EDU SERUMX COLLEGE OF COMMERCE and MANAGMENT

SYLLABUS

Class –I Year

Subject – E-Accounting and Taxation with GST

Unit	Topic	Subtopics
Unit 1	**Introduction of E-Accounting**	1. Concept of Business and Profession, Types of Accounts, Rule of Accounts
		2. Journal Accounting
		3. Ledger, Trial Balance, and Final Accounting
Unit 2	**Income Tax**	1. Introduction to Income Tax: Important Concepts and Definitions
		2. Theoretical Knowledge of Various Heads of Income Tax
		3. Computation of Assessable Value under GST
		4. Procedure of Tax Assessment and Types of Tax Assessment
		5. TDS and Tax Refund Procedure
Unit 3	**GST**	1. Introduction, Important Terms
		2. Structure and Classification of GST
		3. Concept and Impact of Tax Credit
		4. Meaning, Scope, Place, and Time of Supply
		5. Computation of Assessable Value under GST

UNIT-1

Concept of Business: Business is an economic activity aimed at earning profits. It includes trade, commerce, manufacturing, and other profit-driven activities. People engage in business to earn profits and accumulate wealth. Business organizations include Sole Proprietorship, Partnership, Cooperative Societies, Joint Hindu Family Business, and Joint Stock Company.

Main Characteristics of Business:

1. Economic activity focused on profit.
2. Regular production, purchase, or sale of goods/services.
3. Risk and uncertainty of returns.
4. Aim to earn profits.

Concept of Profession: A profession is a paid job requiring specialized knowledge and training to offer services to the public. Professionals, such as doctors, lawyers, and accountants, must have formal qualifications, belong to a professional body, and follow a code of ethics. The goal is to serve others for a set fee.

Types of Accounts:

1. **Personal Accounts** (linked to individuals or entities):
   - **Natural Persons:** Individuals like “Ranveer’s A/c.”
   - **Artificial Persons:** Entities like “Roy Brothers Pvt Ltd A/c.”
   - **Representative Accounts:** For specific purposes, e.g., “Outstanding Wages A/c.”

   Rule: Debit the receiver, credit the giver.

2. **Real Accounts** (related to assets or properties):
   - **Intangible:** Non-physical assets.
   - **Tangible:** Physical assets.

   Rule: Debit what comes in, credit what goes out.

3. **Nominal Accounts** (related to income, expenses, gains, or losses): **Rule:** Debit expenses and losses, credit income and gains.

Journal: A journal is the record of all financial transactions in chronological order. It is a primary book that captures both sides of a transaction (debit and credit) for the first time.

Types of Journal Entries:

- **Simple Entry:** Affects only two accounts.
- **Compound Entry:** Affects more than two accounts.

Ledger: A ledger is a detailed book that compiles all types of accounts (assets, liabilities, capital, expenses, and revenue) from the journal. The process of transferring entries from the journal to the ledger is called "posting."

Trial Balance: A trial balance is a summary of all ledger accounts showing debit and credit balances to check for accuracy.

Functions of a Trial Balance:

1. Verifies accuracy of ledger accounts.
2. Assists in error detection.
3. Summarizes ledger balances.
4. Prepares for final accounts.

Goods and Services Tax (GST): GST is a destination-based tax on the consumption of goods and services, collected at each stage of production and distribution. It is only applied to the added value, and the final tax burden falls on the consumer.

Key Features of GST:

1. **Indirect Tax:** Levied on goods/services.
2. **Uniform Across India:** Standardized rate across states.
3. **Consumption-Based:** Collected where goods are consumed.
4. **Multi-Point Tax:** Taxed at each stage on value added.
5. **Input Tax Credit:** Tax paid on inputs is credited against tax on outputs.
6. **E-Way Bill:** Required for goods transported over ₹50,000.
7. **Reverse Charge Mechanism:** Tax liability on the buyer if buying from an unregistered supplier.

Benefits of GST:

1. **Eliminates Cascading Effect:** GST removes the "tax on tax" situation, reducing the overall tax burden on consumers.
2. **Reduces Consumer Tax Burden:** With GST, consumers pay less tax on goods and services, making them more affordable.
3. **Increases Government Revenue:** The uniform tax system helps increase revenue collection by reducing tax evasion.
4. **Boosts Product Competitiveness:** Lower costs make Indian products more competitive globally.
5. **Easier Administration:** GST simplifies the tax structure, making it easier for businesses to comply.
6. **Unified National Market:** GST creates a single market across India, facilitating easier movement of goods.
7. **Ease of Doing Business:** Reduces complexities, making it simpler for businesses to operate and grow.
8. **Supports 'Make in India':** Lower costs encourage local manufacturing and attract foreign investment.
9. **Benefits for Small Traders:** Small traders benefit from simplified compliance and tax exemptions.
10. **Countrywide Benefits:** GST boosts economic growth, benefits consumers, businesses, and improves India's global standing.

How GST Benefits the Common Man:

- **Affordable Essentials:** Many everyday items are tax-exempt or in the low 5% tax bracket, reducing costs for the poor.
- **Equal Opportunities for Small Traders:** GST provides a fair environment for small traders across the country.
- **Single Tax System:** A single tax on both goods and services simplifies pricing.
- **Lower Prices Nationwide:** Uniform pricing across states and elimination of cascading effects mean lower prices for goods and services.
- **Transparency and Job Creation:** GST increases transparency in taxation and helps generate more employment opportunities.

Benefits of GST to the Economy:

1. **Unified National Market:** GST creates a single, seamless market across India, removing tax barriers between states.
2. **Boosts Manufacturing:** By reducing tax complexities, GST makes India more attractive for manufacturing, supporting "Make in India."
3. **Encourages Investment and Exports:** GST's streamlined tax structure encourages more investment and makes exports more competitive.
4. **Creates Jobs:** Increased business activities under GST are likely to create more employment opportunities.
5. **Free Movement of Goods & Services:** Goods and services can move freely across states, without multiple taxes or checkpoints.

6.

7. **Better Consumer Options:** Increased competition leads to better quality and prices for consumers.
8. **Level Playing Field Nationwide:** GST equalizes tax rates and policies for businesses, whether they’re local or national.
9. **Promotes National Unity:** With consistent tax rules, GST strengthens the feeling of unity across states.

Simplified Tax Structure:

- **Reduces Multiple Taxes:** GST replaces many indirect taxes with a single, comprehensive tax on goods and services.
- **Common Procedures and Classifications:** A uniform tax classification simplifies registration, payments, and returns.
- **Smooth Flow of Tax Credits:** GST allows seamless tax credits along the supply chain, reducing tax burdens and preventing "tax on tax."
- **Small Business Support:** Special exemptions for small suppliers keep their products affordable.

Benefits to Central and State Governments:

1. **Attracts Foreign Investment:** A unified national market under GST promotes foreign investment.
2. **Boosts Export and Employment:** By supporting local manufacturing, GST helps reduce poverty and increases GDP growth.
3. **Improves Investment Climate:** GST's simpler structure benefits both central and state development.
4. **Reduces Tax Evasion:** Uniform rates make it harder to avoid taxes.
5. **Simplifies Compliance:** Businesses no longer need to keep multiple records, lowering compliance costs.

Limitations of GST:

1. **Takes Time to Show Results:** Benefits will take time as the economy adjusts to GST.
2. **Complex Refund Processes:** Difficulties with getting timely tax refunds can impact businesses.
3. **Multiple Tax Rates:** Different tax rates for various goods can complicate matters.
4. **Higher Prices Initially:** Some goods and services may see price hikes initially.
5. **More Formalities:** GST requires detailed record-keeping and compliance, which can be burdensome.
6. **Centre-State Conflicts:** Disputes between central and state governments over tax sharing may arise.
7. **Complex Accounting:** Businesses need a strong understanding of the GST system to manage tax credits and claims effectively.
8. **Interest on Delayed Payments:** GST charges interest on late payments, adding financial pressure on businesses.

Important GST Terms and Definitions (Section 2)

1. **Goods (Section 2(52))**
   - Goods include all types of movable property, such as clothing, sugar, iron, grocery items, and vehicles.
   - Money and securities are **not** considered goods.
   - Crops, grass, or items attached to land are counted as goods if they are agreed to be separated before being supplied.
   - **Exclusions:** Actionable claims like lottery, betting, and gambling are **not** considered goods under GST.
   - Intangible items like copyrights and carbon credits are still classified as goods.
2. **Services (Section 2(102))**
   - Services refer to anything that isn't goods, money, or securities.
   - Services can include activities like using or converting money between currencies if there is a charge.
   - So, under GST, a service is any activity one person performs for another in exchange for payment.
   - Exclusions:
     - Money or actionable claims (like a claim to receive money) are not services.
     - Services provided by an employee to their employer are **not** included as a service under GST.
3. **Capital Goods (Section 2(19))**
   - Capital Goods are items that a business treats as assets, meaning their value is recorded in the business's accounts.
   - These items are used or intended for use in the business.
   - **Conditions**:
     - The value of the item is recorded in the business's books.
     - It must be used or planned to be used for business purposes.
   - Even if an item's value isn't recorded in the accounts, the buyer may still claim GST input tax credit on it.
4. **Supply (Section 7(1))**
   - The concept of "supply" is essential in GST, as GST is charged on supplies of goods or services.
   - Although "supply" is not directly defined, it generally refers to the sale or transfer of goods or services.

UNIT-2

Basic concepts of Income Tax

Meaning of Income Tax

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

Key Features of Income Tax

1. **Central Tax**: Income tax is managed and collected by the central government.
2. **Direct Tax**: It's a direct tax on a person's or entity's income.
3. **Tax on Taxable Income**: Only the income that meets taxable criteria is taxed.
4. **Progressive Tax Rates**: Higher income levels are taxed at higher rates.
5. **Broad Scope**: Income tax applies to individuals, firms, companies, HUFs (Hindu Undivided Families), trusts, and cooperatives.
6. **Exemption Limits**: There is a minimum income threshold below which no tax is paid.
7. **Burden on Wealthier Individuals**: Higher earners contribute more.
8. **Separate Administration**: Managed by a dedicated Income Tax Department.
9. **Revenue Sharing**: Income tax revenue is shared between central and state governments.
10. **Major Revenue Source**: It is the biggest revenue source for the government.
11. **Supports Public Welfare**: Funds from income tax are used for public services and welfare.
12. **Long History**: Income tax has existed in India for about 150 years.
13. **Income Control**: Income tax regulations aim to monitor and manage income levels.
14. **Started in 1860**: Introduced by Sir James Wilson, income tax began in India in 1860.

Income [Section 2(24)]

Under the Income Tax Act, 1961, "Income" covers a broad range of earnings and financial gains, even including some items not usually thought of as income. Here's a breakdown:

1. **Profits and Gains**: Money earned from business or professional activities.
2. **Dividend**: Income received from investments in company shares.
3. **Voluntary Contributions**: Donations received by a trust.
4. **Perquisites**: Benefits received by an employee in addition to salary.
5. **Allowances and Benefits**: Special allowances for specific purposes, not counted as perquisites.
6. **Allowances for Personal Expenses**: Payments given to cover personal costs related to work location.

7. **Company Benefits**: Benefits received from a company beyond salary.
8. **Compensation Payments**: Amounts received as compensation.
9. **License Sale Profits**: Profits from selling licenses.
10. **Cash Assistance**: Financial help provided by the government or others.
11. **Interest, Salary, Bonus, or Commission**: Payments made to the individual by another.
12. **Mutual/Co-operative Insurance Profit**: Profits from mutual or co-operative insurance companies.
13. **Capital Gains**: Earnings from the sale of property or investments.
14. **Keyman Insurance Policy Payments**: Amounts received from specific insurance policies tied to key employees.

Agricultural Income [Section 2(1A)]

Agricultural income is specifically defined in the Income Tax Act. Here's a simplified breakdown:

1. **Rent or Revenue from Agricultural Land**:
   - Any money earned as rent or revenue from land located in India that is used for agricultural purposes.
2. **Income from Agricultural Activities**:
   - Earnings from agriculture, such as growing crops.
   - Income from activities that prepare the agricultural produce for sale, like
   - cleaning or packaging.
   - Earnings from selling the produce directly if you are the grower or someone who receives rent in kind (like receiving crops as rent).
3. **Income from Buildings Related to Agriculture**:
   - Income from buildings on or near agricultural land if:
     - The building is close to the agricultural land.
     - It is used by the person who cultivates the land or receives rent from it.
     - It serves as a house, storage, or an outbuilding.
     - The land is assessed for land revenue or a local tax.
4. **Income from Nurseries**:
   - Earnings from selling saplings or seedlings grown in a nursery.

Partly Agricultural Income Shown by Chart

S.No.	Partly Agricultural Income Description	Agricultural Income (%)	Non-Agricultural Income (%)
1	Growing & manufacturing tea in India	60%	40%
2	Growing & curing 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 in production	Market value of agricultural produce used in production	Remaining business income will be taxable

Income Connected with Land but Not Considered Agricultural Income

1. Profit from buying and selling standing crops.
2. Income from mining activities.
3. Earnings from self-grown grass, trees, or bamboo.
4. Dividends from companies engaged in agriculture.
5. Income from renting warehouses or storage facilities.
6. Revenue from land used for brick manufacturing.
7. Income from supplying water for irrigation.
8. Payment received for managing agricultural property.
9. Income from dairy activities.
10. Interest earned on promissory notes for overdue rent.

Agricultural Income and Tax Liability (Simple Explanation)

Although agricultural income is generally exempt from tax, it can affect the tax calculation when someone has both agricultural and non-agricultural income. This is called "income integration" and applies to individuals, Hindu Undivided Families (HUF), Associations of Persons (AOP), Bodies of Individuals (BOI), and artificial juridical persons.

Conditions for Income Integration
Income integration applies if these two conditions are met:

1. Non-agricultural income of the taxpayer is more than the basic exemption limit. For the assessment year 2018-19, the limits are:
   - ₹2.5 lakh for individuals, women, and HUFs.
   - ₹3 lakh for senior citizens (60+ years).
   - ₹5 lakh for super senior citizens (80+ years).

2. Net agricultural income exceeds ₹5,000.

Steps for Calculating Tax on Non-Agricultural Income after Integration

1. Add agricultural income to non-agricultural income and calculate tax on this total.
2. Add agricultural income to the basic exemption limit and calculate the tax on this amount.
3. Subtract the tax calculated in step 2 from the tax in step 1. The result is the tax payable on non-agricultural income.

Casual Income
Casual income refers to income that is unexpected and not earned regularly, such as winning a lottery or prize money. Although it is fully taxable, it is treated differently:

1. **Special Tax Rate**: Casual income, like lottery or race income, is taxed at a special rate of 30%.
2. **No Set-off**: Casual income cannot be used to set off losses from other types of income. Additionally, losses from casual income cannot be set off against other types of income.

Assessment Year and Previous Year

1. **Assessment Year (Section 2(9))**:
   The assessment year is a period of 12 months starting from April 1st and ending on March 31st of the next year. For example, for the assessment year 2018-19, the period would be from April 1, 2018, to March 31, 2019.
2. **Previous Year (Section 3)**:
   The previous year is the financial year before the assessment year. For the assessment year 2018-19, the previous year is from April 1, 2017, to March 31, 2018. This is the year in which the income was earned. However, businesses can maintain accounts on a different financial year if needed.

Person (Section 2(31))
The term 'person' under income tax includes:

1. Individual
2. Hindu Undivided Family (HUF)
3. Companies
4. Firms
5. Associations of Persons (AOP) or Bodies of Individuals (BOI)
6. Local authorities (Municipalities, Panchayats, etc.)
7. Artificial juridical persons (e.g., universities, life insurance companies)

Assessee (Section 2(7))
An 'assessee' is a person who is liable to pay taxes under the Income Tax Act. This includes:

- Any person who is liable to pay taxes or penalties.
- Any person for whom tax assessments or income proceedings are carried out.

Deemed Assessee:
A deemed assessee includes individuals who are responsible for paying taxes on another person's income, such as legal representatives, guardians, or agents of non-residents.

Gross Total Income (GTI)
Gross Total Income is the total income from all sources before deductions (under sections 80C to 80U). It includes:

1. Salary
2. Income from House Property (rental income)
3. Profits from Business or Profession
4. Capital Gains (from selling assets)
5. Income from Other Sources (interest, royalty, etc.)

Total Income
Total Income is the taxable income after applying deductions from Gross Total Income (under sections 80C to 80U). The tax is calculated based on this amount.

Summary of Calculation:

1. Add all sources of income:
   - Salary
   - House property income
   - Business/profession income
   - Capital gains
   - Other sources income
2. Adjust for losses and clubbing of income.
3. The total income is calculated after applying deductions (e.g., section 80C, 80D).

Formula:

- **Gross Total Income** = Total income from all heads (after adjustments)
- **Total Income** = Gross Total Income - Deductions (sections 80C to 80U)

Total Income

Definition:

Total income is the part of an individual's income that is taxable. It's calculated according to Income Tax laws, and the tax is applied on this amount.

According to Section 2(45) of the Income Tax Act, "total income" refers to the sum of all income computed as specified in Section 5, after deducting eligible amounts under Sections 80C to 80U.

In simple terms, **total income** is what you get after subtracting certain deductions from your **gross total income**.

Gross Total Income vs. Total Income – Breakdown

1. **Gross Total Income (GTI):**
   - GTI is the total of all income from different sources:
     1. Salary
     2. House Property
     3. Business/Profession
     4. Capital Gains
     5. Other Sources
   - **Additions/Subtractions**:
     - Add: Any income that needs to be "clubbed" (like certain family incomes).
     - Subtract: Losses that are allowed to be carried forward and set off.
   - GTI is not used directly for tax calculation.
2. **Total Income (TI):**
   - TI is derived by subtracting deductions (under Sections 80C to 80U) from the GTI.
   - **Deductions:** Examples include savings, certain investments, medical expenses, etc.
   - TI is the actual amount on which tax is calculated.

Key Differences between Gross Total Income and Total Income

Criteria	Gross Total Income (GTI)	Total Income (TI)
Definition	Sum of income from all sources	Income left after deductions (80C to 80U)
Tax Calculation	No tax on GTI	Tax is calculated on TI
Value Comparison	Can be more than or equal to TI	Can be less than or equal to GTI
Rounding Off	Not required	Rounded to the nearest multiple of ten
Agricultural Income	Not included due to exemption	Added only for tax calculation

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Income Tax Rates for Assessment Year 2019-20

Step 1: Tax Calculation Based on Total Income

Income Category	Income Slabs	Tax Rate
Individuals & HUF (< 60 yrs)	Up to Rs. 2,50,000	NIL
	Rs. 2,50,001 - Rs. 5,00,000	5%
	Rs. 5,00,001 - Rs. 10,00,000	20%
	Above Rs. 10,00,000	30%
Senior Citizens (60-80 yrs)	Up to Rs. 3,00,000	NIL
	Rs. 3,00,001 - Rs. 5,00,000	5%
	Rs. 5,00,001 - Rs. 10,00,000	20%
	Above Rs. 10,00,000	30%
Super Senior Citizens (> 80 yrs)	Up to Rs. 5,00,000	NIL
	Rs. 5,00,001 - Rs. 10,00,000	20%
	Above Rs. 10,00,000	30%
Partnership Firms	All Income	30% (Flat)
Domestic Companies	All Income	30% (Flat) + Surcharge if income > Rs. 1 Crore (7%) or > Rs. 10 Crore (12%)
Foreign Companies	All Income	40% (Flat) + Surcharge if income > Rs. 1 Crore (7%) or > Rs. 10 Crore (12%)
Co-operative Societies	Up to Rs. 10,000	10%
	Rs. 10,001 - Rs. 20,000	20%
	Above Rs. 20,000	30%

Special Tax Rates:

Income Type	Tax Rate
Long-term Capital Gains	20% (Flat)
Short-term Capital Gains (U/s 111A)	15% (Flat)
Lottery, Horse Race, Crossword Puzzle, etc.	30% (Flat)

Additional Charges:

- **Education Cess**: 3% on taxable income (for all except companies).
- **For companies**: Cess is calculated after adding any surcharge.

Exempted Income Under Section 10 of Income Tax Act

Exempted Income Categories:

1. **For All Assessees**
   Examples: Agricultural Income, Income from Partnership Firms, Scholarships, Dividends, Capital Gains (certain types), Allowances for MPs/MLAs, and several other specific incomes.
2. **For Employees**
   Examples: House Rent Allowance, Gratuity, Pension (with some limits), Provident Fund, Leave Travel Allowance, Voluntary Retirement Scheme, Special Allowances, and Compensatory Allowances.
3. **For Institutions**
   Examples: Income from Scientific Research Associations, Welfare Funds, Khadi Boards, Registered Trade Unions, Local Authorities, and certain Educational Institutions.
4. **For Non-Residents/Foreign Citizens**
   Examples: Interest on specific securities, Remuneration for foreign diplomats, Allowances for government employees posted abroad, and certain incomes related to foreign government-sponsored programs.
5. **For Others (Special Exemptions)**
   Examples: Newly established industrial units in Special Economic Zones (SEZ), Charitable or Religious Trusts, and Export-Oriented Units.

Chart Summary of Income Tax Rates for 2019-20

Taxpayer Type	Income Range	Tax Rate
Individual (<60)	Up to Rs. 2,50,000	NIL
	Rs. 2,50,001 - 5,00,000	5%
	Rs. 5,00,001 - 10,00,000	20%
	Above Rs. 10,00,000	30%
Senior Citizen (60-80)	Up to Rs. 3,00,000	NIL
	Rs. 3,00,001 - 5,00,000	5%
	Rs. 5,00,001 - 10,00,000	20%
	Above Rs. 10,00,000	30%
Super Senior (>80)	Up to Rs. 5,00,000	NIL
	Rs. 5,00,001 - 10,00,000	20%
	Above Rs. 10,00,000	30%
Firms/Companies	All Income	30-40%
	Additional Education Cess & Surcharge on taxable income	

Residential Status and Tax Liabilities

In India, the amount of tax you owe depends on your "residential status," not your citizenship. The Indian Income Tax Act classifies individuals and entities into different residential statuses, which affect tax liabilities. Here’s an easy breakdown of the three main residential statuses and their tax implications:

Categories of Residential Status

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

Determining Residential Status for Individuals

1. **Resident / Ordinary Resident**
   To be considered a "Resident," an individual must meet one of the following **basic conditions**:
   - They stayed in India for at least **182 days** during the previous year, or
   - They stayed in India for at least **365 days over the previous 4 years** and **60 days in the previous year**.

   Exceptions:

   - Indian citizens leaving India for employment or as a crew member of an Indian ship only need to meet the **182-day** condition.
   - Indian citizens or people of Indian origin living abroad and visiting India must also meet the **182-day** condition.

   Additional Conditions for Ordinary Resident:

   - Must have been a resident of India for **at least 2 out of the last 10 years**, and
   - Must have stayed in India for **730 days or more in the last 7 years**.
2. **Not Ordinarily Resident (NOR)**
   If an individual satisfies the **basic conditions** but **fails to meet both additional conditions**, they are categorized as NOR.
3. **Non-Resident**
   If an individual fails to meet the basic conditions, they are considered a Non-Resident.

Determining Residential Status for Other Entities

1. **Hindu Undivided Family (HUF)**
   - **Resident**: The HUF is managed and controlled, at least partly, in India, and the "Karta" (head of HUF) satisfies both additional conditions.
   - **Not Ordinarily Resident**: The HUF is managed/controlled in India, but the Karta does not meet the additional conditions.
   - **Non-Resident**: The HUF is managed and controlled entirely outside India.
2. **Firms or Association of Persons (AOP)**
   - **Resident**: The firm/AOP is managed and controlled, at least partly, in India.
   - **Non-Resident**: The firm/AOP is managed and controlled entirely outside India.
3. **Companies**
   - **Resident**: Either an Indian company or one that is fully managed and controlled within India.
   - **Non-Resident**: Not an Indian company and managed/controlled outside India.

Tax Liabilities Based on Residential Status

1. **Ordinary Resident**
    - Liable for tax on **all income** (whether earned in India or abroad).
2. **Not Ordinarily Resident (NOR)**
    - Liable for tax on:
        - Income received or deemed to be received in India,
        - Income accrued or deemed to accrue in India, and
        - Income from business controlled from India but earned outside.
3. **Non-Resident**
    - Liable for tax only on:
        - Income received or deemed to be received in India,
        - Income accrued or deemed to accrue in India.

Computation of Income from Salary (Assessment Year 2018-19)

Computation of Income from Salary (Assessment Year 2018-19)	
Particulars	**Amount (₹)**
A. Cash Receipts	
Salary	XXXX
Bonus	XXXX
Commission	XXXX
Allowances	XXXX
Advance Salary	XXXX
Arrears of Salary	XXXX
Total Cash Receipts (A)	XXXX
B. Employer's Contribution to Recognized Provident Fund (R.P.F.)	
(i) Employer's Contribution exceeding 12% of Salary	XXXX
(ii) Interest on R.P.F. exceeding 9.5%	XXXX
Total (B)	XXXX
C. Perquisites	
Rent-Free House	XXXX
Medical Facility	XXXX
Motor Car	XXXX
Education Facility	XXXX
Total Perquisites (C)	XXXX
Gross Salary (A + B + C)	XXXX
Deductions under Section 16	
(i) **Entertainment Allowance** (Govt. Employees Only)	
Lesser of Actual Entertainment Allowance, 20% of Basic Salary, or ₹5,000	XXXX
(ii) **Professional Tax** (paid during the previous year)	XXXX
Total Deductions u/s 16	XXXX
Taxable Salary (Gross Salary - Deductions)	XXXX
4o	

Deductions from Gross Salary

1. **Entertainment Allowance (Section 16(ii))**:
   This deduction is only available to government employees. To calculate it, use the lowest of the following three options:
   - The actual amount of entertainment allowance received.
   - 20% of the basic salary.
   - ₹5,000.
2. **Professional Tax (Section 16(iii))**:
   The actual amount of professional tax (or employment tax) paid during the previous year is fully deductible from gross salary.

Allowances

Fully Taxable Allowance	Fully Tax-Free Allowance	Partly Taxable Allowance
1. City Compensatory Allowance	1. Conveyance Allowance	1. Education Allowance
2. Dearness Allowance	2. Travelling Allowance	2. Hostel Allowance
3. Deputation Allowance	3. Tour Allowance	3. Tribal Area Allowance
4. Entertainment Allowance	4. Helper or Assistant Allowance	4. Transport Allowance
5. Family Allowance	5. Academic and Research Allowance	5. Composite Hill Compensatory Allowance
6. High Cost of Living Allowance	6. Uniform Allowance	6. Running Allowance (for Transport Employees)
7. Medical Allowance	7. Special Allowance for Performing Duty	7. House Rent Allowance
8. Non-Practicing Allowance	*Conditions:*	8. Underground Allowance
9. Overtime Allowance	(i) Entire amount is spent.	
10. Project Allowance	(ii) Amount is for office use only.	
11. Rural Area Allowance		
12. Servant Allowance		
13. Tiffin Allowance		
14. Warden and Proctor Allowance		

Allowances

Allowances are additional amounts given to employees for specific needs. They can be:

1. **Fully Taxable Allowances**: Always added to taxable income (e.g., Dearness Allowance, City Compensatory Allowance).
2. **Fully Tax-Free Allowances**: Fully exempt if conditions are met (e.g., Conveyance Allowance, Uniform Allowance).
3. **Partly Taxable Allowances**: Partly exempt with specific limits (e.g., Education Allowance, Hostel Allowance).

Partly Taxable Allowance Rules

1. **Education Allowance**: Exempt up to ₹100/month per child (max. 2 children).
2. **Hostel Allowance**: Exempt up to ₹300/month per child (max. 2 children).
3. **Tribal Area Allowance**: Exempt up to ₹200/month.
4. **Transport Allowance**: Exempt up to ₹800/month for commuting.
5. **Hill Compensatory Allowance**: Varies by location; e.g., up to ₹800/month in high-altitude areas.
6. **Running Allowance (Transport Employees)**: 70% of allowance or ₹10,000/month, whichever is less.
7. **House Rent Allowance (HRA)**: Exempt amount is the least of the following:
   - HRA received.
   - Rent paid – 10% of salary.
   - 40% or 50% of salary based on city.

Perquisites (Benefits)

Perquisites are benefits employees receive beyond salary. These can be:

- **Tax-Free**: No tax on the benefits, like free medical or refreshment facilities.
- **Taxable**: Some benefits are taxable, like rent-free housing or concessional loans.

Retirement Benefits

1. **Pension**:
   - **Government Employees**: Fully exempt.
   - **Other Employees**: Partially exempt based on conditions.
2. **Gratuity**:
   - **Government Employees**: Fully exempt.
   - **Others**: Exempt up to limits based on service years and salary.
3. **Leave Encashment**:
   - **Government Employees**: Fully exempt.
   - **Others**: Exempt up to specific limits.
4. **Provident Fund**:
   - **Statutory and Recognised PF**: Fully exempt.
   - **Unrecognised PF**: Employer's share and interest on it are taxable.

Income from House Property

Income from property owned by the taxpayer is calculated based on its usage:

1. **Self-Occupied House**: Income is zero if the house is used by the owner, with interest on loan deductible up to ₹2,00,000.
2. **Let-Out House**:
   - **Gross Annual Value (GAV)**: Rent or potential rent.
   - **Deductions**:
     - Municipal taxes paid.
     - 30% of Net Annual Value (NAV) as standard deduction.
     - Interest on loan (actual interest paid).

Special Cases:

- **Partly Self-Occupied, Partly Let-Out**: Each portion is calculated based on its usage.
- **Multiple Houses**: Only one house is considered self-occupied; others are deemed let-out.

Income from Business or Profession

This head includes income from trade, manufacturing, or professional services like those provided by doctors, lawyers, and consultants.

Conditions for Deduction

1. **Revenue Nature**: Only regular business expenses (not capital).
2. **Business Related**: Expenses must be directly tied to business activities.
3. **Actual Expense**: Only actual expenses (not reserves) are allowed.
4. **Not Personal**: Personal or domestic expenses are not allowed.
5. **Paid/Payable in the Year**: Expenses must be incurred during the taxable year.

Examples of Business Income:

- Profits from sales.
- Brokerage or commission.
- Royalties.

Calculation: For each type of income, all allowable expenses are deducted from gross receipts to arrive at the net taxable income.

Net Profit as per Profit & Loss Account or Surplus as per Income & Expenditure Account	
Add: Disallowed Expenses & Losses debited to P&L Account	
1. Household/Personal Expenses	(+)
2. Life Insurance Premium	(+)
3. Interest on Capital	(+)
4. Income Tax & Wealth Tax	(+)
5. Capital Expenditures & Capital Losses/Speculations	(+)
6. Fees & Penalties (except penalty as interest for late payment of sales tax)	(+)
7. Reserves & Provisions (except provision for excise duty payment)	(+)
8. Capital Expenditure on Advertisement (e.g., new signboard)	(+)
9. Advertisement in Souvenir of Political Party	(+)
10. Donation to Political Parties	(+)
11. Charities & Donations (except compulsory subscription for business)	(+)
12. Personal Gifts & Presents	(+)
13. Cash Payment Exceeding Rs. 10,000 (entire amount disallowed)	(+)
14. Payments Outside India without TDS Deduction	(+)
15. Excess Payments to Relatives	(+)
16. Excess Depreciation Charged in P&L Account	(+)
17. Expenses Irrelevant to Business	(+)
18. Fringe Benefit Tax (FBT)	(+)
19. Securities Transaction Tax (STT)	(+)
20. Income Tax on Perquisites	(+)
21. Valuation of Closing Stock Adjustments	(+)
22. Expenses on Intangible Assets (e.g., patents, copyright; only 25% depreciation allowed)	(+)
23. Preliminary Expenses (4/5 disallowed)	(+)
24. Expenses on Mineral Prospecting (9/10 disallowed)	(+)

25. Family Planning Program Expenses	(+)
26. Provision for Gratuity [u/s 40A(7)]	(+)
Total Additions	**(+)**
Less: Allowed Expenses/Allowances Not Debited to P&L Account	
1. Allowed Bad Debts	(-)
2. Allowed Depreciation	(-)
3. Other Allowed Expenses	(-)
4. Banking Cash Transaction Tax	(-)
Total Deductions	**(-)**
Less: Income Not Related to Business but Credited to P&L Account	
1. Rent from House Property	(-)
2. Selling Price/Profit from Sale of Assets	(-)
3. Interest and Dividend	(-)
4. Interest on Post Office Savings Account	(-)
5. Income Tax Refund	(-)
6. Agricultural Income	(-)
7. Bad Debts Recovered (previously disallowed)	(-)
8. Personal/Family Gifts	(-)
Total Non-Business Income Deductions	**(-)**
Add: Deemed Income Not Recorded in Books	**(+)**
Taxable Income from Business/Profession	**------**

Deductions Allowed for Business Expenses and Allowances (Sections 30–37)

1. **Rent, Taxes, Insurance, Repairs of Building (Sec. 30)**
   - *If Rented*: Rent and other expenses are fully allowed.
   - *If Owned*: Rent is disallowed, other expenses are allowed proportionately.
2. **Repairs & Insurance of Assets (Sec. 31)**
   - Insurance and repair expenses for assets like machinery, furniture, or vehicles are fully allowed.
3. **Depreciation (Sec. 32)**
   - Depreciation is allowed on assets used in the business at specific rates:
     - Only allowed if the asset is in business at year-end (March 31).
     - Full-year depreciation if used for 180+ days, half-year if less than 180 days.
   - Common rates:
     - Residential Building - 5%
     - Commercial Building - 10%
     - Motor Vehicle - 15%
     - Computers - 60%
   - Additional 20% depreciation for assets bought within the year, reduced to 10% if used less than 180 days.

4. **Scientific Research Expenditure (Sec. 35)**
    - All expenses, whether capital or revenue, are fully allowed.
5. **Contribution to National Laboratory (Sec. 35(2AA))**
    - Deduction of 200% allowed.
6. **Expenses on Patents, Copyrights, Know-How (Sec. 35A & 35AB)**
    - 25% depreciation allowed on capital expenditure on these intangible assets.
7. **Preliminary Expenses (Sec. 35D)**
    - Deducted in 5 equal installments (1/5 per year).
8. **Mineral Prospecting Expenses (Sec. 35E)**
    - Allowed in 10 equal installments (1/10 each year).
9. **Family Planning Expenses (Sec. 36(1)(ix))**
    - Capital expenses on family planning for employees are deductible in 5 installments; revenue expenses are fully allowed.
10. **Rural Development Program Payments (Sec. 35CCA)**
    - Fully allowed if payment is to an approved institution.
11. **Security Transaction Tax**
    - Allowed as a business expense.
12. **Other General Deductions (Sec. 36)**
    - Includes insurance premiums, bad debts, commission, interest on loans, contribution to PF/gratuity funds.
13. **Tea, Coffee, Rubber Development Account (Sec. 33AB)**
    - Contributions are allowed as deductions.

Examples of Allowable Business Expenses (Sec. 37(1))

- Expenses related to production, sales, employee payments, legal fees, taxes, and advertisement.
- Guest house, entertainment, travel expenses.
- Telephone charges, labor welfare expenses, office expenses, royalty, and commissions.
- Civil defense, employee training, festival/event expenses, tax consultant fees.
- Business-related losses (like theft, fire), and audit fees.

Deductible Expenses on Actual Payment Basis (Sec. 43B)

Certain expenses are deductible if paid before filing tax returns:

- Government dues (taxes, duties).
- Employee bonuses and commissions.
- Loan interest.
- Contribution to PF.

Deemed Profits (Sec. 41)

Certain recovered amounts or forgiven liabilities are treated as business income:

- Debt recovery, special reserve withdrawal, asset sale for scientific research, and post-business discontinuation receipts.

Methods of Accounting (Sec. 145)

- *Mercantile System*: Includes income/expenses when they accrue, regardless of payment.
- *Cash System*: Only includes actual receipts and payments made during the year.

Special Provisions for Certain Businesses

1. **Small Civil Construction Business (Sec. 44AD)**
   - For receipts up to ₹2 crore, 8% deemed profit without maintaining books.
   - If showing lower profit, books are required, and audit needed.
2. **Goods Carriage Business (Sec. 44AE)**
   - For up to 10 vehicles, ₹7,500 per month per vehicle as deemed profit.
   - No additional deductions, audit optional unless claiming lower income.
3. **Insurance Agents and Other Commission Agents**
   - For agents with commission income under ₹60,000 who don't maintain expense records, a standard deduction is allowed.

Agent Type	Commission Deduction
1. LIC Agents	
- First Year Commission	50% of commission
- Renewal Commission	15% of renewal commission or ₹20,000 (whichever is less)
- When First Year & Renewal Commission are Combined	33.33% of total commission earned during the year
- Bonus Commission	No deduction allowed
2. Unit Trust of India Agents	50% of commission
3. Govt. & Post Office Securities Agents	50% of commission
4. Notified Mutual Fund Agents	50% of commission

What is Capital Gain?

Capital gains are the profits or gains that arise from selling or transferring a **capital asset**. A **capital asset** can be any movable or immovable property like:

- Land, building, plot
- Gold, silver, jewellery
- Shares, securities, furniture, machinery, etc.

Capital assets do not include:

- Stock-in-trade
- Personal use assets (e.g., personal clothes, furniture)
- Agricultural land in rural areas
- Certain bonds (e.g., gold bonds, special bearer bonds)

Types of Capital Gains

1. **Short-Term Capital Gains (STCG)**:
    - For assets like shares, securities, and bonds, if held for 12 months or less before selling.
    - For depreciable assets, if held for 36 months or less.
2. **Long-Term Capital Gains (LTCG)**:
    - For assets like shares, securities, and bonds, if held for more than 12 months.
    - For other assets like land, gold, etc., if held for more than 36 months.

How to Calculate Capital Gains

For Short-Term Capital Gains (STCG)

1. **Sales Consideration** = The price received from selling the asset.
2. Subtract:
    - Transfer Expenses (e.g., legal, brokerage fees)
    - Cost of acquiring the asset (purchase price)
    - Cost of improvement (if any)
3. The result is **Short-Term Capital Gain or Loss**.

For Long-Term Capital Gains (LTCG)

1. **Full Value of Consideration** = The selling price.
2. Subtract:
    - Transfer Expenses
    - Indexed Cost of Acquisition (adjusted for inflation)
    - Indexed Cost of Improvement (adjusted for inflation)
3. The result is **Long-Term Capital Gain or Loss**.

Indexation (For LTCG)

- **Indexation** adjusts the purchase price (or improvement cost) for inflation to reduce the taxable capital gains.

Formula for Indexed Cost of Acquisition:

- If acquired before **April 1, 2001**:
  Use the **FMV (Fair Market Value)** as of April 1, 2001, or the original cost, whichever is higher.

Formula for Indexed Cost of Improvement:

- Only improvements made after **March 31, 2001** are considered for indexation.

Exemptions from Capital Gains

There are certain exemptions available under **Section 10**:

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

Capital Gains Exempt from Tax (Section 54 to 54H)

There are various exemptions available for capital gains under **sections 54 to 54H** of the Income Tax Act. These exemptions allow you to reduce or eliminate capital gains tax by investing the gains in certain assets or activities. Here's a breakdown:

1. **Exemption under Section 54: Residential Property**
    - If you sell a residential property and use the capital gain to buy a new residential property, the gain may be exempt from tax if the new property is purchased:
        - **Within 1 year before** or **2 years after** the sale.
        - **Within 3 years** from the date of sale.
2. **Exemption under Section 54B: Agricultural Land**
    - If you transfer agricultural land and buy another agricultural land within **2 years**, the capital gain from the sale can be exempt.
3. **Exemption under Section 54D: Industrial Land and Building**
    - If you sell land and buildings used for industrial purposes, and use the proceeds to buy new land/building for industrial use, the capital gains can be exempt.
4. **Exemption under Section 54EC: Investment in Notified Bonds**
    - If you invest your capital gain in **notified bonds** like:
        - NABARD Bonds
        - Rural Electrification Corporation Bonds
        - National Highway Authority of India Bonds, etc.
    - The exemption is available if the investment is made within **6 months** from the date of transfer.
5. **Exemption under Section 54F: Investment in Residential Property**
    - If you sell any capital asset (except residential property) and invest the capital gain in a new residential property, the exemption is calculated as:
        - **Capital gain × Cost of new house / Net consideration**.
    - This applies if you invest in a residential property.
6. **Exemption under Section 54G: Shifting of Industrial Undertaking**
    - If you transfer assets of an industrial undertaking located in an urban area and invest the proceeds in the same assets in a non-urban area, the capital gains may be exempt.
7. **Exemption under Section 54GA: Shifting of Industrial Undertaking to SEZ**
    - If an industrial undertaking is shifted to a Special Economic Zone (SEZ), the capital gains can be exempt.
8. **Exemption under Section 54GB (Effective from AY 2014-15): Investment in Equity Shares**
    - If you are an individual or Hindu Undivided Family (HUF), and you invest the net consideration (or part of it) from the sale of capital assets in **equity shares** of an eligible company, you can claim an exemption on long-term capital gains (LTCG). The shares must be held for at least **5 years**.
    - The formula for exemption is:
        - **Invested Amount in New Equity Shares / Net Consideration × Capital Gain**.

Proportionate Exemption

- If you only invest a part of the capital gain, the exemption will be **proportionate** to the amount invested in the new asset.

Tax on Capital Gains

Capital gains tax is levied on the profit from the sale or transfer of a capital asset. The tax rates differ based on whether the capital gain is **long-term** or **short-term**.

Long-Term Capital Gains Tax

1. **Tax on Securities, Bonds, Units, Debentures**:
    - Taxed at **10%** on long-term capital gain from the transfer of securities, bonds, units, and debentures.
2. **Other Long-Term Capital Gains**:
    - Taxed at **20%** for other assets like land, building, etc.

Short-Term Capital Gains Tax

- **Normal Rates**: Short-term capital gains are taxed at the regular income tax rates.
- **Equity Shares and Units**: If sold through the Stock Exchange with Securities Transaction Tax (STT) paid, short-term capital gains are taxed at a concessional rate of **15%**.

Education Cess

- An **education cess** of **3%** is added to the tax payable.

Important Points to Remember:

1. **Assets Not Covered Under "Capital Asset"**:
    - Personal items (clothing, furniture, vehicles, etc.), rural agricultural land, stock in trade, gold bonds, etc., are not considered capital assets. Therefore, profit or loss from the sale of these items is **not taxable**.
2. **Depreciable Assets**:
    - Even if depreciable assets are held for **more than 36 months**, they are treated as **short-term assets**.
3. **Indexed Cost Exclusion**:
    - Indexed cost is **not allowed** for:
        - Securities, bonds, units, debentures.
        - Listed shares sold outside the stock exchange if the taxpayer opts for **10% tax on long-term capital gain** instead of **20%**.
        - Non-residents opting for taxation under sections 115C to 115I for foreign exchange assets.

4. **Equity Shares/Units with STT Paid**:
    - If equity shares or units are transferred through the Stock Exchange with **STT paid**, **long-term capital gain is exempt** from tax, and in case of loss, it is **ignored**.
5. **Cost of Acquisition for Assets Acquired Before 1st April 2001**:
    - If an asset was acquired before **1.4.2001**, the cost of acquisition is the **higher of the original cost or fair market value (FMV) on 1.4.2001**.
6. **Improvement Cost Before 1.4.2001**:
    - Any improvement cost incurred **before 1.4.2001** is **not considered** in the cost of acquisition.
7. **Bonus Shares**:
    - **Cost of bonus shares** acquired after **31st March 2001** is **Nil**.
    - **Bonus shares acquired before 1st April 2001**: Cost is the **FMV on 1.4.2001**.
    - **If the original shares were acquired before 1st April 2001**, the cost is the **actual cost of original shares or FMV on 1.4.2001**, whichever is higher.
8. **Advance Received for Transfer Negotiations**:
    - If an asset was being negotiated for transfer, any advance received will be **deducted from the cost** of acquisition when calculating capital gains.
9. **Set Off of Losses**:
    - **Short-term capital losses** can be set off against **any capital gain** (short-term or long-term).
    - **Long-term capital losses** can only be set off against **long-term capital gains**. They cannot be used to set off short-term capital gains.
10. **Sale of Land or Building Below Stamp Duty Value**:
    - If the **sale consideration of land/building** is lower than the stamp duty value, the **stamp duty value** will be considered as the sale consideration.
11. **Transfer via Gift or Will**:
    - If the asset was acquired through **gift** or **will**, the **cost of the previous owner** will be considered the cost of acquisition for the new owner.

Income from Other Sources

- This is the **residual head** of income for any income that does not specifically fall under the other categories, such as **salaries**, **house property income**, **business profits**, or **capital gains**. Income under this head is taxed under **Section 56**.

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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	Taxable as it is (If gross interest is given, gross is taxable)
(iv)	Listed debentures of a company	Taxable as it is (Interest x 100 / 90)
(v)	Unlisted debentures of a company	Taxable as it is (Interest x 100 / 90)
(vi)	Interest on semi-Govt. securities	Taxable as it is (Interest x 100 / 90)
3	**Interest on Bank Deposit**	Taxable as it is (Up to Rs. 10,000 is tax-free; if more, grossed up)
4	**Co-operative interest and dividend**	Taxable as it is
5	**Interest on company deposits or firm's deposits**	
(i)	Interest amount up to Rs. 5,000	Taxable as it is
(ii)	Net interest more than Rs. 5,000	Taxable as it is (Interest x 100 / 90)
6	**Lottery**	Fully taxable (Net amount x 100 / 70 if net amount is provided)
7	**Horse race income**	Fully taxable
8	**Causal income**	Fully taxable
9	**Royalty, director’s fees, article income, examination remuneration**	Taxable (Income - Expenses)
10	**Family pension**	Taxable (Received amount - 1/3 or Rs. 15,000, whichever is less)
11	**Income from sub-tenant**	Taxable (Net income)
12	**Income from machinery, plant, or furniture on hire**	Taxable (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**	Taxable (If aggregate amount exceeds Rs. 50,000 in a financial year)

Calculation of Income from Sub-Tenant

S.No.	Particulars	Amount
1	Rent received from sub-tenant	[Amount]
2	**Less: Expenses allowed**	
(i)	Rent paid by the assessee for the part sub-let out	[Amount]
(ii)	Repairs and other expenses paid by the assessee	[Amount]
	Total Expenses	[Amount]
3	**Income from Sub-Tenant**	[Rent received - Total Expenses]

Interest on National Saving Certificate (NSC)

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

Income of Minor:

- The income of a minor is included in the income of their **parents** (whichever parent's income is higher).
- A minor's income up to **Rs. 1,500** is **exempt** from tax.
- Any income exceeding **Rs. 1,500** is **taxable**.
- If the minor earns income from their **own efforts**, this income is **not added** to the parents' income.
- The exemption of **Rs. 1,500** applies for each minor individually.

Income of Cricketers:

1. **Test Matches in India**:
   - **25%** of the remuneration received from the Cricket Control Board is **taxable**.
2. **Other Matches in India**:
   - The entire amount is **taxable**.
3. **Matches outside India**:
   - **50%** of the remuneration received for playing abroad is **taxable**.

Receipts of Gifts without Consideration:

- **Gifts received** on **marriage** or from a **nearer relative** are **not taxable**.
- However, gifts **received from any person** are taxable if:
  - The receiver is an individual or Hindu Undivided Family (HUF).
  - The total gifts received during the financial year **exceed Rs. 50,000**.
  - The gift is not from the **exception list**.

Exceptions:

Gifts that are **not taxable**:

1. Gifts received for **consideration**.
2. Gifts from **relatives** such as:
   - Spouse, brother/sister, in-laws, ancestors, and descendants.
3. Gifts received on the occasion of **marriage**.
4. Gifts received **under a will** or by **inheritance**.
5. Gifts received in **contemplation of death**.
6. Gifts from relatives (as defined above) or if the total value does not exceed **Rs. 50,000** in the year.

Government Securities:

- **Tax-free Government Securities**:
  - Interest earned from these is **exempt** from tax.

Examples of Exempt Securities:

1. **12-year National Saving Annuity Certificates**
2. **National Defence Gold Bonds**
3. **Post Office Savings Bank Account** (exempt up to Rs. 3,500 in single name, Rs. 7,000 in joint name).
4. **7% Capital Investment Bonds** (exempt for individual or HUF).
5. **Interest on securities** related to the **Bhopal Gas Leak disaster**.

Exempted Income:

Some types of income are **exempt** from tax, including:

1. **Agricultural income** in India.
2. Share of income from an **HUF** or **partnership firm**.
3. **Post office savings account interest** (up to Rs. 3,500 single, Rs. 7,000 joint).
4. **Scholarships**.
5. **Gallantry awards**.
6. **Interest on National Saving Scheme** (for certain periods).
7. **Dividend from domestic companies**.
8. **Family pension** received by families of armed forces personnel who died in duty.

Set Off and Carry Forward of Losses:

1. **Set off of Losses**:
   - **Inter-source adjustment**: Losses from one source can be set off against other income under the same head.
     - **Exceptions**: Losses from speculation, long-term capital loss, and income from exempt sources cannot be set off.
   - **Inter-head adjustment**: Losses from one head can be set off against income from another head in the same assessment year.
     - **Exceptions**: Business loss, speculation loss, and losses from capital gains cannot be set off against other heads.
2. **Carry Forward and Set Off of Losses**:
   - Losses can be carried forward to future years if not set off in the current year.
   - **Types of losses** that can be carried forward:
     1. Loss from **house property**.
     2. Loss from **non-speculation business**.
     3. **Short-term and long-term capital losses**.
     4. Loss from **activity of maintaining race horses**.
   - **Order of Adjustment**: Current year's business loss is set off first, followed by depreciation and carried-forward losses.

When setting off current and brought-forward losses, here's the order as per Section 72:

1. **Current Year Capital Expenditures**: Start by setting off any capital expenditure for scientific research or family planning from the current year, to the extent allowed.
2. **Current Year Depreciation**: Next, apply any depreciation for the current year.
3. **Carried Forward Business Losses**: After current year expenses, use any carried forward business or profession losses.
4. **Unabsorbed Family Planning Expenditure**: If there's unabsorbed family planning expenditure from previous years, set that off next.
5. **Unabsorbed Depreciation**: Then, apply any unabsorbed depreciation from prior years.

6. **Unabsorbed Capital Expenditure on Scientific Research**: Lastly, use any unabsorbed capital expenditure on scientific research from previous years

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

Head of Income	Set Off Losses During Current Year	Carried Forward and Set Off in Subsequent Years
Loss from House Property	Set off against other house property income; if not sufficient, other heads of income	Against "Income from House Property" for up to 8 assessment years
Non-Speculative Business Loss	Set off against other business income; if not sufficient, other heads of income (except salary)	Against "Income from Business or Profession" for up to 8 assessment years
Speculative Business Loss	Only against speculative profit, if any	Only against speculative income under "Income from Business or Profession" for up to 4 assessment years
Short-Term Capital Loss	Against any "Capital Gains" income, either short-term or long-term	Against "Capital Gains" for up to 8 assessment years
Long-Term Capital Loss	Only against long-term capital gain	Only against "Long-Term Capital Gains" for up to 8 assessment years
Loss from Activity of Owning and Maintaining Race Horses	Only against income from owning and maintaining race horses	Only against income from the activity for up to 4 assessment years
Unabsorbed Depreciation	N/A	Can be set off against income from any head (except salary); no time limit applies

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	To be Set-Off Against
Loss from House Property	8 years	Income from House Property
Business Loss (Non-Speculative)	8 years	Income from Business/Profession (Non-Speculative)
Speculative Business Loss	4 years	Income from Speculative Business
Loss from Activity of Owning and Maintaining Race Horses	4 years	Income from Same Activity
Short-Term Capital Loss	8 years	Short-Term or Long-Term Capital Gains
Long-Term Capital Loss	8 years	Long-Term Capital Gains

Clubbing of Income (Sec 60-64)

These provisions prevent tax avoidance by including certain incomes in the taxpayer's total income when assets or income have been transferred to others.

1. **Transfer of Income without Transferring Asset (Sec 60)**: Income is clubbed if an asset's income is transferred but not the asset itself.
2. **Revocable Transfer of Assets (Sec 61)**: Income is clubbed if an asset is transferred but the transfer can be reversed.
3. **Transfer Irrevocable for a Specified Period (Sec 62)**: Income is not clubbed if the transfer cannot be revoked within a set period.
4. **Income of Spouse (Sec 64)**:
   - Income earned by a spouse from a business in which the individual has a substantial interest.
   - If both spouses have a substantial interest in a business, the income will be included in the higher-earning spouse’s income.
   - Income to a spouse from assets transferred without adequate consideration.
5. **Income of Minor Child (Sec 64(1A))**: Minor child’s income is clubbed with the parent’s income, with an exemption up to Rs. 1,500 per child.
6. **Income to Son's Wife (Sec 64(i)(vi))**: Income from assets transferred to the son’s wife is clubbed.
7. **Transfer for Immediate or Deferred Benefit of Son’s Wife (Sec 64(i)(viii))**.
8. **Income to Spouse via a Third Party (Sec 64(i)(vii))**.
9. **Income from Converted Property (Sec 64(2))**: If property transferred to an individual’s family is converted to another form, any income from the converted property is clubbed.

Deemed Incomes (Sec 68-69D)

Certain unexplained amounts or credits are considered as income and are taxed accordingly:

1. **Cash Credits (Sec 68)**: Unexplained cash deposits.
2. **Unexplained Investment (Sec 69)**: Investments not accounted for by known sources.
3. **Unexplained Money (Sec 69A)**: Money found in possession but not explained.
4. **Under-Valued Investment or Valuables (Sec 69B)**: Unexplained increase in the value of assets.
5. **Unexplained Expenditure (Sec 69C)**: Expenses without a known source.
6. **Amounts Borrowed/Repaid on Hundi (Sec 69D)**: Unexplained loans from Hundis.

Deductions from Gross Total Income (Sec 80C-80IA)

1. **Sec 80C**: Deduction up to Rs. 1.5 lakh for investments like LIP, PPF, NSC, EPF, housing loan principal, children's education expenses, etc.
2. **Sec 80CCC**: Deduction up to Rs. 1 lakh for contributions to pension funds (for individuals only).
3. **Sec 80CCD**: Deduction for government employees contributing to the government pension scheme, up to the amount of their contributions.
4. **Sec 80D**: Deduction for medical insurance premiums, up to Rs. 25,000 (Rs. 30,000 if insured is aged 60+).
5. **Sec 80DD**: Deduction for expenses on a handicapped dependent (Rs. 75,000 for normal, Rs. 1,25,000 for severe disability).
6. **Sec 80DDB**: Deduction for treatment of specified diseases, up to Rs. 40,000 (Rs. 60,000 for senior citizens).
7. **Sec 80E**: Deduction for interest paid on loans for higher education.
8. **Sec 80G**: Deduction for donations to charitable institutions, divided into categories based on limits and percentage allowed (100% or 50%).
9. **Sec 80GG**: Deduction for rent paid, available to those not receiving HRA.
10. **Sec 80IA**: Deduction for profits of infrastructure-related undertakings:
    - **Telecom services**: 100% for first 5 years, 30% for the next 5 years.
    - **Industrial parks**: Any 10 consecutive years out of the first 15 years.
    - **Power undertakings**: 100% for 10 consecutive years out of the first 15.
    - **Infrastructure development**: 100% for 10 consecutive years out of the first 15.

(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 (Rate and Period of Deduction on Profits)	Other Assessee (Rate and Period of Deduction on Profits)
Industrial undertaking in J & K state	1.4.93 to 31.3.12	100% for first 5 years, 30% for next 5 years	100% for first 5 years, 25% for next 5 years
Scientific research and development company	1.4.2000 to 31.3.2007	100% for first 10 years	N.A.
Production or refining of mineral oil	1.4.1997 or 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 first 5 years, 30% for next 5 years	100% for first 5 years, 25% for next 5 years
Agro processing industry	From 1.4.2009 onwards	100% for first 5 years, 30% for next 5 years	100% for first 5 years, 25% for next 5 years
Hospital located anywhere except metro cities	1.4.08 to 31.3.13	100% for first 5 years	100% for first 5 years

Key Deductions for Specific Undertakings (Business and Region-Based Deductions)

Section	Type of Deduction	Deduction Rate	Duration
80-IA & 80-IB	Profits of undertakings set up before 1.4.08	Not allowed after Assessment Year 2018-19 (10-year period expired)	-
80-IC	Businesses in H.P., Sikkim, Uttarakhand, and North Eastern States	100% for first 10 years	10 years
80-ID	Hotel & convention centers in NCR	100% of profits	5 consecutive years
80-IE	Businesses in North Eastern States (if conditions are met)	100% of profits	10 years
80-JJA	Business of collecting and processing bio-degradable waste	100% of profits	5 consecutive years
80-JJAA	Employment of new regular workmen	30% of additional wages paid to new regular employees	-

Deductions for Cooperative Societies and Other Specific Professions

Section	Type of Deduction	Deduction Rate	Condition
80-P	Income from co-operative societies	Full or restricted depending on activity type	100% deduction for certain agricultural and allied activities; others limited to ₹1,00,000 or ₹50,000
80-QQB	Royalty income for authors	Maximum ₹3,00,000 or actual royalty (whichever is lower)	-
80-RRB	Royalty income from patents	Maximum ₹3,00,000 or actual royalty (whichever is lower)	-

Personal Deductions

Section	Type of Deduction	Deduction Limit	Conditions
80-TTA	Interest on savings bank accounts	Up to ₹10,000	Applies to savings accounts in banks, post offices, co-ops (Post office interest exempt up to ₹3,500 first, remaining under other income)
80-U	Person with disability	Fixed ₹75,000 for disability (or ₹1,25,000 for severe disability over 80%)	-

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

1) **Income from Salaries**

Description	Amount
(a) Basic Salary, Bonus, Commission, D.A.	
(b) Taxable Perquisites (House, Gas, Electric, Servants, etc.)	
(c) Other Receipts from Employer	
Gross Salary	
Less: Deduction u/s 16	
1. Entertainment Allowance	Govt. Employees - up to ₹5,000; Non-Govt. - Nil
2. Professional Tax (Actual Amount)	
Income from Salary (Taxable)	

2) Income from House Property

A) Self-Occupied House

Description	Amount
Gross Annual Value	Nil
Less: Interest on Loan	
(i) Loan before 1.4.99	Actual Interest or ₹30,000 (whichever is less)
(ii) Loan after 31.3.99	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

Description	Amount
Gross Annual Value (Higher of Municipal Value, Fair Rent, or Actual Rent)	
Less: Municipal Taxes	
Net Annual Value (NAV)	
Less: Deductions u/s 24	
(i) Standard Deduction (30% of NAV)	
(ii) Interest on Loan	
Income from Let-Out House	
Income from House Property (Taxable)	

3) Income from Business

Description	Amount
Net Profit as per P & L A/c	
Add: Disallowed Expenses in P & L A/c	
Less: Allowed Expenses not in P & L A/c	
Less: Non-Taxable Business Income	
Add: Allowed Income not in P & L A/c	
Income from Business (Taxable)	

4) Income from Capital Gains

A) Short-Term Capital Gains (STCG)

Description	Amount
Sale Consideration	
Less: Selling Expenses	
Less: Cost of Acquisition	
Less: Cost of Improvement	
Short-Term Capital Gain (S.T.C.G.)	

B) Long-Term Capital Gains (LTCG)

Description	Amount
Sale Consideration	
Less: Selling Expenses	
Less: Indexed Acquisition Cost	
Less: Indexed Improvement Cost	
Long-Term Capital Gain (L.T.C.G.)	

5) **Income from Other Sources**

Description	Amount
(i) Dividend (Exempt u/s 10(34))	
(ii) Interest on Government Securities	
(iii) Director's Fees/Remuneration (if appointed by HUF)	
(iv) Lottery Winnings (HUF as Ticket Holder)	
(v) Royalty	
(vi) Subtenant Income	
Income from Other Sources (Taxable)	

Gross Total Income (Sum of all heads of income)

6) Tax Calculation (Assessment Year 2016-17)

Tax Rates

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

Additional

Description	Amount
Add: 3% Educational Cess	
Total Tax	

7) **Deductions Under Chapter VI-A**

Section	Deduction Type	Amount
80C, 80CC, 80CCD	Investments/Contributions	
80D	Medical Insurance	
80DD	Disability Dependent	
80DDB	Specified Medical Treatments	
80E	Education Loan Interest	
80G	Donations to Charities	
80GGC	Political Party Donations	
80IA, 80IB	Profits of Specific Businesses	
80TTA, 80U	Savings Interest and Disability	
Total Deduction		
Total Income (Taxable)		

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

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

S.No	Items of Income	Rate of TDS with PAN	Rate of TDS without PAN
1	Rent (if gross rent is more 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 Rs. 5,000)	10%	20%
4	Other interest (if amount is over Rs. 5,000)	10%	20%
5	Lottery (if the prize is more than Rs. 10,000)	30%	30%
6	Horse Race (if winning amount is more than Rs. 10,000)	30%	30%
7	Payment to contractors (Individuals)	1%	20%
8	Payment to contractors (Other than individual)	2%	20%
9	Insurance commission (if the commission is more than Rs. 15,000)	5%	20%
10	Commission on sale of lottery tickets	5%	20%
11	Interest on bank deposits (if total interest credited or paid is more than Rs. 10,000)	10%	20%
12	Professional fees (if the fees are in excess of Rs. 30,000)	10%	20%
13	Commission and brokerage (more than Rs. 15,000)	5%	20%

Important Points Regarding TDS (Tax Deducted at Source)

1. **TDS Certificate**: The person deducting TDS must provide a certificate to the payee. Form 16 is used for salaries, and Form 16A is used for other payments.
2. **Remittance to Government**: The TDS amount must be credited to the Central Government as required by Section 200. Failure to do so may lead to prosecution under Section 276B.
3. **Interest on Non-payment or Late Payment**: If TDS is not deducted or not paid after deduction, the responsible person must pay interest at 1.5% per month on the due tax amount, calculated from the date it was deductible to the date it is actually paid.
4. **Tax Deduction Account Number (TAN)**: Every person deducting TDS must obtain a TAN from the assessing officer.
5. **Quarterly Returns**: Persons deducting TDS are required to file quarterly returns on time. Different forms (Form 21 to Form 27) are prescribed for this purpose.

Advance Payment of Tax

Meaning: Advance Payment of Tax means paying tax during the year in which income is earned, rather than waiting until the end of the year. This is also known as the "Pay as You Earn" scheme.

Provisions for Advance Payment of Tax:

1. **Liability for Payment (Section 207)**: Advance tax is payable in a financial year on the estimated total income of that year, which is taxed in the following assessment year.
2. **When Advance Tax is Applicable (Section 208)**: Advance tax is required if the total estimated tax payable for the year is Rs. 10,000 or more.
3. **Computation and Payment (Section 209)**: The advance tax is calculated on the estimated income for the current year and paid accordingly.

COMPUTATION OF TOTAL INCOME
ASSESSMENT YEAR 2018-19 (FINANCIAL YEAR 2018-19)

Particulars	Amount (Rs.)
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	

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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 assesse is more than exempted limit.

COMPUTATION OF TAX LIABILITY

Type of Income	Tax Rate
(a) Long-term Capital Gains	20%
(b) Income from Lottery Tickets and Horse Races	30%
(c) Remaining Income – Tax Slabs	Based on age and category
Tax Slabs for Remaining Income:	
1. For Individuals, HUF, AOP, or BOI:	
On first Rs. 2,50,000: **Nil**	
Next Rs. 2,50,000: **5%**	
Next Rs. 5,00,000: **20%**	
Balance amount: **30%**	
2. For Senior Citizens (Age above 60 years):	
On first Rs. 3,00,000: **Nil**	
Next Rs. 2,00,000: **5%**	
Next Rs. 5,00,000: **20%**	
Balance amount: **30%**	
3. For Super Senior Citizens (Age above 80 years):	
On first Rs. 5,00,000: **Nil**	
Next Rs. 5,00,000: **20%**	
Balance amount: **30%**	
Final Tax Calculation	
Particulars	**Amount (Rs.)**
Gross Tax Liability	Xxxx
Add: 3% Education Cess	Xxxx
Less: Tax Deducted at Source (TDS)	Xxxx

Net Tax Liability	Xxxx

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

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

For all type of assesses - The instalments are indicated below:

Due Date of Instalment	Amount of Advance Tax Payable
On or before 15th June	Not less than 15% of total advance tax.
On or before 15th September	Not less than 45% of total advance tax, reduced by the amount paid in earlier instalments.
On or before 15th December	Not less than 75% of total advance tax, reduced by the amount paid in earlier instalments.
On or before 15th March	The entire amount of advance tax, reduced by amounts paid in earlier instalments.

6. **Advance Tax on Unexpected Income (Capital Gains/Casual Income)**:
   - For unexpected income, like capital gains or casual income, that arises after a due date, the tax on it (after TDS) must be paid with the remaining advance tax installments.
7. **Adjusting Advance Tax Amount**:
   - If the total advance tax amount changes by the end of the year, the taxpayer should adjust it in the remaining installments.
8. **Interest for Non-Payment or Underpayment of Advance Tax (Sec. 234B)**:
   - If less than 90% of the assessed tax is paid as advance tax, a simple interest of 1% per month (or part of a month) is charged.
9. **Interest for Late or Insufficient Advance Tax Payments (Sec. 234C)**:
   - If advance tax payments are underestimated, interest is charged as follows for non-corporate taxpayers:
     - **By 15th September**: If less than 30% is paid, interest at 1% on the shortfall for 3 months.
     - **By 15th December**: If less than 60% is paid, interest at 1% on the shortfall for 3 months.

Permanent Account Number (PAN) [Sec. 139A1]:

Meaning and Need:
The Income Tax Department issues a PAN, a 10-digit number, to identify individuals or entities.

Who Needs to Obtain a PAN:

1. **Individuals with Income Exceeding the Exemption Limit or Business Turnover over Rs. 5,00,000**:
   - Anyone whose income exceeds the non-taxable limit or who runs a business with a turnover over Rs. 5,00,000 in a year.
2. **Charitable Trusts**:
   - Charitable trusts that must file an income return under Section 139(4A) are required to have a PAN.
3. **Employers**:
   - Employers filing fringe benefits returns under Section 115WD and who don't already have a PAN must apply for one.
4. **Persons Specified by the Central Government**:
   - The government can specify certain individuals or entities that must apply for a PAN.

S.No.	Category of Person	Time Limit for Application
1	Exporters and importers required to obtain an Importer Exporter Code	Before making any export or import
2	Assesses as defined under the Central Excise Rules	Before applying for registration under the Central Excise Rules
3	Persons issuing invoices that require registration under the Central Excise Rules	As given above
4	Assessees related to service tax	Before applying for registration under the Service Tax Rules

1. **Sale or purchase of property** worth Rs. 10 lakhs or more.
2. **Sale or purchase of a motor vehicle** that requires registration.
3. **Fixed deposits** over Rs. 50,000 in a bank.
4. **Deposits over Rs. 50,000** in Post Office Savings Bank.
5. **Contracts over Rs. 1 lakh** for buying or selling securities.
6. **Opening a bank account** (except fixed deposit accounts).
7. **Sale or purchase of goods or services** over Rs. 2 lakhs.
8. **Applying for a telephone connection**, including mobile phones.
9. **Hotel or restaurant payments** over Rs. 25,000.
10. **Cash payments for bank drafts, pay orders, or cheques** totaling Rs. 50,000 or more in one day.

11. **Cash deposits of Rs. 50,000 or more** in one day in a bank.
12. **Cash payments for foreign travel** over Rs. 50,000 at one time.
13. **Applying for a credit card** with a bank or other institution.
14. **Payments of Rs. 50,000 or more** to buy units of a mutual fund.
15. **Payments of Rs. 50,000 or more** to a company to buy its shares.
16. **Payments of Rs. 50,000 or more** to buy debentures or bonds from a company or institution.
17. **Payments of Rs. 50,000 or more** to the Reserve Bank of India to buy bonds.

Types of Assessments

1. **Self-Assessment (Section 140A)**
   - The taxpayer calculates their own tax due based on the return filed and pays it, considering any TDS or advance tax paid already.
2. **Summary Assessment (Section 143(1))**
   - The Assessing Officer (AO) completes an assessment quickly without calling the taxpayer. If there’s no tax due or refund, the return acknowledgment is enough. Otherwise, an intimation is sent if taxes are owed.
3. **Assessment Based on Evidence (Section 143(3))**
   - The AO reviews evidence from the taxpayer or requests additional information to calculate the total income and determine tax liability.
4. **Best Judgement Assessment (Section 144)**
   - Used if a taxpayer doesn’t cooperate. The AO estimates the tax based on available information.
   - **Compulsory Best Judgement Assessment**: Used if the taxpayer fails to submit a return, provide information, or get accounts audited.
   - **Discretionary Best Judgement Assessment**: Used if the AO finds the accounts incomplete or irregular.
5. **Reassessment/Income Escaping Assessment (Section 147)**
   - Conducted if the AO finds that income has escaped assessment for reasons such as underreporting, excessive deductions, or missed returns.
6. **Rectification of Mistakes (Section 154)**
   - Allows correction of mistakes in assessment if found within 4 years, either on the AO’s initiative or upon a request by the taxpayer.

Tax Administration: Income Tax Authorities

1. **Central Board of Direct Taxes (CBDT)**
   - The top authority overseeing the income tax department under the Ministry of Finance. Powers include issuing circulars, rules, and directions, and approving searches and seizures.

3. **Assessing Officer (AO)**
    - The primary authority for tax assessment and collection. The AO has powers to:
    - Conduct self-assessment and best judgement assessments.
    - Reopen assessments if income escaped taxation.
    - Search and seize records or assets, if necessary.
    - Inspect registers, require information, and survey business premises.
4. **Commissioner and Chief Commissioner**
    - Senior authorities with powers to:
    - Approve re-assessments and issue orders on tax cases.
    - Transfer cases, requisition books, and set-off refunds.
    - Appoint tax authorities if authorized by the CBDT.
5. **Commissioner (Appeals)**
    - Handles appeals from taxpayers against AO decisions. Powers include:
    - Confirming, modifying, or canceling penalties.
    - Approving or amending tax assessments.

Appeals and Revisions

1. **Appealing to the Commissioner (Appeals)**
    - A taxpayer can appeal against orders of the AO on grounds like disputed liabilities, penalties, reassessments, or defaults in TDS.
2. **Procedure for Appeals**
    - Submit appeal in Form No. 35 within 30 days of receiving the assessment order.
    - Pay due taxes before filing an appeal and provide reasons in the appeal form.

S.No.	Amount of Total Income	Fees
1	If assessed income is:	
	(i) Rs. 10,000 or less	Rs. 250
	(ii) Above Rs. 1 lakh but less than Rs. 2 lakh	Rs. 500
	(iii) More than Rs. 2 lakh	Rs. 1,000
2	In other cases	
	TDS and delay in filing of Return	Rs. 250

Procedure in Appeal

1. **Commissioner Appeals Process:**
   - **Fixing the Hearing**: The Commissioner of Appeals will set a date and place for the appeal hearing.
   - **Notifying Parties**: Both the Assessing Officer and the Appellant (the person filing the appeal) will be informed about the hearing date and place.
   - **Right to Be Heard**: Both the Appellant and the Assessing Officer can present their case during the hearing.
   - **Adjournment**: The Commissioner can delay the hearing if needed.
   - **Further Inquiries**: The Commissioner can conduct further investigations before making a decision.
   - **Grounds of Appeal**: The Commissioner can allow the appellant to present any new ground (reason) for appeal during the hearing.
   - **Decision**: The Commissioner should decide the appeal within one year of filing.
   - **Written Order**: The decision will be in writing, with reasons explained.
2. **Powers of the Commissioner (Appeals) (Section 251):**
   - **Assessment Power**: The Commissioner can confirm, reduce, enhance, or cancel the assessment.
   - **Penalty Power**: The Commissioner can confirm, reduce, or cancel penalties.
   - **Reassessment**: The Commissioner can send the case back to the Assessing Officer for reassessment or further investigation.

Appeals to the Appellate Tribunal

1. **Constitution of Tribunal**: The government creates an Appellate Tribunal with judicial and accountant members to handle tax appeals. It operates under the Ministry of Law, separate from the CBDT.
2. **Appealable Orders**: Appeals can be made to the Tribunal against:
   - Orders of the Commissioner (Appeals) for rectification, disposal, or penalties.
   - Orders by the Assessing Officer involving searches or asset seizures.
   - Orders by the Commissioner regarding revision or penalties.
   - Orders from the Chief Commissioner or Director General.
3. **Form, Fees, and Time for Appeal**:
   - **Form**: Appeal must be filed in Form No. 36.
   - **Fees**: Fees depend on the assessed income:
     - Up to Rs. 1,00,000: Rs. 500
     - Between Rs. 1,00,000 and Rs. 2,00,000: Rs. 1,500
     - More than Rs. 2,00,000: 1% of assessed income (max Rs. 10,000)
     - Other cases: Rs. 500
   - **Filing Time**: Appeal must be filed within 60 days from the date of the order.
4. **Documents to File**:
   - Memorandum of Appeal
   - Grounds of Appeal
   - Copies of orders from the Deputy Commissioner/Commissioner
   - Proof of fee payment (challan)
5. **Order of the Appellate Tribunal**: After hearing both parties, the Tribunal will pass a decision. The order is final if it does not involve a legal question.

Appeal to High Court (National Tax Tribunal - Section 260A)

1. **Who Can Appeal**: The Chief Commissioner, Commissioner, or an assessee can appeal to the High Court (or National Tax Tribunal) within 120 days from receiving the Tribunal's order.
   - **Appeal Process**: The appeal should state the substantial question of law involved.
2. **Appeal Conditions**:
   - **Fees**: Fees must be paid with the appeal.
   - **Payment of Tax**: The appellant must pay 25% of the disputed tax amount before filing the appeal.
   - **Representation**: The assessee can represent themselves or appoint a lawyer/CA for the appeal.
3. **High Court Decision**:
   - The High Court will decide the legal question and may award costs.
   - The court can address any issue not covered by the Tribunal or wrongly decided by it.
4. **Finality**: A civil court cannot challenge or modify the High Court's decision.

Appeal to the Supreme Court

- Appeals can be made from the High Court's judgment to the Supreme Court, if the High Court certifies the case as fit for appeal.
- The Supreme Court's judgment will be final, and any changes will be implemented as per its order.

Revision by the Commissioner

The Commissioner has the power to revise orders under two situations:

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

- **When can it be done?**: The Commissioner can review an order passed by the Assessing Officer if it is considered **erroneous** and harms the government's revenue.
- **Process**:
  - The Commissioner examines the records of the proceedings.
  - If they find the order is harmful to revenue, they can revise it after giving the taxpayer a chance to be heard.
  - The Commissioner can also conduct inquiries as they think necessary.
- **Time Limit**: This revision must be done **within two years** from the end of the financial year in which the order was passed.

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

- **When can it be done?**: This applies when an assessed (taxpayer) feels that an order passed by a subordinate authority (such as an Assessing Officer) is unfair or incorrect.
  - The Commissioner can review this order either on their own initiative or if the assesse requests it.
- **Process**:
  - The Commissioner will examine the records of the proceedings and may conduct inquiries.
  - They can pass an order that could be **more favourable** to the taxpayer (assesse).
- **Fee and Time Limit**:
  - The assesse must pay a **fee of Rs. 500** when filing for revision.
  - The application must be made **within one year** from the end of the financial year in which the order was passed.
  - The Commissioner must pass the revision order **within one year** from the end of the financial year in which the appeal was filed.

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PENALTIES AND PROSECUTION

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

S.No.	Various Defaults	Section	Penalty
1	Failure to furnish return of income	271 (F)	Rs. 5000
2	Failure to pay tax/interest	221	Minimum – Amount imposed by Assessing Officer Maximum – Arrears Tax
3	Failure to furnish return in case of search within time	158 BFA	Minimum – Amount of tax liveable Maximum – 300% of Tax liveable
4	Non-payment of tax within time	221(i)	Minimum – Amount imposed by A.O. Maximum – Tax arrears
5	Failure to present account, documents, etc.	271(i)(b)	Rs. 10,000 for each default
6	Failure to answer the question	272(A-1)	Rs. 10,000 for each default
7	Failure to sign the statement	272 A(1-b)	Rs. 10,000 for each default
8	Failure to produce evidence and books of accounts	271 (1)(b)	Rs. 10,000 for each default
9	Concealment of particulars	271(1)(c)	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 in respect of international transactions	-	2% of each international 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 at 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 of loan without crossed cheque/draft	271(E)	Up to the amount of loan
18	Failure to furnish information	272(AA)	Rs. 1000
19	Failure to comply with the provision of tax collection account no.	206(CA)	Rs. 10,000
20	Failure to comply with the provision in respect of PAN	272(b)	Rs. 10,000
21	Penalty for other defaults	272(A-2)	Rs. 100 per day
22	Penalty for various failures regarding fringe benefits tax	271, 271FB, 272A, 273B	Amount imposed by Assessing Officer

OFFENCES AND PROSECUTIONS

S.No.	Nature of Offence	Minimum and Maximum Period of Rigorous Imprisonment
1	Dealing with seized assets in contravention of the order under section 132(3)	Minimum: Any period up to 2 years and fine
		Maximum: 2 years and fine
2	Failure to afford facility for inspection of records maintained on electronic media	Minimum: Any period up to 2 years and fine
		Maximum: 2 years and fine
3	Removal, concealment, transfer, or delivery of property to thwart tax recovery	Minimum: Any period up to 2 years and fine
		Maximum: 2 years and fine
4	Failure to comply with provisions of sections 178(1), (3) by liquidator of a company	Minimum: Any period up to 2 years, not less than 6 months
		Maximum: 2 years
5	Failure to comply with provisions of sections 269UC, 269UE, 269UL relating to acquisition of immovable property	Minimum: 6 months
		Maximum: 2 years and fine
6	Failure to pay tax to the Government's treasury deducted or tax payable under section 115-O(2) or section 194B	Minimum: 3 months and fine
		Maximum: 7 years and fine
7	Failure to pay to the credit of Central Government tax, collected under section 206C	Minimum: 3 months and fine
		Maximum: 7 years and fine

8	Wilful attempt to evade tax, penalty, or interest imposable under the Act (276C(1))	Minimum: If tax evaded exceeds Rs. 1,000, 6 months; otherwise 3 months and fine
		Maximum: If tax evaded exceeds Rs. 1,00,000, 7 years; otherwise 3 years and fine
9	Wilful attempt to evade the payment of any tax, penalty, or interest (276C(2))	Minimum: 3 months and fine
		Maximum: 3 years and fine
10	Wilful failure to file return of income in time under section 139(1), 142(1), or 148	Minimum: If tax evaded exceeds Rs. 1,00,000, 6 months and fine; otherwise 3 months and fine
		Maximum: If tax evaded exceeds Rs. 1,00,000, 7 years and fine; otherwise 3 years and fine
11	Wilful failure to furnish return of total income u/s 158BC (276CCC)	Minimum: 3 months and fine
		Maximum: 3 years and fine
12	Wilful failure to produce books of account and documents u/s 142(1) or comply with direction to get accounts audited u/s 142(2A)	Minimum: Any period up to 1 year and fine of Rs. 4 for each day of default
		Maximum: 1 year and fine of Rs. 10 for each day of default
13	Making a false statement in verification or delivering a false account or statement (277)	Minimum: If tax evaded exceeds Rs. 1,00,000, 6 months; otherwise 3 months and fine
		Maximum: If tax evaded exceeds Rs. 1,00,000, 7 years; otherwise 3 years and fine
14	Abetment to make a false statement or declaration (278)	Minimum: If tax evaded exceeds Rs. 1,00,000, 6 months; otherwise 3 months and fine
		Maximum: If tax evaded exceeds Rs. 1,00,000, 7 years; otherwise 3 years and fine
15	Punishment for second and subsequent offences under sections 276B, 276C(1), 276CC, 277, or 278 (278A)	Minimum: 6 months for every offence
		Maximum: 7 years for every offence
16	Offences committed by companies/ firms or HUFs - Criminal liability of managing director, managing partner, or karta (278B or 278C)	Minimum: Same as for the company/firm/HUF
		Maximum: Same as for the company/firm/HUF
17	Disclosure of particulars by public servants in contravention of Section 138(2) (280(1))	Minimum: Up to 6 months and fine
		Maximum: 6 months and fine

Income Tax Assessment Procedure (in simple language):

Before paying taxes, a person must first assess their income. This process involves two main steps: **filing the return of income** and **assessment**.

1. Filing a Return of Income:

Every person who has income above the exemption limit (the amount not subject to tax) must file a return. Here's when and who needs to file:

- **Voluntary return (Section 139(1))**:
  - **Individuals/HUF**: If an individual or Hindu Undivided Family (HUF) has total income exceeding the exemption limit, they must file a return.
    - For example, for the **A.Y. 2018-19**, the exemption limit is:
      - **Rs. 2,50,000** for individuals.
      - **Rs. 3,00,000** for senior citizens.
      - **Rs. 5,00,000** for super senior citizens.
  - **Companies**: Every company must file a return, whether or not it has taxable income.
  - **Other entities (firms, co-operative societies, etc.)**: These must file a return if they have taxable income.

2. Prescribed Return Forms (Section 139(6)):

The **Central Board of Direct Taxes (CBDT)** specifies the forms for filing returns. The forms for the **A.Y. 2018-19** are notified under **Rule 12**.

3. Due Dates for Filing Returns:

- The due date for filing the return depends on the type of taxpayer (individual, company, etc.).
- For example, companies have different due dates than individuals.

4. Electronic Filing (E-Return):

The CBDT allows certain categories of taxpayers to file returns electronically (E-return). The rules for e-filing include:

- Who can file an e-return.
- What forms and methods to use.
- What documents need to be attached (such as receipts, certificates, etc.).
- How and where to submit the e-return.

5. Return of Loss (Section 139(3)):

If an assessee incurs a loss in a business or capital gains, and they want to carry forward the loss, they must file a return of loss. This is done in a prescribed form.

6. Belated Return (Section 139(4)):

If someone misses the deadline for filing a return under **Section 139(1)**, they can still file a return later. They have up to one year from the end of the assessment year (A.Y.) or before the assessment is completed (whichever is earlier). However, the person will have to pay interest for the late submission.

7. Revised Return (Section 139(5)):

If a person realizes they made a mistake or left out something in their original return, they can file a revised return. This must be done before one year from the end of the assessment year or before the completion of the assessment, whichever comes first.

8. Defective Return (Section 139(9)):

If the Assessing Officer finds the return filed is defective (for example, missing information), they will notify the assessee and give them 15 days to correct it. This period can be extended if necessary.

9. Signing the Return (Section 140):

The return must be signed by the person filing it (the assessee). If the return is filed by a representative, they must also sign on behalf of the assessee.

UNIT-3

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

No.	Subject	Particulars	Form Number	Time Limit
1	**Threshold Limit for Registration**	(a) Normal category: Aggregate turnover exceeding Rs. 20 lakh.	N/A	N/A
		(b) Special category: Aggregate turnover exceeding Rs. 10 lakh.		
		(c) No threshold for:		
		(i) Interstate supplies		
		(ii) Casual taxable persons		
		(iii) Input service distributors		
		(iv) E-commerce operators		
		(v) Persons liable for TDS/TCS		
		(vi) Persons liable for reverse charge.		
2	**Persons not liable to be registered**	(i) Exclusively supplier of exempted goods or services.	N/A	N/A
		(ii) Agriculturists.		
		(iii) Notified persons.		
3	**Meaning of Aggregate Turnover**	Total supply of:	N/A	N/A
		(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.	N/A	N/A
5	**Application for Registration (Normal Category)**	Information required: (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 for further processing.	N/A	N/A
7	**Submission of Documents**	Required documents to be submitted.	**GST REG-02** (Part-B)	N/A
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**	N/A

No.	Subject	Particulars	Form Number	Time Limit
10	**Clarification by Applicant**	E-clarification or 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.	**GST REG-25** (Provisional)	Within 3 working days from application submission
		GSTIN consists of:	**GST REG-06** (Permanent)	
		2 characters for state code,		
		TIN for PAN,		
		2 for entity code, and checksum characters.		
13	**Registration Procedure in Special Cases**	Application for registration as a tax deductor at source or tax collector at source.	**GST REG-07**	Within 30 days when the person becomes liable for registration
13.1	**Order of Cancellation**	Order of cancellation for Registration as TDS/TCS.	**GST REG-08**	Within 30 days from the date of application
13.2	**Application for Registration for Non-Resident Taxable Person**	Application by non-resident taxable person for registration.	**GST REG-09**	At least 5 days prior to the commencement of business
13.3	**Application by Supplier of OIDAR Services**	Application for registration as a supplier of Online Information and Database Access or Retrieval Services (OIDAR).	**GST REG-10**	Within 30 days when the person becomes liable for registration

13.4	**Application by Casual Taxable Person**	Application by casual taxable person seeking extension in period of operation.	**GST REG-11**	Before the end of the validity of registration
13.5	**Temporary/Suo Moto Registration**	Order of allotment of temporary registration or suo moto registration.	**GST REG-12**	N.A.
13.6	**Unique Identity Number (DIN) for UN Bodies**	Application for the grant of a Unique Identity Number (DIN) to UN Bodies/Embassies/others.	**GST REG-13**	N.A.
14	**Amendment Procedure**	Application for amendment in registration particulars for all types of registered persons.	**GST REG-14**	Within 15 days of such amendment

No.	Subject	Particulars	Form Number	Time Limit
14	**Order of Amendment**	Order for amendment of registration.	**GST REG-15**	Within 15 working days from the date of receipt of amendment application
15	**Cancellation Procedure**	Application for cancellation of registration.	**GST REG-16**	Within 30 days of occurrence of the event warranting cancellation
15	**Show Cause Notice for Cancellation**	Show Cause Notice for cancellation of registration.	**GST REG-17**	N.A.
15	**Reply to Show Cause Notice**	Reply to the show cause notice issued for cancellation.	**GST REG-18**	Within 7 working days from the date of service of such notice
15	**Order for Cancellation of Registration**	Order for cancellation of registration.	**GST REG-19**	Within 30 days from the date of application/receipt of reply to SCN
15	**Order Dropping Cancellation**	Order for dropping the proceedings for cancellation of registration.	**GST REG-20**	N.A.
16	**Revocation Procedure**	Application for revocation of cancelled registration.	**GST REG-21**	Within 30 days from the date of service of order of cancellation
16	**Order for Revocation**	Order for revocation of cancellation of registration.	**GST REG-22**	Within 30 days from the date of receipt of the application

16	**Show Cause Notice for Rejection**	Show Cause Notice for rejection of application for revocation of cancellation of registration.	**GST REG-23**	N.A.
16	**Reply to Show Cause Notice**	Reply to the notice for rejection of the application for revocation of cancellation of registration.	**GST REG-24**	Within 7 working days from the date of service of notice

Meaning of Supply:

Supply under GST includes all forms of supplying goods or services (or both) for a consideration, and it happens in the course or furtherance of business. The term **'Supply'** in section 7(1) of the CGST Act is an **inclusive** definition and covers:

- **Sale, transfer, barter, exchange, license, rental, lease, or disposal** of goods or services.
- **Importation of services**, even if not in the course of business.
- Activities mentioned in **Schedule I** (made without consideration).
- Activities treated as supply of goods or services in **Schedule II**.

Different Types of Supply:

1. **Exempt Supply** – Goods or services not taxable under GST.
2. **Taxable Supply** – Goods or services on which GST is applicable.
3. **Non-Taxable Supply** – Goods or services on which GST is not applicable.
4. **Inward Supply** – Supply of goods or services received by a business.
5. **Outward Supply** – Supply of goods or services made by a business.
6. **Principal Supply** – The main or dominant supply in a transaction.
7. **Composite Supply** – Two or more taxable supplies naturally bundled together and supplied as a package, where one is the **principal supply**.
8. **Mixed Supply** – Two or more individual supplies bundled together for a single price, but they can usually be sold separately.

Composite Supply vs. Mixed Supply:

- **Composite Supply:** Supplies bundled together naturally in the ordinary course of business. Example: Buying a **TV** with **warranty** and **maintenance** service. Here, the **TV** is the principal supply, and the warranty and maintenance are ancillary.
- **Mixed Supply:** Multiple supplies offered together for a single price but can be sold separately. Example: A **refrigerator** bundled with **water bottles**. These items can be priced and sold separately.

Tax Liability:

- **Composite Supply**: The entire supply is treated as the **principal supply**. For example, if you buy a TV with a warranty, the tax will be determined based on the **TV**, as it's the principal supply.
- **Mixed Supply**: The supply is taxed based on the item that attracts the **highest tax rate**. For example, if you buy a refrigerator with water bottles, the tax will be based on the refrigerator (assuming it attracts a higher rate).