

TOPIC

Module D

Taxation and Fundamentals of Costing

10-12

10-15

TOPIC

⇒ Income Tax Act 1961
⇒ Income Tax Rule 1962

Article 265(8) ⇒ Govt. can not impose tax unless [Specific law is Passed]

Article 246(1) ⇒ CG have Power to make law on topics of [LIST A] ⇒ [Union List] ⇒ [Entry 82]

Unit -1 Taxation Income Tax/TDS/Deferred Tax

TOPIC

OVERVIEW OF INCOME TAX ACT

Every person who earns or gets an income in India is subject to income tax
income tax in India is governed by the Income Tax Act, 1961 and Income Tax Rules, 1962,

The finance budget, presented every year in the month of February, ⇒ Budget

INCOME TAX SLAB RATES FOR THE FY 2024 - 2025 | AY 2025 - 2026



INCOME TAX SLAB	FOR ALL	OLD TAX REGIME		
		< 60 yrs	60 - 80 YRS	> 80 YRS
Up to ₹2,50,000	NIL	NIL	NIL	NIL
₹2,50,001 - ₹3,00,000	NIL	5%	NIL	NIL
₹3,00,001 - ₹5,00,000	5%	5%	5%	NIL
₹5,00,001 - ₹6,00,000	5%	20%	20%	20%
₹6,00,001 - ₹9,00,000	10%	20%	20%	20%
₹9,00,001 - ₹10,00,000	15%	20%	20%	20%
₹10,00,001 - ₹12,00,000	15%	30%	30%	30%
₹12,00,001 - ₹15,00,000	20%	30%	30%	30%
Above ₹15,00,000	30%	30%	30%	30%

New

- No deduction
- No Rebate
- Low Rate of tax

Old

- Deduction w/s 80
- Rebate
- High Rate of tax

New (Sec 115 BAC)

0-3L 0-1. Indiv.

3-6L 5-1.

6-9L 10-1.

9-12L 15-1.

12-15L 20-1.

15L+ 30-1.

Old

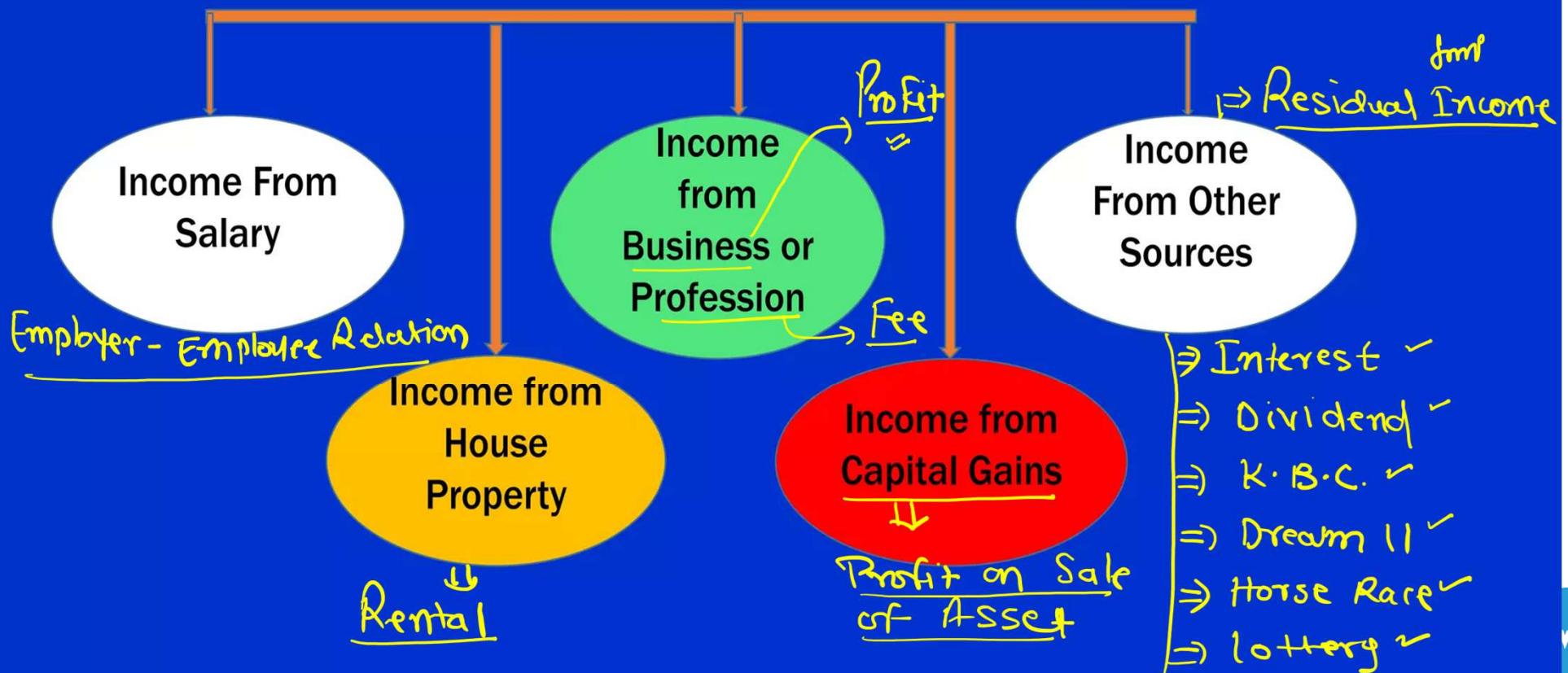
Age	No Tax
< 60	₹2,50,000
60 - 80	₹3,00,000
80 +	₹5,00,000

BRIEF HISTORY OF INCOME TAX

- IN INDEPENDENT INDIA THE INCOME TAX ACT 1922 WAS REPLACED WITH **INCOME TAX ACT 1961** WHICH WAS IMPLEMENTED **WEF. 01 APR 1962** AND IT IS STILL IN FORCE.
- SINCE 1962 SEVERAL AMENDMENTS OF FAR REACHING NATURE HAVE BEEN MADE IN INCOME TAX ACT BY **THE UNION BUDGET** EVERY YEAR.

HEADS OF INCOME

5 Head



IMPORTANT TERMS

- **ASSEESSEE** MEANS A PERSON BY WHOM ANY TAX OR ANY OTHER SUM OF MONEY IS PAYABLE UNDER THIS ACT. IN SIMPLE TERM THE ASSESSEE MEANS **"TAX PAYERS"**

P14
25-26 A14
26-27

- **ASSESSMENT YEAR & PREVIOUS YEAR**:- "Income of P14 taxed in A14."

ASSESSMENT YEAR MEANS THE PERIOD STARTING FROM APRIL 1 AND ENDING ON MARCH 31 OF THE NEXT YEAR AND PREVIOUS YEAR MEANS THE FINANCIAL YEAR IMMEDIATELY BEFORE THE ASSESSMENT YEAR.



IMPORTANT TERMS Cont....,

- ✓ **GROSS TOTAL INCOME** – IT COMPRISSES SUM OF THE INCOME EARNED THROUGH ALL THE FIVE HEADS OF INCOME WITHOUT ANY DEDUCTION. $\text{Sal.} + \text{HP} + \text{BIP} + \text{Cn} + \text{OIS}$ =
$$\frac{\text{Gross Total Income}}{- \text{Deduction u/s 80}}$$
$$\frac{\text{Total Income} \times \text{Tax Rate}}{\text{Tax}}$$
- ✓ **DEDUCTIONS** – THE AMOUNT WHICH IS ALLOWED TO BE DEDUCTED FROM GROSS TOTAL INCOME BEFORE DETERMINING TAX LIABILITY OF AN ASSESSOR SUCH AS CERTAIN SAVINGS, DONATIONS ETC.
- ✓ **TOTAL INCOME** - IT IS GROSS TOTAL INCOME (MINUS) DEDUCTIONS. THIS IS THE NET TAXABLE INCOME OF ASSESSOR.

$\text{Housing loan} \Rightarrow \text{EMI} = \text{Principal} + \text{Interest}$
 $\text{Principal} = \frac{80C}{80E} + \text{Sec. 24}$
 $\text{Educational loan} \Rightarrow \text{EMI} = \text{Principal} + \text{Interest}$
 $\text{Principal} = \frac{80C}{80E}$

MOST IMPORTANT DEDUCTIONS

Section (of IT Act 1961)	Details of Deductions	Maximum Amount
<ul style="list-style-type: none"> ✓ PF ✓ ✓ ESI ✓ ✓ House Loan = Edu. (Principal only) ✓ 80C ↳ LIC ↳ ✓ Tuition fee ✓ ✓ FD > 5Y ✓ ✓ Pension ✓ 	PF SUBSCRIPTION, GIS SUBSCRIPTION, LIC PREMIUM, REFUND OF HOUSE BUILDING LOAN (PRINCIPAL), REFUND OF EDUCATION LOAN (PRINCIPAL), PAYMENT OF TUITION FEE FOR HIGHER EDUCATION, TERM DEPOSIT FOR NOT LESS THAN 5 YEARS IN A SCHEDULED BANK, POST OFFICE 5 YEARS TERM DEPOSIT, CONTRIBUTION TO CERTAIN PENSION FUNDS.	RS.1,50,000/-
✓ 80CCD / NPS	CONTRIBUTION UNDER NEW PENSION SCHEME	<u>RS.50,000/-</u>
✓ 80D Insurance Premium	CGHS/ECHS CONTRIBUTION, EXPENSES ON PREVENTIVE HEALTH CHECK UP, MEDICAL INSURANCE PREMIUM	<u>RS.25000/-</u> Normal <u>RS.50000/- (FOR SENIOR CITIZENS)</u>

IMPORTANT DEDUCTIONS

Section (of IT Act 1961)	Details of Deductions	Maximum Amount
80DD <i>(Disable dependent)</i>	MAINTENANCE & MEDICAL TREATMENT OF PERSON WITH DISABILITY. Sec. 80D = Assessee disable = $\frac{60\% - 80\%}{80\% +} = \frac{75000}{1,25,000}$	RS.75,000/- (UP TO 80% \Rightarrow DISABILITY) RS.1,25,000/- (IN CASE OF SEVERE DISABILITY (<80%) \Rightarrow)
X 80DDB	TREATMENT FOR SPECIFIC DISEASES I.E. CANCER, AIDS, CHRONIC RENAL FAILURE, HAEMOPHILIA, THALASSAEMIA, DEMENTIA, ETC	RS.40,000/- RS.1,00,000/- IN CASE OF SENIOR CITIZEN.
✓ 80E	<u>100% of Int. Up to 8 years</u> PAYMENT OF INTEREST ON EDUCATION LOAN	FULL AMOUNT OF INTEREST TILL REFUND OF LOAN/FOR 8 YEARS WHICH EVER IS EARLIER.
✓ 80EE	PAYMENT OF INTEREST ON HOUSING LOAN AVAILED DURING 01 APR 2016 TO 31 MAR 2017. (LOAN AMOUNT UPTO 35 LAKH)	Sec. 80EE \Rightarrow 2,00,000 X \Rightarrow RS.50,000/-

TOPIC

<u>80GGA</u>	CERTAIN DONATIONS FOR SCIENTIFIC RESEARCH OR RURAL DEVELOPMENT.	<u>100% OF SUM DONATED. (CASH DONATION UP TO RS.10,000 ONLY)</u>
<u>80GGC</u>	CONTRIBUTION TO POLITICAL PARTIES (<u>Individual</u>)	<u>100% OF CONTRIBUTION. (CASH CONTRIBUTION RS.2,000/- ONLY)</u>
✓ <u>80TTA</u>	INTEREST ON SAVING BANK ACCOUNT (FOR INDIVIDUAL BELOW 60 YRS OF AGE)	<u>RS.10,000/-</u>
✓ <u>80TTB</u>	INTEREST ON SAVING BANK ACCOUNT (FOR SENIOR CITIZENS)	<u>RS.50,000/-</u>
✓ <u>80U</u>	PERSON WITH DISABILITY (<u>Assesee</u>) (a) DISABILITY ABOVE <u>40% TO <80%</u> (b) DISABILITY OF <u>80% OR MORE</u>	(a) <u>RS.75,000/-</u> (b) <u>RS.1,25,000/-</u>

80GGB: Contribution to Political Party (Company)

100% deduction (No Cash)

80RRB: Royalty for Patent

upto 3,00,000

80QQB: Royalty for Copyright

upto 3,00,000

SOME USEFUL TIPS

- ITR CAN BE FILED AFTER DUE DATE ASLO PAYING MANDATORY FINE AS TABULATED BELOW.

PERIOD OF FILING ITR	LATE FEE
01 APR TO 31 JUL \Rightarrow 16 Sep. (AY 2023)	NIL ✅
01 AUG TO 31 DEC	RS.5000/- ✅
01 JAN TO 31 MAR (NEXT YEAR) ✅	RS.10,000/- ✅

However, if the total income of a person does not exceed Rs.5 Lakh, the maximum late fee will be Rs.1000/-

At the time of filing ITR after due date, if any Tax is payable, then penal interest @1% of tax per month will be levied from due date till date of filing.

Tax + L.I. per month + late fees

'If tax liability is more than 10000' \Rightarrow Advance tax provision apply \Leftarrow
Adv. Tax = 15 day before Quarter ending.

TDS = 31st day after Q.

TCS = 15 day after Q.

SOME USEFUL TIPS

Advance Tax
e.g.: 100Cr.

- DUE DATE FOR PAYMENT OF **ADVANCE TAX:-**

ON OR BEFORE 15 JUN OF PREVIOUS YEAR A. M. June	UP TO 15% OF TAX PAYABLE $100Cr \times 15\% = [15Cr] \Leftarrow$
ON OR BEFORE 15 SEP OF PREVIOUS YEAR S. A. Sep	UP TO 45% OF TAX PAYABLE $100Cr \times 45\% = [45Cr] - [15Cr] = [30Cr]$
ON OR BEFORE 15 DEC OF PREVIOUS YEAR O. N. Dec.	UP TO 75% OF TAX PAYABLE $100Cr \times 75\% = [75Cr] - [15Cr] - [30Cr] = [30Cr]$
ON OR BEFORE 15 MAR OF PREVIOUS YEAR J. F. MAR	UP TO 100% OF TAX PAYABLE $100Cr - [15Cr] - [30Cr] - [30Cr] = 25Cr \Leftarrow$

TDS deductor

*required to obtain a Tax Deduction Account Number (TAN). 

Tax deducted at Source \Rightarrow

$$\begin{array}{l} S \xrightarrow{2L} B \\ 1.90L \quad 2L - (10,000) = 1.90L \\ \text{TDS} \\ \downarrow \\ \boxed{\text{deposit to Govt.}} \end{array}$$

"Liability of tax of Seller, deducted by buyer and deposited to Govt on Seller's behalf." \Rightarrow TDS

Tax Collected at Source \Rightarrow TCS

"Apply only in Special Cases"
e.g.: Alcohol for human consumption

$$\begin{array}{l} S \xrightarrow{2L \text{ Alcohol}} B \\ 2L + 2000 \text{ TAX} \\ \boxed{\text{TCS}} \Rightarrow \boxed{\text{deposited to Govt by S}} \end{array}$$

Seller to buyer = TCS Certificate

& More

Form 27D

Oliveboard

Nature of Payment	Section	Annual Threshold Limit (₹)	TDS Rates FY 2024-25 (Individual/ HUF) %
Salaries(New & Old Tax Regime) Imp	<u>192</u> Imp	No Limit	Slab Rate v
Premature withdrawal from EPF A/C before 5 Years completion time as the subscriber	192A	₹ 50,000	10
Payment of Interest on Securities by company	193	₹ 10,000	10
Payment of Dividend by a Company Imp	<u>194</u> Imp	₹ 5,000	10 v
Payment of Interest by Bank to Non-Sr. Citizen(below 60 Years of age) Imp	<u>194A</u> Imp	₹ 40,000 v	10 v
Payment of Interest by Bank to Sr. Citizen Imp	<u>194A</u> v	₹ 50,000 v	10 v
Interest other than on Securities(Not covered by Section 193) Imp	<u>194A</u> v	₹ 5,000 v	10 v
Winning from Lotteries by a person Imp	<u>194B</u> v	₹ 10,000 v	30 Imp

TOPIC

Section 206C

Nature of Goods		Rate in %
Alcoholic liquor for human consumption	most hmp	1% ↳
Timber obtained under a forest lease or other mode]	2.5%
Any other forest produce (not being a timber or tendu leaves)]	2.5%
Scrap ↳		1%
Parking Lot, Toll Plaza, Mining and Quarrying		2%
Tendu leaves	hmp	5%
Sale of motor vehicle value exceeding <u>Rs.10 lakhs</u> (wef 01.06.2016)	most hmp	1% ↳
Minerals, being coal or lignite or iron		1%

- **Form 27 D:** The tax collector has to provide a TCS certificate.
- **Section 206 (1H):** Introduced in October 2020 for collecting TCS from the buyers of goods who makes a payment of more than Rs 50 lakhs. (e-invoicing) Tcs@G.T.I.I.
- **206CCA:** Inserted in 2021 for collecting a higher rate of TCS for non-filers of the income tax return in the last two years.

TDS DUE DATE \Rightarrow 31st day from Q. ending

Quarter	Period	Last Date of Filing
1st Quarter	1st April to <u>30th June</u>	<u>31st July 2022</u> ✓
2nd Quarter	1st July to <u>30th September</u> <small>*Revised till 30th Nov 2022 Only for 26Q Form</small>	<u>31st Oct 2022</u> ✓
3rd Quarter	1st October to <u>31st December</u>	<u>31st Jan 2023</u> ✓
4th Quarter	1st January to <u>31st March</u> <u>Imp</u>	<u>31st May 2023</u> ✓

TCS DUE DATE \Rightarrow 15th day from Q. ending

Quarter	Period	Last Date of Filing
1st Quarter	1st April to <u>30th June</u>	<u>15th July 2022</u> ✓
2nd Quarter	1st July to <u>30th September</u>	<u>15th Oct 2022</u> ✓
3rd Quarter	1st October to <u>31st December</u>	<u>15th Jan 2023</u> ✓
4th Quarter	1st January to <u>31st March</u> <u>Imp</u>	<u>15th May 2023</u> ✓

TOPIC

TCS under GST :

$TCS = \text{Quarterly}$
 $TCS(\text{GST}) = \frac{\text{Monthly}}{\text{10th}}$

@ 1% under IGST Act. (0.5% in CGST & 0.5% in SGST) : deposited to the government by 10th

Jan = 10 Feb
Feb = 10 March

CLASSIFICATION OF INCOME TAX PAYERS

Sec. 2

- a. An individual:
- b. A Hindu undivided family:
- c. A Company:
- d. A Firm or LLP:
- e. An association of persons (AOP) or body of individuals (BOI),
- f. A local authority
- g. Artificial Juridical Person (AJP)

TOPIC

INCOMES NOT INCLUDED IN TOTAL INCOME

- ⇒ Agriculture Income ✗
- ⇒ Share in Profit in Partnership firm ✗

rate of 22% ✓
Sec. 115BAA
New Tax Regime
for Company

NEW TAX REGIME

→ Individual ⇒ Slab.

Through the Finance Act 2020, a new section 115BAC has been inserted in the IT Act, wherein an individual gets an option to choose between the existing tax rates and the new concessional tax rates

FILING IT RETURN

It is mandatory to file the income tax returns for residents and NRIs whose gross total income exceeds threshold exempt income for that assessment year

e-Filing of return is mandatory. ✓

paper returns can be filed by those who are above 80 years ⇒ offline

TOPIC**Deferred Tax**

$$\text{Company} = \underline{\underline{50,00,000}} \times \underline{\underline{20\%}} =$$

$\boxed{10,00,000}$
Tax

$$\text{Income Tax} = \underline{\underline{60,00,000}} \times \underline{\underline{20\%}} =$$

$\boxed{12,00,000}$ Tax

Deferred Tax: $\boxed{\text{Difference } \not= 200000}$

Additional tax or
Postpone tax liability

Timing difference

$$\text{Co.} = \underline{\underline{1.1.23}} - \underline{\underline{31.12.23}}$$

$$\text{I.Tax} = \underline{\underline{1.4.23}} - \underline{\underline{31.3.24}}$$

Diff due to timing can be
Adjusted in next year

(Reversible)

Permanent difference

Due to Income claim

Can not be Adjusted



(not Reversible)

TYPES OF ITR FORMS

ITR-1

Resident Individual having total income ≤ 50L From:

- ✓ Income from Salary / Pension.
- ✓ Income from One House Property.
- ✓ Income from Other Sources.
- ✓ Agricultural income up to Rs 5000.

ITR-2

Individual / HUF having total income > 50L From:

- ✓ Everything in ITR-1.
- ✓ Income from > one House Property.
- ✓ Income from capital gain
- ✓ Foreign income/Asset
- ✓ Agriculture income >Rs.5000.
- ✓ Holding unlisted equity shares
- ✓ Holding directorship in a company.

ITR-3

Individual / HUF having Income From:

- ✓ Everything in ITR-2.
- ✓ Income from Business /Profession.
- ✓ Income as a partner from Partnership Firm
- ✓ Speculation Income.
- ✓ Income can exceed 50 Lakh.
- ✓ Individual or HUF who are not eligible to file ITR 1,2 or 4 should file ITR-3.

ITR-4

Individual/HUF/Partnership Firm having:

- ✓ Everything in ITR-1
- ✓ Business income u/s 44AD or 44AE.
- ✓ Professional Income u/s 44ADA.

ITR-5

ITR-5 can be used by the following taxpayers:

- ✓ Firms including LLPs
- ✓ Associations of Persons
- ✓ Local authorities
- ✓ Body of individuals
- ✓ Artificial judicial person

ITR-6

ITR-6 applies to all kind of companies irrespective of its structure other than those who claims Exemption u/s 11.

ITR-7

ITR-7 applies to taxpayers that are required to file tax returns under the following sections:

- ✓ Sections 139(4A)
- ✓ Sections 139(4D)
- ✓ Sections 139(4B)
- ✓ Sections 139(4C)

ITR-V

- ✓ ITR-V is **Income Tax Return Verification Form**.
- ✓ It is a single page document received when ITR is filed online