EDU SERUMX COLLEGE OF COMMERCE and MANAGMENT

Syllabus

E-Accounting and Taxation with GST

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	5. Computation of Assessable Value under GST	- Step-by-step Calculation
		- Represented in Chart Format

UNIT – 1

Concept of Business

- **Definition**: Economic activity conducted to earn profit, including trade, commerce, manufacturing, or other ventures.
- **Features**:
    - **Economic Activity**: Focus on wealth generation.
    - **Production and Sale**: Regular activity of producing or trading goods/services.
    - **Profit-Motive**: Main goal is financial gain.
    - **Uncertainty**: Returns are not guaranteed.
    - **Risk**: Associated with market fluctuations and losses.
- **Forms of Business**:
    1. **Sole Proprietorship**: Single owner.
    2. **Partnership**: Two or more partners share ownership.
    3. **Cooperative Societies**: Operate for mutual benefit.
    4. **Joint Hindu Family Business**: Managed by a family.
    5. **Joint Stock Company**: Owned by shareholders.

Concept of Profession

- **Definition**: Specialized occupation requiring formal training and skills, offering paid services (e.g., Doctors, Lawyers, Engineers).
- **Key Characteristics**:
    - Requires **formal qualifications** and practical experience.
    - **Service-Oriented**: Provides expertise to clients.
    - **Ethics**: Governed by a professional code of conduct.
    - **Fee-Based Compensation**: Services rendered for payment.

Types of Accounts

Type	Subtypes	Rule
Personal Accounts	- Natural (individuals, e.g., Ranveer's A/c) - Artificial (entities, e.g., ABC Bank A/c) - Representative (e.g., Outstanding Wages A/c)	**Debit the receiver, Credit the giver**
Real Accounts	- Tangible (physical, e.g., Machinery A/c) - Intangible (non-physical, e.g., Goodwill A/c)	**Debit what comes in, Credit what goes out**
Nominal Accounts	- Income or Gain (e.g., Rent A/c) - Expenses or Loss (e.g., Salary A/c)	**Debit all expenses/losses, Credit all income/gains**

Journal

- **Definition**: Chronological record of business transactions. Known as the **book of original entry**.
- **Features**:
  - Records transactions in sequence.
  - Follows **double-entry system** (debit and credit).
  - Basis for preparing ledgers.
- **Types of Entries**:
  - **Simple Journal Entry**: Affects two accounts.
  - **Compound Journal Entry**: Affects more than two accounts.

Ledger

- **Definition**: Principal book of accounts where all journal entries are transferred.
- **Features**:
  - Maintains accounts related to assets, liabilities, income, and expenses.
  - Aids in preparing financial statements.
  - Follows the double-entry system.

Trial Balance

- **Definition**: Statement showing debit and credit balances of all ledger accounts to verify accuracy.
- **Objectives**:
  - Detect errors.
  - Summarize ledger balances.
  - Assist in preparing final accounts.

GST (Goods and Services Tax)

- **Definition**: Indirect tax levied on the consumption of goods and services, based on value addition.
- **Features**:
  - **Indirect Tax**: Paid indirectly by the consumer.
  - **Uniform Law**: Applicable nationwide.
  - **Consumption-Based**: Tax is collected at the point of consumption.
  - **Input Tax Credit (ITC)**: Allows businesses to claim credit for taxes paid on inputs.
  - **E-way Bill**: Mandatory for goods exceeding ₹50,000 in value during transport.

Key Rules Under GST

1. **Multi-Point Taxation**: Levied at every stage, but only on value addition.
2. **Tax Rates**: Slabs of 5%, 12%, 18%, and 28%.
3. **Reverse Charge Mechanism**: Tax paid by the buyer when purchasing from unregistered suppliers.
4. **Anti-Profiteering**: Ensures tax benefits are passed to consumers.
5. **Self-Assessment**: Businesses calculate and pay their taxes.

Benefits of GST

1. **For the Economy**:
   - Eliminates cascading tax (tax-on-tax).
   - Reduces the overall tax burden on consumers.
   - Boosts government revenue through better compliance.
   - Encourages a **unified national market**, making goods and services competitive globally.
   - Simplifies movement of goods and services across states.

2. **For Businesses**:
   - Easier administration with a single tax system.
   - Reduction in multiple taxes and record-keeping.
   - Promotes investment and export by making products tax-efficient.
   - Supports **Make in India** by boosting manufacturing.
3. **For Consumers**:
   - Uniform prices across the country.
   - Transparency in the tax system ensures lower prices for goods and services.
   - Increases employment opportunities through economic growth.
4. **For the Common Man**:
   - Many items in the 0% or 5% tax bracket benefit lower-income groups.
   - Ensures fairness to small traders by creating a level playing field.

Shortcomings of GST

1. **Complexity**:
   - Requires proper accounting and compliance, leading to challenges for small businesses.
   - Multiple tax rates can cause confusion.
2. **Higher Costs**:
   - Initial implementation may increase prices.
3. **Delayed Refunds**:
   - Refunds, especially for exporters, take time.
4. **State vs. Center Conflicts**:
   - Revenue-sharing disputes between the central and state governments.
5. **Formalities**:
   - Increased paperwork and reliance on technology.

Important Definitions

1. **Goods (Section 2(52))**:
   - Movable property (e.g., clothes, sugar, vehicles).
   - Excludes money, securities, and crops not severed from the land.
2. **Services (Section 2(102))**:
   - Anything other than goods, money, and securities.
   - Includes activities like currency exchange for consideration.
3. **Capital Goods (Section 2(19))**:
   - Goods capitalized in books of accounts and used for business purposes.
   - Eligible for **input tax credit**.

Key Features of GST

1. **Destination-Based Tax**: Collected where goods or services are consumed.
2. **Input Tax Credit (ITC)**: Allows businesses to offset taxes paid on inputs against taxes on outputs.
3. **Simplified Tax Regime**: Fewer rates, unified classification, and fewer exemptions.
4. **Composition Scheme**: Small businesses can pay tax at a lower rate but with restrictions.
5. **E-Way Bill**: Required for the transport of goods exceeding ₹50,000 in value.

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UNIT – 2

Basic Concepts of Income Tax

1. **Central Tax**: Income tax is levied by the Central Government of India.
2. **Direct Tax**: It is a direct tax paid by individuals, companies, or entities on their income.
3. **Taxable Income**: Tax is calculated on income after considering exemptions, deductions, and allowances.
4. **Progressive Tax Rates**: Higher income attracts higher tax rates (tax slabs).
5. **Scope**: Tax applies to individuals, companies, HUFs (Hindu Undivided Families), trusts, co-operatives, etc.
6. **Exemption Limits**: No tax is levied if income is below a certain threshold.
7. **Burden on the Rich**: Wealthier individuals or companies pay more tax.
8. **Separate Administration**: Managed by the Income Tax Department.
9. **Revenue Distribution**: Taxes are shared between the central and state governments.
10. **Largest Revenue Source**: Income tax is a significant source of revenue for the government.
11. **For Welfare**: Funds are used for national development and welfare projects.
12. **History**: Introduced in India in 1860 by Sir James Wilson.
13. **Control on Income**: Helps track and regulate income in the economy.

Definition of Agricultural Income (Sec 2(1A)):

Agricultural income is exempt from tax and includes:

1. Rent/revenue from agricultural land in India.
2. Income from cultivation or sale of agricultural produce.
3. Income from buildings near agricultural land used for farming.
4. Income from saplings/nurseries.

Partly Agricultural Income:

Some activities are considered partly agricultural and partly non-agricultural (e.g., tea, coffee, rubber cultivation and processing).

Casual Income:

Casual income is unexpected or irregular income, like winnings from lotteries, horse races, or games. It is taxed at **30% flat rate**, and no deductions or set-offs are allowed.

Gross Total Income (GTI) vs Total Income (TI):

- **GTI**: Total income from all heads (salary, house property, business/profession, capital gains, and other sources) before deductions.
- **TI**: GTI minus deductions under Sections 80C to 80U. Tax is calculated on Total Income.

Tax Slabs for Assessment Year 2019-20

1. For Individuals (below 60 years):

- ₹0 – ₹2,50,000: NIL
- ₹2,50,001 – ₹5,00,000: 5%
- ₹5,00,001 – ₹10,00,000: 20%
- Above ₹10,00,000: 30%

2. For Senior Citizens (60–80 years):

- ₹0 – ₹3,00,000: NIL
- ₹3,00,001 – ₹5,00,000: 5%
- ₹5,00,001 – ₹10,00,000: 20%
- Above ₹10,00,000: 30%

3. For Super Senior Citizens (80+ years):

- ₹0 – ₹5,00,000: NIL
- ₹5,00,001 – ₹10,00,000: 20%
- Above ₹10,00,000: 30%

Flat Rates for Other Entities:

1. **Partnership Firm**: 30% flat rate.
2. **Domestic Companies**: 30% flat rate (additional surcharge for high income).
3. **Foreign Companies**: 40% flat rate.
4. **Co-operative Societies**:
    - ₹0 – ₹10,000: 10%
    - ₹10,001 – ₹20,000: 20%
    - Above ₹20,000: 30%

Special Tax Rates:

1. **Long-Term Capital Gains (LTCG)**: 20%.
2. **Short-Term Capital Gains (STCG)** (Sec 111A): 15%.
3. **Lottery or Gambling Winnings**: 30%.

Education Cess:

3% of the tax payable is added for education and health.

INCOME THAT DOES NOT FORM PART OF TOTAL INCOME (EXEMPTED INCOME)

Section 10 of the Income Tax Act lists incomes that are totally or partially exempted from taxation.

A. EXEMPTED INCOME FOR ALL ASSESSEES

1. **Agricultural Income** – Sec. 10(1)
   Income from agricultural activities is fully exempt.
2. **Share of Income from Partnership Firm** – Sec. 10(2A)
   Partner’s share in a firm's income is exempt (firm pays tax on it).
3. **HUF Income** – Sec. 10(2)
   Share in Hindu Undivided Family's (HUF) income is exempt.
4. **Scholarships** – Sec. 10(16)
   Amount received as scholarships is fully exempt.
5. **Dividend Income** – Sec. 10(34 & 35)
   Dividends from domestic companies and mutual funds are exempt in some cases.
6. **Capital Gains from Specific Transactions** – Sec. 10(33)
   Capital gains under specific conditions are exempt.
7. **Allowances to MPs/MLAs** – Sec. 10(17)
   Specified allowances for Members of Parliament or Legislative Assembly are exempt.
8. **Awards/Rewards** – Sec. 10(17A)
   Monetary awards approved by the government are exempt.
9. **Gallantry Award Pensions** – Sec. 10(18)
   Pensions for gallantry awardees like Param Vir Chakra winners are exempt.
10. **Family Pension for Armed Forces** – Sec. 10(19)
    Family pension to heirs of armed forces is exempt.
11. **Urban Agricultural Land Gains** – Sec. 10(37)
    Capital gains from the compulsory acquisition of urban agricultural land are exempt.
12. **Interest on Notified Government Securities** – Sec. 10(15)
    Interest earned on specified government bonds is exempt.

13. **Income of Minor Child (Clubbed)** – Sec. 10(32)
    Exempt up to ₹1,500 per child.
14. **Bhopal Gas Disaster Compensation** – Sec. 10(10BB)
    Compensation related to the disaster is fully exempt.
15. **Subsidies from Tea Board** – Sec. 10(30)
    Subsidies related to tea plantation operations are exempt.
16. **Scheduled Tribe Income** – Sec. 10(26)
    Income of scheduled tribe members in certain areas is exempt.
17. **Life Insurance Amount Received** – Sec. 10(10D)
    Amount received under a life insurance policy is exempt.
18. **Subsidies from Other Boards** – Sec. 10(31)
    Includes Rubber, Coffee, or Spices Boards.
19. **Sukanya Samriddhi Account Income** – Sec. 10(11A)
    Exempt income from deposits under this scheme.

B. EXEMPTED INCOME FOR EMPLOYEES

1. **House Rent Allowance (HRA)** – Sec. 10(13A)
   Exempt up to specified limits.
2. **Gratuity** – Sec. 10(10)
   - Fully exempt for government employees.
   - Partially exempt for non-government employees.
3. **Pension** – Sec. 10(10A)
   - Fully exempt for government employees.
   - Partially exempt for non-government employees.
4. **Leave Travel Allowance (LTA)** – Sec. 10(5)
   Exempt to the extent of expenses incurred for travel within India.
5. **Leave Encashment** – Sec. 10(10AA)
   - Fully exempt for government employees.
   - Exempt up to specified limits for others.
6. **Retrenchment Compensation** – Sec. 10(10B)
   Exempt up to prescribed limits.
7. **Allowance/Perquisites Outside India** – Sec. 10(7)
   Exempt if paid by the government for service abroad.
8. **Provident Fund (PF)** – Sec. 10(11)
   - Fully exempt if received from a recognized PF.
   - Taxable if received from an unrecognized PF.
9. **Superannuation Fund** – Sec. 10(13)
   Exempt under specific conditions.
10. **Voluntary Retirement Scheme (VRS)** – Sec. 10(10C)
    Amount received is exempt up to ₹5,00,000.
11. **Tax on Perquisites Paid by Employer** – Sec. 10(10CC)
    Exempt if the employer bears the tax liability.
12. **Special Allowances** – Sec. 10(14)
    Specific allowances granted to employees for performing duties are exempt.

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Allowance Type	Exemption Criteria
Travel/Tour Allowance	Actual expenses incurred are exempted.
Daily Allowance	Actual expenses incurred are exempted.
Conveyance Allowance	Actual expenses incurred are exempted.
Helper Allowance	Actual expenses incurred are exempted.
Training Allowance	Actual expenses incurred are exempted.
Uniform Allowance	Actual expenses incurred are exempted.

Allowance Type	Exemption Limit
Education Allowance	₹100 per month per child (up to 2 children)
Hostel Allowance	₹300 per month per child (up to 2 children)
Transfer Allowance	₹10,000 per month or 70% of the allowance (whichever is less)
Tribal Area Allowance	Up to ₹200 per month
Field Area Allowance	₹2,600 per month
Composite Hill Compensatory Allowance	₹300 to ₹7,000 per month (depending on the place)
Border/Remote Area Allowance	₹200 to ₹1,300 per month (depending on the place)
Allowance to Coal Mine Workers	₹500 per month
High Altitude Allowance	₹1,060 to ₹1,600 per month
Highly Active Field Area Allowance	₹4,200 per month
Modified Field Area Allowance	₹1,000 per month
Counter Insurgency Allowance	₹3,900 per month
Transport Allowance	₹1,600 per month (₹3,200 for handicapped/blind employees, up to 31/03/2018)
Island (Duty) Allowance	₹3,250 per month

C. Exempted Income for Institutions

1. **Scientific Research Associations** - Income exempt (Sec. 10(21)).
2. **Employee Welfare Funds** - Income exempt (Sec. 10(23AAA)).
3. **Venture Capital Funds/Companies** - Income exempt (Sec. 10(23F)).
4. **News Agencies** - Income exempt (Sec. 10(22B)).
5. **Professional Institutions** - Income exempt (Sec. 10(23A)).
6. **Regimental Fund (Armed Forces)** - Income exempt (Sec. 10(23AA)).
7. **Khadi/Village Industry Institutions** - Income exempt (Sec. 10(23B)).
8. **Khadi Boards** - Income exempt (Sec. 10(23BB)).
9. **European Economic Community** - Income exempt (Sec. 10(23BBB)).
10. **Statutory Bodies** - Income exempt (Sec. 10(23BBA)).
11. **Pension Funds (LIC)** - Income exempt (Sec. 10(23AAB)).
12. **Mutual Funds** - Income exempt (Sec. 10(23D)).
13. **Registered Trade Unions** - Income exempt (Sec. 10(24)).
14. **Local Authorities** - Income exempt (Sec. 10(20)).
15. **Co-operative Societies for SC/ST** - Income exempt (Sec. 10(27)).
16. **Political Parties** - Income exempt (Sec. 13(A)).
17. **SAARC Regional Projects** - Income exempt (Sec. 10(23BBC)).
18. **Corporations for Minority Interests** - Income exempt (Sec. 10(26BB)).
19. **Certain National Funds** - Income exempt (Sec. 10(23C)).
20. **Hospitals/Educational Institutions** - Income exempt (Sec. 10(23C)).
21. **Investor Protection Funds** - Income exempt (Sec. 10(23EA)).
22. **Swachh Bharat/Clean Ganga Funds** - Income exempt (Sec. 10(23C)).

D. Exemptions for Non-Residents/Foreign Citizens

1. **Interest on Prescribed Securities** - Fully exempt.
2. **Interest on Non-Resident External (NRE) Accounts** - Fully exempt.
3. **Interest on Notified Government Bonds (Subscribed in Foreign Currency)** - Fully exempt.
4. **Remuneration for Foreign Diplomats** - Fully exempt.
5. **Salary of Foreign Nationals/Non-Residents Working in India** - Fully exempt.
6. **Tax Paid by Government for Foreign Companies** - Fully exempt.
7. **Income of Foreign Companies for Security Projects** - Fully exempt.
8. **Foreign Allowances for Indian Government Employees Abroad** - Fully exempt.
9. **Remuneration for Sponsored Cooperative Programs** - Fully exempt.
10. **Income of Foreign Consultants/Employers** - Fully exempt.

E. Exemptions for Others

1. **Newly Established Units in Free Trade Zones** - Income exempt (Sec. 10(A)).
2. **Special Economic Zones (SEZs)** - Income exempt after 31st March 2005 (Sec. 10(AA)).
3. **Export-Oriented Units** - Income exempt (Sec. 10(B)).
4. **Artistic Wooden Handicrafts** - Income exempt (Sec. 10(BA)).
5. **Charitable/Religious Trusts** - Income exempt (Sec. 11).

Residential Status and Tax Liabilities

The tax liability of an individual or entity is based on their **residential status**, not on their citizenship. There are three types of residential status:

1. **Resident/Ordinary Resident (ROR)**
2. **Not Ordinarily Resident (NOR)**
3. **Non-Resident (NR)**

For Individual Assessees:

1. Resident/Ordinary Resident (ROR):

- **Basic Conditions**:
  An individual must meet at least **one** of the following:
  - Lived at least **182 days** in India during the previous year.
  - Lived at least **60 days** in the previous year and **365 days** in the last 4 years combined.

Exceptions:

- If an Indian citizen works abroad or is part of an Indian ship's crew.
- If an Indian citizen or person of Indian origin stays abroad but visits India for a tour. In both cases, they need to stay at least **182 days** in India.
- **Additional Conditions**:
  An individual must meet both of these:
  - Was a **resident** in at least **2 out of the last 10 years**.
  - Lived in India for **730 days** in the last 7 years.

2. Not Ordinarily Resident (NOR):

- If an individual meets the **basic condition** but fails the **additional conditions**.

3. Non-Resident (NR):

- If an individual fails to meet even the **basic condition**, they are considered a non-resident.

For Hindu Undivided Family (HUF):

- **Resident**: If the **management and control** of the family business is partly or wholly in India, and the **Karta** (head of the family) meets the two additional conditions.
- **Not Ordinarily Resident (NOR)**: If the **management and control** are in India, but the **Karta** does not meet the two additional conditions.
- **Non-Resident**: If the **management and control** of the family business is **wholly outside** India.

For Firms or Associations of Persons (AOP):

- **Resident**: If the **management and control** of the firm is partly or wholly in India.
- **Non-Resident**: If the **management and control** is **wholly outside** India.

For Companies:

- **Resident**:
  - If the company is an **Indian company**, or
  - If the company is **controlled and managed** entirely within India.
- **Non-Resident**:
  - If it is not an **Indian company** and not **controlled and managed** from India.

Tax Liability Based on Residential Status:

1. For Ordinary Residents:

Taxable for:

- Income **received** or **deemed to be received** in India.
- Income **accrued** or **deemed to accrue** in India.
- Income from a **business outside India**, if managed from India.
- **All income received or accrued** outside India.

2. For Not Ordinarily Residents (NOR):

Taxable for:

- Income **received** or **deemed to be received** in India.
- Income **accrued** or **deemed to accrue** in India.
- Income from a **business outside India**, if controlled and managed from India.

3. For Non-Residents:

Taxable for:

- Income **received** or **deemed to be received** in India.
- Income **accrued** or **deemed to accrue** in India.

Income from Salary

Computation of Income from Salary

Assessment Year 2018-19

Particulars	Amount
A) Cash Receipts	
Salary	₹
Bonus	₹
Commission	₹
Allowances	₹
Advance Salary	₹
Arrears of Salary	₹
B) Employer's Contribution to R.P.F.	
(i) Employer's Contribution 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	**₹ Total Gross Salary**
Less: Deduction u/s 16(ii)	
Entertainment Allowance (only for govt. employee)	₹
(Maximum of 20% of basic salary or ₹5000, whichever is less)	₹
Less: Deduction u/s 16(iii)	
Professional Tax (paid during the previous year)	₹
Taxable Salary	**₹ Final Taxable Salary**

Deduction form Gross Salary
(1) Entertainment allowance u/s 16
(ii) :- This deduction is allowable only to government employees. Salary = Basic Salary:

(i) Allowance received
(ii) 20% of Salary
(iii) Rs. 5000
(2) Professional Tax or Employment tax u/s 16
(iii) :- Actual Payment will be deductible

Allowances

Allowance Type	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		✔ (Exempted if spent on office use only)	
2) Travelling Allowance		✔ (Exempted if spent on office use only)	
3) Tour Allowance		✔ (Exempted if spent on office use only)	
4) Helper or Assistant Allowance		✔ (Exempted if spent on office use only)	
5) Academic and Research Allowance		✔ (Exempted if spent on office use only)	
6) Uniform Allowance		✔ (Exempted if spent on office use only)	
7) Special Allowance for Performing Duty		✔ (Exempted if spent on office use only)	

1) Education Allowance			✔ (Up to ₹100 per month per child for 2 children)
2) Hostel Allowance			✔ (Up to ₹300 per month per child for 2 children)
3) Tribal Area Allowance			✔ (Up to ₹200 per month)
4) Transport Allowance			✔ (Up to ₹1600 per month or ₹3200 for disabled employees)
5) Composite Hill Compensatory Allowance			✔ (₹300 to ₹7000 per month)
6) Running Allowance to Transport Employees			✔ (As per specific limit)
7) House Rent Allowance			✔ (Exempted under specific conditions)
8) Underground Allowance			✔ (As per specific limit)

Partly Taxable Allowances:

1. **Education Allowance**:
   - **Exempt** up to ₹100 per month per child for a maximum of 2 children.
   - For 2 children: ₹100 × 2 × 12 months = ₹2,400 per year.
2. **Hostel Allowance**:
   - **Exempt** up to ₹300 per month per child for a maximum of 2 children.
   - For 2 children: ₹300 × 2 × 12 months = ₹7,200 per year.
3. **Tribal Area Allowance**:
   - **Exempt** up to ₹200 per month.
4. **Transport Allowance**:
   - **Exempt** up to ₹800 per month for travel between home and office.
5. **Composite Hill Compensatory Allowance**:
   - **Exempt** in different areas as follows:
     - **Manipur, U.P., H.P., and J&K** (height above 9,000 ft.): ₹800 per month.
     - **Siachen area**: ₹7,000 per month.
     - **Other places above 1,000 meters**: ₹300 per month.
6. **Running Allowance for Transport Employees**:
   - **Exempt**: 70% of the allowance received or ₹10,000 per month, whichever is lower.

7. **House Rent Allowance (HRA)**:
    - Formula to calculate taxable HRA:
        - **Salary** = Basic Salary + Dearness Allowance + Commission (if fixed).
        - **HRA Exempt** = The least of the following:
            - Actual HRA received.
            - Rent paid minus 10% of salary.
            - 40% or 50% of salary (depending on the city).
        - The remaining amount is **Taxable HRA**.
8. **Underground Allowance**:
    - **Exempt** up to ₹800 per month.

Tax-Free Perquisites	Taxable Perquisites
1. Refreshment facility (for all classes of employers)	1. Rent-free house (for specified employers)
2. Telephone facility (for all classes of employers)	2. Concessional rent house
3. Medicinal facility (for all employers)	3. Servant facility
4. Expenses on training	4. Gas, water, & electricity facility
5. Sale of goods at concessional rate	5. Liabilities of employee paid by employer
6. Issue of shares/debentures at concessional rate	6. Free education facility (exceeding Rs. 1000 per month per child)
7. Free conveyance facility	7. Interest-free or concessional loan (exceeding Rs. 20,000)
8. Free accommodation for employees	8. Use of movable assets (10% of cost is taxable)
9. Scholarship to children of employee	9. Transfer of movable assets (W.D.V. - Transfer price)
10. Leave travel concession or assistance	10. Medical reimbursement (exceeding Rs. 15,000)
11. Loan facility up to Rs. 20,000	11. Transfer of 10-year-old movable assets
12. Free use of computers	12. Free meal (above Rs. 50 per meal)
13. Free education facility up to Rs. 1000 per month per child	13. Tax paid on perquisites
14. Health club and sport facilities	14. Group insurance and accidental insurance premium paid by employer
15. Tax paid on perquisites	15. Transfer of movable assets

Retirement Benefits

1. **Monthly Pension**: Fully taxable.
2. **Computation of Pension**:
    - **Government Employees**: Fully exempted.
    - **Other Employees**:
        - If the employee receives gratuity, **1/3rd** of the total pension is exempt.
        - If the employee does not receive gratuity, **1/2th** of the total pension is exempt.
3. **Gratuity**:
    - **Government Employees**: Fully exempt.
    - **Employees Covered under Gratuity Act (1972)**:
        - Gratuity is calculated based on last drawn salary, service years, and a formula of 15/26.
        - **Maximum limit**: Rs. 10,00,000.
        - Taxable Gratuity = Gratuity received - (Salary × Years of Service × 15/26).
    - **Employees Not Covered under Gratuity Act**:
        - Gratuity is calculated based on last drawn salary and the average of the last 10 months' salary.
        - **Maximum limit**: Rs. 10,00,000.
4. **Earned Leave Salary**:
    - **Government Employees**: Fully exempt.
    - **Non-Government Employees**:
        - Earned leave salary is calculated based on salary and the period of earned leave.
        - **Maximum limit**: Rs. 3,00,000.
5. **Compensation on Retrenchment**:
    - **Salary**: Basic + Taxable Allowances + Taxable Perquisites.
    - **Maximum limit**: Rs. 5,00,000.
    - Taxable Compensation = Compensation received - (Salary of 15/30 days per completed year of service).
6. **Provident Fund (PF)**:
    - **Statutory and Recognized PF**: Exempt.
    - **Unrecognized PF**:
        - Employer's share with interest is taxable under salary.
        - Employee's interest is taxable under "Income from Other Sources".

Income from House Property

This income is computed based on the ownership of the house property.

Types of Properties:

1. **Self-Residential House**:
   - **Gross Annual Value (GAV)** is **Nil**.
   - **Interest on Loan**: Up to Rs. 30,000 (if loan taken before 1st April 1999) or Rs. 2,00,000 (if loan taken after 1st April 1999) is deductible.
2. **Let-Out House**:
   - **Gross Annual Value** is determined by the actual rent or municipal valuation (whichever is higher).
   - **Deductions**:
     - Municipal taxes paid.
     - Standard deduction of **30%** of the Net Annual Value (NAV).
     - Interest on loan for the house.
3. **Partly Let-Out & Partly Self-Occupied House**:
   - 2/3rd is treated as **Self-Occupied**, and 1/3rd as **Let-Out**.
4. **Unrealized Rent**:
   - If rent remains unpaid but later recovered, it is taxable in the year it is recovered.

Key Notes:

- **Municipal Taxes**: Deducted based on payment made during the year.
- **Standard Deduction**: 30% of Net Annual Value.
- **Interest on Loan**: Deductible for properties that are purchased, constructed, or repaired with a loan.
- **Multiple Houses for Self-Residence**: Only one house will be treated as self-occupied; the others will be deemed as let-out.

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Computation of income from business assessment year 2019-20

Particulars	Amount (Rs.)
Net Profit as per P&L A/c or Surplus as per Income & Exp. A/c	
Add: Disallowed Expenses and Losses debited to P&L A/c	
Household expenses / Personal expenses	
Life insurance premium	
Interest on capital	
Income tax & wealth tax	
Capital expenditures & capital losses / Speculations	
Fees & penalties (except penalty for late payment of sales tax)	
Reserves & provisions (except for excise duty provision)	
Capital expenditure on advertisement expenses (e.g., new signboard)	
Donations to political parties	
Charities & donations (except compulsory subscription for business)	
Personal gifts & presents	
Cash payment exceeding Rs. 10,000	
Payments outside India without TDS	
Excess payment to relatives	
Excess depreciation charged in P&L A/c	
Irrelevant expenses of business	
Fringe Benefit Tax (FBT)	
Securities Transaction Tax (STT)	
Income tax on perquisites	
Valuation of closing stock	
Expenses on intangible assets (e.g., patents, copyright)	
Preliminary expenses (4/5th disallowed)	
Expenses on prospecting of minerals (9/10 disallowed)	
Family planning program expenses	
Provision for Gratuity (u/s 40A(7))	
Total Additions	
Less: Allowed Expenses and Allowances (not debited to P&L A/c)	
Allowed bad debts	
Allowed depreciation	
Any other allowed expenses	
Banking Cash Transaction Tax	
Less: Income not related to business but credited to P&L A/c	
Rent from house property	
Selling price/profit from sale of assets	
Interest and dividend	
Interest on post-office savings account	
Income tax refund	

Agricultural income	
Bad debts recovered previously disallowed	
Personal/Family gifts	
Add: Deemed Income not recorded in the books	
Taxable Income from Business/Profession	

Deductions Allowed (Sec. 30 - 37)

1. **Rent, Taxes, Insurance, Repairs (Sec. 30)**:
   - **If business is run in a rental property**: Rent, taxes, insurance, and repairs are fully allowed.
   - **If business is run in an owned property**: Rent is **disallowed**, but other expenses (like repairs) are **partially allowed**.
2. **Repairs & Insurance of Other Assets (Sec. 31)**:
   - Full deduction allowed for repairs and insurance on assets like plant & machinery, furniture, or vehicles used in business.
3. **Depreciation (Sec. 32)**:
   - Depreciation is allowed on assets used in business at specified rates (e.g., 15% for plant and machinery).
   - **Not allowed** on leasehold assets and foreign cars.
   - Depreciation is calculated based on **Written Down Value (WDV)**, adjusted for purchases and sales of assets.
   - **Additional depreciation (20%)** allowed on new assets purchased.
4. **Expenditure on Scientific Research (Sec. 35)**:
   - Full deduction allowed for scientific research expenditure, whether capital or revenue.
5. **Contribution to National Laboratory (Sec. 35(2AA))**:
   - **200%** weighted deduction allowed for contributions to approved national laboratories.
6. **Patents, Copyright, Technical Know-How (Sec. 35A & 35AB)**:
   - Expenses on intangible assets like patents or copyrights are **capital expenses**.
   - 25% depreciation allowed on such assets (if purchased after 31st March 1998).
7. **Preliminary Expenses (Sec. 35D)**:
   - Deduction allowed in **5 equal installments** (1/5th each year).
8. **Expenditure on Prospecting of Minerals (Sec. 35E)**:
   - Deduction allowed in **10 equal installments**.
9. **Family Planning Program Expenses (Sec. 36(i)(ix))**:
   - **Fully allowed** if it's a capital expenditure for business.
   - **Disallowed** if it's a personal or revenue expenditure.
10. **Rural Development Program Expenses (Sec. 35CCA)**:
    - Fully allowed only if paid to an **approved institution**.
11. **Security Transaction Tax**:
    - Allowed as a deduction.
12. **Other Deductions (Sec. 36)**:
    - Includes expenses like **insurance premiums, bad debts, commissions, and contributions to PF/gratuity**.

13. **Tea, Coffee, and Rubber Development Account (Sec. 33AB)**:
    - Deductions available for tea, coffee, and rubber businesses.
14. **General Business Expenses (Sec. 37(1))**:
    - Includes:
        - Expenses related to sales, manufacturing, and running the business.
        - **Legal expenses, remuneration to employees, advertisement costs**, etc.

Allowable Losses

- **Losses** like theft, embezzlement, and stock destruction due to natural calamities are allowed.

Deductible Expenses (Sec. 43(b)):

- If paid before the income tax return due date, expenses like government dues, bonus, commission, interest on loans, and PF contributions are deductible.

Deemed Profits (Sec. 41):

- **Income considered as business income** even if not earned from operations:
    1. Remission of liability.
    2. Bad debts recovered.
    3. Amount realized from scientific research assets.

Methods of Accounting (Sec. 145)

- **Mercantile System**: Income/expenses are recorded when accrued (received or paid).
- **Cash System**: Income/expenses are recorded when actually received or paid.

Special Provisions for Specific Businesses

1. **Small Business (Sec. 44AD)**:
    - **Gross receipts up to Rs. 2 Crore**: 8% of gross receipts is deemed profit.
    - No need for detailed books or audit, but the assessee must maintain necessary documents.
    - Deductions under sections 80C-80U are allowed.
2. **Goods Carriages Business (Sec. 44AE)**:
    - **Own up to 10 vehicles**: Profit of Rs. 7,500 per vehicle per month is deemed.
    - No deductions allowed beyond the deemed profit.
3. **Insurance Agents, UTI, and Mutual Fund Agents**:
    - If gross commission is less than Rs. 60,000 and the agent doesn't maintain detailed accounts, an **ad-hoc deduction** can be claimed.

Type of Commission	Ad-hoc Deduction Allowed
1. Agent of LIC (Life Insurance Corporation)	
- First year's commission	50% of the commission
- Renewal commission	15% of the renewed commission, or a maximum of Rs. 20,000, whichever is lower
- When first year & renewal commission are not separate	33.33% of total commission earned during the previous year
- Bonus commission	No deduction allowed
2. Commission from Unit Trust of India (UTI)	50% of the commission
3. Commission from Government & Post Office Securities	50% of the commission
4. Commission from Notified Mutual Funds	50% of the commission

Income from Capital Gain (Sec. 45)

Meaning of Capital Gains:

- Capital gains are the profits or gains earned from the sale or transfer of a **capital asset**.
- A **capital asset** includes any movable or immovable property like land, buildings, jewelry, shares, securities, gold, silver, etc.

Definition of Capital Asset (Sec. 2(14)):

- Capital asset means any property (fixed or circulating, movable or immovable, tangible or intangible).
- **Examples:** Land, buildings, machinery, shares, securities, jewelry, etc.

Exceptions (Not a Capital Asset):

1. Stock in trade (assets held for sale in the course of business)
2. Personal effects (assets used personally by the taxpayer or their family)
3. Agricultural land in rural areas
4. Certain government-issued bonds (e.g., Gold Bonds)

Types of Capital Gains:

1. **Short-term Capital Gains (STCG):**
   - Applies to assets held for **12 months or less** before being sold or transferred.
   - For example: Shares, securities, and bonds are STCG if held for 12 months or less.

2. **Long-term Capital Gains (LTCG):**
    - Applies to assets held for **more than 12 months** (shares, securities) or **more than 36 months** for other assets like land, buildings, etc.

Computation of Capital Gains:

1. **Short-term Capital Gain/Loss:**
    - **Sales consideration** – (Transfer expenses + Cost of acquisition + Cost of improvement) = Short-term Capital Gain/Loss.
2. **Long-term Capital Gain/Loss:**
    - **Full value of consideration** – (Transfer expenses + Indexed cost of acquisition + Indexed cost of improvement) = Long-term Capital Gain/Loss.

Indexation:

- Indexation adjusts the cost of assets to account for inflation. This is important for calculating **long-term capital gains**.

  Formula for Indexation:

  1. **Indexed Cost of Acquisition**:
      - If the asset was acquired before 01.04.2001:
        Index Cost = (Original Cost or FMV on 01.04.1981) × (Index of the year of transfer / Index of the year of acquisition)
      - If acquired after 01.04.2001:
        Index Cost = Cost of Acquisition × (Index of the year of transfer / Index of the year of acquisition)
  2. **Indexed Cost of Improvement:**
      - **Indexed Cost of Improvement** = (Cost of Improvement × Index of the year of transfer) / Index of the year of improvement.

Exemption of Capital Gains:

A. Exemption under Sec. 10:

1. **Exemption on sale of units of US 64**.
2. **Exemption on long-term capital gain from shares and securities**, if **Securities Transaction Tax (STT)** is paid.
3. **Exemption on capital gain from compulsory acquisition of urban agricultural land**.

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

Section	Description	Conditions	Exemption Calculation
Sec. 54	Residential property converted into new residential property	New property purchased within 1 year before or 2 years after transfer	Capital Gain × Cost of New House / Net Consideration
Sec. 54B	Agricultural land transferred and another agricultural land purchased	New agricultural land purchased within 2 years	Capital Gain × Cost of New Agricultural Land / Net Consideration
Sec. 54D	Compulsory acquisition of land and building for industrial undertaking	Re-investment in new land or building used for the same purpose	Cost of New Land or Capital Gain (whichever is less)
Sec. 54EC	Capital gain invested in notified bonds (NABARD, Rural Electrification Corporation, etc.)	Investment in specified bonds (NABARD, NHAI, etc.)	Exemption on capital gains invested in bonds, subject to conditions
Sec. 54F	Other capital gains invested in residential property	Net consideration must be invested in a new residential property within 6 months	Capital Gain × Cost of New House / Net Consideration
Sec. 54G	Shifting of industrial undertaking from urban area to another area	New industrial assets must be acquired	Exemption proportional to the cost of new industrial assets
Sec. 54GA	Shifting of industrial undertaking to Special Economic Zone (SEZ)	New industrial assets in SEZ	Exemption proportional to the cost of new industrial assets
Sec. 54GB	Exemption on Long-term Capital Gain (LTCG) for individual/HUF	Investment in equity shares of an eligible company	Invested Amount in New Equity Share / Net Consideration × Capital Gain

Tax on Capital Gains:

1. **Long-Term Capital Gains (LTCG)**:
   - **Securities, bonds, units, debentures**: Taxed at **10%**.
   - **Other assets**: Taxed at **20%**.
2. **Short-Term Capital Gains (STCG)**:
   - Taxed at **normal tax rates**.
   - However, if equity shares or units are sold via the Stock Exchange with **Securities Transaction Tax (STT)** paid, then **15%** tax applies.
3. **Education Cess**: A **3%** surcharge is added on the tax payable.
4. **Important Notes**:
   - **Personal effects** (like clothing, furniture, vehicles) and **agricultural land** in rural areas are **not** considered capital assets. No tax on profits from these.
   - **Depreciable assets** are always treated as short-term assets, no matter how long they're held.
   - **Indexed cost** is **not allowed** for:
     - Securities, bonds, units, and debentures.
     - Shares sold outside Stock Exchange, where tax is paid at **10%** instead of 20%.
     - Non-residents opting for tax under Sections 115C to 115I for foreign exchange assets.
   - If **equity shares** or **units** are sold through the Stock Exchange in FY 2014-15 with **STT paid**, the **LTCG is exempt**. If there's a loss, it's **ignored**.
5. **Cost of Acquisition**:
   - For assets bought **before April 1, 2001**, the cost is the **higher of the original cost or fair market value (FMV) on April 1, 2001**.
   - **Improvements made before April 1, 2001** are ignored for cost calculation.
   - **Bonus shares**:
     - If acquired **before April 1, 2001**, FMV on that date is used for calculating cost.
     - If acquired **after April 1, 2001**, cost is **Nil**.
   - **Capital Losses**:
     - **Short-term capital loss** can be set off against both short-term and long-term capital gains.
     - **Long-term capital loss** can only be set off against **long-term capital gains**.
6. **Special Cases**:
   - If a **land or building** is sold for less than its **stamp duty value**, the stamp duty value will be considered as the sale price.
   - If **property** is inherited (gift or will), the **cost of the previous owner** is used for tax purposes. The holding period starts from when the previous owner acquired the property, but the **indexing** is done from the year the property was transferred to the current owner.

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Income from Other Sources:

- This is the residual category for any income that doesn't fit into the other four categories: **Salaries**, **House Property**, **Business/Profession**, and **Capital Gains**.
- The income will be taxed under **Section 56** as **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 cooperative 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	Taxable as it is
(a)	If gross interest is given	Taxable as it is
(b)	If interest is given net and amount > Rs. 5,000 on listed debentures	Taxable as it is
(c)	Interest on tax-free commercial securities	Taxable as it is
(i)	Listed debentures of a company	Taxable as it is
(ii)	Unlisted debentures of a company	Taxable as it is
(d)	Interest on Semi Govt. securities	Taxable as it is
3	**Interest on Bank Deposit (up to Rs. 10,000)**	Exempt if ≤ Rs. 10,000, taxable if more and given net
4	**Co-operative interest and dividend**	Taxable as it is
5	**Interest on company deposits or firm's deposits**	
(i)	If interest amount is up to Rs. 5,000	Exempt
(ii)	If net interest is more than Rs. 5,000	Taxable as it is
6	**Lottery**	Fully taxable
(a)	If the prize amount is given	Fully taxable
(b)	If net amount is given and amount > Rs. 5,000	Fully taxable
7	**Horse race income**	Fully taxable
8	**Causal income**	Fully taxable
9	**Royalty, director's fees, article income, exam remuneration**	Taxable as received income – expenses
10	**Family pension**	Received amount - 1/3 or Rs. 15,000 (whichever is less)

11	**Income from sub-tenant**	Net income
12	**Income from machinery, plant, or furniture on hire**	Rent received - expenses 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 aggregate amount > Rs. 50,000 in a financial year)**	Fully taxable
18	**Deductions**	
(i)	Interest collection charges	Deductible
(ii)	Interest on loan	Deductible
(iii)	Any expenditure incurred to earn such income	Deductible

Calculation of Income from Sub-tenant

S.No.	Items	Taxability
1	**Rent received from sub-tenant**	Taxable
2	**Less – Expenses allowed**	
(i)	Rent paid by the assessee for the part which is sublet	Deductible
(ii)	Repairs and other expenses paid by the assessee regarding such part	Deductible
3	**Income from sub-tenant**	Rent received - Expenses = Income

Interest on National Saving Certificate

Year	Amount of Interest Accruing on Rs. 100 (NSC VIII Issue 8%)
I	8.16
II	8.83
III	9.55
IV	10.33
V	11.17
VI	12.08

Income of Minor:

- A minor's income is usually added to the income of their parents (either mother or father, whichever income is higher).
- **Exemption**: The first Rs. 1,500 of a minor's income is exempt from tax.
- **Self-Earned Income**: If the minor earns income through their own efforts (like from a business or profession), it is not added to the parent's income.

Income of Cricketers:

- **Test Matches in India**: 25% of the remuneration from the Cricket Control Board for playing Test matches in India is taxable.
- **Other Matches in India**: The entire amount is taxable.
- **Matches Outside India**: 50% of the amount received by a player for matches outside India is taxable.

Receipts of Gifts Without Consideration:

- **Exemption**: Gifts received on special occasions (like marriage) or from close relatives are **not taxable**.
- **Taxable Gifts**: Gifts from non-relatives are taxable if:
    1. The total value exceeds Rs. 50,000 in a financial year.
    2. The gift doesn't fall into any exempted categories (e.g., gifts from relatives, inheritance, marriage).

Government Securities:

- **Tax-Free Government Securities**: Interest from certain government securities is exempt from tax, meaning it is not included in the income of the taxpayer.
- These include:
    - National Saving Annuity Certificates (12 years)
    - National Defence Gold Bonds (1980)
    - Treasury Savings Deposits Certificates
    - Some fixed deposits and bonds issued by public sector companies
    - Various Post Office and Government Schemes

Exempted Income:

Some types of income are completely exempt from tax. Examples include:

1. Agricultural income in India
2. Share in HUF (Hindu Undivided Family) income
3. Share in partnership firm profits
4. Scholarships and Gallantry awards
5. Dividend from domestic companies
6. Family pension received by the family of armed forces members who died in operational duties

Set Off and Carry Forward of Losses:

- **Set Off of Losses**:
  - **Within the same head**: Losses from one source under a head (e.g., business) can be adjusted against income from another source under the same head.
  - **Against other heads**: Losses can also be set off against income from a different head (e.g., business loss against salary income).
  - **Exceptions**: Some losses, like from speculation, long-term capital loss, or exempt income, cannot be set off.
- **Carry Forward of Losses**: If the losses cannot be set off in the current year, they can be carried forward to future years and adjusted against income in those years. Some types of losses can be carried forward, such as:
  - Loss from house property
  - Business or profession losses
  - Speculation business losses
  - Short-term and long-term capital losses

Order of Setting Off Losses:

When carrying forward losses, the losses are set off in a specific order:

1. Current year's business losses
2. Unabsorbed depreciation
3. Carry forward business or profession losses
4. Other unabsorbed expenses (e.g., family planning expenditure)

For carry forward to be allowed, the taxpayer must file a return of loss.

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

Type of Loss	Set Off During the Current Year	Carried Forward and Set Off in Subsequent Years
1. Loss from House Property (Self-occupied or rented)	- Set off against income from another house property first. - If still unabsorbed, set off against other heads of income.	- Can be carried forward and set off against income under **"Income from House Property"** for **up to 8 assessment years**.
2. Non-speculative Business Loss	- Set off against other business income. - If insufficient, set off against other heads of income (except salary).	- Can be carried forward and set off against **"Income from Business or Profession"** for **up to 8 assessment years**.
3. Speculative Business Loss	- Can only be set off against speculative business income.	- Carried forward for set off only against **speculative income** under **"Income from Business or Profession"** for **up to 4 assessment years**.
4. Short-Term Capital Loss	- Set off against **Capital Gains** (short-term or long-term).	- Carried forward for set off against **Capital Gains** for **up to 8 assessment years**.
5. Long-Term Capital Loss	- Can only be set off against **long-term capital gains**.	- Carried forward for set off only against **long-term capital gains** for **up to 8 assessment years**.
6. Loss from Owning and Maintaining Race Horses	- Set off only against income from owning and maintaining race horses.	- Carried forward for set off only against **income from the same activity** for **up to 4 assessment years**.
7. Unabsorbed Depreciation	- Can be set off against **income of any head** (except salary).	- Carried forward indefinitely and can be set off against **income under any head** (except salary).

Carry forward of losses:
If still the losses cannot be set-off fully through inter head adjustment, they can be carried forward to the next years. However, the loss so carried forward can be set-off only against same head of income, i.e. the benefit of "inter-source' Adjustment is lost.
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Nature of Loss	Number of Years for Carry Forward	To Be Set-Off Against
Loss from House Property	8	Income from **House Property**
Business Loss (Non-Speculative)	8	Income from **Business/Profession (Non-Speculative)**
Speculative Business Loss	4	Income from **Speculative Business**
Loss from Activity of Owning and Maintaining Race Horses	4	Income from **Same Activity**
Short-Term Capital Loss	8	**Short-Term** or **Long-Term Capital Gains**
Long-Term Capital Loss	8	**Long-Term Capital Gains**

Clubbing of Income

Clubbing of income means including someone else's income in your total income for tax purposes. This happens in special cases to prevent tax evasion by transferring income or assets. The relevant provisions under the **Income Tax Act (Sections 60 to 64)** are:

1. **Transfer of Income Without Transferring the Asset (Sec. 60)**
   - If you transfer income to someone but still own the asset, the income will be added to your income.
2. **Revocable Transfer of Assets (Sec. 61)**
   - If you transfer an asset but retain the right to take it back, the income from that asset is added to your income.
3. **Irrevocable Transfer for a Limited Time (Sec. 62)**
   - If you transfer an asset irrevocably for a specific period, income will not be added to your income during that period

4. **Income of Spouse (Sec. 64)**
   - Income is clubbed in specific cases:
     (a) If your spouse earns from a business in which you have a substantial interest.
     (b) If both husband and wife have a substantial interest in a business.
     (c) If income arises from assets you transferred to your spouse without adequate consideration.
5. **Income of Minor Child (Sec. 64(1A))**
   - Minor's income (e.g., interest, gifts) is added to the parent's income.
   - **Exemption:** Up to ₹1,500 per child (whichever is lower).
6. **Income Transferred to Son's Wife (Sec. 64(i)(vi))**
   - If you transfer assets to your son's wife without adequate consideration, the income from those assets is added to your income.
7. **Transfer for the Benefit of Son's Wife (Sec. 64(i)(viii))**
   - If you transfer assets for her immediate or future benefit, the income from those assets is added to your income.
8. **Income to Spouse Through a Third Person (Sec. 64(i)(vii))**
   - If you transfer assets to someone else for your spouse's benefit, the income is included in your income.
9. **Income from Converted Property (Sec. 64(2))**
   - If you transfer a property to your family without adequate consideration and it generates income, it will be added to your income.

Deemed Income (Sec. 68 to 69D)

Some amounts are considered income even if not directly earned, and they are taxed:

1. **Cash Credits (Sec. 68)**
   - Unexplained cash deposits in your account are treated as your income.
2. **Unexplained Investments (Sec. 69)**
   - Investments for which you cannot explain the source of funds are treated as income.
3. **Unexplained Money (Sec. 69A)**
   - Cash or valuables found with you but unexplained are taxed as income.
4. **Under-Valued Investments or Valuables (Sec. 69B)**
   - If you buy property or valuables for less than their market value without explaining the source of funds, the difference is treated as income.
5. **Unexplained Expenditure (Sec. 69C)**
   - Spending money without explaining the source is treated as income.
6. **Borrowing or Repayment via Hundi (Sec. 69D)**
   - Loans or repayments using hundis (traditional promissory notes) are taxed if unexplained.

Key Notes

- Income from clubbing is taxed under the same category as the original income (e.g., salary, property, etc.).
- Tax liability can fall on either the transferor (you) or the transferee (other person) as decided by the tax officer.
- Deemed income provisions ensure that unexplained money or assets are taxed appropriately.

1. Section 80C: Deduction for Investments (Max: ₹1.5 Lakhs)

Applies to individuals and HUFs for investments in:

1. Life Insurance Premium (LIP) for spouse and children (up to 20% of sum assured).
2. Employee’s contributions to statutory or recognized Provident Funds (PF).
3. Deposits in Public Provident Fund (PPF).
4. National Savings Certificates (NSC) and accrued interest.
5. Contributions to ULIPs (Unit Linked Insurance Plans).
6. Payments toward housing loan principal.
7. Fixed deposits (5 years or more).
8. Children’s education expenses.
9. Senior Citizen Savings Scheme.
10. Notified bonds of NABARD or infrastructure companies.
11. Contributions to Employee Insurance Schemes by Central Government employees.

Combined Limit: If Section 80C, 80CCC (pension fund), and 80CCD (pension scheme) deductions are claimed, the total cannot exceed ₹1.5 lakhs.

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2. Section 80CCC: Pension Fund Contribution (Max: ₹1 Lakh)

- Deduction for contributions to pension funds by LIC or other insurers.
- Only for individuals.

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3. Section 80CCD: Pension Scheme of Central Government

- Contributions by government employees to a pension scheme started on or after January 1, 2004.
- Deduction = Employee's contribution + Employer’s contribution (both are deductible).

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4. Section 80CCG: Equity Savings Scheme (Max: ₹25,000)

- For first-time equity investors.
- Deduction: **50% of investment** or **₹25,000**, whichever is lower.

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5. Section 80D: Medical Insurance Premium

- Premium for individual or family: **₹25,000** (additional ₹5,000 for senior citizens).
- Maximum Deduction: **₹30,000**.

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6. Section 80DD: Maintenance of Disabled Dependents

- Deduction for expenses or deposits for dependent handicapped family members.
  - Normal disability: **₹75,000**.
  - Severe disability (80%+): **₹1,25,000**.

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7. Section 80DDB: Medical Treatment for Specific Diseases

- Deduction for treatment of diseases like cancer, kidney failure, etc.:
  - Normal cases: **₹40,000**.
  - Senior citizens: **₹60,000**.

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8. Section 80E: Interest on Education Loan

- Deduction for interest paid on loans for higher education.
- No upper limit.

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9. Section 80G: Donations to Charitable Institutions

Deductions based on the type of donation:

1. **Without Limit (100%)**: Donations to PM Relief Fund, Clean Ganga Fund, Swachh Bharat Kosh, etc.
2. **Without Limit (50%)**: Donations to Jawaharlal Nehru Fund, PM Drought Relief Fund, etc.

3. **With Limit (100%)**: Family planning donations to the government.
4. **With Limit (50%)**: Donations to charitable institutions, places of worship, or minority community projects.

Limit (Qualifying Amount) = Adjusted Gross Total Income - LTCG - deductions under 80C to 80U (except 80G).

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10. Section 80GG: Rent Paid (No HRA)

For individuals living in rented houses without receiving HRA.
Deduction = **Least of the following**:

1. ₹2,000 per month.
2. Rent paid - 10% of total income.
3. 25% of total income.

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11. Section 80GGA: Donations for Scientific Research

- 100% deduction for donations to scientific research (only for those without business income).

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12. Section 80GGB/GGC: Donations to Political Parties

- **80GGB**: Deduction for companies.
- **80GGC**: Deduction for individuals.
- Amount donated = 100% deduction.

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13. Section 80IA: Profits from Infrastructure Projects

For profits of industries involved in infrastructure development, power, telecom, etc.:

1. **Telecommunication Services**:
   - First 5 years: 100% deduction.
   - Next 5 years: 30%.
2. **Industrial Parks/Power Generation**:
   - Any 10 consecutive years in the first 15 years: 100%.
3. **Infrastructure Projects**: 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

Type of Undertaking	Period of Production Start	Company Deduction Rate and Period	Other Assessee Deduction Rate and Period
Industrial undertaking in J & K state	1.4.93 to 31.3.12	100% for 1st 5 years; 30% for next 5 years	100% for 1st 5 years; 25% for next 5 years
Scientific research and development company	1.4.2000 to 31.3.2007	100% for 1st 10 years	N.A.
Production or refining of mineral oil	1.4.1997 onwards	100% for 7 years	100% for 7 years
Integrated business of handling, storage, and transportation of food grains	On or after 1.4.2001	100% for 1st 5 years; 30% for next 5 years	100% for 1st 5 years; 25% for next 5 years
Agro processing industry	From 1.4.2009 onwards	100% for 1st 5 years; 30% for next 5 years	100% for 1st 5 years; 25% for next 5 years
Hospital located anywhere except metro cities	1.4.2008 to 31.3.2013	100% for 1st 5 years	100% for 1st 5 years

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 for businesses in H.P., Sikkim, Uttarakhand, and North-Eastern states**

- **Deduction**: 100% of profits for the first 10 years.

15. **80 ID**: **Deduction for hotels and convention centers in NCR**

- **Deduction**: 100% of profits for 5 consecutive years.

16. **80 IE**: **Deduction for certain businesses in North-Eastern states**

- **Deduction**: 100% of profits for 10 years.

17. **80 JJA**: **Deduction for processing biodegradable waste**

- **Deduction**: 100% of profits for 5 years.

18. **80 JJAA**: **Deduction for employing new workers**

- **Deduction**: 30% of additional wages paid to new regular workers.

19. **80 P**: **Deduction for cooperative societies**

- **Full Deduction**: For societies involved in agriculture, fishing, milk production, etc.
- **Restricted Deduction**:
    - Up to ₹1,00,000 for consumer co-operatives.
    - Up to ₹50,000 for other co-operatives.

20. **80 QQB**: **Deduction for authors on royalty income**

- **Deduction**: Up to ₹3,00,000 or actual royalty income (whichever is lower).

21. **80 RRB**: **Deduction for royalty income on patents**

- **Deduction**: Up to ₹3,00,000 or actual royalty income (whichever is lower).

22. **80 TTA**: **Deduction for savings account interest**

- **Deduction**: Up to ₹10,000 for savings interest from banks, post office, etc.
    - For post office savings: First ₹3,500 is exempt; any extra is taxable.

23. **80 U**: **Deduction for individuals with disabilities**

- **Deduction**: ₹75,000 (if disability is up to 80%).
- **Higher Deduction**: ₹1,25,000 (if disability is over 80%).

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

Head of Income	Details	Taxable Income
1. Income from Salaries	(a) Basic salary, bonus, commission, D.A.	
	(b) Taxable perquisites (House, Gas, Servants, etc.)	
	(c) Any other receipt from employer	
Gross Salary		
(-) Deduction u/s 16	(1) Entertainment allowance (Govt.: Up to ₹5000; Non-Govt.: Nil)	
	(2) Professional Tax (Actual amount paid)	
Income from Salaries (Taxable)		
2. Income from House Property		
A) Self-Occupied House		
Gross Annual Value	Nil	
(-) Interest on loan:		
	(i) Before 1.4.1999: Actual interest or ₹30,000 (whichever is less)	
	(ii) After 31.3.1999: Actual interest or ₹2,00,000 (whichever is less)	
	(iii) Loan for repair/renovation: Actual interest or ₹30,000 (whichever is less)	
Income from Self-Occupied House (Loss)		
B) Let-Out House		
Gross Annual Value	(Higher of municipal value, fair rent, or actual rent)	
(-) Municipal Taxes		
Net Annual Value (NAV)		
(-) Deductions u/s 24	(i) Standard deduction (30% of NAV)	
	(ii) Interest on Loan	
Income from Let-Out House		
Income from House Property (Taxable)		

Tax Rates for Individuals (Assessment Year 2016-17)

Income Range	Tax Rate
Up to ₹2,50,000	Nil
Next ₹2,50,000	10%
Next ₹5,00,000	20%
Above ₹10,00,000	30%

Additional Tax Rates

Type of Income	Rate
Long-Term Capital Gains (LTCG)	20%
Casual Income (e.g., Lottery)	30%
Education Cess	3% of tax amount

Deductions (Section-wise)

Section	Type of Deduction
80C, 80CC, 80CCD	Investments (e.g., PPF, LIP, Pension funds, etc.)
80D	Medical Insurance
80DD	Maintenance of Handicapped Dependent
80DDB	Medical treatment of specified diseases
80E	Interest on Higher Education Loan
80G	Donations to Approved Charities
80GGC	Donations to Political Parties
80TTA	Interest on Savings Account (Up to ₹10,000)
80U	Deduction for Disability

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

S.No	Items of Income	Rate of TDS with PAN	Rate of TDS without PAN
1	Rent (if gross rent exceeds ₹1,80,000)	10%	20%
2	Interest on securities other than Govt. securities	10%	20%
3	Interest on company debentures (amount > ₹5,000)	10%	20%
4	Other interest (amount > ₹5,000)	10%	20%
5	Lottery (if prize exceeds ₹10,000)	30%	30%
6	Horse race winnings (amount > ₹10,000)	30%	30%
7	Payment to contractors (Individuals)	1%	20%
8	Payment to contractors (Other than individuals)	2%	20%
9	Insurance commission (if commission > ₹15,000)	5%	20%
10	Commission on sale of lottery tickets	5%	20%
11	Interest on bank deposits (if total interest > ₹10,000)	10%	20%
12	Professional fees (if fees > ₹30,000)	10%	20%
13	Commission and brokerage (amount > ₹15,000)	5%	20%

Important Points Regarding TDS

1. **Issuance of Certificate:**
    - Certificate for TDS deduction must be given to the payee within the prescribed time.
    - **Form 16**: For salaries.
    - **Form 16A**: For other cases.
2. **Remittance of TDS:**
    - Deducted TDS must be deposited with the Central Government as per Section 200.
    - Failure to deposit may result in prosecution under **Section 276B**.
3. **Interest on Non-Compliance:**
    - If TDS is not deducted or not paid, an interest of **1.5% per month** will apply until the tax is deposited.
4. **Tax Deduction Account Number (TAN):**
    - Every TDS deductor must apply for a **TAN** from the assessing officer.
5. **Filing TDS Returns:**
    - Quarterly TDS returns must be filed in prescribed forms (Forms 21–27).

Advance Payment of Tax

- **Meaning:** Tax is paid during the financial year as the income is earned. This is called "Advance Tax."
- **When Applicable:** If the total tax liability is **₹10,000 or more** in a financial year.

Computation of Advance Tax

1. **Income Sources:**
    - Salary, House Property, Business/Profession, Capital Gains, Other Sources.
    - Deduct eligible deductions (like under Section 80C) to arrive at taxable income.
2. **Tax Calculation:**
    - **Long-Term Capital Gains:** 20% tax.
    - **Lottery/Horse Race Income:** 30% tax.
    - **Remaining Income:** Tax as per slabs:
        - **Below 60 years:**

        - ₹2,50,000 – No tax.
        - ₹2,50,001 to ₹5,00,000 – 5%.
        - ₹5,00,001 to ₹10,00,000 – 20%.
        - Above ₹10,00,000 – 30%.
    - **60+ (Senior Citizens):**
        - ₹3,00,000 exempt, then the same slabs apply.
    - **80+ (Super Senior Citizens):**
        - ₹5,00,000 exempt, then the same slabs apply.
- Add **3% education cess** on total tax.

Advance Tax Due Dates

- **15th June:** Pay at least **15%** of advance tax.
- **15th September:** Pay **45%** (cumulative).
- **15th December:** Pay **75%** (cumulative).
- **15th March:** Pay **100%**.

Penalty & Interest for Non-Payment:

1. **Interest for Non-Payment (Sec 234B):**
    - If less than 90% of the tax is paid as advance, interest of **1% per month** applies.
2. **Interest for Delay (Sec 234C):**
    - **By 15th Sept:** Less than 30% paid, interest @1% for 3 months.
    - **By 15th Dec:** Less than 60% paid, interest @1% for 3 months.

Permanent Account Number (PAN)

- A **10-digit unique number** issued by the Income Tax Department.
- Mandatory for:
    - Income above exemption limits.
    - Transactions like property sales (₹10 lakhs+), bank deposits (₹50,000+), mutual fund purchases, etc.
    - Filing income tax returns.

Types of Assessments

1. **Self-Assessment (Sec 140A):**
   - Tax is computed and paid by the assessee while filing returns.
2. **Summary Assessment (Sec 143(1)):**
   - Income tax is calculated based on the filed return without additional scrutiny.
3. **Regular Assessment (Sec 143(3)):**
   - Assessing Officer verifies records and calculates tax after hearing the assessee.
4. **Best Judgment Assessment (Sec 144):**
   - Applied when the assessee fails to file returns or cooperate.
5. **Reassessment (Sec 147):**
   - Done when the Assessing Officer finds any income has escaped tax.
6. **Rectification of Errors (Sec 154):**
   - Corrections can be made to assessments if any clear mistakes are found within 4 years.

Tax Administration: Income Tax Authorities

Income tax is a tax imposed directly by the Central Government of India, and there are various authorities responsible for its assessment, collection, and recovery. Below is an overview of the structure, powers, and functions of the key authorities involved in income tax administration.

Income Tax Authorities

The Income Tax Act establishes various authorities to ensure the effective administration of tax laws. The key authorities include:

1. **Central Board of Direct Taxes (CBDT)**: The highest authority in the income tax department.
2. **Director-General of Income-tax/Chief Commissioners**: Senior officials who oversee large regions.
3. **Directors/Commissioners of Income-tax**: Responsible for managing specific areas.
4. **Additional/Joint Deputy Assistant Commissioners**: Support staff with specific powers and duties.
5. **Income-tax Officers**: Handle the day-to-day functions and assessments.
6. **Tax Recovery Officers and Inspectors**: Responsible for the collection of taxes and related tasks.

Appointment of Income-tax Authorities

- The **Central Government** appoints income-tax authorities.
- The **Central Board of Direct Taxes (CBDT)** can appoint other officers below the level of Assistant Commissioner or Deputy Commissioner.

Central Board of Direct Taxes (CBDT)

The CBDT is the top authority for the administration of income tax. It operates under the Ministry of Finance and has jurisdiction across India. The Board is made up of the Chairman and four other members, and its primary powers include:

- Delegation of powers to lower authorities.
- Formation of rules and issuing circulars.
- Determining jurisdiction of various authorities.

Powers of the CBDT

The CBDT holds several powers such as:

- Delegating powers to lower authorities.
- Issuing directions and appointing officers.
- Conducting searches, seizures, and obtaining information.

Assessing Officer (Assistant Commissioner/Income-tax Officer)

The **Assessing Officer** is responsible for initiating tax assessments and collecting taxes. His powers include:

1. **Power of Assessment**: He can perform self-assessments or best-judgment assessments when needed.
2. **Power to Reopen Assessments**: If income is under-reported or missed.
3. **Power of Search and Seizure**: To investigate premises, seize documents, money, or valuables.
4. **Power of Survey and Inspection**: Checking business accounts, verifying cash and stocks.
5. **Civil Court Powers**: Similar to powers of a Civil Court under the Civil Procedure Code.

Powers of Directors-General, Chief Commissioners, and Commissioners

These senior authorities can issue orders and transfer cases from one officer to another. They also have the power to approve orders on penalty reductions and authorize searches.

Powers of Commissioners (Appeals)

Commissioners (Appeals) handle disputes and appeals against tax assessments. Their powers include:

- **Reviewing Appeals**: They can confirm, modify, or cancel assessments and penalties.
- **Hearing Appeals**: They have the authority to hear cases from the public and provide rulings.

Appeals and Revisions

The Income Tax Act provides a way for an aggrieved taxpayer to appeal against decisions made by lower authorities.

Appeal to the Commissioner (Appeals)

- **Appealable Orders**: An assessee can appeal against orders related to reassessment, penalties, or disputes over tax liabilities.
- **Procedure**: Appeals must be filed within 30 days, accompanied by the prescribed fees and documents.

Appeal to the Appellate Tribunal

- **Appealable Orders**: Orders from the Commissioner (Appeals) or assessing officer can be challenged in the Appellate Tribunal.
- **Procedure**: An appeal can be made in **Form No. 36**, within 60 days of the order.
- **Fee Structure**: Fees depend on the total income of the assessee.

Appeal to the High Court and Supreme Court

- **Appeal to High Court**: An assessee can file an appeal against the Appellate Tribunal's decision. The appeal should be based on a substantial question of law.
- **Appeal to Supreme Court**: Appeals can be filed in cases where the High Court's judgment is disputed, particularly for questions of law.

Revision by the Commissioner

The Commissioner has the power to revise orders in two main situations:

1. Revision of Orders Prejudicial to Government Revenue (Section 263)

- **When can it happen?**: The Commissioner can review any order passed by the Assessing Officer if it is harmful to the government's tax revenue.
- **What happens?**: The Commissioner will check the records, give the taxpayer (assessee) a chance to explain, and conduct any investigations needed.
- **Time Limit**: The Commissioner must make this revision within **two years** from the end of the financial year in which the original order was passed.

2. Revision of Other Orders for the Assessee (Section 264)

- **When can it happen?**: The Commissioner can review orders passed by authorities below him. This can happen either on the Commissioner's own initiative or if the taxpayer asks for it.

- **What happens?**: The Commissioner can call for the records, investigate, and pass any order he feels is fair to the taxpayer, even if it is not in the taxpayer's favor.
- **Fee and Time Limit**: The taxpayer must pay a fee of **Rs. 500** for the revision application. The application must be made within **one year** from the end of the financial year in which the original order was passed.
- **Time Limit for Decision**: The Commissioner must make the revision decision within **one year** from the end of the financial year.

PENALTIES AND PROSECUTION

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

S.No.	Default	Section	Penalty
1	Failure to furnish return of income	271(F)	Rs. 5,000
2	Failure to pay tax/interest	221	Minimum: Amount imposed by A.O., Maximum: Arrears Tax
3	Failure to furnish return in case of search	158BFA	Minimum: Amount of tax leviable, Maximum: 300% of Tax leviable
4	Non-payment of tax within time	221(i)	Minimum: Amount imposed by A.O., Maximum: Tax arrears
5	Failure to present accounts/documents	271(i)(b)	Rs. 10,000 for each default
6	Failure to answer questions	272(A-1)	Rs. 10,000 for each default
7	Failure to sign the statement	272 A(1-b)	Rs. 10,000 for each default
8	Failure to produce evidence and books of accounts	271(1)(b)	Rs. 10,000 for each default
9	Concealment of particulars	271(1)(c)	Minimum: 100%, Maximum: 300% of Tax Amount
10	Wrong distribution of profit by firm	271(4)	150% of saving tax
11	Failure to maintain books of accounts	271(A)	Rs. 25,000
12	Failure to keep information on international transactions	—	2% of each interest transaction

13	Failure to get account audited	271(B)	Minimum: ½% of Total Sales, Maximum: Rs. 1,00,000
14	Failure to furnish report	92F	Rs. 1,00,000
15	Failure to deduct tax at source/collection of source	271(C) / 271(CA)	Equal to the amount of Tax in both conditions
16	Undisclosed income in the case of search	271(AAA)	10% on that income
17	Accepting and repaying loan without crossed cheque/draft	271(E)	Up to the amount of loan
18	Failure to furnish information	272(AA)	Rs. 1,000
19	Failure to comply with the provision of tax collection account no.	206(CA)	Rs. 10,000
20	Failure to comply with the provision in respect of PAN	272(b)	Rs. 10,000
21	Penalty for other defaults	272(A-2)	Rs. 100 per day
22	Penalty for various failures regarding fringe benefits tax	271, 271FB, 272A, 273B	Amount imposed by A.O.

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OFFENCES AND PROSECUTIONS

S.No.	Nature of Offence	Minimum Punishment	Maximum Punishment
275A	Dealing with seized assets in contravention of order under section 132(3) by the officer conducting search	Any period up to 2 years and fine	2 years and fine
275B	Failure to afford facility for inspection of records maintained on electronic media	Any period up to 2 years and fine	2 years and fine
276	Removal, concealment, transfer, or delivery of property to thwart tax recovery	Any period up to 2 years and fine	2 years and fine
276A	Failure to comply with provisions of sections 178(1), (3) by liquidator of a company	6 months	2 years
276AB	Failure to comply with provisions of sections 269UC, 269UE & 269UL relating to acquisition of immovable property	6 months	2 years and fine
276B	Failure to pay tax deducted or payable under section 115-O(2) or proviso to section 194B	3 months and fine	7 years and fine
276BB	Failure to pay tax collected under section 206C	3 months and fine	7 years and fine
276C(1)	Wilful attempt to evade tax, penalty, or interest imposable under the Act	6 months (if tax evaded > ₹1,000); 3 months and fine (otherwise)	7 years and fine (if tax evaded > ₹1,00,000); 3 years and fine (otherwise)
276C(2)	Wilful attempt to evade the payment of tax, penalty, or interest	3 months and fine	3 years and fine
276CC	Wilful failure to file income return in time under section 139(1), 142(1), or 148	6 months and fine (if tax evaded > ₹1,00,000); 3 months and fine (otherwise)	7 years and fine (if tax evaded > ₹1,00,000); 3 years and fine (otherwise)

276CCC	Wilful failure to furnish return of total income under section 158BC	3 months and fine	3 years and fine
276D	Wilful failure to produce books of account or comply with audit direction under section 142	Any period up to 1 year and fine of ₹4/day during default	1 year and fine of ₹10/day during default
277	Making a false statement or delivering a false account or statement	6 months and fine (if tax evaded > ₹1,00,000); 3 months and fine (otherwise)	7 years and fine (if tax evaded > ₹1,00,000); 3 years and fine (otherwise)
278	Abetment to make a false statement or declaration	6 months and fine (if tax evaded > ₹1,00,000); 3 months and fine (otherwise)	7 years and fine (if tax evaded > ₹1,00,000); 3 years and fine (otherwise)
278A	Second and subsequent offences under sections 276B, 276C(1), 276CC, 277, or 278	6 months per offence	7 years per offence
278B/278C	Criminal liability for offences by companies/firms/HUFs for managing partner, director, or Karta	Same as for the company/firm/HUF	Same as for the company/firm/HUF
280(1)	Disclosure of particulars by public servants in contravention of Section 138(2)	Up to 6 months and fine	6 months and fine

Steps in Tax Assessment Procedure

1. **Filing of Return of Income**
   Before paying taxes, an individual or entity must assess their income and file a return if it exceeds the tax exemption limit.
2. **Assessment**
   The Income Tax Department reviews the filed return and assesses the tax liability.

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1. Filing a Return of Income

- **Who Must File?**
  - **Individuals**: If your total income exceeds the exemption limit:
    - General: ₹2,50,000
    - Senior citizens (60+): ₹3,00,000
    - Super senior citizens (80+): ₹5,00,000
  - **Companies**: Must file regardless of income.
  - **Firms, Co-operative Societies, Associations**: Must file if there is taxable income.
- **Types of Return Forms**
  Different forms are prescribed based on the source of income:

Form	Who Should Use It?
ITR-1 (Sahaj)	Individuals with income from salary or interest.
ITR-2	Individuals and HUFs without business/professional income.
ITR-3	Individuals/HUFs who are partners in firms but don't run a business.
ITR-4	Individuals/HUFs with proprietary business/profession income.
ITR-5	Firms, Associations of Persons (AOP), and Body of Individuals (BOI).
ITR-6	Companies not claiming exemption under Section 11.
ITR-7	Entities filing returns under Sections 139(4A/4B/4C/4D).
ITR-8	For reporting fringe benefits.
ITR-V	For returns filed electronically without a digital signature.

- **Due Dates for Filing Returns (for AY 2018-19):**
  - Companies, firms, working partners: **30th September**
  - Others (e.g., salaried individuals): **31st July**

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2. Other Types of Returns

- **Electronic Filing (e-filing)**:
  The government allows e-filing of returns, specifying methods and required documents.
- **Return of Loss (Section 139(3))**:
  File this if you incurred losses in business or capital gains and want to carry them forward to offset future income.
- **Belated Return (Section 139(4))**:
  If you miss the due date, you can file a return within one year after the end of the assessment year but may have to pay interest for the delay.
- **Revised Return (Section 139(5))**:
  If you find an error in the original return, you can revise it within one year after the assessment year or before the assessment is completed, whichever is earlier.
- **Defective Return (Section 139(9))**:
  If your return is incomplete, the tax officer will notify you to correct it within 15 days. Extensions may be granted.

3. Signing of Return (Section 140)

The return must be signed by the appropriate person:

Type of Assessee	Who Signs the Return
Individual	Self, guardian, or an authorized person.
HUF (Hindu Undivided Family)	Karta or any adult family member.
Company	Managing Director or any director.
Partnership Firm	Managing Partner or any partner.
Local Authority	Principal Officer.
Political Party	Chief Executive Officer.
Association of Persons	Any member or Principal Officer.

EDU SERUMX COLLEGE OF COMMERCE and MANAGEMENT

UNIT III

REGISTRATION UNDER GST: AT A GLANCE
Provisions, Roles, Procedure and Forms

S.No.	Subject	Particulars	Form Number	Time Limit
1	**Threshold Limit for Registration** (Sec. 22 & 24)	**(a)** ₹20 lakh for normal category states. **(b)** ₹10 lakh for special category states. **(c)** No limit for: interstate supplies, casual taxable persons, input service distributors, e-commerce operators, TDS/TCS deductors, reverse charge liabilities.	N/A	N/A
2	**Persons Not Liable to Register** (Sec. 23)	**(i)** Suppliers of exempt goods/services. **(ii)** Agriculturists. **(iii)** Notified persons.	N/A	N/A
3	**Meaning of Aggregate Turnover**	Includes taxable goods/services, exempt goods/services, interstate supply, exports.	N/A	N/A
4	**Place of Registration**	State of the main business or each state if multiple branches.	N/A	N/A
5	**Application for Registration** (Normal) (Sec. 25)	Requires PAN, mobile number, email address.	**GST REG-01**	Within 30 days of becoming liable for registration.
6	**Verification of Information**	Temporary Reference Number (TRN) issued via email.	N/A	N/A
7	**Submission of Documents**	Documents submitted as per guidelines.	**GST REG-02**	N/A

8	**Acknowledgment**	E-Acknowledgment issued.	**GST REG-02**	Within 3 working days of application submission.
9	**E-Notice for Clarification**	Additional information/documents requested by department.	**GST REG-03**	N/A
10	**Applicant Clarification**	Applicant submits additional information/documents.	**GST REG-04**	Within 7 working days of notice receipt.
11	**Order for Rejection**	Application rejection order issued.	**GST REG-05**	Within 7 working days of clarification.
12	**Registration Certificate**	Issuance of GSTIN and permanent registration certificate.	**GST REG-06**	Within 3 working days.
13	**Special Cases Registration** (Sec. 27)	Includes TDS/TCS, non-resident taxable persons, casual taxable persons, OIDAR service suppliers.	**GST REG-07 to GST REG-13**	Varies: 5 to 30 days.
14	**Amendment Procedure** (Sec. 28)	Amendment application for registered persons.	**GST REG-14**	Within 15 days of the event.
	Order of Amendment	Approval of amendment.	**GST REG-15**	Within 15 working days of application receipt.

15	**Cancellation Procedure** (Sec. 29)	Application for registration cancellation.	**GST REG-16**	Within 30 days of event occurrence.
	Show Cause Notice for Cancellation	Department issues notice for cancellation.	**GST REG-17**	N/A
	Reply to Show Cause Notice	Applicant responds to cancellation notice.	**GST REG-18**	Within 7 working days of notice service.
	Cancellation Order	Registration cancellation order issued.	**GST REG-19**	Within 30 days of application/reply receipt.
16	**Revocation Procedure** (Sec. 30)	Application to revoke canceled registration.	**GST REG-21**	Within 30 days of cancellation order service.
	Revocation Approval	Order for revocation of cancellation issued.	**GST REG-22**	Within 30 days of revocation application receipt.
	Show Cause Notice for Rejection	Notice for rejection of revocation application.	**GST REG-23**	N/A
	Reply to Rejection Notice	Applicant responds to rejection notice.	**GST REG-24**	Within 7 working days of notice service.

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Supply: Meaning, Scope, and Types

Meaning of Supply

- Supply refers to the provision of goods or services or both.
- It includes various forms like:
    - **Sale**, **Transfer**, **Barter**, **Exchange**, **License**, **Rental**, **Lease**, and **Disposal**.
- Supply can be made for consideration (payment) and in the course or furtherance of business.

Key Inclusions in Supply (Section 7(1) of CGST Act):

1. **All forms of supply for consideration** in business (e.g., sale, lease, barter).
2. **Import of services** (even if not for business).
3. Activities mentioned in **Schedule I** (e.g., supplies without consideration).
4. Activities specified as supply of **goods or services in Schedule II**.

Types of Supply

1. **Exempt Supply:** No GST applies (e.g., essential goods/services).
2. **Taxable Supply:** GST is applicable.
3. **Non-Taxable Supply:** Not covered under GST (e.g., alcohol).
4. **Inward Supply:** Goods or services received by a person.
5. **Outward Supply:** Goods or services supplied by a person.
6. **Principal Supply:** Main supply in a transaction (e.g., TV in a bundle with warranty).
7. **Composite Supply:** Naturally bundled supplies (e.g., TV with warranty).
8. **Mixed Supply:** Unrelated items sold together for a single price (e.g., fridge with water bottles).

Composite Supply vs. Mixed Supply

Criteria	Composite Supply	Mixed Supply
Definition	Naturally bundled supplies (e.g., TV + warranty).	Combination of unrelated supplies sold together (e.g., fridge + bottles).
Bundling	Naturally bundled in the course of business.	Not naturally bundled.
Pricing	May have separate prices.	Single price for the entire package.
Tax Liability	Taxed as the **principal supply** (e.g., TV rate).	Taxed at the **highest rate** among items.

Tax Liability (Section 8):

1. **Composite Supply:** Taxed as the rate applicable to the **principal supply**.
    - Example: A TV with warranty → taxed as TV (principal supply).
2. **Mixed Supply:** Taxed at the **highest rate** among the items.
    - Example: Refrigerator with bottles → taxed at the higher rate (fridge or bottles).