	Revenue expenses.	Capital expenses
		100% allowed	1/5th allowed
36(1)(xv)	Securities transaction paid allowed as deduction if profit from shares is charged under the head business.	Business	Capital Gain
		Allowed	Not Allowed

Section 35. Expenditure on Scientific Research

Inhouse research : Research should be related to the business				Contribution to outsiders	
		After COB (100% / 200%)	Before COB (only 100%) (only 3 years)	Research may or may not be related to the business.	
Revenue expenditure				National Laboratory	200%
a.	Rent of premises	allowed	Not allowed	IIT's	200%
b.	Salary to scientist	allowed	allowed except perquisites of scientist	Approved University, Colleges, institution.	200%
c.	Raw material / inputs	allowed	allowed	Social statistical research	200%
d.	Salary of support staff	allowed	not allowed		
Capital Expenditure				200% if	
a.	Cost of building	allowed (only 100%)	allowed	a.	Company
				b.	Research in all products except tobacco, cold drinks
b.	Cost of plant & machinery	allowed	allowed	c.	Research is approved and expenses audited

Section 35D. Amortisation of Preliminary Expenses

Eligible expenses : Incurred before COB (trial run) or incurred for extension / expansion of business.					
a.	Preparation of feasibility report.	f.	Legal charges for drafting, printing of MOA & AOA.		
b.	Conducting market survey or any other survey necessary for the business.	g.	Registration fees of a company paid to Registrar of Companies. (Stamp duty).		
c.	Preparation of project report.	h.	Expenses and legal charges incurred in drafting, printing and advertising for prospectus.		
d.	Engineering services relating to the business.	i.	Expenditure incurred on issue of shares or debentures like underwriting commission, brokerage. (Entire public issue expenses).		
e.	Legal charges for drafting any agreement relating to the setting up or conduct of the business.	Note : What is not preliminary expenses. (a) Salary to employees (b) Rent of premises.(c) Interest			

Applicability		Amount of deduction		
1.	Indian Company	5% of Cost of project or 5% of capital employed whichever is higher; or Eligible expenses	}	<u>lower</u> 5
2.	Other Residents	<u>5% of Cost of project or Eligible expenses whichever is lower</u> 5		
Cost of project : All cost of assets		Capital employed : Share capital + long term loans		

Section 37. General Deduction

1.	Expenditure is not covered u/s 30 to 36.	Losses covered u/s 28. E.g. Under valuation / Over valuation of stock.		
2.	Expenditure is incurred wholly & exclusively for the purpose of business.	Expenditure incurred on EE's.		Maintenance of assets.
		Expenditure incurred on clients.		Expenditure incurred on reputation of organisation.
3.	Expenditure is not of capital in nature.	E.g. Public issue expenses is capital expenditure.	Note : Advertisement expenses incurred in a brochure of political party not allowed as deduction.	
4.	Expenditure is not personal nature.	E.g. Household expenses.		
5.	Expenditure should not be in nature of offence or prohibited by Law.	Payment of bribe, Penalty for infringement of law not allowed as deduction. Payment of ransom money, hafta is allowed as deduction.		

		Business Expenditure	Personal Expenditure	Revenue Expenditure	Capital Expenditure	Whether allowed?
1.	Expenditure incurred on development of website	Yes	No	Yes	No	allowed
2.	Salary to Staff	Yes	No	Yes	No	allowed
3.	Expenditure incurred on issue of bonus shares	Yes	No	Yes	No	allowed
4.	Listing fees	Yes	No	Yes	No	allowed
5.	Rent of building which is owned by proprietor	Yes	Yes	Yes	No	Not allowed
6.	Interest on loan taken for payment of dividend.	Yes	No	Yes	No	allowed
7.	Income Tax / Wealth Tax	No	Yes	Yes	No	Not allowed
8.	Indirect Tax	Yes	No	Yes	No	allowed

Section 40A(2). Unreasonable payment to relatives / substantial interest

Unreasonable payment made to relative as determined by AO is not allowed as deduction. Market price shall be determined as per Arm's Length Price. ALP is determined u/s 92C.

Section 40A(3). Cash Expenditure

Applicability		Non Applicability	
Expenses in cash exceeding ₹ 20,000 in a single day to same person shall not be allowed as deduction.	1.	Payment made to Banks, FI, Govt.	
	2.	Payment made to farmers for its produce.	
	3.	Payment made at a place not served by Bank.	
Note : For truck operator take ₹ 35,000.			

Section 43B. Certain expenses deduction allowed on actual payment basis

Payment covered		Timing of Deduction	
1.	Interest payment to banks	Payment before Due Date	Payment after Due Date
2.	Indirect tax payment to Govt.	In the year of accrual of expenses	In the year of payment
3.	ER's contribution to PF, Gratuity Fund, Leave salary, Bonus & com	Note : For payment not covered u/s 43B expenses deduction allowed on the basis of accounts maintained by the assessee	

Section 44AD & 44AE. Presumptive basis of Taxation						
Common points						
1.	Section 30 to 44D is not applicable. It means further business deduction is neither allowed nor disallowed. Section 32(2) not applicable. Section 40 to 43B not applicable. Other income can be added to this income.					
2.	Losses u/s 70 to 80 can be adjusted with this income.		Where however the business is carried on a partnership basis, remuneration to partner and interest to partner is allowed as deduction u/s 37 but subject to section 40b.			
3.	Deduction u/s 80C to 80U is allowed from this income.					
4.	Administrative convenience.	a.			S 44AA & 44AB not applicable	
		b.	No need to pay advance tax			
		Section 44AD		Section 44AE		
Applicability	a.	Ind / HUF / Firm		a. Any person.		
	b.	Resident		b. Resident / Non Resident		
Turnover	upto ₹ 1 Crore			No such requirement instead total truck should not exceed 10 at any time during the PY.		
Not applicable	Profession, Agency Business, Commission or brokerage income.			No such requirement		
Presumptive income	8% of Turnover			Heavy Truck	₹ 5,000 p.m.	during which truck is owned
				Medium / Light	₹ 4,500 p.m.	

Fast Track

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Capital Gain

Revision Time : 15 minutes

Section 45(1). Charge

Profit arising from <u>transfer</u> of <u>capital asset</u> is chargeable under the head capital gain in the year of transfer.	45(1) = 2(14) + 2(47). YOC = YOT	Exceptions to YOC = YOT : In following cases capital gain is charged to taxed on receipt basis.		
	Capital asset : 2(14) Transfer : 2(47)	•	S 45(1A). Insurance compensation. YOC = Year in which insurance compensation is received.	
		•	S 45(2). Conversion of asset into SIT. YOC = Year in which SIT is sold.	
		•	S 45(5). Compulsory acquisition of the property. YOC = Year in which whole or part of initial compensation is received.	

Section 2(14). Capital Asset

Capital Asset means property (bundle of rights) of any kind.	whether (it means every kind of right is a capital asset)			
	movable	immovable	Personal use	Business use
Excludes	1.	SIT, RM, Consumable stores held for business.		
	2.	Agricultural Land situated in rural area.	Urban area : Municipal limits and upto 2 / 6 / 8 k.m. (aerial distance)	
	3.	Personal Assets held for daily use.	Not personal assets : JAD P SA therefore it is capital asset.	
	4.	Gold Bonds 1999	5.	Special Bearer Bond 1991

Nature of Asset		STCA	LTCA
(a)	Depreciable assets	always STCA	always STCA
(b)	Financial assets are	1 year or less	more than 1 year
	a. Shares of company		
	c. Govt. Securities		
	d. Units of MF		
	e. ZCB		
(c)	Other capital assets	3 years or less	more than 3 years

Note : In computing period of holding the day the asset is transferred is excluded.

Section 2(47). Transfer

1.	Sale, Exchange and Relinquishment of the asset.	2.	The extinguishment of any rights therein.
3.	The compulsory acquisition of the asset by the Govt.	4.	Conversion of asset into stock-in-trade.
5.	Possession of any immovable property in part performance of a contract.	6.	Any transaction which has the effect of transferring, or enabling the enjoyment of, any immovable property.
7.	Maturity or redemption of zero coupon bond.		

Section 47. What is not transfer

Gift, will or inheritance of property

Section 48. Computation of STCG

Section 48. Computation of LTCG

Full value of consideration	xxx	Full value of consideration	xxx
(-) Cost of Acquisition (COA)	(xxx)	(-) Indexed Cost of Acquisition (COA)	(xxx)
(-) Cost of Improvement (COI)	(xxx)	(-) Indexed Cost of Improvement (COI)	(xxx)
(-) Expenses on transfer	(xxx)	(-) Expenses on transfer	(xxx)
STCG	xxx	LTGC	xxx

Formula for indexation

Indexed COA =	Indexed COI =
$\frac{\text{Index value of transfer year}}{\text{Index value of acquisition year in which the assessee first acquired the asset}} \times \text{COA}$	$\frac{\text{Index value of transfer year}}{\text{Index value of improvement year}} \times \text{COI}$

Note : No Indexation bonds or debentures even if LTCA. [Proviso 3 to S 48]

S 48. Full Value of Consideration (FVC)		
General cases	Consideration in cash	Amount received or receivable.
	Consideration in kind	FMV of asset.
Special Cases	50C	Land & Building : Higher of Stamp value or consideration.
	45(1A)	Insurance claim.
	45(2)	FMV on date of conversion of asset into SIT.
	45(3)	Admission of partner. Amount recorded in books of accounts.
	45(4)	Dissolution of firm. FMV as on date of distribution.
	45(5)	Initial compensation.

S 55(2). Cost of Acquisition (COA)			
General	Purchase price + Brokerage paid on acquisition of asset		
COA if asset is acquired before 1-4-1981	(Purchase price + Brokerage) or FMV as on 1-4-1981 whichever is higher.		
COA of shares. STT is ignored both at the time of purchase & at the time of sale.	a.	In case of original shares	Purchase price + brokerage.
	b.	In case of bonus shares	Nil
		However if bonus shares are allotted before 1-4-1981	FMV as on 1-4-1981.
	c.	Right shares	
		• Existing shareholder	Purchase price paid to Company
		• New Shareholder	Price paid to Co.+ Price paid to renouncer.
d.	Right share entitlement	Nil	
COA of self generated assets. Note : If the asset is purchased then purchase price is the COA. Note : FMV as on 1-4-1981 is ignored.	COA COI		
	a.	Brand name & Trademark associated with the business. (not of a profession)	Nil NA
	b.	Tenancy rights.	Nil NA
	c.	Goodwill of a business (not of a profession)	Nil Nil
	d.	Right to manufacture, produce or process any article or thing, for a consideration (Patent)	Nil Nil
Section 49(1). Deemed cost of acquisition	In case the asset is acquired through a mode given in section 47 (Gift to relative or will) then cost of acquisition is cost to the previous owner. Previous owner is the person who acquires the asset by paying the price. Period of holding shall be computed from the date the previous owner acquires the asset.		
Section 49(4). Deemed cost of acquisition where value is taxed u/h 'Other Sources'	In case of Land and Building is gifted and S 56(2) is applicable then COA =		Amount taxed under the head OS.
	In case of Land and Building is sold and S 56(2) is applicable then COA =		Purchase price + Amount taxed under the head OS.
	In case of JAD PB SAS is gifted and S 56(2) is applicable then COA =		Amount taxed under the head OS.
	In case of JAD PB SAS is sold and S 56(2) is applicable then COA =		Purchase price + Amount taxed under the head OS.

Expenses on Transfer

Expenditure incurred on transfer of asset. E.g. Brokerage on transfer of asset etc. However STT is ignored.

Special cases of computation (Deemed Transfer)					
	45(1A)	45(2)	45(3)	45(4)	45(5)
Title	Insurance claim on destruction of assets.	Conversion of capital asset into SIT	Admission of partner	Retirement of partner or dissolution of firm	Compulsory acquisition
Full value of consideration	Insurance claim	FMV on the date of conversion	Amount recorded in books of accounts	FMV on the date of distribution	Initial compensation

YOC	Year of receipt of insurance claim	Year of sale of SIT	YOT	YOT	Year of receipt of initial compensation
Indexation	Year of destruction to Year of acquisition	Year of conversion to Year of acquisition	Year of transfer to year of acquisition	Year of distribution to year of acquisition	Year of compulsory acquisition to year of acquisition

Section 54 to 54GB		Exemptions		YOC = Year of Chargeability		YOT = Year of transfer	
AE = Actual Exemption		TE = Temporary exemption		ZD = Date of sale of original asset			
		54	54B	54EC	54F	54GA	
1. Title		RHP transferred . RHP acquired	UAL transferred. UAL/ RAL acquired	Any LTCA trans- ferred. 2 specified assets acquired. NHAI+RECL Lock in 3yrs	Any LTCA (other than RHP) transferred. RHP acquired.	Acquired land, building, plant & machinery trans- ferred. Acquired LBPM in SEZ	
2. Conditions							
a	Eligible Assessee	Ind/HUF	Individual / HUF	Any assessee	Ind/HUF	Any assessee	
b	Eligible asset which is being transferred	RHP+LTCA	Urban AG land Atleast 2 yr old ST / LT	Any LTCA	Any LTCA other RHP	Land, Bldg, Plant of urban area	
c	Time limit of purchase new asset	(P)1 yr <-- ZD-->2(P)/3(C) yr	ZD-->2 yrs (P)	ZD-->6 months	(P)1 yr<-- ZD-- >2(P)/3(C) yr	(P/C)1 yr<-- ZD-- >3(P/C) yr	
d	Deposit scheme	Applicable	Applicable	Not Applicable	Applicable	Applicable	
3. Amount of exemption		AE+TE	AE+TE	AE. Max ₹ 50 Lakhs	LTCG -----xRHP NSC	AE+TE	
4. Consequences 1 Deposited amount unutilised		TE – AE=LT YOC = ZD+3yr	TE–AE=ST/LT YOC=ZD+2yrs	NA	Proportionate (TE–AE)=LT YOC=ZD+3yrs	TE–AE=ST/LT (YOC=ZD+3yrs)	
Consequences 2 New asset transferred within 3 years from the date of acquisition		LT+ST=ST YOC=YOT	LT/ST+ST=ST (YOC=YOT) * * Where RAL is transferred no capital gain arises, since not a capital asset.	LT=LT ST=ST (YOC=YOT)	LT=LT ST=ST (YOC=YOT)	LT+ST=ST (YOC=YOT)	

Cost Inflation Index							
1981-82	100	1990-91	182	1999-00	389	2008-09	582
1982-83	109	1991-92	199	2000-01	406	2009-10	632
1983-84	116	1992-93	223	2001-02	426	2010-11	711
1984-85	125	1993-94	244	2002-03	447	2011-12	785
1985-86	133	1994-95	259	2003-04	463	2012-13	852
1986-87	140	1995-96	281	2004-05	480	2013-14	939
1987-88	150	1996-97	305	2005-06	497		
1988-89	161	1997-98	331	2006-07	519		
1989-90	172	1998-99	351	2007-08	551		

Fast Track

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Income from Other Sources

Revision Time : 9 minutes

Sections	Particulars	Provisions			
56	Charge	56(1)	Any income which is not charged under the first 4 head is charged under the head 'Income from Other Sources'. E.g.		
			Director's, MP's, MLA's, salary	Rent from vacant land.	Income from sub letting.
		56(2)	Following incomes are always charged under the 'OS'		
			Gifts	Dividend	Lottery income
57	Amount expressly allowed as deduction.	Expenditure should be incurred wholly and exclusively for earning S 56 income. E.g. (a) Interest on loan taken for purchase of bond. (b) Collection charges. (c) Contribution towards PF.			
58	Restriction on deduction.	Following deductions are not allowed. E.g. Expenses incurred in earning lottery income.			
59	Deemed income	As per S 41. (Refer PGBP)			

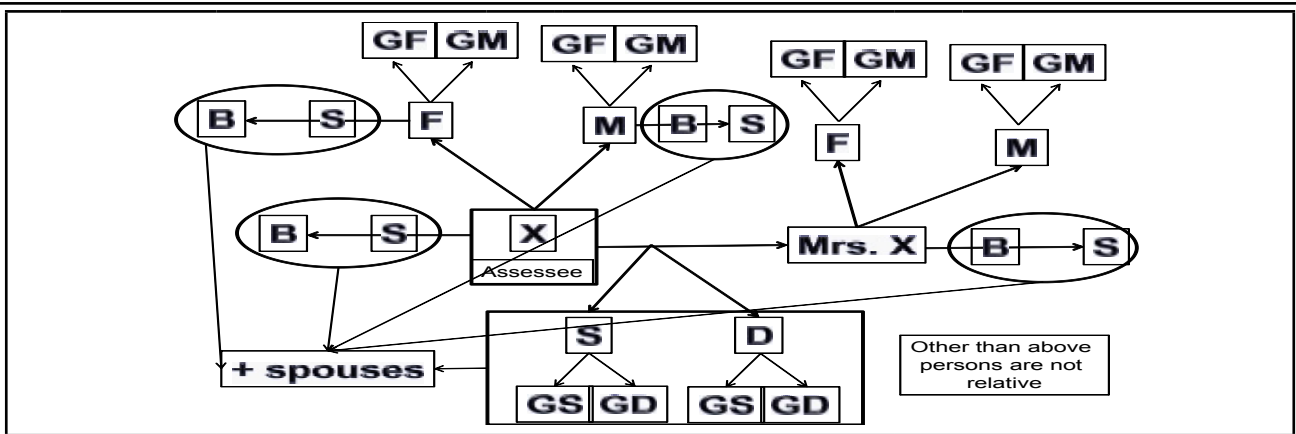
S 56(2). GIFTS

	Part A	Part B		Part C	
Nature of gift	Cash Gift	Land & Building on or after 1-10-2009		JAD PB SAS on or after 1-10-2009	
Donor	Any person	Any person		Any person	
Donee	Ind / HUF	Ind / HUF other than relative		Ind / HUF other than relative	
Consideration	Nil	Nil		Nil or inadequate consideration	
In excess of	Cash in excess of ₹ 50,000.	(a)	Stamp value exceeds ₹ 50,000.	(a)	FMV in excess of ₹ 50,000.
		(b)	Difference = (SDV – PP) in excess of ₹ 50,000	(b)	Difference = (FMV – PP) in excess of ₹ 50,000
Taxable	Whole of aggregate amount taxed u/h OS	Whole amount taxed u/h OS		Whole of aggregate amount taxed u/h OS	

Exceptions to Part A, B & C

1.	Gifts received from any relative.	2.	Gifts received on the marriage of the individual.
3.	Gifts received under a will or inheritance.	4.	Gifts received in contemplation of death of the payer.
5.	Money received from local authority.	6.	Money received from a registered charitable institute.
7.	Money received from any fund, foundation, university, other educational institution, medical institution.		

S 56(2). Relative



Other Incomes charged under the head other sources									
1. Life insurance maturity proceeds if premium for any year exceeds 10% of assured amount.	2. Family pension less (1/3rd or ₹ 15,000 whichever is lower).								
3. Owning & maintaining race horses.	4. Letting of plant & machinery.								
5. Composite letting of building + P & M.	6. Lottery income. No deduction.								
7. Maturity proceeds of keyman insurance policy.	<table border="1"> <thead> <tr> <th>Maturity amount received by</th> <th>Charged under the head</th> </tr> </thead> <tbody> <tr> <td>• Assessee</td> <td>‘Business’ S 28</td> </tr> <tr> <td>• Employee</td> <td>‘Salary’ S 17(3)</td> </tr> <tr> <td>• Legal heir on death of employee</td> <td>‘Other Sources’ S 56(1)</td> </tr> </tbody> </table>	Maturity amount received by	Charged under the head	• Assessee	‘Business’ S 28	• Employee	‘Salary’ S 17(3)	• Legal heir on death of employee	‘Other Sources’ S 56(1)
	Maturity amount received by	Charged under the head							
	• Assessee	‘Business’ S 28							
• Employee	‘Salary’ S 17(3)								
• Legal heir on death of employee	‘Other Sources’ S 56(1)								

Interest on Securities			
Securities held as	Stock in Trade	Interest charged under the head Business. S 28 to 44D.	S 57. Interest on loan & collection charges allowed as deduction.
	Investment	Interest charged under the head Other Sources. S 56 to 59.	
S 10(15). Following interest exempt from tax.			
Post office scheme	Full exemption	(a) Cash Certificates (b) Fixed deposit (c) Cumulative time deposit account (CTD).	
	Partial exemption	(d) Saving account	Single
Joint			upto ₹ 7,000 exempt
Interest on Govt. Securities	(a)	Interest on RBI Relief bonds.	Interest on other Govt. Securities are fully taxable under the head Other Sources.
	(b)	Interest on Gold Bonds.	
S 10(4)	Interest on Non Resident External Account is fully exempt from tax.		

Dividend				
Securities held as	Stock in Trade	Dividend always charged under the head Other Sources. S 56 to 59.	from Indian Company	from foreign Company
	Investment		Exempt u/s 10(34)	Taxable
S 57. Interest on loan & collection charges allowed as deduction if dividend is taxable.				
Interim Dividend : Taxable in the year of receipt.		Final Dividend : Taxable in the year of declaration.		
S 10(35). Income from units of mutual fund is exempt from tax.				

Fast Track

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Clubbing of Income

Revision Time : 11 minutes



For the ultimate Direct & Indirect Tax classes for CA, CMA & CS

Your knowledge in tax is no good if you cannot give tax advise

Section 60

Transfer of income without transfer of assets: Clubbed in the hands of transferrer.

Section 64(1)(ii), (iv) & (vii). Clubbing provisions relating to Spouse

S 64(1)(ii) Remuneration to Spouse	<u>Condition</u> : Remuneration received by spouse shall be clubbed in the hands of that individual who has substantial interest in a concern. If both husband and wife is having substantial interest in a concern then remuneration shall be clubbed in the hands of that spouse whose total income excluding the remuneration to be clubbed is greater.		
	<u>No clubbing</u> : If spouse possess knowledge or experience and remuneration is attributable to such knowledge or experience then remuneration is not clubbed.		
	<u>Substantial Interest</u> : A person has substantial interest if he along with relatives holds atleast 20% voting power or 20% Profits in a concern.		
	<u>S 2(41). Relative :</u> Lineal ascendant & Descendant	Husband Wife Children	Father Mother Brother Sister
S 64(1)(iv) Asset transferred to spouse	<u>Condition</u> 1. Asset transferred by individual to his or her spouse, 2. without adequate consideration 3. then income arising to spouse from the <u>transferred asset</u> shall be clubbed in the hands of transferrer.		<u>Applicable</u> : Clubbing provision shall be applicable only when marriage subsist both at the time of transfer of asset & at the time when income arises.
S 64(1)(vii) Asset transferred to for the benefit of spouse	<u>Condition</u> 1. Asset transferred by individual to his or her spouse, 2. without adequate consideration 3. then income arising to spouse from the <u>transferred asset</u> shall be clubbed in the hands of transferrer <u>to the extent benefit arises to spouse.</u>		<u>Exception</u> : Where the asset is transferred with an <u>agreement to live apart</u> then clubbing provision is not applicable.

Section 64(1)(vi) & (viii). Clubbing provisions relating to Son's Wife

S 64(1)(vi) Asset transferred to son's wife.	<u>Condition</u> 1. Asset transferred by individual to his or her son's wife, 2. without adequate consideration 3. then income arising to spouse from the <u>transferred asset</u> shall be clubbed in the hands of transferrer.	<u>Applicable if</u> :	
		Father in Law &	Daughter in Law
		Mother in Law &	Daughter in Law
		relationship subsists both at the time of transfer of asset & at the time of accrual of income.	
S 64(1)(viii) Asset transferred to for the benefit of son's wife	<u>Condition</u> 1. Asset transferred by individual to his or her son's wife, 2. without adequate consideration 3. then income arising to son's wife from the <u>transferred asset</u> shall be clubbed in the hands of transferrer <u>to the extent benefit arises to son's wife.</u>	A transfers asset to Mrs. A. Mrs A transfer same asset to her son's wife. The income arising to son's wife shall be clubbed ?	
		Genuine Transfer	Fraud Transfer
		Mr. A	Mrs. A

Section 64(1A). Clubbing provisions relating to minor child			
All income accruing to minor child shall be clubbed in the hands of that parent whose total income excluding the income of the minor child is greater.	Exception :		S 10(32). Exemption
	<ol style="list-style-type: none"> 1. Where the marriage of the parent do not subsist, the income of the minor child shall be clubbed in the hands of that parent who maintains the minor child in the relevant PY. 2. If once the income is included in the hands of father or mother it shall be be continued to be clubbed in the same hands unless AO do otherwise. 		upto ₹ 1,500 per child exemption to that parent in whose hands income is clubbed.
• No clubbing if	1.	Minor child is suffering from any disability specified u/s 80U. All income shall not be clubbed.	No clubbing from the date minor child attains majority. The income earned by minor child shall be taxable in their hands only. ROI shall be in their name and signed by guardian.
	2.	Minor child has earned any income from his own skill or talent. Only income earned through talent shall not be clubbed remaining income shall be clubbed.	

Other Points.			
		Spouse / Son's Wife	Minor Child
1.	Income from transferred asset is to be clubbed.	Correct	Correct
2.	Income from income cannot be clubbed.	Correct	Wrong
3.	Income from accretion of asset cannot be clubbed.	Correct	Wrong

Fast Track

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Set off c.f. of losses

Revision Time : 13 minutes

	S 70. Whether set off allowed within same head?	S 71. Whether set off allowed with different head?	S 71B to 74A Rules to carry forward & set off past year losses.
House Property Loss	Yes	Yes	Section 71B.
			• Brought forward HP loss can be set off only with HP.
			• It can be carried forward for 8 AY's.
Business loss	Yes	Yes except salary.	• Section 80 is not applicable. It means even if return of loss is not filed or filed late loss can be carried forward & set off.
			Section 72
			• Set off with both business income & speculation income.
			• Carry forward for 8AY.
			• Section 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 business loss can be set off.			
Speculation loss (Same day sale & purchase i.e. without taking delivery) S 43(5)	Yes	No	Section 73
			• Past year speculation loss can be set off only with speculation income.
			• Carry forward for 4AY.
			• Section 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 business loss can be set off.			
Loss under the head capital gain	Yes LT can be set off only with LT. ST can be set off with both LT & ST.	No	Section 74
			• LT can be set off only with LT. ST can be set off with both LT & ST.
			• Carry forward for 8AY.
Loss from activity of owning & maintaining race horses	Yes	No	• Section 80 applicable. It means if return of loss is not filed or filed late business loss cannot be carried forward.
			Section 74A
			• Past year horse loss can be set off only with horse income.
			• Carry forward for 4 AY.
			• Assessee who has incurred the loss can only set off that loss [exception not applicable]
• If business is discontinued then loss cannot be set off.			
Loss from lotteries etc	No	No	No
	Note: No other loss can be set off against this income. Deduction u/s 57 not available. Deduction u/s 80C to 80U not available. Basic exemption not available. Flat rate 30%.		
Other losses	Yes	Yes	No
	In case of choice this loss should be set off first since it cannot be carried forward.		

S 32(1)	S 32(2)
Current year depreciation	Unabsorbed depreciation

Rules to set off unabsorbed depreciation

1.	The unabsorbed depreciation can be set off with any head's of income except casual income and salary income. But it shall be first set off with Business Income then with any other income. Do note that current year depreciation can be set off only with business income if cannot be set off then it shall be carried forward which becomes unabsorbed depreciation.
2.	The unabsorbed depreciation can be carried forward for unlimited period.
3.	Section 80 is not applicable. It means even if return of loss is not filed or filed late loss can be carried forward & set off.
4.	Even if business is discontinued business loss can be set off.
5.	Assessee who has incurred the loss can only set off that loss [6 exception]

Rules to set off the losses		Priority to set off the losses	
1.	First S 71, then S 72 and then adjust past year losses.	1.	Current year depreciation u/s 32(1).
2.	Income exempted u/s 10 cannot be set off with tax-able income.	2.	Brought forward business loss u/s 72.
3.	It is mandatory to set off the loss.	3.	Unabsorbed depreciation u/s 32(2)

Exceptions to the rule that assessee who has incurred the loss can only set off that loss. This exception is applicable only to S 72 & S 32(2).

1.	72A. Accumulated business loss of amalgamating company can be carried forward and set off by amalgamated company.
2.	72A. Accumulated business loss of demerged company can be carried forward and set off by resulting company.
3.	72A. Conversion of sole proprietorship concern into a company.
4.	72A. Conversion of firm into a company.
5.	72A. Conversion of Pvt. limited Company to LLP or Unlisted Company to LLP. (Limited Liability Partnership).
6.	78(2). Losses of business acquired on inheritance. Father dies and son inherits the business then son can set off the business loss.

	S 71B	S 72	S 73	S 74	S 74A	S 32(2)	
	<i>HP loss</i>	<i>Business loss</i>	<i>Speculation loss</i>	<i>Capital gain loss</i>	<i>Horse race loss</i>	<i>Unabsorbed dep</i>	
1.	Set off under which head	Same Head	Same Head	Same Head	Same Head	Any Head	
2.	Carry forward for how many years	8 AY	8 AY	4 AY	8 AY	4 AY	unlimited period
3.	Section 80	NA	A	A	A	A	NA
4.	Should business be continued to set off the loss	NA	No	No	NA	Yes	No
5.	The assessee who has incurred the loss can only set of that loss (True or False)	NA	True	True	NA	True	True
6.	Any exceptions	NA	Yes	No	NA	No	Yes

Fast Track

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80C to 80U

Revision Time : 14 minutes

Section	Assessee	Nature of payment				Amount of dedn	Other Points
80C Contribution to LIP, PF, NSC, ELSS etc Saving & Expenditure	Ind / HUF Resident / Non resident	1.	LIP for self, spouse & child. (max 10% of assured amount). Maturity amount exempt if (a) premium for all years do not exceed 10% of assured amount. (b) on death. Otherwise taxable u/h other sources.			Combined Maximum deduction u/s 80C + 80CCC + 80CCD (only EE's contribution) ₹ 1,00,000	1. Payment out of loan or exempted income deduction allowed.
		2.	ULIP				
	3.	FD for 5 years			9. Tuition fees in India (max 2 child) (formal school/university/college)		2. Deduction is allowed in the FY of payment.
	4.	5.	NSC				
	6.	Infrastructure shares / bonds					
	7.	Pension funds of MF			10. Repayment of housing loan		

Section	Assessee	Nature of payment	Amount of Deduction	Other Points
80CCC Pension fund	Ind R/NR IC/FC	Contribution to Pension Fund of insurance companies. (Annuity scheme or any other Pension Plan)	Combined Maximum deduction u/s 80C + 80CCC + 80CCD (only EE's contribution) ₹ 1,00,000	Payment should be made out of taxable income.

Section	Assessee	Nature of payment	Amount of Deduction	Other Points
80CCD Pension fund	Ind R/NR IC/FC	Contribution to Pension Fund set up by CG. (New Pension Scheme)	max 10% SAS for ER + max 10% of SAS for EE but Maximum combined deduction u/s 80C + 80CCC + 80CCD (only EE's contribution) ₹ 1,00,000	Payment should be made out of taxable income.

Section	Assessee	Nature of payment	Amount of Deduction
80CCG Rajiv Gandhi equity scheme	Resident Individual	Investment in equity shares or units of equity oriented fund as per Rajiv Gandhi Equity Scheme.	50% of amount invested in the specified scheme or ₹ 25,000 whichever is lower for 3 years if GTI do not exceeds ₹ 12 lakhs.

Section	Assessee	Nature of payment	Amount of Deduction	Other Points	
80D Health Insurance Premium	Ind / HUF R/ NR IC/FC	Contribution to health insurance premium & for preventive health check up.	Self, Spouse & Dependent children	Parents (dependent / Not dependent)	Payment should be made out of taxable income.
			Max 15,000. (Resident Senior Citizen max ₹ 20,000)	Max 15,000. (Resident Senior Citizen max ₹ 20,000)	
			Contribution in CGHS scheme dedn allowed.. Over all deduction cannot exceed 15,000 / 20,000 / 35,000 / 40,000.	Preventive health check up max ₹ 5,000 even in cash.	Preventive health check up max ₹ 5,000 even in cash.

Section	Assessee	Nature of payment	Amount of Deduction	Other Points	
80DD Disabled dependent	Only resident	Maintenance + normal medical treatment of dependent person with disability.	Spouse & children	Brothers, Sisters & Parents	Certificate of disability is furnished.
			wholly or mainly dependent on such individual for his support and maintenance.		
	Ind / HUF IC/FC		Normal disability (atleast 40%)	Fixed ₹ 50,000	Double benefit of 80DD & 80U not available.
			Severe disability (atleast 80%)	Fixed ₹ 1,00,000	

Section	Assessee	Nature of payment	Amount of Deduction		Other Points
80DDB Medical treatment of specified disease	Only resident	Medical treatment of specified disease.	Self, Spouse & children	Brothers, Sisters & Parents	<u>Specified disease.</u> Cancer, AIDS, Neurological disease etc
	Ind / HUF		wholly or mainly dependent on such individual for his support and maintenance.		
	IC/FC		Actual expenditure or ₹ 40,000 (in case of RSC take ₹ 60,000) whichever is lower less medical insurance is the amount of deduction.		

Section	Assessee	Title	Amount of Deduction		Other Points
80U Disabled	Only resident Ind (IC/FC)	Assessee himself is disabled.	Normal disability (atleast 40%)	Fixed ₹ 50,000	Double benefit of 80DD & 80U not available.
			Severe disability (atleast 80%)	Fixed ₹ 1,00,000	

Section	Assessee	Title	Amount of Deduction	Other Points
80E Interest on higher ed.	Ind (R/NR / IC/FC)	Interest on loan taken for higher education after + 2.	Any amount of interest is allowed as deduction for max 8 years. Repayment of loan is not allowed as deduction.	Loan is taken by ind for himself, spouse or for child.

Section	Assessee	Title	Amount of Deduction	Condition
80EE Additional Interest	Ind (R/NR / IC/FC)	Additional Interest for first time home buyers.	One time deduction of interest payable not exceeding ₹ 1,00,000 shall be allowed in PY 2013-14. If interest payable is less than 1,00,000 then balance interest deduction can be claimed in PY 2014-15.	1. Lender : Bank or FI
				2. Loan sanctioned upto ₹ 25 Lakhs in FY 2013-14.
				3. Purchase price upto ₹ 40 Lakhs.
				4. Do not own any house on the date of sanction of loan.

Section	Assessee	Title	Amount of Deduction		Other Points
80G Donation	All assessee	Donations	Part A (Govt. fund)	Part B (Private fund)	Cash donation
			any amount donated is eligible for deduction.	only 10% of AGTI is eligible for deduction. (AGTI = GTI-LTCG-STCG STT paid – all deductions except 80G)	upto ₹ 10,000 excess of ₹ 10,000

Part A fund	Dedn allowed
National Defence Fund	100%
Zila Saksharta Samiti	100%
PM National Relief Fund	100%
National Eminent University/Educational Institution	100%
National Children Fund	100%
Jawaharlal Nehru Memorial Fund	50%
PM Drought Relief Fund	50%
Indira Gandhi Memorial Trust	50%
Rajiv Gandhi Foundation	50%

Part B fund	Dedn allowed
Donation to Govt. / approved Local Authority, Institution, to be utilised.	
a. for promoting family planning	100%
b. for charitable purpose other than promoting family planning	50%
Donation to any notified temple, mosque, gurudwara, church or other place for renovation or repair.	50%
Donation made by a company to the Indian Olympic association	100%

Section	Assessee	Condition	Amount of Deduction (Least is deductible)
80GG Rent	Ind (R/ NR / IC/ FC)	Deduction for rent paid.	M ₹ 2,000 p.m.
		Rent is paid to third person or to the ER.	F 25% of adjusted GTI
		He is not in receipt of HRA	F Rent Paid – 10% of adjusted GTI
		Rent is not paid to HUF, spouse or his minor child.	

Section	Assessee	Title	Donation is made to		Other Points	
80GGA Donation for SR	All assessee not having business income	Donation for scientific research / rural development	1.	Approved research association for research.	Cash donation	
			2.	PSU / Local authority for eligible project or scheme.	upto ₹ 10,000	allowed
			3.	Institution for Rural development programme	<u>Corresponding section of PGBP is S 35, 35AC, 35CCA.</u>	
			4.	National Urban Poverty Eradication Fund / National Fund for Rural Development.		

80GGB		80GGC
Applicable to	Indian Company	All assessee
Not applicable to	Others	Local authority & every artificial juridical person wholly or partly funded by the Govt.
Contribution to	Political party or Electoral Trusts	Political party or Electoral Trusts
Amount of deduction	100% of contribution	100% of contribution
Cash donation any amount	not allowed	not allowed

Section	Assessee	Title	Amount of Deduction	Nature of income
80JJA	All assessee	Profit from bio degradable wastes	100% of profits for consecutive 5 years from the year of start of business.	Collecting & processing or treating of biodegradable wastes for generating power or producing bio-fertilizer, bio-pesticides or bio-gas, for fuel or organic manure.

Section	Assessee	Title	Amount of Dedn	Nature of income	
80QQB / 80RRB	Resident Ind / HUF	Royalty from books / Patents	Amount of royalty or ₹ 3,00,000 whichever is lower	Books : Literary, Artistic or Scientific nature.	
				Annual Royalty : cannot exceeds 15% of sales. Lumpsum royalty : Any amount.	If royalty is earned outside India then it should be brought into India within 6 months by 30th Sept.

Section	Assessee	Title	Nature of income	Amount of Deduction
80TTA	Resident Ind / HUF	Interest on saving bank a/c.	Banks	Max ₹ 10,000.
			Co-operative Banks	Deduction is not available on interest on fixed deposits. It is only on interest on saving.
			Land Co-operative Banks	
			Post office	

Fast Track

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Rates of Tax

Revision Time : 11 minutes

TAX ON TOTAL INCOME						
Special Income		Casual Income		Normal Income [NI = TI – SI – CI]		
LTCG	20% flat	Lottery Income etc	30% flat	Indian Company / Firm	Foreign Company	Ind / HUF / AOP / BOI
STCG STT	15% flat			30% flat	40% flat	Slab rate
Basic exemption allowed from SI if NI < BE. But 1st allowed from NI & then from SI. Rebate u/s 87A is available.		Surcharge (Tax on Tax)		See note	See note	See note
		Education cess & SHEC		3%	3%	3%

	Domestic Company	Foreign Company	Firm / LLP	Ind / HUF / AOP / BOI / AJP	Local Authority	Co-operative society
• Total Income exceeds ₹ 1 Cr.	5%	2%	10%	10%	10%	10%
• Total Income exceeds ₹ 10 Cr.	10%	5%	NA	NA	NA	NA

SLAB RATE		
Income	Rate of Tax (Method 1)	Amount of Tax (Method 2)
Upto ₹ 2,00,000	Nil	Nil
₹ 2,00,001 to 5,00,000	10% of (NI – 2,00,000) – upto ₹ 2,000 for resident individual. S 87A	10% of NI – 20,000 – upto ₹ 2,000 for resident individual. S 87A
₹ 5,00,001 to 10,00,000	20% of (NI – 5,00,000) + 30,000	20% of NI – 70,000
Exceeds ₹ 10,00,000	30% of (NI – 10,00,000) + 1,30,000	30% of NI – 1,70,000

TAX CONCESSION				
Person	Age	Basic Exemption	Tax concession	
1. Resident senior citizen	atleast 60 years at any time during the relevant PY.	2,50,000	₹ 5,000	
2. Resident super senior citizen	atleast 80 years at any time during the relevant PY.	5,00,000	₹ 30,000	
3. Woman (R / NR)	less than 60 years	2,00,000	nil	
4. Non resident senior citizen / super senior citizen	Any age	2,00,000	nil	
5. HUF / AOP / BOI / AJP	NA	2,00,000	nil	

	Domestic Company	Foreign Company	Firm / LLP	Individual / HUF / AOP / BOI / AJP
Tax on Long Term Capital Gain	20% flat	20% flat	20% flat	20% flat
Tax on Short Term Capital Gain (STT paid)	15% flat	15% flat	15% flat	15% flat
Tax on Lottery Income. (Casual Y)	30% flat	30% flat	30% flat	30% flat
Tax on Normal Income	30% flat	40% flat	30% flat	slab rate with rebate u/s 87A.
Sur-charge	• TI exceeds ₹ 1 Cr. and upto 10 Cr.	5%	2%	10%
	• TI exceeds ₹ 10 Cr.	10%	5%	NA
Whether marginal relief available	Yes	Yes	Yes	Yes
Education cess & SHEC	3%	3%	3%	3%

Fast Track
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Agricultural Income

Revision Time : 9 minutes

Section 10(1). Agricultural Income is exempt from tax

Agricultural income as defined under section 2(1A) is fully exempt from tax but with a rider. Since agricultural income is exempt from tax it doesn't form part of total income. Also Constitution of India gives exclusive powers to the State Legislature to make laws with respect to taxes on agricultural income. (Entry No. 46 of State List)

Section 2(1A). Meaning of Agricultural Income

(a)		(b)				(c)	
Rent from agricultural land situated in India used for agricultural purpose		Growing of crops from land situated in India. Also saplings in a nursery.				Rent from building situated in the immediate vicinity of agricultural land situated in India and used for agricultural purpose and not situated in urban area. <u>Exception</u> : If let out for purpose other than agriculture then NAI	
		Basic operation	Yes	Yes	No		
		Subsequent operation	Yes	No	Yes		
		Whether AI?	Yes	Yes	No		
Computation u/h Other Sources		Computation u/h Business				Computation u/h House Property	
S 56 to 59		S 28 to 44D				S 22 to 27	
Rent	xxx	Sale of crops		xxx	GAV	xxx	
Less : taxes on land	xxx	Less : all business expenses		xxx	Less : MT	xxx	
Less : Collection charges	xxx	• Salary			NAV	xxx	
		• Irrigation expenses			Less : SD	xxx	
OS _{AI}	xxx	• Depreciation			Less : Interest	xxx	
		BI _{AI}		xxx	HP _{AI}	xxx	

Computation of income which is partly agricultural & partly non agricultural

		AI	NAI
<i>Rule 7A</i>	Manufacture of rubber.	65%	35%
<i>Rule 7B(1)</i>	Sale of coffee grown and cured by seller.	75%	25%
<i>Rule 7B(1A)</i>	Sale of coffee grown, cured, roasted and grounded by seller in India with or without mixing chicory or other flavouring ingredients.	60%	40%
<i>Rule 8</i>	Growing and manufacturing tea in India.	60%	40%

Computation of tax if assessee is earning both AI & NAI (Partial Integration)

		Computation of tax	
1.	The assessee is an Individual or HUF or BOI, or AOP or artificial juridical person.		
2.	Non-agricultural income i.e normal income exceeds basic exemption.	Tax on (NAI + AI) at slab rate	A
		Less : Tax on (AI + BE) at slab rate	_(B)
3.	Agricultural Income exceeds ₹ 5,000.	Tax	A - B

Fast Track

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Assessment of Firm

Revision Time : 10 minutes

Section 184. Assessment of firm

Compulsory clauses		Optional agreement	
1.	There is written agreement amongst partners. (Partnership Deed : PD)	1.	Interest on loan or capital contributed partners.
2.	Profit sharing ration (PSR) is specified in PD.	2.	Remuneration payable to partners.
3.	PD is filed with tax department with first ROI.	If conditions of S 184 satisfied then interest and remuneration to partners is allowed as deduction in the hands of firm and taxable in the hands of partners u/h PGBP	
All the above 3 points satisfied then a Firm is created. Once created always assessed as Firm.			
Rate of tax of firm : 30% flat + education cess @ 3%			

Section 40b. Maximum deduction of interest & remuneration allowed in the hands of Firm

Interest	Remuneration to working partner								
upto 12% p.a. or rate of interest specified in PD whichever is lower.	Remuneration to working partner as specified in PD or remuneration as per following table whichever is lower.								
	<table border="1"> <thead> <tr> <th>Book Profit</th> <th>Limit</th> </tr> </thead> <tbody> <tr> <td>First ₹ 3,00,000</td> <td>₹ 1,50,000 or 90% of book profit whichever is more</td> </tr> <tr> <td>Balance</td> <td>60%</td> </tr> </tbody> </table> <p>Remuneration should be distributed in remuneration ratio.</p>	Book Profit	Limit	First ₹ 3,00,000	₹ 1,50,000 or 90% of book profit whichever is more	Balance	60%		
Book Profit	Limit								
First ₹ 3,00,000	₹ 1,50,000 or 90% of book profit whichever is more								
Balance	60%								
	<table border="1"> <thead> <tr> <th colspan="2">Computation of Book Profit</th> </tr> </thead> <tbody> <tr> <td>Net profit as per P & L A/c after making all adjustments u/ss 28 to 44D except S 40b</td> <td>A</td> </tr> <tr> <td>Less : Interest allowed to partners under section 40b</td> <td>(B)</td> </tr> <tr> <td>Book profit</td> <td>C</td> </tr> </tbody> </table>	Computation of Book Profit		Net profit as per P & L A/c after making all adjustments u/ss 28 to 44D except S 40b	A	Less : Interest allowed to partners under section 40b	(B)	Book profit	C
Computation of Book Profit									
Net profit as per P & L A/c after making all adjustments u/ss 28 to 44D except S 40b	A								
Less : Interest allowed to partners under section 40b	(B)								
Book profit	C								

Fast Track
This is ENOUGH™
Charitable Trusts
Revision Time : 5 minutes

S 2(15). Meaning of charitable purpose

	Relief to the poor	Education	Medical Relief	Preservation of environment	Preservation of monuments	Advancement of object of general public utility	
Exception	No exception any amount charged or not charged activities shall be treated as charitable purpose.					If amount from specified activity	
						upto ₹ 25 Lakhs	Charitable
						exceeds ₹ 25	Non Charitable

S 11 & 12. Income of charitable purpose

Income of property held under trusts	xxx	
Less : 15% statutory deduction	(xxx)	
Less : Income accumulated	(xxx)	Max period of accumulation : 5 years.
Less : Income not received	(xxx)	To be applied in the year of receipt or by next year.
Less : Income received in last moment	(xxx)	To be applied by next year.
Less : Income applied	(xxx)	
Income of charitable trust.	xxx	

Section 12AA. Registration of Trusts

Application to whom?	CIT
When should application may be made for registration?	At any time after the creation of trust.
What CIT shall check before it grants registration?	He shall satisfy himself about the objects of the trust or institution and the genuineness of its activities.
By what time CIT shall grant registration?	He shall grant registration within 6 month after the expiry of month of application.
What if CIT neither grant registration nor refuses registration within 6 month.	Registration shall be deemed to be granted.
What is the effective date of registration.	1st April of the year in which registration is granted.

Tax Treatment of Anonymous donation

	Wholly charitable	Wholly religious Trusts	Both charitable & religious trust
Anonymous donation whether taxable?	Yes	No	Only specific donation that such donation is for any university / educational institution / medical institution.

Anonymous donation	xxx
Less : 5% of total donation or 1,00,000 whichever is higher	xxx
Taxable anonymous donation (Flat 30%)	xxx

Fast Track

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TDS

Revision Time : 23 minutes

Section	Nature of payment	Tax Deductor	When to deduct tax at source	Basic Rate of TDS		No TDS upto base amount
192	Salary	Employer	Payment (P)	Slab rate + Ed cess		Basic exemption
	Other Points	Employee can give all other income details to his employer on which tax shall be deducted. However employee cannot provide detail of losses of other heads. But he can provide losses under the head house property which the employer shall adjust while computing TDS.				
193	Interest on securities	Company or Govt.	Payment or credit whichever date is earlier (PCD)	10%		₹ 5,000 (listed / unlisted ind/ huf acc payee cheque)
	No TDS also on followings	1. DEMAT securities. <i>Tax free securities</i>	2. Central / State Govt. securities. <i>Tax free securities</i>	3. Interest on Gold Deposit Bonds since exempt u/s 10(15).	4. Zero Coupon Bonds. <i>Tax free securities</i>	
194	Dividend u/s 2(22)(e) Loan / advance	Closely held company	Payment (P)	20%		nil 10(34)
194A	Other interest	All person except ind/ HUF*	Payment or credit whichever date is earlier (PCD)	Domestic Co	20%	₹ 10,000 paid by Bank / Post Office
				Ind /HUF/ Firm	10%	₹ 5,000 other Interest
	No TDS also on followings	1. Interest to banks.	2. Interest paid by firm to its partners.	3. Exempted interest u/s 10(15)		4. Interest from micro banks.
194B	Winning from Lottery/crossword puzzles	Any person	Payment (P)	30%		₹ 10,000
194BB	Winning from horse race	Any person	Payment (P)	30%		₹ 5,000
194C	Payment to contractor. Works / labour contract : Advt, Catering, TV, Transporters, Job Work.	All person except ind/ HUF*	Payment or credit which ever date is earlier (PCD)	Firm / D. Co	2%	Single : 30,000. Aggregate : 75,000. Personal contract : No TDS
				Ind / HUF	1%	
Truck + PAN	nil					
Truck no PAN	20%					
	What is job work	Essential condition : Material is supplied by client. TDS only on labour contract. But if indivisible bill is generated for both material and labour then TDS on both labour and material.				
194D	Insurance commission	Any person	Payment or credit which ever date is earlier (PCD)	Domestic Co.	20%	₹ 20,000
				Ind /HUF/ Firm	10%	
194G	Commission on sale of lottery tickets	Any person	Payment or credit which ever date is earlier (PCD)	10%		₹ 1,000
194H	Commission or brokerage other than share brokerage.	All person except ind/ HUF*	Payment or credit which ever date is earlier (PCD)	10%		₹ 5,000
	Examples :	1. Order procurement	2. Guarantee commission	3. Recruitment commission		4. Property dealer commission
194I	Rent	All person except ind/ HUF*	Payment or credit which ever date is earlier (PCD)	P & M	2%	₹ 1,80,000. Rent paid to Govt / Local authority / RBI
				Building & Furniture	10%	

194IA	TDS on transfer of land & building other than agricultural land	Any person (buyer)	Payment or credit which ever date is earlier (PC)	1%	less than ₹ 50,00,000
194J	Professional / technical fees / Royalty / Non competing fees / Director fees.	All person except ind/ HUF*	Payment or credit which ever date is earlier (PCD)	10%	₹ 30,000 for each income.
194LA	Compensation on compulsory acquisition of L & B.	Govt	Payment (P)	10%	₹ 2,00,000
195	Any sum except salary to Non-resident or to a foreign company	Any person	Payment or credit which ever date is earlier (PC)	Rate of TDS the amount of tax payable by NR in India.**	10(34)

* PY 12-13		PY 13-14		PY 14-15	
Turnover exceeds ₹ 1 Crore / 25 Lakhs		TDS is required to be deducted by Ind / HUF			
		Turnover exceeds ₹ 1 Crore / 25 Lakhs		TDS is required to be deducted by Ind / HUF	

** Surcharge and education cess as applicable shall be added to basic rate for deduction of tax at source.

	Section 197	Section 197A	
Title	Certificate of TDS at lower deduction or nil rate.	Declaration of nil deduction of tax.	
Issued by	Assessing Officer	Assessee	
Application by	Assessee	on its own.	
Income	All kinds of incomes which are subjected to TDS	Only interest income subjected to TDS u/s 193 & 194A.	
Condition for application	If assessee is of the opinion that his final income tax amount shall be lower than tax to be deducted.	For ind / HUF	For senior citizen
		If interest < Basic exemption & Tax on TI is nil.	If interest > Basic exemption but tax on TI is nil.

198	Since tax is deducted from income therefore tax deducted is treated as assessee's income. Gross Income = Income (net of TDS) + amount of TDS									
199	The tax deducted at source shall be treated as tax paid in PY which shall be adjusted from final tax computed in AY. Tax computed in AY – Tax paid in PY = Self assessment tax.									
200	Due date of deposit of TDS with Govt.					TDS return			S 203. TDS certificate	
	April	7 th May	Aug	7 th Sep	Dec	7 th Jan	AMJ	15 th July	AMJ	30 th July
	May	7 th June	Sept	7 th Oct	Jan	7 th Feb	JAS	15 th Oct	JAS	30 th Oct
	June	7 th Jul	Oct	7 th Nov	Feb	7 th Mar	OND	15 th Jan	OND	30 th Jan
	July	7 th Aug	Nov	7 th Dec	Mar	30 th Apr	JFM	15 th May	JFM	30 th May
	E filing / E payment compulsory								Form 16 (others)/ 16A (Salary)	
200A	1.	Correction in TDS return if there is arithmetical errors, error in rate of TDS, wrong deduction of tax then intimation shall be sent to assessee for correct deposit of TDS alongwith interest.								
	2.	Intimation shall be sent within a period of 1 year from the end of the financial year in which statement was filed.								
201	Consequences of not deduction of tax at source or deducted but not deposited with the Govt.									
	a. Interest @ 1% p.m. / 1.5% p.m.					b. Penalty : Max tax in arrears			c. In PGBP these expenses shall not allowed as deduction	
203	TDS certificate should be furnished quarterly within 15 days of deposit of tax. Tax deductor shall provide Unique Transaction Number to payee. It is proof of deposit of TDS with the Govt.									

203A	Tax Deduction & Collection Account No. TDCAN should be applied in Form No 49B by every assessee who is required to deduct tax at source. This TDCAN should be quoted in every challan, return & in every correspondence with income tax department.	
203AA	Annual tax statement in Form No 26AS should be issued in E-Mail by NSDL to every assessee whose tax has been deducted at source by any tax deductor.	
206AA	If assessee do not furnishes PAN to the tax deductor then tax deductor shall deduct tax at source at following higher rates.	
	a.	Basic rate of TDS / TDS at slab rate
	b.	20%
		PAN should be quoted in all declaration and application. Wrong quotation of PAN shall also entail higher deduction of tax.

Grossing up of income

Gross income =	Amount (net of TDS) ----- 100 – rate of TDS	Mr. Taxcrazy receives interest on listed debentures of ₹ 9,000 (net of TDS). Find out the gross interest which is included in his income. Ans : 10,000
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Fast Track
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Advance Tax
Revision Time : 8 minutes

Section 207. Liability to pay advance tax

What is advance tax	The tax which is required to be paid in AY but is paid in PY is called advance tax.
Is advance tax payable on all income.	Yes, advance tax is payable on all income whether it can be estimated or not. In case of that income which cannot be estimated like LTCG, STCG STT paid, Gifts advance tax is required to be paid in the same PY in which it arises.

Section 208. When does liability to pay advance tax arise.

Who is required to pay advance tax?	Every person.					
When a person is required to pay advance tax?	If his estimated advance tax after deduction of TDS exceeds ₹ 10,000.					
Any exceptions ?	Yes. 2 exceptions					
	<table border="1"> <thead> <tr> <th>Exception 1</th> <th>Exception 2. All conditions should be satisfied.</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Assessee claiming income under section 44AD or 44AE (<i>presumptive basis of taxation</i>) is not required to pay advance tax.</td> <td>1. Person is resident individual aged atleast 60 years.</td> </tr> <tr> <td>2. Such individual is not earning any business income.</td> </tr> </tbody> </table>	Exception 1	Exception 2. All conditions should be satisfied.	Assessee claiming income under section 44AD or 44AE (<i>presumptive basis of taxation</i>) is not required to pay advance tax.	1. Person is resident individual aged atleast 60 years.	2. Such individual is not earning any business income.
Exception 1	Exception 2. All conditions should be satisfied.					
Assessee claiming income under section 44AD or 44AE (<i>presumptive basis of taxation</i>) is not required to pay advance tax.	1. Person is resident individual aged atleast 60 years.					
	2. Such individual is not earning any business income.					

Section 209. Computation of advance tax

Estimate gross total income	10,00,000
Less: Estimated deduction u/s 80C to 80U	(1,00,000)
Estimated total income	9,00,000
Tax on the estimated total income	2,00,000
Add: Surcharge if applicable	20,000
Tax and surcharge	2,20,000
Add: Education cess	6,600
Tax liability	2,26,600
Less: Relief u/s 89	26,600
Tax	2,00,000
Less: Tax deducted at source and collected at source	1,90,000
Advance tax payable	10,000

Section 211. Due date of payment of advance tax

	Corporate Assessee	Non-Corporate Assessee
• By 15th June	15%	Nil
• By 15th September	45%	30%
• By 15th December	75%	60%
• By 15th March	100%	100%

Section 234C. Deferment in payment of advance tax

Due date	Advance Tax to be paid (a)	Advance tax paid (b)	Shortfall	Interest
By 15th June	15%	If advance tax paid is atleast 12% then interest is nil	(a) – (b)	1% of shortfall x 3
By 15th September	45%	If advance tax paid is atleast 36% then interest is nil	(a) – (b)	1% of shortfall x 3
By 15th December	75%	no relaxation	(a) – (b)	1% of shortfall x 3
By 15th March	100%	no relaxation	(a) – (b)	1% of shortfall x 1

Fast Track

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Interest

Revision Time : 5 minutes

	234A	234B	234C
Nature of default	ROI not filed by DD	Advance tax < 90% of assessed tax.	Advance tax not paid in time
Default period	Due date to filing date	1-4 to assessment date	Payment after 15th quarter 3 3 3 1
Tax due	Assessed tax – TDS – Ad. Tax	Assessed tax – TDS – Ad. Tax	Returned tax – TDS – Ad. Tax

Fast Track

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Mixed Topics

Revision Time : 5 minutes

Salary for different purpose

Entertainment allowance	Basic Salary
Gratuity covered	Basic salary + 100% of DA
Gratuity others	SAS. Average of last 10 months preceding the month of retiring
Leave Salary	SAS Average of last 10 month preceding the date of retirement
HRA	SAS
Accommodation	Basic Salary+ DA () + Any commission + taxable allowances
80CCD	SAS

Members of household	Family Members	Relative
Both the above words are used in Chapter Salary.		Relative word is used in 3 chapters. PGBP, Other Sources & Clubbing of Income.

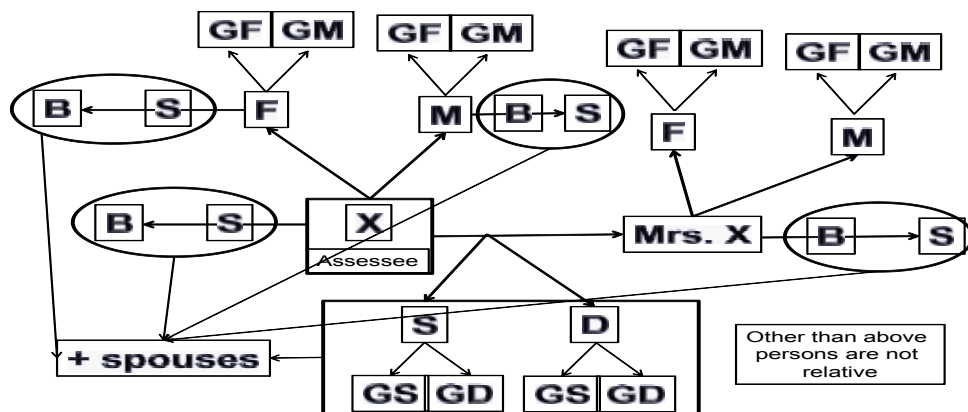
Section 2(41). Meaning of Relative

Box 1	Box 2	Box 3	
Self, Spouse & children	Brother & Sister	Lineal ascendent	Father, mother, grandfather, grandmother
		Lineal descendent	Son, Daughter, Grandson, Granddaughter

The above definition of relative is used in following 2 places

PGBP	Section 40A(2)	Payment made to relatives
Clubbing of income	Section 64(1)(ii)	Remuneration to spouse from a concern in which such individual has substantial interest.

Section 56(2). Meaning of relative with respect to that person who is receiving gift



A person receiving gifts from above person is not taxable.

Meaning of relative at different places

Income from Salaries	Medical facilities	Spouse, children (dependant or not dependant), Parents, brothers, sisters wholly and mainly dependent on such individual.	
	Leave Travel Concession.		
	Other Perquisites. Rule 3	Members of Household	Self, spouse, children and their spouses, parents, servants and dependants.

PGBP	Payment to specified persons. S 2(41)	Relative, partner, director, or person having a substantial interest or relative of any such person. Relative means spouse, brother, sister or any lineal ascendant or descendant of such individual.		
Other Sources	Gifts, S 56(2)	(i)	Spouse of the individual,	
		(ii)	Brother or sister of the individual,	
		(iii)	Brother or sister of the spouse of the individual,	
		(iv)	Brother or sister of either of the parents of the individual,	
		(v)	Any lineal ascendant or descendant of the individual,	
		(vi)	Any lineal ascendant or descendant of the spouse of individual.	
		(vii)	Spouse of a person referred to in items (ii) to (vi)	
Clubbing of Income	Substantial interest.	S 2(41). Relative means spouse, brother, sister or any lineal ascendant or descendant of such individual.		
Deduction u/s 80C to 80U	80C	Ind : LIP on life of self, spouse and children		HUF : any member of HUF
	80D	Ind : Self, Spouse & dependant children.	Parents (dependant or not dependant)	HUF : any member of HUF
	80DD, 80DDB	Individual, Spouse & children	Parents, brothers and sisters wholly and mainly dependent on such individual	HUF : any member of HUF
	80E	Self, Spouse, children of individual		
Charitable Trusts	S 11	Interested person. Relative is as defined in S 56(2).		

Interest and Deposits		10(15)	Deduction u/s 80C to 80U		TDS
1.	Interest on NSC VIII issue.	No	Interest	Yes u/s 80C	No since tax free.
			Deposit	Yes u/s 80C	
2.	Interest on saving bank	No	Interest	Yes u/s 80TTA	Yes u/s 194A if interest exceeds ₹ 10,000.
			Deposit	No	
3.	Interest on FD for 5 years in Bank.	No	Interest	No	Yes u/s 194A if interest exceeds ₹ 10,000.
			Deposit	Yes u/s 80C	
4.	Interest on FD for 5 years in post office / under CTD scheme.	Yes	Interest	No	Yes u/s 194A if interest exceeds ₹ 10,000.
			Deposit	Yes u/s 80C	
5.	Interest on saving in post office	Yes (Single : upto ₹ 3,500) (Joint upto ₹ 7,000)	Interest	Yes u/s 80TTA	Yes u/s 194A if interest exceeds ₹ 10,000.
			Deposit	No	
6.	Interest on Post Office Monthly Income Scheme	No	Interest	No	Yes u/s 194A if interest exceeds ₹ 10,000.
			Deposit	No	

Professional tax paid by ER on behalf of EE	Professional tax is first added to GS and then deduction is allowed u/s 16(iii)
Entertainment allowance	Entertainment allowance is first added to GS and then deduction is allowed u/s 16(ii)
LIP payable by ER on behalf of EE	LIP payable by ER is first added in Gross Salary on due basis and then deduction is allowed u/s 80C on paid basis.
ER's contribution to New Pension Scheme	ER's contribution first added to gross salary and then deduction allowed u/s 80CCD.

Exempted Income	Income is not a part of total income. All exempted incomes are in section 10.
Deduction of income	Income is taxable income it is first added and then deduction is allowed u/s 80C to 80U.

	Section 27	Section 64(1A)
Minor married daughter	Income from house property taxed in the hands of minor married daughter itself.	All other income of minor married daughter shall be clubbed in the hands of either of the parents whose total income excluding the income of the minor child is greater.

Donation in cash		
Section 80G : Donation / 80GGA : Donation for SR	upto ₹ 10,000	Allowed
	excess of ₹ 10,000	not allowed
Section 80GGB / 80GGC : Political party donation	any amount not allowed as deduction	

Following deductions are allowed on paid basis		
Professional Tax	Municipal Tax	Certain payments like IDT, Interest to banks, Retirement benefits to employees
S 16(iii)	S 23	S 43B
allowed is paid in relevant PY either by ER or EE.	allowed is paid in relevant PY if paid by owner.	allowed if paid on or before due date of furnishing of return.
S 2(32)	S 10(32)	
Substantial Interest	Exemption to parent if income minor child is clubbed.	

Depreciation rates	
in Salary chapter	in PGBP chapter
Computer or electronic items	Computer of software
50%	60%

Limit to number of child				
Children Education allowance & Hostel Allowance	Education facility	Leave Travel Concession	Clubbing of income	Tuition Fees
Limit of upto 2 child to claim exemption.	No limit on number of child	Limit 2 number of child. First child if twins then second child shall be counted as third child. First child if single and second child twin then twin shall be counted as one.	No limit on number of child for claim exemption.	Limit of upto 2 child
S 10(14)	S 17(2)	S 10(5)	S 10(32)	80C

Double deduction not available of the following	
Stamp Duty	Depreciation
Once in S 80C and next in Capital gain	Once in PGBP and next in Capital Gain

Difference between	
Gold Bonds issued under Gold Deposit Scheme 1999	Gold
On sale of gold bonds capital gain do not arise since not treated as capital asset.	On sale of gold capital gain arises since treated as capital asset.
Interest is available and exempted u/s 10(15)	No interest
Gold bonds are as good as gold. Purchase and sale at the price of gold.	

Fast Track

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Return of Income

Revision Time : 15 minutes

S 139(1). Who should file the return of income

Individual / HUF / AOP / BOI / AJP	Company / Firm
If GTI exceeds basic exemption then they should file the ROI.	They should file ROI irrespective of income or loss. Irrespective whether business has started or not. As soon as the company is incorporated or partnership deed is signed they are required to file ROI.

Person [Explanation to Section 139(1)]	Last day of filing of ROI
1. Any person who is required to file transfer pricing audit report.	30 th - 11 of AY1
2. A company.	30 th - 9 of AY1
3. A person (other than a company) whose accounts are required to be audited under any LAW (<i>Audit is compulsory u/s 44AB, Section 11, 12 or 13A etc.</i>)	30 th - 9 of AY1
4. A working partner of a firm whose a/cs are required to be audited under any LAW.	30 th - 9 of AY1
5. In case of any other assessee. (Salary, HP, Capital Gain or Income from other sources)	31 st - 7 of AY1

S 142(1). Compulsory filing of return of income.

1. Can AO issue notice to assessee for filing of ROI?	Yes
2. Is assessee bound to file ROI u/s 142(1)?	Yes, even if his TI is less than basic exemption.
3. What is the time limit of filing of ROI?	As specified in the notice
4. When can notice u/s 142(1) be issued?	At any time after due date or after AY1

S 139(3). Loss return?

1. Is it compulsory to file loss return?	Yes, if assessee wishes to carry forward the losses. For Company / Firm it is compulsory to file ROI whether loss or profit.	
2. What is the time limit of filing loss return?	Loss return should be filed on or before the due date of filing of return i.e. on or before 30-9 or 31-7 then only loss can be carried forward and set off.	
3. Consequences if loss return is not filed in time?	Following losses cannot be carried forward ? (a) Business loss (b) Speculation loss (c) Capital gain loss (d) Loss from activity of owning & maintaining race horses.	Following loss can be carried forward & set off even if loss return is not filed. (a) Loss from house property & (b) Unaborsbed depreciation
4. What if loss return is filed in time as specified in S 142(1)?	Loss cannot be carried forward since loss return is filed after due date.	

S 139(4). Belated Return

1. What is belated return?	The return which is not filed in time. i.e. the return which is filed after due date of filing of return u/s 139(1) or filed after time specified in notice u/s 142(1).	
2. What is the time limit of filing belated return?	It should be filed by AY2 or before the completion of best judgement assessment order whichever date is earlier.	
3. Consequences of filing of belated return?	a.	The losses mentioned u/s 139(3) is not allowed to be carried forward.
	b.	Belated return cannot be revised.
	c.	Liable for payment of interest u/s 234A.
	d.	Penalty can be levied u/s 271F.

S 139(5). Revised Return

1. Why the return should be revised?	The return is revised if there is any mistake in the original return. Mistakes are of 2 types. (a) Wrong statement. (b) Omission.
2. Which return can be revised?	Only original return can be revised. The return which is filed in time as per S 139(1) or u/s 142(1) is called original return.
3. What is the time limit of filing revised return?	It should be filed by AY2 or before the completion of assessment (Best judgement assessment or scrutiny assessment) whichever date is earlier.

4. Consequences of filing of revised return?	A revised return substitutes the original return from the date original return is filed.	
5. Other points?	a.	A belated return cannot be revised.
	b.	A revised return can further be revised if filed in time allowed.

S 140. Signing of return.

Individual	a.	in general.	by the individual himself.
	b.	If he is absent from India.	By any person who holds a valid power of attorney.
	c.	where he is mentally incapacitated.	By his guardian.
	d.	for any other reason.	By any person who holds a valid power of attorney.
HUF	a.	in general.	by Karta
	b.	If he is absent from India.	Any member of the family not being a minor
Company	a.	in general.	Managing Director.
	b.	If MD is not able to sign or where there is no MD	Any Director
	c.	A Non-resident company.	A person who holds valid power of attorney.
	e.	Company in process of being wound up.	Liquidator of company.
	f.	Where the mgt of Co. is taken over by the Govt.	The principal officer.
Firm	a.	in general.	Managing Partner.
	b.	where managing partner is not able to sign.	Any Partner
LLP	a.	in general.	Designated Partner.
	b.	where designated partner is not able to sign.	Any Partner

SECTION 140A. SELF-ASSESSMENT TAX

Tax on TI (Returned Tax)	xxx
Less : Advance tax	(xxx)
Less : Tax Deducted at Source	(xxx)
Less : Relief u/s 89 (Salary relief)	(xxx)
Less : Relief u/s 90, 90A, 91 (DTAA)	(xxx)
Less : Tax credit u/s 115JAA (MAT credit)	(xxx)
Self Assessment Tax	xxx
Other Points	
What is the time limit of payment of SAT?	Before furnishings the return of income
Is proof required to be attached with the return?	Yes. CIN. Challan Identification Number.
What if tax paid is less than SAT?	The amount so paid shall be first adjusted towards interest and then balance towards tax.

SECTION 139A. PERMANENT ACCOUNT NUMBER (PAN)

What is PAN?	It is permanent account number allotted by assessing officer for the purpose of identification. Its number contains 10 digit both numeral and alphabet.			
Who should apply?	Every person who is required to file return of income. Apply in Form No 49A.			
No PAN for whom?	Non Resident	Charitable Trusts	Person earning only agricultural Income	
Compulsory quotation of PAN?	On all returns.	Motor Vehicle	Land & Building exceeds ₹ 5,00,000	Jewellery exceeds ₹ 5,00,000
	Bank account exceeds ₹ 50,000	Hotel bill exceeds ₹ 25,000.	Shares	
What if PAN not quoted	Section 272B : Penalty ₹ 10,000		Higher deduction of tax at source.	

E payment & E filing compulsory for

Company	Every other person if they are required to get their accounts audited u/s 44AB.
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Fast Track

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Whole Income Tax - Preview

Revision Time : 5 minutes

Heads	Salary	House Property	PGBP	Capital Gain	Other Sources		
Sections	15 to 17	22 to 27	28 to 44D	45 to 55A	56 to 59		
Nature of Income (Chargeability)	15 ER & EE relationship	22 Annual value of building	28 Profit on sale of SIT	45 Profit on transfer of capital asset	56 If income is not charged under first 4 head		
In which year income is recognised to tax (Taxable event)	Due or receipt whichever matures earlier	Annual Value	Method of accounting followed by the assessee (145)	In the year of transfer	Method of accounting followed by the assessee (145)		
Nature of expenses	Only specified expenses are allowed as deduction which are only 2 PT + EA	Only specified expenses are allowed as deduction which are only 3 MT + SD + Int	Expenditure incurred for the purpose of business or profession. (many expenses)	Only specified expenses are allowed as deduction which are only 3 COA + COI + TE	Expenditure incurred for the purpose of earning such income (many expenses)		
Computation of Income. Exempted income specified u/s 10 do not form part of TI	17 – 16	23 – 24 + 25AA + 25B	28 – (30 to 36 + 37) subject to section 40 to 43B (restriction)	FVC	xx	56 – 57 subject to 58 (restriction)	
				(–) COA	xx		
				(–) COI	xx		
				(–) TE	xx		
				CG	xx		
Rates of Tax	Normal Income	Normal Income	Normal Income	• LTCG • STCG STT	STCG	Lottery TV games etc	Other income
	Normal Income :	Ind / HUF Company	slab rate Flat 30% / 40%				
	LTCG	20%		Special Income	Normal Income	Casual Income	Normal Income
	STCG STT	15%					
	Causal Income	30% flat					
Set off and carry forward of losses	No losses arises	Can be set off with any head of income	Can be set off with any head of income except salary (Spec Loss only with SP)	LT with LT ST with both ST and LT		Can be set off with any head of income. However lottery losses cannot be set off with any heads.	

Fast Track

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Value Added Tax

Revision Time : 20 minutes

How many systems of sales tax are there ?

1.	Single point taxation system.		
	a.	First point sales tax system.	Tax levied at that time when first sale is made. This tax is generally levied by manufacturer.
	b.	Last point sales tax system. Also retail sales tax system.	Tax levied at that time when last sale is made. This tax is generally levied by retailer.
2.	Multiple point taxation system.		

	First point sales tax	Last point sales tax	Multiple point sales tax										
Revenue to Govt.	Very Low since tax is levied on low price.	High since sale shall be made by retailer to the ultimate consumer.	Very High since sale is made by large dealer to small dealer.										
Tax Base	Invoice Price = Low	Invoice Price = High	Invoice Price = High										
Cascading effect (tax on tax)	No since tax is levied only once at the time of first sale.	No since tax is levied only once at the time of last sale. Last sale is that sale which is made to that person who consumes the goods.	Yes <table border="1" style="margin-left: 20px;"> <tr> <td>Purchase Price</td> <td>100</td> </tr> <tr> <td>+ Tax</td> <td><u>10</u></td> </tr> <tr> <td>Value</td> <td>110</td> </tr> <tr> <td>+ Tax *</td> <td><u>11</u></td> </tr> <tr> <td>Value</td> <td>121</td> </tr> </table>	Purchase Price	100	+ Tax	<u>10</u>	Value	110	+ Tax *	<u>11</u>	Value	121
Purchase Price	100												
+ Tax	<u>10</u>												
Value	110												
+ Tax *	<u>11</u>												
Value	121												
Administration	Very easy since tax is to be collected only from manufacturer.	Difficult since tax is to be collected only from retailers.	Very Difficult since tax is to be collected from very small to very large dealers.										

Note : Last point taxation system is the best system of taxation since IDT should be levied only when goods are ultimately consumed. But this system is very difficult to implement in India since there are many small dealers selling goods in every part of India including remote places.

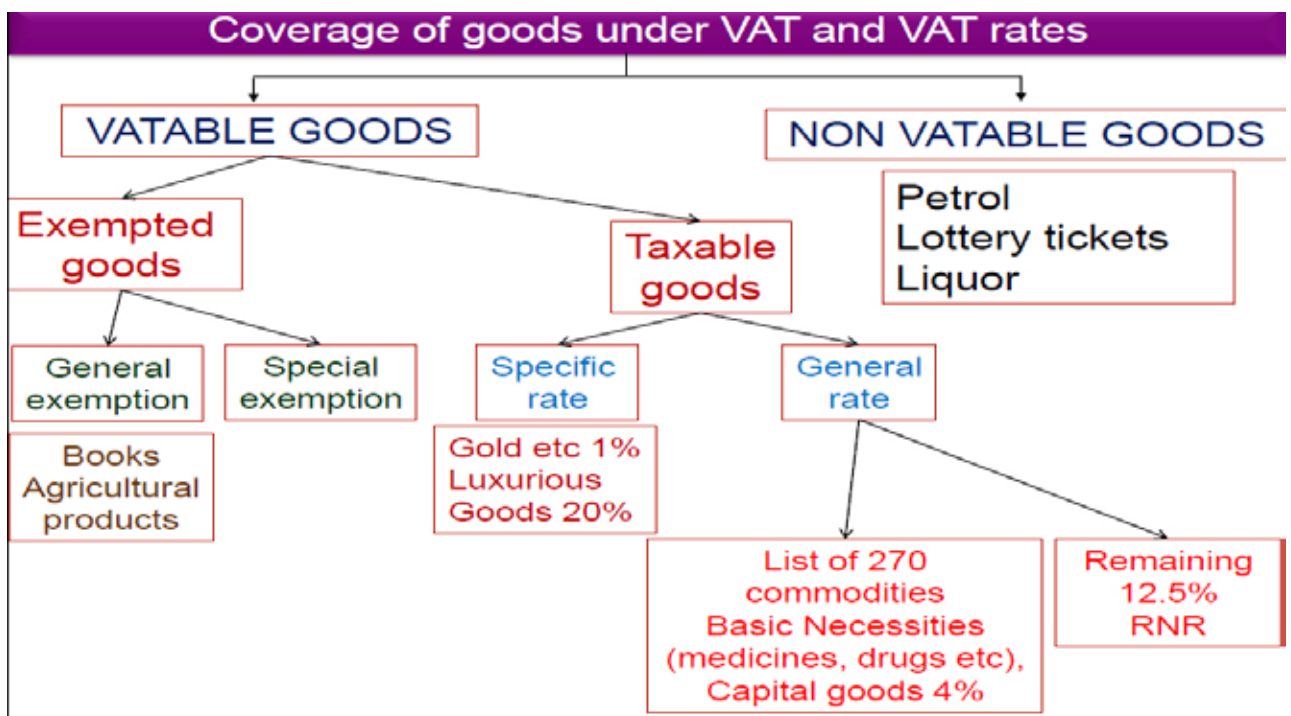
What is the meaning of VAT?

1.	VAT is a mixture of multiple point taxation system and last point taxation system with system of set off of tax on earlier purchases.
2.	VAT is a consumption tax because it is borne ultimately by the final Consumer. The tax paid by the dealer is passed on to the buyer. This consumption tax is also called destination based tax.
3.	VAT is not charged on the dealer but is charged on to the ultimate consumer who bears the entire tax burden. Therefore nature of VAT is indirect tax since burden is passed on to the ultimate consumer.
4.	Every dealer pays and collects VAT. A VAT would be paid by producers of raw materials all the way through to the retailer at the end of the chain of production and distribution till retailers.
5.	Govt. collect the tax as soon as sale is made.
6.	VAT is anti cascading. The tax paid on inputs is allowed to be set off from tax on sale. Therefore input tax is not treated as part of cost. If tax paid on input is not treated as part of cost then it shall not create cascading effect.

What are the advantages of VAT?	
1.	It is anti cascading.
2.	Minimum possibility of tax evasion.
3.	VAT prescribes simple computation of tax based on invoice price.
4.	Govt. collects tax at each stage of sale in small amount. This helps in better and fast collection of revenue even where goods have not been sold to ultimate consumer.
5.	Each purchasing dealer and consumer knows how much tax he is paying from the invoice price. Govt. knows how much tax is to be collected in each period. Therefore system of VAT is transparent.
6.	In earlier first point taxation system various statutory forms need to be tracked. In VAT system only invoice is required to be tracked. All statutory forms have been abolished.
7.	Dealer is required to himself compute the tax. This is called self assessment of tax.
8.	Govt. collects revenue with the increase in sale price and shall collect less revenue with decrease in sale price. VAT is both flexible and stable. This benefit of increase or decrease in sale price benefits the consumer also. The total tax revenue of the Govt. depends entirely on the final value of ultimate goods and the rate of tax applicable to them.
9.	The rate of tax of intermediary goods do not effect the tax collection of the Govt.
10.	Change in intermediary rate of tax in the trade chain does not effect the ultimate consumer.

Methods of computation of VAT		
1.	Addition method	In this method VAT is levied on expenses and profit. It is not levied on purchase price of inputs
		Disadvantage of Addition method
		a. This method of computation of VAT is possible only after the end of the year when final accounting statements have been prepared.
		b. VAT is an indirect tax. An indirect tax is one where the burden can be shifted to another person. And in this method burden cannot be shifted.
		c. A seller has to necessarily collect VAT from his buyers. It would be highly impossible for a seller to calculate the component of the total value addition that can be attributed to each commodity sold by him, that too, when final figures of total value addition are not available.
		d. It does not facilitate matching of invoices for detecting evasion.
		e. In case of multiple rates this method cannot be implemented.
2.	Subtraction method	In this method $VAT = \text{Rates of VAT} \times (\text{Sale} - \text{Purchase})$
		Disadvantage of Subtraction method
		a. Purchase price of each product is needed for the purpose of computation of value addition.
		b. At the time of effecting sale of any commodity a dealer should know precisely its purchase price of each commodity. Where the dealer buys and sells hundreds of commodity it is difficult to identify purchase price of each commodity.
		c. This problem is more compounded for a manufacturer who does not sell the purchased goods as such but manufactures a new product out of them.
		d. In case of multiple rates this method cannot be implemented.
		e. Profit percentage is automatically disclosed in the invoice.

3.	Invoice method =	In this method $VAT = \text{Rates of tax} \times \text{Sale} - \text{Rates of tax} \times \text{Purchase} = \text{Output VAT} - \text{Input VAT}$	
	Input tax credit method =	Advantage of ITC method	
	Voucher method	a.	Purchase price of each product need not be known at the time of making sale.
		b.	No one to one correspondence between purchase and sale.
		c.	It is enough if total of taxes paid on purchases during a month and the total of taxes paid on sales during the same month are known.
		d.	Profit percentage need not be disclosed by the dealer in the invoice.
		e.	Input tax credit is available immediately at the time of purchase even if subsequent sale is not made. Also even if selling dealer has not deposited the tax. Also even if purchasing dealer has purchased the goods on credit, ITC is available.
f.	Even if goods are sold at a loss full ITC is available.		



DIFFERENCE BETWEEN VARIANTS OF VAT		
Gross Product Variant	Income Variant	Consumption Variant
ITC not available.	ITC available at the rate of depreciation.	Full ITC is available at the time of purchase. Few State Govt. has allowed ITC either in 24 / 36 installments.
If ITC is not available then it is treated as part of cost on which depreciation can be claimed.	ITC is available therefore not treated as part of cost. Depreciation is not available.	ITC is available therefore not treated as part of cost. Depreciation is not available on tax paid on purchases.
It creates double taxation first capital goods are taxed and then at the time of sale of goods produced using those capital goods again it is taxed.	Here there is no double levy.	Here also there is no double levy.
It causes inflation.	It causes partial inflation.	It do not causes inflation.

DIFFERENCE BETWEEN GROSS PRODUCT VARIANT & CONSUMPTION VARIANT		
	Gross Product Variant	Consumption Variant
1.	ITC is not available on capital goods.	ITC is available on capital goods.
2.	If ITC is not available then VAT is a part of cost.	ITC is not a part of cost since credit is available

3.	Depreciation is available on cost including VAT.	Depreciation cannot be claimed on VAT. Since not a part of cost. If claimed it amounts to double benefit.
4.	Cost of VAT is indirectly reflected in price of final product which is again subjected to VAT. It is indirect cascading of tax.	There is no cascading of tax since ITC is available on VAT.
5.	Increase in cost shall delay modernisation of plant.	VAT shall not effect this decision.

MERITS OF CONSUMPTION VARIANT

1.	This variant allows credit of both tax on inputs and tax on capital goods.
2.	This method do not distinguish between current expenditures and capital expenditures.
3.	This method do not effect different methods of production. There would be no effect on tax liability due to the method of production.
4.	Tax on capital goods can be set-off against both output tax of both inputs and capital goods.
5.	Consumption variant follows the consumption principle of indirect taxation.
6.	Finally, this variant is convenient from the point of administrative expediency as it simplifies tax administration by obviating the need to distinguish between purchases of intermediate and capital goods on the one hand and consumption goods on the other.

DIFFERENCE BETWEEN VAT & CST

	VAT	CST
LEVY	VAT is a sales tax levied when local sale is made.	CST is also sales tax but levied when inter state sale is made.
PRINCIPLE	VAT follows consumption principle of taxation. It means tax is collected by that Govt. where goods are consumed.	CST follows origin principle of taxation. It means tax is collected by that Govt. from where movement of goods first starts.
WHICH GOVT. COLLECTS TAX	That State Govt. where goods are consumed.	That State Govt. from where movement of goods first starts.

	Very Small dealer	Small dealer		Large dealer
Turnover	upto ₹ 10 Lakhs	exceed 10 Lakhs & upto ₹ 50 lakhs		exceeds ₹ 50 lakhs
		opts for composition scheme		
		Yes	No	
Input tax	Input tax has to be paid but credit is not available	Input tax has to be paid but credit is not available	Input tax has to be paid also credit is available	Input tax has to be paid also credit is available
Output tax	No authority to collect output tax	No authority to collect output tax	Has the authority to collect output tax	Has the authority to collect output tax
Registration	Voluntary	Compulsory	Compulsory	Compulsory
Books of accounts	Not required to be maintained	Yes but not in detail	Yes in detail	Yes in detail
Tax payment	Nil	1% of sales turnover	Output tax – ITC	Output tax – ITC
Applicability	Only for traders making local sale	Only for traders making local sale	All traders, manufacturers, importers, dealer making inter state sale	All traders, manufacturers, importers, dealer making inter state sale
Govt. loses revenue	Yes	No	No	No

Advantages & Disadvantages of COMPOSITION SCHEME			
Advantages		Disadvantages	
1.	There is no necessity to maintain accounts for the taxes paid on purchases. The maintenance of accounts will be simple.	1.	The dealer will not give input tax credit for his purchases.
2.	There is no necessity to give details of purchases in the monthly returns.	2.	The other dealers may not prefer to purchase from this dealer because they will not get input tax credit for those purchases. Cost to consumer is same whether it buys from composition dealer or large dealer.
		3.	He will not entitled to issue TAX INVOICE to the buyer. It can issue only NON-VATABLE invoice.

WHICH DEALER CAN AVAIL COMPOSITION SCHEME	
1.	A dealer who intends to avail such composition scheme shall exercise the option in writing for a year or a part of the year in which he gets himself registered. For this the dealer has to intimate to the Commissioner.
2.	The dealer should not have any stock of goods which were brought from outside the State on the day he exercises his option to pay tax by way of composition and shall not use any goods brought from outside the State after such date.
Effects if dealer avails composition scheme.	
1.	He need not maintain any statutory records as prescribed under the Act. Only the records for purchase, sales, inventory should be maintained.
2.	The dealer should also not claim input tax credit on the inventory available on the date on which he opts for composition scheme.
3.	Dealer cannot issue VATABLE invoice. Cannot avail ITC on purchases therefore treated as part of cost. Cannot pass output tax of 1% of turnover to the selling dealer. This tax of 1% of turnover is treated as part of cost.

ALL ABOUT ITC	
GOLDEN RULE : ITC is available only on local purchases and can be adjusted with tax on sale. (Output tax)	
1.	ITC not available if taxes paid to other State Govt. or to Central Govt.
a.	CST since tax is paid to other State Govt.
b.	Import duty (CENVAT not available). Excise duty and service tax (CENVAT is available).
2.	In certain cases goods locally purchased but ITC is not available. In certain cases ITC availed but shall be reversed.
a.	Goods lost. ITC if availed shall be reversed.
b.	Output sale of goods is exempted. ITC is not available at the time of purchase. But if goods are subsequently exempted then ITC availed earlier shall be reversed.
c.	Goods purchased for personal purpose. ITC shall not be available.
d.	Purchase of NON VATABLE goods. E.g. Petrol. On purchase of petrol ITC is not available.
e.	Goods purchased from composite dealer. ITC is not available since it cannot issue VATABLE invoice.
f.	Purchases made from unregistered dealer ITC is not available since it cannot issue invoice.
g.	Purchase of goods where purchase invoice is not available with the claimant or there is evidence that the same has not been issued by the registered selling dealer from whom the goods are purported to have been purchased. (Fake invoice)

3.	Where goods are used both for selling exempted and taxable finished goods proportionate ITC is available.
4.	In following cases ITC availed immediately but subsequently reversed.
a.	Goods returned.
b.	Inter state transfer.
c.	Goods given for free.
5.	In following cases ITC availed but subsequently refunded.
a.	Where goods are exported then entire VAT shall be refunded.
b.	Sale of goods to SEZ, ITC shall be refunded.

Note : If ITC is not available, then taxes paid by the dealer is treated as his cost.

REGISTRATION UNDER VAT

Compulsory Registration & Voluntary Registration

a.	A dealer making sale in excess of ₹ 10,00,000 is to get itself compulsorily registered. If do not get itself registered then he is liable for payment of penalty. A dealer whose sale is upto ₹ 10,00,000 has the option to get itself registered. No penalty shall be levied if he do not get itself registered. Application for registration is in prescribed form. Every State Govt. has issued different forms for making application for registration.
b.	Following documents are required to be submitted at the time of making application for registration.
i.	Name of the premises.
ii.	Status of applicant. i.e. Sole proprietor, Partnership Firm or company.
iii.	If applicant is partnership firm then details of partners. If company then details of directors / shareholders.
iv.	Details of goods which dealer shall sale and purchase.
v.	Address of offices and godowns located in that State.
vi.	Security if demanded.
vii.	Surety of one of registered dealer.
c.	Commissioner shall verify all documents and records. Inspector may visit the premises before sales tax registration is granted. If Commissioner is satisfied it shall grant registration and issue TIN.

TAX IDENTIFICATION NUMBER (TIN)

a.	There will be a taxpayer's identification number of 11 digit numerical which will be unique to each dealer.
b.	First two characters will represent the State Code as used by the Union Ministry of Home Affairs. The set-up of the next nine characters may, however, be different in different States.
c.	TIN is being used for identification of dealers.

CHANGES IN REGISTRATION

Amendment	Surrender	Cancellation
Registration can be amended in case of change in address, addition of place of business, addition / deletion in sale / purchase of goods.	A dealer can surrender his registration certificate for cancellation if he ceases to carry on business. He should file returns upto date, pay taxes upto date then apply for cancellation.	Sales tax registration can be suspended or cancelled by sales department if the dealer is found to be engaged in fraud, tax evasion or for non payment of sales tax due. Such cancellation can be done only after issuing SCN, granting personal hearing and issuing adjudication order with reasons.

IMPORTANCE OF INVOICE

a.	Tax invoice is a very important document. It is a legal document, which shows VAT payable / paid on each transaction. ITC can be availed irrespective of the accounting method followed by the assessee.			
b.	A valid tax invoice can be issued only by a registered dealer.			
c.	A tax invoice is issued in duplicate. The original for the purchaser and the duplicate for selling dealer. Both these invoices shall be preserved by the purchasing dealer and the selling dealer. It shall be help in auditing exercise.			
d.	A valid and proper tax invoice should contain following details then only ITC is available.			
	i	Name and address of selling dealer.	vii	Quantity
	ii	His TIN.	viii	Price
	iii	Serial number and date of invoice.	ix	Total value
	iv	Full description of goods with details like weight, marking etc.	x	VAT rate & total VAT paid.
	v	Declaration as required under State VAT.	xi	Transport details
	vi	Signature of authorised person.	xii	The word TAX INVOICE should be mentioned on it prominently.
e.	Tax invoice assists in performing audit and investigation activities effectively. It helps in detection of tax evasion.			
f.	Composite dealer shall issue NON VATABLE invoice.			

RECORDS OF INPUT TAX CREDIT

a.	Separate records shall be maintained for invoice on which ITC is available and separate invoice for which ITC is not available. All original invoice should be kept safely. The record should indicate break up of tax paid at different rates, so that tax paid at different rates on inputs can be calculated.
b.	If there are purchases from unregistered dealer, the same can be recorded in the main register itself.
c.	Monthly totals of credit availed should be taken.
d.	Quantity records of all inputs should be maintained separately.
e.	Credit is available on VAT paid on capital goods also. Since the credit is available in stages, separate records are required to be maintained.

RECORDS OF OUTPUT TAX

a.	Large Dealer shall maintain sales register with duplicate invoice.
b.	Composition dealer shall records daily gross sales.
c.	Small dealer is not required to maintain any record.

ACCOUNTING RECORDS UNDER VAT (NOV 2010 M 4)

VAT RECORDS TO BE MAINTAINED		VAT DOCUMENTS TO BE RETAINED	
a.	Purchase records. (Quantity and value)	a.	Copies of sale invoices issued with serial number.
b.	Sales records. (Quantity and value) (Separate record of any exempt sale)	b.	Copies of all credit and debit notes issued.
c.	Record of Inter-State Sales and Inter-State transfer of goods (supported by statutory declarations)	c.	All original purchase invoices.

d.	VAT ledger account.	d.	Total of the output tax and the input tax in each period and a net total of the tax payable or the excess carried forward, as the case may be, at the end of each month.
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PERIOD OF PRESERVATION OF RECORDS : All such records shall be preserved for such period as specified in the respective State Provisions.

PAYMENT OF VAT

VAT is paid either monthly or quarterly.

RETURN UNDER VAT

a.	Returns are to be filed monthly/quarterly as specified in the State Acts/Rules, and will be accompanied with payment challans.
b.	In case of mistakes revised return can be filed.

ASSESSMENT ON THE BASIS OF RETURN

a.	Every return furnished by dealers shall be scrutinised by VAT department expeditiously from the date of filing of return.
b.	If any technical mistake is detected on scrutiny, the dealer will be required to pay the deficit appropriately.

IMPORTANCE OF FILING OF RETURN

Filing of returns are designed with a view to

a.	Reduce cost of compliance.
b.	Encourage businesses to comply with their obligations; and
c.	Ensure efficient processing of data.

SELF ASSESSMENT OF TAX

a.	When a dealer computes correct tax and file upto date return then it is called self assessment tax.
b.	Acknowledgement of return is called intimation that return is filed.
c.	If the dealer do not self - assess the tax and file a proper return, the Commissioner will assess for that particular tax period. This process is known as default assessment .

THE ROLE OF THE AUDITOR UNDER THE VAT SYSTEM (MAY 2009, M3)

a.	<u>Proper book keeping</u> : the auditor has to ensure the proper maintenance of the records of input credit and its proper utilization for availing the input tax credit. The auditor also ensures the proper accounting of VAT purchases and sales.
b.	<u>Tax saving</u> : the auditor has to advise the client to keep the tax invoice copies which is primary documentary evidence for availing the input tax credit and ensure the proper filing with in the due dates by incorporating full input tax credit. The auditor also analyses various alternatives to minimize the cost of administrative and accounting system of VAT.
c.	<u>Assisting to Departmental Audit</u> : the auditor by virtue of his experience and knowledge has to clarify the audit queries and objections of the departmental audit staff.
d.	<u>Certification</u> : the qualified auditor is required to certify the VAT audit reports.

AUDIT BY DEPARTMENT - DEFAULT ASSESSMENT (CROSS CHECKING) (NOV 2012, M4)

a.	A cross-checking is computerised system which works on the basis of coordination between the tax authorities of both the State Governments and the Central Govt.
b.	VAT return can be compared with Income Tax return, Excise return or ROC return.
c.	This comprehensive cross-checking system will help reduce tax evasion and also lead to significant growth of tax revenue.

d.	At the same time, by protecting transparently the interests of tax-complying dealers against the unfair practices of tax-evaders, the system will also bring in more equal competition in the sphere of trade and industry.
e.	Where turnover of the registered dealer exceeds ₹ 50 lakhs will have to get their accounts audited by a Chartered Accountant within a period of 9 months from the end of the Financial Year and submit a report of such audit to the department within 28 days of the expiry of 9 months.

WHY THERE IS NEED FOR CROSS CHECKING

a.	<u>Operation of the VAT system</u> : VAT = Output tax – Input tax. A dealer acts as a tax collector on behalf of the Government.
b.	<u>Operation of the fraud</u> : What if the business do not deposit this VAT to the Govt. The fraudster exploits this on high value items, such as microchips and mobile phones. There are 2 types of fraud.

DEFICIENCIES IN VAT SYSTEM

a.	Non-uniformity in VAT rates across the country	White paper ensured uniform VAT rates across all State. But under VAT regime also States have deviated from the agreed rate structure prescribed by the White Paper to suit their individual requirements. Thus, in the present scenario also, VAT rates are not uniform all over India.
b.	Non-uniformity in provisions of VAT laws across the country:	Every State Govt has prescribed their own procedures which are quite different from each other. E.g. Threshold limit of turnover of compulsory VAT audit, compulsory registration, many different forms, availment and utilisation of ITC.
c.	C S T N O N - V A T A B L E	Non-availability of credit of central sales tax leads to cascading of taxes.
d.	Double taxation	There is no clear distinction between goods and services which leads to double taxation as both Union and State Governments tax the same transaction in different ways i.e., both service and VAT tax are levied on the same transaction. Union Government treats the transaction as service and levies service tax while State Governments treat the transaction as sales and levy State VAT. For instance, cases of deemed sales.
e.	H u r d l e s i n movement of inter-state goods	Since, the State-Level VAT is not a National VAT, goods moving from one State to another have to cross through check posts at State borders which causes delays, corruption and harassment.

Fast Track - Quick Revision

This is ENOUGH™

SERVICE TAX

Revision Time : 50 minutes

Constitution of India

a.	Entry No 97 is a residual entry of List 1 Union List of Constitution of India which empowers only Central Govt. to levy tax on services. State Govt. do not have to power to levy tax on services. Drawing power from Entry No 97 Central Govt. enacted Finance Act 1994 to levy tax on services.
b.	State Govt. has the power to levy tax on sale of goods. Entry No 54 of List 2.
c.	Constitution of India has defined deemed sales under Article 366(29A).

Deemed Sale under Article 366(29A)

Tax on sale or purchase of goods includes -	
i	A transfer, otherwise than in pursuance of a contract, of any goods for cash, deferred payment or other valuable consideration.
ii	A transfer of goods (whether as goods or in some other form) involved in the execution of works contract.
iii	A delivery of goods on hire purchase or any system of payment by installments.
iv	A transfer of the right to use any goods for any purpose for cash, deferred payment or other valuable consideration.
v	A supply of goods by any unincorporated association or body of persons to a member for cash, deferred payment or other valuable consideration.
vi	A supply or service of food or any drink for human consumption, for cash, deferred payment or other valuable consideration.
Note : In the above cases service tax cannot be levied since treated as deemed sale of goods.	

CHARGING SECTION

Section 66B. Charging Section

There shall be levied service tax at the rate of 12% on the **value (S 67)** of all **services (S 65B(44))**, other than those services specified in the **negative list (S 66D)**, provided or agreed to be provided in the **taxable territory (65B(52))** by **one person (65B(37)) to another** and collected in such manner as may be prescribed.

Section 65B(44). MEANING OF SERVICE

Service means	any activity carried out by a person for another for consideration,			
	<u>Activity</u> : Activity is not defined in the Act. It would include an act done or act not done, a work done or work not done. To tolerate an act or a situation is also treated as activity.			
	a	Non - Competing fees	e	Guarantee commission
	b	Demurrage charges for not clearing goods within prescribed period.	f	Cancellation charges charged by hotels, airlines, builders, contractors.
	c	Late delivery charges.	g	Forfeiture of deposit as penalty (like quality, late delivery, violation of any terms of contract etc).
	d	Agreeing not to appear for opposite party in a Court.	h	Penalty for breach of contract.
	The concept 'activity for a consideration' involves an element of contractual relationship wherein the person doing an activity does so at the desire of the person for whom the activity is done in exchange for a consideration. No contract No Activity No Service No Service Tax. E.g. Provisions of free tourism information, access to free channels on TV & a large number of governmental activities for citizens are some of the examples of activities without consideration.			
Service includes	a declared service,			

Service shall not include	(a)	an activity which constitutes, —
	(i)	merely (only) a transfer of title (<i>change in ownership</i>) in goods or immovable property, by way of sale, gift or in any other manner (exchange, inheritance); or
	(ii)	merely (only) such, transfer, delivery or supply of goods which is deemed to be a sale within the meaning of Article 366(29A) of the Constitution of India.
	(iii)	merely (only) a transaction in money or actionable claim. <u>Explanation 2</u> : Transaction in money shall not include any activity relating to the use of money or its conversion by cash or by any other mode, from one currency to same currency or any other currency or from large denomination to small denomination. But for this separate consideration is charged then it shall not be regarded as transaction only in money. That separate consideration is treated as commission and shall be subject to service tax.
	(b)	a provision of service by an employee to the employer in the course of or in relation to his employment.
	(c)	Fees taken in any Court or tribunal established under any law.
Explanation : Followings are also not treated as service hence no service tax is levied.	A	The functions performed by the Members of Parliament, Members of State Legislative, Members of Panchayats, Members of Municipalities and Members of other local authorities who receive any consideration in performing the functions of that office as such member; or
	B	The duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or (E.g. President, Judges of SC, CEC, CAG)
	C	The duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or State Governments or local authority and who is not deemed as an employee before the commencement of this section. (E.g. SEBI, enquiry committee).
<u>Explanation 3</u> . In following cases service tax shall be levied.	(a)	An unincorporated association or a body of persons, and a member thereof shall be treated as distinct persons.
	(b)	An establishment of a person in the taxable territory and any of his other establishment in a non-taxable territory shall be treated as establishments of distinct persons.

SECTION 66D. NEGATIVE SERVICE

(a)	Any services (both statutory services and commercial services) provided by Govt. or local authority is not taxable except the following.		
	<u>Exceptions (Commercial services are taxable service)</u>		
(i)	Service provided by post office.		
		Not Taxable Post office service	Taxable post office service
	•	Basic mail service	• Speed Post, Express Parcel Post
	•	Money order service	• Life Insurance
	•	Banking service	• Agency Services
(ii)	Services in relation to an aircraft or a vessel (ship), inside or outside the precincts of a port or an airport provided by Govt. is taxable service. E.g. Port provides services of loading and unloading of goods these are taxable. Warehouse services are taxable. Airport charges are subjected to service tax.		
(iii)	Transport of goods or passengers by Govt. or local authority is taxable. E.g. Railways. However in clause (o) & (p) specifically mentions that Transport of passengers by Railways in AC is only taxable. Transport of goods by railways is taxable service.		
(iv)	Support services, provided to business entities. E.g. (a) Testing services like ISI, Hall Mark provided by Govt. is taxable service. (b) BPO type of services provided by Govt. or local authority is taxable service. (c) Security services. Central Industrial Security Force provided by Govt. to PSU is taxable service.		
(b)	Services provided by the Reserve Bank of India is not taxable service.		

(c)	Services provided by a foreign diplomatic mission located in India is not taxable service.																																									
(d)	<p>Services relating to AGRICULTURE. (Agriculture means cultivation of plants and rearing or breeding of animals and other species of life forms <i>for foods, fibre, fuel, raw materials or other similar products</i>. It does not include rearing of horses.</p> <table border="1"> <thead> <tr> <th>NOT TAXABLE service relating to agriculture</th> <th>TAXABLE service relating to agriculture</th> </tr> </thead> <tbody> <tr> <td>• Poultry farming</td> <td>• Rearing of horses</td> </tr> <tr> <td>• Breeding of fish (pisciculture)</td> <td>• Camel, elephant or horses used for tourist purpose.</td> </tr> <tr> <td>• Rearing of silk worms (sericulture)</td> <td></td> </tr> <tr> <td>• Cultivation of ornamental flowers</td> <td></td> </tr> <tr> <td>• Horticulture (gardening)</td> <td></td> </tr> <tr> <td>• Breeding of horses</td> <td></td> </tr> </tbody> </table> <p>(i) Agricultural operations (basic operation) directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing. But it does not include that operation <i>which alter its essential characteristics of agricultural produce</i>. <i>But if it alters the essential characteristics then such operation shall be treated as manufacturing process and may be subjected to service tax.</i></p> <p><u>Agricultural Operation</u> : Conversion of Biological assets into Agricultural produce not subject to service tax.</p> <p><u>Manufacturing Operation</u> : Conversion of agriculture produce into final processed goods is subjected to service tax if not subjected to excise.</p> <table border="1"> <thead> <tr> <th>Biological assets</th> <th>Agriculture produce</th> <th>Final processed goods</th> </tr> </thead> <tbody> <tr> <td>Sheep</td> <td>Wool</td> <td>Carpets</td> </tr> <tr> <td>Plants</td> <td>Cotton</td> <td>Thread, cloths</td> </tr> <tr> <td>Sugarcane</td> <td>Harvested cane</td> <td>Sugar</td> </tr> <tr> <td>Dairy cattle</td> <td>Milk</td> <td>Cheese</td> </tr> <tr> <td>Bushes</td> <td>Leaf</td> <td>Tobacco</td> </tr> <tr> <td>Vines</td> <td>Grapes</td> <td>Wine</td> </tr> <tr> <td>Fruit trees</td> <td>Picked fruits</td> <td>Processed fruits/juices</td> </tr> <tr> <td>Pigs</td> <td>Carcass</td> <td>Sausages (minced meat), cured hams</td> </tr> </tbody> </table> <p>(ii) Supply of farm labour.</p> <p>(iii) <u>Subsequent operation</u> : Processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of <u>agricultural produce</u> but make it only marketable for the primary market.</p> <p>(iv) Renting or leasing of agro machinery or vacant land with or without a structure incidental to its use.</p> <p>(v) Loading, unloading, packing, storage or warehousing of agricultural produce.</p> <p>(vi) Agricultural extension services. E.g. Education of farmer and their training.</p> <p>(vii) Services by any Agricultural Produce Marketing Committee or a commission agent for sale or purchase of agricultural produce.</p>	NOT TAXABLE service relating to agriculture	TAXABLE service relating to agriculture	• Poultry farming	• Rearing of horses	• Breeding of fish (pisciculture)	• Camel, elephant or horses used for tourist purpose.	• Rearing of silk worms (sericulture)		• Cultivation of ornamental flowers		• Horticulture (gardening)		• Breeding of horses		Biological assets	Agriculture produce	Final processed goods	Sheep	Wool	Carpets	Plants	Cotton	Thread, cloths	Sugarcane	Harvested cane	Sugar	Dairy cattle	Milk	Cheese	Bushes	Leaf	Tobacco	Vines	Grapes	Wine	Fruit trees	Picked fruits	Processed fruits/juices	Pigs	Carcass	Sausages (minced meat), cured hams
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Dairy cattle	Milk	Cheese																																								
Bushes	Leaf	Tobacco																																								
Vines	Grapes	Wine																																								
Fruit trees	Picked fruits	Processed fruits/juices																																								
Pigs	Carcass	Sausages (minced meat), cured hams																																								
(e)	Trading of goods. Service tax not levied on sale price of goods. However commission charged by agent or a clearing and forwarding agent who sells goods on behalf of another for a commission is subjected to service tax.																																									
(f)	Process amounting to manufacture is subjected to either Central Excise or State Excise not subjected to service tax.																																									

(g)	Selling of space or time slots for advertisements anywhere except advertisements broadcast by radio or television (Taxable)															
<table border="1"> <thead> <tr> <th colspan="2" data-bbox="215 235 774 280">Not taxable</th> <th data-bbox="774 235 1428 280">Taxable</th> </tr> </thead> <tbody> <tr> <td colspan="2" data-bbox="215 280 774 324">Sale of space for advertisement in</td> <td data-bbox="774 280 1428 492" rowspan="5">Sale of space or time for advertisement to be broadcast on radio or television is taxable service.</td> </tr> <tr> <td data-bbox="215 324 502 369">• Print media.</td> <td data-bbox="502 324 774 369">• Malls</td> </tr> <tr> <td data-bbox="215 369 502 414">• Cinema halls</td> <td data-bbox="502 369 774 414">• Hoardings</td> </tr> <tr> <td data-bbox="215 414 502 459">• Metro</td> <td data-bbox="502 414 774 459">• Bill Boards</td> </tr> <tr> <td data-bbox="215 459 502 492">• Internet</td> <td data-bbox="502 459 774 492">• Cell Phones</td> </tr> </tbody> </table>		Not taxable		Taxable	Sale of space for advertisement in		Sale of space or time for advertisement to be broadcast on radio or television is taxable service.	• Print media.	• Malls	• Cinema halls	• Hoardings	• Metro	• Bill Boards	• Internet	• Cell Phones	
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• Print media.	• Malls															
• Cinema halls	• Hoardings															
• Metro	• Bill Boards															
• Internet	• Cell Phones															
(h)	TOLL ROAD SERVICES : Amount collected as toll not subjected to service tax. Commission paid to agent for collection of toll is subjected to service tax.															
(i)	BETTING, GAMBLING OR LOTTERY : Amount collected on betting, gambling or lottery is not subjected to service tax. However Commission paid to market developer for organising betting, gambling or lottery is subjected to service tax.															
(j)	ENTERTAINMENT SERVICES : Admission to entertainment events or access to amusement facilities (Rides) is not subjected to service tax.	Example of entertainment events : Musical program, Cricket, Diwali mela, Miss Universe Contest, Film fare award, dance performances, musical performances, theatrical performances, cultural programs, drama, ballets not subjected to service tax.														
	Membership of a club do not qualify as access to an amusement facility therefore subjected to service tax.	Amount charged by event manager (wizcraft) for organising or promoting entertainment events are subjected to service tax.														
Example of amusement facility : Rides, gaming devices or bowling alleys in amusement parks, amusement arcades, water parks, theme parks not subjected to service tax.	(k) ELECTRICITY SERVICES : Transmission or distribution of electricity by an electricity transmission or distribution utility is not subjected to service tax. However services provided by way installation of gensets or similar equipment by private contractors for distribution of electricity is subjected to service tax.															
	(l) EDUCATION SERVICES															
Services by way of—																
(i)	Pre-school education and education up to higher secondary school (+ 2) or equivalent.															
(ii)	Education as a part of a curriculum (syllabus) for obtaining a qualification recognised by any law for the time being in force. (Graduate or post graduate courses / ICAI / ICSI / ICMAI)															
(iii)	Education as a part of an approved vocational education course . (Direct Job courses). Followings courses are approved vocational education course.															
	Industrial training institute (ITI) or industrial training centre (ITC) affiliated to the National / State Council for Vocational Training offering courses in designated trades as notified under the Apprentices Act, 1961	Modular Employable Skill Course approved by National Council of Vocational Training														
	a course run by an institute affiliated to the National Skill Development Corporation set up by the Government of India. (deleted) . It is now subjected to service tax.															
Following education services are subjected to service tax.																
a.	Private tuitions are subjected to service tax.															
b.	Foreign university courses provided in India is subjected to service tax.															
c.	Foreign language courses provided in India is taxable service. But if provided by way of school or university courses then not subjected to service tax.															
(m)	RENTING OF RESIDENTIAL UNITS : Services by way of renting of residential dwelling for use as residence.															

(n)	FINANCIAL SERVICES		
	Services by way of—		
(i)	Making deposit or withdrawal of deposit, providing loan or repayment of loan not subjected to service tax. However loan processing charges subject to service tax.		
(ii)	inter se sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers.		
(o)	TRANSPORT SERVICES OF PASSENGERS : Following services are not subjected to service tax.		
(i)	A stage carriage.	Stage carriage means a motor vehicle to carry more than 6 passengers excluding the driver. (Gramin sewa, mini bus, Bus) is not subjected to service tax.	
(ii)	Railways	Not taxable railway service	Taxable Railway service.
		Non AC service.	AC coach service.
(iii)	Metro, monorail or tramway is not subjected to service tax.		
(iv)	Inland waterways. (within city) is not subjected to service tax.		
(v)	a.	Public transport, in a vessel (ship) of less than 15 tonne net is not taxable service.	
	b.	Public transport, in a vessel (ship) of atleast 15 tonne net is taxable service.	
	c.	Tourist transport predominantly for tourism purpose in a vessel of any tonne is taxable service. (Cruise, Yacht)	
(vi)	Metered cabs, radio taxis or auto rickshaws is not subjected to service tax.		
	TAXABLE SERVICES NOT COVERED ABOVE		
A.	Airways, Ropeways, Tanga is subjected to service tax unless exempted.		
(p)	TRANSPORT SERVICES OF GOODS : Following services are not subjected to service tax.		
(i)	Transport of goods by Road by any vehicle is not subjected to service tax.	However transport of goods by truck is subjected to service tax.	
		Service by courier agency is subjected to service tax.	
(ii)	By an aircraft or a vessel from a place outside India to the first customs station of landing in India not subject to service tax.		
(iii)	Inland waterways not subject to service tax.		
	TAXABLE SERVICES NOT COVERED ABOVE		
A.	Domestic airways, International airways from India to outside India is subjected to service tax.		
(q)	FUNERAL SERVICES : Funeral, burial, crematorium or mortuary services including transportation of the deceased.		

TERRITORY OF INDIA

S 64. Applicability of service tax

Chapter V of Finance Act 1994 extends to whole of India **except** the State of **Jammu and Kashmir**.

S 65B(52). Taxable Territory

It means the territory to which the provisions of Chapter V of the Finance Act, 1994 apply i.e. whole of India excluding the State of Jammu and Kashmir. As per section 65B(35) territory other than this is Non Taxable Territory.

S 65B(27). India means		
(a)	The territory of the Union of India as referred to in of Article 1 (2) and (3) of the Constitution.	Levy of service tax arises if services are provided in India (taxable territory).
(b)	Its territorial waters (upto 12 nm), continental shelf (it is inside 12 nm), exclusive economic zone (upto 200 nm) or any other maritime zone as defined in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and Other Maritime Zones Act, 1976.	
(c)	The sea-bed and the subsoil underlying the territorial waters.	
(d)	The air space above its territory and territorial waters; and	
(e)	The installations, structures and vessels located in the continental shelf of India; and	
(f)	The exclusive economic zone of India, for the purposes of prospecting or extraction or production of mineral oil and natural gas and supply thereof.	

S 68. Who is assessee under the service tax

Service provider is the assessee.

DUE DATE OF PAYMENT OF SERVICE TAX**S 69 & Rule 6 of Service Tax Rule 1994. Due date of payment of service tax**

		Due date of payment of service tax	
Category 1 Ind / Firm First 50 Lakh receipt payment of service tax on receipt basis.	Individuals & partnership firms whose aggregate value of taxable services (AVTS) provided from one or more premises is upto ₹ 50 lakh rupees in the previous financial year the due dates for payment of service tax on taxable services provided or to be provided by him upto a total of ₹ 50 Lakh in the current financial year, at the option of the service provider, is	<i>Quarterly payment</i>	
		Payment received in quarter	Due date
		April May June	5 / 6 July
		July Aug Sept	5 / 6 Oct
		Oct Nov Dec	5 / 6 Jan
		Jan Feb March	31st March
Category 2 Ind / Firm On 1st April gross receipts exceeds ₹ 50 Lakh payment of service tax on POTR basis.	Individuals & partnership firms whose aggregate value of taxable services provided from one or more premises exceeds upto ₹ 50 lakh in the previous financial year the due dates for payment of service tax on taxable services provided or to be provided by him in the current financial year.	Due date of payment of service tax	
		<i>Quarterly payment</i>	
		Invoice or payment (see POTR)	Due date
		April May June	5 / 6 July
		July Aug Sept	5 / 6 Oct
		Oct Nov Dec	5 / 6 Jan
Category 3 Company Any amount of gross receipts payment of service tax on POTR basis.	Company the due dates for payment of service tax on taxable services provided or to be provided by him in the current financial year.	Due date of payment of service tax	
		<i>Monthly payment</i>	
		Invoice or payment (see POTR)	Due date
		April to Feb	5 / 6 of next month
March	31st March		

Mode of payment of service tax

Cheque	Deemed payment : On the date of presentation of cheque.	Form : GAR 7 Challan
Mandatory E payment	Where an assessee has paid a total service tax of upto ₹ 10 lakh (either by cash or through CENVAT credit), in the preceding financial year	

S 75. Interest on payment of service tax after due date

High value assessee	Other assessee (whose value of taxable service upto ₹ 60 Lakhs during any of the financial years covered by the notice or during the last financial year)	
Rate of interest : 18% p.a.	Rate of interest : 15% p.a.	

S 76. Penalty for delay / failure to pay service tax

₹ 100 for every day during which such failure continues or at the rate of **1% of such tax**, per month, whichever is higher, starting with the first day after the due date till the date of actual payment of the outstanding amount of service tax. Maximum penalty : Shall not exceed 50% of service tax payable.

This penalty can be waived off or reduced if proper cause is shown. S 80.

POINT OF TAXATION RULES 2011

Rule 3 (General Rule)	Point of Taxation		
	1.	If the invoice is issued within 30 days of completions of service then	Date of issue of invoice
2.	If invoice is issued after 30 days of completion of service then	Date of completion of service	

VALUATION

Section 67	(1)	(i)	GAC = Amount paid or payable by the SR in money form. (only cash)
		(ii)	GAC = Value of similar service if payment is made in both cash and kind or only kind.
		(iii)	GAC = Reasonable value where there is difficulty in determining value.
	(2)	GAC deemed to include the amount of service tax.	
	(3)	Advance received is also subjected to service tax even if taxable services is to be rendered.	

Rule 4 of STV Rules	Service provider shall file service tax return. CEO shall on the basis of return satisfy himself as to the accuracy of any information furnished or document presented for valuation.	
	CEO shall issue SCN specifying the amount of service tax payable.	
	The Central Excise Officer shall, determine the value and tax after providing reasonable opportunity of being heard.	

Rule 5 of STV Rules	Inclusion	Service tax is levied on net amount charged. NAC is all expenses or cost incurred in the course of providing taxable service. Note 1 : If assessee is following split up invoice method then NAC is the total amount of consideration consisting of all components of the taxable service.
	Exclusion	The expenditure or costs incurred by the service provider as a pure agent of the recipient of service, shall be excluded from the value of the taxable service. If invoice is raised in the name of service receiver then service provider is treated as pure agent.

Rule 6 of STV Rules	Special Inclusion	The amount realized as demurrage or by any other name whatever called for the provision of service beyond the period originally contracted or in any other manner relatable to the provision of service.
	Special Exclusion	Accidental damages due to unforeseen action not relatable to the provision of service.

COMPOUNDING SCHEME

AIR TRAVEL AGENT	a.	Domestic booking	0.6% of the basic fare.	Basic fare do not include any kind of taxes levied by Govt.
	b.	International bookings	1.2% of the basic fare.	
LIFE INSURANCE	a.	For first year	@ 3% of the gross amount of premium	Not applicable to single premium policy.
	b.	Subsequent year	@ 1.5% of the gross amount of premium	

SALE & PURCHASE OF FOREIGN CURRENCY	S. No.	For an amount	Service tax shall be calculated @
	1.	upto 1,00,000	0.12% of the gross amount of foreign currency exchanged or ₹ 30 whichever is higher.
	2.	Exceeding 1,00,000 & upto 10,00,000	₹ 120 + 0.06% of the gross amount of foreign currency exchanged
	3.	Exceeding 10 Lakhs	₹ 660 + 0.012% of the gross amount of foreign currency exchanged or ₹ 6,000 whichever is lower
PROMOTION OF LOTTERY TICKET	(a)	If the lottery or lottery scheme is one where the guaranteed prize payout is atleast 80%.	₹ 7,000 on every ₹ 10 Lakhs (or part of ₹ 10 Lakhs) of aggregate face value of lottery tickets printed by the organising State for a draw.
	(b)	If the lottery or lottery scheme is one where the guaranteed prize payout is less than 80%	₹ 11,000 on every ₹ 10 Lakhs (or part of ₹ 10 Lakhs) of aggregate face value of lottery tickets printed by the organising State for a draw.

SMALL SERVICE PROVIDER

MEANING	The aggregate value of taxable services rendered by a provider of taxable service from one or more premises, upto ₹ 10 Lakhs in the preceding financial year.
EXEMPTION	then taxable services of aggregate value upto ₹ 10 lakh in any financial year from the whole of the service tax leviable thereon shall be exempt from tax. <u>Meaning of aggregate value</u> : It means the sum total of value of taxable services charged in the first consecutive invoices issued during a financial year.
OTHER POINTS	Exemption is optional.

RETURN OF SERVICE TAX

Who is required to file return	Every service provider should file return of service tax.								
To whom service tax return is required to be filed	To Jurisdictional Superintendent of Central Excise.								
Form	ST 3 in triplicate								
When?	within 25 days of the end of the half year. April to Sept : by 25th Oct. Oct to March by 25th April								
Provisional return	in Form ST 3A								
Can return be revised?	Yes within 90 days from the date of submission of the return.								
Other points	Multiple service Multiple Premises single return is required to be filed. If registration is valid return should be filed even if value of services rendered is nil. E filing of return is mandatory for all assessees								
Late filing fee of return	<table border="1"> <tr> <td>upto 15 days :</td> <td>₹ 500</td> </tr> <tr> <td>16 days to 30 days :</td> <td>₹ 1,000</td> </tr> <tr> <td>beyond 30 days :</td> <td>₹ 1,000 + ₹ 100 per day continues till limit of ₹ 20,000 is reached.</td> </tr> <tr> <td>Maximum Penalty</td> <td>₹ 20,000. This limit will be reached after total delay of 220 days.</td> </tr> </table>	upto 15 days :	₹ 500	16 days to 30 days :	₹ 1,000	beyond 30 days :	₹ 1,000 + ₹ 100 per day continues till limit of ₹ 20,000 is reached.	Maximum Penalty	₹ 20,000. This limit will be reached after total delay of 220 days.
upto 15 days :	₹ 500								
16 days to 30 days :	₹ 1,000								
beyond 30 days :	₹ 1,000 + ₹ 100 per day continues till limit of ₹ 20,000 is reached.								
Maximum Penalty	₹ 20,000. This limit will be reached after total delay of 220 days.								
Penalty for late filing of return	If return of service tax is not filed within prescribed period, penalty is leviable u/s 77(2) which can be upto ₹ 10,000. If late fee is paid, penalty will not be imposed.								

Amendment for CA IPCC MAY 2014 attempt

SURCHARGE FOR PY 2013-14 | AY 2014-15

	Domestic Company	Foreign Company	Firm / LLP	Ind / HUF / AOP / BOI / AJP	Local Authority	Co-operative society
• Total Income exceeds ₹ 1 Cr and upto 10 Cr.	5%	2%	10%	10%	10%	10%
• Total Income exceeds ₹ 10 Cr.	10%	5%	NA	NA	NA	NA

SECTION 2(29C). MAXIMUM MARGINAL RATE OF TAX (MMR)

As per section 2(29C) maximum marginal rate of tax (MMR) is the highest tax incidence levied on different persons including surcharge and education cess + SHEC.

• Firm / LLP (30% + 10% surcharge + 3% education cess)	33.99%
• Domestic Company (30% + 10% surcharge + 3% education cess)	33.99%
• Foreign Company (40% + 5% surcharge + 3% education cess)	43.26%
• Individual/HUF/AOP/BOI/AJP (30% + 10% surcharge + 3% education cess)	33.99%

REBATE U/S 87A

Conditions	Amount of rebate	Other Points
1. Assessee is resident individual.	100% of tax or ₹ 2,000 whichever is lower.	Not available to Non Residents
2. His total income is upto ₹ 5,00,000.		

SECTION 32AC. INVESTMENT ALLOWANCE ON PURCHASE & INSTALLATION OF NEW PLANT & MACHINERY**Conditions**

1. Assessee	Assessee is a company.
2. Nature of business	Assessee company is engaged in the business of manufacture or production of any article or thing.
3. Timing of investment	Assessee acquires and installs new asset on or after 1-4-2013 and upto 31-3-2015.
4. Minimum investment.	Aggregate amount of cost of asset should exceeds ₹ 100 crore.

New Asset : New asset means new plant & machinery but does not include the following assets :

1. Second hand plant & machinery whether was used in India or outside India.	New asset purchased Lock in period 5 years.
2. Any machinery or plant installed in any office premises or any residential accommodation, or guest house.	
3. Any office appliances including computer or computer software.	
4. Any vehicle, ship or aircraft.	
5. Any machinery or plant, where 100% deduction or depreciation is allowed.	

Amount of deduction : If all the above conditions are satisfied then there shall be allowed.

1. for PY 2013-14	A deduction of 15% of aggregate amount of actual cost of new assets acquired and installed during the FY 2013-14 if the cost of such assets exceeds ₹ 100 Crore.
2. for PY 2014-15	A deduction of 15% of aggregate amount of actual cost of new assets acquired and installed during the period beginning on 1-4-2013 and ending on 31-3-2015, as reduced by the deduction allowed for PY 2013-14.

Note : The investment allowance @15% under this section is in addition to the depreciation and additional depreciation allowable under section 32(1). Further, the investment allowance would not be reduced to arrive at the written down value of plant and machinery.

	X Ltd	Y Ltd	Z Ltd
Actual cost of new asset acquired & installed during PY 2013-14	70	150	60
Actual cost of new asset acquired & installed during PY 2014-15	50	50	40

Solution :

Deduction u/s 32AC in the PY 2013-14	Nil	15% of 150 = 22.5	Nil
Deduction u/s 32AC in the PY 2014-15	15% of 120 = 18	15% of 200 – 22.5 = 7.5	Nil

P2: B Ltd., a company engaged in the business of manufacture of sports equipment, furnishes the following particulars pertaining to PY 2013-14 and PY 2014-15. Compute the depreciation allowable under section 32 as well as the investment allowance allowable under section 32AC for AY 2014-15 and AY 2015-16, while computing its income under the head “Profits and gains of business or profession”. Also, compute the written down value of plant and machinery as on 1.4.2014 and 1.4.2015.

S No	Particulars	₹ in Cr
1.	Written down value of plant and machinery (15% block) as on 01.04.2013	25
2.	Sold plant and machinery on 20.5.2013 (15% block)	4
3.	Purchase of second hand machinery (15% block) on 29.5.2013 for business purpose (the machinery was put to use immediately)	12
4.	Purchased new computers (60% block) on 8.11.2013 for office	0.40
5.	Acquired and installed new plant and machinery (15% block) on 31.7.2013 (₹ 50 crore) and on 31.10.2013 (₹ 40 crore)	90
6.	New air conditioners purchased and installed in office premises on 30.6.2013	0.15
7.	Acquired and installed new plant and machinery (15% block) on 2.4.2014	15

Computation of normal and additional depreciation for AY 2014-15

		P & M (15%)	P & M (60%)
Opening WDV as on 1-4-2013		25	Nil
+ Purchases			
• Second hand machinery on 29-5-2013 (Full rate)		12	
• Computer on 8-11-2013 (Half rate)			0.40
• Plant & Machinery on 31-7-2013 (Full rate)		50	
• Plant & Machinery on 31-10-2013 (Half rate)		40	
• AC in office on 30-6-2013 (Full rate)		0.15	
Less : Sale of plant & machinery		(4)	
Closing WDV as on 31-3-2014		123.15	0.40
Less : Depreciation			
• Normal Depreciation	Half rate : 7.5% of 40 = 3	(15.47)	
	Full rate : 15% of 83.15 = 12.4725		
	Half rate : 30% of 0.40 = 0.12		
• Additional Depreciation			
Acquired and installed new P & M (20% of ₹ 50 crore)	10	(14)	
Acquired and installed new P & M (10% of ₹ 40 crore)	4		
Opening WDV as on 1-4-2014		93.68	0.28

Note : Additional depreciation & investment allowance u/s 32AC is not available on

- Second hand machinery.
- New computers for office.
- New AC in office premises.

Computation of normal and additional depreciation for AY 2015-16

	P & M (15%)	P & M (60%)
Opening WDV as on 1-4-2014	93.68	0.28
+ Acquired and installed new plant and machinery (Full rate)	<u>15.00</u>	
Closing WDV as on 31-3-2015	108.68	0.28
Less : Depreciation		
• Normal depreciation	15% of 108.68 =	(16.30)
	60% of 0.28 =	(0.17)
• Additional depreciation (20% of 15)	<u>(3)</u>	
Opening WDV as on 1-4-2015	89.38	0.11

Computation of investment allowance u/s 32AC for AY 2014-15

For the AY 2014-15, the company would not be entitled for investment allowance under section 32AC since the investment in new plant and machinery acquired and installed during the year is only ₹ 90 crores (i.e., less than ₹ 100 crores).

Note : Investment allowance u/s 32AC is not available on

- Second hand machinery.
- New computers for office.
- New AC in office premises.

Computation of investment allowance u/s 32AC for AY 2015-16

Acquired and installed new plant and machinery in AY 2014-15	90 cr
Acquired in plant and machinery in AY 2015-16	<u>15 cr</u>
Total Investment	105 cr
Investment allowance allowed in AY 2014-15	nil
Investment allowance allowed in AY 2015-16 (15% of 105)	15.75 cr

SECTION 36(1)(xvi). DEDUCTION FOR COMMODITIES TRANSACTION TAX PAID IN RESPECT OF TAXABLE COMMODITIES TRANSACTIONS

It provides that an amount equal to the CTT paid by the assessee (seller) in respect of the taxable commodities transactions entered into in the course of his business during the previous year shall be allowable as deduction, if the income arising from such taxable commodities transactions is included in the income computed under the head "Profits and gains of business or profession". Rate of CTT is 0.01%.

SECTION 43(5). MEANING OF SPECULATIVE TRANSACTIONS

As per clause (e) trading in commodity derivatives will not be considered as a speculative transaction if carried out electronically on screen based systems.

SECTION 40(a)(ii). DISALLOWANCE OF ROYALTY, LICENCE FEE, SERVICE FEE ETC. LEVIED EXCLUSIVELY ON STATE GOVERNMENT UNDERTAKINGS BY THE STATE GOVERNMENT

State Governments levy privilege fee, license fee, royalty, etc. exclusively on its undertakings. State Government undertakings are separate legal entities than the State and are liable to income-tax. The issue is whether such fees, royalty etc. are deductible while computing the business income of such undertakings.

In order to protect the tax base of State Government undertakings vis-à-vis exclusive levy of fee, charge, etc. or appropriation of amount by the State Governments from its undertakings, to provide that –

- (1) Any amount paid by way of royalty, licence fee, service fee, privilege fee, service charge, etc., which is levied exclusively on, or
- (2) Any amount appropriated, directly or indirectly,

from a State Government undertaking, by the State Government, shall not be allowed as deduction while computing the income of such undertakings under the head "Profits and gains of business or profession".

SECTION 43CA. FULL VALUE OF CONSIDERATION IN CASE OF TRANSFER OF IMMOVABLE PROPERTY W.E.F 1-4-2013

Where the consideration on transfer of land or building (other than capital asset) is less than the value adopted or assessed or assessable by any stamp valuation authority for the purpose of payment of stamp duty, the value so adopted shall be deemed to be the full value of the consideration. (Similar to section 50C)

Note : The Stamp Duty Value shall be seen on the date of agreement and not the date of registration if consideration or its part is paid in **cheque** before the date of agreement.

Question

S N	Date of transfer	Actual consideration	Stamp duty value on the date of agreement	Stamp duty value on the date of registration
1.	28-3-2013	₹ 150	₹ 180 1-7-2012	₹ 300 1-2-2013
2.	28-6-2013	₹ 150 (Received ₹ 20 lakhs by cheque on 1-8-2012)	₹ 180 1-10-2012	₹ 300 1-6-2013
3.	28-6-2013	₹ 150 (Received ₹ 20 lakhs by cash on 1-8-2012)	₹ 180 1-10-2012	₹ 300 1-6-2013
4.	30-3-2014	₹ 150 (Full amount received on the date of registration).	₹ 180 2-5-2013	₹ 300 1-3-2014

Solution

S N	Full value of consideration	Provision
1	₹ 150	S 43CA not applicable since date of transfer is before 1-4-2013.
2	₹ 180	Stamp duty value on the date of agreement to be adopted as full value of consideration since amount is paid through cheque.
3	₹ 300	Stamp duty value on the date of registration to be adopted as full value of consideration since amount is paid in cash.
4	₹ 300	Stamp duty value on the date of registration to be adopted as full value of consideration since full payment is made on the date of registration.

NEW LIMITS OF AREA DEFINED TO DETERMINE WHETHER AGRICULTURAL LAND IS SITUATED IN RURAL AREA OR URBAN AREA

Agricultural Land is situated in urban area if agricultural land is

- (A) Any area within the jurisdiction of Municipality / Cantonment board; or
(B) In any area within the distance, measured aerially (shortest aerial distance)

URBAN AREA	Population (as per latest census)	Distance (Straight distance as crows flies)
(i)	more than 10,000 and upto 1,00,000	2 k.m.
(ii)	more than 1,00,000 and upto 10,00,000	6 k.m.
(iii)	exceeds 10,00,000	8 k.m.

from the local limits of any municipality or cantonment board.

Section 2(14). Capital Asset	Section 2(1A). Defines Agricultural Income
Agricultural Land situated in rural area is not treated as capital asset. Rural area is other than urban area. Urban area is defined above.	<p>Earlier position : Any income derived from any building which is used for agricultural purpose and is situated in the immediate vicinity of the agricultural land.</p> <p>New Position : If the land is situated within the new limits specified above, the income from building which is situated on such land would not be treated as agricultural income.</p>

SECTION 56(2)(vii). GIFTS / SALE AND PURCHASE OF IMMOVABLE PROPERTY

Where an individual or a Hindu undivided family receives, in any previous year, from any person or persons on or after the 1-10-2009, any immovable property (being a capital asset),

(i)	<u>without consideration</u> (Gift),	the stamp duty value of which exceeds ₹ 50,000, the stamp duty value of such property is taxable under the head 'Other Sources'
(ii)	for a consideration (purchase price) which is less than the stamp duty value of the property by an amount exceeding ₹ 50,000	the stamp duty value of such property as exceeds such consideration is taxable u/h 'Other Sources'. (Stamp duty value – purchase price = exceeds 50,000, difference amount taxed u/s 'OS')

Note : The Stamp Duty Value shall be seen on the date of agreement and not the date of registration if consideration or its part is paid in **cheque** before the date of agreement.

DIFFERENCE

	Section 43CA	Section 50C	Section 56(2)(vii)
<i>Tax treatment in the hands of</i>	<i>Seller</i>	<i>Seller</i>	<i>Buyer</i>
<i>Assets held as</i>	Stock in trade	Capital Asset	Capital Asset
<i>Income charged under the head?</i>	Business	Capital Gain	Other Sources
<i>What is amount of income?</i>	The Stamp Duty Value as on date of agreement if consideration or its part is paid in cheque before the date of agreement. But if payment is not made or payment is made in cash then Stamp Duty value as on date of registration.	The Stamp Duty Value shall be seen on the date of registration. Therefore Stamp duty value as on date of agreement is ignored in every case.	The Stamp Duty Value as on date of agreement if consideration or its part is paid in cheque before the date of agreement. But if payment is not made or payment is made in cash then Stamp Duty value as on date of registration.

P1 : Mr. X, a property dealer, sold a building in the course of his business to his friend Mr. Y, who is a dealer in automobile spare parts, for ₹ 90 lakh on 1.1.2014, when the stamp duty value was ₹ 150 lakh. The agreement was, however, entered into on 1.7.2013 when the stamp duty value was ₹ 140 lakh. Mr. X had received a down payment of ₹ 15 lakh by cheque from Mr. Y on the date of agreement. Discuss the tax implications in the hands of Mr. X and Mr. Y, assuming that Mr. X has purchased the building for ₹ 75 lakh on 12-7-2012. Would your answer be different if Mr. X was a share broker instead of a property dealer?

Solution

	Sale Consideration	Stamp duty value
Date of sale (registration) as on 1-1-2014. Purchase price on 12-7-2012 ₹ 75 L	₹ 90 L	₹ 150 L
Date of agreement as on 1-7-2013. Received ₹ 15 L in cheque.	NA	₹ 140 L

	Section 43CA	Section 50C	Section 56(2)(vii)
<i>Tax treatment in the hands of</i>	<i>Mr. X</i>	<i>Mr. X</i>	<i>Mr. Y</i>
<i>Assets held as</i>	Stock in trade	Capital Asset	Capital Asset
<i>Income charged under the head?</i>	Business	Capital Gain	Other Sources
<i>What is amount of income?</i>	140 – 75 = 65 L	150 – 75 = 75 L	140 – 90 = 50 L

DEDUCTION

	Provisions	Policies issued on or after 1-4-2012 till 31-3-2013	Policies issued on or after 1-4-2013
10(10D)	Any sum received under a LIP including the sum allocated by way of bonus is exempt. However, exemption would not be available if the premium payable for any of the years during the term of the policy exceeds of "minimum capital sum assured" under the policy on the happening of the insured event at any time during the term of the policy.	10%	<u>Disabled person</u> 15% <u>Others</u> 10%
80C	Only premium paid to the extent of of "minimum capital sum assured" qualifies for deduction u/s 80C.	10%	<u>Disabled person</u> 15% <u>Others</u> : 10%

SECTIONS 80CCG. DEDUCTION FOR INVESTMENT UNDER EQUITY SAVING SCHEME

- Who can claim deduction** : Any **resident Individual** who is a **new retail investor** and whose gross total income do not exceed **₹ 12 Lakhs**.
- Nature of investment**: Acquiring listed equity shares or units of equity oriented fund in accordance with Rajiv Gandhi Equity Saving Scheme 2012. Lock in period 3 years.
- Amount of deduction allowed** : 50% of amount invested in the specified scheme or ₹ 25,000 whichever is lower shall be allowed for 3 consecutive AY's, beginning with AY relevant to the PY in which such investment was first made.

	Mr. X resident			Mr. Y resident		
	11,25,000	11,15,000	12,50,000	10,50,000	13,00,000	11,00,000
Gross Total Income	11,25,000	11,15,000	12,50,000	10,50,000	13,00,000	11,00,000
Previous Year	13-14	14-15	15-16	13-14	14-15	15-16
Investment in listed equity shares	20,000	45,000	32,000	25,000	-	30,000
Investment in units of equity-oriented fund	40,000	-	11,000	15,000	40,000	25,000
				sold within 3 years		
Total investment	60,000	45,000	43,000	40,000	40,000	55,000
Deduction u/s 80CCG 50% of investment or ₹ 25,000 whichever is lower if GTI is upto ₹ 12 L.	₹ 25,000	₹ 22,500	NA since GTI exceeds ₹ 12 L	20,000	NA since GTI exceeds ₹ 12 L	25,000

Note 1: 80CCG provides a lock in period of atleast 3 years to claim deduction. In this case units of equity oriented fund is transferred within 3 years. Whatever deduction which was claimed earlier is charged under the head Income from Other Sources. In this case it is ₹ 7,500. (50% of ₹ 15,000). No deduction was claimed for ₹ 40,000 therefore no question of withdrawal.

Note 2 : Profit on transfer of units of equity oriented fund is either LTCG STT paid or STCG STT paid. LTCG STT paid is exempt u/s 10(38). STCG STT paid is charged @ 15% flat.

SECTION 80D. CONTRIBUTION TOWARDS HEALTH INSURANCE PREMIUM

Section 80D has been amended in order to bring other health schemes of the Central and State Governments (which are similar to the CGHS but for which no deduction is presently available under the Income-tax Act, 1961 to the subscribers of such schemes) at par with CGHS.

SECTION 80EE. ADDITIONAL DEDUCTION OF INTEREST UPTO ₹ 1,00,000 FOR FIRST TIME HOME BUYERS

Conditions

1. Assessee is individual. Residential status is no bar.
2. The assessee has taken loan for purchase or construction of new residential house property.
3. Loan should be taken from banks or financial institution.
4. The loan is sanctioned during the financial year 2013-14. Ignore date of making of application of loan.
5. Amount of loan sanction is upto ₹ 25 Lakhs.
6. The purchase price of residential house is upto ₹ 40 Lakhs.
7. Assessee do not own any residential house property on the date of sanction of the loan. However house may be owned by spouse or child or HUF or other family members this shall not be treated as disqualification. The assessee shall not be treated as deemed owner as per section 27 for section 80EE.
8. The first house may be purchased at any date i.e, even before the date of sanction of loan.

Amount of deduction. : One time deduction of interest payable not exceeding ₹ 1,00,000 shall be allowed in PY 2013-14. If interest payable is less than 1,00,000 then balance interest deduction can be claimed in PY 2014-15.

P1 : Compute interest allowed as deduction u/s 24b and u/s 80EE.

	PY 13-14	PY 14-15	PY 15-16
Actual interest	1,90,000	2,50,000	1,80,000

Solution

Deduction u/s 24b. Allowed from Net Annual Value.	1,50,000	1,50,000	1,50,000
Deduction u/s 80EE. Allowed from Gross Total Income.	40,000	60,000	NA

P2 : Mr. A purchased a residential house property for self-occupation at a cost of ₹ 30 lakh on 1-6-2013, in respect of which he took a housing loan of ₹ 24 lakh from Bank of India @ 11% p.a. on the same date. Compute the eligible deduction in respect of interest on housing loan for AY 2014-15 and AY 2015-16 under the provisions of the Income-tax Act, 1961, assuming that the entire loan was outstanding as on 31-3-2015 and he does not own any other house property.

Solution

	PY 13-14	PY 14-15	PY 15-16
Actual interest (see note)	2,20,000	2,64,000	2,64,000
Deduction u/s 24b. Allowed from Net Annual Value.	1,50,000	1,50,000	1,50,000
Deduction u/s 80EE. Allowed from Gross Total Income.	70,000	30,000	NA

Note :

$\frac{11\% \text{ of } 24,00,000 \times 11}{12} = 2,20,000$	$\frac{11\% \text{ of } 24,00,000 \times 12}{12} = 2,64,000$
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SECTION 80G. DONATIONS

Name of fund	Deduction allowed
1. <i>National Defence Fund.</i>	100% (Earlier 50%)

CASH DONATIONS TO POLITICAL PARTIES AND ELECTORAL TRUSTS NOT TO QUALIFY FOR DEDUCTION UNDER SECTION 80GGB & SECTION 80GGC

A proviso has been inserted in both these sections to provide that no deduction shall be allowed thereunder in respect of any sum contributed by way of cash. Thus, henceforth, cash donations to political parties and electoral trusts would not qualify for deduction under section 80GGB and section 80GGC.

SECTION 194IA. TDS ON TRANSFER OF IMMOVABLE PROPERTY (OTHER THAN AGRICULTURAL LAND) W.E.F. 1-6-2013

1. **Tax Deducter:** Any person who is buyer of the property. (no need of having TDCAN).
2. **When to deduct tax at source:** At the time of credit of such sum to the account of the transferrer or at the time of payment of such sum in cash or by issue of cheque or draft or by any other mode, whichever is earlier.
3. **Rate of TDS:** It is 1% of the payment.
4. **No TDS:** If purchase price is less than ₹ 50,00,000.

P1: Mr. X sold his house property in Bangalore as well as his rural agricultural land for a consideration of ₹ 60 lakh and ₹ 15 lakh, respectively, to Mr. Y on 1.8.2013. He has purchased the house property and the land in the year 2011 for ₹ 40 lakh and ₹ 10 lakh, respectively. The stamp duty value on the date of transfer, i.e. 1.8.2013, is ₹ 85 lakh and ₹ 20 lakh for the house property and rural agricultural land, respectively. Determine the tax implications in the hands of Mr. X and Mr. Y and the TDS implications, if any, in the hands of Mr. Y, assuming that both Mr. X and Mr. Y are resident Indians.

Solution

Mr. X (Seller)			Mr. Y (Buyer)		
	House Property	Rural Agricultural land		House Property	Rural Agricultural land
Sale consideration as on 1-8-2013	₹ 60 L	₹ 15 L	Purchase price as on 1-8-2013	₹ 60 L	₹ 15 L
Purchase price in 2011	₹ 40 L	₹ 10 L	Stamp duty value as on 1-8-2013	₹ 85 L	₹ 20 L

Tax treatment in the hands of Mr. X

	House Property	Rural Agricultural land
Full value of consideration u/s 50C	₹ 85 L	Not a capital asset therefore no capital gain arises.
Less : Cost of acquisition	₹ 40 L	
Short Term Capital Gain	₹ 45 L	

Tax treatment in the hands of Mr. Y

Section 56(2)(vii) is applicable. Purchase of immovable property for less than stamp duty value. Difference exceeds ₹ 50,000. Therefore this difference taxed under the head Income from Other Sources. ₹ 85 L – ₹ 60 L = ₹ 25 L is charged under the Income from Other Sources.

Since agricultural land is not a capital asset, the provisions of section 56(2)(vii) are not attracted in respect of receipt of agricultural land for inadequate consideration, since the definition of “property” under section 56(2)(vii) includes only capital assets specified thereunder.

TDS implications in the hands of Mr. Y

Since the sale consideration of house property exceeds ₹ 50 lakh, Mr. Y is required to deduct tax at source under section 194IA. The tax to be deducted under section 194-IA would be ₹ 60,000, being 1% of ₹ 60 lakh. TDS provisions under section 194-IA are not attracted in respect of transfer of rural agricultural land.

SECTION 139(9). RETURN OF INCOME FILED WITHOUT PAYMENT OF SELF-ASSESSMENT TAX (ALONG WITH INTEREST) UNDER SECTION 140A CONSIDERED DEFECTIVE WEF 1-6-2013

Earlier by way of circular section 139(9) was made ineffective. But a new problem arose. Quite a few assessee file their returns of income without payment of self-assessment tax therefore clause (aa) has been inserted in the Explanation to section 139(9) to provide that the return of income shall be regarded as defective unless the tax together with interest payable in accordance with the provisions of section 140A has been paid on or before the date of furnishing of the return.

Assessing Officer may intimate the defect to the assessee and give him an opportunity to rectify the defect within a period of **15 days** or such further period which the Assessing Officer may allow at his discretion on an application made in this behalf by the assessee.

If the defect is not rectified within the time allowed by the Assessing Officer, the return is treated as an invalid return. It would be deemed as if the assessee had failed to furnish the return.

CIRCULARS 5/2012 DATED 1-8-2012

Inadmissibility of expenses incurred in providing freebies to medical practitioner by pharmaceutical and allied health sector industry
As per explanation to section 37(1) if any expenses, has been incurred for a purpose which is either an offence or prohibited by law then deduction of expenses not allowed.
Now the claim of any expense incurred in providing freebies to medical practitioner is in violation of the provisions of Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002. Therefore the expenditure so incurred shall be inadmissible under section 37(1) being an expense prohibited by the law.
Tax treatment in the hands of payer : The disallowance shall be made in the hands of that assessee which has provided aforesaid freebies.
Tax treatment in the hands of receiver : Also value of freebies enjoyed by the medical practitioner is also taxable as business income or income from other sources, depending on the facts of each case

SECTION 66D. NEGATIVE SERVICE

CLAUSE (I). EDUCATION SERVICES

Services by way of—

- (i) pre-school education and education up to higher secondary school (+ 2) or equivalent.
- (ii) education as a part of a curriculum (syllabus) for obtaining a qualification recognised by any law for the time being in force. (Graduate or post graduate courses / ICAI / ICSI / ICMAI)
- (iii) education as a part of an approved vocational education course. (Direct Job courses)

•	Course run by an industrial training institute (ITI) or industrial training centre (ITC) affiliated to the National Council for Vocational Training offering courses in designated trades as notified under the Apprentices Act, 1961
•	Modular Employable Skill Course approved by National Council of Vocational Training .
•	Course run by an industrial training institute (ITI) or industrial training centre (ITC) affiliated to the State Council for Vocational Training offering courses in designated trades as notified under the Apprentices Act, 1961
•	a course run by an institute affiliated to the National Skill Development Corporation set up by the Government of India: (deleted)

		Prior to 10-5-2013	w.e.f. 10-5-2013
1.	Courses offered by ITI/ITC affiliated to State Council of Vocational Training	Taxable	Not taxable
2.	Courses offered by ITI/ITC affiliated to National Council of Vocational Training	Not taxable	Not taxable
3.	Modular Employable Skill Course	Not taxable	Not taxable

4.	Courses run by an institute affiliated to the National Skill Development Corporation	Not taxable	Taxable
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P1 : Comment on the applicability of service tax in case of vocational educational courses (VEC) run by the following institutes during the month of February, 2013 and June, 2013:

(a)	'Udaan' an industrial training institute (ITI) affiliated to the National Council for Vocational Training (NCVT).
(b)	'A-Star' a vocational education provider affiliated to Sector Skill Council formed under National Skill Development Corporation (NSDC).
(c)	'Best Skill Centre' an industrial training centre (ITC) affiliated to the State Council for Vocational Training, Delhi.
(d)	'Horizon', an institute, registered with Directorate General of Employment and Training (DGET), Union Ministry of Labour and Employment, running a Modular Employable Skill Course (MESOC) approved by the National Council of Vocational Training.

Ans : Not taxable; Taxable; Not taxable; Not taxable

CLAUSE (f). PROCESS AMOUNTING TO MANUFACTURE

Any process amounting to manufacture or production of goods not subjected to service tax.

Section 65B(40). Meaning of process amounting to manufacture or production of goods

It means a process on which duties of excise are leviable under section 3 of the Central Excise Act, 1944 or any process amounting to manufacture of alcoholic liquors for human consumption, opium, Indian hemp and other narcotic drugs and narcotics on which duties of excise are leviable under any State Act for the time being in force. Also process amounting to manufacture under the Medicinal & Toilet Preparations (Excise Duties) Act, 1955.

P1 : State whether following activities undertaken by M & M Manufacturers at Chandigarh would be liable to service tax during April, 2013 and June, 2013:

(i)	Manufacture of herbal cosmetics liable to excise duty under the Central Excise Act, 1944.
(ii)	Manufacture of alcoholic drinks liable to excise duty under the Punjab Excise Act, 1914.
(iii)	Processing of raw materials to make them fit for further production. The process is not liable to any excise duty.
(iv)	Manufacture of medicines liable to excise duty under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955.

Ans : Not taxable; not taxable; taxable; not taxable

CLAUSE (d). SERVICES RELATING TO AGRICULTURE

ALL testing activities including seed testing directly related to production of any agricultural produce not liable to service tax [Section 66D(d)(i)] [Effective from 10.05.2013]

Erstwhile position	Earlier, sub-clause (i) of section 66D(d) [Negative list of services], inter alia, included only the "seed testing" directly related to production of any agricultural produce. Consequently, other type of testing activities directly related to production of any agricultural produce like soil testing, animal feed testing, testing of samples from plants or animals, for pests and disease causing microbes etc. became liable to service tax.
New position	The Finance Act, 2013 has expanded the scope of the said negative list entry by deleting the word "seed". As a result, all types of testing activities which are directly related to production of any agricultural produce have been covered under the negative list.

(i)	Supply of farm labour	58,000
(ii)	Warehousing of biscuits	1,65,000
(iii)	Sale of rice on commission basis	68,000
(iv)	Training of farmers on use of new pesticides and fertilizers	10,000
(v)	Renting of vacant land to a stud farm	1,31,500
(vi)	Testing undertaken for soil of a farm land	1,21,500
(vii)	Leasing of vacant land to a poultry farm	83,500

Compute the service tax liability of WOW Agro for the month of June, 2013. Assume that the point of taxation in respect of all the activities mentioned above falls in the month of June, 2013 itself. WOW Agro has paid service tax of ₹ 6,18,000 during the Financial Year 2012-13.

Solution

(i)	Supply of farm labour	not taxable
(ii)	Warehousing of biscuits	1,65,000
(iii)	Sale of rice on commission basis	Not taxable
(iv)	Training of farmers on use of new pesticides and fertilizers developed through scientific research	Not taxable
(v)	Renting of vacant land to a stud farm	1,31,500
(vi)	Testing undertaken for soil of a farm land	Not taxable
(vii)	Leasing of vacant land to a poultry farm	Not taxable
	Net amount charged	2,96,500
	+ Service tax @ 12%	35,800
	+ Education cess @ 2%	7,116
	+ SHEC @ 1%	<u>3,558</u>
	Gross amount charged	<u>3,33,086</u>

Exemptions

10(10D)	Any sum received under a life insurance policy. However any sum received under a keyman insurance policy is taxable.	
	To take advantage of S 10(10D) the policies which were originally taken as keyman insurance policy were subsequently assigned to the keyman during the term of the policy, who paid the remaining premium on such policies. The sum received by the keyman in respect of such policies were being claimed as exempt under section 10(10D) on the ground that the policy is no longer a keyman insurance policy.	
	<p>Explanation 1 to section 10(10D). Insertion</p> <p>To prevent this tax avoidance “keyman insurance policy” includes a keyman insurance policy which has been assigned to any person during its term, with or without consideration. Therefore, such policies shall continue to be treated as a keyman insurance policy even after the same is assigned to the keyman. Therefore exemption u/s 10(10D) not available. Such sum is taxable.</p>	
10(23DA)	Exemption of any income of a securitization trust from the activity of securitization is exempt. Securitization trusts are special purpose entities set up in the form of trust to undertake securitization activities.	
10(23ED)	Exemption of income of Investor Protection Fund set up by depositories. Now there is a compulsory requirement for depositories to set up an Investor Protection Fund.	
10(23EA)	Income by way of contributions from a recognised stock exchange received by a Investor Protection Fund set up by the recognised stock exchange is exempt from taxation.	
10(23FB)	Certain Alternative Investment Funds (AIFs) recognized by SEBI to enjoy “pass-through” status, subject to satisfying certain conditions.	
	It exempts any income of a Venture Capital Company (VCC) or Venture Capital Fund (VCF) from investment in a Venture Capital Undertaking (VCU).	
	In effect a tax pass through status (i.e. income is taxable in the hands of investors instead of VCF/VCC).	
10(34A) w.e.f 1-6-2013	Exemption of income received by an investor on account of buy-back of unlisted shares of a domestic company	
	<i>Tax treatment of Dividend on shares of Indian Company</i>	
	<u>In the hands of shareholders</u> Exempt in the hands of shareholders is exempt u/s 10(34)	<u>In the hands of Company</u> Company is required to pay dividend distribution tax u/s 115O.
	<i>Buyback of shares by company</i>	
	<u>In the hands of shareholders</u> Taxable as capital gains u/s 46A.	<u>In the hands of Company</u> Company is not required to pay dividend distribution tax u/s 115O.
	<p>In order to discourage the practice of domestic companies resorting to buy back of unlisted shares instead of payment of dividends in order to avoid payment of DDT, especially if the capital gains arising to the shareholders are either not chargeable to tax or are taxable at a lower rate.</p> <p>A new Chapter XIID comprising of sections 115QA, 115QB and 115QC, has been inserted with effect from 1st June, 2013 to levy additional income-tax on buy back of such shares by domestic companies.</p> <p>The income arising to the shareholders in respect of such buy back of unlisted shares by the domestic company would be exempt under section 10(34A) w.e.f. A.Y.2014-15, where the company is liable to pay the additional income-tax on the buy-back of shares.</p>	
10(48)	Scope of exemption of income received in India in Indian currency by a foreign company expanded.	
	Earlier any income received in India in Indian currency by a foreign company on account of sale of crude oil to any person in India.	
	Now Central Govt. can notify sale of any other goods or rendering of services to be exempt u/s 10(48).	
10(49)	Exemption in respect of income of National Financial Holdings Company Ltd.	
	(i)	The Specified Undertaking of Unit Trust of India (SUUTI) was created which was eligible for exemption from income-tax in respect of its income up to 31-3-2014.
	(ii)	Consequent to winding up of SUUTI and its succession by a new company wholly owned by the Central Government i.e., National Financial Holdings Company Limited (NFHCL). Any income accruing or arising to NFHCL on or before 31.03.2014 or the income received by NFHCL on or before the said date shall be exempt.