# SYLLABUS

## B.Com II Year (Tax)

## Subject – Income Tax Procedure and Practice

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|---|---|
| UNIT-I | An outline of provisions and rules of various heads of income. Set off and carry forward of Losses. Clubbing of income. Practical Problems relating to computation of Gross Total Income. |
| Unit-II | Deductions under section 80C to 80U against gross total income, Income tax rates applicable for various categories assesses . computation of taxable income and tax liability of an individual. |
| Unit-III | Advance payment of tax. Tax deducted at source. Compulsory obligation to get Permanent Account Number (PAN) and its Procedure. Provisions and rules relating to preparation of income tax return. Prescribed written forms and furnishing in case of various categories of assesses. Electronic form. |
| Unit IV | Computation of Total Income and tax liability of Hindu undivided family Partnership firm Provisions Rules and Practical & Problems. |
| Unit V | Procedure for computation of Total Income of a company Tax rates applicable on taxes company Provisions regarding dividend tax and minimum Alternative Tax MAT Special deduction available to co-operative society under Sec. 80P and Computation of total income . |

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# Unit – I
# An outline of Various Heads of Income
## Income is classified under five heads under the income tax act-

1. Income from Salary
2. Income from House Property
3. Income from Business/Profession
4. Income from Capital Gain
5. Income from Other Sources

A detailed outline of the a foresaid heads is given below-

**Income from Salary**
**Computation of Income from Salary**
Assessment Year 2018-19

| | |
|---|---|
| (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 (Only for govt. employee) | |
| Actual entertainment allowance of 20% of basic salary or maximum 5000 Rs. Which everless . ……… | |
| Less:- Deduction u/s 16 (iii) | |
| Professional tax (Paid during the previous year) ……… | -(---------) |
| **Taxable Salary** | …………. |

Deduction form Gross Salary

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

Salary = Basic Salary :-

(i) Allowance received
(ii) 20% of Salary

Whichever is less

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

**Rules regarding partly taxable allowance**

1) **Education allowance :-** Exempted to Rs.100/- P.M. per child for maximum 2 children i.e. 100 × 2 × 12 = Rs. 2,400/-
2) **Hostel allowance :-** Exempted up to Rs. 300/- P.M. per child for maximum 2 children i.e. 300 × 2 × 12 = Rs. 7,200
3) **Tribal area allowance:-** Exempted up to Rs. 200/- P.M.
4) **Transport allowance:-** Allowance for going to office and coming back to home is exempted up to Rs. 800 P.M.
5) **Composite hill compensatory allowance:-**
   (i) Manipur skim, u.p., H.P. and J & K where height is 9000 ft. and above Rs. 800 P.M. exempted
   (ii) In Siachin area Rs. 7000 P.M. exempted.
   (iii) Places located at a height of 1,000 meter or more above the sea level Rs. 300 per month.
6) **Running allowance for employees of Transport undertakings**

   70% of allowance received
   or
   Rs. 10,000/- P.M.
   } Whichever is less is exempted

7) **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 exempted | ---------------- | |
| 2) Rent paid – 10% of salary | ---------------- | |
| 3) 40% or 50% of salary | ---------------- | ---------------- |
| **Taxable H.R.A.** | | ---------------- |

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 | | |
| 2) Telephone facility | 1) Rent free house | 1) Servant facility |
| 3) Medicinal facility | 2) Concessional rent house | 2) Gas, Water & electricity facility |
| 4) Expenses on Training | 3) Liabilities of employee paid by employer | 3) Free education facility (exceeding Rs. 1000 P.M. Per child) |
| 5) Sale of goods as concessional rate | 4) Interest free or concessional loan exceeding Rs. 20,000 | |
| 6) Issue of shares/debentures at concessional rate | 5) Use of movable assets [10% of cost will be Taxable] | |
| 7) Free Conveyance facility | 6) Transfer of movable assets [W.D.V. –Transfer price] | |
| 8) Free Accommodation for employees | 7) Medical reimbursement (exceeding Rs. 15000) | |
| 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 – 1/3rd of total pension will be exempted
   (ii) If gratuity employee is not getting gratuity – ½th 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<br>Less :- | ------------ |

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| | | |
|---|---|---|
| 1. Gratuity received ---------- <br> 2. Salary last drawn x Service Year x 15 ---------- <br> 26 <br> 3. Maximum limit Rs. 10,00,000 ---------- | Whichever is less | (-) ----------- |
| **Taxable Gratuity** | | ------------ |

**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 <br> Less :- <br> 1. Gratuity received ---------- <br> 2. No. of Completed year x Preceding 10 month average salary --------- <br> 2 <br> 3. Maximum limit Rs. 10,00,000 ---------- | Whichever is less | ----------- <br> (-) ----------- |
| **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 <br> Less :- <br> 1) Salary received for earned leave ----------- <br> 2) Salary of approval period ----------- <br> 3) Salary of 10 months ----------- <br> 4) Maximum limit Rs. 3,00,000 ----------- | Whichever is less will be exempted | ------------ <br> (-) ----------- |
| **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 <br> Less :- <br> 1) Compensation received ----------- <br> 2) Salary of 15/30 days on the completed year of service (under industrial dispute act 1947) ----------- <br> 3) Maximum limit Rs. 5,00,000 ----------- | Whichever is less | ------------ <br> (-) ----------- |
| **Taxable Amount** | | ------------ |

**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.

**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 if loan taken before 1.04.1999 OR Rs. 2,00,000 it if loan taken after april 1999) | -------- |
| Income from House Property | -------- |

2. **Let-Out House:**

Computation of Income from House Property
Assessment year 2019-20

| | | |
|---|---|---|
| Gross Annual Value | | -------- |
| Less: Municipal Taxes [Paid by owner on or before 31st march, 2013]. | | (-) -------- |
| Net Annual Value | | -------- |
| Less: Deduction u/s 24: | | |
| (i) Standard deduction (30% of N.A.V.) | -------- | |
| (ii) Interest on loan (actual interest due in previous year) | -------- | (-)-------- |
| | | -------- |
| Income from House Property (Taxable) | | |

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

| | |
|---|---|
| 2/3 Self-occupied | 1/3 Let-out |

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
Or
Fair Rent
} Whichever is higher

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

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

Actual Rent
Or
Standard Rent
} Whichever is higher -------------

} Whichever is less

**NOTES:**

1. If the let-out house has remained vacant fro 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 belongs 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. 31st March, 2018
   c.

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. 1/5th of interest for construction period.

Construction period will be calculated from the date of taking loan upto 31st 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:

$$\left.\begin{array}{c}\text{Amount of due interest during 2017-18}\\ \text{Or}\\ \text{Maximum Rs. 30,000 or Rs. 2,00,000}\end{array}\right\}\ \text{Whichever is less}$$

**NOTE:**

If loan is taken before April 1st, 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 31st March. For example a house is completed on 1.8.2011 and let out. In this situation the annual rental value will be computed for 8 months (1.8.2011 to 31.3.2012). On the contrary a house which is sold or transferred during the year, will be valued from 1st 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:-

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

**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**

| | |
|---|---|
| **Net profit as per P & L a/c or surplus as per income & exp. a/c**<br>Add- Disallowed expenses & Losses debited to P&L A/c:<br>1. Household expenses/ Personal expenses<br>2. Life insurance premium<br>3. Int. on capital<br>4. Income tax & wealth tax<br>5. Capital expenditures & capital losses/ Speculations<br>6. Fees & penalties (except penalty in the form of interest for late payment of sales tax)<br>7. Reserves & provisions (except prov. For payment of excise duty)<br>8. Capital expenditure on advertisement expenses new sign board.<br>9. Adv. In souverior of political party.<br>10. Donation to political parties<br>11. Charities & donation (except compulsory subscription for business)<br>12. Personal gifts & presents<br>13. Cash payment exceeding Rs. 10,000 of the whole amt. will be disallowed.<br>14. Payment outside India without TDS<br>15. Excess payment to relatives<br>16. Excess dep. Charged in P & L a/c<br>17. Irrelative exp. Of business<br>18. Fringe benefit tax (FBT)<br>19. Securities transaction tax (STT)<br>20. Income tax on perquisites<br>21. Valuation of closing stock<br>22. Exp. On intangible assets like patents copyright, know how etc. (25% dep allowed on it)<br>23. Preliminary expenses (4/5 th disallowed)<br>24. Exp. On prospecting of minerals (9//10 disallowed)<br>25. Exp. On family planning program<br>26. Provision for Gratuity [u/s 40 A (7)] | (+) – |
| Total | - |
| Less- Allowed expenses and allowances which are not debited to P&L A/c wholly/partly for instance depreciation:<br>1. Allowed bad debts<br>2. Allowed depreciation<br>3. Any other allowed expenses<br>4. Banking cash transaction tax | (-) - |
| Less : Income not related to business but credited to P&L A/c:<br>1. Rent from house property.<br>2. Selling price/profit from sale of assets.<br>3. Interest and dividend<br>4. Int. on post office savings a/c<br>5. Income tax refund<br>6. Agricultural income<br>7. Bad debts recovered which were previously disallowed as bad debts<br>8. Personal/ Family Gift | -<br>(-) – |
| 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 assess 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 1st Apr. 09 | | | ……… |
| (+) | Cost of new asset purchased | (+) | ……… |
| | Total | | ……… |
| (-) | Sales Price of the asset sold | (-) | ……… |
| | WDV on 31st 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, 1/5th 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 1/10th allowed and 9/10th 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

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**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
= Net income related to previous year.

**Expenditure**- paid during the year
Add- Due but outstanding
Less- Prepaid/ Advance Expenses
= 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 an 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. 2 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. 2015-16) 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 |
|---|---|
| **1. Agent of LIC of** | |
| • First year's commission | 50% of commission |
| • Renewal commission | 15% of renewed commission OR maximum limit 20000, whichever is less. |
| • When first year and renewal commission separate figures are not available | $33^{1/3}$% earned during the Previous Year |
| • Bonus commission | No Deduction allowed |
| 2. Commission received by authorized agents of **unit trust of India** | 50% of commission |
| 3. Commission received by authorized agents of **Govt. & Post office securities** | 50% of commission |
| 4. Commission received by authorized agents of **notified mutual fund** | 50% of commission |

## 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 had 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

(4–6) **Which is issued by Central Government**

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

1. Profit from transfer of Capital Assets Sec. 45 (1)
2. Insurance Claim Sec. 45 (1A)
3. Conversion of Capital Assets into stock in trade Sec.45 (2)
4. Assets transferred to Firm/AOP Sec. 45 (3)
5. Profit from distribution of capital assets on dissolution Sec. 45(4)
6. Profit arises from compulsory acquisition of capital Assets. Sec. – 45 (5).
7. Capital Gain on repurchase of units of Mutual Fund Sec. 45 (6)

**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 deprecation 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 than36 months.

**Computation of Short term capital gain/loss (For the Assessment Year 2018-19)**

| | | | |
|---|---|---|---|
| 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 2018-19)**

| | | |
|---|---|---|
| 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

$$\text{Index Cost} = \frac{\text{Original Cost or fair market value on 1.4.1981 (which ever is more)} \times \text{Index for the transfer year 2017-18 (272)}}{\text{Cost inflation Index for 2001-02 (100)}}$$

(ii) If assets acquired on or after 01.04.2001 by the Assessee

$$\text{Index Cost} = \frac{\text{Cost of acquisition} \times \text{Index for the transfer year 2017-18 (272)}}{\text{Cost Inflation Index for the year in which the assets is acquired by the assessee}}$$

**Note:-** If the property is acquired before 01.04.2001 then index for 2001-02 will be taken as index for the base year.

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

**Formula:-**

$$= \frac{\text{Cost of Improvement} \times \text{Cost Inflation index for the year in which the asset is transferred year 2017-18 (272)}}{\text{Cost Inflation Index for the year in which Improvement to the asset took place.}}$$

**Note:-** Improvement cost incured before 01.04.2001is not considered. It should be lgnored. Only cost of improvement will be considered which is related after 31.03.2001

**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 acquision 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 **or** capital gain (which ever is less) |
| (ii) Agricultural land transferred and another agricultural land purchased within 2 year (Sec. 54B) | Cost of new land **or** capital gain (which ever is less) |
| (iii) Compulsory acquisition of land and building of industrial undertaking (Sec. 54D) | Cost of new land building **or** 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) $= \frac{\text{Capital gain x Cost of new house}}{\text{Net consideration}}$ | 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_ $\frac{\text{Invested amt in new equity share}}{\text{Net consideration}} = \text{*capital gain}$ | Calculated Amount |

Tax on Capital Gains

- Long-term capital gains are taxable at special rates for each type of assessee –
  a. 10% tax on long-term capital gain arising from transfer of securities. bonds, units, debent
  b. 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-
  a. Securities, Bonds, Units and debentures of company.
  b. 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 (2017-18) 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 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

## Income from other sources

This is the last and residual head of charge of income. An income which does not specifically fall under any one of the preceding four heads of income (viz Salaries. Income from house property, Profits and gains of business or profession or Capital gains) is to be computed and brought to charge under section 56 under the head Income from other sources.

### COMPUTATION OF INCOME FROM OTHER SOURCES

| S.No. | Items | Taxability |
|---|---|---|
| 1. | Dividend on shares | |
| | (i.) Dividend from domestic company<br>(ii.) Dividend from units<br>(iii.) Dividend from non domestic company or co-operative society | Exempt<br>Exempt<br>Taxable as it is |
| 2. | Interest on securities | |
| | (i.) Interest on tax free Govt. securities<br>(ii.) Interest on less tax Govt. securities<br>(iii.) Interest on commercial securities | Exempt<br>Taxable as it is |
| | (a) If gross interest is given<br>(b) If interest is given net and amount is more than Rs. 5,000 on listed debentures<br>(c) Interest on tax free commercial securities | Taxable as it is<br>Int. x 100<br>Gross 90 |

| | | |
|---|---|---|
| | (i) Listed debentures of a company<br><br>(ii) Unlisted debentures of a company<br><br><br>(d) Interest on Semi Govt. securities | Int. x 100<br>Gross 90<br>Int. x 100<br>Gross 90<br><br>Gross Interest taxable |
| 3 | Interest on Bank Deposit – up to Rs. 10,000<br>If interest is more than 10,000 and given net, such amount will be grossed up. | Taxable as it is<br>Int. x 100<br>Gross 90 |
| 4 | Co-operative interest and dividend | Taxable as it is |
| 5 | Interest on company deposits or firm's deposits<br>(i) If interest amount is upto Rs. 5,000<br>(ii) If net interest is more than Rs. 5,000 | <br><br>Taxable as it is<br>Int. x 100<br>Gross 90 |
| 6 | Lottery<br>(a) If the prize amount is given and<br>(b) If net amount is given and such amount is more than Rs. 5,000 | <br>Fully taxable<br>Net amount x 100<br>70 |
| 7 | Horse race income | Fully taxable |
| 8 | Causal income | Fully taxable |
| 9 | Royalty, director's fees, article income, exam. Remuneration | Received income (-) expenses |
| 10 | Family pension | Received amount (-) 1/3 or 15,000 whichever is less |
| 11 | Income from sub tenant | Net income |
| 12 | Income from machinery, plagt or furniture on hire. | Rent received (-) expensed and depreciation. |
| 13 | Agricultural income outside India | Taxable |
| 14 | Income from non agricultural land in India | Taxable |
| 15 | Salary of M.P. or M.L.A. | Taxable |
| 16 | Income from undisclosed sources | Taxable |
| 17 | Cash gifts : (if the aggregate amount exceeding Rs. 50,000 in a financial year) from other persons except relatives.<br><br>**Less : Deduction allowed (above mentioned incomes)**<br>(i) Interest Collection charges<br>(ii) Interest on loan<br>(iii) Any expenditure which is incurred by the assessee to earn such income | Fully taxable<br>……………………..<br><br><br><br>Actual amount<br>Actual amount<br>Actual amount |

**Calculation of Income from Sub-tenant**

| | | |
|---|---|---|
| Rent received from sub-tenant<br>Less – Expenses allowed :<br>(i) Rent paid by the assessee for the part which is sub let out | <br><br><br>…………… | …………… |

| | | |
|---|---|---|
| (ii) Repairs and other expenses paid by the assessee regarding such part | ………… | (-)………….. |
| Income from sub tenant | | …………….. |

**Interest on National Saving Certificate**

| Year | Amount of interest accruing on Rs. 100 NSC (VIII issue) 8% | Year | Amount of interest accruing on Rs. 100 NSC (VIII issue) 8% |
|---|---|---|---|
| I | 8.16 | IV | 10.33 |
| II | 8.83 | V | 11.17 |
| III | 9.55 | VI | 12.08 |

**Income of minor**
Income of minor shall be included in income of his parents (mother or father which income is higher). Upto Rs. 1,500 in case of minor's income is exempted so remaining amount shall be taxable. If the minor earns income from self efforts, then such income will not be added to income of his parents. Exemption of Rs. 1,500 is available for every minor.

**Income of cricketers**
Receipts be a cricket Control Board for plays for India are chargeable in the following manner –
1. Test Matches in India – 25% of Remuneration received by the player from the Cricket Control Board for playing Test matches in India is taxable.
2. Other Matches in India – Entire amount is not possible.
3. Matches outside India – 50% portion of amount received by an Indian cricket player for playing in foreign countries is taxable.

**Receipts of gifts without consideration**
Gift received on the occasion of marriage from any person, or gift received from nearer relative on any occasion is not taxable. However gifts (cash or property) received from any person are taxable if the following conditions are satisfied –
1. The receiver is an individual or a Hindu Undivided Family.
2. The aggregate amount of such money or value of property received by an individual or HUF during a financial year from any person or persons exceeds Rs. 50,000.
3. The sum so received does not come in the exception list.

**Exceptions –** Any sum of money shall not be taxable. Which is received from the following –?
1. By way of consideration
2. From any relative for the aforesaid purpose, the term "relative" means –
   a. Spouse of the individual
   b. Brother or sister of the individual
   c. Brother of sister of the spouse of the individual
   d. Brother or sister of either of the parents of the individual
   e. Any lineal ascendant or descendant of the individual
   f. Any lineal ascendant or descendant of the spouse of the individual.
   g. Spouse of the person referred in (b) to (f)
3. On the occasion of the marriage of the individual.
4. Under a will or by way of inheritance
5. In contemplation of death of the payer.
6. Aggregate of money not exceeding Rs. 50,000 from other persons.

**Government Securities**

Securities issued by Central Govt. or state Government are of two types -

a. Tax free Government securities – Interest on tax free Govt. securities is exempted, so it is not included in the income of an assessee. Some Govt. Securities have been declared exempted from tax u/s 10 (15) of the Income Tax Act, namely –
   1. 12 year National Saving Annuity Certificates.
   2. National Defence Gold Bonds, 1980.
   3. Special Bearer Bonds, 1991.
   4. Treasury Savings Deposits Certificates (10 years)
   5. Post Office Cash Certificates (5 years)
   6. National Plan certificates (10 years)
   7. National Plan Savings certificate (12 years)
   8. Post office National Savings certificates (12 years/ 7 years)
   9. Post office Savings Bank Account. (exempt up to rs. 3,500 in single name, up to Rs. 7,000 in joint name)
   10. Post office Cumulative Time Deposits Rules, 1981.
   11. Scheme of fixed deposits government by the Government Savings Certificates (fixed deposits) Rules, 1968
   12. Scheme of fixed Deposits governed by the Post office (Fixed Deposit).
   13. Special deposit scheme, 1981.
   14. Post Office public account 9up to Rs. 5,000)
   15. 7% Capital Investment bonds (exempted only for individual of HUF)
   16. 9% Relief Bonds (exempted only for individual or HUF assessee.
   17. NRI Bonds issued by SBI
   18. Notified Bonds issued by public sector companies.
   19. Gold Deposit Bond – 1999
   20. Interest on securities and bank deposit in respect of Bhopal Gas Leak disaster.
   21. Interest on notified bonds issued by local authority.

so, interest on the above mentioned securities does not form part of total income of any assessee and it is not taken into account in computing total income it is tax free in the hands of all assesses.

**Exempted Income**

Though a detail discussion has been given in chapter 'Exemptions from Tax' regarding exempted income or tax free incomes. Here a brief account of exempted incomes is given for convenience of students to solve the practical problems relating to income from other sources –

1. Agricultural income in India,
2. Share in income of HUF,
3. Share in profit of partnership firm
4. Post office savings bank interest (exempted in case of single name Rs. 3,500 and joint name Rs. 7,000)
5. All type of allowances received by M.P. (Lok Sabha or Rajya Sabha)
6. Daily allowances and constituency allowance received by MLA's
7. Scholarships
8. Gallantry awards,
9. Interest on Post office CTD accounts (10 or 15 years.)
10. Interest on capital investment Bonds. Relief bonds and Certificates,
11. Dividend from domestic companies and mutual funds, e.g. UTI units income.
12. Family pension received by the family members of armed forces died in operational duties.

**Set Off and Carry Forward of Losses**

Income tax is levied on the total income of any assessee of previous year, Gross total income is calculated by aggregation the income of the assessee under different sources of income falling under one head of income and then all the heads of income are put together to find out the net result in the shape of cross total income. It is not necessary that every source shall result into a profit every year. The provisions regarding set off and carry forward can be discussed under two categories below-

1. Set off of losses
2. Carry forward and set off of losses

**Set off of losses**

Computation of total income is to lump together all sums of income falling under one head and then all heads are pooled to find the net result in gross total income. It, therefore, follows that where the net result in respect of any source is a loss, it can be set off against profit in respect of another source of income under the same head. The provisions regarding set off and carry forward one discussed below-

1. **Set off under the same head (Sec-70) –** Set off loss from one source against income from other sources under the same head of income is first step of set off of losses. It is called inter source adjustment. Inter source adjustment is allowed only in case of loss from income from house property, loss from normal business, loss in respect of interest income.

   **Exceptions-** In the following cases loss from one source of income although it falls under the same head-
   - i. Loss from speculation business
   - ii. Long term capital loss
   - iii. Loss from the activity of owing and maintaining race houses (sec 74 A)
   - iv. Loss cannot be set off against winnings from lotteries, cross word puzzles etc.
   - v. Loss from a source which is exempt.

2. **Set off against income other heads (Sec. 71) –** Set off loss from one head against the income of another head in the same assessment year. Inter-head adjustment is discussed under sec -71. Where the net result of the computation under any head of income in respect of nay accounting year is a loss, the assesee shall be entitled to have such amount of loss set off against his income assessable for this assessment year under any other head of income.

**Exemptions-** The following losses cannot be set off against the income of other heads or a particular head-

- i. Loss of normal business
- ii. Loss in a speculation business
- iii. Loss from the activity of owing and maintaining race horses.
- iv. Loss under the head “capital Gain”

**Carry forward and set off of losses**

If it is not possible to set off the losses in the same assessment year in which they accurred so much at the loss as has not been so set off out of the following losses can be carried forward for being set off against his income in the succeeding years. All losses are not allowed to be carried forward. The following losses are only allowed to be carried forward and set off in the subsequent assessment years-

1. Loss under the head :income from house property” (Sec 71) B
2. Loss of non-speculation business or profession (Sec 72)
3. Loss of speculation business (Sec 73)
4. Short term capital loss/ long term capital loss. (Sec 74)
5. Loss from activity of owing and maintaining race horses. (sec 74 A)

6. Unabsorbed Depreciation (Sec 32 (2))

**Submission of return for losses (Sec 80)**
It is necessary for the assessee to file the return of loss voluntarily if he desires to have the benefit of carry forward.
Order in which current and brought forward losses are to be adjusted-
As per Sec. 72 business loss does not include unabsorbed depreciation, unabsorbed Capital expenditure on scientific research and family planning. Therefore they can also be carried forward. The current years business loss should be set off before setting off unabsorbed depreciation etc. such carries forward business loss will be set off against business head only after the current year's depreciation current capital expenditure on scientific research and capital expenditure on family planning have been claimed. Therefore, the order of set off will be as under-

1. Current year capital expenditure on scientific research and capital expenditure on family planning to the extent allowed
2. Current year depreciation
3. Carried forward business or profession losses
4. Unabsorbed expenditure on family planning
5. Unabsorbed depreciation
6. Unabsorbed capital expenditure on scientific research.

**Chart shows the rules for set off and Carry forward of losses**

| **Heads of Income** | **Set off Losses during current previous year** | **Carried forward and set off in subsequent years.** |
|---|---|---|
| 1. Loss from house property (Whether self occupied or rented) | Firstly setting off against another house property income and if required, from another heads of income. | Any income under the head Income from House property up to 8 subsequent assessment years. |
| 2. Non speculation business loss | Firstly setting off against another business income and if business income is not sufficient then another heads of income, except income from salary | Any income under the head "Income from Business or profession" up to 8 subsequent assessment years. |
| 3. Speculative business loss | Only against another speculating profit, if any | Only against speculative income under the head "Income from business or profession" up to subsequent 4 assessment years. |
| 4. Short term-capital loss | Any Income under the head "Capital gain" either short-term or long-term. | Any income under the head 'Capital gains" up to subsequent 8 assessment years |
| 5. Long term capital loss | Only against long-term capital gain | Only against long-term 'Capital gains' up to subsequent 8 assessment years. |
| 6. Loss from the activity of owing and maintaining race horses | Only against income from the activity of owing and maintaining race horses. | Only against income from the activity of owing and maintaining race horses up to subsequent 4 assessment years. |
| 7. Unabsorbed depreciation of any period | ------------------------------------------ ------------------------------------------- | Unabsorbed depreciation can be set off against income of any head (except salary income) there is no time limit for set off |

**Carry forward of losses:**
If still the losses cannot be set-off fully through inter head adjustment, they can be carried forward to the next years. However, the loss so carried forward can be set-off only against same head of income, i.e. the benefit of "inter-source'

Adjustment is lost.
**e of losNumber ears -off against**

| Nature of Loss | Number of years | To be set-off against |
|---|---|---|
| Loss from house property | 8 | Income from house property |
| Business loss (non-speculative) | 8 | Income from business/profession (non speculative) |
| Speculative business loss | 4 | Income from speculative business |
| Loss from activity of owning and maintaining of race horses | 4 | Income from same activity |
| Short term capital loss | 8 | Short term or long term capital gains |
| Long term capital loss | 8 | Long term capital gains |

## Clubbing of Income and deemed incomes

In addition to the general provisions which are applicable to the computation of total income and assessment of an assessee, there are special provisions in the income tax Act which are designed to counteract the various attempts which an individual may make for avoiding/ reducing his liability to tax by transferring his assets/ income to other person/ persons while at the same time retaining certain power over, or interest in the property or its income. These provisions are under sec-60 to 69 of the income Tax Act.

**Clubbing of Income-**
Clubbing of Income mean income of other persons included in assessee's total income under same special circumstances provisions related to clubbing of income aggregation of incomes are as under-

1. Transfer of Income where there is no transfer of assets (Sec. 60)
2. Revocable transfer of assets (Sec. 61)
3. Transfer irrevocable for a specified period (Sec. 62)
4. Income of spouse (Sec 64) (i) (ii)
   (a)Income to spouse from a concern in which such individual has substantial interest
   (b)Where husband and wife both have a substantial interest
   (c) Income to spouse from the assets transferred Sec. 64 (i) (iv)
5. Clubbing of income of minor child Sec 64 (1A)
   (a)Minor's income will not be included
   (b Exemption in respect of the income of minor (Actual income OR Rs. 1500 each child, whichever is less)
6. Income to son's wife Sec 64 (i) (vi)
7. Transfer for immediate or deferred benefit of son's wife sec 64 (I) (viii)
8. Income to spouse through a third person Sec. 64 (i) (vii)
9. Income from the converted property Sec 64 (2)

**Note –**

1. Income from capital property to spouse after partition shall be included in the income of the individual and this income shall be excluded from the total income of the family/ spouse as the case may be.
2. Clubbed income will be included under same head.
3. The tax on the income of the other person which has been included in the income of the assessee can either be recovered from the assessee or from the other person. The liability of other person is limited to the portion of tax leived on the assessee which is attributable to the income so included. His liability arises after the service of a notice of demand by the assessing officer in this behalf.

## Certain Amounts deemed as income (69c)

Under section 68, 69, 69A, 69B, 69D. Certain amounts are treated as the income of the assessee. Hence, while computing the total income of the assessee. Such amount shall be included in his income for income tax purposes.

1. Cash Credits (sec. 68)
2. Unexplained Investment (Sec. 69)
3. Unexplained money etc. (Sec. 69 A)
4. Under valued Investment or valuables (Sec. 69 B)
5. Unexplained expenditure (Sec. 69 C)
6. Amount borrowed or repaid on Hundi (Sec. 69 D)

**Computation of Gross Total Income**
**[Assessment Year 2018-19]**

| | | |
|---|---|---|
| 1) **Income from Salaries** | | |
| (a) Basic salary, bonus, commission, D.A. | ------------- | |
| And | | |
| (b) Taxable perquisites | ------------- | |
| (House, Gas-electric, Servants etc.) | | |
| (c) Any other receipt from employer | ------------- | |
| **Gross salary** | | |
| Less-Deduction u/s 16 | | |
| (1) Entertainment allowance | | |
| ( Govt. employee --up to 5000, Non Govt. -Nil) --------------- | | |
| (2) Professional Tax (Actual amount) --------------- | (-)----------- | |
| **Income from Salary (Taxable)** | -------------- | ---------------- |
| 2) **Income from House Property** | | |
| A) Self occupied House :- | Nil | |
| Gross Annual Value | | |
| Less-Interest on loan [if the loan is obtained] | | |
| (i) Before 1.4.99 Actual interest or Rs.30000 ,whichever is less | | |
| (ii) After 31.3.99 Actual interest or Rs.200000 ,whichever is less | | |
| (iii)Loan for repair or renovation- Actual interest or Rs.30000 whichever is less | (-) ---------- | |
| Income from Self Occupied House (Loss) | | |
| B) Let out House :- | ---------- | |
| Gross Annual Value | (-) --------- | |
| (municipal value or fair rent or actual rent- whichever is more ) | | |
| Less - Municipal Taxes | -------------- | |
| Net Annual Value | | |
| Less - Deductions u/s 24 | | |
| (i) Standard deduction (30% of NAV) ----------- | (-) --------- | |
| (ii) Interest on Loan ----------- | ----------- | |
| Income form Let Out House | -------------- | ---------------- |
| **Income from House property (Taxable)** | | |
| 3) **Income from Business Net profit as per P & L A/c** | | |
| Add - Disallowed Expences recorded in P&L a/c | (+) --------- | |
| Less - Allowed Expenses but not debited in P & L A/c | (-) --------- | |
| Less - Other Income not taxable under business head | (-) --------- | |
| Add - Allowed income but not credited in in P&L a/c | (+) --------- | |
| **Income from Business (Taxable)** | --------------- | |

| | | |
|---|---|---|
| 4) **Income from Capital Gains:-** | | ------------ |
| A) Short – Term :- | | |
| Sale Consideration | | |
| Less - Selling Expenses ---------- | | |
| Cost of Acquisition ---------- | | |
| Cost of Improvement ---------- | ---------- | |
| S.T.C.G. | | |
| B) Long Term :- | | |
| Sales Consideration | (-) ---------- | |
| Less - Selling Expenses ---------- | | |
| Indexed Acquisition Cost ---------- | ---------- | |
| Indexed Improvement Cos ---------- | | |
| L.T.C.G. | ---------- | |
| **Income from Capital Gains (Taxable)** | | |
| | (-) --------- | |
| 5) Income from other sources:- | | |
| (i) Dividend [Exempted u/s 10(34)] | ---------- | |
| (ii) Interest on Government Securities | | |
| (iii) Director's fees or remuneration | | -------------- |
| [If appointed due to holding of HUF] | | |
| (iv) Lottery [If ticket is purchased in the name of HUF] | -(+)--------- | |
| (v) Royalty | (+)--------- | |
| (vi) Subtenant income | (+)--------- | |
| | (+)--------- | |
| **Income from other sources (Taxable)** | | |
| | --------- | |
| **Gross Total Income** | | |

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# Unit - II

# DEDUCTIONS FROM GROSS TOTAL INCOME

## 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)
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]

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

(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 1st 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 is 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]**

(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
Actual Amount of donation

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 :- 1st 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 onword 2005-06 and 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 JJA Deduction in respect of profit and gains from business of collecting and processing of bio-degradable waste – 80JJA**
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 JJAA 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) <u>80P Deduction in respect of income of cooperative societies</u>**

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) <u>80 QQB Deduction in respect of royalty income of authors</u>:-**

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

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

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

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

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) <u>80 U: - Deduction in case of a person with disability :</u>–**

Fixed Deduction of Rs. 75,000. (if disability up to 80%)
Higher Deduction of Rs 1,25,000. (if disability over 80%)

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## Assessment of Individuals
**Computation of Total Income of an Individuals**
**[Assessment Year 2018-19]**

| | | |
|---|---|---|
| 1) **Income from Salaries** | | |
| (a) Basic salary, bonus, commission, D.A. | ------------- | |
| And | | |
| (b) Taxable perquisites | ------------- | |
| (House, Gas-electric, Servants etc.) | | |
| (c) Any other receipt from employer | ------------- | |
| **Gross salary** | | |
| Less-Deduction u/s 16 | | |
| (1) Entertainment allowance | | |
| ( Govt. employee --up to 5000, Non Govt. -Nil) --------------- | | |
| (2) Professional Tax (Actual amount) --------------- | (-)----------- | |
| **Income from Salary (Taxable)** | -------------- | ---------------- |
| 2) **Income from House Property** | | |
| A) Self occupied House :- | Nil | |
| Gross Annual Value | | |
| Less-Interest on loan [if the loan is obtained] | | |
| (i) Before 1.4.99 Actual interest or Rs.30000 ,whichever is less | | |
| (ii) After 31.3.99 Actual interest or Rs.200000 ,whichever is less | | |
| (iii)Loan for repair or renovation- Actual interest or Rs.30000 whichever is less | (-) ---------- | |
| Income from Self Occupied House (Loss) | | |
| B) Let out House :- | ---------- | |
| Gross Annual Value | (-) --------- | |
| (municipal value or fair rent or actual rent- whichever is more ) | | |
| Less - Municipal Taxes | -------------- | |
| Net Annual Value | | |
| Less - Deductions u/s 24 | | |
| (i) Standard deduction (30% of NAV) ----------- | (-) --------- | |
| (ii) Interest on Loan ----------- | ----------- | |
| Income form Let Out House | -------------- | ---------------- |
| **Income from House property (Taxable)** | | |
| 3) **Income from Business Net profit as per P & L A/c** | | |
| Add - Disallowed Expences recorded in P&L a/c | (+) --------- | |
| Less - Allowed Expenses but not debited in P & L A/c | (-) --------- | |
| Less - Other Income not taxable under business head | (-) --------- | |
| Add - Allowed income but not credited in in P&L a/c | (+) --------- | |

| | | |
|---|---|---|
| **Income from Business (Taxable)** | --------------- | |
| 4) **Income from Capital Gains:-** | | ------------ |
| A) Short – Term :- | | |
| Sale Consideration | | |
| Less - Selling Expenses ---------- | | |
| Cost of Acquisition ---------- | | |
| Cost of Improvement ---------- | ---------- | |
| S.T.C.G. | | |
| B) Long Term :- | | |
| Sales Consideration | (-) ---------- | |
| Less - Selling Expenses ---------- | | |
| Indexed Acquisition Cost ---------- | ---------- | |
| Indexed Improvement Cos ---------- | | |
| L.T.C.G. | ---------- | |
| **Income from Capital Gains (Taxable)** | | |
| | (-) --------- | |
| 5) Income from other sources:- | | |
| (i) Dividend [Exempted u/s 10(34)] | ---------- | |
| (ii) Interest on Government Securities | | |
| (iii) Director's fees or remuneration | | -------------- |
| [If appointed due to holding of HUF] | | |
| (iv) Lottery [If ticket is purchased in the | | |
| name of HUF] | -(+)--------- | |
| (v) Royalty | (+)--------- | |
| (vi) Subtenant income | (+)--------- | |
| | (+)--------- | |
| **Income from other sources (Taxable)** | | |
| | (+)--------- | |
| **Gross Total Income** | (+)--------- | |
| | ---------- | ------------- |
| Less:- **Deduction** | | -------------- |
| Deduction u/s 80 C,80CC &80CCD | -------------- | |
| Deduction u/s 80 D | | |
| Deduction u/s 80 DD | --------------- | |
| Deduction u/s 80 DDB | --------------- | |
| Deduction u/s 80 E | -------------- | |
| Deduction u/s 80 G | -------------- | |
| Deduction u/s 80 GGC | -------------- | |
| Deduction u/s 80 I-A,80 I-B | -------------- | |
| Deduction u/s 80TTA & 80U | -------------- | |
| | -------------- | (-)--------- |

| | | |
|---|---|---|
| **Total Income** | | -------------- |

## Tax rates for Individual (Assessment Year 2016 – 17)

| | | | |
|---|---|---|---|
| (A) Tax @ 20% on LTCG | | | ---------- |
| (B) Tax @ 30% on casual Income | | | ---------- |
| (C) Tax on other incomes | | | |
| → Up to Rs. 2,50,000 | Nil | | |
| → On Next Rs 2,50,000 | 10% | ------ | |
| → On Next Rs. 5,00,000 | 20% | ------ | |
| → Above Rs 10,00,000 | 30% | ------ | ---------- |
| | | | ---------- |
| Add:- 3% Educational Cess | | **Total Tax** | (+)--------- |
| Less:- T.D.S. | | | **(-)----------** |
| | **Total Tax Payable** | | ------------ |

**Note:-**

1. Special procedure for tax calculation if an individual assessee is -

(a) Senior citizen (60 years or more)-
Up to Rs. 3,00,000 Tax liability will be Nil, thereafter tax calculated at normal rates.
(b) Super senior citizen (80 years or more)-
Up to Rs. 5,00,000 Tax liability will be Nil, thereafter tax calculated at normal rates.
(c )If the assessee has agricultural income exceeding Rs.5000, tax will be calculated in a special manner.
(d)Less-special deduction of Rs.5000 if the total Income of the assessee is less than Rs. 500000.
( e)Add-12% Surcharge if total income is more than Rs. 1 crore.
(f) Less-Advance tax paid and tax deducted at source.

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# UNIT III
# 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 | ---------------- |
| **Gross Total Income** | ---------------- |
| **Less:** Deduction u/s 80 (C) to 80 (U) | ---------------- |
| **Total Income** | ---------------- |

**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.

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## 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 |
| **(i) In the case of an individual or HUF or AOP or BOI:-** | | | |
| 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 | |
| **(ii) Individual - Senior citizen whose age above 60 year during P.Y.** | | | 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 | |
| **(iii) Individual super Senior citizen whose age above 80 year during P.Y.** | | | xxxx |
| On Rs. 5,00,000 | Nil | xxxx | |
| Next on Rs. 5,00,000 | @ 20% | xxxx | |
| Next - Balance | @ 30% | xxxx | |
| **Add:** 3% Education cess | | | xxxx |
| **Gross Tax Liability** | | | xxxx |
| **Less:** Tax Deducted at Sources | | | xxxx |
| **Net Tax Liability** | | | 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 pain 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 tad, 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.

**RATE OF TAX DEDUCED AT SOURCE**
**Effective from 1.4.2014 to the date on which new TDS**
**Rates applicable as per new Budget (2016-17) passed**
**(In case of payment to Individuals, HUF, Firms, Companies etc.)**

| S.No | Items of Income | Rate of TDS With PAN | Rate of TDS Without PAN |
|---|---|---|---|
| 1. | Rent (if gross rent is more then Rs 1,80,000) | 10% | 20% |
| 2. | Interest on securities other then Govt. Securities | 10% | 20% |
| 3. | Interest on company debentures listed or unlisted (amount exceeding | 10% | 20% |
| 4. | Rs. 5,000) | 10% | 20% |
| 5. | Other interest (if amount is over Rs. 5,000) | 30% | 30% |
| 6. | Lottery (if the prize is more then Rs. 10,000) | 30% | 30% |
| 7. | Horse Race (if winning amount is more then Rs. 10,000) | 1% | 20% |
| 8. | Payment to contractors (Individuals) | 2% | 20% |
| 9. | Payment to contractors (Other then individual) | 5% | 20% |
| 10. | Insurance commission (If the commission is more then15,000) | 5% | 20% |
| 11. | Commission on sale of lottery tickets | 10% | 20% |
| | Interest on bank deposits (if total interest credited or paid is more then | | |
| 12. | Rs. 10,000) | 10% | 20% |
| 13. | Professional fees (if the fees is in excess of Rs. 30,000) | 5% | 20% |
| | Commission and brokerage (more then Rs. 15,000) | | |

**Other important points regarding TDS**

The following points should be kept in view in respect of deduction of tax at source-

1. Certificate for tax deducted at source shall be furnished to the concerned payee within the time. Form No. 16 applies in respect of salaries and Form No. 16A applies in other cases.
2. Once deduction is made, the amount deducted shall be remitted to the credit of the Central Government as required u/s 200. Otherwise, prosecution u/s. 276B shall lie.
3. If any person responsible to deduct tax at source does not deduct or after deducting fails to pay the tax as required, he shall be liable to pay simple interest at 1.5% per month on the amount of such tax from the date on which tax was deductible to the date on which such tax is actually paid.
4. Every person deducting tax shall apply to the assessing officer for allotment of tax deduction account number.
5. Persons deducting tax are required to quarter prescribed returns in prescribed time after the end of each quarter year. Various forms numbered as Form No. 21 to Form No. 27 prescribed apply in this regard.

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

Income Tax department issues Permanent Account Number to every assessee and other persons who are requires 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 charegable 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 then 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 ont 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.

## PROCEDURE FOR ASSESSMENT

Procedure for assessment contains two steps—First filing of Retum of Income and second Assessment. Both are discussed below-

## I. FILING OF RETURN OF INCOME

Every person, if his total income or the total income of any other person in respect of which he is assessable under this Act during the 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 [ Sec. 139 (1) ]**

   Every person, if his total income or the total income of any other person in respect of which he is assessable under the Income Tax Act during the previous year exceeds the maximum amount which is not chargeable to tax, is required to furnish a return of his income or the income of such other person voluntarily. The following important point should be kept in view in this respect-.

   1. If an individual or HUF assessee's Total Income before deductions u/s 80C to 80U, i.e. Gross Total Income for the A.Y. 2018-19 is more than exemption limit 2.5 Lakh (In case of

senior citizen assessee 3,00,000 and super senior citizen 5,00,000) he must file the return of income in the prescribed time.

2. Every company will have to file a return of income on or before the due date in prescribed form whether or not it has taxable income.

3. 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) ]

Return of income is required to be furnished in the forms prescribed by rule 12 and should be verified in the manner indicated therein.

**Forms-** New return Forms- For the Assessment Year 2018-19, the Central Board of Direct Taxes has notified the following forms—

| New ITR Forms | Subject |
|---|---|
| **ITR-1 SAHAJ** | For individuals having income from salary, one house and other sources |
| **ITR-2** | For individuals 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 individuals and HUFs having income from a proprietary business or profession. |
| ITR-4S | Estimated income u/s 44 AD and 44 AE (small business, contractors, transporters etc.) |
| 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). |

## 3. Due dates for filling of return

Due dates for filling of return for different types of assessees are as under -Due date (applicable for A.Y. 2018-19)

| Assessee | Due date |
|---|---|
| (1) A company, | 30th Sept. |
| (2) A person (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force, | 30th Sept. |

| | |
|---|---|
| (3) A working partner of a firm whose accounts are required to be audited under this Act or under law for the time being in force, | 30th Sept. |
| (4) A person whose income is not taxable but fulfils any one condition out of six conditions (house, car, telephone, club, foreign tour or credit card), | 30th Sept. |
| (5) In the case of any other assessee. | 31st July |

**■ Electronic Furnishing of Return of Income**

An eligible person may, at his option, furnish his return of income which he is required to furnish under section 139 (1) to an e-Return intermediary who shall digitize the data of such return and transmit the same electronically to a server designated for this purpose by the e-Return Administrator, on or before the due date.

**■ Penalty or Fees for late filing of Return of Income**

If an assessee does not file return up to due date then, shall be liable to pa:. penalty of late fees for late filing of return as under—

**Late fees for the Assessment Year 2018-19**

(a) From due date of return filing to 31st December 2018 5.000

(b) After 31st December 10,000

**Note :** If total income is not more than 5 Lakh late fees shall be only 1,000.

**• Quoting of Aadhaar Number (Sec. 139 AA)**

Every person who is eligible to obtain Aadhaar Number shall quote Aaci'71 -_-. -Number in the Income Tax Return.

**4. Return of loss [Section 139 (3)]** If any person has sustained a loss in any previous year under the head "Pro:1-n and gains of business or profession" or under the head 'Capital gains' and claims the loss or any part thereof should be carried forward in accordance with the provisic:- of carry forward of loses then he should file, within the prescribed time of voluntary return of income under section 139 (1), a return of loss in the presser:::..e: form failing which he makes himself disentitled to carry forward of the said loss or part thereof to the subsequent year/years.

**5. Belated return [Section 139 (4)]**

Any person who has not furnished a return within the time allowed to him under section 139 (1) or within the time allowed under a notice issued under section 142 (1) may furnish the return for any previous year at any time before the expiry of one year from tho end of the relevant Assessment Year or before the completion of the assessment, whichever is earlier. There is no ban on filling more then one belated return and where the assessee has filed more then one return, then the latest belated return shall be taken into account for the purpose of assessment. The benefit of filling the return belatedly under section 139 (4) is not available to the return of loss.

**6. Revised return [Section 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 the end of the relevant Assessment Year or before the completion of the assessment whichever is earlier.

**7. Defective return [Section 139 (9)]**

Where the Assessing Officer considers that the return of income filed by the assessee is defective, he may intimate the defect to the assessee and give him an opportunity to rectify the defect within a period of 15 days, from the date of such intimation. Such time may be extended by the Assessing Officer on an application made by the assessee.

**SIGNING OF RETURN (Section 140)**

According to section 140, the return of income as filed under Section 139, must be signed and verified as follows -

| Assessee | Signatory |
|---|---|
| 1. Individual When absent from India ; Mentally incapacitated ; For any other reason he is not able to sign | 1. Himself His guardian or any other person duly authorised by him. |
| 2. H.U.E Where Karta is absent from India or is mentally incapacitated. | 2. Karta Any other adult member of the family. |
| 3. Company Where M.D. is unable to sign or where there is no M.D. when company is not resident in India. When the company is in liquidation when the company's management is taken over by the Government. | 3. Managing director Any director of the company. The liquidator. The Principal Officer |
| 4. Partnership firm | 4. Managing partner or any other partner not being a minor |
| 5. Local authority | 5. Principal Officer |
| 6. Political party | 6. Chief Executive Officer |
| 7. Association of persons | 7. Any member or Principal Officer |
| 8. Any other person | 8. The person or some other person who is competent to sign. |

## ■ SPECIMAN OF INCOME TAX RETURN : ITR-I

**For Individuals Having Income From Salary, One House and Other Sources**

**ITR-1 SAHAJ INDIAN INDIVIDUAL INCOME TAX RETURN : AY 2018-19**

A1 FIRST NAME

A2 MIDDLE NAME

A3 LAST NAME

A4 PERMANENT ACCOUNT NUMBER

A5 SEX ○ Male ○ Female

A6 DATE OF BIRTH

A7 INCOME TAX WARD/CIRCLE

A8 FLAT/DOOR/BUILDING

A9 NAME OF PREMISES / BUILDING / VILLAGE

A10 ROAD/STREET

A11 AREA/LOCALITY

A12 TOWN/CITY/DISTRICT

A13 STATE

A14 COUNTRY

A15 PINCODE

A16 EMAIL ADDRESS

A17 MOBILE NO. 1/RESIDENTIAL/OFFICE PHONE NO. WITH STD CODE

A18 MOBILE NO. 2

A19 Fill only one if you belong to ▸ ○ Government ▸ ○ PSU ▸ ○ Other

A20 Fill only one ▸ ○ Tax Refundable ▸ ○ Tax Payable ▸ ○ Nil Tax Balance

A21 Fill only one ▸ ○ Resident ▸ ○ Non Resident ▸ ○ Resident but not ordinarily resident

A22 Fill only one: filed ▸ ○ Before due date-139(1) ▸ ○ After due date-139(4) ▸ ○ Revised Return-139(5) ▸ ○ OR in response to notice ▸ ○ 139(9) ▸ ○ 142(1) ▸ ○ 148 ▸ ○ 153A/153C

A23 Whether Person governed by Civil Code under section 5A ▸ ○

A24 If A23 is applicable, PAN of the Spouse

A25 If revised/defective ▸ Receipt Number of Original Return and ▸ Date of Filing Original Return

A26 If filed in response to notice u/s 139 (9) / 142(1)/148/153A/153C ▸ Notice Date

A27 Whether you have Aadhar Number ▸ ○ Yes ▸ ○ No

A28 If A27 is yes, please provide

**PART B - Gross Total Income** **Whole-Rupee (₹) Only**

| | | |
|---|---|---|
| B1 | Income from Salary / Pension<br>NOTE- Ensure to fill 'Sch TDS1' given in Page 2 | B1 |
| | | ▼ If showing loss, mark the negative sign in bracket at left |
| B2 | Income from One House Property ▪ Self occupied ▪ Letout | B2 ( ) |
| B3 | Income from Other Sources<br>NOTE- Ensure to fill 'Sch TDS2' given in Page 2 | B3 ( ) |
| B4 | Gross Total Income (B1 + B2 + B3) | B4 ( ) |

**PART C - Deductions and Taxable Total Income** (Refer to instructions for Limits on Amount of Deductions as per "Income Tax Act")

C1 to C18
- C1 80C
- C2 80CCC
- C3 80CCD (1)
- C4 80CCD(2)
- C5 80CCG
- C6 80D
- C7 80DD
- C8 80DDB
- C9 80E
- C10 80EE
- C11 80G
- C12 80GG
- C13 80GGA
- C14 80GGC
- C15 80RRB
- C16 80QQB
- C17 80GGC
- C18 80U

C19 Total Deductions (Add items C1 to C18) ▸ C19

C20 Taxable Total Income (B4 to C19) ▸ C20 ( )

For Official use only

STAMP RECEIPT NO. HERE

SEAL, DATE AND SIGNATURE OF RECEIVING OFFICIAL

PERMANENT ACCOUNT NUMBER

**PART D - Tax Computation and Tax Status**

D1 to D3
- Tax Payable On Total Income (C20) ▸ D1
- Rebate u/s 87A ▸ D2
- Total Payable After Rebate (D1-D2) ▸ D3

D4 to D6
- Surcharge, if C20 exceeds ₹ 1 crore ▸ D4
- Cess on (D3+D4) ▸ D5
- Total Tax, Surcharge & Cess (D3+D4+D5) ▸ D6

D7 to D9
- Relief u/s 89 ▸ D7
- Balance Tax After Relief (D6-D7) ▸ D8
- Total Interest u/s 234A ▸ D9

D10 to D12
- Total Interest u/s 234B ▸ D10
- Total Interest u/s 234C ▸ D11
- Total Tax And Interest (D8+D9+D10+D11) ▸ D12

D13 to D15
- Total Advance Tax Paid ▸ D13
- Total Self Assessment Tax Paid ▸ D14
- Total TDS Claimed ▸ D15

D16 to D18
- Total Taxes Paid (D13+D14+D15) ▸ D16
- Total Payable (D12-D16, If D12>D16) ▸ D17
- Refund (D16-D12, If D16>D12) ▸ D18

▸ D19 Exempt income only for reporting purposes (If agricultural Income more than ₹ 5,000/- use ITR 2 or 2A)

▸ **D20 DETAILS OF ALL BANK ACCOUNT (EXCLUDING DORMANT ACCOUNTS) HELD IN INDIA AT ANY TIME DURING THE PREVIOUS YEAR (Mandatory Irrespective of refund due or not)**

Total Number of Savings and current bank accounts held by you at any time during the previous year (Excluding dormant accounts) ▸

| S.No. | IFS CODE OF THE BANK (col.i) | NAME OF THE BANK (col.ii) | ACCOUNT NUMBER (The number should be 9 digit or more as per CBS system of the bank) (col.iii) | SAVINGS/CURRENT (col.iv) | INDICATE THE ACCOUNT IN WHICH YOU PREFER TO GET YOU REFUND CREDITED IF ANY (TICK ONE ACCOUNT) (col.v) |
|---|---|---|---|---|---|
| ▸ 1 | | ▸ | ▸ | ▸ | ▸ |
| ▸ 2 | | ▸ | ▸ | ▸ | ▸ |

## VERIFICATION

I, ▸ ______________ son/daughter of ▸ ______________ solemnly declare that to the best of my knowledge and belief, the information given in the return is correct and complete and that the amount of total income and other particulars shown therein are truly stated and are in accordance with the provisions of the Income-tax Act, 1961, in respect of income chargeable to income-tax for the previous year relevant to the Assessment Year 2016-17

Place ▸ ▸ SIGN HERE →

If the return has been prepared by a Tax Return Preparer (TRP) give further details as below

| Name of the TRP | TRP PIN (10 Digit) | Amount to be paid to TRP | TRP Signature |
|---|---|---|---|
| | ▸ | ▸ | |

## 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 with in 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).

## UNIT-IV

Assessment of Hindu Undivided Family (H.U.F.)
Computation of Total Income of HUF
Assessment Year 2019-20

| | | |
|---|---|---|
| **1) Income from House Property** | | |
| 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 form Let out. House | ----------- | ----------- |
| **Income from House property (Taxable)** | | ----------- |
| **2) Income from Business** | | |
| 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) | | ---------- |
| 3) **Income from Capital Gains:-** | | |
| A) Short – Term | ---------- | |
| Sale Consideration | | |
| (-) Selling Expenses ---------- | | |
| Cost of Acquisition ---------- | | |
| Cost of Improvement ---------- | (-) ---------- | |
| **S.T.C.G.** | ---------- | ---------- |
| B) Long Term | | |
| Sales Consideration | ---------- | |
| (-) Selling Expenses ---------- | | |
| Indexed Acq. Cost ---------- | | |

| | | |
|---|---|---|
| Indexed Imp. Cost ---------- | (-) --------- | |
| **L.T.C.G.** | ---------- | ---------- |
| **Income from Capital Gains (Taxable)** | | ---------- |
| **4) Income from other sources:-** | | |
| (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] | | ---------- |
| **Income from O.S. (Taxable)** | | |
| **Gross Total Income** | | ---------- |
| Less:- | | |
| 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 | | ---------- |
| **Total Income** | | |

**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% |

renaissance renaissance

**ASSESMENT 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<br>**Add-Disallowed items debited to P & L Account**<br>(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. 8profits and gains from business or profession) | ……… | …….. |
| (ii) Interested 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 bellow u/s 40 (b)] | …………. | (-) ……… |
| **Less-** allowed expenses not recorded or lesser recorded in the P & L A/c, i.e. depreciation etc. | | (-) ……… |
| | | ……….. |
| **Less-** Other income not related to business or profession-Rent received, interest on deposits, dividend, capital gains etc. | | (-) …….. |
| **Book-Profit** | | …………… |
| **Less-** Remuneration (salary, bonus, commission etc.) to partners under the item of partnership deed u/s 40 (b)<br>(a) Actual amount debited in the P & L account<br>or<br>(b) Amount permissible u/s 40 (b) on book profit (please see the calculation table given ahead)<br>Whichever is less, i.e. (a) or (b) | ………….<br>**Or**<br>…………. | |
| **Firm's Taxable income from business or profession** | | (-) ……<br>…………. |

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

**Assessment year 2019-20**

| | | | |
|---|---|---|---|
| **I.** | **Income from house property owned by firm** | | |
| | **(a) Let out properties :** | | |
| | Annual Rental Value | ………….. | |
| | **Less-** Municipal Tax paid | (-) ………. | |
| | **Annual value** | …………… | |
| | **Less-** Deductions: | | |
| | (a) Standard Deduction 30% of AV | (-) ………. | |
| | (b) Interest on loan for property | (-) ……… | ………… |
| **II.** | **Income from Business or profession** | | |
| | As per calculated in prior statement | ………….. | ………… |
| **III.** | **Capital Gains of firm** | | |
| | (a) Short term capital gains | | |
| | (b) Long term capitals gains | | |
| **IV.** | **Income from other sources** | | |
| | Interest, royalty etc. earned by the firm | | …………… |
| | **Gross Total Income of the firm** | | ………….. |
| | **Less-** 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. | | |
| | **Total Income of Firm** | | ………. |

**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

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## UNIT-V

## 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 divided 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 an it’s 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) with in 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 1st 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%<br>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.**

| | | |
|---|---|---|
| **Step I.**<br>Net Profit as per P & L account | | ……………….. |
| **Step II.**<br>**Add –** 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 | ……………… | (+)……………… ………………… |
| **Step III.** **Deduct such expenses or losses which Are related to business but not recorded or lesser amount debited to P & L account.** | | |
| 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 | ……………… | (+)……………… |
| **Step IV.** **Deduct such incomes and receipts which are not related to business or profession-** | | |
| **Less-** 1. Rent from property | ……………….. | |
| 2. interest and dividend from Investments in other Companies | ……………… | |
| 3. capital receipts | ……………… | |
| 4. caoital gains | ……………… | |
| 5. any other income | ……………… | (-)……………… |

| | | |
|---|---|---|
| Taxable income from business or profession | | ………………….. |

**Chart- Computation of Total Income of Company**
**Assessment year 2019-20**

| | | |
|---|---|---|
| **I. Income from house property held by Company**<br>**(a) Let out properties-**<br>Annual Rental Value<br>**Less-** Municipal Tax paid | ………………<br>(-) ………….. | |
| **Annual value**<br>**Less-**Deductions- | ……………… | |
| (a) standard Deduction 30% of AV | (-)……………. | |
| (b) Interest on loan for property | (-)……………. | ……………. |
| **II. Income from Business or profession**<br>As per computed in prior statement | ……………. | …………….. |
| **III. Capital Gains of firm**<br>(a) Short term capital gains<br>(b) Long term capital gains | | |
| **IV. Income from other sources**<br>Interest, royalty etc. earned by the company<br>Divided from other domestic company is Exempted<br>But dividend from foreign company is taxable | | …………….. |
| **Gross Total Income of the firm** | | …………….. |
| **Less-** Deductions allowed to firm | | |
| (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.<br>**Total Income of Firm** | | |
| | | ……………. |

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

(1) Tax on company's total income

A. If turnover more then 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 10%
(if basis of index cost not taken)
(4) Tax on short-term capital gains shares
Sold through stock exchange and Securities 15%
Transaction tax paid paid (Sec. 111A)
(5) Lottery, Horse race 30%

………..

**Add:** Surcharge- …………

(i) If the company's total income is not more then Rs.1 crore Nil
(ii) If the company's total income is more then
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**

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