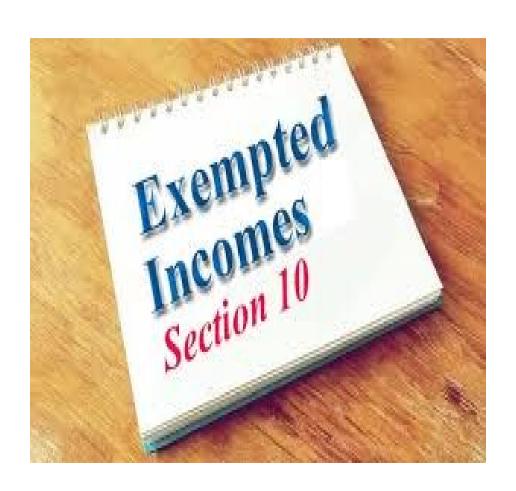


S.P. SAH

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EXEMPTED INCOME



Based on the nature of income earned by the assessee (i.e., whether revenue or capital), the next step in the process of making assessment is to identify whether the incomes are taxable or exempt.

The taxability of an income is ascertained with the help of the **Golden Rule of Income Tax**, which states that-

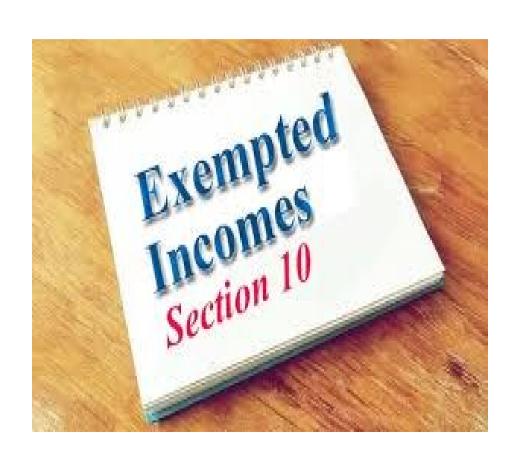
ALL REVENUE RECEIPTS ARE TAXABLE UNLESS SPECIFICALLY EXEMPT

AND ALL CAPITAL RECEIPTS ARE EXEMPT UNLESS SPECIFICALLY TAXABLE

Where an income earned by an assessee has to be considered and if such income happens to be revenue in nature, it is taxable in case it is not specifically exempt. The list of exempted incomes is given under section 10 of the Income Tax Act.

Where an income earned by an assessee has to be considered' and if such income happens to be capital in nature, it is taxable only if so specified under any section of the Act. The list of taxable capital receipts is spread across the Act.

EXEMPTED INCOME



The list of exempted incomes has been summarised in the table given below. Exemptions applicable from and amendments effective from Assessment Year 2019-20 have been given in **bold**:

Section Number	income
10(1)	Agricultural income
10(2)	Amount received as share of income from the HUF
10(2A)	Amount received as share of profits from the firm by a partner of a partnership firm
10(4)	Interest on notified bonds and securities issued to non-residents
10(4)(ii)	Interest on non-resident (external) account
10(4B)	Amount received as interest from prescribed savings certificates by a non-resident Indian citizen or a
	person of Indian origin
10(5)	Leave travel concession from employer
10(6)	Remuneration received by individuals who are not citizens of India
10(6)(ii)	Remuneration of officials of an Embassy, high commission, legation, commission consulate or trade
	representation of a foreign state
10(6)(vi)	Remuneration of an employee of foreign enterprise for services rendered during his stay in India
10(6)(viii)	Remuneration of non-resident employees for services on a foreign ship
10(6)(xi)	Remuneration of an Indian citizen as an employee of the Government of a foreign state
10(6A)	Tax paid on royalty or fees for technical services of a foreign company
10(6B)	Tax paid on income for a non-resident non-corporate assessee or a foreign company
10(6BB)	Tax paid on income derived from leasing an aircraft or an aircraft engine to an Indian company by a
	Government of a foreign state or a foreign enterprise

10(6C)	Royalty or fees for technical services received by foreign companies notified by the Central Government
10(6D)	Any income arising to a non-resident, not being a company, or a foreign company, by way of royalty from,
	or fees for technical services rendered in or outside India to, the National Technical Research Organisation
10(7)	Allowances and perquisites paid or allowed by the Government of India to a citizen of India for services rendered outside India
10(8)	Remuneration or any other income accruing or arising outside India to an Individual engaged in duties in connection with any cooperative technical assistance programs and projects
10(8A)	Any remuneration received from an international organisation for services in India by an individual who is not an Indian citizen or an Indian citizen who is not ordinarily resident
10(8B)	Any remuneration received from an individual (as mentioned in 10(8A) above for services in India by an individual who is not an Indian citizen or an Indian citizen who is not ordinarily resident
10(9)	Any income accruing or arising outside India to a member of the family of individual mentioned in sections 10(8), 10(8A) and 10(8B)
10(10)	Gratuity
10(10A)	Commuted pension
10(10AA)	Leave encashment
10(10B)	Retrenchment compensation
10(10BB)	Amount received under the Bhopal Gas Leak Disaster (Process of claim) Act 1985
10(10BC)	Compensation received or receivable on any disaster
10(10C)	Compensation for voluntary retirement
10(10CC)	Tax on non-monetary perquisites

1	assured (if policy is issued on or after 01.04.2013) for insurance on the life of any person who is –
	a person with disability or a person with severe disability as referred to in section 80U, or
	• Suffering from disease or ailment as specified in the rules made under section 80DDB.
10(11)	Payments received from Statutory Provident Fund
10(11A)	Interest on Deposit under Sukanya Samriddhi Account Rules
10(12)	Accumulated balance in recognised provident fund
10(12A)	Payment from National Pension System Trust to an employee on closure of account or his opting out of the pension scheme referred to in
	Section 80CCD to the extent it does not exceed 40% of the total amount payable to him at the time of closure or his opting out of the scheme.
10(12B)	Any payment from National Pension System Trust to an employee under the Pension Scheme referred to in section 80CCD, on partial
1	withdrawal made out of his account in accordance with the terms and conditions specified under the Pension Fund Regulatory and
1	Development Authority Act, 2013 and the regulations made there under, shall be exempt from tax to the extent it does not exceed 25% of the
	amount of contributions made by him.
10(13)	Payment from approved superannuation fund or transfer to National Pension Scheme
10(13A)	House rent allowance
10(14)	Prescribed allowances
10(15)	Interest income on certain securities
10(15A)	Income derived from leasing an aircraft or an aircraft engine to an Indian con by a Government of a foreign state or a foreign enterprise
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Awards received in cash or in kind from Central or State Government or any other body approved by the Central Government

Pension or Family pension received by a Central or State Government Employee who was awarded 'Param Vir Chakra' or the 'Maha Vir

Allowances received by a Member of Parliament or any State Legislature or an Committee thereof

Family pension received by family members of armed forces personnel killed in action

Sum received under a life insurance policy if the premium payable for any year does exceed 10% of capital sum assured for policies issued on or after 01.04.2012. (The limit is 20% of capital sum assured for policies issued before The limit has been increased to 15% of capital sum

10(10D)

10(16)

10(17)

10(18)

10(19)

10(17A)

Scholarships to meet the cost of education

Chakra' or the 'Vir Chakra or such other gallantry award

10(19A)	Annual value of a palace in the occupation of a ruler
10(20)	Income from house property, capital gains or income from other sources or income from trade or business of a local authority
10(21)	Any income of a scientific research association, research associations undertaking research in social science or statistical research
10(23)	Income of notified sports or games institutions
10(23A)	Any income of an association or institution established in India having as its object the control, supervision, regulation or
	encouragement of the profession of law, medicine, accountancy, engineering or architecture or other specified profession, other
	than income from house property, income for rendering specific services and interests or dividends on investments
10(23AA)	Any income received on behalf of any regimental fund or non-public fund established by the armed forces
10(23AAA)	Any income received on behalf of a fund established for purposes notified by the Board for welfare of employees or their
	dependents.
10(23AAB)	Any income received on behalf of a fund established by LIC under a pension scheme duly approved by appropriate authority.
10(23B)	Any income of a Society or Public Charitable Trust for development of Khadi and Village Industries.
10(23BB)	Any income of Khadi and Industries Board
10(23BBA)	Income of statutory bodies for administration of public charitable trust
10(23BBB)	Interests, dividends or capital gains from investments received by European Economic Community
10(23BBC)	Income of SAARC Fund
10(23BBD)	Income of Secretariat of Asian Organisation of Supreme Audit Institution
10(23BBE)	Income of Insurance Regulatory and Development Authority
10(23BBF)	Income of North Eastern Development Financial Corporation Limited
10(23BBG)	Income of Central Electricity Regulatory Commission

10(23BBH)	Income of Prasar Bharati (Broadcasting Corporation of India)
10(23C)	Income of certain National Funds, educational institutions, universities and hospitals which exist solely for educational purposes or solely for
	philanthropic purposes, and not for the purpose of profit and which are wholly or substantially financed by the Government for any previous
	year, if the Government grant to such university or other educational institution, hospital or other institution exceeds such percentage of the total
	receipts including voluntary contributions, as may be prescribed, of such university, or other educational institution, hospital or other institution,
	as the case may be, during the relevant previous year. From Assessment Year 2016-17, Income of The Swachh Bharath Kosh and The Clean
	Ganga Fund is exempt from tax under this section.
10(23D)	Income of any registered mutual fund
10(23DA)	Income from the activity of securitisation of securitisation trusts
10(23EA)	Income of Investor Protection Fund
10(23EB)	Income of Credit Guarantee Fund Trust for small industries
10(23EC)	Specified income of Investor Protection Fund set up by Commodity Exchanges
10(23ED)	Income, by way of contributions received from a depository, of Investor Protection Fund set up in accordance with the regulations made under
	the SEBI Act and the Depositories Act, by a depository, as the Central Government may, by notification in the Official Gazette, specify in this
	behalf
10(23EE)	Specified Income of Core Settlement Guarantee Fund set up by a Recognised Clearing Corporation
10(23FB)	Income of Venture Capital Fund or company from investment in a venture capital undertaking
10(23FBA)	Income of Investment Fund
10(23FBB)	Income of Unit Holders of Investment Fund
10(23FC)	
10(23FCA)	Income of Business Trusts
10(23FD)	
10(24)	Income from house property and income from other sources of a Registered Trade Union
10(25)	Interest on securities of approved provident fund
10(25A)	Any income of Employees State Insurance Fund
10(26)	Income of a member of a Scheduled Tribe

10(26A)	Income of resident of Ladakh
10(26AAA)	Income received by Sikkamese
10(26AAB)	Income of Agricultural Produce Marketing Committee or Board
10(26B)	Income of a body for promoting interest of Scheduled Castes/Tribes
10(26BB)	Income of National Minorities Development and Finance Corporation
10(26BBB)	Income of ex-serviceman corporations
10(27)	Income of cooperative societies promoting the interest of members of Scheduled Castes/Tribes
10(29A)	Exemption of Commodity Boards and Authorities from Income Tax
10(30)	Subsidy from Tea Board
10(31)	Subsidy received by planters
10(32)	Income of minor, when clubbed with parent's income
10(33)	Capital gain on transfer of US 64
10(34)	Dividends from domestic companies up to Rs 10, 00,000. Excess dividend over and above Rs 10,00,000 is chargeable in case of Resident Individual, Resident HUF and Resident Firms at the rate of 10% plus applicable Surcharge and Cess.
10(34A)	Income arising to a shareholder in respect of buy-back of unlisted shares by the company, provided additional income tax is payable on distributed income under section 115QA by the company opting for buy-back of unlisted shares.
10(35)	Income from units of UTI and notified Mutual Funds
10(35A)	Income received by an investor from a securitisation trust on or before 31st May 2016
10(37)	Capital gain on compulsory acquisition of urban agriculture land
10(37A)	An Individual or a Hindu Undivided Family who was the owner of land as on 2nd June 2014 and has transferred the land under the land pooling scheme notified under the provisions of Andhra Pradesh Capital Region Development Authority Act, 2014, shall be exempt from tax on capital gains arising from transfer of land or building or both, or sale of Land Pooling Ownership Certificates.

10(38)	Long-term capital gains on transfer of equity shares/units liable for payment of Securities Transaction Tax, and Long-term
	capital gain arising from transaction undertaken in foreign currency on a recognised stock exchange located in an International Financial Services Centre even when securities transaction tax is not paid in respect of such transactions.
10(20)	
10(39)	Specified income from international sporting event held in India
10(40)	Grant etc., received by a subsidiary company from its holding company engaged in the business of generation, etc., of distribution of power
10(41)	Capital gain on transfer of an asset of an undertaking engaged in the business of generation etc., of power
10(42)	Body or Authority - Agreement between two countries
10(43)	Any sum received as loan under Reverse Mortgage Scheme
10(44)	Any income received by an person on behalf of the New Pension Scheme Trust
10(45)	Perquisites to chairman or retired chairman or any member or retired member of the Union Public Service Commission
10(46)	Specified income of a body, authority, board, trust or commission set up or constituted by a Central, State or Provincial Act
	or by Central Government or State Government, with the object of regulating or administering an activity for the benefit of the general public
10(47)	Income of Infrastructure Debt Fund
10(48)	Income of a foreign company received in India in Indian currency on account of sale of crude oil or any other goods or
23(10)	rendering of service as notified by the Central Government, to any person in India subject to the following conditions being satisfied:
	(i) The receipt of money is under an agreement or an arrangement which is either entered by the Central Government or approved by it.
	(ii) The foreign company and the arrangement or agreement has been notified by the Central Government having regard to
	the national interest in this behalf.
	(iii) The receipt of the money is the only activity carried out by the foreign company in India.

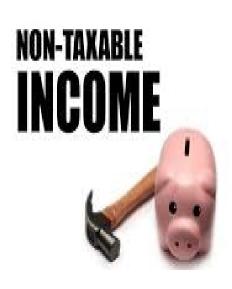
	account of storage of crude oil in a facility in India and sale of crude oil there from to any
	person resident in India shall be exempt from tax, if
	a. such storage and sale by the foreign company is pursuant to an agreement or an arrangement entered into by the Central Government or approved by the Central Government; and b. having regard to the national interest, the foreign company and the agreement or arrangement are notified by the Central Government in this behalf.
10(40D)	
10(48B)	Income accruing or arising to a foreign company on account of sale of leftover stock of
10(48B)	Income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from the facility in India after the expiry of the agreement or
10(48B)	
10(48B) 10(49)	crude oil, if any, from the facility in India after the expiry of the agreement or
	crude oil, if any, from the facility in India after the expiry of the agreement or arrangement
10(49)	crude oil, if any, from the facility in India after the expiry of the agreement or arrangement Any income of the National Financial Holdings Company Limited Any income arising from specified services provided (on or after the date on which the
10(49)	crude oil, if any, from the facility in India after the expiry of the agreement or arrangement Any income of the National Financial Holdings Company Limited Any income arising from specified services provided (on or after the date on which the provisions of Chapter VIII of the Finance Act, 2016 comes into force) and chargeable to
10(49)	crude oil, if any, from the facility in India after the expiry of the agreement or arrangement Any income of the National Financial Holdings Company Limited Any income arising from specified services provided (on or after the date on which the

Park, Software Technology Park or Special Economic Zone

Any income accruing or arising to National Oil Companies and Multinational Companies on

10(48A)

EXEMPTIONS FROM TAX or NON-TAXABLE INCOME



Exempted income is that income on which income tax is not chargeable. Exempted incomes are not even included in total income.

Exempted incomes can be classified in the following categories:

- (a) For all assessees;
- (b) For employees; and
- (c) For institutions.
- (A) FOR ALL ASSESSEES (NOT COVERED UNDER (B) OR (C))

(1) Agricultural Income



Such income is exempt if agricultural land is situated in India. For details see chapter on 'Agricultural Income'.

[Sec. 10(1)]

(2) Sums received from H.U.F



Any sum received by an individual as a member of a Hindu Undivided Family out of income of the family is exempt from tax. [Sec. 10(2)]

(3) Share of income of a partner from the firm



A partner of a firm will be exempt from tax on his share of income in the firm, which shall be computed by dividing the taxable profits of the firm in the same proportion as the profit sharing ratio mentioned in the partnership deed. [Sec. 10(2A)]

(4) Payments under Bhopal Gas Leak Disaster Act, 1985



Such payments received by a person will be exempt from tax but any this payment in connection for which deduction has already been allowed will not be exempt. [Sec. 10(10BB)]

(5) Compensation of disaster



Any amount received receivable from the Central Government or a State Government or a local authority by an individual or his legal heir by way of compensation on account of any disaster shall be exempt. However, such amount to the extent allowed as a deduction under this Act on account of any loss or damage caused by such disaster shall not be exempt. [Sec. 10(10BC)]

(6) Life Insurance Money



Any sum received under a life insurance policy including bonus shall be exempt. [Sec. 10(10D)]

Exceptions: The amount shall not be exempt in the following cases:

- (i) Amount received under a Keyman insurance policy.
- (ii) Any sum received under an insurance policy issued after 31.3.2003 but before 1.4.2012 in respect of which the premium payable for any of the years during the term of the policy exceeds 20% of the actual capital sum assured.
- (iia) Any sum received under an insurance policy issued after 31.3.2012 in respect of which the premium payable for any of the years during the term of the policy exceeds 10% of the actual capital sum assured.
- (iib) Any sum received under an insurance policy issued after 31.3.2013 in respect of which the premium payable for any of the years during the term of the policy exceeds 15% of the capital sum assured, if the policy is for insurance on life of any person, who is
- (a) A person with disability or a person with severe disability; or
- (b) Suffering from disease or ailment as specified under section 80 DDB.

"Actual capital sum assured" means the minimum amount assured under the policy on happening of the insured event at any time during the term of the policy, not taking into account:

- (a) The value of any premium agreed to be returned; or
- (b) Any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person. However, if the sum is received on the death of a person it shall be exempt.

(7) Any payment from Sukanya Samriddhi Account. [Sec. 10(11A)]



Sukanya Samriddhi Yojana (SSY) Empowering the Girl Child!!!

https://wealthtechspeaks.in

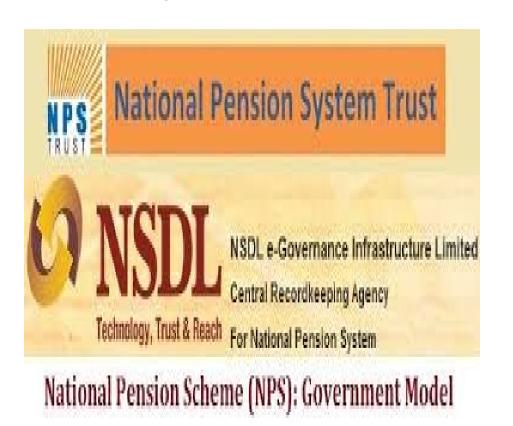
Any payment of from an account opened accordance with the sukanya samridhi Account Rules 2014 made under the Government saving Bank Act 1873, shall not included in the total income of the assessee.

(8) Payment from National Pension System Trust. [Sec. 10(12A)]



Any payment from the National Pension System Trust to an employee (assessee in lieu employee w.e.f. A.Y. 2019-20) on closure of account or his opting out of the pension scheme (referred to in Sec. 80CCD), upto 40% of the total amount payable to him shall be exempt.

(9) Partial withdrawal from National Pension System Trust (w.e.f. Assessment Year 2018-19) [Sec. 10(12B)]



Partial withdrawal an employee from National Pension System Trust (in accordance with the terms and conditions specified under Pension Fund Regulatory Development Authority Act, 2013 and regulations made there under) upto 25% of the amount of contributions made by him shall be exempt.

(10) Interest of different types: The following interest incomes are fully exempt from tax: [Sec. 10(15)]



- (i) Interest and premium on redemption of notified securities, bonds or certificates. Such as:
- (a) National Defence Gold Bonds, 1980,
- (b) Special Bearer Bonds, 1991,
- (c) Post Office Cash Certificates (5 Years),
- (d) P.O. Savings Bank Account,
- (i) Individual account-Maximum exemption limit Rs 3,500.
- (ii) Joint account-Maximum exemption limit Rs 7,000.
- (e) P.O. Cumulative Time Deposit Account,
- (f) Public Account of P.O. Savings Account Rules (interest upto Rs 5,000), and
- (g) Special Deposit Scheme, 1981 and Non-Resident (Non-Repatriable) Rupee Deposit Scheme. [Notification No. GSR 607(E) 9.6.1989)
- (ii) In the case of an individual or H.U.F. Interest on 7% Capital Investment Bonds notified in the Official Gazette by the Central Government before 1.6.2002.

(10) Interest of different types: The following interest incomes are fully exempt from tax: [Sec. 10(15)]



- (iii) Interest on such bonds which are notified before 1.6.2002 and arising to:
- (a) A non-resident Indian, being an individual owning the bonds, e.g., N.R.I. Bonds, 1988 issued by the State Bank of India; or
- (b) Any individual owning the bonds by virtue of a nominee or survivor of the non-resi dent Indian; or
- (c) Any individual to whom the bonds are gifted by the non-resident Indian.

The above exemption shall be allowed if the prescribed conditions are satisfied.

- (iv) Interest on Securities held by the Welfare Commissioner, Bhopal Gas Victims Bhopal in the Reserve Bank of India. The amount of compensation to be paid to the victims of Bhopal Gas Tragedy has been deposited in the Reserve Bank of India in the form of Central Govt. Securities in the name of the Welfare Commissioner, Bhopal Gas Victims, Bhopal.
- (v) Interest on deposits with the Reserve Bank of India or with a notified public se bank, held for the benefit of the victims of the Bhopal gas leak disaster.
- (vi) Interest on Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999 or den certificates issued under the Gold Monetisation Scheme, 2015 notified by the Central Government.
- (vii) Interest on bonds (a) issued by a local authority or by a State Pooled Finance Entity and (b) specified by the Central Government by notification, shall be exempt.
- (viii) Interest received by a non-resident or not ordinarily resident in India on deposit made after 31.3.2005 in an Offshore Banking Unit, shall be exempt.

(11) Educational Scholarship





Scholarships granted to meet the cost of education, whether by government or any other organisation are fully exempt. [Sec. 10(16)]

(12) Allowances of M.Ps., M.L.As. and M.L.Cs. : [Sec. 10(17)]

machine and a second	Old	Now
Monthly basic pay	₹ 16,000	₹ 50,000
Monthly office expenses	₹ 20,000	₹ 40,000
Monthly constituency allowance	€ 20,000	₹ 40,000
Daily allowance (each day Parliam is in session or far attending House committee meetings)	ont ₹ 1,000	₹ 2,000
Interest-free vehicle loan	₹ 1,00,000	₹ 4,00,000
Per km road mileage rate for vehicles used	₹ 13	₹ 16
THE RESERVE TO SERVE	War.	100
GITTIES .		MATERIAL
The state of the s	A Comment	- m 4 14

- (i) Daily allowances (Entire amount is fully exempt);
- (ii) Any other allowances received by any member of Parliament (Entire amount is fully exempt);
- (iii) Any constituency allowance received by a member of any State Legislature under any Act or rules made by that State Legislature.

(13) Awards: Any payment made, whether in cash or in kind: [[Sec. 10(17A)]



- (i) As an award instituted in the public interest by the Central Government or any State Government or by any other body and approved by the Central Government in this behalf; or
- (ii) as a reward by the Central Government or any State Government for such purposes as may be approved by the Central Government in the public interest is fully exempt.

Under clause (ii) the Central Government has approved the Swatantrata Sainik Pension Scheme, 1980.

(14) Pension of gallantry awardee



Pension received by individual who has been in service of the Central or State Governments and has been awarded 'Param Vir Chakra' or 'Mahavir Chakra'or Vir Chakra'or such other gallantry award as the Central Government may notify shall be exempt. [(Sec. 10(18)]

(15) Family pension of a member of armed forces



Family pension received by the widow or children or nominated heirs of a member of the armed forces (including paramilitary forces) of the Union, where the death of such member has occurred in the course of operational duties shall be exempt provided the prescribed conditions are satisfied, [Sec. 10(19)]

(16) Annual value of one palace of Rulers of Indian States



The annual value of one palace in the occupation of a Ruler of an Indian State is fully exempt. [Sec. 10(19A)] If a portion of the palace is let out on rent, annual value of such portion is not exempt. (Maharaval Laxman Singh (1986) 160 ITR 103]

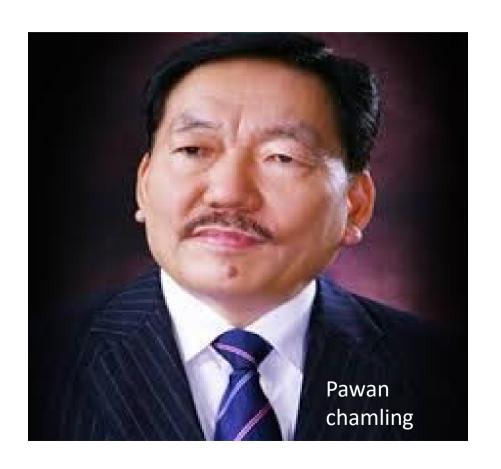
(17) Income of Scheduled Tribes



The following incomes of members of scheduled tribe residing in any tribal area or in the States of Arunachal Pradesh, Manipur, Mizoram, Nagaland, Tripura and Sikkim or Laddakh region of the State of J. & K. are fully exempt: [Sec. 10(26)]

- (i) Which accrues or arises to them from any source in the tribal area or States aforesaid; or
- (ii) by way of dividend or interest on securities wherever accrues or arises.

(18) Certain income of Sikkimese: [Sec. 10(26AAA)]



The following incomes of an individual being a Sikkimese (as defined in the Act) shall be exempt:

- (i) Income from any source in the State of Sikkim; or
- (ii) Income by way of dividend or interest on securities.

However, if a Sikkimese woman marries on or after 1.4.2008 with a non-Sikkimese, she will not be entitled to the exemption.

19. Income of Agricultural Produce Marketing Committee or Board



income of agricultural produce market committee board constituted under any law for the purpose of regulating the marketing of agricultural produce.

[Sec. 10(26AAB)]

(20) Subsidy from Tea Board



In the case of an assessee who carries on the business of growing and manufacturing tea in India, the amount of any subsidy received from or through the Tea Board for the following purposes shall be exempt:[Sec. 10(30)]

- (i) Replantation or replacement of tea bushes; or
- (ii) For rejuvenation or consolidation of areas used for cultivation of tea.

Such exemption will be available only if the assessee furnishes to the Assessing Officer with his return a certificate from the Tea Board as to the amount of subsidy received by him during the previous year.

(21) Subsidy received by planters







The amount of any subsidy received by an assessee engaged in the business of growing and manufacturing rubber, cardamom or other specified commodity in India, from or through the Rubber Board, Coffee Board, Spices Board or any Board in respect of any other commodity for the following purposes shall be exempt: [Sec. 10(31)]

- (i) Replantation or replacement of rubber, coffee, cardamom or other plants; or
- (ii) For rejuvenation or consolidation of areas used for cultivation of such commodities.

(22) Income of a minor child



If the income of an individual includes the income of his minor child or minor children (boy or girl whose age is below 18 years) such individual shall be entitled to exemption of actual amount or Rs 1,500 in respect of each minor child, whichever is less. [Sec. 10(32)]

(23) Income from units of Unit Scheme, 1964



Any income from transfer of a unit of the Unit Scheme, 1964 of the Unit Trust of India, where the transfer takes place on or after 1.4.2002. [Sec. 10(33)]

The benefit of exemption is available to an investor and not to a person holding units as stock-in-trade of business.

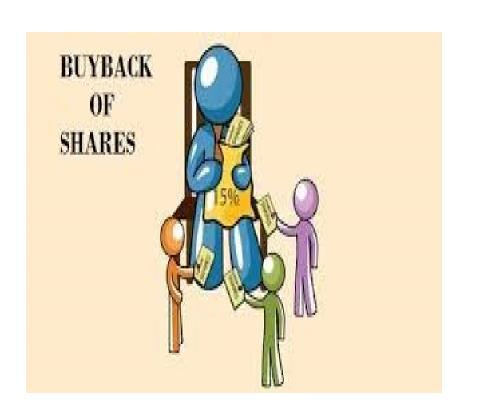
(24) Dividend Income



Dividend received by a shareholder from a domestic company shall be exempt. [Sec. 10(34)]

However, dividend in aggregate in excess of ten lakh shall be chargeable to tax @ 10% in the case of all residents in India except a domestic company, (w.e.f. Assessment Year 2018-19).

(25) Any Income arising to a shareholder on account of buy back of shares



Any Income arising to a shareholder on account of buy back of shares (not being shares listed on a recognised stock exchange) by the domestic company shall be exempt. [Sec. 10 (34 A)

(26) Income from units:[Sec. 10(35)]



- (a) Income received in respect of units of a Mutual Fund specified u/s 10(23D); or
- (b) Income received in respect of units from the Administrator of the specified undertaking; or
- (c) Income received in respect of units from the specified company. However, the income arising from transfer of aforesaid units shall not be exempt.

(27) Income from Equity Share



Any income arising from the transfer of a long-term capital asset, being equity shares of a company (listed in recognised stock exchange in India) purchased after 28.2.2003 and before 1.3.2004 and held for a period of twelve months or more. 10(36)]

(28) Capital gains on transfer of Agricultural land



Any capital gain arising on the transfer of agricultural land situated in an urban area shall be exempt subject to the following conditions: [Sec. 10(37)]

- (i) The agricultural land is owned by an individual or a HUF.
- (ii) The agricultural land was, in the two years immediately preceding the date of transfer being used either by the HUF or individual or his parent for agricultural purposes
- (iii) The transfer of land is by way of compulsory acquisition under any law, or a transfer. the consideration for which is determined by the Central Government or the R.B.I.
- (iv) Such income has arisen from the compensation or consideration (including enhanced compensation or consideration) for such transfer.

(29) Tax incentive for development of Capital of Andhra Pradesh



Who is entitled to exemption: An individual or HUF who was the owner of capital asset on 2.6.2014.

Conditions for exemption of capital gains: [Sec. 10 (37A)

- (i) The assessee transfers the capital asset under the Andhra Pradesh Capital City Land Pooling Scheme.
- (ii) The reconstituted plot or land received by the assessee in lieu of capital asset under the scheme, is transferred within two years from the end of the financial year in which the possession of such plot or land was handed over to him, the capital gains shall be exempt. Capital asset: It includes
- (a) Land or building or both; or
- (b) The land pooling ownership certificate issued under the scheme to the assessee in respect of land or building or both.

(30) Long-term capital gains on transfer of an equity share or a unit



If the following conditions are satisfied, the capital gains shall be exempt: [Sec. 10(38)]

- (a) Equity shares in a company or units of an equity oriented fund or unit of a business trust are long-term capital asset.
- (b) Such transaction is chargeable to Securities Transaction Tax.

However, long-term capital gain of a company shall be taken into account in computing bookprofit u/s 115JB.

Explanation: 'Equity oriented fund' means a fund:

- (i) Where more than 65% of the investible funds are invested by way of equity shares in domestic companies, and
- (ii) Which has been set-up under a scheme of a Mutual Fund specified u/s **10(23D)**.

Note: If the above mentioned assets are transferred on or after 1.4.2018, exemption shall not be allowed w.e.f. A.Y. 2019-20.

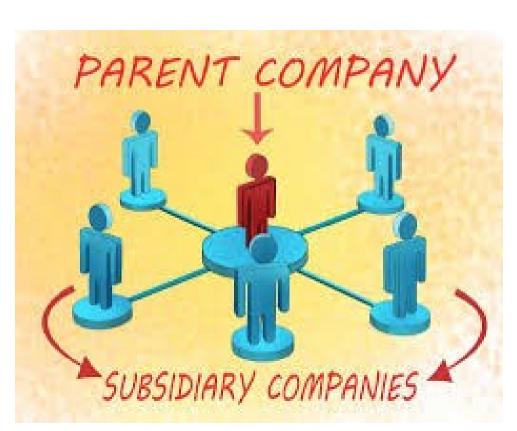
(31) Income from international sporting event



Any specified income (notified by the Central Government) arising from any international sporting event held in India shall be exempt if the following conditions are satisfied: [Sec. 10(39)]

- (i) The sporting event is approved by the international body regulating the international sport relating to such event.
- (ii) More than two countries have participated in the sporting event.

(32) Income of Subsidiary Company



Any income of any subsidiary company by way of grant or otherwise received from Indian holding company engaged in the business of generation, transmission or distribution of power shall be exempt if:[Sec. 10(40)]

- (i) The receipt of such income is for settlement of dues in connection with reconstruction or revival of an existing business of power generation,
- (ii) The Indian company is formed before 30.11.2005 with majority equity participation by public sector companies and notified by the Central Government before 31.12.2005.

(33) Specified Income of a Body or Authority



Any specified income arising to a body or authority which: [Sec. 10(42)]

- (a) Has been established or constituted or appointed under a treaty or an agreement entered into by the Central Government with two or more countries or a convention signed by the Central Government;
- (b) Is established or constituted or appointed not for the purposes of profit;(c) Is notified by the Central Government in the Official Gazette for the purposes of this clause.

Explanation: Specified income' means the income, of the nature and to the extent, arising to the body or authority which the Central Government may notify in this behalf.

(34) Any amount received by an individual as a loan



Any amount received by an individual as a loan, either in lump sum or in instalment, transaction of reverse mortgage shall be exempt. [Sec. 10(43)]

(35) Allowance or perquisite paid to the Chairman or member of the Union Public Service Commission: [Sec. 10(45)]



Any allowance or perquisite paid to the Chairman or a retired Chairman or any other member or retired member of the Union Public Service Commission shall be exempt, provided it is so notified by the Central Government.

(36) Income from newly established Units in Special Economic Zones. (Sec. 10AA)



Who is entitled to deduction?

An undertaking being the Unit, which fulfils the following conditions:

- (i) It begins to manufacture or produce articles or things or provide any services (including computer software) after 31.3.2005 but before 1-4-2020 in any Special Economic Zone.
- (ii) It is not formed by splitting up or the reconstruction of a business already in existence.
- (iii) It is not formed by the transfer to a new business of machinery or plant (not exceeding 20% of total value) previously used for any purpose.

Quantum of Deduction: (i) 100% of profits and gains derived from the export of such articles or things or from services for five initial assessment years.

- (ii) 50% of such profits and gains for further five assessment years.
- (iii) For the next five consecutive assessment years, 50% of such profits and gains or the amount debited to P&L A/c and credited to the Special Economic Zone Re-investment Allowance Reserve Account', whichever is less.

Explanation: It is clarified that the amount of deduction w/s 10AA shall be allowed from the total income of the assessee before giving effect to the provisions of sec. 10AA and the deduction u/s 10AA in no case shall exceed the total income (w.e.f. Assessment Year 2018-19).

Where a deduction has been claimed and allowed in this section in respect of any specified business (see Sec. 35AD) for any assessment year, no deduction shall be allowed under sec. 35AD in relation to such specified business for the same or any other assessment year.

(36) Income from newly established Units in Special Economic Zones. (Sec. 10AA)



Utilisation of the amount credited to reserve account: The amount credited to the Reserve Account should be utilised:

- (i) for acquiring machinery or plant which is first put to use before the expiry of three years next following the previous year in which the reserve was created; and
- (ii) Until the acquisition of plant or machinery for the purposes of the business of the undertaking.

However, the amount cannot be distributed by way of dividends or profits or for remittance outside India as profits or for the creation of any asset outside India,

Exceptions regarding period of deduction:

- (i) Where the Unit has claimed exemption u/s 10A, it shall be entitled to deduction only for the unexpired period.
- (ii) Where the Unit had already availed, before the commencement of the Special Economic Zones Act, 2005, the deductions u/s 10A for ten consecutive assessment years, it shall not entitled to deduction under this section.

Computation of Profits for deduction: Profits derived from the aforesaid business shall the amount which bears to the profits of the business of the Unit, the same proportion as the 'export turnover' bears to the total turnover of the business carried on by the undertaking.

Explanation:

- (i) 'Export turnover' means the consideration in respect of export by the Unit of the articles or things or services received in, or brought into, India by the assessee.
- (ii) 'Export in relation to the Special Economic Zones' means taking goods or providing services out of India from a Special Economic Zone by land, sea, air or by any other mode whether physical or otherwise.

(36) Income from newly established Units in Special Economic Zones. (Sec. 10AA)



Withdrawal of certain benefits:

- (i) The unabsorbed depreciation allowance, the unabsorbed capital expenditure on scientific research, the unabsorbed capital expenditure on family planning relating to the relevant assessment years ending before 1.4.2006 will not be carried forward and set-off.
- (ii) Unabsorbed business losses or loss under the head capital gains' relating to the relevant assessment year ending before 1.4.2006 will not be carried forward and set-off.
- (ii) No deduction shall be allowed u/s 80-IA or section 80-IB in relation to such profits.

Set-off of loss: Business loss or loss under the head 'capital gains' relating to the business of the Unit shall be allowed to be carried forward or set-off.

Deduction in case of amalgamation or demerger: Where a Unit which is entitled to deduction is transferred before the expiry of the period specified in this section to another Unit in a scheme of amalgamation or demerger:

- (a) No deduction shall be allowed to the amalgamating or the demerged Unit being a company for the previous year in which the amalgamation or the demerger takes place;
- (b) The deduction shall be allowed to the other Unit for the unexpired period.

(B) FOR EMPLOYEES



- (1) Leave Travel Concession to an Employee. See the chapter on Salaries; sub-head "Tax-free Perquisites'. [Sec. 10(5)]
- (2) Allowances or Perquisites outside India. See the chapter on 'Salaries', sub-heads 'Allowances' and 'Tax-free Perquisites'. [Sec. 10(7)]
- (3) Death-cum-retirement Gratuity. See the chapter on 'Salaries', sub-head Different Forms of Salary'. [Sec. 10(10A)]
- (4) Commutation of Pension. See the chapter on 'Salaries', sub-head 'Different Forms of [Sec. 10(10)].
- (5) Leave Salary or Encashment of Earned Leave. See the chapter on 'Salaries', sub-head 'Different Forms of Salary'. [Sec. 10(10AA)]
- **(6) Compensation on Retrenchment.** See the chapter on 'Salaries', sub-head 'Different Forms of Salary'. **[Sec. 10(10B)]**
- (7) Compensation on Voluntary Retirement. See the chapter on Salaries', sub-head 'Different Forms of Salary [Sec. 10(100C)]

(B) FOR EMPLOYEES



- (8) Tax Paid by Employer on the Value of Perquisites. See the chapter on 'Salaries'. [Sec. 10(10CC)]
- **(9) Payment from Statutory Provident Fund.** See the chapter on 'Salaries', sub-head 'Payments Received from Funds'. **[Sec. 10(11)]**
- **(10) Payment from Recognised Provident Fund.** See the chapter on 'Salaries', sub-head 'Payments Received from Funds'. [Sec. 10(12)]
- (11) Payment from Approved Superannuation Fund. See the chapter on 'Salaries', sub-head'Payments Received from Funds'. [Sec. 10(13)]
- (12) House Rent Allowance. See the chapter on 'Salaries', sub-head 'Allowances'. [Sec. 10(13A)]
- (13) Special Allowances for meeting certain expenditure. See the chapter on 'Salaries', sub-head 'Allowances'. [Sec. 10(14)]

(C) FOR INSTITUTIONS



(1) Income of a Local Authority



Following incomes of a local authority are exempt: [Sec. 10(20)]

- (i) 'Income from House Property', or
- (ii) 'Capital Gains', or
- (iii) 'Income from Other Sources', or
- (iv) From services or a business carried on by it within its own jurisdiction, or
- (v) From the supply of water or electricity outside its jurisdiction.

Explanation: 'Local authority shall mean: (i) Panchayat; or (ii) Municipality; or (ii) Municipal Committee and District Board, legally entitled to, or entrusted by the Govern ment with, the control or management of a Municipal or local fund; or (iv) Cantonment Board.

(2) Income of Research Association



Any income of a research association approved under section 35(1)(ii) or under section 35(1)(iii) is fully exempt. [Sec. 10(21)]

Exemption shall be available to a research association which undertakes scientific research or research in social science or statistical research, provided such research association is approved and notified u/s 35(1)(ii) or 35(1)(iii).

(3) Income of News Agency



The income of a notified news agency set-up in India solely for collection and distribution of news shall be exempt if the following conditions are satisfied: [Sec. 10(22B)]

- (i) The news agency applies its income or accumulates it for application solely for collection and distribution of news.
- (ii) It does not distribute its income in any manner to its members. fund; or (iv) Cantonment Board.

(4) Income of Professional Institutes



INSTITUE OF CHARTERED ACCOUNTANT OF INDIA

Any income (other than 'Income from House Proper or income received for rendering any specific services or income by way of interest or dividend. derived from its investments) of an association or institution established in India with the object control, supervision, regulation or encouragement of the profession of law, medicine, accountancy, engineering, architecture or such other profession as the Central Government may notify from time to time in Official Gazette. [Sec. 10(23A)]

This income is exempt only when the following conditions are satisfied:

- (i) The association or institution applies its income or accumulates it for application, solely for its objects; and
- (ii) The association or institution is approved for the purpose of this clause by the Central Government

(5) Income of Regimental Fund or Non-Public Fund



The income derived by any Regimental Fund or Non-Public **Fund** established by the armed forces of the Union for the welfare of their past and present members and their dependants is fully exempt. [Sec. 10(23AA)]

(6) Income of a Fund for Welfare of Employees or their Dependants



Income of a notified fund established for the welfare of employees or their dependants, if such employees are also members of this fund, shall be exempt. [Sec. **10(23AAA)**]

(7) Income of Pension Fund set-up by L.I.C. of India or other Insurer



The income is exempt provided the fund is set-up by: [Sec. 10(23AAB)

- (i) The Life Insurance Corporation of India on or after 1st August, 1996, under a pension scheme, or
- (ii) Any other insurer under a pension scheme to which contribution is made by any person for receiving pension from such fund and which is approved by the Controller of Insurance/the Insurance Regulatory and Development Authority.

(8) Income of Khadi and Village Industries



The income of an institution established as a trust or society for the purpose of development of Khadi and Village Industries (not for profit) from the production, sale or marketing of Khadi or products of Village Industries is fully exempt. [Sec. 10(23B)]

(9) Income of Khadi and Village Industries Board



The income of Khadi and Village Industries Boards established in a State by or under a State or Provincial Act for the develop ment of Khadi or Village Industries in the State is fully exempt. [Sec.

10(23BB)]

(10) Income of a statutory authority for the administration of Public Religious or Charitable Trusts



The income of any body or authority established under any Act for the administration of any public religious or charitable trusts or endowments (including maths, temples, gurdwaras, wakfs, churches or other places of public religious ownership societies for religious charitable purpose) is fully exempt. It is very clear in this provision that exemption will not apply to the income of such any trust, society. endowment [Sec. or

10(23BBA)]

(11) Income of European Economic Community



income of Any European Economic Community derived in India by way of interest, dividends or capital gains from investments made out of its funds under a notified scheme exempt. [Sec. 10(23BBB)]

(12) Income of SAARC Fund



Any income of the South Asian Association for Regional Co-operation **Fund for Regional Projects** set-up by the Colombo Plan Declaration shall be exempt. [Sec. 10(23BBC)]



भारतीय बीमा विनियामक और विकास प्राधिकरण INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

(13) Any income of the Insurance Regulatory Development and shall **Authority** be exempt. [Sec.

10(23BBE)]



(14) Any income of the Central Electricity Regulatory Commission shall be exempt. [Sec. 10(23BBG)]



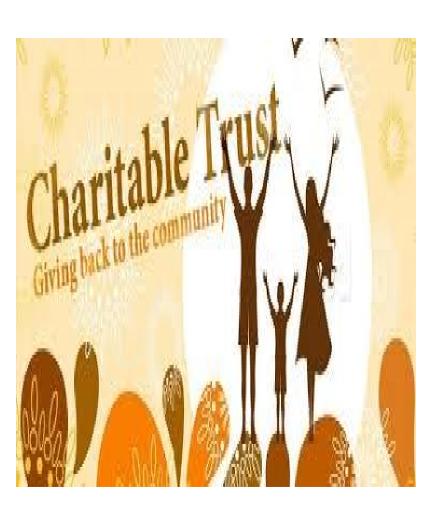
(15) Any income of the Prasar Bharati (Broadcasting Corporation of India) shall be exempt [Sec. 10 (23BBH)]

(16) Income of Specified Charitable Funds



The income of the following funds or trusts is fully exempt: [Sec. 10(23C)]

- (i) The Prime Minister's National Relief Fund;
- (ii) The Prime Minister's Fund (Promotion of Folk Art);
- (iii) The Prime Minister's Aid to Student Funds;
- (iv) The National Foundation for Communal Harmony;
- (v) Swachh Bharat Kosh;
- (vi) Clean Ganga Fund;
- (vii) The Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund;
- (viii) Any university or other educational institution existing solely for educational purposes and not for purposes of profit:
- (a) Which is wholly or substantially financed by the Government; or
- (b) The aggregate annual receipts of such university or educational institution do not exceed one crore rupees; or
- (c) Which may be approved by the Commissioner of Income Tax (Exemptions);



- (ix) Any hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit:
- (a) Which is wholly or substantially financed by the Government; or
- (b) The aggregate annual receipts of such hospital or institution do not exceed one crore rupees; or
- (c) Which may be approved by the Commissioner of Income Tax (Exemptions);
- (x) Any other Fund or Institution established for charitable purpose and approved by the Commissioner of Income Tax (Exemptions);
- (xi) Any trust or institution established wholly for public religious purpose or public religious and charitable purpose which is approved by the Commissioner of Income Tax (Exemptions).

However, any anonymous donation shall be included in the total income.

Accumulation of Income: A trust, institution, university, other educational institution, hospital or other medical institution can accumulate its income for the objects for which it is established.

Where more than 15% of income is accumulated the period of accumulation of amount exceeding 15% of its income shall not exceed five years.

(17) Income of Mutual Fund



Any income of a notified Mutual Fund set-up by a public sector bank or a public financial institution or authorised by the SEBI or the Reserve Bank of fully India, exempt. (Sec. 10(23D))



(18) Any income of a securitisation trust from the activity of securitisation shall be [Sec. exempt. 10(23DA)]

(19) Income of Investor Protection Fund from recognised stock exchanges [Sec. 10(23EA)]



The following income of such Fund set-up by recognised stock exchanges in India, either jointly or separately, is exempt:

he income by way of contributions received from recognised stock exchanges and the members thereof.

Where any amount standing to the credit of the Fund and not charged to income tax during any previous year is shared, either wholly or in part, with a recognised stock exchange, the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income tax.

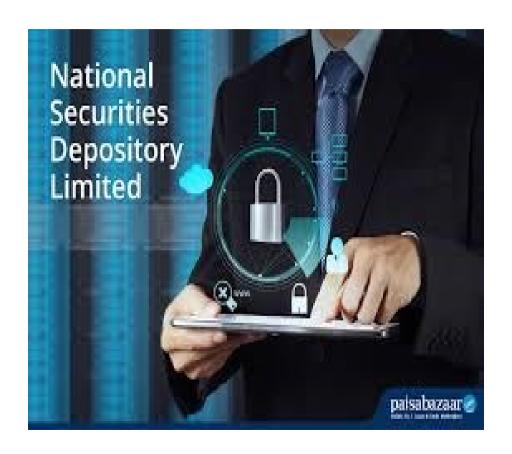
(20) Income of Investor Protection Fund from commodity exchanges



Any income, by of contributions received from commodity exchanges and the members thereof, of such Investment Protection Fund set-up by the commodity exchanges in India, either jointly or separately as the Central Government may notify shall be exempt. [Sec. 10(23EC)]

Where, any amount standing to the credit of the Fund and not charged to income tax during any previous year is shared, either wholly or in part, with a commodity exchange, the whole the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income tax.

(21) Any income by way of contributions received from a depository, of such Investor Protection Fund set up by a depository shall be exempt



Where any amount in the Fund and not charged to income tax during any previous year is shared (Wholly or partly) with a depository, the amount so shared shall be deemed to be the income of previous year in which the amount so shared and chargeable to income tax. [Sec. 10(23ED]

The following new clauses are inserted in Sec. 10 w.e.f. Assessment Year 2016-17:

- (A) Any specified income of Core Settlement Guarantee Fund, set-up by a recognised clearing corporation, shall be exempt. [Sec. 10(23EE)]
- (B) Any income of an investment fund (other than the income chargeable under the head "Profits and gains of business or profession") shall not be included in the total income of such fund. [Sec. 10(23FBA)]
- (C) Any income of a person accruing or arising to, or received by, a unit holder of an investment fund, being that proportion of income which is of the nature as income chargeable under the head "Profits and gains of business or profession" shall not be included in total income of such person. [Sec. 10(23FBB)]
- (D) Any income of a business trust, being a real estate investment trust, by way of renting or leasing or letting out any real estate asset owned directly by such business trust, shall not be included in total income. [Sec. 10(23FCA]

(22) Income of Venture Capital Fund or Venture Capital Company



Any income of a venture capital company or venture capital fund from investment in a venture capital undertaking shall be exempt. [Sec. 10(23FB]

(23) Income of Business Trust



Income of a Business Trust by way of (i) Interest received or receivable from a special purpose vehicle or(ii) Dividend from a specified company (u/s 115o(7).

"Special purpose vehicle" means an Indian Company in which the business trust holds specific percentage of shareholding or interest as may be required by the regulations under which such trust is granted registration. [Sec. 10(23FC)]

"Business trust" means a trust registered as:

- (i) An Infrastructure Investment Trust, or
- (ii) A Real Estate Investment Trust, the units of which are required to be listed on a recognised stock exchange in India. [Sec. 2(13A)]

(24) Income of Registered Trade Unions



Any income chargeable under the head 'Income from House Property and 'Income from Other Sources' of registered trade union; and (ii) an association of registered trade unions, would be exempt.[Sec. 10(24)]

(25) Income of Provident Funds, etc.



The following incomes are fully exempt under this clause: [Sec. 10(25)]

- (i) Interest on securities held by a Statutory Provident Fund and Capital Gains arising from the sale of such securities; or
- (ii) The income received by the trustees on behalf of a Recognised Provident Fund or an Approved Superannuation Fund or an Approved Gratuity Fund; or
- (iii) The income received by the Board of Trustees constituted under the Coal Mines Provident

Fund Act, 1948; or

(iv) Income received by the trustees under the Employees' Provident Fund Act, 1952, on behalf of the Deposit-linked Insurance Fund.



(26) Income of the Employees' State Insurance Fund is exempt. [Sec. 10(25A)]

(27) Income of a body for promoting interest of Scheduled Castes or Scheduled Tribes



The income of a corporation established by a Central, State or Provincial Act or any other body, institution or association wholly financed government, which is formed for promoting the interests of the members of the Scheduled Castes or the Scheduled Tribes or backward classes, is fully exempt. [Sec. 10(26B)]

(28) Income of Corporation set-up for the benefit of Minority Community



Any income of a corporation set-up by the Central Government or any State Government for promoting the interest of the members of a minority community shall be exempt. [Sec. 10(26BB)]

Minority communities are (i) Muslims, (ii) Christians, (iii) Sikhs, (iv) Buddhists and (v) Parsis. [Notification No. 613(E) dated 5.7.1995)

(29) Income of a Corporation



Any income of corporation established by a Central, State or Provincial Act for the welfare and economic upliftment of servicemen being the citizens of India, shall be exempt. [Sec. 10(26BBB)]

(30) Income of a Co-operative Society formed for Promoting the Interests of Scheduled Castes or Scheduled Tribes.



The income of a operative society formed promoting interests of Scheduled or Scheduled Castes Tribes fully is exempt. [Sec. 10(27)]

(31) Income of Board, etc.







Any income accruing or arising to the following shall be exempt: [Sec. 10(29A)]

(a) The Coffee Board; (b) The Rubber Board; (c) The Tea Board; (d) The Tobacco Board; (e) The Marine Products **Export** Development Authority; (f) The Agricultural and Processed Food Products Export Development Authority; (g) The Spices Board; (h) The Coir Board.



(32) Any Income by way of distributed income received before 1-6-2016 from a securitisation trust by an investor of the said trust shall be exempt. [Sec. 10 (35A)]



(33) Income of New Pension System Trust. Any income received by any person for, or on behalf of, the New Pension System Trust, shall be exempt. [Sec. 10(44)]

(34) Income of a body or authority or Board or Trust or Commission: [Sec. 10(46)]

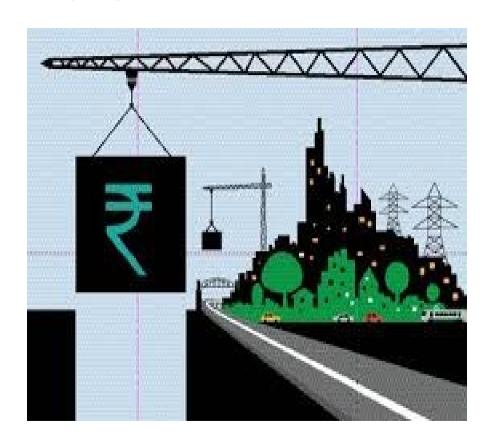


Specified income of the above mentioned person shall be exempt, if:

- (a) It has been established or constituted by or under a Central, State or Provincial Act or constituted by the Central Government or State Government, with the object of regulating or administering any activity for the benefit of the general public.
- (b) It is not engaged in any commercial activity. (c) It is notified by the Central Government for the purpose of this clause.

"Specified income" means the income of the nature and to the extent arising to it, as notified by the Central Government.

(35) Income of Infrastructure Debt Fund: [Sec. 10(47)]



income Any Infrastructure Debt Fund shall be exempt provided it is set up in accordance with the prescribed guidelines notified by the Central Government.

(36) Income received in India in Indian currency: [Sec. 10(48)]



Any income received in India in Indian currency by a foreign company on account of sale of crude oil or any other goods or rendering of services, as may be notified by the central Government, to any person in India shall be exempt if the following conditions are satisfied

- (i) Receipt of such income in India by the foreign company is pursuant to an agreement or arrangement entered into by the Central Government or approved by the Central Government.
- (ii) Having regard to the national interest, the agreement or arrangement is notified by the Central Government.
- (iii) The foreign company is not engaged in any activity other than receipt of such income in India.

(37) Income of a foreign company from storage of crude oil in India. [Sec. 10(48A)]



Income to a foreign company on account of storage of crude oil in a facility in India and its sale there from to a person resident in India as per agreement approved by the Central Government, shall be exempt.

(38) Income of a foreign company from sale of left over stock of crude oil (w.e.f. Assessment Year 2018-19)



Income to a foreign company on account of sale of leftover stock of crude oil from the facility in India after expiry of the agreement [u/s 10 (48A)] subject to such conditions as may be notified by the Central shall Government, be exempt. [Sec. 10(48B)].

(39) Income of a Political Party

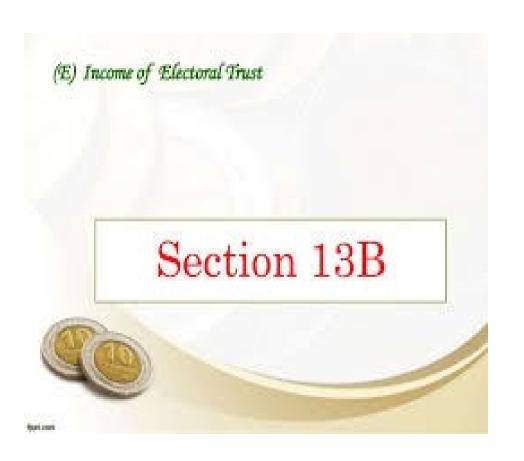


Income of a political party which is chargeable under the Head income from House Property' or 'Capital Gain' or 'Income from Other Sources' or any income by way of voluntary contributions received by a political party from any person shall not be included in the total income of the previous year of such political party; provided that: (Sec. 13A)

- (a) Such political party keeps and maintains such books of account and other documents as would enable the Assessing Officer to properly deduce its income;
- (b) in respect of each such voluntary contribution (other than contribution by way of electoral bond w.e.f. Assessment Year 2018-19) in excess of 20,000, such political party keeps and maintains a record of such contributions; and the name and address of the person who has made such contribution;
- (c) The accounts of such political party are audited by a Chartered Accountant. (d) No donation exceeding 2,000 is received by such political party otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond (w.e.f. Assessment Year 2018-19). If the treasurer of such political party/authorised person fails to submit a report to the Election Commission for a financial year exemption shall not be available for such financial year.

Further, the political party furnishes a return of income for the previous year as per provisions of Sec. 139(4B) to claim exemption (w.e.f. Assessment Year 2018-19).

(40) Income of Electoral Trust



Any voluntary contributions received by an electoral trust shall not be included in the total income of the previous year of the trust, if: (Sec. 13B)

- (i) it distributes to any registered political party during the previous year. 95% of the aggregate donations received by it during the previous year along with the surplus, If any brought forward from any earlier previous year; and
- (ii) It functions in accordance with the rules made by the Central Government.