



SYLLABUS

B.Com & BBA II Year

Subject – E-Filing Tax Return

UNIT-I	Introduction of E-Filing: 1) Meaning of e filing 2) Difference between e filing and manual filing of returns 3) Benefits and limitations of e filing 4) Types of e-filing
Unit-II	Introduction to Income Tax: 1) Basic terminology 2) Types of assesses 3) income taxable under different heads 4) Basics of computation of total income and tax liability 5) Deductions available from gross total income 6) Application for PAN card 7) Due date of filing of income tax return
Unit-III	DS and E Filing of TDS Return: 1) introduction to TDS 2) provisions relating to advance payment of tax 3) schedule for deposit of TDS 4) schedule for submission of TDS returns 5) prescribed forms for filing TDS return
Unit IV	Introduction to GST Concepts and returns: 1) Output tax liability of CGST, SGST, UTGST, IGST, compensation cess 2) GST Network 3) Input tax credit and its utilization 4) Composition supplier 5) Schedule for payment of GST 6) GSTR 1,2,3 and 3B



UNIT – I

E-FILING OF INCOME TAX RETURN

Every assessee is required to file Income Tax Return (ITR) on annual basis in prescribed manner and form. Before implementation of e-filing system an assessee submitted his Income Tax Return manually through fillup printed form and deposit it Income Tax department personally. Now generally e-filing of TTR system is applicable for type of assessee. The process of electronically filing income tax return through the internet is known as e-filing.

MEANING OF E-FILING

Income tax e-filing refers to the process of submitting income tax return (ITR) online to Government tax authorities in the prescribed format. Income tax e-filing is safer, simpler and quicker than visiting the Income Tax Office to file your returns. Under existing income tax rules in India, e-filing is currently mandatory for most tax assesseees and replaces the earlier paper-based system of filing ITR

- (1) Electronic filing is the process of submitting tax returns via the internet.
- (2) It's available from professional tax preparers, through guided preparation software that has been pre approved by the internal Revenue Service (IRS) or free fillable forms on the IRS site.
- (3) It allows taxpayers to file taxes online at their convenience and speeds up refunds while reducing errors.

Electronic Filing (e-File) Options

A taxpayer has the option of filing the return using any tax preparation software with e-filing functionality or bring the services of tax professionals who use similar software. The IRS Free File site has a search feature to help taxpayers find an authorized e-filing provider in their area.

Currently, there are 3 ways to complete income tax e-filing in India:

- (1) On the official Income Tax e-Filing Website.
- (2) Through a registered online tax filing intermediary.
- (3) Through a TRP (Tax Return Preparer), CA (Chartered Accountant) or tax payer.

WHO CAN FILE ITR

The following types of assesseees can file their income tax return through E-filing mode.

- (1) Individual



(2) HUF

WHO CAN FILE ITR

The following types of assessee can file their income tax return through E-filing mode.

(1) Individual

(2) HUF

(3) Company/BOI/AOP/Firm/Trust/Local authority Artificial juridical person

(4) External Agencies

(5) Tax professionals-Chartered Accountants

(6) Tax Deductor and Collector

(7) Electronic Return Filing intermediaries.

Eligibility Criteria for Income Tax E-filing

It is now mandatory under Income Tax rules to complete income tax e-filing. The exceptions to mandatory filing by tax assessee are as follows:

(1) The income tax assessee is a HUF/individual with annual income from all sources (exempt or taxable) of up to 5 lakh.

(2) The Income tax assessee is 80 years of age or older (super senior citizen) for the Financial Year. In both the above cases, income tax returns can be either e-filed or filed using the applicable paper ITR form. Tax rates for the Assessment Year 2022-23

The following are the current rates of Income Tax for an individual, Hindu Undivided Family, firm, company and co-operative society for the Assessment Year

1ST STEP: TAX CALCULATION ON TOTAL INCOME OF INDIVIDUALS

1st step :

The following adjustments shall be done against tax calculated on total Income.

(i) Less- Tax rebate for A.Y. 2022-23 - Individual Assessee whose total income is up to 5 Lakh shall be entitled rebate (u/s 87-A) amounting up to 12,500 against tax calculated on total Income.

(ii) Add- Surcharge- Assessee whose total income is more than 50 Lakh shall be liable to pay surcharge on the tax calculated on taxable income at the following rates, if taxable income between (i) 50 Lakh to 1 crore - 10% (ii) 1 Crore to 2 crore- 15% (iii) 2 crore to 5 crore -25% (iv) In case of above 5 crore @ 37%.



IIIrd STEP:

Add: Health and Education cess: applicable for each category of assessee on tax calculated as prescribed rates on total income.

Health and Education cess @ 4% shall be added to tax calculated as above. Example: Assume that an assessee's normal taxable income is 5,70,000 and long term capital gain 65,000. His tax liability for the assessment 2021-22 shall be calculated as under-

Documents Required for E-Filing of Income Tax

You do not need to attach any documents with your ITR Form unless required to do so by order of the Income Tax Department. However, the taxpayer must keep some important documents ready with him/her for a smooth e-filing experience. Some key tax documents for easy income tax e-filing are as follows:

- (1) E-mail ID
- (2) Aadhar Number
- (3) PAN Number
- (4) Bank account details
- (5) Mobile or phone number
- (6) Form 16 (for salaried/pensioners)
- (7) Form 26AS
- (8) Profit and Loss Statement (for businesses/self employed)
- (9) All Investment documents (u/s 80C, 80D, 80E, 80G, etc.)
- (10) Home loan interest certificate etc.

How to e-File your Income Tax Return

In order to the income tax return for the current year, these steps are to be followed

1. Visit the Income Tax Department website [click here](#).
2. Register in case you are a new user or login if you already have an account.
3. In the 'e-File' drop-down menu, select Income Tax Return' option.

How to Register for e-filing on the Income Tax Website?

The following steps will help you register on the income Tax Department website.

- (1) Visit the Income Tax E-filing Portal.
- (2) Click on the 'Register' button located on the right hand side of the homepage.
- (3) Enter your PAN under Register as Taxpayer option and click on the Validate button.



- (4) On the Basic Details page, fill in all the mandatory details including your name, date of birth/incorporation, gender (in case applicable) and residential status as per your PAN and click on 'Continue'.
- (5) Once your PAN is validated, the Contact Details page appears in case of Individual taxpayers. Fill in details such as your primary mobile number, address, email Id and click on 'Continue'.
- (6) Two different OTPs are sent on the primary mobile number and email Id, Enter both the 6-digit OTPs and click on 'Continue'
- (7) Edit the details on the page if needed and click on 'Confirm'.
- (8) On the Set Password page, fill in your desired password in both the Set Password and Confirm Password text boxes. Enter your personalised message and click 'Register'.
- (9) Once you have successfully registered you can click on 'Proceed to Login' to start the login process.

How to Access your Account at Income Tax E-filing Login Portal

After registering yourself on the Income Tax E-filing Portal, you will be able to log in to your account. For income tax E-filing Login, follow these steps.

- (1) Visit the Income Tax E-filing Login Web page.
- (2) Click on 'Login' located on the right hand side of the home page.
- (3) Enter your User Id and password to login to your account

ADVANTAGES OF E-FILING OF INCOME TAX

The convenience and efficiency of e-filing have made it increasingly popular in recent years. E-filing speeds up tax refunds and helps to avoid delays.

Some of the key benefits of e-filing ITR include

- (i) Round the clock availability.
- (ii) Quicker turnaround time between submission and verification.
- (iii) Faster processing and credit of refunds.
- (iv) Greater accuracy of ITR filing due to automated forms.

E-filing of income tax returns has been made compulsory by the Government of India. The process is much easier compared to the earlier paper filing process. The advantages of e-filing of income tax are as follows:



1. Time Saving and easier: E-filing saves the tax agency time and money because it transmits a return's data directly to its computers, significantly reducing Input errors. Filing electronically with tax preparation software also helps to reduce taxpayer calculation errors and missing entries.
2. Reduce compliance burden: It will substantially reduce compliance burden on the assessee, enable safe storage and tracking of all e-submission made by the assessee and makes the entire process paperless,
3. Complete the task more swiftly with less congestion: Before the last date for filing income tax returns. If the user files it one or two months prior to this date, they can complete the task more swiftly with less congestion as servers tend to get overloaded when the final date approaches.
4. To keep record in effective manner: Online filing of tax returns helps the taxpayer to keep a record of all the financial transactions with the Income Tax Department in a more effective manner.

This record can act handy if the taxpayer wishes to carry out a business relation with any other organisation supporting such records in the future.

5. Anywhere Anytime Filing: E-filing system is more easy, fast and secure for tax payer and as well as Income Tax department.
6. Faster Refiling: Value added services like tracking of refunds 26AS View E mail, and sms alerts regarding status of processing and refunds.

Most taxpayers who e-file and provide direct deposit information can expect to receive any due refund within 21 days if there are no issues with their tax return.

7. Immediate Acknowledgment: 24/7 online service available on Income Tax Department web site.
8. Dedicated Helpdesk to Support the Queries of Assessee: e- proceeding is an electronic platform for conducting proceedings in an end to end manner.

All the notices intimations/letters from the department are made available under e- Proceedings where the assessee would be able to view and submit the response along with attachments by uploading the same on e-Filing portal

10. Acceptance or rejection notice in short time: Another benefit of e- filing is that the tax filer receives an acceptance or rejection notice within 48 hours. usually within 24 hours of transmitting the tax return. Acceptance is proof that the documents have been received and are in the system, while a rejection alerts the taxpayer that the return has not been accepted by the IRS.



The rejection notice will include information on what needs to be corrected on the return to make it so that it is acceptable. If you e-filed before the tax due date but are rejected after it, then there is five-day grace period for correcting and resubmitting your return. After that, you must send in a corrected paper return.

To avoid penal interest- If the taxpayer is unable to file income tax returns for the previous year, he is liable to pay penal interest for every extra day till the date when payment is paid. So, advance filing of income tax return saves you from the additional fine.

Limitations on E-Filing

- (1) The IRS recommends only taxpayers comfortable doing their own taxes e- file without help from a professional or tax preparation software.
- (2) IRS Free File is only available to returns for the most recent tax year. Prior year returns going back two years can still be filed electronically by registered tax preparers.
- (3) The IRS accepts e-filed returns for the most recent year until a November cutoff date typically announced in October, subject to the same timeliness rules as paper returns.
- (4) An electronic filing could be rejected over mistakes in entering a social security number or a payer's identification number, an omitted form or a misspelled name. Returns can typically be e-filed again once such errors are fixed. The IRS says if all else fails and the deadline looms, send in a paper return instead.



UNIT- II

Introduction 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 | 8. Separate Administration |
| 2. Direct Tax | 9. Distribution of Tax between Central and State Government. |
| 3. Tax on Taxable Income | 10. It is largest source of revenue. |
| 4. Progressive rates of Tax | 11. Tax for country welfare |
| 5. Scope of Taxation not only with individual but also with firm, company, HUF, Trust & Co-Operative Societies | 12. History of income Tax in India is about 150 years old. |
| 6. Tax Exemption limit | 13. Control on Income by Income tax |
| 7. Burden on Rich class persons | 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 in immediate vicinity of the agriculture land (ii) it is occupied by the cultivator or receiver 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.

Condition for Integration -

When the following two conditions are satisfied-

- (i) Non agricultural income of the assessee exceeds the maximum exemption limit which for the assessment year 2018-19 is Rs. 2.5 lakh in the case of an individual, Women and HUF in case of Senior citizen it will be Rs. 3,00,000 and Super senior citizen Rs. 5,00,000 instead of Rs. 2,50,000/-.
- (ii) Net agricultural income exceed Rs. 5,000

Procedure for computation of Tax-payable on non-agricultural income after Integration-

1. Aggregate the Agricultural income with non Agricultural income and determine the tax payable on such amount.
2. Aggregate the Agricultural income with basis exemption limit and determine the tax payable on such amount.
3. The difference between the tax computed in step (a) and step (b) will be the tax payable in respect of non-agricultural income.

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 : (2018-2019) [Section 2 9]]

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

5. PREVIOUS YEAR (Section 3) (2017-2018) [Section3]

Previous year means the financial year immediately preceding the assessment year e.g. for the assessment year 2018-2019 previous year will commence on 1st of April, 2017 and end on 31st March, 2018. Previous year for income tax purposes will be financial year which ends on 31st 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

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

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.

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 assesses 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 an 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.
- (vi) so, aggregate amount of income computed under the above 5 heads, after



- (vii) making adjustments of set off and carry forward of losses and clubbing of income is known as Gross Total Income (G.T.I.).

TOTAL INCOME

'Taxable income of an assessee is called Total Income. Income Tax Liability is Calculated on such income. It is computed as per provisions and rules of Income Tax.

As per Section 2 (45) " Total income means the total amount of income referred to in section 5, computed in the manner laid down in the Income Tax Act.

In other words, total income means the amount left after making the deductions under sections 80C to 80U from the gross total income.

Gross Total Income and Total Income at a glance

1. Income from Salary	.....
2. Income from House Property	.....
3. Income from Business/Profession	.....
4. Income from Capital Gain	.....
5. Income from Other Sources	.....
Less: Set off and carry forward losses	
Add: Clubbed income	.....
	Gross Total Income
Less: Deduction u/s 80C to 80U	(-).....
	Total Income

S.No.	Gross Total Income	Total Income
1.	Aggregate of various heads of income salary, house property, business/profession, capital gains and other sources is called gross total income.	After deducting deduction u/s 80C to 80U from Gross Total Income the remaining amount is called Total Income.
2.	Tax calculation is not done on Gross Total Income.	Tax calculation is done on Total income.
3.	Gross Total Income can remain more than or equal to total income.	Total income can remain less than or equal to Gross Total Income.
4.	Rounding off procedure does not apply.	Total income shall be rounded off to the nearest multiple of ten rupees.
5.	Due to exemption agricultural income shall not be included in Gross total income	Only for tax purpose, agricultural Income shall be added to Total income.



Tax rates for the Assessment Year 2019-20

The following are the current rates of taxation for an individual, Hindu, Undivided Family, firm, company and co-operative society for the assessment year 2019-20.

1st Step : Tax Calculation on total Income

NORMAL RATES OF INCOME TAX

Individual and HUF (less than 60 years)-

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

senior citizen (60 year or more but less than 80 years)

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

6. **Super Senior Citizen** (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%

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

8. **Domestic Company** –Domestic Company 30% flat rate on income, if income is more than Rs. 1 Crore then 7% Surcharge & 12% surcharge in case exceed of 10 Crore is also applicable on tax payable.

9. **Foreign Company** –Foreign Company 40% flat rate on income if income is more than Rs. 1 Crore then 7% Surcharge & 12% surcharge in case exceed of 10 Crore is also applicable on tax payable.

10. **Co-operative Society** –

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

11. **Tax Rate on special income-**

a. Long term capital gain	20% (Flat)
b. Short term capital gain (U/s 111A)	15% (Flat)
c. Income on lottery, horse race, Cross word Puzzle etc.	30% (Flat)



12. **Education Cess** – 3% Education Cess is applicable on taxable Income of all type of assessee but in case of company education cess is applicable after adding of surcharge (if any).

INCOME WHICH DOES NOT FROM PART OF TOTAL INCOME

EXEMPTED INCOME

Section -10 of Income Tax Act lay 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(10D)
18. Income of subsidy from Rubber Board/Coffee Board /spices board / any other notified Board Sec. 10(31)
19. Income from Sukanya Samriddhi Account – Sec. 10(11)A.

B. EXEMPTED INCOME FOR EMPLOYEES

1. House Rent Exempted upto a certain limit Sec.10(13A)
2. Gratuity :- Sec. 10(10)
 - a) Gratuity for Government employees is fully exempted
 - b) Gratuity for non-government, employees is exempted up to a certain limit.
3. pension Sec. 10(10A)
 - a) Pension for government employees, fully exempted
 - 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



Which ever is less
is exempted

Amount Actual Spent

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) for performing duty**

1	Travel/Tour Allowance	Actual Expenses Exempted
2	Daily Allowance	Actual Expenses Exempted
3	Conveyance Allowance	Actual Expenses Exempted
4	Helper Allowance	Actual Expenses exempted
5	Training Allowance	Actual Expenses exempted
6	Uniform Allowance	Actual Expenses exempted

14. compensatory allowances to Employee ---

1	Education Allowance	100/- Per month Per Child (for 2 child)
2	Hostel Allowance	300/- Per month Per Child (for 2 child)
3	Transfer Allowance	70% of Allowance Or 10,000 Rs. Per month } Whichever is less
4	Tribal Area Allowance	Up to 200 Rs. Per month
5	Field Area Allowance	Rs. 2,600 Per month
6	Composite Hill Compensatory Allowance	From 300 Rs. to 7000 Rs. Per month. according to place
7	Border/Remote area allowance	200 to Rs. 1,300 Per month. according to place
8	Allowance to workers of coal mines	Rs. 500 Per month
9	High Attitude allowance	Rs. 1060 to Rs. 1600 Per month
10	Highly Active field area allowance	Rs. 4,200 Per month
11	Modified field area allowance	Rs. 1,000 per month.
12	Counter Insurgency Allowance	Rs. 3,900 per month.
13	Transport Allowance	Rs.1600 per month (Rs. 3200 per month in the case of handicapped, blind or disabled employee) Upto 31/03/2018
14	Island (Duty) Allowance	Rs. 3,250 per month.

C. EXEMPTED INCOME FOR INSTITUTIONS

1. Income of scientific research association Sec. 10(21)
2. Income of employee's welfare fund Sec. 10 (23AAA)
3. Venture capital fund/Company Sec. 10 (23F)
4. Income of news Agency Sec. 10 (22B)
5. Income of Professional institutions Sec. 10 (23A)
6. Income of Regimental Fund of the Armed forces Sec. 10(23AA)
7. Income of Khadi/Village industrial Sec. 10(23B)
8. Income of Khadi Board Sec. 10(23BB)
9. Income of the European Economic Community Sec. 10 (23BBB)
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 political party Sec. 13 (A)
17. Income of the SAARC fund for regional Project Sec. 10(23BBC)
18. Income of a corporation promoting the interest of a minority community Sec. 10 (26BB)
19. Income of certain national funds Sec. 10 (23 c)
20. Income of Hospitals and Educational Institution association Sec. 10 (23C)
21. Exemption of income of Investor Protection Fund – Sec. 10 (23EA)
22. Income of Swachh Bharat Kosh and Clean Ganga Fund – Sec. 10 (23C)

D. EXEMPTIONS FOR NON-RESIDENT /FOREIGN CITIZEN

1. Interest received on prescribed 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 31st 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

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 assessees:

- 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 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 years 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

b)

BUT

c) 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 **ordinarily Resident**
 - i) Income received or deemed to be received in India.
 - ii) Income accrued or deemed to be accrued in India.
 - iii) Income from business outside but control by India.
 - iv) 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 of India**:
 - i) Income received or deemed to be received in India
 - ii) Income occurred or deemed to be accrued in India.
-



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

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

Actual Payment will be deductible.



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

Rules regarding partly taxable allowance

- 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. 800 P.M.
- 5) Composite hill compensatory allowance:-**
 - Manipur skim, u.p., H.P. and J & K where height is 9000 ft. and above Rs. 800 P.M. exempted
 - In Siachin area Rs. 7000 P.M. exempted.
 - Places located at a height of 1,000 meter or more above the sea level Rs. 300 per month.
- 6) Running allowance for employees of Transport undertakings**

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

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	
1) Refreshment facility	For all class of employers	For Specified employers
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 - $\frac{1}{3}$ rd of total pension will be exempted

(ii) If gratuity employee is not getting gratuity - $\frac{1}{2}$ th of total pension will be exempted.

3. Gratuity -

(A) Government employee - fully exempted

(B) Employee covered under gratuity payment 1972

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

Gratuity received	-----
Less :-	
1. Gratuity received	-----
2. $\frac{\text{Salary last drawn} \times \text{Service Year} \times 15}{26}$	-----
3. Maximum limit Rs. 10,00,000	-----
Taxable Gratuity	-----

Whichever
is less

(-) -----



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

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

(4) Earned Leave Salary:-

(A) Government employee – Fully exempted

(B) Non Govt. employee –

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

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

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

(5) Compensation on Retrenchment

Salary = Basic salary + Allowances Taxable + All taxable perquisites

Compensation received	-----	
Less :-		
1) Compensation received	-----	
2) Salary of 15/30 days on the completed year of service (under industrial dispute act 1947)	-----	
3) Maximum limit Rs. 5,00,000	-----	
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 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 31 st 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

Which ever is higher

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

Actual Rent
Or
Municipal Valuation
Or
Fair Rent

Which ever is higher -----

Actual Rent
Or
Standard Rent

Which ever is higher -----

Which ever is less

NOTES:

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

2. Municipal Taxes/ Local Taxes:

Municipal taxes are deducted on "Payment Basis". It means that the whole amount of taxes paid during the previous year 2017-18 will be fully deductible, doesn't matter to which year they 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:

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

NOTE:

If loan is taken before April 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:-



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

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

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

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

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

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



Income from Business/Profession

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

Meaning of Business- Sec. 2 (13)

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

"Profession" includes 'Vocation' Sec. 2 (36)

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

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

Profits and Gains of business/ Profession include-

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

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

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

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

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

Net profit as per P & L a/c or surplus as per income & exp. a/c	
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. 10,000 of the whole amt. will be disallowed.	
14. Payment outside India without TDS	
15. Excess payment to relatives	
16. Excess dep. Charged in P & L a/c	
17. Irrelative exp. Of business	
18. Fringe benefit tax (FBT)	
19. Securities transaction tax (STT)	
20. Income tax on perquisites	
21. Valuation of closing stock	
22. Exp. On intangible assets like patents copyright, know how etc. (25% dep allowed on it)	
23. Preliminary expenses (4/5 th disallowed)	
24. Exp. On prospecting of minerals (9//10 disallowed)	
25. Exp. On family planning program	
26. Provision for Gratuity [u/s 40 A (7)]	(+) -
Total	-
Less- Allowed expenses and allowances which are not debited to P&L A/c wholly/partly for instance depreciation:	
1. Allowed bad debts	
2. Allowed depreciation	
3. Any other allowed expenses	
4. Banking cash transaction tax	(-) -
Less : Income not related to business but credited to P&L A/c:	
1. Rent from house property.	
2. Selling price/profit from sale of assets.	
3. Interest and dividend	
4. Int. on post office savings a/c	
5. Income tax refund	
6. Agricultural income	
7. Bad debts recovered which were previously disallowed as bad debts	
8. Personal/ Family Gift	(-) -
Add : Add- deemed income which are not recorded in the books:	(+) -



Taxable Income from Business/ Profession	-----
--	-------

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

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

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

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

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

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

WDV on 1 st Apr. 09	.....
(+) Cost of new asset purchased	(+)
	Total
(-) Sales Price of the asset sold	(-)
WDV on 31 st 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



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

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

Deemed Profits (Sec 41)

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

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

Methods of Accounting (Sec. 145)

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

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

Income-

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

Expenditure- paid during the year

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

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

Computation of Income Relating to specific Business

Ascertainment of taxable income is typical in case of some business activities like retail trade, small transports and contractors, therefore. Special provisions have been made to assess the taxable income of such specific business 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 <ul style="list-style-type: none">• First year's commission• Renewal commission• When first year and renewal commission separate figures are not available• Bonus commission	50% of commission 15% of renewed commission OR maximum limit 20000, whichever is less. 33 ¹ / ₃ % earned during the Previous Year 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

} 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 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/loss	.....

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 incurred before 01.04.2001 is not considered. It should be ignored. 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 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 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) = $\frac{\text{Capital gain} \times \text{Cost of new house}}{\text{Net consideration}}$	Proportionate Exemption
(vi) Shifting of industrial undertaking from urban area to other area (Sec. 54G) or SEZ (Sec. 54GA)	Upto the cost of new industrial assets.
(vii) Capital gain on transfer of residential house property (sec.54GB)- w.e.f. of A.Y. 2014-15 a new exemption is available to an individual or a HUF in respect of LTCG gain. If assessee invest net consideration or part in equity shares before due date of furnishing the return, in eligible company it least 5 year he shall entitled exemption as under_ $\frac{\text{Invested amt in new equity share}}{\text{Net consideration}} = \text{capital gain}$	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	Exempt
	(ii.) Dividend from units	Exempt
	(iii.) Dividend from non domestic company or co-operative society	Taxable as it is
2.	Interest on securities	
	(i.) Interest on tax free Govt. securities	Exempt
	(ii.) Interest on less tax Govt. securities	Taxable as it is
	(iii.) Interest on commercial securities	
	(a) If gross interest is given	Taxable as it is
	(b) If interest is given net and amount is more than Rs. 5,000 on listed debentures	$\frac{\text{Int.} \times 100}{\text{Gross}}$
	(c) Interest on tax free commercial securities	90



	(i) Listed debentures of a company	- $\frac{\text{Int.} \times 100}{\text{Gross}}$ 90
	(ii) Unlisted debentures of a company	$\frac{\text{Int.} \times 100}{\text{Gross}}$ 90
	(d) Interest on Semi Govt. securities	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 $\frac{\text{Int.} \times 100}{\text{Gross}}$ 90
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 $\frac{\text{Int.} \times 100}{\text{Gross}}$ 90
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. <u>Less : Deduction allowed (above mentioned incomes)</u> (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		.....

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 or 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.



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

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

If assessee is also entitled for the deduction of 80CCC and 80CCD, then, he'll get a maximum deduction of Rs. 1.5 lac in all these 3 deduction]

- (2) **80 CCC Deduction in respect of contribution to pension fund set up by LIC or any other insurer:** Only **individual assessee** is entitled for this deduction upto Rs. 1 Lac.

- (3) **80 CCD Deduction in respect of contribution on to pension scheme of central government:-** If a person **individual** is appointed as an employee of Central government on 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 in respect of expense of deposit for maintenance of handicapped dependent:-** Under this section, **individual & HUF assesses** will be entitled for a standard Deduction Rs. 75,000.



In case of server disability, [More than 80%] S.D. will be Rs. 125,000.

- (7) **80 DDB Deduction in respect of medical treatment of specified diseases:-** This deduction will be allowed to **individual & HUF assesses** upto Rs. 40,000 (In case of persons aged 60 years or above, Rs. 60,000)

- (8) **80 E Deduction in respect of payment of interest of higher education loan for individual :-** Actual amount of interest is deductible.

- (9) **80 G Deduction in respect of donation given to recognized charitable institutions and funds:-** This deduction is allowed to **assesses to all categories** for such donation given by them to charitable institution funds situated in India which are given in monetary form only.

This deduction can be divided into 4 categories:-

(a) Without Limit 100%

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

(b) Without limit 50%

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

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

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

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

- (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

Which ever 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.
- Which ever 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-	First 5 years 100% next 5 years



		30%	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 IJA Deduction in respect of profit and gains from business of collecting and processing of bio-degradable waste - 80IJA**
A deduction shall be allowed of an amount equal to the whole of such profits and gains. This deduction shall be allowed a period of five consecutive assessment years.
- (18) **80 IJAA Deduction in respect of employment of new regular workmen**
A deduction shall be allowed of an amount equal to 30% of additional wages paid to the new regular workman employed by the assessee.
- (19) **80P Deduction in respect of income of cooperative societies**
- 1) Whole Deduction for the following cases - Co-operative society engaged in banking, agriculture product, agriculture implements, processing without the aid of power, fishing or allied activities, milk, oil, seeds, fruits, vegetables, warehouse, godown for storage and housing society.
 - 2) Restricted Deduction - A restricted deduction shall be allowed if a co-operative society engaged in activities other than aforesaid activities, so much of its profits and gains attributable to such activities as does not exceed -
 - a) Where such co-operative society is a consumers co-operative society, 1,00,000/-
 - OR



b) In any other cases, 50,000/-

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

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

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

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

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

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

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

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

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



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:-

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

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

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

Allotment of permanent account number

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

Who has to obtain a permanent Account Number

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

- If income exceeds exemption limit or turnover exceeds 5,00,000** – Every person, if his total income assessable during the previous year exceed the maximum amount which is not chargeable to tax or any person carrying on business or profession whose total sales, turnover or gross receipts are or is likely to exceed Rs. 5,00,000 in any previous year.
- 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 contains two steps-First filling of Return of Income and second Assessment. Both are discussed below-

1. FILLING 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 year 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. 2022-23 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 2022-23, the Central Board of Direct Taxes has notified the following forms--
Electronic Furnishing of Return of Income assessee's are as under.

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 pay a penalty of late fees for late filing of return as under-



Late fees for the Assessment Year 2022-23

(a) From due date of return filing to 31st December 2022 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 Aadhar 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 "P 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 prov of carry forward of losses then he should file, within the prescribed time of voluntary return of income under section 139 (1), a return of loss in the prescribed 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 may furnish the return for any previous year at any time before the expiry of 30 days from the end of the relevant Assessment Year or before the completion of assessment, whichever is earlier. There is no bar on filing more than one belated return and where the assessee has filed more than one return, then the latest belated return shall be taken into account for the purpose of assessment. The benefit of filing the return belatedly under section 139 (4) is not available to the return of loss, one year

6. Revised return [Section 139 (5)]

If any person, having furnished a return discovers any omission or 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 return or any wrong 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.



Unit – III

TDS and E-Filling of TDS Returns

RATE OF TAX DEDUCED AT SOURCE

Effective from 1.4.2022

Rates applicable as per new Budget (2022-23) 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 than Rs 1,80,000)	10%	20%
2.	Interest on securities other than 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 than Rs. 10,000)	30%	30%
7.	Horse Race (if winning amount is more than Rs. 10,000)	1%	20%
8.	Payment to contractors (Individuals)	2%	20%
9.	Payment to contractors (Other than individual)	5%	20%
10.	Insurance commission (If the commission is more than Rs. 15,000)	5%	20%
11.	Commission on sale of lottery tickets	10%	20%
12.	Interest on bank deposits (if total interest credited or paid is more than Rs. 40,000) (Senior citizen Rs. 50,000)	10%	20%
13.	Professional fees (if the fees is in excess of Rs. 30,000)	5%	20%
	Commission and brokerage (more than 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.



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.



■ SPECIMAN OF INCOME TAX RETURN : ITR-1

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	
<div></div>			
A3 LAST NAME		A4 PERMANENT ACCOUNT NUMBER	
<div></div>		<div></div>	
A5 SEX	A6 DATE OF BIRTH	A7 INCOME TAX WARD/CIRCLE	
<input type="radio"/> Male <input type="radio"/> Female	<div></div>	<div></div>	
A8 FLAT/DOOR/BUILDING		A9 NAME OF PREMISES / BUILDING / VILLAGE	
<div></div>		<div></div>	
A10 ROAD/STREET			
<div></div>			
A11 AREA/LOCALITY		A12 TOWN/CITY/DISTRICT	
<div></div>		<div></div>	
A13 STATE	A14 COUNTRY	A15 PINCODE	
<div></div>	<div></div>	<div></div>	
A16 EMAIL ADDRESS			
<div></div>			
A17 MOBILE NO. 1/RESIDENTIAL / OFFICE PHONE NO. WITH STD CODE		A18 MOBILE NO. 2	
<div></div>		<div></div>	
A19 Fill only one if you belong to <input type="radio"/> Government <input type="radio"/> PSU <input type="radio"/> Other			
A20 Fill only one <input type="radio"/> Tax Refundable <input type="radio"/> Tax Payable <input type="radio"/> Nil Tax Balance A21 Fill only one <input type="radio"/> Resident <input type="radio"/> Non Resident <input type="radio"/> Resident but not ordinarily resident			
A22 Fill only one: filed <input type="radio"/> Before due date-139(1) <input type="radio"/> After due date-139(4) <input type="radio"/> Revised Return-139(5) <input type="radio"/> OR in response to notice <input type="radio"/> 139(9) <input type="radio"/> 142(1) <input type="radio"/> 148 <input type="radio"/> 153A/153C			
A23 Whether Person governed by Civil Code under section 5A <input type="radio"/>		A24 if A23 is applicable, PAN of the Spouse <div></div>	
A25 If revised/defective <input type="radio"/>		and <input type="radio"/>	
Receipt Number of Original Return		Date of Filing Original Return	
A26 If filed in response to notice u/s 139 (9) / 142(1)/148/153A/153C <input type="radio"/> Notice Date <div></div>			
A27 Whether you have Aadhar Number <input type="radio"/> Yes <input type="radio"/> No		A28 If A27 is yes, please provide <div></div>	

PART B - Gross Total Income

Whole-Rupee (₹) Only

B1 Income from Salary / Pension	B1
NOTE- Ensure to fill 'Sch TDS1' given in Page 2	<div></div>
B2 Income from One House Property • Self occupied • Letout	B2 ()
B3 Income from Other Sources	B3 ()
NOTE- Ensure to fill 'Sch TDS2' given in Page 2	<div></div>
B4 Gross Total Income (B1 + B2 + B3)	B4 ()
	<div></div>



renaissance

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B.Com. II Year

Subject- E-Filing Tax Return

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 80QBB		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	
D4 to D6	Surcharge, if C20 exceeds ₹ 1 crore	D4	
		D5	
		D6	
		D7	
		D8	
		D9	
		D10	
		D11	
		D12	
		D13	
		D14	
		D15	
		D16	
		D17	
		D18	
		D19	
		D20	

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)
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

**UNIT-IV****Goods and Services Tax: An Introduction concept. Basic Elements, Need and Impacts****MEANING OF GOODS AND SERVICES TAX (GST)**

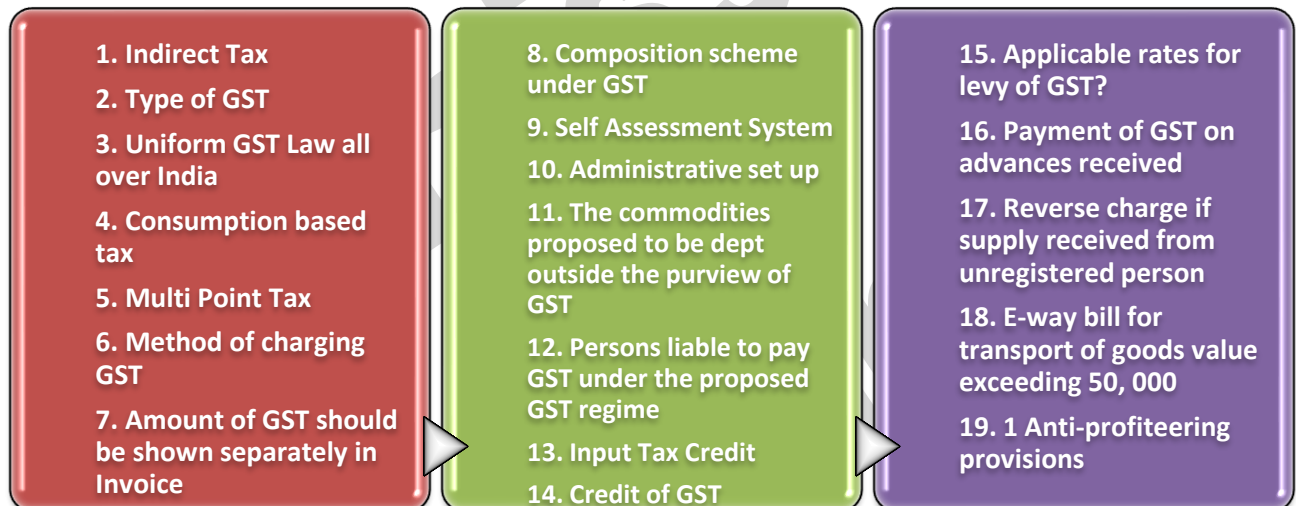
GST is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as set off. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

The tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

Though GST is multi point tax but it is not levied on total value in every stage. It is levied on only value addition by the supplier. In input credit method the total GST payable on supply Less Input credit shall be net GST payable.

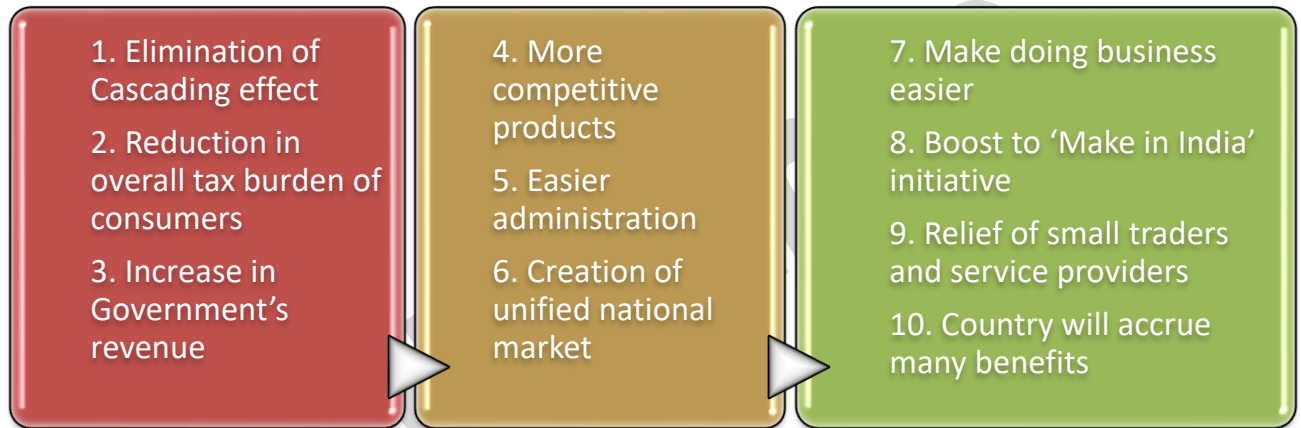
SALIENT FEATURES OF GST SYSTEM

GST is the latest concept in respect of taxation on supply of goods and services in course of business, commerce and services activities and transactions. Most of the countries adopted this system, as well as in India it adopted. The salient features of the system are as under.





BENEFITS OF GST



GST BRINGS BENEFITS FOR ALL SECTIONS

GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services give a boost to the economy and make the products and services globally competitive. The significant benefits of GST are discussed hereunder.

Common Man Friendly

- 1. Huge number of items are either tax exempt or in 5% tax bracket.
- 2. Maximum benefits to the poor & the common man.
- 3. Will ensure the poor get their due.
- 4. Level playing field for small traders in any part of the country.
- 5. Single tax system for goods and Services both.

- 1. Reduction in prices of goods and services due to elimination of cascading.
- 2. Uniform prices throughout the country.
- 3. Transparency in taxation system.
- 4. Increase in employment opportunities.



Benefits to Economy

1. To create a unified common National market.
2. To make India a manufacturing hub.
3. To boost investments & exports.
4. To generate more employment by increased economic activity.
5. Freedom of movement of goods & services.
6. Consumers to benefit by increased competition.
7. Level-playing field for producers & consumers across the country.
8. Strengthening the sense of nationhood and unity.

Central / State Governments

1. A unified common national market to boost Foreign Investment and "Make in India" campaign.
2. Boost to export/manufacturing activity, generation of more employment, leading to reduced poverty and increased GDP growth.
3. Improving the overall investment climate in the country which will benefit the development of states.
4. Uniform SGST and IGST rates to reduce the incentive for tax evasion.
5. Reduction in compliance costs as no requirement of multiple record keeping.

Simplified Tax Structure

Advantages for Trade & Industry

1. Common procedures for registration, duty payment, return filing and refund of taxes.
2. Seamless flow of tax credit from manufacturer/supplier to user/retailer to eliminate cascading of taxes.
3. More efficient neutralization of taxes to make our exports more competitive internationally.
4. Benefit of exemption/compounding scheme for a large segment of small scale suppliers to make their products cheaper.
5. Reduction in multiplicity of taxes
6. Mitigation of cascading/double taxation
7. More efficient neutralization of taxes especially for exports.
8. Development of common national market
9. Simpler tax regime fewer rates and exemptions.
1. Reduction in multiplicity of taxes now leviable on goods & services, leading to simplification.
2. Simpler tax regime with some essential exemptions.



3. Harmonization of laws, procedures and rates of tax across the country.
4. Common system of classification of goods & services to ensure certainty in tax administration.

SHORT COMINGS OR LIMITATIONS OF GST

1. Long term process	7. Higher prices	13. Conflict of interest between Centre and State
2. Difficulty in set off	8. More formalities	14. Post supply discounts and price reductions after supply not eligible for deduction from value
3. Problem in refund	9. Corruption	15. Artificial disallowances of input tax credit
4. Multiple rates of tax	10. Flip side of GST-No 'ease of doing business' in GST	16. Composition Scheme only if all purchases are from registered persons
5. Accounting problem	11. Accounting challenger	17. Valuation provisions copies from excise and service tax law
6. Conflict between States and Central	12. System is master-not human being	18. Interest on delayed payment

IMPORTANT TERMS AND DEFINITIONS – SEC.-2

1. Goods-section 2(52)

“Goods” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;

- (1) Goods includes all types of movable property like-cloth, sugar, iron, kirana goods vehicles etc.
- (2) Money and securities are not covered under the definition, so these are not goods.
- (3) Growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply will be treated as goods.
- (4) Actionable claim, other than lottery, betting and gambling will not be treated as supply of goods.
- (5) Intangibles like copyright and carbon credit would continue to be covered under 'goods'.

2. Services-Section 2(102)

“Services” means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination to another form, currency or denomination for which consideration is charged;

So, In reference of GST “Service” means-

- (1) Any activity carried out by a person for another for consideration
- (2) But shall not include-



(A) (i) A transfer of title in goods or immoveable property, by way of sale, gift or in any other manner, or

(ii) Delivery or supply of any goods which is deemed to be a sale.

(iii) A transition in money or actionable claim.

(B) A provision of service by an employee to the employer in the course of or in relation to his employment

(C) Fees taken in any Court or tribunal established under any law for the time being in force. So service meant by an activity which is performed by a person to other person for a value or consideration.

3. Capital goods – Section 2(19)

“Capital Goods” means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit, and which are used or intended to be used in the course or furtherance of business.

Goods will be regarded as capital goods if the following conditions are satisfied:

- (a) The value of such goods is capitalized in the books of account of the person claiming input tax credit;
- (b) Such goods are used or intended to be used in the course or furtherance of business.

If the value of goods is not capitalized in books of accounts, the person purchasing the capital goods would still be eligible to claim input tax credit on such goods as inputs.

Supply of goods and services or both is basic factor of GST, the word ‘Supply’ is not clearly defined in the Act, however Sec. 7(1) is concerned in respect of ‘Supply’.

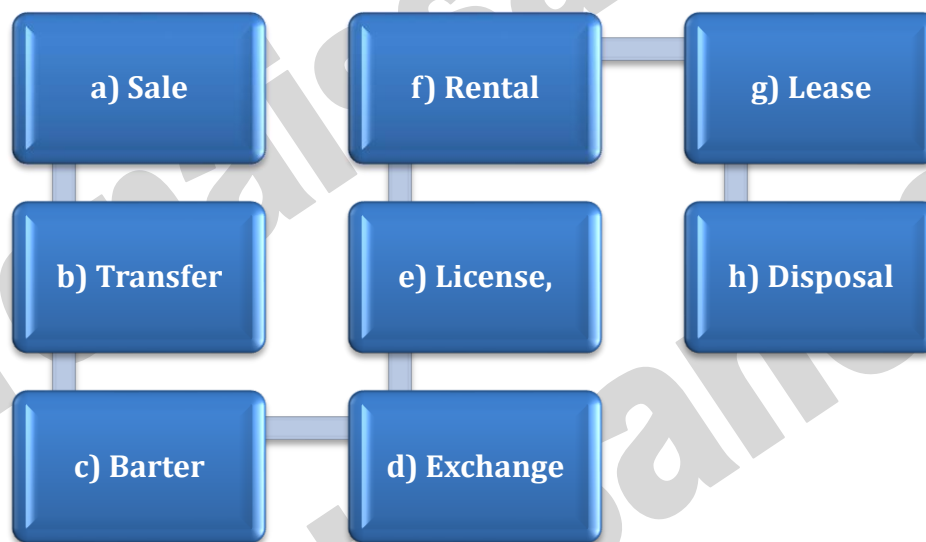


SUPPLY : MEANING, Scope and Types

Supply of goods and services or both is basic factor of GST, the word 'Supply' is not clearly defined in the Act, however se. 7(1) is concerned irrespective of 'Supply'.

Meaning of Supply

Supply includes all forms of supply of goods or services or both and includes agreeing to supply when they are for a consideration and in the course or furtherance of business. It specifically includes the following activities –

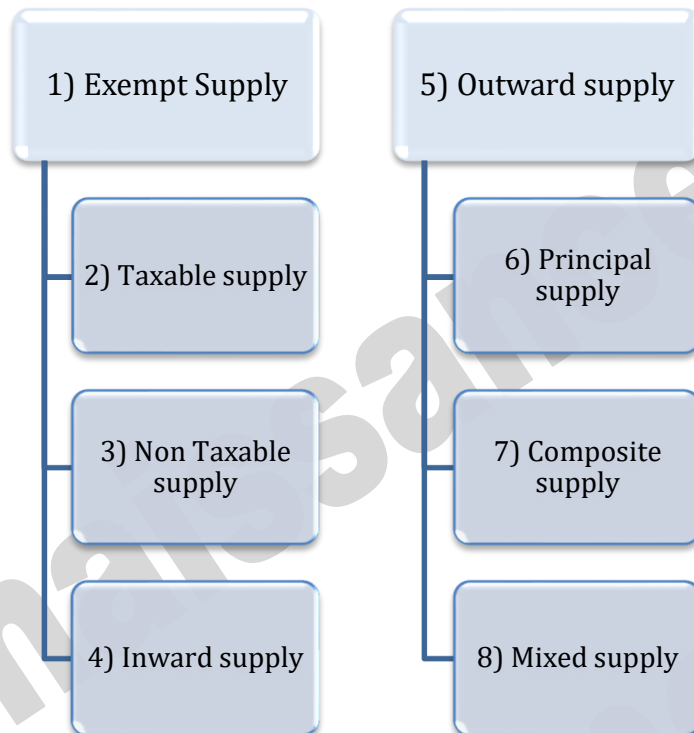


The definition of 'Supply' in section 7(1) of CGST Act is 'inclusive' definition. Section 7(1) of CGST Act, states that for the purpose of CGST Act, the expression 'supply' includes –

- a) All forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business.
- b) Importation of services, for a consideration whether or not in the course or furtherance of business.
- c) The activities specified in Schedule I, made or agreed to be made without a consideration and
- d) The activities to be treated as supply of goods or supply of services as referred to in Schedule II.

Different types of Supply

The different types of supplies under GST law is discussed as under –



COMPOSITE SUPPLY AND MIXED SUPPLY

For taxability point of view it is necessary to decide whether it is composite supply or mixed supply-

- I. **Composite supply** is a supply consisting of two or more taxable supplies of goods or service or both or any combination thereof, which are bundle in natural course and are supplied in conjunction with each other in the ordinary course of business and where one of which is principal supply. For example, when a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal, supply, warranty and maintenance service are ancillary.
- II. **Mixed supply** is combination of more than one individual supplies of goods or service or any combination thereof made in conjunction with each other for a single price, which can ordinarily be supplied separately. For example, a shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold separately.

Distinction between 'composite supply' and 'mixed supply'

A composite supply is 'naturally bundled' while 'mixed supply' is not naturally bundle in ordinary course of business.

A supply can be 'mixed supply' only if it is for a single price, while a supply can be 'composite supply' even if separate prices are charged.

Trade practice is also relevant. A vehicle repair shop also supplies spare parts. However, the long trade practice is to treat these two supplies separately. Hence, such activity is not 'composite supply'. It is also not 'mixed supply' as single price is not charged.

Tax liability in case of composite and mixed supply [Section 8]

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely;

- (a) A composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and



(b) A mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax

REGISTRATION UNDER GST: AT A GLANCE

Provisions, Roles, Procedure and Forms

No.	Subject	Particulars	Form Number	Time limit
1.	Threshold limit for registration Sec. 22& 24	(a) Normal category states if aggregate turnover exceeding Rs. 20 lakh (b) Special category states if aggregate turnover exceeding Rs. 10 lakh. (c) no threshold limit for (i) interstate supplies. (ii) Casual taxable persons, (iii) Input service distributors (iv) E-commerce operator (v) Persons liable for TDS/TCS (vi) Persons liable for reverse charge.		
2.	Persons not liable to be registered Sec. 23	(i) Exclusively supplier of extended goods or services. (ii) Agriculturist (iii) Notified persons.		
3.	Meaning of Aggregate turnover	Total supply of- (i) Taxable goods and services. (ii) Exempted goods and services. (iii) Interstate supply (iv) Exports		
4.	Place of Registration	(i) State of Main place of business (ii) Each state if business places are situated in different states.		
5.	Application for registration in normal category Sec. 25	Information- (i) Permanent Account Number (PAN) (ii) Mobile Number (iii) E-mail address.	GST REG-01 Part-A	Within 30 days when the person becomes liable for registration.
6.	Verification of information	Allotment of temporary reference number.	E-mail by department	
7.	Submission of documents		GST-REG-02 Part-B	
8.	Acknowledgement	E-acknowledgement for registration application.	GST REG-02	Within 3 working days from the date of submission of application.
9.	E-Notice for clarification	E-notice for Seeking Additional Information/ Clarification/Documents	GST REG-03	



No.	Subject	Particulars	Form Number	Time limit
		relating to Application for Registration i Amendment / Cancellation.		
10.	Clarification by applicant.	E-clarification/additional information/document for Registration/ Amendment/ Cancellation	GST REG-04	Within 7 working days from the date of receipt of notice.
11	Order	Order of Rejection of Application for Registration/Amendment/ Revocation of Cancellation.	GST REG-05	Within 7 working days from the date of clarification.
12.	Registration Certificate GSTIN	Issue of Registration Certificate. Issue of permanent Registration certificate. GSTIN-consists Two character for the state code Tin for PAN Two for entity code one checsum characters.	GST REG-25 provisional certificate in Form GST REG-25 permanent certificate GST - REG-06	Within 3 working days.
13.	Registration procedure in special cases Sec. 27	Application for Registration as tax deductor at source or tax collector at source.	GST REG-07	Within 30 days when the person becomes liable for registration
		Order of Cancellation of Application for Registration as TDS/TCS	GST REG-08	Within 30 days from date of application.
		Application for Regis- Nation for Non-Resident Taxable Person.	GST REG-09	At least 5 days prior to the commencement of business.
		Application by supplier of OIDAR services.	GST REG-10	Within 30 days when the person becomes liable for registration.
		6Application by NR / Casual taxable person seeking extension in period of operation.	GST REG-11	Before the end of the validity of registration.
		Order of Allotment of Temporary Registration/ Suo Moto Registration.	GST REG-12	N.A.
		Application Form for grant of Unique Identity Number (DIN) to UN Bodies/ Embassies/others.	GST REG-13	N.A.
14.	Amendment procedure Sec. 28	Application for Amendment in Registration Particulars (For all types of registered persons)	GST REG-14	Within 15 days of such amendment.
		Order of amendment	GST REG-15	Within 15 working days from the date



No.	Subject	Particulars	Form Number	Time limit
				of receipt of application of amendment.
15.	Cancellation procedure Sec. 29	Application for cancellation of registration.	GST REG-16	Within 30 days of occurrence of the event warranting cancellation
		Show Cause Notice for Cancellation of Registration.	GST REG-17	N.A.
		Reply to the Show Cause Notice issued for Cancellation.	GST REG-18	Within 7 working days from the date of service of such notice.
		Order for Cancellation of Registration.	GST REG-19	Within 30 days from the date of application/ receipt of reply of SCN.
		Order for dropping the proceedings for cancellation of registration.	GST REG-20	N.A.
16.	Revocation procedure Sec. 30	Application for Revocation of Cancelled Registration	GST REG-21	Within 30 days from the date of service of the order of cancellation of registration.
		Order, for revocation of cancellation of registration,	GST-REG-22	Within 30 days from the date of receipt of the application.
		Show Cause Notice for rejection of application for revocation of cancellation of registration.	GST REG-23	-
		Reply to the notice for rejection of application for revocation of cancellation of registration.	GST REG-24	Within 7 working days from the date of the service of notice.



Time of Supply at a glance

Time of supply determines when liability to pay GST arises. The provisions are given through the following table —

Nature of transaction	Situation-A	Situation-B	Situation-C	Time of supply
Supply of goods	Issue of tax invoice	Receipt of-payment (even advance payment received)		Whichever is earlier
Tax on receipt of goods payable on reverse charge basis.	Receipt of goods	Date of payment to recipient (even advance payment made)	30 days from date of invoice of supplier.	Whichever is earlier.
Supply of vouchers for goods when supply is identifiable at that point.	Issue of voucher	Redemption of voucher		Date of issue of voucher
Supply of vouchers for goods when supply is not identifiable At that point.	Issue of voucher	Redemption of voucher		Redemption of voucher

TIME OF SUPPLY

Determination of time of supply of goods or services or both is an important factor to fix the point when the liability to charge GST arises.

As per section 120) of CGST Acts.

The liability to pay CGST/SGST on the goods and services shall arise at the time of supply of goods and services, as determined in accordance with provision of CGST Act

■ Provisions relating to time of supply - Sec. 12 to 14

To determine time of supply of goods or services or both provisions of GST Act under sec. 12 to 14 are applicable as follows-

I. TIME OF SUPPLY OF GOODS

If a person supplies taxable goods the time of supply shall be determined in the following way :

1. Time of normal supply of goods

The time of supply of goods shall be the earlier of the following dates of CGST Act :

- Date of issue of invoice- The date of issue of invoice by the supplier or the last date on which *he* is required before at the time of removal or delivery of goods to issue the invoice with respect to the supply or
- Date of receiving payment- The date on which the supplier receives the payment with respect to the supply.

The date on which the supplier receives the payment' in respect of supply shall be-



- (i) The date on which the payment is entered in his books of account or
- (ii) The date on which the payment is credited to his bank account, whichever is earlier.

So, time of supply of goods shall be the earliest of the following dates :

- (i) The date of issue of invoice by the supplier; or
- (ii) The last date on which he is required, to issue the invoice with respect to the supply, i.e. before or at the time of removal or delivery of goods to recipient.
- (iii) The date on which the supplier receives the payment with respect to the supply.

Example

A car dealer received payment Itmauls the supply of car on 5th April, 2019 and car Was delivered on 15th April, 2010 In this situation the time of supply shall be deemed 5th April instead of actual delivelv ltht AltII tiernits'• date of payment is earlier than date of invoice.

On the contrary if the car was delivered on Pith April and payment was made on 17th April, the time of supply shall he 15th April.

☐ The time limit for issue of invoice is as under :

(1) Time limit for issuance of Invoice in case Of supplier of goods- A registered person supplying taxable goods shall Issue invoice before or at the lime of -

- (a) Removal of goods for supply to the recipient, where the supply involves movement of goods; or
- (b) Delivery of goods or making available thereof to the recipient, in any other case.

(2) Issuance of invoice in case of continuous supply of goods- In case of continuous supply of goods, where successive statements of account or successive payments arc involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.

(3) Goods sent on approval- Invoice requirements- Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued-

- (i) Before or at the time of supply, or
- (ii) 6 months from the date of removal, whichever is earlier.

2. Time of supply in case of Reverse charge

In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earliest of the following dates, namely-

- (a) The date of the receipt of goods or
- (b) The date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier, or
- (c) The date immediately following thirty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier.

• **Note :** Where it is not possible to determine the time of supply as above the time of supply shall be the date of entry in the books of account of the recipient of supply.



3. Time of supply in case of vouchers In case of supply of vouchers by a supplier, the time of supply shall be-(a) The date of issue of voucher, if the supply is identifiable at that point; Or (b) The date of redemption of voucher, in all other cases.

4. Where it is not possible to determine the time of supply of Goods Where it is not possible to determine the time of supply under aforesaid provisions (4), the time of supply shall-(a) In a case where a periodical return has to be filed, be the date on which such return is to be filed; or (b) In any other case, be the date on which the tax is paid.

5. Time of supply with regard to an addition in value The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value.

■ Time of Supply at a glance Time of supply determines when liability to pay GST arises. The provisions are given through the following table -Nature of transaction Supply of goods

TIME OF SUPPLY OF SERVICES: AT A GLANCE

Nature of transaction	Event A	Event B	Event C	Time of Supply
Supply of service	Invoice if issued within prescribed time.	Provision of service if Invoice not issued within prescribed time.	Date of receipt of payment from recipient (even advance payment received)	Whichever is earlier.
Tax on receipt of service payable under reverse charge when service provider is not associated enterprise out of India	Date of payment to supplier of service (even advance payment made)	Date 60 days from date of invoice of supplier		Whichever is earlier.
Tax on receipt of service payable under reverse charge when service provider is associated enterprise out of India.	Date of payment to associate enterprise (even advance payment made)	Date of entry in books of account of recipient of supply		Whichever is earlier.
Supply of vouchers for service when supply is identifiable at that point	Issue of voucher	Redemption of voucher		Date of issue of voucher
Supply of vouchers for service when supply is not identifiable at that point	Issue of voucher	Redemption of voucher		Redemption of voucher



Taxable Value of Supply of Goods

Transaction Value

The value of taxable supply of goods and services shall ordinarily be 'the transaction value' which is the price paid or payable, when the parties are not related and price is the sole consideration.

According to Sec. 15 – The value of supply of goods or services or both shall be the transaction value, that is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

Thus, following are main requirements or transaction value'.

- (1) Price actually paid or payable.
- (2) Price is for the goods
- (3) It includes, in addition to the price charged, any amount the buyer is liable to pay to assesses in respect of the supply
- (4) It includes packing charges weighment, loading freight, insurance, incidental expenses Supplies incurred before supply or any other amount payable by buyer to the manufacture.
- (5) It does not include GST but includes other taxes.
- (6) The transaction value will not be applicable for the purpose of payment of duty if the recipient and supplier are related.
- (7) If the goods are supplier to related person or valuation will be done on the basis of rules as may be prescribed.

Example of Transaction Value — Suppose a T.V. manufacturing company supply a specific model of T.V.. to dealers at the invoice price Rs. 8,000. –Apart from this the manufacturer also charged Rs. 400 for packing' and Rs. 600 for after sales service of the product. In this case the transaction value shall be Rs. 8,000 + 400 + 600 = 9,000 for determination of Taxable Value.

INCLUSIONS OF TRANSACTION VALUE

The following items will be included in transaction value for finding out taxable value, if the items are not included in transaction value or invoice price separately charged.

(1) Packing charges

Cost of normal packing will be covered, as in most cases; it is in connection with or in respect of supply. Packing supplied by recipient should be included, just like cost of any other material supplied.

Sometimes goods are packed in durable and returnable containers e.g. cooking gas packed in cylinders, cold drinks packed in bottles etc. As we know the gas cylinder or bottle of cold drink is returned to the manufacturer for refilling 'Returnable' means it should be normally returnable as per agreement or understanding between buyer and seller. Mere physical capability of returning is not enough. Manufacturer often takes security deposit from buyer to ensure return of the container. However, these are not sold to the buyer. deposit is forfeited if the container is not returned.

Cost of such durable and returnable packing will not be included. Supply of such container may be in 'relation' to supply. However, the relation is only Remote and indirect. There is no supply of container. It is transaction of bailment.' There is no direct 'connection' between supply of durable and returnable containers and the sale. So, in some cases, goods are packed in returnable packing, like gas cylinder, drums etc. In such case, tax is payable only on consideration received for the supply.

Thus, it is not required to add amortised cost of durable and returnable packing.

(2) Taxes Other than GST



Any taxes duties, fees and charges levied under any statute other than the GST Act.

Act. are includible in value, if charged separately.

but CGST, SGST, IGST and UTGST are not included.

Thus, SCSi and CGST will be payable on net value only.

'Value' for GST will not include ISGT, CGST, SGST and GST Compensation Cess. However, other taxes (like entertainment tax or some other cess) will be includable if charged separately in invoice.

(3) Amount paid by recipient on behalf of supplier

Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both is includible in value.

(4) Incidental expenses

Incidental expenses, such as commission and packing, charged by the supplier to the recipient of a supply, including any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of or before delivery of the goods or as the case may be supply of services.

Expenses like weighment, loading in factory, inspection, testing before supply will be includible in 'value'. Design charges incurred before supply will also

(5) Interest, late fee or penalty for delayed payment.

Interest or late fee or penalty for delayed payment of any consideration for any supply is includible in value.

(6) Outward freight, packing and other charges in tax invoice

In case of FOR basis contracts, the supplier arranges transport. In that case, he pays GST under reverse charge on outward freight. He then charges outward freight in the tax invoice. In such case, the outward freight charged is part of value of goods and GST is payable on value including outward freight. Similarly, packing charge, weighment charges and other charges are includible in value for levy GST. The GST rate is same as applicable to goods, as this is a composite supply.

(7) Subsidies directly linked in supply

Subsidies directly linked to the price excluding subsidies provided by the Central and State Governments are includible in 'Value' for charge of GST. Explanation. The amount of subsidy shall be included in the value of supply of the supplier who receives subsidy.

(8) Installation charges

If supplier takes responsibility for installation erection of machinery or plant at site of recipient and charged for it, such amount shall be part of value if such installation fees charged separately it will be added to transaction value.

(9) Design and Engineering charges

Design and Engineering Charges are essential for purpose of manufacture and hence have to be included in value.

(10) Compulsory after Sales Service/service in warranty period is included

The heads 'servicing' and 'warranty' have been specifically included in definition of payments included in 'transaction value'

Manufactures often give free after sale service during warranty period. Though these are called 'free services', cost of such services is already included in the price of product, promise for provision of after sale service certainly increases its marketability, it is in connection with sale and its cost is included.



Exclusion from Transaction Value

The following items shall be excluded from transaction value while find out taxable value of supply –

(1) Discount or incentive given after supply

The value of the supply shall not include any discount that is given:

(a) Before or at the time of the supply provided such discount has been duly recorded in the invoice issued in respect of such supply; and

(b) After the supply has been effected, provided that (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and (ii) input tax credit as is attributable to the discount has been reversed by the recipient of the supply.

Thus, discount after supply is permissible as deduction only if it was known before or at the time of supply

(2) When value is inclusive of GST

Legally, GST is to be indicated separately in tax invoice. However, provision has been made for situations where GST is not shown separately in tax invoice.

If value of supply is inclusive IGST, CGST SGST or UTGST, the tax payable will be calculated by back calculations as follows —

Tax amount = [Value inclusive of tax + Tax rate in %] / 100 + sum of applicable tax rates in %

Note that the provision applies only the value of supply included GST. The rule does not say that the value is deemed to be inclusive of GST.

For example, when GST is payable under reverse charge, the amount charged by supplier goods or services cannot be taken as inclusive of GST.

Computation of Taxable Value of Supply by Manufacturer : Chart

Transaction value or invoice price of Goods		
Add: Following items if these are not included in transaction Value		
(1) Taxes other than GST Except GST any tax duty cess, charge which are paid by recipient to supplier are incurred on behalf of supplier		
(2) Packing Charge Any type of packing e.g. primary packing. Secondary packing, transport packing. Returnable packing shall not be included.		
(3) Other cost and expenses related to supply Design and Engineering Charges, Consultancy fees, Testing fees, Inspection fees etc.		
(4) Loading Wieghment charges etc. Loading charges, weighment charges, handling charges etc.		
(5) Freight and transit insurance Outward freight and insurance		
(6) After sales service Value of free after sales service in warranty period		
(7) Installation charges Machine plant or any structure installation charges at the		



site of recipient		
(8) Expenses by recipient on behalf of supplier Expenditure by recipient on behalf of supplier		
(9) Interest, penalty for delayed payment Interest, late fees or penalty for delayed payment		
(10) Subsidy or incentive Subsidy directly linked to supply other than Government subsidy		
Less : : The following Discount before or at the time or after supply shown in invoice (Trade Discount, Cash Discount or Quantity Discount)		
Taxable value of supply		

Calculation of GST Payable on Taxable Supply

	Value of Taxable		
	(as per calculation)		
	(GST Payable) effective rate 5%, 12%, 18% or 28%		
a)	In case of Intra-State Supply		
(i)	CGST 50% of rate applicable i.e. In case of 5%		
	(2.5%). 12% (6%), 18% (9%), 28% (14%)		
(ii)	SCST 50% of rate applicable		
	i.e. 2.5%. 6%, 9%, 14%.		
	Or		
b)	Inter State supply		
	Full rate 5%. 12%, 18%. 28%		
	Total GST Payable		
Less	: Input Tax Credit		
	on Inward Supply		
	Tax paid on purchase i.e.		
	Total GST Payable		

Note : If transaction value included GST then the following formula shall be applied

$$\frac{\text{Taxable value} * \text{Rate of GST}}{\text{Rate of GST} + 100}$$

PROVISIONS REGARDING VALUATION OF TAXABLE SERVICES - SECTION 15



For the purposes of levy of GST on supply of any taxable service is considered at the gross amount charged by the service provider.

The value of any taxable service shall be the gross amount charged by the service provider for such services rendered by him". In other words, 'gross amount' here indicate that no deduction shall be allowed in respect of any expenditure incurred by the service provider which has proximate connection in rendering the services by him.

In almost all cases of taxable services, GST is payable on 'gross amount of value of service' and there is no abatement i.e., reduction for any expenses of the service provider.

However under GST if the value of taxable services is not exceeding 20 Lakh, the GST liability will not be arise in the year 2019-20. Apart from this if service is provided free of cost, GST is not payable.

Items included in Value of Taxable Services

The following items are included in the value of taxable services–

- (1) The aggregate of commission or brokerage charged by a broker on the sale or purchase of security securities, including the commission or brokerage paid b the stock broker to any sub-broker;
- (2) The adjustments made by the telegraph authority, from any deposits made by the subscriber at the time of application for telephone connection or mobile or fascimile or telegraph or telex or for leased circuit,
- (3) The amount of premium charged by insurer from the policy holder,
- (4) The commission received by the air travel agent from the air line,
- (5) The commission, fee or any other sum received by an actuary or intermediary or insurance intermediary or insurance agent from the insurer,
- (6) The reimbursement received b the authorised service station from the insurer, manufacturer for carrying out t. .-iy service of 'any motorcar, or two wheeled motor vehicle manufactured by such manufacturer,
- (7) The commission or any amount received by the rail travel agent from the Railways or the customer
- (8) The service tax is to be paid on the value of taxable services, which is charged by an assessee. Any income tax deducted at source is included in the charged amount. Therefore, the service tax is to be paid on the amount of income tax deducted time also.

PROCEDURE TO SOLVING PRACTICAL PROBLEMS

- (1) Firstly prepare a statement of various services provided by the assessee.
- (2) If service is taxable then value charged for service put in the amount column.
- (3) If service is not taxable then write Nil in the amount column.
- (4) If the service provider supplies any goods to its client, it is not treated as it is supply of goods. Under GST Goods and Services both are taxable. Therefore GST tax calculated on both on prescribed rates.
- (5) There is no rebate for expenses incurred or material consumed for service providing. If in the them. problem such items are given, avoid them.



Valuation Rules:

The value of the supply of goods or services or both which cannot be valued on the basis of Invoice price or Transaction value of CGST and SGST Act, shall be determined as per rules 27 to 31

Such valuation may be required in following situations-

- (i) The consideration, whether paid or payable, is not money, wholly or partly.
- (ii) The supplier and the recipient of the supply are related
- (iii) Transaction value declared is not reliable.

DETERMINATION OF VALUE WHEN VALUE NOT ASCERTAINABLE

1. Value of supply of goods or services where the consideration is not wholly is money : Rule- 27
2. Value of supply of goods between distinct or related persons: Rule-28
3. Value of supply of goods made or received through an agent: Rule- 29
4. Value of supply based on cost: Rule 30
5. Residual method for determination of value of supply: Rule 31
6. Value of supply of services in relation to, purchase or sale of foreign currency, including money changing: Rule 32 (2) (a)
7. Value of supply of services in relation to booking of tickets for travel by air provided by an air travel agent: Rule 32 (3)
8. Value of supply of services in relation to life insurance business: Rule 32 (4)
9. Value of supply of second hand goods- Rule 32 (5)
10. Value of a token, or a voucher, or a coupon, or a stamp (other than postage stamp) Rule 32
11. Value of supply of services between distinct persons – Rule 32 (7)
12. Value of supply of services in case of pure agent- Rule 33
13. Rate of exchange of currency, other than Indian rupees, for determination of value- Rule 34
14. Value of supply inclusive of integrated tax, central tax, state tax Union te

INPUT TAX CREDIT

Input Tax Credit (ITC) is the core concept of GST. ITC avoids cascading effects of taxes and ensures that tax is collected in the State in which goods or services or both are consumed.

A registered person is entitled to take credit of input tax charged on supply of goods or services or both to him which are used or intended to be used in the course or furtherance of business, subject to other conditions and restrictions. Input Tax Credit is deducted against tax payable on goods or services supplied.

PROVISIONS OUTPUT RELATING TO INPUT TAX CREDIT-SECTION 16 TO 19

Provisions regarding Input Tax Credit are given under section 16 to 19 of GST Act. Rules 36 to 45 are applicable in this regard, detailed discussion is given below.

MEANING OF INPUT TAX CREDIT

“Input Tax Credit” means credit of ‘Input Tax’ – Section 2(56) of CGST Act.

Input Tax Credit is related to Input Tax, therefore the meaning of Input Tax i.e. tax paid by supplier in respect of goods purchased or services obtained from registered person.

Input Tax Credit is available for inputs and capital goods both. **When a registered person purchased goods or inputs for resupply, he pays tax on such goods and services obtained. In this case he is entitled to get input tax credit against tax payable on goods or services are both.** Tax paid by him shall be deducted against output tax and net amount shall be deposited.

MAIN FEATURES OF INPUT TAX CREDIT



Input Tax Credit is special factor of GST. Its salient features or main points are as follows-

- | | |
|--|---|
| 1. ITC available for Input Tax | 8. Composition every Levy not allowed |
| 2. Eligible items for ITC | 9. Claim of ITC on provisional basis |
| 3. Only registered person eligible to take ITC | 10. Inputs or capital goods received in installments |
| 4. Conditions necessary for obtaining ITC? | 11. Utilization of ITC-For payment of output tax |
| 5. Time limit for taking ITC | 12. Burden of proof-Person taking the credit |
| 6. Is credit of tax paid every input generally allowed | 13. Input tax credit only after supplier makes payment of GST |
| 7. Input tax Credit is not allowable | 14. Taking input tax credit in respect of inputs sent for job work. |

COMPOSITION LEVY

Composition levy is a scheme for small and medium tax payers to tax paying under GST. Very small taxable persons whose total turnover is less than Rs. 20 lakh are not required to register under GST (The limit is 10 lakh I case of special states)

However, **Supplier whose turnover between Rs. 20 lakh to 1 crore is required to pay GST. Suppliers of this category are small and medium range tax payers. Under GST a simple tax paying scheme known as 'Composition levy' is provided for such medium tax payers.**

GST requires heavy compliance cost due to detailed accounting and paper work involved.

Small taxable persons do not have sufficient knowledge and expertise to comply with the requirements relating to records and accounts.

Hence, for them, a simplified composition scheme has been provided; vide section 10 of CGST Act.

MEANING AND CONCEPT OF COMPOSITION SCHEME

Small taxpayers with Rs. 1 crore (50 lakh in case of N.E. States) shall be eligible for composition levy. Under the scheme, a taxpayer shall pay tax as a percentage of his turnover in a state during the year without the benefit of Input Tax Credit. The floor rate of tax for CGST and SGST/UTGST shall be-



(a) 1% for supplier of goods as trader or distributor.

(b) 2% for manufacturers.

(c) 5% for restaurant services.

A composition supplier is required to file quarterly returns instead of monthly return.

FORMS AND RETURNS UNDER COMPOSITION LEVY

Form No.	Particulars	Time Frame
GST CMP-01	Intimation to pay tax u/s 10	Prior to the appointed day, but not later than 30 days after the said day.
GST REG-01-Part B	Granting option to pay tax u/s 10	N. A.
GST CMP-02	Declaration to pay tax u/s 10	Prior to the commencement of the financial year.
GST CMP-03	Intimation of details of stock on date of opting for composition levy.	Within 60 days of the date from which the option for composition levy is exercised
GST CMP-04	Application for withdrawal from Composition levy	Compulsory : Within 7 days of cessation to satisfy any of the condition mentioned under section 10. Voluntarily : Before the date of such withdrawal.
Form GSTR-4A	Auto populated details on inward supplies made available to the recipient registered-	Quarterly



Form No.	Particulars	Time Frame
	under compositor scheme on the basic of FORM GSTR-1 furnished by the supplier.	
Form GSTR-4	All outward supplies of goods and services including auto populated details from Form GSTR-4A and tax payable details. Details of any additions, modification, or deletions in form GSTR-4A should also be submitted in Form GSTR-4.	Quarterly 18 th of month succeeding the quarter
Form GSTR-9A	Consolidated details of quarterly returns filed along with tax payment details.	31 st December of next financial year.
