Market & Taxation

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Central Board of Direct Taxes: Taxes which are associated the market at collected by CBDT.

If you buy shares with the intent of earning income through dividend then you are an investor.

If you buy and sell shares with the intent to profit then you are a trader.

LTCG longterm capital gain tax

STCG short term capital tax

Speculative Business Income

Non Speculative Business Income

Unlisted stock LTGC : 20%
Listed Stock LTGC : 10%

Tax Slab

Advantages declaring trading as business income:

- Low tax
- Claim expense
- Offset the loss with gains
- Carry forward future and loss
- Intraday equity loss

Causes of declaring trading as business income:

- Potentially high taxes
- Income Tax Return form
- Audit

NOTE:
For stock and equity, for 1st one lakh rps, you pay 0% tax and exceeding 1 lakh, you start paying 10 % tax.

For non equity oriented debt mutual fund, flat 20% on the profit are taxable.

For stock and equity, 15% amount is taxable for stcg tax

For non equity oriented debt mutual fund, as per your individual tax slab stcg.

Buy Today Sell Tomorrow:

Only 2.9% of Indian are tax payers.

FY = 1st April to 31 march, year you earn the income
AY = 31st march to 01st April, year you file the taxes on the income

Income tax is based on the income tax slab your belong to.
Tax slab vary based on the age of the investor.

NOTE: CA's sign is must for income tax.
ITR 3 is used
ITR4 was used until 2016.

2 Tax schemes.

CA is required to only audit and sign on the balance sheet and pl statement.

Expenses you can show on your cost of trading:

- All charges when trading (security transaction tax, brokerage tax, exchange charges, and all other charges).
- STT can't be shown as as cost when declaring income as capital gain but can be shown in case of business income.
- Internet bills, phone bills used for trading.
- Depreciation of computer if used for trading.
- Rental expense.
- Salary paid to anyone helping you trade.
- Advisory fees, business newspapers, books cost, etc.

Personal balance Sheet

Asset: what you own is asset
Liability: what you owe is liability

Step 1:

- Latest bank statement
- Loan statement
- House loan statement
- Personal loan statement
- Principal balance of any outstanding loans
- Demat holding statement

Step 2

- Financial and tangible assets ‘ list
- Cash (bank, in hand, deposit with bank)
- All investments (mf, shares, debt investments)
- Property value(cost of purchase + duty+ interiors)
- Automobile
- Property value(household + jewellery)
- Other assets

Step 3:
Liabilities:

- Remaining mortgage balance (loans)
- Credit card balance
- The same of money you owe is your liability

PL statement:
Revenue:
capital gain after selling of your stock holdings, income for future&options, intraday or commodity trades.
NOTE: you can’t add salary in profit income

Expense:
Salaries (if you have people helping you trading)
rent(if you are renting a place to trade)
Brokerage charges and all other relate charges
Advertising fees
Consultancy fees
Depreciation of computer

Revenue - Expense = Profit

ITR1 : when you earn a salary, interest income, rental income from only one housing property.
Total income up to 50 lakh rps.
If your capital gain or trading is from business income then you can’t use ITR1 form.

ITR2: for individuals and joint family not carrying out of business and you have salary, interest income, income from house property or income from capital gains.

ITR3 (ITR4 renamed to ITR3 from 2016): when you have as salary, interest income , interest from house property, income from capital gains, income from business.

ITR4(ITR4s until 2017): it is similar to ITR3 but presumptive schemes, If section 44AD and 44AE is used for computation of business income . It can’t be used to declare any capital gains and if losses have to be carried forward. Only to use the have business income.
NOTE: Best taxes form which is used for avoid taxes by reducing your tax liabilities.