# MAR GREGORIOS COLLEGE OF ARTS & SCIENCE

Block No.8, College Road, Mogappair West, Chennai – 37

Affiliated to the University of Madras
Approved by the Government of Tamil Nadu
An ISO 9001:2015 Certified Institution

## DEPARTMENT OF COMMERCE

**SUBJECT NAME: INCOME TAX LAW AND PRACTICE - II**

**SUBJECT CODE: CVZ6A**

**SEMESTER: VI**

**PREPARED BY: PROF. T. BALACHANDAR**

## Elective Paper II – (1) INCOME TAX LAW AND PRACTICE – II

**Objectives** **No of Credits : 5**

To help the students to understand the relevance and significance of Tax.

To Facilitate the students in understanding the various Provisions I.T. Act.

**UNIT I : INCOME FROM CAPITAL GAIN**

Capital Gain - Meaning - Short term and Long term Capital Gains - Certain Transactions not included as transfer - Cost of Acquisition - Cost of Improvement - Indexation - Capital Gain under different circumstances - Exempted Capital Gains - Computation of Capital Gains.

**UNIT II : INCOME FROM OTHER SOURCES**

Computation - Grossing up - Deductions in Computing Income under the head and other related provisions.

**UNIT III : CLUBBING OF INCOMES AND SET OFF / CARRY FORWARD AND SET - OFF OF LOSSES**

Clubbing of Incomes under various situations - Deemed Incomes - Simple Problems on clubbing of incomes - Set off - Carry forward and set off of losses.

**UNIT IV : DEDUCTIONS FROM GROSS INCOME**

Permissible Deductions from Gross Total Income - Sec. 80C, 80CCC, 80CCCD, 80 D,80DD, 80DDB, 80E, 80G, 80GG, 80GGA, 80QQB, 80RRB, 80U. Assessment ofIndividual- Computation of Tax.

**UNIT V : INCOME TAX AUTHORTIES AND PROCEDURE OF ASSESSMENT**

Income Tax Authorities - Powers of the Central Board of Direct Taxes (CBDT), Commissioners of Income Tax and Income Tax officers. Assessment Procedures - Self Assessment - Best Judgement Assessment - Income Escaping Assessment (Re assessment) - Advance Payment of Tax - Meaning and Due dates.

# UNIT -I

# CAPITAL GAINS

**Meaning:**

This is the fourth major head of total income. Capital Gains mean **profits or gains** arising from the **transfer** of a **capital asset** in the **previous year**.

Introduction Gain arising on transfer of capital asset is charged to tax under the head "Capital Gains". Income from capital gains is classified as "Short Term Capital Gains" and "Long Term Capital Gains"

**Meaning of Capital Asset**
Capital asset is defined to include: (a) Any kind of property held by an assessee, whether or not connected with business or profession of the assesse. (b) Any securities held by a FII which has invested in such securities in accordance with the regulations made under the SEBI Act, 1992.

However, **the following** items are **excluded from the definition of "capital asset":**

1. Stock-in-trade, consumable stores and Raw Materials.
2. Personal property except Jewellery
   i.e. Household Furniture, Radio,. T.V. Car, refrigerator, etc.
3. Agricultural Land in India
   *It **should not** be situated within 8 kilometers from the local limit of any Municipality or Cantonment Board.
   * Municipality or cantonment Board **should not** have population of 10,000.
4. 6½% Gold Bonds1977, Gold Bonds 1980 and National Defence Gold Bonds, 1980
5. Special Bearer Bonds, 1991
6. Gold Deposit Bonds, 1999

**I Financial Assets include** 1) Shares, 2) any other Securities listed in Stock Exchange, 3) Units of UTI, 4) Zero Coupon Bonds. Etc.
**II Non-Financial Assets:**
1) Office Furniture, 2) Building, 3) Machinery, Land, Etc.

**Transfer (Sec.2 (47)):**

Transfer means:
1. the **sale, exchange** or relinquishment of capital asset
2. the **extinguishment** of asset
3. **compulsory acquisition** under any law
4. conversion of asset into stock-in-trade.

**Exceptions:**
Transaction not considered as transfer:
1. Any distribution of capital asset on partition of HUF
**2.** Any **transfer of capital asset under gift or will**
3. Transfer of capital asset by a company to its subsidiary, vice versa
**4. Transfer in** the scheme of **amalgamation**
5. **Conversion of shares** or Bonds or Debentures

# Types of Capital (Assets) Gain

| Nature of Asset | Short Term Capital Asset | Long Term Capital Asset |
|---|---|---|
| Financial Asset | **12 months or less than 12 months.** | **More than 12 months or 1 Year** |
| Non-Financial Asset | **36 months or less than 36 months.** | **More than 36 months or 3 Years** |

**A. SHORT TERM CAPITAL GAIN**:

**1. Financial Assets:** Any gain arising from transfer of financial asset which was kept by an assessee for **12 months or less than 12 months.**

**2. Non-Financial Assets:** Any gain arising from transfer of financial asset which was kept by an assessee for **36 months or less than 36 months.**

**COMPUTATION OF S.T.C.G**

| Particular | Rs | Rs |
|---|---|---|
| Full consideration | | XXX |
| (-) Selling expenses | | XXX |
| **Net consideration** | | XXX |
| (-)Cost of acquisition | XXX | |
| Cost of improvement | XXX | XXX |
| **S.T.C.G** | | XXX |
| (-) Exemption U/s.54B,54D & 54G | | XXX |
| **Taxable Short Term Capital Gain** | | XXX |

**Some important points to remember**

Short term Capital Asset: Section 2(42A) defines short-term capital asset as a capital asset held by an assessee for not more than 36 months immediately preceding the date of its transfer.

However, a security (other than a unit) listed in a recognized stock exchange, or a unit of an equity oriented fund or a unit of the Unit Trust of India or a Zero Coupon Bond will be considered as a long-term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer.

*. Originally, the period of holding of shares in a company for determination of the nature of capital gains vis-à-vis long-term or short-term was 12 months. However this period was extended to 24 months in the case of unlisted companies

1. **Cost of acquisition** means the cost at which the asset was acquired by an assessee. It includes purchase price, carriage & installation cost and interest on loan for such asset.
2. **Cost of improvement** means an expenditure of capital nature incurred by an assessee after acquiring an asset
3. **Selling expenditure** is an expenditure incurred wholly & exclusively in connection with the transfer
4. **Depreciating asset** is always called short term capital asset

**5.** When the **cost is unascertainable**,the F.M.V. will be considered as COA

**6.** In case of **goodwill purchased**, the cost shall be the price paid but in case of not purchased, the cost is taken as nil.

**7.** There **is no depreciation to be claimed for asset sold.** If asset sold, but on which depreciation is claimed, the gain due to depreciation is deemed to be capital gain.

**8.** In case of **advance money received & forfeited by the present seller** before / after 1.4.81, such advance money is **deducted from the C.O.A**., but it should not exceed the **C.O.A.** For this the following points to be considered:

**a.** It should be received and forfeited by present seller

**b.** If asset acquired after 1.4.81 (no FMV is applicable) it should be deducted from **C.O.A**

**c.** If asset acquired before 1.4.81 advance money is reduced from **F.M.V.**or **C.O.A** w.e.h

**d.** If advance money is more than actual cost such excess advance money should have been taxed in the particular year it was received otherwise such excessive value is taxable in the A.Y. 2006-07 as deemed capital gain.

**B. LONG TERM CAPITAL GAIN:**

**1. Financial Assets**: Any gain arising from transfer of financial asset which was kept by an assessee for **more than 12 months.**

**2. Non-Financial Assets**: Any gain arising from transfer of financial asset which was kept by an assessee for **more than 36 months.**

| Particular | Rs | Rs |
|---|---|---|
| Full consideration | | **XXX** |
| (-) Selling expenses | | **XXX** |
| **Net consideration** | | **XXX** |
| (-)**Indexed** Cost of acquisition | XXX | |
| **Indexed** Cost of improvement | XXX | **XXX** |
| **L.T.C.G** | | **XXX** |
| (-) **Exemption** U/s. 54, 54B, 54D, 54EC, 54ED,54F & 54G | | **XXX** |
| **Taxable Long Term Capital Gain** | | **XXX** |

COMPUTATION OF L.T.C.G

# LIST OF EXEMPTIONS

| EXEMPT | NAME OF ASSET | CONDITION | INVESTED PERIOD | AMOUNT DEDUCTED |
|---|---|---|---|---|
| **Sec.54** | **Residential house** | Sale of residential house is invested in purchase construction in one house | For purchase<br>**Between**<br>**1yr-**Transfer- **2yrs**<br>Date<br>For construction<br>**Within 3 years**<br>After transfer | Full amount of investment (to the extent of long term capital gain) |
| **Sec.54B** | **Agricultural land** (self cultivated at least for 2 years before transfer) | Sale of agricultural land is invested in purchase of agricultural land | **With in 2 years** after transfer | ,, |
| **Sec.54D** | **Land & building** (used for 2 years before transfer) compulsorily acquired from industry under taking | Sale (transfer ) of land &building is invested in purchase / construction of building (or) purchase of land (or) building | **With in 3 years after transfer** | ,, |
| **Sec.54EC** | **Any long term capital asset** | Sale of any long term asset is invested in specified asset **u/s 54EC*** | **Within 6 month after transfer** | ,, |
| **Sec.54F** | **Any long term capital asset** | Sale of any long term capital asset is invested in purchase or construction of our residential house | For purchase<br>**Between**<br>**1yr-**Transfer- **2yrs**<br>Date<br>For construction<br>**Within 3 years**<br>After transfer | $\frac{\text{Amt. invested x Cap Gain}}{\text{Net Consideration}}$ |
| **Sec. 54G** | **Industrial undertaking** shifted from urban rural areas | Gain from transfer of capital assets is invested in purchase of new machinery or plant or building construction. | **Between**<br>**1yr-**Transfer- **2yrs**<br>Date | Full amount to the extent of capital gain |

***SPECIFIED ASSET U/S 54EC**
1. NABARD
2. National high way authority of India
3. Rural electrification corporation of India
4. National housing bank
5. Small industry development bank of India

**Sec. 54GA**: Exemption of Capital gains on transfer of assets in case of shifting of industrial undertaking from urban area to any special economic zone. Conditions and other provisions are similar to that of 54G

**Sec.54H**: Extension of time for acquiring new asset or depositing or investing amount of capital gain in respect of 54, 54B,54D,54EC,54ED and 54F

# Other exemptions

1. **Income from sale of shares in certain cases u/s Sec.10(36):**

Any income arising from the transfer of a long term capital asset, being an eligible equity share in the company purchased on or after 1st day of March, 2003 and before the 1st day of March 2004 and held for a period of twelve months.

2. **Long term Capital gain on transfer of securities covered under Securities Transaction Tax u/s Sec. 10(38):**

Any Such long term securies listed in the recognized stock exchange in India on or after 1-10-2004 shall be fully exempted.

**ALTERNATIVE WAY TO CLAIM EXEMPTION**

If Investment in the above assets is not made within the specific time, Investment can be made in **CAPITAL GAIN ACCOUNT SCHEME** within the same period to claim exemption.

However, Investment in any above mentioned assets or Capital Gain account scheme **should be claimed in the respective year only if it is made before Filing of return**

**WITHDRAWAL (CANCELING) OF EXEMPTION**

When the investment made in **Capital Gain Account Scheme** is **not fully utilized** within the invested period mentioned in the table, **such unutilised amount** will become **taxable** in that year.

If the amount so deposited is partly utilized and partly unutilized, proportion of **unutilised amount on Net Consideration** is taxable as follows.

$$\text{Amount of original capital gain} \times \frac{\text{Unutilised amount}}{\text{Net Consideration}}$$

# Unit-II

## Income from other sources (IFOS)

**Format**

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| Nature of income | | Taxable amount |
|---|---|---|
| **General Income under section 56(1)** | | |
| 1. Agricultural incomes in foreign country **less** expenses if any | | XXXX |
| 2. Receipt from person other than **employer** | | XXXX |
| 3. Income from subletting or rent of vacant land **less** expenses if any | | XXXX |
| 4. **Directors' fee or Sitting fee** | | XXXX |
| 5. Remuneration for delivering lectures or writing articles **less** expenses | | XXXX |
| 6. Withdrwal from NSS u/s 80CCA | | XXXX |
| 7. Repurchase of units u/s 80CCB | | XXXX |
| 8. **Interest on loan less expenses if any** | | XXXX |
| 9. **Deemed Incomes U/s 68 and 69** | | XXXX |
| 10. Clubbing of Income from section 60 to 64(2) | | XXXX |
| 11.Agent commission received by agents of LIC, UTI &Postal saving | | XXXX |
| 12. Family Pension received by legal heirs | XXXX | |
| **Less**:1/3 of pension or 15,000 p.a. whichever is less | XXXX | XXXX |
| 13. Royalty income less expenses if any | | XXXX |
| **Specific Incomes under section 56(2)** | | |
| **1. Dividend:** | | |
| (a) Dividend from Indian company or Mutual Fund or UTI ( Div. may be equity or preference share or interim dividend or preference) | | Exempt |
| (b) Dividend from Foreign company **less** expenses if any | | XXXX |
| © Dividend from co-operative society **less** expenses if any | | XXXX |
| (d) Deemed dividends | | XXXX |
| **2. Interest on securities:** | | |
| (a) Interest on Central or State Government securities **less** expenses | | XXXX |
| (b) Interest on Local Authority or Statutory Corp**.(Gross) less** expenses | | XXXX |
| © Interest on Listed Securities of company **(Gross) less** expenses | | XXXX |
| (d) Interest on Unlisted Securities of a company **(Gross) less** expenses | | XXXX |
| **3. Bank interest less expenses** | | XXXX |
| **4. Casual Income:** | | |
| (a) Winning from Race **(No expense is allowed)** | | XXXX |
| (b) Winning from Lotteries, Card games, Crossword puzzles **(No Exp.)** | | XXXX |
| **5. Amount received as GIFT** any sum **exceeding Rs.50, 000**) | | XXXX |
| **6. Income from letting of Plant & Machinery** (Not a regular business Income) **Less** Depreciation, Repairs, etc | | XXXX |
| **7. Income from letting of building along with** furniture and plant & Machinery (Which is not taxable House property income) **less** Depreciation, etc. | | XXXX |
| **8. Stake Money from maintenance of Race Horse** less expenses | | XXXX |
| **9.** Any sum received as Keyman Insurance policy | | XXXX |
| **10.** Amount deducted by employer out of employees' salary as their contribution towards PF | | XXXX |
| | | ------ |

**Taxable Income from other source** **XXXX**

**Expenses for Deduction purpose u/s 57**
**1.** It should **not exceed** the **respective income**
**2.** It should **not** be **Capital expense**
**3.** It should be **reasonable and relevant**
**4.** It should have occurred in the **Relevant Previous Year (2016-17).**

Finding Gross value (Grossing up):
It should be done for those income received after deduction TDS in the following circumstances.
**1.** Amount **received**
2. **Net** amount received
**3.** Interest **after deduction of tax**
4. Interest collected by tax

$$\text{Calculation of Gross value} = \text{Net amount} \times \frac{100}{100 - \text{Rate of TDS}}$$

* Interest on **tax free <u>Non-Government</u> securities** (Gross or net value is grossed up)
**No need to Gross up tax free Govt. Securities**

**Rates of Tax Deducted at Sources (TDS):**

| Nature of Income | TDS |
|---|---|
| **Interest on securities** | |
| (a) Issued by local authority or statutory corporation | 10% |
| b)Listed securities | 10% |
| © Unlisted securities | 10% |
| **Bank Interest** | |
| (If it exceeds Rs.10, 000) | 10% |
| **Winning from Race** | 30% |
| (if it exceeds Rs.5,000) | |
| **Winning from Lotteries**, **Card games, Crossword Puzzles, etc.** | |
| (if it exceeds Rs.10,000) | 30% |

**TDS** means actual tax is deducted at the time of income received.
**Some points to remember**
1. **Dividend:** Any distribution by a company out of accumulated profits. The term dividend refers to the sum received by a shareholder of a company distributed out of the profits, whether distributed out of taxable income or tax-free income.
**As per sec. 2(22)** the following payments or distribution by a company to its shareholders are **deemed as dividend** to the extent of accumulated profits of the company:
1. Distribution involving release of assets
2. Any distribution of debenture or deposit certificate to pref. share holders.
3. Distribution on liquidation
4. Distribution on reduction of company's capital

5. Payment by a closely held company to shareholder who has 10% voting right

**Exceptions:**

1. In respect of pref. shares originally issued for full consideration, distribution made upon liquidation.
2. Distribution out of capitalized profits
3. Advance or loan given to share holder by as a part of money lending business.
4. Transfer of asset in the scheme of amalgamation.
5. Payment made on purchase of own shares.

2. **Interest on securities:** Return from the investment in any security is called interest on securities. Interest on securities shall be chargeable to tax under the head income from other sources if securities are held as investment and it is taxable under the head IFOS.

**Meaning of security:**

Security means a document acknowledging the debt taken by the government or some other authority from general public

**Types of securities**:

**(a) Securities whose interest is exempted**

National Plan certificate, **National Defence bonds,** Treasury saving certificate, Special bearer bonds 1991, 10% secured Redeemable or Irredeemable, convertible or non-convertible Bonds issued by NTPC, MTNL, NHPC, IRFC, PFC., 7%Capital bonds, 6.5%,8%,9%, or 10% National Relief Bonds.

**b) Tax-free securities:** Here tax is paid by the issuing authority on behalf of the Security Holders. So, Grossing up is done in case of **Non-Government** securities even if it is **net or gross value** as per TDS rate

**c) Less Tax securities:** Here Tax is deducted at source. Only if Net amount given in respect of **Non-Government** securities is grossed up as per TDS rate.

**No TDS is deducted for the following securities**:

Securities issued by Central or State Government, Term deposit upto RS.5,000, 6 ½ % and 7% Gold Bonds by resident individual and Bonds amount not exceeding Rs.10,000, 7 Year National Saving certificate, Interest payable on National Development bank, **4 ¼ % and 4 ¾ %National Defence Bonds/loan.**

**4. *****Casual Income:**

Casual incomes include winning from lotteries crossword puzzles, horse races, card games, etc.

**5.** No TDS upto Rs.10,000 on **Interest on Post office saving Bank or fixed deposit or CTD.**

***6.*** Amount received as gift (exceeding Rs.50, 000) is taxable. But, it is **not applicable** to: a) Gift received from relatives, b) received on occasion of marriage of Individual, c) under a will or by way of inheritance , in contemplation of death of payer, ***gift received in kind.***

**7.** No TDS for ***Debentures Interest*** under following circumstances:

a) The total amount interest payable in the financial year does not exceed Rs.5,000
b) Int. paid by the Co. in which public substantially are interested,
c) Debentures are listed on recognised stock exchange, and
d) Interest paid by Account payee cheque to Resident Debenture holder.

# *UNIT-III*
## Aggregation of Income

| Nature of Income | | Taxable Income |
|---|---|---|
| **I Clubbing of Income (Income of others added with Transferor's Income u/s 60 to 64 (2):** | | |
| 1. Transfer of income without transfer of asset | | XXXX |
| 2. Income from transferred revocable* asset | | XXXX |
| 3. Any salary, commission, etc of spouse from the firm in which he has influence in the form of 20% voting right or substantial interest) | | XXXX |
| 4. Income of spouse from asset transferred or income transferred | | XXXX |
| 5. Income of daughter-in-law from the asset transferred or income transferred by assessee | | XXXX |
| 6. Income of Minor child (Not applying his skill) taxable in the hands of father or mother who has greater income | XXX | |
| Less: Actual income of minor or Rs.1,500 w.e.l. | XXX | |
| | --------- | XXXX |
| Income from asset transferred to H.U.F. By Individual assessee | | XXXX |
| **II Deemed Income u/s 68 and 69):** | | |
| 1. **Cash Balance** without satisfactory explanation | | XXXX |
| 2**. Investment** made but **no explanation** for its source | | XXXX |
| 3. **Expenditure** made but **no explanation** for its source | | XXXX |
| 4. **Account** of Investment **not disclosed** to authorities | | XXXX |
| 5. Payment of Hundi money in cash | | XXXX |
| | | ----- |
| **Taxable aggregation of Income** | | XXXX |

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A*Revocable **transfer of asset means getting back the assets after some time**. Income from the asset is taxable in the hands of transferor. But it is not applicable to transfer made before 1-4-61 and the assets revocable after death of the transferee.
B. Any interest on transferred income is not taxable in the hands of transferor.

## SET-OFF AND CARRY FORWARD
### SET-OFF:

When we are finding out total income, it is necessary to adjust the losses against other incomes. This adjustment is called set-off. There is a procedure for set off. It is as follows.
I With in the source Adjustment
II Inter-source adjustment
III Inter-head adjustment

**I Within the source adjustment:**
First of all, any loss incurred in one source is **set-off in the same source**. Here source means subdivision of any head of income. For example, **loss from one let out house property** is set off against income from income from **another let out house property.**

II **Inter-Source Adjustement**:

First of all, any loss incurred in one source**(after within the source adjustement**) is set-off against income of other source . Here Inter-source means between the sources of income. For example, For example, **Loss from self-occupied house property** is set-off against **income from Let out house property income.**

But, Long Term Capital Loss and loss from maintenance of horse race cannot be set off against any other source.

**Inter-Head Adjustment:**

First of all, any loss incurred in one source(after within the source adjustement and inter source adjustment) is set-off against income of other head . Here head means any one head of five heads of income. For example, **Loss from house property** is set-off against **income from Business Income.**

**GUIDELINES:**

| **Adjustable Income** from Various heads / **Loss** from various heads | Salary Income | **Income** from let out HP | Non-speculative **Bus. income** | **Speculative Business Income** | **Short** Term Capital **Gain** | **Long** Term Capital Gain | **IFOS** except last two columns | Casual income | Income from maint. of R.Horse |
|---|---|---|---|---|---|---|---|---|---|
| Salary (No Loss is possible) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| **Loss** from **Self Occupied H.P** | **A** | **A** | **A** | **A** | **A** | **A** | **A** | -- | **A** |
| **Loss** from **Let Out H.P** | **A** | **A** | **A** | **A** | **A** | **A** | **A** | -- | **A** |
| Non-Speculative(general) **Business Loss** | -- | **A** | **A** | **A** | **A** | **A** | **A** | -- | **A** |
| **Speculative Business Loss** | -- | -- | -- | **A** | -- | -- | -- | -- | -- |
| **Short** term capital Loss | -- | -- | -- | -- | **A** | **A** | -- | -- | -- |
| **Long** term Capital Loss | -- | -- | -- | -- | -- | **A** | -- | -- | -- |
| Loss in other sources**(No loss is possible)**except loss in maintenance of **Race** Horse | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Loss in maintenance of **Race** Horse | -- | -- | -- | -- | -- | -- | -- | -- | **A** |

- **Casual Incomes should not be used for set off purpose against any head**
- **Business Loss cannot be adjusted against Salary Income.**

But, Long Term Capital Loss, Short Term Capital Loss and Loss from maintenance of horse race cannot be set off against any other source.

Note:

1. Business Loss cannot be adjusted against salary.
2. No Loss can be set-off against casual income.
3. Unadjusted Loss is carried forward to next year.

## CARRY FORWARD OF LOSSES

1. Loss from House property can be **carried forward to succeeding 8 years**.
2. Business Loss (Non-Speculative) can be **carried forward to succeeding 8 years**.
3. Speculative business loss can be **carried forward to succeeding 4 years.**
4. The **unabsorbed business loss of discontinued business** due to natural calamities can be carried forward to succeeding 8 years.

   ***Note: 1. Successor of business can not carry forward the business loss

   2. To carry forward business loss, continuity of same business not necessary.
5. Loss from transfer of capital asset (Short term or Long term) can be **carried forward to 8 years**.
6. Loss from maintenance of Race horse can be carried forward to **succeeding 4 years**
7. Unabsorbed depreciation can be carried forward to many years. There is no time limit. It can be adjusted against any income except casual income.

**FORMAT OF SET OFF**

| Particulars | With in the source Adjustments | Inter Source Adjustments | Inter Head Adjustments |
|---|---|---|---|
| I. Salary | Nil | Nil | XXXX |
| II. Income From House Properly | | | |
| a) Loss from Self Occupied H.P | --------- | (-)XXX | |
| b) Income from Let Out H.P | (+)XXX | | |
| Loss from Let Out H.P | (-)XXX | (+/-)XXX<br>-------------- | (+/-)XXX |

| | | | |
|---|---|---|---|
| III. Business Income. | | | |
| a) General Busi.Income (Non-Speculative) | (+)XXX | **(+/-)**XXX | |
| General Busi. Loss (Non-Speculative) | (-)XXX | | |
| | | (+)XXX | (+/-)XXX |
| b) Income from Speculative Business | (+)XXX | | |
| Loss from Speculative Business | (-)XXX | | |
| Loss Cannot be adjusted with other source/Head | (-)XXX | | |
| IV. Capital Gain | | | |
| a) Short term capital Gain | | | |
| Short term capital Loss | (+)XXX | (+/-)XXX | |
| | (-)XXX | | (+) XXX |
| b) Long term Capital Gain | | | |
| Long term Capital Loss | (+)XXX | (+)XXX | |
| Loss Cannot be adjusted with other source/ Head | (-)XXX | | |
| | (-)XXX | | |
| V. Income from Other sources | | (+)XXX | |
| General & specific incomes | | | |
| (Except the following) | | | |
| | | | (+) XXX |
| Income from maintenance of Race Horse | (+)XXX | (+)XXX | |
| Loss from maintenance of Race Horse | (-)XXX | | **(+/-)XXX** |
| Loss Cannot be adjusted with other source/Head | (-)XXX | | |
| **NET TAXABLE INCOME/LOSS** | | | |

**ORDER OF BUSINESS LOSS ADJUSTMENTS**

1. Current depreciation of the year,
2. Current expenditure on scientific research whether capital or Revenue,
3. Current loss of another business,
4. Brought forward business losses of earlier years (older loss to be adjusted first),
5. Brought Forward depreciation
6. Brought forward unabsorbed expenditure on scientific research.

# UNIT-IV

## Deduction under Section 80C to 80 U:

| Section | Condition | Deductible Amount |
|---|---|---|
| **80C** | Savings in various schemes | Actual Savings or Rs.1,50,000 which ever less. |
| 80CCC | Amount paid to LIC Pension Fund | Actual amount or Rs.1,50,000 w.e.l. |
| 80CCD | Amt. from Govt. employees to pension | Act. amount or 10% of Salary w.e.l |
| 80CCG | Investible in eligiblesecurities | 50 % of the amount invested or Rs25,000w.e.l |
| **80D** | Mediclaim premium paid by cheque For self and dependent family member | 1,00,000 |
| **80DD** | Amt. spent for mentally retarded or physically disabled dependent | Fixed amt. Rs.75,000 Severe disability Rs.1,25,000 |
| **80DDB** | Amt. spent for treatment of self and dependent members for notified disease | Act exp.or Rs.40, 000 w.e.l senior citizen Act. exp.or Rs.60,000 w.e.l Most Senior Citizen: Rs.80,000 |
| **80E** | Interest on Educational Loan | Act. interest paid |
| **80G** | Donation to Approved Institutions | No limit donation + Limit donation |
| **80GG** | Payment of House rent Not claimed earlier under salary head | a) Rs.5,000p.m **or** b)25%of Adj. GTI **or** c)Rent paid - 10% of Adj. GTI (Whichever is less) |
| **80GGA** | Donation to Rural development or Scientific Expenditure | 100% |
| 80GGB | Donation to political party by company | 100% |
| 80GGC | Donation to political party by local authority or Artificial judicial person | 100% |
| 80IA | Profits from Infrastructural undertaking | 100% first 5 yrs.25% for next 5yrs. |
| 80IAB | Developers of special Economic zone | 100% |
| 80IB | Profit from infrastructural undertakings, ship etc set up within specified period | 25% |
| 80IC | Profit from undertaking in special states | 100% |
| 80ID | Profit from hotel in specified area | 100% subject to accommodation |
| 80JJA | Profit from treating bio-waste | 100% |
| 80JJAA | Profit from undertaking creates jobs | 30% of additional wages |
| 80LA | offshore fund by scheduled banks | 100% |
| 80P | Profit from co-operative society | 100% |
| 80QQB | Royalty from writing certain books | Act. Royalty or Rs.3,00,000 w.e.l |
| 80RRB | Royalty from developing patents | Act. Royalty or Rs.3,00,000 w.e.l |
| **80TTA** | Int. on Savings Deposit | Till Rs.10,000 deductible on Interest on Saving Deposit of Banks, Co-Operative Society and Post Office. |
| **80U** | Assessee is medically disabled | Fixed amt. Rs.75,000 Severe disability Fixed amt. Rs.1,25,000 |

## Deduction u/s 80G-Donations

1. Donation should not be in Kind
2. Donation should not be given to an Individual
3. Donation should not be given to political party..

**I. NO LIMIT DONATION**

**A. 100% Qualifying amount**

| | |
|---|---|
| 1. Donation to **P.M National Relief fund** (Full amount) | XXXX |
| 2. Donation to **Africa Fund** (Full amount) | XXXX |
| 3. Donation to **Univerisity or Institution** of National eminence (Full amt.) | XXXX |
| 4. Donation to National Foundation for communal Harmony (Full Amount) | XXXX |
| 5. Donation to **Armenia Earthquake Fund** (Full amount) | XXXX |
| 6. Donation to the **C.M. Earthquake Relief Fund Maharashtra** (Full Amount) | XXXX |
| 7. Donation to **Zila Saksharta Samiti**(Full Amount) | XXXX |
| 8. Donation to Blood Transfusion Council (Full Amount) | XXXX |
| 9. Donation to C.M Relief Fund (Full Amount) | XXXX |
| 10. Donation to **Sports or Cultural Fund** (Full Amount) | XXXX |
| 11. Donation to **Andhrapradhesh C.M. Cyclone** Relief Fund (Full Amount) | XXXX |
| 12. Donation to **National Defence Fund** (Full Amount) | XXXX |

**B. 0% Qualifying Amount**

| | |
|---|---|
| 1. Donation to P.M National Drought Relief Fund ( Full amount x 50%) | XXXX |
| 2. Donation to National Children Fund ( Full amount x 50%) | XXXX |
| 3. Donation to Jawahar Lal Nehru Memorial Fund ( Full amount x 50%) | XXXX |
| 4. Donation to Indira Gandhi Memorial trust (Full amount x 50%) | XXXX |
| 5. Donation to Rajiv Gandhi Foundation (Full amount x 50%) | XXXX |

**II LIMIT DONATIONS**

**(a) 100% Qualifying Amount**

Donation to:

| | |
|---|---|
| An Institution engaged in family planning | XXX |
| Indian Olympic Association | XXX |

**(b) 50% Qualifying amount**

. Donation to:

| | |
|---|---|
| State Government, | XXX |
| Local Authority, | XXX |
| Education Institutions, | XXX |
| Charitable Institution | XXX |
| Sport Institution , | XXX |
| Minority Institution, | XXX |
| Historical places | XXX |
| **Gross Quaifying amount** | XXX |

Then Limit Donation is limited as follows

**Gross Qualifying or 10% Adj. GTI w.e.l XXX**

Out of this First preference **to 100 % Qualifying Amount (Full)** XXX

Next preference to **50% Qulifying Amount Half of the amount**) XXX XXXX

**Total Deductible Donations U/S 80G** XXXX

Adj. GTI= Gross Total Income- (LTCG+other deductions u/s 80 + Rebateable Income and STCG on shares subject to STT)

**Assessment of Individuals:**

**Income Tax Slabs for Individuals below 60 years of age in FY 2020-21 (AY 2021-22)**

| Income Tax Slab | Tax Applicable as per New Regime |
|---|---|
| Rs.0 – Rs.2,50,000 | Nil |
| Rs.2,50,001 – Rs. 5,00,000 | 5.00% |
| Rs.5,00,001 – Rs. 7,50,000 | Rs.12500 + 10% of total income exceeding Rs.5,00,000 |
| Rs.7,50,001 – Rs. 10,00,000 | Rs.37500 + 15% of total income exceeding Rs.7,50,000 |
| Rs.10,00,001 – Rs.12,50,000 | Rs.75000 + 20% of total income exceeding Rs.10,00,000 |
| Rs.12,50,001 – Rs.15,00,000 | Rs.125000 + 25% of total income exceeding Rs.12,50,000 |
| Above Rs. 15,00,000 | Rs.187500 + 30% of total income exceeding Rs.15,00,000 |

**Income Tax Slabs for Individuals within 60 years of Age (FY – 2019-2020)**

| Slabs for Taxable Income | Applicable Tax Rates & Cess |
|---|---|
| Within Rs. 2.5 Lakh | Nil |
| From Rs. 2.5 Lakh to 5 lakh | Taxable income's 5%<br>plus 4% cess on tax |
| From Rs. 5 Lakh to 10 Lakh | 5% for taxable income between Rs. 2.5 Lakh and 5 Lakh<br>+ 20% on taxable income between Rs. 5 Lakh and 10 Lakh<br>plus 4% cess on tax |
| Above Rs. 10 Lakh | 5% for taxable income between Rs. 2.5 Lakh and 5 Lakh<br>+ 20% on taxable income between Rs. 5 Lakh and 10 Lakh<br>+30% on taxable income above Rs. 10 Lakh<br>plus 4% cess on tax |

**income Tax Slabs for Individuals between 60 and 80 Years (Senior Citizens fy– 2019-20)**

| Slabs for Taxable Income | Applicable Tax Rates & Cess |
|---|---|
| Within Rs. 3 Lakh | Nil |
| From Rs. 3 Lakh to 5 lakh | 5% on taxable income<br>plus 4% cess on tax |
| From Rs. 5 Lakh to 10 Lakh | 5% on taxable income between Rs. 3 Lakh and Rs. 5 Lakh<br>+ 20% on taxable income between Rs. 5 Lakh and 10 Lakh<br>plus 4% cess on tax |
| Above Rs. 10 Lakh | 5% for taxable income between Rs. 3 Lakh and Rs. 5 Lakh<br>+ 20% on taxable income between Rs. 5 Lakh and 10 Lakh<br>+30% on taxable income above Rs. 10 Lakh<br>plus 4% cess on tax |

**Income tax slabs for individuals above 80 years (Super senior citizens – FY – 2019-20)**

| Slabs for Taxable Income | Applicable Tax Rates & Cess |
|---|---|
| Within Rs. 5 Lakh | Nil |
| From Rs. 5 Lakh to 10 Lakh | 20% on taxable income between Rs. 5 Lakh and 10 Lakh plus 4% cess on tax |
| Above Rs. 10 Lakh | 20% on taxable income between Rs. 5 Lakh and 10 lakh +30% on taxable income above Rs. 10 Lakh plus 4% cess on tax |

Also, resident individuals with annual income below Rs. 5 Lakh are eligible for a rebate of Rs. 12,500 under section 87(A) of the Income Tax Act, 1961. Additionally, a standard deduction of up to Rs. 50,000 is allowed for the FY 2019-20.

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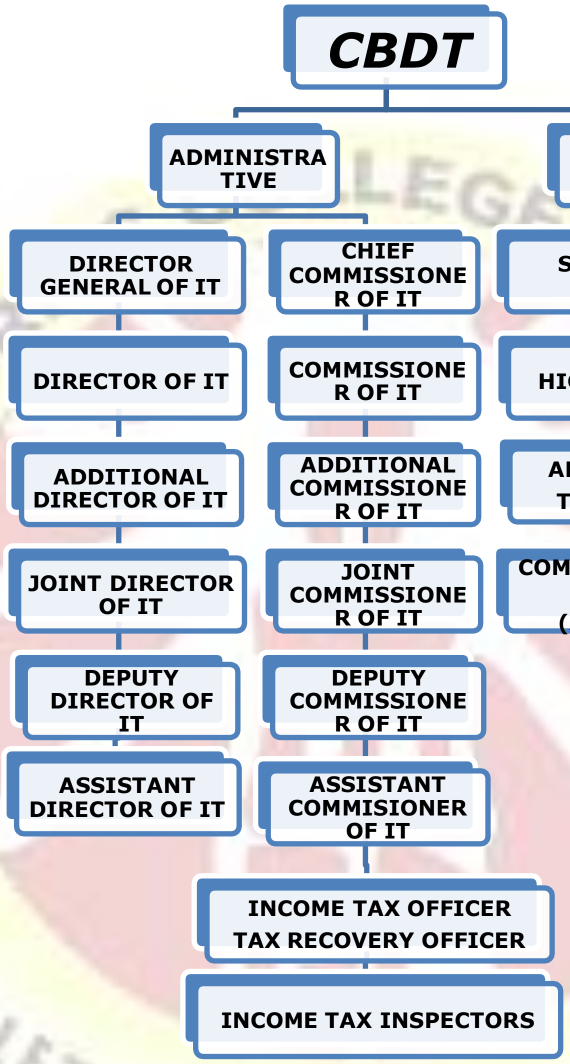
## Surcharges Applicable for Resident Individuals

For the FY 2019-20, new surcharge rates have also been introduced on the income of the rich. Check the table below to know how it applies.

| Annual Income (Taxable) | Applicable Surcharge Rates |
|---|---|
| Between Rs. 50 Lakh and Rs. 1 Crore | 10% |
| From Rs. 1 Crore to 2 Crore | 15% |
| From Rs. 2 Crore to 5 Crore | 25% |
| Rs. 5 Crore and above | 37% |

# UNIT-V

## Income Tax Authorities




**INCOME TAX AUTHORITIES**

**The following are the various income tax authorities:**

**1. Central board of direct tax (CBDT)**
**2. Director general of income tax / chief commissioners of income tax**
**3. Directors of income tax/ commissioners of income tax**
**4. Additional director of income tax**
**5. Joint director of income tax**
**6. Deputy director of income tax**
**7. Assistant director of income tax**
**8. Income tax officers**
**9. Tax recovery officers**
**10.Inspectors of income tax**

*CBDT is the top most authority with regard to direct tax. It is constituted under the central board of revenue act 1963. CBDT is given powers to issue such* *orders, instructions and direction to other income tax authorities as it may deem fit for the proper administration of the Act.*

***Director general of income tax:***

*He is appointed by the central govt. He is required to perform such function as may be assigned by the CBDT*

*1.Giving instructions to the income tax officers*

*2.Enquiry or investigation into concealment*

*3.Search and seizure*

*4.To requisite books of accounts*

*5.Power of survey*

*6.power to make any enquiry*

***Commissioner Of Income Tax:***

He is appointed by the central govt. they are appointed to administer the income tax departments of a specified area .CIT enjoys both administrative power and judicial powers. It includes

1.Search and seizure

2.Granting registration

3.Appointment of class ii officers

4.Reduction or waiver of penalty

5.To award and withdraw recognition to pf

6. Transfer case from one IT officer to another

7.Revision of orders passed by the ITO, which is prejudicial to the revenue.

**Income Tax officers:**

They perform their functions in respect of such areas or of such persons or classes of incomes as the commissioner may direct. If a question arises as to whether ITO has jurisdiction to assess any person, the commissioner determines the question.

**Return of loss** [Sec 139 (3)]

Return can also be filed in the prescribed form in respect of loss suffered by the assessee. It is not compulsory to file a return of loss, but certain losses can be carried forward only on filing return of loss

**Belated return [Sec 139(4)]**

If the return is not furnished within the time, the person may furnish the return of any PY at any time before the end of one year form the end of the relevant AY or before making assessment whichever is earlier. An assessee who files belated return are liable for penal interest

**Revised return [Sec 139(5)]**

If after filing a return of income or in pursuance of a notice the assessee discovers any omission or wrong statement in return originally filed, he can file a revised return. It should be filed within one year from the AY or before the completion of assessment whichever is earlier.

**Defective return [Sec 139(9)]**

Where the AO finds that the return filed by an assessee is defective he should intimate the assessee about the defect and give him an opportunity to rectify the defects within 15 days from the date of intimation or within such further extended time as the AO may allow. If the defect is not rectified within the time allowed, the return will be treated as invalid

**TYPES OF ASSESSMENT**

**1. Self assessment [Sec 140A]**
When a return is furnished the assessee will have to pay tax, if any payable on the basis of return. He has also to pay interest up to the date of filing the return along with self-assessment of tax. The return of income is to be accompanied by proof of payment of both tax and interest. Assessing officer may make an enquiry for getting full information in respect of assesse's income. The assessee shall be given an opportunity of being heard in respect of any material gathered on the basis of any enquiry so made.

**2. Summery assessment [Sec 143(1)]**
If on the basis of return filed, any tax or interest is due the A.O shall send intimation to the assessee specifying the sum so payable. If any refund is due on the basis of such return it shall be granted to the assessee. Such intimation shall be deemed to be a notice of demand. Such an intimation should be send before the expiry of 2 years from the end of the AY in which income was first assessable

**3. Assessment in response to an order [Sec 143(2)]**
Assessment of income after receiving a notice from income tax authorities is called assessment in response to an order. A.O can send notice if he considers it necessary to ensure that the assessee has not understated the income or has not underpaid tax. After hearing such evidence as the assessee may produce in response to the notice and after taking into account all relevant materials, which the A.O has gathered, he shall pass an assessment order.

**4. Best Judgment Assessment [Sec 144]**
In the following situation the A.O can make a best judgment assessment after considering all relevant materials, which he has gathered.
a. if the assessee has not filed a return or a belated return or a revised return
b. if he fails to comply with the terms of the notice or fails to comply with the direction to get his account audited
c. if he fails to comply with the terms of the notice requiring the presence or production of evidence and documents
d. if the A.O is not satisfied with the correctness or completeness of the accounts of the assesseeThe best judgment assessment can be made only after giving the assessee a reasonable opportunity of being heard. Assessee has a right to file an appeal or to make an application for revision to the commissioner.
**5.** *Income escaping assessment* or **REASSESSMENT[Sec 147]**
If the AO has reason to believe that any income chargeable to tax has escaped assessment for any AY he may assess or re assess such income.