Taxation

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Introduction & Definition

Define Tax

- Taxes are generally an involuntary fee levied
 - on individuals or corporations
 - that is enforced by a government entity, whether local, regional or national
 - in order to finance government activities

Introduction & Definition

From where government gets authority to tax?

The authority to tax is derived by the government from the constitution of the country - i.e. article 265 of the INDIAN CONSTITUTION.

It states that no tax shall be levied or collected by the government without the authority of law.

Objectives of taxation

The objectives of taxation may be expressed as :- 4 "R"s

- Revenue to the government
- Redistribution of wealth
- Repricing
- Representation

Purpose of Taxation

Primary Purpose:

Provide funds/Property with which to promote the general **welfare of its** citizen

Secondary Purpose:

Strengthen **anemic enterprises** by giving **Tax exemption Protect** local industries - **Custom duties** on Import goods

Types of taxes

The two types of taxes are (1)DIRECT (2)INDIRECT

NO	DIRECT	INDIRECT
1	ON PERSONS	ON GOODS & SERVICES
2	Collected from assesse direct	Collected by dealers & remitted to govt.
3	On income	On sale/purchase

Income tax

Income Tax

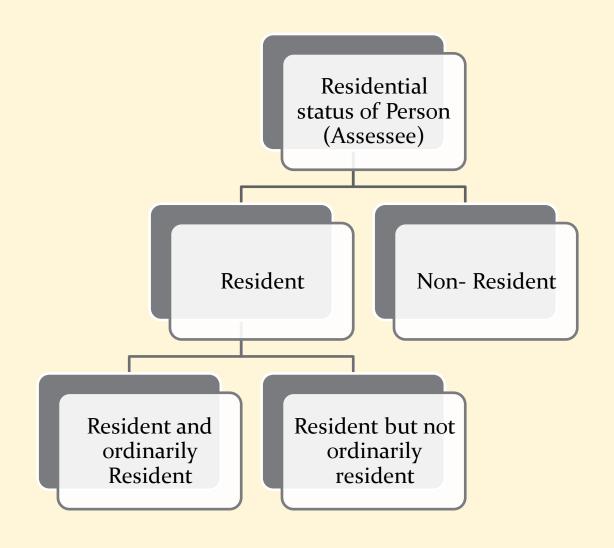
- Direct Tax levied on Persons on their income
- Usually, an employee gets his or her salary after the tax deduction by the employer. This process is called as Tax Deduction at Source (TDS)
- The deducted tax amount is paid to the government by the employer

Key Terms

"Person" includes:

- a. An Individual Rohan, Sachin, Sheetal, Meena....
- b. Hindu Undivided Family (HUF) Joint Families (businesses)...
- c. A Company HUL, Tata Motors, Infosys, JP Morgan....
- d. A Firm Shah & Mehta Associates, Pai Brothers...
- e. An Association of Persons (AOP) or Body of Individuals (BOI) Clubs, Co-Operative Societies, Charitable Trusts...
- f. A Local Authority Mumbai Muncipal Corp., Grampanchyat...
- g. Every other Artificial Juridical Person Residual category not covered in any of the above 6 categories.

Residential status of the Assesse



Residential Status

Basic condition for resident

An individual is said to be resident in India in any previous year, if he satisfies at least one of the following basic condition

- a) He is in India in the previous year for a period of 120 days or more (previously 182 days)
- b) He is in India for a period of 60 days or more during the previous year and 365 days or more during 4 years immediately preceding the previous year

- Assessment:- Process of determining amount of income and computing tax due.
- Assesse:- by whom any tax, interest is due.
- **Previous Year**: the year in which income is earned.
- Assessment Year: It is the year (just after previous year) in which the earned income is charged to tax.

e.g. If PY is 2020-21 then AY will be 2021-22 If AY is 2022-23 then PY will be 2021-22

- PAN Permanent Account Number
- Allocated by Indian Income Tax Dept.
- PAN Card is a nationalized identity card
- 10-digit alphanumeric and unique account number e.g. ACUPM2406E
- One-time process, Life-time validity

How to apply?

Online application of PAN can be made on following websites, authorised by Govt. of India on behalf of IT dept.

: (Form no. 49A)

NSDL website:

https://www.onlineservices.nsdl.com/paam/endUserRegisterContact.html

OR

UTIITSL website:

Steps to apply for PAN online

- Step 1: Submit the <u>PAN card</u> application Form 49A available on NSDL website
- **Step 2:** Fill all the details in the form. Read the detailed instructions before furnishing the details in the form.
- Step 3: Documents to be submitted to NSDL

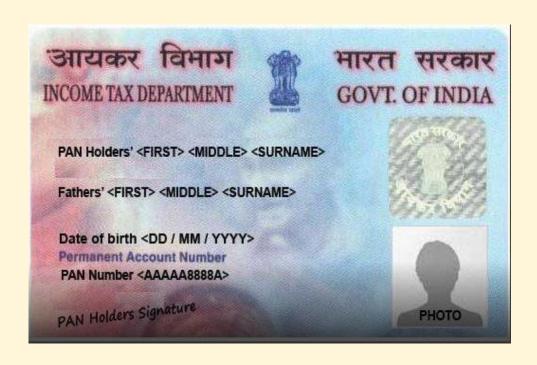
Submit the supporting documents on-line Or send through courier/post to NSDL. Only after the receipt of the documents, PAN application would be processed by NSDL

Documents includes:

- Proof of identity (e.g. Aadhar Card)
- Proof of address (e.g. electricity bill)
- Proof of date of birth (e.g. birth certificate)

• Step 4: Mode of Payment:

The charges for applying for PAN is approx. Rs.110 (excluding GST) for Indian communication address.



Income from Salary

 Salary means the remuneration received by an employee from his employer for the personal services rendered

 Any individual who receives remuneration from his employer is liable to be taxed on his income from Salaries

Salary Structure

- Salary Structure is the structure or details of the salary being offered in terms of the breakup of the various components that constitute the compensation
 - Conventional (Basic + Allowances)
 - Non-conventional (CTC)
- You need to know salary structure to decide in-hand (take-home) salary & tax liability & so the investments

COMPANY NAME

Salary slip for January 2015

Name Department
Designation Bank Name
Location Bank Account No.

Earnings					
Serial No.	Salary Head	Amount (Rs.)			
1	Basic	40,000			
2	Dearness Allowance	4000			
3	House Rent Allowance	20,000			
4	Conveyance Allowance	1,600			
5	Medical Allowance	4,500			
6	Special Allowance	28,000			

1 Professional Tax 2 Tax Deducted at Source 10,	Rs.)	Salary Head Amoun	Serial No.
	200		1
2	,000	Tax Deducted at Source	2
5 Employee Provident Fund 4	1800	Employee Provident Fund	3

SALARY (GROSS) / PM	98,100
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Reimbursement

SALARY (CTC) / PM 98,100

NET SALARY 83,100

TOTAL NUMBER OF DAYS 31

TOTAL DEDUCTION	15,000
TOTAL DEDUCTION	13,000

Heads of Income

- Basic Salary
- Allowances :
 - Dearness Allowance (DA)
 - House Rent Allowance (HRA)
 - Entertainment Allowance (Only for Govt. employees)
 - Children Education Allowance
 - Transport allowance (Conveyance)
 - Leave Travel allowance (LTA)
 - Other allowances (duty, shift, uniform, medical)
 - Special allowances (Grade)
- Bonus, performance pay
- Perquisites (Car, Driver salary, furniture, ESOP)
- Terminal Benefits Provident Fund (P.F.), Pension, Gratuity,
 Superannuation, Leave Encashment,

Heads of Income

Basic Salary : Base income

A basic salary depends on the employee's designation and also the industry in which the employee works

 Gross Salary: Basic Salary & allowances and payments like bonus, over-time pay, holiday pay, etc.

Gross Salary = Basic Salary + All Allowances

Heads of Income

Net salary or take-home salary

Net salary or take-home salary is obtained after deducting income tax at source (TDS) and other deductions as per the relevant company policy

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Net Salary = (Basic Salary + All Allowances) –
(Income Tax + Employees Provident Fund +
Professional Tax + .....)
i.e. Gross Salary – All deductions
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Allowances

 Allowances: Amount received by the employee for meeting service requirement (vary from company to company)

Allowances

- Common Allowances :
 - Dearness Allowance (DA): Living allowance to tackle the effects of inflation
 - House Rent Allowance (HRA): Expenses related to rented accommodation.
 - Children Education Allowance
 - Transport allowance (Conveyance): Travel expenses from residence to work.
 - Leave Travel allowance (LTA): Domestic travel expenses with family (excluding food, accommodation, etc. during the travel)
 - Other allowances (duty, shift, uniform, medical)
 - Special allowances (Grade)

Allowances

Reimbursements

- Official tours
- Medical treatments
- phone bills
- newspaper bills, etc.

The amount is received on submission of the bills.

Terminal Benefits

Employee's Provident fund (EPF) / Provident Fund (PF) –
 12% of Basic Salary

Provident fund is a contribution both by the employer and the employee each month, the lump sum amount of which acts as an employee's retirement benefits scheme

- Employee Pension Scheme (EPS)
 - Provision for pension after retirement

Terminal Benefits

Gratuity

Gratuity is the part of the salary for the services offered by the employee upon him or her leaving the job.

- Employee can receive the gratuity amount only after 5 years of continuous service
- However, it will be deducted by the employer every year

Professional tax

 Tax charged by the state government in order to let an individual practice a certain profession

• Form 16

- Issued by employer, which contains:
 - Details about the salary earned (Part B Annexure)
 - Details of tax deducted (Part A TDS Certificate)
- The taxpayer is required to submit Form 16 to file the Income Tax returns every financial year. It acts as the proof of his/her income and tax paid to the government

Form 26 AS

Income Tax Calculation

Income Tax Slabs & Rates FY 2021-22 (AY 2022-23) General Sr. Citizen Very Sr. Citizen Income tax Slabs (60 - 80 Yr)(> 80 Yr)Category Up to Rs. 2. 5 Lac NIL NIL NIL Rs.2.5 Lac to 3.0 Lac 5% NIL NIL Rs.3.0 Lac to Rs.5.0 5% 5% NIL lac Rs.5.0 Lac to Rs.10.0 20% 20% 20% Lac Above Rs.10.0 Lac 30% 30% 30%

Recent Changes – Feb 2020

• Changes effective from :-FY 2020-21 i.e. AY 2021-22

Modification in conditions relating to Residential status :-

Requirement of staying in India for more than 182 days in a year to be a resident has been reduced to 120 days.

Change in Tax rate & tax slabs :-

$$2.5. L - 5.0 L$$
, $5.0 - 10.0 L$,

Above 10 L

$$7.5. L - 10.0 L$$

Above 15 L

Optional Tax regime :-

Old Tax Regime i.e. With Exemptions & Deductions New Tax Regime i.e. W/O Exemptions & Deductions

Income Tax Slabs & Rates FY 2021-22 (AY 2022-23)

OLD REGIME

Income tax Slabs	General Category	Sr. Citizen (60 – 80 Yr)	Very Sr. Citizen (> 80 Yr)
Up to Rs. 2. 5 Lac	NIL	NIL	NIL
Rs.2.5 Lac to 3.0 Lac	5%	NIL	NIL
Rs.3.0 Lac to Rs.5.0 lac	5%	5%	NIL
Rs.5.0 Lac to Rs.10.0 Lac	20%	20%	20%
Above Rs.10.0 Lac	30%	30%	30%

Income Tax Slabs & Rates FY 2021-22 (AY 2022-23)

NEW REGIME					
Income tax Slabs	General Category	Sr. Citizen (60 – 80 Yr)	Very Sr. Citizen (> 80 Yr)		
Up to Rs. 2. 5 Lac		NIL			
Rs.2.5 Lac to 5.0 Lac		5%			
Rs.5.0 Lac to Rs.7.5 Lac		10%			
Rs.7.5 Lac to Rs.10.0 lac		15%			
Rs.10.0 Lac to Rs.12.5 Lac		20%			
Rs.12.5 Lac to Rs.15.0 lac		25%			
Above Rs.15.0 Lac		30%			

Exemptions & Deductions

Exemptions (Exclusions)

Income exempt U/S 10

- a. Agricultural income-S10(1)
- b. Receipts by a member from a Hindu Undivided Family-S 1092)
- c. Share of profit of a partner in a firm -S10(2A)
- d. Income of minor Child –S10(32)
- e. Dividend Income –domestic companies-S10(34)
- f. Dividend Income- Mutual fund units- S10(35)
- g. Other Exemptions (HRA, LTA)

Exempted incomes are not considered in the total income.

Deductions

 Deductions are allowed U/s 80 – Chapter VIA after the total income is computed.

Deductions may be in respect of income or expenditure.

- Deductions U/S 80 Chapter VI-A
 - i. 80C, 80CC P.F., Housing Loan principal, Investments (Max. 150000)
 - ii. 80CCD Pension Plan (Max. 50000)
 - iii. 80D Mediclaim (Self Max. 25000, Parents Max. 25000)
 - iv. 80DD Physical Disability (Max.40000)
 - v. 80DDB Treatment for major diseases
 - vi. 80E Interest on educational Loans
 - vii. 80U Physical Disability (Own)

Steps in Income Tax Computation

Step 0: Preliminary Information

Step 1: Computation of Gross Salary

Step 2: Computation of Income under the head "Salary"

Step 3: Calculation of Gross Total Income

Step 4: Deductions U/S 80, Chapter VI-A

Step 5: Computation of Total Income (Taxable Income)

Step 6: Ascertain Tax Liability

Step 0: Preliminary Information

- Name And Address Of The Assesse
- PAN
- Residential Status
- Employer Name & Address
- Previous Year (e.g. 2021-22)
- Assessment Year (e.g. 2022-23)

Step 1: Computation of Gross Salary

Gross Salary = Basic Salary +
All Allowances (DA, HRA, etc.)

Step 2: Computation of Income under the head "Salary"

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Income under the head "Salary" =

Gross Salary - (Exemptions & Deductions)

↓

HRA

S.D. (50000/-)

Any Other Profession Tax (2500/-)
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HRA Exemption :- Least of following

- a. Actual HRA received
- b. 50% of [basic salary + DA] for those living in metro cities (40% for non-metros)
- c. Actual rent paid 10% of [basic salary + DA]

Step 3: Calculation of Gross Total Income

Gross Total Income =

Income under the head "Salary" +

Any other Income (Income/Loss from House Property)

Step 4: Deductions U/S 80, Chapter VI-A

- 80C, 80CCC P.F., Housing Loan principal, Investments (Max. 150000)
- II. 80CCF Pension Plan (Max. 50000)
- III. 80D Mediclaim (Self Max.25000, Parents Max.25000)
- IV. 80DD Physical Disability (Max.40000)
- v. 80DDB Treatment of major diseases
- VI. 80E Interest on educational Loans (No Limit)
- VII. 80U Physical Disability (Own)

Step 5 : Computation of Total Income (Taxable Income)

Total Income =

Gross Total Income – Deductions U/S 80 (Chapter VI-A)

Step 6: Ascertain Tax Liability

- Tax at The Rate Applicable
- II. Add (+) Surcharge (10% > 50 Lac, 15% > 1 Cr.)
- III. Add (+) Health & Education Cess 4% On Tax
- IV. Less (-) Rebates, Advance Tax, TDS
- V. Add (+) Interest Payable
- VI. Total Tax
- VII. Less (-) Tax Paid
- VIII. Balance Tax / Refund

Notes:

- Income Tax Old Regime & New Regime
- Profession Tax (P.T.) Statewise rules/limits to be checked
- Income Tax Rebate Section 87a
 (100% rebate For those who have taxable income below predefined limits i.e. presently 5 Lac)

Filing of Returns

LIABILITY FOR FILING RETURNS:

- Mandatory to file on or before the due date
- In prescribed manner and setting forth such other particulars as may be prescribed
- By all Person(s) If the total income exceeds the basic exemption limits

Filing of Returns

DUE DATE FOR FILING RETURN OF INCOME

- A return of income has to be filed on or before the due date of filing return. 'Due date' is –
 - (a) 30th September of the assessment year for
 - (i) a company (ii) a person (other than a company) whose accounts are required to be audited under the Income-tax Act (iii) a working partner of a firm whose accounts are required to be audited.
 - **(b) 31st July of the assessment year,** in the case of any assesse other than those covered in (a) above.

Filing of Returns

S.No.	ITR	Description
1	ITR 1	For Individuals having Income from Salaries, one house property, other sources (Interest etc.) and having total income upto Rs.50 lakh
2	ITR 2	For Individuals and HUFs not carrying out business or profession under any proprietorship
3	ITR 3	For individuals and HUFs having income from a proprietary business or profession
4	ITR 4	For presumptive income from Business & Profession
5	ITR 5	For persons other than,- (i) individual, (ii) HUF, (iii) company and (iv) person filing Form ITR-7
6	ITR 6	For Companies other than companies claiming exemption under section 11
7	ITR 7	For persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D) or 139(4E) or 139(4F)

Indirect Tax

GST is a indirect tax levied on Goods & Services

- Goods & Service Tax
 - ➤ Introduced w.e.f. 1st July-2017
 - > One indirect tax for entire country
 - ➤ Abolished many taxes Excise, Sales Tax, Service Tax, Octroi, etc.
 - Uniformity across states
 - > Avoids Tax on tax
 - > Benefit to the end customer
 - > Reduced Tax slabs
 - > Simplicity in operation, monitoring, control
 - > Increase in compliance & therefore revenue

Multi-tiered system

Tax rate Indicative items 50% of the Soaps, oil, 18% toothpaste, refrigerator, O% consumer price basket, including foodgrains smartphones Mass consumption items like spices and mustard oil 28% White goods, cars 5% O Luxury cars, 12% Processed foods pan masala, tobacco, aerated drinks

Note: The chart is for representation purpose. Pl. check for latest updates.

PRESENT GST RATE STRUCTURE				
Rate slab	No. of items	Items		
0%	183	mostly agricutural produce		
5%	308	branded cereals, edible oils, insulin, footwears up to ₹1,000		
12%	178	Butter and other fats, pasta, diabetic foods, mobile phones, bicycles		
18%	517	Vinegar, marbles, paints, plywood		
28%	28	Cement, auto parts, ACs, tobacco, a erated drinks		

Note: Besides, there are two more slabs of 3 per cent levied on gold, silver, semiprecious stones, and 0.25% on diamonds and others Source: EY IndiaCentral Board of Indirect Taxes and Customs

Note: The chart is for representation purpose. Pl. check for latest updates.

GST rates for services in India as on May 2017

12% 28% 5% 18% Transport of Services provided by Supply of Food/drinks Transport of Passenger by Air a race club, in restaurant having goods & other than economy entertainment license to serve liquor, class, Food Drinks in passenger by events, Supply of Food/drinks cinematograph films, Rail, Goods Restaurants, Renting in restaurant having **Hotel Guest house** theme parks, water Transport facility of air-Agency, Renting a Club were Rent > parks, joy rides, IPL, conditioning, Renting Car, Passenger 1000 &< 2500, Gambling; Supply of Hotel Guest house Foreman of chit Food/drinks in 5-star Air Economy Club were Rent > 2500 fund, Construction or above, Any Class, Tour &< 5000, , convention transfer of right in Operator, of a complex or center, club, pandal, Advertisement in building or civil goods or of shamiana, theatrical undivided share in structure, Transfer print media performance, drama, of IP, goods

Note: The chart is for representation purpose. Pl. check for latest updates.

GST Exempted Goods:

- Live Animals.
- Meat.
- Fish, Meat and Fillets.
- Eggs, Honey and Milk **Products**.
- Non Edible Animal **Products**.
- Live Trees and Plants.
- Vegetables.
- Fruits and Dry Fruits
- Petrol & Diesel