

AY 2016-17

Fast Track Quick Revision  
**INCOME TAX**

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Chapter	Sections	Revision Time	Page	
1	Basic Concepts	1 to 4	10 minutes	1
	• Slab Rate			
	• Which finance act is applicable for my exam			
	• How to memorise income tax sections			
	• Making of Law			
	• Constitution of India & Income tax			
	• How to subtract 2 dates in your mind			
	Residential Status	5 to 9	20 minutes	2 & 3
3	Income from Salaries	15 to 17	40 minutes	4 to 8
4	Income from House Property	22 to 27	20 minutes	9 to 11
5	Depreciation	32 & 50	15 minutes	12
6	Profits & Gains from Business or Profession	28 to 44D	50 minutes	13 to 16
7	Capital Gains	45 to 55A	25 minutes	17 to 19
8	Income from Other Sources	56 to 59	10 minutes	20 & 21
9	Clubbing of Income	60 to 65	10 minutes	22 & 23
10	Set off & Carry forward of losses	70 to 80	15 minutes	24 & 25
11	Deductions from Gross Total Income	80C to 80U	25 minutes	26 to 28
12	Rates of Tax		15 minutes	29
13	Agricultural Income	2(1A) & 10(1)	15 minutes	30
14	Assessment of firm	184	10 minutes	31
15	Assessment of charitable trusts	11 to 13A	15 minutes	32
16	Tax deducted at Source	190 to 197	25 minutes	33 to 35
17	Advance Tax	207 to 211	10 minutes	36
18	Interest payable by assessee	234A, B & C	10 minutes	37
19	Return of Income	139A to 140A	20 minutes	38 & 39
20	Revise entire income tax		15 minutes	40
21	Mixed Topics		35 minutes	41 to 43

<h1 style="margin: 0;">1</h1> <h2 style="margin: 0;">Basic Concepts</h2> <p style="margin: 0;"><i>Section 1 to 4</i></p>	Never Say Die			Did you memorise? If No then you must memorise within 24 hours
	Revision Time :	1 <sup>st</sup> revision		
	10 minutes	2 <sup>nd</sup> revision		
	Your time of revising & memorising -->	3 <sup>rd</sup> revision		
		4 <sup>th</sup> revision		

### Concept of Income

Revenue receipt	Every revenue receipt is derived from 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(9)	<b>Assessment Year</b>	means the period of 12 months commencing on the 1st day of April every year. (AY = FY in which tax is paid)	
S 3	<b>Previous year</b>	means the financial year immediately preceding the assessment year. (PY = FY in which income is earned)	
	<b>Exceptions to PY Income of the PY taxable in the PY itself instead of AY</b>	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)	<b>Person</b>	includes Individual; HUF; Company; Firm; AOP (Society); Local Authority; AJP (University)	
S 2(7)	<b>Assessee</b>	Person who pays tax, interest or penalty, Any proceeding undertaken; a deemed assessee; a person who is in default.	
S 2(24)	<b>Income</b>	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.

<h1 style="margin: 0;">2</h1> <h2 style="margin: 0;">Residential Status</h2> <p style="margin: 0;"><i>Section 5 to 9</i></p>	Good things take time			
	Revision Time : 20 minutes	1 <sup>st</sup> revision		Did you memorise? If No then you must memorise within 24 hours
		2 <sup>nd</sup> revision		
	Your time of revising & memorising -->	3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

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
<b>Resident</b>		<b>Non Resident</b>			<b>R-OR</b> <b>R-NOR</b>

S 6(1) & 6(6). Determination of Residential Status of Individual.					
<b>S 6(1)</b>	<b>Basic Condition</b>				
<b>If an Individual is present in India</b>					
(a)	for period or periods of atleast 182 days in the relevant PY; or	}	Satisfies any one basic condition	Resident in India.	
(b)	for atleast 60 days in the relevant PY & atleast 365 days in last 4 years immediately preceding the relevant PY.		Do not satisfies any basic condition	Non Resident in India.	
<b>Exceptions-check only 182 days</b>					
(a)	If an <b>Indian Citizen</b> leaves India for the purpose of <b>employment</b> or leaves India as a crew member of Indian Ship.				
(b)	If an <b>Indian Citizen</b> or <b>Person of Indian Origin</b> comes to India on a <b>visit</b> from outside India.				
As per explanation to S 115C(e) A Person is said to be of Indian Origin if he himself or his Parents / Grandparents are borne in undivided India. Check date of birth should be before 15-8-1947 and place of birth is in India, Pakistan or Bangladesh.					
<b>S 6(6)</b>	<b>Additional Condition</b>				
(a)	Resident in India for atleast 2 years in last 10 years immediately preceding the relevant PY; <b>and</b>	}	If satisfies <b>both</b> the Additional Condition then RS is R-OR otherwise R-NOR.		
(b)	Present in India for atleast 730 days in last 7 years immediately preceding the relevant PY.				

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(3)	Foreign Company		
S 6(4)	Local authority / AJP		
		<b>Resident</b>	<b>Non-Resident</b>

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

### S 5. Incidence of tax

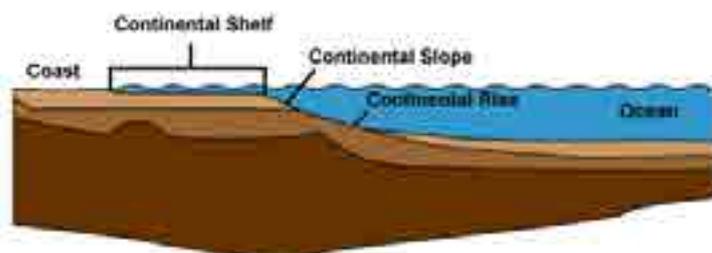
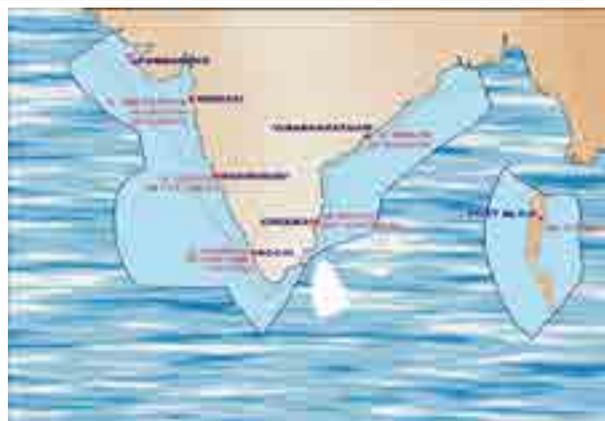
		R-OR	R-NOR	NR
1.	Income which accrues or arise in India. <b>(Indian Income)</b>	Taxable	Taxable	Taxable
2.	Income which accrues or arise outside India. <b>(Foreign Income)</b>	Taxable	Not Taxable. However in case of	Not Taxable but if income is received in India then taxable.
			Business Income	Professional 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)	<ul style="list-style-type: none"> <li>Income from Business Connection.</li> </ul> <p>Business outside India and part activity of business carried out in India.</p> <p>Also called permanent establishment or territorial nexus.</p> <ul style="list-style-type: none"> <li>Assets located in India.</li> </ul>	<p>Exceptions to the Business Connection.</p> <table border="1"> <tbody> <tr> <td>a.</td> <td>All operation not carried out in India.</td> </tr> <tr> <td>b.</td> <td>Purchase for export.</td> </tr> <tr> <td>c.</td> <td>Collection of news.</td> </tr> <tr> <td>d.</td> <td>Shooting of film in India by foreign citizen.</td> </tr> </tbody> </table>	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.
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.									
(ii)	Services rendered in India by any person.									
(iii)	Services rendered outside India by Indian Citizen. Employer is Govt. of India. However as per S 10(7) allowances and perquisites are exempt from tax. Only basic salary is taxable.									
(iv)	Dividend from Indian Company. However it is exempt from tax u/s 10(34)									
(v)	Interest on Loan which is used in India.	If interest, royalty or FTS is <b>payable by Govt. of India</b> then such income deemed to accrue or arise in India whether there is business connection or not.								
(vi)	Royalty from knowledge which is used in India.									
(vii)	Fees from technical services where technical agreement is implemented in India.									

**Section 2(25A).** India includes territorial waters of India, its continental shelf, air space above territorial waters and exclusive economic zone.

Oil Rig



Person of Indian Origin

<h1 style="margin: 0;">3</h1> <h2 style="margin: 0;">Income from Salaries</h2> <p style="margin: 0;">Section 15 to 17</p>	If not now, when			Did you memorise? If No then you must memorise within 24 hours
	Revision Time : 40 minutes	1 <sup>st</sup> revision		
	Your time of revising & memorising -->	2 <sup>nd</sup> revision		
		3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

### 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 increased with retrospective effect.
	However all prerequisites are taxable on provided basis. But LIP on due basis, Re-imburement on paid basis.			

### Allowances = Cash + Particular Purpose + Fixed

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

<b>Fully Taxable Allowances (SCOPE DRAFT)</b>	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

<b>Special Allowances</b>	Part 1 exemption	Amount spend towards official or specified purpose.			Part 2 exemption	Amount as specified in Income Tax Rules.
	<b>THAR DUCT</b>				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.

<b>Partially exempted Allowances (HRA)</b>	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 to gross salary 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. [17(2)(iii)]		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
	<b>Owned by employer</b>	7.5% of AS is taxable	10% of AS is taxable	15% of AS is taxable
	<b>Hired by employer</b>	'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. AS do not include 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 if transferred from one city to another city.				

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 <b>paid</b> 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.

<b>L</b>	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.						
<b>G</b>	Gifts	in Kind	upto ₹ 5,000 is exempt from tax.							
		in cash	fully taxable. It is bonus taxable on receipt basis.							
<b>M</b>	Meal Facility	Own canteen	Meals provided during office hours at office premises.	Taxable	Cost to the employer					
			Exempt	upto ₹ 50 per meal						
		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"> <li>• Tea or snacks fully exempt from tax.</li> <li>• Meal provided in remote area or off shore installation fully exempt from tax.</li> </ul>									
<b>H</b>	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.							
<b>C</b>	Credit Card Facility	Personal Purpose	Amount paid / re imbursed is taxable							
		Official Purpose	Exempt. Proper record has to be maintained for claiming exemption.							
<b>C</b>	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.						
<b>E</b>	ESOP	FMV on exercise date less recovery is taxable.								
<b>A</b>	Approved Superannuation Fund	ER's contribution in excess of ₹ 1,00,000 is taxable.								
<b>Category B Perquisites. [GET MSc]. Taxable only in case of Specified EE on provided basis.</b>										
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										
<b>G</b>	Gas/ Electricity / Water facility	Own	Manufacturing cost per unit is taxable							
		Purchase from outside agency	Cost to the employer is taxable							
<b>E</b>	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 u/s 10(16)		Training of employee is exempt.					
<b>T</b>	Transport Facility	Railways / Airline			Exempt					
<b>M</b> (m e d i c a l)	1.	Employer's Own Hospital	Fully exempt.		<b>Family members :</b> <table border="1"> <tr> <td><b>Box 1</b></td> <td><b>Box 2</b></td> </tr> <tr> <td>Self, Spouse &amp; children (dependent / not dependent)</td> <td>Parents, Brother &amp; Sister (only dependent)</td> </tr> </table>		<b>Box 1</b>	<b>Box 2</b>	Self, Spouse & children (dependent / not dependent)	Parents, Brother & Sister (only dependent)
	<b>Box 1</b>	<b>Box 2</b>								
	Self, Spouse & children (dependent / not dependent)	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.								
<b>S</b>	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	1,800 p.m. taxable	
						Exceeds 1600cc	2,400 p.m. taxable	
						Driver	900 p.m. taxable	
		B Cat B	ER	EE	Use+ salary of driver – recovery is taxable.	Upto 1600cc	600 p.m. taxable	
						Exceeds 1600cc	900 p.m. taxable	
						Driver	900 p.m. taxable	
		C Cat A	EE	ER	regular expenses + salary of driver – recovery is taxable.	Upto 1600cc	1,800 p.m. exempt.	
						Exceeds 1600cc	2,400 p.m. exempt.	
						Driver	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 <b>12%</b> 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 <b>9.5%</b> 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)	
		<b>EEE</b>	<b>EEE</b>	<b>EET</b>		<b>EEE</b>	

#### 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		$\frac{\text{BS} + 100\% \text{ of DA}}{26} \times 15 \times \text{CYS}_r$		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.	

<h1 style="margin: 0;">4</h1> <h2 style="margin: 0;">Income from House Property</h2> <p style="margin: 0;"><i>Section 22 to 27</i></p>	Remember why you started...			
	Revision Time : 20 minutes	1 <sup>st</sup> revision		Did you memorise? If No then you must memorise within 24 hours
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4 <sup>th</sup> revision				

### 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 <b>Section 27.</b>
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.  <b>Exception :</b> Property is transferred with an <b>agreement to live apart</b> then registered owner (transferee) is treated as owner.	Transferrer	Transferee	
		Husband - <b>DO</b>	Wife	
		Wife - <b>DO</b>	Husband	
		Husband	Wife - <b>RO</b>	
(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.  <b>Exception :</b> 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 - <b>DO</b>	Minor Child	
		Mother - <b>DO</b>	Minor Child	
		Father / Mother	Minor married daughter - <b>RO</b>	
(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 <b>atleast 12 years.</b>	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)
<b>Let out property</b>			<b>SOP - Residence for whole year</b>	<b>DLOP</b>  (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 24a. 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 <sup>5</sup> . Purchase, Construction, Re - construction, Repairs. Renovation, Renewal, Repayment of existing housing loan. <b>Note</b> : 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		
	₹ 2,00,000 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 <b>before</b> 1-4-1999
	2.	The loan is borrowed for purchase or construction of residential house property.	The loan is borrowed for <b>repairs, renewal.</b>
3.	The building comes into existence within 3 years from the FY in which loan is borrowed. [FY <sub>loan</sub> + 3 years]	The building comes into existence <b>after</b> 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 / 2,00,000.

**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		

**What you should never forget in HP while solving practical questions**

1.	Fair Rent should be given in the question. If it is not given then actual rent is treated as fair rent.
2.	Expected rent is always computed for 12 months. It can be less than 12 months only if the property comes into existence in same PY of computation.
3.	Interest is limited only in case of SOP-R. In remaining cases actual amount of interest is allowed as deduction.
4.	MT is allowed as deduction on paid basis. Interest on accrual basis. SD on uniform basis.

<h1 style="margin: 0;">5</h1> <h2 style="margin: 0;">Depreciation</h2> <p style="margin: 0;"><i>Section 2(11), 32, 38, 43, 50</i></p>	No negative thoughts allowed			Did you memorise? If No then you must memorise within 24 hours
	Revision Time : 15 minutes	1 <sup>st</sup> revision		
	Your time of revising & memorising -->	2 <sup>nd</sup> revision		
		3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

**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
<b>1. Building. It means superstructure only and does not include site</b>		Asset is purchased and put to use in the same previous year for less than 180 days.
a. General	<b>10%</b>	
b. Residential Building	5%	
c. Hotel Building	10%	
d. Temporary Building	100%	<b>Nil depreciation if</b>
<b>2. Furniture or fittings including electrical fittings</b>	<b>10%</b>	1. Closing WDV is nil or negative; or
		2. BOA do not exists.
<b>3. Plant &amp; Machinery</b> [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.	<b>Section 32. Conditions for claiming depreciation</b>
a. General	<b>15%</b>	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%	
<b>4. Intangible Assets</b>	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]	<b>25%</b>
		It is mandatory to claim depreciation. In passive use depreciation is available.

**Section 43(6). Computation of depreciation**  

$$\text{Opening WDV} + \text{Purchase of assets (Actual Cost)} - \text{Sale of assets} = \text{Closing WDV} - \text{Depreciation} = \text{Opening WDV}$$

**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 :  $\text{Sale consideration} - \text{Opening WDV} - \text{Purchase of asset} - \text{Transfer expenses} = \text{STCG}$

<b>6</b> <b>PGBP</b> <i>Section 28 to 44D</i>	Against all odds ... I will			Did you memorise? If No then you must memorise within 24 hours
	Revision Time : 50 minutes	1 <sup>st</sup> revision		
	Your time of revising & memorising -->	2 <sup>nd</sup> revision		
		3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

What is business income ? Section 28				
Business	Profession	Salary of partners	Non Competing fees	Keyman insurance Speculative income

What is business expenses? Section 30 to 37 subject to section 40 to 43B				
EE	Asset	Liabilities	Client	Reputation of Company

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.			
<b>Section 36(1). Amount expressly allowed as deduction</b>			
36(1)(i)	<b>Insurance</b> premium of stock in trade is allowed as deduction.		
36(1)(ib)	<b>Insurance</b> premium on health of <b>employees</b> 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)	<b>Bonus or commission</b> to employees is allowed as deduction.	<b>43B</b> : Bonus is allowed as deduction if actually paid.	
36(1)(iii)	<b>Interest</b> 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 <b>recognised provident fund</b> or an approved superannuation fund is allowed as deduction.	<b>Restriction on deduction</b> <b>S 40A(7)</b> : Contribution towards unapproved gratuity fund is not allowed as deduction. <b>S 40A(9)</b> : 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 <b>pension</b> scheme referred in section 80CCD is allowed as deduction.		
36(1)(v)	Employer's contribution paid towards an approved <b>gratuity fund</b> 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)	<b>Bad Debts</b> 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 <b>family planning</b> amongst employees.	Revenue expenses.	Capital expenses
		100% allowed	1/5th allowed
36(1)(xv)	<b>Securities transaction paid</b> allowed as deduction if profit from shares is charged under the head business.	Business	Capital Gain
		Allowed	Not Allowed

<b>Section 35. Expenditure on Scientific Research</b>					
<b>Inhouse research</b> : Research should be related to the business				<b>Contribution to outsiders</b> Research may or may not be related to the business.	
	After COB (100% / 200%)	Before COB (only 100%) (only 3 years)			
<b>Revenue expenditure</b>				National Laboratory / IIT's	200%
a.	Rent of premises	allowed	Not allowed	Approved University, Colleges, institution.	200%
b.	Salary to scientist	allowed	allowed except perquisites of scientist		175%
c.	Raw material / inputs	allowed	allowed	Social statistical research	125%
d.	Salary of support staff	allowed	not allowed		
<b>Capital Expenditure</b>				<b>200% if own research by</b>	
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

<b>Section 35D. Amortisation of Preliminary Expenses</b>			
<b>Eligible expenses</b> : 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.	<b>Note : What is not preliminary expenses.</b> (a) Salary to employees (b) Rent of premises.(c) Interest	
<b>Applicability</b>		<b>Amount of deduction</b>	
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	
<b>Cost of project</b> : All cost of assets		<b>Capital employed</b> : 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.
<b>Note</b> : For truck operator take ₹ 35,000.	3.	Payment made at a place not served by Bank.

Section 43B. Certain expenses deduction allowed on actual payment basis			
Payment covered		Timing of Deduction	
1.	Interest payment to banks	<b>Payment before Due Date</b>	<b>Payment after Due Date</b>
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	<b>Note :</b> 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	₹ 7,500 p.m.	during which truck is owned
			Medium / Light	₹ 7,500 p.m.	

# 7

## Capital Gain

*Section 45 to 55A*

### Focus and do it

Revision Time :  
25 minutes

1<sup>st</sup> revision

2<sup>nd</sup> revision

Your time of revising &  
memorising -->

3<sup>rd</sup> revision

4<sup>th</sup> revision

Did you  
memorise?  
If No then you  
must memorise  
within 24 hours

#### 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	<b>Exceptions to YOC = YOT</b> : 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.	<b>Not personal assets</b> : 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. Listed shares.		
	c. Govt. Securities	3 years or less	more than 3 years
	d. Units of equity oriented fund		
(c)	Other capital assets		

**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)
<b>STCG</b>	<b>xxx</b>	<b>LTCG</b>	<b>xxx</b>

#### 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)		
<b>General cases</b>	Consideration in cash	Amount received or receivable.
	Consideration in kind	FMV of asset.
<b>Special Cases</b>	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)				
<b>General</b>	Purchase price + Brokerage paid on acquisition of asset			
<b>COA if asset is acquired before 1-4-1981</b>	(Purchase price + Brokerage) or FMV as on 1-4-1981 whichever is higher.			
<b>COA of shares.</b>  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		
<b>COA of self generated assets.</b>  <b>Note :</b> If the asset is purchased then purchase price is the COA.  <b>Note :</b> FMV as on 1-4-1981 is ignored.			<b>COA</b>	<b>COI</b>
	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
<b>Section 49(1).</b> 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.			
<b>Section 49(4).</b> Deemed cost of acquisition where value is taxed u/h 'Other Sources'	In case of <b>Land and Building</b> is gifted and S 56(2)(vii) is applicable then COA =		Amount taxed under the head OS.	
	In case of <b>Land and Building</b> is sold and S 56(2)(vii) is applicable then COA =		Purchase price + Amount taxed under the head OS.	
	In case of <b>JAD PB SAS</b> is gifted and S 56(2)(vii) is applicable then COA =		Amount taxed under the head OS.	
	In case of <b>JAD PB SAS</b> is sold and S 56(2)(vii) 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 transferred. 2 specified assets acquired. NHAI+RECL Lock in 3yrs	Any LTCA (other than RHP) transferred. RHP acquired.	Acquired land, building, plant & machinery transferred. 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 located in India	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 in 2 FY	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)	
Other points		Only 1 RHP exemption can be claimed	As many AL can be purchased for claiming exemption	As many specified asset can be purchased for claiming exemption	Only 1 RHP exemption can be claimed	As many asset can be purchased for claiming exemption	

<b>Cost Inflation Index</b>							
1981-82	<b>100</b>	1990-91	<b>182</b>	1999-00	<b>389</b>	2008-09	<b>582</b>
1982-83	<b>109</b>	1991-92	<b>199</b>	2000-01	<b>406</b>	2009-10	<b>632</b>
1983-84	<b>116</b>	1992-93	<b>223</b>	2001-02	<b>426</b>	2010-11	<b>711</b>
1984-85	<b>125</b>	1993-94	<b>244</b>	2002-03	<b>447</b>	2011-12	<b>785</b>
1985-86	<b>133</b>	1994-95	<b>259</b>	2003-04	<b>463</b>	2012-13	<b>852</b>
1986-87	<b>140</b>	1995-96	<b>281</b>	2004-05	<b>480</b>	2013-14	<b>939</b>
1987-88	<b>150</b>	1996-97	<b>305</b>	2005-06	<b>497</b>	2014-15	<b>1024</b>
1988-89	<b>161</b>	1997-98	<b>331</b>	2006-07	<b>519</b>	2015-16	<b>1081</b>
1989-90	<b>172</b>	1998-99	<b>351</b>	2007-08	<b>551</b>		

<h1 style="margin: 0;">8</h1> <h2 style="margin: 0;">Income from Other Sources</h2> <p style="margin: 0;">Section 56 to 59</p>	What's stopping you?			
	Revision Time : 15 minutes	1 <sup>st</sup> revision		Did you memorise? If No then you must memorise within 24 hours
		2 <sup>nd</sup> revision		
	Your time of revising & memorising -->	3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

Sections	Particulars	Provisions				
<b>56</b>	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.	Interest Royalty
		56(2)	Following incomes are always charged under the 'OS'			
			Gifts	Dividend	Lottery income	Rent of Plant
<b>57</b>	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.				
<b>58</b>	Restriction on deduction.	Following deductions are not allowed. E.g. Expenses incurred in earning lottery income.				
<b>59</b>	Deemed income	As per S 41. (Refer PGBP)				

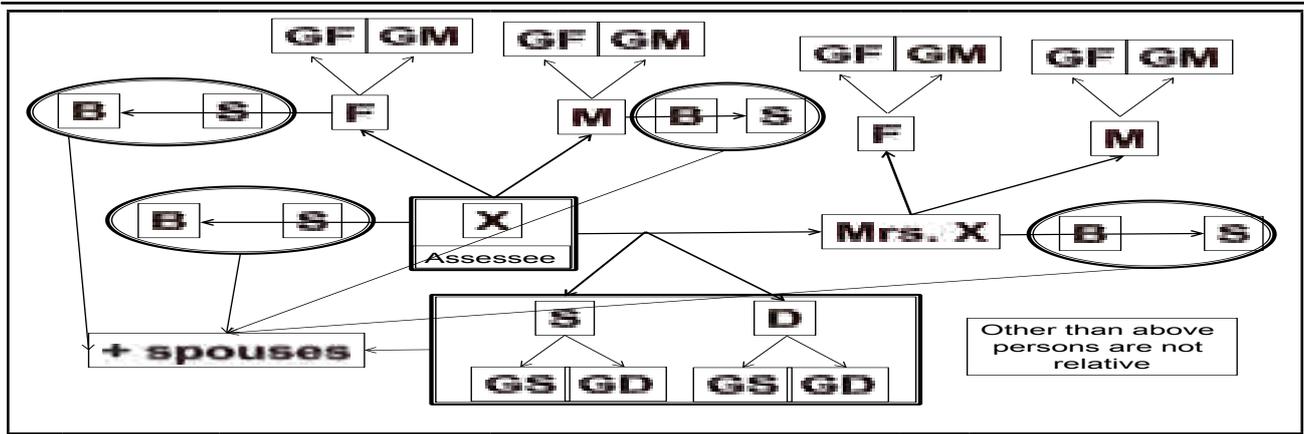
### S 56(2). GIFTS

	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	Ind / HUF
Consideration	Nil	Nil or inadequate consideration	Nil or inadequate consideration
In excess of certain amount taxable in the year of receipt	Cash in excess of ₹ 50,000 in aggregate is taxed u/h OS	(a)	Stamp duty value exceeds ₹ 50,000 taxed
		(b)	Difference = (SDV – PP) in excess of ₹ 50,000 taxed
(a)		(a)	FMV in excess of aggregate ₹ 50,000 taxed
		(b)	Difference = (FMV – PP) in excess of aggregate ₹ 50,000 taxed

#### 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 37. Interest on loan & collection charges to run business is allowed as deduction.			
	Investment	Interest charged under the head Other Sources. S 56 to 59.	S 57. Interest on loan & collection charges allowed as deduction.			
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).	<b>Note :</b> Interest on Monthly scheme is not exempt interest is fully taxable.			
	Partial exemption	(d) Saving account		<table border="1"> <tr> <td>Single</td> <td>upto ₹ 3,500 exempt</td> </tr> <tr> <td>Joint</td> <td>upto ₹ 7,000 exempt</td> </tr> </table>	Single	upto ₹ 3,500 exempt
Single	upto ₹ 3,500 exempt					
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.				
<b>Interim Dividend</b> : Taxable in the year of receipt.			<b>Final Dividend</b> : Taxable in the year of declaration.	
S 10(35). Income from units of mutual fund is exempt from tax.				

<h1 style="margin: 0;">9</h1> <h2 style="margin: 0;">Clubbing of Income</h2> <p style="margin: 0;"><i>Section 60 to 65</i></p>	Positive thoughts only			Did you memorise? If No then you must memorise within 24 hours
	Revision Time : 10 minutes	1 <sup>st</sup> revision		
	Your time of revising & memorising -->	2 <sup>nd</sup> revision		
		3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

**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**

<b>S 64(1)(ii)</b> 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	Spouse Brother Sister	Lineal ascendant -->	Father Mother Grand father Grand mother	Lineal descendant -->	Son Daughter Grand son Grand daughter
<b>S 64(1)(iv)</b> 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.  <u>Exception</u> : Where the asset is transferred with an <u>agreement to live apart</u> then clubbing provision is not applicable.	
<b>S 64(1)(vii)</b> Asset transferred to for the benefit of spouse	<u>Condition</u> 1. Asset transferred by individual to any person or AOP, 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>					

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

<b>S 64(1)(vi)</b> 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 son's wife 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.	
<b>S 64(1)(viii)</b> Asset transferred to for the benefit of son's wife	<u>Condition</u> 1. Asset transferred by individual to person or AOP, 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
			Mrs. A	Mr. 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.	<b>Exception :</b>		<b>S 10(32). Exemption</b>
	<p>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.</p> <p>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.</p>		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.
	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.	
			The income earned by minor child shall be taxable in their hands only. ROI shall be in their name and signed by guardian.

**Other Points.**

		<b>Spouse / Son's Wife</b>	<b>Minor Child</b>
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
4.	All income is clubbed	No only income from the transferred asset is clubbed	Yes all income is clubbed.

# 10

## Set off & Carry Forward of Losses Section 70 to 80

Sky above me, Earth below me, Fire within me

Revision Time :  
15 minutes

1<sup>st</sup> revision

2<sup>nd</sup> revision

Your time of revising  
& memorising -->

3<sup>rd</sup> revision

4<sup>th</sup> revision

Did you  
memorise?  
If No then you  
must memorise  
within 24 hours

	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	<b>Section 71B.</b>
			• Brought forward HP loss can be set off only with HP.
			• It can be carried forward for 8 AY's.
			• 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.
Business loss	Yes	Yes except salary.	<b>Section 72</b>
			• 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	<b>Section 73</b>
			• 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 speculation loss cannot be carried forward.
			• Assessee who has incurred the loss can only set off that loss [exception not applicable]
• Even if business is discontinued 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	<b>Section 74</b>
			• 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	<b>Section 74A</b>
			• Past year horse loss can be set off only with horse income.
			• Carry forward for 4 AY.
			• 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]
• If business is discontinued then loss cannot be set off.			
Loss from lotteries etc	No	No	No
	<b>Note:</b> 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

# 11

## Deduction from GTI

Section 80C to 80U

Worrying solves nothing

Revision Time :  
30 minutes

1<sup>st</sup> revision

2<sup>nd</sup> revision

Your time of revising  
& memorising -->

3<sup>rd</sup> revision

4<sup>th</sup> revision

Did you  
memorise?  
If No then you  
must memorise  
within 24 hours

Section	Assessee	Nature of payment				Amount of dedn	Other Points	
<b>80C</b>  Specified Saving & Expenditure  Contribution to LIP, PF, NSC, ELSS etc	Ind / HUF  Resident / Non resident	1.	LIP for self, spouse & child. (max 10% of assured amount). Maturity amount exempt if (a) premium for <b>all</b> years do not exceed 10% of assured amount. (b) on death. Other-wise taxable u/h other sources.			Combined Maximum deduction u/s 80C + 80CCC + 80CCD (only EE's contribution) ₹ 1,50,000	1. Payment out of loan or exempted income deduction allowed.	
		2.	ULIP	8.	All PF (SPF, RPF, PPF, ASAF) except URPF.			
	Indian / Foreign Citizen	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.	ELSS	5.				
		6.	Infrastructure shares / bonds		10.			
	7.	Pension funds of MF		11.	Repayment of housing loan			

Section	Assessee	Nature of payment	Amount of Deduction	Other Points
<b>80CCC</b>  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) ₹ 1,50,000	Payment should be made out of taxable income.

Section	Assessee	Nature of payment	Amount of Deduction	Other Points
<b>80CCD</b>  Pension fund - NPS	Ind R/NR IC/FC	Contribution to Pension Fund set up by CG. (New Pension Scheme)	ER : max 10% SAS for ER (no limit of ₹ 1,50,000) + EE : max 10% of SAS for EE (limited to ₹ 1,50,000) but  An additional deduction of upto ₹ 50,000 over and above ₹ 1,50,000 is allowed to an individual .	Payment should be made out of taxable income.

Section	Assessee	Nature of payment	Amount of Deduction		Other Points
<b>80D</b>  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 25,000. (Resident Senior Citizen max ₹ 30,000)	Max 25,000. (Resident Senior Citizen max ₹ 30,000)	
			Contribution in CGHS scheme dedn allowed. Over all deduction cannot exceed ₹ 25,000 / ₹ 30,000 / ₹ 50,000 / 55,000 or ₹ 60,000 as the case may be.	Very senior citizen : Dedn of ₹ 30,000 is allowed in case of medical expenditure even if no insurance premium is paid.	Preventive health check up max ₹ 5,000 even if payment is made in cash.

Section	Assessee	Nature of expenses	Amount of Deduction	Other Points
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<b>80DD</b> Disabled dependent	Only resident Ind / HUF IC/FC	Maintenance + normal medical treatment of dependent person with disability.	Spouse & children	Brothers, Sisters & Parents	Certificate of disability by Govt. Doctor is furnished.  Double benefit of 80DD & 80U not available.
			wholly or mainly dependent on such individual for his support and maintenance and is not dependent on any other person for his support and maintenance		
			Normal disability (atleast 40%)	Fixed ₹ 75,000	
			Severe disability (atleast 80%)	Fixed ₹ 1,25,000	

Section	Assessee	Nature of expenses	Amount of Deduction		Other Points
<b>80DDB</b> Medical treatment of specified disease	Only resident Ind / HUF IC/FC	Medical treatment of <b>specified disease.</b>	Self, Spouse & children	Brothers, Sisters & Parents	<u>Specified disease.</u> Cancer, AIDS, Neurological disease etc
			wholly or mainly dependent on such individual for his support and maintenance and is not dependent on any other person for his support and maintenance		
			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
<b>80U</b> Disabled	Only resident Ind (IC/FC)	Assessee himself is disabled.	Normal disability (atleast 40%)	Fixed ₹ 75,000	Double benefit of 80DD & 80U not available.
			Severe disability (atleast 80%)	Fixed ₹ 1,25,000	

Section	Assessee	Title	Amount of Deduction		Other Points
<b>80E</b> 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		Other Points
<b>80G</b> 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 <i>company</i> to the Indian Olympic association	100%

### Part A fund added by FA 2015

1.	The National Fund for Control of Drug Abuse.	100%
2.	Swachh Bharat Kosh. स्वच्छ भारत कोष	100%
3.	Clean Ganga Fund (Deduction allowed only to domestic donors)	100%

Section	Assessee	Condition	Amount of Deduction (Least is deductible)
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<b>80GG</b> Rent	Ind (R/ NR / IC/ FC)	Deduction for rent paid.	<b>M</b>	₹ 2,000 p.m.
		Rent is paid to third person or to the ER.	<b>F</b>	25% of adjusted GTI
		He is not in receipt of HRA	<b>F</b>	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	
<b>80GGA</b> 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	Corresponding section of PGBP is S 35, 35AC, 35CCA.	
			4.	National Urban Poverty Eradication Fund / National Fund for Rural Development.		

80GGB		80GCC	
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 <b>Electoral Trusts</b>	Political party or <b>Electoral Trusts</b>	
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
<b>80JJA</b>	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
<b>80QQB / 80RRB</b>	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.

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

# 12 Rates of Tax

More is possible

Revision Time : 15 minutes	1 <sup>st</sup> revision	
	2 <sup>nd</sup> revision	
Your time of revising & memorising -->	3 <sup>rd</sup> revision	
	4 <sup>th</sup> revision	

Did you  
memorise?  
If No then you  
must memorise  
within 24 hours

## TAX ON TOTAL INCOME

Special Income		Casual Income		Normal Income [NI = TI – SI – CI]		
LTCG	20% flat	Lottery Income etc	30% flat	<b>Indian Company / Firm</b>	<b>Foreign Company</b>	<b>Ind / HUF / AOP / BOI</b>
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 the last table		
		Education cess & SHEC		3%	3%	3%

	Domestic Company	Foreign Company	Firm / LLP	Ind / HUF/ AOP / BOI / AJP	Local Authority	Co-opera- tive society
• Total Income exceeds ₹ 1 Cr.	7%	2%	12%	12%	12%	12%
• Total Income exceeds ₹ 10 Cr.	12%	5%	NA	NA	NA	NA

## SLAB RATE

Income	Rate of Tax (Method 1)	Amount of Tax (Method 2)
Upto ₹ 2,50,000	Nil	Nil
₹ 2,50,001 to 5,00,000	10% of (NI – 2,50,000) – upto ₹ 2,000 for resident individual. S 87A	10% of NI – 25,000 – upto ₹ 2,000 for resident individual. S 87A
₹ 5,00,001 to 10,00,000	20% of (NI – 5,00,000) + 25,000	20% of NI – 75,000
Exceeds ₹ 10,00,000	30% of (NI – 10,00,000) + 1,25,000	30% of NI – 1,75,000

## TAX CONCESSION

Person	Age	Basic Exemption	Tax concession
1. Resident senior citizen	atleast 60 years at any time during the relevant PY.	3,00,000	₹ 5,000
2. Resident super senior citizen	atleast 80 years at any time during the relevant PY.	5,00,000	₹ 25,000
3. Woman (R / NR)	less than 60 years	2,50,000	nil
4. Non resident senior citizen / super senior citizen	Any age	2,50,000	nil
5. HUF / AOP / BOI / AJP	NA	2,50,000	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.	7%	2%	12%
	• TI exceeds ₹ 10 Cr.	12%	5%	NA
Whether marginal relief available	Yes	Yes	Yes	Yes
Education cess & SHEC	3%	3%	3%	3%

<h1 style="margin: 0;">13</h1> <h2 style="margin: 0;">Agricultural Income</h2> <p style="margin: 0;"><i>Section 2(1A) &amp; 10(1)</i></p>	I am strong			
	Revision Time : 15 minutes	1 <sup>st</sup> revision		Did you memorise? If No then you must memorise within 24 hours
		2 <sup>nd</sup> revision		
	Your time of revising & memorising -->	3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

**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		
<b>Computation u/h Other Sources</b>	<b>Computation u/h Business</b>				<b>Computation u/h House Property</b>	
<b>S 56 to 59</b>	<b>S 28 to 44D</b>				<b>S 22 to 27</b>	
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 <sub>AI</sub>	xxx	• Depreciation			Less : Interest	xxx
		BI <sub>AI</sub>		xxx	HP <sub>AI</sub>	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.	Tax on (NAI + AI) at slab rate	A
2.	Non-agricultural income i.e normal income exceeds basic exemption.	Less : Tax on (AI + BE) at slab rate	_(B)
3.	Agricultural Income exceeds ₹ 5,000.	Tax	A – B

<h1 style="margin: 0;">14</h1> <h2 style="margin: 0;">Assessment of Firm</h2> <p style="margin: 0;"><i>Section 184, 28, 37, 40b</i></p>	No maybes....			
	Revision Time : 10 minutes	1 <sup>st</sup> revision		Did you memorise? If No then you must memorise within 24 hours
		2 <sup>nd</sup> revision		
	Your time of revising & memorising -->	3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

**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 + Surcharge if any + 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" style="margin: 10px auto; width: 80%;"> <thead> <tr> <th style="text-align: center;">Book Profit</th> <th style="text-align: center;">Limit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">First ₹ 3,00,000</td> <td style="text-align: center;">₹ 1,50,000 or 90% of book profit whichever is more</td> </tr> <tr> <td style="text-align: center;">Balance</td> <td style="text-align: center;">60%</td> </tr> </tbody> </table> Remuneration should be distributed in remuneration ratio.	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%					
<b>Computation of Book Profit</b>							
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Net profit as per P &amp; L A/c after making all adjustments u/ss 28 to 44D except S 40b</td> <td style="text-align: center;">A</td> </tr> <tr> <td>Less : Interest allowed to partners under section 40b</td> <td style="text-align: center;">(B)</td> </tr> <tr> <td>Book profit</td> <td style="text-align: center;">C</td> </tr> </table>		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
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						

<h1 style="margin: 0;">15</h1> <h2 style="margin: 0;">Charitable Trusts</h2> <p style="margin: 0;"><i>Section 2(15), 11 to 12AA</i></p>	<b>Be better</b>			Did you memorise? If No then you must memorise within 24 hours
	Revision Time : 15 minutes	1 <sup>st</sup> revision		
	Your time of revising & memorising -->	2 <sup>nd</sup> revision		
		3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

### S 2(15). Meaning of charitable purpose

	Relief to the poor	Education	Medical Relief	Preservation of environment	monuments	Yoga	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  is upto 25% of total receipts --> Charitable  exceeds 25% of total receipts--> 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

# 16

## Tax Deducted at Source

*Section 192 to 206C*

Get comfortable with uncomfortable

Revision Time :  
25 minutes

Your time of revising  
& memorising -->

1 <sup>st</sup> revision	
2 <sup>nd</sup> revision	
3 <sup>rd</sup> revision	
4 <sup>th</sup> revision	

Did you  
memorise?  
If No then you  
must memorise  
within 24 hours

Sec- tion	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)	10%		nil 10(34)
194A	Other interest	All person ex- cept ind/ HUF*	Payment or credit whichever date is earlier (PCD)	10%		₹ 10,000 paid by Bank / Post Office ₹ 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 contrac- tor. Works / labour contract : Advt, Car- tering, TV, Transport- ers, 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%	
				44AE Truck + PAN	nil	
				No PAN	20%	
	What is job work	Essential condition : Material is supplied by client. TDS only on labour contract. But if indi- visible 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%	
194DA	Life insurance maturity proceeds	Any person	Payment (P)	2%		upto ₹ 1,00,000
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 ex- cept 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 except director fees where base amount is nil
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 13-14	PY 14-15
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.

#### **WHETHER SURCHARGE AND EDUCATION CESS TO BE ADDED TO BASIC RATE OF TDS**

	Any payment to		Payment to resident for	
	Foreign Company (R / NR)	Other Non Resident	Salaries	Other Payments
Surcharge	@ 2% if payment > 1 cr but do not exceed 10 Cr. @ 5% if payment > 10 cr	@ 12% if payment > 1 cr	@ 12% if taxable salary > 1 cr	Not added
Education cess & SHEC	3%	3%	3%	Not added

#### **PROCEDURE**

	Section 197	Section 197A	
<b>Title</b>	Certificate of TDS at lower deduction or nil rate.	Declaration of nil deduction of tax.	
<b>Issued by</b>	Assessing Officer	Assessee	
<b>Application by</b>	Assessee	on its own.	
<b>Income</b>	All kinds of incomes which are subjected to TDS	Only interest income subjected to TDS u/s 193,194A and 194DA.	
<b>Condition for application</b>	If assessee is of the opinion that his final income tax amount shall be lower than tax to be deducted.	<b>For ind / HUF</b>	<b>For senior citizen</b>
		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 <sup>th</sup> May	Aug	7 <sup>th</sup> Sep	Dec	7 <sup>th</sup> Jan	AMJ	15 <sup>th</sup> July	AMJ	30 <sup>th</sup> July
	May	7 <sup>th</sup> June	Sept	7 <sup>th</sup> Oct	Jan	7 <sup>th</sup> Feb	JAS	15 <sup>th</sup> Oct	JAS	30 <sup>th</sup> Oct
	June	7 <sup>th</sup> Jul	Oct	7 <sup>th</sup> Nov	Feb	7 <sup>th</sup> Mar	OND	15 <sup>th</sup> Jan	OND	30 <sup>th</sup> Jan
	July	7 <sup>th</sup> Aug	Nov	7 <sup>th</sup> Dec	Mar	30 <sup>th</sup> Apr	JFM	15 <sup>th</sup> May	JFM	30 <sup>th</sup> 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			PAN should be quoted in all declaration and application. Wrong quotation of PAN shall also entail higher deduction of tax.					
	b.	20%								
<b>Grossing up of income</b>										
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. <b>Ans : 10,000</b>					

No TDS on amount of service tax

<h1 style="margin: 0;">17</h1> <h2 style="margin: 0;">Advance Tax</h2> <p style="margin: 0;"><i>Section 207 to 211</i></p>	You changed...			
	Revision Time : 10 minutes	1 <sup>st</sup> revision		Did you memorise? If No then you must memorise within 24 hours
		2 <sup>nd</sup> revision		
	Your time of revising & memorising -->	3 <sup>rd</sup> revision		
4 <sup>th</sup> revision				

### Section 207. Liability to pay advance tax

<b>What is advance tax</b>	The tax which is required to be paid in AY but is paid in PY is called advance tax.
<b>Is advance tax payable on all income.</b>	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.

<b>Who is required to pay advance tax?</b>	Every person.
<b>When a person is required to pay advance tax?</b>	If his estimated advance tax after deduction of TDS exceeds ₹ 10,000.
<b>Any exceptions ?</b>	Yes. 2 exceptions
	<b>Exception 1</b>
	<b>Exception 2. All conditions should be satisfied.</b>
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	<u>(1,00,000)</u>
Estimated total income	9,00,000
Tax on the estimated total income	2,00,000
Add: Surcharge if applicable	<u>20,000</u>
Tax and surcharge	2,20,000
Add: Education cess	<u>6,600</u>
Tax liability	2,26,600
Less: Relief u/s 89	<u>26,600</u>
Tax	2,00,000
Less: Tax deducted at source and collected at source	<u>1,90,000</u>
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

<h1 style="margin: 0;">18</h1> <p style="margin: 0;"><b>Interest payable by assessee</b> <i>Section 234A, B &amp; C</i></p>	Enjoy your own company			Did you memorise? If No then you must memorise within 24 hours
	Revision Time : 10 minutes	1 <sup>st</sup> revision		
	Your time of revising & memorising -->	2 <sup>nd</sup> revision		
		3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

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

<h1 style="margin: 0;">19</h1> <h2 style="margin: 0;">Return of Income</h2> <p style="margin: 0;"><i>Section 139, 140, 140A</i></p>	Authenticity is Magnetic			Did you memorise? If No then you must memorise
	Revision Time : 20 minutes	1 <sup>st</sup> revision		
	Your time of revising & memorising -->	2 <sup>nd</sup> revision		
		3 <sup>rd</sup> revision		
	4 <sup>th</sup> revision			

**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 <sup>th</sup> - 11 of AY1
2.	A company.	30 <sup>th</sup> - 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 <sup>th</sup> - 9 of AY1
4.	A working partner of a firm whose a/cs are required to be audited under any LAW.	30 <sup>th</sup> - 9 of AY1
5.	In case of any other assessee. (Salary, HP, Capital Gain or Income from other sources)	31 <sup>st</sup> - 7 of AY1

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

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

**S 139(3). Loss return?**

1.	<b>Is it compulsory to file loss return?</b>	Yes, if assessee wishes to carry forward the losses. For Company / Firm it is compulsory to file ROI whether loss or profit.	
2.	<b>What is the time limit of filing loss return?</b>	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.	<b>Consequences if loss return is not filed in time?</b>	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) Unabsorbed depreciation
4.	<b>What if loss return is filed in time as specified in S 142(1)?</b>	Loss cannot be carried forward since loss return is filed after due date.	

**S 139(4). Belated Return**

1.	<b>What is belated return?</b>	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.	<b>What is the time limit of filing belated return?</b>	It should be filed by AY2 or before the completion of best judgement assessment order whichever date is earlier.	
3.	<b>Consequences of filing of belated return?</b>	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.	<b>Why the return should be revised?</b>	The return is revised if there is any mistake in the original return. Mistakes are of 2 types. (a) Wrong statement. (b) Omission.
2.	<b>Which return can be revised?</b>	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.	<b>What is the time limit of filing revised return?</b>	It should be filed by AY2 or before the completion of assessment (Best judgement assessment or scrutiny assessment) whichever date is earlier.

<b>4. Consequences of filing of revised return?</b>	A revised return substitutes the original return from the date original return is filed.	
<b>5. Other points?</b>	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)
<b>Self Assessment Tax</b>	<b>xxx</b>
<b>Other Points</b>	
<b>What is the time limit of payment of SAT?</b>	Before furnishings the return of income
<b>Is proof required to be attached with the return?</b>	Yes. CIN. Challan Identification Number.
<b>What if tax paid is less than SAT?</b>	The amount so paid shall be first adjusted towards interest and then balance towards tax.

#### SECTION 139A. PERMANENT ACCOUNT NUMBER (PAN)

<b>What is PAN?</b>	It is permanent account number allotted by assessing officer for the purpose of identification. Its number contains 10 digit both numeral and alphabet.			
<b>Who should apply?</b>	Every person who is required to file return of income. Apply in Form No 49A.			
<b>No PAN for whom?</b>	Non Resident	Charitable Trusts	Person earning only agricultural Income	
<b>Compulsory quotation of PAN?</b>	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	
<b>What if PAN not quoted</b>	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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# 20

## Whole Income Tax

*Preview*

### Don't Settle

Revision Time :  
15 minutes

1<sup>st</sup> revision

2<sup>nd</sup> revision

Your time of revising  
& memorising -->

3<sup>rd</sup> revision

4<sup>th</sup> revision

Did you  
memorise?  
If No then you  
must memorise  
within 24 hours

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	22	28	45		56	
	ER & EE relationship	Annual value of building	Profit on sale of SIT	Profit on transfer of capital asset		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 SIT	STCG	Lottery TV games etc	Other income
	Normal Income :	Ind / HUF	slab rate				
		Company	Flat 30% / 40%				
	LTCG	20%		Special Income	Normal Income	Casual Income	Normal Income
	STCG SIT	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.	

# 21 Mixed Topics

Never stop learning

Revision Time : 35 minutes	1 <sup>st</sup> revision	
	2 <sup>nd</sup> revision	
Your time of revising & memorising -->	3 <sup>rd</sup> revision	
	4 <sup>th</sup> revision	

Did you memorise?  
If No then you must memorise within 24 hours

## 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.

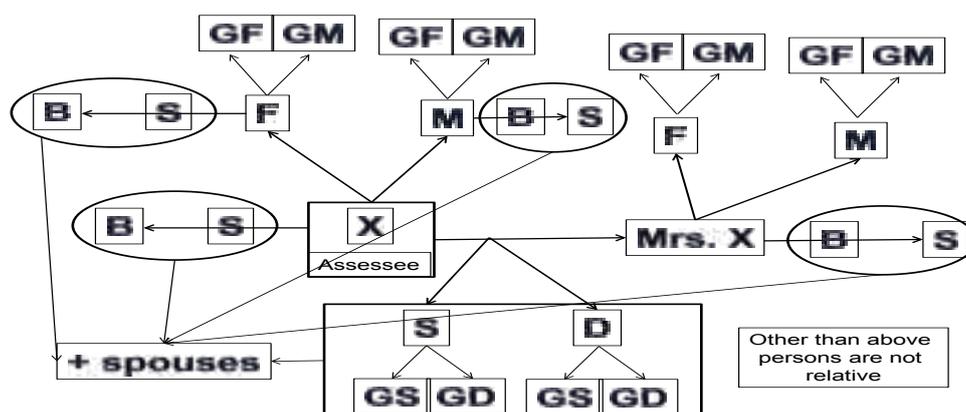
## Section 2(41). Meaning of Relative

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
<b>S 16(iii)</b>	<b>S 23</b>	<b>S 43B</b>
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.

<b>S 2(32)</b>	<b>S 10(32)</b>
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
<b>S 10(14)</b>	<b>S 17(2)</b>	<b>S 10(5)</b>	<b>S 10(32)</b>	<b>80C</b>

**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.	

**INCOME TAX**

**AMENDMENT**

**MADE BY**

**FINANCE ACT 2015**

## RESIDENTIAL STATUS

### AMENDMENT TO THE CONDITIONS FOR DETERMINING RESIDENCY STATUS IN RESPECT OF COMPANIES

The existing provisions of section 6 of the Act provides for the conditions under which a person can be said to be resident in India for a previous year. In respect of a person being a company the conditions are contained in section 6(3) of the Act. Under the said clause, a company is said to be resident in India in any previous year, if-

(i)	it is an Indian company; or
(ii)	during that year, the control and management of its affairs is situated <b>wholly</b> in India.

Due to the requirement that whole of control and management should be situated in India and that too for whole of the year, the condition has been rendered to be practically inapplicable. A company can easily avoid becoming a resident by simply holding a board meeting outside India. This facilitates creation of shell companies which are incorporated outside but controlled from India. 'Place of effective management' (POEM) is an internationally recognized concept for determination of residence of a company incorporated in a foreign jurisdiction. Most of the tax treaties entered into by India recognise the concept of 'place of effective management' for determination of residence of a company as a tie-breaker rule for avoidance of double taxation. Many countries prefer the POEM test to be appropriate test for determination of residence of a company. The principle of POEM is recognized and accepted by Organisation of Economic Cooperation and Development (OECD) also. The OECD commentary on model convention provides definition of place of effective management to mean the place where key management and commercial decisions that are necessary for the conduct of the entity's business as a whole, are, in substance, made.

The modification in the condition of residence in respect of company by including the concept of effective management would align the provisions of the Act with the Double Taxation Avoidance Agreements (DTAAs) entered into by India with other countries and would also be in line with international standards. It would also be a measure to deal with cases of creation of shell companies outside India but being controlled and managed from India.

In view of the above, it is proposed to amend the provisions of section 6 to provide that a person being a company shall be said to be resident in India in any previous year, if-

(i)	it is an Indian company; or
(ii)	its place of effective management, at any time in that year, is in India .

Further, it is proposed to define the place of effective management to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

Since POEM is an internationally well accepted concept, there are well recognised guiding principles for determination of POEM although it is a fact dependent exercise. However, it is proposed that in due course, a set of guiding principles to be followed in determination of POEM would be issued for the benefit of the taxpayers as well as, tax administration.

These amendments will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

## DEDUCTION U/S 80C TO 80U

### TAX BENEFITS UNDER SECTION 80C FOR THE GIRL CHILD UNDER THE SUKANYA SAMRIDDHI ACCOUNT SCHEME

Pursuant to the Budget announcement in July 2014, a special small savings instrument for the welfare of the girl child has been introduced under the Sukanya Samriddhi Account Rules, 2014. The following tax benefits have been envisaged in the Sukanya Samriddhi Account scheme:-

(i)	The investments made in the Sukanya Samriddhi Account scheme 2014 will be eligible for deduction under section 80C of the Act.
(ii)	The interest accruing on deposits in such account will be exempt from income tax u/s 10(11A).

(iii)	The withdrawal from the said scheme in accordance with the rules of the said scheme will be exempt from tax u/s 10(11A).
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Accordingly, a new clause (11A) is proposed to be inserted in section 10 of the Act so as to provide that any payment from an account opened in accordance with the Sukanya Samriddhi Account Rules, 2014 shall not be included in the total income of the assessee. As a result, the interest accruing on deposits in, and withdrawals from any account under the scheme would be exempt.

The Scheme has been notified under clause (viii) of sub-section (2) of section 80C vide Notification number 9/2015 S.O.210 (E),F.No. 178/3/2015-ITA-I dated 21.012015.

With a view to allow the deduction under section 80C to the parent or legal guardian of the girl child, amendment of section 80C of the Act is proposed to be made so as to provide that a sum paid or deposited during the year in the Scheme in the name of any girl child of the individual or in the name of any girl child for whom such individual is the legal guardian, would be eligible for deduction under section 80C of the Act.

These amendments will take effect **retrospectively** from 1st April, 2015 and will, accordingly, apply in relation to assessment year 2015-16 and subsequent assessment years.

### **AMENDMENT IN SECTION 80D RELATING TO DEDUCTION IN RESPECT OF HEALTH INSURANCE PREMIA**

The existing provisions contained in section 80D, inter alia, provide for deduction of

a)	<b>upto ₹ 15,000</b> to an assessee, being an individual in respect of health insurance premia, paid by any mode, other than cash, to effect or to keep in force an insurance on the health of the assessee or his family or any contribution made to the Central Government Health Scheme or any other notified scheme or any payment made on account of preventive health check up of the assessee or his family; and
b)	an additional deduction of <b>upto ₹ 15,000</b> is provided to an individual assessee to effect or to keep in force insurance on the health of the parent or parents of the assessee.
c)	A similar deduction is also available to a Hindu undivided family (HUF) in respect of health insurance premia, paid by any mode, other than cash, to effect or to keep in force insurance on the health of any member of the HUF. The section also presently provides for a deduction of twenty thousand rupees in both the cases if the person insured is a senior citizen of sixty years of age or above.
d)	The quantum of deduction allowed under Section 80D to individuals and HUF in respect of premium paid for health insurance had been fixed vide Finance Act, 2008 at Rs.15000/- and Rs. 20,000/- (for senior citizens).

In view of continuous rise in the cost of medical expenditure, it is proposed to amend section 80D so as to raise the limit of deduction from **upto ₹ 15,000 to upto ₹ 25,000** . It is further proposed to raise the limit of deduction for senior citizens from **upto ₹ 20,000 to upto ₹ 30,000**.

Further, very senior citizens are **often unable to get health insurance coverage** and are therefore unable to take tax benefit under section 80D. Accordingly, as a welfare measure towards very senior citizens ,it is also proposed to provide that **any payment made on account of medical expenditure in respect of a very senior citizen, if no payment has been made to keep in force an insurance on the health of such person, as does not exceed upto ₹ 30,000 shall be allowed as deduction under section 80D**. The aggregate deduction available to any individual in respect of health insurance premia and the medical expenditure incurred would however be limited to **upto ₹ 30,000**.

Similarly aggregate deduction for health insurance premia and medical expenditure incurred in respect of parents would be limited to **upto ₹ 30,000**.

It is also proposed to define a ‘very senior citizen’ to mean an individual resident in India who is of the age of **80 years or more** at any time during the relevant previous year.

Example:

Individual	Parents	
Health insurance of individual	Health insurance of Mother	Medical expenditure of father (atleast 80 years)

₹ 21,000	₹ 15,000	₹ 18,000
Limited to ₹ 20,000	Limited to ₹ 30,000	
<b>Deduction u/s 80D limited to 51,000</b>		

These amendments will take effect from the 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

	Earlier	w.e.f. AY 16-17
1.	15,000 + 20,000	25,000 + 30,000
		Also one can claim deduction of medical expenditure incurred in respect of very senior citizen aged atleast 80 years of ₹ 30,000 even if no insurance premium is paid.

### **RAISING THE LIMIT OF DEDUCTION UNDER SECTION 80DDB**

Under the existing provisions of section 80DDB of the Act, an assessee, resident in India is allowed a deduction of a sum not exceeding ₹ 40,000, being the amount actually paid, for the medical treatment of certain chronic and protracted diseases such as Cancer, full blown AIDS, Thalassaemia, Haemophilia etc. This deduction is allowed up to ₹ 60,000 where the expenditure is in respect of a senior citizen i.e. a person who is of the age of 60 years or more at any time during the relevant previous year.

The above deduction is available to an individual for medical expenditure incurred on himself or a dependant relative. It is also available to a Hindu undivided family (HUF) for such expenditure incurred on its members. Dependant in case of an individual means the spouse, children, parents, brother or sister of an individual and in case of an HUF means a member of the HUF, wholly or mainly dependant on such individual or HUF for his support and maintenance.

Under the existing provisions of this section, a certificate in the prescribed form, from a neurologist, an oncologist, a urologist, a haematologist, an immunologist or such other specialist working in a Government hospital is required. **It has been represented that the requirement of a certificate from a doctor working in a Government hospital causes undue hardship to the persons intending to claim the aforesaid deduction. Government hospitals at many places do not have doctors specialising in the above branches of medicine. For this and other reasons, it may be difficult for the taxpayer to obtain a certificate from a Government hospital.**

In view of the above, it is proposed to amend section 80DDB so as to provide that the assessee will be required to obtain a prescription form a specialist doctor for the purpose of availing this deduction.

Further, it is also proposed to amend section 80DDB to provide for a higher limit of deduction of upto ₹ 80,000, for the expenditure incurred in respect of the medical treatment of a "very senior citizen". A "very senior citizen" is proposed to be defined as an individual resident in India who is of the age of 80 years or more at any time during the relevant previous year.

These amendments will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

	Earlier	w.e.f. AY 16-17
Individual	₹ 40,000	₹ 40,000
Senior citizen	₹ 60,000	₹ 60,000
A very senior citizen	NA	₹ 80,000
Certificate	From Govt. doctor only	Now from any specialist doctor

### **RAISING THE LIMIT OF DEDUCTION UNDER SECTION 80DD AND 80U FOR PERSONS WITH DISABILITY AND SEVERE DISABILITY**

The existing provisions of section 80DD, inter alia, provide for a deduction to an individual or HUF, who is a resident in India, who has incurred—

(a)	Expenditure for the medical treatment (including nursing), training and rehabilitation of a dependant, being a person with disability as defined under the said section; or
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(b)	paid any amount to LIC or any other insurer in respect of a scheme for the maintenance of a disabled dependant.
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The section presently provides for a deduction of ₹ 50,000 if the dependant is suffering from disability and ₹ 1,00,000 if the dependant is suffering from severe disability (as defined under the said section).

The existing provisions of section 80U, inter alia, provide for a deduction to an individual, being a resident, who, at any time during the previous year, is certified by the medical authority to be a person with disability (as defined under the said section).

The said section provides for a deduction of ₹ 50,000 if the person is suffering from disability and ₹ 1,00,000 if the person is suffering from severe disability (as defined under the said section).

The limits under section 80DD and section 80U in respect of a person with disability were fixed at ₹ 50,000 by Finance Act, 2003. Further, the limit under section 80DD and section 80U in respect of a person with severe disability was last enhanced from ₹ 75,000 to ₹ 1,00,000 by Finance (No.2) Act, 2009.

In view of the rising cost of medical care and special needs of a disabled person, it is proposed to amend section 80DD and section 80U so as to raise the limit of deduction in respect of a person with disability from ₹ 50,000 to ₹ 75,000.

It is further proposed to amend the section so as to raise the limit of deduction in respect of a person with severe disability from ₹ 1,00,000 to ₹ 1,25,000.

These amendments will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

	Earlier	w.e.f. AY 16-17
Normal Disability	₹ 50,000	₹ 75,000
Severe Disability	₹ 1,00,000	₹ 1,25,000

#### **RAISING THE LIMIT OF DEDUCTION UNDER 80CCC**

Under the existing provisions contained in sub-section (1) of the section 80CCC, an assessee, being an individual is allowed a deduction upto ₹ 1,00,000 in the computation of his total income, of an amount paid or deposited by him to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India or any other insurer for receiving pension from a fund set up under a pension scheme.

In order to promote social security, it is proposed to amend sub-section (1) of the said section so as to raise the limit of deduction under section 80CCC from ₹ 1,00,000 to ₹ 1,50,000, within the overall limit provided in section 80CCE.

This amendment will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

	Earlier	w.e.f. AY 16-17
Deduction u/s 80CCC	₹ 1,00,000	₹ 1,50,000

#### **ADDITIONAL DEDUCTION UNDER 80CCD**

Under the existing provisions contained in sub-section (1) of section 80CCD of the Income-tax Act, 1961 if an individual, employed by the Central Government on or after 1st January, 2004, or being an individual employed by any other employer, or any other assessee being an individual has paid or deposited any amount in a previous year in his account under a notified pension scheme, a deduction of such amount not exceeding 10% of his salary in the case of an employee and 10% of the gross total income in case of any other individual is allowed. Similarly, the contribution made by the Central Government or any other employer to the said account of the individual under the pension scheme is also allowed as deduction under sub-section (2) of section 80CCD, to the extent it does not exceed 10% of the salary of the individual in the previous year. Sub-section (1A) of section 80CCD provides that the amount of deduction under sub-section (1) shall not exceed ₹ 1,00,000.

Till date, under section 80CCD, only the National Pension System (NPS) has been notified by the Ministry of Finance. With a view to encourage people to contribute towards NPS, it is proposed to omit sub-section (1A).

In addition to the enhancement of the limit under section 80CCD(1), it is further proposed to insert a new sub-

section (1B) so as to provide for an additional deduction in respect of any amount paid, of **upto ₹ 50,000** for contributions made by any individual assessee under the NPS.

Consequential amendments are also proposed in sub-section (3) and sub-section (4) of section 80CCD.

These amendments will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

	<b>Earlier</b>	<b>w.e.f. AY 16-17</b>
Deduction u/s 80CCD	₹ 1,00,000	₹ 1,50,000

### **100% DEDUCTION FOR NATIONAL FUND FOR CONTROL OF DRUG ABUSE**

Under the existing provisions of section 80G, an assessee is allowed a deduction from his total income in respect of donations made by him to certain funds and charitable institutions. The deduction is allowed at the rate of 100% of the amount of donations made to certain funds and institutions formed for a social purpose of national importance, like the Prime Ministers' National Relief Fund, National Foundation for Communal Harmony etc.

**The National Fund for Control of Drug Abuse is a fund created by the Government of India in the year 1989, under the Narcotic Drugs and Psychotropic Substances Act, 1985.**

Since National Fund for Control of Drug Abuse is also a Fund of national importance, it is proposed amend section 80G so as to provide 100% deduction in respect of donations made to the said National Fund for Control of Drug Abuse.

This amendment will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

	<b>Earlier</b>	<b>AY 16-17</b>
National Fund for Control of Drug Abuse whether covered u/s 80G	Not covered	Covered and eligible for 100% deduction u/s 80G

### **TAX BENEFITS FOR SWACHH BHARAT KOSH AND CLEAN GANGA FUND**

Under the existing provisions of section 80G of the Income-tax Act, a deduction is allowed in computing the total income of a person in respect of donations made to certain funds and charitable institutions.

The deduction is allowed at the rate of **50%** of the amount of donations made except in the case of donations made to certain funds and institutions **formed for a social purpose of national importance**, where it is allowed at the rate of 100%, such as the National Defence Fund set up by the Central Government, the Prime Minister's National Relief Fund, the Prime Minister's Armenia Earthquake Relief Fund, the Africa (Public Contributions-India) Fund, the National Children's Fund, the National Foundation for Communal Harmony etc.

**“Swachh Bharat Kosh” has been set up by the Central Government to mobilize resources for improving sanitation facilities in rural and urban areas and school premises through the Swachh Bharat Abhiyan.**

Similarly, **Clean Ganga Fund** has been established by the Central Government to attract voluntary contributions to rejuvenate river Ganga.

With a view to encourage and enhance people's participation in the national effort to improve sanitation facilities and rejuvenation of river Ganga, it is proposed to amend section 80G of the Act so as to incentivise donations to the two funds. It is proposed to provide that donations made by **any donor** to the **Swachh Bharat Kosh** and donations made by **domestic donors** to **Clean Ganga Fund** will be eligible for a deduction of 100% from the total income. However, any sum spent in pursuance of Corporate Social Responsibility under sub-section (5) of section 135 of the Companies Act, 2013, will not be eligible for deduction from the total income of the donor.

The existing provisions of section 10(23C) of the Act provide for exemption from tax in respect of the income of certain charitable funds or institutions like the Prime Minister's National Relief Fund ; the Prime Minister's Fund (Promotion of Folk Art); the Prime Minister's Aid to Students Fund; the National Foundation for Communal Harmony. Considering the importance of Swachh Bharat Kosh and Clean Ganga Fund, it is also proposed to amend section 10(23C) of the Act so as to exempt the income of Swachh Bharat Kosh and Clean Ganga Fund from income-tax.

These amendments will take effect **retrospectively** from 1st April, 2015 and will, accordingly, apply in relation to assessment year 2015-16 and subsequent assessment years.

	<b>Earlier</b>	<b>AY 15-16</b>
Donations made by <b>any donor</b> to the <b>Swachh Bharat Kosh</b>	Not covered	Covered and eligible for 100% deduction u/s 80G
Donations made by <b>domestic donors</b> to <b>Clean Ganga Fund</b>	Not covered	Covered and eligible for 100% deduction u/s 80G

### TDS

#### **ENABLING OF FILING OF FORM 15G/15H FOR PAYMENT MADE UNDER LIFE INSURANCE POLICY**

The Finance Act, 2014, inserted section 194DA in the Act with effect from 1.10.2014 to provide for deduction of tax at source at the rate of 2% from payments made under life insurance policy, which are chargeable to tax. It has been further provided that no deduction shall be made if the aggregate amount of payment during a financial year is less than Rs. 1,00,000.

In spite of providing high threshold for deduction of tax under this section, there may be cases where the tax payable on recipient's total income, including the payment made under life insurance, will be nil. The existing provisions of section 197A of the Act inter alia provide that tax shall not be deducted, if the recipient of the certain payment on which tax is deductible furnishes to the payer a self-declaration in prescribed Form No.15G/15H declaring that the tax on his estimated total income of the relevant previous year would be nil.

**It is, therefore, proposed to amend the provisions of section 197A for making the recipients of payments referred to in section 194DA also eligible for filing self-declaration in Form No.15G/15H for non-deduction of tax at source in accordance with the provisions of section 197A.**

This amendment will take effect from 1st June, 2015.

	<b>Earlier</b>	<b>w.e.f. 1-6-2015</b>
Section 197A covered	S 193 and S 194A	S 193, S 194A and S 194DA

#### **CLARIFICATION REGARDING DEDUCTION OF TAX FROM PAYMENTS MADE TO TRANSPORTERS**

Under the existing provisions of section 194C of the Act payment to contractors is subject to tax deduction at source (TDS) at the rate of 1% in case the payee is an individual or Hindu undivided family and at the rate of 2% in case of other payees if such payment exceeds Rs. 30,000 or aggregate of such payment in a financial year exceeds Rs. 75,000. Prior to 1.10.2009, section 194C of the Act provided for exemption from TDS to an individual transporter who did not own more than two goods carriage at any time during the previous year. Subsequently, Finance Act, 2009 substituted section 194C of the Act with effect from 1.10.2009, which inter alia provided for non-deduction of tax from payments made to the contractor during the course of plying, hiring and leasing goods carriage if the contractor furnishes his Permanent Account Number (PAN) to the payer.

The memorandum explaining the provisions of Finance Bill, 2009 indicates that the intention was to exempt only small transport operators (as defined in section 44AE of the Act) from the purview of TDS on furnishing of Permanent Account Number (PAN). Thus, the intention was to reduce the compliance burden on the small transporters. However, the current language of sub-section (6) of section 194C of the Act does not convey the desired intention and as a result all transporters, irrespective of their size, are claiming exemption from TDS under the existing provisions of sub-section (6) of section 194C of the Act on furnishing of PAN.

As there is no rationale for exempting payment to all transporters, irrespective of their size, from the purview of TDS, it is proposed to amend the provisions of section 194C of the Act to expressly provide that the relaxation under sub-section (6) of section 194C of the Act from non-deduction of tax shall only be applicable to the payment in the nature of transport charges (whether paid by a person engaged in the business of transport or otherwise) made to an contractor who is engaged in the business of transport i.e. plying, hiring or leasing goods carriage and who is eligible to compute income as per the provisions of section 44AE of the Act (i.e a person who is not owning more than 10 goods carriage at any time during the previous year) and who has also furnished a declaration to this effect along with his PAN.

This amendment will take effect from 1st June, 2015.

## **RATIONALISATION OF PROVISIONS RELATING TO DEDUCTION OF TAX ON INTEREST (OTHER THAN INTEREST ON SECURITIES)**

Section 194A(1) read with section 194A(3)(i) of the Act provide for deduction of tax on interest (other than interest on securities) over a specified threshold, i.e. Rs.10,000 for interest payment by banks, co-operative society engaged in banking business (co-operative bank) and post office and Rs.5,000 for payment of interest by other persons. Further, sub-section (3) of section 194A inter alia also provides for exemption from deduction of tax in respect of following interest payments by co-operative society:

(i)	Interest payment by a co-operative society to a member thereof or any other co-operative society. [Section 194A(3)(v) of the Act]
(ii)	Interest payments on deposits by a primary agricultural credit society or primary credit society or co-operative land mortgage bank or co-operative land development bank. [Section 194A(3)(vii)(a) of the Act]
(iii)	Interest payment on deposits other than time deposit by a co-operative society engaged in the business of banking other than those mentioned in section 194A(3)(vii)(a) of the Act. [Section 194A(3)(vii)(b) of the Act]

Therefore, as per the provisions of section 194A(1) read with provisions of sections 194A(3)(i)(b) and 194A(3)(vii)(b), co-operative bank is required to deduct tax from interest payment on time deposits if the amount of such payment exceeds specified threshold of Rs.10,000/-.

However, as the provisions of section 194A(3)(v) of the Act provide a general exemption from making tax deduction from payment of interest by all co-operative societies to its members, the co-operative banks tried to avail this exemption by making their depositors as members of different categories. This has led to dispute as to whether the co-operative banks, for which the specific provisions of tax deduction exist in the form of section 194A (1), section 194A(3)(i)(b) and section 194A(3)(vii)(b) of the Act, can take the benefit of general exemption provided to all co-operative societies from deduction of tax on payment of interest to members.

The matter has been carried to judicial forums and in some cases a view has been taken that the provisions of section 194A(3)(vii)(b) of the Act makes no distinction between members and non-members of co-operative banks for the purposes of deduction of tax, hence, the co-operative banks are required to deduct tax on payment of interest on time deposit and cannot avoid the same by taking the plea of the general exemption provided under section 194A(3)(v) of the Act.

This is because the specific provision of tax deduction provided under section 194A(3)(i)(b) and 194A(3)(vii)(b) of the Act for co-operative banks override the general exemption provided to all co-operative societies for non-deduction of tax from interest payment to members under section 194A(3)(v) of the Act.

**As there is no difference in the functioning of the co-operative banks and other commercial banks**, the Finance Act, 2006 and Finance Act, 2007 amended the provisions of the Act to provide for co-operative banks a taxation regime which is similar to that for the other commercial banks. Therefore, there is no rationale for treating the co-operative banks differently from other commercial banks in the matter of deduction of tax and allowing them to avail the exemption meant for smaller credit co-operative societies formed for the benefit of small number of members. However, as mentioned earlier, a doubt has been created regarding the applicability of the specific provisions mandating deduction of tax from the payment of interest on time deposits by the co-operative banks to its members by claiming that general exemption provided is also applicable for payment of interest to member depositors. In view of this, it is proposed to amend the provisions of the section 194A of the Act to expressly provide from the prospective date of 1st June, 2015 **that the exemption provided from deduction of tax from payment of interest to members by a co-operative society under section 194A(3)(v) of the Act shall not apply to the payment of interest on time deposits by the co-operative banks to its members.**

However, the existing exemption provided under section 194A(3)(vii)(a) of the Act to primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank from deduction of tax in respect of interest paid on deposit shall continue to apply. Therefore, these co-operative credit societies/banks referred to in said clause (vii)(a) would not be required to deduct tax on interest payment to depositors even after the proposed amendment. Further, the existing exemption provided under section 194A(3)(v) of the Act from deduction of tax from interest paid by a cooperative society to another

co-operative society shall continue to apply to the co-operative bank and, therefore, a co-operative bank shall not be required to deduct tax from the payment of interest on time deposit to a depositor, being a co-operative society.

The existing provision of TDS on payment of interest by banking company or co-operative bank applies only to the interest payment on time deposits made on or after the 1st day of July, 1995. The definition of “time deposits” provided in the section 194A of the Act excludes recurring deposit from its scope. Therefore, payment of interest on recurring deposits by banking company or co-operative bank is currently not subject to TDS. The recurring deposit is also made for a fixed tenure and, therefore, the same is akin to time deposit. It is, therefore, proposed to amend the definition of ‘time deposits’ so as to include recurring deposits within its scope for the purposes of deduction of tax under section 194A of the Act. However, the existing threshold limit of Rs 10,000 for non-deduction of tax shall also be applicable in case of interest payment on recurring deposits to safeguard interests of small depositors.

Currently, provisions of proviso to section 194A(3)(i) of the Act provide that the interest income for the purpose of deduction of tax by the banking company or the co-operative bank or the public company shall be computed with reference to a branch of these entities. As currently, most of these entities are computerised and follow core banking solutions for crediting interest, there is no rationale for continuing branch wise calculation of interest by the entities who have adopted core banking solutions. **It is, therefore, proposed to amend the provisions of section 194A of the Act to provide that the computation of interest income for the purposes of deduction of tax under section 194A of the Act should be made with reference to the income credited or paid by the banking company or the co-operative bank or the public company which has adopted core banking solutions.**

Under section 194A(3)(ix) of the Act, tax is not required to be deducted from the interest credited or paid on the compensation amount awarded by the Motor Accident Claim Tribunal if the amount of such interest credited or paid during a financial year does not exceed Rs.50,000/-. Finance (No.2) Act, 2009 amended the provisions of section 56 of the Act as well as substituted section 145A of the Act to, inter alia, provide that interest income received on compensation or enhanced compensation shall be deemed to be the income of the year in which the same has been received. However, the existing provisions of section 194A of the Act provides for deduction of tax from interest paid or credited on compensation, whichever is earlier. Section 145A (b) of the Act provides an exception to method of accounting contained in section 145 of the Act and mandates for taxation of interest on compensation on receipt basis only. Therefore, deduction of tax on such interest on mercantile/accrual basis results into undue hardship and mismatch. It is, therefore, proposed to amend the provisions of section 194A of the Income-tax Act, 1961 to provide that **deduction of tax under section 194A of the Act from interest payment on the compensation amount awarded by the Motor Accident Claim Tribunal compensation shall be made only at the time of payment, if the amount of such payment or aggregate amount of such payments during a financial year exceeds Rs.50,000/-.**

These amendments will take effect from 1st June, 2015.

## CHARITABLE TRUST

### RATIONALISATION OF DEFINITION OF CHARITABLE PURPOSE IN THE INCOME-TAX ACT

<b>Law</b>	<p>The primary condition for grant of exemption to a trust or institution under <b>section 11</b> of the Act is that the income derived from property held under trust should be applied for charitable purposes in India. ‘</p> <p>Charitable purpose’ is defined in <b>section 2(15)</b> of the Act. The section, inter alia, provides that advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity.</p> <p>However, this restriction shall not apply if the aggregate value of the receipts from the activities referred above is <b>₹ 25 lakh or less in the previous year.</b></p>
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<b>Logic of amendment</b>	The institutions which, as part of <b>genuine charitable activities</b> , undertake activities like publishing books or <b>holding program on yoga</b> or other programs as part of actual carrying out of the objects which are of charitable nature are being put to hardship due to first and second proviso to section 2(15).				
	<b>The activity of Yoga has been one of the focus areas in the present times and international recognition has also been granted to it by the United Nations. Therefore, it is proposed to include ‘yoga’ as a specific category in the definition of charitable purpose on the lines of education.</b>				
	In so far as the advancement of any other object of general public utility is concerned, there is a need is to ensure appropriate balance being drawn <b>between the object of preventing business activity in the garb of charity</b> and at the same time protecting the activities undertaken by the genuine organization as part of actual carrying out of the primary purpose of the trust or institution.				
<b>Now the amendment</b>	It is, therefore, proposed to amend the definition of charitable purpose to provide that the advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity, unless,-				
	<table border="1"> <tr> <td>(i)</td> <td>such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility; and</td> </tr> <tr> <td>(ii)</td> <td>the aggregate receipts from such activity or activities, during the previous year, <b>do not exceed 25% of the total receipts</b>, of the trust or institution undertaking such activity or activities, for the previous year .</td> </tr> </table>	(i)	such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility; and	(ii)	the aggregate receipts from such activity or activities, during the previous year, <b>do not exceed 25% of the total receipts</b> , of the trust or institution undertaking such activity or activities, for the previous year .
	(i)	such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility; and			
(ii)	the aggregate receipts from such activity or activities, during the previous year, <b>do not exceed 25% of the total receipts</b> , of the trust or institution undertaking such activity or activities, for the previous year .				
These amendments will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.					

## SURCHARGE

	<b>Domestic Company</b>	<b>Foreign Company</b>	<b>Firm / LLP</b>	<b>Ind / HUF/ AOP / BOI / AJP</b>	<b>Local Authority</b>	<b>Co-operative society</b>
<b>• Total Income exceeds ₹ 1 Cr</b>	7%	2%	12%	12%	12%	12%
<b>• Total Income exceeds ₹ 10 Cr.</b>	12%	5%	NA	NA	NA	NA
<b>MAT 7%</b>	20.389%					
<b>MAT 12%</b>	21.342%					
<b>DDT</b>						
<b>• Basic Rate</b>	17.304%					
<b>• Effective rate</b>	20.925%					

**EXCISE, CUSTOMS  
CCR**

**AND**

**COMMON CHAPTERS**

**AMENDMENT**

**MADE BY**

**FINANCE ACT 2015**

# EXCISE ACT 1944

## STANDARD RATE OF EXCISE DUTY

Old Rate upto 28-2-2015	New Rate w.e.f 1-3-2015
12% + 3% = 12.36%	12.5% (No education cess is added)

## GENERAL PENALTY RULE 25 W.E.F 14-5-2015

Minimum General penalty under rule 25 increased from ₹ 2,000 to ₹ 5,000.

## FINE FOR LATE FILING OF RETURN W.E.F 1-3-2015

### Rule 12

It lays down filing of return [ER-1, ER-3, ER-8] or Annual Financial Information Statement [ER-4] or Annual Installed Capacity Statement [ER-7].

### Rule 17

Rule 17 governs the provisions in relation to removal of goods from 100% EOU to Domestic Tariff Area.

Rule 17(3) requires the 100% EOU unit to electronically submit a monthly return in form ER 2 within 10 days from the close of the month to which the return relates, in respect of excisable goods manufactured in, and receipt of inputs and capital goods in, the unit.

### Rule 12(6) / Rule 17(6)

Delay in filing of above return shall attract a late fee of **₹ 100 per day for each day of default subject to a maximum of ₹ 20,000.**

## ONLINE APPLICATION FOR CENTRAL EXCISE REGISTRATION W.E.F 1-3-2015

(i)	Application for registration:	Every person shall get himself registered with the jurisdictional Deputy or Assistant Commissioner of Central Excise by applying in the form provided for registration in the website <a href="http://www.aces.gov.in">www.aces.gov.in</a>
(ii)	Registration of different premises of the same registered person:	<p>If the person has more than one premises requiring registration, separate registration certificate shall be obtained for each of such premises.</p> <p>However, if a person manufactures or carries on trade in goods falling under Chapter 50 to 63 (textile articles) of First Schedule to the Central Excise Tariff Act, 1985 and has more than one premises requiring registration, he may obtain a single registration for all such premises, which fall within the jurisdiction of one Commissioner of Central Excise provided he declares the details of all such premises in the specified form.</p> <p>Also, if a person manufactures Compressed Natural Gas (Tariff item 2711 of Central Excise Tariff) and has more than one premises requiring registration, which fall within the jurisdiction of one Chief Commissioner of Central Excise, he may obtain a single registration for all such premises with any of the Commissioner of Central Excise falling within the jurisdiction of the said Chief Commissioner. He will have to submit the details of all such premises along with the application for registration, subject to the condition that prior intimation shall be given before starting any additional premises subsequent to obtaining such registration</p>
(iii)	Online filing of application:	Application for registration or de-registration or amendment of the registration application shall be filed only online on the website <a href="http://www.aces.gov.in">www.aces.gov.in</a> , in the forms provided in the website.

(iv)	PAN based Registration:	Applicant for registration shall mandatorily quote Permanent Account Number (PAN) of the proprietor or the legal entity being registered in the specified column in the application form, failing which registration will not be granted. Government Departments are exempt from the requirement of quoting the PAN in their online application.
(v)	Applicant to quote e-mail address and mobile number	Applicant shall quote his e-mail address and mobile number in the requisite column of the application form for communication with the Department.
	Business Transaction Numbers:	Business transaction numbers obtained from other Government departments or agencies such as Customs Registration No (BIN No), Import Export Code (IEC) Number, State Sales Tax /(VAT) Number, Central Sales Tax Number, Company Index Number (CIN), Service Tax Registration Number, which have been issued prior to the filing of Central Excise Registration application, shall be filled in the form and for the numbers subsequently obtained, the application shall be amended.
(vi)	Registration Number and Certificate	Pending post-facto verification of premises and documents by the authorized Officers, registration application shall be approved by the Deputy or Assistant Commissioner within 2 days of the receipt of duly completed online application form. A Registration Certificate containing registration number shall be issued online and a printed copy of such Registration Certificate shall be adequate proof of registration and the signature of the issuing authority is not required on the said Registration Certificate.
(vii)	Submission of documents:	The applicant shall tender self attested copies of the following documents at the time of verification of the premises:
		(a) Plan of the factory premises;
		(b) Copy of the PAN Card of the proprietor or the legal entity registered;
		(c) Photograph and Proof of the identity of the applicant;
		(d) Documents to establish possession of the premises to be registered;
		(e) Bank account details;
		(f) Memorandum or Articles of Association and List of Directors; and
		(g) Authorization by the Board of Directors or Partners or Proprietor for filing the application by a third party.
(viii)	Physical verification:	The authorized officer shall verify the premises physically within 7 days from the date of receipt of application through online. Where errors are noticed during the verification process or any clarification is required, the authorized Officer shall immediately intimate the same to the assessee for rectification of the error within 15 days of the receipt of intimation failing which the registration shall stand cancelled. The assessee shall be given a reasonable opportunity to represent his case against the proposed cancellation, and if it is found that the reasons given by the assessee are reasonable, the authorized Officer shall not cancel the registration to the premises.
		On the physical verification of the premises, if it is found to be non-existent, the registration shall stand cancelled. The assessee shall be given a reason opportunity to represent his case against the proposed cancellation, and if it is found that the reasons given by the assessee are reasonable, the authorized Officer shall not cancel the registration to the premises recording the complete and correct address.
(ix)	Transfer of Business or acquisition of factory:	Where a registered person transfers his business to another person, the transferee shall get himself registered afresh. Where an applicant has acquired an old factory from a Bank or a Financial Institution, he shall get himself registered afresh.

(x)	Change in the Constitution	Where a registered person is a firm or a company or association of persons, then in the event of any change in the constitution of the firm leading to change in PAN, he shall get himself registered afresh. In other cases of change in constitution of business, where there is no change in PAN, the same shall be intimated to the jurisdictional Central Excise Officer within 30 days of such change by way of amendment to the registration details to be carried out online and this will not result in any change in the registration number.								
(xi)	De-registration	Every registered person, who ceases to carry on the business for which he is registered, shall de-register himself by making an online application. Where there are no dues pending recovery from the assessee, application for deregistration shall be approved within 30 days from the date of filing of online declaration and the assessee shall be informed, accordingly.								
(xii)	Cancellation of registration:	<p>A registration certificate granted under rule 9 may be cancelled after giving a reasonable opportunity to the assessee to represent his case against the proposed cancellation by the Deputy or Assistant Commissioner of Central Excise, in any of the following situations, namely:—</p> <table border="1"> <tr> <td>(a)</td> <td>where on verification, the premises proposed to be registered is found to be non-existent;</td> </tr> <tr> <td>(b)</td> <td>where the assessee does not respond to request for rectification of error noticed during the verification of the premises within 15 days of intimation;</td> </tr> <tr> <td>(c)</td> <td>where there is substantial mis-declaration in the application form; and</td> </tr> <tr> <td>(d)</td> <td>where the factory has closed and there are no dues pending against the assessee.</td> </tr> </table>	(a)	where on verification, the premises proposed to be registered is found to be non-existent;	(b)	where the assessee does not respond to request for rectification of error noticed during the verification of the premises within 15 days of intimation;	(c)	where there is substantial mis-declaration in the application form; and	(d)	where the factory has closed and there are no dues pending against the assessee.
(a)	where on verification, the premises proposed to be registered is found to be non-existent;									
(b)	where the assessee does not respond to request for rectification of error noticed during the verification of the premises within 15 days of intimation;									
(c)	where there is substantial mis-declaration in the application form; and									
(d)	where the factory has closed and there are no dues pending against the assessee.									

**CENTRAL EXCISE (REMOVAL OF GOODS AT CONCESSIONAL RATE OF DUTY FOR MANUFACTURE OF EXCISABLE GOODS) RULES, 2001 W.E.F 1-3-2015**

Rule 3 of Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2001 required a manufacturer who intended to receive excisable goods for specified use at concessional rate of duty to make an application in quadruplicate and execute a general bond with surety or security.

With effect from 01.03.2015, rule 3 has been amended vide Notification No. 9/2015 CE (NT) dated 01.03.2015 to provide that it would be sufficient if the manufacturer furnishes a letter of undertaking.

However, such a relaxation would be available only to that manufacturer against whom no show cause notice has been issued under section 11A(4) or 11A(5) of Central Excise Act, 1944 or no action is proposed under any notification issued in pursuance of rule 12CCC of Central Excise Rules, 2002 or rule 12AAA of CENVAT Credit Rules, 2004.

# CENVAT CREDIT RULES

## EC AND SHEC CAN BE USED FOR PAYMENT OF EXCISE DUTY W.E.F 30-4-2015

Notification No. 12/2015 CE (NT) dated 30.04.2015 has inserted third, fourth and fifth provisos in rule 3(7)(b) to give effect to this amendment.

Earlier	After
EC can be utilised only for payment of EC	Manufacturers allowed to utilize credit of EC and SHEC for payment of excise duty. (Conditional)
SHEC can be utilised only for payment of SHEC	

However, pursuant to the exemption granted to EC and SHEC leviable on all excisable goods (with effect from 01.03.2015), a manufacturer has been allowed to utilise the following credits of EC and SHEC for the payment of basic excise duty:

### Conditons

(i)	credit of EC and SHEC paid on inputs or capital goods received in the factory of manufacture of final product on/after the 1-3-2015.
(ii)	credit of balance 50% EC and SHEC paid on capital goods received in the factory of manufacture of final product in the financial year 2014-15.
(iii)	credit of EC and SHEC paid on input services received by the manufacturer of final product on or after the 1-3-2015

## CENVAT CREDIT ALLOWED ON INPUTS AND CAPITAL GOODS RECEIVED DIRECTLY IN THE PREMISES OF THE JOB WORKER [RULES 4(1) AND 4(2)(A)]

Earlier	<p>Rule 4(1) allowed instant CENVAT credit on receipt of inputs into the factory of the manufacturer or in the premises of the output service provider or on the delivery of inputs to the output service provider.</p> <p>Likewise, rule 4(2)(a) allowed CENVAT credit on capital goods on receipt of the same in the factory or in the premises of the output service provider or outside the factory for generation of electricity for captive use within the factory or on the delivery of capital goods to the output service provider.</p> <p>Further, when goods were directly sent to job-worker's premises without bringing them in the manufacturer/output service provider's premises, CENVAT credit could be taken only when such goods were received back from the job-worker's premises in the premises of manufacturer/output service provider.</p>
W.e.f. 1-3-2015	Rule 4(1) and rule 4(2)(a) have been amended to allow CENVAT credit in respect of inputs and capital goods immediately on receipt of the same in the premises of job worker where the same are sent directly to the job worker on the direction of the manufacturer or the provider of output service, as the case may be.

## TIME LIMIT FOR AVAILING CREDIT ON INPUTS AND INPUT SERVICES. [RULES 4(1) AND 4(7)]

Earlier w.e.f 1-9-2014	Now w.e.f 1-3-2015
The manufacturer and the provider of output service shall not take CENVAT credit after <b>6 months</b> of the date of issue of any of the documents specified in rule 9(1).	The manufacturer and the provider of output service shall not take CENVAT credit after <b>1 year</b> of the date of issue of any of the documents specified in rule 9(1).

**INPUTS / CAPITAL GOODS RECEIVED BY MANUFACTURER AND THEN REMOVED UNDER CHALLAN FOR JOB WORK [RULE 4(5)(a)] W.E.F. 1-3-2015**

INPUTS	CAPITAL GOODS
However if the inputs are not received back <b>within 180 days</b> , the manufacturer shall pay an amount equivalent to the CENVAT credit attributable to the inputs by debiting the CENVAT credit or otherwise.	However if the capital goods are not received back <b>within 2 years</b> , the manufacturer shall pay an amount equivalent to the CENVAT credit attributable to the capital goods by debiting the CENVAT credit or otherwise.
Further, the credit will be allowed even if any inputs or capital goods are directly sent to a job worker without their being first brought to the premises of the manufacturer/ output service provider and in such a case, the period of 180 days or 2 years, as the case may be, will be counted from the date of receipt of such goods by the job worker.	

**PROVISIONS RELATING TO AVAILMENT OF CENVAT CREDIT UNDER PARTIAL AND FULL REVERSE CHARGE BROUGHT AT PAR [RULE 4(7)]**

a.	In case of <b>full reverse charge</b>	Invoice is received and where service tax is paid on full reverse charge basis the Cenvat credit in respect of such input service shall be allowed on or after the day on which payment is made of <b>service tax only</b> . [w.e.f. 11-7-2014]
b.	In case of <b>partial reverse charge</b>	Invoice is received and CENVAT credit in respect of such input service shall be allowed on or after the day on which payment is made of <b>both the value of input service and the service tax only</b> . [w.e.f. 1-4-2014]
		In respect of service tax charged on service receiver CCR is available at the time of payment of service tax.

**RECOVERY OF CENVAT CREDIT TAKEN BUT NOT UTILIZED AND DETERMINING THE MANNER OF UTILIZATION OF CREDIT [RULE 14] W.E.F 1-3-2015**

Rule 14, which prescribes the provisions for recovery of CENVAT credit wrongly taken or erroneously refunded, has been substituted by a new rule to provide for recovery of CENVAT credit taken but NOT utilized. Further, the manner of determining utilization of credit has also now been provided in the rule itself.

Earlier	w.e.f 1-3-2015
CCR wrongly taken or erroneously refunded	CCR credit taken but not utilised CENVAT credit has been taken and utilised wrongly or has been erroneously refunded

(a)	Where CENVAT credit has been taken wrongly but not utilised, the same will be recovered from the manufacturer/ output service provider in accordance with the provisions of section 11A of the Central Excise Act, 1944/ section 73 of the Finance Act, 1994.
(b)	Where CENVAT credit has been taken and utilised wrongly or has been erroneously refunded, the same will be recovered along with interest from the manufacturer/ output service provider in accordance with the provisions of sections 11A and 11AA (interest @ 18% for excise duty) of Central Excise Act, 1944/ sections 73 and 75 (graded interest ranging from 18% to 30% for service tax) of the Finance Act, 1994.
(c)	For this purpose, all credits taken during a month will be deemed to have been taken on the last day of the month and the utilisation thereof will be deemed to have occurred in the following manner, namely: -
(i)	the opening balance of the month has been utilised first;
(ii)	credit admissible in terms of these rules taken during the month has been utilised next;
(iii)	credit inadmissible in terms of these rules taken during the month has been utilized thereafter.

### **Interest for mere ‘taking’ Cenvat credit without utilization ?**

Interest for wrong utilisation is understandable, but can there be liability of interest only because assessee has ‘taken’ i.e. made entry in Cenvat credit records, without actually utilising it ?

In UOI v. Ind-Swift (2011), assessee had taken credit on the basis of fake invoices and admitted that he had availed Cenvat credit wrongly. On basis of the admission, Settlement Commission had ordered payment of interest @ 10%. Based on these facts, it has been held that interest is payable even if Cenvat credit is only availed even if not actually utilized [reversing decision in Ind-Swift Laboratories’ v. UOI (2009) 240 ELT 328 (P&H HC DB)].

Thus, this decision has to be seen in light of facts of the case as the assessee had ‘wrongly’ taken Cenvat credit. Since the issue was before Settlement Commission, it can be argued that though the amount is termed as ‘interest’, it is in nature of penalty as it is not compensatory in nature. This decision has been brought to notice of revenue officers and tread vide MF(DR) circular.

### **PENALTY PROVISIONS UNDER RULE 15 W.E.F 14-5-2015**

Earlier, wrongful availment/ utilization of CENVAT credit on <b>inputs or capital goods</b> was liable to a penalty	not exceeding the duty on excisable goods in respect of which any contravention has been committed or ₹ 2,000, whichever is greater.	not exceeding 10% of the duty on such goods or ₹ 5,000, whichever is higher
Wrongful availment / utilization of CENVAT credit on input services was liable to a penalty	which might extend up to ₹ 2,000.	not exceeding 10% of service tax on such services
Wrongful availment/utilization of CENVAT credit by reason of fraud etc. with the intent to evade payment of excise duty and service tax was liable to penalty	in terms of erstwhile section 11AC of the Central Excise Act, 1944 and erstwhile section 78 of the Finance Act, 1994 respectively.	in terms of erstwhile section 11AC of the Central Excise Act, 1944 and erstwhile section 78 of the Finance Act, 1994 respectively.

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# **CUSTOMS ACT 1962**

## **RATE OF CVD**

<b>Old Rate upto 28-2-2015</b>	<b>New Rate w.e.f 1-3-2015</b>
12% (No cesses since exempted)	12.5% (No cesses since not levied)

## **RATE OF CUSTOM DUTY**

There is no change in Education Cess leviable on imported goods under section 91 read with section 94 of the Finance Act, 2004 as a duty of customs and Secondary & Higher Education Cess leviable on imported goods under section 136 read with 139 of the Finance Act, 2007 as a duty of customs. These cesses will continue to be levied on imported goods.

# COMMON CHAPTERS

## PENALTY

### Non Fraud cases

1. Excise : Penalty upto 10% of duty or ₹ 5,000 whichever is greater.
2. Service Tax : Maximum 10% of service tax.

Return filed	Enquiry and investigation	Show cause cum demand notice	30 days	Demand Order	30 days
	Duty and interest paid during enquiry and investigation		Duty and interest paid within 30 days		Duty + interest + Penalty paid during within 30 days
Excise	No Penalty		No Penalty		25% of penalty
Service Tax	No Penalty		No Penalty		25% of penalty

### Fraud cases

1. Excise : 100% of duty.
2. Service Tax : 100% of duty.

Return filed	Enquiry and investigation	Show cause cum demand notice	30 days	Demand Order	30 days
	Duty and interest paid during enquiry and investigation		Duty + interest + Penalty paid during within 30 days		Duty + interest + Penalty paid during within 30 days
Excise	15% of duty demanded		15% of duty demanded		25% of duty demanded
Service Tax	15% of duty demanded		15% of duty demanded		25% of duty demanded

### PENALTY PROVISIONS UNDER SECTION 11AC

#### Two categories:

(i)	Penalty provisions where duty has been short/non levied or short/non paid or erroneously refunded for reasons other than fraud etc.
(ii)	Penalty provisions where duty has been short/non levied or short/non paid or erroneously refunded by reason of fraud, collusion etc.

(A) Duty has been short/non levied or short/non paid or erroneously refunded for reasons other than fraud etc.

(i)	Where any excise duty has been short/non levied or short/non paid or erroneously refunded, for any reason other than the reason of fraud/collusion/wilful mis-statement/ suppression of facts/contravention of any of the provisions of this Act or of the rules made thereunder with intent to evade payment of duty, the person who is liable to pay duty as determined under section 11A(10) will also be liable to pay a <b>penalty not exceeding 10% of the duty so determined or ₹ 5,000, whichever is higher.</b>
(ii)	However, if such <b>duty</b> along with <b>interest</b> payable under section 11AA is paid either before the issue of show cause notice or <b>within 30 days</b> of issue of show cause notice (but before adjudication order), <b>no penalty</b> shall be payable by the person liable to pay duty or the person who has paid the duty and all proceedings in respect of said duty and interest will be deemed to be concluded.

(iii)	However, if the duty and interest is not so paid and the matter is adjudicated and a order determining duty is passed under section 11A(10), the <b>penalty would be reduced to 25% of the penalty imposed</b> if the following amounts are paid <b>within 30 days</b> of the date of communication of the order of the Central Excise Officer who has determined such duty.
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(B) Duty has been short/non levied or short/non paid or erroneously refunded by reason of fraud, collusion etc.

(i)	Where any excise duty has been short/non levied or short/non paid or erroneously refunded, by reason of fraud/collusion/wilful mis-statement/ suppression of facts/contravention of any of the provisions of this Act or of the rules made thereunder with intent to evade payment of duty, the person who is liable to pay duty as determined under section 11A(10) will also be liable to pay a <b>penalty equal to the duty so determined</b>
(ii)	<u>Transitory provisions</u> : In respect of cases where the details relating to such transactions are recorded in the specified records for the period between 08.04.2011 and 14.05.2015 (date on which the Finance Bill, 2015 received the assent of the President [both days inclusive]), the penalty will be 50% of the duty so determined [Proviso to sub-section (1)(c)]. As per Explanation 2, 'specified records' means records maintained by the person chargeable with the duty in accordance with any law for the time being in force and includes computerized records.
(iii)	However, if the duty in points [B(i) and B(ii)] and the applicable interest is paid <b>within 30 days</b> of the communication of show cause notice, the amount of <b>penalty liable to be paid by such person will be reduced to 15% of the duty demanded</b> , subject to the condition that such reduced penalty is also paid within the period so specified. Further, all proceedings in respect of the said duty, interest and penalty will be deemed to be concluded.
(iv)	However, if the duty in points [B(i) and B(ii)] and the applicable interest is not so paid and the matter is adjudicated and a order determining duty is passed under section 11A(10), <b>the penalty would be reduced to 25% of the duty so determined</b> if the following amounts are paid <b>within 30 days</b> of the date of communication of the order of the Central Excise Officer who has determined such duty:

(C)	If the duty amount gets modified in any appellate proceeding, then the penalty amount mentioned in [B(i)] and [B(ii)] above and interest shall also stand modified accordingly. Where the duty amount or penalty is increased in the appellate proceedings, the benefit of reduced penalty as specified in [A(iii)] and [B(iv)] above will be admissible if duty, interest and reduced penalty in relation to such increased amount of duty is paid within 30 days of the date of such appellate order [Subsections (2) and (3)].
(D)	Cases where no show cause notice has been issued prior to 14.05.2015 will be governed by amended provisions of section 11AC [Explanation 1(i)].
(E)	Proceedings in the pending show cause notices can be closed – (i) on payment of duty, interest and penalty @ 15% of the duty in fraud cases and (ii) on payment of duty and interest in cases not involving fraud etc., within 30 days of 14.05.2015.
(F)	In all cases where show cause notices are adjudicated after 14.05.2015, reduced penalty @ 25% of the duty in fraud cases and 25% of the penalty imposed in cases not involving fraud etc. can be paid within 30 days of communication of the adjudication order if the duty, interest and penalty is paid within such time.

### **ADVANCE RULING**

**Benefit of advance ruling extended to resident firms [Section 23A(c)(iii)] w.e.f 1-3-2015**

Earlier, public sector companies, resident public limited companies and resident private limited companies were notified under section 23A(c)(iii) of Central Excise Act, 1944 as the class or category of resident persons who can apply for advance ruling in case of specified matters relating to central excise duty.

Notification No. 11/2015 CE (NT) dated 01.03.2015 has expanded the scope of advance ruling by additionally notifying resident firm as class or category of residents who can apply for advance ruling in case of specified matters relating to excise duty. Thus, now a resident firm will also be eligible to make an application for advance ruling in excise duty.

## Meanings

(a)		firm shall have the meaning assigned to it in section 4 of the Indian Partnership Act, 1932 and includes-
	(i)	the limited liability partnership as defined in section 2(1)(n) of the Limited Liability Partnership Act, 2008; or
	(ii)	limited liability partnership which has no company as its partner; or
	(iii)	the sole proprietorship; or
	(iv)	one Person Company.
(b)		
	(i)	sole proprietorship means an individual who engages himself in an activity as defined in section 23A(a) of the Central Excise Act, 1944.
	(ii)	One Person Company means as defined in section 2(62) of the Companies Act, 2013.
(c)		resident shall have the meaning assigned to it in section 2(42) of the Income-tax Act, 1961 in so far as it applies to a resident firm.

Parallel amendment has been made in advance ruling provisions under customs law vide Notification No. 27/2015 Cus (NT) dated 01.03.2015.

### SETTLEMENT COMMISSION

Section 31(c) of the Central Excise Act, 1944 defines a “case” in respect of which an application for settlement can be made before the Settlement Commission.

The definition states that a case means any proceeding under the Central Excise Act or any other Act for the levy, assessment and collection of excise duty, pending before an adjudicating authority on the date on which an application under section 32E(1) is made.

However, the proviso to clause (c) of section 31 laid down that when any proceeding is referred back in any appeal or revision, as the case may be, by any court, Appellate Tribunal or any other authority, to the adjudicating authority for a fresh adjudication or decision, as the case may be, **then such proceeding shall not be deemed to be a proceeding pending within the meaning of this clause.**

The said proviso to sub-section (c) of section 31 has been amended vide the Finance Act, 2015 so as to provide that when any proceeding is referred back, whether in appeal or revision or otherwise, by any court, Appellate Tribunal Authority or any other authority to the adjudicating authority for a fresh adjudication or decision, **then such case shall not be entitled for settlement.** This has been done by deleting the reference to the words “in any appeal or revision, as the case may be” in the proviso.

Parallel amendment has been in Service tax and customs also.

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**SERVICE TAX**

**AMENDMENT**

**MADE BY**

**FINANCE ACT 2015**

### **CHANGE IN SERVICE TAX RATE W.E.F. 1-6-2015**

The Service Tax rate is being increased from 12% plus Education Cesses to 14%. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the revised rate of Service Tax. Thus, effective increase in Service Tax rate will be from existing rate of 12.36% (inclusive of cesses) to 14%.

<b>Old Rate upto 31-5-2015</b>	<b>New Rate w.e.f 1-6-2015</b>
12% + 3% = 12.36%	14% (No education cess is added)

### **SWACHH BHARAT CESS (NOT APPLICABLE YET)**

An enabling provision is being made to empower the Central Government to impose a Swachh Bharat Cess on all or any of the taxable services **at a rate of 2%** of the value of such taxable services with the objective of financing and promoting Swachh Bharat initiatives.

This Cess shall be levied from a date to be notified by the Central Government in this regard and will not have immediate effect. No date notified yet.

### **DEFINITION OF SERVICE U/S 65B(44) W.E.F. 14-5-2015**

“Explanation 2. – For the purposes of this clause, the expression “transaction in money or actionable claim” shall not include—

(i)	any activity relating to use of money or its <b>conversion</b> by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination <b>for which a separate consideration is charged.</b>
(ii)	any activity carried out, for a consideration, <b>in relation to, or for facilitation of</b> , a transaction in money or actionable claim, including the activity carried out—
(a)	by a lottery distributor or selling agent in relation to promotion, marketing, organising, selling of lottery or facilitating in organising lottery of any kind, in any other manner;
(b)	by a foreman of chit fund for conducting or organising a chit in any manner.

### **Analysis**

Thus, it has been made clear that **what is excluded from the definition of service is only a transaction in money or actionable claim** (like lottery) and not any activity in relation to, or for facilitation of a transaction in money or actionable claim.

An Explanation has been also inserted in section 66D(i) which covers betting, gambling or lottery under negative list of services.

The Explanation clarifies that the expression 'betting, gambling or lottery' shall not include the activity specified in Explanation 2 to section 65B(44).

Thus, by virtue of the said amendments, the activity carried out by a lottery distributor or selling agent in relation to promotion, marketing, organizing, selling of lottery or facilitating in organizing lottery of any kind, in any other manner shall be out of the ambit of 'transaction in money or actionable claim' as well as the negative list of services.

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## NEGATIVE LIST

### CLAUSE a : NOT YET NOTIFIED

Before amendment	After amendment
Support services provided by Govt. to business entity is taxable.	Any services provided by Govt. to business entity is taxable.

Therefore all services provided by the Govt. or local authority to a business entity, except the services that are specifically exempted or covered under any other entry of Negative list. However there are doubts that sovereign functions of the Govt. may also come under service tax net on account of said amendment. Therefore suitable clarification is necessary.

Insertion of definition of Govt. w.e.f 14-5-2015 (to avoid interpretational issues)

“Government means the Departments of the Central Government, a State Government and its Departments and a Union territory and its Departments, but shall not include any entity, whether created by a statute or otherwise, the accounts of which are not required to be kept in accordance with article 150 of the Constitution or the rules made thereunder”.
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### CLAUSE f : PROCESS AMOUNTING TO MANUFACTURE W.E.F 1-6-2015

Before	After
Services by way of carrying out any process amounting to manufacture or production of goods.	Services by way of carrying out any process amounting to manufacture or production of goods <b>excluding alcoholic liquor for human consumption.</b>

Process amounting to manufacture as defined u/s 65B(40) w.e.f 1-6-2015

Before	After
<i>It means a process on which duties of excise are <b>leviable</b> under section 3 of the Central Excise Act, 1944 or</i>	It means a process on which duties of excise are leviable under section 3 of the Central Excise Act, 1944 or the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 or
<i><b>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 &amp; Toilet Preparations (Excise Duties) Act, 1955.</b></i>	any process amounting to manufacture of 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.

Mega exemption withdrawn w.e.f 1-6-2015

There was exemption pertaining to intermediate production of alcoholic liquor for human consumption. This exemption has been withdrawn.
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### CLAUSE j : ADMISSION TO ENTERTAINMENT EVENT OR ACCESS TO AMUSEMENT FACILITY W.E.F 1-6-2015

Admission to entertainment events or access to amusement facility is been omitted from negative list consequently these services now becomes taxable.
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Amusement facility	It means a place of rides, gaming devices or bowling alleys in amusement parks, amusement arcades, water parks, theme parks or such other places.
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<p>Entertainment events</p> <p>It is an event or a performance which is intended to provide recreation, pastime, fun or enjoyment,</p>	<p><b>100% exemption :</b></p> <p>Exhibition of cinematographic films, circus, recognised sporting events (no tax on cricket tickets), dance performances, theatrical performances (Mandi house) including drama and ballets.</p> <p><b>Conditional exemption :</b></p> <p>Concerts (musical program), non-recognised sporting events, fairs (Diwali mela), pageants (Miss Universe Contest), award functions (Film fare award), musical performances (Akon), including cultural programs or any such event or programme.</p> <p>Service Tax to be levied if the amount charged is more than ₹ 500 for right to admission to such an event.</p>
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**SECTION 66F(1). PRINCIPLES TO INTERPRET THE SPECIFIED DESCRIPTIONS OF SERVICES W.E.F 14-5-2015**

Section 66F(1) prescribes that unless otherwise specified, reference to a service (main service) shall not include reference to any input service used for providing such service (main service).

The following illustration has been incorporated in this section to exemplify the scope of this provision:

“The services by the Reserve Bank of India, being the main service within the meaning section 66D(b), does not include any agency service provided or agreed to be provided by any bank to the Reserve Bank of India. Such agency service, being input service, used by the Reserve Bank of India for providing the main service, for which the consideration by way of fee or commission or any other amount is received by the agent bank, does not get excluded from the levy of service tax by virtue of inclusion of the main service in clause (b) of the negative list in section 66D and hence, such service is leviable to service tax.”

**SECTION 67. VALUATION OF TAXABLE SERVICE W.E.F 14-5-2015**

Explanation (a) to section 67 reads as under:

Consideration includes–

(i)	any amount that is payable for the taxable services provided or to be provided;	
(ii)	any reimbursable expenditure or cost incurred by the service provider and charged, in the course of providing or agreeing to provide a taxable service, except in such circumstances, and subject to such conditions, as may be prescribed.	This was in Rule 5. But now shifted in the Act to win the many cases pending in the Court. Few courts have held that Rule 5 is ultra vires the Act. S 94(2) has empowered the CG to make rules of valuation also.
(iii)	<ul style="list-style-type: none"><li>• any amount retained by the lottery distributor or selling agent from gross sale amount of lottery ticket in addition to the fee or commission, (E.g. Collected ₹ 2 Lakh and paid back ₹ 1.9 Lakh. ₹ 10,000 is subjected to service tax)</li><li>• the discount received, that is to say, the difference in the face value of lottery ticket and the price at which the distributor or selling agent gets such ticket. (E.g. Face value of lottery ticket ₹ 100. Sold to lottery agent for ₹ 90. Difference of ₹ 10 shall be subjected to service tax)</li></ul>	

## MEGA EXEMPTION

### HEALTH CARE SERVICES [ENTRY NO 2]

- a. Health care services by a clinical establishment, an authorised medical practitioner or para-medics.
- b. Services provided by way of transportation of a patient in an ambulance, other than those specified in (i) above. w.e.f 1-4-2015.

### OUTPUT SERVICES BY ARTISTS IN FOLK OR CLASSICAL FORM [ENTRY NO 16]

Services by a performing artist in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre **where amount charged is upto ₹ 1,00,000.** w.e.f 1-4-2015.

However services provided by such artist as a brand ambassador is taxable without any monetary limit.

**Note :** Brand ambassador means a person engaged for promotion or marketing of a brand of goods, service, property or actionable claim, event or endorsement of name, including a trade name, logo or house mark of any person.

### GENERAL EXEMPTION OF TRANSPORTATION OF SPECIFIED GOODS BY RAIL OR VESSEL OR GOODS TRANSPORT AGENCY [ENTRY NO 20]

Before	After
Foodstuff (Sauces, juices, rice, dahi etc) including flours, tea, coffee, jaggery, sugar, milk products, <b>milk</b> , salt and edible oil, <b>excluding alcoholic beverages</b> ; or	Milk, salt and food grain including flours, pulses and rice w.e.f 1-4-2015.

### SERVICES OF GENERAL INSURANCE BUSINESS [ENTRY NO 26]

Services of general insurance business provided under following schemes -

(p)	Pradhan Mantri Suraksha Bima Yojna w.e.f. 30-4-2015.
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### LIFE INSURANCE SERVICE [ENTRY NO 26A]

Services of life insurance business provided under following schemes -

(d)	Varishtha Pension Bima Yojna	w.e.f 1-4-2015
(e)	Pradhan Mantri Jeevan jyoti Bima Yojna	w.e.f 30-4-2015
(f)	Pradhan Mantri Jan Dhan Yojna	w.e.f 30-4-2015

### COLLECTION OF CONTRIBUTION UNDER ATAL PENSION YOJNA [ENTRY NO 26B]

Collection of contribution under Atal Pension Yojna is exempt from service tax w.e.f 30-4-2015

### AGENT SERVICES [ENTRY NO 29]

Services by the following persons in respective capacities -

- (c) ~~mutual fund agent to a mutual fund or asset management company.~~ Deleted w.e.f. 1-4-2015
- (d) ~~distributor to a mutual fund or asset management company.~~ Deleted w.e.f. 1-4-2015
- (e) ~~selling or marketing agent of lottery tickets to a distributor or a selling agent; (Sub broker)~~ Deleted w.e.f. 1-4-2015

### JOB WORK [ENTRY NO 30]

- (c) any goods on which appropriate duty is payable by the principal manufacturer **excluding intermediate production process of alcoholic liquor for human consumption on job work**; or (w.e.f 1-6-2015)

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**TELEPHONE SERVICE [ENTRY NO 32] DELETED W.E.F. 1-4-2015**

Services by way of making telephone calls from-

- (a) departmentally run public telephone;
- (b) guaranteed public telephone operating only for local calls; or
- (c) free telephone at **airport** and **hospital** where no bills are being issued.

**OTHER EXEMPTION**

<b>Entry No 43</b>	Services by operator of Common Effluent Treatment Plant by way of treatment of effluent. w.e.f. 1-4-2015.
<b>Entry No 44</b>	Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change or alter the essential characteristics of the said fruits or vegetables. w.e.f. 1-4-2015.
<b>Entry No 45</b>	Services provided by way of admission to a museum, zoo, national park, wild life sanctuary and a tiger reserve have been exempted. w.e.f. 1-4-2015
<b>Entry No 46</b>	Service provided by way of exhibition of movie by an exhibitor (E.g. PVR Cinemas) to the distributor (Yash Raj Films) or an association of persons consisting of the exhibitor as one of its members has been exempted. w.e.f. 1-4-2015.
<b>Entry No 47</b>	Services by way of right to admission to (w.e.f. 1-6-2015)
	(i) Exhibition of cinematographic film, circus, dance, or theatrical performance including drama or ballet.
	(ii) Recognized sporting event.
	(iii) Award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event, where the consideration for admission is not more than ₹ 500 per person.
<b>Note :</b> Access to amusement park is subjected to service tax.	

**ABATEMENT**

<b>Transportation of passengers or goods by w.e.f 1-4-2015</b>		
Rail (passengers / goods)	GTA by Road (goods)	Vessel from one port in India to another (Goods)
30% of gross billing is subject to service tax 4.2%	30% of gross billing is subject to service tax 4.2%	30% of gross billing is subject to service tax 4.2%
1	2	3

<b>Transportation of passengers by AIR w.e.f 1-4-2015</b>	
<u>Economy class</u>	<u>Business class</u>
40% of gross billing is subject to service tax 5.6%	60% of gross billing is subject to service tax 8.4%
4	4

<b>Renting of</b>	
Transport of passengers with or without accompanied belonging by a contract carriage (Bus) <b>other than motor cab and radio taxi</b>	Motor cab <i>and radio taxi</i> designed to carry passengers.
40% of gross billing is subject to service tax 5.6%	40% of gross billing is subject to service tax 5.6%
5	6

<b>Tour Operator</b>		
Package Tour (Transportation, accommodation, city tour etc)	Arranging or booking solely accommodation in relation to tour	Other cases (Only transportation)
25% of gross billing is subject to service tax 3.5%	10% of gross billing is subject to service tax 1.4%	40% of gross billing is subject to service tax 5.6%
7	8	9

<b>Others</b>		
Services in relation to chit.	Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes.	Financial leasing including hire purchase
Abatement deleted w.e.f. 1-4-2015	60% of gross billing is subject to service tax 8.4%	10% of gross billing is subject to service tax 1.4%
	10	11

**REVERSE CHARGE**

**9. SERVICE PROVIDED BY A MUTUAL FUND AGENT W.E.F. 1-4-2015**

Mutual fund agent / distributor --> Mutual Fund	Mutual Fund the service receiver shall pay service tax
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**10. SERVICE PROVIDED BY A LOTTERY AGENT W.E.F. 1-4-2015**

Lottery agent / Marketing agent --> Lottery distributor	Lottery distributor the service receiver shall pay service tax
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**11. ANY SERVICE PROVIDED BY A GOVT TO BUSINESS ENTITY (NOT YET NOTIFIED)**

Govt --> Business entity	Business entity the service receiver shall pay service tax
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**12. ANY SERVICE PROVIDED BY A PERSON TO AGGREGATOR (W.E.F 1-3-2015)**

Any person --> Aggregator	Aggregator the service receiver shall pay service tax if aggregator have the physical presence in taxable territory. If it does not have physical presence in taxable territory any person representing the aggregator is liable to pay service tax. If the aggregator neither has a physical presence nor does it have a representative in the taxable territory then it would appoint a person in the taxable territory for the purpose of paying service tax.
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<u>Rule 2(1)(aa)]</u> <u>Meaning of Aggregator</u>	“Aggregator means a person, who owns and manages a web based software application, and by means of the application and a communication device, enables a potential customer to connect with persons providing service of a particular kind under the brand name or trade name of the aggregator”
<u>Rule 2(1)(bca).</u> <u>Brand name or trade</u>	It means a brand name or a trade name whether registered or not, that is to say, a name or a mark, such as an –  invented word or writing, or a symbol, monogram, logo, label, signature,  which is used for the purpose of indicating, or so as to indicate a connection, in the course of trade, between a service and some person using the name or mark with or without any indication of the identity of that person”

**13. SUPPLY OF MANPOWER + SECURITY SERVICE W.E.F 1-4-2015**

<b>Service provided or agreed by way of</b>	<b>Service Provider</b>	<b>Service Receiver</b>
Supply of manpower for any purpose or security service.	NA	100% of ST

**Note 1 :** Rule 2(1)(fa). Security service means services relating to the security of any property, whether **movable** or **immovable**, or of any **person**, in any manner and includes the services of investigation, detection or verification, of any fact or activity.

**Note 2 :** Rule 2(1)(g). Supply of manpower means supply of manpower, temporarily or otherwise, to another person to work under **his** superintendence or control. It means manpower should work under supervision of service receiver.

Placement agencies and supplier of labour both covered here.

## REGISTRATION CERTIFICATE

1. Applicants seeking registration for single premises shall file an **online application** for registration on ACES website in **Form ST-1. [ACES : Automation Of Central Excise and Service Tax]**
2. Following details are to be mandatorily furnished in the application form: (a) Permanent Account Number (PAN) of the proprietor or the legal entity being registered (except Government Departments) (b) E-mail and mobile number
3. Registration would be granted online **within 2 days** of filing the complete application form. On grant of registration, the applicant would be enabled to electronically pay service tax.
4. Registration Certificate downloaded from the ACES website would be accepted as proof of registration and there would be no need for a signed copy. Registration form ST 2
5. **STC code i.e. registration number** : Registration number also known as Service Tax Code (STC) is a 15 digit PAN based number. 1st 10 digits of this number are the same as the PAN of such person. Next 2 digits are ST. Next 3 digits are serial numbers indicating the number of registration taken by the service taxpayer against a common PAN.

**CBEC has prescribed following documents is to be submitted within 7 days of online application.**

1	Copy of the PAN Card of the proprietor or the legal entity registered.
2	Photograph and proof of identity of the person filling the application
3	Document to establish possession of the premises to be registered such as proof of ownership, lease or rent agreement, allotment letter from Government, No Objection Certificate from the legal owner.
4	Details of the main Bank Account
5	Memorandum/Articles of Association/List of Directors
6	Authorisation by the Board of Directors/Partners/Proprietor for the person filing the application
7	Business transaction numbers obtained from other Government departments or agencies such as Customs Registration No. (BIN No), Import Export Code (IEC) number, State Sales Tax Number (VAT), Central Sales Tax Number, Company Index Number (CIN) which have been issued prior to the filing of the service tax registration application

## REVOCATION OF REGISTRATION CERTIFICATE

The registration certificate may be revoked by the Deputy/Assistant Commissioner in any of the following situations, after giving the assessee an opportunity to represent against the proposed revocation and taking into consideration the reply received, if any:

1	The premises are found to be non existent or not in possession of the assessee.
2	No documents are received within 15 days of the date of filing the registration application.
3	The documents are found to be incomplete or incorrect in any respect.

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**COMPOSITION SCHEME**

Old Rate

New Rate

**Air Travel Agent**

Domestic booking	0.6 %	0.7 %
International booking	1.2 %	1.4 %

**Life insurance**

First year premium	3 %	3.5 %
Subsequent year premium	1.5 %	1.75 %

**Money changing service**

Amount of currency exchanged upto ₹ 1 Lakh	0.12 % subject to minimum of ₹ 30	0.14 % subject to minimum of ₹ 35
Amount of currency exchanged exceeding ₹ 1 Lakh and upto ₹ 10 Lakhs	₹ 120 and 0.06 %	₹ 140 and 0.07 %
Amount of currency exchanged exceeding ₹ 10 Lakhs	₹ 660 and 0.012 % subject to maximum of ₹ 6,000	₹ 770 and 0.014 % subject to maximum of ₹ 7,000

**Lottery agent**

Where guaranteed prize payout is more than 80 %	₹ 7,000	₹ 8,200
Where guaranteed prize payout is less than 80 %	₹ 11,000	₹ 12,800