



## SYLLABUS

### Class – B.Com. IV Sem.

#### Subject – Income Tax Procedure & Practice

UNIT – I	Computation of gross total income, carry forward and set off of losses, clubbing of income. Deductions from gross total income.
UNIT – II	Income tax rates applicable for various categories assesses. Computation of total income of individuals and tax liability of individuals (practical problems)
UNIT – III	Provisions and practical problems relating to computation of taxable income and tax payable by HUF. Provisions relating to assessment of firms (including limited liability partnership) calculation of remuneration and interest to partners'. Total income of firm, tax liability and allocation amongst partners.
UNIT – IV	Computation of total income and tax liability of companies' minimum alternative tax, tax deducted at source. Calculation of advance tax installment.
UNIT – V	Furnishing of income tax return. Permanent account number, types of assessment, practical exercise to fill up income tax return.



## UNIT-I

### Basic concepts of Income Tax

#### Meaning of Income Tax

Income tax is a tax on year taxable income of a person levied by the Central Government at prescribed rates. Tax payers include individual, firm, company, Hindu undivided family, association of persons, trust etc. Taxable income means income calculated under the provisions of the Income Tax Act, 1961

#### Salient Features of Income Tax-

1. Central Tax
2. Direct Tax
3. Tax on Taxable Income
4. Progressive rates of Tax
5. Scope of Taxation not only with individual but also with firm, company, HUF, Trust & Co-Operative Societies
6. Tax Exemption limit
7. Burden on Rich class persons
8. Separate Administration
9. Distribution of Tax between Central and State Government
10. It is largest source of revenue.
11. Tax for country welfare
12. History of income Tax in India is about 150 years old.
13. Control on Income by Income tax
14. Beginning of Income Tax by sir James Wilson in 1860 in India.

#### Income [Section 2(24)]

Though 'Income' is a very important word for the Income Tax Act but no precise definition of the word "Income" is attempted under the Income Tax Act, 1961. The term "Income", in the context of the Act, is inclusive. The narration given in Sub-Section (24) of Section 2 of the Act enumerates certain items, including those which cannot ordinarily be considered as income but are treated statutorily as such.

#### Definition of Income [Section 2(24)]

Income Includes:-

1. Profit and gains;
2. Dividend;
3. Voluntary contributions received by a trust.
4. The value of a perquisite or profit in lieu of salary.
5. Any special allowance or benefit other than perquisites included under 4.
6. Any allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office
7. The value of any benefit or perquisite obtained from a company.
8. Any compensation
9. Profit on sale of License
10. Cash assistance received
11. Any interest, salary, bonus, commission/remunerations
12. Profit/gain of mutual or co-operative insurance co.
13. Capital gain arising from transfer of capital gain
14. Any sum received under a key man insurance policy.

#### Agricultural Income [Section 2 (1A)]

##### Definition of Agriculture Income

Sec. 2(1A) defines "agricultural income" to mean -



- (A) any rent or revenue derived from land which is situated in India and is used for agricultural purposes,
- (B) any income derived from such land by agriculture or by the process employed to render the produce fit for the market or by sale of such produce by a cultivator or receiver of rent in kind,
- (C) Any income derived from any building provided the following conditions are satisfied (i) The Building is immediate vicinity of the agriculture land (ii) it is occupied by the cultivator or received of rent or revenue (iii) It is used as a dwelling house or store house/out house. (iv) The land is assessed to land revenue or a local rate.
- (D) Any income derived from saplings/seedling grown in a nursery shall be deemed to be agricultural income.

### Partly Agricultural Income Shown by Chart

S.No.	Partly Agricultural Income	Agricultural Income	Non Agricultural Income
1	Growing & manufacturing tea in India	60%	40%
2	Growing & cured coffee in India by the seller	75%	25%
3	Sale of Coffee grown, cured, roasted and grounded	60%	40%
4	Sale of centrifuged latex or cenex manufactured from rubber	65%	35%
5	Other Agricultural produce grown by the manufacturer and used for own product.	Market value of agricultural produce used in production	Remaining Business income will be taxable.

### Income connected with land but not agricultural income -

1. Profit earned on purchasing the standing crop.
2. Income from mines
3. Income from self grown grass, trees/bamboos
4. Divided from a company engaged in Agricultural
5. Income from warehouses and godowns.
6. Income from land used for brick making
7. Income from supply of water for irrigation purposes.
8. Remuneration for managing agricultural property.
9. Income from dairying.
10. Interest accrued on promissory notes executed for arrears of rent.

### Agricultural Income and Tax Liability -

Though agricultural income is exempt and it is not included in computation of total income of an assessee but from tax calculation point of view it is added to total income. The agricultural income is integrated with non-agricultural income in those cases where assessee has both incomes. Such integration is done only in the case of individual, HUF, AOP/BOI and Artificial juridical person.

### CASUAL INCOME

Causal Income means such income the receipt of which is accidental and without any stipulation. It is the nature of an unexpected windfall.

Though causal income is fully taxable but it is necessary to clear this meaning from the following point of view -

1. Causal income like lottery, race income are taxable at special rate of 30%



2. Causal income cannot be set off against other causal income as well as casual income cannot be used for setting off loss of other head.

#### 4. ASSESSMENT YEAR : (2017-2018)

It means the period of twelve months commencing on 1<sup>st</sup> of April every year. In other words period of 12 months – 1<sup>st</sup> April to 31<sup>st</sup> March is called assessment year.

#### 5. PREVIOUS YEAR (Section 3) (2016-2017)

Previous year means the financial year immediately preceding the assessment year e.g. for the assessment year 2017-2018 previous year will commence on 1<sup>st</sup> of April, 2016 and end on 31<sup>st</sup> March, 2017. Previous year for income tax purposes will be financial year which ends on 31<sup>st</sup> of March, however the assessee can close his books of accounts on other date e.g. an assessee may maintain books of accounts on calendar year basis but his previous year, for Income Tax purpose, will be financial year and not the calendar year. This uniform previous year has to be followed for all sources of income.

Important points in relation to previous year: Under the following situation the previous year would be -

1. Where a different accounting year is followed
2. Previous year in case of newly set up business
3. In case of newly created source of income

#### PERSON [SECTION-2 (31)]

The term 'person' includes:

- (1) An individual
- (2) A Hindu undivided family
- (3) A Company;
- (4) A Firm;
- (5) An association of persons or a body of individuals, whether incorporated or not;
- (6) A local authority like Municipalities, Panchayats, Cantonment Boards, Port Trusts etc.
- (7) Every artificial juridical person Like Life Insurance Corporation, University etc.

#### Exception to the rule of Previous Year:

These exceptions are:

1. Shipping business income of non-resident ship-owners
2. In case of persons leaving India
3. In case of persons who are likely to transfer their assets to avoid tax
4. In case of discontinued business

#### ASSESSEE [SECTION-2 (7)]

In simple word, An Assessee is a person who is liable to pay any sum under Income Tax Act or in respect In respect of whom the proceeding have been initiated under this Act.

The word 'assessee' has been defined in Section 2(7) of the Act according to which assessee means a person by whom any tax or any other sum of money is payable under the Act and includes -

(a) **Every person:**

- (i) Who is liable to pay any tax; or
- (ii) Who is liable to pay any other sum of money under this Act (e.g. interest, penalty, etc); or
- (iii) In respect of whom any proceeding under this Act has been taken for the assessment of the income; or
- (iv) In respect of whom any proceeding under this Act has been taken for the assessment of the income of any other person in respect of which he is assessable; or



- (v) In respect of whom any proceeding under this Act has been taken for the assessment for the loss sustained by him or by such other person; or
- (vi) In respect of whom any proceeding under this Act has been taken for the amount of refund due to him or to such other person;

**(b) A Deemed Assessee:**

A person who is liable to pay tax not only on his own income but on the income of any another person. Deemed assessee includes legal representative, agent of non resident, guardian or manager of an infant and lunatic, trustees and administrators etc.

**(c) Who is deemed to be an assessee in default?**

A person is said to be an assessee in default if he fails to comply with the duties imposed upon him under the Income tax Act.

**GROSS TOTAL INCOME**

Gross Total Income means aggregate amount of taxable income computed under five heads of income i.e. salaries, house property, business & profession, capital gains and other sources. In other words, Gross Total Income means total income computed in accordance with the provisions of the Act before making any deduction under sections 80C to 80U.

In Simple words, the aggregate amount of the following heads of income is called Gross Total Income -

- (i) Salaries (Cash receipts and perquisites from the employer),
- (ii) Income from House Property (Rental income)
- (iii) Profits and Gains of Business or Profession,
- (iv) Capital Gains from transfer of movable and immovable assets,
- (v) Income from other Sources i.e. interest, royalty, lottery etc.

**TOTAL INCOME**

The following are the current rates of taxation for an individual, Hindu, Undivided Family, firm, company and co-operative society for the assessment year 2016-17.

**BASIS OF CHARGE (TAX RATE)**

**Tax Rates -**

Applicable tax rates for the Assessment Year 2016-17 (Previous year 2015-2016) are as follows -

1. Tax rates applicable on individual and HUF (less than 60 years)-

Income	Tax Rate
On First Rs. 250000	NIL
On Next Rs. 250001 to 5,00,000	10%
On Next Rs. 5,00,001 to 10,00,000	20%
On above 10,00,000	30%

2. **Resident senior citizen Assessee** (Whose age is 60 year or more but less than 80 years) Male or Female

Income	Tax Rate
On First Rs. 3,00,000	-
On Next Rs. 3,00,001 to 5,00,000	10%
On Next Rs. 5,00,001 to 10,00,000	20%
On above 10,00,000	30%



3. **Super Senior Citizen Assessee** (80 years or more)

Income	Tax Rate
On First Rs. 5,00,000	-
On Next Rs. 5,00,001 to 10,00,000	20%
On above 10,00,000	30%

4. **Special Tax Rates -**

- i. Long term Capital Gain - @20%
- ii. Lottery - Horse race - @30%

**Less:** Tax rebate upto Rs. 2,000 if total income is not more than 5 lakh but no rebate surcharge if total income between 5 lakh to 1 crore.

**Add:** 12% surcharge if total income between 5 lakh to 1 crore.

**III Step:** Add: 3% education cess on tax calculated as above.

**IV Step:** Advance tax paid and tax deducted at source.

5. **Partnership firm** - 30% flat Rate on Income of firm.

6. **Domestic Company** - Domestic Company 30% flat rate

7. **Co-operative Society -**

Income	Tax Rate
On First Rs. 10,000	10%
On Next Rs. 10,000	20%
On remaining balance	30%

**RESIDENTIAL STATUS AND TAX LIABILITIES**

The tax liability under income tax is determined on the basis of residential status of an assessee but not according to the citizenship hence it becomes necessary that firstly the residential status of an assessee should be determined.

On the basis of residential status there are 3 categories of assessee:

- 1) Resident/Ordinary resident
- 2) Not ordinarily resident
- 3) Non resident

There are separate rules for different types of assessee like; individual, H.U.F., firm, companies etc. for determination of residential status.

**Individual Assessee**

**1) Resident / Ordinary Resident :** - If an individual wants to become resident in India, then he has to fulfill the basic condition as well as two additional conditions:

**i) Basic conditions:** In the basic conditions, there are two conditions. On satisfying any one of these, it will be assumed that the basic condition is satisfied.

a) The assessee must have lived for at least 182 days in India during the previous year.

**OR**

b) The assessee must have lived for at least 365 days in 4 years preceding the previous year and at least 60 days in 4 years preceding the previous year.



## EXCEPTIONS TO THE BASIC CONDITIONS

1. If an assessee is an India citizen and goes aboard for the employment purpose or leaves the country as a member of crew of an Indian ship.
2. If an assessee is an Indian citizen or an Indian origin, living in a foreign country and comes to India on tour during the previous year.

In both these exceptional cases an assessee has to live for at least 182 days for satisfying the basic condition.

### ii) Additional Conditions

There are two additional conditions and assessee has to satisfy both of these conditions. These are :

- i) An assessee must have been assessed as resident for at least 2 out of 10 years preceding the previous year.

**AND**

- ii) An assessee must have lived for at least 730 days out of 7 year preceding the previous years.

**Thus on satisfying any of the two basic conditions and two additional conditions an individual assessee can be termed as "ordinary resident".**

- 2) **Not Ordinarily Resident:** If an assessee satisfies the basic condition but fails to satisfy the two additional conditions, then he will be assessed as "not ordinarily resident".
- 3) **Non Resident:** If an assessee fails to satisfy even the basic condition, then he will be assessed as "non resident".

### Hindu Undivided Family (H.U.F.)

- 1) **Resident :** An HUF will be assessed as resident in India if :
  - a) Management and control of the business is wholly/partly situated in India.

**AND**

  - b) "Karta" of the HUF satisfies the two additional conditions.
- 2) **Not Ordinarily Resident :** An HUF will be assessed as NOR if:
  - a) Management and control of the business is wholly/partly situated in India

**BUT**

  - b) Karta of HUF does not satisfy the two additional conditions.
- 3) **Non Resident:** An HUF will be assessed as non resident if control and management of the HUF is wholly situated outside in India.

### FIRM OR ASSOCIATION OF PERSONS

- 1) **Resident :-** A firm or an AOP will be assessed as Resident of India if its control and management is wholly/partially situated in India
- 2) **Non Resident :** A firm or an AOP will be assessed as non resident in India if it is wholly/partly controlled and managed from outside India.

### COMPANY

- 1) **Resident :** A company will be assessed as resident in India if :
  - i) It is an Indian Company

**OR**

  - ii) It is controlled and managed wholly within India.
- 2) **Non-Resident :** A company which is neither an Indian company nor it is wholly/partly controlled and managed from outside India, is called as non-resident.



## RESIDENTIAL STATUS AND TAX INCIDENCE (LIABILITIES)

Tax liability of an assessee depends upon the residential status on which income he is liable to pay tax and which incomes are not taxable for him, for determination of this matter, now we have to understand the relationship between residence and tax liabilities :

- a) Tax liability of **Resident**
  - i) Income received or deemed to be received in India.
  - ii) Income accrued or deemed to be accrued in India.
  - iii) Income received or accrued outside the India
- b) Tax liability of **Not ordinarily resident:**
  - i) Income received or deemed to be received in India.
  - ii) Income occurred or deemed to be accrued in India.
  - iii) Income business situated outside India but controlled and managed from India
- c) Tax liability of **non residents:**
  - i) Income received or deemed to be received in India
  - ii) Income occurred or deemed to be accrued in India.

## INCOME WHICH DOES NOT FROM PART OF TOTAL INCOME

### EXEMPTED INCOME

Section -10 of Income Tax Act laye down income which is totally or partially exempted from tax-

#### A. EXEMPTED INCOME FOR ALL ASSESSES

1. Agricultural Income Sec. 10(1)
2. Share of income from partnership firm Sec. 10 (2A)
3. Share of HUF Income Sec. 10(2)
4. Scholarships – Sec.10(16)
5. Income as divided Sec. 10 (34 & 35)
6. Capital gain on transfer of u/s 64 (Sec. 10 (33)
7. Allowance of M.P./MLA Sec. 10 (17)
8. Award / reward Sec. 10 (17A)
9. Pension to gallantry award winner Sec. 10(18)
10. Family Pension received by the family members of armed forces Sec. 10(19).
11. Capital gain on compulsory acquisition of urban Agriculture land Sec. 10(37)
12. Interest on notified Government Securities Sec. 10(15)
13. Income of minor child which is clubbed Sec. 10(32) [Up to 1,500/- per child]
14. Compensation under Bhopal Gas Leak Disaster Sec. 10(10BB)
15. Income of subsidy from Tea Board Sec. 10(30)
16. Income of schedule Tribe members Sec. 10(26)
17. Amount received under a life Insurance Policy Sec. 10(26)
18. Income of subsidy from Rubber Board/Coffee Board /spices board / any other notified Board Sec. 10(31)

#### B. EXEMPTED INCOME FOR EMPLOYEES

1. House Rent Exempted upto a certain limit Sec.10(13A)
2. a) Gratuity, Commuted pension, leave encashment to Government employees is fully exempted Sec. 10(10)
  - b) Gratuity, leave encashment, commuted pension to non-government, employees is exempted up to a certain limit.
3. a) Commutation of pension received by an employees pension for government employees, fully exempted Sec. 10(10A)



- b) Pension for non-government employee exempted upto certain limit.
4. Leave travel concession in India Sec. 10(5)
- Actual Amount Received or  
Amount Prescribed or  
Amount Actual Spent } Which ever is less
5. Amount received as leave encashment on retirement Sec.-10 (10AA)
- a) Central/State Government Employee – Fully Exempted
  - b) Other Employee exempted upto certain limit
6. Compensation on retrenchment Exempted upto certain limit. Sec.10(10 B)
7. Allowance or perquisite outside India Sec 10(7)
8. Allowance/perquisite paid outside India by Indian Government is exempted.
9. Provident fund Sec. 10(11)
- a) P.F. received from Recognised P.F. fully exempted
  - b) P.F. received from unrecognised P.F. Taxable
10. Superannuation fund Sec. 10(13)
11. Voluntary retirement Scheme Sec. 10(10c) (Amount received by this scheme is exempted upto 5 lakh.)
12. Tax on perquisite paid by the employer is exempted Sec. 10 (10 CC)
13. Special Allowance Sec. 10 (14)

### C. EXEMPTED INCOME FOR INSTITUTIONS

1. Income of scientific research association Sec. 10(21)
2. Income of Hospitals and Educational Institution association Sec. 10 (23C)
3. Income of political party Sec. 13 (A)
4. Income of employee's welfare fund Sec. 10 (23AAA)
5. Income of news Agency Sec. 10 (22B)
6. Income of Professional institutions Sec. 10 (23A)
7. Income of Regimental Fund of the Armed forces Sec. 10(23AA)
8. Income of Khadi/Village industrial Sec. 10(23B)
9. Income of Khadi Board Sec. 10(23BB)
10. Income of statutory bodies Sec. 10 (23 BBA)
11. Income of pension fund (Set up by LIC) Sec. 10 (23AAB)
12. Income from mutual fund Sec. 10 (23D)
13. Income of Registered Trade unions Sec. 10 (24)
14. Income of local authorities Sec. 10(20)
15. Income of Co-operative Societies for Scheduled castes/Tribes Sec. 10 (27)
16. Income of the SAARC fund for regional Project Sec. 10(23BBC)
17. Income of a corporation promoting the interest of a minority community Sec. 10 (26BB)
18. Income of certain national funds Sec. 23 (c)
19. Venture capital fund/Company Sec. 10 (23F)
20. Income of the European Economic Community Sec. 10 (23BBB)

### D. EXEMPTIONS FOR NON-RESIDENT /FOREIGN CITIZEN

1. Interest received on securities.
2. Interest received by "non-resident(External) Account"
3. Interest from notified central Government if such certificates are subscribed in foreign currency.
4. Remuneration received by foreign diplomats.
5. Salary received by foreign citizen in India/by non-resident foreign citizen/by an employee being a foreign national.
6. Tax paid by Government/Indian concern in case of non-resident/Foreign company.



7. Income arising to notified foreign companies projects connected with security of India.
8. Foreign allowance granted by the Indian government to its employee posted abroad.
9. Remuneration received from foreign government by an individual who is in India in connection with any sponsored Co-operative technical assistance programme.
10. Remuneration received by non-resident consultants and their foreign employers.

**E. EXEMPTIONS FOR OTHERS**

1. Exemptions for newly established industrial undertaking in free trade zones Sec. 10 (A)
2. Exemptions for newly established industrial undertaking in special Economic Zone Sec. 10 (AA) after 31<sup>st</sup> March, 2005
3. Exemptions for newly established industrial undertaking Hundred percent export oriented undertakings Sec. 10(B)
4. Deduction in respect of export of artistic hand made wooden articles section 10 (BA)
5. Income exempted of charitable/Religions trusts Sec.-11



Income from Salary
Computation of Income from Salary
Assessment Year 2017-18

Table with columns for item description and numerical values. Rows include Cash Receipts (Salary, Bonus, Commission, Allowances, Advance Salary, Arrears of Salary), Deductions (Employer's Contribution in R.P.F., Interest on R.P.F., Perquisites like Rent free house, Medical facility, Motor car, Education facility), and Deductions u/s 16 (ii) and (iii). Total Gross Salary and Taxable Salary are also shown.

Deduction from Gross Salary

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

Salary = Basic Salary :-

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

(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.  $100 \times 2 \times 12 = \text{Rs. } 2,400/-$
- 2) Hostel allowance :-** Exempted up to Rs. 300/- P.M. per child for maximum 2 children i.e.  $300 \times 2 \times 12 = \text{Rs. } 7,200$
- 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. 1600 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.
- 6) Running allowance for employees of Transport undertakings**

70% of allowance received  
or  
Rs. 6,000/- P.M. } Whichever is less is exempted



**7) House Rent allowance:-**

Salary = Basic Salary + D.A. Under the terms + Commission at fixed percentage

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

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

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

**Rules Regarding Retirement**

**1. Monthly Pension - Fully Taxable**

**2. Computed Pension -**

(A) Government employee - Fully exempted

(B) Other employee

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



(ii) If employee is not getting the gratuity – ½ of the total Pension will be exempte

3. Gratuity -

(A) Government employee - fully exempted

(B) Employee covered under gratuity payment 1972

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

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

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

(C) Employee not covered under Gratuity payment Act 1972

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

Gratuity received	-----		
Less :-			
1. Gratuity received	-----	} Whichever is less	(-) -----
2. <u>No. of Completed year x Preceding 10 month average salary</u> -	-----		
3. Maximum limit Rs. 10,00,000	-----		
<b>Taxable Gratuity</b>			-----

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



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

(A) Government employee – Fully exempted

(B) Non Govt. employee –

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

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

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

**(5) Compensation on Retrenchment**

Salary = Basic salary + Allowances Taxable + All taxable perquisites

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

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

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

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

(i) Employer's share with interest will be taxable in the head of salary

(ii) Interest on employee's share will be taxable in the head of other sources.



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 2017-18

Table with 2 columns: Description and Amount. Rows include Gross Annual value of self-occupied house (NIL), Less: Interest on loan (Rs. 30,000/ Rs. 2,00,000), and Income from House Property.

2. Let-Out House:

Computation of Income from House Property
Assessment year 2017-18

Table with 2 columns: Description and Amount. Rows include Gross Annual Value, Less: Municipal Taxes, Net Annual Value, Less: Deduction u/s 24 (Standard deduction and Interest on loan), and Income from House Property (Taxable).

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

Table with 2 columns: Fraction and Description. Rows show 2/3 Self-occupied and 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:

Table with 2 columns: Fraction and Description. Rows show 2/3 Self-occupied and 10 months Let out, followed by 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

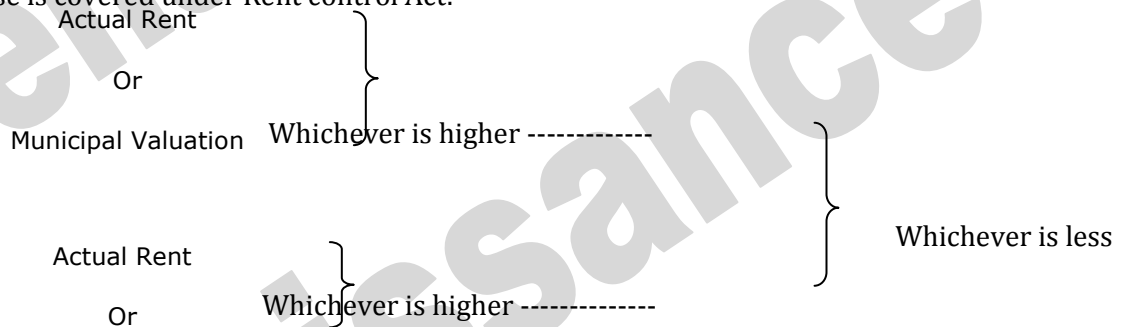
It is been calculated on 2 basis:

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

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



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



NOTES:

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

2. Municipal Taxes/ Local Taxes:

Municipal taxes are deducted on “Payment Basis”. It means that the whole amount of taxes paid during the previous year 2016-17 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.
3. Taxes must be paid on or before last day of the previous year
4. **Standard Deduction:** 30% of Net Annual Value
5. **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
- II. 1/5<sup>th</sup> of interest for construction period.

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

Deduction of interest on loan will be allowed as under:

- a. Let-out house: The whole amount of interest will be deductible.
- b. Self-Residential house:  
Maximum Rs. 30,000 or Rs. 2,00,000 (Whichever is less).

**NOTE:**

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

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

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

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

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

In the case of an assessee who owns only one house property which is kept vacant as he has to reside at some other place in a building not belonging to him due to his employment, profession or business, the annual value will be taken as nil. Deduction u/s 24 shall be allowed only in respect of interest on loan borrowed upto Rs. 30000. Where the property is acquired or constructed out of loan borrowed on or after 1-4-99, interest in respect of such property shall be allowed upto Rs. 1.5 Lacs.

**House acquired or transferred during the year**

If the house is acquired or completed during the year then annual rental value will be determined from the date of completion or acquisition to 31<sup>st</sup> March. For example a house is completed on 1.8.2011 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 1<sup>st</sup> April to date of transfer.

**Rent received after deduction of Tax**

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

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

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.

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**Computation of Income from Business Assessment Year 2017-18**

<b>Net profit as per P &amp; L a/c or surplus as per income &amp; exp. a/c</b>	
Add- Disallowed expenses & Losses debited to P&L A/c:	
1. Household expenses/ Personal expenses	
2. Life insurance premium	
3. Int. on capital	
4. Income tax & wealth tax	
5. capital expenditures & capital losses/ Speculations	
6. Fees & penalties (except penalty in the form of interest for late payment of sales tax)	
7. Reserves & provisions (except prov. For payment of excise duty)	
8. Capital expenditure on advertisement expenses new sign board.	
9. Adv. In souverior of political party.	
10. Donation to political parties	
11. Charities & donation (except compulsory subscription for business)	
12. Personal gifts & presents	
13. Cash payment exceeding Rs. 20,000 of the whole amt. will be disallowed. (Payment will be disallowed w.e.f. 01-04-2017 Rs. 10,000)	
14. Payment outside India without TDS	
15. Excess payment to relatives	
16. Excess dep. Charged in P & L a/c	
17. Irrelative exp. Of business	
18. Fringe benefit tax (FBT)	
19. Securities transaction tax (STT)	
20. Income tax on perquisites	
21. valuation of closing stock	
22. Exp. On intangible assets like patents copyright, know how etc. (25% dep. allowed on it)	
23. Preliminary expenses (4/5th disallowed)	
24. Exp. On prospecting of minerals (9//10 disallowed)	
25. Exp. On family planning program	(+) -
26. Provision for Gratuity [u/s 40 A (7)]	
<b>Total</b>	
-	
Less- Allowed expenses and allowances which are not debited to P&L A/c wholly/partly for instance depreciation:	
1. Allowed bad debts	
2. Allowed depreciation	
3. Any other allowed expenses	(-) -
4. Banking cash transaction tax	
Less : Income not related to business but credited to P&L A/c:	
1. Rent from house property.	
2. Selling price/profit from sale of assets.	
3. Interest and dividend	
4. Int. on post office savings a/c	
5. Income tax refund	
6. Agricultural income	
7. Bad debts recovered which were previously disallowed as bad debts	
8. Personal/ Family Gift	(-) -
Add : Add- deemed income which are not recorded in the books:	
(+)-	
<b>Taxable Income from Business/ Profession</b>	
-----	



**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%

1. Expenditure on scientific research: Every amount of such expenditure, whether it is capital or revenue, will be fully allowed. (Sec. 35)
2. Contribution to national laboratory: Weighted deduction of 200% will be allowed. [Sec. 35(2AA)]
3. 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.
4. Preliminary Expenses: They are allowable in 5 equal annual installments. It means that every year, 1/5<sup>th</sup> will be allowed & 4/5 disallowed. (Sec. 35 D)
5. Expenditure on prospecting of minerals: Allowable in 10 equal annual installments i.e. every year 1/10<sup>th</sup> allowed and 9/10<sup>th</sup> disallowed. (Sec. 35 E)
6. 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)]
7. Payment for rural development program: This expense will be allowed fully only when the payment is made to an approved institution. (Sec. 35 CCA)
8. Security, transaction Tax
9. Other deduction (Sec 36) Insurance Premium, Bonus Bad Debts, Commission, Interest on capital, Contribution to P.F./ Gratuity fund
10. Tea, coffee & rubber Development Account (Sec. 33AB)
11. **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 Defense 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

### Computation of Income Relating to specific Business

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

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

1. Gross receipts not more than Rs. 1 Crore (Paid/ Payable)
2. Deemed profit equal to 8% of the gross receipts paid/payable in previous year
3. Deductions of business head not allowed
4. Maintenance of books and audit is not compulsory
5. In case if the profit is less than 8% provisions of sec. 44AD shall not apply where the assessee claims and produces evidence to prove this then the Assessing officer shall proceed to make an Assessment of the total income/loss and determine the sum payable by the assessee. Assessee has to keeps and maintains such accounts Books and other documents as required u/s 44 AA & furnishes a report of such audit as required u/s 44AB.
6. The Assessee will entitle for deductions u/s 80 c to 80 u against GTI.
7. If the assessee is a firm the salary and interest paid to its partners shall be deducted from their income computed u/s 40 (b)

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

1. In case of an assessee who owns not more than 10 (at any time in the Previous year) goods Carriages
2. Estimated profit on heavy goods vehicle shall be an amount equal to Rs. 5,000 per month and profit on other than heavy goods vehicle (medium & light goods vehicle) shall be an amount equal to Rs. 4,500 per months.
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 keep and maintain 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)

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## 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

} - 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 depreciation has been allowed under the Income Tax Act, whether depreciable asset held by the assessee more or less 36 months.
- (iii) Any other asset which is held by the assessee for not more than 36 months, e.g., land, building, precious metals, jewellery etc.

### Long term capital asset

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



**Computation of Short term capital gain/loss (For the Assessment Year 2017-18)**

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 2017-18)**

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 01.04.1981 by the Assessee

$$\text{Index Cost} = \frac{\text{Original Cost or fair market value on 1.4.1981 (which ever is more)} \times \text{Index for the current year}}{\text{Cost inflation Index for 1981-82 (100)}}$$

(ii) If assets acquired on 01.04.1981 or after by the Assessee

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

**Note:-** If the property is acquired before 1.4.81 then index for 1981-82 will be taken as index for the base year.



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

Formula:-

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

**Note:-** Improvement cost incurred before 1.4.81 is not considered. It should be ignored. Only cost of improvement will be considered which is related after 31.3.81.

**Exemption of Capital Gains**

Exemptions are of two types

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

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

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

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



$\frac{\text{Net consideration}}{\text{Net consideration * capital gain}} =$	
--	--

### Important Points

- Personal effect (clothing, furniture, utensils, vehicles etc.), Rural agricultural land, stock-in-trade, Gold Bonds, are not covered under the identification of "Capital Asset". So, profit or loss arising from the transfer of such assets is not noticeable.
- Depreciable assets will be treated as short-term asset even if such asset is held by the assessee for Less than or more than 36 months.
- Indexed cost will not be allowed for the following long-term assets-
  - (i) Securities, Bonds, Units and debentures of company.
  - (ii) Listed shares of an Indian company sold outside Stock Exchange and the assessee want to pay tax @ 10% for long term capital gain instead of 20%
  - (iii) Non-resident assessee opts taxation u/s 115C to 115I in respect of foreign exchange assets.

### 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, 1981**

The cost of actualisation will be taken-

Actual Cost of original shares

or

market value on 1.4.81, whichever higher is cost

**2. If the original shares acquired after 1 April, 1981**

Cost of actualisation will be actual cost

**3. If the bonus shares acquired before 1st April, 1981**

Cost of Bonus Shares – Market value on 1 April, 1981

**4. If the Bonus shares acquired after 1 April, 1981**

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 (ii.) Dividend from units (iii.) Dividend from non domestic company or co-operative society	Exempt Exempt Taxable as it is
2.	Interest on securities	
	(i.) Interest on tax free Govt. securities (ii.) Interest on less tax Govt. securities (iii.) Interest on commercial securities	Exempt Taxable as it is
	(a) If gross interest is given (b) If interest is given net and amount is more than Rs. 5,000 on listed debentures (c) Interest on tax free commercial securities (i) Listed debentures of a company  (ii) Unlisted debentures of a company  (d) Interest on Semi Govt. securities	Taxable as it is $\frac{\text{Int.} \times 100}{90}$ Gross  $\frac{\text{Int.} \times 100}{90}$ Gross  $\frac{\text{Int.} \times 100}{90}$ Gross  Gross Interest taxable
3	Interest on Bank Deposit - up to Rs. 10,000 If interest is more than 10,000 and given net, such amount will be grossed up.	Taxable as it is $\frac{\text{Int.} \times 100}{90}$ Gross
4	Co-operative interest and dividend	Taxable as it is
5	Interest on company deposits or firm's deposits (i) If interest amount is upto Rs. 5,000 (ii) If net interest is more than Rs. 5,000	Taxable as it is $\frac{\text{Int.} \times 100}{90}$ Gross
6	Lottery (a) If the prize amount is given and (b) If net amount is given and such amount is more than Rs. 5,000	Fully taxable $\frac{\text{Net amount} \times 100}{70}$
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, plant 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.  <b><u>Less : Deduction allowed (above mentioned incomes)</u></b> (i) Interest Collection charges (ii) Interest on loan (iii) Any expenditure which is incurred by the assessee to earn such income	Fully taxable .....  Actual amount Actual amount Actual amount

### Calculation of Income from Sub-tenant

rent received from sub-tenant		.....
Less – Expenses allowed :		
(i) Rent paid by the assessee for the part which is sub let out	.....	
(ii) Repairs and other expenses paid by the assessee regarding such part	.....	(-).....
Income from sub tenant		.....

### Set off and Carry Forward of Losses

Set off and Carry Forward of Losses: Chart		
Heads of Income	Set off of Losses during current previous years	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 upto 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” upto subsequent 8 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” upto 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’ upto subsequent 8 assessment years.
5. Long term capital	Only against long-term capital gain.	Only against long-term ‘Capital



loss		gains' upto subsequent 8 assessment years.
6. loss from the activity of owning and maintaining horse race	Only against income from the activity of owning and maintaining horse race.	Only against income from the activity of owning and maintaining race horses upto 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.

**Chart : Deducting from Gross Total Income**

Section	Name of deduction	Eligible person	Rate of deduction
<b>80C</b>	Contribution or payment for Life insurance, SPF, RPF, PPF, NSC, Mutual Fund, repayment of house loan, tuition fee etc.	Individual and HUF	Aggregate maximum deduction allowed u/s 80C, 80CCC and 80CC Rs. 1.5 Lac.
<b>80CCC</b>	Contribution to LIC pension fund (max. Rs. 1 Lac)	Resident individual	
<b>80CCD</b>	Contribution to pension fund employee's and Govt. or employers Contribution. (up to 10% of salary of each)	Central Govt. or other employee appointed on/or after 01.01.04	
<b>80D</b>	Medical Insurance premium	Resident Individual or HUF	(i) Self, spouse and children Rs. 25,000 (ii) Parents-maximum Rs. 25,000 (iii) Family member of HUF Rs. 25,000. <b>Add-</b> In case senior citizen up to Rs. 5,000 extra for (i),(ii) &(iii)
<b>80 DD</b>	Treatment and deposits for disable dependent	Resident individual & HUF	Fixed deduction Rs. 75,000 (Rs.1.25 Lac in revere case)
<b>80DDB</b>	Expenditure on serious diseases	Resident individual or HUF	Actual expenditure or maximum Rs. 40,000
<b>80 E</b>	Payment of interest of higher education loan	Individual	Actual amount of interest
<b>80G</b>	Donation to Funds or Charitable institution	Every person	50% or 100% of donation as per provisions
<b>80GG</b>	Rent paid	Individual	(a) Excess rent 10% of toatal income (b) 25% of total income (c) Rs. 2,000 p.m. Whichever is less.



<b>80GGA</b>	Donation for Scientific research	Every person who has no income from business	100% of contribution
<b>80GGB &amp; GGC</b>	Contribution to political party	Company, firm, HUF, individual etc.	100% of contribution
<b>80IA</b>	Infrastructure undertakings  Power, Industrial park	Company  Every person	100% of profit (10yrs.)  100% (10 yrs.)
<b>80IB</b>	New undertakings established during prescribed date	Every person	Company 30% other 25% for 10 years
<b>80JA</b>	Bio degradable waste business	-do-	100% of profits
<b>80JAA</b>	Employment of new workmen	Indian company	30% of additional wages
<b>80 QQB</b>	Royalty income of authors	Resident	Actual Royalty or maximum Rs. 3 Lac
<b>80 TTA</b>	Savings bank interest	Individual and HUF	Actual interest or 10,000 whichever is less Fixed amount
<b>80U</b>	Person with disability	Individual	Fixed amount Rs. 75,000 revere disability Rs. 1.25 Lac.



**UNIT-II**

**Computation of Total Income of an individual assessee  
Assessment year 2016-17**

<p><b>I. Income from Salaries</b>            (a) Basic salary, bonus, commission, D.A. and other taxable allowances.            (b) Taxable perquisites (House, Gas-electric, servants etc.)            (c) Any other receipt from employer</p> <p><b>Gross Salary</b></p> <p><b>Less- Deduction u/s 16</b>            (1) Entertainment allowance (Govt. employee up to 5,000, Non-Govt.-Nil)            (2) Professional tax (actual amount) paid during the previous year 2012-13</p>	<p>.....            .....  <b>Gross Salary</b> .....            .....            .....            .....            (-) .....            .....</p>	<p>.....            .....            .....            .....            (-) .....            .....</p>	<p>.....            .....            .....            .....            .....            .....</p>
<p><b>II. Income from house property</b>  <b>(a) Let out properties :</b>            Annual Rental Value municipal value for fair rent or actual rent whichever is more  <b>Less- Municipal Tax paid</b></p> <p><b>Less- Deductions :</b>            (i) Standard Deduction @ 30% of A.V.            (ii) Interest on loan (paid or due)</p> <p><b>(b) Self- occupied house</b>            Annual rental value  <b>Less- Deduction for interest on loan if the loan</b>            Is obtained-            (a) Before 1.4.99- Actual interest or Rs. 30,000, whichever is less.            (b) After 31.3.99- Actual interest or Rs. 2 lac, whichever is less            (c) Loan for repair or renovation – Actual interest or Rs. 30,000 whichever is less</p>	<p><b>Annual value</b></p> <p>.....            (-) .....            .....            .....            (-) .....            .....</p>	<p>.....            (-) .....            .....            Nil            (-) .....            .....</p>	<p>.....            .....            .....            Nil            .....            .....</p>
<p><b>III. Income from business or profession</b>            Net Profit or surplus  <b>Add- Disallowed expenses recorded in P&amp;L account i.e., any type of reserve, donation, capital expenditure, personal expenses, Income Tax etc.</b>  <b>Less- Allowed expenses which are not Included in the books, e.g. allowed</b></p>	<p>.....            .....            .....            .....            .....            .....</p>	<p>.....            .....            .....            .....            .....            (+) .....</p>	<p>.....            .....            .....            .....            .....            .....</p>



depreciation, bad debts etc. <b>Less-</b> Other incomes which are credited to P. & L. account but not related to business, e.g., house rent, interest, dividend, capital receipts etc.		(-) .....	
		(-) .....	.....
<b>IV. Capital Gains</b> <b>(a) Short term capital gains</b> (shares, securities etc. up to 12 months and other assets upto 36 months) Sales consideration n <b>Less-</b> (i) Cost of acquisition ..... (ii) Cost of improvement ..... (iii) Transfer expenses .....		..... ..... (-) .....	
<b>(b) Long term capital gains</b> (shares, securities etc. more than 12 months and other assets more than 36 months) Sales consideration <b>Less-</b> (i) Index cost of acquisition ..... (ii) Index cost of improvement ..... (iii) Transfer expenses .....		..... ..... (-) .....	
<b>V. Income from other sources</b> Interest on Govt. securities, bank interest, other Interest, royalty, fees, subtenant income etc.			
<b>Gross Total</b>			.....
<b>Income</b>			

**Tax rates for individual**

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

**Resident senior citizen Assessee** (Whose age is 60 year or more but less than 80 years) Male or Female

Income	Tax Rate
On First Rs. 3,00,000	-
On Next Rs. 3,00,001 to 5,00,000	10%
On Next Rs. 5,00,001 to 10,00,000	20%
On above 10,00,000	30%

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

Income	Tax Rate
On First Rs. 5,00,000	-
On Next Rs. 5,00,001 to 10,00,000	20%
On above 10,00,000	30%



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**UNIT-III**

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

Computation of Total Income of HUF

Assessment Year 2016-17

<b>1) Income from House Property</b>		
A) Self occupied House :-		
Gross Annual Value	Nil	
(-) Interest on loan [30,000/1,50,000]	(-) -----	-----
Income from S.O. 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 L.O. House	-----	-----
<b>Income from House property (Taxable)</b>		-----
<b>2) Income from Business</b>		
Net profit as per P & L A/c		-----
(+) Items disallowed		(+)-----
Total		-----
(-) Items allowed but not debited in P & L A/c		-----
Balance		-----
(-) Income not taxable under business head		(-)-----
Income from Business (Taxable)		-----
<b>3) Income from Capital Gains:-</b>		
A) Short - Term		
Sale Consideration		-----
(-) Selling Expenses -----		
Cost of Acquisition -----		
Cost of Improvement -----	(-)-----	
<b>S.T.C.G.</b>		-----
B) Long Term		
Sales Consideration		-----
(-) Selling Expenses -----		
Indexed Acq. Cost -----		
Indexed Imp. Cost -----	(-)-----	
<b>L.T.C.G.</b>		-----
<b>Income from Capital Gains (Taxable)</b>		-----
<b>4) Income from other sources:-</b>		
(i) Dividend [Exempted u/s 10(34)]		
(ii) Interest on Government Securities		-----
(iii) Director's fees or remuneration as uD		-----
[If appointed due to holding of HUF]		-----
(iv) Lottery [If ticket is purchased in the		



name of HUF]		-----
<b>Income from O.S. (Taxable)</b>		-----
<b>Gross Total Income</b>		-----
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		-----
<b>Total Income</b>		-----

**Tax rates for individual**

(A) Tax @20% on LTCG		.....
(B) Tax @30% o casual Income		.....
(C) Tax on other incomes		
First 2,00,000	NIL	
On Next Rs. 3,00,000 (2,00,001-5,00,000)	10% .....	
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 2,00,000	NIL
On Next Rs. 3,00,000 (2,00,001-5,00,000)	10%
On Next Rs. 5,00,000 (5,00,001-10,00,000)	20%
Above Rs 10,00,000	30%

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

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



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

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

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

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

**Chart : Computation of Total Income of Partnership Firm  
Assessment year 2017-18**

<b>I. Income from house property owned by firm</b>		
<b>(a) Let out properties :</b>		



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

**Importance point should be kept in view**

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

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

or

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

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

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

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

**Tax payable by the Firm (A.Y.2017-18)**

- 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-IV

### 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) Any body 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 (16.995% 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 with in 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 1<sup>st</sup> April 2007.
  5. **Deduction in respect of profits and gains from certain Industrial undertakings-Sec.80IB**  
Where the gross total income of an assessee includes any profits and gains derived from any business (List given ahead) shall be allowed in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to such percentage and for such number of assessment year as discussed ahead.



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

UNDERTAKING	PERIOD WHICH PRODUCTION STARTED OR STARTS	COMPANY (Rate and period of deduction on profits)
1. Industrial undertaking in J & K	1.4.93 to 1.3.12	First five years 100% Next five years-30%
2. Scientific research and development company	1.4.2000 to 31.3.2005	First five years 100%
3. Production or refining of mineral oil	1.4.1997 or onwards	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 2005-06	5 years 100% next 5 years 30%

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

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

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



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



**Chart- Computation of Total Income of Company  
Assessment year 2017-18**

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

**Tax Rates for the Domestic companies for the A.Y. 2017-18**

- |  |     |
|--|-----|
| (1) Tax on company's total income (general)  | 30% |
| (2) Tax on company's long-term capital gains   | 20% |
| (3) Tax on short-term capital gains shares<br>Sold through stock exchange and Securities<br>Transaction tax paid (Sec. 111A) | 15% |

**Add: Surcharge-**

- |   |        |
|---|--------|
| (i) If the company's total income is not more than Rs.1 crore                     | Nil    |
| (ii) If the company's total income is more than<br>Rs. 1 crore but up to 10 crore | 7%     |
| (iii) If total income is more than 10 crore.                                      | 12%    |
| <b>Add :Education cess @ 3% on tax payable</b>                                    | +..... |



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

**Add:** divided tax on distributed or declared amount @ 20.35765% .....

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

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

.....

**= Tax payable by the company**



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