CHAPTER 01 · COMPLIANCE MANUAL · 2024 EDITION

Income Tax

*This chapter is an extract from **The RST Compliance Manual**, a regulator-mapped reference for Indian business entities curated by the partners of R S T & Co.*

Income tax is a type of tax that the central government charges on the income earned during a financial year by the individuals and businesses. The tax calculation is based on the income slab rates applicable during that financial year.

1.1 Tax Rates

1.1.1 Individual/HUF/AOP/BOI

Sl No.	Income Range	Income Range	AY 2024-25	AY 2023-24	AY 2022-23	AY 2021-22
I		**Resident Individual below 60 years – *Normal Rate* Non-Resident Individual/HUF/AOP/BOI/Artificial Juridical Person**	**Resident Individual below 60 years – *Normal Rate* Non-Resident Individual/HUF/AOP/BOI/Artificial Juridical Person**	**Resident Individual below 60 years – *Normal Rate* Non-Resident Individual/HUF/AOP/BOI/Artificial Juridical Person**	**Resident Individual below 60 years – *Normal Rate* Non-Resident Individual/HUF/AOP/BOI/Artificial Juridical Person**	**Resident Individual below 60 years – *Normal Rate* Non-Resident Individual/HUF/AOP/BOI/Artificial Juridical Person**
	Up to Rs. 2,50,000	Up to Rs. 2,50,000	Exempt	Exempt	Exempt	Exempt
	Rs. 2,50,001 to Rs. 5,00,000	Rs. 2,50,001 to Rs. 5,00,000	05%	05%	05%	05%
	Rs. 5,00,001 to Rs. 10,00,000	Rs. 5,00,001 to Rs. 10,00,000	20%	20%	20%	20%
	Above Rs. 10,00,000	Above Rs. 10,00,000	30%	30%	30%	30%
II		Resident Senior Citizen (*aged 60 years & above but below 80 years*)	Resident Senior Citizen (*aged 60 years & above but below 80 years*)	Resident Senior Citizen (*aged 60 years & above but below 80 years*)	Resident Senior Citizen (*aged 60 years & above but below 80 years*)	Resident Senior Citizen (*aged 60 years & above but below 80 years*)
	Up to Rs. 3,00,000	Up to Rs. 3,00,000	Exempt	Exempt	Exempt	Exempt
	Rs. 3,00,001 to Rs. 5,00,000	Rs. 3,00,001 to Rs. 5,00,000	05%	05%	05%	05%
	Rs. 5,00,001 to Rs. 10,00,000	Rs. 5,00,001 to Rs. 10,00,000	20%	20%	20%	20%
	Above Rs. 10,00,000	Above Rs. 10,00,000	30%	30%	30%	30%

Sl No.	Income Range	Income Range	AY 2024-25	AY 2023-24	AY 2022-23	AY 2021-22
III		Resident Super Senior Citizen *(aged 80 years & above)*	Resident Super Senior Citizen *(aged 80 years & above)*	Resident Super Senior Citizen *(aged 80 years & above)*	Resident Super Senior Citizen *(aged 80 years & above)*	Resident Super Senior Citizen *(aged 80 years & above)*
	Up to Rs. 5,00,000	Up to Rs. 5,00,000	Exempt	Exempt	Exempt	Exempt
	Rs. 5,00,001 to Rs. 10,00,000	Rs. 5,00,001 to Rs. 10,00,000	20%	20%	20%	20%
	Above Rs. 10,00,000	Above Rs. 10,00,000	30%	30%	30%	30%
IV		Resident Individual below 60 years & HUF (Section 115BAC) – *Special Rate*	Resident Individual below 60 years & HUF (Section 115BAC) – *Special Rate*	Resident Individual below 60 years & HUF (Section 115BAC) – *Special Rate*	Resident Individual below 60 years & HUF (Section 115BAC) – *Special Rate*	Resident Individual below 60 years & HUF (Section 115BAC) – *Special Rate*
	Up to Rs. 2,50,000	Up to Rs. 2,50,000	Exempt	Exempt	Exempt	Exempt
	Rs. 2,50,001 to Rs. 5,00,000	Rs. 2,50,001 to Rs. 5,00,000	05%	05%	05%	05%
	Rs. 5,00,001 to Rs. 7,50,000	Rs. 5,00,001 to Rs. 7,50,000	20%	10%	10%	10%
	Rs. 7,50,001 to Rs. 10,00,000	Rs. 7,50,001 to Rs. 10,00,000	20%	15%	15%	15%
	Rs. 10,00,001 to Rs. 12,50,000	Rs. 10,00,001 to Rs. 12,50,000	30%	20%	20%	20%
	Rs. 12,50,001 to Rs. 15,00,000	Rs. 12,50,001 to Rs. 15,00,000	30%	25%	25%	25%
	Above Rs. 15,00,000	Above Rs. 15,00,000	30%	30%	30%	30%
V	**NEW TAX REGIME**	**NEW TAX REGIME**	**NEW TAX REGIME**	**NEW TAX REGIME**	**NEW TAX REGIME**	**NEW TAX REGIME**
	Up to 3,00,000	Up to 3,00,000	Exempt			
	3,00,001 to 6,00,000	3,00,001 to 6,00,000	05%	Tax Rebate U/s 87A	Tax Rebate U/s 87A	Tax Rebate U/s 87A
	6,00,001 to 9,00,000	6,00,001 to 9,00,000	10%	Tax Rebate U/s 87A up to 7Lakhs	Tax Rebate U/s 87A up to 7Lakhs	Tax Rebate U/s 87A up to 7Lakhs
	9,00,001 to 12,00,000	9,00,001 to 12,00,000	15%			
	12,00,001 to 15,00,000	12,00,001 to 15,00,000	20%			

Sl No.	Income Range	Income Range	AY 2024-25	AY 2023-24	AY 2022-23	AY 2021-22
	Above 15,00,000	Above 15,00,000	30%			

Resident individual with net income upto Rs. 5 lakh can avail **rebate u/s 87A**, at 100% of tax upto a maximum of Rs. 12,500.

However, under the new tax regime rebate is up to Rs.25000 is applicable if the total income does not exceed Rs 7,00,000. (not applicable for NRIs)

For FY 2023-24, the default regime changed to the new tax regime, now if you want to file the return under the old tax regime by claiming all the deductions, exemptions, and losses, then you have to file within the due date. After the due date, you have to mandatorily file under the new regime by giving up on most of the deductions and exemptions and all losses.

Alternate Minimum Tax (AMT) for non-corporates**:** Minimum tax payable is 18.5% of adjusted total income (lower rate in case of international financial services centre), computed as per section 115JC.

Surcharge, in the case of the Individual, HUF, AOP, BOI or AJP:

Income Range	AY 2024-25; AY 2023-24	AY 2024-25; AY 2023-24	AY 2024-25; AY 2023-24	AY 2024-25; AY 2023-24	AY 2024-25; AY 2023-24	AY 2024-25; AY 2023-24
Income Range	STCG covered u/s 111A	LTCG covered u/s 112A	LTCG covered u/s 112	Dividend income	Unexplained income u/s 115BBE	Any other income
Rs. 50 Lakhs to Rs. 1 Crore	10%	10%	10%	10%	25%	10%
Rs. 1 Crore to Rs. 2 Crores	15%	15%	15%	15%	25%	15%
Rs. 2 Crores to Rs. 5 Crores	15%	15%	15%	15%	25%	25%
Rs. 5 Crores to Rs. 10 Crores	15%	15%	15%	15%	25%	37%

**From AY 2023-24 onwards, the surcharge rate for AOP with all members as a company, cannot exceed 15%.*

Income Range	AY 2022-23; AY 2021-22	AY 2022-23; AY 2021-22	AY 2022-23; AY 2021-22	AY 2022-23; AY 2021-22	AY 2022-23; AY 2021-22	AY 2022-23; AY 2021-22
Income Range	STCG covered u/s 111A	LTCG covered u/s 112A	LTCG covered u/s 112	Dividend income	Unexplained income u/s 115BBE	Any other income
Rs. 50 Lakhs to Rs. 1 Crore	10%	10%	10%	10%	25%	10%
Rs. 1 Crore to Rs. 2 Crores	15%	15%	15%	15%	25%	15%
Rs. 2 Crores to Rs. 5 Crores	15%	15%	25%	15%	25%	25%

Income Range	AY 2022-23; AY 2021-22	AY 2022-23; AY 2021-22	AY 2022-23; AY 2021-22	AY 2022-23; AY 2021-22	AY 2022-23; AY 2021-22	AY 2022-23; AY 2021-22
Rs. 5 Crores to Rs. 10 Crores	15%	15%	37%	15%	25%	37%

Marginal Relief in respect of surcharge is available to restrict the amount of increase in income tax to the amount of increase in income.

Health and Education Cess is levied at the rate of 4% on the amount of income tax plus surcharge.

Levy of surcharge at 12%

In cases where tax has to be charged and paid under sub-section (2A) of section 92CE (related to transfer pricing) or section 115QA (which provides that a domestic company distributing its income through buy back of shares have to pay income tax /distribution tax at 20%) or section 115TA (tax on distributed income to investors) or section 115TD (tax on accreted income).

Rationalization of surcharge

Surcharge on AOPs capped at 15% to reduce the disparity in surcharge between individual companies and AOPs.

Surcharge on long term capital gains arising from transfer of any type of assets has been capped at 15%.

Budget 2022: Virtual Digital Assets Taxation Scheme

Due to the increase in the frequency and volume of transactions of Virtual Digital Assets, for the first time, the provision for taxation of virtual digital assets is introduced in Budget 2022.

It has inserted Section 115 BBH, which provides taxation rules on income from virtual digital assets. Any income from the transfer of virtual digital assets shall be taxed at 30%. No deduction for any expenditure shall be allowed from the same, except the acquisition cost.

It further specifies that loss arising from the transfer of virtual digital assets cannot be adjusted against any other income, and it cannot be carried forward to subsequent years.

Another provision (Section 194S) is also inserted to deduct TDS at 1% at the time of payment on transfer of virtual digital assets where the amount is above the specified threshold limit.

The Finance Minister has further proposed to fully tax the gifts received in the form of virtual digital assets in the hands of the recipient.

Other recent amendments

Exemption for cash allowance received in lieu of LTC - As employees have not been able to avail of Leave Travel Concession for the block of 2018-21, to provide relief to employees, exemption in respect of cash allowance received in lieu of LTC will be provided, subject to conditions - the amount received should be incurred by the assessee or family member during the period 12-10-2020 & 31-03-2021 on goods/services which attract 12% or more GST.

Taxability of interest on provident fund - Exemption will not be available for interest income accrued during the year on recognised and statutory provident fund for contribution made by employees in excess of Rs. 2,50,000 in a previous year.

1.1.2 Other different types of assessees

Assessee status	Income tax	Income tax	Income tax	Surcharge, subject to marginal relief	Cess
Assessee status	**AY 2023-24**	**AY 2022-23**	**AY 2021-22**	**Surcharge, subject to marginal relief**	**Cess**
Partnership Firm/LLP	30%	30%	30%	12% for total income > Rs. 1 crore	4%
Local Authority	30%	30%	30%	12% for total income > Rs. 1 crore	4%
Domestic Company - *Normal Rate*					4%
(a) Total turnover or gross receipt during the year 2018-19 ≤ Rs. 400 crore			25%	7% for total income between Rs. 1 crore & Rs. 10 crore; 12% for total income > Rs. 10 crores	4%
(b) Total turnover or gross receipt during the year 2019-20 ≤ Rs. 400 crore		25%		7% for total income between Rs. 1 crore & Rs. 10 crore; 12% for total income > Rs. 10 crores	4%
(c) Total turnover or gross receipt during the year 2020-21 ≤ Rs. 400 crore	25%			7% for total income between Rs. 1 crore & Rs. 10 crore; 12% for total income > Rs. 10 crores	4%
(d) Any other domestic company	30%	30%	30%	7% for total income between Rs. 1 crore & Rs. 10 crore; 12% for total income > Rs. 10 crores	4%
Domestic Company - *Special Rate*					4%
Manufacturing of any article (section 115BA)	25%	25%	25%	Normal rate applicable (7% or 12%)	4%
All domestic companies (section 115BAA; no MAT)	22%	22%	22%	10%	4%

Assessee status	Income tax	Income tax	Income tax	Surcharge, subject to marginal relief	Cess
Newly set-up for manufacturing of any article (section 115BAB; no MAT) ***Refer 1.12 & 1.13 for more details***	**Newly set-up for manufacturing of any article (section 115BAB; no MAT)** ***Refer 1.12 & 1.13 for more details***	**Newly set-up for manufacturing of any article (section 115BAB; no MAT)** ***Refer 1.12 & 1.13 for more details***	**Newly set-up for manufacturing of any article (section 115BAB; no MAT)** ***Refer 1.12 & 1.13 for more details***	**Newly set-up for manufacturing of any article (section 115BAB; no MAT)** ***Refer 1.12 & 1.13 for more details***	4%
Income from manufacture or production of article or thing	15%	15%	15%	10%	4%
Income from non-manufacturing activities (if no specific rate is prescribed)	22%	22%	22%	10%	4%
Short term capital gains (from transfer of depreciable assets)	15%	15%	15%	10%	4%
Short term capital gains (from transfer of non-depreciable assets)	22%	22%	22%	10%	4%
Excess profit added by the Assessing officer under section 115BAB(6) owning to close connection between company and other person	30%	30%	30%	10%	4%
Special income under Chapter XII	As prescribed under the Act	As prescribed under the Act	As prescribed under the Act	10%	4%
Foreign Company					4%
(a) Royalty or fees for rendering technical services	50%	50%	50%	2% for total income between Rs. 1 crore & Rs. 10 crore; 5% for total income > Rs. 10 crores	4%
(b) Any other income	40%	40%	40%	2% for total income between Rs. 1 crore & Rs. 10 crore; 5% for total income > Rs. 10 crores	4%

Assessee status	Income tax	Income tax	Income tax	Surcharge, subject to marginal relief	Cess
Co-operative Society - *Normal Rate*					4%
Upto Rs. 10,000	10%	10%	10%	12% for total income > Rs. 1 crore; **For AY 2023-24:** 7% for total income between Rs. 1 crore & Rs. 10 crore; 12% for total income > Rs. 10 crores	4%
Rs. 10,000 to Rs. 20,000	20%	20%	20%	12% for total income > Rs. 1 crore; **For AY 2023-24:** 7% for total income between Rs. 1 crore & Rs. 10 crore; 12% for total income > Rs. 10 crores	4%
Above Rs. 20,000	30%	30%	30%	12% for total income > Rs. 1 crore; **For AY 2023-24:** 7% for total income between Rs. 1 crore & Rs. 10 crore; 12% for total income > Rs. 10 crores	4%
Co-operative Society - *Special Rate*					4%
Resident co-operative society (section 115BAD, no AMT)	22%	22%	22%	10%	4%

Minimum Alternate Tax (MAT) for corporates**:** Minimum tax payable is 15% of book profit (lower rate in case of international financial services centre), computed as per .

Reduced AMT and Surcharge Rates for Co-operative Societies

Reduction of the Alternative Minimum Tax to 15% of the adjusted total income from the current rate of 18.5% to provide parity in tax rates between co-operative societies and companies.

It has further capped the surcharge at 7% for the co-operative societies with total income above Rs. 1 crore and up to Rs. 10 crore.

Clarification for Allowability of Surcharge and Cess

It is further clarified that the surcharge and cess on income and profits will not be allowed as business expenditure.

Set off of losses against undisclosed income (section 79A)

No set off of losses brought forward, or otherwise, or unabsorbed depreciation u/s 32(2) shall be allowed to an assessee while computing his total income in any previous year which includes undisclosed income –

That is found in the course of a search u/s 132 or a requisition u/s 132A or a survey u/s 133A, other than under sub-section (2A),

That is represented, either wholly or partly, by any entry in the books of account in respect of an expense or other documents maintained in the normal course relating to the previous year which is found to be false and would not have been found otherwise.

Deduction of tax on benefit of perquisite in respect of business or profession

Section 194R has been inserted to provide that any person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession, by such resident, shall, before providing such benefit or perquisite, as the case may be, to such resident, ensure that **tax has been deducted** in respect of such benefit or perquisite at the **rate of 10%** of the value or aggregate of value of such benefit or perquisite.

Further, no deduction shall be made if the value of benefits passed on does not exceed Rs. 20,000.

Tax Incentives to IFSC units

It is proposed to amend the clause (4E) of Section 10 so as to provide that exemption under clause (4E) shall also be applicable to the income accrued or arisen to, or received by a non resident as a result of **transfer of offshore derivative instruments** or over-the-counter derivatives entered into with an Offshore Banking Unit of an International Financial Services Centre, as referred to in sub-section (1A) of Section 80LA, which fulfils the conditions prescribed.

Clause (4F) provides exemption to any income of a non-resident byway of royalty or interest, on account of lease of an aircraft in a previous year, paid by a unit of an International Financial Services Centre as referred to in sub-section (1A) of Section 80LA, if the unit has commenced its operations on or before 31st March, 2024.

It is proposed to amend the clause to extend the exemption to any income of a non-resident by way of royalty or interest, on account of lease of a “ship” paid by a unit of an International Financial Services Centre also.

It is also proposed to insert a new clause (4G) to provide exemption to any income received by a non-resident from portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of such non-resident, in an account maintained with an Offshore Banking Unit, in any International Financial Services Centre as referred to in sub-section (1A) of Section 80LA, to the extent such income accrues or arises outside India and is not deemed to accrue or arise in India.

Other recent amendments

Business or Profession

No MAT on dividend income of a foreign company - Dividends received by a foreign company on its investment in India will be excluded for calculation of book profit if the tax payable on dividend income is less than MAT liability on account of concessional tax rate provided under DTAA.

No deduction for employee's contribution if not deposited before the due date - The deduction u/s 36(va) for contribution received by the employers from employees towards any welfare fund will be allowed only if such sum is credited by the employer to the employee's account in the fund on or before the due date.

LLPs are not eligible for presumptive taxation scheme u/s 44ADA - Only an Individual, HUF or a Partnership Firm, not being an LLP, will be eligible to opt for presumptive taxation scheme u/s 44ADA.

Increase in threshold limit for tax audit to promote digital transactions - If at least 95% of the business receipts and payments are made through electronic modes, the threshold limit for the tax audit would be Rs. 10 crores from assessment year 2021-22.

No depreciation will be allowed on goodwill - Section 2(11) specifically excludes goodwill (acquired or self-generated) from the block of assets. If the assessee has claimed depreciation on goodwill prior to assessment year 2021-22, then the cost of purchase of goodwill will be reduced by the amount of depreciation while computing capital gains.

No equalisation levy on royalty or fees for technical services - Equalisation levy will not be levied on consideration received or receivable for specified services or for e-commerce supply which is taxable as royalty or fees for technical services.

Exemption in respect of income chargeable to equalisation levy - Exemption u/s 10(50) will apply for e-commerce supply or services made or provided or facilitated on or after 01-04-2020 on which equalisation levy is levied. No exemption will apply for royalty or fees for technical services which are taxable.

Charitable and Religious Trusts

Set-off of deficit will not be allowed to Charitable Institutions - Charitable trusts will not be permitted to claim any carry forward of losses and no set-off/deduction/allowance of any excess application of any preceding year will be allowed while computing income required to be applied or accumulated during the previous year.

Amount applied out of loans will not be considered as an application of income - Utilization of borrowed money will not be considered as an application of income for charitable or religious purposes. However, when loan or borrowing is repaid from the income of the previous year, repayment will be allowed as an application in the year in which it is repaid.

Corpus contributions will be exempt only if invested - Voluntary contributions made with a specific direction that it will form part of the corpus will be eligible for exemption only if it is invested/deposited in modes specified u/s 11(5) maintained specifically for such corpus. The amount spent from corpus will not be considered as an application against the mandatory 85% application of non-corpus income.

Exemption to educational or medical institutions having annual receipt of up to Rs. 5 crores - Educational or medical institutions are entitled to exemption u/s 10(23C)(iiiad) and 10(23C)(iiiae) respectively, if the annual receipt does not exceed Rs. 1 crore. This limit has been now increased to Rs. 5 crores.

1.1.3 Tax on Capital Gains

Nature of capital gain	Condition	Tax applicable*
Long-term capital gain	Normal rate	20%
	Special rate:	

Nature of capital gain	Condition	Tax applicable*
	1. Sale of listed securities (equity share in a company/unit of an equity oriented fund/business trust) exceeding Rs. 1 lakh (section 112A)	10%
	2. Transfer of security listed in a recognised stock exchange, a unit of UTI/mutual fund listed or not and zero coupon bonds (other than section 112A)	Lower of: 10% without indexation and 20% with indexation
Short-term capital gain	Normal rate	Normal slab rates
	Concessional rate:	
	1. Sale of equity shares listed in a recognised stock exchange/units of equity oriented mutual fund/business trust (section 111A) 2. STT is not paid, but transaction is undertaken on a recognised stock exchange located in a international financial services centre and consideration is paid/payable in foreign currency	15%

*Plus surcharge and cess as applicable

Refer annexure (para 25.1.1) for capital gains computation table

Recent amendments

Slump sale - Slump sale will include all types of transfers specified u/s 2(47).

Transfer of capital asset to partner/member on the dissolution of the firm/AOP/BOI is taxable as capital gains - Where a partner/member receives any money or other asset during dissolution or reconstitution of the firm/AOP/BOI which is more than the balance appearing in the capital account, the profits or gains will be chargeable as capital gains to the firm/AOP/BOI.

Taxation of unit linked insurance policy (ULIP) - Section 10(10D) provides exemption in respect of sum received under a life insurance policy if the premium payable does not exceed 10% of sum assured. This exemption will not be available with respect to any ULIP issued on or after the 01-02-2021, if the amount of premium payable during the term of the policy exceeds Rs. 2,50,000 per annum. This ULIP will be treated as a capital asset.

Revision in the safe harbour limit (10%) in respect of the transfer of immovable property below stamp duty value - To boost the demand in the real estate sector and to enable the real estate developers to liquidate their unsold inventory at a lower rate to home buyers, the safe harbour limit is increased from existing 10% to 20% in case of transfer of residential property during the period from 12-11-2020 to 30-06-2021 by way of first-time allotment to any person. The consideration should not exceed Rs. 2 crores.

Extension in the time limit for transfer of residential house property for Section 54GB exemption - Time limit for utilising the net consideration (capital gain from transfer of a residential property) for investment in the equity shares of an eligible start-up has been extended by an year to 31-03-2022 from erstwhile 31-03-2021.

1.2 Advance Tax

1.2.1 Applicability

Every person whose estimated tax liability after TDS is Rs. 10,000 or more, must pay advance tax.

A resident senior citizen not having any income from business or profession is not liable to pay advance tax (section 208).

TCS, MAT, AMT, rebate and other reliefs under section 90/90A or 91 should be deducted before arriving at advance tax liability.

1.2.2 Due Dates for Payment of Advance Tax Instalments

Due Date	Assessees other than eligible assessee u/s 44AD or 44ADA	Presumptive taxation u/s 44AD or 44ADA
By 15th June	Minimum 15% of tax	Nil
By 15th September	Minimum 45% of tax	Nil
By 15th December	Minimum 75% of tax	Nil
By 15th March	Minimum 100% of tax	Minimum 100% of tax

If taxpayer’s estimate is lower than the estimate of the AO, taxpayer must submit his estimate of current income and pay tax accordingly. An intimation must be sent in Form No. 28A. No intimation is required if the taxpayer’s estimate is higher based on which advance tax is being paid.

1.2.4 Consequences of Default

Section	Nature of default	Interest Payable	Exception
234B	Default in payment of advance tax	Simple interest @ 1% pm or part, from 1st April of the assessment year	Advance tax paid was more than 90% of the total tax
234C	Deferment of advance tax	Simple interest @ 1% pm or part, for 3 months* on the amount of shortfall (*1 month in case of the last instalment due on 15th March)	Advance tax paid on or before 15th June or 15th September is not less than 12% or 36%, respectively

Recent amendment

Relief from interest for any deficit in the advance tax liability due to dividend income - If the shortfall in the advance tax instalment or the failure to pay on time is on account of dividend income, no interest u/s 234C will be charged if the assessee has paid full tax in subsequent advance tax instalments.

1.3 Tax Deducted/Collected at Source

1.3.1 ApplicabilitY

Any person who is liable for audit must deduct TDS as per the relevant provisions. All companies and firms are required to deduct TDS.

Deductor should quote TAN in all the TDS certificates, challans, quarterly statements and correspondences. Failure to quote TAN, may attract penalty of Rs.10,000.

Person deducting TDS on consideration of more than Rs. 50 lakhs for sale of immovable property other than the agricultural property can use PAN instead of TAN (section 194IA).

TCS is tax payable by a seller which he collects from the buyer at the time of sale (section 206C).

1.3.2 How to pay TDS/TCS?

Tax deducted or collected at source must be deposited to the credit of Central Government by:

Electronic mode: E-payment is mandatory for

All corporate assesses; and

All assesses (other than company) to whom provisions of are applicable.

Physical mode: By furnishing Challan 281 in the authorized bank branch.

All corporate, Government deductors and persons required to get accounts audited u/s 44AB are compulsorily required to file their TDS return in electronic mode. For others, filing of e-return is optional.

1.3.3 TDS/TCS Rates

Refer annexure (para 25.1.2) for TDS rates and annexure (para 25.1.3) for TCS rates

Health and education cess at 4% on the tax amount is applicable only for TDS u/s 192 Salary.

In case of absence of PAN, the rate applicable would be 20% (section 206AA)**.**

Budget 2022: TDS on sale of immovable property

Deduction of tax by any person responsible for paying to a resident any sum by way of consideration for transfer of any immovable property (>= Rs. 50 lakh) (other than agricultural land) shall at the time of credit or payment to the resident at the rate of 1%.

Amendment: It is proposed to amend the section to provide that the person responsible for paying to a resident any sum by way of consideration for transfer of any immovable property (other than agricultural land) shall at the time of credit or payment to the resident deduct tax at the rate of 1% of such sum or the stamp duty value of such property, whichever is higher.

Recent Amendments

w.e.f 1st July 2021

In case of a transaction on which TCS u/s 206C(1H) is applicable, TDS u/s 194Q shall not apply.

A specified person is :

Person who has not filed the income tax return for 2 previous years;

Time limit of ITR filing – normal due date u/s 139(1) – has expired; **and**

Aggregate TDS/TCS is Rs. 50,000 or more in each of the 2 previous years

Higher rate in case of non-filing of ITR does not apply where the tax is required to be deducted under sections 192, 192A, 194B, 194BB, 194LBC or 194N of the Act.

w.e.f 1st October 2020

Note: Reduction in rate of TDS & TCS

Rates of TDS for non-salaried specified payments made to residents and rates of TCS for specified receipts have been *reduced by 25% for the period from 14-05-2020 to 31-03-2021.*

Reduction in rates will not apply where the tax is required to be deducted or collected at higher rate due to non-furnishing of PAN/Aadhaar.

Other amendments

TDS at a concessional rate on the income from securities held by FPIs - Considering the applicability of DTAA in case of FPIs, Section 196D is amended to provide tax deduction at the rate provided under DTAA if it is lower than current TDS rate of 20%.

No TDS on dividend distributed by SPV to the business trust - Business trusts are considered pass-through entities and are allowed to pass certain income to their unit holders without paying tax. As business trust can freely pass the dividend received from SPV to its unit holders, no tax will be deducted on payment of dividend by the SPV to the business trust.

Issuance of zero-coupon bond by infrastructure debt fund - Definition of zero-coupon bond provided u/s 2(48) has been amended to enable infrastructure debt fund to issue bonds. Consequential amendment has been made u/s 194A to provide relaxation from deduction of tax on income payable with respect to these bonds.

1.3.4 Due Dates – TDS/TCS Payments & Returns

Category	Particulars/Period	Due dates	Due dates
Category	**Particulars/Period**	**FY 2024-25**	**FY 2023-24**
Depositing TDS	TDS for the month of March	30th April of next year	30th April of next year
	TDS for other months	7th of next month	7th of next month
Depositing TCS	TCS for all the months	7th of next month	7th of next month
Tax is deducted by office of the	Tax deposited without challan	Same day	Same day
Government	Tax deposited with challan	7th of next month	7th of next month
TDS Quarterly	1st April to 30th June	31st July	31st July
Return Filing	1st July to 30th September	31st October	31st October
	1st October to 31st December	31st January	31st January

Category	Particulars/Period	Due dates	Due dates
	1st January to 31st March	31th May	31st May
TCS Quarterly	1st April to 30th June	15th July	15th July
Return Filing	1st July to 30th September	15th October	15th October
	1st October to 31st December	15th January	15th January
	1st January to 31st March	15th May	15th May

The time limit for depositing TDS u/s 194-IA on the purchase of immovable property is the 30th day of the following month in which the property is purchased.

TDS/TCS Certificates

Form No.	Due Date
Form No. 16 - Annual	On or before 31st May of the financial year immediately following the financial year in which tax is deducted Extended upto 15th July for FY 2020-21
Form No. 16A/ 27B/27D - Quarterly	Within 15 days from due date of furnishing quarterly TDS/TCS
Form No. 16B	Within 15 days of furnishing challan in Form No. 26QB

TDS/TCS certificates must be generated online from **www.tdscpc.gov.in (Traces).**

Forms for Quarterly TDS Returns

Form No.	Purpose
Form 24Q	TDS on Salaries
Form 26Q	TDS on payments other than Salaries
Form 27Q	TDS on payments made to Non-Residents

1.3.6 TDS Exemption Forms

Sl No.	Nature of Income	Form No.	Certificate Issued
1	Application under section 197 Salary, interest on securities, insurance commission, commission, brokerage, rental income, income in respect of units, compensation on acquisition of immovable property, payment to non-resident	Form 13 Non deduction or lower deduction of TDS	Form 15AA
2	Payments to contractors & sub-contractors	Form 13C	No specified certificate (letter will be issued)
3	Commission on sale of lottery tickets	Form 13D	No specified certificate (letter will be issued)

Sl No.	Nature of Income	Form No.	Certificate Issued
4	Payment of fees for professional & technical services	Form 13E	No specified certificate (letter will be issued)
5	Payment to non-resident banking company	Form 15C	Form 15E
6	Payment to non-resident company carrying on business or profession in India through a branch (other than interest/dividend)	Form 15D	Form 15E
7	Application under section 197A		
	Interest from bank (residents) and dividend income 1. Senior citizens 2. Other individuals/HUF		Form 15H
	Interest from bank (residents) and dividend income 1. Senior citizens 2. Other individuals/HUF		Form 15G

1.3.9 TCS ExemptioN

TCS is exempted when

The eligible goods are used for personal consumption.

The purchaser buys the goods for manufacturing, processing or production and not for the purpose of trading.

A copy of declaration must be submitted to the Chief Commissioner/Commissioner of Income Tax **on or before expiry of 7 days** from the end of month in which the sale is made.

Buyer can apply to the AO for a lower rate (Form 13). AO, upon satisfaction, will issue a certificate, specifying the rate of collection u/s 206C.

1.3.10 Consequences of Default

Interest

1% pm for a month or part for non-deduction of TDS and 1.5% pm for a month or part for late payment of TDS after deduction. Interest must be paid before filing of TDS return, from the date at which TDS was deducted.

1% pm for a month or part for late payment of TCS.

Penalty (section 234E – late submission of quarterly TDS/TCS returns)

Fee of Rs. 200 per day till the failure to pay continues.

Penalty is restricted to the total amount of TDS/TCS.

Penalty (section 271H – late filing or non-filing of TDS/TCS return or furnishing incorrect information)

AO may direct a person who fails to file the statement of TDS/TCS within due date to pay a penalty minimum of Rs.10,000 which may be extended to Rs. 1,00,000.

Futher, disallowance of the expenditure as per section 40a(ia) shall get attracted.

1.4 Filing of IT Returns

1.4.1 ITR Forms

Sl No.	Form	Description	Applicable to
1	ITR-1 SAHAJ	Individual having income from salary/pension, one house property, other sources and agriculture upto Rs. 5,000	Resident individual
2	ITR-2	Individual/HUF, not covered under ITR-1 not having income from profits and gains of business or profession	Individual/HUF
3	ITR-3	Individual/HUF having income from profits and gains of business or profession	Individual/HUF/partner in a firm
4	ITR-4 SUGAM	Individual/HUF/firm (not LLP) having income from business or profession computed as per presumptive income scheme	Individual/HUF/firm other than LLP, being a resident
5	ITR-5	For persons other than individual, HUF, company and person filing ITR-7	LLP/Firm/AOP/BOI/AJP/estate of deceased or insolvent/business trust/investment fund
6	ITR-6	Company other than company claiming exemption under section 11 (charitable/religious purposes)	Company
7	ITR-7	Person including company required to furnish return under sections 139(4A) / (4B) / (4C) / (4D)	Company/trusts/political parties/charitable institutions

ITR-1 and ITR-4 can only be filed by assessee having total income upto Rs. 50 lakh.

ITR-V acknowledgement is received for the income tax return filed which must be signed and posted by the assessee to the income tax department within 30 days of filing.

This requirement is not applicable to ITRs filed using digital signature and e-verification done via mobile/e-mail/net banking/EVC.

Relaxation for certain senior citizens (≥ 75 age) from filing ITR (w.e.f 1st April 2021)

He has pension income and no other income. However, he may also have interest income from the same bank in which he is receiving his pension income.

This bank is a specified bank.

He has to furnish a declaration to the specified bank.

The specified bank will compute the income of such senior citizen after giving effect to the deduction allowable under Chapter VI-A and rebate allowable under section 87A and deduct income tax on the basis of rates in force.

Budget 2022: New Provision for Updation of ITR

A new provision is inserted that allows the taxpayers to file an updated return for errors or mistakes done in income tax returns. Taxpayers can now file an updated return within two years from the end of the relevant assessment year.

1.4.2 Due Dates

Section	Particulars	Due date	Extended due date AY 2021-22
139(1)	Return of income (mandatory & voluntary)		
	Company required to furnish report u/s 92E	30th Nov	31st Dec'21
	Other companies	31st Oct	30th Nov'21
	Non corporate assessee or a working partner, whose accounts are required to be audited	31st Oct	30th Nov'21
	Any other case	31st July	30th Sept'21
139(3)	Loss Return	As per section 139(1)	As per section 139(1)
	No loss can be carried forward if return is filed after due date, except for house property loss and unabsorbed depreciation	As per section 139(1)	As per section 139(1)
139(4)	Belated Return	3 months before end of relevant AY, or before completion of assessment, whichever is earlier	31st Jan'22
139(5)	Revised Return	3 months before end of relevant AY, or before completion of assessment, whichever is earlier	31st Jan'22
	Return can only be revised if original return is filed within due date u/s 139(1) or in response of notice issued u/s 142(1)	3 months before end of relevant AY, or before completion of assessment, whichever is earlier	31st Jan'22

139(9) – Defective Return: If a return of income is found to be defective, AO will intimate the defect to the assessee and give a period of 15 days to rectify the defect. If the defect is not rectified within this period, the return will be treated invalid and it will not be considered.

Recent amendments

Reduction in the time limit for filing of belated or revised return - The time limit for filing of belated return or revised return is reduced by 3 months.

Time limit for sending intimation u/s 143(1) and issue of notice u/s 143(2) has been reduced from 1 year to 9 months and from 6 months to 3 months, respectively, from the end of the financial year in which the return was furnished.

Notice to file the return of income can be issued by the prescribed authority - To enable centralised issuance of notices in an automated manner, the prescribed Income-tax authority would also be empowered to issue a notice under Section 142(1) in addition to the Assessing Officer.

Other amendments:

Conditions listed under which a return of income is considered as defective u/s 139(9).

Section 143(1)(a) which specifies adjustments made while processing the return of income.

1.4.3 Consequences of Default

Interest for delay in filing the return (section 234A): 1% per month or part from the end of the due date till date of payment of tax.

Penalty for failure to furnish return within due date (section 234F –- *amended w.e.f AY 2021-22*)**:** Fee of Rs. 5,000. If the total income does not exceed Rs. 5 lakh, then fee payable will be limited to Rs. 1,000.

Penalty for failure to comply with notice issued or direction for audit (section 272A): Penalty of Rs. 10,000 for each failure may be levied.

Penalty for concealment of income (section 270A): Penalty for under-reporting (50% of amount of tax payable) and misreporting (100% of amount of tax payable) of income will be levied, if there is a taxable income and the return is not filed.

Best judgment assessment (section 144): AO is under an obligation to make an assessment to the best of his judgment, if the taxpayer fails to –

file the return required within the due date prescribed for filing normal return, belated return and revised return [section 139(1), 139(4), 139(5)]

comply with all the terms of a notice issued [section 142(1), 143(2)] or with the direction issued [section 142(2A)]

Prosecution in case of failure to furnish the return (section 276CC): This section provides for rigorous imprisonment for a term up to 7 years and fine.

Assessments, appeal and attachments - amendments

Reduction in time limit for reopening of cases - New procedure of assessment for search and income escaping assessment has been introduced which is focused on less litigation and providing ease of business by reducing the time limits to issue notice for assessment or reassessment. No notice can be issued if three years have elapsed from the end of the assessment year, but if the income escaping assessment exceeds or is likely to exceed Rs. 50 lakhs, notice can be issued within 10 years from the end of the assessment year.

Faceless scheme for ITAT appeal the Central Government has been empowered for disposal of appeal. This will eliminate the interface between the ITAT and parties to the appeal. All communication between the Tribunal and the Appellant will be electronic. Where a personal hearing is needed, it will be done through video-conferencing.

Constitution of DRC for small and medium taxpayers - Setting up of Dispute Resolution Committee (DRC) - Taxpayers having a taxable income of up to Rs. 50 lakh and disputed income of up to Rs. 10 lakh will be eligible to approach the Committee (optional).

Discontinuance of Income Tax Settlement Commission - Discontinuation with effect from 01-02-2021 and an Interim Board of Settlement will be constituted for pending cases.

Constitution of the Board for Advance Ruling - To provide an alternative method of providing advance ruling which can give rulings to taxpayers promptly, a Board of Advance Ruling will be constituted. Authority for Advance Rulings will cease to operate with effect from the notified date.

Provisional attachment of assets in fake invoice cases - Assessing Officer is empowered to provisionally attach the property of assessee during the pendency of proceedings u/s 271AAD (penalty for fake invoices) if the amount or aggregate of amounts of penalty imposable is likely to exceed Rs. 2 crores.

1.5 Tax Audit

1.5.1 Applicability

Nature of income	Threshold	Threshold	Additional criteria
Nature of income	**Upto 31st Mar 2021**	**w.e.f 1st Apr 2021**	**Additional criteria**
Business	Total sales, turnover or gross receipts > 5 crore	Total sales, turnover or gross receipts > 10 crore	Cash receipts & payments do not exceed 5% of total receipts & payments, respectively
Business	Total sales, turnover or gross receipts > 1 crore	Total sales, turnover or gross receipts > 1 crore	None
Profession	Total gross receipts > Rs. 50 lakh	Total gross receipts > Rs. 50 lakh	None

Tax audit applicability for assessees opting for presumptive taxation

Particulars	Tax audit is applicable if assessee,
Section 44AE (plying, hiring or leasing goods carriages), 44BB (exploration of mineral oils) or 44BBB (civil construction)	Claims profits or gains lower than the prescribed limit
Section 44AD (business)	Declares taxable income below the prescribed limit and income exceeds basic threshold, or total sales, turnover or gross receipts exceed Rs. 3 crore

Particulars	Tax audit is applicable if assessee,
Section 44ADA (professional income)	Claims profits or gains lower than the prescribed limit and income exceeds maximum amount not chargeable to tax

1.5.2 Tax Audit Reports

Report	Particulars	Due date	Due date
Report	**Particulars**	**General**	**Extended AY 2021-22**
Form 3CA	Audit report - mandatory audit conducted under any other Act	30th Sept	31st Oct
Form 3CB	Audit report - audit conducted only under the Income Tax Act	30th Sept	31st Oct
Form 3CD	Statement of particulars related to various aspects of the business and transactions	30th Sept	31st Oct
Form 3CE	Audit report - international or specified transactions	31st Oct	30th Nov

1.5.3 Consequences of default

Penalty (section 271B): AO may impose penalty in the absence of a reasonable cause for non-compliance. The amount would be 0.5% of the total sales, turnover, or gross receipts subject to a maximum Rs. 1.5 lakh.

1.6 Presumptive Taxation Scheme

Section	Business	Not applicable to	Eligible assessee	Eligible assessee	Minimum deemed profit/gain
44AD	Any business excluding goods carriage, agency and commission or brokerage	Total turnover or gross receipts > Rs. 3 crore	Resident 1. Individual 2. HUF 3. Firm (not LLP)	Resident 1. Individual 2. HUF 3. Firm (not LLP)	8% of turnover or gross receipts, or 6% of turnover or gross receipts, if received by banking channels
44ADA	Specified professional income	Total gross receipts > Rs. 75 lakhs	Resident 1. Individual 2. HUF 3. Firm (not LLP)	Resident 1. Individual 2. HUF 3. Firm (not LLP)	50% of gross receipts

Section	Business	Not applicable to	Eligible assessee	Eligible assessee	Minimum deemed profit/gain
44AE	Plying, leasing or hiring goods carriages	Person owning more than 10 goods carriages any time during the year	Any assessee	Rs. 7,500 per month or part, for each goods carriage other than heavy goods vehicle, and Rs. 1,000 per ton of gross vehicle weight per month or part, for heavy goods vehicle	Rs. 7,500 per month or part, for each goods carriage other than heavy goods vehicle, and Rs. 1,000 per ton of gross vehicle weight per month or part, for heavy goods vehicle
44B	Shipping business	N/A	**Non resident**	7.5% of amount paid (anywhere) and amount received (in India), to or by the assessee for carriage of passengers, livestock, mail or goods shipped at any port in India and outside India, respectively	7.5% of amount paid (anywhere) and amount received (in India), to or by the assessee for carriage of passengers, livestock, mail or goods shipped at any port in India and outside India, respectively
44BB	Activities connected with exploration of mineral oils	N/A	**Non resident**	10% of amount paid (anywhere) and amount received (in India), to and by the assessee for provision of services or facilities or supply of plant and machinery in extraction or production of mineral oils in India and outside India, respectively	10% of amount paid (anywhere) and amount received (in India), to and by the assessee for provision of services or facilities or supply of plant and machinery in extraction or production of mineral oils in India and outside India, respectively
44BBA	Operation of aircraft	N/A	Foreign airlines	5% of amount paid (anywhere) and amount received (in India), to or by the assessee for carriage of passengers, livestock, mail or goods from any place in India and outside India, respectively	5% of amount paid (anywhere) and amount received (in India), to or by the assessee for carriage of passengers, livestock, mail or goods from any place in India and outside India, respectively

Section	Business	Not applicable to	Eligible assessee	Eligible assessee	Minimum deemed profit/gain
44BBB	Civil construction in turnkey power projects	Power project not approved by Central Government	Foreign companies	10% of amount paid in or outside India to the assessee for civil construction, erection, testing or commissioning	10% of amount paid in or outside India to the assessee for civil construction, erection, testing or commissioning

Presumptive income computed is the final income, no further expense will be allowed or disallowed.

No need to maintain books of account as prescribed u/s 44AA.

Person opting for presumptive taxation scheme must follow it for 5 years, failing which, the scheme will not be available for next 5 years. Person will also be required to maintain books of account and will be liable for tax audit u/s 44AB.

1.7 Maintenance of Books of Accounts (Section 44AA)

1.7.1 Applicability

a. Books of accounts (prescribed) to be compulsorily maintained as per Rule 6F:

Books to be maintained which have been prescribed,

Cash Book

Journal

Ledgers

Copies of bills or receipts (> Rs. 25)

Original bills and corresponding receipts issued to the person (Payment vouchers prepared and signed by the person may be used, if the expenditure is < Rs.50)

Daily cash register (Form 3C) with details of patients, services rendered, fees received and date of receipt and details of stock (inventory) of drugs, medicines, and other consumables used for persons carrying on medical profession.

b. Books of accounts (not prescribed) to be compulsorily maintained, as may enable the Assessing Officer to compute the total income:

No books of accounts are required to be maintained by a business or other non-specified profession when the sales/turnover/gross receipt or income is below the threshold provided above.

Books should be maintained for a period of 6 years from the end of the assessment year and at the place where the profession is carried on.

If the assessment is reopened u/s 147, all the books of accounts kept and maintained at the time of reopening of assessment, must be maintained till the assessment is completed.

Consequences of default

Penalty (section 271A): Failure to maintain books of accounts and other documents or to retain them attracts penalty of **Rs. 25,000**.

1.8 Depreciation

1.8.1 Applicability

Depreciation must be calculated on the asset owned by the assessee (or beneficial owner) which is used for the purpose of business/profession, on a written down value basis.

If the asset is partially owned, proportionate amount of depreciation would be allowed to the assessee on the basis of his share of ownership.

1.8.2 Depreciation Rates

Asset category	Rate (%)
Building	
Residential	5
Others	10
Temporary structure	40
Plant and Machinery	
Ships	20
Aircraft	40
Computer and computer software	40
Books	40
Pollution control equipments	40
Others	15
Furniture and fixture and other electrical fittings	10
Intangible assets	25
Motor cars, lorries and taxis used in the business of running on hire	
Acquired between 23rd Aug'19 and 1st Apr'20, put to use after 1st Apr'20	45
Others	30
Motor cars not used in the business of running on hire	
Acquired between 23rd Aug'19 and 1st Apr'20, put to use after 1st Apr'20	30

Asset category	Rate (%)
Others	15

When the asset is put to use for a period ≥ 180 days, asset must be depreciated using the full rate. However, when an asset is used for a period < 180 days, then the rate must be halved.

No depreciation is allowed when the asset is acquired but not put to use.

Depreciation shall not be allowable if payment for the asset in a day is otherwise than through an account payee cheque/account payee DD or use of electronic clearing system exceeding Rs. 10,000.

Additional depreciation u/s 32(1)(iia) at 20% or 10%: Assessee engaged in the business of manufacture/production of any article or engaged in the business of generation, transmission or distribution of power, is allowed a further sum of depreciation on the acquisition of new plant and machinery, other than ships and aircrafts. The rate of additional depreciation is 20% of the actual cost if asset is acquired and put to use for 180 days or more, and 10% if the period is less than 180 days, but the remaining sum of 10% is allowed in the immediate next year.

Unabsorbed depreciation can be carried forward for an indefinite period and can be set off against any head of income except salary. Business losses are given priority over unabsorbed depreciation for the purpose of set off.

Depreciation and GST: If Input Tax Credit has been (or will be) claimed for the GST paid, depreciation must be calculated on the amount net of GST, else gross amount including GST.

Deferred Tax: Provisions for deferred tax must be created under the balance sheet approach, to account for difference in depreciation value as per IT Act and Companies Act.

Disallowance of an expense u/s 40A(3)

Applicability

Expenditure incurred by an assessee above **Rs. 10,000** other than by account payee cheque/draft or use of electronic clearing system through a bank account will not be allowed as a deduction.

However, if the payments are made for hiring or leasing carriages for goods, then the limit is **Rs. 35,000**.

This section extends to single payments or aggregate of payments made to a single person in a day.

Where payment is made in the subsequent years after deduction has been claimed in an earlier year, the payment will be deemed to be income under the head business & profession for the previous year in which payment is made (section 40A(3A)).

Payment made for purchasing stock-in-trade and advance payments made are covered as expenditure.

This section will not apply in certain cases:

Expenses not claimed as a deduction u/s 30 to 37

Cases where books of accounts are rejected

Where income of the assessee is determined by applying a flat percentage.

Where assessee declares the income as per the provisions of section 44AD.

Disclosure in Tax Audit Report must be made.

1.9.2 Exceptions under Rule 6DD

Disallowance shall not apply when payment is made,

To banking and other credit institutions (RBI, commercial banks, cooperative banks, LIC).

Through the banking system (letters of credit, mail or telegraphic transfers, bills of exchange).

By way of adjustment against the amount of liability incurred by the payee for goods supplied or services rendered by the assessee.

To growers, producers or cultivators of agriculture, horticulture, fish and animal produce.

To a producer for the purchase of the products manufactured or processed without the aid of power in a cottage industry.

To a person who resides or carries on business in a village not served by banks and financial institutions.

To Government - direct taxes, indirect taxes, duties, cess etc.

By way of gratuity, retrenchment compensation or similar terminal benefit, to an employee of the assessee (or heirs), if the income chargeable under the head salaries of the employee in respect of the current financial year or immediately preceding financial year is < Rs. 50,000.

On the day of bank closure either due to a holiday or strike.

By any person to his agent who is required to make payment in cash for goods or services.

Authorized dealers and foreign exchange money changers registered with RBI who are required to pay cash for purchase of foreign currency.

By an assessee by way of salary to his employee after deducting the income tax when such employee is temporarily posted for a continuous period of 15 days or more in a place other than his normal place of duty or on a ship and does not maintain account in any bank at such place or ship.

1.10 RETIREMENT BENEFITS

On retirement, an employee normally receives certain retirement benefits. These benefits are taxable as **profits in lieu of Salaries**. However, in respect of some of them, exemption from taxation is granted u/s 10 (wholly or partly).

Relief u/s 89 can be claimed if tax payable is higher due to receipt of arrears. Such relief is available in the following cases,

Salary received in arrears or in advance;

Salary received for more than 12 months in one financial year;

Family pension received in arrears;

Gratuity

Compensation on termination of employment; and

Commuted pension

1.10.1 GRATUITY u/s 10(10)

Gratuity is **exempt under the following circumstances:**

Exemption is permissible even in cases of termination of employment due to resignation. Taxable portion of gratuity (service period >= 5 years) will quality for relief u/s 89(1).

1.10.2 COMMUTATION OF PENSION U/S 10(10A)

1.10.3 LEAVE ENCASHMENT U/S 10(10AA)

Leave encashment during service is fully taxable in all cases. Relief u/s 89(1) may be claimed. For the purpose of this section, the term ‘Superannuation or otherwise’ covers resignation. Leave encashmet received at the time of retirement is **exempt under the following circumstances:**

RETRENCHMENT COMPENSATION U/S 10(10B)

1.10.5 COMPENSATION ON VOLUNTARY RETIREMENT U/S 10(10C)

Relief u/s 89 is available only if the employee has not claimed the tax exemption which is available u/s 10(10C).

1.10.6 Compensation on Termination of Employment

There is no provision that exempts tax on severance payments to employees other than a qualifying voluntary retirement scheme as per Section 10(10C), subject to fulfilment of conditions.

If the severance payout is not as per any qualifying scheme, the entire amount becomes taxable, but relief u/s 89 can be claimed.

For cases where compensation is received but the employer-employee relation does not exist:

Any compensation or payment due or received in connection with termination of employment or modification of its terms will be taxable under income from other sources under section 56.

1.10.7 PAYMENT FROM PROVIDENT FUND U/S 10(11) and 10(12)

Any payment received from a Provident Fund to which the Provident Fund Act, 1925 applies, is exempt.

Any payment from any other provident fund notified by the Central Govt. is exempt. Public Provident Fund established under the PPF Scheme, 1968 has been notified.

Accumulated balance due and becoming payable to an employee participating in a Recognised Provident Fund is exempt to the extent provided in Rule 8 of Part A of the Fourth Schedule of the Income Tax Act.

Rule 8 of Part A of the Fourth Schedule of the Income Tax Act:

The exemption is available if -

The employee has rendered continuous service with employer for a minimum period of 5 years.

The employee has not rendered continuous service for 5 years and his service has been terminated by

reason of the employee’s ill-health, or

by the contraction or discontinuance of the employer's business, or

any other cause beyond the control of the employee.

On the cessation of employment, the employee obtains employment with any other employer, and accumulated balance due and becoming payable is transferred to the individual account in any recognized provident fund maintained by other employer.

The entire balance standing to the credit of the employee is transferred to the account under NPS referred in section 80CCD and notified by the central government.

TDS on EPF Withdrawal:

TDS is deductible on withdrawal of the accumulated balance if the amount is not exempt in the hands of the employee.

TDS is deducted at the time of payment of the accumulated balance.

TDS is not deductible if the aggregate amount of withdrawal is less than Rs. 50,000.

Applicable rate is 10%. If the PAN of the recipient is not available, then TDS is deductible at the maximum rate.

1.10.8 PAYMENT FROM APPROVED SUPERANNUATION FUND US/ 10(13)

Payment from an Approved Superannuation Fund will be exempt if the payment is made under the circumstances of **death, retirement and incapacitation**.

1.11 Income from other sources (Section 56)

Income from other sources is the residual head of income. Any income which is not specifically taxed under any other head of income will be taxed under this head.

Certain incomes which are always taxed as income from other sources:

Dividends

Winnings from lotteries, crossword puzzles, races including horse races, card game and other game of any sort, gambling or betting of any form.

Interest received on compensation or enhanced compensation (deemed to be the income of the year in which it is received, irrespective of the method of accounting followed). A deduction of a sum equal to 50% is allowed.

Gifts received by an individual or HUF which are chargeable to tax.

Following incomes if they are not taxed as profits and gains of business or profession:

Any contribution to a fund for welfare of employees.

Income by way of interest on securities.

Income from letting out or hiring of plant, machinery or furniture.

Income from letting out of plant, machinery or furniture along with building when both the lettings are inseparable.

Any sum received under a Keyman Insurance Policy including bonus.

1.11.1 Tax on Dividend

Dividend received from an Indian company was ***exempt until 31 March 2020 (FY 2019-20)***, as the company declaring dividend already paid dividend distribution tax (DDT).

The Finance Act, 2020 changed the method of dividend taxation. All dividend received **on or after 1 April 2020** is taxable in the hands of the investor or shareholder.

The DDT liability on companies and mutual funds has been withdrawn. The tax of 10% on dividend receipts of resident individuals, HUF and firms in excess of Rs. 10 lakh (Section 115BBDA) also stands withdrawn.

TDS on dividend income

The Finance Act, 2020 imposes a TDS on dividend distribution by companies and mutual funds, on or after 1 April 2020.

The normal rate of **TDS is 10% on dividend income paid in excess of Rs. 5,000** from a company or mutual fund (as a COVID-19 relief measure, the government reduced the TDS rate to 7.5% for distribution from 14 May 2020 until 31 March 2021).

The tax deducted will be available as a credit from the total tax liability of the taxpayer while filing ITR.

For non-residents, TDS is required to be deducted at the rate of 20% subject to the DTAA (double taxation avoidance agreement), if any. To avail the benefit of lower deduction due to beneficial treaty rate with country of residence, the non-resident has to submit documentary proof such as Form 10F, declaration of beneficial ownership, certificate of tax residency, etc. If the documents are not submitted, higher TDS would be deducted which can be claimed at the time of filing ITR.

Deduction of expenses from dividend income

The Finance Act, 2020 provides for deduction of **interest expense incurred** against the dividend.

The deduction should not exceed 20% of the dividend income received.

No deduction can be claimed for any other expenditure like commission or salary expense incurred for earning the dividend income.

Advance Tax on dividend income

Advance tax provisions apply if the total tax liability of the taxpayer is equal to or more than Rs. 10,000 in a particular financial year.

Interest and penalty is levied in case of non-payment or short payment of the advance tax liability.

Submission of Form 15G/15H

A resident individual receiving dividends whose estimated annual income is below the exemption limit can submit form 15G to the company or mutual fund paying the dividend.

A senior citizen whose estimated annual tax payable is nil can submit Form 15H to the company paying the dividend.

The company or mutual fund informs the shareholder about the dividend declaration on their registered mail id and requires submission of form 15G or form 15H to claim dividend income without TDS.

Dividend Received from Foreign Company

Dividend received from a foreign company is taxable. It will be included in the total income of the taxpayer and will be charged to tax at the rates applicable to such taxpayer.

The investor can claim deduction only for the interest expense restricted to 20% of the gross dividend income.

The company declaring the dividend must deduct TDS u/s 194 of the Act. 10% TDS is applicable for dividend income above Rs. 5,000 for an individual which will be increased to 20% in the absence of PAN.

Relief from Double Taxation

If the tax on an international company's dividend has been paid in both the nations, then the taxpayer can claim double taxation relief.

The relief can either be claimed as per the provisions of double taxation avoidance agreement or as per Section 91 if no such agreement exists.

1.12 Taxation of Gifts

The Government introduced gift tax in April 1958 regulated by Gift Tax Act, 1958 (GTA) with an objective to impose taxes on giving and receiving gifts under certain specific circumstances. However, the GTA was abolished in October 1998 and made all gifts tax-free. But, Gift Tax was reintroduced in a new form and included in the Income-tax provisions in 2004.

1.12.1 Gift taxation in India

Gifts received by any person by any person or persons are **taxed in the hands of the recipient** under the head Income from other sources at normal tax rates. The provisions relating to gift tax have been dealt with under Section 56(2)(x) of the Income-tax Act, 1961.

Kind of gift covered	Monetary threshold	Quantum taxable
Any sum of money without consideration	Sum > 50,000	Entire sum of money received
Any immovable property such as land, building, etc without consideration	Stamp duty value > Rs 50,000	Stamp duty value of the property
Any immovable property for inadequate consideration	Stamp duty value exceeds consideration by > Rs 50,000	Stamp duty value minus consideration
Any property (jewellery, shares, drawings, etc) other than immovable property without consideration	Fair market value > Rs 50,000	Fair market value of such property
Any property other than immovable property for a consideration	Fair market value exceeds consideration by > Rs 50,000	Fair market value minus consideration

1.12.2 Provisions relating to Stamp Duty

For the purpose of computing gift tax in case of immovable property, stamp duty value needs to be considered.

However, stamp duty value can be higher due to varied reasons and one of such reasons can be a considerable time gap between agreement fixing the consideration and date of registration. Therefore, for the purpose of gift tax, stamp duty value as on the date of agreement fixing the consideration needs to be considered if the following conditions are satisfied:

Date of such agreement and the date of registration are different; and

Consideration either fully or in part is paid by way of an account payee cheque or bank draft or by using an electronic mode of transfer through bank account on or before the date of agreement for transfer

Further, in case the taxpayer has questioned or disputed the stamp duty value adopted by stamp duty valuation authority as per Section 50C, the tax officer is required to refer the valuation to a valuation officer who is required to call for records and give an opportunity of being heard to the taxpayer and pass an order in writing of value arrived.

For the purpose of gift tax, a lower stamp duty value or value arrived by the valuation officer is required to be adopted.

1.12.3 Exemptions from gift tax

Category of donee (recipient of gift)	Category of donee (recipient of gift)	Category of donor	Occasions covered
Individual	Relative – spouse, brother and sister of self and spouse, brother or sister of parents or parents in law, any lineal ascendant or descendant of self or spouse, spouse of any of the relatives mentioned above.	Relative – spouse, brother and sister of self and spouse, brother or sister of parents or parents in law, any lineal ascendant or descendant of self or spouse, spouse of any of the relatives mentioned above.	Not Applicable
Individual	Any person	Any person	Marriage of individual
Any person	Any person	Any person	Under a will or by way of inheritance
Any person	Individual	Individual	In contemplation of death of donor/payer
Any person	Local authority – Panchayat, Municipality, Municipal Committee and District Board, Cantonment Board	Local authority – Panchayat, Municipality, Municipal Committee and District Board, Cantonment Board	Not Applicable
Any person	Any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to Section 10(23C)	Any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to Section 10(23C)	Not Applicable
Any person	Any person	Any charitable or religious trust registered u/s 12A or 12AA	Not Applicable

Category of donee (recipient of gift)	Category of donee (recipient of gift)	Category of donor	Occasions covered
Any fund or trust or institution or any university or other educational institution or any hospital or other medical institution established for char itable/religious/educational /philanthropic purpose and approved by the prescribed authority (Section 10(23C) (iv) (v) (vi) and (via))	Any fund or trust or institution or any university or other educational institution or any hospital or other medical institution established for char itable/religious/educational /philanthropic purpose and approved by the prescribed authority (Section 10(23C) (iv) (v) (vi) and (via))	Any person	Not Applicable
Members of HUF	Members of HUF	HUF	Any distribution of capital assets on total or partial partition of a HUF
Trust created or established solely for the benefit of relative of the Individual	Trust created or established solely for the benefit of relative of the Individual	Individual	Not Applicable

1.13 Chapter VI-A

1.13.1 Deductions available u/s 80

Section	Deduction on	Applicable to	Maximum allowable limit
80C	Investment in PPF	Individual & HUF	Up to Rs. 1,50,000
80C	Employee’s share of PF contribution	Individual & HUF	Up to Rs. 1,50,000
80C	National Saving Certificates		Up to Rs. 1,50,000
80C	Life Insurance Premium payment		Up to Rs. 1,50,000
80C	Children’s Tuition Fee		Up to Rs. 1,50,000
80C	Principal Repayment of home loan		Up to Rs. 1,50,000
80C	Investment in Sukanya Samridhi Account		Up to Rs. 1,50,000
80C	Unit Linked Insurance Plans, ELSS		Up to Rs. 1,50,000
80C	Sum paid to purchase deferred annuity		Up to Rs. 1,50,000
80C	Five year deposit scheme		Up to Rs. 1,50,000
80C	Senior Citizens Savings scheme		Up to Rs. 1,50,000
80C	Subscription to Notified securities/notified deposits scheme Home Loan Account scheme of the National Housing Bank		Up to Rs. 1,50,000

Section	Deduction on	Applicable to	Maximum allowable limit
80C	Deposit scheme of public sector/company engaged in providing housing finance Equity shares/debentures of an approved eligible issue Notified bonds of NABARD		Up to Rs. 1,50,000
80C	Contribution to notified Pension Fund set up by Mutual Fund/UTI Annuity Plan of LIC		Up to Rs. 1,50,000
80CCC	Amount deposited in annuity plan of LIC or any other insurer for a pension from a fund referred to in Section 10(23AAB)	Individual & HUF	
80CCD(1)	Employee’s contribution to NPS account (maximum up to Rs 1,50,000)	Individual & HUF	
80CCD(2)	Employer’s contribution to NPS account	Individual & HUF	Up to 10% of salary
80CCD(1B)	Additional contribution to NPS	Individual & HUF	Up to Rs. 50,000
80TTA(1)	Interest income from savings account	Individual & HUF	Up to Rs. 10,000
80TTB	Exemption of interest from banks, post office, etc.	Resident Senior Citizen	Up to 50,000
80GG	For rent paid when HRA is not received from employer	Individual	Least of :
80GG	For rent paid when HRA is not received from employer	Individual	Rent paid less 10% of total income;
80GG	For rent paid when HRA is not received from employer		Rs. 5000 pm;
80GG	For rent paid when HRA is not received from employer		25% of total income
80E	Interest on education loan	Individual	Interest paid for 8 years
80EE	Interest on home loan for first time home owners	Individual	Rs. 50,000
80D	Medical Insurance – Self, spouse, children	Individual & HUF	Rs. 25,000
80D	Medical Insurance – Parents more than 60 years old or uninsured parents more than 80 years old Preventive health checkup	Individual & HUF	Rs. 50,000 Rs. 5,000
80DD	Medical treatment for handicapped dependent or payment to specified scheme for maintenance of handicapped dependent	Resident Individual & HUF	

Section	Deduction on	Applicable to	Maximum allowable limit
80DD	Disability is 40% or more but < 80%		Rs. 75,000
80DD	Disability is 80% or more		Rs. 1,25,000
80DDB	Medical expenditure on self or dependent relative for diseases specified in Rule 11DD	Individual & HUF	Lower of:
80DDB	For less than 60 years old		Rs. 40,000 or amount paid; Rs. 1,00,000 or amount paid
80DDB	For more than 60 years old		Rs. 40,000 or amount paid; Rs. 1,00,000 or amount paid
80U	Self-suffering from disability :	Resident Individual	
80U	Individual suffering from physical disability or mental retardation	Resident Individual	Rs. 75,000
80U	Individual suffering from severe disability		Rs. 1,25,000
80G	Donation to certain funds or institutions	All assessees	100% or 50% of the amount
80GGA	Donations for Scientific research or rural development	All assessees except those who have an income or loss from business or profession	No limit
80GGB	Contribution by companies to political parties	Companies	Amount contributed (not allowed if paid in cash)
80GGC	Contribution by individuals to political parties	Individuals	Amount contributed (not allowed if paid in cash)
80RRB	Deductions on Income by way of Royalty of a Patent	Resident Individual	Lower of Rs. 3,00,000 or income received

NPS deduction to State government employees

The State government employees will now be able to claim deduction under Section 80CCD(2) for NPS contribution by the employer up to 14% of their basic salary and dearness allowance, which is in line with the deduction available to the Central government employees.

Tax Relief to the Persons with Disability

Currently, Section 80DD provides a tax deduction to the parents or guardians of the disabled person who have paid any amount under the insurance scheme specified.

The deduction is available only if such insurance scheme provides for the payment of annuity and lump sum amount to the differently-abled person on the death of the subscriber.

The section is amended to include insurance schemes that allow the payment of annuity and lump sum amount to the differently-abled dependant during the lifetime of the parent and guardians on attaining their age of sixty years or more, and the payment or deposit to such scheme has been discontinued.

Other recent amendments

Section 80-IBA deduction to rental housing projects - Section 80-IBA provides for deduction of an amount equal to 100% of the profits and gains derived by an assessee from the business of developing and building affordable housing project approved on or before 31-03-2021. This date has been extended to 31-03-2022 and the scope of the section has been expanded to allow a deduction in respect of notified rental housing projects as well.

Extension in the due date for incorporation of start-up company for Section 80-IAC - A start-up is eligible for deduction u/s 80-IAC upon satisfying certain conditions. One of the conditions provide that it should be incorporated between 01-04-2016 and 31-03-2021. This outer date of incorporation has been extended to 31-03-2022.

Extension in the time limit for sanction of housing loan for deduction u/s 80EEA - Additional deduction u/s 80EEA for the interest on housing loan is allowed if the loan is sanctioned on or before 31-03-2021. This outer date for sanction of such housing loan has been extended by one year to 31-03-2022.

1.13.2 Deduction of profits and gains from housing projects u/s 80iba

Conditions to be fulfilled:

Any assessee (individual, HUF, AOP, BOI, firm, company or any other person).

Assessee has derived profit from the **business of developing and building a housing project** (includes **rental housing project** w.e.f. 01-04-2022).

(Time period is applicable for obtaining the approvals for the project and not for commencement of the construction, or completion of construction for the project)

Project is **approved by the competent authority** after 01-06-2016 but on/before 31-03-2021 (substitute as 'on/before 31-03-2022' w.e.f. 01-04-2022) (date of first approval).

Project must be **completed within a period of 5 years** from the date of approval by the competent authority (deemed to be complete where certificate of completion of project **as a whole,** is obtained from competent authority in writing).

Project is the **only housing project on the plot** of land.

Carpet area of the shops and other commercial establishments included in housing project **cannot exceed 3% of aggregate carpet area.**

Where a residential unit in the housing project is allotted to an individual**, no other residential unit** in the housing project **shall be allotted to the individual or the spouse or the minor children** of such individual.

Assessee maintains **separate books of accounts** in respect of the housing project.

Other conditions prescribed w.r.t project size and residential unit:

Definitions:

Housing project: a project consisting predominantly of **residential units** with such other facilities and amenities as the competent authority may approve subject to the provisions of this section.

Residential unit: an independent housing unit with **separate facilities** for living, cooking & sanitary requirements, **distinctly separated** from other residential units within the building, which is **directly accessible** from an outer door or through an interior door in a shared hallway and not by walking through the living space of another household

1.13.3 TAX INCENTIVE FOR START-UPS U/S 80iac

Eligibility Criteria for applying to Income Tax exemption (80IAC):

The entity should be a DPIIT recognized Startup.

Only Private limited or a Limited Liability Partnership is eligible for Tax exemption under Section 80IAC.

The Startup should have been incorporated on or after 1st April 2016.

Start-up is engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation.

What is a DPIIT recognized Startup?

The Startup should be incorporated as a private limited company or registered as a partnership firm or a limited liability partnership in India and satisfies following 3 conditions:

Turnover should be less than INR 100 Crores in any of the previous financial years.

An entity shall be considered as a startup up to 10 years from the date of its incorporation.

The Startup should be working towards innovation/ improvement of existing products, services and processes and should have the potential to generate employment/ create wealth.

An entity formed by splitting up or reconstruction of an existing business shall not be considered a Startup. A business entity shall cease to exist as a startup once it completes 10 years from the date of incorporation or registration and if its turnover for any of the previous financial years exceeds Rs. 100 crores.

Benefits: Tax holiday for 3 consecutive financial years out of its first ten years since incorporation. In order to get tax exemption under section 80 IAC of the Income Tax Act, the startup must register on the Startup India portal.

Procedure for Registration:

The interested entities are required to create a login id on Startup India portal using the following details:

Memorandum of association (for Pvt Ltd) or LLP Deed (for LLP).

Board resolution (if any).

Annual accounts & income tax returns of the startup for the last three financial years. (balance sheet and the profit and loss statement must be CA certified).

If your startup was incorporated on 1st April 2018 or later, Income Tax Return is not mandatory. For startups incorporated earlier, ITR is mandatory.

Startup Video Link: The video should cover the following aspects:

The video should ideally be of 2-3 minutes and be no longer than 5 minutes showcase the working of the products, prototype/proof-of-concept developed by startup.

If startup is a product or software-based startup then showcasing a demonstration/prototype/walk-through of the products/software products developed by startup is compulsory.

If startup provide software or technology services such as website development, application development, developing white-label software products for clients, then showcase a demonstration/prototype/walk-through of the products developed for key clients.

Pitch Deck – the pitch deck shall include the following details:

Information about the product/service offering of your startup brief about how is your startup innovative and/or scalable (uniqueness of the startup differentiating it from its competitors).

Director details and their educational qualification, professional experience, and formal role in the startup/current designation (if any).

Shareholding pattern as on the date of filling this application.

Directors and Shareholders' citizenship details.

Team details – current role, education, and professional experience.

Details about adherence to the specific government approvals required by the startups such as FSSAI registration, and guidelines set by Bureau of Indian Standards Revenue model, etc.

Budget 2022: Start-ups Tax Incentive Period Extended

Citing the start-ups as drivers for the economy's growth, the benefit of tax incentives under Section 80-IAC was available to the start-ups that were incorporated up to 31st March 2022. However, the benefit of tax incentives is further extended to start-ups incorporated up to 31st March 2023.

1.14 Measures to curb black money

1.14.1 Section 269SS and 269T

Sections 269SS and 269T were introduced restricting cash payments and repayment of loans & deposits to curb the increasing cash transactions leading to accumulation of black money.

Section	Description	Exceptions	Penalty
269SS	A person cannot accept cash loan or deposit of Rs. 20,000 or more from another person.	Transaction with the below mentioned entities. Transaction between persons earning only agriculture income. Receiving cash from relative during emergencies. Partners contributing cash capital into partnership firm	100% of the loan or deposit amount
269T	A person cannot repay the loan or deposit in cash, if the amount is Rs. 20,000 or more.	Transaction with the below mentioned entities.	100% of the loan or deposit amount

Specified Entities:

Government and Government company

Banking company, post office savings bank or co-operative bank

Corporation established by a Central, State or Provincial Act

Institution, association or body or class, notified in Official Gazette.

Reporting of 269SS & 269T Transactions:

Transactions hit by the provisions of Sections 269SS and 269T must be reported in Form 3CD Tax Audit Report. Both the parties (payer and receiver) must report the transactions.

1.14.2 Income Declaration Scheme 2016

The government has brought-in the Income Declaration Scheme, 2016 to provide an opportunity to those who haven't declared their income properly. The scheme allows a citizen to disclose the undeclared income and pay the applicable taxes.

Who can disclose income & assets under The Income Declaration Scheme 2016?

All persons are eligible to make declaration under the scheme. Citizens who have not declared their income wholly or partially and paid their taxes in full in the past can come forward and declare their undisclosed income/assets. They have to pay the corresponding taxes, surcharges, and penalties as applicable.

Income tax penalty rate:

Income tax at 30% of undisclosed income

Surcharge at 7.5% of undisclosed income

Penalty at 7.5% of undisclosed income

A total of 45% of the undisclosed income is required to be paid to the government.

Forms to be filed:

Form 1: Declaration form to be filled and submitted by the taxpayer within the due date.

Form 2: Acknowledgement of declaration to be issued within 15 days from the end of the month in which declaration is filled.

Form 3: Imitation of payment of tax, surcharge, and penalty must be submitted by the declarant within the specified date.

Form 4: Certificate of declaration to be provided by PCIT/CIT within 15 days from the date of intimation of payment.

Immunity for the income declarant:

No enquiry/scrutiny under the Income Tax/Wealth Tax Act with respect to such declarations.

No prosecution under the Income Tax/Wealth Tax Act.

Immunity from Benami Transactions (Prohibition) Act, 1988.

Mode of declaring such income:

Online through the e-filing portal.

Submit printed form to jurisdictional Principal Commissioner or Commissioner of Income Tax.

Recent amendment

No interest on refund of the excess sum paid under IDS - Board can specify a class of persons who can claim a refund of excess tax paid under the IDS. However, the excess amount of tax, surcharge or penalty paid in pursuance of a declaration made under this scheme will be refundable to the specified class of persons without payment of any interest.

1.12 Section 115BAA - New tax rate for domestic companies

Section 115BAA was inserted to give the benefit of a reduced corporate tax rate to the domestic companies. Domestic companies have the option to pay tax at a rate of 22% plus surcharge of 10% and cess of 4% (optional scheme).

The effective tax rate would be 25.17% from AY 2020-21 onwards if the domestic companies adhere to the conditions specified. The company need not pay tax under MAT.

Conditions specified under eligibility criteria

Companies should not avail any exemptions or incentives under different provisions of income tax. Therefore, the total income of the company must be computed **without deduction under the following sections:**

Sl No.	Section	Description
1	Section 10AA	Special provisions in respect of established units in Special Economic Zones
2	Section 32(1)(iia)	Additional depreciation
3	Section 32AD	Investment linked deduction- new plant and machinery made in notified backward areas in the states of Andhra Pradesh, Bihar, Telangana, and West Bengal
4	Section 33AB	Tea, coffee, and rubber manufacturing companies
5	Section 33ABA	Deposits made towards site restoration fund by companies engaged in extraction or production of petroleum or natural gas or both in India
6	Section 35	Expenditure on scientific research, or amount paid to a university/research association/national laboratory/IIT
7	Section 35AD	Capital expenditure incurred by any specified business
8	Section 35CCC	Expenditure incurred on an agriculture extension project
9	Section 35CCD	Expenditure incurred on a skill development project
10	Chapter VIA	Deductions under Chapter VIA are not allowed, except:
		Section 80JJAA - Deduction in respect of employment of new employees

Sl No.	Section	Description
		Section 80LA- Persons having eligible unit in the International Financial Services Centre
		Section 80M - Deduction in respect of inter-corporate dividends (w.e.f. AY 2021-22)

Companies will have to **exercise this option** to be taxed u/s 115BAA **on or before the due date** of filing income tax. Once the company opts for section 115BAA in a particular financial year, it cannot be withdrawn subsequently.

If in any previous year the company fails to satisfy any of the conditions, the scheme under 115BAA becomes invalid for that assessment year and subsequent assessment years. The company will not be eligible to exercise this option in future.

The option must be exercised in **Form 10-IC,** to be submitted online under a digital signature or under an electronic verification code.

There is **no restriction on turnover** and the company need not be a new company, any existing company can migrate into this section at any point.

The option of reduced rate of tax can be exercised only by a Domestic Company that satisfies these conditions. Individuals, LLPs, Partnership Firms, AOP, BOI, Foreign Companies and Societies are not eligible to avail this option.

Can taxpayer utilise MAT credits if section 115BAA option is exercised?

The domestic companies opting for section 115BAA will not be able to claim MAT credits for taxes paid under MAT during the tax holiday period.

Adjustment of brought forward losses and unabsorbed depreciation u/s 115BAA: Brought forward losses and depreciation from previous years can be set off against the income on the condition that **they must not be attributable to the deductions** mentioned above. Otherwise, the domestic company opting for section 115BAA will not be allowed to claim set-off of any brought forward loss or depreciation for the assessment year in which the option has been exercised and future assessment years.

There is no timeline for the domestic companies to choose a lower tax rate under section 115BAA. So, such companies can avail the benefit of section 115BAA after claiming the brought forward loss on account of additional depreciation and also utilising the MAT credit against the regular tax payable.

Will Section 115BAA impact Capital Gain tax?

Even if the company opts to exercise the option u/s 115BAA, there will be no impact on the rates of tax of LTCG, STCG and brought forward losses under the head capital gains.

1.13 Section 115BAB – Corporate tax rate for new manufacturing companies

Section 115BAB offers a low tax rate of 15% plus surcharge and cess to new manufacturing companies to promote the new manufacturing start-ups. The new effective tax rate that will apply to domestic companies availing the benefit of 115BAB is 17.16%. Domestic company satisfying specified conditions can claim this benefit from AY 2020-21. Companies will not be required to pay MAT.

Conditions specified under eligibility criteria

The company has been set up and registered on or after 1 October 2019 and has commenced manufacturing on or before 31 March 2023.

Company should not be formed by the splitting up and reconstruction of a business already in existence except in case of a business re-established under section 33B (rehabilitation allowance).

Company does not use any plant or machinery previously used for any purpose. However, the company can use plant and machinery used outside India and used in India for the first time, whose value does not exceed 20% of the total value of the plant and machinery used by the company.

Company does not use a building previously used as a hotel or a convention centre for which deduction u/s 80ID has been allowed.

Company should be engaged in the business of manufacture or production of any article or thing, and research in relation to such article or thing, or its distribution.

Company is not engaged in the following businesses:

Software Development

Mining

Conversion of marble blocks or similar materials into slabs

Bottling of gas into cylinders

Printing of books

Production of cinematograph films

Other notified business

The total income of the company should be calculated **without claiming the tax exemptions and incentives** as mentioned above under Section 115BAA (1.12.1)

The company cannot set off any loss carried forward from earlier years if such losses were incurred in respect of these deductions.

The company has to exercise the option on or before the due date of filing income tax returns. Once the company opts for section 115BAB in a particular financial year, it cannot be withdrawn subsequently.

Applicability of transfer pricing provisions

When the company earns more than ordinary profits due to a close connection with any other person, or for any other reason, the assessing officer may ignore the excess profits. The assessing officer will take only the amount of profits **reasonably deemed** to be derived from the business.

In case a business transaction involves a specified domestic transaction referred to in section 92BA, the profits of the transaction will be determined having regard to the arms-length price.

Hence, transactions between companies claiming lower rate under this section and other group and related parties must be at arm’s length or reasonable basis and not in a manner to evade or reduce tax liability for the group as a whole.

Taxability at higher Income Tax rates

Adjustment to profits as mentioned above will be taxed at 30% rate of income tax.

Any income derived from other business activities apart from manufacture or production of an any article or thing or research or distribution, will be taxed at 22% rate of income tax and no deduction of any expenditure will be allowed against such income.

Short term capital gains on which depreciation is claimed will be taxable at 22% tax rate.

If in any previous year the conditions mentioned are not satisfied, the option of lower tax rate will cease to apply from that assessment year.

Budget 2022: Newly incorporated manufacturing entities will be incentivized under concessional tax regime for one more year

Clause (a) of sub-section (2) of the Section 115BAB requires that the domestic company should be set-up and registered on or after the 1st day of October, 2019, and should have commenced manufacturing or production of an article or thing on or before the 31st day of March, 2023 for availing the benefit of concessional rate.

It is proposed to amend the said clause so as to extend the date of commencement of manufacturing or production of an article or thing from 31st March, 2023 to 31st March, 2024.

1.15 Tax Computation Table for Individual & HUF

Grouping of Income:

Sl No.	Taxable Income	Rs.	Rs.
I	Income from Salary	XX	
II	Income from House Property	XX	
III	Income from Business or Profession	XX	
IV	Income from Capital Gain	XX	
V	Income from Other Sources	XX	
A	Gross Total Income (I + II+ III + IV + V)	Gross Total Income (I + II+ III + IV + V)	XXX
	Less: LTCG, Casual Income and STCG u/s 111A, taxed separately	Less: LTCG, Casual Income and STCG u/s 111A, taxed separately	XX
	Less: Deductions under Chapter VIA (from 80C to 80U)	Less: Deductions under Chapter VIA (from 80C to 80U)	XX
B	Other Taxable Income, excluding Capital Gain and Casual Income	Other Taxable Income, excluding Capital Gain and Casual Income	XXX

Sl No.	Taxable Income	Rs.	Rs.
	Add: Short Term Capital Gain liable for STT	Add: Short Term Capital Gain liable for STT	XX
	Add: Long Term Capital Gain (Other than liable for STT)	Add: Long Term Capital Gain (Other than liable for STT)	XX
	Add: Casual Income	Add: Casual Income	XX
C	Total Taxable Income, rounded off to nearest ten	Total Taxable Income, rounded off to nearest ten	XXX

Computation of Tax:

Sl No.	Tax Liability	Rs.	Rs.
i	Tax on Casual Income @ 30%	XX	
ii	Tax on LTCG (other than liable for STT) @ 20%	XX	
iii	Tax on STCG liable for STT @ 15%	XX	
iv	Tax on Other Taxable Income(J) at slab rates mentioned in Para 1.1	XX	
D	Tax Liability (i + ii + iii + iv)	Tax Liability (i + ii + iii + iv)	XXX
	Add: Education cess @ 3% (L*3%)	Add: Education cess @ 3% (L*3%)	XX
	Less: Relief u/s 89	Less: Relief u/s 89	XX
E	Total Tax Liability	Total Tax Liability	XX
	Less: TDS, TCS & Advance Tax	Less: TDS, TCS & Advance Tax	XX
F	Tax Payable/(Refundable), rounded off to nearest ten	Tax Payable/(Refundable), rounded off to nearest ten	XX/(XX)

End of Chapter. *For the complete Compliance Manual, additional chapters, or a tailored briefing for your finance and compliance teams, contact* ***info@rstandco.co.in****.*