

“In this world nothing can be said to be certain, except death and taxes.”

Benjamin Franklin

- Tax is a mandatory liability for every citizen of the country. There are two types of tax in India

i.e. Direct and Indirect.
- Taxation in India is rooted from the ancient period. Present Indian tax system is based on this ancient tax system which was based on the theory of maximum social welfare.



Brief History of Income Tax in India

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- In India, this tax was introduced for the first time in 1860, by ***Sir James Wilson*** in order to meet the losses sustained by the Government on account of the Military Mutiny of 1857.
- In 1918, a new income tax was passed and again it was replaced by another new act which was passed in 1922. This Act remained in force up to the assessment year 1961-62 with numerous amendments.
- In consultation with the Ministry of Law finally the Income Tax Act, 1961 was passed. The Income Tax Act 1961 has been brought into force with 1 April 1962. It applies to the whole of India and Sikkim (including Jammu and Kashmir).
- Since 1962 several amendments of far-reaching nature have been made in the Income Tax Act by the Union Budget every year.

Paying tax almost everywhere!!!



Why should I pay tax?

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- I have to pay for my food, for my house, for my travel, for my medical treatment, for owning a vehicle not only cost of vehicle but also vehicle tax and what not.
- Even on many roads, one has to pay toll tax! They also say that if we compare with countries like USA and UK, the people get social security as also medical facilities virtually without any cost. But India does not offer such fa



What Government Do from our TAX?

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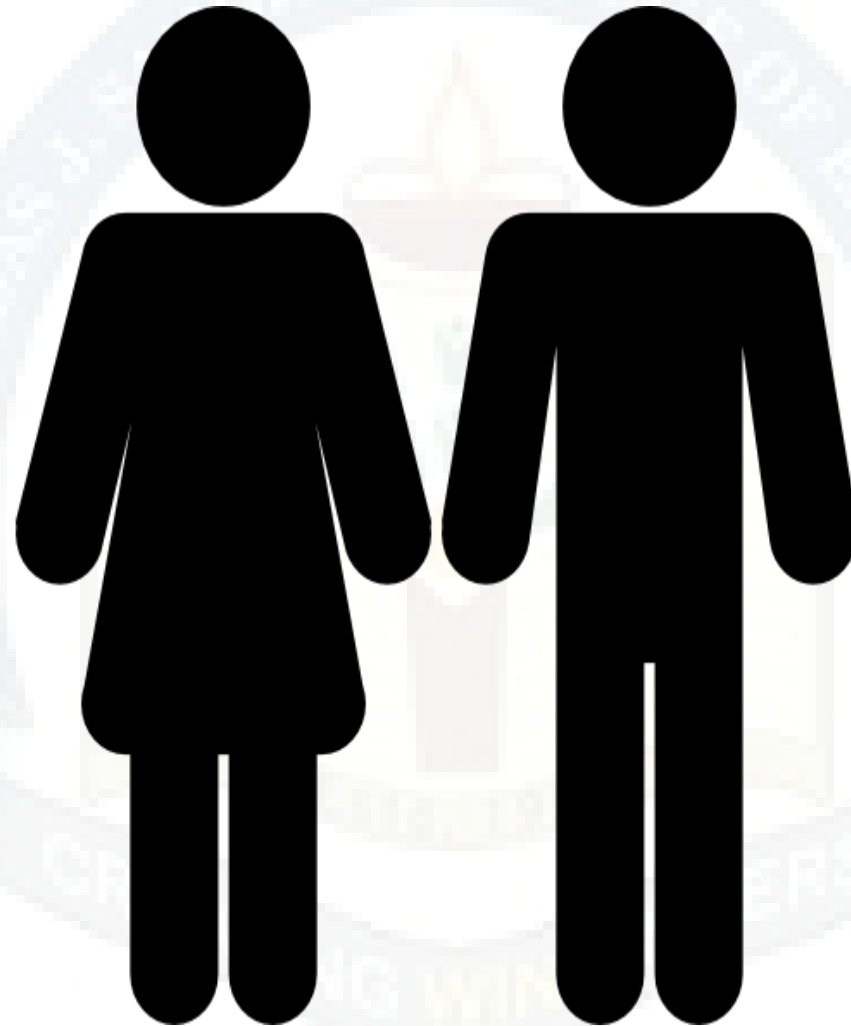
- The Government provide Health care through Government hospitals (usually they offer service without any cost), Education (In Municipal and Government schools the fee is negligible).
- Of course the major expenditure of Government has to be incurred on National Defense, Infrastructure Developments etc.
- Taxes are used by the government for carrying out various welfare schemes including employment programs.
- There are Lakhs of employees in various departments and the administrative cost has to be borne by the Government.

What Government Do from our TAX?

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- On judicial system: the Salaries, perks of Judges, Magistrates and judicial staff has also to be paid by the Government.
- PM Kisan yojana: Government started giving Rs 6000 per year to farmers.
- The Government also provides cooking gas at concessional rate or gives subsidy.
- Government also provide support to MSMEs and small business in terms of subsidies.
- Thus on considering these various duties of the Government, we need to appreciate that we must pay tax as per law. We have to act like a responsible citizen.

Personal Taxation



TAX SLAB: INDIVIDUAL (MALE/FEMALE) BELOW 60 YEARS

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Income	Tax rate
Income upto Rs. 2,50,000/-	NIL
Income from Rs. 2,50,001/- to Rs. 5,00,000/-	5%
Income from Rs. 5,00,001/- to Rs. 10,00,000/-	20%
Above Rs. 10,00,000/-	30%

TAX SLAB: INDIVIDUAL (MALE/FEMALE) 60 YEARS OF AGE OR MORE BUT BELOW 80 YEARS

Income	Tax rate
Income upto Rs. 3,00,000/-	NIL
Income from Rs. 3,00,001/- to Rs. 5,00,000/-	5%
Income from Rs. 5,00,001/- to Rs. 10,00,000/-	20%
Above Rs. 10,00,000/-	30%

TAX SLAB: INDIVIDUAL (MALE/FEMALE) 80 YEARS AND ABOVE

Income	Tax rate
Income upto Rs. 5,00,000/-	NIL
Income from Rs. 5,00,001/- to Rs. 10,00,000/-	20%
Above Rs. 10,00,000/-	30%

SURCHARGE

Income	Rate
Income of Rs. 50 Lakhs > Rs. 1 Crore (including CG u/s. 111A & 112A)	10%
Income of Rs. 1 Crore > Rs. 2 Crore (including CG u/s. 111A & 112A)	15%
Income of Rs. 2 Crores > Rs. 5 Crores (Excluding CG u/s. 111A & 112A)	25%
Income of Rs. 5 Crores > (Excluding CG u/s. 111A & 112A)	37%
Income of Rs. 2 Crore > (including CG u/s. 111A & 112A)	15%

EFFECTIVE RATE

Income	Rate
Income of Rs. 50 Lakhs > Rs. 1 Crore (including CG u/s. 111A &112A)	34.32%
Income of Rs. 1 Crore > Rs. 2 Crore (including CG u/s. 111A &112A)	35.88%
Income of Rs. 2 Crores > Rs. 5 Crores (Excluding CG u/s. 111A &112A)	39.00%
Income of Rs. 5 Crores > (Excluding CG u/s. 111A &112A)	42.74%
Income of Rs. 2 Crore > (including CG u/s. 111A &112A)	35.88%

Section 115BAC- Tax on income of Individuals and Hindu Undivided family

Sl. No.	Total Income	Rate of tax
(1)	(2)	(3)
1.	Upto Rs 2,50,000	Nil
2.	From Rs 2,50,001 to Rs 5,00,000	5 per cent.
3.	From Rs 5,00,001 to Rs 7,50,000	10 per cent.
4.	From Rs 7,50,001 to Rs 10,00,000	15 per cent.
5.	From Rs 10,00,001 to Rs 12,50,000	20 per cent.
6.	From Rs 12,50,001 to Rs 15,00,000	25 per cent.
7.	Above Rs 15,00,000	30 per cent.:

Heads of Income

1. Income from Salary
2. Income from house property
3. Income from business / Profession
4. Income form Capital Gain
5. Income from other sources.



Important Terminologies

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Assessee

– Section 2(7) of Income Tax.

As per S. 2(7) of the Income Tax Act, 1961, unless the context otherwise requires, the term “**assessee**” means a person by whom any tax or any other sum of money is payable under this Act, and includes

Person in respect of whom any proceedings under this Act has been taken for assessment of his income

Deemed assessee under provisions of this Act

Any person deemed to be an assessee in default under any provisions of this Act.

Important Terminologies

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Assessment Year (A.Y. 2022-23)

Assessment year means the period starting from April 1 and ending on March 31 of the next year.

Previous Year (F.Y. 2021-22)

The financial year immediately preceding the assessment year

Important Terminologies

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Residential Status

Resident – World income is taxable in India

Non Resident(NRI) – Only income arising or accruing in India is taxable in India

Resident but Not Ordinarily Resident – Income accruing or arising outside India may also be taxable in India

Resident: On basis of stay in India computed separately every year

If satisfies any of the below condition:

1. He is in India for a period of 182 days or more in the FY

OR

2. He is in India for 60 days or more during that FY and has been in India for 365 days or more during 4 previous years immediately preceding the relevant Financial Year.



Important Terminologies

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- Gross Total Income
- Deductions
- Total Income



HEADS OF INCOME

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INCOME FROM SALARY

Meaning of Salary:

- ✓ Wages
- ✓ Pension
- ✓ Annuity
- ✓ Gratuity
- ✓ Advance Salary paid
- ✓ Fees, Commission, Perquisites, Profits in lieu of or in addition to Salary or Wages
- ✓ Annual accretion to the balance of Recognized Provident Fund
- ✓ Leave Encashment
- ✓ Transferred balance in Recognized Provident Fund
- ✓ Contribution by Central Govt. or any other employer to Employees Pension A/c as referred in Sec. 80CCD.

Income From Salary

1. CTC

2. Gross Salary

-is employee provident fund (EPF) and gratuity subtracted from the Cost to Company (CTC). To put it in simpler terms, Gross Salary is the amount paid before deduction of taxes or other deductions and is inclusive of bonuses, over-time pay, holiday pay, and other differentials.

For the same example listed above, let's deduce Mr. A yearly salary by subtracting gratuity and Employee Provident Fund contributions.

Rs. 4,00,000 - Rs. 21,600 - Rs. 18,326

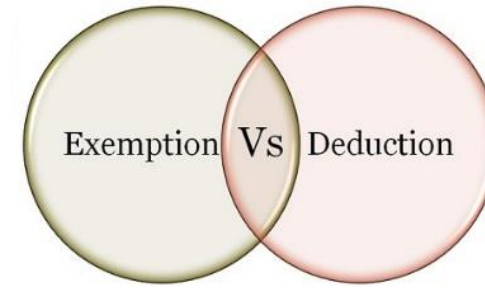
= Rs. 3,60,074

Income From Salary

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Particulars	Amount
Basic Salary	—
Add:	—
1. Fees, Commission and Bonus	—
2. Allowances	—
3. Perquisites	—
4. Retirement Benefits	—
5. Fees, Commission and Bonus	—
Gross Salary	—
Less: Deductions from Salary	—
1. Entertainment Allowance u/s 16	—
2. Professional Tax u/s 16	—
Net Salary	—

Income From Salary



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Deduction/Exemption

What is the difference between Exemption and deduction?

If an income is exempt from tax, then it is not included in the computation of income. However, the deduction is given from income chargeable to tax. Exempt income will never exceed the amount of income. However, the deduct may be less than or equal to or more than the amount of income.

- ✓ **Exemption**: Section 10 deals with exemptions
- ✓ **Deduction**: Section 80 C to 80 U deals with deduction

Income From Salary



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Exemption

Section 10(1) to Section 10(38) Deals with exempt Income

Section 10(5)-Leave Travel Allowance

The bills for your travel against LTA can be claimed for exemption. It is allowed to be claimed twice in a block of four years. The current block is 2018 to 2022.

Exempt from tax in the hands of employee as per following.

- ✓ If journey by **Air** –Economy class fare of the national carrier(Air India) by shortest route or the amount spent **whichever is less**.
- ✓ If journey by **Rail** – AC First class fare by shortest route or the amount spent **whichever is less**
 - ❑ Where places of origin of Journey and destination are connected by rail & journey is performed by any other mode of transport- AC First class fare by shortest route or the amount spent whichever is less.
- ✓ **Where places of origin of Journey and destination are not connected by rail,**
 - ❑ a) Recognized public transport exists- First class or deluxe class fare by the shortest route or the amount spent, whichever is less.
 - ❑ b) No recognized public transport exists - AC First class rail fare by Shortest route or the amount spent whichever is less

Income From Salary



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Exemption

Section 10(1) to Section 10(38) Deals with exempt Income

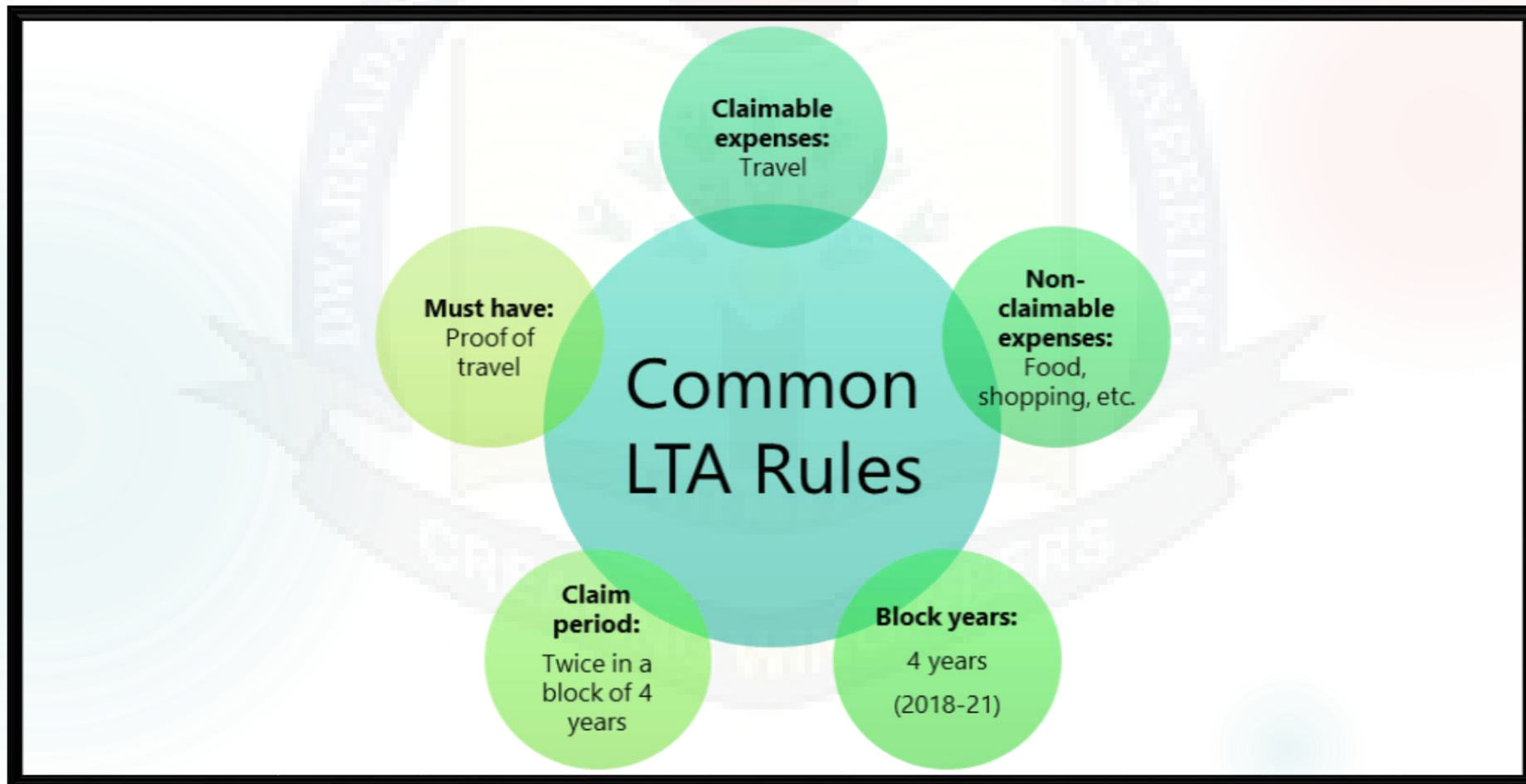
Section 10(5)-Leave Travel Allowance Conditions:

- ✓ LTA should be uniform to all the employees
- ✓ Employers need to collect and scrutinize the proof of travel (ticket etc.)
- ✓ Limited to the actual expenses incurred
- ✓ Any Leave encashed for the purpose of Leave travel or home travel concession is taxable.
- ✓ Foreign Travel – The exemption is not available in case of Foreign Travel
- ✓ The Exemption is not available to more than 2 surviving children of an individual born after 1.10.1998. However, this restriction is not there in respect of children born before 1.10.1998.

Income From Salary

Exemption

Section 10(5)-Leave Travel Allowance



Income From Salary



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Exemption

Section 10(13A): House Rent Allowance(HRA)

This is the famous exemption which is used by many salaried individuals. However, the wrong belief is that whatever the rent they pay is actually exempted from their income. The reality is different. The amount of exemption is least of the following.

a) Actual HRA Received

b) 40% of Salary (50%, if house situated in Metro Region)

c) Rent paid minus 10% of salary

(Salary = Basic + DA (if part of retirement benefit) + Turnover based Commission)

Section 10(13A): House Rent Allowance(HRA)



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Employee No - 1234	Name - ABC
Joining Date - 01/01/2011	PF No - SB/AYE/1234567/123/1234567

BASIC	30,000	PF	2,000
HRA	13,000	Professional Tax	200
CONVEYANCE	2,000		
SPECIAL ALLOWANCE	3,000		
MEDICAL	1,250		
LTA	5,000		
Total Earnings	54,250		
Salary (considering no commission & DA)	$30,000 \times 12 = 3,60,000/-$		
10% of Basic Salary	$3,60,000 \times 10\% = 36,000/-$		
Rent Paid per month	10,000/-		
Particulars	Calculation	Amount(INR)	
a)Actual HRA Received	$13,000 \times 12$	1,56,000/-	
b) 50% of Salary	$3,60,000 \times 50\%$	1,80,000 /-	
c)Rent paid (-)10% of salary	$(10,000 \times 12) - 36,000/-$	84,000/-	
Exemption Which ever is less(a,b,c)		84,000/-	



Income From Salary



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Exemption

Allowances Exempt under Section 10(14)(I)-No limit

- ✓ **Travelling Allowance**
- ✓ **Daily Allowance**
- ✓ **Conveyance Allowance:-** This is the different allowance than transport allowance. It is the expenditure granted to an employee to meet the expenses on conveyance in performing of his office duties.
- ✓ **Helper Allowance**
- ✓ **Academic Allowance:-** Allowance granted for encouraging academic, research & training pursuits in educational & research Institutional.
- ✓ **Uniform allowance**

Income From Salary



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Exemption

Standard deduction of Rs. 50,000

Particulars	Until AY 2018-19	From AY 2021-22
Gross Salary (in Rs.)	5,00, 000	5,00,000
(-) Transport Allowance	19,200	Not Applicable
(-) Medical Allowance	15,000	Not Applicable
(-) Standard Deduction	Not Applicable	50,000
Net Salary	4,65,800	4,50,000

Income From Salary



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Exemption

Deduction U/s (16)

There are basically two deduction

- 1.) Entertainment Allowance [Section 16(ii)] **-(Government Employees)**
- 2.) Professional Tax [Section 16(iii)] **-(2,500/-)**

Income from House Property



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Particulars	Amount (Rs.)
<u>Gross Annual Value</u>	xxx
Less: Municipal taxes	(xxx)
Net Annual Value	xxx
Less: Deductions u/s 24 Standard deduction	(xxx)
Deduction on interest paid	(xxx)
Taxable income from house property	

Deductions:

- 1. Standard Deduction u/s 24@30% of Annual Value**
- 2. Interest paid on home loan (Max Rs. 200,000/-)**
- 3. Loan Principle payment u/s 80C**
- 4. Deduction for first time home buyer u/s 80EE**

Income from House Property



Deduction for first time home buyer u/s 80EE

First time Home Buyers can claim an additional Tax deduction of up to Rs.50,000 on home loan interest payments under this section. Below are the few conditions for this.

- ✓ He must be an individual (Resident or Non-Resident).
- ✓ Loan must be taken for the acquisition of the property.
- ✓ Loan should be sanctioned after 2016-17.
- ✓ Loan amount should not exceed Rs. 35 Lakh.
- ✓ The value of the house should not be more than Rs 50 Lakh.
- ✓ The home buyer should not have any other existing residential house during the sanction of loan.

Do remember that if you claimed the interest under this section, then the same can't be claimed under other sections for deductions.

Income from Other Sources

Income:

- Dividend
- Interest- From Savings, Term deposit, income tax refund, other
- Income of winnings from lotteries, crossword puzzles etc., excluding income from owning race horses
- Income from the activity of owning and maintaining race horses

Income from Other Sources

DEDUCTIONS

Deduction on Interest Income Under Section 80TTA

For a residential individual (age of 60 years or less) or HUF, interest earned upto Rs 10,000 in a financial year is exempt from tax. The deduction is allowed on interest income earned from:

- ✓ savings account with a bank
- ✓ savings account with a co-operative society carrying on the business of banking
- ✓ savings account with a post office

Senior citizens are not entitled to benefits under section 80TTA.

Interest income in case of Fixed Deposit (PAN)

Tax on Fixed Deposits

Senior citizens, with effect from 1 April 2018, will enjoy an income tax exemption up to Rs. 50,000/- on the interest income they receive from fixed deposits with banks, post offices etc. under Section 80TTB.

Income from Other Sources

DEDUCTIONS

Exempt Income

The PPF and EPF amount you withdraw after maturity is exempt from tax and must be declared as exempt income from income from other sources.

Note that: The EPF is only tax exempt **after five years** of continuous service.

Family Pension

If you are collecting pension on behalf of someone who is deceased, then you must show this income under income from other sources. There is a deduction of Rs 15,000 or one-third of the family pension received whichever is lower from the Family Pension Income. This will be added to the taxpayer's income and tax must be paid at the tax rate that is applicable.

Taxation of Winnings from Lottery, Game Shows, Puzzles

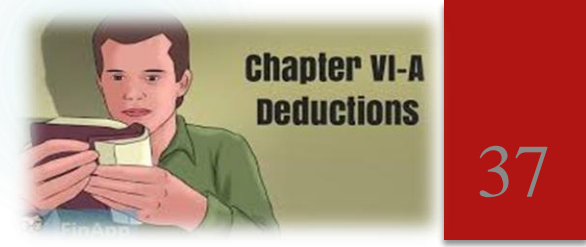
If you receive money from winning the lottery, Online/TV game shows etc., it will be taxable under the head Income from other Sources. The income will be taxable at **the flat rate of 30%** which after adding cess will amount to 30.9%

Deductions under Chapter VI-A

Section 80C

- ☐ Maximum Limit- Rs.1,50,000/-
- ☐ You can save tax on salary income from this section alone
- ☐ Different Investment in this section includes
 - ✓ Life Insurance premium (Paid by an individual, spouse, and child. In the case of HUF, on the life of any member of HUF).
 - ✓ EPF-Employee contribution can be claimed for deduction.
 - ✓ Public Provident Fund (Paid by an individual, spouse, and child. In the case of HUF, on the life of any member of HUF).
 - ✓ National Savings Certificate (NSC).
 - ✓ Sukanya Samriddhi Account
 - ✓ ELSS or Tax Saving Mutual Funds
 - ✓ Senior Citizen Savings Scheme
 - ✓ 5-Years Post Office or Bank Deposits.
 - ✓ Tuition fee of kids.
 - ✓ Principal payment towards home loan.
 - ✓ Stamp duty and registration cost of the house.

Deductions under Chapter VI-A



Section 80CCC

Deduction under Sec.80CCC is available only for individuals. Contribution to an annuity plan of the LIC of India or any other insurer for receiving the pension. Do remember that the amount should be paid or deposited out of income chargeable to tax.

Note:- this is also the part of the combined limit of Rs.1.5 lakh available under Sec.80C Sec.80CCC, and Sec.80CCD(1)

Deductions under Chapter VI-A

NPS Tax Benefit-Section 80CCD1

An individual's maximum 20% of annual income (Earlier it was 10% but after Budget 2017, it increased to 20%) or an employees (10% of Basic+DA) contribution will be eligible for deduction.

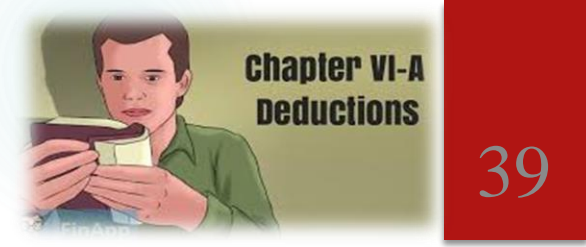
Note:- this is also the part of the combined limit of Rs.1.5 lakh available under Sec.80C Sec.80CCC, and Sec.80CCD(1)

NPS Tax Benefit-Section 80CCD2

There is a misconception among many that there is no upper limit for this section. However, the limit is least of 3 conditions.

- 1) Amount contributed by an employer,
 - 2) 10% of Basic+DA and
 - 3) Gross Total Income.
- This is additional deduction which will not form the part of Sec.80C limit.
 - The deduction under this section will not be eligible for self-employed.

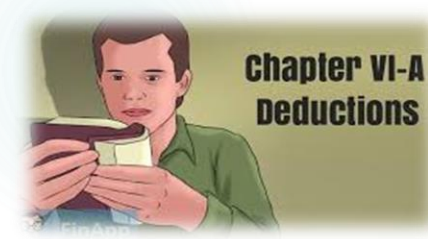
Deductions under Chapter VI-A



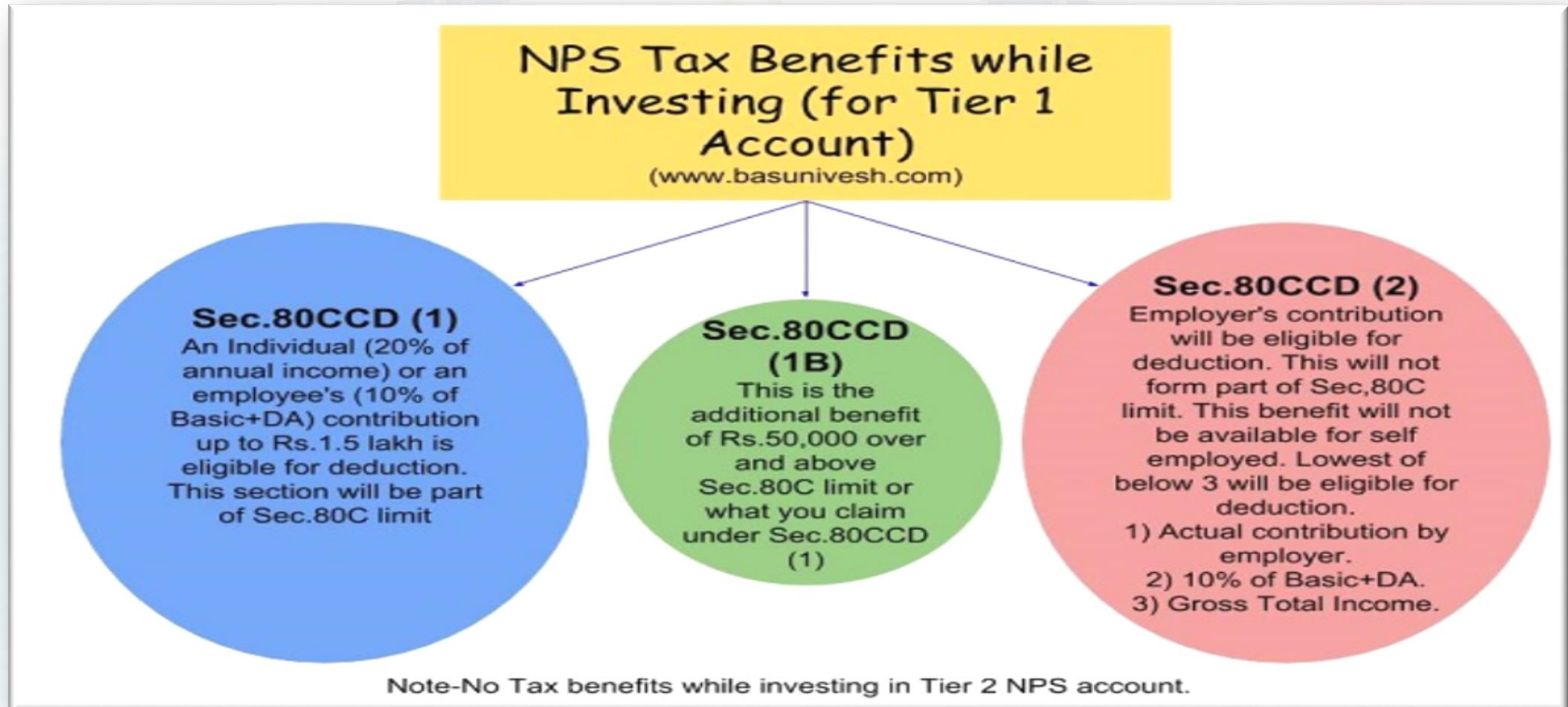
NPS Tax Benefit-Section 80CCD(1B)

- This is the additional tax benefit of up to Rs.50,000 eligible for income tax deduction and was introduced in the Budget 2015, One can avail the benefit of this Sect.80CCD (1B) from FY 2015-16.
- Both self-employed and employees are eligible for availing this deduction.
- This is over and above Sec.80CCD (1).

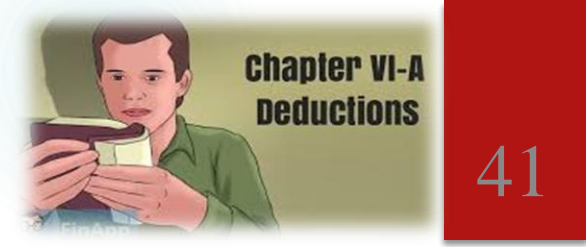
Deductions under Chapter VI-A



NPS Tax Benefit Summary



Deductions under Chapter VI-A



Section 80D

Deduction under this section is available if you satisfy the following conditions.

- ✓ The taxpayer should be an individual (resident, NRI or Foreign Citizen) or HUF.
- ✓ Payment should be made out of income chargeable to tax.
- ✓ Payment should be in NON-CASH mode (for preventive health check up, you can pay either through cash or non-cash mode).

Changes from Budget 2018-

1. In Budget 2018, the maximum tax deduction limit for senior citizens under Sec.80D is raised to Rs.50,000. The earlier limit was Rs.30,000.
2. In case of single premium health insurance policies having a cover of **more than one year**, it is proposed that the deduction shall be allowed **on a proportionate basis for the number of years** for which health insurance cover is provided, subject to the specified monetary limit.

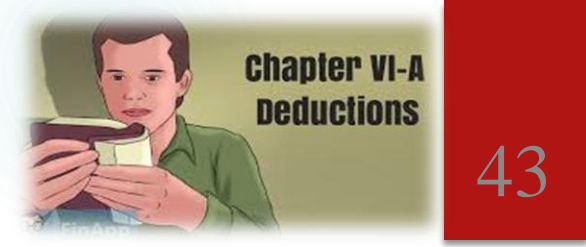
Deductions under Chapter VI-A

Section 80DD

- A resident individual or HUF is allowed to claim the deduction
- If incurred an expenditure for medical treatment, training, and rehabilitation of dependent relative (being a person with a disability).
- Can be claimed only when deposited or paid for any approved scheme of LIC (or any other insurance) or UTI for the maintenance of such dependent relative.
 - ✓ Fixed deduction of Rs.75,000
 - ✓ Higher deduction of Rs.1,25,000 is available if such dependent relative is suffering from severe disability

NOTE:-dependent means spouse, children, parents, brothers, and sisters, who is wholly and mainly dependent upon the individual.

Deductions under Chapter VI-A



Section 80DDB

- An Individual's of HUFs expenses actually paid for medical treatment of specified diseases and ailments subject to certain conditions can be claimed under this section.
- The **maximum deduction is Rs. 40,000**. This can also be claimed on behalf of the dependents. The tax deduction limit under this section for **Senior Citizens and very Senior Citizens (above 80 years) is now revised to to Rs 1,00,000**.
- With effect from the assessment year 2016-17, the taxpayer shall be required to obtain a prescription from a specialist doctor (not necessarily from a doctor working in a Government hospital) for availing this deduction.
- Can claim the deduction for the medical treatment of self, spouse, children, parents brothers, and sisters of the individual.

Deductions under Chapter VI-A

Section 80DDB

The ailments covered under this section are as below:

Neurological Diseases where the disability level has been certified to be of 40% and above;

- (a) Dementia
- (b) Dystonia Musculorum Deformans
- (c) Motor Neuron Disease
- (d) Ataxia
- (e) Chorea
- (f) Hemiballismus
- (g) Aphasia
- (h) Parkinson's Disease

Malignant Cancers

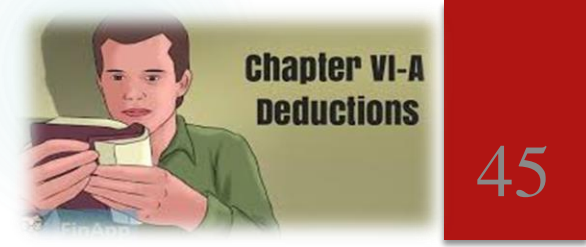
Full Blown Acquired Immuno-Deficiency Syndrome (AIDS) ;

Chronic Renal Failure

Haematological disorders

- a) Hemophilia
- b) Thalassemia

Deductions under Chapter VI-A

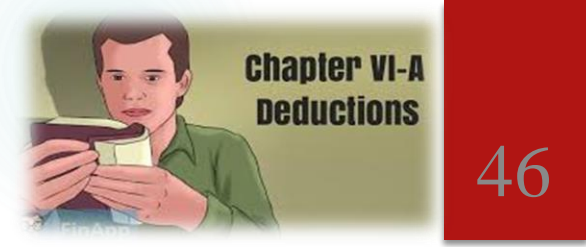


Section 80E

- If the loan is taken by an individual for any study in India or outside India, then they can claim the deduction.
- The interest part of the loan on such education loan can be claimed for deduction for pursuing individual's own education or for the education of his relatives (Spouse, children or any student for whom the individual is legal guardian).
- The entire interest is deductible in the year in which the individual starts to pay interest on the loan and subsequent 7 years or until interest is paid in full (i.e for total 8 years).

NOTE:-Interest should be paid out of the income of chargeable to tax.

Deductions under Chapter VI-A



Section 80G

- Donations to certain approved funds, trusts, charitable institutions/donations for renovation or repairs of notified temples, etc can be claimed as a deduction under this section.
- This deduction can only be claimed when the contribution **made by cheque or draft or in cash**. In-kind contributions like food material, clothes, medicines etc. do not qualify for deduction under this section.
- The donations made to any Political party can be claimed under section 80GGC.

From FY 2017-18, the limit of deduction under section 80G / 80GGC for donations made in cash is reduced from current Rs 10,000 to Rs 2,000 only.

Deductions under Chapter VI-A

Section 80GG

This section only applies to those who have not availed HRA in their salary or not claiming the deduction on their rent in any of the other sections of income

Conditions:

- Applicable to Individual or HUF.
- Tax Payer may be either salaried or a self-employed. However, must not be getting HRA.
- Tax Payer himself or spouse/Minor Child/HUF of which he is a member should not own any accommodation at a place where he is doing a job or business
- If Tax Payer owns a house at a place other than the place noted above, then the concession in respect of self-occupied property is not claimed by him [Under Section 23 (2) (a) or 23 (4) (a)].
- Tax Payer has to file a declaration in Form No.10BA regarding the expenditure incurred by him towards the payment of rent.

Deductions under Chapter VI-A

Section 80GG

How much amount of deduction one can avail under Sec. 80GG?

If the all five conditions are satisfied, the amount deductible under Section 80GG is **LEAST OF THE FOLLOWING.**

- ✓ Rs.5, 000 per month;
- ✓ 25% of total income of taxpayer for the year; or
- ✓ Rent Paid less 10% of total income (Rent Paid-10% of Total Income).

Deductions under Chapter VI-A

Section 80GG

Example:

What is total income for the purpose of Sec. 80GG?

We can calculate it as below.

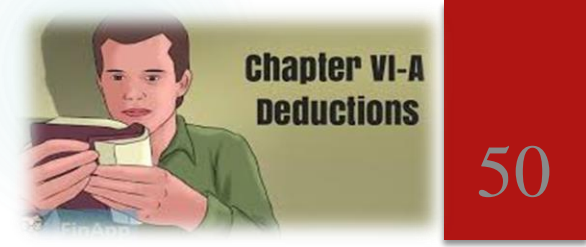
Total Income = Gross Total Income - LTCG - STCG - Income referred under the Sec. 115A - Amount deductible under Sec. 80C to 80U (except Section 80GG)

Mr. X's total income (calculated as per above formula) is Rs. 4,00,000. He pays an annual rent of Rs. 1,50,000. Then least of the below will be applicable for deduction under Sec. 80GG.

- ✓ Rs. 60,000 per year.
- ✓ Rent Paid - 10% of Total Income = Rs. 1,50,000 - Rs. 40,000 = Rs. 1,10,000/-.
- ✓ 25% of Total Income i.e. Rs. 1,00,000/-.

So least of the above will be **Rs. 60,000/-**, which one can claim under Section 80GG for that particular FY.

Deductions under Chapter VI-A



Section 80U

- ✓ To claim tax benefits under Sec.80U, the taxpayer should be an individual and resident of India.
- ✓ If he is suffering from 40% or more than 40% of any disability, then he can claim a tax deduction.
- ✓ You can claim the **fixed deduction of Rs.75,000**. a higher deduction of **Rs.1,25,000** is **allowed in respect of a person with a severe disability (i.e. having a disability of 80% or above)**.

Rebate under Section 87A



The tax rebate of Rs.2,500 for individuals with **income of up to Rs 3.5 Lakh** has been proposed in Budget 2017-18.

To avail this benefit, there are certain conditions and they are as below.

- ✓ The taxpayer must be a resident individual.
- ✓ Your Total Income (Less Deductions from 80C to 80U) is equal to or less than Rs.3,50,000.
- ✓ The rebate is the 100% of income tax on such income or Rs.2,500 (whichever is less).

Rebate under Section 87A

The tax rebate of Rs.2,500 for individuals with **income of up to Rs 3.5 Lakh** has been proposed in Budget 2017-18.

To avail this benefit, there are certain conditions and they are as below.

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Income Tax E-Filing (ITR-1)



Total ITRs are – ITR 1 to ITR 7

ITR-1

- ✓ Earlier ITR-1 was applicable for both Residents, Residents Not ordinarily resident (RNOR) and also Non-residents. Now, this form has been made applicable only for resident individuals.
- ✓ The condition of the individual having income from salaries, one house property, other income and having total income up to Rs 50 lakhs continues.
- ✓ There is a requirement to furnish a break-up of salary. Until now, these details would appear only in Form 16 and the requirement to disclose them in the return had never arisen.
- ✓ There is also a requirement to furnish a break up of Income under House Property which was earlier mandatory only for ITR -2 and other forms.

Clubbing Provisions

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According to the stipulations of the [Income Tax](#) Act, a person has to pay taxes on all taxable income earned during a financial year.

At the time of computing the [Gross Total Income](#), if the income of any other person in a family is included, then the inclusion is called 'Clubbing of Income'.

Section 64 of the [Income Tax](#) Act, 1961 deals with clubbing of income. Clubbing of income ensures that taxpayers do not circumvent their tax liability by transferring their incomes and assets within the family.

Clubbing Provisions

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- As per the Income Tax Act, every person has to pay taxes on the taxable income earned. No person is allowed to divert his income to any relatives to reduce tax liability. Clubbing of income means an income of other person is included in the taxpayer's total income while computing income tax payable.
- Many taxpayers in India have attempted to reduce their income tax liability by transferring their incomes and assets to their family members, in such a way that most of the income falls under the taxable amount. The clubbing of income regulations ensures that such practices are curbed

Clubbing Provisions

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Clubbing of income is needed under the following circumstance:

- Investing money in the form of a fixed deposit in children name.
- Earning assets in the name of relatives (wife or child).
- Creating saving bank accounts for dependants.
- Mutual funds for the child.
- Shares in the name of spouse/child.
- Post office savings for family members.

Also, if a taxpayer transfers the ownership of an asset and the income from the asset to a dependant, it will be continued to be added to the taxpayer's income under the clubbing of income provisions.

Example: If a person is purchasing a flat in the name of a family member and the other person let out this flat on rent, the rental income earned by the person in name of the family member is taxable. As per section 64 of Income Tax, the income would be clubbed with person purchasing the flat.

Set Off and Carry Forward of Losses

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Profit and losses are two sides of a coin. Losses, of course, are hard to digest. However, the Income-tax law in India does provide taxpayers some benefits of incurring losses too. The law contains provisions for set-off and carry forward of losses.

Set off of losses

Set off of losses means adjusting the losses against the profit or income of that particular year. Losses that are not set off against income in the same year can be carried forward to the subsequent years for set off against income of those years. A set-off could be an intra-head set-off or an inter-head set-off.

Set Off and Carry Forward of Losses

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Intra-head Set Off

The losses from one source of income can be set off against income from another source under the same head of income.

For eg: Loss from Business A can be set off against profit from Business B, where Business A is one source and Business B is another source and the common head of income is “Business”.

Exceptions to an intra-head set off:

- Losses from a Speculative business will only be set off against the profit of the speculative business. One cannot adjust the losses of speculative business with the income from any other business or profession.
- Loss from an activity of owning and maintaining race-horses will be set off only against the profit from an activity of owning and maintaining race-horses.
- Long-term capital loss will only be adjusted towards long-term capital gains. However, a short-term capital loss can be set off against both long-term capital gains and short-term capital gain.
- Losses from a specified business will be set off only against profit of specified businesses. But the losses from any other businesses or profession can be set off against profits from the specified businesses.

Set Off and Carry Forward of Losses

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Inter-head Set Off

After the intra-head adjustments, the taxpayers can set off remaining losses against income from other heads.

Eg. Loss from house property can be set off against salary income.

Instances of an inter-head set off of losses:

- Loss from House property can be set off against income under any head
- Business loss other than speculative business can be set off against any head of income except income from salary.

One needs to also note that the following losses can't be set off against any other head of income:

- Speculative Business loss
- Specified business loss
- Capital Losses
- Losses from an activity of owning and maintaining race-horses

Set Off and Carry Forward of Losses

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Carry forward of losses

After making the appropriate and permissible intra-head and inter-head adjustments, there could still be unadjusted losses. These unadjusted losses can be carried forward to future years for adjustments against income of these years. The rules as regards carry forward differ slightly for different heads of income

Losses from House Property :

- Can be carry forward up to next 8 assessment years from the assessment year in which the loss was incurred
- Can be adjusted only against Income from house property
- Can be carried forward even if the return of income for the loss year is belatedly filed.

Set Off and Carry Forward of Losses

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Carry forward of losses

After making the appropriate and permissible intra-head and inter-head adjustments, there could still be unadjusted losses. These unadjusted losses can be carried forward to future years for adjustments against income of these years. The rules as regards carry forward differ slightly for different heads of income

Losses from Non-speculative Business (Regular Business) Loss

- Can be carry forward up to next 8 assessment years from the assessment year in which the loss was incurred
- Can be adjusted only against Income from business or profession
- Not necessary to continue the business at the time of set off in future years
- Cannot be carried forward if the return is not filed within the original due date.

Set Off and Carry Forward of Losses

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Carry forward of losses

After making the appropriate and permissible intra-head and inter-head adjustments, there could still be unadjusted losses. These unadjusted losses can be carried forward to future years for adjustments against income of these years. The rules as regards carry forward differ slightly for different heads of income

Speculative Business Loss:

- Can be carry forward up to next 4 assessment years from the assessment year in which the loss was incurred
- Can be adjusted only against Income from speculative business
- Cannot be carried forward if the return is not filed within the original due date.
- Not necessary to continue the business at the time of set off in future years

Set Off and Carry Forward of Losses

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Carry forward of losses

After making the appropriate and permissible intra-head and inter-head adjustments, there could still be unadjusted losses. These unadjusted losses can be carried forward to future years for adjustments against income of these years. The rules as regards carry forward differ slightly for different heads of income

Capital Losses:

- Can be carry forward up to next 8 assessment years from the assessment year in which the loss was incurred
- Long-term capital losses can be adjusted only against long-term capital gains.
- Short-term capital losses can be set off against long-term capital gains as well as short-term capital gains
- Cannot be carried forward if the return is not filed within the original due date

TDS (TAX DEDUCTED AT SOURCE)

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The concept of TDS was introduced with an aim to collect tax from the very source of income. As per this concept, a person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government.

The deductee from whose income tax has been deducted at source would be entitled to get credit of the amount so deducted on the basis of Form 26AS or TDS certificate issued by the deductor.

Rates for deduct of tax at source

Taxes shall be deducted at the rates specified in the relevant provisions of the Act or the First Schedule to the Finance Act.

TDS Rates

TDS (TAX DEDUCTED AT SOURCE)

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How to pay Tax Deducted/Collected at source?

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

- 1) Electronic mode: E-Payment is mandatory for
 - a) All corporate assesses; and
 - b) All assesses (other than company) to whom provisions of section 44AB of the Income Tax Act, 1961 are applicable.
- 2) Physical Mode: By furnishing the Challan 281 in the authorized bank branch

TCS (TAX COLLECTION AT SOURCE)

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Tax Collected at Source (TCS) is a tax payable by a seller which he collects from the buyer at the time of sale of goods. Section 206 of the Income Tax Act mentions the list of goods on which the seller should collect tax from buyers.

Who is a Seller for TCS?

A seller is categorized as any individual or organization authorized under Tax Collected at Source. The following are defined as Sellers –

1. Central Government
2. State Government
3. Statutory Corporation or Authority
4. Local Authority
5. Company
6. Co-operative Society
7. Partnership Firms
8. Any Individual or Hindu Undivided Family (HUF) defined under the Section 44AB, who has gross receipts or total sales that exceed the specified financial restricts based on the previous year

TCS

TCS (TAX COLLECTION AT SOURCE)

68

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Who is a Buyer for TCS?

A buyer is categorised as any individual, who receives the actual goods or the rights of receiving goods at a tender, auction, sale, or other modes. All individuals (except for the below – mentioned list of individuals and organizations) are classified as buyers for TCS –

1. Public Sector Entities
2. Central Government
3. State Government
4. Consulates and any other Trade Representations of a Foreign Nation
5. High Commission Embassies
6. Clubs such as social clubs or sports clubs

TCS (TAX COLLECTION AT SOURCE)

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What Goods & Transactions Covered under TCS Provisions?

The following goods and/or transactions are considered for Tax Collected at Source –

1. Liquors of alcoholic nature including IMFL (Indian Made Foreign Liquor) that are deemed for human consumption
2. Timber wood obtained from a leased forest area
3. Tendu Leaves
4. Timber wood obtained from any mode other than leased
5. Forest produces (other than timber and Tendu leaves)
6. Scrap
7. Parking lot tickets, Toll Plaza, Mining and Quarrying
8. Minerals that include iron ore, lignite or coal
9. Bullion having valuation over Rs. 2 lakh
10. Jewellery whose value exceeds Rs. Five lakhs
11. Motor vehicle purchases over Rs. 10 Lakhs

Advance Tax Administrative Procedures

Advance tax is the amount of income tax that is paid much in advance rather than a lump-sum payment at the year-end. Also known as earn tax, advance tax is to be paid in installments as per the due dates decided by the income tax department.

Why is advance tax important?

Advance tax is the income tax paid in advance for the income earned in a particular financial year. Usually, the tax is to be paid when the income is earned. Still, under the tax provisions of advance tax, the payer has to estimate the income for the entire year. And based on this estimate the tax is paid at specific time intervals. Here it is important that the tax payer estimates the income and then calculates the estimated tax on it to check whether he or she needs to pay the advance tax and how much.

Advance Tax Administrative Procedures

Who should pay advance tax?

As per section 208 of the Income Tax Act 1961, every person whose estimated tax liability for the year is more than or equal to `10,000 is liable to pay advance tax.

Those who are excluded from paying advance tax are senior citizens who are above the age of 60, not having any income from business or profession.

What are the important dates in advance tax?

Advance tax varies with the due dates. The advance tax to be paid by an individual, as well as corporate assesseees, are as follows:

Advance Tax

Sr	Due Date	Advance Tax Payable
1.	On or before 15th June	15%
2.	On or before 15th September	45%
3.	On or before 15th December	75%
4.	On or before 15th March	100%

ICDS (Income Computation and Disclosure Standards):

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Income Computation and Disclosure Standards (ICDS) are guidelines using which taxpayers and the Income Tax Department can calculate the taxable income obtained by an assessee in a financial year.

The ICDS were framed by the Government of India with the objective of inculcating uniformity in accounting policies.

The purpose of the ICDS is to govern the computation of income in accordance with the pertinent tax provisions. ICDS has been framed using Generally Accepted Accounting Principles (GAAPs) with the assistance of the Institute of Chartered Accountants of India (ICAI). It has been in existence from the financial year of 2015-16. In this article, we discuss the various provisions of ICDS.

Features of ICDS

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- ICDS is not meant for maintenance of books of account, but for the computation of income.
- Non-compliance to the standards may place the authority in a position of assessing the income on 'best judgment' basis.
- ICDS doesn't have any criterion of income or turnover.
- Every ICDS, except on securities, provide for transitional provisions to facilitate first-time adoption and consideration of the resultant impact.
- In the event of a conflict between the provisions of the Act and ICDS, the provisions of the Act will be given preference ahead of the latter.
- ICDS does not have prudence as a fundamental assumption except if it is specifically stated so in the respective ICDS. It may lead to earlier recognition of income or gains or later recognition of expenses in comparison with the Accounts formulated under the existing Accounting Standards (AS).
- The Income Tax Act allows the Assessing Officer to conduct an assessment in accordance with Section 144 on the event of a failure to compute income according to ICDS.
- Form 3CD has been revised for making mandatory disclosures in compliance with ICDS.