

**B.Com. III Year****Syllabus****Subject – Tax Planning & Management**

<b>Unit I</b>	Concept of Tax Planning: Meaning Features Scope. Importance Objective of Tax Planning Difference Between Tax Planning and Tax Evasion. Types of Tax Planning Problems in Tax Planning
<b>Unit II</b>	Recognized methods of Tax Planning Tax Planning for salaried persons prior to appointment during the service, after retirement Salary Package.
<b>Unit III</b>	Income from house property and Tax Planning Avail benefit of various deductions of let out and self occupied property Measures regarding minimize tax liability under business and profession
<b>Unit IV</b>	Tax Planning of Long term capital gains Exemptions relating to long term capital gain Adoption of investment planning to get benefit of deduction 80 c and other deductions selection of business form for minimum tax liability
<b>Unit V</b>	Tax Management: Introduction. Difference between Tax Planning and Tax Management Areas of Tax Management. Preparation of Return. Payment of Tax. Advance Payment of Tax Tax Deduction at source etc. Assessment. Procedure Penalties and Prosecutions Appeals and revisions



## UNIT-I

### Tax Planning , Tax Avoidance and Tax Evasion

#### Meaning of Tax Planning

##### INTRODUCTION

The main goal of every taxpayer is to minimize his Tax Liability. To achieve this objective taxpayer may resort to following Three Methods :

- Tax Planning
- Tax Avoidance
- Tax Evasion

It is well said that “Taxpayer is not expected to arrange his affairs in a such manner to pay maximum tax “. So, the assessee shall arrange the affairs in a manner to reduce tax. But the question what method he opts for ? Tax Planning, Tax Avoidance, Tax Evasion ! Let us see its meaning and their difference.

##### MEANINNG OF TAX PLANNING

Tax Planning involves planning in order to avail all exemptions, deductions and rebates provided in Act. The Income Tax law itself provides for various methods for Tax Planning, Generally it is provided under exemptions u/s 10, deductions u/s 80C to 80U and rebates and relief's. Some of the provisions are enumerated below :

- Investment in securities provided u/s 10(15) . Interest on such securities is fully exempt from tax.
- Exemptions u/s 10A, 10B, and 10BA
- Residential Status of the person
- Choice of accounting system
- Choice of organization.

For availing benefits, one should resort to bonafide means by complying with the provisions of law in letter and in spirit.

Where a person buys a machinery instead of hiring it, he is availing the benefit of depreciation. If is his exclusive right either to buy or lease it . In the same manner to choice the form of organization, capital structure, buy or make products are the assessee's exclusive right. One may look for various tax incentives in the above said transactions provided in this Act, for reduction of tax liability. All this transaction involves tax planning.



## **Objective of Tax Planning**

Tax planning is a pivotal part of financial planning. Through effective tax planning all elements of the financial plan falls in place in the most efficient manner. This results in channelization of taxable income to different investment avenues thus relieving the individual of tax liability. The investment amount post lock-in can be utilized for fulfilling needs and act as the retirement corpus in most cases. All in all, the objective of tax planning is to reduce tax liability and attain economic stability.

## **Why Every Person Needs Tax Planning ?**

Tax Planning is resorted to maximize the cash inflow and minimize the cash outflow. Since Tax is kind of cost, the reduction of cost shall increase the profitability. Every prudent person, to maximize the Return, shall increase the profits by resorting to a tool known as a Tax Planning.

## **How is Tool of Tax Planning Exercised ?**

Tax Planning should be done by keeping in mind following factors :

- The Planning should be done before the accrual of income. Any planning done after the accrual income is known as Application of Income and it may lead to a conclusion of that there is a fraud.
- Tax Planning should be resorted at the source of income.
- The Choice of an organization, i.e. Taxable Entity. Business may be done through a Proprietorship concern or Firm or through a Company.
- The choice of location of business , undertaking, or division also play a very important role.
- Residential Status of a person. Therefore, a person should arrange his stay in India such a way that he is treated as NR in India.
- Choice to Buy or Lease the Assets. Where the assets are bought, depreciation is allowed and when asset is leased, lease rental is allowed as deduction.
- Capital Structure decision also plays a major role. Mixture of debt and equity fund should be balanced, to maximize the return on capital and minimize the tax liability. Interest on debt is allowed as deduction whereas dividend on equity fund is not allowed as deduction

## **Methods Of Tax Planning**

Various methods of Tax Planning may be classified as follows :



**1. Short Term Tax Planning :** Short range Tax Planning means the planning thought of and executed at the end of the income year to reduce taxable income in a legal way.

*Example : Suppose , at the end of the income year, an assessee finds his taxes have been too high in comparison with last year and he intends to reduce it. Now, he may do that, to a great extent by making proper arrangements to get the maximum tax rebate u/s 88. Such plan does not involve any long term commitment, yet it results in substantial savings in tax.*

**2. Long Term Tax Planning :** Long range tax planning means a plan chalked out at the beginning of the income year to be followed around the year. This type of planning does not help immediately as in the case of short range planning but is likely to help in the long run ;

*e.g. If an assessee transferred shares held by him to his minor son or spouse, though the income from such transferred shares will be clubbed with his income u/s 64, yet is the income is invested by the son or spouse, then the income from such investment will be treated as income of the son or spouse. Moreover, if the company issues any bonus shares for the shares transferred , that will also be treated as income in the hands of the son or spouse.*

**3. Permissive Tax Planning :** Permissive Tax Planning means making plans which are permissible under different provisions of the law, such as planning of earning income covered by Sec.10, specially by Sec. 10(1) , Planning of taking advantage of different incentives and deductions, planning for availing different tax concessions etc.

**4. Purposive Tax Planning :** It means making plans with specific purpose to ensure the availability of maximum benefits to the assessee through correct selection of investment, making suitable programme for replacement of assets, varying the residential status and diversifying business activities and income etc.

## Tax Avoidance

It is an act of dodging tax without breaking the Law. It means when a taxpayer arranges his financial activities in such a manner that although it is within the four corner of tax law but takes advantages of loopholes which exists in the Tax Law for reduction of tax liability. In other words though he has complied the letter of law but not the spirit behind the law.

Following transactions are held as Tax Avoidance which are :

1. Where tax law is complied with by using colorable devices which means that use of a dubious method or a method which is unfair for reduction of tax liability.
2. Where the fact of the case is presented in a false manner.
3. Where the spirit behind the law is avoided.



4. There is a malafide intention.

It means that method adopted for reducing tax liability should be within the framework of law. If it is not within the framework of law, it amounts to tax avoidance and not Tax planning.

## Tax Evasion

Any illegal method which leads to reduction of tax liability is known as Tax Evasion. The Tax Evasion is resorted to by applying following dishonest means :

1. Concealing the Income
2. Claiming excessive expenditure
3. Falsification of accounts.
4. Willful violence of Rules

E.g. Claiming depreciation where no asset exist in the Business or claiming depreciation on the assets which is used for residential purposes. It Is basically a fraudulent method of reduction in tax liability.

## The Difference Between 'Tax Avoidance' And 'Tax Evasion'

### THE DIFFERENCE BETWEEN 'TAX AVOIDACNE' AND 'TAX EVASION'

<b>TAX AVOIDANCE</b>	<b>TAX EVASION</b>
(i) Where the payment of tax is avoided though by complying with the provisions of law but defeating the intension of the law is known as tax Avoidance.	Where the payment of tax is avoided through illegal means or fraud is termed as tax evasion.
(ii) Tax Avoidance is undertaken by taking advantage of loop holes in law	Tax evasion is undertaken by employing unfair means
(iii) Tax Avoidance is done through not malafied intention but complying the provision of law.	Tax Evasion is an unlawful way of paying tax and defaulter may punished.
(iv) Tax Avoidance looks like a tax planning and is done before the tax liability arises.	Tax evasion is blatant fraud and is done after the tax liability has arisen.



## UNIT II

### INCOME FROM SALARY Computation of Income from Salary Assessment Year 2019-20

(A) Cash Receipts :-	
Salary	-----
Bonus	-----
Commission	-----
Allowances	-----
Advance Salary	-----
Arrears of Salary	-----
(B) (i) Employer's Contribution in R.P.F. (Recognized provident fund) in excess of 12% of salary	-----
(ii) Interest on R.P.F. in excess of 9.5%	-----
C) Perquisites:-	
Rent free house	-----
Medical facility	-----
Motor car	-----
Education facility	-----
	Gross Salary -----
Less:- Deduction u/s 16 (ii) Entertainment allowance	.....
Less:- Deduction u/s 16 (iii) Professional tax	.....
	<b>Taxable Salary</b> <u>-----</u>

Deduction from Gross Salary

**(1) Entertainment allowance u/s 16(ii) :-** This deduction is allowable only to government employees.

Salary = Basic Salary :-

- |                        |                     |
|------------------------|---------------------|
| (i) Allowance received | } Whichever is less |
| (ii) 20% of Salary     |                     |
| (iii) Rs. 5000         |                     |

**(2) Professional Tax or Employment tax u/s 16(iii) :-**

Actual Payment will be deductible.





Allowances		
Fully Taxable Allowance	Fully Tax free allowance	Partly Taxable allowance
(1) City compensatory allowance (2) Dearness Allowance (3) Deputation Allowance (4) Entertainment Allowance (5) Family allowance (6) High cost of living allowance (7) Medical Allowance (8) Non-practicing allowance (9) Overtime allowance (10) Project allowance (11) Rural area allowance (12) Servant allowance (13) Tiffin allowance (14) Warden and proctor allowance	1) Conveyance allowance 2) Travelling allowance 3) Tour allowance 4) Helper or assistant allowance 5) Academic and research allowance 6) Uniform allowance 7) Special allowance for performing duty. Above allowances will be fully exempted if :- (i) Whole amount is spent (ii) Amount is spent for office use only	1) Education allowance 2) Hostel allowance 3) Tribal area allowance 4) Transport allowance 5) Composite hill compensatory allowance 6) Running allowance to the employees of transport undertakings 7) House rent allowance 8) Under Ground Allowance

### Rules regarding partly taxable allowance

- Education allowance :-** Exempted to Rs.100/- P.M. per child for maximum 2 children i.e.  $100 \times 2 \times 12 = \text{Rs. } 2,400/-$
- Hostel allowance :-** Exempted up to Rs. 300/- P.M. per child for maximum 2 children i.e.  $300 \times 2 \times 12 = \text{Rs. } 7,200$
- Tribal area allowance:-** Exempted up to Rs. 200/- P.M.
- Transport allowance:-** Allowance for going to office and coming back to home is exempted up to Rs. 1600 P.M.
- Composite hill compensatory allowance:-**
  - Manipur Sikkim, U.P., H.P. and J & K where height is 9000 ft. and above Rs. 800 P.M. exempted
  - In Siachin area Rs. 7000 P.M. exempted.
  - Places located at a height of 1,000 meter or more above the sea level Rs. 300 per month.
- Running allowance for employees of Transport undertakings**

70% of allowance received  
or  
Rs. 10,000/- P.M.

Which ever is less is exempted
- House Rent allowance:-**  
Salary = Basic Salary + D.A. Under the terms + Commission at fixed percentage

Allowance received			
Less:-			-----
1) Allowance received	} Whichever is less will be	-----	
2) Rent paid – 10% of salary		-----	
3) 40% or 50% of salary		-----	
<b>Taxable H.R.A.</b>			-----



## 8) Under Ground Allowance : - Exempted upto Rs. 800 Per Month

### Perquisites

Tax free perquisites	Taxable perquisites	
	For all class of employers	For Specified employers
1) Refreshment facility	1) Rent free house	1) Servant facility
2) Telephone facility	2) Concessional rent house	2) Gas, Water & electricity facility
3) Medicinal facility	3) Liabilities of employee paid by employer	3) Free education facility (exceeding Rs. 1000 P.M. Per child)
4) Expenses on Training	4) Interest free or concessional loan exceeding Rs. 20,000	
5) Sale of goods as concessional rate	5) Use of movable assets [10% of cost will be Taxable]	
6) Issue of shares/debentures at concessional rate	6) Transfer of movable assets [W.D.V. - Transfer price]	
7) Free Conveyance facility	7) Medical reimbursement (exceeding Rs. 15000)	
8) Free Accommodation for employees		
9) Scholarship to children of employee		
10) Leave travel concession or assistance		
11) Loan facility up to 20000		
12) Free use of computers		
13) Free Education facility up to Rs. 1000 P.M. per child		
14) Health club and sport facilities		
15) Tax paid on perquisites		
16) Group insurance and accidental insurance premium paid by employer		
17) Transfer of 10 year old movable assets		
18) Free meal upto Rs. 50		

### Rules Regarding Retirement

#### 1. Monthly Pension - Fully Taxable

#### 2. Computation of Pension -

(A) Government employee - Fully exempted

(B) Other employee

(i) If employee is getting Gratuity - 1/3<sup>rd</sup> of total pension will be exempted

(ii) If gratuity employee is not getting gratuity - 1/2<sup>th</sup> of total pension will be exempted.

#### 3. Gratuity -

(A) Government employee - fully exempted

(B) Employee covered under gratuity payment 1972





Salary = Basic salary + Dearness allowance (which is under the terms of employment or not)

Gratuity received	-----	
Less :-		
1. Gratuity received -----	} Whichever  is less	(-) -----
2. <u>Salary last drawn x Service Year x 15</u> -----		
26		
3. Maximum limit Rs. 10,00,000 -----		
<b>Taxable Gratuity</b>		-----

**Note:-** Salary will be calculated on the basis of last months receipts

(C) Employee not covered under Gratuity payment Act 1972

Salary = Basic Salary + Dearness allowance under the terms + Commission at fixed percentage

Gratuity received			-----
Less :-			
1.	Gratuity received	-----	} Whichever is less
2.	$\frac{\text{No. of Completed year} \times \text{Preceding 10 month average salary}}{2}$	-----	
3.	Maximum limit Rs. 10,00,000	-----	
Taxable Gratuity			(-) -----

**Note:-** Salary will be calculated on the basis of last months receipts

#### (4) Earned Leave Salary:-

(A) Government employee – Fully exempted

(B) Non Govt. employee –

Salary = Basic salary + D.A. under the terms + Commission of fixed percentage

Salary received for earned leave		-----
Less :-		
1) Salary received for earned leave -----	} Whichever is less will be	(-) -----
2) Salary of approval period -----		
3) Salary of 10 months -----		
4) Maximum limit Rs. 3,00,000 -----		
Taxable earned leave Salary		-----

**Note:-** Salary will be calculated on the basis of last to month's average salary.

#### (5) Compensation on Retrenchment

Salary = Basic salary + Allowances Taxable + All taxable perquisites

Compensation received -----		-----
Less :-		
1) Compensation received -----	} Whichever is less	(-) -----
2) Salary of 15/30 days on the completed year of service (under industrial dispute act 1947) -----		
3) Maximum limit Rs. 5,00,000 -----		
<b>Taxable Amount</b>		-----



**Note:-** Salary will be calculated on the basis of last 3 month's average salary

**(6) Amount received from provident fund:-**

Amount received from statutory P.F. and Recognised P.F. will be fully exempted but amount received from unrecognised P.F. will be taxable as under-

- (i) Employer's share with interest will be taxable in the head of salary
- (ii) Interest on employee's share will be taxable in the head of other sources.

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## UNIT III

### INCOME FROM HOUSE PROPERTY

The second head of Income is income from house Property. In this head of income, we compute the income received by an assessee from the house owned by himself. There are some incomes which arise from house, Owned by the assessee, but not to be included in this head:

1. Income from staff-quarters.
2. House used by the assessee for his own business or profession.
3. House Let out to government authorities for police station, fire brigade, bank, insurance company etc. for taking assistance in the business.

Similarly, income from subletting house or sub-tenancy will not be the part of this head.

#### Exempted Income from house properties:

Some incomes are been declared exempted which have arisen from house properties.

1. Income from self-residential house
2. Income from official residence of former rulers.
3. Income of some social & charitable institutions.
4. Income from agricultural farm house.

From the Income-tax point of view, house properties can be classified into 4 parts:

#### 1. Self-Residential House:

Computation of Income from House Property  
Assessment year 2019-20

Gross Annual value of self-occupied house	NIL
Less: Interest on loan (Rs. 30,000/ Rs. 2,00,000)	-----
Income from House Property	-----

#### 2. Let-Out House:

Computation of Income from House Property  
Assessment year 2019-20

Gross Annual Value	-----
Less: Municipal Taxes	(-) -----
Net Annual Value	-----
Less: Deduction u/s 24:	
(i) Standard deduction (30% of N.A.V.)	-----
(ii) Interest on loan	-----
Income from House Property (Taxable)	(-) -----

#### 3. Partly let-out & Partly self-occupied House:

2/3 Self-occupied	1/3 Let-out
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4. Some part of the house is self-occupied for the whole year and remaining portion is let out for some period by self-occupies for the remaining period:

2/3 Self-occupied	10 months Let out
	2 months Self-occupied

While doing valuation in this case, actual rent will be calculated of the whole house for the let-out period only. But, fair-rent and municipal-valuation will be taken for the whole year

### Rules regarding valuation:

#### 1. Gross Annual Value (G.A.V.)/Actual Rental Value

It is been calculated on 2 basis:

- (a) Self-occupied house: NIL
- (b) Let-out house:

- i. If the house is not covered under Rent control Act:

Actual Rent  
Or  
Municipal Valuation } Whichever is higher

- ii. If the house is covered under Rent control Act:

Actual Rent  
Or  
Municipal Valuation } Whichever is higher -----

Actual Rent  
Or  
 } Whichever is less

} Whichever is higher -----

#### NOTES:

1. If the let-out house has remained vacant for some period during the previous year, then actual rent for such vacancy period will be deducted in the calculation of gross annual value.
2. If amount of approved unrealized rent is given in the question then such amount will also be deducted in the calculation of G.A.V.
3. If owner of the house has provided some facilities to the tenant, free of cost as per agreement or Rent-deed during the previous year, then the value of such facilities firstly be deducted from the rent received and remaining actual rent will be compared with other rents.
4. If an assessee has kept more than one house for his own residence, then only one house will be valued as **self-occupied house** and other self-residential houses will be valued as **"deemed to be rental"**.

#### 2. Municipal Taxes/ Local Taxes:



Municipal taxes are deducted on "Payment Basis". It means that the whole amount of taxes paid during the previous year 2017-18 will be fully deductible, doesn't matter to which year they belong to. To get the deduction of these taxes, it is necessary that the assessee should fulfill the following 2 conditions:

- a. Taxes must be paid by the owner only.
- b. Taxes must be paid on or before last day of the previous year i.e. 31<sup>st</sup> March, 2018

**3. Standard Deduction:** 30% of Net Annual Value

**4. Interest on Loan:**

This deduction is allowed on "Due basis". It means that whether the amount of interest is paid or not by the assessee, on claiming the deduction by him he will get the deduction.

Deduction of interest on loan is allowed only when the amount of loan is utilized for purchasing, constructing or repairs or renewal of the house.

Deduction of interest of loan is given in 2 parts:

- I. Amount of interest due during the previous year 2017-18
- II. 1/5<sup>th</sup> of interest for construction period.

Construction period will be calculated from the date of taking loan upto 31<sup>st</sup> March immediately preceding the date of completion of construction of house.

Deduction of interest on loan will be allowed as under:

- a. Let-out house: The whole amount of interest will be deductible.
- b. Self-Residential house:

Amount of due interest during 2017-18	}	Whichever is less
Or		
Maximum Rs. 30,000 or Rs. 2,00,000		

**NOTE:**

If loan is taken before April 1<sup>st</sup>, 1999, then maximum deductible amount will be Rs. 30,000 otherwise it will be Rs. 2,00,000

If the loan is taken for repairs or renewal of the house, then in each case maximum deductible amount will be Rs. 30,000

**More than one house/houses for self residence –**

Where the person has occupied more than one house for his own residential purposes, only one house (according to his own choice) is treated as self-occupied and all other houses will be deemed to be let out. Except one house (on the choice of the assessee) remaining house or houses will be computed as let out. So, annual value of such deemed let house/houses is determined u/s 23(1) (a) on the basis of reasonable expected rent and entitled for the deduction of municipal taxes, standard deduction (30% of NAV) and interest on loan like out property.

**Only one house owned and kept vacant – Section 23 (2) (b)**

In the case of an assessee who owns only one house property which is kept vacant as he has to reside at some other place in a building not belonging to him due to his employment, profession or business, the annual value will be taken as nil. Deduction u/s 24 shall be allowed only in respect of interest on loan borrowed upto Rs. 30000. Where the property is acquired or constructed out of loan borrowed on or after 1-4-99, interest in respect of such property shall be allowed upto Rs. 2 Lacs.

**House acquired or transferred during the year**

If the house is acquired or completed during the year then annual rental value will be determined from the date of completion or acquisition to 31<sup>st</sup> March. For example a house is completed on 1.8.2014 and let out. In this situation the annual rental value will be computed for 8 months (1.8.2014 to 31.3.2015). On the



contrary a house which is sold or transferred during the year, will be valued from 1<sup>st</sup> April to date of transfer.

#### **Rent received after deduction of Tax**

If the assessee lets out his property to a company or firm or trust or bank etc. (other than Individual or H.U.F.) and gross annual rent is more than Rs. 180000 then the tenant would pay rent after deduction of tax @10%. In such position at the time of determination of annual rental value gross rent should be kept in view instead of net rent. If the net rent is given then it will be grossed up as under:-

$$\frac{\text{Net Rent} \times 100}{90}$$

#### **Arrears of rent received during the year – Sec. 25B**

If the assessee received any amount, by way of arrears of rent from such property, not charged to income-tax for any previous year, the amount so receivable (after deducting a sum equal to 30% of on account of standard deduction such amount) shall be deemed to be the income chargeable under the head “Income from House Property”. It is taxable in the previous year in which it is received. It is taxable even if the assessee is not the owner of that property in that year.

#### **Recovery of Unrealized rent – Sec. 25A & 25AA**

If the assessee has claimed deduction for unrealized rent in preceding year (before previous year) and subsequently realized or recovered any such amount during the previous year, then it will be taxable and included in the income from house property. The following points should be noted in this reference :-

- i) The amount so recovered is taxable in the previous year in which it is recovered.
- ii) No deduction whatsoever will be allowed to the assessee for any expenses for recovery of such unrealized rent.
- iii) Recovered amount is taxable even if the house is not owned by the assessee in the year of recovery.
- iv) If the deduction for unrealized rent was not allowed and claimed in past, then such recovered amount is not taxable in the previous year because the assessee has paid tax on such amount in past.
- v) If the partial deduction was allowed for unrealized rent in past then such part of recovered amount was not taxable during the previous year which was not deducted as unrealized rent at the time of assessment.

## **INCOME FROM BUSINESS/PROFESSION**

Third important head of the income is ‘Profit and gains of business or profession. Major part of the revenue is collected by income tax department from the tax payees engaged in business activities.

#### **Meaning of Business- Sec. 2 (13)**

Business includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture.

#### **“Profession” includes ‘Vocation’ Sec. 2 (36)**

**Profession-** The expression Profession involves the idea of an occupation requiring Purely intellectual skill or manual Skill controlled by the operator as distinguished from an occupation or business which is substantially the production/ sale/ arrangements for the production or sale of commodities.





**Vocation:** In the act, It implies natural ability of person for some particular work. In the other words by the way in which a man passes his life.

**Profits and Gains of business/ Profession include-**

1. Profit from trading activities
2. Compensation
3. Receipts from Profession
4. Profit from speculation business
5. Brokerage
6. Commission
7. Import-export Incentives
8. Income of trade Associations
9. Royalty etc.

**Traders, Manufactures, Suppliers, banks, insurance Companies transporters, lawyers, doctors, engineers, singers, insurance agents, trade Associations, money lenders etc. are covered under this head.**

The following conditions should be fulfilled for allowing deduction under the Section-

1. Expenditure must be in revenue nature, capital expenditure is not allowed.
2. Expenditure must be related to business/profession.
3. Expenditure must be actually made reserve/provision made for any expenses is not allowed.
4. Expenditure must not be personal/Domestic
5. Expenditure must be paid/ payable during the year.



**Computation of income from business assessment year 2019-20**

<b>Net profit as per P &amp; L a/c or surplus as per income &amp; exp. a/c</b>	
Add- Disallowed expenses & Losses debited to P&L A/c:	
1. Household expenses/ Personal expenses	
2. Life insurance premium	
3. Int. on capital	
4. Income tax & wealth tax	
5. Capital expenditures & capital losses/ Speculations	
6. Fees & penalties (except penalty in the form of interest for late payment of sales tax)	
7. Reserves & provisions (except prov. For payment of excise duty)	
8. Capital expenditure on advertisement expenses new sign board.	
9. Adv. In souverior of political party.	
10. Donation to political parties	
11. Charities & donation (except compulsory subscription for business)	
12. Personal gifts & presents	
13. Cash payment exceeding Rs. 20,000 of the whole amt. will be disallowed.	
14. Payment outside India without TDS	
15. Excess payment to relatives	
16. Excess dep. Charged in P & L a/c	
17. Irrelative exp. Of business	
18. Fringe benefit tax (FBT)	
19. Securities transaction tax (STT)	
20. Income tax on perquisites	
21. Valuation of closing stock	
22. Exp. On intangible assets like patents copyright, know how etc. (25% dep allowed on it)	
23. Preliminary expenses (4/5 th disallowed)	
24. Exp. On prospecting of minerals (9//10 disallowed)	
25. Exp. On family planning program	
26. Provision for Gratuity [u/s 40 A (7)]	(+) -
<b>Total</b>	-
Less- Allowed expenses and allowances which are not debited to P&L A/c wholly/partly for instance depreciation:	
1. Allowed bad debts	
2. Allowed depreciation	
3. Any other allowed expenses	
4. Banking cash transaction tax	(-) -
Less : Income not related to business but credited to P&L A/c:	
1. Rent from house property.	
2. Selling price/profit from sale of assets.	
3. Interest and dividend	
4. Int. on post office savings a/c	
5. Income tax refund	
6. Agricultural income	
7. Bad debts recovered which were previously disallowed as bad debts	
8. Personal/ Family Gift	(-) -



Add : Add- deemed income which are not recorded in the books:	(+) -
Taxable Income from Business/ Profession	-----

#### Deductions expressly allowed in respect to expenses and allowances (sec. 30 – 37)

1. Rent, taxes, insurance, repairs etc. of the building: If an assessee is running his business in a rental house, then rent and all other expenses will be fully allowed. But if the business is running in own house, then rent will be fully disallowed and other expenses will be allowed proportionately. (Sec. 30)
2. Repairs & insurance of other assets: If an assessee has taken insurance of plant & machinery, furniture, motor car etc. or spent on repairs of these assets, then the whole amount will be fully allowed. (Sec. 31)
3. Depreciation: (sec. 32) depreciation will be allowed on all those assets at prescribed rates, which are allowed by the assessee and are used in business of profession

Dep. On leasehold assets will not be allowed and also on foreign cars.

Dep. Will be allowed on any asset only when it is existing the business on the last day of the previous year Mar'31, 10. If an asset has been sold or destroyed before this date, then dep. Won't be allowed on such asset.

If an asset is used for a period. of 180 days or more in an year, then only dep. Will be allowed for the whole year. But, if an asset is used for less than 180 days in a year, then dep. will be allowed at prescribed rate for the half year.

Dep. is to be calculated on the WDV of the asset which will be calculated As under:

WDV on 1<sup>st</sup> Apr. 09

(+)	Cost of new asset purchased	(+)	.....
		Total	.....
(-)	Sales Price of the asset sold	(-)	.....
	WDV on 31 <sup>st</sup> Mar.010		.....

Following are the prescribed rates of depreciation on some of the important Assets.

i.	Residential Building	5%
ii.	Commercial Building	10%
iii.	Furniture	10%
iv.	Motor Car	15%
v.	Scooter, motorcycle	15%
vi.	Plant & Machinery	15%
vii.	Intangible assets like patent, copyright, know how etc	25%
viii.	Computer	60%
ix.	Professional books :	
a)	Books annually published	100%
b)	Other books	60%

20% additional dep. will be allowed on assets purchased during the previous year. But assets use for less than 180 days rate of additional depreciation will be 10%

4. Expenditure on scientific research: Every amount of such expenditure, whether it is capital or revenue, will be fully allowed. (Sec. 35)
5. Contribution to national laboratory: Weighted deduction of 200% will be allowed. [Sec. 35(2AA)]
6. Patents, copyright, technical know how: Exp. On them exp. On various intangible assets like patent, copyright license, trademark, know how etc. will be treated as capital expenditure hence it all be disallowed if it is written in P & L a/c (Sec. 35 A & 35 AB) Being a capital expenditure, 25% dep. Will be allowed on it. (If intangible assets acquired after 31/3/98). In



- case of Patent/ copyright acquired before 1/4/1998 it would be allowed in 14 years equal installments.
7. Preliminary Expenses: They are allowable in 5 equal annual installments. It means that every year,  $1/5^{\text{th}}$  will be allowed &  $4/5$  disallowed. (Sec. 35 D)
  8. Expenditure on prospecting of minerals: Allowable in 10 equal annual installments i.e. every year  $1/10^{\text{th}}$  allowed and  $9/10^{\text{th}}$  disallowed. (Sec. 35 E)
  9. Exp. On family planning programs: If some amount is spent by the assessee on family planning programs of employees, allowed fully capital expenditure is allowed  $1/5$  portion and revenue expenditure whether it is capital or revenue expenses will be fully disallowed. [Sec. 36 (i) (ix)]
  10. Payment for rural development program: This expense will be allowed fully only when the payment is made to an approved institution. (Sec. 35 CCA)
  11. Security, transaction Tax
  12. Other deduction (Sec 36) Insurance Premium, Bonus Bad Debts, Commission, Interest on capital, Contribution to P.F./ Gratuity fund
  13. Tea, coffee & rubber Development Account (Sec. 33AB)
  14. Examples of expenditure allowable as a deduction u/s 37 (1)
    - I. Expenses relating to sale- purchase/ Manufacturing
    - II. General expenses for running business.
    - III. Remuneration to employees
    - IV. Compensation/ damages
    - V. Legal expenses
    - VI. Indirect Taxes
    - VII. Expenditure on raising loans
    - VIII. Expenditure on advertisement
    - IX. Other expenses are allowed as per business needs
  - a. Guest house Expenses, Entertainment expenses, advertisement, travelling etc.
  - b. Telephone deposit and installation changes.
  - c. Expenditure on labour welfare
  - d. Subscription/ contribution/ fees paid to any institution in the interest of business.
  - e. Office expenses, Royalty, Commission, brokerage etc.
  - f. Civil defence expenses
  - g. Expenditure on training of employees/ apprentices
  - h. Rebate or discount allowed to customers
  - i. Professional tax levied by state Govt.
  - j. Express incurred on the occasion of Diwali Muhurat, Business anniversary/ exhibition, festival etc.
  - k. Interest paid for delay payment of sales tax etc.
  - l. Fees/ Remuneration to tax consultant/ Advocate
  - m. Expenses related to tax procedure/ registration of trade mark to promote family planning among the employees.
  - n. Some losses are allowed like- destruction of stock due to fire, theft or war, embezzlement by employee etc. Any other expenses/ losses related to business which is in the revenue nature
  - o. Audit fees
  - p. Taxes imposed by local authority

**Allowable losses: following items of losses are allowable in the head of business or profession.**

- a) Lost of cash or stock due to embezzlements by employees
- b) Lost of cash or stock due to theft or robbery.
- c) Lost of stock due to war or natural calamity
- d) Lost of lapsation of advance



**Deductible expenses on actual payment:** Following expenses will be deductible if it is paid before due date of filing income tax return. These expenses are issued. [Sec. 43 (b)]

- a) Govt. dues- (Tax/ duty etc.)
- b) Bonus, comm. etc. payable to employees
- c) Interest on intuitional loan.
- d) Contribution to P.F.

#### **Deemed Profits (Sec 41)**

It is deemed to be income from business under Income tax Act

1. Remission of liability/ Recoupment of Loss/ Expenditure
2. Amount realised on transfer of an asset used for scientific research
3. Recovery of Bad Debts
4. Amount withdrawn from special reserve by financial institution
5. Receipts after discontinuance of business

#### **Methods of Accounting (Sec. 145)**

Accounting system adopted by the assessee should be considered while computing income from Business. Books of account may be maintained either mercantile system or cash system-

- a. **Mercantile System-** If an assessee keeps his books of account on the basis of mercantile system then net profit / loss of business will be determined after making necessary adjustments (any income/ expenditure will be taken in computation which is related to the previous year either it is paid/ unpaid, received/ receivable)

**Income-**

Income received during the year
Add- Accrued income
Less- Unaccrued income
<hr/>
= Net income related to previous year.

**Expenditure-**

paid during the year
Add- Due but outstanding
Less- Prepaid/ Advance Expenses
<hr/>
= Net expenditure related to previous year.

- b. **Cash system-** In this system all revenue receipts will be included in the income which are received during the year on the other hand all revenue expenses which are paid during the year will be deducted from gross receipts. In cash system no adjustment in respect of accrued, unaccrued income/ outstanding, prepaid expenses will be considered.

#### **Computation of Income Relating to specific Business**

Ascertainment of taxable income is typical in case of some business activities like retail trade, small transports and contractors, therefore. Special provisions have been made to assess the taxable income of such specific business on estimation basis under the Income tax act. These provisions are optional. If the assessee does not want to assess his income related to specific Business under these Provision,- he must to maintain regular accounts and gets audited them.

##### **I. Special Provisions for Computing Profits and gains of small business of civil construction, etc. [Sec. 44AD]**

1. Gross receipts not more than Rs. 1 Crore (Paid/ Payable)
2. Deemed profit equal to 8% of the gross receipts paid/payable in previous year
3. Deductions of business head not allowed
4. Maintenance of books and audit is not compulsory





5. In case if the profit is less than 8% provisions of sec. 44AD shall not apply where the assessee claims and produces evidence to prove this then the Assessing officer shall proceed to make an Assessment of the total income/loss and determine the sum payable by the assessee. Assessee has to keeps and maintains such accounts Books and other documents as required u/s 44 AA & furnishes a report of such audit as required u/s 44AB.
6. The Assessee will entitle for deductions u/s 80 c to 80 u against GTI.
7. If the assessee is a firm the salary and interest paid to its partners shall be deducted from their income computed u/s 40 (b)

## II. Special Provisions for Computing Profits and gains of business of plying, hiring or leasing goods carriages [Sec- 44AE]

1. In case of an assessee who owns not more than 10 (at any time in the Previous year) goods Carriages
2. Estimated profit on heavy goods vehicle or light vehicle shall be an amount equal to Rs. 7,500 (A.Y. 2016-17) for per month or part of a month.
3. Further deductions are not allowed.
4. Maintenance of books and audit is not compulsory.
5. If assessee shows income lower than a foresaid limit sec. 44AF shall not apply where the assessee claims and produces evidence to prove this then the assessing officer shall proceed to make an assessment of the total income/loss and determine the sum payable by the assessee. Sec 143 (3) Assessee has to keeps and maintains such accounts Books and other documents as required u/s 44 AA & furnishes a report of such audit as required u/s 44A
6. If the assessee is a firm the salary and interest paid to its partners shall be deducted from their income computed u/s 40 (b)

## III. Expenses deductible from commission earned by insurance agents etc.

Adhoc deduction from commission earned by insurance agents, UTI agents, Mutual funds agents and Govt. securities agents are allowed as under when given 2 conditions are fullfil by assessee-

1. If agent who do not maintain detailed accounts for expenses incurred of Agency
2. If gross aggregate commission should be less then Rs. 60000 during previous year.

Commission	Adhoc Deduction
<b>1. Agent of LIC of</b> <ul style="list-style-type: none"><li>First year's commission</li><li>Renewal commission</li><li>When first year and renewal commission separate figures are not available</li><li>Bonus commission</li></ul>	50% of commission  15% of renewed commission OR maximum limit 20000, whichever is less.  33 <sup>1</sup> / <sub>3</sub> % earned during the Previous Year  No Deduction allowed
2. Commission received by authorized agents of <b>unit trust of India</b>	50% of commission
3. Commission received by authorized agents of <b>Govt. &amp; Post office securities</b>	50% of commission
4. Commission received by authorized agents of <b>notified mutual fund</b>	50% of commission





## **UNIT IV**

### **INCOME FROM CAPITAL GAIN**

#### **Meaning of capital gains (Sec. 45)**

Any profit or gain arising from the sale or transfer of a capital asset is chargeable to tax under the head "Capital Gains", Capital asset means any movable or immovable asset like land, building, plot, gold, silver, jewellery, shares, securities etc. Profit/Loss arising from transfer of such assets is compared under the head of capital gain from Income tax point of view.

#### **Definition of Capital Asset Sec-2 (14) -**

Capital asset means property of any kind, whether fixed or circulating, movable or immovable, tangible or intangible e.g. land, building, plot, gold, silver, precious metals, jewellery, shares, securities, furniture, machinery etc.

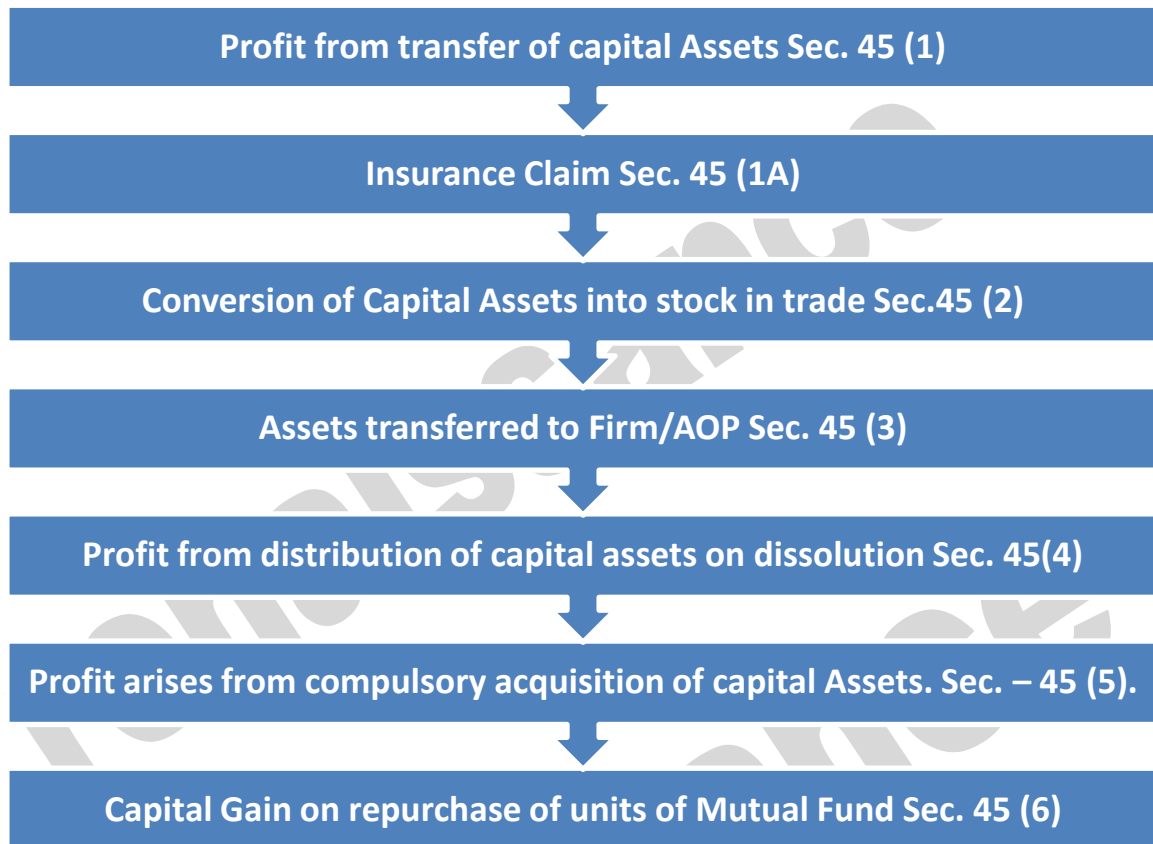
Exception -

**1.** Though Property of any kind held by an assessee whether or not connected with his business/profession is included in the definition of 'Capital Assets' it does not include -

1. Stock in trade
2. Personal effect Assets (which is personally used by assessee and family member)
3. Agricultural land in rural area
4. Gold Bonds
5. Special Bearer Bonds
6. Gold deposit bonds

} **Which is issued by Central Government**

**3. Items included under capital gains Sec. -45**



### Types of Capital Gains

1. Short term capital gain
2. Long term capital gain

### Short term capital asset

- (i) Shares, securities, bonds, units are held by the assessee for not more than 12 months before transfer.
- (ii) Assets on which depreciation has been allowed under the Income Tax Act, whether depreciable asset held by the assessee more or less 36 months.
- (iii) Any other asset which is held by the assessee for not more than 36 months, e.g., land, building, precious metals, jewellery etc.

### Long term capital asset

- (i) Shares, securities, bonds, units held by the assessee for more than 12 months.
- (ii) Other assets like building, gold, plot, land, jewellery etc. held by the assessee for more than 36 months.

### Computation of Short term capital gain/loss (For the Assessment Year 2019-20)



Sales consideration	.....
Less – Aggregate amount of the following:	
(a) Transfer Expenses (Advertisement). Brokerage, legal exp. etc)	.....
(b) Cost of acquisition of the asset	.....
(c) Cost of improvement	..... (-).....
Short term capital gain/less	.....

**Computation Of Long Term Capital Gain/Loss (For the Assessment Year 2019-20)**

Full value of consideration	
Less : Total of the following	.....
(i) Transfer expenses	.....
(ii) Indexed cost of acquisition	.....
(iii) Indexed cost of improvement	..... (-).....
Long term capital gain/loss	.....

**Formula:-**

**1. Calculation of Index cost of acquisition**

(i) If assets acquired before 01.04.2001 by the Assessee

$$\text{Index Cost} = \frac{\text{Original Cost or fair market value on 1.4.2001 (which ever is more)} \times \text{Index for the transfer year}}{\text{Cost inflation Index for 2001-02 (100)}}$$

(ii) If assets acquired on 01.04.2001 by the Assessee

$$\text{Index Cost} = \frac{\text{Cost of acquisition} \times \text{Index for the transfer year}}{\text{Cost Inflation Index for the year in which the assets is acquired by the assessee}}$$

**Note:-** If the property is acquired before 1.4.2001 then index for 2001-02 will be taken as index for the base year.



## **2. Calculation of Indexed cost of improvement**

Formula:-

$$= \frac{\text{Cost of Improvement} \times \text{Cost Inflation index for the year in which the asset is transferred year}}{\text{Cost Inflation Index for the year in which Improvement to the asset took place.}}$$

**Note:-** Improvement cost incurred before 1.4.2001 is not considered. It should be ignored. Only cost of improvement will be considered which is related after 31.3.2001.

### **Exemption of Capital Gains**

Exemptions are of two types

#### **A. Exemption of capital gains under various sub-clauses of section 10;**

1. Capital gain on transfer of units of US 64 exempt [Section 10 (33)]
2. Exemption of long-term capital gain arising from sale of shares and units and Securities Transaction Tax paid [Section 10(38)]
3. Capital gain on compulsory acquisition of urban agriculture land-Sec. 10(37)

#### **B. Capital gains exempt from tax – Under section 54 to 54H**



(i) Residential property converted in new residential property (Sec.54) within 3 years or before 1 year or after 2 years	Cost of new land <b>or</b> capital gain (which ever is less)
(ii) Agricultural land transferred and another agricultural land purchased within 2 year (Sec. 54B)	Cost of new land <b>or</b> capital gain (which ever is less)
(iii) Compulsory acquisition of land and building of industrial undertaking (Sec. 54D)	Cost of new land building <b>or</b> capital gain (which ever is less.)
(iv) Capital gain is invested in notified bonds (Sec. 54EC) NABARD, Rural Electrification Corporation Bonds, National Highway Authority of India etc.	Invested amount within 6 months
(v) Other capital gains invested in residential property (Sec. 54F) = $\frac{\text{Capital gain} \times \text{Cost of new house}}{\text{Net consideration}}$	Proportionate Exemption
(vi) Shifting of industrial undertaking from urban area to other area (Sec. 54G) or SEZ (Sec. 54GA)	Upto the cost of new industrial assets.
(vii) Capital gain on transfer of residential house property (sec.54GB)- w.e.f. of A.Y. 2014-15 a new exemption is available to an individual or a HUF in respect of LTCG gain. If assessee invest net consideration or part in equity shares before due date of furnishing the return, in eligible company it least 5 year he shall entitled exemption as under_ $\frac{\text{Invested amt in new equity share}}{\text{Net consideration}} = \frac{\text{Capital gain}}{\text{Capital gain}}$	Calculated Amount

#### Tax on Capital Gains

- Long-term capital gains are taxable at special rates for each type of assessee –
  - 10% tax on long-term capital gain arising from transfer of securities. bonds, units, debent
  - 20% on other long term capital gains.
- Short-term capital gains are taxable at normal rates but Short term capital gain ce transfer of equity shares or units sold through Stock Exchange and Securities transaction tax paid, it will be taxable at concessional rate 15%.  
Add : Education cess @ 3% on tax payable.

#### Important points should be kept in view

- Personal effects (clothing, furniture, utensils, vehicles etc), Rural agricultural land, stock in trade, Gold Bonds are not covered under definition of "Capital Asset". So, profit or loss arising from the transfer such assets is not noticeable.
- Depreciable assets will be treated as short-term asset even if such asset held by the assessee for Less than or more than 36 months.
- Indexed cost will not be allowed for the following long-term assets-
  - Securities, Bonds, Units and debentures of company.
  - Listed shares of an Indian company sold outside Stock Exchange and the assessee wants to pay tax @10% for long term capital gain instead of 20%



- c. Nonresident assessee opts taxation u/s 115C to 1151 in respect of foreign exchange assets.
- If the equity shares or units are transferred during the previous year 2014-15 through Stock Exchange and Securities Transaction Tax has been paid, long term capital gain shall be exempt and in case of loss it will be ignored —
- If the transferred asset is acquired before 1.4.2001, the cost of acquisition will be—
  - Original cost of the asset
  - or
  - Fair market value on 1.4.2001
  - Whichever is more.
- Improvement cost incurred before 1.4.2001 should be ignored. It cannot be part of cost of the asset.
- Cost of bonus shares, obtained by the assessee after 31.3.2001, will be nil, so cost of acquisition of such shares will be taken Nil at the time of computation of capital gains.
- Cost of bonus shares acquired before 1.4.2001 will be considered. Fair market value of such shares on 1.4.2001 will be cost of acquisition. If the bonus shares are acquired after 31.3.2001 the cost of acquisition will be Nil.
- Where any capital asset was on any previous occasion the subject of negotiations for its transfer, any advance or other money received and retained by the assessee in respect of such negotiations shall be deducted from the cost for which the asset was acquired or the written down value or the fair market value, as the case may be, in computing the cost of acquisition.
- During the previous year the assessee has transferred both type of capital assets, i.e. long term and short term and capital loss arise then —
  - a. Short term Capital Loss can be adjusted against any capital gain either Short term or Long term or both.
  - b. Long term Capital Loss can be adjusted against only Long term Capital Gains. Short term Capital Gain cannot be used to set off for Long term Capital Loss.
- Sales consideration of Land or building is lower than value assessed for Stamp Duty purpose, then consideration will be taken as per Stamp Duty purpose instead of actual consideration.
- If the assessee acquired the asset under will or gift or any other way without consideration the cost of previous owner will be cost of acquisition from the point of view of capital gains. Period of holding of such property will be determined from the date of property acquired by the previous owner not the date of gift.
- Though the period of holding is determined on the basis of the date of acquiring the property by the previous owner but when we calculate the indexed cost of the asset then index will be taken for the year in which the assessee became the owner of the said property.

#### **Calculation of cost of Original Shares & Bonus Shares**

Bonus shares means shares allotted by a company to its existing share holders without any consideration. An assessee holds shares of a company and thereafter the company allotted him bonus shares on the basis of holding.

##### **1. If original shares acquired before 1 April, 2001**

The cost of actualisation will be taken-  
Actual Cost of original shares

or

market value on 1.4.2001, whichever higher is cost

##### **2. If the original shares acquired after 1 April, 2001**

Cost of actualisation will be actual cost

##### **3. If the bonus shares acquired before 1st April, 2001**

Cost of Bonus Shares – Market value on 1 April, 2001





**4. If the Bonus shares acquired after 1 April, 2001**

cost of Bonus Shares – Nil

**DEDUCTIONS FROM GROSS TOTAL INCOME**

- (1) **80 C Deduction in respect of investment in LIP provided funds, NSC etc.:-** This deduction is provided to individual and HUF assesses **maximum** upto **Rs. 1.5 Lac** on their investments following items will be entitled for the deductions under this section:-

- (i) LIP of spouse and children [upto 20% of sum assured]
- (ii) Employees contribution in statutory PF.(SPF)
- (iii) Employees contribution in Recognized PF (RPF)
- (iv) Deposit in Public provided fund.(PPF)
- (v) Exempted contribution Super annulations fund.(SAF)
- (vi) NSC's and accrued interest or it.
- (vii) Contribution to "ULIP" of UTI
- (viii) Amount deposited in Public sector finance companies or housing Board.
- (ix) Payment of principle value of housing loan.
- (x) Investment in shares or debentures of infrastructure companies.
- (xi) Amount deposited in National Housing Bank.
- (xii) Education expenses paid for children.
- (xiii) Amount deposited in fixed deposit for a period of 5 years or more in a scheduled bank.
- (xiv) Contribution to employees insurance scheme of central government by an employee of central government.
- (xv) Investment in Notified Bonds of NABARD
- (xvi) Senior Citizen saving Scheme

**Deduction:-**

Gross qualifying amount ( Aggregate amount of above mentioned items)

Whichever is less (shall be deducted from G.T.I.)

OR

If assessee is also entitled for the deduction of 80CCC

and 80CCD, then, he'll get a maximum deduction

of Rs. 1.5 lac in all these 3 deduction]

- (2) **80 CCC Deduction in respect of contribution to pension fund set up by LIC or any other insurer:**

Only **individual assessee** is entitled for this deduction upto Rs. 1 Lac.

- (3) **80 CCD Deduction in respect of contribution on to pension scheme of central government:-** If a person **individual** is appointed as an employee of Central government on 1<sup>st</sup> Jan 04 or there the amount of gross salary for pension scheme and the same amount will be contributed by the central government also. Amount contributed by central government will be taxable under the head of salary but from the gross total income deduction will be allowed equal to the amount contributed by employer & employee u/s 80 CCD.



(4) **Deduction in respect of investment made under any equity saving scheme (Sec. 80 CCG)**  
**Amount of deduction –**

**The amount of deduction under section 80 CCG shall be –**

- a. 50% of amount invested in equity share  
Or
  - b. Maximum Rs. 25,000 which ever is less.
- (5) **80 D Deduction in respect of medical insurance premium:-** This deduction is allowed upto Rs. 25,000 for premium paid by **individual and HUF assesses** but if premium is paid for a person aged 60 years and above, an additional deduction of Rs. 5000 will be allowed, it means that maximum deduction will be Rs. 30,000.
- (6) **80 DD Deduction in respect of expense of deposit for maintenance of handicapped dependent:-** Under this section, **individual & HUF assesses** will be entitled for a standard Deduction Rs. 75,000. In case of server disability, [More than 80%] S.D. will be Rs. 125,000.
- (7) **80 DDB Deduction in respect of medical treatment of specified diseases:-** This deduction will be allowed to **individual & HUF assesses** upto Rs. 40,000 (In case of persons aged 60 years or above, Rs. 60,000)
- (8) **80 E Deduction in respect of payment of interest of higher education loan for individual :-** **Actual amount of interest is deductible.**
- (9) **80 G Deduction in respect of donation given to recognized charitable institutions and funds:-** This deduction is allowed to **assesses to all categories** for such donation given by them to charitable institution funds situated in India which are given in monetary form only.  
This deduction can be divided into 4 categories:-

**(a) Without Limit 100%**

- (i) P.M. National relief fund
- (ii) Armenia earth quake relief fund
- (iii) Africa Fund
- (iv) National foundation for communal harmony.
- (v) Recognized education institutions and universities
- (vi) Maharashtra C.M earthquake relief fund.
- (vii) Andhra Pradesh CM cyclone relief fund.
- (viii) C.M. or governor relief fund.
- (ix) District literacy committee
- (x) National Sports Fund or National Cultural Fund
- (xi) National Trust for Welfare of Persons with Autism, Cerebralpalsy, mental retardation and multiple disabilities.
- (xii) Clean Ganga Fund
- (xiii) Swaccha Bharat Kosh
- (xiv) National Fund for control of Durg abuse
- (xv) National defiance fund
- (xvi) National Blood Transfusion Council And State Council For Blood Transfusion
- (xvii) Fund Setup By State Government For The Medical Relief To The Poor
- (xviii) Central Welfare Fund of Army and Air Force and the Indian Naval Benevolent Fund
- (xix) National Illness assistance fund



**(b) Without limit 50%**

- (i) Jawaharlal Nehru Memorial Fund
- (ii) P.M. Draught Relief fund
- (iii) Indira Gandhi Memorial fund
- (iv) Rajeev Gandhi foundation.

**(c) Under Limit 100% [100% of Qualifying Amount]**

- (i) Donation to central or state government for family planning programs

**(d) Under Limit 50% [50% of Qualifying Amount]**

renaissance  
renaissance  
renaissance



- (i) Donation to Approved charitable institutions (Educational, medical, social institutions etc.).
- (ii) Donation to any notified Temple, Mosque, Gurudwara, Church or other place for renovation or repair.
- (iii) Donation by a company to the Indian Olympic association or any other notified games and sports institution.
- (iv) Donation to an authority for the purpose of housing accommodation or planning development of towns & villages.
- (v) Donation to any corporation for promoting interest of minority community.
- (vi) Donation to Government or any local authority for charitable purpose.

**Here, the terms under limit means the Qualifying amount (Q.A.) which will be calculated as under :-**

**Q.A. →**

10% of adjusted gross total income (Qualifying amount)

or

Whichever is less is eligible for deduction @100% or 50%

Adjusted gross total income = GTI - LTCG - deduction u/s 80c to 80u (except Sec. 80G)

- (10) **80 GG Deduction in respect of rent paid for house:-** This deduction is provided to such individual assesses who are living in a rental house and who are not getting accommodation facility/House rent allowance from their employer. Deduction is calculated as :-

(i) 25% of adjusted Gross total income

(ii) Rent paid – 10% of adjusted total Gross income

Or

(iii) Rs. 2000 P.M.

Whichever is less is eligible for deduction

**(10) 80 GGA Deduction in respect of donation to Scientific research:-** Every person who has no income from business is entitled for 100% this type of donation.



**(11) 80 GGB/80 GGC Deduction in respect of donation to political parties:-** Company assessee are entitled under Sec.

80 GGB and other assesses u/s 80 GGC for deduction in respect of donations given to Political party amount of donation is **deductible**

**(12) 80 IA Deduction in respect of profits of industrial undertakings engaged in infra - structure industry:-** As such this deduction is allowed for all the assesses but here we are going to discuss the provisions regarding assessee other than company assessee.

- |       |  |   |      |
|-------|--|---|------|
| (i)   | Telecommunication Services :- 1 <sup>st</sup> five years   | - | 100% |
|       | Next five years  | - | 30%  |
| (ii)  | Industrial Park :- Consecutive any 10 years out of first 15 years  | - | 100% |
| (iii) | Power undertakings engaged in generation and distribution consecutive any 10 years out of first 15 years | - | 100% |
| (iv)  | Undertakings engaged in infra structure development for 10 consecutive years out of first 15 years       | - | 100% |

**(13) 80 IB :- Deduction in respect of profits of newly established industry, hotels etc.:**

Table: Eligible undertakings and Rates of deduction under section 80 - IB

Undertaking	Period in which production started or starts	Company (Rate and period of deduction on profits)	Other assessee (Rate and period of deduction on profits)
1. Industrial undertaking in J & K state	1.4.93 to 31.3.12	First 5 years 100% next 5 years- 30%	First 5 years 100% next 5 years 25%
2. Scientific research and development company	1.4.2000 to 31.3.2007	First 10 years 100%	N.A.
3. Production or refining of mineral oil	1.4.1997 or onwards	100% for 7 years	100% for 7 years
4. Integrated business of handling, storage and transportation of food grains	on or after 1.4.2001	5 years - 100% next 5 years 30%	first 5 years 100% next 5 years 25%
5. Agro processing industry	From the 1.4.2009 and onward and 2005-06 onwards	First 5 years 100% next 5 years 30%	First 5 years 100% next 5 years 25%
6. Hospital located anywhere except metro cities	1.4.08 to 31.3.13	First 5 years 100%	First 5 years 100%

**Attention Please-** Deduction for profits of undertakings covered u/s 80-1A and 80-1B set up or started before 1.4.08 is not allowable for the assessment year 2018-19, because period of deduction (10 years) is expired before 1.4.2017.



**(14) 80 IC Deduction in respect of undertakings established**

in H.P., Sikkim, Uttarakhand, and North eastern state:- upto first 10 years 100%

**(15) 80 ID Deduction in case of hotel & convention center in NCR**

100% of its profits for a period of five consecutive assessment years.

**(16) 80 IE Deduction in respect of certain undertakings in North-Eastern States**

If the required conditions are satisfied 100% of profit from the aforesaid business/services shall be deductible for 10 years beginning with the assessment year relevant to the previous year.

**(17) 80 IJA Deduction in respect of profit and gains from business of collecting and processing of bio-degradable waste – 80 IJA**

A deduction shall be allowed of an amount equal to the whole of such profits and gains. This deduction shall be allowed a period of five consecutive assessment years.

**(18) 80 IJAA Deduction in respect of employment of new regular workmen**

A deduction shall be allowed of an amount equal to 30% of additional wages paid to the new regular workman employed by the assessee.

**(19) 80P Deduction in respect of income of cooperative societies**

- 1) Whole Deduction for the following cases – Co-operative society engaged in banking, agriculture product, agriculture implements, processing without the aid of power, fishing or allied activities, milk, oil, seeds, fruits, vegetables, warehouse, godown for storage and housing society.
- 2) Restricted Deduction – A restricted deduction shall be allowed if a co-operative society engaged in activities other than aforesaid activities, so much of its profits and gains attributable to such activities as does not exceed –
  - a) Where such co-operative society is a consumers co-operative society, 1,00,000/-
  - OR
  - b) In any other cases, 50,000/-





**(20) 80 QQB Deduction in respect of royalty income of authors:-**

Max Rs. 3,00,000.or actual royalty income (whichever is lower)

**(21) 80 RRB Deduction in respect of royalty income on patents :-**

Max Rs. 3,00,000.or actual royalty income (whichever is lower)

**(22) 80 TTA Deduction in respect of Interest on Saving Bank A/c deposit:-**

Bank, post office, and co-operative society savings bank account interest shall be deductible up to Rs. 10,000. In case of post office savings bank interest firstly Rs. 3,500 shall be exempt and excess interest will be included under other source income.

**(23) 80 U: - Deduction in case of a person with disability :-**

Fixed Deduction of Rs. 75,000. (if disability up to 80%)

Higher Deduction of Rs 1,25,000. (if disability over 80%)

Assessment of Hindu Undivided Family (H.U.F.)

Computation of Total Income of HUF

Assessment Year 2019-20

<b>1) Income from House Property</b>		
A) Self occupied House :-		
Gross Annual Value	Nil	
(-) Interest on loan [30,000/2,00,000]	(-) -----	-----
Income from Self Occ. House (Loss)	-----	-----
B) Let out House :-		
Gross Annual Value	-----	
(-) Municipal Taxes	(-) -----	



Net Annual Value	-----	
(-) Deductions u/s 24		
(i) Standard deduction (30% of NAV)-----		
(ii) Interest on Loan -----	-----	
Income from Let out. House	-----	-----
<b>Income from House property (Taxable)</b>		-----
<b>2) Income from Business</b>		
Net profit as per P & L A/c		-----
(+) Items disallowed		(+)-----
Total		-----
(-) Items allowed but not debited in P & L A/c		
Balance		-----
(-) Income not taxable under business head		(-)-----
Income from Business (Taxable)		-----
<b>3) Income from Capital Gains:-</b>		
A) Short – Term	-----	
Sale Consideration		
(-) Selling Expenses -----		
Cost of Acquisition -----		
Cost of Improvement -----	(-)-----	
<b>S.T.C.G.</b>	-----	-----
B) Long Term		
Sales Consideration	-----	
(-) Selling Expenses -----		
Indexed Acq. Cost -----		



Indexed Imp. Cost	-----	(-) -----	
	<b>L.T.C.G.</b>	-----	-----
<b>Income from Capital Gains (Taxable)</b>			-----
<b>4) Income from other sources:-</b>			
(i) Dividend [Exempted u/s 10(34)]			
(ii) Interest on Government Securities			-----
(iii) Director's fees or remuneration as uD			-----
[If appointed due to holding of HUF]			-----
(iv) Lottery [If ticket is purchased in the name of HUF]			-----
<b>Income from O.S. (Taxable)</b>			
<b>Gross Total Income</b>			-----
<b>Less:-</b>			
Deduction u/s 80 C			
Deduction u/s 80 D			-----
Deduction u/s 80 DD			-----
Deduction u/s 80 DDB			-----
Deduction u/s 80 G			-----
Deduction u/s 80 GGC			-----
Deduction u/s 80 QQB			-----
Deduction u/s 80 U			-----
<b>Total Income</b>			

**Tax rates for individual**



(A) Tax @20% on LTCG		.....
(B) Tax @30% o casual Income		.....
(C) Tax on other incomes		
First 2,50,000	NIL	
On Next Rs. 2,50,000 (2,50,001-5,00,000)	5% .....	
On Next Rs. 5,00,000 (5,00,001-10,00,000)	20% .....	
Above Rs 10,00,000	30% .....	

**Senior Citizen (60 years or more but less than 80 years)**

First 3,00,000	NIL
On Next Rs. 2,00,000 (3,00,001-5,00,000)	5%
On Next Rs. 5,00,000 (5,00,001-10,00,000)	20%
Above Rs 10,00,000	30%

**Super Senior Citizen (80 years or more)**

First 5,00,000	NIL
5,00,001-10,00,000)	20%
Above Rs 10,00,000	30%



**ASSESSMENT OF FIRM : PROCEDURE FOR COMPUTING TAXABLE INCOME**

The following procedure should be adopted while computing Total Income of a partnership firm-first we should calculated taxable income from business.\

**I. Statement of taxable Income from business of firm**

Net profit or loss as per P & L A/c		.....
<b>Add-Disallowed items debited to P &amp; L Account</b>		
(i) Disallowed items under the head business or profession i.e. donation, income tax, reserves, penalties, partnership deed expenses, political advertisement, expenses related to other heads, capital expenditure etc. (For detail see the chapter No. 8 profits and gains from business or profession)	.....	
(ii) Interest paid to partners on their capital and loan more than 12% per annum (excess amount will be disallowed)	.....	
(iii) Speculation business loss of firm	.....	
(iv) Remuneration (salary, bonus, commission etc.) paid to partners [separately deducted below u/s 40 (b)]	.....	(-) .....
<b>Less-</b> allowed expenses not recorded or lesser recorded in the P & L A/c, i.e. depreciation etc.		(-) .....
<b>Less-</b> Other income not related to business or profession-Rent received, interest on deposits, dividend, capital gains etc.		.....
		(-) .....
<b>Book-Profit</b>		
<b>Less-</b> Remuneration (salary, bonus, commission etc.) to partners under the item of partnership deed u/s 40 (b)		.....
(a) Actual amount debited in the P & L account	.....	
or		
(b) Amount permissible u/s 40 (b) on book profit (please see the calculation table given ahead)	<b>Or</b>	
Whichever is less, i.e. (a) or (b)	.....	
<b>Firm's Taxable income from business or profession</b>		(-) .....



		.....
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**Chart : Computation of Total Income of Partnership Firm**

**Assessment year 2019-20**

<b>I. Income from house property owned by firm</b> <b>(a) Let out properties :</b> Annual Rental Value <b>Less-</b> Municipal Tax paid <b>Annual value</b> <b>Less-</b> Deductions: (a) Standard Deduction 30% of AV (b) Interest on loan for property	..... (-) ..... ..... (-) ..... (-) .....	
<b>II. Income from Business or profession</b> As per calculated in prior statement	.....	.....
<b>III. Capital Gains of firm</b> (a) Short term capital gains (b) Long term capitals gains		
<b>IV. Income from other sources</b> Interest, royalty etc. earned by the firm		.....
<b>Gross Total Income of the firm</b> <b>Less-</b> Deduction allowed to firm (i) Donation (80G) – 100% or 50% as per eligibility (ii) Contribution to political party (80 GGC) 100% (iii) New undertakings profit (80-IA) and 80-1B- as per conditions. <b>Total Income of Firm</b>		..... ..... .....

**Importance point should be kept in view**

1. If there is no provision in partnership deed for interest or remuneration to partners, the full amount of interest to partners and remuneration to partners will be disallowed.
2. If interest is given under the term of deed than it will be allowed up to 12%, in case of higher rate, excess amount will be disallowed and added to net profit.
3. Entire amount or Remuneration given to partners firstly disallowed and added to Net profit to determine the amount of Book Profit .Thereafter the remuneration will be deducted separately. It will be calculated in the following manner-

**(a) Actual amount of remuneration Accounting to partnership deed mentioned in P & L.**

**or**





(b) Amount calculated as per sec : 40 (b) from the following table :

Book Profit	Remuneration allowable
On first Rs. 3,00,000 of book profit, or in case of loss	Rs. 1,50,000 or 90% of book profits Whichever is higher
On the balance	60% of book profits

Whichever (a or b) is less, will be deductible from book profit. After deduction of remuneration we will get taxable income of firm from business.

**Attention Please** – If actual amount of remuneration is not more than Rs. 1,50,000, No need to calculation, entire amount will be allowed.

**Tax payable by the Firm (A.Y.2019-20)**

30% entire total income (except long term capital gains)

20% of long-term capital gains

- **Surcharge :** (i) If firms total income upto Rs. 1 crore – Nil  
(ii) If firms total income is exceeding Rs. 1 crore 10% on tax calculated on total income.

**Add-** 3% Education cess on total tax computed

**ASSESSMENT OF COMPANIES**

“Company is a popular form of business organisation. The company will be taxed as separate entity. Income tax paid by companies called” Corporate Tax”

**Definition of Company (As per Income Tax Act)**

U/s 2(17) of Income Tax Act, Company means –

- (i) Any Indian company or,
- (ii) Anybody corporate incorporated by or under the laws of a country outside India or,
- (iii) Any institution, association or body which was assessed as a company.
- (iv) Any institution, association or body whether incorporated or not and whether India/Non-Indian, which is declared by a general/special order of CBDT to be a company.

**Types of Company**

1. Domestic company (An Indian Co./Any other Company of India)
2. Indian company [Sec. 2(26)] A company registered under companies Act 1956.
3. Foreign Company – Which is not domestic company.
4. Investment Company- A company whose gross total income consists mainly of income which is chargeable under the head of income from House Property, Capital Gain & Other Sources.
5. Industrial Company [Sec. 2(8)(C) of the finance Act 1985] A company engaged in the Generation Business/Electricity Distribution/Power/Construction of ships/manufacturing or processing of goods or in mining.
6. Widely-held company- A company in which the public are substantially interest. [Sec. 2(18)]-
7. Closely-held company- A company in which the public are not substantially interest.



### Residence of a company –

1. **Resident Company** – A Company is said to be a resident in India during the relevant previous year if
  - a) It is an Indian company or
  - b) If it is not an Indian company then, the control and the management of its affairs is situated wholly in India.
2. **Non-Resident Company**- The company is said to be non resident in India if it is not an Indian company and some part of the control and management of its affairs is situated outside India.

### Minimum alternate tax. [Sec - 115 JB] - (MAT) -

Sec. - 115 JB has been inserted from the assessment year. It provides that in case tax liability of a company (may be Indian Company/Foreign Company) is less than 10% (Plus surcharge & education cess) of the book profit. then such book profit shall be deemed to be the "Total Income", and chargeable to tax at the rate of 10% on Book Profit (Plus Surcharge & education cess) [Net Profit as per profit and loss account (after some Adjustments) is book profit].

Special Provisions relating to tax on distributed profit by the way of dividend of domestic companies [Sec. 115.(o)] -

1. **Tax Rate on Dividend Paid** - Such additional income tax shall be payable @ 15% plus surcharge @ 10% plus 3% education cess (20.35765% on Declared/Distributed/ paid amount of dividend) even if no income tax is payable by such company on its total income.
2. **Time limit for deposit of Additional Tax** - Such additional tax will have to be paid by the principal officer within 14 days from the date of declaration/Distribution/payment of dividend. (which ever is earliest).
3. **Tax on distributed profits not allowed as deduction** - The company/Shareholder shall not be allowed any deduction on Additional tax.
4. **Interest payable for non-payment of tax by the domestic companies (Section-115 P)** - Where the principal officer of a company fail to pay additional tax (whole/any part) within time limit, he shall be liable to pay interest @ 1% per month on unpaid Tax.
5. **Exemption of Dividend in the hands of shareholders (Sec. 10 (34))** - Whole amount which is payable by company shall be exempted for shareholders.
6. **Penalty [U/s-271(C)]** - If any person fails to pay Addition Tax (whole/any part), then such person liable to pay penalty, A sum of penalty equal to the amount of tax. Penalty is not applicable, If the assessee prove that there was reasonable cause for failure.
7. **Prosecution [u/s-276(8)]** - If a person fails to pay to the credit of Central Govt. (Tax Payable). He shall be punishable with rigorous imprisonment, which is not less than 3 month and may be extend to 7 years with fine, No person will be punishable if he proves that there was a reasonable cause for the default/failure.

**Special Provisions relating to tax on distributed income to unit holders [Sec-115(R) to 115 (T)] -**  
Any amount of income distributed by a specified company/ a mutual fund during the previous year to its



unit holders shall be chargeable to Additional Tax @ 12.5% plus surcharge @ 10% plus 3% education cess. If his distribution made by any person other than individual or HUF then additional tax chargeable @ 20% plus surcharge@10%.

**Exemption of income in the hands of unit holders [Sec-10 (35)] -**

- (a) Income received in respect of the units of mutual fund specified under clause (23D) or
- (b) Income received in respect of units from the Administrator of the specified undertaking or
- (c) Income received in respect of units from the specified company.

**Deduction in respect of profits and gains from industrial undertakings engaged in infrastructure development – Sec.80IA**

Deduction for newly established industrial undertaking is divided in four sections, namely;

- (1) Undertakings engaged in infrastructure development** – Undertaking established after 31.3.1995 @ 100% of profit for 10years.
- (2) Industrial Park** – Established between 1.4.1997 to 31.3.2011 @ 100% of profit for 10 years.
- (3) Power undertakings** – Established between 1.4.93 to 31.3.2014 – 100% of profit for 10 years.
- 4. Cross country Natural Gas Distribution Network**  
100% deduction for profit from such activities for 10 year if undertaking starts such activities on or after 1<sup>st</sup> April 2007.
- 5. Deduction in respect of profits and gains from certain Industrial undertakings-Sec.80IB**  
Where the gross total income of an assessee includes any profits and gains derived from any business (List given ahead) shall be allowed in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to such percentage and for such number of assessment year as discussed ahead.



**Table : Eligible undertakings and Rates of deduction under section 80-IB**

UNDERTAKING	PERIOD WHICH PRODUCTION STARTED OR STARTS	COMPANY (Rate and period of deduction on profits)
1. Industrial undertaking in J & K	1.4.93 to 1.3.12	First five years 100% Next five years-30%
2. Scientific research and development company	1.4.2000 to 31.3.2007	First five years 100%
3. Production or refining of mineral oil	1.4.1997 or 31.3.2017	100% for 7 years
4. Housing project	1.10.98 to 31.3.07	100% of profit
5. Integrated business of handling, Storage and transportation of food grains.	On or after 1.4.01	5years – 100%, next 5years 30%
6. Hospital in rural area (capacity minimum 100 beds)	1.10.2004 to 31.10.2008	5 years 100% of profit
7. Agro processing industry	From the A.Y 1.4.2009 or later	5 years 100% next 5 years 30%

## **CHART-COMPUTATION OF TAXABLE INCOME OF A COMPANY**

**(a) Income from business P. & L. account is given.**

<b>Step I.</b> Net Profit as per P & L account		.....
<b>Step II.</b> <b>Add</b> – Disallowed expenses included directly or indirectly in debit side of P & L account		
1. Any type of donation, charity, gift etc. which is not related to business	.....	
2. Personal gift, present help	.....	
3. Income Tax, Wealth Tax and other direct Taxes	.....	
4. Provision for taxation	.....	
5. Penalty, fine	.....	
6. Interest on own capital	.....	
7. Any type of reserve or provision e.g. Reserve for depreciation, Bad debts reserve etc.	.....	
8. Direction personal or family tour expenses	.....	
9. Directors personal expenses, domestic expenses, drawings, expenses on relatives of the directors	.....	
10. Excess payment to directors or their relatives	.....	
11. Any type of capital expenditure or capital loss	.....	



12. Speculation Loss	.....	
13. Subscription or advertisement to political party	.....	
14. Purchase or acquiring cost of patent, copyright technical know-how is disallowed being capital expenditure, but 25% depreciation will be allowed separately.	.....	
15. Preliminary expenses are allowed in 5 installments so 4/5 portion will be disallowed if whole amount is debited to P & L account.	.....	
16. Voluntarily payment to employee or his relatives.	.....	
17. Excess depreciation	.....	
18. Municipal Tax, repairs, insurance etc. relating to let out property.	.....	
19. Cash payment more then Rs. 20,000 for any business expenditure in a day. 100% such payment will be disallowed.	.....	
20. Any other item which is not related to business.	.....	
21. Any income which is related to business but not credited to P & L account	.....	(+)..... .....
<b>Step III.</b> <b>Deduct such expenses or losses which Are related to business but not recorded or lesser amount debited to P &amp; L account.</b>		
1. Allowed depreciation	.....	
2. Allowed bad debts		
3. Due bonus to employees		
4. Banking cash transaction tax in not debited to P & L A/c	.....	(+).....
<b>Step IV.</b> <b>Deduct such incomes and receipts which are not related to business or profession-</b>		
<b>Less- 1. Rent from property</b>	.....	
2. interest and dividend from Investments in other Companies	.....	
3. capital receipts	.....	
4. capital gains	.....	
5. any other income	.....	(-).....





Taxable income from business or profession		.....
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## Chart- Computation of Total Income of Company Assessment year 2019-20

<b>I. Income from house property held by Company</b>		
(a) Let out properties-		
Annual Rental Value	.....	
Less- Municipal Tax paid	(-) .....	
<b>Annual value</b>	.....	
<b>Less-Deductions-</b>		
(a) standard Deduction 30% of AV	(-) .....	
(b) Interest on loan for property	(-) .....	.....
<b>II. Income from Business or profession</b>		
As per computed in prior statement	.....	.....
<b>III. Capital Gains of firm</b>		
(a) Short term capital gains		
(b) Long term capital gains		
<b>IV. Income from other sources</b>		
Interest, royalty etc. earned by the company		
Divided from other domestic company is		
Exempted		
But dividend from foreign company is taxable		.....
<b>Gross Total Income of the firm</b>		.....
<b>Less- Deductions allowed to firm</b>		
(i) Donation (80G) – 100% or 50% as Per eligibility		
(ii) Contribution to political party (80GGB) 100%		
(iii) New undertakings (Intra structure, power, telecom etc.) profit (80-IA)- 100% of profit		
(iv) Industrial in backward states (100% for first 5 years and 30% for next 5 years)		
(v) Deduction under Sec. 80IB for other undertakings as per provisions.		
<b>Total Income of Firm</b>		.....

## Tax Rates for the Domestic companies for the A.Y. 2019-20

(1) Tax on company's total income





A. If turnover more than 250 Crore	30%
B. If turnover upto 250 Crore	25%
(2) Tax on company's long-term capital gains	20%
(3) Long term capital gain on securities (if basis of index cost not taken)	10%
(4) Tax on short-term capital gains shares Sold through stock exchange and Securities	15%
Transaction tax paid (Sec. 111A)	
(5) Lottery, Horse race	30%

**Add: Surcharge-**

- (i) If the company's total income is not more than Rs.1 crore Nil
- (ii) If the company's total income is more than  
Rs. 1 crore but up to 10 crore 7%
- (iii) If total income is more than 10 crore. 12%

**Add :Education cess @ 4% on tax payable** +.....

**Tax Payable on Total Income** .....

**Add:** divided tax on distributed or declared amount @ 20.555294% .....

**Total Tax Payable** .....

**Add :** advance tax paid and Tax deducted at sources (-) .....

**= Tax payable by the company**



## **UNIT- V**

### **Meaning of Tax:---**

A tax is a mandatory financial charge or some other type of levy imposed upon a taxpayer by a governmental organization in order to fund various public expenditures. A failure to pay, or evasion of or resistance to taxation, is punishable by law.

### **Tax management:---**

Every assessee liable to pay tax needs to manage his/her taxes. Tax management relates to management of finances for payment of tax, assessing the advance tax liability to pay tax in time. Tax management has nothing to do with planning to save tax it is just related with operational aspect of payment of tax i.e. while managing his taxes a person ensures that he/she is making timely payment of taxes without running out of the money and he is complying with all the provisions of the law.

Tax management means, the management of finances, for the purpose of paying tax.

~The objective of Tax Management is to comply with the provisions of Income Tax Law and its allied rules

~Tax Management deals with filing of Return in time, getting the accounts audited, deducting tax at source etc.

~Tax Management relates to Past, Present, Future.

Past – Assessment Proceedings, Appeals, Revisions etc.

Present – Filing of Return, payment of advance tax etc.

Future – To take corrective action

~Tax Management helps in avoiding payment of interest, penalty, prosecution .

~Tax Management is essential for every assessee.

### **Elements of Tax Management**

- Reduce adjusted gross income
- Increase the amount of tax deductions
- Appropriate use of tax credits
- Tax Planning for Retirement Plans



## The Difference Between 'Tax Planning' And 'Tax Management'

### THE DIFFERENCE BETWEEN 'TAX PLANNING' AND 'TAX MANAGEMENT' .

<i><b>Tax Planning</b></i>	<i><b>Tax Management</b></i>
(i) The Objective of Tax Planning is to minimize the tax liability	The objective of Tax Management is to comply with the provisions of Income Tax Law and its allied rules.
(ii) Tax Planning also includes Tax Management	Tax Management deals with filing of Return in time, getting the accounts audited, deducting tax at source etc.
(iii) Tax Planning relates to future.	Tax Management relates to Past „ Present, Future. Past – Assessment Proceedings, Appeals, Revisions etc. Present – Filing of Return, payment of advance tax etc. Future – To take corrective action
(iv) Tax Planning helps in minimizing Tax Liability in Short-Term and in Long Term.	Tax Management helps in avoiding payment of interest, penalty, prosecution etc.
(v) Tax Planning is optional.	Tax Management is essential for every assessee.

### **ADVANCE PAYMENT OF TAX**

**MEANING:** 'Pay as you earn' scheme means that assessee has to pay tax simultaneously along with the earning of his income. This tax is paid on the current year's income in the same year. In fact, it is paid as advance and it is called 'Advance payment of tax'.

### **PROVISION OF ADVANCE PAYMENT OF TAX**

**1. Liability for payment of advance (Section 207):** Advance tax shall be payable during any financial year in respect of the total income of the assessee which would be chargeable to tax for the assessment year immediately following that financial year, and it shall be called 'Current Income'.

**2. Conditions of liability to pay advance tax (Section 208):** Advance tax shall be payable during the financial year in every case where the amount of such tax payable by the assessee during that year is Rs. 10,000 or more.

**3. Computation and payment of advance tax by the assessee (Sec.209):**

The amount of Advance Tax will be computed on current year's income as under



**COMPUTATION OF TOTAL INCOME**

**ASSESSMENT YEAR 2018-19 (FINANCIAL YEAR 2018-19)**

Income from Salary	-----
Income from House Property	-----
Income from Business/ Profession	-----
Income from Capital Gain	-----
Income from Other Sources	-----
<b>Gross Total Income</b>	-----
<b>Less: Deduction u/s 80 (C) to 80 (U)</b>	-----
<b>Total Income</b>	-----

**Note: -** For the current financial year (2018-19) agricultural income in India shall be considered at the time of tax computation. If such income is more than Rs. 5000 and Total Income of the assessee is more than exempted limit.



**COMPUTATION OF TAX LIABILITY**

(a) 20% Tax on Long term Capital Gain			XXXX
(b) 30% Tax on Income from Lottery Ticket, Horse Race			XXXX
(c) Tax Slab applicable on Remaining Income			XXXX
<b>(i) In the case of an individual or HUF or AOP or BOI:-</b>			
On Rs. 2,50,000	Nil	XXXX	
Next on Rs. 2,50,000	@ 5%	XXXX	
Next on Rs. 5,00,000	@ 20%	XXXX	
Next - Balance	@ 30%	XXXX	
<b>(ii) Individual - Senior citizen whose age above 60 year during P.Y.</b>			XXXX
On Rs. 3,00,000	Nil	XXXX	
Next on Rs. 2,00,000	@ 5%	XXXX	
Next on Rs. 5,00,000	@ 20%	XXXX	
Next - Balance	@ 30%	XXXX	
<b>(iii) Individual super Senior citizen whose age above 80 year during P.Y.</b>			XXXX
On Rs. 5,00,000	Nil	XXXX	
Next on Rs. 5,00,000	@ 20%	XXXX	
Next - Balance	@ 30%	XXXX	
<b>Add: 3% Education cess</b>			XXXX
<b>Gross Tax Liability</b>			XXXX
<b>Less: Tax Deducted at Sources</b>			XXXX
<b>Net Tax Liability</b>			XXXX
			XXXX

**4. Computation by Assessing Officer(Sec. 210) :** The Assessing Officer will take the total income of the latest assessed previous year or the total income returned by the assessee for any subsequent previous year, whichever is higher. On such income, income tax will be calculated at the rates in force in the F.Y.

**5. Due dates for payment of advance tax: (Sec. 211)**

**For all typeof assessees -** The installments are indicated below:

Due date of installments	Amount payable
On or before	
(1) 15th June	Not less than 15% of such advance tax.
(2) 15th September	Not less than 45% of such advance tax, as reduced by the amount, if any, paid in the earlier instalments.
(3) 15th December	Not less than 75% of such advance tax, as reduced by the amount, if any, paid in the earlier instalments.



(4) 15th March	The whole amount of such advance tax as reduced by the amount or amount or amounts, if any, paid in the earlier instalments or instalments.
----------------	---

**6. Payment of Advance tax in case of capital gains/Casual income –**

Generally it is unexpected income. So, If any such income arises after the due date of any instalment then the entire amount of tax payable (After TDS) on such capital gain/casual income should be paid with the remaining instalments of advance tax.

**7. Increases or Reduce the amount of Advance tax –**

If the amount of advance tax is changes at the end of the year than assessee should be adjust the tax amount with the remaining instalments of Advance tax..

**8. Interest for defaults in payment of advance tax- Sec. 234 B:** An assessee who is liable to pay advance tax has failed to pay such tax, or where the advance tax paid u/s 210 is less than 90% of the assessed tax, he shall be liable to pay simple interest @ 1% for every month or part of a month.

**9. Interest for deferment of advance tax - (Sec. 234C) :**

If an assessee has not paid advance tax or under estimated instalments of advance tax, interest is to be computed on the following basis-

In case of a non-corporate-assessee, interest under section 234 C is payable as follows-

- (a) If advance tax paid upto 15th Sept. is less than 30% - Simple interest @ 1% on difference amount (30% of total tax - tax deposited) for 3 months.
- (b) If advance tax paid upto 15th Dec. is less than 60% - Simple interest @1% on difference amount (60% of total tax & tax deposited) for 3 months.



**PERMANENT ACCOUNT NUMBER (PAN) [Sec. 139A1]**

Income Tax department issues Permanent Account Number to every assessee and other persons who are required to get PAN under Income Tax Act. It is a ten Digit Number who identify the person. The provisions of section 139A are given below-

**Allotment of permanent account number**

The provisions regarding allotment of permanent account number are given below-

**Who has to obtain a permanent Account Number**

The following persons are required to obtain a permanent account number –

1. **If income exceeds exemption limit or turnover exceeds 5,00,000** – Every person, if his total income assessable during the previous year exceed the maximum amount which is not chargeable to tax or any person carrying on business or profession whose total sales, turnover or gross receipts are or is likely to exceed Rs. 5,00,000 in any previous year.
2. **Charitable Trust** – A person who is required to furnish return of income under section 139(4A) (i.e., charitable trust) is required to obtain permanent account number.
3. **Employer** – Every employer, who is required to furnish a return of fringe benefits under section 115WD and who has not been allotted a permanent account number, shall apply to the Assessing Officer for allotment of a permanent account number.
4. **Person Specified by the Central Government**- The Central Government has specified the following persons who shall apply to the Assessing Officer for the allotment of a permanent account number –

S.No.		Time limit for application
1.	Exporters and importers who are required to obtain an importer exporter port code.	Before making any export of import
2.	Assesses as defined the Central Excise Rules	Before making any application for registration under the Central Excise Rules
3.	Persons who issue invoice requiring registration under the Central Excise Rules	As given above
4.	Assessees relating to service tax	Before making an application for registration under the Service Tax Rules

**Where the Permanent Account Number should be Quoted**

Every person shall quote his Permanent Account Number in all documents pertaining to the transactions specified below, namely –

1. Sale or purchase of any immovable property valued at Rs. 10 lakhs or more.
2. Sale or purchase of a motor vehicle or vehicle, which requires registration by a registering authority.



3. A time deposit, exceeding Rs. 50,000, with a banking company applies;
4. A deposit exceeding Rs.50,000 in any account with Post Office Saving Bank.
5. A contract of a value exceeding Rs. 1 lakh for sale or purchase of securities
6. Opening an account with a banking company applies (but other than time deposit account) ;
7. Sale or purchase of any goods or service amounting exceeding Rs. 2 lakh.
8. Making an application for installation of a telephone connection (including a cellular telephone connection).
9. Payment to hotels and restaurants against their bills for an amount exceeding Rs. 25,000 at any one time.
10. Payment in cash for purchase of bank drafts or pay orders or banker's cheques from a bank for an amount aggregating Rs. 50,000 or more during any one day.
11. Deposit in cash aggregating Rs. 50,000 or more during any one day, with a bank.
12. Payment in cash in connection with travel to any foreign country of an amount exceeding Rs. 50,000 at any one time.
13. Making an application to any banking company or to any other company or institution, for issue of a credit card.
14. Payment of an amount of Rs. 50,000 or more to a Mutual Fund for purchase of its units.
15. Payment of an amount of Rs. 50,000 or more to a company for acquiring shares issued by it.
16. Payment of an amount of Rs. 50,000 or more to a company or an institution for acquiring debentures or bonds issued by it.
17. Payment of an amount of Rs. 50,000 or more to the Reserve Bank of India, for acquiring bonds issued by it.

### **TYPES OF ASSESSMENT**

#### **1. Self Assessment [Sec. 140 (A)]**

On the basis of return is being filed u/s 139/in response to notice u/s-142 (1)/ u/s-148/ u/s-158 BC, The Assessee is required to compute the tax payable by him after considering TDS or advance tax. Interest payable for delay in filling return/default in advance tax payment and the proof of payment shall be attached thereto.

#### **2. Summary Assessment (Sec. 143 (1))**

An assessing officer can complete the assessment without calling the assessee and without passing a regular assessment order on the basis of return filed by the assessee.

- (i) Acknowledgement of the return shall be deemed to be the intimation u/s 143 (1) where either no sum is payable/no refund is due.
- (ii) If any tax or interest is found due on basis of return filed after adjustment then intimation shall be sent to the assessee specifying the sum. So payable within 2 years.
- (iii) If any refund is due on the basis of such return, it shall be granted.

#### **3. Assessment on the basis of evidence (u/s 143 (3))**



On the day specified in the notice issued or as soon afterwards as may be, after hearing such evidence as assessee may produce or on such evidence as assessing officer may require on specified points and after taking into accounts all relevant material which he has gathered, the assessing officer shall, by an order in writing, make an assessment of the total income or loss of the assessee and determine the sum payable by him on the basis of such assessment.

#### **4. Best Judgments Assessment (Sec.-144)**

If the assessee does not submit return of income or does not furnish the accounts etc. then assessing officer is assess the tax without any compliance by assessee on his notice and done by him on the basis of information available with him about assessee, using the best of his judgement. This is known as expertly assessment.

##### **Two types of this assessment-**

- (a) Compulsory best judgements assessment.
- (b) Discretionary best judgement assessment.

##### **(a) Compulsory Assessment-**

This type of assessment shall be made by the assessing officer in case of non co-operation of assessee or when assessee is in default as regards supplying information. The following circumstances shall be made for compulsory assessment.

- Fails to file my return u/s 139 (1)/belated/revisal return.
- Fails to comply with all the terms and conditions of notice issued by assessing officer u/s 142.
- Falls to get the accounts audited by an accountant nominated by commissioner/fails to submit a report within time.
- Having filed a return but fails to comply with all terms & conditions of notice.

##### **(b) Discretionary Assessment-**

The assessing officer to make this type of assessment in case where he is not satisfied-

- (i) About the correctness or the completeness of the accounts of the assessee or
- (ii) Where no method of accounting has been regularly and consistently employed by the assessee.

In above condition, computation of total income shall be made by A.O. on such basis & in such manner as the A.O. may determine.

##### **Important Points-**

- Assessee becomes liable to penalties/fine u/s -271/u/s 276cc/276D.



- Assessee is prevented from bringing or record any new facts before the appellate authorities.
- This assessment can only be made after giving an opportunity of being heard to assessee.
- A refund cannot be granted u/s 144.
- In this assessment, assessee has a right to file an appeal u/s-246 for revision.
- Assessing officer should work honestly.

**5. Re-Assessment (Sec-147)/Income escaping assessment** - It the assessing officer has reasons to believe that any income chargeable to tax has escaped assessment for any assessment year. He may reassess the income/loss/depreciation allowed in following cases-

- (1) No return of income has been furnished.
- (2) An assessee already taken or claim for excessive loss, deduction etc., in return
- (3) Income chargeable to tax has been under assessed/at too low rate.
- (4) Excessive relief was taken in return.
- (5) Notice is issued by assessing officer to an assessee where income has escaped assessment (Sec. 148).
- (6) Time limit for notice issued is within 4 years from the end of A.Y. when escaped any income is less than Rs. 1,00,000 otherwise within 6 years when escaped income is more than Rs. 100000.

Within 30 days of giving notice assessee have to submit a return of income & Assessing officer have to maintain record for the reason of notice.

### **Rectification of Mistake (Sec. 154)**

After the assessment of tax by assessing officer, he found any mistake in assessment, he can rectify in assessment with in 4 years after A.Y. in two conditions -

1. Rectify the assessment on his own motion.
2. Rectify when assessee intimate or give notice to assessing officer.
3. If assessment is in Appeal and when appellate officer of income tax.
4. Order of rectification given by whose officer who given order already in previous lowest or highest authorities cannot give order for rectification.
5. After the rectification of error if any liability of assessee in increase or decrease of refund; then officer have to intimate to an assessee for tax liability and give an opportunity for hearing of an assessee.
6. u/s-154 an officer can rectify the mistake when the mistake shown separately & clearly and there is no need of investigation, checking & discussion.
7. In the following case an tax officer must be rectify mistakes - u/s 155
  - (a) Remuneration paid to partner u/s 40(b).
  - (b) Correction in Assessment of AOP.
  - (c) Re-Computation of business loss/depreciation.
  - (d) Withdrawal of investment allowance.
  - (e) Withdrawal of development rebate
  - (f) Expenditure on scientific research u/s 35 & assessee fails to furnish a certificate (2b).



- (g) Order levying additional income tax on a closely held company.
- (h) Withdrawal of Capital gain.
- (i) Exemption for capital gain u/s 54 (E) & 54 (f).

### **TAX ADMINISTRATION: INCOME TAX AUTHORITIES**

Income tax is a direct tax levied by the Central Govt. of India. There is a large chain of Income tax authorities for assessment, collection and recovery of tax. I discussion about the appointment, powers, functions and jurisdiction of various income tax authorities is given as under-

### **INCOME TAX AUTHORITIES**

The Income Tax Act has constituted the following classes of Income-tax authorities to ensure effective administration and discharge of executive and administrative functions-

1. The Central Board of Direct Taxes,
2. Directors-General of Income-tax or Chief Commissioners of Income-tax,
3. Directors of Income-tax or Commissioners of Income-tax or Commissioners Income-tax (Appeals),
4. Additional Directors of Income-tax or Additional Commissioners of Income-tax or Additional Commissioners of Income-tax (Appeals),
5. Joint Directors of Income-tax or Joint Commissioners of Income tax,
6. Deputy Directors of Income-tax or Deputy Commissioners of Income-tax or Deputy Commissioners or Income-tax (Appeals),
7. Assistant Directors of Income-tax or Assistant Commissioners of Income-tax,
8. Income-tax Officers,
9. Tax Recovery Officers,
10. Inspectors of Income-tax.

### **Appointment of Income-tax authorities**

- (1) The Central Government may appoint such persons as it thinks fit to be income-tax authorities.
- (2) The Central Government may authorise the Board, or a Director-General, a Chief Commissioner or a Director or a Commissioner to appoint income-tax authorities below the rank of an Assistant Commissioner or Deputy Commissioner.
- (3) An income-tax authority authorised in this behalf by the Board may appoint such executive or ministerial staff as may be necessary to assist it in the execution of its functions.





### **Central Board of Direct Taxes**

In the administrative set up of the Income-tax department highest authority is the Central Board of Direct Taxes, constituted under the provisions of Central Board of Revenue Act, 1963. The Board functions under the control of Ministry of Finance, Government of India. Its jurisdiction is the whole of India.

The Central Government is empowered to appoint its members and the Government can increase the number upto a maximum of five. At present there are four members besides the Chairman. One of the members of the Board is appointed as its Chairman.

### **Powers of the CBDT**

The whole of income-tax department is to be looked after by the Board. The Income Tax Act provides the following specific powers to the Board -

1. Delegation of powers
2. Formation of Rules
3. Issuing circulars and orders
4. Declare any association as a company
5. Determination of Jurisdiction
6. Issuing directions for the exercise of powers
7. Appointing income tax authorities
8. Authorisation for search and seizure
9. Obtaining information
10. Authorisation for appointment

### **ASSESSING OFFICER (ASSISTANT COMMISSIONER/INCOME TAX OFFICER)**

The Assessing Officer is the most important authority in the organisation of Income-tax department. He is the primary authority to initiate proceeding and make assessment, He is the only authority to collect tax. He is the authority which comes into contact with the public.

**Assessing officer shall exercise the following powers :**

**1. Power of Assessment-** An Assessing Officer shall have the following powers while performing his functions:





- (a) Power regarding self-assessment
- (b) Power of making regular assessment and best judgement assessment under Section 144.
- (c) Power to reopen an assessment in case income has escaped assessment/any fault.
- (d) Power to treat a person as an agent
- (e) Power to assess a person leaving India and income of person trying to alienate his assets.

**2. Power to call for Information** - The Assessing officer has the power to call for necessary information from a firm and H.U.F. The Assessing ask any points or matters for furnish statements of accounts and affairs verified in the prescribed manner.

**3. Power of Search and Seizure** - Assessing officer shall have the power of searching any building, place, vessel, vehicles or aircraft and seize books of accounts, other documents, money, bullion, jewellery or other valuable articles or things.

**4. Power of Survey-** An Income-tax authority may enter any place where business or profession.

**5. Power of Checking-** The Income-tax authority may require the person attending the business or profession to afford necessary facilities to inspect books of accounts or documents, and to check and verify the cash, stocks or other valuables which may be available at the place.

**6. Power to Inspect Registers of Companies**

**7. Power of Civil Court-** under the code of Civil Procedure 1908.

#### **POWERS OF THE DIRECTOR-GENERAL, CHIEF COMMISSIONER AND COMMISSIONER**

- (1) Can issue orders that the powers and functions assigned to the Assessing Officer.
- (2) May transfer any case from one or more Assessing Officers subordinate.
- (3) May order requisition of books of authority under any other law.
- (4) The Director- General or the Chief Commissioner or Commissioner or Joint Commissioner shall be competent to make any enquiry under this Act.
- (5) Is authorised to sanction issue of a notice for re-assessment u/s 148 after the expiry of four years from the end of the relevant assessment year.
- (6) The order of the Assessing Officer to withhold refund in certain cases is to be approved by the Chief Commissioner or Commissioner.
- (7) May order the set-off the sum to be refunded against the sum, if any, remaining payable to him under this Act.
- (8) The Chief Commissioner or Director-General has the power to approve the order of reduction or waiver of penalty imposed u/s 271(I)(c), issued by the Commissioner, the amount of me concealed or amount of inaccurate income furnished exceeds Rs. 5,00,000
- (9) If authorised by the Central Government they may appoint income tax authorities below the rank of an Assistant Commissioner or Deputy Commissioner.
- (10) If authorised by the Board, they may appoint any executive or ministerial staff as may necessary to assist them in the execution of their functions.



**POWERS OF COMMISSIONER (APPEALS)**

- (1) The Commissioner (Appeals) shall have the same the Code of Civil Procedure, 1908, when trying a suit under this Act.
- (2) The Commissioner (Appeals) shall have all powers to call for information u/s 133.
- (3) The Commissioner (Appeals) may inspect or take copies of any register of members, debenture holders or mortgagees of any company.
- (4) The Commissioner (Appeals) while disposing of an appeal shall have the following powers:
  - (a) In an appeal against an order of assessment, he the assessment;
  - (b) In an appeal against an order imposing a penalty, he may confirm, or cancel such order or vary it so as either to enhance or to reduce the penalty;
  - (c) In any other case, he may pass such order in the appeal as he thinks fit.

**APPEALS AND REVISION**

Income Tax Act 1961 provides a remedial measure to an aggrieved assessee in the form of appeal against the order issued by different Income Tax Authorities.

**Appeal to the commissioner (Appeals)**

Any assessee aggrieved by any order of a officer may appeal to the commissioner (Appeals) against such order provision of it –

**1. Appeasable order -**

- a. When assessee denies his liability
- b. An order imposing a fine for alleged failure to attend in response to summons or give any evidence/documents.
- c. An order in relation to the assessed loss in self assessment /Best judgment assessment.
- d. An order for after rectification liability of tax is increased
- e. An order related to reassessment/Recalculation u/s 147 or 150.
- f. An order treating the assessee as the agent of non-resident
- g. An order on a question of partition of a HUF.
- h. An order under which a person is treated as assessee in default for his failure to deduct TDS.
- i. An order relating to interest, payable by assessee for wrongful deferment of payment of advance tax.
- j. Against an order imposing penalties for default in paying tax on self assessment./ Accounting/Auditing/information/signature/deny for checking to A.O.

**2. Form of appeal and limitation –**

- a. Every appeal shall be in form no. 35
- b. Appeal shall be presented within 30 days of order of penalty/ TDS/any other reasons.
- c. All due Tax should be paid before Appeal is filed.
- d. Reasons must be given in the appeal form.
- e. Assessee may admit an appeal to commissioner (Appeals)
- f. The appeal must be accompanied by a fee-



In respect of income assessed by A.O.

S.No.	Amount of Total Income	Fees
1	If assessed income is -	
	(i) Rs. 10000 or less	Rs. 250
	(ii) Above Rs. 1 Lac but less than Rs. 2 lac	Rs. 500
	(iii) More than Rs. 2 lac	Rs. 1,000
2	In other cases -	-
	T.D.S. and delay in filing of Return	Rs. 250.

### 3. Procedure in Appeal-

- Commissioner Appeals shall fix a day & place for hearing appeal.
- Intimate to assessing officer & Assessee (Appellant) for hearing date & place.
- Appellant or his authorised representative and assessing officer or his authorized representation shall have right to be heard at the hearing of appeal.
- Commissioner can adjourn the hearing
- Commissioner may make further inquiries before disposing of appeal.
- Commissioner may at the hearing of appeal, allow the appellant to go into any ground of appeal.
- Commissioner may dispose an appeal within 1 year from filing it.
- Order of disposing of appeal shall be in writing and point out the reason for decision.

### 4. Power of commissioner (Appeals) (Sec-251)

- Power to confirm, reduce, enhance or annual the assessment.
- Power to confirm, cancel, enhance or reduce the penalty imposed.
- To set aside the assessment refer to assessing officer for reassessment/further inquires as he may consider necessary.

### Appeals to the appellate Tribunal

The Central government shall constitute an Appellate tribunal consisting of as many judicial and accountant member as it think fit, to exercise. The powers and discharge the functions conferred on the Appellate Tribunal by this Act. This tribunal is constituted and works under the ministry of law and has nothing to do with the CBDT.

- Appealable order** – Any assessee aggrieved by any of the following order may appeal to the appellate tribunal against order may appeal to the Appellate tribunal against such order -
  - An order passed by a Commissioner (Appeals) ordering rectification/disposal of appeal/imposing a penalty.
  - An order passed by an Assessing Officer for search initiated/ books of accounts/documents/ any assets.
  - An order passed by commissioner revision of orders prejudicial to revenue penalty for failure to answer question, sign statement etc.
  - An order passed by chief commissioner/Director General/A Director
- Form, fees & Time of Appeal** – The Appeal should be filled in form No. 36 to Appellate Tribunal it should be verified in the prescribed manner with in 60 days of the date of order, Assessment officer/Assessee must be filed the appeal. Appeal must be accompanied by a fee where the total income of the assessee as computed by the assessing officer is upto-



S.No.	Amount of Total Income	Fees
1	(i) Upto Rs. 100000 –	Rs. 500
	(ii) Between Rs. 1 lac to Rs. 2 lacks	Rs. 1500
	(iii) More than Rs. 2 lakhs	1% of assessed income or maximum 10000 Rs. (Whichever is less)
2	In other cases	Rs. 500

3. **Documents to be filed** – In mailing an appeal to the Tribunal, the following documents shall be sent in triplicate-
- Memorandum of appeal
  - Grounds of appeal
  - Copy of (Deputy Commissioner (Appeals) /Commissioner's (Appeals) order)
  - Copy of grounds of appeal and statement of facts before the (Deputy Commissioner (Appeals) /Commissioner's (Appeals) order)
  - Copy of order of the assessing officer.
  - Challan for payment of fees prescribed rate.
4. **Order of Appellate Tribunal** – The Appellate tribunal may after giving both parties an opportunity of being heard, pass such orders thereon as it think fit. It may at any time within four years from the date of its order. A copy of order shall be sent to the assessee as well as the commissioner. If no point of law is involved in the orders of the Tribunal, its orders are final.

### Appeal to high court (National Tax Tribunal) (Sec. 260-A)

The following main points should be kept in mind in respect of Appeal to high court/National tax Tribunal-

- The Chief commission/commissioner/an assessee aggrieved by any order passed by the appellate Tribunal may file an appeal to the high court (NTT) and such appeal shall be -
  - Filed within 120 days from the date on which the order appealed against is received by the assessee/ chief commissioner/commissioner
  - IN the form of a memorandum of appeal precisely stating therein the substantial question of law involved.
- Fees should be submitted with the memorandum of appeal.
- If assessee wants to Appeal against the order then he should be payment of Tax duties 25% of Total Amount before appeal.
- An assessee can represent their side by himself or may appoint as a authorised person to CA/ Lawyer for representation of case.
- High court shall decide the question of law so formulated and deliver such judgment there on containing the grounds on which such decision is founded any may award such cost as it deems fit.
- High court may determine any issue which -
  - Has not been determined by the appellate Tribunal or .
  - Has been wrongly determined by the appellate tribunal by reason of a decision on such question of law.
- Any civil court has no right to deal or action on order/decision of high court.

### Appeal to Supreme Court

Appeal to supreme court from any judgment of the high (NTT) delivered on a reference made u/s 256 in any case which high court certifies to be a fit one for appeal to the supreme court.



The cost of the appeal shall be in the discretion of the supreme court. Where the judgment of the high court is varied/reversed in the appeal, effect shall be given to the order of the supreme court in the manner provided in section 260 in the case of a judgment of the high court.

### **Revision by the commissioner**

**Revision may be in the following two situations-**

1. **Revision of orders prejudicial to Govt. revenue - Sec. 263-** The commissioner may call for examine the record of any proceeding under Act and if he considers that any order passed by Assessing officer is erroneous in so far as it is prejudicial to the interests of revenue, he may after giving an opportunity to assessee of being heard & causing to be made such inquiry as he deems necessary. No order shall be made after the expiry of two years from the end of financial year. Order/decision of revision by commissioner shall be given within 2 year from the ending of financial year of Appeal.
2. **Revision of other order - Sec-264) for assessee-** In the case of any order passed by an authority subordinate to him. Commissioner/his own motion/an application by the assessee for revision. Call for the record of any proceeding under Act in which any such order has been passed and make such inquiry/cause to be made & may pass such order prejudicial to the assessee, as he think fit. Every application shall be accompanied by a fee of Rs. 500 Assessee can apply for revision within in one year from the end of financial year. Order/decision of revision by commissioner shall be given within 1 year from the ending of financial year of Appeal.

### **PENALTIES AND PROSECUTION**

The various defaults in respect of which penalty can be imposed are discussed below

S.No.	Various defaults	Section	Penalty
1	Failure to furnish return of income	271 (F)	Rs. 5000
2	Failure to pay tax/Interest	221	Mini - Amount imposed by A. Officer Maxi - Arrears Tax
3	Failure to furnish in time return in case of search	158 BFA	Mini - amount of tax leviable Maxi - 300% of Tax leviable
4	Non payment of tax with in time	221(i)	Mini - amount imposed by A.O. Maxi - Tax arrears
5	Failure to present Account, document etc.	271(i)(b)	Rs. 10,000 for each default
6	Failure to answer the question	272(A-1)	Rs. 10,000 for each default
7	Failure to sign the statement	272 A(1-b)	Rs. 10,000 for each default.
8	Failure to produce evidence and books of accounts	271 (1)(b)	Rs. 10,000 for each default.
9	Concealment of particulars	271(1)(c)	Mini. - 100% Maxi. - 300% of Tax Amount
10	Wrong Distribution of profit by firm	271(4)	150% of saving tax
11	Failure to maintain books of accounts	271(A)	Rs. 25,000
12	Failure to keep information in respect of international transaction	-	2% of each interest transaction
13	Failure to get account audited	271(B)	Mini - $\frac{1}{2}$ % of Total Sales Maxi - Rs. 1,00,000





14	Failure to furnish report	92F	Rs. 1,00,000
15	Failure to deduct tax at source/collection of sources	271(C) /271(CA)	Equal to the amount of Tax in both conditions
16	Undisclosed income in the case of search	271 (AAA)	10% on that income
17	Accepting and repaying of loan without crossed cheque/draft	271 (E)	Up to the amount of loan
18	Failure to furnish information	272 (AA)	Rs. 1000
19	Failure to comply with the provision of tax collection account no.	206(CA)	Rs. 10,000
20	Failure to comply with the provision in respect of PAN	272(b)	Rs. 10,000
21	Penalty for other defaults	272(A-2)	Rs. 100 for per day
22	Penalty for various failures regarding fringe benefits tax	271, 271FB, 272A, 273B	Amount imposed by A.O.

## OFFENCES AND PROSECUTIONS

S.No.	Nature of offence	Minimum and Maximum period of rigorous imprisonment
275A	Dealing with seized assets in contravention of the order made under section 132 (3) by the officer conducting search	Minimum any period up to 2 years and fine Maximum 2 years and fine
275B	Failure to afford facility for inspection of records maintained on electronic media.	Minimum Any period up to 2 years and fine Maximum 2 years and fine
276	Removal, concealment, transfer or delivery of property to thwart tax recovery	Minimum Any period upto to 2 years and fine Maximum 2 years and fine
276A	Failure to comply with the provisions of sections 178(1), (3) by liquidator of a company	Minimum Any period upto 2 years which will not be less than 6 months Maximum 2 years
276AB	Failure to comply with the provisions of sections 269UC, 269UE & 269UL relating to acquisition of immovable property	Minimum 6 months Maximum 2 years and fine
276B	Failure to pay tax to the Government's treasury deducted or tax payable under section 115-O (2) or section proviso to section 194B	Minimum 3 months and fine Maximum 7 years and fine
276BB	Failure to pay to the credit of Central Government tax, collected under section 206C	Minimum 3 months and fine Maximum 7 years and fine
276C (1)	Wilful attempt to evade tax, penalty or interest imposable under the Act.	Minimum If tax evaded exceeds Rs. 1,000; 6 months; otherwise 3 months and fine Maximum If tax evaded exceeds Rs. 1,00,000; 7 years; otherwise 3 years and fine.
276C (2)	Wilful attempt to evade the payment of any tax, penalty or interest	Minimum 3 months and fine Maximum 3 years and fine
276CC	Wilful failure to file return of income in time under section 139 (1), or in response to notice under section 142 (1) or section 148	Minimum If tax evaded exceeds Rs. 1,00,000; 6 months and fine. In any other case, 3 months and fine. Maximum If tax evaded exceeds Rs. 1,00,000; 7 years and fine. In any other case 3 years and fine.
276CCC	Wilful failure to furnish in due time the return of total	Minimum 3 months and fine. Maximum 3





	income which is required to be furnished u/s 158BC.	years and fine.
276D	Wilful failure to produce books of account and documents u/s 142(i) or wilful failure to comply with a direction to get the accounts audited u/s 142 (2A)	Minimum Any period upto 1 year and fine of Rs. 4 for every day during which default continues. Maximum 1 year and fine of Rs. 10 every day during which default continues.
277	Making a false statement in verification or delivering a false account or statement.	Minimum If tax evaded exceeds Rs. 1,00,000; 6 months; otherwise 3 months and fine Maximum If tax evaded exceeds Rs. 1,00,000; 7 years; otherwise 3 years and fine.
278	Abetment to make a false statement or declaration.	Minimum If tax evaded exceeds Rs. 1,00,000; 6 months; otherwise 3 months and fine Maximum If tax evaded exceeds Rs. 1,00,000; 7 years; otherwise 3 years and fine.
278A	Punishment for second and subsequent offences under section 276B, 276C(1), 276CC, 277 or 278	Minimum 6 months for every offence Maximum 7 years for every offence
278B Or 278C	Offences committed by companies/firms or HUFs-Criminal liability of managing director, managing partner, karta or any such officer, who wilfully committed the offence for the company/firm or HUF	Minimum Same as in the case of the company/firm/HUF Maximum Same as in the case of company/firm/HUF.
280(1)	Disclosure of particulars by public servants in contravention of Section 138 (2) (prosecution to be instituted with the approval of Central Government)	Minimum Up to 6 months and fine Maximum 6 months and fine

## INCOME TAX ASSESSMENT PROCEDURE

Before paying a Tax a Assessee person should have to Assess the Income. So person should know the procedure of Assessment. Tax Assessment procedure contains two steps-first "filing of return of Income" and second "Assessment".

### **I. Filing a Return of Income -**

Every person, If (Assess) his total Income under the Act of Previous year exceeded the maximum amount which is not chargeable to income tax, shall furnish a return of income within the due dates.

#### **1. Voluntary return (See 139(1)) for following person**

- If an individual/HUF assessee's gross total income for the A.Y. 2018-19 is more than exemption limit Rs. 250000 (In case of senior citizen Rs. 300000 and super senior citizen Rs. 500000) He/She must file the return.
- Every company will have to file a return of income on or before the due date in prescribed from whether or not it has taxable income.
- Other assessee like firm, co-operative society, associations of persons should file return of income, If such assessee has any taxable income.

**2. Prescribed Return Forms (Sec. 139(6))-**

Under the Rule 12 Central Board of Direct Taxes has notified the new return form of Income Tax for the A.Y. 2018-2019-

NEW ITR FORMS	SUBJECT
ITR - 1 SAHAJ	For individual having income from salary and interest.
ITR - 2	For individual and HUFs not having business. Professional income
ITR - 3	For individuals/ HUFs being partners in firms and not carrying out business or profession under any proprietorship.
ITR - 4	For individual & HUF having income from a proprietary business or profession.
ITR - 5	For firms, AOPS and BOIS.
ITR - 6	For companies other than companies claiming exemption under section 11
ITR - 7	For persons including companies required to furnish return under section 139 (4a/ 4b) (4c) (4d)
ITR - 8	Return for fringe benefits
ITR - V	Where the data of the return of income/ fringe benefits in form ITR - 1, ITR - 2, ITR - 3, ITR - 4, ITR - 5, ITR - 6, & ITR - 8 Transmitted electronically without digital signature.

**3. Due dates for filing of returns- Due date for A.Y. 2018-19**

S.No.	Particular	Due Date
1	A company.	30 <sup>th</sup> September
2	A person. (other a company)	30 <sup>th</sup> September
3	A working partner of A firm.	30 <sup>th</sup> September
4	A person whose income is not taxable but who have house, car, telephone, club, foreign tour or credit card.	30 <sup>th</sup> September
5	Income of any other assessee.	31 <sup>st</sup> July

**4. Electronic from (Return in E-form-u/s 139 D)**

Central Board of Direct Taxes can make rules for filing a return in E-form -

- Which category can submit E-Return.
- Which method & which form can use for E-Return.
- Which & How many documents, receipts, certificates and audit report enclosed with E-Return.
- By which computer resource/Electronic record assessee can file with E-Return form.

**5. Return of loss- [u/s 139 (3)]**

If any assessee has sustained a loss in any previous year under the head of business/profession or capital gain and wants to claims for loss & its carried forward then he should file a return of loss in prescribed form.

**6. Belated Return [u/s-139 (4)]**

Any person who has not furnished a return within the time u/s-139 (1) or within the time allowed in notice issued by Tax authority u/s-142 (1) may furnish the return for any P.Y. at any time before the expiry of one year from the end of A.Y. or before completion of A.Y. (whichever is earlier) If assessee submit the return after belated time then he have to pay interest with return for excess time.

**7. Revisal Return [u/s 139 (5)]**

If any person, having furnished a return discovers any omission or any wrong statement therein, he may furnish a revised return at any time before the expiry of one year from end of A.Y. or before completion of A.Y. (whichever is earlier).

**8. Defective return [u/s 139 (9)]**

Where the Assessing officer considers. That the return of income filed by the assessee is defective, he may intimate to assessee for it, and give him an opportunity to rectify the defect with in 15 days from the date of intimation. Such time may be extended by the officer (If any Reason).

**9. Signing of Return (u/s-140) -**

S.No.	Assessee	Signatory
1.	Individual	Himself/His Guardian/any authorised person.
1.	HUF	Karta/Any adult member of family.
2.	Company	Managing director/any director of company.
3.	Partnership Firm	Managing partner/Any other partner of firm.
4.	Local Authority/	Principal officer.
5.	Political Party	Chief Executive officer.
6.	Association of Person	Any member or Principal Officer.
7.	Any other person	The person or some other person who is competent to sign.