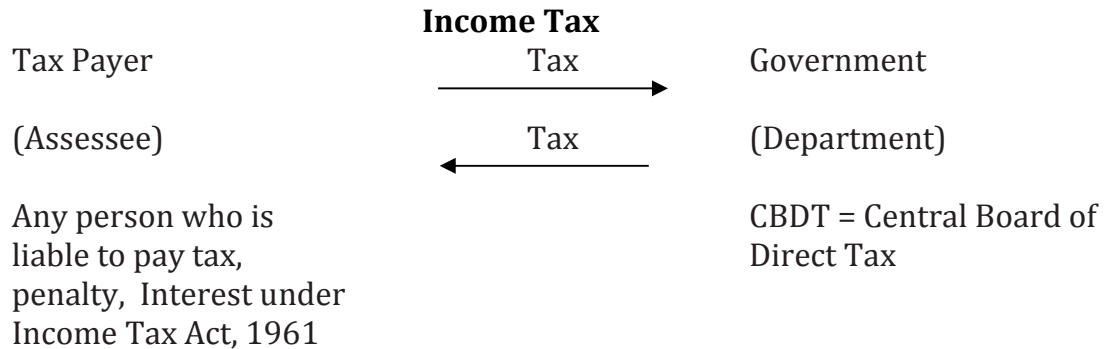


Direct Taxation (Chapter 1 to 10) (By Atul Agarwal)

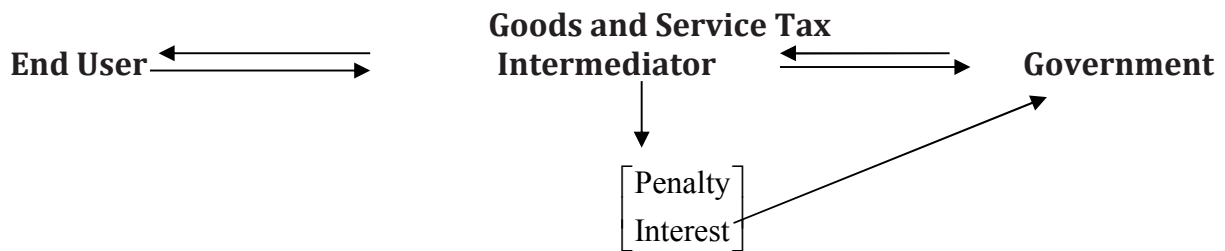
Chapter 1 Basic Concepts

Types of Tax

Direct Tax:—



Indirect Tax:—



Income Tax - Basics

- Income tax Act, 1961 as amended upto date by **Finance Act 2019**.
- Levy by Central Govt. by entry No. 82 of union List.

7 Types of Persons

- Individual – Natural Person
- HUF – Hindu Undivided Family
- Firm – Partnership Act, 1932, LLP Act 2008
- AOP/BOI – Association of Person and Body of Individual.
- Company – Companies Act 2013,
- Local Authority – Example - JDA, DDA
- Artificial Juridical Person – High Court, Temple etc.

5 Heads of Income

- (1) Income From Salary
- (2) Income From House Property
- (3) Income From Business and Profession
- (4) Income From Capital Gain
- (5) Income From other Source

Legal V/s Illegal Income = Both Income are taxable

Assessment Year

- Assessment Year is tax payment year
- 12 Month Period
- 1st April..... to 31st March.....

Previous Year

- **Previous Year is Income earning Year**
- 12 Month Period (except new business)
- 1st April..... to 31st March.....
Or
Date of commencement of business..... to 31st March.....
- Previous year is just preceding Assessment year.

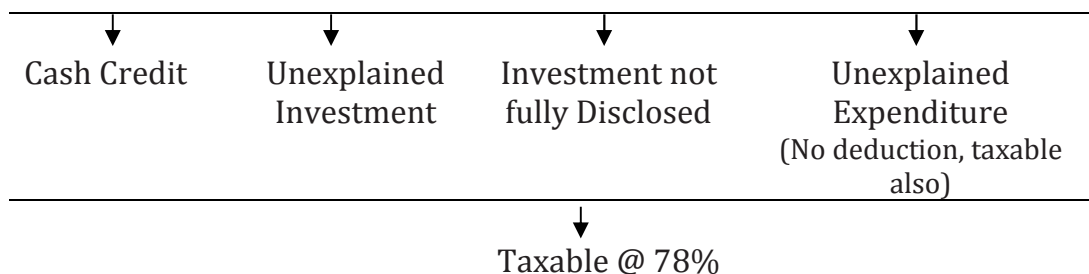
General Rule – Income of previous year is taxable in assessment year

Exception to General Rule

Cases where income of previous year is taxable in previous year

- (1) Income of non-resident shipping company.
- (2) Income of person leaving India permanently or for long duration.
- (3) Income of person who is trying to transfer his assets for avoiding tax.
- (4) AOP/BOI/AJP formed for short duration.
- (5) Income of Discontinued Business.

Cases where income is taxable in year in which it comes to the notice of Department (Assessing Officer)



Subsidy

Capital Subsidy

- On capital Assets
- Deducted From Cost of Assets

Revenue Subsidy

- Credited to P& L A/c

Section 4 (charging section) — Income tax shall be levied on **Total Income** of every **person** at rate specified in –

Schedule I of Finance Act (Normal Rate)

or

Income Tax Act, 1961. (Special Rate)

Steps for Calculation of total income

Step 1:— Determine Residential Status (Chapter 2)

Step 2 — Determine Income under following heads (Chapter 4)

Salary	XX
House Property	XX
Business or Profession	XX
Capital Gains	XX
Other Sources	<u>XX</u>
Gross Total Income	<u>XXXX</u>

Step 3— Clubbing of income of spouse, minor child etc. (Chapter 5)

Step 4— Setoff and carry forward of losses (Chapter 6)

Step 5 — Deduction under chapter VI-A (Chapter 7) (XX)

Total Income/Taxable Income XXXX

Tax Rates

For Individual, HUF, AOP/BOI, Artificial Juridical Person :—

SLAB Rate	Tax	Tax Amount
Upto 2,50,000	Nil	Nil
2,50,000 to 5,00,000	5%	≤ 12,500
5,00,000 to 10,00,000	20%	≤ 1,00,000
Above 10,00,000	30%	XX

For **Resident Individual plus age of 60 years or more** but less than 80 years at any time during previous year or 1st day of Assessment year. (**Resident Senior Citizen**)



SLAB Rate	Tax	Tax Amount
Upto 3,00,000	Nil	Nil
3,00,000 to 5,00,000	5%	≤ 10,000
5,00,000 to 10,00,000	20%	≤ 1,00,000
10,00,000 or Above	30%	XX

For **Resident Individual plus age of 80 years or more** at any time during previous year or 1st day of assessment year. (**Resident Super Senior Citizen**)

SLAB Rate	Tax	Tax Amount
Up to 5,00,000	Nil	Nil
5,00,000 to 10,00,000	20%	≤ 1,00,000
Above 10,00,000	30%	XX

Rebate to resident individual (Sec. 87A)

Rs. 12,500 }
Or } Whichever is less
Income Tax Payable }
If total income does not exceed Rs. 5,00,000

Firm or local authority — Flat Rate @ 30%

Company —

Domestic Company		Foreign Company
Indian Company Or	Company who made arrangement for declaration & payment of dividend in India	Other than Domestic Company
If total Turnover or Gross Receipt upto Rs. 400 crore in previous year 2017-18	Other Case	
25% Tax Rate	30% Tax Rate	40% Tax Rate

Surcharge [Tax on tax]

Individual/HUF/ AOP/BOI/Artificial Juridical Person

↓

Total Income

Upto 50 lacs	Exceed 50 lac but upto 1 crore	Exceed 1 Crore but upto 2 crore	Exceed 2 Crore but upto 5 crore	Exceed 5 Crore
↓	↓	↓	↓	↓
Nil	10%	15%	25%	37%

Firm / Local Authority

↓

Total Income

Upto 1 crore	Above 1 crore
↓	↓
Nil	12%

Company

	Domestic			Foreign Company	
	↓			↓	
	If Total Income			If Total Income	
Upto 1 Cr.	Exceed 1 Cr. but upto 10 Cr.	Exceed 10 cr.	Upto 1 Cr.	Exceed 1 Cr. but upto 10 Cr.	Exceed 10 Cr.
↓	↓	↓	↓	↓	↓
Nil	7%	12%	Nil	2%	5%

Health & Education Cess

On Tax + Surcharge	At END	@ 4%
--------------------	--------	------

Marginal Relief

When tax exceed income due to surcharge

Mr. Rohan

Total Income		Total Income	
51,00,000		50,00,000	
Upto 2,50,000	Nil	Upto 2.5 lac	Nil
2,50,000 – 5 lac	12,500	2.5 lac	12,500
5 lac – 10 lac	1,00,000	5 lac – 10 lac	1,00,000
41 lac	12,30,000	40 lac	12,00,000
	13,42,500		13,12,500
+ Surcharge	1,34,250		
	14,76,750		
Tax on 50 lac	=	13,12,500	
(+) excess Income	=	<u>1,00,000</u>	
above 50 lacs (51-50)			
Tax to be paid	=	<u>14,12,500</u>	
Marginal Relief	=	Actual Tax – Tax to be paid	
		<u>14,76,750</u> - 14,12,500	
		<u>= 64,250</u>	

Steps for calculation of marginal relief

Steps —

- (i) Calculate Tax on original total income
- (ii) Calculate tax on Rs. 50 lac / 1 crore as per case
- (iii) Tax to be paid = Tax on Rs. 50 lac/ 1cr + Additional Income above 50 lac/ 1 cr.
- (iv) Marginal relief = Original Tax – Tax to be paid

Average Rate of Tax

$$\text{ART} = \frac{\text{Total Tax}}{\text{Total Income}}$$

Maximum Marginal Rate

Highest slab rate apply to Individuals plus surcharge and cess

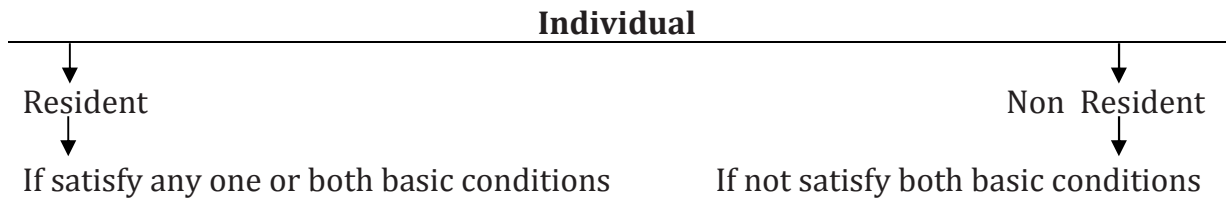
30% Tax + 37% surcharge + 4% cess

= 30% + 11.1% + 1.644%

= 42.744%

Chapter 2 **Residential Status**

Residential Status of Individual



Basic Conditions

If individual fulfill any one Basic condition, he/she is resident in India.

- An individual must be resides in India for at least 182 days during the relevant previous year.

OR

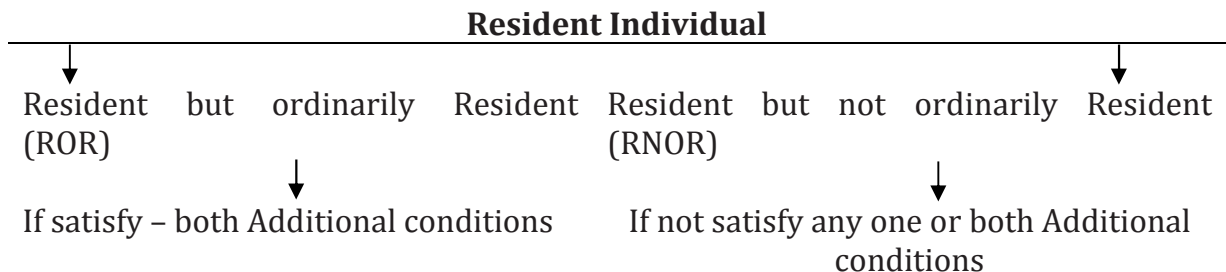
- An Individual must resides in India for at least 60 days during the relevant previous year **AND** 365 days or more during 4 preceding previous year.

Cases where only 1st basic condition is applicable

- Crew member of India ship
- Indian citizen leaves India for employment outside India.
- Indian citizen or Person of Indian origin comes India for visit

*Indian Citizen = Citizenship of India

*Person of Indian origin = If he or either of his parents or grandparents were born in undivided India.



Additional Conditions

- An individual must be resident in India for at least 2 years during 10 preceding previous years.

OR

- An Individual must resides in India for at least 730 days during 7 preceding previous years.

Other Points

- For considering stay in India, It includes both day of departure & day of arrival
- Stay in Territorial Waters of India (12 Nautical miles from base line) is to be treated as stay in India
- Citizenship & residential status are Different.

Residential Status of Crew member of Indian ship

Period to be excluded from India-

From Date entered into continuous discharge Certification at time of joining the ship
TO
Date entered into Continuous Discharge certificate at time of sign off

Resident status of HUF

If control and management (Central Control)

Wholly or partly situated in India

↓
Resident

Wholly situated outside of India

↓
Non-resident

Note — If Karta satisfy both additional conditions of individual, then HUF = **ROR**, otherwise **RNOR**

Residential Status of AOP, BOI, Firm, Local Authority, AJP

↓
If control & Management wholly or partly in India

↓
Resident

↓
If control & management wholly outside India

↓
Non-resident

Residential status of Company

↓
If Indian Co.

↓
Always Resident

↓
If any other company

↓
Place of Effective Management

↓
In India

↓
Resident

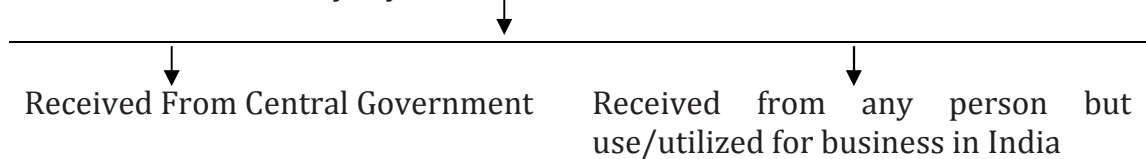
↓
Outside in India

↓
Non-Resident

Scope of Total Income			
	Resident and ordinarily Resident	Resident but not ordinarily resident	Non Resident
• Income accrued/earned or deemed to be earned in India	T	T	T
• Income received or deemed to be received in India [Means first received in India] (not remittance)	T	T	T
• Income earned and received outside India but business is controlled from India	T	T	X
• Income earned, received & control all outside India	T	X	X

Income deemed to be earned in India

- Income through Business connection in India (Agent)
- Salary by Government to Indian citizen for service rendered outside India. Allowance & perquisites to such person are exempt.
- Income from Interest, royalty and fees for Technical services.



Following are not business connection (Not deemed to earned in India)

- Purchase of Goods in India for Export.
- Shooting of cinematograph films in India.
- Collection of News in India
- Activities relating to display of Diamonds in SNZ

Note—Past Foreign Untaxed income remitted/brought to India is not taxable.

Chapter 5

House Property

Charging Section (Section 22):— Notional Basis

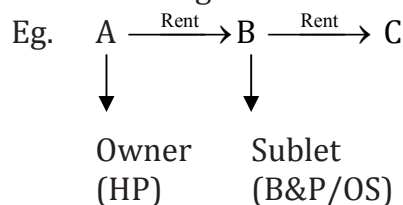
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Annual Value of property is taxable under this head if following conditions are satisfied:

- (1) Property must consist of building or Land appurtenant there to.
- (2) Assessee must be owner of such House Property (ownership of land is not required).
- (3) Property shall not be used by owner for his business or profession.

Other Points

- Rent Income from vacant plot — B&P or Other Source
- Sub letting — B&P or Other Source



- Assessee engage in business of letting/renting of properties — B&P
- Rent for putting up hoarding on building \longrightarrow Other Source

Cases where House property Income is exempt

- (1) Property held for charitable purpose.
- (2) Property use for own business/profession.
- (3) Self-occupied/Unoccupied House \longrightarrow Annual value of two self-occupied/Unoccupied House is Nil
- (4) House property Income of local authority.
- (5) Farm House use for Agriculture purpose.

Calculation of Income from House Property

Gross Annual Value (Sec. 23)	XXX
Less: Municipal Tax (paid by owner of any year)	
(not due basis) (not by tenant) (in India/outside India)	(XX)
Net Annual Value	XXX
Less: Deductions	
Sec. 24(a) — Standard Deduction @ 30% of NAV	(XX)
Sec. 24(b) — Interest on Borrowed Capital (due basis)	(XX)
Income from House Property	(XXX)

Gross Annual Value (Sec. 23)

Expected Rent }
Or }
Actual Rent } ■ Higher

Step 1—

Municipal Value }
Or }
Fair Rent } ■ Whichever is Higher (Full year)

Step 2—

Step 1 }
Or }
Standard Rent } ■ Whichever is lower (Full year)

Step 3 —

Actual Rent — Unrealized Rent

From renting
date to end of
financial year

Step 4—

Step 2 }
Or }
Step 3 } whichever is higher

Step 5—

Step 4 — loss due to vacancy (only if not self-occupied by owner during vacancy)

Self-Occupied or un-occupied property



If it is self-occupied/un-occupied for whole year.

GAV	Nil
Less M.T. Paid (No Deduction)	<u>Nil</u>
NAV	<u>Nil</u>
Less: Deduction	
24(a) Standard Deduction	Nil
24(b) Interest on borrowed capital	<u>(XX)</u>
Income from House Property	<u>(XX)</u>

Interest on Borrowed Capital [Section 24(b)]

Pre Construction period	Post Construction period
Start – Date of taking loan	Start – After ending of pre construction period
End– 31 st March just before date of completion or purchase of HP	Note – When there is no pre construction period, It start from date of taking loan. End – Date of full repayment of loan
Interest for pre period will be calculated totally ÷ 5	
Instalment – It is deduction	Deduction
Received in 5 post period years in 5 instalments (one instalment per year)	Pre period deduction (one instalment) (if any)
	Interest on loan in post period (current year)

Deduction limit of interest on borrowed capital

If Let Out	If Self Occupied
No limit — full deduction	Maximum limit
	30,000/2,00,000 (for 2 self-occupied/unoccupied house)
	Following conditions to be satisfied for limit of Rs. 2,00,000 :-
	<ul style="list-style-type: none"> • Loan taken for purchase or construction of HP, • construction must be completed within 5 years, • Loan is taken on or after 1-4-1999

Other Point

- Interest deduction is allowed only from that house property for which loan amount is used.
- No deduction for brokerage or commission for arranging loan.
- Interest on fresh land taken for repay original loan is allowed as deduction.
- Interest payable/paid outside India is allowed only if TDS is deducted.

If house is let out, then vacant and in vacancy, self-occupied by owner

- Actual Rent is taken of only let out month = Date of Renting to before vacancy
- and there is no loss due to vacancy (no step 5)

If three properties are self-occupied

Treat two as self-occupied and one as deemed let out

Steps

- Calculate income from H.P. Treating all as let out
- Calculate income from H.P. Treating all as self-occupied
- Then make pair

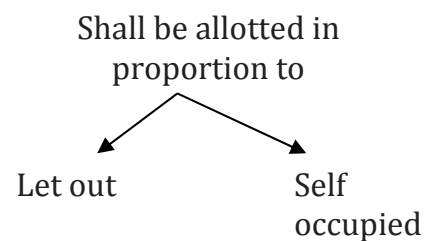
	Pair 1	Pair 2	Pair 3
House 1	Let out	Self-occupied	Self-occupied
House 2	Self-occupied	Let out	Self-occupied
House 3	Self-occupied	Self-occupied	Let out

- Pair which makes least income will be selected.

Portion of house property is self-occupied and portion is let out

- In this case all values such as:—

Municipal Value	MV
Fair Rent	FR
Standard Rent	SR
Municipal Tax	
Interest	



- Then normal calculation of Income from H.P.

Section 25(A) — Recovery of realised rent / Arrears of Rent

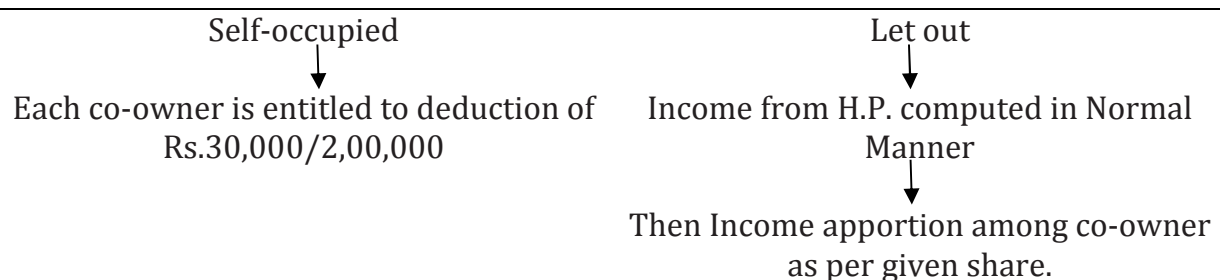
Ownership is not required at the time of recovery

Amount Received	XXX
(-) 30% deduction	(XX)
Income from H.P.	<u>XXX</u>

Section 26 — Co owned Property

Owned by two or more persons — Share definite & ascertainable

Taxed Individually and not as AOP



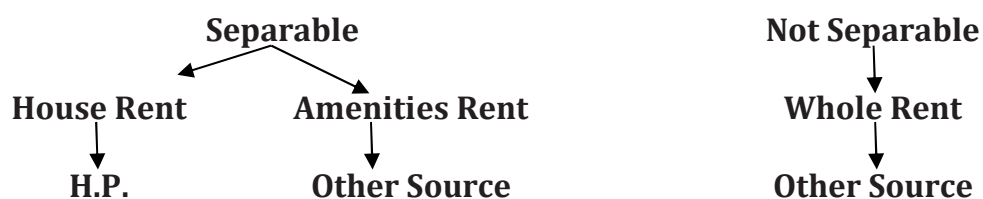
Deemed ownership (Section 27)

- Transfer to spouse without adequate consideration — Transferor shall be deemed as owner
- Transfer to minor child (other than minor married daughter) without adequate consideration — Transferor shall be deemed as owner
- If property leased for 12 or more year — Lessee will be owner

Other Miscellaneous Points

Composite Rent

If House Rent includes other Amenities Rent



House property held as stock in Trade

- Gross annual value (GAV) will be nil for 1 year from end of financial year in which completion certificate is obtained.
- After that — Taxable as House property Income.

Chapter 6

Profit & Gains of Business & Profession (PGBP)

Section 28 — Charging Section

Income Taxable under this head

- (1) Profit of any business or profession carried by assessee during previous year.
- (2) Compensation received relating to B&P.
- (3) Export incentive, Assistance etc.
- (4) Interest, salary, bonus, commission received by partner of firm (taxable upto deduction allowed to firm)

Calculation of Income under Business & Profession

	Profit / Loss as per P&L A/c	XX/(XX)
Add:	1. Depreciation debited to P&L A/c	XX
	2. Provisions, Reserves, Income Tax debited to P&L	XX
	3. Expenses debited to P&L A/c but not allowed as per income tax act/under this head.	XX
	4. Income not credited to P&L A/c but taxable under this head.	XX
		XXX
Less:	1. Depreciation as per Income Tax Act, 1961	(XX)
	2. Expenses not debited to P&L A/c but allowed under this head	(XX)
	3. Income credited to P&L A/c but not taxable under this head/income tax act	(XX)
	Income from Business & Profession	XXX

Method of Accounting for B&P & Other Sources

	Cash	Or	Mercantile
All Cash income of B/P	XX		
Less: All Cash Exp. Of B/P	(XX)		Above Computation
Income from B/P	XXX		

Section 29– Loss due to theft, natural calamity etc. allowed as deduction.

Section 30, 31 — Current Repairs to Fixed Assets allowed as deduction.

Depreciation as per Income tax Act (Section 32)

Depreciation for Tangible Assets/Intangible Assets	
	Owned wholly or partly by assessee
Used in B & P	
	Depreciation shall be allowed on WDV of Block of Assets
at Prescribe Percentage	

Block of Assets — Same Class of Asset and Same percentage of Depreciation

Depreciation Rates

Building —

Block 1 — Residential Building — 5%

Block 2 — Commercial Building — 10%

Furniture & Fittings—

Block 1 — 10%

Plant & Machinery—

Block 1 — Aeroplanes, Pollution control Equipment,
Energy saving Device, Annual Publications,
Books, Computer including Computer software,
Windmill } 40%

Block 2—Motor car used in Business of running on hire — 30%

Block 3—Other Plant & Machinery, other Motor Car — 15%

Ships —

Block 1 — 20%

Tangible Assets—

Block 1 — 25%

- No depreciation on land
- Mandatory to claim Depreciation

Calculation of WDV of Block for Depreciation

Opening WDV as on 1 st day of P.Y.	XXX
Add: Actual cost of Purchase during the year	XX
Less: Amt. received on sale discard, demolish, destroyed	<u>(XX)</u>
Closing WDV of Block as on last day of P.Y.	<u>XXX</u>

Depreciation = Closing WDV × Dep. Rate

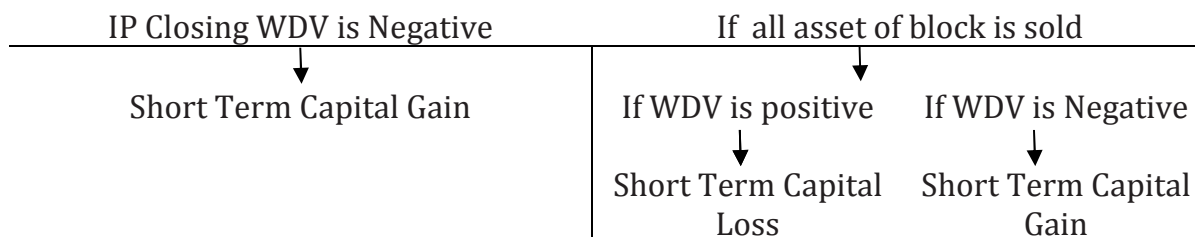
Depreciation Restricted to 50%

If Asset put to use for less than 180 days.

If Asset put to use upto 3rd October — Full Rate

If Asset put to use after 3rd October — Half Rate

Capital Gain/Loss on Depreciable Asset



Other points to Depreciation—

- (1) No depreciation for Asset use in Scientific Research [sec. 35]
- (2) If Assets use as partly business party personal — Depreciation allowed only for business use.
- (3) **Actual cost of Purchase :**

Purchase price	XX
Add: All expenses related to purchase	XX
Add: Interest upto put to use	XX
Actual cost of Purchase	XXX

- (4) If payment for assets exceeding RS.10,000 in a single day by Cash or Bearer Cheque or Cross Cheque to single person. (No Depreciation Allowable — Ignore such amount)
- (5) Actual cost of purchase of asset which convert from personal to business use

Building		Other Assets
↓		↓
Purchase Price	XXX	Actual Cost = Purchase Price
Less: Depreciation upto yet	(XX)	
Actual Cost	XXX	

Depreciation for undertaking engaged in Generation of power

WDV of Block	SLM for each assets separately	
↓	↓	↓
Same as Section 32	(Loss) Terminal Depreciation WDV – Sale Price	[Profit] Balancing Charge Sales Price – WDV
	↓	↓
	Deduction Allowed	Taxable as BI

Additional Depreciation

In Case of any New Plant & Machinery (Other than ships & Aircrafts)

- Acquired and Installed after 31/3/2005
- By Assessee engage in business of Manufacture or Production (Factory, Industry, Power Generating units) of any article of Goods

- Additional Depreciation
 - 20% (If put to use upto 3 Oct.)
 - 10% (If put to use after 3 Oct.)
- ↓
- of Actual Cost
- } Allowed as Deduction

No Additional Depreciation in following cases —

- (a) Second hand/used Plant & Machinery
- (b) Plant & Machinery installed in office premise or residence or guest house

- (c) Road transport vehicles [Car, Truck etc.]
- (d) Any Plant & Machinery whose 100% deduction is already allowed. Example—
Scientific Research Assets.

Proportionate Depreciation

In case of Succession / Conversion of firm or proprietorship by company,
Conversion of company into LLP, Amalgamation/Demerger of company



Depreciation shall be apportioned between Predecessor and Successor



In Ratio of numbers of days for which assets were used by them.

Section 32(2) - Unabsorbed Depreciation

Profit before deducting depreciation as per Income Tax Act	XX
Less: Depreciation as per Income Tax Act.	(XXX)
Unabsorbed Depreciation	(XXX)



- Can be set off from any head of Income (Except Salary)
- Can be carried forward for Setoff Indefinitely

Section 32 AD — Assessee engage in manufacture of production setup business in notified backward areas of Andhra Pradesh, Bihar, Telangana, West Bengal

- Additional Deduction = 15% of Actual Cost of new Plant & Machinery Acquired & Installed during year.
- (New Plant & Machinery = Consider same as Additional Depreciation)
- Additional Depreciation rate will also be 35% (put to use upto 3 October) and 17.5% (put to use after 3 October)

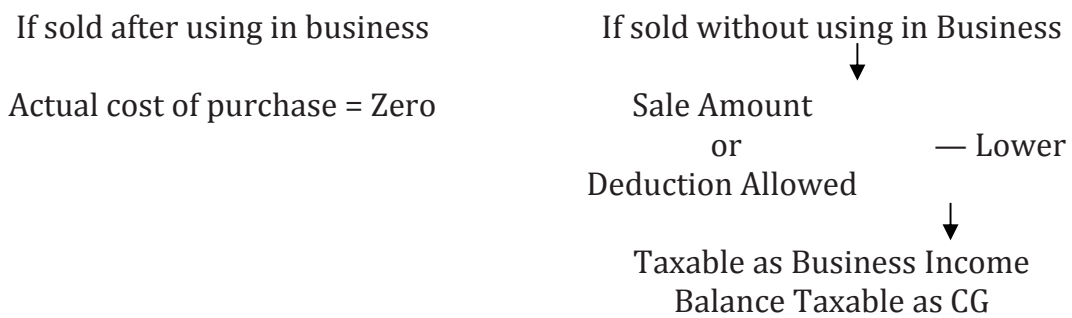
Section 35— Scientific Research Expenditure

In House				Out side		
↓ Within 3 years before commencement of business		↓ After commencement of Business		↓ Given to Indian Company for Scientific Research	↓ Any university, college for social science or statistical research	↓ Any IIT, university, Laboratory, college for scientific Research
↓ Revenue	↓ Capital (Except	↓ Revenue	↓ Capital	↓ 100%	↓ 100%	↓ 150%



land)	
100% deduction in year of commencement	100% deduction In year of expense incurred ↓ If company engaged in mfg. / production 150% [except Land & Building] Building = 100%

If scientific research depreciable asset is sold—



Section 35 AD — Expenditure on Specified Business

Specified Businesses

1. Cold chain facility.
2. Natural gas or oil pipeline.
3. Hotel of 2 star or above category.
4. Hospital with at least 100 beds for patient.
5. Housing project of Govt.
6. Production of fertilizers in India.
7. Inland container depot.
8. Honey production.
9. Warehousing facility for storage of sugar.
10. Warehousing facility for storage of agriculture produce.

Amount of Deduction (Other than Land)	
If expenditure incurred before commencement of business	If expenditure incurred after commencement of business
↓	↓
100% in year of commencement	100% in year of expenditure incurred

Other Points

- (1) Loss from specified business is set off only profit of any specified business.
- (2) Loss from specified business can be carry forward indefinitely.
- (3) If payment exceeding Rs. 10,000 in cash / bearer cheque/ cross cheque — No deduction
- (4) If specified business capital asset is sold = Amount received taxable as business Income
- (5) If specified business capital asset converted/ transferred to Non specified business

↓	↓
Deduction allowed/actual cost	Deduction allowed/actual cost
Less: Dep. For each full F.Y.	Less: Dep. For each full F.Y.
Business income	Actual Cost of Purchase for non-specified business

Section 35CCC — Deduction of expense incurred on notified agricultural extension project

— 150% of Expenditure [Excluding land or Building]

Section 35CCD — Deduction of expense incurred by Company on National Skill development project

— 150% of expenditure [Excluding land or Building]

Section 35D — Preliminary Expenses

— Deduction only to Indian Company or other Resident

Maximum Limit of Deduction	
Company	Others
5% of [Cost of project or capital employed] Which is higher	5% of cost of Project
Cost of Project = Book Value of Fixed Assets as on last day of PY in which business commence Capital Employed = Issued share capital + Debentures + Long Term Borrowings as on last day of PY in which business commence	

Amount of Deduction

Actual Expense }
 Or } Lower {Allowed in 5 Years in 5 Instalment}
 Limit }

Section 35DDA — Expenditure incurred under voluntary retirement scheme (VRS)

- Deduction in 5 years in 5 equal instalments of **amount paid**
- I.e. deduction = $1/5 \times$ Amount paid for VRS

Section 36 — Other Deductions

- (1) Insurance premium of stock
- (2) Health/medical Insurance premium paid for employees (Other than cash)
- (3) Bonus on commission paid to employees [Subject to sec. 43B]
- (4) Interest on borrowed capital
 - Borrowed money must be used in B & P
 - Interest on own capital is not allowed

Borrowed Capital		
For depreciable assets		Other Case
↓	↓	↓
Interest upto put to use	After purchase	Deduction u/s 36
↓	↓	
Capitalize (Part of purchase)	Deduction u/s 36	

- (5) Employer contribution towards PF, Super Annuation fund, Gratuity Fund [Subject to sec. 438]
- (6) Employee contribution towards PF/ ESI (If amount deposited on or before due date of fund by employer)
- (7) Employer contribution in pension scheme u/s 80CCD - Actual Pension Yojna
 Maximum limit — 10% of [Basic salary + DA(if) + Commission on sales]
 Amount contributed in excess of above — disallowed u/s 40(a)
Deduction = Actual Contribution or Limit — whichever is lower

(8) Bad debts

- Actual bad debts written off as irrecoverable in books — Deduction allowed
- No deduction allowed for provision for Bad debts
- However provision for bad debts is allowed in case of banking sector

Limit of Provision —

Schedule Banks, Non-Scheduled Banks, Co-operative Banks	8.5% of Gross Total Income
Rural Branches of such banks	10% of Aggregate average advances
Foreign Banks, Public Financial Institution, NBFC	5% of Gross Total Income

Actual Bad debts deduction in case of banking sector—

Total Actual bad debts W/O	XXX
Less: provision upto yet	<u>(XXX)</u>
Deduction	<u>XXX</u>

Recovery of Bad debts — **Taxable**

(9) Securities Transaction Tax (STT), Commodities transaction Tax (CTT) — Allowed as deduction

(10) Family planning expenditure (deduction allowed for Companies)

Revenue	=	100% deduction
Capital	=	In 5 years in 5 equal Instalment

Section 37— General Deductions

Any other expenditure of Revenue nature is allowed as deduction

Condition

- Not Capital Expenditure
- Incurred wholly for B & P
- Not personal Nature

➤ **Penalties —**

- For violation / Infraction of law — Not allowed as deduction
- For breach of contract— Allowed as deduction

➤ **CSR Expenditure —** Not allowed as deduction

- Interest paid on Indirect Tax (Example-GST) — Allowed as deduction
- Interest paid on Income Tax/TDS — Not allowed as deduction
- Income tax refund — not taxable
- Expenditure on Advertisement in souvenir, Boucher, pamphlet etc. published by political party — Not allowed as deduction.
- Provision for gratuity — Not allowed as deduction
- Tax on [Non-monetary perquisite] of employee Paid by Employer — Not allowed as deduction
- Expenses incurred on exempt income — Not allowed as deduction

Section 40(a)(i) — Non Deduction of TDS - NR

Any amount payable:

- Outside India
- In or outside India to non-resident or foreign company

On which TDS is deductible

- But not deduct during Previous Year

OR

- After deduction, not paid / deposit to govt. upto due date of Return of Income (ROI) u/s 139(1)



— **100% Disallowed**

— Allowed in year of deposit to Govt., if deposit after due date of ROI

Section 40(a)(ia) — Non Deduction of TDS - R

Any amount payable to resident on which TDS is deductible

- But not deduct during Previous Year

OR

- After deduction, not paid / deposit to govt. upto due date of Return of Income (ROI) u/s 139(1)



— **30% Disallowed**

— Allowed in year of deposit to Govt., if deposit after due date of ROI

Section 40A (2) — Payment to Specified Persons



In Excess of fair market value — **excess payment disallowed**

Payer (Who incurred expenditure)	Specified Person (To whom payment is made)
Individual	Spouse, Brother, Sister, or any lineal ascendant or descendent of individual.
HUF	Member of HUF or relative of members
Firm	Partner of firm or relative of partner
Company	Director, relative of director, person having substantial Interest (20% or more profit / voting power) in the concern

Section 40A(3) — Cash Payments

If aggregate payment for expenses in a single day to a single person by a single bill is exceeding Rs. 10,000 by Cash or Bearer cheque or Cross cheque



100% Disallowed which is paid in cash

Limit will be Rs. 35,000 — if business of plying, hiring or leasing goods carriage

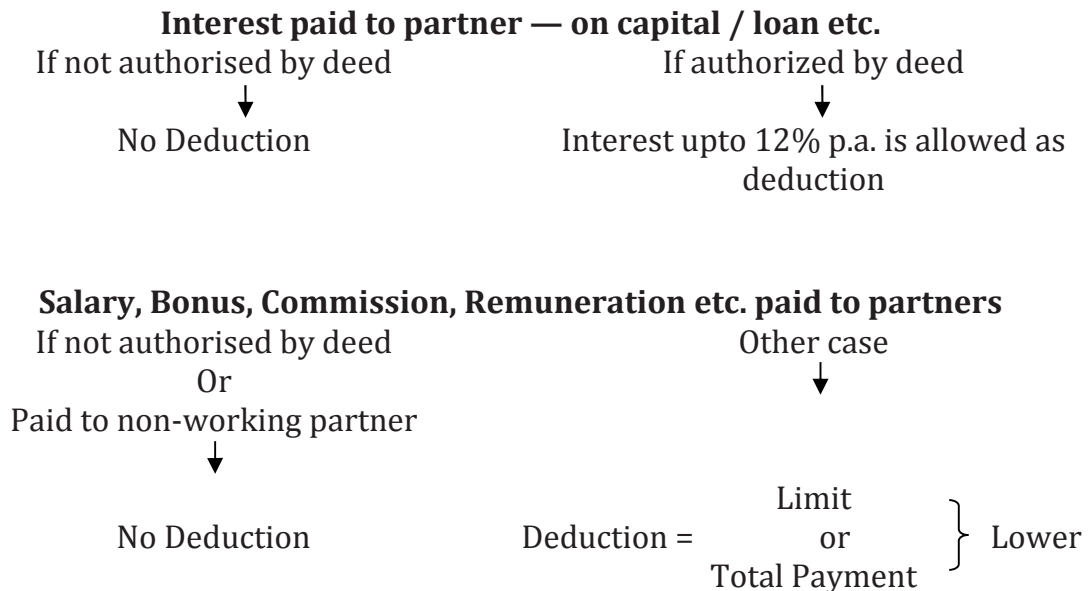
Not Applicable in following Cases

- Payment by A/c payee cheque, DD, ECS
- Payment made to any banking company
- Payment made to LIC
- Payment to Government (Interest, Tax etc.)

- Payment made in a village/town where there is no bank
- Payment made on a day when bank is closed. (15 Aug., 26Jan., 2 Oct., Strike)
- Payment to cultivator or produce of agriculture, forest etc.

Note— Share income received by partner from partnership firm is not Taxable.

Section 40(b) — Deduction for partnership firm



Calculation of Limit	
On first 3,00,000 book profit Or In case of loss	On balance book profit
↓	↓
Rs.1,50,000 Or 90% of book profit	60% of balance book profit
} Higher	

Book Profit	
Profit as per Income Tax (Section 28 to 43B)	XX
ADD: Remuneration etc. to partners (if debited to P&L)	XX
ADD: Interest to partner disallowed (if debited to P&L)	<u>XX</u>
Book profit	<u>XXX</u>

Section 43(B) — Deduction on actual payment basis

- (1) Any tax, duty, cess or fees under any law
- (2) Interest on loan from public financial institution, state financial corporation or schedule Bank (No deduction for interest converted into loan)
- (3) Bonus or commission to employees/staff

- (4) Leave encashment to employees
- (5) Employer contribution to PF, Gratuity fund or other funds
- (6) Payment to railways for use of Railway Assets.

↓

If actually paid upto due date of ROI →	Deduction in CY (year of expense)
If actually paid after due date of ROI →	Deduction in year of payment

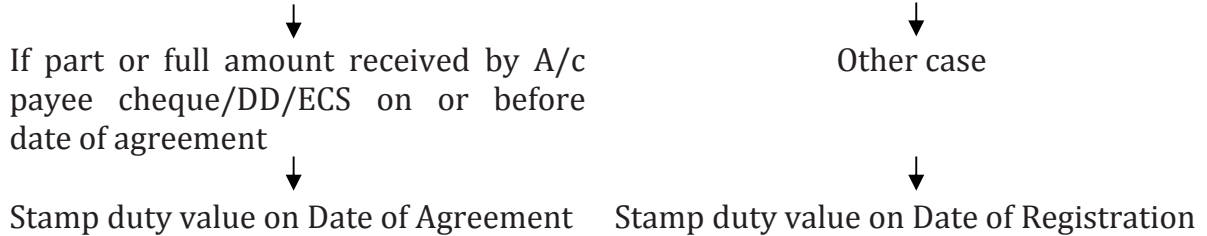
Section 43 CA — Sale Value of land or building if held as stock in trade

Full value of consideration / Sale consideration of land or building —

Stamp duty value
Or
Actual sale amount } — whichever is higher

Note — If stamp duty value is upto 105% (or difference upto 5%) of actual sale amount, **Then actual sale amount = Sale consideration**

If date of agreement and date of registration are not same



Section 44AA — Compulsory maintenance of Books of Accounts

(1) Maintenance of Books of Accounts by [Notified Profession] — Legal, Medical, Engineering, Architecture, Film Artist, Accountant

If Gross Receipt exceed Rs. 1,50,000 in all 3 preceding PY Or Likely to exceed in current PY (If new business)	Other Case
↓	↓
Maintain Prescribed Books	Maintain Normal Books
↓	
<ul style="list-style-type: none"> • Cash Book • Journal • Ledger • Carbon copies of bills exceed Rs. 25 • Daily case register — In medical • Stock Register — In medical 	

(2) Maintenance of Books of Accounts by other Business & Profession

Individual/HUF		Other Person	
Required	to	Not required	to
Required	to	Not required	to

maintain	maintain	maintain	maintain
↓	↓	↓	↓
If	Other Cases	If	Other Cases
Total sales exceed Rs. 25 lakhs Or Income from B&P exceed Rs. 2.5 lacs		Total sales exceed Rs. 10 lakhs Or Income from B&P exceed Rs 1.2 Lacs	
In any one of 3 preceding PY		In any one of 3 preceding PY	

Section 44 AB — Tax Audit



- By Chartered Accountant
- On or before due date of ROI (30th Sep.)
- Assessee shall submit Audit Report in form — 3CA/3CB/3CD

In following Cases:—

- If total sales in Business exceed Rs. 1 crore in PY
- If gross receipt in profession exceed Rs. 50 lakh in PY

Presumptive Taxation

	OPTIONAL and If wants to declare higher profit — Then you can				
Particular	Section 44AD		Section 44ADA	Section 44AE	
Eligible Assessee	Resident Individual HUF, firm (Not LLP) engaged in any business other than— • Notified profession • Commission Business • Agency Business • Business of plying, hiring, leasing goods carriage		Any Resident assessee engaged in notified profession	Any Assessee engaged in business of playing, hiring, leasing goods carriage	
Eligible Business /Profession	Any business whose total sales/turnover is upto Rs. 2 crores in P.Y.		Notified profession whose gross receipt is upto Rs. 50 lakhs in P.Y.	Assessee owns not more than 10 goods carriage at any time during P.Y.	
Presumptive Income	If sales received by A/c payee, cheque, DD, ECS, during PY or upto due date of ROI — 6% of	Other case — 8% of such sale	Income from Profession = 50% of Gross receipt	Heavy goods vehicle (Goods weight exceed 12 ton) Rs.100 per ton of gross vehicle weight for every month or part of month —	Other than heavygoods Vehicle Rs.7,500 for every month or part of month or

	such sale			Vehicle owned by Assessee. i.e. {1000 * weight in ton * ownership months}	month — Vehicle owned by Assessee.
Expenses Deduction	No deduction Sec. 28 to 43B N.A.	No deduction Sec. 28 to 43B N.A.		No Deduction Sec. 28 to 43B N.A.	
Maintenance of books of A/c & Audit	If 44AD followed ↓ Not required If 44AD not followed ↓ Required	If 44ADA followed ↓ Not required If 44ADA not followed ↓ Required		If 44AE followed ↓ Not required If 44AE not followed ↓ Required	

Calculation of Income when it is partly agriculture and partly business

- Income from Agriculture in India — Fully Exempt
- Income from Agriculture from foreign country — Fully Taxable
- Income from sapling or seedling grown in a nursery is Agricultural income — Exempt

	Business income	Agricultural Income
Growing & Manufacturing Tea in India	40%	60%
Growing & Manufacturing Rubber (Latex) in India	35%	65%
Grown & Cured Coffee in India	25%	75%
Grown, Cured, Grounded, Roasted Coffee in India	40%	60%

Agriculture Income —

- Income from sale of Agriculture produce
 - Rent from agricultural land use for Agriculture purpose
 - Income from Sale of seeds
 - Income from saplings or seedlings grown in nursery
- } Fully Exempt

Chapter 7

Capital Gains

Section 45 – Charging Section

Capital Gain shall be taxable if-

- There is a Capital Asset
- And
- Transfer of such capital asset during PY

Capital Asset

Property of any kind held by assessee whether Business & Profession property or Personal property.

Excludes

- Stock in Trade
- Personal and Movable Property (example - car, AC, TV, Fridge)
 - ❖ **But Excludes** = Jewellery, Drawing, Paintings, Archaeological Collection, Any work of Art
- Rural Agricultural Land in India
- Gold Bonds

Transfer

- Sale of Capital Asset
- Capital Asset destroyed and amount/other asset received from Insurance Co.
- Capital Asset converted into stock in trade
- Capital Asset transfer/introduce to firm/AOP/ BOI by partner as capital contribution
- Capital Asset distributed on dissolution of firm/AOP/BOI
- Compulsory acquisition of Capital Asset
- Distribution on liquidation of Company
- Buy back of shares
- Slump Sales

Transactions not regarded as Transfer

- Transfer under gift, will etc. (previous owner)
- Distribution on total/partial partition of HUF
- Transfer/Distribution under amalgamation/merger/demerger of companies
- Transfer of capital asset between subsidiary & holding company
- Conversion of bonds/debentures into shares.
- Transfer of capital assets under Reverse Mortgage
- Conversion of Private Company or Public Company into LLP

Period of Holding

Normal case — Date of purchase to date of sale/transfer

Special case —

- When asset becomes property by gift/will — Includes period of previous owner
- Share held in a company in liquidation — upto date of liquidation
- Asset destroyed case — upto date of destruction.
- Conversion of capital asset into stock in trade — upto date of conversion
- Compulsory Acquisition — upto date of compulsory acquired
- Conversion of bond/debenture into shares — Includes period of previous asset

Calculation of Capital Gain

Short term Capital Gain:

Sale Consideration	XXX
Less : Transfer Expenses (Expenses at the time of sale) (No deduction of STT)	(XX)
Net Sale Consideration	XXX
Less: Cost of Acquisition/Purchase	XX
Less: Cost of Improvement	XX
Short term Capital Gain (STCG)	XX

Long Term Capital Gain:

Sale Consideration	XXX
Less: Transfer Expenses (Expenses at the time of sale) (No deduction of STT)	(XX)
Net Sale Consideration	XXX
Less: Index cost of Acquisition/Purchase	(XX)
Less: Index cost of Improvement	(XX)
Long Term Capital Gain (LTCG)	XX

Cost of Acquisition/Purchase

Normal Case — Purchase Price including all expenses relating to purchase

Special Case —

- When Asset become property by gift /will — Purchase Price of previous owner
- Goodwill, brand name, trade mark etc.

↓	↓
It Self-Generated	If Purchased
↓	↓
Nil	Purchase Price
No capital gain on self-generated Goodwill of profession	

- Bonus Shares

If allotted before 1/4/2001 — Fair Market Price as on 1/4/2001	If allotted on or after 1/4/2001 — Nil
---	---

- Sweat Equity Shares — Fair market value on date on which option is exercise
- Right shares

If purchased by Assessee —	Purchase Price
Right offer sold by assessee —	Nil

- If Asset acquired before 1/4/2001
Fair Market Value as on 1/4/2001
OR
Actual cost of purchase of Asset by assessee/previous owner } Higher

Index cost of Acquisition

$$\frac{\text{Cost of Acquisition}}{\text{Index for Asset Received year}} \times \text{Index for Assets transfer year}$$

Index

2019 - 20 = 289

2001 - 02 = 100

If asset received/purchased before 1/4/2001 = Index for Received Year = 2001- 02=100

Cost of Improvement

↓
All expenditure of capital nature incurred on improvement of asset by assessee/
previous owner

↓
On or after 1/04/2001 (If incurred before 1/4/2001 = Ignore)

Note: In case of Goodwill/Trademark/Brand name-Cost of Improvement will be Nil

Index cost of Improvement

$$\frac{\text{Cost of Improvement}}{\text{Index for Improvement}} \times \text{Index for Transfer year}$$

Capital Gains in Special Cases

(1) Capital Asset destroyed and amount/asset received from Insurance Co.

- Sale Consideration = Amount Received/FMV of Asset Received
- Capital Gain taxable in year in which it is received
- Index for Transfer year = Year of Distribution
- If No claim is received — No capital gain and loss is dead loss.

(2) Capital Asset converted into stock in trade

- Sale Consideration = FMV of Asset on date of conversion
- Capital Gain taxable in year in which converted stock is sold.

- Index for Transfer year = Year of Conversion
- Business Income = Sale Amount of Stock – FMV of Asset on date of conversion

(3) Capital Asset introduced in Firm/AOP/BOI by partner/member as capital contribution

Sale Consideration = Amount credited in partner capital A/c

(4) Capital Asset distributed by Firm on Dissolution

Sale consideration = FMV on date of transfer

Cost of Acquisition	If Non depreciable Asset purchase by firm	Purchase Price
	Depreciable Asset	WDV
	If Asset Introduced by Partner as Capital Contribution	Amount credited in Partner Capital A/c

(5) Capital Gain on Compulsory Acquisition

➤ **Normal Compensation**

- Sale Consideration = Compensation Amount
- Taxable in year in which compensation received → Full Amount is Taxable, Even if part is received
- Index for Transfer year = Year in which asset is compulsorily acquired

➤ **Enhanced Compensation**

- Taxable in year in which it is received
- Sale Consideration = Enhanced Compensation Amount
- COA = Nil

➤ **Interest on Compensation/Enhanced Compensation = Taxable under OS**

➤ **Exemption on Compulsory Acquisition of Urban Agriculture land**

- Available to Individual/HUF
- If such land is used for Agriculture for immediately 2 preceding years by himself/parents → Capital Gain will be Exempt

(6) Capital Asset distributed on liquidation of Company

In hands of Company ↓ Not Taxable	In hands of Shareholder ↓ Taxable ↓	
	FMV of Asset received + Amount Received	XXX
	Less: Shareholder interest in accumulated profits of company	(XX)
	Sale Consideration	XX
	Less: COA/ICOA = Purchase price of shares	(XX)
	STCG/LTCG	XX

(7) Buy Back of Shares

Listed Shares ↓ Company — Not Taxable Shareholder — CG Arise	Unlisted Shares ↓ Company — Taxable @ 23.96% Shareholder — CG Exempt u/s 10(34A)
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(8) Slump Sale

Sale of Unit/Undertaking	
If held for more than 36 months = LTCG	
If held for upto 36 months = STCG	
Calculation of Capital Gain	
Sale Consideration	XXX
Less: Transfer Expenses	(XX)
Less: CoA = Net worth of unit/undertaking (No Indexation)	(XX)
Capital Gain	XX

Calculation of Net worth of unit/undertaking

Value of Total Asset of unit/undertaking	XXX
Less: Book Value of Liabilities of unit/undertaking	(XX)
Net worth of unit/undertaking	XXX
Value of Total Asset of unit/undertaking —	
• Depreciable Asset — WDV as per Income Tax Act	
• Sec. 35 AD Asset — Nil	
• Other Asset — Book value	
* Ignore Revaluation effect	

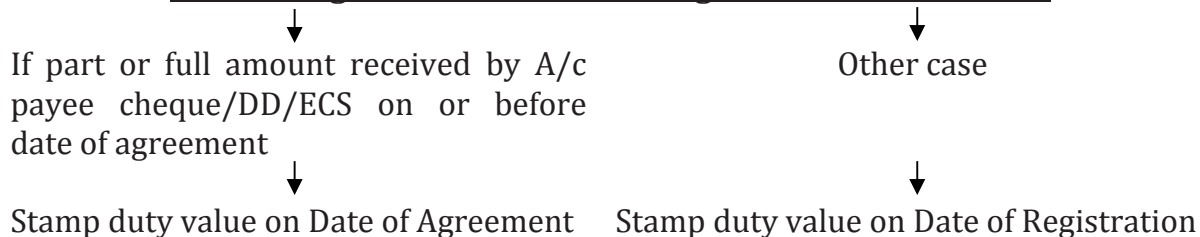
Sale Consideration / Full value of consideration of Land or Building

Full value of consideration / Sale consideration of land or building —

Stamp duty value
Or
Actual sale amount } — whichever is higher

Note — If stamp duty value is upto 105% (or difference upto 5%) of actual sale amount, **Then actual sale amount = Sale consideration**

If date of agreement and date of registration are not same



Reference to Valuation Officer (VO)

If assessee not agree with Assessing Officer, AO refer the case to VO for determining Sale Consideration

- If Valuation Amount > Stamp Duty Value — Stamp Duty Value
- If Valuation Amount < Stamp duty Value — Valuation Amount

Sale Consideration of unlisted shares

Fair Market Value
Or
Actual Sale Amount } — whichever is lower

Sale consideration if sale amount is not determinable

↓
Fair Market Value

Advance Money Forfeited

If forfeited before 1/4/2014 ↓ Deduct from COA, when such Asset is sold	If forfeited on or after 1/4/2014 ↓ Taxable as Other Source
If Forfeited by previous owner — Ignore	

Exemption from Capital Gain

Particulars	Section 54	Section 54B	Section 54D	Section 54EC	Section 54EE	Section 54F
1. Eligible Assessee	Individual / HUF	Individual/ HUF	Any Person	Any Person	Any Person	Individual/HUF
2. Asset Transfer	Residential House property (LTCG)	Urban Agriculture land (STCG/LTCG)	Compulsory acquisition of land/ building of industrial unit (STCG/LTCG)	land or building (LTCG)	Any Capital Asset (LTCG)	Any Assets other than residential house property (LTCG)
3. Other condition	—	Such land is used in Agriculture for 2 years preceding date of Transfer by himself/ parents	Land & Building used in Industry for 2 years	—	—	Assessee does not own more than one residential house property at time of transfer
4. Asset in which capital Gain is invested	One residential House in India	Agriculture land	Land & Building for Industry	Bonds of NHAI/ RECI Redeemable after 5	Unit of specified funds of Central Govt.	One residential house property in India

				years		
5. Time limit of Investment	Purchase within 1 year before or 2 year within date of transfer or construct within 3 year from transfer	Within 2 years from date of transfer	Within 3 years from date of transfer	Within 6 month from date of transfer	Within 6 months from date of transfer	Purchase within 1 year before or 2 year from transfer or construct within 3 years from transfer
6. Exemption limit	Capital Gain Or Amt. Invested (Lower)	Capital Gain Or Amt. Invested (Lower)	Capital Gain Or Amt. Invested Or Rs. 50 Lacs (Lower)	Capital Gain Or Amt. Invested Or Rs. 50 Lacs (Lower)	Capital Gain Or Amt. Invested (Lower)	$\frac{\text{Amount Invested}}{\text{Net Sale Consideration}} \times \text{LTCI}$

Section 111A — Tax Rate on Short Term capital Gain on Certain Assets

STCG on:—

<ul style="list-style-type: none"> • Listed Equity Shares • Unit of Equity Oriented Fund • Unit of Business Trust 	Taxable @ 15%
--	----------------------

Other Short Term Capital Gain — **Taxable @ Normal Rates**

Section 112A — Tax Rate on Long Term capital Gain on Certain Assets

LTCG on:—

<ul style="list-style-type: none"> • Listed Equity Shares • Unit of Equity oriented Fund • Unit of business Trust 	<p>Upto Rs. 1 lakh — Exempt</p> <p>Exceeding Rs. 1 lakh — Taxable @ 10% (Without Indexation)</p> <p style="text-align: center;">↓</p> <p>COA = Purchase Price or FMV as on 31/01/2018 (Higher)</p>
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Other Long Term Capital Gain (Section 112) — **Taxable @ 20%**

Other Points

- No Deduction under Chapter VI-A From Section 111A, 112A, 112
- Benefit of Basic Exemption Limit — First From other income, then from STCG u/s 111A, LTCG u/s 112, 112A (only in case of resident)

Chapter 8

Other Source

Section 56 — Charging Section

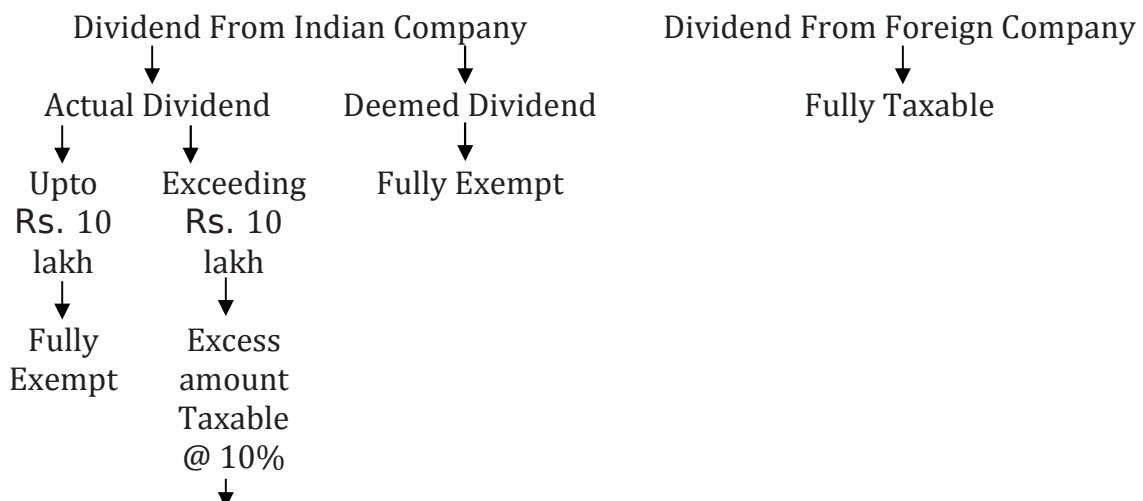
Income is taxable under this head if —
Income is not taxable under other head
And
Income is not exempt

Following Incomes are taxable under this head —

1. Dividend Income
2. Casual Income — Winning from lotteries, Puzzles, Card Games, Racing including horse race, Betting, Gambling
3. Interest on securities, FD, Saving Bank A/c, Current A/c, Interest on Income tax refund etc.
4. Interest on compensation/enhanced compensation
5. Advance money forfeited on or after 1/4/2014
6. Income from renting/letting of Plant & Machinery, Furniture (if not taxable under B&P)
7. Family Pension
8. Income of MP/MLA
9. Interest on employee contribution in case of URPF
10. Amount received in excess of FMV of shares by private company
11. Gift Received in excess of Rs. 50,000
12. Any Other income not taxable under other heads

Dividend Income

In hands of shareholder



For Resident Person (other than company)



- No deduction of Expenditure
- No setoff of losses

In the hands of Company



Actual Dividend



Taxable @ 15%



Deemed Dividend



Taxable @30%

Deemed Dividend u/s 2(22) (e)

Any payment by a closely held company (Private Company)



By way of loan/advance to

- Share holder holding not less than 10% voting power
- Or
- Any concern/entity in which such shareholder is a member or partner and has substantial interest (20% or more profit)



To the extent of accumulated profits of the company



Is deemed to be dividend

Non Applicability

- If loan/Advance is given in ordinary course of Business.
- Trade Advance

Casual Income

Income from lottery, Card Games, Betting, Races including horse Racing, Game show etc. — **Taxable @ 30%**

Other Points

- No deduction of any expenditure
- No deduction under chapter VI- A
- No SLAB Benefit
- No Set-off of loss

Interest on Securities, FD, Saving A/c, Current A/c, Interest on refund

Exempt Interest —

- Interest on PPF
- Interest on Post office Savings A/c
 - upto 3,500, If Normal A/c
 - upto 7,000, If Joint A/c

Interest on Compensation/Enhance Compensation

Taxable in year in which it is received

Interest on compensation/enhance compensation received	XXX
Less: 50% Deduction	(XX)
Taxable Amount	XXX

Note — No other Deduction

Advance Money Forfeited

If forfeited Before 1/4/2014	If Forfeited On or After 1/4/2014
↓	↓
Deduct From Cost of Acquisition	Income From Other Source

Income from renting of P&M, Furniture (If not taxable under B & P)

Rental Income	XXX
Less: Deduction (Repairs, Insurance Premium, Depreciation, Other expenses)	(XX) (same as B & P)
Income from OS	XXX

Family Pension

Received by employee's family from employer after death of employee.

Rs. 15,000
Or
1/3 of Family Pension } — whichever is lower
Allowed as Deduction

Income of MP/MLA

Following Allowances are exempt:

- Daily Allowance
- Constituency Allowance

Amount Received in Excess of FMV of shares issued by closely held Company (Private Company)

- Applicable if shares are issued at premium
- Not applicable if issued at par or discount
- Income of Company = Issue Price – Fair Market Value

Gift Received in excess of Rs. 50,000 [Section 56(2) (X)]

Gift = Money or Capital Asset for recipient

Particulars	Taxable Amount
Gift In Money — Money Received > 50,000 during PY	whole money received will be taxable
Gift in Movable Property — Without Consideration \Rightarrow FMV > 50,000 Without adequate consideration \Rightarrow Difference Amount > 50,000 (Difference Amount = FMV - Consideration)	whole FMV will be taxable whole difference amount will be taxable
Gift in Immovable Property — Without Consideration \Rightarrow Stamp Duty Value > 50,000 Without adequate consideration \Rightarrow Difference Amount > 50,000 (Difference Amount = Stamp Duty Value - Consideration)	whole stamp duty value will be taxable whole difference amount will be taxable

Exempted Gifts

Gift Received:—

- (1) From Relative
- (2) On marriage of individual [not on anniversary, engagement]
- (3) Under will or Inheritance
- (4) From Local Authority
- (5) From Charitable Institution/Trust

Definition of Relative:—

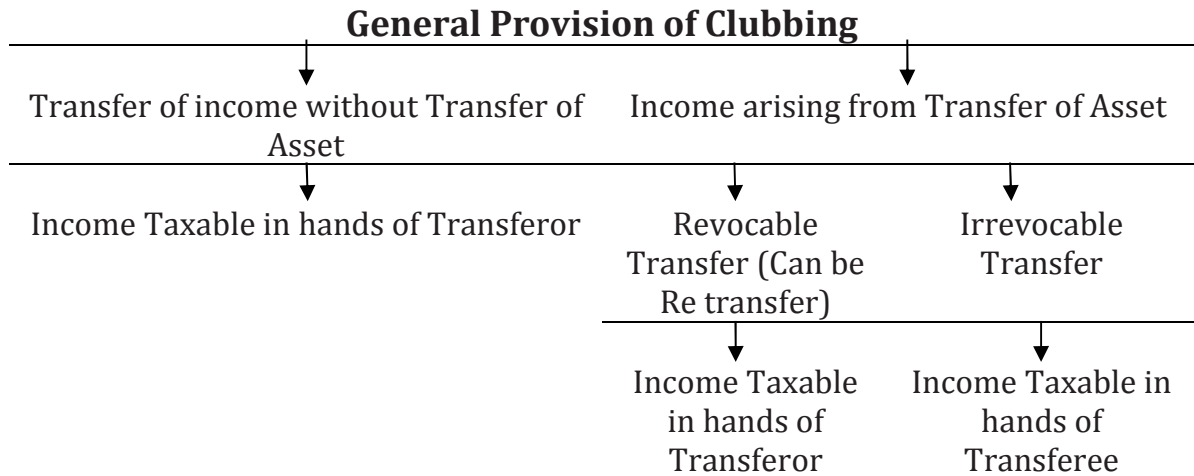
For HUF — any member of HUF

For Individual

- (1) Spouse of individual
- (2) Brother or sister of individual
- (3) Brother or sister of spouse of individual
- (4) Brother or sister of either of parents of individual
- (5) Any lineal ascendant or descendant of the individual
- (6) Any lineal ascendant or descendant of spouse of individual
- (7) Spouse of person referred in (2) to (6) point

Chapter 9

Income of other person included in assessee Total Income



Clubbing of spouse or son's wife Income		
Remuneration to spouse from a concern in which Individual has substantial Interest	Income arising to spouse/son's wife from asset transferred without adequate consideration	Income from Asset Transferred to other person for benefit of spouse/son's wife
↓	↓	↓
Taxable in hands of Individual	Clubbed/Taxable in hands of Transferor	Taxable /Clubbed in Hands of Transferor
Exception: If spouse has technical or professional qualification	Other Points	
	↓	
	<ol style="list-style-type: none"> 1. Income earned by Investing such income is not clubbed 2. Income from accretion of transferred asset in not clubbed 3. If transferred asset is invested spouse in any business, Then income to be clubbed 	
	↓	

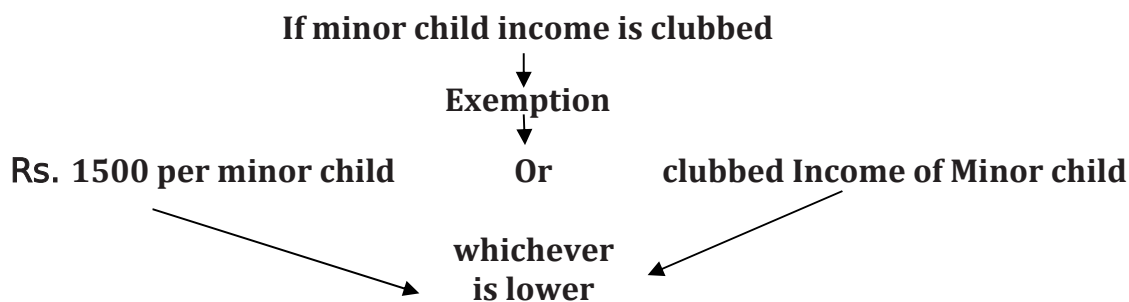
$$\text{Profit of business} \times \frac{\text{Amt invested of asset Transferred on first day of PY}}{\text{Total investment of transferee on first of PY}}$$

Clubbing of Minor Child Income

Income of Minor Child Shall be clubbed/Taxable in hands of parents whose Total Income is Greater.

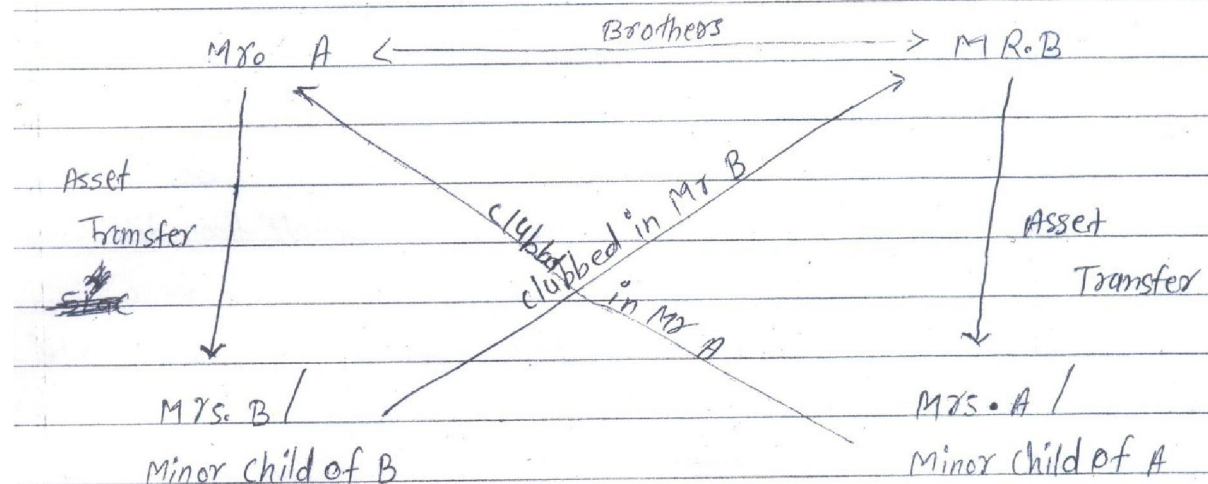
Exception — Income of Minor Child is not clubbed in following cases:

- Minor child suffering from disability specified u/s 80U of income Tax Act.
Or
- Income earned by minor child by manual work or skill, talent, knowledge & experience. However, Income earned by investing such income is clubbed.



Cross Transfer

→ CROSS Transfer

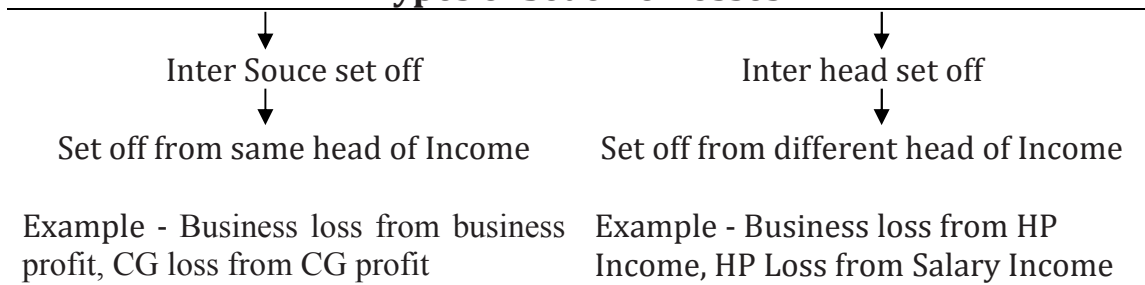


Note - losses are also clubbed

Chapter 10

Setoff & Carry Forward of Losses

Types of Set off of losses



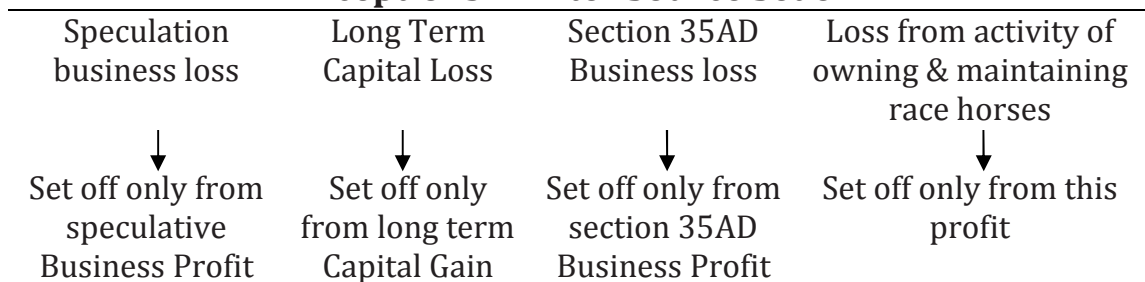
Set off Current year losses

- ↓
- First Inter Source
 - Then Inter Head

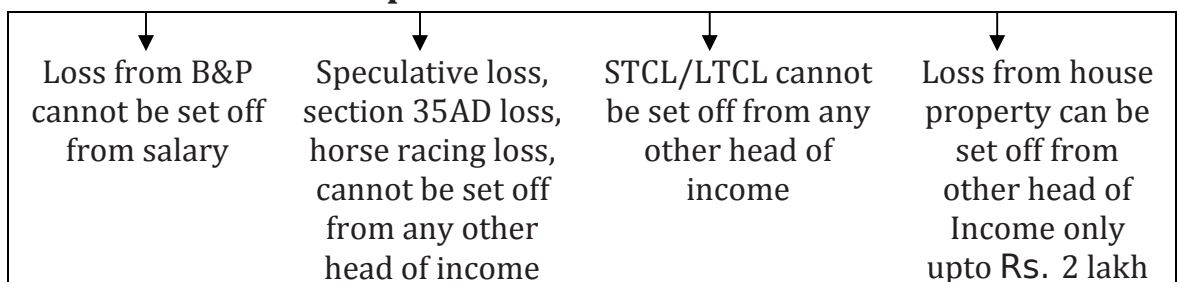
Set off of brought forward losses

↓
Only Inter Source

Exceptions in Inter Source Set off



Exceptions in Inter Head Set off



Losses which cannot be set off & carry forward



Maximum Period of Carry forward of Losses

↓ Unabsorbed Depreciation	↓ HP loss	↓ Business Loss	↓ Speculation Business Loss	↓ Specified Business Losses (35AD)	↓ Capital Loss	↓ Loss From owning & maintain race horses
↓ Indefinite	↓ 8 AY	↓ 8 AY	↓ 4 AY	↓ Indefinite period	↓ 8 AY	↓ 4 AY

Note — Filing of ROI U/s 139(1) within due date is mandatory for carry forward of above losses except:

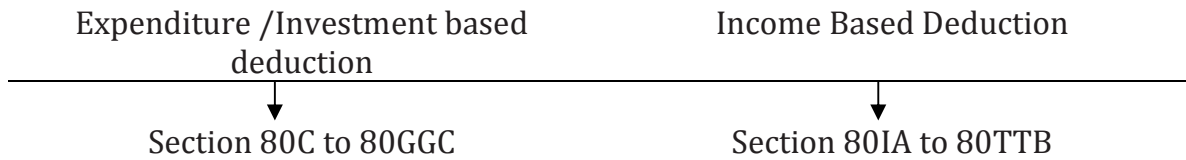
HP Loss	Unabsorbed Depreciation
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Note — No Loss can be set off from Casual Income.

Chapter 11

Deductions (upto sec. 80E)

- Deductions cannot exceed Gross Total Income (GTI)
- Deduction is not available from incomes which are taxable at special rates (Section 111A, 112A, 112, Casual Income etc.)
- Types of deduction



Section 80C “Deduction in respect of investment in specified assets”

↓

Available to: Individual/HUF
 Maximum Deduction = Rs. 1,50,000

- (1) Life insurance premium Paid to any Insurance Company —
 Individual = Self/Spouse/Children
 HUF = Any member of HUF

Policy taken before 1/4/12	20% of Policy Amt./Sum Assured Or Premium paid	Lower
Policy taken between 1/4/12 to 31/03/13	10% of Policy Amt./Sum Assured Or Premium paid	Lower
Policy taken on or after 1/4/13	If person suffered from disability u/s 80U — 15% of policy amount or Premium paid	Lower
	Normal person — 10% of policy amount or Premium paid	Lower

- (2) Investment in PPF —
 Individual — Self /Spouse/Children
 HUF — Any member of HUF
- (3) Employee contribution in SPF, RPF, PPF
- (4) NSC
- (5) Mutual funds units
- (6) Repayment of Housing Loan
- Loan for purchase or construction of house property
 - House property shall be completed
 - Loan taken from Govt., Bank, Employer, Company

- (7) Tuition fees (but not donation/development fees or coaching fees) for full time education of any two children of individual to any university, college or other educational institution in India.
- (8) Fixed deposit with Schedule Bank for not less than 5 years
- (9) NABARD Bonds
- (10) Five years' time deposit in post office

Section 80CCC — “Investment in Pension funds”

Available to: Individual/HUF

Maximum Deduction = Rs. 1,50,000

- Investment in annuity plan of any insurance company for receiving annuity/pension

Section 80CCD — “Contribution to pension scheme of central government”

— Atal Pension Yojna, NPS Trust

Section 80CCD(1)

Eligible Assessee	Deduction Limit
Employee of CG/Other Employer	10% of Salary Or Actual Contribution } Lower
Self Employed	20% of GTI Or Actual Contribution } Lower

*Salary = (Basic Salary + DA(IF) + Commission on Sales)

Section 80CCD(1B)

- Balance Contribution of 80CCD(1) can be claimed under Section 80CCD(1B) upto Rs. 50,000

Section 80CCD(2) — Employer contribution

- First, Taxable under head Salary
- Then, Deduction allowed under this section —

10% of Salary
Or
Actual Contribution } Lower

Section 80CCE

Deduction under Sec. 80C + Sec. 80CCC + Sec. 80CCD(1) = Maximum Rs. 1,50,000

Section 80D — “Deduction in respect of Health/Medical Insurance Premium”

Available to: Individual/HUF

Premium Paid for		Nature of Payment	Limit of Deduction
1	For self, spouse & dependent children	• Health/Medical Insurance Premium Paid other than Cash	Rs. 25,000 } Lower Or Premium paid
		Or	
		• Contribution to Central Govt. Health Scheme (CGHS)	Rs. 50,000 } Lower Or Premium paid
		• Preventive health check up	(If person is 60 years or more plus resident)
2	For Parents [whether dependent or not]	• Health/Medical Insurance Premium Paid other than Cash	Rs. 25,000 } Lower Or Premium paid
		Or	
		• Preventive health check up	Rs. 50,000 } Lower Or Premium paid
			(If person is 60 years or more plus resident)

Note — Preventive health checkup — Minimum Rs. 5,000 allowed for (1+2)

Section 80DD — “Maintenance including Medical Treatment of a Disable Dependent”

Resident Individual —	HUF —
Spouse, Children, Brother, Sister, Parents who are dependent on individual	Dependent Member

Limit of Deduction —

Flat Deduction

Rs. 75,000

Or

Rs. 1,25,000 (If severe disability, i.e. 80% or more)

Section 80DDB — “Deduction in respect of Medical Treatment of Specified Disease”

Resident Individual —	HUF —
Self, Spouse, Children, Brother, Sister, Parents who are dependent on individual	Dependent Member

Limit of Deduction —

Rs. 40,000*	} Lower	XXX
Or		
Amount paid		
(*Rs. 1,00,000 for senior citizen)		
Less: Amount received from Insurance Company		(XX)
Deduction Amount		XXX

Section 80 E — “Interest paid on loan taken for higher education”

- Available to: Individual
- Interest paid for self, spouse, children
- Higher education — After Class XIIth
- Deduction can be claimed for 8 years or tenure of loan (lower)
- Deduction Amount = Interest Paid

Section 80EE — “Interest on loan borrowed for acquisition of House Property”

Deduction limit = 50,000

Conditions

- Loan shall be sanctioned during P.Y. 16-17
- Loan sanctioned upto Rs. 35 Lacs
- HP Value up to Rs. 50 lacs
